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CORPORATE PARTICIPANTS

Edward J. Ho *DXC Technology Company - Executive VP & GM of Offerings*

James R. Smith *DXC Technology Company - EVP of Digital Transformation & Customer Advocacy*

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

Jonathan Ford

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

Samson Michael David *DXC Technology Company - SVP of Global Delivery Organization*

CONFERENCE CALL PARTICIPANTS

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

Ashwin Vassant Shirvaikar *Citigroup Inc, Research Division - Director and U.S. Computer and Business Services Analyst*

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

Bryan C. Bergin *Cowen and Company, LLC, Research Division - Director*

Bryan Connell Keane *Deutsche Bank AG, Research Division - Research Analyst*

Darrin David Peller *Wolfe Research, LLC - MD & Senior Analyst*

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

James Eric Friedman *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

Jason Alan Kupferberg *BofA Merrill Lynch, Research Division - MD in US Equity Research & Senior Analyst*

Joseph Dean Foresi *Cantor Fitzgerald & Co., Research Division - Analyst*

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

Lisa Ann Dejong Ellis *MoffettNathanson LLC - Partner*

Rayna Kumar *Evercore ISI Institutional Equities, Research Division - MD*

Rod Bourgeois

Paul Gaynor

PRESENTATION

Jonathan Ford

Good morning, everyone. I'm Jonathan Ford, Head of Investor Relations for DXC. First, we'd like to welcome you all here today, whether you're joining us in the room or joining us online through our webcast. I'd like to cover a couple of reminders before we get started.

First, any statements in the presentation that do not directly relate to historical facts constitute forward-looking statements. These statements are subject to numerous risks, assumptions and uncertainties that could cause actual results to differ materially from those statements. We disclose those risks and uncertainties in our Form 10-K and our annual report. We don't undertake any obligation to update these statements, except as required by law.

Second, we present non-GAAP financial measures of performance to provide investors with supplemental financial information that the company believes is helpful. We believe that adjusting these items provides investors with additional measures to evaluate the financial performance of our core business on a comparable basis from period to period. Other companies do these differently, so we just want to call this out for you before we get started.

And now I'd like to introduce DXC's Chairman, President and Chief Executive Officer, Mike Lawrie.

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

Hey, Jonathan, thank you very much.

Welcome, everybody, this morning. Glad to have you here and be part of our Investor Day. I guess it's been about, what, probably 1.5 years since we were together. The agenda we've put together today, with several of my colleagues, is all about going through how we're going to get DXC to begin to grow again, and what the levers of continued value creation are all about. And then we'll have an opportunity to open this up to any questions that you might have.

But I just want to make a couple of comments upfront in light of some of the things that occurred over the last couple of months and the last couple of weeks. One, we are absolutely confident and committed to getting DXC on a growth path over the near-term future. We're actually more confident about our strategy and ability to execute and scale that strategy than we were 1.5 years ago when we were together at the last analyst meeting.

And then in addition, this morning, we announced a continuation of our buyback, so an additional $2 billion, which takes the authorization to $3.4 billion. So we announced that this morning, which I also think shows the conviction we have about where we are right now and the value-creation opportunity going forward.

But I just want to be very clear that there is total confidence with the team, what it is we need to do, how to do it, and now it really is fundamentally about execution.

So as is always my practice in events like this, I've got several key messages that I want to share with you, develop those messages a little bit, and then my colleagues will go into a little greater depth. But the first message I want to leave you with is that the integration with HPES and CSC has gone quite well. We have more than delivered on the synergy targets. And as you know, we just increased those targets again this week. We've been able to rebalance many of the assets that we think were not critical to growth and begin to acquire new assets to help us grow in the future. And we've been able to establish DXC as a key brand in the IT technology services space.

The second key message here is that when we were here 1.5 years ago, we talked about digital disruption. This has taken on even greater urgency with almost all enterprises. However, in large enterprises, which is our key market segment, it is moving more slowly than we had originally thought. And we also now know that for large enterprises to transform into a digital enterprise at scale, they are going to need technology services partners like DXC to be able to accomplish that mission.

Three, we have now tested most of our thinking on how to do this with our enterprise customers. They have validated this approach, and we are now at the stage of scaling. So this isn't about trying to figure out what to do. We're now entering the phase of how do you scale this. And it does require some adjustments, how we hire people, how we train people, some of our target acquisitions, our partner network, all of which we will cover in a little greater detail on the agenda today. We also now know that there's significant margin expansion. We met 1.5 years ago, we laid out a game plan, we largely accomplished that, but we now see another leg up in terms of margin expansion as we go forward. And finally, we are very conscious of the levers that are available to us to continue to drive value creation for our shareholders, for our clients and for our employees as we go forward.

So I'm just going to go into a little more detail here because as I said, we have successfully integrated these 2 businesses. Still a lot of work to do yet, particularly around processes and toolings and getting all that to work. But fundamentally, the businesses been integrated and we are operating as one thing: DXC. And our clients increasingly see us as DXC. They don't see us as 2 pieces.

We've been very successful with the margin expansion due to the synergy plan that we laid out. As you know, we, as I said, just increased the synergy target for this year. And we've got a very strong cash flow engine in place that's now allowing us to make some targeted acquisitions and also be able to reinvest in our own company through the stock buyback that we announced this morning.

We've taken a brand, DXC, that didn't exist 2 years ago, and it's now rated #5 in the IT technology space. So we have been able to really move the ball around this brand, and you will continue to see us expand that brand exposure as we move forward.

We've rebalanced the portfolio, most notably our merger with 2 companies from Veritas Capital and our own USPS business to form Perspecta. That's launched and is off and running. And then we've made some very targeted acquisitions, particularly around our enterprise cloud business, to strengthen our position in ServiceNow. Then we announced 2 more acquisitions this week, the largest ServiceNow practice in the Nordics and another practice in Europe. And we continue to invest around the Microsoft Dynamics space. We've made some investments to strengthen our IT business, particularly our health care business with Molina, which now it gives us a very strong position in the Medicaid processing business in the United States. And then we bought argodesign, which gives us a completely new perspective on how to think about digital solutioning and the user experience. And we'll continue to make some of these investments as we go forward.

And despite all this, thousands of people coming out of the company, this type of margin expansion program, acquisitions, our customer satisfaction is up on a worldwide basis. And our customers are genuinely pleased with what they are seeing from the value proposition from DXC. Now as I said 1.5 years ago, digital was going to disrupt every industry. I'm not going to read through all this. This is self-explanatory. This is happening. What has changed is the degree of urgency on the part of executives. Almost every CEO, every senior executive knows that if they don't continue to transform their own organizations, they run the risk of being disintermediated, worst case, like in the ridesharing business; or falling dramatically behind other competitors in the industry. And this set of technologies that undergird digital, things like artificial intelligence, machine learning, this is going to impact a whole new set of industries. Many of the technology shifts to this point in time, simple things like the cloud and the Internet, impacted certain industries, but a subset. Retail industry would be a great example of another one other than the transportation industry. But with this new set of technologies that undergird digital, we believe this will disrupt almost every industry, and industries that to-date, like the insurance industry, that have not been dramatically impacted by the shifts in technology.

Not unexpectedly, this is creating a significant growth opportunity in the IT services space. This is a big business, a trillion-dollar business. Now the digital component of this is growing at about 20%. The mainstream part of the industry is pretty flat.

We also know that this is still highly fragmented. We are in the very early innings, where the top 10 players control a very small part of the spend. In short, there are no winners that have yet emerged. Now we do think that over the next 3 to 4 years, like any technology cycle, there will be winners that emerge in this cycle, but they have not emerged as of yet.

The enterprise is moving more slowly. McKinsey just did a big study on this. Almost every company has a set of digital projects that are underway. We have them within DXC and you have them within your organizations. But a very small percentage have taken the next step, which is to take those solutions and scale them on an enterprise-wide basis, on a global basis. And you don't transform an organization by a bunch of projects. You only transform an organization when you can take these digital solutions and capabilities and do that at scale across the enterprise.

And there's a good reason why this isn't moving as fast. And by the way, we didn't know this 1.5 years ago. And the reason is all of these digital technologies have to be integrated into today's IT infrastructure, whether that be the application estate, the hardware estate, network, all these things have to be integrated. And that's where these projects hit a brick wall. And it doesn't help that most of the CIOs are spending upwards of 80% of their budget just maintaining their current operations. And it doesn't help that we currently have a negative unemployment rate in the technology services space worldwide. So there is clearly a significant battle for talent. And talent is acquired and trained and retained, it has to be thought out.

The key point here is that the clients are beginning to feel the need to take this next step as they transform their enterprises. This creates a fairly daunting list of things that an IT technology services partner has to be able to provide in order to help these large enterprises transform at scale. They have to be able to help simplify and free up operational money from the existing IT estate.

You need to have best-in-class offerings. In order to have those best-in-class offerings, you need a series of partners that give you access to the best technology and the best capability because most enterprise clients do not want to get locked into an architecture or a series of solutions that reduce their flexibility over time. In addition to the CIO, there's a new generation of buyers that are now weighing in or at the table for a lot of these digital decisions. That requires a different go-to-market motion than what we have traditionally seen in this space.

And as I said, the whole thought process around managing talent changes. This is not about re-badging people. So most of our people came into DXC, we took over their IT operations. One day, they're this company; the next day, they got a DXC badge. That is not how we're going to manage talent in this new world. And we're learning how to do that, and we have made some mistakes in how we manage that.

And all of this has to take place while maintaining the existing systems. United Airlines doesn't want to hear that we grounded 800 jets because we were trying to integrate a digital project into the existing mainstream IT architecture. So it has to be done while maintaining or increasing the existing service levels.

Now when I was here 1.5 years ago, we laid out a series of propositions. What they really were was hypotheses about how we were going to approach this opportunity. We've seen our pipelines grow fairly dramatically over this time. We've seen our revenue grow in digital over this time. Not fast enough, but we've seen it grow.

I told you 1.5 years ago that we were going to go in with our clients and we were going to offer them the proposition of simplifying their existing IT structures to free up money to reinvest in digital. And then as those clients became more digital, they would continue to see productivity improvements. We would reposition DXC, and that would drive margin expansion and revenue growth. That was the working hypothesis.

And further, this is the exact same company I talked about 1.5 years ago. Now fast-forward 1.5 years, what's happened here? So we've gone in, we've moved the workload to a multicloud environment. The client has seen significant improvement in productivity. We reduced the operational cost by 30%. They have reinvested with us. And now a client that had not grown for almost a decade is growing, and we're seeing margin expansion because we now know that many of these digital offerings actually have a higher margin than some of our existing mainstream business.

Another example's a large telecommunications company. This one happened, we're in the stages of now implementing our digital workplace, which redefines the whole user experience, which, by the way, is a very critical output from any kind of digital transformation program. Here, we're deploying a lot of the technologies that undergird digital: AI, analytics. And here, we're seeing our client achieve some of these operational savings and we have already, this year, doubled our revenue growth while maintaining the margins. So we now know this works.

So the next stage, and that's where we are today, is we're going to have to take this and we've got to scale it. We've probably done this 20 or 30 times. Now we got to do it 300 times.

And as we take that next step, that's going to require investment. And that investment, and my colleagues will talk a little bit more about this, is Platform DXC. This is an open architecture or framework, a set of methodologies and tools and processes built with our partners. It is really the framework to deliver this next-generation digital managed services. This platform not only will deliver the next-generation managed services like a digital workplace, but it is the framework we're using to modernize the existing IT infrastructures, ergo the ability to integrate those 2 worlds.

This, ladies and gentlemen, is the value proposition of DXC, and I will argue no one else has it. The ability to take the new world, digital -- it doesn't even have to be our digital solution. It can be somebody else's -- and intercept that and integrate that into existing, simplified IT infrastructure. Continue to invest in our offerings, both our own organic investment with our partners because our partners share a lot of this development expense with us, as well as the targeted acquisitions that we've made and will continue to make.

The continuing nurturing of this ecosystem. We now know empirically that when we show up in front of a client with one of our partners or multiple partners around a solution and we show up as one thing, the win rates are 20%, 30% higher than if we go separately.

And by the way, this has not gone unnoticed by some of these partners. So as a result, we've expanded some of these things. Like our recent announcement with AWS. We've made a mutual commitment to one another around moving workloads to AWS. What we've done with Microsoft, what we've done with AT&T, these are all examples of how we're further integrating and combining our go-to-market motions with many of these key partners.

This does change the way we go to market. As I said, it's not just the CIO anymore making these decisions. There's a lot of other people at the table. And the way you deliver this is different. It's got to be at scale. It's more nearshore than it is offshore. That requires a different way of managing. As we'll hear later from one of our key partners, PwC, it requires us to rethink how we approach this new generation of buyers in this space that we have not traditionally, DXC, had much access to.

Investing in talent, we have to rethink this. We are rethinking it, and we have made some mistakes in terms of scaling and timing to get this done. Entirely different approach to training. Retraining our existing employees. We had over 1 million hours of training last year for our own people. And the culture is much different. That's why we're putting many of these people that we're hiring, training in our digital delivery centers. They live together. Think of this as a WeWork environment. The last thing you want to do is take these kids that have these skills and go put them out in an existing account that's running 1,000 servers. That is not their idea of a culture that they want to be a part of.

So you have to rethink that whole talent structure. And as I said, key here is execution around modernizing and then scaling our digital delivery. Now while all this is going on, we're all mindful we work for our investors. So we have to be very conscious of the levers we have available to drive value creation.

It starts with stable revenue growth. We've not had stable revenue growth. That is the next step we've got to take. And you can see some of the investments I just talked about around that.

We now know that there's another leg in the margin expansion program around continued optimization of our workforce, particularly in our mainstream IT business. And Samson David, who runs our global delivery, will talk more about that. We know there's more efficiencies in the supply chain. We know we don't need 28 million square feet of real estate worldwide right now. And we now know -- didn't know 1.5 years ago, we now know that automation works and we can drive margin expansion. And we also know that many of these new offerings have a different margin profile than much of the business that it is replacing.

We made commitments on free cash flow. This is critical so that we can continue to fund all of the activities that we have underway as well as our continuing efforts to drive a much more capital-light approach to the existing business. We're going to change our capital allocation model. We're going to move more capital to our shareholders in the future, particularly given where the stock is at this point in time. Continue to make the targeted acquisitions, maintain our investment grade, and as I said, take advantage of some of the anomalies that occur in the capital markets from time to time.

Now if we break this down, our existing -- this is our existing revenue streams, so our mainstream business is about 60%, and our industry BP and BPS business is about 20%, and our digital business is, these are rough numbers, roughly 20%. We know that the mainstream business is going to continue to decline. This business is behaving largely as we had projected 1.5 years ago. There's been some ups and downs, and some of the integration projects associated with the merger have rolled off. But fundamentally, this business is performing as we had anticipated. If anything, we now see an opportunity to mitigate some of that runoff, so we put a major effort around runoff of the mainstream business. But this is fairly stable, and we don't see any fundamental changes to this in the time horizon that we're talking about today.

The industry and BPS business, we continue to see growth. We have not executed here. So since I was here 1.5 years ago, this business is basically flat, so we've not seen the growth. There are some reasons for that, as we have re-factored a lot of our applications in the health care industry and the insurance industry to be much more as a service. Many of those investments are now behind us, and we're beginning to win deals. We had some real teething pains with our BPS business, particularly insurance. Largely mitigated that now. Now we just won our first major contract in Australia as we expand that business to Australia. So we're now beginning to see the early signs of the opportunities to begin to grow that business.

And then digital, this business over the last 1.5 years has grown 16%, 17%. So it's growing roughly with the industry, but we are not getting the growth that we need to offset the decline in this mainstream business. That's why I'm saying the next stage is all about scale. We have not scaled this business yet. We're getting good single-teens growth. If we're going to get to 20% to 30% growth, we're going to have to scale. And that's exactly where we are today. That is the next step that we need to take in order to mitigate that.

And that's what provides the stable revenue growth, and we continue to target 1% to 2% revenue growth from acquisitions. And we're a little short on that this year too, so we'll do less than 1% this year through acquisitions. But that's a matter of when things are available, and it's a matter of having a very disciplined strategy of what we're going to acquire. It has to fit our overall strategy. I'm not going to buy businesses just for the sake of trying to drive a little revenue growth.

As I said from a margin expansion standpoint, Samson will go through this in a little more detail, we are estimating there's at least 30 basis points of improvement just due to the revenue mix shift over the next 2 to 3 years. Workforce optimization, including our Bionix and automation, is the lion's share of that margin expansion opportunity, along with supply chain efficiencies and our ongoing facilities rationalization, not only office space but data centers as well. We've got a series of actions, and Paul will go through this in a little more detail. But we estimate significant savings here and a gross margin impact of 400 to 500 basis points over this time frame. And we will reinvest some of that back in the business. We're estimating it around 150 to 250 basis points, which gives us a net margin expansion over this time frame of 250 to 350 basis points.

So when you wrap this all up, the targets that we are setting for ourselves over this time frame is the revenue growth that we talked about, 2% to 4%, including the acquisitions; a 250 to 350 basis point margin expansion off of where we just concluded, which is almost 16%; and continued focus on working capital management and our free cash flow; and a 12% to 15%, 13%, 16%, but mid-teens compounded growth rate in EPS off of a range of where we are today for this fiscal year, fiscal '19.

So just to conclude before I bring up the next speaker, Ed Ho, we think we've figured out what we need to do with the clients. We think we have a unique value proposition. As a matter of fact, that's been confirmed by the clients. We just had our worldwide customer advisory board in London a couple of weeks ago, absolutely confirmed. We've tested these hypotheses. We know now much more than we knew 1.5 years ago. And now the stage is set to scale this. And that's exactly what we're in the early stages now of doing, is scaling to get to stable revenue growth, to drive margin expansion, which then drives significant EPS growth as we go forward.

So I'll be back a little later when we do the question period. But I'd like to introduce Ed Ho. Ed's job is to build the offerings, these digital solutions. And then he's part of that team that's managing and driving this through our U.S. operations. So Ed, welcome.

Edward J. Ho - *DXC Technology Company - Executive VP & GM of Offerings*

So good morning, everybody. My name is Ed Ho. I run the offerings organization within DXC. As Mike outlined earlier, enterprises today face numbers of challenges. They require partners to help them through their digital transformation. These partners have to have certain qualities you see here, such as providing the savings to enable to fund for those digital transformations. You need to have offerings and solutions that provide value to those customers. And you have tight leading industry partnerships. So I'm going to spend some time on those 3 items. My colleagues will talk about the other 3 in a few minutes.

The last time we were here talking to you, I wasn't here at that time, but when we were talking to you, we were talking about streamlining the offerings that we had into 8 offering families. Where we are today is we've enhanced and invested in our portfolio that enables us to scale. As Mike discussed, we are trying to scale even faster. I think we've built an impressive set of offerings. I firmly believe they're solid. And we've been rewarded by analysts in terms of how they view our solutions.

Now we invest millions of dollars in our offerings every year. We enhanced and we standardized our offerings. We do that because we want to, one, get to market much faster with these solutions; two, reduce costs to get standardized models, not one-off versions that you send off to the customer; and three, we were able to scale these solutions globally. Most of our competitors do not do what we do. We think this is a competitive advantage. You will see that we have many, many different offerings with scale. Everything that we do is big. We are recognized as a leader by many of the industry analysts. So for example, in Workplace and Mobility, we are the #1 solutions provider and integrator in the world. We have a 2:1 margin over our next competitor.

Let's talk a little bit about what we're doing with our investments. We are strengthening our existing offerings. We invest and we grow. In application services, we build, we manage, we secure and we modernize applications for our customers. We also manage their legacy IT applications as well. We created operational mining capabilities as well to capture unstructured and structured data so that we can put them into usable forms, which then enable us then to provide the analytic and AI capabilities to drive efficiencies as well as insights into the company's organizations. We've also created robotic process automation capabilities to simplify repetitive manual tasks and use bots to provide those sources. We also have enhanced our security capabilities. With the advent of cybersecurity, we needed to upgrade our capabilities. I would also add that we're one of the largest managed services providers in the security industry.

As Mike mentioned, we've made targeted acquisitions to enhance our capabilities, to increase our market share. We are now the #1 ServiceNow, and we are now the #1 Microsoft Dynamics integrator in the world. We acquired Molina Medicaid Solutions. Just recently, we announced that we added 6 states to our portfolio of states in the United States, and we're now the largest Medicaid processor. But additionally, we acquired intellectual property, which we were able to scale across our universe of states that we cover.

Mike also mentioned in this digital transformation journey, we need to add user experience capabilities. That's part of the business transformation. So we acquired argodesign, a firm that specializes in user experience as well as architecture and design and to reimagine an organization. We intend to scale those within our organization.

We have new horizon investments that we also invest in, and we work very closely with our customers. So we do work, for example, in blockchain, in IoT, industrialized AI and autonomous driving. So in particular, we work with 2 big European auto companies in autonomous driving and their driver assist programs. These are big programs where we provide and are working with building a data platform, cloud capabilities, security. And we're also working very closely with them in building proprietary algorithms so that they can continue these programs on a large-scale basis.

Now that we've talked about the offerings, let me talk a little bit about our partnerships. Let me just start by saying, look, every IT vendor's going to come up here, put some logos up here and say, "Hey, we work with partners." But what matters is the relevancy and the intimacy that you have with your partners. So the first thing I would say is that we're relevant. We're big. We have a big number of customers. Our customers are big. The dollar sizes of our deals are big. Our practices are based on our partner solutions. So they matter to us in a very big way and they know it.

We have QBRs, or quarterly business reviews, that Mike participates in every single quarter. The entire executive team works very closely with those partners.

But the true test of how intimate you are with your partners, by the way, is whether or not they put up money. They invest in us and they invest with us. And we co-invest and we co-develop with our partners. That enables us to build scale faster, drive talent and skills quicker, get to market faster. We actually also colocate our teams with our partners.

A great example is our recent announcement of the DXC migration factory where we're moving analytics workloads in large scale to Microsoft Azure cloud. We did that with a very large consumer products company. And now we've scaled it, so we've built the Bangalore migration factory. We also intend to expand this. And by the end of next month, we will have capabilities in Warsaw and Manila.

The other thing that we do with our partners is we go to market very closely with them. We collaborate with them. We solution with them. They have complete visibility in our pipeline. We jointly share the solutions and capabilities with them. A great example of this is the AWS partnership that we announced. It's a multiyear, multibillion-dollar partnership to move cloud aided -- to develop cloud-aided capabilities as well as move workloads to the Azure cloud.

Our ecosystem is very large. We have very large strategic partners, channel partners and solution partners. We also work with frontier partners, which I can't put them on here, there's just so many of them, that are niche solution providers in specific industries. But needless to say, with our partners, we work very, very closely with them.

So now I've covered our offerings. I've covered our partnerships. Let me talk about the industries. We have 4 core industries that we have invested in over the last several years. This year, realizing how important industries are, we've expanded that by another 6. So we cover 10 industries. So in the 4 that we actually have here, health care and life sciences; banking and capital markets; insurance; travel, transport and hospitality, we're big.

In health care and life sciences, we manage over 100 million electronic health records around the world. We're the #1 Medicaid processor in the United States. We acquired Molina Medicaid, adding another 6 states to get us to about 29. But included in that is intellectual property and the ability to scale some of our existing platform into those new 6 states and enhance what they do and provide.

In banking, we post 2.5 trillion transactions through our core banking systems. We're taking the strategic tack to say we're going to go deep in certain verticals now, such as payments and in lending. And by the way, in the banking vertical, we've done very well. We announced recently that we won the largest cards and payments deal in the Middle East. Separately, we're also working in India, for example, with India Post, to provide banking capabilities to over 100 million unbanked consumers living in remote villages in India.

In the insurance sector, we're also very large. We process tens of millions of policies in the United States. We're the #1 core solution provider in the United States. We see opportunity in the U.K. and Australia, New Zealand. We're taking those capabilities and the BPS capabilities that we have in the United States outward into -- geographically into those regions.

In travel and transport, we work with some of the largest reservation systems and airlines. We process hundreds of millions of passengers a year. We have a connected transportation platform. We're working to integrate other hospitality systems into this core platform. That's a big change and transformation within an industry to be able to process those kinds of data and synergize and leverage that information.

We also manage thousands of customers' mission-critical systems 24/7. We are going to continue to do that, we're going to continue to invest in our industry IT and enhance our offerings so that we can adapt to the changes within the markets on a real-time basis. Again, most of our competitors do not do what we do.

So let me talk about how all of those things come together, the offerings, our partnerships, the industry capabilities that we have. As Mike mentioned, the next generation of managed services are going to be delivered differently. We saw IT services transform back in the 1990s. There was a labor arbitrage play. You saw the emergence of India as the location where many people have moved a lot of their workloads to. We're undergoing and just starting that next IT services transformation. That involves capabilities around artificial intelligence, machine learning and robotics processing. It's going to enable greater revenue per unit of output. It's going to enable a greater profit per unit of output to our customers. These are core capabilities that we have.

So Mike mentioned Platform DXC. In Platform DXC, it's our modern, hybrid operations and management platform. We're able to analyze and automate mainstream IT. It's an open architecture that connects our clients' IT estate with our offerings, with our industry IT and with our partner solutions as well as anything else the customer may have that's an open architecture. We're able to drive savings and insights, which provides value to our customers by doing that. So what Platform DXC is able to do is ingest lots of data on a daily basis real-time.

We then employ machine learning and AI capabilities to clean and transform that data and to identify potential efficiency gains. We have orchestration capabilities that enable us to create workflows and processes with that particular data. And oh, by the way, as part of that, we have integrated all of our offerings into Platform DXC, and now we're putting all of our industry IT into this platform as well.

So what's most important, and I'm going to go back to the first point that I've raised in my first slide around savings that can be invested into digital transformation programs, we have something called DXC Bionix. Simply put, it's a framework that we have developed in-house that we have now commercialized, which takes into account capabilities around analytics, artificial intelligence, automation and Lean Six Sigma. With that, we can drive savings for our customers. For example, for a customer who's trying to do a Hyperion financial consolidation, we were able to reduce the time frame in which they were able to implement and provision from 9 weeks to just over 2 hours. So with Bionix, we've proven that we can create savings of up to 20% to 30% or more for our customers, which enables them to invest in their digital transactions. And by the way, this platform, as Mike said, can go on to our existing customers and to new customers and into any stage of their transformation. It's an open framework.

So let me bring you all back to what I said originally, successful transformation partners need to have certain capabilities. You have to have deep industry expertise, you have to have scaled offerings, you have to have industry-leading partnerships, they have to come together as an integrated solution to a business problem. That's what a digital transformation is all about. We now have 3 different motions in which we must solution for our customers. The bottom one that you see here is our standard, which is around IT operations. Working on IT outsourcing and managed services. The second is around modernization in the IT space, so they can create operating and financial efficiencies and have the ability to scale and protect their data securely. The third motion is a new motion for this organization. It's around business transformation. Reimagining the corporation, creating new revenue streams, broadening the customer base, enhancing the customer experience. It's a consultative, ideative type of relationship that you have with a C-level executive that's not necessarily the CIO or the CTO, but a business owner. We've had to change our go-to-market capabilities to address that. We've created a new role called the Digital General Manager. We have new delivery capabilities. My colleagues, Jim Smith and Samson David, will talk about those particular capabilities and what we've done. But the focus is driving business outcomes to business problems. That's what digital transformations are all about.

We believe that we're uniquely qualified, and let me tell you why. So virtually every company in the world today is undergoing some sort of a digital transformation, and they're focused on the business outcome. Virtually every company in the world today is modernizing their mainstream IT and their legacy IT estates, creating efficiencies. So if more than 90% of the companies in the world today actually engage in these 2 areas, what we found is that only about 16% succeed. Most of these fail. They can't move from a POC or a pilot stage to a scaled enterprise-wide solution because they're unable to integrate into their legacy IT estate.

At DXC, we have the capability to do that. We have the capability to do that for a couple of reasons. One is we have experience in managing and modernizing their IT estate. We know it very well. Two, we can create the savings that will enable them to invest in their digital transformation. And three, as I said before, we do everything big. We're able to scale those digital transformations across the enterprise. We have the know-how into integrating into their mainstream IT environment. And as we said, with Platform DXC, we're able to bring it into their environment at any point in their life cycle as they transform.

So what I'd like to do now is turn this over to my colleague, Jim Smith, who'll talk a little bit more about the digital market and our digital go-to-market capabilities. Thank you.

James R. Smith - *DXC Technology Company - EVP of Digital Transformation & Customer Advocacy*

All right. Thanks, Ed. I'm Jim Smith, I lead our digital business across the globe. And just as Mike had outlined, that wonderful yellow line that's in the mid-teens growth that we are driving to 25% to 30% growth, I'm responsible and accountable for driving that growth across the business.

As Ed talked about, we have great offerings in the marketplace today. I'm going to cover now how do we take those offerings to market and use them as building blocks to drive our digital growth. And it fundamentally requires a different change in how we go to market. We've modeled that. We've put that in place now. We're scaling that new digital go-to-market, and I'll share that with you.

Second, critically, as Mike also shared, is building that digital talent base and that skill base and that culture that's a critical factor of success as well. And I'll talk about the 4 key levers that we're using to scale and solve that problem as well.

First, it's really important to understand that our clients and the industry is looking to engage very differently when it comes to digital. They need something different than the engagement they've had in the past with technology service providers. And that's driven by 6 fundamental changes that we've seen.

First, it starts with consumer expectations. All of you, you don't have to go through your standard day of using your smartphone, Uber, Lyft, Seamless, et cetera, to realize that the expectation of what users need and want from digital has changed and continues to change. And that is producing a lot of ambiguity and misunderstanding in our clients about what they need from digital and how they drive it. And that creates opportunity for us, as a technology services provider, to come in and help clarify that.

The other key shift that's happening is the CIOs still are continuing to be involved and drive some of these digital programs. But it's much broader than that. There are more constituents involved. These emanate from business unit leaders, from functional leaders, in a very different way than they have in the past. And so that change in the stakeholders is a core factor of needing a different type of engagement as we continue to engage with our clients to help them with digital. And fundamentally, this is about business value and business outcomes. Setting up that business case in a different, unique end-to-end way is fundamentally challenging for our clients. And we're helping them solve that. We're working with partners, like PwC on the consultative front end, to set that up. It wasn't that long ago that these systems and programs were about big monolithic implementations in a single tower of the company, a new supply chain, a new finance engine. Digital is different. It cuts across the business in different ways and different pieces. And that business value creation and articulation of it to gain support is critically important.

The other key piece is what Ed spoke about and Mike spoke about. These things are going on, but very few of them achieve scale. And the fundamental factor behind that is the existing IT landscape needs to be integrated with and leveraged. It can't just be replaced. It just takes too much time and too much money to do that. Our capability is to be able to take advantage of not only what we do for clients today, but new clients, by introducing our offers like platform DXC. Our packaged offers and solutions that Ed talked about really help accelerate the progress and process of leveraging the IT landscape as it is today and integrating into it and taking it forward into part of that digital episode. And last is really the skill shortage. The industry is struggling with digital skills. We're in the biggest shift that we've had in decades in skills and talent, in a new way and new spaces and new places. We're solving that for our clients in a number of unique ways.

One, our clients have a massive shortage, and that creates opportunities for DXC. We have a value proposition of being able to give these folks, right, new places, industries to play in. Deep and strong challenges that will continue to evolve over time is the value proposition that our clients really can't provide to these folks. So we're able to aggregate them up and also be able to find out new ways to develop them as we move forward. Now this is giving way to a new way to engage, and this is really what we've refined and now are scaling. One, we're working with our partner. And I'll bring up Paul Gaynor in a moment to talk about consultative front end. More and more, this is about an end-to-end business process and value creation. And engaging with clients and our partner, PwC, in that approach is a really important first starting factor.

But the second and probably, critically, in this new space, doing is the new selling. And an agile, collaborative approach to engaging with our clients that we have refined and invested in is absolutely working. And now we're scaling it, scaling it beyond the 30 or so clients, into the hundreds of clients as Mike had mentioned. And I'm going to walk through that process in a moment.

And then last, most important is creating this digital talent ecosystem. And I'll talk about the fundamental levers that we're using to develop and drive that.

So to talk about the consultative approach, I want to bring up Paul Gaynor from PwC. He's a senior partner who's been working with us in a number of client situations. He's going to explain how this works with DXC. Thanks, Paul.

Paul Gaynor

Thanks, Jim. And again, I appreciate the opportunity to spend a few minutes here with you today. My background, I'm Paul Gaynor. I'm responsible for PwC's technology consulting business. I've been involved in this conversation with DXC from the start. As we think about the world of technology and, more importantly, the digital transformation our clients are going through, they're all facing this fear of being disrupted, they're all facing this fear of not moving fast enough, and they're all facing this fear of, do we do it the old way or the new way?

As we put the emphasis on how to create the business value, it has a lot to do with thinking about, where's the market going? What's the industry looking like? But our clients don't want to just hear about what their peers are doing in the industry. They really want to hear what others are doing. For years, we've been hearing, hey, let's go to Silicon Valley. Let's see what Silicon Valley is doing. But now that's broadened. Let's go to Detroit. Let's see what the automotives are doing. Let's go to Peoria. Let's see what the manufacturers are doing. We now have a much broader view, and we're bringing to our clients in a consultative way, in a very iterative consultative way, many different views. And our clients are expecting that. Our clients are expecting to hear what others are doing to really help set their agenda.

Now when we get past that consultative dialogue at the beginning, ultimately, we're dealing with many more stakeholders than just the CIO. And for PwC, our stakeholders go from all members of the C-suite, including the CIO. And more often than not, our conversations tend to move quickly to, what's the experience that we're trying to drive, both with your customers and your employees? And an experience-based consulting is what's driving the creation of this digital front and this digital conversation. And how do we deliver in a way that we're not mandating an activity; we're inspiring. And that word inspiring is really important today because ultimately, why things have failed in the past, and Ed just talked about 60% of programs fail, is there's a piece of technology and there's a heavy piece of adoption. And without great adoption, technology is just technology. So our job working with DXC is to help set their agenda.

Sorry, wrong way.

Okay. So as I said, we've been part of the Platform DXC from the start, and we're very excited about what this platform has done for us, but more importantly, what our clients are telling us. It's not about PwC and DXC; it's about our clients. And when our clients see the breadth of the 2 organizations coming together, the technology scale that DXC brings, its global reach, its ability to deliver from the ideation all the way through the implementation, and then when you couple that with PwC's ability to drive adoption and think about how the behavioral aspects of users need to be considered in that whole design, it really changes the dialogue completely.

It's one thing for me to say this. I think it's more important for me to share with you a story. So here's an example, and I would say it's the typical example we're seeing today. And I would say, the numbers on the right side of the slide, success, is really going to be the typical going forward, if not bigger.

Service provider. Complex, having a material challenge in their supply chain, can no longer reap any more benefit in how they run their supply chain, spending upwards of $5 billion a year on direct and indirect procured goods to support their business.

Massive amount of stakeholders that want to be heard but also need to hear the PwC and DXC story. And in hearing that story, they want to understand why, why the 2 firms coming together is going to be better than us going alone. And I should have started by saying, I don't think we, PwC, would have won this going it alone. I think the combination of the 2, PwC and DXC, really changed the game, both for us individually, but basically put all the competition to the side.

So to transform the supply chain, it wasn't just about talking technology. It had a lot to do with talking about the business model forward, had a lot to do with talking about what's the decision that the employees should have going forward and a lot to do with sharing and showing what's the technology going to be and how we're going to drive adoption.

Now we couldn't do this without the industry knowledge, right? DXC brought the healthcare knowledge, we brought the adoption knowledge. We both brought things collectively in terms of how to make this work. And again, I applaud us because taking down a $100 million contract for a 4-year period of time is the start of something special here.

So I want to close by saying, one, thank you. Thanks for giving me a few minutes here to share. Two, I expect and I hope to be back here next year to tell even more stories like this. And three, the Platform DXC is real and we believe in it, we're fully invested in it and we continue to see great value coming from it.

So thank you. Enjoy the rest of your day.

James R. Smith - *DXC Technology Company - EVP of Digital Transformation & Customer Advocacy*

Thanks, Paul. As Paul talked about, right, it's the end-to-end, it's getting from the business value conversation all the way through to adoption. I want to talk about that piece, right, that is about how do we engage to do something end-to-end with the client. And frankly, we a have 5-phase process. One, we engage with the client, as you heard Paul talk about, and we engage not only with the CIO, not only with the technology people, but with the business unit people, with CXOs throughout the organization. And we ideate, come up with what are those elements of digital ambition.

And then in that, we're able to take our offerings and put together a digital blueprint, a realizable, integratable, scalable digital opportunity for the client that gives them the ability to define how they're going to drive that business value.

And then we move into the prototype phase with MVPs, and then we begin a sprint process, leveraging our investments in Digital Transformation Centers to build out real systems, not a demo, real systems, real data, real back ends, and many times, their actual live data, and doing that end-to-end to demonstrate what it will be. And that really drives the point of driving adoption and scale because now we're able to leverage the landscape that they have invested in, integrate into that landscape and supplement that landscape with our offers and capabilities that drive the business value they need. And that is what produces the scale, to move clients from being stuck. 85% of them are stuck at that phase of having something pretty to look at but not a lot to be able to scale.

Now we're doing this by engaging and investing in Digital Transformation Centers. As Mike mentioned, more of this innovation happens closer to the client, so we've invested in Digital Transformation Centers that have the multi-scaled digital-talented people, that is co-located near our clients. So we have cultural affinity, innovation affinity, and we drive that engagement to build out this process with our clients. But it has to scale, which is why we connect that Digital Transformation Center network into and through and as part of our global delivery network that Samson David will talk about in a moment.

That doesn't stop there. Digital is also about having unique emerging skills and talent available and leveraging the very partners that invest with us to build these new innovative offerings. So we incorporate co-solutioning, co-delivery, co-selling with our partners along the way, and that gives us something unique.

Digital isn't going to happen by one company saying, “Hey, I'm going to do all for you, end-to-end, soup-to-nuts.” It's too, too innovative, too distinct, too different, too many skills, and frankly, risk would be too great.

So we incorporate our partners into this process as well. It gives us not only scale but also risk reduction for our clients.

Now we're doing this today. This isn't something we're not doing. As Mike talked about, this is about a $4 billion business today in digital. It's growing in the mid-teens. The pipeline is growing substantially, 80% growth in our pipeline. And we're approaching -- right now, it's about 40% of our total pipeline is digital. We're approaching that crossover point where we will have more digital pipeline than we do other pipeline in the company. So that growth, now we have to prosecute that, scale up our go-to-market model that we just walked through, close that business and then drive the delivery of that business.

Now how do we get a digital talent ecosystem to prosecute that? 4 fundamental levers. One, we're acquiring new talent. It sounds very simple, but frankly, we're doing things uniquely different now. We made some adjustments. For example, we're taking advantage of the gig economy. We've invested in something called DXC Talent Cloud that allows us to reach out to the marketplace and take advantage of people who are interested in much more than being part of the gig economy. And that's an untapped set of people that we get to tap into now.

Next is we're doing something unique with universities. Not just recruiting from college campuses, we're embedding and injecting and transforming some of the curriculum in these universities and forming deep partnerships so we have a feeder system for productivity that's very different than in the past.

We're also cross-skilling. We have an incredible base of employees today. We're cross-skilling those employees where that makes sense. We're using our partners to help us cross-skill those employees. We're using our own investment in DXC University to re-skill those partners. That's a rich base, and Samson will talk more about that in a few minutes.

Acquisitions, Mike had mentioned the acquisitions as well as Ed. Those acquisitions bring new talent, new skills, new capabilities into the company. And it has a feeder effect: those people bring in more people as well.

When you become the leader in a particular area, people want to come work for that leader. So as we do those acquisitions and build those skills, we can build an ecosystem to bring in those folks, make them skilled and talented in those areas at a faster pace and rate than if we were just doing it without those acquisitions.

And then importantly, leveraging partners. Partners are not just giving us time and energy and IP to do our offers. They're also co-delivering, co-solutioning, working with us and investing with us to do this. Now that gives us the opportunity to get half, half of our workforce digitally enabled, skilled and growing over the next 3 years. Through that process, we'll be able to have the resources and talent and capability we need to be able to grow, prosecute the digital pipeline and turn that into revenue that drives the yellow line that Mike talked about.

And this all sounds great, but how does it really work? It really works, right, at a major manufacturer in this way. We went through the process. We engaged with our partners. We formed a consortium with PwC and Microsoft and several other partners. We engaged with the C-suite. We had business conversations in places that we hadn't had before. And by the way, the existing client, where we had an okay relationship, but it was not a growing relationship. It was a stagnant relationship. So we changed the game. Entered into this new model. We did ideation and sprints with them. We laid out a digital blueprint that was realizable for them. And then, we were able to really get at their core fundamental digital ambitions, 3 fundamental areas: smart factories, digital engineering, proactive and predictive maintenance, things that were going to make a difference for them over a period of time if they were able to digitize those.

But underpinning that -- and by the way, this isn't like a lightning rod that they didn't know these things. They just never could realize them. And what the realized in this process with us and this phase was that they never were able to take advantage of having a model that leveraged pre-built offers, along with integrating and leveraging their IT landscape, and that's why we were able to come in and really lay out this end-to-end with our partners and with the client to begin that scale and realize the process.

So what did this really do in the end? In the end, it produced great benefit for our client, right? Across their entire landscape, right? $50 million of savings. But that was outside, right, largely outside of what we do for them today. And they're able to get cross-functional benefit in their business case of about $150 million a year, substantial. And we're in the early stages of this road map.

Now critically for DXC, we're able to grow our revenue. That's great. But in addition, it has set us up to be the go-to partner as they continue on their digital transformation journey. We have really reshaped how they see us and see us as a set of partners that can come and help them conquer and scale what they're trying to and needing to achieve as a business.

So in wrap-up and summary, one, the engagement process is different for digital. We're growing in the mid-teens. We've got a $4 billion business. This new model is working. We're now scaling it. We're scaling with our partners, we're scaling with our leverageable offers and we're driving this into the market as we go forward.

So with that, I'm going to turn it over to Samson, who's going to talk to us about how do we take these sales and then drive it through delivery.

Samson Michael David - *DXC Technology Company - SVP of Global Delivery Organization*

Thank you, Jim. Good morning, ladies and gentlemen. My name is Samson David, and I run global delivery at DXC. So what that basically means is everything that Ed builds and everything that Jim sells, I and my team of more than 100,000 people globally deliver to our clients every day.

This morning, I'd like to elaborate on the point that Mike made around how we are accelerating the digital transformation journey for our clients and also delivering services at an enhanced level.

Let me start by sharing my key delivery priorities with you, and I'll also share my delivery playbook. As you heard my colleagues say, our clients are grappling with 2 worlds: the mainstream IT world, which is really powering their present; and their digital world, which is powering their future. And we work with our clients across both worlds.

In the mainstream IT world, we run some of their largest systems, and by the way, these are some of the most complex and largest systems in the world, period. And we run them with tranquility, with stability and predictability, day in and day out.

In addition to that, we are also modernizing these systems. As you heard Mike say, 80% of the enterprises' IT budget is stuck in these mainstream IT systems. So we are constantly modernizing these systems. We're constantly digitizing these systems, and that's driving efficiencies.

This generates savings and this allows us to invest into the future. This allows us to expand our margins. The future is digital, and this is where we are working with our clients and building their future with them. We're building new offerings, we're building new products, we're building new services, we're building new experiences for their clients. And then, we are integrating both these worlds together, so our clients can actually scale this digital transformation across the enterprise.

Of course, our people are the force behind all of this and we are continuing to transform our workforce. So the key message that I will leave with you this morning is our clients are grappling with 2 worlds. We are working with our clients on their present and their future, and we're bringing these 2 worlds together for them. And while we are doing all of these things, we continue to expand margins for DXC.

Let me show you how. So on the mainstream side, as I said, we run some of the most complex systems on the planet. Some of you who are here for this Investor Day conference may have taken a flight, may have checked in to a hotel, may have rented a car, may have swiped a card to make a payment, may have made an important phone call. It's very likely that the work that my teams are doing for our clients has probably touched your lives in the last 24 hours in some form or shape, just like it's touching millions of lives on a daily basis.

Now when you use these systems, you expected them to work. When you swipe that credit card to make a payment, you expect it to work every time. When you make that phone call, you expect it to go through and not drop. When you take that flight, you expect it not to get canceled or delayed.

So ladies and gentlemen, these complex systems that Mike talked about, they have to work every day, every moment. They're pretty much real-time systems, and this is what we do for our customers globally. We run these systems with tranquility, with predictability and with stability. And that's the core. However, that's not enough. We are also modernizing these systems. We're also digitizing these systems through Bionix. What's Bionix?

Bionix fundamentally is a combination of 4 or 5 ingredients: artificial intelligence, machine learning, analytics, robotics, automation, lean, all coming together and driving the digitization, the modernization of the underlying landscape. And this is driving a significant amount of efficiency. Let me give you an interesting example.

Today, my digitized workforce, which is my Bionix assets, my robots, are actually handling more incidents than my largest physical center. That's the power. That's the power of Bionix. That's the efficiency that it generates.

Now it's not all about stability, predictability, tranquility and efficiency. What we are seeing is this is driving enhanced service levels with our clients. Now the key issue when you run large-scale operations is human error. People make mistakes. People slow things down. And we're seeing that as we digitize our operations, as we are reducing the human footprint in our operations, our service levels are actually going up. This is something that we've always known intuitively. However, we are beginning to see this empirically now. My mean time to resolve actually has improved by 30%. My critical incidents and critical outages are going down by 40%. My service levels are getting better. Mike talked about the reaction from our clients in the client advisory boards. It's up, so that's what's happened.

In relation to all this, this is also generating a significant amount of savings for us. I talked about Bionix. We've got some of the best modernization assets in the world. We are deploying it across our clients, and this is a journey. So there is room to do more. We are also constantly investing in Bionix and strengthening our assets and adding to our assets even more. So what I'm saying is when it comes to Bionix, we will go wider, we will go deeper.

On the workforce optimization, we have work to do. We can improve our pyramids, we can improve our offshore/onshore ratios. And if you combine all of these things together, we believe we'll be able to deliver about $560 million of savings.

Mike talked about facilities. We own 28 million square feet of space. And as we reduce the human footprint, we aren't going to need all this. And there is significant amount of opportunity to drive optimization there. That's about $120 million.

We buy a lot of stuff. And there is a significant amount of opportunity to drive efficiency across the supply chain through rates, through volumes, and that will get us $170 million.

So what I'm saying is there are multiple levers that are being acted on, and this will deliver about $900 million. And I can look at you in the eye today and say that I and my team are 100% confident that this number will be delivered.

Now what I'm saying is the savings that we talked about will help drive margin expansion for DXC. Mike talked about it. It will also help us invest into the future. And the future is digital. And the future is very different, as Jim and Ed talked about, very different from our mainstream IT.

This is about creating future products, future services, future offerings, future experiences for our client's clients. The talent needed is different. The skills are different, the methodologies are different, the tool sets are different. This is a different world. Digital delivery is very different from mainstream IT. Also, this is not just one thing, digital delivery. It really is a function of where our clients are in their transformation journey. Let me give you a few examples to make it real.

So some of our clients are in very early stages of their digital transformation journey, right? And that's where it's all about ideation and exploration with our clients. Let me give you an example. So one of our clients is trying to solve the pricing problem for spare parts. And as we all know, the spare parts business for the automotive sector is a very lucrative business, but it's also a business under threat from the OEMs. So it's very important to get pricing right, and this is dynamic.

So as Jim said, we engaged very early on with this customer. We brought in new -- next-generation skills like analytics, advanced algorithms, artificial intelligence, machine learning, visualization. And we also worked with our clients in a different way regarding design thinking, the rapid prototyping, Agile, multiple Scrums, and solved it in 6 to 8 weeks.

And now we are scaling this across 22 countries. You heard Ed talk about the work that we're doing with autonomous cars. It's building the future, which is going to arrive in all of our lives shortly.

We're working with one of the largest airlines in the world to help completely reimagine the customer experience right from the moment when you check in to the moment when you pick up your bags, end-to-end. We are working with a telco on how to bundle, how to price new products and offer it at significant amount of agility. We're working with one of the largest hotel chains to uplift their customer service.

So this world, this part of the digital transformation journey for our clients is about creating new possibilities and then converting those possibilities into reality through the power of imagination and the power of technology.

Then, there are other kinds of examples. In some cases, our clients know exactly what they want. They know the outcome. This is what I want. And at this -- for this set of clients at this state of their journey, it's all about speed and scale.

Let me give you another example. So one of our clients is transforming their workplace. 155,000 people, 43 countries. In this case, we brought our Workplace and Mobility platform that Ed talked about, and it was all about instantiating this offering into the customer's context and then integrating it with the rest of the enterprise and do it with speed and scale.

India Post. I was there for the launch when Prime Minister of India, Mr. Modi, launched this platform. Now the India Post Payment Bank is a very strategic initiative for that country. A country of more than 1 billion people, it is 1 out of 6 on the planet. This is a financial inclusivity solution to them. Hundreds of millions of users. We've put this bank together in months. Ladies and gentlemen, that is speed and that is scale.

Now there is one other motion, and that is where we have deep industry expertise and intellectual property, and we combine this with technology and offer it to our clients as industry platforms, as business platforms. They talked about it.

Our insurance platform is one of the largest in the world. Our health care platform is one of the largest in the world. Our travel and transportation platform processes billions of transactions every year.

So what I'm saying is digital is not just one thing, and it's a function of where the customers are in their journey of transformation. And we're engaging with our customers in the ways that make sense across this entire spectrum. And as Mike said in his opening address, these projects are all good, they're all very cool, they're very glamorous, but they're of no use if they're just hanging around in the periphery. For them to make any difference for the enterprise, they have to be integrated with the mainstream, and that is where we believe we have a unique way of doing this, and that's a great differentiator in the marketplace that we are seeing. And that's the Platform DXC. Ed talked about it, Jim talked about it as well.

Fundamentally, Platform DXC is an open framework architecture platform which allows us to deliver these next-gen digital services at scale. It's got our offerings natively integrated. It's got the best-of-breed solutions and technologies from our partners, again integrated. So you have ServiceNow, you have Microsoft Azure, you have AWS, you have other pieces of technology integrated in.

Now the cool thing about this is, this is a composable architecture, which means I can compose it in different ways, depending on what my customer's preferences are. It gives them flexibility. It gives them scale.

It also has our Bionix assets integrated and embedded in it and also our industry vertical assets. Platform DXC also has very strong integration capabilities, and this allows Platform DXC to be able to integrate both of these worlds together. And this allows the clients to have a seamless integration between these 2 worlds. And this allows the clients to be able to do agile, DevOps, continuous integration, continuous deployment across this entire spectrum, and it doesn't matter now whether this part is mainstream or this part is digital. It really doesn't matter, and this is how you steer digital for enterprises and this is what we're doing. And we believe this is a great enabler for organizations and enterprises to scale digital, and it's a key success -- key differentiator for us in the marketplace.

Now it all comes down to people. In a technology business, it really comes down to people. And this is where Jo Mason, who heads HR for us, and I, we're partnering very closely together to transform this delivery workforce stream of more than 100,000 people globally. And we're doing it across multiple dimensions. One is, we are ramping up our talent, our digital talent. We are hiring aggressively, as Mike talked about. We are tapping into the university ecosystem that Jim talked about. We are strongly leveraging our partners.

We're also tapping into the gig economy. Now this is not a big channel yet in the industry, but we believe that in the future, 10% to 15% of the talent will probably be sourced through this channel. And Jo is sponsoring this. We have built the Talent Cloud, which is already onboarding this talent into the DXC ecosystem.

Now our existing workforce is a phenomenal workforce, and I cannot be more proud of my team, which delivers stuff on the mainstream as well as on the digital side. We are investing significantly in rescaling, upscaling and refactoring this talent. DXC University today conducts more than 1 million hours of training. We're leveraging our partners for training and certifications. And I believe, between Jo and I, we will refactor about 10% to 12% of our existing workforce in about a year. And what I mean by refactoring is, if I have a .NET or Java skill, it's really easy for us to train them, re-skill them, certify them and convert them into a ServiceNow talent or into Microsoft Dynamics. And that's what I mean by refactoring talent.

We have also invested in Digital Explorer, which is our knowledge management platform across DXC. This is where we digitize knowledge across what we build, what we sell, what we deliver and make it available to all of our employees. Think of it like Google for DXC, and it all comes down to culture.

Our clients are grappling with 2 worlds. Our teams are helping our clients in both worlds, so there is an element of ambidexterity in culture. On one hand, it's all about operational efficiency. On the other hand, it's about ideation and exploration. And we are bridging this gap through career pathing, through learning paths and through different other ways of employee engagement.

We're also creating a deep sense of owner's pride in our teams. Look at it this way. On the mainstream side, our teams are running some of the most critical systems on the planet and are touching millions and millions and millions of lives every day. On the digital side, we're creating the future with and for our clients. And there is a tremendous amount of pride, whether you are doing this or whether you are doing that.

And then, we're creating a very strong growth mindset in each and every one of our delivery people. They engage with our clients day in and day out. And I would like to see each and every one of my 100,000-plus people to be able to sense demand, to be able to influence demand, to be able to fulfill demand and be able to serve demand across all of their client interactions. So this is how we are fundamentally transforming our workforce.

So those were the key building blocks of the delivery playbook. So just to pull this all together, we are working with our clients in both their worlds. We are running their critical systems, taking care of their present. Not only that, we're modernizing this and generating savings for our clients and for us. It helps our clients to invest in the future. It helps us to expand our margins and invest into the future. The future is digital, and this is where we are working with our clients to build their future products, offerings, services and experiences.

And while we are doing all of these things, we continue to generate savings, we continue to expand margins for DXC.

So with this, I'd like to hand it over to Paul. Thank you very much.

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

Thank you, Sam. Greetings, everyone. Let me just -- as you heard from all of my colleagues, DXC is very well positioned, not only to lead but to succeed in this next digital cycle. We have the scale, we have the customer, a very diverse customer base, we have compelling offering and we have a great digital capability and at the same time, an agile delivery strength that Samson just mentioned.

The key levers of the value creation over the next 3 years are going to be the stable revenue growth, sustainable margin improvement, strong free cash flow and a disciplined capital allocation, with more of our capital returned to shareholders in the form of share buyback and dividend.

Let me spend a little bit of time on each one of those. In the stable revenue growth, today, our mainstream business is about 60% of our total. Digital is about 20-plus percent, and our IP and the BPS business represent about 18-plus percent of the total revenue.

The objective there for us in the mainstream IT world is to continue to modernize the IT environment of our customers. This is a great -- we have a great installed base. This is actually a competitive advantage for us, to continue to modernize their IT environment, help them through efficiencies to fund some of their digital transformation process, while all along, we believe we have add-on opportunities to continue to grow in that segment of the market. And by doing that, we're able to manage the decline in the mainstream to 4% to 7% and take some of that money that we're passing on to the customer and reinvest it -- for them to reinvest with us in the form of digital projects.

The second thing that we're trying to do is to grow and expand our digital capabilities, leverage our go-to-market and talent, and also do some tuck-in acquisition that would expand our reach, and with that, we expect to have 20% to 30% growth from that segment of our business.

And if I look at our IP and BPS business, there again, we have great opportunities to expand our BPS opportunities as well as to do tuck-in acquisitions that will allow us to grow at 4% to 6% top line over the next 3 years.

Net-net, if you add all of these elements together, it's a 2% to 4% revenue growth. And as you can see from the graph, by 2022, fiscal '22, more than half of our revenues will come from digital and also from our IT and BPS business.

Now if I look at our sustainable margin expansion, which is the second lever of value creation, obviously, the revenue mix is going to be helpful to us, but so will be the continued effort on workforce optimization, supply chain efficiency, as well as facilities rationalization. Net-net, we see an $900 million to $1.1 billion worth of opportunities to extract over the next 3 years. That translates to 4% to 5% of gross margin expansion. Some of it is going to be reinvested in the business in the form of investment in some of our offering, but some of it will also go to offset some of the dissipated benefit that we have from our op-to-cap leases since the merger. And net-net, we would expect a 2.5 to 3.5 percentage growth in our profit margin.

Now let me spend a little bit more time on each one of them. Workforce optimization. Today, we have a very strong global reach. 54% of our employees are in low-cost markets. We have an opportunity to continue to consolidate in low-cost centers and also really focus our attention on our global centers. That will allow us basically to go to the 65% of our employees being in low-cost locations.

The other side of it is also our labor pyramid, addressing the fact that today, about 30% of our workforce is in the lower layers of the pyramid. We have an opportunity to continue to rebalance the organization across all of those layers, but also look at our cost at each one of those layers. And by doing that, we can move from the 30% to the 40-plus percent of our employee at the lower level of that pyramid.

You add to it the Bionix program that Sam has really shared with you, and we cannot only just drive greater efficiencies on the labor footprint, but also continue just to refine our labor pyramid and net-net, get some savings from this workforce optimization.

I'll move on to our supply chain. There, we have a $8 billion of controllable spend. About $3.5 billion of it is in contract labor. There, we can apply the same tools and methodology to that part of the business, extracting greater efficiencies, applying Bionix, renegotiating rates, consolidating some of our vendors and in-sourcing some of that talent to DXC.

We have also an equivalent amount of money that we spend regularly in hardware, software and network purchases. There, again, it's the continuous work towards renegotiating contracts, extracting greater savings, changing some of the terms and also doing a lot of tightening of the demand management on our side.

And finally, you have this other area of indirect spend that we have the opportunity again there to extract greater savings with a net-net of about 90 basis points of savings from that particular lever of cost.

If I look at facility rationalization, we've done quite a bit to reduce our footprint already by about 20%, but there's more to do there. If you look at our office space, we have 292 facilities around the world. Our objective is cut that almost by 40% over the next 3 years by taking away -- by cutting back on some of the low utilization and subscale facilities.

If I turn our attention now to the delivery centers, we have a lot of them, and there we have an opportunity again to reduce it quite significantly over the next few years. And there, we're going to be focusing on the global delivery centers, as you recall, that I mentioned earlier as well as to consolidate our work in fewer centers.

And lastly, we have our data centers. That's something that we have embarked on late last year. We have 85 data centers owned or leased, and our objective is actually, again, to reduce that footprint and consolidate where appropriate. Net-net, we see about 70 basis points of improvement there with 20% reduction in our footprint.

If I turn now to our free cash flow, that is the third value driver over the next 3 years. We'll get some of the benefit coming from some of these cost levers that I just really mentioned to you. We have also the ability to optimize our tax rate. We expect it to be somewhere in the 22% to 25%, lower than it is today. This is through tax planning. This is taking advantage of some of the new tax reforms that are out there and taking advantage also of our mix of global income. We have quite a bit of opportunities on the working capital side, particularly in managing our receivables and improving the terms on our DPOs, which is the payable area.

And then finally, in the capital spending side, our objective is to just really get that down to 5% or less of revenues. The digital work that we are doing will certainly help because this is really significantly less capital-intensive. But we also the expanded use of our utility model that will also be a contributor to that downward decline in our capital spending.

Overall, our free cash flow over the next 3 years, we expect it to be 100% or more of our free cash -- of net income.

Let me move now to the disciplined capital allocation. This is something that we have just really stuck to over the last several years. Over the next 3 years, we see about $14 billion of capital available to deploy to various areas, the first one being reinvestment in the business over -- about $1 billion or $1.2 billion of reinvestment there. We're going to be optimizing our capital spending, as I mentioned to you. We're going to continue to do tuck-in acquisitions. We'll have some restructuring still left, some of it for the data center consolidation or facilities consolidation, some of it is still for workforce optimization. But that is going to be coming down from the level that we've had in prior years.

But importantly, we expect to just really reinvest 40% of that $14 billion to return back to our shareholders in the form of dividends and share repurchases.

Now having said all of these things, we're in very strong financial position. As we can see, we have ample access to liquidity. We have an investment-grade credit profile. That's very important, not only for us, but also for our customers. And if you look at our maturity schedule, we have just really a very balanced portfolio of debt maturities and quite a bit of flexibility on the debt side.

If I put all of these pieces together, this year, we've given a $7.95 to $8.20 in terms of EPS target for the year. The revenue growth of 2% to 4%, combined with the mix, should give us about a $0.70 of contribution to the walk over the next 3 years.

The operating leverage coming in from workforce optimization, the efficiencies on the procurement side and as well as the facility rationalization should contribute about $3.25. Some of it, as I mentioned, is going to be reinvested in the business, about $1 for reinvestment. And if I add the share repurchase, that should at least contribute over $1 a share. If you add all of these things over the next 3 years, the road map will suggest an $11.75 to $12.50 in terms of EPS by '20 -- fiscal '22 and margins growing from 16% to the 18.5% to 19.5% after reinvestment in the business.

So in closing, the financial targets again for the company, 2% to 4% of revenue growth over the next 3 years; margins of 18.5% to 19.5%; free cash flow of 100% or more of net income; and as you can see from the EPS, $11.75 to $12.50, which represents a 13% to 16% compounded average growth rate over the 3-year horizon.

With that, we will take Q&A.

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

Fundamentally, Paul, if you go back because you used the same road map 1.5 years ago here, we pretty much executed against that stair-step approach that you have there.

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

Absolutely.

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

And it shows you guys the sensitivity of how this is set up here. So there's still quite a bit of operating leverage to go in this model as we go forward over the next 3 years. So let's do some questions. Yes?

QUESTIONS AND ANSWERS

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

This is Brian Essex from Morgan Stanley. Mike, you spoke on your earnings call about the demand for digital being there, but you had some issues on the supply side. So in line with what Samson was outlining in your strategy, can you dig in a little bit more into detail of what you're changing, your operational philosophy, how you're hiring to satisfy the demand for digital so we can get some confidence in that growth inflection point?

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

Yes, Good question. For roughly the last year or so, the way we -- first of all, we haven't had a very disciplined end-to-end workforce management. And what I mean by end-to-end is you link the demand that you see in your pipeline to the actual resourcing requirements. That's an end-to-end process. That discipline didn't exist. And you need to build that end-to-end discipline because you don't go from closing a deal to staffing a deal in 30 days. There's a lot of work that needs to be done. So it has to be linked to the pipelines, it has to be linked to the conviction you have around closing business so you can begin to hire in advance of those things closing. That drives the ability to recognize revenue faster. Now the way we've managed this over the last year is, first of all, we have been primarily focused on taking people out. We took 20-some-thousand people out. In the mainstream business you're talking about, it's 20,000 people. We have traditionally run our resource management at a regional level. So the regions have been confronted with this paradox of, gee, I have to take people down in the mainstream business, while at the same time, hiring for the anticipated demand in the digital world. That ambidexterity, we've concluded couldn't be managed at the regional level for a lot of different reasons.

There is loyalty to people that are in the mainstream business. There's people that can't be reskilled. There's a whole set of variables that create too much variation in the outcome. So what we have done, fundamentally, is the regions are going to manage the workforce around the mainstream because that's what they see, and we have a clear view of that. The Digital Transformation Centers that, I think, Jim, you talked about, and we've got basically one in each in theater of the world. What we're going to do, and what we are doing right now, is we're hiring a lot of those digital skills, and we're attaching them to those digital delivery centers. Think of it as a homeroom. Remember when we all were in school? In the morning, you show up, right, you show up at the homeroom and you went to -- some of you went to advanced physics and calculus. I went to the shop class. But anyway, we're managing that centrally. That way, we can key off of the demand that we see, and that demand will vary by region of the world. That's why we have a center in each one of the regions. And we're going to hire against a very prescribed set of skills that we know are critical in the digital delivery world. Those might be AI skills. They might be data science skills. They may be Amazon skills or Azure-certified skills. So we have a very prescribed set of skills. And we're going to then hire based on the pipelines we see in those theaters. In essence, I'm taking the digital world hiring, and I'm going to take that out of the P&Ls of the regions so that they just focus on the mainstream business. And as those deals close, then the people in those delivery centers will be assigned to the project work that we're doing with the client, and the cost of those people will then move and be embedded in the P&L of the region. That's a fundamental difference in how we're managing the resources because there was too much stop and start at the regional level. I'd beat them up about, "Gee, you're not making your cost numbers. You need to take another 300 people out." And they'd say, "Well, I can only do 200, but I'm pretty smart. What I won't do is I won't hire the 100 people who I thought I was going to hire." Then they close the deal, and they say, "Jesus, I need the 100 people." And so we still got 3 months to get the 100 people, and we can't get the 100 people, therefore, we don't bill the customer. Do you understand what I'm saying? We just removed that obstacle, and we're in the process of doing that now as we speak. So we're linking the work that Jim and Ed are doing on the digital man. They're getting that theaterized by where is it going to happen. Is it going to happen in Europe? Is it going to happen in the U.S.? Is it going to happen in Asia? What's going to happen? And then Jo Mason and her team are hiring the prescribed set of skills ahead of time. And we can provide continuity with the university, continuity with our Talent Cloud as we source these resources over time. Fundamentally different. We're 2, 3 months into this process. So still early, but a fundamental change in how we're thinking about managing it.

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

Any idea how long that process will take before you get it to where you're comfortable that you can balance that equilibrium between supply and demand?

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

Yes. I think we're -- I think over the next couple of quarters, we will get more and more comfortable with that. I think what I want to see is the matching of the skills with the demand and what the time lag is between us. Now we're not totally stupid. So a lot of these resources that we're bringing to these Digital Delivery Centers, we're going to use for the ideation process. You heard what Jim and Paul said from PwC. This is -- this digital world is not, hey, here's a box. Go buy it. It's $2.99, and we'll deliver it. It doesn't work that way. You've got to bring the teams in with the client, and you go through what is the business problem you're trying to solve. We call this process ideation. But I said, think of it as agility for sales. We're going to use a lot of these resources in the Digital Delivery Centers to actually do that ideation process. The ideation process usually results in some sort of statement of work or project work. The people that were doing the ideation work, I got to get assigned to the clients. They got to follow the client. That way, even if there is a time lag between when they are hired and when they are actually on billable work, we'll at least be using them in, think of it as a presales capacity so that we're generating demand with those people. So that's the change that we are making, a fundamental change.

James Eric Friedman - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

I'm in the middle. It's Jamie at Susquehanna. I wanted to ask about that contract labor disclosure, the $3 billion, $3.5 billion. When we benchmark that to your peers, it looks high. And in your characterization of that opportunity, Paul, you'd described -- you bucketed it into supply chain. I was wondering more about the workforce perspective on that. Like if you move contract labor to full-time workforce utilized labor, what does that dynamic look like, the profitability and the opportunity as you -- you didn't mention that?

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

Let me take a shot at that. First of all, when we merged the 2 companies, we didn't have a very strong discipline around contract labor. And what we -- I don't want to bore you with all the details, but the latest systems were set up was people could set up a statement of work and actually hire contract labor against that statement of work, which often was outside of our end-to-end workforce management. So what happened is as we were taking resources out of our mainstream business, we often found them coming back through this contract labor. Now obviously, those doors have been closed some time ago, and we have that under control. The other issue is it led to a lack of discipline in the end-to-end workforce management. So rather than thinking about demand and playing ahead a little bit and beginning to recruit to satisfy that demand, we would wait until something was closed, and then we couldn't get the people internally. So what do we do? We go outside, and we get the contract labor. That's great, but that's screws up your pyramid. We also pay a significant margin, 500, 600, 700 basis points to the third-party labor organization. So we're tightening that up. And where we have skills that we think we need long term, we're bringing in-house. Some of the arrangements we have with our partners where we're giving them workload, we have put in the contract the provision to rehire some of those people back into the DXC should we choose to do that. And then of course, the other part is the Talent Cloud. Because the Talent Cloud -- I was just in India a couple of weeks ago, and I saw this. So I said, "Okay. Bring the system up and pull up 20 AWS-certified experts." Bingo. Name comes up, face, where they are, what projects they worked on, what part of the world they're on. Then we can click on a button and contact that person and have them bid on a project that we have in that theater of the world. They have the rate. Here is what they get paid. They get paid X amount per hour or whatever the unit of measure is. Now when we do that, then we don't have to go out to the contract market, and we don't have to pay the margin on those people. That margin gets returned to us. So it's a combination of greater discipline; bringing some of the skills that you want to have in-house, in-house; and over time, creating an opportunity where you can source some of these resources through the gig economy. Samson talked about this. Our estimates are 10%, 15% of the IT skills we're going to need in the future are actually not going to be in large companies or associated with third-party labor. They will be self-employed, and that gives us an opportunity. So those are the things we're doing to manage what you rightly point out is a higher number than it should be with contract labor. Where are we?

Bryan C. Bergin - *Cowen and Company, LLC, Research Division - Director*

Bryan from Cowen. I wanted to ask on the North American sales reorganization. Can you talk about the mile-markers you're using to gauge success there now? And what type of time frame you're expecting that to improve?

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

So say it again because you're -- just speak up a little more clearly.

Bryan C. Bergin - *Cowen and Company, LLC, Research Division - Director*

Within the North American sales reorganization.

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

Yes?

Bryan C. Bergin - *Cowen and Company, LLC, Research Division - Director*

Can you talk about the mile-markers you're now using to judge that business and how long you're anticipating this to start bearing better results?

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

Yes. So the 2 -- if you go sort of region by region here, Asia, this whole transformation -- and we're -- we're largely through that in Asia. If you go to Asia, you almost feel like you're in a different company because they're already onto the digital side. They're hiring. Their workforce optimization plans are largely behind them. It's just a whole different feel. Australia is somewhere in that zone as well. The 2 geographies where we've had the biggest difficulty have been the U.K. and United States, and that's because that's where we've had a very significant mainstream or ITO business. We talk about 20% digital and 18% BPS and industry and 60% mainstream. In the United States and the U.K., the mainstream was much higher. And therefore, we've had a much longer and prolonged focus on getting the workforce rightsized around the revenue stream. And that's where some of our morale issues have been because obviously, the morale, when you're taking people out, isn't quite as good. It's on the digital side where you're growing. So that's one of the difficulties you got to manage through when you're going through a transformation. It's life. You got to go through it, right? So the United States -- the U.K., we made some management changes last year, and we're beginning to see now some significant improvement in their digital content, in their sales. They just had their first $1 billion quarter ever in the second quarter. We talked about it at the earnings call, first $1 billion sales quarter. So we're encouraged by that, and a lot of their workforce optimization is largely done, particularly the internal resources. We still have external labor that we've got, the contract labor, we need to work on there. The United States is the furthest behind, the furthest behind. And that has been exacerbated by some management issues that needed to be addressed, not just the latest person I had in there, but frankly, before that. And we got off and decided to try a more generalized sales approach in the Americas. And I let it happen, so I'm the guy responsible for that. I let it happen. But at the end of the day, after 2 quarters, I concluded that, that was not working. And the way I concluded that was the results I was seeing in other parts of the world versus this part of the world, and I saw a continued lack of discipline and execution around some of the workforce optimization issues, and that's why we made some changes. But that -- there was some structural issues in the United States which made that task more difficult given the profile of the revenue stream and the profile of the business. Now I also think that's our greatest potential. So as we get that stabilized and moving in the right direction, which I think we're going to see some of that stabilization in the second half of this year, this year, then I think that becomes an opportunity area for us. Does that answer the question? Okay. Where am I going? I never know where I'm going here. Okay.

Rayna Kumar - *Evercore ISI Institutional Equities, Research Division - MD*

Over here. Rayna Kumar from Evercore ISI. As you increase your digital skill set, what are you seeing out there for wage inflation? And how can you offset that?

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

Yes. There is wage inflation for some of these skills. There is -- first of all, as I said, we have a negative unemployment in the IT industry worldwide. In some skill areas, it's even worse. So take data sciences, take cyber, take some of those, yes, there's -- we're paying significant premiums. So one, this is really the case for why you want to begin to hire more people into the company and train them. I can't underscore the profound shift this will have in the business over time. 80% of our employees came from other clients. Now we have thousands of people on Deutsche Bank. One day, they're Deutsche Bank, they're going to get a Deutsche Bank name tag. Next day, they got a DXC name tag. That is a harder environment to create a cohesive culture. So this wage inflation we see in certain skill areas then suggests that we need to recruit more people coming out of the university. So we're working with the universities to redesign the curriculum. Again, Jo Mason is doing some of this work with some universities here. We're in their college of informatics and computing. We're redesigning the curriculum -- talking about innovation. We're redesigning the curriculum, and we're experimenting with paying part of the tuition if they agree to come work for us upon graduation. Now when you do the math on that, it's much cheaper. First of all, we help the kids. Student debt, as you know, in this country is not a minor issue. So we actually help them, and they sign up. So we avoid recruiting fees. We avoid this. We avoid a lot of different things. So we're training the people, and then turning around, helping them with their tuition if they agree to join us. That is a whole different way of thinking about this, all designed to deal with what we expect to be long-term scarce resources, particularly in these areas. In the meantime, you got to pay the price.

Jason Alan Kupferberg - *BofA Merrill Lynch, Research Division - MD in US Equity Research & Senior Analyst*

Jason Kupferberg from Bank of America Merrill Lynch. I just wanted to make sure that we're crystal clear on the revenue outlook here for the next 3 years. So the 2% the 4% CAGR we're saying, off of the fiscal '19 base, with half of that organic. And the reason for my question is, I mean, the business hasn't actually grown organically in a long time. This past quarter, we were down about 6%, obviously. So can you just get us comfortable with that trajectory?

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

Yes. I think really, it's a math equation here. I mean, the reason we haven't seen the growth on the top line is we have not grown the digital revenue stream at the rate we thought we're going to drive it. It's quite simple. We thought we were going to drive it at 20-plus percent. We're driving it mid-teens. The second thing is we thought we were going to drive the industry platform business 5% to 7%. We haven't grown that at all. It's been flat. So you take those 2 factors, and as I said, the mainstream business has pretty much been declining the way we thought it would. That's why we don't have any top line growth. Now it's been partially offset by some acquisitions. But as I said earlier, those acquisitions have been less than 1% of revenue. And again, the reason for that is we're not going to just go buy a company just to get revenue. It's got to be consistent with the strategy as far as the disciplined capital allocation model. So we're now convinced that we know what to do, and the next step is scale, and that's what we tried to demonstrate today. This was all a working hypothesis 18 months ago. We've proven the hypothesis. I'm not looking for new strategies. We got the strategy, now we got to go to scale it, and we know the variables we have to scale. So the math would suggest as we see those rates pick up, I'm going to see that over the next couple of quarters. What happens with the digital revenue growth, the pipeline, the book-to-bill, the ABR? All looks good. Great. Let me see that come through the P&L. And we've made some changes to our BPS and our industry platform business, and that is beginning to show some good signs. So I see the pipelines. I see the ABR. Now what we need to do is we need to see that show up in revenue. And as that revenue begins to approximate that model, then you begin to offset that mainstream decline and you begin to get a more stable revenue picture. I said it earlier. I mean, I'm not -- I'm convinced -- I have more conviction today that we can grow the revenue. It is delayed. I mean the truth is this is about 1 year later than where we thought we were going to be when we were here 18 months ago. Some of that is us, execution, some other things. And some of it frankly is the clients. They are moving more slowly than what we had anticipated. So the good news is, is we have very strong optimization programs in place, so we could actually, from a profitability standpoint, absorb that loss of revenue. As you look out over the next 3 years, there is ample downside protection as well with the margin expansion plans that Paul just took you through.

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

I was going to add also what makes us feel confident about this outlook is if you look at the pipeline, and we're talking about qualified pipeline being, in the digital side, up 80%; 50% on a sequential basis. It's just telling us the demand is there, the momentum is there. We're continuing to scale our go-to-market on the digital side. So it's just a matter of really executing and capturing the demand that exists there. So it's not, gee, we got to go hunt for it. It's coming. And so it's just 1 quarter. This past quarter, yes, there were certain items that came through that they were surprising to everybody, including us. But we just -- we addressed those during our earnings call, and we feel confident that we'll be able to redress that.

Rod Bourgeois

Rod Bourgeois here with DeepDive. So I want to talk big picture for a second about the controversy that, I think, investors are dealing with right now, and it's a little bit of a tale of 2 cities. On the one side, your margin and cost progress is literally setting records for the industries that you compete in. On the other side, people are trying to get comfortable now with the revenue picture and being able to have confidence that you can hit those new revenue targets. It does seem that some of the revenue challenge of late is related to the focus on cost that you've had over the last year or so, and maybe there is some trade-off between revenues and cost. So the question is, are you now at a point in your margin and cost journey that you can really start dedicating more attention and investment on the revenue side? And I guess, specifically on the revenue side, what are the levers that you have high confidence in that can be fixed in a reasonable time frame versus ones that are going to take longer?

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

Yes. One, I do think that there has been a preoccupation over the last 1.5 years on the margin expansion and on getting the cost out, and we wanted to get that done quickly because that is destabilizing in a company when you are taking a lot of cost out, and we've taken $1.5 billion, going on almost $2 billion, out in 1.5 years. That's a lot. You're right. That's a record. We're about 1 year ahead of schedule on that. And that does -- we wanted to go faster because we wanted to reduce the destabilization within the organization. So I think your hypothesis is right in that the management team has been more preoccupied with that than growth. Because that was what our plan was. Our plan was to get those costs out and then turn our attention to growth, which is what we are now in the early stages of doing. I don't think the cost takeout has any bearing on the revenue whatsoever. It may have a bearing on the management attention and time, yes, but doesn't have any bearing on the revenue results. Our mainstream business has declined pretty much the way we thought it would. As a matter of fact, we're seeing improvement with our add-on work within our existing business. That's actually growing. I think that's growing, Samson, what, 12%, 13%, something like that. So we're actually seeing a pickup in that. We've actually seen improvement in performance, from service levels to everything else. So I completely reject this thought of, well, gee, everybody is focused on cost, therefore, that's hurt the revenue. No, no. Not at all. As a matter of fact, I think, in some respects, it's the opposite. But what it has done is it has preoccupied the management team, and it's preoccupied my time. I just look at my calendar. I spent more time focusing on what we need to do to get the cost out as opposed to what we need to do to drive revenue. That we are in the process of shifting around. Now what can I do? What are the simple levers? The simplest lever is just discipline. It's just installing more of a sales culture through our sales force and through our regions. For example, I now do a call every Monday morning where I go through every deal we're working on in every theater to understand where we are, what has progressed, what we need, are there pricing issues, whatever it is, to get to that cadence in place on a global basis. So those are some of the levers you can pull to drive that discipline, and we will see an improvement in performance just in discipline, and then as more skills come onboard. One of the areas we've not cut back investing on is sales. We continue to invest 5.5% of our revenue in the sales force. And in some cases, we'll be adding to that with this ideation resource that we're installing in our Digital Delivery Center. So those are a couple of the levers, Rod, that we could use to pull.

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

And Rod, I want to just really add. You made a comment that is not exactly correct. We have been reinvesting in the business quite heavily. In fact, this year, if you recall, we said we're going to be reinvesting about a couple of hundred million dollars more into the business. It took the form of over $100 million of investment in that Bionix program and the Platform DXC that we spoke about. You have our digital go-to-market investments that we are making. The digital data centers -- I'm sorry, the digital centers that Jim mentioned. All of these things -- it's really just the opposite. We've been able to deliver margin expansion without sacrificing the investment that needs to be made in the business, and we're also investing in the offering you heard from Ed, all the areas that he's focusing on, trying to attract talent and working with some of our partners to bring to market some new integrated offering with them.

Lisa Ann Dejong Ellis - *MoffettNathanson LLC - Partner*

Lisa Ellis from MoffettNathanson. Building a little bit on Rod's question. Looking across the IT services industry, all the major players are in some stage of trying to transition to digital. But where DXC really stands out as distinctive is in your execution around taking these mature businesses and restructuring them and driving value creation and operational efficiency. And with the shift in the industry, there are literally dozens of other businesses like that out there. So what was the trade-off? Why is it that you've chosen to go down this path, transitioning to digital, versus a roll-up play, acquiring more of these mature businesses? And maybe the question is, have you explicitly made that decision? And if so, what were the trade-offs you considered?

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

Yes. I think, as I said, there is no clear winners that have emerged in this transformation to digital. What is clear is everyone is, in one shape or another, struggling with revenue. I mean, even Indian firms are seeing their revenue growth rates diminish dramatically from where they were just 2 or 3 years ago. So it has a lot to do with where you start and it has a lot to do with the revenue mix. We have a fairly substantial revenue mix around traditional or mainstream IT. I do think that as we go forward here, there will be opportunities to further consolidate the market. Some of those have been -- we've looked at over the last year. But in order to do that, you need to be comfortable that you actually have the synergies there to go leverage, or it makes absolutely no sense. All you're doing is buying another business that's declining. That's not helpful. Now if you can offset that decline with tremendous value generation because of the synergies, well, then from a shareholder return standpoint, that makes a lot of sense to do. The other thing is I don't think these are mutually exclusive. These opportunities aren't something you or we can direct. I can't just say tomorrow, "Okay, we're going to consolidate more of the industry." You actually have to have a willing partner to do that. Those tend to present themselves at different times. So in the meantime, you don't sit around waiting for that. You transition your own business to where it needs to go in the future. But I see no reason why you can't do both. So that's the strategy we're on, is to transform the business. And if opportunities come along for further consolidation, we'll look at the merits of those and decide which way to go. As I said, we've passed on a couple already.

Yes?

Ashwin Vassant Shirvaikar - *Citigroup Inc, Research Division - Director and U.S. Computer and Business Services Analyst*

Ashwin Shirvaikar from Citi. I was wondering if you could potentially get a little bit more granular with regards to the path of margin improvement that you've laid out, let's call it, on average, 300 basis points over 3 years. Is it a bit more front-end loaded as you have...

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

This will be pretty linear. This will be fairly linear. So again, I wouldn't -- given the track record we have on margin expansion, I wouldn't lose a lot of sleep on that, and it ought to be fairly linear as we go along. We've proven out Bionix now. That was not proven 1.5 years ago. It is proven. That's what's giving us now the additional leg. You saw the primary driver of margin expansion is the whole workforce optimization and automation. But I'd say it's somewhat linear over time.

Ashwin Vassant Shirvaikar - *Citigroup Inc, Research Division - Director and U.S. Computer and Business Services Analyst*

And then the follow-on to that is, 10 years into a cycle, you kind of lay out a 3-year plan. Can you give some parts to the economic sensitivity with regards to, say, the downturn? What happens to the plan? Talk about that a bit.

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

So I missed the last part, the sensitivity around what?

Ashwin Vassant Shirvaikar - *Citigroup Inc, Research Division - Director and U.S. Computer and Business Services Analyst*

Sensitivity to economic cycle?

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

Yes. I think there's always sensitivity to the economic cycle. But this model is -- hinges more on freeing up operating expense by modernizing the existing world, so whether that's in good times or bad times. If we would have a downturn from a macroeconomic standpoint, I don't think you'll have a lot of CEOs saying, "This looks like a good time to go spend a lot more on IT." Not this one. So they're going to be coming, and they're going to be looking for savings. Now the question is how much of those savings get reinvested back versus how much of that is taken to offset other things? Now those are unknowns. But I think you would see some continued investment in these digital transformation programs that almost every industry and every client, in one shape or form or another, is undertaking. I mean there is really no choice here but to go do this. As I said, a lot of the technologies that we've been living with for the last 20 years, the Internet, huge advances in network capability when 4G LTE was deployed, cloud, all that stuff, that affected some industries, but it did not affect a huge number of industries. I mean, for example, it didn't really impact the aerospace industry, defense industry. These technologies didn't really impact the insurance industry very much. Some impact in the banking. What we're seeing now with these technologies that undergird digital, we are seeing a much more pervasive impact across all industry landscapes. And as a result of that, whether you've got a downturn or a very robust economy, I would posit that CEOs will continue to maintain some level of investment in this going forward.

Bryan Connell Keane - *Deutsche Bank AG, Research Division - Research Analyst*

It's Bryan Keane, Deutsche Bank. I wanted to ask a question maybe that a lot of people are trying to get at, just thinking about it a little differently. You guys historically, obviously, have done great on cost. Margins have gone up significantly and will continue to go up significantly. But the issue for a lot of folks has been the revenue growth and those targets you haven't really achieved. Now you have these new targets. I guess I'm thinking, why not take some of those costs and maybe be more aggressive on price or even do more investments back into the business in order to drive the top line growth because that's what's been lacking so far in the DXC story?

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

I think that's a reasonable question. You could invest more in the sales force, for example, so you get broader coverage. And that's something that, I think, we would take a look at going forward. But right now, we want to get a better -- more productivity out of the existing sales force as we retrain them. And I want to see what kind of revenue and profit per salesperson we can generate with this new motion. But that is also something that could be scaled. You could argue, gee, make some more investments in a company that would accelerate your transformation of the workforce. That's very logical. That's an investment that could also be made. But again, that's going to require finding those companies that fit the strategy and really move the needle from a skill standpoint. What I would say as we go forward, one of the areas we will be looking at from an acquisition standpoint will be some of those companies that could give us a bigger critical mass of digital skills going forward. So rather than just rely on what we talked about here, which is more organic and smaller tuck-in, look for some opportunities to move the needle more rapidly on the delivery skills. That's where you're going to need the most help is on the delivery skills.

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

The other thing I'll add, though, is that we are investing, actually. When you look at some of the centralized hiring that we're talking about, right? This is an investment that we're making because we're seeing the demand once again, and we're just really trying to make sure that we have the resources in place, even -- not only to fulfill the current demand but anticipating demand that is going to be accelerating. So we're also -- as I mentioned earlier, we're just really adding a lot of resources across the world and in Digital General Managers that are going to be able to just really complement some of our motions, whether it's -- on the digital with some of our customers. So it's not like, hey, if we had more, we could -- we're constraining that. I'm just trying to say that it's just the opposite. We have to just really redirect some of the investment. We're doing it still while delivering the margin that we have shared with you.

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

Jim Schneider from Goldman Sachs. Two quick questions. The first is the 3-year outlook was very helpful and detailed. But relative to 1.5 years ago, you laid out a set of targets for fiscal year '20. A lot has happened both on the -- in terms of Perspecta as well as on the revenue and cost side, as you shared. So can you maybe kind of give us an intermediate signpost about potentially updating the fiscal '20 guidance, both from a revenue and EPS perspective? That is the first question. And second one is just from a buyback perspective, it was very good to see the incremental $2 billion this morning, total of $3.3 billion (sic) [$3.4 billion]. That's pretty substantial. And given where the stock is, can you say a few words about how aggressive or front-end loaded you plan to be with the stock at this level?

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

Go ahead, Paul.

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

Yes. A couple of things. We're certainly going to be ahead of where we had highlighted back 15 -- 18 months ago with that, if you were to exclude the impact of the USPS spinoff, right? So that would suggest something north of $9 for next year if you were just to look at it on a sequential basis. So we're really ahead, way ahead of where we said we would be, even though the revenue has not materialized, as Mike has indicated. As far as the buyback, you're just going to have to wait and see. This is not the forum just to tell you exactly how we're going to do it, except to say that we realize that there's significant value to be captured right now in our stock, particularly if you believe the road map, which we do believe we can execute again. That would create significant value for our shareholders if we were to deploy that capital and buy back our shares at these levels. And we were buying it even in the 80s and 90s. So at these levels, it's even more compelling.

Darrin David Peller - *Wolfe Research, LLC - MD & Senior Analyst*

It's Darrin Peller from Wolfe Research. I guess my number one. Obviously, we had news a couple of weeks ago around senior executive changes you alluded to earlier. I guess on that note, are you comfortable with your senior leadership positions now? Do you feel like we should be looking? Just don't want any surprises, obviously.

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

Well, I mean, I would tell you that if I take a look at the senior team, I mean in 3 years, we really lost no one that we didn't want to. And yes, I will make leadership changes where I just don't see either an alignment of what we're trying to get done -- I mean, there's fundamental issues -- not fundamentally issues. But the things I look for is more around values. Everybody has some performance issues from time to time. And if they have the right values, they buy into what you're trying to get done, you give people multiple chances. Where I go off the rails is where there's not really a buy-in and there is more of a passive-aggressive behavior. And once that becomes apparent to me and it's addressed and it doesn't change, then I make a change. That's not going to change. So I don't -- I am very comfortable with the senior team that we have in place. But we also have the expectation that we continue to execute as a team, and that we get the performance that we are looking for. And in the Americas, I didn't see that, and that's why I made a change.

Darrin David Peller - *Wolfe Research, LLC - MD & Senior Analyst*

Just a quick follow-up. I mean, in terms of the headcount you need to hire for digital, first of all, what percentage is going to be retrained internally? And can you even give us numbers on what the number is you think you need to do to achieve what you need? And then when is that revenue inflection? I guess, we heard about the CAGR. When do you believe you can actually organically...

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

Well, I think, to be 100% definitive today would be difficult to do. But I'll make a couple assumptions. So we laid out the growth rates there for digital, and we laid out the growth rates around our industry and BPS business. Assuming we hit roughly in those ranges or those growth rates, then you are going to see growth somewhere in the second half of fiscal 2020. That's just math. Just take the numbers and multiply and them out, and that's what you get. But I want to see -- what we -- we're expecting sequential growth the second half this of this year. I want to see that materialize. I want to see some other things, and I mentioned this, this morning, how ABR converts to revenue. So there are still some things that we have to see before we can put a stake in the ground, say this is the day, the month, the hour when that's going to happen. What I can get much more definitive about is the cost structure and the margin expansion. And the EPS model here that we've just outlined is not terribly sensitive to whether it's 1% revenue, minus 1, plus 1, plus 2. That's not the sensitivity. I think of the 350 basis points, 70 basis points is tied to...

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

Revenue.

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

Revenue.

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

I'm sorry, I think it's $0.30. It was about $0.70 -- it's $0.60 over the last -- next 3 years.

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

So that would be my expectation right now. Assuming we execute the second half of the year roughly at these run rates that we're talking about, then you would see something the latter half of fiscal 2020. And that's one of the reasons why Jim were -- and me -- we're right in the middle of this year. Remember our, fiscal year doesn't end until March 31. So we just finished the first half of the year, so we've got some things to play out here the second half of this fiscal year as well.

Yes?

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

Arvind Ramnani from KeyBanc. Just wanted to ask about your competitive environment. Which companies are you kind of winning deals against? And in terms of recruiting, where are you recruiting your laterals from?

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

Well, I mean, we -- it's the normal people we run into when -- I think there is a difference between -- when you're competing at the smaller sort of digital project layer, there is a whole universe of smaller niche companies out there. When you begin to compete at scale, at scale, then the number of competitors begins to diminish quite rapidly. So you've got the got Accentures. You've got some of the larger Indian companies, some of the consultants -- consultancies, IBM. Those would be the normal people that you compete with when it comes time to do these projects at scale. When they are more in the proof-of-concept phase, there's too many to count that you get involved in. But that's what platform DXC is all about because you can intercept many of those projects when it comes time to scale them. And that is such an important point that I want you to walk away with today, is that these -- we're still in the very, very early stages of scaling. I think the recent thing that McKinsey did and our own research says it's less than 20% of enterprises have been able to be successful in even approaching scaling some of these digital solutions on a global basis.

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

Great. And just a quick follow-up question on Bionix. How much of the Bionix is using external vendors? And second part of the question is, do you have clients like buying those Bionix solutions from DXC or is it mostly for internal efficiencies?

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

Well, that's a good question. So most of it has been, right now, within our own installed base to drive the efficiencies that we needed for the margin expansion and the cost savings. But now we are "productizing" this. And our strategy is to actually go out with this platform into any IT environment. They're going to be outsourcing. Our traditional sales force used to go and say, do you want to outsource? They'd say no and that would be it. Now you can take this capability into any IT operation in the world. And to answer your question, it's built almost 100% with our partner's technology. What we do is we integrate that technology, but it's not a proprietary framework. So one customer may have ServiceNow. Another customer may have something else. We can integrate that into this framework. So it's a framework. It's a set of methodologies. It's processes. It's orchestration. It's AI. It's all of those things that provide the integration of those multiple partner solutions. Does that make sense?

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

Mike, it's Keith Bachman from BMO. I want to go back to the revenue side. And I'll make a submission. First of all, if you buy back a bunch of stock and hit margins, but miss revenues, your stock is not going to really work. And I think the biggest variance on the multiple is more making those revenues.

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

No question about that. No question about that.

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

So if I think about that, the first question as the backdrop is on the legacy business, which is, you said, about 60%. I think this past quarter, it was down well over double digits, if we try to back into the numbers, and probably down in the mid-teens. And so getting to a 4% to 7% decline over the next couple of years seems ambitious. Is that run-off that gets it there? Or what actually gets the legacy business to a position whereby it's only declining, call it, mid-single digits?

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

Well, it has been single digits when you normalize for some of the integration projects that we did last year associated with the integration and the disentanglement of DXC from some of that. That's the primary differentiator. Across the base, it's largely declining at the rate and pace that we expected. It's priced down, so which we have a pretty good understanding when those price downs are going to occur. It's X number of renewals and the win rate against those renewals and at what price level you have to submit to in order to renew the business. So that's why we're reasonably confident that we have a pretty good handle on the rate and pace of that decline. Now the other thing is we are beginning to win some new outsourced or managed services contracts, which also can begin to offset that decline. And the delivery-led growth, that takes place almost exclusively within our mainstream business. That was the new focus that we put in this year. That is beginning to yield some results. So when you take a 12% or 13% increase on your add-on project work, which is what delivery-led growth is all about, we know what our renewals are, we know what the renewal rates are, that's what gives us some confidence that, that will behave pretty much within the curves that we talked about. Now there'll be variation, there'll be variation because some things run off this quarter versus that quarter, so it does tend to shift around a little bit by quarter. But the long-term trend is what we're reasonably comfortable with.

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

Okay. And then the back-up -- the second part of the question then is on headcount stability. On one of the other questions, you answered we haven't lost anybody we didn't want to lose. But if I think more broadly about the organization, in order to realize these revenue targets, you not only have to hire people, you have to buy companies and you have to keep your headcount stable. In an environment where, as you said, you've been letting a lot of people go, and all the people that might want to join your organization see that, how do you balance those objectives to try to realize the growth and attract all these quality people when the environment has been pretty tough?

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

Yes. I mean, listen, it's not an easy thing when you're living in those 2 worlds. That's not a simple thing to do. But our attrition rates and what we look at -- what I look at is attrition of people we don't want to leave, and that attrition rate has been coming down. It's moderating, and it's roughly within the ranges of the industry. Now I wish it was lower, but I'm willing to live with where the industry is. Point two, our ability to attract people is not a problem. It is just not a problem. It's a problem in that most people have multiple offers, and that tends to elongate the process. It goes through multiple iterations of interviews. But most people see the opportunity, and we're quite honest about what we're doing. So I would say, listen, you're going to hear some things because we are taking down workforce in this part of the business. We're not trying to hide that. We're doing it, okay? On the other hand, we've got many people in that mainstream business that want to be retrained, and many are taking advantage of those training programs. We have some that don't want to retrain. That's okay, too. Those that want to get retrained, we want to help do -- we want to help them get recertified and retrained in some of these new disciplines. But within the digital world and what we're doing and the explanation we give people when they come in, this has not been a huge issue today. The huger issue is just the number of qualified people that are there to attract in and the competition for each and every person.

Joseph Dean Foresi - *Cantor Fitzgerald & Co., Research Division - Analyst*

I must have sat in the wrong part of the room. I got the last question, I think. But it's Joe from Cantor. So why haven't you fallen too far behind on digital? To be fair, Accenture said it's 60% of the business, and they're growing 25%, right? And they probably have been talking about it for 4 or 5 years. You're talking about staffing. You're talking about reschooling, reskilling people, college. Is that a concern? And if not, why isn't it a concern? And I have one follow-up.

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

Yes, it is a concern. But part of it has to do with the starting point. So we had a much higher base in the mainstream world, which required a certain set of actions to manage that in a more disciplined way. There wasn't a tremendous focus in HPES on the new digital world. There just wasn't really any offering organization there. So that was really started from scratch 18 months ago, from scratch. So if you take that as a starting point, I'd say no, I disagree with you. As a matter of fact, the investments we've made, you've seen where we've come in the ratings of these offerings today. Most are in the leaders quadrant or they're moving in that direction. Some are viewed as the best in the industry. That is, I think, tremendous progress from an offering standpoint. Where we have been slower is in the ramp-up of the go-to-market motion, and part of that was we made an assumption that the people we had on our accounts could do both things: They could manage the mainstream business, but then also manage the digital business. We concluded that those are 2 separate motions. As Samson said, some of these systems that we manage and the dedicated people we have in the world managing them, these are full-time jobs. This is not, I do this for 3 hours a day, and I do digital for 6 hours a day. These are full-on jobs. And likewise, you need to commit a lot of time and energy to this digital world. This is more of a sort of sense and respond, agile, ideations, as I said, it's what we call process that takes a lot of time. What we concluded about 6 months ago, 8 months ago, is we could not do both through the same people. That then drove us to this new go-to-market motion with our Digital General Managers and partnering with Paul and PwC and others to build that motion. Then we started to see the demand create, and then we had the other issue of being able to ramp up the staffing. And I explained in detail why that was because the way we were managing that at regional level. And now within the last 2 or 3 months, we've removed that constraint or are moving in that direction. So I think those are very positive things, recognizing the problem, and now we'll see how that plays out over the next couple of quarters.

Joseph Dean Foresi - *Cantor Fitzgerald & Co., Research Division - Analyst*

Okay. And then just on the same thought line, what about a catch-up acquisition? What about looking at a digital-specific company that maybe closes the gap in a reasonable period of time? And if you haven't done one, because it sounded like they weren't available, what would be the bottleneck to that? Because I think it may help get you where you need to go.

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

Yes, I don't think there would be a bottleneck. I don't think there'd be a bottleneck. We've looked at a couple that have billed themselves as digital. But when we did the due diligence, they looked more like we did than they did digital, okay? So when we -- that's why we do due diligence. The last thing we want to do is buy something that really doesn't transform the workforce to move the needle faster. But I accept your point of -- intellectual point of departure. If you have an opportunity to do that, that would be probably a pretty good thing to do. You just have to be very careful about, are you really buying the digital skills you need going forward? Or is it more of a positioning and marketing as opposed to a real thing? That would be like me trying to position DXC as completely a digital company today. Well, it's not. I know that. You know that. Our revenue stream knows that. So you just have to be careful about what you actually go and buy. But again, your point of departure, I couldn't agree with more. I couldn't agree with more.

Okay. I think Jonathan has ended it. Do you want to say anything in closing?

So guys, again, thank you for taking the time today. Again, the key messages here, I think we've got a great opportunity and continue to appreciate your loyalty. And some of you, I guess, I'll see you later today. So thank you very much.
