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NEWS ANALYSIS
By Arik Hesseldahl

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NCR's Chief Needs More Cash from ATMs

The flagging ATM unit is likely the first that William Nuti, the outfit's new CEO, will tackle as it is potentially a big revenue driver

William Nuti, incoming chief executive of NCR ([NCR](#)), says not to expect significant changes when he officially takes the helm on Aug. 8. But one area he may have to dive into first is the company's sluggish automated-teller-machines business.

Nuti, a Cisco Systems ([CSCO](#)) alum who was once considered a potential successor to CEO John Chambers, left the top job at Symbol Technologies ([SBL](#)) on Monday. In a conference call with financial analysts Aug. 2, he described NCR as having a "solid plan" in place. "If you look across the board, the businesses we're in are very solid, and the things I would be doing with the leadership team here is to examine the opportunities for organic growth," he says.

STILL AWAITING UPGRADES. Nuti doesn't expect the \$6 billion retail-systems and data-warehousing concern to make any large acquisitions in the near future. He says he would prefer NCR buy smaller companies to fill gaps in its portfolio. "I don't think the board has an appetite for large acquisitions," he says.

Investors are wondering if NCR can show healthy growth across its many business segments. "It sounds like he feels the current strategy is a good one, and that has been to invest in the Teradata data-warehousing unit and improve margins and profitability in the customer service business," says Megan Graham-Hacket, an analyst with Standard & Poor's Equity Research in New York.

Nuti will likely focus first on the ATM operations. Graham-Hacket says the company has been hoping to benefit from an upgrade cycle in its ATM business. However, that hasn't materialized yet. The unit saw its sales fall 2%, due in part to delays in closing about \$20 million worth of contracts in Europe and China.

DELAYS AND SKEPTICISM. But NCR is getting some traction with its self-checkout technologies in its retail point-of-sale business. It also recently turned a corner and showed a profit in its customer-service business units, which had been a drain on results.

Last week, NCR reported second-quarter earnings of \$127 million after one-time gains, on sales of \$1.47 billion. Its Teradata unit accounted for nearly 25% of total revenue and posted top-line growth. Sales at the ATM unit, which represented 22% of the company's total, fell slightly. Customer-service revenue accounted for more than 31% of total sales but declined by 10% quarter-on-quarter.

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Investors will be watching for progress in the ATM business as Nuti takes the reins, says analyst Steve Biggs of Zacks Investment Research in San Francisco. "That's the biggest of the potential movers for revenue. We're just waiting for an upgrade cycle related to Check 21, which has so far proved pretty disappointing," he says, referring to the federal law enacted last year that changed the way checks are handled. "That seems to have been delayed out to 2006, and even then I think there's some skepticism on how strong that cycle will be."

"DRACONIAN ACCOUNTING PRACTICES." Despite Nuti's hints to the contrary, Biggs expects the newly minted CEO to press for acquisitions at NCR. "We've seen Mark Hurd turn NCR around profit-wise, but now it's struggling to grow revenue," Biggs says. "I would expect Nuti to be a little more aggressive on the acquisitions than previous management."

It's clear from the analyst call that Nuti still faces questions about his tenure at Symbol. He joined the provider of bar-code scanners in the wake of a vicious accounting scandal that nearly tanked the company.

Nuti explained that at least part of the reason Symbol swung to a \$30 million loss in the second quarter had to do with the "draconian accounting practices" imposed by a court-appointed financial examiner that made forecasting revenue tough (see BW Online, 8/2/05, ["Symbol: Signs of a Job Half-Done"](#).)

"KNOCKED ON YOUR ASS." Moreover, he says accounting policies used by distributors and partner companies also make Symbol's revenue picture even more difficult to grasp. "I make no excuses for the last miss," Nuti says, "but those were some of the policies that that company [Symbol] is dealing with which make it extremely difficult to forecast."

Nuti has also been criticized widely for Symbol's \$230 million acquisition of Matrics Systems, a startup in the radio frequency identification (RFID) technology business. During the Aug. 2 call, Nuti defended the deal as strategically important. He says the acquisition was "more about what Symbol needs to be in the future."

Nuti says his two-year at stint at Symbol was a learning experience. "When you get knocked on your ass, you learn from it."

[Hesseldahl](#) is a writer for BusinessWeek Online in New York

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