

Q1 2018 EARNINGS CONFERENCE CALL

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May 1, 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 second 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, including with respect to its manufacturing network redesign, and the expected timing, costs, results and benefits thereof; NCR's cloud revenue momentum; NCR's Mission One (M1) Services initiative and its expected benefits on NCR's services margin profile; expectations regarding the shift from software license revenue to cloud revenue; expectations regarding ATM order improvement and hardware margin rate improvement; 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 26, 2018, and those factors detailed from time to time in NCR's other SEC reports. These materials are dated May 1, 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), 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, 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

Q1 results **EXCEEDED** expectations; On track for full year

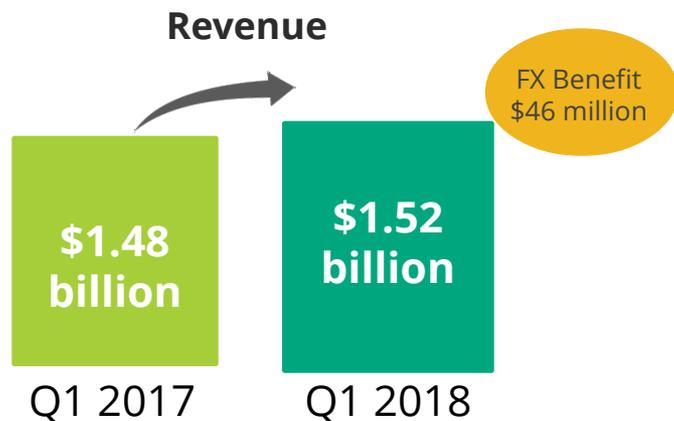
CLOUD revenue growth of 9% and Net ACV of \$18 million

SERVICES revenue up 8% and gross margin **RATE EXPANSION** of 230 bps

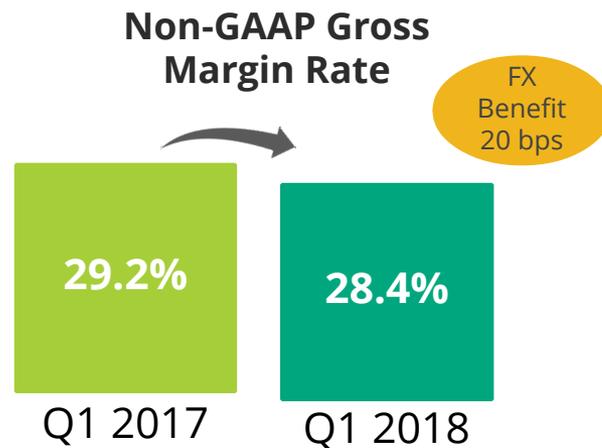
\$165M of **SHARE REPURCHASES** completed in Q1 of the \$300M planned in 2018

2018 Guidance **REAFFIRMED**

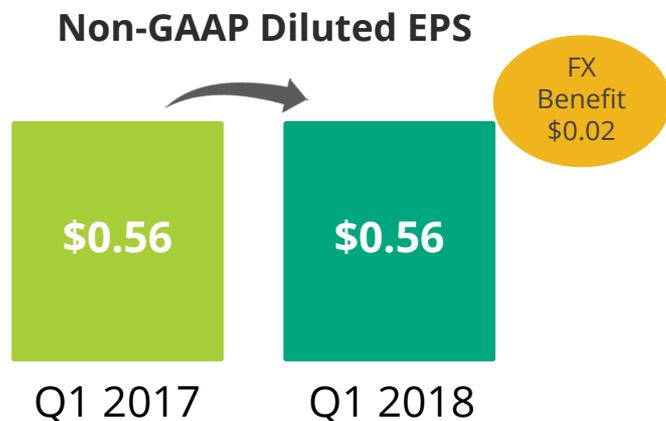
Q1 2018 FINANCIAL RESULTS



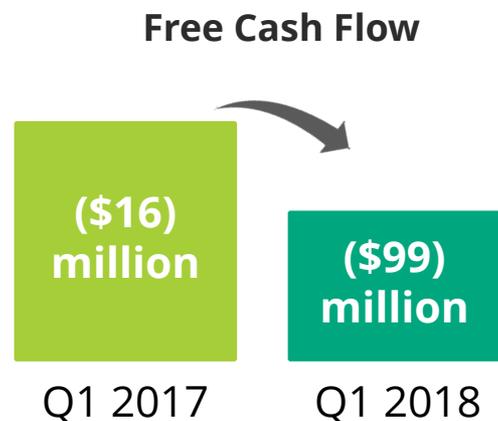
Revenue up 3% as reported and flat CC;
Recurring revenue up 5%, 48% of total revenue



Non-GAAP gross margin rate down 80 bps as reported and down 100 bps CC

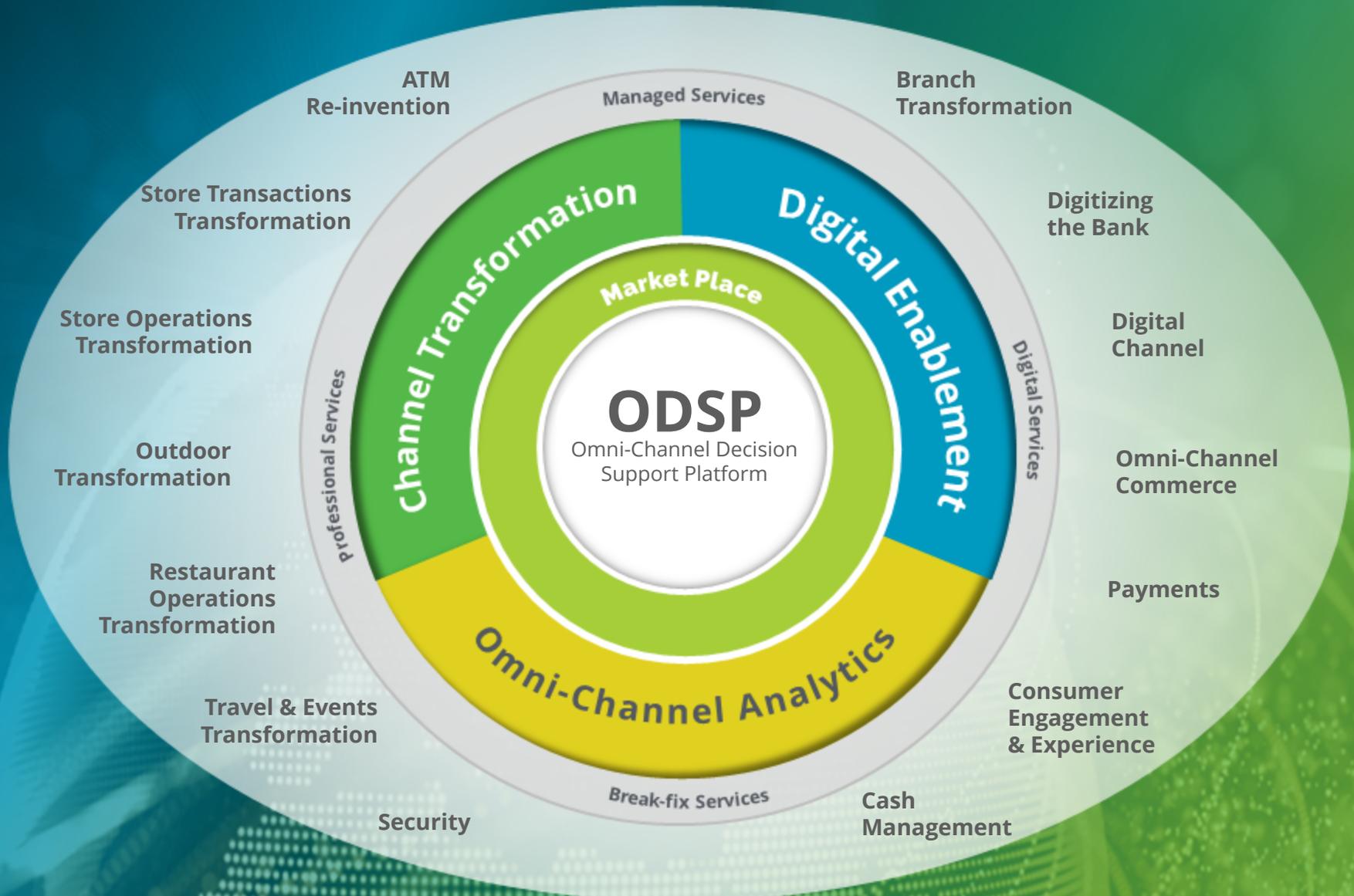


Non-GAAP Diluted EPS flat as reported
and down 3% CC



Free Cash Flow down due to
timing of working capital

NCR SOLUTION ECOSYSTEM



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 cloud 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; \$16 million in Q1
Expected Cash Costs of \$150 million to \$200 million over next 2 years; \$14 million in Q1
Annual Run Rate Savings of approximately \$150 million by 2020

MANUFACTURING NETWORK REDESIGN

STRATEGY

- Executing a multi-year strategic initiative to strengthen our global competitive position and accelerate our transformation to a software and services-led, data driven business

ACTIONS

- Announced the closure of three manufacturing plants
- Signed new agreement with contract manufacturing company

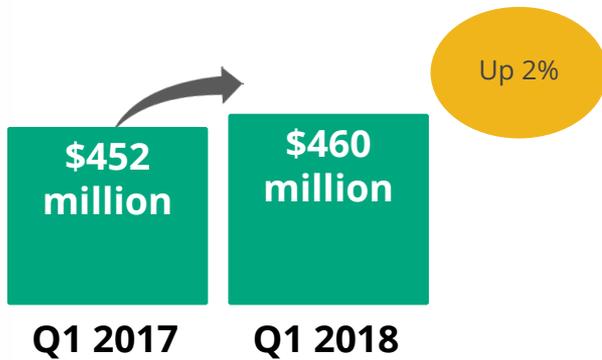
EXPECTED RESULTS

- Shift cost from a largely fixed structure to a more variable cost structure
- Reduce our exposure to variable hardware demand cycles
- Increase global utilization rates and optimize supply chain network
- Improve working capital and margins

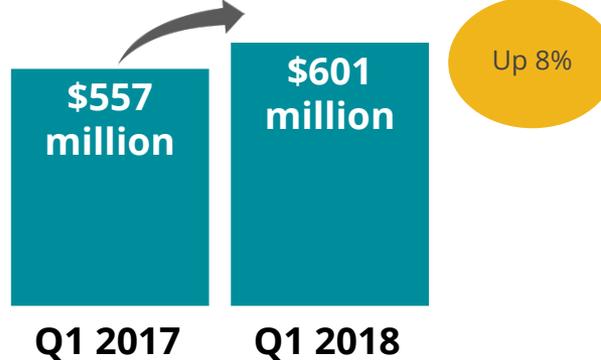


Q1 2018 SEGMENT RESULTS

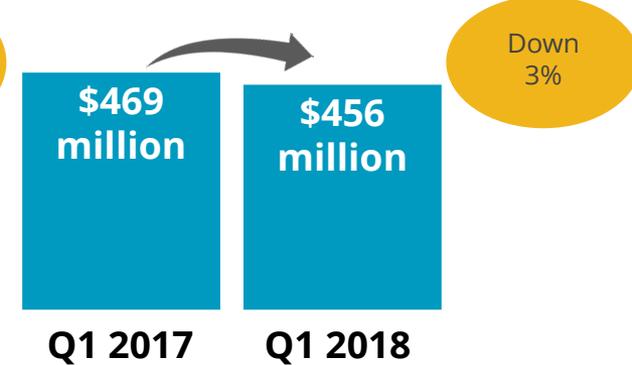
Software Revenue



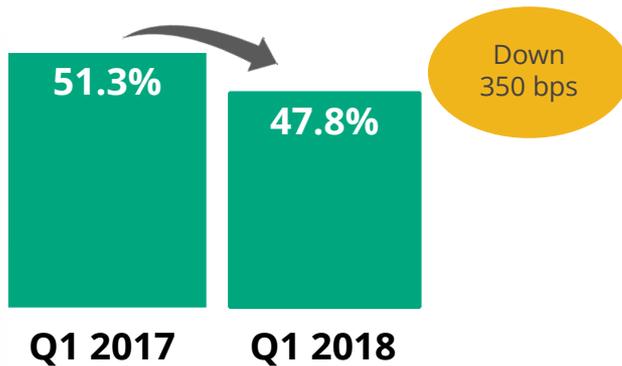
Services Revenue



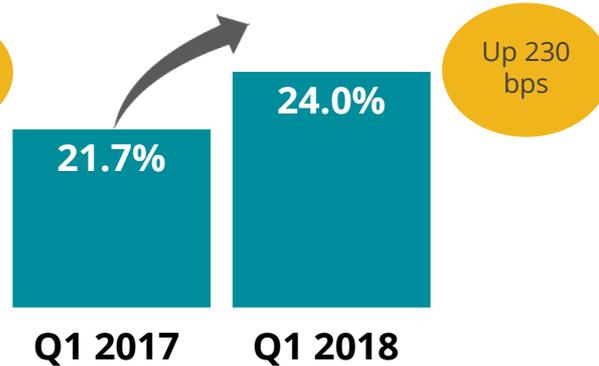
Hardware Revenue



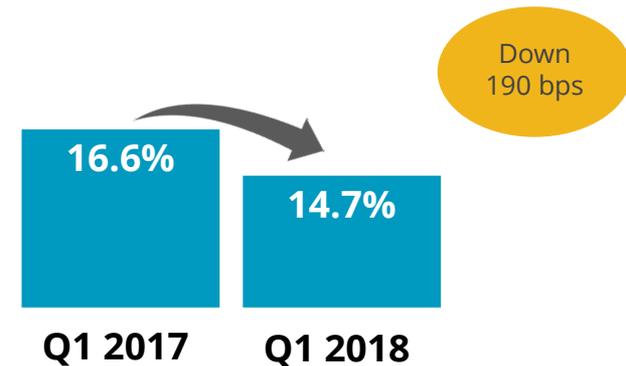
Software Gross Margin



Services Gross Margin



Hardware Gross Margin



SOFTWARE

Q1 2018 Update

	Q1 2018	Q1 2017	% Change	% Change Constant Currency
Software License	\$70	\$85	(18)%	(19)%
<i>Attached License</i>	21	25	(16)%	(22)%
<i>Unattached License</i>	49	60	(18)%	(18)%
Software Maintenance	91	92	(1)%	(3)%
Cloud	155	142	9%	9%
Professional Services	144	133	8%	4%
Software Revenue	\$460	\$452	2%	—%
Software Gross Margin	\$220	\$232	(5)%	(7)%
Software Gross Margin Rate	47.8%	51.3%	(350) bps	(330) bps
Operating Income	\$109	\$124	(12)%	(12)%
Operating Income as a % of Revenue	23.7%	27.4%	(370) bps	(330) bps

KEY HIGHLIGHTS

\$ in millions

- Cloud revenue up 9%; Net ACV of \$18M indicating continued strong momentum
- Software License down 18% due to lower hardware revenue, the timing of large software transactions in the prior year, and the beginning of a shift from software license revenue to cloud revenue
- Professional Services up 8% due to strength in channel transformation and digital enablement
- Software Maintenance down due to lower Software License revenue in prior periods
- Gross Margin Rate down driven by lower Software License revenue partially offset by margin expansion in Cloud

SERVICES

Q1 2018 Update

	Q1 2018	Q1 2017	% Change	% Change Constant Currency
Services Revenue	\$601	\$557	8%	4%
Services Gross Margin	\$144	\$121	19%	15%
Services Gross Margin Rate	24.0%	21.7%	+230 bps	+230 bps
Operating Income	\$62	\$44	41%	40%
Operating Income as a % of Revenue	10.3%	7.9%	+240 bps	+260 bps

\$ in millions

KEY HIGHLIGHTS

- Increase in revenue driven by hardware maintenance and implementation services as a result of continued momentum in managed service offerings and channel transformation trends. Backlog improving in the form of higher file value
- Increased wallet share from the current install base driven by improved customer satisfaction
- 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

Q1 2018 Update

	Q1 2018	Q1 2017	% Change	% Change Constant Currency
ATMs	\$195	\$209	(7)%	(11)%
Self-Checkout (SCO)	77	101	(24)%	(24)%
Point-of-Sale (POS)	184	154	19%	15%
Interactive Printer Solutions (IPS)	—	5	(100)%	(100)%
Hardware Revenue	\$456	\$469	(3)%	(6)%
Hardware Gross Margin	\$67	\$78	(14)%	(23)%
Hardware Gross Margin Rate	14.7%	16.6%	(190) bps	(320) bps
Operating Income	(\$23)	(\$10)	(130)%	(280)%
Operating Income as a % of Revenue	(5.0%)	(2.1%)	(290) bps	(400) bps

\$ in millions

KEY HIGHLIGHTS

- Strong growth in POS revenues, primarily due to market gains and store transformation momentum
- ATM revenue down as expected in the quarter due to lower backlog at the beginning of the quarter; ATM orders showing signs of improvement to start the year
- SCO revenue down due to the timing of customer roll-outs
- Gross margin rate decrease due to lower Hardware revenue and an unfavorable mix of less SCO revenue
- Hardware margin rates are expected to significantly improve in the back half of the year as we implement the manufacturing network redesign and drive higher back half revenue

FREE CASH FLOW, NET DEBT & EBITDA

Free Cash Flow	Q1 2018	Q1 2017
Cash Provided by Operating Activities	(\$24)	\$39
Total capital expenditures ⁽¹⁾	(71)	(52)
Cash used in Discontinued Operations	(4)	(3)
Free Cash Flow	(\$99)	(\$16)

⁽¹⁾ Capital expenditures in Q1 2018 and Q1 2017 included \$20 million and \$1 million, respectively related to our new world headquarters. Partially offsetting the \$20 million is \$7 million of reimbursement from the lessor included in net cash used in operating activities.

Net Debt & EBITDA	Q1 2018	Q1 2017
Debt	\$3,072	\$3,328
Cash	(348)	(401)
Net Debt	\$2,724	\$2,927
Adjusted EBITDA ⁽²⁾	\$1,116	\$1,091
Net Debt / Adjusted EBITDA	2.4x	2.7x

⁽²⁾ Adjusted EBITDA for the trailing twelve-month period

\$ in millions

FY and Q2 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

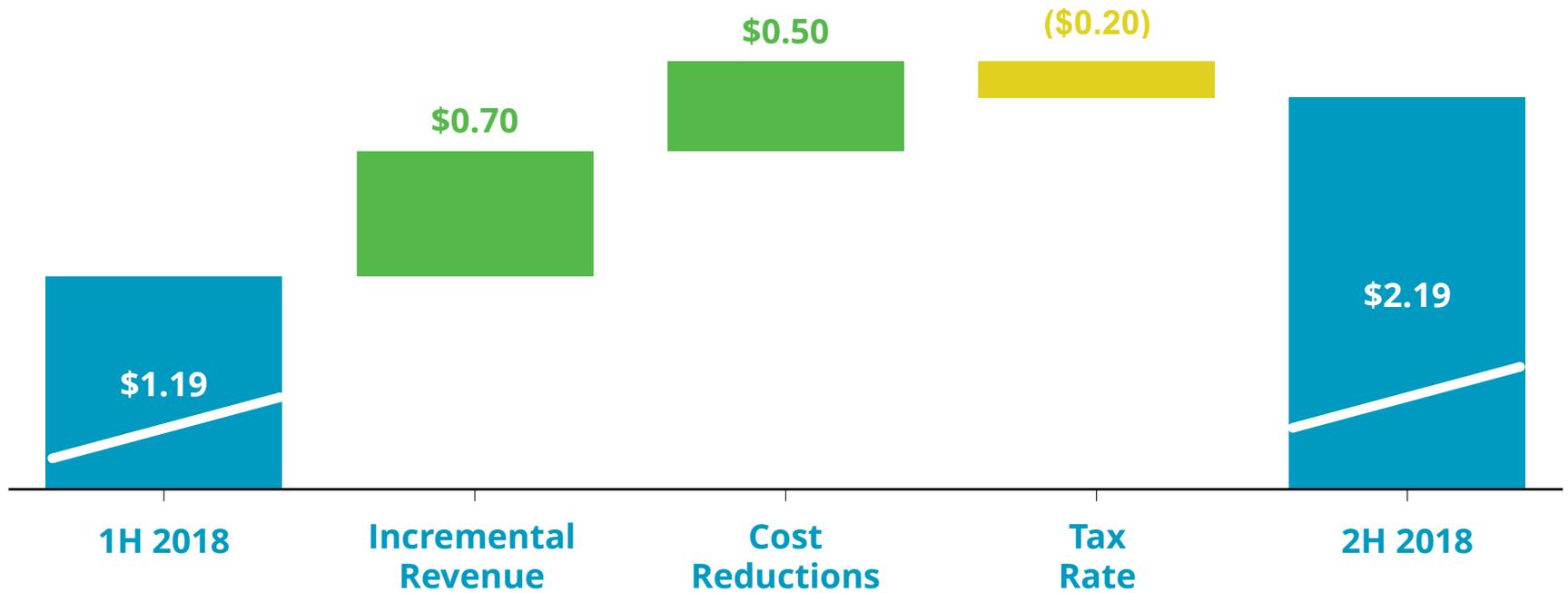
	Q2 2018 Guidance
Revenue Growth	(1)%- 1%
GAAP Diluted EPS	\$0.12 - \$0.30
Non-GAAP Diluted EPS	\$0.60 - \$0.65

REVENUE AND EPS TRENDING

	First Half		Second Half	
	\$	% of Total	\$	% of Total
Revenue				
2018 Guidance (mid-point)	\$3,112	47%	\$3,504	53%
2017 Results	\$3,071	47%	\$3,445	53%
2016 Results	\$3,064	47%	\$3,479	53%
2015 Results	\$3,080	48%	\$3,293	52%
3 year average	\$3,072	47%	\$3,406	53%
Diluted EPS (non-GAAP)				
2018 Guidance (mid-point)	\$1.19	35%	\$2.19	65%
2017 Results	\$1.36	42%	\$1.85	58%
2016 Results	\$1.10	36%	\$1.94	64%
2015 Results	\$1.09	40%	\$1.66	60%
3 year average	\$1.18	39%	\$1.82	61%

\$ in millions, except per share amounts

Non-GAAP EPS GUIDANCE BRIDGE



LOOKING FORWARD

○ 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

Q1 2018 OPERATIONAL RESULTS

	Q1 2018	Q1 2017	% Change As Reported	% Change Constant Currency
Revenue	\$1,517	\$1,478	3%	—% ⁽¹⁾
Gross Margin (non-GAAP)	431	431	—%	(4)%
Gross Margin Rate (non-GAAP)	28.4%	29.2%	(80) bps	(100) bps
Operating Expenses (non-GAAP)	283	273	4%	—%
% of Revenue	18.7%	18.5%		
Operating Income (non-GAAP)	148	158	(6)%	(10)%
% of Revenue	9.8%	10.7%	(90) bps	(100) bps
Interest and other expense (non-GAAP)	(46)	(44)	5%	(1)%
Income Tax Expense (non-GAAP)	16	27	(41)%	
Effective Income Tax Rate (non-GAAP)	15.7%	23.7%		
Net Income (non-GAAP)	\$85	\$87	(2)%	(5)%
Diluted EPS (non-GAAP) ⁽²⁾	\$0.56	\$0.56	—%	(3)%

in millions, except per share amounts

⁽¹⁾ The impact of foreign currency was \$46 million favorable in Q1 2018.

⁽²⁾ Q1 2018 includes \$0.02 of foreign currency benefit on EPS. Diluted share count of 151.5 million in Q1 2018 and 156.7 million in Q1 2017.

Q1 2018 GAAP RESULTS

	Q1 2018	Q1 2017	% Change As Reported
Revenue	\$1,517	\$1,478	3%
Gross Margin	420	412	2%
Gross Margin Rate	27.7%	27.9%	
Operating Expenses	311	297	5%
% of Revenue	20.5%	20.1%	
Operating Income	109	115	(5)%
% of Revenue	7.2%	7.8%	
Interest and other expense	(46)	(44)	5%
Income Tax Expense	7	14	(50)%
Effective Income Tax Rate	11%	20%	
Net Income	\$55	\$57	(4)%
Diluted EPS ⁽¹⁾	\$0.35	(\$0.14)	350%

in millions, except per share amounts

⁽¹⁾ In Q1 2017, net income from continuing operations attributable to NCR common stockholders used in the calculation of earnings per share was adjusted by a \$4 million deemed dividend on modification of convertible preferred shares and a \$58 million deemed dividend on convertible preferred shares related to redemption value accretion.

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 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. 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. 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	Q1 2017 LTM	Q1 2018 LTM
Net Income from Continuing Operations (GAAP)	\$312	\$239
Pension Mark-to-Market Adjustments	85	28
Transformation/Restructuring Costs	35	32
Acquisition-Related Amortization of Intangibles	120	109
Acquisition-Related Costs	6	4
Divestiture and Liquidation Losses	6	—
Net (Income) Loss from Continuing Operations Attributable to Noncontrolling Interests	(4)	(4)
Interest Expense	163	165
Interest Income	(4)	(3)
Depreciation and Amortization	212	239
Income Taxes	93	235
Stock Compensation Expense	67	72
Adjusted EBITDA (non-GAAP)	\$1,091	\$1,116

in millions

GAAP TO NON-GAAP RECONCILIATION

Q1 2018 QTD

in millions (except per share amounts)	Q1 QTD 2018 GAAP	Transformation Costs	Acquisition- related amortization of intangibles	Q1 QTD 2018 non-GAAP
Product revenue	\$526	\$—	\$—	\$526
Service revenue	991	—	—	991
Total revenue	1,517	—	—	1,517
Cost of products	420	—	(4)	416
Cost of services	677	(4)	(3)	670
Gross margin	420	4	7	431
Gross margin rate	27.7%	0.2%	0.5%	28.4%
Selling, general and administrative expenses	245	(10)	(16)	219
Research and development expenses	66	(2)	—	64
Total operating expenses	311	(12)	(16)	283
<i>Total operating expense as a % of revenue</i>	<i>20.5%</i>	<i>(0.7)%</i>	<i>(1.1)%</i>	<i>18.7%</i>
Income from operations	109	16	23	148
<i>Income from operations as a % of revenue</i>	<i>7.2%</i>	<i>1.1%</i>	<i>1.5%</i>	<i>9.8%</i>
Interest and Other (expense) income, net	(46)	—	—	(46)
Income from continuing operations before income taxes	63	16	23	102
Income tax expense	7	4	5	16
<i>Effective income tax rate</i>	<i>11%</i>			<i>16%</i>
Income from continuing operations	56	12	18	86
Net income attributable to noncontrolling interests	1	—	—	1
Income from continuing operations (attributable to NCR)	\$55	\$12	\$18	\$85
Diluted earnings per share	\$0.35	\$0.08	\$0.12	\$0.56
Diluted shares outstanding	123.8			151.5

GAAP TO NON-GAAP RECONCILIATION

Q1 2018 QTD

	Q1 QTD 2018 GAAP	Q1 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)	\$55	\$85
Dividends on convertible preferred shares	(12)	—
Income from continuing operations attributable to NCR common stockholders	\$43	\$85
<i>Weighted average outstanding shares:</i>		
Weighted average diluted shares outstanding	123.8	123.8
Weighted as-if converted preferred shares	—	27.7
Total shares used in diluted earnings per share	123.8	151.5
Diluted earnings per share ⁽¹⁾	\$0.35	\$0.56

⁽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

Q1 2017 QTD

in millions (except per share amounts)	Q1 QTD 2017 GAAP	Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Q1 QTD 2017 non-GAAP
Product revenue	\$554	\$—	\$—	\$—	\$554
Service revenue	924	—	—	—	924
Total revenue	1,478	—	—	—	1,478
Cost of products	424	(2)	(7)	—	415
Cost of services	642	(4)	(6)	—	632
Gross margin	412	6	13	—	431
Gross margin rate	27.9%	0.4%	0.9%	—%	29.2%
Selling, general and administrative expenses	230	(4)	(16)	(1)	209
Research and development expenses	67	(3)	—	—	64
Total expenses	297	(7)	(16)	(1)	273
<i>Total expense as a % of revenue</i>	20.1%	(0.4)%	(1.1)%	(0.1)%	18.5%
Income from operations	115	13	29	1	158
<i>Income from operations as a % of revenue</i>	7.8%	0.9%	1.9%	0.1%	10.7%
Interest and Other (expense) income, net	(44)	—	—	—	(44)
Income from continuing operations before income taxes	71	13	29	1	114
Income tax expense	14	4	9	—	27
<i>Effective income tax rate</i>	20%				24%
Income from continuing operations	57	9	20	1	87
Net income attributable to noncontrolling interests	—	—	—	—	—
Income from continuing operations (attributable to NCR)	\$57	\$9	\$20	\$1	\$87
Diluted (loss) earnings per share	(\$0.14)	\$0.06	\$0.13	\$0.01	\$0.56
Diluted shares outstanding	122.8				156.7

GAAP TO NON-GAAP RECONCILIATION

Q1 2017 QTD

	Q1 QTD 2017 GAAP	Q1 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)	\$57	\$87
Dividends on convertible preferred shares	(12)	—
Deemed dividend on modification of convertible preferred shares	(4)	—
Deemed dividend on convertible preferred shares related to redemption value accretion	(58)	—
(Loss) Income from continuing operations attributable to NCR common stockholders	\$(17)	\$87
<i>Weighted average outstanding shares:</i>		
Weighted average diluted shares outstanding	122.8	128.2
Weighted as-if converted preferred shares	—	28.5
Total shares used in diluted earnings per share	122.8	156.7
Diluted (loss) earnings per share ⁽¹⁾	(\$0.14)	\$0.56

⁽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>(0.4)%</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>0.4%</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

Q2 2017 QTD

in millions (except per share amounts)	FY 2017 GAAP	Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	FY 2017 non-GAAP
Product revenue	\$618	\$—	\$—	\$—	\$618
Service revenue	975	—	—	—	975
Total revenue	1,593	—	—	—	1,593
Cost of products	478	—	(6)	—	472
Cost of services	654	(4)	(6)	—	644
Gross margin	461	4	12	—	477
Gross margin rate	28.9%	0.3%	0.7%	—%	29.9%
Selling, general and administrative expenses	228	(3)	(16)	(1)	208
Research and development expenses	58	(1)	—	—	57
Total expenses	286	(4)	(16)	(1)	265
<i>Total expense as a % of revenue</i>	18.0%	(0.3)%	(1.0)%	(0.1)%	16.6%
Income from operations	175	8	28	1	212
<i>Income from operations as a % of revenue</i>	11.0%	0.5%	1.7%	0.1%	13.3%
Interest and Other (expense) income, net	(45)	—	—	—	(45)
Income from continuing operations before income taxes	130	8	28	1	167
Income tax expense	33	2	9	1	45
<i>Effective income tax rate</i>	25%				27%
Income from continuing operations	97	6	19	—	122
Net income attributable to noncontrolling interests	—	—	—	—	—
Income from continuing operations (attributable to NCR)	\$97	\$6	\$19	\$—	\$122
Diluted earnings per share	\$0.64	\$0.04	\$0.12	\$—	\$0.80
Diluted Shares outstanding	152.7				152.7

GAAP TO NON-GAAP RECONCILIATION

Q2 2017 QTD

	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)	\$97	\$122
Income from continuing operations attributable to NCR common stockholders	\$97	\$122
<i>Weighted average outstanding shares:</i>		
Weighted average diluted shares outstanding	126.1	126.1
Weighted as-if converted preferred shares	26.6	26.6
Total shares used in diluted earnings per share	152.7	152.7
Diluted earnings per share ⁽¹⁾	\$0.64	\$0.80

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

GAAP TO NON-GAAP RECONCILIATION

Q1 2018 QTD

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

	Q1 2018 QTD	
	Gross Margin	Gross Margin Rate %
Software	220	47.8%
Services	144	24.0%
Hardware	67	14.7%
Total Gross Margin (non-GAAP)	431	28.4%
Less:		
Transformation Costs	4	0.2%
Acquisition-related amortization of intangibles	7	0.5%
Total Gross Margin (GAAP)	420	27.7%

GAAP TO NON-GAAP RECONCILIATION

Q1 2017 QTD

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

	Q1 2017 QTD	
	Gross Margin	Gross Margin Rate %
Software	232	51.3%
Services	121	21.7%
Hardware	78	16.6%
Total Gross Margin (non-GAAP)	431	29.2%
Less:		
Transformation Costs	6	0.4%
Acquisition-related amortization of intangibles	13	0.9%
Acquisition-related costs	—	—%
Total Gross Margin (GAAP)	412	27.9%

GAAP TO NON-GAAP RECONCILIATION

Q1 2018 QTD

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

	Q1 2018 QTD	
	Operating Income	Operating Income Rate
Software	109	23.7%
Services	62	10.3%
Hardware	(23)	(5.0)%
Total Operating Income (non-GAAP)	148	9.8%
Less:		
Transformation Costs	16	1.1%
Acquisition-related amortization of intangibles	23	1.5%
Total Operating Income (GAAP)	109	7.2%

GAAP TO NON-GAAP RECONCILIATION

Q1 2017 QTD

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

	Q1 2017 QTD	
	Operating Income	Operating Income Rate
Software	124	27.4%
Services	44	7.9%
Hardware	(10)	(2.1)%
Total Operating Income (non-GAAP)	158	10.7%
Less:		
Transformation Costs	13	0.9%
Acquisition-related amortization of intangibles	29	1.9%
Acquisition-related costs	1	0.1%
Total Operating Income (GAAP)	115	7.8%

GAAP TO NON-GAAP RECONCILIATION

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

	Q1 2018 QTD		
	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Revenue Growth Constant Currency % (non-GAAP)
Software License	(18)%	1%	(19)%
<i>Attached License</i>	(16)%	6%	(22)%
<i>Unattached License</i>	(18)%	—%	(18)%
Software Maintenance	(1)%	2%	(3)%
Cloud	9%	—%	9%
Professional Services	8%	4%	4%
Software	2%	2%	—%
Services	8%	4%	4%
ATMs	(7)%	4%	(11)%
Self-Checkout (SCO)	(24)%	—%	(24)%
Point-of-Sale (POS)	19%	4%	15%
Interactive Printer Solutions (IPS)	(100)%	—%	(100)%
Hardware	(3)%	3%	(6)%
Total Revenue	3%	3%	—%

GAAP TO NON-GAAP RECONCILIATION

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

	Q1 2018 QTD		
	Gross Margin Growth % Reported	Favorable (unfavorable) FX impact	Constant Currency Gross Margin Growth % (non-GAAP)
Software	(5)%	2%	(7)%
Services	19%	4%	15%
Hardware	(14)%	9%	(23)%
Total Gross Margin	—%	4%	(4)%

GAAP TO NON-GAAP RECONCILIATION

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

	Q1 2018 QTD		
	Operating Income Growth % Reported	Favorable (unfavorable) FX impact	Constant Currency Operating Income Growth % (non-GAAP)
Software	(12)%	—%	(12)%
Services	41%	1%	40%
Hardware	(130)%	150%	(280)%
Total Operating Income	(6)%	4%	(10)%

GAAP TO NON-GAAP RECONCILIATION

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

	Q1 2018 QTD		
	Gross Margin bps Growth Reported	Favorable (unfavorable) FX impact	Constant Currency Gross Margin bps Growth (non- GAAP)
Software	(350) bps	(20) bps	(330) bps
Services	230 bps	— bps	230 bps
Hardware	(190) bps	130 bps	(320) bps
Total Gross Margin bps	(80) bps	20 bps	(100) bps

GAAP TO NON-GAAP RECONCILIATION

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

	Q1 2018 QTD		
	Operating Income bps Growth Reported	Favorable (unfavorable) FX impact	Constant Currency Operating Income bps Growth (non- GAAP)
Software	(370) bps	(40) bps	(330) bps
Services	240 bps	(20) bps	260 bps
Hardware	(290) bps	110 bps	(400) bps
Total Operating Income	(90) bps	10 bps	(100) bps

GAAP TO NON-GAAP RECONCILIATION

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

	2018 Guidance	Q2 2018 Guidance
Diluted EPS (GAAP) ^{(1) (2)}	\$2.08 - \$2.48	\$0.12 - \$0.30
Transformation costs	0.50 - 0.75	0.19 - 0.28
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	\$0.60 - \$0.65

⁽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 153 million (154 million previously) compared to OIE of \$181 million, an effective tax rate of 25% and a share count of 154 million in FY 2017. For Q2 2018, we have assumed OIE of approximately \$52 million, an effective tax rate of 22% and a share count of 152 million compared to OIE of \$45 million, an effective tax rate of 27% and a share count of 153 million in Q2 2017.

¹⁾ 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.

