



# Q1 FY2009 EARNINGS PRESENTATION

August 5, 2008

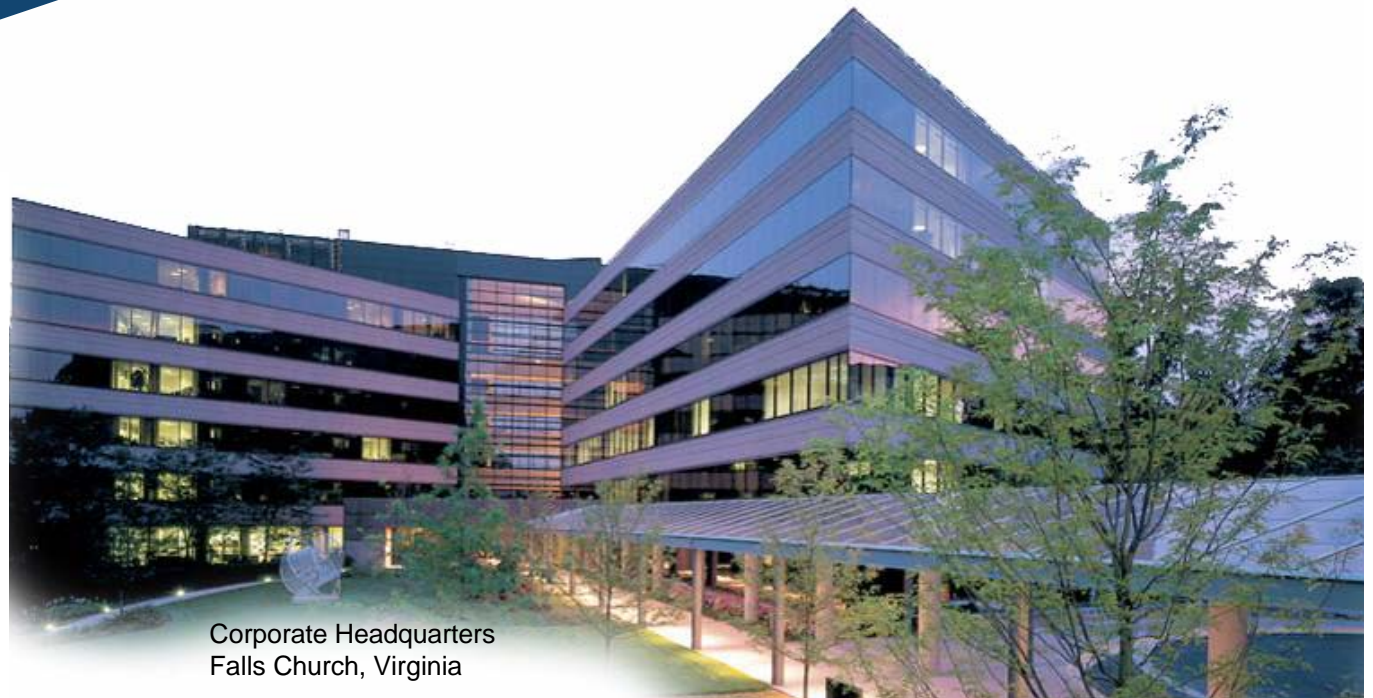


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# Q1 FY2009 Earnings Presentation

Mike Laphen

Chairman, President, and  
Chief Executive Officer



Corporate Headquarters  
Falls Church, Virginia

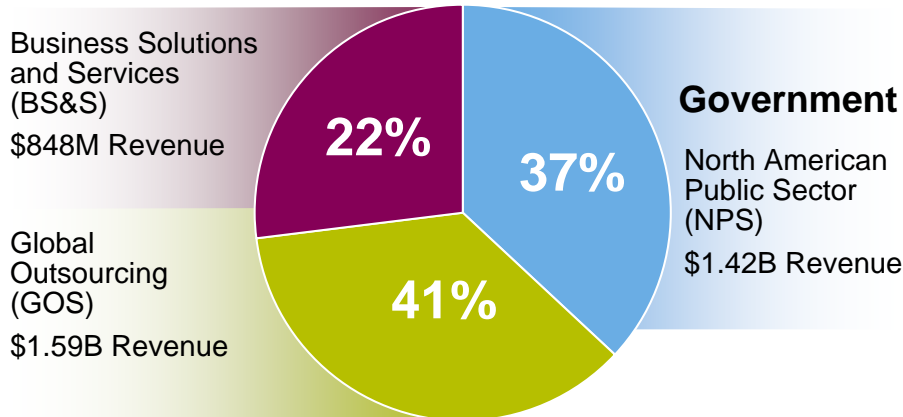
## Q1 FY2009 Highlights

- Revenue of \$4.4B – up 16%
- EPS of 79 cents, at the high end of guidance
- Free cash flow on target – an approximate \$300M improvement in Q1-year over year
- Strong signings: \$5.4B total – \$2.90B of commercial outsourcing; \$1.20B of BS&S; and \$1.25B in NPS
- Robust new business pipelines
- Reaffirm FY 2009 guidance

# Revenue by Lines of Business\*

**Q1 FY08**  
**\$3.8B**

## Commercial

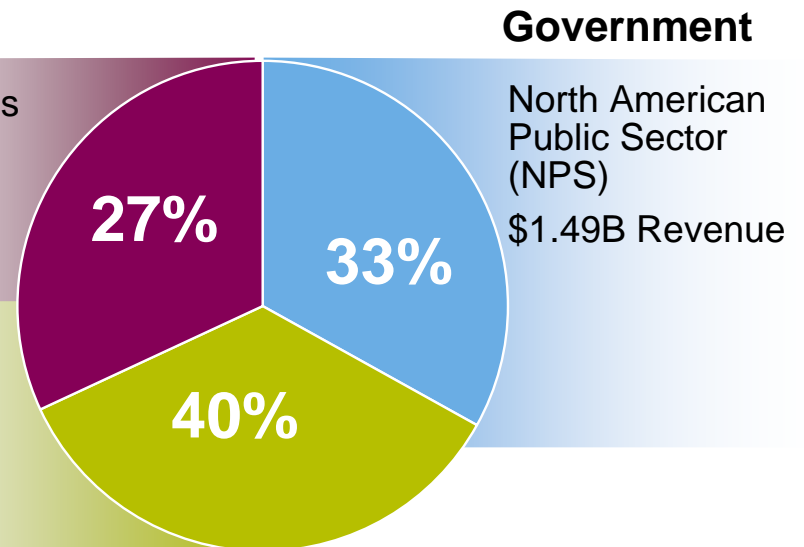


**Q1 FY09**  
**\$4.4B**

## Commercial

Business Solutions and Services (BS&S)  
\$1.18B Revenue

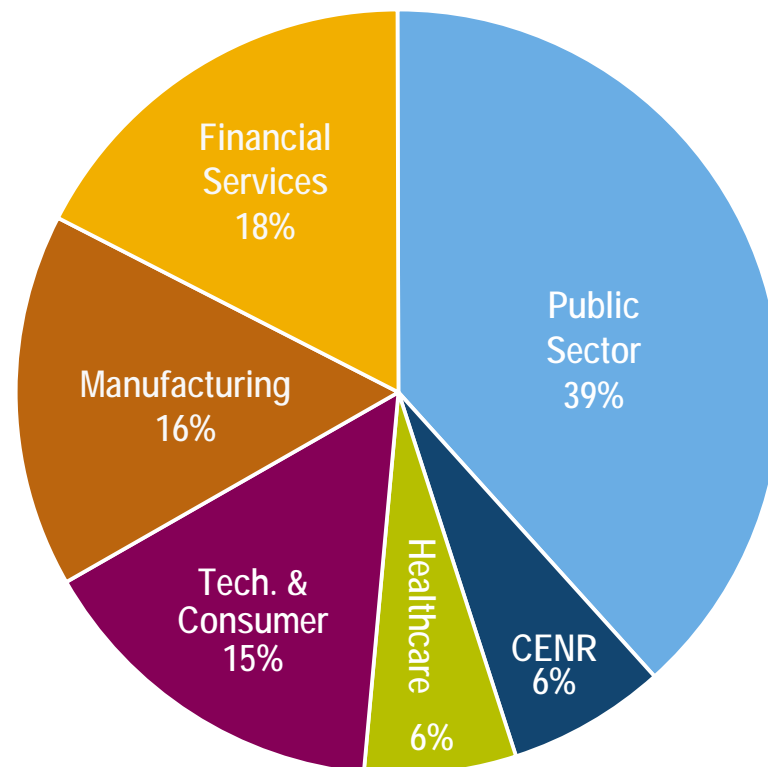
Global Outsourcing (GOS)  
\$1.79B Revenue



\* Percentages exclude corp. and other eliminations

## Revenue by Industry

(\$ in Millions)	<u>Q1 FY09</u>	<u>Y/Y Growth</u>
• Public Sector	\$ 1,701	7.4%
• Financial Services	\$ 782	23.6%
• Manufacturing	\$ 698	18.3%
• Tech. & Consumer	\$ 681	12.4%
• Healthcare	\$ 284	41.5%
• Chemical, Energy & Natural Resources	\$ 291	19.6%
	<u>\$ 4,437</u>	15.6%



# Employees by Geography

(000)'s

- NPS
  - America Commercial
  - EMEA
  - Asia Pacific
- Total

## Q1 FY09

27

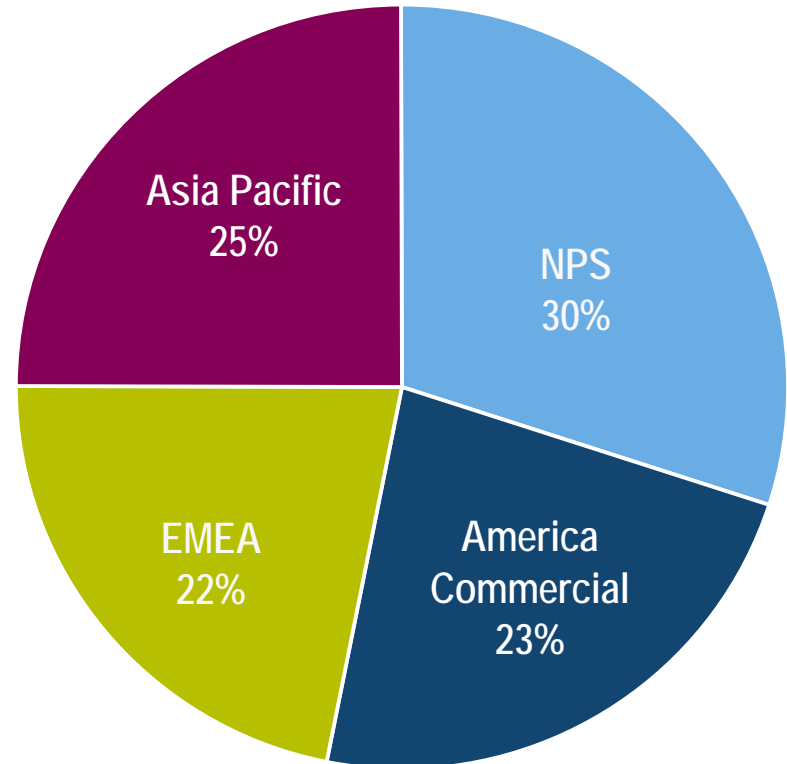
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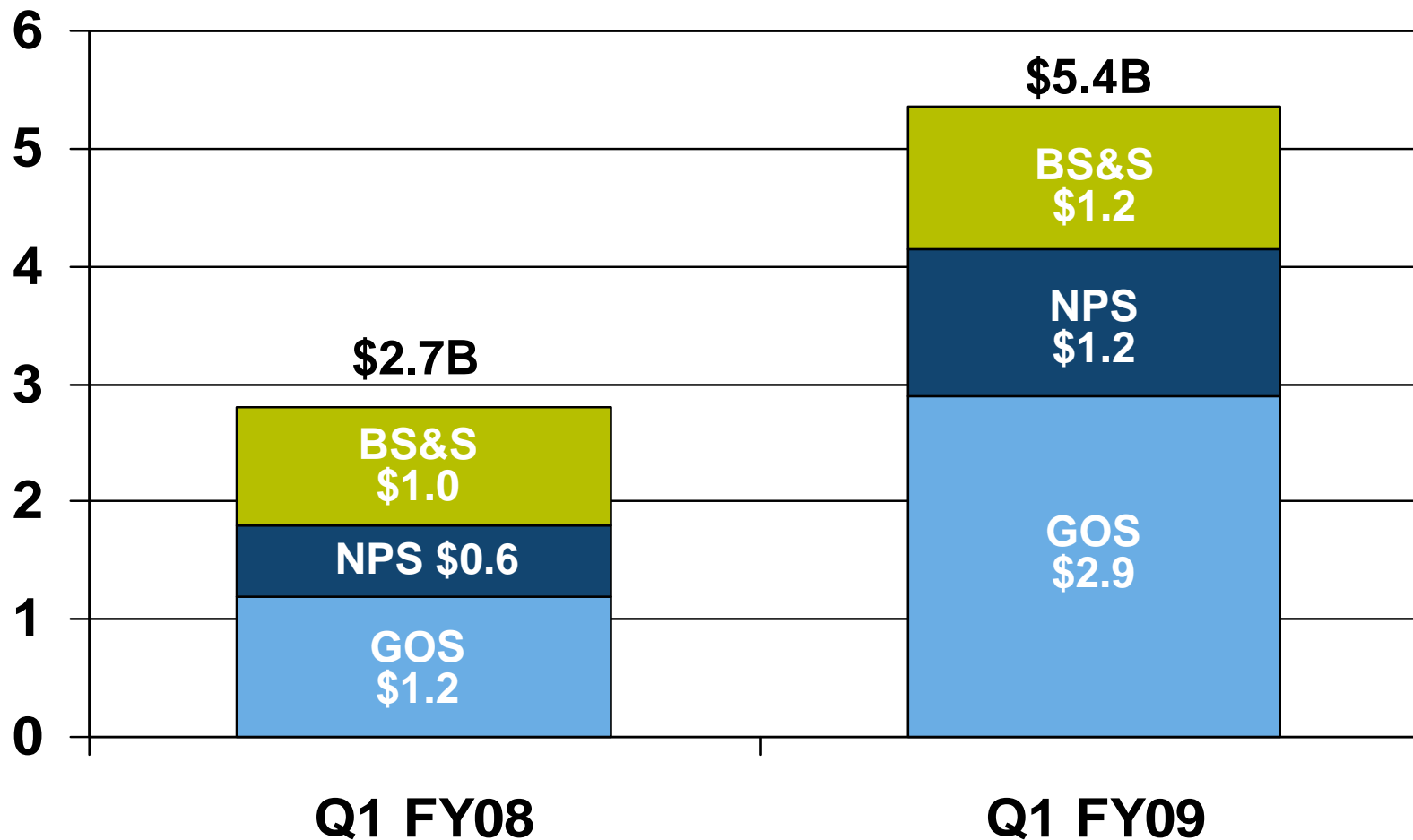
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90

### Global and Diverse Workforce



## Strong New Business Bookings – By Lines of Business\*



\* Totals may differ due to rounding

## To Recap

For the quarter, we delivered strong top-line growth;

Solid profitability with operating income on plan and improved free cash flow for Q1—also on target;

Bookings were strong and position us for continued improved revenue performance going forward;

Importantly, we have executed to our strategic plan of diversifying our portfolio mix with solid progress and performance from our vertical markets, three lines of business, and contributions from our geographic regions;

# Q1 FY2009 Earnings Presentation

Don DeBuck

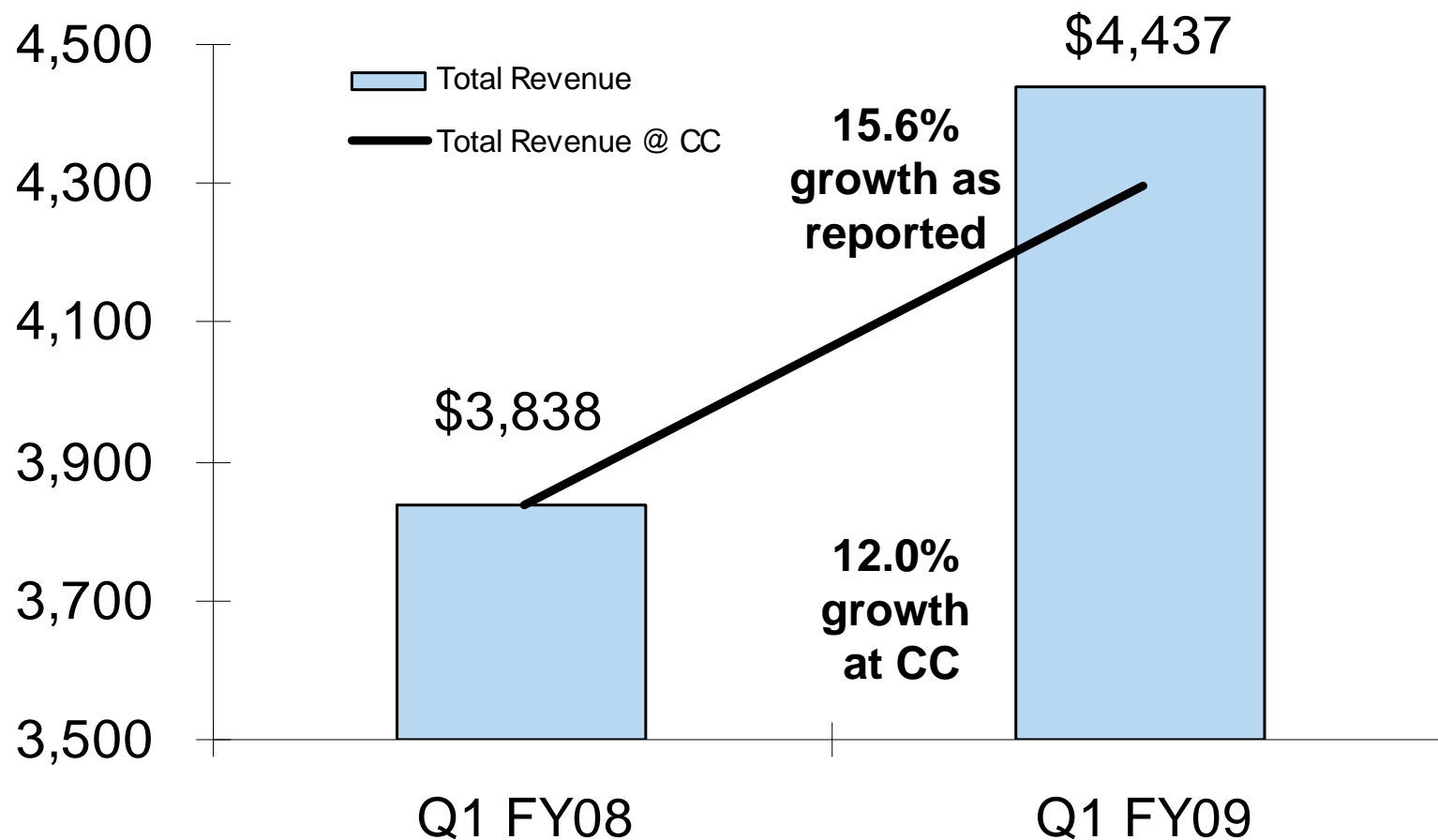
Vice President, Chief Financial Officer  
and Controller



## Q1 FY09 Highlights

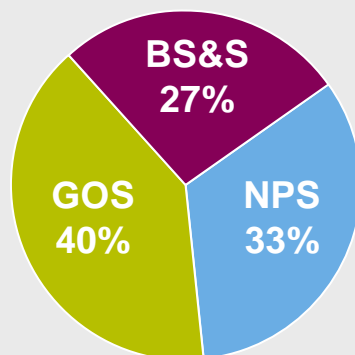
- Consolidated Revenue
  - First quarter revenues of \$4.4B, or growth of 15.6% as reported
  - In constant currency, revenues increased 12%
- Operating Income
  - First quarter operating income was \$282M, resulting in an OI margin of 6.4% compared to 6.6% last year
- EPS
  - First quarter EPS was \$0.79 versus \$0.61 last year on an as reported basis
- Free Cash Flow
  - First quarter free cash flow was a use of \$329M, an improvement of \$332M compared to the same quarter last year

# Total Revenue & Revenue Growth



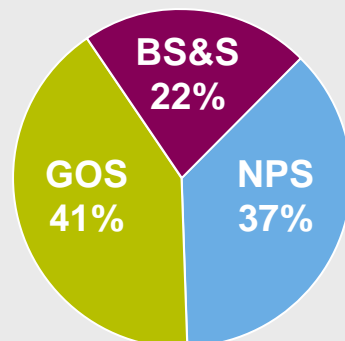
# Revenue by Line of Business\*

**Q1 FY09**



	<u>Q1 FY09</u> <u>Rev (\$ mill)</u>	<u>Y/Y</u> <u>Growth</u>
NPS:	\$1,493	5.1%
GOS:	1,791	12.3%
BSS:	1,181	39.2%
Corp & Elim:	<u>(26)</u>	
Total:	<u>\$4,437</u>	15.6%

**Q1 FY08**



	<u>Q1 FY08</u> <u>Rev (\$ mill)</u>
NPS:	\$1,420
GOS:	1,595
BSS:	848
Corp & Elim:	<u>(25)</u>
Total:	<u>\$3,838</u>

NPS: North American Public Sector

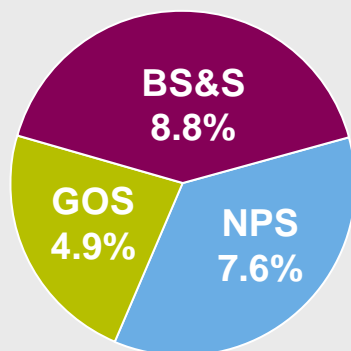
GOS: Global Outsourcing Services

BSS: Business Solutions and Services

\* Percentages exclude corp. and other eliminations

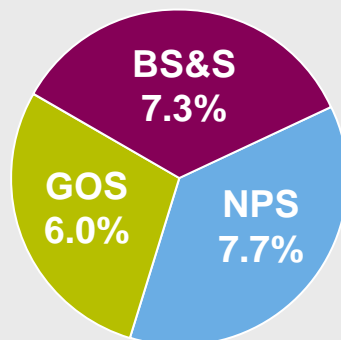
# Operating Income by Line of Business\*

## Q1 FY09 OI Margin



Q1 FY09 OI	
(\$ mill)	
NPS:	\$114
GOS:	88
BSS:	104
Corp & Elim:	(24)
<b>Total:</b>	<b>\$282</b>

## Q1 FY08 OI Margin



Q1 FY08 OI	
(\$ mill)	
NPS:	\$109
GOS:	95
BSS:	62
Corp & Elim:	(15)
<b>Total:</b>	<b>\$251</b>

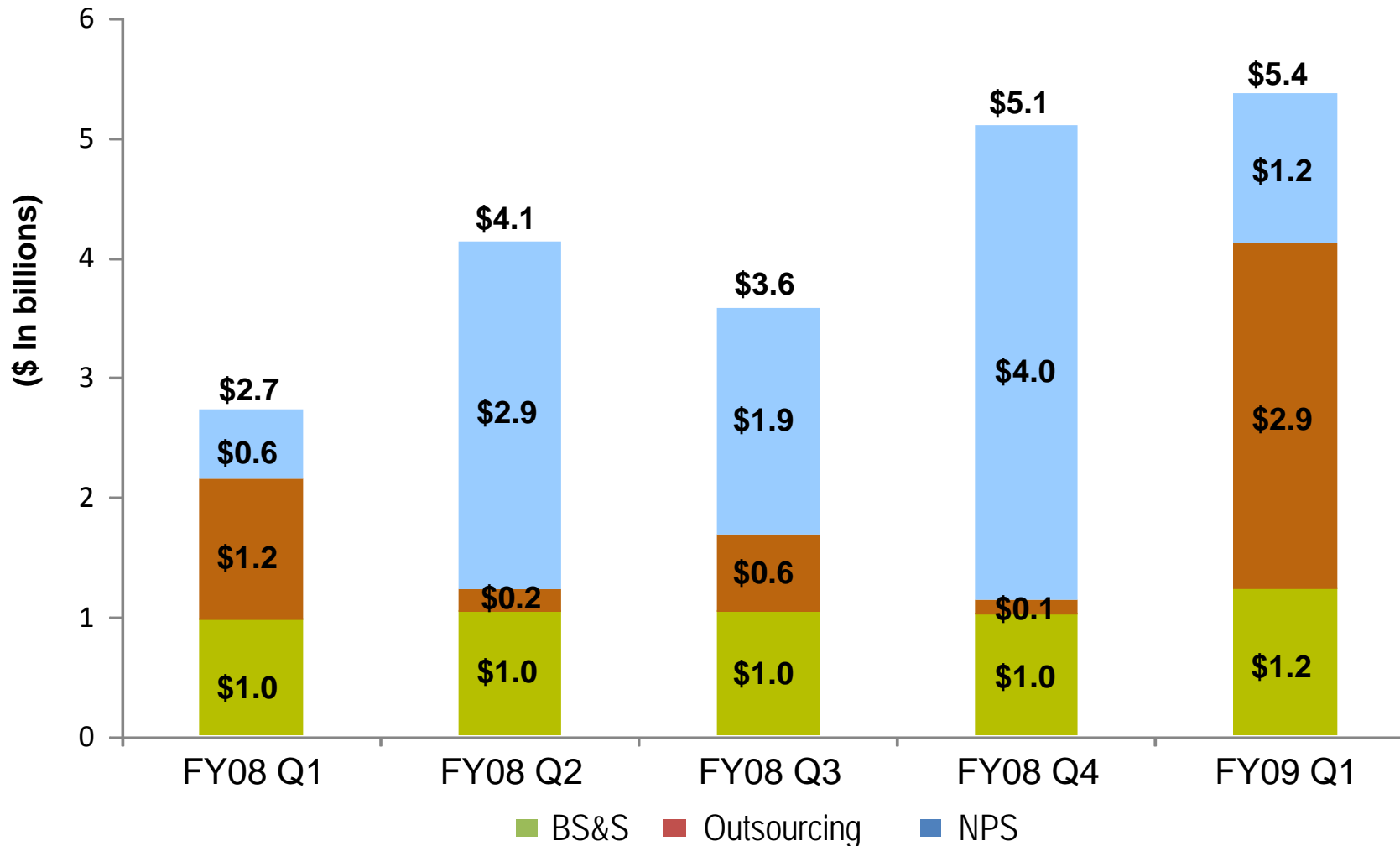
NPS: North American Public Sector

GOS: Global Outsourcing Services

BSS: Business Solutions and Services

\* Percentages exclude corp. and other eliminations

# New Business Bookings



New methodology: As a reminder, we have revised our definition of new business awards. NPS awards no longer include estimates of ID/IQ vehicles and consist solely of task orders received. Fiscal 2008 data has been adjusted to conform to this new method.

## New Bookings Policy Impact on Previous Federal Awards

	FY08 in Billions of US \$				
	Q1	Q2	Q3	Q4	Total
Previously Announced Awards	3.4	3.8	1.6	2.5	11.2
Less: IDIQ Framework Awards	(2.8)	(1.5)	(0.4)	0.0	(4.8)
Plus: IDIQ Task Order Awards	0.0	0.7	0.7	1.5	2.9
<b>Bookings Under the New Policy</b>	<b>0.6</b>	<b>2.9</b>	<b>1.9</b>	<b>4.0</b>	<b>9.3</b>

## New Bookings Policy Impact on Previous Commercial Awards

Lines of Business	FY08 in Billions of US \$				
	Q1	Q2	Q3	Q4	Total
Outsourcing BS&S	1.2	0.2	0.6		2.0
Previously Announced Awards	1.2	0.2	0.6		2.0
Outsourcing BS&S	1.0	1.0	1.0	0.1	0.1
Not Previously Announced	1.0	1.0	1.0	1.1	4.2
Outsourcing BS&S	1.2	0.2	0.6	0.1	2.1
	1.0	1.0	1.0	1.0	4.1
Revised Bookings	2.2	1.2	1.7	1.1	6.2

# Selected Income Statement Items

(\$ in millions)

	Q1 FY09	Q1 FY08	Change	Comment
Total revenue	\$ 4,437	\$ 3,838	15.6%	
Operating costs	\$ 4,155	\$ 3,586	15.9%	
% of revenue	93.6%	93.4%		
Operating income	\$ 282	\$ 251	12.1%	
OI margin	6.4%	6.6%		
Other income/(expense)	\$ (13)	\$ 18		Consists primarily of foreign exchange gains / (losses)
% of revenue	NA	0.5%		
Special items	---	\$ (49)		\$0.19 EPS impact – restructuring & CEO retirement
Tax rate	30.5%	35.3%		
EPS	\$ 0.79	\$ 0.61	29.5%	

# Selected Balance Sheet Items

(\$ in millions)

	Q1 FY09	Q4 FY08	Comment
<b><u>ASSETS</u></b>			
Cash & cash equivalents	\$ 616	\$ 699	
Accounts receivable	4,441	4,460	
Prepays / WIP	1,953	1,765	Primarily due to increase in WIP at NHS
Goodwill	4,023	3,975	
PP&E, net	2,760	2,765	
<b><u>LIABILITIES &amp; EQUITY</u></b>			
Accounts payable	\$ 605	\$ 798	
Accrued expenses	1,453	1,639	
Deferred revenue	1,031	1,079	
Total interest-bearing debt	3,808	3,474	Higher commercial paper balance
Equity	5,604	5,462	
Total debt / capital	40.4%	38.9%	

# Selected Cash Flow Items

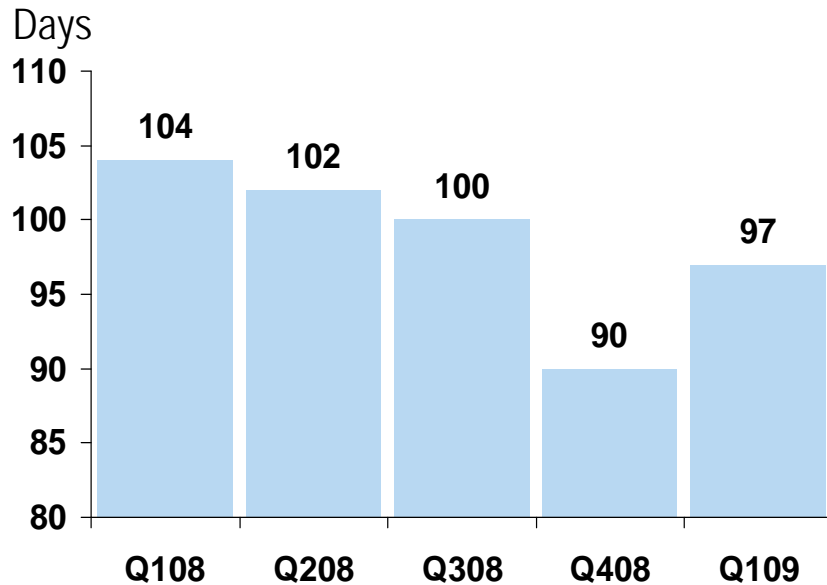
(\$ in millions)

	Q1 FY09	F/ (U)vs. Q1 FY08	Comment
Net income	\$ 121	\$ 13	
Depreciation & other	<u>344</u>	<u>43</u>	Purchased intangibles; business growth
<b>Cash flow from earnings</b>	<b>465</b>	<b>56</b>	
Change in working capital/other	<u>(521)</u>	<u>294</u>	Primarily due to working capital improvements on the NHS account
Operating cash flow	(56)	350	
Cash used for investing*	<u>(273)</u>	<u>(18)</u>	
<b>Free cash flow</b>	<b>\$ (329)</b>	<b>\$ 332</b>	

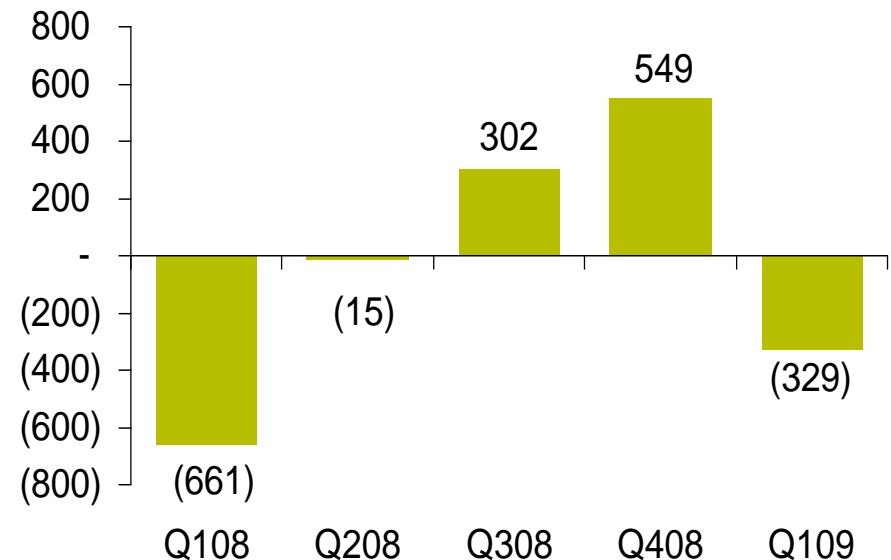
\* Cash used for investing activities includes capital lease payments and excludes cash used/received for acquisitions/dispositions

# DSO & Free Cash Flow

## Quarterly DSO at Quarter End

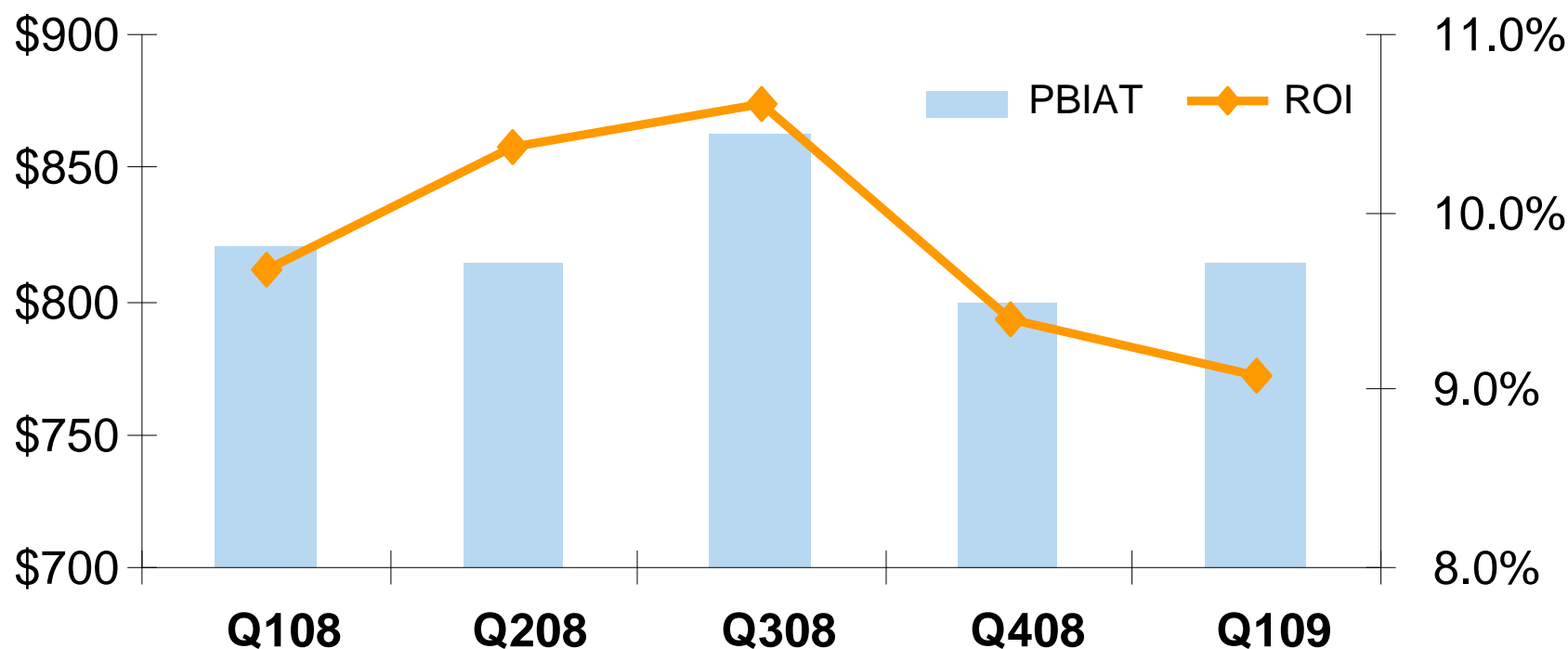


## Quarterly Free Cash Flow



- DSO was 7 days lower compared to last year due to working capital improvements on the NHS account
- Free cash flow improved by more than \$300 million and is on target to our plan

## Return on Invested Capital \*



- Q109 includes full year of Covansys in investment base

\* ROI is the trailing twelve month PBIAT multiplied by the Investment Base Turnover

## Other Income

	Q1 FY09	Q1 FY08
Foreign exchange gains / (losses)	\$(13.5)	\$18.2
Gain / (loss) on sale of non-operating assets	<u>0.2</u>	---
Total Other Income / (Expense)	\$(13.3)	\$18.2

- Other income consists primarily of foreign exchange gains / (losses) and hedging costs
- The gain in Q1 FY08 was due to foreign currency movements in unhedged Intercompany balances
- In Q1 FY09, CSC expanded its hedging program resulting in higher costs and implemented a purchased currency option Indian Rupee hedging program

# Guidance

	<u>Q209</u>	<u>Growth</u>	<u>FY09</u>	<u>Growth</u>
Revenue	\$4.25 – \$4.35B	~ 6-8%	\$17.0 – \$18.0B	~ 6-8%
EPS	\$0.70 – \$0.80		\$4.20 – \$4.40	
Tax Rate	low 40%		upper 30%	

# Key Takeaways

- We made good progress achieving a better balance in revenue across our three lines of business
- Total revenue growth was strong with double-digit increases on both an as reported and constant currency basis
- Free cash flow improved \$332 million compared to last year as a result of improvements in our working capital and improved DSO
- Reaffirm FY 2009 guidance

*Focus on sustainable,  
profitable growth.*



# *Supplemental Information*



# Non-GAAP Reconciliation

## GAAP Reconciliations

(In millions)

Operating Income	First Quarter Ended	
	July 4, 2008	June 29, 2007
Operating Income	\$ 281.9	\$ 251.4
Minority interest expense	(4.6)	(3.2)
Equity earnings	5.5	4.5
Corporate G&A	(41.7)	(32.5)
Interest expense	(63.9)	(29.2)
Interest income	9.5	9.5
Special items	-	(49.0)
Other (expense) income	(13.3)	18.2
Income Before Taxes	173.4	169.7
Taxes on income	52.8	61.6
Net Income	\$ 120.6	\$ 108.1
<b>Free Cash Flow (preliminary and unaudited)</b>		
Free cash flow	\$ (329.1)	\$ (660.8)
Net cash used in investing activities	328.5	243.7
Acquisitions, net of cash acquired	(62.4)	-
Capital lease payments	\$ 7.0	\$ 11.4
Net cash provided by operating activities	\$ (56.0)	\$ (405.7)

Note: Capital lease payments and proceeds from the sale of property and equipment (included in investing activities) are included in the calculation of free cash flow.

## Non-GAAP Definitions

- **DSO:** Total receivables at quarter-end divided by revenue-per-day. Revenue-per-day equals total revenues for the quarter divided by the number of days in the fiscal quarter.
- **Free cash flow:** equal to the sum of 1) operating cash flows, 2) investing cash flows, excluding business acquisitions and dispositions, purchase or sale of available for sale securities and 3) capital lease payments.
- **ROI:** calculated by multiplying profit margin times investment base turnover. The profit margin used is profit before interest expense and special items and after tax divided by revenues. Investment base turnover equals revenues divided by average debt and equity.

# Components of Operating Costs

(\$ in millions)

	Q1 FY09	Q1 FY08	Change	Comment
Cost of Services	\$ 3,602	\$ 3,099	16.2%	
% of revenue	81.2%	80.8%		
SG&A (excluding Corp G&A)	236	208	13.5%	
% of revenue	5.3%	5.4%		
Depreciation & Amortization	317	279	13.6%	
% of revenue	7.1%	7.3%		
Operating Costs	\$ 4,155	\$ 3,587	15.9%	
% of revenue	93.6%	93.4%		
Corporate G&A	42	33	28.1%	
% of revenue	0.9%	0.9%		