09-Sep-2021

Teradata Corp. (TDC)

Investor Day
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MANAGEMENT DISCUSSION SECTION

Unverified Participant

Welcome to Investor Day Teradata Reimagined. Here is your host, Chris Lee.

Christopher T. Lee  
Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.

Hi and good morning. I'm Chris Lee, Senior Vice President of Investor Relations and Corporate Development at Teradata. I will also be your host and moderator for today's event. I'd like to welcome you to Teradata's Investor Day. We're so glad that you could virtually join us. We look forward to hosting you at our San Diego headquarters after the pandemic has abated. Our leadership team is at our Executive Briefing Center in San Diego today for our live Q&A. We have taken appropriate safety measures for our speakers and supporting staff today.

Before I cover our agenda, I'd like to draw your attention to the forward-looking statements we will be making in today's presentations. Today's presentation includes forecasts and other information that are considered forward-looking statements. While these statements reflect our current outlook, they are subject to a number of risks and uncertainties that could cause actual results to differ materially. These risk factors are described in the slide deck accompanying today's presentation which will be posted to the Investor Relations page of our website at investor.teradata.com and in our SEC filings, including our most recent 10-K and in the Form 10-Q for the quarter-ended June 30, 2021, which are also available on our website and on the SEC's website at sec.gov. These forward-looking statements are made as of today and we undertake no duty or obligation to update our forward-looking statements unless required by law.
Also included in today’s presentation are certain non-GAAP financial measures, which exclude such items as stock-based compensation expense and other special items as well as other non-GAAP items such as free cash flow and constant currency revenue comparisons. A reconciliation of non-GAAP to GAAP measures, as well as additional information regarding our use of non-GAAP measures is included in the accompanying slide presentation which will be posted to the Investor Relations page of our website at investor.teradata.com.

Please note that for forecast of certain non-GAAP measures for fiscal years 2022 through 2025, we are unable to provide reconciliations as non-GAAP adjustments relate to events that have not yet occurred and would be unreasonably burdensome to forecast.

A replay of today’s presentations will be available later today on the investor relations page of our website. During our event, our goals are two-fold. Share more about our transformation to a new reimagined Teradata and how we are strategically positioning our company for future profitable growth and increased shareholder value and introduce you to members of our executive team, leading our business and culture transformation as this may be the first time you are meeting some of them.

We have four presentations today. Teradata's President and Chief Executive Officer, Steve McMillan, will kick us off. He will discuss our strategic vision and priorities, the large markets where we are playing to win, and what makes Teradata differentiated and unique.

Hillary Ashton, our Chief Product Officer, will discuss how we are extending our leadership position and executing against a clear product and technology strategy. Todd Cione, our Chief Revenue Officer, will share insights on our optimized go-to market strategy and execution, and our continuous focus on our customers.

Today, we will include several short videos, so you can hear directly from our customers and partners. Claire Bramley, our Chief Financial Officer, will conclude the presentations with a discussion on our financial goals and our operational execution to achieve sustained profitable growth and healthy free cash flow generation. After Claire, Steve will close out our session. We will have a 10-minute break and then move into a live Q&A session.

A couple of housekeeping matters. A copy of each of the speaker’s presentations is available at investor.teradata.com. To submit a question for the Q&A session, please follow the prompts on the top right corner of your screen. We'll take as many questions as time permits. And if we are not able to get to your question, we will get back to you.

Thank you again for joining us today. I know the entire executive team assembled is excited to share our update on the new Teradata.

With that, I am pleased to introduce Steve McMillan, Teradata's President and CEO.

Steve McMillan
President, Chief Executive Officer & Director, Teradata Corp.

Thanks, Chris. I've been really looking forward to today for quite some time. Thank you to all of you for joining us. Today, we're going to explain a simple yet profound point. Teradata is a new company. We are a profitable growth company, in a large and growing market with the right technology, the right strategy and the right people.

When I joined as a CEO last June, the global pandemic was well underway and so many things were uncertain. However, after evaluating Teradata's technology, the market dynamics, our customer and partner mix and most importantly, our team, I was absolutely certain that joining the company was the right decision. I wasn't wrong.
What you will hear today is how we are continuing to advance our technology, how we're beating the competition, how we are delivering even more value to our customers and how our team is leveraging our 40-plus years of industry relevant experience to deliver fantastic outcomes, which our competition is only just starting to think about, all of which results in increasing shareholder value. And what inspires this incredible team, some of whom you will meet today and drives our transformation as our shared obsession, our customers, who depend on us every single day to get mission-critical insights from all data at the scale they require.

Now, as I reflect on the past 12 months, we've made tremendous progress. And today, I'll share an overview of what we've achieved and I'll also detail what's ahead as we look to the future.

First and foremost, we are delivering on our purpose. We transform how businesses work and people live through the power of data. Our purpose is the driver behind not only Teradata data but every company operating today and tomorrow. We believe at Teradata that the next generation of data innovation is connected data, something Teradata is uniquely positioned to deliver. What connected data means to us is unified data across clouds and technologies serving as a single data platform. Our data fabric enables the applications and queries, the modern enterprise demands to deliver the best outcomes from analytics.

As a quick example, Teradata Vantage on AWS clearing Native Object Store data combining query results from Teradata Vantage on-prem, accessing data from an Oracle database to provide differentiated insights, which may not otherwise be available. You'll hear more about the technology which enables this from Hillary. We believe that this is something only Teradata can deliver.

Today, the world is simply smaller, economies are globalized and connected, consumers access products globally without borders, and new digital channels are born every single day. And powering it all was behind innovation in every sector of humanity, data, and to remain relevant, every company is becoming a data company. They need to leverage connected data to create what's next while enhancing existing products and services to drive differentiation.

From here, we see industries converge, new categories take shape and crossover partnerships forming that have changed entire business models. Retail, healthcare, transportation, all manners of innovation are imagined, reimagined, created and operated using connected data and what we are best at in the world is connecting all data located anywhere, the driver behind it all.

So let's talk about these past 12 months and how we have delivered on our commitments and accelerated in the cloud. Our business model transition from perpetual to subscription is largely behind us. We have become cloud-first. We've continuously delivered on our financial guidance. We've focused on growth of our highest profitability segments, while deliberately reducing our lower profit revenue streams. We've built a recurring revenue streams into a sustained profitable source of revenue, income and free cash flow, setting the stage for future success.

We now have over $1.4 billion in recurring revenue streams and we are on track to generate more than $400 million of free cash flow in 2021. We are a new Teradata. We have reimagined our entire company and our focus. We declared in July of last year that we were cloud-first. What does this mean? We are now a cloud company.

We stood behind our cloud-first focus by completely transforming our R&D investment envelope, switching our budget from 30% in the cloud to 70% in the cloud or over $210 million in research and development per year.
Thus, it enabled us to deliver fantastic cloud capabilities quickly, including first-party service integrations across all three cloud providers. We've added general availability on Google Cloud. We're already on AWS and Azure, and we brought out our new pricing model, all propelling our cloud business in the second half of 2020.

We continued that momentum into 2021, changing our incentive program to fast track our sales teams' focus on cloud. We have built upon our immense industry knowledge and focus and are applying that in the cloud space. We reimagined our approach to renewals and customer success and invested in new motions to strengthen each of these important elements. We are using these proof points and capabilities to break out and address new personas to capture new use cases and win new business.

A great example is a recent win at Volkswagen, who is utilizing modern IoT data from [ph] shop floor robots to boost quality across its smart manufacturing initiative. Here, we have Vantage running on AWS. You're going to hear more about this transformation from Todd.

With this momentum, we are now a true cloud company. We've executed a significant transformation as we reimagined the company from hardware appliance to highly differentiated software on commodity hardware, abstracting that software to run on the cloud and moving to a true as-a-service model.

Our transformation has massive momentum. It's built on three solid foundational principles. First, being customer and market-driven, customer focus from start to scale, driving passion and commitment for our business. Second, having agility and execution, cloud release cycles on-prem release cycles, were action oriented and resourceful. And third, fostering a culture we all believe in and led by with accountability to each other.

Our culture is a huge driver of our success because we believe that by including voices from all horizons, innovation thrives; by collaborating and helping each other, transformation thrives and by setting meaningful environmental and social governance objectives, good corporate citizenship thrives.

In the Environmental, Social and Governance arena, we continue our progress on this important journey. We know this is meaningful to our business, employees, customers, shareholders and the planet. And we are proud to be recognized by the Dow Jones Sustainability World Index for the sixth time. We've achieved ISS ESG Prime status and received a AA rating in the MSCI Global Environment Index, and that's just to name a few.

You have our commitment that we will continue to improve our ESG posture, which we believe positively impact shareholder value. We are a new Teradata, the connected multi-cloud data platform, for enterprise analytics.

Changing the company focus has resulted in a $100 million ARR business in the public cloud at the end of 2020. And we've committed to at least a 100% growth by the end of 2021 but that's not all. You will see today that we are on a trajectory to achieve over $1 billion in cloud ARR by the year 2025, signaling to the world that Teradata is a force to be reckoned with.

We are a cloud leader, recognized by Gartner and the Cloud DBMS Magic Quadrant, The Forrester Wave and by other industry analysts. We're the top performer in three out of four analytic use cases in Gartner's report on critical capabilities for Cloud DBMS, and we have significant presence across multiple industries. We are a leader in financial services, telecommunications, and manufacturing, to name but a few. All of these industries are exciting and relevant because of the secular trends in the market. The market around data is the place to be, and we now compete in this large and growing market. There is not a day that goes by with less data than the previous one.
Hyper growth of data is driven by digital transformation technology shifts with 5G, IoT, edge computing, and AI. We help our industry-leading customers leverage these exciting and complex data areas to solve meaningful business challenges at scale.

For example, Vodafone Germany, which is the largest subsidiary of the Vodafone Group with a 30% revenue share is utilizing Vantage in their 5G deployment to ensure service bundling and a convergence of offers and promotions. How big is the market? Around $85 billion, $50 billion of on-prem and $35 billion of cloud today. Over the next four years, it's on track to grow to $150 million, $57 billion of on-prem, still a large and significant market, and more than $90 billion of cloud, the growth market, increasing approximately 30% per year.

Our focus is on the enterprise market segment, and what does that mean to us? We have opened our aperture on the market, broadening our focus to the global 10,000 enterprises across 70 verticals, where data is critical, complexity is a default, and delivery is essential. We now not only focus on continuing to grow with our existing massive customers, we've also developed an engine to prospect and win new logos. We have the right to win and grow in this market with both new and existing customers in the enterprise segment and you're going to learn more about this today.

We have radically differentiated capabilities. Our core differentiation is built on the capabilities that Teradata is known for today, which gives a start to enterprise scale. Our technology is trusted by our customers to deliver. Our analytic capabilities are extensive. We deliver a high-performing TCO and sophisticated workload management and query optimization. We provide a connected data fabric which is critically important today and in the future, all delivered by our patented capabilities and our connected data platform is sticky.

Our capabilities enable us to support the world's largest enterprises to address their business challenges with data. These industry-leading companies run billions of queries daily on millions of virtual CPUs and processing exabytes of data per year. This is how our customers are able to run extensive analytics at scale. In fact, our top five customers alone run approximately 250 million queries per day. That's the benefit of enterprise focus and that is what we do. If we think of our competition in three buckets, traditional, CSPs, cloud natives, we differentiate against our traditional competition with our true hybrid multi-cloud capabilities providing seamless experience across on-prem and cloud, embracing open and public cloud ecosystems. And we believe we can win new logo on-prem customers from traditional competition.

We differentiate from the CSPs with our multi-cloud and hybrid-cloud approach, our total cost of ownership, and our understanding of how enterprises run and manage these complex data workloads. And then we differentiate from cloud natives with our approach to financial governance of cloud expense.

Customers can do more analytic work and more data with the budget they have. This allows customers to compete with more data, more effectively and with our unique ability to deliver our true hybrid solution, we are delivering the best price performance in the industry. Being born on-prem gives us the advantage of solving problems with great software, not by throwing more storage and compute at the problem that results for our customers better cost of ownership. Not only that, for customers wanting to leverage both on-prem and cloud, a true hybrid-approach Teradata delivers for them right now and in the future.

We then layer on top of that our industry experience and thought leadership translated to customer use cases to give customers the ability to get insights from their data that only we can provide. For example, in Japan, the leading player in oncology drugs, Chugai Pharmaceuticals is utilizing Vantage on AWS to deploy AI to analyze
real-world and clinical data at scale and accelerate drug discovery. This is Teradata now. We have taken a fresh approach and have a new ethos.

I'll illustrate that ethos when I talk about connected data and getting value out of that data, no matter where it is. And we have a new compelling and differentiated strategy, the connected multi-cloud data platform for enterprise analytics. Each word in this statement is critical to us. We believe that we are the solution in the marketplace based on a claim from industry analysts including Gartner and Forrester. Connected for us embodies our new ethos of connecting and gaining insights on data from around the organization even if it's not in Teradata. The largest enterprises in the world tell us that they are on a hybrid journey as they move to the cloud, connecting these hybrid multi-cloud customer ecosystems is a focus for Teradata.

As an example, DHL Express is a Teradata QueryGrid customer that uses it to connect queries across multiple data environments that's per based on the ability to get insights from all their data that might not otherwise be possible. Multi-cloud is a great differentiator for us versus traditional and CSP competitors. We connect public and private, hybrid and on-prem, getting flexibility and delivering better business outcomes and lowered risk.

A great example of this is our leading European financial institution. In order to meet mandated regulatory conditions like stressed exit, they chose Teradata because they knew they could rely on Teradata to provide a seamless experience across multiple clouds and back to on-prem to provide required business continuity. We know that successful software companies operate as a platform. We are a data platform. Vantage handles huge volumes of structured and unstructured data whether batch or streaming. And Vantage provides extensibility to first-party cloud services which will enable our partners to build on us. Hillary will provide more details on this.

An example of Teradata as-a-platform is GE Aviation, utilizing Teradata as core to one of its industry solutions. One of our customers, Air France-KLM leverages our technology to handle massive amounts of data to quickly identify pricing and promotional opportunities, minimize churn and optimize the customer experience. You will hear even more customer examples from Todd.

Finally, enterprise analytics. We have unparalleled scale and deliver [ph] business as it comes (00:23:54) for the world's largest companies. For example, Verizon uses their models on Vantage to score 250 million prospects in less than 20 minutes. We are also embedding advanced in-database analytic functions built into Vantage to provide capabilities, our competitors can't. Two great examples of our in-database functionality are our geospatial and nPath functions. These enable conclusions to be drawn on streaming location-based data and to query why certain outcomes happened and what has changed over time.

We've tested our positioning in the market and are really proud of it and having a great strategy that is all about execution. As we advance as a platform company, partners are absolutely essential to our success. We have more than 100 partnerships with leading technology companies with special focus on CSPs and SIs. CSPs recognized the benefit of working with Teradata. We are the fastest, lowest risk, most cost effective migration path for enterprises to the cloud. They recognize how much data is stored on Teradata around the world. CSPs also recognized that they see multiple dollars of cloud native services for every dollar of Teradata revenue.

Customers benefit from a partnership with CSPs. We are now on each of the cloud marketplaces. That means customers can retire their commitments to CSPs with their Teradata spend, a true win-win for our customers. With regards to SIs, we made a bold statement. We would eliminate any channel conflict with Teradata. As a result, we are collaborating to digitally transform our joint customers and accelerate their movement to the cloud. Just this
year, we have made new stronger partnerships with Accenture and Deloitte and you will hear more about this important area from Hillary and Todd.

We have an industry-leading team to drive the new Teradata forward and I'm excited that you will hear from some of them today. Since I joined Teradata, we've appointed a new Chief Product Officer, Hillary Ashton. Hillary leads our global products organization, a diverse team responsible for innovation, product management, engineering and quality.

Hillary and our organization ensure that our connected data platform delivers their differentiated value to our customers. She is recognized as one of the most powerful women in technology. She's truly one of the sharpest means in our industry. I always trust Hillary to do the absolutely right thing even if it's the most difficult thing and she's always up for that challenge. Hillary has proven to be a fantastic leader, driving our cloud platform portfolio forward, pivoting the engineering and product team to focus on the cloud and all while keeping a laser focus on where the market is going and what customers need.

Todd Cione. When Todd and I met, we both thought it would be difficult for him to leave Apple. But when we talked about what the future of Teradata could be, to build incredible relationships with incredible customers, he was hooked. So Todd joined us in January as our Chief Revenue Officer with significant experience and enterprise sales and transformation. He's been building Teradata's go-to market team while setting aggressive transformational goals for the sales organization, building out new muscles and capabilities.

He's attracting the right talent at all levels in the organization. Todd's build a world-class customer success function, focused not only on retention and expansion of our existing customer set, but also customer advocacy, the ultimate way to change perceptions of Teradata in the market. And most exciting, he's building out a new customer logo engine to get to expanded market of the global 10,000 accounts and we're already seeing success.

Claire Bramley, despite the fact that Claire joined as a CFO just 90 days ago, she's an instant member of the team. You are all going to get to know Claire really well. We're both from the UK, but Claire's from England and I'm from Scotland but the only time, we're on different sides is when rugby is on the TV. Claire brings fantastic operational discipline, rigor, and transformation experience with an eye to continuously deliver on our commitments. Claire has really hit the ground running.

You're going to hear from Hillary about our technology platform, how it differentiates from our competition, our modern cloud architecture that delivers cloud native integrations. Not only that, you'll hear about how we have created a data fabric to connect all data. Our technology enables us to deliver on the promise of making it easier to uncover insights from across an organization, regardless of where that data is. And Hillary will describe how we have leveraged our enterprise scale technology in this modern context.

Todd will take you through the power of our go-to-market organization, our deep differentiated vertical and enterprise experience, how we are using our amazing industry know-how to expand into new use cases with our customers and win new logos. He will also describe how we're enabling partners to drive adoption and consumption of Teradata.

And then Claire will provide insights into our execution and our longer range targets as well as how we make sure that we have operational discipline as we execute our transformation and deliver our growth commitments. Each of these leaders bring a unique superpower to Teradata, share the same values, and are here because of the incredible business we are steadily transforming and building.
Combining all of this together, we believe we are uniquely positioned from an investment perspective, a player in a large and rapidly growing data market with unmatched technology, a robust and sticky enterprise customer base. We have a significant amount of recurring revenue streams that are sustainably growing. And with our $100 million public cloud business set to double in 2021 and continue exceptional above market growth into the future, we will generate more than $400 million of [ph] durable (00:30:25) free cash flow with a capital plan and structure to continuously return significant value to our shareholders. Our management team and a team of 7000 employees around the world, all committed to delivering the promise of the new Teradata. Teradata transforms how businesses work and people live through the power of data.

On a personal note, I am absolutely certain I made the right decision in joining Teradata. The new Teradata is a profitable growth cloud company with a bright future. The world relies on connected data. And our connected data platform uniquely delivers insights to help the leading companies win with all of their data. We're winning against the competition every single quarter. And I am confident that we will continue our momentum as we look ahead to delivering over $1 billion in cloud ARR and approximately $550 million in free cash flow in fiscal 2025. As we forge ahead, we will keep all eyes on delivering value to our customers and our shareholders.

Now, it's my great pleasure to introduce you to Hillary Ashton. She's our Chief Product Officer, chief innovator and chief disruptor. Hilary, over to you.

Hillary Ashton  
**Chief Product Officer, Teradata Corp.**

Thank you, Steve. One of my favorite quotes perfectly captures our engineering philosophy at Teradata. Nerd life is so much better than regular life. True words were never said. We are unapologetic nerds but we're not nerds for nerds' sake. Instead we obsess, we debate and we build incredible products. And every day we go as fast as we can to bring incredible innovation and value to our customers. We're commercially minded nerds who solve the toughest enterprise problems.

I started out my career in data and analytics. I spent 11 years at SAS. And while I was there, I worked a lot with Teradata. And time and again, Teradata would be the platform that SAS would run on for large enterprise customers, providing superior performance at scale. From SAS, I joined a couple of software-as-a-service companies, most recently running augmented reality at PTC. And while that was super cool, I couldn't quite tear myself away from the value of data and analytics. My focus has always been on how technology and really software delivers value.

So, the opportunities that the cloud delivered as a service presents for large enterprise customers is personally very exciting, so that's why I joined Teradata two years ago. And from the start, we have set upon a journey that is very, very focused on cloud. After I joined, I found amazing engineering talent. The people on my team, who've been around for a while, understand how to design software to get the most from a fixed environment, really software that's optimized for a constrained world. I mean, obviously, coming from a fixed environment for decades, that just makes sense.

At Teradata, we've been optimizing with scarce resources and we've built great software to perform in scarcity. So we found that we had a killer opportunity to apply all that we knew to the cloud. And I knew given how fast data and analytics would be growing and how fast it's grown that enterprise price performance would be critical. We've built great software. Others haven't, and they have to call on endless compute resources, resulting in endless bills. Budgets get blown with competitors. We don't have that. We are the enterprise data platform with enterprise price performance. We innovate and build what customers want today and in the future.
Let me start out by outlining what we're hearing from customers every day. Customers want choice. They want choice of cloud or multi-cloud and hybrid. Customers want choice of enterprise scale price performance. They don't want runaway pricing that's 2 times and sometimes 3 times the cost for almost good enough. Customers want choice and connected data and connected analytics, and that's why customers are choosing Teradata.

When I joined, we shifted our road map to focus on the cloud, and my team has delivered. In R&D, we shifted our cloud software spend from 30% to 70% of a $300 million budget. And in the last 18 months, we've delivered Teradata Vantage software on Google Cloud, rounding on our cloud offerings with AWS and Azure. We've delivered over 30 cloud native integrations to help customers be connected. We've delivered a connected multi-cloud data fabric that enables hundreds of new use cases without moving data around unnecessarily. We've delivered the best enterprise priced performance at enterprise scale [ph] period (00:35:34). We've doubled down on our competitive advantage taking our rich understanding of predictable cost and the best price performance directly to the cloud.

We've delivered cloud consumption pricing to give customers a pay-as-you-go option, providing flexibility and choice in how they purchase Teradata. We are new Teradata focused on open and connected data and analytics. So we're now open for partners and open for more business. We delivered choice and data and in analytics increasing our TAM. Last quarter, we closed a major cloud deal in Europe at a large bank over $20 billion in revenue, over 50,000 employees and 1.5 billion queries per year. They chose Teradata because they were looking for a multi-cloud deployment with hybrid flexibility.

They chose Teradata because they wanted to leverage cloud native object storage. They chose Teradata because they had use cases that required deployment flexibility and included data that wasn't available in a single source. We innovate and build what customers want today and in the future. This slide really embodies the dramatic shifts we've made in our platform software, embracing native object store with fully separated compute and storage, a connected cloud data ecosystem, an open platform to expand use cases and consumption.

And I have to tell you customers love this slide. In the middle is the core of Terada Vantage, which is software. Our software runs on standard cloud deployments. No special hardware required. Customers want choice and price performance. And Vantage is backed by a stack of patents that keeps us ahead of the competition.

On the compute side, Vantage delivers the Advanced SQL Engine, and this enables integrated data management and scalable analytics with powerful and mature features. And these features manage data through preparation, curation, integration, as well as feature engineering as data products are becoming objects that customers can use and refine and transformed.

Vantage also offers the flexibility users want, with full support of Jupyter Notebooks, R, and Python, and I know from my time at SAS, how powerful running code directly in the database can be, both for users and for system performance. This also drives consumption. This allows creators to create, developers to develop, and builders to build, all directly on Vantage.

Now, modern analytics isn't proprietary. Modern analytics is open. Teradata used to be proprietary, and we, kind of, looked at partners more like competitors but we've changed that. We have a broad range of analytic partner integrations, including Looker, Tableau, and Dataiku, as well as advanced AI and ML partners like H2O.ai. This makes us sticky and drives more consumption and frankly, a modern analytic platform.

Analytic users can build models outside or inside of Vantage, and if they build them outside, Teradata has implemented bring your own model. Models can then be run in database, including Java and R code. Vantage
provides these power users, as well as third-party tools, with powerful and unique in-database functions like padding analysis, feature engineering, geospatial analytics, and temporal analytics, and that's super cool because instead of pulling the data out of Vantage, it all just runs inside. This opens up TAM to include analytic workloads running partner tools, for model training, scoring and production to be run within a scalable and highly performance platform, taking advantage of our massive parallel processing capabilities, all without moving the data.

I'll talk a little bit later about our performance as it's another key differentiator for us and performance matters even more in the cloud. Now, of course, analytics need data, the more data the better. I want to call out that compute and storage is separated and it can be scaled independently. Last year, we introduced full support of cloud native object store across all three clouds. Today, we support AWS’ S3, Azure Data Lake and Blob and Google Storage, giving customers more flexibility and choice in storage costs and performance.

In addition to cloud Native Object Store, we continue to offer high-performance cloud block storage, again, giving customers choice and enterprise price performance. Of course, at Teradata, when you keep your data on cloud Native Object Store, it's stored in an open format. And that's not what the competition does. In fact, a customer recently selected Teradata because we keep data in Native Object Store in an open format, not a proprietary format like Snowflake. In addition to these options, we're connected to loads of other data, because data drives our customers businesses and they know that the more data the better. And at Teradata, you don't have to move your data, just use it.

Now after I joined, I learned about Teradata's QueryGrid. For years, Teradata has used QueryGrid to connect Vantage to other Vantage environments, as well as other systems like Oracle and Hadoop to successfully run queries and reduce data movement. It's been tested at a massive scale by some of our largest customers for years. This was a hidden gem for us. We invested in QueryGrid and created a queryable data fabric from multi-cloud and for hybrid.

Today, customers use Teradata QueryGrid across cloud and on-premises environments for a variety of use cases. QueryGrid is our connected data fabric and it's used to get the right data to the right place for processing recognizing, of course, that there's data gravity. Data gravity just means you should bring the processing to the data, use the data, don't move it. That means that Teradata customers get to analytic outcomes faster than the competition.

Vantage software today runs across Azure, AWS, Google Cloud, VMware and, of course, on premises. And all of this delivers essential customer outcomes. One example is Customer 360. Vantage delivers use cases like Customer 360 experiences. We can ingest customer experience data into Vantage from source systems like Salesforce and ServiceNow and also stream data from websites and call centers which includes both structured and unstructured data. We land that data directly on the Native Object Store. We can combine that data and drive AI and ML outcomes like next best action or offer, social media sentiment analysis and we can score customers on propensity to buy and lifetime value.

Continuing on our connected strategy, we've modernized embracing the cloud native ecosystem. These integration points that you see here have all been built in just the last two years. Like I said, we made a big shift very quickly. This is just the AWS example of all the cloud native integrations we've delivered. We also have this for Azure and Google. This gives our customers the choice and connectivity that they're looking for to embrace their own digital transformations.
Teradata is unique in the cloud market because we understand and deliver a true enterprise platform. Our customers face enterprise complexity that only Teradata can deliver. Tens of thousands of users and thousands of applications at true enterprise scale. This is one of our customers and this is their desired cloud architecture. They need three deployments across two clouds and an on-premises deployment and QueryGrid is the data fabric for these systems, creating a system of systems. Click one step lower and this is the simple explanation, and Teradata Vantage allows this bank to run at enterprise scale.

Look, enterprise life is hard and complex. They want two instances, one on Azure and one on-premises which legally must be separate for data sovereignty reasons. And they also need a separate departmental deployment on AWS. This is enterprise normal. Recent merger or acquisition, enterprise normal. Global enterprise with data sovereignty and departmental needs, enterprise normal, at least for Teradata because we are the enterprise data platform. This is the true complexity of an enterprise data platform and only Teradata can deploy this at scale with enterprise price performance. We innovate and build what customers want today and in the future.

Okay, so we covered our enterprise multi-cloud with separation of compute and storage on a modern architecture with cloud native integrations, all deployed at enterprise scale. But enterprises also need cost governance. And one of the most awesome parts of Teradata is our enterprise price performance. This is a great customer example. A large consumer packaged goods company did a full move of their on-premises environment to Teradata in the cloud, with all of their users and all of their applications. They started out migrating dev and test and moved to full production on the cloud. They chose Teradata because of our enterprise price performance. Teradata gives customers the best bang for their buck which allows Teradata to win in the global 10,000 market.

The enterprise world is complex and we were built for that, 30 years of mixed workloads, competing data priorities, all solved by Teradata. And unlike the newcomers out there that were born with all the trappings of endless capacity, we were born in a world of scarcity. And we spent decades eking out the [ph] last little bit of performance in a fixed world. And we turned around and applied that to the cloud. We had to live in a fixed world. We had a box. That's all we had. And we beat all the competition in the fixed world.

Now, we roll all of that performance into the cloud and have a consumption-based offer for our customers, can't lose. And today we beat the competition and performance in the cloud. This is the Teradata I imagined. A major differentiator is how we do this.

Now you might already know that there are different query types which make up workloads. And most competitors handle only one type. Inside the engine, there's a bunch of questions being asked or query types asking the data questions. There are regular large reports that enterprises use to run their businesses. You all have these in your enterprises today. It's the thing that makes earning reports possible. And if you're a hotel, you might ask the data to give a daily report on room availability by room type. That's a simple strategic query and that's what Snowflake does, simple strategic queries.

But you might also want to know what advertising spend is resulting in the best reservations. To do this, you need nPath analysis to evaluate customer journeys, in which customer journey leads to the desired outcome which is a room booking. That is a complex strategic query with an advanced analytic model. And Teradata does all of this in our engine. We call it in-database. So there are two types of strategic queries. In addition to strategic queries, there are tactical queries. Let's say an airline partner wants to know if a gold card member is eligible for promotion that they're running. In Teradata, that's as quick in and out, simple tactical query but has a high-service level.

And then, there are complex tactical queries like when you're checking into your hotel room, what should the hotel offer you? Well, based on your profile and real-time room availability, a complex analytic propensity model will
recommend that you get a room upgrade. That's also a tactical query. And tactical queries require extreme service levels in the areas of response time, data freshness and system availability. So there are strategic and tactical queries and they all need roughly the same data.

We'll use the data in very different ways. From an enterprise viewpoint, you want to use the same infrastructure and data for all of these because it's cheaper and it leads to consistency, when there's a single source of truth that powers both. In enterprises, these queries are all executed together and they're called mixed workloads, at least at Teradata, and they must perform. To perform, they need command and control. They need a brain.

The brain decides at the front desk check-in is more important than the report running. Who decides what to run first or second fastest or second fastest workload management, it's our brain, our heavily patented brain, one system that can answer all the questions in a single environment and has a brain. What else does it need? Well, to really perform it must know exactly where the data is. Other systems will scan megabytes of data. Think of a Harry Potter book. They go through page by page, tediously searching for the one word they need. At Teradata, we have a hyperspace capability. We can hyperspace to the data location immediately.

How does our hyperspace work? Well, our unique file system and our optimizer work together to make this happen. The Vantage file system uses an underlying hashing structure that's highly optimized for decision making queries, whereby tactical that's kind of quick in and out queries, and strategic often long running queries are provided with highly scalable access paths. We're years ahead of the competition with our optimizer technology. We find the best path provided by this file system to deliver linear scalability with a minimum consumption of resources.

My team is made up of experts who understand and solve this tough and essential enterprise problem. This is a key part of why we win in the enterprise. Competitors, they're a one-trick pony, simple strategic queries only and no sense of multidimensional scale. No in database advanced analytic nPath analysis per customer journey mapping, no big brain, no intelligent workload management and therefore, no solid cost control. No hyperspace, so no idea where the data is. This means three things. First, competitors have to go and get more resources and then more resources. And that's expensive, cost literally run away.

Second, this means it's slow. And finally, in many cases, you can't even do this with a single system with a competitor. So then you have to duplicate the environment, you have to duplicate the data and to duplicate, spend. You only get so far so fast with flashy promises. Enterprises run the real risk that moving to the cloud will lead to runaway costs and budget and finance will have to throttle expenses. Doing this will directly decrease analytic experimentation.

Ultimately, this will result in a lack of competitiveness for enterprises. So enterprises have to govern and plan well. By now, we have a number of examples of boomerang customers. Promises get made by newcomers and then they get broken when they can't handle enterprise workloads. They try something new and then they have to come back to Teradata because they encountered several challenges.

First, the migration can take a long time if they can do it at all. It's very expensive and requires teams of people who spend quarters of time in lower value work, and sometimes it completely fails. But if they do manage to get something working, the real shock comes. Within months on competitor systems, they're finding their bills are going through the roof, not at Teradata. We deliver a quick migration and then deliver a predictable cost, eking out the most from a cloud environment while still giving customers flexibility for on-demand price bursting.
Analysts and customers know firsthand that Teradata's price performance and enterprise governance win. We innovate and build what customers want today and in the future. So we covered our enterprise multi-cloud platform with separation of compute and storage on a modern architecture with cloud native integrations, all deployed at enterprise scale. Now, only Teradata has a built-in brain and a hyperspace capability that gives the best price performance in the enterprise market at scale.

We've also modernized our approach to data and analytics. We've made a huge shift to open our analytics and open the data you need for analytics. Recently, I was talking to one of our customers, a $100 billion in revenue, 200,000 employees, and 20 billion queries per year running on Teradata. They're using Teradata Vantage to provide data as products to their thousands of analysts using our data fabric to access data across environment and access data stuck in Hadoop and other source systems. And they're using our open analytic ecosystem to give their analysts the tools they choose.

Teradata has evolved and we've moved to a modern approach to Teradata. We have created a data fabric to QueryGrid. It's important to note that QueryGrid is a connector-based architecture and the heavy data processing is handled by the SQL engine, which is what gives QueryGrid its enterprise class capabilities. The SQL engine is also the key element for reducing persistent data replication across the data fabric. QueryGrid connects to data wherever it is and it lets users decide on the right place for processing, recognizing data gravity.

With QueryGrid's ability to perform multi-sourced joins across systems with a single query, we reduce data movement. QueryGrid includes a patented remote pushdown query processing capability, which enables a high-speed and optimized data fabric across hybrid and multi-cloud. It minimizes data movement and therefore reduces cloud egress costs. It's also faster.

QueryGrid provides broad connectivity to a wide range of data stores and processing engines. It enables bidirectional and parallel data access with other Teradata systems, as well as other processing engines like Apache Spark, Apache Hive and RDBMSes like Oracle. These bidirectional native connectors allow users to initiate queries in any engine.

For example, you can initiate a query on your Teradata Vantage on AWS and a query could be joined across a data product that's running on Google Cloud. QueryGrid effectively pushes down part of the query to the Google environment, where the data is and it processes it closest to the data. Then we transfer the intermediate results and the final aggregation is done in Teradata Vantage on AWS.

QueryGrid is designed and proven to handle very high scale and multi-sourced joints. This is substantially unique for Teradata. It's a strong differentiator, that better supports true connected multi-cloud and hybrid, not only across Vantage environments, but well beyond Vantage real estate. We give users the most access to data with the best price performance.

Now we've also extended our QueryGrid capabilities to leverage Starburst's Presto. So if a customer already has a Presto deployment, we can tap into those data sources, too, like Snowflake, Redshift, BigQuery and Synapse. We also just launched streaming. This enables new customer outcomes. For example, you heard Steve talk about it, streaming sensor data to deliver IoT use cases.

And finally, we have data sharing too. Teradata has been doing data sharing for decades. Our customers can decide to share data through our portal with or without third-party BI tools. And our brain allows you to maintain a single copy of the data. We also allow customers to share data through an open cloud marketplace. We're open. For example, AWS Data Exchange, data sharing is enabled across multi-cloud and hybrid environments with
enterprise governance. In summary, customers have open data access and we allow you to run the query closest to the data. Teradata customers get to more value quicker.

Open data and open analytics. Remember the brain in the hyperspace capabilities, we built in database analytic functions that are managed by the brain and hyperspace capability. That means it's super performance. These built-in analytic functions allow our customers to use off-the-shelf analytic tools and use languages of choice like R and Python to call in-database analytic functions. This is super exciting because it lets our customers take full advantage of both our superior price performance and they can use the tools that they love and know. That's a win-win for our customers and our partners. And it also drives consumption and stickiness.

Enterprise multi-cloud platform with separation of compute and storage on a modern architecture with cloud native integrations, all deployed at enterprise scale. And only Teradata has a brain and a hyperspace button that gives the best price performance in the market. And Teradata is open. Now, customers have the ability to organically grow their usage to more data and through partner tools, which together take full advantage of the performance Teradata delivers.

It's been a crazy 18 months and we're just getting warmed up. We have a super exciting roadmap, focused on multi-cloud growth, superior price performance and embracing the open ecosystem. We are focused on our unique capabilities. We innovate and build what customers want today and in the future.

Thanks for your time. Now, I'll turn it over to our Chief Revenue Officer, Todd Cione, who will illustrate that nerd life isn't just fun, it's also exceptionally good business. Take it away, Todd.

**Todd Cione**  
*Chief Revenue Officer, Teradata Corp.*

Thanks, Hillary. As Chief Revenue Officer, I lead Teradata's go-to-market functions including sales, services, customer success, partner alliances and sales operations. And I joined the company in January, about seven months after Steve did. Prior to that, I spent 25 years in the tech industry, and nearly 20 of those as a leader with Microsoft and Apple, most recently.

My formative years were personally spent in Plano, Texas in middle school and in high school. And professionally, I was certainly shaped at those two companies. While they have some clear differences, they also share several go-to-market strengths. They know how to serve their customers. They have a deep rigor in their execution and they partner really, really well. And I'm so excited and grateful for the opportunity to apply those go-to-market learnings and combine it now with Teradata's culture, very unique expertise and our differentiated Vantage platform. And it's been so awesome to work together to drive triple-digit cloud growth this fiscal year.

Over the last year, I've spent focus time with customers, with prospects and with partners around the world. And I've realized that we have some remarkable strengths that we're now building off of, like our differentiated vertical and enterprise experience. I'm going to talk more about that. We're also crafting a very seamless go-to-market model and we've had some incredible validation by our customers. We've put partners first as a core part of our new strategy. There's clear and distinctive acknowledgement of that as well. All of that is coming together to drive triple digit cloud ARR growth in fiscal 2021.

As a leader in the data and analytics ecosystem, we show up with our customers in very distinctive ways. As Steve described, we're unique in the current cloud market space as the connected multi-cloud data platform for enterprise analytics and we're unique because we're not new at this. We have over 40 years of deep industry experience, serving the largest enterprises and managing their most complex and mission-critical data. 40 years
of experience does not mean we're just a legacy tech provider. It's quite the opposite. We've been adapting and transforming alongside of customers as they do the very same.

Our extensive experience and our technology, it gives us rare insight into core industries and understanding of what they care about and command over use cases that impact their businesses. This expertise is unique in our current marketplace, and quite frankly, this expertise is more relevant and valuable than ever.

As the global crisis has accelerated digital transformation, it's forced businesses to adapt with intense agility and speed, and depend on the best price performance in the marketplace. And our customers rely on our expertise and technology now more than ever because they must effectively manage and make strategic use of massive amounts of complex data, and simply stated, that's what we do very well, and it drives immense value to businesses.

Now let's talk Vantage and value creation. The value of Vantage as an enterprise data platform does not come just from solving individual problems or individual use cases. The real value is realized as you execute analytics at scale, and this is where Vantage is unique. It's a data and analytics platform.

Scale business value comes from bringing deep industry expertise to address bigger customer themes that pull together dozens or hundreds of use cases and likely from many different data sources. As an example, Vantage enables telco customers across the globe to solve complex problems and customer experience. We can go from a broad use case domain to areas such as insights, life cycle management, digital channel optimization, and many more.

And for a specific use case such as customer experience analytics, we can again provide granular insights. This is where Vantage really shines. This is Vantage as a platform, allowing businesses integrate hundreds of use cases across multiple domains and from diverse data sources, to execute analytics at scale at the best price performance and deliver transformational business value to decision makers.

This is where we're very incredibly differentiated versus our traditional CSP and cloud native competitors as we bring industry specific data models that have been sharpened for over 40 years. In our unique data fabric within a modern and open data and analytics platform, it capitalizes on the expertise and intellectual property amassed over time. And this ability to deliver business outcomes, it embeds our go-to-market teams deeply within our customers as we speak their language. We speak their KPIs and we speak their objectives. And as a sales leader, there's a little more than I can ask for.

We've taken our historical capabilities and we've now doubled down on them. We've rolled out a consistent go-to-market value framework to drive our teams and partners to do this at scale, for customers across industries, across functions, and across geographies. And as our teams engage directly with customers, Vantage drives business impact. Let me share a few examples.

For retailers, pre-built data integration means faster time to value for e-commerce operations on new customer offers. For multinational banks having one source of the truth across their diverse markets, it enables timely regulatory reporting. And for manufacturing, integrating data allows industrial use cases to be replicated very rapidly across multiple plants for smarter manufacturing.

The personally exciting part for me is our go-to-market model is fundamentally built to use our unique expertise and then the Vantage platform to delivered unprecedented value like this. So let's talk a little bit more about this. One of our big strengths is our direct worldwide sales coverage that much of the competition does not have now.
And while the Americas continues to be our largest region, we also have very significant presence in both EMEA and in APJ. We know that more and more enterprises have a global presence and buying centers are increasingly distributed. So it’s allowing us to move much faster than our cloud native competitors that are still building in parts of the world.

Now, I'm a big believer in the importance of fundamentals. You see fundamentals allow teams to do the basics very well and then execute much more sophisticated things with rigor. In our go-to-market, we've doubled down on fundamentals and rigor, and it's enabling us to bring new and modern processes, systems and tools for our teams and our partners. In short, when I arrived, I saw opportunities to boost our execution and also to modify the go-to-market model. And in 2021, we've implemented a much more operationally rigorous and focused go-to-market model.

First, we made a big bet on advanced analytics based account and prospect prioritization. This means we're now laser-focused on the highest value expansion opportunities within our existing customers and we're also targeting the highest potential new logo prospects.

Second, we've made big modifications to the go-to-market model. Previous management had turned off the new logo engine. We've turned it back on. We've deployed a dedicated and very focused new logo acquisition sales force and we're bringing all of our resources to bear to accelerate our new customer funnel. We've driven increasing role specialization by industry and have deployed territories consistent – consistently by industry as well.

We've invested in our customer success function through adding capacity, consistent global execution and customer health measurement to deepen value and drive retention for our existing customers. We've modified our compensation plans to clearly align incentives to our cloud first, to our new logo and to our partner strategies. And I'm particularly thrilled that we're successfully infusing new market-leading cloud talent across all of our go-to-market teams. And look, I've been on teams and leading teams for most of my life and I've learned very early on that talent is absolutely critical to win. It's the same for us right now as well and I'm really, really thrilled about the world-class team that we're building.

Finally, we've invested heavily in cloud first training and enablement for sellers and for our partners. Having the right talent is critical and then we got to give them the right tools to compete and to win. This includes focused sales academies by role and industry with relevant use case emphasis. This includes important management coaching to reinforce training on a day-to-day basis, turning new knowledge directly into behavior and we've deployed modern tools to get the right sales assets to the right seller at the right time, and we're seeing more confident and capable sellers as a result. It's leading to growing productivity.

And through all of these new go-to-market enhancements, they're making an impact. In the near term, we've driven an increased and accelerated pipeline. And for the longer term, we've put many of the needed building blocks in place for sustained growth. It's truly an exciting time to be in this industry and to be at Teradata.

Now, with those foundations in place, our go-to-market model is really focused on the largest 10,000 businesses globally and we’re driving three customer-centric plays. First, our existing customers, they’re moving applications and workloads to the cloud. And we, along with partners, are working side by side to migrate them to Vantage into cloud of their choice, Amazon, Microsoft or Google. We're also running expansion of value plays with existing customers to drive new use cases to new business units and new functions. And lastly, as mentioned, we're investing to bring value and acquire new customers with a focused new logo acquisition sales force, very focused on our best fit industries.
Now, let me highlight a few example of customer outcomes for each of these plays. Steve mentioned Volkswagen. Let's look at this manufacturing and new customer use case. Teradata has a long history in the automotive manufacturing industry with organizations such as Audi and with Volvo. Yet each automotive manufacturer operates very differently. And the journey to transforming into a data driven company, it’s all about discovering unused potential. In a Volkswagen car's plant in Emden, Germany, a team from Volkswagen and Teradata identified one of those high potential areas.

Now, to underscore the scale of this plant, it produces nearly 1,400 cars a day and a body shop with robots they set up to 7 million welding spots daily. Vantage on AWS now captures and analyzes massive amounts of previously unused data from welding robots on the shop floor as an example use case that Steve had referenced. This solution detects process flow weak points and needed maintenance of welding infrastructure, all directly leading to boosted quality and overall smart manufacturing output. As a new Teradata customer, Volkswagen chose to partner with us because of our deep industry expertise. It allowed us to move very quickly to impactful use cases. It’s a great Volkswagen, Teradata and AWS success story as part of Volkswagen’s industrial cloud program and it’s a repeatable solution that will be rapidly deployed across all production facilities, further scaling the boost to quality throughout their enterprise.

Another Teradata existing customer is the 200-year-old multinational bank that relies on us across many use case domains like risk management, fraud and analytics, and regulatory reporting. This customer has expanded significantly across the globe. They’ve increasingly needed a common platform for retail banking and for credit cards. And this common platform means they have global coverage for decision management, risk and marketing use cases as well.

And modernizing the bank’s infrastructure to consolidate regulatory reporting data, it streamlines the way that they meet complex federal government requirements. By partnering with Teradata to standardize on one data platform running on Vantage across their global portfolio, we’ve jointly reduced their data and analytics TCO by over 30%. This is a massive impact for a massive bank. And that expertise across the Teradata account team including sales, sales engineering, customer success, it played a big role.

And according to a 2021 McKinsey Survey, 90% of enterprises will be hybrid through 2024 and we're uniquely positioned to help customers just like this bank transition their on-premise solutions to the cloud on their terms, while mitigating risks. Finally, at a more macro level, as we get more and more embedded at our customers, it's leading to significant expansion rates for us. Claire's going to share more details in her presentation with you.

Groupon, it’s a global e-commerce marketplace connecting subscribers with local merchants. And over the last 12 years, they've scaled to over 30 million active customers, 1.5 billion offers sold and hundreds of millions of transactions. Data is truly the heartbeat of their company, and their data is managed by Teradata Vantage.

For Groupon, we connect disparate data sources from customers, from suppliers, merchants and financial systems. And leveraging Vantage on-premise for many years, they've been able to get new offers out faster and manage complex regulatory environment and issues. The cloud offered Groupon enticing new flexibility and scalability to be better prepared for holiday sales and the potential unpredictable high demands. But like most businesses, they had big concerns about migration complexity and the risk of cost and service interruptions to their businesses.

Groupon decided to migrate to the cloud with Teradata on Vantage delivered as a service on AWS. And because of Vantage's common code base as a platform, the migration advantage on-prem to the cloud was straightforward.
with a short time to value and without disruptions. John Higginson is Groupon CTO. We’ve been side by side on the cloud journey with him, and he tells the story really, really well. Let’s hear more directly from John.


We’re excited about the business impact we’re making with John and the team at Groupon, and partners are playing a critical role in our ability to support new and existing customers like Groupon. I’ve been working with partners my entire career and I’ve experienced firsthand that without intentionality and without focus, there will be channel partner conflict and partnerships will not reach their potential. We’re building an intentional and very focused partner model to remove channel conflict and align execution, all to drive results.

And as a multi-cloud platform leader, we embrace all three hyperscale cloud service providers. So having go-to-market execution underway with Amazon, with Microsoft, and with Google, it’s important and it’s yielding results. This means we’re executing a global program level to ensure resources cascade down to win and at the customer account team level for side by side deal management selling. And until a customer deploys a solution, there’s no compute, no storage consumption. And CSP sellers are all about cloud consumption. Often for these CSP sellers, we’re the fastest path to cloud consumption for data and analytics use cases. And as Steve mentioned, these CSP sellers also see multiples of revenue for every $1 of Teradata.

Migrating our existing customers to the cloud and winning new customers aligned to our partnerships with global system integrators, like Accenture, Deloitte, Capgemini, Cognizant and E&Y. Our Teradata consulting teams are often working side by side SIs, combining our joint value to serve customers and it’s a really powerful and effective combination. And as a platform company, we’re also building a modern ecosystem of industry solutions on manage through ISV partners. A great example for the airline industry is GE Digital Aviation as Steve mentioned. Flight Data Link is a solution they’ve built that integrates flight analytics with operational business data all running on Vantage.

We’re building out and strengthening our industry ecosystem of solutions with partners to support our customers. Additionally to help us scale and to support existing and new customers, we have a growing ecosystem of reseller and distributor partners, often helping us with coverage in emerging markets across Asia, the Middle East and South America. As an example, we’re partnering with Ingram Micro to leverage their vast infrastructure and localize go-to-market expertise to bring multi-cloud data analytics to customers across South Asia. We’ve also mentioned the importance of the driving strong partnerships with the leading CSPs and I’d like to provide more detail on how our growing partnership with Microsoft is going.

Microsoft and Teradata are helping customers navigate the journey to the cloud across a broad set of industries. I spent 15 years of my career at Microsoft leading enterprise sales and partner teams on three continents. And across all of them, we often tried to replace Teradata. We couldn’t do it then. Now, when you combine Teradata’s industry depth, our data expertise and Vantage’s enterprise price performance and scale, together with Microsoft Azure’s worldwide footprint and AI/ML services, it’s a very formidable combination and it’s accelerating. Our joint customers’ time to value and together we’re making a big impact in the enterprise marketplace. Erin Chapple is a Microsoft Corporate Vice President for Azure and I think Erin frames our partnership and the joint value that we bring really well. Let’s hear more from her.


We’re really excited about accelerating partnerships with the leading cloud service providers like Microsoft. And similarly, we’re strengthening our partnerships with leading systems integrators. As an example, Accenture and
Teradata have successfully worked together to migrate to the cloud some very large enterprises. This Accenture partnership, it's built to support mutual customers in modernizing their data and AI analytics platforms by migrating to Teradata Vantage in the cloud.

At the core of this partnership is a joint investment and a commitment by both companies that include subject matter expertise, product management, engineering, marketing, and sales. With this strong alignment, Accenture and Teradata will deliver a cloud data migration factory that de-risks, accelerates, and simplifies their journey to the cloud for enterprise customers, making it easier to deploy and optimize data and AI as a key asset for their business. It's a global partnership that we have, and our joint teams in the UK have had a very fast start and execution with some key enterprise customer wins. Yann Lepant is the MD for Accenture's Data and AI practice across the UK and Ireland and he has a great perspective on our joint value.

Let's hear more on the partnership directly from Yann.

[Video Presentation] (01:26:49-01:30:16)

Both Microsoft and Accenture are really important partnerships with a lot of momentum, and its these partnerships combine with our customer-centric go-to market model, our unique expertise and our Vantage platform that's driving the accelerated cloud growth. When I talk to customers and new prospects, they consistently tell me a few things.

Now, while the cloud offers new flexibility and scalability, the migration to the cloud is super complex and it brings with it many risks. They don't want to be locked in to one cloud provider, either. As a result, they choose Teradata over other data management analytics platforms for several reasons. We are more flexible first. We have consistent code base that gives us unprecedented hybrid, meaning on-prem or in the cloud and multi-cloud capabilities on any of the three cloud providers. That's flexibility without being locked in.

You heard Steve reference that in highly regulated industries, like financial services, many regulatory bodies expect banks to have the capability to move their data rapidly between cloud providers and/or back on-premise. We're the most flexible data platform to meet those regulatory requirements and we're winning deals as a result.

We also derisked the move to the cloud. We can migrate them significantly faster for less budget by leveraging the same on-prem and cloud code base, that's one consistent platform. You heard from Groupon that the migration Vantage on-premise to the cloud was straightforward with a short time to value and without any disruptions. We're doing this at scale right now. And lastly, we have deep experience. We have reusable assets and more relevant expertise within Teradata and our growing modern partner ecosystem. This all leads to customers locking arms with Teradata.

I want to reiterate what Steve mentioned. We're serving the leading players across our priority verticals. And these aren't just customers, these are relationships. Relationships are built on trust over time and that's what we're really good at. We show up when they need us. We're proactive. We're provocative with points of view and we're constantly inventing new ways to make them more successful, by de-risking their complex transition to the cloud.

And the numbers speak for themselves. We've seen over 50% growth in the number of cloud customers year-over-year, June-on-June. And once customers get to the cloud with us, they're growing. In this cloud growth, it's coming across diverse industries, from retail, to transportation, manufacturing, entertainment, healthcare, financial services, public sector. Steve highlighted we're delivering triple-digit public cloud ARR growth. And starting with
me, our entire go-to market team is fully committed to delivering $1 billion cloud business by 2025. And we've put the building blocks in place to make that happen.

Now, as I've walked you through, we're leveraging our very unique vertical and enterprise expertise. We have extensive global coverage now and we have deep value-based relationships. We've modernized to go-to-market model. We've landed big bets, investments and increased rigor and we've significantly upgraded the talent on the go-to market team to execute this modernized model.

And as I described, partners are also playing a critical, critical role for us. All of our actions and the execution are directed towards delivering that $1 billion cloud business by 2025. And I'm super excited and very proud of the execution underway right now within our team to make that happen. I want to say a special thanks to John from Groupon, Aaron from Microsoft and Yann from Accenture for the relationship that we have, the trust and our shared journey and for participating today. Thank you.

And lastly, I couldn't be more thrilled to welcome Claire Bramley as our CFO to Teradata, and to hand off to her to continue our discussion. Thanks. Claire, over to you.

Claire Bramley
Chief Financial Officer, Teradata Corp.

Thank you, Todd, and good afternoon, everyone. The American inventor, Thomas Edison, famously said something I think about all the time, especially in my role as a CFO of a tech company. Genius is 1% inspiration and 99% perspiration. Having heard from Todd, Hillary, and Steve, you now know that these hardworking geniuses, my colleagues, without question give 100%. And today, we have a growing, thriving, transforming company. It is my great pleasure to round out our story of hardworking genius by sharing our results and set the stage for what I believe to be an incredibly big and incredibly bright future for Teradata, our shareholders, and our dedicated global village of employees who got us here today.

As Steve highlighted, by 2025, we have a plan to be over $1 billion of cloud ARR, which given the fact that at the end of fiscal 2020 we were only at $100 million is an impressive growth rate. In addition, we forecast expansion of our operating profit margin to be in the low 20% range, plan to generate free cash flow of approximately $550 million, and look to return at least 50% of excess capital back to shareholders in the form of share repurchases each year. I will come back to these details around the financial metrics later. First, though, let me take you through how we plan to get there.

Let's start with where the company has come from. Teradata has clearly experienced a significant structural change. The company changed its financial and operating model from perpetual to subscription. We have a more substantial mix of recurring revenue, leading to higher gross profit margins due to more recurring revenue, higher operating profit margins as a result of disciplined cost management and greater amounts of durable free cash flows. We are now in a stronger financial position and better placed to capitalize on the future growth opportunities.

An important area of focus for Steve, myself, and the rest of the leadership team is doing what we said we would do. And these are not just words, the team are delivering and have exceeded the financial outlook that was provided for the last five consecutive quarters. We remain on track to meet or beat the commitments we have made for fiscal 2021, including the raised guidance provided last month. Reaching these goals as part of a transforming business requires more than just assembling smart people. It requires that everyone at Teradata shares the same values and fundamentally want the same thing: to build a company based on operational execution and profitable growth.
That means that we must personally love to do hard things, improving every day and rejecting complacency at every turn. This is precisely what drives us each and every day. Our new management team chose to be here for the same reasons I did: world-class technology, a true customer focus, great financial fundamentals and a strong culture. Our values are aligned and we will be successful.

I've always wanted to be in finance since I was 14. Like Hillary, I am also a bit of a nerd. But my love is numbers. I believe that numbers tell the story of a business. So for me using numbers to drive better decision making, take calculated risks and transform a business is a career well spent. And while 30 years later, I still love what I do. What you can expect from me as Teradata's CFO is a bias for action, a willingness to move decisively, but to never compromise on quality.

As you heard from Todd, cloud ARR growth is clearly a primary focus for us. We believe that key decision makers at the global 10,000 enterprises will want a connected multi-cloud platform for data warehousing and analytics from start to scale. And we are an essential part of that new environment because we give customers choice, choice with a modern data fabric which enables access and analysis of data no matter where it resides, choice from our open platform connecting to multiple public clouds, choice from our integration with native object stores driving more data flowing to Vantage, and finally, choice from the ongoing development and investment in our partner ecosystem, all of which enable more opportunity for the new Teradata.

We have proven that we can win in the market on both performance and price at scale. As you heard from Steve, the cloud market is expected to grow rapidly with industry analysts estimating cloud growth rates of approximately 30% per annum. We are on track to grow cloud by at least 100% in fiscal 2021. And beyond 2021, we expect our cloud ARR to continue to grow faster than the market as a result of our customer focus and strong operational execution.

A key assumption of our cloud ARR growth is expansion. In line with highly rated software companies, Teradata is experiencing very healthy expansion rates. Our trailing 12-month dollar based net expansion rate for cloud is currently in excess of 130% and has been well over 130% in the past several quarters. These strong net expansion rates are being driven by our great product innovation and customer focus. And we anticipate sustaining these levels because existing companies and customers want to take advantage of the greater capacity and elasticity of Vantage in the cloud, which means they are adding new workloads or expanding existing workloads on Vantage, because as Todd noted, Vantage drive business impacts.

And when combined with our superior combination of price and performance results in stickier customers. Many of our customers have been with Teradata for 5, 10, 15-plus years. They want to buy from us. They trust us and they don't want to have the complexity of changing to multiple new vendors. But we also have to be there for them with the right product at the right time and at the right price. And that is exactly what we are doing. Therefore, customers increasingly try, buy and expand when they have good experiences with Vantage on the cloud.

In addition to expansion activity, we are also focused on winning new customers in the cloud. To be clear, when we say new customers, we mean new customer logos. We are talking about customers in the global 10,000 with enterprise workloads at scale. As part of our ongoing operational execution, Todd and team are leveraging our deep and differentiated vertical and enterprise experience to drive more and more interactions with our customers and prospects.

We are also building stronger relationships with global system integrators, ISP partners, resellers and distributors to win new customers. And that focus is already being rewarded by new customers choosing Teradata during
fiscal 2021. As we build upon these strengths, we forecast new customer logos from the global 10,000 to grow at a healthy pace over the next four years. We are modeling average starting new cloud logo deal sizes in the low to mid-six-figure range which opens the door for significant growth opportunities as we continue to land and expand, thanks to our strong expansion rates.

In addition to cloud ARR growth, we also forecast non-cloud ARR growth when excluding the impact of migrations. We believe that in the next four years and beyond, a good portion of our existing customers will still have significant on-premises investments, as well as looking at how to extend to the cloud. Teradata lets customers have optionality through a hybrid model across on-premises and multi-cloud environments.

Let me walk you through our modeling. We forecast healthy cumulative expansion of non-cloud ARR, with expansions outweighing churn. This is being driven by secular data trends that result in more and new mission-critical use cases. This is supported by the expansion trends we have seen from our customers over the past several quarters. This is also supported by industry analyst projections of a growing on-premises market between now and fiscal 2025.

We are committed to maintaining a significant on-premises business growing in the low-single digits each year. We are assuming no new on-premises customers. Therefore, any wins of new customer logos would be upside to our model for non-cloud ARR, and we forecast that we will migrate and convert existing customers, dollar for dollar, from on-premises to the cloud.

We see the cloud business becoming a more meaningful part of Teradata's total ARR mix, representing over 50% of the forecasted $2.3 billion of total ARR in fiscal 2025. Based on the drivers previously mentioned, we model our cloud compound annual growth rate from fiscal 2021 to 2025 to be between 60% and 65%. Our forecasted cloud ARR growth rate is higher than the market of approximately 30% in each year within this time horizon, with the rate progressively decreasing on a year-over-year basis due to the larger denominator being built up each year, the law of big numbers.

From a total ARR standpoint, the compound annual growth rate from fiscal 2021 to 2025 is expected to be between 8% and 12%. The total ARR growth rate is primarily driven by cloud. However, we also forecast the compound annual growth rate for on-premise subscriptions to grow in the low-single digits. This is offset by perpetual ARR streams which we expect to continue to decline.

Growth in cloud and subscription ARR contributes to a sustainable profitable growth model. We see the compound annual growth rate for recurring revenue to be between 8% and 10% from fiscal 2021 to 2025. Our compound annual growth rate modeling accounts for the upfront retiring revenue recognized in fiscal 2021 and its related impacts on fiscal 2022. As such, we forecast the year-on-year growth rate for recurring revenue in fiscal 2022 to be between 3% and 5%. We do not anticipate a significant ongoing impact from upfront revenue in fiscal 2023 and beyond. Accordingly, the growth rate increases in fiscal 2023 to mid to high-single digits and continues to progressively increase out to 2025.

From a total revenue growth standpoint, I'd like to highlight a couple of additional points. With the strategic realignment of our consulting business largely behind us, we calculate a low-single digits decline in the compound annual growth rate for consulting revenue from fiscal 2021 to 2025. And we also anticipate a natural reduction in perpetual and other revenue, given our shift to a subscription license model. We expect an approximate 50% decline rate from the fiscal 2021 exit for perpetual and other revenue, resulting in perpetual revenue going to zero in fiscal 2024.
Consistent with our core values, we look to continuously improve upon our profitable growth trajectory. We have largely right-sized our cost structure, although we are always looking for opportunities to optimize further. Starting with gross margin rate, we model an improvement of approximately 200 basis points and the total gross margin rate in fiscal 2025 from the 2021 exit. The journey to achieve that gross margin rate improvement has some puts and takes.

We anticipate the total gross margin rate to decline from fiscal 2021 to fiscal 2022 by approximately 200 basis points for two primary reasons. First, we are investing in cloud growth and driving a higher mix of cloud revenue. Second, we anticipate less gross margin benefit from upfront recurring revenue like we experienced in fiscal 2021. However, from fiscal 2022 to 2025, recurring revenue gross margin rate is forecasted to stabilize and grow steadily, driven by three primary reasons.

First, we expect lower cloud cost resulting from better deals with hyperscale cloud partners and some greater automation. Second, we expect cloud margins to increase due to scale. And third, steadily improving consulting gross margin, which is forecasted to be closer to 20% by fiscal 2025. Consulting gross margins are expected to increase due to the strategic focus on higher margin work that drives winning new customer logos as well as greater adoption and consumption of Teradata. The improvement in consulting margin is partially offset by a slight headwind from perpetual and other gross margin.

Looking at operating expenses and operating margins, we see R&D, selling and G&A expenses as a percentage of total revenue steadily reducing as we continue to scale from fiscal 2021 exit levels to fiscal 2025. The absolute dollars, however, are forecast to increase as we continue to invest in our future. As a result, the operating margin percentage is expected to reach the low 20% range by fiscal 2025. We look to continue disciplined investments in revenue-generating activities, such as cloud, go-to-market, continued development of our partner ecosystem and R&D, while controlling and reducing expenses related to nonrevenue generating activities.

We will continue to employ operational rigor and discipline to make appropriate business trade-offs and maximize the returns we can generate from our investments. We have developed a disciplined approach to capital allocation where decisions are made using a returns-based framework. We start by designing our business plans short term and long term around where we intend to play, differentiate and win. We apply capital structure considerations and return targets and risk adjust investment opportunities. This approach allows us to evaluate one investment alternative against another to ensure that the decisions we are making maximizing shareholder value.

As noted previously, we continue to see opportunities to invest in our business to drive innovation and scale, which we believe increases shareholder value. Additionally, we will deploy capital to improve systems and processes like a new ERP or other efficiency programs. And we will continue to allocate our capital to support our growth and future initiatives.

Our capital allocation model includes a commitment to a share repurchase plan. We also want flexibility to pursue M&A. M&A is part of our strategy and our approach to capital allocation. We'll evaluate inorganic opportunities through a strategic, financial and operational lens, all with the goal of enhancing value for our shareholders. We expect future M&A activity to be focused on technologies and capabilities that are complementary to our existing portfolio and will help accelerate our strategy and growth.

Within this framework, we expect the total return of capital to be at least 50% of free cash flow on an annual basis. We will continue to return cash to shareholders in the form of share repurchases. We currently have
approximately $300 million in outstanding authorization available for share repurchases. We will continue to buy back shares opportunistically based on our view of intrinsic value as well as to more than offset dilution.

And within this framework, we currently operate at a comfortable 1 to 2 times debt-to-EBITDA ratio. Given our strong recurring revenue and free cash flow profile, we believe this is an appropriate ongoing capital structure and are comfortable maintaining our debt leverage at these levels. This approach gives us financial flexibility to optimize our capital allocation priorities.

Now, let's discuss the key metrics that support our preliminary fiscal 2022 financial estimates. Cloud ARR growth is at least 70%. Non-GAAP diluted net earnings per share is in the range of $1.60 to $1.70 and free cash flow is approximately $400 million. Some of the key modeling assumptions include, for recurring revenue growth, we expect to grow between 3% and 5% after accounting for the impacts of upfront recurring revenue recognized in fiscal 2021. For total revenue, we expect the recurring revenue growth to be partially offset by planned declines in perpetual and consulting revenue, so expect growth to be flat to 2%.

Non-GAAP diluted net earnings per share is impacted by the benefit recognized in fiscal 2021 resulting from the upfront recurring revenue, and ongoing investment in our cloud business in fiscal 2022. Non-GAAP tax rate is modeled to be 23%. We forecast net other expense to be approximately $40 million aligned to fiscal 2021. And our weighted average shares outstanding are forecasted to be approximately 130 million shares at the end of fiscal 2021, and we expect it to be flat in fiscal 2022.

With what I've covered thus far, let me briefly summarize our high level long-term financial outlook through to fiscal 2025. Our goals are to outgrow the cloud market through a combination of winning new logos within the global 10,000 and continued healthy net expansion trends, expand operating margins and increase operating profit dollars, while continuing to invest in our business, generate more free cash flow and a sustainable average free cash flow margin of 20% between fiscal 2021 and fiscal 2025.

As you heard from Steve, Hillary, Todd and myself, Teradata has the right technology, the right strategy and the right people and we are playing in a growing market. Teradata has steadily growing recurring revenue stream that becomes greater than 80% of our total revenue mix in the next couple of years. Our strong cloud growth contributes significantly to the sustainability of our recurring revenue stream. We have margin expansion opportunities via scale improvement and cost discipline and we are seeing strong generation of durable free cash flows.

We are a company with a healthy growth profile. And when you add recurring revenue growth and free cash flow margin together, we forecast to be between 35% and 40% by fiscal 2025 compared to approximately 20% in fiscal 2020. As we execute against our profitable growth strategy, I see us making appropriate operational tradeoffs that maintain strong growth and drive a higher valuation.

Our management team is committed to increasing shareholder value. We are continually investing in our best of breed technology, setting us up perfectly for future growth and winning in a very large data and analytics market that can sustain multiple winners.

Our future looks extremely bright. So to recap the key takeaways, our cloud business is expected to substantially grow to over $1 billion and be over 50% of our total ARR mix in fiscal 2025. This is driven by winning new customer logos within the global 10,000, continuing our healthy net expansion activity, and expanding our partner ecosystem to drive adoption and consumption of Vantage.
Our operating model is scalable and becoming more efficient. We are generating higher amounts of free cash flow and returning healthy amounts to shareholders, while reinvesting in our business. All of this results in Teradata driving sustained profitable growth, greater earnings power, and higher durable free cash flows. We are a dynamic business, accelerating our transformation.

And on a personal note, I have never been more invigorated by my work. Everyone at Teradata and the leaders you have met today feel the same way and share the same beliefs. We are here to change how the world uses data to achieve better outcomes for all.

I thank you for your time today. Now, I will pass the presentation to Steve to wrap up today’s session. After Steve closes, we will take a 10-minute break to set up for Q&A. We look forward to addressing your questions.

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**Steve McMillan**  
*President, Chief Executive Officer & Director, Teradata Corp.*

Thanks very much, Claire. I think everyone can now see why I’m really glad to have Claire on board with us. I opened today’s meeting declaring that Teradata is a new company, a profitable growth company in a large and growing market with the right technology, the right strategy, and the right people. I believe you can see from the enthusiasm and complete dedication of each of today’s presenters that we are confident in our strategy, our technology, and market position, and in our talented people. We have a strongly differentiated position helping the world’s leading enterprises connect their data, regardless of whether it resides in the cloud or on-prem and use that data to solve the most complex data challenges at scale.

Our 7,000-plus people show up every single day to support our customers and win, and we are doing just that. Our competitive position is as strong as ever. We have delivered on our commitments and intend to keep it up. We are committed to building our successful future, delivering over $1 billion in cloud ARR and approximately $550 million in free cash flows in 2025. Above all, we will always maintain our dedication to deliver value to our customers and our shareholders. The new Teradata has a bright future.

Thanks very much for joining us today. We’ll see you back in 10 minutes for a Q&A session.

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**Christopher T. Lee**  
*Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.*

Thank you, everyone, for attending today. It’s a pleasure to have you join our Investor Day 2021 at Teradata. I’d like to make introductions. I am Christopher Lee, the Head of Investor Relations for Teradata. And I’m joined by my teammates here. I’m going to first introduce Hillary Ashton, our Chief Product Officer; Steve McMillan, our President and Chief Executive Officer; Claire Bramley, our Chief Financial Officer; and Todd Cione, our Chief Revenue Officer. We’re very excited to have you here or we’re very excited to be virtual in front of you today and we’re looking forward to having an engaging and hopefully informative Q&A session.

So with that, I’m going to open up the Q&A. We’ve received a lot of questions from the audience. So we thank you and appreciate that.
QUESTION AND ANSWER SECTION

Christopher T. Lee  
*Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.*

I’m going to start with a written question that was submitted by Katy Huberty at Morgan Stanley. The question is what underscores your confidence in growing cloud ARR at 50% annually compared to an expected market growth rate closer to 30% over the next four years? Steve, would you like to take that?

Steve McMillan  
*President, Chief Executive Officer & Director, Teradata Corp.*

Thanks, Chris. Thanks, Katy, for the question. We are incredibly confident about the performance of Teradata. So a couple of things that build our confidence. One is how our customers have really received our strategy, how our technology is being utilized by our customers, and the opportunity that we have to work with both existing customers and new customers in terms of really growing that cloud ARR.

Do you want to give some details on growth?

Claire Bramley  
*Chief Financial Officer, Teradata Corp.*

Yeah, absolutely. Thank you, Steve. So one of the key drivers in our growth and what gives us confidence is our net expansion rate. As I mentioned in my prepared remarks, we are seeing in excess of 130% with regards to our cloud expansion rate. And our model calculates that this is sustainable over the long term. So that gives us a lot of confidence. We're also seeing healthy growth of our new logo acquisition and I think I'll pass over to Todd to give a little bit of a customer perspective of our new logo acquisition engine.

Todd Cione  
*Chief Revenue Officer, Teradata Corp.*

Yeah. Thanks, Claire. We stopped as a company new logo acquisition and we've restarted it and we've invested heavily in a new logo acquisition sales force that is very focused on bringing value to new customers and acquiring new logos. They have an incentive plan in place. They have very, very, very focused responsibilities and priorities. And we're beginning to see momentum.

Christopher T. Lee  
*Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.*

That's great. Thanks very much. Let's see what the next question is, please. Thank you. We have another question that's come in. It's from Chad Bennett and Nicholas Mattiacci from Craig-Hallum. The question is there are a number of players positioning as hybrid platforms including Cloudera at the data layer. Does a data warehouse represent the natural software layer for hybrid? Steve, do you want to take that?

Steve McMillan  
*President, Chief Executive Officer & Director, Teradata Corp.*

Yeah. I'll talk very generally. We know that successful software companies at a core are platform companies and we are really happy with how we are building out platform and how our customers are using that platform to
Hillary Ashton  
Chief Product Officer, Teradata Corp.

Yeah, absolutely. I mean Teradata Vantage is software and we see software as a natural connection from hybrid, including on-premise and multi-cloud deployments. And we know that enterprises have a great deal of complexity in how they want to deploy and they want to get the most data that they can to deliver the best analytic outcomes as fast as possible. And our data fabric really enables that and delivers tremendous value to our customers.  
Thanks.

Christopher T. Lee  
Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.

Excellent. Thanks very much for that question. I think we're going to open it up to our first live Q&A question. It'll be from Tyler Radke at Citi. Tyler, how are you today?

Tyler Radke  
Analyst, Citigroup Global Markets, Inc.

Hey, thanks. Thanks, Chris, for getting me on and nice to see all the fresh faces at Teradata. Can you hear me okay?

Christopher T. Lee  
Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.

Yes, Tyler.

Tyler Radke  
Analyst, Citigroup Global Markets, Inc.

Okay. Great. I wanted to direct this question probably at Claire. So, I appreciate all the color on the long term targets. The ARR kind of CAGR that you provided through 2025, I thought it was pretty impressive. I think it was actually a little bit higher than where you came in this quarter on a constant currency basis. Could you just help us understand kind of the assumptions behind that? I think investors who followed the company for a while may kind of have memories of prior analyst days where targets were a little bit too optimistic. So maybe if you could just help us understand the areas that you are being conservative in driving those long term targets, whether it's around churn assumptions or just level of new business activity? That would be great. Thank you.

Claire Bramley  
Chief Financial Officer, Teradata Corp.

Yeah. Thank you, Tyler, for the question. And as you can imagine, we're very excited about the long term growth that we are estimating here today and sharing with all of you. The $1 billion cloud growth and the overall total ARR growth is extremely strong and faster than we are seeing in the market. What gives us confidence for those numbers is the fact that we are seeing really strong net expansion rates as I mentioned in my previous answer. So, the fact that we're above 130%, we're seeing our customers are accelerating their migrations to the cloud and we migrate dollar-for-dollar to the cloud. So with that expansion they try, buy, and expand which gives us a lot of confidence in those numbers. And we're modeling sustainability of that expansion rate going forward.
In addition, we see the new logo acquisition will start to get momentum going forward as well. And even not in the non-cloud, our expansions continue to outweigh churn. So we're very excited and very confident. It's really important to us as a leadership team to deliver on the commitments that we make and we're really excited about the future ahead.

Christopher T. Lee  
Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.

Excellent. Thank you, Claire. We're going to move to a written question, but I like to encourage everyone that if they have questions, please feel free to put them into the Q&A portal. And if you'd like to ask a live question, please note that and we will get you into the green room as soon as possible. So we're going to move to a question from Derrick Wood from Cowen. Derrick asks, how much of your installed base needs to convert to cloud to hit your 2025 cloud targets? And his follow-up is, and what does this assume cloud mix will be of total ARR by 2025? Steve, you want to start with that?

Steve McMillan  
President, Chief Executive Officer & Director, Teradata Corp.

Yeah. I'll let Claire focus on the second part of the question. Our customers, our existing customers' on-prem are migrating to the cloud in a number of exciting patterns. One, as a wholesale migration of their entire data state to the cloud, we've referenced some of those examples and are prepared for launch. The other way, they're expanding use cases, new use cases on the cloud. And then clearly, we talked about winning new logos and bringing new business and from a cloud perspective and expanding out our existing cloud customers. So we think there's an absolutely tremendous opportunity for us given our position in the marketplace both with existing customers and what we're going to do with new customers. Claire?

Claire Bramley  
Chief Financial Officer, Teradata Corp.

Sure. And I'll just take that last part of that question with regards to how much of our cloud is part of our total ARR. So by 2025, we are forecasting our cloud ARR to be more than 50% of our total ARR and with that delivering strong operating margin growth and expansion as well. So, really strong performance that we are modeling for our cloud ARR growth.

Christopher T. Lee  
Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.

Great. Thanks, Derrick for that question. We're going to switch it back up and move it to a live question. This live one is coming in from Wamsi Mohan from Bank of America Merrill Lynch. Wamsi, it's good to see you.

Wamsi Mohan  
Analyst, Bank of America Merrill Lynch

Hey. Thank you, all. Thanks for taking the time and thanks for all the details. I appreciate it. Steve, you had [indiscernible] (02:22:11) showing growth – very strong growth both in cloud and some growth in on-prem. And my question is really on the on-prem side. When you look at how the business is currently performing. Would you say that that recurring revenue from on-prem, is that growing, is it flat or shrinking? And what gives you the confidence that on-prem side can actually grow over time net off the migrations level from here?

Steve McMillan  
President, Chief Executive Officer & Director, Teradata Corp.
Yeah. I'll let Claire – thanks, Wamsi for the question. I'll let Claire talk to some of the numbers. But what really gets us confidence is that we're continuing to see good expansion in our on-prem business. Our customers really rely on our technology. They're continuing to invest in on-prem solutions. Not only that, we talk a lot about the cloud, but we are winning new customers on-prem, too. We had some exciting wins last quarter that we talked about. So if we think about that TAM going from $50 billion to $57 billion from an on-prem perspective, it's solid and growing. We've got some real differentiation where we think we can win against the competition. So we're confident that we can continue our trajectory from an on-prem perspective. Claire?

Claire Bramley
Chief Financial Officer, Teradata Corp.

Yeah. Let me just expand on that a little bit. So, yeah, the on-premises growth is growing in the low-single digits. We are seeing growth in the market, so that supports that growth. And our modeling assumptions are actually on the more conservative side because we're not planning on any new logo acquisitions in on-premises. And as Steve said, we are still seeing some of them come in, but we've not included any of that in our long-term modeling, so definitely have confidence in that low-single-digit growth with regards to on-premises.

Christopher T. Lee
Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.

Great. Thank you, Claire. I think, Wamsi, you mentioned you had a follow-up. Go ahead, please.

Claire Bramley
Chief Financial Officer, Teradata Corp.

Sure. Thank you. So, yeah, let me first of all – I'll take the second part of your question first with regard to investments. So, as you heard about the fact that, in our earnings, we are increasing and continuing to reinvest in the business with regards to R&D, go-to market operations. So reinvestment back into the business is really important to us, and we're planning that also in 2022 and beyond.

With regards to our cloud margin, we are forecasting an increase in our cloud margin as we increase the scale. As you would expect, with the lower revenue and ARR we have on cloud today, we do have a slightly lower gross margin rate compared to the rest of our business, but that is forecast to grow. And the fact that we have more than 50% of our cloud ARR in 2025 at an operating margin of around 20%, we're really happy with the top line growth and also the operating expansion growth we get coming from that cloud margin expansion.

Christopher T. Lee
Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.

That's great. Thanks, Wamsi, for the great questions. We're going to move to a written question that we've received from Pat Walravens from JMP Securities. Pat asks, the public cloud ARR was a bit light last quarter compared to our estimate. But clearly, your confidence is high for future public cloud ARR. Why do you have that confidence? Anything unusual about last quarter to point out? Steve, you want to kick this off?

Steve McMillan
President, Chief Executive Officer & Director, Teradata Corp.

Yeah. Thanks. Thanks very much for the question. I think we've spoken a little bit about this in past earnings calls. We do big deals in the cloud. And those deals can be lumpy. And so there is variability as we go through the quarters. But Q4 is our biggest sales quarter. We've got a great pipeline. We've got the right team in place for the right technology and we think we're going to be incredibly successful.
Christopher T. Lee  
Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.

Excellent. I think Pat has another follow up question. So let's get that in. He asks, it's great to see the $1 billion cloud ARR target. He likes to understand a little bit more. What are the key factors that you see driving this? Can you walk us through and give us an update on the competitive landscape, particularly with Snowflake? And then he rounds out his question about what are you seeing in the competitive landscape from the standpoint of sales hiring? So maybe Steve, do you want to kick out?

Steve McMillan  
President, Chief Executive Officer & Director, Teradata Corp.

Yeah. I'll start and then maybe Claire and Todd can add in. So what we see from our customers as the adoption of Teradata technologies and the cloud has been – it's been great and they are really expanding once they get to the cloud with us. The reason that they're choosing Teradata is because of all of the great differentiation that Hillary took you through from a product perspective. But not only that, we solve real business problems for our customers every single day at enormous scale and that's what they really need to propel the business forward. And when it gets to solving those problems, it's really only Teradata that can deliver the right kind of value to those customers and give the right answers. Todd, you want to talk a little bit more about customers and competitive?

Todd Cione  
Chief Revenue Officer, Teradata Corp.

Yeah. Thanks, Steve. Customers tell us a lot, and one of the things they tell us is migrating to the cloud is complex, and it was wrought with risks. We are the fastest path to the cloud with the common code-based platform. We de-risk economic issues, we de-risk the time to the cloud as well. And we have expertise. We have deep industry experts that talk their language, their KPIs and we help them see time to value very, very rapidly.

You also asked about access to talent in the marketplace. And to be clear, everybody knows, it is a competitive marketplace out there right now. But we're winning, not only against the competition, but bringing on new talent into our organization. It's not because people have to join our organization. They want to join our organization. They want to be part of this vision we have. And it's exciting. We are winning in the market against competition and bringing on new talent as well.

Christopher T. Lee  
Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.

Great. Thank you, Todd. And thank you, Pat, for your questions. We have another written question in from Chad Bennett and Nicolas Mattiacci from Craig-Hallum. I think this is a technology-oriented question. So the question is, is your IoT or streaming functionality in Vantage organically developed or do you partner with players like Confluent or StreamSets? I think this will be indicative of the new Teradata. Don't you think, Steve?

Steve McMillan  
President, Chief Executive Officer & Director, Teradata Corp.

Absolutely. I think, again, thinking about Teradata as a platform technology company and how we both build awesome capabilities right into the product, but also expand out into an ecosystem to deliver true choice for our customers is really important. Hillary, do you want to talk a little bit more about the technology?
Hillary Ashton  
*Chief Product Officer, Teradata Corp.*

Yeah, absolutely. So, I mean Teradata is open and we know our customers want choice. And part of the choice that we provide is in the streaming area. So we offer support for the cloud native suppliers like AWS and we also provide non-cloud native support with folks like Confluent. So, our future is very focused on an open and connected ecosystem with the broad cloud native capabilities as well as other capabilities through our partners.

Christopher T. Lee  
*Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.*

Great. Thanks, Steve and Hillary. We have another written question in from Katy Huberty at Morgan Stanley. Her question is, as you open the aperture to target the top 10,000 customers in your seven core industries, what are the specific resources and sales compensation plan changes that will allow for success? Before these changes, what was Teradata's prior customer addressable market that would be comparable to the 10,000 figure, the global 10,000 figure that you cited? Steve?

Steve McMillan  
*President, Chief Executive Officer & Director, Teradata Corp.*

Thanks, Katy, for the question. This is one of the reasons why we're really confident and that we can deliver what we're committing to the marketplace. If you think about what Teradata was, we had almost an exclusive focus on our existing customer base. So by opening that aperture up, we have orders of magnitude more opportunity in front of us in terms of the number of customers that we can go out interact with, engage with, and demonstrate why our technology wins in the marketplace. I'll let Todd answer a little bit about the sales orchestration.

Todd Cione  
*Chief Revenue Officer, Teradata Corp.*

Yeah. Thanks, Steve. As our new strategy has been finalized here at the beginning of the year, it's really key then to turn that into execution through our go-to-market organization. That includes roles and responsibilities, crystal clarity on who does what and who's responsible for what and when through our sales process and the customers' buyer's journey. The way to drive that is also through incentive compensation. So we've been very precise and very specific by role to align incentives to expectations and strategy.

As an example, new customer logo acquisition, we've got a dedicated sales force. They are incented to be excellent at their job. In addition to that cloud, we are paying our sales force to go win cloud deals and help our customers get to the cloud. Partners, we've removed and worked really hard to avoid channel conflict with our partners as well. So we think we've come a long way, and the momentum is growing and demonstrating that.

Christopher T. Lee  
*Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.*

That's excellent. Thanks, Todd. Again, just as a reminder, as you see, we're very engaged and we like the Q&A, so please keep it coming. And if we can't answer your question live during the broadcast, we'll certainly get back to you after the broadcast. We have another written question, team, from Raimo Lenschow and Pree Gadey from Barclays. It's a great question. I think a lot of investors are curious about.

So the Barclays team asks about the net expansion rate assumption, specifically around the 130%, means half the growth for cloud ARR is coming from new customers. Can you talk about – can you respond to that question and can you talk about the confidence that you have around the 130% assumption for net expansion rate?
Steve McMillan  
*President, Chief Executive Officer & Director, Teradata Corp.*

Yeah. I’ll take that first and then let Claire talk about some of the numbers. So, clearly, our cloud growth is phenomenal. We’re really confident in that because we’ve got a number of sources of that growth. Not just the expansion of our existing customers, who are in the cloud today but also as we migrate our existing on-prem customers to the cloud with new and incremental workloads or migrating their entire data state to the cloud and then growing those customers too. So we’ve got a number of different sources in terms and obviously new logos as Todd mentioned. They’ve got a number of different sources of growth that gives us confidence in that $1 billion of cloud ARR by 2025.

Claire Bramley  
*Chief Financial Officer, Teradata Corp.*

Yeah. I think the only point that I’d add to that is what we’re currently seeing today is our net expansions are in excess of a 130%. As I mentioned in my prepared remarks, what we’re seeing in the last several quarters is significantly above that. So the 130% number we’ve given is what we see to be sustainable in the longer term and actually in the short term, we expect to see levels above that. Thank you.

Christopher T. Lee  
*Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.*

Great. Thanks Pree and Raimo. Our next question is another written question from Chad Bennett and Nick Mattiacci from Craig-Hallum. They’d like to better understand the importance of net new logo from a technology differentiation standpoint and perhaps we can rank stack. What’s really important out there? Is it QueryGrid? Is it workload management? Is it open data? Is it hybrid? Is it some of that, all of that, or something else? How does that technology differentiation change from over the last year or two?

Steve McMillan  
*President, Chief Executive Officer & Director, Teradata Corp.*

Yeah. I’ll let Hillary obviously delve into the details on this. What I would say is all of the above. The fact is we are great at differentiating because of the capabilities that we’ve built and created over the last 40 years. Our patented technology innovation is absolutely outstanding. And what our customers are demanding from us is a whole range of solutions that depend on all of these different technologies but, Hillary, which is your favorite technology?

Hillary Ashton  
*Chief Product Officer, Teradata Corp.*

I mean, they’re all pretty exciting. And I think that we’ve gotten better understanding from our customers in the meetings that we have with them about what it is that they’re looking for. And one of the things that’s not listed on that list but I think is worth a shout-out, and Todd and I talk about this all the time, is the industry data models that we have and our deep understanding of the solutions that we can deliver with our partners in an open ecosystem to our customers directly.

We feel that we’re very differentiated in that way. And those capabilities that we’re talking about in the question here, whether it’s QueryGrid being able to connect across Vantage real estate, as well as real estate outside of Vantage or other data sources, being able to run in database analytics at scale with whatever tool a customer wants to use, or some other key areas of why customers are choosing Teradata. Thanks.
Great. Thank you, guys. And I think that was a great synopsis of why we are unique and differentiated relative to the peers. We have another written question in from Katy Huberty of Morgan Stanley. She'd like to better understand why you're not assuming any upfront revenue deals in fiscal 2022, which is weighing on revenue growth and profitability. Specifically, like what she would like to know is what was unique about the contracts in 2021 that will not repeat in future years?

Yeah. I'll start off by just saying, we had the opportunity to take that revenue based upon the commitments that our on-prem customers were making to us and establishing really longer-term relationships. These are recurring revenue contracts. So when we pulled the revenue forward, clearly, it happens every year from a recurring perspective but we get that benefit in terms of from a year-on-year perspective in the first year. Want to add a little bit more clarity?

Sure. I mean, I'll just reemphasize what Steve already mentioned. It is multi-year. So they are being repeating every year but because it's a pull forward and it was the first time it was experienced in 2021, we do get that one-time benefit in 2021. But these are multi-year contracts with our on-premises customers as they renew and expanded us which is great for us as a company.

Yes, I agree. I think it's key to reemphasize the renewal and expansion motion that's going on with these customers. We have another written question from Pat Walravens at JMP Securities. It's a very good question. He asked very simply, how are you thinking about your cloud pricing strategy? Steve?

Yeah, Pat, one of the great things that we've got is both choice and flexibility from a technology perspective but also from a pricing perspective. So we've got consumption-based pricing and we've got fixed pricing, and we've got a blended model which can really be optimized to meet the customer's requirements in terms of committing to a fixed capacity with us. And then first thing as required, we're really excited about how we're going to take our pricing models forward in the future and give even more flexibility to our customers.

Great. We have another live question coming in. I think, Wamsi wants another bite at the Apple. So Wamsi, please go ahead.
Claire Bramley  
**Chief Financial Officer, Teradata Corp.**

So I'll take that. Thank you Wamsi, for the question. There's no M&A factored in, so all of the growth is coming from either migrations, expansions or new customer logos.

Christopher T. Lee  
**Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.**

Excellent. Thanks. Okay. We have a written question in from an investor. Have you seen or do you expect to see win backs of customers that have previously love for competitors, now that Teradata is cloud first? Steve?

Steve McMillan  
**President, Chief Executive Officer & Director, Teradata Corp.**

Yeah. I think we spoke of that in our prepared remarks, fairly about our levels of differentiation, especially around price performance. And if you think of that Gartner quote about price performance being one of the most important metrics in the cloud, what we're seeing is the customers are recognizing how expensive these cloud native solutions can actually be and thinking about how expensive Teradata is and the benefit they would get to utilizing Teradata to deliver their analytic capabilities.

So we are starting to see our customers look at Teradata as a long-term option for their growth in the cloud. And obviously, the industry reception to our Teradata Vantage platform from Gartner and Forrester being in that leaders quadrant, being a leader in the Forrester Wave is getting our customers to really think about Teradata as a great option for us to deliver workload on in the cloud.

Hillary Ashton  
**Chief Product Officer, Teradata Corp.**

Yeah. And I'll just add. I mean, I think that we see customers, who sometimes go out and try, and they, in some cases with migrations, can't even get all the way to a full migration with a competitor. And so we welcome them back with open arms and are really excited to see them being successful with Teradata.

Todd Cione  
**Chief Revenue Officer, Teradata Corp.**

And actually, I'll add as well, we consider that a boomerang customer, and we're not just reactively looking for them, but we're proactively going back to customers that have a history with Teradata. Now that we have a cloud-first platform that is scaling, that is helping customers get value very quickly, we've got a really, really good reception. I referenced that in my prepared remarks earlier as well.

Christopher T. Lee  
**Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.**

That's great. Thanks very much, team. That was a very comprehensive response. And I think, just to add on, the next question is another written question from Raimo and Pree of Barclays. But I think it's thematically in the same area which is they're asking about the market and the fact that our statements assume share gains against cloud vendors. Maybe give some perspective around, is that a fair thing to say? Can we walk through some of those dynamics, and why do we have that conviction to make that bullish statement?

Steve McMillan  
**President, Chief Executive Officer & Director, Teradata Corp.**
Yeah. Thanks. If you just think about the numbers, it's a law of large numbers. There's a $35 billion cloud opportunity today. That's growing to more than $90 billion by 2025. So we are expecting that we can take out of that $60 billion, a good part of that share, and I think we're incredibly confident around that.

Christopher T. Lee  
Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.

That's great. Thank you. Again, guys, in the audience, please continue to feel free to ask us questions. As you can see, it's fast and furious, and we're, I'll say, enjoying the opportunity here. So another written question from Jack Andrews at Needham. Jack, thank you very much. Jack asks, drilling down into the expansion rates, are you seeing any differences across vertical industries? And his follow up is, are there certain verticals where you're more optimistic about landing new logos?

Steve McMillan  
President, Chief Executive Officer & Director, Teradata Corp.

Yeah. I think we mentioned our focus is really on the G 10,000 and the 7 key industry verticals that we have within there. From an expansion rate perspective, we're seeing really great growth across those vertical industries. The growth rate is something that we're incredibly confident and clearly with technologies like 5G and IoT, those are driving a ton of data for these organizations. And we're really happy to grow with them to provide analytics and insight into that data.

And so I think we'll see – again, if you think about some of our largest industries like financial services, which are really dependent on data, we're going to get terrific growth there. Telco, as they invest in 5G but across all seven – the reason we picked the seven verticals is because we're really confident in the growth that we're going to get from those.

Christopher T. Lee  
Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.

Great. Thanks very much, Steve. We have another question from an investor who asks, how would you define the expansion impact from new use cases versus growth in data or growth in use?

Steve McMillan  
President, Chief Executive Officer & Director, Teradata Corp.

Yeah. I think our vision are on connected data, use the data, don't move it. What that does from a Teradata perspective is we provide solutions to our customers as it breaks that direct linkage between how much storage you pay for and how much you pay for your enterprise analytics and data platform. And your customers are really seeing that as a key benefit. So our pricing model actually enables us to really charge our customers related to the business benefit that they receive. So what's important from our perspective is getting more and more queries into the platform as opposed to more and more data. Why would you pay a premium for data movement?

Hillary Ashton  
Chief Product Officer, Teradata Corp.

And that really makes us unique, great. It's just pretty exciting. Todd?

Todd Cione  
Chief Revenue Officer, Teradata Corp.
I was going to mention also another big factor and expansion is we have deep expertise in these industries, you could say scar tissue. We've been working with many of these customers for years and years and years. We understand their KPIs, we understand how they work, and we're applying that to other new customers. Now, we've built a framework focused on key use cases that our customer success function is now driving. We've increased capacity in customer success. We've really, really implemented rigor through frameworks like this and we have got new systems and tools that are really helping us be programmatic in our expansion.

Christopher T. Lee  
Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.

Great. I believe we have another video question. Wamsi, go ahead please.

Wamsi Mohan  
Analyst, Bank of America Merrill Lynch

[indiscernible] (02:46:12-02:46:51)

Claire Bramley  
Chief Financial Officer, Teradata Corp.

Sure. I'll take that second question first, Wamsi. So, thanks again for the question. So, yeah, we wanted to—we're really proud of the free cash flow generation. The fact that we have modeled a $550 million free cash flow generation in 2025, we think is really exciting. So, we wanted to really reinforce the fact that we see above 20% on average across the next four years of a free cash flow margin. And then, when looking at also our strong recurring revenue growth. So that's why we've looked at it. We see the recurring revenue growth and the free cash rate margin as a really strong opportunity for us as a company moving forward.

Going back to the first part of your question, so just talking about the portion of how much you spend in terms of migrations. What I would say is that we are seeing expansions continue to outweigh churn. So we are seeing strong migration to the cloud from the customer's perspective of everything you've had today. Customers trying to buying and expanding with us in the cloud. Hence, we see that great $1 billion. But we also see strong expansions in non-cloud as well.

Christopher T. Lee  
Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.

And maybe just to clarify, Claire. I think Wamsi asked, was that a 2021 dynamic or was it cumulative? So, could you clarify that?

Claire Bramley  
Chief Financial Officer, Teradata Corp.

So, yeah, we're seeing a cumulative impact over time. Thanks, Chris.

Christopher T. Lee  
Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.

Excellent. Thanks. Okay. We've got another written question from Tyler Radke at Citi. He asks, is your churn assumption for on-prem embedded in the long-term targets? And is that in line with the churn rates we've seen historically or are you building in more room for higher churn rates going forward?
Steve McMillan  
President, Chief Executive Officer & Director, Teradata Corp.

I’ll let Claire talk a little bit about the churn rate that we illustrated in the slides. But what I would say is with Todd and the team building up our customer success function, we are expecting our expansions to continue to be ahead of our churn numbers as we move forward. So we’re definitely expecting us to continue to get growth.

Claire Bramley  
Chief Financial Officer, Teradata Corp.

Yeah. And I’d just add to that, Steve, we’re not seeing big movement in our churns. So we’re very much in line with our historical levels of churn. And I just think that will continue with the great customer success activities that we’re seeing.

Christopher T. Lee  
Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.

Great. Thank you. I think there’s another question that’s coming in writing from Derrick Wood at Cowen. But I think is thematic to the question we just answered. But Derrick asked that we – now that we’ve reimagined, and thank you, Derrick, for picking up on reimagine, our approach to renewals, can you elaborate on what you’ve done? And what do we expect the dividends, the returns to be?

Steve McMillan  
President, Chief Executive Officer & Director, Teradata Corp.

Yeah. I’ll let Todd to answer this in a little bit more detail. But we’ve made investments across the organization from a sales perspective to really get our renewals engine motoring inside our company. And when we combine that with customer success, we get a level of insight into our customers so that we can increase our stickiness and make sure that the renewal notion is just a continued part of our business transaction. Do you want to talk a little bit about renewals investment?

Todd Cione  
Chief Revenue Officer, Teradata Corp.

Yeah. I’d be happy to, Steve. You think about retention of a customer and I think of it in two ways. The biggest way is value. Why would a customer stay with us? Because they see value. Why would they expand with us? Because they see value. We’ve put a lot of structure around ensuring that we articulate and then implement value in the customers’ terms in place. The second part then as Steve referenced, is execution and just rigor in engine, driving our renewals through a really, really focused renewals team, working very, very closely with customer success that is value focused.

Christopher T. Lee  
Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.

We have another written question that’s come in, I think we’ve covered it. But I think it’s such a good question. We’ll reiterate it. But the question from the investors is about our strong cloud net expansion rate assumptions. They’re asking about our thoughts on the sustainability of that metric.

Claire Bramley  
Chief Financial Officer, Teradata Corp.

Got really excited to share and reemphasize the fact that the 130% is a long-term rate. So we do see from our models to be able to sustain that rate at above 130% as we continue forward. What we’re seeing today and what
Christopher T. Lee
Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.

Excellent. Thank you for reiterating that. Pree from Barclays has a follow-up question and I think it’s a good one to help establish a baseline. But he’d like us to walk through our thoughts for cloud ARR this year, our guidance. And how do we see that decomposing between expansion, between migration and between new customers?

Steve McMillan
President, Chief Executive Officer & Director, Teradata Corp.

So Claire’s talked about our expansion rate. So I'll just say from a net new logo, that is a muscle that we are building out right now. So we've seen some traction but we expect that traction to grow over time. So a lot of the customer wins that we have in the cloud are actually migrations. And as I said, it can be their complete state or it can be growth in new workloads in the cloud. So, lots of opportunity for us to continue growing that cloud ARR into the future.

Christopher T. Lee
Senior Vice President, Finance, Head of Investor Relations and Corporate Development, Teradata Corp.

That's great. So I think we've reached the end of the questions asked by the audience. So thank you audience for the very good questions that you've asked. I think, in close, I'd like to thank everyone for participating. I also like to thank Hillary, Steve, Claire, and Todd as well as the entire team here at Teradata to help throw off an Investor Day. As you recall, the last event we held of this nature was about three years ago and certainly, this is a new company, led by new leaders, my teammates. And we're really excited about our future and as you clearly heard, we have the right strategy, the right technology, the right people and playing in the right market.

Thank you again for your time. And we look forward to seeing you perhaps next week as we are meeting with investors, both live and virtually. Thank you again.