

Consolidated Statements of Operations

(preliminary and unaudited)

(in millions, except per-share amounts)	Three Months Ended		Twelve Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Revenues	\$ 4,815	\$ 5,280	\$ 19,577	\$ 20,753
Costs of services	3,773	3,836	14,901	14,946
Selling, general and administrative	536	459	2,050	1,959
Depreciation and amortization	526	505	1,942	1,968
Goodwill impairment losses	3,854	—	6,794	—
Restructuring costs	4	47	252	465
Interest expense	95	85	383	334
Interest income	(35)	(36)	(165)	(128)
Gain on arbitration award	—	—	(632)	—
Other (income) expense, net	(376)	30	(720)	(306)
Total costs and expenses	8,377	4,926	24,805	19,238
(Loss) income from continuing operations, before taxes	(3,562)	354	(5,228)	1,515
Income tax (benefit) expense	(61)	83	130	288
(Loss) income from continuing operations	(3,501)	271	(5,358)	1,227
Income from discontinued operations, net of taxes	—	—	—	35
Net (loss) income	(3,501)	271	(5,358)	1,262
Less: net (loss) income attributable to non-controlling interest, net of tax	(6)	(3)	11	5
Net (loss) income attributable to DXC common stockholders	\$ (3,495)	\$ 274	\$ (5,369)	\$ 1,257
(Loss) income per common share:				
Basic:				
Continuing operations	\$ (13.79)	\$ 1.02	\$ (20.76)	\$ 4.40
Discontinued operations	—	—	—	0.13
	\$ (13.79)	\$ 1.02	\$ (20.76)	\$ 4.53
Diluted:				
Continuing operations	\$ (13.79)	\$ 1.01	\$ (20.76)	\$ 4.35
Discontinued operations	—	—	—	0.12
	\$ (13.79)	\$ 1.01	\$ (20.76)	\$ 4.47
Cash dividend per common share	\$ 0.21	\$ 0.19	\$ 0.84	\$ 0.76
Weighted average common shares outstanding for:				
Basic EPS	253.51	268.59	258.57	277.54
Diluted EPS	253.51	270.82	258.57	281.43

Selected Consolidated Balance Sheet Data

(preliminary and unaudited)

(in millions)	As of	
	March 31, 2020	March 31, 2019
Assets		
Cash and cash equivalents	\$ 3,679	\$ 2,899
Receivables, net	4,392	5,181
Prepaid expenses	646	627
Other current assets	270	359
Total current assets	8,987	9,066
Intangible assets, net	5,731	5,939
Operating right-of-use assets, net	1,428	—
Goodwill	2,017	7,606
Deferred income taxes, net	265	355
Property and equipment, net	3,547	3,179
Other assets	4,031	3,429
Total Assets	\$ 26,006	\$ 29,574
Liabilities		
Short-term debt and current maturities of long-term debt	\$ 1,276	\$ 1,942
Accounts payable	1,598	1,666
Accrued payroll and related costs	630	652
Current operating lease liabilities	482	—
Accrued expenses and other current liabilities	2,801	3,355
Deferred revenue and advance contract payments	1,021	1,630
Income taxes payable	87	208
Total current liabilities	7,895	9,453
Long-term debt, net of current maturities	8,672	5,470
Non-current deferred revenue	735	256
Non-current operating lease liabilities	1,063	—
Non-current pension obligations	761	790
Non-current income tax liabilities and deferred tax liabilities	1,157	1,184
Other long-term liabilities	594	696
Total Liabilities	20,877	17,849
Total Equity	5,129	11,725
Total Liabilities and Equity	\$ 26,006	\$ 29,574

Consolidated Statements of Cash Flows
(preliminary and unaudited)

(in millions)	Twelve Months Ended	
	March 31, 2020	March 31, 2019
Cash flows from operating activities:		
Net (loss) income	\$ (5,358)	\$ 1,262
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,960	2,023
Goodwill impairment losses	6,794	—
Operating right-of-use expense	698	—
Pension & other post-employment benefits, actuarial & settlement (gains) losses	(244)	143
Share-based compensation	68	74
Deferred taxes	(56)	97
Loss (gain) on dispositions	1	(163)
Provision for losses on accounts receivable	3	(10)
Unrealized foreign currency exchange losses	24	30
Impairment losses and contract write-offs	30	—
Amortization of debt issuance costs and (premium) discount	(4)	(10)
Cash surrender value in excess of premiums paid	(12)	(11)
Other non-cash charges, net	—	11
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Decrease (increase) in receivables	269	(947)
Increase in prepaid expenses and other current assets	(229)	(632)
Decrease in accounts payable and accruals	(565)	(52)
Decrease in income taxes payable and income tax liability	(197)	(107)
Decrease in operating lease liability	(698)	—
(Decrease) increase in advance contract payments and deferred revenue	(146)	(74)
Other operating activities, net	12	149
Net cash provided by operating activities	<u>2,350</u>	<u>1,783</u>
Cash flows from investing activities:		
Purchases of property and equipment	(350)	(297)
Payments for transition and transformation contract costs	(281)	(394)
Software purchased and developed	(235)	(261)
Payments for acquisitions, net of cash acquired	(1,997)	(365)
Business dispositions	—	(65)
Cash collections related to deferred purchase price receivable	671	1,084
Proceeds from sale of assets	73	357
Short-term investing	(75)	—
Proceeds from short-term investing	38	—
Other investing activities, net	19	10
Net cash (used in) provided by investing activities	<u>(2,137)</u>	<u>69</u>
Cash flows from financing activities:		
Borrowings of commercial paper	4,939	2,747
Repayments of commercial paper	(5,076)	(2,840)
Borrowings under lines of credit	1,500	—
Borrowings on long-term debt, net of discount	2,198	1,646
Principal payments on long-term debt	(1,039)	(2,625)
Payments on finance leases and borrowings for asset financing	(865)	(944)
Borrowings for USPS spin transaction	—	1,114
Proceeds from bond issuance	—	753
Proceeds from stock options and other common stock transactions	11	47
Taxes paid related to net share settlements of share-based compensation awards	(16)	(54)
Repurchase of common stock and advance payment for accelerated share repurchase	(736)	(1,344)
Dividend payments	(214)	(210)
Other financing activities, net	(45)	47
Net cash provided by (used in) financing activities	<u>657</u>	<u>(1,663)</u>
Effect of exchange rate changes on cash and cash equivalents	(90)	(19)
Net increase in cash and cash equivalents	780	170
Cash and cash equivalents at beginning of year	2,899	2,729
Cash and cash equivalents at end of year	<u>\$ 3,679</u>	<u>\$ 2,899</u>

Segment Results

The following tables summarize segment revenue for the three and twelve months ended March 31, 2020 as compared to the three and twelve months ended March 31, 2019:

Segment Revenue

(in millions)	Three Months Ended			% Change in Constant Currency
	March 31, 2020	March 31, 2019	% Change	
GBS	\$ 2,308	\$ 2,191	5.3 %	7.3 %
GIS	2,507	3,089	(18.8)%	(16.9)%
Total Revenues	<u>\$ 4,815</u>	<u>\$ 5,280</u>	(8.8)%	(6.9)%

Segment Revenue

(in millions)	Twelve Months Ended			% Change in Constant Currency
	March 31, 2020	March 31, 2019	% Change	
GBS	\$ 9,111	\$ 8,684	4.9 %	7.0 %
GIS	10,466	12,069	(13.3)%	(11.1)%
Total Revenues	<u>\$ 19,577</u>	<u>\$ 20,753</u>	(5.7)%	(3.5)%

Segment Profit

We define segment profit as 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). The Company does not allocate to its segments certain operating expenses managed at the corporate level. These unallocated costs include certain corporate function costs, stock-based compensation expense, pension and OPEB actuarial and settlement gains and losses, restructuring costs, transaction, separation and integration-related costs, goodwill impairment and amortization of acquired intangible assets.

Segment Profit

(in millions)	Three Months Ended		Twelve Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
GBS profit	\$ 223	\$ 447	\$ 1,301	\$ 1,645
GIS profit	192	436	1,007	1,911
All other loss	(63)	(56)	(247)	(287)
Interest income	35	36	165	128
Interest expense	(95)	(85)	(383)	(334)
Restructuring costs	(4)	(47)	(252)	(465)
Transaction, separation and integration-related costs	(92)	(96)	(318)	(401)
Amortization of acquired intangibles	(148)	(138)	(583)	(539)
Goodwill impairment losses	(3,854)	—	(6,794)	—
Gain on arbitration award	—	—	632	—
Pension and OPEB actuarial and settlement gains (losses)	244	(143)	244	(143)
(Loss) income from continuing operations before taxes	<u>\$ (3,562)</u>	<u>\$ 354</u>	<u>\$ (5,228)</u>	<u>\$ 1,515</u>
Segment profit margins				
GBS	9.7%	20.4%	14.3%	18.9%
GIS	7.7%	14.1%	9.6%	15.8%

Non-GAAP Financial Measures

We present non-GAAP financial measures of performance which are derived from the statements of operations of DXC. These non-GAAP financial measures include earnings before interest and taxes ("EBIT"), EBIT margin, adjusted EBIT, adjusted EBIT margin, non-GAAP income before income taxes, non-GAAP net income, non-GAAP 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. 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 targets.

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 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 report. 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.

Reconciliation of Non-GAAP Financial Measures

Non-GAAP adjustments to our performance measures include:

- Restructuring costs - reflects restructuring costs, net of reversals, related to workforce optimization and real estate charges.
- Transaction, separation and integration-related costs - reflects costs related to integration planning, financing, and advisory fees associated with the HPES merger and other acquisitions and costs related to the separation of USPS.
- Amortization of acquired intangible assets - reflects amortization of intangible assets acquired through business combinations.

- Goodwill impairment losses - reflects impairment losses on goodwill.
- Gain on arbitration award - reflects a gain related to the HPES merger arbitration award.
- Pension and OPEB actuarial and settlement gains and losses - reflects pension and OPEB actuarial and settlement gains and losses.
- Tax adjustment - Fiscal 2020 includes the impact of an adjustment to the Transition Tax and tax liabilities related to prior restructuring charges. Fiscal 2019 reflects the estimated non-recurring benefit of the Tax Cuts and Jobs Act of 2017. Fiscal 2018 reflects the application of an approximate 28% tax rate, which is within the targeted effective tax rate range for fiscal year 2018. Income tax expense of other non-GAAP adjustments is computed by applying the jurisdictional tax rate to the pre-tax adjustments on a jurisdictional basis.

EBIT and Adjusted EBIT

Reconciliations of net income to adjusted EBIT are as follows:

(in millions)	Three Months Ended		Twelve Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Net (loss) income	\$ (3,501)	\$ 271	\$ (5,358)	\$ 1,262
Income from discontinued operations, net of taxes	—	—	—	(35)
Income tax (benefit) expense	(61)	83	130	288
Interest income	(35)	(36)	(165)	(128)
Interest expense	95	85	383	334
EBIT	(3,502)	403	(5,010)	1,721
Restructuring costs	4	47	252	465
Transaction, separation and integration-related costs	92	96	318	401
Amortization of acquired intangible assets	148	138	583	539
Goodwill impairment losses	3,854	—	6,794	—
Gain on arbitration award	—	—	(632)	—
Pension and OPEB actuarial and settlement (gains) losses	(244)	143	(244)	143
Adjusted EBIT	\$ 352	\$ 827	\$ 2,061	\$ 3,269
Adjusted EBIT margin	7.3 %	15.7%	10.5 %	15.8%
EBIT margin	(72.7)%	7.6%	(25.6)%	8.3%

Adjusted Free Cash Flow

A reconciliation of net cash provided by operating activities to adjusted free cash flow is as follows:

(in millions)	Three Months Ended	Twelve Months Ended
	March 31, 2020	March 31, 2020
Net cash provided by operating activities	\$ 288	\$ 2,350
Net cash used in investing activities ⁽¹⁾	(53)	(2,100)
Acquisitions, net of cash acquired	—	1,997
Payments on capital leases and other long-term asset financings	(219)	(865)
Payments on transaction, separation and integration-related costs	54	257
Payments on restructuring costs	61	334
Gain on arbitration award	—	(632)
Adjusted free cash flow	<u>\$ 131</u>	<u>\$ 1,341</u>

⁽¹⁾ Excludes short-term investments.

Non-GAAP Results

A reconciliation of reported results to non-GAAP results is as follows:

Three Months Ended March 31, 2020								
(in millions, except per-share amounts)	As Reported	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Goodwill Impairment Losses	Pension and OPEB Actuarial and Settlement Gains	Tax Adjustment	Non-GAAP Results
Costs of services (excludes depreciation and amortization and restructuring costs)	\$ 3,773	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,773
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	536	—	(92)	—	—	—	—	444
(Loss) income from continuing operations, before taxes	\$ (3,562)	\$ 4	\$ 92	\$ 148	\$ 3,854	\$ (244)	\$ —	\$ 292
Income tax (benefit) expense	(61)	2	20	34	42	(51)	6	(8)
Net (loss) income	\$ (3,501)	\$ 2	\$ 72	\$ 114	\$ 3,812	\$ (193)	\$ (6)	\$ 306
Less: net loss attributable to noncontrolling interest, net of tax	(6)	—	—	—	—	—	—	(6)
Net (loss) income attributable to DXC common stockholders	\$ (3,495)	\$ 2	\$ 72	\$ 114	\$ 3,812	\$ (193)	\$ (6)	\$ 306
Effective tax rate	1.7%							(2.7)%
Basic EPS	\$ (13.79)	\$ 0.01	\$ 0.28	\$ 0.45	\$ 15.04	\$ (0.76)	\$ (0.02)	\$ 1.21
Diluted EPS	\$ (13.79)	\$ 0.01	\$ 0.28	\$ 0.45	\$ 15.00	\$ (0.76)	\$ (0.02)	\$ 1.20
Weighted average common shares outstanding for:								
Basic EPS	253.51	253.51	253.51	253.51	253.51	253.51	253.51	253.51
Diluted EPS	253.51	254.14	254.14	254.14	254.14	254.14	254.14	254.14

Twelve Months Ended March 31, 2020

(in millions, except per-share amounts)	As Reported	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 Costs	Tax Adjustment	Non-GAAP Results
Costs of services (excludes depreciation and amortization and restructuring costs)	\$ 14,901	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 14,901
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	2,050	—	(318)	—	—	—	—	—	1,732
(Loss) income from continuing operations, before taxes	\$ (5,228)	\$ 252	\$ 318	\$ 583	\$ 6,794	\$ (632)	\$ (244)	\$ —	\$ 1,843
Income tax expense (benefit)	130	44	63	133	95	—	(51)	(33)	381
Net (loss) income	\$ (5,358)	\$ 208	\$ 255	\$ 450	\$ 6,699	\$ (632)	\$ (193)	\$ 33	\$ 1,462
Less: net income attributable to noncontrolling interest, net of tax	11	—	—	—	—	—	—	—	11
Net (loss) income attributable to DXC common stockholders	\$ (5,369)	\$ 208	\$ 255	\$ 450	\$ 6,699	\$ (632)	\$ (193)	\$ 33	\$ 1,451
Effective tax rate	(2.5)%								20.7%
Basic EPS	\$ (20.76)	\$ 0.80	\$ 0.99	\$ 1.74	\$ 25.91	\$ (2.44)	\$ (0.75)	\$ 0.13	\$ 5.61
Diluted EPS	\$ (20.76)	\$ 0.80	\$ 0.98	\$ 1.73	\$ 25.78	\$ (2.43)	\$ (0.74)	\$ 0.13	\$ 5.58
Weighted average common shares outstanding for:									
Basic EPS	258.57	258.57	258.57	258.57	258.57	258.57	258.57	258.57	258.57
Diluted EPS	258.57	259.81	259.81	259.81	259.81	259.81	259.81	259.81	259.81

Three Months Ended March 31, 2019

(in millions, except per-share amounts)	As Reported	Restructuring Costs	Transaction, Separation and Integration- Related Costs	Amortization of Acquired Intangible Assets	Pension and OPEB Actuarial and Settlement Losses	Non-GAAP Results
Costs of services (excludes depreciation and amortization and restructuring costs)	\$ 3,836	\$ —	\$ —	\$ —	\$ —	\$ 3,836
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	459	—	(96)	—	—	363
Income from continuing operations, before taxes	\$ 354	\$ 47	\$ 96	\$ 138	\$ 143	\$ 778
Income tax expense	83	12	30	37	27	189
Income from continuing operations	\$ 271	\$ 35	\$ 66	\$ 101	\$ 116	\$ 589
Income from discontinued operations, net of taxes	—	—	—	—	—	—
Net income	\$ 271	\$ 35	\$ 66	\$ 101	\$ 116	\$ 589
Less: net loss attributable to noncontrolling interest, net of tax	(3)	—	—	—	—	(3)
Net income attributable to DXC common stockholders	\$ 274	\$ 35	\$ 66	\$ 101	\$ 116	\$ 592
Effective tax rate	23.4%					24.3%
Basic EPS	\$ 1.02	\$ 0.13	\$ 0.25	\$ 0.38	\$ 0.43	\$ 2.20
Diluted EPS	\$ 1.01	\$ 0.13	\$ 0.24	\$ 0.37	\$ 0.43	\$ 2.19
Weighted average common shares outstanding for:						
Basic EPS	268.59	268.59	268.59	268.59	268.59	268.59
Diluted EPS	270.82	270.82	270.82	270.82	270.82	270.82

Twelve Months Ended March 31, 2019

(in millions, except per-share amounts)	As Reported	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Pension and OPEB Actuarial and Settlement Losses	Tax Adjustment	Non-GAAP Results
Costs of services (excludes depreciation and amortization and restructuring costs)	\$ 14,946	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 14,946
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	1,959	—	(401)	—	—	—	1,558
Income from continuing operations, before taxes	\$ 1,515	\$ 465	\$ 401	\$ 539	\$ 143	\$ —	\$ 3,063
Income tax expense	288	112	102	138	27	44	711
Income from continuing operations	\$ 1,227	\$ 353	\$ 299	\$ 401	\$ 116	\$ (44)	\$ 2,352
Income from discontinued operations, net of taxes	35	—	—	—	—	—	35
Net income	\$ 1,262	\$ 353	\$ 299	\$ 401	\$ 116	\$ (44)	\$ 2,387
Less: net income attributable to noncontrolling interest, net of tax	5	—	—	—	—	—	5
Net income attributable to DXC common stockholders	\$ 1,257	\$ 353	\$ 299	\$ 401	\$ 116	\$ (44)	\$ 2,382
Effective Tax Rate	19.0%						23.2%
Basic EPS	\$ 4.40	\$ 1.27	\$ 1.08	\$ 1.44	\$ 0.42	\$ (0.16)	\$ 8.46
Diluted EPS	\$ 4.35	\$ 1.25	\$ 1.06	\$ 1.42	\$ 0.41	\$ (0.16)	\$ 8.34
Weighted average common shares outstanding for:							
Basic EPS	277.54	277.54	277.54	277.54	277.54	277.54	277.54
Diluted EPS	281.43	281.43	281.43	281.43	281.43	281.43	281.43