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DXC.N - DXC Technology Co to combine its USPS Business with Vencore and Keypoint - M&A Call

EVENT DATE/TIME: OCTOBER 11, 2017 / 9:45PM GMT

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PRESENTATION

Operator

Good day, and welcome to the DXC conference call. Today's call is being recorded.

At this time, I would now like to turn the conference over to Mr. Jonathan Ford, Head of Investor Relations. Please go ahead, sir.

Jonathan Ford

Thank you, and good afternoon, everyone. I'm pleased you're joining us for DXC Technology's call regarding today's announcement. Our speakers on today's call will be Mike Lawrie, our Chairman, President and Chief Executive Officer; and Paul Saleh, our Chief Financial Officer. We posted a presentation to our website at dxc.com/investorrelations. These slides will accompany our discussion today.

On the second slide in the presentation, you'll see that certain comments we make on the call will be forward-looking. These statements are subject to known and unknown risks and uncertainties, which could cause actual results to differ materially from those expressed on the call. A discussion of risks and uncertainties is included in our most recent quarterly report on Form 10-Q.

I would like to remind our listeners that DXC Technology assumes no obligation to update the information presented on the call, except, of course, as required by law.

And now, I'd like to introduce DXC Technology's Chairman, President and CEO, Mike Lawrie. Mike?

John Michael Lawrie - *DXC Technology Company - Chairman, President & CEO*

Okay. Thank you, and thanks, everyone, for dialing in. I know it's a little late but it's been a busy day. And as you know, we shared some news earlier about our intent to separate DXC into 2 publicly-traded companies. What I'd like to do today is just walk through the separation we announced and, as is my habit, I have a few key messages, and then I'll go through those and then get into a little more detail. And then we'll have a chance for some Q&A.

So really, 4 key messages here. First is we are announcing that the DXC board has unanimously approved the plan to combine our U.S. public sector business with Vencore Holding Corporation and KeyPoint Government Solutions to create a separate, mission-focused, independent publicly-traded technology company to serve U.S. government clients. The new company will be a highly-differentiated, mission-enabled solutions provider with meaningful scale and end-to-end technology solutions. It will be one of the top 5 independent IT service providers to the U.S. government and affiliated public sector clients.

The second message is the rationale for the separation. Separating these 2 businesses will allow each company to develop and execute focused growth strategies while creating additional opportunities for shareholder value. It will also provide access to an investment vehicle associated with the transformation taking place in the federal government.

Third point that I'd highlight is what differentiates this new company from other companies in this space. As an end-to-end IT services firm that protects, provides and enables the mission of U.S. government clients, the new company will leverage a broader set of assets and capabilities to unlock new avenues and growth opportunities for itself and its stakeholders. The value proposition for the company will be focused squarely on growth. This includes the ability to address a cross section of client needs by providing a full complement of offerings with deep expertise in areas like cybersecurity and other mission-critical technology solutions, all at scale.

And then finally, the last point, in terms of what happens next, we are launching a focused planning and execution effort with an emphasis on business as usual for our clients, partners, shareholders, and employees, and we're targeting a deal close and launch of the new public company by the end of March of 2018.

Now let me just go into a little more detail on each of those points. As I said, we're combining Vencore and KeyPoint with DXC's U.S. public sector business to form a separate, mission-focused, independent publicly-traded company that surveys -- to serve U.S. government clients. The new company has about $4.3 billion in combined revenue and a highly skilled workforce of more than 14,000 people. Both Vencore and KeyPoint are currently owned by Veritas Capital, a leading private equity firm recognized for its deep knowledge of government and technology-enabled end markets.

Vencore is a leading provider of cybersecurity, information solutions, engineering and analytics for the U.S. government and has strong relationships with the intelligence community and Department of Defense. And through its applied research organization, Vencore Labs, Vencore has built robust intellectual property and an innovative portfolio to provide mission-critical services and solutions to government agencies.

KeyPoint is a mission-critical provider of specialized investigative services to a broad range of organizations spanning the federal, defense, intelligence and civilian sectors, leveraging proprietary algorithmic workflow systems and a nationwide footprint of experienced investigators. The combination of Vencore and KeyPoint with the U.S. public sector business will create a top 5 services provider to the U.S. government, covering the full spectrum of IT services and enabling broader access to customers, capabilities and contract vehicles. The new company will also continue to benefit from DXC's distinctive partner network. The new company will have one of the highest margins in the sector with additional opportunities for margin expansion through cost synergies. These will include continued execution of the U.S. public sector margin improvement plan as well as cost synergies associated with the combination of U.S. public sector with Vencore and KeyPoint.

Now let me just cover a few details of the transaction. First, DXC shareholders will own approximately 86% of the new company's common shares. And funds managed by Veritas Capital and its affiliates will own about 14% of the new company and will receive $400 million of cash merger consideration. The new company will distribute $1,050,000,000 in the form of cash and assumed debt to DXC. We're actively putting together the leadership of the new company. Mac Curtis, the current President and Chief Executive Officer of Vencore, will become the CEO of the new company. Marilyn Crouther, Senior Vice President and General Manager for DXC's USPS business, will become the Chief Operating Officer. And in addition to my responsibilities at DXC, I will chair the board of the new company. We plan to close the transaction by the end of March 2018, subject to regulatory approvals. The new company's name will be determined at a later date. And it's also important to note that certain U.S. state and local business activities, such as our support for state Medicaid operations as well as our international public sector business, will remain with DXC.

Next, I'd just like to go into a little greater detail on the rationale for separating the new company from DXC. First, separating into 2 pure play companies lets us respond to the different growth profiles and capital requirements in the public versus the commercial markets. Separating will allow each company to respond to changing markets more flexibly while pursuing long-term strategies tailored to each segment. The transaction also provides a new unique opportunity for a combination of assets to create a highly differentiated, mission-enabled solutions provider with meaningful scale and end-to-end capabilities. In essence, this is a vertical integration from the very top of the stack to the bottom of the stack. It is not a horizontal integration. Therefore, the primary focus here will be on the growth prospects for the new company as opposed to cost synergies as a result of consolidation. Also, the U.S. public sector technology demands continue to increase, and agencies want providers to demonstrate government-focused innovation. This separation will enable concentrated investments and solutions, innovations and service improvements most relevant for each of the client bases.

For shareholders, this separation will provide access to an investment vehicle specifically connected to the transformation taking place in the federal government. The new company will be able to unlock value through a tailored growth strategy for the U.S. government services market. Employees of the new company will have more focused professional development opportunities, including the ability to mature skill sets into different client mission spaces and technology platforms. Employees of the new company will also benefit from the scale in the public sector, increased market access and expanded end-to-end offers. And our strategic partners will have an expanded set of opportunities to work with 2 organizations targeting different markets, and the new company will also be able to strengthen its emphasis on partnerships with other public sector-focused companies.

In terms of what differentiates this company from other companies in this space, there's really a few things I'd like to highlight in addition to what I've already highlighted. First, the addressable market for the new company will be larger than the sum of its parts. The company will be an end-to-end IT services firm that protects, provides and enables the mission of U.S. government clients. By leveraging a broader set of assets and capabilities, the company will be able to unlock new avenues and growth opportunities. This includes the ability to sell to a broader set of decision-makers, including mission managers as well as traditional CIO buyers. The new company will combine commercial IT best practices with deep understanding of client mission to develop impactful digital transformations. The company will also, as I said, be vertically integrated across the entire services pyramid with a significant portfolio breath, including more than 260 patents and significant R&D investments. This breadth will enable access to large bundled procurement opportunities where the legacy companies cannot compete very well today. Further, Vencore's industry-leading public sector technology R&D provides a sustainable and strong growth platform and technical differentiator. This provides an attractive complement to DXC's established IT services capabilities and client base in USPS. The new company will have considerable capabilities in key digital technology areas at scale, most notably cybersecurity, advanced analytics, cloud, mobility and agile software development. For example, Vencore is the only provider with the required technical knowledge for several intelligence platforms, and the new company will have more than 1,000 agile certified developers.

The client base of the legacy companies is also complementary and there is very little client overlap. This will help minimize revenue dis-synergies and create significant opportunities to cross-sell into each of the established client bases.

And then finally, in terms of what happens next, the main point is that our clients, our employees, our shareholders and our partners, it will be business as usual. Our goal is to maintain laser-focus on client service and delivery, and we will be keeping all of our stakeholders up to date as we approach major milestones. We are launching planning and execution efforts targeting, as I said, a deal close by the end of March 2018.

So just to summarize here. DXC is combining its U.S. public sector business with Vencore and KeyPoint to create an independent, publicly-traded company. The new company will be a mission-enabled top 5 IT solutions provider with meaningful scale and capability serving the U.S. federal, state and defense sectors. And we believe this creates a compelling value proposition for investors, clients, employees and partners. And we believe both DXC and the new company will be well positioned to grow and lead in their respective segments.

So now, I will hand the call back over to the operator and would be happy to handle any calls. I'm also joined here today, as Jonathan said, with Paul Saleh. So the 2 of us will deal with whatever questions you may have. So operator, over to you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And we'll go to Brian Essex, Morgan Stanley.

Brian Lee Essex - *Morgan Stanley, Research Division - Equity Analyst*

Maybe a question for Paul. If we could hit first what we might be able to expect in terms of financial information, both with regard to the size of NewCo, the capital market structure, capital structure of NewCo? And then what your view is from DXC's perspective on what you're going to do with the proceeds distributed to DXC? What your kind of capital allocation shareholder return priorities are there?

Paul N. Saleh - *DXC Technology Company - Executive VP & CFO*

All right. So we gave you some of the parameters already, I think, in the presentation, I think, just on the top line revenue from the combined entity. All 3 entities, about $4.3 billion, which had leading profitability just literally, particularly on an EBIT and EBITDA basis. I would say to you, you'll get more information when we're going to file our Form 10, which is going to be sometime in the third quarter. We'll be able then to be in a better position to just guide you through some of the financials. You saw from the information that is provided to you some other metrics such as, for example, the amount of cash that we're going to be paying to Veritas, distributing $400 million. And for us, DXC has that $1 billion that takes in the form of cash and a potential reduction in debt as well. So more to come. You have to be just really a little bit patient with us and we are in a quiet period for the rest of the business. So in a few weeks, we'll be able to still report our second quarter result, and we'll be freer also to talk a little bit more about the business itself.

Brian Lee Essex - *Morgan Stanley, Research Division - Equity Analyst*

Is there any way to kind of -- just kind of taking a step back and thinking about deals you've done prior like with CSRA? Similar playbook in terms of capital return and capital allocation priorities?

Paul N. Saleh - *DXC Technology Company - Executive VP & CFO*

Well, this one is a little bit different. And I will say to you, though, that what we will end up doing, so we're thinking back a distribution again of $1 billion in the form of cash and debt reduction. We have, in our release, also stated that the proceeds will be used again either to pay down debt or to return more capital to our shareholder in the form of share buyback.

Brian Lee Essex - *Morgan Stanley, Research Division - Equity Analyst*

Got it. Maybe I'll just sneak in, will they be taking any debt? Or is the debt staying with you that's currently attributed to DXC?

Paul N. Saleh - *DXC Technology Company - Executive VP & CFO*

I think some of it we're going to have to look at. I think it's going to -- as we dig deeper into the tax basis and the like, we'll be able to look at -- if there's any amount of debt or debt exchanges needed or not. But primary, I think right now, I think I'll be focusing more on the $1 billion, and the ability to redeploy that either to pay down debt or to buy back shares. And this is a...

John Michael Lawrie - *DXC Technology Company - Chairman, President & CEO*

And as I think we said, this is structured as a Reverse Morris Trust.

Operator

We'll take our next question from James Schneider, Goldman Sachs.

James Edward Schneider - *Goldman Sachs Group Inc., Research Division - VP*

I guess just to follow up on the prior point, is there any reason from a capital structure standpoint to believe this couldn't take the same amount of debt load as the prior transaction given the kind of relative stability of the business relative to commercial? And can you maybe just kind of talk about whether the kind of existing Vencore asset, et cetera, or the other assets have any kind of debt attached to them right now?

John Michael Lawrie - *DXC Technology Company - Chairman, President & CEO*

I would say there's no reason to think it couldn't handle the same debt load as we've seen with other companies in this sector. Jim, you're exactly right. So -- and then, Paul, you can...

Paul N. Saleh - *DXC Technology Company - Executive VP & CFO*

Yes. I think I'll guide you to, I think, the Vencore has a -- and has one file, so you'll get a sense of how much debt basically will be replaced as part of this transaction. But could you go back to what Mike has said is literally, there's no reason to have the leverage not consistent with what the whole industry is at.

James Edward Schneider - *Goldman Sachs Group Inc., Research Division - VP*

Understand. And then maybe just from, again, a uses of capital perspective. I think, Paul, you had just mentioned the $1 billion proceeds and you articulated buyback and debt pay down first. You didn't say anything about M&A. I know M&A is certainly a part of what you intend to do broadly speaking with DXC. I mean is that an intentional oversight? Or do you think that M&A could just be a coequal priority with the other ones?

John Michael Lawrie - *DXC Technology Company - Chairman, President & CEO*

I think M&A, as we said, when we got together and did our investment presentation where we launched DXC, our capital allocation model isn't changing, okay? It's not changing at all. So now, we're going to continue to do acquisitions. We announced yesterday another acquisition in the ServiceNow space in Europe. We're going to continue with that. That is -- we talk about general-purpose uses for some of these proceeds, that's what we're talking about. But we are putting some focus on debt reduction, and we're putting focus on return to our shareholders in the form of stock buybacks. That's all we're saying, Jim. No change.

James Edward Schneider - *Goldman Sachs Group Inc., Research Division - VP*

Understand. And then maybe if I can just throw one last one in there. In terms of the cost base of USPS, if you think about the cost base of that business, whether that's kind of excess G&A allocation or anything else that might kind of go along with that USPS business, if I look at the kind of segment margins, is there any reason to believe that any additional cost could be transferred to the new entity? Or would there be any stranded cost would remain with DXC such that you wouldn't have kind of just a simple addition of cost and margins as the new business spins out?

Paul N. Saleh - *DXC Technology Company - Executive VP & CFO*

Yes. I'll point you to some other transaction that looks similar to this one that we have done before from a structural perspective. The NewCo will have leading, and I say leading, profitability and EBITDA margins. And if there are any stranded costs, we'll take care of removing those excess costs that remain (inaudible).

John Michael Lawrie - *DXC Technology Company - Chairman, President & CEO*

Yes, the stranded costs are not is a huge factor here, Jim. We'll be able to deal with that on a run-rate basis as we -- as we exit this fiscal year.

Operator

And we'll next go to Darrin Peller, Barclays.

Darrin David Peller - *Barclays PLC, Research Division - MD*

Could we talk first about the NewCo mix of businesses? I mean you obviously talked about some complementary assets, but we think of USPS as a business that would grow or was growing maybe slightly better than, obviously, the rest of DXC, maybe flat to slightly up type of growth now. Does this profile and this combination provide revenue synergies that you talked about to help accelerate that pretty soon? I mean is that something that we can see, call it, low single-digit growth, mid-single digit?

John Michael Lawrie - *DXC Technology Company - Chairman, President & CEO*

This is a great question, and I can't over emphasize this enough. This is not a horizontal integration. This is a vertical integration. And I think in the charts that we have up, I don't see charts that we had up for these guys, but we had a chart in there, it was triangle. It really talks about the tip of the sphere here, which is strategy and consulting and the next generation capabilities, specifically cyber, cloud and analytics. Vencore really brings that to the table big time, big time. And then USPS brings things like application development, systems integration, enterprise IT solutions, as well as IT infrastructure and mission operation support. And then at the bottom, the base of this value chain here, KeyPoint brings continuous training development improvement and then investigative resources at scale. We just think this vertical value chain is what will make this asset unique in the marketplace. And each one of these businesses, whether it be cyber and analytics, is at scale, or IT infrastructure and application development, systems integration at scale from USPS. And then these investigative resources and other capabilities, the algorithms that support that, at scale. So that's where we think there's a lot of potential revenue synergies by being able to cross-sell infrastructure in certain segments and then strategy consulting in cloud and analytics into other segments. So that is the primary thesis behind this very unique combination of assets.

Darrin David Peller - *Barclays PLC, Research Division - MD*

Okay. All right. And then just, I guess, as a follow-up. I mean is there anything that your prior -- that you guys are benefiting as having the business combined that you might lose now? Or is there enough arrangements to be made going forward that the NewCo will still benefit from any kind of referrals or any other relationships with DXC going forward?

John Michael Lawrie - *DXC Technology Company - Chairman, President & CEO*

No, there wasn't real synergies between our U.S. public sector business and our commercial business. There were very few synergies. Now as we go forward, there's certainly going to be very strong collaboration between this new company and our commercial business as well as certain agreements from an intellectual property standpoint and the sharing and some of that. So yes, I think there are some capabilities in NewCo that can be leveraged in our commercial business. As a matter of fact, I'd say, this combination probably gives us more synergy capability with commercial than what we had before. Paul?

Darrin David Peller - *Barclays PLC, Research Division - MD*

Yes. All right, just last question -- I'm sorry, Mike, go ahead.

Paul N. Saleh - *DXC Technology Company - Executive VP & CFO*

I just also wanted to add that the KeyPoint business is a very strong and unique asset to bring to the -- to NewCo, and it's been growing very rapidly. And has a differentiated platform and a very broad reach within the entire background investigation market. So it's just really a remarkable asset that is also going to benefit from some of the Vencore technology, particularly in advanced analytics and cyber. And we're looking forward, it's just going to be a great synergy of ...

John Michael Lawrie - *DXC Technology Company - Chairman, President & CEO*

Especially great intellectual property. I mean, we have 260 patents in this new business. I didn't have 260 patents in USPS, but we have 260 patents against some of the most experienced cyber expertise and we support hundreds of PhDs, for example, 170 to be exact, PhDs. I mean this is expertise that quite candidly, we didn't have in USPS. And now, can be leveraged across all of the USPS client base. And then -- so as I said, some intellectual property can actually be shared and used and leveraged in the commercial or commercial business. So that's why this makes sense. I've done a lot of these deals. But this is a -- it's a unique combination of assets that just has never been put together the way we're putting it together.

Darrin David Peller - *Barclays PLC, Research Division - MD*

Okay, that's great. Just last quick one. I mean, we had always estimated USPS's margins at around a little over 10%, recently at least. And I guess these businesses that you're combining, I mean, would it be fair to say, just given your new comment, that its industry-leading margins that they're higher than USPS's? Or is it just the same step, even though it's not a synergy cost, synergy play that the combination would allow for that margin?

Paul N. Saleh - *DXC Technology Company - Executive VP & CFO*

I think the combination will have higher margins than -- together. And then the EBITDA margins would be in the mid-teens plus.

Operator

And we'll go to Edward Caso, Wells Fargo Securities.

Edward Stephen Caso - *Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst*

So we come to March 30, March, whatever the date is, March 31, is there a requirement for the Reverse Morris Trust to spend or dividend out this new company or could it remain on your P&L?

John Michael Lawrie - *DXC Technology Company - Chairman, President & CEO*

I don't know, I don't have any answer to that to tell you the truth.

Paul N. Saleh - *DXC Technology Company - Executive VP & CFO*

No, I think we're -- we have designed -- I mean our intent is just to spin the business to our shareholders and we have to make sure that also that we get the right tax opinion, but barring that, which we believe we're in good position to get. This is a business that we're going to distribute to our shareholders.

Edward Stephen Caso - *Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst*

Just so I heard the math correctly, so you've got a, whatever, $4.3 billion business with a mid-15 -- 14, 15 EBITDA percentage. Is that how we should sort of think about the value that's been added that you've created here? I mean are those sort of the general numbers we should be working with? I'm trying to get a sense for what multiple here.

Paul N. Saleh - *DXC Technology Company - Executive VP & CFO*

I think mid-teens plus would be the operating word. And then I would also say that there will be some synergies. I know we're not -- again, the top line synergies is one thing or the opportunity for revenue growth is one thing. But more important, there are still some synergies that we intend to extract from the combination.

Edward Stephen Caso - *Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst*

My last question is on Alion, is it, within the Veritas portfolio, is there some reason that wasn't included?

John Michael Lawrie - *DXC Technology Company - Chairman, President & CEO*

What?

Edward Stephen Caso - *Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst*

They also -- on another government contract, they're called Alion. I was curious why that one wasn't part of the transaction.

Paul N. Saleh - *DXC Technology Company - Executive VP & CFO*

Well, I think we were giving you just a representative listing of some of these.

John Michael Lawrie - *DXC Technology Company - Chairman, President & CEO*

No. I mean, we never actually considered it, to be honest.

Paul N. Saleh - *DXC Technology Company - Executive VP & CFO*

The other assets, you mean? As one of the other assets, I think right now, we were focusing on the assets that we felt were most complementary to the (inaudible) .

John Michael Lawrie - *DXC Technology Company - Chairman, President & CEO*

And would help us assemble this end-to-end capability.

Paul N. Saleh - *DXC Technology Company - Executive VP & CFO*

Correct. That's exactly right.

Operator

And we'll go to Keith Bachman, Bank of Montreal.

Keith Frances Bachman - *BMO Capital Markets Equity Research - MD & Senior Research Analyst*

Mike and Paul, if you're spinning out this business, which presumably has, I think, in the near term, better growth and higher margins. What does that do to your previously established targets for DXC?

John Michael Lawrie - *DXC Technology Company - Chairman, President & CEO*

It does not change our previously communicated targets.

Keith Frances Bachman - *BMO Capital Markets Equity Research - MD & Senior Research Analyst*

So still in that -- if I really simplify it, the $9 to $10 and out year earnings, you still think that's on the table even with just...

John Michael Lawrie - *DXC Technology Company - Chairman, President & CEO*

You're going to have to -- you going to have to adjust the EPS, obviously, for the profit that gets spun out. What I was talking about -- what I thought you were talking about is the revenue profile of the commercial business, that doesn't change. And the margin assumptions don't change.

Keith Frances Bachman - *BMO Capital Markets Equity Research - MD & Senior Research Analyst*

Okay, okay. So we're going to have to adjust our -- as we separate these businesses and obviously, pull out USPS at mid-teens, EBITDA margins and adjust our consolidated...

John Michael Lawrie - *DXC Technology Company - Chairman, President & CEO*

I wouldn't pull it out at mid-teens because it's not mid-teens now. What we're saying is it's going to be mid-teens after the combination.

Keith Frances Bachman - *BMO Capital Markets Equity Research - MD & Senior Research Analyst*

Yes. Okay. Mike, let's go back to the working assumption behind the spin rather than some of the mechanics. Is -- other companies such as Accenture, in particular, compete directly on the U.S. government business, they've elected to retain the consolidation play. There's another vendor, IBM, of similar fashion. What's really driving -- what are they missing and what's the difference here between what DXC is electing to do in terms of having an independent U.S. government focus versus some of the leading competitors, I put IBM and Accenture in that camp, that are keeping it on a consolidated basis?

John Michael Lawrie - *DXC Technology Company - Chairman, President & CEO*

As I said, I think going forward, these markets are different markets. They have different capital requirements. They have different capital allocation requirements. The valuations are different. So we felt that this was an opportunity to create incremental value for our shareholders. We felt this was a pure play, which would give our employees a significant opportunity. And from a more targeted growth strategy and capital allocation model behind this would allow this business to grow faster and be more focused would help from a talent acquisition standpoint, would help from a career standpoint from all of our employees. So it's the age-old difference between do you want to run a consolidated play and optimize at a higher level? Or do you want to focus on the unique aspects of the market, and then make sure the strategy, the assets that support that strategy, the capital allocation as well as the employee base, are totally focused on that market. We like the federal government market, it's just that we think it is ripe for an end-to-end vertically-focused company.

Paul N. Saleh - *DXC Technology Company - Executive VP & CFO*

There's also an element of unlocking some value here as well because when you look at the Accenture keeping a business like this in their fold, their multiples are quite healthy when you look at the DXC and this asset. This asset within the families that sell into 8x EBITDA right now, and then the market for public sector asset, it's significantly higher than that.

Operator

And we'll take our question from Arvind Ramnani, KeyBanc.

Arvind Anil Ramnani - *KeyBanc Capital Markets Inc., Research Division - Senior Research Analyst*

Just to get some math out of the way. When I kind of run some numbers, it looks like kind of the headcount for employee on DXC is much, much higher than Vencore. And well, certainly, much more than KeyPoint. Is there a reason for that kind of difference in revenue per employee?

John Michael Lawrie - *DXC Technology Company - Chairman, President & CEO*

Well, yes. I mean the USPS business supports a different set of segments in the market. I mean we're supporting application development, systems integration, infrastructure, a whole host of things that has an entirely different revenue per employee and support structure. That's exactly what we're talking about that makes this a unique asset. Then you combine that with Vencore, which has very high-end skills in cyber and analytics and cloud, and then the unique assets around the investigated business with KeyPoint, yes, those employees have different profiles in terms of revenue and profit per employee.

Arvind Anil Ramnani - *KeyBanc Capital Markets Inc., Research Division - Senior Research Analyst*

Okay. And of course, it's a fourfold increase from KeyPoint, that's kind of what my rough math tells me but that's good -- and I know at the beginning, when you do these deals, you've got to look pretty sophisticated, looking all the available options for the public sector. This is one that doesn't come as a surprise if you guys are spending. But I'm curious to see like among all the options out there, were their particular reasons you found this more attractive. And then second thing was anything behind the timing of this -- I already understand the logic behind the timing and why did you decide to go with these guys versus some of your other options available?

John Michael Lawrie - *DXC Technology Company - Chairman, President & CEO*

Well, first of all, these are the assets we did want. And the reason for that is the combination of this asset creates this vertical end-to-end opportunity. There's a lot of assets out there but not ones that create the end-to-end. We weren't particularly interested in doing a horizontal integration that the business model was really built on cost synergies. We want to do something that offered a unique value proposition in the market, and there's not that many assets that you can put together. We felt that these 2 assets had very deep expertise and intellectual property. There's not as many out there that have that. It had a winning culture, it had been well managed because it was within a private equity format. And as you know, because Vencore filed an S-1, they were also taking a look at doing an IPO. So in some extent, that did drive the timing and brought us to the table. And I don't want to put words in Veritas' mouth but obviously, they felt that this unique combination of assets, long term, was a far more attractive option than doing an IPO. And I'd also mention that they are holding 14% of this new company. And I think for Veritas, it's got a lot of expertise in this market, knows how to do this and has bought and sold a lot of assets for them to take this ownership position in NewCo speaks volumes about the long-term prospects.

Arvind Anil Ramnani - *KeyBanc Capital Markets Inc., Research Division - Senior Research Analyst*

Yes. Makes sense. And certainly, the (inaudible) is, I think, on a (inaudible) from a tax purpose is a good deal. Congrats.

Paul N. Saleh - *DXC Technology Company - Executive VP & CFO*

Thank you.

John Michael Lawrie - *DXC Technology Company - Chairman, President & CEO*

Thank you very much. And operator, that will be it. Again, just thank you, guys, for taking the time. I know it's a little late as you get a lot of things to focus on today. So thank you for taking the time, and we look forward to keeping you updated as we go through the process. Thank you.

Operator

And that does conclude today's conference call. We thank you all for joining us.
