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# Q4 2019 EARNINGS CONFERENCE CALL

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**ANDRE FERNANDEZ, CFO**

February 11, 2020



# NOTES TO INVESTORS

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**FORWARD-LOOKING STATEMENTS.** Comments made during this conference call and in these materials contain forward-looking statements. Statements that describe or relate to NCR's plans, goals, intentions, strategies, or financial outlook, and statements that do not relate to historical or current fact, are examples of forward-looking statements. The forward-looking statements in these materials include statements about NCR's full year 2020 financial guidance and the expected type and magnitude of the non-operational adjustments included in any forward-looking non-GAAP measures; NCR's strategy and expected areas of focus to drive stockholder value creation including NCR's transformation to an as-a-Service Company, strategic growth platforms, revenue shift to recurring software and services revenue and its impact on revenue and revenue growth acceleration; NCR's 2020 transformation initiatives and related expected investments and results; areas of focus to improve productivity; payments platform integration; NCR's investment priorities and their expected benefits in 2020; NCR's acquisition strategy; NCR's capital structure and the effects of recent transactions including benefits to NCR and impact on earnings per share; and NCR's expected free cash flow generation and capital allocation strategy; and NCR's effective tax rate in 2020. 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 28, 2019, and those factors detailed from time to time in NCR's other SEC reports. These materials are dated February 11, 2020, 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.

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

# NOTES TO INVESTORS

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**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](http://www.ncr.com). Descriptions of many of these non-GAAP measures are also included in NCR's SEC reports.

With respect to our non-GAAP diluted earnings per share and adjusted EBITDA guidance, we are no longer providing a reconciliation to the respective GAAP measures because we are unable to predict with reasonable certainty the reconciling items that may affect GAAP net income from continuing operations and GAAP earnings per share without unreasonable effort. The reconciling items are primarily the future impact of special tax items, capital structure transactions, restructuring, pension mark-to-market transactions, acquisitions or divestitures, or other events. These reconciling items are uncertain, depend on various factors and could significantly impact, either individually or in the aggregate, the GAAP measures.

**USE OF CERTAIN TERMS.** As used in these materials: (i) the term "recurring revenue" means revenue for products and services under contract for which revenue is recognized over time and (ii) the term "CC" means constant currency.

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# OVERVIEW

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**SOLID** 2019

Continued to **IMPROVE EXECUTION**

**REVENUE GROWTH** across all segments/industries

**RECURRING REVENUE** up 8% CC

Progress building **STRATEGIC GROWTH PLATFORMS**

**2020 GUIDANCE:** Revenue growth 0% - 1%; Non-GAAP EPS \$2.75 - \$2.85; FCF \$250M-\$300M

# FY 2019 FINANCIAL RESULTS

## Revenue



FX Impact (\$119) million

Revenue up 8% as reported and up 10% CC

## Adjusted EBITDA



Adjusted EBITDA up 11%

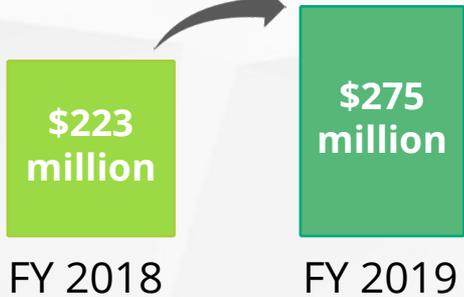
## Non-GAAP Diluted EPS



FX Impact (\$0.16)

Non-GAAP EPS up 7% as reported and up 14% CC

## Free Cash Flow



Free cash flow up due to increased earnings

# SHIFT TO AS-A-SERVICE COMPANY

to drive increased recurring revenue across our strategic growth platforms

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Offerings



Go To Market



Delivery

# M&A UPDATE

Disciplined approach on acquisition strategy with 8 deals in 2019 for under \$230M purchase price



Online and mobile banking digital platform provider for large banks



Edge virtualization technology provider for retail and hospitality sectors



Brazil based IT services and software assets for financial and retail sectors



POS solutions providers to restaurants and merchants in the hospitality sector



Purchase of remaining interest in NCR Manaus expands addressable market in Brazil

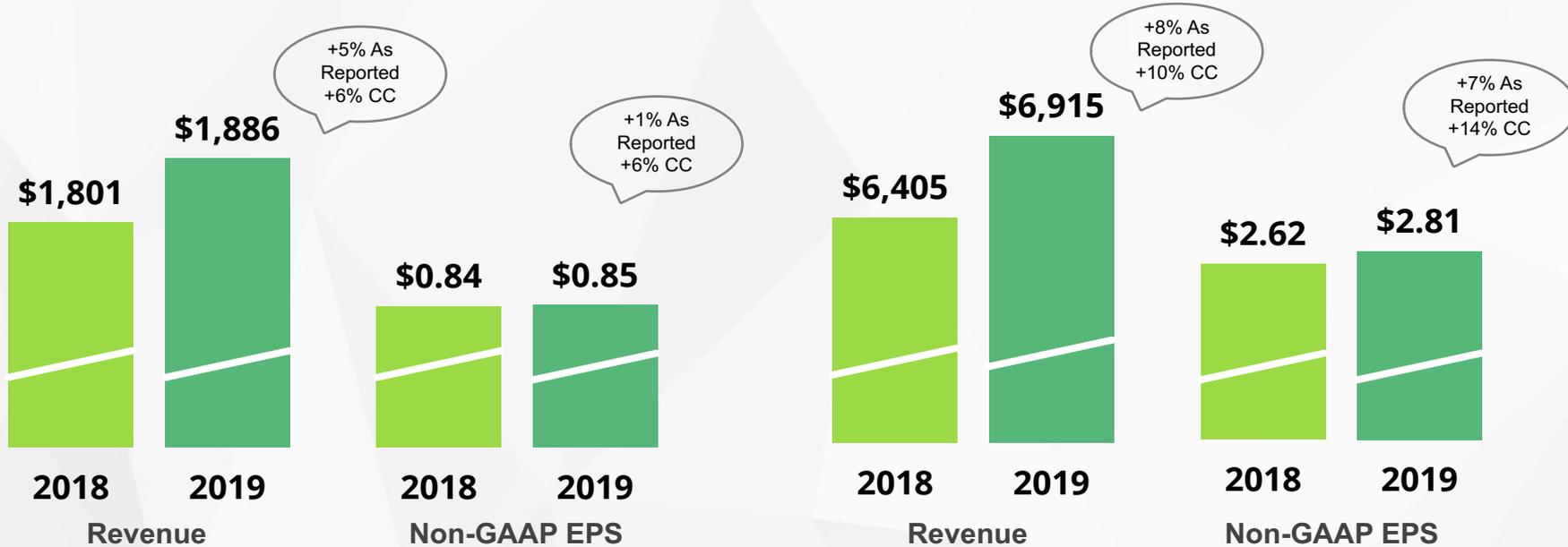
\* Expected to close during first half of 2020

# TOTAL NCR

\$ in millions  
except for share  
amounts

## Fourth Quarter

## Full Year



## 2019 Key Highlights

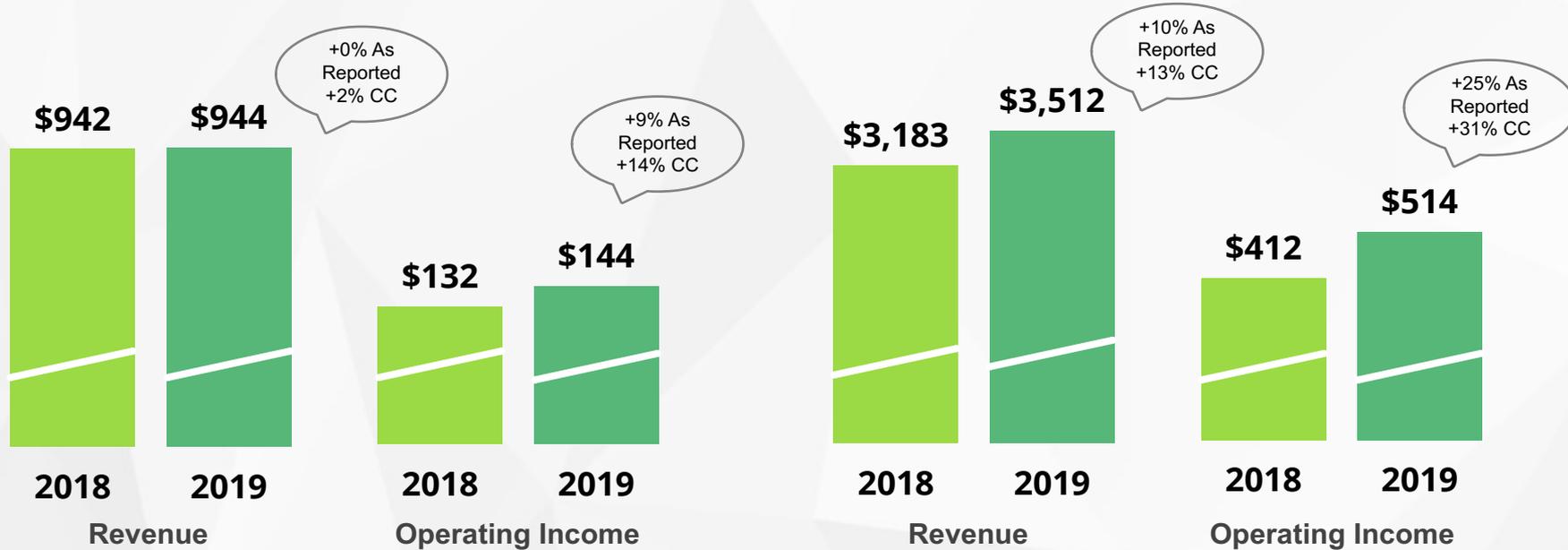
- Revenue up 10% CC driven by a 33% CC growth in ATM revenue due to higher backlog conversion and growth in software and services revenue
- Non-GAAP EPS up 14% CC driven by higher software and services revenue and improved hardware profitability

# BANKING

\$ in millions

## Fourth Quarter

## Full Year



## 2019 Key Highlights

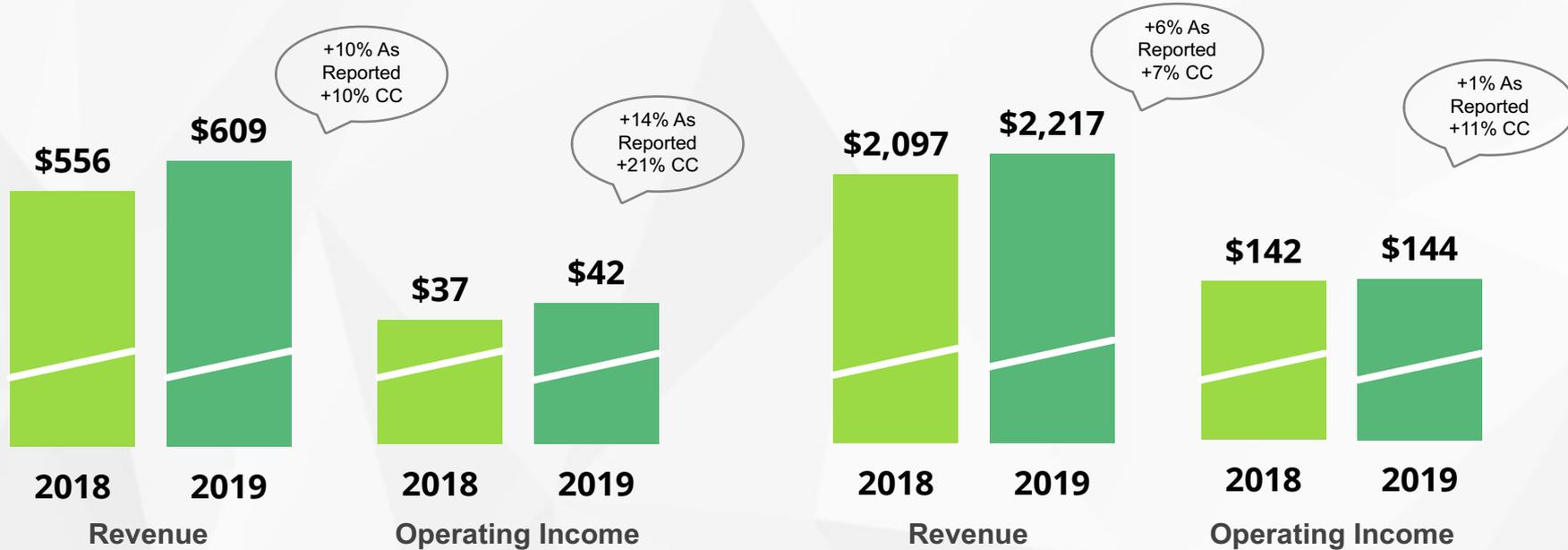
- Revenue up 13% CC driven by a 33% CC growth in ATM revenue due to higher backlog conversion and higher ATM-related software as well as growth in services revenue
- Operating Income up 31% CC driven by higher volume and a favorable mix of revenue with improved hardware profitability

# RETAIL

\$ in millions

## Fourth Quarter

## Full Year



## 2019 Key Highlights

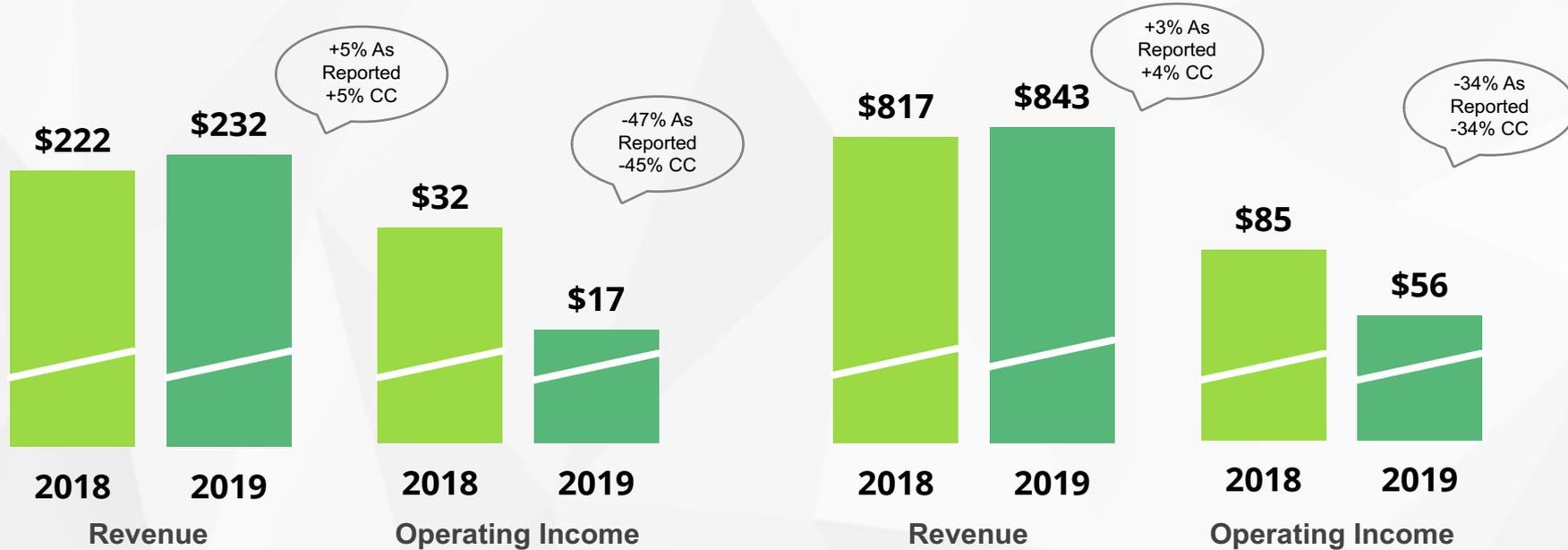
- Revenue up 7% CC driven by increase in payments, self-checkout and services revenue
- Operating Income up 11% CC driven by higher software and services revenue and improved hardware profitability

# HOSPITALITY

\$ in millions

## Fourth Quarter

## Full Year



## 2019 Key Highlights

- Revenue up 4% CC driven by increase in cloud, payments and point-of-sale revenue
- Operating Income down 34% CC driven by several large customer installations in the prior year and increased investment in services support and payments

# FY 19 SUPPLEMENTAL REVENUE

\$ in millions

	FY 2019	FY 2018	% Change	% Change CC
<b>Software</b>	\$2,008	\$1,912	5%	6%
<b>Services</b>	\$2,520	\$2,460	2%	5%
<b>Hardware</b>	\$2,387	\$2,033	17%	20%
<i>ATM</i>	\$1,263	\$979	29%	33%
<i>SCO/POS</i>	\$1,124	\$1,054	7%	8%
<b>Total Revenue</b>	\$6,915	\$6,405	8%	10%
<b>Recurring Revenue</b>	\$3,145	\$2,970	6%	8%

## 2019 Key Highlights

- Software growth of 6% CC driven by an increase in cloud, payments and professional services revenue
- Services growth of 5% CC driven by an increase in hardware sales and managed services offerings
- Hardware growth of 20% CC driven by 33% CC growth in ATM revenue and 8% CC growth in SCO/POS revenue

# FREE CASH FLOW, NET DEBT & EBITDA

\$ in millions

Free Cash Flow	FY 2019	FY 2018
Cash provided by Operating Activities	\$628	\$572
Total capital expenditures	(\$329)	(\$313)
Cash used in Discontinued Operations	(\$24)	(\$36)
<b>Free Cash Flow</b>	<b>\$275</b>	<b>\$223</b>

Net Debt & EBITDA	Q4 2019	Q3 2019	Q4 2018
Debt	\$3,559	\$3,630	\$3,165
Cash	(\$509)	(\$388)	(\$464)
Net Debt	\$3,050	\$3,242	\$2,701
Adjusted EBITDA LTM	\$1,058	\$1,045	\$957
<b>Net Debt / Adjusted EBITDA</b>	<b>2.9x</b>	<b>3.1x</b>	<b>2.8x</b>

# 2019 PRODUCTIVITY INITIATIVES

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- Manufacturing transformation largely complete
  - Improved product delivery performance
  - Significant progress to hardware profitability
- Completed \$100M spend optimization program
  - Maintained Opex / Revenue percentage flat offsetting higher real estate and employee-related costs
- Services Transformation
  - Focus on improving customer experience
  - Investments in parts and additional technicians

# STRATEGY ACTIVATION

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- Shift to recurring
  - Organization design
  - Targeted business processes
- Driving efficiencies as we evolve to NCR-as-a-Service
  - \$90M annualized run-rate saving by year-end 2020
  - \$40M realized savings in 2020

# 2020 GUIDANCE - AS REPORTED

\$ in millions, except per share amounts

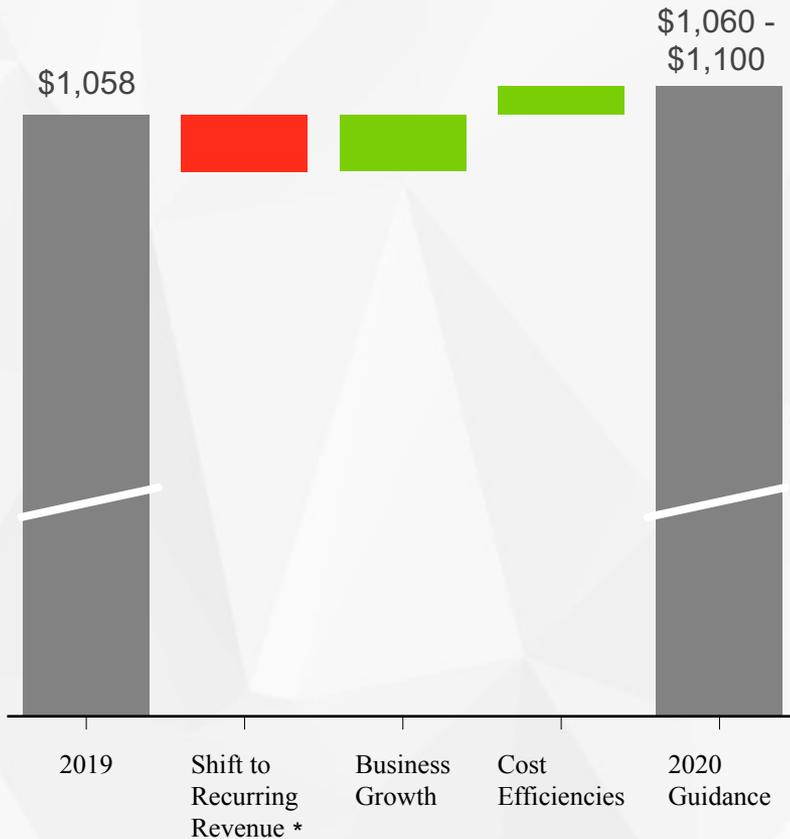
	Guidance
<b>Revenue Growth</b>	0% - 1%
<b>Adjusted EBITDA</b>	\$1,060 - \$1,100
<b>Non-GAAP Diluted EPS <sup>(1)</sup></b>	\$2.75 - \$2.85
<b>Cash Flow from Operations</b>	\$640 - \$735
<b>Free Cash Flow</b>	\$250 - \$300

<sup>(1)</sup> For FY 2020, we have assumed an effective tax rate of 23% to 24% and a share count of 147 million compared to an effective tax rate of 21% and a share count of 150.6 million in 2019.

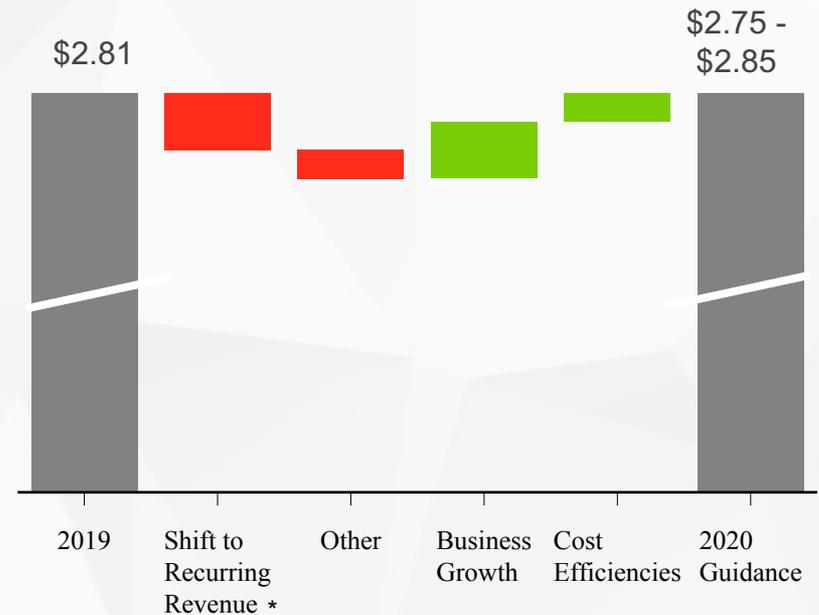
# 2020 EARNINGS BRIDGES

\$ in millions, except per share amounts

## Adjusted EBITDA



## Non-GAAP EPS



\* See NCR's definition of Recurring Revenue on slide 3

# NCR LONG-TERM VALUE CREATION STRATEGY

**NEAR TERM:**  
1-3% Growth

**NCR AS-A-SERVICE**  
**80/60/20**

**FUTURE:**  
3-5% Growth

## SHIFT THE MIX

Software & Services 65% to **80%**  
Recurring Revenue 45% to **60%**

## MARGIN EXPANSION

Business Mix Shift, Efficiencies, Pricing Discipline  
EBITDA Margin 15.3% to **20%**

## CAPITAL ALLOCATION

Operating Cash Flow \$600M - \$900M / year, CapEx \$250M - \$300M / year  
Limit Stock Dilution, M&A \$300M-\$400M / year



# **SUPPLEMENTARY MATERIALS**

# Q4 & FY 2019 GAAP RESULTS

\$ in millions, except per share amounts

	Q4 2019	Q4 2018	% Change As Reported	FY 2019	FY 2018	% Change As Reported
Revenue	\$1,886	\$1,801	5%	\$6,915	\$6,405	8%
Gross Margin	532	442	20%	1,921	1,675	15%
Gross Margin Rate	28.2%	24.5%		27.8%	26.2%	
Operating Expenses	350	379	(8)%	1,310	1,484	(12)%
% of Revenue	18.6%	21.0%		18.9%	23.2%	
Operating Income	182	63	Fav	611	191	Fav
% of Revenue	9.7%	3.5%		8.8%	3.0%	
Interest and other expense	(99)	(3)	Fav	(270)	(152)	Fav
Income Tax Expense (Benefit)	(301)	93	Fav	(273)	73	Fav
Effective Income Tax Rate	(362.7)%	155.0%		(80.1)%	187.2%	
Net Income from Continuing Operations (attributable to NCR)	\$384	(\$33)	Fav	\$614	(\$36)	Fav
Diluted EPS	\$2.67	(\$0.39)	Fav	\$3.71	(\$0.72)	Fav

Fav denotes percent change greater than 100%

# Q4 & FY 2019 OPERATIONAL RESULTS

\$ in millions, except per share amounts

	Q4 2019	Q4 2018	% Change As Reported	% Change Constant Currency	FY 2019	FY 2018	% Change As Reported	% Change Constant Currency
Revenue	\$1,886	\$1,801	5%	6%	\$6,915	\$6,405	8%	10%
Gross Margin (non-GAAP)	541	495	9%	12%	1,966	1,800	9%	12%
Gross Margin Rate (non-GAAP)	28.7%	27.5%	120 bps	160 bps	28.4%	28.1%	30 bps	60 bps
Operating Expenses (non-GAAP)	324	281	15%	16%	\$1,208	\$1,112	9%	10%
% of Revenue	17.2%	15.6%	160bps	160bps	17.5%	17.4%	10 bps	10 bps
Operating Income (non-GAAP)	217	214	1%	6%	758	688	10%	16%
% of Revenue	11.5%	11.9%	(40)bps	—bps	11.0%	10.7%	30 bps	60 bps
Interest and other expense (non-GAAP)	(60)	(48)	25%	25%	(225)	(197)	(14%)	(14%)
Income Tax Expense (non-GAAP)	34	40	(15)%	(13)%	110	94	17%	16%
Effective Income Tax Rate (non-GAAP)	21.7%	24.1%			20.6%	19.1%		
Net Income (Loss) From Continuing Operations (attributable to NCR) (non-GAAP)	123	126	(2)%	4%	423	394	7%	18%
Diluted EPS (non-GAAP)	\$0.85	\$0.84	1%	6%	\$2.81	\$2.62	7%	14%

# NON-GAAP MEASURES

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

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

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

# NON-GAAP MEASURES

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

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

NCR believes that Adjusted EBITDA (adjusted earnings before interest, taxes, depreciation and amortization) provides useful information to investors because it is an indicator of the strength and performance of the Company's ongoing business operations, including its ability to fund discretionary spending such as capital expenditures, strategic acquisitions and other investments. NCR determines Adjusted EBITDA for a given period based on its GAAP net income 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. 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.

# NON-GAAP MEASURES

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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](http://www.ncr.com).

With respect to our non-GAAP diluted earnings per share and Adjusted EBITDA guidance, we are no longer providing a reconciliation to the respective GAAP measures because we are unable to predict with reasonable certainty the reconciling items that may affect GAAP net income from continuing operations and GAAP earnings per share without unreasonable effort. The reconciling items are primarily the future impact of special tax items, capital structure transactions, restructuring, pension mark-to-market transactions, acquisitions or divestitures, or other events. These reconciling items are uncertain, depend on various factors and could significantly impact, either individually or in the aggregate, the GAAP measures. Refer to the heading "Non-GAAP Financial Measures" for additional information regarding our use of non-GAAP financial measures.

# GAAP TO NON-GAAP RECONCILIATION

\$ in millions

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

	Q4 2019 LTM	Q3 2019 LTM	Q4 2018 LTM	Q4 2019	Q4 2018
Net (Loss) Income from Continuing Operations Attributable to NCR (GAAP)	\$ 614	\$ 197	\$ (36)	\$ 384	\$ (33)
Pension Mark-to-Market Adjustments	75	(45)	(45)	75	(45)
Transformation & Restructuring Costs	58	172	223	11	125
Acquisition-Related Amortization of Intangibles	86	85	85	22	21
Acquisition-Related Costs	3	6	6	2	5
Long-lived and Intangible Asset Impairment Charges	—	—	183	—	—
Internal reorganization & IP Transfer	(37)	—	—	(37)	—
Interest Expense	197	186	168	54	43
Interest Income	(4)	(5)	(5)	(1)	(2)
Depreciation and Amortization	232	235	241	59	62
Income Taxes	(273)	121	73	(301)	93
Stock Compensation Expense	107	93	64	31	17
<b>Adjusted EBITDA (non-GAAP)</b>	<b>\$ 1,058</b>	<b>\$ 1,045</b>	<b>\$ 957</b>	<b>\$ 299</b>	<b>\$ 286</b>

# 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	VA Release & Other	Int Reorg & IP Transfer	Pension mark-to- market adjustments	Q4 QTD 2019 non- GAAP
Product revenue	\$766	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$766
Service revenue	1,120	—	—	—	—	—	—	—	1,120
<b>Total revenue</b>	<b>1,886</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,886</b>
Cost of products	599	—	(3)	—	—	—	—	—	596
Cost of services	755	(2)	(4)	—	—	—	—	—	749
<b>Gross margin</b>	<b>532</b>	<b>2</b>	<b>7</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>541</b>
<i>Gross margin rate</i>	<b>28.2%</b>	<i>0.1%</i>	<i>0.4%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<b>28.7%</b>
Selling, general and administrative expenses	276	(6)	(15)	(2)	—	—	—	—	253
Research and development	74	(3)	—	—	—	—	—	—	71
Total operating expenses	350	(9)	(15)	(2)	—	—	—	—	324
<i>Total operating expense as a % of revenue</i>	<b>18.6%</b>	<i>(0.5)%</i>	<i>(0.8)%</i>	<i>(0.1)%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<b>17.2%</b>
<b>Income from operations</b>	<b>182</b>	<b>11</b>	<b>22</b>	<b>2</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>217</b>
<i>Income from operations as a % of revenue</i>	<b>9.7%</b>	<i>0.6%</i>	<i>1.1%</i>	<i>0.1%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<b>11.5%</b>
Interest and Other (expense)	(99)	—	—	—	1	—	(37)	75	(60)
Income from continuing operations before income taxes	83	11	22	2	1	—	(37)	75	157
Income tax (benefit) expense	(301)	3	5	—	1	53	264	9	34
<i>Effective income tax rate</i>	<b>(362.7)%</b>								<b>21.7%</b>
Income from continuing operations	384	8	17	2	—	(53)	(301)	66	123
Net income (loss) attributable to noncontrolling interests	—	—	—	—	—	—	—	—	—
<b>Income from continuing operations (attributable to NCR)</b>	<b>\$384</b>	<b>\$8</b>	<b>\$17</b>	<b>\$2</b>	<b>\$—</b>	<b>(\$53)</b>	<b>(\$301)</b>	<b>\$66</b>	<b>\$123</b>
<b>Diluted earnings per share</b>	<b>\$2.67</b>	<b>\$0.06</b>	<b>\$0.12</b>	<b>\$0.01</b>	<b>\$—</b>	<b>(\$0.37)</b>	<b>(\$2.09)</b>	<b>\$0.46</b>	<b>\$0.85</b>
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
<b><i>Income from continuing operations attributable to NCR common stockholders:</i></b>		
Income from continuing operations (attributable to NCR)	\$384	\$123
Dividends on convertible preferred shares	—	—
<b>Income from continuing operations attributable to NCR common stockholders</b>	<b>\$384</b>	<b>\$123</b>
<b><i>Weighted average outstanding shares:</i></b>		
Weighted average diluted shares outstanding	130.7	130.7
Weighted as-if converted preferred shares	13.2	13.2
<b>Total shares used in diluted earnings per share</b>	<b>143.9</b>	<b>143.9</b>
<b>Diluted earnings per share <sup>(1)</sup></b>	<b>\$2.67</b>	<b>\$0.85</b>

<sup>(1)</sup> 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 2018

\$ in millions, except per share amounts

	Q4 QTD 2018 GAAP	Transformation & Restructuring Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Impact of U.S. Tax Reform	Pension mark- to-market adjustments	Q4 QTD 2018 non- GAAP
Product revenue	\$756	\$—	\$—	\$—	\$—	\$—	\$756
Service revenue	1,045	—	—	—	—	—	1,045
<b>Total revenue</b>	<b>1,801</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,801</b>
Cost of products	644	(19)	(1)	—	—	—	624
Cost of services	715	(29)	(4)	—	—	—	682
<b>Gross margin</b>	<b>442</b>	<b>48</b>	<b>5</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>495</b>
<i>Gross margin rate</i>	<b>24.5%</b>	2.7%	0.3%	—%	—%	—%	<b>27.5%</b>
Selling, general and administrative expenses	273	(29)	(16)	(5)	—	—	223
Research and development expenses	62	(4)	—	—	—	—	58
Asset impairment charges	44	(44)	—	—	—	—	—
Total expenses	379	(77)	(16)	(5)	—	—	281
<i>Total expense as a % of revenue</i>	<b>21.0%</b>	(4.2)%	(0.9)%	(0.3)%	—%	—%	<b>15.6%</b>
<b>Income from operations</b>	<b>63</b>	<b>125</b>	<b>21</b>	<b>5</b>	<b>—</b>	<b>—</b>	<b>214</b>
Income from operations as a % of revenue	3.5%	6.9%	1.2%	0.3%	—%	—%	11.9%
Interest and Other (expense) income, net	(3)	—	—	—	—	(45)	(48)
Income from continuing operations before income taxes	60	125	21	5	—	(45)	166
Income tax expense	93	29	3	1	(85)	(1)	40
<i>Effective income tax rate</i>	<b>155.0%</b>						<b>24.1%</b>
Income from continuing operations	(33)	96	18	4	85	(44)	126
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—
<b>Income from continuing operations (attributable to NCR)</b>	<b>(\$33)</b>	<b>\$96</b>	<b>\$18</b>	<b>\$4</b>	<b>\$85</b>	<b>(\$44)</b>	<b>\$126</b>
<b>Diluted (loss) earnings per share</b>	<b>(\$0.39)</b>	<b>\$0.64</b>	<b>\$0.12</b>	<b>\$0.03</b>	<b>\$0.57</b>	<b>(\$0.29)</b>	<b>\$0.84</b>
Diluted shares outstanding	<b>118.6</b>						<b>149.9</b>

# GAAP TO NON-GAAP RECONCILIATION

Q4 2018

\$ in millions, except per share amounts

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

<sup>(1)</sup> 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
<b>Total revenue</b>	<b>6,915</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>6,915</b>
Cost of products	2,146	(12)	(10)	—	—	—	—	—	2,124
Cost of services	2,848	(9)	(14)	—	—	—	—	—	2,825
<b>Gross margin</b>	<b>1,921</b>	<b>21</b>	<b>24</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,966</b>
<i>Gross margin rate</i>	<i>27.8%</i>	<i>0.3%</i>	<i>0.3%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>28.4%</i>
Selling, general and administrative expenses	1,051	(31)	(62)	(3)	—	—	—	—	955
Research and development expenses	259	(6)	—	—	—	—	—	—	253
Total operating expenses	1,310	(37)	(62)	(3)	—	—	—	—	1,208
<i>Total operating expense as a % of revenue</i>	<i>18.9%</i>	<i>(0.5)%</i>	<i>(0.9)%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>17.5%</i>
<b>Income from operations</b>	<b>611</b>	<b>58</b>	<b>86</b>	<b>3</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>758</b>
<i>Income from operations as a % of revenue</i>	<i>8.8%</i>	<i>0.9%</i>	<i>1.3%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>11.0%</i>
Interest and Other	(270)	—	—	—	7	—	(37)	75	(225)
Income from continuing operations before income tax	341	58	86	3	7	—	(37)	75	533
Income tax (benefit)	(273)	14	18	(2)	2	78	264	9	110
<i>Effective income tax</i>	<i>(80.1)%</i>								<i>20.6%</i>
Income from continuing operations	614	44	68	5	5	(78)	(301)	66	423
Net income (loss) attributable to	—	—	—	—	—	—	—	—	—
<b>Income from continuing operations (attributable to)</b>	<b>\$614</b>	<b>\$44</b>	<b>\$68</b>	<b>\$5</b>	<b>\$5</b>	<b>(\$78)</b>	<b>(\$301)</b>	<b>\$66</b>	<b>\$423</b>
<b>Diluted earnings per share</b>	<b>\$3.71</b>	<b>\$0.29</b>	<b>\$0.45</b>	<b>\$0.03</b>	<b>\$0.03</b>	<b>(\$0.52)</b>	<b>(\$2.00)</b>	<b>\$0.44</b>	<b>\$2.81</b>
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
<b><i>Income from continuing operations attributable to NCR common stockholders:</i></b>		
Income from continuing operations (attributable to NCR)	\$614	\$423
Dividends on convertible preferred shares	(\$76)	\$—
<b>Income from continuing operations attributable to NCR common stockholders</b>	<b>\$538</b>	<b>\$423</b>
<b><i>Weighted average outstanding shares:</i></b>		
Weighted average diluted shares outstanding	125.7	125.7
Weighted as-if converted preferred shares	19.5	24.9
<b>Total shares used in diluted earnings per share</b>	<b>145.2</b>	<b>150.6</b>
<b>Diluted earnings per share <sup>(1)</sup></b>	<b>\$3.71</b>	<b>\$2.81</b>

<sup>(1)</sup> 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 2018

\$ in millions, except per share amounts

	FY 2018 GAAP	Transformation & Restructuring costs	Goodwill & Long-lived Asset Impairments	Acquisition- related amortization of intangibles	Acquisition- related costs	Impact of U.S. Tax Reform	Pension mark-to- market adjustments	FY 2018 non- GAAP
Product revenue	\$2,341	\$—	\$—	\$—	\$—	\$—	\$—	\$2,341
Service revenue	4,064	—	—	—	—	—	—	4,064
<b>Total revenue</b>	<b>6,405</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>6,405</b>
Cost of products	1,988	(59)	—	(10)	—	—	—	1,919
Cost of services	2,742	(43)	—	(13)	—	—	—	2,686
<b>Gross margin</b>	<b>1,675</b>	<b>102</b>	<b>—</b>	<b>23</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,800</b>
<i>Gross margin rate</i>	<i>26.2%</i>	<i>1.5%</i>	<i>—%</i>	<i>0.4%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>28.1%</i>
Selling, general and administrative expenses	1,005	(67)	—	(62)	(6)	—	—	870
Research and development expenses	252	(10)	—	—	—	—	—	242
Asset impairment charges	227	(44)	(183)	—	—	—	—	—
Total operating expenses	1,484	(121)	(183)	(62)	(6)	—	—	1,112
<i>Total operating expense as a % of</i>	<i>23.2%</i>	<i>(1.9)%</i>	<i>(2.8)%</i>	<i>(1.0)%</i>	<i>(0.1)%</i>	<i>—%</i>	<i>—%</i>	<i>17.4%</i>
<b>Income from operations</b>	<b>191</b>	<b>223</b>	<b>183</b>	<b>85</b>	<b>6</b>	<b>—</b>	<b>—</b>	<b>688</b>
<i>Income from operations as a % of</i>	<i>3.0%</i>	<i>3.4%</i>	<i>2.9%</i>	<i>1.3%</i>	<i>0.1%</i>	<i>—%</i>	<i>—%</i>	<i>10.7%</i>
Interest and Other (expense) income,	(152)	—	—	—	—	—	(45)	(197)
Income from continuing operations before income taxes	39	223	183	85	6	—	(45)	491
Income tax (benefit) expense	73	41	8	17	1	(45)	(1)	94
<i>Effective income tax rate</i>	<i>187.2%</i>							<i>19.1%</i>
Income from continuing operations	(34)	182	175	68	5	45	(44)	397
Net income (loss) attributable to noncontrolling interests	2	—	1	—	—	—	—	3
<b>Income from continuing operations (attributable to NCR)</b>	<b>(\$36)</b>	<b>\$182</b>	<b>\$174</b>	<b>\$68</b>	<b>\$5</b>	<b>\$45</b>	<b>(\$44)</b>	<b>\$394</b>
<b>Diluted earnings per share</b>	<b>(\$0.72)</b>	<b>\$1.21</b>	<b>\$1.16</b>	<b>\$0.45</b>	<b>\$0.03</b>	<b>\$0.30</b>	<b>(\$0.29)</b>	<b>\$2.62</b>
Diluted shares outstanding	118.4							150.2

# GAAP TO NON-GAAP RECONCILIATION

FY 2018

\$ in millions, except per share amounts

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

<sup>(1)</sup> 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 & FY 2019

\$ in millions

## Operating Income (non-GAAP) to Operating Income (GAAP)

	Q4 2019	FY 2019
	Operating Income	Operating Income
<b>Banking</b>	\$144	\$514
<b>Retail</b>	42	144
<b>Hospitality</b>	17	56
<b>Other</b>	14	44
<b>Total Operating Income (non-GAAP)</b>	<b>217</b>	<b>758</b>
<b>Less:</b>		
<b>Transformation and restructuring costs</b>	11	58
<b>Acquisition-related amortization of intangibles</b>	22	86
<b>Acquisition-related costs</b>	2	3
<b>Total Operating Income (GAAP)</b>	<b>\$182</b>	<b>\$611</b>

# GAAP TO NON-GAAP RECONCILIATION

Q4 & FY 2018

\$ in millions

## Operating Income (non-GAAP) to Operating Income (GAAP)

	Q4 2018	FY 2018
	Operating Income	Operating Income
<b>Banking</b>	\$132	\$412
<b>Retail</b>	37	142
<b>Hospitality</b>	32	85
<b>Other</b>	13	49
<b>Total Operating Income (non-GAAP)</b>	<b>214</b>	<b>688</b>
<b>Less:</b>		
<b>Transformation and restructuring costs</b>	125	223
<b>Asset impairment charges</b>	—	183
<b>Acquisition-related amortization of intangibles</b>	21	85
<b>Acquisition-related costs</b>	5	6
<b>Total Operating Income (GAAP)</b>	<b>\$63</b>	<b>\$191</b>

# GAAP TO NON-GAAP RECONCILIATION

Q4 & FY 2019

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

	Q4 2019			FY 2019		
	Revenue Growth % Reported	Favorable (unfavorable) FX impact	Constant Currency Revenue Growth % (non-GAAP)	Revenue Growth % Reported	Favorable (unfavorable) FX impact	Constant Currency Revenue Growth % (non-GAAP)
Banking	—%	(2%)	2%	10%	(3%)	13%
Retail	10%	—%	10%	6%	(1%)	7%
Hospitality	5%	—%	5%	3%	(1%)	4%
Other	25%	—%	25%	11%	(2%)	13%
<b>Total Revenue</b>	<b>5%</b>	<b>(1)%</b>	<b>6%</b>	<b>8%</b>	<b>(2)%</b>	<b>10%</b>

# GAAP TO NON-GAAP RECONCILIATION

Q4 2019

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

	Q4 2019		
	Revenue Growth % Reported	Favorable (unfavorable) FX impact	Constant Currency Revenue Growth % (non- GAAP)
Software	5%	(1%)	6%
Services	2%	(3%)	5%
Hardware	17%	(3%)	20%
ATM	29%	(4%)	33%
SCO/POS	7%	(1%)	8%
<b>Total Revenue</b>	<b>8%</b>	<b>(2%)</b>	<b>10%</b>
<b>Recurring Revenue</b>	<b>6%</b>	<b>(2%)</b>	<b>8%</b>

# GAAP TO NON-GAAP RECONCILIATION

Q4 & FY 2019

## Operating Income % (GAAP) to Operating Income Constant Currency % (non-GAAP)

	Q4 2019			FY 2019		
	Operating Income Growth % (GAAP)	Favorable (unfavorable) FX impact	Operating Income Growth % (non-GAAP)	Operating Income Growth % (GAAP)	Favorable (unfavorable) FX impact	Operating Income Growth % (non-GAAP)
Banking	9%	(5%)	14%	25%	(6%)	31%
Retail	14%	(7%)	21%	1%	(10%)	11%
Hospitality	(47%)	(2%)	(45%)	(34%)	—%	(34%)
Other	8%	—%	8%	(10%)	—%	(10%)
<b>Total Operating Income</b>	<b>1%</b>	<b>(5%)</b>	<b>6%</b>	<b>10%</b>	<b>(6%)</b>	<b>16%</b>

# GAAP TO NON-GAAP RECONCILIATION

Q4 2019

Q4 Operational Results	% Change As Reported	Favorable (unfavorable) FX impact	% Change Constant Currency
Revenue	5%	(1%)	6%
Gross Margin (non-GAAP)	9%	(3)%	12%
Gross Margin Rate (non-GAAP)	120 bps	(40 bps)	160 bps
Operating Expenses (non-GAAP)	15%	(1%)	16%
% of Revenue	160 bps	— bps	160 bps
Operating Income (non-GAAP)	1%	(5%)	6%
% of Revenue	(40)bps	(40)bps	—bps
Interest and other expense (non-GAAP)	25%	—%	25%
Income Tax Expense (non-GAAP)	(15)%	(2)%	(13)%
Net Income (Loss) From Continuing Operations (attributable to NCR) (non-GAAP)	(2)%	(6)%	4%
Diluted EPS (non-GAAP)	1%	(5%)	6%

# GAAP TO NON-GAAP RECONCILIATION

Q4 2019

FY19 Operational Results	% Change As Reported	Favorable (unfavorable) FX impact	% Change Constant Currency
Revenue	8%	(2%)	10%
Gross Margin (non-GAAP)	9%	(3)%	12%
Gross Margin Rate (non-GAAP)	30 bps	(30 bps)	60 bps
Operating Expenses (non-GAAP)	9%	(1%)	10%
% of Revenue	10 bps	— bps	10 bps
Operating Income (non-GAAP)	10%	(6%)	16%
% of Revenue	30 bps	(30) bps	60 bps
Interest and other expense (non-GAAP)	14%	—%	14%
Income Tax Expense (non-GAAP)	17%	1%	16%
Net Income (Loss) From Continuing Operations (attributable to NCR) (non-GAAP)	7%	(11)%	18%
Diluted EPS (non-GAAP)	7%	(7%)	14%

# GAAP TO NON-GAAP RECONCILIATION

\$ in millions

## Free Cash Flow

	2020 Guidance
Cash Provided by Operating Activities	\$640 - \$735
Less: Total capital expenditures	\$350 - \$375
Less: Cash used in Discontinued Operations	\$40 - \$60
Free Cash Flow	\$250 - \$300



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# THANK YOU

