

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 September 30

	2023				2022				
	GAAP	Stock-based Compensation Expense	Other Special Items ²	Non-GAAP ¹	GAAP	Stock-based Compensation Expense	Other Special Items ³	Non-GAAP ¹	% Change Non-GAAP Yr/Yr
Revenue									
Recurring	\$ 360	\$ -	\$ -	\$ 360	\$ 331	\$ -	\$ -	\$ 331	9%
Perpetual software licenses, hardware and other	7	-	-	7	14	-	-	14	-50%
Consulting services	71	-	-	71	72	-	-	72	-1%
Total revenue	438	-	-	438	417	-	-	417	5%
Gross profit									
Recurring	255	(2)	(1)	258	239	(2)	-	241	7%
% of Revenue	70.8%			71.7%	72.2%			72.8%	
Perpetual software licenses, hardware and other	-	-	-	-	4	-	-	4	-100%
% of Revenue	0.0%			0.0%	28.6%			28.6%	
Consulting services	4	(2)	-	6	16	(1)	1	16	-63%
% of Revenue	5.6%			8.5%	22.2%			22.2%	
Total gross profit	259	(4)	(1)	264	259	(3)	1	261	1%
% of Revenue	59.1%			60.3%	62.1%			62.6%	
Selling, general and administrative expenses	156	22	1	133	155	16	4	135	-1%
Research and development expenses	76	7	1	68	79	8	(1)	72	-6%
Total expenses	232	29	2	201	234	24	3	207	-3%
% of Revenue	53.0%			45.9%	56.1%			49.6%	
Income from operations	27	(33)	(3)	63	25	(27)	(2)	54	17%
% of Revenue	6.2%			14.4%	6.0%			12.9%	
Other expense, net	(14)	-	-	(14)	(15)	-	-	(15)	
Income before income taxes	13	(33)	(3)	49	10	(27)	(2)	39	26%
Income tax expense	1	(5)	-	6	2	(4)	(1)	7	
% Tax rate	7.7%			12.2%	20.0%			17.9%	
Net income	\$ 12	\$ (28)	\$ (3)	\$ 43	\$ 8	\$ (23)	\$ (1)	\$ 32	34%
% of Revenue	2.7%			9.8%	1.9%			7.7%	
Net income per common share									
Basic	\$ 0.12	\$ (0.28)	\$ (0.03)	\$ 0.43	\$ 0.08	\$ (0.22)	\$ (0.01)	\$ 0.31	39%
Diluted	\$ 0.12	\$ (0.27)	\$ (0.03)	\$ 0.42	\$ 0.08	\$ (0.22)	\$ (0.01)	\$ 0.31	38%
Weighted average common shares outstanding									
Basic	99.2			99.2	102.7			102.7	
Diluted	102.0			102.0	104.7			104.7	

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 September 30, 2023 include \$3 million (\$3 million after-tax) for reorganization and transformation activities.

3) Special items for the three months ended September 30, 2022 include \$2 million (\$1 million after-tax) for reorganization and transformation activities.

TERADATA CORPORATION
RECONCILIATION OF RESULTS - GAAP TO NON-GAAP
Reflects the Impact of Special Items
(in millions, except per share amounts - unaudited)
For the Nine Months Ended September 30

	2023				2022				
	GAAP	Stock-based Compensation Expense	Other Special Items ²	Non-GAAP ¹	GAAP	Stock-based Compensation Expense	Other Special Items ³	Non-GAAP ¹	% Change Non-GAAP Yr/Yr
Revenue									
Recurring	\$ 1,120	\$ -	\$ -	\$ 1,120	\$ 1,062	\$ -	\$ -	\$ 1,062	5%
Perpetual software licenses, hardware and other	33	-	-	33	48	-	-	48	-31%
Consulting services	223	-	-	223	233	-	-	233	-4%
Total revenue	1,376	-	-	1,376	1,343	-	-	1,343	2%
Gross profit									
Recurring	810	(6)	(1)	817	769	(7)	(6)	782	4%
% of Revenue	72.3%			72.9%	72.4%			73.6%	
Perpetual software licenses, hardware and other	3	-	-	3	14	-	-	14	-79%
% of Revenue	9.1%			9.1%	29.2%			29.2%	
Consulting services	24	(6)	-	30	35	(5)	-	40	-25%
% of Revenue	10.8%			13.5%	15.0%			17.2%	
Total gross profit	837	(12)	(1)	850	818	(12)	(6)	836	2%
% of Revenue	60.8%			61.8%	60.9%			62.2%	
Selling, general and administrative expenses	476	63	5	408	475	56	19	400	2%
Research and development expenses	222	21	2	199	236	22	2	212	-6%
Total expenses	698	84	7	607	711	78	21	612	-1%
% of Revenue	50.7%			44.1%	52.9%			45.6%	
Income from operations	139	(96)	(8)	243	107	(90)	(27)	224	8%
% of Revenue	10.1%			17.7%	8.0%			16.7%	
Other expense, net	(44)	-	-	(44)	(42)	-	-	(42)	
Income before income taxes	95	(96)	(8)	199	65	(90)	(27)	182	9%
Income tax expense	26	(16)	(2)	44	25	(19)	-	44	
% Tax rate	27.4%			22.1%	38.5%			24.2%	
Net income	\$ 69	\$ (80)	\$ (6)	\$ 155	\$ 40	\$ (71)	\$ (27)	\$ 138	12%
% of Revenue	5.0%			11.3%	3.0%			10.3%	
Net income per common share									
Basic	\$ 0.69	\$ (0.80)	\$ (0.06)	\$ 1.54	\$ 0.39	\$ (0.68)	\$ (0.26)	\$ 1.33	16%
Diluted	\$ 0.67	\$ (0.78)	\$ (0.06)	\$ 1.51	\$ 0.38	\$ (0.67)	\$ (0.25)	\$ 1.30	16%
Weighted average common shares outstanding									
Basic	100.5			100.5	103.7			103.7	
Diluted	102.8			102.8	106.4			106.4	

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 nine months ended September 30, 2023 include \$8 million (\$6 million after-tax) for reorganization and transformation activities.

3) Special items for the nine months ended September 30, 2022 include \$2 million (\$2 million after-tax) for amortization of acquired intangible assets, and \$25 million (\$25 million after-tax) for reorganization and transformation activities, and costs associated with ceasing operations in Russia, which includes a tax benefit associated with the write-off of Russian tax attributes.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Net income (GAAP)	\$ 12	\$ 8	\$ 69	\$ 40
Net cash provided by operating activities (GAAP)	\$ 41	\$ 34	\$ 199	\$ 290
Less capital expenditures for:				
Expenditures for property and equipment	(5)	(3)	(11)	(6)
Additions to capitalized software	-	-	(1)	(1)
Free Cash Flow (non-GAAP measure) ¹	\$ 36	\$ 31	\$ 187	\$ 283

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.