

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

	2021				2020					
	GAAP	Equity Compensation Expense	Other Special Items ²	Non-GAAP ¹	GAAP	Equity Compensation Expense	Other Special Items ³	Capitalized Software ASC 985-20	Non-GAAP ¹	% Change Non-GAAP Yr/Yr
Revenue										
Recurring	\$ 372	\$ -	\$ -	\$ 372	\$ 311	\$ -	\$ -	\$ -	\$ 311	20%
Perpetual software licenses, hardware and other	23	-	-	23	23	-	-	-	23	0%
Consulting services	96	-	-	96	100	-	-	-	100	-4%
Total revenue	491	-	-	491	434	-	-	-	434	13%
Gross profit										
Recurring	282	(2)	(2)	286	218	(2)	-	(6)	226	27%
% of Revenue	75.8%			76.9%	70.1%				72.7%	
Perpetual software licenses, hardware and other	12	-	-	12	8	-	-	1	7	71%
% of Revenue	52.2%			52.2%	34.8%				30.4%	
Consulting services	13	(1)	(3)	17	(1)	(2)	-	(1)	2	750%
% of Revenue	13.5%			17.7%	-1.0%				2.0%	
Total gross profit	307	(3)	(5)	315	225	(4)	-	(6)	235	34%
% of Revenue	62.5%			64.2%	51.8%				54.1%	
Selling, general and administrative expenses	149	12	7	130	158	11	8	-	139	-6%
Research and development expenses	77	6	1	70	73	6	3	-	64	9%
Total expenses	226	18	8	200	231	17	11	-	203	-1%
% of Revenue	46.0%			40.7%	53.2%				46.8%	
Income (loss) from operations	81	(21)	(13)	115	(6)	(21)	(11)	(6)	32	259%
% of Revenue	16.5%			23.4%	(1.4%)				7.4%	
Other expense, net	(9)	-	-	(9)	(8)	-	-	-	(8)	
Income (loss) before income taxes	72	(21)	(13)	106	(14)	(21)	(11)	(6)	24	342%
Income tax expense (benefit)	19	(6)	(3)	28	(182)	2	(177)	(1)	(6)	
% Tax rate	26.4%			26.4%	1,300.0%				(25.0%)	
Net income	\$ 53	\$ (15)	\$ (10)	\$ 78	\$ 168	\$ (23)	\$ 166	\$ (5)	\$ 30	160%
% of Revenue	10.8%			15.9%	38.7%				6.9%	
Net income per common share										
Basic	\$ 0.49	\$ (0.14)	\$ (0.09)	\$ 0.72	\$ 1.52	\$ (0.21)	\$ 1.50	\$ (0.05)	\$ 0.27	164%
Diluted	\$ 0.47	\$ (0.13)	\$ (0.09)	\$ 0.69	\$ 1.51	\$ (0.21)	\$ 1.49	\$ (0.04)	\$ 0.27	157%
Weighted average common shares outstanding										
Basic	108.7			108.7	110.3				110.3	
Diluted	112.8			112.8	111.3				111.3	

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

2) Special items for the three months ended March 31, 2021 include \$1 million (\$1 million after-tax) for amortization of acquired intangible assets, \$4 million (\$3 million after-tax) for integration and transformation activities, and \$8 million (\$6 million after-tax) for legal fees associated with the lawsuit that we initiated in the second quarter of 2018.

3) Special items for the three months ended March 31, 2020 include \$1 million (\$1 million after-tax) for amortization of acquired intangible assets, \$5 million (\$4 million after-tax) for integration and transformation activities, \$5 million (\$4 million after-tax) for legal fees associated with the lawsuit that we initiated in the second quarter of 2018, \$157 million tax impact related to the intra-entity IP transfer which occurred in the first quarter of 2020 and \$18 million of tax expense to ratably recognize the Company's forecasted annual tax contingency charge for Non-GAAP purposes verses including it in the marginal tax rate for GAAP reporting.

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

	Three Months Ended March 31	
	2021	2020
Net income (GAAP)	\$ 53	\$ 168
Net cash provided by operating activities (GAAP)	\$ 110	\$ 10
Less capital expenditures for:		
Expenditures for property and equipment	(4)	(10)
Additions to capitalized software	(1)	(2)
Free Cash Flow (non-GAAP measure) ¹	\$ 105	\$ (2)

Note 1: Free cash flow does not have a uniform definition under generally accepted accounting principles in the United States (GAAP) and therefore, Teradata's definition may differ from other companies' definitions of this measure. Teradata's management uses free cash flow to assess the financial performance of the company and believes it is useful for investors because it relates the operating cash flow of the company to the capital that is spent to continue and improve business operations. In particular, free cash flow indicates the amount of cash generated after capital expenditures which can be used for among other things, investments in the company's existing businesses, strategic acquisitions, strengthening the company's balance sheet, repurchase of company stock and repay the company's debt obligations. Free cash flow does not represent the residual cash flow available for discretionary expenditures since there may be other non-discretionary expenditures that are not deducted from the measure. This non-GAAP measure should not be considered as a substitute for, or superior to, cash flows from operating activities under GAAP.