

## Teradata Corporation (TDC)

**\$47.87** (Stock Price as of 01/12/2024)

Price Target (6-12 Months): **\$50.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 07/08/22)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:D

Value: D

Growth: C

Momentum: F

### Summary

Teradata is benefiting from the strong demand for VantageCloud analytics and data platform, which is expected to drive top-line growth. The increasing number of cloud deals in the Americas, Europe and EMEA regions are key catalysts. Moreover, the availability of Teradata VantageCloud Lake on Microsoft Azure is expected to expand clientele as it offers end-to-end support for artificial intelligence and machine learning workloads, including generative AI and large language models. Acquisition of Stemma, a cloud-native, fully managed data catalog solution, strengthens Teradata's product portfolio. Stringent cost control has been a positive. However, stiff competition in the analytic data solutions market is a threat. Weakness in the APJ and China regions is a headwind. Shares have underperformed the industry on a year-to-date basis.

### Data Overview

52 Week High-Low	\$57.73 - \$32.33
20 Day Average Volume (sh)	648,875
Market Cap	\$4.7 B
YTD Price Change	10.0%
Beta	1.04
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Computer- Storage Devices
Zacks Industry Rank	Top 42% (104 out of 247)

Last EPS Surprise	2.4%
Last Sales Surprise	1.4%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	02/12/2024
Earnings ESP	0.0%

P/E TTM	25.7
P/E F1	23.8
PEG F1	1.4
P/S TTM	2.6

### Price, Consensus & Surprise<sup>(1)</sup>



### Sales and EPS Growth Rates (Y/Y %)<sup>(2)</sup>



### Sales Estimates (millions of \$)<sup>(2)</sup>

	Q1	Q2	Q3	Q4	Annual*
2024	481 E	480 E	461 E	477 E	1,899 E
2023	476 A	462 A	438 A	450 E	1,826 E
2022	496 A	430 A	417 A	452 A	1,795 A

### EPS Estimates<sup>(2)</sup>

	Q1	Q2	Q3	Q4	Annual*
2024	0.59 E	0.57 E	0.48 E	0.61 E	2.25 E
2023	0.61 A	0.48 A	0.42 A	0.50 E	2.01 E
2022	0.65 A	0.33 A	0.31 A	0.35 A	1.64 A

\*Quarterly figures may not add up to annual.

1) The data in the charts and tables, except the estimates, is as of 01/12/2024.

2) The report's text, the analyst-provided estimates, and the price target are as of 01/15/2024.

## Overview

Teradata is a leading provider of connected multi-cloud data platforms. It has evolved from an enterprise database company to an enterprise analytics platform provider. The company was spun off from NCR Corporation in September 2007.

Teradata's analytics platform helps customers integrate and simplify their analytics ecosystem, access and manage data, and use analytics to extract answers and derive business value from data.

The company's target market includes companies that are the world's most demanding, large-scale users of data. These companies are experiencing a massive increase in data due to the digital revolution and an increase in the complexity, cost, and risk associated with managing a large number of data silos across heterogeneous environments.

Teradata provides an integrated analytical solution, Teradata Vantage, and its VantageCloud platform with ClearScape Analytics, offering massive scale, speed and security across on-premises, public/private clouds and hybrid environments, addressing challenges faced by companies for harmonized data, trusted AI/ML and faster innovation in decision-making.

Teradata generated revenues of \$1.79 billion in 2022.

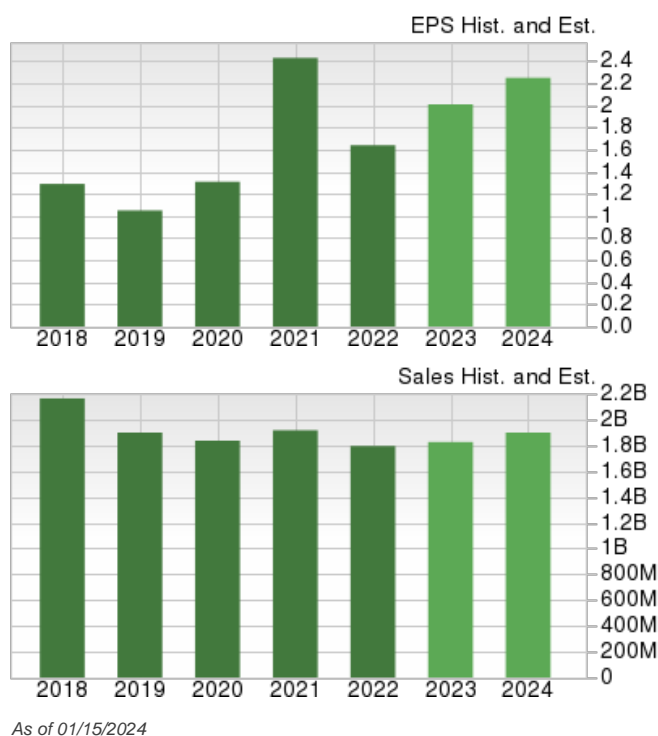
In the first quarter of 2018, the San Diego, CA-based company changed its reporting segments to – Recurring (comprising revenues from subscription-based transactions and services and perpetual license-related software upgrade rights and maintenance), Perpetual software licenses & hardware (which include revenues from on-premise perpetual transactions) and Consulting services.

Recurring, Perpetual software licenses & hardware and Consulting services accounted for 79.1%, 3.6% and 17.3% of total revenues, respectively, in 2022.

Effective Jan 1, 2019, Teradata manages its business under three geographic regions — the Americas region (North America and Latin America), the EMEA region (Europe, Middle East, and Africa) and the APAC region (Asia Pacific and Japan).

Americas, EMEA and APAC contributed 57.8%, 25.9% and 16.3% to total revenues, respectively, in 2022.

Teradata competes with large players such as Amazon, Google, IBM, Oracle, Microsoft, and SAP to name a few.



---

## Reasons To Buy:

- ▲ Teradata has largely completed its transition to a subscription-based business model, which is expected to be a long-term growth driver. The company's expanding cloud clientele and growing recurring bookings and revenues are major growth drivers. Teradata's solid portfolio of solutions is also expected to drive its share in the lucrative big data market.
- ▲ Teradata's analytics platform, Vantage, continues to gain momentum among megadata customers, having huge chunks of data. The company continues to add features to the Vantage platform, both cloud and on-premise, to address customer needs for a high performance and massively scale hybrid analytics offering. Moreover, Teradata has established partnerships with the top three global public cloud service providers: AWS, Microsoft Azure, and Google Cloud. These partnerships are helping Teradata to provide companies around the globe access to its VantageCloud. In collaboration with ActionIQ, Teradata introduced a joint solution for VantageCloud customers, providing advanced control and a comprehensive 360-degree view of customer data to facilitate meaningful engagements and deliver superior experiences.
- ▲ Acquisitions, such as Stemma, enhance Teradata's capabilities in data search and exploration, providing added value to its analytics offerings. Teradata has introduced innovative AI capabilities like ask.ai, which are designed to simplify natural language interactions. It has introduced enhanced ModelOps features in ClearScape Analytics, aiming to provide no-code functionalities that empower customers to expand AI rapidly and advanced analytics while ensuring compliance with enterprise governance standards. These developments are expected to drive Teradata's clientele and top-line growth over the long haul.
- ▲ As of Sep 30, 2023, Teradata had cash and cash equivalents of \$348 million compared with \$504 million as of Jun 30, 2023. Long-term debt as of Sep 30, 2023, was \$486 million compared with \$492 million as of Jun 30, 2023. Teradata generated \$41 million in cash from operating activities compared with the previous quarter's \$49 million. It generated a free cash flow of \$36 million in the reported quarter. Share repurchases in the third quarter amounted to \$141 million.

Teradata's premier market position, growing traction of Teradata Vantage and solid balance sheet remain positives.

---

## Reasons To Sell:

- ▼ Teradata's focus on high margin "megadata" consumers is hurting consulting revenues. This is expected to continue at least in the near term. The company is prioritizing higher value, higher margin, business-related consulting that leads to increasing adoption of Teradata Vantage. This strategy is also expected to hurt consulting profitability in the near term.
- ▼ Teradata competes with the likes of IBM and Oracle in the analytic data solutions markets. These IT bellwethers have a lot of financial flexibility and diverse revenue streams. These competitors are well-equipped to provide data warehousing and analytical services at a much lower cost. As a result, Teradata faces severe pricing pressure that is negatively impacting profitability.
- ▼ Moreover, Teradata is trading at premium in terms of Price/Earnings (P/E). Teradata currently has a trailing 12-month P/E ratio of 54.86X. This level compares unfavorably with what the industry witnessed last year. Consequently, the valuation looks slightly stretched from the P/E perspective.

Focus on getting high margin "megadata" business and intensifying competition are negatively impacting Teradata's growth.

## Last Earnings Report

### Teradata Q3 Earnings Beat Estimates, Revenues Rise Y/Y

Teradata reported third-quarter 2023 non-GAAP earnings of 42 cents per share, which beat the Zacks Consensus Estimate by 2.44%. The bottom line increased 35.5% year over year.

Revenues of \$438 million surpassed the Zacks Consensus Estimate of \$432 million. The figure increased 5% year over year on a reported basis and 6% on a constant-currency (cc) basis.

The upside can be attributed to growth in recurring revenue, with a robust surge in cloud revenues leading the way. Also, strong momentum across the Americas and Europe, the Middle East & Africa (EMEA) was a plus.

Total annual recurring revenues ("ARR") at the third quarter's end increased 11% year over year to \$1.524 billion. The figure increased by 9% at cc.

Public cloud ARR surged 63% on a reported basis and 61% at cc year over year to \$454 million.

Solid customer demand for Teradata Vantage Cloud was a positive. The cloud net expansion rate was 123%.

### Top Line in Detail

Recurring revenues (contributing 82.2% to revenues) increased 9% year over year on a reported basis (increased 10% at cc) to \$360 million, surpassing the Zacks Consensus Estimate of \$353 million.

Perpetual software license and hardware revenues (1.6% of revenues) were down 50% year over year (down 50% at cc) to \$7 million, missing the Zacks Consensus Estimate of \$9.10 million.

Consulting services' revenues (16.2% of revenues) dropped 1% year over year (up 6% at cc) to \$71 million, beating the Zacks Consensus Estimate of \$70 million.

Revenues from the Americas increased 9% year over year on a reported basis (increased 11% at cc) to \$264 million. EMEA revenues rose 8% year over year (up 3% at cc) to \$113 million.

Revenues from the APJ region were down 13% year over year (down 8% at cc) to \$61 million.

### Operating Details

The gross margin on a non-GAAP basis was 60.3%, contracting 230 basis points (bps) year over year.

Selling, general & administrative (SG&A) expenses increased 0.6% year over year to \$156 million.

Research & development (R&D) expenses were \$76 million, declining 3.8% year over year.

As a percentage of revenues, SG&A contracted 160 bps year over year to 35.6%, whereas R&D contracted 160 bps to 17.4%.

The non-GAAP operating margin was 14.4%, up 140 bps year over year.

### Balance Sheet

As of Sep 30, 2023, Teradata had cash and cash equivalents of \$348 million compared with \$504 million as of Jun 30, 2023.

Long-term debt Sep 30, 2023 was \$486 million compared with \$492 million as of Jun 30, 2023.

In the third quarter, Teradata generated \$41 million in cash from operating activities compared with the previous quarter's \$49 million.

The company generated a free cash flow of \$36 million in the reported quarter.

Share repurchases in the third quarter amounted to \$141 million.

### Guidance

For fourth-quarter 2023, non-GAAP earnings are expected to be between 50 and 54 cents per share.

For 2023, the company kept its guidance for non-GAAP earnings at \$2.01-\$2.05.

Public cloud ARR is projected to increase 53-57% on a year-over-year basis.

### FY Quarter Ending

12/31/2023

Earnings Reporting Date	Nov 06, 2023
Sales Surprise	1.36%
EPS Surprise	2.44%
Quarterly EPS	0.42
Annual EPS (TTM)	1.86

---

Total ARR is expected to exhibit growth of 6-8% from the 2022 level.

Teradata expects recurring revenues to increase 4-7% year over year.

TDC projects total revenues to be up 1-4% from the year-ago reported figure. The consensus mark for 2023 revenues is pegged at \$1.83 billion.

---

## Recent News

On Nov 28, Teradata announced the private preview availability of Teradata AI Unlimited on Amazon Web Service (AWS) through AWS Marketplace, empowering data scientists and developers to explore on-demand, at scale, with seamless integration of ClearScape Analytics and VantageCloud capabilities.

On Nov 16, Teradata introduced Teradata AI Unlimited, integrated with Microsoft Fabric and OneLake, enabling data scientists and developers' seamless exploration and deployment of AI projects at an unlimited scale, fostering faster, easier, and cost-effective AI innovation.

On Oct 2, Teradata and ActionIQ launched a collaborative offering for Teradata VantageCloud customers, providing enhanced control and a comprehensive 360-degree view of customer data to foster meaningful engagements and superior experiences.

On Oct 2, Teradata and UiPath collaborated to streamline data automation from dashboards to AI, benefiting enterprises in ESG initiatives. The partnership accelerates AI value by managing data growth, modernizing IT, and scaling innovation across the enterprise.

On Sep 11, 2023, Teradata introduced ask.ai, an AI feature for VantageCloud Lake, enabling users to ask questions about their company's data, enhancing productivity and efficiency.

## Valuation

Teradata shares have declined 15% in the past six-month period and gained 44.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer & Technology sector have gained 9.2% and 7.5% in the past six-month period, respectively. Over the past year, the Zacks sub-industry and the sector have risen 65.8% and 45.4%, respectively.

The S&P 500 index has gained 5.8% in the past six-month period and 20.4% in the past year.

The stock is currently trading at 20.14X forward 12-month earnings compared with 20.35X for the Zacks sub-industry, 24.97X for the Zacks sector and 19.98X for the S&P 500 index.

Over the past five years, the stock has traded as high as 85.72X and as low as 19.57X, with a five-year median of 35.74X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$50 price target reflects 21.15X forward 12-month earnings.

The table below shows summary valuation data for TDC

Valuation Multiples - TDC					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	20.14	20.35	24.97	19.98
	5-Year High	85.72	183.94	29.22	24.14
	5-Year Low	19.57	11.21	17.89	15.56
	5-Year Median	35.74	16.87	23.55	19.04
P/S F12M	Current	2.46	1.89	4.41	3.91
	5-Year High	3.26	2.03	5.14	4.45
	5-Year Low	1.06	0.79	2.9	3.08
	5-Year Median	2.15	1.24	3.81	3.79
EV/Sales TTM	Current	2.64	2.6	4.47	3.75
	5-Year High	3.17	2.63	5.56	4.64
	5-Year Low	1.03	0.95	2.83	2.59
	5-Year Median	2.11	1.45	3.94	3.63

As of 01/12/2024

Source: Zacks Investment Research

## Industry Analysis<sup>(1)</sup> Zacks Industry Rank: Top 42% (104 out of 247)

## Top Peers<sup>(1)</sup>



Company (Ticker)	Rec	Rank
Box, Inc. (BOX)	Neutral	3
Amdocs Limited (DOX)	Neutral	4
Netlist, Inc. (NLST)	Neutral	3
NetApp, Inc. (NTAP)	Neutral	2
Pure Storage, Inc. (PSTG)	Neutral	3
Quantum Corporation (QMCO)	Neutral	3
Super Micro Computer, Inc. (SMCI)	Neutral	4
Western Digital Corporation (WDC)	Neutral	3

Industry Comparison <sup>(1)</sup> Industry: Computer- Storage Devices				Industry Peers		
	TDC	X Industry	S&P 500	NLST	PSTG	QMCO
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	D	-	-	F	B	B
Market Cap	4.68 B	4.68 B	32.48 B	489.33 M	11.57 B	26.87 M
# of Analysts	5	3	17	1	11	2
Dividend Yield	0.00%	0.00%	1.61%	0.00%	0.00%	0.00%
Value Score	D	-	-	F	D	C
Cash/Price	0.07	0.12	0.04	0.10	0.12	0.96
EV/EBITDA	21.73	5.48	14.10	-13.26	52.78	-7.07
PEG Ratio	1.39	1.64	2.16	NA	2.24	NA
Price/Book (P/B)	39.20	9.69	3.29	13.52	9.69	NA
Price/Cash Flow (P/CF)	24.09	25.68	13.27	NA	52.66	NA
P/E (F1)	23.82	20.33	17.30	NA	26.70	NA
Price/Sales (P/S)	2.56	2.51	2.57	8.52	4.06	0.07
Earnings Yield	4.91%	3.74%	5.76%	-8.33%	3.74%	-21.43%
Debt/Equity	4.56	0.07	0.62	0.00	0.09	-1.02
Cash Flow (\$/share)	1.99	0.32	9.02	-0.14	0.70	-0.05
Growth Score	C	-	-	F	A	C
Hist. EPS Growth (3-5 yrs)	5.53%	11.32%	10.06%	NA	NA	NA
Proj. EPS Growth (F1/F0)	22.56%	35.02%	7.91%	-78.57%	4.58%	14.29%
Curr. Cash Flow Growth	-39.36%	-24.74%	4.57%	-736.91%	115.53%	-43.55%
Hist. Cash Flow Growth (3-5 yrs)	-3.60%	13.21%	8.82%	NA	30.30%	13.21%
Current Ratio	0.83	1.57	1.25	2.13	1.82	1.05
Debt/Capital	82.01%	8.01%	39.61%	0.00%	8.01%	NA
Net Margin	3.39%	-3.47%	11.68%	-104.66%	2.47%	-9.40%
Return on Equity	39.28%	13.10%	17.36%	-221.99%	13.10%	NA
Sales/Assets	0.96	0.92	0.55	0.96	0.88	1.88
Proj. Sales Growth (F1/F0)	1.70%	1.26%	4.34%	-64.20%	2.50%	-14.00%
Momentum Score	F	-	-	A	B	A
Daily Price Chg	5.02%	-0.32%	0.08%	1.80%	-1.03%	0.96%
1 Week Price Chg	-2.34%	-2.34%	1.84%	8.51%	0.64%	-8.60%
4 Week Price Chg	11.66%	0.05%	1.37%	60.33%	0.05%	-2.52%
12 Week Price Chg	10.10%	16.66%	13.25%	46.87%	10.67%	-44.57%
52 Week Price Chg	44.49%	34.35%	19.62%	16.25%	38.36%	-82.11%
20 Day Average Volume	648,875	648,875	1,592,536	640,236	6,206,848	252,728
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	0.00%	0.00%	8.93%
(F1) EPS Est 12 week change	-1.02%	2.23%	-0.44%	0.00%	1.99%	7.27%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%



# Analyst Earnings Model<sup>(2)</sup>

## Teradata Corporation (TDC)

In \$MM, except per share data

	2020A	2021A	2022A	1Q A	2Q A	3Q A	2023E	4Q E	FY	1Q E	2Q E	3Q E	2024E	4Q E	FY	1Q E	2Q E	2025E	4Q E	FY
FY Ends December 31st	Dec-20	Dec-21	Dec-22	31-Mar-23	30-Jun-23	30-Sep-23	31-Dec-23	Dec-23	Dec-23	31-Mar-24	30-Jun-24	30-Sep-24	31-Dec-24	Dec-24	Dec-24	31-Mar-25	30-Jun-25	30-Sep-25	31-Dec-25	Dec-25
Income Statement																				
Total Revenue	\$1,836.0	\$1,917.0	\$1,795.0	\$476.0	\$462.0	\$438.0	\$450.2	\$1,826.2	\$481.4	\$479.6	\$461.0	\$476.8	\$1,898.9	\$501.3	\$502.3	\$486.0	\$502.1	\$486.0	\$502.1	\$1,991.7
CC Growth	(3.0%)	3.0%	(2.0%)	0.0%	10.0%	6.0%	2.4%	4.4%	1.1%	3.8%	5.3%	5.9%	4.0%	4.1%	4.7%	5.4%	5.3%	4.9%	5.3%	4.9%
YoY % Chng	(3.3%)	4.4%	(6.4%)	(4.0%)	7.4%	5.0%	(0.4%)	1.7%	1.1%	3.8%	5.3%	5.9%	4.0%	4.1%	4.7%	5.4%	5.3%	4.9%	5.3%	4.9%
Cost of Revenue, Non-GAAP	\$764.0	\$702.0	\$690.0	\$170.0	\$182.0	\$174.0	\$170.3	\$696.3	\$181.3	\$184.2	\$182.8	\$183.1	\$731.4	\$191.9	\$198.1	\$192.9	\$195.5	\$192.9	\$195.5	\$778.4
YoY % Chng	(13.8%)	(8.1%)	(1.7%)	(7.6%)	9.0%	11.5%	(6.9%)	0.9%	6.7%	1.2%	5.1%	7.5%	5.0%	5.8%	7.5%	5.5%	6.8%	6.4%	6.4%	6.4%
Cost of Revenue, GAAP	\$817.0	\$731.0	\$714.0	\$174.0	\$186.0	\$179.0	\$182.9	\$721.9	\$188.1	\$189.2	\$184.4	\$189.7	\$751.6	\$202.2	\$204.2	\$199.0	\$203.0	\$203.0	\$203.0	\$808.3
YoY % Chng	(13.5%)	(10.5%)	(2.3%)	(0.8%)	8.1%	13.3%	(3.2%)	1.1%	8.1%	1.7%	3.0%	3.8%	4.1%	7.9%	7.9%	7.9%	7.0%	7.0%	7.0%	7.6%
Gross Profit, Non-GAAP	\$1,072.0	\$1,215.0	\$1,105.0	\$306.0	\$280.0	\$264.0	\$279.9	\$1,129.9	\$300.1	\$295.4	\$278.2	\$293.8	\$1,167.5	\$309.4	\$304.2	\$293.1	\$306.5	\$293.1	\$306.5	\$1,213.3
YoY % Chng	5.8%	13.3%	(9.1%)	(1.9%)	6.5%	1.1%	4.0%	2.3%	(1.9%)	5.0%	5.4%	5.0%	3.3%	3.1%	3.0%	5.4%	4.3%	3.9%	4.3%	3.9%
Gross Profit, GAAP	\$1,019.0	\$1,186.0	\$1,081.0	\$302.0	\$276.0	\$259.0	\$267.3	\$1,104.3	\$293.3	\$290.4	\$276.6	\$287.1	\$1,147.4	\$299.1	\$298.1	\$287.0	\$299.1	\$287.0	\$299.1	\$1,183.4
YoY % Chng	6.7%	16.4%	(8.9%)	0.3%	7.0%	0.0%	1.6%	2.2%	(2.9%)	5.2%	6.8%	7.4%	3.9%	2.0%	2.7%	3.8%	4.2%	3.1%	4.2%	3.1%
Selling, General and Administrative Expenses, Non-GAAP	\$556.0	\$545.0	\$545.0	\$134.0	\$141.0	\$133.0	\$134.1	\$542.1	\$138.2	\$138.3	\$135.6	\$134.4	\$546.6	\$134.3	\$134.7	\$131.2	\$129.0	\$529.2	\$134.7	\$529.2
YoY % Chng	3.2%	(2.0%)	0.0%	3.9%	3.7%	(1.5%)	(7.5%)	(0.5%)	3.1%	(1.9%)	2.0%	0.3%	0.6%	(2.8%)	(2.6%)	(3.3%)	(4.0%)	(3.2%)	(3.2%)	(3.2%)
Selling, General and Administrative Expenses, GAAP	\$669.0	\$646.0	\$650.0	\$153.0	\$167.0	\$156.0	\$168.4	\$644.4	\$165.3	\$167.3	\$159.3	\$163.5	\$655.4	\$173.0	\$173.6	\$167.6	\$173.0	\$687.3	\$173.0	\$687.3
YoY % Chng	8.3%	(3.4%)	0.6%	(2.5%)	2.5%	0.6%	(3.8%)	(0.9%)	8.0%	0.2%	2.1%	(2.9%)	1.7%	4.7%	3.8%	5.2%	5.8%	4.9%	4.9%	4.9%
Research and Development Expenses, Non-GAAP	\$286.0	\$277.0	\$274.0	\$64.0	\$67.0	\$68.0	\$64.4	\$263.4	\$69.5	\$70.5	\$68.0	\$69.3	\$277.3	\$73.2	\$73.6	\$66.3	\$67.1	\$280.1	\$73.2	\$280.1
YoY % Chng	(1.7%)	(3.1%)	(1.1%)	(5.9%)	(6.9%)	(5.6%)	3.8%	(3.9%)	8.6%	5.2%	(0.1%)	7.7%	5.3%	5.3%	4.4%	(2.0%)	(3.3%)	(1.0%)	(3.3%)	(1.0%)
Research and Development Expenses, GAAP	\$334.0	\$309.0	\$313.0	\$70.0	\$76.0	\$78.0	\$80.5	\$302.5	\$79.9	\$81.9	\$79.4	\$82.0	\$323.2	\$85.3	\$86.0	\$83.3	\$86.0	\$340.7	\$85.3	\$340.7
YoY % Chng	2.1%	(7.5%)	1.3%	(7.9%)	8.2%	3.0%	3.1%	(3.2%)	4.8%	7.2%	4.8%	6.8%	6.8%	5.1%	5.8%	4.9%	5.4%	5.4%	5.4%	5.4%
Total Operating Expenses, Non-GAAP	\$842.0	\$822.0	\$819.0	\$198.0	\$208.0	\$201.0	\$198.4	\$805.4	\$207.7	\$208.8	\$203.6	\$203.7	\$823.9	\$207.5	\$208.2	\$197.6	\$196.1	\$809.3	\$207.5	\$809.3
YoY % Chng	1.4%	(2.4%)	(0.4%)	0.5%	0.0%	(2.9%)	(4.1%)	(1.7%)	4.9%	0.4%	1.3%	2.7%	2.3%	(0.1%)	(0.3%)	(1.0%)	(3.8%)	(1.8%)	(1.8%)	(1.8%)
Total Operating Expenses, GAAP	\$1,003.0	\$955.0	\$963.0	\$223.0	\$243.0	\$232.0	\$248.9	\$946.9	\$245.2	\$249.2	\$238.8	\$245.5	\$978.6	\$258.4	\$259.7	\$250.9	\$259.0	\$1,027.9	\$258.4	\$1,027.9
YoY % Chng	6.1%	(4.8%)	0.8%	(4.3%)	(0.4%)	(0.9%)	(1.2%)	(1.7%)	10.0%	2.8%	2.9%	3.3%	5.4%	4.2%	5.1%	5.5%	5.0%	5.0%	5.0%	5.0%
Share Based Compensation	\$101.0	\$112.0	\$126.0	\$28.0	\$35.0	\$33.0	\$32.3	\$128.3	\$33.9	\$35.2	\$33.5	\$34.4	\$137.0	\$36.2	\$36.5	\$35.2	\$36.3	\$144.1	\$36.2	\$144.1
YoY % Chng	21.7%	10.9%	12.5%	(9.7%)	9.4%	22.2%	(10.2%)	1.8%	21.1%	0.5%	1.8%	6.3%	6.7%	6.7%	3.6%	4.5%	5.6%	5.2%	5.2%	5.2%
Depreciation and Amortization	\$172.0	\$149.0	\$134.0	\$28.0	\$31.0	\$27.0	\$29.3	\$115.3	\$30.4	\$30.8	\$29.3	\$30.5	\$121.1	\$32.0	\$32.1	\$31.0	\$32.1	\$127.1	\$32.0	\$127.1
YoY % Chng	14.7%	(13.4%)	(10.1%)	(30.0%)	(6.1%)	(3.6%)	(1.1%)	(13.9%)	8.5%	(0.6%)	8.5%	4.1%	5.0%	5.1%	4.1%	5.8%	5.0%	5.0%	5.0%	5.0%
EBITDA	\$188.0	\$380.0	\$252.0	\$107.0	\$64.0	\$54.0	\$47.7	\$272.7	\$78.5	\$72.0	\$67.1	\$72.1	\$289.8	\$72.7	\$70.6	\$67.1	\$72.2	\$282.6	\$72.7	\$282.6
YoY % Chng	17.5%	102.1%	(33.7%)	(0.9%)	36.2%	1.9%	8.3%	8.2%	(26.6%)	12.6%	24.3%	51.3%	6.3%	(7.4%)	(2.0%)	(0.0%)	0.1%	(2.5%)	(2.5%)	(2.5%)
Operating Income, Non-GAAP	\$230.0	\$393.0	\$286.0	\$108.0	\$72.0	\$63.0	\$81.5	\$324.5	\$92.4	\$86.6	\$74.6	\$90.0	\$343.6	\$101.9	\$96.0	\$95.6	\$110.5	\$404.0	\$101.9	\$404.0
YoY % Chng	25.7%	70.9%	(27.2%)	(6.1%)	30.9%	16.7%	31.4%	13.4%	(14.5%)	20.3%	18.4%	10.9%	5.9%	10.3%	10.8%	28.2%	22.7%	17.6%	22.7%	17.6%
Operating Income, GAAP	\$16.0	\$231.0	\$118.0	\$79.0	\$33.0	\$27.0	\$18.3	\$157.3	\$48.1	\$41.2	\$37.8	\$41.6	\$168.7	\$40.7	\$38.5	\$36.1	\$40.1	\$155.4	\$40.7	\$155.4
YoY % Chng	60.0%	1,343.8%	(48.9%)	16.2%	23.5%	8.0%	66.7%	33.3%	(39.1%)	(6.9%)	(4.0%)	12.6%	7.2%	(15.3%)	(6.8%)	(4.6%)	(3.6%)	(7.9%)	(7.9%)	(7.9%)
Interest Expense	\$27.0	\$26.0	\$24.0	\$7.0	\$7.0	\$8.0	\$7.0	\$29.0	\$7.7	\$7.8	\$7.6	\$7.7	\$30.7	\$8.1	\$8.2	\$7.9	\$8.1	\$32.3	\$8.1	\$32.3
YoY % Chng	3.8%	(3.7%)	(7.7%)	16.7%	40.0%	33.3%	0.0%	21.0%	9.6%	11.3%	(4.8%)	9.0%	5.9%	5.8%	4.8%	3.8%	6.1%	5.1%	5.1%	5.1%
Interest Income	\$4.0	\$6.0	\$15.0	\$7.0	\$8.0	\$7.0	\$6.5	\$28.5	\$7.5	\$7.6	\$7.1	\$7.3	\$29.5	\$7.8	\$7.8	\$7.5	\$7.8	\$30.9	\$7.8	\$30.9
YoY % Chng	(66.7%)	50.0%	150.0%	250.0%	166.7%	75.0%	8.0%	69.9%	7.3%	(5.1%)	1.8%	12.7%	3.7%	3.2%	2.8%	5.8%	6.3%	4.6%	4.6%	4.6%
Other Expense (Income)	\$17.0	\$19.0	\$42.0	\$21.0	\$10.0	\$13.0	\$12.0	\$56.0	\$14.7	\$13.0	\$13.1	\$13.4	\$54.3	\$14.3	\$14.1	\$13.8	\$14.2	\$56.4	\$14.3	\$56.4
YoY % Chng	88.9%	11.8%	121.1%	133.3%	(16.7%)	0.0%	50.0%	33.3%	(30.0%)	30.1%	1.1%	12.1%	(3.1%)	(2.9%)	8.8%	4.9%	5.7%	4.0%	4.0%	4.0%
Total Other Expense (Income), Net, Non-GAAP	\$40.0	\$40.0	\$51.0	\$21.0	\$9.0	\$14.0	\$12.6	\$56.6	\$14.9	\$13.2	\$13.6	\$13.8	\$55.5	\$14.7	\$14.5	\$14.2	\$14.6	\$57.9	\$14.7	\$57.9
YoY % Chng	73.9%	0.0%	27.5%	61.5%	(35.7%)	(6.7%)	39.5%	10.9%	(29.2%)	46.8%	(2.6%)	10.0%	(1.8%)	(1.4%)	9.6%	3.9%	5.6%	4.3%	4.3%	4.3%
Total Other Expense (Income), Net, GAAP	\$40.0	\$39.0	\$51.0	\$21.0	\$9.0	\$14.0	\$12.6	\$56.6	\$14.9	\$13.2	\$13.6	\$13.8	\$55.5	\$14.7	\$14.5	\$14.2	\$14.6	\$57.9	\$14.7	\$57.9
YoY % Chng	73.9%	(2.5%)	30.8%	61.5%	(35.7%)	(6.7%)	39.5%	10.9%	(29.2%)	46.8%	(2.6%)	10.0%	(1.8%)	(1.4%)	9.6%	3.9%	5.6%	4.3%	4.3%	4.3%
Pre-Tax Income, Non-GAAP	\$190.0	\$353.0	\$235.0	\$87.0	\$63.0	\$49.0	\$68.9	\$267.9	\$77.5	\$73.4	\$61.0	\$76.2	\$288.1	\$87.3	\$81.5	\$81.5	\$95.9	\$346.1	\$87.3	\$346.1
YoY % Chng	18.8%	85.8%	(33.4%)	(14.7%)	53.7%	25.6%	30.0%	14.0%	(10.9%)	16.5%	24.4%	10.6%	7.6%	12.6%	33.4%	20.6%	25.8%	20.1%	25.8%	20.1%
Pre-Tax Income, GAAP	\$24.0	\$192.0	\$67.0	\$58.0	\$24.0	\$13.0	\$5.8	\$100.8	\$33.3	\$28.0	\$24.2	\$27.8	\$113.2	\$26.1	\$24.0	\$21.9	\$25.5	\$97.5	\$26.1	\$97.5
YoY % Chng	(84.6%)	900.0%	(65.1%)	5.5%	30.0%	169.5%	50.4%	(42.7%)	16.7%	86.2%	37.94%	12.3%	(21.6%)	(14.3%)	(9.4%)	(8.1%)	(13.9%)	(13.9%)	(13.9%)	(13.9%)
Income Tax, Non-GAAP	\$44.0	\$79.0	\$61.0	\$24.0	\$14.0	\$6.0	\$17.9	\$61.9	\$19.4	\$18.4	\$15.2	\$19.1	\$72.0	\$21.8	\$20.4	\$20.4	\$24.0	\$86.5	\$21.8	\$86.5
YoY % Chng	12.8%	79.5%	(22.8%)	(22.6%)	133.3%	(14.3%)	5.4%	1.5%	(19.2%)	31.1%	154.1%	6.4%	16.3%	12.6%	11.0%	33.6%	25.8.2%</			

---

## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

---

### Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	<b>D</b>
Growth Score	<b>C</b>
Momentum Score	<b>F</b>
VGM Score	<b>D</b>

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

---

## Disclosures

**This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless otherwise indicated in the report's first-page footnote.** Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.