



# Leading Our Clients' Digital Transformations

FORM S-4 & FORM 10  
OF EVERETT SPINCO

November 3, 2016



In connection with the proposed transaction, Everett SpinCo, Inc., a wholly-owned subsidiary of Hewlett Packard Enterprise Company (“HPE”) created for the transaction (“Spinco”), filed with the SEC a registration statement on Form S-4 and a registration statement on Form 10 containing a prospectus-information statement and CSC will file with the SEC a proxy statement on Schedule 14A. INVESTORS AND SECURITY HOLDERS ARE ADVISED TO READ THE REGISTRATION STATEMENTS AND PROSPECTUS-INFORMATION STATEMENT, BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT THE PARTIES AND THE PROPOSED TRANSACTION AND TO READ OTHER DOCUMENTS FILED BY CSC, HPE, AND SPINCO (INCLUDING AMENDMENTS TO EXISTING FILINGS) AS AND WHEN THOSE DOCUMENTS ARE FILED BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PARTIES AND THE PROPOSED TRANSACTION. Investors and security holders may obtain a free copy of these and other documents filed with the SEC by CSC, HPE and Spinco at the SEC’s web site at <http://www.sec.gov>. Free copies of these documents as well as other documents that will be filed in the future (including amendments to the documents) and each of the companies’ other filings with the SEC, may also be obtained from CSC’s web site at [www.csc.com](http://www.csc.com).

This communication is not a solicitation of a proxy from any investor or security holder. However, CSC, HPE, and certain of their respective directors, executive officers and other members of management and employees, may be deemed to be participants in the solicitation of proxies from stockholders of CSC in respect of the proposed transaction under the rules of the SEC. Information regarding CSC’s directors and executive officers is available in CSC’s 2016 Annual Report on Form 10-K filed with the SEC on June 14, 2016, and in its definitive proxy statement for its annual meeting of stockholders filed on June 24, 2016. Information regarding HPE’s directors and executive officers is available in HPE’s 2015 Annual Report on Form 10-K filed with the SEC on December 17, 2015, and in its definitive proxy statement for its annual meeting of stockholders filed on February 12, 2016. These documents as well as other documents filed by CSC, HPE or Spinco with the SEC can be obtained free of charge from the sources indicated above. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the registration statements, prospectuses and proxy statement and other relevant materials to be filed with the SEC when they become available.

This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.



# Pro Forma Presentation

## INCOME STATEMENT

- CSC – fiscal year 2016 ending April 1<sup>st</sup>, 2016
- Everett – 12 months ending April 30<sup>th</sup>, 2016
- Pro forma fiscal 2016 combines both financials

## BALANCE SHEET

- CSC – as of July 1<sup>st</sup>, 2016 consistent with latest CSC 10-Q
- Everett – as of July 31<sup>st</sup>, 2016 consistent with latest HPE 10-Q
- Combination as of July 2016



# Pro Forma and Non-GAAP Presentation

## General Assumptions

**Everett Pensions:** Adjusted to \$570M net pension liability.

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**Capital Leases:**

- 1) Balance sheet includes capitalized leases expiring within 2 years of close date in addition to a \$250 million cap on longer-lived leases per separation agreement.
  - 2) Income statement consistent with this treatment.
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**Debt:**

- 1) Term Loan of \$1.5B and Senior Notes of \$1.6B that are expected to bear interest at an average rate of 3.4% with maturity dates between 3-10 years.
  - 2) Bridge Facility: Assumed no draw down of \$3.1B unsecured bridge facility.
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**Everett Taxes:** 30% tax rate assumed for non-GAAP financials, based on an estimated global mix of income and statutory rates.

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**HPE Horizontal Costs:** Currently does not reflect any adjustment for a reduction in horizontal costs from approximately \$1.6B to the agreed Distribution date target of \$1.2B.

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**Synergies:** No synergies assumed in pro forma results.

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**CSC Recent Acquisitions:** The pro forma and non-GAAP financials do not include a full fiscal year of Xchanging and UXC results.

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# Pro Forma Income Statement – Fiscal 2016

Form S-4 page 169

(in millions, except per share amounts)	Historical		Reclassifications	Transaction Adjustments	Pro Forma Combined
	CSC for the Twelve Months Ended April 1, 2016	Everett for the Twelve Months Ended April 30, 2016			
Revenues	\$ 7,106	\$ 18,548	-	-	\$ 25,654
Costs and expenses:					
<i>Costs of services</i>	5,185	16,239	(1,006)	378	20,796
<i>Selling, general and administrative</i>	1,040	1,685	(141)	(10)	2,574
<i>Depreciation and amortization</i>	658	-	1,789	(315)	2,132
<i>Amortization of intangible assets</i>	-	399	(399)	-	-
<i>Restructuring costs</i>	23	606	-	-	629
<i>Separation costs</i>	19	270	-	-	289
<i>Divestiture charges</i>	-	10	(10)	-	-
<i>Interest expense</i>	123	-	184	55	362
<i>Interest income</i>	(38)	-	(36)	-	(74)
<i>Acquisition and divestiture related charges</i>	-	-	-	-	-
<i>Defined benefit plan settlement charges</i>	-	233	(233)	-	-
<i>Impairment of data center assets</i>	-	136	-	-	136
<i>Debt extinguishment cost</i>	95	-	-	-	95
<i>Other income, net</i>	(9)	-	2	-	(7)
Total costs and expenses	7,096	19,578	150	108	26,932
Interest and other, net	-	(155)	155	-	-
Income (loss) from continuing operations before taxes	10	(1,185)	5	(108)	(1,278)
Income tax (benefit) expense	(62)	522	-	(27)	433
Income (loss) from continuing operations	72	(1,707)	5	(81)	(1,711)
Less: net income attributable to noncontrolling interests, net of tax	1	-	5	-	6
Income (loss) from continuing operations attributable to the company	\$ 71	\$ (1,707)	-	\$ (81)	\$ (1,717)
Earnings (loss) per common share:					
Basic	\$ 0.51				\$ (6.10)
Diluted	\$ 0.50				\$ (6.10)
Weighted-average common shares:					
Basic	138.28			143.14	281.42
Diluted	141.33			140.09	281.42



# Non-GAAP Financial Measures

Form S-4 page 184-185

## For P&L purposes, exclude:

- **Certain overhead costs** – Reflects costs related to (1) CSC's separation of NPS which were historically allocated to NPS (now CSRA) but not included in discontinued operations due to accounting rules and (2) certain HPE costs allocated to Everett. These costs are expected to be largely eliminated on a prospective basis
- **U.S. Pension and other post-retirement benefits (OPEB)** – Reflects the impact of certain U.S. pension and OPEB plans historically included in CSC's financial results that have been transferred to CSRA as part of the CSRA Separation
- **Separation, restructuring, and other transaction costs** – Includes costs related to (1) Separation costs allocated to Everett arising from the separation of Everett's Parent, HPE, from HP Inc., formerly Hewlett-Packard Company, (2) CSRA separation from CSC, (3) certain CSC and Everett restructuring charges related to workforce optimization and real estate charges, (4) merger related costs incurred by CSC and Everett, and (5) intangible asset amortization expense recognized by CSC and Everett
- **Pension and OPEB actuarial and settlement gains (losses)** – Due to mark-to-market accounting and settlements incurred by CSC and Everett
- **SEC settlement-related items** – Reflects CSC costs associated with certain SEC charges and settlements
- **Debt extinguishment costs** – Related to CSC's early redemption of certain term notes
- **Impairment of data center assets** – Related to Everett's exit from several data centers

## For EBITDA only, in addition to above, exclude:

- **Stock based compensation** – Represents the stock based compensation expense recognized by CSC and Everett
- **Provision for losses on accounts receivable** – Represents the amount of uncollectible accounts receivable expense incurred by CSC and Everett
- **Foreign currency loss (gain)** – Represents the gain/loss related to CSC's hedging transactions and intercompany accounts
- **Aggregate adjustment for income taxes** – Income tax effect for the adjustments above and 30% tax rate assumption for Everett non-GAAP financials



# Non-GAAP Income Statement – Fiscal 2016

Form S-4 page 187

(in millions, except per share amounts)	Historical Twelve Months Ended		Adjustments	Pro Forma Combined
	CSC April 1, 2016	Everett April 30, 2016		
<b>Consolidated segment adjusted Operating Income</b>	<b>\$ 632</b>	<b>\$ 742</b>	<b>\$ 130</b>	<b>\$ 1,504</b>
Other income (expense), net	9	(2)	-	7
Corporate G&A	(138)	-	-	(138)
Interest expense	(116)	(184)	(55)	(355)
Interest Income	38	36	-	74
<b>Non-GAAP income (loss) from continuing operations before taxes</b>	<b>425</b>	<b>592</b>	<b>75</b>	<b>1,092</b>
Income tax benefit (expense)	(62)	(178)	(22)	(262)
<b>Non-GAAP net income (loss) from continuing operations</b>	<b>\$ 363</b>	<b>\$ 414</b>	<b>\$ 53</b>	<b>\$ 830</b>
<i>Certain overhead costs</i>	(88)	(118)	-	(206)
<i>U.S Pension and OPEB</i>	38	-	-	38
<i>Separation, restructuring &amp; other transaction costs</i>	(161)	(1,285)	15	(1,431)
<i>Pension &amp; OPEB actuarial &amp; settlement losses</i>	(99)	(233)	(198)	(530)
<i>SEC settlement related items</i>	(5)	-	-	(5)
<i>Debt extinguishment costs</i>	(100)	-	-	(100)
<i>Impairment of data center assets</i>	-	(136)	-	(136)
<i>Aggregate adjustment for income taxes</i>	124	(344)	49	(171)
<b>Income (loss) from continuing operations</b>	<b>72</b>	<b>(1,702)</b>	<b>(81)</b>	<b>(1,711)</b>
Less: net income attributable to noncontrolling interest, net of tax	1	5	-	6
<b>Net income (loss) from continuing operations</b>	<b>\$ 71</b>	<b>\$ (1,707)</b>	<b>\$ (81)</b>	<b>\$ (1,717)</b>
Non-GAAP basic EPS from continuing operations	2.62			2.93
Less: Total adjustments to non-GAAP income from continuing operations	(2.11)			(9.03)
Basic EPS from continuing operations	\$ 0.51			\$ (6.10)
Non-GAAP diluted EPS from continuing operations	2.56			2.85
Less: Total adjustments to non-GAAP income from continuing operations	(2.06)			(8.95)
Diluted EPS from continuing operations	\$ 0.50			\$ (6.10)
Weighted average common shares:				
Basic	138.28			281.42
Diluted	141.33			289.35

Currently does not reflect any adjustment for a reduction in horizontal cost activities from approximately \$1.6B to the agreed Distribution date target of \$1.2B.

Financials do not include synergies.

CSC financials do not include a full fiscal year of Xchanging and UXC.



# Non-GAAP EBITDA – Fiscal 2016

Form S-4 page 188-189

(in millions)	Historical Twelve Months Ended		Adjustments	Pro Forma Combined
	CSC April 1, 2016	Everett April 30, 2016		
<b>Net income (loss) from continuing operations</b>	\$ 71	\$ (1,707)	\$ (81)	\$ (1,717)
Less: net income attributable to noncontrolling interest, net of tax	1	5	-	6
<b>Income (loss) from continuing operations</b>	\$ 72	\$ (1,702)	\$ (81)	\$ (1,711)
Interest expense, net	85	148	55	288
Tax (benefit) expense on income	(62)	522	(27)	433
Depreciation and amortization	658	1,789	(315)	2,132
Certain overhead costs	88	118	-	206
U.S. Pension and OPEB	(38)	-	-	(38)
Provision for losses on accounts receivable	6	16	-	22
Stock based compensation	46	228	-	274
Restructuring costs	23	606	-	629
Foreign currency gain	(1)	-	-	(1)
Pension and postretirement benefit plans actuarial losses (gains), settlement losses, and amortization of other comprehensive income	92	233	194	519
Separation Costs	19	270	-	289
Impairment on data center assets	-	136	-	136
Debt extinguishment costs	95	-	-	95
<b>Adjusted EBITDA</b>	\$ 1,083	\$ 2,364	\$ (174)	\$ 3,273





# Valuation – Purchase Price Allocation

Form S-4 page 172-175

## Fair Value Balance Sheet (in millions)

Total current assets	\$	4,609
Property and equipment, net		3,805
Intangible assets		4,500
Other assets		1,516
<b>Total assets acquired</b>	<b>\$</b>	<b>14,430</b>
Total current liabilities	\$	4,066
Long-term debt, net of current maturities		4,378
Deferred tax liabilities		1,626
Other liabilities		1,063
<b>Total liabilities assumed</b>	<b>\$</b>	<b>11,133</b>
Net identifiable assets acquired	\$	3,297
Add: Fair value of noncontrolling interests		(29)
Goodwill		4,675
<b>Total consideration to be transferred</b>	<b>\$</b>	<b>7,943</b>

## Merger Assumptions

- Closing price of \$55.49 per share on October 21, 2016
- Combined company share ownership of 50.1% for former HPE stockholders and 49.9% for former CSC stockholders
- Total purchase price of \$11,376 million including assumed indebtedness of \$396 million\*

## Purchase Price Allocation (in millions)

Preliminary fair value of purchase consideration received by HPE stockholders	\$	7,824
Preliminary fair value of Everett options assumed by CSC		119
<b>Consideration to be transferred</b>	<b>\$</b>	<b>7,943</b>
Preliminary fair value of Everett new indebtedness assumed by CSC	\$	3,037
Preliminary fair value of Everett historical indebtedness assumed by CSC		396
<b>Total accounting consideration</b>	<b>\$</b>	<b>11,376</b>

\* Includes approximately \$80 million in indebtedness which is subject to final agreement on transferability to Everett.



# Pro Forma Balance Sheet at July 1, 2016 (Assets)

Form S-4 page 167

(in millions)	Historical		Reclassifications	Transaction Adjustments	Pro Forma Combined
	CSC as of July 1, 2016	Everett as of July 31, 2016			
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 1,000	\$ 392	-	\$ (437)	\$ 955
Receivables, net	1,983	3,279	336	-	5,598
Financing Receivables	-	140	(140)	-	-
Prepaid expenses and other current assets	421	1,773	(779)	-	1,415
Total current assets	3,404	5,584	(583)	(437)	7,968
Software, net	854	-	93	-	947
Outsourcing contract costs, net	331	-	1,362	(1,362)	331
Goodwill	1,817	-	-	4,675	6,492
Intangible assets	-	32	-	4,468	4,500
Other assets	1,101	1,879	(666)	(57)	2,257
Deferred income taxes, net	338	-	132	176	646
Property and equipment, net	1,012	4,214	(66)	(343)	4,817
Long-term financing receivables	-	272	(272)	-	-
Total Assets	\$ 8,857	\$ 11,981	\$ -	\$ 7,120	\$ 27,958



# Pro Forma Balance Sheet at July 1, 2016 (Liabilities & Equity)

Form S-4 page 167

(in millions)	Historical		Reclassifications	Transaction Adjustments	Pro Forma Combined
	CSC as of July 1, 2016	Everett as of July 31, 2016			
<b>LIABILITIES AND EQUITY</b>					
Current liabilities:					
Short-term debt and current maturities of long-term debt	700	2	799	(610)	891
Capital lease obligations, short-term	-	799	(799)	-	-
Accounts payable	368	837	-	-	1,205
Accrued payroll and related costs	331	798	-	283	1,412
Accrued expenses and other current liabilities	778	1,213	415	-	2,406
Deferred revenue and advance contract payments	576	981	-	(713)	844
Accrued restructuring	-	415	(415)	-	-
Income taxes payable	10	61	-	-	71
Total current liabilities	2,763	5,106	-	(1,040)	6,829
Long-term debt, net of current maturities	2,543	394	1,593	2,391	6,921
Capital lease obligations, long-term	-	1,593	(1,593)	-	-
Non-current deferred revenue	345	-	1,031	(749)	627
Pension obligations	222	-	1,791	(1,409)	604
Deferred tax liabilities	221	-	31	1,595	1,847
Non-current income tax liabilities	191	-	-	-	191
Other liabilities	343	3,251	(2,853)	1	742
Total Liabilities	6,628	10,344	-	789	17,761
Total Equity	2,229	1,637	-	6,331	10,197
Total Liabilities and Equity	\$ 8,857	\$ 11,981	\$ -	\$ 7,120	\$ 27,958





# Leading Our Clients' Digital Transformations

APPENDIX



# Pro Forma Income Statement – Reclassifications

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- Depreciation and amortization reclassified out of Costs of services and Selling, general and administrative and into Depreciation and amortization
- Benefit plan settlement charges reclassified out of Defined benefit plan settlement charges and into Cost of services and Selling, general and administrative
- Amortization reclassified out of amortization of intangible assets and into Depreciation and amortization
- Noncontrolling interests reclassified out of Interest and other, net and into net income attributable to noncontrolling interests, net of tax
- Interest expense, interest income and other expense (income) reclassified out of Interest, and other, net and into Interest expense, Interest income, and Other expense (income), net respectively



# Pro Forma Balance Sheet – Reclassifications

Form S-4 page 176-177

- Financing receivables reclassified out of Financing receivables and into Prepaid expenses and other current assets.
  - Financing receivables represent receivables from Everett customers related to sales-type and direct-financing leases for leases included in Everett's customer contracts.
- Value added tax receivable reclassified out of Prepaid expenses and other current assets and into Receivables, net
- Current deferred outsourcing costs reclassified out of Prepaid expenses and other current assets and into Outsourcing contract costs, net
- Deferred tax assets were reclassified out of Other assets and into Deferred income taxes, net
- Software reclassified out of Property and equipment, net and Other assets and into Software, net
- Noncurrent financing receivables reclassified out of Long-term financing receivables and into Other assets
- Short-term capital lease obligations reclassified out of Capital lease obligations, short-term and into Short-term debt and current maturities of long-term debt
- Restructuring reclassified out of Accrued restructuring and into Accrued expenses and other current liabilities
- Long-term capital lease obligation reclassified out of Capital lease obligations, long-term and into Long-term debt, net of current maturities
- Non-current deferred revenue reclassified out of Other liabilities and into Non-current deferred revenue
- Pension liabilities reclassified out of Other liabilities and into Pension obligations
- Deferred tax liabilities were reclassified out of Other liabilities and into Deferred tax liabilities

