

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): February 8, 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 February 8, 2018, the Company issued a press release setting forth its fourth quarter 2017 financial results along with its first quarter 2018 and 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 February 8, 2018, the Company will hold its previously announced conference call to discuss its fourth quarter 2017 results, its first quarter 2018 financial outlook 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 February 8, 2018
99.2	Supplemental materials, dated February 8, 2018

Index to Exhibits

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SIGNATURES

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

NCR Corporation

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

Date: February 8, 2018



February 8, 2018

NCR Announces Fourth Quarter and Full Year 2017 Results

ATLANTA - NCR Corporation (NYSE: NCR) reported financial results today for the three and twelve months ended December 31, 2017. Fourth quarter and full year highlights include:

- **Revenue of \$1.78 billion, at the high end of previously provided guidance**
- **Software revenue up 1% driven by cloud revenue growth of 6%; Full year net ACV of \$67 million, up 46% from \$46 million in the prior year**
- **GAAP diluted EPS of \$(0.38), includes \$130 million non-cash charge related to US tax reform; Non-GAAP diluted EPS of \$0.92, at the high end of previously provided guidance**
- **Services gross margin expansion of 280 basis points**
- **Full year cash flow from operations of \$755 million, and free cash flow of \$453 million, both within previously provided guidance**
- **\$300 million share repurchase planned for 2018 with \$125 million completed to date**
- **2018 guidance announced**

“Our fourth quarter results were consistent with our guidance and reflect continued momentum in strategic areas such as cloud and Services margin expansion,” said Chairman and CEO Bill Nuti. “While ATM revenue was lower than expected in 2017, growth in unattached software, cloud, and recurring revenues, allowed us to build a stronger foundation going into 2018. NCR continues to position itself as one of the world’s largest cloud companies facilitating omni-channel commerce and digital transformation, and our SaaS solutions are gaining traction as evidenced by consistent double digit net ACV growth. We enter 2018 excited about the year ahead and confident in our company strategy. As such, we are also announcing our repurchase of up to \$300 million of shares in 2018.”

“Going forward, we are focused on improving execution and we will leverage our growing strength in cloud, combined with our end-to-end smart edge hardware and services solution assets to deliver unmatched value in the markets we serve, as businesses of every size undergo Omni-Channel, digital enablement, and channel transformation journeys,” said President and COO Mark Benjamin. “As we do this in 2018, we will also prioritize driving sustainable margin improvement in our hardware and services segments via specific programs targeted at driving higher productivity, process efficiency, and, using technology as an enabler. As we finalize these restructuring programs, we plan to achieve run-rate savings of approximately \$150 million per year by 2020.”

In this release, we use certain performance metrics as well as certain non-GAAP measures, including presenting certain measures on a constant currency and adjusted constant currency basis. The performance metrics include net annual contract value (or Net ACV) and the non-GAAP measures include free cash flow and others with the words “non-GAAP,” “adjusted,” or “constant currency” in their titles. The performance metrics are listed and described, and the non-GAAP measures are listed, described, and reconciled to their most directly comparable GAAP measures, under the heading “Performance Metrics and Non-GAAP Financial Measures” later in this release.

Fourth Quarter 2017 Operating Results

Revenue

Fourth quarter revenue of \$1.78 billion was down 1% year-over-year. Foreign currency fluctuations had a favorable impact on the revenue comparison of 2%.

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

\$ in millions	2017	2016	% Change	% Change Constant Currency
Software License	\$ 95	\$ 103	(8%)	(10%)
Software Maintenance	96	96	—%	(2%)
Cloud	156	147	6%	6%
Professional Services	161	156	3%	1%
Software Revenue	\$ 508	\$ 502	1%	—%
Services Revenue	\$ 619	\$ 598	4%	2%
ATM	\$ 303	\$ 385	(21%)	(22%)
SCO	131	132	(1%)	(1%)
POS	218	177	23%	20%
IPS	3	8	(63%)	(63%)
Hardware Revenue	\$ 655	\$ 702	(7%)	(9%)
Total Revenue	\$ 1,782	\$ 1,802	(1%)	(3%)

Software revenue was up 1% primarily due to cloud revenue growth of 6% and professional services revenue growth of 3%. This was partially offset by lower software license revenue of 8% due to lower software license revenue associated with lower hardware sales.

Services revenue was up 4% driven by hardware maintenance and implementation services growth as a result of continued momentum in channel transformation trends.

Hardware revenue was down 7% due to a 21% decline in ATM revenue and a 1% decline in SCO revenue, partially offset by a 23% increase in POS revenue. ATM revenue reflected the lower backlog starting the quarter, but was better than expected. SCO revenue was roughly flat, as expected, but grew 66% sequentially from the third quarter of 2017. POS revenue continued its momentum and was up significantly in the quarter due to product replacements and new product introductions.

Gross Margin

Fourth quarter gross margin of \$515 million increased 8% from \$479 million. Gross margin rate was 28.9%, up from 26.6%. During the fourth quarter of 2017, our annual pension mark-to-market adjustment was \$1 million of benefit compared to \$38 million of cost in the prior year.

Fourth quarter gross margin (non-GAAP) of \$527 million decreased 1% from \$530 million. Gross margin rate (Non-GAAP) was 29.6%, up from 29.4%. The increase in gross margin rate (non-GAAP) was primarily due to continued focus on productivity improvements in our Services segment, partially offset by lower software license revenue, decreased ATM volumes and new product introductions.

Expenses

Fourth quarter operating expenses of \$334 million increased from \$333 million. During the fourth quarter of 2017, our annual pension mark-to-market adjustment was \$29 million of expense compared to \$47 million of expense in the prior year.

Fourth quarter operating expenses (non-GAAP) of \$284 million increased from \$266 million. The increases in expenses were due to increased sales investment as we expand our strategic offers and go-to-market strategy.

Operating Income

Fourth quarter operating income of \$181 million increased 24% from \$146 million. Operating margin rate was 10.2%, up from 8.1%. During the fourth quarter of 2017, we recorded our annual pension mark-to-market adjustment which was \$28 million compared to \$85 million in the prior year.

Fourth quarter operating income (non-GAAP) of \$243 million decreased 8% from \$264 million. Operating margin rate (non-GAAP) was 13.6%, down from 14.7%. Operating margin rate (non-GAAP) reflected lower software license revenue, decreased ATM volumes and increased sales investment partially offset by continued services margin expansion. For the full year, operating margin rate (non-GAAP) increased and is expected to expand in 2018.

Other (Expense)

Fourth quarter other (expense) of \$50 million decreased 12% from \$57 million. Fourth quarter other (expense) (non-GAAP) of \$50 million decreased 11% from \$56 million. These decreases were primarily due to higher foreign currency losses in the fourth quarter of 2016.

Income Tax Expense and Impact of US Tax Reform

Fourth quarter income tax expense of \$164 million increased from \$17 million. Income tax expense includes a \$130 million non-cash charge related to the impact of the U.S. Tax Cuts and Jobs Act enacted in December 2017. The non-cash charge represents a provisional amount and NCR's current best estimate, which may be refined and adjusted over the course of 2018.

Fourth quarter income tax expense (non-GAAP) of \$49 million increased from \$36 million in the prior year. Income tax expense (non-GAAP) increased due to more favorable discrete benefits in the prior year period.

Net Income from Continuing Operations Attributable to NCR

Fourth quarter net loss from continuing operations attributable to NCR was \$35 million decreased from net income from continuing operations attributable to NCR of \$68 million in the prior year. Fourth quarter net income from continuing operations attributable to NCR (non-GAAP) of \$142 million decreased from \$168 million.

Cash Flow

Fourth quarter cash provided by operating activities of \$484 million decreased from \$525 million. Free cash flow was \$402 million in the fourth quarter of 2017 as compared to \$449 million in the fourth quarter of 2016. Fourth quarter cash flow was strong, but was lower than the prior year due to a \$100 million working capital improvement in the fourth quarter of 2016. Full year cash provided by operating activities was \$755 million, and full year free cash flow was \$453 million, both within previously provided guidance.

Share Repurchase Program

During 2018, NCR plans to repurchase up to \$300 million of its common stock under its previously authorized share repurchase programs, and has repurchased shares of its common stock for approximately \$125 million through the date of this release.

Full Year 2018 Outlook

In 2018, our revenue growth is expected to be 0% to 3%. Our GAAP diluted earnings per share is expected to be \$2.08 to \$2.48, and our non-GAAP diluted earnings per share is expected to be \$3.30 to \$3.45. Our non-GAAP diluted earnings per share guidance assumes an effective tax rate of 24% for 2018 compared to 25% in 2017. The decrease is due to the expected impact of U.S. tax reform. Free cash flow is expected to be approximately 90% of non-GAAP net income.

To accelerate our transformation journey, we are evaluating programs to prioritize driving sustainable margin improvement in our hardware and services segments targeted at driving higher productivity, process efficiency, and, using technology as an enabler. As we finalize these programs, NCR expects to incur a related pre-tax charge over the next two years in the range of approximately \$200 million to \$250 million, with \$100 million to \$150 million in 2018, that will be included in income from operations. The cash impact of the restructuring plan is expected to be approximately \$150 million to \$200 million over the next two years, with \$100 million in 2018. We plan to achieve run-rate savings of approximately \$150 million per year by 2020. The estimate of the pre-tax charges and cash impact has been included in our 2018 GAAP diluted earnings per share and free cash flow guidance.

Q1 2018 Outlook

For the first quarter of 2018, revenue growth is expected to be down 1% to up 2%, GAAP diluted earnings per share is expected to be \$0.16 to \$0.29, and non-GAAP diluted earnings per share is expected to be \$0.41 to \$0.47.

NCR will provide additional information regarding its first quarter and full year 2018 guidance during its fourth quarter earnings conference call and webcast.

2017 Fourth Quarter Earnings Conference Call

A conference call is scheduled for today at 4:30 p.m. (EDT) to discuss the fourth quarter 2017 results and guidance for first quarter and 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 2459485.

More information on NCR's Q4 2017 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 omni-channel solutions, turning everyday interactions with businesses into exceptional experiences. With its software, hardware, and portfolio of services, NCR enables nearly 700 million transactions daily across financial, retail, hospitality, travel, telecom and technology industries. NCR solutions run the everyday transactions that make your life easier. NCR is headquartered in Atlanta, Ga., with about 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 website which is updated regularly with financial and other important information about NCR.

Website: www.ncr.com

Twitter: @NCRCorporation

Facebook: www.facebook.com/ncrcorp

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

YouTube: 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 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 plans for further share repurchases in 2018; NCR’s momentum in strategic areas; market acceptance of NCR’s SaaS solutions; NCR’s confidence in its strategy; NCR’s areas of focus going forward, and its ability to deliver value in the markets it serves; expectations regarding the omni-channel, digital enablement and channel transformation journeys of businesses of every size; NCR’s areas of priority for its hardware and services segments in 2018 and its programs to drive sustainable margin improvement, including the expected timing, costs and benefits thereof; and NCR’s full-year and first quarter financial guidance and outlook (including the sections entitled “2018 Outlook” and “Q1 2018 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: 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 US tax legislation; foreign currency fluctuations; the success of our restructuring plans and cost reduction initiatives; manufacturing disruptions; 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; environmental exposures from our historical and ongoing manufacturing activities; and uncertainties with regard to regulations, lawsuits, claims, and other matters across various jurisdictions. Additional information concerning these and other factors can be found in the Company’s filings with the U.S. Securities and Exchange Commission, including the Company’s most recent annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. Any forward-looking statement speaks only as of the date on which it is made. The Company does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Performance Metrics and Non-GAAP Financial Measures

Performance Metrics. The term “net annual contract value” or “net ACV” for any particular period means NCR’s net bookings for cloud revenue during the period, and is calculated as twelve months of expected subscription revenues under new cloud contracts during such period less twelve months of subscription revenues under cloud contracts that expired or were terminated during such period, adjusted for twelve months of expected pricing discounts or price increases from renewals of existing contracts. Net ACV is a forward-looking measure that NCR tracks and discloses as an indicator of potential cloud revenue growth in future periods.

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

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

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

\$ in millions	Q4 2017	Q4 2016
Gross Margin (GAAP)	\$ 515	\$ 479
Acquisition-related amortization of intangibles	13	13
Pension mark-to-market adjustments	(1)	38
Gross Margin (Non-GAAP)	\$ 527	\$ 530

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

	Q4 2017	Q4 2016
Gross Margin Rate (GAAP)	28.9%	26.6%
Acquisition-related amortization of intangibles	0.7%	0.7%
Pension mark-to-market adjustments	—%	2.1%
Gross Margin Rate (Non-GAAP)	29.6%	29.4%

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

\$ in millions	Q4 2017	Q4 2016
Operating Expenses (GAAP)	\$ 334	\$ 333
Transformation/Restructuring Costs	(3)	(3)
Acquisition-related amortization of intangibles	(16)	(15)
Acquisition-related costs	(2)	(2)
Pension mark-to-market adjustments	(29)	(47)
Operating Expenses (Non-GAAP)	\$ 284	\$ 266

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

\$ in millions	Q4 2017	Q4 2016
Income from Operations (GAAP)	\$ 181	\$ 146
Transformation/Restructuring Costs	3	3
Acquisition-related amortization of intangibles	29	28
Acquisition-related costs	2	2
Pension mark-to-market adjustments	28	85
Operating Income (Non-GAAP)	\$ 243	\$ 264

Reconciliation of Operating Margin rate (GAAP) to Operating Margin rate (non-GAAP)

	Q4 2017	Q4 2016
Operating Margin rate (GAAP)	10.2%	8.1%
Transformation/Restructuring Costs	0.2%	0.2%
Acquisition-related amortization of intangibles	1.6%	1.6%
Acquisition-related costs	—%	0.1%
Pension mark-to-market adjustments	1.6%	4.7%
Operating Margin rate (Non-GAAP)	13.6%	14.7%

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

\$ in millions	Q4 2017	Q4 2016
Other (Expense) (GAAP)	\$ (50)	\$ (57)
Divestiture and liquidation losses	—	1
Other (Expense) (Non-GAAP)	\$ (50)	\$ (56)

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

\$ in millions	Q4 2017		Q4 2016	
Income Tax Expense (GAAP)	\$	164	\$	17
Transformation/Restructuring Costs		2		2
Acquisition-related amortization of intangibles		9		9
Acquisition-related costs		1		—
Pension mark-to-market adjustments		3		7
Divestiture and liquidation losses		—		1
Impact of U.S. tax reform		(130)		—
Income Tax Expense (Non-GAAP)	\$	49	\$	36

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

\$ in millions	Q4 2017		Q4 2016	
Net (Loss) Income from Continuing Operations Attributable to NCR (GAAP)	\$	(35)	\$	68
Transformation/Restructuring Costs		1		1
Acquisition-related amortization of intangibles		20		19
Acquisition-related costs		1		2
Pension mark-to-market adjustments		25		78
Impact of U.S. tax reform		130		—
Net Income from Continuing Operations Attributable to NCR (Non-GAAP)	\$	142	\$	168

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

	Q4 2017 Actual	Q4 2016 Actual	2017 Actual	2016 Actual	Q1 2018 Guidance (2)	2018 Guidance (2)
Diluted Earnings Per Share (GAAP) (1)	\$ (0.38)	\$ 0.43	\$ 1.01	\$ 1.80	\$0.16 - \$0.29	\$2.08 - \$2.48
Transformation/Restructuring Costs	0.01	0.01	0.13	0.13	0.05 - 0.09	0.50 - 0.75
Acquisition-related amortization of intangibles	0.13	0.12	0.51	0.53	0.10	0.42
Acquisition-related costs	0.01	0.01	0.02	0.03	0.01	0.05
Deemed dividends related to Blackstone transaction	—	—	0.39	—	—	—
Divestiture and liquidation losses	—	—	—	0.03	—	—
Pension mark-to-market adjustments	0.16	0.50	0.16	0.50	—	—
Impact of U.S. tax reform	0.85	—	0.84	—	—	—
Diluted Earnings Per Share (non-GAAP) (1)	\$ 0.92	\$ 1.07	\$ 3.20	\$ 3.02	\$0.41 - \$0.47	\$3.30 - \$3.45

(1) 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.

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

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

\$ in millions	Q4 2017 QTD	Q4 2016 QTD	Q4 2017 YTD	Q4 2016 YTD
Net cash provided by operating activities	\$ 484	\$ 525	\$ 755	\$ 894
Total capital expenditures	(88)	(67)	(294)	(227)
Net cash provided by (used in) discontinued operations	6	(9)	(8)	(39)
Free cash flow	\$ 402	\$ 449	\$ 453	\$ 628

* Note: The total capital expenditures of \$294 million in 2017 includes \$60 million related to the new world headquarters in Atlanta, Georgia. This \$60 million is offset by \$44 million of reimbursements by the lessor included in net cash provided by operating activities.

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

	Three months ended December 31, 2017		
	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Revenue Growth Constant Currency % (non-GAAP)
Software License	(8)%	2%	(10)%
Software Maintenance	—%	2%	(2)%
Cloud	6%	—%	6%
Professional Services	3%	2%	1%
Software	1%	1%	—%
Services	4%	2%	2%
ATMs	(21)%	1%	(22)%
SCO	(1)%	—%	(1)%
POS	23%	3%	20%
IPS	(63)%	—%	(63)%
Hardware	(7)%	2%	(9)%
Total Revenue	(1)%	2%	(3)%

	Twelve months ended December 31, 2017			
	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Divestiture impact	Revenue Growth Adjusted Constant Currency % (non-GAAP)
Software	3%	—%	—%	3%
Services	3%	—%	—%	3%
Hardware	(6)%	1%	(5)%	(2)%
Total Revenue	—%	—%	(1)%	1%



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

Schedule A

	For the Periods Ended December 31			
	Three Months		Twelve Months	
	2017	2016	2017	2016
Revenue				
Products	\$ 750	\$ 805	\$ 2,579	\$ 2,737
Services	1,032	997	3,937	3,806
Total Revenue	1,782	1,802	6,516	6,543
Cost of products	596	615	2,026	2,102
Cost of services	671	708	2,626	2,659
Total gross margin	515	479	1,864	1,782
% of Revenue	28.9%	26.6%	28.6%	27.2%
Selling, general and administrative expenses	256	248	932	926
Research and development expenses	78	83	256	242
Restructuring-related charges	—	2	—	15
Income from operations	181	146	676	599
% of Revenue	10.2%	8.1%	10.4%	9.2%
Interest expense	(41)	(40)	(163)	(170)
Other (expense), net	(9)	(17)	(31)	(50)
Total other (expense), net	(50)	(57)	(194)	(220)
Income before income taxes and discontinued operations	131	89	482	379
% of Revenue	7.4%	4.9%	7.4%	5.8%
Income tax expense	164	17	242	92
(Loss) income from continuing operations	(33)	72	240	287
(Loss) from discontinued operations, net of tax	(10)	(11)	(5)	(13)
Net (loss) income	(43)	61	235	274
Net income attributable to noncontrolling interests	2	4	3	4
Net (loss) income attributable to NCR	\$ (45)	\$ 57	\$ 232	\$ 270
Amounts attributable to NCR common stockholders:				
(Loss) income from continuing operations	\$ (35)	\$ 68	\$ 237	\$ 283
Dividends on convertible preferred stock	(11)	(12)	(47)	(49)
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	(46)	56	128	234
(Loss) from discontinued operations, net of tax	(10)	(11)	(5)	(13)
Net (loss) income attributable to NCR common stockholders	\$ (56)	\$ 45	\$ 123	\$ 221
Net (loss) income per share attributable to NCR common stockholders:				
Net (loss) income per common share from continuing operations				
Basic	\$ (0.38)	\$ 0.45	\$ 1.05	\$ 1.86
Diluted	\$ (0.38)	\$ 0.43	\$ 1.01	\$ 1.80
Net (loss) income per common share				
Basic	\$ (0.46)	\$ 0.36	\$ 1.01	\$ 1.76
Diluted	\$ (0.46)	\$ 0.35	\$ 0.97	\$ 1.71
Weighted average common shares outstanding				
Basic	121.9	124.5	121.9	125.6
Diluted (continuing operations)	121.9	157.4	127.0	157.4
Diluted (net income)	121.9	128.6	127.0	129.2

⁽¹⁾ 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 December 31							
	Three Months				Twelve Months			
	2017	2016	% Change	% Change Constant Currency	2017	2016	% Change	% Change Adjusted Constant Currency
Revenue by segment								
Software	\$ 508	\$ 502	1%	—%	\$ 1,900	\$ 1,841	3%	3%
<i>Software Gross Margin Rate</i>	53.1 %	53.8%			51.1 %	51.8%		
Services	619	598	4%	2%	2,373	2,306	3%	3%
<i>Services Gross Margin Rate</i>	25.0 %	22.2%			24.7 %	21.6%		
Hardware	655	702	(7)%	(9)%	2,243	2,396	(6)%	(2)%
<i>Hardware Gross Margin Rate</i>	15.6 %	18.1%			16.4 %	18.0%		
Total Revenue	\$ 1,782	\$ 1,802	(1)%	(3)%	\$ 6,516	\$ 6,543	—%	1%
Gross Margin Rate	29.6 %	29.4%			29.5 %	28.8%		
Operating income by segment								
Software	\$ 166	\$ 172			\$ 567	\$ 577		
<i>% of Revenue</i>	32.7 %	34.3%			29.8 %	31.3%		
Services	79	62			288	201		
<i>% of Revenue</i>	12.8 %	10.4%			12.1 %	8.7%		
Hardware	(2)	30			(2)	62		
<i>% of Revenue</i>	(0.3)%	4.3%			(0.1)%	2.6%		
Subtotal-segment operating income	\$ 243	\$ 264			\$ 853	\$ 840		
<i>% of Revenue</i>	13.6 %	14.7%			13.1 %	12.8%		
Other adjustments ⁽¹⁾	62	118			177	241		
Total income from operations	\$ 181	\$ 146			\$ 676	\$ 599		

⁽¹⁾ The following table presents the other adjustments for NCR:

In millions	For the Periods Ended December 31			
	Three Months		Twelve Months	
	2017	2016	2017	2016
Transformation/Restructuring costs	\$ 3	\$ 3	\$ 29	\$ 26
Acquisition-related amortization of intangible assets	29	28	115	123
Acquisition-related costs	2	2	5	7
Pension mark-to-market adjustments	28	85	28	85
Total other adjustments	\$ 62	\$ 118	\$ 177	\$ 241



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

Schedule C

	December 31, 2017	September 30, 2017	December 31, 2016
Assets			
Current assets			
Cash and cash equivalents	\$ 537	\$ 405	\$ 498
Accounts receivable, net	1,270	1,408	1,282
Inventories	780	824	699
Other current assets	243	263	278
Total current assets	2,830	2,900	2,757
Property, plant and equipment, net	341	321	287
Goodwill	2,741	2,741	2,727
Intangibles, net	578	591	672
Prepaid pension cost	118	115	94
Deferred income taxes	460	595	575
Other assets	586	587	561
Total assets	\$ 7,654	\$ 7,850	\$ 7,673
Liabilities and stockholders' equity			
Current liabilities			
Short-term borrowings	\$ 52	\$ 269	\$ 50
Accounts payable	762	720	781
Payroll and benefits liabilities	219	202	234
Deferred service revenue and customer deposits	458	465	468
Other current liabilities	398	390	432
Total current liabilities	1,889	2,046	1,965
Long-term debt	2,939	2,984	3,001
Pension and indemnity plan liabilities	798	771	739
Postretirement and postemployment benefits liabilities	133	127	127
Income tax accruals	148	138	142
Other liabilities	200	197	138
Total liabilities	6,107	6,263	6,112
Redeemable noncontrolling interests	15	14	15
Series A convertible preferred stock: par value \$0.01 per share, 3.0 shares authorized, 0.8 shares issued and outstanding as of December 31, 2017, September 30, 2017, and 0.9 shares issued and outstanding as of December 31, 2016	810	799	847
Stockholders' equity			
NCR stockholders' equity:			
Preferred stock: par value \$0.01 per share, 100.0 shares authorized, no shares issued and outstanding as of December 31, 2017, September 30, 2017, and December 31, 2016	—	—	—
Common stock: par value \$0.01 per share, 500.0 shares authorized, 122.0, 121.5, and 124.6 shares issued and outstanding as of December 31, 2017, September 30, 2017, and December 31, 2016	1	1	1
Paid-in capital	60	44	32
Retained earnings	857	913	867
Accumulated other comprehensive loss	(199)	(188)	(205)
Total NCR stockholders' equity	719	770	695
Noncontrolling interests in subsidiaries	3	4	4
Total stockholders' equity	722	774	699
Total liabilities and stockholders' equity	\$ 7,654	\$ 7,850	\$ 7,673



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

Schedule D

	For the Periods Ended December 31			
	Three Months		Twelve Months	
	2017	2016	2017	2016
Operating activities				
Net (loss) income	\$ (43)	\$ 61	\$ 235	\$ 274
Adjustments to reconcile net income to net cash provided by operating activities:				
Loss from discontinued operations	10	11	5	13
Depreciation and amortization	91	85	354	344
Stock-based compensation expense	17	16	77	61
Deferred income taxes	154	(29)	173	10
Gain on sale of property, plant and equipment and other assets	(1)	—	(3)	—
Loss on divestiture	—	1	—	2
Impairment of long-lived and other assets	—	—	1	2
Changes in assets and liabilities:				
Receivables	136	49	29	(89)
Inventories	52	42	(68)	(86)
Current payables and accrued expenses	54	148	(78)	216
Deferred service revenue and customer deposits	(10)	10	10	88
Employee benefit plans	9	71	(4)	33
Other assets and liabilities	15	60	24	26
Net cash provided by operating activities	484	525	755	894
Investing activities				
Expenditures for property, plant and equipment	(47)	(28)	(128)	(73)
Proceeds from sales of property, plant and equipment	—	—	6	—
Additions to capitalized software	(41)	(39)	(166)	(154)
Business acquisition, net	(8)	—	(8)	—
Proceeds from divestiture	3	—	3	47
Other investing activities, net	3	(1)	3	(9)
Net cash used in investing activities	(90)	(68)	(290)	(189)
Financing activities				
Short term borrowings, net	(14)	(6)	(4)	(8)
Payments on term credit facilities	(24)	(13)	(61)	(97)
Payments on revolving credit facilities	(830)	(695)	(1,940)	(1,431)
Borrowings on revolving credit facilities	605	475	1,940	1,331
Debt issuance costs	—	(1)	—	(9)
Repurchases of Company common stock	—	—	(350)	(250)
Proceeds from employee stock plans	4	5	15	15
Tax withholding payments on behalf of employees	(7)	(9)	(31)	(16)
Other financing activities	(2)	—	(3)	(2)
Net cash used in financing activities	(268)	(244)	(434)	(467)
Cash flows from discontinued operations				
Net cash provided by (used in) discontinued operations	6	(9)	(8)	(39)
Effect of exchange rate changes on cash and cash equivalents	—	(24)	16	(29)
(Decrease)/increase in cash and cash equivalents	132	180	39	170
Cash and cash equivalents at beginning of period	405	318	498	328
Cash and cash equivalents at end of period	\$ 537	\$ 498	\$ 537	\$ 498

Q4 2017 EARNINGS CONFERENCE CALL

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

February 8, 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 plans for further share repurchases in 2018; NCR's full year 2018 financial guidance, and first quarter 2018 financial guidance, and the expected type and magnitude of the non-operational adjustments included in any forward-looking non-GAAP measures; NCR's initiatives to accelerate its transformation, and the expected timing, costs and benefits thereof; NCR's Mission One (M1) Services initiative and its expected benefits on NCR's services margin profile; NCR's expected areas of focus to drive momentum; expectations for accelerating cloud and recurring revenue; the status and momentum of NCR's Services and Hardware transformations; 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 24, 2017, and those factors detailed from time to time in NCR's other SEC reports. These materials are dated February 8, 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 and adjusted 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), 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. 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

Q4 results **IN LINE WITH EXPECTATIONS**

Improving **CLOUD** revenue growth; Net ACV of \$67M, up 46% full year

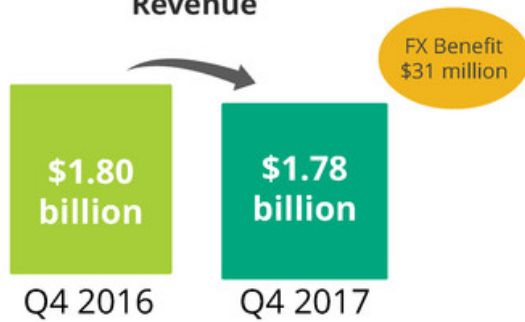
Gross Margin **RATE EXPANSION** driven by strength in Services

\$300M **SHARE REPURCHASE** planned for 2018 with \$125M completed to date

2018 GUIDANCE Revenue growth 0% - 3%; Non-GAAP EPS of \$3.30 - \$3.45; Free cash flow conversion rate of ~90%

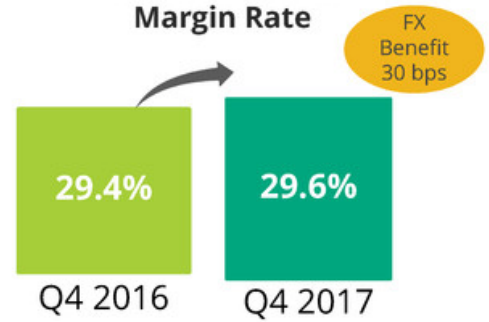
Q4 2017 FINANCIAL RESULTS

Revenue



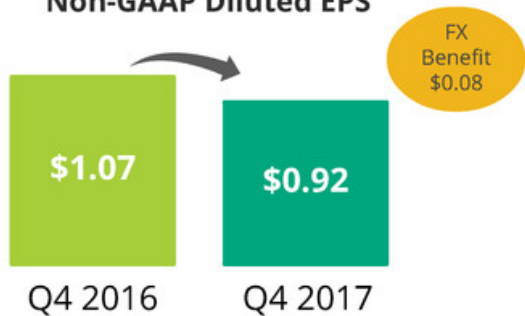
Revenue down 1% as reported and down 3% CC; Recurring revenue up 4% CC, 42% of total revenue

Non-GAAP Gross Margin Rate



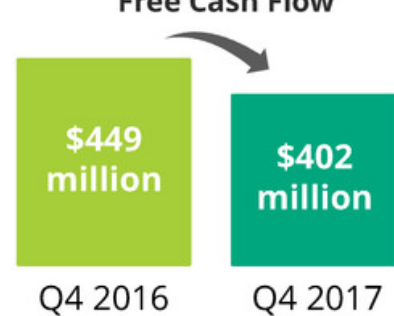
Non-GAAP gross margin rate up 20 bps as reported and down 10 bps CC

Non-GAAP Diluted EPS



Non-GAAP Diluted EPS down 14% as reported and down 20% CC

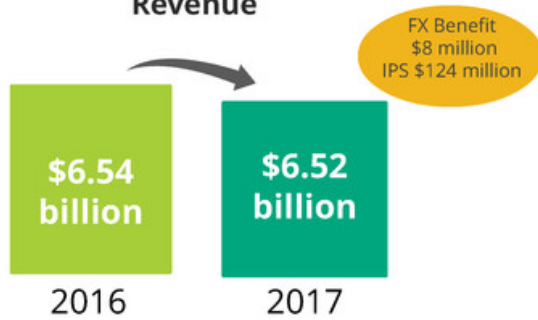
Free Cash Flow



Strong performance in FY 2017; Q4 2016 benefited from \$100m working capital improvement

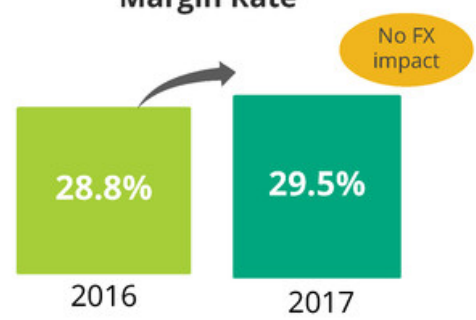
FY 2017 FINANCIAL RESULTS

Revenue



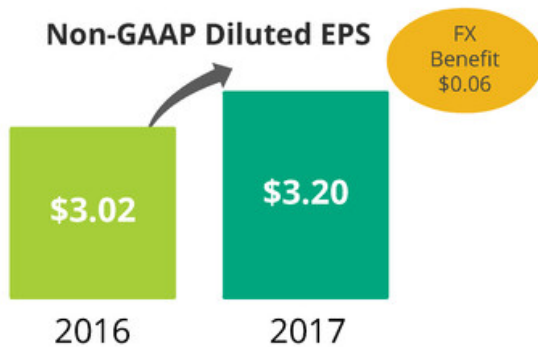
Revenue flat as reported and up 1% adjusted CC; Recurring revenue up 3% CC, 44% of total revenue

Non-GAAP Gross Margin Rate



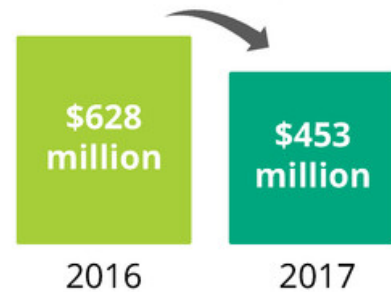
Non-GAAP gross margin rate up 70 as reported and CC

Non-GAAP Diluted EPS



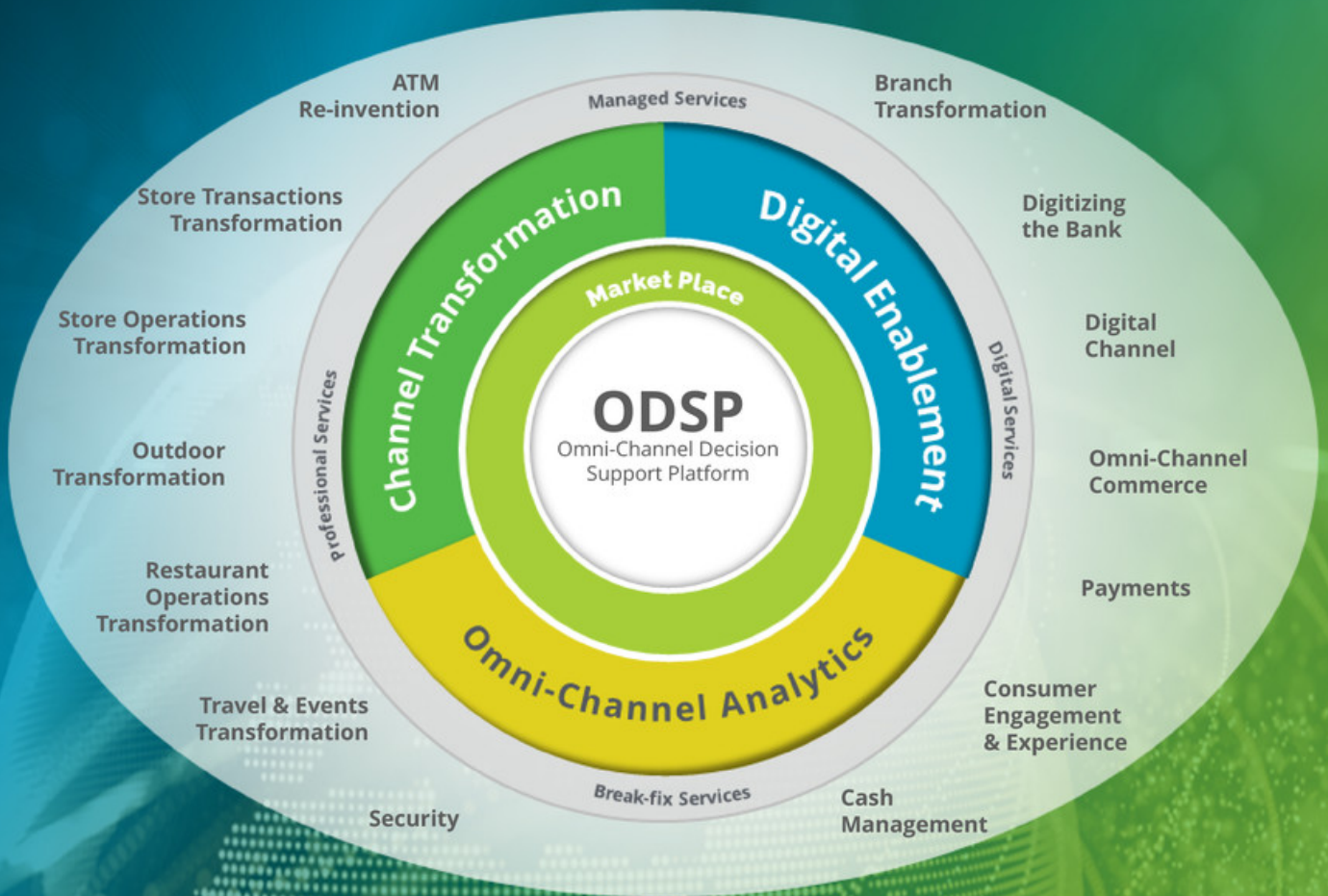
Non-GAAP Diluted EPS up 6% as reported and 4% CC

Free Cash Flow



92% FCF conversion rate in 2017; FY 2016 benefited from \$100m working capital improvement in Q4

NCR SOLUTION ECOSYSTEM






TRANSFORMATION PROGRESS

How have we done so far?

What we said we would do

What we did

<p>IMPROVING SALES EXECUTION</p> 	<p>Created Industry Solutions Group to optimize solution offers</p>
<p>INCREASING CUSTOMER SERVICES PRODUCTIVITY AND LOYALTY</p> 	<p>World Class Customer Services based on Cx Loyalty Scores up 500 bps from 2015</p>
<p>MAKING SOFTWARE OUR BUSINESS</p> 	<p>\$2B Software Company with ~\$600 M from Cloud; Accelerated Cloud and unattached SW license growth</p>
<p>OPTIMIZING OUR COST STRUCTURE</p> 	<p>Drove Services margin expansion over 300 bps</p>

ACCELERATING OUR TRANSFORMATION

Focus on ensuring success in our strategic plan to build share in the most promising growth areas while driving further operating efficiencies



Investing in Software products that will accelerate growth



Driving growth in Services through structural improvements

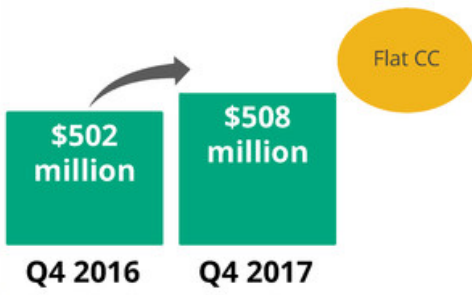


Optimizing Hardware production, sourcing and supply chain strategy

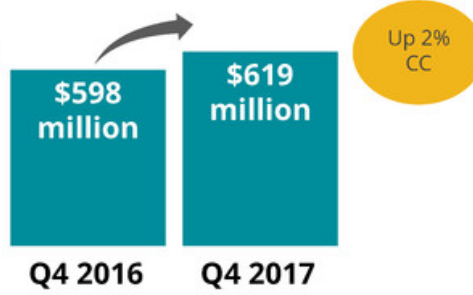
Expected P&L Charge of \$200 million to \$250 million over next 2 years
Expected Cash Costs of \$150 million to \$200 million over next 2 years
Annual Run Rate Savings of approximately \$150 million by 2020

Q4 2017 SEGMENT RESULTS

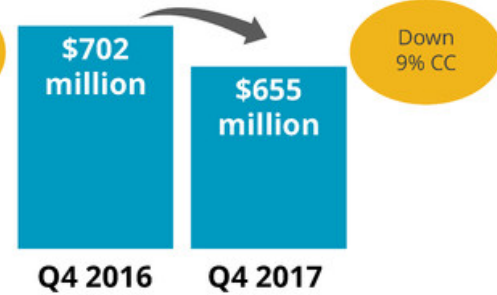
Software Revenue



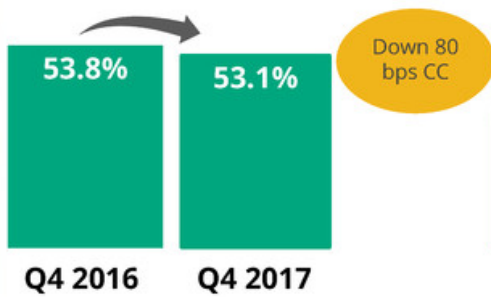
Services Revenue



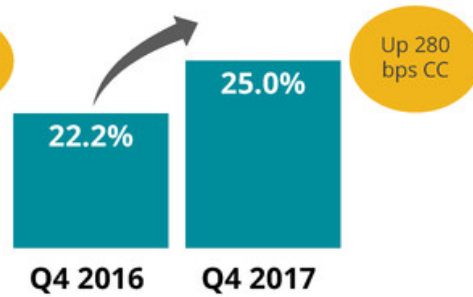
Hardware Revenue



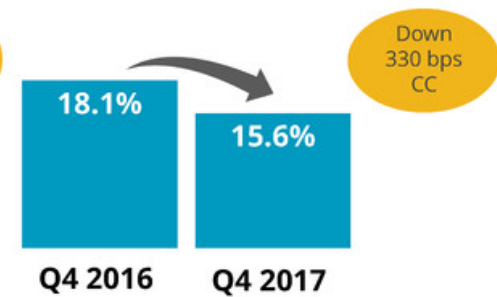
Software Gross Margin



Services Gross Margin



Hardware Gross Margin



SOFTWARE

Q4 2017 Update

	Q4 2017	Q4 2016	% Change	% Change Constant Currency
Software License	\$95	\$103	(8)%	(10)%
<i>Attached License</i>	37	45	(18)%	(21)%
<i>Unattached License</i>	58	58	—%	—%
Software Maintenance	96	96	—%	(2)%
Cloud	156	147	6%	6%
Professional Services	161	156	3%	1%
Software Revenue	\$508	\$502	1%	—%
Software Gross Margin	\$270	\$270	—%	(1)%
Software Gross Margin Rate	53.1%	53.8%	(70) bps	(80) bps
Operating Income	\$166	\$172	(3)%	(5)%
Operating Income as a % of Revenue	32.7%	34.3%	(160) bps	(160) bps

KEY HIGHLIGHTS

\$ in millions

- Cloud up 6% with accelerated sequential growth of \$7 million driven by prior period bookings
- Q4 Net ACV of \$14 million; Full year Net ACV of \$67 million compared to FY 2016 Net ACV of \$46 million
- Software License down 8% due to lower software license revenue associated with lower hardware sales; FY 2017 Unattached Software License up 12%
- Gross Margin rate down driven by lower Software License revenue partially offset by improved efficiency and scale in Software Maintenance and Cloud

SERVICES

Q4 2017 Update

	Q4 2017	Q4 2016	% Change	% Change Constant Currency
Services Revenue	\$619	\$598	4%	2%
Services Gross Margin	\$155	\$133	17%	16%
Services Gross Margin Rate	25.0%	22.2%	+280 bps	+280 bps
Operating Income	\$79	\$62	27%	27%
Operating Income as a % of Revenue	12.8%	10.4%	+240 bps	+260 bps

\$ in millions

KEY HIGHLIGHTS

- Growth in annuity services revenue, including hardware maintenance and managed services, drove higher revenue in the quarter; Backlog improving in form of higher file value
- Gross margin rate increased due to sustainable improvements achieved through Mission One (M1) initiative
- 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

Q4 2017 Update

	Q4 2017	Q4 2016	% Change	% Change Constant Currency
ATMs	\$303	\$385	(21)%	(22)%
Self-Checkout (SCO)	131	132	(1)%	(1)%
Point-of-Sale (POS)	218	177	23%	20%
Interactive Printer Solutions (IPS)	3	8	(63)%	(63)%
Hardware Revenue	\$655	\$702	(7)%	(9)%
Hardware Gross Margin	\$102	\$127	(20)%	(25)%
Hardware Gross Margin Rate	15.6%	18.1%	(250) bps	(330) bps
Operating Income	(\$2)	\$30	(107)%	(105)%
Operating Income as a % of Revenue	(0.3%)	4.3%	(460) bps	(540) bps

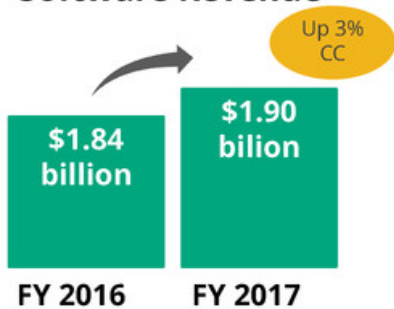
\$ in millions

KEY HIGHLIGHTS

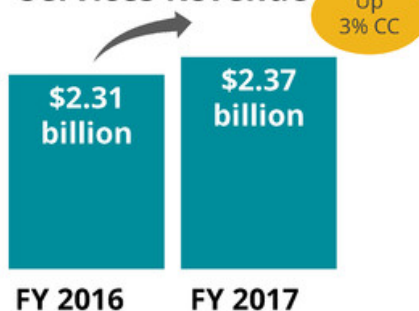
- Strong growth in POS revenues, primarily due to new customer wins and continued traction for NCR forecourt Omni-Channel solution in the Petroleum & Convenience market
- ATM revenue down in the quarter due to lower backlog at the beginning of the quarter, but exceeded Company expectations
- SCO revenue down slightly; Sequential growth of 66% from Q3 2017
- Gross margin rate decrease due to lower ATM volumes and new product introductions

FY 2017 SEGMENT RESULTS

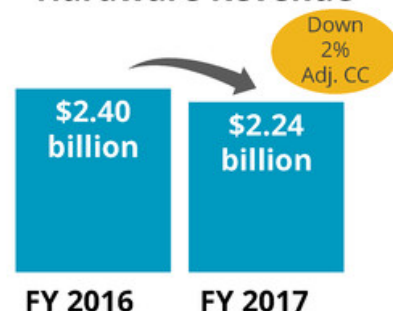
Software Revenue



Services Revenue

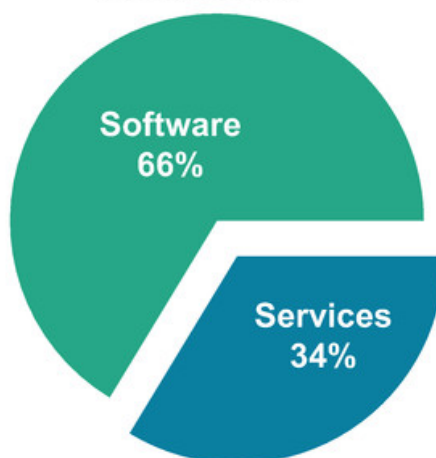


Hardware Revenue



YTD 2017 Operating Income Mix

Software	51.1% GM rate
Services	24.7% GM rate
Hardware	16.4% GM rate



- Cloud revenue growth of 6%; Net ACV growth of 46%
- Unattached SW license revenue growth of 12%
- Services margin expansion of 310 bps
- Recurring revenue at 44% of total revenue, up 100 bps

FREE CASH FLOW

	QTD		YTD	
	Q4 2017	Q4 2016	Q4 2017	Q4 2016
Cash Provided by Operating Activities	\$484	\$525	\$755	\$894
Total capital expenditures ⁽¹⁾	(88)	(67)	(294)	(227)
Cash used in Discontinued Operations	6	(9)	(8)	(39)
Free Cash Flow	\$402	\$449	\$453	\$628
Free Cash Flow Conversion Rate ⁽²⁾			92%	132%

\$ in millions

⁽¹⁾ The total capital expenditures of \$294 million in 2017 includes \$60 million related to the new world headquarters in Atlanta, Georgia. This \$60 million is offset by \$44 million of reimbursements by the lessor included in net cash provided by operating activities.

⁽²⁾ Calculated as Free Cash Flow as a % of non-GAAP net income.

NET DEBT AND EBITDA METRICS

	FY 2016	Q3 2017	FY 2017
Debt	\$3,051	\$3,253	\$2,991
Cash	(498)	(405)	(537)
Net Debt	\$2,553	\$2,848	\$2,454
Adjusted EBITDA ⁽¹⁾	\$1,057	\$1,129	\$1,124
Net Debt / Adjusted EBITDA	2.4x	2.5x	2.2x

⁽¹⁾ Adjusted EBITDA for the trailing twelve-month period.

\$ in millions, except metrics

FY and Q1 2018 GUIDANCE

	FY 2018 Guidance
Revenue Growth	0% - 3%
GAAP Diluted EPS	\$2.08 - \$2.48
Non-GAAP Diluted EPS	\$3.30 - \$3.45
Free Cash Flow	~90% Conversion Rate

	Q1 2018 Guidance
Revenue Growth	(1%) - 2%
GAAP Diluted EPS	\$0.16 - \$0.29
Non-GAAP Diluted EPS	\$0.41 - \$0.47

LOOKING FORWARD

- Improving execution and operational efficiencies
- Focused on sales funnel, go to market offers, orders and Net ACV growth to drive momentum
- Accelerate recurring revenue; primarily cloud
- Services transformation well under way; Hardware transformation building momentum
- Accelerate transformation initiatives to generate targeted run-rate savings of \$150 million by 2020
- Free cash flow generation and balanced capital allocation strategy remain top priorities

SUPPLEMENTARY MATERIALS



Q4 & FY 2017 GAAP RESULTS

	Q4 2017	Q4 2016	% Change As Reported	FY 2017	FY 2016	% Change As Reported
Revenue	\$1,782	\$1,802	(1)%	\$6,516	\$6,543	—%
Gross Margin	515	479	8%	1,864	1,782	5%
Gross Margin Rate	28.9%	26.6%		28.6%	27.2%	
Operating Expenses	334	333	—%	1,188	1,183	—%
% of Revenue	18.7%	18.5%		18.2%	18.1%	
Operating Income	181	146	24%	676	599	13%
% of Revenue	10.2%	8.1%		10.4%	9.2%	
Interest and other expense	(50)	(57)	(12)%	(194)	(220)	(12)%
Income Tax Expense	164	17	865%	242	92	163%
Income Tax Rate	125%	19%		50%	24%	
Net Income ⁽¹⁾	(\$35)	\$68	(151)%	\$237	\$283	(16)%
Diluted EPS	(\$0.38)	\$0.43	(188)%	\$1.01	\$1.80	(44)%

in millions, except per share amounts

⁽¹⁾ Q4 GAAP net income includes pension mark-to-market expense of \$25 million compared to \$78 million in the prior year, and \$130 million non-cash charge related to the impact of the U.S. Tax Cuts and Jobs Act enacted in December 2017. The non-cash charge represents a provisional amount and NCR's current best estimate, which may be refined and adjusted over the course of 2018.

Q4 & FY 2017 OPERATIONAL RESULTS

	Q4 2017	Q4 2016	% Change As Reported	% Change Constant Currency	FY 2017	FY 2016	% Change As Reported	% Change Adjusted Constant Currency
Revenue	\$1,782	\$1,802	(1)%	(3)% ⁽¹⁾	\$6,516	\$6,543	—%	1% ⁽¹⁾
Gross Margin (non-GAAP)	527	530	(1)%	(3)%	1,924	1,882	2%	2%
Gross Margin Rate (non-GAAP)	29.6%	29.4%	+20 bps	(10) bps	29.5%	28.8%	+70 bps	+70 bps
Operating Expenses (non-GAAP)	284	266	7%	5%	1,071	1,042	3%	3%
% of Revenue	15.9%	14.8%			16.4%	15.9%		
Operating Income (non-GAAP)	243	264	(8)%	(11)%	853	840	2%	2%
% of Revenue	13.6%	14.7%	(110) bps	(130) bps	13.1%	12.8%	+30bps	—bps
Interest and other expense (non-GAAP)	(50)	(56)	(11)%	4%	(194)	(214)	(9)%	(3)%
Income Tax Expense (non-GAAP)	49	36	36%		162	147	10%	
Income Tax Rate (non-GAAP)	25%	17%			25%	23%		
Net Income (non-GAAP)	\$142	\$168	(15)%	(22)%	\$494	\$475	4%	2%
Diluted EPS (non-GAAP) ⁽²⁾	\$0.92	\$1.07	(14)%	(20)%	3.20	\$3.02	6%	4%

in millions, except per share amounts

⁽¹⁾ The impact of foreign currency was \$31 million favorable in Q4 2017 and \$8 million favorable in FY 2017. Adjusted CC revenue growth excludes \$124 million of IPS revenue from FY 2016.

⁽²⁾ Q4 2017 includes \$0.08 of foreign currency benefit on EPS. Diluted share count of 153.7 million in Q4 2017 and 157.4 million in Q4 2016. FY 2017 includes \$0.06 of foreign currency benefit on EPS. Diluted share count of 154.3 million in FY 2017 and 157.4 million in FY 2016.

SOFTWARE

	FY 2017	FY 2016	% Change	% Change Constant Currency
Software License	\$336	\$341	(1)%	(2)%
<i>Attached License</i>	121	149	(19)%	(20)%
<i>Unattached License</i>	215	192	12%	12%
Software Maintenance	374	372	1%	—%
Cloud	592	556	6%	6%
Professional Services	598	572	5%	5%
Software Revenue	\$1,900	\$1,841	3%	3%
Software Gross Margin	\$970	\$953	2%	2%
Software Gross Margin Rate	51.1%	51.8%	(70) bps	(60) bps
Operating Income	\$567	\$577	(2)%	(2)%
Operating Income as a % of Revenue	29.8%	31.3%	(150) bps	(150) bps

in millions

SERVICES

	FY 2017	FY 2016	% Change	% Change Constant Currency
Services Revenue	\$2,373	\$2,306	3%	3%
Services Gross Margin	\$586	\$497	18%	20%
Services Gross Margin Rate	24.7%	21.6%	+310 bps	+340 bps
Operating Income	\$288	\$201	43%	50%
Operating Income as a % of Revenue	12.1%	8.7%	+340 bps	+370 bps

in millions

HARDWARE

	FY 2017	FY 2016	% Change	% Change Constant Currency
ATMs	\$1,012	\$1,221	(17)%	(18)%
Self-Checkout (SCO)	407	351	16%	16%
Point-of-Sale (POS)	806	674	20%	19%
Interactive Printer Solutions (IPS)	18	150	(88)%	(32)%
Hardware Revenue	\$2,243	\$2,396	(6)%	(2)%
Hardware Gross Margin	\$368	\$432	(15)%	(17)%
Hardware Gross Margin Rate	16.4%	18.0%	(160) bps	(190) bps
Operating Income	(\$2)	\$62	(103)%	(104)%
Operating Income as a % of Revenue	(0.1%)	2.6%	(270) bps	(320) bps

in millions

NON-GAAP MEASURES

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

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

Free Cash Flow and Free Cash Flow 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. 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' definition of these measures.

NON-GAAP MEASURES

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

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

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

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

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

GAAP TO NON-GAAP RECONCILIATION

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

in millions	FY 2016	Q3 2017 LTM	FY 2017
Net Income from Continuing Operations (GAAP)	\$287	\$345	\$240
Pension Mark-to-Market Adjustments	85	85	28
Transformation/Restructuring Costs	26	29	29
Acquisition-Related Amortization of Intangibles	123	114	115
Acquisition-Related Costs	7	5	5
Divestiture and Liquidation Losses	6	1	—
Net (Income) Loss from Continuing Operations Attributable to Noncontrolling Interests	(4)	(5)	(3)
Interest Expense	170	162	163
Interest Income	(4)	(4)	(3)
Depreciation and Amortization	208	226	231
Income Taxes	92	95	242
Stock Compensation Expense	61	76	77
Adjusted EBITDA (non-GAAP)	\$1,057	\$1,129	\$1,124

in millions

GAAP TO NON-GAAP RECONCILIATION

Q4 2017 QTD

in millions (except per share amounts)	Q4 QTD 2017 GAAP	Transformation Costs	Acquisition-related amortization of intangibles	Acquisition-related costs	Pension mark-to-market adjustments	Impact of U.S Tax Reform	Q4 QTD 2017 non-GAAP
Product revenue	\$750	\$—	\$—	\$—	\$—	\$—	\$750
Service revenue	1,032	—	—	—	—	—	1,032
Total revenue	1,782	—	—	—	—	—	1,782
Cost of products	596	—	(6)	—	(5)	—	585
Cost of services	671	—	(7)	—	6	—	670
Gross margin	515	—	13	—	(1)	—	527
Gross margin rate	28.9%	—%	0.7%	—%	—%	—%	29.6%
Selling, general and administrative expenses	256	(4)	(16)	(2)	(12)	—	222
Research and development expenses	78	1	—	—	(17)	—	62
Total operating expenses	334	(3)	(16)	(2)	(29)	—	284
Total operating expense as a % of revenue	18.7%	(0.2)%	(0.9)%	(0.1)%	(1.6)%	—%	15.9%
Income (loss) from operations	181	3	29	2	28	—	243
Income (loss) from operations as a % of revenue	10.2%	0.2%	1.6%	—%	1.6%	—%	13.6%
Interest and Other (expense) income, net	(50)	—	—	—	—	—	(50)
Income (loss) from continuing operations before income taxes	131	3	29	2	28	—	193
Income tax expense (benefit)	164	2	9	1	3	(130)	49
Effective tax rate	125%						25%
Income (loss) from continuing operations	(33)	1	20	1	25	130	144
Net income (loss) attributable to noncontrolling interests	2	—	—	—	—	—	2
Income (loss) from continuing operations (attributable to NCR)	(\$35)	\$1	\$20	\$1	\$25	\$130	\$142
Diluted earnings per share	(\$0.38)	\$0.01	\$0.13	\$0.01	\$0.16	\$0.85	\$0.92
Diluted shares outstanding	121.9						153.7

in millions, except per share amounts

GAAP TO NON-GAAP RECONCILIATION

Q4 2017 QTD

	Q4 QTD 2017 GAAP	Q4 QTD 2017 non-GAAP
in millions (except per share amounts)		
Income (loss) from continuing operations attributable to NCR common stockholders:		
Income from continuing operations (attributable to NCR)	\$(35)	\$142
Dividends on convertible preferred shares	(\$11)	—
Income from continuing operations attributable to NCR common stockholders	(\$46)	\$142
Weighted average outstanding shares:		
Weighted average diluted shares outstanding	121.9	126.4
Weighted as-if converted preferred shares	—	27.3
Total shares used in diluted earnings per share	121.9	153.7
Diluted (loss) earnings per share ⁽¹⁾	(\$0.38)	\$0.92

in millions, except per share amounts

⁽¹⁾ 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

Q4 2016 QTD

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

in millions, except per share amounts

GAAP TO NON-GAAP RECONCILIATION

Q4 2016 QTD

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

in millions, except per share amounts

⁽¹⁾ 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
Total revenue	6,516	—	—	—	—	—	6,516
Cost of products	2,026	(2)	(25)	—	(5)	—	1,994
Cost of services	2,626	(9)	(25)	—	6	—	2,598
Gross margin	1,864	11	50	—	(1)	—	1,924
Gross margin rate	28.6%	0.1%	0.8%	—%	—%	—%	29.5%
Selling, general and administrative expenses	932	(14)	(65)	(5)	(12)	—	836
Research and development expenses	256	(4)	—	—	(17)	—	235
Total operating expenses	1,188	(18)	(65)	(5)	(29)	—	1,071
Total operating expense as a % of revenue	18.2%	(0.3)%	(1.0)%	(0.1)%	(0.4)%	—%	16.4%
Income (loss) from operations	676	29	115	5	28	—	853
Income (loss) from operations as a % of revenue	10.4%	0.4%	1.8%	0.1%	0.4%	—%	13.1%
Interest and Other (expense) income, net	(194)	—	—	—	—	—	(194)
Income (loss) from continuing operations before income taxes	482	29	115	5	28	—	659
Income tax expense (benefit)	242	9	36	2	3	(130)	162
Effective tax rate	50%						25%
Income (loss) from continuing operations	240	20	79	3	25	130	497
Net income (loss) attributable to noncontrolling interests	3	—	—	—	—	—	3
Income (loss) from continuing operations (attributable to NCR)	\$237	\$20	\$79	\$3	\$25	\$130	\$494
Diluted earnings per share	\$1.01	\$0.13	\$0.51	\$0.02	\$0.16	\$0.84	\$3.20
Diluted shares outstanding	127.0						154.3

GAAP TO NON-GAAP RECONCILIATION

FY 2017

	Q4 YTD 2017 GAAP	Q4 YTD 2017 non-GAAP
in millions (except per share amounts)		
<i>Income (loss) from continuing operations attributable to NCR common stockholders:</i>		
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)	—
Income from continuing operations attributable to NCR common stockholders	\$128	\$494
<i>Weighted average outstanding shares:</i>		
Weighted average diluted shares outstanding	127.0	127.0
Weighted as-if converted preferred shares	—	27.3
Total shares used in diluted earnings per share	127.0	154.3
Diluted earnings per share ⁽¹⁾	\$1.01	\$3.20

⁽¹⁾ 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 2016

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

in millions, except per share amounts

GAAP TO NON-GAAP RECONCILIATION

FY 2016

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

in millions, except per share amounts

⁽¹⁾ 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

Q4 2017 QTD & YTD

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

	Q4 2017 QTD		Q4 2017 YTD	
	Gross Margin	Gross Margin Rate %	Gross Margin	Gross Margin Rate %
Software	270	53.1%	970	51.1%
Services	155	25.0%	586	24.7%
Hardware	102	15.6%	368	16.4%
Total Gross Margin (non-GAAP)	527	29.6%	1,924	29.5%
Less:				
Restructuring/Transformation Costs	—	—%	11	0.1%
Acquisition-related amortization of intangibles	13	0.7%	50	0.8%
Pension mark-to-market adjustments	(1)	—%	(1)	—%
Total Gross Margin (GAAP)	515	28.9%	1,864	28.6%

GAAP TO NON-GAAP RECONCILIATION

Q4 2016 QTD & YTD

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

	Q4 2016 QTD		Q4 2016 YTD	
	Gross Margin	Gross Margin Rate %	Gross Margin	Gross Margin Rate %
Software	270	53.8%	953	51.8%
Services	133	22.2%	497	21.6%
Hardware	127	18.1%	432	18.0%
Total Gross Margin (non-GAAP)	530	29.4%	1,882	28.8%
Less:				
Restructuring/Transformation Costs	—	—%	4	0.1%
Acquisition-related amortization of intangibles	13	0.7%	58	0.8%
Pension mark-to-market adjustments	38	2.1%	38	0.6%
Total Gross Margin (GAAP)	479	26.6%	1,782	27.2%

GAAP TO NON-GAAP RECONCILIATION

Q4 2017 QTD & YTD

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

	Q4 2017 QTD		Q4 2017 YTD	
	Operating Income	Operating Income Rate	Operating Income	Operating Income Rate
Software	166	32.7%	567	29.8%
Services	79	12.8%	288	12.1%
Hardware	(2)	(0.3)%	(2)	(0.1)%
Total Operating Income (non-GAAP)	243	13.6%	853	13.1%
Less:				
Restructuring/Transformation Costs	3	0.2%	29	0.4%
Acquisition-related amortization of intangibles	29	1.6%	115	1.8%
Acquisition-related costs	2	—%	5	0.1%
Pension mark-to-market adjustments	28	1.6%	28	0.4%
Total Operating Income (GAAP)	181	10.2%	676	10.4%

GAAP TO NON-GAAP RECONCILIATION

Q4 2016 QTD & YTD

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

	Q4 2016 QTD		Q4 2016 YTD	
	Operating Income	Operating Income Rate	Operating Income	Operating Income Rate
Software	172	34.3%	577	31.3%
Services	62	10.4%	201	8.7%
Hardware	30	4.3%	62	2.6%
Total Operating Income (non-GAAP)	264	14.7%	840	12.8%
Less:				
Restructuring/Transformation Costs	3	0.2%	26	0.4%
Acquisition-related amortization of intangibles	28	1.6%	123	1.9%
Acquisition-related costs	2	0.1%	7	0.1%
Pension mark-to-market adjustments	85	4.7%	85	1.3%
Total Operating Income (GAAP)	146	8.1%	599	9.2%

GAAP TO NON-GAAP RECONCILIATION

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

	Q4 2017 QTD			Q4 2017 YTD			
	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Revenue Growth Constant Currency % (non-GAAP)	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Divestiture impact	Revenue Growth Adjusted Constant Currency % (non-GAAP)
Software License	(8)%	2%	(10)%	(1)%	1%	—%	(2)%
<i>Attached License</i>	(18)%	3%	(21)%	(19)%	1%	—%	(20)%
<i>Unattached License</i>	—%	—%	—%	12%	—%	—%	12%
Software Maintenance	—%	2%	(2)%	1%	1%	—%	—%
Cloud	6%	—%	6%	6%	—%	—%	6%
Professional Services	3%	2%	1%	5%	—%	—%	5%
Software	1%	1%	—%	3%	—%	—%	3%
Services	4%	2%	2%	3%	—%	—%	3%
ATMs	(21)%	1%	(22)%	(17)%	1%	—%	(18)%
Self-Checkout (SCO)	(1)%	—%	(1)%	16%	—%	—%	16%
Point-of-Sale (POS)	23%	3%	20%	20%	1%	—%	19%
Interactive Printer Solutions (IPS)	(63)%	—%	(63)%	(88)%	—%	(56)%	(32)%
Hardware	(7)%	2%	(9)%	(6)%	1%	(5)%	(2)%
Total Revenue	(1)%	2%	(3)%	—%	—%	(1)%	1%

GAAP TO NON-GAAP RECONCILIATION

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

	Q4 2017 QTD			2017 YTD		
	Gross Margin Growth % Reported	Favorable (unfavorable) FX impact	Constant Currency Gross Margin Growth % (non-GAAP)	Gross Margin Growth % Reported	Favorable (unfavorable) FX impact	Constant Currency Gross Margin Growth % (non-GAAP)
Software	—%	1%	(1)%	2%	—%	2%
Services	17%	1%	16%	18%	(2)%	20%
Hardware	(20)%	5%	(25)%	(15)%	2%	(17)%
Total Gross Margin	(1)%	2%	(3)%	2%	—%	2%

GAAP TO NON-GAAP RECONCILIATION

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

	Q4 2017 QTD			2017 YTD		
	Operating Income Growth % Reported	Favorable (unfavorable) FX impact	Constant Currency Operating Income Growth % (non-GAAP)	Operating Income Growth % Reported	Favorable (unfavorable) FX impact	Constant Currency Operating Income Growth % (non-GAAP)
Software	(3)%	2%	(5)%	(2)%	—%	(2)%
Services	27%	—%	27%	43%	(7)%	50%
Hardware	(107)%	(2)%	(105)%	(103)%	1%	(104)%
Total Operating Income	(8)%	3%	(11)%	2%	—%	2%

GAAP TO NON-GAAP RECONCILIATION

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

	Q4 2017 QTD			2017 YTD		
	Gross Margin bps Growth Reported	Favorable (unfavorable) FX impact	Constant Currency Gross Margin bps Growth (non-GAAP)	Gross Margin bps Growth Reported	Favorable (unfavorable) FX impact	Constant Currency Gross Margin bps Growth (non-GAAP)
Software	(70) bps	10 bps	(80) bps	(70) bps	(10) bps	(60) bps
Services	280 bps	— bps	280 bps	310 bps	(30) bps	340 bps
Hardware	(250) bps	80 bps	(330) bps	(160) bps	30 bps	(190) bps
Total Gross Margin bps	20 bps	30 bps	(10) bps	70 bps	— bps	70 bps

GAAP TO NON-GAAP RECONCILIATION

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

	Q4 2017 QTD			2017 YTD		
	Operating Income bps Growth Reported	Favorable (unfavorable) FX impact	Constant Currency Operating Income bps Growth (non-GAAP)	Operating Income bps Growth Reported	Favorable (unfavorable) FX impact	Constant Currency Operating Income bps Growth (non-GAAP)
Software	(160) bps	— bps	(160) bps	(150) bps	— bps	(150) bps
Services	240 bps	(20) bps	260 bps	340 bps	(30) bps	370 bps
Hardware	(460) bps	80 bps	(540) bps	(270) bps	50 bps	(320) bps
Total Operating Income	(110) bps	20 bps	(130) bps	30 bps	30 bps	— bps

GAAP TO NON-GAAP RECONCILIATION

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

	2018 Guidance	Q1 2018 Guidance
Diluted EPS (GAAP) ^{(1) (2)}	\$2.08 - \$2.48	\$0.16 - \$0.29
Restructuring/Transformation costs	0.50 - 0.75	0.05 - 0.09
Acquisition-Related Amortization of Intangibles	0.42	0.10
Acquisition-Related Costs	0.05	0.01
Non-GAAP Diluted EPS ^{(1) (3)}	\$3.30 - \$3.45	\$0.41 - \$0.47

⁽¹⁾ 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.

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

⁽³⁾ For FY 2018, we have assumed OIE of approximately \$204 million, an effective tax rate of 24% and a share count of 154 million compared to OIE of \$198 million, an effective tax rate of 25% and a share count of 154 million in FY 2017. For Q1 2018, we have assumed OIE of approximately \$52 million, an effective tax rate of 28% and a share count of 153 million compared to OIE of \$46 million, an effective tax rate of 24% and a share count of 156.7 million in Q1 2017.



