

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 March 31

	2017					2016						% Change Non-GAAP Yr/Yr
	GAAP	Equity Compensation Expense	Other Special Items ³	Capitalized Software ASC 985-20 ⁷	Non-GAAP ¹	GAAP ²	Equity Compensation Expense	Other Special Items ⁴	Marketing Applications ⁵	Capitalized Software ASC 985-20 ⁷	Non-GAAP ¹	
Revenue												
Product and cloud	\$ 166	\$ -	\$ -	\$ -	\$ 166	\$ 208	\$ -	\$ -	\$ 19	\$ -	\$ 189	-12%
Services	325	-	-	-	325	337	-	-	15	-	322	1%
Total revenue	491	-	-	-	491	545	-	-	34	-	511	-4%
Gross profit												
Product and cloud	90	-	(1)	(21)	112	119	-	(2)	10	(16)	127	-12%
% of Revenue	54.2%				67.5%	57.2%					67.2%	
Services	134	(4)	(1)	-	139	150	(4)	(3)	7	-	150	-7%
% of Revenue	41.2%				42.8%	44.5%					46.6%	
Total gross profit	224	(4)	(2)	(21)	251	269	(4)	(5)	17	(16)	277	-9%
% of Revenue	45.6%				51.1%	49.4%					54.2%	
Selling, general and administrative expenses	155	9	19	-	127	174	12	14	17	-	131	-3%
Research and development expenses	70	3	1	-	66	57	5	6	8	(16)	54	22%
Impairment of goodwill and other assets	-	-	-	-	-	80	-	4	76	-	-	NA
Total expenses	225	12	20	-	193	311	17	24	101	(16)	185	4%
% of Revenue	45.8%				39.3%	57.1%					36.2%	
(Loss) income from operations	(1)	(16)	(22)	(21)	58	(42)	(21)	(29)	(84)	-	92	-37%
% of Revenue	(0.2%)				11.8%	(7.7%)					18.0%	
Other expense, net	(1)	-	-	-	(1)	(3)	-	-	-	-	(3)	
(Loss) income before income taxes	(2)	(16)	(22)	(21)	57	(45)	(21)	(29)	(84)	-	89	-36%
Income tax expense	-	(5)	(7)	(8)	20	1	(8)	(10)	(8)	-	27	
% Tax rate	0.0%				35.1%	(2.2%)					30.3%	
Net (loss) income	\$ (2)	\$ (11)	\$ (15)	\$ (13)	\$ 37	\$ (46)	\$ (13)	\$ (19)	\$ (76)	\$ -	\$ 62	-40%
% of Revenue	(0.4%)				7.5%	(8.4%)					12.1%	
Net income (loss) per common share												
Basic	\$ (0.02)	\$ (0.08)	\$ (0.12)	\$ (0.10)	\$ 0.28	\$ (0.36)	\$ (0.10)	\$ (0.15)	\$ (0.59)	\$ -	\$ 0.48	-41%
Diluted	\$ (0.02)	\$ (0.08)	\$ (0.12)	\$ (0.10)	\$ 0.28	\$ (0.36)	\$ (0.10)	\$ (0.15)	\$ (0.58)	\$ -	\$ 0.47	-41%
Weighted average common shares outstanding												
Basic	130.4				130.4	129.4					129.4	
Diluted ⁵	130.4				131.9	129.4					130.9	

- 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) Effective January 1, 2017, as a result of its business transformation initiative, Teradata implemented a new revenue reporting structure, wherein revenues are now reported under "Product and cloud" and "Services" categories. Prior revenue and gross profit data has been reclassified to conform to the current period presentation.
- 3) Special items for the three months ended March 31, 2017 include \$1 million (\$1 million after-tax) for amortization of acquired intangible assets, \$21 million (\$14 million after-tax) for acquisition-related transaction, integration, reorganization and transformation-related expenses, which includes an \$8 million (\$6 million after-tax) transformation charge related to the discontinuation of our prior hardware platforms.
- 4) Special items for the three months ended March 31, 2016 include \$5 million (\$3 million after-tax) for amortization of acquired intangible assets, \$20 million (\$13 million after-tax) for acquisition-related transaction, integration and reorganization expenses, and \$4 million (\$3 million after tax) for impairment of other assets.
- 5) Diluted shares are excluded from the GAAP diluted share count for 2017 & 2016 because their effect would have been anti-dilutive
- 6) The Marketing Applications business was sold on July 1, 2016 and has been excluded from the non-GAAP results for the three months ended March 31, 2016 to enable comparison to current period non-GAAP results. Teradata is using these results to manage and evaluate the business, support operating decisions, and determine the effectiveness of its business management.
- 7) Effective January 1, 2017, the Company is no longer subject to software capitalization policy which requires capitalization and amortization of research and development (R&D) costs in accordance with ASC 985-20, due to the agile nature of its new software. The R&D costs are included and amortization costs are excluded to enable comparison to current period non - GAAP results. Teradata is using these results to manage and evaluate the business, support operating decisions, and determine the effectiveness of its business management.

Teradata calculates free cash flow, a non-GAAP financial measure, as follows:

	Three Months Ended March 31	
	<u>2017</u>	<u>2016</u>
Net income (loss) (GAAP)	\$ (2)	\$ (46)
Net cash provided by operating activities (GAAP)	\$ 248	\$ 250
Less capital expenditures for:		
Expenditures for property and equipment	(16)	(8)
Additions to capitalized software	(2)	(18)
Free Cash Flow (non-GAAP measure) ¹	<u>\$ 230</u>	<u>\$ 224</u>

Note 1: Free cash flow does not have a uniform definition under generally accepted accounting principles in the United States (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 which can be used for among other things, investments in the company's existing businesses, strategic acquisitions, strengthening the company's balance sheet, repurchase of company stock and repay the company's debt obligations. Free cash flow does not represent the residual cash flow available for discretionary expenditures since there may be other non-discretionary expenditures that are not deducted from the measure. This non-GAAP measure should not be considered as a substitute for, or superior to, cash flows from operating activities under GAAP.