



Teradata Q1 2026 – Earnings Remarks

Chad Bennett, Senior Vice President, Investor Relations & Corporate Development, Teradata

Good afternoon and welcome to Teradata's first quarter 2026 earnings call.

Steve McMillan, Teradata's President and Chief Executive Officer, will lead our call today, followed by John Ederer, Teradata's Chief Financial Officer, who will discuss our financial results and outlook.

Our discussion today includes forecasts and other information that are considered forward-looking statements. While these statements reflect our current outlook, they are subject to a number of risks and uncertainties that could cause actual results to differ materially. These risk factors are described in today's earnings release and in our SEC filings. Please note that Teradata intends to file the Form 10-Q for the quarter ended March 31st, 2026, within the next few days.

These forward-looking statements are made as of today, and we undertake no duty or obligation to update them.

On today's call, we will be discussing certain non-GAAP financial measures which exclude such items as stock-based compensation expense, and other special items described in our earnings release. We will also discuss other non-GAAP items such as free cash flow, adjusted free cash flow and constant currency comparisons.

Unless stated otherwise, all numbers and results discussed on today's call are on a non-GAAP basis.

A reconciliation of non-GAAP to GAAP measures is included in our earnings release, which is accessible on the Investor Relations page of our website at investor.teradata.com.

A replay of this conference call will be available later today on our website.

And now, I will turn the call over to Steve.



Steve McMillan Q1 2026 Earnings Prepared Remarks

Thanks, Chad and thanks to everyone for joining us today.

I am very pleased to report that Teradata is off to a strong start in 2026.

With solid execution globally in our pivot to AI-led value, we outperformed against expectations in a number of key metrics. Recurring Revenue grew 12% as reported year-over-year, Total Revenue grew 6% as reported year-over-year, and non-GAAP earnings per share was \$0.88 - an increase of over 30% vs Q1 2025.

We continued to see solid retention in the quarter, and customer interest in our hybrid capabilities drove a healthy growth rate in both Total ARR and Cloud ARR. We see that security-driven demand for sovereign AI is accelerating. For example, financial services and healthcare customers are increasingly concerned about shared infrastructure for AI workloads, and this is driving traction with our AI Factory offer. The most demanding regulatory workloads in the world run on Teradata. These are workloads that are least susceptible to disruption. The trend we see is AI moving closer to the data, not data moving to AI — and that plays directly to our architecture.

Every organization is grappling with the same challenge – putting AI to work for them and becoming truly autonomous enterprises. One thing is clear: to win with AI, organizations need to operate at speed and scale that was once unattainable. This is a core competence of Teradata. Our customers have governed data estates with years or even decades of data in their Teradata environment — including codified industry knowledge, entity models, and business rules specific to financial services, healthcare, telecommunications and beyond.

This is their institutional memory. The analytics and reporting workflows built on top of that data have been refined over decades — the value of those workflows vastly exceeds the cost of the platform. AI multiplies the value of that institutional knowledge, and our platform is designed to execute at the speed AI requires.

Our Product organization is relentlessly focused on providing the strongest execution engine — reliable, high performance, and always on. Agents never sleep and mission critical automation requires a platform that never slows down. In 2026, we are executing against an aggressive product roadmap and are already taking new innovations to customers.

We are seeing market interest in our MCP server. It's an on-ramp to enterprise AI, providing semantic access to the enterprise data and context that can activate real business outcomes. It eliminates friction through a natural language interface that leverages AI agents. Together, the MCP Server and our agentic framework are designed to enable querying, analysis, and management of data with full context.



To address the challenge organizations face of moving from isolated pilots to production-grade agents, we're making it easy for customers to build, deploy and manage AI Agents with our AgentStack announced earlier this year. This new comprehensive platform is designed to simplify the lifecycle of enterprise AI agents. Our Teradata AgentStack can help customers reduce the complexity of finding and integrating trusted data and applying enterprise knowledge and context. It can also aid in enforcing governance and maintaining compliance across hybrid environments.

In March, we introduced new capabilities to our Enterprise Vector Store. We added multi-modal data — spanning text, images, and audio — from our partnership with Unstructured, and we added more agentic features powered by LangChain integration. These announcements demonstrate another significant evolution in our enterprise AI infrastructure, unifying structured and unstructured data within a single governed platform – capable of supporting billions of vectors and thousands of concurrent queries from AI agents.

In April, we announced the availability of our enterprise-grade Teradata Analyst Agent on Microsoft marketplace. This brings AI-assisted conversational analytics directly into customers' existing Azure environments.

We also recently participated in the Google Distributed Cloud air-gapped Centre launch. Our platform runs natively on GDC, enabling organizations to operationalize Google's AI capabilities and our own analytics — entirely within the air-gapped perimeter. No data leaves. No sovereignty is compromised. This capability is designed to be a real value for defense, intelligence, and public sector organizations that require air-gapped sovereign AI.

One of our differentiating capabilities is helping customers leverage and get value out of their environments and that's even more important as they work to get business value from their AI investment. Here's where our AI Services shine.

Our AI Services' momentum is growing as we see customers looking to take advantage of the depth of experience that our forward-deployed teams have gained from the successful early AI engagements we've executed. We recently issued a press release outlining how our AI Services helped a sample of customers from the travel & transportation industry.

Every enterprise has data, and that data is the basis of their institutional memory. Yet few can turn that institutional memory into action compliantly, across varied environments, and efficiently at scale. Here, our expertise is driving successful engagements to help customers move from experimentation to production quickly.

Third-party validation this quarter reinforces our leadership position.

Nucleus Research ranked us a Leader in their 2026 Data Science and Machine Learning Platform Technology Value Matrix — ahead of platforms that have built their reputation on data science.



Our hybrid capabilities are also getting noticed. Constellation Research named us to their 2026 ShortList for Hybrid and Multicloud Analytical Data Platforms. We were one of only three vendors selected from a field of more than three dozen, reflecting a breadth that competitors structurally cannot match.

More broadly, ISG recognized us as Exemplary — their highest designation — across seven categories in their 2026 AI and Data Platforms Buyers Guides. That breadth reflects that we're meeting enterprises wherever they are in their AI journey.

This recognition reflects something that takes decades to build — the trust of the world's largest enterprises running workloads that simply cannot fail.

Now, I'll walk through a few examples of the outcomes we are already helping customers achieve:

One of the largest pan-European banks renewed and expanded its Teradata relationship. The goal was to address business-critical workloads like financial reporting and regulatory data model convergence — underscoring Teradata's crucial role in the bank's operations. It also launched a customer journey transformation leveraging Teradata AI capabilities including augmented agent workflows, enterprise LLM integration, and AI Studio. This positions Teradata as its emerging enterprise AI platform. The engagement reflects how large financial institutions increasingly rely on Teradata as a long-term strategic platform for both regulated analytics and AI.

A leading global retailer based in EMEA was a win-back for us, selecting our platform to replace its existing on-prem platform. After evaluating competitors, the customer concluded that Teradata delivered the best price-performance for its analytic workloads. This reflects the durability of our value proposition for mission-critical retail analytics at scale.

A leading Latin American financial institution added our AI Services to encompass its enterprise AI operations. The customer recognizes they'll now get continuous oversight, governance transparency, and lifecycle management of AI models and agentic applications in a regulated environment. The engagement positions Teradata as this bank's long-term operational partner across the full AI lifecycle.

A large government agency in India committed to Teradata as it enters a new phase of digital transformation. We helped unify structured and unstructured data at massive scale to deliver real-time, comprehensive profiles through its online portal. Our Native Object Store capability was chosen to simultaneously bridge structured block storage and unstructured object storage at scale — a requirement no competing platform could meet. This example underscores our differentiated position in mission-critical, high-concurrency government and analytics environments.

Market data reinforces what we're seeing and hearing directly from customers.



In a third-party research survey of 1,000 senior technology and data leaders, sponsored by Teradata, every single organization — 100% — is actively pursuing agentic AI. Yet only 17% have deployed it beyond pilots. And 99% have already hit infrastructure scaling challenges in the attempt to move from pilot to production.

The barriers aren't abstract: performance at scale, cost predictability, always-on agent demands, running new workloads along with existing production systems, and deploying across cloud, on-premises, and regulated environments. Enterprises are not facing one infrastructure problem — they are facing all of them, all at once. That gap between ambition and execution is something we believe we're uniquely positioned to solve.

On Thursday, we'll be announcing a significant and broad set of innovations that address these challenges, helping our customers move into the next phase of enterprise intelligence, while bringing autonomous AI and knowledge to organizations globally.

We invite you to join our livestream on May 7 at 10:30 AM Eastern Time. You can join directly from our [Teradata.com](https://www.teradata.com) website. We are confident that our new unified platform and integrated AI workspace will help enterprises rapidly move into production AI. We're quite excited about what's coming on Thursday and hope you can attend.

As I pass the call to John, I'll reinforce that we are very pleased with our Q1 results. Even with the current global uncertainties, our business model is robust, demand continues for our capabilities, and we see tremendous opportunity to create incremental value for our shareholders.

We have sales momentum, customer interest, and an engaged partner ecosystem. And, we have a great start to our product innovation pipeline and more coming very soon. We remain focused on driving execution, increasing our differentiation, and delivering products and services that lead customers to rapidly deploy agentic AI into production.

Now, John, over to you.



John Ederer Q1 2026 Earnings Prepared Remarks

Thank you, Steve, and good afternoon, everyone.

We were expecting Q1 to be a strong start to the year, and it proved to be even better than we anticipated, with Total Revenue, Recurring Revenue and Non-GAAP Earnings Per Share all exceeding the top end of our guidance ranges for the quarter. Additionally, we got off to a fast start with strong Free Cash Flow in the first quarter.

The revenue upside was driven primarily by recurring revenue, and more specifically, the upfront portion of our on-premise subscription term license business, reflecting continued interest in our hybrid platform. Non-GAAP operating margin also improved significantly by more than 500 basis points year-over-year, driven by higher recurring revenue and a continued focus on operating leverage to deliver profitable growth.

During Q1, Teradata entered into a settlement agreement with SAP. From the settlement, Teradata received a gross payment of \$480 million in late March. After accounting for legal fees and other expenses related to the SAP litigation and resulting settlement, the pre-tax net amount was \$359 million, which benefited both Operations and Free Cash Flow. On an after-tax net basis, this is expected to provide a \$302 million benefit to Free Cash Flow in FY26. The settlement also positively impacted GAAP Diluted Earnings Per Share by \$2.90. Tax payments related to the settlement totaling \$57 million are expected to be paid from Q2 through Q4 2026, with approximately half expected to be paid in Q2 and the remaining half expected to be split between Q3 and Q4.

For the remainder of the year, we will also refer to Adjusted Free Cash Flow to provide a normalized free cash flow measure for the business. Adjusted Free Cash Flow will reflect adjustments for the impact from the SAP settlement by excluding gross proceeds, legal and other expenses and taxes specific to the settlement.

In terms of our detailed financial results for the first quarter:

- Total ARR grew 3% as reported and 2% in constant currency, while Cloud ARR grew 13% as reported and 12% in constant currency.
- First quarter Total Revenue was \$444 million, up 6% year-over-year as reported and 4% in constant currency, which was 3 points above the high-end of our outlook due to higher recurring revenue.
- First quarter Recurring Revenue was \$400 million, up 12% year-over-year as reported and 9% in constant currency, which was 4 points above the high-end of our outlook. The outperformance was primarily due to higher upfront revenue from term license subscriptions which contributed 5 points to the year-over-year growth rate.



- First quarter Consulting Services Revenue was \$43 million, down 14% year-over-year as reported and 15% in constant currency.

Looking at profitability and cash flow, please note that I will be referencing non-GAAP numbers for expenses and margins, and a full reconciliation to GAAP results is provided in our press release. For the first quarter:

- Total Gross Margin was 63.7%, which was up 340 basis points year-over-year, driven by a higher mix of recurring revenue and improvement in consulting gross margin.
- Recurring Revenue Gross Margin was 70%, which was flat with Q1 last year, but up sequentially from Q4 FY25. The sequential improvement was driven by the incremental upfront recurring revenue, but we are also continuing to make progress improving our Cloud Gross Margins. In Q2, we expect lower upfront revenue to be a headwind to our recurring gross margin.
- Consulting Services Gross Margin was 4.7%. This was down from a recent high point in Q4 FY25, but it did improve by over 600 basis points on a year-over-year basis.
- Operating Margin improved significantly on a year-over-year basis, coming in at 27.3% versus 21.8% in Q1 last year. The margin expansion was driven from recurring revenue outperformance and favorable gross margin benefit from upfront revenue. For 2026, we continue to anticipate approximately 100 basis points of Operating Margin expansion.
- Non-GAAP diluted earnings per share were \$0.88, exceeding the top-end of our outlook range by \$0.09. The outperformance was largely driven by higher recurring revenue and total gross margin.
- We generated \$390 million of Free Cash Flow in the first quarter. This amount includes a \$359 million benefit due to the pre-tax net proceeds from the SAP settlement. On an Adjusted Free Cash Flow basis, we generated \$31 million.
- We now have \$816 million of Cash & Cash Equivalents at the end of Q1, up from \$368 million in the prior year period. This also returns the company to a positive net cash position of \$269 million for the first time since Q4 FY21.
- Finally, we continued to return value to shareholders, repurchasing approximately \$34 million, or about 1.2 million shares in the first quarter. We continue to target to use 50% of our Adjusted Free Cash Flow for share repurchases, which excludes the benefit from the SAP settlement.



Before turning to our financial outlook, I'd like to provide some additional context:

- Regarding the use of the net proceeds from the SAP settlement, we plan to strengthen our balance sheet by de-leveraging. This will maximize our optionality to make future strategic investments in AI, as well as continuing our stock buyback program.
- On Total ARR, we continue to expect our typical seasonality, with Total ARR stabilizing in Q2 and expanding over the course of the year, showing modest sequential dollar growth from Q1 to Q2.
- For recurring revenue, we expect upfront recurring revenue and currency to be headwinds to the growth rate in Q2. On a sequential basis from Q1 to Q2, we anticipate over a 10-point impact to the recurring revenue growth rate due to upfront revenue, and, based on the foreign exchange rates at the end of March, currency is anticipated to be approximately a 3-point headwind to recurring revenue growth.

Now, turning to our annual outlook for 2026.....

- We reaffirm our ranges for Total ARR, Total Revenue, Recurring Revenue, and Non-GAAP Earnings Per Share.
- For the non-GAAP earnings per share range of \$2.55 to \$2.65, we anticipate to be at the high-end of the range.
- For Adjusted Free Cash Flow, given the strength of Q1 – we are increasing our outlook and now anticipate to be in the range of \$320 million to \$340 million. And to reiterate, our Adjusted Free Cash Flow range excludes the after-tax benefit from the SAP settlement of \$302 million.

For the second quarter of 2026:

- Recurring Revenue is expected to be in the range of -2% to flat year-over-year.
- Total Revenue is expected to be in the range of -4% to -2% year-over-year; and
- Non-GAAP diluted earnings per share is expected to be in the range of \$0.53 to \$0.57.

In terms of some other modeling assumptions:

- For the second quarter, we expect the non-GAAP tax rate to be approximately 24% and the weighted average shares outstanding to be 96.3 million.
- Using the currency rates at the end of March 2026, we now expect minimal impact to the full year revenue growth rate.
- Also, we now anticipate FY26 other expenses to be approximately \$22 million.



In summary, we were very pleased with the start of the year and believe that we are tracking well to our full-year targets. We significantly improved our balance sheet and generated strong free cash flow. And, we are continuing to pursue our profitable growth strategy by finding margin improvement opportunities across the business, while at the same time preserving investments in R&D to support future growth.

Thank you all very much for your time today, now let's open the call up for questions.