

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): July 20, 2017



NCR CORPORATION

(Exact name of registrant as specified in its charter)

Commission File Number 001-00395

Maryland

(State or other jurisdiction of
incorporation or organization)

31-0387920

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

**3097 Satellite Boulevard
Duluth, Georgia 30096**

(Address of principal executive offices and zip code)

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

N/A

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

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

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

Item 2.02. Results of Operations and Financial Condition.

On July 20, 2017, the Company issued a press release setting forth its second quarter 2017 financial results along with its third quarter 2017 and updated fiscal year 2017 financial outlook. A copy of the press release is attached hereto as Exhibit 99.1 and hereby incorporated by reference.

Item 7.01. Regulation FD Disclosure.

On July 20, 2017, the Company will hold its previously announced conference call to discuss its second quarter 2017 results, its third quarter 2017 financial outlook and updated fiscal year 2017 financial outlook. A copy of supplementary materials that will be referred to in the conference call, and which were posted to the Company's website, is attached hereto as Exhibit 99.2.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits:

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

Exhibit No.	Description
99.1	Press Release issued by the Company, dated July 20, 2017
99.2	Supplemental materials, dated July 20, 2017

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: July 20, 2017

Index to Exhibits

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

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release issued by the Company, dated July 20, 2017
99.2	Supplemental materials, dated July 20, 2017



July 20, 2017

NCR Announces Second Quarter 2017 Results

DULUTH, Ga. - NCR Corporation (NYSE: NCR) reported financial results today for the three months ended June 30, 2017. Second quarter highlights include:

- **GAAP diluted EPS of \$0.64, up 31% from \$0.49 in the prior year; Non-GAAP diluted EPS of \$0.80, up 13% constant currency from \$0.72 in the prior year**
- **Revenue of \$1.59 billion, down 2% as reported and up 3% excluding FX and the IPS divestiture**
- **Software revenue up 3% driven by cloud growth of 9%; Net ACV of \$18 million in the quarter, up 13%**
- **GAAP gross margin rate expanded 160 basis points to 29.1%; Non-GAAP gross margin rate expanded 150 basis points constant currency to 30.1%**
- **GAAP operating margin rate expanded 110 basis points to 11.2%; Non-GAAP operating margin rate expanded 90 basis points constant currency to 13.5%**
- **2017 Revenue, diluted EPS, and cash flow guidance reaffirmed**

"The second quarter is a great example of the strength of NCR's transformed business model over the last decade. The diversity of our revenue streams and growing strength in software, particularly cloud, drove financial results that were in-line with our expectations and keep us on target to achieve our full year outlook," said Chairman and CEO Bill Nuti. "We are clearly benefiting from the breadth of our solution offers, and our customers' increasing investments in omni-channel software, channel transformation, and digital enablement solutions across all of our end-markets. It is also clear that we continue to gain market share in strategic areas that drive recurring revenue, such as cloud and Services, and in an expanding smart-edge of the enterprise, including self-checkout and new modalities of point-of-sale, such as mobile POS, and interactive POS devices in new markets. As we move into the second half of the year, our goal is to further expand our leadership position in the omni-channel market, while continuing to focus on disruptive innovation, solution development, and market-leading Services delivery."

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.

Second Quarter 2017 Operating Results

Revenue

Second quarter revenue of \$1.59 billion was down 2% year-over-year. On an adjusted constant currency basis, second quarter revenue was up 3%. Foreign currency fluctuations and the IPS divestiture had an unfavorable impact on the revenue comparison of 2% and 3%, respectively.

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

\$ in millions	2017	2016	% Change	% Change Adjusted Constant Currency
Software License	\$ 77	\$ 82	(6%)	(6%)
Software Maintenance	91	91	—%	1%
Cloud	145	133	9%	9%
Professional Services	151	146	3%	5%
Software Revenue	\$ 464	\$ 452	3%	3%
Services Revenue	\$ 588	\$ 574	2%	4%
ATM	\$ 227	\$ 286	(21%)	(20%)
SCO	96	70	37%	37%
POS	213	180	18%	20%
IPS	5	58	(91%)	(21%)
Hardware Revenue	\$ 541	\$ 594	(9%)	1%
Total Revenue	\$ 1,593	\$ 1,620	(2%)	3%

Software revenue was up 3% on a constant currency basis primarily due to continued demand for NCR's channel transformation with increases in cloud revenues of 9% and professional services of 5%. Software license revenue was down 6% due to unattached software license revenue that is now expected in the back half of the year. Software maintenance revenues returned to growth.

Services revenue was up 4% on a constant currency basis driven by hardware maintenance growth as a result of improving channel transformation trends, combined with increased managed and implementation services.

Hardware revenue was up 1% on a constant currency basis due to continued growth in SCO of 37% and an increase in POS revenues of 20%, driven by ongoing momentum in channel transformation. ATM revenues declined 20%, as anticipated. ATM revenue is expected to improve in the fourth quarter as larger customer roll-outs are scheduled to take place.

Gross Margin

Second quarter gross margin of \$463 million increased 4% from \$446 million. Second quarter gross margin (non-GAAP) of \$479 million increased 3% from \$465 million. Gross margin rate was 29.1%, up from 27.5%. Gross margin rate (Non-GAAP) was 30.1%, up from 28.7%. The increase in gross margin was due to continued focus on productivity improvements, particularly in our Services segment.

Expenses

Second quarter operating expenses of \$285 million increased from \$283 million. Second quarter operating expenses (non-GAAP) of \$264 million increased from \$258 million. The increase in expenses was a result of increased investment in research and development.

Operating Income

Second quarter operating income of \$178 million increased 9% from \$163 million. Second quarter operating income (non-GAAP) of \$215 million increased 4% from \$207 million. Operating margin rate was 11.2%, up from 10.1%. Operating margin rate (non-GAAP) was 13.5%, up from 12.8%. Operating income was up as a result of higher revenue and gross margin rate expansion, offset by higher operating expenses.

Other (Expense)

Second quarter other (expense) of \$48 million decreased 17% from \$58 million. Second quarter other (expense) (non-GAAP) of \$48 million decreased 9% from \$53 million. The decrease was primarily due to a more favorable foreign currency impact and lower interest expense compared to the prior year period.

Income Tax Expense

Second quarter income tax expense of \$33 million increased from \$31 million. Second quarter income tax expense (non-GAAP) of \$45 million was flat.

Net Income from Continuing Operations Attributable to NCR

Second quarter net income from continuing operations attributable to NCR of \$97 million increased from \$76 million. Second quarter net income from continuing operations attributable to NCR (non-GAAP) of \$122 million increased from \$111 million.

Cash Flow

Second quarter cash provided by operating activities of \$95 million decreased from \$121 million. Free cash flow was \$18 million in the second quarter of 2017 as compared to \$55 million in the second quarter of 2016. The decreases were due to higher working capital needs as we plan for increased revenues later in the year. Year-to-date cash provided by operating activities was \$138 million compared to \$144 million in the prior year, and year-to-date free cash flow was \$6 million compared to free cash flow of \$26 million in the prior year.

2017 Outlook

We are reaffirming our full year 2017 revenue guidance. Revenue is expected to be \$6.63 billion to \$6.75 billion, which represents expected revenue growth of 1% to 3% as reported and 4% to 6% adjusted constant currency. The 2017 revenue guidance includes expected foreign currency headwinds of \$25 million in revenue. The 2017 expected growth rates also exclude approximately \$124 million of IPS revenue from 2016 due to the IPS divestiture in May 2016.

We are also reaffirming our GAAP diluted earnings per share guidance of \$2.20 to \$2.32, and our non-GAAP diluted earnings per share guidance of \$3.32 to \$3.42. We expect GAAP diluted earnings per share to be up 22% to 29% and non-GAAP diluted earnings per share to be up 10% to 13% constant currency. The 2017 non-GAAP diluted earnings per share guidance includes an expected favorable foreign currency impact of \$0.01.

Additionally, we continue to expect net cash provided by operating activities to be \$805 million to \$830 million and free cash flow to be \$500 million to \$525 million, or approximately 95% to 100% of non-GAAP net income.

Q3 2017 Outlook

For the third quarter of 2017, revenue is expected to be \$1.66 billion to \$1.70 billion, GAAP diluted earnings per share is expected to be \$0.65 to \$0.72, and non-GAAP diluted earnings per share is expected to be \$0.88 to \$0.93. The third quarter 2017 guidance includes expected foreign currency headwinds of \$10 million in revenue and \$0.02 in diluted earnings per share.

NCR will provide additional information regarding its third quarter and full year 2017 guidance during its second quarter earnings conference call and webcast.

2017 Second Quarter Earnings Conference Call

A conference call is scheduled for today at 4:30 p.m. (EDT) to discuss the second quarter 2017 results and guidance for third quarter and full year 2017. 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 3741909.

More information on NCR's Q2 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 the global leader in omni-channel solutions, turning everyday interactions with businesses into exceptional experiences. With its software, hardware, and portfolio of services, NCR enables nearly 550 million transactions daily across the financial, retail, hospitality, travel, telecom and technology industries. NCR solutions run the everyday transactions that make your life easier.

NCR is headquartered in Duluth, Georgia with over 33,000 employees and does business in 180 countries. NCR is a trademark of NCR Corporation in the United States and other countries. NCR encourages investors to visit its web site which is updated regularly with financial and other important information about NCR.

Web site: www.ncr.com

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 growing strength in software; the expectation of continued gains in market share and the expansion of smart-edge devices; NCR’s goals for the second half of the year; the completion of scheduled large customer ATM roll-outs and expected improvement in ATM revenue in the back half of 2017; and NCR’s full-year and third quarter financial guidance and outlook (including the sections entitled “2017 Outlook” and “Q3 2017 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 end-market demand for ATMs and other financial services hardware; domestic and global economic and credit conditions including, in particular, those resulting from uncertainty in the "BRIC" economies, economic sanctions against Russia, the determination by Britain to exit the European Union, the potential for changes to global or regional trade agreements or the imposition of protectionist trade policies, and the imposition of import or export tariffs or border adjustments; the impact of our indebtedness and its terms on our financial and operating activities; the impact of the terms of our strategic relationship with Blackstone and our Series A Convertible Preferred Stock; the transformation of our business model and our ability to sell higher-margin software and services; the possibility of disruptions in or problems with our data center hosting facilities; cybersecurity risks and compliance with data privacy and protection requirements; foreign currency fluctuations; our ability to successfully introduce new solutions and compete in the information technology industry; our ability to improve execution in our sales and services organizations; defects or errors in our products; manufacturing disruptions; collectability difficulties in subcontracting relationships in Emerging Industries; the historical seasonality of our sales; the availability and success of acquisitions, divestitures and alliances, including the divestiture of our Interactive Printer Solutions business; our pension strategy and underfunded pension obligation; the success of our restructuring plans and cost reduction initiatives; tax rates; reliance on third party suppliers; development and protection of intellectual property; workforce turnover and the ability to attract and retain skilled employees; environmental exposures from our historical and ongoing manufacturing activities; and uncertainties with regard to regulations, lawsuits, claims and other matters across various jurisdictions. Additional information concerning these and other factors can be found in the Company’s filings with the U.S. Securities and Exchange Commission, including the Company’s most recent annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. Any forward-looking statement speaks only as of the date on which it is made. The Company does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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.

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

Diluted EPS (non-GAAP), Gross Margin (non-GAAP), 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 diluted earnings per share (non-GAAP), 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 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 free cash flow as a percentage of non-GAAP net income (or the cash flow conversion rate). 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 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 or, in the case of quarterly free cash flow, in the body of this release.

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

\$ in millions	Q2 2017	Q2 2016
Gross Margin (GAAP)	\$ 463	\$ 446
Transformation/Restructuring Costs	4	4
Acquisition-related amortization of intangibles	12	15
Gross Margin (Non-GAAP)	\$ 479	\$ 465

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

\$ in millions	Q2 2017	Q2 2016
Gross Margin Rate (GAAP)	29.1%	27.5%
Transformation/Restructuring Costs	0.3%	0.2%
Acquisition-related amortization of intangibles	0.7%	1.0%
Gross Margin Rate (Non-GAAP)	30.1%	28.7%

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

\$ in millions	Q2 2017	Q2 2016
Operating Expenses (GAAP)	\$ 285	\$ 283
Transformation/Restructuring Costs	(4)	(7)
Acquisition-related amortization of intangibles	(16)	(17)
Acquisition-related costs	(1)	(1)
Operating Expenses (Non-GAAP)	\$ 264	\$ 258

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

\$ in millions	Q2 2017	Q2 2016
Income from Operations (GAAP)	\$ 178	\$ 163
Transformation/Restructuring Costs	8	11
Acquisition-related amortization of intangibles	28	32
Acquisition-related costs	1	1
Operating Income (Non-GAAP)	\$ 215	\$ 207

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

\$ in millions	Q2 2017	Q2 2016
Operating Margin rate (GAAP)	11.2%	10.1%
Transformation/Restructuring Costs	0.5%	0.7%
Acquisition-related amortization of intangibles	1.7%	1.9%
Acquisition-related costs	0.1%	0.1%
Operating Margin rate (Non-GAAP)	13.5%	12.8%

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

\$ in millions	Q2 2017	Q2 2016
Other (Expense) (GAAP)	\$ (48)	\$ (58)
Divestiture and liquidation losses	—	5
Other (Expense) (Non-GAAP)	\$ (48)	\$ (53)

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

\$ in millions	Q2 2017		Q2 2016	
Income Tax Expense (GAAP)	\$	33	\$	31
Transformation/Restructuring Costs		2		3
Acquisition-related amortization of intangibles		9		11
Acquisition-related costs		1		—
Income Tax Expense (Non-GAAP)	\$	45	\$	45

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

\$ in millions	Q2 2017		Q2 2016	
Net Income from Continuing Operations Attributable to NCR (GAAP)	\$	97	\$	76
Transformation/Restructuring Costs		6		8
Acquisition-related amortization of intangibles		19		21
Acquisition-related costs		—		1
Divestiture and liquidation losses		—		5
Net Income from Continuing Operations Attributable to NCR (Non-GAAP)	\$	122	\$	111

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

	Q2 2017 Actual	Q2 2016 Actual	FY 2017 Guidance ⁽²⁾	Q3 2017 Guidance ⁽²⁾
Diluted Earnings Per Share (GAAP) ⁽¹⁾	\$ 0.64	\$ 0.49	\$2.20 - \$2.32	\$0.65 - \$0.72
Transformation/Restructuring Costs	0.04	0.05	0.14 - 0.17	0.02 - 0.05
Acquisition-related amortization of intangibles	0.12	0.14	0.49	0.13
Acquisition-related costs	—	0.01	0.03	0.01
Deemed dividends related to Blackstone transaction	—	—	0.39	—
Divestiture and liquidation losses	—	0.03	—	—
Diluted Earnings Per Share (non-GAAP) ⁽¹⁾	\$ 0.80	\$ 0.72	\$3.32 - \$3.42	\$0.88 - \$0.93

⁽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	Q2 2017 QTD	Q2 2016 QTD	Q2 2017 YTD	Q2 2016 YTD	2017 Guidance
Net cash provided by operating activities	\$ 95	\$ 121	\$ 138	\$ 144	\$805 - \$830
Total capital expenditures	(75)	(58)	(127)	(98)	(285)*
Net cash used in discontinued operations	(2)	(8)	(5)	(20)	(20)
Free cash flow	\$ 18	\$ 55	\$ 6	\$ 26	\$500 - \$525

* Note: The total capital expenditures of \$285 million in 2017 includes \$70 million related to the new world headquarters in Atlanta, Georgia. This \$70 million is offset by \$45 million of expected reimbursements by the lessor included in net cash provided by operating activities.

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

	Three months ended June 30, 2017			Revenue Growth Adjusted Constant Currency % (non-GAAP)
	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Divestiture impact	
Software License	(6)%	—%	—%	(6)%
Software Maintenance	—%	(1)%	—%	1%
Cloud	9%	—%	—%	9%
Professional Services	3%	(2)%	—%	5%
Software	3%	—%	—%	3%
Services	2%	(2)%	—%	4%
ATMs	(21)%	(1)%	—%	(20)%
SCO	37%	—%	—%	37%
POS	18%	(2)%	—%	20%
IPS	(91)%	—%	(70)%	(21)%
Hardware	(9)%	(1)%	(9)%	1%
Total Revenue	(2)%	(2)%	(3)%	3%



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

Schedule A

	For the Periods Ended June 30			
	Three Months		Six Months	
	2017	2016	2017	2016
Revenue				
Products	\$ 618	\$ 676	\$ 1,172	\$ 1,224
Services	975	944	1,899	1,840
Total Revenue	1,593	1,620	3,071	3,064
Cost of products	478	517	902	959
Cost of services	652	657	1,293	1,279
Total gross margin	463	446	876	826
% of Revenue	29.1%	27.5%	28.5%	27.0%
Selling, general and administrative expenses	227	229	456	453
Research and development expenses	58	50	125	103
Restructuring-related charges	—	4	—	6
Income from operations	178	163	295	264
% of Revenue	11.2%	10.1%	9.6%	8.6%
Interest expense	(41)	(43)	(80)	(89)
Other (expense), net	(7)	(15)	(14)	(25)
Total other (expense), net	(48)	(58)	(94)	(114)
Income before income taxes and discontinued operations	130	105	201	150
% of Revenue	8.2%	6.5%	6.5%	4.9%
Income tax expense	33	31	47	44
Income from continuing operations	97	74	154	106
Income from discontinued operations, net of tax	5	—	5	—
Net income	102	74	159	106
Net income attributable to noncontrolling interests	—	(2)	—	(2)
Net income attributable to NCR	\$ 102	\$ 76	\$ 159	\$ 108
Amounts attributable to NCR common stockholders:				
Income from continuing operations	\$ 97	\$ 76	\$ 154	\$ 108
Dividends on convertible preferred stock	(12)	(13)	(24)	(24)
Deemed dividend on modification of convertible preferred stock	—	—	(4)	—
Deemed dividend on convertible preferred shares related to redemption	—	—	(58)	—
Net income from continuing operations attributable to NCR common stockholders	85	63	68	\$ 84
Income from discontinued operations, net of tax	5	—	5	—
Net income attributable to NCR common stockholders	\$ 90	\$ 63	\$ 73	\$ 84
Net income per share attributable to NCR common stockholders:				
Net income per common share from continuing operations				
Basic	\$ 0.70	\$ 0.51	\$ 0.56	\$ 0.66
Diluted	\$ 0.64	\$ 0.49	\$ 0.53	\$ 0.65
Net income per common share				
Basic	\$ 0.74	\$ 0.51	\$ 0.60	\$ 0.66
Diluted	\$ 0.67	\$ 0.49	\$ 0.57	\$ 0.65
Weighted average common shares outstanding				
Basic	121.4	123.8	122.1	127.1
Diluted	152.7	154.5	127.2	129.6

⁽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 June 30							
	Three Months				Six Months			
	2017	2016	% Change	% Change Adjusted Constant Currency	2017	2016	% Change	% Change Adjusted Constant Currency
Revenue by segment								
Software	\$ 464	\$ 452	3%	3%	\$ 916	\$ 871	5%	6%
<i>Software Gross Margin Rate</i>	49.1%	51.5%			50.2%	51.0%		
Services	588	574	2%	4%	1,145	1,117	3%	4%
<i>Services Gross Margin Rate</i>	25.3%	21.6%			23.7%	21.0%		
Hardware	541	594	(9)%	1%	1,010	1,076	(6)%	7%
<i>Hardware Gross Margin Rate</i>	18.9%	18.2%			17.8%	16.9%		
Total Revenue	\$ 1,593	\$ 1,620	(2)%	3%	\$ 3,071	\$ 3,064	—%	6%
Gross Margin Rate	30.1%	28.7%			29.7%	28.1%		
Operating income by segment								
Software	\$ 128	\$ 144			\$ 253	\$ 259		
% of Revenue	27.6%	31.9%			27.6%	29.7%		
Services	75	49			120	83		
% of Revenue	12.8%	8.5%			10.5%	7.4%		
Hardware	12	14			2	4		
% of Revenue	2.2%	2.4%			0.2%	0.4%		
Subtotal-segment operating income	\$ 215	\$ 207			\$ 375	\$ 346		
% of Revenue	13.5%	12.8%			12.2%	11.3%		
Other adjustments ⁽¹⁾	37	44			80	82		
Total income from operations	\$ 178	\$ 163			\$ 295	\$ 264		

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

In millions	For the Periods Ended June 30			
	Three Months		Six Months	
	2017	2016	2017	2016
Transformation/Restructuring costs	\$ 8	\$ 11	\$ 21	\$ 15
Acquisition-related amortization of intangible assets	28	32	57	64
Acquisition-related costs	1	1	2	3
Total other adjustments	\$ 37	\$ 44	\$ 80	\$ 82



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

Schedule C

	June 30, 2017	March 31, 2017	December 31, 2016
Assets			
Current assets			
Cash and cash equivalents	\$ 377	\$ 401	\$ 498
Accounts receivable, net	1,321	1,298	1,282
Inventories	828	800	699
Other current assets	290	281	278
Total current assets	2,816	2,780	2,757
Property, plant and equipment, net	304	288	287
Goodwill	2,736	2,732	2,727
Intangibles, net	618	645	672
Prepaid pension cost	107	100	94
Deferred income taxes	611	619	575
Other assets	575	561	561
Total assets	\$ 7,767	\$ 7,725	\$ 7,673
Liabilities and stockholders' equity			
Current liabilities			
Short-term borrowings	\$ 267	\$ 252	\$ 50
Accounts payable	731	765	781
Payroll and benefits liabilities	205	181	234
Deferred service revenue and customer deposits	521	562	468
Other current liabilities	389	399	432
Total current liabilities	2,113	2,159	1,965
Long-term debt	3,015	3,076	3,001
Pension and indemnity plan liabilities	764	749	739
Postretirement and postemployment benefits liabilities	127	128	127
Income tax accruals	140	145	142
Other liabilities	161	143	138
Total liabilities	6,320	6,400	6,112
Redeemable noncontrolling interests	14	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 June 30, 2017 and 0.9 shares issued and outstanding as of December 31, 2016	786	776	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 June 30, 2017 and December 31, 2016, respectively	—	—	—
Common stock: par value \$0.01 per share, 500.0 shares authorized, 121.4 and 124.6 shares issued and outstanding as of June 30, 2017 and December 31, 2016, respectively	1	1	1
Paid-in capital	25	—	32
Retained earnings	806	716	867
Accumulated other comprehensive loss	(190)	(187)	(205)
Total NCR stockholders' equity	642	530	695
Noncontrolling interests in subsidiaries	5	5	4
Total stockholders' equity	647	535	699
Total liabilities and stockholders' equity	\$ 7,767	\$ 7,725	\$ 7,673



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

Schedule D

	For the Periods Ended June 30			
	Three Months		Six Months	
	2017	2016	2017	2016
Operating activities				
Net income	\$ 102	\$ 74	\$ 159	\$ 106
Adjustments to reconcile net income to net cash provided by operating activities:				
Income from discontinued operations	(5)	—	(5)	—
Depreciation and amortization	87	86	172	175
Stock-based compensation expense	22	16	41	29
Deferred income taxes	7	15	4	20
Gain on sale of property, plant and equipment and other assets	(1)	—	(1)	—
Loss on divestiture	—	1	—	1
Impairment of long-lived and other assets	—	1	—	2
Changes in assets and liabilities:				
Receivables	(11)	(69)	(28)	(121)
Inventories	(25)	(40)	(126)	(123)
Current payables and accrued expenses	(11)	35	(93)	4
Deferred service revenue and customer deposits	(46)	34	50	131
Employee benefit plans	(9)	(12)	(6)	(26)
Other assets and liabilities	(15)	(20)	(29)	(54)
Net cash provided by operating activities	95	121	138	144
Investing activities				
Expenditures for property, plant and equipment	(32)	(15)	(43)	(24)
Additions to capitalized software	(43)	(43)	(84)	(74)
Proceeds from divestiture	—	47	—	47
Other investing activities, net	1	—	—	(8)
Net cash used in investing activities	(74)	(11)	(127)	(59)
Financing activities				
Short term borrowings, net	10	10	13	1
Payments on term credit facilities	(14)	(17)	(25)	(73)
Payments on revolving credit facilities	(420)	(251)	(615)	(431)
Borrowings on revolving credit facilities	375	195	855	706
Debt issuance costs	—	—	—	(8)
Repurchases of Company common stock	—	(37)	(350)	(250)
Proceeds from employee stock plans	5	3	8	6
Tax withholding payments on behalf of employees	(2)	(1)	(24)	(7)
Other financing activities	(1)	—	(1)	—
Net cash used in financing activities	(47)	(98)	(139)	(56)
Cash flows from discontinued operations				
Net cash used in discontinued operations	(2)	(8)	(5)	(20)
Effect of exchange rate changes on cash and cash equivalents	4	(5)	12	(5)
(Decrease)/increase in cash and cash equivalents	(24)	(1)	(121)	4
Cash and cash equivalents at beginning of period	401	333	498	328
Cash and cash equivalents at end of period	\$ 377	\$ 332	\$ 377	\$ 332

Q2 2017 EARNINGS CONFERENCE CALL

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

July 20, 2017



NCR Confidential

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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 the expected results of hardware revenue on attached software and Services revenue and on recurring revenue; the expected areas of focus for NCR's Services segment in 2017; the completion of scheduled large customer ATM roll-outs and expected improvement in ATM revenue in the back half of 2017; expected capital expenditures for 2017, including with respect to NCR's new world headquarters; NCR's full year 2017, 2017 segment and third quarter 2017 financial guidance, and the expected type and magnitude of the non-operational adjustments included in any forward-looking non-GAAP measures; NCR's expected revenue and earnings per share trending for the third and fourth quarters of 2017; NCR's confidence in its full year results; NCR's solution offerings and their alignment with major market trends and customer demands; NCR's backlog and key metrics; expectations for margin expansion and the drivers of margin expansion; the expected drivers of NCR's growth; and the prioritization of free cash flow generation and a balanced 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 July 20, 2017, 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), operating 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, 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

Q2 Results **IN LINE WITH EXPECTATIONS**

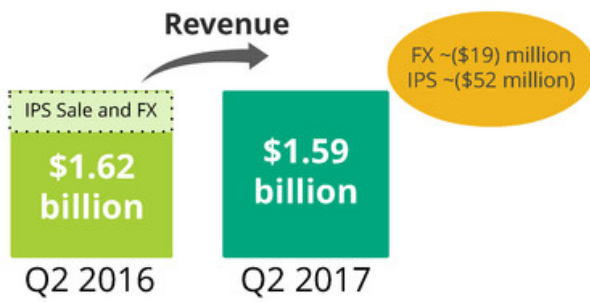
Diversified **REVENUE GROWTH**

Continued **CLOUD** growth of 9% with Net ACV up 13%

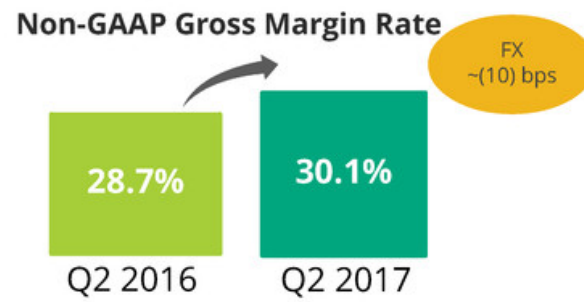
Margin **RATE EXPANSION** driven by strength in Services

2017 Revenue, EPS, and Free Cash Flow
GUIDANCE REAFFIRMED

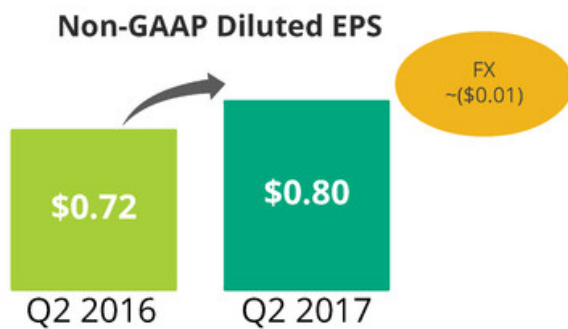
Q2 2017 FINANCIAL RESULTS



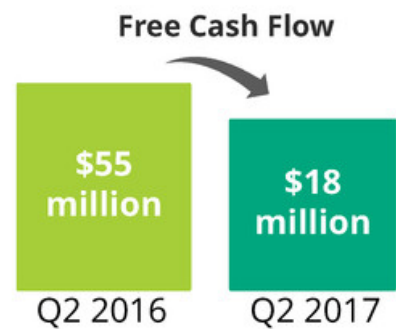
Revenue up 3% adjusted CC
Recurring revenue up 4% CC, 45% of total revenue



Non-GAAP gross margin rate up 150 bps CC



Non-GAAP Diluted EPS up 13% CC; Non-GAAP operating margin rate expanded 90 bps CC to 13.5%



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

OMNI-CHANNEL MARKET

Omni Channel Software

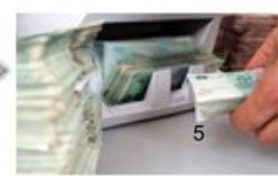
- NCR's Omni-Channel Platform Hub and Applications
- Enables seamless consumer experiences across physical and digital channels
- Solutions Include: Retail One, Customer Experience Platform (CxP), Aloha Enterprise, NCR Silver

Channel Transformation

- Enables revenue growth, productivity gains, and modernized consumer experiences from the transformation of physical and digital channels
- Solutions include: Branch, Store, Restaurant, and Venue Transformation
- Drives smart-edge offerings: ATMs, SCO, mPOS, ePOS, Peripherals
- Drives service offerings: Consulting Services, Implementation Services, Hardware Maintenance, Managed Services, High Availability

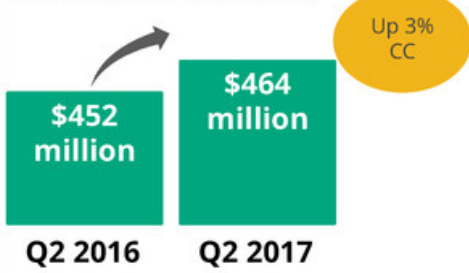
Digital Enablement

- Enables new business models driven by the growing digitalization movement
- Solutions include: Real-Time Actionable Insights, Loyalty, Cloud/ATM Security, Loss & Fraud Prevention, Inventory and Labor Management, Cash Management, Secure Payments, Transaction Processing, Remote Deposit, Digital Check Processing

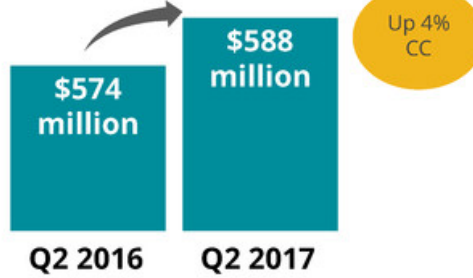


Q2 2017 SEGMENT RESULTS

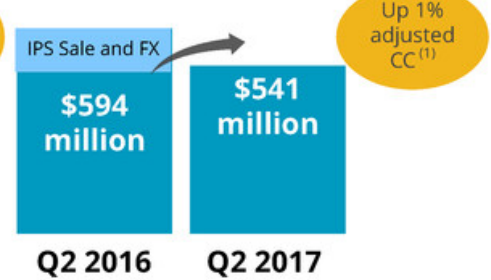
Software Revenue



Services Revenue

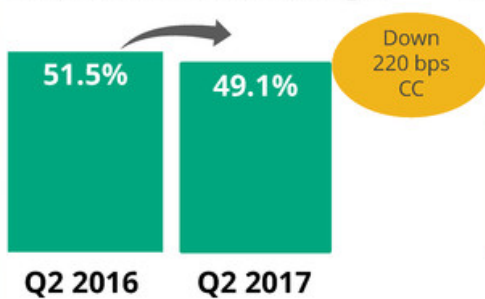


Hardware Revenue

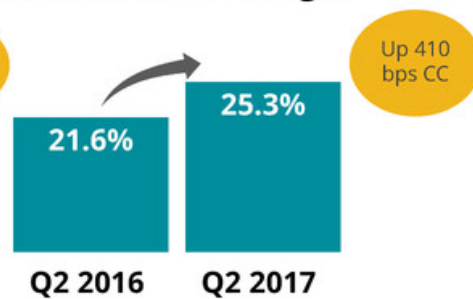


Hardware revenue drives higher margin attached Software and Services revenue and future recurring revenue

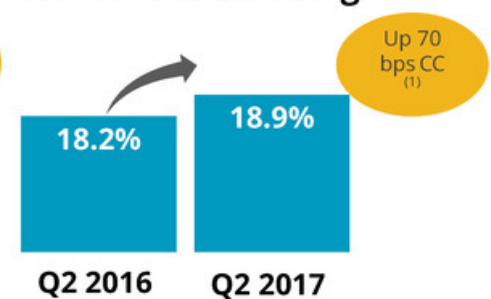
Software Gross Margin



Services Gross Margin



Hardware Gross Margin



⁽¹⁾ Adjusted CC revenue growth excludes ~\$52 million of IPS revenue from Q2 2016.

SOFTWARE

Q2 2017 Update

	Q2 2017	Q2 2016	% Change	% Change Constant Currency
Software License	\$77	\$82	(6)%	(6)%
<i>Unattached License</i>	50	50	—%	—%
Software Maintenance	91	91	—%	1%
Cloud	145	133	9%	9%
Professional Services	151	146	3%	5%
Software Revenue	\$464	\$452	3%	3%
Non-GAAP Gross Margin	\$228	\$233	(2)%	(1)%
Non-GAAP Gross Margin Rate	49.1%	51.5%	(240) bps	(220) bps
Operating Income	\$128	\$144	(11)%	(10)%
Operating Income as a % of Revenue	27.6%	31.9%	(430) bps	(400) bps

\$ in millions

KEY HIGHLIGHTS

- Cloud revenue up 9% driven by prior period bookings; Net ACV of \$18 million, up 13% from prior year
- Professional Services up 5% due to strength in channel transformation and digital enablement
- Software Maintenance up 1% due to Software License revenue growth in prior periods
- Software License down 6% due to lower unattached software that is now expected in the back half of the year
- Gross Margin rate down due to mix of software revenue partially offset by improved efficiency and scale in Software Maintenance and Cloud; Expect margin rate expansion in the second half of the year
- Continued investment in R&D in support of software growth strategy

SERVICES

Q2 2017 Update

	Q2 2017	Q2 2016	% Change	% Change Constant Currency
Services Revenue	\$588	\$574	2%	4%
Non-GAAP Gross Margin	\$149	\$124	20%	24%
Non-GAAP Gross Margin Rate	25.3%	21.6%	+370 bps	+410 bps
Operating Income	\$75	\$49	53%	64%
Operating Income as a % of Revenue	12.8%	8.5%	+430 bps	+470 bps

\$ in millions

KEY HIGHLIGHTS

- Hardware maintenance growth as a result of improving channel transformation trends, combined with increased managed and implementation services, drove higher revenue in the quarter; Backlog improving in form of higher file value
- Gross margin rate increased due to on-going business process improvement initiatives and mix of higher value services
- Key areas of focus to drive future margin rate improvements: 1) Drive a higher mix of managed services; 2) Productivity and efficiency improvements; 3) Remote diagnostics and repair; and 4) Product life-cycle management

HARDWARE

Q2 2017 Update

	Q2 2017	Q2 2016	% Change	% Change Constant Currency
ATMs	\$227	\$286	(21)%	(20)%
Self-Checkout (SCO)	96	70	37%	37%
Point-of-Sale (POS)	213	180	18%	20%
Interactive Printer Solutions (IPS)	5	58	(91)%	(21)% ⁽¹⁾
Hardware Revenue	\$541	\$594	(9)%	1% ⁽¹⁾
Non-GAAP Gross Margin	\$102	\$108	(6)%	(6)%
Non-GAAP Gross Margin Rate	18.9%	18.2%	+70 bps	+70 bps
Operating Income	\$12	\$14	(14)%	(18)%
Operating Income as a % of Revenue	2.2%	2.4%	(20) bps	(30) bps

⁽¹⁾ % change constant currency adjusted for FX and the divestiture of IPS.

\$ in millions

KEY HIGHLIGHTS

- SCO revenue up significantly due to store transformation traction globally
- Strong growth in POS revenues due to new product introductions and replacement cycle
- ATM revenue down as anticipated; ATM revenue expected to improve in Q4 as large customer roll-outs are scheduled to take place
- Gross margin rate increase due to scale gains from new product introductions
- New product introductions expanding to global markets
- Hardware revenue drives higher margin attached revenue and future recurring revenue

FREE CASH FLOW

	QTD		YTD		FY 2017E	FY 2016
	Q2 2017	Q2 2016	Q2 2017	Q2 2016		
Cash Provided by Operating Activities	\$95	\$121	\$138	\$144	\$805 - \$830	\$894
Total capital expenditures ⁽¹⁾	(75)	(58)	(127)	(98)	(285)	(227)
Cash used in Discontinued Operations	(2)	(8)	(5)	(20)	(20)	(39)
Free Cash Flow	\$18	\$55	\$6	\$26	\$500 - \$525	\$628
Free Cash Flow as a % of non-GAAP net income⁽²⁾					95% - 100%	132%

\$ in millions

⁽¹⁾ The total capital expenditures of \$285 million in 2017 includes \$70 million related to the new world headquarters in Atlanta, Georgia. This \$70 million is offset by \$45 million of expected reimbursements by the lessor included in net cash provided by operating activities.

⁽²⁾ Also referred to as Free Cash Flow Conversion Rate.

NET DEBT AND EBITDA METRICS

	Q2 2017	Q1 2017	Q4 2016	Q2 2016
Debt	\$3,282	\$3,328	\$3,051	\$3,457
Cash	(377)	(401)	(498)	(332)
Net Debt	\$2,905	\$2,927	\$2,553	\$3,125
Adjusted EBITDA ⁽¹⁾	\$1,117	\$1,095	\$1,061	\$1,020
Net Debt / Adjusted EBITDA	2.6x	2.7x	2.4x	3.1x

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

\$ in millions, except metrics

FY 2017 GUIDANCE

	2017 Guidance	2017 CC Growth Rates	2016
Revenue ⁽¹⁾	\$6,630 - \$6,750	4% - 6%	\$6,543
GAAP Diluted EPS ⁽²⁾	\$2.20 - \$2.32	22% - 29%	\$1.80
Non-GAAP Diluted EPS ⁽¹⁾⁽³⁾	\$3.32 - \$3.42	10% - 13%	\$3.02

	2017 Guidance	2017 Conversion Rate	2016
Free Cash Flow	\$500 - \$525	95% - 100%	\$628

\$ millions, except per share amounts

⁽¹⁾ The 2017 revenue guidance and growth rates include an expected unfavorable foreign currency impact of \$25 million, or ~1%, compared to our previous expectation of \$65 million, or ~1%. Revenue growth rates also exclude ~\$124 million million of IPS revenue, or ~2%, from 2016. The 2017 current non-GAAP diluted EPS guidance includes \$0.01 favorable impact from expected foreign currency.

⁽²⁾ FY 2017 guidance does not include an estimate of the pension mark-to-market adjustments.

⁽³⁾ For the 2017 guidance, we have assumed OIE of approximately \$205 million, an effective tax rate of 25% and a share count of 157 million compared to OIE of \$214 million, an effective tax rate of 23% and a share count of 157 million in 2016.

FY 2017 SEGMENT REVENUE GUIDANCE

Segment	2017E CC Growth Rates ⁽¹⁾	FY 2017 Guidance	FY 2016
Software	6% - 7%	\$1,945 - \$1,965	\$1,841
<i>Cloud Revenue</i>	<i>6% - 8%</i>	<i>\$590 - \$600</i>	<i>\$556</i>
Services	2% - 4%	\$2,335 - \$2,375	2,306
Hardware ⁽²⁾	3% - 6%	\$2,350 - \$2,410	2,396
Total ^{(1) (2)}	4% - 6%	\$6,630 - \$6,750	\$6,543

\$ in millions

⁽¹⁾ The 2017 revenue guidance and growth rates include an expected foreign currency negative impact of \$25 million for revenue, or ~1%, compared to prior guidance of \$65 million, or 1%.

⁽²⁾ The growth rates for Hardware revenue and total revenue are normalized for the sale of the IPS business, which was \$124 million of Hardware revenue in 2016.

Q3 2017 GUIDANCE

	Q3 2017E	Q3 2016	CC Growth Rates
Revenue ⁽¹⁾	\$1,660 - \$1,700	\$1,677	0% - 2%
GAAP Diluted EPS	\$0.65 - \$0.72	\$0.69	(6)% - 4%
Non-GAAP Diluted EPS ^{(1) (2)}	\$0.88 - \$0.93	\$0.87	4% - 9%

\$ millions, except per share amounts

⁽¹⁾ The Q3 2017 revenue guidance and growth rates include an expected foreign currency headwind of \$10 million, or roughly 1%. The Q3 2017 non-GAAP diluted EPS guidance includes an expected foreign currency negative impact of \$0.02.

⁽²⁾ For Q3 2017, we have assumed OIE of approximately \$50 million, an effective tax rate of 24% and a share count of 155 million compared to OIE of \$49 million, an effective tax rate of 24% and a share count of 155 million in Q3 2016.

REVENUE AND EPS TRENDING

	Q3 YTD		Fourth Quarter	
	\$	% of Total	\$	% of Total
Revenue ⁽¹⁾				
2017 Guidance (mid-point)	\$4,756	71%	\$1,934	29%
2016 Results	\$4,599	72%	\$1,794	28%
3 year average	\$4,533	73%	\$1,684	27%
Diluted EPS (non-GAAP)				
2017 Guidance (mid-point)	\$2.27	67%	\$1.11	33%
2016 Results	\$1.97	65%	\$1.07	35%
3 year average	\$1.90	67%	\$0.94	33%

⁽¹⁾ The 2016 and 3 year average revenues exclude IPS revenues

\$ in millions, except per share amounts

LOOKING FORWARD

Q2 results as expected and remain confident for full year

NCR's solution offerings aligned with major market trends and customer demands

Backlog and key metrics remain strong

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

Omni-Channel, Channel Transformation, and Digital Enablement continue to be strong growth drivers

Free cash flow generation and balanced capital allocation strategy remains a top priority

SUPPLEMENTARY MATERIALS

Q2 2017 GAAP RESULTS

	Q2 2017	Q2 2016	As Reported
Revenue	\$1,593	\$1,620	(2)%
Gross Margin	463	446	4%
Gross Margin Rate	29.1%	27.5%	
Operating Expenses	285	283	1%
% of Revenue	17.9%	17.5%	
Operating Income	178	163	9%
% of Revenue	11.2%	10.1%	
Interest and other expense	(48)	(58)	(17)%
Income Tax Expense	33	31	6%
Income Tax Rate	25%	30%	
Net Income	\$97	\$76	28%
Diluted EPS	\$0.64	\$0.49	31%

\$ millions, except per share amounts

Q2 2017 OPERATIONAL RESULTS

	Q2 2017	Q2 2016	As Reported	Constant Currency
Revenue	\$1,593	\$1,620	(2)%	3% ⁽¹⁾
Gross Margin (non-GAAP)	479	465	3%	5%
Gross Margin Rate (non-GAAP)	30.1%	28.7%	+140 bps	+150 bps
Operating Expenses (non-GAAP)	264	258	2%	3%
% of Revenue	16.6%	15.9%		
Operating Income (non-GAAP)	215	207	4%	6%
% of Revenue	13.5%	12.8%	+70 bps	+90 bps
Interest and other expense	(48)	(53)	(9)%	(2)%
Income Tax Expense (non-GAAP)	45	45	—%	
Income Tax Rate (non-GAAP)	27%	29%		
Net Income (non-GAAP)	\$122	\$111	10%	11%
Diluted EPS (non-GAAP) ⁽²⁾	\$0.80	\$0.72	11%	13%

\$ millions, except per share amounts

⁽¹⁾ Adjusted CC revenue growth excludes \$52 million of IPS revenue from Q2 2016. The negative impact of FX was \$19 million.

⁽²⁾ Q2 2017 includes \$0.01 of unfavorable EPS impact related to foreign currency headwinds. Diluted share count of 152.7 million in Q2 2017 and 154.5 million in Q2 2016.

NON-GAAP MEASURES

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

Operating Income (non-GAAP), Diluted EPS (non-GAAP), Gross Margin (non-GAAP), Gross Margin Rate (non-GAAP), Operating 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), operating 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, operating 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 Attributable to NCR (GAAP) to Adjusted EBITDA (non-GAAP)

in millions	Q2 2017 LTM	Q1 2017 LTM	Q4 2016 LTM	Q2 2016 LTM
Net Income from Continuing Operations Attributable to NCR (GAAP)	\$329	\$308	\$283	\$258
Pension Mark-to-Market Adjustments	85	85	85	30
Transformation/Restructuring Costs	32	35	26	65
Acquisition-Related Amortization of Intangibles	116	120	123	126
Acquisition-Related Costs	6	6	7	9
Reserve related to a subcontract in MEA	—	—	—	20
Divestiture and Liquidation Losses	1	6	6	39
Net Income (Loss) from Continuing Operations Attributable to Noncontrolling Interests	6	4	4	(1)
Interest Expense	161	163	170	173
Interest Income	(4)	(4)	(4)	(5)
Depreciation and Amortization	217	212	208	190
Income Taxes	95	93	92	65
Stock Compensation Expense	73	67	61	51
Adjusted EBITDA (non-GAAP)	\$1,117	\$1,095	\$1,061	\$1,020

GAAP TO NON-GAAP RECONCILIATION

Q2 2017 QTD

in millions (except per share amounts)	Q2 QTD 2017 GAAP	Restructuring / Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Q2 QTD 2017 non-GAAP
Product revenue	\$618	\$—	\$—	\$—	\$618
Service revenue	975	—	—	—	975
Total revenue	1,593	—	—	—	1,593
Cost of products	478	—	(6)	—	472
Cost of services	652	(4)	(6)	—	642
Gross margin	463	4	12	—	479
Gross margin rate	29.1%	0.3%	0.7%	—%	30.1%
Selling, general and administrative expenses	227	(3)	(16)	(1)	207
Research and development expenses	58	(1)	—	—	57
Total operating expenses	285	(4)	(16)	(1)	264
Total operating expense as a % of revenue	17.9%	(0.3)%	(1.0)%	(0.1)%	16.6%
Income (loss) from operations	178	8	28	1	215
Income (loss) from operations as a % of revenue	11.2%	0.5%	1.7%	0.1%	13.5%
Interest and Other (expense) income, net	(48)	—	—	—	(48)
Income (loss) from continuing operations before income taxes	130	8	28	1	167
Income tax expense (benefit)	33	2	9	1	45
Effective tax rate	25%				27%
Income (loss) from continuing operations	97	6	19	—	122
Net income (loss) attributable to noncontrolling interests	—	—	—	—	—
Income (loss) from continuing operations (attributable to NCR)	\$97	\$6	\$19	\$—	\$122
Diluted earnings per share	\$0.64	\$0.04	\$0.12	\$—	\$0.80
Diluted shares outstanding	152.7				152.7

GAAP TO NON-GAAP RECONCILIATION

Q2 2017 QTD

	Q2 QTD 2017 GAAP	Q2 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)	\$97	\$122
(Loss) income from continuing operations attributable to NCR common stockholders	\$97	\$122
Weighted average outstanding shares:		
Weighted average diluted shares outstanding	126.1	126.1
Weighted as-if converted preferred shares	26.6	26.6
Total shares used in diluted earnings per share	152.7	152.7
Diluted (loss) earnings per share ⁽¹⁾	\$0.64	\$0.80

⁽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

Q2 2016 QTD

in millions (except per share amounts)	Q2 QTD 2016 GAAP	Restructuring / Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Divestiture and Liquidation Losses	Q2 QTD 2016 non-GAAP
Product revenue	\$676	\$—	\$—	\$—	\$—	\$676
Service revenue	944	—	—	—	—	944
Total revenue	1,620	—	—	—	—	1,620
Cost of products	517	—	(9)	—	—	508
Cost of services	657	(4)	(6)	—	—	647
Gross margin	446	4	15	—	—	465
Gross margin rate	27.5%	0.2%	1.0%	—%	—%	28.7%
Selling, general and administrative expenses	229	(3)	(17)	(1)	—	208
Research and development expenses	50	—	—	—	—	50
Restructuring-related charges	4	(4)	—	—	—	—
Total expenses	283	(7)	(17)	(1)	—	258
Total expense as a % of revenue	17.5%	(0.4)%	(1.1)%	(0.1)%	—%	15.9%
Income (loss) from operations	163	11	32	1	—	207
Income (loss) from operations as a % of revenue	10.1%	0.7%	1.9%	0.1%	—%	12.8%
Interest and Other (expense) income, net	(58)	—	—	—	5	(53)
Income (loss) from continuing operations before income taxes	105	11	32	1	5	154
Income tax expense (benefit)	31	3	11	—	—	45
Effective tax rate	30%					29%
Income (loss) from continuing operations	74	8	21	1	5	109
Net income (loss) attributable to noncontrolling interests	(2)	—	—	—	—	(2)
Income (loss) from continuing operations (attributable to NCR)	\$76	\$8	\$21	\$1	\$5	\$111
Diluted earnings per share	\$0.49	\$0.05	\$0.14	\$0.01	\$0.03	\$0.72
Diluted shares outstanding	154.5					154.5

GAAP TO NON-GAAP RECONCILIATION

Q2 2016 QTD

	Q2 QTD 2016 GAAP	Q2 QTD 2016 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)	\$76	\$111
Income from continuing operations attributable to NCR common stockholders	\$76	\$111
<i>Weighted average outstanding shares:</i>		
Weighted average diluted shares outstanding	126.5	126.5
Weighted as-if converted preferred shares	28.0	28.0
Total shares used in diluted earnings per share	154.5	154.5
Diluted earnings per share ⁽¹⁾	\$0.49	\$0.72

⁽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

Q2 2017 YTD

in millions (except per share amounts)	Q2 YTD 2017 GAAP	Restructuring / Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Q2 YTD 2017 non-GAAP
Product revenue	\$1,172	\$—	\$—	\$—	\$1,172
Service revenue	1,899	—	—	—	1,899
Total revenue	3,071	—	—	—	3,071
Cost of products	902	(2)	(13)	—	887
Cost of services	1,293	(8)	(12)	—	1,273
Gross margin	876	10	25	—	911
Gross margin rate	28.5%	0.4%	0.8%	—%	29.7%
Selling, general and administrative expenses	456	(7)	(32)	(2)	415
Research and development expenses	125	(4)	—	—	121
Total operating expenses	581	(11)	(32)	(2)	536
<i>Total operating expense as a % of revenue</i>	<i>18.9%</i>	<i>(0.4)%</i>	<i>(1.0)%</i>	<i>(0.1)%</i>	<i>17.5%</i>
Income (loss) from operations	295	21	57	2	375
<i>Income (loss) from operations as a % of revenue</i>	<i>9.6%</i>	<i>0.6%</i>	<i>1.9%</i>	<i>0.1%</i>	<i>12.2%</i>
Interest and Other (expense) income, net	(94)	—	—	—	(94)
Income (loss) from continuing operations before income taxes	201	21	57	2	281
Income tax expense (benefit)	47	6	18	1	72
<i>Effective tax rate</i>	<i>23%</i>				<i>26%</i>
Income (loss) from continuing operations	154	15	39	1	209
Net income (loss) attributable to noncontrolling interests	—	—	—	—	—
Income (loss) from continuing operations (attributable to NCR)	\$154	\$15	\$39	\$1	\$209
Diluted earnings per share	\$0.53	\$0.10	\$0.25	\$0.01	\$1.35
Diluted shares outstanding	127.2				154.7

GAAP TO NON-GAAP RECONCILIATION

Q2 2017 YTD

	Q2 YTD 2017 GAAP	Q2 YTD 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)	\$154	\$209
Dividends on convertible preferred shares	(24)	—
Deemed dividend on modification of convertible preferred shares	(4)	—
Deemed dividend on convertible preferred shares related to redemption value accretion	(58)	—
(Loss) income from continuing operations attributable to NCR common stockholders	\$68	\$209
Weighted average outstanding shares:		
Weighted average diluted shares outstanding	127.2	127.2
Weighted as-if converted preferred shares	—	27.5
Total shares used in diluted earnings per share	127.2	154.7
Diluted (loss) earnings per share ⁽¹⁾	\$0.53	\$1.35

⁽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

Q2 2016 YTD

in millions (except per share amounts)	Q2 YTD 2016 GAAP	Restructuring / Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Divestiture and Liquidation Losses	Q2 YTD 2016 non-GAAP
Product revenue	\$1,224	\$—	\$—	\$—	\$—	\$1,224
Service revenue	1,840	—	—	—	—	1,840
Total revenue	3,064	—	—	—	—	3,064
Cost of products	959	—	(19)	—	—	940
Cost of services	1,279	(4)	(12)	—	—	1,263
Gross margin	826	4	31	—	—	861
Gross margin rate	27.0%	0.1%	1.0%	—%	—%	28.1%
Selling, general and administrative expenses	453	(5)	(33)	(3)	—	412
Research and development expenses	103	—	—	—	—	103
Restructuring-related charges	6	(6)	—	—	—	—
Total expenses	562	(11)	(33)	(3)	—	515
Total expense as a % of revenue	18.3%	(0.4)%	(1.0)%	(0.1)%	—%	16.8%
Income (loss) from operations	264	15	64	3	—	346
Income (loss) from operations as a % of revenue	8.6%	0.5%	2.1%	0.1%	—%	11.3%
Interest and Other (expense) income, net	(114)	—	—	—	5	(109)
Income (loss) from continuing operations before income taxes	150	15	64	3	5	237
Income tax expense (benefit)	44	2	20	1	—	67
Effective tax rate	29%					28%
Income (loss) from continuing operations	106	13	44	2	5	170
Net income (loss) attributable to noncontrolling interests	(2)	—	—	—	—	(2)
Income (loss) from continuing operations (attributable to NCR)	\$108	\$13	\$44	\$2	\$5	\$172
Diluted earnings per share	\$0.65	\$0.08	\$0.28	\$0.01	\$0.03	\$1.09
Diluted shares outstanding	129.6					157.4

GAAP TO NON-GAAP RECONCILIATION

Q2 2016 YTD

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

⁽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

Q3 2016 QTD

in millions (except per share amounts)	Q3 QTD 2016 GAAP	Restructuring / Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Q3 QTD 2016 non-GAAP
Product revenue	\$708	\$—	\$—	\$—	\$708
Service revenue	969	—	—	—	969
Total revenue	1,677	—	—	—	1,677
Cost of products	528	—	(8)	—	520
Cost of services	672	—	(6)	—	666
Gross margin	477	—	14	—	491
Gross margin rate	28.4%	—%	0.9%	—%	29.3%
Selling, general and administrative expenses	225	(1)	(17)	(2)	205
Research and development expenses	56	—	—	—	56
Restructuring-related charges	7	(7)	—	—	—
Total operating expenses	288	(8)	(17)	(2)	261
<i>Total operating expense as a % of revenue</i>	<i>17.2%</i>	<i>(0.5)%</i>	<i>(1.0)%</i>	<i>(0.1)%</i>	<i>15.6%</i>
Income (loss) from operations	189	8	31	2	230
<i>Income (loss) from operations as a % of revenue</i>	<i>11.3%</i>	<i>0.5%</i>	<i>1.8%</i>	<i>0.1%</i>	<i>13.7%</i>
Interest and Other (expense) income, net	(49)	—	—	—	(49)
Income (loss) from continuing operations before income taxes	140	8	31	2	181
Income tax expense (benefit)	31	1	11	1	44
<i>Effective tax rate</i>	<i>22%</i>				<i>24%</i>
Income (loss) from continuing operations	109	7	20	1	137
Net income (loss) attributable to noncontrolling interests	2	—	—	—	2
Income (loss) from continuing operations (attributable to NCR)	\$107	\$7	\$20	\$1	\$135
Diluted earnings per share	\$0.69	\$0.05	\$0.12	\$0.01	\$0.87
Diluted shares outstanding	155.4				155.4

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
Total expense as a % of revenue	18.1%	(0.3)%	(1.0)%	(0.1)%	—%	(0.7)%	15.9%
Income (loss) from operations	599	26	123	7	—	85	840
Income (loss) from operations as a % of revenue	9.2%	0.4%	1.9%	0.1%	—%	1.3%	12.8%
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
Effective tax rate	24%	—	—	—	—	—	23%
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

GAAP TO NON-GAAP RECONCILIATION

FY 2016

	FY 2016 GAAP	FY 2016 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)	\$283	\$475
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

⁽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

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

	Q2 2017 QTD			
	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Divestiture impact	Revenue Growth Adjusted Constant Currency % (non-GAAP)
Software License	(6)%	—%	—%	(6)%
Software Maintenance	—%	(1)%	—%	1%
Cloud	9%	—%	—%	9%
Professional Services	3%	(2)%	—%	5%
Software	3%	—%	—%	3%
Services	2%	(2)%	—%	4%
ATMs	(21)%	(1)%	—%	(20)%
Self-Checkout (SCO)	37%	—%	—%	37%
Point-of-Sale (POS)	18%	(2)%	—%	20%
Interactive Printer Solutions (IPS)	(91)%	—%	(70)%	(21)%
Hardware	(9)%	(1)%	(9)%	1%
Total Revenue	(2)%	(2)%	(3)%	3%

GAAP TO NON-GAAP RECONCILIATION

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

	Q2 2017 QTD		
	Gross Margin Growth % Reported	Favorable (unfavorable) FX impact	Constant Currency Gross Margin Growth % (non-GAAP)
Software	(2)%	(1)%	(1)%
Services	20%	(4)%	24%
Hardware	(6)%	—%	(6)%
Total Gross Margin	3%	(2)%	5%

GAAP TO NON-GAAP RECONCILIATION

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

	Q2 2017 QTD		
	Operating Income Growth % Reported	Favorable (unfavorable) FX impact	Constant Currency Operating Income Growth % (non-GAAP)
Software	(11)%	(1)%	(10)%
Services	53%	(11)%	64%
Hardware	(14)%	4%	(18)%
Total Operating Income	4%	(2)%	6%

GAAP TO NON-GAAP RECONCILIATION

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

	Q2 2017 QTD		
	Gross Margin bps Growth Reported	Favorable (unfavorable) FX impact	Constant Currency Gross Margin bps Growth (non-GAAP)
Software	-240 bps	-20 bps	-220 bps
Services	+370 bps	-40 bps	+410 bps
Hardware	+70 bps	— bps	+70 bps
Total Gross Margin bps	+140 bps	-10 bps	+150 bps

GAAP TO NON-GAAP RECONCILIATION

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

	Q2 2017 QTD		
	Operating Income bps Growth Reported	Favorable (unfavorable) FX impact	Constant Currency Operating Income bps Growth (non-GAAP)
Software	-430 bps	-30 bps	-400 bps
Services	+430 bps	-40 bps	+470 bps
Hardware	-20 bps	+10 bps	-30 bps
Total Operating Income	+70 bps	-20 bps	+90 bps

GAAP TO NON-GAAP RECONCILIATION

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

	2017 Guidance	Q3 2017E
Diluted EPS (GAAP) ⁽¹⁾	\$2.20 - \$2.32	\$0.65 - \$0.72
Transformation costs	0.14 - 0.17	0.02 - 0.05
Acquisition-Related Amortization of Intangibles	0.49	0.13
Acquisition-Related Costs	0.03	0.01
Deemed dividends related to Blackstone Transaction	0.39	—
Non-GAAP Diluted EPS	\$3.32 - \$3.42	\$0.88 - \$0.93



