CFRA

Teradata Corporation

Recommendation	**Price**	**12-Mo. Target Price**	**Report Currency**	**Investment Style**
BUY ★★★★★	USD 47.93 (as of market close Feb 02, 2024)	USD 49.00	USD	Mid-Cap Blend

Equity Analyst Janice Quek

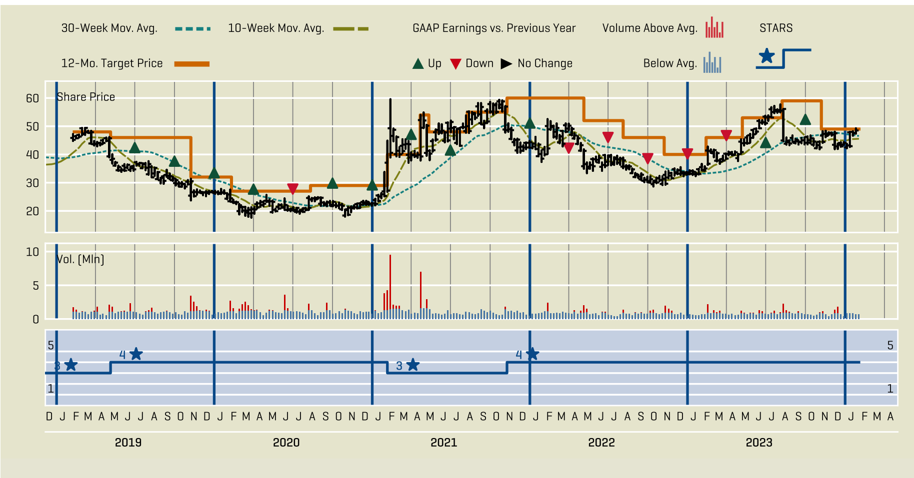
GICS Sector Information Technology
Sub-Industry Systems Software

Summary Teradata Corporation provides a multi-cloud data and analytics platform for customers to improve business outcomes.

Key Stock Statistics (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)

52-Wk Range	**USD 57.73 - 34.18**	Oper.EPS2023**E**	**USD 2.02**	Market Capitalization[B]	**USD 4.67**	Beta	**1.04**
Trailing 12-Month EPS	**USD 1.86**	Oper.EPS2024**E**	**USD 2.39**	Yield [%]	**N/A**	3-yr Proj. EPS CAGR[%]	**21**
Trailing 12-Month P/E	**25.77**	P/E on Oper.EPS2023**E**	**23.73**	Dividend Rate/Share	**N/A**	SPGMI's Quality Ranking	**C**
USD 10K Invested 5 Yrs Ago	**10,651.0**	Common Shares Outstg.[M]	**98.00**	Trailing 12-Month Dividend	**N/A**	Institutional Ownership [%]	**89.0**

Price Performance



Source: CFRA, S&P Global Market Intelligence
Past performance is not an indication of future performance and should not be relied upon as such.
Analysis prepared by **Janice Quek** on Nov 16, 2023 12:54 AM ET, when the stock traded at **USD 47.35**.

Highlights

- ▶ We forecast revenue to rise 2.3% in 2023 and 4.1% in 2024, after increasing 5% in 2022. Strong growth in Public Cloud ARR (+63.7% Y/Y) was offset by slower ARR increases from on-premises subscriptions (+8.7% Y/Y) and a fall in Maintenance and Software Support ARR (-32.4% Y/Y) as customers migrated and expanded in the cloud, led by demand for VantageCloud Lake. Improvements in the sales process and strategy have increased overall sales efficiency for TDC, driving an acceleration in cloud net expansion rates, up 200 bps sequentially.
- ▶ We estimate gross margin at 61.5% in 2023 and 62.5% in 2024, versus 61.6% in 2022, from cost efficiencies as its cloud business scales. Topline growth and disciplined spending led to operating leverage gains as its non-GAAP operating margin rose by 150 bps to 14.4% in Q3. We anticipate operating margins at 17.5% in 2023 and 19.1% in 2024.
- ▶ FCF was $36M in Q3, a margin of 8.2%, vs 7.4% in Q3 2022. The company spent about $141M in share repurchases in Q3, returning shareholders 161% of its total FCF year-to-date. TDC maintains a healthy balance sheet of cash and short-term investments of $348M and $650M in total debt, with no near-term maturities.

Investment Rationale/Risk

- ▶ We maintain a Buy on TDC as we like its growth trajectory surrounding its cloud offerings that we believe will increase the velocity of migrations and transaction sizes as customers expand with newer products. The company has made progress enhancing its data and analytic capabilities with VantageCloud Lake and Clearscape Analytics, while deepening ties with more hyperscalers, including AWS and Azure. Reception has been positive, and we expect its Public Cloud ARR to scale rapidly in the near to medium term as it broadens its partnerships with hyperscalers, SIs, and channel partners. TDC will also benefit as AI workloads grow and utilize the Teradata platform.
- ▶ Risks include a failure to scale its public cloud offering or expand larger deals due to competition (Snowflake, Databricks, etc.). Any customer buying directly from cloud vendors (instead of its Vantage platform) would also create revenue recognition variability. A prolonged tough macro could also slow recovery in enterprise spending.
- ▶ Our 12-month target price of $49 is based on a P/E of 20.5x our 2024 EPS estimate of $2.39, below its 3-year average and peers on slower growth and cloud shift headwinds.

Analyst's Risk Assessment

LOW	**MEDIUM**	HIGH

Teradata participates in a rapidly growing market for multi-cloud enterprise data platforms and analytics, which includes the storage, retrieval, and analysis of various types of data (e.g., structured, semi-structured, and unstructured). While the competitive backdrop remains crowded, we think longer-term growth prospects remain attractive if the company can maintain product relevancy and win new clients. We still see some execution risk, which is reflected in our rating, if public cloud annual recurring revenue (ARR) cannot sustain adequate growth levels.

Revenue/Earnings Data

Revenue (Million USD)

	1Q	2Q	3Q	4Q	Year
2024	**E** 493	**E** 469	**E** 454	**E** 495	**E** 1,911
2023	476	462	438	**E** 460	**E** 1,836
2022	496	430	417	452	1,795
2021	491	491	460	475	1,917
2020	434	457	454	491	1,836
2019	468	478	459	494	1,899

Earnings Per Share (USD)

	1Q	2Q	3Q	4Q	Year
2024	**E** 0.66	**E** 0.55	**E** 0.56	**E** 0.62	**E** 2.39
2023	0.61	0.48	0.42	**E** 0.51	**E** 2.02
2022	0.65	0.33	0.31	0.35	1.64
2021	0.69	0.74	0.43	0.57	2.43
2020	0.27	0.24	0.43	0.38	1.31
2019	0.22	0.29	0.32	0.22	1.05

Fiscal Year ended Dec 31. EPS Estimates based on CFRA's Operating Earnings; historical earnings are adjusted. In periods where a different currency has been reported, this has been adjusted to match the current quoted currency.

Dividend Data

No cash dividends have been paid in the last year.

Teradata Corporation

Business Summary Aug 21, 2023

CORPORATE OVERVIEW. Teradata Corporation (TDC) offers a connected multi-cloud data platform for enterprise analytics. The company serves large clients across many industries, such as communications, media and entertainment, financial services, government, health care, manufacturing, retail, and transportation. In 2022, TDC generated 42.2% of its revenue from outside the Americas.

TDC aims to help companies leverage data across their enterprises, at scale. As a result, TDC broadened its original market opportunity of on-premises data warehouse solutions by evolving to integrate connected multi-cloud data solutions. Through this pivot in strategy, TDC hopes to adhere to its ongoing commitment of profitable growth while helping companies find answers to their business challenges, improve performance, and drive growth. In practice, this entails TDC offering assistance and guidance to its clients on how to access, integrate, and simplify their data using TDC's platform within their respective analytics ecosystems. The use cases of TDC's offerings include, among other things, digital identity management, financial visibility, resilient supply chains, fraud prevention, customer acquisition and retention, artificial intelligence (AI) and machine learning (ML), regulatory compliance, and operational resilience.

TDC is headquartered in San Diego, California and operates with a flexible work environment, and its global workforce is distributed across approximately 40 countries worldwide. Notably, more than 80% of employees are in customer-facing and/or revenue-driving roles (including sales, marketing, consulting, customer success, product engineering, and customer services).

CORPORATE STRATEGY. In 2023, TDC's strategy continues to further strengthen its multi-cloud data platform offering. TDC plans to accomplish this and drive profitable growth by establishing its position as a cloud-native platform with leading advanced analytics capabilities, enabling end-to-end business outcomes, supporting customer cloud migrations, expanding its existing customers' platform footprint, and onboarding new customers. Notably, TDC has also begun to explore how generative AI can benefit its clients more recently. In July 2023, TDC globally enhanced its Teradata VantageCloud Lake on Microsoft Azure to offer enterprise-scale end-to-end support for AI and ML to its clients.

COMPETITIVE LANDSCAPE. TDC competes in a large and growing data management and analytics market. Participants in its cloud market include cloud data vendors such as Amazon Web Services, Google Cloud, Microsoft Azure, and Snowflake, along with traditional competitors such as IBM, Oracle, and SAP, as well as other open-source providers. In our view, while many firms offer parts of a data warehousing solution, few offer complete solutions with robust operational capabilities, aiding TDC's value proposition. We also note that TDC has consistently ranked high on many Gartner reports for database management systems (DBMS) relative to many more mainstream peers. However, while TDC still represents a large proportion of the data warehousing market, it has lost ground in recent years - particularly cloud service providers.

FINANCIAL TRENDS. Total revenues fell by 6.3% Y/Y to $1.8 billion in 2022, compared to $1.9 billion (+4.4Y/Y) in 2021. This decline was primarily driven by TDC exiting Russia following the Ukraine invasion, along with declines in Consulting, due to its pivot toward an external partner ecosystem. In years prior to 2021, TDC saw repeated declines in annual revenue, with TDC's five-year revenue CAGR at -3.6% as of 2022.

In 2022, the company's revenue composition drifted more towards Recurring revenue, with the breakdown as follows: 1) Recurring revenue (79% in 2022); 2) Perpetual Software Licenses, Hardware, and Other (4%); and 3) Consulting (17%). Notably, all segments saw a year-over-year decline, though we note the annual decline in Recurring revenue (-3.1% Y/Y) remained positive excluding FX headwinds (four-point negative impact).

Total annual recurring revenue (ARR) is a large key performance indicator (KPI) for companies in the Systems Software sub-industry. The metric includes revenue attributed to TDC's Public Cloud (Vantage platform), on-premises subscription-based contracts, and legacy perpetual maintenance. TDC's Total ARR fell by 1% Y/Y to $1.48 billion in 2022, though this includes a four-point negative impact from ceasing its operations in Russia, while Public cloud ARR grew 76.7% Y/Y to $357 million (24.1% of Total ARR). This compares to a rise in Total ARR of 5% Y/Y in Q4 2021, as public cloud grew 91% Y/Y during the same time frame (13.5% of Total ARR). In our view, as TDC's public cloud offering further scales and becomes a larger portion of mix, we expect the net impact on aggregate ARR growth to be positive. However, we also note that slow growth in new clients, may have a net negative impact on Public Cloud ARR growth, as headroom for further migrations fades over time.

Adjusted gross margin was 61.6% in 2022, representing a contraction of 180 bps Y/Y, primarily due to currency headwinds and ceasing business operations in Russia. However, over the long term (2025), TDC expects gross margin expansion due to the benefit of the public cloud increasing in the revenue mix, given the higher margins relative to TDC's other revenue sources, and the benefit of planned operating efficiencies as the company continues to scale.

Adjusted earnings per share fell to $1.64 in 2022 from $2.43 in 2021, primarily driven by the negative impacts of ceasing operations in Russia and currency headwinds. As of December 31, 2022, TDC's financial positioning remains strong, with long-term debt ($498 million) still below cash and cash equivalents ($592 million). However, we do note some concern over recent softness and non-linearity in TDC's free cash flow (FCF) generation, with FCF down 6.7% Y/Y at $403 million in 2022, compared to $432 million in 2021.

Corporate information

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N/A

Website
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Officers

Independent Non-Executive Chairman
M. P. Gianoni

Chief Legal Officer & Secretary
M. A. Treese

Chief Financial Officer
C. Bramley

President, CEO & Director
S. McMillan

Board Members

D. R. Fishback
J. B. Olsen
J. G. Schwarz
K. K. Nelson
L. R. Bacus
M. P. Gianoni
S. McMillan
T. E. McElhatton
T. K. Chou

Domicile
Delaware

Auditor
PricewaterhouseCoopers LLP

Founded
1979

Employees
7,000

Stockholders
23,156

Teradata Corporation

Quantitative Evaluations

Fair Value Rank

1	2	3	4	5

LOWEST HIGHEST

Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation **USD 35.21** Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that TDC is overvalued by USD 12.72 or 26.54%

Volatility LOW | AVERAGE | HIGH

Technical Evaluation **NEUTRAL** Since December, 2023, the technical indicators for TDC have been NEUTRAL"

Insider Activity UNFAVORABLE | NEUTRAL | FAVORABLE

Expanded Ratio Analysis

	2022	2021	2020	2019
Price/Sales	1.98	2.50	1.37	1.61
Price/EBITDA	14.48	12.82	15.38	23.34
Price/Pretax Income	53.15	24.97	NM	NM
P/E Ratio	20.52	17.48	17.15	25.50
Avg. Diluted Shares Outstg. (M)	105.80	112.90	111.60	114.20

Figures based on fiscal year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years
Net Income	NM	18.17	NM
Sales	-6.36	-1.86	-3.60
Ratio Analysis (Annual Avg.)			
Net Margin (%)	1.84	5.51	3.37
% LT Debt to Capitalization	55.64	42.92	45.00
Return on Equity (%)	9.19	27.45	16.45

Company Financials Fiscal year ending Dec 31

Per Share Data (USD)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Tangible Book Value	-1.31	0.60	-0.01	-1.21	0.24	1.03	2.93	1.97	2.87	3.56
Free Cash Flow	3.91	3.98	1.98	0.78	1.71	1.88	2.53	2.01	3.55	2.28
Earnings	0.31	1.30	1.16	-0.18	0.25	-0.53	0.95	-1.53	2.33	2.27
Earnings (Normalized)	1.64	2.43	1.31	1.05	1.29	1.35	2.56	2.06	2.86	2.76
Dividends	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Payout Ratio (%)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Prices: High	52.53	59.58	27.79	49.42	44.27	39.34	33.09	47.03	49.57	69.65
Prices: Low	28.65	21.96	17.62	23.71	33.63	27.05	21.98	24.00	37.66	39.16
P/E Ratio: High	32.00	24.50	21.20	47.10	34.30	29.10	12.90	22.80	17.30	25.20
P/E Ratio: Low	17.50	9.00	13.50	22.60	26.10	20.00	8.60	11.70	13.20	14.20
Income Statement Analysis (Million USD)										
Revenue	1,795	1,917	1,836	1,899	2,164	2,156	2,322	2,530	2,732	2,692
Operating Income	117.00	231.00	21.00	28.00	65.00	73.00	324.00	294.00	508.00	536.00
Depreciation + Amortization	129.00	143.00	142.00	103.00	75.00	63.00	60.00	94.00	98.00	91.00
Interest Expense	24.00	26.00	27.00	26.00	22.00	15.00	12.00	9.00	3.00	4.00
Pretax Income	67.00	192.00	-24.00	-13.00	27.00	58.00	221.00	-144.00	494.00	508.00
Effective Tax Rate	50.70	23.40	637.50	-53.80	-11.10	215.50	43.40	-48.60	25.70	25.80
Net Income	33.00	147.00	129.00	NM	30.00	NM	125.00	NM	367.00	377.00
Net Income (Normalized)	46.90	126.90	NM	7.50	34.40	39.40	192.50	180.00	317.50	333.80
Balance Sheet and Other Financial Data (Million USD)										
Cash	569.00	592.00	529.00	494.00	715.00	1,089	974.00	839.00	834.00	695.00
Current Assets	1,028	1,106	1,044	1,014	1,428	1,750	1,621	1,734	1,572	1,563
Total Assets	2,022	2,169	2,193	2,057	2,360	2,556	2,413	2,527	3,132	3,096
Current Liabilities	1,007	1,033	952.00	886.00	1,009	1,063	729.00	953.00	995.00	776.00
Long Term Debt	498.00	336.00	438.00	473.00	485.00	478.00	538.00	567.00	195.00	248.00
Total Capital	895.00	1,044	1,070	948.00	1,046	1,446	1,539	1,626	2,175	2,131
Capital Expenditures	14.00	28.00	44.00	54.00	153.00	78.00	53.00	52.00	54.00	60.00
Cash from Operations	419.00	463.00	267.00	148.00	364.00	324.00	446.00	401.00	680.00	510.00
Current Ratio	1.02	1.07	1.10	1.14	1.42	1.65	2.22	1.82	1.58	2.01
% Long Term Debt of Capitalization	55.60	32.20	40.90	49.90	46.40	33.10	35.00	34.90	9.00	11.60
% Net Income of Revenue	1.80	7.70	7.00	-1.10	1.40	-3.10	5.40	-8.50	13.40	14.00
% Return on Assets	3.49	6.62	0.62	0.79	1.65	1.84	8.20	6.49	10.20	10.87
% Return on Equity	9.20	34.20	39.00	-5.30	5.20	-8.20	13.70	-16.70	20.60	20.70

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Teradata Corporation

Sub-Industry Outlook

CFRA has a positive fundamental outlook for the S&P 500 Systems Software sub-industry in the next 12 months, as growing IT budgets, easing optimization and cost containment measures, and IT modernization projects support our outlook for higher software spending. Toward the end of 2023, the Federal Reserve also indicated that it would begin trimming interest rates in 2024, giving businesses some relief from the pressures experienced over the last year, which should support investments in IT initiatives in 2024.

IT budgets are set to increase in 2024, rising 8% Y/Y, led by Software's growth of nearly 14%. We anticipate the return of digital transformation projects, given their strategic importance for growth. Certain aspects of expense trimming are also starting to ease. In the latest quarterly calls, major cloud providers and software vendors highlighted that cloud usage optimization behavior was showing signs of stabilization. Looking ahead, while companies will still exercise caution over discretionary spending, we believe that it will be at lower intensity levels. Returning cloud consumption and new workloads, such as generative AI based model testing, application development, and cloud services would likely offset continuing resource optimization behaviors in 2024. We also think that customers will be looking at improving productivity and cost savings through software adoption, and AI-based tools such as MSFT's co-pilot will be an area of enterprise expansion interest.

Returning digital transformation projects and new cloud/IT initiatives would also expand the attack surface and increase vulnerabilities for firms, however, making the enterprise a target for hackers. On the cybersecurity front, more sophisticated attacks, rising cloud exploitation cases, and upcoming high-profile events such as the U.S. elections and the Olympics increase pressure on the government and enterprise CISOs to ensure their organizations have adequate security protection capabilities. New regulations that have gone into effect, such as the SEC rules for public companies to disclose material security incidents within four days, and periodically report cybersecurity risk management, strategy, and governance in their annual filings, and data privacy and security laws such as the General Data Protection Regulation (GPDR) passed by the European Union and California's Consumer Privacy Act (CCPA) add additional layers of compliance requirements for firms that will drive spending on more advanced compliance and security monitoring, remediation, and reporting solutions. In tandem, we believe vendors will also start to see the beginnings of product monetization with their generative AI solutions, especially as security talent shortages and increasing workloads continue to weigh on organizations. Notwithstanding, certain areas of cybersecurity will see more muted spending, such as firewalls, where a firewall refresh down cycle weigh on demand.

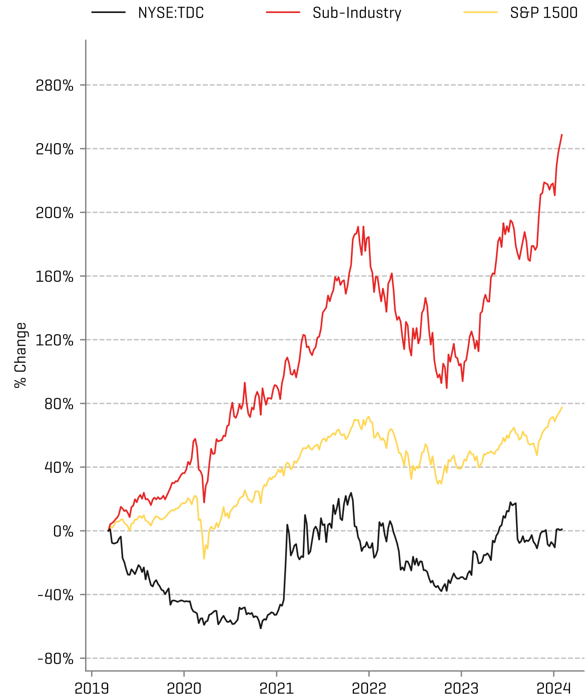
Consensus estimates for the software industry align with what we believe are the drivers for growth in the near term. Software companies in the S&P 500 are expected to grow revenue at 13% in 2024, accelerating slightly from 12.7% in 2022. We think organizations will still exercise caution in discretionary spending to a small degree, and hiring is likely to be modest. At the same time, investments in AI-enabled tools and infrastructure will slow earnings growth, while also facing tougher growth comparisons from 2023.

/ Janice Quek

Industry Performance

GICS Sector: **Information Technology**
Sub-Industry: **Systems Software**

Based on S&P 1500 Indexes
Five-Year market price performance through Feb 03, 2024



NOTE: A sector chart appears when the sub-industry does not have sufficient historical index data.

All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: CFRA, S&P Global Market Intelligence

Sub-Industry: Systems Software Peer Group*: Systems Software

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price	Stk. Mkt. Cap. (M)	30-Day Price Chg. (%)	1-Year Price Chg. (%)	P/E Ratio	Fair Value Calc.	Yield (%)	Return on Equity (%)	LTD to Cap (%)
Teradata Corporation	**TDC**	**NYSE**	**USD**	**47.71**	**4,666.0**	**9.0**	**33.4**	**26.0**	**35.21**	**N/A**	**34.7**	**63.0**
Appian Corporation	APPN	NasdaqGM	USD	32.87	2,407.0	-6.5	-24.3	NM	N/A	N/A	-112.7	40.9
Commvault Systems, Inc.	CVLT	NasdaqGS	USD	94.64	4,132.0	23.0	49.2	32.0	N/A	N/A	-0.3	N/A
JFrog Ltd.	FROG	NasdaqGS	USD	33.63	3,527.0	0.3	27.9	NM	N/A	N/A	-11.5	N/A
N-able, Inc.	NABL	NYSE	USD	13.33	2,438.0	0.9	25.4	115.0	N/A	N/A	3.3	31.7
Progress Software Corporation	PRGS	NasdaqGS	USD	57.93	2,542.0	6.7	5.6	37.0	N/A	1.2	16.4	58.9
Qualys, Inc.	QLYS	NasdaqGS	USD	190.39	7,004.0	-0.8	59.9	52.0	N/A	N/A	41.1	N/A
Rapid7, Inc.	RPD	NasdaqGM	USD	56.42	3,467.0	2.6	7.8	NM	N/A	N/A	118.9	107.9
SolarWinds Corporation	SWI	NYSE	USD	12.14	2,013.0	0.2	15.3	NM	N/A	N/A	-1.4	44.7
Tenable Holdings, Inc.	TENB	NasdaqGS	USD	47.57	5,563.0	8.2	7.4	NM	N/A	N/A	-25.9	47.3
Varonis Systems, Inc.	VRNS	NasdaqGS	USD	45.82	4,992.0	2.9	68.8	NM	N/A	N/A	-22.7	33.1

*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.
NA-Not Available; NM-Not Meaningful.
Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

Teradata Corporation

Analyst Research Notes and other Company News

November 07, 2023
05:39 PM ET... CFRA Maintains Buy Rating on Shares of Teradata Corporation (TDC 45.63****):
We cut our target price to $49 from $59 on a P/E of 20.5x our 2024 EPS estimate of $2.39, below its three-year average and peers on slower growth and cloud shift headwinds. We drop our 2023 forecast to $2.02 from $2.04 and our 2024 EPS projection to $2.39 from $2.43. TDC posted Q3 revenue of $438M, a beat of $1.6M, and non-GAAP EPS of $0.42 was in line with consensus. Modest revenue growth of 5% Y/Y was impacted by a decline in Perpetual software licenses, hardware, and other revenue (-50% Y/Y), offset by momentum strength in Public Cloud ARR (+63% Y/Y) from a solid pace of migrations and expansions from its installed base. Strong interest in VantageCloud Lake contributed to a sequential increase (200 bps) in its cloud net expansion rate (123% in Q3), and we expect its recent announcement of VantageCloud Lake availability on Microsoft Azure (in addition to AWS) to drive Public Cloud ARR growth as deployment options increase for TDC's customers. Non-GAAP operating margin was up 140 bps Y/Y at 14.4%. / Janice Quek

August 08, 2023
12:50 PM ET... CFRA Retains Buy Rating on Shares of Teradata Corporation (TDC 53.00****):
We raise our 12-month target price to $59 from $53, 24.3x our 2024 EPS, which is below that of similar cloud and data analytic peers. We lift our 2023 EPS estimate to $2.04 from $2.02 and trim 2024's to $2.43 from $2.44. TDC posted Q2 adj-EPS of $0.48, $0.03 above consensus. Revenue of $462M (+7.4% Y/Y) was $17M above consensus. Adj-operating income grew to $72M (+30.9% Y/Y), with a margin of 15.6% vs. 16.3% consensus. TDC reaffirmed 2023 guidance, including: 1) 53%-57% public cloud ARR growth, 2) 6%-8% total ARR, and 3) FCF of $320M-$360M (7.6% yield at midpoint). Notably, public cloud ARR saw a sequential deceleration (+$26M and -6.22% Q/Q), but VantageCloud continued to gain traction, with $17M on-prem subscription ARR growth. We believe TDC can ultimately overcome past issues (e.g., data storage, compute, and analytic capabilities) as well as support a higher valuation going forward. / Siye Desta, CFA

May 08, 2023
12:19 AM ET... CFRA Retains Buy Rating on Teradata Corporation (TDC 44.55****):
TDC's Q1 results featured a topline beat and reaffirmed 2023 targets for key metrics, including 1) public cloud annual recurring revenue or ARR growth of 53%-57%, 2) total ARR of 6%-8%, and 3) FCF of $320M-$360M (yield of 7.6% at midpoint) that were well-received. What stood out to us was the sequential acceleration in public cloud ARR (+$31M), or a four-fold increase from last year, resulting from increased traction of its VantageCloud platform, and translated to a two-point sequential uplift in net retention rate (NRR) to 119%. Q1 revenues of $476M topped consensus of $473M; adj-EPS also came in at $0.61, matching consensus. We remain optimistic that TDC can remove past overhangs (i.e., narrative around its data storage, compute, analytic capabilities) and support a higher valuation going forward. Our target of $53 (up $7), 21.7x our 2024 EPS view, sharply below other cloud and data analytic peers with similar capabilities. We reaffirm our 2023 EPS estimate of $2.02 but lift 2024's EPS to $2.44 from $2.38. / David Holt

February 13, 2023
03:44 PM ET... CFRA Keeps Buy Rating on Teradata Corporation (TDC 39.75****):
TDC's results contained beats and new targets for 2023 that topped consensus. Q4 adj-EPS came in at $0.35, exceeding consensus of $0.30, and revenues were $452M, beating the $436M consensus, as steady public cloud growth coupled with upfront revenues (+$7M boost) helped drive the beats. Full-year revenues should land between $1.81B and $1.87B (vs. $1.80B expected) and EPS of $1.90-$2.06 (vs. $1.84 expected). To us, outyear targets seem prudent, with conservatism baked into client expansions, given increased scrutiny around IT spending. Although still the smallest portion of cloud growth, newly added clients rose by 20% in 2022, underscoring the competitiveness of its platform around larger-scale data workloads, especially with its new logo engine being virtually shut down in years prior. Our target is $46 (up $6), 22.8x our 2023 EPS view, sharply below high-growth cloud-based data peers. TDC's FCF yield (10%) helps support the valuation. We also lift our 2023 EPS to $2.02 from $1.89 and set 2024's to $2.38. / David Holt

November 08, 2022
11:17 AM ET... CFRA Maintains Buy Rating on Teradata Corporation (TDC 31.68****):
TDC delivered a solid set of results that caught some investors off guard given the mixed reporting season so far; cloud annual recurring revenues (ARR) accelerated by 89% (vs. 68% the quarter prior), allowing the company to maintain key financial figures for 2022. Additionally, selling progress appears repeatable, with little signs of deal pull-forwards, and a healthy flow of client expansions and new wins (eight-figure deal cited on call), even with the challenging macro backdrop, highlighting the durability of the business; we continue to view TDC as a lower risk play around data and analytics. Third quarter adjusted EPS came in at $0.31, versus consensus of $0.29, and revenues were $417M, shy of the $423M consensus, attributed to ~500 bps of negative currency impacts. Our price target is $40 (from $46), 21.2x our 2023 EPS estimate, is sharply below other cloud-based data peers. We trim our 2022 EPS estimate to $1.59 from $1.63 and 2023's EPS to $1.89 from $2.01, reflecting incremental currency impacts. / David Holt

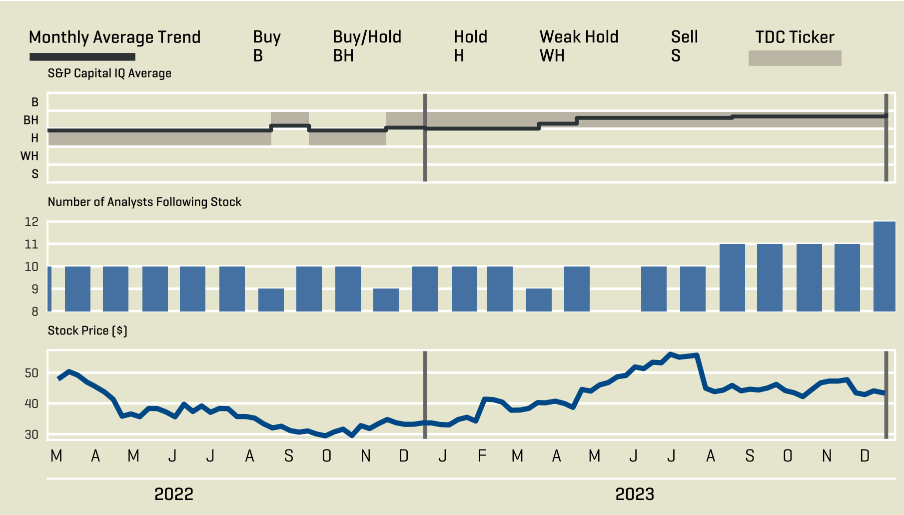
August 05, 2022
03:37 PM ET... CFRA Maintains Buy Rating on Teradata Corporation (TDC 35.71****):
Investors wanted more from TDC's recent print, especially after mixed results the quarter prior. TDC reported second-quarter EPS of $0.33, compared to consensus of $0.29, and revenues were $430M, shy of the $442M consensus. The miss was attributed to a step-up in FX headwinds and a $6M+ impact from lower upfront recurring revenues than initially anticipated. Still, the company reiterated key targets for 2022, including public cloud annual recurring revenue (ARR) growth of ~80% and FCF of $400M (shares yield ~10.7%), with no visible deal slippage to call out. From here, we would watch for an acceleration in ARR in the back-half of 2022 to confirm fundamentals are on track – given the uncertain macro setup, we like TDC's positioning, due to its non-discretionary role in data and flexible pricing model (i.e., capacity-based and/or consumption). Our target is $46 (from $52), 22.9x our 2023 EPS estimate, steeply below other cloud-based data peers. We keep our 2022 EPS estimate of $1.63 and 2023's EPS of $2.01. / David Holt

May 06, 2022
01:18 PM ET... CFRA Maintains Buy Rating on Teradata Corporation (TDC 35.88****):
TDC prints first-quarter EPS of $0.65 vs. $0.69, compared to consensus of $0.63, as operating margin execution (23% vs. 21% expected) helped overshadow Russia-related impacts ($0.06). Revenues were $496M, clearing consensus of $491M. However, results are being poorly received today, as the company took down its aggregate revenue target for 2022 due to ceased operations in Russia and FX headwinds, which resulted in $60M+ of incremental headwinds. That said, we highlight the following: 1) when stripping out uncontrollable aberrations, TDC's outlook was largely unchanged; and 2) public cloud annual recurring revenue (ARR) is still expected to grow by 80%+ in 2022, implying underlying fundamentals have not changed, and still feature encouraging new logo momentum and healthy net expansion rates of 130%+ in future periods. Our target is $52 (from $60), 25.9x our 2023 EPS estimate, is steeply below other cloud-based data peers. We trim our 2022 EPS estimate to $1.63 from $1.89 and 2023's EPS to $2.01 from $2.32. / David Holt

Note: Research notes reflect CFRA's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect CFRA's current view on the company.

Teradata Corporation

Analysts Recommendations



	No. of Recommendations	% of Total	1 Mo.Prior	3 Mos.Prior
Buy	7	58	7	6
Buy/Hold	2	17	2	2
Hold	2	17	2	2
Weak hold	1	8	1	1
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	12	100	12	11

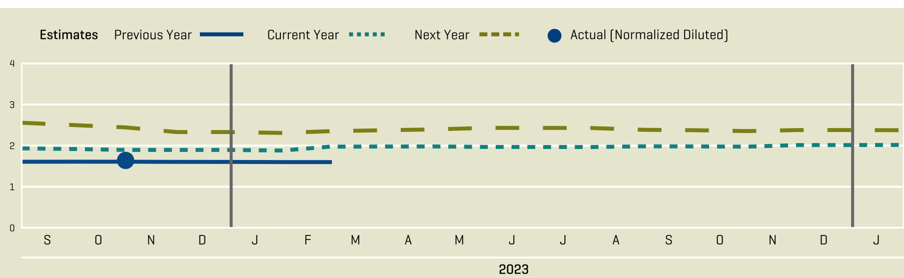
Wall Street Consensus Opinion

Buy/Hold

Wall Street Consensus vs. Performance

For fiscal year 2023, analysts estimate that TDC will earn USD 2.02. For fiscal year 2024, analysts estimate that TDC's earnings per share will grow by 17.65% to USD 2.37.

Wall Street Consensus Estimates



Fiscal Year	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2024	2.37	2.48	2.24	11	20.09
2023	2.02	2.03	1.99	10	23.64
2024 vs. 2023	▲ **18%**	▲ **22%**	▲ **13%**	▲ **10%**	▼ **-15%**
Q4'24	0.59	0.64	0.54	9	80.71
Q4'23	0.52	0.53	0.50	11	92.36
Q4'24 vs. Q4'23	▲ **14%**	▲ **21%**	▲ **8%**	▼ **-18%**	▼ **-13%**

Forecasts are not reliable indicator of future performance.
Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.
Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

Teradata Corporation

Glossary

STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (MSCI AC Asia Pacific Index, MSCI AC Europe Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to help investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence's Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and S&P Capital IQ Earnings & Dividend Rankings stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A	Above	C	Lowest
B+	Average	D	In Reorganization
NC	Not Ranked		

EPS Estimates

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

Abbreviations Used in Equity Research Reports

CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CY - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model
EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation & Amortization
EPS - Earnings Per Share
EV - Enterprise Value
FCF - Free Cash Flow
FFO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value
PEG Ratio - P/E-to-Growth Ratio
PV - Present Value
R&D - Research & Development
ROCE - Return on Capital Employed
ROE Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ **5-STARS (Strong Buy):**
Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy):**
Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months.

★★★☆☆ **3-STARS (Hold):**
Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months.

★★☆☆☆ **2-STARS (Sell):**
Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months.

★☆☆☆☆ **1-STAR (Strong Sell):**
Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:
In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the MSCI AC Europe Index and the MSCI AC Asia Pacific Index, respectively.

Disclosures

Stocks are ranked in accordance with the following ranking methodologies:

STARS Stock Reports:

Qualitative STARS rankings are determined and assigned by equity analysts. For reports containing STARS rankings refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

Quantitative Stock Reports:

Quantitative rankings are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative rankings refer to the Glossary section seof the report for detailed methodology and the definition of Quantitative rankings.

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STARS Stock Reports:

Global STARS Distribution as of December 31, 2023

Ranking	North America	Europe	Asia	Global
Buy	39.1%	34.9%	41.7%	38.8%
Hold	52.9%	50.5%	52.0%	52.2%
Sell	8.0%	14.6%	6.3%	8.9%
Total	100.0%	100.0%	100.0%	100.0%

Analyst Certification:

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