THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

DXC Technology Investor Day

EVENT DATE/TIME: MARCH 29, 2017 / 1:30PM GMT

CORPORATE PARTICIPANTS

Neil DeSilva *DXC Technology - Head of M&A and Investor Relations*

Mike Lawrie *DXC Technology - Chairman, President, CEO*

Chris Curran *PwC - Chief Technologist*

Mike Nefkens *DXC Technology - EVP, General Manager of Regions & Industries*

Steve Hilton *DXC Technology - EVP, Head of Global Delivery Organization*

Paul Saleh *DXC Technology - EVP, CFO*

CONFERENCE CALL PARTICIPANTS

Joe Foresi *Cantor Fitzgerald - Analyst*

Darrin Peller *Barclays - Analyst*

Jamie Freeman *Susquehanna - Analyst*

Jim Schneider *Goldman Sachs - Analyst*

Keith Bachman *BMO - Analyst*

Brian Essex *Morgan Stanley - Analyst*

David Grossman *Stifel Nicolaus - Analyst*

Rod Bourgeois *DeepDive - Analyst*

Ashwin Shirvaikar *Citi - Analyst*

PRESENTATION

Neil DeSilva - *DXC Technology - Head of M&A and Investor Relations*

Okay, everyone we will get started. Hello and good morning. I am Neil DeSilva. I'm the head of M&A and Investor Relations at CSC, soon to be DXC. I would like to welcome all of you to the 2017 DXC Investor Day. It is good to see so many familiar faces in the room and also we certainly welcome those who are joining us via webcast today.

As you know, DXC Technology is to be formed by the imminent merger of CSC and the enterprise services division of Hewlett-Packard Enterprise. In a few moments Mike will kick us off today and the management of DXC to give us insight into the world's leading independent end-to-end IT services leader. Just as a note for those in the room and also at the webcast that presentation materials will be distributed after the presentation.

Before we proceed let me read the disclaimers. In connection with the proposed transaction Everett SpinCo Inc. a wholly-owned subsidiary of Hewlett-Packard Enterprise Company created for the transaction, filed with the SEC, a registration statement on Form S-4 and a registration statement on Form S-10 containing a prospectus, information statement and CSC filed with the SEC a proxy statement on Schedule 14A.

Investors and security holders are advised to read the registration statements, prospectus information statement and the proxy statement because they can contain important -- they do contain important information about the parties and the proposed transaction and to read the other documents filed by CSC, HPE and SpinCo. When those documents are filed they will contain important information and the proposed transaction, as I said.

All statements in this presentation that do not directly and exclusively relate to historical facts constitute forward-looking statements. Many factors could cause actual results to differ materially from such forward-looking statements with respect to the transaction referred to above, including risks related to the completion of the transaction; and anticipated timing; anticipated tax treatment; unforeseen liabilities; future capital expenditures;

inability to achieve expected synergies; loss of revenues; delay or business disruption caused by difficulties in integrating the businesses of CSC and SpinCo as well as matters described in the risk factors section of SpinCo's Form S-4 and Form 10; CSC's proxy statement on schedule 14A and any updated information in subsequent SEC filings.

CSC, SpinCo and HPE disclaim any intention or obligation to update these forward-looking statements whether as a result of a subsequent event or otherwise, except as required by law. Let me also continue. This presentation today includes certain non-GAAP financial measures such as earnings before interest and taxes, non-GAAP EPS and free cash flow. These non-GAAP financial measures are not meant to be considered in isolation or as a substitute for results prepared in accordance with accounting principles generally accepted in the United States or on a pro forma basis.

Our respective management teams believe that these non-GAAP financial measures provide useful supplemental information to investors regarding our projected results of operations and cash flows as they provide another measure of our projected profitability and cash flows and are considered important measures by financial analyst covering us and our peers.

With that out of the way let me tell you what to expect on today's agenda. First Mike Lawrie, DXC's Chairman, President and CEO will introduce DXC Technology and the strategic overview of our business and our priorities. Next we are going to be joined by Chris Curran, PwC's Chief Technology Officer who will provide insight into the ongoing transformation of the business world by digital solutions.

After Chris, Mike Nefkens, DXC's Executive Vice President and General Manager of Regions and Industries will lay out for us DXC's offerings, partnerships and sales approach. Following Mike, Steve Hilton, Executive Vice President and Head of DXC's Global Delivery Organization will take us through DXC's delivery model and the next phase of transformation. And then Paul Saleh, DXC's Executive Vice President and Chief Financial Officer will provide us a financial overview of the new company. Finally we will wrap up our session today with 30 minutes of Q&A.

To now get us started let me introduce DXC's Chairman, President and CEO, Mike Lawrie.

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

Good morning everyone. Glad you are here and thank you for the interest in DXC. As is sort of my custom here I want to start out with a couple of the key messages we want to have you leave with today and then really the rest of the agenda is all about developing those key messages and giving you a little more substance and meat as we prepare for the launch of DXC.

But the first message is that we have really undergone a pretty significant transformation over the last five years. It seems almost like yesterday I was in this room presenting, going through how we intended to transform CSC. I sort of view that as Chapter 1. We are now beginning Chapter 2 with I think, as many opportunities and value creation opportunities ahead of us as we have seen over the last five years.

The second message is that the IT services industry is also going through a very significant paradigm shift. And this has strategic implications not just for our clients but for the industry itself and I think will put a lot of pressure on the leaders over the last 10 or 15 years while at the same time opening up new doors and new opportunities for players to reassert and take a leadership position.

DXC was really created with this in mind so we think the merger of these two companies is at a very opportune moment in the transition of the industry. Our vision is very straightforward. We want to drive value for our clients, for our partners, for our shareholders as well as creating a very compelling opportunity for our employees and the ecosystem of people that are part of DXC. In order to execute that vision we have three very simple strategies.

One is to really drive our clients through this transformation to the digital world and offering them a leading set of platforms, digital platforms, that we have co-invested and built together with our partners, leveraging our own intellectual property and our unique set of domain knowledge. The second strategy is skills will be critical in this next phase of the industry. And we have to create a compelling environment for people that want to practice their skills and develop their profession and develop their expertise within this ecosystem around DXC. And then finally there are significant value levers here that we have to execute on against.

One is the transition of our revenue base so we can stabilize and grow that revenue base. We have substantial opportunity to expand our margins by capturing the synergies that this combination presents us with which sets up a very strong free cash flow that allows us, through our disciplined capital allocation model, to continue to grow the business. So those are the key messages and how I will spend some time developing each of those and I said my colleagues will go into a little more depth.

As I said, we've had a very interesting five years. I look back, we've gone from over 2000 custom offerings to roughly 140 standard offerings across a 14 offering families and made significant investments in these digital platforms. We completely reoriented and remixed our asset base. We have sold a lot of companies and we have purchased a lot of companies and capabilities that we didn't have five years ago. We made a huge investment in our partners. We really bet the farm on our partners so that we could leverage their R&D, leverage their routes to market and present a much different set of independent objective best-of-breed offerings to our clients. And we strengthened our leadership team and everyone in this room knows this has been a pretty successful run over the last five years in terms of what we have been able to accomplish.

HPES has been on a very similar journey over the last five years. So they too have taken a lot of costs out. They too have driven significant margin expansion. But I think the most important thing is this has all been done while increasing customer satisfaction because at the end of the day it doesn't allow you to really move the ball forward unless your clients are with you. This is a question that came up five years ago in this room and we have been able to keep our clients with us as we've gone through this major set of transformation moves.

The second key message here is that the industry is undergoing a very significant transformation. I go back -- unfortunately I've been part of every one of these cycles that go back almost 40 years. That's the good news is I have experienced it. The bad news is I have experienced it. But it all started with the mainframe and the mainframe was all about what we now call today hyper converge. This was a hyper converged environment and there were a lot of very significant players that really played a key role in this stage of the IT services industry, IBM, EDS and others. These are just a couple representations -- and a big market. But this cycle, if you will, also created a lot of business issues. It was monolithic. It was very unresponsive to end users' requirements and was very capital intensive.

This really set up the next cycle where this converge stack, IT stack began to disaggregate and it disaggregated into layers, software layers, application, operating system, chips, systems and a whole new generation of companies were born to begin to take advantage of that disaggregation. The addressable market increased dramatically. However, like everything else it solved one set of problems but created another set of problems. It became very costly, very complex and for the first time we begin to see some real skill gaps in ability to actually administer and run this business.

That really then set up the door for what I call globalization and outsourcing. This is where the big services firms rushed in and a whole new generation of firms. This is where the Indian companies came in. Labor arbitrage became one of the key ways to drive that cost reduction, standardization, the way we approach contracts, all of these things were responses to problems that were created in the previous cycle, again significant increase in the addressable market.

But this too created a lot of problems and overreliance on contracts, an overreliance and rigidity of the contracts led to less than stellar performance from an innovation standpoint. And over focus on cost led to underinvestment. So this then has created the next cycle which we are still in the early innings of, to use a baseball metaphor we are probably in the third inning. This will last for 10 or 15 years.

This is the digital world and it is characterized by a whole different approach. Instead of inside out, it is much more outside in but the real fundamental driver here is the digitization of workflows. So for the first time in this 40-year history workflows are going to be digitized and when those workflows are digitized they begin to conform to Moore's Law. And as they conform to Moore's Law you will see a doubling on a very frequent basis of the capabilities.

We are seeing that begin to play out as we begin to digitize many of the IT processes that support our business and support our clients' business. Again, a new set of players. Who would've thought Amazon would be one of the most important IT services companies in the world? Well, they are. Again, a significant increase in addressable market. But just like the other cycles, we are beginning to see some issues emerge.

There's a lot of issues around skills. We don't have enough skills. Most industries are seeing major disruption in their business models which are then setting up the need to transform and many of those transformation projects are not successful, or too late. And this all against the backdrop of an ever increasing cyber threat which all of us in this room read about every day. But there significant opportunity in this next cycle. Many of you in this room have written about this and I concur with what you have said. The traditional services business has deaccelerated over the years. You see this in the results of many of our peers and many of our competitors. Pick a number, flat to 4% but it is certainly not growing as fast as it did 5 years ago, 10 years ago, 15 years ago.

However, underneath that is a new segment that's beginning to emerge and that's these digital platforms. Here there is substantial growth, 25% to 30% based on our research. And this is creating a significant new opportunity that will play out over a number of dimensions. I just list a couple here: cloud, analytics, mobile, IoT, social, a whole list of new digital opportunities. And these digital technologies, these digital platforms, are beginning to pervade every industry and every client in every industry but as I said it's setting up new challenges.

These are incredible numbers. Most clients don't feel that they have the skills necessary to transform their business to a digital world. Most companies believe they are going to be disrupted. Think about this. They actually are expecting to be disrupted and those transformation projects that do get kicked off, the vast majority of them fail or are too late to affect an outcome. And as I said the cyber threat is real.

So in order to be successful in this next cycle you must have scale and skills. You must be able to transform your own business from an efficiency standpoint, from an agility standpoint. Customer intimacy is critical here. These transformation decisions are not being made by procurement. These decisions are being made by the CEO and the C-suite. And you don't just show up and say, hey, how do you like me so far. You've got to understand the client and have a relationship. And you've got to have the technology and the digital platform innovation in order to be able to add value to the client base.

This is why DXC was created. We have the scale. This is give you a few couple highlights of the scale that we have on a worldwide basis. We've invested in the digitization of many of our own workflows within our IT services business. This is what our ServiceNow investment and partnership was all about. We are beginning to see the results of that and I will share more as we go through here. Customer intimacy. We cover all these industries. We have clients in every one of these industries and a deep understanding. And then within four or five of these industries we actually have our own IP portfolio. We have our own IP portfolio with our partner, HCL with CeleritiFinTech in banking and payment systems, insurance our Xchanging acquisition, healthcare. What we've done with the NHS in our Lorenzo Suite of products and capabilities. The US public sector and our many other investments that we've made in travel and transportation where we run some of the world's largest end-to-end reservation and travel systems.

And then this technology innovation, we've really spent a lot of time over the last couple of years investing, not only investing with the intellectual property that we have purchased but the partnering we've done with the Microsofts and the Amazons and other players to build out these 14 families of digital platforms that our clients can now begin to take advantage of and we have a significant business here. It's a $4 billion business that is beginning to grow rapidly and conform to the industry trends that I showed you.

So as I said, our vision is very straightforward. We want to lead our clients through this accelerated change. How we are going to measure ourselves, so how I am going to report back on this over the next several years is how well we are doing in our clients. Do they trust us? What's the percentage of transformation projects that we are able to complete on time and really help our clients transform. Our partners, are they with us? Hopefully the next several weeks you'll see some more announcements with our partners around how we intend to take the next step in the hybrid cloud environment and really provide a very compelling value proposition to all of our clients around the hybrid cloud.

Our investors, many in this room. We've got a significant opportunity to drive a lot of value creation over the next several years and then as I said our employees, providing them a compelling environment to practice their skills and drive their professional development. So our priorities are to lead our clients on this digital transformation and by really taking advantage of these digital platforms that we have built with our partners as well as our own IP and industry domain knowledge. Grow our people and drive and execute and lever these value opportunities that we have in front of us.

I want to go through this in just a little more detail before I turn this over to the next speakers. These are the digital platforms that we have today. These are the investments that we've made since I've been in this room over the last five years. Coupled with our own IP assets that we've acquired or we've built over the last several years and you can see what some of those offerings are in the four key industries.

Part of the due diligence that we have done here is we went out to independent third parties and we asked a very simple question: where are our digital offerings; where are our offerings today compared to our competitors. And we were very pleased with what came back. Not to say there's not more work to do; there is, but these offerings now are ready for prime time and they have been built with the partners you see on the right. So these are not things we've done ourselves in some lab somewhere, this has been built with our partners.

So what we are beginning to create now with our clients is the ability to go in and take this very large installed base that we have that I showed you in the previous chart, tremendous scale and offer our clients the opportunity to reduce their cost within their traditional infrastructure world and that savings than can be used by them to invest in this next generation of IP platforms or digital offerings that we have built. And because we are automating and beginning to get the efficiencies out of our own IT processes, this margin expansion, that DXC is seeing now can be plowed back into our offerings that we are building with our partners which further encourages our clients to purchase and install and use these platforms to transform their business.

Now this is not theory, this is happening today. So as we go through this and I just want to share one other perspective and then I will share this example. So this is our current situation with our skills base so the other important thing here is we are going to need to transform the skills in our own population in order to capitalize on this opportunity. This will involve standard things like different ways of attracting and leveraging and growing a graduate program and leveraging co-op programs and internship programs and rejuvenating career paths and all those things. Those are important.

But we are also building out a crowd sourcing platform, something that we are calling a DXC Dynamic Talent Cloud. And what this does is begin to link us to individual practitioners in the industry. 14% of the skills in this industry are unincorporated individuals, i.e. freelancers. This crowd sourcing platform will allow us to bring them into that system through some very advanced algorithms to be able to determine what skills match to what projects, assign them to projects, evaluate them on how they perform in those projects, reward them for exceptional performance and then be able to reassign them to other projects.

So this allows us rather than to have to hire everybody and make everyone an employee it allows us to virtualize and bring a whole new group of people into our DXC ecosystem so that we can better serve our clients from a skill standpoint and transition our skills. Not me talk about as I wrap up. The key levers, the key levers that will drive value in the Company going forward.

Number one is the installed base, our current revenue portfolio. And I will show you how we are intending to transition that portfolio over the next three or four years. We see substantial EBIT margin expansion. So we are saying we've got somewhere in the neighborhood of 700 to 800 basis points of improvement in our EBIT margins over the next three years. That EBIT drives very strong operational cash flow and free cash flow which allows us along with more disciplined working capital management, a continued drive to an asset light model and optimization of tax rates, that allows us to set up a capital allocation model that will return we are projecting over 30% to our shareholders, allow us to reinvest in our business allow us to make some acquisitions and make some investments in our people. And I will go through this in a little more detail.

So the current portfolio of revenue looks like this today. So DXC looks like this today and the revenue base is declining -1-4 but it is declining. What we are beginning to see -- this is the example I want to share with you -- is we are beginning to see this normal deceleration, particularly of our ITO base, think of this as somewhere around 4% to 7% and this is coupled with the dis-synergies, so we expect some dis-synergies associated with bringing the two companies together. But underneath this with the automation, robotics and other digitization of our workflows we are also beginning to see significant improvements in our margins and the capacity to improve this margins over time. That's why I shared with you the 700 basis points to 800 basis point improvement in EBIT margins.

We have got a very strong industry business. I shared with you before the intellectual property in the solutions but this is a big addressable market, almost $300 billion and for us it is growing 7% to 10%. And then finally our digital platforms, which I shared with you was a $4 billion business, this is growing at 25% to 30% and this also has a significant addressable market. Now real-life example.

Large client, top-10 client. So we got them in our traditional business today. So we go to that client, we say listen, we can offer you a 15% or 20% reduction in your IT costs. So that puts pressure downward because we are offering them lower price, this by the way is a contract that doesn't expire for four years. Then we say, however, we want you to reinvest that savings back into modernizing your application portfolio, much of which is our applications because they are applications that drive their business. And we want you to invest in more digital platforms to help transform your business.

This Friday we will probably get the letter of intent to get this closed. By the way, this is a discussion with the CEO. I haven't met procurement. I'm sure they will get involved in the contract. End of the day this represents about a 2% to 4% increase in the total revenue that we are billing this client and is an example of exactly how you leverage this installed base, have the client reinvest in platforms, both industry platforms and digital platforms, that help move their business forward. And that's how we intend to, over the next three years, not only stabilize the revenue portfolio, re-mix the revenue portfolio and begin to see the total revenue portfolio begin to grow on a global basis.

For those of you that prefer graphs, very simple representation here. So this is a 2% to 4% decrease due to productivity and efficiencies. We will have some dis-synergies, I talked about this publicly. I'm here to tell you there will be some dis-synergies. It's going to be 2% to 3% but that will work its way through the system over the first year to two years.

We've got good growth on our industry platforms, we've got very good growth on our digital platforms and that's what allows us, along with our strong capital model, to plan to acquire 1% to 2% of revenue growth through acquisitions. This will mostly be smaller tuck-in acquisitions geared to our industry portfolio or our digital portfolio. And this is what begins to stabilize and begin to grow the revenue profile and change the revenue mix over the next three years.

So you have seen me use charts like this before when I was here. It's the same concept. It's got different variables behind it than what we had before. Don't think of this as a crossover point. I have no idea. So we've got to operate this business and begin to see how this works. But the way of doing it now is clear to us and we are doing it and now this scale that the two companies bring together can really be leveraged. And why I think it's so important that these two companies are coming together at this moment in time.

Margin expansion. Paul will go through this in a little more detail. This gives you some very hard numbers around policy alignment, workforce optimization, supply chain and facilities. So these are the numbers we are committing to this year, it's consistent with the $1 billion I've talked about ever since we made the announcement and the $1.5 billion run rate. This should drive somewhere between 400 and 500 basis points in fiscal 2018. And then over time this continues to work to the system and that's what drives the 700 to 800 basis point EBIT margin improvement over that three-year period of time.

This EBIT performance drives significant free cash flow. We are planning our taxes at about 27.5%. This does not include anything that may or may not transpire in Washington with tax reform. So this is what we think we can do from our tax optimization policies. Working capital, extreme focus on day sales outstanding and collectibles and also a focus on payables to bring payables and collectibles a little more into balance. And then using our partners, finance partners including [HPES] and SpinCo to help continue to drive the utility model and a capital light approach. That will begin to again play out over the next three years.

The capital allocation model, very straightforward. You can -- this is how we will manage the business over the next three years so we intend to drive about 30% to our shareholders. By the way our operating, not free cash flow, operating cash flow over this time frame is somewhere -- our projections are somewhere around $12 billion. So these percentages would then be applied to that $12 billion. Debt repayment, restructuring costs that we talked about. So the 1.3, 1.4 restructuring costs out of the gate and what we are factoring in here is about $400 million a year over this time frame with continued restructuring. It's people, facilities -- mostly facilities -- as we go forward.

CapEx, about 35%. That will drift down over this time frame; acquisitions to drive 1% or 2% revenue growth. This assumes a yield of about $0.70 on the $1. You can do the math and you will understand this. And then a significant amount of business reinvestment, investment in skills, investment in training programs as well as investments in many of the digital offerings that I have been talking about.

So the financial targets -- and again Paul will go into even more detail. This is fiscal 2018. We expect revenue somewhere in the neighborhood of 24 to 24.5, this is off an estimate of somewhere around 24.8 that we will end the year. Don't know exactly as we bring the companies together so that would represent a 3% or 4% -- 2% to 4% decline in revenue. Significant EBIT margin expansion. Free cash flow as a percent of net income, 100% or more and then an EPS of $6.50 to $7.

Then over the three-year period of time, we expect to transform this revenue base -- we will see the this grow we think somewhere between 1% and 4%, 14% to 15% EBIT margins so that's a 700 to 800 EBIT basis point improvements. Free cash flow again 100% or more of net income and an EPS growth of 20% growth. That means that the end of three years we would be somewhere between $9.25 and $10 a share. And that includes what we are planning to do with the repurchase of our shares which is part of the capital allocation model. So that's about as clear as I can get. Again, Paul will go into a little more detail.

So when I think about companies I use the same formula always to think about companies, whether they need to be turned around or they need to be run. One, you have to have a vision what you want to do because if you don't know what you want to do anything will be okay. Then you actually make sure you have a strategy. A lot of companies have visions, they don't have strategies. Then the next thing is you have to have the assets to actually execute the strategy, you can't believe how many companies have strategies but they actually don't have the assets to execute the strategy, then you actually have to have a team that can execute. And then you got to have the financial model that drives the discipline through the business and drives the credibility with the investor and analyst base and gives you a sense of what you can report on an progress and track record over time.

So where CSC and HPES today is on the lower end of growth and on the lower end of profitability, as we compare ourselves to the leaders today and I underscore the word today because of the significant strategic implications to the IT services industry going forward. And we execute this plan we take DXC from there to this upper quadrant where we have stable revenue growth, consistent with the industry and significantly improved profitability.

Now what I would like to do is -- we will have a Q&A period later. I would like to bring Chris up from PwC and Chris is CTO and we have asked him to share a little bit around his digital IQ survey which you've been doing for how many years now? 10 years. So that you at least have somewhat of an independent view of the industry and what clients are saying. So, Chris, I will turn this over to you.

Chris Curran - *PwC - Chief Technologist*

Thank you, Mike. I saw I guess about a week ago on social media somewhere a collage that someone had done about this big and it had all these faces that someone had clipped out of the footage of all these celebrities with this shocked look on their face. So if you look this thing up it's hilarious. There's Matt Damon and anyway, so is pretty funny but I think we did a good job of taking accountability for that. [Jack Welch] even wrote a nice blog post about it.

So thanks for the opportunity to share a little bit of perspective with you this morning. My name is Chris Curran, I am PwC's Chief Technologist and my job is about learning, it's about learning about new and emerging technologies and helping our clients, helping our own firm, helping the market in general learn about the new and emerging technologies that may or may not impact business and bring value to organizations. And in addition to working with companies on a daily basis and doing our own hands on research and experimentation, we also run a series of surveys to try to get broader perspectives and one of them, our premier survey platform for the digital transformation world is called Digital IQ. It is 10 years old. We started it in 2007.

I will give you the headlines. So we just released it a couple weeks ago. You can read more about it at PwC.com/digitaliq. But the headline 10 years later after starting this thing is back in 2007 the questions were, would the CEO and the C-suite ever care about technology and information technology in general -- my life and for the last 30 years has been working with CIOs and CTO's and the IT organization largely trying to figure out how to help bring value to the business. So question one was, would the CEO and the rest of the C-suite ever really care beyond back office automation. And secondly would technology or IT ever be seen as a driver of strategy rather than just a supporter of it.

So those are the questions we had then and the answer today is yes and yes. Now the question boils down to skills. So in support of Mike's priorities, skills is the number one challenge that we have right now, it's figuring out how to get them, how to build them, how to partner for them, how to get them rapidly and apply them to these large transformations.

So what I want to do in a few minutes is two things. One is provide a little bit of context around this survey and the digital transformation market itself, the digital services world. And then secondly give you some of the data from our survey to help to put some color around it. So in 2007 I was working with a healthcare company and they were going through their own transformation and they were thinking about modernization at the time. It felt a lot like replacing systems and platforms, it felt like a typical IT-driven transformation. But what made it different was that the president of the organization -- this is a big public organization -- literally the seniormost person running that company was a day-to-day leader of this transformation, not a sponsor, not a once a month meeting participant, but the transformational leader of this change.

So while we thought about it as a modernization play, as we got more and more into this transformation became obvious that he viewed this as a way to change their relationship with their customers, business customers and patients at the end of the chain. And to do this he felt it was important to change the way that they built other customer systems, customer CRM but also to build the data platforms and the analytics to understand more about the day-to-day and the transformational trends that were going on in the marketplace. And so even called himself the chief architect of this transformation.

And so it got me thinking this was something unusual for 2007 and even unusual a lot of times today that the seniormost leader of an organization would put themselves right in the middle of this kind of transformation. And if you looked at the factors that Mike put up earlier and talked about the keys to success here around technology driven innovation, scale and skills, this organization and this leader brought all that to the table in 2007.

So we started this survey to try to get at the behaviors that organizations and leaders bring to the table successfully and not so successfully to make this kind of transformation. So it's now in over 50 countries, our survey is, more than 20 industries and it surveys all walks of life in organizations. This isn't an IT survey. This is a leadership survey.

I think it's important to talk a little bit about the word digital and where it comes from so when we talk about digital transformation we are on the same page what we are talking about. So in 2007 -- and this chart is a relative ranking of Google search data from each of these time periods -- so back in 2008 or the end of 2007 we started to see this real spike around IT, a lot of people interested in information technology at the time. Digital wasn't even a thing. We didn't talk about digital. Digital was ones and zeros that technology people talked about back then. That was it. It was very much a world of CIOs and CTOs and largely back office process automation and infrastructure.

But coming around the 2011 time frame we started to see this word digital maybe with a capital D start to come into our vocabulary more. It was kind of a head scratcher for me. In my technology world and I started to see this digital word pop up more and more and more in the media and in common conversation. So I was sitting down with a friend of mine who runs an ad agency and we were talking about his future and his plans and we were talking about just the market in general, what I was up to. And we got on the subject of digital and I am like what is going on with this and he said -- this was a big aha moment for me -- was that the digital vocabulary in the market, the word, the term was really being pushed by the ad agencies because digital defined one of their channels. This was about digital ads in media. And so who better to hype the word digital than the firms trying to sell their digital channels. And so that's where this digital marketing term -- the word digital -- they didn't really call it just digital marketing but digital started to pop up.

We started to talk more about apps and user experience and consumerization of technology and things like that. But where we are today is that has sort of died down and now we are looking at a conversation and an opportunity that's blending the two, blending the back office power of IT and the front office user centered thinking that the media world brought to the table and this is what we are talking about when we talk about digital transformation. It's how we talk about it. It's how CSC and DXC talks about it.

It's really about the formative fully integrated transformation of businesses using information technology, front office, middle office, back office, customer through operation strategy, through execution, the full deal. And in fact this is something that another research group, IDC, talks about as being over a $1 trillion market in all the digital transformation, not just services but everything associated with these digital transformations, a $1 trillion market.

Marc Andreesen in 2011 wrote a piece for the Wall Street Journal where he famously said software is eating the world, he was really largely talking about how much of the tech world at the time was being undervalued and lookout here we come. That was basically the headline that he was talking about. Now it's not just the tech sector, it's every sector. One of the places that is obviously a great place to learn about new trends around technology is looking at the startup world and the startup ecosystem. So I spent a lot of time in that world, everybody is talking about FinTech, health tech, reg tech, any tech. Just throw it on there and everybody is talking about it. Pretty soon that's going to fall away and every successful company is going to have a superhigh digital IQ and is going to be all about integrating tech.

Every company -- not every company -- but leaders in many companies are talking about becoming a software company. So I think the question here is how do we start to enable that. So what I would say is even in the energy sector where there is a lot of pressure obviously we are talking with companies who want to bring new and emerging technologies to their customers. One energy company I am working with is experimenting with virtual reality trying to figure out new ways to visualize their plans to drill in the oilfield with their customers. So this is applying everywhere.

The challenge that comes along with that is that everybody wants to put technology in their budgets. So one of the questions we ask in our Digital IQ study is: how much of your technology spend lives outside of the CIO's budget. In 2014 the number was 35%; 2015 50%; 2016 68%; this year 72% on average. So the money and the control of the spend is spread across the C-suite now, it's not just being controlled by the CIO. So the good news is that the CEO is taking a leadership role here in corralling all this. The challenge is that there are many more buyers and a distributed buying platform. So that creates interesting opportunities and challenges for leadership to figure out how to keep it all together.

So this fragmentation creates opportunities for service providers like DXC and PwC and others but it also creates a lot of confusion and complexity. One of the proxies that we use thinking back to my healthcare example in 2007 that we used to think about the strategy and vision progress of organizations is asking our survey participants to tell us how much of a champion their CEO is of the digital platform and transformation. So as you see over time it's tracking up. Now we are up into 70% of our participants say that their CEO is an active champion of the digital platform and transformation. Back when we started it was around 38%, so it has almost doubled.

But there is a huge gap here in terms of the ability to deliver on the digital vision. One of the proxies we use for that is how successfully do you deliver your digital projects. Well, the second line here talks about how often you deliver your projects on time; only 38% said that they regularly deliver their digital investment projects on time. So this creates a huge opportunity and again boils down to skills.

So what are some of the other factors in addition to skills that explain this gap, that explain the delivery issue and execution issue around digital transformation. So skills is number one. Number two is the inability to integrate the existing platforms with the new technologies. Integration has always been a challenge since I started in this business and inflexible or slow processes.

So if you think about the cloud transformation that many organizations are trying to figure out right now, this is not -- the hard part is not about adopting a new CRM system in the cloud or a new HR system in the cloud. The hard part is taking the core business systems that run the mission-critical stuff like policy administration and insurance, or fleet management in an industrial products company, taking those systems and putting them in the cloud touches on all of these barriers. Touches on the skill barrier for understanding and learning about the new platforms, touches on the integration challenges because those new systems have to integrate to legacy systems especially during the transition. And third the inflexible or slow processes particularly as business processes need to be rethought.

As you are designing a new system or at least transitioning a system into a new platform you have to think about is this an opportunity for me to rearchitect some of these business processes. And this is not just a single industry or a couple of industries every industry is impacted by this skill challenge. And I would say that it's not just about project management skills or hands on technology skills. It's also about strategic innovation skills.

One of the financial services companies I work with is going through a blockchain innovation project right now trying to figure out how to apply blockchain in a clearing and settlement world. Even in that world and even for a very progressive bank, this project is very innovative. The challenge they have is that they don't have a clear way to articulate their opportunity to their leadership and to get it woven into the fabric of the larger investment model and into the platform of the day-to-day business. So even for an organization that has a established innovation team, that is experimenting with new technologies, they haven't quite figured out how to take it and plug it into the day-to-day activities and the week to week planning cycles of their bank.

We found that somewhere around 30% of companies say they have this innovation capability, the skills, the experimentation and the ability to weave it into their planning. So this is also part of the skills mix. It's not just about the hands-on technology stuff. It's also about the learning, experimentation and integration of the emerging technology thinking into the core platform of the business.

So the CEO and the C-suite is in the game now. Technology can be a strategic driver of business strategy so the real question now is will leaders accept that there is such a skill gap and take aggressive action to fill the gaps through building their own skills, through partnering, by bringing in temporary resources, bringing in the crowd, as Mike explained earlier. That's really the question we face now, not do we have leadership buy-in but how will we get the work done quickly with the right skills.

So one of the sets of questions we ask in our survey is how do you use third parties and where do you go for that skill set. So as you would expect, deployment of new technologies, architecture and design, emerging technology are all on the radar but cyber security tends to be the number one skill set that organizations go outside, or at least they report that they go outside for. Probably a recognition that there is a burning platform here around cyber security and then it is constantly changing.

What is surprising to me here is that the data analytics and emerging technology is not higher up on the list because those are both probably more widely applicable and at least as rapidly changing as the cyber security world. So there is interest and there is action getting some of these skills filled. It's not quite all the right skills at the right level of balance yet but I think that we are making progress.

So the questions we had in 2007 were, would the CEO and the C-suite ever care and would IT ever be seen as a strategic driver. And I think we have answered through 10 years of this research and through all of our experiences, yes and yes. The question we face now in 2017 is, will leaders understand and accept and address the skill gaps we have in making these digital transformations. And as I mentioned before, there is a lot of research out there that shows that projects a very strong market. IDC talks about a 20% growth rate in the digital market, digital transformation market over the next three or four years.

We are seeing the same thing and I think as we do see that same thing they will continue to go out and engage this marketplace. So again I would like to thank you for your time. If you are interested in reading more about this study you can check it out at PwC.com/digitaliq and to continue the conversation I would like to introduce Mike Nefkens.

Mike Nefkens - *DXC Technology - EVP, General Manager of Regions & Industries*

Thanks, Chris. Okay, so how is everybody doing. Thank you. I'm really excited to be with you here today and I've had a chance to meet many of you over the last couple years. For those of you I don't know just let me give you a moment or two of my background.

So I've been about 16 years in the services sector. The last five years I've been leading the ES turnaround and I've also been leading the separation of ES from HPE, which one day I will write a book about. And prior to that I spent about 10 years in industry in Latin America.

So as you just heard from Mike and from Chris, DXC is leading a new phase in the services industry and it's one really based on market shifts and aligned to what our customers truly need. I love what Chris just talked about, this notion of it's all about access to skills and it's moving from not what clients need but how they are going to get work done.

There is a massive gap between what needs to be done and how it needs to get done and that's where we come in. So I can be extremely excited about the opportunity with DXC and what I'm going to do now is I'm going to walk you through five key messages that I'm going to focus on today. So the first is all around how we position DXC to capitalize on these market shifts in customer trends. The second will be that we have aligned our strategy to lead our clients to digital, down this digital journey.

The third will be that we have actually built an outcome oriented operating model that is going to focus on speed and helping our customers capture value in helping our customers focus on the how to get there. The fourth will be we have a leading set of offerings and a world-class partner network to support. And then the last is obviously that we have a go to market that is energized, ready to go and already showing momentum.

So with that let me start by just recapping a bit of what we talked about when it comes to shifts in market trends and I know Mike and Chris have really covered this but there are a few items that I really want to focus in on as we talk about digital disruption and the first is the shift, this paradigm shift for IT services. And I want to focus on this notion of outside in innovation and what it means from a customer perspective.

So when you are a client and you have got your own IT shop and you want to go drive a big IT program what's happening right now is your own team, you don't have to skills anymore to be able to lead one of these big transformations. You have to step outside and get help from a partner, from additional skills, etc. So when we talk about outside in innovation it means you can't do it alone anymore.

So what this means for a lot of customers that have traditionally not used service providers, for the first time ever this whitespace is cracking and they are coming to companies like ourselves that have the skills, have the processes and have done a lot of these digital transformations already and have the proven processes and capabilities to get it done. Also the partner network we have allows them to tap into it. So this whole notion of outside in innovation is key.

The other on the right, consulting fatigue. And this is my favorite one. When I talk to customers they tell me I'm tired of getting these PowerPoint decks from consultants that tell me what I need to go do. The CEO and my customers are now asking me for to actually deliver a service, to do something different. So the notion of what to go do and consulting fatigue is also driving our customers to need to go execute.

So this is really the first around the paradigm shift. So the second is -- and I think Chris just really killed this -- that this is way beyond IT. IT is not just a back-office function anymore. It is the enabler for enterprise transformation. All products, services and business models are now being enabled through what IT can do and it's all about the consumer experience. And if it's not top of mind for the CEO it's not going to happen. And some of those statistics that Chris just shared are quite scary. I think it was only 60 some odd percent of CEOs really feel that they are enabling a digitally driven transformation and about 30% of them feel that they can actually execute on it. So a big gap here that still needs to be looked at.

And then lastly it's around requiring excellence on multiple dimensions. So to win you have to be great in all these areas and Mike has talked about you have to have scale. You have to have the skills. You have to be able to drive cost efficiency and agility. Customer intimacy is the key to everything. If the customers don't feel it it doesn't count. And then the last it needs to be technology driven. So this just gives you a quick set up for how we are looking at these customer trends.

And what I want to do now is I want to go a little bit deeper into specifically what I am hearing from our customers and what we've learned the last nine months as we thought about DXC. And I've spoken and spent thousands of hours with customers and here's what they are telling me. The first is they want us to focus on business outcomes. So we are moving away from this notion of rates, labor arbitrage, complex contracts.

The second is they need to open digital channels to grow revenue. They need to integrate and connect everything end-to-end. Here are some of my favorites. Help me rationalize my application portfolio. I have 8000 applications; how do I get that down. I need to take cost out and eliminate CapEx. My favorite one is when a CEO tells me help me empty my data center. That's always a fun one. And then the last is I need to secure my enterprise. So they want us to help them with these questions and quickly they want to talk about business process as a service, Software as a Service, platform infrastructure.

But the reality, the reason they can't execute and talk about these things is because what you see here on the right. Their existing environments are too complex, they still have traditional delivery models. They have refresh cycles. They have classic software licensing models. They have outdated applications, shadow IT, poor stability in their traditional stuff. You can't move to digital if you don't have a solid foundation.

So this is really important for the fact -- the notion is you can't answer these questions and you can't get to the new stuff unless you have a solid foundation and somebody has got to help prospects and customers with this. And this is exactly where we want to fit in. So what is our approach and how are we positioning ourselves so that we can help our customers with this. So the first tier is we obviously have to support prospects in taking cost out and driving stability in the old stuff or the traditional. And by the way, mainframes done well and stable still run really, really well. Most of the airline industry, most of banking is still run on mainframes but it's got to be automated, it's got to be patched and it's got to be secured.

So it's all about driving cost out, automating, scalable and stable. That is step one then we can lead our customers down the digital path and drive business outcomes, help integrate these various services, bring the right skills to help them execute so there's not this execution gap and then for us really important, upsell these services. And it's something we've been afraid of in the last years to really ask for and I will show you in a moment how we are bringing that model together to drive revenue.

This is that model which I will walk you through in a minute, so it's all about scaling this across our 6000 customers and then obviously to do it and to have this differentiated approach we have an outcome driven operating model. We have to have the right set of digital offerings, a true leading set of partners to be able to bring outside in innovation to us and then the last an energized go to market team.

So I'm going to do for the next couple of minutes is focus on these two. What does this model look like from a client perspective and specifically what we're doing from an operating perspective; what are our digital offerings doing and what does our partner network look like. Okay. So this is my favorite chart and Mike talked about this a moment this morning from a big picture and I'm going to bring it down to what this looks like for a customer.

So the first is let me talk. We've got two axes here, so I will set up the chart. We have the x-axis which is time and we've got the y-axis which is value for our clients or for DXC. So the first thing is Chris talked about the average IT spend, maybe not in the IT department but as you look across the landscape where all the business units are spending on IT is growing. And obviously we need to take advantage of that expansionary cycle which will be good in helping us grow our business.

Now if you take a look at the traditional world and what I have done is most of our contracts with customers, these large $100 million contracts, have various services in them or even an amalgamation of multiple contracts, so what I'm doing here is I'm showing what that would look like and our customers come to us, our prospects, and say please help me take cost out both the traditional. So the gray boxes are traditional. We usually can take anywhere from 2%, 3%, 4%. Some cases a customer who has a very large legacy environment up to 10% out annually. So we help take that down and we provide those efficiency gains for our customers.

Then we start to add in some of these digital services. In this case here you can see we've rationalized some applications, we've migrated workload to the cloud. Over time more workloads as we do this and now you see we start to actually grow the picture. Here in this example we have more application migration. We now provide cyber security support and over time you can see how we would grow this model. This is exactly what we are doing with our customers now.

We are helping them take down and drive efficiency in the old and bring that stability and we are blending in the digital here and as you can see it brings revenue pressure down in the early stages but as we add in the digital we have got a 25% to 30% growth just in the yellow area here. So our challenge now and this is an actual client example of a customer in the airline industry that I have taken here and you can see the yellow bucket is growing at 25% to 30% and the gray bucket we are providing the efficiencies to our customers.

Now what we are doing now is we are not signing up for any more deals where a customer does not give us access to the yellow. Why would we provide year over year productivity without getting access to the growth stuff and that's a big change for DXC and we have the offerings and the capability and the skills to actually be able to do that work better than anybody in the industry.

So what is our challenge? Our challenge is how do we scale this across 6000 customers, that's the work that me and my team have over the next couple of years, scaling this model. And so again just a great way to think about how we are going to drive revenue for our customers efficiency and growth for them.

Okay, so now in order to actually enable this growth we need an operating model that is fit for purpose and we've developed a unique operating model focused on going from client problem to business outcome. And what I've drawn here is we've got the client problem on the left and we've got the business outcome on the right. We have developed an operating model that is functionally based and it starts with a great set of offerings which I will walk you through in a moment. How do we then take an offering and specifically build a solution for a customer? How do we commercialize it? How do we sell it? How do we bring the right account team to support that that sits day in day out with our customers? And then how do we start it up and then how do we deliver it?

So think of it as a value chain or almost a manufacturing factory line here and it is supported obviously by our support functions. Now the key for us is how do we drive through believe it or not 60,000 deals a year through this model and what we've done for simplicity sake and to hear us talk a lot this we call the build function and we have sell and then we have deliver. And what I am going to do is I'm going to go a little bit deeper into build and sell and then my colleague, Steve Hilton, will come up and talk about deliver.

But our value chain and what makes this unique is we have no competing business units like some of our competitors do. When we sit in front of our customer it is all about how do we go from client problem to client outcome as quickly as possible. We will not confuse them with different business units showing up trying to sell things that conflict with solving a client problem and it is all focused on speed and agility. In the view for us is the customer that can quickest go from problem to business outcome and do it with minimal risk will be the winner and that's why we've developed this operating model.

So as you can see here 60,000 deals a year. It's all about excellence driving through this model and efficiency. We are also our backend we are digitizing this process for ourselves as well so it's all about how do we automate this as we go through versus having tons of labor to support it and we jointly developed this model with our customers the last nine months. So we are really excited about this. And like I said Steve will talk about the delivery here in a moment.

All right so now what I want to do, obviously to enable this value chain that I just talked about we have got to have the right set of offerings, world class offerings that really help our customers take care of the traditional and lead to digital. So what we have been busy with the last nine months, we've gone from -- and CSC has done a great job of this. They were at about 230 offerings. They've gone down to about 140. The ES family brought in 270 offerings and what we've been working on are what are the right offerings to support that block chart that I showed earlier.

And what we've been able to do is we've gone down now to 84 offerings that sit within nine streamlined offering families and it's all focused on how do we retain the best of innovation from the offerings that we had, how do we make sure that these offerings are aligned to what our customers want and more importantly how do we make sure that we drive clarity day one when we launch this new company, that the sales teams come out with energy and they come out with a clear mission to go put these offerings in front of our customers.

And as you can see some of the details around this, I will talk about our workplace and mobility. We are the number-one managed workplace service provider in the world. We manage over 9 million devices. Security. We have over 4000 security professionals. We have about 15 security and operation centers and believe it or not we are involved, when you see an intrusion or you see an issue in the market, we are involved with about 60% of remediation that you see out there for big intrusions in the market on the security side.

Workload and cloud. We are the number one right now in private cloud, which we are really proud about. We have launched more private clouds than any other company and done it successfully. On the analytics side -- and I love what Chris said about analytics and why aren't customers going after it -- we've got about 3500 data scientists. Our business process services business is ranked in the top three and then we have industry IP, as Mike talked about earlier, just an example in insurance we are number one in both insurance and transportation. So a true world-class set of offerings and on the bottom you can see the application offerings that we have.

So this is ready to go for day one. Our teams are trained and next week they will hit the market hard with this. Now let me zoom in just a little bit on some of our largest digital offerings and what we've learned as we've gone through this over the last nine months. So we wanted to make sure as Mike said earlier, that our digital offerings are all ready to go and are differentiated in the market. We brought in a third-party to evaluate those.

We've also spent a lot of time with our customers to make sure that those offerings are fit for purpose and you can see these are the big five, cloud and workload platforms. The market is about a $210 billion market. I talked earlier about how good we are in private cloud. You can see we are way over on the right. Workplace and mobility, we are right now in the midst of the largest O 365 deployment in the world and as I said we are managing over 9 million devices so a lot of depth there.

Just to give you a couple examples of what we do on the mobility side, we recently did in the UK a company called Network Rail and they had a complete paper-based process for their operations and we were able to completely move that to mobile and we brought in digital workflows and it has improved customer interaction and really helped streamline and create customer intimacy. This one I really like. When you think of mobility this is not about just mobile devices, this next one in Saudi Arabia, we created a system using mobile and location-based technology that successfully allowed us to manage about 1.8 million pilgrims as they went to Mecca to improve safety and on-time schedules for transportation. So it's just an example. When we think of mobility it's not just a phone, it's actually the systems and data and everything that goes behind that.

And then on the security side, we actually manage cyber security for most of the world's largest governments and a majority of the Fortune 200 and we manage as I said and protect more than 9 million devices. So just true depth in our set of offerings and we are really excited about bringing these to market. Okay, so as customers are obviously demanding this transformational change, you can't do it alone. You need a partner network to really support the base of offerings and the go to market that we have. And this is how we think of our partners.

So we have strategic partners. You can see a great set of those on the top. Solution partners, channel partners and then a lot of resellers. And this is something that I have to be honest, coming from the HPE side, we didn't have the independence or the access to the partner network that CSC has built and we are just so excited to have access to this as we feel we can now bring an independent view to our customers of the best possible solution. And this partner network is going to really help us enable that.

So if you take a look at some of the strength that we've got. We are the number one ServiceNow integrator globally, number two SAP integrator and let me tell you there is a lot of legacy work around SAP, so our customers, this is where they really need the help to get more efficient. Looking at Red Hat, also the number one there and then one of my favorites is on the Oracle side, number one in engineering systems support capability and for those of you that watch the press, the HPE world has not had the best interaction with Oracle so I am personally very excited to have access to the partnership and the skills, etc. So a deep, deep, deep set of partners that are going to really help us bring depth to our customers.

Then let me just talking on about momentum with our customers. So my biggest worry coming into this was as we integrate are we going to keep the momentum up and what I want to show you here is over the last nine months these are the new business that we've won with current customers and new logos that we've brought in. And the reality is the momentum continues and if anything our customers are more excited about us than ever before. And again just a representative list here but a bunch of great logos and what I am going to do is just talk about a couple of these.

So the first is Procter & Gamble, one of ES's largest customers but over the last year we've been working deep with them on helping them divest companies and helping them do integration, specifically how many of you have seen Duracell batteries? Everyone has used Duracell before, so P&G has actually divested Duracell and they had to create a completely new company with new IT and we were able to set up a complete digital IT platform for them to do that divestiture. They are doing the same with their healthcare business in Europe called Coty and we are helping on that separation as well.

Looking at Zurich this is a great customer in Europe where we have built a private cloud for them that has helped them reduce costs by 30% and it was done on-time, on budget with the right skills, right the first time. BASF is a great example of the largest chemical company in the world where we were able to -- and again a company that traditionally hadn't used service providers. They came to us for access to our skills and they came to us to help digitize their entire IT landscape and we are working with them on that right now.

And then the last is United airlines where we have been working with them on disaster recovery. We've been working with them on cyber security, on really being able to modernize the experience above the wing, which is all about reservations and below the wing of an airplane which is all the systems that support baggage, maintenance, etc. And just really positive momentum there. And this is a great quote from the CIO of United, Linda JoJo that says, I'm really impressed with the commitment and passion that the team has for United. They are some of the best experts in the industry and this Company, DXC, is going to be completely different and better than a combination of the two.

And again a couple keywords in here. Access to experts and clearly showing that we deliver on our commitments. So this is really what we stand for and what we are all about. So again great go-to-market momentum leading into next week. All right, so we already seeing, as I talked about the customer momentum. We are also seeing a lot of performance indicators that are trending in the right direction. And again, $24 billion, $25 billion, 6000 accounts but what we are really doing is Mike talked about it earlier, your customers have to trust you to be able to go on this digital journey. And I would tell you personally from my business, the ES business five years ago the customers didn't trust us five years ago. You can see the net promoter score increase over the last three years. We are at the top of the industry now which means it's up to us now to go take advantage of that to be able to grow our business.

The second is our win rates are over 65%, that is the highest in the industry. We are very focused on what we go after. If we don't feel we have the right skills or the right capability we won't do it and we are focused on making sure that when we make a commitment to a customer we are going to be able to deliver. Our renewal rates are well over 95%. Two or three or four years ago those were in the 80%. As a matter of fact, our America's business just had a renewal rate the last two quarters of 99% which is unheard of in the industry. It means the customers are signing up with us and trusting us to lead them down this digital transformation.

Growth rate in the new stuff, 25% to 30%. Those are those yellow buckets I shared earlier. And then this one, this Spartans trained salesforce is really important and it an internal word but I'm going to be using this more in the public. This is what percentage of our salesforce are trained in the new style of offerings, meaning the digital services. We have been working diligently on this the last year and we now have 92% of our salesforce trained on the new stuff. This is a number higher than where we expected to be for the launch of the Company and I'm really proud of what our sales teams have done there.

So to wrap up, so both companies have made tremendous progress leading up to DXC and leading up to the launch next week. The work done over the last nine months has just really truly put us in the pole position to win. I am more optimistic than I have ever been before about what we can do for our customers and how we can help them. This gap between what they need to go do and how to go do it, we are here to help them and fill in there.

So just summarizing my key messages from earlier, if you take a look at the market shifts and what our customers are looking for, we are all over that, we've cracked the code on this growth model with our clients where we can help them take cost out of the traditional and in exchange for that we need access to new services. We have got to go scale that now. Our operating model is primed, it is ready to go and most importantly it will drive business outcomes for our customers. There are no competing units, it is all about value for our customers. And then it's about leading our customers to digital. It's about making sure that we can do that in a productive way and a safe way and the last is our teams are energized and ready to go.

So with that thank you very much. I appreciate everyone coming out today. Looking forward to getting to know many of you and now I think Steve is going to jump up and talk about what we are doing on the delivery side. So over to Steve Hilton. Thank you.

Steve Hilton - *DXC Technology - EVP, Head of Global Delivery Organization*

Hello everybody. Here today to talk to you around really the how we are going to achieve a lot of what you've heard Mike and Mike talk about. Within deliver in DXC, we are really the engine that's going to provide all these services. You saw from the operating model that Mike described we are functionally aligned so within deliver all the expert delivery services are within this organization. You will also see and I know this is all of great to you all that a significant portion of the value capture both year one and by year three that Mike talked about will live in my organization, so we have some very detailed plans I would like to take you, give you a little peek, little insight into how we intend to do this at the scale we are at.

I like this slide and I think Mike did a great job articulating how technology has changed through the cycle. What I think is important to understand is right at the bottom, the delivery model changed with each cycle that you saw and changed significantly. At the beginning they were inflexible, cycle one, cycle two; you had the person who knew how to run the mainframe, you had the Bob, you had the Brett, you had the people who did everything. It was an expert culture, bit of a hero culture. Actually grew up in that in the 1990s. It was how do you get things done fast. The processes became -- they would just appear, they weren't really designed, stuff just happened. And as we entered cycle three and the scale grew that became a significant challenge.

As we go into cycle four the model needs to change, it needs to be integrated, more agile, more automated, more efficiency driven and really enabled by next-gen skills. One thing to note here and Chris mentioned he had an a ha moment. I had an a ha moment about 18 months ago. What we are really trying to achieve here is digitize the IT processes. So really digitizing unto ourselves and if you think about how a lot of services are provided today be it ITO, apps or BPS, in many cases it's a electronic version of a paper process.

We are still very much in that mode and I will talk to you a little bit later about how that's radically changing. So once we start to digitize the operations we get off this linear curve. For my whole career it's been more work equals more cost. So more revenue equals more cost to support it and it's a remarkably linear model. What we are seeing now and I have seen it in the 12 months and it's going to accelerate with DXC, is we are now getting people and process efficiency onto a curve that is not dis-similar to the Moore's Law that Mike talked about.

What does that really mean? It means a radical non-linear scalability of work can be done with a reduced cost. So also as we digitize and we start to put genuine intellectual property in how we do things, we start to differentiate from the competition. We become stickier, higher value. That intellectual property actually drives a higher margin for us because we are not just moving paper from A to B effectively. We are doing it in a smarter way. And I will talk to you about how we see that scaling and the benefit we are going to see.

So I will just start at the beginning. We have some significant opportunities here. We have a terrific starting point. Both firms have been on a journey for a while now and they've got momentum in optimizing their go-to-market as Mike talked about and how they deliver services. Not surprisingly same journey, different approach. So we've genuinely got the opportunity here to take the best of both companies. We did things a little bit differently. For example, CSC we have about 25% higher revenue per delivery per person. That's from a multitude of factors, the journey that Mike has taken us on the past five years.

Just imagine we have the ability now pretty easily to scale that across 100,000+ employees that are coming over from ES. 25% efficiency, more efficient revenue per employee. We have the cookbook. We know how to do that. Here you see we are taking an approach very much around data science and we are doing a bottom-up digital analytics way of eliminating work. ES had taken a more invest in robotics and automation. They are actually remarkably synergistic and are going to come together. So again we know how to do it and the good news is we know it works and we are very confident in our plans.

Also want to relate because I am personally seeing this today, once we drive efficiency in the core business and bear in mind we have an incredibly large traditional installed base, tens of billions of dollars. We are going to make this an asset to us because we can mine the value. There is a huge amount of value we can release from that business and we are already starting to see customers reinvesting that with us immediately. They are desperate to get the efficiency out of the traditional and reinvest it to support the business. So that cycle is happening on a daily basis.

So a little bit of the how now. There are basically three major key areas that my organization is going to be driving. Delivery optimization. Now I am going to dwell on this, I have some slides after this but delivery optimization comes in three areas; streamlined organization structure, workforce optimization and industrialized processes. As you can see just in year one that is going to give us about $275 million of benefit.

We then have facilities rationalization. As you can imagine two companies coming together, quite a diverse portfolio. We have a very pragmatic and sensible plan in place to consolidate where it makes sense, focus on a small number of larger centers. We are going to align skills in certain areas, so just a very sensible pragmatic approach over time without causing too much disturbance. You'll see in the first year that about $75 million of benefit that we anticipate and that's really very confident on that.

Second or thirdly, supply-chain. We are now a very, very significant purchaser of solutions from our partners and our suppliers. Just by consolidating our vendors, getting the best discounts from either side -- our suppliers don't necessarily like the fact that we now know what discounts were provided but leveraging that really doubling down in certain areas, taking a lot of the ES spend that was fairly locked into the parent company capital structure, releasing that, our partners see great opportunity. Just in year one we are going to drive over 225.

Now these aren't one offs. These are continuous. So if you look out two or three years the total just in delivery we are extremely comfortable that we are going to have in excess of $1.6 billion here and that's over 540 basis points of margin expansion. So Paul will talk a bit more about the green and the blue so I am now going to dwell on the yellow if you don't mind. So I've got three or four areas I want to give you some insight into.

So first up, the first lever you saw, simplified organizational structure. The fact is we have adopted a simpler structure. Our go-to-market that Mike Nefkens talked about is a lot simpler for the customers. We have combined now under my organization delivery for legacy ITO, apps development and maintenance and BPS. Fairly unique in how we have done that and my perspective is those three service areas are all now ripe to be consolidated. They have reached a level of maturity now where we really can bring the same mindset, the same skills, the same processes to bear and you are going to see significant benefit. Just in year one about $50 million going to about $150 million.

You will see management consolidation. If we have three people representing three legacy businesses off to a client, it now goes down to one and there is a whole flattening behind that. So that is really around the organizational structure, that's what we've decided to do. We are implementing that as of Monday. It is going to have this benefit.

Remember the next point was workforce optimization. There's really three areas here. The first one is really around collapsing our global delivery centers, putting the right work into the right places. We will be creating specific centers of excellence say for SAP in Manila and Bangalore. Just as you would imagine, sensible pragmatic consolidation of where our workforce is.

Next is spans and layers. This is no more complicated than applying what CSC has done the past four years to the ES legacy and the new DXC. We know this model works. It's one reason why you saw that 25% more revenue per delivery FTE. One reason is the CSC model we know is leaner and once you take out those layers I see from an operational perspective, you take out these layers of management, things get better, not worse, significantly better. In this rapid day and age you need less buffers, less layers in the way.

So we know it works. We've been doing it for four or five years and we are going to get span improvements from about 115 to and 125 in deliver. That almost got quite doubling the efficiency and it's going to make things infinitely cleaner and easier for us to have to get things done. Lastly we talked about talent. We need to attract the new skills but more importantly we need to -- in deliver we are going to be 150,000+ resources if you include third parties. We need to get the right skills to the right place at the right time.

So we are going to be digitizing or we are digitizing our workforce management. We have a central workforce -- IWFM -- integrated workforce management function that is run across the corporation. Deliver gets the benefit of that. We are going to reduce the time to get someone to the right place. As Mike Nefkens said, our clients are crying out for this. We will be able to improve margin just by getting people there a few weeks earlier, getting their billing rate up a little bit and again this is where we are going to see more of a digital view.

Okay, the last one is industrialized operations. This falls into two areas and there's one area I want to leave you with, this is pretty important. And this really shows how we are going to be different going forward. So operational data mining is really using data science, using digital capabilities to run our business. IT operations across apps infrastructure or BPS is incredibly complex, millions of events a day, massive interdependencies.

One reason why the cost have been so sticky and so labor-intensive because it's been very hard to see end to end but when you go underneath and talk to all the underlying exhaust data, the tickets, the alerts, the IP addresses, the phone logs, the active directory pings, tie all that together you get the remarkably strong picture of how the work is actually happening.

I will give you an example. A fairly small example but quite powerful. We have a large multi client service center, as you would imagine, a big building but you get pockets of people aligned to each client. They are cross-trained and they can fix problems and answer phones and process tickets across certain clients. As you would imagine at scale you get some pockets. They were load-balancing. This organization was load-balancing the agents between customer demand.

Once a day or once a week they would sit down and they would see which clients were seeing a spike in demand and they would realign. We've now digitized that and what we are now doing every 15 minutes a machine is load-balancing calls and tickets across people. So we have taken a paper process and by the way it was paper, it was PowerPoint. They would sit down once a week and look at a PowerPoint slide. We've taken a paper process, digitized it, we've reduced all spikes. Client satisfaction has gone up immensely. Our costs have come down just because we are more dynamically balancing what we already had.

You take that and you apply that across the 50, 100 different use cases we have across our thousands of customers, we are about to unlock an unbelievable level of productivity. There is a quote earlier that Andreesen said at about software is about to eat the world. I actually think data scientists are about to eat the world. I think data scientists are going to replace operations. That's what happened in the manufacturing industry. It's happening to us. This is why we talk about industrialized.

Let me give you a different perspective on the same thing. Historically and probably still true to many extents, the interface on the left-hand side, the end-user, the customer, the client, you all, you all consume corporate technology, enterprise technology. You interface into technology through an abstraction layer but fundamentally to people, those little gray icons. They then fire off a manual process. It might be an electronic ticketing system but it is fundamentally a manual process. It is fired off. That will follow some logic. It will go to a bunch of people who will then basically turn around and interface the technology and do stuff.

That's a gross simplification but actually that's how stuff works today. That's not how you integrate [innovation] to a cloud. There is no one in between you and Amazon when you ask for capacity but in traditional enterprise that's how it works. We are shifting very, very rapidly to this model where that abstraction layer is actually becoming machine learning. It's becoming a machine, it is becoming a digital process. And that's displacing a significant number of roles. Those people were pretty much load balancers. They were sending tickets, sending effort, sending calls to certain areas.

A machine does that far, far better and learns. So we are building this abstraction layer. The nice thing from my perspective is we are getting more and more straight through processing where appropriate. We are building intellectual property. That gray and yellow box is actually becoming sticky intellectual property that we are scaling across our customers. Don't underestimate. Building that gray and yellow box is a nontrivial task, nontrivial, but we have the scale and the opportunity to do that. As I said earlier, what that is really doing it is unlocking this margin that has been stranded in legacy contracts.

We will get more productivity way faster than the price downs that our clients typically have. So as we go into cycle four there is this unique opportunity just to open it up and like I said almost getting onto a Moore's Law-like function. It's not often you get a win-win-win but in this case the clients are begging us and in some cases demanding that we do this anyway. When we go to them as we have been in the past year or so with this model it's a very different conversation. This is great. Thank you. How else can you help with this and that? It's a far more proactive trust-based model and it's working really quite well. In this model we don't just see the 5%, 6% efficiency. We are seeing 50%, 60% work elimination everywhere we go, 50%, 60% work elimination when we go and digitize, optimize how we do business.

Okay, so really in summary and then I will hand over to Paul. Delivery optimization is going to create significant value capture and release value but the way we are doing it is through quality. We are focused on client quality. We are focused on waste elimination, making work go away which has a consequence that we can run the service cheaper. Not the other way around where we have to run it cheaper and there are quality impacts by doing it. We are leading with quality and efficiency and we are delighted to say that the result is a very significant reduction for us and a benefit for our customers.

If you put all of these together, over $1.6 billion over three years of value capture, very, very comfortable with that number. I think our plans are in some cases quite conservative on that so extremely excited. And you see all the benefits, integrated delivery, single face to the customer really upscaling our labor. Trust me, data scientists are going to take over this area. It's prime for digitalization and instrumentation. So thanks for your time. Happy to do Q&A afterwards. I will hand over to our CFO, Paul.

Paul Saleh - *DXC Technology - EVP, CFO*

Greetings. I'm very excited to be with you today. What I want to do is we've talked about how DXC is uniquely positioned to lead clients on their digital journey. We have scale. We have strong IP in industries and domain expertise. We have a differentiated offering and we do have an optimized delivery capability and we have a commitment to a workforce that is highly skilled.

Over the next three years our value drivers are going to come from stable revenue growth of 1% to 4% and sustainable margin expansion of 700 to 800 basis points in EBIT margin expansion, a strong free cash flow of 100% or more of net income and a disciplined capital allocation that will return capital to our shareholders to the tune of 30 plus percent in the form of dividend and buyback.

If we look at each one of those value drivers, let's start with the revenue. We mentioned that the market for a traditional offering is declining but we are seeing growth in the industry solutions as well as in digital offering. And what's really exciting is that DXC is well-positioned with a very diversified business portfolio, a broad industry mix and also differentiated digital offering. And as a result of that our revenue from digital is expected to grow 25% to 30% over the coming three years and our IP in industry and BPS revenues are going to grow about 7% to 10%. And that's going to help us to offset the traditional revenue that we have that will be declining to the tune of 4% to 7%. That includes the dis-synergies that we would expect and overall DXC's revenue will be growing 1% to 4%.

If I turn to the second lever of value creation which is the expansion in the margins, this is going to come from four areas, policy alignment, workforce optimization, supply-chain efficiencies and facility rationalization. And over the next 12 months we expect 400 to 500 basis point improvement in our margins coming from those four levers, that is net of the reinvestment that we will make from our savings of 15% to 20% and our savings should represent about $1 billion in the first year and $1.5 billion on a run rate basis exiting the first year. Over the next three years those same levers are going to generate $2.25 billion worth of savings and generate 700 to 800 basis point expansion in our EBIT margins.

Let's go through each one of those in a little bit more detail. Policy alignment. What does that mean? It means optimizing our travel policies and also our device management, making sure that we have aligned 401(k) and other benefits and also harmonizing our healthcare benefits. Overall $200 million of savings in the first year and you see the categories listed on that chart.

If I turn now to the workforce optimization it's going to come from three areas. The first one streamlined our organization where we are going to be eliminating redundant positions. We are going to be optimizing our spans and layers and also we are going to be increasing our low-cost utilization from 50% in low-cost markets today, 60% in the coming year, 75% in year three. You heard Steve mention what he is going to be doing on delivery to optimize his environment and I'm going to talk a little briefly on the overhead productivity where we intend to basically align our costs to top quartile benchmarks and at the same time also scale our leveraged support model.

What we mean by that is basically over the next three years we are going to just take advantage of high impact centers in strategic locations, take advantage of near and offshore capabilities and by that just moving more work from 60% of the work being done in those low-cost markets today to over 80% in the next three years and doing it by looking at an end-to-end process orientation that should lead to greater productivity gains over the coming years.

If I look at our supply-chain efficiencies there, we have $9 billion worth of spend, addressable spend. Our priorities would be to consolidate our vendors, 50% reduction there. We intend also to just really renegotiate contracts and terms and we have started the process already. We intend to be much more disciplined in our demand management and also just taking advantage of our relationship with our strategic partners. Overall our objective in the supply-chain area alone is to get $300 million worth of savings in year one and $750 million over the next three years.

If I turn to facilities rationalization, there the objective is very simple, exit low utilization and in locations where we have subscale, increase co-locations and also optimize our data center footprint. In fact, if I just looked at the occupancy density that we have there, on occupancy utilization we intend to reduce that by 30% over the next three years.

Now let me move to the third value driver which is a strong free cash flow. There we have -- the strong free cash flow is going to come from the EBIT improvement that we expect, particularly from all the actions that we just really covered. We are going to be also optimizing our tax rate given our global mix of income. We are going to be rethinking our transfer pricing. We are also going to look at tax strategies and we are going to position ourselves to take advantage of tax reforms even though right now our target tax rate of 25% to 30% does not assume any of those tax reforms right now.

If I look at the next benefit to strong free cash flow is working capital management where our objective is to improve our days sales outstanding by at least 7 to 10 days and our days payable by 5 to 7 days. And then lastly our capital expenditures there we have to extract greater efficiencies and that will come in the form of greater utility-based models, capitalizing on our relationship with financial institutions including HPE, Finco and also being much more disciplined on our asset management side. The objective there is to have 5% or less of revenues tied in from our CapEx. This should allow us to have free cash flow of 100% or more of our net income. And doing that we will also have a very strong financial position, ample access to liquidity and an investment grade credit profile with our gross debt to EBITDA of less than 2 times. And on a net basis less than 1.5 times.

If you look at our capital structure, overall it's very flexible. We don't have much in terms of upcoming maturity over the first two years and 20% of our capital structure in the debt actually is callable at par. So if I go now to the fourth driver of value creation is through our disciplined capital allocation. We intend to just first of all reinvest in the business, is our priority. Make tuck-in acquisitions that strengthen our IP or our digital offering. We want to maintain an investment grade credit profile and we want to return capital to our shareholders in the form of dividends and share repurchase.

This is the blueprint that we use over the last five years at CSC and in fact if you look at total shareholder return we have over the last five years it was 265% and we've outperformed the S&P during that timeframe by threefold. And therefore over the next three years our capital allocation takes the form that is shown on this chart with 30% or close to over $30.5 billion being returned to our shareholders in the form of dividends and share repurchase.

Now let me turn to our non-GAAP EPS walk over the next three years. We are starting with fiscal 2017 and this number is just a derived number. It just takes the S-4 filing and analyzes it, so $3.85. We expect $0.40 to come from the revenue growth that we have shared with you. $4.70 will come from the operating leverage that we expect from the business and you see the various components there. And the share buyback will add about $0.70 per share over this timeframe for a $9.25 to $10 per share in fiscal 2020. That also implies an EBIT margin going from 7% to 14% to 15% by 2020.

So in closing let me to share with you some of our financial targets for fiscal 2018, $24 billion to $24.5 billion in revenues; EBIT margins of 11% to 12%; free cash flow of 100% or more of net income and non-GAAP EPS of $6.50 to $7 in the next 12 months. And then for the fiscal 2018 to fiscal 2020 we expect 1% to 4% revenue growth; 14% to 15% EBIT margins; free cash flow also of 100% or more of net income and a compounded average growth rate of EPS from fiscal 2018 on of 20%. And so with that what I'm going to do is turn it over to Mike and we will start our Q&A session.

QUESTIONS AND ANSWERS

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

Okay. Paul, thank you very much. Thank you for your indulgence. A lot to cover but we want to give you a fair amount of detail. We've been busy the last nine months. We have not been clipping coupons at Tysons. Putting this together and getting these operational plans ready to go and I do want to just stress that Monday we go. This isn't we've got six months. We go. Monday.

So these plans are locked, budgets are approved. Board has approved the budgets, compensation plans, all the stuff. We go live. So we turn the key and we start to drive down the road. Now we are going to see how it handles, go around the track a couple times but we are ready to go. So let me open it up to any questions.

Unidentified Analyst

So unlike where we were in 2012 there isn't a lot of discussion on problem contracts. Back then it was about $3 billion worth. Now it seems that your top 25 accounts are profitable but not where they should be. Can we get some clarity on the delta in terms of where they should be in terms of margins? And then on top of that it seems that HPE has used a lot of subcontractors and what does that mean in terms of the potential margin relief that you can get from that as well?

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

I think the overall margin -- first of all, we don't have as many troubled contacts as we had five years ago. I would argue every contract lease CSC had five years ago, at least the ones we know about, were trouble. And it took a lot of effort to get that all cleaned up and it's been cleaned up. HPES has done a good job. You are always going to have some contracts that are problems. That's just the nature of the business but not your whole business.

The margins that Steve took you through, that gives you some indication of what the margin should be. So he is projecting I think through industrialized and the digitization a lot of these process and other actions that he talked about I think over 500 basis points of improvement. That gives you an idea of what the margin improvement should be across that installed base.

Joe Foresi - *Cantor Fitzgerald - Analyst*

Joe Foresi from Cantor. So I'm wondering, could you dig a little deeper into your competitive advantage in digital? I'm sure if you had Accenture or some of the other players in the room they would say they compete fairly well there or maybe even have a lead. And also maybe you could talk about the win rates. I know you talked about overall win rates being maybe 65% for HPE, but what are your win rates in digital specifically? Thanks.

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

The win rates in digital are about the same. They don't differ dramatically across any of those offerings. I think many of our competitors, Accenture, they have outstanding offerings as well, absolutely. You'd hear the same thing, probably even more aggressive. But the point is that we are trying to make here is that we have invested with our partners in these offerings and our offerings are ready to go. Are they the absolute best in every category? No, they are not. Are they good enough or will they deliver the value we need? Absolutely. Are we going to continue to reinvest some of that free cash flow into those offerings with our partners? Yes.

I think the big differentiator is the way we approach partners. We don't approach partners as a subcontractor. A partnership in this industry is this is what I want and this is what I want you to do. That's how a partnership was defined. We are really redefining those partnerships from a true win-win point of view. That makes it easier for us to work. Many of our clients can't differentiate us versus our partners because of that attitude and it is an attitudinal approach.

We are very humble. We have come a long way in five years. We've got a long ways to go. We are very humble. It's been very hard to get to this point. So we are approaching this from we've got to work even harder with our partners to create that differentiation. The subcontractors, that's an important part of the overall equation but I want to stress again we want to bring -- I don't like the term subcontractors to tell you the truth. It's too demeaning. I want to bring all these unincorporated independent players into the equation. These are people that don't want to work for a large company. They don't want to be associated with any. But nevertheless you can bring them into the culture that you are trying to create within the institution and use those people I think much more effectively than they have been used today to help augment the workforce that we will recruit and train and retain as we go forward.

Darrin Peller - *Barclays - Analyst*

It's Darrin Peller from Barclays. Thanks for being here, guys. I just want to start off, Mike, I'm going to reiterate a question I get from a lot of investors, a lot of our clients which is really your plans. If you can give us a lot more color on, A, how you are incentivized over the next couple years and then your plans with the Company the next couple years?

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

Well, my plans, this is my plan. You just saw it over the last hour and a half. So I plan to see the execution of this through to make sure we capitalize on these value levers and deliver what we say we are going to deliver. In terms of how I'm compensated, that's all publicly disclosable but it is very similar to the way I have been incentivized over the last five years. And I see another great value creation opportunity here and want to see that value creation opportunity through its conclusion.

Darrin Peller - *Barclays - Analyst*

Okay, thanks. And then just on the business itself, you've obviously done an amazing job on the cost side and really making things more efficient in your legacy the last five years and I guess now first of all if you can give us more color on what those vertical businesses, the industry verticals are actually growing at today and the percentage, whether it's healthcare, travel, government, etc., that have stood out. And the follow-up question if whether any of those businesses could standalone in a spin out form like, same playbook around the government assets, just thoughts on that? Thanks again.

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

We are expecting the US public sector business to grow a little bit as we go forward. A lot of that will be tied into what happens in Washington and if you have any insight into that I would love to hear it because I don't. I have no idea what exactly the budget is going to look like that ultimately gets approved by the government. But the general feeling is there will be more expenditure in the US public sector than there has been over the last three or four years. We do think sequestration is finally going to be behind us. So we see that business as growing low-single digits as we go forward.

Our insurance industry, insurance industry is growing today. We expect it to continue to grow. You saw some big wins that we did this year with Metropolitan where we took over a significant portion of their closed block policies and are converting 23 systems down to one system. That's going well. That's up and running and we've got a very significant pipeline behind that. So we expect that industry to grow probably low-mid-single digits as we go forward.

Banking industry, we are seeing some very encouraging signs out of our CeleritiFinTech partnership with HCl, so we are beginning to open up that Hogan install base, open up through APIs and begin to connect to different payment systems and more modern applications. So we've got a good strategy. It's a little early to really determine exactly how that's going to grow.

Travel and transportation business is I think probably low-single digits. Mike, correct me if I'm wrong? And the healthcare industry, this was a difficult year for us in the healthcare industry largely because we transitioned out of the NHS contract and now are moving into the next phase of that contract. So, fiscal '17 was a transition year for us in the healthcare industry but we have launched our Lorenzo platform now in Asia and Australia and we are expecting to see growth around population management and the integration of many of those healthcare application portfolios. So overall I would say probably low to mid-single digits growth on the industry portfolio.

Darrin Peller - *Barclays - Analyst*

That might be able to standalone?

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

We have set them up where they are completely integrated. So the insurance industry is run by a general manager. That industry has the offerings, has the development, has the sales and has the delivery capacity within that vertical. So they are carvable outable within the structure. They report through Mike. So we basically have four integrated P&L units, one for insurance, one for healthcare, one for travel and transportation and obviously the US public sector.

Jamie Freeman - *Susquehanna - Analyst*

Thanks, Mike. It's Jamie Freeman at Susquehanna. So I know you shared some of this in the case study but what is your assumption about pricing in general over that three-year journey to make your targets?

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

Well, I think within the traditional business we are going to continue to see the pricing pressures that we've seen for the last 10 years. I don't see that changing at all. What we are beginning to see though is more outcome-based or value-based pricing, particularly around some of these digital platforms where there's more sharing in the upside as well as sharing in the downside.

So I do expect -- and we're going to be launching a major effort -- I didn't talk about this today -- but major effort about how we contract because contracting is going to be different with these digital offerings than they have been with many of the traditional services offerings. And as we begin to rethink our contracting and how we do that, there will be an opportunity for different pricing algorithms and different ways of thinking about pricing. But in terms of our assumptions in this model, our assumption is that pricing pretty much remains where it has been the last three or four years.

Jamie Freeman - *Susquehanna - Analyst*

Okay. And if I could just follow up maybe more appropriately for Paul. Are you using the CSC convention that the EBIT is a pre-corporate target, or --?

Paul Saleh - *DXC Technology - EVP, CFO*

No, EBIT here is literally after corporate, so everything.

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

We used OI, so we are moving from OI which was the operating income of the units and then we applied the corporate stuff. EBIT is -- includes all that.

Paul Saleh - *DXC Technology - EVP, CFO*

Everything else.

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

We are moving to that convention as we go forward.

Jim Schneider - *Goldman Sachs - Analyst*

Jim Schneider from Goldman Sachs. Thanks for taking the question. I guess the first one would be if you look back at the prior CSC transformation over the past few years, one of the artifacts of that as you have transformed the organization and stripped that the management layers was you saw some revenue leakage over that timeframe. Can you maybe talk about what lessons you learned over that past transformation and how are we going to apply them on a go-forward basis to minimize that and what risk of revenue leakage do you see?

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

First of all, the revenue leakage that CSC had experienced over the last four or five years had nothing to do with de-layering the organization, absolutely nothing to do with it. What the primary revenue leakage over the last three or four years in CSC has all been about is getting out of those troubled contracts and to get out of those contracts we had to give work and give projects back to the clients. And we did that purposely so that we can improve the profitability of those contracts. That was a huge leakage.

The other major leakage was the normal runoff and price downs that you have associated with those contracts, both Mike and Steve talked about that. In terms of revenue leakage, we had that contained within the model we talked about here of a -4, -7 with the dis-synergies at least the first year or so as we go through. So that's all contained within the model that we shared with you. But the revenue leakage had absolutely nothing to do with de-layering the organization at all.

The only thing that did was lower our costs and improve our responsiveness. So rather then have to go through 14 layers of buffers and interpretation and analysis at the end of the day means absolutely nothing and provides absolutely zero -- as a matter of fact it's minus value -- we have been able to telescope that down to a more -- I think we are going to be running the new company with seven layers of management.

Jim Schneider - *Goldman Sachs - Analyst*

Thanks for that. And then maybe just as a follow-up, can you comment on the M&A strategy? You put up the M&A targets in terms of how they are going to contribute over the compounded forecast period but can you maybe talk about the strategy in terms is it just going to be more technology tuck-ins and service-type acquisitions as you have done with CSC over the past few years? Or would you consider something different or slightly larger and to what extent would you consider raising the leverage on the overall company to achieve that?

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

Yes, we are not planning to do anything major right now. We've got something fairly major we are doing next week. So would like to get that operationalized and as I said move around the track a little bit and make sure we know what we are doing. I would think we'll do tuck-in acquisitions very similar to the last three or four years. Exchanging was a very good acquisition for us. Fixnetix was a good acquisition for us. UXC in Australia was a very good acquisition for us. ServiceMesh which we now call Agility is turning out to be a very important acquisition for us. So it will be either in those digital areas or to continue to fill out our intellectual property in some of our industry dominated businesses.

What happens to the industry longer-term, I don't know. My guess is there will be more consolidation. This is the first big consolidation move. I think there will be more. What we want to do is continue to be very disciplined around our capital structure. We would like to get our revenue back to a more stabilized position. We think that will drive an expansion of the PE multiple which will then over this course of time, perhaps give us a currency that we can use to do other things with.

Up to this point in time we really haven't had that currency because we have been trading at a significant discount to most of our peers and certainly a discount to companies that we would think about acquiring. And that has limited the size of the thought process behind it. Does that answer the question?

Keith Bachman - *BMO - Analyst*

Hi, Mike. It's Keith Bachman from BMO. I wanted to ask you a question and Paul a couple clarifications. Mike, part of the cost savings associated with headcount transition to low-cost GOs is pretty meaningful yet at the same time you want to increase your headcount in digital from 25% to 50%. So those are, in my mind, running at crosscurrents because a lot of the digital skill sets I think are feet on the street in established markets. So how are you going to balance the transition of meaningfully growing your digital headcount while also transitioning a lot of the headcount to low-cost GOs?

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

First of all I want to talk a little bit about low-cost. A lot of what you saw here are shared services, so when Paul talked about 80% in lower-cost locations, a lot of that was shared services as well as delivery. We are also most likely going to be building a low-cost delivery center in the United States. We pioneered this about three years ago when we built out Bossier City. And we were really pleased with Bossier City and that's continued to expand and grow. So we are fairly close to -- we are doing the analysis now. I think we are down to three states that we are looking at and beginning the negotiation process.

So point one is, we are actually going to invest in a low-cost center in the United States where we are going to use to leverage our business going forward. Pontiac, Michigan is going to be one of our low-cost centers for a lot of our shared services work. So it's not all moving this from the US to someplace else. As I said that synergy plan that you saw this morning, only roughly $50 million of that is tied to actually moving resources out of the country. And we're doing that for a lot of different reasons.

There is some political sensitivity to that but more importantly it's just good business and we do not have the turnover rates in some of our lower-cost centers in the United States that we have in India. India runs at a 16% to 18% attrition rate and Bossier City for example runs at 2%. You factor in the training costs, particularly around this digital profile, you have to factor those training costs in and that begins to narrow the differential. So that's point one.

Point two, a lot of this digital capability we are also picking up through our partnerships. I think you know we did a big partnership announcement with PwC. PwC is providing a lot of the C-suite digital skills that we need. That's the upfront part and a lot of the digital delivery skills will be sourced in geographies all around the world, not just the United States but India and the Philippines, other places around the world. So that increase in digital skills will come as we substitute more traditional labor for some of these new digital skills and that will occur on a global basis. So it's really not at crosscurrents, it's actually part of the remix of the workforce.

Keith Bachman - *BMO - Analyst*

Okay, that's helpful. Paul, I wanted to ask you two related clarifications. Number one, you talk about free cash flow as 100% or more of net income. Could you clarify GAAP or non-GAAP net income in particular? And the second thing, I was wondering if you would consider providing a GAAP EPS. I think over the last few years one of the frustrations investors have had with CSC is some of the charges and some of the goalposts moving around. I think that would help give investors a better sense of metrics about realization if you also provided a non-GAAP EPS so we could benchmark the earnings if you will --.

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

You mean a GAAP EPS?

Keith Bachman - *BMO - Analyst*

A GAAP EPS along with a non-GAAP.

Paul Saleh - *DXC Technology - EVP, CFO*

Yes. A couple of clarifications. First of all free cash flow is actually an adjusted free cash flow to net income because everything we were giving here was the non-GAAP EPS, so you can derive it from there. When you look at the capital allocations we just introduced now the amount of restructuring that we would expect over the next three years. As Mike mentioned, about $1.3 billion in the first year and then you can actually assume about maybe $400 million.

So typically the two areas that have come in as a non-GAAP items have been the restructuring because we were going through a phase of transforming the business and it was not reflective of the ongoing basically performance of the business. Similarly because of the restructuring most of it is going to be trying to bring not only the two companies together but also getting rid of facilities and the like. So that's why I think the non-GAAP measure would be much more reflective of the actual earning power of the organization over the next few years. But we gave you now the component that usually we would have stripped out which was the restructuring that was unusual in a sense. And then the other component that comes in usually in non-GAAP things have to do with particularly the mark-to-market pension and that I don't know what it will be. Just depending on where interest rates are going. So I think you have all the elements now. I think in the past you could not assume what the restructuring would be like but we gave you now the full visibility over the next.

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

And just in general when you go through the massive transition, transformation of the portfolio -- I hate non-GAAP EPS. I agree with you. But you are almost forced into it because of the amount of change and we sold 8 or 10 businesses. We bought 8 or 10 businesses and we merged and we have had a lot of costs. It's very difficult to try to go with anything other than the non-GAAP measure when you are going through that kind of transformation of the portfolio.

This business today compared to what we were talking about when we were in this room five years ago, it's hard to compare the two. They are so radically different and the composition of the assets and the composition of the people and everything underneath that has radically changed and that does create some issues from a financial reporting standpoint.

Brian Essex - *Morgan Stanley - Analyst*

Hi. Good morning. Brian Essex from Morgan Stanley. So Paul, you detailed some nice detail around the buckets of rationalization and exactly where you are going to get the cost rationalization from. Could you highlight which ones are maybe a little bit higher probability near term opportunities and which ones have a little bit more uncertainty around them? And by the same token the reinvestment in the business, what are the items that would cause you to come at the bottom end or top end or perhaps exceed the top end of that guidance range for reinvestment? Thank you.

Paul Saleh - *DXC Technology - EVP, CFO*

Yes, what we have shared with you are areas we feel very confident that we will be able to execute against. So it's not, gee, with some of them are more difficult than others. There are some components of value creation or synergies that are going to be realized a little bit later. For example, the data center consolidation takes a little bit obviously longer to achieve and as you can see from we have $2.2 billion worth of savings to go execute. We said $1 billion of it will be in the first year and then $1.5 billion exiting the year. So there is still quite a bit to do but you can see that we are going to see a lot of savings materialize very, very quickly in the first 12 months and we have our plans ready to be executed starting on day one.

In terms of the reinvestment, some of it is -- I will turn it to Mike -- but some of it is going to be much more a function of where we feel the market is going, where areas for example in the offering where we need to just redeploy some money or where are the skill sets we need to just really make additional investments to acquire or to retain those kind of skill set. That's typically where the reinvestment has gone.

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

And a lot of that reinvestment actually comes from our partners. This is our contribution to that but depending on the offering and depending on how we are building that with the partner, partners will often make an investment that is a multiple of what we are talking about here. So as we go through the evolution and the buildout of these offerings, how much we contribute from a financial standpoint versus the partners tends to shift or move around over that time frame.

So this was a stake in the ground that says here is roughly what we want to go spend. Some of these offerings will do better than we think. Some will do worse than we think and we will readjust the spending around how the offerings actually perform in the marketplace. And we have a very disciplined process. Our investment Review Board which we run and Dan Hushon, our Chief Technology Officer, manages that process for us. So there's a lot of factors that determine that reinvestment.

The key point here is that everyone thinks you took a lot of cost out over the last five years and did you should reinvest. Yeah, we reinvested it we invested a lot. That's how we have the offerings that we have today and this is not just a cost take-out play. There's a lot of cost here. There's a lot of efficiencies, it is fantastic. When we saw this, when we looked at the merger a year ago and we started looking at these numbers, Paul and I looked at each other and said, this looks pretty good. I like this. But it also gives us an opportunity to continue to reinvest for the future.

This is a new company. As of Monday HPES and EDS and CSC cease to exist. We are ending those long and storied histories and we are creating something new, DXC. We rebranded this for a lot of different reasons. One, both brands were sort of tired but more importantly we're signaling this is about the future, this isn't about just cost take-out. This is about building a leadership position in the industry, not a me too position. CSC was me too for a lot of years and even HPES within the HP construct was a captive general distribution for technology. This is about something entirely new and this is one of the biggest cultural shifts that we have to make in the Company is to start thinking as a leader, not an excuse for leadership. And that's a subtle but important shift and this capital allocation model supports that way of thinking and leading as we go forward.

Neil DeSilva - *DXC Technology - Head of M&A and Investor Relations*

Let's just plan on a few more questions.

David Grossman - *Stifel Nicolaus - Analyst*

Thanks. David Grossman from Stifel. So I think you started to address this part of my question in your last response but obviously the bottoms-up model makes sense. You guys did a great job in your last three or four years at CSC. You wrote the playbook on how to create the efficiencies and expand margin. But when you step back and you look at the industry, your guidance implies low to mid teens EBIT margins over the next 2 to 3 years. So as you think about that at least in my experience in the industry that's a big number given the mix. I know you've talked about transforming the company, Mike, and going after a new model but can you help us connect the dots because again you've got a track record. It all makes sense on paper but when you step back can you help us get to that midteens with confidence?

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

Listen, that's a good question. My personal view is the services industry is fundamentally changing. I've been in this industry 20 years. I was with IBM when we created -- I forget what it was called -- but it was our outsourcing business. And as Steve said, this was a -- services was a linear function. For every additional output you had to put almost the same input in it. I can't stress this enough. Services is going to be delivered on a much different basis and it is much more of an exponential curve, not a linear curve. I don't know how that's going to play out over 10 years.

We have determined enough through our ticketing processes and the industrialization and the digitization of some of our just simple processes that undergird the services business. This isn't graduate level work, I mean this is junior high school kind of work. We know we can get X amount of productivity improvement out of the installed base. This is why we got really comfortable with the merger because we had worked really hard in CSC changing the mix of our business. We acquired a lot of these application businesses, industry IP businesses so it wasn't our intention to go pick up another large installed base of traditional stuff.

However, what we began to realize is, oh my God, this scale now can be an asset, can be an advantage rather than a liability. That change in thinking has evolved over the last five years and we are really getting comfortable now that with the digitization of these processes we can transform and then use that as leverage. I stood in this room five years go and said we are going to cross-sell. We didn't. There is really nothing to cross-sell.

So now we have the offerings but more importantly we have the tools to go into a CEO and say, listen, I can help you fund your transformation program. We couldn't do that before. Now we can because we know we can drive the efficiency. Some of that we are going to keep and some of that we are going to return to our clients so they can reinvest. That's what's different about where we are today versus where we were five years ago and I think five years from now this will have accelerated. So we will see more of this, not less of it. So that's the fundamental paradigm shift and why I think a lot of the players that have built their whole business model around labor arbitrage will potentially have a different set of strategic implications that they have to address.

Paul Saleh - *DXC Technology - EVP, CFO*

I'll add a couple of things. Number one is also we are going to an asset lite model and in doing that the margins in a traditional business even will look better just because in the past we were saddled with a lot of capital intensive type of business that was also passed on to the customer through a smaller margin within the pricing mechanism. And I think if I look at where we were doing already there's a lot of the initiatives that Steve was mentioning should make the perceived traditional model much more profitable. There is no reason for it not to just have double digit type of margins particularly at the scale that we are talking about.

And so there's a lot of things that we ought to do and if you look at it and you are absolutely right it seemed like a lot, 14% or 15% EBIT margin but when you look there are some other companies, even though they don't have exactly our mix but CGI is already there for example. There's a great opportunity for us through the mix change plus some of the initiatives that we have highlighted for you and the synergies that we see in areas such as we mentioned whether it is the supply chain and the like to just get there within the three-year time frame.

Rod Bourgeois - *DeepDive - Analyst*

Rod Bourgeois here with DeepDive. I want to talk about cognitive and artificial intelligence, especially in the infrastructure business you have some competitors with some significant IP in those areas. I wonder if you are going to build those capabilities internally, or do you partner with other players to access those capabilities? And then for Paul I'd love to get a sense for the role that automation in general plays in your margin plan and what impact it has on the revenue side of the business as well. Presumably there is some trade-off there, maybe some margin benefits but some revenue trade-offs. I'd love to get your take on it. So how do you compete in the AI and cognitive world and then what's the implication for the financial model?

Steve Hilton - *DXC Technology - EVP, Head of Global Delivery Organization*

Yes, so if we look at IT operations, so not how we're maybe helping clients do AI but on a consulting basis, if you look at our core business. IT operations, BPS, application maintenance, it's not rocket science. It's a remarkably small universe of things you have to do and it's not trying to decode the genome. So we do not need a huge marketed brand to go do this stuff.

We are seeing a huge value in open source. We are just taking very basic available machine learning algorithms, training them in small environments and we are seeing that 50%, 60% benefit. It is remarkably easy. It's not this highly complex, trying to fix a power plant distribution to a city. It's a pretty basic problem that we can invest very rapidly using OpenSource and some third-party tools.

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

And we are partnering also. For example, we are partnering with IBM on some of their AI in analytics and in our insurance BPS business. We are using -- what was it in our BPS insurance BPS business, Steve?

Steve Hilton - *DXC Technology - EVP, Head of Global Delivery Organization*

Yes.

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

Bluecoat is all I can think of but I'm not --.

Steve Hilton - *DXC Technology - EVP, Head of Global Delivery Organization*

It's an RPA. It's a robotics process automation tool. It has slipped my mind as well.

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

Blue Prism. So it's a combination. Some of these things that Steve talked about as well as partnering. But to answer your question, we are not planning to build a lot of this ourselves.

Mike Nefkens - *DXC Technology - EVP, General Manager of Regions & Industries*

Mike, maybe I'll just add in to your question on the actual offering itself. So we are seeing an uptick on what we are selling. We just did our first advanced robotics deal with Nestle in Europe. We are also partnering with a lot of companies like everybody else like IPSoft and the others. What we are seeing right now really is an adoption issue and I think we are getting close to that curve over the next year or two. And what we are seeing is the actual cost benefit of bringing AI in right now.

The technology is there but actually getting it commercialized at scale and getting the value in the short term is just not there yet for our customers. So we're doing a ton of work in the labs with our customers through partners like IPSoft and all the others. But I still think it's going to take a year or two before it will actually scale and really provide in-year benefit for our customers. So it is a core part of our offerings. We are all over it. I just think it's going to take a year or two before it will finally really drive in-year benefit for our customers.

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

And Steve, in your plan I forget the exact number it was about 100 basis points around the digitization of these processes?

Steve Hilton - *DXC Technology - EVP, Head of Global Delivery Organization*

Correct. Yes.

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

So that's of the plan that you saw here about 100 basis points is tied to these areas.

Rod Bourgeois - *DeepDive - Analyst*

And is there an assumption that that 100 basis point of margin drives a certain revenue trade-off, or is that --?

Paul Saleh - *DXC Technology - EVP, CFO*

Yes, there is a couple of things. Number one, you saw actually in all the presentations there is a substitutional element to it. Obviously first of all it will make us much more profitable in the traditional market and therefore basically it's more margin. It is a margin play and if we are passing some of the savings on to the customers one of the things that we mentioned is that we are making that trade-off. And Mike Nefkens made it very clear that we are not just going to a customer and saying we are going to be automating the environment and that's all we want to do. We want to get a greater share of their total IT spend and we want to take some of that money that we are saving them and asking them to reinvest to just actually modernize and help them on their own digital transformation.

Steve Hilton - *DXC Technology - EVP, Head of Global Delivery Organization*

And also remember, this is one area where we have a fairly large book of business across our major industries that is fixed price, managed service. So those are the areas that clearly we will go after first because you don't return the value immediately because it's a fixed priced managed service.

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

Right. And that can be leveraged. Some of that can be returned and leveraged for the ability to upsell and cross sell these other offerings. That's what's changed, Rod, from when we were here five years ago. We just didn't have -- we couldn't have that discussion because there wasn't anything else to offer and I think I used the example in my presentation about the client that we are actually doing this with.

It was a hard discussion. These aren't initially simple discussions. You go to the CEO and say I want you to do this, but once you get into it, it becomes much more of a win-win and that's what's different than where we were five years ago. One more here and then I guess we --.

Ashwin Shirvaikar - *Citi - Analyst*

Ashwin Shirvaikar from Citi. So I agree with the interplay of the traditional versus emerging that you laid out, sort of our thesis as well but my perception is the pace of change is accelerating. And so if you could talk a bit about where you have stress tests, what would happen if some of the traditional work say shrinks faster than you are planning? If you could talk maybe a little bit about it.

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

First of all I don't accept that thesis that things are changing at an accelerated pace. Yes, things are changing. There is no question about that. Within these enterprises and I go back -- and, Mike, you might want to comment on this -- these enterprise clients have very, very complex environments. They are not changing -- they are changing but they are not changing nearly as fast as you think and they are really looking for incremental ways to begin to test, prove out and then move to scale.

So the enterprise market, which is our sweet spot is still very much in the early innings of this transformation and I don't expect that we would see a major change in the rate of the client or productivity of that base business. We are not terribly concerned about that. It really more is the rate and pace that we can prove out a lot of these new offerings so that we can continue --.

Mike Nefkens - *DXC Technology - EVP, General Manager of Regions & Industries*

It is spot on. I would tell you exactly what Mike said that the opposite, our clients are probably transforming slower than what they thought they could just because of, number one, the shortage of skills, the shortage of just the ability to be able to deal with the complexity they have internally and that's the gap we are looking to fill. We feel that we can support them in getting there faster and in exchange for really getting a large position in their move to digital and that's exactly what we are seeing play out.

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

The biggest example -- I don't know how many clouds we've got. I think I'm a chart we had 800 cloud implementations. That's great. There is some savings associated with that. What the hell do you do with the cloud? Where are you going to get the applications on the cloud? The applications don't just push a button and they go into the cloud. They have to be completely re-thought. They have to be re-factored. They have to be modernized. They have to be re-architected. That's what they are now beginning to think about.

It's one thing -- I think Chris said, it's one thing to put a CRM system up on the cloud. It's another thing to put an HR system. It's another thing to put a claims processing system. It's another thing to put a core banking system. So these deeply embedded, entrenched enterprise end-to-end business applications, they haven't moved. They haven't moved. That's the opportunity.

Paul Saleh - *DXC Technology - EVP, CFO*

The other thing I would add is if you look at the entire pie that we talked about which was $900 billion if you remember from our previous chart and if you add some of the big players including ourself now as one of the leading services players, market share is still relatively small. So you ask yourself where is the money being spent. Still a lot of it is captive and its internal and with the shortage of skill that everybody talked about today you are going to see that kind of opportunity open up.

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

That's a very good point. This is -- sorry to go on here. I know, Neil, you are upset but you'll get over it. This is the existence theorem for services companies. There are not enough skills. There are millions of open positions. Chris, you'll corroborate this. The CEOs, they know they don't have the skills. This is the opportunity that the services industry has to reinvent itself. That's why we are so excited about it and why we think this merger is a great opportunity going forward. Neil, is there anything you want to say to wrap up here?

Neil DeSilva - *DXC Technology - Head of M&A and Investor Relations*

No, thank you all for making the time for this today. As I said presentation materials are available online. For those on the webcast and outside in the auditorium.

Mike Lawrie - *DXC Technology - Chairman, President, CEO*

Thank you very much.
