

NCR CORP
Form 10-Q
August 01, 2014
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
 1934

For the quarterly period ended June 30, 2014
Commission File Number 001-00395

NCR CORPORATION
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)
3097 Satellite Boulevard
Duluth, GA 30096
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (937) 445-5000

31-0387920
(I.R.S. Employer
Identification No.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

As of July 15, 2014, there were approximately 168.1 million shares of common stock issued and outstanding.

Table of Contents

TABLE OF CONTENTS

PART I. Financial Information

Description	Page
Item 1. <u>Financial Statements</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations (Unaudited)</u> <u>Three and Six Months Ended June 30, 2014 and 2013</u>	<u>3</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Unaudited)</u> <u>Three and Six Months Ended June 30, 2014 and 2013</u>	<u>4</u>
<u>Condensed Consolidated Balance Sheets (Unaudited)</u> <u>June 30, 2014 and December 31, 2013</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows (Unaudited)</u> <u>Six Months Ended June 30, 2014 and 2013</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>7</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>41</u>
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>51</u>
Item 4. <u>Controls and Procedures</u>	<u>52</u>

PART II. Other Information

Description	Page
Item 1. <u>Legal Proceedings</u>	<u>54</u>
Item 1A. <u>Risk Factors</u>	<u>54</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>54</u>
Item 6. <u>Exhibits</u>	<u>55</u>
<u>Signatures</u>	<u>57</u>

Table of Contents

Part I. Financial Information

Item 1. FINANCIAL STATEMENTS

NCR Corporation

Condensed Consolidated Statements of Operations (Unaudited)

In millions, except per share amounts	Three months ended June		Six months ended June	
	30	30	30	30
	2014	2013	2014	2013
Product revenue	\$722	\$743	\$1,356	\$1,410
Service revenue	936	792	1,820	1,535
Total revenue	1,658	1,535	3,176	2,945
Cost of products	531	550	1,007	1,053
Cost of services	647	559	1,273	1,097
Selling, general and administrative expenses	247	232	492	461
Research and development expenses	64	55	127	110
Total operating expenses	1,489	1,396	2,899	2,721
Income from operations	169	139	277	224
Interest expense	(46	) (26	) (89	) (47
Other (expense) income, net	(3	) (3	) (10	) (1
Income from continuing operations before income taxes	120	110	178	176
Income tax expense	29	23	33	25
Income from continuing operations	91	87	145	151
Loss from discontinued operations, net of tax	—	—	—	(1
Net income	91	87	145	150
Net income attributable to noncontrolling interests	1	1	2	3
Net income attributable to NCR	\$90	\$86	\$143	\$147
Amounts attributable to NCR common stockholders:				
Income from continuing operations	\$90	\$86	\$143	\$148
Loss from discontinued operations, net of tax	—	—	—	(1
Net income	\$90	\$86	\$143	\$147
Income per share attributable to NCR common stockholders:				
Income per common share from continuing operations				
Basic	\$0.54	\$0.52	\$0.85	\$0.90
Diluted	\$0.53	\$0.51	\$0.84	\$0.88
Net income per common share				
Basic	\$0.54	\$0.52	\$0.85	\$0.89
Diluted	\$0.53	\$0.51	\$0.84	\$0.87
Weighted average common shares outstanding				
Basic	167.9	165.2	167.5	164.5
Diluted	170.9	168.8	171.0	168.1

See Notes to Condensed Consolidated Financial Statements.

Table of ContentsNCR Corporation
Condensed Consolidated Statements of Comprehensive Income (Unaudited)

In millions	Three months ended June		Six months ended June	
	30		30	
	2014	2013	2014	2013
Net income	\$91	\$87	\$145	\$150
Other comprehensive income (loss):				
Currency translation adjustments				
Currency translation adjustments	23	(33)	) 30	(56)
Derivatives				
Unrealized (loss) gain on derivatives	(1	) 4	(2	) 6
Losses on derivatives arising during the period	2	1	3	3
Less income tax expense	(1	) (2	) (1	) (3)
Securities				
Unrealized gain on securities	—	—	—	3
Employee benefit plans				
Amortization of prior service benefit	(5	) (4	) (11	) (22)
Net gain arising during the period	—	—	—	48
Amortization of actuarial loss	—	1	1	3
Less income tax benefit (expense)	2	2	4	(10)
Other comprehensive income (loss)	20	(31)	) 24	(28)
Total comprehensive income	111	56	169	122
Less comprehensive income attributable to noncontrolling interests:				
Net income	1	1	2	3
Currency translation adjustments	1	(2)	) —	(3)
Amounts attributable to noncontrolling interests	2	(1)	) 2	—
Comprehensive income attributable to NCR common stockholders	\$109	\$57	\$167	\$122

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

NCR Corporation

Condensed Consolidated Balance Sheets (Unaudited)

In millions, except per share amounts	June 30, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	\$483	\$528
Restricted cash	—	1,114
Accounts receivable, net	1,464	1,339
Inventories	816	790
Other current assets	627	568
Total current assets	3,390	4,339
Property, plant and equipment, net	402	352
Goodwill	2,791	1,534
Intangibles, net	994	494
Prepaid pension cost	520	478
Deferred income taxes	247	441
Other assets	505	470
Total assets	\$8,849	\$8,108
Liabilities and stockholders' equity		
Current liabilities		
Short-term borrowings	\$83	\$34
Accounts payable	678	670
Payroll and benefits liabilities	188	191
Deferred service revenue and customer deposits	563	525
Other current liabilities	464	461
Total current liabilities	1,976	1,881
Long-term debt	3,840	3,320
Pension and indemnity plan liabilities	529	532
Postretirement and postemployment benefits liabilities	169	169
Income tax accruals	178	189
Environmental liabilities	101	121
Other liabilities	87	99
Total liabilities	6,880	6,311
Commitments and Contingencies (Note 9)		
Redeemable noncontrolling interest	15	14
Stockholders' equity		
NCR stockholders' equity		
Preferred stock: par value \$0.01 per share, 100.0 shares authorized, no shares issued and outstanding as of June 30, 2014 and December 31, 2013	—	—
Common stock: par value \$0.01 per share, 500.0 shares authorized, 168.0 and 166.6 shares issued and outstanding as of June 30, 2014 and December 31, 2013, respectively	2	2
Paid-in capital	438	433
Retained earnings	1,515	1,372
Accumulated other comprehensive loss	(14)	(38)
Total NCR stockholders' equity	1,941	1,769
Noncontrolling interests in subsidiaries	13	