



# **3rd Quarter FY 2019 Earnings Presentation**

February 7, 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. Non-GAAP financial measures exclude certain items from GAAP results which DXC management believes are not indicative of core operating performance. 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 core 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.

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, 2018, and DXC’s Form 10-Q for the quarterly periods ended June 30 and September 30, 2018 and any updating information in subsequent SEC filings, including DXC’s upcoming Form 10-Q for the quarter ended December 31, 2018.

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.



# **3rd Quarter FY 2019 Earnings Presentation**

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

# Key messages

Revenue of \$5.18B — up \$165M sequentially

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Strong double-digit YoY growth in Digital revenue with a book-to-bill of 2.1x

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Q3 non-GAAP EPS<sup>(1)</sup> of \$2.23

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Adjusted EBIT margin of 16.2% — up 160 basis points YoY

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Continuing to invest in Digital assets and capabilities, including the planned acquisition of Luxoft

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



# **3rd Quarter FY 2019 Earnings Presentation**

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

# Reconciliation of non-GAAP results

	Q3 FY19					
(in millions except EPS)	GAAP	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Tax Adjustment	Non-GAAP Results
Income from continuing operations before income taxes	469	76	107	134	-	786
Income tax expense	3	18	26	36	77	160
Income from continuing operations	466	58	81	98	(77)	626
<b>Diluted EPS from continuing operations<sup>(1)</sup></b>	<b>\$1.66</b>	0.21	0.29	0.35	(0.28)	<b>\$2.23</b>

	YTD FY19					
(in millions except EPS)	GAAP	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Tax Adjustment	Non-GAAP Results
Income from continuing operations before income taxes	1,161	418	305	401	-	2,285
Income tax expense	205	100	72	101	44	522
Income from continuing operations	956	318	233	300	(44)	1,763
<b>Diluted EPS from continuing operations<sup>(1)</sup></b>	<b>\$3.33</b>	1.12	0.82	1.05	(0.15)	<b>\$6.16</b>

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

# 3rd quarter results

	Q3		YTD	
	FY19	FY18	FY19	FY18
Revenue (\$M)	\$ 5,178	\$ 5,460	\$ 15,473	\$ 16,149
– YoY Growth – GAAP	(5.2%)		(4.2%)	
– cc	(2.6%)		(3.6%)	
– QtQ Growth – GAAP	3.3%		—	
– cc	4.3%		—	
Adjusted EBIT (\$M)	840	797	2,442	2,107
Adjusted EBIT Margin (%)	16.2%	14.6%	15.8%	13.0%
Adjusted Income from Continuing Operations (\$M) <sup>(1)</sup>	626	541	1,763	1,402
Non-GAAP Diluted EPS from Continuing Operations <sup>(1)</sup>	\$ 2.23	\$ 1.86	\$ 6.16	\$ 4.75
Bookings (\$B)	\$ 5.7	\$ 5.5	\$ 14.9	\$ 16.9

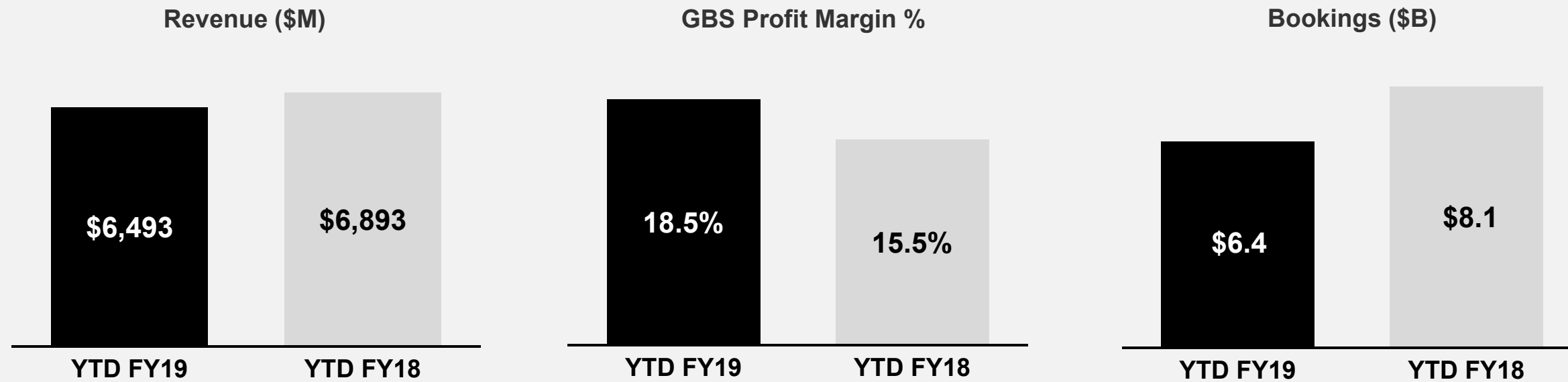
<sup>1</sup> Excludes restructuring costs, transaction, separation and integration-related costs, amortization of acquired intangible assets, and tax adjustment



# Global Business Services (GBS)

	Q3 FY19	Q3 FY18
Revenue (\$M)	\$ 2,169	\$ 2,315
– YoY Growth – GAAP	(6.3%)	
– cc	(4.0%)	
– QtQ growth – GAAP	2.7%	
– cc	3.7%	
GBS Profit (\$M)	395	423
GBS Profit Margin (%)	18.2%	18.3%
Bookings (\$B)	\$ 2.3	\$ 3.3

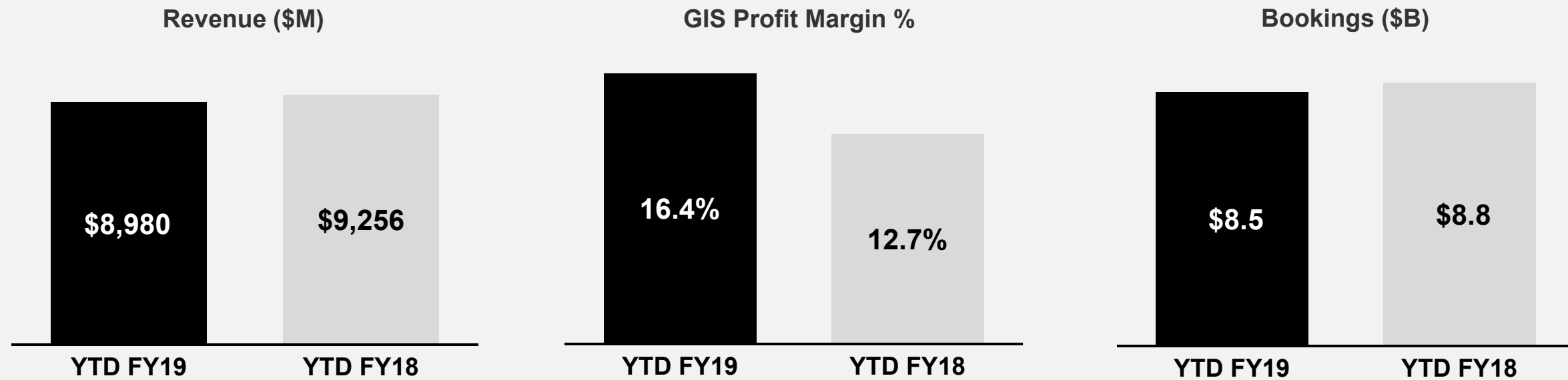
	YTD FY19	YTD FY18
Revenue (\$M)	\$ 6,493	\$ 6,893
– YoY Growth – GAAP	(5.8%)	
– cc	(5.2%)	
– QtQ growth – GAAP	—	
– cc	—	
GBS Profit (\$M)	1,198	1,066
GBS Profit Margin (%)	18.5%	15.5%
Bookings (\$B)	\$ 6.4	\$ 8.1



# Global Infrastructure Services (GIS)

	Q3 FY19	Q3 FY18
Revenue (\$M)	\$ 3,009	\$ 3,145
– YoY Growth – GAAP	(4.3%)	
– cc	(1.5%)	
– QtQ growth – GAAP	3.7%	
– cc	4.8%	
GIS Profit (\$M)	528	450
GIS Profit Margin (%)	17.5%	14.3%
Bookings (\$B)	\$ 3.4	\$ 2.2

	YTD FY19	YTD FY18
Revenue (\$M)	\$ 8,980	\$ 9,256
– YoY Growth – GAAP	(3.0%)	
– cc	(2.4%)	
– QtQ growth – GAAP	—	
– cc	—	
GIS Profit (\$M)	1,475	1,171
GIS Profit Margin (%)	16.4%	12.7%
Bookings (\$B)	\$ 8.5	\$ 8.8



# Financial highlights

## Cash Flow Performance

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

Q3 FY19	YTD FY19
\$503M	\$1,188M <sup>(1)</sup>
\$153M	\$829M
3.0%	5.4%

## Capital to Shareholders

- ▶ Cash Dividends
- ▶ Share Repurchases

Q3 FY19	YTD FY19
\$54M	\$159M
\$797M 12.5M shares	\$1,248M 17.7M shares

## Capital Structure

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

Q3 FY19
\$2.5B
26.9%

<sup>1</sup> Adjusted free cash flow, which is a non-GAAP financial measure, for the nine months ended December 31, 2018, includes a \$(223) million net cumulative correction to previously reported adjusted free cash flow to reflect the appropriate impact of the Receivables Securitization Facility. On the same basis, adjusted free cash flow for the prior fiscal year would have increased by \$55 million. This correction does not impact our consolidated statement of cash flows or any other financial measures presented in accordance with GAAP.

# FY 2019 targets

**Revenue**

\$20.7B – \$21.2B

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

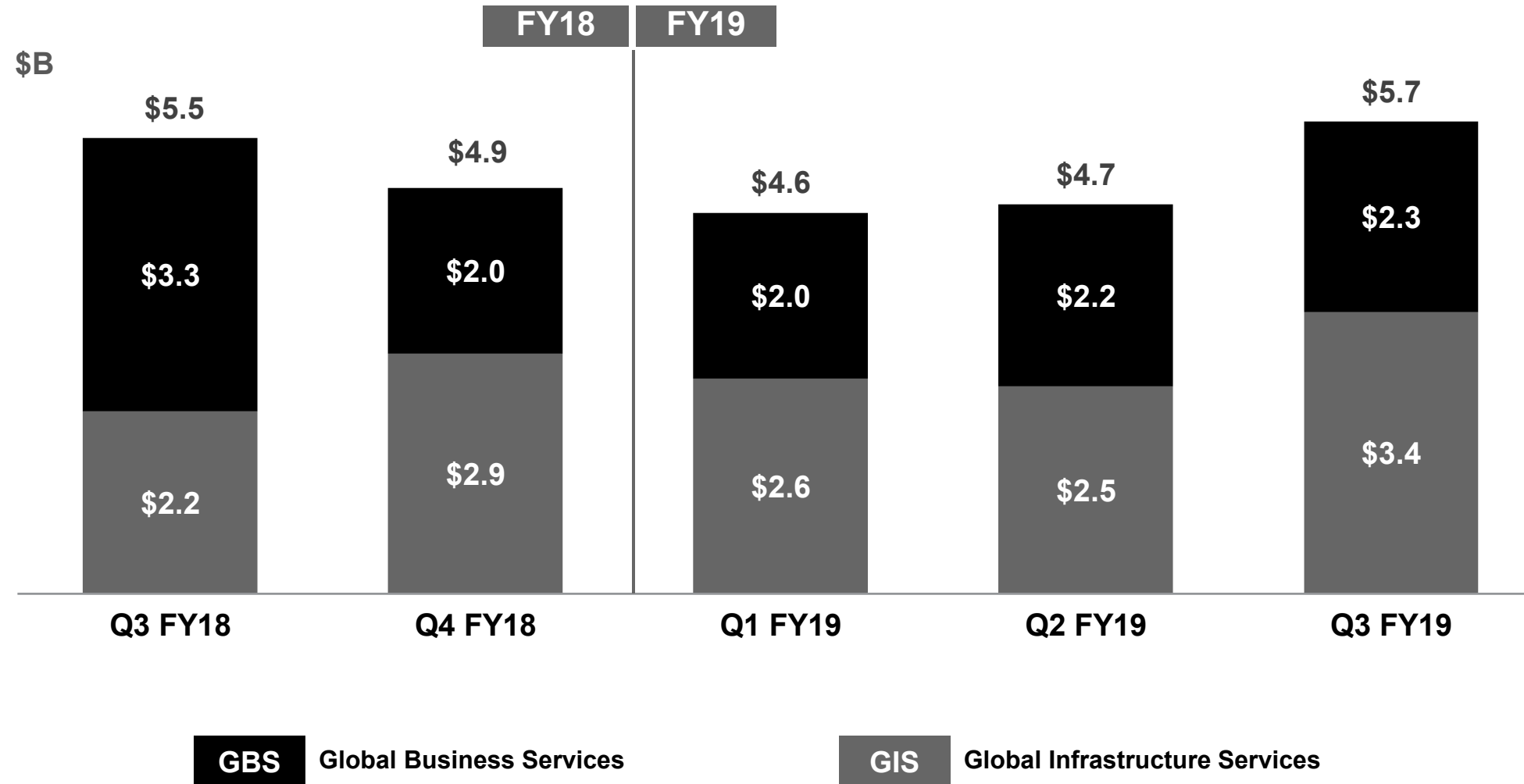
\$8.15 – \$8.30

**Adjusted Free Cash Flow**

70% – 80% of Adj. Net Income<sup>(1)</sup>

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

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



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



# **3rd Quarter FY 2019 Earnings Presentation**

Supplemental Information

# Non-GAAP reconciliations

## EBIT and Adjusted EBIT

(in millions)	Q3 FY19	Q3 FY18
Net income	\$ 466	\$ 779
Income from discontinued operations, net of taxes	-	(73)
Income tax expense (benefit)	3	(365)
Interest income	(27)	(27)
Interest expense	81	73
<b>EBIT</b>	<b>523</b>	<b>387</b>
Restructuring costs	76	210
Transaction, separation and integration-related costs	107	83
Amortization of acquired intangible assets	134	134
Pension and OPEB actuarial and settlement losses	-	(17)
<b>Adjusted EBIT</b>	<b>\$ 840</b>	<b>\$ 797</b>

YTD FY19	YTD FY18
\$ 991	\$ 1,217
(35)	(198)
205	(303)
(92)	(59)
249	220
<b>1,318</b>	<b>877</b>
418	585
305	273
401	389
-	(17)
<b>\$ 2,442</b>	<b>\$ 2,107</b>

	Q3 FY19	Q3 FY18
Adjusted EBIT margin (%)	16.2%	14.6%
EBIT margin (%)	10.1%	7.1%

YTD FY19	YTD FY18
15.8%	13.0%
8.5%	5.4%

# Non-GAAP reconciliations

## Segment profit

(in millions)	Q3 FY19	Q3 FY18
GBS profit	\$ 395	\$ 423
GIS profit	528	450
All other profit (loss)	(83)	(76)
Interest income	27	27
Interest expense	(81)	(73)
Restructuring costs	(76)	(210)
Transaction, separation and integration-related costs	(107)	(83)
Amortization of acquired intangible assets	(134)	(134)
Pension and OPEB actuarial and settlement losses	-	17
<b>Income from continuing operations before taxes</b>	<b>\$ 469</b>	<b>\$ 341</b>

YTD FY19	YTD FY18
\$ 1,198	\$ 1,066
1,475	1,171
(231)	(130)
92	59
(249)	(220)
(418)	(585)
(305)	(273)
(401)	(389)
-	17
<b>\$ 1,161</b>	<b>\$ 716</b>

Segment profit margins	Q3 FY19	Q3 FY18
GBS profit margin (%)	18.2%	18.3%
GIS profit margin (%)	17.5%	14.3%

YTD FY19	YTD FY18
18.5%	15.5%
16.4%	12.7%



# Q3 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)	\$ 3,725	\$ -	\$ -	\$ -	\$ -	\$ 3,725
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	491	-	(107)	-	-	384
Income from continuing operations before income taxes	469	76	107	134	-	786
Income tax expense	3	18	26	36	77	160
Income from continuing operations	466	58	81	98	(77)	626
Income from discontinued operations, net of tax	-	-	-	-	-	-
Net income	466	58	81	98	(77)	626
Less: net income attributable to noncontrolling interest, net of tax	4	-	-	-	-	4
Net income (loss) attributable to DXC common stockholders	\$ 462	\$ 58	\$ 81	\$ 98	\$ (77)	\$ 622
Effective tax rate	0.6%					20.4%
Basic EPS from continuing operations <sup>(1)</sup>	\$ 1.68	\$ 0.21	\$ 0.29	\$ 0.36	\$ (0.28)	\$ 2.26
Diluted EPS from continuing operations <sup>(1)</sup>	\$ 1.66	\$ 0.21	\$ 0.29	\$ 0.35	\$ (0.28)	\$ 2.23
Weighted average common shares outstanding for:						
Basic EPS	275.66	275.66	275.66	275.66	275.66	275.66
Diluted EPS	278.99	278.99	278.99	278.99	278.99	278.99

<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)	\$ 11,110	\$ -	\$ -	\$ -	\$ -	\$ 11,110
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	1,500	-	(305)	-	-	1,195
Income from continuing operations before income taxes	1,161	418	305	401	-	2,285
Income tax expense	205	100	72	101	44	522
Income from continuing operations	956	318	233	300	(44)	1,763
Income from discontinued operations, net of tax	35	-	-	-	-	35
Net income	991	318	233	300	(44)	1,798
Less: net income attributable to noncontrolling interest, net of tax	8	-	-	-	-	8
Net income (loss) attributable to DXC common stockholders	\$ 983	\$ 318	\$ 233	\$ 300	\$ (44)	\$ 1,790
Effective tax rate	17.7%					22.8%
Basic EPS from continuing operations <sup>(1)</sup>	\$ 3.38	\$ 1.13	\$ 0.83	\$ 1.07	\$ (0.16)	\$ 6.26
Diluted EPS from continuing operations <sup>(1)</sup>	\$ 3.33	\$ 1.12	\$ 0.82	\$ 1.05	\$ (0.15)	\$ 6.16
Weighted average common shares outstanding for:						
Basic EPS	280.47	280.47	280.47	280.47	280.47	280.47
Diluted EPS	284.70	284.70	284.70	284.70	284.70	284.70

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

# Q3 FY18 non-GAAP results

(in millions except EPS)	GAAP	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Pension and OPEB Actuarial and Settlement Gains	Tax Adjustment	Non-GAAP Results
Cost of services (excludes depreciation and amortization and restructuring costs)	\$ 4,051	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,051
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	447	-	(83)	-	-	-	364
Income from continuing operations before income taxes	341	210	83	134	(17)	-	751
Income tax (benefit) expense	(365)	-	-	-	-	575	210
Income from continuing operations	706	210	83	134	(17)	(575)	541
Income from discontinued operations, net of tax	73	-	-	-	-	-	73
Net income	779	210	83	134	(17)	(575)	614
Less: net income attributable to noncontrolling interest, net of tax	3	-	-	-	-	-	3
Net income (loss) attributable to DXC common stockholders	\$ 776	\$ 210	\$ 83	\$ 134	\$ (17)	\$ (575)	\$ 611
Effective tax rate	(107.0)%						28.0%
Basic EPS from continuing operations <sup>(1)</sup>	\$ 2.46	\$ 0.74	\$ 0.29	\$ 0.47	\$ (0.06)	\$ (2.01)	\$ 1.89
Diluted EPS from continuing operations <sup>(1)</sup>	\$ 2.43	\$ 0.72	\$ 0.29	\$ 0.46	\$ (0.06)	\$ (1.98)	\$ 1.86
Weighted average common shares outstanding for:							
Basic EPS	285.38	285.38	285.38	285.38	285.38	285.38	285.38
Diluted EPS	289.77	289.77	289.77	289.77	289.77	289.77	289.77

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

# YTD FY18 non-GAAP results

(in millions except EPS)	GAAP	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Pension and OPEB Actuarial and Settlement Gains	Tax Adjustment	Non-GAAP Results
Cost of services (excludes depreciation and amortization and restructuring costs)	\$ 12,230	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,230
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	1,484	-	(273)	-	-	-	1,211
Income from continuing operations before income taxes	716	585	273	389	(17)	-	1,946
Income tax (benefit) expense	(303)	-	-	-	-	847	544
Income from continuing operations	1,019	585	273	389	(17)	(847)	1,402
Income from discontinued operations, net of tax	198	-	-	-	-	-	198
Net income	1,217	585	273	389	(17)	(847)	1,600
Less: net income attributable to noncontrolling interest, net of tax	26	-	-	-	-	-	26
Net income (loss) attributable to DXC common stockholders	\$ 1,191	\$ 585	\$ 273	\$ 389	\$ (17)	\$ (847)	\$ 1,574
Effective tax rate	(42.3)%						28.0%
Basic EPS from continuing operations <sup>(1)</sup>	\$ 3.48	\$ 2.05	\$ 0.96	\$ 1.37	\$ (0.06)	\$ (2.98)	\$ 4.83
Diluted EPS from continuing operations <sup>(1)</sup>	\$ 3.43	\$ 2.02	\$ 0.94	\$ 1.34	\$ (0.06)	\$ (2.93)	\$ 4.75
Weighted average common shares outstanding for:							
Basic EPS	284.70	284.70	284.70	284.70	284.70	284.70	284.70
Diluted EPS	289.53	289.53	289.53	289.53	289.53	289.53	289.53

<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)	Q3 FY19	YTD FY19
Net cash provided by operating activities	\$ 186	\$ 1,035
Net cash provided by (used in) investing activities	8	(40)
Acquisitions, net of cash acquired	289	332
Business dispositions	-	65
Payments on capital leases and other long-term asset financings	(235)	(710)
Payments on transaction, separation and integration-related costs	86	277
Payments on restructuring costs	152	422
Sale of accounts receivables	17	(193) <sup>(1)</sup>
<b>Adjusted free cash flow</b>	<b>\$ 503</b>	<b>\$ 1,188</b>

<sup>1</sup> Adjusted free cash flow, which is a non-GAAP financial measure, for the nine months ended December 31, 2018, includes a \$(223) million net cumulative correction to previously reported adjusted free cash flow to reflect the appropriate impact of the Receivables Securitization Facility. On the same basis, adjusted free cash flow for the prior fiscal year would have increased by \$55 million. This correction does not impact our consolidated statement of cash flows or any other financial measures presented in accordance with GAAP.

# 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

