

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

(State or other jurisdiction of
incorporation or organization)

75-3236470

(I.R.S. Employer
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 ☒

Non-accelerated filer ☐

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)

In millions, except per share amounts	Three Months Ended June 30,		Six Months Ended June 30,	
	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)

In millions	Three Months Ended June 30,		Six Months Ended June 30,	
	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	<u>\$ (17)</u>	<u>\$ 2</u>	<u>\$ (20)</u>	<u>\$ 6</u>

See Notes to Condensed Consolidated Financial Statements (Unaudited).

Teradata Corporation
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).

Teradata Corporation
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)	(15)
Repayments of credit facility borrowings	(240)	—
Other financing activities, net	18	12
Net cash used in financing activities	(419)	(154)
Effect of exchange rate changes on cash and cash equivalents	(15)	8
(Decrease) increase in cash, cash equivalents and restricted cash	(206)	111
Cash, cash equivalents and restricted cash at beginning of period	1,089	974
Cash, cash equivalents and restricted cash at end of period	\$ 883	\$ 1,085

Reconciliation of cash, cash equivalents and restricted cash to the Consolidated Balance Sheets

	June 30, 2018	Dec 31, 2017
Cash and cash equivalents	\$ 882	\$ 1,089
Restricted cash	1	—
Total cash, cash equivalents and restricted cash	\$ 883	\$ 1,089

See Notes to Condensed Consolidated Financial Statements (Unaudited).

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Basis of Presentation

These statements have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (“SEC”) and, in accordance with those rules and regulations, do not include all information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). In the opinion of management, the condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to fairly state the results of operations, financial position and cash flows of Teradata Corporation (“Teradata” or the “Company”) for the interim periods presented herein. The year-end 2017 condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make use of estimates and assumptions that affect the reported amounts and disclosures. Actual results may vary from these estimates.

These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in Teradata’s most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the “2017 Annual Report”). The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the full year. Prior period amounts have been restated to conform to the current year presentation, unless otherwise stated that the prior period amounts have not been restated.

During the first quarter of 2018, the Company changed its historical presentation of its revenue and cost of revenue categories. Previously, the Company presented revenue and cost of revenue on two lines: product and cloud, and services. As part of the Company’s business transformation, the Company is transitioning away from perpetual software to subscription-based transactions. To better reflect this shift in the business, the Company adopted a revised presentation in the first quarter of 2018, including the separation of recurring revenue from non-recurring product and consulting services. Recurring revenue consists of our on-premises and off-premises subscriptions, including subscription licenses recognized on a month-to-month basis, subscriptions recognized over time, software upgrade rights on perpetual software licenses, maintenance and managed services. Recurring revenue is intended to depict the revenue recognition model for these transactions. The recurrence of these revenue streams in future periods depends on a number of factors, including contractual periods and customers’ renewal decisions. Perpetual software licenses and hardware revenue consists of hardware and perpetual software licenses. Consulting services revenue consists of consulting, implementation and installation services.

In connection with these revisions, the Company also revised its cost of revenue classification to present costs associated with the new revenue presentation. This change in presentation does not affect the Company’s total revenues, total cost of revenues or overall total gross profit (defined as total revenue less total cost of revenue).

2. New Accounting Pronouncements

Leases. In February 2016, the Financial Accounting Standards Board (FASB) issued new guidance which requires a lessee to account for leases as finance or operating leases. Both leases will result in the lessee recognizing a right-of-use asset and a corresponding lease liability on its balance sheet, with differing methodology for income statement recognition. For lessors, the standard modifies the classification criteria and the accounting for sales-type and direct financing leases. Entities will classify leases to determine how to recognize lease-related revenue and expense. This standard is effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2018, and early adoption is permitted. A modified retrospective approach is required for leases existing or entered into after the beginning of the earliest comparative period in the consolidated financial statements. The Company is currently assessing the impact of this update on its consolidated financial statements. We currently believe that the most significant changes will be related to the recognition of right-of-use assets and lease liabilities on our consolidated balance sheets for real estate and equipment leases that are currently classified as operating leases and therefore not recorded on the consolidated balance sheets.

Comprehensive Income. In February 2018, the FASB issued new guidance for Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (ASU 2018-02), which allows companies to reclassify stranded tax effects resulting from the Tax Reform Act, from accumulated other comprehensive income to retained earnings. The amendments are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company is currently evaluating this guidance to determine the impact it may have on its consolidated financial statements.

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. In June 2018, the FASB issued new guidance to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments are intended to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. The Company is currently evaluating this guidance to determine the impact it may have on its consolidated financial statements.

Recently Adopted Guidance

Revenue Recognition. In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (“Topic 606”) that affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. Topic 606 will supersede the revenue recognition requirements of the prior revenue recognition guidance used prior to January 1, 2018. In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer are amended to be consistent with the guidance on recognition and measurement in this update. The Company adopted Topic 606 as of January 1, 2018 using the modified retrospective method for all contracts not completed as of the date of adoption. The reported results for 2018 reflect the application of Topic 606 while the reported results for 2017 were prepared under the guidance of Accounting Standards Codification 605, *Revenue Recognition*, which is also referred to herein as the “previous guidance.” As a result, prior periods have not been restated and continue to be reported under the previous guidance. The cumulative effect of applying Topic 606 was recorded as an adjustment to accumulated deficit as of the adoption date. See Note 3 for the required disclosures related to the impact of adopting this standard and a discussion of the Company's updated policies related to revenue recognition. See Note 4 for costs to obtain and fulfill a customer contract.

Presentation of Net Periodic Pension Cost and Net Periodic Post-Retirement Benefit Cost. In March 2017, the FASB issued accounting guidance for “Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-Retirement Benefit Cost.” The amendment requires the service cost component of net periodic benefit cost be presented in the same income statement line item as other employee compensation costs arising from services rendered during the period and other components of the net periodic benefit cost be presented separately from the line item that includes the service cost and outside of any subtotal of operating income. The Company adopted this amended guidance in the first quarter of 2018. The retroactive adoption of this standard resulted in an increase in operating income and a corresponding increase in other expense for the three months ended June 30 of \$1 million in 2018 and \$1 million in 2017 and for the six months ended June 30 of \$3 million in 2018 and \$2 million in 2017.

Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments. In August 2016, the FASB issued an update addressing eight specific cash flow issues to reduce diversity in practice. The Company adopted this amended guidance in the first quarter of 2018. The impact on the Company's consolidated statements of cash flows was immaterial.

Classification of restricted cash. In December 2016, the FASB issued accounting guidance to address diversity in the classification and presentation of changes in restricted cash on the statement of cash flows. Under this guidance, companies will be required to present restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the statement of cash flows. The Company has adopted this amended guidance in the first quarter of 2018. The retroactive adoption impact for the

six months ended June 30, 2017 to cash, cash equivalents and restricted cash at the beginning and at the end of period was less than \$1 million on our consolidated statements of cash flows.

Financial Instruments. In January 2016, the FASB issued new guidance which enhances the reporting model for financial instruments and related disclosures. This update requires equity securities to be measured at fair value with changes in fair value recognized through net income and will eliminate the cost method for equity securities without readily determinable fair values. The Company adopted this amended guidance in the first quarter of 2018. The impact on the Company's consolidated financial statements was immaterial.

Intra-entity asset transfers. In October 2016, the FASB issued accounting guidance to simplify the accounting for income tax consequences of intra-entity transfers of assets other than inventory. Under this guidance, companies will be required to recognize the income tax consequences of an intra-entity asset transfer when the transfer occurs. Current guidance prohibits companies from recognizing current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. The guidance must be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the period of adoption. The Company adopted this amended guidance in the first quarter of 2018. The impact on the Company's consolidated financial statements was immaterial.

Clarification on the definition of a business . In January 2017, the FASB issued accounting guidance to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The Company adopted this amended guidance in the first quarter of 2018. The impact on the Company's consolidated financial statements was immaterial.

Stock Compensation . In May 2017, the FASB issued accounting guidance for "Compensation—Stock Compensation (Topic 718) - Scope of Modification Accounting." The amendments in this update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The current disclosure requirements in Topic 718 apply regardless of whether an entity is required to apply modification accounting under the amendments in this update. The Company has adopted this amended guidance in the first quarter of 2018. The impact on the Company's consolidated financial statements was immaterial.

Derivatives and Hedging (Topic 815), Targeted Improvements to Accounting for Hedging Activities. In August 2017, the FASB issued new guidance that intends to simplify the application of hedge accounting guidance and better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The Company has adopted this amended guidance during the second quarter of 2018 and applied it to the interest rate swap described in Note 11. The impact on the Company's consolidated financial statements was immaterial.

3. Revenue from Contracts with Customers

The Company adopted Topic 606 as of January 1, 2018 for all contracts not completed as of the date of adoption. The core principle of Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. To achieve that core principle, the Company performs the following five steps:

1. identify the contract with a customer,
2. identify the performance obligations in the contract,
3. determine the transaction price,
4. allocate the transaction price to the performance obligations in the contract, and

5. recognize revenue when (or as) the Company satisfies a performance obligation.

The Company only applies the five-step model to contracts when it is probable that the Company will collect the consideration it is entitled to in exchange for goods or services it transfers to the customer. The Company applies judgment in determining the customer's ability and intention to pay, which is based on a variety of factors including the customer's historical payment experience, published credit, and financial information pertaining to the customer.

Revenue is measured based on consideration specified in a contract with a customer, and excludes any sales, value add, and other taxes the Company collects concurrent with revenue-producing activities. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a good or service to a customer. Estimates of variable consideration are included in revenue to the extent that it is probable that a significant reversal of cumulative revenue will not occur once the uncertainty is resolved. The Company uses the expected value method or the most likely amount method depending on the nature of the variable consideration. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available to us. If actual results in the future vary from the Company's estimates, the Company adjusts these estimates in the period such variances become known. Typically, the amount of variable consideration is not material.

For contracts with multiple performance obligations, the Company allocates the contract's transaction price to each performance obligation using the relative standalone selling price of each distinct good or service in the contract. The Company must apply judgment to determine whether promised goods or services are capable of being distinct and distinct within the context of the contract. If these criteria are not met, the promised goods or services are combined with other goods or services and accounted for as a combined performance obligation. Revenue is then recognized either at a point in time or over time depending on our evaluation of when the customer obtains control of the promised goods or services. This evaluation requires significant judgment and the decision to combine a group of contracts or separate the combined or single contract into multiple performance obligations could change the amount of revenue recorded in a given period. In addition, the Company has developed assumptions that require judgment to determine the standalone selling price for each performance obligation identified in the contract. The Company determines the standalone selling price for a good or service by considering multiple factors including, geographies, market conditions, product life cycles, competitive landscape, internal costs, gross margin objectives, purchase volumes and pricing practices. The Company reviews the standalone selling price for each of its performance obligations on a periodic basis and updates it, when appropriate, to ensure that the practices employed reflect the Company's recent pricing experience. The Company maintains internal controls over the establishment and updates of these estimates, which includes review and approval by the Company's management.

Teradata delivers its solutions primarily through direct sales channels, as well as through other independent software vendors and distributors, and value-added resellers. Standard payment terms may vary based on the country in which the contract is executed, but are generally between 30 days and 90 days. The following is a description of the principal activities and performance obligations from which the Company generates its revenue:

- **Subscriptions** - The Company sells on and off-premises subscriptions to our customers through our subscription licenses, cloud, service model, and rental offerings. Teradata's subscription licenses include a right-to-use license and revenue is recognized upfront at a point in time unless the customer has a contractual right to cancel, where revenue is recognized on a month-to-month basis. Cloud and service model arrangements include a right-to-access software license on Teradata owned or third party owned hardware such as the public cloud. Revenue is recognized ratably over the contract term. Service models typically include a minimum fixed amount that is recognized ratably over the contract term and may include an elastic amount for usage above the minimum, which is recognized monthly based on actual utilization. For our rental offering, the Company owns the hardware and may or may not provide managed services. The revenue for these arrangements is generally recognized straight-line over the term of the contract and is generally accounted for as an operating lease and considered outside the scope of Topic 606.
- **Maintenance and software upgrade rights** - Revenue for maintenance and unspecified software upgrade rights on a when-an-if-available basis are recognized straight-line over the term of the contract.

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- **Perpetual software licenses and hardware** - Revenue for software is generally recognized when the customer has the ability to use and benefit from its right to use the license. Hardware is typically recognized upon delivery once title and risk of loss have been transferred (when control has passed).
- **Consulting services** - Revenue for consulting, implementation and installation services is recognized as services are provided. The Company accounts for individual services as separate performance obligations if a service is separately identifiable from other items in a combined arrangement and if a customer can benefit from it on its own or with other resources that are readily available to the customer.

Disaggregation of Revenue from Contracts with Customers

The following table presents a disaggregation of revenue

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2018	2017*	2018	2017*
Americas				
Recurring	\$ 197	\$ 182	\$ 391	\$ 361
Perpetual software licenses and hardware	41	35	63	68
Consulting services	49	54	97	109
Total Americas	287	271	551	538
International				
Recurring	113	99	222	193
Perpetual software licenses and hardware	57	56	104	113
Consulting services	87	87	173	160
Total International	257	242	499	466
Total Revenue	\$ 544	\$ 513	\$ 1,050	\$ 1,004

*As noted above, prior period amounts have not been adjusted under the modified retrospective adoption method of Topic 606; however, as discussed in Note 1, prior period amounts have been reclassified to conform to the current year presentation.

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, contract assets, and customer advances and deposits (deferred revenue or contract liabilities) on the condensed consolidated balance sheet. Accounts receivable include amounts due from customers that are unconditional. Contract assets relate to the Company's rights to consideration for goods delivered or services completed and recognized as revenue but billing and the right to receive payment is conditional upon the completion of other performance obligations. Contract assets are included in other current assets on the balance sheet and are transferred to accounts receivable when the rights become unconditional. Deferred revenue consists of advance payments and billings in excess of revenue recognized. Deferred revenue is classified as either current or noncurrent based on the timing of when the Company expects to recognize revenue. These assets and liabilities are reported on a contract-by-contract basis at the end of each reporting period. The following table provides information about receivables, contract assets and deferred revenue from contracts with customers:

(in millions)	June 30, 2018	January 1, 2018 (as adjusted)
Accounts receivable, net	\$ 369	\$ 534
Contract assets	10	20
Current deferred revenue	461	395
Long-term deferred revenue	109	85

Revenue recognized during the six months ended June 30, 2018 from amounts included in deferred revenue at the beginning of the period was approximately \$335 million .

Transaction Price Allocated to the Unsatisfied Obligations

The following table includes estimated revenue expected to be recognized in the future related to the Company's unsatisfied (or partially satisfied) obligations at June 30, 2018:

(in millions)	Total at June 30, 2018	Year 1	Year 2 and Thereafter
Remaining unsatisfied obligations	\$ 1,820	\$ 950	\$ 870

The amounts above represent the price of firm orders for which work has not been performed or goods have not been delivered and exclude unexercised contract options outside the stated contractual term that do not represent material rights to the customer. Although the Company believes that the contract value in the above table is firm, approximately \$923 million of the amount includes customer-only general cancellation for convenience terms that the Company is contractually obligated to perform unless the customer notifies us. The Company expects to recognize revenue of approximately \$522 million in the next year from contracts that are non-cancelable. Customers typically do not cancel before the end of the contractual term and historically the Company has seen very little churn in its customer base. The Company believes the inclusion of this information is important to understanding the obligations that the Company is contractually required to perform and provides useful information regarding remaining obligations related to these executed contracts. Further, the Company has historically generated a large portion of our business each quarter by orders that are sold and fulfilled within the same reporting period. Therefore, the amount of remaining obligations may not be a meaningful indicator of future results.

Significant Accounting Policies and Practical Expedients

The following are the Company's significant accounting policies not already disclosed elsewhere and practical expedients relating to revenue from contracts with customers:

- Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue.
- Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as fulfillment cost and are included in cost of revenues.
- The Company does not adjust for the effects of a significant financing component if the period between performance and customer payment is one year or less.
- The Company expenses the costs to obtain a contract as incurred when the expected amortization period is one year or less.

Impacts on Financial Statements

The Company adopted Topic 606 using the modified retrospective method. The cumulative effect of applying the new guidance to all contracts with customers that were not completed as of January 1, 2018 was recorded as an adjustment to accumulated deficit as of the adoption date. As a result of applying the modified retrospective method to adopt Topic 606, the following adjustments were made to accounts on the condensed consolidated balance sheets as of January 1, 2018:

- The Company reduced current deferred revenue and accumulated deficit by \$19 million for contracts that were not complete as of the date of adoption and would have been recognized in a prior period under Topic 606. The revenue adjustment primarily relates to term licenses that are recognized upfront under Topic 606 but were recognized ratably under the previous guidance.

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- Prior to the adoption of Topic 606, the Company expensed sales commissions on long-term contracts. Under Topic 606, the Company capitalizes these incremental costs of obtaining customer contracts. The impact of this change resulted in an increase of other assets and a reduction in accumulated deficit of \$17 million on January 1, 2018.
- The tax impact of these items was \$10 million, which was recorded as a deferred tax liability, resulting in a net \$26 million reduction in accumulated deficit on January 1, 2018.
- In addition, the Company reclassified \$20 million of contract assets from accounts receivable to other current assets on January 1, 2018.

The following summarizes the significant changes on the Company's condensed consolidated financial statements for the three and six months ended June 30, 2018 as a result of the adoption of Topic 606 on January 1, 2018 compared to if the Company had continued to recognize revenue under the previous guidance:

- The impact to revenues was a net increase of \$19 million and \$20 million for the three and six months ended June 30, 2018 under Topic 606.
- Topic 606 resulted in the amortization of capitalized contract costs that were recorded as part of the cumulative effect adjustment upon adoption. The amortization of these capitalized costs was offset by new capitalized costs in the period resulting in \$3 million and \$8 million less selling, general and administrative expenses for the three and six months ended June 30, 2018 under Topic 606.
- As a result of the higher revenue and capitalization of contract costs under Topic 606, net income reported under Topic 606 was higher by \$4 million or \$0.03 per share for the three months ended June 30, 2018 and higher by \$8 million or \$0.07 for the six months ended June 30, 2018.
- Total reported assets at June 30, 2018 were \$8 million higher under Topic 606, which includes \$24 million of capitalized contract costs that were expensed as incurred under the previous guidance, partially offset by \$16 million of deferred costs related to the timing of revenue that would have been deferred under the previous guidance but recognized under Topic 606.
- Total reported liabilities were \$36 million less under Topic 606 primarily due to revenue that would have been deferred and recognized over time under the previous guidance, but is recognized upfront under Topic 606.
- The adoption of Topic 606 had no impact on the Company's total cash flows from operations.

4. Contract Costs

The Company capitalizes sales commissions and other contract costs that are incremental direct costs of obtaining customer contracts if the expected amortization period of the asset is greater than one year. These costs are recorded in Other Assets on the Company's balance sheet. The capitalized amounts are calculated based on the total contract value for individual multi-term contracts. The judgments made in determining the amount of costs incurred include whether the commissions are in fact incremental and would not have occurred absent the customer contract. Costs to obtain a contract are amortized as selling, general and administrative expenses on a straight-line basis over the expected period of benefit, which is typically four years. These costs are periodically reviewed for impairment. The following table identifies the activity relating to capitalized contract costs:

(in millions)	January 1, 2018	Capitalized	Amortization	June 30, 2018
Capitalized contract costs	17	10	(3)	24

5. Supplemental Financial Information

In millions	As of	
	June 30, 2018	December 31, 2017
Inventories		
Finished goods	\$ 17	\$ 18
Service parts	11	12
Total inventories	\$ 28	\$ 30
Deferred revenue		
Deferred revenue, current	\$ 461	\$ 414
Long-term deferred revenue	109	85
Total deferred revenue	\$ 570	\$ 499

6. Acquired Intangible Assets

Acquired intangible assets were specifically identified when acquired, and are deemed to have finite lives. The gross carrying amount and accumulated amortization for the Company's acquired intangible assets were as follows:

In millions	Amortization Life (in Years)	June 30, 2018		December 31, 2017	
		Gross Carrying Amount	Accumulated Amortization and Currency Translation Adjustments	Gross Carrying Amount	Accumulated Amortization and Currency Translation Adjustments
Acquired intangible assets					
Intellectual property/developed technology	3 to 5	\$ 35	\$ (16)	\$ 43	\$ (20)

The gross carrying amount of acquired intangibles was reduced by certain intangible assets previously acquired that became fully amortized and were removed from the balance sheet.

The aggregate amortization expense (actual and estimated) for acquired intangible assets is as follows:

In millions	Three Months Ended June 30		Six Months Ended June 30,	
	2018	2017	2018	2017
Amortization expense	\$ 2	\$ 1	\$ 4	\$ 3

In millions	Actual	For the years ended (estimated)				
	2017	2018	2019	2020	2021	2022
Amortization expense	\$ 8	\$ 7	\$ 6	\$ 4	\$ 4	\$ 2

7. Income Taxes

Income tax provisions for interim periods are based on estimated annual income tax rates, adjusted to reflect the effects of any significant infrequent or unusual items which are required to be discretely recognized within the current interim period. As a result of the Tax Cuts and Jobs Act of 2017 ("the 2017 Tax Act"), the Company changed its indefinite reversal assertion related to its undistributed earnings of its foreign subsidiaries and no longer considers a majority of its foreign earnings permanently reinvested outside of the United States (the "U.S."). As a result, the effective tax rates in the periods presented are largely based upon the forecasted pre-tax earnings mix and allocation of certain expenses in various taxing jurisdictions where the Company conducts its business.

The effective tax rate is as follows:

In millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Effective tax rate	33.3%	(33.3)%	(50.0)%	(20.0)%

Discrete tax items related to interest accruals on uncertain tax positions and equity based compensation resulted in income tax expense of \$1 million on a pre-tax net loss of \$2 million for the six months ended June 30, 2018, resulting in an effective income tax rate of (50.0%).

Discrete tax items related to interest accruals on uncertain tax positions and equity based compensation resulted in income tax expense of \$1 million on pre-tax net losses of \$3 million and \$5 million for the three and six months ended June 30, 2017, respectively.

On July 24, 2018, the Ninth Circuit Court of Appeals issued an opinion in Altera Corp. v. Commissioner requiring related parties in an intercompany cost-sharing arrangement to share expenses related to stock-based compensation. This opinion reversed the prior decision of the U.S. Tax Court. The Company is evaluating the opinion as it applies to our facts and circumstances and whether it will increase our effective tax rate beginning in the third quarter.

On August 1, 2018, the Internal Revenue Service issued new proposed regulations implementing the new Internal Revenue Code Section 965, related to the repatriation tax that was passed by the 2017 Tax Act; the Company is in the process of analyzing the impact of the new proposed regulations and the 2017 Tax Act in accordance with Staff Accounting Bulletin No. 118.

8. Derivative Instruments and Hedging Activities

As a portion of Teradata's operations is conducted outside the U.S. and in currencies other than the U.S. dollar, the Company is exposed to potential gains and losses from changes in foreign currency exchange rates. In an attempt to mitigate the impact of currency fluctuations, the Company uses foreign exchange forward contracts to hedge transactional exposures resulting predominantly from foreign currency denominated inter-company receivables and payables. The forward contracts are designated as fair value hedges of specified foreign currency denominated inter-company receivables and payables and generally mature in three months or less. The fair values of foreign exchange contracts are based on market spot and forward exchange rates and represent estimates of possible value that may not be realized in the future. Across its portfolio of contracts, Teradata has both long and short positions relative to the U.S. dollar. As a result, Teradata's net involvement is less than the total contract notional amount of the Company's foreign exchange forward contracts.

Gains and losses from the Company's fair value hedges (foreign currency forward contracts and related hedged items) were immaterial for the three and six months ended June 30, 2018 and immaterial for the three and six months June 30, 2017. Gains and losses from foreign exchange forward contracts are fully recognized each period.

and reported along with the offsetting gain or loss of the related hedged item, either in cost of revenues or in other income (expense), depending on the nature of the related hedged item.

In June 2018, Teradata executed a five-year interest rate swap with a \$500 million initial notional amount to hedge the floating interest rate of its Term Loan, as more fully described in Note 11. The Company uses interest rate swaps to manage interest rate risks on future interest payments caused by interest rate changes on its variable rate term loan facility. The notional amount of the hedge will step-down according to the amortization schedule of the term loan.

The Company performed an initial effectiveness assessment during the period on the interest rate swap and the hedge was determined to be effective. The hedge will be evaluated qualitatively on a quarterly basis for effectiveness. Changes in fair value will be recorded in Accumulated Other Comprehensive Income and periodic settlements of the swap will be recorded in interest expense along with the interest on amounts outstanding under the term loan facility. See Note 10 for additional disclosures related to the fair value of the hedge.

The following table identifies the contract notional amount of the Company's derivative financial instruments:

In millions	As of	
	June 30, 2018	December 31, 2017
Contract notional amount of foreign exchange forward contracts	\$ 92	\$ 147
Net contract notional amount of foreign exchange forward contracts	\$ 34	\$ 23
Interest rate swap	\$ 500	\$ —

All derivatives are recognized in the consolidated balance sheets at their fair value. The notional amounts represent agreed-upon amounts on which calculations of dollars to be exchanged are based and are an indication of the extent of Teradata's involvement in such instruments. These notional amounts do not represent amounts exchanged by the parties and, therefore, are not a measure of the instruments. Refer to Note 10 for disclosures related to the fair value of all derivative assets and liabilities.

The Company does not hold or issue derivative financial instruments for trading purposes, nor does it hold or issue leveraged derivative instruments. By using derivative financial instruments to hedge exposures to changes in foreign exchange and interest rates, the Company exposes itself to credit risk. The Company manages exposure to counterparty credit risk by entering into derivative financial instruments with highly rated institutions that can be expected to fully perform under the terms of the applicable contracts.

9. Commitments and Contingencies

In the ordinary course of business, the Company is subject to proceedings, lawsuits, governmental investigations, claims and other matters, including those that relate to the environment, health and safety, employee benefits, export compliance, intellectual property, tax matters and other regulatory compliance and general matters. We are not currently a party to any litigation, nor are we aware of any pending or threatened litigation against us that we believe would materially affect our business, operating results, financial condition or cash flows.

Guarantees and Product Warranties. Guarantees associated with the Company's business activities are reviewed for appropriateness and impact to the Company's financial statements. Periodically, the Company's customers enter into various leasing arrangements coordinated with a leasing company. In some instances, the Company guarantees the leasing company a minimum value at the end of the lease term on the leased equipment. As of June 30, 2018, the maximum future payment obligation of this guaranteed value and the associated liability balance was \$4 million.

The Company provides its customers a standard manufacturer's warranty and records, at the time of the sale, a corresponding estimated liability for potential warranty costs. Estimated future obligations due to warranty claims are based upon historical factors such as labor rates, average repair time, travel time, number of service calls and

cost of replacement parts. For each consummated sale, the Company recognizes the total customer revenue and records the associated warranty liability under other current liabilities in the balance sheet using pre-established warranty percentages for that product class.

The following table identifies the activity relating to the warranty reserve for the six months ended June 30 :

In millions	2018	2017
Warranty reserve liability		
Beginning balance at January 1	\$ 4	\$ 5
Provisions for warranties issued	2	3
Settlements (in cash or in kind)	(3)	(4)
Balance at June 30	\$ 3	\$ 4

The Company also offers extended and/or enhanced coverage to its customers in the form of maintenance contracts. The Company accounts for these contracts by deferring the related maintenance revenue over the extended and/or enhanced coverage period. Costs associated with maintenance support are expensed as incurred. Amounts associated with these maintenance contracts are not included in the table above.

In addition, the Company provides its customers with certain indemnification rights. In general, the Company agrees to indemnify the customer if a third-party asserts patent or other infringement on the part of the customer for its use of the Company's products. The Company has entered into indemnification agreements with the officers and directors of its subsidiaries. From time to time, the Company also enters into agreements in connection with its acquisition and divestiture activities that include indemnification obligations by the Company. The fair value of these indemnification obligations is not readily determinable due to the conditional nature of the Company's potential obligations and the specific facts and circumstances involved with each particular agreement, and as such the Company has not recorded a liability in connection with these indemnification arrangements. Historically, payments made by the Company under these types of agreements have not had a material effect on the Company's consolidated financial condition, results of operations or cash flows.

Concentrations of Risk . The Company is potentially subject to concentrations of credit risk on accounts receivable and financial instruments such as hedging instruments, and cash and cash equivalents. Credit risk includes the risk of nonperformance by counterparties. The maximum potential loss may exceed the amount recognized on the balance sheet. Exposure to credit risk is managed through credit approvals, credit limits, selecting major international financial institutions (as counterparties to hedging transactions) and monitoring procedures. Teradata's business often involves large transactions with customers, and if one or more of those customers were to default in its obligations under applicable contractual arrangements, the Company could be exposed to potentially significant losses. However, management believes that the reserves for potential losses were adequate at June 30, 2018 and December 31, 2017 .

The Company is also potentially subject to concentrations of supplier risk. Our hardware components are assembled exclusively by Flex Ltd. ("Flex"). Flex procures a wide variety of components used in the manufacturing process on behalf of the Company. Although many of these components are available from multiple sources, Teradata utilizes preferred supplier relationships to provide more consistent and optimal quality, cost and delivery. Typically, these preferred suppliers maintain alternative processes and/or facilities to ensure continuity of supply. Given the Company's strategy to outsource its manufacturing activities to Flex and to source certain components from single suppliers, a disruption in production at Flex or at a supplier could impact the timing of customer shipments and/or Teradata's operating results. In addition, a significant change in the forecasts to any of these preferred suppliers could result in purchase obligations for components that may be in excess of demand.

10. Fair Value Measurements

Fair value measurements are established utilizing a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets for identical assets or liabilities; Level 2, defined as significant other observable inputs, such as quoted prices in active markets for similar assets or liabilities, or quoted prices in less-active markets for identical assets; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Company's assets and liabilities measured at fair value on a recurring basis include money market funds, interest rate swaps and foreign currency exchange contracts. A portion of the Company's excess cash reserves are held in money market funds which generate interest income based on the prevailing market rates. Money market funds are included in cash and cash equivalents in the Company's balance sheet. Money market fund holdings are measured at fair value using quoted market prices and are classified within Level 1 of the valuation hierarchy.

When deemed appropriate, the Company minimizes its exposure to changes in foreign currency exchange rates through the use of derivative financial instruments, specifically, foreign exchange forward contracts. Additionally, in June 2018, Teradata executed a five-year interest rate swap with a \$500 million initial notional amount in order to hedge the floating interest rate on its term-loan. The fair value of these contracts and swaps are measured at the end of each interim reporting period using observable inputs other than quoted prices, specifically market spot and forward exchange rates. As such, these derivative instruments are classified within Level 2 of the valuation hierarchy. Fair value gains for open contracts are recognized as assets and fair value losses are recognized as liabilities. The fair value of interest rate swaps recorded in other liabilities at June 30, 2018 was \$3 million. The fair value of foreign exchange forward contracts recorded in other assets and accrued liabilities at June 30, 2018 and December 31, 2017, were not material. Any realized gains or losses would be mitigated by corresponding gains or losses on the underlying exposures.

The Company's assets and liabilities measured at fair value on a recurring basis and subject to fair value disclosure requirements at June 30, 2018 and December 31, 2017 were as follows:

		Fair Value Measurements at Reporting Date Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
In millions	June 30, 2018				
Assets					
Money market funds	\$ 364	\$ 364	\$ —	\$ —	
Liabilities					
Interest rate swap	\$ 3	\$ —	\$ 3	\$ —	

		Fair Value Measurements at Reporting Date Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
In millions	December 31, 2017				
Assets					
Money market funds	\$ 501	\$ 501	\$ —	\$ —	

11. Debt

On June 11, 2018, Teradata replaced its existing five-year, \$400 million revolving credit facility with a new \$400 million revolving credit facility (the “Credit Facility”). The Credit Facility ends on June 11, 2023 at which point any remaining outstanding borrowings would be due for repayment unless extended by agreement of the parties for up to two additional one-year periods. In addition, under the terms of the Revolving Credit Agreement, Teradata from time to time and subject to certain conditions may increase the lending commitments under the Revolving Credit Agreement in an aggregate principal amount up to an additional \$200 million, to the extent that existing or new lenders agree to provide such additional commitments. The outstanding principal amount of the Revolving Credit Agreement bears interest at a floating rate based upon, at Teradata’s option, a negotiated base rate or a Eurodollar rate plus, in each case, a margin based on Teradata’s leverage ratio. In the near term, Teradata would anticipate choosing a floating rate based on the London Interbank Offered Rate (“LIBOR”). The Credit Facility is unsecured but is guaranteed by certain of Teradata’s material domestic subsidiaries and contains certain representations and warranties, conditions, affirmative, negative and financial covenants, and events of default customary for such facilities. As of June 30, 2018, the Company had no borrowings outstanding under the Credit Facility, leaving \$400 million in additional borrowing capacity available under the Credit Facility. The Company was in compliance with all covenants as of June 30, 2018.

Also, on June 11, 2018, Teradata closed on a new senior unsecured \$500 million five-year term loan, the proceeds of which plus additional cash-on-hand were used to pay off the remaining \$525 million of principal on its existing term loan. The \$500 million term loan is payable in quarterly installments, which will commence on June 30, 2019 with 1.25% of the initial principal amount due on each of the first eight payment dates; 2.50% of the initial principal amount due on each of the next four payment dates; 5.0% of the initial principal amount due on each of the next three payment dates; and all remaining principal due on June 11, 2023. The outstanding principal amount under the term loan agreement bears interest at a floating rate based upon a negotiated base rate or a Eurodollar rate plus a margin based on the leverage ratio of the Company. As of June 30, 2018, the term loan principal outstanding was \$500 million. As noted in Note 8, Teradata entered into an interest rate swap to hedge the floating interest rate of the Term Loan. As a result of the swap, Teradata’s fixed rate on the term loan equals 2.86% plus the applicable leverage-based margin as defined in the Term Loan agreement. As of June 30, 2018, the all-in fixed rate is 4.36%. The Company was in compliance with all covenants as of June 30, 2018.

Teradata’s term loan is recognized on the Company’s balance sheet at its unpaid principal balance, and is not subject to fair value measurement. However, given that the loan carries a variable rate, the Company estimates that the unpaid principal balance of the term loan would approximate its fair value. If measured at fair value in the financial statements, the Company’s term loan would be classified as Level 2 in the fair value hierarchy.

12. Earnings per Share

Basic earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the reported period. The calculation of diluted earnings per share is similar to basic earnings per share, except that the weighted average number of shares outstanding includes the dilution from potential shares resulting from stock options, restricted stock awards and other stock awards. The components of basic and diluted earnings per share are as follows:

In millions, except per share amounts	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income (loss) attributable to common stockholders	\$ 4	\$ (4)	\$ (3)	\$ (6)
Weighted average outstanding shares of common stock	119.5	127.9	120.4	129.2
Dilutive effect of employee stock options, restricted stock and other stock awards	2.0	—	—	—
Common stock and common stock equivalents	121.5	127.9	120.4	129.2
Net income (loss) per share:				
Basic	\$ 0.03	\$ (0.03)	\$ (0.02)	\$ (0.05)
Diluted	\$ 0.03	\$ (0.03)	\$ (0.02)	\$ (0.05)

For the three months ended June 30, 2017 and six months ended June 30, 2018 and 2017, due to the net loss attributable to Teradata common stockholders, potential common shares that would cause dilution, such as employee stock options, restricted stock and other stock awards, have been excluded from the diluted share count because their effect would have been anti-dilutive. The fully diluted shares would have been 129.5 million for the three months ended June 30, 2017 and 122.5 million and 130.7 million for the six months ended June 30, 2018 and 2017, respectively.

Options to purchase 2.5 million and 2.6 million shares of common stock for the three and six months ended June 30, 2018 and 4.5 million shares of common stock for the three and six months ended June 30, 2017 were not included in the computation of diluted earnings per share. The exercise prices of these options were greater than the average market price of the common shares for the period, and therefore would have been anti-dilutive.

13. Segment and Other Supplemental Information

Teradata is managing its business in two operating segments: (1) Americas region (North America and Latin America); and (2) International region (Europe, Middle East, Africa, Asia Pacific and Japan). For purposes of discussing results by segment, management excludes the impact of certain items, consistent with the manner by which management evaluates the performance of each segment. This format is useful to investors because it allows analysis and comparability of operating trends. It also includes the same information that is used by Teradata management to make decisions regarding the segments and to assess financial performance. The chief operating decision maker, who is our President and Chief Executive Officer, evaluates the performance of the segments based on revenue and multiple profit measures, including segment gross profit. For management reporting purposes assets are not allocated to the segments.

The following table presents segment revenue and segment gross profit for the Company:

In millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Segment revenue				
Americas	\$ 287	\$ 271	\$ 551	\$ 538
International	257	242	499	466
Total revenue	544	513	1,050	1,004
Segment gross profit				
Americas	154	158	301	309
International	112	108	210	208
Total segment gross profit	266	266	511	517
Stock-based compensation costs	4	4	8	7
Acquisition, integration, reorganization and transformation-related costs	—	1	3	3
Amortization of capitalized software costs	12	19	27	40
Total gross profit	250	242	473	467
Selling, general and administrative expenses	163	165	315	320
Research and development expenses	77	78	152	148
Income (loss) from operations	\$ 10	\$ (1)	\$ 6	\$ (1)

14. Reorganization and Business Transformation

In 2015, the Company announced a plan to realign Teradata's business by reducing its cost structure and focusing on the Company's core data and analytics business. This business transformation included exiting the marketing applications business, rationalizing costs, and modifying the Company's go-to-market approach. No costs were incurred related to this business transformation plan for the six months ended June 30, 2018.

On June 4, 2018, the Company approved a plan to consolidate certain of its operations, including transitioning its corporate headquarters to San Diego, California from its current location in Dayton, Ohio. This plan, which is being executed in connection with Teradata's comprehensive business transformation from a data warehouse company to a data analytics platform company, is intended to better align the Company's skills and resources to effectively pursue opportunities in the marketplace. The Company expects that the costs relating to this consolidation plan will include employee separation benefits, transition support, and other exit-related costs. The employee separation benefit costs are being expensed over the time period that the employees have to work to earn them.

The Company expects that it will incur costs and charges, which are substantially all cash expenditures, in the range of approximately \$35 to \$45 million related to the plan, consisting primarily of the following types of items:

- \$21 to \$26 million for employee severance and other employee-related costs,
- \$6 to \$8 million charge for facilities lease related costs, and
- \$8 to \$11 million for outside service, legal and other associated costs.

The Company expects to incur these costs and charges in 2018 and 2019, with the majority of the cash expenditures in 2019. The Company expects the actions related to the plan will be completed by 2019.

Costs incurred for the plans listed above, for the six months ended June 30, 2018 and 2017 are included in the table below.

In millions	Six months Ended June 30,	
	2018	2017
Employee severance and other employee related cost	\$ —	\$ 2
Asset write-downs	—	6
Professional services, legal and other transformation costs	—	18
Employee separation benefits costs related to headquarter transition and business transformation	2	—
Transition support and other exit related costs for the headquarter transition and business transformation	3	—
Total reorganization and business transformation cost	\$ 5	\$ 26

For the six months ended June 30, 2017, costs incurred above include \$8 million for an inventory charge and other associated transformation costs related to the discontinuation of Teradata's prior hardware platforms.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A").

You should read the following discussion in conjunction with the Condensed Consolidated Financial Statements and the notes to those statements included elsewhere in this Quarterly Report on Form 10-Q. This Quarterly Report on Form 10-Q contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Certain statements contained in the MD&A are forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in other sections of this Quarterly Report on Form 10-Q and in the 2017 Annual Report on Form 10-K. The Company 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.

Second Quarter Financial Overview

As more fully discussed in later sections of this MD&A, the following were significant financial items for the second quarter of 2018 :

- Total revenue was \$544 million for the second quarter of 2018 , up 6% from the second quarter of 2017 , with an underlying 11% increase in recurring revenue as the Company's business shifts to subscription-based transactions and a 7% increase in perpetual software licenses and hardware revenue, which was partially offset by a 4% decrease in consulting services revenue.
- Gross margin decreased to 46.0% in the second quarter of 2018 from 47.2% in the second quarter of 2017 , due to higher mix of lower margin hardware revenue recognized in the quarter. The increased mix shift to hardware is due to more of the Company's software license revenue being recognized over time in subscription-based transactions.
- Operating expenses for the second quarter of 2018 decreased by 1% compared to the second quarter of 2017 .
- Operating income was \$10 million in the second quarter of 2018 , compared to operating loss of \$1 million in the second quarter of 2017 , primarily due to higher revenue.
- Net income in the second quarter of 2018 was \$4 million , compared to a \$4 million net loss in the second quarter of 2017 .

Overview

Teradata Corporation is a global leader in analytic data solutions and services. Our analytic data solutions comprise software, hardware, and related business consulting and support services. We help customers access and manage data and extract business value and insights from data analytics across their entire enterprise.

Teradata's strategy is based around our core belief that analytics and data unleash the potential of great companies, allowing them to make better and faster decisions and attain a competitive advantage. We empower companies to achieve high-impact business outcomes through analytics at scale on an agile data foundation. Through our focus on leading with business outcomes and a consultative approach, our goal is to serve as a trusted advisor to both the business and technical leaders in our customers' organizations. Our business analytics solutions and technologies are ideally suited for the world's largest companies as they have the largest and most complex analytics challenges, where scale and performance of such solutions matter. These large and complex analytics challenges also provide the largest revenue opportunities for Teradata.

Analytical environments are increasing in complexity. There is more choice around analytic tools and technology than ever before, including commercial and open source solutions, as well as on-premises and cloud subscription-based options. As a result, we offer flexible purchasing and deployment options with our Teradata Everywhere strategy, providing purchasing options for our customers, which include the ability for customers to purchase Teradata software as a subscription-based license across a range of simpler software bundles at different price points for different use cases. All subscription-based Teradata software licenses enable portability of the software license between cloud and on-premises deployment options, which de-risks customer decisions, particularly for customers with future plans to move to the cloud. Customer buying behavior continues to move from predominantly capital purchases to these subscription-based purchasing options.

In the near term, the movement to subscription-based transactions is negatively impacting the timing of our reported revenue because revenue for subscription-based transactions is recognized over time versus upfront as was the case with the capital purchase model. However, the business transition to a subscription-based model is expected to increase our recurring revenue. Near term impacts can fluctuate based on the speed of customer adoption, which can be difficult to predict. In the longer term, we expect the year-over-year mix of revenues to normalize as more customers transition to these new purchasing and deployment options.

We are continuing to invest for Teradata's future, including investments to support our cloud-based initiatives, analytical consulting and solutions, realignment of our go-to-market approach, and modernizing our infrastructure.

Teradata has introduced additional financial and performance metrics to allow for greater transparency regarding the progress we are making toward achieving our strategic objectives. These metrics include the following:

- **Annual Recurring Revenue ("ARR")** - is annual contract value for all active and contractually binding term-based contracts at the end of a period. It includes maintenance, software upgrade rights, cloud, subscription, rental and managed services.
- **Bookings Mix** - subscription bookings divided by the sum of subscription bookings plus perpetual bookings.
- **TCore** - is a metric that tracks a consistent unit of consumption across all of Teradata's products over the wide variety of configuration and deployment options, both on-premises and in the cloud. It is determined from the number of physical central processing unit ("CPU") cores in a system and adjusted/reduced by the underlying hardware platform's input/output ("I/O") throughput performance capabilities.

Recurring revenue is intended to depict the over-time revenue recognition model for these revenue streams. The recurrence of these revenue streams in future periods depends on a number of factors including contractual periods and customers' renewal decisions.

As a portion of the Company's operations and revenue occur outside the United States ("U.S."), and in currencies other than the U.S. dollar, the Company is exposed to fluctuations in foreign currency exchange rates. Based on currency rates as of July 31, 2018, Teradata is expecting one percentage point of benefit from currency translation on our full year projected revenue growth rate.

Results of Operations for the Three Months Ended June 30, 2018 **Compared to the Three Months Ended June 30, 2017**

Revenue

In millions	2018	% of Revenue	2017	% of Revenue
Recurring	\$ 312	57.4%	\$ 281	54.8%
Perpetual software licenses and hardware	97	17.8%	91	17.7%
Consulting services	135	24.8%	141	27.5%
Total revenue	\$ 544	100%	\$ 513	100%

Total revenue increased \$31 million or 6% in the second quarter of 2018 compared to the second quarter of 2017. The revenue increase included a 2% favorable impact from foreign currency fluctuations. Recurring revenue grew 11% in the second quarter of 2018 from the prior-year period, which included a 1% favorable impact from foreign currency fluctuations. Consistent with the strategy to shift to subscription-based transactions, we experienced a larger percentage of transactions shifting to a subscription-based model in the second quarter of 2018 versus the second quarter of 2017. Under subscription models, we recognize revenue over time as opposed to the upfront recognition under the perpetual model. Revenues from perpetual software licenses and hardware increased 7% in the second quarter of 2018 as compared to the prior-year period, largely due to a few large transactions in the quarter. The increase included a 2% favorable impact from foreign currency fluctuations. The perpetual software licenses and hardware revenue had a higher mix of hardware revenue in 2018 than 2017 as more customers are purchasing hardware upfront and software licenses on a subscription basis. Consulting services revenue decreased 4% in the second quarter of 2018 compared to the prior-year period. The decrease included a 2% favorable impact from foreign currency fluctuations. As we have shifted our strategy to focus on the Top 500 analytical opportunities as well as business consulting, we are doing less lower value implementation related services.

Included below are financial and performance growth metrics for the second quarter of 2018:

- Total ARR at the end of the second quarter of 2018 was \$1.2 billion, an increase of 7% from the end of the second quarter of 2017. Beginning in the first quarter of 2018, recurring revenue and ARR now includes recurring revenue from our managed services business. The prior-period amounts have been updated to reflect the current period presentation.
- Approximately 66% of our bookings in the second quarter of 2018 were subscription-based. We now expect subscription-based transactions to comprise 65 to 70 percent of our bookings mix for the full year.
- We expect TCore growth in the mid to high teens in 2018.

Gross Profit

In millions	2018	% of Revenue	2017	% of Revenue
Recurring	\$ 224	71.8%	\$ 209	74.4 %
Perpetual software licenses and hardware	24	24.7%	34	37.4 %
Consulting services	2	1.5%	(1)	(0.7)%
Total gross profit	\$ 250	46.0%	\$ 242	47.2 %

The decrease in recurring revenue gross profit as a percent of revenue was driven by a higher mix of subscription-based revenue in the quarter as compared to the previous period. Subscription-based transactions are typically lower margin as compared to revenue from maintenance and software upgrade rights on perpetual software licenses.

The decrease in perpetual software licenses and hardware gross profit as a percent of revenue was driven by a higher mix of hardware revenue as some customers continue to purchase their hardware upfront while buying the software on a subscription basis, which is recorded in recurring revenue.

Consulting services gross profit as a percentage of revenue improved as compared to the prior year as the Company continues to focus on costs and utilization.

Operating Expenses

In millions	2018	% of Revenue	2017	% of Revenue
Selling, general and administrative expenses	\$ 163	30.0%	\$ 165	32.2%
Research and development expenses	77	14.2%	78	15.2%
Total operating expenses	\$ 240	44.1%	\$ 243	47.4%

The decrease in Selling, General and Administrative ("SG&A") expense as compared to the second quarter of 2017 was due to lower reorganization and transformation costs.

The reduction in Research and Development ("R&D") expenses as compared to the second quarter of 2017 was due to lower amortization of acquired intangible assets.

Other Expense, net

In millions	2018	2017
Interest income	\$ 4	\$ 3
Interest expense	(5)	(4)
Other	(3)	(1)
Other expense, net	\$ (4)	\$ (2)

Other expense in the second quarter of 2018 and 2017 is comprised primarily of interest expense on long-term debt partially offset by interest income earned on our cash and cash equivalents. Interest income and expense increased due to increases in interest rates.

Provision for Income Taxes

Income tax provisions for interim periods are based on estimated annual income tax rates, adjusted to reflect the effects of any significant infrequent or unusual items which are required to be discretely recognized within the current interim period. The 2018 and 2017 effective tax rates were both impacted by the passage of the Tax Cuts and Jobs Act (the "Tax Act"), which was signed into law on December 22, 2017, making significant changes to the U.S. Internal Revenue Code. Changes include, a corporate tax rate decrease from 35% to 21% for tax years beginning after December 31, 2017; the transition of U.S. international taxation from a worldwide tax system to a modified territorial tax system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017. On December 22, 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of U.S. generally accepted accounting principles ("GAAP") in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act.

In accordance with SAB 118, the Company has made its best estimate of the impact of the Tax Act in its 2017 and 2018 income tax provision in accordance with its understanding of the Tax Act and guidance available as of the date of this filing. The provisional amount related to the one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings of \$1.3 billion was recorded in the fourth quarter of 2017 and was \$145 million of tax expense, which the Company expects to pay over an 8-year period. The Company also recorded a provisional benefit of \$19 million, a majority of which related to the re-measurement of certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future. No adjustment to the provisional amounts was recorded in the second quarter of 2018, although the Company continues to finalize the provisional amounts. The ultimate impact may differ materially from these provisional amounts due to additional analysis, changes in interpretations and assumptions the Company has made, additional regulatory guidance that may be issued, and actions the Company may take as a result of the Tax Act. As a result of the Tax Act, the Company changed its indefinite reversal assertion related to its undistributed earnings of its foreign subsidiaries and no longer considers a majority of its foreign earnings permanently reinvested outside of the U.S.

The effective tax rates in the periods presented are largely based upon the forecasted pre-tax earnings mix between the U.S. and other foreign taxing jurisdictions where the Company conducts its business under its current structure.

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The Company estimates its full-year effective tax rate for 2018 to be approximately 20%, which takes into consideration the forecasted earnings mix by jurisdiction for 2018 and the estimated discrete items to be recognized in 2018. The forecasted tax rate is based on the overseas profits being taxed at an overall effective tax rate of approximately 19%, as compared to the federal statutory tax rate of 21% in the U.S.

The effective tax rate for the three months ended June 30, 2018 and June 30, 2017 were as follows:

	2018	2017
Effective tax rate	33.3%	(33.3)%

Discrete tax items related to interest accruals on uncertain tax positions and equity based compensation resulted in income tax expense of \$1 million on pre-tax net loss of \$3 million for the three months ended June 30, 2017.

Revenue and Gross Profit by Operating Segment

Teradata is managing its business in two operating segments: (1) Americas region (North America and Latin America); and (2) International region (Europe, Middle East, Africa, Asia Pacific and Japan). For purposes of discussing results by segment, management excludes the impact of certain items, consistent with the manner by which management evaluates the performance of each segment. This format is useful to investors because it allows analysis and comparability of operating trends. It also includes the same information that is used by Teradata management to make decisions regarding the segments and to assess financial performance. The chief operating decision maker, who is our President and Chief Executive Officer, evaluates the performance of the segments based on revenue and multiple profit measures, including segment gross profit. For management reporting purposes assets are not allocated to the segments. Our segment results are reconciled to total company results reported under GAAP in Note 13 of Notes to Condensed Consolidated Financial Statements (Unaudited).

The following table presents revenue and operating performance by segment for the three months ended June 30 :

In millions	2018	% of Revenue	2017	% of Revenue
Segment revenue				
Americas	\$ 287	52.8%	\$ 271	52.8%
International	257	47.2%	242	47.2%
Total segment revenue	<u>\$ 544</u>	<u>100%</u>	<u>\$ 513</u>	<u>100%</u>
Segment gross profit				
Americas	\$ 154	53.7%	\$ 158	58.3%
International	112	43.6%	108	44.6%
Total segment gross profit	<u>\$ 266</u>	<u>48.9%</u>	<u>\$ 266</u>	<u>51.9%</u>

Americas: Revenue increased 6% in the second quarter of 2018 from the second quarter of 2017 . The revenue increase was driven by an 8% increase in recurring revenue driven by the shift to subscription-based transactions. Segment gross profit as a percentage of revenues was lower primarily due to a higher mix of hardware revenue in the second quarter of 2018 versus the second quarter of 2017.

International: Revenue increased by 6% in the second quarter of 2018 as compared to the second quarter of 2017 . The increase was driven by a 4% favorable impact from foreign currency fluctuations. Segment gross profit as a percentage of revenues was lower primarily due to deal mix and a higher mix of hardware revenue in the second quarter of 2018 versus the second quarter of 2017.

Results of Operations for the Six months ended June 30, 2018 **Compared to the Six months ended June 30, 2017**

Revenue

In millions	2018	% of Revenue	2017	% of Revenue
Recurring	\$ 614	58.5%	\$ 554	55.2%
Perpetual software licenses and hardware	166	15.8%	181	18.0%
Consulting services	270	25.7%	269	26.8%
Total revenue	\$ 1,050	100%	\$ 1,004	100%

Total revenue increased \$ 46 million or 5% during the six months ended June 30, 2018 compared to the six months ended June 30, 2017. The revenue increase included a 3% favorable impact from foreign currency fluctuations. Recurring revenue grew 11% in the first six months of 2018 from the prior-year period, which included a 3% favorable impact from foreign currency fluctuations. Consistent with the strategy to shift to subscription-based transactions, we experienced a larger percentage of transactions shifting to a subscription-based model in first six months of 2018 versus the same period in 2017. Under subscription models, we recognize revenue over time as opposed to the upfront recognition under the perpetual model. Revenues from perpetual software licenses and hardware decreased 8% in the first six months of 2018 as compared to the prior-year period, including a 3% favorable impact from foreign currency fluctuations. We expect perpetual revenues to continue to decline as customers switch to a subscription-based model. Consulting services revenue were flat in the first six months of 2018 compared to the prior-year period, which includes a 3% favorable impact from foreign currency fluctuations.

Gross Profit

In millions	2018	% of Revenue	2017	% of Revenue
Recurring	\$ 436	71.0 %	\$ 415	74.9 %
Perpetual software licenses and hardware	45	27.1 %	63	34.8 %
Consulting services	(8)	(3.0)%	(11)	(4.1)%
Total gross profit	\$ 473	45.0 %	\$ 467	46.5 %

The decrease in recurring revenue gross profit as a percent of revenue was driven by a higher mix of subscription-based revenue in the quarter as compared to the previous period. Subscription-based transactions are typically lower margin as compared to the recurring revenue on legacy maintenance and software upgrade rights.

The decrease in perpetual software licenses and hardware gross profit as a percent of revenue was driven by a higher mix of hardware revenue as some customers continue to purchase their hardware upfront while buying the software on a subscription basis, which is recorded in recurring revenue.

Consulting services gross profit as a percentage of revenue improved as compared to the prior period as the Company continues to focus on costs and utilization.

Operating Expenses

In millions	2018	% of Revenue	2017	% of Revenue
Selling, general and administrative expenses	\$ 315	30.0%	\$ 320	31.9%
Research and development expenses	152	14.5%	148	14.7%
Total operating expenses	\$ 467	44.5%	\$ 468	46.6%

The decrease in SG&A expense is due to an inventory charge and other transformation associated costs related to the discontinuation of our prior hardware platforms recorded in 2017 and lower reorganization and transformation costs in 2018 as compared to 2017. This was partially offset by investments that we are making in 2018 related to our strategic transformation initiatives as well as increased sales and sales support headcount.

R&D expenses increased primarily due to strategic investments in managed and public cloud as well as the new Teradata Analytics Platform.

Other Expense, net

In millions	2018	2017
Interest income	\$ 7	\$ 5
Interest expense	(10)	(7)
Other	(5)	(2)
Other expense, net	\$ (8)	\$ (4)

Other expense in the first six months of 2018 and 2017 is comprised primarily of interest expense on long-term debt partially offset by interest income earned on our cash and cash equivalents. Interest income and expense increased due to increases in interest rates.

Provision for Income Taxes

The effective tax rate for the six months ended June 30, 2018 and 2017 were as follows:

	2018	2017
Effective tax rate	(50.0)%	(20.0)%

Discrete tax items related to interest accruals on uncertain tax positions and equity based compensation resulted in income tax expense of \$1 million on a pre-tax net loss of \$2 million for the six months ended June 30, 2018, resulting in an effective income tax rate of (50.0%).

Discrete tax items related to interest accruals on uncertain tax positions and equity based compensation resulted in income tax expense of \$1 million on pre-tax net loss of \$5 million for the six months ended June 30, 2017.

Revenue and Gross Profit by Operating Segment

The following table presents revenue and operating performance by segment for the six months ended June 30:

In millions	2018	% of Revenue	2017	% of Revenue
Segment revenue				
Americas	\$ 551	52.5%	\$ 538	53.6%
International	499	47.5%	466	46.4%
Total segment revenue	\$ 1,050	100%	\$ 1,004	100%
Segment gross profit				
Americas	\$ 301	54.6%	\$ 309	57.4%
International	210	42.1%	208	44.6%
Total segment gross profit	\$ 511	48.7%	\$ 517	51.5%

Americas: Revenue increased 2% in the first six months of 2018 from the previous period. This includes a 1% negative impact from foreign currency fluctuations. The revenue increase was driven by an 8% increase in recurring revenue driven by the shift to subscription-based transactions, which was partially offset by a decrease in perpetual software licenses and hardware. Segment gross profit as a percentage of revenues was lower primarily due to a higher mix of hardware revenue.

International: Revenue increased by 7% in the first six months of 2018 as compared to the previous period. The increase was driven by a 6% favorable impact from foreign currency fluctuations. Segment gross profit as a percentage of revenues was lower primarily due to a higher mix of hardware revenue.

Financial Condition, Liquidity and Capital Resources

Cash provided by operating activities decreased by \$ 19 million in the six months ended June 30, 2018 compared to the six months ended June 30, 2017 . The decrease in cash provided by operating activities was primarily due to the Company’s ongoing transition to subscription-based purchasing options, which result in the Company collecting less cash in the current period as customers pay over time. Cash from operating activities was also impacted by a higher expense run rate from prior-year strategic transformation investments and fluctuations in working capital.

Teradata’s management uses a non-GAAP measure called “free cash flow,” which is not a measure defined under GAAP. We define free cash flow as net cash provided by operating activities, less capital expenditures for property and equipment, and additions to capitalized software, as one measure of assessing the financial performance of the Company, and this may differ from the definition used by other companies. The components that are used to calculate free cash flow are GAAP measures taken directly from the Condensed Consolidated Statements of Cash Flows (Unaudited). We believe that free cash flow information 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 available after capital expenditures, for among other things, investments in the Company’s existing businesses, strategic acquisitions and repurchase of Teradata common stock. 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 a substitute for, or superior to, cash flows from operating activities under GAAP.

The table below shows net cash provided by operating activities and capital expenditures for the following periods:

In millions	Six Months Ended June 30,	
	2018	2017
Net cash provided by operating activities	\$ 290	\$ 309
Less:		
Expenditures for property and equipment	(58)	(30)
Additions to capitalized software	(4)	(4)
Free cash flow	\$ 228	\$ 275

Financing activities and certain other investing activities are not included in our calculation of free cash flow. There were no other investing activities for the first six months ended June 30, 2018 . For the first six months ended June 30, 2017 , other investing activities included \$17 million for an immaterial acquisition and \$1 million for an additional release of funds from a previous acquisition.

Teradata’s financing activities for the six months ended June 30, 2018 and 2017 primarily consisted of cash outflows for share repurchases and payments on the revolving credit facility and long-term debt. At June 30, 2018 , the Company had no outstanding borrowings on the revolving credit facility. The Company purchased approximately 4.1 million shares of its common stock at an average price per share of \$38.14 in the six months ended June 30, 2018 , and 5.1 million shares at an average price per share of \$29.40 in the six months ended June 30, 2017 under the two share repurchase programs that were authorized by our Board of Directors. The first program (the “dilution offset program”), allows the Company to repurchase Teradata common stock to the extent of cash received from the exercise of stock options and the Teradata Employee Stock Purchase Plan (“ESPP”) to offset dilution from shares issued pursuant to these plans. As of June 30, 2018 , under the Company’s second share repurchase program (the “general share repurchase program”), the Company had \$379 million of authorization remaining to repurchase outstanding shares of Teradata common stock. Share repurchases made by the Company are reported on a trade date basis. Our share repurchase activity depends on factors such as our working capital needs, our cash requirements for capital investments, our stock price, and economic and market conditions.

Proceeds from the ESPP and the exercise of stock options, net of tax, were \$20 million for the six months ended June 30, 2018 and \$12 million for the six months ended June 30, 2017 . These proceeds are included in other financing activities, net in the Condensed Consolidated Statements of Cash Flows (Unaudited).

Our total in cash and cash equivalents held outside the U.S. in various foreign subsidiaries was \$673 million as of June 30, 2018 and \$1,044 million as of December 31, 2017. The remaining balance held in the U.S. was \$209 million as of June 30, 2018 and \$45 million as of December 31, 2017. Prior to the enactment of the Tax Act, the Company either reinvested or intended to reinvest its earnings outside of the U.S. As a result of the Tax Act, the Company has changed its indefinite reinvestment assertion related to foreign earnings that have been taxed in the U.S. and now considers a majority of these earnings no longer indefinitely reinvested. For the first six months ended June 30, 2018, the Company repatriated \$525 million of its offshore cash and utilized \$280 million to pay down its credit facilities and used \$157 million for share repurchases that occurred during the period. The Company plans to repatriate an additional \$275 million of its offshore cash by the end of 2018, and intends to use a portion of the repatriated funds to repurchase shares and retain the remainder for general corporate purposes. Effective January 1, 2018, the U.S. has moved to a territorial system of international taxation, and as such will not subject future foreign earnings to U.S. taxation upon repatriation in future years.

Management believes current cash, cash generated from operations and the \$400 million available under the Credit Facility will be sufficient to satisfy future working capital, research and development activities, capital expenditures, pension contributions, and other financing requirements for at least the next twelve months. The Company principally holds its cash and cash equivalents in bank deposits and highly-rated money market funds.

The Company's ability to generate positive cash flows from operations is dependent on general economic conditions, competitive pressures, and other business and risk factors described in the Company's 2017 Annual Report on Form 10-K (the "2017 Annual Report"), and elsewhere in this Quarterly Report. If the Company is unable to generate sufficient cash flows from operations, or otherwise to comply with the terms of the credit facility and term loan agreement, the Company may be required to seek additional financing alternatives.

Long-term Debt. On June 11, 2018, Teradata replaced its existing five-year, \$400 million revolving credit facility with a new \$400 million revolving credit facility (the "Credit Facility"). The Credit Facility ends on June 11, 2023 at which point any remaining outstanding borrowings would be due for repayment unless extended by agreement of the parties for up to two additional one-year periods. In addition, under the terms of the Revolving Credit Agreement, Teradata from time to time and subject to certain conditions may increase the lending commitments under the Revolving Credit Agreement in an aggregate principal amount up to an additional \$200 million, to the extent that existing or new lenders agree to provide such additional commitments. The outstanding principal amount of the Revolving Credit Agreement bears interest at a floating rate based upon, at Teradata's option, a negotiated base rate or a Eurodollar rate plus, in each case, a margin based on Teradata's leverage ratio. In the near term, Teradata would anticipate choosing a floating rate based on the London Interbank Offered Rate ("LIBOR"). The Credit Facility is unsecured but is guaranteed by certain of Teradata's material domestic subsidiaries and contains certain representations and warranties, conditions, affirmative, negative and financial covenants, and events of default customary for such facilities. As of June 30, 2018, the Company had no borrowings outstanding under the Credit Facility, leaving \$400 million in additional borrowing capacity available under the Credit Facility. The Company was in compliance with all covenants under the Credit Facility as of June 30, 2018.

Also, on June 11, 2018, Teradata closed on a new senior unsecured \$500 million five-year term loan, the proceeds of which plus additional cash-on-hand were used to pay off the remaining \$525 million of principal on its existing term loan. The \$500 million term loan is payable in quarterly installments, which will commence on June 30, 2019 with 1.25% of the initial principal amount due on each of the first eight payment dates; 2.50% of the initial principal amount due on each of the next four payment dates; 5.0% of the initial principal amount due on each of the next three payment dates; and all remaining principal due on June 11, 2023. The outstanding principal amount under the term loan agreement bears interest at a floating rate based upon a negotiated base rate or a Eurodollar rate plus a margin based on the leverage ratio of the Company. As of June 30, 2018, the term loan principal outstanding was \$500 million. The Company was in compliance with all covenants under the term loan as of June 30, 2018.

In addition, in June 2018, Teradata executed a five-year interest rate swap with a \$500 million initial notional amount in order to hedge the floating rate interest on the above-described term loan. The notional amount of the hedge will step-down according to the amortization schedule of the term loan. As a result of the swap, Teradata's

fixed rate on the term loan equals 2.86% plus the applicable leverage-based margin as defined in the Term Loan agreement. As of June 30, 2018, the all-in fixed rate is 4.36%.

Contractual and Other Commercial Commitments. There has been no significant change in our contractual and other commercial commitments as described in the 2017 Annual Report. Our guarantees and product warranties are discussed in Note 9 of Notes to Condensed Consolidated Financial Statements (Unaudited).

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with GAAP. In connection with the preparation of these financial statements, we are required to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and the related disclosure of contingent liabilities. These assumptions, estimates and judgments are based on historical experience and assumptions that are believed to be reasonable at the time. However, because future events and their effects cannot be determined with certainty, the determination of estimates requires the exercise of judgment. Our critical accounting policies are those that require assumptions to be made about matters that are highly uncertain. Different estimates could have a material impact on our financial results. Judgments and uncertainties affecting the application of these policies and estimates may result in materially different amounts being reported under different conditions or circumstances. Our management periodically reviews these estimates and assumptions to ensure that our financial statements are presented fairly and are materially correct.

In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require significant management judgment in its application. There are also areas in which management's judgment in selecting among available alternatives would not produce a materially different result. The significant accounting policies and estimates that we believe are the most critical to aid in fully understanding and evaluating our reported financial results are discussed in the 2017 Annual Report. The changes to the revenue policy and impact to reported results are discussed in Note 3 of the Notes to Condensed Consolidated Financial Statements (Unaudited). Teradata's senior management has reviewed all other critical accounting policies and related disclosures and determined that there were no significant changes in our critical accounting policies in the six months ended June 30, 2018.

New Accounting Pronouncements

See discussion in Note 2 of Notes to Condensed Consolidated Financial Statements (Unaudited) for new accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have not been any material changes to the market risk factors previously disclosed in Part II, Item 7A of the Company's 2017 Annual Report on Form 10-K.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Teradata maintains a system of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")) that are designed to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including, as appropriate, the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Based on their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2018 our disclosure controls and procedures were effective to provide reasonable assurance that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the last fiscal quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II—OTHER INFORMATION

Item 1. Legal Proceedings.

On June 19, 2018, the Company and certain of its subsidiaries filed a lawsuit in the U.S. District Court for the Northern District of California against SAP SE, SAP America, Inc., and SAP Labs, LLC (collectively, “SAP”). In the lawsuit, the Company alleges that SAP misappropriated certain of the Company’s trade secrets within the Company’s enterprise data analytics and warehousing products and used them to develop and introduce a competing product. The Company further alleges that SAP has then employed anticompetitive practices using its substantial market position in the enterprise resource planning applications market to pressure the Company’s customers to switch to SAP’s competing product. The Company seeks an injunction barring SAP’s alleged conduct, monetary damages, and other available legal and equitable relief.

Item 1A. Risk Factors.

There have not been any material changes to the risk factors previously disclosed in Part I, Item 1A of the Company's Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Purchase of Company Common Stock

During the second quarter of 2018, the Company executed purchases of 2,066,681 shares of its common stock at an average price per share of \$39.19 under the two share repurchase programs that were authorized by our Board of Directors. The first program (the “dilution offset program”), allows the Company to repurchase Teradata common stock to the extent of cash received from the exercise of stock options and the Teradata Employee Stock Purchase Plan (“ESPP”) to offset dilution from shares issued pursuant to these plans. As of June 30, 2018, under the Company’s second share repurchase program (the “general share repurchase program”), the Company had \$379 million of authorization remaining to repurchase outstanding shares of Teradata common stock. Share repurchases made by the Company are reported on a trade date basis.

Section 16 officers occasionally sell vested shares of restricted stock to the Company at the current market price to cover their withholding taxes. For the six months ended June 30, 2018, the total of these purchases was 104,996 shares at an average price of \$37.90 per share.

The following table provides information relating to the Company’s share repurchase programs for the six months ended June 30, 2018 :

Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Dilution Offset Program	Total Number of Shares Purchased as Part of Publicly Announced General Share Repurchase Program	Maximum Dollar Value that May Yet Be Purchased Under the Dilution Offset Program	Maximum Dollar Value that May Yet Be Purchased Under the General Share Repurchase Program
First Quarter Total	2,052,137	\$ 37.09	591,708	1,460,429	\$ 8,696,662	\$ 446,329,050
April 2018	737,315	\$ 39.65	217,100	520,215	\$ 2,778,696	\$ 425,673,533
May 2018	1,096,867	\$ 38.47	84,139	1,012,728	\$ 105,776	\$ 386,706,885
June 2018	232,499	\$ 41.12	46,007	186,492	\$ 4,521,075	\$ 379,010,024
Second Quarter Total	2,066,681	\$ 39.19	347,246	1,719,435	\$ 4,521,075	\$ 379,010,024

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

None

Item 5. Other Information.

None

Item 6. Exhibits.

Reference Number
per Item 601 of
Regulation S-K

Description

2.1	Form of Separation and Distribution Agreement between Teradata Corporation and NCR Corporation (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K dated September 11, 2007 (SEC file number 001-33458)).
3.1	Amended and Restated Certificate of Incorporation of Teradata Corporation as amended and restated on September 24, 2007 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K dated September 25, 2007 (SEC file number 001-33458)).
3.2	Amended and Restated By-Laws of Teradata Corporation, as amended and restated on July 26, 2016 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K dated August 1, 2016).
4.1	Common Stock Certificate of Teradata Corporation (incorporated by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q dated November 13, 2007 (SEC file number 001-33458)).
10.1	Teradata Corporation Director Compensation Program, amended and restated effective April 17, 2018.
10.2	Revolving Credit Agreement dated as of June 11, 2018 among Teradata Corporation, Bank of America, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A., as Syndication Agent, Citibank, N.A., MUFG Bank, LTD., U.S. Bank National Association, and Wells Fargo Bank, National Association, as Co-Documentation Agents, and the other lenders party thereto (incorporated by reference to Exhibit 1.1 to the Current Report on Form 8-K dated June 13, 2018).
10.3	Term Loan Agreement dated as of June 11, 2018 among Teradata Corporation, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A., as Syndication Agent, Citibank, N.A., MUFG Bank, LTD., U.S. Bank National Association, and Wells Fargo Bank, National Association, as Co-Documentation Agents, and the other lenders party thereto (incorporated by reference to Exhibit 1.2 to the Current Report on Form 8-K dated June 13, 2018).
10.4	Teradata Employee Stock Purchase Plan, as amended and restated on January 30, 2018.
10.5*	Separation Letter by Teradata Corporation to Suzanne Zoumaras, dated June 26, 2018.
31.1	Certification pursuant to Rule 13a-14(a), dated August 6, 2018.
31.2	Certification pursuant to Rule 13a-14(a), dated August 6, 2018.
32	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated August 6, 2018.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Statements of Income (Loss) for the three and six month period ended June 30, 2018 and 2017, (ii) the Condensed Consolidated Statements of Comprehensive (Loss) Income for the three and six month period ended June 30, 2018 and 2017, (iii) the Condensed Consolidated Balance Sheets at June 30, 2018 and December 31, 2017, (iv) the Condensed Consolidated Statements of Cash Flows for the six month period ended June 30, 2018 and 2017 and (v) the notes to the Condensed Consolidated Financial Statements.

* Management contracts or compensatory plans, contracts or arrangements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TERADATA CORPORATION

Date: August 6, 2018

By: /s/ Mark A. Culhane

Mark A.Culhane
Executive Vice President and Chief Financial Officer

**TERADATA CORPORATION
DIRECTOR COMPENSATION PROGRAM**

Amended and Restated Effective April 17, 2018

PREAMBLE

This Teradata Corporation Director Compensation Program (“Program”) was adopted effective as of October 1, 2007 (the “Effective Date”).

The Program is intended to provide competitive remuneration to individuals serving as non-employee members of the Board of Directors of Teradata Corporation, and to align their interests with the interests of the company’s stockholders.

The Program was previously amended and restated effective as of April 28, 2008, and April 26, 2011.

Effective as of April 17, 2018 the Program is amended and restated as set forth herein.

ARTICLE I

Definitions

- 1.1 Code means the Internal Revenue Code of 1986, as amended.
 - 1.2 Committee means the Committee on Directors and Governance of the Board of Directors of Teradata Corporation.
 - 1.3 Common Stock means the common stock of Teradata Corporation, par value \$.01 per share.
 - 1.4 Company means Teradata Corporation, a Delaware corporation.
 - 1.5 Deferred Stock Award means the annual retainer and/or meeting fees, if any, elected by a Participant to be deferred as set forth in ARTICLE III.
 - 1.6 Deferred Stock Grant means the initial, annual or mid-year equity grants, if any, elected by a Participant to be deferred as set forth in ARTICLE IV.
 - 1.7 Director means a member of the Board of Directors of Teradata Corporation who is not an employee of the Company.
 - 1.8 Effective Date has the meaning set forth in the preamble of this Program.
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- 1.9 Fair Market Value of a share of Common Stock as of a specified date means the average of the closing price per share of Common Stock as listed on the New York Stock Exchange for the 20 trading days immediately preceding the specified date; provided, however, that for purposes of determining the exercise price of a Stock Option, “Fair Market Value” shall have the meaning provided in the Stock Incentive Plan.
- 1.10 Participant means a Director, and any former Director entitled to payment of a benefit from the Program.
- 1.11 Restricted Shares means actual shares of Common Stock bearing restrictions or conditions and issued to a Director pursuant to the Stock Incentive Plan.
- 1.12 Restricted Share Units means awards granted pursuant to the Stock Incentive Plan that are denominated in shares of Common Stock that will be settled in an amount in cash, shares of Common Stock, or both, as designated in a Director’s individual award statement or agreement, at the end of a specified restricted period.
- 1.13 Stock Incentive Plan means the Teradata Corporation 2007 Stock Incentive Plan, as amended and restated, or any successor equity compensation plan, including the Teradata 2012 Stock Incentive Plan as amended and restated as of February 23, 2016.
- 1.14 Stock Options means stock options granted pursuant to the Stock Incentive Plan.
- 1.15 Year of Service means the approximately 12 month period beginning on the date of an annual stockholders’ meeting of the Company and ending on the day before the Company’s annual stockholders’ meeting of the next following year, during which an individual serves as a Director.

ARTICLE II

Compensation

- 2.1 Annual Compensation. A Director will receive the compensation described in Sections 2.2 through 2.5 below, as determined by the Committee in its discretion, based on review of competitive data and consideration of such other factors as it may deem prudent and appropriate.
- 2.2 Annual Retainer. For each Year of Service, a Director will receive an annual retainer as determined by the Committee, which may include an additional retainer amount for Committee Chairs and for the Chairman of the Board. A Director may elect to receive the retainer in cash, in Common Stock, or as a Deferred Stock Award, as described in ARTICLE III. If no election is made, the retainer will be paid in cash. If paid in cash or Common Stock, payment of 25% of the annual amount will be made on June 30, September 30,
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December 31, and March 31, provided the individual is serving as a Director on such dates. If the individual is not serving as a Director on any such date, the remaining amount of the retainer shall be forfeited.

If paid in Common Stock, the number of shares of Common Stock to be paid shall be determined by dividing the cash amount of the retainer due to the Director by the Fair Market Value of the Common Stock on the date the payment is due, rounding up to the next whole share.

- 2.3 Meeting Fees. The Committee may determine that Directors will receive a meeting fee for each meeting attended, and may determine that Committee Chairs will determine whether a particular special meeting is subject to a meeting fee. Meeting fees, if any, will be paid quarterly at the same time as the retainer, for meetings attended in the immediately preceding quarter, and may be paid in cash, Common Stock or as a Deferred Stock Award as provided in Article III.
- 2.4 Initial Equity Grant. On or about the date of first election to the Board, each Director will receive an initial equity grant in the form of Restricted Shares or Restricted Share Units under the Stock Incentive Plan, as determined by the Committee in its discretion. If such grant is made in the form of Restricted Share Units, a Director may elect to defer receipt of the Common Stock payable in respect of vested Restricted Share Units as a Deferred Stock Grant as provided in Article IV. A Director will receive only one initial equity grant for any continuous period served as a Director. If a Director ceases to serve as a Director for a period of at least three years and is later again elected as a Director, he or she will receive a second initial equity grant for the second period served as a Director.
- 2.5 Annual Equity Grant. On or about the date of each annual stockholders' meeting of the Company, each individual then serving as a Director or newly elected as a Director shall receive an equity grant under the Stock Incentive Plan, determined by the Committee, consisting of Restricted Shares, Restricted Share Units and/or Stock Options. If Stock Options are granted, the exercise price for each optioned share will be the Fair Market Value of one share of Common Stock on the grant date. Except as otherwise provided in the applicable award agreement, any Stock Options that are granted will be fully vested and exercisable on the first anniversary of the grant date, subject to the Director's continued service through the vesting date. Except as otherwise provided in the applicable award agreement, any Restricted Share Units awarded will vest in four equal, quarterly installments commencing three months after the grant date, subject to the Director's continued service through the applicable vesting date. If Restricted Shares or Restricted Share Units are awarded, the Committee may determine that the shares or units will be forfeited if the Director ceases to serve as a director during a restriction period determined by the Committee. If the annual equity grant is made in the form of Restricted Share Units, a Director may elect to defer receipt of the Common Stock payable in respect of vested Restricted Share Units as a Deferred Stock Grant as provided in ARTICLE IV.
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- 2.6 Mid-Year Equity Grants. The Committee in its discretion may grant Stock Options and/or awards of Restricted Shares or Restricted Share Units, as described in Section 2.5, to Directors who are newly elected to the Board after the annual stockholders' meeting. If a mid-year equity grant is made in the form of Restricted Share Units, a Director may elect to defer receipt of the Common Stock payable in respect of vested Restricted Share Units as a Deferred Stock Grant as provided in ARTICLE IV.

ARTICLE III

Deferred Stock Awards

- 3.1 Election to Defer. For each calendar year, a Director may elect to defer receipt of pay for services relating to the retainer and meeting fees, if any, to be received in that calendar year, and receive them instead as a Deferred Stock Award. The election must be made prior to the January 1 of the calendar year in which the services relating to the retainer or meeting fees will be rendered by a Director or such later date as is permitted by guidance issued under Section 409A of the Code. The election to defer shall be irrevocable commencing on December 31 of the calendar year prior to the calendar year that such election is in effect (or such earlier date as specified on the deferral election form). Notwithstanding the foregoing, a newly-elected Director may make an election no later than 30 days after the date of his or her election to the Board of Directors, which deferral election shall become irrevocable as of the thirtieth (30th) day following the Director's election to the Board of Directors (or such earlier date as specified on the deferral election form) and shall apply only to the retainer and meeting fees for services to be performed after the deferral election becomes irrevocable. A new election to defer may be made for each subsequent calendar year, provided the deferral election is made prior to the January 1 of the calendar year and shall be irrevocable for the following calendar year. If a new election is not made, or a prior election is not revoked for the immediately succeeding calendar year, the most recent election to defer will remain in effect and be irrevocable for the following calendar year.
- 3.2 Form of Election. The election to defer must be made in writing, and may be made electronically on a form provided by the Company.
- 3.3 Deferral Periods. A Director may elect to receive the Deferred Stock Award at one of the following times:
- (a) on the date of termination as a Director consistent with the definition of
separation from service as defined pursuant to Section 409A of the Code;
 - (b) on the date either five or ten years from the date of grant; or
 - (c) in one to five equal annual installments, payable on April 30 of each year, beginning on the April 30 next following the date of termination as a Director consistent with
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the definition of separation from service as defined pursuant to Section 409A of the Code.

- 3.4 Deferred Stock Awards. If a Director elects to receive the annual retainer and meeting fees, if any, as a Deferred Stock Award, the Company will maintain a deferred stock account credited, as of the date a payment of the retainer or meeting fee would have otherwise been paid, with a number of stock units equal to the shares of Common Stock (rounded up to the nearest whole share) that could have been purchased with the amount deferred as of such date at the Fair Market Value of the Common Stock on such date. As of the date any dividend is paid to stockholders of Common Stock, the Director's deferred stock account shall also be credited with an additional number of stock units equal to the number of shares of Common Stock (including fractions of a share) that could have been purchased at the Fair Market Value on such date with the dividend paid on the number of shares of Common Stock equivalent to the number of share units credited to the Director's deferred stock account. In case of dividends paid in property, the dividend shall be deemed to be the fair market value of the property at the same time of distribution of the dividend, as determined by the Committee.
- 3.5 Distribution of Deferred Stock Award. Payment of a Director's Deferred Stock Award shall be made at the times elected by the Director at the time of his or deferral election. Distribution shall be made in shares of Common Stock. The Participant shall receive the number of whole shares of Common Stock to which the distribution is equivalent. The shares of Common Stock shall be paid from, and shall count against the share reserve of, the Stock Incentive Plan.

ARTICLE IV

Deferred Stock Grants

- 4.1 Election to Defer. If and to the extent Restricted Share Units are granted to a Director for the initial equity grant described in Section 2.4 and/or in connection with the annual or mid-year equity grants described in Sections 2.5 and 2.6, respectively, a Director may elect to defer receipt of the Common Stock otherwise payable to the Director as such Restricted Share Units vest. For the annual equity grant, the election to defer must be made prior to the January 1 of the calendar year in which the grant is made. The election to defer shall be irrevocable commencing on December 31 of the calendar year prior to the calendar year that such election is in effect (or such earlier date as specified on the deferral election form). For both the initial and mid-year equity grants for newly-elected Directors, such Directors must make the deferral election no later than 30 days after the date of his or her election to the Board of Directors, which deferral election shall become irrevocable as of the thirtieth (30th) day following the Director's election to the Board of Directors (or such earlier date as specified on the deferral election form) and shall apply only to the initial and mid-year equity grants for services to be performed after the deferral election becomes irrevocable.
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A new deferral election for annual equity grants may be made for each subsequent calendar year, provided the election to defer is made prior to the January 1 of that calendar year. If a new election is not made, or a prior election is not revoked for the immediately succeeding calendar year, the most recent election to defer will remain in effect and be irrevocable for the following calendar year.

- 4.2 Form of Election. The election to defer must be made in writing, and may be made electronically on a form provided by the Company.
- 4.3 Deferral Periods. A Director may elect to receive the Common Stock at one of the times specified in Section 3.3 above.
- 4.4 Deferred Stock Accounts. If a Director elects to defer receipt of the Common Stock otherwise payable in respect of Restricted Share Units awarded as initial, annual or mid-year equity grants, the Company will maintain a deferred stock account credited, as of the date of election to the Board, with a number of stock units equal to the shares of Common Stock the Director was entitled to receive as such Restricted Share Units vested. As of the date any dividend is paid to stockholders of Common Stock, the Director's deferred stock account shall also be credited with an additional number of stock units equal to the number of shares of Common Stock (including fractions of a share) that could have been purchased at the Fair Market Value on such date with the dividend paid on the number of shares of Common Stock equivalent to the number of share units credited to the Director's deferred stock account. In case of dividends paid in property, the dividend shall be deemed to be the fair market value of the property at the same time of distribution of the dividend, as determined by the Committee.
- 4.5 Distribution of Deferred Stock Grant. Payment of a Director's Deferred Stock Grant shall be made at the times elected by the Director at the time of deferral, in shares of Common Stock. The Participant shall receive the number of whole shares of Common Stock to which the amount of the distribution is equivalent. The shares of Common Stock shall be paid from, and shall count against the share reserve of, the Stock Incentive Plan.

ARTICLE V

Distribution Upon Death

- 5.1 Distribution Upon Death. In the event of the death of a Participant, whether before or after termination of service, any Deferred Stock Award or Deferred Stock Grant due and unpaid on the date of the Participant's death shall be distributed in shares of Common Stock, and any retainer or meeting fees due and unpaid on the date of the Participant's death shall be paid in cash, to the Participant's designated beneficiary, or if no beneficiary is designated, to the Participant's estate, in a single lump sum within 90 days after the Participant's death. Distribution of a Participant's Stock Options will be according to the terms of the Stock Option agreements.
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- 5.2 Designation of Beneficiary. On the terms and subject to the conditions established by the Company or its designee, a Participant may designate one or more individuals or trusts as his or her beneficiary to receive payment of all or any designated portion of Deferred Stock Awards, Deferred Stock Grants, or retainer or meeting fees due and unpaid on the date of the Participant's death, or revoke or change any such designation.

ARTICLE VI

Administration

- 6.1 Taxes. Each Director shall be responsible for all tax consequences of his or her participation in the Program. However, the Company shall be authorized to deduct from all distributions under the Program any taxes that may be required to be withheld by federal, state or local governments.
- 6.2 Unfunded Nature of Program. This Program shall be unfunded. The funds used for payment of benefits hereunder shall, until such actual payment, continue to be part of the general funds of the Company, and no person other than the Company shall, by virtue of this Program, have any interest in any such funds. Nothing contained herein shall be deemed to create a trust of any kind or create any fiduciary relationship. To the extent that any person acquires a right to receive payments from the Company under this Program, such right shall be no greater than the right of any unsecured general creditor of the Company.
- 6.3 Non-alienation of Benefits. No benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, including assignment pursuant to a domestic relations order, and any attempt to do so shall be void. No such benefit shall, prior to receipt thereof by the Participant, be in any manner liable for or subject to the debts, contracts, liabilities, or torts of the Participant.
- 6.4 Acceleration Upon a Change in Control. As provided in the Stock Incentive Plan and applicable provisions of a Director's individual award agreement or statement under this Program, the vesting of Stock Options, Restricted Shares and Restricted Share Units, and the payment of Deferred Stock Awards and Deferred Stock Grants, may accelerate upon the occurrence of a Change in Control (as defined in the Stock Incentive Plan). Notwithstanding the foregoing, to the extent necessary to comply with Section 409A, payment of Deferred Stock Awards and Deferred Stock Grants shall be made on the earlier of (a) a "change in the ownership," a "change in the ownership of a substantial portion of the assets" or a "change in the effective control" of the Company within the meaning of Section 409A of the Code; or (b) at the time(s) specified in Section 3.3 pursuant to an election in effect under Section 3.1 or Section 4.1.
- 6.5 Amendment or Termination of the Program. The Committee at any time may amend or terminate the Program, provided that no such action shall adversely affect the right of any Participant or Beneficiary to a benefit to which he or she has become entitled pursuant to
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the Program, and no amendment or termination of the Program can alter the Participant's deferrals of compensation in noncompliance with Section 409A of the Code, or the rules and regulations issued pursuant thereto. Any amendment or termination of the Program that is inconsistent with, or in violation of Code Section 409A, shall be void and of no effect.

- 6.6 Adjustments. The number and kind of shares of Common Stock subject to Stock Options, Restricted Shares, Restricted Share Units, Deferred Stock Awards and Deferred Stock Grants, and the exercise price of Stock Options, shall be subject to adjustment in accordance with the provisions of the Stock Incentive Plan.
- 6.7 Compliance with Section 409A. Notwithstanding any of the foregoing provisions of the Program, to the extent required in order to comply with Section 409A(a)(2)(B)(i) of the Code, Deferred Stock Awards and Deferred Stock Grants shall be paid on the first business day after the date that is six months following a Director's "separation from service" within the meaning of Section 409A of the Code. The Program is intended to comply with the provisions of Section 409A of the Code, and the Treasury Regulations issued pursuant thereto; and the provisions of the Program will at all times be administered consistent therewith. Any provision of the Program that is inconsistent with, or in violation of, Section 409A of the Code, shall be void and of no effect. The Executive Vice President and Chief Human Resources Officer, and the General Counsel of the Company are delegated the responsibility to interpret and administer the Program consistent with Section 409A of the Code and to take necessary action pursuant to this Section 6.6 and Section 6.5 consistent with the intent that the Program be administered consistent with such provision.

TERADATA EMPLOYEE STOCK PURCHASE PLAN

(As amended and restated on January 30, 2018)

1. Purpose

The Teradata Employee Stock Purchase Plan (“Plan”) provides Eligible Employees with an opportunity to purchase Teradata Common Stock through payroll deductions and is intended as an employment incentive and to encourage ownership of Teradata Common Stock to enable Eligible Employees to participate in the economic progress of Teradata Corporation (“Teradata”) during the term of the Plan.

The Company intends to have the Plan qualify as an “employee stock purchase plan” under Section 423 of the Code. The provisions of the Plan shall be construed so as to extend and limit participation in a manner consistent with the requirements of Section 423 of the Code. Notwithstanding the forgoing, the Company may make Offerings under the Plan that are not intended to qualify under Section 423 of the Code to the extent deemed advisable for Designated Subsidiaries outside the United States (“Non-423 Component”). Furthermore, the Company may make separate Offerings under the Plan, each of which may have different terms, but each separate Offering will be intended to comply with the requirements of Section 423 of the Code.

This Plan was originally adopted effective as of September 30, 2007, and has since been amended from time to time. The Plan was most recently amended and restated on January 31, 2012 and approved by the Company’s stockholders on April 20, 2012. The Plan is further amended and restated as set forth herein as of January 30, 2018 (the “2018 Restatement Date”), subject to approval by the Company’s stockholders.

2. Definitions

2.1 “Affiliate” means any person that directly, or through one or more intermediaries, controls, or is controlled by, or under common control with, the Company.

2.2 “Beneficiary” has the meaning set forth in Section 15.

2.3 “Benefits Committee” means the Teradata Corporation Benefits Committee.

2.4 “Board of Directors” means the Board of Directors of the Company.

2.5 “Code” means the Internal Revenue Code of 1986, as amended.

2.6 “Company” means Teradata Corporation, a Delaware corporation.

2.7 “Compensation” means the total amount received by a Participant from the Company or a Subsidiary as salary, wages, bonus or other remuneration including (i) overseas premium pay, (ii) appropriate commission or other earnings by sales personnel, (iii) overtime pay, (iv) payments for cost-of-living increases, and (v) sick pay, but excluding retention and

work completion bonuses and contributions of the Company or a Subsidiary to an employee benefit plan thereof.

2.8 “Continuous Service” means the length of time an Employee has been in the continuous employ of the Company and/or a Subsidiary and/or an Affiliate.

2.9 “Designated Subsidiary” means a Subsidiary which shall have been designated by the Chief Executive Officer or the Benefits Committee of the Company to participate in the Plan; provided, that any such designation may be revoked in like manner at any time.

2.10 “Eligible Employees” means only those persons who on an Offering Date: (i) are Employees of the Company or a Designated Subsidiary, and (ii) are not deemed for purposes of Section 423(b)(3) of the Code to own stock possessing 5% or more of the total combined voting power or value of all classes of stock of the Company or a Subsidiary or the parent of the Company, if any. With respect to Offerings made under the Non-423 Component of the Plan, the definition of “Eligible Employee” may be further limited.

2.11 “Employees” means all persons employed by the Company or a Subsidiary, and unless otherwise prohibited by applicable law, excludes those persons whose customary employment is 20 hours or less per week and/or whose customary employment is for five months or less in any calendar year. “Employee” does not include leased employees within the meaning of Section 414(n) of the Code, and does not include “payroll service or agency employees” as defined in the following sentence. “Payroll service or agency employee” means an individual (i) for whom the direct pay or compensation with respect to the performance of services for the Company or any Subsidiary or Affiliate is paid by any outside entity, including but not limited to a payroll service or temporary employment agency rather than by the Teradata internal corporate payroll system, or (ii) who is paid directly by the Company or any Subsidiary or Affiliate, but not through an internal corporate payroll system (e.g., through purchase order accounts). The determination whether an individual is a “payroll service or agency employee” shall be made solely according to the method of paying the individual for services, without regard to whether the individual is considered a common law employee of the Company for any other purpose, and such determination will be within the discretionary authority of the plan administrator.

2.12 “Exercise Date” means the last business day of each Purchase Period.

2.13 “Investment Account” has the meaning set forth in Section 12.

2.14 “Teradata Common Stock” means shares of common stock, par value \$0.01, of Teradata.

2.15 “Offering” means the offering of shares of Teradata Common Stock to Eligible Employees pursuant to the Plan.

2.16 “Offering Date” means the first business day of each Purchase Period.

2.17 “Participant” means an Eligible Employee who elects to participate in the Plan.

2.18 “Payroll Department” means the department of the Company or a Subsidiary from which a Participant’s Compensation is disbursed.

2.19 “Plan” means this Teradata Employee Stock Purchase Plan.

2.20 “Purchase Period” means each calendar month during the term of the Plan, or such other period, as may be determined in the discretion of the Benefits Committee from time to time (but in no event will any Purchase Period be longer than maximum period permitted for an employee stock purchase plan under Section 423 of the Code).

2.21 “Recordkeeper” means the third party administrator that maintains records for the Plan.

2.22 “Subsidiary” means any corporation in which the Company, directly or indirectly, owns stock possessing 50% or more of the total combined voting power of all classes of stock.

3. Shares

The aggregate number of shares of Teradata Common Stock which may be purchased under the Plan shall not exceed a total of seven million (7,000,000). Notwithstanding the foregoing, the aggregate number of shares is subject to adjustment in accordance with Section 20 hereof. Shares issued under the Plan will consist of authorized and unissued shares.

4. Offering

Each Eligible Employee on an Offering Date shall be entitled to purchase, in the manner and on the terms herein provided, shares of Teradata Common Stock at the Purchase Price set forth in Section 8 hereof with amounts withheld pursuant to Section 6 hereof during the Purchase Period in which such Offering Date occurs.

Anything herein to the contrary notwithstanding, if any person entitled to purchase shares pursuant to any Offering hereunder would be deemed, for the purposes of Section 423(b)(3) of the Code, to own stock (including any number of shares which such person would be entitled to purchase hereunder and under any other similar plan or stock option plan of the Company, the parent of the Company or any Subsidiary) possessing 5% or more of the total combined voting power or value of all classes of stock of the Company, the parent of the Company or a Subsidiary, the maximum number of shares which such person shall be entitled to purchase pursuant to the Plan shall be reduced to that number which, when added to the number of shares of stock of the Company, the parent of the Company or a Subsidiary which such person is so deemed to own (excluding any number of shares which such person would be entitled to purchase hereunder), is one less than such 5% and any balance remaining in such person’s account to purchase shares of Teradata Common Stock under this Plan (“Stock Purchase Account”) shall be refunded.

5. Entry Into the Plan; Stock Purchase Agreements

Any Eligible Employee may become a Participant in the Plan by filing a stock purchase agreement (a “Stock Purchase Agreement”) in accordance with procedures established by the Benefits Committee. Once an Eligible Employee has filed a Stock Purchase Agreement and become a Participant in the Plan, he shall remain a Participant until he withdraws from the Plan in accordance with Section 13 hereof, and he shall not be required to file a Stock Purchase Agreement for any succeeding Offering until he withdraws from the Plan.

A Participant may change his level of payroll deduction in accordance with procedures established by the Benefits Committee.

6. Payment for Shares; Payroll Deductions

Payment for shares of Teradata Common Stock purchased hereunder shall be made by authorized payroll deductions from a Participant’s Compensation pursuant to this Section.

In his Stock Purchase Agreement, a Participant shall authorize a deduction from each payment of Compensation during a Purchase Period of an amount equal to any full percentage of such payment; provided, however, that the minimum deduction shall be 1% and the maximum deduction shall be 10% of any payment of Compensation.

A Participant on an unpaid leave of absence will remain a Participant in the Plan but no amounts will be credited to the Participant’s Stock Purchase Account during the time the Participant receives no Compensation.

7. Payroll Deductions

Amounts deducted from a Participant’s Compensation pursuant to Section 6 hereof shall be recorded by the Company and applied to the purchase of Teradata Common Stock hereunder. No interest shall accrue or be payable to any Participant with respect to any deducted amounts.

8. Purchase Price

The Purchase Price per share of the shares of Teradata Common Stock sold to Participants hereunder shall be 85% of the average of the reported highest and lowest sale prices of shares of Teradata Common Stock on the New York Stock Exchange on the applicable Exercise Date. Should no sale of Teradata Common Stock occur on any Exercise Date, then the Purchase Price shall be determined on the basis of the sales of Teradata Common Stock on the first day prior thereto on which such sales were made. Anything herein to the contrary notwithstanding, the Purchase Price per share shall not be less than the par value of a share of Teradata Common Stock.

9. Purchase of Shares; Limitation on Right to Purchase

As of each Exercise Date, each Participant shall be offered the right to purchase, and shall be deemed, without any further action, to have purchased, at the Purchase Price in United States dollars, the number of full shares of Teradata Common Stock which can be purchased with the amount credited to such Participant’s Stock Purchase Account. All such shares shall be

maintained in Investment Accounts for the Participants. All dividends paid with respect to such shares shall be credited to the Participants' Investment Accounts, and will be automatically reinvested in shares of Teradata Common Stock, unless the Participant elects not to have such dividends reinvested. Any remaining balance in a Participant's Stock Purchase Account not used to purchase full shares of Teradata Common Stock shall be applied to purchase shares of Teradata Common Stock on the next Exercise Date or, in the event that there is no next Exercise Date, shall be refunded to the Participant.

At the time a Participant's payroll deduction amounts are used to purchase the Teradata Common Stock, he or she will have all of the rights and privileges of a stockholder of Teradata with respect to the shares purchased under the Plan.

Anything herein to the contrary notwithstanding, (i) a Participant may not purchase more than 50,000 shares of Teradata Common Stock through this Plan in any Purchase Period of not more than one calendar month (or, in the case of a Purchase Period longer than one calendar month, a Participant may not purchase more than the number of shares of Teradata Common Stock equal to the product of 50,000 multiplied by the number of full calendar months in such Purchase Period); and (ii) if at any time when any person is entitled to complete the purchase of any shares pursuant to the Plan, taking into account such person's rights, if any, to purchase stock under all other employee stock purchase plans of the Company, its parent and of any Subsidiaries, the result would be that during the then current calendar year such person would have first become entitled to purchase under the Plan and all such other plans a number of shares of stock which would exceed the maximum number of shares permitted by the provisions of Section 423(b) (8) of the Code, then the number of shares which such person shall be entitled to purchase pursuant to the Plan shall be reduced by the number which is one more than the number of shares which represents the excess, and any remaining balance of the Participant's payroll deductions shall be refunded.

10. Expiration of Purchase Period

As of each Exercise Date the amount of payroll deductions for each Participant in the applicable Purchase Period shall be applied to purchase shares of Teradata Common Stock at the Purchase Price.

11. Issuance of Shares

The shares of Teradata Common Stock purchased by a Participant on an Exercise Date shall, for all purposes, be deemed to have been issued and sold at the close of business on such Exercise Date. Prior to that time, none of the rights or privileges of a stockholder shall exist with respect to such shares.

As soon as practicable after such Exercise Date, the Company shall cause a book entry to be registered in the street name of the Recordkeeper on behalf of the Participants, for the number of shares of Teradata Common Stock purchased by the Participants on such Exercise Date, as designated in the Participant's Stock Purchase Agreement. Such designation may be changed at any time by filing notice thereof. The Benefits Committee shall have sole discretion to adopt

rules governing the registration of shares purchased hereunder, and may restrict the types of designations permitted under a Participant's Stock Purchase Agreement.

12. Investment Accounts Maintained by Recordkeeper

The Recordkeeper shall maintain an Investment Account for each Participant with a record of the shares purchased by the Participant. The Participant may at any time direct the Recordkeeper to (i) sell some or all of the shares credited to his Investment Account and deliver the cash in U.S. currency to the Participant, subject to any applicable delivery or transfer charge or (ii) provide the Participant a notice of issuance of uncertificated shares reflecting some or all of the whole shares credited to his Investment Account.

13. Withdrawal

A Participant may withdraw from the Plan at any time by filing notice of withdrawal. Upon a Participant's withdrawal, the amount credited to his Stock Purchase Account shall go toward the purchase of Teradata Common Stock on the next Exercise Date. Any Participant who withdraws from the Plan may again become a Participant hereunder in accordance with Section 5 hereof.

14. Termination of Continuous Service

If a Participant's Continuous Service terminates for any reason during a Purchase Period, the amount credited to his Stock Purchase Account as of the termination date shall be used to purchase shares of Teradata Common Stock pursuant to Section 9 hereof as of the next succeeding Exercise Date. The Participant may elect within 60 days of the date of his termination of employment to liquidate his Investment Account by either of the methods described in Section 12 or some combination of both. If the Recordkeeper receives no directions from the Participant within 60 days after his termination date, the Recordkeeper may deem that the Participant elected to retain ownership of the stock in the Participant's own name and receive appropriate evidence of such ownership, and the Recordkeeper may proceed accordingly.

If a Participant transfers to part-time status during a Purchase Period, his payroll deductions for the Plan shall terminate as of the date of such transfer and the amount credited to his Stock Purchase Account as of the effective date of any such occurrence shall remain in the Stock Purchase Account until the Exercise Date. The Recordkeeper shall continue to maintain the Participant's Investment Account.

15. Death

If a Participant dies during a Purchase Period, the amount credited to his Stock Purchase Account as of the date of death shall be applied to the purchase of Teradata Common Stock on the Exercise Date.

The Recordkeeper shall transfer the Participant's Investment Account to the executor or administrator of the Participant's estate. If no executor or administrator is appointed (to the

knowledge of the Company), the Company in its discretion may direct the Recordkeeper to transfer the Investment Account to the Participant's spouse or to any one or more dependents of the Participant.

16. Procedure if Insufficient Shares Available

In the event that on any Exercise Date the aggregate funds available for the purchase of shares of Teradata Common Stock pursuant to Section 9 hereof would purchase a number of shares in excess of the number of shares then available for purchase under the Plan, the Benefits Committee shall proportionately reduce the number of shares which would otherwise be purchased by each Participant on such Exercise Date in order to eliminate such excess, the Plan shall automatically terminate immediately after such Exercise Date and any remaining balance credited to the Stock Purchase Account of each Participant shall be refunded to each such Participant.

17. Rights not Transferable

Rights to purchase shares under the Plan are exercisable only by the Participant during his lifetime and are not transferable by him other than by will or the laws of descent and distribution. If a Participant attempts to transfer his rights to purchase shares under the Plan other than by will, he shall be deemed to have requested withdrawal from the Plan and the provisions of Section 13 hereof shall apply with respect to such Participant.

18. Administration of the Plan

Subject to the general control of, and superseding action by, the Board of Directors, the Benefits Committee shall have full power to administer the Plan. It shall adopt rules not inconsistent with the provisions of the Plan for its administration. It shall adopt the form of Stock Purchase Agreement, all notices required hereunder, and any on the registration of certificates for shares purchased hereunder. Its interpretation and construction of the Plan and Rules shall, subject as aforesaid, be final and conclusive.

19. Amendment of the Plan

The Board of Directors may at any time, or from time to time, alter or amend the Plan in any respect, except that, without approval of the stockholders of Teradata, no amendment may (i) increase the number of shares reserved for purchase under the Plan other than as provided in Section 20 hereof or (ii) reduce the Purchase Price per share as defined in Section 8 hereof.

20. Recapitalization; Effect of Certain Transactions

The aggregate number of shares of Teradata Common Stock reserved for purchase under the Plan as provided in Section 3 hereof, the maximum number of shares which a Participant may purchase in any Purchase Period as provided in Section 9 hereof, and the calculation of the Purchase Price per share as provided in Section 8 hereof shall be appropriately adjusted to reflect a subdivision or consolidation of shares or other capital adjustment, or the payment of a stock

dividend, extraordinary cash dividend or other increase or decrease in the number of issued shares of Teradata Common Stock, effected without receipt of consideration by the Company. If Teradata shall merge or consolidate, whether or not Teradata is the surviving or resulting corporation in such merger or consolidation, any Offering hereunder shall pertain to and apply to shares of stock of Teradata or any shares issued in connection with such merger or consolidation in exchange for shares of stock of Teradata, unless prior to such merger or consolidation, the Board of Directors of the Company shall, in its discretion, terminate the Plan and/or any Offering hereunder. Notwithstanding the foregoing, a dissolution or liquidation of Teradata shall cause the Plan and any Offering hereunder to terminate and the entire amount credited to the Stock Purchase Account of each Participant thereunder shall be paid to each such Participant.

21. Expiration and Termination of the Plan

The Plan shall continue in effect through the tenth anniversary of the 2018 Restatement Date unless terminated prior thereto pursuant to Section 16 or 20 hereof, or pursuant to the next succeeding sentence. The Board of Directors shall have the right to terminate the Plan or any Offering hereunder at any time. In the event of the expiration of the Plan or its termination or the termination of any Offering pursuant to the immediately preceding sentence, the entire amount credited to the Stock Purchase Account of each Participant hereunder shall be refunded to each such Participant.

22. Treatment of Fractional Shares

For any amounts of payroll deductions that are insufficient to purchase a whole share, the Recordkeeper may determine whether its standard practice will be to credit the Participants' Investment Accounts with fractional shares or with the insufficient cash amount that will be carried over and applied to the next Purchase Period. If the Investment Accounts are credited with fractional shares, such fractional shares shall be cashed out when a Participant closes his or her Investment Account.

23. Notice

Any notice which a Participant files pursuant to the Plan shall be in the appropriate form and shall be delivered by hand or mailed, postage prepaid, to such Participant's Payroll Department.

24. Repurchase of Stock

The Company shall not be required to repurchase from any Participant shares of Teradata Common Stock which such Participant acquires under the Plan.

25. Use of Funds

All payroll deductions received or held by the Company under this Plan may be used by the Company for any corporate purpose and the Company shall not be obligated to segregate such payroll deductions.

26. Alternate Contribution Methods

Anything herein to the contrary notwithstanding, in the event authorized payroll deductions from a Participant's Compensation are not permitted by reason of the provisions of local law applicable to the Company or a Designated Subsidiary, or are not practicable in the opinion of the Benefits Committee, the appropriate alternative method pursuant to which affected Participants may make payment for shares of Teradata Common Stock purchased hereunder which would otherwise have been made pursuant to Section 6 hereof shall be designated by the Benefits Committee. Payments made hereunder shall be deemed to have been made pursuant to Section 6 hereof.

27. Fees

The Recordkeeper may charge Participants reasonable transaction fees, as agreed by the Company.

IN WITNESS WHEREOF, the Company has caused this Plan, as amended and restated, to be duly executed as of this 30th day of January, 2018.

FOR TERADATA CORPORATION

By: /s/ Suzanne C. Zoumaras

Name: Suzanne C. Zoumaras

Title: EVP & CHRO

SEPARATION LETTER

Personal and Confidential

June 26, 2018

Suzanne Zoumaras

Dear Suzanne:

As a participant in the Teradata Executive Severance Plan (“**Plan**”) and based on your agreed upon last date of employment of July 6, 2018, you will be entitled to the following severance benefits under the Plan, conditioned upon your timely execution and non-revocation of the attached separation agreement and release (“**Release**”):

- Salary and target bonus continuation for 12 months, less required withholdings and deductions;
- A pro-rated annual cash incentive bonus for the year of termination, payable following the determination of the actual Teradata performance for fiscal year 2018 and on the same schedule as these bonuses are paid to other eligible participants, and subject to the terms and conditions of the Company’s Management Incentive Plan and less required withholdings and deductions;
- The Company will contribute towards your COBRA premiums the portion of the premiums currently paid by the Company for your medical, dental and/or vision benefits for up to twelve (12) months (however, you must apply for COBRA benefits, Teradata cannot do so on your behalf); and
- Outplacement services as provided in the Plan.

In addition, as agreed between you and Teradata and in connection with the termination of your employment, you shall receive the supplemental severance benefits set out below, also conditioned upon your timely execution and non-revocation of the Release. It shall be explicitly noted that, notwithstanding anything in the Plan to the contrary, the restricted share units and performance-based restricted share units granted to you on November 27, 2017 will be terminated and shall not vest.

- The base salary continuation set forth in the first bullet above will be paid at the annual rate of \$450,000, with the first severance payment to include retroactive pay to effect a salary increase to \$450,000 as of March 1, 2018;
 - The target bonus continuation set forth in the first bullet point above, and the pro-rated annual cash incentive bonus set forth in the second bullet point above, will be paid at the target annual incentive rate of 80% of base salary;
-

- All of your outstanding stock options will vest as of July 6, 2018 , and will be exercisable until the earlier of 59 days after such date or the expiration of the applicable option;
- All of your outstanding time-based restricted share units (other than the restricted share units granted to you on November 27, 2017) will vest in full (without pro-ration) as of July 6, 2018 ; and
- All of your outstanding performance-based restricted share units (other than the performance-based restricted share units granted to you on November 27, 2017) that are earned based on actual Company performance for the entire performance period will vest in full (without pro-ration), effective as of the date that Company performance is certified for the applicable performance period.

You are subject to Section 409A of the Internal Revenue Code regulations as a “specified highly compensated” employee at Teradata, and as a result, in order to avoid negative tax consequences to you, Teradata is required to impose a six-month waiting period on certain payments and benefits provided in connection with the termination of your employment. In particular, in order to comply with Section 409A of the Internal Revenue Code: (i) the first six months of your salary and target bonus continuation payments will be held back without interest, and paid to you in a lump sum on or shortly after the end of the six-month period, which is January 6, 2019, and the remaining salary and target bonus continuation payments will be made in installment payments over the remainder of the 12-month period; (ii) your restricted share units that vest hereunder, other than performance-based awards for ongoing performance periods, will be distributed to your Fidelity account on or shortly after January 6, 2019; and (iii) your performance-based restricted share units that vest hereunder for ongoing performance periods will be distributed to your Fidelity account after the end of the applicable performance period.

Your right to receive any severance benefits under the Plan is subject to all of the terms and conditions of the Plan, and the description of Plan benefits above is a summary and does not modify the terms of the Plan other than as specifically set forth in this letter with respect to the base salary rate, target annual incentive rate, and the vesting treatment of your outstanding equity awards.

Until your termination date, you will be on Flexible Time Off. You will be permitted a day to come into the office and collect your personal belongings, and you should coordinate with Camille Gaylor to schedule the same. To ensure a smooth transition of your responsibilities, you are requested to be available and responsive through August 15, 2018 to occasional and reasonable inquiries from Victor Lund or me on matters related to your employment and job responsibilities. It is anticipated that this will be an occasional email or phone conversation on matters that you may provide insight or information based on your duties while employed by Teradata.

Suzanne, should you have any questions, please don't hesitate to contact me.

Sincerely,

/s/ Laura Nyquist
Laura Nyquist
General Counsel

Exhibits: Separation and General Release Agreement; Teradata Executive Severance Plan

SEPARATION AND GENERAL RELEASE AGREEMENT

This Confidential Separation and General Release Agreement (hereinafter “**Agreement**”) is agreed to by and between Suzanne Zoumaras (“**Employee**”) and Teradata Corporation (hereinafter “**Teradata**” or “**Company**”).

Employee’s employment with Company will terminate effective July 6, 2018 (“**Termination Date**”). In exchange for the severance benefits and other good and valuable consideration set forth in this Agreement, and subject to the terms and conditions outlined herein, Company and Employee acknowledge and agree as follows:

1. Separation Benefits. Provided that Employee signs, dates, and returns this Agreement to the Company within twenty-one days, and allows it to become effective, and complies with the terms of this Agreement and Employee’s other continuing obligations to the Company (including, but not limited to, those continuing obligations set forth in Sections 4, 5, and 6 of this Agreement), then the Company agrees to provide Employee with (a) the severance benefits provided under Section 4(b) of the Teradata Executive Severance Plan (the “**Plan**”), subject to the conditions of the Plan; and (b) the supplemental benefits set forth in the letter dated June 26, 2018 from Laura Nyquist, General Counsel (the “**Separation Letter**”), a copy of which is attached to and made part of this Agreement (which benefits are referred to collectively as “**Separation Benefits**”). Employee acknowledges and agrees that these Separation Benefits constitute Employee’s sole severance benefits, and are adequate legal consideration for the promises and representations made by Employee in this Agreement.

2. No Other Compensation or Benefits. Employee acknowledges that, except as expressly provided in this Agreement, Employee will not receive and is not entitled to any additional compensation, salary, bonuses, severance, or benefits after the Termination Date.

3. General Release.

3.1 Employee, individually and on behalf of Employee’s heirs, successors, administrators, and assigns, hereby unconditionally, irrevocably and absolutely releases and discharges the Company, and its parent corporations, direct and indirect subsidiary corporations, division, affiliates, successors, predecessors, partnerships, and assigns, and all of their respective partners, officers, directors, employees, shareholders, agents, and attorneys (collectively referred to as “**Released Parties**”), from any and all claims, demands, causes of actions, obligations, judgments, rights, fees, damages, debts, losses, obligations, liabilities, and expenses of any kind whatsoever, whether known or unknown, related in any way to the transactions or occurrences between them to date, to the fullest extent permitted by law. This release is intended to have the

broadest possible application and includes, but is not limited to: (i) all claims arising directly or indirectly out of or in any way connected with Employee's employment with the Company, or the termination of that employment; (ii) any and all statutory claims, including but not limited to claims under the federal Fair Labor Standards Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Family and Medical Leave Act, the Equal Pay Act, the Age Discrimination in Employment Act, as amended by the Older Workers' Benefit Protection Act (together, the "**ADEA**"), the California Fair Employment & Housing Act, the California Family Rights Act, the California Fair Pay Act, and the California Equal Pay Act; (iii) any and all claims arising under tort, contract, and quasi-contract law, including but not limited to claims of breach of an express or implied contract, wrongful or retaliatory discharge, fraud, defamation, negligent or intentional infliction of emotional distress, tortious interference with contract or prospective business advantage, breach of the covenant of good faith and fair dealing, promissory estoppel, detrimental reliance, invasion of privacy, false imprisonment, nonphysical injury, personal injury or sickness, or any other harm; (iv) any and all claims for compensation of any type whatsoever, including but not limited to claims for salary, wages, bonuses, commissions, incentive compensation, equity, profit sharing, vacation, paid time off, sick pay, and severance pay that may be legally waived and released; and (v) any and all claims for monetary or equitable relief, including but not limited to attorneys' fees, back pay, front pay, reinstatement, experts' fees, medical fees or expenses, costs and disbursements, punitive damages, liquidated damages, and penalties.

In granting the release herein, which includes all claims that Employee does not know or suspect to exist in Employee's favor, Employee acknowledges that Employee has read, understands and expressly waives Section 1542 of the California Civil Code, which provides: "**A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.**" Employee expressly agrees to waive any rights or benefits conferred by Section 1542 and by any law of any state or territory of the United States or principal of common law pursuant to, or which is similar, comparable or equivalent to, Section 1542.

Without limiting the preceding paragraphs, Employee understands this Agreement specifically releases and waives any claims of age discrimination, known or unknown, that Employee may have against the Released Parties as of the date Employee signs this Agreement, and specifically includes a waiver of rights and claims under the ADEA. Employee understands that this Agreement does not waive or release any rights or claims that Employee may have under the ADEA that arise after the execution of this Agreement. Employee acknowledges that as of the date she signs this Agreement she may have certain rights or claims under the ADEA and she voluntarily relinquishes such rights or claims by signing this Agreement. Employee is advised to consult with an attorney before executing this Agreement.

3.2 Employee acknowledges that Employee may discover facts or law different from, or in addition to, the facts or law that Employee knows or believes to be true with respect to the

claims released in this Agreement and agrees, nonetheless, that this Agreement and the release contained in it shall be and remain effective in all respects notwithstanding such different or additional facts or the discovery of them.

3.3 Employee declares and represents that Employee intends this Agreement to be complete and not subject to any claim of mistake, and that the release herein expresses a full and complete release and Employee intends the release herein to be final and complete. Employee executes this release with the full knowledge that this release covers all possible claims against the Released Parties, fully permitted by law.

3.4 Employee expressly waives Employee's right to recovery of any type, including damages or reinstatement, in any administrative or court action, whether brought by Employee or on Employee's behalf, related in any way to the matters released herein.

3.5 Notwithstanding the foregoing, the following are not included in the general release: (a) any rights or claims for indemnification Employee may have pursuant to any written indemnification agreement of the Company to which Employee is a party, the charter, bylaws, or operating agreements of the Company, or under applicable law; (b) any rights that are not waivable as a matter of law; or (c) any claims arising from the breach of this Agreement by the Company. Further, this Agreement does not prevent Employee from responding accurately and fully to any question, inquiry or request for information when required by legal process, or disclosing information to regulatory bodies. Nothing contained in this Agreement limits Employee's ability to file a charge or complaint with any federal, state or local governmental agency or commission (a "**Government Agency**"). Nothing in this Agreement or any other Company agreement, policy, practice, procedure, directive or instruction prohibits Employee from reporting possible violations of federal, state or local laws or regulations to any Government Agency or making other disclosures that are protected under the whistleblower provisions of federal, state or local laws or regulations. Employee does not need prior authorization of any kind to make any such reports or disclosures and she is not required to notify the Company if she makes such reports or disclosures. However, if Employee files any charge or complaint with any Government Agency, and if the Government Agency pursues any claim on her behalf, or if any other third party pursues any claim on her behalf, she waives any right to monetary or other individualized relief (either individually, or as part of any collective or class action) that arises out of alleged facts or circumstances on or before the effective date of this Agreement. Nothing in this Agreement limits any right she may have to receive a whistleblower award or bounty for information provided to the Securities and Exchange Commission or other Government Agency.

4. Non-Solicitation of Employees. Employee understands and acknowledges that Company has expended and continues to expend significant time and expense in recruiting and training its employees and that the loss of employees would cause significant and irreparable harm to Company. Employee agrees and covenants not to disrupt or interfere with the business of the

Company by directly or indirectly soliciting, recruiting, attempting to recruit, or raiding the employees of the Company, for one year, to run consecutively, starting on the Termination Date.

5. Non-Disparagement. Employee agrees that Employee will not at any time make, publish, or communicate to any person or entity, or in any public forum, any defamatory, maliciously false, or disparaging remarks, comments, or statements concerning Company or any of the Released Parties. The Company agrees that it will not make any written statements that disparage Employee in any official public Company statements, and it will instruct its executive officers not to make any false or defamatory statements concerning Employee. Nothing in the foregoing will preclude either party from providing truthful disclosures as required by law or legal process. The promises and obligations in this Section 5 supersede and replace in full the Non-Disparagement clause in Section 7(d) of the Plan.

6. Other Continuing Obligations. Employee agrees to now and hereafter abide by the restrictive covenants under the Plan applicable to her as a California employee, including those set forth in the following provisions of the Plan: Section 7(a), Confidential and Trade Secret Information; Section 7(e), Return of Property; Section 7(f) Cooperation; and Section 7(g), Remedies, subject to the whistleblower protections set forth in Section 7(h) of the Plan. **Employee acknowledges and agrees that full and complete compliance with all the provisions of these covenants, the non-solicitation covenant set forth in Section 4 of this Agreement, and the non-disparagement clause set forth in Section 5 of this Agreement constitute material consideration of this Agreement and breach of any provision of such provisions shall constitute a material breach of this Agreement.**

7. No Admissions. By entering into this Agreement, Company and Released Parties make no admission they have engaged, or are now engaging, in any unlawful conduct. The parties understand and acknowledge that this Agreement is not an admission of liability and shall not be used or construed as such in any legal or administrative proceeding. The Company specifically disclaims and denies any wrongdoing or liability to Employee.

8. Acknowledgements/Time to Consider. This Agreement is intended to satisfy the requirements of the Older Workers' Benefit Protection Act, 29 U.S.C. sec. 626(f). Employee acknowledges and agrees she (a) has read and understands the terms of this Agreement; (b) has been advised in writing to consult with an attorney before executing this Agreement; (c) has obtained and considered such legal counsel as Employee deems necessary; (d) has been given twenty-one (21) calendar days to consider whether or not to enter into this Agreement (although Employee may elect not to use the full 21-day period at Employee's option); and (e) Employee signs this Agreement freely, knowingly, and voluntarily.

9. Revocation/Effective Date. This Agreement shall not become effective or enforceable until the eighth day after Employee signs this Agreement. Employee may revoke Employee's acceptance of this Agreement within seven (7) days after the date Employee signs it. Employee's

revocation must be in writing and received by Laura Nyquist, General Counsel, at Laura.Nyquist@Teradata.com by 5:00 p.m. Pacific Time on the seventh day following the date of Employee's signature to be effective. If Employee does not revoke acceptance within the seven (7) day period, Employee's acceptance of this Agreement shall become binding and enforceable on the eighth day (the "**Effective Date**").

10. Representations of Employee. Employee represents that, as of the date of this Agreement, Employee has not filed any lawsuits, charges, complaints, petitions, claims or other accusatory pleadings against Teradata or any of the other Released Parties in any court or with any governmental agency. Employee further agrees that, to the fullest extent permitted by law, Employee will not prosecute, nor allow to be prosecuted on Employee's behalf, in any administrative agency, whether state or federal, or in any court, whether state or federal, any claim or demand of any type related to the matters released in this Agreement. Employee has not assigned, transferred, or granted, or purported to assign, transfer, or grant, any of the claims, demands, or cause or causes of action disposed of by this Agreement.

11. General Provisions.

11.1 Successors and Assigns. The rights and obligations of Company under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the Company. Employee shall not be entitled to assign any of her rights or obligations under this Agreement, which the parties agree are personal to Employee.

11.2 Waiver. Either party's failure to enforce any provision of this Agreement shall not in any way be construed as a waiver of any such provision, or prevent that party thereafter from enforcing each other provision of this Agreement.

11.3 Attorneys' Fees. Each side shall bear its own attorneys' fees regarding any dispute or claim relating to or arising out of this Agreement unless otherwise required by law.

11.4 Termination of Agreement. Company shall have the right to terminate this Agreement and cease all payments under this Agreement at any time if Employee breaches any of Employee's obligations under this or any other agreement Employee has with Company (including, but not limited to, Employee's continuing obligations to Company set forth in Sections 4, 5, and 6 of this Agreement). Company agrees that in the event of a breach of the Agreement, prior to terminating the Agreement, the Company shall provide written notice of said breach to Employee via email to [insert] stating that the Employee has seven (7) calendar days from the date notice is sent to cure the breach. Should Employee fail to timely cure the breach during the cure period, the Company shall have the right to terminate the Agreement and permanently discontinue

all remaining payments and benefits under this Agreement and, to the extent any of such payments and benefits already have been made, Employee must return such payments and the value of such benefits to the Company.

11.5 Interpretation Construction. The headings set forth in this Agreement are for convenience only and shall not be used in interpreting this Agreement.

11.6 Notices. Any notice required or permitted by this Agreement shall be in writing and shall be delivered as follows with notice deemed given as indicated: (a) by personal delivery when delivered personally; (b) by overnight courier upon written verification of receipt; (c) by certified or registered mail, return receipt requested, upon verification of receipt, or (d) by email, however, receipt by Laura K. Nyquist shall be required to confirm receipt by the Company. Notice to the Company shall be sent to the attention of Laura K. Nyquist at the San Diego offices of the Company, or such other address as either party may specify in writing. Notice to Employee shall be to the address of Employee most recently provided to the Company.

11.7 Severability. In the event any provision of this Agreement shall be found unenforceable, the unenforceable provision shall be deemed deleted and the validity and enforceability of the remaining provisions shall not be affected thereby.

11.8 Applicable Law. The validity, interpretation and performance of this Agreement shall be construed and interpreted according to the laws of the United States of America and the State of California.

11.9 Entire Agreement; Modification. This Agreement, including the Separation Letter incorporated by reference, is intended to be the entire agreement between the Parties and supersedes and cancels any and all other prior agreements, written or oral, between the Parties regarding this subject matter (except for the terms of the Plan that are incorporated by reference herein, including Employee's continuing obligations to Company under the Plan, which survive and remain in full force and effect). Only a written instrument executed by all parties hereto may amend this Agreement. Each term of this Agreement is contractual and not merely a recital. Each party to this Agreement has made such investigation of the facts pertaining to this settlement and release, and all the matters pertaining to this Agreement, as she/it deems necessary. To the extent any terms or provisions of the Agreement conflict or are inconsistent with the agreements or provisions incorporated in this Agreement, the Agreement shall control. Employee is aware that she may hereafter discover claims or facts in addition to or different from those Employee now knows or believes to be true with respect to the matters related herein. Nevertheless, it is Employee's intention to fully, finally, and forever settle and release all such matters, and all claims relative thereto, which do now exist, may exist, or heretofore have existed regarding her employment by Teradata. In furtherance of such intention, the releases given herein shall be and remain in effect as full and complete releases of all such matters notwithstanding the discovery or existence of any additional or different claims or facts relative thereto.

11.10 Counterparts. This Agreement may be executed in any number of counterparts and such counterparts may be obtained by PDF, e-mail, or facsimile transmission, each of which taken together will constitute one and the same instrument.

11.11 Acceptance/Signature. Employee acknowledges and agrees she has read and understands the terms of this Agreement, she has been given twenty-one (21) calendar days to consider the terms of the Agreement and she has signed this Agreement freely, knowingly and voluntarily.

11.12 Independent Legal Counsel. Each party to this Agreement has had the opportunity to seek independent legal advice from her/its attorney(s) with respect to the advisability of executing this Agreement, and with respect to the meaning of California Civil Code sec 1542.

[Signatures on following page]

THE PARTIES HAVE READ THE FOREGOING AGREEMENT AND FULLY UNDERSTAND EACH PROVISION CONTAINED HEREIN. THE PARTIES HAVE EXECUTED THIS AGREEMENT ON THE DATES SHOWN BELOW.

Teradata Corporation, a Delaware Corporation

Dated: July 17, 2018

By: /s/ Laura K. Nyquist

Laura K. Nyquist
General Counsel and Secretary

Accepted and Agreed to:

Dated: July 15, 2018

By: /s/ Suzanne C. Zoumaras

Suzanne Zoumaras

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECURITIES
EXCHANGE ACT RULE 13a-14**

I, Victor L. Lund, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Teradata Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2018

/s/ Victor L. Lund

Victor L. Lund

President and Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECURITIES
EXCHANGE ACT RULE 13a-14**

I, Mark A. Culhane, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Teradata Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2018

/s/ Mark A. Culhane

Mark A. Culhane

Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Teradata Corporation, a Delaware corporation (the “Company”), on Form 10-Q for the period ended June 30, 2018 as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company does hereby certify, pursuant to 18 U.S.C. § 1350 (section 906 of the Sarbanes-Oxley Act of 2002), that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The foregoing certification (i) is given to such officers’ knowledge, based upon such officers’ investigation as such officers reasonably deem appropriate; and (ii) is being furnished solely pursuant to 18 U.S.C. § 1350 (section 906 of the Sarbanes-Oxley Act of 2002) and is not being filed as part of the Report or as a separate disclosure document.

Date: August 6, 2018

/s/ Victor L. Lund

Victor L. Lund

President and Chief Executive Officer

Date: August 6, 2018

/s/ Mark A. Culhane

Mark A. Culhane

Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to Teradata Corporation and will be retained by Teradata Corporation and furnished to the United States Securities and Exchange Commission or its staff upon request.