

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 June 30

	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	\$ 376	\$ -	\$ -	\$ 376	\$ 323	\$ -	\$ -	\$ -	\$ 323	16%
Perpetual software licenses, hardware and other	17	-	-	17	25	-	-	-	25	-32%
Consulting services	98	-	-	98	109	-	-	-	109	-10%
Total revenue	491	-	-	491	457	-	-	-	457	7%
Gross profit										
Recurring	289	(3)	(2)	294	234	(2)	(1)	(5)	242	21%
% of Revenue	76.9%			78.2%	72.4%				74.9%	
Perpetual software licenses, hardware and other	6	-	-	6	7	-	(1)	-	8	-25%
% of Revenue	35.3%			35.3%	28.0%				32.0%	
Consulting services	15	(2)	(1)	18	15	(2)	(2)	-	19	-5%
% of Revenue	15.3%			18.4%	13.8%				17.4%	
Total gross profit	310	(5)	(3)	318	256	(4)	(4)	(5)	269	18%
% of Revenue	63.1%			64.8%	56.0%				58.9%	
Selling, general and administrative expenses	161	18	11	132	165	20	13	-	132	0%
Research and development expenses	79	8	2	69	83	7	3	-	73	-5%
Total expenses	240	26	13	201	248	27	16	-	205	-2%
% of Revenue	48.9%			40.9%	54.3%				44.9%	
Income from operations	70	(31)	(16)	117	8	(31)	(20)	(5)	64	83%
% of Revenue	14.3%			23.8%	1.8%				14.0%	
Other expense, net	(11)	-	-	(11)	(11)	-	-	-	(11)	
Income (loss) before income taxes	59	(31)	(16)	106	(3)	(31)	(20)	(5)	53	100%
Income tax expense	15	(4)	(4)	23	40	(3)	17	(1)	27	
% Tax rate	25.4%			21.7%	(1,333.3%)				50.9%	
Net income (loss)	\$ 44	\$ (27)	\$ (12)	\$ 83	\$ (43)	\$ (28)	\$ (37)	\$ (4)	\$ 26	219%
% of Revenue	9.0%			16.9%	(9.4%)				5.7%	
Net income (loss) per common share										
Basic	\$ 0.40	\$ (0.25)	\$ (0.11)	\$ 0.76	\$ (0.40)	\$ (0.26)	\$ (0.34)	\$ (0.04)	\$ 0.24	218%
Diluted	\$ 0.39	\$ (0.24)	\$ (0.11)	\$ 0.74	\$ (0.40)	\$ (0.26)	\$ (0.34)	\$ (0.04)	\$ 0.24	211%
Weighted average common shares outstanding										
Basic	109.0			109.0	108.5				108.5	
Diluted ⁴	112.7			112.7	108.5				109.7	

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 June 30, 2021 include \$1 million (\$1 million after-tax) for amortization of acquired intangible assets, \$9 million (\$6 million after-tax) for integration and transformation activities, and \$6 million (\$5 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 June 30, 2020 include \$1 million (\$1 million after-tax) for amortization of acquired intangible assets, \$6 million (\$5 million after-tax) for integration and transformation activities, \$7 million (\$5 million after-tax) for legal fees associated with the lawsuit that we initiated in the second quarter of 2018, \$6 million (\$5 million after-tax) for variable incentive awards that will be settled in equity, \$20 million tax impact to ratably recognize the Company's forecasted annual tax contingency charge for Non-GAAP purposes versus including it in the marginal tax rate for GAAP reporting and \$1 million of tax impact related to withholding taxes associated with an intra-entity IP transfer which occurred in the first quarter of 2020.

4) For 2020, diluted shares are excluded from the GAAP diluted share count because their effect would have been anti-dilutive

TERADATA CORPORATION
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(in millions, except per share amounts - unaudited)
For the Six Months Ended June 30

	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	\$ 748	\$ -	\$ -	\$ 748	\$ 634	\$ -	\$ -	\$ -	\$ 634	18%
Perpetual software licenses and hardware	40	-	-	40	48	-	-	-	48	
Consulting services	194	-	-	194	209	-	-	-	209	-7%
Total revenue	982	-	-	982	891	-	-	-	891	10%
Gross profit										
Recurring	571	(5)	(4)	580	452	(4)	(1)	(11)	468	24%
% of Revenue	76.3%			77.5%	71.3%				73.8%	
Perpetual software licenses and hardware	18	-	-	18	15	-	(1)	1	15	
% of Revenue	45.0%			45.0%	31.3%				31.3%	
Consulting services	28	(3)	(4)	35	14	(4)	(2)	(1)	21	67%
% of Revenue	14.4%			18.0%	6.7%				10.0%	
Total gross profit	617	(8)	(8)	633	481	(8)	(4)	(11)	504	26%
% of Revenue	62.8%			64.5%	54.0%				56.6%	
Selling, general and administrative expenses	310	30	18	262	323	31	21	-	271	-3%
Research and development expenses	156	14	3	139	156	13	6	-	137	1%
Total expenses	466	44	21	401	479	44	27	-	408	-2%
% of Revenue	47.5%			40.8%	53.8%				45.8%	
Income from operations	151	(52)	(29)	232	2	(52)	(31)	(11)	96	142%
% of Revenue	15.4%			23.6%	0.2%				10.8%	
Other expense, net	(20)	-	-	(20)	(19)	-	-	-	(19)	
Income (loss) before income taxes	131	(52)	(29)	212	(17)	(52)	(31)	(11)	77	175%
Income tax expense (benefit)	34	(10)	(7)	51	(142)	(1)	(160)	(2)	21	
% Tax rate	26.0%			24.1%	835.3%				27.3%	
Net income	\$ 97	\$ (42)	\$ (22)	\$ 161	\$ 125	\$ (51)	\$ 129	\$ (9)	\$ 56	188%
% of Revenue	9.9%			16.4%	14.0%				6.3%	
Net income per common share										
Basic	\$ 0.89	\$ (0.39)	\$ (0.20)	\$ 1.48	\$ 1.14	\$ (0.47)	\$ 1.18	\$ (0.08)	\$ 0.51	189%
Diluted	\$ 0.86	\$ (0.37)	\$ (0.20)	\$ 1.43	\$ 1.13	\$ (0.46)	\$ 1.17	\$ (0.08)	\$ 0.51	182%
Weighted average common shares outstanding										
Basic	108.9			108.9	109.4				109.4	
Diluted	112.7			112.7	110.6				110.6	

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 six months ended June 30, 2021 include \$2 million (\$2 million after-tax) for amortization of acquired intangible assets, \$13 million (\$9 million after-tax) for integration and transformation activities, and \$14 million (\$11 million after-tax) for legal fees associated with the lawsuit that we initiated in the second quarter of 2018.

3) Special items for the six months ended June 30, 2020 include \$2 million (\$2 million after-tax) for amortization of acquired intangible assets, \$11 million (\$9 million after-tax) for integration and transformation activities, \$12 million (\$9 million after-tax) for legal fees associated with the lawsuit that we initiated in the second quarter of 2018, \$6 million (\$5 million after-tax) for variable incentive awards that will be settled in equity, \$157 million tax impact related to the intra-entity IP transfer which occurred in the first quarter of 2020, \$2 million tax impact to ratably recognize the Company's forecasted annual tax contingency charge for Non-GAAP purposes versus including it in the marginal tax rate for GAAP reporting and \$1 million of tax impact related to withholding taxes associated with the same intra-entity transfer recorded in the second quarter of 2020.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Net income (GAAP)	\$ 44	\$ (43)	\$ 97	\$ 125
Net cash provided by operating activities (GAAP)	\$ 225	\$ 130	\$ 335	\$ 140
Less capital expenditures for:				
Expenditures for property and equipment	(5)	(13)	(9)	(23)
Additions to capitalized software	(1)	(2)	(2)	(4)
Free Cash Flow (non-GAAP measure) ¹	\$ 219	\$ 115	\$ 324	\$ 113

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.