

Condensed Consolidated Statements of Operations

(preliminary and unaudited)

(in millions, except per-share amounts)	Three Months Ended		Nine Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Revenues	\$ 4,288	\$ 5,021	\$ 13,344	\$ 14,762
Costs of services	3,333	3,827	10,525	11,128
Selling, general and administrative	517	518	1,595	1,514
Depreciation and amortization	475	479	1,492	1,416
Goodwill impairment losses	—	53	—	2,940
Restructuring costs	104	74	441	248
Interest expense	82	93	284	288
Interest income	(28)	(33)	(76)	(130)
Gain on dispositions of businesses	(2,046)	—	(2,046)	—
Gain on arbitration award	—	—	—	(632)
Other income, net	(127)	(117)	(318)	(344)
Total costs and expenses	2,310	4,894	11,897	16,428
Income (loss) before income taxes	1,978	127	1,447	(1,666)
Income tax expense	875	37	789	191
Net income (loss)	1,103	90	658	(1,857)
Less: net income attributable to non-controlling interest, net of tax	5	8	9	17
Net income (loss) attributable to DXC common stockholders	\$ 1,098	\$ 82	\$ 649	\$ (1,874)
Earnings (loss) per common share:				
Basic	\$ 4.32	\$ 0.32	\$ 2.55	\$ (7.20)
Diluted	\$ 4.29	\$ 0.32	\$ 2.54	\$ (7.20)
Cash dividend per common share	\$ —	\$ 0.21	\$ —	\$ 0.63
Weighted average common shares outstanding for:				
Basic EPS	254.32	255.09	254.03	260.24
Diluted EPS	255.75	256.05	255.20	260.24

Selected Consolidated Balance Sheet Data

(preliminary and unaudited)

(in millions)	As of	
	December 31, 2020	March 31, 2020
Assets		
Cash and cash equivalents	\$ 3,919	\$ 3,679
Receivables, net	4,130	4,392
Prepaid expenses	586	646
Other current assets	470	270
Total current assets	9,105	8,987
Intangible assets, net	4,019	5,731
Operating right-of-use assets, net	1,459	1,428
Goodwill	736	2,017
Deferred income taxes, net	315	265
Property and equipment, net	3,321	3,547
Other assets	4,679	4,031
Total Assets	\$ 23,634	\$ 26,006
Liabilities		
Short-term debt and current maturities of long-term debt	\$ 795	\$ 1,276
Accounts payable	852	1,598
Accrued payroll and related costs	741	630
Current operating lease liabilities	450	482
Accrued expenses and other current liabilities	3,285	2,801
Deferred revenue and advance contract payments	1,102	1,021
Income taxes payable	1,045	87
Total current liabilities	8,270	7,895
Long-term debt, net of current maturities	5,444	8,672
Non-current deferred revenue	666	735
Non-current operating lease liabilities	1,113	1,063
Non-current income tax liabilities and deferred tax liabilities	792	1,157
Other long-term liabilities	1,354	1,355
Total Liabilities	17,639	20,877
Total Equity	5,995	5,129
Total Liabilities and Equity	\$ 23,634	\$ 26,006

Condensed Consolidated Statements of Cash Flows
(preliminary and unaudited)

(in millions)	Nine Months Ended	
	December 31, 2020	December 31, 2019
Cash flows from operating activities:		
Net income (loss)	\$ 658	\$ (1,857)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,506	1,429
Goodwill impairment losses	—	2,940
Operating right-of-use expense	463	506
Pension and other post-employment benefits, actuarial and settlement losses	2	—
Share-based compensation	42	57
Deferred taxes	(319)	(28)
(Gain) loss on dispositions	(2,023)	6
Provision for losses on accounts receivable	52	—
Unrealized foreign currency exchange (gain) loss	(60)	14
Impairment losses and contract write-offs	68	20
Other non-cash charges, net	(2)	(13)
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Decrease in assets	88	141
Decrease in operating lease liability	(463)	(506)
Increase (decrease) in other liabilities	392	(647)
Net cash provided by operating activities	404	2,062
Cash flows from investing activities:		
Purchases of property and equipment	(215)	(240)
Payments for transition and transformation contract costs	(189)	(220)
Software purchased and developed	(209)	(178)
Payments for acquisitions, net of cash acquired	(10)	(1,997)
Business dispositions	4,942	—
Cash collections related to deferred purchase price receivable	159	513
Proceeds from sale of assets	27	55
Short-term investing	—	(75)
Other investing activities, net	(5)	20
Net cash provided by (used in) investing activities	4,500	(2,122)
Cash flows from financing activities:		
Borrowings of commercial paper	854	4,010
Repayments of commercial paper	(1,327)	(3,893)
Borrowings under lines of credit	2,500	—
Repayment of borrowings under lines of credit	(4,000)	—
Borrowings on long-term debt, net of discount	993	2,198
Principal payments on long-term debt	(2,926)	(1,029)
Payments on finance leases and borrowings for asset financing	(694)	(646)
Proceeds from stock options and other common stock transactions	1	11
Taxes paid related to net share settlements of share-based compensation awards	(5)	(15)
Repurchase of common stock and advance payment for accelerated share repurchase	—	(736)
Dividend payments	(53)	(161)
Other financing activities, net	(14)	(44)
Net cash used in financing activities	(4,671)	(305)
Effect of exchange rate changes on cash and cash equivalents	20	26
Net increase (decrease) in cash and cash equivalents including cash classified within current assets held for sale	253	(339)
Less: cash classified within current assets held for sale	(13)	—
Net increase (decrease) in cash and cash equivalents	240	(339)

Cash and cash equivalents at beginning of year	<u>3,679</u>	<u>2,899</u>
Cash and cash equivalents at end of period	<u>\$ 3,919</u>	<u>\$ 2,560</u>

Segment Results

The following table summarizes segment revenue for the third quarter and first nine months of fiscal 2021 and 2020:

Segment Revenue

(in millions)	Three Months Ended		Percentage Change		
	December 31, 2020	December 31, 2019	Actual	Constant Currency	Organic
Global Business Services	\$ 1,921	\$ 2,359	(18.6)%	(20.8)%	(7.0)%
Global Infrastructure Services	2,367	2,662	(11.1)%	(13.5)%	(13.2)%
Total Revenues	\$ 4,288	\$ 5,021	(14.6)%	(16.9)%	(10.5)%

(in millions)	Nine Months Ended		Percentage Change		
	December 31, 2020	December 31, 2019	Actual	Constant Currency	Organic
Global Business Services	\$ 6,337	\$ 6,803	(6.8)%	(7.6)%	(7.4)%
Global Infrastructure Services	7,007	7,959	(12.0)%	(12.5)%	(12.6)%
Total Revenues	\$ 13,344	\$ 14,762	(9.6)%	(10.2)%	(10.5)%

We define segment profit as segment revenues 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, and amortization of acquired intangible assets.

Segment Profit

(in millions)	Three Months Ended		Nine Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Profit				
GBS profit	\$ 273	\$ 353	\$ 805	\$ 1,078
GIS profit	88	232	147	815
All other loss	(61)	(57)	(179)	(184)
Interest income	28	33	76	130
Interest expense	(82)	(93)	(284)	(288)
Restructuring costs	(104)	(74)	(441)	(248)
Transaction, separation and integration-related costs	(96)	(68)	(307)	(226)
Amortization of acquired intangible assets	(114)	(146)	(414)	(435)
Gain on disposition of businesses	2,046	—	2,046	—
Pension and OPEB actuarial and settlement losses	—	—	(2)	—
Goodwill impairment losses	—	(53)	—	(2,940)
Gain on arbitration award	—	—	—	632
Income (loss) before income taxes	\$ 1,978	\$ 127	\$ 1,447	\$ (1,666)

Segment profit margins

GBS	14.2 %	15.0 %	12.7 %	15.8 %
GIS	3.7 %	8.7 %	2.1 %	10.2 %

Reconciliation of Non-GAAP Financial Measures

Our non-GAAP adjustments include:

- Restructuring costs - reflects costs, net of reversals, related to workforce optimization and real estate charges.
- Transaction, separation and integration-related (“TSI”) costs - reflects costs to execute on strategic alternatives, 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 and other divestitures.⁽¹⁾
- Amortization of acquired intangible assets - reflects amortization of intangible assets acquired through business combinations.
- Gain on disposition of businesses - Reflects gains and losses related to sales of businesses
- Pension and OPEB actuarial and settlement gains and losses - reflects pension and OPEB actuarial and settlement gains and losses.
- Goodwill impairment losses - reflects impairment losses on goodwill.
- Gain on arbitration award - reflects a gain related to the HPES merger arbitration award.
- Tax adjustment - for fiscal 2021 periods, reflects the impact of tax entries related to prior restructuring charges and an adjustment to the tax expense relating to USPS, and for fiscal 2020 periods, reflects the impact of tax entries related to prior restructuring charges. Income tax expense of non-GAAP adjustments is computed by applying the jurisdictional tax rate to the pre-tax adjustments on a jurisdictional basis.

⁽¹⁾ TSI-Related Costs for all periods presented include fees and other internal and external 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.

The TSI-Related Costs for Q3 FY21 include \$77 million of costs to execute the strategic alternatives (including \$52M for the sale of HHS which closed in October 2020 and \$23M for the sale of the healthcare software business which is expected to close later this year); \$7 million in expenses related to integration projects resulting from the CSC – HPE ES merger (including costs associated with continuing efforts to separate certain IT systems) and \$12 million of costs incurred in connection with activities related to other acquisitions and divestitures.

Organic Revenue Non-GAAP Reconciliation

(in millions)	Three Months Ended						Percentage Change		
	December 31, 2020			December 31, 2019			GBS	GIS	Total
	GBS	GIS	Total	GBS	GIS	Total			
Revenues	\$ 1,921	\$ 2,367	\$ 4,288	\$ 2,359	\$ 2,662	\$ 5,021	(18.6)%	(11.1)%	(14.6)%
Impact of foreign currency	(53)	(65)	(118)	—	—	—	(2.2)%	(2.4)%	(2.3)%
Revenues in constant currency	1,868	2,302	4,170	2,359	2,662	5,021	(20.8)%	(13.5)%	(16.9)%
Impact of acquisitions and divestitures	(7)	(6)	(13)	(358)	(17)	(375)	13.8%	0.3%	6.4%
Organic revenues	\$ 1,861	\$ 2,296	\$ 4,157	\$ 2,001	\$ 2,645	\$ 4,646	(7.0)%	(13.2)%	(10.5)%

(in millions)	Nine Months Ended								
	December 31, 2020			December 31, 2019			Percentage Change		
	GBS	GIS	Total	GBS	GIS	Total	GBS	GIS	Total
Revenues	\$ 6,337	\$ 7,007	\$ 13,344	\$ 6,803	\$ 7,959	\$ 14,762	(6.8)%	(12.0)%	(9.6)%
Impact of foreign currency	(50)	(45)	(95)	—	—	—	(0.8)%	(0.5)%	(0.6)%
Revenues in constant currency	6,287	6,962	13,249	6,803	7,959	14,762	(7.6)%	(12.5)%	(10.2)%
Impact of acquisitions and divestitures	(994)	(37)	(1,031)	(1,085)	(32)	(1,117)	0.2%	(0.1)%	(0.3)%
Organic revenues	\$ 5,293	\$ 6,925	\$ 12,218	\$ 5,718	\$ 7,927	\$ 13,645	(7.4)%	(12.6)%	(10.5)%

EBIT and Adjusted EBIT

A reconciliation of net loss to EBIT and adjusted EBIT is as follows:

(in millions)	Three Months Ended		Nine Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Net income (loss)	\$ 1,103	\$ 90	\$ 658	\$ (1,857)
Income tax expense	875	37	789	191
Interest income	(28)	(33)	(76)	(130)
Interest expense	82	93	284	288
EBIT	2,032	187	1,655	(1,508)
Restructuring costs	104	74	441	248
Transaction, separation, and integration-related costs	96	68	307	226
Amortization of acquired intangible assets	114	146	414	435
Gain on disposition of businesses	(2,046)	—	(2,046)	—
Pension and OPEB actuarial and settlement losses	—	—	2	—
Goodwill impairment losses	—	53	—	2,940
Gain on arbitration award	—	—	—	(632)
Adjusted EBIT	\$ 300	\$ 528	\$ 773	\$ 1,709
Adjusted EBIT margin	7.0 %	10.5 %	5.8 %	11.6 %
EBIT margin	47.4 %	3.7 %	12.4 %	(10.2)%

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 December 31, 2020	Nine Months Ended December 31, 2020
Net cash (used in) provided by operating activities	\$ (187)	\$ 404
Net cash provided by investing activities ⁽¹⁾	4,734	4,500
Acquisitions, net of cash acquired	—	10
Business dispositions	(4,942)	(4,942)
Payments on capital leases and other long-term asset financings	(207)	(694)
Payments on transaction, separation and integration-related costs	135	304
Payments on restructuring costs	149	309
Adjusted free cash flow	\$ (318)	\$ (109)

⁽¹⁾ Excludes short-term investments.

Non-GAAP Results

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

		Three Months Ended December 31, 2020						
(in millions, except per-share amounts)	As Reported	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Gain on Disposition of Businesses	Non-GAAP Results		
Costs of services (excludes depreciation and amortization and restructuring costs)	\$ 3,333	\$ —	\$ —	\$ —	\$ —	\$ 3,333		
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	517	—	(96)	—	—	421		
Income (loss) before income taxes	1,978	104	96	114	(2,046)	246		
Income tax expense (benefit)	875	11	16	26	(903)	25		
Net income (loss)	1,103	93	80	88	(1,143)	221		
Less: net income attributable to non-controlling interest, net of tax	5	—	—	—	—	5		
Net income (loss) attributable to DXC common stockholders	\$ 1,098	\$ 93	\$ 80	\$ 88	\$ (1,143)	\$ 216		
Effective tax rate	44.2 %						10.2 %	
Basic EPS	\$ 4.32	\$ 0.37	\$ 0.31	\$ 0.35	\$ (4.49)	\$ 0.85		
Diluted EPS	\$ 4.29	\$ 0.36	\$ 0.31	\$ 0.34	\$ (4.47)	\$ 0.84		
Weighted average common shares outstanding for:								
Basic EPS	254.32	254.32	254.32	254.32	254.32	254.32	254.32	
Diluted EPS	255.75	255.75	255.75	255.75	255.75	255.75	255.75	
		Nine Months Ended December 31, 2020						
(in millions, except per-share amounts)	As Reported	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Gain on Disposition of Businesses	Pension and OPEB Actuarial and Settlement Losses	Tax Adjustment	Non-GAAP Results
Costs of services (excludes depreciation and amortization and restructuring costs)	\$ 10,525	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 10,525
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	1,595	—	(314)	—	—	—	—	1,281
Income (loss) before income taxes	1,447	441	307	414	(2,046)	2	—	565
Income tax expense (benefit)	789	75	70	95	(903)	—	(2)	124
Net income (loss)	658	366	237	319	(1,143)	2	2	441
Less: net income attributable to non-controlling interest, net of tax	9	—	—	—	—	—	—	9
Net income (loss) attributable to DXC common stockholders	\$ 649	\$ 366	\$ 237	\$ 319	\$ (1,143)	\$ 2	\$ 2	\$ 432
Effective tax rate	54.5 %							21.9 %
Basic EPS	\$ 2.55	\$ 1.44	\$ 0.93	\$ 1.26	\$ (4.50)	\$ 0.01	\$ 0.01	\$ 1.70
Diluted EPS	\$ 2.54	\$ 1.43	\$ 0.93	\$ 1.25	\$ (4.48)	\$ 0.01	\$ 0.01	\$ 1.69
Weighted average common shares outstanding for:								
Basic EPS	254.03	254.03	254.03	254.03	254.03	254.03	254.03	254.03
Diluted EPS	255.20	255.20	255.20	255.20	255.20	255.20	255.20	255.20

Three Months Ended December 31, 2019

(in millions, except per-share amounts)	As Reported	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Goodwill Impairment Losses	Tax Adjustment	Non-GAAP Results
Costs of services (excludes depreciation and amortization and restructuring costs)	\$ 3,827	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,827
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	518	—	(68)	—	—	—	450
Income before income taxes	127	74	68	146	53	—	468
Income tax expense (benefit)	37	10	16	34	53	(10)	140
Net income	90	64	52	112	—	10	328
Less: net income attributable to non-controlling interest, net of tax	8	—	—	—	—	—	8
Net income attributable to DXC common stockholders	<u>\$ 82</u>	<u>\$ 64</u>	<u>\$ 52</u>	<u>\$ 112</u>	<u>\$ —</u>	<u>\$ 10</u>	<u>\$ 320</u>

Effective Tax Rate 29.1 % 29.9 %

Basic EPS	\$ 0.32	\$ 0.25	\$ 0.20	\$ 0.44	\$ —	\$ 0.04	\$ 1.25
Diluted EPS	\$ 0.32	\$ 0.25	\$ 0.20	\$ 0.44	\$ —	\$ 0.04	\$ 1.25

Weighted average common shares outstanding for:

Basic EPS	255.09	255.09	255.09	255.09	255.09	255.09	255.09
Diluted EPS	256.05	256.05	256.05	256.05	256.05	256.05	256.05

Nine Months Ended December 31, 2019

(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	Tax Adjustment	Non-GAAP Results
Costs of services (excludes depreciation and amortization and restructuring costs)	\$ 11,128	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 11,128
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	1,514	—	(226)	—	—	—	—	1,288
(Loss) income before income taxes	(1,666)	248	226	435	2,940	(632)	—	1,551
Income tax expense (benefit)	191	42	43	99	53	—	(39)	389
Net (loss) income	(1,857)	206	183	336	2,887	(632)	39	1,162
Less: net income attributable to non-controlling interest, net of tax	17	—	—	—	—	—	—	17
Net (loss) income attributable to DXC common stockholders	<u>\$ (1,874)</u>	<u>\$ 206</u>	<u>\$ 183</u>	<u>\$ 336</u>	<u>\$ 2,887</u>	<u>\$ (632)</u>	<u>\$ 39</u>	<u>\$ 1,145</u>

Effective Tax Rate (11.5)% 25.1 %

Basic EPS	\$ (7.20)	\$ 0.79	\$ 0.70	\$ 1.29	\$ 11.09	\$ (2.43)	\$ 0.15	\$ 4.40
Diluted EPS	\$ (7.20)	\$ 0.79	\$ 0.70	\$ 1.28	\$ 11.03	\$ (2.42)	\$ 0.15	\$ 4.38

Weighted average common shares outstanding for:

Basic EPS	260.24	260.24	260.24	260.24	260.24	260.24	260.24	260.24
Diluted EPS	260.24	261.69	261.69	261.69	261.69	261.69	261.69	261.69

The above tables serve to reconcile the Non-GAAP financial measures to the most directly comparable GAAP measures. Please refer to the “About Non-GAAP Financial Measures” section of our press release for further information on the use of these Non-GAAP measures.