

06-May-2025

# Teradata Corp. (TDC)

Q1 2025 Earnings Call

## CORPORATE PARTICIPANTS

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Teradata Corp.*

**Steve McMillan**

*President, Chief Executive Officer & Director, Teradata Corp.*

**Sumeet Arora**

*Chief Product Officer, Teradata Corp.*

**Charles Smotherman**

*Interim Chief Financial Officer, Teradata Corp.*

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## OTHER PARTICIPANTS

**Erik W. Woodring**

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**Yitchuin Wong**

*Analyst, Citigroup Global Markets, Inc.*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good afternoon. My name is Cole and I'll be your conference operator today. At this time, I would like to welcome everyone to the Teradata First Quarter 2025 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]

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

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### Chad Michael Bennett

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

Good afternoon, and welcome to Teradata's first quarter 2025 earnings call. Steve McMillan, Teradata's President and Chief Executive Officer, will lead our call today; followed by Sumeet Arora, Teradata's Chief Product Officer; and then, Charles Smotherman, Teradata's Interim Chief Financial Officer, who will discuss our financial results and outlook.

Our discussion today includes forecast 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, 2025, later this month. 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, other special items described in our earnings release. We will also discuss other non-GAAP items such as free cash flow, constant currency comparisons, and 2025 revenue and ARR growth outlook in constant currency.

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](http://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.

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### Steve McMillan

*President, Chief Executive Officer & Director, Teradata Corp.*

Thank you, Chad, and hello, everyone. Thanks for joining us today. Teradata had a solid first quarter of 2025. We delivered public cloud ARR of \$606 million, a 16% year-on-year increase in constant currency. We saw a total ARR of \$1.44 billion, in line with expectations on a constant currency basis. We generated \$7 million in free cash flow in the quarter and our non-GAAP EPS was \$0.66, an increase of 16% year-on-year.

In Q1, we maintained our focus on execution and are seeing benefits from the actions that began in the middle of last year. Our go-to-market team is executing well against the pipeline we carried into 2025. We are seeing positive effects from the team's increasing focus on advanced analytics and industry use cases, both in cloud and on prem.

Cloud is now 42% of our total ARR, and we are also seeing that our hybrid capabilities are very relevant in times of macro volatility. We are meeting customers in the environment that best addresses their needs now and into the future, and believe that our cloud and hybrid capabilities will resonate in the market.

Many of our customers rely on insights from the Teradata environments to help them operate their businesses efficiently, even in times of uncertainty. We are monitoring the dynamic market and are working closely with customers to help them get the most out of their data and analytics as they address the uncertain climate. We've assessed the direct impact from the dynamic tariff situation, and it is expected to be immaterial to our business in 2025. As we look ahead, we are taking a more prudent stance with respect to our services business, which is more subject to discretionary spending.

As the world explores use cases of AI, it is imperative that the data behind the AI is secure, appropriately governed, and trusted. Trusted data is critical to success with AI, and agentic or autonomous AI depends on massive amounts of trusted data across both structured and unstructured sources. This integration of diverse data types at any scale is Teradata's core strength.

To succeed with agentic AI, you need not just trusted data, but high-performance vector processing capabilities that can deliver the right information in the moment, so that agents can take action in real time, whether someone is in a chat session, on the website, or on the phone. These actions will increasingly be performed by AI agents that will need to seamlessly access both structured and unstructured data to derive the best answer for customers.

In early March, we announced Teradata Enterprise Vector Store. This in-database solution brings the speed, power, and multidimensional scale of our hybrid analytics platform to vector data and management, a crucial infrastructure component for building trusted, effective AI systems. It is designed to help customers move beyond basic generative AI implementations toward sophisticated agentic AI and autonomous business processes.

Our Enterprise Vector Store, which will integrate with NVIDIA's NeMo Retriever microservices, can enable enterprises to solve multidimensional complex problems by combining structured and unstructured data with accelerated compute to optimize RAG applications, which we believe will create a single source of truth for all of a company's AI initiatives. We are enthusiastic about the interest we are seeing, and I'll talk about some of the examples of use cases we are working on with our customers.

This quarter, we plan to introduce innovations designed for enterprises that need more control and flexibility over their AI deployments, particularly in today's dynamic and often uncertain environment. Many of our customers operate in regulated industries with strict requirements for data sovereignty and security, and we believe that our forthcoming AI on-prem capabilities will be uniquely positioned to enable independent and secure AI operations without compromising EDW service levels, a critical differentiator in today's hybrid cloud landscape.

We are continuing to build and execute robust partnerships that position us well in the open ecosystems we see customers increasingly adopting. In the quarter, our teams were collaborating at customer engagements with AWS, Google Cloud, Microsoft Azure, NVIDIA and more. I'll cover a few examples of how our teams are helping customers trial and implement their strategies for AI with our foundation of managing trusted data.

A global telco's fraud prevention team leveraged our ClearScape Analytics and machine learning to detect targeted fraud and is achieving a 50% increase in fraud detection accuracy. Their model enhances explainability, enabling analysts to make informed decisions with 95% accuracy while reducing manual effort.

A large customer in Asia-Pac is evolving its responsible gambling models with help from us. Using our ModelOps, the customer monitors and manages its machine learning models. They use ClearScape Analytics for native analytical models, as well as the bring-your-own-model capability for machine learning models. Their most advanced models are deployed and scored in Teradata VantageCloud, enabling scalability and lowering costs.

We supported a major European airline in elevating analysis of customer feedback. Leveraging our vector store and a Hugging Face model, we helped the customer analyze text messages to detect trends and sentiments. This integrated approach is designed to help the customer ensure data protection, enhance performance, and deliver reliable results.

We also helped a large grocery retailer demonstrate significant business value by categorizing customer complaints using vector embeddings and bring-your-own-language-model functionality. The customer was impressed with the gen AI integration capabilities of our platform, which streamlined the classification and response process for text-based complaints, thereby enhancing service quality and efficiency. A key aspect was the high-performance processing at scale of our differentiated massive parallel processing capability.

Also, a top five US health care company significantly expanded its Teradata environment as it migrated to the cloud and works to enhance resilience against cyber threats and ensure continuity in health care services. It is also implementing a gen AI solution with us to automate large amounts of audit processes and significantly improve productivity, making the health care system work better for everyone.

These customer examples are supported with industry reports as well. Teradata was recently named a leader in the Forrester Wave on Data Management for Analytics Platforms. We were pleased to receive this recognition of the strength of our strategic vision and performance in delivering AI-powered, enterprise-grade analytics at scale. We believe this report reflects our strong analytic platform capabilities, particularly for hybrid cloud deployments where reliability and scalability are essential.

With our solid performance in Q1, our ongoing focus on execution and accelerating innovation that brings trusted AI to our customers, we continue to believe that we will return to growth in 2025. We believe that our differentiated ability to support customers' data and analytics needs, whether in the cloud, on-prem or hybrid environments, serves us well during these times of uncertainty.

As I hand over to Charles, I want to provide an update on our most recent executive appointments. Yesterday, we announced our new CFO, John Ederer, who will be starting with us next week. John is currently the CFO at Model N, a provider of revenue management solutions for Life Sciences and High Tech. He's a seasoned financial executive and has successfully led a number of companies through SaaS transitions. I'm looking forward to working with John.

I also want to thank Charles for serving as Interim CFO during this quarter of transition. I am also pleased to introduce to you today our new Chief Product Officer, Sumeet Arora, who just joined us. Most recently, Sumeet was the Chief Development Officer at ThoughtSpot. Sumeet has extensive experience in leading, engineering and product management for AI-driven analytics and a proven track record in building solutions that generate significant revenue.

I've asked Sumeet to make a few comments on the opportunity he sees as he joins Teradata. Sumeet, over to you.

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## Sumeet Arora

*Chief Product Officer, Teradata Corp.*

Thank you, Steve. I'm thrilled to be part of the Teradata team. I see that Teradata has unique strengths. First, its customer base is something that any business would strive to have. The top banks, airlines, telecommunication companies, health care providers, and retailers use Teradata every day to deliver business outcomes and data-driven experiences. There is a lot of valuable data managed within Teradata environments.

Second, I see Teradata as the only platform that can work with data as it exists in most large enterprises. Data is not all clean and located in one system. Rather, it spans on-prem and multi-cloud environments for both historical as well as price-performance reasons. I believe that Teradata has a unique advantage with its hybrid cloud platform.

And third, just like the cloud leveled the playing field a decade ago, AI is leveling the playing field again. There is no trusted AI without trusted data. The Teradata platform is evolving to enable AI workloads that leverage enterprise data to deliver autonomous business processes. For example, Teradata Enterprise Vector Store is an enterprise scale and enterprise grade vector store purpose-built for agentic workloads and RAG-based implementations. I believe that our ability to work with data across on-prem and cloud environments and deliver AI across all of this data is a competitive and price-performance advantage.

Together with the team, my goal is to greatly accelerate Teradata's innovation execution. We expect to do this in close partnership with our customers as we evolve from here. Working with data across hybrid environments and by delivering trusted AI capabilities, our goal will be to help our customers deploy autonomous business workflows that in turn improve the experience of their end customers. I believe that Teradata is well-positioned to be the business outcomes platform for the data and AI-powered enterprise.

I will bring my experience in the technology industry, driving efficient and high-velocity innovation to help Teradata accelerate. Before joining Teradata, I led product, engineering and design at ThoughtSpot, a data analytics company and an industry pioneer in building AI-powered natural language analytics targeted at the business user. During my time, ThoughtSpot transitioned the application to a full platform that is now replacing established incumbents and was fast to market with an agentic AI analyst solution, thereby becoming one of the earliest in-production AI-native analytics platform in the industry.

Prior to ThoughtSpot, I was at Cisco, and at both companies, I focused on building great products, great teams, as well as great businesses with a focus on execution. I look forward to helping Teradata execute and accelerate.

Now, I will pass the call to Charles.

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## Charles Smotherman

*Interim Chief Financial Officer, Teradata Corp.*

Thank you, Sumeet, and good afternoon, everyone. In the first quarter, we executed in line with expectations across our key metrics: total ARR, cloud ARR, free cash flow, and non-GAAP EPS. As we expected in the first quarter, we had a decline in total ARR sequentially due to the first quarter being seasonally our lowest bookings and highest erosion quarter of the year. Total ARR declined 2% year-over-year on a constant currency basis,

which was a 2-point improvement from the end of 2024. We continue to see year-over-year increase in retention rates as our customer success team drives improvements in customer health metrics across our base.

Additionally, we expect meaningful year-over-year improvement in retention rates for the remainder of the year. Cloud ARR grew 16% year-over-year in constant currency, representing the midpoint of our 2025 outlook range. Cloud net expansion rate was 115%, which continues to be impacted by lower expansion activity last year. Based on our increased visibility, we continue to believe that we will return to total ARR growth in Q4. We are reiterating our outlook for total ARR of flat to 2% and cloud ARR growth of 14% to 18% year-over-year.

Let me now share more details on our quarterly financial results, starting with revenue. First quarter recurring revenue was \$358 million, down 8% year-over-year as reported and down 6% year-over-year in constant currency. The year-over-year growth rate was negatively impacted by 1 point from upfront revenue. Recurring revenue as a percentage of total revenue was 86%, up from 83% in the prior-year period.

First quarter total revenue was \$418 million, down 10% year-over-year as reported and 8% in constant currency, which was towards the low end of our expectations. In light of the overall macroeconomic uncertainty, we're expanding the low-end of our total revenue outlook range by 1 percentage point due to the more discretionary nature of our services business.

Moving to profitability and free cash flow, total gross margin for the quarter was 60.3%, down 190 basis points year-over-year, primarily due to services. Our services business continues to be impacted by lower bookings in the second half of 2024. We are optimizing our cost structure to enable us to return to a positive services margin in the second half of the year.

Operating margin was 21.8%, up 270 basis points year-over-year. The operating margin expansion is largely due to the restructuring actions taken last year. Non-GAAP diluted earnings per share was \$0.66, exceeding the top-end of our outlook range. The outperformance is primarily from lower spend and FX.

We generated \$7 million of free cash flow in the quarter, which was slightly ahead of our expectations due to accelerated collections that were due in Q2. In the first quarter, we repurchased approximately \$44 million of stock or 1.6 million shares, and we continue to expect to return at least 50% of our free cash flow to shareholders in the form of share repurchases.

With regards to the 2025 outlook, we reaffirm total ARR, cloud ARR, free cash flow, recurring revenue and non-GAAP EPS. For total revenue, we are expanding the range to reflect negative 4% to negative 7% year-over-year on a constant currency basis.

On total ARR and cloud ARR, we continue to see the same linearity as we mentioned last quarter. In the first half, we expect the growth rate of total ARR to be below our outlook range and cloud ARR to be at the low-end of our range. We expect both growth rates to accelerate in the second half and return to total ARR growth in the fourth quarter.

Please refer to our Q1 earnings presentation on our Investor Relations website for a complete list of our 2025 outlook ranges.

For the second quarter of 2025, we anticipate recurring revenue to be in the range of negative 5% to negative 7% year-over-year on a constant currency basis. In Q2, we anticipate a 2% headwind driven by upfront recurring revenue. We expect total revenue to be in the range of negative 7% to negative 9% year-over-year on a constant



currency basis. We anticipate marginal negative currency impact year-over-year using the end of March rates. We anticipate non-GAAP diluted earnings per share to be in the range of \$0.37 to \$0.41. We project the non-GAAP tax rate to be approximately 23.1% and weighted average shares outstanding to be 97 million.

We had a solid start to the year. While we recognize the volatility around the current macroeconomic environment, our pragmatic approach to our 2025 outlook remains intact. The organizational changes we began last year are starting to take hold, driving meaningful improvement in retention rates, more consistent execution, and our focus on AI innovation. We remain committed to returning to total ARR growth in Q4, producing strong operating margin and free cash flow and returning capital to shareholders.

Thank you all for your time today. Now, let's open the call for questions.

## QUESTION AND ANSWER SECTION

**Operator:** [Operator Instructions] Our first question is from Erik Woodring with Morgan Stanley. Your line is now open.

**Erik W. Woodring**

*Analyst, Morgan Stanley & Co. LLC*

Q

Great. Thanks so much, guys. Good afternoon. Steve, I just wanted to maybe take a step back. Obviously, you guys have talked about cost efficiency programs. I'm wondering what the opportunity is to cut additional costs in this business. And really what I'm getting at is, the new logo engine is a relatively small part of the business, but you spend nearly twice as much on SG&A as you do on R&D.

You have a very large and very actually well-renowned existing customer base. Can you kind of attack that base and power your new logo engine with lower levels of total absolute OpEx spend? Because ultimately, what I'm trying to get at is ways other than growing your business that you could drive free cash flow higher. So, that's just my first question and then I have a quick follow-up. Thanks so much.

**Steve McMillan**

*President, Chief Executive Officer & Director, Teradata Corp.*

A

Hey, Erik. Thanks for the question. Great to hear from you. Taking a step back, as you suggested, we are absolutely focused on profitable growth and we make the right investments in our organization across all the lines, our SG&A lines, our research and development, to ensure that we optimize and grow the business overall.

We are returning the business to growth from an ARR perspective in 2025. I think that will set a positive trajectory for the company as we move forward. We did a lot of restructuring in our sales team in June of last year and refocused that team in terms of pivoting towards much more analytic, AI, and use case based solutions in the marketplace. And we are starting to see those having traction in terms of the execution. We're clearly going to continue to optimize our investment envelope as we move forward, as we drive that profitable growth strategy.

**Erik W. Woodring**

*Analyst, Morgan Stanley & Co. LLC*

Q

Okay. I appreciate that. Thank you, Steve. And then just quick follow-up was just on the 2Q EPS guide. We're looking at a pretty significant sequential decline. Can you just maybe help us understand or better understand some of the moving pieces as to why we're getting there? Obviously, a very strong first quarter. Did you pull



forward profitability, so to speak? Or just help us understand why the shape of the curve in the first half looks the way it does on the EPS line. Thanks so much.

**Charles Smotherman**

*Interim Chief Financial Officer, Teradata Corp.*

A

Yeah. Thanks for the question. So, want to make sure – you're talking about the \$0.66 to the \$0.40, correct?

**Erik W. Woodring**

*Analyst, Morgan Stanley & Co. LLC*

Q

Correct.

**Charles Smotherman**

*Interim Chief Financial Officer, Teradata Corp.*

A

Okay. Yeah. So we've got a couple of factors that are playing into this, lower volume being one, lower corporate spend. We've got higher cloud mix impacting our second quarter as well as lower CFC. That's offset partially by lower head count and other corporate spend activities.

**Erik W. Woodring**

*Analyst, Morgan Stanley & Co. LLC*

Q

All right. Thanks so much, guys. Good luck.

**Operator:** Our next question is from Yitchuin Wong with Citi. Your line is now open.

**Yitchuin Wong**

*Analyst, Citigroup Global Markets, Inc.*

Q

Hi. Thanks for taking the question here. Congrats on Sumeet's hiring and John from yesterday. It's been a while since we have the full team again. So, I remember the excitement three, four years ago when you had, like, Claire and Todd rounded up the team. I guess, back then there was a lot of excitement as well.

Just in the three, four years, looking back in the executive management team, can you tell me, like, what are some of the biggest lessons learned going into this year and next year with Sumeet and John in pool now? And what would you be doing differently just given some of the execution issue in the past year? Would like to start there, please. Thanks.

**Steve McMillan**

*President, Chief Executive Officer & Director, Teradata Corp.*

A

Yeah. Thanks for the question. Look, I think we are entering into a new phase for Teradata at Teradata 3.0, if you like. As I reflect back on the last four years, we've been going on a terrific journey to transition and reinvent the company. And that started off with Teradata 1.0, which was very much about pivoting the company towards cloud. And in the Teradata 2.0 phase, we doubled down on that growth, clearly taking the company to over \$600 million in cloud ARR. And at the same time, developing innovations in both our analytics capabilities, AI capabilities and ML capabilities, putting them in database to enable organizations to operate at tremendous scale in this new world of advanced analytics and AI.

Now, I think we're entering into the next phase which is Teradata 3.0, where our customers are demanding from us a whole set of business outcomes that are driven and derived from the use of advanced analytics, AI, and ML

solutions. And we have regeared and re-tooled the entire company to start to address those opportunities in the marketplace. You can see from our new innovation announcements like our Enterprise Vector Store, where we believe that Teradata has a truly differentiated capability that now will enable us to drive at new TAM for Teradata in terms of analytics and taking advantage of the AI opportunity in the marketplace.

So, it has been a year – it has been a continuous time of transition and transformation for the company, and we believe that we're well placed. And I think Sumeet coming onboard is a testimony to that as he looks to drive that innovation engine forward into the future.

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**Yitchuin Wong**

*Analyst, Citigroup Global Markets, Inc.*

**Q**

Yeah. Looking forward to see that play out. I guess, the other one on the product, you mentioned the hybrid is definitely picking up steam. Longer term, how do you view the impact to the cloud? And then, what could we see kind of longer-term trajectory? Do you expect to see the subscription line and the cloud line? How would that trajectory kind of [ph] keep us out (00:28:26) going into next year? Thanks.

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**Steve McMillan**

*President, Chief Executive Officer & Director, Teradata Corp.*

**A**

Yeah. Thank you. And again, we're going to return the company to ARR growth to that total level in 2025 as powered by the real interest that we see. I talk to customers every single day, some of the largest organizations in the world, and they really like our hybrid platform. And they like to be able to observe data gravity. They like being met from a technology perspective where they would like to engage. So, that's either in the cloud or from an on-prem perspective.

We're also seeing real interest in AI on-prem solutions, and we've got a new capability coming out in third quarter to address that market space. As we look forward, we continue to see good growth in our cloud business. The midpoint of growth for our cloud business for this year is 16 points. So, good growth in cloud and we see that hybrid opportunity continues to be a good opportunity for us to execute against.

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**Yitchuin Wong**

*Analyst, Citigroup Global Markets, Inc.*

**Q**

Thanks.

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**Operator:** Our next question is from Howard Ma with Guggenheim. Your line is now open.

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**Howard Ma**

*Analyst, Guggenheim Securities LLC*

**Q**

Great. Thanks for taking the question. One for Steve. When we – Steve, so when we think back to the period of cloud optimizations in the back half of calendar 2022 and throughout 2023, I think most would agree that Teradata benefited from more customers expanding on prem and then subsequently, you just referred to that period as the 2.0 phase. As your VantageCloud product matured, you saw pretty nice expansions on that.

The question is, given the current macro uncertainty, are there any parallels that you can draw compared to that period in time? And what are your customers indicating to you in terms of their intentions to expand, things like you guys mentioned the new Vector Store capability. Are those things giving you more visibility into expansions, whether it's on prem or in the cloud, than perhaps in the past or maybe not necessarily?

**Steve McMillan**

*President, Chief Executive Officer & Director, Teradata Corp.*

A

Yeah. Thanks for the question, Howard. I mean, clearly, it's a very dynamic environment out there. But at our core, from a technology perspective, we have line of sight into the guidance that we have actually both from a total ARR perspective, but also from a cloud ARR perspective. What we're seeing is our customers, because just like back in the cloud optimization days, to your point, I used to say that the Teradata platform optimizes itself every millisecond, which makes us very sticky inside our customers as we deliver the most critical workloads in the world at tremendous enterprise scale.

The demand for that type of technology is continuing inside our customer base. And we're using that to leverage and drive growth opportunities in terms of managing that data for our organizations and putting it into new analytical use cases, which our customers need to respond to these dynamic environments that they're in.

As team pointed out, we did experience some macro impact from a discretionary spend perspective in our consulting and services business. Our consulting and services business for us is very much a tailwind in terms of how we do services against technology deals that we've done in the past.

As we look forward, as we start to increase our contribution from our total ARR perspective and our technology business starts to regain into growth territory, we expect our consulting and services business to reaccelerate into the back half of the year. So, despite there being macro uncertainty, we've got key line of sight into our results for FY 2025 and are looking forward to executing against that.

**Howard Ma**

*Analyst, Guggenheim Securities LLC*

Q

Got it. Thank you, Steve. And on the back of your response, I have a follow-up for Charles, and it's just around the retention rates. And if you could put some numbers around the improvement, whether they've been up year-over-year or sequentially? And if the idea, the prepared remarks that you gave, imply that retention rates should improve sequentially throughout this year, [ph] whether (00:32:51) the balance of this year? Thank you.

**Charles Smotherman**

*Interim Chief Financial Officer, Teradata Corp.*

A

Yes. Thanks for the question. Yeah, our viewpoint has not changed from our earlier guide this year and we've actually seen improvement in 2025. If we look at how we performed in the second half of 2024, that also was improving. And our customer success team has done a phenomenal job improving those rates and we see continued improvement for the balance of the year.

**Operator:** Our next question is from Chirag Ved with Evercore ISI. Your line is now open.

**Chirag Ved**

*Analyst, Evercore ISI*

Q

Hi. Thanks for taking the question. Steve, I was just wondering whether you could talk through some of the main points that give you confidence in maintaining the total ARR and public cloud ARR guide, and the acceleration in the back half of the year, just given more positive commentary across the board by many other peers in software. Thank you.

**Steve McMillan**

*President, Chief Executive Officer & Director, Teradata Corp.*

A

Yeah. Thanks for the question, Chirag. Overall, not much has changed from our internal expectations from a linearity perspective from the beginning of the year to now. We're still seeing good growth in terms of the drivers that we're expecting. We have factored into our outlook space migrations, the uncertainty that we saw in the environment.

And when we set guidance at the start of the year, we set a very pragmatic guidance in terms of the overall outlook for the year. As I said previously, we do have line of insight into that execution for the year, both from a total ARR perspective and a cloud ARR perspective. And as we said earlier in the year, we've actually taken out some of the very large deals, the eight-figure deals in terms of our cloud ARR outlook and the execution profile from that. So, we believe that the guidance that we've issued is solid in terms of the outlook for the full year.

**Chirag Ved**

*Analyst, Evercore ISI*

Q

All right. Thank you so much.

**Operator:** We have a question from Matthew Hedberg with RBC. Your line is now open.

**Michael Richards**

*Analyst, RBC Capital Markets LLC*

Q

Hey, guys. This is Mike Richards on for Matt. Maybe just piggybacking off that question there. Said differently, we came in the year with a pragmatic guidance and seem conservative. Ex this new macro uncertainty that unfolded in the past 90 days with Liberation Day, would it be unreasonable to think that guidance could have been raised on this print? And so, like, we should look at the maintained guide as a conservative approach, just given how you set it up coming into the year?

**Steve McMillan**

*President, Chief Executive Officer & Director, Teradata Corp.*

A

Yeah. I think we've issued, as I said, pragmatic guidance for the year. In this environment, we don't want to get over our skis clearly, yeah? We've issued guidance which we are confident that we have line of sight to execution with. And we've already seen those patterns in terms of execution. We've seen our new TTM team that we put in place in June of last year start to execute consistently against the opportunity pipeline that's in front of them.

We've seen that meaningful improvement in our retention rates through the back half of last year, and that continued into first quarter. And we have line of sight and that's continuing to improve into second quarter and the second half of the year. So, that gives us the confidence in terms of holding the gates to where we are and delivering on the promise that we made at the start of the year.

**Michael Richards**

*Analyst, RBC Capital Markets LLC*

Q

Great. Thanks. And then, just a quick follow-up. Could you remind us of your Fed exposure? And then, any trends you've seen there over the past quarter, specifically pertaining to DOGE? And any either buying ahead or pausing you might see in that vertical? Thanks, again, guys.

**Charles Smotherman**

*Interim Chief Financial Officer, Teradata Corp.*

A

Yeah. Thanks for the question. We have a healthy government business globally, but the majority of that business is international, state and local, and very minimal exposure from the federal spend at this point.

**Operator:** Our next question is from Derrick Wood with TD Cowen. Your line is now open.

**Jared Jungjohann**

*Analyst, TD Cowen*

Q

Hi, team. This is Jared Jungjohann on for Derrick Wood. On the prior go-to-market changes, last quarter you noted reps have settled into the new segment team. Now that we're another quarter down the road, can you just give us an update on some of the benefits you're seeing? Thanks.

**Steve McMillan**

*President, Chief Executive Officer & Director, Teradata Corp.*

A

Yeah, for sure. I think what we're seeing is a real pivot towards analytics, AI and use case business. If I look at the pipeline that the sales team are now generating, there's a lot of interest in terms of using those AI capabilities and using the Teradata platform and an AI ecosystem. So, we're super excited about the POCs that we've been doing with our customers. They start small, they drive usage of the existing platform. And then, where we come into our own is actually helping customers drive that workload – those workloads into production.

And indeed, we've taken some cloud-native solutions that our customers have been deploying. And although we did the development and the testing of those solutions and other cloud-native environments, they actually deployed the model themselves in the Teradata environment. And in some cases, that's at over twice the speed and often towards half the cost in terms of execution.

And so, those are the kind of improvements in our go-to-market model, taking those kinds of messages to our customers. And we believe it makes Teradata relevant and helps us drive growth into the future.

**Jared Jungjohann**

*Analyst, TD Cowen*

Q

That's awesome. Good to hear. And then, as a follow-up on that, how should we be thinking about the impact from these AI-related products on revenue this year? I understand it's early and presumably would be pretty small, but any color on that would be great. Thank you.

**Steve McMillan**

*President, Chief Executive Officer & Director, Teradata Corp.*

A

Yeah, it's certainly early, but an exciting space for us. We certainly see a good pipeline growing and interest in energy growing. Again, I think we have a very, very sticky business in, say, Teradata, which insulates us from the many impacts of the macro economy environment because of the fixed capacity nature of our contracts.

As our customers utilize these AI use cases, it drives the usage of the Teradata platform and ultimately will require our customers to increase the capacity. So, the revenue impact from these new capabilities are likely pushed out into next year. And that combined with returning to overall ARR growth in 2025 sets a bright future growth for us as we execute over the next couple of years.

**Operator:** We have a question from Wamsi Mohan with Bank of America. Your line is now open.

**Wamsi Mohan**

*Analyst, BofA Securities, Inc.*

Q

Yeah. Thank you. I just wanted to get back to the full-year guidance. You noted no meaningful direct impact from tariffs, but you clearly have large customers in retail, for example, and there seems to be a lot of uncertainty around a vertical like that where tariffs are having meaningful impact.

Could you just help us think through why maybe that doesn't slow down the path of increased uncertainty where maybe the customers have to do some belt tightening? Is there enough slack across other verticals maybe where you're seeing increased activity? Could you just share some color around maybe different verticals and what you're seeing today and what – how you'd expect that full year to progress? Thank you.

**Steve McMillan**

*President, Chief Executive Officer & Director, Teradata Corp.*

A

Hi, Wamsi. Thank you very much for the questions. Yeah, I think that just goes back to the very sticky nature of Teradata. The fact that we work with the biggest organizations in the world and execute their most critical business processes, they literally run their business on Teradata. And therefore, it's very difficult to turn off that Teradata environment if you still want to close your books.

As you know, we're not highly dependent on our consumption model for our revenues. Much of our revenue is generated from fixed capacity ARR contracts. And therefore, that gives us really great line of sight into how those contracts are going to grow into the next quarters of the year.

I think what we are seeing is working with organizations to help them understand that dynamic environment, working with them in the customer experience use cases, helping them forward forecast on demand planning to have the right responses in this dynamic environment, also helping them from a supply chain perspective so that they can ultimately manage their supply chain.

And they need the data that are in the Teradata systems to actually make these decisions to optimize their operations every day. So, from a data perspective, we have real line of sight into the guidance that we've given. And from a macro perspective, in terms of our technology sales, we're confident in the guidance that we've provided.

**Wamsi Mohan**

*Analyst, BofA Securities, Inc.*

Q

Okay. Thanks, Steve. And if I could just follow up, can you just give us any update, if there is one, around what you're seeing from some of your boomerang customers? Thank you.

**Steve McMillan**

*President, Chief Executive Officer & Director, Teradata Corp.*

A

Yeah. I mentioned a couple of use cases in the prepared remarks, where we certainly work with customers in areas and environments which would traditionally go to our competitors, especially in the analytics space and the AI space.

What I would say as well is that we're definitely seeing customers interested in the new Teradata capabilities, both from an on-prem perspective, so looking to consolidate their on-prem technologies, but also from a cloud



perspective, we're seeing customers who want to optimize their cloud spend and are realizing that running some of these cloud data solutions at enterprise scale can be prohibitively expensive. And they are utilizing Teradata to controls their costs as they look at the types of platforms that they want to run and deploy on.

And then, overall, I think our hybrid capability is highly differentiated with more than 60% of the customers that we have in the cloud also working with us from an on-prem perspective. We see that hybrid platform being very interesting for our customers and makes it even more sticky as we're one of the few providers that can have that capability.

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**Operator:** Our next question is from Raimo Lenschow with Barclays. Your line is now open.

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**Sheldon McMeans**

*Analyst, Barclays Capital, Inc.*

Q

Hi. This is Sheldon McMeans on for Raimo. Thanks for taking our question. First for Steve, we were at the ServiceNow Analyst Day this week, and it was interesting to see you and some of the other leaders in the data analytics space up on the big screen talking about your role in AI agent space. So, you talked – you mentioned a little bit on the call, but would love to hear from your perspective, how do you see the role of data warehouses, data lake providers like yourself in that ecosystem?

And then – and as we think about maybe this is a little bit of a shift to more on the transactional side or on the operational side as opposed to analytical. And so, would love to hear your thoughts on how that will play out.

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**Steve McMillan**

*President, Chief Executive Officer & Director, Teradata Corp.*

A

Yeah. Thanks for the question. Yeah, we're delighted with the partnership with ServiceNow and being featured with them at their most recent Knowledge Conference. I think it really points out being part of ServiceNow's data network is a really exciting opportunity for us. And it really plays testimony to how we have evolved our platform over the last three or four years, so we can utilize structured and unstructured data and then we can operate and utilize data at tremendous scale inside our customer environment to provide real-time insights.

And we're working with our customers on a concept we call Signal-as-a-Service, where we set through massive amounts of data using our massively parallel systems and capabilities and our uniquely differentiated way to get real-time insights out of that data. And then working with a partner like ServiceNow, we can actually trigger workflows in the ServiceNow environment to proactively address the assessments that are coming out of our AI solution and analytics solution that we've put in place. And that is the agentic AI in operation.

So, from a Teradata perspective, we see the real opportunity to make agentic AI not just a buzzword, but a really implementable solution for our customers at enterprise scale.

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**Sheldon McMeans**

*Analyst, Barclays Capital, Inc.*

Q

Understood. Thanks. And a quick follow-up, another one on the retention front. Can you kind of help us understand how you think about the improvements of retention on a shifting customer perspective around Teradata and some of the things you're doing on the cloud? And then more on maybe the execution side where the customer success team is getting closer to the customer and improving execution?



**Steve McMillan**

*President, Chief Executive Officer & Director, Teradata Corp.*

A

Yeah. As we've been saying, we're seeing meaningful improvements in our retention rates. We always knew that 2024 is going to be an outlier from a retention rate perspective, but the improvement in retention rates that we saw in – at the end of 2024 that are continuing into 2025 and we expect continue for the rest of the year are really driven by a confluence of different factors.

I think one is, a new appreciation for our Teradata innovation and the technology set that we can drive. I think the second thing is the business value that Teradata can deliver at enormous scale and how we can do that from a very efficient and effective perspective. And then, I think the third thing and something that we're looking with as the means to drive even more of is the innovation in the platform that we've delivered recently via end database analytic capabilities that allows us to effectively compete with Databricks for new workloads or bringing AI/ML models and had an open approach to bringing language models, either language models or large language models, into the Teradata environment. That level of innovation is really capturing customer interest. It's enabling us to deliver what we call innovation days to our customers, which are deploying brand-new use cases onto Teradata as a result. So, it's a super exciting time in the market for us.

**Operator:** We have a question from Pat Walravens with Citizens. Your line is now open.

**Patrick D. Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Oh, great. Thank you very much. So, Steve, I really like your hire of John Ederer. I've covered at, I think, three companies in the past. So, can I ask what was it about that candidate that caused him to rise to the top of the list? What is it that you were looking for that you saw in his background or skill set?

**Steve McMillan**

*President, Chief Executive Officer & Director, Teradata Corp.*

A

Hey, Pat. Thank you very much for the question. And we really like John too. We're really looking forward to having him onboard. He's going to start with us next Monday. And as I said, he's been a public CFO in the past and this is going to be his third stint. He's got great experience from a software perspective, a great experience in terms of managing transactions. He's really successfully navigated for a number of organizations, and I think you know, the transition towards a SaaS-based model. He knows what the KPIs are to drive that.

But he's also got a terrific operational capability in terms of driving operational results for an organization both on the top line and the bottom line. So, we're very much looking forward to having John on the team with us. When we set out the search and put the criteria that we wanted for the search, really, John stood out as an outstanding candidate. He's going to be a great fit for us from a cultural perspective and we're really looking forward to having him on the team.

**Patrick D. Walravens**

*Analyst, Citizens JMP Securities LLC*

Q

Great. And if I could just add a follow-up. What's an example of sort of one or two things that you would like him to tackle off at the beginning?

**Steve McMillan**

*President, Chief Executive Officer & Director, Teradata Corp.*

A

Oh, sorry, Pat. The line broke up a little bit there. Could you ask that question, again?

**Patrick D. Walravens**

*Analyst, Citizens JMP Securities LLC*

Yeah, sorry. I think that was on my end. What's an example of something that you'd like him to tackle in the beginning of his time with Teradata?

**Steve McMillan**

*President, Chief Executive Officer & Director, Teradata Corp.*

Yeah. I think he's going to spend some time and get his feet under the table. As we said through this call, we've issued some really pragmatic guidance for the year. However, there are always areas in which we can improve. And I think bringing in leaders like Sumeet and John gives them the opportunity to critically evaluate how we're executing and how we're performing and take Teradata, bring that external experience to us in terms of how we can operate more effectively, more efficiently, how we can drive the top line, how we can manage the business in a much more controlled way and consistent way, and really deliver on that strategy of profitable growth.

**Operator:** There are no further questions at this time. 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. And thanks, everyone, for joining us today. As we did cover in this call, our focus on committed execution continues. And we know that our teams are out working with customers all around the world to help them deliver trusted AI solutions. We've been very – we're very optimistic yet we're being pragmatic in terms of how we're guiding. And we look forward to updating you next quarter. Thank you very much.

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

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