TERADATA CORP /DE/
Form 10-K
February 26, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

For the fiscal year ended December 31, 2015
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	75-3236470
(State or other jurisdiction of incorporation or organization)	(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
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
Common Stock, $0.01 par value	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 ý No ¨

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 ¨ No ý

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 ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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. ý

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 ý	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

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

The aggregate market value of voting stock held by non-affiliates of the registrant as of June 30, 2015, was approximately $5.2 billion.

At January 29, 2016, there were approximately 129.4 million shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

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, 2015 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 fluctuate,” and similar expression or future or conditional ve such as “will,” “should,” “would,” “may” and “could” are generally forward-looking in nature and not 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:

- our ability to timely and effectively implement our business transformation plan and complete the sale of the marketing applications business, while mitigating business disruption;
- the rapidly changing and intensely competitive nature of the information technology (“IT”) industry and the software applications and analytic data platform businesses, including the ongoing consolidation activity, threats from new and emerging analytic data technologies and competitors, and pressure on achieving continued price/performance gains for analytic data 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 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.

Item 1. BUSINESS

Overview. Teradata Corporation ("we," "us," "Teradata," or the "Company") is a global leader in analytic data solutions and related services. Our analytic data solutions comprise software, hardware, and related business consulting and support services for analytics across a company’s entire analytical ecosystem, which includes components such as data warehousing, big data, discovery tools, integration tools, and business intelligence tools as well as the services to architect, manage, and integrate this complex and ever changing ecosystem. We help customers access and manage data and extract business value and insight from their data. We also provide marketing and analytic applications that are designed to leverage data to help customers discover and exploit new insights such as:

- improving organizations’ effectiveness in marketing to their customers,
- determining and maximizing customer and product profitability,

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- more accurately forecasting consumer demand, and
- creating more predictable and less costly supply chains.

Our consulting services allow customers to maximize the use of and obtain great value from their analytics and marketing investments. Our services include a broad range of offerings including consulting to help organizations design, optimize and manage their analytic and big data environments, either on-premises or in the cloud. Our value-added consulting services provide expertise in: data architecture services, cloud ("software as a service", "analytics as a service"), private cloud, managed services, and related installation services. In addition to our consulting services, we offer a comprehensive set of support services. We serve customers around the world across a broad set of industries, including communications, ecommerce, financial services, government, gaming, healthcare, insurance, manufacturing, media and entertainment, oil and gas, retail, travel and transportation, and utilities - with offerings ranging from small departmental implementations to many of the world’s largest analytic data platforms and marketing applications. To meet evolving trends in information management, we provide our offerings on-premises or in the cloud (as a service).

Teradata operates from numerous locations within the United States with the primary locations being Dayton, Ohio; Johns Creek (Atlanta), Georgia; and Rancho Bernardo (San Diego), California. In addition, we have sales, services, research and development and administrative offices located in 44 countries.

For the full year ended December 31, 2015, we had a net loss of $(214) million and total revenues of $2.530 billion, of which approximately 92% was derived from the data and analytics segment and 8% from the marketing applications segment (which included impairment charges of $478 million for goodwill and acquired intangible assets). For financial information about these segments and geographic information, see “Note 11—Segment, Other Supplemental Information and Concentrations” in the 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 the independent, publicly-traded NCR Corporation. In 1999, NCR consolidated its Teradata data warehousing operations and product offerings into a separate operating division. On September 30, 2007, the independent, publicly-traded Teradata Corporation (NYSE: TDC) was created when NCR was effectively separated into two independent, publicly-traded companies through the distribution of 100% of its Teradata data warehousing business to shareholders of NCR.

Since that time, we have increased our investments and focus to extend the scope of our business to include a full range of analytic data platforms and marketing applications. 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 technology leader in big data analytics, in 2011. Additionally, Teradata has completed a number of smaller acquisitions to complement and extend our data warehousing, big data analytics, marketing applications and consulting businesses.

As we have reviewed our business opportunities, we have concluded that it is in the best interest of the Company and our shareholders to focus Teradata on our core data and analytics business and to exit most of our marketing applications business. We are currently in the process of exiting this business. The portion of the business to be retained will be managed under the data and analytics operating segment.

Industry Overview

Our revenues are primarily generated from data and analytics, and we expect that the need for analytic data solutions will continue to grow as organizations increasingly rely on data and analytics to compete and achieve a differentiated advantage. The multi-billion dollar addressable markets in which our solutions compete include data warehousing and big data analytics software and hardware, as well as consulting and maintenance services.

The need for analytic data solutions is further driven by the convergence of the following key market dynamics we have observed:

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- Significant data growth is being driven by new types of data, such as big data and the Internet of Things; examples include machine-generated data, sensor data, data from connected devices, social network data, internet text and search indexing, call detail records, genomics, biological research, medical records, seismic/exploration data, photography and video archives, and large scale e-commerce data;
- Analytics are growing in importance as global businesses seek new means to drive business value from the ever-increasing amounts and types of data;
- Globalization, mobility, consolidation, security concerns, fraud prevention, and increased government regulations are creating the need for enhanced visibility across the entire enterprise at all times;
- Intense global competition is driving companies to increasingly adopt analytic data technologies to address the vast complexity inherent in their markets and businesses;
- Business representatives, rather than IT or procurement personnel, now have increased relevance in analytical ecosystem purchase decisions;
- An evolving IT landscape and purchasing activity is being driven by increased usage of open-source software, cloud-based offerings, software-only analytic solutions and commodity hardware;
- Analytic environments are becoming more complex to design and manage, as there are increasing types of analytic tools and techniques, multiple data management systems, varying service level requirements, and the growth and volume of data;
- Improved analytic data platform affordability due to price/performance gains on server, disk, and memory hardware as well as open source software, and more consumption-based usage and pricing, such as cloud deployment and subscription pricing; and
- Demand for value-added services is growing as customers seek help with evolving their analytic architectures, rapidly deploying their analytic architectural solutions, and increasingly look to purchase analytic capabilities “as a service".

Our Solutions

Teradata Unified Data Architecture™ is a comprehensive framework that enables organizations to address all types of data and analytics. This architecture combines the complementary value of technologies from Teradata, Teradata Aster, and a range of open source and non-Teradata technologies into a cohesive and orchestrated analytical ecosystem that accelerates our customers’ ability to use and derive value from all of their data.

Data and Analytics solutions to capture, integrate, store, manage, and analyze all types of data to answer business questions and exploit data for insight and value. Our solutions cover what the industry refers to as data warehousing and big data analytics and related services. Customers use our technologies and related services to acquire data from multiple sources, define the relationship between the data elements, manage and analyze this data both historically and in real-time to gain business insights and drive operational actions to front line users, customers and partners. Big data analytics describe analytic environments with significant data volume, variety, velocity and complexity. We help companies manage and analyze big data that typically has unknown relationships where fast analytic iteration and new analytic tools are required to discover new insights for the business.

We also offer a suite of analytic applications that deliver value by analyzing data and allowing it to be used across an enterprise. Some of the areas covered by these applications include demand forecasting, finance and performance management, profitability analytics, and data mining.

Marketing Applications. Through our marketing applications business, we offer fully integrated marketing management solutions to help organizations drive business impact and win customer loyalty. Our integrated marketing applications are offered in the cloud as software as a service or on-premises. These offerings are designed to help customers implement their data-driven marketing strategies, including solutions for marketing operations, campaign management, digital marketing, marketing analytics, and customer data management. However, as previously noted, we are exiting most of this business to focus on our core data and analytics business.

Our Products and Services. We are a single-source provider of analytic data platforms with a fully integrated business that includes market-leading technologies and customer-focused professionals. Our products are optimized and integrated specifically for data analytics and analytic applications, including our database and application software, workload-specific hardware platforms, and related consulting and support services.

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Our software and hardware products include:

- Teradata Database Software-Our Teradata® Database software combined with our massively parallel processing hardware architecture provides the foundation for our unique ability to support and manage a wide range of mixed workloads and analytic data functions. Our Teradata Database software is designed to deliver near real-time intelligence for our customers with capabilities and features such as: support of short running operational queries and long running strategic queries (mixed workloads), the ability to handle thousands of concurrent queries from thousands of concurrent users, simple to very complex queries, robust workload management, high system availability, system health monitoring, automatic support escalation and easy integration into the enterprise. Our database software includes Teradata Intelligent Memory, which keeps the most frequently used data in memory for cost-effective, rapid query processing. We also offer license subscriptions that provide our customers with when-and-if-available upgrades and enhancements to our database software. We also offer industry-specific logical data models which are pre-defined, easy-to-follow blueprints that reflect data relationships that are tailored to the specific needs of a particular industry.
- Teradata Workload-Specific Platforms-Our platform products are purpose-built to provide an analytic data platform that is used for all types of data-capturing, staging, storing, archiving, and refining - and all types of uses - from fully-integrated warehouses, departmental data marts, discovery, archiving and disaster recovery. Key software products include the Teradata Database, Teradata Aster database and Hadoop® (leveraging the Hortonworks and Cloudera Hadoop distributions). For the hardware component of our solutions, Teradata integrates and optimizes industry standard hardware components to create highly-available, massively-scalable solution stacks. We utilize industry-standard Intel® multi-core processors, along with industry-standard storage offerings, that are designed to provide seamless, transparent scalability. Each platform comes ready to run for a distinct need, from basic analysis to integrated big data analytics, to data warehousing. Teradata's workload-specific platforms are designed to allow customers to meet their specific workload needs at various and most appropriate price points. These platforms are available both on-premises or via a cloud delivery model.
- Teradata Aster Analytics Discovery Platform-Our big data analytics discovery platform is pre-configured with our powerful Teradata Aster Database, which features our patented SQL-MapReduce® framework and fully-supported Teradata hardware. It includes the Teradata Aster SQL-GR™ analytic engine for graph analysis across big data sets. Our discovery platform is designed for rapid exploration and discovery from a wide variety of data types and analytic functions to generate differentiated business value.
- Teradata Portfolio for Hadoop-Teradata supports a suite of products, tools and services for our customers to deploy Hadoop into their analytical environment. The portfolio includes an enterprise Hadoop distribution, fully-integrated appliances, tools for system management, tools for data wrangling, lineage and archiving, and consulting and support services.
- Teradata QueryGrid-Intelligent orchestration layer software that provides seamless and transparent access to analytics across diverse processing engines in an analytical ecosystem. It provides access to data and analytics to any user in the company, using existing tools, without requiring specialized skills and tools. Orchestrating and balancing processes across the ecosystem minimizes data movement and data duplication, helping companies get maximum value from their IT assets.
- Teradata Marketing Applications-Our fully-integrated marketing applications help organizations manage marketing workflows, budget allocation, leads, analytics, and digital assets. Designed to automate the planning and creation of timely, relevant and individualized campaigns for end-users, the applications are offered on-premises and as software as a service in the cloud.

Our service offerings include:

- Teradata Business Consulting Services-We offer services to identify and prioritize customer's analytic needs to support their corporate strategy. Our business consultants are trusted advisors of our customers, have extensive industry expertise and hands-on experience to help our customers quickly recognize business value. Our consultants provide analytic data platform business impact modeling, analytic architecture roadmaps, analytic maturity assessments, solution planning and services to optimize all of a customer's data. These

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business consultants work closely with our technology and implementation services to help plan and implement a complete project for the customer.

- Teradata Technology and Implementation Services-We offer services to deliver a solution that drives business value via a disciplined analysis of conceptual, logical and physical architectural design choices. Our consultants provide architecture services, migration, upgrade, implementation, optimization, and expansion services for the full enterprise analytical ecosystem with deep expertise in data integration and data management, business intelligence, open source analytic platforms and Teradata. We provide both onshore and offshore consulting resources to address customer requirements. Our Global Delivery Centers around the world are staffed with professionals trained in our proven solutions methodologies, and supplement local consulting teams by utilizing the accumulated wealth of our global knowledge base.
- Teradata Cloud Services-We offer our products as cloud services to our customers, including our marketing applications, Teradata Database, Teradata Aster Database, and Hadoop. Our cloud services provide customers the flexibility to access Teradata solutions on demand in a secure environment with pay-as-you go pricing options.
- Teradata Managed Services-We offer our customers the option of using skilled Teradata personnel for data integration, data warehouse, discovery, Hadoop and business intelligence environments from a single source. These services range from monitoring and managing day-to-day analytics operations to helping improve processes for greater productivity and efficiency.
- 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 analytic data platforms and applications around the world. Our customer support service offers both proactive and reactive services, including installation, maintenance, monitoring, back-up, and recovery services to allow customers to maximize availability and better leverage the value of their investments in Teradata solutions. They assist customers 24x7x365 for both on-site and remote support.
- Training Services-To enhance the value of their investment, we provide our customers with training to help them get the most value from their Teradata analytic data platforms and marketing and analytical applications. These are offered via a variety of delivery formats from web-based to hands-on classroom course to suit customers’ needs.
- Teradata Marketing Services -We have consultants with extensive marketing applications knowledge to design and implement our marketing applications. We also offer services to help customers develop their marketing strategy and to professionally manage customers' communications and execute marketing campaigns with their customers.

Our Strategy. Teradata empowers data-driven companies to achieve competitive advantage and win in their markets by exploiting data for insight and value. With Teradata’s industry-leading analytic data solutions, marketing applications and proven consulting experience and expertise, companies can become more competitive by leveraging insights from data to, among other things, increase revenue, improve marketing effectiveness, drive innovation, enhance customer relationships, improve business processes, and reduce costs.

Our strategy is centered on providing the world’s best data solutions to drive competitive advantage for our customers, by focusing on these following critical areas:

- Deliver our solutions on-premises or via the cloud (as a service), offering customers choice in how they deploy a Teradata analytics environment and leverage the power of our solutions. These flexible delivery options are designed to extend our market opportunity.
- Expand our analytical ecosystem offerings, including our big data portfolio, that helps organizations architect, integrate data into, and manage their analytic environment. We also focus on enhancing and extending value-added services, including big data consulting, ecosystem architecture consulting and managed services across customers' complex analytical ecosystems.

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- Building analytic solutions and providing consulting that creates actionable insights and/or automates decisions that deliver high impact return on investment, by packaging replicable analytical use cases, based on learnings from our top customers, many of whom are the leaders and innovators in analytics.
- Optimize our go-to-market approach to improve effectiveness in demand creation and address new and expanded market opportunities, such as with our cloud offerings.
- Continue investing in partnerships to increase the number of solutions available on Teradata platforms, maximize customer value, and increase our market coverage.

We believe that these strategic areas will best position us to be our customers' trusted advisor and partner of choice for architecting, implementing, and managing their analytic solutions.

Customers. We focus our sales efforts on both business and technology buyers at leading companies across a broad set of industries, including banking/financial services, communications (including telecommunications, e-business, and media and entertainment), energy, government, insurance and healthcare, manufacturing, oil and gas, retail, travel and transportation logistics, and utilities. These industries provide a good fit for our analytic data solutions, as they tend to have large and growing data volumes, and expanding sources of data, complex data management requirements, or large and varied groups of users. We also have many marketing applications customers of various sizes in many industries. Many of these customers leverage our software-as-a-service offerings.

The extent to which any given customer contributes to our revenues generally varies significantly from year to year and quarter to quarter. Therefore, a customer with a large order in one quarter is likely to generate additional revenue for Teradata in subsequent periods as we provide support services and additional capacity as their analytical ecosystem evolves and grows to meet their business requirements. For the year ended December 31, 2015, our top ten customers collectively accounted for approximately 14% of our total revenues. Moreover, Teradata's revenue can vary considerably from period to period given the different growth and purchasing patterns of our existing customers' data warehouse systems, discovery platforms and data management platforms as well as the variable timing of new customer orders. Due to the size and complexity of these transactions (purchases), the sales cycle for a new analytic data platform 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. We believe that our market and revenue generation potential remain strong, as existing customers continue to invest in and grow the size and scope of their analytical ecosystems due to growth in the number of users, amounts of data, new types of data including big data, and types and complexity of workloads, queries and analytics.

Partners, Marketing and Distribution Channels

Strategic Partnerships. We seek to leverage our sales and marketing reach by partnering with leading global and regional systems integrators, independent software vendors, Hadoop distributors, and consultants, which we believe complement our analytic data platforms and marketing applications.

- Alliance Partners-Strategic partnerships are a key factor in our ability to leverage the value and expand the scope of our analytic data platforms and marketing applications in the marketplace. Our partner program is focused on working collaboratively with independent software vendors in several areas critical to our analytic data platforms, including tools, data and application integration solutions, data mining, analytics, business intelligence, specific horizontal and industry solutions, and those that help integrate digital marketing across multiple solutions and vendors. Our goal is to provide choices to our customers with partner offerings that are optimized and certified with our solutions, and fit within the customer's environment. Our strategic alliance partners include many leaders in the business intelligence, data acquisition, advanced analytics, big data, Hadoop and marketing applications markets.
- Systems Integrators-Teradata works with a range of consultants and systems integrators that engage in the design, implementation and integration of analytic data platforms and marketing and analytic applications 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. Our strategic global consulting and systems integration partners include Accenture, Capgemini, Cognizant Technology Solutions, Deloitte, IBM Global Business Services, and Wipro Limited.

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Sales and Marketing. We primarily sell and market our data and analytics and marketing applications solutions 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, highlighting our technology leadership and differentiation in the market, create demand for our products and services, educate the sales force to build skills and knowledge, 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 analytic data solutions and integrated marketing applications, and Teradata solutions specifically, we employ a broad range of marketing strategies including programs to inform and educate customers and prospects, the media, industry analysts, academics and other third-party influencers. These strategies include targeted direct marketing, our global website, webinars, trade shows and conferences, public and media relations and social media.

We believe that promoting customer success and return on investment is an important element of our success. As a result, we have developed an active program to support and leverage customer references and testimonials/success stories.

Resellers and Distributors. Although the majority of our sales are direct, in limited situations 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 several 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.

Sources of Materials. Our hardware components are assembled and configured by Flextronics International Ltd. (“Flextronics”). Our platform line is designed to leverage the components from industry leaders. Our data storage devices and memory components utilize industry-standard technologies, but are selected and configured 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 business 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. We compete in a large and growing market that is attractive to both legacy and new competitors. Our competition includes new analytics services companies, cloud vendors and open-source providers, as well as large traditional competitors, such as IBM and Oracle. We believe our proven architecture for both structured and unstructured data, integrated solutions with high-performing and scalable technology, deep and broad consulting and support services capabilities, strong customer relationships, and our successful track record will collectively enable us to continue to compete successfully. We also compete successfully in the marketplace with our Unified Data Architecture, bringing together our leading software, hardware and related services with open source offerings. For more information, see Item 1A, Risk Factors, elsewhere in this Annual Report.

Competitors take different technical and integration approaches to addressing data analytic needs, and therefore they often recommend a different architecture than we do. We believe that our customers recognize the advantages of our technologies and our approach as described above.

Our Data Warehouse platform technology is designed to scale with customer growth needs and support the coexistence of multiple generations of nodes in a single environment, thus protecting the customer’s prior investments. Because our Teradata workload-specific platform family also includes data warehousing and big data discovery appliances, we believe we have the right platform for any analytical architecture need and any data type, both structured and unstructured, which makes our analytic data platforms and solutions particularly attractive to customers and enables us to successfully compete in the marketplace.

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Key factors used to evaluate competitors in these markets include: data analytics experience; customer references; technology leadership; product quality; performance, scalability, availability and manageability; support and consulting services capabilities; management of technologies in a complex analytical ecosystem; industry knowledge; and total cost of ownership. We believe we have a competitive advantage in providing complete, integrated, and optimized analytic data platforms and analytic services that address customers' business, technical and architecture requirements. Our differentiation is especially strong with customers that have mission critical, complex, large scale environments.

Many companies participate in adjacent areas of the analytics market, such as enterprise analytic and business intelligence application software. The status of our business relationships with these companies can influence our ability to compete. 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. In the marketing applications marketplace, we also see competition from companies like IBM, Adobe, Oracle, Salesforce.com and SAS, along with a variety of niche providers whose offerings overlap to a greater or lesser degree with our own.

Seasonality. Historically our sales are somewhat 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. Typically, cash provided by operating activities is higher in the first half of the year due to the higher receivable balances at December 31 and the increase in deferred revenue resulting from the timing of annual renewals of our postcontract customer support agreements. 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 analytic data platforms that anticipate our customers' evolving technological and delivery needs. As we seek improvements in our products and services, we also consider our customers' 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. The global R&D team is located in multiple facilities around the world to take advantage of global engineering talent. We anticipate that we will continue to have significant R&D expenditures, which may include complementary strategic acquisitions, in order to help support the flow of innovative, high-quality products, services and applications, 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 the Notes to Consolidated Financial Statements elsewhere in this Annual Report.

Intellectual Property and Technology. The Company owns 700 patents in the United States, one of which is part of the marketing applications business, and 48 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 all of the Teradata software products including analytic data platforms and marketing applications. Teradata's software products reflect 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 protect our rights in all of our software products and related intellectual property; however, there can be no assurance that these measures will be successful. The Company owns the Teradata®, Aprimo®, and Aster® trademarks, which are registered in the United States and in many foreign countries, as well as other trade names, service marks, and trademarks.

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Employees. As of December 31, 2015, we had approximately 11,300 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.
Properties and Facilities. Our corporate headquarters is located in Dayton, Ohio, although our Johns Creek (Atlanta), Georgia; and Rancho Bernardo (San Diego), California facilities are also primary locations (within the United States). As of December 31, 2015, we operated 121 facilities in 44 countries throughout the world. We own our Rancho Bernardo research and development complex, while all of our other facilities are leased.
Executive Officers of the Registrant. The following table and biographies sets forth information as of February 26, 2016 regarding the individuals who are serving as our executive officers.

Name	Age	Position(s)
Michael Koehler	63	President and Chief Executive Officer
Saundra Davis	52	Chief Human Resource Officer
John Dinning	48	Chief Transformation Officer
Robert Fair	53	Chief Operating Officer
Dan Harrington	52	Executive Vice President, International Region and Global Services
Rick Morton	58	President, Americas Region
Laura Nyquist	62	General Counsel and Secretary
Oliver Ratzesberger	45	President, Teradata Labs
Stephen Scheppmann	60	Executive Vice President and Chief Financial Officer

Michael Koehler. Mr. Koehler is the President and Chief Executive Officer of Teradata and has served in this role since 2007. Previously, Mr. Koehler served as Senior Vice President, Teradata Division of NCR from 2003 to 2007. From 2002 until 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 and also serves as a director of Hertz Global Holdings, Inc., a publicly-traded company, and its subsidiary, Hertz Corporation, a leading rental car and equipment provider.
Saundra Davis. Saundra Davis is Teradata’s Chief Human Resource Officer and has served in this role since joining Teradata in 2007. Ms. Davis served as Vice President, Human Resources, Teradata Division of NCR from 2004 to 2007. Prior to this position, Ms. Davis served as Vice President, Human Resources, Corporate Infrastructure, at NCR in 2003. Ms. Davis joined NCR in 1985 and held a number of positions of increasing responsibility in human resources during her career there.
John Dinning. As of February 2016, John Dinning is the Company’s Chief Transformation Officer with responsibility for leading Teradata’s business transformation team. Since 2012, he has led the Company’s data and analytics product management and product marketing functions, adding responsibility for cloud operations in June 2015. In his previous role as vice president of corporate development, from 2007 to 2012, Mr. Dinning was responsible for Teradata’s overall corporate strategy and mergers and acquisitions. Prior to that, he was vice president, horizontal solutions and global alliances from 2005 to 2007, which included the marketing and business development around Teradata’s customer management, finance and performance management, and demand and supply chain solutions, as well as, leadership of Teradata’s global alliances organization. Dinning joined Teradata in 2000 as a result of the acquisition of campaign management start-up Ceres Integration Solutions where he was responsible for marketing, product management, and software quality engineering.
Robert Fair. Robert Fair is the Chief Operating Officer of the Company and from February 2015 to December 2015, was Co-President of Teradata and head of the Teradata Marketing Applications Division, with responsibility for the marketing applications business, including its planned divestiture, as well as Corporate Marketing, Corporate Operations, and IT Services. Prior to that time, since December 2012, Mr. Fair was Executive Vice President and Chief Marketing and Information Officer for Teradata. He served as Executive Vice President, Global Field Operations of Teradata from 2007 to 2012. From April 2003 to September 2007, Mr. Fair served as Vice President, Business Development and Global Marketing, Teradata Division of NCR. From 2000 to 2003, he was Vice

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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 before joining Teradata.

Dan Harrington. Mr. Harrington is the Executive Vice President, International Region and Global Services, and has served as head of Teradata's entire global services organization including both consulting and support services since 2012 with added responsibility for the International sales region since June 2015. Previously, Mr. Harrington served as Executive Vice President, Technology and Support Services of Teradata from 2007 to 2012. He served as Vice President, Customer Services, Teradata Division of NCR, from 2005 until 2007. From 1999 to 2004, he was Vice President, Northern Europe, Teradata Division with responsibility for Europe sales. Mr. Harrington joined NCR in 1985 and held a number of positions of increasing responsibility in the areas of sales, marketing and product management before he joined Teradata.

Rick Morton. Rick Morton is President, Americas Region for Teradata, a position he has held since November 2015. From 2013 until that time, he held a global sales operations role in which he assisted with various Teradata strategic sales force initiatives. From 2006 to 2012, he served as Vice President of the Financial Services industry organization. Prior to 2006, Mr. Morton was a Solution Vice President where he was responsible for the sales and services business in the central region of the United States. He was appointed as the Vice President of the National Accounts Division for the Teradata Division of NCR in 2002. Mr. Morton began his career with NCR in 1983 as a project manager and progressed through a number of professional services and sales management roles during his tenure with the company.

Laura Nyquist. Laura Nyquist is the General Counsel and Secretary of Teradata and has served in this role since joining Teradata in 2007. Ms. Nyquist served as Deputy General Counsel and Chief Counsel, Business Counsel Group, NCR, from 2006 to 2007. Prior to this position, Ms. Nyquist was Chief Counsel, Financial Solutions Division from 2004 to 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 prior to joining Teradata.

Oliver Ratzesberger. Oliver Ratzesberger was appointed President, Teradata Labs in June 2015 with responsibility for the research and development of the Company's data and analytics solutions. Prior to that time, he led the software teams for Teradata Labs. Before joining Teradata in 2013, he spent seven years at eBay Inc. where he was responsible for its data warehouse and big data platforms. Before joining eBay, Mr. Ratzesberger worked for startups in software development and information technology, and from 1996 to 2004, he held various positions in data warehousing and professional services for NCR.

Stephen Scheppmann. Stephen Scheppmann has served as Executive Vice President and Chief Financial Officer of Teradata since September 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 2006 until 2007, following the completion of that company's acquisition. From 2000 to 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. From January 2006 until June 2012, Mr. Scheppmann served as a member of the Board of Directors of eResearch Technology, Inc. and as chairman of its Audit Committee from April 2006 until June 2012.

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 (the "Exchange Act"). 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,

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the Notice of Meeting and Proxy Statement for the 2016 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

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.

The failure to realize the anticipated benefits of our business transformation plan - including transition to new business focus areas and delivery models, sales structures, talent management, divestitures, restructuring and cost rationalization initiatives could adversely impact our business and financial results.

The successful implementation of our business transformation plan to evolve with the market and expand our market opportunity, including the ability to successfully exit the portion of our marketing applications business that we anticipate divesting, presents significant organizational and infrastructure challenges. As a result, we may not be able to implement and realize the anticipated benefits from our plan. Events and circumstances, such as financial or unforeseen difficulties, delays and unexpected costs, may occur that could result in our not realizing desired outcomes. Any failure to implement the plan in accordance with our expectations could have a material adverse effect on our financial results. Even if the anticipated benefits and savings are substantially realized, there may be consequences, internal control issues, or business impacts that were not expected. Additionally, as a result of our restructuring efforts in connection with our business transformation plan, we may experience a loss of continuity, loss of accumulated knowledge or loss of efficiency during transitional periods. Reorganization and restructuring can require a significant amount of management and other employees' time and focus, which may divert attention from operating activities and growing our business. If we fail to achieve some or all of the expected benefits of these activities, it could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

From time to time, the Company exits businesses or attempts to sell assets that are no longer central to its strategic objectives, such as the plan to exit most of the marketing applications business. Any such disposition or attempted disposition is subject to risks, including risks related to the terms and timing of such disposition, risks related to obtaining necessary government or regulatory approvals, risks related to retained liabilities not subject to the company’s control, and risks related to the need to provide transition services to the disposed business, which may result in the diversion of resources and focus.

As part of our transformation strategy, the Company will release new offerings and employ new product and services delivery methods, such as software-only, software as a service, and cloud offerings. It is uncertain whether these strategies will prove successful or whether we will be able to develop the necessary infrastructure and business models more quickly than our competitors. Market acceptance of new product and service offerings will be dependent in part on our ability to include functionality and usability that address customer requirements, and

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optimally price our products and services to meet customer demand and cover our costs. Our go-to-market strategy also must adjust to customers' changing buying preferences and our new products and delivery options. New product and service offerings may increase our risk of liability and cause us to incur significant technical, legal or other costs. For example, with our cloud-based offerings, market acceptance of such services is affected by a variety of factors, including information security, reliability, performance, the sufficiency of technological infrastructure to support our products and services in certain geographies, customer concerns with entrusting a third party to store and manage its data and access this data once a subscription has expired, and consumer concerns regarding data privacy and the enactment of laws or regulations that restrict our ability to provide such services to customers. If we are unable to respond to these threats, our business could be harmed.

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 and governmental entities that make capital commitments for new technologies. Since mid-2012, we have seen a shift in the market and in customers' buying patterns, with respect to large capital investments and related services. Accordingly, downturns or uncertainty in the global or regional economies in which we operate or certain economic sectors (such as retail, manufacturing, financial services or government) 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 IT 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 and models for consuming and delivering business and IT services, 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 preferences and other shifts in market demands, which drive changes in the Company's competition;
- Continued pressure on price/performance for analytic data platform 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, competitors, and business models;
- Continued emergence of open source software that often attempts to rival current technology offerings at a much lower cost despite its limited functionality;
- Rapid changes in product delivery models, such as on-premises solutions versus cloud solutions;
- Changing competitive requirements and deliverables in developing and emerging markets; and
- Continuing trend toward consolidation of companies which could adversely affect our ability to compete, including if our key partners merge or partner with our competitors.

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. Our market position depends on our ability to continually improve the price/performance of our solutions, while maintaining efficient operations to sustain our competitive operating margins. We must also

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maintain the quality of our products and services throughout these shifts in market demand. 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 competitors include certain larger companies, such as IBM and Oracle, which 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 applications, analytic data platforms 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 and/or grow its current level of operations.

As the market trends toward more limited IT spending, there could be fewer customer transactions, or smaller transactions, 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 leveraging the investments they have made in their core data warehousing infrastructures during past years. In addition, reduced prices and improvements in analytic data solutions may 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-If our existing customers fail to renew their support agreements, if customers do not license updated software products on terms favorable to us, or if customers do not renew their term license arrangements with us, our revenues could be adversely affected.

We currently derive a significant portion of our overall revenues from maintenance services and software subscriptions (unspecified when-and-if-available upgrades), 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. Mergers and acquisitions in certain industries that we serve 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.

Replacements of older Teradata systems often result in less hardware maintenance revenue since Teradata’s newer hardware is designed to be more powerful, use less energy and require less floor space. As a result, less hardware is needed for the same workload, and therefore less maintenance may be required on the newer generation system. However, it is been common that when a customer replaces an older platform, they often have also expanded the size and scope of their Teradata system, resulting in an increase in maintenance revenue, though not at the same rate of increase as product revenue.

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Additionally, Teradata's software application offerings have been expanded to include term licenses, hosting arrangements and software as a service, which can change the timing of when revenues are recognized. Additionally, future revenue streams could be adversely affected if customers do not renew their term licenses, hosting arrangements or software as a service 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;
- Changes in how customers prefer to purchase analytical solutions;
- 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
- 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, costs, expenses and the related disclosure of contingent liabilities.

Acquisitions and Alliances-Our ability to successfully integrate acquisitions and effectively manage acquisitions may be an important element of future growth.

We are continually evaluating the most effective ways to extend Teradata's core technology and expand our family of compatible analytic platforms and software applications to address multiple market segments and solution offerings. From time to time, this includes acquisitions, equity investments or joint ventures. Such transactions entail various risks, including risks associated with:

- Assimilating and integrating different business operations, corporate cultures, personnel, infrastructure and technologies or products acquired or licensed;
- Retaining key employees and maintaining relationships with employees, customers, clients or suppliers of the acquired companies,
- Recurring revenue of the acquired company may decline or fail to be renewed;
- The potential for unknown liabilities, as well as undetected internal control, compliance or quality issues within the acquired or combined business or additional costs not anticipated at the time of acquisition;
- Disruptions of our ongoing business or inability to successfully incorporate acquired products, services or technologies into our solutions and maintain quality;
- Failure to achieve the projected synergies after integration of acquired companies or a decline in value of the acquired business and related impairments;

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- Funding acquisition activities, whether through the use of existing cash reserves, or through the use of debt, and the related impact on our liquidity and financial condition; and
- Failure to realize all the economic benefits from these acquisitions, equity investments or joint ventures could result in an impairment of goodwill, intangible assets or other assets, which could result in a significant adverse impact to our results of operations.

Our operating results may fluctuate as a result of acquisitions and related integration activities, as well as other strategic growth transactions, and there is a risk that our financial results may be adversely affected.

Changing Tax Rates-A change in our effective tax rate can have a significant adverse impact on our business.

A number of factors may adversely impact our future effective tax rates, such as the jurisdictions in which our profits are determined to be earned and taxed; the resolution of issues arising from tax audits with various tax authorities; changes in the valuation of our deferred tax assets and liabilities; adjustments to estimated taxes upon finalization of various tax returns; changes in available tax credits, especially surrounding tax credits in the United States for our research and development activities; and the repatriation of non-U.S. earnings for which we have not previously provided for U.S. taxes. Tax authorities may disagree with certain positions we have taken and assess additional taxes. We regularly assess the likely outcomes of these audits in order to determine the appropriateness of our tax provision, however, there can be no assurance that we will accurately predict the outcomes of these audits, and the actual outcomes of these audits could have a material impact on our net income or financial condition. Changes in tax laws or tax rulings could materially impact our effective tax rate. For example, proposals for fundamental international tax reform, both in the U.S. and internationally, could have a significant adverse impact on our future results of operations.

Sales Cycle Variations-Unanticipated delays or accelerations in our sales cycles make accurate estimation of our revenues difficult and could result in significant fluctuations in our quarterly operating results.

The size and timing of large orders for our products and services varies considerably, which can impact results from quarter to quarter. The process we use to forecast sales and trends in our business relies heavily on estimates of closure on a transaction-specific basis. It is very difficult to predict sales in a particular quarter or over a longer period of time. Unanticipated delays or accelerations in our sales cycles make accurate estimation of our revenues difficult and could result in significant fluctuations in our quarterly operating results.

The length of our sales cycle varies depending on a number of factors over which we may have little or no control, including the size and complexity of a potential transaction, the level of competition that we encounter in our selling activities and our current and potential customers' internal budgeting and approval process, as well as overall macro-economic conditions. As a result of a generally long sales cycle, we may expend significant effort over a long period of time in an attempt to obtain an order, but ultimately not complete the sale, or the order ultimately received may be smaller than anticipated. Our revenue from different customers varies from quarter to quarter, and a customer with a large order in one quarter may generate significantly lower revenue in subsequent periods. Our results in any particular quarter have generally been dependent on the timing of a relatively small number of large transactions. Due to resulting fluctuations, we believe that quarter-to-quarter comparisons of our revenue, margins, and operating results may not be meaningful, and that these comparisons may not be an accurate indicator of our future performance. In addition, the budgeting and IT capital spending cycles of our customers and potential customers make forecasting more difficult and may adversely affect our ability to accurately predict financial results. Spending may be particularly heavy in our fourth quarter because of large enterprise customers placing orders before the expiration of IT budgets tied to that calendar year.

Our operating expense budgets (including such categories as headcount, real estate, and technology resources) are based on projected annual and quarterly revenue levels and are generally incurred ratably throughout each quarter. Since our operating expenses are relatively fixed in the short term, failure to generate projected revenues for a specified period could adversely impact our operating results, reducing net income or causing an operating loss for

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that period. The deferral or non-occurrence of such sales revenues could adversely affect our operating results for that quarter and could negatively impact our business in future periods.

Seasonal Variability-Seasonal trends in sales of our products and services could adversely affect our quarterly operating results.

In general, we see fluctuations in buying patterns with lower revenue in the first quarter and higher revenue in the fourth quarter of each year. Such seasonality also 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, which further impacts our ability to predict financial results accurately and enhances the enterprise risks inherent in our business. These and other factors make forecasting more difficult and may adversely affect our ability to predict financial results accurately.

Revenue Mix Variability-Our revenue is variable depending on the mix of products and services in any given period, and changes in the mix of products and services that we sell could materially adversely affect our operating results.

Our business model is based on our anticipated mix of products and services and the corresponding profit margins for such products and services. Unfavorable shifts in such mix could adversely impact our results of operations and require changes to our business model. Consulting services margins are generally lower than the other elements of our analytic data solutions. In addition, when we use third parties to supplement some consulting services we provide to customers, this generally results in lower margin rates. As a result, increases in consulting services revenues as a percentage of our total revenues may decrease overall margins.

We also realize different average selling prices and margins on different versions of our analytic data platforms, as well as certain components we re-sell as part of our solutions, and the mix of such hardware and software varies from quarter to quarter depending on customer requirements. In addition, changes in the price and performance of our analytic data platforms, particularly for certain hardware components, could negatively impact maintenance and support services, and software subscription revenues. Additionally, as we implement part of our business transformation plan and shift from upfront perpetual licenses to recurring subscription models for both on-premises and cloud offerings, our revenue mix may be impacted.

Advancement of Our Solutions-The solutions we sell are advanced, and we need to rapidly and successfully develop and introduce new solutions in a competitive, demanding and rapidly changing environment.

To succeed in the intensely competitive IT industry, we must continually improve, refresh and expand our product and service offerings to include newer features, functionality, delivery options or solutions, and keep pace with price-to-performance gains in the IT industry. Shortened product life cycles due to customer demands and competitive pressures impact the pace at which we must introduce and implement new technology. This requires a high level of innovation by both our software developers and the suppliers of the third-party software components included in our systems. In addition, bringing new solutions to the market entails a costly and lengthy process, and requires us to accurately anticipate customer needs and technology trends. We must continue to respond to market demands, develop leading technologies and maintain leadership in analytic data solutions performance and scalability, or our business operations may be adversely affected.

We must also anticipate and respond to customer demands regarding the compatibility of our current and prior offerings. These demands could hinder the pace of introducing and implementing new technology. Our future results may be affected if our products cannot effectively interface and perform well with software products of other companies and with our customers’ existing IT infrastructures, or if we are unsuccessful in our efforts to enter into agreements allowing integration of third-party technology with the Teradata database and software platforms. Our efforts to develop the interoperability of our products may require significant investments of capital and employee resources. In addition, many of our principal products are used with products offered by third parties and, in the future, some vendors of non-Teradata products may become less willing to provide us with access to their products, technical information and marketing and sales support.

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As a result of these and other factors, our ability to introduce new or improved solutions could be adversely impacted. There can be no assurance that our innovations will be profitable, and if we cannot successfully market and sell both existing and newly developed solutions, our business and operating results could be impacted. If we were to lose our significant technology advantage, our market share and growth could be adversely affected. In addition, if we are unable to deliver products, features, and functionality as projected, we may be unable to meet our commitments to customers, which could have an adverse effect on our reputation and business.

Highly Advanced Products-Our products include highly advanced technology, and as we develop new products with greater capacity and performance capabilities, the increased difficulty and complexity associated with producing these products increases the likelihood of reliability, quality or operability problems.

Despite rigorous testing prior to their release and well-designed quality processes, our software and hardware products may contain undetected errors or security flaws, which may be found after the products are introduced and shipped. This risk is enhanced when products are first introduced or when new versions are released, as well as when we develop products with more advanced technology, since the increased difficulty and complexity associated with producing these products increases the likelihood of reliability, quality or operability problems. The correction and detection of errors may cause delays, lost revenues and incremental costs. Errors in our software products could also affect the ability of our products to work with other hardware or software products, could delay the development or release of new products or new versions of products, and could adversely affect market acceptance of our products. While we attempt to remedy errors that we believe would be considered critical by our customers prior to shipment, we may not be able to detect or remedy all such errors.

Our customers who rely on our solutions for business-critical applications are more sensitive to product errors, which could expose us to product liability, performance and warranty claims, as well as harm our reputation. These and other risks associated with new product and service offerings may have a material adverse impact on our results of operations and future performance.

Product introductions and certain enhancements of existing products by us in future periods may also reduce demand for our existing products or could delay purchases by customers awaiting arrival of our new products. As new or enhanced products are introduced, we must successfully manage the transition from older products.

In the ordinary course of business, we continually evaluate opportunities for new product and service offerings, new markets and new geographic sectors, and development of such opportunities could entail certain business risks which could affect our financial condition. In addition, due to the complexity of many of our offerings, we may not be able to meet customer requirements with respect to consulting services without incurring costs greater than expected levels.

Information Systems and Security-A breach of security, disruption or failure of our information systems or those of our third party providers could adversely impact our business and financial results.

Our operations are dependent on our ability to protect our computer equipment and the information stored in our databases (and the computer equipment and database information of certain suppliers and other third parties) from damage by, among other things, earthquake, fire, natural disaster, cyber-attacks, power loss, telecommunications failures, unauthorized intrusions, malicious or unintended insider actions that cause loss of data or loss of systems, and other events. Despite our contingency planning, events of this nature may still result in system failures and other interruptions in our operations, which could have a material adverse effect on our business, financial condition or results of operations.

We generally operate pursuant to a business-to-business model, such that our customers buy or lease hardware systems used in connection with our solutions and the customers deploy and operate those solutions. With respect to these kinds of customer on-premises solutions, the customer, directly or through its selected services providers, manages all aspects of the data controls and security with respect to any confidential, private or otherwise sensitive information stored or processed through these solutions, including any personally identifiable data or information - such as non-public data regarding our customers’ employees, customer’s customers, consumers, data subjects, individuals’ identities, individual financial accounts and health information regulated by the Health Insurance Portability and Accountability Act of 1996. However, some of our services, including our software as a service or cloud offerings, may require us to deploy or operate solutions for our customers, directly or through the use of third

party services providers, either on-premises at customer-selected data center facilities or at third-party-hosted data center facilities selected by us. With respect to these kinds of cloud and non-traditional solution deployments and operations, we and such service providers have increased roles, responsibilities and risk exposures regarding some or all aspects of the data controls and security with respect to any confidential, private or otherwise sensitive information stored or processed through these solutions on our systems or those of selected third-party providers. If unauthorized access to or use of such information or systems occurs, despite data security measures and third party commitments to protect them, our results of operation, reputation, and relationships with our customers could be adversely impacted. Additionally, experienced computer programmers, Nation State Sponsored Advanced Persistent Code ("NSSAPC") attacks (from countries such as Iran, China and certain European Eastern Bloc countries) and hackers may be able to penetrate our network security or that of our third party providers and misappropriate or compromise our intellectual property or other confidential information or that of our customers, create system disruptions or cause shutdowns. Computer programmers and hackers also may be able to develop and deploy viruses, worms, and other malicious software programs that attack our products or otherwise exploit any security vulnerabilities of our products. We have reason to believe that at least one attempted NSSAPC cyber-attack occurred against our systems in 2012, although we do not believe that it was successful or that there was any adverse impact to the Company in connection with the incident. Despite the fact that our preventative and remediation tools and actions may have mitigated or preempted this attack, we have since taken additional steps designed to further improve the security of our networks and computer systems; however, there can be no assurance that our defensive measures will be adequate to prevent them in the future. Also, like many other companies, our workstations are regularly subject to penetration attempts and malicious threats by hackers and, despite our defensive measures, we may not always be able to detect, mitigate or preempt them all. Breaches of security and disruptions of our information systems have not historically had a material impact on our results of operations and we have no reason to believe that attempts by hackers such as those described above have negatively impacted our IT infrastructure, operations, confidential information or intellectual property. However, there is risk that these types of activities will recur and persist, that one or more of them may be successful in the future, that one or more of them may have been or will be successful but not detected, prevented, remediated or mitigated by us, and the costs to us to eliminate, detect, prevent, remediate, mitigate or alleviate cyber or other security problems, viruses, worms, malicious software programs and security vulnerabilities could be significant, and our efforts to address these problems may not be successful and could adversely impact our future results of operations.

Reliance on Third Parties-Our future results depend in part on our relationships with key suppliers, strategic partners and other third parties.

Our development, marketing and distribution strategies depend in part on our ability to form strategic alliances with third parties that have complementary products, software, services and skills. Our strategic partners include consultants and system integrators, software and technology providers, and indirect channel distributors in certain countries. These relationships create risks beyond our control of our partners changing their business focus, entering into strategic alliance with other companies, being acquired by our competitors, failing to meet performance criteria or improperly using our confidential information. If we fail to maintain or expand our relationships with strategic partners, our business may be adversely affected.

Third-party vendors provide important elements to our solutions; if we do not maintain our relationships with these vendors or if these vendors cease to be going concerns, interruptions in the supply of our products may result. There are some components of our solutions that we purchase from single sources due to price, quality, technology or other reasons. For example, we have relied on Flextronics as a key single source contract manufacturer for our hardware systems for the last several years. In addition, we buy silicon computer chips and microprocessors from Intel Corporation, and storage disk systems from NetApp, Inc. Some components supplied by third parties may be critical to our solutions, and several of our suppliers may terminate their agreements with us without cause with 180 days notice. If we were unable to purchase necessary services, parts, components or products from a particular vendor and had to find an alternative supplier, our shipments and deliveries could be delayed. Also, disruption in our supply chain or the need to find alternative suppliers could impact the costs and/or timing associated with procuring necessary products, components and services. In either case, our operations could be adversely impacted. Similarly, our suppliers' products and services have certain dependencies with respect to their own supply chain networks, and supply issues among our suppliers' suppliers may also adversely impact our business.

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In addition, smaller suppliers have operating risks that could impact our business. These risks could create product time delays, inventory and invoicing problems, staging delays, and other operational difficulties. We could also be impacted by their inability to provide high-quality products or services that conform to required specifications or contractual arrangements, which could negatively impact our business and operating results.

Reliance on the Intellectual Property of Third Parties-The loss of our rights to use software licensed to us by third parties could harm our business.

We have an active partner program that offers rights to sublicense third party software as part of a complete suite of solutions for our customers. This offering, as well as our reliance on third party software and licenses in our operating system software and business, creates risks that are not present when developing software in-house. For example, the viability, reliability and quality of such partners' businesses, as well as their ability to fulfill their obligations to us, are factors that come into play and could adversely affect our financial condition. Our operations could also be impacted if we are forced to seek alternative technology, or technology for new solutions, that may not be available on commercially reasonable terms. Also, many of our offerings are complemented by technologies developed by others, and if we are unable to continue to obtain licenses for such technologies at competitive prices, our business could be impacted.

Intellectual Property-If we are unable to develop, preserve and protect our intellectual property assets, our operating results may be adversely affected.

As a technology company, our intellectual property portfolio is crucial to our continuing ability to be a leading analytic data and applications solutions provider. We strive to protect and enhance our proprietary intellectual property rights through patent, copyright, trademark and trade secret laws, as well as through technological safeguards. These efforts include protection of the products and application, diagnostic and other software we develop. To the extent we are not successful our business could be materially adversely impacted. We may be unable to prevent third parties from using our technology without our authorization or independently developing technology that is similar to ours, particularly in those countries where the laws do not protect our proprietary rights as fully as in the United States (such as Iran, China and certain European Eastern Bloc countries who may use NSSAPC to advance their own industries). With respect to our pending patent applications, we may not be successful in securing patents for these claims, and our competitors may already have applied for patents that, once issued, will prevail over our patent rights or otherwise limit our ability to sell our products.

While we take steps to provide for confidentiality obligations of employees and third parties with whom we do business (including customers, suppliers and strategic partners), there is a risk that such parties will breach such obligations and jeopardize our intellectual property rights. Many customers have outsourced the administration and management of their data warehouses to third parties, including some of our competitors, who then have access to our confidential information. Although we have agreements in place to mitigate this risk, there can be no assurance that such protections will be sufficient. In addition, our ability to capture and re-use field-based developed intellectual property is important to future business opportunities and margins.

We are actively engaged in efforts to protect the value of our intellectual property and to prevent others from infringing our intellectual property rights. However, due to the complex and technical nature of such efforts and the potentially high stakes involved, such enforcement activity can be expensive and time consuming, and there can be no assurance that we will be successful in these efforts.

Research and Development-We make significant investments in research and development and cannot assure that these investments will be profitable.

As part of our business strategy, we must continue to dedicate a significant amount of resources to our research and development efforts in order to maintain and advance our competitive position, including our initiatives to provide our offerings for cloud environments. However, we may not expect to receive significant revenues from these investments for several years, if at all. Research and development expenses represent a significant portion of our discretionary fixed costs. We believe these new technologies could significantly improve our products and services

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over the long-term. However, if we have invested inappropriately, our results of operations could be adversely affected.

Intellectual Property Infringement Claims by Third Parties-Claims by others that we infringe their intellectual property rights could harm our business and financial condition.

We have seen a trend towards aggressive enforcement of intellectual property rights as the functionality of products in our industry increasingly overlaps and the volume of issued software patents continues to grow. As a result, there is a risk that we could be subject to infringement claims which, regardless of their validity, could:

- Be expensive, time consuming and divert management attention away from normal business operations;
- Require us to pay monetary damages or enter into non-standard royalty and licensing agreements;
- Require us to modify our product sales and development plans; or
- Require us to satisfy indemnification obligations to our customers.

Regardless of whether these claims have any merit, they can be burdensome to defend or settle and can harm our business and reputation.

Open Source Software-The growing market acceptance of open source software and lower cost alternatives present benefits and challenges for our industry.

We have developed a version of the Teradata database software to operate on open source and alternative platforms and have incorporated other types of open source software into our products, allowing us to enhance certain solutions without incurring substantial additional research and development costs and expand our solution offerings. “Open source” software is made widely available by its authors and is licensed for a nominal fee or, in some cases, at no charge.

Open source licenses typically mandate that proprietary software, when combined in specific ways with open source software, becomes subject to the open source license. We take steps to ensure that our proprietary software is not combined with, or does not incorporate, open source software in ways that would require our proprietary software to be subject to an open source license. However, few courts have interpreted the open source licenses, and the manner in which these licenses may be interpreted and enforced is therefore subject to uncertainty.

Additionally, there are certain open source software applications in the data analytics market that are being offered free of charge or for a nominal fee. Open source software offerings available in the marketplace such as Hadoop and others, can place additional competitive pressure on Teradata, even though we believe our offerings are unique and add value through software enhancements and services, and we may have difficulty in marketing our products to certain customers against available open source options.

International Operations-Generating substantial revenues from our multinational operations helps us to meet our strategic goals, but poses a number of risks.

In 2015, the percentage of our total revenues from outside of the United States was 44%. We believe that our geographic diversity may help to mitigate some risks associated with geographic concentrations of operations (e.g., adverse changes in foreign currency exchange rates and deteriorating economic environments or business disruptions due to economic or political uncertainties). However, our ability to sell our solutions internationally is subject to the following risks, among others:

- General economic and political conditions in each country that could adversely affect demand for our solutions in these markets;
- Currency exchange rate fluctuations that could result in lower demand for our products as well as generate currency translation losses;
- The impact of civil and political unrest (relating to war, terrorist activity or other turmoil) on the economy or markets in general, or on our ability, or that of our suppliers, to meet commitments, which may occur in other countries where we have significant operations;
- Changes to and compliance with a variety of local laws and regulations that may increase our cost of doing business in these markets or otherwise prevent us from effectively competing in these markets;

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- Cultural and management challenges with managing new and growing consulting services and engineering functions overseas in developing countries;
- Difficulties in staffing and managing our foreign offices and the increased travel, infrastructure and legal and compliance costs associated with multiple international locations;
- Longer payment cycles for sales in foreign countries and difficulties in enforcing contracts and collecting accounts receivable;
- Tariffs or other restrictions on foreign trade or investment;
- Costs and delays associated with developing products in multiple languages;
- The impact of catastrophic weather or other negative effects of climate change on our facilities, operations and/or workforce, as well as those of our customers, supply chains and distribution channels, throughout the world, particularly those in coastal areas; and
- Changing competitive requirements and deliverables in developing and emerging markets.

Our products are subject to U.S. export controls and, when exported from the United States, or re-exported to another country, must be authorized under applicable U.S. export regulations. Changes in our products or changes in export regulations may create delays in the introduction of our products in international markets, prevent our customers with international operations from deploying our products throughout their global systems or, in some cases, prevent the export of our products to certain countries or customers altogether. Any change in export regulations or related legislation, shift in approach to the enforcement or scope of existing regulations, or change in the countries, persons or technologies targeted by these regulations could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential customers with international operations.

Foreign Currency-Our revenue and operating income are subject to variability due to the effects of foreign currency fluctuations against the U.S. dollar.

We have exposure to more than 30 functional currencies. The primary foreign currencies to which we are exposed include the euro, British pound, Japanese yen, the Australian dollar, the Canadian dollar and other Asian and South American currencies. A significant portion of our revenue and operating income is generated outside the United States, and therefore our financial results may fluctuate due to the effects of such foreign currency fluctuations, which are difficult to predict. For example, in the event that one or more European countries were to replace the euro with another currency, Teradata sales into such countries, or into Europe generally, would likely be adversely affected until stable exchange rates are established. In addition, currency variations can affect margins on sales of our products in countries outside of the United States and margins on sales of products that include components obtained from suppliers located outside of the United States.

Dependence on Key Employees-We depend on key employees and face competition in hiring and retaining qualified employees.

Our employees are critical to our success. Our future success depends on our ability to attract and retain the services of senior management and key personnel in all functional areas of our company, including engineering and development, marketing and sales professionals, and consultants. Competition for highly skilled personnel in the IT industry is intense. No assurance can be made that key personnel will remain with us, and it may be difficult and costly to replace such employees. Our failure to hire, retain and replace our key personnel could have a material adverse impact on our business operations.

Internal Controls-Inadequate internal control over financial reporting and accounting practices could lead to errors, which could adversely impact our ability to assure timely and accurate financial reporting.

Internal control over financial reporting, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control objectives will be met. These inherent limitations include system errors, the potential for human error and unauthorized actions of employees or contractors, inadequacy of controls, temporary lapses in controls due to shortfalls in transition planning and oversight or resources, and other factors. Consequently, such controls may not prevent or detect misstatements in our reported financial results as required under SEC and New York Stock Exchange (“NYSE”) rules, which could increase our operating costs or impair our ability to operate our business. Controls may also become inadequate due to changes in circumstances, and it is necessary to replace, upgrade or modify our internal information systems from time to time. In addition, unforeseen risks may

arise in connection with financial reporting systems due to inefficient business processes or business process reengineering projects.

If management is not successful in maintaining a strong internal control environment, material weaknesses could occur, causing investors to lose confidence in our reported financial information. This could lead to a decline in our stock price, limit our ability to access the capital markets in the future, and require us to incur additional costs to improve our internal control systems and procedures.

Legal Contingencies and Regulatory Matters-Like other technology companies, we face uncertainties with regard to lawsuits, regulations and other related matters.

In the normal course of business, we are subject to proceedings, lawsuits, claims and other matters, including those that relate to the environment, health and safety, employee benefits, export compliance, intellectual property, and other regulatory compliance and general matters. See “Note 8—Commitments and Contingencies” in the Notes to Consolidated Financial Statements elsewhere in this Annual Report. Because such matters are subject to many uncertainties, their outcomes are not predictable. While we believe that amounts provided in our consolidated financial statements are currently adequate in light of the probable and estimable liabilities, there can be no assurances that the amounts required to satisfy alleged liabilities from such matters will not impact future operating results.

In addition, we are subject to diverse and complex laws and regulations, including those relating to corporate governance, public disclosure and reporting-which are rapidly changing and subject to many possible changes in the future. From time to time, we may conduct internal investigations in connection with our efforts to ensure compliance with such laws and regulations, the costs or results of which could impact our financial results. In addition, we may be subject to unexpected costs in connection with new public disclosure or other regulatory requirements that are issued from time to time, such as those adopted by the SEC regarding the use of conflict minerals. Laws and regulations impacting our customers, such as those relating to privacy, data protection and digital marketing, could also impact our future business. Because we do business in the government sector, we are generally subject to audits and investigations which could result in various civil or criminal fines, penalties or administrative sanctions, including debarment from future government business, which could negatively impact the Company’s results of operations or financial condition.

In addition, our facilities and operations, including former facilities and former operations for which we may have liabilities, are subject to a wide range of environmental protection laws. There have not been any known actual material effects that compliance with environmental provisions has had upon the capital expenditures, earnings or competitive position of the Company or its subsidiaries, and there are no material estimated capital expenditures for environmental remediation or liabilities planned. However, we do expect to incur some costs in connection with compliance with these matters and given the uncertainties inherent in such activities, there can be no assurances that the costs required to comply with applicable environmental laws will not adversely impact future operating results.

There is an increase in enforcement activities and focus by the SEC and other governmental authorities on the U.S. Foreign Corrupt Practices Act (“FCPA”), the U.K. Bribery Act of 2010 (the “Bribery Act”) and similar anti-bribery, anti-corruption laws in other countries. Given the breadth and scope of our international operations, we may not be able to detect improper or unlawful conduct by our international partners and employees, despite our high ethics, governance and compliance standards, which could put the Company at risk regarding possible violations of such laws, including the FCPA or the Bribery Act.

Management time and resources are spent to understand and comply with changing laws, regulations and standards relating to such matters as corporate governance, accounting principles, public disclosure (including the Sarbanes-Oxley Act of 2002), SEC regulations, Basel III and the rules of the NYSE where our shares are listed. Although we do not believe that recent regulatory and legal initiatives will result in significant changes to our internal practices or our operations, rapid changes in accounting standards, and federal securities laws and regulations, among others, may substantially increase costs to our organization, challenge our ability to timely comply with all of them and could have an impact on our future operating results.

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Our indebtedness could adversely affect our financial condition and limit our financial flexibility.

The Company's indebtedness could:

- expose us to interest rate risk since our indebtedness is at variable rates;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to obtain additional financing or refinancing at attractive rates;
- require the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, thereby reducing the availability of such cash flow to fund our growth strategy, working capital, capital expenditures, share repurchases and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry; and
- place us at a competitive disadvantage relative to our competitors with less debt.

Further, our outstanding indebtedness is subject to financial and other covenants, which may be affected by changes in economic or business conditions or other events that are beyond our control. If we fail to comply with the covenants under any of our indebtedness, we may be in default under the loan, which may entitle the lenders to accelerate the debt obligations. In order to avoid defaulting on our indebtedness, we may be required to take actions such as reducing or delaying capital expenditures, reducing or eliminating stock repurchases, selling assets, restructuring or refinancing all or part of our existing debt, or seeking additional equity capital, any of which may not be available on terms that are favorable to us, if at all.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

As of December 31, 2015, Teradata operated 121 facilities in 44 countries consisting of approximately 1.8 million square feet throughout the world. Approximately 26% of this square footage is owned and the rest is leased. Within the total facility portfolio, Teradata operates 15 research and development facilities totaling approximately 700 thousand square feet, approximately 60% is owned. The remaining approximately 1.1 million square feet of space includes office, repair, warehouse and other miscellaneous sites, and is 100% leased. Teradata believes its facilities are suitable and adequate to meet its current needs. Teradata’s corporate headquarters is located in Dayton, Ohio.

Item 3. LEGAL PROCEEDINGS

Information regarding legal proceedings is included in Item 8 of Part II of this Annual Report as part of “Note 8—Commitments and Contingencies” in the Notes to Consolidated Financial Statements, and is incorporated herein by reference.

Item 4. MINE SAFETY DISCLOSURES

N/A.

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PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Teradata common stock trades on the New York Stock Exchange under the symbol "TDC." There were approximately 62,800 registered holders of Teradata common stock as of February 4, 2016. The following table presents the high and low closing per share prices of Teradata common stock traded on the New York Stock Exchange during the calendar quarter indicated.

	Common Stock Closing Market Price	
	High	Low
2015		
Fourth quarter	$30.63	