

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 9, 2017



**NCR CORPORATION**

(Exact name of registrant as specified in its charter)

Commission File Number 001-00395

**Maryland**

(State or other jurisdiction of  
incorporation or organization)

**31-0387920**

(I.R.S. Employer  
Identification No.)

**3097 Satellite Boulevard  
Duluth, Georgia 30096**

(Address of principal executive offices and zip code)

**Registrant's telephone number, including area code: (937) 445-5000**

**N/A**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.02. Results of Operations and Financial Condition.**

On February 9, 2017, the Company issued a press release setting forth its fourth quarter 2016 financial results along with its fiscal year 2017 financial outlook and its first quarter 2017 financial outlook. A copy of the press release is attached hereto as Exhibit 99.1 and hereby incorporated by reference.

**Item 7.01. Regulation FD Disclosure.**

On February 9, 2017, the Company will hold its previously announced conference call to discuss its fourth quarter 2016 results, its fiscal year 2017 financial outlook and its first quarter 2017 financial outlook. A copy of supplementary materials that will be referred to in the conference call, and which were posted to the Company's website, is attached hereto as Exhibit 99.2.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits:

The following exhibits are attached with this current report on Form 8-K:

Exhibit No.	Description
99.1	Press Release issued by the Company, dated February 9, 2017
99.2	Supplemental materials, dated February 9, 2017

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NCR Corporation

By: /s/ Robert Fishman  
Robert Fishman  
Executive Vice President and Chief Financial Officer

Date: February 9, 2017

**Index to Exhibits**

The following exhibits are attached with this current report on Form 8-K:

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release issued by the Company, dated February 9, 2017
99.2	Supplemental materials, dated February 9, 2017



February 9, 2017

## NCR Announces Fourth Quarter and Full Year 2016 Results

**DULUTH, Ga.** - NCR Corporation (NYSE: NCR) reported financial results today for the three months and twelve months ended December 31, 2016. Fourth quarter and full year highlights include:

- **Fourth quarter revenue of \$1.80 billion, up 7% as reported and up 14% excluding FX and the IPS divestiture; Unfavorable FX impact was \$25 million higher than expected**
- **Fourth quarter software revenue up 9%, software license growth of 21% and cloud growth of 10%; Full year net annual contract value for cloud, a leading indicator of future cloud revenue, of \$70 million, up 79% from \$39 million in the prior year**
- **Fourth quarter GAAP diluted EPS of \$0.43, up from \$0.27 in the prior year, an increase of 59%; Fourth quarter non-GAAP diluted EPS of \$1.07, up from \$0.89 in the prior year, an increase of 30% constant currency; Unfavorable FX impact was \$0.07 higher than expected**
- **Full year cash flow from operations of \$894 million, and free cash flow of \$628 million versus free cash flow guidance of \$425 to \$475 million**
- **\$300 million share repurchase planned for 2017; approximately \$70 million completed year-to-date**
- **2017 guidance announced; Revenue growth of 1% to 3% as reported and 5% to 7% excluding FX and the IPS divestiture; GAAP diluted EPS growth of 42% to 49%; Non-GAAP diluted EPS growth of 9% to 12% constant currency; free cash flow conversion rate of 95% to 100%**

“Continued fourth-quarter momentum led to a highly successful 2016 and ability to exceed revenue, earnings, and free cash flow expectations,” said Chairman and CEO Bill Nuti. “We were pleased with our top-line growth in every business, but especially in Software, where revenues continue to expand, particularly for our cloud and software license offerings. Hardware experienced another very strong quarter from ongoing demand for our Self-Checkout and A/ITM edge platforms that deliver channel transformation solutions. Overall, our global omni-channel leadership resulted in strong financial results throughout 2016, and our consistent performance speaks to the value we provide customers as they transform their businesses to effectively compete in the rapidly developing digital economy. We enter 2017 with a focus on maintaining our high level of execution, continuing to enable customer success, and further expanding our omni-channel leadership via investment in innovation. Also, based on our confidence in free cash flow generation, we are pleased to announce our intention to repurchase \$300 million of shares in 2017.”

In this release, we use certain performance metrics as well as certain non-GAAP measures, including presenting certain measures on a constant currency and adjusted constant currency basis. The performance metrics include net annual contract value, and the non-GAAP measures include free cash flow and others with the words “non-GAAP” or “adjusted” in their titles. The performance metrics are listed and described, and the non-GAAP measures are listed, described and reconciled to their most directly comparable GAAP measures, under the heading “Performance Metrics and Non-GAAP Financial Measures” later in this release. Additionally, effective January 1, 2016, NCR began management of its business on a solution basis, changing from the previous model of management on a line of business basis, which resulted in a corresponding change to our reportable segments. Prior results have been recast under the new segment model for comparison purposes.

## Fourth Quarter 2016 Operating Results

### *Revenue*

Fourth quarter revenue of \$1.80 billion was up 7% year-over-year. On an adjusted constant currency basis, fourth quarter revenue was up 14%. Foreign currency fluctuations and the IPS divestiture had an unfavorable impact on the revenue comparison of 1% and 6%, respectively.

The following table shows the revenue by segment for the fourth quarter:

\$ in millions	Fourth Quarter			
	2016	2015	% Change	% Change Adjusted Constant Currency
Software License	\$ 103	\$ 85	21%	22%
Software Maintenance	96	91	5%	6%
Cloud	147	134	10%	9%
Professional Services	156	149	5%	5%
Software Revenue	\$ 502	\$ 459	9%	10%
Services Revenue	\$ 598	\$ 590	1%	3%
ATM	\$ 385	\$ 307	25%	29%
SCO	132	55	140%	140%
POS	177	179	(1%)	(1%)
IPS	8	90	(91%)	(5%)
Hardware Revenue	\$ 702	\$ 631	11%	30%
Total Revenue	\$ 1,802	\$ 1,680	7%	14%

### *Gross Margin*

Fourth quarter gross margin of \$479 million increased 1% from \$476 million. Fourth quarter gross margin (non-GAAP) of \$530 million increased 4% from \$512 million. The increases were primarily due to higher revenue.

### *Expenses*

Fourth quarter operating expenses of \$333 million decreased from \$338 million. Fourth quarter operating expenses (non-GAAP) of \$266 million increased from \$252 million. Operating expenses decreased as a percentage of revenue.

### *Operating Income*

Fourth quarter operating income of \$146 million increased 6% from \$138 million. Fourth quarter operating income (non-GAAP) of \$264 million increased 2% from \$260 million. During the fourth quarter of 2016, we recorded the annual pension mark-to-market adjustment which was \$85 million compared to \$29 million in the prior year.

### *Other (Expense)*

Fourth quarter other (expense) of \$57 million decreased (33)% from \$85 million, primarily due to the \$34 million loss on the sale of the IPS business recorded in the fourth quarter of 2015. Fourth quarter other (expense) (non-GAAP) of \$56 million increased 10% from \$51 million, primarily due to foreign currency losses from a devaluation of the Egyptian pound recorded in the fourth quarter of 2016.

#### *Income Tax Expense*

Fourth quarter income tax expense of \$17 million increased from \$5 million due to a less favorable mix of earnings partially offset by an increase in discrete tax benefits. Fourth quarter income tax expense (non-GAAP) of \$36 million decreased from \$53 million due to an increase in discrete tax benefits.

#### *Net Income from Continuing Operations Attributable to NCR*

Fourth quarter net income from continuing operations attributable to NCR of \$68 million increased from \$48 million. Fourth quarter net income from continuing operations attributable to NCR (non-GAAP) of \$168 million increased from \$156 million.

#### *Cash Flow*

Fourth quarter cash provided by operating activities of \$525 million increased from \$265 million. Free cash flow was \$449 million in the fourth quarter of 2016 as compared to \$184 million in the fourth quarter of 2015. The increases were driven by higher operating income and working capital improvements.

### **Full Year 2016 Operating Results**

Full year 2016 revenue of \$6.54 billion was up 3% from 2015. On an adjusted constant currency basis, full year 2016 revenue was up 7%. Foreign currency fluctuations and the IPS divestiture had an unfavorable impact on the full year revenue comparison of 1% and 3%, respectively.

Full year 2016 GAAP diluted EPS of \$1.80 was up from \$(0.94) in 2015. Full year 2016 diluted EPS (non-GAAP) of \$3.02 was up from \$2.76, or an increase of 15%, on a constant currency basis. Foreign currency fluctuations had an unfavorable impact on the full year diluted EPS comparison of \$0.14.

Full year 2016 cash provided by operating activities of \$894 million increased from \$681 million. Full year 2016 free cash flow was \$628 million in 2016 up from \$409 million. The increases were driven by higher operating income and working capital improvements.

### **Share Repurchase Programs**

During 2017, NCR plans to repurchase approximately \$300 million of its common stock under its previously authorized share repurchase programs. NCR has repurchased shares of its common stock for approximately \$70 million through the date of this release. Any share repurchases will be made by NCR in compliance with, and at such times as permitted by, federal securities laws and may be suspended or discontinued at any time.

### **2017 Outlook**

In 2017, our revenue is expected to be \$6.60 billion to \$6.72 billion, up 1% to 3% as reported and 5% to 7% adjusted constant currency. Our GAAP diluted earnings per share is expected to be \$2.56 to \$2.69, up 42% to 49%, and our non-GAAP diluted earnings per share is expected to be \$3.25 to \$3.35, up 9% to 12% constant currency. Net cash provided by operating activities is expected to be \$805 million to \$830 million and free cash flow is expected to be \$500 million to \$525 million, or approximately 95% to 100% of non-GAAP net income. The 2017 guidance includes expected foreign currency headwinds of \$95 million in revenue and \$0.03 in diluted earnings per share. The 2017 guidance also excludes approximately \$143 million of IPS revenue from 2016.

For the first quarter of 2017, revenue is expected to be \$1.45 billion to \$1.47 billion, GAAP diluted earnings per share is expected to be \$0.17 to \$0.25, and non-GAAP diluted earnings per share is expected to be \$0.43 to \$0.48. The first quarter 2017 guidance includes expected foreign currency headwinds of \$17 million in revenue and \$0.03 in diluted earnings per share.

NCR will provide additional information regarding its 2017 guidance during its fourth quarter earnings conference call and webcast.

### **2016 Fourth Quarter Earnings Conference Call**

A conference call is scheduled for today at 4:30 p.m. (EDT) to discuss the fourth quarter 2016 results and guidance for first quarter and full-year 2017. Access to the conference call and accompanying slides, as well as a replay of the call, are available on NCR's web site at <http://investor.ncr.com/>. Additionally, the live call can be accessed by dialing 888-820-9413 and entering the participant passcode 5508697.

More information on NCR's Q4 2016 earnings, including additional financial information and analysis, is available on NCR's Investor Relations website at <http://investor.ncr.com/>.

### **About NCR Corporation**

NCR Corporation (NYSE: NCR) is the global leader in omni-channel solutions, turning everyday interactions with businesses into exceptional experiences. With its software, hardware, and portfolio of services, NCR enables nearly 550 million transactions daily across the financial, retail, hospitality, travel, telecom and technology industries. NCR solutions run the everyday transactions that make your life easier.

NCR is headquartered in Duluth, Georgia with over 32,000 employees and does business in 180 countries. NCR is a trademark of NCR Corporation in the United States and other countries. NCR encourages investors to visit its web site which is updated regularly with financial and other important information about NCR.

Web site: [www.ncr.com](http://www.ncr.com)

Twitter: @NCRCorporation

Facebook: [www.facebook.com/ncrcorp](http://www.facebook.com/ncrcorp)

LinkedIn: <http://linkd.in/ncrgroup>

YouTube: [www.youtube.com/user/ncrcorporation](http://www.youtube.com/user/ncrcorporation)

### **News Media Contact**

Scott Sykes

NCR Corporation

212.589.8428

[scott.sykes@ncr.com](mailto:scott.sykes@ncr.com)

### **Investor Contact**

Michael Nelson

NCR Corporation

678.808.6995

[michael.nelson@ncr.com](mailto:michael.nelson@ncr.com)

**Note to Investors** This release contains forward-looking statements. Forward-looking statements use words such as “expect,” “anticipate,” “outlook,” “intend,” “plan” “believe,” “will,” “should,” “would,” “could” and words of similar meaning. Statements that describe or relate to NCR’s plans, goals, intentions, strategies or financial outlook, and statements that do not relate to historical or current fact, are examples of forward-looking statements. The forward-looking statements in this release include statements about NCR’s future cloud revenue and indicators of future cloud revenue; NCR’s plans for additional share repurchases in 2017; continued expansion of Software revenue, including for cloud and software license offerings; NCR’s momentum entering 2017 and NCR’s areas of strategic focus for 2017; and NCR’s full-year and first quarter financial guidance and outlook (including the section entitled “2017 Outlook”) and the expected type and magnitude of the non-operational adjustments included in any forward-looking non-GAAP measures. Forward-looking statements are based on our current beliefs, expectations and assumptions, which may not prove to be accurate, and involve a number of known and unknown risks and uncertainties, many of which are out of NCR’s control. Forward-looking statements are not guarantees of future performance, and there are a number of important factors that could cause actual outcomes and results to differ materially from the results contemplated by such forward-looking statements, including those factors relating to: domestic and global economic and credit conditions including, in particular, those resulting from uncertainty in the Chinese economy, economic sanctions against Russia, the determination by Britain to exit the European Union and further potential changes in Eurozone participation, the potential for changes to global or regional trade agreements or the imposition of protectionist trade policies, and the imposition of import or export tariffs or border adjustments; the impact of our indebtedness and its terms on our financial and operating activities; the impact of the terms of our strategic relationship with Blackstone and our Series A Convertible Preferred Stock; the transformation of our business model and our ability to sell higher-margin software and services; the possibility of disruptions in or problems with our data center hosting facilities; cybersecurity risks and compliance with data privacy and protection requirements; foreign currency fluctuations; our ability to successfully introduce new solutions and compete in the information technology industry; our ability to improve execution in our sales and services organizations; defects or errors in our products; manufacturing disruptions; collectability difficulties in subcontracting relationships in Emerging Industries; the historical seasonality of our sales; the availability and success of acquisitions, divestitures and alliances, including the divestiture of our Interactive Printer Solutions business; our pension strategy and underfunded pension obligation; the success of our restructuring plans and cost reduction initiatives; tax rates; reliance on third party suppliers; development and protection of intellectual property; workforce turnover and the ability to attract and retain skilled employees; environmental exposures from our historical and ongoing manufacturing activities; and uncertainties with regard to regulations, lawsuits, claims and other matters across various jurisdictions. Additional information concerning these and other factors can be found in the Company’s filings with the U.S. Securities and Exchange Commission, including the Company’s most recent annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. Any forward-looking statement speaks only as of the date on which it is made. The Company does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### **Performance Metrics and Non-GAAP Financial Measures**

*Performance Metrics.* The term “net annual contract value” or “net ACV” for any particular period means NCR’s net bookings for cloud revenue during the period, and is calculated as twelve months of expected subscription revenues under new cloud contracts during such period less twelve months of subscription revenues under cloud contracts that expired or were terminated during such period.

*Non-GAAP Financial Measures.* While NCR reports its results in accordance with Generally Accepted Accounting Principles in the United States, or GAAP, in this release NCR also uses the non-GAAP measures listed and described below.

*Diluted EPS (non-GAAP), Gross Margin (non-GAAP), Operating Expenses (non-GAAP), Operating Income (non-GAAP), Other (Expense) (non-GAAP), Income Tax Expense (non-GAAP), and Net Income Attributable to Continuing Operations (non-GAAP).* NCR’s diluted earnings per share (non-GAAP), gross margin (non-GAAP), operating expenses (non-GAAP), operating income (non-GAAP), other (expense) (non-GAAP), income tax expense (non-GAAP), and net income attributable to continuing operations (non-GAAP) are determined by excluding pension mark-to-market adjustments, pension settlements, pension curtailments and pension special termination benefits and other special items, including amortization of acquisition related intangibles, from NCR’s GAAP earnings per share, gross margin, expenses, income (loss) from operations, other (expense), income tax expense and net income attributable to continuing operations, respectively.

Due to the non-operational nature of these pension and other special items, NCR’s management uses these non-GAAP measures to evaluate year-over-year operating performance. NCR also uses operating income (non-GAAP) and diluted EPS (non-GAAP), to manage and determine the effectiveness of its business managers and as a basis for incentive compensation. NCR believes these measures are useful for investors because they provide a more complete understanding of NCR’s underlying operational performance, as well as consistency and comparability with NCR’s past reports of financial results.

*Free Cash Flow and Free Cash Flow Conversion Rate.* NCR defines free cash flow as net cash provided by/used in operating activities and cash flow provided by/used in discontinued operations less capital expenditures for property, plant and equipment, additions to capitalized software, discretionary pension contributions and pension settlements. NCR’s management uses free cash flow to assess the financial performance of the Company and believes it is useful for investors because it relates the operating cash flow of the

Company to the capital that is spent to continue and improve business operations. In particular, free cash flow indicates the amount of cash generated after capital expenditures which can be used for, among other things, investment in the Company's existing businesses, strategic acquisitions, strengthening the Company's balance sheet, repurchase of Company stock and repayment of the Company's debt obligations. Free cash flow does not represent the residual cash flow available for discretionary expenditures since there may be other nondiscretionary expenditures that are not deducted from the measure. NCR also describes the measure free cash flow conversion rate, which is calculated as free cash flow divided by non-GAAP net income. NCR's management targets an annual free cash flow conversion rate at or above the range described in this release because management believes that a conversion rate at or above that range represents the efficient conversion of non-GAAP net income to free cash flow for its business. Free cash flow and free cash flow conversion do not have uniform definitions under GAAP and, therefore, NCR's definitions may differ from other companies' definitions of these measures.

*Constant Currency, IPS Divestiture and Adjusted Constant Currency.* NCR presents certain financial measures, such as period-over-period revenue growth, on a constant currency basis, which excludes the effects of foreign currency translation by translating prior period results at current period monthly average exchange rates. Due to the overall variability of foreign exchange rates from period to period, NCR's management uses constant currency measures to evaluate period-over-period operating performance on a more consistent and comparable basis. NCR also presents certain financial measures on an adjusted constant currency basis, which excludes both the effects of foreign currency translation, as described above, and the results of NCR's Interactive Printer Solutions (IPS) business for the comparable prior period after completion of the sale of the business (which results were previously included in NCR's Hardware segment). NCR completed the sale of all but the Middle East and Africa assets of its Interactive Printer Solutions (IPS) division to Atlas Holdings LLC on May 27, 2016. NCR's management believes that presentation of financial measures without these results is more representative of the company's period-over-period operating performance, and provides additional insight into historical and/or future performance, which may be helpful for investors.

NCR's definitions and calculations of these non-GAAP measures may differ from similarly-titled measures reported by other companies and cannot, therefore, be compared with similarly-titled measures of other companies. These non-GAAP measures should not be considered as substitutes for, or superior to, results determined in accordance with GAAP. These non-GAAP measures are reconciled to their most directly comparable GAAP measures in the tables below or, in the case of quarterly free cash flow, in the body of this release.

#### Reconciliation of Gross Margin (GAAP) to Gross Margin (non-GAAP)

\$ in millions	Q4 2016	Q4 2015
<b>Gross Margin (GAAP)</b>	<b>\$ 479</b>	<b>\$ 476</b>
Restructuring/Transformation Costs	—	9
Acquisition-related amortization of intangibles	13	16
Pension mark-to-market adjustments	38	11
<b>Operating Gross Margin (Non-GAAP)</b>	<b>\$ 530</b>	<b>\$ 512</b>

#### Reconciliation of Operating Expenses (GAAP) to Operating Expenses (non-GAAP)

\$ in millions	Q4 2016	Q4 2015
<b>Operating Expenses (GAAP)</b>	<b>\$ 333</b>	<b>\$ 338</b>
Restructuring/Transformation Costs	(3)	(29)
Acquisition-related amortization of intangibles	(15)	(15)
Acquisition-related costs	(2)	(4)
Loss on terminated contract receivable	—	(20)
Pension mark-to-market adjustments	(47)	(18)
<b>Operating Expenses (Non-GAAP)</b>	<b>\$ 266</b>	<b>\$ 252</b>

**Reconciliation of Income from Operations (GAAP) to Operating Income (non-GAAP)**

\$ in millions	Q4 2016	Q4 2015
<b>Income from Operations (GAAP)</b>	\$ 146	\$ 138
Restructuring/Transformation Costs	3	38
Acquisition-related costs	2	4
Acquisition-related amortization of intangibles	28	31
Loss on terminated contract receivable	—	20
Pension mark-to-market adjustments	85	29
<b>Operating Income (Non-GAAP)</b>	<b>\$ 264</b>	<b>\$ 260</b>

**Reconciliation of Other (Expense) (GAAP) to Other (Expense) (non-GAAP)**

\$ in millions	Q4 2016	Q4 2015
<b>Other (Expense) (GAAP)</b>	\$ (57)	\$ (85)
Divestiture and liquidation losses	1	34
<b>Other (Expense) (Non-GAAP)</b>	<b>\$ (56)</b>	<b>\$ (51)</b>

**Reconciliation of Income Tax Expense (GAAP) to Income Tax Expense (non-GAAP)**

\$ in millions	Q4 2016	Q4 2015
<b>Income Tax Expense (GAAP)</b>	\$ 17	\$ 5
Restructuring/Transformation Costs	2	14
Acquisition-related costs	—	1
Acquisition-related amortization of intangibles	9	10
Loss on terminated contract receivable	—	7
Divestiture and liquidation losses	1	5
Pension mark-to-market adjustments	7	11
<b>Income Tax Expense (Non-GAAP)</b>	<b>\$ 36</b>	<b>\$ 53</b>

**Reconciliation of Net Income from Continuing Operations Attributable to NCR (GAAP) to Net Income from Continuing Operations Attributable to NCR (non-GAAP)**

\$ in millions	Q4 2016	Q4 2015
<b>Net Income from Continuing Operations Attributable to NCR (GAAP)</b>	\$ 68	\$ 48
Restructuring/Transformation Costs	1	24
Acquisition-related costs	2	3
Acquisition-related amortization of intangibles	19	21
Divestiture and liquidation losses	—	29
Loss on terminated contract receivable	—	13
Pension mark-to-market adjustments	78	18
<b>Net Income from Continuing Operations Attributable to NCR (Non-GAAP)</b>	<b>\$ 168</b>	<b>\$ 156</b>

**Reconciliation of Diluted Earnings Per Share (GAAP) to Non-GAAP Diluted Earnings Per Share (non-GAAP)**

	Q4 2016 Actual	Q4 2015 Actual	2016 Actual	2015 Actual	Q1 2017 Guidance (2)	2017 Guidance (2)
<b>Diluted Earnings Per Share (GAAP) (1)</b>	\$ 0.43	\$ 0.27	\$ 1.80	\$ (0.94)	\$0.17 - \$0.25	\$2.56 - \$2.69
Restructuring/Transformation Costs	0.01	0.14	0.13	0.29	\$0.10 - \$0.13	\$0.15 - \$0.18
Acquisition-related amortization of intangibles	0.12	0.12	0.53	0.49	0.12	0.48
Acquisition-related costs	0.01	0.02	0.03	0.05	0.01	0.03
Loss on terminated contract receivable	—	0.07	—	0.08	—	—
Divestiture and liquidation losses	—	0.17	0.03	0.17	—	—
Pension mark-to-market adjustments	0.50	0.10	0.50	2.58	—	—
<b>Diluted Earnings Per Share (non-GAAP) (1)</b>	\$ 1.07	\$ 0.89	\$ 3.02	\$ 2.76	\$0.43 - \$0.48	\$3.25 - \$3.35

(1) GAAP and non-GAAP diluted EPS are determined using the most dilutive measure, either including the impact of dividends on the Company's Series A Convertible Preferred Stock in the calculation of net income or loss available to common stockholders or including the impact of the conversion of the Series A Convertible Preferred Stock into common stock in the calculation of the weighted average diluted shares outstanding. Therefore, GAAP diluted EPS and non-GAAP diluted EPS may be calculated using different methods, and may not mathematically reconcile.

(2) Except for the adjustments noted herein, this guidance does not include the effects of any future acquisitions/divestitures, restructuring activities, pension mark-to-market adjustments, taxes or other events, which are difficult to predict and which may or may not be significant. The diluted earnings per share (GAAP) guidance has been updated to include the expected impact of divestitures and liquidation losses.

**Reconciliation of Net Cash Provided by Operating Activities (GAAP) to Free Cash Flow (non-GAAP)**

\$ in millions	Q4 2016 Actual	Q4 2015 Actual	2016 Actual	2015 Actual	2017 Guidance
<b>Net cash provided by operating activities</b>	\$ 525	\$ 265	\$ 894	\$ 681	\$805 - \$830
Total capital expenditures	(67)	(65)	(227)	(229)	(285)*
Net cash used in discontinued operations	(9)	(16)	(39)	(43)	(20)
<b>Free cash flow</b>	\$ 449	\$ 184	\$ 628	\$ 409	\$500 - \$525

\* Note: The total capital expenditures of \$285 million in 2017 includes \$70 million related to the new world headquarters in Atlanta, Georgia. This \$70 million is offset by \$45 million of expected reimbursements by the lessor included in net cash provided by operating activities.

**Reconciliation of Revenue Growth % (GAAP) to Revenue Growth Adjusted Constant Currency % (non-GAAP)**

Three months ended December 31, 2016

	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Divestiture impact	Revenue Growth Adjusted Constant Currency % (non-GAAP)
Software License	21%	(1)%	—%	22%
Software Maintenance	5%	(1)%	—%	6%
Cloud	10%	1%	—%	9%
Professional Services	5%	—%	—%	5%
Software	9%	(1)%	—%	10%
Services	1%	(2)%	—%	3%
ATMs	25%	(4)%	—%	29%
SCO	140%	—%	—%	140%
POS	(1)%	—%	—%	(1)%
IPS	(91)%	—%	(86)%	(5)%
Hardware	11%	(2)%	(17)%	30%
Total Revenue	7%	(1)%	(6)%	14%



**NCR CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(in millions, except per share amounts)

Schedule A

	For the Periods Ended December 31			
	Three Months		Twelve Months	
	2016	2015	2016	2015
<b>Revenue</b>				
Products	\$ 805	\$ 716	\$ 2,737	\$ 2,711
Services	997	964	3,806	3,662
<b>Total Revenue</b>	<b>1,802</b>	<b>1,680</b>	<b>6,543</b>	<b>6,373</b>
Cost of products	615	533	2,102	2,072
Cost of services	708	671	2,659	2,832
<b>Total gross margin</b>	<b>479</b>	<b>476</b>	<b>1,782</b>	<b>1,469</b>
% of Revenue	26.6%	28.3%	27.2%	23.1 %
Selling, general and administrative expenses	248	254	926	1,042
Research and development expenses	83	55	242	230
Restructuring-related charges	2	29	15	62
<b>Income (loss) from operations</b>	<b>146</b>	<b>138</b>	<b>599</b>	<b>135</b>
% of Revenue	8.1%	8.2%	9.2%	2.1 %
Interest expense	(40)	(42)	(170)	(173)
Other (expense), net	(17)	(43)	(50)	(57)
Total other (expense), net	(57)	(85)	(220)	(230)
<b>Income (loss) before income taxes and discontinued operations</b>	<b>89</b>	<b>53</b>	<b>379</b>	<b>(95)</b>
% of Revenue	4.9%	3.2%	5.8%	(1.5)%
Income tax expense	17	5	92	55
<b>Income (loss) from continuing operations</b>	<b>72</b>	<b>48</b>	<b>287</b>	<b>(150)</b>
Loss from discontinued operations, net of tax	(11)	(20)	(13)	(24)
<b>Net income (loss)</b>	<b>61</b>	<b>28</b>	<b>274</b>	<b>(174)</b>
Net income attributable to noncontrolling interests	4	—	4	4
<b>Net income (loss) attributable to NCR</b>	<b>\$ 57</b>	<b>\$ 28</b>	<b>\$ 270</b>	<b>\$ (178)</b>
<b>Amounts attributable to NCR common stockholders:</b>				
Income (loss) from continuing operations	\$ 68	\$ 48	\$ 283	\$ (154)
Dividends on convertible preferred stock	(12)	(4)	(49)	(4)
Net income (loss) from continuing operations attributable to NCR common stockholders	56	44	234	(158)
Loss from discontinued operations, net of tax	(11)	(20)	(13)	(24)
Net income (loss) attributable to NCR common stockholders	\$ 45	\$ 24	\$ 221	\$ (182)
<b>Net income (loss) per share attributable to NCR common stockholders:</b>				
<b>Net income (loss) per common share from continuing operations</b>				
Basic	\$ 0.45	\$ 0.27	\$ 1.86	\$ (0.94)
Diluted	\$ 0.43	\$ 0.27	\$ 1.80	\$ (0.94)
<b>Net income (loss) per common share</b>				
Basic	\$ 0.36	\$ 0.15	\$ 1.76	\$ (1.09)
Diluted	\$ 0.35	\$ 0.15	\$ 1.71	\$ (1.09)
<b>Weighted average common shares outstanding</b>				
Basic	124.5	162.1	125.6	167.6
Diluted (continuing operations)	157.4	164.6	157.4	167.6
Diluted (net income)	128.6	164.6	129.2	167.6

<sup>(1)</sup> Diluted EPS is determined using the most dilutive measure, either including the impact of the dividends on NCR's Series A Convertible Preferred Shares in the calculation of net income or loss per common share from continuing operations and net income or loss per common share or including the impact of the conversion of such preferred stock into common stock in the calculation of the weighted average diluted shares outstanding.



**NCR CORPORATION**  
**REVENUE AND OPERATING INCOME SUMMARY**  
(Unaudited)  
(in millions)

Schedule B

	For the Periods Ended December 31							
	Three Months				Twelve Months			
	2016	2015	% Change	% Change Adjusted Constant Currency	2016	2015	% Change	% Change Adjusted Constant Currency
<b>Revenue by segment</b>								
Software	\$ 502	\$ 459	9%	10%	\$ 1,841	\$ 1,747	5%	6%
<i>Software Gross Margin Rate</i>	53.8%	53.2%			51.8%	51.9%		
Services	598	590	1%	3%	2,306	2,218	4%	6%
<i>Services Gross Margin Rate</i>	22.2%	22.7%			21.6%	21.8%		
Hardware	702	631	11%	30%	2,396	2,408	—%	9%
<i>Hardware Gross Margin Rate</i>	18.1%	21.2%			18.0%	19.4%		
<b>Total Revenue</b>	<b>\$ 1,802</b>	<b>\$ 1,680</b>	<b>7%</b>	<b>14%</b>	<b>\$ 6,543</b>	<b>\$ 6,373</b>	<b>3%</b>	<b>7%</b>
<i>Gross Margin Rate</i>	29.4%	30.5%			28.8%	29.1%		
<b>Operating income by segment</b>								
Software	\$ 172	\$ 157			\$ 577	\$ 539		
<i>% of Revenue</i>	34.3%	34.2%			31.3%	30.9%		
Services	62	61			201	194		
<i>% of Revenue</i>	10.4%	10.3%			8.7%	8.7%		
Hardware	30	42			62	87		
<i>% of Revenue</i>	4.3%	6.7%			2.6%	3.6%		
<b>Subtotal-segment operating income</b>	<b>\$ 264</b>	<b>\$ 260</b>			<b>\$ 840</b>	<b>\$ 820</b>		
<i>% of Revenue</i>	14.7%	15.5%			12.8%	12.9%		
Other adjustments <sup>(1)</sup>	118	122			241	685		
<b>Total income (loss) from operations</b>	<b>\$ 146</b>	<b>\$ 138</b>			<b>\$ 599</b>	<b>\$ 135</b>		

<sup>(1)</sup> The following table presents the other adjustments for NCR:

In millions	For the Periods Ended December 31			
	Three Months		Twelve Months	
	2016	2015	2016	2015
Restructuring / transformation costs	\$ 3	\$ 38	\$ 26	\$ 74
Acquisition-related amortization of intangible assets	28	31	123	125
Acquisition-related costs	2	4	7	11
OFAC and FCPA investigations	—	—	—	1
Loss on terminated contract receivable	—	20	—	20
Pension mark-to-market adjustments	85	29	85	454
<b>Total other adjustments</b>	<b>\$ 118</b>	<b>\$ 122</b>	<b>\$ 241</b>	<b>\$ 685</b>



**NCR CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**  
**(in millions, except per share amounts)**

Schedule C

	December 31, 2016	September 30, 2016	December 31, 2015
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 498	\$ 318	\$ 328
Accounts receivable, net	1,282	1,387	1,251
Inventories	699	776	643
Other current assets	278	270	327
<b>Total current assets</b>	<b>2,757</b>	<b>2,751</b>	<b>2,549</b>
Property, plant and equipment, net	287	289	322
Goodwill	2,727	2,737	2,733
Intangibles, net	672	704	798
Prepaid pension cost	94	132	130
Deferred income taxes	575	546	582
Other assets	561	552	521
<b>Total assets</b>	<b>\$ 7,673</b>	<b>\$ 7,711</b>	<b>\$ 7,635</b>
<b>Liabilities and stockholders' equity</b>			
Current liabilities			
Short-term borrowings	\$ 50	\$ 256	\$ 13
Accounts payable	781	718	657
Payroll and benefits liabilities	234	212	189
Deferred service revenue and customer deposits	468	471	476
Other current liabilities	432	345	446
<b>Total current liabilities</b>	<b>1,965</b>	<b>2,002</b>	<b>1,781</b>
Long-term debt	3,001	3,033	3,239
Pension and indemnity plan liabilities	739	709	696
Postretirement and postemployment benefits liabilities	127	127	133
Income tax accruals	142	169	167
Other liabilities	138	151	79
<b>Total liabilities</b>	<b>6,112</b>	<b>6,191</b>	<b>6,095</b>
Redeemable noncontrolling interests	15	10	16
Series A convertible preferred stock: par value \$0.01 per share, 3.0 shares authorized, 0.9 shares issued and outstanding as of December 31, 2016 and September 30, 2016 and 0.8 shares issued and outstanding as of December 31, 2015	847	835	798
<b>Stockholders' equity</b>			
NCR stockholders' equity:			
Preferred stock: par value \$0.01 per share, 100.0 shares authorized, no shares issued and outstanding as of December 31, 2016, September 30, 2016 and December 31, 2015, respectively	—	—	—
Common stock: par value \$0.01 per share, 500.0 shares authorized, 124.6, 124.0 and 133.0 shares issued and outstanding as of December 31, 2016, September 30, 2016, and December 31, 2015, respectively	1	1	1
Paid-in capital	32	21	—
Retained earnings	867	822	869
Accumulated other comprehensive loss	(205)	(172)	(150)
<b>Total NCR stockholders' equity</b>	<b>695</b>	<b>672</b>	<b>720</b>
Noncontrolling interests in subsidiaries	4	3	6
<b>Total stockholders' equity</b>	<b>699</b>	<b>675</b>	<b>726</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 7,673</b>	<b>\$ 7,711</b>	<b>\$ 7,635</b>

**NCR CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(in millions)

**Schedule D**

	For the Periods Ended December 31			
	Three Months		Twelve Months	
	2016	2015	2016	2015
<b>Operating activities</b>				
Net income (loss)	61	\$ 28	\$ 274	\$ (174)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Loss from discontinued operations	11	20	13	24
Depreciation and amortization	85	79	344	308
Stock-based compensation expense	16	10	61	42
Deferred income taxes	(29)	(2)	10	24
Gain on sale of property, plant and equipment and other assets	—	(1)	—	(2)
Loss on divestiture	1	—	2	—
Impairment of long-lived and other assets	—	47	2	63
Changes in assets and liabilities:				
Receivables	49	108	(89)	28
Inventories	42	40	(86)	(46)
Current payables and accrued expenses	148	(9)	216	8
Deferred service revenue and customer deposits	10	(53)	88	19
Employee benefit plans	71	17	33	384
Other assets and liabilities	60	(19)	26	3
<b>Net cash provided by operating activities</b>	<b>525</b>	<b>265</b>	<b>894</b>	<b>681</b>
<b>Investing activities</b>				
Expenditures for property, plant and equipment	(28)	(32)	(73)	(79)
Proceeds from sales of property, plant and equipment	—	19	—	19
Additions to capitalized software	(39)	(33)	(154)	(150)
Proceeds from divestiture	—	—	47	—
Other investing activities, net	(1)	1	(9)	1
<b>Net cash used in investing activities</b>	<b>(68)</b>	<b>(45)</b>	<b>(189)</b>	<b>(209)</b>
<b>Financing activities</b>				
Short term borrowings, net	(6)	8	(8)	8
Payments on term credit facilities	(13)	(71)	(97)	(383)
Payments on revolving credit facilities	(695)	(717)	(1,431)	(1,694)
Borrowings on revolving credit facilities	475	817	1,331	1,698
Debt issuance costs	(1)	—	(9)	—
Series A preferred stock issuance, net of issuance costs of \$0 million, \$26 million, \$0 million, and \$26 million, respectively	—	794	—	794
Tender offer share repurchase, including repurchase costs of \$0 million, \$5 million, \$0 million, and \$5 million, respectively	—	(1,005)	—	(1,005)
Repurchases of Company common stock	—	—	(250)	—
Proceeds from employee stock plans	5	3	15	15
Tax withholding payments on behalf of employees	(9)	(6)	(16)	(16)
Other financing activities	—	—	(2)	—
<b>Net cash used in financing activities</b>	<b>(244)</b>	<b>(177)</b>	<b>(467)</b>	<b>(583)</b>
<b>Cash flows from discontinued operations</b>				
Net cash used in discontinued operations	(9)	(16)	(39)	(43)
Effect of exchange rate changes on cash and cash equivalents	(24)	(2)	(29)	(29)
<b>Decrease in cash and cash equivalents</b>	<b>180</b>	<b>25</b>	<b>170</b>	<b>(183)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>318</b>	<b>303</b>	<b>328</b>	<b>511</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 498</b>	<b>\$ 328</b>	<b>\$ 498</b>	<b>\$ 328</b>



# Q4 2016 EARNINGS CONFERENCE CALL

BILL NUTI, CHAIRMAN & CEO  
MARK BENJAMIN, PRESIDENT & COO  
BOB FISHMAN, CFO

February 9, 2017

# NOTES TO INVESTORS

**FORWARD-LOOKING STATEMENTS.** Comments made during this conference call and in these materials contain forward-looking statements. Statements that describe or relate to NCR's plans, goals, intentions, strategies or financial outlook, and statements that do not relate to historical or current fact, are examples of forward-looking statements. The forward-looking statements in these materials include statements about NCR's omni-channel market momentum in orders and backlog at the start of 2017 and their effect on NCR's future results; NCR's plans for additional share repurchases in 2017; expected areas of focus for NCR's Services segment in 2017; hardware revenue growth and its effects on the non-operational adjustments included in any forward-looking non-GAAP measures; NCR's vision and strategy and its alignment with major trends and customer activity; NCR's backlog and key metrics and their expected impact on NCR's 2017 financial success; NCR's 2017 momentum and the contribution of NCR's sales funnel, orders and revenue growth to that momentum; expectations for margin expansion and the drivers of margin expansion; and the expected drivers of NCR's growth for the next decade. Forward-looking statements are not guarantees of future performance, and there are a number of important factors that could cause actual outcomes and results to differ materially from the results contemplated by such forward-looking statements, including those factors listed in Item 1a "Risk Factors" of NCR's Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 26, 2016, and those factors detailed from time to time in NCR's other SEC reports. These materials are dated February 9, 2017, and NCR does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**NON-GAAP MEASURES.** While NCR reports its results in accordance with generally accepted accounting principles in the United States (GAAP), comments made during this conference call and these materials will include or make reference to the following "non-GAAP" measures: selected measures, such as period-over-period revenue growth, expressed on a constant currency basis and adjusted constant currency basis, diluted earnings per share (non-GAAP), free cash flow conversion rate, free cash flow (FCF), gross margin rate (non-GAAP), gross margin (non-GAAP), operating income (non-GAAP), interest and other expense (non-GAAP), income tax rate (non-GAAP), net income (non-GAAP), adjusted EBITDA, net debt, operating expenses (non-GAAP), and income tax expense (non-GAAP). These measures are included to provide additional useful information regarding NCR's financial results, and are not a substitute for their comparable GAAP measures. Explanations of these non-GAAP measures, and reconciliations of these non-GAAP measures to their directly comparable GAAP measures, are included in the accompanying "Supplementary & Non-GAAP Materials" and are available on the Investor Relations page of NCR's website at [www.ncr.com](http://www.ncr.com). Descriptions of many of these non-GAAP measures are also included in NCR's SEC reports.

**USE OF CERTAIN TERMS.** As used in these materials, (i) the term "recurring revenue" means the sum of cloud, hardware maintenance and software maintenance revenue, (ii) The term "net annual contract value" or "net ACV" for any particular period means NCR's net bookings for cloud revenue during the period, and is calculated as twelve months of expected subscription revenues under new cloud contracts during such period less twelve months of subscription revenues under cloud contracts that expired or were terminated during such period, and (iii) the term "CC" means constant currency.



These presentation materials and the associated remarks made during this conference call are integrally related and are intended to be presented and understood together.

# OVERVIEW

Q4 revenue, earnings and cash flows **EXCEED** expectations

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Significant **SOFTWARE** growth of 10%,  
including **CLOUD** growth of 9%

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Omni-Channel market **MOMENTUM** in orders and backlog  
driving **FAST START** in 2017

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\$300 million **SHARE REPURCHASE** planned for 2017

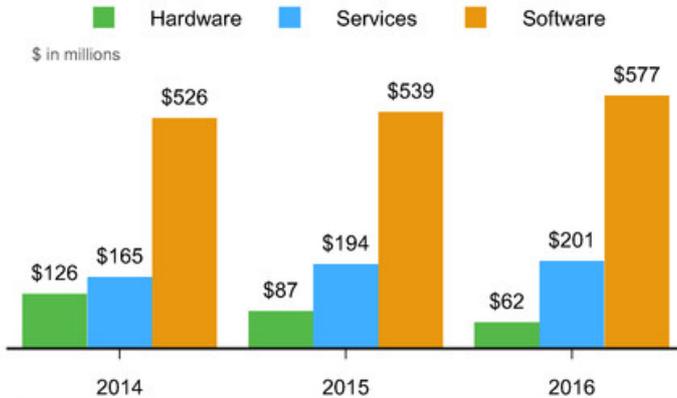
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**2017 GUIDANCE** Revenue growth of 5%-7%; Non-GAAP  
EPS growth of 9%-12%; Free cash flow conversion  
rate of 95%-100%



# STRATEGIC MIX SHIFT DRIVING GROWTH

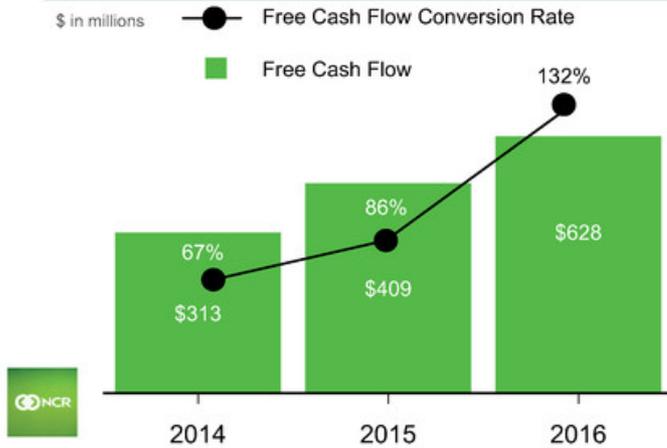
## Favorable Operating Income Mix



## Software Driving Profitable Growth

- Software Operating Income represents 69% of total Operating Income
- Software Operating Income Margin expanded 140 bps over the past 2 years to 31.3%
- Software Operating Income increased 5% 2-year CAGR and 7% in 2016

## Free Cash Flow Generation



## Strong FCF Growth & Conversion Rate

- 42% 2-year Free Cash Flow CAGR
- Significant improvement in conversion of Non-GAAP Net Income to Free Cash Flow aided by shift in Operating Income mix

# OMNI-CHANNEL MARKET

*NCR's strategic offers include:*

## Omni Channel Software

- NCR's Omni-Channel Platform Hub and Applications
- Enables seamless consumer experiences across physical and digital channels
- Solutions Include: Retail One, Customer Experience Platform (CxP), Aloha Enterprise, NCR Silver

## Channel Transformation

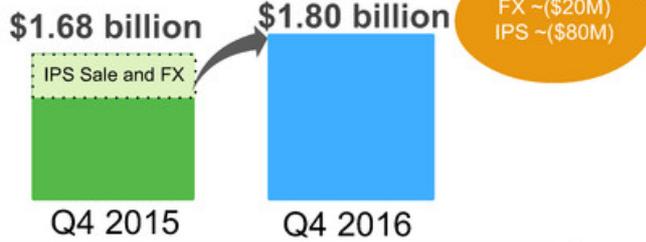
- Enables revenue growth, productivity gains, and modernized consumer experiences from the transformation of physical and digital channels
- Solutions include: Branch, Store, Restaurant, and Venue Transformation
- Drives edge offerings: ATMs, SCO, mPOS, ePOS, Peripherals
- Drives service offerings: Consulting Services, Implementation Services, Hardware Maintenance, Managed Services, High Availability

## Digital Enablement

- Enables new business models driven by the growing digitalization movement
- Solutions include: Real-Time Actionable Insights, Loyalty, Cloud/ATM Security, Loss & Fraud Prevention, Inventory and Labor Management, Cash Management, Secure Payments, Transaction Processing, Remote Deposit, Digital Check Processing

# Q4 2016 FINANCIAL RESULTS

## Revenue



Revenue up 14% adjusted CC  
Recurring revenue up 4% CC, 40% of total revenue

## Non-GAAP Gross Margin Rate



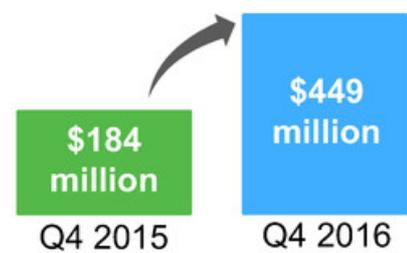
Non-GAAP gross margin rate down 80 bps CC

## Non-GAAP Diluted EPS



Non-GAAP Diluted EPS up 30% CC

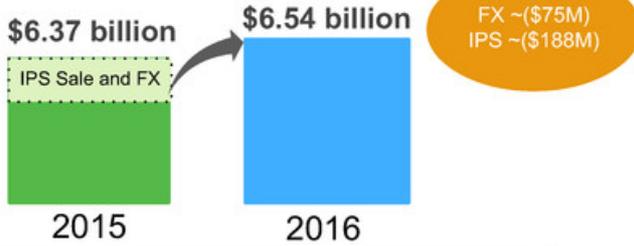
## Free Cash Flow



FCF up 144% due to higher operating income and improvements in working capital

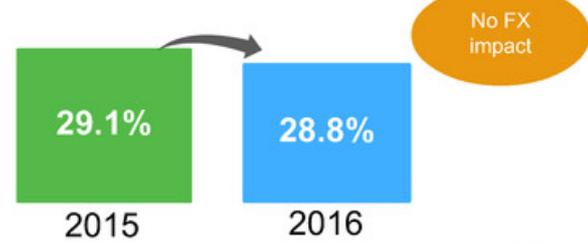
# FY 2016 FINANCIAL RESULTS

## Revenue



Revenue up 7% adjusted CC  
Recurring revenue up 4% CC, 43% of total revenue

## Non-GAAP Gross Margin Rate



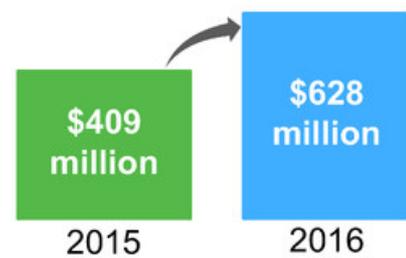
Non-GAAP gross margin rate down 30 bps CC

## Non-GAAP Diluted EPS



Non-GAAP Diluted EPS up 15% CC

## Free Cash Flow



FCF up 54% due to higher operating income and improvements in working capital

# Q4 2016 SEGMENT RESULTS

## Software Revenue

Up 10%  
CC



Q4 2015

Q4 2016

## Services Revenue

Up 3%  
CC



Q4 2015

Q4 2016

## Hardware Revenue

Up 30%  
adjusted  
CC <sup>(1)</sup>



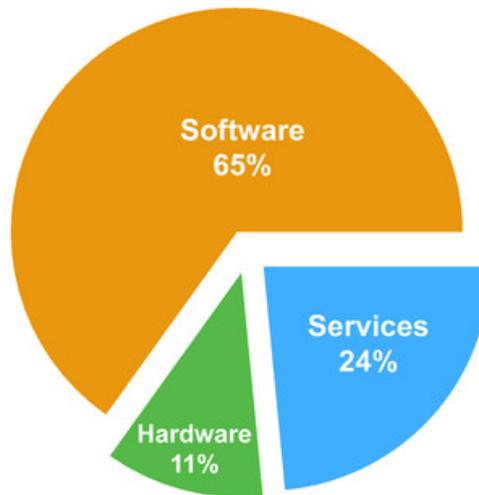
Q4 2015

Q4 2016

## Q4 2016 Operating Income

\$264M

- Software - 53.8% GM rate
- Services - 22.2% GM rate
- Hardware - 18.1% GM rate



<sup>(1)</sup> Adjusted CC revenue growth excludes ~\$80 million of IPS revenue from Q4 2015.

# SOFTWARE

Q4 2016 Update



	Q4 2016	Q4 2015	% Change	% Change Constant Currency
<b>Software License</b>	<b>\$103</b>	<b>\$85</b>	<b>21%</b>	<b>22%</b>
<i>Unattached License</i>	<i>58</i>	<i>55</i>	<i>5%</i>	<i>5%</i>
<b>Software Maintenance</b>	<b>96</b>	<b>91</b>	<b>5%</b>	<b>6%</b>
<b>Cloud</b>	<b>147</b>	<b>134</b>	<b>10%</b>	<b>9%</b>
<b>Professional Services</b>	<b>156</b>	<b>149</b>	<b>5%</b>	<b>5%</b>
<b>Software Revenue</b>	<b>\$502</b>	<b>\$459</b>	<b>9%</b>	<b>10%</b>
<b>Non-GAAP Gross Margin</b>	<b>\$270</b>	<b>\$244</b>	<b>11%</b>	<b>11%</b>
<b>Non-GAAP Gross Margin Rate</b>	<b>53.8%</b>	<b>53.2%</b>	<b>+60 bps</b>	<b>+70 bps</b>
<b>Operating Income</b>	<b>\$172</b>	<b>\$157</b>	<b>10%</b>	<b>10%</b>
<b>Operating Income as a % of Revenue</b>	<b>34.3%</b>	<b>34.2%</b>	<b>+10 bps</b>	<b>+10 bps</b>

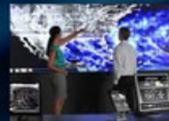
\$ in millions

## Key Highlights

- Software License growth of 22% driven primarily by Channel Transformation solutions
- Cloud revenue up 9% CC driven by higher net ACV bookings
- Q4 net ACV of \$16 million; FY 2016 net ACV of \$70 million compared to FY 2015 of \$39 million
- Non-GAAP gross margin rate expansion driven by strong top line growth

# SERVICES

Q4 2016 Update



	Q4 2016	Q4 2015	% Change	% Change Constant Currency
Services Revenue	\$598	\$590	1%	3%
Non-GAAP Gross Margin	\$133	\$134	(1)%	—%
Non-GAAP Gross Margin Rate	22.2%	22.7%	(50) bps	(60) bps
Operating Income	\$62	\$61	2%	3%
Operating Income as a % of Revenue	10.4%	10.3%	+10 bps	— bps

\$ in millions

## Key Highlights

- Channel Transformation drove hardware maintenance and implementation wins for large complex deals
- Non-GAAP gross margin rate down due to investments in business process improvement initiatives which are expected to drive future margin rate improvements
- Key areas of focus: 1) Drive a higher mix of managed services; 2) Productivity and efficiency improvements; 3) Remote diagnostics and repair; and 4) Product life-cycle management

# HARDWARE

Q4 2016 Update



	Q4 2016	Q4 2015	% Change	% Change Constant Currency
ATMs	\$385	\$307	25%	29%
Self-Checkout (SCO)	132	55	140%	140%
Point-of-Sale (POS)	177	179	(1)%	(1)%
Interactive Printer Solutions	8	90	(91)%	(5)% <sup>(1)</sup>
Hardware Revenue	\$702	\$631	11%	30% <sup>(1)</sup>
Non-GAAP Gross Margin	\$127	\$134	(5)%	1%
Non-GAAP Gross Margin Rate	18.1%	21.2%	(310) bps	(210) bps
Operating Income	\$30	\$42	(29)%	(15)%
Operating Income as a % of Revenue	4.3%	6.7%	(240) bps	(130) bps

<sup>(1)</sup> Revenue also adjusted for the divestiture of IPS.

\$ in millions

## Key Highlights

- ATM revenue growth driven by new product sales and acceptance of omni-channel ready products
- SCO revenue up significantly due to Store Transformation traction globally
- Non-GAAP gross margin rate declined due to continued ramp up of new product launches
- Hardware revenue growth expected to drive high margin attached revenue and future recurring revenue



# Q4 & FY 2016 FREE CASH FLOW

	Q4 2016	Q4 2015	FY 2016	FY 2015
Cash Provided by Operating Activities	\$525	\$265	\$894	\$681
Total capital expenditures	(67)	(65)	(227)	(229)
Cash used in Discontinued Operations	(9)	(16)	(39)	(43)
Free Cash Flow	\$449	\$184	\$628	\$409
Free Cash Flow as a % of non-GAAP net income			132%	86%

\$ in millions

# NET DEBT & EBITDA METRICS

	FY 2015	Q3 2016	FY 2016
Debt	\$3,252	\$3,289	\$3,051
Cash	(328)	(318)	(498)
Net Debt	\$2,924	\$2,971	\$2,553
Adjusted EBITDA	\$1,005	\$1,047 <sup>(1)</sup>	\$1,061 <sup>(1)</sup>
Net Debt / Adjusted EBITDA	2.9x	2.8x	2.4x

\$ in millions, except metrics

<sup>(1)</sup> Adjusted EBITDA for the trailing twelve-month period.

# FY 2017 GUIDANCE

	2017 Guidance	2016	Growth Rates
Revenue <sup>(1)</sup>	\$6,600 - \$6,720	\$6,543	5% to 7%
GAAP Diluted EPS <sup>(2)</sup>	\$2.56 - \$2.69	\$1.80	42% to 49%
Non-GAAP Diluted EPS <sup>(1) (3)</sup>	\$3.25 - \$3.35	\$3.02	9% to 12%
			Conversion rate
Free Cash Flow	\$500 - \$525	\$628	95% to 100%

\$ millions, except per share amounts

<sup>(1)</sup> The 2017 revenue guidance and growth rate includes an expected unfavorable foreign currency impact of \$95 million, or ~2%. Revenue growth rates also exclude ~\$143 million of IPS revenue, or ~2%, from 2016. The 2017 non-GAAP diluted EPS guidance includes an expected foreign currency negative impact of \$0.03.

<sup>(2)</sup> FY 2017 guidance does not include an estimate of the pension mark-to-market adjustments.

<sup>(3)</sup> For the 2017 guidance, we have assumed OIE of \$210 million to \$215 million, an effective tax rate of 25% and a share count of 158 million compared to OIE of \$214 million, an effective tax rate of 23% and a share count of 157 million in 2016.

# 2017 SEGMENT REVENUE GUIDANCE

Segment	2017e CC Growth Rates <sup>(1)</sup>	FY 2017e	FY 2016
Software	6% - 8%	\$1,940 - \$1,960	\$1,841
<i>Cloud Revenue</i>	6% - 8%	\$590 - \$600	\$556
Services	3% - 5%	\$2,320 - \$2,360	2,306
Hardware <sup>(2)</sup>	5% - 8%	\$2,340 - \$2,400	2,396
<b>Total <sup>(1) (2)</sup></b>	<b>5% - 7%</b>	<b>\$6,600 - \$6,720</b>	<b>\$6,543</b>

<sup>(1)</sup> The 2017 guidance includes an expected foreign currency negative impact of \$95 million for revenue, or ~2%. \$ in millions

<sup>(2)</sup> The growth rates for Hardware revenue and total revenue are normalized for the sale of the IPS business, which was ~\$143 million of Hardware revenue in 2016.



# Q1 2017 GUIDANCE

	Q1 2017e	Q1 2016	Growth Rates
Revenue <sup>(1)</sup>	\$1,450 - \$1,470	\$1,444	7% to 9%
GAAP Diluted EPS	\$0.17 - \$0.25	\$0.16	6% to 56%
Non-GAAP Diluted EPS <sup>(1) (2)</sup>	\$0.43 - \$0.48	\$0.38	23% to 37%

\$ millions, except per share amounts

<sup>(1)</sup> The Q1 2017 revenue guidance and growth rate includes an expected foreign currency headwind of \$17 million, or roughly 2%. The revenue growth also excludes ~\$72 million of IPS revenue, or roughly 5%, from Q1 2016. The Q1 2017 non-GAAP diluted EPS guidance includes an expected foreign currency negative impact of \$0.03.

<sup>(2)</sup> For Q1 2017, we have assumed OIE of approximately \$53 million, an effective tax rate of 28% and a share count of 158 million compared to OIE of \$56 million, an effective tax rate of 27% and a share count of 160 million in Q1 2016.

# LOOKING FORWARD

- Continuing to improve execution

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- NCR's vision and strategy aligned with major trends and customer activity

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- Strong backlog and key metrics point to a successful year to come

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- Focused on sales funnel, orders, and revenue growth to maintain momentum going into 2017

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- Software growth combined with our business transformation program is the key to margin expansion

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- Omni-Channel, Channel Transformation, and Digital Enablement are growth drivers for next decade



# **SUPPLEMENTARY MATERIALS**

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# Q4 & FY 2016 OPERATIONAL RESULTS

	Q4 2016	Q4 2015	As Reported	Constant Currency	FY 2016	FY 2015	As Reported	Constant Currency
Revenue	\$1,802	\$1,680	7%	14% <sup>(1)</sup>	\$6,543	\$6,373	3%	7% <sup>(1)</sup>
Gross Margin (non-GAAP)	530	512	4%	6%	\$1,882	\$1,857	1%	3%
Gross Margin Rate (non-GAAP)	29.4%	30.5%	(110) bps	(80) bps	28.8%	29.1%	(30) bps	(30) bps
Operating Expenses (non-GAAP)	266	252	6%	7%	\$1,042	\$1,037	—%	2%
% of Revenue	14.8%	15.0%			15.9%	16.3%		
Operating Income (non-GAAP)	264	260	2%	5%	840	820	2%	4%
% of Revenue	14.7%	15.5%	(80) bps	(50) bps	12.8%	12.9%	(10) bps	— bps
Interest and other expense	(56)	(51)	10%	(4)%	(214)	(196)	9%	—%
Income Tax Expense (non-GAAP)	36	53	(32)%		147	144	2%	
Income Tax Rate (non-GAAP)	17%	25%			23%	23%		
Net Income (non-GAAP)	\$168	\$156	8%	17%	\$475	\$476	—%	5%
Diluted EPS (non-GAAP) <sup>(2)</sup>	\$1.07	\$0.89	20%	30%	\$3.02	\$2.76	9%	15%

<sup>(1)</sup> Adjusted CC revenue growth excludes \$80 million of IPS revenue from Q4 2015 and \$188 million from FY15.

\$ millions, except per share amounts

<sup>(2)</sup> Q4 2016 includes \$0.07 of unfavorable EPS impact, and FY2016 includes \$0.14 of unfavorable EPS impact, related to foreign currency headwinds. Diluted share count of 157 million in Q4 2016 and 175 million in Q4 2015.

# Q4 & FY 2016 GAAP RESULTS

	Q4 2016	Q4 2015	As Reported	FY 2016	FY 2015	As Reported
<b>Revenue</b>	\$1,802	\$1,680	7%	\$6,543	\$6,373	3%
<b>Gross Margin</b>	479	476	1%	\$1,782	\$1,469	21%
<b>Gross Margin Rate</b>	26.6%	28.3%		27.2%	23.1%	
<b>Operating Expenses</b>	333	338	(1)%	\$1,183	\$1,334	(11)%
<b>% of Revenue</b>	18.5%	20.1%		18.1%	20.9%	
<b>Operating Income</b>	146	138	6%	599	135	344%
<b>% of Revenue</b>	8.1%	8.2%		9.2%	2.1%	
<b>Interest and other expense</b>	(57)	(85)	(33)%	(220)	(230)	(4)%
<b>Income Tax Expense</b>	17	5	240%	92	55	67%
<b>Income Tax Rate</b>	19%	9%		24%	(58)%	
<b>Net Income</b>	\$68	\$48	42%	\$283	(\$154)	284%
<b>Diluted EPS</b>	\$0.43	\$0.27	59%	\$1.80	(\$0.94)	291%



# Q4 & FY REVENUE BY SEGMENT

	Q4 2016	Q4 2015	% Change	% Change Adjusted Constant Currency	FY 2016	FY 2015	% Change	% Change Adjusted Constant Currency
Software License	\$103	\$85	21%	22%	\$341	\$303	13%	13%
Software Maintenance	96	91	5%	6%	372	348	7%	8%
Cloud	147	134	10%	9%	556	536	4%	4%
Professional Services	156	149	5%	5%	572	560	2%	2%
<b>Software</b>	<b>\$502</b>	<b>\$459</b>	<b>9%</b>	<b>10%</b>	<b>\$1,841</b>	<b>\$1,747</b>	<b>5%</b>	<b>6%</b>
<b>Services</b>	<b>\$598</b>	<b>\$590</b>	<b>1%</b>	<b>3%</b>	<b>\$2,306</b>	<b>\$2,218</b>	<b>4%</b>	<b>6%</b>
ATMs	\$385	\$307	25%	29%	\$1,221	\$1,183	3%	5%
Self-Checkout (SCO)	132	55	140%	140%	351	187	88%	88%
Point-of-Sale (POS)	177	179	(1)%	(1)%	674	692	(3)%	(2)%
Interactive Printer Solutions (IPS)	8	90	(91)%	(5)%	150	346	(57)%	(3)%
<b>Hardware</b>	<b>\$702</b>	<b>\$631</b>	<b>11%</b>	<b>30%</b>	<b>\$2,396</b>	<b>\$2,408</b>	<b>—%</b>	<b>9%</b>
<b>Total Revenue</b>	<b>\$1,802</b>	<b>\$1,680</b>	<b>7%</b>	<b>14%</b>	<b>\$6,543</b>	<b>\$6,373</b>	<b>3%</b>	<b>7%</b>





# NON-GAAP MATERIALS

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# NON-GAAP MEASURES

While NCR reports its results in accordance with generally accepted accounting principles (GAAP) in the United States, comments made during this conference call and in these materials will include non-GAAP measures. These measures are included to provide additional useful information regarding NCR's financial results, and are not a substitute for their comparable GAAP measures.

**Operating Income (non-GAAP), Diluted EPS (non-GAAP), Gross Margin (non-GAAP), Gross Margin Rate (non-GAAP), Interest and Other expense (non-GAAP), Income Tax Rate (non-GAAP), Net Income (non-GAAP), Operating Expenses (non-GAAP) and Income Tax Expense (non-GAAP).** NCR's operating income (non-GAAP), diluted earnings per share (non-GAAP), gross margin (non-GAAP), gross margin rate (non-GAAP), interest and other expense (non-GAAP), income tax rate (non-GAAP), and net income (non-GAAP), operating expenses (non-GAAP) and income tax expense (non-GAAP) are determined by excluding pension mark-to-market adjustments, pension settlements, pension curtailments and pension special termination benefits and other special items, including amortization of acquisition related intangibles, from NCR's GAAP income (loss) from operations, earnings per share, gross margin, gross margin rate, interest and other expense, effective tax rate net income, operating expenses and income tax expense, respectively. Due to the non-operational nature of these pension and other special items, NCR's management uses these non-GAAP measures to evaluate year-over-year operating performance. NCR also uses operating income (non-GAAP) and non-GAAP diluted EPS, to manage and determine the effectiveness of its business managers and as a basis for incentive compensation. NCR believes these measures are useful for investors because they provide a more complete understanding of NCR's underlying operational performance, as well as consistency and comparability with NCR's past reports of financial results.

**Free Cash Flow and Free Cash Flow Conversion Rate.** NCR defines free cash flow as net cash provided by/used in operating activities and cash flow provided by/used in discontinued operations less capital expenditures for property, plant and equipment, additions to capitalized software, discretionary pension contributions and pension settlements. NCR's management uses free cash flow to assess the financial performance of the Company and believes it is useful for investors because it relates the operating cash flow of the Company to the capital that is spent to continue and improve business operations. In particular, free cash flow indicates the amount of cash generated after capital expenditures which can be used for, among other things, investment in the Company's existing businesses, strategic acquisitions, strengthening the Company's balance sheet, repurchase of Company stock and repayment of the Company's debt obligations. NCR also describes the measure free cash flow conversion rate, which is calculated as free cash flow divided by non-GAAP net income. NCR's management targets an annual free cash flow conversion rate at or above the range described in these materials because management believes that a conversion rate at or above that range represents the efficient conversion of non-GAAP net income to free cash flow for its business. Free cash flow and free cash flow conversion rate do not have uniform definitions under GAAP and, therefore, NCR's definitions may differ from other companies' definition of these measures.



# NON-GAAP MEASURES

**Constant Currency, IPS Divestiture and Adjusted Constant Currency.** NCR presents certain financial measures, such as period-over-period revenue growth, on a constant currency basis, which excludes the effects of foreign currency translation by translating prior period results at current period monthly average exchange rates. Due to the overall variability of foreign exchange rates from period to period, NCR's management uses constant currency measures to evaluate period-over-period operating performance on a more consistent and comparable basis. NCR also presents certain financial measures on an adjusted constant currency basis, which excludes both the effects of foreign currency translation, as described above, and the results of NCR's Interactive Printer Solutions (IPS) business for the comparable prior period after completion of the sale of the business (which results were previously included in NCR's Hardware segment). NCR completed the sale of all but the Middle East and Africa assets of its Interactive Printer Solutions (IPS) division to Atlas Holdings LLC on May 27, 2016. NCR's management believes that presentation of financial measures without these results is more representative of the company's period-over-period operating performance, and provides additional insight into historical and/or future performance, which may be helpful for investors. which the company is able to convert its non-GAAP net income to cash.

**Net Debt and Adjusted EBITDA.** NCR believes that Net Debt provides useful information to investors because NCR's management reviews Net Debt as part of its management of overall liquidity, financial flexibility, capital structure and leverage. In addition, certain debt rating agencies, creditors and credit analysts monitor NCR's Net Debt as part of their assessments of NCR's business. NCR determines Net Debt based on its total debt less cash and cash equivalents, with total debt being defined as total short-term borrowings plus total long-term debt.

NCR believes that Adjusted EBITDA (adjusted earnings before interest, taxes, depreciation and amortization) provides useful information to investors because it is an indicator of the strength and performance of the Company's ongoing business operations, including its ability to fund discretionary spending such as capital expenditures, strategic acquisitions and other investments. NCR determines Adjusted EBITDA for a given period based on its GAAP income (loss) from continuing operations plus interest expense, net; plus income tax expense (benefit); plus depreciation and amortization; plus other income (expense); plus pension expense (benefit); and plus special items. NCR believes that its ratio of net debt to Adjusted EBITDA provides useful information to investors because it is an indicator of the company's ability to meet its future financial obligations.

NCR believes that its ratio of Net Debt to Adjusted EBITDA provides useful information to investors because it is an indicator of the company's ability to meet its future financial obligations. In addition, the Net Debt to Adjusted EBITDA ratio is measures frequently used by investors and credit rating agencies. The Net Debt to Adjusted EBITDA ratio is calculated by dividing Net Debt by trailing twelve-month Adjusted EBITDA.

NCR management's definitions and calculations of these non-GAAP measures may differ from similarly-titled measures reported by other companies and cannot, therefore, be compared with similarly-titled measures of other companies. These non-GAAP measures should not be considered as substitutes for, or superior to, results determined in accordance with GAAP. These non-GAAP measures are reconciled to their corresponding GAAP measures in the following slides and elsewhere in these materials. These reconciliations and other information regarding these non-GAAP measures are also available on the Investor Relations page of NCR's website at [www.ncr.com](http://www.ncr.com).



# GAAP TO NON-GAAP RECONCILIATION

## Net Income from Continuing Operations Attributable to NCR (GAAP) to Adjusted EBITDA (non-GAAP)

in millions	FY 2015	Q3 2016 LTM	FY 2016
Net Income from Continuing Operations Attributable to NCR (GAAP)	(\$154)	\$263	\$283
Pension Mark-to-Market Adjustments	454	29	85
Restructuring/Transformation Costs	74	61	26
Acquisition-Related Amortization of Intangibles	125	126	123
Acquisition-Related Costs	11	9	7
Reserve related to a subcontract in MEA	20	20	—
Divestiture and Liquidation Losses	34	39	6
OFAC and FCPA Investigations	1	—	—
Net Income from Continuing Operations Attributable to Noncontrolling Interests	4	—	4
Interest Expense	173	172	170
Interest Income	(5)	(5)	(4)
Depreciation and Amortization	171	198	208
Income Taxes	55	80	92
Stock Compensation Expense	42	55	61
<b>Adjusted EBITDA (non-GAAP)</b>	<b>\$1,005</b>	<b>\$1,047</b>	<b>\$1,061</b>



# GAAP TO NON-GAAP RECONCILIATION

Q4 2016 QTD

in millions (except per share amounts)	Q4 QTD 2016 GAAP	Restructuring / Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Pension mark-to- market adjustments	Divestiture and Liquidation Losses	Q4 QTD 2016 non-GAAP
Product revenue	\$805	\$—	\$—	\$—	\$—	\$—	\$805
Service revenue	997	—	—	—	—	—	997
<b>Total revenue</b>	<b>1,802</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,802</b>
Cost of products	615	—	(7)	—	(34)	—	574
Cost of services	708	—	(6)	—	(4)	—	698
Gross margin	479	—	13	—	38	—	530
<b>Gross margin rate</b>	<b>26.6%</b>	<b>—%</b>	<b>0.7%</b>	<b>—%</b>	<b>2.1%</b>	<b>—%</b>	<b>29.4%</b>
Selling, general and administrative expenses	248	(1)	(15)	(2)	(24)	—	206
Research and development expenses	83	—	—	—	(23)	—	60
Restructuring-related charges	2	(2)	—	—	—	—	—
Total operating expenses	333	(3)	(15)	(2)	(47)	—	266
<i>Total operating expense as a % of revenue</i>	<i>18.5%</i>	<i>(0.2)%</i>	<i>(0.8)%</i>	<i>(0.1)%</i>	<i>(2.6)%</i>	<i>—%</i>	<i>14.8%</i>
<b>Income (loss) from operations</b>	<b>146</b>	<b>3</b>	<b>28</b>	<b>2</b>	<b>85</b>	<b>—</b>	<b>264</b>
<i>Income (loss) from operations as a % of revenue</i>	<i>8.1%</i>	<i>0.2%</i>	<i>1.6%</i>	<i>0.1%</i>	<i>4.7%</i>	<i>—%</i>	<i>14.7%</i>
Interest and Other (expense) income, net	(57)	—	—	—	—	1	(56)
Income (loss) from continuing operations before income taxes	89	3	28	2	85	1	208
Income tax expense (benefit)	17	2	9	—	7	1	36
<i>Effective tax rate</i>	<i>19%</i>						<i>17%</i>
Income (loss) from continuing operations	72	1	19	2	78	—	172
Net income (loss) attributable to noncontrolling interests	4	—	—	—	—	—	4
<b>Income (loss) from continuing operations (attributable to NCR)</b>	<b>\$68</b>	<b>\$1</b>	<b>\$19</b>	<b>\$2</b>	<b>\$78</b>	<b>\$—</b>	<b>\$168</b>
<b>Diluted earnings per share</b>	<b>\$0.43</b>	<b>\$0.01</b>	<b>\$0.12</b>	<b>\$0.01</b>	<b>\$0.50</b>	<b>\$—</b>	<b>\$1.07</b>
	157.4						157.4

# GAAP TO NON-GAAP RECONCILIATION

Q4 2016 QTD

	Q4 QTD 2016 GAAP	Q4 QTD 2016 non-GAAP
in millions (except per share amounts)		
<b>Income (loss) from continuing operations attributable to NCR common stockholders:</b>		
Income (loss) from continuing operations (attributable to NCR)	\$68	\$168
Dividends on convertible preferred shares	—	—
Income (loss) from continuing operations attributable to NCR common stockholders	\$68	\$168
<b>Weighted average outstanding shares:</b>		
Weighted average diluted shares outstanding	128.6	128.6
Weighted as-if converted preferred shares	28.8	28.8
Total shares used in diluted earnings per share	157.4	157.4
<b>Diluted earnings per share <sup>(1)</sup></b>	<b>\$0.43</b>	<b>\$1.07</b>

<sup>(1)</sup> GAAP and non-GAAP diluted EPS are determined using the most dilutive measure, either including the impact of the dividends on NCR's Series A Convertible Preferred Shares in the calculation of net income or loss available to common stockholders or including the impact of the conversion of such preferred stock into common stock in the calculation of the weighted average diluted shares outstanding. Therefore, GAAP diluted EPS and non-GAAP diluted EPS may be calculated using different methods, and may not mathematically reconcile.



# GAAP TO NON-GAAP RECONCILIATION

Q4 2015 QTD

	Q4 QTD 2015 GAAP	Restructuring plan	Acquisition- related amortization of intangibles	Acquisition- related costs	Loss on terminated contract receivable	Loss on pending sale of IPS business	Pension mark- to-market adjustments	Q4 QTD 2015 non-GAAP
in millions (except per share amounts)								
Product revenue	\$716	\$—	\$—	\$—	\$—	\$—	\$—	\$716
Service revenue	964	—	—	—	—	—	—	964
<b>Total revenue</b>	<b>1,680</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,680</b>
Cost of products	533	(2)	(10)	—	—	—	(3)	518
Cost of services	671	(7)	(6)	—	—	—	(8)	650
Gross margin	476	9	16	—	—	—	11	512
<b>Gross margin rate</b>	<b>28.3%</b>	<b>0.5%</b>	<b>1.0%</b>	<b>—%</b>	<b>—%</b>	<b>—%</b>	<b>0.7%</b>	<b>30.5%</b>
Selling, general and administrative expenses	254	—	(15)	(4)	(20)	—	(10)	205
Research and development expenses	55	—	—	—	—	—	(8)	47
Restructuring-related charges	29	(29)	—	—	—	—	—	—
Total operating expenses	338	(29)	(15)	(4)	(20)	—	(18)	252
Total operating expense as a % of revenue	20.1%	(1.7)%	(1.0)%	(0.2)%	(1.2)%	—%	(1.0)%	15.0%
<b>Income (loss) from operations</b>	<b>138</b>	<b>38</b>	<b>31</b>	<b>4</b>	<b>20</b>	<b>—</b>	<b>29</b>	<b>260</b>
Income (loss) from operations as a % of revenue	8.2%	2.3%	1.9%	0.2%	1.2%	—%	1.7%	15.5%
Interest and Other (expense) income, net	(85)	—	—	—	—	34	—	(51)
Income (loss) from continuing operations before income taxes	53	38	31	4	20	34	29	209
Income tax expense (benefit)	5	14	10	1	7	5	11	53
Effective tax rate	9%							25%
Income (loss) from continuing operations	48	24	21	3	13	29	18	156
Net income (loss) attributable to noncontrolling interests	—	—	—	—	—	—	—	—
<b>Income (loss) from continuing operations (attributable to NCR)</b>	<b>\$48</b>	<b>\$24</b>	<b>\$21</b>	<b>\$3</b>	<b>\$13</b>	<b>\$29</b>	<b>\$18</b>	<b>\$156</b>
Diluted earnings per share	\$0.27	\$0.14	\$0.12	\$0.02	\$0.07	\$0.17	\$0.10	\$0.89
Diluted shares outstanding	164.6							174.7

# GAAP TO NON-GAAP RECONCILIATION

Q4 2015 QTD

	Q4 QTD 2015 GAAP	Q4 QTD 2015 non-GAAP
in millions (except per share amounts)		
<b>Income (loss) from continuing operations attributable to NCR common stockholders:</b>		
Income (loss) from continuing operations (attributable to NCR)	\$48	\$156
Dividends on convertible preferred shares	(4)	—
Income (loss) from continuing operations attributable to NCR common stockholders	\$44	\$156
<b>Weighted average outstanding shares:</b>		
Weighted average diluted shares outstanding	164.6	164.6
Weighted as-if converted preferred shares	—	10.1
Total shares used in diluted earnings per share	164.6	174.7
<b>Diluted earnings per share <sup>(1)</sup></b>	<b>\$0.27</b>	<b>\$0.89</b>

<sup>(1)</sup> GAAP and non-GAAP diluted EPS are determined using the most dilutive measure, either including the impact of the dividends on NCR's Series A Convertible Preferred Stock in the calculation of net income or loss available to common stockholders or including the impact of the conversion of such preferred stock into common stock in the calculation of the weighted average diluted shares outstanding. Therefore, GAAP diluted EPS and non-GAAP diluted EPS may be calculated using different methods, and may not mathematically reconcile.

# GAAP TO NON-GAAP RECONCILIATION

FY 2016

	FY 2016 GAAP	Restructuring / Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Pension mark-to- market adjustments	Divestiture and Liquidation Losses	FY 2016 non-GAAP
in millions (except per share amounts)							
Product revenue	\$2,737	\$—	\$—	\$—	\$—	\$—	\$2,737
Service revenue	3,806	—	—	—	—	—	3,806
<b>Total revenue</b>	<b>6,543</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>6,543</b>
Cost of products	2,102	—	(34)	—	(34)	—	2,034
Cost of services	2,659	(4)	(24)	—	(4)	—	2,627
Gross margin	1,782	4	58	—	38	—	1,882
<b>Gross margin rate</b>	<b>27.2%</b>	<b>0.1%</b>	<b>0.8%</b>	<b>—%</b>	<b>0.6%</b>	<b>—%</b>	<b>28.8%</b>
Selling, general and administrative expenses	926	(7)	(65)	(7)	(24)	—	823
Research and development expenses	242	—	—	—	(23)	—	219
Restructuring-related charges	15	(15)	—	—	—	—	—
Total operating expenses	1,183	(22)	(65)	(7)	(47)	—	1,042
<i>Total operating expense as a % of revenue</i>	<i>18.1%</i>	<i>(0.3)%</i>	<i>(1.0)%</i>	<i>(0.1)%</i>	<i>(0.7)%</i>	<i>—%</i>	<i>15.9%</i>
<b>Income (loss) from operations</b>	<b>599</b>	<b>26</b>	<b>123</b>	<b>7</b>	<b>85</b>	<b>—</b>	<b>840</b>
<i>Income (loss) from operations as a % of revenue</i>	<i>9.2%</i>	<i>0.4%</i>	<i>1.9%</i>	<i>0.1%</i>	<i>1.3%</i>	<i>—%</i>	<i>12.8%</i>
Interest and Other (expense) income, net	(220)	—	—	—	—	6	(214)
Income (loss) from continuing operations before income taxes	379	26	123	7	85	6	626
Income tax expense (benefit)	92	5	40	2	7	1	147
<i>Effective tax rate</i>	<i>24%</i>						<i>23%</i>
Income (loss) from continuing operations	287	21	83	5	78	5	479
Net income (loss) attributable to noncontrolling interests	4	—	—	—	—	—	4
<b>Income (loss) from continuing operations (attributable to NCR)</b>	<b>\$283</b>	<b>\$21</b>	<b>\$83</b>	<b>\$5</b>	<b>\$78</b>	<b>\$5</b>	<b>\$475</b>
<b>Diluted earnings per share</b>	<b>\$1.80</b>	<b>\$0.13</b>	<b>\$0.53</b>	<b>\$0.03</b>	<b>\$0.50</b>	<b>\$0.03</b>	<b>\$3.02</b>
	157.4						157.4

# GAAP TO NON-GAAP RECONCILIATION

FY 2016

	FY 2016 GAAP	FY 2016 non-GAAP
in millions (except per share amounts)		
<b>Income (loss) from continuing operations attributable to NCR common stockholders:</b>		
Income (loss) from continuing operations (attributable to NCR)	\$283	\$475
Dividends on convertible preferred shares	—	—
Income (loss) from continuing operations attributable to NCR common stockholders	\$283	\$475
<b>Weighted average outstanding shares:</b>		
Weighted average diluted shares outstanding	129.2	129.2
Weighted as-if converted preferred shares	28.2	28.2
Total shares used in diluted earnings per share	157.4	157.4
<b>Diluted earnings per share <sup>(1)</sup></b>	<b>\$1.80</b>	<b>\$3.02</b>

<sup>(1)</sup> GAAP and non-GAAP diluted EPS are determined using the most dilutive measure, either including the impact of the dividends on NCR's Series A Convertible Preferred Shares in the calculation of net income or loss available to common stockholders or including the impact of the conversion of such preferred stock into common stock in the calculation of the weighted average diluted shares outstanding. Therefore, GAAP diluted EPS and non-GAAP diluted EPS may be calculated using different methods, and may not mathematically reconcile.



# GAAP TO NON-GAAP RECONCILIATION

FY 2015

in millions (except per share amounts)	FY 2015 GAAP	Restructuring plan	Acquisition- related amortization of intangibles	Acquisition- related costs	Loss on terminated contract receivable	Loss on pending sale of IPS business	OFAC and FCPA Investigations	Pension mark-to- market adjustments	FY 2015 non-GAAP
Product revenue	\$2,711	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$2,711
Service revenue	3,662	—	—	—	—	—	—	—	3,662
<b>Total revenue</b>	<b>6,373</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>6,373</b>
Cost of products	2,072	(5)	(38)	—	—	—	—	(13)	2,016
Cost of services	2,832	(7)	(25)	—	—	—	—	(300)	2,500
Gross margin	1,469	12	63	—	—	—	—	313	1,857
<b>Gross margin rate</b>	<b>23.1%</b>	<b>0.2%</b>	<b>1.0%</b>	<b>—%</b>	<b>—%</b>	<b>—%</b>	<b>—%</b>	<b>4.8%</b>	<b>29.1%</b>
Selling, general and administrative expenses	1,042	—	(62)	(11)	(20)	—	(1)	(123)	825
Research and development expenses	230	—	—	—	—	—	—	(18)	212
Restructuring-related charges	62	(62)	—	—	—	—	—	—	—
Total expenses	1,334	(62)	(62)	(11)	(20)	—	(1)	(141)	1,037
<b>Total expense as a % of revenue</b>	<b>20.9%</b>	<b>(1.0)%</b>	<b>(1.0)%</b>	<b>(0.2)%</b>	<b>(0.3)%</b>	<b>—%</b>	<b>—%</b>	<b>(2.1)%</b>	<b>16.3%</b>
<b>Income (loss) from operations</b>	<b>135</b>	<b>74</b>	<b>125</b>	<b>11</b>	<b>20</b>	<b>—</b>	<b>1</b>	<b>454</b>	<b>820</b>
<b>Income (loss) from operations as a % of revenue</b>	<b>2.1%</b>	<b>1.2%</b>	<b>2.0%</b>	<b>0.2%</b>	<b>0.3%</b>	<b>—%</b>	<b>—%</b>	<b>7.1%</b>	<b>12.9%</b>
Interest and Other (expense) income, net	(230)	—	—	—	—	34	—	—	(196)
Income (loss) from continuing operations before income taxes	(95)	74	125	11	20	34	1	454	624
Income tax expense (benefit)	55	24	40	3	7	5	1	9	144
<b>Effective tax rate</b>	<b>(58)%</b>								<b>23%</b>
Income (loss) from continuing operations	(150)	50	85	8	13	29	—	445	480
Net income (loss) attributable to noncontrolling interests	4	—	—	—	—	—	—	—	4
<b>Income (loss) from continuing operations (attributable to NCR)</b>	<b>(\$154)</b>	<b>\$50</b>	<b>\$85</b>	<b>\$8</b>	<b>\$13</b>	<b>\$29</b>	<b>\$—</b>	<b>\$445</b>	<b>\$476</b>
<b>Diluted earnings per share</b>	<b>(\$0.94)</b>	<b>\$0.29</b>	<b>\$0.49</b>	<b>\$0.05</b>	<b>\$0.08</b>	<b>\$0.17</b>	<b>\$—</b>	<b>\$2.58</b>	<b>\$2.76</b>
Diluted Shares outstanding	167.6								172.2



# GAAP TO NON-GAAP RECONCILIATION

FY 2015

	FY 2015 GAAP	FY 2015 non-GAAP
in millions (except per share amounts)		
<b>Income (loss) from continuing operations attributable to NCR common stockholders:</b>		
Income (loss) from continuing operations (attributable to NCR)	(\$154)	\$476
Dividends on convertible preferred shares	(4)	—
Income (loss) from continuing operations attributable to NCR common stockholders	(\$158)	\$476
<b>Weighted average outstanding shares:</b>		
Weighted average basic shares outstanding	167.6	—
Weighted average diluted shares outstanding	—	170.2
Weighted as-if converted preferred shares	—	2.0
Total shares used in diluted earnings per share	167.6	172.2
<b>Diluted earnings per share <sup>(1)</sup></b>	<b>(\$0.94)</b>	<b>\$2.76</b>

<sup>(1)</sup> GAAP and non-GAAP diluted EPS are determined using the most dilutive measure, either including the impact of the dividends on NCR's Series A Convertible Preferred Stock in the calculation of net income or loss available to common stockholders or including the impact of the conversion of such preferred stock into common stock in the calculation of the weighted average diluted shares outstanding. Therefore, GAAP diluted EPS and non-GAAP diluted EPS may be calculated using different methods, and may not mathematically reconcile.



# GAAP TO NON-GAAP RECONCILIATION

Q1 2016 QTD

in millions (except per share amounts)	Q1 QTD 2016 GAAP	Restructuring / Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Q1 QTD 2016 non-GAAP
Product revenue	\$548	\$—	\$—	\$—	\$548
Service revenue	896	—	—	—	896
<b>Total revenue</b>	<b>1,444</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,444</b>
Cost of products	442	—	(10)	—	432
Cost of services	622	—	(6)	—	616
Gross margin	380	—	16	—	396
<b>Gross margin rate</b>	<b>26.3%</b>	<b>—%</b>	<b>1.1%</b>	<b>—%</b>	<b>27.4%</b>
Selling, general and administrative expenses	224	(2)	(16)	(2)	204
Research and development expenses	53	—	—	—	53
Restructuring-related charges	2	(2)	—	—	—
Total expenses	279	(4)	(16)	(2)	257
<i>Total expense as a % of revenue</i>	<i>19.3%</i>	<i>(0.3)%</i>	<i>(1.1)%</i>	<i>(0.1)%</i>	<i>58.1%</i>
<b>Income (loss) from operations</b>	<b>101</b>	<b>4</b>	<b>32</b>	<b>2</b>	<b>139</b>
<i>Income (loss) from operations as a % of revenue</i>	<i>7.0%</i>	<i>0.3%</i>	<i>2.2%</i>	<i>0.1%</i>	<i>31.4%</i>
Interest and Other (expense) income, net	(56)	—	—	—	(56)
Income (loss) from continuing operations before income taxes	45	4	32	2	83
Income tax expense (benefit)	13	(1)	9	1	22
<i>Effective tax rate</i>	<i>29%</i>				<i>27%</i>
Income (loss) from continuing operations	32	5	23	1	61
Net income (loss) attributable to noncontrolling interests	—	—	—	—	—
<b>Income (loss) from continuing operations (attributable to NCR)</b>	<b>\$32</b>	<b>\$5</b>	<b>\$23</b>	<b>\$1</b>	<b>\$61</b>
<b>Diluted earnings per share</b>	<b>\$0.16</b>	<b>\$0.03</b>	<b>\$0.14</b>	<b>\$0.01</b>	<b>\$0.38</b>
Diluted shares outstanding	160.4				160.4

# GAAP TO NON-GAAP RECONCILIATION

Q1 2016 QTD

	Q1 QTD 2016 GAAP	Q1 QTD 2016 non-GAAP
in millions (except per share amounts)		
<b>Income (loss) from continuing operations attributable to NCR common stockholders:</b>		
Income (loss) from continuing operations (attributable to NCR)	\$32	\$61
Dividends on convertible preferred shares	(11)	—
Income (loss) from continuing operations attributable to NCR common stockholders	\$21	\$61
<b>Weighted average outstanding shares:</b>		
Weighted average diluted shares outstanding	132.7	132.7
Weighted as-if converted preferred shares	—	27.7
Total shares used in diluted earnings per share	132.7	160.4
<b>Diluted earnings per share <sup>(1)</sup></b>	<b>\$0.16</b>	<b>\$0.38</b>

<sup>(1)</sup> GAAP and non-GAAP diluted EPS are determined using the most dilutive measure, either including the impact of the dividends on NCR's Series A Convertible Preferred Shares in the calculation of net income or loss available to common stockholders or including the impact of the conversion of such preferred stock into common stock in the calculation of the weighted average diluted shares outstanding. Therefore, GAAP diluted EPS and non-GAAP diluted EPS may be calculated using different methods, and may not mathematically reconcile.



# GAAP TO NON-GAAP RECONCILIATION

## Revenue Growth % (GAAP) to Revenue Growth Adjusted Constant Currency % (non-GAAP)

	Q4 2016 QTD				Q4 2016 YTD			
	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Divestiture impact	Revenue Growth Adjusted Constant Currency % (non-GAAP)	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Divestiture impact	Revenue Growth Adjusted Constant Currency % (non-GAAP)
Software License	21%	(1)%	—%	22%	13%	—%	—%	13%
Software Maintenance	5%	(1)%	—%	6%	7%	(1)%	—%	8%
Cloud	10%	1%	—%	9%	4%	—%	—%	4%
Professional Services	5%	—%	—%	5%	2%	—%	—%	2%
Software	9%	(1)%	—%	10%	5%	(1)%	—%	6%
Services	1%	(2)%	—%	3%	4%	(2)%	—%	6%
ATMs	25%	(4)%	—%	29%	3%	(2)%	—%	5%
Self-Checkout (SCO)	140%	—%	—%	140%	88%	—%	—%	88%
Point-of-Sale (POS)	(1)%	—%	—%	(1)%	(3)%	(1)%	—%	(2)%
Interactive Printer Solutions (IPS)	(91)%	—%	(86)%	(5)%	(57)%	(1)%	(53)%	(3)%
Hardware	11%	(2)%	(17)%	30%	—%	—%	(9)%	9%
<b>Total Revenue</b>	<b>7%</b>	<b>(1)%</b>	<b>(6)%</b>	<b>14%</b>	<b>3%</b>	<b>(1)%</b>	<b>(3)%</b>	<b>7%</b>

# GAAP TO NON-GAAP RECONCILIATION

## Operating Income Growth % (GAAP) to Operating Income Growth % on a Constant Currency Basis (non-GAAP)

	Q4 2016 QTD		
	Operating Income Growth % Reported	Favorable (unfavorable) FX impact	Constant Currency Operating Income Growth % (non-GAAP)
Software	10%	—%	10%
Services	2%	(1)%	3%
Hardware	(29)%	(14)%	(15)%
<b>Total Operating Income</b>	<b>2%</b>	<b>(3)%</b>	<b>5%</b>

# GAAP TO NON-GAAP RECONCILIATION

Operating Income Growth bps (GAAP) to  
Operating Income Growth bps on a Constant Currency Basis (non-GAAP)

	Q4 2016 QTD		
	Operating Income bps Growth Reported	Favorable (unfavorable) FX impact	Constant Currency Operating Income bps Growth (non- GAAP)
Software	+10 bps	— bps	+10 bps
Services	+10 bps	+10 bps	— bps
Hardware	-240 bps	-110 bps	-130 bps
<b>Total Operating Income</b>	<b>-80 bps</b>	<b>-30 bps</b>	<b>-50 bps</b>

# GAAP TO NON-GAAP RECONCILIATION

## Diluted Earnings per Share (GAAP) to Diluted Earnings per Share (non-GAAP)

	Q1 2017e	FY 2017e
Diluted EPS (GAAP) <sup>(1)</sup>	\$0.17 - \$0.25	\$2.56 - \$2.69
Restructuring Plan	\$0.10 - \$0.13	\$0.15 - \$0.18
Acquisition-Related Amortization of Intangibles	0.12	0.48
Acquisition-Related Costs	0.01	0.03
Divestiture and Liquidation Losses	—	—
<b>Non-GAAP Diluted EPS</b>	<b>\$0.43 - \$0.48</b>	<b>\$3.25 - \$3.35</b>

<sup>(1)</sup> Except for the adjustments noted herein as well as the pending divestiture of the Interactive Printer Solutions business, this guidance does not include the effects of any future acquisitions/divestitures, restructuring activities, pension mark-to-market adjustments, taxes or other events, which are difficult to predict and which may or may not be significant.

# GAAP TO NON-GAAP RECONCILIATION

	FY 2017e
Cash Provided by Operating Activities	\$805 - \$830
Total capital expenditures <sup>(1)</sup>	(285)
Cash used in Discontinued Operations	(20)
<b>Free Cash Flow</b>	<b>\$500 - \$525</b>

<sup>(1)</sup> The total capital expenditures of \$285 million in 2017 includes \$70 million related to the new world headquarters in Atlanta, Georgia. This \$70 million is offset by \$45 million of expected reimbursements by the lessor included in net cash provided by operating activities.



