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NCR - Q2 2014 NCR Corp Earnings Call

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OVERVIEW:

NCR reported 2Q14 YoverY revenue growth of 8% and EPS of $0.68.

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PRESENTATION

Operator

Good day and welcome to the NCR Corporation second-quarter fiscal-year 2014 earnings conference call. Today's conference is being recorded.

And at this time I would like to turn the call over to Ms. Tracy Krumme, Vice President of Investor Relations. Please go ahead.

Tracy Krumme - *NCR Corporation - VP of IR*

Good afternoon and thank you for joining our second-quarter 2014 earnings call. Joining me on the call today are Bill Nuti, Chairman and Chief Executive Officer; John Bruno, Executive Vice President; Bob Fishman, Chief Financial Officer; and Andy Heyman, Senior Vice President and President of Financial Services, who will be available for the Q&A session.

Our presentations and discussions today include forecasts and other information that are considered forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. While these statements reflect our current outlook, expectations, and beliefs, they are subject to a number of risks and uncertainties that could cause actual results to vary materially. These risks and uncertainties are described in our earnings release and in our periodic filings with the SEC, including our annual report to stockholders.

On today's call we will be referring to presentation materials posted on our website. We will also be discussing certain non-GAAP financial information, such as free cash flow and results excluding the impact of pension and other items. Reconciliations of these non-GAAP financial measures to our reported and forecasted GAAP results and other information concerning such measures are included in the presentation materials and our earnings release, and they are also available on the Investors section of NCR's website.

A replay of this conference call will be available later today on our website, ncr.com. For those listening to the replay, please keep in mind that the information discussed is as of July 29, 2014, and NCR assumes no obligation to update or revise the information included in this call, whether as a result of new information or future events.

With that, I would now like to turn the call over to Bill.

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

Thank you, Tracy. And thanks, everyone, for joining us today. From my perspective our second-quarter results are as I expected and continue to demonstrate the potential of the new NCR. We are at the halfway point of the year, and we feel good about the steady progress we have made transforming our revenue streams and building on our global leadership in the emerging consumer transaction technologies segment.

We had a solid quarter overall, which you can see in our financial highlights. Let's begin by taking a look at those on slide number 3.

Second-quarter revenue was up 8% year on year and up 9% on a constant currency basis. Our revenue growth included expansion of our software and SaaS revenues and a 21% increase in our recurring revenues, which now makes up 42% of total revenues.

As a quick reminder, we define recurring revenue as hardware maintenance, software maintenance, and SaaS. Increasing our recurring revenue has been an area of strategic focus at NCR, and I'm pleased with what we have accomplished so far in 2014.

We have spent the last several years executing a transformation to a hardware-enabled, software-driven business model that delivers innovation to our customers and provides a lifecycle services capability via a leading global services organization. This ongoing reinvention of our company places NCR in a far more strategic vendor position with our customers while continuing to enhance our margins.

Operational gross margin finished at 30%, up 110 basis points year on year. I want to note that our second-quarter margin performance marked an historic milestone for NCR, as it is the first time we have achieved 30% in operational gross margin. It took a lot of hard work by the entire NCR team to get here. And while we are proud of the accomplishment, we are focused on continuing to drive operational gross margin closer to 35% over the next several years.

Our performance in the second quarter was driven by increased software and SaaS revenues, particularly in financial services, including Digital Insight. It was also driven by solid organic software growth, which I will talk about more so on the next slide.

Second-quarter NPOI was at $210 million, representing year-over-year growth of 15%. For the second straight quarter we achieved record NPOI margin, which reached 12.7% during Q2. This follows an all-time high Q1 NPOI margin of 10.2%.

We also generated good improvement in free cash flow, primarily due to higher net income and improvements in working capital. Bob will give you more color on this during his remarks.

As you know, growing our software and SaaS revenues is a key element of our long-term strategy. Our progress in transforming to a software-driven company is demonstrated on the next slide. You can see that total software-related revenue were up 42% during the quarter to $446 million, while our SaaS revenues increased 247% to $125 million.

While Digital Insight was a key contributor to our performance, I think it's important to note the midteens organic growth in both software and SaaS revenues that we generated in Q2. Overall, we feel good about our progress here through the first half of the year, and we are on track to achieve our full-year software revenue target of approximately $1.8 billion. That number represents 40% to 44% year-on-year growth in software revenues.

If you look at this excluding Digital Insight, we expect to generate organic software revenue growth of 11% to 16% year over year. Our software growth, which has shown solid momentum as we continue to move up the value chain, has become the core of our customers' business operations.

The impact of shifting our business mix to software is having a clear impact on our margin profile, which you can see on the next slide. This chart provides an historical view of the impact our transformation is having on our margins. It's clear that our increased focus on higher margin solutions such as software, including SaaS and mobile, and professional services is driving consistent operational gross margin expansion.

This is evident by the approximate 900 basis points improvement that we expect in gross margins this year compared to 2009. So the impact our transition towards software and SaaS is having on margins is clearly visible.

We have been moving in this direction for some time now, and I'd like to take a few minutes to talk about how we got here as well as how we are focused on best positioning NCR for the future. Let's move to the next slide.

Over the past nine years we have established a successful track record of addressing legacy issues, executing strategic initiatives, all of which have resulted in consistent top-line growth, expanded margins, and higher cash flow, not to mention market share gains and increased strategic relevance with our customers.

As you know, we have always worked hard on this balance, given our passion to reinvent NCR. In particular, over the last five years of that time frame we have been focused on organic and inorganic M&A to fundamentally transform NCR from a hardware company to a solutions company who is software-driven and hardware-enabled.

As a result of our efforts, we are a vastly different Company today; yet current resource allocation is not adequately aligned to the new NCR. For example, we still have an imbalance of resources focused on commodity lower-growth solutions.

Today we are announcing a restructuring program that is designed to strategically reallocate our resources to our highest-growth, highest-margin opportunities, aligning resources more effectively with the realities of our new revenue streams. This is the right time for NCR to address this issue, now that we have the operational assets we need for our future and have had adequate time to assess the impact of our acquisition as well as organic investment.

The next slide offers some specifics about our plan. This strategic reallocation of resources will result in the reduction of approximately 1,800 full-time positions with a potential addback of up to 900 of those positions over the next 12 to 24 months. This all adds up to approximately a net [3%] reduction in total headcount.

Any addbacks will be allocated based on the performance of the Company or any individual division. Addbacks will occur in higher-growth, higher-margin areas of the business, mainly in engineering and sales.

In addition, we will be proactively end-of-lifing older commodity hardware product lines that are costly to maintain, yet provide a little to no return, moving commodity services positions to new centers of excellence due to the positive impact of service and innovation in the areas of predictive services, remote service management, and intelligent dispatch. We will be rationalizing both hardware and software product lines to eliminate overlap and redundancy.

Lastly, we will be reducing layers of management and taking the next step in our organizational evolution and organize around divisions. This, in turn, will improve decision-making, increase accountability, and strengthen strategic execution.

Over the course of the next two years, we will incur costs of approximately $150 million to $200 million, with a cash impact of $100 million. This action, beyond being strategically sound, is also economically compelling. As a result of this restructuring program, NCR will achieve run rate savings reaching approximately $90 million per year by 2016.

Before I introduce John Bruno, I would like to go off-script for a moment and wish John good luck. John will be leaving NCR at the end of August/early September to take on the combined CTO/CIO role at Aon.

John and I have worked together for 15 years at three different companies on and off in that 15 years. And in all cases, John was always my partner from a strategic point of view and in terms of strategic execution. He has had a great track record of success with me, and I will miss him. But he leaves behind an incredible bench and a job well done.

In John's five-plus years at NCR, he has accomplished a lot. Think of how far we have come strategically in that five-year period; think of the M&A and strategic alliances he has been involved in here to help execute our transformation, and you can understand why we will miss him.

But we also understand where we are in our journey and wish John good luck. John?

John Bruno - *NCR Corporation - EVP, Industry & Field Operations and Corporate Development*

Thank you very much, Bill. And it has been an honor to serve this great Company, its customers, partners, employees, and shareholders. It has also been a privilege to work so closely with and learn from such an accomplished Chairman and CEO such as you, Bill.

These past six years at NCR have nothing short of an exceptional professional experience for me and one of personal growth that I could not have imagined when I started. I have a great sense of pride having worked with this leadership team in all that we've accomplished together.

We have executed a thoughtful, balanced growth strategy to reinvent an iconic corporation. And I have great confidence in the strategy, technology, and the team. I also have no doubt the momentum will continue into the future and only increase in speed and industry impact, as NCR now is the global leader in consumer transaction technology and a very unique and uniquely positioned hardware-enabled, software-driven business.

With that, let me turn your attention to slide 8, so I can give you a sense of how we executed by line of business in Q2. So I will begin with a review of financial services. We were pleased with the strong results in the quarter. Revenue is up 15% year on year, with margin improvement of 310 basis points. This was driven primarily by a favorable revenue mix, including a higher percentage of software-related revenue, up 106% year on year.

The core business delivered solid performance as well. Excluding Digital Insight, total revenues were up 4%; software-related revenues were up 28%; and operating margin improved 140 basis points.

We had strong global core order growth, up 14%, which was driven by North America and Europe small and medium-sized banks and software and branch transformation.

Backlog was up 17% during Q3 due to significant growth in professional services and software solutions. Looking globally, our performance was balanced as we added new customers in Europe -- including Russia -- and the Americas. We added 19 new interactive service customers, including wins in North America banking segment as well as eight customer wins abroad.

Branch transformation revenues increased 46% during the quarter, while orders were up 78% year on year. During the second quarter we saw major financial institutions implement NCR interactive services. This includes SunTrust in the US, who went live with Interactive Teller in May and will be the first financial institution to integrate Interactive Banker into that solution later this fall; and Banca Popolare di Bari in Italy, the first European Bank to deploy Interactive Banker.

Current interactive service customers are finding success with our solution, as evidenced by Ion Bank, which expanded its Interactive Teller program this quarter following its initial deployment two years ago. We are focused on driving further adoption of our leading software and omnichannel banking solution. A big part of this strategy, as you know, is Digital Insight, which continues to win customers as well as receive industry recognition for its long-term commitment to customer satisfaction.

I want to turn your attention to slide 9 and give you an update on the DI acquisition. I'm going to give you an update on both the integration and activities as we execute our strategy. The addition of Digital Insight to our financial services business uniquely positions and differentiates NCR software within the fintech space.

Consumers are interacting with banks of all sizes in an increasing number of ways, from traditional to online to mobile. Digital Insight places NCR at the forefront of omnichannel retail banking and in a strong position to increase our margins and recurring revenue base within financial services. We continue to expect Digital Insight to be slightly accretive to non-GAAP diluted EPS for fiscal year 2014 and $0.15 accretive in fiscal year 2015.

Looking at the second-quarter performance highlights, revenues were $87 million, and we generated $27 million of operating income, both in line with our expectations. We are now six months into the integration of Digital Insight, and across the board we have received positive reception and feedback from both customers as well as the internal Digital Insight team.

This is demonstrated by the 25% year-on-year increase in customer renewals in Q2. We have also seen a strong increase in mobile active users, with 5.7 million total mobile users, up 73% from last year.

Turning now to slide 10, which provides an update on our retail solutions segment: revenue was down 2% year on year, which was expected given the tough year-on-year comparison for that business through the large Walmart self-checkout rollout, which concluded in Q2 of last year. Operating income was down 2% year on year, which is also in line with expectation. I do want to point out that the retail operating margin improved 220 basis points on a sequential basis as we continue to work hard to get that business hitting on all cylinders.

Orders were up 11% in the second quarter, driven by both Europe and EMEA, and offset in part by challenges we are seeing in North America. Our backlog continues to be strong, up 32%; yet, as we discussed last quarter, the rollout of large orders continues to push revenues to the end of the year and into 2015.

While retail software-related revenues were up 14% and SaaS was up 8%, they were below our internal expectation. As we transform to a more software-driven business model with larger software deal sizes, we are focused on improving linearity within the quarter and execution in this space overall.

Europe continues to perform well, with strong revenue and order growth. We continue to see softness in demand in North America retail market in general, yet we continue to maintain our strong position and win competitive deals.

Retailers continue to place high value in enhancing the customer's shopping experience at all phases of the shopper's path to purchase. We are well positioned to be the partner of choice for the strategic priorities that matter to our customers, with industry-leading point-of-sale, self-checkout, and our unified commerce platforms.

Additionally, the marketplace is reacting favorable to our Connected Payments offering. We are seeing strong customer demand for our retail solutions, including Retalix. Some of you may have seen the media reports last week regarding our deployment of R10 in the US at Target. As a matter of policy, NCR does not comment on rumor or speculation or the status of activities with specific customers; but we feel it is important to note and have Target's permission to tell you that these stories concerning Target are being reported inaccurately.

We secured a number of customer wins during the quarter for both our point-of-sale and self-checkout solutions. We remain the clear leader in self-checkout, with RBR ranking NCR number one with a 71% global ship share.

We are expanding our retail presence in China. In the second quarter we won a new self-checkout pilot at Rainbow Department Stores, one of the top 100 chain retailers in China. We also added an established channel partner, Shanghai Anmao, which is already leading to new business. This validates our opportunity in this emerging market.

Moving now to hospitality, which is on slide 11: hospitality revenue was up 8% during the quarter, driven by solid growth across the Americas and Europe. Operating income was down 15% year on year due to a large software transaction in the prior-year period. The operating margin was significantly higher in Q1 2014 but was lower on a year-over-year basis.

Software-related revenue was down 4%. SaaS revenue at application sites were up 16% year over year. Important developments in the quarter include further success expanding internationally, with new customers in Mexico, Australia, and New Zealand. We continue to penetrate the important North American small to medium-sized business market, with 19% revenue growth.

Additionally, we had customer wins across a broad number of segments and technologies, including our online ordering software being selected by Buffalo Wild Wings; our venue management solution deployed at Adelaide Oval; and a complete solution of hardware, software, and services implemented with Pollo Campero.

We also launched a cloud-based point-of-sale solution for North America, called Silver Pro Restaurant Edition, to meet the needs of a growing segment of the small business restaurant market that is underserved by technology today. We combined our years of experience in the restaurant industry with the NCR Silver small business platform to create the solution, which demonstrates how we can leverage innovative offerings across our different lines of business.

Lastly, I'd like to discuss our emerging industries business on slide 12. Revenue was $85 million, up 6% year on year, with growth driven by a 22% revenue increase in our telecom and technology business.

Travel revenues were down in Q2. Operating income and operating margin was negatively impacted by onboarding costs associated with new managed service contracts in telecom and technology and continued investments in small business.

Development for our telecom and technology business includes several services and support customer wins. Our travel business made additional headway in key emerging markets and once again delivered record mobile boarding passes, reaching 11 million in June of 2014. That's up 200% year on year.

In small business we continue to invest and build our SaaS-based business model, which over time we believe will deliver good results. We are driving increased adoption of NCR Silver, and our customer base grew 32% over last quarter and 276% versus Q2 of 2013.

With that, let me turn the call back to Bill to provide summary comments on our second-quarter performance and strategic progress overall.

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

Thank you, John. To wrap up on slide number 13, our Q2 results were in line with our expectations. We made strong progress with software and SaaS, both organic and including Digital Insight, which is driving our top-line growth and good margin expansion. We also generated strong improvement in free cash flow generation in the quarter.

At the line of business level, we had a great performance in financial services. As expected, retail was challenging. We continue to work hard to get that business to perform better, and we expect to see improved results in the second half of the year.

Hospitality is making incremental progress toward our goals for that business, as well. We are pleased with our acquired businesses and their performance in the quarter, particularly Digital Insight, which continues to impress. We have made further integration progress, and the feedback from customers and DI employees remains very positive.

As we move forward, we are also making sure we have aligned organizationally to further drive our transformation. The reallocation initiatives we have outlined today will improve our ability to focus on the highest-growth opportunities we have while also generating additional cost structure improvements to continue our strong track record of margin expansion.

These initiatives strengthen our long-term positioning, and I also feel continue to feel good about the near-term, as indicated by our confidence in our 2014 outlook.

Now I will turn the call over to Bob to give you some more perspective on the financials in the quarter. Bob?

Bob Fishman - *NCR Corporation - SVP, CFO, and CAO*

Thank you, Bill. I will start on slide 15, which shows our Q2 operational results. Here you can see the strong revenue growth, up 8%, as reported, and 9% on a constant currency basis. As Bill mentioned, the operational gross margin rate was 30%, an all-time high for us, driven by more software-related revenue in the mix.

Software-related revenue was up 42%. And excluding Digital Insight, core software-related revenue was up 15%. Expenses were slightly higher than prior year at 17.4% of revenue.

NPOI margin was 12.7%, which is, again, at a record high for Q2. EPS was flat with prior year at $0.68 due to higher interest expense. The effective tax rate in the quarter was 27%, slightly higher than the prior year of 25%.

We were very pleased with the Q2 result as we faced several significant headwinds relative to the prior-year results, which included a vendor rebate, a large software transaction, and a significant rollout in our self-checkout business. The next slide shows our Q2 GAAP results. As we mentioned in Q1, we have included new pages in the backup section beginning on slide 30 that does a nice job of bridging the GAAP to non-GAAP result with more details on the adjustments to non-GAAP.

On slide 17 you can see the revenue split by segment. Financial services are up 16% constant currency; and excluding Digital Insight, up 5% constant currency. We continue to see orders and backlog grow in financial, especially in North America and branch transformation.

Retail, down 2% constant currency, was as expected given the difficult compare with the prior year. Hospitality and emerging industries continued with strong growth. Overall, total revenue was up 9% constant currency. And the core business, excluding Digital Insight, was up 3%.

On slide 18 you can see the operating margin by segment. Financial services was at 15.2% for the quarter, up 310 basis points. Excluding Digital Insight, the core business operating margin was up 140 basis points.

Retail solutions was flat with prior year, even with the slight decrease in revenue due to more software in the mix, and up 220 basis points from Q1. Hospitality was down due to a large software transaction in the prior year and up 540 basis points from Q1.

Operating margins in emerging industries continues to be impacted by onboarding costs associated with managed services contracts and our continued investment in small business. On a full-year basis we expect operating margins to be in line with the guidance provided last quarter.

On slide 19 we have the supplemental revenue split we began showing last quarter. You can see the strong growth in SaaS, professional services, and total software-related revenue. As I mentioned earlier, excluding Digital Insight, software-related revenues grew 15%.

Other services -- which, as a reminder, includes our traditional break/fix business, showed nice growth at 3%. However, revenue in the quarter reflects a similar trend as Q1 as the Company continues to focus on growing software and recurring services.

As a reminder of the profitability by revenue stream, software excluding professional services is around 50% to 65%; and total software-related revenue, including professional services, is around 50% to 55%. Hardware is typically between 20% and 25%, and other services is around 25%. These are annual gross margin rates, including all corporate allocation.

On slide 20 you can see free cash flow for the quarter. Cash provided by operating activities improved by $112 million, primarily related to lower discretionary pension contributions and improvements in working capital.

CapEx was higher by $29 million, with roughly half of that in software cap. Discontinued operations was slightly better by $3 million. On a full-year basis our expected free cash flow has been updated for the estimated cash impact of $50 million relating to the restructuring plan Bill discussed earlier.

On slide 21 you can see our estimated adjusted free cash flow of $420 million to $490 million when you add back nonoperational items, including the impact of the restructuring plan. This is around 85% of non-GAAP net income compared to 80% in the prior year.

On slide 22 you can see our leverage multiple at the end of Q2 is 3.4 times, down from 3.7 times in Q1. We still expect to delever quickly and anticipate ending the year at around 3 times leverage.

We are reaffirming our full-year 2014 and revenue guidance, which you will find outlined on slide 23 and 24. We have updated our GAAP guidance to reflect the expected charge related to the restructuring plan.

On slide 25 you will find our Q3 guidance. We expect NPOI growth of 16% to 22%. We expect the tax rate to be 28% and other expense, including interest expense, to be approximately $50 million.

I expect revenue growth to be slightly higher than the overall growth rate we saw in Q2, with continued strength in financial and growth in retail due to strong backlog at the end of Q2. I expect mid-single-digit growth rate for hospitality and low single digits for emerging.

The final chart reinforces our 2014 goals for the year. We continue to focus on growing our business, driving more software-related and recurring revenue, improving our free cash flow, and delevering our balance sheet. The restructuring plan that Bill discussed earlier on the call is in line with this strategy and will position us to accelerate on our highest-growth, highest-margin opportunities.

And with that, I will open up the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Dan Perlin with RBC.

Dan Perlin - *RBC Capital Markets - Analyst*

I had a question on the restructuring plan. First of all, is this incremental to what you had alluded to in the past? I think you had said in the past you had probably $30 million in 2014 and $30 million in 2015 that you were looking to take out in retail and hospitality, so that gets you $60 million; and I think there were some duplicative costs on the back end for DI, which was another $10 million.

So that's $70 million between the two years. And I'm just wondering, are you stretching that out to 2016 and getting another $20 million, and that's what we are calling the restructuring plan? Or is there something more to that?

Bob Fishman - *NCR Corporation - SVP, CFO, and CAO*

Yes. Let me take the DI question first. This number does not include the $10 million of duplicate costs in DI. So, again, that would be costs incurred this year in 2014 that will not be included in 2015.

When we talked previously about retail and hospitality and the numbers you mentioned, Dan, this is all included in this restructuring piece. So think of those numbers as included in this piece.

Dan Perlin - *RBC Capital Markets - Analyst*

Okay. So the idea is for $60 million, still, and then you've got $30 million now as opposed to $20 million to get you to the out-year run rate.

So, also, my understanding was -- who is going to replace John? What's the process for that? I know he was a big part, at least, of how that plan was going to get layered in, in particular in retail. So his departure is clearly something we've got to focus on.

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

Yes. There is an announcement going out today, Dan, that we have hired a new head of retail. His name is Michael Bayer; he will be joining us on August 1, so on Monday. You will see that as release coming out shortly.

We will be hiring a new CTO; that's something that is both going to attract internal and external candidates. John has been essentially our CTO for 5 1/2 years while he has also played the role of -- on strategy and corporate development for us.

His role on retail was for the past quarter in helping us to find the right replacement for him as an interim as well as work on some particular tactical items for that business.

John Bruno - *NCR Corporation - EVP, Industry & Field Operations and Corporate Development*

Dan, I am going to be here through August, and I am going to help Michael with his transition and make sure that we have a smooth pass-over on the retail business overall.

Dan Perlin - *RBC Capital Markets - Analyst*

Okay. That's great. And then just two other quick clarifications: I know you don't want to talk specifically about Target, and I fully appreciate that. But the language is kind of vague in that -- it's reported inaccurately. That could be that they used the wrong headcount number, as an example, in that article, which I thought was pretty loose. Are you suggesting that it's really an inaccurate statement?

Bob Fishman - *NCR Corporation - SVP, CFO, and CAO*

I am telling you it was an inaccurate statement.

Dan Perlin - *RBC Capital Markets - Analyst*

Okay.

Bob Fishman - *NCR Corporation - SVP, CFO, and CAO*

As you can imagine, we are bound by contractual issues with regard to speaking about customers. And I'd love to comment further, but I can't. But I can tell you clearly that article is completely inaccurate.

Dan Perlin - *RBC Capital Markets - Analyst*

No, that's fine. That's what I wanted to find out.

And then just lastly, as we think about the third-quarter guide and the NPOI number, I would have that margins would have been up a little bit more on a sequential basis. Is there something else that's eating away at that? Because it seems to imply a pretty significant kind of fourth quarter. Thank you. I'll jump off.

Bob Fishman - *NCR Corporation - SVP, CFO, and CAO*

Yes. In terms of Q3 the growth rate that we are showing from an NPOI perspective is 16% to 22%. But the prior year did include in it an asset sale of around $7 million. So excluding that, the growth rates would have been even higher.

Operator

Paul Coster with JPMorgan.

Paul Coster - *JPMorgan - Analyst*

Lots of good stuff here. But of course the only issue I can see here, really, is the back-end ramp. And I guess the question is: what visibility do you have into a very strong fourth quarter from an NPOI perspective?

I looked over the last few years; it's not unprecedented to have 25%, 30% sequential growth. But it's still a pretty dramatic ramp. And how much of the risk is there in the retail segment, in particular, given that there has been some push-outs there. And I imagine another quarter could be pushed out quite easily.

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

Yes, Paul. Our quarterly guidance now for Q3/Q4 has been analyzed in terms of what we believe will convert from what is a record backlog. The backlog we have today is the biggest we've ever had in dollars, and one of the biggest in terms of year-on-year growth.

The NCR total backlog is up 19% year on year. And that's a fairly sizable backlog. A good portion of that is financial, up 17% year on year. The rest is retail.

So what we've done is we've taken a look at what in the backlog will convert in Q3/Q4? Q4 is a bit more of a ramp, but not, to your point, unprecedented -- certainly, in the years where we have had significant backlog positions like we have now, more the norm.

Paul Coster - *JPMorgan - Analyst*

Okay. But obviously the risk there is that the peak deployments for these large retail projects will coincide with the holiday season. I'm particularly concerned about the retail bank -- the back-end-loadedness, if there is such a word, of the retail segment.

Could you just comment upon the two big projects, in particular; and just how much commission you have around them, getting in before the year-end deadline?

John Bruno - *NCR Corporation - EVP, Industry & Field Operations and Corporate Development*

Well, we are actively involved in both, Paul. It's John Bruno. You are specifically speaking to self-checkout, and I understand your issue with regard to that. So we are actively working our backlog.

As Bill pointed out, our backlog was up big in retail as well. So we are converting off of a strong backlog there. And some of the retail backlog is actually kiosk-related backlog that is not specific to retail front-end lanes.

And the other part, which we don't typically talk about in backlog, is our software growth. We have a number of programs. And our retail customers tend to take software in Q4 in preparation for Q1. And then we bring in the license and pre-s engagements in the quarter in preparation to a fast start. So I think we've got not only the hardware backlog, with self-checkout and some of the kiosks, but I also believe we've got a nice ramp on software as well, assuming we continue to execute.

Paul Coster - *JPMorgan - Analyst*

Okay. My last question is: the hospitality segment has taken a dip in terms of margins; can you just revisit that for us and explain to us what has happened there, and why those margins will eventually turn back north into the teens, if they will?

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

Yes, they will. It's a combination of things, Paul. One, of course, we discussed on the last call -- and I think on prior calls -- which is around the significant investment we are making in hospitality. We are investing at twice the rate of revenue growth in terms of expense to revenue. So that has impacted the margins of that business for the last two or three quarters.

Secondly, there's less software in the mix. Part of that is just tough compares, big contracts we have done in terms of software contracts. But again, that's more lumpy and will come back over time, given the front log.

And I'd say, thirdly, more or less the NCR legacy accounts that have been bolted onto Radiant are someone lower margin and, again, lumpy as well. But also, that will balance out within the coming four quarters.

Paul Coster - *JPMorgan - Analyst*

If you don't mind, just one follow-up, then. The investment that you are making -- is it to expand the addressable market? Is it to take it international? Is it to expand the product line? If you can just give us some sense of why there has been this accelerated investment phase. And that's me finished, I think. Thank you.

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

Yes. The answer is yes, yes, and yes. We are doing all of the above in terms of expanding internationally; in terms of hiring new sales headcount to accomplish that goal; expanding engineering and budgets around engineering.

John Bruno - *NCR Corporation - EVP, Industry & Field Operations and Corporate Development*

And mobile.

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

And mobile.

John Bruno - *NCR Corporation - EVP, Industry & Field Operations and Corporate Development*

There's been a lot around our mobile POS in that segment.

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

On the mobile POS side. So, Paul, it's really all -- it's a balanced investment plan for that business. And that's something that has paid off for us since we have acquired Radiant three years ago. And it will pay off for us in the future as well.

Paul Coster - *JPMorgan - Analyst*

Thank you.

Operator

Meghna Ladha with Susquehanna.

Meghna Ladha - *Susquehanna Financial Group - Analyst*

So, Bill, in light of the MICROS/Oracle deal and the potential for them to be more price competitive, how would NCR look to combat lower pricing?

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

Well, you know, Meghna -- first of all, let me say that this is not meant to be a cute statement. We are looking forward to competing in this market against a tough, sizable company and one we respect a great deal. We have never been shy about competing.

But we don't know what exactly is going to occur as a result of this acquisition when it is closed. So it's difficult to point out what their strategy will be in the marketplace, except that we do know that we have a world-class solution; the ability to also price differently, with different packages and solutions, both from a cloud point of view as well as enterprise license point of view.

And we think we're going to be quite competitive. We think we have a great set of assets and ability to be flexible with pricing as well -- and business models.

Meghna Ladha - *Susquehanna Financial Group - Analyst*

Got it. And then going to the ATM business, primarily the Digital Insight, how should we think about pricing going forward, given that the market there is still fragmented, with a number of small companies offering an online mobile banking solution?

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

Andy?

Andy Heyman - *NCR Corporation - SVP and President of Financial Services*

Yes. I think on the -- first of all, it's a wonderful business that we've acquired. And as we think about the drivers of the business, it's really two things. One is the number of end users that use the application, and the other one is the average price per user. It's a pretty simple business.

And since we have acquired the business, if you think about the average price per user, which is your question, there's always a general mix of products that have -- some are increasing in average price; some are decreasing in average price. And so the net of it is we've had a really good year in terms of average price per user.

So as we look forward, the key for us is -- and we don't like to quote the exact number -- but the key for us is we've been relatively flat this year on pricing, which is a very good metric. It's much better than the old days under prior ownership, that was -- which was a situation that had 5% to 10% headwinds on average pricing.

So the key for us is to maintain our average pricing and then add new products to add value to our customers, where they can really value where the trends are going in the industry so we can help our customers save more money and drive their revenue growth. So that's how we are thinking about it.

Meghna Ladha - *Susquehanna Financial Group - Analyst*

Got it, Andy. And just a quick one for Bob -- just want to check if you still expect NPOI and EPS at the low end for the year? I didn't see that specific line within the press release, so just want to clarify there. Thank you.

Bob Fishman - *NCR Corporation - SVP, CFO, and CAO*

Yes, really no full-year change from what we said last quarter.

Meghna Ladha - *Susquehanna Financial Group - Analyst*

Thank you.

Operator

Katy Huberty with Morgan Stanley.

Katy Huberty - *Morgan Stanley - Analyst*

Last quarter you talked about some software deal push-outs. Were you able to close most of those deals in the second quarter? And how happy are you with the level of close rates now, at the end of June?

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

I'm incrementally more pleased, Katy. But we have work to do. We did close those transactions that slipped from Q1 to Q2 and to Q2 to Q3. But we've also had transactions slip from Q2 to Q3.

So as we transition from a go-to-market and sales point of view and learn how to become a more effective, efficient software sales organization, this will be with us for some time. A lot of the work we are doing here, by the way, is education: putting the right policies and governance in place internally -- everything from controllership to legal, and talent, bringing on the right talent and team to help move the ball forward.

But this transition, this enormous shift in our revenue streams, has definitely caused us to be less of an effective sales organization on software deals. But in Q2 we were a lot better than Q1. I can tell you that.

Katy Huberty - *Morgan Stanley - Analyst*

Okay. And then a couple of questions on the restructuring. Completely understand the shift from hardware to software, but you also mentioned some areas of de-emphasis and potentially exiting businesses. Could you give some additional detail there, or examples of areas where you are backing off?

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

Not right now. I think it's fair to say that we are doing a fairly deep evaluation of all of our assets. We routinely as a Board look at strategic alternatives. And as we do, certainly opportunities for divestitures come up; opportunities for shifts in where we spend our capital come up. And it would be fair to say that in the process of doing that -- and this is the time of year we really get into that in great detail in terms of strategic planning -- we're looking at all of the above.

Katy Huberty - *Morgan Stanley - Analyst*

Okay. And then finally, Bob, how should we think about the $90 million of cost savings? And how much of that flows through to the bottom line as opposed to reinvested in the business? Thanks.

Bob Fishman - *NCR Corporation - SVP, CFO, and CAO*

Yes, the $90 million will be a run rate that we achieve at the start of 2016. You can think of roughly half of that at this point helping the bottom line, the other half being reinvested back into the business.

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

And, Katy, that will be allocated -- any additional investment will be allocated based on performance of the Company and the individual divisions. So something from zero to $45 million will be reinvested based on performance.

Katy Huberty - *Morgan Stanley - Analyst*

Okay, got it. Thank you very much.

Bob Fishman - *NCR Corporation - SVP, CFO, and CAO*

And I just wanted to elaborate a little bit more on Bill's response, Katy. You had also asked about examples around the four key initiatives. So when we mentioned that we were end-of-lifing older commodity hardware products and also rationalizing hardware and software product lines -- and maybe I'll take a shot at this with John in terms of specific examples -- but certainly, having acquired three big businesses over the last couple of years, it's giving us an opportunity in terms of the go-to-market strategy to reduce some of the overlap and the redundancies that exist.

And then, frankly, on the end-of-lifing, we have a lot of very old equipment out there that we continue to service. We service it with very little profit to NCR. So we just have to make some decisions around the end-of-lifing of products and also the overlap that exists within our current portfolio.

John Bruno - *NCR Corporation - EVP, Industry & Field Operations and Corporate Development*

That's right. And to just add to Bob's point, we had discussed this in previous calls. This is, I would say, standard chart course and speed.

When we made the acquisitions, there were a number of platforms specifically in the retail and hospitality space and with Retalix that we have been rationalizing. We have also been doing some things as we taken some of our manufacturing in-house to get greater absorption in our plants and get higher quality and better efficiency.

So as we do that, our hardware engineering teams are consistently looking at ways in which we can consolidate our platforms. We had done a very, very good job of that prior to making the investments we've made in the acquisitions. And of course, that exploded once again, taking those product lines in.

And the last thing we wanted to have was any revenue dyssynergies at the time in which we made the acquisition -- to do anything that interfered with our ability to grow. Now that we have had an opportunity to assess and evaluate that, we think we can transition those platforms in a lot more responsible way and not impact the top line. So that's what we were careful to do.

So we knew we were carrying some excessive costs after making ourselves more efficient. And now we are going to take the next run. And this team here, I know, will do a great job at it, because they've done it before.

Operator

Ian Zaffino with Oppenheimer.

Ian Zaffino - *Oppenheimer & Co - Analyst*

Just on the DI side, can you tell us what revenues might have been up, or some of the financial performance year over year?

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

I'll throw this over to Andy. But I think you are asking for a year-over-year compare on revenues. I don't think we have that.

Bob Fishman - *NCR Corporation - SVP, CFO, and CAO*

This is Bob; I'll just chime in. The previous owners of the business had a different quarter end. The business changed hands, and the business that we acquired looks quite different than what was in place in Q2 of last year. So we tried to stay away from quarter-on-quarter growth rates. But again, we are pleased with the $87 million. And maybe Andy can shed a little bit of color on that.

Andy Heyman - *NCR Corporation - SVP and President of Financial Services*

Well, I spoke earlier about the two drivers of the business: one was the average selling price and the other one was number of users. The number of users we do track monthly. That's up about 14% year on year, so a really good number.

If you look back in the history files, the last three quarters we have been in the midteens growth. In the history of prior owners, I can't find a double digit number. So we are really pleased with what the team has done there.

Ian Zaffino - *Oppenheimer & Co - Analyst*

Okay. So if I take 14% increase in users, zero pricing, and then you have been -- added a bunch of new products and services. So probably it might get you closer to 20% or so? That's what I'm thinking here.

The other question would be -- and maybe I'll ask this a little bit differently. How much lead time do you get from your customers as they release these large rollouts or large projects? How much lead time do you have between when they inform you and when you actually have to deliver?

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

It depends, Ian. Let me break it down for you. In terms of hardware, it's anywhere from 30 days to 12 months, depending upon the size of the order, the implementation program the customer has in place, and so on.

Software, 12 to 18 months. They essentially buy software from us. We recognize some of that upfront. And then, as they add users and implement the total project, we take in more and more revenue as we hit milestones along the way.

And services is not in the backlog except for installation services, which are tied to hardware.

Ian Zaffino - *Oppenheimer & Co - Analyst*

Okay, because I'm just trying to get a sense of how much in, let's just say, the third quarter do you actually know the ship dates on? And what portion of the quarter you really understand is -- I don't want to say in the bag, but is sort of -- you know exactly what dates those are shipping? And what portion of that makes up your guidance or maybe your total amount of revenues in that quarter? That's really what I'm trying to ask.

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

It's quite substantial, Ian. And I think in any given quarter, of that backlog we'll convert 40% to 45%, even sometimes as high as 50% in Q4 and above, at any one point in time. So it depends.

Q1 is usually the conversion low. Q4 is always the conversion high on the backlog. It usually ranges, again, from 40% -- by the way, Ian, we've had quarters where 60% of the backlog converts in the quarter. Almost in all cases that's Q4.

But it does ramp throughout the year. But think about the right number being about 40% to 45% of that backlog we know converts to revenue. Then there's some sell and bill in a quarter. Customers buy something, and we install it that quarter. That's a percentage of the revenue. We kind of know trends and what to expect there. We have a forecast of that.

Of course, we have our recurring revenue, which we kind of know coming into a quarter as well. Services, staff, and software maintenance. So we can do a fairly reasonable bill on a quarter before we enter it.

Ian Zaffino - *Oppenheimer & Co - Analyst*

Okay, thanks. And then just one final question, if I could. I know you're making this transition from hardware to software, and you are doing a lot of this restructuring. I would have thought that maybe CapEx would have come down as well commensurately with the amount of -- the reduction in capital you might need. Is that the case? Or should that be the case? And if that should be the case, why isn't that the case?

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

It should be and is the case. We will be reducing CapEx this year and next.

Bob Fishman - *NCR Corporation - SVP, CFO, and CAO*

Yes. I think what you will see already, Ian, is we've spent more of the full-year capital. We've given guidance of $250 million to $260 million. We spent more in Q1 and Q2, and we've done a number of projects there.

We have invested in mobility and hospitality. We opened up a new manufacturing plant in India. We've invested in a number of process improvements around quote to cash. So we ramped Q1 and Q2. You will start to see CapEx come down in Q3 and Q4 to hit the full-year guidance of $250 million to $260 million. And then you'll see a much lower CapEx number next year.

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

And the only thing I'd add to that, Ian, would be: as a percent of total CapEx, software cap will not go down. So we will spend less on lower-margin commodity programs in CapEx and more on software development.

Ian Zaffino - *Oppenheimer & Co - Analyst*

Okay, thank you very much, guys.

Operator

Matt Summerville with KeyBanc.

Matt Summerville - *KeyBanc Capital Markets - Analyst*

First, just to get back to this ramp from the third quarter to the fourth quarter -- I went back and looked at the last couple of years, and even from Q2 to Q3, your NPOI is typically flat. At the midpoint you're up $10 million, and then from Q3 to Q4, you are typically in the range of, say, plus $30 million to $48 million.

And now you are looking for NPOI to be up 50% or over $100 million. I really need help, Bill and Bob, in terms of understanding how you are actually going to be able to do that. And I don't know if it's, hey, there's this X amount of business sitting in our backlog at a range of margin that we think is going to convert. I mean, talk business by business, if you can, and really dig in a little deeper. That's just a huge, huge ramp.

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

If you go back and you look at NPOI as a percent of our total year in Q4, think about this year being in the low to mid-30s, in that range. We have been there a lot. In 2007 it was about 39% of revenue, sort of NPOI in the fourth quarter. In 2008 it was 32%. In 2009, 38-plus percent. In 2010, about 34%. 2011, about 36%. In 2012, 31%. And in 2013, 31%.

So it's right about where we would expect it to be given the backlog position we are in. Remember, going into Q3/Q4 last year, Matt, we had a backlog that was down significantly year on year. So you have to correlate your backlog position in any given year to the NPOI escape velocity you have in Q3/Q4. Bob?

Bob Fishman - *NCR Corporation - SVP, CFO, and CAO*

Yes, I will go at it a little differently. Matt, I really think there's three drivers. One is the backlog; Bill spoke about we will have a good Q3 in orders and then really enter Q4 with strong backlog.

The gross margin dollars in the backlog right now are up about 35%. So when Bill said they are up 19% overall backlog -- well, the gross margin dollars are up 35%. So even when you look at the past, we have never had this much software in the mix. We are going to drive about $1.8 billion of software this year. So those margins have really helped us.

And then, frankly speaking, the restructuring that I mentioned will also have benefits in Q4 in terms of lowering expense structure. So those three things -- the heavy backlog, the margins, more software, and the taking expenses down in Q4 will help a lot and get us to where we need to be.

Matt Summerville - *KeyBanc Capital Markets - Analyst*

I appreciate that color. Just one follow-up. I saw an announcement today that Scopus was announcing that IBM is taking over their service from Bradesco. And I guess I was a little surprised, given the breadth and depth of your relationship with Bradesco, that it's IBM doing that. Can you comment on that?

Andy Heyman - *NCR Corporation - SVP and President of Financial Services*

Yes. This is Andy. We are very close with Bradesco, among others in Brazil, with our relationship. Our history in Brazil has largely been around the solutions we sell and less around the kind of scale that a financial institution the size of Bradesco would look to for the kind of outsourcing that they have typically done with Scopus.

You are talking about thousands of employees sitting in Brazil. They really -- I'm not going to tell you what Bradesco says; you would have to -- they would have to comment. But from our perspective, we were well aware of the idea that this was a possibility. And they are not the only ones it's a possibility with, if you are following the trends in Brazil.

And so it was no surprise, the decision that they made. It's one we are very supportive of. We will work -- we will continue to help them through this transition and work and make sure that we are providing the proper service both to IBM and to Bradesco in the transition.

Matt Summerville - *KeyBanc Capital Markets - Analyst*

Thanks, guys.

Operator

Kartik Mehta with Northcoast Research.

Kartik Mehta - *Northcoast Research - Analyst*

Just a big picture question, first of all. As the Company becomes a larger software company, do you think this increases the volatility for the quarter, especially with revenue and operating income as we move forward?

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

Yes and no, Kartik. No from the perspective that the recurring revenue stream of SaaS, software license, maintenance, and the like are far more predictable for us. And we are looking hard to increase the percent of our revenue that is essentially recurring. So that provides greater predictability. And that -- by the way, as you will see us continuing to work on to drive that percentage up.

The yes part of that question is: when you have sell and bill software transactions -- it gets back to Katy's question and my answer to her. As we transition the sales force to being more software and sales capable, you could see transactions -- one, two, three, five or so -- slip on you quarter to quarter.

Now, you work hard incrementally to reduce that volatility. But that volatility is far less than you might expect. You are talking about maybe $10 million to $15 million a quarter in profit that could slip on you.

As we get larger, it becomes lesser of an issue. And as we transform and train and build out the sales force, it becomes a nonissue.

Kartik Mehta - *Northcoast Research - Analyst*

Bill, on the ATM side, any impact on the business from all the geopolitical issues that are going on in Eastern Europe?

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

Yes. I will make a comment, and Andy will give you his point of view. The short answer is yes. I think the good news is, in the context of Andy's performance here, he has withstood some headwinds with regard to headwinds in Russia as well as in smaller countries, but equally important to us, like Argentina and the Middle East.

But that has been with us a quarter or two now. We've absorbed that impact. I do expect, at some point, those businesses to come back. They are not dead, by any means. We are still driving a good business in those markets. But they are not nearly as frothy as they were. Andy?

Andy Heyman - *NCR Corporation - SVP and President of Financial Services*

Well, I would just say a couple things in addition to that. First of all, we have a wonderfully diversified business from a global perspective. And in some of the -- when you look at what's going on in Eastern Europe right now, the kind of materiality that it has -- we have something like that happening almost every year. And you would expect that with a business as diversified as NCR's.

And we build all of that into our guidance. We build all of that into our plans in terms of contingencies. And when it happens in a region that has such pricing pressures as the area you are talking about, the impact to the NPOI is de minimis.

Operator

Gil Luria with Wedbush Securities.

Gil Luria - *Wedbush Securities - Analyst*

As you pointed out, you have done a lot of cost cutting and become a lot more efficient over the last 8, 9 years. And you already have higher than your peers -- in terms of margin, sometimes significantly higher than your peers in terms of margins.

You have talked about some of the opportunities, but how hard is it going to be to realize savings beyond that? And where do you start putting your benchmarks, since you are higher than your peers on most of those margin metrics?

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

Yes, we have no shortage of opportunities to become more productive and more efficient, Gil. And we have an internal goal every year of driving about 5% productivity across the board. That, by the way, will never end for my team. And we believe we can definitely achieve that over the long-term.

The restructuring program is a bit more focused on strategically reallocating resources versus cost-cutting around productivity and efficiency. We have that goal. We drive that program; we are continuing to drive that program as well. But we have still, I would say, relatively speaking, low hanging fruit for many years to come.

Gil Luria - *Wedbush Securities - Analyst*

Got it. And then roughly what proportion of your Europe revenue comes from Central and Eastern Europe?

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

Roughly, roughly, I would say -- Bob's getting it -- 4%? 3 1/2%?

Bob Fishman - *NCR Corporation - SVP, CFO, and CAO*

Total revenue for the --?

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

Total revenue.

Bob Fishman - *NCR Corporation - SVP, CFO, and CAO*

Yes.

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

3% or 4%?

Bob Fishman - *NCR Corporation - SVP, CFO, and CAO*

I'm getting that right now.

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

Gil, was that your last question? We will get you an answer to that.

Gil Luria - *Wedbush Securities - Analyst*

Yes, it is. Thank you very much.

Bob Fishman - *NCR Corporation - SVP, CFO, and CAO*

Okay. We'll get you an answer here.

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

I think I will be right, Gil.

Gil Luria - *Wedbush Securities - Analyst*

3 1/2% to 4% of overall revenue?

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

Yes. I think it could -- call it around $200 million to $250 million a year in revenue for Eastern Europe.

Gil Luria - *Wedbush Securities - Analyst*

Thank you.

Operator

Jim Schneider with Goldman Sachs.

S.K. Prasad Borra - *Goldman Sachs - Analyst*

This is S.K. Prasad Borra for Jim Schneider. On 2015 guidance, can you provide any update in light of the weakness in the retail segment and also the new restructuring plans which you have released?

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

On the retail segment for 2015, obviously the backlog is improving. I had made the comment that for Q3 we should see improved growth. So again, we should go into the year with a stronger backlog from a retail perspective. And what was the second half of the question?

S.K. Prasad Borra - *Goldman Sachs - Analyst*

No, I meant on the full-year guidance, for 2015 guidance, given the impacts from the retail segment and also the restructuring plans. Does that change at all?

Bob Fishman - *NCR Corporation - SVP, CFO, and CAO*

No change in really what we have said. Sitting here today, we feel good about 2015. And certainly with of the reallocation plan that we mentioned, we feel good about both the gross margin rate improvement and the expense structure.

S.K. Prasad Borra - *Goldman Sachs - Analyst*

Just one additional one from my end. On Digital Insight, you are talking in 30% margins, and also you plan to invest more around sales and marketing. What are more sustainable margins for this business?

Andy Heyman - *NCR Corporation - SVP and President of Financial Services*

This is Andy. I think the margins that we are realizing today feel pretty comfortable for the long haul. I think there's a couple of drivers of improvement over time related to what I would think of as a world-class hosting center, which we are putting in place.

And the second one would be: as we drive more innovation, the attach rate will drive better pricing per user. And we should see some good flow-through there. So I would expect that to be able to pick up.

We are not going to pick up 1,000 basis points, but it will be more than 100 basis points as well. So I think it will settle in higher than where you are seeing it today.

S.K. Prasad Borra - *Goldman Sachs - Analyst*

Okay, very clear. Many thanks.

Bill Nuti - *NCR Corporation - Chairman, CEO, and President*

Well, we thank you all for joining us today. We look forward to speaking to you again in October.

Operator

All right, everyone. That does conclude our conference call for today. We do thank you all for your participation.
