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# DXC Technology Services

Fourth Quarter 2026 Earnings Call

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## CORPORATE SPEAKERS:

**Roger Sachs**

*DXC Technology Services; Vice President and Head of Investor Relations*

**Raul Fernandez**

*DXC Technology Services; President, Chief Executive Officer & Director*

**Robert Del Bene**

*DXC Technology Services; Chief Financial Officer*

## PARTICIPANTS:

**Gates Schwarzmann**

*TD Cowen; Analyst*

**Jonathan Lee**

*Guggenheim; Analyst*

**Bradley Clark**

*BMO Capital Markets; Analyst*

**Tien-Tsin Huang**

*JPMorgan; Analyst*

**Rod Bourgeois**

*DeepDive Equity Research; Analyst*

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## PRESENTATION:

Operator^ Good afternoon, ladies and gentlemen. And thank you for standing by. (Operator Instructions) At this time I would like to welcome everyone to DXC Technologies fourth quarter and Fiscal year 2026 Earnings Conference Call. (Operator Instructions)

I would now like to turn the call over to Roger Sachs, Head of Investor Relations.

Please go ahead.

Roger Sachs^ Thank you, Operator. Good afternoon everybody. And welcome to DXC Technology's fourth quarter and fiscal year-end 2026 earnings conference call.

We hope you've had a chance to review our earnings release which is available on the IR section of DXC's website.

Speaking on today's call are Raul Fernandez, our President and CEO; and Rob Del Bene, our Chief Financial Officer. Here's today's agenda.

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First, Raul will update you on our strategic initiatives. Rob will then cover our quarterly financial performance as well as provide thoughts on our first quarter and fiscal full year 2027 guidance. Raul and Rob will then take your questions.

Please note certain comments on today's call are forward-looking and subject to the risks and uncertainties that could cause actual results to differ materially from those expressed on this call.

Details of these risks and uncertainties are in our annual report on Form 10-K and other SEC filings.

We do not commit to updating any forward-looking statements during today's call.

In addition, when we refer to year-over-year or quarter-over-quarter revenue growth rates, we will be discussing organic revenue changes on a non-GAAP basis which excludes the impact of foreign exchange and any inorganic activity.

We will also be discussing certain other non-GAAP financial measures that we believe provide useful information to our investors.

Reconciliations to the most comparable GAAP measures are included in the tables included in today's earnings release.

And with that, let me turn the call over to Raul.

Raul Fernandez^ Thank you, Roger.

In Q4, we delivered a strong quarter on profitability with adjusted EBIT margin and free cash flow ahead of guidance. That balance of expanding margin and free cash flow, while transforming DXC into an AI-led company is central to how we're operating the business.

On revenue, we delivered just over \$3.1 billion missing our organic guide by approximately \$75 million or two points. When you break that down, closing the gap required less than \$1 million per day. That's not just the pipeline and demand issue, it's execution, and we continue to work on both.

And the focus going forward is also tightening in quarter conversion, smaller, faster start opportunities that can land and deliver within the period.

As we close FY '26, one of the clear positives is our ability to reach the final stages of large competitive pursuits.

As an example, across the globe, we pursued 13 large opportunities in this quarter that we expected to close before fiscal year-end. This represented more than \$2 billion of potential total contract value that could have been booked in Q4.

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On a dollar weighted basis, DXC won 32% of that \$2 billion, we lost 40% and roughly 28% remains outstanding.

With that level of advancement in the competitive process, I personally expected a higher win rate.

We didn't get it.

But the learnings we take from those losses and wins are being applied to our sales process, and we will continue to make progress here. And like anything else in this business, once you understand precisely where you're falling short, you can fix it. That's exactly what we're doing now. Getting to those finals wasn't accidental.

It reflects the work we've been doing over the past year, better qualification, clearer positioning and more discipline in where we choose to compete.

You saw part of that transformation in Q3 with our brand and storytelling refresh.

AI is advancing every workflow in every business.

We view our AI transformation as a way to be more competitive.

Inside DXC, we're moving with intent on AI enablement and we're applying the customer zero principle using ourselves as the first proving ground for what we deliver to customers.

Every DXC employee now has full access to enterprise-grade AI tools supported by a company-wide knowledge hub, AI playgrounds for safe experimentation and internal agents that help employees apply AI responsibly.

We are measuring this work with the same discipline we'd expect for our customers. Tracking adoption and productivity and embedding governance from the start.

What we learn inside is sharpening what we deliver outside.

One example of how this is taking shape, we recently ran a 4-week internal AI challenge inside one of our corporate organizations designed not as a one-off event, but as a blueprint, we could test, learn from and scale. More than 100 teams formed on their own, built nearly 1,300 working AI agents and started solving problems that had been sitting on backlogs for months.

But the real signal was what happened after. Other parts of the company asked to launch similar initiatives. That organic and viral pull tells you adoption is real, not mandated.

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We continue to launch additional AI challenges across DXC applying what we learned and extending the model enterprise-wide.

This is what customer zero looks like in practice.

We test inside, we measure what works and we scale what earns the right to scale. The impact is showing up across the business.

In sales, we're automating the end-to-end cycle, increasing capacity, accuracy and consistency.

In legal, we're compressing contract cycles while improving quality.

In HR and marketing, we're driving both efficiency and better outcomes.

The result is not just cost takeout, it's reimagined capacity and that reimagined capacity driven by AI is what allows us to move faster and engage more deeply with clients.

Fast Track is about building AI native products and services at a much faster pace.

We built our initial Fast Track offerings around moats that are unique to DXC, deep knowledge of complex workflows, data that must remain secure and critical business functions that have to operate at 99.9% uptime in highly regulated industries where systems cannot fail.

These carry a margin profile that looks nothing like traditional services. Their AI services delivered as software, recurring, scalable and platform-agnostic.

Let me preview two of them. You'll hear much more about these and other AI offerings at Investor Day on June 11.

Core Ignite allows banks to modernize and innovate without touching the core connecting capabilities like buy now pay later, stablecoin and modern remittance into legacy environments like Hogan.

So banks can move at fintech speed without core banking risk.

OASIS is our agentic orchestration platform that is rewriting how we deliver managed services. It moves beyond monitoring and incident correlation to autonomous remediation and service optimization, orchestrating across a client's full ecosystem.

At its base, OASIS replaces a legacy product set with a modern platform layer that sits on top of every managed services contract, creating a recurring, scalable revenue stream with structurally higher margins.

We launched Oasis with 10 customers on April 28, and the early traction is real.

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It's already contributing to new business including a large new logo win with a major European insurer where it was a deciding factor in how we won the deal.

In parallel, our core track is about execution, pricing discipline, utilization, delivery quality, running a better services company consistently and at scale.

That foundation matters even more as we layer AI into the business.

What's becoming clear is that the differentiator in AI is not just technology, it's how quickly organizations adopt and deploy it that's a focus area for us as we scale these capabilities across DXC. You're also seeing a shift in how these services are priced away from time and materials and toward outcome-based and consumption models.

At DXC, about 80% of our revenue already sits in outcome-based categories with only 20% in time and materials. That's a real advantage for us.

It allows us to apply AI-driven productivity in a way that expands margin, while also evolving how we deliver value to clients.

We'll go much deeper on all of this at Investor Day on June 11 in New York City, we'll walk through the strategy, the products, the metrics and the roadmap over the next 12 to 24 months with live demos and direct engagement with the teams building these offerings.

We're looking forward to that conversation.

For the third quarter in a row, this script was written by me, Raul Fernandez and delivered using my custom AI voice model built with ElevenLabs and shared simultaneously in six languages. This is customer Zero in practice.

We build it, we use it and then we bring it to clients.

And now let me turn it over to Rob to review FY '26 results.

Robert Del Bene^ Thank you, Raul. And good afternoon, everyone.

Today I'll go over our fourth quarter results, touch upon our full year performance and provide guidance for the full fiscal year 2027 as well as for the first quarter.

Now starting with our fourth quarter results. Total revenue was \$3.1 billion, declining 6.6% year-to-year. This is below our expectations as we experienced increased weakening of discretionary spending on short-term services projects, particularly within GIS, where revenue was impacted in both the U.S. and Europe.

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Both CES and insurance were in line with our expectations and consistent with recent performance.

Our book-to-bill ratio for the quarter was 1.07 with bookings down approximately 14% year-to-year, driven by two factors: first being a tough comparison to last year's fourth quarter which included large renewals; and secondly, the impact of a decline in short-term project-based services which was the case for both GIS and CES.

Adjusted EBIT margin was 7.6%, slightly above our guidance range and up 30 basis points on a year-to-year basis. This performance was driven by spending management and a point of discrete nonrecurring items in the quarter, largely offset by the impact of declining revenues. Non-GAAP EPS was \$0.77 at the high end of our guidance range, consistent with our adjusted EBIT performance.

Now turning to our segment results. The CES book-to-bill ratio for the quarter was 1.07, bringing our trailing 12-month book-to-bill to 1.10. Bookings were down 11% year-to-year with the largest driver being the decline in project-based services. CES which represents 40% of total revenue, declined 3.9% year-to-year with performance consistent with the prior quarters of fiscal 2026. Enterprise applications grew in 4Q with sequential revenue performance improvements throughout the year, while custom applications continue to weaken in the fourth quarter. This is where we've experienced the most significant impact in short-term discretionary project delays.

The quarterly GIS book-to-bill ratio was 1.11 with a year-to-year bookings reduction of 19%. This year-to-year decline is the result of large renewals in the fourth quarter of last year that made for a difficult compare. GIS which represents approximately 50% of total revenue declined 10.6% year-over-year and came in below our expectations.

The shorter-term project-based services pressure we've seen all year continued and worsened in the quarter and for the first time this year, the weakness extended to resale based discretionary projects.

Insurance which represents approximately 10% of total revenue, grew 4% year-over-year driven by continued strong performance in our software business which delivered high teens growth in the quarter.

We expect that momentum to continue, supported by strategic customer migrations to our cloud-based Assure platform and growing adoption of our recently introduced AI-enabled smart apps.

Now let me briefly touch upon our full fiscal year 2026 results. Total revenue was \$12.6 billion, down 4.8% year-to-year. This reflected a 3.8% decline in CES and a 7.2% decline in GIS, partially offset by continued growth in insurance which increased 3.6% for the year.

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Overall performance was consistent with the themes we've discussed throughout the year including macro uncertainty leading to pressure on discretionary spend and specifically project-based services.

Full year bookings declined approximately 6% year-to-year, reflecting a more challenging comparison in the second half of the year due to several large prior year renewals in GIS. The full year book-to-bill ratio was slightly below 1. The GIS full year book-to-bill ratio was 0.94. And in CES, where we had robust bookings of larger, longer-duration strategic deals the book-to-bill ratio was 1.1.

Adjusted EBIT margin declined 20 basis points year-to-year to 7.7%, largely driven by our investments to support future revenue growth in the form of offering development, sales and marketing.

Our teams executed on spending reductions to largely offset the margin impact of revenue declines. Non-GAAP diluted EPS was \$3.23, down 6% year-to-year, driven by the year-to-year decline in adjusted EBIT and an increased tax rate partially offset by a lower share count from share repurchases.

Now turning to cash flow and balance sheet.

We generated \$110 million of free cash flow during the quarter bringing our full year total to \$713 million which was ahead of our expectation and up from \$687 million last year. The year-to-year free cash flow performance was largely driven by lower cash taxes and lower capital expenditures, offsetting the decline to adjusted EBIT.

As planned, we repurchased \$60 million worth of shares in the fourth quarter.

For the full year, we bought back \$250 million worth of shares which was nearly 18 million shares, representing almost 10% of our outstanding shares.

In the fourth quarter, we continued to reduce capital leases paying down a total of \$34 million.

We remain focused on maintaining a strong balance sheet with appropriate levels of debt.

Since the beginning of fiscal year 2025, we have reduced debt through cash payments of \$808 million, a combination of prepaying \$300 million of bonds maturing in September of 2026 and our ongoing capital lease reductions. The combination of these cash payments which were partially offset by the impact of FX, reduced our debt balance by \$537 million. These actions, along with an increase in our cash balance resulted in a net debt reduction of \$1.1 billion over that same 2-year period.

Before turning to guidance, let me briefly outline our capital allocation priorities for fiscal 2027.

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First, we will continue to prioritize investments in the business as we build the foundation for future revenue growth.

Second, we remain committed to strengthening the balance sheet including deploying approximately \$400 million to retire the remaining U.S. dollar bonds maturing in September and further reducing our capital lease obligations. And third, we plan to repurchase \$250 million of shares in fiscal 2027 which we now expect to execute more evenly throughout the year to maintain flexibility in how we deploy capital.

Now let me provide you with our full year fiscal 2027 guidance.

We expect total organic revenue to decline 3% to 5% year-over-year with a 3- to 4-point improvement in the rate of decline in the second half of the year. The drivers of our top line trajectory for the year are reflected in our segment outlook as follows: in GIS, we expect a mid-single-digit revenue decline for the year, with performance improving in the second half. The first half is expected to be broadly consistent with the full year fiscal 2026 performance.

As the year progresses, there will be reduced headwinds related to contract losses that occurred in previous years.

In CES, we expect revenue to decline at a mid-single-digit range consistently throughout the year, reflecting similar year-to-year performance in project-based services. In insurance, we expect revenue growth to be in line with fiscal 2026 with performance, improving progressively throughout the year, driven by expected new customer contracts and a ramp of our AI-based software solutions.

Our guidance for all three segments does not assume any change in the current macro environment.

We anticipate adjusted EBIT margin in the range of 6% to 7%, reflecting revenue performance, continued investments in offering development and go-to-market capabilities and normalizing for the onetime benefits incurred during fiscal 2026.

We expect non-GAAP diluted EPS to be between \$2.40 to \$2.90. The anticipated year-to-year decline is largely driven by lower adjusted EBIT and the higher tax rate partially offset by lower outstanding shares.

We expect free cash flow for fiscal 2027 to be about \$600 million, largely reflecting our adjusted EBIT guidance.

For the first quarter of fiscal 2027, we expect total organic revenue to decline between 6.5% to 7.5% year-to-year, reflecting 4Q bookings performance and continued pressure on project-based services.

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At the segment level, we expect CES to decline mid-single digits, GIS is anticipated to decline at a similar rate to the fourth quarter, and insurance is expected to grow at a low single-digit pace.

We expect adjusted EBIT margin to be approximately 5%, a function of the lower first quarter revenue and normal seasonality.

We expect non-GAAP diluted EPS to be approximately \$0.40.

And with that, let me turn the call back over to Roger.

Roger Sachs^ Thank you, Rob.

We'd now like to open the call for your questions.

Operator, would you please provide the instructions?

### **QUESTION & ANSWER:**

Operator^ (Operator Instructions) Your first question comes from the line of [Kate Schwartz] of TD Cowen.

Unidentified Participant^ I wanted to quickly touch on the 2027 guide.

So was curious a little bit about what your assumptions are at the top and bottom end of the range.

I know you mentioned that macro was seemed to be the same throughout the guide.

But I was curious, generally, like how would changes in macro impact your ability to fall within that guide? What happens if the macro worsens, what happens if the macro improves? And just generally curious on what gives you confidence on that second half inflection that you guys have mentioned in growth.

Robert Del Bene^ Yes. Thanks. This is Rob.

I'll take that one.

So the comment in my remarks about consistent with current macroeconomic environment, is related to the midpoint of the guide. And that's -- so there's some room for improvement to hit the -- if macroeconomics improve, will steer toward the high end of the guide if they further deteriorate to the lower end of the guide.

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But let me just go through the dynamics of the guide business unit by business unit for a moment, if you will. Generally, across all three of our segments, we're assuming similar project-based services, macroeconomics year-to-year.

In GIS, we have -- I mentioned that we had terminations from prior years, some of them date back three years or more. and it takes a really long time for customers to roll off of those contracts. And we've really begun to see the decreases in the latter half of they impact us in the first half of '27.

But then we wrap.

And so we'll get the benefit of that wrap in the second half of the year.

So there's no -- in GIS, there's no underlying assumption of a pickup in project-based services going forward. The dynamic is entirely from the backlog.

In our insurance business, we have several contracts, new contracts in the pipeline which we are confident in signing and booking and generating revenue in the back half of the year.

And we're also making great progress with our smart apps, our AI-based smart apps and the pipeline is very robust.

So we've weathered in some increases for that also in the second half of the year.

So the insurance dynamic is improvements in the back half of the year through organic business growth.

In CES, where there's a bigger proportion of revenue in year based on project-based services we have applied the same macroeconomics year-to-year.

So we have -- we don't assume any pickup in the activity throughout the year.

So I view it as a relatively conservative guide for CES. And if the macros improve, that's where we'll experience our biggest pickup is in CES.

Raul Fernandez^ Yes. And this is Raul.

Let me add to that. The fast track initiatives that we've been building for over a year are literally just getting to market we took a very conservative approach with regards to the revenue pickup of those products.

We will update, obviously as we enter quarter-after-quarter, that we've taken a very, very conservative approach as to their contribution in this fiscal year.

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Unidentified Participant^ Okay. That's useful color. And just sticking to the guidance, the free cash flow guidance \$600 million.

Can you walk through some of your expectations there as well as expectations around new lease originations.

I know you guys have been trading that down and you guys are expecting to continue that next year. Just curious about how to close into free cash flow and back in to those assumptions?

Robert Del Bene^ Yes.

So the -- think of the year-to-year free cash flow, drop year-to-year is directly related to the revenue decline -- revenue and the EBIT margin declines. And we have some working capital benefits baked in year-to-year.

We will continue to deploy capital to pay off our capital leases and focus on debt reduction, as I mentioned in my remarks, but the main dynamic from a free cash flow perspective is the revenue and EBIT year-on-year dynamic.

Operator^ Your next question comes from the line of Jonathan Lee, Guggenheim.

Jonathan Lee^ Are there any areas where you're seeing or expecting rate car compression? I mean pricing has been described as stable for several quarters.

Is that still the case across all three segments? And how do you combat competitive pricing pressure in the market?

Raul Fernandez^ I think that the pricing for today and tomorrow is definitely stable.

In these longer-term projects, you are seeing assumptions built into multiyear projects where they may not know exactly how they're going to deliver at a lower cost and keep their margin but there is additional aggressive in those multiyear pricing.

We're all using AI tools every day.

We all see the impact.

We all see the productivity.

We all see all of that.

So I think it's a work in progress.

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As we get more experience as we get more confidence in the throughput of efficiency as again we reengineer these solutions, and we bring to market new solutions that are AI centric.

But I think we're well positioned to gain efficiency out of more AI in our solutioning. And then from a macro standpoint, I think all the comments that Rob made before hold for that question as well.

Jonathan Lee^ Got it. And Raul, in your prepared remarks, you talked about win rates and missed opportunities. Where exactly are you falling short versus your peer group? And can you help us understand if your perhaps losing on price on capabilities, client confidence in DXC, sales execution or a combination of these. And how do you intend to address these?

Raul Fernandez^ Yes.

So I think you should think about it in two buckets. The really large multi year ones where you've got international teams, multiple offerings coming together to put a proposal together and you've got a high level of executive impact and involvement.

We got to a level of finals and when I meant finals, I mean one other competitor in most of the cases that I referenced in my prepared remarks. And we are very confident.

I was very confident.

I was involved in each and every one of them, that we have a better, I thought, better than 50-50 shot at winning those.

We won our share of them, and we lost one or two more than I thought we should have at that moment in time.

It was definitely not pricing, it was -- and again I've debriefed on all of these losses.

It was very, very close, but pricing was not an issue.

It was not being able to show the right type of capability maybe down to not just the technology level, but the technology applied to the specific industry or the specific type of company.

There are areas where we now get feedback and insight where we know that we can plug those holes.

But I think what I felt good about is that we got into the very final rounds not happy that we didn't get one or two extra wins.

We still have some outstanding wins there.

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But we're going to take the lessons learned from the wins which were all great, and then also where we fell short. And then we're going to apply that in our solutioning and our positioning.

And now that we've got, again the new homegrown solutions that are fast track those are definitely going to impact the positioning of the company, how the company is viewed from an innovation standpoint and how we're graded.

So I see it as a good step forward in getting that close.

I see it obviously is extremely disappointing and losing them.

But also, I see the ability to close the gap on where we lost them and have a different win rate going forward.

Operator^ Your next question comes from the line of Bradley Clark of Bank of Montreal.

Bradley Clark^ I guess I want to focus on the other side of that coin and like what is DXC seeing success in the market, like what offering or services do you then have the potential not FY '27, but maybe in FY '28 and beyond, getting you closer towards something like a flat growth or at least continue to improve the rate of decline.

Raul Fernandez^ Yes, great question. Many of our Fast Track offerings are both defensive in nature, meaning they make our own operations and services that we deliver more efficient, better margin, easier to scale and grow. And they also come with an ability to sell as we've sold before and then sold separately.

One of the things that is key to stabilizing the core is the right combination of large, medium and small. And what I mean by that is large deals that we win and they get burned and executed and recognized over time.

Medium deals that we have some visibility, and those are closed and burned in or get burned from a revenue standpoint or recognition standpoint in kind of a 6- to 12- to 18-month timeframe and then small, smaller projects under \$5 million, in many cases, under \$1 million that get booked and burned within the quarter or within two quarters.

The area -- all three matter to win.

It's like playing at sport. You can't just win on offense, you've got to win on defense as well.

But the area where we have an ability through these new fast Track offerings to add small and medium incremental revenue is in the pipeline now in terms of what we offer.

So I think all of the offerings in all of the markets benefit from the innovation that we're driving. they help win across every weight class that I just mentioned.

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And then in particular, kind of core areas where our development capabilities need to continue to improve in time and speed and accuracy using AI development tools, our ability to scale delivery efforts, again using literally capabilities that are available this quarter and last quarter, delivering against the people base that we have at a higher throughput and a higher margin.

So it's a combination.

There isn't a magic bullet in one.

It's really working across those 3. And I think we've laid the foundation in terms of what we've built to support and augment those three in our fast track to have a kind of new set of capabilities that allow us to not only win longer term, bigger deals, but also shorter and medium-term deals as well.

Bradley Clark^ That's helpful. And then you mentioned, I think higher margins on some (inaudible) services AI only. And as you look forward, is it possible like to get back to margin expansion or just through cost efficiency AI? Or does the top line need just around and grow in order to get back to longer term margin expansion.

Robert Del Bene^ Yes, Brad, look, I think -- narrowing of the revenue declines will relieve a lot of the pressure on margins and allow us to expand margins.

So with the current project-based services softness in the industry, that's what is dragging our margins down in the guide for fiscal '27. And I think as we make progress with that part of the business as we continue to roll out capabilities in -- AI capabilities internally and open us up to further cost reductions. And as fast track revenues over time begin to take hold, we'll be in a position to expand margins.

But -- we've got to get that revenue number narrow. The revenue decline narrowed.

Operator^ Your next question comes from the line of Tien-Tsin Huang of JPMorgan.

Tien-Tsin Huang^ Just to build on the last one. Just thinking about the margin then the starting point for Q1 and moving from there. Any call-outs on cadence? And just maybe you talked about it earlier and I may have missed it, but just thinking about the factors, the volume deleveraging, you got the investment, you got some one-timers that you're normalizing.

What are the big puts and takes we have to consider here?

Robert Del Bene^ Yes.

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So first quarter is the low point -- in the first quarter is a combination of the revenue declines in the onetime or some onetime or is that hit us in the -- that helped us in the first quarter of last year. And then from there, our expectation is continued margin improvement.

So you will see improvements in the second and third quarter.

And we -- there's some seasonality that normally helps us in the second quarter.

So we expect that plus natural margin improvement that we're driving. That will continue into the third quarter. And fourth quarter is normally moderates a little bit from the third quarter.

So I think you'll see the same type of quarter-to-quarter dynamics that you've seen in previous years.

Tien-Tsin Huang^ Okay. Thanks for going through that Rob. And maybe just a simple high-level question, if that's okay Raul, maybe not so simple actually.

But just thinking about some of the comments you've made and how you guys have answered some of these questions.

I mean this concept of maybe getting bigger about getting smaller, whether it be on the project side or the fast track side, just what about just on the resource side as well? Is that something to consider beyond the norm, just thinking about things dramatically?

Raul Fernandez^ Yes.

Look, I think again as we think about the opportunities to operate just better, every company, and we definitely had an unfortunate history and legacy of having a lot of acquisition and a lot of buildup of duplicative systems and people, et cetera. The ability to now continue to take a look at those pools, those costs, those inefficiencies.

But to do them in a reimagined way using AI that will absolutely drive kind of more efficiency, cost take out than kind of before this year where the reimagining of work streams just wasn't there because you just didn't have the stability of the models.

So I think there's ongoing capability for all companies and ours included, to gain efficiency across all operations, back office as well as delivery facing, and we're very, very focused on that, and we'll actually go into more details about that on Investor Day.

Operator^ (Operator Instructions) Your next question comes from the line of Rod Bourgeois of DeepDive Equity Research.

Rod Bourgeois^ I have to ask about AI.

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If you could give your perspective on the net impact that AI is having on your revenue growth trajectory? And if you could share anything about what the mix of your business is that's being driven by AI-related services. And to the extent that there's AI positive and AI negatives, how is that equation starting to change as AI adoption starts to scale?

Raul Fernandez^ Yes. That's a great question.

One of the things we'll discuss at Investor Day is kind of a framework on how we evaluate all of our offerings, our three offerings with regards to AI as an opportunity as a growth enhancer as an accelerate. And also, frankly, as a threat.

One of the themes that I mentioned in this earnings call and then we're going to go into detail in the Investor Day presentations, is that if you think back and you think about kind of some of the themes that investors in both our category and then, obviously in SaaS, they think about and it's become a hot theme is outcome-based pricing.

And outcome-based pricing really falls into two categories for us: one fixed price and to volumetric pricing. An example of biometric pricing could be getting paid x to process and ensure its claim from point A to point B. And that we get a price and we're responsible for that delivery. When you step back and you go, 80% of my business today because we just did the analysis is outcome-based you have an opportunity to control the point A to point B and make it much more efficient.

So we view AI as a huge opportunity on a very large existing contract base, put aside any net new work to gain efficiency, speed, throughput and margin. That is a multiyear effort that is being started now but that will happen and that will show up, and we'll have much more clarity as we execute that through this year and enter next year and beyond.

From a demand side, I think what you've heard from everybody is accurate. Pilots, have happened. A lot of them have not gone into production, but that is very similar to this stage of any major technology wave and this is the largest technology wave in modern time in modern history. This is the beginning of the beginning for AI.

I can point to many things that I've been looking at both as an investor and operator with regards to the third and fourth quarter of last year, token usage, token pricing, accuracy, lack of hallucinations.

We are now at the beginning of the beginning.

Everything that people did before I hear some negative commentary that pilots didn't go anywhere. That's normal.

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In new technology and new trends in new eras you have a period of experimentation. Things work, they don't work. You figure out where you can get the most bang for your buck and then you focus it on that.

It's exactly what's happening here today.

We're taking advantage of it internally from an operating model standpoint and an operation standpoint.

And as you'll hear at Investor Day we have a whole bunch of new very disruptive AI-centric capability solutions that are in the marketplace right now the one we just mentioned on the call we literally launched at April 28.

So it's been literally less than a couple of weeks, but feel very good about its positioning, how we've priced it and the initial demand signals that we're seeing in the marketplace.

Rod Bourgeois^ Great. And just a quick follow-up that's related. You mentioned the shortfall in kind of the revenue trajectory in the apps business. Do you attribute that purely to macro factors? Or is AI playing a role there as well? What's your take on that?

Raul Fernandez^ Look, macro definitely in terms of spending discretionary, we entered this year, if you just step back for all of us as investors as consumers, we entered this year with a far different outlook than the reality of the first two quarters, expecting a stable environment without big increases in input costs, obviously oil because of the war has increased everybody's cost of operations, regardless of what industry you're in. That then throws plans up in the air.

And there is a level of pause and I've spoken to big customers where executive boards, where senior management is making sure that the large technology decisions that are being made today are being made with a modern frame of mind. And so questions like, should we upgrade to this new ERP system? Are you sure you can't do it agentially. Those questions are smart. They're very accurate in terms of happening and they should happen, but they are causing, in some cases, a delay in the final decision-making. And I think everybody is experiencing that.

But again that's part of the normal cycle of a new wave of technologies being introduced that will definitely disrupt the existing players and you've seen that obviously in the turbulence in the SaaS space.

Operator^ There are no further questions at this time. And with that, I will now turn the call back over to Roger Sachs for final closing remarks.

Please go ahead.

Roger Sachs^ Well thank you everybody, for joining us today.

# DXC Technology Services

## Fourth Quarter 2026 Earnings Call

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We look forward to seeing you in June at our Investor Day and speaking with you next quarter. Thank you much.

Operator^ Ladies and gentlemen, this concludes today's call.

We thank you for participating.

You may now disconnect your lines.