

05-May-2026

Teradata Corp. (TDC)

Q1 2026 Earnings Call

CORPORATE PARTICIPANTS

Chad Michael Bennett

*Senior Vice President-Investor Relations & Corporate Development,
Teradata Corp.*

John Ederer

Chief Financial Officer, Teradata Corp.

Steve McMillan

President, Chief Executive Officer & Director, Teradata Corp.

OTHER PARTICIPANTS

Radi Sultan

Analyst, UBS Securities LLC

Sheldon McMeans

Analyst, Barclays Capital, Inc.

Yitchuin Wong

Analyst, Citigroup Global Markets, Inc.

Patrick D. Walravens

Analyst, Citizens JMP Securities LLC

Matthew Hedberg

Analyst, RBC Capital Markets LLC

Jared Jungjohann

Analyst, TD Cowen

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. My name is Trevor and I will be your conference operator today. At this time, I would like to welcome everyone to the Teradata 2026 First Quarter Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

I would like to hand the conference over to your host today, Chad Bennett, Senior Vice President of Investor Relations and Corporate Development. You may begin your conference, sir.

Chad Michael Bennett

Senior Vice President-Investor Relations & Corporate Development, Teradata Corp.

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 31, 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 excludes 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

President, Chief Executive Officer & Director, Teradata Corp.

Thanks, Chad, and thanks to everyone for joining us today. I'm very pleased to report that Teradata is off to a strong start in 2026. With solid execution globally and 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% versus 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 onramp to enterprise AI, providing semantic access to 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 multimodal 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 center 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 they we work to get business value from their AI investment. Here's where our AI service is showing. 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 and 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 as 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 multi-cloud analytical data platforms. We were one of only three vendors selected from a field of more than three dozen, reflecting our 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 are 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 America financial institution added our AI services to encompass its enterprise AI operations. The customer recognizes they'll now get continuous oversight, governance transparency, and life cycle 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 entered a new phase of digital transformation. We help 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 and mission-critical high concurrency, government and analytics environments.

Market data reinforces what we're seeing and hearing directly from customers, and 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 had infrastructure scaling challenges and 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 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 of 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

Chief Financial Officer, Teradata Corp.

Thank you, Steve, and good afternoon, everyone. We are 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 FY 2026. 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 FY 2025. The sequential improvement was driven by the incremental upfront recurring revenue, but we're 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 FY 2025, 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 \$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 and 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 FY 2021.

Finally, we continue 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 deleveraging. 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 an 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 higher end of that 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 minus 2% to flat year-over-year. Total revenue is expected to be in the range of minus 4% to minus 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 FY 2026 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 towards our full-year targets. We significantly improved our balance sheet and generated strong free cash flow, and we're 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 up the call for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from Radi Sultan with UBS. Your line is open.

Radi Sultan

Analyst, UBS Securities LLC

Q

Awesome. Thanks so much. First for Steve, just now the business is skewing more heavily towards expansions versus cloud migrations, could you just walk through how you position the business, both product and go-to-market to reflect that? And maybe just how do you expect that to impact overall sales productivity throughout 2026?

Steve McMillan

President, Chief Executive Officer & Director, Teradata Corp.

A

Yeah, thanks for the question. We're seeing really strong interest in terms of the AI capabilities that we've been launching last year and also the AI capabilities that we're going to talk a little bit more about at our product launch on Thursday this week on May 7. And that's certainly driving expansion for us. I think last year, we saw the trend in terms of a headlong rush to the cloud, really starting to decline as an indicator in the market for us. But what we have started to see is a real interest in expansion.

We focused our sales force on total ARR growth, and they can get that growth from either on-prem or from the cloud. Our strength in a hybrid environment is a real differentiator for us and is providing a growth lever, when we combine that with some of our AI capabilities and their ability to operate next to the AI workloads on-premise. And that were really some of the examples in the prepared remarks we're pointing to.

As we execute against that, we see sales productivity continuing to improve as well as the sales teams have more and more things to sell, and an increased value proposition to take to our customers. Thanks for the question.

Radi Sultan

Analyst, UBS Securities LLC

Q

Awesome. And then just a follow-up for John. I know it's early on with AI services in the forward-deployed engineering practice. Just how do you think about the P&L impact from both a top line and margin perspective, and both the near and long-term from that, growing services practice on the AI side? Thank you.

John Ederer

Chief Financial Officer, Teradata Corp.

A

Yeah, sure. Thanks for the question. In terms of the AI services and the P&L impact for 2026, I would say it's pretty minimal. This is a new offering for us and something that we're ramping up this year. Longer term, I could see it contributing more to the P&L, but still, ultimately it's going to be a service component. It's going to be complementary to what we're trying to do on the software side. I would say that I see it as a critical connection point though, and it helps us further develop our proof of concepts that we've been doing with customers, get them into production, and then ultimately to drive AI-related ARR.

Radi Sultan

Analyst, UBS Securities LLC

Q

Awesome. Thank you.

Operator: Your next question comes from Yitchuin Wong with Citibank. Your line is open.

Yitchuin Wong

Analyst, Citigroup Global Markets, Inc.

Q

Hi. Good evening. Thanks for taking my question. Great to hear the team outperformed the quarter across a variety of crosswind that we saw over the past couple of months. Historically, this kind of uncertainty elongates enterprise IT cycle, as we heard from a couple of the larger [ph] tests (00:27:06) reported last week, right? However, the enthusiasm that we are seeing with agentic AI and with your recent GA vector product agent, the tons of new AI product announcement with Autonomous event on Thursday, excited for that. Are you finding this strategic urgency to deploy AI capability is like overriding the localized macro portion? And what are you seeing around those crosswinds that are on your deal cycle in the quarter?

Steve McMillan

President, Chief Executive Officer & Director, Teradata Corp.

A

Yeah, thanks for the question, YC. I think, AI is in every strategic conversation that I and my team have with customers, and we can see that with some meaningful data points. If we look at our pipeline, we see a growing proportion of our pipeline today has AI attached to it. And so that reflects that every strategic conversation has that AI or analytics edge to it. Second thing is, as we look at customers, they're having a real challenge deploying AI in production, and they see the Teradata platform, along with the announcements we've already made and the upcoming roadmap that we're going to deliver as a platform that can deliver AI into production for them.

And then third, as John was just talking about, even though we are always going to be a technology company primarily, we do have a capability in our services organizations and the set of AI services that we have launched, is enabling customers to move from those pilots and to production. We're not going to pivot the company towards services, it will just be a part of enabling our technology value proposition in the marketplace. But we're certainly seeing that pivot. Everybody wants to get the business outcomes from AI. They're absolutely focused on doing that as quickly as possible, and we intend to capitalize on that.

Yitchuin Wong

Analyst, Citigroup Global Markets, Inc.

Q

That's good to hear. I have a follow-up for John. Like the quarter sounded like hybrid continued to be like a bigger driver, especially with Sovereign AI side of things that could be driving higher demand for hardware, and we have a refresh cycle upcoming in 2H, I just want to touch on that. In Q4, we talked about, you will be able to absorb the memory pricing impact given the long data contract, memory prices has continued to ramp significantly over the last few months. Could you walk us through any incremental impact that you are expecting, especially going into next year as well? Are you seeing customer respond to this memory crunch differently? Thank you.

John Ederer

Chief Financial Officer, Teradata Corp.

A

Yeah, thanks for the question. I would say, that this is definitely a dynamic that we are watching very closely and evaluating near daily, and it's becoming quite pervasive in the marketplace. I would say, that for us from a financial standpoint, it's probably more of an FY 2027 challenge and opportunity, as opposed to FY 2026. We'll talk a little bit more later this week about some of the new products that are coming out, including the hardware refresh. Those will become available this year, but we would really expect more financial impact to occur in FY 2027.

Now, having said all that, from a pricing standpoint, that's the piece that we're looking the closest at. And the thing that we'll focus on is to make sure that we protect ourselves from a margin standpoint as we go to market with that.

Yitchuin Wong

Analyst, Citigroup Global Markets, Inc.

Q

Thank you. Look forward to seeing everyone out there. Thanks.

John Ederer

Chief Financial Officer, Teradata Corp.

A

Sure. Thanks.

Operator: Your next question comes from Erik Woodring with Morgan Stanley. Your line is open.

Q

Hi, this is [indiscernible] (00:30:46) on behalf of Erik. Good evening, and thank you for taking my question. I just wanted to ask, are we at the start of an improving recurring revenue gross margin trajectory, given you just posted 70% for the first time in a year and the strongest quarter-over-quarter recurring revenue, gross margin improvement in years?

Steve McMillan

President, Chief Executive Officer & Director, Teradata Corp.

A

Yeah. Thanks for your question. I'll start and then I'll hand over to John. Yeah, certainly from an ARR perspective, we returned the company to ARR growth in 2025, and we set the expectation that we would continue and accelerate that percentage of ARR growth into 2026. And we see good path and opportunity for that to continue, based both on the expansions that we're generating inside our customer base, but also the incredible interest that we've got in using the platform for AI-type workloads. And then from an operating margin perspective, we have a number of initiatives in the business that we're looking at to improve operating margins, as we continue forward. John?

John Ederer

Chief Financial Officer, Teradata Corp.

A

Yeah. Thanks for the question. So, gross margins are a little complicated on the recurring side for us. You've got different dynamics at play with both the cloud side of our business as well as the on-prem. In Q1, we did see a nice spike-up in gross margin, at least relative to the last couple of quarters, at 70% for the recurring. And that was largely driven by the upfront revenue that we also saw in Q1. And so, this was a factor of revenue recognition and ASC 606 and getting more upfront revenue related to the on-premise piece of the business. So that had a spike in margins for this quarter.

As we look out to the remainder of the year, we would expect them to be a little bit more consistent with recent quarters that we saw at the end of FY 2025. Now, underneath that, we are seeing improvement in our cloud gross margin, and that's a critical factor for us. I know we don't disclose that publicly, but we have been making good, steady progress on that. And we saw some nice improvement in Q1 on cloud gross margins as well.

Q

Great. Thanks. And if I could just ask a follow-up. Could you help us better understand demand and sales linearity in the quarter, and maybe how the Middle East conflict is impacting sales cycles versus what you're hearing at the micro level as it relates to demand for data prep, unstructured data, et cetera? Just any sense of maybe how these couple factors are impacting your business. Thank you.

Steve McMillan

President, Chief Executive Officer & Director, Teradata Corp.

A

Yeah, I think, we're still seeing a very solid demand environment. The challenges in the Middle East haven't substantially impacted our business at all really. And the demand patterns that we're seeing, really reinforce the value that organizations want to get out of the investments they're making. As I mentioned in the prepared remarks, the survey that we did showed that despite 100% of the customers that we spoke to in that survey, wanted to deploy AI and get the benefit from AI, the vast majority, 99%, are having a problem getting from pilot to production. So that really is altering the conversation that we're having with customers, as they look at Teradata as a platform and a knowledge platform that can deliver the agentic AI workloads that they need. So, that's resulting in an environment where we can deliver on the expansions that we need to deliver to make our outlooks and actually take advantage of the market opportunity that's in front of us.

Q

Great. Thank you. Very helpful.

Operator: Your next question comes from Matt Hedberg with RBC Capital Market (sic) [Markets]. Your line is open.

Matthew Hedberg

Analyst, RBC Capital Markets LLC

Q

Great. Thanks for taking my questions. Steve, as a follow-up to that earlier question, it really does seem like there's – or another question, there's a lot of momentum in AI and I think we'll hear more about that later this week. The MCP server interest is high. I guess, I'm curious, is there a way for you to determine what the actual ARR benefit you're seeing from some of these increases in AI workloads within your base?

Steve McMillan

President, Chief Executive Officer & Director, Teradata Corp.

A

Yes. I think what we're seeing is that helping those customers cross the chasm, yeah, from pilot to production. And it certainly driving usage and capacity usage of the Teradata platform. One of the benefits that we've got in terms of the Teradata platform is agentic AI workloads with always-on agents are driving a tremendous volume of queries. They're driving a huge concurrency of queries and complexity of queries into the respective data platforms. That's Teradata's sweet spot in terms of how we execute and the technology that we've got.

And I think, we're seeing customers really take advantage of that, and there's a little bit of a shift from standard BI workloads towards more of agentic-type workloads. But we also see the opportunity opening up to serve both in the cloud and on-premise those agentic AI workloads, and we see it as an opportunity for us to drive incremental ARR growth, especially with the new products that we'll be announcing on Thursday this week.

Matthew Hedberg

Analyst, RBC Capital Markets LLC

Q

That's great. And then maybe for John, it's great to hear that retention was solid in the quarter. I guess, I'm curious, is there anything we should keep in mind regarding large renewals for the balance of this year?

John Ederer

Chief Financial Officer, Teradata Corp.

A

No, I don't think there's anything in particular on that front. In general, we're seeing improved retention rates. We actually started to see that in fiscal 2025. And we're carrying that through here in 2026, and started off on a good note in Q1. So, I think in general, we've done a nice job of getting closer to the customers, understanding that process better around key renewals and making sure that we're in good position to do that.

Matthew Hedberg

Analyst, RBC Capital Markets LLC

Q

Got it. Thanks.

Operator: Your next question comes from Raimo Lenschow with Barclays. Your line is open.

Sheldon McMeans

Analyst, Barclays Capital, Inc.

Q

Hi, this is Sheldon McMeans on for Raimo. Thanks for taking our question. During the prepared remarks, you talked about the strong start to the year. You have definitely have some tailwinds, security-driven demand, accelerating sovereign AI. AI interest seems to be healthy. And I completely understand we're operating in a very dynamic environment, but could you help us understand the puts and takes, and maybe any balancing factors that motivated the maintained full year ARR guide?

John Ederer

Chief Financial Officer, Teradata Corp.

A

Well, I think that if you look at the total ARR number for Q1 and on a reported basis, 3%, that's right in line with what we had guided for the full year of 2% to 4%. So, I guess, I view Q1 as being very consistent with our outlook for the year. And then in general, we're seeing decent demand across the product lines, and optimistic about some of the things that we'll start to introduce later this week. Now, those won't have a material impact on FY 2026, but in general, we're seeing better demand.

Sheldon McMeans

Analyst, Barclays Capital, Inc.

Q

Understood. Congrats on a solid quarter.

John Ederer

Chief Financial Officer, Teradata Corp.

A

Thanks.

Operator: Your next question comes from Patrick Walravens with Citizens. Your line is open.

Patrick D. Walravens

Analyst, Citizens JMP Securities LLC



Great. Thank you very much. Can I start by asking, you're commenting about the trouble that clients had getting from pilot to production. Can you drill down on that a little bit? Specifically what gets in the way of moving to production?

Steve McMillan

President, Chief Executive Officer & Director, Teradata Corp.



Yeah, Pat. I think, it goes to the characteristics of the workload and the data platforms that organizations are using. I've used the term before that, our competitors solve complexity with incremental compute. We solve complexity with great software. And that enables us to address some of these challenges that our customers are having in terms of, spiraling compute costs for their data platform. They have regulatory challenges in terms of making sure the data is well governed.

And across all of these different types of data problems, we've been solving them for customers for years, as they've built out some of the most comprehensive enterprise data warehouses, and then making sure that those solutions have the right context and context is built on industry knowledge, industry data models, the codification of business rules. And we've helped customers and organizations span those challenges for years now.

And it's just another reinvention of that from an AI perspective to ensure that these AI agents have the right context to give the reliable answers and a production context to really solve business problems today. And that's what the whole new series of offerings and capabilities over the past few months and including what we're planning to launch over the next couple of weeks, really brings together in terms of delivering that context to our customer organizations.

Patrick D. Walravens

Analyst, Citizens JMP Securities LLC



Okay, great. And can I ask Steve or maybe John, I don't know who wants to pitch in on this. So, other than the financial aspect of the SAP settlement, I mean, can you remind us what was this whole thing about? And is there any fundamental benefit in having to resolve this dispute?

Steve McMillan

President, Chief Executive Officer & Director, Teradata Corp.



Look, I think, Pat, it's always good to clear the deck from a legal perspective and make sure that we're looking forward, and looking forward to what we're actually going to do strategically with that cash. Certainly, it's on the balance sheet now and it gives us a lot of strategic optionality as we move forward in terms of how we deploy that. Certainly, it's solidified the balance sheet, as John pointed to. But it gives us strategic options moving forward. And we certainly see it as a vehicle that's going to enable us to increase our return to shareholders, as we move forward. So we're pretty excited about it and glad to put it behind us.

Patrick D. Walravens

Analyst, Citizens JMP Securities LLC



Okay. Thank you, guys.

Operator: Your next question comes from Derrick Wood with TD Cowen. Your line is open.

Jared Jungjohann

Analyst, TD Cowen

Q

Hi. This is Jared on for Derrick. Thanks for taking my questions. First, could you comment on domestic and international revenue performance in the quarter, and maybe pick apart some of the drivers for each of those markets?

John Ederer

Chief Financial Officer, Teradata Corp.

A

Yeah. So, in general, if I look back over the last few years, we have seen some differences in domestic versus international. And if you go back a couple of years, the impact of some of the churn was really more felt in the United States as opposed to the international markets. We've also seen some improving trends even from a new logo standpoint in some of the international markets. And so, I think that, that is one area where the hybrid story resonates even more so than perhaps in the United States.

Jared Jungjohann

Analyst, TD Cowen

Q

Awesome. Appreciate that color. And off of that regulated industry commentary, could you just talk to some of the different trends you've been seeing in your regulated base versus non-regulated base?

Steve McMillan

President, Chief Executive Officer & Director, Teradata Corp.

A

Yeah. I think, and it reflects as well in some of that international workloads that we've been winning. Certainly governments, financial services organizations, healthcare org are highly regulated. We see that as a great competitive moat for us. We are uniquely differentiated to enable those organizations to run agentic AI workloads against that data, and they can do it in the cloud or they can do it from an on-prem perspective or in a hybrid environment. More than 50% of our customers in the cloud also operate on-prem Teradata systems. And so being able to span data across those environments, not move data into different types of solutions has given those regulatory workloads some real benefit in terms of how they can leverage AI and agentic AI against those data sets.

Jared Jungjohann

Analyst, TD Cowen

Q

Thanks for taking my questions.

Operator: That concludes today's Q&A session. I will now turn the call back over to Steve McMillan for his final remarks.

Steve McMillan

President, Chief Executive Officer & Director, Teradata Corp.

Thank you very much, operator. Thanks for joining us today. We're really proud of our strong start to the year and the value we're creating for shareholders. We've got the technology, the expertise and a really strong partner ecosystem, and we believe we're bringing real differentiation to the market with our autonomous knowledge platform. We intend to keep that momentum up as we help organizations build for their agentic future, moving decisively from AI ambition to sustain business impact. We look forward to updating you again next quarter. Thanks.

Operator: That concludes today's conference call. You may now disconnect.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2026 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.