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# EDITED TRANSCRIPT

DXC.N - DXC Technology Co Announces Company Management Changes - Conference Call

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## OVERVIEW:

Co. announced the election of Mike Salvino as President and CEO effective 09/11/2019.



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### CORPORATE PARTICIPANTS

**John Michael Lawrie** *DXC Technology Company - Chairman*

**Jonathan Ford** *DXC Technology Company - Head of IR*

**Michael J. Salvino** *DXC Technology Company - CEO, President & Director*

**Paul N. Saleh** *DXC Technology Company - Executive VP & CFO*

### CONFERENCE CALL PARTICIPANTS

**Darrin David Peller** *Wolfe Research, LLC - MD & Senior Analyst*

**Edward Stephen Caso** *Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst*

**Jason Alan Kupferberg** *BofA Merrill Lynch, Research Division - MD in US Equity Research & Senior Analyst*

**Joseph Dean Foresi** *Cantor Fitzgerald & Co., Research Division - Analyst*

**Rayna Kumar** *Evercore ISI Institutional Equities, Research Division - MD*

### PRESENTATION

#### Operator

Good day, ladies and gentlemen. Welcome to the DXC Technology leadership announcement. This program is being recorded. At this time, I would like to hand things over to Mr. Jonathan Ford. Please go ahead, sir.

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**Jonathan Ford** - *DXC Technology Company - Head of IR*

Thank you, and good afternoon, everyone. Our speakers on today's call will be Mike Lawrie, our Chairman; Mike Salvino, our President and CEO; and Paul Saleh, our Chief Financial Officer.

The call is being webcast at [dxc.com/investorrelations](http://dxc.com/investorrelations). Certain comments we make on the call today will be forward looking. These statements are subject to known and unknown risks and uncertainties, which could cause actual results to differ materially from those expressed on the call. A discussion of risks and uncertainties is included in our annual report on Form 10-K and other SEC filings. I'd like to remind our listeners that DXC Technology assumes no obligation to update the information presented on the call except as required by law.

And now I'd like to introduce DXC Technology's Chairman, Mike Lawrie. Mike?

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**John Michael Lawrie** - *DXC Technology Company - Chairman*

Okay. Good afternoon, everyone, and thank you for joining us. As you've seen this afternoon, DXC announced the election of Mike Salvino as President and CEO effective today, and I'll continue in my role as Chairman of the Board until I retire at the end of the calendar year.

Now over the past year, the Board and I have been working together on a succession planning process. We engaged in a real methodical search for my successor, including both internal and external candidates. And we focused on executives with demonstrated experience delivering growth in large-scale services businesses. Now as part of that process, Mike Salvino joined our Board a few months ago, and I am pleased that he will be the new President and CEO of DXC. Mike is a terrific executive, and I look forward to working with him closely to ensure a smooth, orderly transition that is seamless as possible for our employees, our clients, our partners as well as our shareholders. And I'll talk more about Mike and our transition plan, but first, I'd just like to take a moment to thank the entire global DXC team for all their support and for what we have been able to accomplish together as a team.



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Over the last 7 years, it doesn't seem that long, but over the last 7 years, it's been my privilege to serve as the CEO and Chairman of both CSC and DXC Technology. Since we launched DXC a little over 2 years ago, we successfully integrated the CSC and HPES businesses and delivered on our synergy targets while establishing a strong foundation to build on. We've strengthened and focused our portfolio of assets through acquisitions such as Luxoft and Molina MMIS as well as through the spin-merge of our U.S. public sector business to form Perspecta. We've taken a brand that didn't exist 2.5 years ago and is now recognized as 1 of the leading brands in the IT services space. And we've also made investments in the business and our people, including digital talent, our digital transformation centers, industry-leading partnerships as well as such areas as Platform DXC and our Bionix automation program.

When we launched DXC, I talked about our strategy of helping clients on their digital transformation journeys. And over the last couple of years, we've executed on this strategy, and we're helping some of our largest clients modernize their IT environments and generate savings to fund their digital transformations. And we continue to believe this is the correct strategy.

Now we need to move faster and clients -- in helping clients accelerate the adoption of digital solutions to better serve their customers and better serve their employees. And as I said, I've been working with the Board for over the past year on a succession planning process. Now given the accelerated shift we're seeing in the market as well as the importance of DXC transitioning to growth, we believe that the time is right to transition to our next CEO. And today, it's my privilege to formally introduce you to the next President and CEO of DXC, Mike Salvino. And as I said, I've gotten to know Mike through the search process as well as his recent time on our Board of Directors. And I believe he's the right choice to lead DXC into the next phase of growth.

Now let me just share a couple of highlights about his background and his experience. Mike has more than 30 years of experience in the IT industry. From 2009 to 2016, he was the group Chief Executive of Accenture Operations, 100,000-plus person organization that he transformed to growth, including 20% revenue growth during his last year as chief executive. He established a strong track record bringing leading-edge technologies to market and building high-performing teams. And after leaving Accenture in 2016, he was Managing Director of Carrick Capital Partners, a private equity firm focused on the tech sector, where he specialized in high-growth areas such as cybersecurity and machine learning. At Carrick, Mike worked closely with CEOs, executive teams and boards of the firm's portfolio companies to help scale businesses and drive growth. Mike is a proven business leader with a strong track record leading companies to innovate and grow. And this makes him very well suited to lead DXC on its transition to growth.

And once again, I just want to sincerely thank the entire worldwide DXC organization for everything that they have accomplished. It's been an honor to serve as Chairman and CEO of this great company, and with that, I'd like to introduce DXC's next President and CEO, Mike Salvino.

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### **Michael J. Salvino** - DXC Technology Company - CEO, President & Director

Thanks, Mike, and I'd like to thank you for your leadership of DXC and all that you and your team have accomplished over the last few years. You've helped establish a strong foundation for us to build on, and I'm very excited to take on the role and to lead the company into the growth phase. Now for over the last 30 years, I've developed an operational playbook that drives sustainable growth. This playbook covers 3 main areas: We need to grow our people; We need to grow our clients; and we need to grow our business. And I'd like to talk a little bit about each one of those areas.

Growth of our people involves a strong focus on having the best talent to serve our clients and a strong focus on career progression and personal development. So we will make sure we provide an environment where we acknowledge, recognize and reward our people. Growth of our clients includes leading our clients through the digital transformation journeys. It also means helping them run their operations in an effective and silent manner. We have an enviable client base, industry-leading partnerships and all the capabilities that we need to help our clients rationalize and modernize their IT infrastructure and application portfolios. We can then use our advanced data analytics and machine learning capabilities to give our clients greater insights into their operations and help them drive better business outcomes.

By focusing on growing our people and delivering innovation solutions to our clients, we will be able to grow our business, expand our margins and create shareholder value. I'm very passionate about this because I've successfully executed this playbook several times over the last 30 years. I implemented it with Accenture Operations, which was 25% of the overall revenues of Accenture with 100,000 people globally. By the time I retired



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from Accenture Operations after leading the team for 7 years, we were clearly the market leader. We have built a business that consistently grew in double digits, and we provided an environment for our people where they were acknowledged, recognized and rewarded.

For the last 3 years, I've been investing in digital businesses, coaching CEOs in using this playbook to help them scale their businesses. I joined the DXC Board, and I'm taking the role of President and CEO because I'm excited about the future of this company. DXC has the right strategy of helping clients on their digital transformation journeys.

Over the coming weeks, I will be meeting with many of our top clients to identify opportunities to better serve them. I will also be meeting with our employees to listen to their ideas. Finally, I will review our operations, and I will be working with my leadership team, along with the Board, to take a fresh look of our businesses and make sure they are consistent with the overall strategy and my playbook. Again, Mike and his leadership team have done a great job of building the foundation to grow this business, and now it's time to execute on this growth opportunity.

With that, I'll hand it back to the operator for the question-and-answer session.

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### QUESTIONS AND ANSWERS

#### Operator

(Operator Instructions) We'll go first to Darrin Peller, Wolfe Research.

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#### **Darrin David Peller** - *Wolfe Research, LLC - MD & Senior Analyst*

All right. Well, first, I guess, Mike Lawrie, congrats on your retirement. And for Mike Salvino, I guess, maybe if you can just give us a sense of if there are -- number one, if there's anything you would have done differently over the last 12 months that you see that's potentially something you can implement to really make change happen at an expedited pace. And then I guess the follow-up question would be, do you also think there are assets within the DXC umbrella that make sense to either spin off or divest. Are you looking at strategic alternatives as well just given your background with both Accenture and private equity?

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#### **Michael J. Salvino** - *DXC Technology Company - CEO, President & Director*

So my focus will be on accelerating the execution of our strategy to drive growth, and the focus I will have is focusing on our people and the customers and the operational execution. Like I said, what I plan to do is take a fresh look at the businesses and map them to the overall strategy in my playbook.

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#### **Darrin David Peller** - *Wolfe Research, LLC - MD & Senior Analyst*

Okay. And then just on the strategic elements of maybe assets that are within the overall company, I know there are some of the IP industry assets we've talked about before. Do any of those look like they make sense to keep or not keep? I mean just curious if that's even still an option.

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#### **Michael J. Salvino** - *DXC Technology Company - CEO, President & Director*

Yes. I mean look, I think DXC has great assets. That's why I said I was so excited about the opportunity. And what I'm going to continue to do is look at the businesses and meet with our team along with the customers and continue to gather feedback and then like I said, map it to my playbook and along with our strategy.



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**Jonathan Ford** - *DXC Technology Company - Head of IR*

Operator, are you there? You guys give us a moment. It sounds like we've lost our operator. We'll try to get this resolved and come back.

(technical difficulty)

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**Operator**

Everyone, we apologize. We'll move next to Rayna Kumar, Evercore ISI.

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**Rayna Kumar** - *Evercore ISI Institutional Equities, Research Division - MD*

Congratulations to both Mikes. Is your September quarter and FY '20 guidance still intact?

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**Paul N. Saleh** - *DXC Technology Company - Executive VP & CFO*

Well, this is Paul. As a general rule, we do not provide interim performance updates within a quarter and -- but what I can tell you is that we're executing on the plan that we've been discussing with you previously, and we will be commenting on our progress on our next earnings call.

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**Rayna Kumar** - *Evercore ISI Institutional Equities, Research Division - MD*

Understood. And just as a follow-up, can you just discuss the main reasons of the CEO transition right now, just the timing of it?

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**John Michael Lawrie** - *DXC Technology Company - Chairman*

Yes. Listen, this is Mike. This goes back over a year. And we -- I went to the Board last August and suggested that I wanted to retire and that I wanted to try to retire towards the end of the summer of this year. And the Board, as I earlier commented, put a very thorough succession process in place and we got to the candidate that we thought was ideally suited to lead the next phase of DXC, done a lot of work, taken a lot of costs out. We've got -- made a lot of acquisitions, and we've got a digital business that's growing very rapidly. So we wanted to take that next step, and we wanted the right person. We got the right person. And he was ready. I was ready, and we felt that now was the perfect time to make that transition. And these transitions, as you know, take a little time. It's -- and I'm going to be working with Mike very closely over the next months, fully moving down the learning curve and looking at different alternatives we have as he examines the businesses and make sure those businesses fit the strategy. So that's work that can't wait, and we felt that now was the time to embark on that.

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**Michael J. Salvino** - *DXC Technology Company - CEO, President & Director*

It was also a very pivotal time, right, with our company, where Mike has done a great job putting together CSC and HP. He's also made some very nice strategic acquisitions in things like Luxoft. So being able to put Phase 1, as I call it, behind us and move to Phase 2, which is the focus on growth, this is an ideal time to get on with that program and also accelerate our strategy.

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**Operator**

Our next question will come from Joseph Foresi, Cantor Fitzgerald.



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**Joseph Dean Foresi** - *Cantor Fitzgerald & Co., Research Division - Analyst*

Can you hear me okay? So just 2 quick ones here. Mike, for you, one of the challenges for the business is reaccelerating growth. I know you're just taking the reins now. But any early thoughts on how to generate some accelerated growth, particularly in the digital business? And then secondly, as you might remember, we first started chatting when you took over Accenture's BPO business. Maybe you could talk about some of the strategies in that playbook that you plan on bringing on over to DXC. And Mike, congratulations on the -- headed to retirement.

**Michael J. Salvino** - *DXC Technology Company - CEO, President & Director*

So back to your 2 questions. First of all, it starts with the client base, the installed base. That is an enviable list of customers that we need to make sure that we are all over and operating from an execution standpoint in a silent running basis. So you asked about how I turned the BPO business from a legacy business to a growth platform. The first one was that getting that business to silent running, then on top of that, that basically gives you the confidence with the client to take the next step, which would be, in this case, move to the cloud, which DXC has outstanding cloud capabilities. Then the next step, as you know on the BPO journey, was to get us to be able to harvest that data through analytics and machine learning, again, a solid capability here at DXC to provide those additional insights to our clients to drive increased revenue or further decrease their cost. That was a differentiated playbook than it is now. And I'm very confident that we can run that playbook here, and I'm actually looking forward to doing it.

**Operator**

Next up, we'll hear from Jason Kupferberg, Bank of America Merrill Lynch.

**Jason Alan Kupferberg** - *BofA Merrill Lynch, Research Division - MD in US Equity Research & Senior Analyst*

I just had a question for Mike Salvino. Mike, I'm just wondering, just given how long you were at Accenture and how successful you were there, are there kind of an initial set of clients that you have in mind that maybe DXC has not been able to penetrate to date where, based on your legacy relationships, you can actually start opening some new doors sooner rather than later?

**Michael J. Salvino** - *DXC Technology Company - CEO, President & Director*

Yes. In terms of -- look, in terms of that, my primary focus right out of the shoot will be, all right, that existing customer base, which I think is incredibly important to DXC. Of course, I'm going to use my relationships in the industry along with working with my talented leadership team to penetrate as many new clients as we can. But right now, right, the focus will be on our existing clients, growing those new ones, getting them into the digital transformation journey and then obviously, getting new logos as best we can.

**Jason Alan Kupferberg** - *BofA Merrill Lynch, Research Division - MD in US Equity Research & Senior Analyst*

Right. Right. And then I guess what's just your philosophy when it comes to longer-term guidance? I mean this is a company that's been in the habit of having 3-year rolling targets out there for a while. And there were some new targets put out there. I guess it was last November. I mean should we expect another Analyst Day at some point where those targets get refreshed? Or are you not going to be in the business of giving 3-year targets? Just what's your philosophy and approach in that regard?

**Michael J. Salvino** - *DXC Technology Company - CEO, President & Director*

So this is day 1, and what I'm going to do is continually work with Paul, right, and along with getting Mike's coaching on how to best position the company moving forward. So from that standpoint, look, I'm going to continue, right, to spend time with our customers, our employees and my management team, and we'll appropriately communicate when we have all those points of view.

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### Operator

Our final question comes from Edward Caso, Wells Fargo.

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### Edward Stephen Caso - Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst

Great. Mike Salvino, I am curious of the differences between -- I always picture Accenture as being more software services and DXC being more infrastructure services. How much ability do you have to sort of map over your successes at Accenture to a somewhat different targeted business?

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### Michael J. Salvino - DXC Technology Company - CEO, President & Director

So from that, if you go back and look at Accenture Operations, Accenture Operations at the time I retired was not just the BPO business or application services. There was a major ITO piece, all right? We had clients that were on on-premise boxes with applications, and we are aggressively moving those things to the cloud, all right, those applications to the cloud. We had a very strong relationship with Microsoft as does the DXC team here along with a good relationship with Amazon again, right, strong relationship here. So from that standpoint, I think they are very transferable. In fact, I talk about the stack all the time going from ITO to the cloud to applications to analytics to machine learning. The stack is very sound and something I think we can put together very quickly to grow the business. So I think it's very transferable.

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### Edward Stephen Caso - Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst

Do you have any -- do you have an initial sense whether the sales force of DXC is entering into the client at the appropriate level? Do you envision sort of a change to the sales, new business approach?

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### Michael J. Salvino - DXC Technology Company - CEO, President & Director

Look, like I said before, right, I mean I'm going to spend the next weeks and really dive into the details. My background is in operational execution. I'm certainly going to go look at all of that and get my perspective on how I want to do things. My past is the fact that I do -- the growth comes from doing new deals. So I expect to be aggressive in the marketplace and work very closely with my sales team to get deals done.

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### Jonathan Ford - DXC Technology Company - Head of IR

Thanks, operator. At this time, we'll close the call.

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### Operator

And ladies and gentlemen, that does conclude today's conference. We would like to thank you all for your participation today. You may now disconnect.

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