

TERADATA CORP /DE/  
Form 10-Q  
August 06, 2018  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018  
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 001-33458

TERADATA CORPORATION  
(Exact name of registrant as specified in its charter)  
Delaware 75-3236470  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
10000 Innovation Drive  
Dayton, Ohio 45342

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (866) 548-8348

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

At July 31, 2018, the registrant had approximately 119.1 million shares of common stock outstanding.

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## Part 1—FINANCIAL INFORMATION

## Item 1. Financial Statements.

## Teradata Corporation

## Condensed Consolidated Statements of Income (Loss) (Unaudited)

	Three Months		Six Months	
	Ended		Ended	
	June 30,		June 30,	
In millions, except per share amounts	2018	2017	2018	2017
Revenue				
Recurring	\$312	\$281	\$614	\$554
Perpetual software licenses and hardware	97	91	166	181
Consulting services	135	141	270	269
Total revenue	544	513	1,050	1,004
Cost of revenue				
Cost of recurring	88	72	178	139
Cost of perpetual software licenses and hardware	73	57	121	118
Cost of consulting services	133	142	278	280
Total cost of revenue	294	271	577	537
Gross profit	250	242	473	467
Operating expenses				
Selling, general and administrative expenses	163	165	315	320
Research and development expenses	77	78	152	148
Total operating expenses	240	243	467	468
Income (loss) from operations	10	(1)	6	(1)
Other expense, net				
Interest expense	(5)	(4)	(10)	(7)
Interest income	4	3	7	5
Other expense	(3)	(1)	(5)	(2)
Total other expense, net	(4)	(2)	(8)	(4)
Income (loss) before income taxes	6	(3)	(2)	(5)
Income tax expense	2	1	1	1
Net income (loss)	\$4	\$(4)	\$(3)	\$(6)
Net income (loss) per weighted average common share				
Basic	\$0.03	\$(0.03)	\$(0.02)	\$(0.05)
Diluted	\$0.03	\$(0.03)	\$(0.02)	\$(0.05)
Weighted average common shares outstanding				
Basic	119.5	127.9	120.4	129.2
Diluted	121.5	127.9	120.4	129.2

See Notes to Condensed Consolidated Financial Statements (Unaudited).

## Teradata Corporation

## Condensed Consolidated Statements of Comprehensive (Loss) Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
In millions	2018	2017	2018	2017
Net income (loss)	\$4	\$(4)	\$(3)	\$(6)
Other comprehensive income:				
Foreign currency translation adjustments	(21)	5	(17)	10
Derivatives				
Unrealized loss on derivatives, before tax	(3)	—	(3)	—
Unrealized loss on derivatives, tax portion	—	—	—	—
Unrealized loss on derivatives, net of tax	(3)	—	(3)	—
Defined benefit plans:				
Defined benefit plan adjustment, before tax	4	1	4	2
Defined benefit plan adjustment, tax portion	(1)	—	(1)	—
Defined benefit plan adjustment, net of tax	3	1	3	2
Other comprehensive (loss) income	(21)	6	(17)	12
Comprehensive (loss) income	\$(17)	\$2	\$(20)	\$6

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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Condensed Consolidated Balance Sheets (Unaudited)

In millions, except per share amounts	June 30, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	\$882	\$ 1,089
Accounts receivable, net	369	554
Inventories	28	30
Other current assets	104	77
Total current assets	1,383	1,750
Property and equipment, net	187	162
Capitalized software, net	95	121
Goodwill	397	399
Acquired intangible assets, net	19	23
Deferred income taxes	54	57
Other assets	68	44
Total assets	\$2,203	\$ 2,556
Liabilities and stockholders' equity		
Current liabilities		
Current portion of long-term debt	\$6	\$ 60
Short-term borrowings	—	240
Accounts payable	83	74
Payroll and benefits liabilities	136	173
Deferred revenue	461	414
Other current liabilities	88	102
Total current liabilities	774	1,063
Long-term debt	491	478
Pension and other postemployment plan liabilities	109	109
Long-term deferred revenue	109	85
Deferred tax liabilities	8	4
Other liabilities	140	149
Total liabilities	1,631	1,888
Commitments and contingencies (Note 9)		
Stockholders' equity		
Preferred stock: par value \$0.01 per share, 100.0 shares authorized, no shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	—	—
Common stock: par value \$0.01 per share, 500.0 shares authorized, 119.0 and 121.9 shares issued at June 30, 2018 and December 31, 2017, respectively	1	1
Paid-in capital	1,376	1,320
Accumulated deficit	(714 )	(579 )
Accumulated other comprehensive loss	(91 )	(74 )
Total stockholders' equity	572	668
Total liabilities and stockholders' equity	\$2,203	\$ 2,556
See Notes to Condensed Consolidated Financial Statements (Unaudited).		

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Condensed Consolidated Statements of Cash Flows (Unaudited)

In millions	Six Months Ended June 30, 2018 2017	
Operating activities		
Net loss	\$(3)	\$(6)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	64	70
Stock-based compensation expense	35	35
Deferred income taxes	(6 )	(20 )
Changes in assets and liabilities:		
Receivables	185	192
Inventories	2	(8 )
Current payables and accrued expenses	(31 )	(13 )
Deferred revenue	90	58
Other assets and liabilities	(46)	1
Net cash provided by operating activities	290	309
Investing activities		
Expenditures for property and equipment	(58)	(30 )
Additions to capitalized software	(4 )	(4 )
Business acquisitions and other investing activities, net	—	(18 )
Net cash used in investing activities	(62)	(52 )
Financing activities		
Repurchases of common stock	(157)	(151)
Repayments of long-term borrowings	(40)	