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NCR - Q3 2014 NCR Corp Earnings Call

EVENT DATE/TIME: OCTOBER 23, 2014 / 8:30PM GMT

OVERVIEW:

Co. reported 3Q14 YoverY reported revenue growth of 9% and EPS of $0.67.

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PRESENTATION

Operator

Good day, and welcome to the NCR Corporation third quarter fiscal year 2014 earnings conference call. Today's conference is being recorded. At this time, I would like to turn the conference over to Ms. Tracy Krumme, Vice President of Investor Relations. Please go ahead, ma'am.

Tracy Krumme - *NCR Corporation - VP IR*

Thank you. Good afternoon and thank you for joining our third quarter 2014 earnings call. Joining me on the call today and offering opening remarks are Bill Nuti, Chairman and Chief Executive Officer, and Bob Fishman, Chief Financial Officer. Additionally, available on the call today for Q&A are Andy Heyman, Senior Vice President, and President, Financial Services; Michael Bayer, Senior Vice President, and President, Retail Solutions; and Paul Langenbahn, Senior Vice President and President of Hospitality.

Our presentations and discussions today include forecasts and statements 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. Reconciliation of these non-GAAP financial measures to their most directly comparable GAAP measures, and other information concerning such measures, are included in the presentation materials and in our earnings release. These are also available on the investor section of NCR's website. A replay of the 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 October 23, 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, President and CEO*

Thank you, Tracy, and thank you all for joining us today.

It is fair to say I don't like getting or giving negative surprises. We are working hard to do what we need to do to make sure this does not happen again. Our disappointing Q3 results and the necessity to reduce 2014 guidance, which we had pre-announced, was driven by a worsening retail environment, FX headwinds, and concerning macroeconomic indicators.

As you will see during today's presentation, we were unable to withstand the sharp declines in orders, revenue, and profit we experienced in retail during Q3. While I do not want to oversimplify Q3 results, or 2014 guidance, it is very much a retail story combined with FX to a lesser degree. All of our other businesses performed largely as expected in Q3, with financial services continuing to sustain revenue growth and margin expansion momentum, much of it organic.

Financial services has a healthy legacy backlog entering Q4. I would also note that Digital Insight had another strong quarter.

Before we dive into the overall results of the quarter, let me give you more detail about what happened in retail solutions on slide 3 and the actions we are taking to address the situation. Obviously, results were disappointing and below our expectations with revenue decreasing 1% year-over-year, operating margin decreasing 520 basis points year-over-year, and orders down 27%. Backlog was up 9%, but further delays in solution rollouts were causing longer revenue conversion times.

Software-related revenue increased 1%, which was also, again, disappointing. 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.

The primary driver for bringing down our guidance was weaker performance in September. Order decline was higher than expected and the backlog rolled out more slowly. This was driven by three factors.

First, market conditions within the retail industry worsened significantly in the quarter, evidenced by weak same-store sales comps and financial results. This resulted in our retail customers spending more cautiously and further delaying solution rollouts.

Second, we saw our customers shift their spending priorities toward addressing increasing data security concerns. Third, our performance was impacted by lower software results due to consolidation among retailers. All of these factors impacted retail solutions operating income, which was down to [$24 million] in the quarter and impacted our guidance for the remainder of 2014.

While some of these issues were beyond our control, we also had execution issues that were unacceptable and we have taken steps to address them. We have put in place new leadership throughout our division, including our newly appointed SVP and President of Retail Solutions, Michael Bayer. Michael has organized this division more effectively to enable us to utilize our restructuring program to allocate resources to opportunities within the highest growth and margin potential.

Within our restructuring plan, if conditions don't improve, we have the ability to further reduce costs. But we will be in a better position to do so based on the changes we have made. Now let's get into the overall numbers. Go to slide number 4.

Revenues were up 9% in the third quarter year-over-year and up 10% on a constant currency basis. This was in line with the commentary we gave on our Q2 call. Revenue growth was driven by increased software-related revenue and a strong quarter in financial services.

As many of you know, growing our software-related revenue has been a focus for many years and we continue to make progress on that front. Operational gross margin finished at 28.9% compared to 28.6% in the third quarter of last year. NPOI was $204 million, up 10%. This was below our guidance, with the variance due predominantly to weaker performance in retail solutions and FX.

We generated improved free cash flow during the quarter. Free cash flow in Q3 was $132 million compared to negative free cash flow of $66 million last year. This is due to improvements in working capital, lower CapEx, and the $93 million Fox River recovery. Excluding Fox River, free cash flow was up $105 million year-over-year. And Bob will discuss free cash flow in more detail during his remarks.

Turning now to slide number 5, which provides some details on our software related revenue growth. Software revenues reached $430 million in Q3, up 34% year on year. A key driver of our growth was Digital Insight, which, as many of you recall, we acquired earlier this year to expand our software capabilities and offerings within financial services. On an organic basis, our software growth was 7%.

As you can see on the right side of the chart, software revenue guidance is down from previous guidance, due primarily to retail. While we were disappointed to reduce our goal for the year, it does translate to 34% to 36% annual software revenue growth, which is a solid accomplishment and demonstrates the success we are having transforming into a hardware-driven, software-enabled business model. On an organic basis, we expect software revenue growth of 8% to 10%.

I am on to slide number 6. I won't spend much time on this slide since this is a slide you are familiar with. We have updated this slide to reflect our new guidance and you will see that 26% of our revenue comes from software, which compares to 16% just two years ago.

You can see from year to year, the impact our transformation has had on our margin profile. We now expect to finish this year at around 29.5% operational gross margin, which is less than previously expected, but a 750 basis point increase over 2009.

Turning to slide number 7, we continue to make progress with regard to legacy issues. In the spirit of building a great sustainable technology company out of the assets of the old NCR, we have always had a disciplined focus on legacy issues and growth initiatives. Q3 was a solid and important quarter when it comes to legacy issues.

There were two areas of important progress: Fox River and pension. The progress NCR made with regard to Fox River does more than just reduce enterprise risk. It also may have a meaningful impact to our ongoing free cash flow.

As for our long-term pension strategy, our goals have always been clear. Reduce underfunded liability, hence volatility. Reduce overall pension liability. Reduce the number of planned purchases (technical difficulty) cost. And improve cash flow. The progress we have made in Q3 accomplishes several of these goals.

We had two wins in September as it relates to Fox River. First, we had favorable rulings in court that overturned not only the decisions holding us 100% liable, but also the injunction that required us to do the cleanup work. We believe we have done more than our fair share of the work at Fox River and it is now time for others to participate in the cleanup and to reimburse us for costs paid in excess of our share.

Second, we were pleased to collect $93 million against our API Fox obligation. This sum was against Fox River costs that NCR has incurred since April 2012. The Fox River reserve decreased from $95 million at the end of Q2 to $57 million at the end of Q3, with more than half of that decrease due to the favorable court decisions.

Additionally during the quarter, as part of the pension Phase III, we were successful with our US retiree lump sum offer. This initiative reduces enterprise risk, and takes nearly $800 million of liability out of the plan.

I will now turn the call over to Bob to further discuss our financial results. Bob?

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

Thank you, Bill. I will start on slide 8, which shows our Q3 operational results. Here you can see the revenue growth up 9% as reported and 10% on a constant currency basis. As Bill mentioned, the operational gross margin rate was 28.9%, driven by more software-related revenue in the mix.

Software-related revenue was up 34% and excluding Digital Inside, core software-related revenue was up 7%. Expenses were slightly higher than prior year at 16.5% of revenue. NPOI margin was 12.4%. EPS was $0.67, down as compared to prior year due to higher interest expense and unfavorable foreign currency fluctuation.

The effective tax rate in the quarter was 22%, lower than our guidance of 28% due to a favorable IRS settlement. Fluctuations in foreign currency negatively impacted Q3 results by approximately $14 million with roughly half in NPOI and half in other income and expense.

The next slide shows our Q3 GAAP results, which include the impact of the restructuring plan announced in July. The Q3 charge was $130 million in total, with $65 million related to severance, $55 million of inventory charges, and $10 million of other restructuring related costs. The inventory charges are related to product line, which we are end-of-life-ing sooner than expected and rationalizing the product portfolio away from those that are less profitable.

The non-GAAP reconciliation on slide 27 includes additional detail on the $130 million charge. On slide 10 and 11, you can see the revenue and operating margin by segment. Now we will go into more detail on the third quarter results.

On slide 12, you will see our financial services update. The team continued to deliver strong results. Revenue increased to 17%, 5% coming from the core, with the remainder coming from DI. Operating profit grew 55%, with half coming from the core and the remainder from Digital Insight. Core margin expansion was driven by software PS growth and increased penetration in the US community financial institution space.

It was also a good quarter for order and backlog growth, which is a good indicator for our future growth. Excluding Digital Insight, global core order growth was up 7%, driven by North America, Europe, Southeast Asia, and Middle East/Africa. Drivers of regional success include demand from community financial institutions and software innovation as retail banks continued to transform their networks.

Our core continued to perform well as revenues increased by 5%. Software-related revenues were up 20% and operating profit increased 26%. Backlog was up 14%, driven by significant growth in software solutions and professional services.

During the quarter, we won new enterprise software deals, including cash management wins in Brazil and Europe, and mobile deposit capture wins in North America. Our leadership in branch transformation and interactive service solutions expanded in the quarter. We signed over a dozen new customers in North America, the Middle East, and Europe, all focused on revamping their P&L. Branch transformation orders were up 90% year-over-year while revenues were up 125%.

Looking at Digital Insight's third quarter results, revenues were $93 million and operating income was $27 million, ahead of expectation. Our integration plan is on track and our cross-selling program is delivering great results. Customer renewals are up 20% year to date, while our mobile active users finished the quarter at $6.4 million, up 39%. These are both records relative to the recent history of this business.

In summary, financial services delivered great results. We believe the combination of NCR and Digital Insight creates a great platform for our customers. We have already covered retail, so now let's discuss hospitality.

Hospitality revenues increased 4% to $168 million. Our revenue growth was driven primarily by gains in North America and Europe. Software revenues were down 2% while SaaS revenues and application sites both increased 21%. Operating margin performance of 16.1% was flat year-over-year, yet up 260 basis points over the prior quarter.

During the quarter, we added customers across a broad set of solutions, including venue management, restaurant operations, and consumer engagement solutions. We also made additional progress expanding our international footprint with multiple wins in the important Brazilian market as well as further expansion into Singapore.

In North America, we demonstrated further success advancing our SMB market strategy with 13% year-over-year revenue growth as well as expansion of our customer base. We are also enabling integration of consumer mobile payment applications through point of sale and mobile commerce channel.

Looking at our emerging industries business on slide 14, we were disappointed with the results. Revenues were $91 million, up 6% year-over-year. Telecom and tech revenues, which make up approximately 2/3 of this business, increased 14% during the quarter.

Travel revenue was down 23%. Operating income and operating margin continues to be negatively impacted by on-boarding costs associated with new managed service contracts in our telecom and tech business as well as further investments made in our small business offering.

On slide 15, you can see the strong growth in SaaS professional services and total software-related revenue. As I mentioned earlier, excluding DI, software-related revenues grew 37%. Other services, which as a reminder, includes our traditional break-fix business, showed growth at 1% and hardware revenue was up 4%.

On slide 16, you can see free cash flow for the quarter. Cash provided by operating activities improved by $97 million, primarily related to improvements in working capital. CapEx was lower by $8 million due to lower PP&E spend, partially offset by higher spend on capped software. Discontinued operations was better by $93 million, due to a recovery from the Fox River environmental related matter.

Free cash flow for Q3 year to date was $84 million compared to free cash used of $110 million in the prior year to date period. We are making progress in improving the linearity of free cash flow, which was one of our goals at the beginning of the year.

On slide 17, you can see our estimated adjusted free cash flow of $350 million to $450 million when you add back nonoperational items, including the impact of the restructuring plan. This is around 80% of non-GAAP net income, which is lower than our previous guidance of around 85%.

We had previously assumed that we would collect $45 million of the Fox receivable in 2014 that was in our financial statement. So, collecting $93 million provided around $48 million upside to our free cash flow forecast. By lowering our forecast by $25 million, we effectively dropped free cash flow by $73 million.

We are disappointed by this reduction, but it is in line with our drop in NPOI guidance. Our working capital and CapEx performance of the quarter were solid. We will continue to work hard to maximize free cash flow towards our goal of 100% of adjusted net income.

A number of actions that we have taken will provide a bridge to higher free cash flow in 2015. Our CapEx will be lower by approximately 10%. Our Fox River forecast is expected to be lower than the normalized run rate of $40 million. Our pension contribution and M&A integration costs will be reduced as well. We will provide free cash flow guidance as part of our February call, but I am optimistic that we will continue to drive higher free cash flow as a result of the actions that we have undertaken this year.

On slide 18, you can see our leverage multiple at the end of Q3 is 3.3 times, down from 3.7 times in Q1. We still expect to delever quickly and anticipate ending the year at around 3.2 times leverage. Additionally, both S&P and Moody's have reaffirmed our credit rating this week.

On slide 19, we give our update of full year 2014 guidance, which is consistent with the announcement on October 20, 2014. On slide 20, we have updated our revenue guidance by line of business. Overall, financial continues to show strength, partially offset by FX headwinds, and retail is in line with the challenges facing that business.

Hospitality revenue is slightly lower than expected. The old Radiant business continues to drive good revenue growth with an improved mix of software-related revenue. But the NCR legacy quick service business is facing challenging market dynamics.

Emerging industries is lower, primarily due to our more selective approach with the managed service business in telecom and tech as well as travel.

On slide 21, you will find our Q4 guidance. We expect NPOI growth to be at 9% to 18%. We expect the tax rate to be 30%, which is included in the 25% full-year guidance, and other expense including interest expense to be approximately $55 million. Our restructuring plan is on track and we are looking to accelerate actions where possible.

And now I will turn it over to Bill for his closing comments on the quarter.

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

Thanks, Bob. I am on slide number 22. Clearly, these are not the results we expected, or with which we believe we are capable of delivering. We are focused on driving shareholder value and are working with a sense of urgency to address the issues we saw in Q3.

In addition, we continued to make good progress on the reinvention path overall, successfully growing our software-related revenues as well as continuing to be at the forefront of consumer transaction technologies. Financial services continued to deliver solid organic performance and Digital Insight has been integrated successfully and is performing ahead of expectations.

Customer interest in our solutions and software offerings remains high and we are having success with our synergies and cross-selling program. In hospitality, we continue to execute our strategy and are expanding both our international and SMB footprints.

From a free cash flow perspective, we had significant improvement year-over-year, but obviously, we are focused on better results going forward. To that end, the restructuring plan we shared with you last quarter is underway and on track. With that, let's open up the line for questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Dan Perlin, RBC Capital Markets.

Dan Perlin - *RBC Capital Markets - Analyst*

I had a few questions in retail in particular. So, in last quarter's results, you had a backlog of 32% and I thought we had visibility, although you talked about pushing off some orders still. I am wondering, what is it exactly that you are defining as your backlog these days? And, really more specifically, were there customer losses that we need to be aware of, either large clients or a series of smaller ones? And were they related to any of these product sunsettings as well?

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

Thanks, Dan. Yes. Let me answer both your questions. Firstly, remember, our backlog that we report is really the legacy NCR backlog. It's not Radiant Technologies or they are now at retail over Calyx. So it is mainly a focus on understanding our organic growth and what could transpire as a result of conversion of that backlog.

So the issue in Q3, by the way, in terms of backlog, was not that it did not convert. The issue was lower order growth, which did not allow us to sell that backlog going into Q4 and Q3. So that is part one. And part two question was just --?

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Dan Perlin - *RBC Capital Markets - Analyst*

Well, the question is around -- the severity of the decline would indicate, and the timing of how quickly you guys had to reverse course suggests that there was client losses in the quarter. And so I figured I would just ask you that directly -- either large clients or a series of small clients that would have resulted in this.

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

Yes. I will answer the first part and then Michael can chime in. But, let me say this, that what ended up happening was in September we began to see these issues more acutely. I think we described this before, but about 40% to 50% of our solutions, orders, and revenue flow through in the third month of a quarter and they are forecasted in that month.

And so we ended up starting to see this occur kind of early to mid-September and the issues were not losses, at least that we were aware of. And we are fairly confident these are not losses to the competition, but rather a series of issues that our customers are facing, where they are either delaying the order to Q4 or beyond, canceling for now, and moving on to thinking through when they want to actually expend the capital for the project. Or, issues where they actually move the capital from one project to more of a data privacy focused product during the quarter, given the numerous other breaches that occurred in Q3.

Michael, did you want to comment?

Michael Bayer - *NCR Corporation - SVP and President, Retail Solutions*

Yes, Bill. I would like to add to what Bill outlined with the clear statement that there was not a series of losses, neither one big loss or big losses we should make you aware of. We have been hit by surprise by some M&A activities of our customers, which delayed some of the projects, which were indicated to close or to be awarded in September timeframe.

Restructuring, transformational projects, and a couple of our big clients being under severe pressure in their own performance on the stock market. All of that led, unfortunately, to a handful of bigger moves, which made us to restate the retail performance from a revenue and a margin point of view.

Dan Perlin - *RBC Capital Markets - Analyst*

Okay. And if I could just sneak one more in, so the shortfall in the quarter, you lowered the software guidance and that accounted for about 43% or 44% of the overall revenue reduction. You are pointing that, it sounds like, to retail. And Retalix, to me, is kind of the biggest component of software in that division.

But, given the size of that shortfall -- $75 million to $100 million -- I mean, that would be an enormous cut to Retalix. So, can you just help us reconcile how we should be thinking about where that software loss was coming from? And are these orders that are pushed off, are they in self checkout or are they in your legacy business? Thank you.

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

First, on the software piece, interestingly, Dan, most of these are unattached NCR software deals, not Retalix. Retalix actually had a good quarter in terms of orders.

Now, the challenges we have in Retalix are not orders or acquiring business. It is more so aligned with about costs of driving many of the projects we have underway. So we have not -- where we have not done a good job, is in particular, is in managing the professional services costs associated with many of these large rollouts, something we have to do a better job of.

It is not demand. It is more so the demand associated with the core or legacy NCR software platforms. Michael, did you want to take any more of that?

Michael Bayer - *NCR Corporation - SVP and President, Retail Solutions*

Yes. When we talk about some substantial moves related to the reasons I have outlined before, they had big software portions associated to legacy solutions. So, in both sides, in the self checkout as well as in the pause, some big rollouts have been moved due to the market conditions, M&A activities, and restructuring activities of a handful of really big clients of ours.

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

Dan, I'd say one more thing. There was one very significant self-checkout rollout we did expect that was publicly announced to start now in 2015. But we did expect to start in 2014. So there was one significant movement, both out of the quarter and out of the year.

Operator

Paul Coster, JPMorgan.

Paul Coster - *JPMorgan - Analyst*

Just focusing on retail a little bit longer, there is a lot of changes taking place over and above the weak environment. You have got Amazon sort of changing the rules and causing many of the bricks and mortar guys to think about their own online strategy. You have got the data breaches.

You have also got some really radical changes to the point of sales payment systems, whether it is Apple Pay or NFC in general or EMV or whatever. To what extent do you think you are actually at the table in these discussions or are you sort of once removed from it? Is that one of the reasons why you have not gained the visibility into what is about to happen?

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

Well, we really are at the table, Paul, which is a -- the place we have designed our Company to be, is at the table to address omni-commerce and software to enable omni-commerce capability. And I would say going into 2015 and beyond, whatever report you read or customers you speak with, that is a top of mind -- if not top priority going forward.

No question that in 2014 the continuing and excessive number of security breaches our customers have had to deal with are issues that hit their board room, refocus their CIOs, their audit committees, their non-gov committees, their CEOs, around enterprise risk and budgets. All of that has occurred and continued to worsen in Q3.

By the way, I think that will be ongoing and that has been baked into our guidance. I think that goes on not just through Q4, but 2015 as well. However, while not at the table for those discussions, we are of course on the periphery of those discussions and working on solutions that enable our clients to deal with those issues.

So, for example, we have a connected payments application -- secure connected payments application that we feel is gaining more and more momentum as a result of those issues. The disruption going on in retail around the move from physical to e-commerce is both a negative in terms of hardware sales, and a positive for us in terms of longer-term software sales.

And, of course, payments is also in the process of being disrupted. For us, in payments, while we support all of the various providers -- PayPal, Apple Pay, MCX -- in many ways, we are a party to that end to end transaction. And as those technologies will allow the win for us is really around professional services of integrating those capabilities into the front end of our customers' business. But all of those things you mentioned, when combined with the challenges retailers are faced with financially, right now, the issues we described earlier around data privacy are also impacting their budgets, their focus, and their resources.

Paul Coster - *JPMorgan - Analyst*

Okay. Two quick housekeeping questions. One is, what was the organic growth rate for Digital Insight, please, on a standalone basis, if you are able to share that? And, Bob, what are your working capital expectations for the fourth quarter?

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

Yes, DI -- I mean, the business is growing. We typically haven't gone and given the prior year numbers because they had a different year-end and it was too difficult to pull it together to get it a comparable number. But the business continues to grow, as referenced by the statistics that I outlined. And then, what was the second question, Paul?

Paul Coster - *JPMorgan - Analyst*

Working capital usage or whatever you are expecting in the fourth quarter, it doesn't look like it is a major -- has a major bearing on free cash flow, but I would still like to hear how inventories and accounts receivables would change in fourth quarter.

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

Yes. Again, my goal is to try to improve the DSO by 1 to 2 days at the end of December. And we have been quite successful improving the inventory turns. So I expect we will have a good news story from a working capital perspective.

Operator

Ian Zaffino, Oppenheimer and Company.

Ian Zaffino - *Oppenheimer & Company - Analyst*

Given that you started the season with weakness in September, and I know you had announced your restructuring previously and prior to that, is there a need for additional restructuring given where the market is now? Or do you feel comfortable?

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

Perhaps, Ian, there may be. What we are going to do is we are going to continue with the programming we have underway right now. We're going to see how Q4 is turning out throughout the quarter, rolling up our 2015 growth plan, see what that looks like, and then determine whether or not -- to achieve our goals for the next year, whether or not we need to do something more around restructuring. So that call will be made in Q4, going into 2015.

Ian Zaffino - *Oppenheimer & Company - Analyst*

Okay. And then, also, can you talk in hospitality and also retail what you are basically seeing? I guess, if you could, as best as you could, maybe break it down from a pricing versus volumes. I know it is a little bit difficult, but I'm just trying to get a sense of where is your pricing going in retail and hospitality versus where your units are going. Thanks.

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

Yes. Pricing is relatively stable in hardware today, but volume is down. So if you looked across the hardware landscape, and we expect this to be the case, retail purpose-built point-of-sale terminals will slowly decline. Yet pricing in that environment -- because there is fewer players in that space now -- remains okay, so nothing that we haven't seen in prior years, kind of current courses feed price erosion in point of sale.

Some checkout has been stable as well. Now, that is more of a growth space in hardware for us and we will continue to be going forward. And, again, where we have about 75% market share in that space, so we get to see pricing on a global basis like no other company. I think we are doing well there in terms of erosion. But in the case of 2014, I think we will be flat in terms of volume in self-checkout versus 2013, in terms of total number of units on that basis.

And then, in the retail -- I'm sorry, in the hospitality space, volumes, again, are -- in hardware slightly up. And that is driven mostly by our SMB business. And pricing there seems to be relatively stable, but let me ask both Michael to go first and then Paul. Do you guys have a perspective that you can share with Ian as well?

Michael Bayer - *NCR Corporation - SVP and President, Retail Solutions*

Ian, what I would say -- now three months in the role and having touched personally 30 customers around the globe, is that we, of course, especially in the hardware volumes which have an impact on our performance, we have the buying cycles of the customers, and we have seen a lot of our customers not investing in hardware -- in significant hardware volumes this year.

Having that said, it is according to what Bill also outlined, that we see building strong demand in our self-checkout solutions, also in countries where self-checkout hasn't been a major driver so far, predominantly Eastern Europe and Russia, where we have to understand where the macroeconomics are going to lead us to. So I personally expect hardware volumes from a device point of view to go up next year, and pricing, as Bill said, going to stay pretty much steady.

Ian Zaffino - *Oppenheimer & Company - Analyst*

Okay. Thank you. And then, just one quick question. Bob, I know you mentioned you are not going to talk about 2015 until February. But, I just wanted to drill down a little bit if I could, and maybe I'll ask it this way.

Roughly speaking, earnings should be about $450 million. These are rough numbers. And free cash flow is roughly $130 million or so. So there is arguably a $300 million delta between those numbers. What does that delta going to look like maybe 2015, 2016, and we ever see those two numbers converge? Thanks.

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

Yes. I guess what I would do, Ian, is point you to chart 17 and, again, I am not sure where you are getting the $130 million of free cash flow.

Ian Zaffino - *Oppenheimer & Company - Analyst*

Ex-Fox River.

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

Yes, and I guess what you have done is just that out backed the $93 million recovery. Is that right?

Ian Zaffino - *Oppenheimer & Company - Analyst*

That is right.

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

Yes. I mean, that would not be the right thing to do because, included, and you can see in one of the footnotes, well, yes, we will have the $93 million recovery, but we also will have spent another $93 million as expense in there cleaning up the river. So this year, in 2014, for most of the year we were at it alone cleaning up Fox River and incurring those costs.

So, really, if you look at that $225 million to $275 million number, there is really a net zero in there in terms of a $93 million recovery offset by $93 million of expense. So the free cash flow -- it is a little bit higher. We tend to look at it as -- we have done a reasonable job on some of these legacy items, and so if you look at the adjusted free cash flow, those are about that are coming down significantly in 2015 and beyond. So our goal is to try to get that adjusted free cash flow number to as close to adjusted net income as quickly as possible.

So again, I am optimistic that we are dealing with some of these legacy items. CapEx is going to be 10% down next year. We are going to drive more software and NPOI. That will improve the free cash flow and working capital has an opportunity to help as well. So again, my goal is to get that number to 100% of adjusted net income as quickly as we can.

Operator

Meghna Ladha, SIG.

Meghna Ladha - *SIG - Analyst*

In your prepared remarks, you talked about execution issues in retail. Can you elaborate on that?

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

Yes. I would say, first of all, I am a tough grader in general. And, we have had a tough week because we are tough on ourselves. This week -- this is a week we are not used to having. But we are also quite introspective.

And when we have something like this, whether it is within our control or not, we go back and understand what happened, what could we have done better, and how will we fixed that and learn from that, learn from it and then fix it going forward. It is hard to determine how much of what happened in Q3 is market forces versus execution, but let me give you a shot at what I believe the execution issues have been that we are working on, and that Michael is determined to resolve.

And I feel comfortable that we have it. This doesn't start with Q3. It really goes back to the end of Q1.

We are first and foremost, we had to make sure we sourced and put in place solid long-term leadership of this business. And I believe in Michael, and I have known Michael for 15 or 20 years now, and feel comfortable he is not only the right guy, but the right kind of leader we need for this business.

Secondly, on a more broad basis, if you look at our solution portfolio, rationalizing that and simplifying that is something we could have done and need to do a better job of, meaning with all of the access we now have from NCR, from Retalix and from Radiant coming together, we have to make sure that we optimize those assets and simplify our go to market solutions.

Secondly, sales go to market and how we go to market is also something we are working on. Do we have the optimal sales route to market for each geography we are working in? And that is not just tier 1, but how do we package our solutions to go down market more effectively to tier 2 to a 6. And I am not referencing Silver here, but more or less our packaged retail solutions in that space.

Thirdly, sales transformation. We are working hard to transform what was once mainly a hardware sales force into an end-to-end solution sales force. And I think Michael and I would say that that is one of our top goals. --, and we have just not made the progress there that we want to make.

And then, lastly, an area where we have done well, but needs more work, is in the area of customer services, and making sure that we are continuing to invest and deliver great service in that business where, by the way, we have made great strides this year and have won back some very significant customers, but need more work.

Meghna Ladha - *SIG - Analyst*

Okay. Thank you. And on a separate -- (multiple speakers)

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

And, this is Bob. I am going to throw one more in that I know Michael is very focused on and it is funnel management. And funnel management, the opportunities that the sales team has put into the pipeline is what gives NCR the headlights into the business.

And if you think about retail, back at the beginning of this quarter, we had done about $1 billion of revenue in the first half of the year. And the headlights said we do about $1.1 billion in the back half of the year. We were optimistic because order growth was up roughly to 11% in Q2.

What we didn't see happening was the decline of orders of 27% overall in retail in Q3 and 47% in North America. So, working with the sales teams, understanding the funnel, not just for the next quarter out, but the quarter after that and the quarter after that, and really giving us to headlights that then allows the team to manage the cost of appropriately, I would say, is the next piece that we are very focused on.

Meghna Ladha - *SIG - Analyst*

Got it. On a separate topic, what strategic moves might you consider to increase shareholder value going forward? What businesses do you consider non-core that you could monetize quickly and probably return capital to shareholders?

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

Well, I would say the following. First of all, top of mind for me and our Board of Directors is improving how our performance, improving our ability to drive what we believe is an undervalued share price back to an appropriate value. And, in doing that, what we'd normally do in current course of speed and routinely is looking at strategic alternatives and how can we do that.

And, of course, in the context of that, capital structure becomes a discussion and there are a variety of ways in which we believe we can return capital to shareholders. It is safe to say right now that, while we feel very comfortable with the assets we have, M&A is off the table. So we are looking at all of the appropriate things that you would think we would look that at to improve value, including where it makes sense, divestitures of non-core businesses, which I won't get into details on the call today.

Operator

Katie Huberty, Morgan Stanley.

Natalia Kogay - *Morgan Stanley - Analyst*

This is Natalia Kogay in for Katie Huberty. Bob, you listed several factors that will help your cash generation in 2015, but I don't believe working capital needs was one of them. Can you maybe give us some details on how your free cash flow training program is progressing and whether you expect working capital to be a use or source of cash in 2015?

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

Yes. Again, just to be a little bit more specific on working capital, my goal would be to try to improve the DSO next year 2 to 3 days. That is the biggest focus area within working capital. I would say inventory and payables inventory have improvements to be made, but I am very focused on receivables.

For every day of DSO, that means $15 million to $20 million improvement next year. So that is the type of benefit I am hoping to achieve.

Operator

Matt Lipton, Autonomous Research.

Matt Lipton - *Autonomous Research - Analyst*

Just, first, on the backlog. You changed the retail guidance now twice and we are now looking for negative revenue growth revenue in the year. Does your guidance imply that the backlog turns negative as we end the year?

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

No. The guidance does not imply that. We are expecting to begin 2015 with positive backlog growth on the back of what would be a book-to-bill of greater than 1 in the quarter. We are not going to get into Q4 forecast orders for retail. But right now I would say, given what we do know, I would fully expect us to come into next year with positive backlog growth.

Matt Lipton - *Autonomous Research - Analyst*

Okay. That's helpful. Thanks. And then, Bob, question for you; organic software growth has obviously trended from the mid-teens down to the single-digits. When you think about that $650 million of software now, it was obviously $750 million for the year as of last quarter, how much of that is exactly NCR legacy software and retail that obviously seemed to be the biggest problem in the quarter?

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

Yes. Again, the drop in software from the overall goal was almost entirely retail software. And, again, that is primarily the legacy NCR software business.

Matt Lipton - *Autonomous Research - Analyst*

Can you give us a sense of how big it is of that overall piece for the Company?

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

Of the actual reduction in software, you're saying?

Matt Lipton - *Autonomous Research - Analyst*

Not the reduction, just how much of NCR's overall software revenue of $650 million now expected for this year comes from the legacy NCR retail software business.

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

Okay.

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

Yes. Again, if you think about NCR in total, about 26% of our overall revenues is software-related, retail is actually a little bit higher than that, more towards 30%. And that is because they have a very robust software offering both in software licenses, in professional services. And so the decline -- and we brought the software number down by roughly $50 million in total, that is about the extent in terms of the size of their business.

Matt Lipton - *Autonomous Research - Analyst*

Got it. And last one for me, it is nice to see the environmental liability get below $50 million. That's obviously been a free cash flow drag. And it was around $45 million to $55 million before the settlement.

When you think about next year and the year after, I mean, can we now assume that that drag will be much more minimal than $45 million to $55 million, meaning you will run that off in the next year? Or should we still -- does the software really not end from a free cash flow headwind until 2017 still? Thanks.

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

From my perspective -- and Bill talked about the reserve that was on the books -- $57 million; that, to me, is a reasonable approximation of the free cash flow over the next couple years.

Operator

Matt Summerville, KeyBanc.

Matt Summerville - *KeyBanc Capital Markets - Analyst*

A couple of questions here just to go back to retail; I guess I am just surprised by the magnitude. Revenue is down $5 million year-over-year. Operating profit is down $26 million, the worst margin performance since the first quarter of 2012. I guess I am just trying to understand how this all snowballed in September.

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

Yes. Again, Matt -- and, again, I don't want to oversimplify this, but feeling reasonably good coming out of Q2 with 11% order growth and pretty solid backlog of around 30%. But it shows you, if it is down 27% in orders in Q3, 47% in North America, and then the other regions as well were negative. And they were positive in Q2.

So it shows you some of the retail impact was not just North America based, but also some of our larger customers internationally as well. And then, when we saw the order forecast for Q4, that is what caused us to drop the revenue for the back half of the year by roughly $100 million.

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

And a big impact, Matt, in terms of profitability in the back half because -- and I would say two things. One is, software deals were substantially lower than what we expected, both in terms of backlog conversion. And then sell and bill of the new orders we expected to come in, that did not come in. So that accounted for a significant number in terms of profitability.

The other area I talked about earlier was PS costs were higher. As we deploy some of these large Retalix projects, we are spending more on professional services costs than, frankly, in some cases we should be and that was not well managed in the quarter.

And the last thing I would say is good what really also hit us in Q3 in the last two weeks of September, was the strengthening US dollar. We saw a year-over-year $7 million negative profit impact as a result of September in the shifts alone in FX, and almost all of that was the last few weeks of September. And that was above the line. But below the line we saw another approximately $7 million of impact and then higher OIE.

So when you think about that, and you tax it just for that, it is about a $0.06 year-over-year hit just in FX and just in the last few weeks of September.

Matt Summerville - *KeyBanc Capital Markets - Analyst*

And then, just sort of a last question, just in terms of the turnover you have seen with senior management in the last 9 to 12 months with Peter, Jennifer, John, some voluntary, some involuntary, I guess, Bill, are you starting to see or are you comfortable that you are going to see relative stability in the senior ranks of the Company? And are you still looking to backfill in the case of Peter and John and kind of where are you at in that process? Thank you.

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

I am very comfortable with the team we have today. And Ken will be very proud of Jennifer. She is here today. One of the things as a CEO, you hope is that people who work for you can go on and achieve their career goals. Peter went on to be a CEO. I am proud of him. He is doing well. Ken is going on to be a GC as a Fortune 100 company -- around there.

And, in many cases this year, we have made conscious decisions around others to change the structure of the organization. So, in some cases, there wouldn't be places for some of those people anymore because we changed the way we are structured.

I am very confident in the team we have today, some of which have been with us for a long time. Bob and I have been partners for forever. And I have got people on my team who have been here for 25 years and some, like Andy Hayman, who came to us from (technical difficulty) is doing a great job in financial and I am proud of him and the work he has done.

Paul Langenbahn from Radiant, now running hospitality. And, of course, my new hire, Michael Bayer, who worked for me, by the way, in two previous companies who I am greatly proud of as well. So it is a great team and I think we have a good stable group. And, to your point, stability for us has been pretty good and actually could be even better going forward.

Operator

Kartik Mehta, Northcoast Research.

Kartik Mehta - *Northcoast Research - Analyst*

Bill, as you take all these -- the restructuring initiatives, especially for the retail business, at what point do you think the retail margins my go back to what had been intended for 2014?

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

Bob, do you want to take that one?

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

Yes. I mean, I can -- obviously, it has been a disappointing year for operating margin for retail. We finished last year at 10% and we were very proud of that number because, again, retail had always been low single-digits. And the heavier mix of software, 30%-plus in the revenue stream, was driving that operating margin.

We started this year slow at 7%, went up to 10% in Q2, but then dropped to 5% here in Q3. So our goal in Q4 is to recover back to that Q2 level and go up from there. So, our goal is to be a double-digit operating margin business within retail and continue to expand the margin rate every year. So we are not happy with how we performed in Q3.

Kartik Mehta - *Northcoast Research - Analyst*

And then, Bob, as you look at 2015, some potential drag on cash flow, would the acquisition-related cost and restructuring and pension be about the same for you 2015 as they were in 2014? And obviously going to get the benefit of Fox River basically going to zero.

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

Well, yes, a couple things. On Fox, my comment was that the reserve roughly resembles the cash outflow, so 57 over the next two years. You decide how you want to split that, but that would be the Fox cash out the door until it is all done within two years.

In terms of the M&A costs, I am very confident that that will come down to less than $10 million next year, if it is that high. And then, pension contributions because of the work we have done this year will be lower than $50 million. So again, all of those trending in the right direction.

Kartik Mehta - *Northcoast Research - Analyst*

And, Bill, in the past, you have given 2016 free cash flow guidance. Obviously, what happened in this quarter kind of just messed up things for this quarter. Do you still feel comfortable where you laid out 2016 that you could achieve that goal?

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

For 2016 cash flow?

Kartik Mehta - *Northcoast Research - Analyst*

Yes.

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

I mean, again, our goal on cash flow is to drive it to be close to 100%. I think Bill's comments earlier that we will use the month of November here and really understand what the impact is to the markets, and give guidance based on that. 2016 feels a long way away. We have got a lot of work to do here to execute for and give appropriate guidance for 2015.

Kartik Mehta - *Northcoast Research - Analyst*

No, I understand, Bob. I just didn't know if you saw something in the business. In the past, you have given that guidance. That is the only reason I was asking, if you saw something in the business that brings you concern.

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

I would say this. I would say there is a couple of things that is important to say. One is, is that everyone on our team is focused on driving cash flow, both in terms of just all of us being aware it is important to perform in that area as a metric, and secondly, in terms of how they are compensated. So it gets their attention fast.

And, by the way, I think if you look at this year, linearity has improved as a result of that, given where we were last year. We are not happy with the reduction in free cash flow guidance, but we are doing a better job of driving cash flow by quarter on a linear basis.

The thing I'm going to say, is I do think about -- and perhaps it is challenging to do, but to look out at the future cash flows at NCR and, of course, internally we model those things every week, if not more regularly. And I remain very optimistic about this Company's ability to drive significantly improved cash flows in 2015 and beyond.

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

Yes. I will make one final comment is that, when I look at the things that drives us to that number in 2016, a lot of them are headed in the right direction. We continue to do a good job on cash taxes. That runs about 12%, 13% for the Company in terms of cash taxes paid.

Our CapEx came down roughly $10 million from Q2. So we have said we are going to reduce CapEx by 10% next year. That helps.

Interest expense will come down as the Company continues to delever. A lot of these nonoperational items we have already talked about, working capital will improve. So I would say we are on the right runway.

But the biggest driver to free cash flow is the operating income that the Company drives. And the operating income, the best bang for your buck you get is when you drive more software as part of the mix. So again, we are very focused on those two pieces as well.

Kartik Mehta - *Northcoast Research - Analyst*

And then, just one last question, Bill. If you look at the ATM business, you had a solid quarter, you had good growth, and even the margins were fantastic. So, as you look at that business, can you just talk about -- I know you have talked about regions where you have had strength, but can you get a little bit granular and just talk about countries where you are having some success that helps you drive the results you have been driving?

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

Yes. Let me ask Andy Heyman, because I know he is on the line, who runs that business, to make some comments on your question. Andy?

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

Yes. Thanks, Bill. We have had a lot of success this year on margin expansion and, obviously, it is a business that 100 basis point improvement on gross margin in any given quarter drives $10 million to the bottom line. So in this particular quarter, we had an 800 basis point improvement in the solution margins and 500 basis point improvement in total. So it was a great margin quarter.

And, by the way, half of that was driven from the core and half of that from Digital Insight, so lots of goodness there.

In terms of countries, the two I would point to would be really throughout Western Europe where, if you look at Europe and exclude Russia, we are up in the teens this year in terms of revenues and -- or in the quarter as well. And that tends to be much higher margins for us. And the second one would be in the United States, where we are up even more significantly than that.

And when you look at that with the US, we have had a great mix shift towards more community financial institutions, which tends to have higher margins as well. So those are big drivers for us from a regional perspective. And then, of course, there is also a product mix shift that is going on as well. You didn't ask about that, but that is the other part of the margin expansion story.

Operator

(inaudible), Goldman Sachs.

Unidentified Participant

First, on your pipeline for 2015, typically by this time of the year, what visibility do you have in the pipeline for 2015? And how has that been impacted because of the shoots in the retail segment? And one for you Bob; what is your non-dollar exposure and how much of the non-dollar exposure is hedged?

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

The pipeline right now for 2015 -- and this is really what we call the front log. The front log is what is in your funnel, what is in your backlog and what does your order outlook look like for Q4. If I looked at that, all of that kind of translates to what will the backlog be going into Q1 and then modeling out Q1 orders.

I would say right now, we are going into Q1 of 2015 with a Company backlog up higher than last year going into Q1. And that would be more so our financial services backlog, up slightly higher than retail going into the year. So think high single-digit backlog growth going into Q1 versus mid-single digit going into Q1 in 2014.

So vis-a-vis the pipeline, I would say, we are cautiously optimistic, but we really want to see how Q4 plays out more so in retail, and are some of these macro factors that affected us in September going to continue. We won't know that until the next time we talk. Bob?

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

I would say, from a foreign currency perspective, if you think about roughly 30% to 35% of our revenues in the US, you have got a lot of international flows, but we have done a good job over the last 3 to 5 years to match those flows, so we are naturally hedged.

So when I think about the euro, for example, and there is a lot of revenue that flows through Europe in euros, the net exposure is only around $200 million. And then we hedge roughly half of that, as an example. So we try to protect ourselves by buying in local currency and creating natural hedges and it is helped by the fact that we have the five manufacturing plants.

Something from the timing of the FX rate movement in Q3 is what really hurt us. And because we have more revenue in the last month of the quarter and our expenses are more linear, evenly spread out through the quarter, we got hurt more on the revenue piece due to the late changing exchange rates. But we did not get the benefit from the lower spend because, call it, 2/3 of that had already been spent in the quarter. So my impact of FX was much more significant.

I also saw a lot of currencies move against me, frankly, that we can't hedge, whether it is Russia, India, Brazil. Those are the more challenging ones. When I look at Q4 right now, with the current exchange rates, I am kind of back to my kind of normalized FX where I have got about 10% to 15% of the revenue flow through.

So right now, when I look at Q4, I had about a $15 million revenue impact and about a $2 million impact to the profit for the Company. And that is because I am benefiting in Q4 from the lower expenses because of FX. The issue in Q3 was, I just couldn't react quick enough because the rates changed very late in the quarter. So overall, you know, we are hedged from a natural perspective and it appears to be moderating in Q4.

Unidentified Participant

Just one follow-up. On the professional services comment you made, are there any one-off factors related to any customers or projects, which to an extent will explain the weakness in operating profit and free cash flow performance?

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

I think in the quarter, the lower gross margin rate in PS in retail is really focused on how top largest software rollouts where the PS content is significant and complex. And you could probably point to probably five to six customers who are rolling out very substantial projects with us where we are investing an enormous amount in PS. And if you don't run that business in a very disciplined way around billable utilization, around cost, around scoping and statements of work being done appropriately, you can get leakage. And we had too much of that in Q3.

Operator

Gil Luria, Wedbush Securities.

Gil Luria - *Wedbush Securities - Analyst*

Can you tell us how much of a contributor the upgrade from Windows XP is, as it gets closer to a sunset, was to your ATM business? And then, when do you expect that to roll off?

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

Andy, why don't you take that?

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

We definitely had some goodness this year specifically in a couple of regions, a little bit in the Middle East and a little bit in the US, with upgrades to Windows 7. I would say those have been -- kind of think of it as a 1% kind of factor for the business at a global level.

I think that will continue into the first half of next year, and then we are already talking with many of those customers about just once they are complete with that, how budgets will then move towards other programs around things like security, where we also expect some pretty nice tailwinds over the coming months and quarters.

Gil Luria - *Wedbush Securities - Analyst*

Got it. And then, would you mind breaking out Retalix revenue growth? It seems like you are still keeping track of orders. Do you also have a sense for what the revenue growth was in the quarter?

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

I don't think we do. I don't think we do -- again, the difficulty for that is the mix now with Retalix between core solution and Retalix. We are making -- I think I said before, as we simplify the product line, we are making trade-offs now between what was an NCR application, is it better than what was a Retalix application for the same purpose, and which one do we sell? So it's hard. The lines are blurred quite significantly.

And, by the way, over time, as we do more of that rationalization of the portfolio, it will be impossible to tear that apart. Now, on the quarter side, we can see clear order growth for PS and other attributes of Retalix that is still easier for us to track, but it is also beginning to blur as well.

Gil Luria - *Wedbush Securities - Analyst*

Got it. And then in terms of cash flow, what was your insurance recovery this year for Fox River and the other environmental matters? And how does that compare to last year?

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

Not material, pretty low.

Gil Luria - *Wedbush Securities - Analyst*

Got it. Last question. Other income this year -- this quarter was a little higher than usual, the loss there. What is that attributable to?

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

Yes. That is the FX piece that we talked about. It was roughly $9 million and when we said that was up about 7, it was 2 in the prior year. So that is (multiple speakers) a big swing.

Operator

This concludes today's question and answer session. Mr. Nuti, I would like to turn the conference back to you for any additional or closing remarks.

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

I think I will close with where we started the call and just say that it was disappointing for us to have to deliver the news we did on Monday. We felt like getting surprises or giving them, and we are dedicated as a team to improving in that area. And we look forward to coming to you in February on our next call with a better report. Thanks for your time.

Operator

This does conclude today's presentation. We thank you for your participation.
