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NCR Corporation Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) The first question comes from the line of Katie Huberty - Morgan Stanley.

Katie Huberty - Morgan Stanley

Bill, given you had expected the tough environment coming into the March quarter can you help us understand what the biggest incremental surprises were from March 11 to the end of the quarter that caused you to reduce the full-year guidance?

Bill Nuti

On the guidance I want to be clear what we did. There are two different impacts to guidance. If you take the entertainment industry out of the equation we would have taken guidance down from what we said was in NPOI from \$360-400 million to \$340-380 million. So down a little bit on either end about \$20 million there. Entertainment impacts the NPOI guidance by another \$30 million. Hence, the guidance of \$310-350 million. The entertainment investment will be about \$30 million of NPOI in 2009.

On the top line, it comes down to the last month of the quarter a difficult order environment. The orders did not come in at the rate we expected in March. I got a little bit concerned with the backlog position based on the orders. The backlog is okay. We have got over \$900 million in backlog. It is fairly solid. It is certainly not the backlog position we had in 2008 or 2007 when we were growing the top line in the high single digits but because we didn't get the orders in we expected and the backlog didn't grow to a level I was comfortable with I just felt it was prudent to take the guidance down a little bit on the NPOI line and on the top line.

Frankly, I am confident we have got the ability to continue to manage costs. We certainly are doing a nice job in the company on expenses but until we see the sales numbers start to pick up at a rate I am comfortable with I felt it was prudent to just take the guidance down a little bit.

Katie Huberty - Morgan Stanley

Was the backlog deterioration more on the retail side of the business versus the financial?

Bill Nuti

Retail is hurting us the most. Retail, particularly in the U.S. is hurting us the most. Now we had an extraordinary 2008 in retail. So the compares we are dealing against are just enormous. 19% year-over-year growth in Q1 last year in general and I think retail was up in the 20's if I am not mistaken. 23% in Q1 last year. So that is one factor. That being said, retail is very tight. Retailers are just crunching down on capital spending and they are continuing to push out the orders. Now it is not the orders as much as it is also they are pushing out their previously procured roll outs. So they are all moving ahead with their roll outs. We just continue to hear every three months or so, ?You know what, we want those 500 terminals to be moved from these two weeks to those two weeks.? Unfortunately sometimes it moves it out of your quarter. So we see push outs and we see the sales cycles are just very hard and very long in retail. They are probably going to be that way for the foreseeable future. I think for the rest of 2009 and certainly their fiscal year leading into January. We will see how things go in the back half of the year when the comps get easier for us but generally the environment in retail is the toughest for us.

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