

TERADATA CORP /DE/
Form 10-K
February 29, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2011

OR

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

For the transition period from to

Commission File Number 001-33458

TERADATA CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

75-3236470
(I.R.S. Employer

Identification No.)

10000 Innovation Drive

Dayton, Ohio 45342

(Address of principal executive offices) (Zip Code)

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

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Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class Common Stock, \$0.01 par value	Name of Each Exchange on which Registered New York Stock Exchange
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. <input type="checkbox"/>	
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.	
Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	

The aggregate market value of voting stock held by non-affiliates of the registrant as of June 30, 2011, was approximately \$10.1 billion.

At January 31, 2012, there were approximately 167.4 million shares of common stock outstanding.

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Part III: Portions of the registrant's Notice of Annual Meeting of Stockholders and Proxy Statement, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after registrant's fiscal year end of December 31, 2011 are incorporated herein by reference.

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This report contains trademarks, service marks, and registered marks of Teradata Corporation and its subsidiaries, and other companies, as indicated.

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PART I

FORWARD-LOOKING STATEMENTS

Forward-looking statements in our public filings or other public statements are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other public statements. These forward-looking statements were based on various facts and were derived utilizing numerous important assumptions and other important factors, and changes in such facts, assumptions or factors could cause actual results to differ materially from those in the forward-looking statements. Forward-looking statements include the information concerning our future financial performance, business strategy, projected plans and objectives. Statements preceded by, followed by or that otherwise include the words believes, expects, anticipates, intends, projects, estimates, plans, may increase, may decrease, and similar expression or future or conditional verbs such as will, should, would, may and could are generally forward-looking in nature and not based on historical facts. You should understand that the factors described under **Risk Factors** and the following important factors could affect our future results and could cause actual results to differ materially from those expressed in such forward-looking statements:

the rapidly changing and intensely competitive nature of the information technology industry and the enterprise data warehousing business, including the increasing consolidation activity and pressure on achieving continued price/performance gains for data warehousing solutions;

fluctuations in our operating results, timing of transactions, unanticipated delays or accelerations in our sales cycles and the difficulty of accurately estimating revenues;

our ability to successfully leverage our recent acquisitions;

the impact of global economic fluctuations on the markets in general or on the ability of our suppliers and customers to meet their commitments to us, or the timing of purchases by our current and potential customers; and

risks inherent in operating in foreign countries, including the impact of foreign currency fluctuations, economic, political, legal, regulatory, compliance, cultural and other conditions abroad.

Other factors not identified above, including the risk factors described in the section entitled **Risk Factors** included elsewhere in this Annual Report on Form 10-K (**Annual Report**), may also cause actual results to differ materially from those projected by our forward-looking statements. Most of these factors are difficult to anticipate and are generally beyond our reasonable control. We undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events.

Table of Contents**Item 1. BUSINESS**

Overview. Teradata Corporation (we, us, Teradata, or the Company) is a global leader in analytic data solutions, including integrated data warehousing, big data analytics and business applications. Our data warehousing solutions are comprised of software, hardware, and related business consulting and support services. Recognized as market leading by both industry analysts and customers, our solutions integrate an organization's departmental and enterprise-wide data about customers, financials, operations, and more into a single integrated data warehouse. Our analytic technologies then transform that data into actionable information that help customers make the best decisions possible. This intelligence helps our customers to compete and win in today's global marketplace. Having the right data foundation is becoming a priority for more companies, as they look to control and manage costs from the growing volumes and diversity of data, and to extract ever greater value from that data. Teradata is designed to enable our customers to improve business value and insight while reducing their total costs.

We serve customers across a broad set of industries from around the world ranging from small departmental and corporate implementations to many of the world's largest data warehouses and marketing applications. Teradata operates from three main locations in the United States: Dayton, Ohio; Johns Creek (Atlanta), Georgia; and Rancho Bernardo (San Diego), California. In addition, we have sales and services offices located in approximately 42 countries. For the full year ended December 31, 2011, we had net income of \$353 million and total revenues of \$2.362 billion, of which approximately 61% was derived in the North America and Latin America region (the Americas), 23% in the Europe, Middle East and Africa region (EMEA), and 16% in the Asia Pacific and Japan region (APJ), demonstrating our diversified business model. For financial information about these geographic areas which are also our reportable segments, see Note 11 Segment, Other Supplemental Information and Concentrations in Notes to Consolidated Financial Statements elsewhere in this Annual Report.

History and Development. Teradata was formed in 1979 as a Delaware corporation. Teradata established a relational database management system on a proprietary platform in 1984. In 1990, Teradata partnered with NCR Corporation (NCR) to jointly develop next-generation database systems. In 1991, AT&T Corp. (AT&T) acquired NCR and, later that year, NCR purchased Teradata.

In 1996, AT&T spun off NCR (including Teradata) to form an independent, publicly-traded company, NCR Corporation. In 1999, NCR consolidated its Teradata data warehousing operations and product offerings into a separate operating division. On August 27, 2007, NCR's Board of Directors approved the separation of NCR into two independent, publicly-traded companies through the distribution of 100% of its Teradata data warehousing business to shareholders of NCR (the Separation). Since 2007, we have increased our investments and focus to extend the scope of our integrated data warehousing solutions, including improvements to our leading database software, adding big data analytic solutions, increasing our business application software, and providing sophisticated support and consulting services.

To effect the Separation, Teradata was formed as a separate Delaware corporation on March 27, 2007, as a wholly-owned subsidiary of NCR. Immediately prior to the Separation, the assets and liabilities of the Teradata data warehousing business of NCR were transferred to Teradata in return for 180.7 million shares of the Company's common shares. NCR accomplished the Separation through a distribution of one share of Teradata common stock for each share of NCR common stock on September 30, 2007. 100% of the Teradata shares were distributed to NCR shareholders of record as of September 14, 2007.

In 2011, Teradata completed its acquisitions of Aprimo, Inc. (Aprimo), a global provider of cloud-based integrated marketing software, and Aster Data Systems, Inc. (Aster Data), a market leader in big data analytics. With Aprimo, Teradata has expanded its offering of business analytics with integrated marketing solutions that enable customers to improve marketing performance with data-driven insights. The acquisition of Aster Data brought Teradata greater market presence in the management of diverse, multi-structured data and complex data types that require the need for new analytical tools to extract their value. Aprimo and Aster Data were integrated into Teradata's operations in 2011. The Aprimo organization now supports Teradata's applications strategy,

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including development, marketing, sales, and services. Additionally, the combination of Teradata and Aster Data technologies enables businesses to perform better big data analytics on large sets of multi-structured data.

Industry Overview

Our revenues are primarily generated in the multi-billion dollar data warehousing market. This market includes data warehouse database software, supporting hardware (servers, storage and interconnects), consulting and installation-related (consulting) services and maintenance services. Additionally, Teradata offers business application software to help transform data into actionable business intelligence, allowing for improved analytics and better decision making. We expect that the need for data warehousing and business application software will continue to grow as organizations increasingly rely on enterprise analytics to compete on a global basis. This need is further driven by the convergence of the following key market dynamics we have observed:

high levels of data growth are being driven by new data types, in particular multi-structured data, often referred to as big data analytics, examples of which include web logs, sensor and social network data, Internet text and search indexing, call detail records, genomics, astronomy, biological research and military surveillance information, medical records, photography and video archives, and large scale eCommerce data;

economic and business uncertainty combined with intense competition is driving companies to increasingly adopt analytic data technologies to address the vast complexity inherent in their markets and businesses;

globalization, mobility, consolidation, security concerns and increased government regulation are creating the need for enhanced visibility across the entire enterprise at all times;

improved data warehousing affordability due to price/performance gains on server and disk hardware as well as software is enabling new types of usage, and the maintenance and analysis of more historical and near real-time data; and

the adoption by customers of more real time, or active, environments for enterprise intelligence is driving more applications, usage and capacity.

Our Data Warehousing Solutions

Data Warehousing. Data warehousing is the process of capturing, integrating, storing, managing, and analyzing data to answer business questions and make more informed, faster decisions. Customers use our data warehousing software and hardware technologies and related services to:

acquire, aggregate, store and integrate data from multiple sources, including transaction and enterprise resource planning systems;

manage and analyze this data through the Teradata database software and tools, data mining, master data management and other enterprise analytical applications, such as customer management, demand and supply chain management, enterprise risk management, and financial management; and

integrate analytics-based decisions into operational processes.

Our solutions allow customers to (1) leverage their data to obtain an integrated view of their business (including customers, products, channels, financials, suppliers, partners, services, etc.), and (2) transform data into useful, insightful and actionable business intelligence.

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Active Enterprise Intelligence. Teradata extends the use of traditional data warehousing by integrating advanced analytics into enterprise business processes through a solution known as Active Enterprise Intelligence, which reduces the time between obtaining information and acting on it. Specifically, this advanced solution integrates detailed historical information with near real-time data, and then deploys timely, accurate strategic intelligence to knowledge workers in the corporate office as well as operational intelligence to front line users, customers and partners.

Our Products. We are a single-source provider of analytic data solutions with a fully integrated business that includes dedicated professionals and technologies. Our products are optimized and integrated specifically for data

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warehousing, big data analytics and business applications, including our database and application software, hardware platform, and related consulting and support services. Our key software and hardware products include:

Teradata Analytic Database Software Our Teradata database software combined with our massively parallel processing (MPP) hardware architecture provides the foundation for our unique ability to support and manage a wide range of mixed workloads and data warehousing functions. Our Teradata database software delivers near real-time intelligence for our customers with capabilities and features such as support of short-term operational and long-term strategic workloads (mixed workloads), the ability to handle thousands of concurrent queries from thousands of concurrent users, robust and simplified system management, high system availability, event monitoring, and easy integration into the enterprise. We also offer license subscriptions that provide our customers with when-and-if-available upgrades and enhancements to our database software.

Teradata Platform Family For the hardware component of our solutions, Teradata integrates and optimizes open systems industry standard hardware components with our value-added, fault-tolerant BYNET MPP interconnect. We utilize industry standard Intel® XEON 64-bit servers, along with industry-standard storage offerings, to provide seamless, transparent scalability. Our research and development efforts have sought to optimize the Teradata Platform Family as high performance, scalable, and easily supportable MPP systems, purpose-built to meet the analytical architecture needs of our customers, and to optimize the performance of the Teradata database software. The Teradata Platform Family extends our market reach and opportunity to new customers and to grow Teradata's share of information technology (IT) spending within our existing customer base, by providing solutions from data marts, to entry-level data warehouses, to specialized analytical solutions and our active data warehouses. Teradata's purpose-built Platform Family allows customers to standardize on the Teradata database system, leveraging their existing training knowledge and experience, to meet all their architecture needs at various price points.

Teradata Logical Data Models Our industry logical data models (LDMs) are designed as easy-to-follow blueprints for designing an integrated data warehouse that reflects business priorities tailored to the specific needs of a particular industry. Additionally, in 2010 we released our Unified LDM, providing a unified view across multiple common subject areas. Our LDMs are licensed to our customers as a key component of our data warehousing solutions. We also offer subscriptions that provide our customers with when-and-if-available upgrades and enhancements to our LDMs.

Teradata Aster MapReduce Platform This purpose-built, integrated hardware and software solution for big data analytics is pre-configured to gain insights from large volumes of new types of multi-structured data. It combines the power Aster Database and Aster's patented SQL-MapReduce® framework with a fully-supported Teradata hardware platform. This solution provides a platform for analyzing new multi-structured data sources and data types, from social network data to web log data, machine data, and more. The platform offers a powerful environment for developing and using data science-based analytics, with an integrated hardware/software solution delivered and supported by Teradata.

Teradata Analytic Applications and Tools We offer a full suite of data access and management tools and applications that leverage enterprise intelligence to solve business problems. These tools and applications include: data mining, master data management, integrated marketing management, enterprise risk management, finance and performance management, demand and supply chain management, and profitability analytics. The Aprimo organization now supports Teradata's applications strategy, including development, marketing, sales, and services.

Teradata Integrated Analytics This portfolio enables businesses to convert their traditional data warehouse into an analytic services environment to meet the challenges of multi-structured data analytics (or big data analytics), complex analytics, mobile business intelligence, social analytics, pervasive business intelligence, agile analytics, and the many demands driven by new and diverse data and analytics. Teradata Integrated Analytics is a comprehensive portfolio of high-performance, in-database analytics technology and services that enable businesses to deliver consistent, high-value analytics across their analytics user community.

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Our service offerings include:

Teradata Consulting Services Teradata consultants combine a patented methodology with extensive industry expertise and hands-on experience to help our customers quickly recognize business value and minimize risk by using analytic data solutions. We employ skilled consultants who provide data warehousing business impact modeling, design, architecture, installation, implementation, and optimization consulting services, as well as enterprise analytics consulting, data management services, and managed services. Our Global Consulting Centers around the world are staffed with professionals trained in our patented solutions methodology, and supplement local area consulting teams by accessing and utilizing the accumulated wealth of our global knowledge base and providing offshore consulting resources as needed.

Teradata Customer Support Services Our customer services organization provides an experienced, single point of contact and delivery for the deployment, support and ongoing management of Teradata data warehouses around the world. Our customer support service offers both proactive and reactive services, including maintenance, monitoring, back up, and recovery services to allow customers to maximize availability and better leverage the value of their investments in data warehousing.

Training Services To enhance the value of their investment, we also provide our customers with training for their employees and contractors who are responsible for the operation and/or use of their Teradata data warehouses and analytical applications.

Our Strategy. Teradata is a leader in helping companies manage, integrate, and analyze growing data volumes and complexity to gain business insight and competitive advantage. Teradata's strategy focuses on three large and growing markets' data warehousing, big data analytics, and marketing and business applications. Additionally, we have four key initiatives underway to broaden our position in the market and take advantage of these market opportunities. These initiatives are to:

Invest to extend Teradata's core technology and software application offerings, and expand our family of compatible data warehouse platforms to address multiple market segments and solution offerings through internal development and targeted strategic acquisitions such as Aprimo and Aster Data,

Differentiate Teradata technology and drive platform demand by delivering consulting services that enable customers to achieve business value through the use of best-in-class analytics,

Invest in partnerships to increase the number of solutions available on Teradata platforms, maximize customer value and increase our market coverage, and

Continue to seek opportunities to increase our market coverage through additional sales territories (hiring incremental sales account executives as well as technology and industry consultants).

Customers. We focus the majority of our sales efforts on the Global 3000 leading companies across a broad set of industries, including banking/financial services, media and entertainment (including gaming and media), government, insurance and healthcare, manufacturing, retail, telecommunications, transportation, and travel. The extent to which any given customer contributes to our revenues generally varies significantly from year to year and quarter to quarter. These industries provide a good fit for our analytic data solutions, as they tend to have large and increasing sources of data, complex data management requirements or large and varied groups of users.

With more than 30 years of experience, Teradata is a leader in implementing analytic data solutions. Our customers represent some of the best-known Global 3000 companies. Teradata solutions support nineteen of the top twenty global telecommunication firms, eight of the top ten travel and transportation companies, fourteen of the top twenty global retailers, and sixteen of the top twenty global financial companies. (Rankings are based on the 2011 Fortune Global Rankings and Teradata customers as of December 31, 2011.) Although Teradata is a well-established vendor with strong penetration in each of these industries, our market and growth potential remains strong, as existing customers routinely increase the size and scope of their data warehouse due to growth

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in the number of users, amounts and types of data, and types and complexity of analytics being directed to the customers' data warehouse.

Data warehouses are typically built one project at a time. For example, an initial data warehouse may start with a single subject area, which forms the foundation of data that is available to be leveraged for the next project, and so on. Therefore, a customer with a large order in one quarter is likely to generate additional revenue for Teradata in subsequent periods. However, due to the breadth of our customer base, no single customer of Teradata (overall or within any of our reportable segments) accounted for 10% or more of our total revenue in any of the last three fiscal years. For the year ended December 31, 2011, our top ten customers collectively accounted for approximately 19% of our total revenues. Moreover, Teradata's total revenue and revenue for each reportable segment can vary considerably from period to period given the different growth patterns of our existing customers' data warehouse systems and the variable timing of new customer orders. Due to the size and complexity of these transactions (purchases), the sales cycle for a new data warehouse is often fairly long (typically more than a year). Our results in any particular quarter have generally been dependent on our ability to generate a relatively small number of large orders for that quarter.

Partners, Marketing and Distribution Channels

Strategic Partnerships. We seek to leverage our sales and marketing reach through our strategy of partnering with leading global and regional systems integrators, independent software vendors, and consultants which we believe complement our analytic data solutions.

Alliance Partners Strategic partnerships are a key factor in our ability to leverage the value of our analytic data solutions and expand the scope of our offerings to the marketplace. Our partner program is focused on working collaboratively with independent software vendors in several areas critical to data warehousing, including tools, data and application integration solutions, data mining, analytics, business intelligence, and specific horizontal and industry solutions. Our goal is to provide customer choices with partner offerings that are optimized and certified with our solutions, and fit within the customer's enterprise IT environment. Our strategic alliance partners include many leaders in the business intelligence, data acquisition and analytics market.

Systems Integrators Teradata works with a range of consultants and systems integrators that engage in the design, implementation and integration of analytic data solutions for our joint clients. Our strategic partnerships with select global consulting and systems integration firms provide broad industry and technology expertise in the design of business solutions that leverage Teradata technology to enable enterprise analytics and operational intelligence. In general, these partners are trusted advisors who assist in vision and strategy development with our customers while objectively assessing and meeting their needs. By working with premier system integrators and consulting firms, we combine our expertise in data warehousing with top-notch consultants to provide true end-to-end solutions. Our strategic global consulting and systems integration partners include Accenture, Capgemini, Cognizant, Computer Sciences Corporation, Deloitte, IBM Global Business Services and Wipro Limited.

Sales and Marketing. We sell and market our analytic data solutions in our reportable segments, the Americas region; the EMEA region; and the APJ region, primarily through a direct sales force. We believe our quota-carrying sales force increases our visibility and penetration in the marketplace and fosters long-term customer relationships and additional product sales. We have approximately 80% of our employees in customer-facing and/or revenue driving roles (including sales, consulting and customer service, and product engineering).

We support our sales force with marketing and training programs which are designed to grow awareness and highlight our differentiation, as well as provide a robust set of tools for use by our direct sales force. In support of growing awareness of the need for enterprise data warehousing and Teradata solutions specifically, we employ a broad range of marketing strategies including programs to inform and educate the media, industry analysts, academics and other third-party influencers. These strategies include targeted direct marketing, our website,

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webinars, trade shows and conferences. We annually host or participate in worldwide and regional user conferences that take place in more than 30 locations around the globe.

We also believe that promoting customer success and return on investment is an important element for our success. As a result, and because we have an enthusiastic customer base, we have developed an active program to support and leverage customer references.

Resellers and Distributors. Although the majority of our sales are direct, to extend our sales coverage, we also market and sell our products through third-party channels, including resellers and distributors. We have a small number of licensed resellers, and have license and distribution agreements with independent distributors in some countries worldwide. The distribution agreements generally provide for the right to offer our products within a territory. Our distributors generally maintain sales and services personnel dedicated to our products. Accordingly, we have dedicated sales, marketing, and technical alliance resources designed to optimize our reseller and distributor relationships.

Sources of Materials. Our hardware components are assembled exclusively by Flextronics Corporation. Our platform line is designed to leverage the best-in-class components from industry leaders such as Intel Corporation for microprocessors. In addition, our computer data storage devices (such as disk arrays) are industry-standard technologies provided by NetApp, Inc., but are selected and configured by us to work optimally with our software and hardware platform. Flextronics also procures a wide variety of components used in the assembly process on our behalf. Although many of these components are available from multiple sources, Teradata utilizes preferred supplier relationships to better ensure more consistent quality, cost and delivery. Typically, these preferred suppliers maintain alternative processes and/or facilities to ensure continuity of supply. Given our strategy to outsource product assembly activities to Flextronics and to source certain components from single suppliers, a disruption in production at Flextronics or at a supplier, or a global shortage of components, could impact the timing or profitability of customer shipments.

Competition. The overall analytic data solutions market is very competitive, and we face competition for nearly every sales opportunity we pursue. Our primary competitors include IBM and Oracle. Since the overall market is large and growing, we expect to see new and emerging competitors with alternative approaches. We compete successfully in the marketplace and intend to continue to do so based on our expanded Teradata platform family, MPP relational database, MapReduce database, proven architecture for both structured and unstructured data, integrated solutions with high-performing and scalable technology, powerful suite of analytic software applications, deep and broad services capabilities, strong customer relationships, and our successful track record. For more information, see Item 1A, Risk Factors, elsewhere in this Annual Report.

Competitors take different technical and integration approaches to addressing enterprise analytics needs, and therefore they often recommend a different architecture than our solutions. We believe that our customers recognize the advantages of our technology, our integrated data warehousing approach and our purpose-built platform family to meet their architecture needs, which enables us to successfully compete in the marketplace.

Key factors used to evaluate competitors in these markets include: data warehousing experience and customer references; technology leadership; product quality; performance, scalability, availability and manageability; support and consulting services capabilities; industry knowledge; and total cost of ownership. We believe we have a competitive advantage in providing complete, integrated, and optimized analytic data solutions that address these customer business, technical and architecture requirements. Our high performance Active Enterprise Data Warehouse platform technology is designed to not only seamlessly and linearly scale with customer growth needs but to do so in a manner that allows us to add current generation nodes with several generations of our technology, thereby protecting our customers' prior investments. Because our Teradata Platform Family also includes appliances, we believe we have the right platform for any analytical architecture need, for both structured and unstructured data, which makes our data warehousing solutions particularly attractive to customers.

Many companies participate in specific areas of our business, such as enterprise analytic and business intelligence application software. The status of our business relationships with these companies can influence our ability to

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compete for data warehousing opportunities that include such areas. Our products also complement offerings of some of our competitors, with whom we have formed partnerships to work with their business intelligence and application software businesses. Examples of these companies include both IBM and Oracle, due to their acquisitions of other business intelligence, consulting and application software companies in recent years.

Seasonality. Historically our sales are seasonal, in line with capital spending patterns of our customers, with lower revenue typically in the first quarter and higher revenue generally in the fourth quarter of each year. Such seasonality causes our working capital cash flow requirements to vary from quarter to quarter depending on the variability in the volume, timing and mix of product sales. In addition, revenue in the third month of each quarter has historically been significantly higher than in the first and second months. These factors, among others as more fully described in Item 1A, Risk Factors, elsewhere in this Annual Report, make forecasting more difficult and may adversely affect our ability to accurately predict financial results.

Research and Development (R&D). We remain focused on designing and developing products, services and solutions for data warehousing, big data analytics, and marketing and business applications, that anticipate our customers' changing technological needs. As we seek improvements in our products and services, we also consider our customer's current needs as we design our new technology so that new generations of the Teradata database software and operating platforms are compatible with prior generations of our technology. We believe our extensive R&D workforce is one of our core strengths. This global R&D team is headquartered at our facility in Rancho Bernardo (San Diego), California. We anticipate that we will continue to have significant R&D expenditures, which may include strategic acquisitions, in the future in order to continue a flow of innovative, high-quality products and services, which is vital to our leading competitive position. For information regarding the accounting and costs included in R&D activities see Note 1 Description of Business, Basis of Presentation and Significant Accounting Policies in Notes to Consolidated Financial Statements elsewhere in this Annual Report.

Intellectual Property and Technology. The Company owns approximately 553 patents in the United States and about 59 patents in foreign countries. The foreign patents are generally counterparts of the Company's U.S. patents. Many of the patents that we own are licensed to others, and we are licensed to use certain patents owned by others. While our portfolio of patents and patent applications in aggregate is of significant value to our Company, we do not believe that any particular individual patent is by itself of material importance to our business as a whole.

In addition, the Company owns copyrights and trade secrets in its vast code base which makes up the core Teradata software product offerings, including the Teradata database and application software products. The Teradata database software, which was initially based upon computer science research at the California Institute of Technology, works on multiple tasks at once, an approach known as parallel processing. The Teradata database software architecture is known in the industry as a massively parallel processing system. Parallel processing vastly increases the speed with which results are delivered and correspondingly increases the amount of data that can be queried and the number and complexity of queries that can be run at the same time. The name Teradata evokes the ability to manage terabytes (*i.e.*, trillions of bytes) of data. One of our key technological advances has been making the Teradata database software and hardware compatible with several operating systems, such as UNIX, LINUX and Windows. The Teradata database software is a relational database management system (RDBMS), reflecting the investment of hundreds of person-years of development work.

The source code versions of our products are protected as trade secrets and, in all major markets, as unpublished copyright works. We also vigorously protect our rights in the Teradata database software and related intellectual property; however, there can be no assurance that these measures will be successful. The Company owns the Teradata®, Aprimo® and Aster Data® trademarks, which are registered in the United States and in many foreign countries, as well as other tradenames, service marks, and trademarks such as BYNET.

Employees. As of December 31, 2011, we had approximately 8,600 employees globally. We believe that our future success will depend, in part, on our ability to continue to attract, hire and retain skilled and experienced personnel.

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Properties and Facilities. Our corporate headquarters is located in Dayton, Ohio, and we manage our business through three main locations in the United States: Dayton, Ohio; Johns Creek (Atlanta), Georgia; and Rancho Bernardo (San Diego), California. As of December 31, 2011, we operated approximately 100 facilities throughout the world. We own our Rancho Bernardo complex, which is the headquarters of our research and development operations. All of our other research and development facilities are leased, as well as our offices in Dayton and Johns Creek, technical support centers, training, and other miscellaneous sites. We maintain facilities in approximately 42 countries.

Executive Officers of the Registrant. The following table sets forth the information as of January 31, 2012 regarding the individuals who are serving as our executive officers.

Name	Age	Position(s)
Michael Koehler	59	President and Chief Executive Officer
Stephen Scheppmann	56	Executive Vice President and Chief Financial Officer
Saundra Davis	48	Chief Human Resources Officer
Robert Fair	49	Executive Vice President, Global Field Operations
Daniel Harrington	48	Executive Vice President, Technology and Support Services
Bruce Langos	58	Chief Operations Officer
Darryl McDonald	53	Executive Vice President, Applications, Business Development & Chief Marketing Officer
Laura Nyquist	58	General Counsel and Secretary

Michael Koehler. Mr. Koehler is President and Chief Executive Officer of Teradata. Previously, Mr. Koehler served as Senior Vice President, Teradata Division of NCR from 2003 to 2007. From September 2002 until March 2003, he was the Interim Teradata Division Leader, Teradata Division. From 1999 to 2002, Mr. Koehler was Vice President, Global Field Operations, Teradata Division, and held management positions of increasingly greater responsibility at NCR prior to that time. He joined our board in August 2007.

Stephen Scheppmann. Stephen Scheppmann has served as Executive Vice President and Chief Financial Officer of Teradata since September 4, 2007. He served as Executive Vice President and Chief Financial Officer of Per-Se Technologies, Inc., a leading provider of administrative healthcare industry services, from May 2006 until May 2007, following the completion of that company's acquisition. From 2000 to May 2006, Mr. Scheppmann served as Executive Vice President and Chief Financial Officer for NOVA Information Systems, Inc., and, from 1988 to 2000, he was Senior Vice President and Chief Financial Officer of Larson-Juhl, Inc. Since January 2006, Mr. Scheppmann has served as a member of the Board of Directors of eResearch Technology, Inc., a publicly-traded biotechnical services and technology company, and has been chairman of its Audit Committee since April 2006.

Saundra Davis. Saundra Davis is Chief Human Resources Officer of Teradata. Ms. Davis served as Vice President, Human Resources, Teradata Division of NCR from January 2004 to September 2007. Prior to this position, Ms. Davis served as Vice President, Human Resources, Corporate Infrastructure, at NCR from January 2003 to December 2003, and as Vice President, Human Resources, Systemedia Division of NCR from June 2000 to December 2002. Ms. Davis joined NCR in 1985 and has since held a number of positions of increasing responsibility in human resources.

Robert Fair. Robert Fair is Executive Vice President, Global Field Operations of Teradata. Mr. Fair served as Vice President, Business Development and Global Marketing, Teradata Division of NCR from April 2003 to September 2007. From March 2000 to April 2003, he was Vice President, Americas Communications Industry, Teradata Division. Mr. Fair began his career at NCR in 1984 and held a number of positions of increasing responsibility in the areas of sales, consulting services and marketing.

Daniel Harrington. Daniel Harrington has been Executive Vice President, Technology and Support Services of Teradata since October 2007. Mr. Harrington served as Vice President, Customer Services, Teradata Division of

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NCR, from January 2005 until that time. Prior to this position, from April 1999 to December 2004, he was Vice President, Northern Europe, Teradata Division with responsibility for Europe sales in 2004. Mr. Harrington joined NCR in 1985 and held a number of positions of increasing responsibility in the areas of sales, marketing and product management.

Bruce Langos. Bruce Langos is Chief Operations Officer of Teradata. Mr. Langos was Senior Vice President, Global Operations of NCR, from May 2006 to September 2007. From 1996 until that time, Mr. Langos was Vice President, Business Operations, Teradata Division. Mr. Langos joined NCR in 1976 and held positions of increasing responsibility in sales, marketing, product management and strategic planning.

Darryl McDonald. Darryl McDonald serves as Executive Vice President, Applications, Business Development & Chief Marketing Officer of Teradata. Prior to that he was the Chief Marketing Officer from September 2007 to April 2010. Mr. McDonald was Vice President, Global Consulting Services, Teradata Division of NCR from April 2003 to September 2007. From 1997 until April 2003, Mr. McDonald was Vice President, Americas Retail Industry, Teradata Division. Mr. McDonald joined NCR in 1982 and has since held a number of positions of increasing responsibility in the areas of sales and consulting.

Laura Nyquist. Laura Nyquist is the General Counsel and Secretary of Teradata. Ms. Nyquist served as Deputy General Counsel and Chief Counsel, Business Counsel Group, NCR, from October 2006 to September 2007. Prior to this position, Ms. Nyquist was Chief Counsel, Financial Solutions Division from 2004 to September 2006, and was Vice President, Corporate Affairs, and Secretary to the Board of Directors of NCR from 1999 to 2004. Ms. Nyquist joined NCR in 1986 and held a number of positions of increasing responsibility at NCR until she joined Teradata.

There are no family relationships between any of the executive officers or directors of Teradata.

There are no contractual obligations regarding the election of our executive officers or directors.

Information. Teradata makes available through its website, free of charge, its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, and all amendments to such reports, as soon as reasonably practicable after these reports are electronically filed or furnished to the U.S. Securities and Exchange Commission (SEC) pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. These reports and other information are also available, free of charge, at www.sec.gov. Alternatively, the public may read and copy any materials we file with the SEC at the SEC 's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. Teradata will furnish, without charge to a security holder upon written request, the Notice of Meeting and Proxy Statement for the 2012 Annual Meeting of Stockholders. Teradata will furnish the Code of Conduct and any other exhibit at cost (the Code of Conduct is also available through Teradata 's website at <http://www.teradata.com/code-of-conduct/>). Document requests are available by calling or writing to:

Teradata Shareholder Relations

10000 Innovation Drive

Dayton, OH 45342

Phone: 937-242-4878

Website: <http://www.teradata.com>

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Item 1A. RISK FACTORS

You should carefully consider each of the following risk factors and all of the other information set forth in this Annual Report. Based on the information currently known to us, we believe that the following information identifies the most significant risk factors affecting our company in each of these categories of risks. However, the risks and uncertainties our company faces are not limited to those set forth in the risk factors described below. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business.

In addition, past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods.

If any of the following risks and uncertainties develops into actual events, these events could have a material adverse effect on our business, financial condition or results of operations. In such case, the trading price of our common stock could decline.

Economic Pressures and Uncertainty *Our business is affected by the global economies in which we operate and the economic climate of the industries we serve.*

Our business and results of operations are affected by international, national and regional economic conditions. In particular, the IT industry in which we operate is susceptible to significant changes in the strength of the economy and the financial health of companies who make capital commitments for new technologies. Accordingly, downturns in the global or regional economies in which we operate or certain economic sectors (such as the retail, manufacturing or financial services industries) may adversely impact our business. For example, adverse changes to the economy could impact the timing of purchases by our current and potential customers or the ability of our customers to fulfill their obligations to us. In addition, decreased or more closely scrutinized capital spending in our customers' businesses and in the industries we also serve may adversely impact our business. Uncertainty about future economic conditions makes it difficult for us to forecast operating results and to make decisions about future investments. Accordingly, global economic and market conditions may cause material impacts on our results of operations, prospects and financial condition. The Company's success in periods of economic uncertainty is also dependent, in part, on our ability to reduce costs in response to changes in demand and other activity.

Competition *The information technology industry is intensely competitive and evolving, and competitive pressures could adversely affect our pricing practices or demand for our products and services.*

We operate in the intensely competitive IT industry, which is characterized by rapidly changing technology, evolving industry standards, frequent new product introductions, and price and cost reductions. In general, as a participant in the analytic data solutions market, we face:

Changes in customer IT spending habits and other shifts in market demands, which drive competition;

A trend toward consolidation of companies which could adversely affect our ability to compete, including if our key partners merge or partner with our competitors;

Continued pressure on price/performance for data warehousing solutions due to constant technology improvements in processor capacity and speed;

Changes in pricing, marketing and product strategies, such as potential aggressive price discounting and the use of different pricing models by our competitors or other factors;

Rapid changes in computing technology and capabilities that challenge our ability to maintain differentiation at the lower range of business intelligence analytic functions;

New and emerging analytic data technologies; and

Changing competitive requirements and deliverables in developing and emerging markets.

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To compete successfully in this environment, we must rapidly and continually design, develop and market solutions and related products and services that are valued in the marketplace. To do this, we must react on a timely basis to shifts in market demands. In addition, our market position depends on our ability to continually improve the price/performance of our solutions without creating operating inefficiencies and to sustain competitive operating margins, while also maintaining the quality of our products and services. If we are unable to react quickly when and as needed to improve the value of our product offerings our operating results could be negatively impacted.

Our primary competitors include IBM and Oracle, who are well-capitalized companies with widespread distribution, brand recognition and penetration of platforms and service offerings. The significant purchasing and market power of these larger competitors, which have greater financial resources than we do, could allow them to surpass our market penetration and marketing efforts to promote and sell their products and services. In addition, many other companies participate in specific areas of our business, such as enterprise application analytic and business intelligence software. In some cases we may partner with a company in one area of our business and compete with them in another. The status of our business relationships with these companies can influence our ability to compete for analytic data solutions opportunities in such areas. We also expect additional competition from both established and emerging companies. Failure to compete successfully with new or existing competitors in these and other areas could have a material adverse impact on our ability to generate additional revenues or sustain existing revenue levels.

Analytic Data Solutions Market *If the overall analytic data solutions market declines or does not grow, we may sell fewer products and services, and our business may not be able to sustain its current level of operations.*

If the market trends toward more limited IT spending, or limited liquidity, this could result in fewer customers making, or customers delaying investments in our products and services. In the past, we have seen periodic breaks in the buying patterns from some of our larger customers, which indicate a level of maturation of their current data warehouse implementation or a shifting of IT priorities when these customers are still incorporating the investments they have made in their core data warehousing infrastructures during past years. In addition, reduced prices and improvements in analytic data solutions increase pressure on our product revenues and margins, as well as on the annuity streams we receive from our maintenance business. If the growth rates for the analytic data solutions market decline for any reason, there could be a decrease in demand for our products and services, which could have a material adverse effect on our financial results.

Renewal Rates and Support Services Pricing Pressures *If our existing customers fail to renew their support agreements, or if customers do not license updated software products on terms favorable to us, our revenues could be adversely affected.*

We currently derive a significant portion of our overall revenues from maintenance services and software subscriptions, and we depend on our installed customer base for future revenue from maintenance services and software subscriptions and licenses of updated products. The terms of our standard maintenance services and software subscription arrangements generally provide for the payment of license fees and prepayment of first-year support fees and are generally renewable on an annual basis. The IT industry generally has been experiencing increasing pricing pressure from customers when purchasing or renewing support agreements. Moreover, the trend towards consolidation in certain industries that we serve, such as financial services and telecommunications, could result in a reduction of the software and hardware being serviced and put pressure on our maintenance terms with customers who have merged. Given this environment, there can be no assurance that our current customers will renew their maintenance agreements or agree to the same terms when they renew, which could result in our reducing or losing maintenance fees.

If our existing customers fail to renew their maintenance agreements, or if we are unable to generate additional maintenance fees through the license of updated products to existing or new customers, our business and future operating results could be adversely affected.

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Additionally, as a result of the Company's acquisition of Aprimo on January 21, 2011, Teradata's software application offerings have been expanded to include term licenses, hosting arrangements and Software as a Service (SaaS). As a result, future revenue streams could be adversely affected if customers do not renew their term and SaaS arrangements.

Operating Result Fluctuations *Our financial results are subject to fluctuations caused by many factors that could result in our failing to achieve anticipated financial results.*

Our quarterly and annual financial results have varied in the past and are likely to continue to vary in the future due to a number of factors, many of which are beyond our control. In particular, if transactions that we expect to close by the end of a quarter are not closed until a later date, our revenue and/or net income for that quarter could be substantially below expectations, especially given the large size of our transactions. These and any one or more of the factors listed below or other factors could cause us not to achieve our revenue or profitability expectations. The resulting failure to meet market expectations could cause a decrease in our stock price. These factors include the risks discussed elsewhere in this section and the following:

Downturns in our customers' businesses, in the domestic economy or in international economies where our customers do substantial business;

Changes in demand for our products and services, including changes in growth rates in the analytic data solutions market;

The size, timing and contractual terms of large orders for our products and services, which may impact in particular our quarterly operating results (either positively or negatively);

Possible delays in our ability to recognize revenue as the result of contract terms;

The budgeting cycles of our customers and potential customers;

Changes in pricing policies resulting from competitive pressures, such as aggressive price discounting by our competitors, new pricing strategies, or other factors;

Our ability to develop and introduce on a timely basis new or enhanced versions of our products and services;

Changes in the mix of pre-tax earnings attributable to domestic versus international sales;

Seasonal fluctuations in buying patterns;

Future acquisitions and divestitures of technologies, products and businesses;

Unexpected needs for capital expenditures or other unanticipated expenses; and

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Changes in certain assumptions, estimates and judgments of management (which are required in connection with the preparation of the Company's financial statements) that could affect the reported amounts of assets, liabilities, revenues, expenses and the related