

TERADATA CORP /DE/
Form 10-Q
August 07, 2009
Table of Contents

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

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 001-33458

TERADATA CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

75-3236470
(I.R.S. Employer
Identification No.)

2835 Miami Village Dr.

Dayton, Ohio 45342

(Address of principal executive offices) (Zip Code)

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

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 No

Edgar Filing: TERADATA CORP /DE/ - Form 10-Q

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 Regulation S-T during the preceding 12 months (or for shorter period that the registrant was required to submit and post such files). Yes No

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer 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

At July 31, 2009, the registrant had approximately 171.8 million shares of common stock outstanding.

Table of Contents

TABLE OF CONTENTS

		Page
PART I. Financial Information		
	<u>Description</u>	
Item 1.	Financial Statements (Unaudited) <u>Condensed Consolidated Statements of Income Three and Six Months Ended June 30, 2009 and 2008</u>	3
	<u>Condensed Consolidated Balance Sheets June 30, 2009 and December 31, 2008</u>	4
	<u>Condensed Consolidated Statements of Cash Flows Six Months Ended June 30, 2009 and 2008</u>	5
	<u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	13
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	21
Item 4.	<u>Controls and Procedures</u>	21
PART II. Other Information		
	<u>Description</u>	
Item 1.	<u>Legal Proceedings</u>	21
Item 1A.	<u>Risk Factors</u>	21
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	22
Item 3.	<u>Defaults Upon Senior Securities</u>	22
Item 4.	<u>Submission of Matters to a Vote of Security Holders</u>	22
Item 5.	<u>Other Information</u>	22
Item 6.	<u>Exhibits</u>	23
	<u>Signatures</u>	24

Table of Contents**Part 1. Financial Information****Item 1. FINANCIAL STATEMENTS
Teradata Corporation****Condensed Consolidated Statements of Income (Unaudited)**

In millions, except per share amounts	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenue				
Product revenue	\$ 185	\$ 221	\$ 342	\$ 386
Service revenue	236	234	446	444
Total revenue	421	455	788	830
Costs and operating expenses				
Cost of products	66	75	120	135
Cost of services	122	131	235	252
Selling, general and administrative expenses	122	132	232	248
Research and development expenses	27	25	57	50
Total costs and operating expenses	337	363	644	685
Income from operations	84	92	144	145
Interest and other income, net		2		5
Income before income taxes	84	94	144	150
Income tax expense	22	25	37	39
Net income	\$ 62	\$ 69	\$ 107	\$ 111
Net income per common share				
Basic	\$ 0.36	\$ 0.38	\$ 0.62	\$ 0.62
Diluted	\$ 0.36	\$ 0.38	\$ 0.61	\$ 0.61
Weighted average common shares outstanding				
Basic	172.3	179.3	172.8	179.9
Diluted	173.9	181.2	174.1	181.8

See Notes to Condensed Consolidated Financial Statements (Unaudited).

Table of Contents**Teradata Corporation****Condensed Consolidated Balance Sheets (Unaudited)**

In millions, except per share amounts	June 30, 2009	December 31, 2008
Assets		
Current Assets		
Cash and cash equivalents	\$ 638	\$ 402
Short-term investments		40
Accounts receivable, net	342	451
Inventories	45	44
Other current assets	73	78
Total current assets	1,098	1,015
Property and equipment, net	91	88
Capitalized software, net	93	80
Goodwill	108	110
Deferred income taxes	92	109
Other assets	22	28
Total assets	\$ 1,504	\$ 1,430
Liabilities and stockholders equity		
Current liabilities		
Accounts payable	\$ 81	\$ 99
Payroll and benefits liabilities	80	83
Deferred revenue	302	255
Other current liabilities	76	103
Total current liabilities	539	540
Pension and other postemployment plan liabilities	80	83
Other liabilities	27	30
Total liabilities	646	653
Commitments and contingencies (Note 7)		
Stockholders equity		
Preferred stock: par value \$0.01 per share, 100.0 shares authorized, no shares issued and outstanding at June 30, 2009 and December 31, 2008		
Common stock: par value \$0.01 per share, 500.0 shares authorized, 181.3 and 180.5 shares issued at June 30, 2009 and December 31, 2008, respectively	2	2
Paid-in capital	592	572
Treasury stock: 9.6 and 6.9 shares at June 30, 2009 and December 31, 2008, respectively	(188)	(137)
Retained earnings	437	329
Accumulated other comprehensive income	15	11
Total stockholders equity	858	777
Total liabilities and stockholders equity	\$ 1,504	\$ 1,430

See Notes to Condensed Consolidated Financial Statements (Unaudited).

Table of Contents**Teradata Corporation****Condensed Consolidated Statements of Cash Flows (Unaudited)**

In millions	Six Months Ended June 30,	
	2009	2008
Operating activities		
Net income	\$ 107	\$ 111
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	27	33
Stock-based compensation expense	11	10
Excess tax benefit from stock-based compensation	(1)	(1)
Deferred income taxes	16	16
Changes in assets and liabilities:		
Receivables	105	76
Inventories		9
Current payables and accrued expenses	(33)	(38)
Deferred revenue	42	43
Other assets and liabilities	(6)	(31)
Net cash provided by operating activities	268	228
Investing activities		
Proceeds from sales and maturities of short-term investments	65	
Purchases of short-term investments	(25)	(50)
Expenditures for property and equipment	(13)	(11)
Additions to capitalized software	(27)	(32)
Purchased software license		(2)
Other investing activities and business acquisition, net	6	(22)
Net cash provided by (used in) investing activities	6	(117)
Financing activities		
Repurchases of common stock	(50)	(72)
Excess tax benefit from stock-based compensation	1	1
Other financing activities, net	8	4
Net cash used in financing activities	(41)	(67)
Effect of exchange rate changes on cash and cash equivalents	3	3
Increase in cash and cash equivalents	236	47
Cash and cash equivalents at beginning of period	402	270
Cash and cash equivalents at end of period	\$ 638	\$ 317

See Notes to Condensed Consolidated Financial Statements (Unaudited).

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****1. BASIS OF PRESENTATION**

These statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC) and, in accordance with those rules and regulations, do not include all information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). In the opinion of management, the condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to fairly state the results of operations, financial position and cash flows of Teradata Corporation (Teradata or the Company) for the interim periods presented herein. The year-end 2008 condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make use of estimates and assumptions that affect the reported amounts and disclosures. Actual results may vary from these estimates. Subsequent events were evaluated through August 7, 2009, the date of financial statement issuance.

These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in Teradata's most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2008 (the 2008 Annual Report). The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the full year.

On September 30, 2007, Teradata became an independent, publicly-traded company when it was separated via a spin off (the Separation) from its former parent company, NCR Corporation (NCR).

2. NEW ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standards No. 165. In May 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 165 (SFAS 165), *Subsequent Events*. SFAS 165 modifies the definition of what qualifies as a subsequent event those events or transactions that occur following the balance sheet date, but before the financial statements are issued, or are available to be issued and requires companies to disclose the date through which it has evaluated subsequent events and the basis for determining that date. The Company adopted the provisions of SFAS 165 for the quarter ended June 30, 2009. The adoption of SFAS 165 did not have a material impact on the Company's Condensed Consolidated Financial Statements.

Statement of Financial Accounting Standards No. 166. In June 2009, the FASB issued SFAS No. 166 (SFAS 166), *Accounting for Transfers of Financial Assets* an amendment of FASB Statement No. 140. SFAS 166 revises SFAS No. 140 and will require entities to provide more information about sales of securitized financial assets and similar transactions, particularly if the seller retains some risk with respect to the assets. SFAS 166 is effective for fiscal years beginning after November 15, 2009. As the Company is not engaged in the sale of securitized financial assets, the adoption of SFAS 166 is not expected to have a material effect on the Company's Condensed Consolidated Financial Statements.

Statement of Financial Accounting Standards No. 167. In June 2009, the FASB issued SFAS No. 167 (SFAS 167), *Amendments to FASB Interpretation No. 46(R)*. SFAS 167 amends certain requirements of FASB Interpretation No. 46(R) to improve financial reporting by companies involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. SFAS 167 is effective for fiscal years beginning after November 15, 2009. As the Company is not involved in any variable interest entities, the adoption of SFAS 167 is not expected to have a material impact on the Company's Condensed Consolidated Financial Statements.

Statement of Financial Accounting Standards No. 168. In June 2009, the FASB issued SFAS No. 168 (SFAS 168), *The FASB Accounting Standards CodificationTM and the Hierarchy of Generally Accepted Accounting*

Table of Contents

Principles a replacement of FAS No. 162. SFAS 168 replaces SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles and establishes the FASB Accounting Standards Codification (the Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles in the United States. On the effective date of SFAS 168, the Codification will supersede all then-existing non-SEC accounting and reporting standards. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company has evaluated this new statement, and has determined that it will not have a significant impact on the Condensed Consolidated Financial Statements.

FASB Staff Position No. FAS 132(R)-1. In December 2008, the FASB issued FSP 132(R)-1 (FSP 132(R)-1), *Employers' Disclosures about Postretirement Benefit Plan Assets*. FSP 132(R)-1 provides guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. FSP 132(R)-1 is effective for fiscal years ending after December 15, 2009. The Company does not anticipate the adoption of this standard to have a material impact on the Condensed Consolidated Financial Statements.

FASB Staff Position No. FAS 115-2 and FAS 124-2. In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2 (FSP 115-2), *Recognition and Presentation of Other-Than-Temporary Impairments*. FSP 115-2 provides guidance on the recognition of other-than-temporary impairments of investments in debt securities and provides new presentation and disclosure requirements for other-than-temporary impairments of investments in debt and equity securities. FSP 115-2 is effective for all interim and annual periods ending after June 15, 2009. The adoption of this standard did not have a material impact on the Condensed Consolidated Financial Statements.

FASB Staff Position No. FAS 157-4. In April 2009, the FASB issued FASB Staff Position No. FAS 157-4 (FSP 157-4), *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*. FSP 157-4, which is effective for interim and annual reporting periods ending after June 15, 2009, provides additional guidance for determining fair value and requires new disclosures regarding the categories of fair value instruments, as well as the inputs and valuation techniques utilized to determine fair value and any changes to the inputs and valuation techniques during the period. The adoption of FSP 157-4 did not have a material effect on the Condensed Consolidated Financial Statements.

3. SUPPLEMENTAL FINANCIAL INFORMATION

In millions	Three Months Ended		Six Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Comprehensive Income				
Net income	\$ 62	\$ 69	\$ 107	\$ 111
Other comprehensive income, net of tax:				
Amortization of costs associated with pension and postemployment benefits				1
Currency translation adjustments		(1)	4	
Total comprehensive income	\$ 62	\$ 68	\$ 111	\$ 112

In millions As of
June 30,
2009