

TERADATA CORP /DE/  
Form 10-Q  
November 04, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2010

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-33458

**TERADATA CORPORATION**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**75-3236470**  
(I.R.S. Employer  
Identification No.)

**10000 Innovation Drive**  
**Dayton, Ohio 45342**

(Address of principal executive offices) (Zip Code)

**Registrant's telephone number, including area code: (866) 548-8348**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

At October 29, 2010, the registrant had approximately 167.5 million shares of common stock outstanding.

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**Table of Contents****Part 1 FINANCIAL INFORMATION****Item 1. Financial Statements.  
Teradata Corporation****Condensed Consolidated Statements of Income (Unaudited)**

In millions, except per share amounts	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
<b>Revenue</b>				
Product revenue	\$ 243	\$ 191	\$ 666	\$ 533
Service revenue	246	234	722	680
<b>Total revenue</b>	489	425	1,388	1,213
<b>Costs and operating expenses</b>				
Cost of products	72	72	215	192
Cost of services	138	126	390	361
Selling, general and administrative expenses	133	113	377	345
Research and development expenses	40	26	108	83
<b>Total costs and operating expenses</b>	383	337	1,090	981
<b>Income from operations</b>	106	88	298	232
Other expense, net	0	(4)	0	(4)
<b>Income before income taxes</b>	106	84	298	228
Income tax expense	31	21	82	58
<b>Net income</b>	\$ 75	\$ 63	\$ 216	\$ 170
<b>Net income per weighted average common share</b>				
Basic	\$ 0.45	\$ 0.37	\$ 1.29	\$ 0.99
Diluted	\$ 0.44	\$ 0.36	\$ 1.27	\$ 0.98
<b>Weighted average common shares outstanding</b>				
Basic	167.2	171.7	167.3	172.4
Diluted	170.1	174.1	170.1	174.1

See Notes to Condensed Consolidated Financial Statements (Unaudited).

**Table of Contents****Teradata Corporation****Condensed Consolidated Balance Sheets (Unaudited)**

In millions, except per share amounts	September 30, 2010	December 31, 2009
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 741	\$ 661
Accounts receivable, net	411	387
Inventories	65	47
Other current assets	55	57
<b>Total current assets</b>	<b>1,272</b>	<b>1,152</b>
Property and equipment, net	103	95
Capitalized software, net	114	102
Goodwill	136	109
Deferred income taxes	69	84
Other assets	61	27
<b>Total assets</b>	<b>\$ 1,755</b>	<b>\$ 1,569</b>
<b>Liabilities and stockholders equity</b>		
Current liabilities		
Accounts payable	\$ 88	\$ 102
Payroll and benefits liabilities	124	109
Deferred revenue	265	256
Other current liabilities	73	76
<b>Total current liabilities</b>	<b>550</b>	<b>543</b>
Pension and other postemployment plan liabilities	85	83
Other liabilities	36	33
<b>Total liabilities</b>	<b>671</b>	<b>659</b>
<b>Commitments and contingencies (Note 6)</b>		
<b>Stockholders equity</b>		
Preferred stock: par value \$0.01 per share, 100.0 shares authorized, no shares issued and outstanding at September 30, 2010 and December 31, 2009	0	0
Common stock: par value \$0.01 per share, 500.0 shares authorized, 184.1 and 182.6 shares issued at September 30, 2010 and December 31, 2009, respectively	2	2
Paid-in capital	663	622
Treasury stock: 16.8 and 13.9 shares at September 30, 2010 and December 31, 2009, respectively	(399)	(311)
Retained earnings	800	583
Accumulated other comprehensive income	18	14
<b>Total stockholders equity</b>	<b>1,084</b>	<b>910</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 1,755</b>	<b>\$ 1,569</b>

See Notes to Condensed Consolidated Financial Statements (Unaudited).

**Table of Contents****Teradata Corporation****Condensed Consolidated Statements of Cash Flows (Unaudited)**

<b>In millions</b>	<b>Nine Months Ended September 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>Operating activities</b>		
Net income	\$ 216	\$ 170
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	43	46
Stock-based compensation expense	18	17
Excess tax benefit from stock-based compensation	(3)	(2)
Deferred income taxes	16	23
Impairment of equity investment	0	5
Changes in assets and liabilities:		
Receivables	(24)	121
Inventories	(18)	(1)
Current payables and accrued expenses	(7)	(16)
Deferred revenue	11	7
Other assets and liabilities	13	(6)
<b>Net cash provided by operating activities</b>	<b>265</b>	<b>364</b>
<b>Investing activities</b>		
Proceeds from sales and maturities of short-term investments	0	65
Purchases of short-term investments	0	(25)
Expenditures for property and equipment	(25)	(18)
Additions to capitalized software	(37)	(43)
Other investing activities and business acquisitions, net	(61)	6
<b>Net cash used in investing activities</b>	<b>(123)</b>	<b>(15)</b>
<b>Financing activities</b>		
Repurchases of common stock	(88)	(71)
Excess tax benefit from stock-based compensation	3	2
Other financing activities, net	21	14
<b>Net cash used in financing activities</b>	<b>(64)</b>	<b>(55)</b>
Effect of exchange rate changes on cash and cash equivalents	2	8
Increase in cash and cash equivalents	80	302
Cash and cash equivalents at beginning of period	661	402
<b>Cash and cash equivalents at end of period</b>	<b>\$ 741</b>	