

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

	2018					2017					% Change Non-GAAP Yr/Yr
	GAAP	Equity Compensation Expense	Other Special Items ³	Capitalized Software ASC 985-20	Non-GAAP ¹	GAAP ²	Equity Compensation Expense	Other Special Items ⁴	Capitalized Software ASC 985-20	Non-GAAP ¹	
Revenue											
Recurring	\$ 328	\$ -	\$ -	\$ -	\$ 328	\$ 299	\$ -	\$ -	\$ -	\$ 299	10%
Perpetual software licenses and hardware	97	-	-	-	97	158	-	-	-	158	-39%
Consulting services	163	-	-	-	163	169	-	-	-	169	-4%
Total revenue	588	-	-	-	588	626	-	-	-	626	-6%
Gross profit											
Recurring	225	(2)	(2)	(6)	235	218	(1)	-	(5)	224	5%
% of Revenue	68.6%				71.6%	72.9%				74.9%	
Perpetual software licenses and hardware	39	-	1	(5)	43	68	-	-	(10)	78	-45%
% of Revenue	40.2%				44.3%	43.0%				49.4%	
Consulting services	25	(2)	(1)	-	28	21	(2)	-	-	23	22%
% of Revenue	15.3%				17.2%	12.4%				13.6%	
Total gross profit	289	(4)	(2)	(11)	306	307	(3)	-	(15)	325	-6%
% of Revenue	49.1%				52.0%	49.0%				51.9%	
Selling, general and administrative expenses	185	7	18	-	160	170	10	(2)	-	162	-1%
Research and development expenses	81	5	4	-	72	77	4	3	-	70	3%
Total expenses	266	12	22	-	232	247	14	1	-	232	0%
% of Revenue	45.2%				39.5%	39.5%				37.1%	
Income from operations	23	(16)	(24)	(11)	74	60	(17)	(1)	(15)	93	-20%
% of Revenue	3.9%				12.6%	9.6%				14.9%	
Other expense, net	(4)	-	-	-	(4)	(3)	-	1	-	(4)	
Income before income taxes	19	(16)	(24)	(11)	70	57	(17)	-	(15)	89	-21%
Income tax (benefit) expense	4	(2)	(3)	(3)	12	131	(7)	126	(5)	17	
% Tax rate	21.1%				17.1%	229.8%				19.1%	
Net income	\$ 15	\$ (14)	\$ (21)	\$ (8)	\$ 58	\$ (74)	\$ (10)	\$ (126)	\$ (10)	\$ 72	-19%
% of Revenue	2.6%				9.9%	(11.8%)				11.5%	
Net income per common share											
Basic	\$ 0.13	\$ (0.12)	\$ (0.17)	\$ (0.07)	\$ 0.49	\$ (0.61)	\$ (0.08)	\$ (1.04)	\$ (0.08)	\$ 0.59	-17%
Diluted	\$ 0.13	\$ (0.12)	\$ (0.17)	\$ (0.07)	\$ 0.49	\$ (0.61)	\$ (0.08)	\$ (1.03)	\$ (0.08)	\$ 0.58	-16%
Weighted average common shares outstanding											
Basic	117.3				117.3	121.1				121.1	
Diluted ⁵	119.1				119.1	121.1				123.5	

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) Effective January 1, 2018, as a result of its business transformation initiative, Teradata implemented a new revenue reporting structure, wherein revenues are now reported under "Recurring", "Perpetual software licenses and hardware" and "Consulting 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 December 31, 2018 include \$2 million (\$2 million after-tax) for amortization of acquired intangible assets, \$21 million (\$15 million after-tax) for integration and transformation activities, including the Dayton office closure, \$1 million (\$1 million after-tax) for legal fees associated with the lawsuit that we initiated in the second quarter of 2018, and \$3 million tax adjustment for SAB 118 adjustments related to tax reform.

4) Special items for the three months ended December 31, 2017 include \$3 million (\$2 million after-tax) for amortization of acquired intangible assets, \$3 million (\$2 million after-tax) credit for acquisition-related transaction, integration, reorganization and transformation-related expense reversals, and \$126 million tax impact related to 2017 U.S. Tax Reform

5) For 2017, 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

	2018					2017					% Change Non-GAAP Yr/Yr
	GAAP	Equity Compensation Expense	Other Special Items ³	Capitalized Software ASC 985-20	Non-GAAP ¹	GAAP ²	Equity Compensation Expense	Other Special Items ¹	Capitalized Software ASC 985-20	Non-GAAP ¹	
Revenue											
Recurring	\$ 1,254	\$ -	\$ -	\$ -	\$ 1,254	\$ 1,145	\$ -	\$ -	\$ -	\$ 1,145	10%
Perpetual software licenses and hardware	340	-	-	-	340	429	-	-	-	429	
Consulting services	570	-	-	-	570	582	-	-	-	582	-2%
Total revenue	2,164	-	-	-	2,164	2,156	-	-	-	2,156	0%
Gross profit											
Recurring	880	(5)	(2)	(26)	913	841	(3)	-	(24)	868	5%
% of Revenue	70.2%				72.8%	73.4%				75.8%	
Perpetual software licenses and hardware	118	-	1	(23)	140	170	-	-	(47)	217	
% of Revenue	34.7%				41.2%	39.6%				50.6%	
Consulting services	28	(10)	(4)	-	42	13	(10)	(4)	-	27	56%
% of Revenue	4.9%				7.4%	2.2%				4.6%	
Total gross profit	1,026	(15)	(5)	(49)	1,095	1,024	(13)	(4)	(71)	1,112	-2%
% of Revenue	47.4%				50.6%	47.5%				51.6%	
Selling, general and administrative expenses	666	33	38	-	595	651	40	28	-	583	2%
Research and development expenses	317	18	9	-	290	305	15	13	-	277	5%
Total expenses	983	51	47	-	885	956	55	41	-	860	3%
% of Revenue	45.4%				40.9%	44.3%				39.9%	
Income from operations	43	(66)	(52)	(49)	210	68	(68)	(45)	(71)	252	-17%
% of Revenue	2.0%				9.7%	3.2%				11.7%	
Other expense, net	(16)	-	-	-	(16)	(10)	-	2	-	(12)	
Income before income taxes	27	(66)	(52)	(49)	194	58	(68)	(43)	(71)	240	-19%
Income tax (benefit) expense	(3)	(12)	(16)	(13)	38	125	(21)	105	(26)	67	
% Tax rate	(11.1%)				19.6%	215.5%				27.9%	
Net income	\$ 30	\$ (54)	\$ (36)	\$ (36)	\$ 156	\$ (67)	\$ (47)	\$ (148)	\$ (45)	\$ 173	-10%
% of Revenue	1.4%				7.2%	(3.1%)				8.0%	
Net income per common share											
Basic	\$ 0.25	\$ (0.46)	\$ (0.30)	\$ (0.30)	\$ 1.31	\$ (0.53)	\$ (0.37)	\$ (1.18)	\$ (0.36)	\$ 1.38	-5%
Diluted	\$ 0.25	\$ (0.44)	\$ (0.30)	\$ (0.30)	\$ 1.29	\$ (0.53)	\$ (0.37)	\$ (1.16)	\$ (0.35)	\$ 1.35	-5%
Weighted average common shares outstanding											
Basic	119.2				119.2	125.8				125.8	
Diluted ⁵	121.2				121.2	125.8				127.8	

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, 2018, as a result of its business transformation initiative, Teradata implemented a new revenue reporting structure, wherein revenues are now reported under "Recurring", "Perpetual software licenses and hardware" and "Consulting services" categories. Prior revenue and gross profit data has been reclassified to conform to the current period presentation.

3) Special items for the twelve months ended December 31, 2018 include \$6 million (\$6 million after-tax) for amortization of acquired intangible assets, \$43 million (\$31 million after-tax) for integration and transformation activities, including the Dayton office closure, \$3 million (\$3 million after tax) for legal fees associated with the lawsuit that we initiated in the second quarter of 2018, and \$4 million tax benefit for SAB 118 adjustments related to tax reform.

4) Special items for the twelve months ended December 31, 2017 include \$8 million (\$6 million after-tax) for amortization of acquired intangible assets, \$35 million (\$22 million after-tax) for acquisition-related transaction, integration and reorganization expenses, \$6 million tax impact related to a reversal of TMA uncertain tax positions, and a \$126 million tax impact related to 2017 U.S. Tax Reform.

5) For 2017, diluted shares are excluded from the GAAP diluted share count because their effect would have been anti-dilutive.

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

	Three Months Ended December 31		Twelve Months Ended December 31	
	2018	2017	2018	2017
Net Income (GAAP)	\$ 15	\$ (74)	\$ 30	\$ (67)
Net cash provided by operating activities (GAAP)	\$ 107	\$ 23	\$ 364	\$ 324
Less capital expenditures for:				
Expenditures for property and equipment	(61)	(19)	(153)	(78)
Additions to capitalized software	(2)	(2)	(7)	(9)
Free Cash Flow (non-GAAP measure) ¹	\$ 44	\$ 2	\$ 204	\$ 237

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.