TERADATA CORP /DE/
Form 10-Q
May 08, 2015

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

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

For the quarterly period ended March 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
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 Regulation 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 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	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
At April 30, 2015, the registrant had approximately 142.0 million shares of common stock outstanding.

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Part 1—FINANCIAL INFORMATION

Item 1. Financial Statements.

Teradata Corporation

Condensed Consolidated Statements of Income (Unaudited)

	Three Months Ended March 31,	
In millions, except per share amounts	2015	2014
Revenue		
Product revenue	$241	$273
Service revenue	341	355
Total revenue	582	628
Costs and operating expenses		
Cost of products	109	92
Cost of services	196	203
Selling, general and administrative expenses	184	188
Research and development expenses	63	56
Total costs and operating expenses	552	539
Income from operations	30	89
Other expense, net	—	(7)
Income before income taxes	30	82
Income tax expense	8	23
Net income	$22	$59
Net income per weighted average common share		
Basic	$0.15	$0.37
Diluted	$0.15	$0.37
Weighted average common shares outstanding		
Basic	145.2	158.4
Diluted	147.7	160.9

See Notes to Condensed Consolidated Financial Statements (Unaudited).

Teradata Corporation
Condensed Consolidated Statements of Comprehensive (Loss) Income (Unaudited)

	Three Months Ended March 31,	
In millions	2015	2014
Net income	$22	$59
Other comprehensive (loss) income:		
Foreign currency translation adjustments	(31)	(1)
Securities:		
Unrealized loss on securities, before tax	(9)	—
Unrealized loss on securities, tax portion	3	—
Unrealized loss on securities, net of tax	(6)	—
Defined benefit plans:		
Defined benefit plan adjustment, before tax	2	—
Defined benefit plan adjustment, tax portion	—	—
Defined benefit plan adjustment, net of tax	2	—
Other comprehensive loss	(35)	(1)
Comprehensive (loss) income	$(13)	$58

See Notes to Condensed Consolidated Financial Statements (Unaudited).

Teradata Corporation
Condensed Consolidated Balance Sheets (Unaudited)

In millions, except per share amounts	March 31, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	$881	$834
Accounts receivable, net	583	619
Inventories	42	38
Other current assets	85	81
Total current assets	1,591	1,572
Property and equipment, net	162	159
Capitalized software, net	197	199
Goodwill	924	948
Acquired intangible assets, net	122	136
Deferred income taxes	19	20
Other assets	88	98
Total assets	$3,103	$3,132
Liabilities and stockholders' equity		
Current liabilities		
Current portion of long-term debt	$7	$53
Short-term borrowings	—	220
Accounts payable	148	126
Payroll and benefits liabilities	119	125
Deferred revenue	492	370
Other current liabilities	84	101
Total current liabilities	850	995
Long-term debt	593	195
Pension and other postemployment plan liabilities	95	99
Long-term deferred revenue	16	18
Deferred tax liabilities	74	86
Other liabilities	31	32
Total liabilities	1,659	1,425
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 March 31, 2015 and December 31, 2014, respectively	—	—
Common stock: par value $0.01 per share, 500.0 shares authorized, 141.9 and 147.9 shares issued at March 31, 2015 and December 31, 2014, respectively	1	1
Paid-in capital	1,077	1,054
Retained earnings	405	656
Accumulated other comprehensive loss	(39)	(4)
Total stockholders' equity	1,444	1,707
Total liabilities and stockholders' equity	$3,103	$3,132

See Notes to Condensed Consolidated Financial Statements (Unaudited).

Teradata Corporation
Condensed Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31,	
In millions	2015	2014
Operating activities		
Net income	$22	$59
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	42	41
Stock-based compensation expense	17	12
Excess tax benefit from stock-based compensation	—	(1)
Deferred income taxes	(6)	(5)
Loss on investments	—	8
Changes in assets and liabilities:		
Receivables	37	111
Inventories	(4)	14
Current payables and accrued expenses	13	3
Deferred revenue	120	109
Other assets and liabilities	(19)	(8)
Net cash provided by operating activities	222	343
Investing activities		
Expenditures for property and equipment	(17)	(12)
Additions to capitalized software	(15)	(21)
Business acquisitions and other investing activities, net	—	(4)
Net cash used in investing activities	(32)	(37)
Financing activities		
Repurchases of common stock	(269)	(86)
Proceeds from long-term borrowings	600	—
Repayments of long-term borrowings	(247)	(4)
Repayments of credit facility borrowings	(220)	—
Excess tax benefit from stock-based compensation	—	1
Other financing activities, net	6	7
Net cash used in financing activities	(130)	(82)
Effect of exchange rate changes on cash and cash equivalents	(13)	3
Increase in cash and cash equivalents	47	227
Cash and cash equivalents at beginning of period	834	695
Cash and cash equivalents at end of period	$881	$922

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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 2014 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.

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, 2014 (the “2014 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.

2. New Accounting Pronouncements

Revenue Recognition. In May 2014, the Financial Accounting Standards Board ("FASB") issued new guidance that affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The new guidance will supersede the revenue recognition requirements in the current revenue recognition guidance, and most industry-specific guidance. In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer are amended to be consistent with the guidance on recognition and measurement in this update. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, the FASB defines a five step process which includes the following: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

The amendments in this update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early application not permitted. The standard allows entities to apply the standard retrospectively for all periods presented or alternatively an entity is permitted to recognize the cumulative effect of initially applying the guidance as an opening balance sheet adjustment to retained earnings in the period of initial application. In April 2015, the FASB proposed a one-year delay in the effective date of the new standard. Under this proposal, the new revenue standard would be effective for annual reporting periods beginning after December 15, 2017. The Company is currently evaluating the impact on its consolidated financial position, results of operations and cash flows, as well as the method of transition that will be used in adopting the standard.

Accounting for Share-based Payments with Performance Targets. In June 2014, the FASB issued new guidance that requires that a performance target that affects vesting and that could be achieved after the requisite service period, be treated as a performance condition. A reporting entity should apply existing guidance as it relates to awards with performance conditions that affect vesting to account for such awards. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the periods for which the requisite service has already been rendered. The amendments in this update are effective for annual periods, and interim periods within those annual periods

beginning after December 15, 2015. Earlier adoption is permitted. The Company is currently evaluating the impact on its consolidated financial position, results of operations and cash flows.
Income Statement Presentation by Eliminating the Concept of Extraordinary Items. This update eliminates from GAAP the concept of extraordinary items. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. This amendment is not expected to have a material impact on the Company's results of operations.
Simplifying the Presentation of Debt Issuance Costs. To simplify presentation of debt issuance costs, the amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. For public business entities, the amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years and shall be applied on a retrospective basis. This amendment is not expected to have a material impact on the Company's consolidated financial position.
Intangibles, Goodwill and Other Internal-Use Software. The amendments in this update provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance will not change current guidance for a customer’s accounting for service contracts. This amendment will be effective for annual periods, including interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial position, results of operations and cash flows.
3. Supplemental Financial Information

In millions	As of March 31, 2015	December 31, 2014
Inventories		
Finished goods	$25	$21
Service parts	17	17
Total inventories	$42	$38
Deferred revenue		
Deferred revenue, current	$492	$370
Long-term deferred revenue	16	18
Total deferred revenue	$508	$388

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4. Goodwill and Acquired Intangible Assets

The following table identifies the activity relating to goodwill by operating segment:

In millions	Balance, December 31, 2014	Adjustments	Currency Translation Adjustments	Balance, March 31, 2015
Goodwill				
Data and Analytics	$351	$(3)	$(3)	$345
Marketing Applications	597	—	(18)	579
Total goodwill	$948	$(3)	$(21)	$924

The changes to goodwill for the three months ended March 31, 2015 were due to changes in foreign currency exchange rates and a purchase accounting adjustment on a recent acquisition.

Acquired intangible assets were specifically identified when acquired, and are deemed to have finite lives. The gross carrying amount and accumulated amortization for Teradata's acquired intangible assets were as follows:

		March 31, 2015		December 31, 2014	
In millions	Amortization Life (in Years)	Gross Carrying Amount	Accumulated Amortization and Currency Translation Adjustments	Gross Carrying Amount	Accumulated Amortization and Currency Translation Adjustments
Acquired intangible assets					
Intellectual property/developed technology	1 to 7	$186	$(105)	$186	$(95)
Customer relationships	3 to 10	77	(39)	77	(35)
Trademarks/trade names	5	1	(1)	1	(1)
In-process research and development	5	5	(2)	5	(2)
Total		$269	$(147)	$269	$(133)

The aggregate amortization expense (actual and estimated) for acquired intangible assets for the following periods is as follows:

	Three Months Ended March 31,	
In millions	2015	2014
Amortization expense	$11	$11

	Actual	For the years ended (estimated)				
In millions	2014	2015	2016	2017	2018	2019
Amortization expense	$47	$42	$33	$25	$14	$11

5. Income Taxes

Income tax provisions for interim periods are based on estimated annual income tax rates, adjusted to reflect the effects of any significant infrequent or unusual items which are required to be discretely recognized within the current interim period. The Company's intention is to permanently reinvest its foreign earnings outside of the United States. As a result, the effective tax rates in the periods presented are largely based upon the forecasted pre-tax earnings mix and allocation of certain expenses in various taxing jurisdictions where the Company conducts its business that apply a broad range of statutory income tax rates, a large majority of which are less than the U.S. statutory rate.

The effective tax rate for the three months ended March 31, 2015 and March 31, 2014 was 26.7% and 28.0%, respectively. There were no material discrete tax items in either tax period. The decrease in the effective tax rate was primarily driven by a higher percentage of forecasted foreign pre-tax earnings mix for the three months ended March 31, 2015 versus the three months ended March 31, 2014.

6. Derivative Instruments and Hedging Activities

As a portion of Teradata's operations is conducted outside the United States and in currencies other than the U.S. dollar, the Company is exposed to potential gains and losses from changes in foreign currency exchange rates. In an attempt to mitigate the impact of currency fluctuations, the Company uses foreign exchange forward contracts to hedge transactional exposures resulting predominantly from foreign currency denominated inter-company receivables and payables. The forward contracts are designated as fair value hedges of specified foreign currency denominated inter-company receivables and payables and generally mature in three months or less. The Company does not hold or issue derivative financial instruments for trading purposes, nor does it hold or issue leveraged derivative instruments. By using derivative financial instruments to hedge exposures to changes in exchange rates, the Company exposes itself to credit risk. The Company manages exposure to counterparty credit risk by entering into derivative financial instruments with highly rated institutions that can be expected to fully perform under the terms of the applicable contracts.

All derivatives are recognized in the consolidated balance sheets at their fair value. The fair values of foreign exchange contracts are based on market spot and forward exchange rates and represent estimates of possible value that may not be realized in the future. Changes in the fair value of derivative financial instruments, along with the loss or gain on the hedged asset or liability, are recorded in current period earnings. The notional amounts represent agreed-upon amounts on which calculations of dollars to be exchanged are based, and are an indication of the extent of Teradata's involvement in such instruments. These notional amounts do not represent amounts exchanged by the parties and, therefore, are not a measure of the instruments. Across its portfolio of contracts, Teradata has both long and short positions relative to the U.S. dollar. As a result, Teradata's net involvement is less than the total contract notional amount of the Company's foreign exchange forward contracts.

The following table identifies the contract notional amount of the Company's foreign exchange forward contracts:

In millions	As of March 31, 2015	December 31, 2014
Contract notional amount of foreign exchange forward contracts	$94	$116
Net contract notional amount of foreign exchange forward contracts	$2	$17

The fair value of derivative assets and liabilities recorded in other current assets and accrued liabilities at March 31, 2015 and December 31, 2014, were not material.

Gains and losses from the Company's fair value hedges (foreign currency forward contracts and related hedged items) were immaterial for the three months ended March 31, 2015 and March 31, 2014. Gains and losses from foreign exchange forward contracts are fully recognized each period and reported along with the offsetting gain or loss of the related hedged item, either in cost of products or in other income, depending on the nature of the related hedged item.

7. Commitments and Contingencies

In the normal course of business, the Company is subject to proceedings, lawsuits, governmental investigations, claims and other matters, including those that relate to the environment, health and safety, employee benefits, export compliance, intellectual property, tax matters and other regulatory compliance and general matters.

Guarantees and Product Warranties. Guarantees associated with the Company's business activities are reviewed for appropriateness and impact to the Company's financial statements. Periodically, the Company's customers enter into various leasing arrangements coordinated with a leasing company. In some instances, the Company guarantees the leasing company a minimum value at the end of the lease term on the leased equipment. As of March 31, 2015, the maximum future payment obligation of this guaranteed value and the associated liability balance was $5 million.

The Company provides its customers a standard manufacturer’s warranty and records, at the time of the sale, a corresponding estimated liability for potential warranty costs. Estimated future obligations due to warranty claims are based upon historical factors such as labor rates, average repair time, travel time, number of service calls and cost of replacement parts. For each consummated sale, the Company recognizes the total customer revenue and records the associated warranty liability using pre-established warranty percentages for that product class.

The following table identifies the activity relating to the warranty reserve for the three months ended March 31:

In millions	2015	2014
Warranty reserve liability		
Beginning balance at January 1	$7	$8
Provisions for warranties issued	2	3
Settlements (in cash or in kind)	(3)	(4)
Balance at March 31	$6	$7

The Company also offers extended and/or enhanced coverage to its customers in the form of maintenance contracts. The Company accounts for these contracts by deferring the related maintenance revenue over the extended and/or enhanced coverage period. Costs associated with maintenance support are expensed as incurred. Amounts associated with these maintenance contracts are not included in the table above.

In addition, the Company provides its customers with certain indemnification rights. In general, the Company agrees to indemnify the customer if a third party asserts patent or other infringement on the part of the customer for its use of the Company’s products. The Company has entered into indemnification agreements with the officers and directors of its subsidiaries. From time to time, the Company also enters into agreements in connection with its acquisition and divesture activities that include indemnification obligations by the Company. The fair value of these indemnification obligations is not readily determinable due to the conditional nature of the Company’s potential obligations and the specific facts and circumstances involved with each particular agreement, and as such the Company has not recorded a liability in connection with these indemnification arrangements. Historically, payments made by the Company under these types of agreements have not had a material effect on the Company’s consolidated financial condition, results of operations or cash flows.

8. Fair Value Measurements

Fair value measurements are established utilizing a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets for identical assets or liabilities; Level 2, defined as significant other observable inputs, such as quoted prices in active markets for similar assets or liabilities, or quoted prices in less-active markets for identical assets; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Company’s assets and liabilities measured at fair value on a recurring basis include money market funds, available-for-sale securities and foreign currency exchange contracts. A portion of the Company’s excess cash reserves are held in money market funds which generate interest income based on the prevailing market rates. Money market funds are included in cash and cash equivalents in the Company’s balance sheet. Money market fund holdings are measured at fair value using quoted market prices and are classified within Level 1 of the valuation hierarchy. Available-for-sale securities include equity securities that are traded in active markets, such as the National Association of Securities Dealers Automated Quotations Systems ("NASDAQ"), and are therefore included in Level 1 of the valuation hierarchy. Available-for-sale securities are included in other assets in the Company's balance sheet. Unrealized holding gains and losses are excluded from earnings and reported in other comprehensive income until realized.

When deemed appropriate, the Company minimizes its exposure to changes in foreign currency exchange rates through the use of derivative financial instruments, specifically, forward foreign exchange contracts. The fair value of these contracts are measured at the end of each interim reporting period using observable inputs other than

quoted prices, specifically market spot and forward exchange rates. As such, these derivative instruments are classified within Level 2 of the valuation hierarchy. Fair value gains for open contracts are recognized as assets and fair value losses are recognized as liabilities. The fair value derivative assets and liabilities recorded in other current assets and accrued liabilities at March 31, 2015 and December 31, 2014, were not material. Any realized gains or losses would be mitigated by corresponding gains or losses on the underlying exposures.

The Company's assets measured at fair value on a recurring basis and subject to fair value disclosure requirements at March 31, 2015 and December 31, 2014 were as follows:

		Fair Value Measurements at Reporting Date Using		
In millions	March 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Money market funds	$430	$430	$—	$—
Available-for-sale securities	69	69	—	—
Total assets at fair value	$499	$499	$—	$—

		Fair Value Measurements at Reporting Date Using		
In millions	December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Money market funds	$393	$393	$—	$—
Available-for-sale securities	78	78	—	—
Total assets at fair value	$471	$471	$—	$—

9. Debt

On March 25, 2015, Teradata replaced its existing five-year, $300 million revolving credit facility with a new $400 million revolving credit facility (the "Credit Facility"). The Credit Facility ends on March 25, 2020 at which point any remaining outstanding borrowings would be due for repayment unless extended by agreement of the parties for up to two additional one-year periods. The interest rate charged on borrowings pursuant to the Credit Facility can vary depending on the interest rate option the Company chooses to utilize and the Company's leverage ratio at the time of the borrowing. In the near term, Teradata would anticipate choosing a floating rate based on the London Interbank Offered Rate ("LIBOR"). The Credit Facility is unsecured and contains certain representations and warranties, conditions, affirmative, negative and financial covenants, and events of default customary for such facilities.

As of March 31, 2015, the Company had no borrowings outstanding under the Credit Facility, leaving $400 million in additional borrowing capacity available under the Credit Facility. The Company was in compliance with all covenants as of March 31, 2015.

Also on March 25, 2015, Teradata closed on a new senior unsecured $600 million five-year term loan, the proceeds of which were used to pay off the remaining $247 million of principal on its existing term loan, pay off the $220 million outstanding balance on the prior credit facility, and to fund share repurchases. The $600 million term loan is payable in quarterly installments, which will commence on March 31, 2016, with all remaining principal due in March 2020. The outstanding principal amount under the term loan agreement bears interest at a floating rate based upon a negotiated base rate or a Eurodollar rate plus a margin based on the leverage ratio of the Company. As of March 31, 2015, the term loan principal outstanding was $600 million and carried an interest rate of 1.4375%. The Company was in compliance with all covenants as of March 31, 2015.

Teradata's term loan is recognized on the Company's balance sheet at its unpaid principal balance, and is not subject to fair value measurement. However, given that the loan carries a variable rate, the Company estimates that the unpaid principal balance of the term loan would approximate its fair value. If measured at fair value in the financial statements, the Company's term loan would be classified as Level 2 in the fair value hierarchy.

10. Earnings Per Share

Basic earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the reported period. The calculation of diluted earnings per share is similar to basic earnings per share, except that the weighted average number of shares outstanding includes the dilution from potential shares resulting from stock options, restricted stock awards and other stock awards.

The components of basic and diluted earnings per share are as follows:

	Three Months Ended March 31,	
In millions, except per share amounts	2015	2014
Net income available for common stockholders	$22	$59
Weighted average outstanding shares of common stock	145.2	158.4
Dilutive effect of employee stock options, restricted stock and other stock awards	2.5	2.5
Common stock and common stock equivalents	147.7	160.9
Earnings per share:		
Basic	$0.15	$0.37
Diluted	$0.15	$0.37

Options to purchase 3.1 million and 2.2 million shares of common stock for the three months ended March 31, 2015 and March 31, 2014, respectively were not included in the computation of diluted earnings per share because their exercise prices were greater than the average market price of the common shares for the period, and therefore would have been anti-dilutive.

11. Segment and Other Supplemental Information

Effective January 1, 2015, Teradata implemented an organizational change in which Teradata now manages its business in two divisions, which are also the Company's operating segments: (1) data and analytics, and (2) marketing applications. This change will enable each division to be more sharply focused in rapidly addressing the dynamics of each market, and in bringing the best solutions to our customers. For purposes of discussing results by segment, management excludes the impact of certain items, consistent with the manner by which management evaluates the performance of each segment. This format is useful to investors because it allows analysis and comparability of operating trends. It also includes the same information that is used by Teradata management to make decisions regarding the segments and to assess financial performance. The chief operating decision maker evaluates the performance of the segments based on revenue and multiple profit measures, including segment gross margin. For management reporting purposes assets are not allocated to the segments. Prior period segment information has been reclassified to conform to the current period presentation.

The following table presents segment revenue and segment gross margin for the Company:

	Three Months Ended March 31,	
In millions	2015	2014
Segment revenue		
Data and Analytics	$536	$577
Marketing Applications	46	51
Total revenue	582	628
Segment gross margin		
Data and Analytics	269	322
Marketing Applications	18	23
Total segment gross margin	287	345
Stock-based compensation expense	(4)	(3)
Amortization of acquisition-related intangible assets		