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## NCR Corp. Q2 2008 Earnings Call Transcript

### Question-and-Answer Session

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**Operator**

Thank you. (Operator Instructions).

Our first question comes from Reik Read. Your line is open. Please state your company name sir.

**Reik Read - Robert W. Baird & Co.**

Hey, good morning. Just a quick question on the retail side of things, Bill, as part of your comments in the press release. You talked a lot about financial institutions. Does that suggest that retail came back down to the market levels?

And then, can you also talk about the pipeline, you've got the win at the Postal Service. Does that mean that things kind of come back, or how should we be looking at that market versus some of the large opportunities that you have?

**Bill Nuti**

Yes. Retail did Reik come down to more of the market kind of growth. We did grow faster than the market, and faster than our peer group in the quarter that I could see so far, particularly the larger players in the marketplace. But, think about it in the single-digits in terms of growth, lower single-digits in terms of growth, so secular growth. I would say that we are also now dealing with tougher compares. Retail had had a spectacular.

**Bill Nuti**

Hello?

**Operator**

Our next question comes from Katie Huberty. Your line is open.

**Katie Huberty - Morgan Stanley**

Yeah, thanks. Good morning, can you hear me?

**Bill Nuti**

Operator?

**Operator**

Sir, you may go ahead. We have a question from Katie Huberty of Morgan Stanley.

**Katie Huberty - Morgan Stanley**

Hi, can you guys hear me?

**Bill Nuti**

We can finally hear you, Katie. We had a little trouble on our end.

**Katie Huberty - Morgan Stanley**

Okay, perfect. Just following up on the first question. Why did the Americas gross margin decrease sequentially if the relative strength was in higher margin financial self-service?

**Bill Nuti**

Yes, it decreased sequentially because of mix, Katie. Higher mix of deposit automation in large banks, and also retail point-of-sale was a significant proportion of the revenue in the US.

**Katie Huberty - Morgan Stanley**

Okay, perfect. And Tony, you did a great job reducing inventory and receivables this quarter, but free cash flow still tracked below net income, and based on your guidance, it sounds like that will be the case for the year. So, is there more you can do on the cash flow front?

**Tony Massetti**

I think we did a pretty good job in the quarter, Katie, as you pointed out on AR and inventory. Our AR performance improved \$57 million sequentially. We're down below \$1 billion AR for the first time in a long time. Our DSO performance in the quarter improved 13 days sequentially and 10 days year-to-year. So that improved AR as well as the \$17 million reduction in inventory drove better cash flow performance.

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