

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): July 26, 2016



**NCR CORPORATION**

(Exact name of registrant as specified in its charter)

Commission File Number 001-00395

**Maryland**

(State or other jurisdiction of  
incorporation or organization)

**31-0387920**

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

**3097 Satellite Boulevard  
Duluth, Georgia 30096**

(Address of principal executive offices and zip code)

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

**N/A**

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

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

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

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

On July 26, 2016, the Company issued a press release setting forth its second quarter 2016 financial results along with its fiscal year 2016 financial outlook and its third quarter 2016 financial outlook. A copy of the press release is attached hereto as Exhibit 99.1 and hereby incorporated by reference.

**Item 7.01. Regulation FD Disclosure.**

On July 26, 2016, the Company will hold its previously announced conference call to discuss its second quarter 2016 results, its fiscal year 2016 financial outlook and its third quarter 2016 financial outlook. A copy of supplementary materials that will be referred to in the conference call, and which were posted to the Company's website, is attached hereto as Exhibit 99.2.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits:

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

Exhibit No.	Description
99.1	Press Release issued by the Company, dated July 26, 2016
99.2	Supplemental materials, dated July 26, 2016

## SIGNATURES

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

NCR Corporation

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

Date: July 26, 2016

**Index to Exhibits**

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

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release issued by the Company, dated July 26, 2016
99.2	Supplemental materials, dated July 26, 2016



July 26, 2016

## NCR Announces Second Quarter 2016 Results

- **Q2 revenue and earnings better than expected led by improved Software and Services mix**
- **GAAP diluted EPS of \$0.49 in Q2 up \$2.52 from prior year Q2 loss of \$2.03; Non-GAAP diluted EPS of \$0.72 up from prior year Q2 of \$0.66, or an increase of 18% constant currency**
- **Omni-Channel Software, Channel Transformation and Digital Enablement momentum**
- **\$47 million of cash proceeds received from IPS divestiture**
- **2016 full year revenue guidance raised and earnings and cash flow guidance reaffirmed**

**DULUTH, Ga.** - NCR Corporation (NYSE: NCR) reported financial results today for the three months ended June 30, 2016. Second quarter 2016 revenue of \$1.62 billion was up 1% year-over-year. Excluding the impact of foreign currency and adjusted for the Interactive Printer Solutions (IPS) divestiture, second quarter 2016 revenue was up 4%. Second quarter 2016 GAAP diluted EPS of \$0.49 was up from \$(2.03) in the second quarter in 2015. The loss in the second quarter in 2015 included a \$2.51 non-cash charge related to the settlement of the UK London pension plan. Second quarter 2016 diluted EPS (non-GAAP) of \$0.72 was up from \$0.66 in the second quarter in 2015. Second quarter 2016 diluted EPS included \$0.05 of negative impact relating to unfavorable foreign currency.

“Improving execution across our entire organization drove results that continued our momentum in the second quarter and first half of the year,” said Chairman and CEO Bill Nuti. “Overall, Q2 results came in better than expected on the back of higher revenue driven by software and services. Performance in our Software segment was driven primarily by increased investment from our customers and in Omni-Channel Software, Channel Transformation and Digital Enablement offers. In Services, we continue to benefit from a mix shift to managed and implementation services while our Hardware business is growing share through the introduction of innovative new products. As we enter the back half of 2016, our backlog remains robust and all of our business metrics point to a successful year. Our goal is to continue focusing on improved execution, further drive our business transformation effort and enter 2017 with momentum.”

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

### Second Quarter 2016 Operating Results

#### Revenue

Second quarter revenue of \$1.62 billion was up 1% year-over-year. On an adjusted constant currency basis, second quarter revenue was up 4%.

- *Software* Revenue increased 3% to \$452 million from \$440 million. On a constant currency basis, second quarter Software revenue was up 3%.

- *Services Revenue* increased 6% to \$574 million from \$542 million. On a constant currency basis, second quarter Services revenue was up 8%.
- *Hardware Revenue* decreased 5% to \$594 million from \$622 million. On an adjusted constant currency basis, second quarter Hardware revenue was flat.

#### *Gross Margin*

Second quarter gross margin of \$446 million increased from \$146 million, primarily due to the \$303 million negative impact of the settlement of NCR's UK London pension plan in the second quarter of 2015.

Second quarter gross margin (non-GAAP) was \$465 million, or flat year-over-year, with an increase in Software and Services offset by a decrease in Hardware.

#### *Expenses*

Second quarter operating expenses of \$283 million decreased from \$412 million, primarily due to the \$124 million negative impact of the settlement of NCR's UK London pension plan in the second quarter of 2015.

Second quarter operating expenses (non-GAAP) of \$258 million decreased from \$265 million due to continued focus on expense management.

#### *Operating Income*

Second quarter operating income of \$163 million increased from an operating loss of \$266 million, primarily due to the \$427 million negative impact of the settlement of NCR's UK London pension plan in the second quarter of 2015.

Second quarter operating income (non-GAAP) of \$207 million increased from \$200 million. Second quarter operating income was negatively impacted by an additional \$2 million of ongoing pension expense.

#### *Other (Expense)*

Second quarter other (expense) of \$58 million increased from \$45 million. Second quarter other (expense) (non-GAAP) of \$53 million increased from \$45 million. Other (expense) increased primarily due to the unfavorable impact of foreign exchange.

#### *Income Tax Expense*

Second quarter income tax expense of \$31 million decreased from \$32 million. Second quarter income tax expense (non-GAAP) of \$45 million increased from \$41 million.

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

Second quarter net income from continuing operations attributable to NCR of \$76 million increased from \$(344) million, primarily due to the \$427 million negative impact of the settlement of NCR's UK London pension plan in the second quarter of 2015.

Second quarter net income from continuing operations attributable to NCR (non-GAAP) of \$111 million decreased from \$113 million.

#### *Cash Flow*

Second quarter cash provided by operating activities of \$121 million decreased from \$167 million. Free cash flow was \$55 million in the second quarter of 2016 as compared to free cash flow of \$95 million in the second quarter of 2015. The decreases were due to higher working capital needs as we plan for increased revenues later in the year.

#### *Share Repurchase Program*

NCR repurchased approximately 1.4 million shares of its common stock for approximately \$37 million during the second quarter under its previously disclosed authorized share repurchase programs.

Additionally, on July 20, 2016, the Company's board of directors authorized a new \$300 million share repurchase program to succeed its 1999 program. The timing and amount of any repurchases will depend upon market conditions. Repurchases

may be made from time to time in the open market, private transactions, accelerated stock repurchase programs, issuer self-tenders or otherwise, and may be discontinued at any time. The board also authorized the implementation of a separate plan for systematic stock repurchases to offset the dilutive impacts of the employee stock repurchase plan, equity awards and in-kind dividends on its preferred stock, to replace the 2000 program; the \$82 million remaining in that program will be made available in the new program.

### **2016 Outlook**

We are increasing our 2016 revenue guidance and reaffirming our earnings and cash flow guidance. The expected negative impact of foreign currency on revenue has lessened from \$75 million to \$70 million, but the expected negative impact on earnings per share has increased from \$0.05 to \$0.08. We now expect revenue to be \$6.325 billion to \$6.400 billion (previous guidance of \$6.25 billion to \$6.35 billion). We continue to expect GAAP diluted earnings per share to be \$2.25 to \$2.35 and non-GAAP diluted earnings per share to be \$2.90 to \$3.00. Additionally, we continue to expect net cash provided by operating activities to be \$675 million to \$725 million and free cash flow to be \$425 million to \$475 million. The 2016 guidance includes the impact of the IPS divestiture, expected foreign currency headwinds, and ongoing pension expense.

For the third quarter of 2016, revenue is expected to be \$1.62 billion to \$1.64 billion, GAAP diluted earnings per share is expected to be \$0.57 to \$0.62, and non-GAAP diluted earnings per share is expected to be \$0.77 to \$0.82. The third quarter 2016 guidance includes an expected foreign currency negative impact of \$12 million for revenue and \$0.01 for earnings per share.

NCR will provide additional information regarding its 2016 guidance during its second quarter earnings conference call and webcast.

### **2016 Second Quarter Earnings Conference Call**

A conference call is scheduled for today at 4:30 p.m. (EDT) to discuss the second quarter 2016 results and guidance for third quarter and full-year 2016. Access to the conference call and accompanying slides, as well as a replay of the call, are available on NCR's web site at <http://investor.ncr.com/>. Additionally, the live call can be accessed by dialing 888-211-4434 and entering the participant passcode 9398034.

More information on NCR's Q2 2016 earnings, including additional financial information and analysis, is available on NCR's Investor Relations website at <http://investor.ncr.com/>.

### **About NCR Corporation**

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

NCR is headquartered in Duluth, Georgia with over 30,000 employees and does business in 180 countries. NCR is a trademark of NCR Corporation in the United States and other countries. NCR encourages investors to visit its web site which is updated regularly with financial and other important information about NCR.

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

Twitter: @NCRCorporation

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

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

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

**News Media Contact**

Scott Sykes  
NCR Corporation  
212.589.8428  
[scott.sykes@ncr.com](mailto:scott.sykes@ncr.com)

**Investor Contact**

Gavin Bell  
NCR Corporation  
212.589.8468  
[gavin.bell@ncr.com](mailto:gavin.bell@ncr.com)



**Note to Investors** This release contains forward-looking statements. Forward-looking statements use words such as “expect,” “anticipate,” “outlook,” “intend,” “believe,” “will,” “should,” “would,” “could” and words of similar meaning. Statements that describe or relate to NCR’s plans, goals, intentions, strategies or financial outlook, and statements that do not relate to historical or current fact, are examples of forward-looking statements. The forward-looking statements in this release include statements about NCR’s execution and business momentum; expected investment by customers in NCR’s Omni-Channel Software, Channel Transformation and Digital Enablement offerings; the expected shift by customers to a mix of more managed and implementation services; NCR’s backlog in the second half of 2016; NCR’s expected performance in the second half of 2016 and for the 2016 fiscal year; NCR’s goals for the remainder of 2016 and the start of 2017; market and economic conditions affecting NCR and its business and NCR’s full-year and third quarter financial outlook (including the section entitled “2016 Outlook”) and the expected type and magnitude of the non-operational adjustments included in any forward-looking non-GAAP measures. Forward-looking statements are based on our current beliefs, expectations and assumptions, which may not prove to be accurate, and involve a number of known and unknown risks and uncertainties, many of which are out of NCR’s control. Forward-looking statements are not guarantees of future performance, and there are a number of important factors that could cause actual outcomes and results to differ materially from the results contemplated by such forward-looking statements, including those factors relating to: domestic and global economic and credit conditions including, in particular, market conditions and spending trends in the financial services industry, fluctuations in oil and commodity prices and their effects on local, regional and global market conditions, economic and market conditions in Russia, China and emerging markets, and the recent determination by Britain to exit the European Union and further potential changes in Eurozone participation; the impact of our indebtedness and its terms on our financial and operating activities; the impact of the terms of our strategic relationship with Blackstone and our Series A Convertible Preferred Stock; foreign currency fluctuations; our ability to successfully introduce new solutions and compete in the information technology industry; the transformation of our business model and our ability to sell higher-margin software and services; our ability to improve execution in our sales and services organizations; defects or errors in our products or problems with our hosting facilities; compliance with data privacy and protection requirements; manufacturing disruptions; collectability difficulties in subcontracting relationships in Emerging Industries; the historical seasonality of our sales; the availability and success of acquisitions, divestitures and alliances, including the divestiture of our Interactive Printer Solutions business; our pension strategy and underfunded pension obligation; the success of our ongoing restructuring plan; tax rates; reliance on third party suppliers; development and protection of intellectual property; workforce turnover and the ability to attract and retain skilled employees; environmental exposures from our historical and ongoing manufacturing activities; and uncertainties with regard to regulations, lawsuits, claims and other matters across various jurisdictions. Additional information concerning these and other factors can be found in the Company’s filings with the U.S. Securities and Exchange Commission, including the Company’s most recent annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. Any forward-looking statement speaks only as of the date on which it is made. The Company does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

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

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

*Free Cash Flow.* NCR defines free cash flow as net cash provided by/used in operating activities and cash flow provided by/used in discontinued operations less capital expenditures for property, plant and equipment, additions to capitalized software, discretionary pension contributions and pension settlements. NCR’s management uses free cash flow to assess the financial performance of the Company and believes it is useful for investors because it relates the operating cash flow of the Company to the capital that is spent to continue and improve business operations. In particular, free cash flow indicates the amount of cash generated after capital expenditures which can be used for, among other things, investment in the Company’s existing businesses, strategic acquisitions, strengthening the Company’s balance sheet, repurchase of Company stock and repayment of the Company’s debt obligations. Free cash flow does not represent the residual cash flow available for discretionary expenditures since there may be other nondiscretionary expenditures that are not deducted from the measure. Free cash flow does not have a uniform definition under GAAP and, therefore, NCR’s definition may differ from other companies’ definitions of this measure.

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

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

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

\$ in millions	Q2 2016 Actual	Q2 2015 Actual
<b>Gross Margin (GAAP)</b>	<b>\$ 446</b>	<b>\$ 146</b>
Restructuring/Transformation Costs	4	2
Acquisition-related amortization of intangibles	15	16
Pension mark-to-market adjustments	—	301
<b>Operating Gross Margin (Non-GAAP)</b>	<b>\$ 465</b>	<b>\$ 465</b>

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

\$ in millions	Q2 2016 Actual	Q2 2015 Actual
<b>Operating Expenses (GAAP)</b>	<b>\$ 283</b>	<b>\$ 412</b>
Restructuring/Transformation Costs	(7)	(6)
Acquisition-related amortization of intangibles	(17)	(15)
Acquisition-related costs	(1)	(3)
Pension mark-to-market adjustments	—	(123)
<b>Operating Expenses (Non-GAAP)</b>	<b>\$ 258</b>	<b>\$ 265</b>

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

\$ in millions	Q2 2016 Actual	Q2 2015 Actual
<b>Income from Operations (GAAP)</b>	<b>\$ 163</b>	<b>\$ (266)</b>
Restructuring/Transformation Costs	11	8
Acquisition-related costs	1	3
Acquisition-related amortization of intangibles	32	31
Pension mark-to-market adjustments	—	424
<b>Operating Income (Non-GAAP)</b>	<b>\$ 207</b>	<b>\$ 200</b>

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

\$ in millions	Q2 2016 Actual	Q2 2015 Actual
<b>Other (Expense) (GAAP)</b>	<b>\$ (58)</b>	<b>\$ (45)</b>
Divestiture and liquidation losses	5	—
<b>Other (Expense) (Non-GAAP)</b>	<b>\$ (53)</b>	<b>\$ (45)</b>

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

\$ in millions	Q2 2016 Actual	Q2 2015 Actual
<b>Income Tax Expense (GAAP)</b>	<b>\$ 31</b>	<b>\$ 32</b>
Restructuring/Transformation Costs	3	1
Acquisition-related costs	—	1
Acquisition-related amortization of intangibles	11	9
Pension mark-to-market adjustments	—	(2)
<b>Income Tax Expense (Non-GAAP)</b>	<b>\$ 45</b>	<b>\$ 41</b>

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

\$ in millions	Q2 2016 Actual	Q2 2015 Actual
<b>Net Income from Continuing Operations Attributable to NCR (GAAP)</b>	<b>\$ 76</b>	<b>\$ (344)</b>
Restructuring/Transformation Costs	8	7
Acquisition-related costs	1	2
Acquisition-related amortization of intangibles	21	22
Divestiture and liquidation losses	5	—
Pension mark-to-market adjustments	—	426
<b>Net Income from Continuing Operations Attributable to NCR (Non-GAAP)</b>	<b>\$ 111</b>	<b>\$ 113</b>

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

	Q2 2016 Actual	Q2 2015 Actual	2016 Guidance <sup>(2)</sup>	Q3 2016 Guidance <sup>(2)</sup>
<b>Diluted Earnings Per Share (GAAP) <sup>(1)</sup></b>	<b>\$ 0.49</b>	<b>\$ (2.03)</b>	<b>\$2.25 - \$2.35</b>	<b>\$0.57 - \$0.62</b>
Restructuring/Transformation Costs	0.05	0.04	0.13	0.05
Acquisition-related amortization of intangibles	0.14	0.13	0.47	0.14
Acquisition-related costs	0.01	0.01	0.02	0.01
Divestiture and liquidation losses	0.03	—	0.03	—
Pension mark-to-market adjustments	—	2.51	—	—
<b>Non-GAAP Diluted Earnings Per Share (non-GAAP) <sup>(1)</sup></b>	<b>\$ 0.72</b>	<b>\$ 0.66</b>	<b>\$2.90 - \$3.00</b>	<b>\$0.77 - \$0.82</b>

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

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

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

\$ in millions	Q2 2016 Actual	Q2 2015 Actual	2016 Guidance
<b>Net cash provided by operating activities</b>	<b>\$ 121</b>	<b>\$ 167</b>	<b>\$675 - \$725</b>
Total capital expenditures	(58)	(59)	(220)
Net cash used in discontinued operations	(8)	(13)	(30)
<b>Free cash flow</b>	<b>\$ 55</b>	<b>\$ 95</b>	<b>\$425 - \$475</b>

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

Three months ended June 30, 2016

	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Divestiture impact	Revenue Growth Adjusted Constant Currency % (non-GAAP)
Software	3%	—%	—%	3%
Services	6%	(2)%	—%	8%
Hardware	(5)%	(1)%	(4)%	—%
Total Revenue	1%	(1)%	(2)%	4%

Six months ended June 30, 2016

	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Divestiture impact	Revenue Growth Adjusted Constant Currency % (non-GAAP)
Software	2%	(1)%	—%	3%
Services	5%	(3)%	—%	8%
Hardware	(7)%	(2)%	(1)%	(4)%
Total Revenue	(1)%	(3)%	—%	2%

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

Schedule A

	For the Periods Ended June 30			
	Three Months		Six Months	
	2016	2015	2016	2015
<b>Revenue</b>				
Products	\$ 676	\$ 703	\$ 1,224	\$ 1,307
Services	944	901	1,840	1,773
<b>Total Revenue</b>	<b>1,620</b>	<b>1,604</b>	<b>3,064</b>	<b>3,080</b>
Cost of products	517	544	959	1,027
Cost of services	657	914	1,279	1,517
<b>Total gross margin</b>	<b>446</b>	<b>146</b>	<b>826</b>	<b>536</b>
% of Revenue	27.5%	9.1 %	27.0%	17.4 %
Selling, general and administrative expenses	229	339	453	564
Research and development expenses	50	67	103	122
Restructuring-related charges	4	6	6	21
<b>Income (loss) from operations</b>	<b>163</b>	<b>(266)</b>	<b>264</b>	<b>(171)</b>
% of Revenue	10.1%	(16.6)%	8.6%	(5.6)%
Interest expense	(43)	(45)	(89)	(89)
Other (expense), net	(15)	—	(25)	(7)
Total other (expense), net	(58)	(45)	(114)	(96)
<b>Income (loss) before income taxes and discontinued operations</b>	<b>105</b>	<b>(311)</b>	<b>150</b>	<b>(267)</b>
% of Revenue	6.5%	(19.4)%	4.9%	(8.7)%
Income tax expense	31	32	44	34
<b>Income (loss) from continuing operations</b>	<b>74</b>	<b>(343)</b>	<b>106</b>	<b>(301)</b>
(Loss) income from discontinued operations, net of tax	—	—	—	—
<b>Net income (loss)</b>	<b>74</b>	<b>(343)</b>	<b>106</b>	<b>(301)</b>
Net (loss) income attributable to noncontrolling interests	(2)	1	(2)	3
<b>Net income (loss) attributable to NCR</b>	<b>\$ 76</b>	<b>\$ (344)</b>	<b>\$ 108</b>	<b>\$ (304)</b>
<b>Amounts attributable to NCR common stockholders:</b>				
Income (loss) from continuing operations	\$ 76	\$ (344)	\$ 108	\$ (304)
Dividends on convertible preferred stock	(13)	—	(24)	—
Income (loss) from continuing operations attributable to NCR common stockholders	63	(344)	84	(304)
(Loss) income from discontinued operations, net of tax	—	—	—	—
Net income (loss) attributable to NCR common stockholders	<b>\$ 63</b>	<b>\$ (344)</b>	<b>\$ 84</b>	<b>\$ (304)</b>
<b>Net income (loss) per share attributable to NCR common stockholders:</b>				
<b>Net income (loss) per common share from continuing operations</b>				
Basic	\$ 0.51	\$ (2.03)	\$ 0.66	\$ (1.80)
Diluted	\$ 0.49	\$ (2.03)	\$ 0.65	\$ (1.80)
<b>Net income (loss) per common share</b>				
Basic	\$ 0.51	\$ (2.03)	\$ 0.66	\$ (1.80)
Diluted	\$ 0.49	\$ (2.03)	\$ 0.65	\$ (1.80)
<b>Weighted average common shares outstanding</b>				
Basic	123.8	169.6	127.1	169.3
Diluted	154.5	169.6	129.6	169.3

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



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

Schedule B

	For the Periods Ended June 30							
	Three Months				Six Months			
	2016	2015	% Change	% Change Adjusted Constant Currency	2016	2015	% Change	% Change Adjusted Constant Currency
<b>Revenue by segment</b>								
Software	\$ 452	\$ 440	3%	3%	\$ 871	\$ 854	2%	3%
<i>Software Gross Margin Rate</i>	51.5%	51.4%			51.0%	51.2%		
Services	574	542	6%	8%	1,117	1,065	5%	8%
<i>Services Gross Margin Rate</i>	21.6%	21.8%			21.0%	21.3%		
Hardware	594	622	(5)%	—%	1,076	1,161	(7)%	(4)%
<i>Hardware Gross Margin Rate</i>	18.2%	19.5%			16.9%	17.9%		
<b>Total Revenue</b>	<b>\$ 1,620</b>	<b>\$ 1,604</b>	<b>1%</b>	<b>4%</b>	<b>\$ 3,064</b>	<b>\$ 3,080</b>	<b>(1)%</b>	<b>2%</b>
<i>Gross Margin Rate</i>	28.7%	29.0%			28.1%	28.3%		
<b>Operating income by segment</b>								
Software	\$ 144	\$ 130			\$ 259	\$ 247		
<i>% of Revenue</i>	31.9%	29.5%			29.7%	28.9%		
Services	49	48			83	84		
<i>% of Revenue</i>	8.5%	8.9%			7.4%	7.9%		
Hardware	14	22			4	15		
<i>% of Revenue</i>	2.4%	3.5%			0.4%	1.3%		
<b>Subtotal-segment operating income</b>	<b>\$ 207</b>	<b>\$ 200</b>			<b>\$ 346</b>	<b>\$ 346</b>		
<i>% of Revenue</i>	12.8%	12.5%			11.3%	11.2%		
Other adjustments <sup>(1)</sup>	44	466			82	517		
<b>Total income (loss) from operations</b>	<b>\$ 163</b>	<b>\$ (266)</b>			<b>\$ 264</b>	<b>\$ (171)</b>		

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

In millions	For the Periods Ended June 30			
	Three Months		Six Months	
	2016	2015	2016	2015
Restructuring / transformation costs	\$ 11	\$ 8	\$ 15	\$ 24
Acquisition-related amortization of intangible assets	32	31	64	63
Acquisition-related costs	1	3	3	5
OFAC and FCPA investigations	—	—	—	1
Pension mark-to-market adjustments	—	424	—	424
<b>Total other adjustments</b>	<b>\$ 44</b>	<b>\$ 466</b>	<b>\$ 82</b>	<b>\$ 517</b>



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

Schedule C

	June 30, 2016	March 31, 2016	December 31, 2015
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 332	\$ 333	\$ 328
Accounts receivable, net	1,362	1,306	1,251
Inventories	765	725	643
Other current assets	294	341	327
<b>Total current assets</b>	<u>2,753</u>	<u>2,705</u>	<u>2,549</u>
Property, plant and equipment, net	290	302	322
Goodwill	2,736	2,742	2,733
Intangibles, net	734	769	798
Prepaid pension cost	130	131	130
Deferred income taxes	564	577	582
Other assets	544	526	521
<b>Total assets</b>	<u>\$ 7,751</u>	<u>\$ 7,752</u>	<u>\$ 7,635</u>
<b>Liabilities and stockholders' equity</b>			
Current liabilities			
Short-term borrowings	\$ 259	\$ 250	\$ 13
Accounts payable	676	649	657
Payroll and benefits liabilities	191	174	189
Deferred service revenue and customer deposits	535	509	476
Other current liabilities	356	402	446
<b>Total current liabilities</b>	<u>2,017</u>	<u>1,984</u>	<u>1,781</u>
Long-term debt	3,198	3,269	3,239
Pension and indemnity plan liabilities	702	702	696
Postretirement and postemployment benefits liabilities	128	132	133
Income tax accruals	174	169	167
Other liabilities	141	139	79
<b>Total liabilities</b>	<u>6,360</u>	<u>6,395</u>	<u>6,095</u>
Redeemable noncontrolling interests	9	10	16
Series A convertible preferred stock: par value \$0.01 per share, 3.0 shares authorized, 0.8 shares issued and outstanding as of June 30, 2016, March 31, 2016 and December 31, 2015, respectively	822	809	798
<b>Stockholders' equity</b>			
NCR stockholders' equity:			
Preferred stock: par value \$0.01 per share, 100.0 shares authorized, no shares issued and outstanding as of June 30, 2016, March 31, 2016 and December 31, 2015, respectively	—	—	—
Common stock: par value \$0.01 per share, 500.0 shares authorized, 123.8, 124.9 and 133.0 shares issued and outstanding as of June 30, 2016, March 31, 2016 and December 31, 2015, respectively	1	1	1
Paid-in capital	—	—	—
Retained earnings	730	687	869
Accumulated other comprehensive loss	(176)	(158)	(150)
<b>Total NCR stockholders' equity</b>	<u>555</u>	<u>530</u>	<u>720</u>
Noncontrolling interests in subsidiaries	5	8	6
<b>Total stockholders' equity</b>	<u>560</u>	<u>538</u>	<u>726</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 7,751</u>	<u>\$ 7,752</u>	<u>\$ 7,635</u>



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

**Schedule D**

	For the Periods Ended June 30			
	Three Months		Six Months	
	2016	2015	2016	2015
<b>Operating activities</b>				
Net income (loss)	74	\$ (343)	\$ 106	\$ (301)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	86	76	175	152
Stock-based compensation expense	16	11	29	20
Deferred income taxes	15	11	20	15
Gain on sale of property, plant and equipment and other assets	—	—	—	(1)
Loss on divestiture	1	—	1	—
Impairment of long-lived and other assets	1	2	2	16
Changes in assets and liabilities:				
Receivables	(69)	(5)	(121)	(51)
Inventories	(40)	(33)	(123)	(54)
Current payables and accrued expenses	35	58	4	(25)
Deferred service revenue and customer deposits	34	(21)	131	89
Employee benefit plans	(12)	407	(26)	386
Other assets and liabilities	(20)	4	(54)	—
<b>Net cash provided by operating activities</b>	<b>121</b>	<b>167</b>	<b>144</b>	<b>246</b>
<b>Investing activities</b>				
Expenditures for property, plant and equipment	(15)	(18)	(24)	(31)
Additions to capitalized software	(43)	(41)	(74)	(79)
Proceeds from divestiture	47	—	47	—
Other investing activities, net	—	3	(8)	(3)
<b>Net cash used in investing activities</b>	<b>(11)</b>	<b>(56)</b>	<b>(59)</b>	<b>(113)</b>
<b>Financing activities</b>				
Short term borrowings, net	10	26	1	28
Payments on term credit facilities	(17)	(97)	(73)	(116)
Payments on revolving credit facilities	(251)	(335)	(431)	(608)
Borrowings on revolving credit facilities	195	264	706	512
Debt issuance costs	—	—	(8)	—
Repurchases of Company common stock	(37)	—	(250)	—
Proceeds from employee stock plans	3	5	6	11
Tax withholding payments on behalf of employees	(1)	(1)	(7)	(10)
<b>Net cash used in financing activities</b>	<b>(98)</b>	<b>(138)</b>	<b>(56)</b>	<b>(183)</b>
<b>Cash flows from discontinued operations</b>				
Net cash used in discontinued operations	(8)	(13)	(20)	(17)
Effect of exchange rate changes on cash and cash equivalents	(5)	3	(5)	(19)
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(1)</b>	<b>(37)</b>	<b>4</b>	<b>(86)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>333</b>	<b>462</b>	<b>328</b>	<b>511</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 332</b>	<b>\$ 425</b>	<b>\$ 332</b>	<b>\$ 425</b>





# Q2 2016 EARNINGS CONFERENCE CALL

BILL NUTI, CHAIRMAN AND CEO  
BOB FISHMAN, CFO

July 26, 2016

# NOTES TO INVESTORS

**FORWARD-LOOKING STATEMENTS.** Comments made during this conference call and in these materials contain forward-looking statements. Statements that describe or relate to NCR's plans, goals, intentions, strategies or financial outlook, and statements that do not relate to historical or current fact, are examples of forward-looking statements. The forward-looking statements in these materials include statements about NCR's improving execution; the momentum of, and demand for, NCR's Omni-Channel Software, Channel Transformation and Digital Enablement offerings and omni-channel solutions; the progress of NCR's operating model innovation; growth in software bookings and its expected effect on cloud revenue growth in future periods; the growth of hardware maintenance and implementation services and the expansion of managed service offerings; improvements in productivity and efficiency and their expected effects on future margin rates in our Services segment; NCR's ATM and self-checkout hardware backlog entering the third quarter of 2016; demand for NCR's portfolio of point-of-sale hardware solutions; NCR's backlog and expected performance for the 2016 fiscal year; NCR's areas of focus for the remainder of 2016 and the start of 2017; NCR's vision and strategy; NCR's expected revenue, non-GAAP operating income and non-GAAP earnings per share trending for 2016; and NCR's Q3 2016, FY 2016 and 2016 segment revenue financial guidance and the expected type and magnitude of the non-operational adjustments included in any forward-looking non-GAAP measures. Forward-looking statements are not guarantees of future performance, and there are a number of important factors that could cause actual outcomes and results to differ materially from the results contemplated by such forward-looking statements, including those factors listed in Item 1a "Risk Factors" of NCR's Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 26, 2016, and those factors detailed from time to time in NCR's other SEC reports. These materials are dated July 26, 2016, and NCR does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

**USE OF CERTAIN TERMS.** As used in these materials, (i) the term "recurring revenue" means the sum of cloud, hardware maintenance and software maintenance revenue, (ii) the terms "cloud" and "cloud revenue" are used to describe NCR's software-as-a-service offerings and the revenue associated therewith, and (iii) the term "CC" means constant currency.



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



# Q2 UPDATE

Q2 **EXCEEDS** expectations on improving execution

---

**OMNI-CHANNEL SOFTWARE, CHANNEL TRANSFORMATION, & DIGITAL ENABLEMENT**  
momentum building

---

Significant, **STRATEGIC WINS**

---

Operating Model Innovation **ON TRACK**

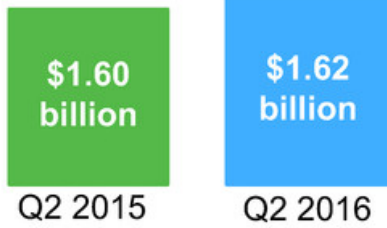
---

**RAISING** 2016 revenue & **REAFFIRMING** EPS and free cash flow guidance



# Q2 2016 FINANCIAL RESULTS

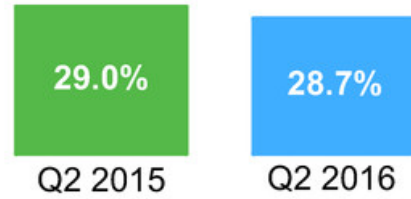
## Revenue



FX Impact  
~(\$15M)

Revenue up 1% y/y, up 4% adjusted CC  
Recurring revenue up 2% y/y, up 3% CC,  
43% of total revenue

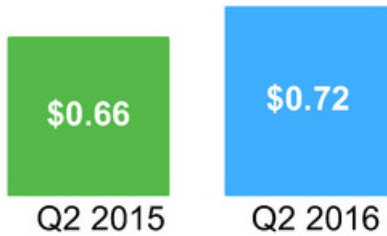
## Non-GAAP Gross Margin Rate



FX Impact  
~(- bps)

Non-GAAP gross margin rate down 30 bps y/y

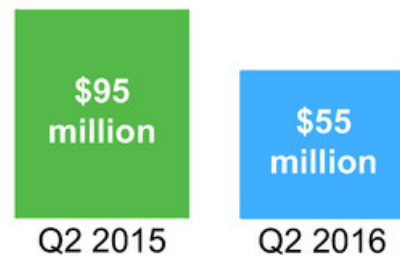
## Non-GAAP EPS



FX Impact  
~(\$0.05)

Non-GAAP EPS up 18% y/y CC

## Free Cash Flow



FCF as expected due to higher working capital to  
support increased revenue in later quarters

# Q2 OPERATIONAL RESULTS

	Q2 2016	Q2 2015	As Reported	Constant Currency
Revenue	\$1,620	\$1,604	1%	4% <sup>(1)</sup>
Gross Margin (non-GAAP)	465	465	—%	1%
Gross Margin Rate (non-GAAP)	28.7%	29.0%	(30) bps	(30) bps
Operating Expenses (non-GAAP)	258	265	(3)%	(2)%
% of Revenue	15.9%	16.5%		
Operating Income (non-GAAP) <sup>(2)</sup>	207	200	4%	4%
% of Revenue	12.8%	12.5%	+30 bps	+30 bps
Interest and other expense	(53)	(45)	18%	(2)%
Income Tax Expense (non-GAAP)	45	41	10%	
Income Tax Rate	29%	27%		
Net Income (non-GAAP)	\$111	\$113	(2)%	6%
Diluted EPS (non-GAAP) <sup>(3)</sup>	\$0.72	\$0.66	9%	18%

(1) Presented on an adjusted CC basis by excluding \$29 million of IPS revenue from Q2 2015.

(2) Q2 2016 includes \$2 million of additional ongoing pension expense.

(3) Q2 2016 includes a \$0.01 unfavorable EPS impact related to the additional ongoing pension expense described in note (2) above. Diluted share count of 155 million in Q2 2016 and 172 million in Q2 2015.

\$ millions, except per share amounts

# Q2 GAAP RESULTS

	Q2 2016	Q2 2015	% Change
Revenue	\$1,620	\$1,604	1%
Gross Margin <sup>(1)</sup>	446	146	205%
Gross Margin Rate	27.5%	9.1%	
Operating Expenses <sup>(1)</sup>	283	412	(31)%
% of Revenue	17.5%	25.7%	
Income from Operations <sup>(1) (2)</sup>	163	(266)	161%
% of Revenue	10.1%	(16.6)%	
Interest and other expense	(58)	(45)	29%
Income Tax Expense	31	32	(3)%
Income Tax Rate	30%	(10)%	
GAAP Net Income <sup>(1)</sup>	\$76	(\$344)	122%
GAAP Diluted EPS <sup>(2) (3)</sup>	\$0.49	(\$2.03)	124%

\$ millions, except per share amounts

(1) Q2 2015 includes a \$427 million non-cash charge related to the settlement of the UK London pension plan.

(2) Q2 2016 includes \$2 million of additional ongoing pension expense.

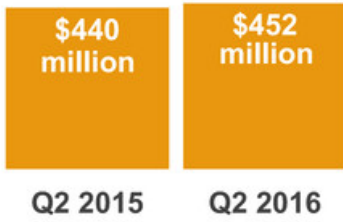
(3) Q2 2016 includes a \$0.01 unfavorable EPS impact related to the additional ongoing pension expense described in note (2) above.

Q2 2015 includes a \$2.51 EPS impact related to the settlement of NCR's UK London pension plan.

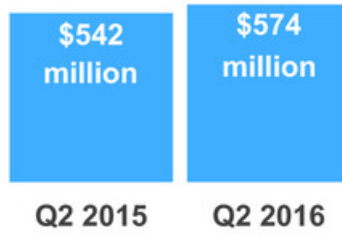


# Q2 REVENUE BY SEGMENT

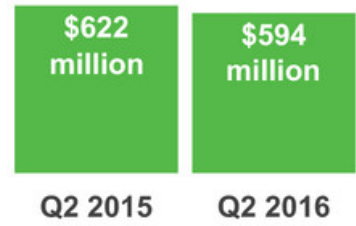
## Software Revenue



## Services Revenue

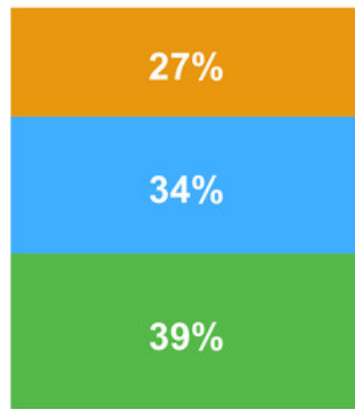


## Hardware Revenue



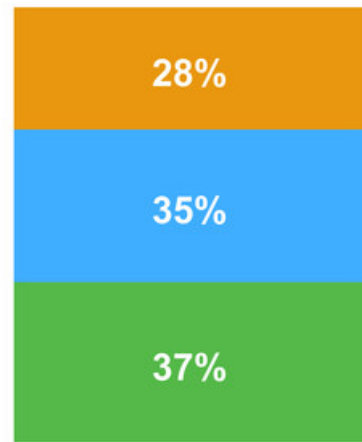
- Software
- Services
- Hardware

REVENUE  
\$1,604M



Q2 2015

REVENUE  
\$1,620M



Q2 2016



# Q2 REVENUE BY REGION

	Q2 2016	Q2 2015	% Change	% Change Adjusted CC
Americas	\$919	\$878	5%	8%
Europe, Middle East Africa	477	489	(2)%	—%
Asia Pacific	224	237	(5)%	(4)%
<b>Total Revenue</b>	<b>\$1,620</b>	<b>\$1,604</b>	<b>1%</b>	<b>4%</b>

\$ in millions



# FREE CASH FLOW

	QTD		YTD		FY 2016e	FY 2015
	Q2 2016	Q2 2015	Q2 2016	Q2 2015		
Cash Provided by Operating Activities	\$121	\$167	\$144	\$246	\$675 - \$725	\$681
Net capital expenditures	(58)	(59)	(98)	(110)	(220)	(229)
Cash used in Discontinued Operations	(8)	(13)	(20)	(17)	(30)	(43)
<b>Free Cash Flow</b>	<b>\$55</b>	<b>\$95</b>	<b>\$26</b>	<b>\$119</b>	<b>\$425 - \$475</b>	<b>\$409</b>
<b>Free Cash Flow as a % of non-GAAP net income</b>					<b>~95%</b>	<b>85%</b>

\$ in millions

# NET DEBT & EBITDA METRICS

	FY 2014	FY 2015	Q2 2016 <sup>(1)</sup>
Debt	\$3,618	\$3,252	\$3,457
Cash	(511)	(328)	(332)
Net Debt	\$3,107	\$2,924	\$3,125
Adjusted EBITDA	\$963	\$1,005	\$1,020 <sup>(1)</sup>
Net Debt / Adjusted EBITDA	3.2x	2.9x	3.1x

\$ in millions, except metrics

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

# Q3 2016 GUIDANCE

\$ millions, except per share amounts	Q3 2016e	Q3 2015
<b>Revenue</b> <sup>(1)</sup>	\$1,620 - \$1,640	\$1,613
<b>Diluted EPS (GAAP)</b>	\$0.57 - \$0.62	\$0.59
<b>Diluted EPS (non-GAAP)</b> <sup>(2) (3)</sup>	\$0.77 - \$0.82	\$0.78

<sup>(1)</sup> Revenue growth is expected to be approximately 1% as reported and up 7% adjusted CC. The third quarter 2016 guidance includes an expected foreign currency negative impact of \$12 million, or roughly 1%. Adjusted CC revenue growth excludes ~\$80 million of IPS revenue, or roughly 5%, from Q3 2015.

<sup>(2)</sup> For Q3 2016, we expect \$0.01 of negative EPS impact from unfavorable foreign currency headwinds.

<sup>(3)</sup> For Q3 2016, we have assumed OIE of \$52 million, an effective tax rate of 24% and a share count of 156 million compared to OIE of \$49 million, an effective tax rate of 18% and a share count of 172 million in Q3 2015.

# FY 2016 GUIDANCE

	2016 Revised Guidance	2016 Previous Guidance	2015
Revenue <sup>(1)</sup>	\$6,325 - \$6,400	\$6,250 - \$6,350	\$6,373
Diluted EPS (GAAP) <sup>(2)</sup>	\$2.25 - \$2.35	\$2.25 - \$2.35	(\$0.94)
Diluted EPS (non-GAAP) <sup>(2) (3)</sup>	\$2.90 - \$3.00	\$2.90 - \$3.00	\$2.76
Free Cash Flow	\$425 - \$475	\$425 - \$475	\$409

\$ in millions, except per share amounts

<sup>(1)</sup> Revenue is expected to be flat to up 1% as reported and up 4% to 5% adjusted CC. The 2016 guidance now includes an expected foreign currency negative impact of \$70 million for revenue, down from previous guidance of \$75 million, or ~1%. Adjusted CC revenue growth excludes ~\$200 million of IPS revenue, or ~3%, from 2015.

<sup>(2)</sup> For the 2016 guidance, we expect \$0.13 of negative EPS impact from unfavorable foreign currency headwinds and higher ongoing pension expense, up from previous guidance of \$0.10.

<sup>(3)</sup> For the 2016 guidance, we have assumed OIE of \$205 million to \$210 million, an effective tax rate of 25% and a share count of 157 million compared to OIE of \$196 million, an effective tax rate of 23% and a share count of 172 million in 2015.

# 2016 SEGMENT REVENUE GUIDANCE

Segment	2016e CC Growth <sup>(1)</sup>	FY 2016 Guidance	FY 2015
Software	4 - 5%	\$1,800 - \$1,825	\$1,747
Services	3 - 4%	\$2,240 - \$2,270	2,218
Hardware <sup>(1) (2)</sup>	4 - 5%	\$2,285 - \$2,305	2,408
<b>Total <sup>(1) (2)</sup></b>	<b>4 - 5%</b>	<b>\$6,325 - \$6,400</b>	<b>\$6,373</b>

\$ in millions

<sup>(1)</sup> The 2016 guidance now includes an expected foreign currency negative impact of \$70 million for revenue, down from previous guidance of \$75 million, or ~1%. Hardware segment and total revenue growth are presented on an adjusted CC basis and exclude ~\$200 million of IPS revenue, or ~3%, from 2015. Results of the IPS business were previously included in our Hardware segment.

<sup>(2)</sup> Hardware revenue guidance increased from prior guidance of \$2,210 - \$2,255 to current guidance of \$2,285 - \$2,305. Total revenue guidance increased from prior guidance of \$6,250 - \$6,350 to current guidance of \$6,325 - \$6,400.



# REVENUE, OI AND EPS TRENDING

	Q3 YTD		Fourth Quarter	
	\$	% of Total	\$	% of Total
<b>Revenue</b>				
2016 Guidance (mid-point)	\$4,694	74%	\$1,668	26%
Last 3 years	\$4,656	73%	\$1,706	27%
Last year	\$4,693	74%	\$1,680	26%
<b>Operating Income (non-GAAP)</b>				
2016 Guidance (mid-point)	\$561	68%	\$264	32%
Last 3 years	\$542	69%	\$244	31%
Last year	\$560	68%	\$260	32%
<b>Diluted EPS (non-GAAP)</b>				
2016 Guidance (mid-point)	\$1.91	65%	\$1.05	35%
Last 3 years	\$1.90	69%	\$0.86	31%
Last year	\$1.87	68%	\$0.88	32%

\$ in millions, except per share amounts





# OMNI-CHANNEL MARKET

*NCR's strategic offers include:*

<b>Omni-Channel Software</b>	<ul style="list-style-type: none"><li>▪ NCR's Omni-Channel Platform Hub and Applications</li><li>▪ Enables seamless consumer experiences across physical and digital channels</li><li>▪ Solutions Include: Retail One, Customer Experience Platform (CxP), Aloha Enterprise, NCR Silver</li></ul>
<b>Channel Transformation</b>	<ul style="list-style-type: none"><li>▪ Enables revenue growth, productivity gains, and modernized consumer experiences from the transformation of physical and digital channels</li><li>▪ Solutions Include: Branch, Store, Restaurant, and Venue Transformation</li><li>▪ Drives edge offerings: ATMs, SCO, mPOS, ePOS, Peripherals</li><li>▪ Drives service offerings: Consulting Services, Implementation Services, Hardware Maintenance, Managed Services, High Availability</li></ul>
<b>Digital Enablement</b>	<ul style="list-style-type: none"><li>▪ Enables new business models driven by the growing digitization movement</li><li>▪ Solutions Include: Mobile Banking, Remote Deposit, Digital Check Processing, Mobile Ordering and Payment, Loyalty, Click and Collect, Secure Payments, Fraud Prevention, Real-Time Actionable Insights, Inventory and Labor Management</li></ul>

# SOFTWARE

Q2 2016 Update



## Financial Results

	Q2 2016	Q2 2015	% Change	% Change Constant Currency
<b>Software License</b>	\$82	\$81	1%	2%
<i>Unattached License</i>	50	46	9%	9%
<b>Software Maintenance</b>	91	87	5%	6%
<b>Cloud</b>	133	135	(1)%	(1)%
<b>Professional Services</b>	146	137	7%	7%
<b>Software Revenue</b>	\$452	\$440	3%	3%
<b>Non-GAAP Gross Margin</b>	\$233	\$226	3%	4%
<b>Non-GAAP Gross Margin Rate</b>	51.5%	51.4%	+10 bps	+40 bps
<b>Operating Income</b>	\$144	\$130	11%	12%
<b>Operating Income as a % of Revenue</b>	31.9%	29.5%	+240 bps	+260 bps

\$ in millions



## Key Metrics

- Revenue up 3% on an as reported and CC basis
  - Software License revenue up 2% CC; unattached license CC growth of 9% offset by attached hardware unit volume
  - Software Maintenance revenue up 6% CC due to Software License revenue growth in prior periods
  - Cloud revenue down 1% as expected due to prior period headwinds
  - Professional Services revenue up 7% CC due to strong omni-channel wins in Q1
- Strong Net ACV (Annual Contract Value) bookings of \$18M indicate improved cloud growth in future periods
- Operating income up \$14 million, driven by higher revenue and lower expenses

## Business Highlights

- Continued momentum in omni-channel wins, including Speedway, Buffalo Wild Wings and Bancolumbia
- Channel Transformation demand accelerating for Branch, Store and Restaurant/Venue Transformation Offers
- Digital Enablement continues to generate traction
  - 85% growth in NCR Silver subscriber base
  - 6% growth in Digital Insight users
  - 67% increase in NCR Secure Payments volume
  - Mobile enablement in Hospitality, including the nationwide launch of an omni-channel mobile app for a large restaurant chain
- Agreement with a large payments processor in China, Sands Information Systems, for the NCR Silver solution 16



# SERVICES

Q2 2016 Update



## Financial Results

	Q2 2016	Q2 2015	% Change	% Change Constant Currency
Services Revenue	\$574	\$542	6%	8%
Non-GAAP Gross Margin	\$124	\$118	5%	6%
Non-GAAP Gross Margin Rate	21.6%	21.8%	(20) bps	(30) bps
Operating Income	\$49	\$48	2%	4%
Operating Income as a % of Revenue	8.5%	8.9%	(40) bps	(40) bps

\$ in millions

## Key Metrics

- Revenue up 6% as reported and up 8% CC
  - Strong growth in hardware maintenance, managed and implementation services
- Operating income up \$1M due to higher revenue, partially offset by \$5M higher expenses which were flat as a percentage of revenue year-over-year

## Business Highlights

- Channel Transformation success driving hardware maintenance and implementation services growth across the industries
- Expanding higher value managed service offerings in adjacent services such as software distribution and endpoint security
- Driving increased availability and efficiency for our CFI customers through managed services
- Big Data analytics continue to allow customer calls to be resolved more efficiently
- Pragmatic focus on improving productivity and efficiency to drive future margin rate improvement
- Services file value up year-over-year

# HARDWARE

Q2 2016 Update



## Financial Results

	Q2 2016	Q2 2015	% Change	% Change Constant Currency <sup>(1)</sup>
ATMs	\$286	\$303	(6)%	(4)%
Self-Checkout (SCO)	70	48	46%	46%
Point-of-Sale (POS)	180	184	(2)%	(2)%
Interactive Printer Solutions (IPS)	58	87	(33)%	(3)%
<b>Hardware Revenue</b>	<b>\$594</b>	<b>\$622</b>	<b>(5)%</b>	<b>—%</b>
<b>Non-GAAP Gross Margin</b>	<b>\$108</b>	<b>\$121</b>	<b>(11)%</b>	<b>(9)%</b>
<b>Non-GAAP Gross Margin Rate</b>	<b>18.2%</b>	<b>19.5%</b>	<b>(130) bps</b>	<b>(100) bps</b>
<b>Operating Income</b>	<b>\$14</b>	<b>\$22</b>	<b>(36)%</b>	<b>(36)%</b>
<b>Operating Income as a % of Revenue</b>	<b>2.4%</b>	<b>3.5%</b>	<b>(110) bps</b>	<b>(120) bps</b>

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



\$ in millions

## Key Metrics

- Revenue down 5% as reported and flat CC
  - ATM revenue down 4% CC, improving from down 17% in Q1 2016; Strong ATM backlog entering Q3
  - SCO revenue up significantly due to an upgrade cycle and Store Transformation
  - POS revenue growth lower as POS shifts to SCO; POS growth in restaurants driven by new wins, customer growth and product refreshes
- Operating income down \$8M due to lower revenue and gross margin rate; Gross margin rate negatively impacted by higher initial expenses associated with new ATM product family and macroeconomic challenges. Gross margin rate up 280 bps over Q1 2016

## Business Highlights

- Channel Transformation driving strategic wins in the quarter including Huntington and Sberbank
- Strong demand for our new line of Multi Function ATMs
- SCO order volumes remained very strong for the fourth consecutive quarter resulting in a strong backlog position
- NCR #1 for 15th consecutive year in global SCO shipment share
- New POS hardware portfolio ramping faster than expected, showing strong demand for enterprise hardened POS hardware
- Increasing year over year demand for mobile POS hardware and our new Orderman 7 mobile POS device
- NCR holds #1 position in ePOS for North America for the 2nd consecutive year

## Q2 SUMMARY

- Solid first half; improving execution

---

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

---

- Strong backlog and key metrics point to a successful year; *raising revenue guidance & reaffirming previous EPS and FCF guidance*

---

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

---

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

---

- Omni-Channel, Channel Transformation, and Digital Enablement are growth drivers for next decade; ***NCR's vision and strategy***



**SUPPLEMENTARY  
NON-GAAP MATERIALS**

---



# NON-GAAP MEASURES

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

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

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

**Free Cash Flow.** NCR defines free cash flow as net cash provided by/used in operating activities and cash flow provided by/used in discontinued operations less capital expenditures for property, plant and equipment, additions to capitalized software, discretionary pension contributions and pension settlements. NCR's management uses free cash flow to assess the financial performance of the Company and believes it is useful for investors because it relates the operating cash flow of the Company to the capital that is spent to continue and improve business operations. In particular, free cash flow indicates the amount of cash generated after capital expenditures which can be used for, among other things, investment in the Company's existing businesses, strategic acquisitions, strengthening the Company's balance sheet, repurchase of Company stock and repayment of the Company's debt obligations. Free cash flow does not represent the residual cash flow available for discretionary expenditures since there may be other nondiscretionary expenditures that are not deducted from the measure. Free cash flow (FCF) does not have a uniform definition under GAAP and, therefore, NCR's definition may differ from other companies' definition of this measure.



# NON-GAAP MEASURES

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

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

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



# GAAP TO NON-GAAP RECONCILIATION

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

in millions	2014	2015	Q2 2016 LTM
Net Income from Continuing Operations Attributable to NCR (GAAP)	\$181	(\$154)	\$258
Pension Mark-to-Market Adjustments	149	454	30
Restructuring/Transformation Costs	163	74	65
Acquisition-Related Amortization of Intangibles	119	125	126
Acquisition-Related Purchase Price Adjustment	6	—	—
Acquisition-Related Costs	27	11	9
Reserve related to a subcontract in MEA	—	20	20
Divestiture and Liquidation Losses	—	34	39
OFAC and FCPA Investigations <sup>(1)</sup>	3	1	—
Net Income from Continuing Operations Attributable to Noncontrolling Interests	4	4	(1)
Interest Expense	181	173	173
Interest Income	(6)	(5)	(5)
Depreciation and Amortization	153	171	190
Income Taxes	(48)	55	65
Stock Compensation Expense	31	42	51
<b>Adjusted EBITDA (non-GAAP)</b>	<b>\$963</b>	<b>\$1,005</b>	<b>\$1,020</b>

<sup>(1)</sup> Estimated expenses for 2016 will be affected by, among other things, the status and progress of the OFAC matter. There can be no assurance that the Company will not be subject to fines or other remedial measures as a result of OFAC's investigation.





# GAAP TO NON-GAAP RECONCILIATION

Q2 2016 QTD

	Q2 QTD 2016 GAAP	Restructuring / Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Divestiture and Liquidation Losses	Q2 QTD 2016 non-GAAP
in millions (except per share amounts)						
Product revenue	\$676	\$—	\$—	\$—	\$—	\$676
Service revenue	944	—	—	—	—	944
<b>Total revenue</b>	<b>1,620</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,620</b>
Cost of products	517	—	(9)	—	—	508
Cost of services	657	(4)	(6)	—	—	647
Gross margin	446	4	15	—	—	465
<b>Gross margin rate</b>	<b>27.5%</b>	<b>0.2%</b>	<b>1.0%</b>	<b>—%</b>	<b>—%</b>	<b>28.7%</b>
Selling, general and administrative expenses	229	(3)	(17)	(1)	—	208
Research and development expenses	50	—	—	—	—	50
Restructuring-related charges	4	(4)	—	—	—	—
Total expenses	283	(7)	(17)	(1)	—	258
<i>Total expense as a % of revenue</i>	<i>17.5%</i>	<i>(0.4)%</i>	<i>(1.1)%</i>	<i>(0.1)%</i>	<i>—%</i>	<i>15.9%</i>
<b>Income (loss) from operations</b>	<b>163</b>	<b>11</b>	<b>32</b>	<b>1</b>	<b>—</b>	<b>207</b>
<i>Income (loss) from operations as a % of revenue</i>	<i>10.1%</i>	<i>0.7%</i>	<i>1.9%</i>	<i>0.1%</i>	<i>—%</i>	<i>12.8%</i>
Interest and Other (expense) income, net	(58)	—	—	—	5	(53)
Income (loss) from continuing operations before income taxes	105	11	32	1	5	154
Income tax expense (benefit)	31	3	11	—	—	45
<i>Effective tax rate</i>	<i>30%</i>					<i>29%</i>
Income (loss) from continuing operations	74	8	21	1	5	109
Net income (loss) attributable to noncontrolling interests	(2)	—	—	—	—	(2)
<b>Income (loss) from continuing operations (attributable to NCR)</b>	<b>\$76</b>	<b>\$8</b>	<b>\$21</b>	<b>\$1</b>	<b>\$5</b>	<b>\$111</b>
<b>Diluted earnings per share</b>	<b>\$0.49</b>	<b>\$0.05</b>	<b>\$0.14</b>	<b>\$0.01</b>	<b>\$0.03</b>	<b>\$0.72</b>



# GAAP TO NON-GAAP RECONCILIATION

Q2 2016 QTD

	Q2 QTD 2016 GAAP	Q2 QTD 2016 non-GAAP
in millions (except per share amounts)		
<b>Income (loss) from continuing operations attributable to NCR common stockholders:</b>		
Income (loss) from continuing operations (attributable to NCR)	\$76	\$111
Dividends on convertible preferred shares	—	—
Income (loss) from continuing operations attributable to NCR common stockholders	\$76	\$111
<b>Weighted average outstanding shares:</b>		
Weighted average diluted shares outstanding	126.5	126.5
Weighted as-if converted preferred shares	28.0	28.0
Total shares used in diluted earnings per share	154.5	154.5
<b>Diluted earnings per share <sup>(1)</sup></b>	<b>\$0.49</b>	<b>\$0.72</b>

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



# GAAP TO NON-GAAP RECONCILIATION

Q2 2015 QTD

	Q2 QTD 2015 GAAP	Restructuring / Transformation Costs	Acquisition-related amortization of intangibles	Acquisition-related costs	Pension mark-to-market adjustments	Q2 QTD 2015 non-GAAP
in millions (except per share amounts)						
Product revenue	\$703	\$—	\$—	\$—	\$—	\$703
Service revenue	901	—	—	—	—	901
<b>Total revenue</b>	<b>1,604</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,604</b>
Cost of products	544	(2)	(9)	—	(10)	523
Cost of services	914	—	(7)	—	(291)	616
Gross margin	146	2	16	—	301	465
<b>Gross margin rate</b>	<b>9.1%</b>	<b>0.1%</b>	<b>1.0%</b>	<b>—%</b>	<b>18.8%</b>	<b>29.0%</b>
Selling, general and administrative expenses	339	—	(15)	(3)	(113)	208
Research and development expenses	67	—	—	—	(10)	57
Restructuring-related charges	6	(6)	—	—	—	—
Total expenses	412	(6)	(15)	(3)	(123)	265
Total expense as a % of revenue	25.7%	(0.4)%	(0.9)%	(0.2)%	(7.7)%	16.5%
<b>Income (loss) from operations</b>	<b>(266)</b>	<b>8</b>	<b>31</b>	<b>3</b>	<b>424</b>	<b>200</b>
Income (loss) from operations as a % of revenue	(16.6)%	0.5%	1.9%	0.2%	26.4%	12.5%
Interest and Other (expense) income, net	(45)	—	—	—	—	(45)
Income (loss) from continuing operations before income taxes	(311)	8	31	3	424	155
Income tax expense (benefit)	32	1	9	1	(2)	41
Effective tax rate	(10)%					27%
Income (loss) from continuing operations	(343)	7	22	2	426	114
Net income (loss) attributable to noncontrolling interests	1	—	—	—	—	1
<b>Income (loss) from continuing operations (attributable to NCR)</b>	<b>(\$344)</b>	<b>\$7</b>	<b>\$22</b>	<b>\$2</b>	<b>\$426</b>	<b>\$113</b>
Diluted earnings per share	(\$2.03)	\$0.04	\$0.13	\$0.01	\$2.51	\$0.66

# GAAP TO NON-GAAP RECONCILIATION

Q2 2016 YTD

	Q2 YTD 2016 GAAP	Restructuring / Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Divestiture and Liquidation Losses	Q2 YTD 2016 non-GAAP
in millions (except per share amounts)						
Product revenue	\$1,224	\$—	\$—	\$—	\$—	\$1,224
Service revenue	1,840	—	—	—	—	1,840
<b>Total revenue</b>	<b>3,064</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,064</b>
Cost of products	959	—	(19)	—	—	940
Cost of services	1,279	(4)	(12)	—	—	1,263
Gross margin	826	4	31	—	—	861
<b>Gross margin rate</b>	<b>27.0%</b>	<b>0.1%</b>	<b>1.0%</b>	<b>—%</b>	<b>—%</b>	<b>28.1%</b>
Selling, general and administrative expenses	453	(5)	(33)	(3)	—	412
Research and development expenses	103	—	—	—	—	103
Restructuring-related charges	6	(6)	—	—	—	—
Total expenses	562	(11)	(33)	(3)	—	515
<b>Total expense as a % of revenue</b>	<b>18.3%</b>	<b>(0.4)%</b>	<b>(1.0)%</b>	<b>(0.1)%</b>	<b>—%</b>	<b>16.8%</b>
<b>Income (loss) from operations</b>	<b>264</b>	<b>15</b>	<b>64</b>	<b>3</b>	<b>—</b>	<b>346</b>
<b>Income (loss) from operations as a % of revenue</b>	<b>8.6%</b>	<b>0.5%</b>	<b>2.1%</b>	<b>0.1%</b>	<b>—%</b>	<b>11.3%</b>
Interest and Other (expense) income, net	(114)	—	—	—	5	(109)
Income (loss) from continuing operations before income taxes	150	15	64	3	5	237
Income tax expense (benefit)	44	2	20	1	—	67
<b>Effective tax rate</b>	<b>29%</b>					<b>28%</b>
Income (loss) from continuing operations	106	13	44	2	5	170
Net income (loss) attributable to noncontrolling interests	(2)	—	—	—	—	(2)
<b>Income (loss) from continuing operations (attributable to NCR)</b>	<b>\$108</b>	<b>\$13</b>	<b>\$44</b>	<b>\$2</b>	<b>\$5</b>	<b>\$172</b>
<b>Diluted earnings per share</b>	<b>\$0.65</b>	<b>\$0.08</b>	<b>\$0.28</b>	<b>\$0.01</b>	<b>\$0.03</b>	<b>\$1.09</b>

# GAAP TO NON-GAAP RECONCILIATION

Q2 2016 YTD

	Q2 YTD 2016 GAAP	Q2 YTD 2016 non-GAAP
in millions (except per share amounts)		
<b>Income (loss) from continuing operations attributable to NCR common stockholders:</b>		
Income (loss) from continuing operations (attributable to NCR)	\$108	\$172
Dividends on convertible preferred shares	(24)	—
Income (loss) from continuing operations attributable to NCR common stockholders	\$84	\$172
<b>Weighted average outstanding shares:</b>		
Weighted average diluted shares outstanding	129.6	129.6
Weighted as-if converted preferred shares	—	27.8
Total shares used in diluted earnings per share	129.6	157.4
<b>Diluted earnings per share <sup>(1)</sup></b>	<b>\$0.65</b>	<b>\$1.09</b>

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



# GAAP TO NON-GAAP RECONCILIATION

Q2 2015 YTD

in millions (except per share amounts)	Q2 YTD 2015 GAAP	Restructuring / Transformation Costs	Acquisition-related amortization of intangibles	Acquisition-related costs	OFAC and FCPA Investigations	Pension mark to market adjustments	Q2 YTD 2015 non-GAAP
Product revenue	\$1,307	\$—	\$—	\$—	\$—	\$—	\$1,307
Service revenue	1,773	—	—	—	—	—	1,773
<b>Total revenue</b>	<b>3,080</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,080</b>
Cost of products	1,027	(3)	(19)	—	—	(10)	995
Cost of services	1,517	—	(13)	—	—	(291)	1,213
Gross margin	536	3	32	—	—	301	872
<b>Gross margin rate</b>	<b>17.4%</b>	<b>0.1%</b>	<b>1.0%</b>	<b>—%</b>	<b>—%</b>	<b>9.8%</b>	<b>28.3%</b>
Selling, general and administrative expenses	564	—	(31)	(5)	(1)	(113)	414
Research and development expenses	122	—	—	—	—	(10)	112
Restructuring-related charges	21	(21)	—	—	—	—	—
Total expenses	707	(21)	(31)	(5)	(1)	(123)	526
Total expense as a % of revenue	23.0%	(0.7)%	(1.0)%	(0.2)%	—%	(4.0)%	17.1%
<b>Income (loss) from operations</b>	<b>(171)</b>	<b>24</b>	<b>63</b>	<b>5</b>	<b>1</b>	<b>424</b>	<b>346</b>
Income (loss) from operations as a % of revenue	(5.6)%	0.8%	2.0%	0.2%	—%	13.8%	11.2%
Interest and Other (expense) income, net	(96)	—	—	—	—	—	(96)
Income (loss) from continuing operations before income taxes	(267)	24	63	5	1	424	250
Income tax expense (benefit)	34	6	20	2	1	(2)	61
Effective tax rate	(13)%						24%
Income (loss) from continuing operations	(301)	18	43	3	—	426	189
Net income (loss) attributable to noncontrolling interests	3	—	—	—	—	—	3
<b>Income (loss) from continuing operations (attributable to NCR)</b>	<b>(\$304)</b>	<b>\$18</b>	<b>\$43</b>	<b>\$3</b>	<b>\$—</b>	<b>\$426</b>	<b>\$186</b>
<b>Diluted earnings per share</b>	<b>(\$1.80)</b>	<b>\$0.10</b>	<b>\$0.25</b>	<b>\$0.02</b>	<b>\$—</b>	<b>\$2.51</b>	<b>\$1.08</b>



# GAAP TO NON-GAAP RECONCILIATION

Q3 2015 QTD

	Q3 QTD 2015 GAAP	Restructuring / Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Pension mark-to- market adjustments	Q3 QTD 2015 non-GAAP
in millions (except per share amounts)						
Product revenue	\$688	—	—	—	—	\$688
Service revenue	925	—	—	—	—	925
<b>Total revenue</b>	<b>1,613</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,613</b>
Cost of products	512	—	(9)	—	—	503
Cost of services	644	—	(6)	—	(1)	637
Gross margin	457	—	15	—	1	473
<b>Gross margin rate</b>	<b>28.3%</b>	<b>—%</b>	<b>0.9%</b>	<b>—%</b>	<b>0.1%</b>	<b>29.3%</b>
Selling, general and administrative expenses	224	—	(16)	(2)	—	206
Research and development expenses	53	—	—	—	—	53
Restructuring-related charges	12	(12)	—	—	—	—
Total expenses	289	(12)	(16)	(2)	—	259
<b>Total expense as a % of revenue</b>	<b>17.9%</b>	<b>(0.7)%</b>	<b>(1.0)%</b>	<b>(0.1)%</b>	<b>—%</b>	<b>16.1%</b>
<b>Income (loss) from operations</b>	<b>168</b>	<b>12</b>	<b>31</b>	<b>2</b>	<b>1</b>	<b>214</b>
<b>Income (loss) from operations as a % of revenue</b>	<b>10.4%</b>	<b>0.7%</b>	<b>2.0%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>13.3%</b>
Interest and Other (expense) income, net	(49)	—	—	—	—	(49)
Income (loss) from continuing operations before income taxes	119	12	31	2	1	165
Income tax expense (benefit)	16	4	10	—	—	30
<b>Effective tax rate</b>	<b>13%</b>					<b>18%</b>
Income (loss) from continuing operations	103	8	21	2	1	135
Net income (loss) attributable to noncontrolling interests	1	—	—	—	—	1
<b>Income (loss) from continuing operations (attributable to NCR)</b>	<b>\$102</b>	<b>\$8</b>	<b>\$21</b>	<b>\$2</b>	<b>\$1</b>	<b>\$134</b>
<b>Diluted earnings per share</b>	<b>\$0.59</b>	<b>\$0.05</b>	<b>\$0.12</b>	<b>\$0.01</b>	<b>\$0.01</b>	<b>\$0.78</b>
Diluted shares outstanding	172.3					172.3

# GAAP TO NON-GAAP RECONCILIATION

FY 2015

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

# GAAP TO NON-GAAP RECONCILIATION

FY 2015

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

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





# GAAP TO NON-GAAP RECONCILIATION

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

	2016 Guidance	Q3 2016e
Diluted EPS (GAAP) <sup>(1)</sup>	\$2.25 - \$2.35	\$0.57 - \$0.62
Restructuring Plan	0.13	0.05
Acquisition-Related Amortization of Intangibles	0.47	0.14
Acquisition-Related Costs	0.02	0.01
Divestiture and Liquidation Losses	0.03	—
<b>Non-GAAP Diluted EPS</b>	<b>\$2.90 - \$3.00</b>	<b>\$0.77 - \$0.82</b>

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

# GAAP TO NON-GAAP RECONCILIATION

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

### Q2 2016 QTD

	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Divestiture impact	Revenue Growth Adjusted Constant Currency % (non-GAAP)
Software License	1%	(1)%	—%	2%
Software Maintenance	5%	(1)%	—%	6%
Cloud	(1)%	—%	—%	(1)%
Professional Services	7%	—%	—%	7%
<b>Software</b>	<b>3%</b>	<b>—%</b>	<b>—%</b>	<b>3%</b>
<b>Services</b>	<b>6%</b>	<b>(2)%</b>	<b>—%</b>	<b>8%</b>
ATMs	(6)%	(2)%	—%	(4)%
Self-Checkout (SCO)	46%	—%	—%	46%
Point-of-Sale (POS)	(2)%	—%	—%	(2)%
Interactive Printer Solutions	(33)%	—%	(30)%	(3)%
<b>Hardware</b>	<b>(5)%</b>	<b>(1)%</b>	<b>(4)%</b>	<b>—%</b>
<b>Total Revenue</b>	<b>1%</b>	<b>(1)%</b>	<b>(2)%</b>	<b>4%</b>

# GAAP TO NON-GAAP RECONCILIATION

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

Q2 2016 QTD

	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Divestiture impact	Revenue Growth Adjusted Constant Currency % (non-GAAP)
Americas	5%	(1)%	(2)%	8%
Europe, Middle East Africa	(2)%	(1)%	(1)%	—%
Asia Pacific	(5)%	—%	(1)%	(4)%
<b>Total Revenue</b>	<b>1%</b>	<b>(1)%</b>	<b>(2)%</b>	<b>4%</b>

# GAAP TO NON-GAAP RECONCILIATION

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

	Q2 2016 QTD		
	Operating Income Growth % Reported	Favorable (unfavorable) FX impact	Constant Currency Operating Income Growth % (non-GAAP)
Software	11%	(1)%	12%
Services	2%	(2)%	4%
Hardware	(36)%	—%	(36)%
<b>Total Operating Income</b>	<b>4%</b>	<b>—%</b>	<b>4%</b>

# GAAP TO NON-GAAP RECONCILIATION

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

	Q2 2016 QTD		
	Operating Income bps Growth Reported	Favorable (unfavorable) FX impact	Constant Currency Operating Income bps Growth (non- GAAP)
Software	+240 bps	-20 bps	+260 bps
Services	-40 bps	— bps	-40 bps
Hardware	-110 bps	+10 bps	-120 bps
<b>Total Operating Income</b>	<b>+30 bps</b>	<b>— bps</b>	<b>+30 bps</b>



