

Q4 2017 EARNINGS CONFERENCE CALL

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

February 8, 2018



NOTES TO INVESTORS

FORWARD-LOOKING STATEMENTS. Comments made during this conference call and in these materials contain forward-looking statements. Statements that describe or relate to NCR's plans, goals, intentions, strategies, or financial outlook, and statements that do not relate to historical or current fact, are examples of forward-looking statements. The forward-looking statements in these materials include statements about NCR's plans for further share repurchases in 2018; NCR's full year 2018 financial guidance, and first quarter 2018 financial guidance, and the expected type and magnitude of the non-operational adjustments included in any forward-looking non-GAAP measures; NCR's initiatives to accelerate its transformation, and the expected timing, costs and benefits thereof; NCR's Mission One (M1) Services initiative and its expected benefits on NCR's services margin profile; NCR's expected areas of focus to drive momentum; expectations for accelerating cloud and recurring revenue; the status and momentum of NCR's Services and Hardware transformations; and NCR's expected free cash flow generation and capital allocation strategy. Forward-looking statements are not guarantees of future performance, and there are a number of important factors that could cause actual outcomes and results to differ materially from the results contemplated by such forward-looking statements, including those factors listed in Item 1a "Risk Factors" of NCR's Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 24, 2017, and those factors detailed from time to time in NCR's other SEC reports. These materials are dated February 8, 2018, and NCR does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

NON-GAAP MEASURES. While NCR reports its results in accordance with generally accepted accounting principles in the United States (GAAP), comments made during this conference call and in these materials will include or make reference to certain "non-GAAP" measures, including: selected measures, such as period-over-period revenue growth, expressed on a constant currency basis and adjusted constant currency basis, gross margin rate (non-GAAP), diluted earnings per share (non-GAAP), free cash flow (FCF), gross margin (non-GAAP), free cash flow as a percentage of non-GAAP net income (or free cash flow conversion rate), net debt, adjusted EBITDA, the ratio of net debt to adjusted EBITDA, operating expenses (non-GAAP), operating income (non-GAAP), interest and other expense (non-GAAP), income tax expense (non-GAAP), income tax rate (non-GAAP), and net income (non-GAAP). These measures are included to provide additional useful information regarding NCR's financial results, and are not a substitute for their comparable GAAP measures. Explanations of these non-GAAP measures, and reconciliations of these non-GAAP measures to their directly comparable GAAP measures, are included in the accompanying "Supplementary Materials" and are available on the Investor Relations page of NCR's website at www.ncr.com. Descriptions of many of these non-GAAP measures are also included in NCR's SEC reports.

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

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

OVERVIEW

Q4 results **IN LINE WITH EXPECTATIONS**

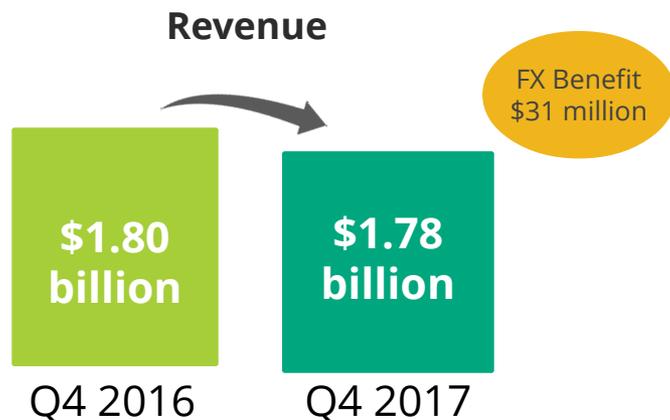
Improving **CLOUD** revenue growth; Net ACV of \$67M, up 46% full year

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

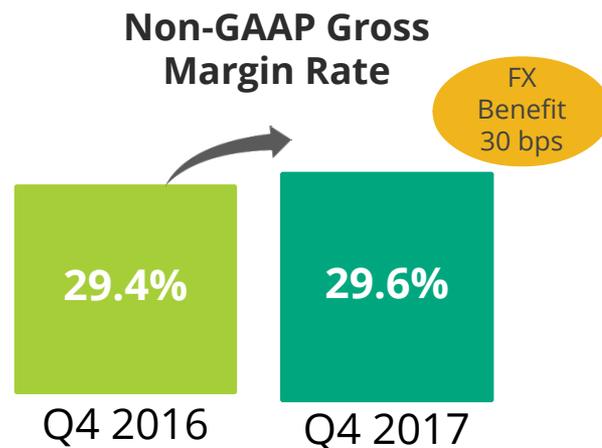
\$300M **SHARE REPURCHASE** planned for 2018 with \$125M completed to date

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

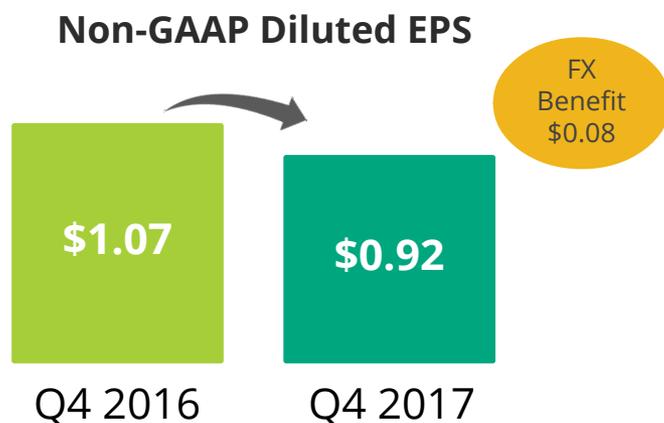
Q4 2017 FINANCIAL RESULTS



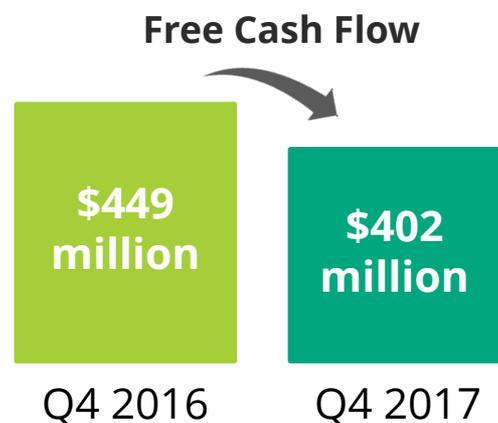
Revenue down 1% as reported and down 3% CC; Recurring revenue up 4% CC, 42% of total revenue



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

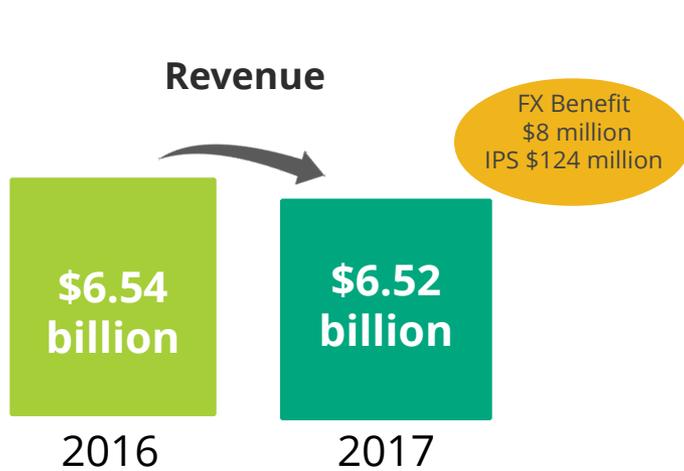


Non-GAAP Diluted EPS down 14% as reported and down 20% CC

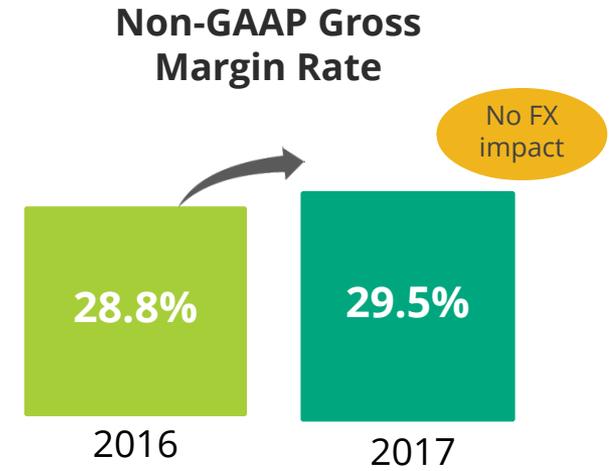


Strong performance in FY 2017; Q4 2016 benefited from \$100m working capital improvement

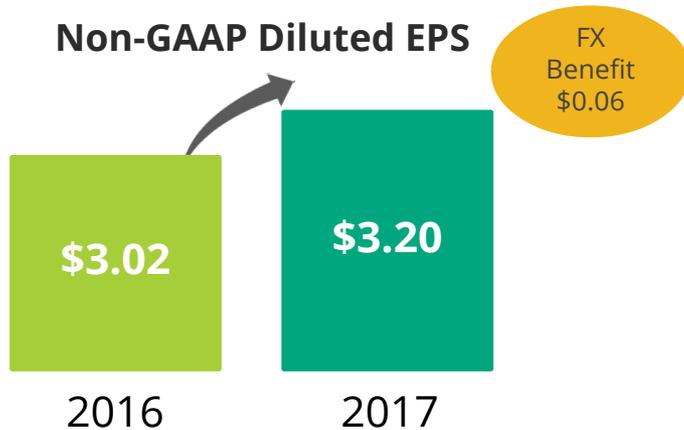
FY 2017 FINANCIAL RESULTS



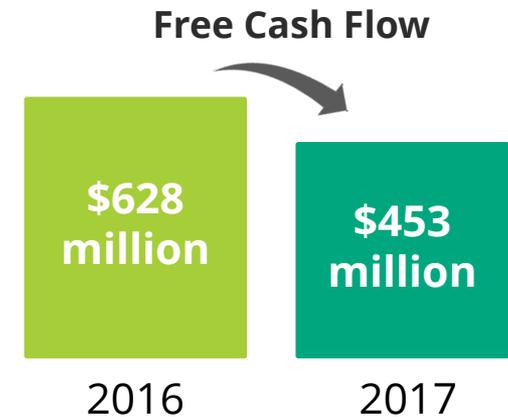
Revenue flat as reported and up 1% adjusted CC;
Recurring revenue up 3% CC, 44% of total revenue



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

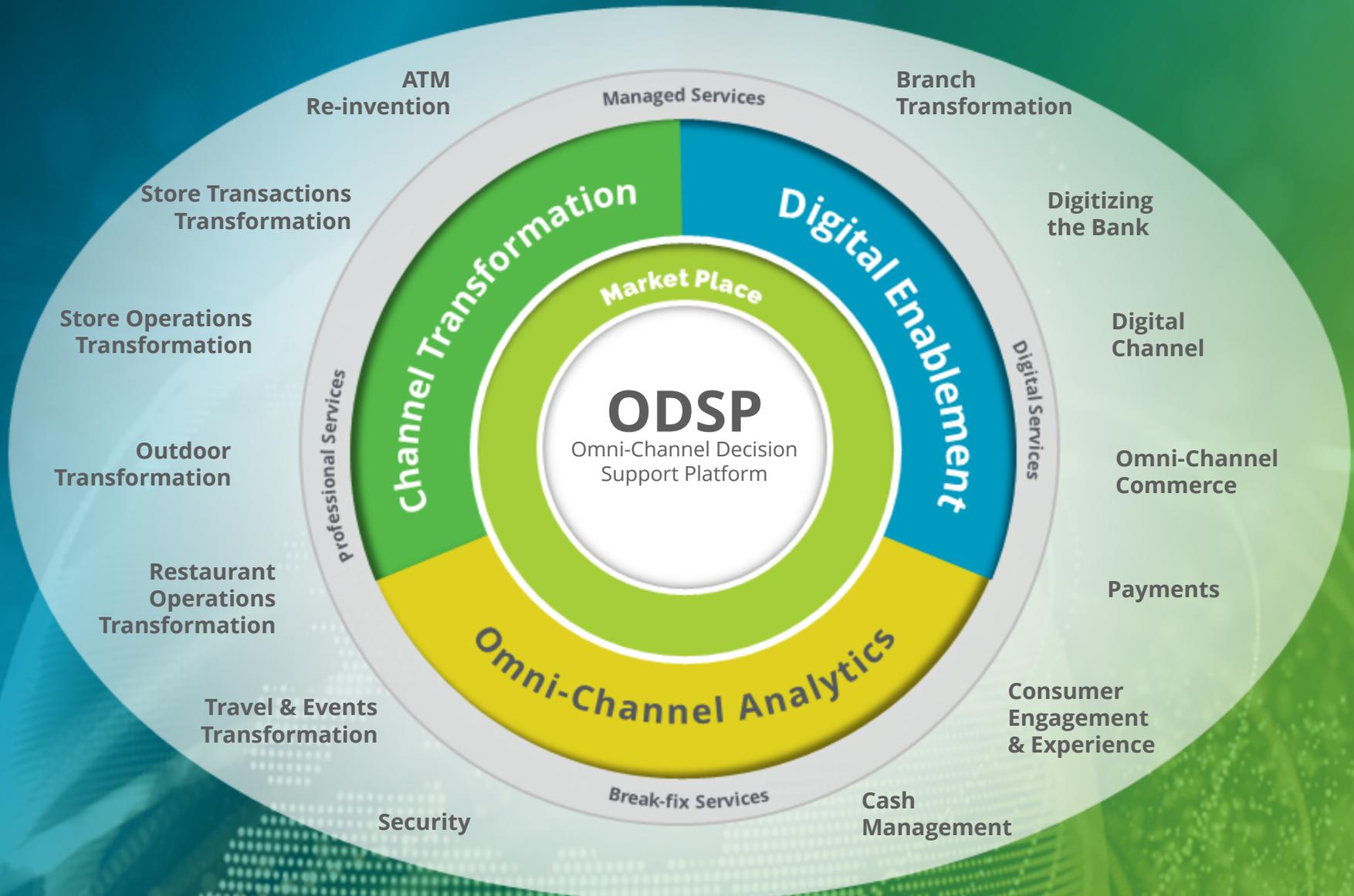


Non-GAAP Diluted EPS up 6% as reported
and 4% CC



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

NCR SOLUTION ECOSYSTEM



TRANSFORMATION PROGRESS

How have we done so far?

What we said we would do

What we did

IMPROVING SALES
EXECUTION



Created Industry Solutions Group
to optimize solution offers

INCREASING CUSTOMER
SERVICES PRODUCTIVITY
AND LOYALTY



World Class Customer Services
based on Cx Loyalty Scores up
500 bps from 2015

MAKING SOFTWARE
OUR BUSINESS



\$2B Software Company with
~\$600 M from Cloud;
Accelerated Cloud and
unattached SW license growth

OPTIMIZING OUR
COST STRUCTURE



Drove Services margin
expansion over 300 bps

ACCELERATING OUR TRANSFORMATION

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



Investing in Software products that will accelerate growth



Driving growth in Services through structural improvements

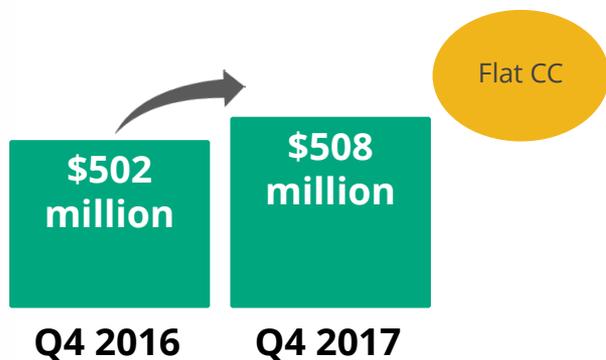


Optimizing Hardware production, sourcing and supply chain strategy

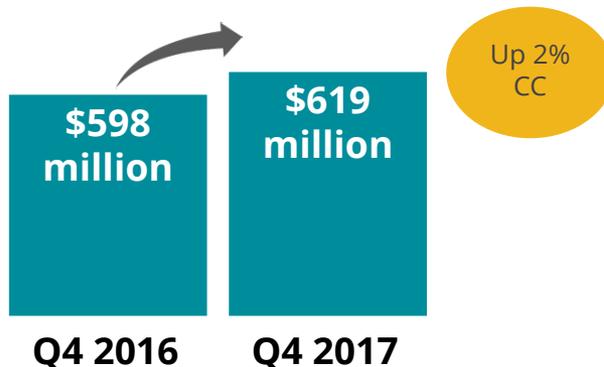
Expected P&L Charge of \$200 million to \$250 million over next 2 years
Expected Cash Costs of \$150 million to \$200 million over next 2 years
Annual Run Rate Savings of approximately \$150 million by 2020

Q4 2017 SEGMENT RESULTS

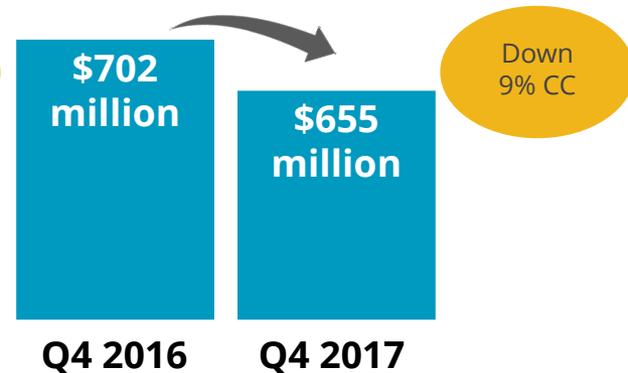
Software Revenue



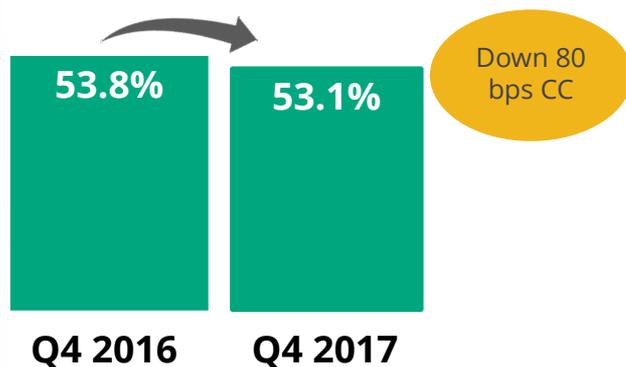
Services Revenue



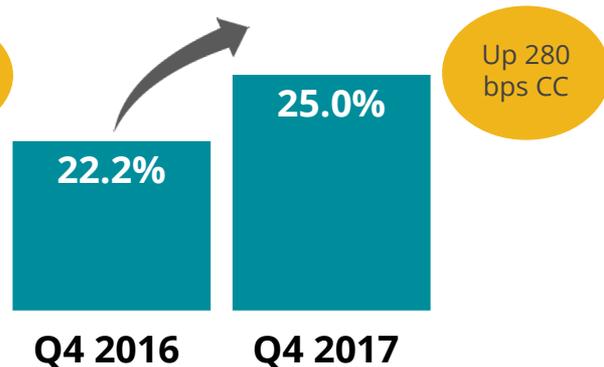
Hardware Revenue



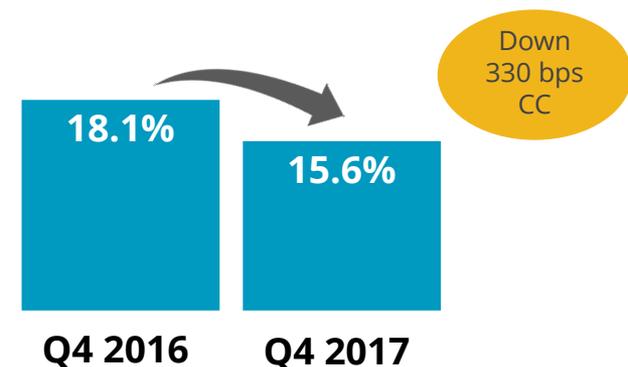
Software Gross Margin



Services Gross Margin



Hardware Gross Margin



SOFTWARE

Q4 2017 Update

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

KEY HIGHLIGHTS

\$ in millions

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

SERVICES

Q4 2017 Update

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

\$ in millions

KEY HIGHLIGHTS

- Growth in annuity services revenue, including hardware maintenance and managed services, drove higher revenue in the quarter; Backlog improving in form of higher file value
- Gross margin rate increased due to sustainable improvements achieved through Mission One (M1) initiative
- M1 initiative is a performance and profit improvement program focused on transforming NCR's services margin profile through: 1) Productivity and efficiency improvements; 2) Remote diagnostics and repair; 3) Product life-cycle management; and 4) a higher mix of managed services

HARDWARE

Q4 2017 Update

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

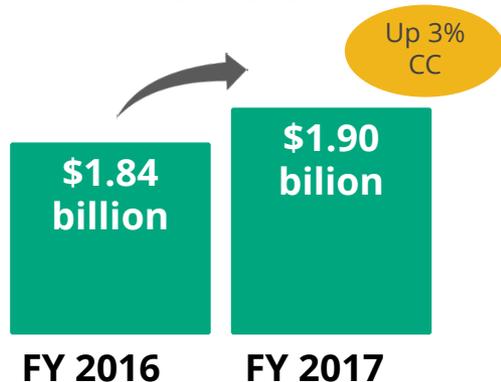
\$ in millions

KEY HIGHLIGHTS

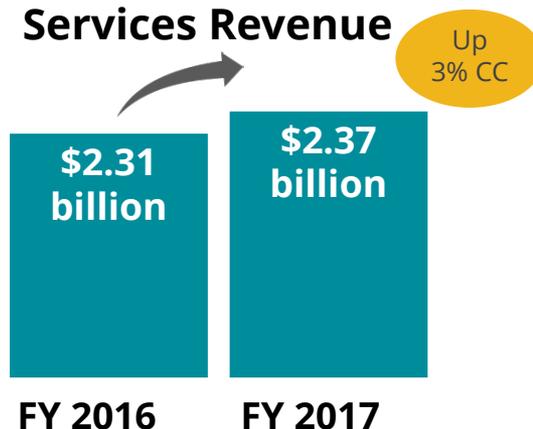
- Strong growth in POS revenues, primarily due to new customer wins and continued traction for NCR forecourt Omni-Channel solution in the Petroleum & Convenience market
- ATM revenue down in the quarter due to lower backlog at the beginning of the quarter, but exceeded Company expectations
- SCO revenue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

FY 2017 SEGMENT RESULTS

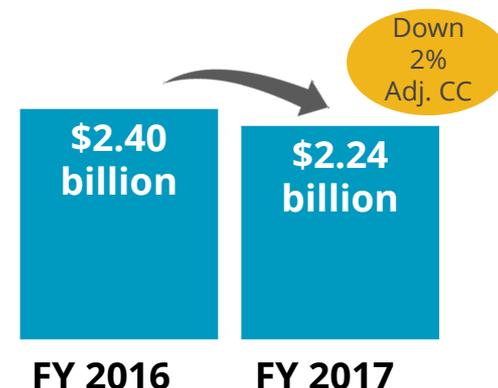
Software Revenue



Services Revenue

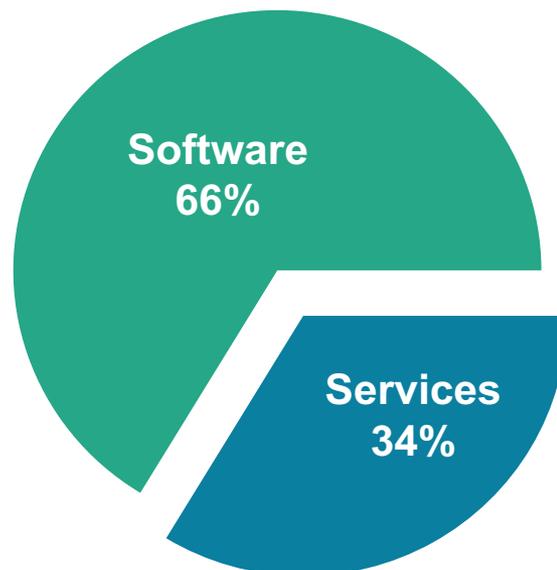


Hardware Revenue



YTD 2017 Operating Income Mix

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



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

FREE CASH FLOW

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

\$ in millions

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

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

NET DEBT AND EBITDA METRICS

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

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

\$ in millions, except metrics

FY and Q1 2018 GUIDANCE

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

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

LOOKING FORWARD

Improving execution and operational efficiencies

Focused on sales funnel, go to market offers, orders and Net ACV growth to drive momentum

Accelerate recurring revenue; primarily cloud

Services transformation well under way; Hardware transformation building momentum

Accelerate transformation initiatives to generate targeted run-rate savings of \$150 million by 2020

Free cash flow generation and balanced capital allocation strategy remain top priorities

SUPPLEMENTARY MATERIALS

Q4 & FY 2017 GAAP RESULTS

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

in millions, except per share amounts

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

Q4 & FY 2017 OPERATIONAL RESULTS

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

in millions, except per share amounts

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

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

SOFTWARE

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

in millions

SERVICES

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

in millions

HARDWARE

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

in millions

NON-GAAP MEASURES

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

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

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

NON-GAAP MEASURES

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

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

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

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

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

GAAP TO NON-GAAP RECONCILIATION

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

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

in millions

GAAP TO NON-GAAP RECONCILIATION

Q4 2017 QTD

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

in millions, except per share amounts

GAAP TO NON-GAAP RECONCILIATION

Q4 2017 QTD

	Q4 QTD 2017 GAAP	Q4 QTD 2017 non-GAAP
in millions (except per share amounts)		
<i>Income (loss) 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 (loss) earnings per share ⁽¹⁾	(\$0.38)	\$0.92

in millions, except per share amounts

⁽¹⁾ GAAP EPS is determined using the most dilutive measure, either including the impact of the dividends on NCR's Series A Convertible Preferred Shares in the calculation of net income or loss available to common stockholders or including the impact of the conversion of such preferred stock into common stock in the calculation of the weighted average diluted shares outstanding. Non-GAAP EPS is always determined using the as-if converted preferred shares and shares that would be issued for stock compensation awards. Therefore, GAAP diluted EPS and non-GAAP diluted EPS may be calculated using different methods, and may not mathematically reconcile.

GAAP TO NON-GAAP RECONCILIATION

Q4 2016 QTD

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

in millions, except per share amounts

GAAP TO NON-GAAP RECONCILIATION

Q4 2016 QTD

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

in millions, except per share amounts

⁽¹⁾ GAAP EPS is determined using the most dilutive measure, either including the impact of the dividends on NCR's Series A Convertible Preferred Shares in the calculation of net income or loss available to common stockholders or including the impact of the conversion of such preferred stock into common stock in the calculation of the weighted average diluted shares outstanding. Non-GAAP EPS is always determined using the as-if converted preferred shares and shares that would be issued for stock compensation awards. Therefore, GAAP diluted EPS and non-GAAP diluted EPS may be calculated using different methods, and may not mathematically reconcile.

GAAP TO NON-GAAP RECONCILIATION

FY 2017

in millions (except per share amounts)	FY 2017 GAAP	Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Pension mark- to-market adjustments	Impact of U.S. Tax Reform	FY 2017 non-GAAP
Product revenue	\$2,579	\$—	\$—	\$—	\$—	\$—	\$2,579
Service revenue	3,937	—	—	—	—	—	3,937
Total revenue	6,516	—	—	—	—	—	6,516
Cost of products	2,026	(2)	(25)	—	(5)	—	1,994
Cost of services	2,626	(9)	(25)	—	6	—	2,598
Gross margin	1,864	11	50	—	(1)	—	1,924
Gross margin rate	28.6%	0.1%	0.8%	—%	—%	—%	29.5%
Selling, general and administrative expenses	932	(14)	(65)	(5)	(12)	—	836
Research and development expenses	256	(4)	—	—	(17)	—	235
Total operating expenses	1,188	(18)	(65)	(5)	(29)	—	1,071
<i>Total operating expense as a % of revenue</i>	18.2%	(0.3)%	(1.0)%	(0.1)%	(0.4)%	—%	16.4%
Income (loss) from operations	676	29	115	5	28	—	853
<i>Income (loss) from operations as a % of revenue</i>	10.4%	0.4%	1.8%	0.1%	0.4%	—%	13.1%
Interest and Other (expense) income, net	(194)	—	—	—	—	—	(194)
Income (loss) from continuing operations before income taxes	482	29	115	5	28	—	659
Income tax expense (benefit)	242	9	36	2	3	(130)	162
<i>Effective tax rate</i>	50%						25%
Income (loss) from continuing operations	240	20	79	3	25	130	497
Net income (loss) attributable to noncontrolling interests	3	—	—	—	—	—	3
Income (loss) from continuing operations (attributable to NCR)	\$237	\$20	\$79	\$3	\$25	\$130	\$494
Diluted earnings per share	\$1.01	\$0.13	\$0.51	\$0.02	\$0.16	\$0.84	\$3.20
Diluted shares outstanding	127.0						154.3

GAAP TO NON-GAAP RECONCILIATION

FY 2017

	Q4 YTD 2017 GAAP	Q4 YTD 2017 non-GAAP
in millions (except per share amounts)		
<i>Income (loss) from continuing operations attributable to NCR common stockholders:</i>		
Income from continuing operations (attributable to NCR)	\$237	\$494
Dividends on convertible preferred shares	(47)	—
Deemed dividend on modification of convertible preferred shares	(4)	—
Deemed dividend on convertible preferred shares related to redemption value accretion	(58)	—
Income from continuing operations attributable to NCR common stockholders	\$128	\$494
<i>Weighted average outstanding shares:</i>		
Weighted average diluted shares outstanding	127.0	127.0
Weighted as-if converted preferred shares	—	27.3
Total shares used in diluted earnings per share	127.0	154.3
Diluted earnings per share ⁽¹⁾	\$1.01	\$3.20

⁽¹⁾ GAAP EPS is determined using the most dilutive measure, either including the impact of the dividends on NCR's Series A Convertible Preferred Shares in the calculation of net income or loss available to common stockholders or including the impact of the conversion of such preferred stock into common stock in the calculation of the weighted average diluted shares outstanding. Non-GAAP EPS is always determined using the as-if converted preferred shares and shares that would be issued for stock compensation awards. Therefore, GAAP diluted EPS and non-GAAP diluted EPS may be calculated using different methods, and may not mathematically reconcile.

GAAP TO NON-GAAP RECONCILIATION

FY 2016

in millions (except per share amounts)	FY 2016 GAAP	Restructuring / Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Divestiture and Liquidations Losses	Pension mark- to-market adjustments	FY 2016 non-GAAP
Product revenue	\$2,737	\$—	\$—	\$—	\$—	\$—	\$2,737
Service revenue	3,806	—	—	—	—	—	3,806
Total revenue	6,543	—	—	—	—	—	6,543
Cost of products	2,102	—	(34)	—	—	(34)	2,034
Cost of services	2,659	(4)	(24)	—	—	(4)	2,627
Gross margin	1,782	4	58	—	—	38	1,882
Gross margin rate	27.2%	0.1%	0.8%	—%	—%	0.6%	28.8%
Selling, general and administrative expenses	926	(7)	(65)	(7)	—	(24)	823
Research and development expenses	242	—	—	—	—	(23)	219
Restructuring-related charges	15	(15)	—	—	—	—	—
Total expenses	1,183	(22)	(65)	(7)	—	(47)	1,042
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

in millions, except per share amounts

GAAP TO NON-GAAP RECONCILIATION

FY 2016

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

in millions, except per share amounts

⁽¹⁾ GAAP EPS is determined using the most dilutive measure, either including the impact of the dividends on NCR's Series A Convertible Preferred Shares in the calculation of net income or loss available to common stockholders or including the impact of the conversion of such preferred stock into common stock in the calculation of the weighted average diluted shares outstanding. Non-GAAP EPS is always determined using the as-if converted preferred shares and shares that would be issued for stock compensation awards. Therefore, GAAP diluted EPS and non-GAAP diluted EPS may be calculated using different methods, and may not mathematically reconcile.

GAAP TO NON-GAAP RECONCILIATION

Q4 2017 QTD & YTD

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

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

GAAP TO NON-GAAP RECONCILIATION

Q4 2016 QTD & YTD

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

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

GAAP TO NON-GAAP RECONCILIATION

Q4 2017 QTD & YTD

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

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

GAAP TO NON-GAAP RECONCILIATION

Q4 2016 QTD & YTD

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

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

GAAP TO NON-GAAP RECONCILIATION

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

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

GAAP TO NON-GAAP RECONCILIATION

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

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

GAAP TO NON-GAAP RECONCILIATION

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

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

GAAP TO NON-GAAP RECONCILIATION

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

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

GAAP TO NON-GAAP RECONCILIATION

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

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

GAAP TO NON-GAAP RECONCILIATION

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

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

- (1) Non-GAAP diluted EPS is determined using the conversion of the Series A Convertible Preferred Stock into common stock in the calculation of weighted average diluted shares outstanding. GAAP EPS is determined using the most dilutive measure, either including the impact of dividends or deemed dividends on the Company's Series A Convertible Preferred Stock in the calculation of net income or loss available to common stockholders or including the impact of the conversion of the Series A Convertible Preferred Stock into common stock in the calculation of the weighted average diluted shares outstanding. Therefore, GAAP diluted EPS and non-GAAP diluted EPS may not mathematically reconcile.
- (2) Except for the adjustments noted herein, this guidance does not include the effects of any future acquisitions/divestitures, restructuring activities, pension mark-to-market adjustments, taxes or other events, which are difficult to predict and which may or may not be significant.
- (3) For FY 2018, we have assumed OIE of approximately \$204 million, an effective tax rate of 24% and a share count of 154 million compared to OIE of \$198 million, an effective tax rate of 25% and a share count of 154 million in FY 2017. For Q1 2018, we have assumed OIE of approximately \$52 million, an effective tax rate of 28% and a share count of 153 million compared to OIE of \$46 million, an effective tax rate of 24% and a share count of 156.7 million in Q1 2017.

