



# **1st Quarter FY 2019 Earnings Presentation**

August 7, 2018

# Non-GAAP financial measures

We present non-GAAP financial measures of performance which are derived from the unaudited condensed consolidated statements of operations of DXC. These non-GAAP financial measures include earnings before interest and taxes (“EBIT”), EBIT margin, adjusted EBIT, adjusted EBIT margin, adjusted free cash flow, and non-GAAP results including non-GAAP income from continuing operations before taxes, non-GAAP income from continuing operations and non-GAAP EPS from continuing operations.

We present these non-GAAP financial measures to provide investors with meaningful supplemental financial information, in addition to the financial information presented on a GAAP basis. Non-GAAP financial measures exclude certain items from GAAP results which DXC management believes are not indicative of core operating performance. DXC management believes these non-GAAP measures allow investors to better understand the financial performance of DXC exclusive of the impacts of corporate-wide strategic decisions. DXC management believes that adjusting for these items provides investors with additional measures to evaluate the financial performance of our core business operations on a comparable basis from period to period. DXC management believes the non-GAAP measures provided are also considered important measures by financial analysts covering DXC as equity research analysts continue to publish estimates and research notes based on our non-GAAP commentary, including our guidance around non-GAAP EPS.

There are limitations to the use of the non-GAAP financial measures presented in this presentation. One of the limitations is that they do not reflect complete financial results. We compensate for this limitation by providing a reconciliation between our non-GAAP financial measures and the respective most directly comparable financial measure calculated and presented in accordance with GAAP. Additionally, other companies, including companies in our industry, may calculate non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes between companies.

Selected references are made on a “constant currency basis” (“cc”) so that certain financial results can be viewed without the impact of fluctuations in foreign currency rates, thereby providing comparisons of operating performance from period to period. Financial results on a “constant currency basis” are non-GAAP measures calculated by translating current period activity into U.S. dollars using the comparable prior period’s currency conversion rates. This approach is used for all results where the functional currency is not the U.S. dollar.

# Forward-looking statements

All statements in this presentation that do not directly and exclusively relate to historical facts constitute “forward-looking statements.” These statements represent current expectations and beliefs, and no assurance can be given that the results described in such statements will be achieved. Such statements are subject to numerous assumptions, risks, uncertainties and other factors that could cause actual results to differ materially from those described in such statements, many of which are outside of our control. For a written description of these factors, see the section titled “Risk Factors” in DXC’s Annual Report on Form 10-K for the fiscal year ended March 31, 2018, and any updating information in subsequent SEC filings including DXC’s upcoming Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018.

No assurance can be given that any goal or plan set forth in any forward-looking statement can or will be achieved, and readers are cautioned not to place undue reliance on such statements which speak only as of the date they are made. We do not undertake any obligation to update or release any revisions to any forward-looking statement or to report any events or circumstances after the date of this presentation or to reflect the occurrence of unanticipated events except as required by law.



# **1st Quarter FY 2019 Earnings Presentation**

**Mike Lawrie**  
Chairman, President and  
Chief Executive Officer

# Key messages<sup>(1)</sup>

Q1 non-GAAP EPS<sup>(2)</sup> of \$1.93

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Revenue of \$5.3B — up 0.9% YoY, down 1.8% in cc

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Digital revenue up 21% YoY with a book-to-bill of 1.6x

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Separated our U.S. Public Sector business and created Perspecta

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FY19 non-GAAP EPS<sup>(2)</sup> target of \$7.75 – \$8.15

<sup>1</sup> Results exclude the U.S. Public Sector business

<sup>2</sup> Excludes restructuring costs, transaction, separation and integration-related costs, amortization of acquired intangible assets, and tax adjustment



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**Paul Saleh**  
Executive Vice President  
and Chief Financial Officer

# Reconciliation of non-GAAP results

(in millions except EPS)	Q1 FY19					
	GAAP	Restructuring costs	Transaction, separation and integration-related costs	Amortization of acquired intangible assets	Tax adjustment	Non-GAAP results
Income from continuing operations before income taxes	360	185	70	135	-	750
Income tax expense	129	41	16	33	(33)	186
Income from continuing operations	231	144	54	102	33	564
<b>Diluted EPS from continuing operations<sup>(1)</sup></b>	<b>\$0.78</b>	0.50	0.19	0.35	0.11	<b>\$1.93</b>

<sup>1</sup>EPS and per-share values of certain items may not sum to non-GAAP EPS due to rounding

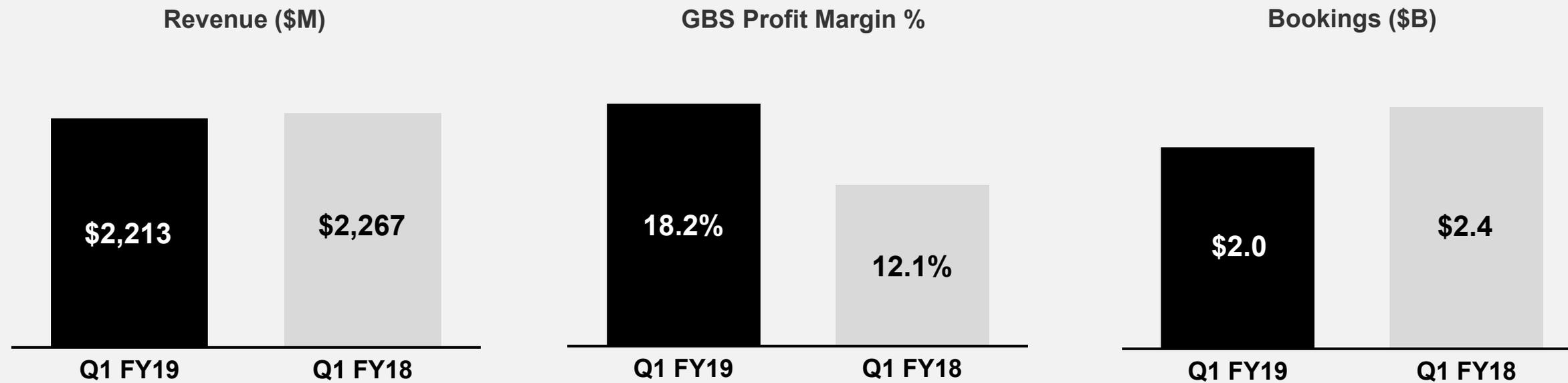
# 1st quarter results

	Q1 FY19	Q1 FY18
Revenue (\$M)	\$ 5,282	\$ 5,236
– YoY Growth – GAAP	0.9%	
– CC	(1.8%)	
Adjusted EBIT (\$M)	803	570
Adjusted EBIT Margin (%)	15.2%	10.9%
Adjusted Income from Continuing Operations (\$M) <sup>(1)</sup>	564	369
Non-GAAP Diluted EPS from Continuing Operations <sup>(1)</sup>	\$ 1.93	\$ 1.23
Bookings (\$B)	\$ 4.6	\$ 6.1

<sup>1</sup> Excludes restructuring costs, transaction, separation and integration-related costs, amortization of acquired intangible assets, and tax adjustment

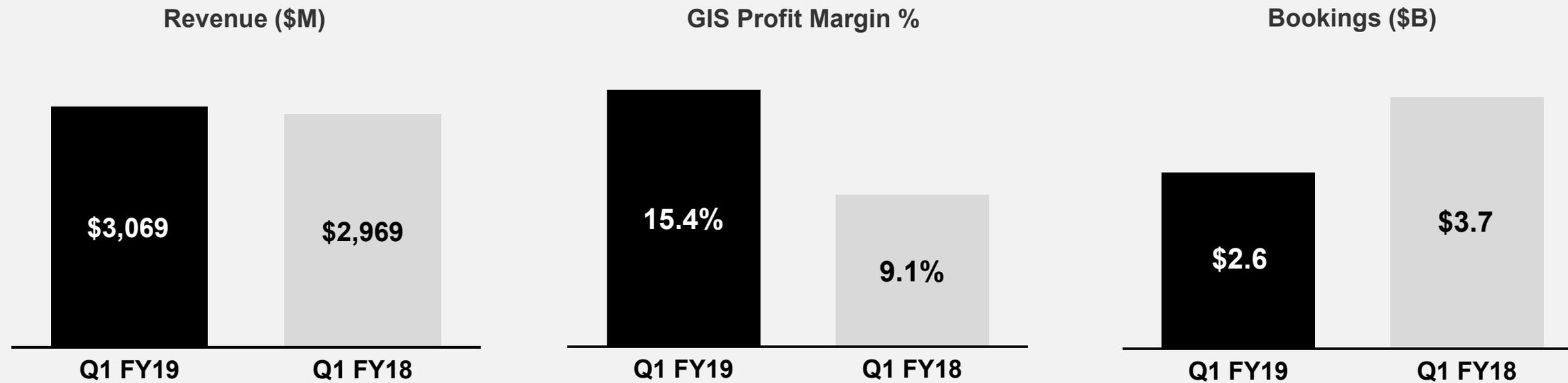
# Global Business Services (GBS)

	Q1 FY19	Q1 FY18
Revenue (\$M)	\$ 2,213	\$ 2,267
– YoY Growth – GAAP	(2.4%)	
– cc	(4.6%)	
GBS Profit (\$M)	403	274
GBS Profit Margin (%)	18.2%	12.1%
Bookings (\$B)	\$ 2.0	\$ 2.4



# Global Infrastructure Services (GIS)

	Q1 FY19	Q1 FY18
Revenue (\$M)	\$ 3,069	\$ 2,969
– YoY Growth – GAAP	3.4%	
– cc	0.3%	
GIS Profit (\$M)	474	271
GIS Profit Margin (%)	15.4%	9.1%
Bookings (\$B)	\$ 2.6	\$ 3.7



# Financial highlights

## Cash Flow Performance

- ▶ Adjusted Free Cash Flow
- ▶ Cap Ex — Including Capital Leases
- ▶ *Cap Ex as a % of Revenue*

**Q1 FY19**

\$321M

\$368M

7.0%

## Capital to Shareholders

- ▶ Cash Dividends
- ▶ Share Repurchases

**Q1 FY19**

\$51M

\$324M  
3.8M shares

## Capital Structure

- ▶ Cash and Cash Equivalents
- ▶ Net Debt-to-Total Capitalization

**Q1 FY19**

\$2.6B

23.7%

# FY 2019 targets

**Revenue**

\$21.5B – \$22.0B

**Non-GAAP EPS<sup>(1)</sup>**

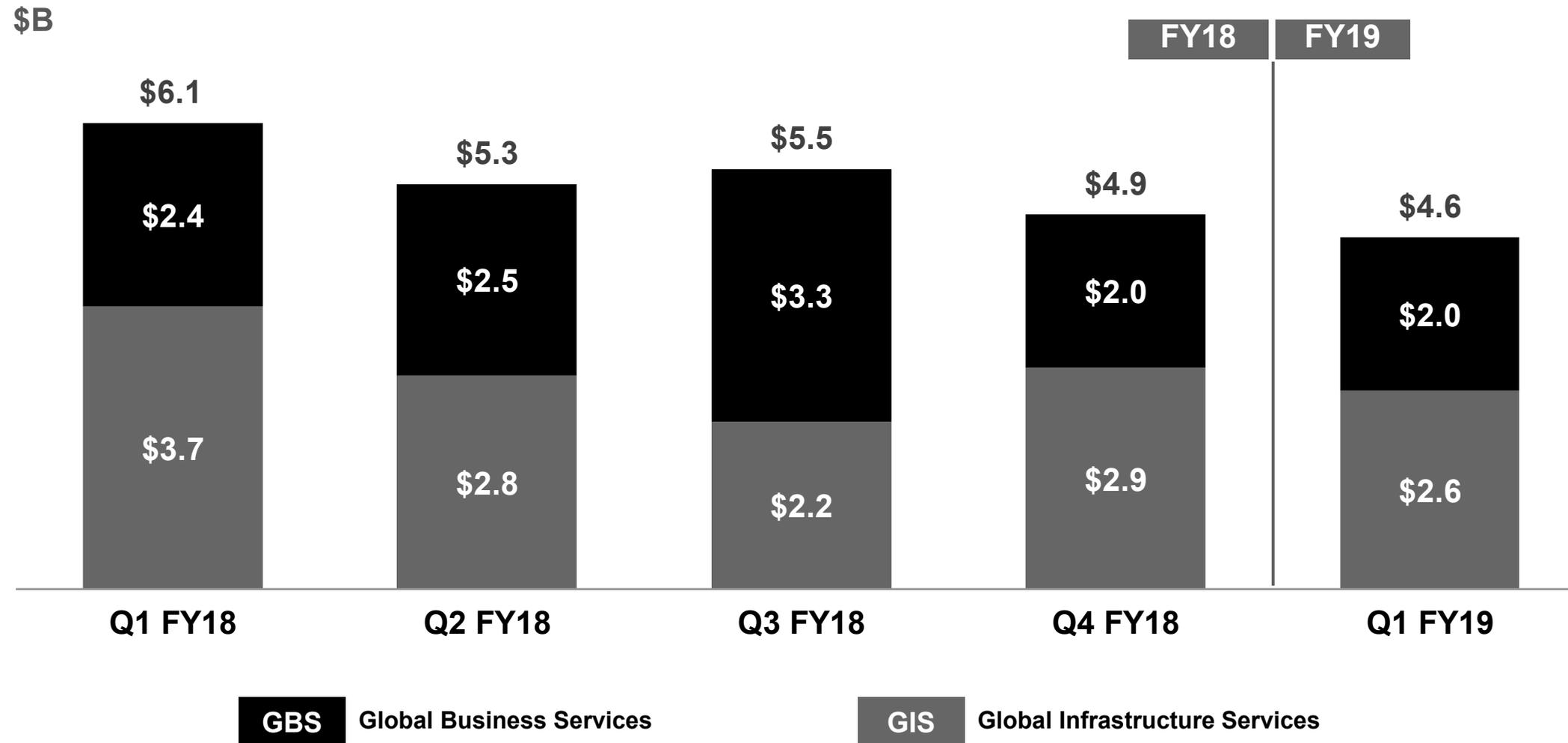
\$7.75 – \$8.15

**Adjusted Free Cash Flow**

90%+ of Adj. Net Income<sup>(1)</sup>

<sup>1</sup> Excludes restructuring costs, transaction, separation and integration-related costs, amortization of acquired intangible assets, and tax adjustment

# Bookings<sup>(1)</sup>



<sup>1</sup> The summation of the quarter bookings number may not equal the full-year number, due to rounding



# **1st Quarter FY 2019 Earnings Presentation**

Supplemental Information

# Non-GAAP reconciliations

## EBIT and Adjusted EBIT

(in millions)	Q1 FY19	Q1 FY18
Net income	\$ 266	\$ 173
Income from discontinued operations, net of taxes	(35)	(65)
Income tax expense (benefit)	129	(17)
Interest income	(32)	(16)
Interest expense	85	74
<b>EBIT</b>	<b>413</b>	<b>149</b>
Restructuring costs	185	187
Transaction, separation and integration-related costs	70	124
Amortization of acquired intangible assets	135	110
<b>Adjusted EBIT</b>	<b>\$ 803</b>	<b>\$ 570</b>
	Q1 FY19	Q1 FY18
Adjusted EBIT margin (%)	15.2%	10.9%
EBIT margin (%)	7.8%	2.8%

# Non-GAAP reconciliations

## Segment profit

(in millions)	Q1 FY19	Q1 FY18
GBS profit	\$ 403	\$ 274
GIS profit	474	271
All other profit (loss)	(74)	25
Interest income	32	16
Interest expense	(85)	(74)
Restructuring costs	(185)	(187)
Transaction, separation and integration-related costs	(70)	(124)
Amortization of acquired intangible assets	(135)	(110)
<b>Income from continuing operations before taxes</b>	<b>\$ 360</b>	<b>\$ 91</b>

Segment profit margins	Q1 FY19	Q1 FY18
GBS profit margin (%)	18.2%	12.1%
GIS profit margin (%)	15.4%	9.1%

# Q1 FY19 non-GAAP results

(in millions except EPS)	GAAP	Restructuring costs	Transaction, separation and integration-related costs	Amortization of acquired intangible assets	Tax adjustment	Non-GAAP results
Cost of services (excludes depreciation and amortization and restructuring costs)	\$ 3,867	\$ -	\$ -	\$ -	\$ -	\$ 3,867
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	440	-	(70)	-	-	370
Income from continuing operations before income taxes	360	185	70	135	-	750
Income tax expense	129	41	16	33	(33)	186
Income from continuing operations	231	144	54	102	33	564
Income from discontinued operations, net of tax	35	-	-	-	-	35
Net income	266	144	54	102	33	599
Less: net income attributable to noncontrolling interest, net of tax	7	-	-	-	-	7
Net income (loss) attributable to DXC common stockholders	\$ 259	\$ 144	\$ 54	\$ 102	\$ 33	\$ 592
Effective tax rate	35.8%					24.8%
Basic EPS from continuing operations <sup>(1)</sup>	\$ 0.79	\$ 0.51	\$ 0.19	\$ 0.36	\$ 0.12	\$ 1.96
Diluted EPS from continuing operations <sup>(1)</sup>	\$ 0.78	\$ 0.50	\$ 0.19	\$ 0.35	\$ 0.11	\$ 1.93
Weighted average common shares outstanding for:						
Basic EPS	284.44	284.44	284.44	284.44	284.44	284.44
Diluted EPS	289.30	289.30	289.30	289.30	289.30	289.30

<sup>1</sup> EPS and per-share values of certain items may not sum to non-GAAP EPS due to rounding

# Q1 FY18 non-GAAP results

(in millions except EPS)	GAAP	Restructuring costs	Transaction, separation and integration-related costs	Amortization of acquired intangible assets	Tax adjustment	Non-GAAP results
Cost of services (excludes depreciation and amortization and restructuring costs)	\$ 4,309	\$ -	\$ -	\$ -	\$ -	\$ 4,309
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	393	-	(124)	-	-	269
Income from continuing operations before income taxes	91	187	124	110	-	512
Income tax (benefit) expense	(17)	-	-	-	160	143
Income from continuing operations	108	187	124	110	(160)	369
Income from discontinued operations, net of tax	65	-	-	-	-	65
Net income	173	187	124	110	(160)	434
Less: net income attributable to noncontrolling interest, net of tax	14	-	-	-	-	14
Net income (loss) attributable to DXC common stockholders	\$ 159	\$ 187	\$ 124	\$ 110	\$ (160)	\$ 420
Effective tax rate	(18.7)%					28.0%
Basic EPS from continuing operations <sup>(1)</sup>	\$ 0.33	\$ 0.66	\$ 0.44	\$ 0.39	\$ (0.56)	\$ 1.25
Diluted EPS from continuing operations <sup>(1)</sup>	\$ 0.33	\$ 0.65	\$ 0.43	\$ 0.38	\$ (0.55)	\$ 1.23
Weighted average common shares outstanding for:						
Basic EPS	283.83	283.83	283.83	283.83	283.83	283.83
Diluted EPS	289.47	289.47	289.47	289.47	289.47	289.47

<sup>1</sup> EPS and per-share values of certain items may not sum to non-GAAP EPS due to rounding

# Adjusted free cash flow

(in millions)	Q1 FY19	
Net cash provided by operating activities	\$	473
Net cash used in investing activities		(284)
Acquisitions, net of cash acquired		43
Business dispositions		65
Payments on capital leases and other long-term asset financings		(259)
Payments on transaction, separation and integration-related costs		105
Payments on restructuring costs		148
Sale of accounts receivables, net DPP		30
<b>Adjusted free cash flow</b>	<b>\$</b>	<b>321</b>

# Non-GAAP and other definitions

**Segment profit:** Segment revenue less costs of services, segment selling, general and administrative, depreciation and amortization, and other income, excluding the movement in foreign currency exchange rates on our foreign currency denominated assets and liabilities and the related economic hedges, transaction, separation and integration-related costs, amortization expense related to acquired intangible assets, and pension and OPEB actuarial and settlement gains and losses

**Segment profit margin:** Segment profit as a percentage of revenue

**Earnings before interest and taxes (EBIT):** Net income (loss) less income from discontinued operations, net of taxes, interest expense, interest income, and income tax expense (benefit)

**EBIT margin:** EBIT as a percentage of revenue

**Adjusted EBIT:** EBIT excluding restructuring costs, transaction, separation and integration-related costs, amortization expense related to acquired intangible assets, pension and OPEB actuarial and settlement gains and losses

**Adjusted EBIT margin:** Adjusted segment EBIT as a percentage of revenue

**Adjusted free cash flow:** Equal to the sum of (1) operating cash flows, (2) investing cash flows, excluding business acquisitions, dispositions and investments (including short-term investments and purchase or sale of available for sale securities), and (3) payments on capital leases and other long-term asset financings. Adjusted free cash flow is further adjusted for certain cash flow items, such as (i) payments on transaction, separation and integration-related costs, (ii) restructuring payments, (iii) cash receipts from the sale of accounts receivable

**Capital expenditure:** Equal to the sum of purchases of property, equipment, and software, and principal payments on capital leases, less proceeds from sales of assets

**Net debt:** Total debt, less cash and cash equivalents

**Net debt-to-total capitalization:** Calculated as the ratio of net debt to total capitalization

