
Q4 2020 EARNINGS CONFERENCE CALL

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OWEN SULLIVAN, COO
TIM OLIVER, CFO

February 9, 2021



NOTES TO INVESTORS

FORWARD-LOOKING STATEMENTS. Comments made during this conference call and in these materials contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the “Act”), including statements containing the words “expect,” “intend,” “plan,” “believe,” “will,” “should,” “would,” “could,” “may,” and words of similar meaning, as well as other words or expressions referencing future events, conditions or circumstances. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Act. Statements that describe or relate to NCR’s or Cardtronics’ plans, goals, intentions, strategies, or financial outlook (including NCR’s expectations in 2021 regarding its first quarter revenue, EBITDA margin and free cash flow, as well as general year over year improvements), and statements that do not relate to historical or current fact, are examples of forward-looking statements. Examples of forward-looking statements include, without limitation, statements regarding NCR’s and Cardtronics’ plans to manage their respective business through the novel strain of the coronavirus identified in late 2019 (“COVID-19”) pandemic and the health and safety of our customers and employees; the expected impact of the COVID-19 pandemic on NCR’s Banking, Retail and Hospitality segments including the impact on NCR’s customers’ businesses and their ability to pay; expectations regarding NCR’s or Cardtronics’ respective operating goals and actions to manage these goals; expectations regarding cost and revenue synergies; expectations regarding NCR’s or Cardtronics’ cash flow generation, cash reserve, liquidity, financial flexibility and impact of the COVID-19 pandemic on NCR’s and Cardtronics’ respective employee bases; expectations regarding NCR’s and Cardtronics’ respective abilities to capitalize on market opportunities; expectations regarding leveraging the debit network to monetize payment transactions; expectations regarding accretion; expectations regarding long-term strategy and our ability to create stockholder value; NCR’s or Cardtronics’ respective financial outlook; expectations regarding NCR’s continued focus on our long-term fundamentals, including, but, not limited to, NCR’s execution of its NCR-as-a-Service 80/60/20 strategy and return to growth; expected increased revenue and cash flow linearity; margin expansion; NCR’s expected areas of focus to drive growth and create long-term stockholder value; the effect of the announcement of the proposed transaction on the ability of Cardtronics to retain and hire key personnel and maintain relationships with customers, suppliers and others with whom Cardtronics does business, or on Cardtronics operating results and business generally; risks that the proposed transaction disrupts current plans and operations and the potential difficulties in employee retention as a result of the proposed transaction; the outcome of any legal proceedings related to the proposed transaction; the occurrence of any event, change or other circumstances that could give rise to the termination of the acquisition agreement; the ability of the parties to consummate the proposed transaction on a timely basis or at all; the satisfaction of the conditions precedent to consummation of the proposed transaction, including the ability to secure regulatory approvals on the terms expected, at all or in a timely manner; the ability of the Company to implement its plans, forecasts and other expectations with respect to its business after the completion of the proposed transaction and realize expected benefits; business disruption following the proposed transaction; and the potential benefits of an acquisition of Cardtronics. 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 U.S. Securities and Exchange Commission (SEC) on February 28, 2020 and Cardtronics’ Annual Report on Form 10-K filed with the SEC on March 2, 2020, and those factors detailed from time to time in NCR’s and Cardtronics’ other SEC reports including quarterly reports on Form 10-Q and current reports on Form 8-K. In addition, there can be no assurance that a transaction with Cardtronics PLC will be agreed to or occur, and if agreed, the terms of any such transaction. These materials are dated February 9, 2021, 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, except as otherwise required by law.

NOTES TO INVESTORS

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; 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 "CC" means constant currency, and;
- (ii) the term "recurring revenue" includes all revenue streams from contracts where there is a predictable revenue pattern that will occur at regular intervals with a relatively high degree of certainty. This includes hardware and software maintenance revenue, cloud revenue, payment processing revenue, and certain professional services arrangements, as well as term-based software license arrangements that include customer termination rights.

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

FREE CASH FLOW of \$149M in Q4 and \$448M FY 2020

Adjusted EBITDA margin rate **EXPANSION** Q/Q to 15.8%

Completed \$150M of **COST REDUCTIONS**

RECURRING REVENUE up 6% Y/Y in Q4

Announced proposed transaction with **CARDTRONICS**

STRATEGIC UPDATE

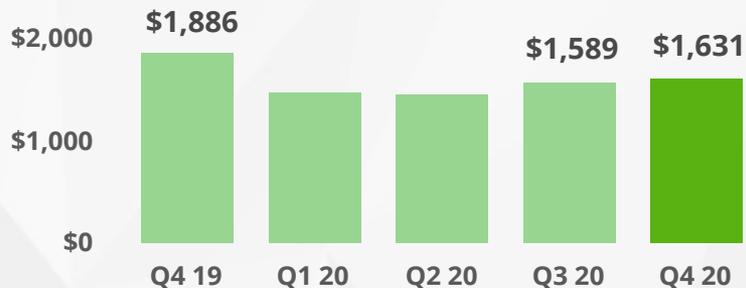
- Successful progress on 80/60/20 goals
- Banking – Digital banking momentum and accelerating shift to recurring software revenue
- Retail - Gaining traction on NCR Emerald™ and self-checkout solutions
- Hospitality - Momentum in Aloha™ Essentials continues
- Accelerating NCR-as-a-Service transformation
- Continue to invest in strategic platforms
 - Digital front-end for Digital Banking
 - Digital online ordering for Retail



Q4 2020 FINANCIAL RESULTS

\$ in millions, except for EPS

Revenue



Revenue down 14% y/y due to COVID-19 and shift to recurring; Up 3% q/q

Adjusted EBITDA



Adjusted EBITDA down 14% y/y due to COVID-19 and shift to recurring; Up 4% q/q

Non-GAAP Diluted EPS



Non-GAAP EPS down due to decline in operating earnings

Free Cash Flow



Driving more linear free cash flow production

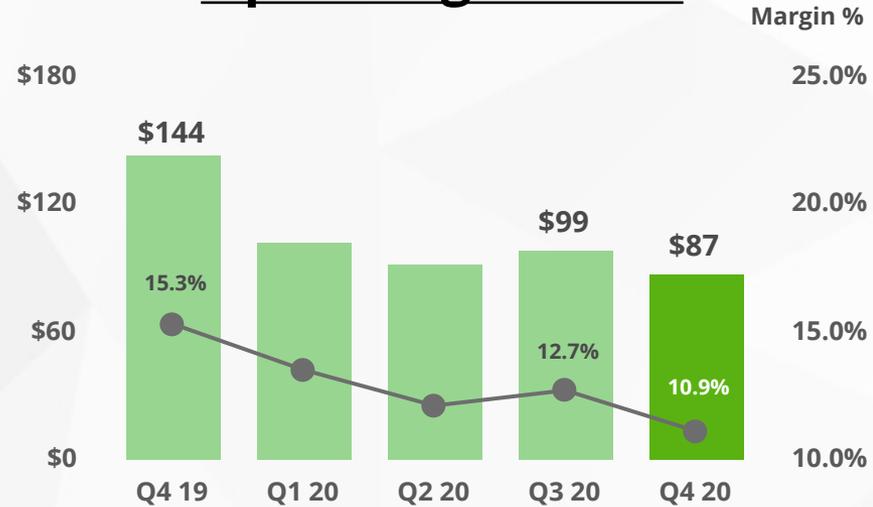
BANKING

\$ in millions

Revenue

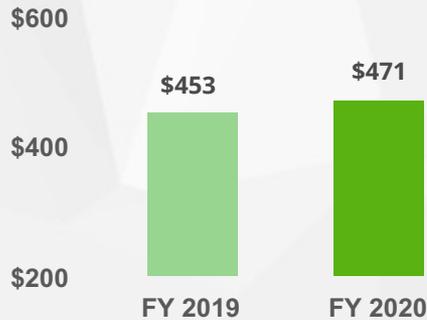


Operating Income



Key Metrics

Digital Banking Revenue



FY 20 up 4% vs FY 19

Digital Banking Registered Users



Up 12% year over year

Recurring Revenue



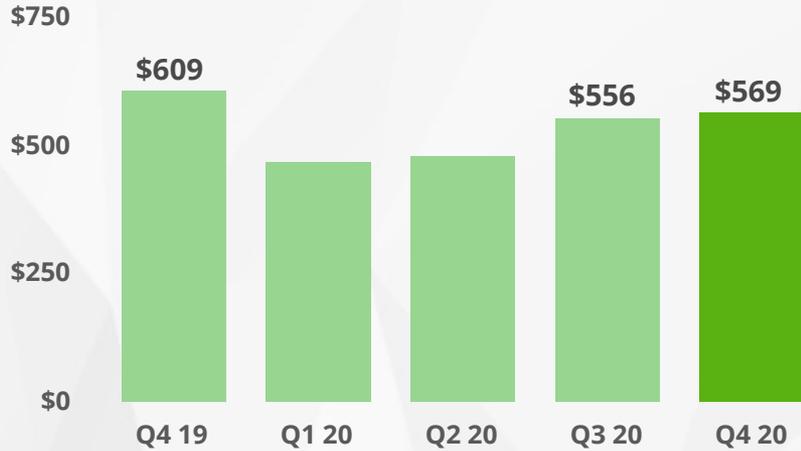
Up 8% year over year

Digital banking and shift to recurring revenue gaining traction

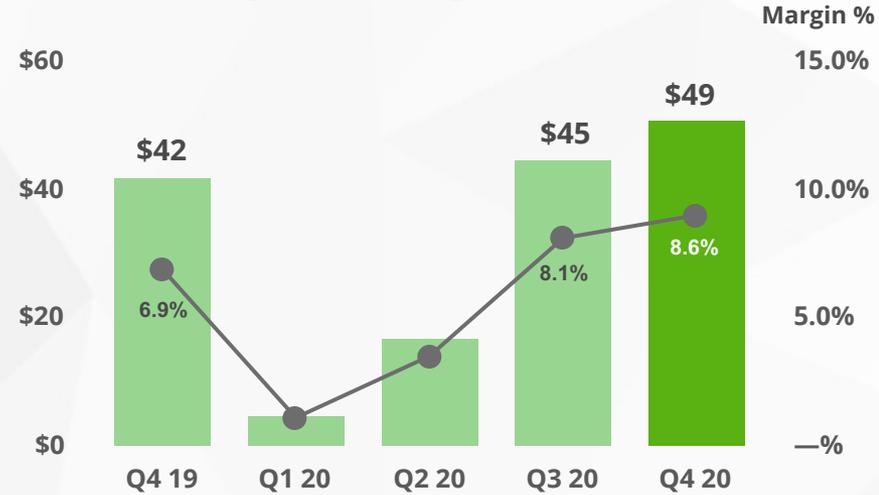
RETAIL

\$ in millions, except platform lanes

Revenue



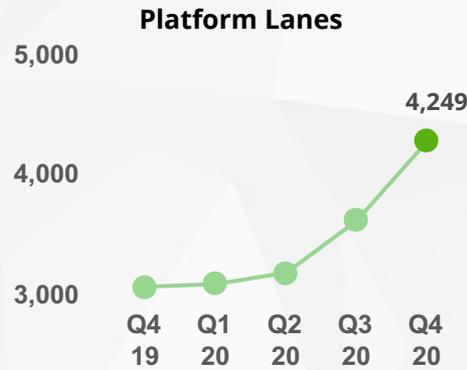
Operating Income



Key Metrics



Down 11% year over year



Up 40% year over year



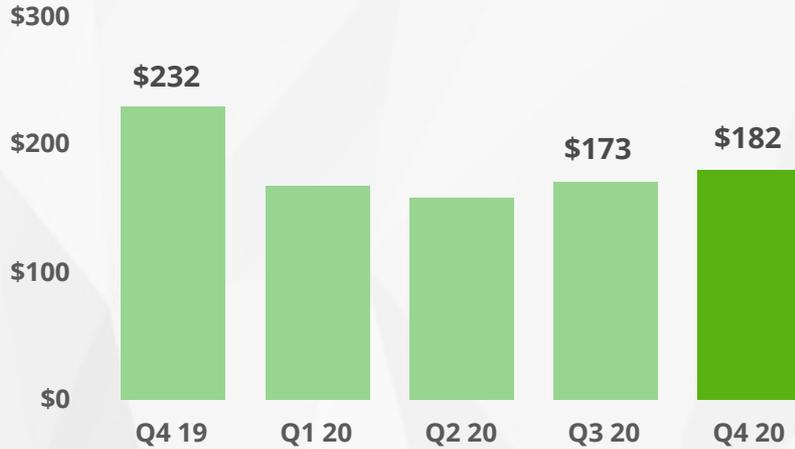
Up 11% year over year

Momentum in recurring revenue growth

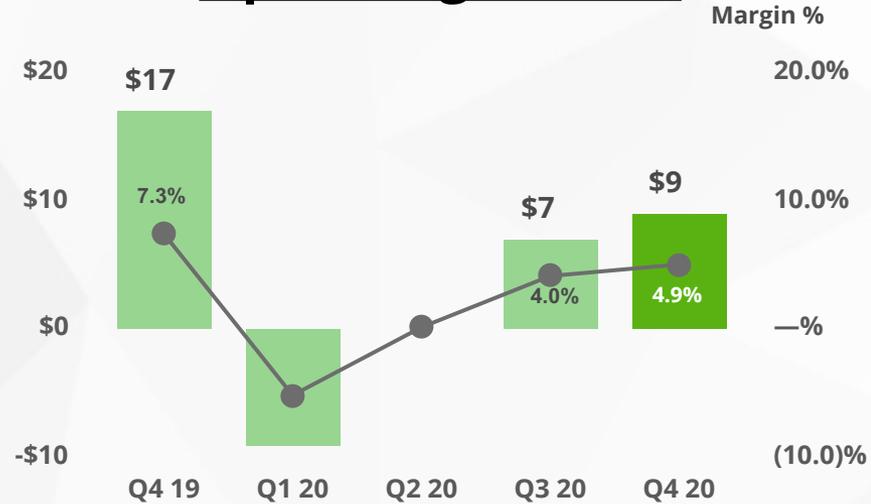
HOSPITALITY

\$ in millions, except Aloha Essential Sites

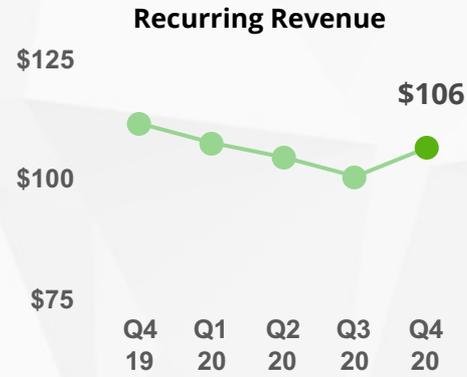
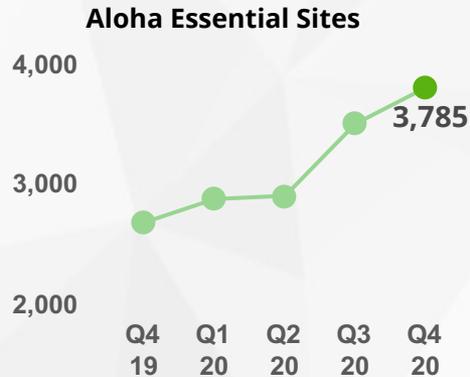
Revenue



Operating Income



Key Metrics



Up 42% year over year

Down 5% year over year

Conversion to Aloha Essentials & improved profitability despite COVID-19

SUPPLEMENTAL REVENUE

\$ in millions

	Q4 2020	Q3 2020	Q4 2019	Q4 20 v Q3 20	Q4 20 v Q4 19
Software	\$483	\$468	\$533	3%	(9%)
Services	\$671	\$655	\$673	2%	—%
Hardware	\$477	\$466	\$680	2%	(30%)
<i>ATM</i>	\$221	\$219	\$347	1%	(36%)
<i>SCO/POS</i>	\$256	\$247	\$333	4%	(23%)
Total Revenue	\$1,631	\$1,589	\$1,886	3%	(14%)
Software & Services %	71%	71%	64%		
Recurring Revenue	\$874	\$848	\$825	3%	6%
Recurring Revenue %	54%	53%	44%		

Key Highlights

- Sequential improvement across software, services and hardware revenue
- Positive mix shift to software, services and recurring revenue
- Year-over-year declines largely driven by COVID-19 and shift to recurring revenue

FY SUPPLEMENTAL REVENUE

\$ in millions

	FY 2020	FY 2019	FY 20 v FY 19
Software	\$1,885	\$2,008	(6%)
Services	\$2,567	\$2,520	2%
Hardware	\$1,755	\$2,387	(26%)
<i>ATM</i>	\$891	\$1,263	(29%)
<i>SCO/POS</i>	\$864	\$1,124	(23%)
Total Revenue	\$6,207	\$6,915	(10%)
Software & Services %	72%	65%	
Recurring Revenue	\$3,338	\$3,182	5%
Recurring Revenue %	54%	46%	

Key Highlights

- Positive mix shift to software, services and recurring revenue
- Year-over-year declines largely driven by COVID-19 and shift to recurring revenue

FREE CASH FLOW, NET DEBT & EBITDA

\$ in millions

Free Cash Flow	Q4 2020	Q4 2019	FY 2020	FY 2019
Cash provided by Operating Activities	\$146	\$408	\$641	\$634
Total capital expenditures	(\$63)	(\$109)	(\$263)	(\$329)
Cash used in discontinued ops	(\$4)	\$3	\$—	(\$24)
Discretionary pension contributions	\$70	\$—	\$70	\$—
Free Cash Flow	\$149	\$302	\$448	\$281

Net Debt & EBITDA	Q4 2020	Q3 2020	Q4 2019
Debt	\$3,278	\$4,488	\$3,559
Cash	(\$338)	(\$1,605)	(\$509)
Net Debt	\$2,940	\$2,883	\$3,050
Adjusted EBITDA LTM	\$896	\$937	\$1,058
Net Debt / Adjusted EBITDA	3.3x	3.1x	2.9x

COST ACTIONS & IMPACTS

COST ACTIONS	IMPACTS
<ul style="list-style-type: none">• Temporary COVID cost actions replaced with permanent reductions• Total cost actions of \$150M• Turning attention to integration of Cardtronics and synergies	<ul style="list-style-type: none">• Recorded charge of approximately \$200M in Q4<ul style="list-style-type: none">◦ ~\$150 non cash◦ ~\$50 cash• Includes severance, excess inventory and software impairments• Several legacy issues addressed and settled

**IMPROVED COST STRUCTURE
TO DRIVE MARGIN EXPANSION**

OUTLOOK

Q1 2021

- Revenue - Up 2% to 3% year over year
- Adjusted EBITDA Margin - Expands approx. 250 bps year over year to roughly 15%
- Free Cash Flow - Modest improvement from Q1 2020 to approx. breakeven

LOOKING FORWARD

- Pleased with 2020 execution
- Accelerate NCR as-a-Service 80/60/20 Strategy
- Return to growth
- Building momentum for 2021 execution
- Increased revenue and cash flow linearity
- Cost takeout and positive operating leverage drive margin expansion
- Set the stage to hit the ground running...Cardtronics

NCR + CARDTRONICS

Accelerates **NCR-as-a-Service** strategy

Expands **payments** opportunity

Enhances NCR's **scale and cash flow** generation

Advances **NCR's 80/60/20 targets**

Accretive to non-GAAP EPS in the full first year ...
approx. **20-25% per share**

Strategically consistent ... accretive



SUPPLEMENTARY MATERIALS

Q4 & FY 2020 GAAP RESULTS

\$ in millions, except per share amounts

	Q4 2020	Q4 2019	% Change As Reported	FY 2020	FY 2019	% Change As Reported
Revenue	\$1,631	\$1,886	(14%)	\$6,207	\$6,915	(10%)
Gross Margin	328	532	(38)%	1,524	1,921	(21)%
Gross Margin Rate	20.1%	28.2%		24.6%	27.8%	
Operating Expenses	391	350	12%	1,303	1,310	(1)%
% of Revenue	24.0%	18.6%		21.0%	18.9%	
Operating Income	(63)	182	(135)%	221	611	(64)%
% of Revenue	(3.9%)	9.7%		3.6%	8.8%	
Interest and other expense	(83)	(99)	(16)%	(280)	(270)	4%
Income Tax Expense (Benefit)	(20)	(301)	(93)%	(53)	(273)	(81)%
Effective Income Tax Rate	13.7%	(362.7)%		89.8%	(80.1)%	
Net Income from Continuing Operations (attributable to NCR)	(\$125)	\$384	(133)%	(\$7)	\$614	(101)%
Diluted EPS	(\$1.06)	\$2.67	(140)%	(\$0.30)	\$3.71	(108)%

Q4 & FY 2020 OPERATIONAL RESULTS

\$ in millions, except per share amounts

	Q4 2020	Q4 2019	% Change As Reported	% Change Constant Currency	FY 2020	FY 2019	% Change As Reported	% Change Adjusted Constant Currency
Revenue	\$1,631	\$1,886	(14%)	(14%)	\$6,207	\$6,915	(10%)	(10%)
Gross Margin (non-GAAP)	465	541	(14)%	(14)%	1,696	1,966	(14)%	(13)%
Gross Margin Rate (non-GAAP)	28.5%	28.7%	(20 bps)	— bps	27.3%	28.4%	(110) bps	(90) bps
Operating Expenses (non-GAAP)	\$313	\$324	(3%)	(4%)	\$1,166	\$1,208	(3%)	(3%)
% of Revenue	19.2%	17.2%	200 bps	210 bps	18.8%	17.5%	130 bps	140 bps
Operating Income (non-GAAP)	\$152	\$217	(30%)	(30%)	\$530	\$758	(30%)	(28%)
% of Revenue	9.3%	11.5%	(220 bps)	(200 bps)	8.5%	11.0%	(250) bps	(230) bps
Interest and other expense (non-GAAP)	(\$49)	(\$60)	(18%)	(16%)	(\$226)	(\$225)	—%	—%
Income Tax Expense (non-GAAP)	21	34	(38)%	(36)%	61	110	(45)%	(43)%
Effective Income Tax Rate (non-GAAP)	20.4%	21.7%			20.1%	20.6%		
Net Income (Loss) From Continuing Operations (attributable to NCR) (non-GAAP)	\$83	\$123	(33)%	(35)%	\$242	\$423	(43)%	(41)%
Diluted EPS (non-GAAP)	\$0.59	\$0.85	(31%)	(31%)	\$1.69	\$2.81	(40%)	(39%)

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 as well as transformation and restructuring charges, 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 from continuing operations 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 as well as transformation and restructuring charges.

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.

NON-GAAP MEASURES

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

\$ in millions

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

	Q4 2020 LTM	Q3 2020 LTM	Q4 2019 LTM	Q4 2020	Q4 2019
Net (Loss) Income from Continuing Operations Attributable to NCR (GAAP)	\$ (7)	\$ 502	\$ 614	\$ (125)	\$ 384
Pension Mark-to-Market Adjustments	34	75	75	34	75
Transformation & Restructuring Costs	234	43	58	202	11
Acquisition-Related Amortization of Intangibles	81	84	86	19	22
Acquisition-Related Costs	(6)	2	3	(6)	2
Internal reorganization & IP Transfer	—	(37)	(37)	—	(37)
Loss on Debt Extinguishment	20	20	—	—	—
Interest Expense	218	221	197	51	54
Interest Income	(8)	(6)	(4)	(3)	(1)
Depreciation and Amortization	275	260	232	74	59
Income Taxes	(53)	(334)	(273)	(20)	(301)
Stock Compensation Expense	108	107	107	32	31
Adjusted EBITDA (non-GAAP)	\$ 896	\$ 937	\$ 1,058	\$ 258	\$ 299

GAAP TO NON-GAAP RECONCILIATION

Q4 2020

\$ in millions, except per share amounts

	Q4 QTD 2020 GAAP	Transformatio n Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	VA Release	Pension Mark-to- Market	Q4 QTD 2020 non-GAAP
Product revenue	\$529	\$—	\$—	\$—	\$—	\$—	\$529
Service revenue	1,102	—	—	—	—	—	1,102
Total revenue	1,631	—	—	—	—	—	1,631
Cost of products	479	(45)	(2)	—	—	—	432
Cost of services	824	(86)	(4)	—	—	—	734
Gross margin	328	131	6	—	—	—	465
<i>Gross margin rate</i>	<i>20.1%</i>	<i>8.0%</i>	<i>0.4%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>28.5%</i>
Selling, general and administrative expenses	326	(56)	(13)	(1)	—	—	256
Research and development expenses	65	(8)	—	—	—	—	57
Total operating expenses	391	(64)	(13)	(1)	—	—	313
<i>Total operating expense as a % of revenue</i>	<i>24.0%</i>	<i>(3.9)%</i>	<i>(0.8)%</i>	<i>(0.1)%</i>	<i>—%</i>	<i>—%</i>	<i>19.2%</i>
Income from operations	(63)	195	19	1	—	—	152
<i>Income from operations as a % of revenue</i>	<i>(3.9)%</i>	<i>12.0%</i>	<i>1.1%</i>	<i>0.1%</i>	<i>—%</i>	<i>—%</i>	<i>9.3%</i>
Interest and Other (expense) income, net	(83)	7	—	(7)	—	34	(49)
Income from continuing operations before income taxes	(146)	202	19	(6)	—	34	103
Income tax (benefit) expense	(20)	37	4	—	(5)	5	21
<i>Effective income tax rate</i>	<i>13.7%</i>						<i>20.4%</i>
Income from continuing operations	(126)	165	15	(6)	5	29	82
Net income (loss) attributable to noncontrolling interests	(1)	—	—	—	—	—	(1)
Income from continuing operations (attributable to NCR)	(\$125)	\$165	\$15	(\$6)	\$5	\$29	\$83
Diluted earnings per share	(\$1.06)	\$1.17	\$0.11	(\$0.04)	\$0.04	\$0.20	\$0.59
Diluted shares outstanding	129.0						141.6

GAAP TO NON-GAAP RECONCILIATION

Q4 2020

\$ in millions, except per share amounts

	Q4 QTD 2020 GAAP	Q4 QTD 2020 non- GAAP
<i>Income from continuing operations attributable to NCR common stockholders:</i>		
Income from continuing operations (attributable to NCR)	\$(125)	\$83
Dividends on convertible preferred shares	(12)	—
Income from continuing operations attributable to NCR common stockholders	(\$137)	\$83
<i>Weighted average outstanding shares:</i>		
Weighted average diluted shares outstanding	129.0	132.0
Weighted as-if converted preferred shares	—	9.6
Total shares used in diluted earnings per share	129.0	141.6
Diluted earnings per share ⁽¹⁾	(\$1.06)	\$0.59

⁽¹⁾ GAAP EPS is determined using the most dilutive measure, either including the impact of the dividends or deemed 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 2019

\$ in millions, except per share amounts

	Q4 QTD 2019 GAAP	Transformation & Restructuring Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Debt Refinancing	Valuation Allowance Release	Int Reorg & IP Transfer	Pension mark-to- market adjustment	Q4 QTD 2019 non- GAAP
Product revenue	\$766	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$766
Service revenue	1,120	—	—	—	—	—	—	—	1,120
Total revenue	1,886	—	—	—	—	—	—	—	1,886
Cost of products	599	—	(3)	—	—	—	—	—	596
Cost of services	755	(2)	(4)	—	—	—	—	—	749
Gross margin	532	2	7	—	—	—	—	—	541
<i>Gross margin rate</i>	28.2%	<i>0.1%</i>	<i>0.4%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	28.7%
Selling, general and administrative expenses	276	(6)	(15)	(2)	—	—	—	—	253
Research and development expenses	74	(3)	—	—	—	—	—	—	71
Total expenses	350	(9)	(15)	(2)	—	—	—	—	324
<i>Total expense as a % of revenue</i>	18.6%	<i>(0.5)%</i>	<i>(0.8)%</i>	<i>(0.1)%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	17.2%
Income from operations	182	11	22	2	—	—	—	—	217
Income from operations as a % of revenue	9.7%	0.6%	1.1%	0.1%	—%	—%	—%	—%	11.5%
Interest and Other (expense) income, net	(99)	—	—	—	1	—	(37)	75	(60)
Income from continuing operations before income taxes	83	11	22	2	1	—	(37)	75	157
Income tax expense	(301)	3	5	—	1	53	264	9	34
<i>Effective income tax rate</i>	(362.7)%								21.7%
Income from continuing operations	384	8	17	2	—	(53)	(301)	66	123
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	—	—
Income from continuing operations (attributable to NCR)	\$384	\$8	\$17	\$2	\$—	(\$53)	(\$301)	\$66	\$123
Diluted (loss) earnings per share	\$2.67	\$0.06	\$0.12	\$0.01	\$—	(\$0.37)	(\$2.09)	\$0.46	\$0.85
Diluted shares outstanding	143.9								143.9

GAAP TO NON-GAAP RECONCILIATION

Q4 2019

\$ in millions, except per share amounts

	Q4 QTD 2019 GAAP	Q4 QTD 2019 non-GAAP
<i>Income from continuing operations attributable to NCR common stockholders:</i>		
Income from continuing operations (attributable to NCR)	\$384	\$123
Dividends on convertible preferred shares	\$—	\$—
Income from continuing operations attributable to NCR common stockholders	\$384	\$123
<i>Weighted average outstanding shares:</i>		
Weighted average diluted shares outstanding	130.7	130.7
Weighted as-if converted preferred shares	13.2	13.2
Total shares used in diluted earnings per share	143.9	143.9
Diluted earnings per share ⁽¹⁾	\$2.67	\$0.85

⁽¹⁾ GAAP EPS is determined using the most dilutive measure, either including the impact of the dividends or deemed 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 2020

\$ in millions, except per share amounts

	FY 2020 GAAP	Transformation Costs	Acquisition-related amortization of intangibles	Acquisition-related costs	Debt Refinancing	VA Release	Pension mark-to-market	FY 2020 non-GAAP
Product revenue	\$2,005	\$—	\$—	\$—	\$—	\$—	\$—	\$2,005
Service revenue	4,202	—	—	—	—	—	—	4,202
Total revenue	6,207	—	—	—	—	—	—	6,207
Cost of products	1,733	(58)	(9)	—	—	—	—	1,666
Cost of services	2,950	(92)	(13)	—	—	—	—	2,845
Gross margin	1,524	150	22	—	—	—	—	1,696
<i>Gross margin rate</i>	<i>24.6%</i>	<i>2.4%</i>	<i>0.3%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>27.3%</i>
Selling, general and administrative expenses	1,069	(66)	(59)	(1)	—	—	—	943
Research and development expenses	234	(11)	—	—	—	—	—	223
Total operating expenses	1,303	(77)	(59)	(1)	—	—	—	1,166
<i>Total operating expense as a % of revenue</i>	<i>21.0%</i>	<i>(1.2)%</i>	<i>(1.0)%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>18.8%</i>
Income from operations	221	227	81	1	—	—	—	530
<i>Income from operations as a % of revenue</i>	<i>3.6%</i>	<i>3.7%</i>	<i>1.2%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>8.5%</i>
Interest and Other (expense) income, net	(280)	7	—	(7)	20	—	34	(226)
Income from continuing operations before income taxes	(59)	234	81	(6)	20	—	34	304
Income tax (benefit) expense	(53)	44	17	—	5	43	5	61
<i>Effective income tax rate</i>	<i>89.8%</i>							<i>20.1%</i>
Income from continuing operations	(6)	190	64	(6)	15	(43)	29	243
Net income (loss) attributable to noncontrolling interests	1	—	—	—	—	—	—	1
Income from continuing operations (attributable to NCFI)	(\$7)	\$190	\$64	(\$6)	\$15	(\$43)	\$29	\$242
Diluted earnings per share	(\$0.30)	\$1.33	\$0.45	(\$0.04)	\$0.10	(\$0.30)	\$0.20	\$1.69
Diluted shares outstanding	128.4							142.9

GAAP TO NON-GAAP RECONCILIATION

FY 2020

\$ in millions, except per share amounts

	FY 2020 GAAP	FY 2020 non-GAAP
<i>Income from continuing operations attributable to NCR common stockholders:</i>		
Income from continuing operations (attributable to NCR)	\$(7)	\$242
Dividends on convertible preferred shares	(31)	—
Income from continuing operations attributable to NCR common stockholders	(\$38)	\$242
<i>Weighted average outstanding shares:</i>		
Weighted average diluted shares outstanding	128.4	130.4
Weighted as-if converted preferred shares	—	12.5
Total shares used in diluted earnings per share	128.4	142.9
Diluted earnings per share ⁽¹⁾	(\$0.30)	\$1.69

⁽¹⁾ GAAP EPS is determined using the most dilutive measure, either including the impact of the dividends or deemed 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 2019

\$ in millions, except per share amounts

	FY 2019 GAAP	Transformation & Restructuring Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Debt Refinancing	VA Release & Other	Int Reorg & IP Transfer	Pension mark-to- market adjustments	FY 2019 non- GAAP
Product revenue	\$2,681	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$2,681
Service revenue	4,234	—	—	—	—	—	—	—	4,234
Total revenue	6,915	—	—	—	—	—	—	—	6,915
Cost of products	2,146	(12)	(10)	—	—	—	—	—	2,124
Cost of services	2,848	(9)	(14)	—	—	—	—	—	2,825
Gross margin	1,921	21	24	—	—	—	—	—	1,966
<i>Gross margin rate</i>	27.8%	<i>0.3%</i>	<i>0.3%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	28.4%
Selling, general and administrative expenses	1,051	(31)	(62)	(3)	—	—	—	—	955
Research and development expenses	259	(6)	—	—	—	—	—	—	253
Total expenses	1,310	(37)	(62)	(3)	—	—	—	—	1,208
<i>Total expense as a % of revenue</i>	18.9%	<i>(0.5)%</i>	<i>(0.9)%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	17.5%
Income from operations	611	58	86	3	—	—	—	—	758
Income from operations as a % of revenue	8.8%	0.9%	1.3%	—%	—%	—%	—%	—%	11.0%
Interest and Other (expense) income, net	(270)	—	—	—	7	—	(37)	75	(225)
Income from continuing operations before income taxes	341	58	86	3	7	—	(37)	75	533
Income tax expense	(273)	14	18	(2)	2	78	264	9	110
<i>Effective income tax rate</i>	(80.1)%								20.6%
Income from continuing operations	614	44	68	5	5	(78)	(301)	66	423
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	—	—
Income from continuing operations (attributable to NCR)	\$614	\$44	\$68	\$5	\$5	(\$78)	(\$301)	\$66	\$423
Diluted (loss) earnings per share	\$3.71	\$0.29	\$0.45	\$0.03	\$0.03	(\$0.52)	(\$2.00)	\$0.44	\$2.81
Diluted shares outstanding	145.2								150.6

GAAP TO NON-GAAP RECONCILIATION

FY 2019

\$ in millions, except per share amounts

	FY 2019 GAAP	FY 2019 non-GAAP
<i>Income from continuing operations attributable to NCR common stockholders:</i>		
Income from continuing operations (attributable to NCR)	\$614	\$423
Dividends on convertible preferred shares	(\$76)	\$—
Income from continuing operations attributable to NCR common stockholders	\$538	\$423
<i>Weighted average outstanding shares:</i>		
Weighted average diluted shares outstanding	125.7	125.7
Weighted as-if converted preferred shares	19.5	24.9
Total shares used in diluted earnings per share	145.2	150.6
Diluted earnings per share ⁽¹⁾	\$3.71	\$2.81

⁽¹⁾ GAAP EPS is determined using the most dilutive measure, either including the impact of the dividends or deemed 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

\$ in millions

	Q4 2020	Q3 2020	Q4 2019
	Operating Income	Operating Income	Operating Income
Banking	\$87	\$99	\$144
Retail	49	45	42
Hospitality	9	7	17
Other	7	7	14
Total Operating Income (non-GAAP)	152	158	217
Less:			
Transformation and restructuring costs	195	19	11
Acquisition-related amortization of intangibles	19	21	22
Acquisition-related costs	1	—	2
Total Operating Income (GAAP)	(\$63)	\$118	\$182

GAAP TO NON-GAAP RECONCILIATION

Q4 2020

Q4 2020 Operational Results	% Change As Reported	Favorable (unfavorable) FX impact	% Change Constant Currency
Revenue	(14%)	—%	(14%)
Gross Margin (non-GAAP)	(14%)	—%	(14%)
Gross Margin Rate (non-GAAP)	(20 bps)	(20 bps)	— bps
Operating Expenses (non-GAAP)	(3%)	1%	(4%)
% of Revenue	200 bps	(10) bps	210 bps
Operating Income (non-GAAP)	(30%)	—%	(30%)
% of Revenue	(220 bps)	(20 bps)	(200 bps)
Interest and other expense (non-GAAP)	(18%)	(2%)	(16%)
Income Tax Expense (non-GAAP)	(38%)	(2%)	(36%)
Net Income (Loss) From Continuing Operations (attributable to NCR) (non-GAAP)	(33%)	2%	(35%)
Diluted EPS (non-GAAP)	(31%)	—%	(31%)

GAAP TO NON-GAAP RECONCILIATION

FY 2020

FY 2020 Operational Results	% Change As Reported	Favorable (unfavorable) FX impact	% Change Constant Currency
Revenue	(10%)	—%	(10%)
Gross Margin (non-GAAP)	(14%)	(1%)	(13%)
Gross Margin Rate (non-GAAP)	(110 bps)	(20 bps)	(90 bps)
Operating Expenses (non-GAAP)	(3%)	—%	(3%)
% of Revenue	130 bps	(10 bps)	140 bps
Operating Income (non-GAAP)	(30%)	(2%)	(28%)
% of Revenue	(250 bps)	(20 bps)	(230) bps
Interest and other expense (non-GAAP)	—%	—%	—%
Income Tax Expense (non-GAAP)	(45%)	(2%)	(43%)
Net Income (Loss) From Continuing Operations (attributable to NCR) (non-GAAP)	(43%)	(2%)	(41%)
Diluted EPS (non-GAAP)	(40%)	(1%)	(39%)



THANK YOU

