



# **1st Quarter FY 2020 Earnings Presentation**

August 8, 2019

# Non-GAAP financial measures

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

We present these non-GAAP financial measures to provide investors with meaningful supplemental financial information, in addition to the financial information presented on a GAAP basis. DXC management believes these non-GAAP measures allow investors to better understand the financial performance of DXC exclusive of the impacts of corporate-wide strategic decisions. DXC management believes that adjusting for these items provides investors with additional measures to evaluate the financial performance of our business operations on a comparable basis from period to period. DXC management believes the non-GAAP measures provided are also considered important measures by financial analysts covering DXC as equity research analysts continue to publish estimates and research notes based on our non-GAAP commentary, including our guidance around non-GAAP EPS.

Non-GAAP financial measures exclude certain items from GAAP results which DXC management believes are not indicative of operating performance such as the amortization of acquired intangible assets and transaction, separation, and integration-related costs. Incremental amortization of intangible assets acquired through business combinations may result in a significant difference in period over period amortization expense on a GAAP basis. We specifically exclude amortization of certain acquired intangible assets as these non-cash amounts are inconsistent in amount and frequency and are significantly impacted by the timing and/or size of acquisitions. Although DXC management excludes amortization of acquired intangible assets from its non-GAAP expenses, we believe that it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and contribute to revenue generation. Any future transactions may result in a change to the acquired intangible asset balances and associated amortization expense.

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

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

# Forward-looking statements

All statements in this presentation that do not directly and exclusively relate to historical facts constitute “forward-looking statements.” These statements represent current expectations and beliefs, and no assurance can be given that the results described in such statements will be achieved. Such statements are subject to numerous assumptions, risks, uncertainties and other factors that could cause actual results to differ materially from those described in such statements, many of which are outside of our control. For a written description of these factors, see the section titled “Risk Factors” in DXC’s Annual Report on Form 10-K for the fiscal year ended March 31, 2019, and any updating information in subsequent SEC filings, including DXC’s upcoming Form 10-Q for the quarter ended June 30, 2019.

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

# Consolidated statements of operations

(preliminary and unaudited)

in millions, except per-share amounts	Q1 FY20	Q1 FY19
Revenue	\$ 4,890	\$ 5,282
Costs of services	3,622	3,867
Selling, general and administrative	507	440
Depreciation and amortization	470	471
Restructuring costs	142	185
Interest expense	91	85
Interest income	(30)	(32)
Other income, net	(118)	(94)
Total costs and expenses	4,684	4,922
Income from continuing operations before income taxes	206	360
Income tax expense	38	129
Income from continuing operations	168	231
Income from discontinued operations, net of tax	-	35
Net income	168	266
Less: net income attributable to non-controlling interest, net of tax	5	7
Net income attributable to DXC common stockholders	\$ 163	\$ 259
Income per common share:		
Basic:		
Continuing operations	\$ 0.61	\$ 0.79
Discontinued operations	-	0.12
	\$ 0.61	\$ 0.91
Diluted:		
Continuing operations	\$ 0.61	\$ 0.78
Discontinued operations	-	0.12
	\$ 0.61	\$ 0.90
Cash dividend per common share	\$ 0.21	\$ 0.19
Weighted average common shares outstanding for:		
Basic EPS	267.00	284.44
Diluted EPS	268.97	289.30



# **1st Quarter FY 2020 Earnings Presentation**

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

# Key messages

Revenue of \$4.89B

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Q1 non-GAAP EPS<sup>(1)</sup> of \$1.74

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35% YoY cc growth in Digital revenue with a book-to-bill of 1.3x

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Continuing to invest in Digital capabilities, including the completed acquisition of Luxoft

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Revised FY20 revenue target of \$20.2B – \$20.7B and FY20 non-GAAP EPS target<sup>(1)</sup> of \$7.00 – \$7.75

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



# 1st Quarter FY 2020 Earnings Presentation

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

# Reconciliation of non-GAAP results

(in millions except EPS)	Q1 FY20				
	GAAP	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Non-GAAP Results
Income from continuing operations before income taxes	206	142	105	138	591
Income tax expense	38	28	22	31	119
Income from continuing operations	168	114	83	107	472
<b>Diluted EPS from continuing operations<sup>(1)</sup></b>	<b>\$0.61</b>	0.42	0.31	0.40	<b>\$1.74</b>

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



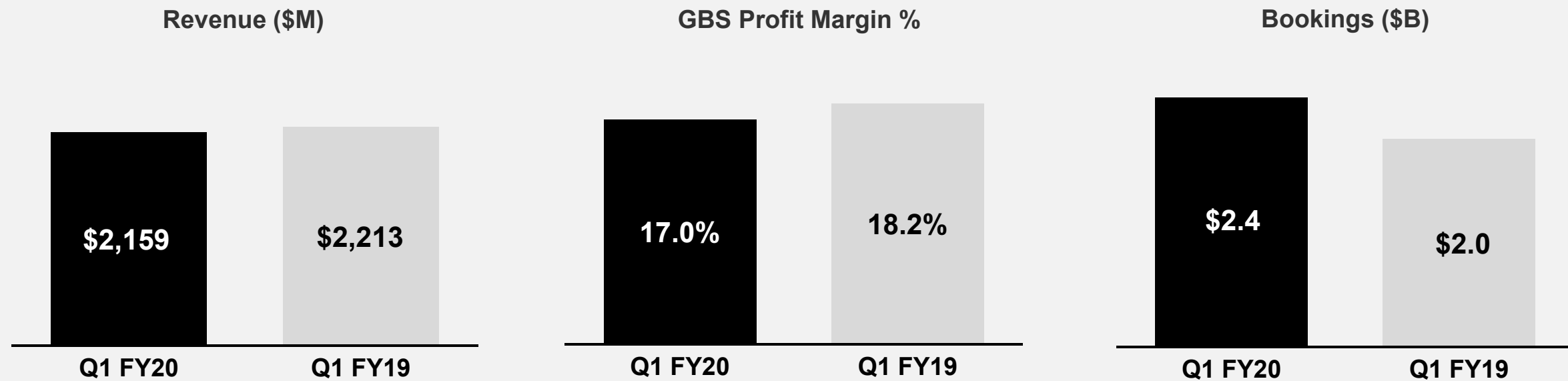
# 1st quarter results

	Q1 FY20		Q1 FY19	
Revenue (\$M)	\$	4,890	\$	5,282
– YoY Growth – GAAP		(7.4%)		
– CC		(4.2%)		
Adjusted EBIT (\$M)		652		803
Adjusted EBIT Margin (%)		13.3%		15.2%
Adjusted Income from Continuing Operations (\$M) <sup>(1)</sup>		472		564
Non-GAAP Diluted EPS from Continuing Operations <sup>(1)</sup>	\$	1.74	\$	1.93
Bookings (\$B)	\$	4.2	\$	4.6

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

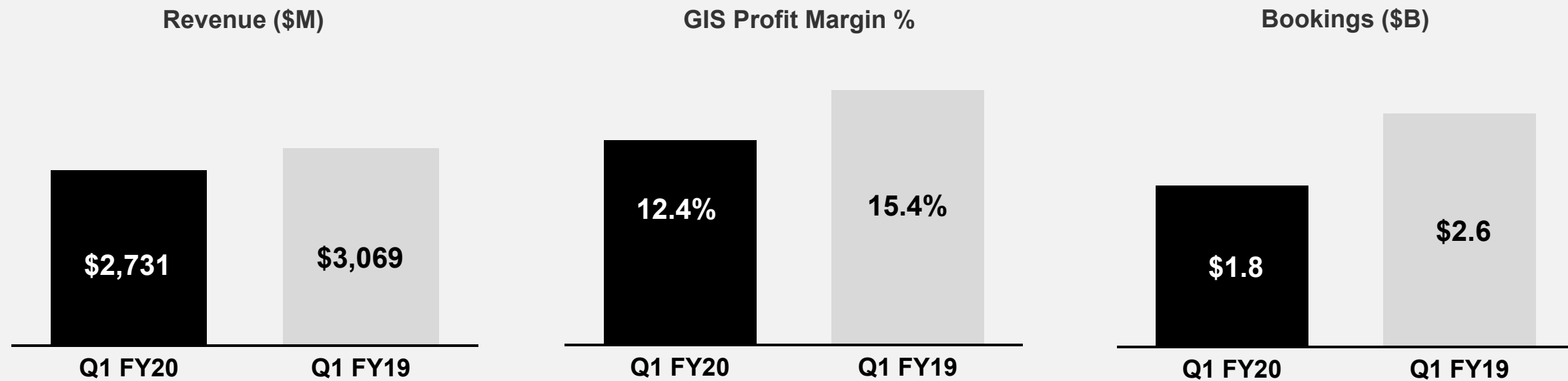
# Global Business Services (GBS)

	Q1 FY20	Q1 FY19
Revenue (\$M)	\$ 2,159	\$ 2,213
– YoY Growth – GAAP	(2.4%)	
– CC	0.5%	
GBS Profit (\$M)	366	403
GBS Profit Margin (%)	17.0%	18.2%
Bookings (\$B)	\$ 2.4	\$ 2.0



# Global Infrastructure Services (GIS)

	Q1 FY20	Q1 FY19
Revenue (\$M)	\$ 2,731	\$ 3,069
– YoY Growth – GAAP	(11.0%)	
– CC	(7.6%)	
GIS Profit (\$M)	340	474
GIS Profit Margin (%)	12.4%	15.4%
Bookings (\$B)	\$ 1.8	\$ 2.6



# Financial highlights

## Cash Flow Performance

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

**Q1 FY20**

\$72M

\$357M

7.3%

## Capital to Shareholders

- ▶ Cash Dividends
- ▶ Share Repurchases

**Q1 FY20**

\$51M

\$400M  
7.4M shares

## Capital Structure

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

**Q1 FY20**

\$1.9B

36.5%

# FY 2020 targets

**Revenue**

\$20.2B – \$20.7B

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

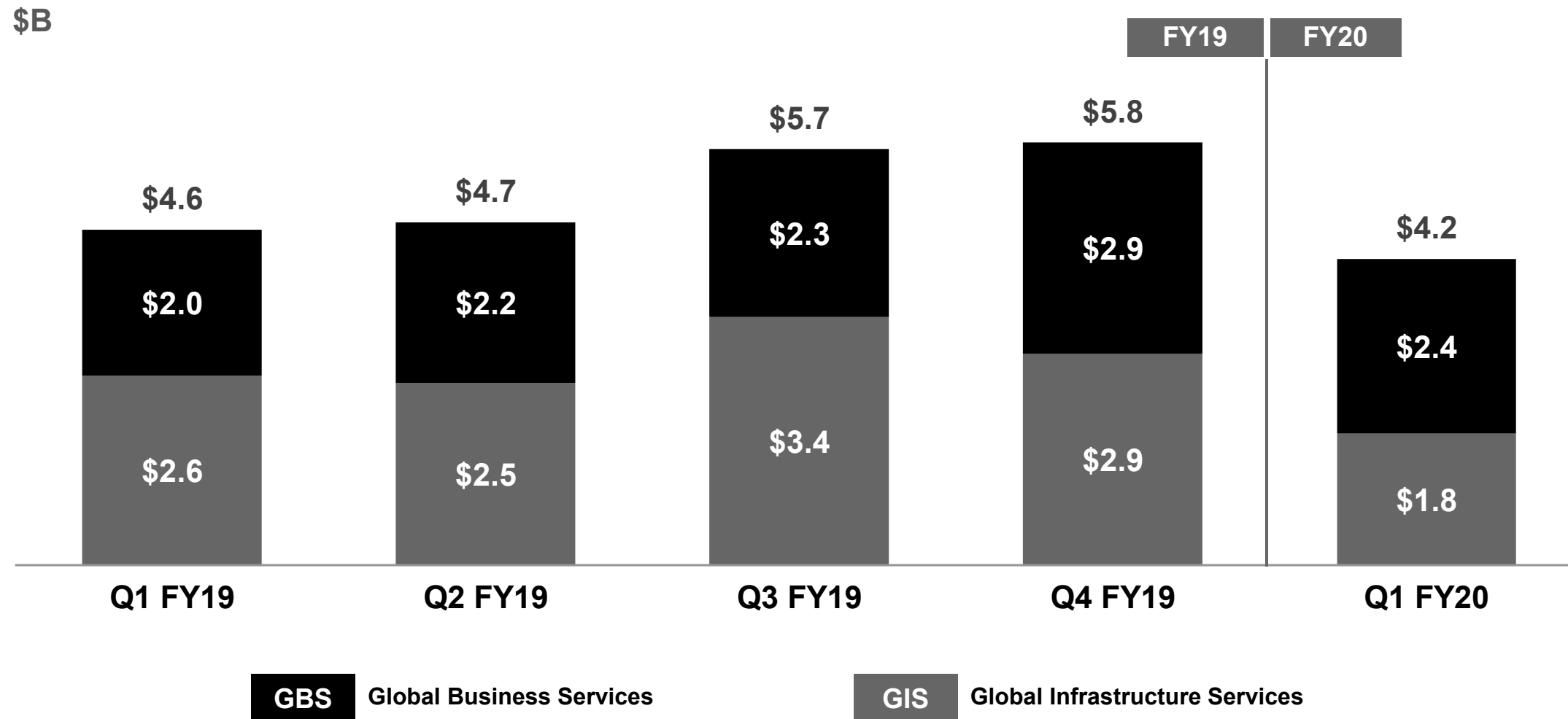
\$7.00 – \$7.75

**Adjusted Free Cash Flow**

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

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

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



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



# 1st Quarter FY 2020 Earnings Presentation

Supplemental Information

# Non-GAAP reconciliations

## EBIT and Adjusted EBIT

(in millions)	Q1 FY20	Q1 FY19
Net income	\$ 168	\$ 266
Income from discontinued operations, net of taxes	-	(35)
Income tax expense	38	129
Interest income	(30)	(32)
Interest expense	91	85
<b>EBIT</b>	<b>267</b>	<b>413</b>
Restructuring costs	142	185
Transaction, separation and integration-related costs	105	70
Amortization of acquired intangible assets	138	135
<b>Adjusted EBIT</b>	<b>\$ 652</b>	<b>\$ 803</b>

	Q1 FY20	Q1 FY19
Adjusted EBIT margin (%)	13.3%	15.2%
EBIT margin (%)	5.5%	7.8%



# Non-GAAP reconciliations

## Segment profit

(in millions)	Q1 FY20	Q1 FY19
GBS profit	\$ 366	\$ 403
GIS profit	340	474
All other loss	(54)	(74)
Interest income	30	32
Interest expense	(91)	(85)
Restructuring costs	(142)	(185)
Transaction, separation and integration-related costs	(105)	(70)
Amortization of acquired intangible assets	(138)	(135)
<b>Income from continuing operations before taxes</b>	<b>\$ 206</b>	<b>\$ 360</b>

Segment profit margins	Q1 FY20	Q1 FY19
GBS profit margin (%)	17.0%	18.2%
GIS profit margin (%)	12.4%	15.4%

# Q1 FY20 non-GAAP results

(in millions except EPS)	GAAP	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Non-GAAP Results
Cost of services (excludes depreciation and amortization and restructuring costs)	\$ 3,622	\$ -	\$ -	\$ -	\$ 3,622
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	507	-	(105)	-	402
Income from continuing operations before income taxes	206	142	105	138	591
Income tax expense	38	28	22	31	119
Net income	168	114	83	107	472
Less: net income attributable to noncontrolling interest, net of tax	5	-	-	-	5
Net income attributable to DXC common stockholders	\$ 163	\$ 114	\$ 83	\$ 107	\$ 467
Effective tax rate	18.4%				20.1%
Basic EPS from continuing operations <sup>(1)</sup>	\$ 0.61	\$ 0.43	\$ 0.31	\$ 0.40	\$ 1.75
Diluted EPS from continuing operations <sup>(1)</sup>	\$ 0.61	\$ 0.42	\$ 0.31	\$ 0.40	\$ 1.74
Weighted average common shares outstanding for:					
Basic EPS	267.00	267.00	267.00	267.00	267.00
Diluted EPS	268.97	268.97	268.97	268.97	268.97

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

# Q1 FY19 non-GAAP results

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

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

# Adjusted free cash flow

(in millions)	Q1 FY20
Net cash used in operating activities	\$ (66)
Net cash used in investing activities <sup>(1)</sup>	(1,747)
Acquisitions, net of cash acquired	1,911
Payments on capital leases and other long-term asset financings	(210)
Payments on transaction, separation and integration-related costs	94
Payments on restructuring costs	92
Sale of accounts receivables	(2)
<b>Adjusted free cash flow</b>	<b>\$ 72</b>

<sup>1</sup> Excludes short-term investments

# Non-GAAP and other definitions

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

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

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

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

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

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

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

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

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

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

