

# 2nd Quarter FY 2021 Earnings Presentation

**November 5, 2020**

**“new DXC”**

# 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 constant currency, earnings before interest and taxes (“EBIT”), EBIT margin, adjusted EBIT, adjusted EBIT margin, non-GAAP income before income taxes, non-GAAP net income and non-GAAP diluted EPS, and adjusted free cash flow.

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 diluted 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, primarily customer related 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 support 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.

For a reconciliation of GAAP to non-GAAP financial measures, see tables at the end of this presentation.

# 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. Furthermore, many of these risks and uncertainties are currently amplified by and may continue to be amplified by or may, in the future, be amplified by, the coronavirus disease 2019 (“COVID-19”) pandemic and the impact of varying private and governmental responses that affect our customers, employees, vendors and the economies and communities where they operate. 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, 2020, DXC’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, and any updating information in subsequent SEC filings including DXC’s upcoming Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020.

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.

# Agenda for Today

- 1 Overview of Q2 FY21 Results
- 2 Progress on Our Transformation Journey
- 3 Update on Strategic Alternatives Initiative
- 4 Q2 FY21 Financial Results and Q3 Guidance
- 5 Closing Remarks

# Continued Strong Performance in Q2

## Q2 FY21 – Key Metrics and Drivers

Revenues

**\$4.55B**

Strong progress towards quarter-on-quarter revenue stabilization

Adjusted EBIT  
Margin <sup>(1)</sup>

**6.2%**

Sequential improvement driven by effective cost optimization

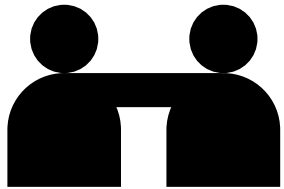
Book-to-Bill

**1.1x**

Continued success in bringing the “new DXC” to the market

<sup>(1)</sup> This is a non GAAP measure, and is reconciled on Slide 22 of this presentation

# Transformation Journey

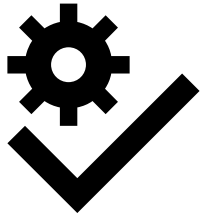


## Focus on Customers

### Proof points:

- Focus on customers continues to pay off
- Stabilizing revenues sequentially
- Delivering for customers, leading to more work from them
- Customer success stories giving us confidence in sequential revenue stabilization

# Transformation Journey



## Optimize Costs

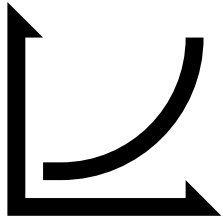
### Proof points:

- Continued progress on cost optimization program
- On track to achieve ~\$550 million of cost reduction in FY21
- Cost optimization program driver of Q2 adjusted EBIT margin <sup>(1)</sup> of 6.2%
- Expect to continue expanding margins in Q3 sequentially on a like-for-like basis <sup>(2)</sup>

<sup>(1)</sup> This is a non GAAP measure, and is reconciled on Slide 22 of this presentation

<sup>(2)</sup> Like-for-like means excluding the U.S. State and Local Health and Human Services business

# Transformation Journey



## Seize the Market Opportunity

### Proof points:

- Cross-selling to existing accounts and winning work with new customers
- Book-to-bill of 1.1x in Q2
- Half of Q2 bookings were new work, with the balance being renewals
- Encouraged by customer success stories
- Expect another quarter with a book-to-bill of 1x or greater in Q3



# Update on Strategic Alternatives Initiative

## U.S. State & Local HHS

- Sale to Veritas Capital for \$5 billion closed on October 1
  - Used net proceeds to pay down ~\$3.5 billion of debt and strengthened our balance sheet
- 

## Healthcare Provider Software

- Remain on track to close the sale to Dedalus by the end of this fiscal year
  - Will use net proceeds to pay down debt and further strengthen our balance sheet
- 

## Workplace & Mobility and Horizontal BPS

- Retaining both businesses
  - Stronger balance sheet
  - Create more value by applying Transformation Journey
- Improve financial contributions to DXC

# Reconciliation of Non-GAAP Results

Q2 FY21							
(in millions except EPS)	GAAP	Restructuring Costs	Transaction, Separation and Integration-Related Costs <sup>(2)</sup>	Amortization of Acquired Intangible Assets	Pension and OPEB Actuarial and Settlement Losses	Tax Adjustment	Non-GAAP Results
(Loss) income before income taxes	(306)	265	101	152	—	—	212
Income tax (benefit) expense	(60)	52	26	35	—	(2)	51
Net (loss) income	(246)	213	75	117	—	2	161
Diluted EPS <sup>(1)</sup>	(\$0.96)	0.83	0.29	0.46	—	0.01	\$0.64

YTD FY21							
(in millions except EPS)	GAAP	Restructuring Costs	Transaction, Separation and Integration-Related Costs <sup>(2)</sup>	Amortization of Acquired Intangible Assets	Pension and OPEB Actuarial and Settlement Losses	Tax Adjustment	Non-GAAP Results
(Loss) income before income taxes	(531)	337	211	300	2	—	319
Income tax (benefit) expense	(86)	64	54	69	—	(2)	99
Net (loss) income	(445)	273	157	231	2	2	220
Diluted EPS <sup>(1)</sup>	(\$1.77)	1.07	0.62	0.91	0.01	0.01	\$0.85

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

<sup>(2)</sup> Transaction, Separation and Integration-Related Costs for all periods presented include fees and other expenses associated with legal, accounting, consulting, due diligence, investment banking advisory, and other services, as well as financing fees, retention incentives, and resolution of transaction related claims in connection with, or resulting from, exploring or executing potential acquisitions, dispositions and strategic alternatives, whether or not announced or consummated

# 2nd Quarter Results

	Q2 FY20	Q2 FY21
Revenue (\$M)	\$ 4,851	\$ 4,554
– YoY Growth – GAAP		(6.1%)
– cc <sup>(1)</sup>		(7.7%)
– QtQ Growth – GAAP		1.2%
– cc <sup>(1)</sup>		(1.9%)
Adjusted EBIT (\$M)	529	283
Adjusted EBIT Margin (%)	10.9%	6.2%
Adjusted Net Income (\$M) <sup>(2)</sup>	362	161
Non-GAAP Diluted EPS <sup>(2)</sup>	\$ 1.38	\$ 0.64
Bookings (\$B)	\$ 3.8	\$ 4.9
Book-to-Bill	0.8x	1.1x

YTD FY20	YTD FY21
\$ 9,741	\$ 9,056
	(7.0%)
	(6.8%)
	n.a.
	n.a.
1,181	473
12.1%	5.2%
834	220
\$ 3.12	\$ 0.85
\$ 8.0	\$ 10.2
0.8x	1.1x

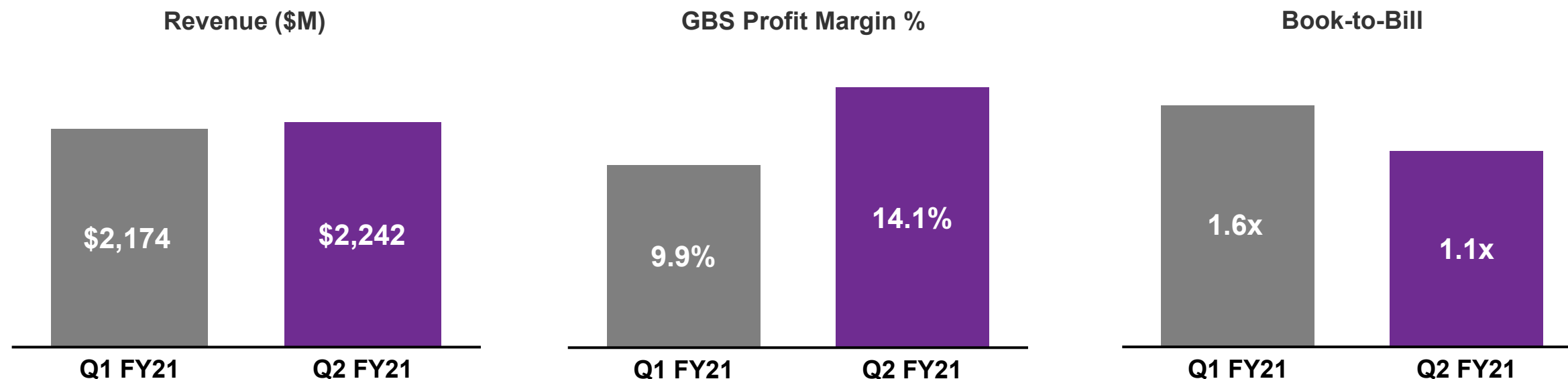
<sup>(1)</sup> Constant currency (cc) revenues are a non-GAAP measure calculated by translating current period activity into U.S. dollars using the comparable prior period's currency conversion rates

<sup>(2)</sup> Excludes restructuring costs, transaction, separation and integration-related costs, amortization of acquired intangible assets, goodwill impairment losses, gain on arbitration award, pension and OPEB actuarial and settlement losses, and tax adjustment

# Global Business Services (GBS)

	Q2 FY20	Q2 FY21
Revenue (\$M)	\$ 2,285	\$ 2,242
– YoY Growth – GAAP		(1.9%)
– cc <sup>(1)</sup>		(3.4%)
– QtQ Growth – GAAP		3.1%
– cc <sup>(1)</sup>		0.5%
GBS Profit (\$M)	359	317
GBS Profit Margin (%)	15.7%	14.1%
Bookings (\$B)	\$ 1.9	\$ 2.4
Book-to-Bill	0.9x	1.1x

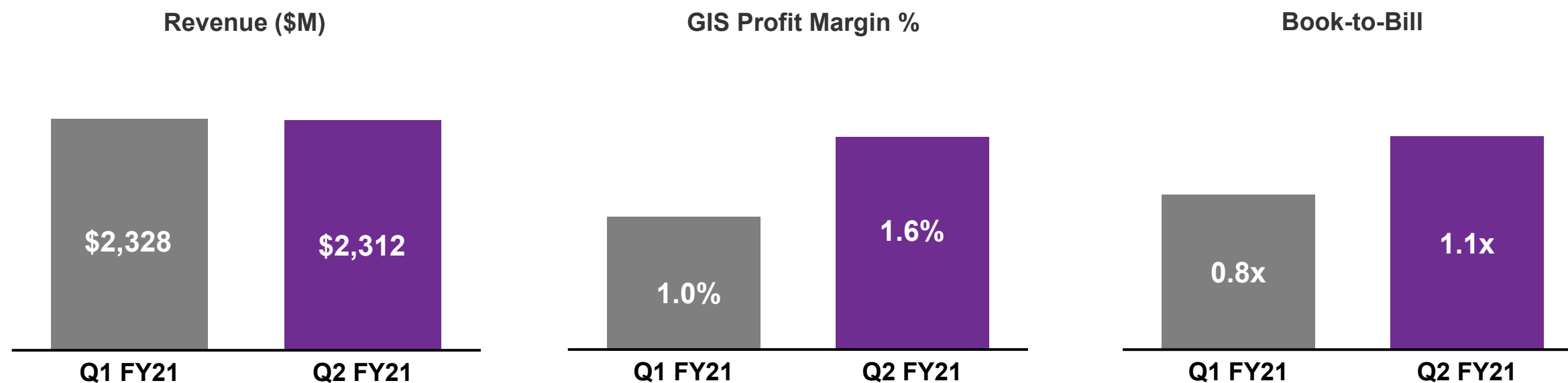
YTD FY20	YTD FY21
\$ 4,444	\$ 4,416
	(0.6%)
	(0.6%)
	n.a.
	n.a.
725	532
16.3%	12.0%
\$ 4.3	\$ 5.9
1.0x	1.4x



<sup>(1)</sup> Constant currency (cc) revenues are a non-GAAP measure calculated by translating current period activity into U.S. dollars using the comparable prior period's currency conversion rates

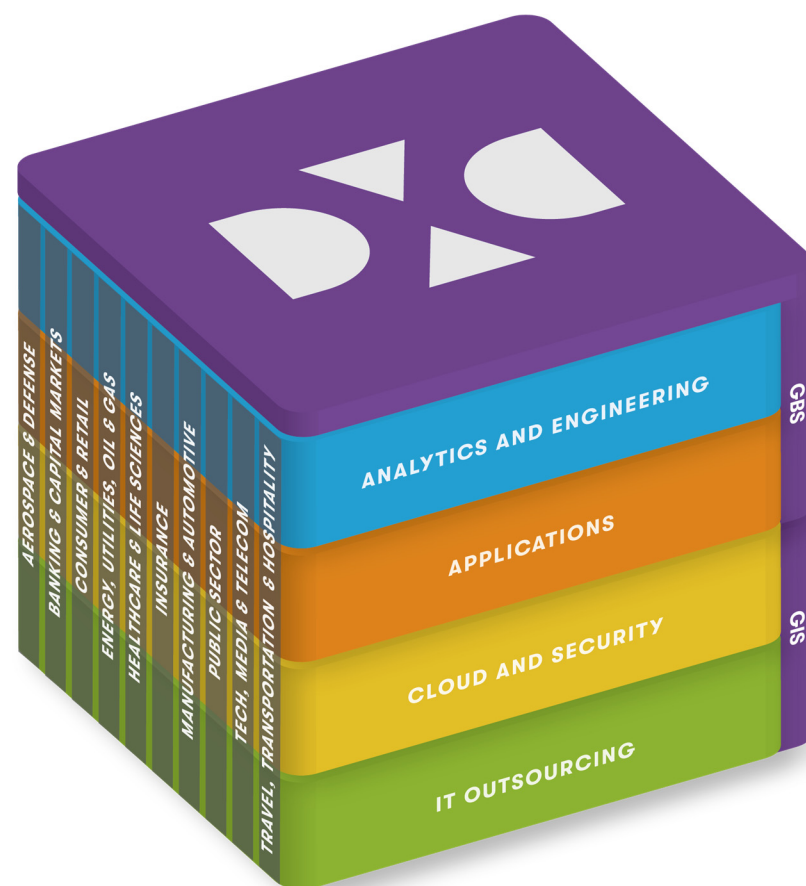
# Global Infrastructure Services (GIS)

	Q2 FY20	Q2 FY21	YTD FY20	YTD FY21
Revenue (\$M)	\$ 2,566	\$ 2,312	\$ 5,297	\$ 4,640
– YoY Growth – GAAP		(9.9%)		(12.4%)
– cc <sup>(1)</sup>		(11.6%)		(12.0%)
– QtQ Growth – GAAP		(0.7%)		n.a.
– cc <sup>(1)</sup>		(4.0%)		n.a.
GIS Profit (\$M)	243	36	583	59
GIS Profit Margin (%)	9.5%	1.6%	11.0%	1.3%
Bookings (\$B)	\$ 1.9	\$ 2.5	\$ 3.7	\$ 4.3
Book-to-Bill	0.7x	1.1x	0.7x	0.9x



<sup>(1)</sup> Constant currency (cc) revenues are a non-GAAP measure calculated by translating current period activity into U.S. dollars using the comparable prior period's currency conversion rates

# Enterprise Technology Stack – Q2 FY21 Performance



GBS: Global Business Services  
GIS: Global Infrastructure Services

## Q1 FY21

QtQ Growth

Book-to-Bill

(2.0%)	1.3x
(8.7%)	1.5x
(11.1%)	1.0x
(5.2%)	0.6x

(7.0%)

1.1x

(5.2%)	0.8x
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## Q2 FY21

QtQ Growth

Book-to-Bill

4.0%	1.4x
(2.6%)	0.9x
2.8%	1.0x
(4.7%)	1.3x

(1.8%)

1.1x

(5.4%)	0.7x
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Transformation Journey  
IN PROGRESS

Transformation Journey  
STARTING IN Q3 FY21

Workplace &  
Horizontal BPS

U.S. S&L HHS  
Healthcare Software

Strategic Alternatives – Q1 FY21 4.5% QtQ and Q2 FY21 3.9% QtQ

(5.7%)

1.2x

(1.9%)

1.1x

Note: Figures in the chart represent growth rates in constant currency, except for Book-to-Bill values

# Financial Highlights

## Cash Flow Performance

- Adjusted Free Cash Flow <sup>(1)</sup>
- Cap Ex — Including Payments on Capital Leases
- *Cap Ex as a % of Revenue*

**Q2 FY21**

\$237M

\$355M

7.8%

## Capital to Shareholders

- Cash Dividends
- Share Repurchases

**Q2 FY21**

—

—

## Capital Structure

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

**Q2 FY21**

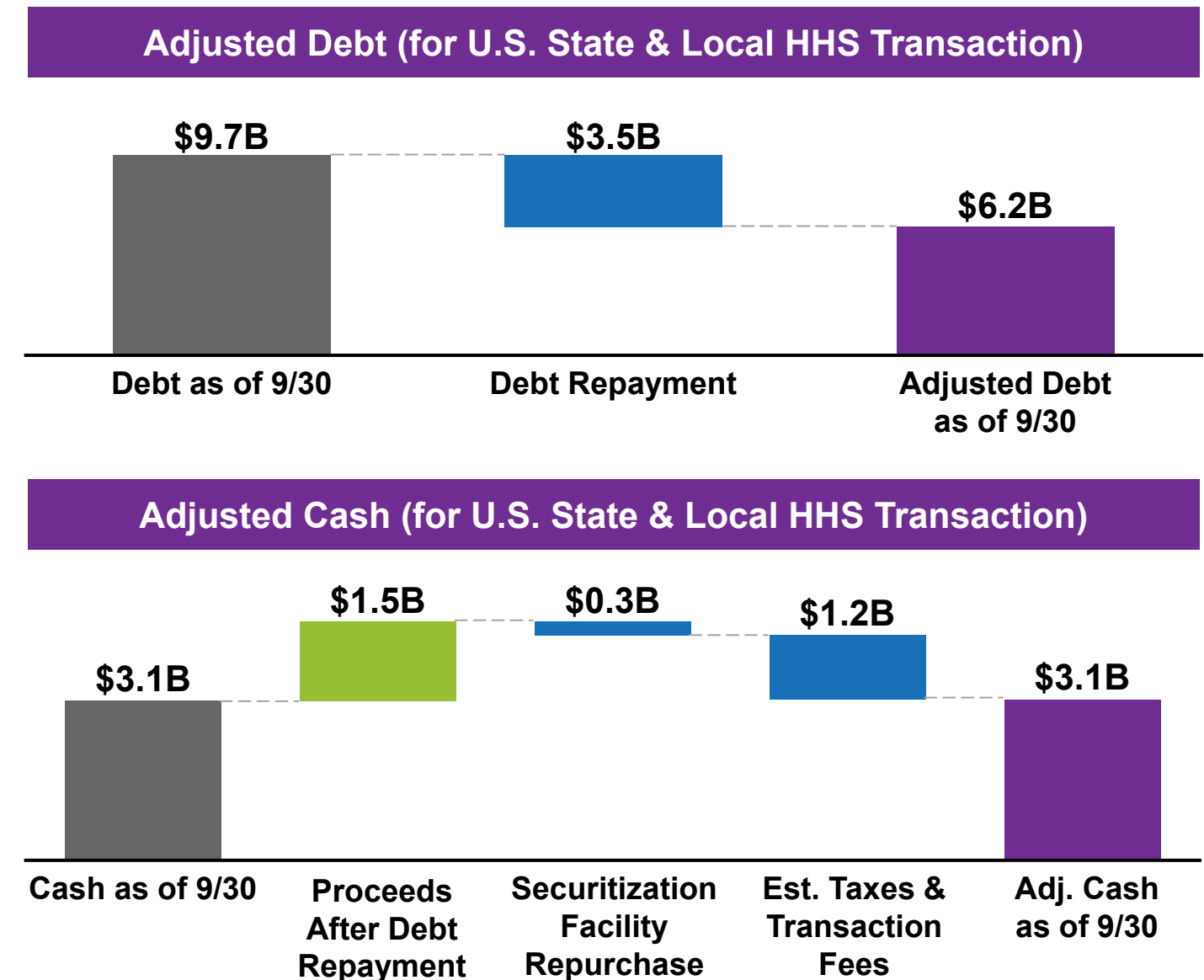
\$3.1B

45.7%

<sup>(1)</sup> This is a non GAAP measure, and is reconciled on Slide 28 of this presentation

# Strengthening the Balance Sheet

- Completed sale of U.S. State & Local HHS on October 1
- \$5.0B in gross proceeds
  - \$3.5B in net proceeds
  - ~\$330M used to repurchase securitized receivables and purchase one-time software license
  - \$1.2B earmarked for estimated taxes and transaction related fees
- \$4.0B undrawn credit facility
  - Full capacity available to DXC
- Adjusted debt of \$6.2B as of 9/30
- Adjusted cash of \$3.1B as of 9/30





# Q3 FY21 Outlook

**Revenue**

\$4.15B – \$4.2B

**Adjusted EBIT Margin**

6.0% – 6.5%

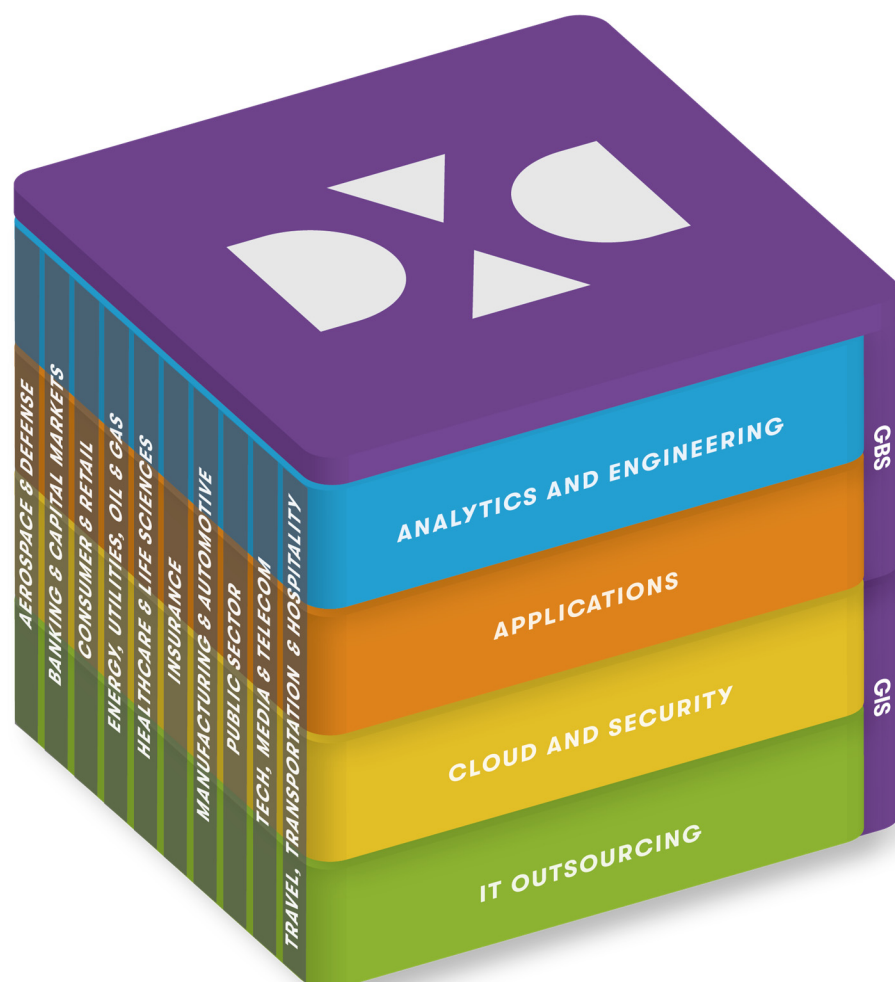
**Non-GAAP Diluted EPS**

\$0.50 – \$0.55

Notes:

- Q3 outlook for adjusted EBIT margin and non-GAAP diluted EPS excludes restructuring costs, transaction, separation and integration-related costs, and amortization of acquired intangible assets.
- Non-GAAP diluted EPS is based on a 30% tax rate.
- Q3 outlook excludes the U.S. State and Local Health and Human Services business, which contributed roughly \$90 to \$100 million to adjusted EBIT per quarter.
- The company is unable to reconcile the forward-looking adjusted EBIT margin and non-GAAP diluted EPS to the most directly comparable GAAP measures without unreasonable efforts because the company is currently unable to predict with a reasonable degree of certainty the type and extent of certain items that would be expected to impact GAAP measures for these periods but would not impact the non-GAAP measures. Such items may include restructuring costs, transaction, separation and integration-related costs, and amortization of acquired intangible assets. The unavailable information could have a significant impact on the company's GAAP financial results.

# Closing Remarks



GBS: Global Business Services  
GIS: Global Infrastructure Services

## Continued Positive Momentum

- **Substantial progress in bringing the “new DXC” to the market**
  - Sequential revenue stabilization and margin expansion, book-to-bill of 1x
- **Strong balance sheet with net debt of \$3.1B**
- **Keeping Workplace & Mobility and Horizontal BPS businesses**
  - Will apply transformation journey to these two businesses
  - Improve financial contributions to DXC
- **Senior leadership team in place, executing on our transformation journey**
- **Expect positive momentum to continue in Q3**

# 2nd Quarter FY 2021

## Supplemental Information

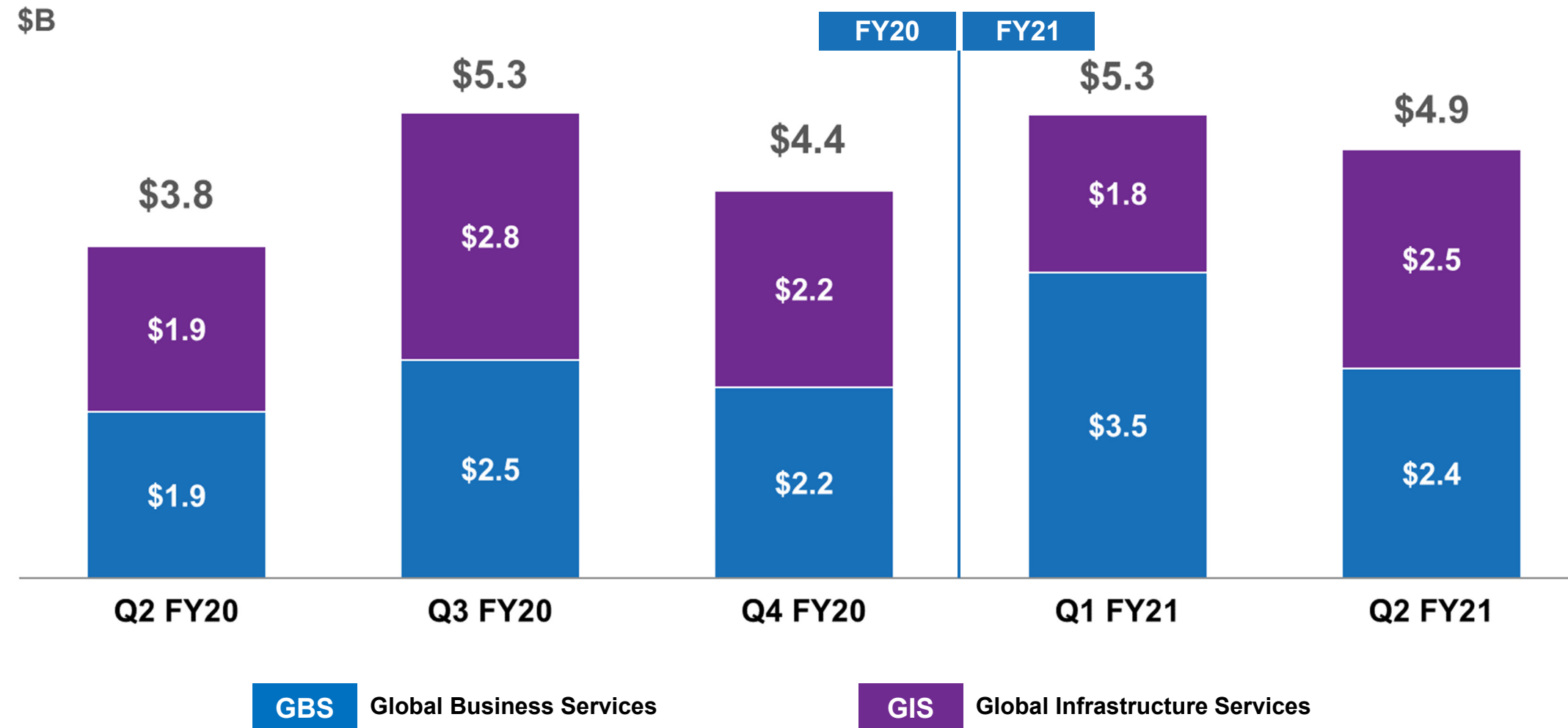
**“new DXC”**

# Consolidated Statements of Operations

(preliminary and unaudited)

in millions, except per-share amounts	Q2 FY20	Q2 FY21	YTD FY20	YTD FY21
Revenue	\$ 4,851	\$ 4,554	\$ 9,741	\$ 9,056
Costs of services	3,679	3,563	7,301	7,192
Selling, general and administrative	489	539	996	1,078
Depreciation and amortization	467	525	937	1,017
Goodwill impairment losses	2,887	-	2,887	-
Restructuring costs	32	265	174	337
Interest expense	104	96	195	202
Interest income	(67)	(25)	(97)	(48)
Gain on arbitration award	(632)	-	(632)	-
Other income, net	(109)	(103)	(227)	(191)
Total costs and expenses	6,850	4,860	11,534	9,587
Loss before income taxes	(1,999)	(306)	(1,793)	(531)
Income tax (benefit) expense	116	(60)	154	(86)
Net loss	(2,115)	(246)	(1,947)	(445)
Less: net (loss) income attributable to non-controlling interest, net of tax	4	(2)	9	4
Net loss attributable to DXC common stockholders	\$ (2,119)	\$ (244)	\$ (1,956)	\$ (449)
Loss per common share:				
Basic	\$ (8.19)	\$ (0.96)	\$ (7.44)	\$ (1.77)
Diluted	\$ (8.19)	\$ (0.96)	\$ (7.44)	\$ (1.77)
Cash dividend per common share	\$ 0.21	\$ -	\$ 0.42	\$ -
Weighted average common shares outstanding for:				
Basic EPS	258.71	254.13	262.83	253.88
Diluted EPS	258.71	254.13	262.83	253.88

# Bookings (1)



(1) 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 FY21
Net loss	\$ (2,115)	\$ (246)
Income tax (benefit) expense	116	(60)
Interest income	(67)	(25)
Interest expense	104	96
<b>EBIT</b>	<b>(1,962)</b>	<b>(235)</b>
Restructuring costs	32	265
Transaction, separation and integration-related costs	53	101
Amortization of acquired intangible assets	151	152
Pension and OPEB actuarial and settlement losses	-	-
Goodwill impairment losses	2,887	-
Gain on arbitration award	(632)	-
<b>Adjusted EBIT</b>	<b>\$ 529</b>	<b>\$ 283</b>

YTD FY20	YTD FY21
\$ (1,947)	\$ (445)
154	(86)
(97)	(48)
195	202
<b>(1,695)</b>	<b>(377)</b>
174	337
158	211
289	300
-	2
2,887	-
(632)	-
<b>\$ 1,181</b>	<b>\$ 473</b>

	Q2 FY20	Q2 FY21
Adjusted EBIT margin (%)	10.9%	6.2%
EBIT margin (%)	(40.4%)	(5.2%)

YTD FY20	YTD FY21
12.1%	5.2%
(17.4%)	(4.2%)

Note: The non-GAAP reconciliations for adjusted EBIT and adjusted EBIT margin for Q1 FY21 are included in DXC's First Quarter Fiscal 2021 earnings presentation.

# Reconciliation of Segment Profit to Loss Before Taxes

(in millions)	Q2 FY20	Q2 FY21	YTD FY20	YTD FY21
GBS profit	\$ 359	\$ 317	\$ 725	\$ 532
GIS profit	243	36	583	59
All other loss	(73)	(70)	(127)	(118)
Interest income	67	25	97	48
Interest expense	(104)	(96)	(195)	(202)
Restructuring costs	(32)	(265)	(174)	(337)
Transaction, separation and integration-related costs	(53)	(101)	(158)	(211)
Amortization of acquired intangible assets	(151)	(152)	(289)	(300)
Pension and OPEB actuarial and settlement losses	-	-	-	(2)
Goodwill impairment losses	(2,887)	-	(2,887)	-
Gain on arbitration award	632	-	632	-
<b>Loss before income taxes</b>	<b>\$ (1,999)</b>	<b>\$ (306)</b>	<b>\$ (1,793)</b>	<b>\$ (531)</b>

Segment profit margins	Q2 FY20	Q2 FY21	YTD FY20	YTD FY21
GBS profit margin (%)	15.7%	14.1%	16.3%	12.0%
GIS profit margin (%)	9.5%	1.6%	11.0%	1.3%

Note: The reconciliation of segment profit to (loss) income before taxes for Q1 FY21 is included in DXC's First Quarter Fiscal 2021 earnings presentation.

# Q2 FY21 Non-GAAP Results

(in millions except EPS)	GAAP	Restructuring Costs	Transaction, Separation and Integration-Related Costs <sup>(2)</sup>	Amortization of Acquired Intangible Assets	Tax Adjustment	Non-GAAP Results
Cost of services (excludes depreciation and amortization and restructuring costs)	\$ 3,563	\$ -	\$ -	\$ -	\$ -	\$ 3,563
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	539	-	(108)	-	-	431
(Loss) income before income taxes	(306)	265	101	152	-	212
Income tax (benefit) expense	(60)	52	26	35	(2)	51
Net (loss) income	(246)	213	75	117	2	161
Less: net (loss) attributable to noncontrolling interest, net of tax	(2)	-	-	-	-	(2)
Net (loss) income attributable to DXC common stockholders	\$ (244)	\$ 213	\$ 75	\$ 117	\$ 2	\$ 163
Effective tax rate	19.6%					24.1%
Basic EPS <sup>(1)</sup>	\$ (0.96)	\$ 0.84	\$ 0.30	\$ 0.46	\$ 0.01	\$ 0.64
Diluted EPS <sup>(1)</sup>	\$ (0.96)	\$ 0.83	\$ 0.29	\$ 0.46	\$ 0.01	\$ 0.64
Weighted average common shares outstanding for:						
Basic EPS	254.13	254.13	254.13	254.13	254.13	254.13
Diluted EPS	254.13	255.18	255.18	255.18	255.18	255.18

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

<sup>(2)</sup> Transaction, Separation and Integration-Related Costs for all periods presented include fees and other expenses associated with legal, accounting, consulting, due diligence, investment banking advisory, and other services, as well as financing fees, retention incentives, and resolution of transaction related claims in connection with, or resulting from, exploring or executing potential acquisitions, dispositions and strategic alternatives, whether or not announced or consummated



# YTD FY21 Non-GAAP Results

(in millions except EPS)	GAAP	Restructuring Costs	Transaction, Separation and Integration-Related Costs <sup>(2)</sup>	Amortization of Acquired Intangible Assets	Pension and OPEB Actuarial and Settlement Losses	Tax Adjustment	Non-GAAP Results
Cost of services (excludes depreciation and amortization and restructuring costs)	\$ 7,192	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,192
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	1,078	-	(218)	-	-	-	860
(Loss) income before income taxes	(531)	337	211	300	2	-	319
Income tax (benefit) expense	(86)	64	54	69	-	(2)	99
Net (loss) income	(445)	273	157	231	2	2	220
Less: net income attributable to noncontrolling interest, net of tax	4	-	-	-	-	-	4
Net (loss) income attributable to DXC common stockholders	\$ (449)	\$ 273	\$ 157	\$ 231	\$ 2	\$ 2	\$ 216
Effective tax rate	16.2%						31.0%
Basic EPS <sup>(1)</sup>	\$ (1.77)	\$ 1.08	\$ 0.62	\$ 0.91	\$ 0.01	\$ 0.01	\$ 0.85
Diluted EPS <sup>(1)</sup>	\$ (1.77)	\$ 1.07	\$ 0.62	\$ 0.91	\$ 0.01	\$ 0.01	\$ 0.85
Weighted average common shares outstanding for:							
Basic EPS	253.88	253.88	253.88	253.88	253.88	253.88	253.88
Diluted EPS	253.88	254.76	254.76	254.76	254.76	254.76	254.76

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

<sup>(2)</sup> Transaction, Separation and Integration-Related Costs for all periods presented include fees and other expenses associated with legal, accounting, consulting, due diligence, investment banking advisory, and other services, as well as financing fees, retention incentives, and resolution of transaction related claims in connection with, or resulting from, exploring or executing potential acquisitions, dispositions and strategic alternatives, whether or not announced or consummated

# Q2 FY20 Non-GAAP Results

(in millions except EPS)	GAAP	Restructuring Costs	Transaction, Separation and Integration-Related Costs <sup>(2)</sup>	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 before income taxes	(1,999)	32	53	151	2,887	(632)	-	492
Income tax expense (benefit)	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 <sup>(1)</sup>	\$ (8.19)	\$ 0.11	\$ 0.19	\$ 0.45	\$ 11.16	\$ (2.44)	\$ 0.11	1.38
Diluted EPS <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 diluted EPS due to rounding

<sup>(2)</sup> Transaction, Separation and Integration-Related Costs for all periods presented include fees and other expenses associated with legal, accounting, consulting, due diligence, investment banking advisory, and other services, as well as financing fees, retention incentives, and resolution of transaction related claims in connection with, or resulting from, exploring or executing potential acquisitions, dispositions and strategic alternatives, whether or not announced or consummated

# YTD FY20 Non-GAAP Results

(in millions except EPS)	GAAP	Restructuring Costs	Transaction, Separation and Integration-Related Costs <sup>(2)</sup>	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 before income taxes	(1,793)	174	158	289	2,887	(632)	-	1,083
Income tax expense (benefit)	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 <sup>(1)</sup>	\$ (7.44)	\$ 0.54	\$ 0.50	\$ 0.85	\$ 10.98	\$ (2.40)	\$ 0.11	\$ 3.14
Diluted EPS <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 diluted EPS due to rounding

<sup>(2)</sup> Transaction, Separation and Integration-Related Costs for all periods presented include fees and other expenses associated with legal, accounting, consulting, due diligence, investment banking advisory, and other services, as well as financing fees, retention incentives, and resolution of transaction related claims in connection with, or resulting from, exploring or executing potential acquisitions, dispositions and strategic alternatives, whether or not announced or consummated

# Adjusted Free Cash Flow

(in millions)	Q2 FY21	YTD FY21
Net cash provided by operating activities	\$ 472	\$ 591
Net cash used in investing activities <sup>(1)</sup>	(173)	(234)
Acquisitions, net of cash acquired	-	10
Payments on capital leases and other long-term asset financings	(242)	(487)
Payments on transaction, separation and integration-related costs	81	169
Payments on restructuring costs	99	160
<b>Adjusted free cash flow</b>	<b>\$ 237</b>	<b>\$ 209</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, restructuring costs, transaction, separation and integration-related costs, amortization of acquired intangible assets, and pension and OPEB actuarial and settlement losses

**Segment profit margin:** Segment profit as a percentage of segment 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, and pension and OPEB actuarial and settlement 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 and (ii) restructuring payments

**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

