QUANTA SERVICES INC
Form 4
May 23, 2011

# FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
RANCK BRUCE E

(Last) (First) (Middle)

2800 POST OAK BLVD., SUITE 2600

(Street)

HOUSTON, TX 77056-6175

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
QUANTA SERVICES INC [PWR]

3. Date of Earliest Transaction (Month/Day/Year)
05/19/2011

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 05/19/2011 | | A | | 5,089 | A | $ 0 | 5,089 | D | |
| Common Stock | 05/19/2011 | | G | V | 5,089 (1) | D | $ 0 | 0 | D | |
| Common Stock | 05/19/2011 | | G | V | 5,089 (1) | A | $ 0 | 55,592 | I | By BER Investments, Ltd. |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form**

SEC 1474 (9-02)

**displays a currently valid OMB control number.**

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**
**(*e.g.*, puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | 8. Price of Derivative Security (Instr. 5) | 9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | | |

# Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---|---|---|---|
| | Director | 10% Owner | Officer | Other |
| RANCK BRUCE E<br>2800 POST OAK BLVD., SUITE 2600<br>HOUSTON, TX 77056-6175 | X | | | |

# Signatures

| /s/ Carolyn M. Campbell, Atty-in-Fact | 05/20/2011 |
|---|---|
| **Signature of Reporting Person | Date |

# Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

**(1)** Reports a gift of shares by Mr. Ranck to BER Investments, Ltd., a limited partnership, the sole partners of which are Mr. Ranck and an entity wholly-owned by Mr. Ranck, and reflects the resulting change from direct to indirect ownership.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. 11pt;font-weight:bold;">Provision for 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 U.S. As a result, the effective tax rates in the periods presented are largely based upon the forecasted pre-tax earnings mix between the U.S. and other foreign taxing jurisdictions where the Company conducts its business under its current structure. The Company estimates its full-year effective tax rate for 2017 to be approximately (7)%, which takes into consideration, among other things, the forecasted earnings mix by jurisdiction for 2017 and the discrete items that will be recognized in 2017. The forecasted tax rate is based on the overseas profits being taxed at an overall effective tax rate of approximately 21%, as compared to the federal statutory tax rate of 35% in the U.S.

The effective tax rate for the three months ended September 30, 2017 and September 30, 2016 were as follows:

| | 2017 | 2016 |
| --- | --- | --- |
| Effective tax rate | (116.7)% | 45.6% |

For the three months ended September 30, 2017, net discrete tax benefits of $6 million were recognized primarily related to a reversal of uncertain tax positions from acquired tax attributes in previous acquisitions, which resulted in a negative tax rate in the period.

For the three months ended September 30, 2016, there was a $22 million discrete tax expense related to the sale of the marketing applications business that occurred on July 1, 2016.

Revenue and Gross Profit by Operating Segment

Effective July 1, 2016, following the sale of the marketing applications business, Teradata is managing its business in two operating segments: (1) Americas region (North America and Latin America); and (2) International region (Europe, Middle East, Africa, Asia Pacific and Japan). 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 profit. For management reporting purposes assets are not allocated to the segments. Our segment results are reconciled to total company results reported under U.S. generally accepted accounting principles (“GAAP”) in Note 10 of Notes to Condensed Consolidated Financial Statements (Unaudited).

The following table presents revenue and operating performance by segment for the three months ended September 30:

22

Table of Contents

| In millions | 2017 | % of Revenue | 2016 | % of Revenue |
|---|---|---|---|---|
| Segment revenue | | | | |
| Americas Data and Analytics | $292 | 55.5 % | $317 | 57.4 % |
| International Data and Analytics | 234 | 44.5 % | 235 | 42.6 % |
| Total segment revenue | $526 | 100 % | $552 | 100 % |
| Segment gross profit | | | | |
| Americas Data and Analytics | $173 | 59.2 % | $195 | 61.5 % |
| International Data and Analytics | 97 | 41.5 % | 118 | 50.2 % |
| Total segment gross profit | $270 | 51.3 % | $313 | 56.7 % |

Americas Data and Analytics: Revenue decreased 8% in the third quarter of 2017 from the third quarter of 2016. As discussed in the future trends section of this MD&A, the revenue decline was driven by our customers' focus on less capital-intensive buying options such as customers moving to our cloud, subscription licenses, rental and usage-based options. Segment gross profit as a percentage of revenues was lower driven by a higher mix of services versus product revenue and a lower services margin rate. Service margins were impacted by investments that we are making in our consulting business to drive increased consumption of Teradata's products. In addition, service gross profit was also impacted by a decrease in maintenance margin due to higher support and parts costs.

International Data and Analytics: Revenue was flat in the third quarter of 2017 as compared the third quarter of 2016, and included a 1% positive impact from foreign currency fluctuations. Revenue variances were driven by a decline in revenues in Europe, Middle East and Africa. Revenues were relatively flat in the Asia Pacific region in the third quarter of 2017 as compared to third quarter of 2016. Segment gross profit as a percentage of revenues was down in the third quarter of 2017 driven by a higher mix of services versus product revenue and investments that we are making in our consulting business to drive increased consumption of Teradata's products.

Results of Operations for the Nine months ended September 30, 2017
Compared to the Nine months ended September 30, 2016
Revenue

| In millions | 2017 | % of Revenue | 2016 | % of Revenue |
|---|---|---|---|---|
| Product and cloud revenue | $504 | 32.9 % | $661 | 39.0 % |
| Service revenue | 1,026 | 67.1 % | 1,035 | 61.0 % |
| Total revenue | $1,530 | 100 % | $1,696 | 100 % |

Teradata revenue decreased $166 million or 10% during the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016, in part due to the sale of the marketing applications business on July 1, 2016. Product and cloud revenue decreased 24% in the first nine months of 2017 from the prior-year period. In addition to the sale of the marketing applications business on July 1, 2016, as discussed under the future trends section of this MD&A, our revenue has been impacted by our customers' focus on less capital intensive buying options such as customers moving to our cloud, subscription-based licenses, rental and usage-based options. This shift is being addressed by our business transformation strategy and continues to impact our prior period revenue comparisons as some revenue that we would normally recognize in a given period may now be spread over a number of periods. Services revenue decreased 1% in the first nine months of 2017 compared to the prior-year period. The decrease in services was in large part due to the sale of the marketing applications business.

Table of Contents

Gross Profit

| In millions | 2017 | % of Revenue | 2016 | % of Revenue |
|---|---|---|---|---|
| Product and cloud gross profit | $288 | 57.1 % | $396 | 59.9 % |
| Service gross profit | 428 | 41.7 % | 477 | 46.1 % |
| Total gross profit | $716 | 46.8 % | $873 | 51.5 % |

The product and cloud gross profit variance was driven by incremental amortization of $7 million of previously capitalized software development costs partially offset by favorable product and deal mix. During the first nine months of 2017 we had more customers purchasing our IntelliFlex offering rather than our prior 2000 Series appliance, resulting in increased margins. The prior period included a significant low margin hardware only deal. Service gross profit was negatively impacted by investments that we are making in our consulting business to drive increased consumption of Teradata's products. Service gross profit was also impacted by routine consulting projects where we incurred and expensed certain consulting services costs before we will recognize the corresponding revenue and by lower utilization in the Americas region. Additionally, there was a decrease in maintenance revenue margin due to higher support and parts costs.

Operating Expenses

| In millions | 2017 | % of Revenue | 2016 | % of Revenue |
|---|---|---|---|---|
| Selling, general and administrative expenses | $481 | 31.4 % | $505 | 29.8 % |
| Research and development expenses | 230 | 15.0 % | 154 | 9.1 % |
| Impairment of goodwill, acquired intangibles and other assets | — | — % | 80 | 4.7 % |
| Total operating expenses | $711 | 46.5 % | $739 | 43.5 % |

The decrease in SG&A expense was primarily due to the exit of the marketing applications business. This was partially offset by transformation associated costs related to the discontinuation of our prior hardware platforms as well as an increase in marketing spend and regional selling expense due to investments in demand creation, primarily in the Americas region. R&D expenses were higher primarily due to the impact from the Company no longer capitalizing certain software development costs as a result of a movement to agile development methodologies. The Company did not capitalize any R&D costs in the first nine months of 2017 compared to $49 million in the prior period. These development costs are now expensed as incurred as R&D expense. The increase in R&D expense is also due to new strategic initiatives around managed and public cloud in the current period.

During the first quarter of 2016, the Company recognized an impairment of goodwill of $57 million and acquired intangible assets of $19 million related to the sale of the marketing applications business. The Company also recorded a $4 million impairment charge related to its corporate plane that was classified as held for sale.

Other Expense, net

| In millions | 2017 | 2016 |
|---|---|---|
| Interest income | $8 | $4 |
| Interest expense | (11 ) | (9 ) |
| Other | (1 ) | 1 |
| Other expense, net | $(4 ) | $(4 ) |

Other expense in the first nine months of 2017 and 2016 is comprised of interest expense on long-term debt partially offset by interest income earned on our cash and cash equivalents.

24

Table of Contents

Provision for Income Taxes

The effective tax rate for the nine months ended September 30, 2017 and 2016 were as follows:

| | 2017 | 2016 |
|---|---|---|
| Effective tax rate | (600.0)% | 48.5% |

For the nine months ended September 30, 2017, a net $6 million discrete tax benefit was recognized related to a reversal of uncertain tax positions recorded in the third quarter from acquired tax attributes in previous acquisitions, which resulted in a negative tax rate in the period.

For the nine months ended September 30, 2016, the effective tax rate included a discrete tax impact resulting from the $76 million impairment of goodwill and acquired intangibles, of which $57 million is related to non-deductible goodwill and $19 million is related to the impairment of intangibles, for which a tax benefit of $6 million was recorded, as well as a $22 million discrete tax impact from the sale of the marketing applications business recognized in the period. In addition, there was a $2 million favorable tax benefit recognized due to the release of a reserve taken for a previously uncertain tax position.

Revenue and Gross Profit by Operating Segment

The following table presents revenue and operating performance by segment for the nine months ended September 30:

| In millions | 2017 | % of Revenue | | 2016 | % of Revenue | |
|---|---|---|---|---|---|---|
| Segment revenue | | | | | | |
| Americas Data and Analytics | $830 | 54.2 | % | $937 | 55.2 | % |
| International Data and Analytics | 700 | 45.8 | % | 690 | 40.7 | % |
| Total Data and Analytics | 1,530 | 100.0 | % | 1,627 | 95.9 | % |
| Marketing Applications | — | — | % | 69 | 4.1 | % |
| Total segment revenue | $1,530 | 100 | % | $1,696 | 100 | % |
| Segment gross profit | | | | | | |
| Americas Data and Analytics | $482 | 58.1 | % | $564 | 60.2 | % |
| International Data and Analytics | 304 | 43.4 | % | 341 | 49.4 | % |
| Total Data and Analytics | 786 | 51.4 | % | 905 | 55.6 | % |
| Marketing Applications | — | — | % | 34 | 49.3 | % |
| Total segment gross profit | $786 | 51.4 | % | $939 | 55.4 | % |

Americas Data and Analytics: Revenue decreased 11% in the first nine months of 2017 as compared to the first nine months of 2016. As discussed in the future trends section of this MD&A, the revenue decline was driven by our customers' focus on less capital-intensive options like cloud, subscription licenses, rental and usage-based models. The majority of subscription-based transactions signed in the first nine months of 2017 were in the Americas region. Segment gross profit as a percentage of revenues was lower driven by a higher mix of services versus product revenue and a lower services margin rate. Service margins were impacted by investments that we are making in our consulting business to drive increased consumption of Teradata's products and by lower utilization. In addition, service gross profit was also impacted by a decrease in maintenance margin due to higher support and parts costs

International Data and Analytics: Revenue increased 1% in the first nine months of 2017 from the first nine months of 2016, which included a 2% adverse revenue impact from foreign currency fluctuations. The revenue increase was driven by improved revenues in Europe, Middle East and Africa as well as the Asia Pacific region in the first nine months of 2017 as compared to first nine months of 2016. Segment gross profit as a percentage of revenues was down in the first nine months of 2017 driven by investments that we are making in our consulting business to drive increased consumption of Teradata's products as well as an increase in consulting projects where we incurred and expensed certain consulting services costs before we will recognize the corresponding revenue.

25

Table of Contents

Marketing Applications: The marketing applications business was sold on July 1, 2016.

Financial Condition, Liquidity and Capital Resources

Cash provided by operating activities decreased by $93 million in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. The decrease in cash provided by operating activities was primarily due to lower net income (adjusted for non-cash items such as depreciation and impairment of goodwill and other assets), which was partially offset by collections of receivables.

Teradata's management uses a non-GAAP measure called "free cash flow," which is not a measure defined under GAAP. We define free cash flow as net cash provided by operating activities, less capital expenditures for property and equipment, and additions to capitalized software, as one measure of assessing the financial performance of the Company, and this may differ from the definition used by other companies. The components that are used to calculate free cash flow are GAAP measures taken directly from the Condensed Consolidated Statements of Cash Flows (Unaudited). We believe that free cash flow information is useful for investors because it relates the operating cash flow of the Company to the capital that is spent to continue and improve business operations. In particular, free cash flow indicates the amount of cash available after capital expenditures, for among other things, investments in the Company's existing businesses, strategic acquisitions and repurchase of Teradata common stock. Free cash flow does not represent the residual cash flow available for discretionary expenditures since there may be other non-discretionary expenditures that are not deducted from the measure. This non-GAAP measure should not be considered a substitute for, or superior to, cash flows from operating activities under GAAP.

The table below shows net cash provided by operating activities and capital expenditures for the following periods:

| | Nine Months Ended September 30, | |
|---|---|---|
| In millions | 2017 | 2016 |
| Net cash provided by operating activities | $301 | $394 |
| Less: | | |
| Expenditures for property and equipment | (59) | (32) |
| Additions to capitalized software | (7) | (54) |
| Free cash flow | $235 | $308 |

In the fourth quarter of 2016, the Company began moving towards more frequent releases of its products, which significantly shortens the opportunity to capitalize software development costs. Due to the shorter development cycle and focus on rapid production associated with agile development, the Company does not anticipate capitalizing significant amounts of external use software development costs in future periods due to the relatively short duration between the completion of the working model and the point at which a product is ready for general release. These costs are currently expensed as research and development costs and are included as a component of cash provided by operating activities. This change does not impact the methodology of the free cash flow calculation. Also, during the third quarter of 2017, the Company incurred cash outflows of $9 million due to the payments for the workforce optimization that occurred during the period.

Financing activities and certain other investing activities are not included in our calculation of free cash flow. For the first nine months ended September 30, 2017, other investing activities included $17 million for an immaterial acquisition and $1 million for a release of funds from a previous acquisition. For the first nine months ended September 30, 2016, other investing activities included $16 million for immaterial acquisitions.

Table of Contents

Teradata’s financing activities for the nine months ended September 30, 2017 primarily consisted of cash outflows for share repurchases and payments on long-term debt. The prior period also included payments on credit facility borrowings. At September 30, 2017, the Company had $180 million outstanding on the revolving credit facility. The Company purchased 11.5 million shares of its common stock at an average price per share of $30.59 in the nine months ended September 30, 2017 and 2.9 million shares at an average price per share of $23.83 in the nine months ended September 30, 2016 under the two share repurchase programs that were authorized by our Board of Directors. The first program (the “dilution offset program”), allows the Company to repurchase Teradata common stock to the extent of cash received from the exercise of stock options and the Teradata Employee Stock Purchase Plan (“ESPP”) to offset dilution from shares issued pursuant to these plans. As of September 30, 2017, under the Company’s second share repurchase program (the “general share repurchase program”), the Company had $190 million of authorization remaining to repurchase outstanding shares of Teradata common stock. Share repurchases made by the Company are reported on a trade date basis. Our share repurchase activity depends on factors such as our working capital needs, our cash requirements for capital investments, our stock price, and economic and market conditions. During the second quarter of 2017, the Company announced its intention to repurchase up to $300 million additional shares of its stock under the general share repurchase program in the second half of the year. Shares are being purchased with cash from U.S. operations as well as funds provided through Teradata’s revolving credit facility.

Proceeds from the ESPP and the exercise of stock options were $20 million for the nine months ended September 30, 2017 and $28 million for the nine months ended September 30, 2016. These proceeds are included in other financing activities, net in the Condensed Consolidated Statements of Cash Flows (Unaudited).

Our total in cash and cash equivalents held outside the U.S. in various foreign subsidiaries was $1 billion as of September 30, 2017 and $957 million as of December 31, 2016. The remaining balance held in the U.S. was $17 million as of September 30, 2017 and $17 million as of December 31, 2016. Under current tax laws and regulations, if cash and cash equivalents held outside the U.S. are distributed to the U.S. in the form of dividends or otherwise, we would be subject to additional U.S. income taxes (subject to an adjustment for foreign tax credits) and possible foreign withholding taxes. As of September 30, 2017, we have not provided for the U.S. federal tax liability on approximately $1.4 billion of foreign earnings that are considered permanently reinvested outside of the U.S.

Management believes current cash, cash generated from operations and the $220 million available under the Credit Facility will be sufficient to satisfy future working capital, research and development activities, capital expenditures, pension contributions, and other financing requirements for at least the next twelve months. The Company principally holds its cash and cash equivalents in bank deposits and highly-rated money market funds.

The Company’s ability to generate positive cash flows from operations is dependent on general economic conditions, competitive pressures, and other business and risk factors described in the Company’s 2016 Annual Report on Form 10-K (the “2016 Annual Report”), and elsewhere in this Quarterly Report. If the Company is unable to generate sufficient cash flows from operations, or otherwise to comply with the terms of the credit facility and term loan agreement, the Company may be required to seek additional financing alternatives.

Long-term Debt. Teradata's term loan is payable in quarterly installments, which commenced 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 September 30, 2017, the term loan principal outstanding was $548 million and carried an interest rate of 2.625%. Unamortized deferred issuance costs of approximately $1 million are being amortized over the five-year term of the loan.

Teradata's Credit Facility has a borrowing capacity of $400 million. 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. 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.

Explanation of Responses:

Table of Contents

As of September 30, 2017, the Company had $180 million outstanding under the Credit Facility and carried an interest rate of 4.450%, leaving $220 million in additional borrowing capacity available. Unamortized deferred costs on the original credit facility and new lender fees of approximately $1 million are being amortized over the five-year term of the credit facility. The Company was in compliance with all covenants as of September 30, 2017.

Contractual and Other Commercial Commitments. There has been no significant change in our contractual and other commercial commitments as described in the 2016 Annual Report. Our guarantees and product warranties are discussed in Note 7 of Notes to Condensed Consolidated Financial Statements (Unaudited).

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with GAAP. In connection with the preparation of these financial statements, we are required to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and the related disclosure of contingent liabilities. These assumptions, estimates and judgments are based on historical experience and assumptions that are believed to be reasonable at the time. However, because future events and their effects cannot be determined with certainty, the determination of estimates requires the exercise of judgment. Our critical accounting policies are those that require assumptions to be made about matters that are highly uncertain. Different estimates could have a material impact on our financial results. Judgments and uncertainties affecting the application of these policies and estimates may result in materially different amounts being reported under different conditions or circumstances. Our management periodically reviews these estimates and assumptions to ensure that our financial statements are presented fairly and are materially correct.

In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require significant management judgment in its application. There are also areas in which management’s judgment in selecting among available alternatives would not produce a materially different result. The significant accounting policies and estimates that we believe are the most critical to aid in fully understanding and evaluating our reported financial results are discussed in the 2016 Annual Report. Teradata’s senior management has reviewed these critical accounting policies and related disclosures and determined that there were no significant changes in our critical accounting policies in the nine months ended September 30, 2017.

New Accounting Pronouncements

See discussion in Note 2 of Notes to Condensed Consolidated Financial Statements (Unaudited) for new accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have not been any material changes to the market risk factors previously disclosed in Part II, Item 7A of the Company’s 2016 Annual Report on Form 10-K.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Teradata maintains a system of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the “Exchange Act”)) that are designed to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including, as appropriate, the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Based on their evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective to provide reasonable assurance as of September 30, 2017.

Table of Contents

Changes in Internal Control over Financial Reporting
There have been no changes in our internal control over financial reporting that occurred during the last fiscal quarter ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.
Part II—OTHER INFORMATION
Item 1. Legal Proceedings.
The information required by this item is included in the material under Note 7 of Notes to Condensed Consolidated Financial Statements (Unaudited) of this Quarterly Report on Form 10-Q and is incorporated herein by reference.
Item 1A. Risk Factors.

There have not been any material changes to the risk factors previously disclosed in Part I, Item IA of the Company's Annual Report on Form 10-K.
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.
Purchase of Company Common Stock
During the third quarter of 2017, the Company executed purchases of 6,346,980 shares of its common stock at an average price per share of $31.55 under the two share repurchase programs that were authorized by our Board of Directors. The first program (the “dilution offset program”), allows the Company to repurchase Teradata common stock to the extent of cash received from the exercise of stock options and the Teradata Employee Stock Purchase Plan (“ESPP”) to offset dilution from shares issued pursuant to these plans. As of September 30, 2017, under the Company’s second share repurchase program (the “general share repurchase program”), the Company had $190 million of authorization remaining to repurchase outstanding shares of Teradata common stock. Share repurchases made by the Company are reported on a trade date basis.

On July 27, 2017, the Company announced its intention to repurchase up to $300 million additional shares of its stock under the general share repurchase program, in the second half of the year. From July 1, 2017 through November 6, 2017, the Company repurchased $200 million in shares. As of November 6, 2017 the Company had approximately $190 million of share repurchase authorization remaining.
Section 16 officers occasionally sell vested shares of restricted stock to the Company at the current market price to cover their withholding taxes. For the nine months ended September 30, 2017, the total of these purchases was 30,880 shares at an average price of $32.04 per share.
The following table provides information relating to the Company’s share repurchase programs for the nine months ended September 30, 2017:

| Month | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Dilution Offset Program | Total Number of Shares Purchased as Part of Publicly Announced General Share Repurchase Program | Maximum Dollar Value that May Yet Be Purchased Under the Dilution Offset Program | Maximum Dollar Value that May Yet Be Purchased Under the General Share Repurchase Program |
|---|---|---|---|---|---|---|
| First Quarter Total | 1,386,710 | $ 31.21 | 536,710 | 850,000 | $4,285,712 | $485,012,249 |
| Second Quarter Total | 3,747,388 | $ 28.74 | 150,000 | 3,597,388 | $4,143,214 | $381,678,537 |
| July 2017 | 550,000 | $ 31.54 | — | 550,000 | $8,233,812 | $364,330,122 |
| August 2017 | 3,890,295 | $ 31.32 | 281,500 | 3,608,795 | $1,564,954 | $251,175,809 |
| September 2017 | 1,906,685 | $ 32.03 | — | 1,906,685 | $6,717,747 | $190,109,377 |
| Third Quarter Total | 6,346,980 | $ 31.55 | 281,500 | 6,065,480 | $6,717,747 | $190,109,377 |

29

Table of Contents

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

None

Item 5. Other Information.

None

Table of Contents

Item 6. Exhibits.

| Reference Number per Item 601 of Regulation S-K | Description |
|---|---|
| 2.1 | Form of Separation and Distribution Agreement between Teradata Corporation and NCR Corporation (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K dated September 11, 2007 (SEC file number 001-33458)). |
| 3.1 | Amended and Restated Certificate of Incorporation of Teradata Corporation as amended and restated on September 24, 2007 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K dated September 25, 2007 (SEC file number 001-33458)). |
| 3.2 | Amended and Restated By-Laws of Teradata Corporation, as amended and restated on July 26, 2016 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K dated August 1, 2016). |
| 4.1 | Common Stock Certificate of Teradata Corporation (incorporated by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q dated November 13, 2007 (SEC file number 001-33458)). |
| 10.1 | Fourth Amendment to Revolving Credit Agreement dated as of July 25, 2017 (incorporated by reference to Exhibit 10.3 to the Quarterly report on Form 10-Q dated August 4, 2017). |
| 10.2 | Fourth Amendment to Term Loan Agreement dated as of July 25, 2017 (incorporated by reference to Exhibit 10.4 to the Quarterly report on Form 10-Q dated August 4, 2017). |
| 31.1 | Certification pursuant to Rule 13a-14(a), dated November 6, 2017. |
| 31.2 | Certification pursuant to Rule 13a-14(a), dated November 6, 2017. |
| 32 | Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated November 6, 2017. |
| 101 | Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Statements of Income for the three and nine month period ended September 30, 2017 and 2016, (ii) the Condensed Consolidated Statements of Comprehensive Income for the three and nine month period ended September 30, 2017 and 2016, (iii) the Condensed Consolidated Balance Sheets at September 30, 2017 and December 31, 2016, (iv) the Condensed Consolidated Statements of Cash Flows for the nine month periods ended September 30, 2017 and 2016 and (v) the notes to the Condensed Consolidated Financial Statements. |

* Management contracts or compensatory plans, contracts or arrangements.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

| | | |
|---|---|---|
| | TERADATA CORPORATION | |
| Date: November 6, 2017 | By: | /s/ Stephen M. Scheppmann |
| | | Stephen M. Scheppmann |
| | | Executive Vice President and Chief Financial Officer |

32