

NCR CORP
Form 10-Q
April 29, 2010
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2010

Commission File Number 001-00395

NCR CORPORATION

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of

31-0387920
(I.R.S. Employer

Edgar Filing: NCR CORP - Form 10-Q

incorporation or organization)

Identification No.)

3097 Satellite Boulevard

Duluth, GA 30096

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (937) 445-5000

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 to its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.05 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

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 April 16, 2010, there were approximately 160.3 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>Condensed Consolidated Statements of Operations (Unaudited)</u> <u>Three Months Ended March 31, 2010 and 2009</u>	3
	<u>Condensed Consolidated Balance Sheets (Unaudited)</u> <u>March 31, 2010 and December 31, 2009</u>	4
	<u>Condensed Consolidated Statements of Cash Flows (Unaudited)</u> <u>Three Months Ended March 31, 2010 and 2009</u>	5
	<u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	27
Item 4.	<u>Controls and Procedures</u>	28

PART II. Other Information

	Description	Page
Item 1.	<u>Legal Proceedings</u>	29
Item 1A.	<u>Risk Factors</u>	29
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	29
Item 3.	<u>Defaults Upon Senior Securities</u>	29
Item 4.	<u>[Reserved]</u>	29
Item 5.	<u>Other Information</u>	29
Item 6.	<u>Exhibits</u>	29
	<u>Signatures</u>	31
	<u>Exhibits</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 March 31	
	2010	2009
Product revenue	\$ 468	\$ 458
Service revenue	561	550
Total revenue	1,029	1,008
Cost of products	383	370
Cost of services	455	454
Selling, general and administrative expenses	170	159
Research and development expenses	39	35
Total operating expenses	1,047	1,018
Loss from operations	(18)	(10)
Interest expense	1	5
Other income, net	(1)	
Loss before income taxes	(18)	(15)
Income tax benefit	(1)	(1)
Net loss	(17)	(14)
Net income attributable to noncontrolling interest	2	1
Net loss attributable to NCR	\$ (19)	\$ (15)
Net loss per share attributable to NCR common stockholders:		
Basic	\$ (0.12)	\$ (0.09)
Diluted	\$ (0.12)	\$ (0.09)
Weighted average common shares outstanding		
Basic	159.9	158.3
Diluted	159.9	158.3

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**NCR Corporation****Condensed Consolidated Balance Sheets (Unaudited)**

In millions, except per share amounts	March 31 2010	December 31 2009
Assets		
Current assets		
Cash and cash equivalents	\$ 408	\$ 451
Accounts receivable, net	884	896
Inventories, net	720	686
Other current assets	287	266
Total current assets	2,299	2,299
Property, plant and equipment, net	374	356
Goodwill	99	100
Prepaid pension cost	245	244
Deferred income taxes	616	617
Other assets	471	478
Total assets	\$ 4,104	\$ 4,094
Liabilities and stockholders equity		
Current liabilities		
Short-term borrowings	\$	\$ 4
Accounts payable	520	557
Payroll and benefits liabilities	132	125
Deferred service revenue and customer deposits	375	329
Other current liabilities	371	367
Total current liabilities	1,398	1,382
Long-term debt	11	11
Pension and indemnity plan liabilities	1,246	1,268
Postretirement and postemployment benefits liabilities	353	355
Income tax accruals	166	165
Environmental liabilities	274	279
Other liabilities	35	42
Total liabilities	3,483	3,502
Commitments and contingencies (Note 7)		
Stockholders equity		
NCR stockholders equity		
Preferred stock: par value \$0.01 per share, 100.0 shares authorized, no shares issued and outstanding as of March 31, 2010 and December 31, 2009		
Common stock: par value \$0.01 per share, 500.0 shares authorized, 160.3 and 159.6 shares issued and outstanding as of March 31, 2010 and December 31, 2009, respectively		
	2	2
Paid-in capital	272	270
Retained earnings	1,782	1,801
Accumulated other comprehensive loss	(1,465)	(1,509)

Edgar Filing: NCR CORP - Form 10-Q

Total NCR stockholders' equity	591	564
Noncontrolling interests in subsidiaries	30	28
Total stockholders' equity	621	592
Total liabilities and stockholders' equity	\$ 4,104	\$ 4,094

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**NCR Corporation****Condensed Consolidated Statements of Cash Flows (Unaudited)**

In millions	Three months ended March 31	
	2010	2009
Operating activities		
Net loss	\$ (17)	\$ (14)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	32	29
Stock-based compensation expense	2	4
Deferred income taxes	10	
Changes in operating assets and liabilities:		
Receivables	12	58
Inventories	(34)	(5)
Current payables and accrued expenses	(36)	(117)
Deferred service revenue and customer deposits	47	68
Employee severance and pension	37	18
Environmental liabilities	(8)	(6)
Other assets and liabilities	(31)	3
Net cash provided by operating activities	14	38
Investing activities		
Grant reimbursements from capital expenditures	1	
Expenditures for property, plant and equipment	(39)	(10)
Additions to capitalized software	(13)	(15)
Net cash used in investing activities	(51)	(25)
Financing activities		
Repurchases of Company common stock		(1)
Proceeds (repayments) of short-term borrowings	(4)	
Proceeds from employee stock plans	2	2
Net cash (used in) provided by financing activities	(2)	1
Effect of exchange rate changes on cash and cash equivalents	(4)	(8)
(Decrease) increase in cash and cash equivalents	(43)	6
Cash and cash equivalents at beginning of period	451	711
Cash and cash equivalents at end of period	\$ 408	\$ 717

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

NCR Corporation

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. BASIS OF PRESENTATION

The accompanying Condensed Consolidated Financial Statements have been prepared by NCR Corporation (NCR, the Company, we or us) without audit pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC) and, in the opinion of management, include all adjustments (consisting of normal, recurring adjustments) necessary for a fair statement of the consolidated results of operations, financial position, and cash flows for each period presented. The consolidated results for the interim periods are not necessarily indicative of results to be expected for the full year. The year-end Condensed Consolidated Balance Sheet was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States (GAAP). These financial statements should be read in conjunction with NCR's Form 10-K for the year ended December 31, 2009.

Use of Estimates The preparation of financial statements in accordance with GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. Actual results could differ from those estimates.

Evaluation of Subsequent Events The Company evaluated subsequent events through the date our Condensed Consolidated Financial Statements were issued. No matters were identified that would materially impact our Condensed Consolidated Financial Statements or require disclosure.

Out of Period Adjustment In the first quarter of 2009, the Company recorded an adjustment to decrease product revenue by \$12 million and cost of products by \$10 million, which resulted in a net decrease in gross margin and net income of \$2 million. The adjustment was related to revenue incorrectly recorded during 2008 by the Company's Japanese subsidiary. The Company determined the impact of this error was not material to the annual or interim financial statements of previous periods and the effect of correcting this error in the first quarter of 2009 was not material to the 2009 annual or interim financial statements.

2. SUPPLEMENTAL FINANCIAL INFORMATION

The following table provides a reconciliation of total stockholders' equity, stockholders' equity attributable to NCR, and the noncontrolling interests for the three months ended March 31, 2010 and March 31, 2009:

Table of Contents**NCR Corporation****Notes to Condensed Consolidated Financial Statements (Unaudited)**

In millions	Total Stockholders Equity	Total Stockholders Equity Attributable to NCR	Noncontrolling Interests in Subsidiaries
December 31, 2008	\$ 465	\$ 440	\$ 25
Net (loss) income	(14)	(15)	1
Other comprehensive (loss) income, net of tax:			
Currency translation adjustments	(36)	(35)	(1)