

**INVESTOR CONTACT**

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## Fourth-Quarter and Full-Year 2020 Earnings Discussion

**Highlights:**

- Annual recurring revenue (ARR) increased 11% from the prior year period<sup>(1)</sup>
- Public cloud ARR increased to \$106 million, a 165% increase from the end of 2019<sup>(1)</sup>
- Fourth-quarter recurring revenue of \$383 million exceeded the Company's guidance range
- Fourth-quarter earnings per diluted share (EPS), cash from operations and free cash flow<sup>(2)</sup> exceeded the Company's expectations

Teradata finished the year strong in a global environment impacted by the ongoing COVID-19 pandemic. The Company delivered another quarter with better than expected recurring revenue, earnings per share and free cash flow, and exceeded its original full-year 2020 guidance for ARR growth, EPS and free cash flow.

**Revenue****Annual Recurring Revenue (ARR)**

- Total ARR of \$1.587 billion grew 11% reported and 9% in constant currency<sup>(1)</sup>
- Public cloud ARR grew 165% to \$106 million

Total ARR increased 11% reported and 9% in constant currency<sup>(1)</sup>, from the prior-year period. Subscription and cloud-based ARR grew 37% to \$960 million. Public Cloud ARR, which is a component of subscription and cloud-based ARR, grew 165% in 2020 to \$106 million. Legacy perpetual maintenance and software upgrade rights based ARR declined 17% to \$508 million. This decline was expected as the Company completes its transition to a subscription model and customers increasingly purchase Teradata on a subscription basis.

To align to our CEO's strategic direction, Teradata will be realigning its ARR and recurring revenue disclosures beginning in Q1 2021, removing managed services and third-party software from subscription-based ARR and recurring revenue. Managed services revenue will be included in "Consulting services revenue" in 2021 and third-party software will be moved to "Perpetual & Other Revenue." We have provided a section at the end of this document which shows the impact of this realignment to ARR, total revenue and gross profits for each quarter of 2020 as well as the full year. Note this realignment does not change previously reported total revenue or total gross profit.

**Recurring revenue** which includes revenue from subscription-based transactions, and perpetual license-related maintenance and upgrade rights, was \$383 million in Q4, a year-over-year increase of 9% reported and 8% in constant currency<sup>(1)</sup>.

**Perpetual revenue** came in at \$25 million for the quarter and was aided by a large deal in the quarter. As a reminder, we had expected little to no perpetual revenue in 2020; however, the ongoing COVID-19 pandemic has changed some expected buying behavior as certain customers have favored purchasing their hardware upfront.

**Consulting revenue**, which was \$83 million in Q4, decreased 27% reported and 30% in constant currency from Q4 2019<sup>(1)</sup>. This decline was expected, as we continue to refocus our consulting business on higher-margin engagements that drive increased software consumption within our customer base. In addition,

we experienced impact from the ongoing COVID-19 pandemic as some customers cancelled or delayed certain projects as they continue to manage their discretionary spending, especially for on-site consulting engagements.

## **Revenue by Geography**

### **Americas**

Revenue in our Americas region was \$261 million, a decrease of 1% reported and flat in constant currency<sup>(1)</sup>. This included 3% growth in recurring revenue which was more than offset by the decline in consulting revenues, which were as expected.

### **EMEA**

Revenue in our EMEA region was \$134 million, a decrease of 4% reported and 7% in constant currency<sup>(1)</sup>. Recurring revenue increased 22% but was more than offset by decreases in both perpetual software licenses and hardware and consulting revenues.

### **APJ**

Revenue in our APJ region was \$96 million, an increase of 4% reported and a decrease of 1% in constant currency<sup>(1)</sup>. Recurring revenue increased 19% and was offset by decreases in perpetual software licenses and hardware and consulting revenues.

## **Gross Margins**

- GAAP recurring revenue gross margin was 69.2% vs. 66.0% in Q4 2019
- Non-GAAP recurring revenue gross margin was 70.5% vs. 68.6% in Q4 2019<sup>(3)</sup>

Gross margins in our recurring business increased due to cost improvements in our subscription and cloud business. We had expected a sequential decline in recurring gross margins in Q4, but a combination of better-than-expected recurring revenue and the cost improvements from actions discussed during Teradata's third quarter earnings call drove the better-than-expected recurring gross margins.

- GAAP gross margin in our perpetual software license and hardware business was 52.0% vs. 20.0% in Q4 2019
- Non-GAAP gross margin in our perpetual software license and hardware business was 56.0% vs. 20.0% in Q4 2019<sup>(3)</sup>

The higher year-over-year gross margin was mainly due to deal mix in the quarter.

- GAAP consulting gross margin was 7.2% vs. 9.6% in Q4 2019
- Non-GAAP consulting gross margin was 8.4% vs. 14.9% in Q4 2019<sup>(3)</sup>

Consulting gross margins were negatively impacted by revenue decreases which outpaced cost reductions in Q4. As part of our restructuring actions, we have moved to a more variable consulting cost structure, starting in 2021, which is designed to improve the profitability of our consulting business.

- GAAP overall gross margin was 57.8% vs. 50.2% in Q4 2019
- Non-GAAP overall gross margin was 59.3%, vs. 53.2% in Q4 2019<sup>(3)</sup>

The improvement year-over-year in total gross margin was primarily the result of a higher mix of recurring revenue that carry higher margins as well as better gross margins in our perpetual business.

## **Operating Expenses**

- GAAP operating expenses were \$271 million vs. \$253 million in Q4 2019
- Non-GAAP operating expenses were \$224 million vs. \$215 million in Q4 2019<sup>(3)</sup>

Operating expenses were 4% higher than the prior year period primarily due to increased incentive plan expenses from our strong Q4 performance. Excluding incentive plan expenses, total operating expenses decreased slightly year-over-year.

### **Operating Margin**

- GAAP operating margin was 2.6% vs. negative 1.0% in Q4 2019
- Non-GAAP operating margin was 13.6% in the quarter vs. 9.7% in Q4 2019<sup>(3)</sup>

Operating margin improved in Q4 2020 and was benefited by \$12 million of cost savings from the cost actions we discussed on our Q3 earnings call.

### **Income Taxes**

- GAAP tax rate was negative 66.7% vs. negative 58.3% in Q4 2019
- Non-GAAP tax rate was 26.3% vs. 39.0% in Q4 2019<sup>(3)</sup>

### **Balance Sheet & Capital Allocation**

- The fourth quarter ended with \$529 million in cash and cash equivalents
- During Q4, the Company repurchased 1.1 million shares of Teradata stock for approximately \$25 million
- At Year-End 2020, the remaining share repurchase authorization was approximately \$416 million
- The fourth quarter ended with \$601 million in debt including \$145 million of outstanding finance lease obligations
- Deferred revenue at the end of 2020 was \$537 million, which represents an increase of:
  - a. \$17 million sequentially, which was aided by an increase in subscription billings, and
  - b. \$4 million compared to the end of the prior-year period

Total backlog at the end of the fourth quarter was \$2.921 billion, which increased 7% year-over-year and 13% sequentially. The increase sequentially was due to increased deal activity in Q4, which is seasonally our strongest selling quarter of the year.

### **Cash Flow**

- Net cash provided by operations was \$56 million in Q4 2020 compared to \$54 million in Q4 2019
- Capital expenditures and additions to capitalized software were \$11 million in Q4 2020
- Free cash flow was \$45 million in Q4 2020 compared to \$41 million in Q4 2019<sup>(2)</sup>
- Full year free cash flow was \$216 million compared to \$89 million for the prior year<sup>(2)</sup>
- The company added \$27 million in the fourth quarter and \$85 million for the full year 2020 of finance leases primarily to support subscription sales

### **Reconciliation of Managed Services & Third-Party Software Reclass out of Recurring Revenue**

To align to our CEO's strategic direction, Teradata will be realigning its ARR and revenue disclosures beginning in Q1 2021, removing managed services and third-party software from subscription-based ARR and recurring revenue. Managed services are consulting delivered and managed services revenue will be included in "Consulting services revenue" in 2021 and third-party software is being deemphasized and driven to the third-party partner and will be moved to "Perpetual & Other Revenue." Below we provide a reconciliation from the "As Reported" amounts for each quarter of 2020 as well as the full year 2020 to the "Recasted" amounts. There is no change to "As Reported" total revenue or "As Reported" gross profit from this change

**ARR**  
(in \$USD Millions)

**As of March 31, 2020**

Component	As Reported	Managed Services	Third-Party Software	Recasted Amount
Subscription & Cloud	727	-	(39)	688
Managed Services	109	(109)	-	-
Legacy Perpetual Maintenance & Software Upgrade Rights	566	-	-	566
<b>Total ARR</b>	<b>1,402</b>	<b>(109)</b>	<b>(39)</b>	<b>1,254</b>

**Revenue**  
(in \$USD Millions)

**For the Three Months Ended March 31, 2020**

	As Reported	Managed Services	Third-Party Software	Recasted Amount
Recurring	345	(25)	(9)	311
Perpetual (& Other)	14	-	9	23
Consulting	75	25	-	100
<b>Total Revenue</b>	<b>434</b>	<b>-</b>	<b>-</b>	<b>434</b>

**Gross Profits (Non-GAAP)**  
(in \$USD Millions)

**For the Three Months Ended March 31, 2020**

	As Reported	Managed Services	Third Party Software	Recasted Amount
Recurring	233	(5)	(2)	226
	67.5%			72.7%
Perpetual (& Other)	5	-	2	7
	35.7%			30.4%
Consulting	(3)	5	-	2
	(4.0)%			2.0%
<b>Total Gross Profit</b>	<b>235</b>	<b>-</b>	<b>-</b>	<b>235</b>
	54.1%			54.1%

**ARR**  
(in \$USD Millions)

**As of June 30, 2020**

Component	As Reported	Managed Services	Third-Party Software	Recasted Amount
Subscription & Cloud	790	-	(39)	751
Managed Services	111	(111)	-	-
Legacy Perpetual Maintenance & Software Upgrade Rights	553	-	-	553
<b>Total ARR</b>	<b>1,454</b>	<b>(111)</b>	<b>(39)</b>	<b>1,304</b>

**Revenue**  
(in \$USD Millions)

**For the Three Months Ended June 30, 2020**

	<b>As Reported</b>	<b>Managed Services</b>	<b>Third-Party Software</b>	<b>Recasted Amount</b>
Recurring	358	(27)	(8)	323
Perpetual (& Other)	17	-	8	25
Consulting	82	27	-	109
<b>Total Revenue</b>	<b>457</b>	<b>-</b>	<b>-</b>	<b>457</b>

**Gross Profits (Non-GAAP)**  
(in \$USD Millions)

**For the Three Months Ended June 30, 2020**

	<b>As Reported</b>	<b>Managed Services</b>	<b>Third Party Software</b>	<b>Recasted Amount</b>
Recurring	250	(6)	(2)	242
	69.8%			74.9%
Perpetual (& Other)	6	-	2	8
	35.3%			32.0%
Consulting	13	6	-	19
	15.9%			17.4%
<b>Total Gross Profit</b>	<b>269</b>	<b>-</b>	<b>-</b>	<b>269</b>
	58.9%			58.9%

**ARR**  
(in \$USD Millions)

**As of September 30, 2020**

<b>Component</b>	<b>As Reported</b>	<b>Managed Services</b>	<b>Third-Party Software</b>	<b>Recasted Amount</b>
Subscription & Cloud	850	-	(40)	810
Managed Services	113	(113)	-	-
Legacy Perpetual Maintenance & Software Upgrade Rights	538	-	-	538
<b>Total ARR</b>	<b>1,501</b>	<b>(113)</b>	<b>(40)</b>	<b>1,348</b>

**Revenue**  
(in \$USD Millions)

**For the Three Months Ended September 30, 2020**

	<b>As Reported</b>	<b>Managed Services</b>	<b>Third-Party Software</b>	<b>Recasted Amount</b>
Recurring	365	(28)	(8)	329
Perpetual (& Other)	17	-	8	25
Consulting	72	28	-	100
<b>Total Revenue</b>	<b>454</b>	<b>-</b>	<b>-</b>	<b>454</b>

**Gross Profits (Non-GAAP)**  
(in \$USD Millions)

**For the Three Months Ended September 30, 2020**

	<b>As Reported</b>	<b>Managed Services</b>	<b>Third Party Software</b>	<b>Recasted Amount</b>
Recurring	257	(7)	(2)	248
	70.4			75.4%
Perpetual (& Other)	10	-	2	12
	58.8			48.0%
Consulting	10	7	-	17
	13.9			17.0%
<b>Total Gross Profit</b>	<b>277</b>	<b>-</b>	<b>-</b>	<b>277</b>
	61.0%			61.0%

**ARR**  
(in \$USD Millions)

**As of December 31, 2020**

<b>Component</b>	<b>As Reported</b>	<b>Managed Services</b>	<b>Third-Party Software</b>	<b>Recasted Amount</b>
Subscription & Cloud	960	-	(43)	917
Managed Services	119	(119)	-	-
Legacy Perpetual Maintenance & Software Upgrade Rights	508	-	-	508
<b>Total ARR</b>	<b>1,587</b>	<b>(119)</b>	<b>(43)</b>	<b>1,425</b>

**Revenue**  
(in \$USD Millions)

**For the Three Months Ended December 31, 2020**

	<b>As Reported</b>	<b>Managed Services</b>	<b>Third-Party Software</b>	<b>Recasted Amount</b>
Recurring	383	(28)	(9)	346
Perpetual (& Other)	25	-	9	34
Consulting	83	28	-	111
<b>Total Revenue</b>	<b>491</b>	<b>-</b>	<b>-</b>	<b>491</b>

**Gross Profits (Non-GAAP)**  
(in \$USD Millions)

**For the Three Months Ended December 31, 2020**

	<b>As Reported</b>	<b>Managed Services</b>	<b>Third Party Software</b>	<b>Recasted Amount</b>
Recurring	270	(10)	(2)	258
	70.5%			74.6%
Perpetual (& Other)	14	-	2	16
	56.0%			47.1%
Consulting	7	10	-	17
	8.4%			15.3%
<b>Total Gross Profit</b>	<b>291</b>	<b>-</b>	<b>-</b>	<b>291</b>
	59.3%			59.3%

**ARR**  
(in \$USD Millions)

**As of December 31, 2020**

<b>Component</b>	<b>As Reported</b>	<b>Managed Services</b>	<b>Third-Party Software</b>	<b>Recasted Amount</b>
Subscription & Cloud	960	-	(43)	917
Managed Services	119	(119)	-	-
Legacy Perpetual Maintenance & Software Upgrade Rights	508	-	-	508
<b>Total ARR</b>	<b>1,587</b>	<b>(119)</b>	<b>(43)</b>	<b>1,425</b>

**Revenue**  
(in \$USD Millions)

**For the Year Ended December 31, 2020**

	<b>As Reported</b>	<b>Managed Services</b>	<b>Third-Party Software</b>	<b>Recasted Amount</b>
Recurring	1,451	(108)	(34)	1,309
Perpetual (& Other)	73	-	34	107
Consulting	312	108	-	420
<b>Total Revenue</b>	<b>1,836</b>	<b>-</b>	<b>-</b>	<b>1,836</b>

**Gross Profits (Non-GAAP)**  
(in \$USD Millions)

**For the Year Ended December 31, 2020**

	<b>As Reported</b>	<b>Managed Services</b>	<b>Third-Party Software</b>	<b>Recasted Amount</b>
Recurring	1,010	(28)	(8)	974
	69.6%			74.4%
Perpetual (& Other)	35	-	8	43
	47.9%			40.2%
Consulting	27	28	-	55
	8.7%			13.1%
<b>Total Gross Profit</b>	<b>1,072</b>	<b>-</b>	<b>-</b>	<b>1,072</b>
	58.4%			58.4%

## Supplemental Financial Information

Additional information regarding Teradata's operating results is provided below as well as on Teradata's website at [investor.teradata.com](http://investor.teradata.com).

- The impact of currency is determined by calculating the prior-period results using the current-year monthly average currency rates (except for currency impact on ARR which is calculated using month-end rates). See the foreign currency fluctuation schedule, which is used to determine revenue on a constant currency ("CC") basis, on the Investor Relations page of the Company's website at [investor.teradata.com](http://investor.teradata.com)

### Revenue (in millions)

	For the Three Months ended December 31			
	2020	2019	% Change as Reported	% Change in CC
Recurring revenue	\$383	\$350	9%	8%
Perpetual software licenses and hardware	25	30	(17)%	(14)%
Consulting services	83	114	(27)%	(30)%
<b>Total revenue</b>	<b>\$491</b>	<b>\$494</b>	<b>(1)%</b>	<b>(2)%</b>
Americas	\$261	\$263	(1)%	0%
EMEA	134	139	(4)%	(7)%
APJ	96	92	4%	(1)%
<b>Total revenue</b>	<b>\$491</b>	<b>\$494</b>	<b>(1)%</b>	<b>(2)%</b>

  

	For the Twelve Months ended December 31			
	2020	2019	% Change as Reported	% Change in CC
Recurring revenue	\$1,451	\$1,362	7%	7%
Perpetual software licenses and hardware	73	106	(31)%	(31)%
Consulting services	312	431	(28)%	(28)%
<b>Total revenue</b>	<b>\$1,836</b>	<b>\$1,899</b>	<b>(3)%</b>	<b>(3)%</b>
Americas	\$1,025	\$1,057	(3)%	(2)%
EMEA	485	492	(1)%	(2)%
APJ	326	350	(7)%	(7)%
<b>Total revenue</b>	<b>\$1,836</b>	<b>\$1,899</b>	<b>(3)%</b>	<b>(3)%</b>

  

	As of December 31			
	2020	2019	% Change as Reported	% Change in CC
<b>Annual recurring revenue*</b>	<b>\$1,587</b>	<b>\$1,427</b>	<b>11%</b>	<b>9%</b>
Public cloud ARR**	\$106	\$40	165%	159%

\* Annual recurring revenue (ARR) is defined as the annual value at a point in time of all recurring contracts, including subscription, software upgrade rights, maintenance and managed services.

\*\* Public cloud ARR is defined as the annual value at a point in time of all contracts related to public cloud implementations of Teradata Vantage and does not include ARR related to private or managed cloud implementations

- As described below, the Company believes that free cash flow is a useful non-GAAP measure for investors. Teradata defines free cash flow as cash provided by / used in operating activities, less capital expenditures for property and equipment, and additions to capitalized software. Free cash flow does not have a uniform definition under GAAP and therefore, Teradata's definition may differ from other companies' definitions of this measure. Teradata's management uses free cash flow to assess the financial performance of the Company and believes it is useful for investors because it relates the operating cash flow of the Company to the capital that is spent to continue and improve business operations. In particular, free cash flow indicates the amount of cash generated after capital expenditures for, among other things, investment in the Company's existing businesses, strategic acquisitions, strengthening the Company's balance sheet, repurchase of the Company's stock and repayment of the Company's debt obligations, if any. Free cash flow does not represent the residual cash flow available for discretionary expenditures since

there may be other nondiscretionary expenditures that are not deducted from the measure. This non-GAAP measure is not meant to be considered in isolation to, as a substitute for, or superior to, results determined in accordance with GAAP, and should be read only in conjunction with our condensed consolidated financial statements prepared in accordance with GAAP.

(in millions)	For the Three Months ended December 31		For the Twelve Months ended December 31	
	2020	2019	2020	2019
	Cash provided by operating activities (GAAP)	\$56	\$54	\$267
<u>Less</u> capital expenditures for:				
Expenditures for property and equipment	(10)	(11)	(44)	(54)
Additions to capitalized software	(1)	(2)	(7)	(5)
Total capital expenditures	(11)	(13)	(51)	(59)
Free Cash Flow (non-GAAP measure)	<u>\$45</u>	<u>\$41</u>	<u>\$216</u>	<u>\$89</u>

3. Teradata reports its results in accordance with GAAP. However, as described below, the Company believes that certain non-GAAP measures such as non-GAAP gross profit, non-GAAP operating income, non-GAAP net income, and non-GAAP earnings per diluted share, or EPS, all of which exclude certain items (as well as free cash flow) are useful for investors. Our non-GAAP measures are not meant to be considered in isolation to, as substitutes for, or superior to, results determined in accordance with GAAP, and should be read only in conjunction with our condensed consolidated financial statements prepared in accordance with GAAP.

The following tables reconcile Teradata's actual and projected results and EPS under GAAP to the Company's actual and projected non-GAAP results and EPS for the periods presented, which exclude certain specified items. Our management internally uses supplemental non-GAAP financial measures, such as gross profit, operating income, net income and EPS, excluding certain items, to understand, manage and evaluate our business and support operating decisions on a regular basis. The Company believes such non-GAAP financial measures (1) provide useful information to investors regarding the underlying business trends and performance of the Company's ongoing operations, (2) are useful for period-over-period comparisons of such operations and results, that may be more easily compared to peer companies and allow investors a view of the Company's operating results excluding stock-based compensation expense and special items, (3) provide useful information to management and investors regarding present and future business trends, and (4) provide consistency and comparability with past reports and projections of future results.

Teradata's reconciliation of GAAP to non-GAAP results included in this release.

**TERADATA CORPORATION**  
**RECONCILIATION OF RESULTS - GAAP TO NON-GAAP**  
**Reflects the Impact of Special Items**  
**(In millions, except per share amounts - unaudited)**  
**For the Three Months Ended December 31**

	2020					2019					% Change Non-GAAP
	GAAP	Equity Compensation Expense	Other Special Items <sup>2</sup>	Capitalized Software ASC 985-20	Non-GAAP <sup>1</sup>	GAAP	Equity Compensation Expense	Other Special Items <sup>3</sup>	Capitalized Software ASC 985-20	Non-GAAP <sup>1</sup>	
<b>Revenue</b>											
Recurring	\$ 383	\$ -	\$ -	\$ -	\$ 383	\$ 350	\$ -	\$ -	\$ -	\$ 350	9%
Perpetual software licenses and hardware	25	-	-	-	25	30	-	-	-	30	-17%
Consulting services	83	-	-	-	83	114	-	-	-	114	-27%
<b>Total revenue</b>	<b>491</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>491</b>	<b>494</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>494</b>	<b>-1%</b>
<b>Gross profit</b>											
Recurring	265	(2)	2	(5)	270	231	(2)	(2)	(5)	240	13%
% of Revenue	69.2%				70.5%	66.0%				68.6%	
Perpetual software licenses and hardware	13	-	-	(1)	14	6	-	-	-	6	133%
% of Revenue	52.0%				56.0%	20.0%				20.0%	
Consulting services	6	(1)	-	-	7	11	(1)	(5)	-	17	-59%
% of Revenue	7.2%				8.4%	9.6%				14.9%	
<b>Total gross profit</b>	<b>284</b>	<b>(3)</b>	<b>2</b>	<b>(6)</b>	<b>291</b>	<b>248</b>	<b>(3)</b>	<b>(7)</b>	<b>(5)</b>	<b>263</b>	<b>11%</b>
% of Revenue	57.8%				59.3%	50.2%				53.2%	
Selling, general and administrative expenses	183	13	20	-	150	171	14	12	-	145	3%
Research and development expenses	88	6	8	-	74	82	7	5	-	70	6%
<b>Total expenses</b>	<b>271</b>	<b>19</b>	<b>28</b>	<b>-</b>	<b>224</b>	<b>253</b>	<b>21</b>	<b>17</b>	<b>-</b>	<b>215</b>	<b>4%</b>
% of Revenue	55.2%				45.6%	51.2%				43.5%	
<b>Income from operations</b>	<b>13</b>	<b>(22)</b>	<b>(26)</b>	<b>(6)</b>	<b>67</b>	<b>(5)</b>	<b>(24)</b>	<b>(24)</b>	<b>(5)</b>	<b>48</b>	<b>40%</b>
% of Revenue	2.6%				13.6%	(1.0%)				9.7%	
Other expense, net	(10)	-	-	-	(10)	(7)	-	-	-	(7)	
<b>Income (loss) before income taxes</b>	<b>3</b>	<b>(22)</b>	<b>(26)</b>	<b>(6)</b>	<b>57</b>	<b>(12)</b>	<b>(24)</b>	<b>(24)</b>	<b>(5)</b>	<b>41</b>	<b>39%</b>
Income tax (benefit) expense	(2)		(16)	(1)	15	7	(2)	(6)	(1)	16	
% Tax rate	(64.7%)				26.3%	(58.3%)				39.0%	
<b>Net income (loss)</b>	<b>\$ 5</b>	<b>\$ (22)</b>	<b>\$ (10)</b>	<b>\$ (5)</b>	<b>\$ 42</b>	<b>\$ (19)</b>	<b>\$ (22)</b>	<b>\$ (18)</b>	<b>\$ (4)</b>	<b>\$ 25</b>	<b>68%</b>
% of Revenue	1.0%				8.6%	(3.8%)				5.1%	
<b>Net income (loss) per common share</b>											
Basic	\$ 0.05	\$ (0.20)	\$ (0.09)	\$ (0.05)	\$ 0.38	\$ (0.17)	\$ (0.20)	\$ (0.16)	\$ (0.04)	\$ 0.22	71%
Diluted	\$ 0.04	\$ (0.20)	\$ (0.09)	\$ (0.04)	\$ 0.38	\$ (0.17)	\$ (0.20)	\$ (0.16)	\$ (0.04)	\$ 0.22	68%
<b>Weighted average common shares outstanding</b>											
Basic	109.1				109.1	111.3				111.3	
Diluted <sup>4</sup>	112.0				112.0	111.3				112.3	

1) While Teradata reports its results using generally accepted accounting principles in the U.S. (GAAP), certain non-GAAP financial measures may be used to reflect operational performance and to determine the effectiveness of its business management. Certain special items may be segregated from our GAAP results from time-to-time to reflect the on-going Earnings Per Share performance of the company. Non-GAAP measures should not be used as a substitute for, or superior to, the company's reported GAAP results.

2) Special items for the three months ended December 31, 2020 include \$1 million (\$1 million after-tax) for amortization of acquired intangible assets, \$18 million (\$12 million after-tax) for integration and transformation activities, \$1 million (\$1 million after-tax) for legal fees associated with the lawsuit that we initiated in the second quarter of 2018, \$6 million (\$5 million after-tax) for variable incentive awards that will be settled in equity, \$18 million tax impact for CARES act net operating loss (NOL) carryback benefit offset by \$8 million tax impact to ratably recognize the Company's forecasted annual tax contingency charge for Non-GAAP purposes versus including it in the marginal tax rate for GAAP reporting, and \$1 million tax impact for intra-entity IP gain reversal.

3) Special items for the three months ended December 31, 2019 include \$1 million (\$0 million after-tax) for amortization of acquired intangible assets, \$20 million (\$16 million after-tax) for integration and transformation activities, and \$3 million (\$2 million after-tax) for legal fees associated with the lawsuit that we initiated in the second quarter of 2018.

4) For 2019, diluted shares are excluded from the GAAP diluted share count because their effect would have been anti-dilutive

**TERADATA CORPORATION**  
**RECONCILIATION OF RESULTS - GAAP TO NON-GAAP**  
**Reflects the Impact of Special Items**  
**(in millions, except per share amounts - unaudited)**  
**For the Twelve Months Ended December 31**

	2020					2019					% Change Non-GAAP Yr/Yr
	GAAP	Equity Compensation Expense	Other Special Items <sup>2</sup>	Capitalized Software ASC 985-20	Non-GAAP <sup>1</sup>	GAAP <sup>2</sup>	Equity Compensation Expense	Other Special Items <sup>3</sup>	Capitalized Software ASC 985-20	Non-GAAP <sup>1</sup>	
<b>Revenue</b>											
Recurring	\$ 1,451	\$ -	\$ -	\$ -	\$ 1,451	\$ 1,362	\$ -	\$ -	\$ -	\$ 1,362	7%
Perpetual software licenses and hardware	73	-	-	-	73	106	-	-	-	106	
Consulting services	312	-	-	-	312	431	-	-	-	431	-28%
<b>Total revenue</b>	<b>1,836</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,836</b>	<b>1,899</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,899</b>	<b>-3%</b>
<b>Gross profit</b>											
Recurring	974	(9)	(5)	(22)	1,010	920	(6)	(3)	(25)	954	6%
% of Revenue	67.1%				69.6%	67.5%				70.0%	
Perpetual software licenses and hardware	34	-	-	(1)	35	22	-	-	(8)	30	
% of Revenue	46.6%				47.9%	20.8%				28.3%	
Consulting services	11	(7)	(9)	-	27	13	(8)	(8)	-	29	-7%
% of Revenue	3.5%				8.7%	3.0%				6.7%	
<b>Total gross profit</b>	<b>1,019</b>	<b>(16)</b>	<b>(14)</b>	<b>(23)</b>	<b>1,072</b>	<b>955</b>	<b>(14)</b>	<b>(11)</b>	<b>(33)</b>	<b>1,013</b>	<b>6%</b>
% of Revenue	55.5%				58.4%	50.3%				53.3%	
Selling, general and administrative expenses	669	59	54	-	556	618	43	36	-	539	3%
Research and development expenses	334	26	22	-	286	327	26	10	-	291	-2%
<b>Total expenses</b>	<b>1,003</b>	<b>85</b>	<b>76</b>	<b>-</b>	<b>842</b>	<b>945</b>	<b>69</b>	<b>46</b>	<b>-</b>	<b>830</b>	<b>1%</b>
% of Revenue	54.6%				45.9%	49.8%				43.7%	
<b>Income from operations</b>	<b>16</b>	<b>(101)</b>	<b>(90)</b>	<b>(23)</b>	<b>230</b>	<b>10</b>	<b>(83)</b>	<b>(57)</b>	<b>(33)</b>	<b>183</b>	<b>26%</b>
% of Revenue	0.9%				12.5%	0.5%				9.6%	
Other expense, net	(40)	-	-	-	(40)	(23)	-	-	-	(23)	
<b>(Loss) income before income taxes</b>	<b>(24)</b>	<b>(101)</b>	<b>(90)</b>	<b>(23)</b>	<b>190</b>	<b>(13)</b>	<b>(83)</b>	<b>(57)</b>	<b>(33)</b>	<b>160</b>	<b>19%</b>
Income tax (benefit) expense	(153)	(4)	(188)	(5)	44	7	(10)	(15)	(7)	39	
% Tax rate	637.5%				23.2%	(53.8%)				24.4%	
<b>Net income (loss)</b>	<b>\$ 129</b>	<b>\$ (97)</b>	<b>\$ 98</b>	<b>\$ (18)</b>	<b>\$ 146</b>	<b>\$ (20)</b>	<b>\$ (73)</b>	<b>\$ (42)</b>	<b>\$ (26)</b>	<b>\$ 121</b>	<b>21%</b>
% of Revenue	7.0%				8.0%	(1.1%)				6.4%	
<b>Net income (loss) per common share</b>											
Basic	\$ 1.18	\$ (0.89)	\$ 0.90	\$ (0.16)	\$ 1.34	\$ (0.18)	\$ (0.64)	\$ (0.36)	\$ (0.23)	\$ 1.06	26%
Diluted	\$ 1.16	\$ (0.87)	\$ 0.87	\$ (0.16)	\$ 1.31	\$ (0.18)	\$ (0.63)	\$ (0.35)	\$ (0.23)	\$ 1.05	25%
<b>Weighted average common shares outstanding</b>											
Basic	109.3				109.3	114.2				114.2	
Diluted <sup>4</sup>	111.6				111.6	114.2				115.5	

1) While Teradata reports its results using generally accepted accounting principles in the U.S. (GAAP), certain non-GAAP financial measures may be used to reflect operational performance and to determine the effectiveness of its business management. Certain special items may be segregated from our GAAP results from time-to-time to reflect the on-going Earnings Per Share performance of the company. Non-GAAP measures should not be used as a substitute for, or superior to, the company's reported GAAP results.

2) Special items for the twelve months ended December 31, 2020 include \$4 million (\$3 million after-tax) for amortization of acquired intangible assets, \$53 million (\$39 million after-tax) for integration and transformation activities, \$16 million (\$13 million after-tax) for legal fees associated with the lawsuit that we initiated in the second quarter of 2018, \$17 million (\$14 million after-tax) for variable incentive awards that will be settled in equity, \$156 million tax impact related to the intra-entity IP transfer which occurred in 2020, and \$18 million tax impact for CARES act net operating loss (NOL) carryback benefit offset by \$7 million tax impact to ratably recognize the Company's forecasted annual tax contingency charge for Non-GAAP purposes versus including it in the marginal tax rate for GAAP reporting.

3) Special items for the twelve months ended December 31, 2019 include \$6 million (\$5 million after-tax) for amortization of acquired intangible assets, \$42 million (\$31 million after-tax) for integration and transformation activities, including the Dayton office closure, and \$9 million (\$6 million after tax) for legal fees associated with the lawsuit that we initiated in the second quarter of 2018.

4) For 2019, diluted shares are excluded from the GAAP diluted share count because their effect would have been anti-dilutive

## **Note to Investors**

This document contains forward-looking statements within the meaning of Section 21E of the Securities and Exchange Act of 1934. Forward-looking statements generally relate to opinions, beliefs and projections of expected future financial and operating performance, business trends, and market conditions, among other things. These forward-looking statements are based upon current expectations and assumptions and involve risks and uncertainties that could cause actual results to differ materially, including the factors discussed in this release and those relating to: the global economic environment and business conditions in general or on the ability of our suppliers to meet their commitments to us, or the timing of purchases by our current and potential customers; the rapidly changing and intensely competitive nature of the information technology industry and the data analytics business; fluctuations in our operating results; our ability to realize the anticipated benefits of our business transformation program or other restructuring and cost saving initiatives; risks inherent in operating in foreign countries, including foreign currency fluctuations; risks associated with the ongoing and uncertain impact of the COVID-19 pandemic on our business, financial condition and operating results, including the impact of the COVID-19 pandemic on our customers and suppliers; risks associated with data privacy, cyberattacks and maintaining secure and effective internal information technology and control systems; the timely and successful development, production or acquisition, availability and/or market acceptance of new and existing products, product features and services; tax rates; turnover of workforce and the ability to attract and retain skilled employees; protecting our intellectual property; availability and successful exploitation of new alliance and acquisition opportunities; subscription arrangements may be cancelled or fail to be renewed; the impact on our business and financial reporting from changes in accounting rules; and other factors described from time to time in Teradata's filings with the U.S. Securities and Exchange Commission, including its annual report on Form 10-K for the year ended December 31, 2019 and subsequent quarterly reports on Forms 10-Q, as well as the Company's annual report to stockholders. Teradata does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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