



# **2nd Quarter FY 2020 Financial Tables**

November 11, 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”), adjusted EBIT, non-GAAP income before income taxes, non-GAAP net income and non-GAAP EPS, constant currency revenues, net debt and net debt-to-total capitalization.

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.

# Consolidated statements of operations

(preliminary and unaudited)

in millions, except per-share amounts	Q2 FY20		Q2 FY19		YTD FY20		YTD FY19	
Revenue	\$	4,851	\$	5,013	\$	9,741	\$	10,295
Costs of services		3,679		3,518		7,301		7,385
Selling, general and administrative		489		569		996		1,009
Depreciation and amortization		467		484		937		955
Goodwill impairment losses		2,887		-		2,887		-
Restructuring costs		32		157		174		342
Interest expense		104		83		195		168
Interest income		(67)		(33)		(97)		(65)
Gain on arbitration award		(632)		-		(632)		-
Other income, net		(109)		(97)		(227)		(191)
Total costs and expenses		6,850		4,681		11,534		9,603
(Loss) income from continuing operations before income taxes		(1,999)		332		(1,793)		692
Income tax expense		116		73		154		202
(Loss) income from continuing operations		(2,115)		259		(1,947)		490
Income from discontinued operations, net of tax		-		-		-		35
Net (loss) income		(2,115)		259		(1,947)		525
Less: net income (loss) attributable to non-controlling interest, net of tax		4		(3)		9		4
Net (loss) income attributable to DXC common stockholders	\$	(2,119)	\$	262	\$	(1,956)	\$	521
(Loss) income per common share:								
Basic:								
Continuing operations	\$	(8.19)	\$	0.93	\$	(7.44)	\$	1.72
Discontinued operations		-		-		-		0.12
	\$	(8.19)	\$	0.93	\$	(7.44)	\$	1.84
Diluted:								
Continuing operations	\$	(8.19)	\$	0.92	\$	(7.44)	\$	1.69
Discontinued operations		-		-		-		0.12
	\$	(8.19)	\$	0.92	\$	(7.44)	\$	1.81
Cash dividend per common share	\$	0.21	\$	0.19	\$	0.42	\$	0.38
Weighted average common shares outstanding for:								
Basic EPS		258.71		281.37		262.83		282.89
Diluted EPS		258.71		285.78		262.83		287.53

# Reconciliation of non-GAAP results

	Q2 FY20							
(in millions except EPS)	GAAP	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Goodwill Impairment Losses	Gain on Arbitration Award	Tax Adjustment	Non-GAAP Results
(Loss) income from continuing operations before income taxes	(1,999)	32	53	151	2,887	(632)	-	492
Income tax expense	116	4	5	34	-	-	(29)	130
(Loss) income from continuing operations	(2,115)	28	48	117	2,887	(632)	29	362
Diluted EPS from continuing operations <sup>(1)</sup>	(\$8.19)	0.11	0.18	0.45	11.10	(2.43)	0.11	\$1.38

	YTD FY20							
(in millions except EPS)	GAAP	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Goodwill Impairment Losses	Gain on Arbitration Award	Tax Adjustment	Non-GAAP Results
(Loss) income from continuing operations before income taxes	(1,793)	174	158	289	2,887	(632)	-	1,083
Income tax expense	154	32	27	65	-	-	(29)	249
(Loss) income from continuing operations	(1,947)	142	131	224	2,887	(632)	29	834
Diluted EPS from continuing operations <sup>(1)</sup>	(\$7.44)	0.54	0.50	0.85	10.91	(2.39)	0.11	\$3.12

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

# 2nd quarter results

	Q2	
	FY20	FY19
Revenue (\$M)	\$ 4,851	\$ 5,013
– YoY Growth – GAAP	(3.2%)	
– cc	(0.8%)	
– QtQ Growth – GAAP	(0.8%)	
– cc	0.2%	
Adjusted EBIT (\$M)	529	799
Adjusted EBIT Margin (%)	10.9%	15.9%
Adjusted Income from Continuing Operations (\$M) <sup>(1)</sup>	362	573
Non-GAAP Diluted EPS from Continuing Operations <sup>(1)</sup>	\$ 1.38	\$ 2.02
Bookings (\$B)	\$ 3.8	\$ 4.7

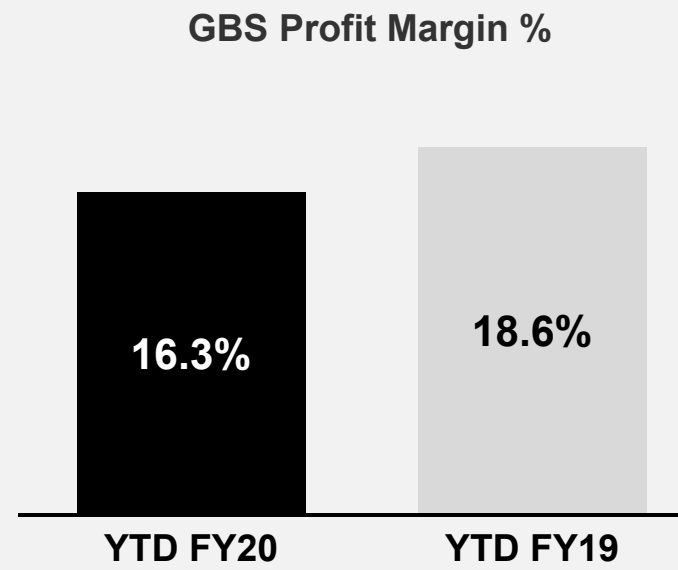
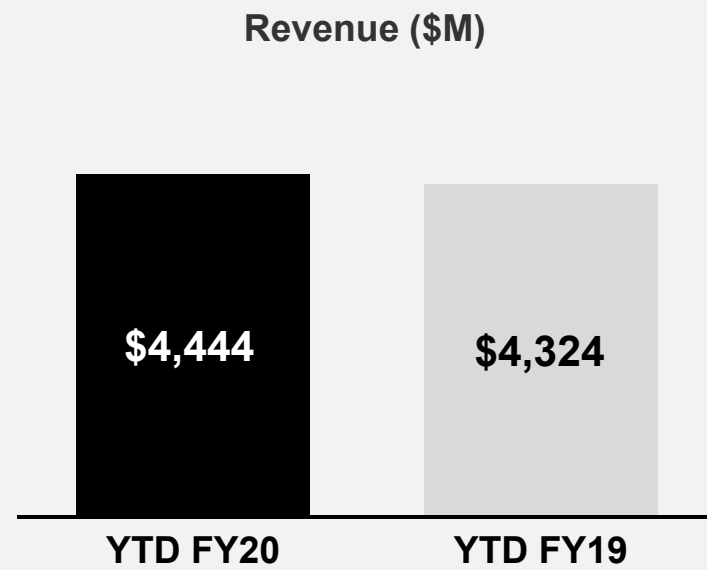
	YTD	
	FY20	FY19
\$ 9,741	\$ 10,295	
(5.4%)		
(2.6%)		
—		
—		
1,181	1,602	
12.1%	15.6%	
834	1,137	
\$ 3.12	\$ 3.94	
\$ 8.0	\$ 9.2	

<sup>1</sup> Excludes restructuring costs, transaction, separation and integration-related costs, amortization of acquired intangible assets, goodwill impairment losses, gain on arbitration award, and tax adjustment

# Global Business Services (GBS)

	Q2 FY20	Q2 FY19
Revenue (\$M)	\$ 2,285	\$ 2,111
– YoY Growth – GAAP	8.2%	
– cc	10.5%	
– QtQ Growth – GAAP	5.9%	
– cc	6.7%	
GBS Profit (\$M)	359	400
GBS Profit Margin (%)	15.7%	18.9%
Bookings (\$B)	\$ 1.9	\$ 2.2

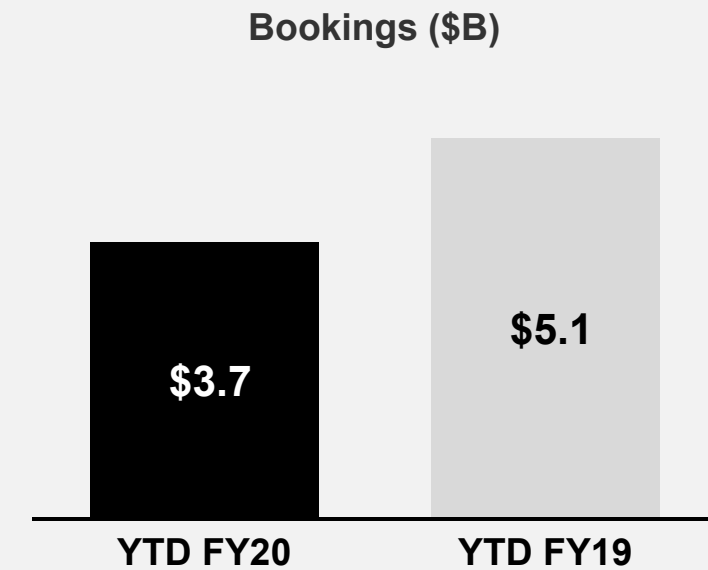
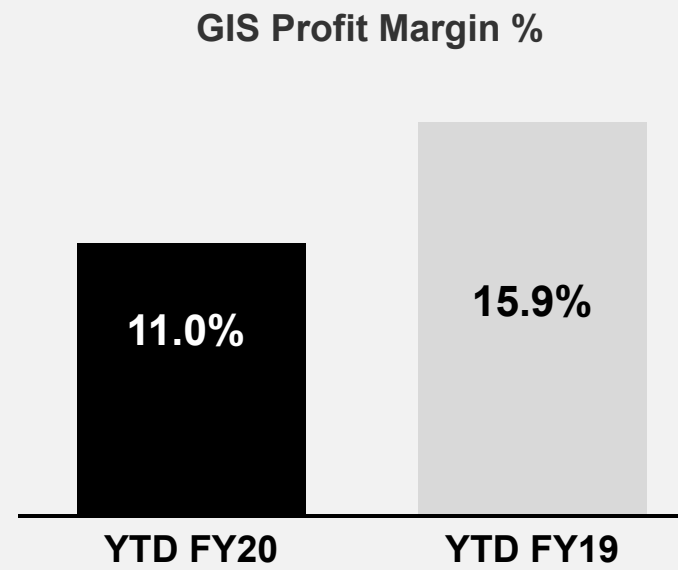
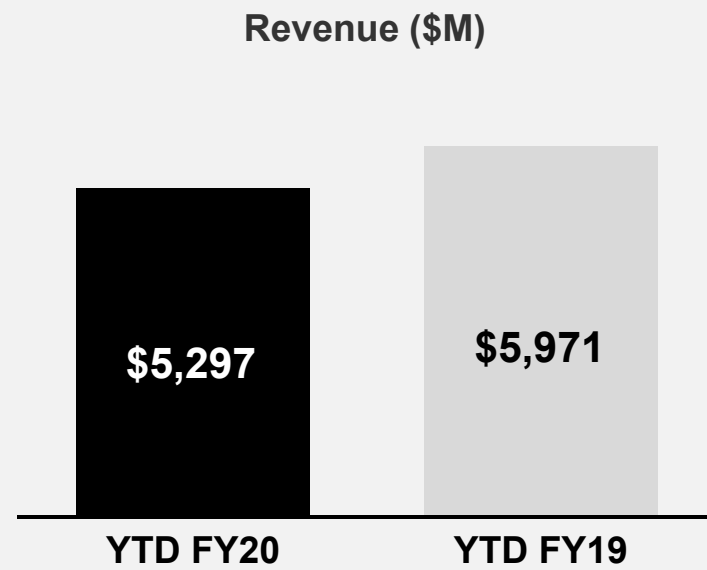
	YTD FY20	YTD FY19
Revenue (\$M)	\$ 4,444	\$ 4,324
– YoY Growth – GAAP	2.8%	
– cc	5.4%	
– QtQ Growth – GAAP	—	
– cc	—	
GBS Profit (\$M)	725	803
GBS Profit Margin (%)	16.3%	18.6%
Bookings (\$B)	\$ 4.3	\$ 4.2



# Global Infrastructure Services (GIS)

	Q2 FY20	Q2 FY19
Revenue (\$M)	\$ 2,566	\$ 2,902
– YoY Growth – GAAP	(11.6%)	
– cc	(9.1%)	
– QtQ Growth – GAAP	(6.1%)	
– cc	(5.0%)	
GIS Profit (\$M)	243	473
GIS Profit Margin (%)	9.5%	16.3%
Bookings (\$B)	\$ 1.9	\$ 2.5

	YTD FY20	YTD FY19
Revenue (\$M)	\$ 5,297	\$ 5,971
– YoY Growth – GAAP	(11.3%)	
– cc	(8.3%)	
– QtQ Growth – GAAP	—	
– cc	—	
GIS Profit (\$M)	583	947
GIS Profit Margin (%)	11.0%	15.9%
Bookings (\$B)	\$ 3.7	\$ 5.1



# Financial highlights

## Cash Flow Performance

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

**Q2 FY20**

**YTD FY20**

\$739M

\$813M

\$342M

\$699M

7.1%

7.2%

## Capital to Shareholders

- ▶ Cash Dividends
- ▶ Share Repurchases

**Q2 FY20**

**YTD FY20**

\$56M

\$107M

\$250M  
6.2M shares

\$650M  
13.6M shares

## Capital Structure

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

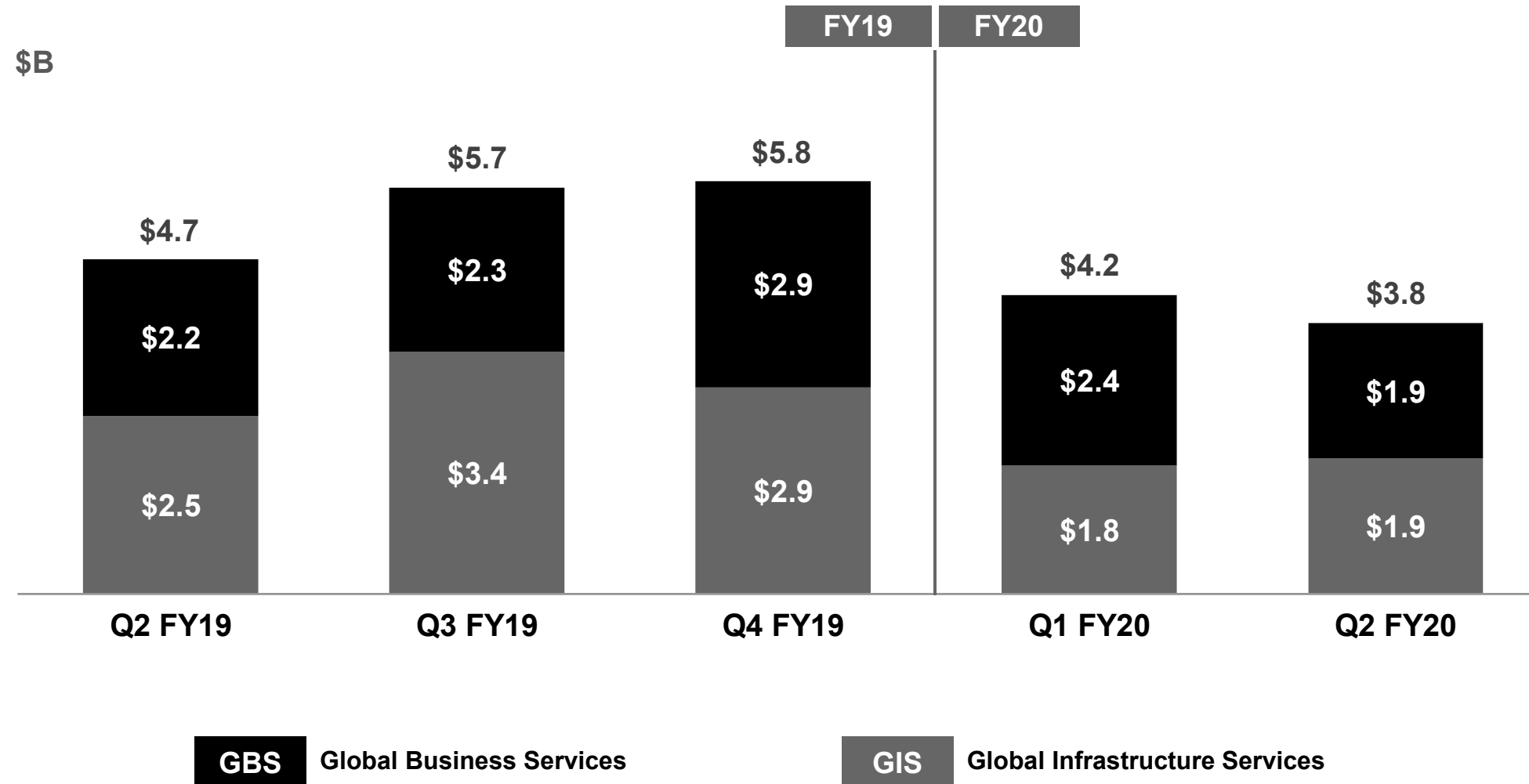
**Q2 FY20**

\$2.9B

34.9%



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



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

# Non-GAAP reconciliations

## EBIT and Adjusted EBIT

(in millions)	Q2 FY20	Q2 FY19
Net (loss) income	\$ (2,115)	\$ 259
Income from discontinued operations, net of taxes	-	-
Income tax expense	116	73
Interest income	(67)	(33)
Interest expense	104	83
<b>EBIT</b>	<b>(1,962)</b>	<b>382</b>
Restructuring costs	32	157
Transaction, separation and integration-related costs	53	128
Amortization of acquired intangible assets	151	132
Goodwill impairment losses	2,887	-
Gain on arbitration award	(632)	-
<b>Adjusted EBIT</b>	<b>\$ 529</b>	<b>\$ 799</b>

	Q2 FY20	Q2 FY19
Adjusted EBIT margin (%)	10.9%	15.9%
EBIT margin (%)	(40.4%)	7.6%

YTD FY20	YTD FY19
\$ (1,947)	\$ 525
-	(35)
154	202
(97)	(65)
195	168
<b>(1,695)</b>	<b>795</b>
174	342
158	198
289	267
2,887	-
(632)	-
<b>\$ 1,181</b>	<b>\$ 1,602</b>

YTD FY20	YTD FY19
12.1%	15.6%
(17.4%)	7.7%

# Non-GAAP reconciliations

## Segment profit

(in millions)	Q2 FY20	Q2 FY19
GBS profit	\$ 359	\$ 400
GIS profit	243	473
All other loss	(73)	(74)
Interest income	67	33
Interest expense	(104)	(83)
Restructuring costs	(32)	(157)
Transaction, separation and integration-related costs	(53)	(128)
Amortization of acquired intangible assets	(151)	(132)
Goodwill impairment losses	(2,887)	-
Gain on arbitration award	632	-
<b>(Loss) income from continuing operations before taxes</b>	<b>\$ (1,999)</b>	<b>\$ 332</b>

YTD FY20	YTD FY19
\$ 725	\$ 803
583	947
(127)	(148)
97	65
(195)	(168)
(174)	(342)
(158)	(198)
(289)	(267)
(2,887)	-
632	-
<b>\$ (1,793)</b>	<b>\$ 692</b>

Segment profit margins	Q2 FY20	Q2 FY19
GBS profit margin (%)	15.7%	18.9%
GIS profit margin (%)	9.5%	16.3%

YTD FY20	YTD FY19
16.3%	18.6%
11.0%	15.9%

# Q2 FY20 non-GAAP results

(in millions except EPS)	GAAP	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Goodwill Impairment Losses	Gain on Arbitration Award	Tax Adjustment	Non-GAAP Results
Cost of services (excludes depreciation and amortization and restructuring costs)	\$ 3,679	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,679
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	489	-	(53)	-	-	-	-	436
(Loss) income from continuing operations before income taxes	(1,999)	32	53	151	2,887	(632)	-	492
Income tax expense	116	4	5	34	-	-	(29)	130
Net (loss) income	(2,115)	28	48	117	2,887	(632)	29	362
Less: net income attributable to noncontrolling interest, net of tax	4	-	-	-	-	-	-	4
Net (loss) income attributable to DXC common stockholders	\$ (2,119)	\$ 28	\$ 48	\$ 117	\$ 2,887	\$ (632)	\$ 29	\$ 358
Effective tax rate	(5.8)%							26.4%
Basic EPS from continuing operations <sup>(1)</sup>	\$ (8.19)	\$ 0.11	\$ 0.19	\$ 0.45	\$ 11.16	\$ (2.44)	\$ 0.11	\$ 1.38
Diluted EPS from continuing operations <sup>(1)</sup>	\$ (8.19)	\$ 0.11	\$ 0.18	\$ 0.45	\$ 11.10	\$ (2.43)	\$ 0.11	\$ 1.38
Weighted average common shares outstanding for:								
Basic EPS	258.71	258.71	258.71	258.71	258.71	258.71	258.71	258.71
Diluted EPS	258.71	260.03	260.03	260.03	260.03	260.03	260.03	260.03

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

# YTD FY20 non-GAAP results

(in millions except EPS)	GAAP	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Goodwill Impairment Losses	Gain on Arbitration Award	Tax Adjustment	Non-GAAP Results
Cost of services (excludes depreciation and amortization and restructuring costs)	\$ 7,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,301
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	996	-	(158)	-	-	-	-	838
(Loss) income from continuing operations before income taxes	(1,793)	174	158	289	2,887	(632)	-	1,083
Income tax expense	154	32	27	65	-	-	(29)	249
Net (loss) income	(1,947)	142	131	224	2,887	(632)	29	834
Less: net income attributable to noncontrolling interest, net of tax	9	-	-	-	-	-	-	9
Net (loss) income attributable to DXC common stockholders	\$ (1,956)	\$ 142	\$ 131	\$ 224	\$ 2,887	\$ (632)	\$ 29	\$ 825
Effective tax rate	(8.6)%							23.0%
Basic EPS from continuing operations <sup>(1)</sup>	\$ (7.44)	\$ 0.54	\$ 0.50	\$ 0.85	\$ 10.98	\$ (2.40)	\$ 0.11	\$ 3.14
Diluted EPS from continuing operations <sup>(1)</sup>	\$ (7.44)	\$ 0.54	\$ 0.50	\$ 0.85	\$ 10.91	\$ (2.39)	\$ 0.11	\$ 3.12
Weighted average common shares outstanding for:								
Basic EPS	262.83	262.83	262.83	262.83	262.83	262.83	262.83	262.83
Diluted EPS	262.83	264.61	264.61	264.61	264.61	264.61	264.61	264.61

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

# Q2 FY19 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)	\$ 3,518	\$ -	\$ -	\$ -	\$ 3,518
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	569	-	(128)	-	441
Income from continuing operations before income taxes	332	157	128	132	749
Income tax expense	73	41	30	32	176
Income from continuing operations	259	116	98	100	573
Income from discontinued operations, net of tax	-	-	-	-	-
Net income	259	116	98	100	573
Less: net income attributable to noncontrolling interest, net of tax	(3)	-	-	-	(3)
Net income attributable to DXC common stockholders	\$ 262	\$ 116	\$ 98	\$ 100	\$ 576
Effective tax rate	22.0%				23.5%
Basic EPS from continuing operations <sup>(1)</sup>	\$ 0.93	\$ 0.41	\$ 0.35	\$ 0.36	\$ 2.05
Diluted EPS from continuing operations <sup>(1)</sup>	\$ 0.92	\$ 0.41	\$ 0.34	\$ 0.35	\$ 2.02
Weighted average common shares outstanding for:					
Basic EPS	281.37	281.37	281.37	281.37	281.37
Diluted EPS	285.78	285.78	285.78	285.78	285.78

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

# YTD 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)	\$ 7,385	\$ -	\$ -	\$ -	\$ -	\$ 7,385
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	1,009	-	(198)	-	-	811
Income from continuing operations before income taxes	692	342	198	267	-	1,499
Income tax expense	202	82	46	65	(33)	362
Income from continuing operations	490	260	152	202	33	1,137
Income from discontinued operations, net of tax	35	-	-	-	-	35
Net income	525	260	152	202	33	1,172
Less: net income attributable to noncontrolling interest, net of tax	4	-	-	-	-	4
Net income attributable to DXC common stockholders	\$ 521	\$ 260	\$ 152	\$ 202	\$ 33	\$ 1,168
Effective tax rate	29.2%					24.1%
Basic EPS from continuing operations <sup>(1)</sup>	\$ 1.72	\$ 0.92	\$ 0.54	\$ 0.71	\$ 0.12	\$ 4.01
Diluted EPS from continuing operations <sup>(1)</sup>	\$ 1.69	\$ 0.90	\$ 0.53	\$ 0.70	\$ 0.11	\$ 3.94
Weighted average common shares outstanding for:						
Basic EPS	282.89	282.89	282.89	282.89	282.89	282.89
Diluted EPS	287.53	287.53	287.53	287.53	287.53	287.53

<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)	Q2 FY20	YTD FY20
Net cash provided by operating activities	\$ 1,651	\$ 1,585
Net cash used in investing activities <sup>(1)</sup>	(225)	(1,972)
Acquisitions, net of cash acquired	10	1,921
Payments on capital leases and other long-term asset financings	(211)	(421)
Payments on transaction, separation and integration-related costs	41	135
Payments on restructuring costs	105	197
Arbitration award	(632)	(632)
<b>Adjusted free cash flow</b>	<b>\$ 739</b>	<b>\$ 813</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, goodwill impairment losses, and gain on arbitration award

**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) gain on arbitration award

**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

