

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): October 30, 2018



**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.)

**864 Spring Street NW  
Atlanta, GA 30308**

(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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

On October 30, 2018, the Company issued a press release setting forth its third quarter 2018 financial results along with its fiscal year 2018 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 October 30, 2018, the Company will hold its previously announced conference call to discuss its third quarter 2018 results and fiscal year 2018 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 October 30, 2018
99.2	Supplemental materials, dated October 30, 2018

#### 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	<a href="#">Press Release issued by the Company, dated October 30, 2018</a>
99.2	<a href="#">Supplemental materials, dated October 30, 2018</a>

#### 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/ Andre Fernandez  
Andre Fernandez  
Executive Vice President and Chief Financial Officer

Date: October 30, 2018



October 30, 2018

## NCR Announces Third Quarter 2018 Results

ATLANTA - NCR Corporation (NYSE: NCR) reported financial results today for the three months ended September 30, 2018. Third quarter and other recent highlights include:

- **Revenue of \$1.55 billion, down 7% as reported**
- **Software revenue up 1% driven by cloud revenue growth of 6%**
- **GAAP diluted EPS of \$0.57; Non-GAAP diluted EPS of \$0.58**
- **Services revenue up 1% and gross margin expansion of 70 basis points**
- **Announced planned acquisition of JetPay to expand our offerings to include end-to-end payment processing**
- **Announcing program to achieve at least \$100 million cost savings in 2019**

“Our third quarter performance was in-line with our expectations and we continue working to build a stronger and more efficient NCR,” said Michael Hayford, President and Chief Executive Officer. “During the quarter, we made notable progress realigning our organization and addressing critical execution areas. We placed strategic emphasis on our supply chain and manufacturing operations, and our success to date positions us to achieve a significant ramp in ATM production during the fourth quarter.”

Mr. Hayford continued, “Our evaluation of our business has uncovered significant cost reduction opportunities in areas targeting spend optimization to improve margins. Moving forward, we will drive operational efficiencies through a targeted plan that we expect will result in at least \$100 million cost savings in 2019. At the same time, we are enabling higher quality and faster deployment of solutions across our markets while remaining committed to becoming a leading software and services-led enterprise provider of vertical industry solutions. This is demonstrated through our pending acquisition of JetPay, which will enable NCR to fully integrate NCR Payments with our point of sale and capture this recurring revenue stream. Our leadership team is confident in our strategy and committed to continuing to take the steps necessary to accelerate our long-term growth potential and deliver increasing returns to our stockholders.”

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 “constant currency” 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.

### Third Quarter 2018 Operating Results

#### Revenue

Third quarter revenue of \$1.55 billion was down 7% year-over-year. Foreign currency fluctuations had an unfavorable impact on the revenue comparison of 2%.

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

\$ in millions	2018	2017	% Change	% Change Constant Currency
Software License	\$ 80	\$ 79	1%	3%
Software Maintenance	92	95	(3%)	(2%)
Cloud	158	149	6%	6%
Professional Services	150	153	(2%)	—%
<b>Software Revenue</b>	<b>\$ 480</b>	<b>\$ 476</b>	<b>1%</b>	<b>2%</b>
<b>Services Revenue</b>	<b>\$ 616</b>	<b>\$ 609</b>	<b>1%</b>	<b>4%</b>
ATM	\$ 237	\$ 273	(13%)	(10%)
SCO	60	79	(24%)	(24%)
POS	157	221	(29%)	(28%)
IPS	—	5	(100%)	(100%)
<b>Hardware Revenue</b>	<b>\$ 454</b>	<b>\$ 578</b>	<b>(21%)</b>	<b>(20%)</b>
<b>Total Revenue</b>	<b>\$ 1,550</b>	<b>\$ 1,663</b>	<b>(7%)</b>	<b>(5%)</b>

Software revenue was up 2% on a constant currency basis driven by cloud revenue growth of 6%.

Services revenue was up 4% on a constant currency basis driven by hardware maintenance and implementation services growth, as well as continued momentum in managed service offerings.

Hardware revenue was down 20% on a constant currency basis. ATM revenue declined 10% on a constant currency basis primarily due to continued supply constraints, which improved throughout the quarter. ATM orders increased for the third consecutive quarter, which is expected to drive improved revenue performance in the fourth quarter. SCO revenue decreased 24% on a constant currency basis due to the timing of customer roll-outs. POS revenue decreased 28% on a constant currency basis in the quarter compared to growth of 18% on a constant currency basis in the prior year, which benefited from several large customer roll-outs.

#### Gross Margin

Third quarter gross margin of \$410 million was down from \$472 million in the prior year period. Gross margin rate was 26.5%, down from 28.4%. Third quarter gross margin (non-GAAP) of \$425 million was down from \$485 million in the prior year period. Gross margin rate (non-GAAP) was 27.4%, down from 29.2%. The decrease in gross margin, on a GAAP and non-GAAP basis, was primarily due to increased costs in the Hardware segment associated with alleviating supply chain constraints.

#### *Expenses*

Third quarter operating expenses of \$285 million increased from \$273 million in the prior year period. Third quarter operating expenses (non-GAAP) of \$264 million increased from \$251 million. The increase in operating expenses, on a GAAP and non-GAAP basis, was due to continued investment in the business to improve execution.

#### *Operating Income*

Third quarter income from operations of \$125 million decreased from \$199 million in the prior year period. Third quarter operating income (non-GAAP) of \$161 million decreased from \$234 million. Income from operations and operating income (non-GAAP) reflected lower profit in the Hardware segment and continued investment in the business.

#### *Other (Expense)*

Third quarter other (expense) and other (expense) (non-GAAP) of \$53 million increased from \$49 million compared to the prior year period partially due to higher interest rates and higher foreign currency losses.

#### *Income Tax Expense (Benefit)*

Third quarter income tax benefit of \$15 million decreased from income tax expense of \$31 million in the prior year period. The third quarter effective income tax rate was (21)% compared to 21% in the prior year period. Income tax decreased primarily due to lower income before taxes in the quarter, the impact of U.S. tax reform and tax restructuring transactions.

Third quarter income tax expense (non-GAAP) of \$20 million decreased from \$41 million in the prior year period. The third quarter effective income tax rate (non-GAAP) was 19% compared to 22% in the prior year period. Income tax (non-GAAP) decreased primarily due to lower income before taxes in the quarter and tax restructuring transactions.

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

Third quarter net income from continuing operations attributable to NCR of \$85 million decreased from \$118 million in the prior year period. Third quarter net income from continuing operations attributable to NCR (non-GAAP) of \$86 million decreased from \$143 million in the prior year period.

#### *Cash Flow*

Third quarter cash provided by operating activities of \$68 million decreased from cash provided by operating activities of \$136 million in the prior year period. Free cash outflow was \$22 million in the third quarter of 2018 as compared to an inflow of \$48 million in the third quarter of 2017. The decreases were due to lower earnings in the third quarter of 2018, which we expect to improve in the fourth quarter.

### **Restructuring and Transformation Initiatives**

Our previously announced restructuring and transformation initiatives continue to progress on track. In Services, our Mission One performance and profit improvement program continues to deliver revenue growth and margin expansion. In Hardware, we are continuing the move to a more variable cost structure by reducing the number of manufacturing plants and ramping up production with contract manufacturers.

However, in order to focus the organization on the strategic growth areas, we are announcing a spend optimization program to drive cost savings through operational efficiencies to generate at least \$100 million of savings in 2019. These initiatives will create efficiencies in our corporate functions, reduce spend in the non-strategic areas and limit discretionary spending. We expect to incur a pre-tax charge of \$75 million to \$100 million over the next twelve months, with approximately \$50 million incurred during the fourth quarter of 2018. The cash impact is expected to be \$75 million to \$100 million which will be paid in 2018 and 2019. The estimate of the pre-tax charge of \$50 million has been included in our 2018 GAAP diluted earnings per share guidance.

## **Full Year 2018 Outlook**

We are reaffirming our full year 2018 revenue guidance. Revenue is expected to be (1)% to (3)%. Our GAAP diluted earnings per share guidance is now expected to be \$0.10 to \$0.68 (previous guidance of \$0.07 to \$0.65) due to the impact of U.S. Tax Reform and the spend optimization program. We are reaffirming our non-GAAP diluted earnings per share guidance of \$2.55 to \$2.75. Non-GAAP diluted earnings per share guidance assumes an effective tax rate of 21% for 2018 compared to 25% in 2017. Additionally, we now expect cash flow from operations to be \$640 million to \$670 million (previous guidance of \$690 million to \$720 million) and free cash flow to be \$250 million to \$300 million (previous guidance of \$300 million to \$350 million). The reduction is due to higher working capital levels as we ramp production during the fourth quarter as well as the expected cash payments related to the spend optimization program.

## **2018 Third Quarter Earnings Conference Call**

A conference call is scheduled for today at 4:30 p.m. (EDT) to discuss the third quarter 2018 results and guidance for full year 2018. Access to the conference call and accompanying slides, as well as a replay of the call, are available on NCR's web site at <http://investor.ncr.com/>. Additionally, the live call can be accessed by dialing 888-820-9413 (United States/Canada Toll-free) or 786-460-7169 (International Toll) and entering the participant passcode 1900963.

More information on NCR's Q3 2018 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 a leader in banking and commerce solutions, powering incredible experiences that make life easier. With its software, hardware, and portfolio of services, NCR enables 760 million transactions daily across financial, retail, hospitality, travel, telecom and technology industries. NCR is headquartered in Atlanta, Ga., with 34,000 employees and does business in 180 countries. NCR is a trademark of NCR Corporation in the United States and other countries.

Website: [www.ncr.com](http://www.ncr.com)

Twitter: @NCRCorporation

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

LinkedIn: <https://www.linkedin.com/company/ncr-corporation>

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

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**Note to Investors** This release contains forward-looking statements. Forward-looking statements use words such as “expect,” “anticipate,” “outlook,” “intend,” “plan,” “believe,” “will,” “should,” “would,” “could,” and words of 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 financial guidance and outlook (including the sections entitled “Full Year 2018 Outlook” and the expected type and magnitude of the non-operational adjustments included in any forward-looking non-GAAP measures); NCR’s critical execution areas, areas of strategic focus, including supply chain and manufacturing operations and execution strategy; NCR’s expected areas of focus to drive growth and create long-term stockholder value; NCR’s quality and deployment of solutions; NCR’s software and services offerings; NCR’s plans to diversify revenue and streamline costs; expectations regarding NCR’s pending acquisition of JetPay; NCR’s cost savings program and its expected benefits in 2019 and the fourth quarter of 2018; NCR’s global leadership; expectations regarding ATM production rates, ATM revenues and overall revenue in the fourth quarter of 2018; NCR’s expected free cash flow generation and capital allocation strategy; NCR’s earnings per share and the expected impact of U.S. Tax Reform on earnings per share; and the expected impact of NCR’s previously announced restructuring and transformation activities. 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: the strength of demand for ATMs and other financial services hardware and its effect on the results of our businesses and reportable segments; domestic and global economic and credit conditions including, in particular, those resulting from the imposition or threat of protectionist trade policies or import or export tariffs, global and regional market conditions and spending trends in the financial services and retail industries, new comprehensive U.S. tax legislation, modified or new global or regional trade agreements, the determination by the United Kingdom to exit the European Union, uncertainty over further potential changes in Eurozone participation and fluctuations in oil and commodity prices; 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; our ability to successfully introduce new solutions and compete in the information technology industry; cybersecurity risks and compliance with data privacy and protection requirements; the possibility of disruptions in or problems with our data center hosting facilities; defects or errors in our products; the impact of our indebtedness and its terms on our financial and operating activities; the historical seasonality of our sales; tax rates and new U.S. tax legislation; foreign currency fluctuations; the success of our restructuring plans and cost reduction initiatives, including those in our Hardware segment; manufacturing disruptions, including those caused by or related to outsourced manufacturing; the availability and success of acquisitions, divestitures and alliances; our pension strategy and underfunded pension obligation; reliance on third party suppliers; the impact of the terms of our strategic relationship with Blackstone and our Series A Convertible Preferred Stock; our multinational operations, including in new and emerging markets; collectability difficulties in subcontracting relationships in certain geographical markets; development and protection of intellectual property; workforce turnover and the ability to attract and retain skilled employees; uncertainties or delays associated with the transition of key business leaders; 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

*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.

*Non-GAAP Diluted Earnings Per Share (EPS), Gross Margin (non-GAAP), Gross Margin Rate (non-GAAP), Operating Expenses (non-GAAP), Operating Income (non-GAAP), Operating Margin Rate (non-GAAP), Other (Expense) (non-GAAP), Income Tax Expense (non-GAAP), Effective Income Tax Rate (non-GAAP), and Net Income from Continuing Operations Attributable to NCR (non-GAAP).* NCR's non-GAAP diluted EPS, gross margin (non-GAAP), gross margin rate (non-GAAP), operating expenses (non-GAAP), operating income (non-GAAP), operating margin rate (non-GAAP), other (expense) (non-GAAP), income tax expense (non-GAAP), effective income tax rate (non-GAAP), and net income from continuing operations attributable to NCR (non-GAAP) are determined by excluding, as applicable, 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, gross margin rate, expenses, income from operations, operating margin rate, other (expense), income tax expense, effective income tax rate and net income from continuing operations attributable to NCR, respectively. Due to the non-operational nature of these pension and other special items, NCR's management uses these non-GAAP measures to evaluate year-over-year operating performance. NCR also uses operating income (non-GAAP) and diluted EPS (non-GAAP), to manage and determine the effectiveness of its business managers and as a basis for incentive compensation. NCR believes these measures are useful for investors because they provide a more complete understanding of NCR's underlying operational performance, as well as consistency and comparability with NCR's past reports of financial results.

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

*Constant Currency.* NCR presents certain financial measures, such as period-over-period revenue growth, on a constant currency basis, which excludes the effects of foreign currency translation by translating prior period results at current period monthly average exchange rates. Due to the overall variability of foreign exchange rates from period to period, NCR's management uses constant currency measures to evaluate period-over-period operating performance on a more consistent and comparable basis. NCR's management believes that presentation of financial measures without this result 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.

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

\$ in millions	Q3 2018		Q3 2017	
<b>Gross Margin (GAAP)</b>	\$	410	\$	472
Transformation & Restructuring costs		9		1
Acquisition-related amortization of intangibles		6		12
<b>Gross Margin (Non-GAAP)</b>	\$	425	\$	485

**Reconciliation of Gross Margin Rate (GAAP) to Gross Margin Rate (non-GAAP)**

	Q3 2018		Q3 2017	
<b>Gross Margin Rate (GAAP)</b>		26.5%		28.4%
Transformation and Restructuring costs		0.5%		0.1%
Acquisition-related amortization of intangibles		0.4%		0.7%
<b>Gross Margin Rate (Non-GAAP)</b>		27.4%		29.2%

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

\$ in millions	Q3 2018		Q3 2017	
<b>Operating Expenses (GAAP)</b>	\$	285	\$	273
Transformation and Restructuring costs		(7)		(4)
Acquisition-related amortization of intangibles		(14)		(17)
Acquisition-related costs		—		(1)
<b>Operating Expenses (Non-GAAP)</b>	\$	264	\$	251

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

\$ in millions	Q3 2018		Q3 2017	
<b>Income from Operations (GAAP)</b>	\$	125	\$	199
Transformation and Restructuring costs		16		5
Acquisition-related amortization of intangibles		20		29
Acquisition-related costs		—		1
<b>Operating Income (Non-GAAP)</b>	\$	161	\$	234

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

\$ in millions	Q3 2018		Q3 2017	
<b>Income Tax Expense (Benefit) (GAAP)</b>	\$	(15)	\$	31
Transformation and Restructuring costs		(8)		1
Acquisition-related amortization of intangibles		5		9
Impact of U.S. tax reform		38		—
<b>Income Tax Expense (Non-GAAP)</b>	\$	20	\$	41

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

\$ in millions	Q3 2018		Q3 2017	
<b>Net Income from Continuing Operations Attributable to NCR (GAAP)</b>	\$	85	\$	118
Transformation and Restructuring costs		24		4
Acquisition-related amortization of intangibles		15		20
Acquisition-related costs		—		1
Impact of U.S. tax reform		(38)		—
<b>Net Income from Continuing Operations Attributable to NCR (Non-GAAP)</b>	\$	86	\$	143

**Reconciliation of Diluted Earnings (Loss) Per Share from Continuing Operations (GAAP) to  
Non-GAAP Diluted Earnings Per Share from Continuing Operations (non-GAAP)**

	Q3 2018 Actual	Q3 2017 Actual	Current FY 2018 Guidance <sup>(2)</sup>	Prior FY 2018 Guidance <sup>(2)</sup>
<b>Diluted Earnings Per Share (GAAP) <sup>(1)</sup></b>	\$ 0.57	\$ 0.77	\$0.10- \$0.68	\$0.07 - \$0.65
Transformation & Restructuring costs	0.16	0.02	0.75 - 1.00	0.50 - 0.75
Asset impairment charges	—	—	1.16	1.16
Acquisition-related amortization of intangibles	0.10	0.13	0.42	0.42
Acquisition-related costs	—	0.01	0.05	0.05
Impact of U.S. tax reform	(0.25)	—	(0.27)	—
<b>Diluted Earnings Per Share (non-GAAP) <sup>(1)</sup></b>	\$ 0.58	\$ 0.93	\$2.55- \$2.75	\$2.55 - \$2.75

<sup>(1)</sup> Non-GAAP diluted EPS is determined using the conversion of the Series A Convertible Preferred Stock into common stock in the calculation of weighted average diluted shares outstanding. GAAP EPS is determined using the most dilutive measure, either including the impact of dividends or deemed 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 not mathematically reconcile.

<sup>(2)</sup> Except for the adjustments noted herein, this guidance does not include the effects of any future acquisitions/divestitures, pension mark-to-market adjustments, taxes or other events, which are difficult to predict and may or may not be significant.

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

\$ in millions	Q3 2018 QTD	Q3 2017 QTD	Current 2018 Guidance	Prior FY 2018 Guidance
<b>Net cash provided by operating activities</b>	\$ 68	\$ 136	\$640 - \$670	\$690 - \$720
Total capital expenditures	(78)	(79)	(330) - (350)	(330) - (350)
Net cash used in discontinued operations	(12)	(9)	(40)	(40)
<b>Free cash (outflow) inflow</b>	\$ (22)	\$ 48	\$250 - \$300	\$300 - \$350

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

Three months ended September 30, 2018

	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Revenue Growth Constant Currency % (non-GAAP)
Software License	1%	(2)%	3%
Software Maintenance	(3)%	(1)%	(2)%
Cloud	6%	—%	6%
Professional Services	(2)%	(2)%	—%
Software	1%	(1)%	2%
Services	1%	(3)%	4%
ATM	(13)%	(3)%	(10)%
SCO	(24)%	—%	(24)%
POS	(29)%	(1)%	(28)%
IPS	(100)%	—%	(100)%
Hardware	(21)%	(1)%	(20)%
Total Revenue	(7)%	(2)%	(5)%

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

	For the Periods Ended September 30			
	Three Months		Nine Months	
	2018	2017	2018	2017
<b>Revenue</b>				
Products	\$ 534	\$ 657	\$ 1,585	\$ 1,829
Services	1,016	1,006	3,019	2,905
<b>Total Revenue</b>	<b>1,550</b>	<b>1,663</b>	<b>4,604</b>	<b>4,734</b>
Cost of products	473	528	1,344	1,430
Cost of services	667	663	2,027	1,959
<b>Total gross margin</b>	<b>410</b>	<b>472</b>	<b>1,233</b>	<b>1,345</b>
<i>% of Revenue</i>	26.5%	28.4%	26.8 %	28.4%
Selling, general and administrative expenses	226	220	732	678
Research and development expenses	59	53	190	178
Asset impairment charges	—	—	183	—
<b>Income from operations</b>	<b>125</b>	<b>199</b>	<b>128</b>	<b>489</b>
<i>% of Revenue</i>	8.1%	12.0%	2.8 %	10.3%
Interest expense	(43)	(42)	(125)	(122)
Other (expense), net	(10)	(7)	(24)	(16)
Total other (expense), net	(53)	(49)	(149)	(138)
<b>Income (loss) before income taxes and discontinued operations</b>	<b>72</b>	<b>150</b>	<b>(21)</b>	<b>351</b>
<i>% of Revenue</i>	4.6%	9.0%	(0.5)%	7.4%
Income tax (benefit) expense	(15)	31	(20)	78
<b>Income (loss) from continuing operations</b>	<b>87</b>	<b>119</b>	<b>(1)</b>	<b>273</b>
(Loss) Income from discontinued operations, net of tax	(1)	—	(38)	5
<b>Net income (loss)</b>	<b>86</b>	<b>119</b>	<b>(39)</b>	<b>278</b>
Net income attributable to noncontrolling interests	2	1	2	1
<b>Net income (loss) attributable to NCR</b>	<b>\$ 84</b>	<b>\$ 118</b>	<b>\$ (41)</b>	<b>\$ 277</b>
<b>Amounts attributable to NCR common stockholders:</b>				
Income (loss) from continuing operations	\$ 85	\$ 118	\$ (3)	\$ 272
Dividends on convertible preferred stock	(12)	(12)	(36)	(36)
Deemed dividend on modification of convertible preferred stock	—	—	—	(4)
Deemed dividend on convertible preferred shares related to redemption	—	—	—	(58)
Net (loss) income from continuing operations attributable to NCR common stockholders	73	106	(39)	174
(Loss) income from discontinued operations, net of tax	(1)	—	(38)	5
Net (loss) income attributable to NCR common stockholders	\$ 72	\$ 106	\$ (77)	\$ 179
<b>Net (loss) income per share attributable to NCR common stockholders:</b>				
<b>Net (loss) income per common share from continuing operations</b>				
Basic	\$ 0.62	\$ 0.87	\$ (0.33)	\$ 1.43
Diluted <sup>(1)</sup>	\$ 0.57	\$ 0.77	\$ (0.33)	\$ 1.37
<b>Net (loss) income per common share</b>				
Basic	\$ 0.61	\$ 0.87	\$ (0.65)	\$ 1.47
Diluted <sup>(1)</sup>	\$ 0.56	\$ 0.77	\$ (0.65)	\$ 1.41
<b>Weighted average common shares outstanding</b>				
Basic	118.0	121.5	118.4	121.9
Diluted <sup>(1)</sup>	149.3	153.1	118.4	126.9

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



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

Schedule B

For the Periods Ended September 30

	Three Months				Nine Months			
	2018	2017	% Change	% Change Constant Currency	2018	2017	% Change	% Change Constant Currency
	<b>Revenue by segment</b>							
Software	\$ 480	\$ 476	1%	2%	\$ 1,410	\$ 1,392	1%	1%
<i>Software Gross Margin Rate</i>	47.5 %	50.4 %			47.6 %	50.2 %		
Services	616	609	1%	4%	1,827	1,754	4%	3%
<i>Services Gross Margin Rate</i>	26.8 %	26.1 %			25.6 %	24.4 %		
Hardware	454	578	(21)%	(20)%	1,367	1,588	(14)%	(14)%
<i>Hardware Gross Margin Rate</i>	7.0 %	14.9 %			12.2 %	16.8 %		
<b>Total Revenue</b>	<b>\$ 1,550</b>	<b>\$ 1,663</b>	<b>(7)%</b>	<b>(5)%</b>	<b>\$ 4,604</b>	<b>\$ 4,734</b>	<b>(3)%</b>	<b>(3)%</b>
<i>Gross Margin Rate</i>	27.4 %	29.2 %			28.3 %	29.4 %		
<b>Operating income (loss) by segment</b>								
Software	\$ 127	\$ 148			\$ 351	\$ 399		
<i>% of Revenue</i>	26.5 %	31.1 %			24.9 %	28.7 %		
Services	90	88			229	206		
<i>% of Revenue</i>	14.6 %	14.4 %			12.5 %	11.7 %		
Hardware	(56)	(2)			(106)	(1)		
<i>% of Revenue</i>	(12.3)%	(0.3)%			(7.8)%	(0.1)%		
<b>Subtotal-segment operating income</b>	<b>\$ 161</b>	<b>\$ 234</b>			<b>\$ 474</b>	<b>\$ 604</b>		
<i>% of Revenue</i>	10.4 %	14.1 %			10.3 %	12.8 %		
Other adjustments <sup>(1)</sup>	36	35			346	115		
<b>Total income from operations</b>	<b>\$ 125</b>	<b>\$ 199</b>			<b>\$ 128</b>	<b>\$ 489</b>		

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

In millions	For the Periods Ended September 30			
	Three Months		Nine Months	
	2018	2017	2018	2017
Transformation and restructuring costs	\$ 16	\$ 5	\$ 98	\$ 26
Asset impairment charges	—	—	183	—
Acquisition-related amortization of intangible assets	20	29	64	86
Acquisition-related costs	—	1	1	3
<b>Total other adjustments</b>	<b>\$ 36</b>	<b>\$ 35</b>	<b>\$ 346</b>	<b>\$ 115</b>



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

Schedule C

	September 30, 2018	June 30, 2018	December 31, 2017
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 334	\$ 343	\$ 537
Accounts receivable, net	1,309	1,272	1,270
Inventories	916	842	780
Other current assets	296	282	243
<b>Total current assets</b>	<b>2,855</b>	<b>2,739</b>	<b>2,830</b>
Property, plant and equipment, net	348	326	341
Goodwill	2,589	2,590	2,741
Intangibles, net	501	517	578
Prepaid pension cost	133	127	118
Deferred income taxes	488	472	460
Other assets	591	593	586
<b>Total assets</b>	<b>\$ 7,505</b>	<b>\$ 7,364</b>	<b>\$ 7,654</b>
<b>Liabilities and stockholders' equity</b>			
Current liabilities			
Short-term borrowings	\$ 246	\$ 160	\$ 52
Accounts payable	804	711	762
Payroll and benefits liabilities	225	229	219
Contract liabilities	427	469	458
Other current liabilities	302	310	398
<b>Total current liabilities</b>	<b>2,004</b>	<b>1,879</b>	<b>1,889</b>
Long-term debt	2,881	2,952	2,939
Pension and indemnity plan liabilities	803	796	798
Postretirement and postemployment benefits liabilities	130	132	133
Income tax accruals	118	127	148
Other liabilities	261	258	200
<b>Total liabilities</b>	<b>6,197</b>	<b>6,144</b>	<b>6,107</b>
Redeemable noncontrolling interests	14	12	15
Series A convertible preferred stock: par value \$0.01 per share, 3.0 shares authorized, 0.9, 0.8 and 0.8 shares issued and outstanding as of September 30, 2018, June 30, 2018 and December 31, 2017	846	834	810
<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 September 30, 2018, June 30, 2018 and December 31, 2017	—	—	—
Common stock: par value \$0.01 per share, 500.0 shares authorized, 118.0, 117.7 and 122.0 shares issued and outstanding as of September 30, 2018, June 30, 2018 and December 31, 2017	1	1	1
Paid-in capital	19	—	60
Retained earnings	666	594	857
Accumulated other comprehensive loss	(242)	(224)	(199)
<b>Total NCR stockholders' equity</b>	<b>444</b>	<b>371</b>	<b>719</b>
Noncontrolling interests in subsidiaries	4	3	3
<b>Total stockholders' equity</b>	<b>448</b>	<b>374</b>	<b>722</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 7,505</b>	<b>\$ 7,364</b>	<b>\$ 7,654</b>

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

Schedule D

	For the Periods Ended September 30			
	Three Months		Nine Months	
	2018	2017	2018	2017
<b>Operating activities</b>				
Net income (loss)	\$ 86	\$ 119	\$ (39)	\$ 278
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Loss (income) from discontinued operations	1	—	38	(5)
Depreciation and amortization	78	91	249	263
Stock-based compensation expense	15	19	55	60
Deferred income taxes	(16)	15	(15)	19
Gain on sale of property, plant and equipment and other assets	(2)	(1)	(2)	(2)
Impairment of long-lived and other assets	—	1	193	1
Changes in assets and liabilities:				
Receivables	(61)	(79)	(102)	(107)
Inventories	(94)	6	(182)	(120)
Current payables and accrued expenses	88	(39)	31	(132)
Contract liabilities	(36)	(30)	(36)	20
Employee benefit plans	(10)	(7)	(18)	(13)
Other assets and liabilities	19	41	(9)	8
<b>Net cash provided by operating activities</b>	<b>68</b>	<b>136</b>	<b>163</b>	<b>270</b>
<b>Investing activities</b>				
Expenditures for property, plant and equipment	(34)	(38)	(104)	(81)
Proceeds from sales of property, plant and equipment	3	6	3	6
Additions to capitalized software	(44)	(41)	(130)	(125)
Other investing activities, net	(1)	—	(4)	—
<b>Net cash used in investing activities</b>	<b>(76)</b>	<b>(73)</b>	<b>(235)</b>	<b>(200)</b>
<b>Financing activities</b>				
Short term borrowings, net	5	(3)	7	10
Payments on term credit facilities	(17)	(12)	(51)	(37)
Payments on revolving credit facilities	(420)	(495)	(1,433)	(1,110)
Borrowings on revolving credit facilities	445	480	1,608	1,335
Repurchases of Company common stock	—	—	(210)	(350)
Proceeds from employee stock plans	5	3	16	11
Tax withholding payments on behalf of employees	(1)	—	(30)	(24)
Other financing activities	—	—	—	(1)
<b>Net cash provided by (used in) financing activities</b>	<b>17</b>	<b>(27)</b>	<b>(93)</b>	<b>(166)</b>
<b>Cash flows from discontinued operations</b>				
Net cash used in discontinued operations	(12)	(9)	(23)	(14)
Effect of exchange rate changes on cash and cash equivalents	(4)	4	(12)	16
<b>Decrease in cash, cash equivalents, and restricted cash</b>	<b>(7)</b>	<b>31</b>	<b>(200)</b>	<b>(94)</b>
<b>Cash, cash equivalents and restricted cash at beginning of period</b>	<b>350</b>	<b>382</b>	<b>543</b>	<b>507</b>
<b>Cash, cash equivalents, and restricted cash at end of period</b>	<b>\$ 343</b>	<b>\$ 413</b>	<b>\$ 343</b>	<b>\$ 413</b>



# Q3 2018 EARNINGS CONFERENCE CALL

**MICHAEL HAYFORD, PRESIDENT & CEO**  
**OWEN SULLIVAN, COO**  
**ANDRE FERNANDEZ, EVP & CFO**

October 30, 2018



NCR Confidential

# 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 full year 2018 financial guidance and the expected type and magnitude of the non-operational adjustments included in any forward-looking non-GAAP measures; NCR's manufacturing network redesign, efforts to alleviate supply chain constraints and their expected benefits; NCR's ATM production rates and their expected impact on revenue; NCR's cloud revenue momentum; NCR's Mission One (M1) Services initiative and its expected benefits on NCR's services margin profile; expectations regarding ATM orders driving revenue in the fourth quarter of 2018; NCR's expected areas of focus to drive growth and create long-term stockholder value; completed and targeted mergers and acquisitions and their expected benefits; expectations for accelerating recurring revenue and predictability; NCR's cost savings program and its expected benefits in 2019 and the fourth quarter of 2018; share repurchase for dilution; and NCR's expected free cash flow generation and capital allocation strategy. 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, 2018, and those factors detailed from time to time in NCR's other SEC reports. These materials are dated October 30, 2018, 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 in these materials will include or make reference to certain "non-GAAP" measures, including: selected measures, such as period-over-period revenue growth, expressed on a constant currency basis, gross margin rate (non-GAAP), diluted earnings per share (non-GAAP), free cash flow (FCF), gross margin (non-GAAP), free cash flow as a percentage of non-GAAP net income (or free cash flow conversion rate), net debt, adjusted EBITDA, the ratio of net debt to adjusted EBITDA, operating expenses (non-GAAP), operating income (non-GAAP), interest and other expense (non-GAAP), income tax expense (non-GAAP), effective income tax rate (non-GAAP), and net income (non-GAAP). These measures are included to provide additional useful information regarding NCR's financial results, and are not a substitute for their comparable GAAP measures. Explanations of these non-GAAP measures, and reconciliations of these non-GAAP measures to their directly comparable GAAP measures, are included in the accompanying "Supplementary Materials" and are available on the Investor Relations page of NCR's website at [www.ncr.com](http://www.ncr.com). Descriptions of many of these non-GAAP measures are also included in NCR's SEC reports.

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

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

# OVERVIEW

- **RECURRING REVENUE** up 2% including Cloud revenue up 6%
- Services continued **MARGIN EXPANSION**
- Executing **TARGETED M&A** strategy
- **ALLEVIATING** supply chain constraints
- Addressing **EXECUTION** challenges
- Announcing program to drive \$100m of **SAVINGS**

# TOP PRIORITIES



## Create long-term stockholder value

- Maintain focus on cost efficiencies
- Reallocate capital to highest growth opportunities
- Drive higher recurring revenue and better predictability
- Grow cash flow, share repurchase for dilution and targeted product M&A and selected partnerships
- Investor Day November 7<sup>th</sup>

# EXECUTING TARGETED M&A STRATEGY

## JETPAY



Monetize transactions via integrated POS and payment solution

## ZIPSCENE



Provides behavioral analytics to enable data monetization

# MANUFACTURING NETWORK REDESIGN PROGRESS



New centrally located distribution center to maximize supply chain logistics flow



Contract manufacturing production ramp



Increasing global utilization rates and optimizing supply chain network



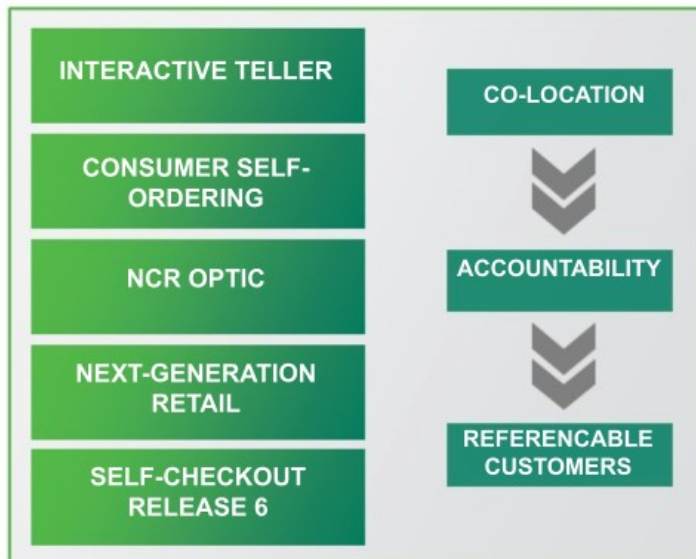
Closed manufacturing plant in Beijing with two additional facilities to close by year-end

# ATM PRODUCTION RAMPING



# ACCELERATED CUSTOMER ACTIVATION TEAMS

Coming together to take care of our customers





# FOCUS ON SPEND OPTIMIZATION

**Drive  
Cost  
Savings**

**Drive cost savings through  
operational efficiencies**

- Create efficiencies in corporate functions
- Reduce spend in non-strategic areas
- Limit discretionary spend

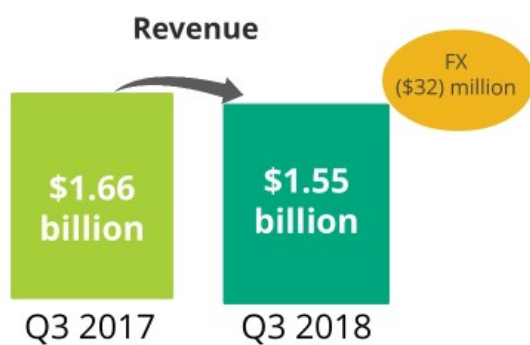
**Generate at least \$100 million in savings in 2019**

**Ongoing  
Initiatives**

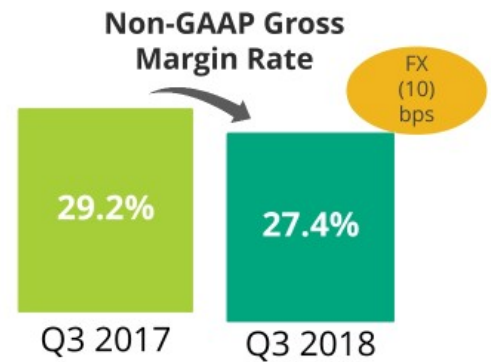
**Manufacturing Network Redesign**

**Mission One Services Transformation**

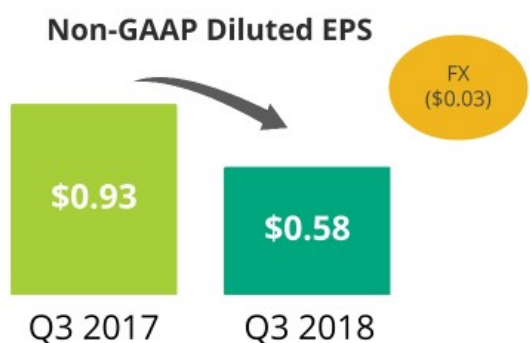
# Q3 2018 FINANCIAL RESULTS



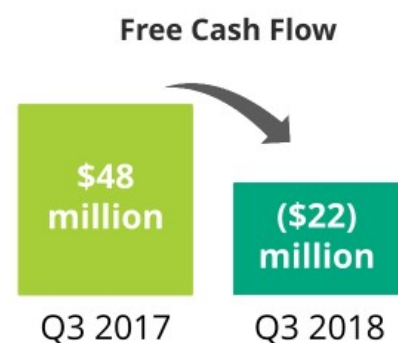
Revenue down 7% as reported and down 5% CC; Recurring revenue up 2%, 48% of total revenue



Non-GAAP gross margin rate down 180 bps as reported and down 170 bps CC



Non-GAAP Diluted EPS down 38% as reported and down 36% CC



Free Cash Flow down due to lower earnings; Improvements expected in Q4

# SOFTWARE

Q3 2018 Update

	Q3 2018	Q3 2017	% Change	% Change Constant Currency
Software License	\$80	\$79	1%	3%
<i>Attached License</i>	26	32	(19)%	(15)%
<i>Unattached License</i>	54	47	15%	15%
Software Maintenance	92	95	(3)%	(2)%
Cloud	158	149	6%	6%
Professional Services	150	153	(2)%	—%
<b>Software Revenue</b>	<b>\$480</b>	<b>\$476</b>	<b>1%</b>	<b>2%</b>
<b>Software Gross Margin</b>	<b>\$228</b>	<b>\$240</b>	<b>(5)%</b>	<b>(4)%</b>
Software Gross Margin Rate	47.5%	50.4%	(290) bps	(280) bps
<b>Operating Income</b>	<b>\$127</b>	<b>\$148</b>	<b>(14)%</b>	<b>(13)%</b>
Operating Income as a % of Revenue	26.5%	31.1%	(460) bps	(460) bps

## KEY HIGHLIGHTS

\$ in millions

- Cloud revenue up 6%; Net ACV of \$10M
- Software License up 3% constant currency with solid unattached software license growth, offset by lower attached software license revenue
- Operating income down driven by software license mix as well as higher employee related expenses

# SERVICES

Q3 2018 Update

	Q3 2018	Q3 2017	% Change	% Change Constant Currency
Services Revenue	\$616	\$609	1%	4%
Services Gross Margin	\$165	\$159	4%	7%
Services Gross Margin Rate	26.8%	26.1%	+70 bps	+90 bps
Operating Income	\$90	\$88	2%	6%
Operating Income as a % of Revenue	14.6%	14.4%	+20 bps	+30 bps

\$ in millions

## KEY HIGHLIGHTS

- Increase in revenue driven by hardware maintenance and implementation services as a result of continued momentum in managed service offerings and channel transformation trends
- Increased wallet share from the current install base driven by improved customer satisfaction
- Operating income increased due to sustainable improvements achieved through Mission One (M1) initiative offset by continued investment
- M1 initiative is a performance and profit improvement program focused on transforming NCR's services margin profile through: 1) productivity and efficiency improvements; 2) remote diagnostics and repair; 3) product life-cycle management; and 4) a higher mix of managed services

# HARDWARE

Q3 2018 Update

	Q3 2018	Q3 2017	% Change	% Change Constant Currency
ATMs	\$237	\$273	(13)%	(10)%
Self-Checkout (SCO)	60	79	(24)%	(24)%
Point-of-Sale (POS)	157	221	(29)%	(28)%
Interactive Printer Solutions (IPS)	—	5	(100)%	(100)%
<b>Hardware Revenue</b>	<b>\$454</b>	<b>\$578</b>	<b>(21)%</b>	<b>(20)%</b>
<b>Hardware Gross Margin</b>	<b>\$32</b>	<b>\$86</b>	<b>(63)%</b>	<b>(62)%</b>
Hardware Gross Margin Rate	7.0%	14.9%	(790) bps	(780) bps
<b>Operating Income</b>	<b>(\$56)</b>	<b>(\$2)</b>	<b>Unfav</b>	<b>Unfav</b>
Operating Income as a % of Revenue	(12.3%)	(0.3%)	Unfav	Unfav

\$ in millions

## KEY HIGHLIGHTS

- ATM revenue down due to supply chain constraints during the quarter but up 32% sequentially; ATM orders increased for the third consecutive quarter, which is expected to drive improved revenue performance in the fourth quarter
- SCO revenue down due to timing of customer roll-outs
- POS revenue down compared to growth of 18% constant currency in the prior year, which benefited from several large customer roll-outs
- Operating income decreased due to increased costs associated with improving supply chain constraints
- Manufacturing network redesign progressing as planned

# FREE CASH FLOW, NET DEBT & EBITDA

Free Cash Flow	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Cash Provided by Operating Activities	\$68	\$136	\$163	\$270
Total capital expenditures	(78)	(79)	(234)	(206)
Cash used in Discontinued Operations	(12)	(9)	(23)	(14)
<b>Free Cash Flow</b>	<b>(\$22)</b>	<b>\$48</b>	<b>(\$94)</b>	<b>\$50</b>

\$ in millions

Net Debt & EBITDA	Q3 2018	Q3 2017
Debt	\$3,127	\$3,253
Cash	(334)	(405)
<b>Net Debt</b>	<b>\$2,793</b>	<b>\$2,848</b>
<b>Adjusted EBITDA <sup>(2)</sup></b>	<b>\$984</b>	<b>\$1,129</b>
<b>Net Debt / Adjusted EBITDA</b>	<b>2.8x</b>	<b>2.5x</b>

\$ in millions

<sup>(2)</sup> Adjusted EBITDA for the trailing twelve-month period

# 2018 GUIDANCE

	Current FY 2018 Guidance	Previous FY 2018 Guidance
Revenue Growth	(1)% - (3)%	(1)% - (3)%
GAAP Diluted EPS <sup>(1)</sup>	\$0.10- \$0.68	\$0.07 - \$0.65
Non-GAAP Diluted EPS	\$2.55- \$2.75	\$2.55 - \$2.75
Free Cash Flow <sup>(2)</sup>	\$250 - \$300 million	\$300 - \$350 million

<sup>(1)</sup> GAAP Diluted EPS FY 2018 guidance has increased from previous guidance due to the impact of U.S. Tax Reform and the spend optimization program. For all other GAAP to non-GAAP adjustments, refer to the reconciliations included in the supplemental materials.

<sup>(2)</sup> Free cash flow guidance has decreased from previous guidance due to the higher working capital levels as we ramp production during the fourth quarter and the expected cash impact of the spend optimization program.

# LOOKING FORWARD

- Revenue growth; Focus on recurring revenue
- Deliver on outstanding demand
- Mix shift to software and services
- Improve cost structure
- Drive cash flow generation



# SUPPLEMENTARY MATERIALS



# Q3 2018 GAAP RESULTS

	Q3 2018	Q3 2017	% Change As Reported
<b>Revenue</b>	<b>\$1,550</b>	<b>\$1,663</b>	<b>(7)%</b>
<b>Gross Margin</b>	<b>410</b>	<b>472</b>	<b>(13)%</b>
Gross Margin Rate	26.5%	28.4%	
<b>Operating Expenses</b>	<b>285</b>	<b>273</b>	<b>4%</b>
% of Revenue	18.4%	16.4%	
<b>Operating (Loss) Income</b>	<b>125</b>	<b>199</b>	<b>(37)%</b>
% of Revenue	8.1%	12.0%	
<b>Interest and other expense</b>	<b>(53)</b>	<b>(49)</b>	<b>8%</b>
<b>Income Tax (Benefit) Expense</b>	<b>(15)</b>	<b>31</b>	<b>(148)%</b>
Effective Income Tax Rate	(21)%	21%	
<b>Net Income</b>	<b>\$85</b>	<b>\$118</b>	<b>(28)%</b>
<b>Diluted EPS</b>	<b>\$0.57</b>	<b>\$0.77</b>	<b>(26)%</b>

in millions, except per share amounts

# Q3 2018 OPERATIONAL RESULTS

	Q3 2018	Q3 2017	% Change As Reported	% Change Constant Currency
Revenue	\$1,550	\$1,663	(7)%	(5)% <sup>(1)</sup>
Gross Margin (non-GAAP)	425	485	(12)%	(10)%
Gross Margin Rate (non-GAAP)	27.4%	29.2%	(180) bps	(170) bps
Operating Expenses (non-GAAP)	264	251	5%	7%
% of Revenue	17.0%	15.1%		
Operating Income (non-GAAP)	161	234	(31)%	(30)%
% of Revenue	10.4%	14.1%	(370) bps	(360) bps
Interest and other expense (non-GAAP)	(53)	(49)	8%	7%
Income Tax Expense (non-GAAP)	20	41	(51)%	
Effective Income Tax Rate (non-GAAP)	19%	22%		
Net Income (non-GAAP)	\$86	\$143	(40)%	(38)%
Diluted EPS (non-GAAP) <sup>(2)</sup>	\$0.58	\$0.93	(38)%	(36)%

in millions, except per share amounts

<sup>(1)</sup> The impact of foreign currency was \$32 million unfavorable in Q3 2018.

<sup>(2)</sup> Q3 2018 includes \$0.03 of foreign currency headwind on EPS. Diluted share count of 149.3 million in Q3 2018 and 153.1 million in Q3 2017.

# NON-GAAP MEASURES

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

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

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

# NON-GAAP MEASURES

**Constant Currency.** NCR presents certain financial measures, such as period-over-period revenue growth, on a constant currency basis, which excludes the effects of foreign currency translation by translating prior period results at current period monthly average exchange rates. Due to the overall variability of foreign exchange rates from period to period, NCR's management uses constant currency measures to evaluate period-over-period operating performance on a more consistent and comparable basis. NCR'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.

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

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

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

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

# GAAP TO NON-GAAP RECONCILIATION

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

in millions	Q3 2018 LTM	Q3 2017 LTM
Net (Loss) Income from Continuing Operations (GAAP)	(\$34)	\$345
Pension Mark-to-Market Adjustments	28	85
Transformation/Restructuring Costs	101	29
Acquisition-Related Amortization of Intangibles	93	114
Acquisition-Related Costs	3	5
Asset Impairment Charges	183	—
Divestiture and Liquidation Losses	—	1
Net (Income) Loss from Continuing Operations Attributable to Noncontrolling Interests	—	(5)
Interest Expense	166	162
Interest Income	(3)	(4)
Depreciation and Amortization	239	226
Income Taxes	144	95
Stock Compensation Expense	64	76
<b>Adjusted EBITDA (non-GAAP)</b>	<b>\$984</b>	<b>\$1,129</b>

# GAAP TO NON-GAAP RECONCILIATION

Q3 2018 QTD

in millions (except per share amounts)	Q3 QTD 2018 GAAP	Transformation and Restructuring costs	Acquisition-related amortization of intangibles	Impact of U.S. Tax Reform	Q3 QTD 2018 non-GAAP
Product revenue	\$534	\$—	\$—	\$—	\$534
Service revenue	1,016	—	—	—	1,016
<b>Total revenue</b>	<b>1,550</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,550</b>
Cost of products	473	(8)	(3)	—	462
Cost of services	667	(1)	(3)	—	663
Gross margin	410	9	6	—	425
<b>Gross margin rate</b>	<b>26.5%</b>	<b>0.5%</b>	<b>0.4%</b>	<b>—%</b>	<b>27.4%</b>
Selling, general and administrative expenses	226	(6)	(14)	—	206
Research and development expenses	59	(1)	—	—	58
Total operating expenses	285	(7)	(14)	—	264
<i>Total operating expense as a % of revenue</i>	<i>18.4%</i>	<i>(0.5)%</i>	<i>(0.9)%</i>	<i>—%</i>	<i>17.0%</i>
<b>Income from operations</b>	<b>125</b>	<b>16</b>	<b>20</b>	<b>—</b>	<b>161</b>
<i>Income from operations as a % of revenue</i>	<i>8.1%</i>	<i>1.0%</i>	<i>1.3%</i>	<i>—%</i>	<i>10.4%</i>
Interest and Other (expense) income, net	(53)	—	—	—	(53)
Income from continuing operations before income taxes	72	16	20	—	108
Income tax (benefit) expense	(15)	(8)	5	38	20
<i>Effective income tax rate</i>	<i>(21)%</i>				<i>19%</i>
Income from continuing operations	87	24	15	(38)	88
Net income attributable to noncontrolling interests	2	—	—	—	2
<b>Income from continuing operations (attributable to NCR)</b>	<b>\$85</b>	<b>\$24</b>	<b>\$15</b>	<b>(\$38)</b>	<b>\$86</b>
<b>Diluted earnings per share</b>	<b>\$0.57</b>	<b>\$0.16</b>	<b>\$0.10</b>	<b>(\$0.25)</b>	<b>\$0.58</b>
Diluted shares outstanding	149.3				149.3

# GAAP TO NON-GAAP RECONCILIATION

Q3 2018 QTD

	Q3 QTD 2018 GAAP	Q3 QTD 2018 non-GAAP
in millions (except per share amounts)		
<b><i>Income from continuing operations attributable to NCR common stockholders:</i></b>		
Income from continuing operations (attributable to NCR)	\$85	\$86
<b>Income from continuing operations attributable to NCR common stockholders</b>	<b>\$85</b>	<b>\$86</b>
<b><i>Weighted average outstanding shares:</i></b>		
Weighted average diluted shares outstanding	120.9	120.9
Weighted as-if converted preferred shares	28.4	28.4
<b>Total shares used in diluted earnings per share</b>	<b>149.3</b>	<b>149.3</b>
<b>Diluted earnings per share <sup>(1)</sup></b>	<b>\$0.57</b>	<b>\$0.58</b>

<sup>(1)</sup> GAAP 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. Non-GAAP EPS is always determined using the as-if converted preferred shares and shares that would be issued for stock compensation awards. 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

Q3 2017 QTD

in millions (except per share amounts)	Q3 QTD 2017 GAAP	Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Q3 QTD 2017 non-GAAP
Product revenue	\$657	\$—	\$—	\$—	\$657
Service revenue	1,006	—	—	—	1,006
<b>Total revenue</b>	<b>1,663</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,663</b>
Cost of products	528	—	(6)	—	522
Cost of services	663	(1)	(6)	—	656
Gross margin	472	1	12	—	485
<b>Gross margin rate</b>	<b>28.4%</b>	<b>0.1%</b>	<b>0.7%</b>	<b>—%</b>	<b>29.2%</b>
Selling, general and administrative expenses	220	(3)	(17)	(1)	199
Research and development expenses	53	(1)	—	—	52
Total expenses	273	(4)	(17)	(1)	251
<i>Total expense as a % of revenue</i>	<i>16.4%</i>	<i>(0.2)%</i>	<i>(1.0)%</i>	<i>(0.1)%</i>	<i>15.1%</i>
<b>Income from operations</b>	<b>199</b>	<b>5</b>	<b>29</b>	<b>1</b>	<b>234</b>
<i>Income from operations as a % of revenue</i>	<i>12.0%</i>	<i>0.3%</i>	<i>1.7%</i>	<i>0.1%</i>	<i>14.1%</i>
Interest and Other (expense) income, net	(49)	—	—	—	(49)
Income from continuing operations before income taxes	150	5	29	1	185
Income tax expense	31	1	9	—	41
<i>Effective income tax rate</i>	<i>21%</i>				<i>22%</i>
Income from continuing operations	119	4	20	1	144
Net income attributable to noncontrolling interests	1	—	—	—	1
<b>Income from continuing operations (attributable to NCR)</b>	<b>\$118</b>	<b>\$4</b>	<b>\$20</b>	<b>\$1</b>	<b>\$143</b>
<b>Diluted (loss) earnings per share</b>	<b>\$0.77</b>	<b>\$0.02</b>	<b>\$0.13</b>	<b>\$0.01</b>	<b>\$0.93</b>
Diluted shares outstanding	153.1				153.1

# GAAP TO NON-GAAP RECONCILIATION

Q3 2017 QTD

	Q3 QTD 2017 GAAP	Q3 QTD 2017 non-GAAP
in millions (except per share amounts)		
<i>Income from continuing operations attributable to NCR common stockholders:</i>		
Income from continuing operations (attributable to NCR)	\$118	\$143
<b>Income from continuing operations attributable to NCR common stockholders</b>	<b>\$118</b>	<b>\$143</b>
<i>Weighted average outstanding shares:</i>		
Weighted average diluted shares outstanding	126.2	126.2
Weighted as-if converted preferred shares	26.9	26.9
<b>Total shares used in diluted earnings per share</b>	<b>153.1</b>	<b>153.1</b>
<b>Diluted earnings per share <sup>(1)</sup></b>	<b>\$0.77</b>	<b>\$0.93</b>

<sup>(1)</sup> GAAP 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. Non-GAAP EPS is always determined using the as-if converted preferred shares and shares that would be issued for stock compensation awards. 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

Q3 2018 YTD

in millions (except per share amounts)	Q3 2018 YTD GAAP	Transformation and Restructuring costs	Asset Impairment charges	Acquisition- related amortization of intangibles	Acquisition- related costs	Impact of U.S. Tax Reform	Q3 2018 YTD non-GAAP
Product revenue	\$1,585	\$—	\$—	\$—	\$—	\$—	\$1,585
Service revenue	3,019	—	—	—	—	—	3,019
<b>Total revenue</b>	<b>4,604</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4,604</b>
Cost of products	1,344	(40)	—	(9)	—	—	1,295
Cost of services	2,027	(14)	—	(9)	—	—	2,004
Gross margin	1,233	54	—	18	—	—	1,305
<b>Gross margin rate</b>	<b>26.8%</b>	<b>1.1%</b>	<b>—%</b>	<b>0.4%</b>	<b>—%</b>	<b>—%</b>	<b>28.3%</b>
Selling, general and administrative expenses	732	(38)	—	(46)	(1)	—	647
Research and development expenses	190	(6)	—	—	—	—	184
Asset impairment charges	183	—	(183)	—	—	—	—
Total expenses	1,105	(44)	(183)	(46)	(1)	—	831
Total expense as a % of revenue	24.0%	(0.9)%	(4.0)%	(1.0)%	—%	—%	18.0%
<b>Income from operations</b>	<b>128</b>	<b>98</b>	<b>183</b>	<b>64</b>	<b>1</b>	<b>—</b>	<b>474</b>
Income from operations as a % of revenue	2.8%	2.1%	4.0%	1.4%	—%	—%	10.3%
Interest and Other (expense) income, net	(149)	—	—	—	—	—	(149)
Income from continuing operations before income taxes	(21)	98	183	64	1	—	325
Income tax expense	(20)	12	8	14	—	40	54
Effective income tax rate	95%						17%
Income from continuing operations	(1)	86	175	50	1	(40)	271
Net income attributable to noncontrolling interests	2	—	1	—	—	—	3
<b>Income from continuing operations (attributable to NCR)</b>	<b>(\$3)</b>	<b>\$86</b>	<b>\$174</b>	<b>\$50</b>	<b>\$1</b>	<b>(\$40)</b>	<b>\$268</b>
<b>Diluted earnings per share</b>	<b>(\$0.33)</b>	<b>\$0.57</b>	<b>\$1.16</b>	<b>\$0.33</b>	<b>\$0.01</b>	<b>(\$0.27)</b>	<b>\$1.78</b>
Diluted Shares outstanding	118.4						150.2

# GAAP TO NON-GAAP RECONCILIATION

Q3 2018 YTD

	Q3 2018 YTD GAAP	Q3 2018 YTD non-GAAP
in millions (except per share amounts)		
<b><i>Income from continuing operations attributable to NCR common stockholders:</i></b>		
Income from continuing operations (attributable to NCR)	\$ (3)	\$268
Dividends on convertible preferred shares	(36)	—
<b>Income from continuing operations attributable to NCR common stockholders</b>	<b>\$ (39)</b>	<b>\$268</b>
<b><i>Weighted average outstanding shares:</i></b>		
Weighted average diluted shares outstanding	118.4	122.1
Weighted as-if converted preferred shares	—	28.1
<b>Total shares used in diluted earnings per share</b>	<b>118.4</b>	<b>150.2</b>
<b>Diluted earnings per share <sup>(1)</sup></b>	<b>(\$0.33)</b>	<b>\$1.78</b>

<sup>(1)</sup> GAAP 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. Non-GAAP EPS is always determined using the as-if converted preferred shares and shares that would be issued for stock compensation awards. 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

Q3 2017 YTD

in millions (except per share amounts)	Q3 2017 YTD GAAP	Transformation costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Q3 2017 YTD non-GAAP
Product revenue	\$1,829	\$—	\$—	\$—	\$1,829
Service revenue	2,905	—	—	—	2,905
<b>Total revenue</b>	<b>4,734</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4,734</b>
Cost of products	1,430	(2)	(19)	—	1,409
Cost of services	1,959	(9)	(18)	—	1,932
Gross margin	1,345	11	37	—	1,393
<b>Gross margin rate</b>	<b>28.4%</b>	<b>0.3%</b>	<b>0.8%</b>	<b>—%</b>	<b>29.4%</b>
Selling, general and administrative expenses	678	(10)	(49)	(3)	616
Research and development expenses	178	(5)	—	—	173
Total expenses	856	(15)	(49)	(3)	789
Total expense as a % of revenue	18.1%	(0.3)%	(1.0)%	(0.1)%	16.7%
<b>Income from operations</b>	<b>489</b>	<b>26</b>	<b>86</b>	<b>3</b>	<b>604</b>
Income from operations as a % of revenue	10.3%	0.5%	1.8%	0.1%	12.8%
Interest and Other (expense) income, net	(138)	—	—	—	(138)
Income from continuing operations before income taxes	351	26	86	3	466
Income tax expense	78	7	27	1	113
Effective income tax rate	22%				24%
Income from continuing operations	273	19	59	2	353
Net income attributable to noncontrolling interests	1	—	—	—	1
<b>Income from continuing operations (attributable to NCR)</b>	<b>\$272</b>	<b>\$19</b>	<b>\$59</b>	<b>\$2</b>	<b>\$352</b>
<b>Diluted earnings per share</b>	<b>\$1.37</b>	<b>\$0.12</b>	<b>\$0.38</b>	<b>\$0.01</b>	<b>\$2.28</b>
Diluted Shares outstanding	126.9				154.2

# GAAP TO NON-GAAP RECONCILIATION

Q3 2017 YTD

	Q3 2017 YTD GAAP	Q3 2017 YTD non-GAAP
in millions (except per share amounts)		
<b>Income from continuing operations attributable to NCR common stockholders:</b>		
Income from continuing operations (attributable to NCR)	\$272	\$352
Dividends on convertible preferred shares	(36)	—
Deemed dividend on modification of convertible preferred shares	(4)	—
Deemed dividend on convertible preferred shares related to redemption value accretion	(58)	—
<b>Income from continuing operations attributable to NCR common stockholders</b>	<b>\$174</b>	<b>\$352</b>
<b>Weighted average outstanding shares:</b>		
Weighted average diluted shares outstanding	126.9	126.9
Weighted as-if converted preferred shares	—	27.3
<b>Total shares used in diluted earnings per share</b>	<b>126.9</b>	<b>154.2</b>
<b>Diluted earnings per share <sup>(1)</sup></b>	<b>\$1.37</b>	<b>\$2.28</b>

<sup>(1)</sup> GAAP 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. Non-GAAP EPS is always determined using the as-if converted preferred shares and shares that would be issued for stock compensation awards. Therefore, GAAP diluted EPS and non-GAAP diluted EPS may be calculated using different methods, and may not mathematically reconcile.

# GAAP TO NON-GAAP RECONCILIATION

FY 2017

in millions (except per share amounts)	FY 2017 GAAP	Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Pension mark- to-market adjustments	Impact of U.S. Tax Reform	FY 2017 non-GAAP
Product revenue	\$2,579	\$—	\$—	\$—	\$—	\$—	\$2,579
Service revenue	3,937	—	—	—	—	—	3,937
<b>Total revenue</b>	<b>6,516</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>6,516</b>
Cost of products	2,021	(2)	(25)	—	—	—	1,994
Cost of services	2,639	(9)	(25)	—	—	—	2,605
Gross margin	1,856	11	50	—	—	—	1,917
<b>Gross margin rate</b>	<b>28.5%</b>	<b>0.1%</b>	<b>0.8%</b>	<b>—%</b>	<b>—%</b>	<b>—%</b>	<b>29.4%</b>
Selling, general and administrative expenses	923	(14)	(65)	(5)	—	—	839
Research and development expenses	242	(4)	—	—	—	—	238
Total expenses	1,165	(18)	(65)	(5)	—	—	1,077
<i>Total expense as a % of revenue</i>	<i>17.9%</i>	<i>(0.3)%</i>	<i>(1.0)%</i>	<i>(0.1)%</i>	<i>—%</i>	<i>—%</i>	<i>16.5%</i>
<b>Income from operations</b>	<b>691</b>	<b>29</b>	<b>115</b>	<b>5</b>	<b>—</b>	<b>—</b>	<b>840</b>
<i>Income from operations as a % of revenue</i>	<i>10.6%</i>	<i>0.4%</i>	<i>1.8%</i>	<i>0.1%</i>	<i>—%</i>	<i>—%</i>	<i>12.9%</i>
Interest and Other (expense) income, net	(209)	—	—	—	28	—	(181)
Income from continuing operations before income taxes	482	29	115	5	28	—	659
Income tax expense (benefit)	242	9	36	2	3	(130)	162
<i>Effective income tax rate</i>	<i>50%</i>						<i>25%</i>
Income from continuing operations	240	20	79	3	25	130	497
Net income attributable to noncontrolling interests	3	—	—	—	—	—	3
<b>Income from continuing operations (attributable to NCR)</b>	<b>\$237</b>	<b>\$20</b>	<b>\$79</b>	<b>\$3</b>	<b>\$25</b>	<b>\$130</b>	<b>\$494</b>
<b>Diluted earnings per share</b>	<b>\$1.01</b>	<b>\$0.13</b>	<b>\$0.51</b>	<b>\$0.02</b>	<b>\$0.16</b>	<b>\$0.84</b>	<b>\$3.20</b>
Diluted Shares outstanding	127.0						154.3

# GAAP TO NON-GAAP RECONCILIATION

FY 2017

	FY 2017 GAAP	FY 2017 non-GAAP
in millions (except per share amounts)		
<b><i>Income from continuing operations attributable to NCR common stockholders:</i></b>		
Income from continuing operations (attributable to NCR)	\$237	\$494
Dividends on convertible preferred shares	(47)	—
Deemed dividend on modification of convertible preferred shares	(4)	—
Deemed dividend on convertible preferred shares related to redemption value accretion	(58)	—
<b>Income from continuing operations attributable to NCR common stockholders</b>	<b>\$128</b>	<b>\$494</b>
<b><i>Weighted average outstanding shares:</i></b>		
Weighted average diluted shares outstanding	127.0	127.0
Weighted as-if converted preferred shares	—	27.3
<b>Total shares used in diluted earnings per share</b>	<b>127.0</b>	<b>154.3</b>
<b>Diluted earnings per share <sup>(1)</sup></b>	<b>\$1.01</b>	<b>\$3.20</b>

<sup>(1)</sup> GAAP 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. Non-GAAP EPS is always determined using the as-if converted preferred shares and shares that would be issued for stock compensation awards. 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

Q3 2018 QTD

Gross Margin and Gross Margin Rate (non-GAAP) to  
Gross Margin and Gross Margin Rate (GAAP)

	Q3 2018 QTD	
	Gross Margin	Gross Margin Rate %
Software	228	47.5%
Services	165	26.8%
Hardware	32	7.0%
<b>Total Gross Margin (non-GAAP)</b>	<b>425</b>	<b>27.4%</b>
Less:		
Transformation Costs	9	0.5%
Acquisition-related amortization of intangibles	6	0.4%
<b>Total Gross Margin (GAAP)</b>	<b>410</b>	<b>26.5%</b>

# GAAP TO NON-GAAP RECONCILIATION

Q3 2017 QTD

## Gross Margin and Gross Margin Rate (non-GAAP) to Gross Margin and Gross Margin Rate (GAAP)

	Q3 2017 QTD	
	Gross Margin	Gross Margin Rate %
Software	240	50.4%
Services	159	26.1%
Hardware	86	14.9%
<b>Total Gross Margin (non-GAAP)</b>	<b>485</b>	<b>29.2%</b>
Less:		
Transformation Costs	1	0.1%
Acquisition-related amortization of intangibles	12	0.7%
<b>Total Gross Margin (GAAP)</b>	<b>472</b>	<b>28.4%</b>

# GAAP TO NON-GAAP RECONCILIATION

Q3 2018 QTD

Operating Income and Operating Income Rate (non-GAAP) to  
Operating Income and Operating Income Rate (GAAP)

	Q3 2018 QTD	
	Operating Income	Operating Income Rate
Software	127	26.5%
Services	90	14.6%
Hardware	(56)	(12.3)%
<b>Total Operating Income (non-GAAP)</b>	<b>161</b>	<b>10.4%</b>
Less:		
Transformation & Restructuring costs	16	1.0%
Acquisition-related amortization of intangibles	20	1.3%
<b>Total Operating Income (GAAP)</b>	<b>125</b>	<b>8.1%</b>

# GAAP TO NON-GAAP RECONCILIATION

Q3 2017 QTD

Operating Income and Operating Income Rate (non-GAAP) to  
Operating Income and Operating Income Rate (GAAP)

	Q3 2017 QTD	
	Operating Income	Operating Income Rate
Software	148	31.1%
Services	88	14.4%
Hardware	(2)	(0.3)%
<b>Total Operating Income (non-GAAP)</b>	<b>234</b>	<b>14.1%</b>
Less:		
Transformation Costs	5	0.3%
Acquisition-related amortization of intangibles	29	1.7%
Acquisition-related costs	1	0.1%
<b>Total Operating Income (GAAP)</b>	<b>199</b>	<b>12.0%</b>

# GAAP TO NON-GAAP RECONCILIATION

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

	Q3 2018 QTD		
	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Revenue Growth Constant Currency % (non-GAAP)
Software License	1%	(2)%	3%
<i>Attached License</i>	(19)%	(4)%	(15)%
<i>Unattached License</i>	15%	—%	15%
Software Maintenance	(3)%	(1)%	(2)%
Cloud	6%	—%	6%
Professional Services	(2)%	(2)%	—%
<b>Software</b>	<b>1%</b>	<b>(1)%</b>	<b>2%</b>
<b>Services</b>	<b>1%</b>	<b>(3)%</b>	<b>4%</b>
ATMs	(13)%	(3)%	(10)%
Self-Checkout (SCO)	(24)%	—%	(24)%
Point-of-Sale (POS)	(29)%	(1)%	(28)%
Interactive Printer Solutions (IPS)	(100)%	—%	(100)%
<b>Hardware</b>	<b>(21)%</b>	<b>(1)%</b>	<b>(20)%</b>
<b>Total Revenue</b>	<b>(7)%</b>	<b>(2)%</b>	<b>(5)%</b>

# GAAP TO NON-GAAP RECONCILIATION

## Gross Margin Growth % (GAAP) to Gross Margin Growth % on a Constant Currency Basis (non-GAAP)

	Q3 2018 QTD		
	Gross Margin Growth % Reported	Favorable (unfavorable) FX impact	Constant Currency Gross Margin Growth % (non-GAAP)
Software	(5)%	(1)%	(4)%
Services	4%	(3)%	7%
Hardware	(63)%	(1)%	(62)%
<b>Total Gross Margin</b>	<b>(12)%</b>	<b>(2)%</b>	<b>(10)%</b>

# GAAP TO NON-GAAP RECONCILIATION

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

	Q3 2018 QTD		
	Operating Income Growth % Reported	Favorable (unfavorable) FX impact	Constant Currency Operating Income Growth % (non-GAAP)
Software	(14)%	(1)%	(13)%
Services	2%	(4)%	6%
Hardware	(2,700)%	578%	(2,122)%
<b>Total Operating Income</b>	<b>(31)%</b>	<b>(1)%</b>	<b>(30)%</b>

# GAAP TO NON-GAAP RECONCILIATION

## Gross Margin Growth bps (GAAP) to Gross Margin Growth bps on a Constant Currency Basis (non-GAAP)

	Q3 2018 QTD		
	Gross Margin bps Growth Reported	Favorable (unfavorable) FX impact	Constant Currency Gross Margin bps Growth (non- GAAP)
Software	(290) bps	(10) bps	(280) bps
Services	70 bps	(20) bps	90 bps
Hardware	(790) bps	(10) bps	(780) bps
<b>Total Gross Margin bps</b>	<b>(180) bps</b>	<b>(10) bps</b>	<b>(170) bps</b>



# GAAP TO NON-GAAP RECONCILIATION

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

	Q3 2018 QTD		
	Operating Income bps Growth Reported	Favorable (unfavorable) FX impact	Constant Currency Operating Income bps Growth (non- GAAP)
Software	(460) bps	0 bps	(460) bps
Services	20 bps	(10) bps	30 bps
Hardware	(1,200) bps	(10) bps	(1,190) bps
<b>Total Operating Income</b>	<b>(370) bps</b>	<b>(10) bps</b>	<b>(360) bps</b>

# GAAP TO NON-GAAP RECONCILIATION

## Diluted Earnings per Share

	Current 2018 Guidance	Prior 2018 Guidance
Diluted EPS (GAAP) <sup>(1) (2)</sup>	\$0.10- \$0.68	\$0.07 - \$0.65
Transformation & Restructuring costs	0.75 - 1.00	0.50 - 0.75
Asset impairment charges	1.16	1.16
Impact of U.S. Tax Reform	(0.27)	—
Acquisition-Related Amortization of Intangibles	0.42	0.42
Acquisition-Related Costs	0.05	0.05
<b>Non-GAAP Diluted EPS <sup>(1) (3)</sup></b>	<b>\$2.55- \$2.75</b>	<b>\$2.55 - \$2.75</b>

<sup>(1)</sup> Non-GAAP diluted EPS is determined using the conversion of the Series A Convertible Preferred Stock into common stock in the calculation of weighted average diluted shares outstanding. GAAP EPS is determined using the most dilutive measure, either including the impact of dividends or deemed 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 not mathematically reconcile.

<sup>(2)</sup> Except for the adjustments noted herein, this guidance does not include the effects of any future acquisitions/divestitures, pension mark-to-market adjustments, taxes or other events, which are difficult to predict and which may or may not be significant. We have increased our GAAP Diluted EPS FY 2018 guidance from previous guidance due to the impact of U.S. Tax Reform and the spend optimization program.

<sup>(3)</sup> For FY 2018, we have assumed OIE of approximately \$205 million, an effective tax rate of 21% and a share count of 151 million compared to OIE of \$181 million, an effective tax rate of 25% and a share count of 154 million in FY 2017.

# GAAP TO NON-GAAP RECONCILIATION

Free Cash Flow	Current 2018 Guidance	Prior 2018 Guidance
Cash Provided by Operating Activities <sup>(1)</sup>	\$640 - \$670	\$690 - \$720
Total capital expenditures	(330) - (350)	(330) - (350)
Cash used in Discontinued Operations	(40)	(40)
<b>Free Cash Flow <sup>(1)</sup></b>	<b>\$250 - \$300</b>	<b>\$300 - \$350</b>

\$ in millions

(1) Net cash provided by operating activities and free cash flow guidance decreased from previous guidance due to the higher working capital levels as we ramp production during the fourth quarter and the expected cash impact of the spend optimization program.



