

Q4 2018 EARNINGS CONFERENCE CALL

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ANDRE FERNANDEZ, CFO**

February 7, 2019



NOTES TO INVESTORS

FORWARD-LOOKING STATEMENTS. Comments made during this conference call and in these materials contain forward-looking statements. Statements that describe or relate to NCR's plans, goals, intentions, strategies, or financial outlook, and statements that do not relate to historical or current fact, are examples of forward-looking statements. The forward-looking statements in these materials include statements about NCR's full year 2019 financial guidance and the expected type and magnitude of the non-operational adjustments included in any forward-looking non-GAAP measures; NCR's strategy and expected areas of focus to drive stockholder value creation including strategic growth platforms, revenue shift and spend optimization, and related expected investments and results; areas of focus to improve productivity; completed and targeted mergers and acquisitions and their expected benefits; expectations for future merger and acquisition activity; NCR's investment priorities, Services and Hardware Operations transformation activities and cost optimization initiatives, and their expected benefits in 2019; stock repurchases for dilution, capital expenditures and capital allocations in 2019; and NCR's expected free cash flow generation and capital allocation strategy. Forward-looking statements are not guarantees of future performance, and there are a number of important factors that could cause actual outcomes and results to differ materially from the results contemplated by such forward-looking statements, including those factors listed in Item 1a "Risk Factors" of NCR's Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 26, 2018, and those factors detailed from time to time in NCR's other SEC reports. These materials are dated February 7, 2019, 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 (CC) basis; gross margin rate (non-GAAP); diluted earnings per share (non-GAAP); free cash flow (FCF); gross margin (non-GAAP); net debt; adjusted EBITDA; the ratio of net debt to adjusted EBITDA; operating income (non-GAAP); interest and other expense (non-GAAP); income tax expense (non-GAAP); effective income tax rate (non-GAAP); and net income (non-GAAP). These measures are included to provide additional useful information regarding NCR's financial results, and are not a substitute for their comparable GAAP measures. Explanations of these non-GAAP measures, and reconciliations of these non-GAAP measures to their directly comparable GAAP measures, are included in the accompanying "Supplementary Materials" and are available on the Investor Relations page of NCR's website at www.ncr.com. 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; (iii) the term "CC" means constant currency; and (iv) the term "FCF" means free cash flow.

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

RESULTS IN LINE with expectations

Continued to **IMPROVE EXECUTION** and **STABILIZE** the business

Services continued **MARGIN EXPANSION**

Entered **PAYMENTS** through acquisition of JetPay

2019 GUIDANCE: Revenue growth 1-2%; Non-GAAP EPS \$2.75-\$2.85; FCF \$300M- \$350M

STRATEGIC THESIS

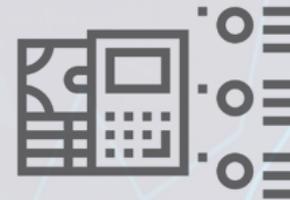
NCR Shareholder Value Creation will be driven by:



**Top-Line
Revenue Growth**



**Mix shift
to Software
& Services**



**Spend
Optimization**

STRATEGIC GROWTH PLATFORMS



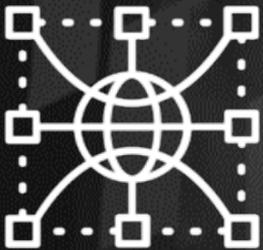
Digital
First
Banking



Digital
First
Restaurant



Digital
First
Retail



Digital
Connected
Services



Digital
Convenience
and Fuel



Digital
Small
Business
Essentials

PRODUCTIVITY FOCUS AREAS

Services Transformation

- Service performance and productivity initiatives
- Driving revenue and GM expansion

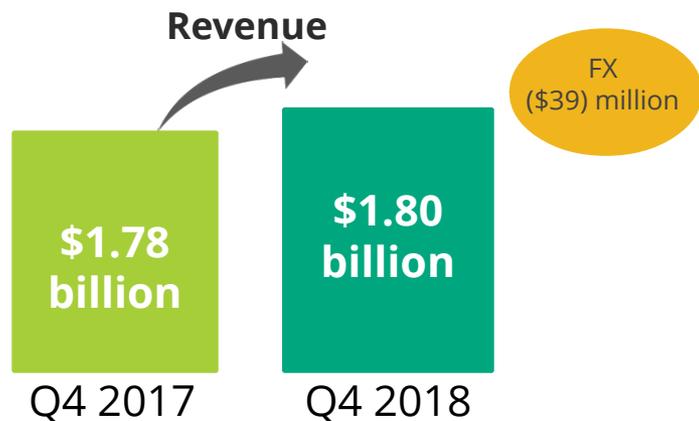
Hardware Network

- Executing manufacturing transformation initiatives
- Higher utilization rates and more variable cost structure

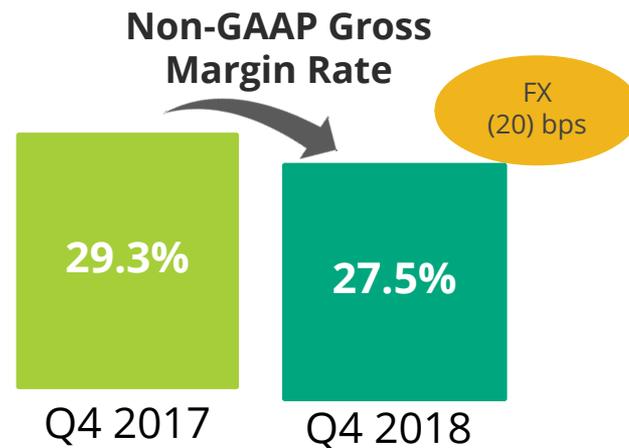
SG&A & Opex

- Reduce SG&A and discretionary spend with at least \$100M of savings in 2019

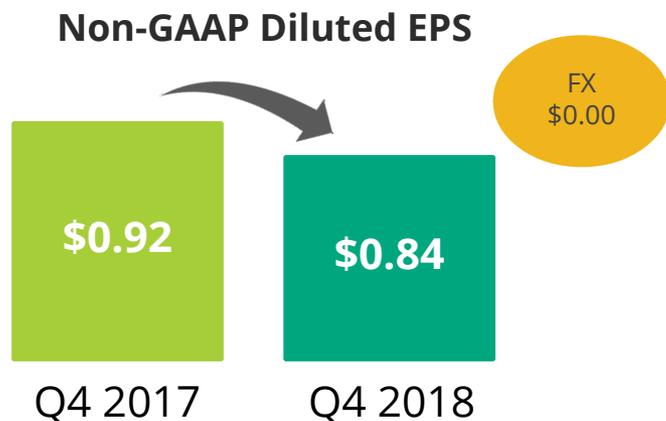
Q4 2018 FINANCIAL RESULTS



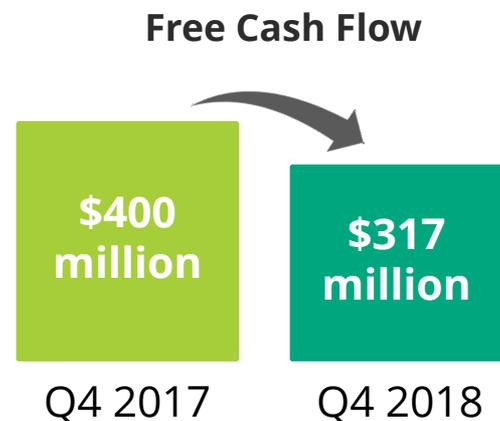
Revenue up 1% as reported and up 3% CC;
Recurring revenue up 1%, 42% of total revenue



Non-GAAP gross margin rate down 180 bps as reported and down 200 bps CC

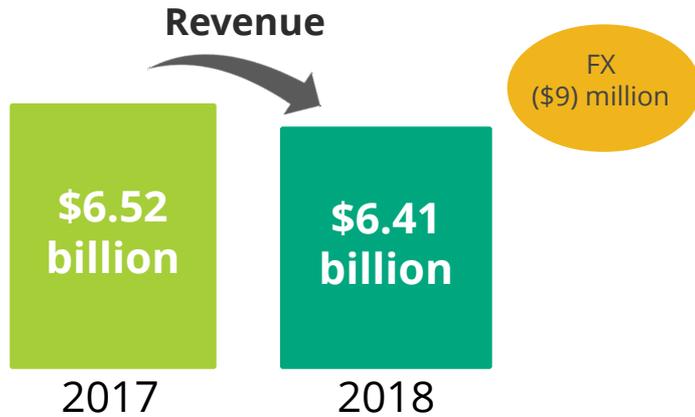


Non-GAAP Diluted EPS down due to increased costs

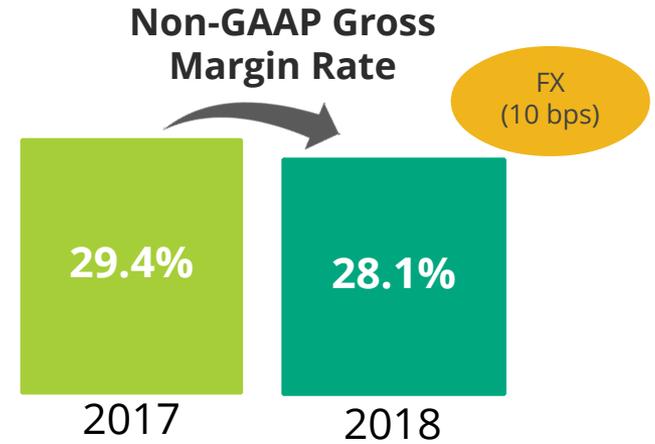


Free Cash Flow down due to lower earnings and higher working capital

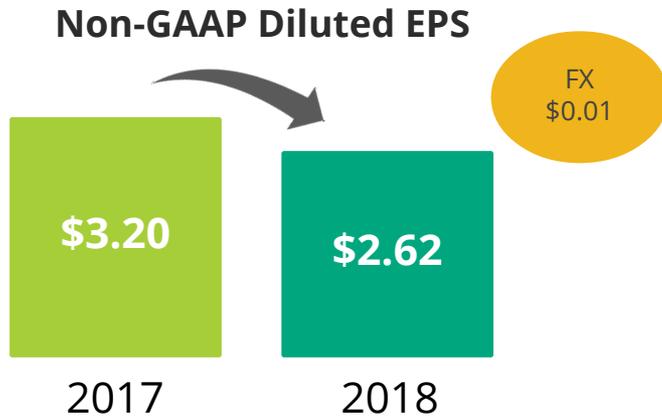
FY 2018 FINANCIAL RESULTS



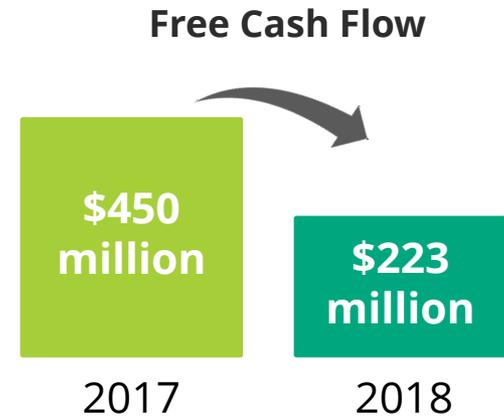
Revenue down 2% as reported and CC;
Recurring revenue up 3%, 46% of total revenue



Non-GAAP gross margin rate down 130 bps as reported and down 140 bps CC



Non-GAAP Diluted EPS down due to lower revenue and increased costs



Free Cash Flow down due to lower earnings and higher working capital

SOFTWARE

Q4 2018 Update

	Q4 2018	Q4 2017	% Change	% Change CC
Software License	\$90	\$95	(5)%	(4)%
<i>Attached License</i>	41	37	11%	16%
<i>Unattached License</i>	49	58	(16)%	(16)%
Software Maintenance	90	96	(6)%	(5)%
Cloud	163	156	4%	5%
Professional Services	159	161	(1)%	1%
Software Revenue	\$502	\$508	(1)%	—%
Software Gross Margin	\$245	\$268	(9)%	(7)%
Software Gross Margin Rate	48.8%	52.8%	(400) bps	(400) bps
Operating Income	\$141	\$164	(14)%	(13)%
Operating Income as a % of Revenue	28.1%	32.3%	(420) bps	(430) bps

KEY HIGHLIGHTS

\$ in millions

- Software License down 4% CC with lower unattached license revenue, partially offset by increases in attached license revenue
- Software maintenance revenue down 5% CC due to lower software license revenue from prior periods
- Cloud revenue up 5% CC driven by increased revenue from existing customers as well as the addition of JetPay in December; Net ACV of \$10M
- Operating income down driven by higher mix of third party software content

SERVICES

Q4 2018 Update

	Q4 2018	Q4 2017	% Change	% Change CC
Services Revenue	\$633	\$619	2%	5%
Services Gross Margin	\$172	\$153	12%	16%
Services Gross Margin Rate	27.2%	24.7%	+250 bps	+260 bps
Operating Income	\$92	\$76	21%	25%
Operating Income as a % of Revenue	14.5%	12.3%	+220 bps	+230 bps

\$ in millions

KEY HIGHLIGHTS

- Services revenue increased 5% CC driven by continued momentum in managed service offerings and increased wallet share from the current install base driven by improved customer satisfaction
- Operating income increased 25% CC due to continued and sustainable improvements achieved through services transformation initiatives offset by continued investment
- Service transformation 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 2018 Update

	Q4 2018	Q4 2017	% Change	% Change CC
ATMs	\$367	\$303	21%	26%
Self-Checkout (SCO)	110	131	(16)%	(16)%
Point-of-Sale (POS)	189	218	(13)%	(12)%
Interactive Printer Solutions (IPS)	—	3	(100)%	(100)%
Hardware Revenue	\$666	\$655	2%	4%
Hardware Gross Margin	\$78	\$102	(24)%	(23)%
Hardware Gross Margin Rate	11.7%	15.6%	(390) bps	(410) bps
Operating Loss	(\$19)	(\$4)	Unfav	Unfav
Operating Loss as a % of Revenue	(2.9%)	(0.6%)	Unfav	Unfav

\$ in millions

KEY HIGHLIGHTS

- ATM revenue up 26% CC driven by higher backlog conversion as we significantly ramped production
- SCO revenue down due to timing of customer roll-outs
- POS revenue down compared to growth of 20% CC in the prior year, which benefited from several large customer wins
- Operating income decreased due to increased costs associated with our manufacturing transformation initiatives
- Hardware profitability significantly improved sequentially as manufacturing transformation initiatives progressing as planned

FREE CASH FLOW, NET DEBT & EBITDA

Free Cash Flow	Q4 2018	Q4 2017	FY 2018	FY 2017
Cash Provided by Operating Activities	\$409	\$482	\$572	\$752
Total capital expenditures	(79)	(88)	(313)	(294)
Cash used in Discontinued Operations	(13)	6	(36)	(8)
Free Cash Flow	\$317	\$400	\$223	\$450

\$ in millions

Net Debt & EBITDA	FY 2018	Q3 2018	FY 2017
Debt	\$3,165	\$3,127	\$2,991
Cash	(464)	(334)	(537)
Net Debt	\$2,701	\$2,793	\$2,454
Adjusted EBITDA ⁽¹⁾	\$957	\$984	\$1,124
Net Debt / Adjusted EBITDA	2.8x	2.8x	2.2x

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

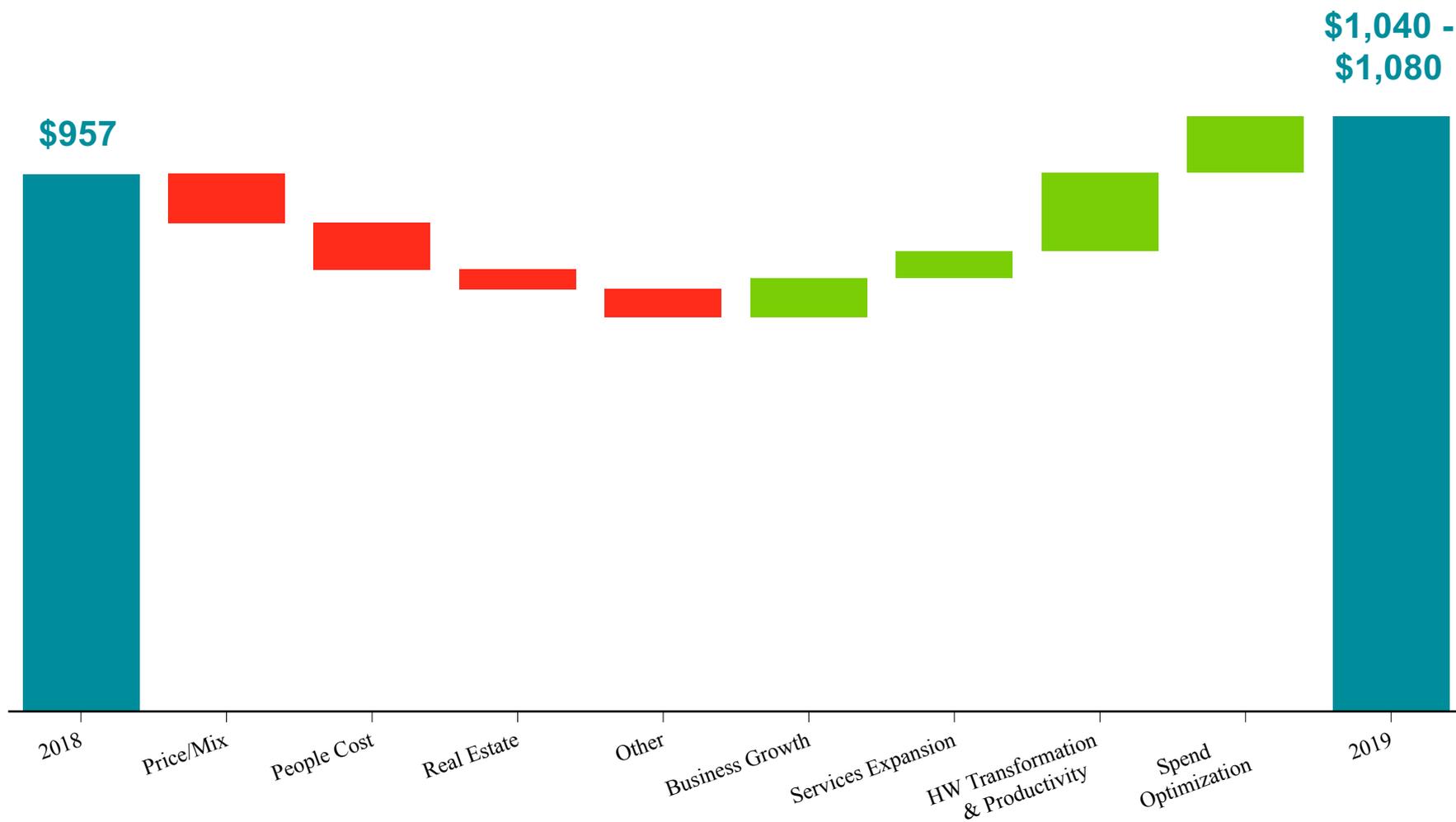
\$ in millions

2019 GUIDANCE

	FY 2019 Guidance	
Revenue Growth	1% - 2%	
Net Income Attributable to NCR	\$290 - \$305	
Adjusted EBITDA	\$1,040 - \$1,080	
GAAP Diluted EPS	\$1.91 - \$2.01	
Non-GAAP Diluted EPS	\$2.75 - \$2.85	
Cash Flow from Operations	\$705 - \$730	
Free Cash Flow	\$300 - \$350	
Capital Allocations	2018	2019
Stock repurchases	\$210	~ \$100
Capital expenditures	\$313	\$350-\$375
Mergers and acquisitions	\$206	\$300-\$400

\$ in millions, except per share amounts

2019 EBITDA BRIDGE



\$ in millions

LOOKING FORWARD



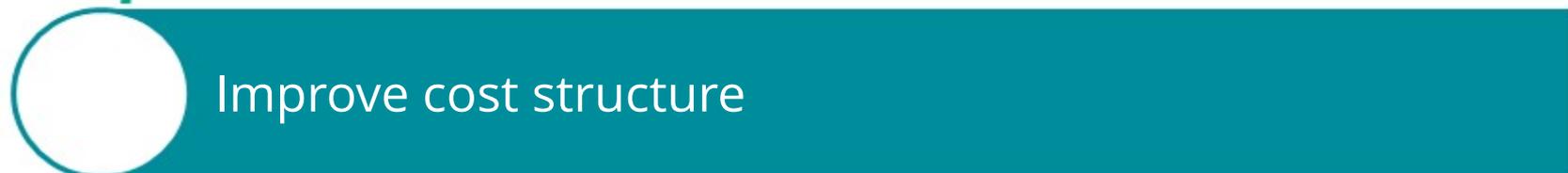
Allocate capital to highest growth and return on investment opportunities



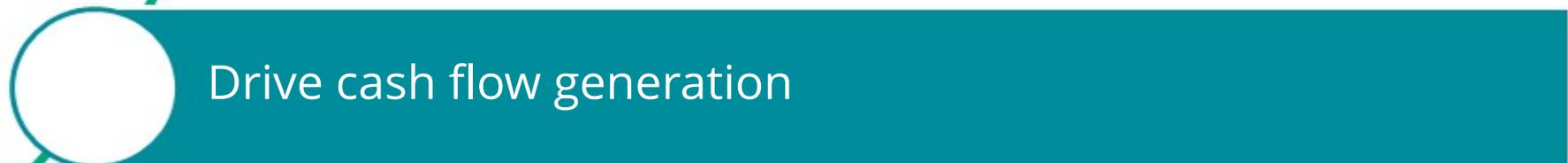
Return to growth



Mix shift to software, services and recurring revenue



Improve cost structure



Drive cash flow generation

SUPPLEMENTARY MATERIALS

Q4 2018 and FY 2018 GAAP RESULTS

	Q4 2018	Q4 2017	% Change As Reported	FY 2018	FY 2017	% Change As Reported
Revenue	\$1,801	\$1,782	1%	\$6,405	\$6,516	(2)%
Gross Margin	442	510	(13)%	1,675	1,855	(10)%
Gross Margin Rate	24.5%	28.6%		26.2%	28.5%	
Operating Expenses	379	308	23%	1,484	1,164	27%
% of Revenue	21.0%	17.3%		23.2%	17.9%	
Operating Income	63	202	(69)%	191	691	(72)%
% of Revenue	3.5%	11.3%		3.0%	10.6%	
Interest and other expense	(3)	(71)	(96)%	(152)	(209)	(27)%
Income Tax (Benefit) Expense	93	164	(43)%	73	242	(70)%
Effective Income Tax Rate	155%	125%		187%	50%	
Net Income	(\$33)	(\$35)	6%	(\$36)	\$237	(115)%
Diluted EPS	(\$0.39)	(\$0.38)	(3)%	(\$0.72)	\$1.01	(171)%

in millions, except per share amounts

Q4 2018 and FY 2018 OPERATIONAL RESULTS

	Q4 2018	Q4 2017	% Change As Reported	% Change Constant Currency	FY 2018	FY 2017	% Change As Reported	% Change Adjusted Constant Currency
Revenue	\$1,801	\$1,782	1%	3%	\$6,405	\$6,516	(2)%	(2)%
Gross Margin (non-GAAP)	495	523	(5)%	(4)%	1,800	1,916	(6)%	(6)%
Gross Margin Rate (non-GAAP)	27.5%	29.3%	(180) bps	(200) bps	28.1%	29.4%	(130) bps	(140) bps
Operating Expenses (non-GAAP)	281	287	(2)%	—%	1,112	1,076	3%	3%
% of Revenue	15.6%	16.1%			17.4%	16.5%		
Operating Income (non-GAAP)	214	236	(9)%	(8)%	688	840	(18)%	(18)%
% of Revenue	11.9%	13.2%	(130) bps	(150) bps	10.7%	12.9%	(220)bps	(220)bps
Interest and other expense (non-GAAP)	(48)	(43)	12%	23%	(197)	(181)	(9)%	(9)%
Income Tax Expense (non-GAAP)	40	49	(18)%		94	162	(42)%	
Effective Income Tax Rate (non-GAAP)	24%	25%			19%	25%		
Net Income (non-GAAP)	\$126	\$142	(13)%	(13)%	\$394	\$494	(20)%	(20)%
Diluted EPS (non-GAAP)	\$0.84	\$0.92	(9)%	(9)%	\$2.62	\$3.20	(18)%	(18)%

in millions, except per share amounts

SOFTWARE

	FY 2018	FY 2017	% Change	% Change CC
Software License	\$308	\$336	(8)%	(8)%
<i>Attached License</i>	111	121	(8)%	(8)%
<i>Unattached License</i>	197	215	(8)%	(8)%
Software Maintenance	366	374	(2)%	(2)%
Cloud	631	592	7%	7%
Professional Services	607	598	2%	1%
Software Revenue	\$1,912	\$1,900	1%	1%
Software Gross Margin	\$916	\$967	(5)%	(5)%
Software Gross Margin Rate	47.9%	50.9%	(300) bps	(290) bps
Operating Income	\$492	\$563	(13)%	(12)%
Operating Income as a % of Revenue	25.7%	29.6%	(390) bps	(380) bps

\$ in millions

SERVICES

	FY 2018	FY 2017	% Change	% Change CC
Services Revenue	\$2,460	\$2,373	4%	4%
Services Gross Margin	\$639	\$581	10%	11%
Services Gross Margin Rate	26.0%	24.5%	+150 bps	+170 bps
Operating Income	\$321	\$282	14%	17%
Operating Income as a % of Revenue	13.0%	11.9%	+110 bps	+140 bps

\$ in millions

HARDWARE

	FY 2018	FY 2017	% Change	% Change CC
ATMs	\$979	\$1,012	(3)%	(3)%
Self-Checkout (SCO)	346	407	(15)%	(15)%
Point-of-Sale (POS)	708	806	(12)%	(12)%
Interactive Printer Solutions (IPS)	—	18	(100)%	(100)%
Hardware Revenue	\$2,033	\$2,243	(9)%	(9)%
Hardware Gross Margin	\$245	\$368	(33)%	(36)%
Hardware Gross Margin Rate	12.1%	16.4%	(430) bps	(400) bps
Operating Loss	(\$125)	(\$5)	Unfav	Unfav
Operating Loss as a % of Revenue	(6.1%)	(0.2%)	Unfav	Unfav

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

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

NON-GAAP MEASURES

Constant Currency. NCR presents certain financial measures, such as period-over-period revenue growth, on a constant currency basis, which excludes the effects of foreign currency translation by translating prior period results at current period monthly average exchange rates. Due to the overall variability of foreign exchange rates from period to period, NCR's management uses constant currency measures to evaluate period-over-period operating performance on a more consistent and comparable basis. NCR's management believes that presentation of financial measures without these results is more representative of the company's period-over-period operating performance, and provides additional insight into historical and/or future performance, which may be helpful for investors.

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

NCR believes that Adjusted EBITDA (adjusted earnings before interest, taxes, depreciation and amortization) provides useful information to investors because it is an indicator of the strength and performance of the Company's ongoing business operations, including its ability to fund discretionary spending such as capital expenditures, strategic acquisitions and other investments. NCR determines Adjusted EBITDA for a given period based on its GAAP net income attributable to NCR plus interest expense, net; plus income tax expense (benefit); plus depreciation and amortization; plus other income (expense); plus pension mark-to-market adjustments, pension settlements, pension curtailments and pension special termination benefits and other special items, including amortization of acquisition related intangibles. 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 2017	Q3 2018 LTM	FY 2018
Net (Loss) Income from Continuing Operations (GAAP)	\$240	(\$34)	(\$34)
Pension Mark-to-Market Adjustments	28	28	(45)
Transformation/Restructuring Costs	29	101	223
Acquisition-Related Amortization of Intangibles	115	93	85
Acquisition-Related Costs	5	3	6
Long-lived and Intangible Asset Impairment Charges	—	183	183
Net (Income) Loss from Continuing Operations Attributable to Noncontrolling Interests	(3)	—	(2)
Interest Expense	163	166	168
Interest Income	(3)	(3)	(5)
Depreciation and Amortization	231	239	241
Income Taxes	242	144	73
Stock Compensation Expense	77	64	64
Adjusted EBITDA (non-GAAP)	\$1,124	\$984	\$957

GAAP TO NON-GAAP RECONCILIATION

Q4 2018 QTD

in millions (except per share amounts)	Q4 QTD 2018 GAAP	Transformation and Restructuring costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Pension mark-to- market adjustments	Impact of U.S. Tax Reform	Q4 QTD 2018 non-GAAP
Product revenue	\$756	\$—	\$—	\$—	\$—	\$—	\$756
Service revenue	1,045	—	—	—	—	—	1,045
Total revenue	1,801	—	—	—	—	—	1,801
Cost of products	644	(19)	(1)	—	—	—	624
Cost of services	715	(29)	(4)	—	—	—	682
Gross margin	442	48	5	—	—	—	495
Gross margin rate	24.5%	2.7%	0.3%	—%	—%	—%	27.5%
Selling, general and administrative expenses	273	(29)	(16)	(5)	—	—	223
Research and development expenses	62	(4)	—	—	—	—	58
Asset impairment charges	44	(44)	—	—	—	—	—
Total operating expenses	379	(77)	(16)	(5)	—	—	281
<i>Total operating expense as a % of revenue</i>	21.0%	(4.2)%	(0.9)%	(0.3)%	—%	—%	15.6%
Income from operations	63	125	21	5	—	—	214
<i>Income from operations as a % of revenue</i>	3.5%	6.9%	1.2%	0.3%	—%	—%	11.9%
Interest and Other (expense) income, net	(3)	—	—	—	(45)	—	(48)
Income from continuing operations before income taxes	60	125	21	5	(45)	—	166
Income tax (benefit) expense	93	29	3	1	(1)	(85)	40
<i>Effective income tax rate</i>	155%						24%
Income from continuing operations	(33)	96	18	4	(44)	85	126
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—
Income from continuing operations (attributable to NCR)	(\$33)	\$96	\$18	\$4	(\$44)	\$85	\$126
Diluted earnings per share	(\$0.39)	\$0.64	\$0.12	\$0.03	(\$0.29)	\$0.57	\$0.84
Diluted shares outstanding	118.6						149.9

GAAP TO NON-GAAP RECONCILIATION

Q4 2018 QTD

	Q4 QTD 2018 GAAP	Q4 QTD 2018 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)	\$(33)	\$126
Dividends on convertible preferred shares	(13)	—
Income from continuing operations attributable to NCR common stockholders	\$(46)	\$126
<i>Weighted average outstanding shares:</i>		
Weighted average diluted shares outstanding	118.6	121.1
Weighted as-if converted preferred shares	—	28.8
Total shares used in diluted earnings per share	118.6	149.9
Diluted earnings per share ⁽¹⁾	(\$0.39)	\$0.84

⁽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

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	591	—	(6)	—	—	—	585
Cost of services	681	—	(7)	—	—	—	674
Gross margin	510	—	13	—	—	—	523
Gross margin rate	28.6%	—%	0.7%	—%	—%	—%	29.3%
Selling, general and administrative expenses	245	(4)	(16)	(2)	—	—	223
Research and development expenses	63	1	—	—	—	—	64
Total expenses	308	(3)	(16)	(2)	—	—	287
<i>Total expense as a % of revenue</i>	17.3%	<i>(0.2)%</i>	<i>(0.9)%</i>	<i>(0.1)%</i>	<i>—%</i>	<i>—%</i>	16.1%
Income from operations	202	3	29	2	—	—	236
<i>Income from operations as a % of revenue</i>	11.3%	<i>0.2%</i>	<i>1.6%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	13.2%
Interest and Other (expense) income, net	(71)	—	—	—	28	—	(43)
Income from continuing operations before income taxes	131	3	29	2	28	—	193
Income tax expense	164	2	9	1	3	(130)	49
<i>Effective income tax rate</i>	125%						25%
Income from continuing operations	(33)	1	20	1	25	130	144
Net income attributable to noncontrolling interests	2	—	—	—	—	—	2
Income from continuing operations (attributable to NCR)	(\$35)	\$1	\$20	\$1	\$25	\$130	\$142
Diluted (loss) earnings per share	(\$0.38)	\$0.01	\$0.13	\$0.01	\$0.16	\$0.85	\$0.92
Diluted shares outstanding	121.9						153.7

GAAP TO NON-GAAP RECONCILIATION

Q4 2017 QTD

	Q4 QTD 2017 GAAP	Q4 QTD 2017 non-GAAP
in millions (except per share amounts)		
<i>Income from continuing operations attributable to NCR common stockholders:</i>		
Income from continuing operations (attributable to NCR)	(\$35)	\$142
Dividends on convertible preferred shares	(\$11)	—
Income from continuing operations attributable to NCR common stockholders	(\$46)	\$142
<i>Weighted average outstanding shares:</i>		
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 earnings per share ⁽¹⁾	(\$0.38)	\$0.92

⁽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 2018

in millions (except per share amounts)	FY 2018 GAAP	Transformation and Restructuring costs	Goodwill & Long-lived Asset Impairments	Acquisition- related amortization of intangibles	Acquisition- related costs	Pension mark-to- market adjustments	Impact of U.S. Tax Reform	FY 2018 non-GAAP
Product revenue	\$2,341	\$—	\$—	\$—	\$—	\$—	\$—	\$2,341
Service revenue	4,064	—	—	—	—	—	—	4,064
Total revenue	6,405	—	—	—	—	—	—	6,405
Cost of products	1,988	(59)	—	(10)	—	—	—	1,919
Cost of services	2,742	(43)	—	(13)	—	—	—	2,686
Gross margin	1,675	102	—	23	—	—	—	1,800
Gross margin rate	26.2%	1.5%	—%	0.4%	—%	—%	—%	28.1%
Selling, general and administrative expenses	1,005	(67)	—	(62)	(6)	—	—	870
Research and development expenses	252	(10)	—	—	—	—	—	242
Asset impairment charges	227	(44)	(183)	—	—	—	—	—
Total expenses	1,484	(121)	(183)	(62)	(6)	—	—	1,112
<i>Total expense as a % of revenue</i>	<i>23.2%</i>	<i>(1.9)%</i>	<i>(2.8)%</i>	<i>(1.0)%</i>	<i>(0.1)%</i>	<i>—%</i>	<i>—%</i>	<i>17.4%</i>
Income from operations	191	223	183	85	6	—	—	688
<i>Income from operations as a % of revenue</i>	<i>3.0%</i>	<i>3.4%</i>	<i>2.9%</i>	<i>1.3%</i>	<i>0.1%</i>	<i>—%</i>	<i>—%</i>	<i>10.7%</i>
Interest and Other (expense) income, net	(152)	—	—	—	—	(45)	—	(197)
Income from continuing operations before income taxes	39	223	183	85	6	(45)	—	491
Income tax expense	73	41	8	17	1	(1)	(45)	94
<i>Effective income tax rate</i>	<i>187%</i>							<i>19%</i>
Income from continuing operations	(34)	182	175	68	5	(44)	45	397
Net income attributable to noncontrolling interests	2	—	1	—	—	—	—	3
Income from continuing operations (attributable to NCR)	(\$36)	\$182	\$174	\$68	\$5	(\$44)	\$45	\$394
Diluted earnings per share	(\$0.72)	\$1.21	\$1.16	\$0.45	\$0.03	(\$0.29)	\$0.30	\$2.62
Diluted Shares outstanding	118.4							150.2

GAAP TO NON-GAAP RECONCILIATION

FY 2018

	FY 2018 GAAP	FY 2018 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)	\$(36)	\$394
Dividends on convertible preferred shares	(49)	—
Income from continuing operations attributable to NCR common stockholders	\$(85)	\$394
<i>Weighted average outstanding shares:</i>		
Weighted average diluted shares outstanding	118.4	121.9
Weighted as-if converted preferred shares	—	28.3
Total shares used in diluted earnings per share	118.4	150.2
Diluted earnings per share ⁽¹⁾	(\$0.72)	\$2.62

⁽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	2,021	(2)	(25)	—	—	—	1,994
Cost of services	2,640	(9)	(25)	—	—	—	2,606
Gross margin	1,855	11	50	—	—	—	1,916
Gross margin rate	28.5%	0.1%	0.8%	—%	—%	—%	29.4%
Selling, general and administrative expenses	923	(14)	(65)	(5)	—	—	839
Research and development expenses	241	(4)	—	—	—	—	237
Total expenses	1,164	(18)	(65)	(5)	—	—	1,076
<i>Total expense as a % of revenue</i>	<i>17.9%</i>	<i>(0.3)%</i>	<i>(1.0)%</i>	<i>(0.1)%</i>	<i>—%</i>	<i>—%</i>	<i>16.5%</i>
Income from operations	691	29	115	5	—	—	840
<i>Income from operations as a % of revenue</i>	<i>10.6%</i>	<i>0.4%</i>	<i>1.8%</i>	<i>0.1%</i>	<i>—%</i>	<i>—%</i>	<i>12.9%</i>
Interest and Other (expense) income, net	(209)	—	—	—	28	—	(181)
Income from continuing operations before income taxes	482	29	115	5	28	—	659
Income tax expense (benefit)	242	9	36	2	3	(130)	162
<i>Effective income tax rate</i>	<i>50%</i>						<i>25%</i>
Income from continuing operations	240	20	79	3	25	130	497
Net income attributable to noncontrolling interests	3	—	—	—	—	—	3
Income 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

	FY 2017 GAAP	FY 2017 non-GAAP
in millions (except per share amounts)		
<i>Income from continuing operations attributable to NCR common stockholders:</i>		
Income from continuing operations (attributable to NCR)	\$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

Q4 2018 QTD & YTD

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

	Q4 2018 QTD		Q4 2018 YTD	
	Gross Margin	Gross Margin Rate %	Gross Margin	Gross Margin Rate %
Software	245	48.8%	916	47.9%
Services	172	27.2%	639	26.0%
Hardware	78	11.7%	245	12.1%
Total Gross Margin (non-GAAP)	495	27.5%	1,800	28.1%
Less:				
Transformation Costs	48	2.7%	102	1.5%
Acquisition-related amortization of intangibles	5	0.3%	23	0.4%
Total Gross Margin (GAAP)	442	24.5%	1,675	26.2%

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	268	52.8%	967	50.9%
Services	153	24.7%	581	24.5%
Hardware	102	15.6%	368	16.4%
Total Gross Margin (non-GAAP)	523	29.3%	1,916	29.4%
Less:				
Transformation Costs	—	—%	11	0.1%
Acquisition-related amortization of intangibles	13	0.7%	50	0.8%
Total Gross Margin (GAAP)	510	28.6%	1,855	28.5%

GAAP TO NON-GAAP RECONCILIATION

Q4 2018 QTD & YTD

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

	Q4 2018 QTD		Q4 2018 YTD	
	Operating Income	Operating Income Rate	Operating Income	Operating Income Rate
Software	141	28.1%	492	25.7%
Services	92	14.5%	321	13.0%
Hardware	(19)	(2.9)%	(125)	(6.1)%
Total Operating Income (non-GAAP)	214	11.9%	688	10.7%
Less:				
Transformation & Restructuring costs	125	6.9%	223	3.4%
Asset Impairment charges	—	—%	183	2.9%
Acquisition-related amortization of intangibles	21	1.2%	85	1.3%
Acquisition-related costs	5	0.3%	6	0.1%
Total Operating Income (GAAP)	63	3.5%	191	3.0%

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	164	32.3%	563	29.6%
Services	76	12.3%	282	11.9%
Hardware	(4)	(0.6)%	(5)	(0.2)%
Total Operating Income (non-GAAP)	236	13.2%	840	12.9%
Less:				
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%
Total Operating Income (GAAP)	202	11.3%	691	10.6%

GAAP TO NON-GAAP RECONCILIATION

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

	Q4 2018 QTD			Q4 2018 YTD		
	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Revenue Growth Constant Currency % (non-GAAP)	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Revenue Growth Adjusted Constant Currency % (non-GAAP)
Software License	(5)%	(1)%	(4)%	(8)%	—%	(8)%
<i>Attached License</i>	11%	(5)%	16%	(8)%	—%	(8)%
<i>Unattached License</i>	(16)%	—%	(16)%	(8)%	—%	(8)%
Software Maintenance	(6)%	(1)%	(5)%	(2)%	—%	(2)%
Cloud	4%	(1)%	5%	7%	—%	7%
Professional Services	(1)%	(2)%	1%	2%	1%	1%
Software	(1)%	(1)%	—%	1%	—%	1%
Services	2%	(3)%	5%	4%	—%	4%
ATMs	21%	(5)%	26%	(3)%	—%	(3)%
Self-Checkout (SCO)	(16)%	—%	(16)%	(15)%	—%	(15)%
Point-of-Sale (POS)	(13)%	(1)%	(12)%	(12)%	—%	(12)%
Interactive Printer Solutions (IPS)	(100)%	—%	(100)%	(100)%	—%	(100)%
Hardware	2%	(2)%	4%	(9)%	—%	(9)%
Total Revenue	1%	(2)%	3%	(2)%	—%	(2)%

GAAP TO NON-GAAP RECONCILIATION

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

	Q4 2018 QTD			2018 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	(9)%	(2)%	(7)%	(5)%	—%	(5)%
Services	12%	(4)%	16%	10%	(1)%	11%
Hardware	(24)%	(1)%	(23)%	(33)%	3%	(36)%
Total Gross Margin	(5)%	(1)%	(4)%	(6)%	—%	(6)%

GAAP TO NON-GAAP RECONCILIATION

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

	Q4 2018 QTD			2018 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	(14)%	(1)%	(13)%	(13)%	(1)%	(12)%
Services	21%	(4)%	25%	14%	(3)%	17%
Hardware	(375)%	(272)%	(647)%	(5,000)%	1,000%	(6,000)%
Total Operating Income	(9)%	(1)%	(8)%	(18)%	—%	(18)%

GAAP TO NON-GAAP RECONCILIATION

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

	Q4 2018 QTD			2018 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	(400) bps	— bps	(400) bps	(300) bps	10 bps	(290) bps
Services	250 bps	10 bps	260 bps	150 bps	20 bps	170 bps
Hardware	(390) bps	(20) bps	(410) bps	(430) bps	30 bps	(400) bps
Total Gross Margin bps	(180) bps	(20) bps	(200) bps	(130) bps	(10) bps	(140) bps

GAAP TO NON-GAAP RECONCILIATION

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

	Q4 2018 QTD			2018 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	(420) bps	(10) bps	(430) bps	(390) bps	10 bps	(380) bps
Services	220 bps	10 bps	230 bps	110 bps	30 bps	140 bps
Hardware	(230) bps	(20) bps	(250) bps	(590) bps	(50) bps	(640) bps
Total Operating Income	(130) bps	20 bps	(150) bps	(220) bps	— bps	(220) bps

GAAP TO NON-GAAP RECONCILIATION

Diluted Earnings Per Share

	2019 Guidance
Diluted EPS (GAAP) ^{(1) (2)}	\$1.91 - \$2.01
Transformation & Restructuring costs	0.31
Acquisition-Related Amortization of Intangibles	0.48
Acquisition-Related Costs	0.05
Non-GAAP Diluted EPS ^{(1) (3)}	\$2.75 - \$2.85

- (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, 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 2019, we have assumed an effective tax rate of 23% to 24% and a share count of 151 million compared to an effective tax rate of 19% and a share count of 150 million in FY 2018.

GAAP TO NON-GAAP RECONCILIATION

Earnings Before Interest, Taxes, Depreciation & Amortization (Adjusted EBITDA)

	2019 Guidance
Net Income Attributable to NCR (GAAP)	\$290 - \$305
Transformation & Restructuring costs	60
Acquisition-Related Amortization of Intangibles	95
Acquisition-Related Costs	10
Interest	180 - 195
Taxes	85 - 95
Depreciation & Amortization	240
Stock Compensation	80
Adjusted EBITDA (Non-GAAP)	\$1,040 - \$1,080

GAAP TO NON-GAAP RECONCILIATION

	2019 Guidance
Cash Provided by Operating Activities	\$705 - \$730
Less: Total capital expenditures	(350) - (375)
Less: Cash used in Discontinued Operations	(30)
Free Cash Flow	\$300 - \$350

\$ in millions

 **NCR**