

# Q2 2017 EARNINGS CONFERENCE CALL

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

July 20, 2017



# 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 the expected results of hardware revenue on attached software and Services revenue and on recurring revenue; the expected areas of focus for NCR's Services segment in 2017; the completion of scheduled large customer ATM roll-outs and expected improvement in ATM revenue in the back half of 2017; expected capital expenditures for 2017, including with respect to NCR's new world headquarters; NCR's full year 2017, 2017 segment and third quarter 2017 financial guidance, and the expected type and magnitude of the non-operational adjustments included in any forward-looking non-GAAP measures; NCR's expected revenue and earnings per share trending for the third and fourth quarters of 2017; NCR's confidence in its full year results; NCR's solution offerings and their alignment with major market trends and customer demands; NCR's backlog and key metrics; expectations for margin expansion and the drivers of margin expansion; the expected drivers of NCR's growth; and the prioritization of free cash flow generation and a balanced 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 July 20, 2017, 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), operating 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](http://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, 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

Q2 Results **IN LINE WITH EXPECTATIONS**

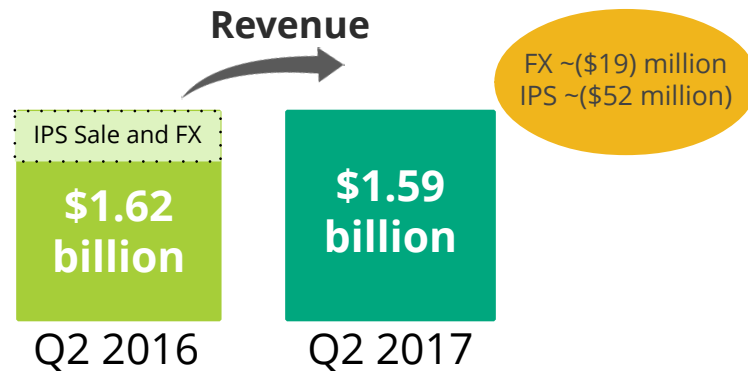
Diversified **REVENUE GROWTH**

Continued **CLOUD** growth of 9% with Net ACV up 13%

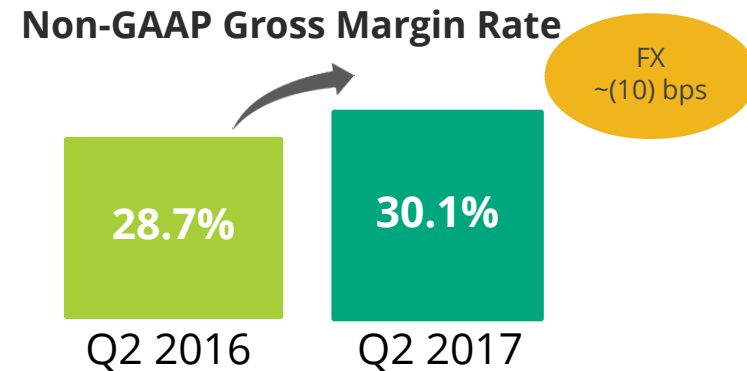
Margin **RATE EXPANSION** driven by strength in Services

2017 Revenue, EPS, and Free Cash Flow  
**GUIDANCE REAFFIRMED**

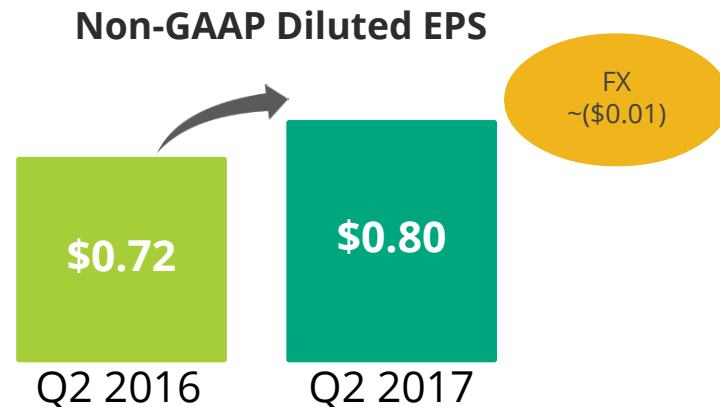
# Q2 2017 FINANCIAL RESULTS



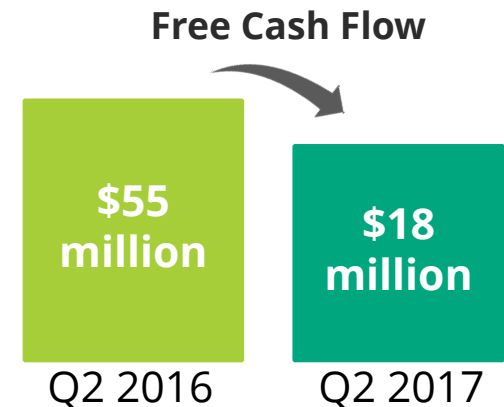
Revenue up 3% adjusted CC  
Recurring revenue up 4% CC, 45% of total revenue



Non-GAAP gross margin rate up 150 bps CC



Non-GAAP Diluted EPS up 13% CC; Non-GAAP operating margin rate expanded 90 bps CC to 13.5%



FCF as expected due to higher working capital to support increased revenue in later quarters

# OMNI-CHANNEL MARKET

## Omni Channel Software

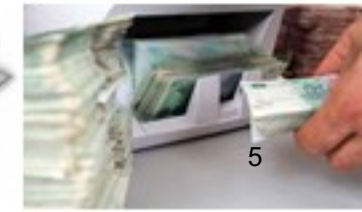
- NCR's Omni-Channel Platform Hub and Applications
- Enables seamless consumer experiences across physical and digital channels
- Solutions Include: Retail One, Customer Experience Platform (CxP), Aloha Enterprise, NCR Silver

## Channel Transformation

- Enables revenue growth, productivity gains, and modernized consumer experiences from the transformation of physical and digital channels
- Solutions include: Branch, Store, Restaurant, and Venue Transformation
- Drives smart-edge offerings: ATMs, SCO, mPOS, ePOS, Peripherals
- Drives service offerings: Consulting Services, Implementation Services, Hardware Maintenance, Managed Services, High Availability

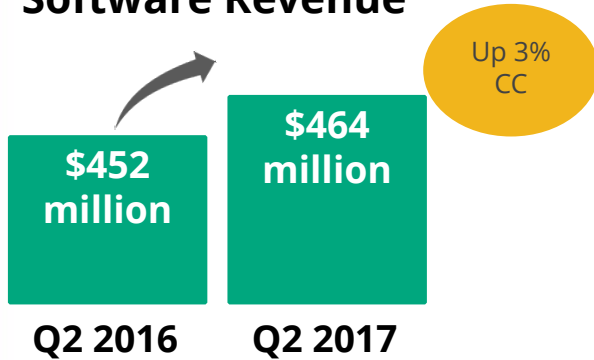
## Digital Enablement

- Enables new business models driven by the growing digitalization movement
- Solutions include: Real-Time Actionable Insights, Loyalty, Cloud/ATM Security, Loss & Fraud Prevention, Inventory and Labor Management, Cash Management, Secure Payments, Transaction Processing, Remote Deposit, Digital Check Processing

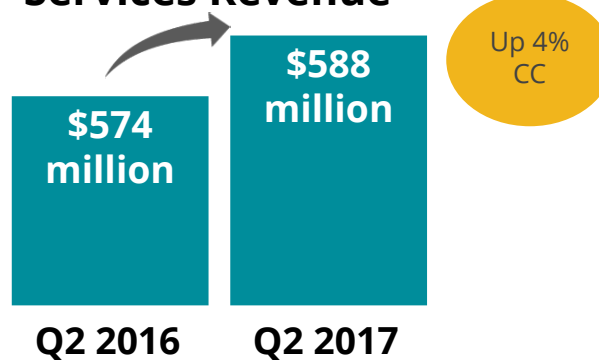


# Q2 2017 SEGMENT RESULTS

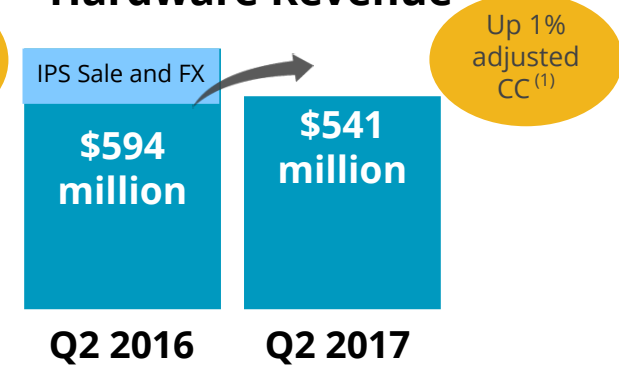
## Software Revenue



## Services Revenue

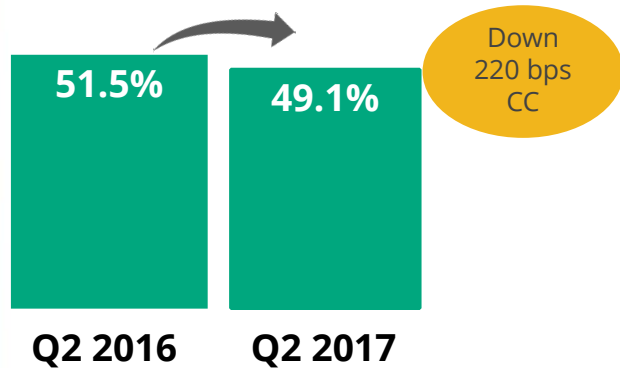


## Hardware Revenue

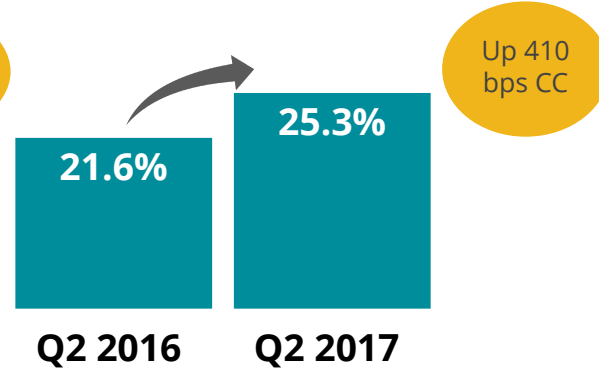


Hardware revenue drives higher margin attached Software and Services revenue and future recurring revenue

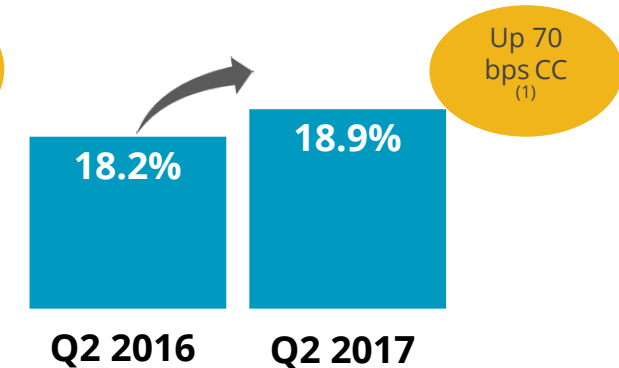
## Software Gross Margin



## Services Gross Margin



## Hardware Gross Margin



<sup>(1)</sup> Adjusted CC revenue growth excludes ~\$52 million of IPS revenue from Q2 2016.

# SOFTWARE

## Q2 2017 Update

	Q2 2017	Q2 2016	% Change	% Change Constant Currency
Software License	\$77	\$82	(6)%	(6)%
<i>Unattached License</i>	50	50	—%	—%
Software Maintenance	91	91	—%	1%
Cloud	145	133	9%	9%
Professional Services	151	146	3%	5%
<b>Software Revenue</b>	<b>\$464</b>	<b>\$452</b>	<b>3%</b>	<b>3%</b>
<b>Non-GAAP Gross Margin</b>	<b>\$228</b>	<b>\$233</b>	<b>(2)%</b>	<b>(1)%</b>
Non-GAAP Gross Margin Rate	49.1%	51.5%	(240) bps	(220) bps
<b>Operating Income</b>	<b>\$128</b>	<b>\$144</b>	<b>(11)%</b>	<b>(10)%</b>
Operating Income as a % of Revenue	27.6%	31.9%	(430) bps	(400) bps

\$ in millions

## KEY HIGHLIGHTS

- Cloud revenue up 9% driven by prior period bookings; Net ACV of \$18 million, up 13% from prior year
- Professional Services up 5% due to strength in channel transformation and digital enablement
- Software Maintenance up 1% due to Software License revenue growth in prior periods
- Software License down 6% due to lower unattached software that is now expected in the back half of the year
- Gross Margin rate down due to mix of software revenue partially offset by improved efficiency and scale in Software Maintenance and Cloud; Expect margin rate expansion in the second half of the year
- Continued investment in R&D in support of software growth strategy

# SERVICES

Q2 2017 Update

	Q2 2017	Q2 2016	% Change	% Change Constant Currency
Services Revenue	\$588	\$574	2%	4%
Non-GAAP Gross Margin	\$149	\$124	20%	24%
Non-GAAP Gross Margin Rate	25.3%	21.6%	+370 bps	+410 bps
Operating Income	\$75	\$49	53%	64%
Operating Income as a % of Revenue	12.8%	8.5%	+430 bps	+470 bps

\$ in millions

## KEY HIGHLIGHTS

- Hardware maintenance growth as a result of improving channel transformation trends, combined with increased managed and implementation services, drove higher revenue in the quarter; Backlog improving in form of higher file value
- Gross margin rate increased due to on-going business process improvement initiatives and mix of higher value services
- Key areas of focus to drive future margin rate improvements: 1) Drive a higher mix of managed services; 2) Productivity and efficiency improvements; 3) Remote diagnostics and repair; and 4) Product life-cycle management



# HARDWARE

## Q2 2017 Update

	Q2 2017	Q2 2016	% Change	% Change Constant Currency
ATMs	\$227	\$286	(21)%	(20)%
Self-Checkout (SCO)	96	70	37%	37%
Point-of-Sale (POS)	213	180	18%	20%
Interactive Printer Solutions (IPS)	5	58	(91)%	(21)% <sup>(1)</sup>
<b>Hardware Revenue</b>	<b>\$541</b>	<b>\$594</b>	<b>(9)%</b>	<b>1%</b> <sup>(1)</sup>
<b>Non-GAAP Gross Margin</b>	<b>\$102</b>	<b>\$108</b>	<b>(6)%</b>	<b>(6)%</b>
Non-GAAP Gross Margin Rate	18.9%	18.2%	+70 bps	+70 bps
<b>Operating Income</b>	<b>\$12</b>	<b>\$14</b>	<b>(14)%</b>	<b>(18)%</b>
Operating Income as a % of Revenue	2.2%	2.4%	(20) bps	(30) bps

<sup>(1)</sup> % change constant currency adjusted for FX and the divestiture of IPS.

\$ in millions

## KEY HIGHLIGHTS

- SCO revenue up significantly due to store transformation traction globally
- Strong growth in POS revenues due to new product introductions and replacement cycle
- ATM revenue down as anticipated; ATM revenue expected to improve in Q4 as large customer roll-outs are scheduled to take place
- Gross margin rate increase due to scale gains from new product introductions
- New product introductions expanding to global markets
- Hardware revenue drives higher margin attached revenue and future recurring revenue

# FREE CASH FLOW

	QTD		YTD		FY 2017E	FY 2016
	Q2 2017	Q2 2016	Q2 2017	Q2 2016		
Cash Provided by Operating Activities	\$95	\$121	\$138	\$144	\$805 - \$830	\$894
Total capital expenditures <sup>(1)</sup>	(75)	(58)	(127)	(98)	(285)	(227)
Cash used in Discontinued Operations	(2)	(8)	(5)	(20)	(20)	(39)
<b>Free Cash Flow</b>	<b>\$18</b>	<b>\$55</b>	<b>\$6</b>	<b>\$26</b>	<b>\$500 - \$525</b>	<b>\$628</b>
<b>Free Cash Flow as a % of non-GAAP net income <sup>(2)</sup></b>					<b>95% - 100%</b>	<b>132%</b>

\$ in millions

<sup>(1)</sup> The total capital expenditures of \$285 million in 2017 includes \$70 million related to the new world headquarters in Atlanta, Georgia. This \$70 million is offset by \$45 million of expected reimbursements by the lessor included in net cash provided by operating activities.

<sup>(2)</sup> Also referred to as Free Cash Flow Conversion Rate.

# NET DEBT AND EBITDA METRICS

	Q2 2017	Q1 2017	Q4 2016	Q2 2016
Debt	\$3,282	\$3,328	\$3,051	\$3,457
Cash	(377)	(401)	(498)	(332)
<b>Net Debt</b>	<b>\$2,905</b>	<b>\$2,927</b>	<b>\$2,553</b>	<b>\$3,125</b>
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>\$1,117</b>	<b>\$1,095</b>	<b>\$1,061</b>	<b>\$1,020</b>
<b>Net Debt / Adjusted EBITDA</b>	<b>2.6x</b>	<b>2.7x</b>	<b>2.4x</b>	<b>3.1x</b>

<sup>(1)</sup> Adjusted EBITDA for the trailing twelve-month period.

\$ in millions, except metrics

# FY 2017 GUIDANCE

	2017 Guidance	2017 CC Growth Rates	2016
Revenue <sup>(1)</sup>	\$6,630 - \$6,750	4% - 6%	\$6,543
GAAP Diluted EPS <sup>(2)</sup>	\$2.20 - \$2.32	22% - 29%	\$1.80
Non-GAAP Diluted EPS <sup>(1)(3)</sup>	\$3.32 - \$3.42	10% - 13%	\$3.02

	2017 Guidance	2017 Conversion Rate	2016
Free Cash Flow	\$500 - \$525	95% - 100%	\$628

\$ millions, except per share amounts

<sup>(1)</sup> The 2017 revenue guidance and growth rates include an expected unfavorable foreign currency impact of \$25 million, or ~1%, compared to our previous expectation of \$65 million, or ~1%. Revenue growth rates also exclude ~\$124 million million of IPS revenue, or ~2%, from 2016. The 2017 current non-GAAP diluted EPS guidance includes \$0.01 favorable impact from expected foreign currency.

<sup>(2)</sup> FY 2017 guidance does not include an estimate of the pension mark-to-market adjustments.

<sup>(3)</sup> For the 2017 guidance, we have assumed OIE of approximately \$205 million, an effective tax rate of 25% and a share count of 157 million compared to OIE of \$214 million, an effective tax rate of 23% and a share count of 157 million in 2016.

# FY 2017 SEGMENT REVENUE GUIDANCE

Segment	2017E CC Growth Rates <sup>(1)</sup>	FY 2017 Guidance	FY 2016
<b>Software</b>	<b>6% - 7%</b>	<b>\$1,945 - \$1,965</b>	<b>\$1,841</b>
<i>Cloud Revenue</i>	<i>6% - 8%</i>	<i>\$590 - \$600</i>	<i>\$556</i>
<b>Services</b>	<b>2% - 4%</b>	<b>\$2,335 - \$2,375</b>	<b>2,306</b>
<b>Hardware</b> <sup>(2)</sup>	<b>3% - 6%</b>	<b>\$2,350 - \$2,410</b>	<b>2,396</b>
<b>Total</b> <sup>(1) (2)</sup>	<b>4% - 6%</b>	<b>\$6,630 - \$6,750</b>	<b>\$6,543</b>

\$ in millions

<sup>(1)</sup> The 2017 revenue guidance and growth rates include an expected foreign currency negative impact of \$25 million for revenue, or ~1%, compared to prior guidance of \$65 million, or 1%.

<sup>(2)</sup> The growth rates for Hardware revenue and total revenue are normalized for the sale of the IPS business, which was \$124 million of Hardware revenue in 2016.

# Q3 2017 GUIDANCE

	Q3 2017E	Q3 2016	CC Growth Rates
Revenue <sup>(1)</sup>	\$1,660 - \$1,700	\$1,677	0% - 2%
GAAP Diluted EPS	\$0.65 - \$0.72	\$0.69	(6)% - 4%
Non-GAAP Diluted EPS <sup>(1) (2)</sup>	\$0.88 - \$0.93	\$0.87	4% - 9%

\$ millions, except per share amounts

<sup>(1)</sup> The Q3 2017 revenue guidance and growth rates include an expected foreign currency headwind of \$10 million, or roughly 1%. The Q3 2017 non-GAAP diluted EPS guidance includes an expected foreign currency negative impact of \$0.02.

<sup>(2)</sup> For Q3 2017, we have assumed OIE of approximately \$50 million, an effective tax rate of 24% and a share count of 155 million compared to OIE of \$49 million, an effective tax rate of 24% and a share count of 155 million in Q3 2016.

# REVENUE AND EPS TRENDING

	Q3 YTD		Fourth Quarter	
	\$	% of Total	\$	% of Total
<b>Revenue <sup>(1)</sup></b>				
<b>2017 Guidance (mid-point)</b>	<b>\$4,756</b>	<b>71%</b>	<b>\$1,934</b>	<b>29%</b>
<b>2016 Results</b>	<b>\$4,599</b>	<b>72%</b>	<b>\$1,794</b>	<b>28%</b>
<b>3 year average</b>	<b>\$4,533</b>	<b>73%</b>	<b>\$1,684</b>	<b>27%</b>
<b>Diluted EPS (non-GAAP)</b>				
<b>2017 Guidance (mid-point)</b>	<b>\$2.27</b>	<b>67%</b>	<b>\$1.11</b>	<b>33%</b>
<b>2016 Results</b>	<b>\$1.97</b>	<b>65%</b>	<b>\$1.07</b>	<b>35%</b>
<b>3 year average</b>	<b>\$1.90</b>	<b>67%</b>	<b>\$0.94</b>	<b>33%</b>

<sup>(1)</sup> The 2016 and 3 year average revenues exclude IPS revenues

\$ in millions, except per share amounts

# LOOKING FORWARD

Q2 results as expected and remain confident for full year

NCR's solution offerings aligned with major market trends and customer demands

Backlog and key metrics remain strong

Software growth combined with our business transformation program is the key to margin expansion

Omni-Channel, Channel Transformation, and Digital Enablement continue to be strong growth drivers

Free cash flow generation and balanced capital allocation strategy remains a top priority



# SUPPLEMENTARY MATERIALS

# Q2 2017 GAAP RESULTS

	Q2 2017	Q2 2016	As Reported
<b>Revenue</b>	<b>\$1,593</b>	\$1,620	(2)%
<b>Gross Margin</b>	<b>463</b>	446	4%
Gross Margin Rate	29.1%	27.5%	
<b>Operating Expenses</b>	<b>285</b>	283	1%
% of Revenue	17.9%	17.5%	
<b>Operating Income</b>	<b>178</b>	163	9%
% of Revenue	11.2%	10.1%	
<b>Interest and other expense</b>	<b>(48)</b>	(58)	(17)%
<b>Income Tax Expense</b>	<b>33</b>	31	6%
Income Tax Rate	25%	30%	
<b>Net Income</b>	<b>\$97</b>	\$76	28%
<b>Diluted EPS</b>	<b>\$0.64</b>	\$0.49	31%

\$ millions, except per share amounts

# Q2 2017 OPERATIONAL RESULTS

	Q2 2017	Q2 2016	As Reported	Constant Currency
Revenue	\$1,593	\$1,620	(2)%	3% <sup>(1)</sup>
Gross Margin (non-GAAP)	479	465	3%	5%
Gross Margin Rate (non-GAAP)	30.1%	28.7%	+140 bps	+150 bps
Operating Expenses (non-GAAP)	264	258	2%	3%
% of Revenue	16.6%	15.9%		
Operating Income (non-GAAP)	215	207	4%	6%
% of Revenue	13.5%	12.8%	+70 bps	+90 bps
Interest and other expense	(48)	(53)	(9)%	(2)%
Income Tax Expense (non-GAAP)	45	45	—%	
Income Tax Rate (non-GAAP)	27%	29%		
Net Income (non-GAAP)	\$122	\$111	10%	11%
Diluted EPS (non-GAAP) <sup>(2)</sup>	\$0.80	\$0.72	11%	13%

\$ millions, except per share amounts

<sup>(1)</sup> Adjusted CC revenue growth excludes \$52 million of IPS revenue from Q2 2016. The negative impact of FX was \$19 million.

<sup>(2)</sup> Q2 2017 includes \$0.01 of unfavorable EPS impact related to foreign currency headwinds. Diluted share count of 152.7 million in Q2 2017 and 154.5 million in Q2 2016.

# 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), Operating 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), operating 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, operating 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](http://www.ncr.com).

# GAAP TO NON-GAAP RECONCILIATION

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

in millions	Q2 2017 LTM	Q1 2017 LTM	Q4 2016 LTM	Q2 2016 LTM
Net Income from Continuing Operations Attributable to NCR (GAAP)	\$329	\$308	\$283	\$258
Pension Mark-to-Market Adjustments	85	85	85	30
Transformation/Restructuring Costs	32	35	26	65
Acquisition-Related Amortization of Intangibles	116	120	123	126
Acquisition-Related Costs	6	6	7	9
Reserve related to a subcontract in MEA	—	—	—	20
Divestiture and Liquidation Losses	1	6	6	39
Net Income (Loss) from Continuing Operations Attributable to Noncontrolling Interests	6	4	4	(1)
Interest Expense	161	163	170	173
Interest Income	(4)	(4)	(4)	(5)
Depreciation and Amortization	217	212	208	190
Income Taxes	95	93	92	65
Stock Compensation Expense	73	67	61	51
<b>Adjusted EBITDA (non-GAAP)</b>	<b>\$1,117</b>	<b>\$1,095</b>	<b>\$1,061</b>	<b>\$1,020</b>

# GAAP TO NON-GAAP RECONCILIATION

Q2 2017 QTD

in millions (except per share amounts)	Q2 QTD 2017 GAAP	Restructuring / Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Q2 QTD 2017 non-GAAP
Product revenue	\$618	\$—	\$—	\$—	\$618
Service revenue	975	—	—	—	975
<b>Total revenue</b>	<b>1,593</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,593</b>
Cost of products	478	—	(6)	—	472
Cost of services	652	(4)	(6)	—	642
Gross margin	463	4	12	—	479
<b>Gross margin rate</b>	<b>29.1%</b>	<b>0.3%</b>	<b>0.7%</b>	<b>—%</b>	<b>30.1%</b>
Selling, general and administrative expenses	227	(3)	(16)	(1)	207
Research and development expenses	58	(1)	—	—	57
Total operating expenses	285	(4)	(16)	(1)	264
<i>Total operating expense as a % of revenue</i>	<i>17.9%</i>	<i>(0.3)%</i>	<i>(1.0)%</i>	<i>(0.1)%</i>	<i>16.6%</i>
<b>Income (loss) from operations</b>	<b>178</b>	<b>8</b>	<b>28</b>	<b>1</b>	<b>215</b>
<i>Income (loss) from operations as a % of revenue</i>	<i>11.2%</i>	<i>0.5%</i>	<i>1.7%</i>	<i>0.1%</i>	<i>13.5%</i>
Interest and Other (expense) income, net	(48)	—	—	—	(48)
Income (loss) from continuing operations before income taxes	130	8	28	1	167
Income tax expense (benefit)	33	2	9	1	45
<i>Effective tax rate</i>	<i>25%</i>				<i>27%</i>
Income (loss) from continuing operations	97	6	19	—	122
Net income (loss) attributable to noncontrolling interests	—	—	—	—	—
<b>Income (loss) from continuing operations (attributable to NCR)</b>	<b>\$97</b>	<b>\$6</b>	<b>\$19</b>	<b>\$—</b>	<b>\$122</b>
<b>Diluted earnings per share</b>	<b>\$0.64</b>	<b>\$0.04</b>	<b>\$0.12</b>	<b>\$—</b>	<b>\$0.80</b>
Diluted shares outstanding	152.7				152.7

# GAAP TO NON-GAAP RECONCILIATION

Q2 2017 QTD

	Q2 QTD 2017 GAAP	Q2 QTD 2017 non-GAAP
in millions (except per share amounts)		
<b><i>Income (loss) from continuing operations attributable to NCR common stockholders:</i></b>		
Income from continuing operations (attributable to NCR)	\$97	\$122
<b>(Loss) income from continuing operations attributable to NCR common stockholders</b>	<b>\$97</b>	<b>\$122</b>
<b><i>Weighted average outstanding shares:</i></b>		
Weighted average diluted shares outstanding	126.1	126.1
Weighted as-if converted preferred shares	26.6	26.6
<b>Total shares used in diluted earnings per share</b>	<b>152.7</b>	<b>152.7</b>
<b>Diluted (loss) earnings per share <sup>(1)</sup></b>	<b>\$0.64</b>	<b>\$0.80</b>

<sup>(1)</sup> 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 2016 QTD

in millions (except per share amounts)	Q2 QTD 2016 GAAP	Restructuring / Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Divestiture and Liquidation Losses	Q2 QTD 2016 non-GAAP
Product revenue	\$676	\$—	\$—	\$—	\$—	\$676
Service revenue	944	—	—	—	—	944
<b>Total revenue</b>	<b>1,620</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,620</b>
Cost of products	517	—	(9)	—	—	508
Cost of services	657	(4)	(6)	—	—	647
Gross margin	446	4	15	—	—	465
<b>Gross margin rate</b>	<b>27.5%</b>	<b>0.2%</b>	<b>1.0%</b>	<b>—%</b>	<b>—%</b>	<b>28.7%</b>
Selling, general and administrative expenses	229	(3)	(17)	(1)	—	208
Research and development expenses	50	—	—	—	—	50
Restructuring-related charges	4	(4)	—	—	—	—
Total expenses	283	(7)	(17)	(1)	—	258
<i>Total expense as a % of revenue</i>	<i>17.5%</i>	<i>(0.4)%</i>	<i>(1.1)%</i>	<i>(0.1)%</i>	<i>—%</i>	<i>15.9%</i>
<b>Income (loss) from operations</b>	<b>163</b>	<b>11</b>	<b>32</b>	<b>1</b>	<b>—</b>	<b>207</b>
<i>Income (loss) from operations as a % of revenue</i>	<i>10.1%</i>	<i>0.7%</i>	<i>1.9%</i>	<i>0.1%</i>	<i>—%</i>	<i>12.8%</i>
Interest and Other (expense) income, net	(58)	—	—	—	5	(53)
Income (loss) from continuing operations before income taxes	105	11	32	1	5	154
Income tax expense (benefit)	31	3	11	—	—	45
<i>Effective tax rate</i>	<i>30%</i>					<i>29%</i>
Income (loss) from continuing operations	74	8	21	1	5	109
Net income (loss) attributable to noncontrolling interests	(2)	—	—	—	—	(2)
<b>Income (loss) from continuing operations (attributable to NCR)</b>	<b>\$76</b>	<b>\$8</b>	<b>\$21</b>	<b>\$1</b>	<b>\$5</b>	<b>\$111</b>
<b>Diluted earnings per share</b>	<b>\$0.49</b>	<b>\$0.05</b>	<b>\$0.14</b>	<b>\$0.01</b>	<b>\$0.03</b>	<b>\$0.72</b>
Diluted shares outstanding	154.5					154.5

# GAAP TO NON-GAAP RECONCILIATION

Q2 2016 QTD

	Q2 QTD 2016 GAAP	Q2 QTD 2016 non-GAAP
in millions (except per share amounts)		
<b><i>Income from continuing operations attributable to NCR common stockholders:</i></b>		
Income from continuing operations (attributable to NCR)	\$76	\$111
<b>Income from continuing operations attributable to NCR common stockholders</b>	<b>\$76</b>	<b>\$111</b>
<b><i>Weighted average outstanding shares:</i></b>		
Weighted average diluted shares outstanding	126.5	126.5
Weighted as-if converted preferred shares	28.0	28.0
<b>Total shares used in diluted earnings per share</b>	<b>154.5</b>	<b>154.5</b>
<b>Diluted earnings per share <sup>(1)</sup></b>	<b>\$0.49</b>	<b>\$0.72</b>

<sup>(1)</sup> 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 YTD

in millions (except per share amounts)	Q2 YTD 2017 GAAP	Restructuring / Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Q2 YTD 2017 non-GAAP
Product revenue	\$1,172	\$—	\$—	\$—	\$1,172
Service revenue	1,899	—	—	—	1,899
<b>Total revenue</b>	<b>3,071</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,071</b>
Cost of products	902	(2)	(13)	—	887
Cost of services	1,293	(8)	(12)	—	1,273
Gross margin	876	10	25	—	911
<b>Gross margin rate</b>	<b>28.5%</b>	<b>0.4%</b>	<b>0.8%</b>	<b>—%</b>	<b>29.7%</b>
Selling, general and administrative expenses	456	(7)	(32)	(2)	415
Research and development expenses	125	(4)	—	—	121
Total operating expenses	581	(11)	(32)	(2)	536
<i>Total operating expense as a % of revenue</i>	<i>18.9%</i>	<i>(0.4)%</i>	<i>(1.0)%</i>	<i>(0.1)%</i>	<i>17.5%</i>
<b>Income (loss) from operations</b>	<b>295</b>	<b>21</b>	<b>57</b>	<b>2</b>	<b>375</b>
<i>Income (loss) from operations as a % of revenue</i>	<i>9.6%</i>	<i>0.6%</i>	<i>1.9%</i>	<i>0.1%</i>	<i>12.2%</i>
Interest and Other (expense) income, net	(94)	—	—	—	(94)
Income (loss) from continuing operations before income taxes	201	21	57	2	281
Income tax expense (benefit)	47	6	18	1	72
<i>Effective tax rate</i>	<i>23%</i>				<i>26%</i>
Income (loss) from continuing operations	154	15	39	1	209
Net income (loss) attributable to noncontrolling interests	—	—	—	—	—
<b>Income (loss) from continuing operations (attributable to NCR)</b>	<b>\$154</b>	<b>\$15</b>	<b>\$39</b>	<b>\$1</b>	<b>\$209</b>
<b>Diluted earnings per share</b>	<b>\$0.53</b>	<b>\$0.10</b>	<b>\$0.25</b>	<b>\$0.01</b>	<b>\$1.35</b>
Diluted shares outstanding	127.2				154.7

# GAAP TO NON-GAAP RECONCILIATION

Q2 2017 YTD

	Q2 YTD 2017 GAAP	Q2 YTD 2017 non-GAAP
in millions (except per share amounts)		
<b><i>Income (loss) from continuing operations attributable to NCR common stockholders:</i></b>		
Income from continuing operations (attributable to NCR)	\$154	\$209
Dividends on convertible preferred shares	(24)	—
Deemed dividend on modification of convertible preferred shares	(4)	—
Deemed dividend on convertible preferred shares related to redemption value accretion	(58)	—
<b>(Loss) income from continuing operations attributable to NCR common stockholders</b>	<b>\$68</b>	<b>\$209</b>
<b><i>Weighted average outstanding shares:</i></b>		
Weighted average diluted shares outstanding	127.2	127.2
Weighted as-if converted preferred shares	—	27.5
<b>Total shares used in diluted earnings per share</b>	<b>127.2</b>	<b>154.7</b>
<b>Diluted (loss) earnings per share <sup>(1)</sup></b>	<b>\$0.53</b>	<b>\$1.35</b>

<sup>(1)</sup> 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 2016 YTD

in millions (except per share amounts)	Q2 YTD 2016 GAAP	Restructuring / Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Divestiture and Liquidation Losses	Q2 YTD 2016 non-GAAP
Product revenue	\$1,224	\$—	\$—	\$—	\$—	\$1,224
Service revenue	1,840	—	—	—	—	1,840
<b>Total revenue</b>	<b>3,064</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,064</b>
Cost of products	959	—	(19)	—	—	940
Cost of services	1,279	(4)	(12)	—	—	1,263
Gross margin	826	4	31	—	—	861
<b>Gross margin rate</b>	<b>27.0%</b>	<b>0.1%</b>	<b>1.0%</b>	<b>—%</b>	<b>—%</b>	<b>28.1%</b>
Selling, general and administrative expenses	453	(5)	(33)	(3)	—	412
Research and development expenses	103	—	—	—	—	103
Restructuring-related charges	6	(6)	—	—	—	—
Total expenses	562	(11)	(33)	(3)	—	515
<i>Total expense as a % of revenue</i>	<b>18.3%</b>	<b>(0.4)%</b>	<b>(1.0)%</b>	<b>(0.1)%</b>	<b>—%</b>	<b>16.8%</b>
<b>Income (loss) from operations</b>	<b>264</b>	<b>15</b>	<b>64</b>	<b>3</b>	<b>—</b>	<b>346</b>
<i>Income (loss) from operations as a % of revenue</i>	<b>8.6%</b>	<b>0.5%</b>	<b>2.1%</b>	<b>0.1%</b>	<b>—%</b>	<b>11.3%</b>
Interest and Other (expense) income, net	(114)	—	—	—	5	(109)
Income (loss) from continuing operations before income taxes	150	15	64	3	5	237
Income tax expense (benefit)	44	2	20	1	—	67
<i>Effective tax rate</i>	<b>29%</b>					<b>28%</b>
Income (loss) from continuing operations	106	13	44	2	5	170
Net income (loss) attributable to noncontrolling interests	(2)	—	—	—	—	(2)
<b>Income (loss) from continuing operations (attributable to NCR)</b>	<b>\$108</b>	<b>\$13</b>	<b>\$44</b>	<b>\$2</b>	<b>\$5</b>	<b>\$172</b>
<b>Diluted earnings per share</b>	<b>\$0.65</b>	<b>\$0.08</b>	<b>\$0.28</b>	<b>\$0.01</b>	<b>\$0.03</b>	<b>\$1.09</b>
Diluted shares outstanding	129.6					157.4

# GAAP TO NON-GAAP RECONCILIATION

Q2 2016 YTD

	Q2 YTD 2016 GAAP	Q2 YTD 2016 non-GAAP
in millions (except per share amounts)		
<b><i>Income from continuing operations attributable to NCR common stockholders:</i></b>		
Income from continuing operations (attributable to NCR)	\$108	\$172
Dividends on convertible preferred shares	(24)	—
<b>Income from continuing operations attributable to NCR common stockholders</b>	<b>\$84</b>	<b>\$172</b>
<b><i>Weighted average outstanding shares:</i></b>		
Weighted average diluted shares outstanding	129.6	129.6
Weighted as-if converted preferred shares	—	27.8
<b>Total shares used in diluted earnings per share</b>	<b>129.6</b>	<b>157.4</b>
<b>Diluted earnings per share <sup>(1)</sup></b>	<b>\$0.65</b>	<b>\$1.09</b>

<sup>(1)</sup> 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

Q3 2016 QTD

in millions (except per share amounts)	Q3 QTD 2016 GAAP	Restructuring / Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Q3 QTD 2016 non-GAAP
Product revenue	\$708	\$—	\$—	\$—	\$708
Service revenue	969	—	—	—	969
<b>Total revenue</b>	<b>1,677</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,677</b>
Cost of products	528	—	(8)	—	520
Cost of services	672	—	(6)	—	666
Gross margin	477	—	14	—	491
<b>Gross margin rate</b>	<b>28.4%</b>	<b>—%</b>	<b>0.9%</b>	<b>—%</b>	<b>29.3%</b>
Selling, general and administrative expenses	225	(1)	(17)	(2)	205
Research and development expenses	56	—	—	—	56
Restructuring-related charges	7	(7)	—	—	—
Total operating expenses	288	(8)	(17)	(2)	261
<i>Total operating expense as a % of revenue</i>	<i>17.2%</i>	<i>(0.5)%</i>	<i>(1.0)%</i>	<i>(0.1)%</i>	<i>15.6%</i>
<b>Income (loss) from operations</b>	<b>189</b>	<b>8</b>	<b>31</b>	<b>2</b>	<b>230</b>
<i>Income (loss) from operations as a % of revenue</i>	<i>11.3%</i>	<i>0.5%</i>	<i>1.8%</i>	<i>0.1%</i>	<i>13.7%</i>
Interest and Other (expense) income, net	(49)	—	—	—	(49)
Income (loss) from continuing operations before income taxes	140	8	31	2	181
Income tax expense (benefit)	31	1	11	1	44
<i>Effective tax rate</i>	<i>22%</i>				<i>24%</i>
Income (loss) from continuing operations	109	7	20	1	137
Net income (loss) attributable to noncontrolling interests	2	—	—	—	2
<b>Income (loss) from continuing operations (attributable to NCR)</b>	<b>\$107</b>	<b>\$7</b>	<b>\$20</b>	<b>\$1</b>	<b>\$135</b>
<b>Diluted earnings per share</b>	<b>\$0.69</b>	<b>\$0.05</b>	<b>\$0.12</b>	<b>\$0.01</b>	<b>\$0.87</b>
Diluted shares outstanding	155.4				155.4

# 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 mar- to-market adjustments	FY 2016 non-GAAP
Product revenue	\$2,737	\$—	\$—	\$—	\$—	\$—	\$2,737
Service revenue	3,806	—	—	—	—	—	3,806
<b>Total revenue</b>	<b>6,543</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>6,543</b>
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
<b>Gross margin rate</b>	<b>27.2%</b>	<b>0.1%</b>	<b>0.8%</b>	<b>—%</b>	<b>—%</b>	<b>0.6%</b>	<b>28.8%</b>
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%
<b>Income (loss) from operations</b>	<b>599</b>	<b>26</b>	<b>123</b>	<b>7</b>	<b>—</b>	<b>85</b>	<b>840</b>
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
<b>Income (loss) from continuing operations (attributable to NCR)</b>	<b>\$283</b>	<b>\$21</b>	<b>\$83</b>	<b>\$5</b>	<b>\$5</b>	<b>\$78</b>	<b>\$475</b>
<b>Diluted earnings per share</b>	<b>\$1.80</b>	<b>\$0.13</b>	<b>\$0.53</b>	<b>\$0.03</b>	<b>\$0.03</b>	<b>\$0.50</b>	<b>\$3.02</b>
Diluted Shares outstanding	157.4						157.4



# GAAP TO NON-GAAP RECONCILIATION

FY 2016

	FY 2016 GAAP	FY 2016 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)	\$283	\$475
<b>Income from continuing operations attributable to NCR common stockholders</b>	<b>\$283</b>	<b>\$475</b>
<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
<b>Total shares used in diluted earnings per share</b>	<b>157.4</b>	<b>157.4</b>
<b>Diluted earnings per share <sup>(1)</sup></b>	<b>\$1.80</b>	<b>\$3.02</b>

<sup>(1)</sup> 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

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

	Q2 2017 QTD			
	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Divestiture impact	Revenue Growth Adjusted Constant Currency % (non-GAAP)
Software License	(6)%	—%	—%	(6)%
Software Maintenance	—%	(1)%	—%	1%
Cloud	9%	—%	—%	9%
Professional Services	3%	(2)%	—%	5%
<b>Software</b>	<b>3%</b>	<b>—%</b>	<b>—%</b>	<b>3%</b>
<b>Services</b>	<b>2%</b>	<b>(2)%</b>	<b>—%</b>	<b>4%</b>
ATMs	(21)%	(1)%	—%	(20)%
Self-Checkout (SCO)	37%	—%	—%	37%
Point-of-Sale (POS)	18%	(2)%	—%	20%
Interactive Printer Solutions (IPS)	(91)%	—%	(70)%	(21)%
<b>Hardware</b>	<b>(9)%</b>	<b>(1)%</b>	<b>(9)%</b>	<b>1%</b>
<b>Total Revenue</b>	<b>(2)%</b>	<b>(2)%</b>	<b>(3)%</b>	<b>3%</b>

# GAAP TO NON-GAAP RECONCILIATION

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

	Q2 2017 QTD		
	Gross Margin Growth % Reported	Favorable (unfavorable) FX impact	Constant Currency Gross Margin Growth % (non-GAAP)
Software	(2)%	(1)%	(1)%
Services	20%	(4)%	24%
Hardware	(6)%	—%	(6)%
<b>Total Gross Margin</b>	<b>3%</b>	<b>(2)%</b>	<b>5%</b>

# GAAP TO NON-GAAP RECONCILIATION

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

	Q2 2017 QTD		
	Operating Income Growth % Reported	Favorable (unfavorable) FX impact	Constant Currency Operating Income Growth % (non-GAAP)
Software	(11)%	(1)%	(10)%
Services	53%	(11)%	64%
Hardware	(14)%	4%	(18)%
<b>Total Operating Income</b>	<b>4%</b>	<b>(2)%</b>	<b>6%</b>

# GAAP TO NON-GAAP RECONCILIATION

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

	Q2 2017 QTD		
	Gross Margin bps Growth Reported	Favorable (unfavorable) FX impact	Constant Currency Gross Margin bps Growth (non-GAAP)
Software	-240 bps	-20 bps	-220 bps
Services	+370 bps	-40 bps	+410 bps
Hardware	+70 bps	— bps	+70 bps
<b>Total Gross Margin bps</b>	<b>+140 bps</b>	<b>-10 bps</b>	<b>+150 bps</b>

# GAAP TO NON-GAAP RECONCILIATION

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

	Q2 2017 QTD		
	Operating Income bps Growth Reported	Favorable (unfavorable) FX impact	Constant Currency Operating Income bps Growth (non-GAAP)
Software	-430 bps	-30 bps	-400 bps
Services	+430 bps	-40 bps	+470 bps
Hardware	-20 bps	+10 bps	-30 bps
<b>Total Operating Income</b>	<b>+70 bps</b>	<b>-20 bps</b>	<b>+90 bps</b>

# GAAP TO NON-GAAP RECONCILIATION

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

	2017 Guidance	Q3 2017E
Diluted EPS (GAAP) <sup>(1)</sup>	\$2.20 - \$2.32	\$0.65 - \$0.72
Transformation costs	0.14 - 0.17	0.02 - 0.05
Acquisition-Related Amortization of Intangibles	0.49	0.13
Acquisition-Related Costs	0.03	0.01
Deemed dividends related to Blackstone Transaction	0.39	—
<b>Non-GAAP Diluted EPS</b>	<b>\$3.32 - \$3.42</b>	<b>\$0.88 - \$0.93</b>

