


Business Proposal Attachments

Gainwell Technologies

Response to the State of Indiana
Indiana Department of Administration
Family and Social Services Administration
Office of Medicaid Policy and Planning

Premium Billing & Collection Services

Request for Proposal 22-69574

December 7, 2021

Secretary of State
Certificate of Status

I, SHIRLEY N. WEBER, Ph.D., Secretary of State of the State of California, hereby certify:

Entity Name:	GAINWELL TECHNOLOGIES LLC
File Number:	200935110099
Registration Date:	12/17/2009
Entity Type:	DOMESTIC LIMITED LIABILITY COMPANY
Jurisdiction:	CALIFORNIA
Status:	ACTIVE (GOOD STANDING)

As of November 21, 2021 (Certification Date), the entity is authorized to exercise all of its powers, rights and privileges in California.

This certificate relates to the status of the entity on the Secretary of State's records as of the Certification Date and does not reflect documents that are pending review or other events that may affect status.

No information is available from this office regarding the financial condition, status of licenses, if any, business activities or practices of the entity.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of November 23, 2021.

SHIRLEY N. WEBER, Ph.D.
Secretary of State

Certificate Verification Number: ZQ6K2QZ

To verify the issuance of this Certificate, use the Certificate Verification Number above with the Secretary of State Certification Verification Search available at bebizfile.sos.ca.gov/certification/index.

gainwell

RFP Annual Reports/ Financial Statements

Gainwell Holding Corp. is an independent private company, founded on October 1, 2020 through the sale of DXC Technology's State & Local Health and Human Services (HHS) business to an affiliate of Veritas Capital Fund Management, L.L.C.

Before October 1, 2020 DXC included the HHS business which is now Gainwell Holding Corp in their Consolidated Financial Statements.

The six-months ended 31 March 2021 was Gainwell's first fiscal period operating as a standalone entity, following the separation from DXC Technology.

Gainwell acquired HMS Holdings Corp. ("HMS"), an industry-leading healthcare technology, analytics, and engagement solutions provider on April 1, 2021.

Gainwell is a private company and as such we're not obligated to include a quarterly review by independent auditors. The below quarterly reports aren't audited; however, they are reviewed with high level of scrutiny since we provide them to our investor community.

Considering the timeline above attached are the following reports:

1. DXC 2019 Annual Report (4/1/18-3/31/19).
2. HMS 2019 Annual Report (1/1/19 -12/31/19).
3. DXC 2020 Annual Report (4/1/19-3/31/20).
4. HMS 2020 Annual Report (1/1/20-12/31/20).
5. DXC Fiscal Year 2021 Q1 Report (4/1/20-6/30/20)
6. DXC Fiscal Year 2021 Q2 Report (7/1/20-9/30/20)
7. Gainwell Holding Corp Audited Financial Statements for the six-months ended March 31, 2021 (10/1/20-3/31/21).
8. Gainwell Fiscal Year 2022 Q1 unaudited Lender Compliance Report (4/1/21-6/30/21).
9. Gainwell Fiscal Year 2022 Q2 unaudited Lender Compliance Report (7/1/21-9/30/21).

Gainwell Holding Corp.

By: Saswata Mukherjee

Name: Saswata Mukherjee

Title: Chief Financial Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________________ to __________________

Commission File No.: 1-4850

DXC TECHNOLOGY COMPANY

(Exact name of Registrant as specified in its charter)

Nevada	**61-1800317**
(State of incorporation or organization)	(I.R.S. Employer Identification No.)
1775 Tysons Boulevard	
Tysons, Virginia	**22102**
(Address of principal executive offices)	(zip code)

Registrant's telephone number, including area code: **(703) 245-9675**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	**DXC**	**New York Stock Exchange**
2.750% Senior Notes Due 2025	**DXC 25**	**New York Stock Exchange**
1.750% Senior Notes Due 2026	**DXC 26**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒	Accelerated Filer ☐
Non-accelerated Filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant on September 28, 2018, the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing price of a share of the registrant’s common stock on that date, was $26,235,616,834.

268,597,251 shares of common stock, par value $0.01 per share, were outstanding as of May 10, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement relating to its 2019 Annual Meeting of Stockholders (the "2019 Proxy Statement"), which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the registrant's fiscal year end of March 31, 2019, are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated.

TABLE OF CONTENTS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

All statements and assumptions contained in this Annual Report on Form 10-K and in the documents incorporated by reference that do not directly and exclusively relate to historical facts constitute "forward-looking statements." Forward-looking statements often include words such as "anticipates," "believes," "estimates," "expects," "forecast," "goal," "intends," "objective," "plans," "projects," "strategy," "target" and "will" and words and terms of similar substance in discussions of future operating or financial performance. These statements represent current expectations and beliefs, and no assurance can be given that the results described in such statements will be achieved.

Forward-looking statements include, among other things, statements with respect to our financial condition, results of operations, cash flows, business strategies, operating efficiencies or synergies, divestitures, competitive position, growth opportunities, share repurchases, dividend payments, plans and objectives of management and other matters. Such statements are subject to numerous assumptions, risks, uncertainties and other factors that could cause actual results to differ materially from those described in such statements, many of which are outside of our control. Important factors that could cause actual results to differ materially from those described in forward-looking statements include, but are not limited to:

- *the integration of Computer Sciences Corporation's ("CSC") and Enterprise Services business of Hewlett Packard Enterprise Company's ("HPES") businesses, operations, and culture and the ability to operate as effectively and efficiently as expected, and the combined company's ability to successfully manage and integrate acquisitions generally;*
- *the ability to realize the synergies and benefits expected to result from the HPES Merger within the anticipated time frame or in the anticipated amounts;*
- *other risks related to the HPES Merger including anticipated tax treatment, unforeseen liabilities and future capital expenditures;*
- *the U.S. Public Sector business ("USPS") Separation and Mergers (defined below) could result in substantial tax liability to DXC and our stockholders;*
- *changes in governmental regulations or the adoption of new laws or regulations that may make it more difficult or expensive to operate our business;*
- *changes in senior management, the loss of key employees or the ability to retain and hire key personnel and maintain relationships with key business partners;*
- *the risk of liability or damage to our reputation resulting from security breaches or disclosure of sensitive data or failure to comply with data protection laws and regulations;*
- *business interruptions in connection with our technology systems;*
- *the competitive pressures faced by our business;*
- *the effects of macroeconomic and geopolitical trends and events;*
- *the need to manage third-party suppliers and the effective distribution and delivery of our products and services;*
- *the protection of our intellectual property assets, including intellectual property licensed from third parties;*
- *the risks associated with international operations;*
- *the development and transition of new products and services and the enhancement of existing products and services to meet customer needs and respond to emerging technological trends;*
- *the execution and performance of contracts by us and our suppliers, customers, clients and partners;*
- *the resolution of pending investigations, claims and disputes;*
- *risks relating to the respective abilities of the parties to the Luxoft Acquisition (defined below) to satisfy the conditions to, and to otherwise consummate, the Luxoft Acquisition and to achieve the expected results therefrom; and*
- *the other factors described under Item 1A. "Risk Factors."*

No assurance can be given that any goal or plan set forth in any forward-looking statement can or will be achieved, and readers are cautioned not to place undue reliance on such statements which speak only as of the date they are made. Any forward-looking statement made by us in this Annual Report on Form 10-K speaks only as of the date on which this Annual Report on Form 10-K was first filed. We do not undertake any obligation to update or release any revisions to any forward-looking statement or to report any events or circumstances after the date of this report or to reflect the occurrence of unanticipated events, except as required by law.

Throughout this report, we refer to DXC Technology Company, together with its consolidated subsidiaries, as “we,” “us,” “our,” “DXC,” or the “Company.” In order to make this report easier to read, we also refer throughout to (i) our Consolidated Financial Statements as our “financial statements,” (ii) our Consolidated Statements of Operations as our “statements of operations,” (iii) our Consolidated Balance Sheets as our “balance sheets” and (iv) our Consolidated Statements of Cash Flows as our “statements of cash flows.” In addition, references throughout to numbered “Notes” refer to the numbered Notes to our Financial Statements that we include in the Financial Statements section of this report.

PART I

ITEM 1. BUSINESS

Overview

As the world's leading independent, end-to-end IT services company, DXC leads digital transformations for clients by modernizing and integrating their mainstream IT, and by deploying digital solutions at scale to produce better business outcomes. The company’s technology independence, global talent, and extensive partner network enable 6,000 private and public-sector clients in 70 countries to thrive on change.

Businesses in today's complex and demanding business environment are increasingly seeking to integrate digital technology into every aspect of their business resulting in fundamental changes to how they operate and deliver value to their customers. DXC designs and deploys new digital solutions – at scale – that integrate with our clients' mainstream IT infrastructure. We work with our clients to solve challenges in ways that maximize opportunity and minimize business risk. Our world-class talent becomes part of our clients’ teams, innovating with them, putting the right technology to work for their organizations and leading them through accelerating change to deliver better business outcomes.

Our business strategy is supported by a framework that focuses on the following three pillars:

- Help clients advance their digital transformations by modernizing and simplifying their mainstream IT; which can help fund their digital initiatives;
- Invest in our people to nurture digital skills and leadership development; and
- Deliver value by achieving results for our clients and stakeholders.

History and Development

DXC, a Nevada corporation, was formed on April 1, 2017, by the merger of CSC and HPES (the "HPES Merger"). See Note 2 - "Acquisitions" for more information.

USPS Separation and Mergers

On May 31, 2018, DXC completed the separation of USPS (the "Separation"), and combination with Vencore Holding Corp. ("Vencore") and KeyPoint Government Solutions ("Keypoint") (the "Mergers") to form Perspecta Inc. ("Perspecta"), an independent public company (collectively, the "USPS Separation and Mergers"). Under the terms of the separation agreements, on May 31, 2018, stockholders who held DXC common stock at the close of business on May 25, 2018 (the “Record Date”), received a distribution of one share of Perspecta common stock for every two shares of DXC common stock held as of the Record Date (the "Distribution"). See Note 3 - "Divestitures" for more information.

Acquisitions and Divestitures

In addition to the USPS Separation, during the fiscal year ended March 31, 2019 ("fiscal 2019"), we completed the acquisition of Molina Medicaid Solutions ("MMS"), a Medicaid Management Information Systems business, from Molina Healthcare, Inc. The combination of MMS with DXC expanded our ability to provide services to state agencies in the administration of Medicaid programs, including business processing, information technology development and administrative services. We also completed other acquisitions during fiscal 2019 to complement our Microsoft Dynamics and ServiceNow offerings and to provide opportunities for future growth. See Note 2 - "Acquisitions" for more information.

On January 7, 2019, DXC and Luxoft Holding, Inc ("Luxoft") announced a definitive agreement for DXC to acquire Luxoft, a global-scale digital innovator providing digital strategy consulting and engineering services for companies across North America, Europe and the Asia Pacific region (the "Luxoft Acquisition"). Pursuant to the agreement between DXC and Luxoft, all of the issued and outstanding Luxoft Class A and Class B ordinary shares will receive $59.00 per share in cash, representing a total equity value of approximately $2 billion. The transaction is anticipated to close by June 2019, subject to regulatory and other approvals. Such approvals include the termination or expiration of the relevant waiting period under, and the approvals required to be obtained in connection with or in compliance with, (i) the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which was satisfied on January 31, 2019; (ii) the European Union Merger Regulation, which was satisfied on March 25, 2019; and (iii) Russia merger control regulations, which was satisfied on June 11, 2019.

Segments and Services

As a result of the Separation, USPS is no longer included as a reportable segment. Our reportable segments are Global Business Services ("GBS") and Global Infrastructure Services ("GIS").

Global Business Services

GBS provides innovative technology solutions that help our clients address key business challenges and accelerate digital transformations tailored to each client’s industry and specific objectives. GBS offerings include:

- *Enterprise, Cloud Applications and Consulting.* We provide industry, business process systems integration and technical delivery experience to maximize value from enterprise application portfolios. We also help clients accelerate their digital transformations and business results with industry, business, technology and complex integration services.
- *Application Services.* Our comprehensive services help clients modernize, develop, test and manage their applications.
- *Analytics.* Our portfolio of analytics services and robust partner ecosystem helps clients gain rapid insights and accelerate their digital transformation journeys.
- *Business Process Services.* We provide seamless digital integration and optimization of front and back office processes, including our Agile Process Automation approach.
- *Industry Software and Solutions.* Our industry-specific solutions enable businesses to quickly integrate technology, transform their operations and develop new ways of doing business. Our vertical-specific IP includes insurance, healthcare and life sciences, travel and transportation, and banking and capital markets solutions.

Global Infrastructure Services

GIS provides a portfolio of offerings that deliver predictable outcomes and measurable results, while reducing business risk and operational costs for clients. GIS offerings include:

- *Cloud and Platform Services.* We help clients maximize their private cloud, public cloud and legacy infrastructures, as well as securely manage their hybrid environments.
- *Workplace and Mobility*. Our workplace, mobility and Internet of Things ("IoT") services provide a consumer-like experience with enterprise security and instant connectivity for our clients.
- *Security.* Our security solutions help predict attacks, proactively respond to threats, ensure compliance and protect data, applications, infrastructure and endpoints.

See Note 18 - "Segment and Geographic Information" for additional information related to our reportable segments, including the disclosure of segment revenues, segment profit and financial information by geographic area.

Sales and Marketing

We market and sell our services directly to clients through our direct sales force, operating out of sales offices around the world. Our clients include commercial businesses of many sizes and in many industries and public sector enterprises. No individual customer exceeded 10% of our consolidated revenues for fiscal 2019, 2018 or 2017.

Seasonality

General economic conditions have an impact on our business and financial results. The markets in which we sell our products, services and solutions occasionally experience weak economic conditions that may negatively affect sales. We also experience some seasonal trends in the sale of our services. For example, contract awards are often tied to the timing of our clients' fiscal year-ends, and we also experience seasonality related to our own fiscal year-end selling activities.

Competition

The IT and professional services markets in which we compete are highly competitive and are not dominated by a single company or a small number of companies. A substantial number of companies offer services that overlap and are competitive with those we offer. In addition, the increased importance of offshore labor centers has brought several foreign-based firms into competition with us.

Our competitors include:

- large multinational enterprises that offer some or all of the services and solutions that we do;
- smaller companies that offer focused services and solutions similar to those that we offer;
- offshore service providers in lower-cost locations, particularly in India, that sell directly to end-users;
- solution or service providers that compete with us in a specific industry segment or service area; and
- in-house functions of corporations that use their own resources, rather than engage an outside IT services provider.

The principal methods of competition in the markets for our solutions and services include:

- vision and strategic advisory ability;
- digital services capabilities;
- performance and reliability;
- responsiveness to client needs;
- competitive pricing of services;
- technical and industry expertise;
- reputation and experience;
- quality of solutions and services; and
- financial stability and strong corporate governance.

Our ability to obtain new business and retain existing business is dependent upon the following:

- technology, industry and systems know-how with an independent perspective on the best client solutions across software, hardware, and service providers;
- ability to offer improved strategic frameworks and technical solutions;
- investments in our digital services and solutions;
- focus on responsiveness to customer needs, quality of services and competitive prices;
- successful management of our relationships with leading strategic and solution partners in hardware, networking, cloud, applications and software;
- project management experience and capabilities;
- end-to-end spectrum of IT and professional services we provide; and
- financial stability and strong corporate governance.

Intellectual Property

We rely on a combination of trade secrets, patents, copyrights, and trademarks, as well as contractual protections, to protect our business interests. While our technical services and products are not generally dependent upon patent protection, we do selectively seek patent protection for certain inventions likely to be incorporated into products and services or where obtaining such proprietary rights will improve our competitive position.

As our patent portfolio has been built over time, the remaining terms of the individual patents across the patent portfolio vary. We believe that our patents and patent applications are important for maintaining the competitive differentiation of our solutions and services and enhancing our freedom of action to sell solutions and services in markets in which we choose to participate. No single patent is in itself essential to our company as a whole or to any business segment.

Additionally, we own or have rights to various trademarks, logos, service marks, and trade names that are used in the operation of our business. We also own or have the rights to copyrights that protect the content of our products and other proprietary materials.

In addition to developing our intellectual property portfolio, we license intellectual property rights from third parties as we deem appropriate. We have also granted and plan to continue to grant to others licenses under our intellectual property rights when we consider these arrangements to be in our interest. These license arrangements include a number of cross-licenses with third parties.

Environmental Regulation

Our operations are subject to regulation under various federal, state, local, and foreign laws concerning the environment, including laws addressing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes and the clean-up of contaminated sites. Environmental costs and accruals are presently not material to our operations, cash flows or financial position, and we do not currently anticipate material capital expenditures for environmental control facilities. However, we could incur substantial costs, including clean-up costs, fines and civil or criminal sanctions and third-party damage or personal injury claims, if we were to violate or become liable under environmental laws, or if new environmental legislation is passed which impacts our business.

Employees

As of March 31, 2019, we employed approximately 130,000 employees and had offices and operations in 70 countries.

Available Information

We use our corporate website, *www.dxc.technology*, as a routine channel for distribution of important information, including detailed company information, financial news, SEC filings, Annual Reports, historical stock information and links to a recent earnings call webcast. DXC’s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, all amendments to those reports, and the Proxy Statements for our Annual Meetings of Stockholders are made available, free of charge, on our corporate website as soon as reasonably practicable after such reports have been filed with or furnished to the SEC. They are also available through the SEC at *www.sec.gov/edgar/searchedgar/companysearch.html.* Our corporate governance guidelines, Board of Directors' committee charters (including the charters of the Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee) and code of ethics entitled "Code of Business Conduct" are also available on our website. The information on our website is not incorporated by reference into, and is not a part of, this report.

Information About Our Executive Officers

Name	Age	Year First Elected as Officer	Term as an Officer	Position Held With the Registrant as of the filing date	Family Relationship
J. Michael Lawrie	65	2017	Indefinite	Chairman, President and Chief Executive Officer	None
Paul N. Saleh	62	2017	Indefinite	Executive Vice President and Chief Financial Officer	None
William L. Deckelman, Jr.	61	2017	Indefinite	Executive Vice President, General Counsel and Secretary	None
Joanne Mason	51	2017	Indefinite	Executive Vice President and Chief Human Resources Officer	None
Edward Ho	56	2018	Indefinite	Executive Vice President and General Manager, Offerings	None
James R. Smith	51	2017	Indefinite	Executive Vice President, Digital Transformation and Customer Advocacy	None
Neil A. Manna	56	2017	Indefinite	Senior Vice President, Corporate Controller and Principal Accounting Officer	None

Business Experience of Executive Officers

J. Michael Lawrie has served as Chairman, President and Chief Executive Officer of DXC and as a member of the Board of Directors of DXC since the completion of the HPES Merger. Mr. Lawrie previously served as Chairman, President and Chief Executive Officer of CSC. Mr. Lawrie joined CSC as President and Chief Executive Officer on March 19, 2012, and as a member of its Board of Directors in February 2012. On December 15, 2015, Mr. Lawrie was appointed chairman of the CSC Board of Directors. Prior to joining CSC, he served as the Chief Executive Officer of U.K.-based Misys plc, a leading global IT solutions provider to the financial services industry, from November 2006 to March 2012. Mr. Lawrie also served as the Executive Chairman of Allscripts-Misys Healthcare Solutions, Inc., from October 2008 to August 2010. From 2005 to 2006, Mr. Lawrie was a general partner with ValueAct Capital, a San Francisco-based private investment firm. He also served as Chief Executive Officer of Siebel Systems, Inc., an international software and solutions company, from 2004 to 2005. Mr. Lawrie also spent 27 years with IBM where he rose to Senior Vice President and Group Executive, responsible for sales and distribution of all IBM products and services worldwide. From 1998 to 2001, Mr. Lawrie was General Manager for IBM’s business in Europe, the Middle East and Africa, which included operations in 124 countries and 90,000 employees. Prior to that, Mr. Lawrie served as General Manager of Industries for IBM’s business operations in Asia Pacific, based in Tokyo. Mr. Lawrie is a Trustee of Drexel University, Philadelphia and chairman of the board of directors of Perspecta. We believe Mr. Lawrie’s knowledge and extensive experience in the IT solutions industry and many years of experience as the Chief Executive Officer of DXC and CSC make him well-qualified to serve as a member of our board of directors.

Paul N. Saleh has served as Executive Vice President and Chief Financial Officer of DXC since the completion of the HPES Merger. Mr. Saleh previously served as Executive Vice President and Chief Financial Officer of CSC. Mr. Saleh joined CSC as Vice President and Chief Financial Officer on May 23, 2012. Prior to joining CSC, Mr. Saleh served as the Chief Financial Officer of Gannett Co. from 2010 to 2012. Prior to his tenure at Gannett Co., from 2008 to 2010, Mr. Saleh was a Managing Partner at Menza Partners, an operational and financial advisory group focusing on media, telecommunications and technology industries. Prior to that, he served as Chief Financial Officer of Sprint Nextel Communications from 2001 to 2007 and as Interim Chief Executive Officer of Sprint Nextel until 2008. He served as Senior Vice President and Chief Financial Officer of Walt Disney International where he also held various other senior positions from 1997 to 2001. Mr. Saleh serves as a Director of Perspecta.

William L. Deckelman, Jr. has served as Executive Vice President, General Counsel and Secretary of DXC since the completion of the HPES Merger. Mr. Deckelman previously served as Executive Vice President and General Counsel of CSC. Mr. Deckelman joined CSC in January 2008 and served as Vice President, General Counsel and Secretary from 2008 to 2012, and as Executive Vice President and General Counsel from 2012 to August 2014. Prior to joining CSC, Mr. Deckelman served as Executive Vice President and General Counsel of Affiliated Computer Services Inc. from 2000 to 2008, and served as a director from 2000 to 2003, holding various executive positions there since 1989.

Joanne Mason has served as Executive Vice President and Chief Human Resources Officer of DXC since the completion of the HPES Merger. Ms. Mason served as Chief Human Resource Officer and Vice President of CSC since March 2015. Ms. Mason joined CSC in March 2012 as Chief of Staff and Head of Change Management and Execution Office. Prior to joining CSC, from October 2006 to March 2012, Ms. Mason served as Chief of Staff and Operation Director at Misys plc. Ms. Mason previously served in various management roles at Zouk Capital from 2004 to 2006, Lendlease Group from 2002 to 2004 and Energis Communications Ltd. from 1999 to 2002.

Edward Ho joined DXC on January 2018 and serves as Executive Vice President and General Manager, Offerings. Mr. Ho previously served as the President of Global Payment Solutions of D+H Corporation, a publicly traded, leading, global financial technology company, from April 2015 to November 2017, where he was responsible for leadership of its digital, global transaction banking business. From January 2013 to April 2015, Mr. Ho served as the President and Chief Operating Officer of Fundtech Corporation, a private equity owned, leading provider of digital payments banking software and services, where he was responsible of sales, marketing, product management, development, professional services, customer support and certain general and administrative functions. Prior to his role at Fundtech, he served for 9 years as Executive Vice President and General Manager of the capital markets division at Misys plc, a provider of banking, treasury, trading and risk management software solutions. Previously, he had been Chief Executive Officer and President of IQ Financial Systems, a developer and marketer of commercial lending and risk management software systems. Mr. Ho also spent 15 years as a banker with Bank of America, Bankers Trust and Deutsche Bank.

James R. Smith serves as Executive Vice President, Digital Transformation and Customer Advocacy of DXC. Mr. Smith previously served as CSC's Executive Vice President and General Manager for GBS since he joined in August 2013. Prior to joining CSC, Mr. Smith served as Chief Executive Officer of Motricity, a provider of cloud-based mobile enterprise and analytics solutions from 2009 to 2012. Under his direction, Motricity had a successful initial public offering on NASDAQ after completing a business model transformation and global expansion. Mr. Smith held various executive leadership positions at Avaya from 2001 to 2008 where he helped drive a 10-fold increase in the company’s market capitalization and reinvented a global software platform. Prior to that, he was an Associate Partner at Accenture.

Neil A. Manna has served as Senior Vice President, Corporate Controller and Principal Accounting Officer of DXC since the completion of the HPES Merger. Mr. Manna previously served as Principal Accounting Officer, Vice President and Controller of CSC. Mr. Manna joined CSC on June 7, 2016. Prior to joining CSC, he served as the Chief Accounting Officer and Senior Vice President of CA, Inc. from December 2008 to June 3, 2016. He served as Principal Accounting Officer and Vice President of Worldwide Accounting for RealNetworks, Inc. from July 2007 to November 2008. He served as the Chief Financial Officer of TimePlus Systems, LLC (formerly TimePlus, Inc.) from November 2005 to April 2007. From February 2000 to October 2005, he served as a Director of Finance for the Payroll Division of Intuit and Controller of Employee Matters, Inc. From July 1990 to February 2000 he served as the Principal Accounting Officer, Vice President of Finance, Controller and Treasurer of CHI Energy, Inc. He is a Certified Public Accountant and holds a Bachelor’s degree in Accounting and a Master’s degree in Business Administration.

Item 1A. RISK FACTORS

Any of the following risks could materially and adversely affect our business, financial condition, and results of operations, and the actual outcome of matters as to which forward-looking statements are made in this Annual Report. In such case, the trading price for DXC common stock could decline, and you could lose all or part of your investment. The risks described below are not the only risks that DXC currently faces. Additional risks and uncertainties not currently known or that are currently expected to be immaterial may also materially and adversely affect our business, financial condition, and results of operations or the price of our common stock in the future. Past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods.

Risks Relating to Our Business

Achieving our growth objectives may prove unsuccessful. We may be unable to identify future attractive acquisitions and strategic partnerships, which may adversely affect our growth. In addition, if we are unable to integrate acquisitions and implement strategic partnerships or achieve anticipated revenue improvements and cost reductions, our profitability may be materially and adversely affected.

We may fail to complete strategic transactions. Closing strategic transactions is subject to uncertainties and risks, including the risk that we will be unable to satisfy conditions to closing, such as regulatory and financing conditions and the absence of material adverse changes to our business. In addition, our inability to successfully integrate the operations we acquire and leverage these operations to generate substantial cost savings, as well as our inability to avoid revenue erosion and earnings decline, could have a material adverse effect on our results of operations, cash flows and financial position. In order to achieve successful acquisitions, we will need to:

- successfully integrate the operations, as well as the accounting, financial controls, management information, technology, human resources and other administrative systems, of acquired businesses with existing operations and systems;
- maintain third-party relationships previously established by acquired companies;
- attract and retain senior management and other key personnel at acquired businesses; and
- successfully manage new business lines, as well as acquisition-related workload.

We may not be successful in meeting these challenges or any others encountered in connection with historical and future acquisitions. In addition, the anticipated benefits of one or more acquisitions may not be realized and future acquisitions could require dilutive issuances of equity securities and/or the assumption of contingent liabilities. The occurrence of any of these events could adversely affect our business, financial condition and results of operations.

We have also entered into and intend to identify and enter into additional strategic partnerships with other industry participants that will allow us to expand our business. However, we may be unable to identify attractive strategic partnership candidates or complete these partnerships on terms favorable to us. In addition, if we are unable to successfully implement our partnership strategies or our strategic partners do not fulfill their obligations or otherwise prove disadvantageous to our business, our investments in these partnerships and our anticipated business expansion could be adversely affected.

Our ability to continue to develop and expand our service offerings to address emerging business demands and technological trends, including the demand for digital technologies and services, may impact our future growth. If we are not successful in meeting these business challenges, our results of operations and cash flows may be materially and adversely affected.

Our ability to implement solutions for our customers, incorporating new developments and improvements in technology that translate into productivity improvements for our customers, and our ability to develop digital and other new service offerings that meet current and prospective customers' needs, as well as evolving industry standards, are critical to our success. The markets we serve are highly competitive and characterized by rapid technological change which has resulted in deflationary pressure in the price of services which in turn can adversely impact our margins. Our competitors may develop solutions or services that make our offerings obsolete or may force us to decrease prices on our services which can result in lower margins. Our ability to develop and implement up to date solutions utilizing new technologies that meet evolving customer needs in digital cloud, information technology outsourcing, consulting, industry software and solutions, application services markets, and in areas such as artificial intelligence, automation, Internet of Things and as-a-service solutions, in a timely or cost-effective manner, will impact our ability to retain and attract customers and our future revenue growth and earnings. If we are unable to continue to develop digital and other new service offerings in a highly competitive and rapidly evolving environment or if we are unable to commercialize such services and solutions, expand and scale them with sufficient speed and versatility, our growth, productivity objectives and profit margins could be negatively affected.

Technological developments may materially affect the cost and use of technology by our customers. Some of these technologies have reduced and replaced some of our traditional services and solutions and may continue to do so in the future. This has caused, and may in the future cause, customers to delay spending under existing contracts and engagements and to delay entering into new contracts while they evaluate new technologies. Such delays can negatively impact our results of operations if the pace and level of spending on new technologies is not sufficient to make up any shortfall. Our growth strategy focuses on responding to these types of developments by driving innovation that will enable us to expand our business into new growth areas. If we do not sufficiently invest in new technology and adapt to industry developments, or evolve and expand our business at sufficient speed and scale, or if we do not make the right strategic investments to respond to these developments and successfully drive innovation, our services and solutions, our results of operations, and our ability to develop and maintain a competitive advantage and to execute on our growth strategy could be negatively affected.

Our ability to compete in certain markets we serve is dependent on our ability to continue to expand our capacity in certain offshore locations. However, as our presence in these locations increases, we are exposed to risks inherent to these locations which may adversely affect our revenue and profitability.

A significant portion of our application outsourcing and software development activities has been shifted to India and we plan to continue to expand our presence there and in other lower cost locations. As a result, we are exposed to the risks inherent in operating in India or other locations including (1) a highly competitive labor market for skilled workers which may result in significant increases in labor costs, as well as shortages of qualified workers in the future and (2) the possibility that the U.S. Federal Government or the European Union may enact legislation that creates significant disincentives for customers to locate certain of their operations offshore, which would reduce the demand for the services we provide in such locations and may adversely impact our cost structure and profitability. In addition, India has experienced, and other countries may experience, political instability, civil unrest and hostilities with neighboring countries. Negative or uncertain political climates in countries or locations where we operate, including but not limited to military activity or civil hostilities, criminal activities and other acts of violence, infrastructure disruption, natural disasters or other conditions could adversely affect our operations.

We are subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended ("FCPA") and similar anti-bribery laws in other jurisdictions. We pursue opportunities in certain parts of the world that experience government corruption and in certain circumstances, compliance with anti-bribery laws may conflict with local customs and practices. Our internal policies mandate compliance with all applicable anti-bribery laws. We require our employees, partners, subcontractors, agents, and others to comply with the FCPA and other anti-bribery laws. There is no assurance that our policies or procedures will protect us against liability under the FCPA or other laws for actions taken by our employees and intermediaries. If we are found to be liable for FCPA violations (either due to our own acts or our omissions, or due to the acts or omissions of others), we could suffer from severe criminal or civil penalties or other sanctions, which could have a material adverse effect on our reputation, business, results of operations or cash flows. In addition, detecting, investigating and resolving actual or alleged violations of the FCPA or other anti-bribery violations is expensive and could consume significant time and attention of our senior management.

We could be held liable for damages, our reputation could suffer or we may experience service interruptions from security breaches, cyber attacks or disclosure of confidential information or personal data, which could cause significant financial loss.

As a provider of IT services to private and public sector customers operating in a number of regulated industries and countries, we store and process increasingly large amounts of data for our clients, including sensitive and personally identifiable information. We also manage IT infrastructure of our own and of clients. We possess valuable proprietary information, including copyrights, trade secrets and other intellectual property and, we collect and store certain personal and financial information from customers and employees.

At the same time, the continued occurrence of high-profile data breaches and cyber-attacks, including by state actors, reflects an external environment that is increasingly hostile to information and corporate security. Cybersecurity incidents can result from unintentional events or deliberate attacks by insiders or third parties, including criminals, competitors, nation-states, and hacktivists. Like other companies, we face an evolving array of cybersecurity and data security threats that pose risks to us and our clients. We can also be harmed by attacks on third parties, such as denial-of-service attacks. We see regular unauthorized efforts to access our systems, which we evaluate for severity and frequency. While incidents experienced thus far have not resulted in significant disruption to our business, it is possible that we could suffer a severe attack or incident, with potentially material and adverse effects on our business, reputation, customer relations, results of operations or financial condition.

We must expend capital and other resources to protect against attempted security breaches and cyber-attacks and to alleviate problems caused by successful breaches or attacks. We consider information security to be a top priority and are undertaking cybersecurity planning and activities throughout the company. This includes the acquisition of technology and services, review and refinement of cybersecurity and data security policies and procedures and employee training, among many other investments. Senior management and the Board of Directors are appropriately and actively engaged in cybersecurity risk management.

Our security measures are designed to identify and protect against security breaches and cyber-attacks; no threat incident identified to date has resulted in a material adverse effect on us or our customers. However, there is no perfect security system, and our failure to detect, prevent or adequately respond to a future threat incident could subject us to liability and reputational damage, and have a material adverse effect on our business. In addition, the cost and operational consequences of responding to breaches and cyber-attacks and implementing remediation measures could be significant.

We rely on internal and external information and technological systems to manage our operations and are exposed to risk of loss resulting from breaches in the security or other failures of these systems. Security breaches such as through an advanced persistent threat attack, or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us, our clients or our customers, could expose us to risk of loss of this information, regulatory scrutiny, actions and penalties, extensive contractual liability and other litigation, reputational harm, and a loss of customer confidence which could potentially have an adverse impact on future business with current and potential customers.

Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments may result in a compromise or breach of the algorithms that we use to protect our data and that of clients, including sensitive customer transaction data. A party who is able to circumvent our security measures or those of our contractors, partners or vendors could access our systems and misappropriate proprietary information, the confidential data of our customers, employees or business partners or cause interruption in our or their operations.

Experienced computer programmers and hackers may be able to penetrate our network security and misappropriate or compromise our confidential information or that of third parties, create system disruptions or cause shutdowns. Computer programmers and hackers also may be able to develop and deploy ransomware, malware and other malicious software programs through phishing and other methods that attack our products or otherwise exploit any security vulnerabilities of these products. In addition, sophisticated hardware and operating system software and applications produced or procured from third parties may contain defects in design or manufacture, including “bugs” and other problems that could unexpectedly interfere with the security and operation of our systems, or harm those of third parties with whom we may interact. The costs to eliminate or alleviate cyber or other security problems, including ransomware, malware, bugs, malicious software programs and other security vulnerabilities, could be significant, and our efforts to address these problems may not be successful and could result in interruptions, delays, cessation of service and loss of existing or potential customers, which may impede our sales, distribution or other critical functions.

Increasing cybersecurity, data privacy and information security obligations around the world could also impose additional regulatory pressures on our customers’ businesses and, indirectly, on our operations, or lead to inquiries or enforcement actions. In the United States, we are seeing increasing obligations and expectations from federal and non-federal customers. In response, some of our customers have sought and may continue to seek, to contractually impose certain strict data privacy and information security obligations on us. Some of our customer contracts may not limit our liability for the loss of confidential information. If we are unable to adequately address these concerns, our business and results of operations could suffer.

Compliance with new privacy and security laws, requirements and regulations, such as the European Union General Data Protection Regulation, which became effective in May 2018, where required or undertaken by us, may result in cost increases due to expanded compliance obligations, potential systems changes, the development of additional administrative processes and increased enforcement actions, fines and penalties. While we strive to comply with all applicable data protection laws and regulations, as well as internal privacy policies, any failure or perceived failure to comply or any misappropriation, loss or other unauthorized disclosure of sensitive or confidential information may result in proceedings or actions against us by government or other entities, private lawsuits against us (including class actions) or the loss of customers, which could potentially have an adverse effect on our business, reputation and results of operations.

Portions of our infrastructure also may experience interruptions, delays or cessations of service or produce errors in connection with systems integration or migration work that takes place from time to time. We may not be successful in implementing new systems and transitioning data, which could cause business disruptions and be expensive, time-consuming, disruptive and resource intensive. Such disruptions could adversely impact our ability to fulfill orders and respond to customer requests and interrupt other processes. Delayed sales, lower margins or lost customers resulting from these disruptions could reduce our revenues, increase our expenses, damage our reputation, and adversely affect our stock price.

Our ability to raise additional capital for future needs may impact our ability to compete.

We currently maintain investment grade credit ratings with Moody's Investors Service, Fitch Rating Services, and Standard & Poor's Ratings Services. Our credit ratings are based upon information furnished by us or obtained by a rating agency from its own sources and are subject to revision, suspension or withdrawal by one or more rating agencies at any time. Rating agencies may review the ratings assigned to us due to developments that are beyond our control, including potential new standards requiring the agencies to reassess rating practices and methodologies. If changes in our credit ratings were to occur, it could result in higher interest costs under certain of our credit facilities. It would also cause our future borrowing costs to increase and limit our access to capital markets. Any downgrades could negatively impact the perception of our company by lenders and other third parties. In addition, certain of our major contracts provide customers with a right of termination in certain circumstances in the event of a rating downgrade below investment grade.

Information regarding our credit ratings is included in Part II, Item 7 of this Annual Report on Form 10-K under the caption "Liquidity and Capital Resources."

We have a substantial amount of indebtedness, which could have a material adverse effect on our business, financial condition and results of operations.

We have a significant amount of indebtedness totaling approximately $7.4 billion as of March 31, 2019 (including capital lease obligations). We may incur substantial additional indebtedness in the future for many reasons, including to fund acquisitions. Our existing indebtedness, together with the incurrence of additional indebtedness and the restrictive covenants contained in, or expected to be contained in the documents evidencing such indebtedness, may, among other things:

- require the use of a substantial portion of our cash flow from operations to make debt service payments;
- limit the ability to obtain additional financing for working capital, capital expenditures, investments, acquisitions or other general business purposes;
- cause events of default if we fail to comply with the financial and other covenants contained in the agreements governing our debt instruments, which could require us to negotiate a waiver or could cause us to incur additional fees and expenses;
- subject us to the risk of increased sensitivity to interest rate increases in our outstanding variable-rate indebtedness and could cause our debt service obligations to increase significantly;
- increase the risk of a future credit ratings downgrade of our debt, which could increase future debt costs and limit the future availability for debt financing; and
- place us at a competitive disadvantage compared to less leveraged competitors.

In addition, we could be unable to refinance our outstanding indebtedness on reasonable terms or at all.

A substantial portion of our borrowing capacity bears interest at a variable rate based on the London Interbank Offered Rate ("LIBOR"). In July 2017, the United Kingdom’s Financial Conduct Authority (“FCA”), which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing LIBOR with the Secured Overnight Financing Rate ("SOFR"), a new index calculated by short-term repurchase agreements, backed by Treasury securities.

Certain of our financing agreements include language to determine a replacement rate for LIBOR, if necessary. However, if LIBOR ceases to exist, we may need to renegotiate some financing agreements extending beyond 2021 that utilize LIBOR as a factor in determining the interest rate. We are evaluating the potential impact of the eventual replacement of the LIBOR benchmark interest rate, however, we are not able to predict whether LIBOR will cease to be available after 2021, whether SOFR will become a widely accepted benchmark in place of LIBOR, or what the impact of such a possible transition to SOFR may be on our business, financial condition, and results of operations.

Our primary markets are highly competitive. If we are unable to compete in these highly competitive markets, our results of operations may be materially and adversely affected.

Our competitors include large, technically competent and well capitalized companies, some of which have emerged as a result of industry consolidation, as well as “pure-play” companies that have a single product focus. This competition may place downward pressure on operating margins in our industry, particularly for technology outsourcing contract extensions or renewals. As a result, we may not be able to maintain our current operating margins, or achieve favorable operating margins, for technology outsourcing contracts extended or renewed in the future. If we fail to effectively reduce our cost structure during periods with declining margins, our results of operations may be adversely affected.

We encounter aggressive competition from numerous and varied competitors. Our competitiveness is based on factors including technology, innovation, performance, price, quality, reliability, brand, reputation, range of products and services, account relationships, customer training, service and support and security. If we are unable to compete based on such factors, our results of operations and business prospects could be harmed. We have a large portfolio of services and we need to allocate financial, personnel and other resources across all services while competing with companies that have smaller portfolios or specialize in one or more of our service lines. As a result, we may invest less in certain business areas than our competitors do, and competitors may have greater financial, technical and marketing resources available to them compared to the resources allocated to our services. Industry consolidation may also affect competition by creating larger, more homogeneous and potentially stronger competitors in the markets in which we operate. Additionally, competitors may affect our business by entering into exclusive arrangements with existing or potential customers or suppliers.

Companies with whom we have alliances in certain areas may be or become competitors in other areas. In addition, companies with whom we have alliances also may acquire or form alliances with competitors, which could reduce their business with us. If we are unable to effectively manage these complicated relationships with alliance partners, our business and results of operations could be adversely affected.

We face aggressive price competition and may have to lower prices to stay competitive, while simultaneously seeking to maintain or improve revenue and gross margin. In addition, competitors who have a greater presence in some of the lower-cost markets in which we compete, or who can obtain better pricing, more favorable contractual terms and conditions, may be able to offer lower prices than we are able to offer. Our cash flows, results of operations and financial condition may be adversely affected by these and other industry-wide pricing pressures.

If we are unable to accurately estimate the cost of services and the timeline for completion of contracts, the profitability of our contracts may be materially and adversely affected.

Our commercial contracts are typically awarded on a competitive basis. Our bids are based upon, among other items, the expected cost to provide the services. We generally provide services under time and materials contracts, unit price contracts, fixed-price contracts, and multiple-element software sales. We are dependent on our internal forecasts and predictions about our projects and the marketplace and, to generate an acceptable return on our investment in these contracts, we must be able to accurately estimate our costs to provide the services required by the contract and to complete the contracts in a timely manner. We face a number of risks when pricing our contracts, as many of our projects entail the coordination of operations and workforces in multiple locations and utilizing workforces with different skill sets and competencies across geographically diverse service locations. In addition, revenues from some of our contracts are recognized using the percentage-of-completion method, which requires estimates of total costs at completion, fees earned on the contract, or both. This estimation process, particularly due to the technical nature of the services being performed and the long-term nature of certain contracts, is complex and involves significant judgment. Adjustments to original estimates are often required as work progresses, experience is gained, and additional information becomes known, even though the scope of the work required under the contract may not change. If we fail to accurately estimate our costs or the time required to complete a contract, the profitability of our contracts may be materially and adversely affected.

Some IT outsourcing services agreements contain pricing provisions that permit a client to request a benchmark study by a mutually acceptable third party. The benchmarking process typically compares the contractual price of services against the price of similar services offered by other specified providers in a peer comparison group, subject to agreed-upon adjustment, and normalization factors. Generally if the benchmarking study shows that the pricing differs from the peer group outside a specified range, and the difference is not due to the unique requirements of the client, then the parties will negotiate in good faith appropriate adjustments to the pricing. This may result in the reduction of rates for the benchmarked services performed after the implementation of those pricing adjustments, which could harm the financial performance of our services business.

Some IT service agreements require significant investment in the early stages that is expected to be recovered through billings over the life of the agreement. These agreements often involve the construction of new IT systems and communications networks and the development and deployment of new technologies. Substantial performance risk exists in each agreement with these characteristics, and some or all elements of service delivery under these agreements are dependent upon successful completion of the development, construction, and deployment phases. Failure to perform satisfactorily under these agreements may expose us to legal liability, result in the loss of customers or harm our reputation, which could harm the financial performance of our IT services business.

Performance under contracts, including those on which we have partnered with third parties, may be adversely affected if we or the third parties fail to deliver on commitments or if we incur legal liability in connection with providing our services and solutions.

Our contracts are complex and, in some instances, may require that we partner with other parties, including software and hardware vendors, to provide the complex solutions required by our customers. Our ability to deliver the solutions and provide the services required by our customers is dependent on our and our partners' ability to meet our customers' delivery schedules. If we or our partners fail to deliver services or products on time, our ability to complete the contract may be adversely affected. Additionally, our customers may perform audits or require us to perform audits and provide audit reports with respect to the controls and procedures that we use in the performance of services for such customers. Our ability to acquire new customers and retain existing customers may be adversely affected and our reputation could be harmed if we receive a qualified opinion, or if we cannot obtain an unqualified opinion in a timely manner, with respect to our controls and procedures in connection with any such audit. We could also incur liability if our controls and procedures, or the controls and procedures we manage for a customer, were to result in an internal control failure or impair our customer’s ability to comply with its own internal control requirements. If we or our partners fail to meet our contractual obligations or otherwise breach obligations to our customers, we could be subject to legal liability, which may have a material and adverse impact on our revenues and profitability.

Our ability to provide customers with competitive services is dependent on our ability to attract and retain qualified personnel.

Our ability to grow and provide our customers with competitive services is partially dependent on our ability to attract and retain highly motivated people with the skills necessary to serve our customers. The markets we serve are highly competitive and competition for skilled employees in the technology outsourcing, consulting, and systems integration and enterprise services markets is intense for both onshore and offshore locales. The loss of personnel could impair our ability to perform under certain contracts, which could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

We also must manage leadership development and succession planning throughout our business. The loss of our key personnel, coupled with an inability to adequately develop and train personnel and assimilate key new hires or promoted employees could have a material adverse effect on relationships with third parties, our financial condition and results of operations.

In addition, due to the HPES Merger, uncertainty around future employment opportunities, facility locations, organizational and reporting structures, and other related concerns may impair our ability to attract and retain qualified personnel. If employee attrition is higher than expected due to difficulties encountered in the integration process, it may adversely impact our ability to realize the anticipated benefits of the HPES Merger.

If we do not hire, train, motivate, and effectively utilize employees with the right mix of skills and experience in the right geographic regions and for the right offerings to meet the needs of our clients, our financial performance could suffer. For example, if our employee utilization rate is too low, our profitability, and the level of engagement of our employees could decrease. If that utilization rate is too high, it could have an adverse effect on employee engagement and attrition and the quality of the work performed, as well as our ability to staff projects. If we are unable to hire and retain enough employees with the skills or backgrounds needed to meet current demand, we may need to redeploy existing personnel, increase our reliance on subcontractors or increase employee compensation levels, all of which could also negatively affect our profitability. In addition, if we have more employees than necessary with certain skill sets or in certain geographies, we may incur increased costs as we work to rebalance our supply of skills and resources with client demand in those geographies.

Our international operations are exposed to risks, including fluctuations in exchange rates, which may be beyond our control.

Our exposure to currencies other than the U.S. dollar may impact our results, as they are expressed in U.S. dollars. Currency variations also contribute to variations in sales of products and services in affected jurisdictions. For example, in the event that one or more European countries were to replace the Euro with another currency, sales in that country or in Europe generally may be adversely affected until stable exchange rates are established. While historically we have partially mitigated currency risk, including exposure to fluctuations in currency exchange rates by matching costs with revenues in a given currency, our exposure to fluctuations in other currencies against the U.S. dollar increases, as revenue in currencies other than the U.S. dollar increases and as more of the services we provide are shifted to lower cost regions of the world. Approximately 63% of revenues earned during fiscal 2019 were derived from sales denominated in currencies other than the U.S. dollar and are expected to continue to represent a significant portion of our revenues. Also, we believe that our ability to match revenues and expenses in a given currency will decrease as more work is performed at offshore locations.

We may use forward and option contracts to protect against currency exchange rate risks. The effectiveness of these hedges will depend on our ability to accurately forecast future cash flows, which may be particularly difficult during periods of uncertain demand and highly volatile exchange rates. We may incur significant losses from our hedging activities due to factors such as demand volatility and currency variations. In addition, certain or all of our hedging activities may be ineffective, may expire and not be renewed or may not offset the adverse financial impact resulting from currency variations. Losses associated with hedging activities may also impact our revenues and to a lesser extent our cost of sales and financial condition.

In June 2016, the United Kingdom held a referendum in which British citizens voted to exit from the European Union, commonly referred to as “Brexit.” In March 2017, the U.K. government initiated a process to withdraw from the European Union and began negotiating the terms of its separation. Current uncertainty over the negotiations between the United Kingdom and the European Union may cause significant volatility in global financial markets and may adversely affect our operations and financial results. Risks we associate with Brexit include, for example, that Brexit could potentially result in restrictions on the movement of capital and the mobility of personnel between the remaining 27 European Union states and the United Kingdom, in addition to volatility in currency exchange rates. Brexit also creates uncertainty in areas currently regulated by European Union law, such as cross border data transfers. Brexit is also expected to lead to short- and medium-term uncertainty in future trade arrangements between U.K.-based operations and the various European Union markets that they serve.

Our future business and financial performance could suffer due to a variety of international factors, including:

- ongoing instability or changes in a country’s or region’s economic or geopolitical and security conditions, including inflation, recession, interest rate fluctuations, and actual or anticipated military or political conflict, civil unrest, crime, political instability, human rights concerns, and terrorist activity;
- natural or man-made disasters, industrial accidents, public health issues, cybersecurity incidents, interruptions of service from utilities, transportation or telecommunications providers, or other catastrophic events;
- longer collection cycles and financial instability among customers;
- trade regulations and procedures and actions affecting production, pricing and marketing of products, including policies adopted by countries that may champion or otherwise favor domestic companies and technologies over foreign competitors;
- local labor conditions and regulations;
- managing our geographically dispersed workforce;
- changes in the international, national or local regulatory and legal environments;
- differing technology standards or customer requirements;
- difficulties associated with repatriating earnings generated or held abroad in a tax-efficient manner and
- changes in tax laws.

Our business operations are subject to various and changing federal, state, local and foreign laws and regulations that could result in costs or sanctions that adversely affect our business and results of operations.

We operate in approximately 70 countries in an increasingly complex regulatory environment. Among other things, we provide complex industry specific insurance processing in the United Kingdom, which is regulated by authorities in the United Kingdom. and elsewhere, such as the U.K.’s Financial Conduct Authority and Her Majesty’s Treasury and the U.S. Department of Treasury, which increases our exposure to compliance risk. For example, in February 2017, CSC submitted an initial notification of voluntary disclosure to the U.S. Department of Treasury's Office of Foreign Assets Control (“OFAC”) regarding certain possible violations of U.S. sanctions laws pertaining to insurance premium data and claims data processed by two partially-owned joint ventures of Xchanging, which CSC acquired during the first quarter of fiscal 2017. A copy of the disclosure was also provided to Her Majesty’s Treasury Office of Financial Sanctions Implementation in the United Kingdom. Our related internal investigation is continuing, and we have undertaken to cooperate with and provide a full report of our findings to OFAC when completed. Our retail investment account management business in Germany is another example of a regulated business, which must maintain a banking license, is regulated by the German Federal Financial Supervisory Authority and the European Central Bank and must comply with German banking laws and regulations.

In addition, businesses in the countries in which we operate are subject to local, legal and political environments and regulations including with respect to employment, tax, statutory supervision and reporting and trade restriction. These regulations and environments are also subject to change.

Adjusting business operations to changing environments and regulations may be costly and could potentially render the particular business operations uneconomical, which may adversely affect our profitability or lead to a change in the business operations. Notwithstanding our best efforts, we may not be in compliance with all regulations in the countries in which we operate at all times and may be subject to sanctions, penalties or fines as a result. These sanctions, penalties or fines may materially and adversely impact our profitability.

We may not achieve some or all of the expected benefits of our restructuring plans and our restructuring may adversely affect our business.

Our Board of Directors has approved several restructuring plans to realign our cost structure due to the changing nature of our business and to achieve operating efficiencies to reduce our costs. We may not be able to obtain the costs savings and benefits that were initially anticipated in connection with our restructuring plans. Additionally, as a result of our restructuring, we may experience a loss of continuity, loss of accumulated knowledge and/or inefficiency during transitional periods. Reorganization and restructuring can require a significant amount of management and other employees' time and focus, which may divert attention from operating and growing our business. If we fail to achieve some or all of the expected benefits of restructuring, it could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. For more information about our restructuring plans, see Note 20 - "Restructuring Costs".

In the course of providing services to customers, we may inadvertently infringe on the intellectual property rights of others and be exposed to claims for damages.

The solutions we provide to our customers may inadvertently infringe on the intellectual property rights of third parties resulting in claims for damages against us or our customers. Our contracts generally indemnify our clients from claims for intellectual property infringement for the services and equipment we provide under the applicable contracts. We also indemnify certain vendors and customers against claims of intellectual property infringement made by third parties arising from the use by such vendors and customers of software products and services and certain other matters. Some of the applicable indemnification arrangements may not be subject to maximum loss clauses. The expense and time of defending against these claims may have a material and adverse impact on our profitability. If we lose our ability to continue using any such services and solutions because they are found to infringe the rights of others, we will need to obtain substitute solutions or seek alternative means of obtaining the technology necessary to continue to provide such services and solutions. Our inability to replace such solutions, or to replace such solutions in a timely or cost-effective manner, could materially adversely affect our results of operations. Additionally, the publicity resulting from infringing intellectual property rights may damage our reputation and adversely impact our ability to develop new business.

We may be exposed to negative publicity and other potential risks if we are unable to achieve and maintain effective internal controls over financial reporting.

The Sarbanes-Oxley Act of 2002 and the related regulations require our management to report on, and our independent registered public accounting firm to attest to, the effectiveness of our internal control over financial reporting. Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. However, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. There can be no assurance that all control issues or fraud will be detected. As we continue to grow our business, our internal controls continue to become more complex and require more resources.

Any failure to maintain effective controls could prevent us from timely and reliably reporting financial results and may harm our operating results. In addition, if we are unable to conclude that we have effective internal control over financial reporting or, if our independent registered public accounting firm is unable to provide an unqualified report as to the effectiveness of our internal control over financial reporting, as of each fiscal year end, we may be exposed to negative publicity, which could cause investors to lose confidence in our reported financial information. Any failure to maintain effective internal controls and any such resulting negative publicity may negatively affect our business and stock price.

Additionally, the existence of any material weaknesses or significant deficiencies would require management to devote significant time and incur significant expense to remediate any such material weaknesses or significant deficiencies and management may not be able to remediate any such material weaknesses or significant deficiencies in a timely manner. The existence of any material weakness in our internal control over financial reporting could also result in errors in our financial statements that could require us to restate our financial statements, cause us to fail to meet our reporting obligations and cause stockholders to lose confidence in our reported financial information, all of which could materially and adversely affect us and the market price of our common stock.

We could suffer additional losses due to asset impairment charges.

We acquired a substantial quantity of goodwill and other intangibles as a result of the HPES Merger, increasing our exposure to this risk. We test our goodwill for impairment during the second quarter of every year and on an interim date should events or changes in circumstances indicate that it is more likely than not that the fair value of a reporting unit is below its carrying amount. If the fair value of a reporting unit is revised downward due to declines in business performance or other factors, an impairment could result and a non-cash charge could be required. We test intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This assessment of the recoverability of finite-lived intangible assets could result in an impairment and a non-cash charge could be required.

We also test certain equipment and deferred cost balances associated with contracts when the contract is materially underperforming or is expected to materially underperform in the future, as compared to the original bid model or budget. If the projected cash flows of a particular contract are not adequate to recover the unamortized cost balance of the asset group, the balance is adjusted in the tested period based on the contract's fair value. Either of these impairments could materially affect our reported net earnings.

We may not be able to pay dividends or repurchase shares of our common stock in accordance with our announced intent or at all.

On April 3, 2017, we announced the establishment of a share repurchase plan approved by the Board of Directors with an initial authorization of up to $2.0 billion for future repurchases of outstanding shares of our common stock. On November 8, 2018, DXC announced that its Board of Directors approved an incremental $2.0 billion share repurchase authorization. Starting fiscal 2018, we paid quarterly cash dividends to our stockholders in accordance with our announced dividend policy. We intend to continue to pay a quarterly cash dividend during fiscal 2020 but the declaration and payment of future dividends, the amount of any such dividends, and the establishment of record and payment dates for dividends, if any, are subject to final determination by our Board of Directors after review of our current strategy and financial performance and position, among other things.

The Board of Directors’ determinations regarding dividends and share repurchases will depend on a variety of factors, including net income, cash flow generated from operations, amount and location of our cash and investment balances, overall liquidity position and potential alternative uses of cash, such as acquisitions, as well as economic conditions and expected future financial results. There can be no guarantee that we will achieve our financial goals in the amounts or within the expected time frame, or at all. Our ability to declare future dividends will depend on our future financial performance, which in turn depends on the successful implementation of our strategy and on financial, competitive, regulatory and other factors, general economic conditions, demand and prices for our services and other factors specific to our industry or specific projects, many of which are beyond our control. Therefore, our ability to generate cash flow depends on the performance of our operations and could be limited by decreases in our profitability or increases in costs, regulatory changes, capital expenditures or debt servicing requirements.

Any failure to achieve our financial goals could negatively impact our reputation, harm investor confidence in us, and cause the market price of our common stock to decline.

We are defendants in pending litigation that may have a material and adverse impact on our profitability and liquidity.

As noted in Note 21 - "Commitments and Contingencies", we are currently party to a number of disputes that involve or may involve litigation, including a securities class action and other lawsuits in which we and our directors have been named as a defendant. The result of these lawsuits and any other future legal proceedings cannot be predicted with certainty. Regardless of their subject matter or merits, such legal proceedings may result in significant cost to us, which may not be covered by insurance, may divert the attention of management or may otherwise have an adverse effect on our business, financial condition and results of operations. Negative publicity from litigation, whether or not resulting in a substantial cost, could materially damage our reputation and could have a material adverse effect on our business, financial condition, results of operations, and the price of our common stock. In addition, such legal proceedings may make it more difficult to finance our operations.

We may be adversely affected by disruptions in the credit markets, including disruptions that reduce our customers' access to credit and increase the costs to our customers of obtaining credit.

The credit markets have historically been volatile and therefore it is not possible to predict the ability of our clients and customers to access short-term financing and other forms of capital. If a disruption in the credit markets were to occur, it could pose a risk to our business if customers or suppliers are unable to obtain financing to meet payment or delivery obligations to us. In addition, customers may decide to downsize, defer or cancel contracts which could negatively affect our revenues.

Further, as of March 31, 2019, we have $2.4 billion of floating interest rate debt. Accordingly, a spike in interest rates could adversely affect our results of operations and cash flows.

Our hedging program is subject to counterparty default risk.

We enter into foreign currency forward contracts and interest rate swaps with a number of counterparties. As a result, we are subject to the risk that the counterparty to one or more of these contracts defaults on its performance under the contract. During an economic downturn, the counterparty's financial condition may deteriorate rapidly and with little notice and we may be unable to take action to protect our exposure. In the event of a counterparty default, we could incur significant losses, which may harm our business and financial condition. In the event that one or more of our counterparties becomes insolvent or files for bankruptcy, our ability to eventually recover any losses suffered as a result of that counterparty's default may be limited by the liquidity of the counterparty.

We derive significant revenues and profit from contracts awarded through competitive bidding processes, which can impose substantial costs on us and we may not achieve revenue and profit objectives if we fail to bid on these projects effectively.

We derive significant revenues and profit from government contracts that are awarded through competitive bidding processes. We expect that most of the non-U.S. government business we seek in the foreseeable future will be awarded through competitive bidding. Competitive bidding is expensive and presents a number of risks, including:

- the substantial cost and managerial time and effort that we spend to prepare bids and proposals for contracts that may or may not be awarded to us;
- the need to estimate accurately the resources and costs that will be required to service any contracts we are awarded, sometimes in advance of the final determination of their full scope and design;
- the expense and delay that may arise if our competitors protest or challenge awards made to us pursuant to competitive bidding;
- the requirement to resubmit bids protested by our competitors and in the termination, reduction, or modification of the awarded contracts; and
- the opportunity cost of not bidding on and winning other contracts we might otherwise pursue.

If our customers experience financial difficulties, we may not be able to collect our receivables, which would materially and adversely affect our profitability.

Over the course of a long-term contract, a customer's financial condition may decline and lower its ability to pay its obligations. This would cause our cash collections to decrease and bad debt expense to increase. While we may resort to alternative methods to pursue claims or collect receivables, these methods are expensive and time consuming and successful collection is not guaranteed. Failure to collect our receivables or prevail on claims would have an adverse effect on our profitability and cash flows.

Failure to comply with customer contracts or government contracting regulations or requirements could adversely affect our business and results of operations.

Contracts with customers may include unique and specialized performance requirements. In particular, our contracts with federal, state, provincial, and local governmental customers are generally subject to various procurement regulations, contract provisions, and other requirements relating to their formation, administration, and performance, including the maintenance of necessary security clearances. Contracts with U.S. government agencies are also subject to audits and investigations, which may include a review of performance on contracts, pricing practices, cost structure, and compliance with applicable laws and regulations.

Any failure on our part to comply with the specific provisions in customer contracts or any violation of government contracting regulations or other requirements could result in the imposition of various civil and criminal penalties, which may include termination of contracts, forfeiture of profits, suspension of payments, and, in the case of government contracts, fines and suspension from future government contracting. Such failures could also cause reputational damage to our business. In addition, we may be subject to *qui tam* litigation brought by private individuals on behalf of the government relating to government contracts, which could include claims for treble damages. Further, any negative publicity with respect to customer contracts or any related proceedings, regardless of accuracy, may damage our business by harming our ability to compete for new contracts.

Contracts with the U.S. federal government and related agencies are also subject to issues with respect to federal budgetary and spending limits or matters. Any changes to the fiscal policies of the U.S. federal government may decrease overall government funding, result in delays in the procurement of products and services due to lack of funding, cause the U.S. federal government and government agencies to reduce their purchases under existing contracts, or cause them to exercise their rights to terminate contracts at- will or to abstain from exercising options to renew contracts, any of which would have an adverse effect on our business, financial condition, results of operations and/or cash flows.

If our customer contracts are terminated, if we are suspended or disbarred from government work, or our ability to compete for new contracts is adversely affected, our financial performance could suffer.

Recent U.S. tax legislation may materially affect our financial condition, results of operations and cash flows.

Recently enacted U.S. tax legislation has significantly changed the U.S. federal income taxation of U.S. corporations, including by reducing the U.S. corporate income tax rate, limiting interest deductions, permitting immediate expensing of certain capital expenditures, adopting elements of a territorial tax system, imposing a one-time transition tax (or “repatriation tax”) on all undistributed earnings and profits of certain U.S.-owned foreign corporations, revising the rules governing net operating losses and the rules governing foreign tax credits, and introducing new anti-base erosion provisions. Many of these changes were effective immediately, without any transition periods or grandfathering for existing transactions. The legislation is unclear in many respects and could be subject to potential amendments and technical corrections, as well as interpretations and implementing regulations by the U.S. Department of the Treasury and Internal Revenue Service ("IRS"), any of which could lessen or increase certain impacts of the legislation. In addition, state and local jurisdictions continue to issue guidance on how these U.S. federal income tax changes will affect state and local taxation, which often uses federal taxable income as a starting point for computing state and local tax liabilities.

While our analysis and interpretation of this legislation is ongoing, based on our current evaluation, we recorded a provisional reduction of our deferred income tax liabilities resulting in a material non-cash benefit to earnings during fiscal 2018, the period in which the tax legislation was enacted, which was adjusted in fiscal 2019 and may be subject to further adjustment in subsequent periods upon the filing of the associated October 31, 2018 U.S. federal and state income tax returns. Additionally, the repatriation tax resulted in a material amount of additional U.S. tax liability, the majority of which was reflected as an income tax expense in fiscal 2018, when the tax legislation was enacted, despite the fact that the resulting tax may be paid over eight years. Further, there may be other material adverse effects resulting from future guidance, including technical corrections.

While some of the changes made by the tax legislation may adversely affect the Company in one or more reporting periods and prospectively, other changes may be beneficial on a going forward basis. We continue to work with our tax advisors to determine the full impact that the tax legislation as a whole will have on us. We urge our investors to consult with their legal and tax advisors with respect to such legislation and the potential tax consequences of investing in our securities.

Changes in our tax rates could affect our future results.

Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or by changes in tax laws or their interpretation. We are subject to the continuous examination of our income tax returns by the IRS and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance that the outcomes from these examinations will not have a material adverse effect on our financial condition and operating results.

Risks Related to the HPES Merger

We may not realize the anticipated benefits from the HPES Merger.

There can be no assurance that we will be able to realize the intended benefits of the HPES Merger or that we will perform as anticipated. Specifically, the HPES Merger could cause disruptions in the combined company's business, including by disrupting operations or causing customers to delay or to defer decisions to purchase products or renew contracts or to end their relationships. Similarly, it is possible that current or prospective employees could experience uncertainty about their future roles, which could harm our ability to attract and retain key personnel.

Our success in realizing cost and revenues synergies, growth opportunities, and other financial and operating benefits as a result of the HPES Merger, and the timing of this realization, depends on the successful integration of our business operations. Even if we successfully integrate, we cannot predict with certainty if or when these cost and revenue synergies, growth opportunities and benefits will occur, or the extent to which they actually will be achieved. For example, the benefits from the HPES Merger may be offset by costs incurred in integrating CSC and HPES or in required capital expenditures related to the business combination with HPES. In addition, the quantification of previously announced synergies expected to result from the HPES Merger is based on significant estimates and assumptions that are subjective in nature and inherently uncertain. Realization of any benefits and synergies could be affected by a number of factors beyond our control, including, without limitation, general economic conditions, increased operating costs, regulatory developments and other risks. The amount of synergies actually realized, if any, and the time periods in which any such synergies are realized, could differ materially from the expected synergies, regardless of whether the two business operations are combined successfully. If the integration is unsuccessful or if we are unable to realize the anticipated synergies and other benefits of the HPES Merger, there could be a material adverse effect on our business, financial condition and results of operations.

Our business and financial performance could suffer if we do not manage properly the risks associated with the HPES Merger.

The HPES business relies on its ability to retain significant services clients and maintain or increase the level of revenues from these clients. Before the HPES Merger, HPES was in the process of addressing challenges relating to the market shift to cloud-related IT infrastructure, software, and services. HPES was experiencing commoditization in the IT infrastructure services business market that is placing pressure on traditional information technology outsourcing pricing and cost structures. There is also an industrywide shift to highly automated, asset-light delivery of IT infrastructure and applications leading to headcount consolidation. To be successful in addressing these challenges, our integration of HPES must continue executing on the HPES multi-year turnaround plan, which includes a cost reduction initiative to align its costs with its revenue trajectory, a focus on new logo wins and strategic enterprise services, and initiatives to improve execution in sales performance and accountability, contracting practices and pricing. If we do not succeed in these efforts, or if these efforts are more costly or time consuming than expected, the HPES business and results of operations may be adversely affected.

Our results may be negatively affected if we are unable to adequately replace or provide resources formerly provided by HPE, or replace them at the same or lower cost.

HPES has historically received benefits and services from HPE. While HPE agreed to provide certain transition services to us for a period following the HPES Merger, it cannot be assured that we will be able to adequately replace or provide resources formerly provided by HPE, or replace them at the same or lower cost. If we are not able to replace the resources provided by HPE or are unable to replace them without incurring significant additional costs or are delayed in replacing the resources provided by HPE, or if the potential customers or other partners of the HPES business do not view our business relationships as equivalent to HPE’s, our results of operations may be harmed.

In connection with the HPES Merger, HPE and DXC and, in some cases, CSC, entered into several agreements that govern the relationship between the parties going forward, including an Employee Matters Agreement, a Tax Matters Agreement, an Intellectual Property Matters Agreement, a Transition Services Agreement, and a Real Estate Matters Agreement. Changes in the strategic direction of HPE, or any successor of HPE, could, over time, impact the positioning and offerings of HPE’s brands and programs, including those being made available to us.

The integration following the HPES Merger may continue to present significant challenges.

There is a significant degree of difficulty inherent in the process of integrating HPES and CSC. These difficulties include:

- integration activities while carrying on ongoing operations;
- the challenge of integrating the business cultures of HPES and CSC;
- the challenge and cost of integrating certain IT systems and other systems; and
- the potential difficulty in retaining key officers and other personnel.

The ongoing process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of our businesses. Members of senior management may be required to devote considerable amounts of time to this integration process, which would decrease the time they have to manage our business, service existing businesses and develop new services or strategies. In addition, certain existing contractual restrictions limit the ability to engage in certain integration activities for varying periods after the HPES Merger. There is no assurance we will be able to continue to manage this integration to the extent or in the time horizon anticipated, particularly given the larger scale of the HPES business in comparison to CSC's business. If senior management is not able to timely and effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, our business could suffer. The delay or inability to achieve anticipated integration goals could have a material adverse effect on our business, financial condition and results of operations after the HPES Merger.

The unaudited pro forma condensed combined financial information of CSC and HPES is not intended to reflect what actual results of operations would have been had CSC and HPES been a combined company for the periods presented, and therefore these results may not be indicative of DXC's future operating performance.

The unaudited pro forma condensed combined financial information presented in this document is for illustrative purposes only and is based in part on certain assumptions regarding the HPES Merger that management believes are reasonable.

The business combination involving CSC and HPES was a reverse merger acquisition, with HPES deemed the legal acquirer in this combination and CSC deemed the acquirer for accounting purposes under GAAP. The unaudited pro forma condensed combined financial information does not reflect the costs of any integration activities or transaction- related costs or incremental capital spend that management believes are necessary to realize the anticipated synergies from the HPES Merger. Accordingly, the pro forma financial information included in this document does not reflect what DXC’s results of operations or operating condition would have been had CSC and HPES been a consolidated entity during all periods presented, or what DXC’s results of operations and financial condition will be in the future.

We could have an indemnification obligation to HPE if the stock distribution in connection with the HPES business separation (the "Distribution") were determined not to qualify for tax-free treatment, which could materially adversely affect our financial condition.

If, due to any of our representations being untrue or our covenants being breached, the Distribution was determined not to qualify for tax-free treatment under Section 355 of the Internal Revenue Code (the "Code"), HPE would generally be subject to tax as if it sold the DXC common stock in a taxable transaction, which could result in a material tax liability. In addition, each HPE stockholder who received DXC common stock in the Distribution would generally be treated as receiving a taxable Distribution in an amount equal to the fair market value of the DXC common stock received by the stockholder in the Distribution.

In addition, the Distribution would be taxable to HPE (but not to HPE stockholders) pursuant to Section 355(e) of the Code if one or more persons acquire a 50% or greater interest (measured by vote or value) in the stock of HPE or us, directly or indirectly (including through acquisitions of our stock after the HPES Merger), as part of a plan or series of related transactions that includes the Distribution. In addition, Section 355(e) of the Code generally creates a presumption that any direct or indirect acquisition of stock of HPE or us within two years before or after the Distribution is part of a plan that includes the Distribution, although the parties may be able to rebut that presumption in certain circumstances. The process for determining whether an acquisition is part of a plan under these rules is complex, inherently factual in nature, and subject to a comprehensive analysis of the facts and circumstances of the particular case. If the IRS were to determine that direct or indirect acquisitions of stock of HPE or us, either before or after the Distribution, were part of a plan that includes the Distribution, such determination could cause Section 355(e) of the Code to apply to the Distribution, which could result in a material tax liability.

Under the Tax Matters Agreement, we were required to indemnify HPE against taxes resulting from the Distribution or certain aspects of the HPES Merger arising as a result of an Everett Tainting Act (as defined in the Tax Matters Agreement). If we were required to indemnify HPE for taxes resulting from an Everett Tainting Act, that indemnification obligation would likely be substantial and could materially adversely affect our financial condition.

To address compliance with Section 355(e) of the Code, in the Tax Matters Agreement, we agreed to certain restrictions that may limit our ability to pursue certain strategic transactions or engage in other transactions, including stock issuances, certain asset dispositions, mergers, consolidations and other strategic transactions for a period of time following the HPES Merger. As a result, we may determine to forgo certain transactions that otherwise could be advantageous.

If the HPES Merger does not qualify as a reorganization under Section 368(a) of the Code, CSC's former stockholders may incur significant tax liabilities.

The completion of the HPES Merger was conditioned upon the receipt by HPE and CSC of opinions of counsel to the effect that, for U.S. federal income tax purposes, the HPES Merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Code (the "HPES Merger Tax Opinions"). The parties did not seek a ruling from the IRS regarding such qualification. The HPES Merger Tax Opinions were based on current law and relied upon various factual representations and assumptions, as well as certain undertakings made by HPE, HPES and CSC. If any of those representations or assumptions is untrue or incomplete in any material respect or any of those undertakings is not complied with, or if the facts upon which the HPES Merger Tax Opinions are based are materially different from the actual facts that existed at the time of the HPES Merger, the conclusions reached in the HPES Merger Tax Opinions could be adversely affected and the HPES Merger may not qualify for tax-free treatment. Opinions of counsel are not binding on the IRS or the courts. No assurance can be given that the IRS will not challenge the conclusions set forth in the HPES Merger Tax Opinions or that a court would not sustain such a challenge. If the HPES Merger were determined to be taxable, previous holders of CSC common stock would be considered to have made a taxable disposition of their shares to HPES, and such stockholders would generally recognize taxable gain or loss on their receipt of HPES common stock in the HPES Merger.

We assumed certain material pension benefit obligations in connection with the HPES Merger. These liabilities and the related future funding obligations could restrict our cash available for operations, capital expenditures and other requirements, and may materially adversely affect our financial condition and liquidity.

Pursuant to the Employee Matters Agreement entered into in connection with the HPES Merger, while HPE retained all U.S. defined benefit pension plan liabilities, DXC retained all liabilities relating to the International Retirement Guarantee (“IRG”) programs for all HPES employees. The IRG is a non-qualified retirement plan for employees who transfer internationally at the request of the HPE Group. The IRG determines the country of guarantee, which is generally the country in which an employee has spent the longest portion of his or her career with the HPE Group, and the present value of a full career benefit for the employee under the HPE defined benefit pension plan and social security or social insurance system in the country of guarantee. The IRG then offsets the present value of the retirement benefits from plans and social insurance systems in the countries in which the employee earned retirement benefits for his or her total period of HPE Group employment. The net benefit value is payable as a single sum as soon as practicable after termination or retirement. This liability could restrict cash available for our operations, capital expenditures and other requirements, and may materially affect our financial condition and liquidity.

In addition, pursuant to the Employee Matters Agreement, DXC assumed certain other defined benefit pension liabilities in a number of non-U.S. countries (including the United Kingdom, Germany and Switzerland). Unless otherwise agreed or required by local law, where a defined benefit pension plan was maintained solely by a member of the HPES business, DXC assumed all assets and liabilities arising out of those non-U.S. defined benefit pension plans, and where a defined benefit pension plan was not maintained solely by a member of the HPES business, DXC assumed all assets and liabilities for those eligible HPES employees in connection with the HPES Merger. These liabilities and the related future payment obligations could restrict cash available for our operations, capital expenditures and other requirements, and may materially affect our financial condition and liquidity.

Risks Related to the Luxoft Acquisition

The proposed Luxoft Acquisition is contingent upon the satisfaction of a number of conditions, and the Luxoft Acquisition may not be consummated on the terms or timeline currently contemplated.

On January 7, 2019, we announced that we had entered into a definitive agreement to acquire Luxoft. We currently expect that the Luxoft Acquisition, if completed, will occur by June 2019. The terms and conditions of the Luxoft Acquisition are as set forth in the Merger Agreement dated as of January 6, 2019 by and among DXC, Luxoft and Luna Equities, Inc. (the “Luxoft Merger Agreement”). Luxoft and DXC have made customary representations and warranties and agreed to customary covenants in the Luxoft Merger Agreement. The parties to the Luxoft Merger Agreement have also agreed to use their respective reasonable best efforts to obtain any approvals from governmental authorities to complete the Luxoft Acquisition, including antitrust approvals, subject to certain exceptions. Antitrust approvals include the termination or expiration of the relevant waiting period under, and the approvals required to be obtained in connection with or in compliance with, (i) the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which was satisfied on January 31, 2019; (ii) the European Union Merger Regulation, which was satisfied on March 25, 2019; and (iii) Russia merger control regulations, which was satisfied on June 11, 2019. Luxoft may not engage in any discussions regarding a potential acquisition of Luxoft with any party other than DXC or its affiliates or otherwise enter into any agreement with respect to, or solicit, initiate, propose or knowingly encourage any proposal regarding an alternative transaction. The Luxoft Merger Agreement contains certain customary termination rights for both Luxoft and DXC.

The consummation of the Luxoft Acquisition is subject to certain conditions, including (i) the receipt of antitrust clearances, (ii) the absence of any law, order or other governmental action preventing or restraining the consummation of the Luxoft Acquisition, (iii) the accuracy of the representations and warranties of each party in the Luxoft Merger Agreement, (iv) compliance in all material respects by each party with its covenants under the Luxoft Merger Agreement, and (v) the absence of a material adverse effect on Luxoft. For these and other reasons, the Luxoft Acquisition may not be completed by the end of June 2019 or otherwise on the terms or timeline contemplated, if at all.

The proposed Luxoft Acquisition may result in disruptions to relationships with customers and other business partners.

If we complete the proposed Luxoft Acquisition, the proposed transaction could cause disruptions in our business and the Luxoft business, including by disrupting operations or causing customers to delay or to defer decisions or to end their relationships, or otherwise limiting the ability to compete for or perform certain contracts or services. If we and Luxoft face difficulties in integrating our businesses, or the Luxoft business faces difficulties in its business generally, the Luxoft Acquisition, if completed, may not achieve the intended results.

Further, it is possible that current or prospective employees of our business and the Luxoft business could experience uncertainty about their future roles with the combined company, which could harm our ability to attract and retain key personnel. Any of the foregoing could adversely affect our business, financial condition and results of operations and prospects.

The actions required to implement the Luxoft Acquisition will take management time and attention and may require us to incur additional costs.

The Luxoft Acquisition will require management's time and resources, which will be in addition to, and may divert from, management's time and attention to the operation of our existing businesses and the execution of our other strategic initiatives. Additionally, we may incur additional costs in connection with the Luxoft Acquisition beyond those that are currently anticipated. Some of these costs must be paid regardless of whether the Luxoft Acquisition is consummated.

Risks Related to Previous Spin-Offs

The USPS Separation and Mergers and NPS Separation could result in substantial tax liability to DXC and our stockholders.

Among the closing conditions to completing the USPS Separation and Mergers, we received a legal opinion of tax counsel substantially to the effect that, for U.S. federal income tax purposes: (i) the USPS Separation qualifies as a “reorganization” within the meaning of Section 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the “Code”); (ii) each of DXC and Perspecta is a “party to a reorganization” within the meaning of Section 368(b) of the Code with respect to the USPS Separation; (iii) the Distribution qualifies as (1) a tax-free spin-off, resulting in nonrecognition under Sections 355(a), 361 and 368(a) of the Code, and (2) a transaction in which the stock distributed thereby should constitute “qualified property” for purposes of Sections 355(d), 355(e) and 361(c) of the Code; and (iv) none of the Mergers causes Section 355(e) of the Code to apply to the Distribution. If, notwithstanding the conclusions expressed in these opinions, the USPS Separation and Mergers were determined to be taxable, DXC and its stockholders could incur significant tax liabilities.

In addition, prior to the HPES Merger, CSC spun off its North American Public Sector business ("NPS") on November 27, 2015 (the "NPS Separation"). In connection with the NPS Separation, CSC received an opinion of counsel substantially to the effect that, for U.S. federal income tax purposes, the NPS Separation qualified as a tax-free transaction to CSC and holders of CSC common stock under Section 355 and related provisions of the Code. The completion of the HPES Merger was conditioned upon the receipt of CSC of an opinion of counsel to the effect that the HPES Merger should not cause Section 355(e) of the Code to apply to the NPS Separation or otherwise affect the qualification of the NPS Separation as a tax-free distribution under Section 355 of the Code. If, notwithstanding the conclusions expressed in these opinions, the NPS Separation were determined to be taxable, CSC and CSC stockholders that received CSRA Inc ("CSRA") stock in the NPS Separation could incur significant tax liabilities.

The opinions of counsel we received were based on, among other things, various factual representations and assumptions, as well as certain undertakings made by DXC, Perspecta and CSRA. If any of those representations or assumptions is untrue or incomplete in any material respect or any of those undertakings is not complied with, the conclusions reached in the opinion could be adversely affected and the USPS Separation or the NPS Separation may not qualify for tax-free treatment. Furthermore, an opinion of counsel is not binding on the IRS or the courts. Accordingly, no assurance can be given that the IRS will not challenge the conclusions set forth in the opinions or that a court would not sustain such a challenge. If, notwithstanding our receipt of the opinions, the USPS Separation or NPS Separation is determined to be taxable, we would recognize taxable gain as if we had sold the shares of Perspecta or CSRA in a taxable sale for its fair market value, which could result in a substantial tax liability. In addition, if the USPS Separation or NPS Separation is determined to be taxable, each holder of our common stock who received shares of Perspecta or CSRA would generally be treated as receiving a taxable distribution in an amount equal to the fair market value of the shares received, which could materially increase such holder’s tax liability.

Additionally, even if the USPS Separation otherwise qualifies as a tax-free transaction, the Distribution could be taxable to us (but not to our shareholders) in certain circumstances if future significant acquisitions of our stock or the stock of Perspecta are deemed to be part of a plan or series of related transactions that includes the Distribution. In this event, the resulting tax liability could be substantial. In connection with the USPS Separation, we entered into a tax matters agreement with Perspecta, under which it agreed not to undertake any transaction without our consent that could reasonably be expected to cause the USPS Separation to be taxable to us and to indemnify us for any tax liabilities resulting from such transactions. These obligations and potential tax liabilities could be substantial.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located at a leased facility in Tysons, VA. We own or lease numerous general office facilities, global security operations centers, strategic delivery centers and data centers around the world. We do not identify properties by segment, as they are interchangeable in nature and used by multiple segments.

During fiscal 2019 and fiscal 2018, we initiated facilities rationalization programs to reduce our space capacity at low utilization and sub-scale locations, increase co-location, align locations by skill type and optimize our data center footprint. At a number of the locations described below, we are not currently occupying all of the space under our control. Where commercially reasonable and to the extent it is not needed for future expansion, we seek to sell, lease or sublease this excess space.

The following tables provide a summary of properties we own and lease as of March 31, 2019:

		Approximate Square Footage (in thousands)		
Geographic Area	**Number of Locations**	**Owned**	**Leased**	**Total**
United States	152	4,792	3,515	8,307
India	39	741	4,164	4,905
Other Europe locations	96	364	3,261	3,625
United Kingdom	80	1,146	2,056	3,202
Australia & other Pacific Rim locations	47	—	1,582	1,582
France	33	956	196	1,152
Germany	43	318	718	1,036
Malaysia	5	199	561	760
Brazil	10	228	477	705
Spain	16	—	522	522
Canada	15	217	304	521
Philippines	5	—	516	516
China	13	5	506	511
Rest of World	60	212	1,367	1,579
Total	614	9,178	19,745	28,923

We believe that the facilities described above are well-maintained, suitable and adequate to meet our current and anticipated requirements. See Note 8 - "Property and Equipment", which provides additional information related to our land, buildings and leasehold improvements, and Note 21 - "Commitments and Contingencies" under the caption "Commitments", which provides additional information related to our real estate lease commitments.

ITEM 3. LEGAL PROCEEDINGS

See Note 21 - "Commitments and Contingencies" under the caption “Contingencies” for information regarding legal proceedings in which we are involved.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock trades on the New York Stock Exchange under the symbol "DXC".

Number of Holders

As of May 10, 2019, there were 46,945 holders of record of our common stock.

Dividends

Cash dividends declared on DXC common stock for each quarter of fiscal 2019 are included in Selected Quarterly Financial Data (Unaudited) in Part II, Item 8 of this Annual Report.

We intend to continue to pay a quarterly cash dividend during fiscal 2020, and on May 23, 2019 we announced that our Board of Directors declared a regular quarterly dividend payment for the quarter ending March 31, 2019 of $0.21 per share on the Company's common stock. The declaration and payment of future dividends, the amount of any such dividends, and the establishment of record and payment dates for dividends, if any, are subject to final determination by our Board of Directors after review of our current strategy and financial performance and position, among other things.

Issuer Purchases of Equity Securities

Share repurchase activity during the three months ended March 31, 2019 was as follows:

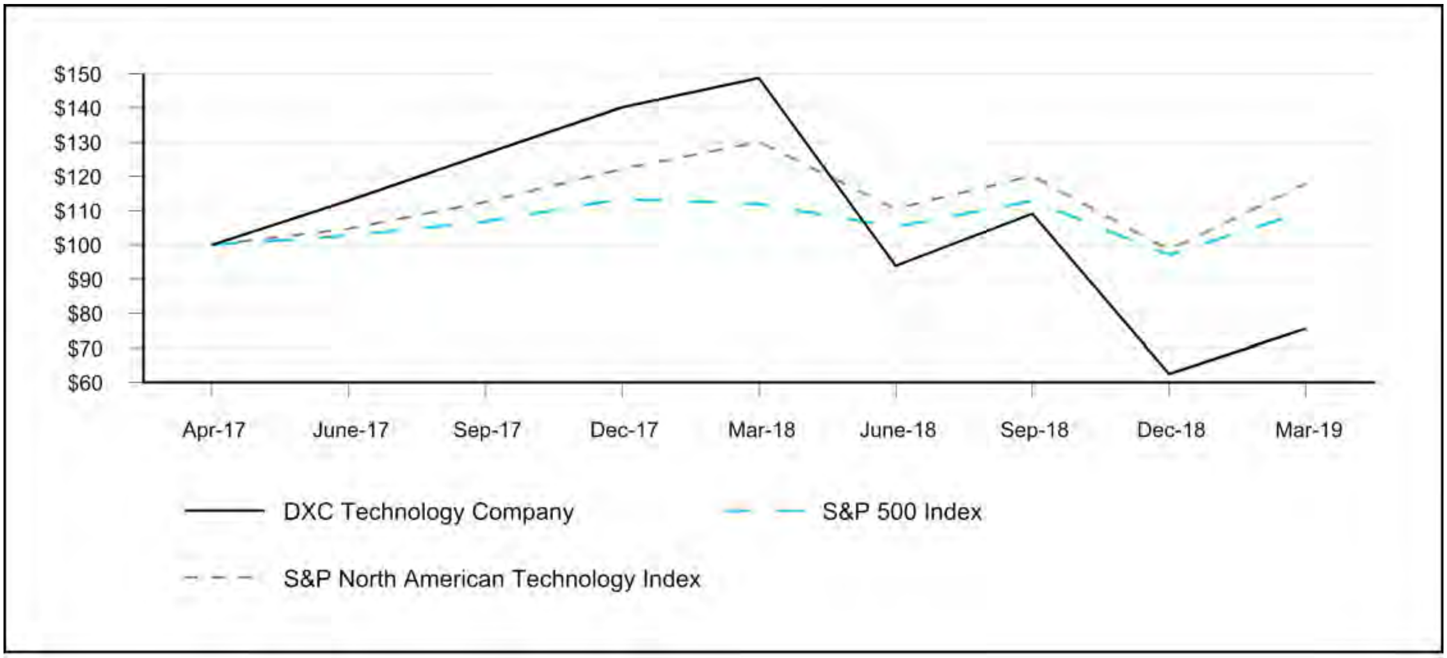
Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[(1)]	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
January 1, 2019 to January 31, 2019	1,662,149	$ 54.97	1,662,149	$ 2,523,936,426
February 1, 2019 to February 28, 2019	—	$ —	—	$ 2,523,936,426
March 1, 2019 to March 31, 2019	—	$ —	—	$ 2,523,936,426

[(1)] On April 3, 2017, we announced the establishment of a share repurchase plan approved by the Board of Directors with an initial authorization of $2.0 billion for future repurchases of outstanding shares of our common stock. On November 8, 2018, our Board of Directors approved an incremental $2.0 billion share repurchase authorization. An expiration date has not been established for this repurchase plan. Share repurchases may be made from time to time through various means, including in open market purchases, 10b5-1 plans, privately-negotiated transactions, accelerated stock repurchases, block trades and other transactions, in compliance with Rule 10b-18 under the Exchange Act as well as, to the extent applicable, other federal and state securities laws and other legal requirements. The timing, volume, and nature of share repurchases pursuant to the share repurchase plan are at the discretion of management and may be suspended or discontinued at any time. See Note 14 - "Stockholders' Equity" for further discussion regarding share repurchases.

Performance Graph

The following graph shows a comparison from April 3, 2017 (the date our common stock commenced trading on the NYSE) through March 31, 2019 of the cumulative total return for our common stock, the Standard & Poor's 500 Stock Index ("S&P 500 Index") and the Standard & Poor's North American Technology Index ("S&P North American Technology Index"). The graph assumes that $100 was invested at the market close on April 3, 2017 in our common stock, the S&P 500 Index, and the S&P North American Technology Index and that dividends have been reinvested. The stock price performance of the following graph is not necessarily indicative of future stock price performance.

Comparison of Cumulative Total Return



The following table provides indexed returns assuming $100 was invested on April 3, 2017, with annual returns using our fiscal year-end date.

Indexed Return

	Return 2018	Return 2019
DXC Technology Company	48.7%	(24.4)%
S&P 500 Index	12.0%	9.8 %
S&P North American Technology Index	30.0%	17.9 %

Equity Compensation Plans

See Item 12 contained in Part III of this Annual Report for information regarding our equity compensation plans.

ITEM 6. SELECTED FINANCIAL DATA (UNAUDITED)

The following table sets forth our selected consolidated historical financial data as of the dates and for the periods indicated and should be read in conjunction with the financial statements and notes and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” which are included elsewhere in this Annual Report on Form 10-K.

Our selected consolidated financial data set forth below, as of March 31, 2019 and March 31, 2018, and for the fiscal years ended March 31, 2019, March 31, 2018, and March 31, 2017, have been derived from the audited consolidated financial statements included elsewhere herein. Our selected consolidated financial data set forth below, as of March 31, 2017, April 1, 2016, and April 3, 2015 and for the fiscal years ended April 1, 2016, and April 3, 2015, are derived from our consolidated financial statements not included elsewhere herein.

Selected consolidated financial data as of and for the fiscal years ended March 31, 2019 and March 31, 2018 are not directly comparable to prior periods which reflect CSC's financial results before the HPES Merger. Additionally, as a result of the USPS Separation, the statement of operations, balance sheets, and related financial information reflect USPS's operations, assets and liabilities as discontinued operations. See Note 1 - "Summary of Significant Accounting Policies".

Statement of Operations Data:

	Fiscal Years Ended				
(in millions, except per-share amounts)	March 31, 2019[(1)]	March 31, 2018[(2)]	March 31, 2017[(3)]	April 1, 2016[(4)]	April 3, 2015[(5)]
Revenues	$ 20,753	$ 21,733	$ 7,607	$ 7,106	$ 8,117
Income (loss) from continuing operations, before taxes	1,515	1,304	(174)	10	(671)
Income tax expense (benefit)	288	(242)	(74)	(62)	(464)
Income (loss) from continuing operations	1,227	1,546	(100)	72	(207)
Income from discontinued operations, net of taxes	35	236	—	191	224
Net income (loss) attributable to DXC common stockholders	1,257	1,751	(123)	251	2
Earnings (loss) per common share:					
Basic:					
Continuing operations	$ 4.40	$ 5.32	$ (0.88)	$ 0.51	$ (1.45)
Discontinued operations	0.13	0.83	—	1.31	1.46
	$ 4.53	$ 6.15	$ (0.88)	$ 1.82	$ 0.01
Diluted:					
Continuing operations	$ 4.35	$ 5.23	$ (0.88)	$ 0.50	$ (1.45)
Discontinued operations	0.12	0.81	—	1.28	1.46
	$ 4.47	$ 6.04	$ (0.88)	$ 1.78	$ 0.01
Weighted average common shares outstanding for:					
Basic EPS	277.54	284.93	140.39	138.28	142.56
Diluted EPS	281.43	289.77	140.39	141.33	142.56
Cash dividend per common share	$ 0.76	$ 0.72	$ 0.56	$ 2.99	$ 0.92

Balance Sheet Data:

(in millions)	As of March 31, 2019	As of March 31, 2018	As of March 31, 2017	As of April 1, 2016	As of April 3, 2015
Cash and cash equivalents	$ 2,899	$ 2,593	$ 1,268	$ 1,181	$ 2,079
Total assets	29,574	33,921	8,663	7,736	10,221
Debt					
Long-term debt, net of current maturities	$ 5,470	$ 6,092	$ 2,225	$ 1,934	$ 1,635
Short-term debt and current maturities of long-term debt	1,942	1,918	738	710	883
Total Debt	$ 7,412	$ 8,010	$ 2,963	$ 2,644	$ 2,518
Total equity	$ 11,725	$ 13,837	$ 2,166	$ 2,032	$ 2,965
Net debt-to-total capitalization [6]	23.6%	24.8%	33.0%	31.3%	8.0%

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[1] Fiscal 2019 included $465 million of restructuring costs.
[2] Fiscal 2018 net income attributable to DXC common stockholders and earnings per common share were impacted by the Tax Cuts and Jobs Act. See Note 11 - "Income Taxes" for further details. Fiscal 2018 included $789 million of restructuring costs.
[3] Fiscal 2017 included $238 million of restructuring costs.
[4] Fiscal 2016 included $95 million of debt extinguishment costs.
[5] Fiscal 2015 included $256 million of restructuring costs and $197 million of SEC settlement related charges.
[6] Net debt-to-total capitalization is a non-GAAP measure used by management to assess our ability to service our debts using only our cash and cash equivalents. See Part II, Item 7 of this Annual Report on Form 10-K under the heading "Liquidity and Capital Resources" for additional information.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The purpose of the MD&A is to present information that management believes is relevant to an assessment and understanding of our results of operations and cash flows for the fiscal year ended March 31, 2019 and our financial condition as of March 31, 2019. The MD&A is provided as a supplement to, and should be read in conjunction with, our financial statements and notes.

The MD&A is organized in the following sections:

- Background
- Results of Operations
- Liquidity and Capital Resources
- Off-Balance Sheet Arrangements
- Contractual Obligations
- Critical Accounting Policies and Estimates

The following discussion includes a comparison of our results of operations and liquidity and capital resources for fiscal 2019 and fiscal 2018. A discussion of changes in our results of operations from fiscal 2017 to fiscal 2018 may be found in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of Exhibit 99.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on August 16, 2018.

Background

As the world's leading independent, end-to-end IT services company, DXC leads digital transformations for clients by modernizing and integrating their mainstream IT, and by deploying digital solutions at scale to produce better business outcomes. The company's technology independence, global talent, and extensive partner network enable 6,000 private and public-sector clients in 70 countries to thrive on change. DXC is a recognized leader in corporate responsibility.

We generate revenue by offering a wide range of information technology services and solutions primarily in North America, Europe, Asia and Australia. We operate through two segments: GBS and GIS. We market and sell our services directly to clients through our direct sales force operating out of sales offices around the world. Our clients include commercial businesses of many sizes and in many industries and public sector enterprises.

Results of Operations

The following table sets forth certain financial data for fiscal 2019 and 2018:

	Fiscal Years Ended	
(In millions, except per-share amounts)	March 31, 2019	March 31, 2018
Revenues	$ 20,753	$ 21,733
Income from continuing operations, before taxes	1,515	1,304
Income tax expense (benefit)	288	(242)
Income from continuing operations	1,227	1,546
Income from discontinued operations, net of taxes	35	236
Net income	$ 1,262	$ 1,782
Diluted earnings per share:		
Continuing operations	$ 4.35	$ 5.23
Discontinued operations	0.12	0.81
	$ 4.47	$ 6.04

Fiscal 2019 Highlights

Fiscal 2019 financial highlights include the following:

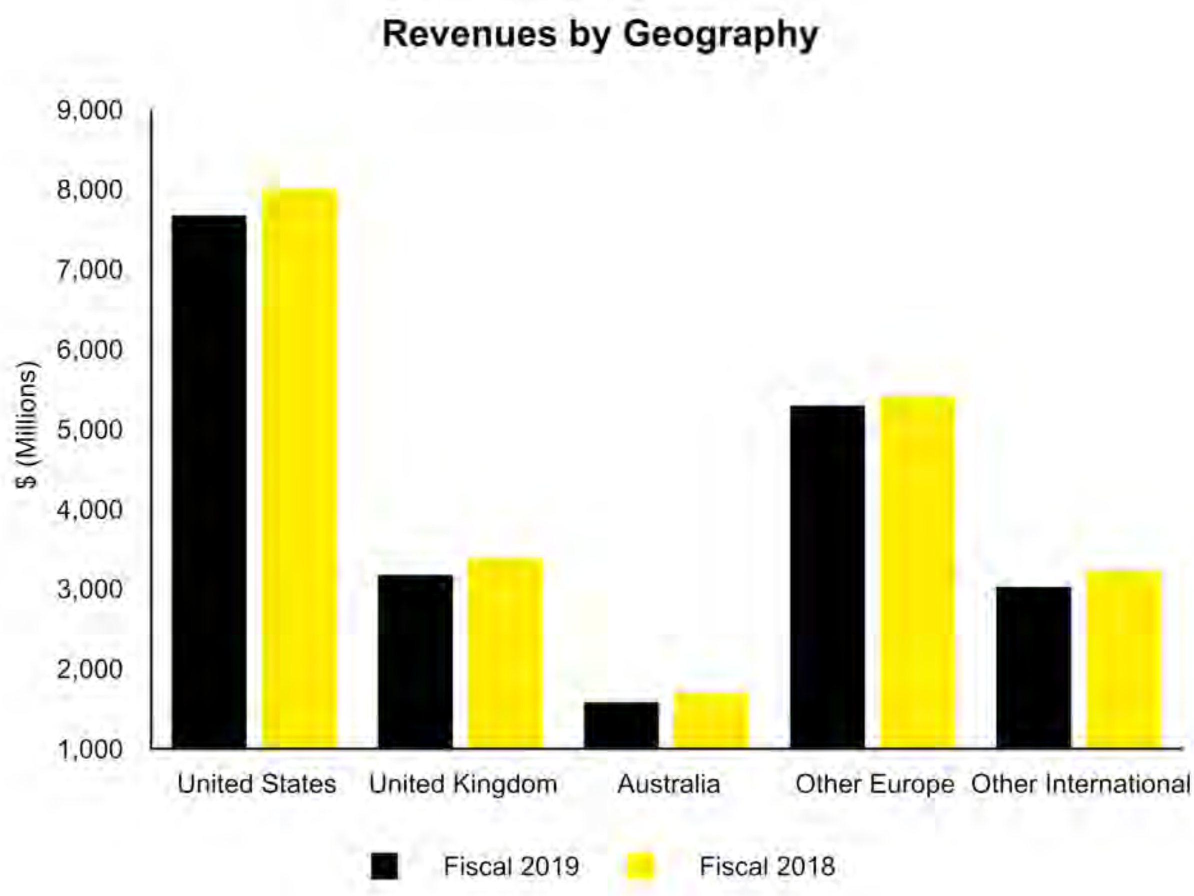
- Fiscal 2019 revenues were $20,753 million.
- Fiscal 2019 income from continuing operations and diluted EPS from continuing operations were $1,227 million and $4.35, respectively, including the cumulative impact of certain items of $1,125 million, or $3.99 per share, reflecting restructuring costs, transaction, separation and integration-related costs, amortization of acquired intangible assets, pension and other post-retirement benefit ("OPEB") actuarial and settlement losses and a tax adjustment related to U.S. tax reform.
- Our cash and cash equivalents were $2,899 million at March 31, 2019.
- We generated $1,783 million of cash from operations during fiscal 2019.
- We returned $1,549 million to shareholders in the form of common stock dividends and share repurchases during fiscal 2019.

Revenues

(in millions)	Fiscal Years Ended March 31, 2019	Fiscal Years Ended March 31, 2018	Change	Percentage Change
GBS	$ 8,684	$ 9,254	$ (570)	(6.2)%
GIS	12,069	12,479	(410)	(3.3)%
Total Revenues	$ 20,753	$ 21,733	$ (980)	(4.5)%

The decrease in revenues for fiscal 2019 compared with fiscal 2018 reflects an ongoing decline in our traditional application maintenance business and legacy infrastructure services. Fiscal 2019 revenues included an unfavorable foreign currency exchange rate impact of 1.6%, primarily driven by the strengthening of the U.S. dollar against the Euro and British Pound.

During fiscal 2019 and fiscal 2018, the distribution of our revenues across geographies was as follows:



For a discussion of risks associated with our foreign operations, see Part I, Item 1A "Risk Factors" of this Annual Report.

As a global company, approximately 63% of our fiscal 2019 revenues were earned internationally. As a result, the comparison of revenues denominated in currencies other than the U.S. dollar from period to period is impacted, and we expect will continue to be impacted, by fluctuations in foreign currency exchange rates. Constant currency revenues are a non-GAAP measure calculated by translating current period activity into U.S. dollars using the comparable prior period's currency conversion rates. This information is consistent with how management views our revenues and evaluates our operating performance and trends. The table below summarizes our constant currency revenues:

	Fiscal Years Ended			
(in millions)	Constant Currency March 31, 2019	March 31, 2018	Change	Percentage Change
GBS	$ 8,823	$ 9,254	$ (431)	(4.7)%
GIS	12,282	12,479	(197)	(1.6)%
Total Revenues	$ 21,105	$ 21,733	$ (628)	(2.9)%

Global Business Services

Our GBS segment revenues were $8.7 billion for fiscal 2019, representing a decrease of $0.6 billion, or 6.2%, compared to fiscal 2018. The revenue decline included an unfavorable foreign currency exchange rate impact of $0.1 billion, or 1.5%. GBS revenues in constant currency were $8.8 billion for fiscal 2019, representing a decrease of $0.4 billion, or 4.7%. The decrease in GBS revenue in fiscal 2019 reflects a decline in the traditional application maintenance and management business and includes the impact of accelerated cloud adoption.

Global Infrastructure Services

Our GIS segment revenues were $12.1 billion for fiscal 2019, representing a decrease of $0.4 billion, or 3.3%, compared to fiscal 2018. The revenue decline included an unfavorable foreign currency exchange rate impact of $0.2 billion, or 1.7%.GIS revenues in constant currency were $12.3 billion for fiscal 2019, representing a decrease of $0.2 billion, or 1.6%. The decrease in GIS revenue in fiscal 2019 reflects the ongoing migration out of legacy infrastructure environments, partially offset by growth in our cloud infrastructure and digital workplace offerings.

During fiscal 2019, GBS and GIS had contract awards of $9.3 billion and $11.4 billion, respectively, compared with $10.2 billion and $11.6 billion, respectively, during fiscal 2018.

Costs and Expenses

Our total costs and expenses were as follows:

	Fiscal Years Ended		Percentage of Revenues	
(in millions)	March 31, 2019	March 31, 2018	2019	2018
Costs of services (excludes depreciation and amortization and restructuring costs)	$ 14,946	$ 16,317	72.1%	75.0%
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	1,959	1,890	9.4	8.7
Depreciation and amortization	1,968	1,795	9.5	8.3
Restructuring costs	465	789	2.2	3.6
Interest expense, net	206	231	1.0	1.1
Other income, net	(306)	(593)	(1.5)	(2.7)
Total costs and expenses	$ 19,238	$ 20,429	92.7%	94.0%

The 1.3% improvement in costs and expenses, as a percentage of revenue for fiscal 2019, reflects continued execution of our synergy initiatives, including workforce optimization, supply chain efficiencies and rationalization of our real estate footprint.

Costs of Services

Cost of services (excluding depreciation and amortization and restructuring costs) ("COS"), was $14.9 billion for fiscal 2019, as compared to $16.3 billion for fiscal 2018. COS decreased $1.4 billion, and as a percentage of revenue decreased 2.9%, compared to fiscal 2018. This decrease was driven by headcount reduction and procurement efficiencies. Employee labor costs, as a percentage of revenue, decreased in both segments and across our geographic regions, year-over-year.

Selling, General and Administrative

Selling (general and administrative expense, excluding depreciation and amortization and restructuring costs) ("SG&A"), was $2.0 billion for fiscal 2019, as compared to $1.9 billion for fiscal 2018. SG&A increased $0.1 billion, and as a percentage of revenue increased 0.7%, compared to fiscal 2018. The increase in SG&A reflects an increase in integration, separation, and transaction-related costs and allocated worldwide support costs.

Integration, separation and transaction-related costs, included in SG&A, were $401 million during fiscal 2019, as compared to $359 million during fiscal 2018.

Depreciation and Amortization

Depreciation and amortization expense ("D&A") was $2.0 billion for fiscal 2019, compared to $1.8 billion for fiscal 2018. The increase in D&A was primarily due to an increase in depreciation expense from leased equipment and an increase in amortization expense related to accelerated transition and transformation contract costs as compared to fiscal 2018.

Restructuring Costs

Restructuring costs represent severance related to workforce optimization programs and expense associated with facilities and data center rationalization.

During fiscal 2019 we initiated certain restructuring actions across our segments and geographies. The fiscal 2019 global cost savings initiatives were designed to better align our organizational structure with our strategic initiatives and continue the integration of HPES and other acquisitions.

Total restructuring costs recorded, net of reversals, during fiscal 2019 and 2018 were $465 million and $789 million, respectively. The net amounts recorded included $2 million and $13 million of pension benefit augmentations for fiscal 2019 and 2018, respectively, owed to certain employees under legal or contractual obligations. These augmentations will be paid as part of normal pension distributions over several years.

See Note 20 - "Restructuring Costs" for additional information about our restructuring actions.

Interest Expense and Interest Income

Interest expense for fiscal 2019 was $334 million as compared to $320 million in fiscal 2018. Interest income for fiscal 2019 was $128 million, as compared to $89 million in fiscal 2018. The year-over-year increase in interest expense and interest income was primarily due to our cash pool arrangements. The increase in cash pool expense was partially offset by a decrease in interest expense related to our borrowings.

Other Income, Net

Other income, net includes non-service cost components of net periodic pension income, movement in foreign currency exchange rates on our foreign currency denominated assets and liabilities and the related economic hedges, equity earnings of unconsolidated affiliates, gain on sale of non-operating assets and other miscellaneous gains and losses.

The components of other income, net for fiscal 2019 and fiscal 2018 are as follows:

	Fiscal Years Ended	
(in millions)	March 31, 2019	March 31, 2018
Non-service cost components of net periodic pension income	$ (182)	$ (509)
Foreign currency loss (gain)	31	(71)
Other gain	(155)	(13)
Total	$ (306)	$ (593)

The $287 million decrease in other income for fiscal 2019 was due to a year-over-year decrease of $327 million in non-service components of net periodic pension income and a year-over-year unfavorable foreign currency impact of $102 million resulting primarily from a gain recognized as a result of a change in the functional currency of a European holding company during fiscal 2018, which was not present in the current fiscal year. These decreases were partially offset by a $142 million increase in other gains primarily due to sales of non-operating assets during fiscal 2019.

Taxes

Our effective tax rate ("ETR") on income (loss) from continuing operations, before taxes, for fiscal 2019 and 2018 was 19.0% and (18.6)% respectively. A reconciliation of the differences between the U.S. federal statutory rate and the ETR, as well as other information about our income tax provision, is provided in Note 11 - "Income Taxes."

In fiscal 2019, the ETR was primarily impacted by:

- Local tax losses on investments in Luxembourg that decreased the foreign tax rate differential and decreased the ETR by $360 million and 23.7%, respectively, with an offsetting increase in the ETR due to an increase in the valuation allowance of the same amount.
- A change in the net valuation allowance on certain deferred tax assets, primarily in Luxembourg, Germany, Spain, UK, and Switzerland, which increased income tax expense and increased the ETR by $256 million and 16.9%, respectively.
- A decrease in the transition tax liability and a change in tax accounting method for deferred revenue, which decreased income tax expense and decreased the ETR by $66 million and 4.3%, respectively.

In fiscal 2018, the ETR was primarily impacted by:

- Due to the Company's change in repatriation policy, the reversal of a deferred tax liability relating to the outside basis difference of foreign subsidiaries which increased the income tax benefit and decreased the ETR by $554 million and 42.5%, respectively.
- The accrual of the one-time transition tax on estimated unremitted foreign earnings, which decreased the income tax benefit and increased the ETR by $361 million and 27.7%, respectively.
- The remeasurement of deferred tax assets and liabilities, which increased the income tax benefit and decreased the ETR by $338 million and 25.9%, respectively.

As of March 31, 2018, our net deferred tax assets in certain DXC German entities were primarily the result of net operating loss carryforwards, pension, restructuring, and other miscellaneous accruals. A full valuation allowance was recorded against these net deferred tax assets as of that reporting date. For the period ended December 31, 2018 management determined that the positive evidence, including the duration of the current profitability due to realization of cost synergies relating to the HPES merger, a legal entity restructuring allowing the future utilization of net operating loss carryforwards and the nonrecurring nature of the factors that primarily drove historical losses outweighs the negative evidence of a three-year cumulative loss. Therefore, as of December 31, 2018, management had a change in judgment and concluded that it is now more likely than not that the net deferred tax assets in these DXC German entities will be fully utilized. As a result, we have recorded a valuation allowance release of $113 million. As of March 31, 2019, management had no change in our conclusions regarding the positive and negative evidence and future realizability of these DXC German entities' deferred tax assets.

The IRS is examining CSC's federal income tax returns for fiscal 2008 through 2017. With respect to CSC's fiscal 2008 through 2010 federal tax returns, we previously entered into negotiations for a resolution through settlement with the IRS

Office of Appeals. The IRS examined several issues for this audit that resulted in various audit adjustments. We have an agreement in principle with the IRS Office of Appeals as to some but not all of these adjustments. We have agreed to extend the statute of limitations associated with this audit through November 30, 2019. In addition, during the first quarter of fiscal 2018, we received a Revenue Agent’s Report with proposed adjustments to CSC's fiscal 2011 through 2013 federal returns. We have filed a protest of certain of these adjustments to the IRS Office of Appeals. The IRS is also examining CSC's fiscal 2014 through 2017 federal income tax returns. We have not received any proposed adjustments for this cycle. We continue to believe that our tax positions are more likely than not sustainable and that we will ultimately prevail. The Company now expects to reach a resolution for all years no earlier than fiscal 2021.

In addition, we may settle certain other tax examinations, have lapses in statutes of limitations, or voluntarily settle income tax positions in negotiated settlements for different amounts than we have accrued as uncertain tax positions. We may need to accrue and ultimately pay additional amounts for tax positions that previously met a more likely than not standard if such positions are not upheld. Conversely, we could settle positions by payment with the tax authorities for amounts lower than those that have been accrued or extinguish a position through payment. We believe the outcomes that are reasonably possible within the next twelve months may result in a reduction in liability for uncertain tax positions of $9 million, excluding interest, penalties, and tax carryforwards.

Income from Discontinued Operations

Income from discontinued operations reflects the net income generated by USPS. As the Separation occurred on May 31, 2018, there are only two months of USPS results included in fiscal 2019.

Earnings Per Share

Diluted EPS from continuing operations for fiscal 2019 was $4.35, a decrease of $0.88 per share compared with the prior fiscal year. The EPS decrease was due to a decrease of $319 million in income from continuing operations.

Diluted EPS for fiscal 2019 includes $1.25 per share of restructuring costs, $1.06 per share of transaction, separation and integration-related costs, $1.42 per share of amortization of acquired intangible assets, $0.41 per share of pension and OPEB actuarial and settlement losses and $(0.16) per share of tax adjustment related to U.S. tax reform.

Non-GAAP Financial Measures

We present non-GAAP financial measures of performance which are derived from the statements of operations of DXC. These non-GAAP financial measures include earnings before interest and taxes ("EBIT"), adjusted EBIT, non-GAAP income before income taxes, non-GAAP net income and non-GAAP EPS, constant currency revenues and net debt-to-total capitalization.

We present these non-GAAP financial measures to provide investors with meaningful supplemental financial information, in addition to the financial information presented on a GAAP basis. Non-GAAP financial measures exclude certain items from GAAP results which DXC management believes are not indicative of core operating performance. DXC management believes these non-GAAP measures allow investors to better understand the financial performance of DXC exclusive of the impacts of corporate-wide strategic decisions. DXC management believes that adjusting for these items provides investors with additional measures to evaluate the financial performance of our core business operations on a comparable basis from period to period. DXC management believes the non-GAAP measures provided are also considered important measures by financial analysts covering DXC, as equity research analysts continue to publish estimates and research notes based on our non-GAAP commentary, including our guidance around non-GAAP EPS targets.

There are limitations to the use of the non-GAAP financial measures presented in this report. One of the limitations is that they do not reflect complete financial results. We compensate for this limitation by providing a reconciliation between our non-GAAP financial measures and the respective most directly comparable financial measure calculated and presented in accordance with GAAP. Additionally, other companies, including companies in our industry, may calculate non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes between companies.

Non-GAAP financial measures and the respective most directly comparable financial measures calculated and presented in accordance with GAAP include:

(in millions)	Fiscal Years Ended March 31, 2019	Fiscal Years Ended March 31, 2018	Change	Percent Change
Income from continuing operations	$ 1,515	$ 1,304	$ 211	16.2 %
Non-GAAP income from continuing operations	$ 3,063	$ 2,758	$ 305	11.1 %
Net income	$ 1,262	$ 1,782	$ (520)	(29.2)%
Adjusted EBIT	$ 3,269	$ 2,989	$ 280	9.4 %

Reconciliation of Non-GAAP Financial Measures

Our non-GAAP adjustments include:

- Restructuring - reflects costs, net of reversals, related to workforce optimization and real estate charges.
- Transaction, separation and integration-related costs - reflects costs related to integration planning, financing and advisory fees associated with the HPES Merger and other acquisitions and costs related to the separation of USPS.
- Amortization of acquired intangible assets - reflects amortization of intangible assets acquired through business combinations.
- Pension and OPEB actuarial and settlement gains and losses - reflects pension and OPEB actuarial and settlement gains and losses.
- Tax adjustment - reflects the estimated non-recurring benefit of the Tax Cuts and Jobs Act of 2017 for fiscal 2019 and the application of an approximate 28% tax rate for fiscal 2018, which is within the targeted effective tax rate range for the prior year.

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

	Fiscal Year Ended March 31, 2019						
(in millions, except per-share amounts)	As Reported	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Pension and OPEB Actuarial and Settlement Losses	Tax Adjustment	Non-GAAP Results
Costs of services (excludes depreciation and amortization and restructuring costs)	$ 14,946	$ —	$ —	$ —	$ —	$ —	$ 14,946
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	1,959	—	(401)	—	—	—	1,558
Income from continuing operations, before taxes	1,515	465	401	539	143	—	3,063
Income tax expense	288	112	102	138	27	44	711
Income from continuing operations	1,227	353	299	401	116	(44)	2,352
Income from discontinued operations, net of taxes	35	—	—	—	—	—	35
Net income	1,262	353	299	401	116	(44)	2,387
Less: net income attributable to non-controlling interest, net of tax	5	—	—	—	—	—	5
Net income attributable to DXC common stockholders	$ 1,257	$ 353	$ 299	$ 401	$ 116	$ (44)	$ 2,382
Effective Tax Rate	19.0%						23.2%
Basic EPS from continuing operations	$ 4.40	$ 1.27	$ 1.08	$ 1.44	$ 0.42	$ (0.16)	$ 8.46
Diluted EPS from continuing operations	$ 4.35	$ 1.25	$ 1.06	$ 1.42	$ 0.41	$ (0.16)	$ 8.34
Weighted average common shares outstanding for:							
Basic EPS	277.54	277.54	277.54	277.54	277.54	277.54	277.54
Diluted EPS	281.43	281.43	281.43	281.43	281.43	281.43	281.43

* *The net periodic pension cost within income from continuing operations includes $700 million of actual return on plan assets, whereas the net periodic pension cost within non-GAAP income from continuing operations includes $570 million of expected long-term return on pension assets of defined benefit plans subject to interim remeasurement.*

(in millions, except per-share amounts)	Fiscal Year Ended March 31, 2018 As Reported	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Pension and OPEB Actuarial and Settlement Gains	Tax Adjustment	Non-GAAP Results
Costs of services (excludes depreciation and amortization and restructuring costs)	$ 16,317	$ —	$ —	$ —	$ —	$ —	$ 16,317
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	1,890	—	(359)	—	—	—	1,531
Income from continuing operations, before taxes	1,304	789	359	526	(220)	—	2,758
Income tax (benefit) expense	(242)	—	—	—	—	1,013	771
Income from continuing operations	1,546	789	359	526	(220)	(1,013)	1,987
Income from discontinued operations, net of taxes	236	—	—	—	—	—	236
Net income	1,782	789	359	526	(220)	(1,013)	2,223
Less: net income attributable to non-controlling interest, net of tax	31	—	—	—	—	—	31
Net income attributable to DXC common stockholders	$ 1,751	$ 789	$ 359	$ 526	$ (220)	$ (1,013)	$ 2,192
Effective Tax Rate	(18.6)%						28.0%
Basic EPS from continuing operations	$ 5.32	$ 2.77	$ 1.26	$ 1.85	$ (0.77)	$ (3.56)	$ 6.86
Diluted EPS from continuing operations	$ 5.23	$ 2.72	$ 1.24	$ 1.82	$ (0.76)	$ (3.50)	$ 6.75
Weighted average common shares outstanding for:							
Basic EPS	284.93	284.93	284.93	284.93	284.93	284.93	284.93
Diluted EPS	289.77	289.77	289.77	289.77	289.77	289.77	289.77

* *The net periodic pension cost within income from continuing operations includes $371 million of actual return on plan assets, whereas the net periodic pension cost within non-GAAP income from continuing operations includes $534 million of expected long-term return on pension assets of defined benefit plans subject to interim remeasurement.*

Reconciliations of net income to adjusted EBIT and pro forma adjusted EBIT are as follows:

(in millions)	Fiscal Years Ended March 31, 2019	Fiscal Years Ended March 31, 2018
Net income	$ 1,262	$ 1,782
Income from discontinued operations, net of taxes	(35)	(236)
Income tax expense (benefit)	288	(242)
Interest income	(128)	(89)
Interest expense	334	320
EBIT	1,721	1,535
Restructuring costs	465	789
Transaction, separation and integration-related costs	401	359
Amortization of acquired intangible assets	539	526
Pension and OPEB actuarial and settlement losses (gains)	143	(220)
Adjusted EBIT	$ 3,269	$ 2,989

Liquidity and Capital Resources

Cash and Cash Equivalents and Cash Flows

As of March 31, 2019, our cash and cash equivalents ("cash") were $2.9 billion, of which $1.4 billion was held outside of the United States. A substantial portion of funds can be returned to the U.S. from funds advanced previously to finance our foreign acquisition initiatives. As a result of the Tax Cuts and Jobs Act of 2017, and after the mandatory one-time income inclusion (deemed repatriation) of the historically untaxed earnings of our foreign subsidiaries and current income inclusions for global intangible low taxed income, we expect a significant portion of the cash held by our foreign subsidiaries will no longer be subject to U.S. federal income tax consequences upon subsequent repatriation to the U.S. However, a portion of this cash may still be subject to foreign income tax consequences upon future remittance. Therefore, if additional funds held outside the U.S. are needed for our operations in the U.S. we plan to repatriate these funds.

Cash and cash equivalents increased $0.3 billion during fiscal 2018 to $2.9 billion, primarily due to changes in operating activities. The cash flows of USPS have not been segregated and are included in the statements of cash flows for the fiscal year ended March 31, 2018 and through the separation date of May 31, 2018 in the statements of cash flows for the fiscal year ended March 31, 2019.

The following table summarizes our cash flow activity:

	Fiscal Year Ended		
(in millions)	March 31, 2019	March 31, 2018	March 31, 2017
Net cash provided by operating activities	$ 1,783	$ 2,567	$ 619
Net cash provided by (used in) investing activities	69	719	(565)
Net cash (used in) provided by financing activities	(1,663)	(1,890)	93
Effect of exchange rate changes on cash and cash equivalents	(19)	65	(60)
Net increase in cash and cash equivalents	170	1,461	87
Cash and cash equivalents at beginning of year	2,729	1,268	1,181
Cash and cash equivalents at the end of period	$ 2,899	$ 2,729	$ 1,268

Operating cash flow

Net cash provided by operating activities during fiscal 2019 was $1,783 million as compared to $2,567 million during fiscal 2018. The decrease of $784 million was predominately due to a decrease in net income of $520 million, a change in net accounts receivables of $483 million, and other working capital. This was partially offset by additional deferred tax adjustments of $939 million.

Net cash provided by operating activities during fiscal 2018 was $2,567 million as compared to $619 million during fiscal 2017. The increase of $1,948 million was predominately due to an increase in net income of $1,882 million. The increase in cash provided by operating activities during fiscal 2018 was partially offset by additional deferred tax adjustments to operating activities of $842 million and an increase in the gain on pension and other post-employment benefits of $307 million.

Investing cash flow

Net cash provided by investing activities during fiscal 2019 decreased $650 million to $69 million. The decrease was due to net cash provided by acquisitions of $735 million during fiscal 2018, compared with cash paid for acquisitions of $365 million during fiscal 2019. In addition, there was an increase in cash payments for outsourcing contract costs of $66 million, software purchases of $50 million and purchase of property and equipment of $73 million. The decrease in net cash provided by investing activities was offset by additional proceeds from sale of assets of $299 million and cash collections from deferred purchase price receivables of $399 million.

Net cash provided by (used in) investing activities during fiscal 2018 was $719 million as compared to $(565) million for fiscal 2017. The increase was predominantly due to net cash provided by acquisitions of $735 million during fiscal 2018, compared with cash paid for acquisitions of $434 million during fiscal 2017. The increase in net cash provided by (used in) investing activities was partially offset by an increase in cash payments for outsourcing contract costs of $227 million and software purchases of $71 million.

Financing cash flow

Net cash used in financing activities during fiscal 2019 was $1,663 million, as compared to $1,890 million during fiscal 2018. The $227 million decrease in net cash used in financing activities was primarily due to repayments of $737 million in fiscal 2018, which did not recur in the current year, additional draws on long-term debt of $1,025 million, and borrowings of $1,114 million for the USPS Separation. This was partially offset by additional payments on long-term debt obligations of $1,078 million, repurchases of common stock of $1,212 million, and a decrease in cash proceeds from bond issuance of $236 million.

Net cash (used in) provided by financing activities during fiscal 2018 was $(1,890) million, as compared to $93 million during fiscal 2017. The $1,983 million increase in net cash used by financing activities was primarily due to a decrease in credit facility draws, net of repayments of $868 million, additional payments on capitalized lease obligations of $915 million, additional payments on long-term debt obligations of $1,379 million and $132 million in payments for repurchases of common stock. These cash outflows were partially offset by draws on long-term debt of $462 million and cash proceeds from bond issuance of $989 million.

Capital Resources

See Note 21 - "Commitments and Contingencies" for a discussion of the general purpose of guarantees and commitments. The anticipated sources of funds to fulfill such commitments are listed below and under the subheading "Liquidity."

The following table summarizes out total debt:

	As of	
(in millions)	**March 31, 2019**	**March 31, 2018**
Short-term debt and current maturities of long-term debt	$ 1,942	$ 1,918
Long-term debt, net of current maturities	5,470	6,092
Total debt	$ 7,412	$ 8,010

The $0.6 billion decrease in total debt during fiscal 2019 was primarily attributed to the repayment of $899 million principal amount of the USD term loan due 2022. This debt repayment was financed from the cash payment received from Perspecta in connection with the Separation.

During fiscal 2019, we completed a senior note offering in an aggregate principal of €650 million due 2026 and entered into term loan credit agreements in aggregate principal amounts of £450 million maturing in fiscal 2022 and AUD 800 million maturing in fiscal 2021. The proceeds of these credit facilities were used to repay debt and for general corporate purposes. Also, we amended our commercial paper program to issue short-term commercial paper notes up to a maximum aggregate amount outstanding at any time of €1 billion or its equivalent in U.S. dollars.

Additionally, during fiscal 2019, we entered into a term loan credit agreement consisting of three tranches (the "delayed draw term loan"): (i) $500 million maturing five years following the funding date; (ii) €750 million maturing two years following the funding date; and (iii) €750 million maturing three years following the funding date. The proceeds of this term loan will be used to finance in part the acquisition of Luxoft and for general corporate purposes. The term loan is undrawn as of March 31, 2019.

We were in compliance with all financial covenants associated with our borrowings as of March 31, 2019 and March 31, 2018.

The maturity chart below summarizes the future maturities of long-term debt principal for fiscal years subsequent to March 31, 2019 and excludes maturities of borrowings for assets acquired under long-term financing and capitalized lease liabilities. For more information on our debt, see Note 12 - "Debt" to the financial statements.

The following table summarizes our capitalization ratios:

	As of	
(in millions)	March 31, 2019	March 31, 2018
Total debt	$ 7,412	$ 8,010
Cash and cash equivalents	2,899	2,593
Net debt[(1)]	$ 4,513	$ 5,417
Total debt	$ 7,412	$ 8,010
Equity	11,725	13,837
Total capitalization	$ 19,137	$ 21,847
Debt-to-total capitalization	38.7%	36.7%
Net debt-to-total capitalization[(1)]	23.6%	24.8%

[(1)] Net debt and Net debt-to-total capitalization are non-GAAP measures used by management to assess our ability to service our debts using only our cash and cash equivalents. We present these non-GAAP measures to assist investors in analyzing our capital structure in a more comprehensive way compared to gross debt based ratios alone.

The decrease in net debt-to-total capitalization was due to a $0.9 billion decrease in net debt, attributed to a $0.6 billion decrease in total debt. The decrease in net debt was partially offset by a $2.1 billion decrease in equity resulting primarily from the Separation of USPS and share repurchases.

As of March 31, 2019, our credit ratings were as follows:

Rating Agency	Rating	Outlook	Short Term Ratings
Fitch	BBB+	Stable	F-2
Moody's	Baa2	Stable	P-2
S&P	BBB	Stable	-

Subsequent to the January 2019 announcement by DXC and Luxoft of a definitive agreement for DXC to acquire Luxoft, Fitch, Moody's and S&P affirmed their ratings and outlook for DXC.

See Note 21 - "Commitments and Contingencies" for a discussion of the general purpose of guarantees and commitments. The anticipated sources of funds to fulfill such commitments are listed below.

Liquidity

We expect our existing cash and cash equivalents, together with cash generated from operations, will be sufficient to meet our normal operating requirements for the next 12 months. We expect to continue using cash generated by operations as a primary source of liquidity; however, should we require funds greater than that generated from our operations to fund discretionary investment activities, such as business acquisitions, we have the ability to draw on our multi-currency revolving credit facility or raise capital through the issuance of capital market debt instruments such as commercial paper, term loans, and bonds. In addition, we currently utilize, and will further utilize, our cross currency cash pool for liquidity needs. However, there is no guarantee that we will be able to obtain debt financing, if required, on terms and conditions acceptable to us, if at all, in the future.

Our exposure to operational liquidity risk is primarily from long-term contracts which require significant investment of cash during the initial phases of the contracts. The recovery of these investments is over the life of the contract and is dependent upon our performance as well as customer acceptance.

The following table summarizes our total liquidity:

(in millions)	As of March 31, 2019
Cash and cash equivalents	$ 2,899
Available borrowings under our revolving credit facility	4,000
Available borrowings under our delayed draw term loan	2,185
Total liquidity	$ 9,084

Share Repurchases

During fiscal 2018, our Board of Directors authorized the repurchase of up to $2.0 billion of our common stock and on November 8, 2018, we announced that our Board of Directors had approved an incremental $2.0 billion share repurchase authorization. An expiration date has not been established for this repurchase plan. During fiscal 2019, we repurchased 19,342,586 shares of our common stock at an aggregate cost of $1,339 million.

Dividends

During fiscal 2019, our Board of Directors declared aggregate cash dividends to our stockholders of $0.76 per share, or approximately $209 million. Future dividends are subject to customary board review and approval prior to declaration.

Off-Balance Sheet Arrangements

In the normal course of business, we are a party to arrangements that include guarantees, the receivables securitization facility and certain other financial instruments with off-balance sheet risk, such as letters of credit and surety bonds. We also use performance letters of credit to support various risk management insurance policies. No liabilities related to these arrangements are reflected in balance sheets. See Note 5 - "Receivables" and Note 21 - "Commitments and Contingencies" for additional information regarding these off-balance sheet arrangements.

Contractual Obligations

Our contractual obligations as of March 31, 2019, were as follows:

(in millions)	Less than 1 year	2-3 years	4-5 years	More than 5 years	Total
Debt[1]	$ 766	$ 1,920	$ 557	$ 2,290	$ 5,533
Capitalized lease liabilities	482	490	155	—	1,127
Operating Leases	657	637	288	274	1,856
Purchase Obligations[2]	2,286	1,514	675	25	4,500
U.S. Tax Reform - Transition Tax[3]	26	52	75	145	298
Interest and preferred dividend payments[4]	184	283	185	224	876
Total[5]	$ 4,401	$ 4,896	$ 1,935	$ 2,958	$ 14,190

(1) *Amounts represent scheduled principal payments of long-term debt and mandatory redemption of preferred stock of a consolidated subsidiary.*

(2) *Includes long-term purchase agreements with certain software, hardware, telecommunication and other service providers and exclude agreements that are cancelable without penalty. If we do not meet the specified service minimums, we may have an obligation to pay the service provider a portion of or the entire shortfall.*

(3) *The transition tax, which has now been determined to be complete, resulted in recording a total transition tax obligation of $316 million, of which $324 million was recorded as income tax liability and $(8) million recorded as a reduction in our unrecognized tax benefits, which has been omitted from this table. The transition tax is payable over eight years; 8% of net tax liability in each of years 1-5, 15% in year 6, 20% in year 7, and 25% in year 8. We have made our first payment. See Note 11 - "Income Taxes" for additional information about the transition tax.*

(4) *Amounts represent scheduled interest payments on long-term debt and scheduled dividend payments associated with the mandatorily redeemable preferred stock of a consolidated subsidiary excluding contingent dividends associated with the participation and variable appreciation premium features.*

(5) *See Note 13 - "Pension and Other Benefit Plans" for the estimated liability related to estimated future benefit payments under our Pension and OPEB plans that have been omitted from this table.*

Critical Accounting Policies and Estimates

The preparation of financial statements, in accordance with GAAP, requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. These estimates may change in the future if underlying assumptions or factors change. Accordingly, actual results could differ materially from our estimates under different assumptions, judgments or conditions. We consider the following policies to be critical because of their complexity and the high degree of judgment involved in implementing them: revenue recognition, income taxes, business combinations, defined benefit plans and valuation of assets. We have discussed the selection of our critical accounting policies and the effect of estimates with the audit committee of our board of directors.

Revenue Recognition

Most of our revenues are recognized based on objective criteria and do not require significant estimates that may change over time. However, some arrangements may require significant estimates, including contracts which include multiple performance obligations.

Contracts with Multiple performance obligations

Many of our contracts require us to provide a range of services or performance obligations to our customers, which may include a combination of services, products or both. As a result, significant judgment may be required to determine the appropriate accounting, including whether the elements specified in contracts with multiple performance obligations should be treated as separate performance obligations for revenue recognition purposes, and, when considered appropriate, how the total transaction price should be allocated among the performance obligations and the timing of revenue recognition for each. For contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation based on the relative standalone selling price of each distinct good or service in the contract. Other than software sales involving multiple performance obligations, the primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which we forecast our expected costs of satisfying a performance obligation and then add an appropriate margin for that distinct good or service. Certain of our contracts involve the sale of DXC proprietary software, post contract customer support and other software-related services. The standalone selling price generally is determined for each performance obligation using an adjusted market assessment approach based on the price charged where each deliverable is sold separately. In certain limited cases (typically for software licenses) when the historical selling price is highly variable, the residual approach is used. This approach allocates revenue to the performance obligation equal to the difference between the total transaction price and the observable standalone selling prices for the other performance obligations. These methods involve significant judgments and estimates that we assess periodically by considering market and entity-specific factors, such as type of customer, features of the products or services and market conditions.

Once the total revenues have been allocated to the various performance obligations, revenues for each are recognized based on the relevant revenue recognition method for each. Estimates of total revenues at contract inception often differ materially from actual revenues due to volume differences, changes in technology or other factors which may not be foreseen at inception.

Costs to obtain contracts with customers

Accounting for the costs to obtain contracts with customers requires significant judgments and estimates with regards to the determination of sales commission payments that qualify for deferral of costs and the related amortization period. Most of our sales commission plans are quota-based and payments are made by achieving targets related to a large number of new and renewed contracts. Certain sales commissions earned by our sales force are considered incremental and recoverable costs of obtaining a contract with a customer. We defer and amortize these costs on a straight-line basis over an average period of benefit of five years, which is determined and regularly assessed by considering the length of our customer contracts, our technology and other factors. Significant changes in these estimates or impairment may result if material contracts terminate earlier than the expected benefit period, or if there are material changes in the average contract period.

Income Taxes

We are subject to income taxes in the United States (federal and state) and numerous foreign jurisdictions. Significant judgment is required in determining our provision for income taxes, analyzing our income tax reserves, the determination of the likelihood of recoverability of deferred tax assets and any corresponding adjustment of valuation allowances. In addition, our tax returns are routinely audited and settlements of issues raised in these audits sometimes affect our tax provisions.

As a global enterprise, our ETR is affected by many factors, including our global mix of earnings among countries with differing statutory tax rates, the extent to which our non-U.S. earnings are indefinitely reinvested outside the U.S., changes in the valuation allowance for deferred tax assets, changes in tax regulations, acquisitions, dispositions and the tax characteristics of our income. We cannot predict what our ETR will be in the future because there is uncertainty regarding these factors.

As a result of the Tax Cuts and Jobs Act (the "Act"), in the fiscal year ending March 31, 2018, we changed our ASC 740-30 assertion with respect to the remaining CSC foreign subsidiaries and no longer consider current and accumulated earnings for all non-U.S. subsidiaries permanently reinvested, except for current year Indian earnings. The $554 million deferred tax liability relating to HPES foreign subsidiaries was released and the $46 million liability for the India dividend distribution tax was reversed in the current period as the Company changed its reinvestment assertion relating to certain India earnings due to a change in cash requirements of the U.S. parent and India.

Considerations impacting the recoverability of deferred tax assets include the period of expiration of the tax asset, planned use of the tax asset and historical and projected taxable income as well as tax liabilities for the tax jurisdiction to which the tax asset relates. In determining whether the deferred tax assets are realizable, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, taxable income in prior carryback years, projected future taxable income, tax planning strategies and recent financial operations. We recorded a valuation allowance against deferred tax assets of approximately $1.6 billion as of March 31, 2019 due to uncertainties related to the ability to utilize these assets. However, valuation allowances are subject to change in future reporting periods due to changes in various factors.

Changes in tax laws, such as the Act or changes in tax laws resulting from the Organization for Economic Co-operation and Development's multi-jurisdictional plan of action to address "base erosion and profit shifting" could impact our effective tax rate. The calculation of our tax liabilities involves uncertainties in the application of complex changing tax regulations. As discussed in Note 11 - "Income Taxes", for example, the Act provides provisions that limit interest expense, provide for immediate expensing of qualified assets, further limits executive compensation deductions, generally eliminates Federal tax on foreign dividend distributions, subjects certain payments from U.S. corporations to foreign related parties to additional taxes, places restrictions or eliminates certain exclusions, deductions and credits and generally broadens the tax base. Further guidance for these provisions is forthcoming and the laws are subject to change in future periods.

Business Combinations

We account for the acquisition of a business using the acquisition method of accounting, which requires us to estimate the fair values of the assets acquired and liabilities assumed. This includes acquired intangible assets such as customer-related intangibles, the liabilities assumed and contingent consideration, if any. Liabilities assumed may include litigation and other contingency reserves existing at the time of acquisition and require judgment in ascertaining the related fair values. Independent appraisals may be used to assist in the determination of the fair value of certain assets and liabilities. Such appraisals are based on significant estimates provided by us, such as forecasted revenues or profits utilized in determining the fair value of contract-related acquired intangible assets or liabilities. Significant changes in assumptions and estimates subsequent to completing the allocation of the purchase price to the assets and liabilities acquired, as well as differences in actual and estimated results, could result in material impacts to our financial results. Adjustments to the fair value of contingent consideration are recorded in earnings. Additional information related to the acquisition date fair value of acquired assets and liabilities obtained during the allocation period, not to exceed one year, may result in changes to the recorded values of acquired assets and liabilities, resulting in an offsetting adjustment to the goodwill associated with the business acquired.

Defined Benefit Plans

The computation of our pension and other post-retirement benefit costs and obligations is dependent on various assumptions. Inherent in the application of the actuarial methods are key assumptions, including discount rates, expected long-term rates of return on plan assets, mortality rates, rates of compensation increases and medical cost trend rates. Our management evaluates these assumptions annually and updates assumptions as necessary. The fair value of assets is determined based on observable inputs for similar assets or on significant unobservable inputs if not available. Two of the most significant assumptions are the expected long-term rate of return on plan assets and the discount rate.

Our weighted average rates used were:

	March 31, 2019	March 31, 2018	March 31, 2017
Discount rates	2.5%	2.5%	3.1%
Expected long-term rates of return on assets	5.3%	4.9%	6.3%

The assumption for the expected long-term rate of return on plan assets is impacted by the expected asset mix of the plan; judgments regarding the correlation between historical excess returns and future excess returns and expected investment expenses. The discount rate assumption is based on current market rates for high-quality, fixed income debt instruments with maturities similar to the expected duration of the benefit payment period. The following table provides the impact changes in the weighted-average assumptions would have had on our net periodic pension benefits and settlement and contractual termination charges for fiscal 2019:

(in millions)	Change	Approximate Change in Net Periodic Pension Expense	Approximate Change in Settlement, Contractual Termination, and Mark-to-Market Charges
Expected long-term return on plan assets	0.5%	$ (54)	$ 53
Expected long-term return on plan assets	(0.5)%	$ 54	$ (53)
Discount rate	0.5%	$ 19	$ (898)
Discount rate	(0.5)%	$ (24)	$ 1,138

Valuation of Assets

We review long-lived ("assets, intangible assets, and goodwill") for impairment in accordance with our accounting policy disclosed in Note 1 - Summary of Significant Accounting Policies. Assessing the fair value of assets involves significant estimates and assumptions including estimation of future cash flows, the timing of such cash flows, and discount rates reflecting the risk inherent in projecting future cash flows. The valuation of long-lived and intangible assets involves management estimates about future values and remaining useful lives of assets, particularly purchased intangible assets. These estimates are subjective and can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and forecasts.

Evaluation of goodwill for impairment requires judgment, including the identification of reporting units, assignment of assets, liabilities, and goodwill to reporting units and determination of the fair value of each reporting unit. The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results, market conditions, and other factors. Changes in these estimates and assumptions include a significant change in the business climate, established business plans, operating performance indicators or competition which could materially affect the determination of fair value for each reporting unit.

We estimate the fair value of our reporting units using a combination of an income approach, utilizing a discounted cash flow analysis, and a market approach, using market multiples. The discount rate used in an income approach is based on our weighted-average cost of capital and may be adjusted for the relevant risks associated with business-specific characteristics and any uncertainty related to a reporting unit's ability to execute on the projected future cash flows.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a multinational company, we are exposed to certain market risks such as changes in foreign currency exchange rates and interest rates. Changes in foreign currency exchange rates can impact our foreign currency denominated monetary assets and liabilities and forecasted transactions in foreign currency, whereas changes in benchmark interest rates can impact interest expense associated with our floating interest rate debt and the fair value of our fixed interest rate debt. A variety of practices are employed to manage these risks, including operating and financing activities and the use of derivative instruments. We do not use derivatives for trading or speculative purposes.

Presented below is a description of our risks together with a sensitivity analysis of each of these risks based on selected changes in market rates. The foreign currency model incorporates the impact of diversification from holding multiple currencies and the correlation of revenues, costs and any related short-term contract financing in the same currency. In order to determine the impact of changes in interest rates on our future results of operations and cash flows, we calculated the increase or decrease in the index underlying these rates. We estimate the fair value of our long-term debt primarily using an expected present value technique using interest rates offered to us for instruments with similar terms and remaining maturities. These analyses reflect management's view of changes that are reasonably possible to occur over a one-year period.

Foreign Currency Risk

We are exposed to both favorable and unfavorable movements in foreign currency exchange rates. In the ordinary course of business, we enter into contracts denominated in foreign currencies. Exposure to fluctuations in foreign currency exchange rates arising from these contracts is analyzed during the contract bidding process. We generally manage these contracts by incurring costs in the same currency in which revenues are received and any related short-term contract financing requirements are met by borrowing in the same currency. Thus, by generally matching revenues, costs and borrowings to the same currency, we are able to mitigate a portion of the foreign currency risk to earnings. However, due to our increased use of offshore labor centers, we have become more exposed to fluctuations in foreign currency exchange rates. We experienced significant foreign currency fluctuations during fiscal 2019 due primarily to the volatility of the British pound and Euro in relation to the U.S. dollar. Significant foreign currency fluctuations during fiscal 2018 was due primarily to the volatility of Euro in relation to the U.S. dollar and during fiscal 2017 due primarily to the volatility of the British pound in relation to the U.S. dollar.

We have policies and procedures to manage exposure to fluctuations in foreign currency by using short-term foreign currency forward contracts to economically hedge certain foreign currency denominated assets and liabilities, including intercompany accounts and loans. For accounting purposes, these foreign currency forward contracts are not designated as hedges and changes in their fair value are reported in current period earnings within other (income) expense, net in the statements of operations. We also use foreign currency forward contracts to reduce foreign currency exchange rate risk related to certain Indian rupee denominated intercompany obligations and forecasted transactions. For accounting purposes these foreign currency forward contracts are designated as cash flow hedges with critical terms that match the hedged items; therefore, the changes in fair value of these forward contracts are recorded in accumulated other comprehensive income, net of taxes in the statements of comprehensive income and subsequently classified into net income in the period during which the hedged transactions are recognized in net income.

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than U.S. dollar, see Note 18 - "Segment and Geographic Information". During fiscal 2019, approximately 63% of our revenues were generated outside of the United States. For the year ended March 31, 2019, a hypothetical 10% change in the value of the U.S. dollar against all currencies would have changed revenues by approximately 6.3%, or $1.3 billion. The majority of this fluctuation would be offset by expenses incurred in local currency and as a result, there would not be a material change to our income from continuing operations, before taxes. As such, in the view of management, the resulting impact would not be material to our results of operations or cash flows.

Interest Rate Risk

As of March 31, 2019, we had outstanding debt with varying maturities for an aggregate carrying amount of $7.4 billion, of which $2.4 billion was floating interest rate debt. Most of our floating interest rate debt is based upon varying terms of adjusted LIBOR rates; consequently, changes in LIBOR result in the most volatility to our interest expense. As of March 31, 2019, an assumed 10% unfavorable change in interest rates would not be material to our consolidated results of operations or cash flows. A change in interest rates related to our long-term debt would not have a material impact on our financial statements as we do not record our debt at fair value.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
DXC Technology Company
Tysons, Virginia

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of DXC Technology Company and subsidiaries (the "Company") as of March 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income (loss), cash flows and changes in equity, for each of the three years in the period ended March 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of March 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 12, 2019, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

McLean, Virginia
June 12, 2019

We have served as the Company's auditor since at least 1965; however, the specific year has not been determined.

DXC TECHNOLOGY COMPANY
CONSOLIDATED BALANCE SHEETS

(in millions, except per share and share amounts)	As of March 31, 2019	As of March 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,899	$ 2,593
Receivables, net of allowance for doubtful accounts of $60 and $40	5,181	5,481
Prepaid expenses	627	496
Other current assets	359	469
Assets of discontinued operations	—	581
Total current assets	9,066	9,620
Intangible assets, net of accumulated amortization of $3,399 and $2,603	5,939	6,376
Goodwill	7,606	7,619
Deferred income taxes, net	355	373
Property and equipment, net of accumulated depreciation of $3,958 and $3,686	3,179	3,363
Other assets	3,429	3,207
Assets of discontinued operations - non-current	—	3,363
Total Assets	$ 29,574	$ 33,921
LIABILITIES and EQUITY		
Current liabilities:		
Short-term debt and current maturities of long-term debt	$ 1,942	$ 1,918
Accounts payable	1,666	1,513
Accrued payroll and related costs	652	744
Accrued expenses and other current liabilities	3,355	3,120
Deferred revenue and advance contract payments	1,630	1,641
Income taxes payable	208	127
Liabilities of discontinued operations	—	789
Total current liabilities	9,453	9,852
Long-term debt, net of current maturities	5,470	6,092
Non-current deferred revenue	256	795
Non-current pension obligations	790	879
Non-current income tax liabilities and deferred tax liabilities	1,184	1,166
Other long-term liabilities	696	844
Liabilities of discontinued operations - long-term	—	456
Total Liabilities	17,849	20,084
Commitments and contingencies		
DXC stockholders’ equity:		
Preferred stock, par value $0.01 per share; authorized 1,000,000 shares; none issued as of March 31, 2019 and March 31, 2018	—	—
Common stock, par value $0.01 per share; authorized 750,000,000 shares; issued 270,213,891 as of March 31, 2019 and 286,393,147 as of March 31, 2018	3	3
Additional paid-in capital	11,301	12,210
Retained earnings	478	1,301
Accumulated other comprehensive (loss) income	(244)	58
Treasury stock, at cost, 1,788,658 and 1,016,947 shares as of March 31, 2019 and March 31, 2018	(136)	(85)
Total DXC stockholders’ equity	11,402	13,487
Non-controlling interest in subsidiaries	323	350
Total Equity	11,725	13,837
Total Liabilities and Equity	$ 29,574	$ 33,921

The accompanying notes are an integral part of these consolidated financial statements.

DXC TECHNOLOGY COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per-share amounts)	Fiscal Years Ended March 31, 2019	Fiscal Years Ended March 31, 2018	Fiscal Years Ended March 31, 2017
Revenues	$ 20,753	$ 21,733	$ 7,607
Costs of services (excludes depreciation and amortization and restructuring costs)	14,946	16,317	5,549
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	1,959	1,890	1,282
Depreciation and amortization	1,968	1,795	647
Restructuring costs	465	789	238
Interest expense	334	320	117
Interest income	(128)	(89)	(35)
Other income, net	(306)	(593)	(17)
Total costs and expenses	19,238	20,429	7,781
Income (loss) from continuing operations, before taxes	1,515	1,304	(174)
Income tax expense (benefit)	288	(242)	(74)
Income (loss) from continuing operations	1,227	1,546	(100)
Income from discontinued operations, net of taxes	35	236	—
Net income (loss)	1,262	1,782	(100)
Less: net income attributable to non-controlling interest, net of tax	5	31	23
Net income (loss) attributable to DXC common stockholders	$ 1,257	$ 1,751	$ (123)
Income (loss) per common share			
Basic:			
Continuing operations	$ 4.40	$ 5.32	$ (0.88)
Discontinued operations	0.13	0.83	—
	$ 4.53	$ 6.15	$ (0.88)
Diluted:			
Continuing operations	$ 4.35	$ 5.23	$ (0.88)
Discontinued operations	0.12	0.81	—
	$ 4.47	$ 6.04	$ (0.88)

The accompanying notes are an integral part of these consolidated financial statements.

DXC TECHNOLOGY COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in millions)	Fiscal Years Ended March 31, 2019	Fiscal Years Ended March 31, 2018	Fiscal Years Ended March 31, 2017
Net income (loss)	$ 1,262	$ 1,782	$ (100)
Other comprehensive (loss) income, net of taxes:			
Foreign currency translation adjustments, net of tax (benefit) expense of $(1), $75 and $5	(259)	197	(75)
Cash flow hedges adjustment, net of tax (benefit) expense of $(3), $(3) and $12	(12)	(11)	21
Available-for-sale securities, net of tax expense of $0, $2 and $0	—	9	—
Pension and other post-retirement benefit plans, net of tax:			
Prior service cost, net of tax (benefit) expense of $(5), $8 and $0	(21)	38	—
Amortization of transition obligation, net of tax expense of $0, $0, and $0	—	1	1
Amortization of prior service cost, net of tax benefit of $2, $4 and $5	(13)	(14)	(12)
Foreign currency exchange loss, net of tax benefit of $0, $0 and $1	—	—	(2)
Pension and other post-retirement benefit plans, net of tax	(34)	25	(13)
Other comprehensive (loss) income, net of taxes	(305)	220	(67)
Comprehensive income (loss)	957	2,002	(167)
Less: comprehensive income attributable to non-controlling interest	2	31	7
Comprehensive income (loss) attributable to DXC common stockholders	$ 955	$ 1,971	$ (174)

The accompanying notes are an integral part of these consolidated financial statements.

DXC TECHNOLOGY COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Years Ended		
(in millions)	March 31, 2019	March 31, 2018 (1) (2)	March 31, 2017 (1)
Cash flows from operating activities:			
Net income (loss)	$ 1,262	$ 1,782	$ (100)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	2,023	2,014	658
Pension & other post-employment benefits, actuarial & settlement losses (gains)	143	(220)	87
Share-based compensation	74	93	75
Deferred taxes	97	(842)	(92)
(Gain) loss on dispositions	(163)	4	6
Provision for losses on accounts receivable	(10)	45	4
Unrealized foreign currency exchange losses	30	22	24
Impairment losses and contract write-offs	—	41	8
Amortization of debt issuance costs and (premium) discount	(10)	(4)	17
Cash surrender value in excess of premiums paid	(11)	(11)	(7)
Other non-cash charges, net	11	4	—
Changes in assets and liabilities, net of effects of acquisitions and dispositions:			
Increase in receivables	(947)	(464)	(25)
Increase in prepaid expenses and other current assets	(632)	(196)	(29)
(Decrease) increase in accounts payable and accruals	(52)	(96)	54
(Decrease) increase in income taxes payable and income tax liability	(107)	303	(32)
(Decrease) increase in advance contract payments and deferred revenue	(74)	130	(67)
Other operating activities, net	149	(38)	38
Net cash provided by operating activities	1,783	2,567	619
Cash flows from investing activities:			
Purchases of property and equipment	(297)	(224)	(246)
Payments for transition and transformation contract costs	(394)	(328)	(101)
Software purchased and developed	(261)	(211)	(140)
Cash acquired through HPES Merger	—	938	—
Payments for acquisitions, net of cash acquired	(365)	(203)	(434)
Business dispositions	(65)	—	3
Cash collections related to deferred purchase price receivable	1,084	685	359
Proceeds from sale of assets	357	58	57
Other investing activities, net	10	4	(63)
Net cash provided by (used in) investing activities	69	719	(565)
Cash flows from financing activities:			
Borrowings of commercial paper	2,747	2,413	2,191
Repayments of commercial paper	(2,840)	(2,297)	(2,086)
Borrowings under lines of credit	—	—	920
Repayment of borrowings under lines of credit	—	(737)	(789)
Borrowings on long-term debt, net of discount	1,646	621	159
Principal payments on long-term debt	(2,625)	(1,547)	(168)
Payments on capital leases and borrowings for asset financing	(944)	(1,060)	(145)
Borrowings for USPS spin transaction	1,114	—	—
Proceeds from bond issuance	753	989	—

Proceeds from structured sale of facility	—	—	85
Proceeds from stock options and other common stock transactions	47	138	54
Taxes paid related to net share settlements of share-based compensation awards	(54)	(76)	(13)
Repurchase of common stock	(1,344)	(132)	—
Dividend payments	(210)	(174)	(78)
Other financing activities, net	47	(28)	(37)
Net cash (used in) provided by financing activities	(1,663)	(1,890)	93
Effect of exchange rate changes on cash and cash equivalents	(19)	65	(60)
Net increase in cash and cash equivalents	170	1,461	87
Cash and cash equivalents at beginning of year	2,729	1,268	1,181
Cash and cash equivalents at end of year	$ 2,899	$ 2,729	$ 1,268

(1) *Fiscal 2018 and fiscal 2017 have been adjusted to give effect to the retrospective adoption of ASU 2016-15. See Note 22 - "Reconciliation of Previously Reported Amounts to Recast Financial Statements."*

(2) *As a result of the USPS Separation, the Consolidated Statements of Operations, Consolidated Balance Sheets, and related financial information reflect USPS's operations and assets and liabilities as discontinued operations for all periods presented. The cash flows of USPS have not been segregated and are included in the Consolidated Statement of Cash flows for the fiscal year ended March 31, 2018 and through the separation date of May 31, 2018 in the Consolidated Statement of Cash Flows for the fiscal year ended March 31, 2019.*

The accompanying notes are an integral part of these consolidated financial statements.

DXC TECHNOLOGY COMPANY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock	Total DXC Equity	Non-Controlling Interest	Total Equity
(in millions, except shares in thousands)	Shares	Amount							
Reported balance at April 1, 2016	148,747	$ 149	$ 2,439	$ 33	$ (111)	$ (485)	$ 2,025	$ 7	$ 2,032
Recapitalization adjustment[(1)]	—	(148)	148	—	—	—	—	—	—
Recast balance at April 1, 2016	148,747	$ 1	$ 2,587	$ 33	$ (111)	$ (485)	$ 2,025	$ 7	$ 2,032
Net (loss) income				(123)			(123)	23	(100)
Other comprehensive loss					(51)		(51)	(16)	(67)
Share-based compensation expense			73				73		73
Acquisition of treasury stock						(12)	(12)		(12)
Stock option exercises and other common stock transactions [(1)]	3,185		56				56		56
Dividends declared ($0.56 per share)				(80)			(80)		(80)
Noncontrolling interest distributions and other							—	(17)	(17)
Noncontrolling interest from acquisition [(2)]							—	281	281
Balance at March 31, 2017	151,932	$ 1	$ 2,716	$ (170)	$ (162)	$ (497)	$ 1,888	$ 278	$ 2,166
Recapitalization adjustment[(1)]	(10,633)	—	(497)	—	—	497	—	—	—
Recast balance at March 31, 2017	141,299	$ 1	$ 2,219	$ (170)	$ (162)	$ —	$ 1,888	$ 278	$ 2,166

(1) Certain prior year amounts were adjusted to retroactively reflect the legal capital of DXC.

(2) See Note 2 - "Acquisitions"

	Common Stock		Additional Paid-in Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total DXC Equity	Non-Controlling Interest	Total Equity
(in millions, except shares in thousands)	Shares	Amount							
Reported balance at March 31, 2017	151,932	$ 152	$ 2,565	$ (170)	$ (162)	$ (497)	$ 1,888	$ 278	$ 2,166
Recapitalization adjustment[(1)]	(10.633)	(151)	(346)			497			
Recast balance at March 31, 2017	141,299	$ 1	$ 2,219	$ (170)	$ (162)	$ —	$ 1,888	$ 278	$ 2,166
Business acquired in purchase, net of issuance costs [(2)]	141,741	2	9,848				9,850	50	9,900
Net income				1,751			1,751	31	1,782
Other comprehensive income					220		220		220
Share-based compensation expense			92				92		92
Acquisition of treasury stock						(85)	(85)		(85)
Share repurchase program	(1,538)		(66)	(71)			(137)		(137)
Stock option exercises and other common stock transactions	4,891		117				117		117
Dividends declared ($0.72 per share)				(209)			(209)		(209)
Noncontrolling interest distributions and other							—	(9)	(9)
Balance at March 31, 2018	286,393	$ 3	$ 12,210	$ 1,301	$ 58	$ (85)	$ 13,487	$ 350	$ 13,837

(1) Certain prior year amounts were adjusted to retroactively reflect the legal capital of DXC.

(2) See Note 2 - "Acquisitions"

(in millions, except shares in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock [1]	Total DXC Equity	Non-Controlling Interest	Total Equity
Balance at March 31, 2018	286,393	$ 3	$ 12,210	$ 1,301	$ 58	$ (85)	$ 13,487	$ 350	$ 13,837
Cumulative effect of adopting the new revenue standard				114			114		114
Net income				1,257			1,257	5	1,262
Other comprehensive loss					(302)		(302)	(3)	(305)
Share-based compensation expense			74				74		74
Acquisition of treasury stock						(51)	(51)		(51)
Share repurchase program	(19,343)		(845)	(494)			(1,339)		(1,339)
Stock option exercises and other common stock transactions	3,164		37				37		37
Dividends declared ($0.76 per share)				(209)			(209)		(209)
Noncontrolling interest distributions and other							—	(29)	(29)
Divestiture of USPS			(175)	(1,491)			(1,666)		(1,666)
Balance at March 31, 2019	270,214	$ 3	$ 11,301	$ 478	$ (244)	$ (136)	$ 11,402	$ 323	$ 11,725

[1] *1,788,658 treasury shares as of March 31, 2019*

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 - Summary of Significant Accounting Policies

Business

DXC Technology Company ("DXC" or the "Company") leads digital transformations for clients by modernizing and integrating their mainstream IT, and by deploying digital solutions at scale to produce better business outcomes. The company’s technology independence, global talent, and extensive partner network enable 6,000 private and public-sector clients in approximately 70 countries to thrive on change. DXC is a recognized leader in corporate responsibility.

Merger with HPES

On April 1, 2017, Computer Sciences Corporation ("CSC") completed its previously announced combination with the Enterprise Services business of Hewlett Packard Enterprise Company ("HPES"), which resulted in CSC becoming a wholly owned subsidiary of DXC (the "HPES Merger"). DXC common stock began regular-way trading under the symbol "DXC" on the New York Stock Exchange on April 3, 2017. See Note 2 - "Acquisitions" for further information.

Separation of USPS

On May 31, 2018, DXC completed the separation of its U.S. Public Sector business ("USPS") (the "Separation"), and combination of USPS with Vencore Holding Corp. ("Vencore") and KeyPoint Government Solutions ("Keypoint") (the "Mergers") to form Perspecta Inc. ("Perspecta"), an independent public company (collectively, the "USPS Separation and Mergers"). Under the terms of the separation agreements, on May 31, 2018, stockholders who held DXC common stock at the close of business on May 25, 2018 (the “Record Date”), received a distribution of one share of Perspecta common stock for every two shares of DXC common stock held as of the Record Date (the "Distribution"). See Note 3 - "Divestitures" for more information.

As a result of the Separation, the Consolidated Statements of Operations, Consolidated Balance Sheets, and related financial information reflect USPS's operations, assets and liabilities as discontinued operations for all periods presented. The cash flows of USPS have not been segregated and are included in the Consolidated Statement of Cash flows for the fiscal year ended March 31, 2018 and through the separation date of May 31, 2018 in the Consolidated Statement of Cash Flows for the fiscal year ended March 31, 2019. In addition, USPS is no longer a reportable segment. DXC's reportable segments are Global Business Services ("GBS") and Global Infrastructure Services ("GIS").

Basis of Presentation

In order to make this report easier to read, DXC refers throughout to (i) the Consolidated Financial Statements as the “financial statements,” (ii) the Consolidated Statements of Operations as the “statements of operations,” (iii) the Consolidated Statement of Comprehensive Income (loss) as the "statements of comprehensive Income," (iv) the Consolidated Balance Sheets as the “balance sheets,” and (v) the Consolidated Statements of Cash Flows as the “statements of cash flows.” In addition, references throughout to numbered “Notes” refer to the numbered Notes in these Notes to Consolidated Financial Statements, unless otherwise noted.

The accompanying financial statements have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission for annual reports and accounting principles generally accepted in the United States ("GAAP"). The financial statements include the accounts of DXC, its consolidated subsidiaries, and those business entities in which DXC maintains a controlling interest. Investments in business entities in which the Company does not have control, but has the ability to exercise significant influence over operating and financial policies, are accounted for by the equity method. Other investments are accounted for by the cost method. Non-controlling interests are presented as a separate component within equity in the balance sheets. Net earnings attributable to the non-controlling interests are presented separately in the statements of operations, and comprehensive income attributable to non-controlling interests are presented separately in the statements of comprehensive income. All intercompany transactions and balances have been eliminated.

In connection with the HPES Merger, CSC was deemed the accounting acquirer of HPES for accounting purposes under GAAP, therefore, CSC is considered DXC's predecessor and the historical financial statements of CSC prior to April 1, 2017, are reflected in this Annual Report on Form 10-K as DXC's historical financial statements. Accordingly, the financial results of DXC as of and for any periods ending prior to April 1, 2017 do not include the financial results of HPES, and therefore, are not directly comparable.

During fiscal 2018, the Company changed its primary segment performance measure to segment profit from the previously reported consolidated segment operating income. See Note 18 - "Segment and Geographic Information" for more information. In addition, DXC effected a recapitalization of its common stock and preferred stock (the “Recapitalization”). The Recapitalization, which converted DXC's historical share price from par value $1.00 per share to par value $0.01 per share, resulted in no change to DXC's total stockholders’ equity or earnings per share.

Certain prior year amounts have been reclassified in the financial statements to conform to the current year presentation, specifically transition and transformation contract costs were reclassified from intangible assets, net to other assets within the balance sheets. Additionally, certain other reclassification were made as a result of the adoption of new accounting standards effective April 1, 2018. See New Accounting Standards below for more information.

Use of Estimates

The preparation of the financial statements, in accordance with GAAP, requires the Company's management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on assumptions regarding historical experience, currently available information and anticipated developments that it believes are reasonable and appropriate. However, because the use of estimates involves an inherent degree of uncertainty, actual results could differ from those estimates. Estimates are used for, but not limited to, contracts accounted for using the percentage-of-completion method, cash flows used in the evaluation of impairment of goodwill and other long-lived assets, reserves for uncertain tax positions, valuation allowances on deferred tax assets, loss accruals for litigation and obligations related to our pension plans. In the opinion of the Company's management, the accompanying financial statements contain all adjustments necessary, including those of a normal recurring nature, to fairly present the financial statements.

Revenue Recognition

Effective April 1, 2018, the Company adopted ASU 2014-09, “Revenue from Contracts with Customers (ASC 606),” using the modified retrospective method. Refer to New Accounting Standards below and Note 19 - “Revenue” for further discussion of the impact of adoption and other required disclosures. The Company’s accounting policy related to the new revenue standard is summarized below.

The Company's primary service offerings are information technology outsourcing, other professional services, or a combination thereof. Revenues are recognized when control of the promised goods or services is transferred to DXC's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

DXC determines revenue recognition through the five-step model as follows:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

DXC's IT outsourcing arrangements typically reflect a single performance obligation that comprises a series of distinct services which are substantially the same and provided over a period of time using the same measure of progress. Revenue derived from these arrangements is recognized over time based upon the level of services delivered in the distinct periods in which they are provided based on time increments. DXC's contracts often include upfront fees billed for activities to familiarize DXC with the client's operations, take control over their administration and operation, and adapt them to DXC's solutions. Upfront fees are generally recognized ratably over the contract period, which approximates the manner in which the services are provided. These activities typically do not qualify as performance obligations, and the related revenues are allocated to the relevant performance obligations and recognized ratably over time as the performance obligation is satisfied during the period in which DXC provides the related service, which is typically the life of the contract. Software transactions that include multiple performance obligations are described below.

For contracts with multiple performance obligations, DXC allocates the contract’s transaction price to each performance obligation based on the relative standalone selling price of each distinct good or service in the contract. Other than software sales involving multiple performance obligations, the primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which the Company forecasts its expected costs of satisfying a performance obligation and then adds an appropriate margin for that distinct good or service.

The transaction price of a contract is determined based on fixed and variable consideration. Variable consideration related to the Company’s IT outsourcing offerings often include volume-based pricing that are allocated to the distinct days of the services to which the variable consideration pertains. However, in certain cases, estimates of variable consideration, including penalties, contingent milestone payments and rebates are necessary. The Company only includes estimates of variable consideration in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur. These judgments involve consideration of historical and expected experience with the customer and other similar customers, and the facts and circumstances specific to the arrangement.

The Company generally provides its services under time and materials contracts, unit price contracts, fixed-price contracts, and software contracts for which revenue is recognized in the following manner:

Time and materials contracts. Revenue is recognized over time at agreed-upon billing rates when services are provided.

Unit-price contracts. Revenue is recognized over time based on unit metrics multiplied by the agreed upon contract unit price or when services are delivered.

Fixed-price contracts. For certain fixed-price contracts, revenue is recognized over time using a method that measures the extent of progress towards completion of a performance obligation, generally using a cost-input method (referred to as the percentage-of-completion cost-to-cost method). Under the percentage-of-completion cost-to-cost method, revenue is recognized based on the proportion of total cost incurred to estimated total costs at completion. A performance obligation's estimate at completion includes all direct costs such as materials, labor, subcontractor costs, overhead, and a ratable portion of general and administrative costs. If output or input measures are not available or cannot be reasonably estimated, revenue is deferred until progress can be measured and costs are not deferred unless they meet the criteria for capitalization. Under the percentage-of-completion cost-to-cost method, progress towards completion is measured based on either achievement of specified contract milestones, costs incurred as a proportion of estimated total costs, or other measures of progress when appropriate. Profit in a given period is reported at the estimated profit margin to be achieved on the overall contract.

Software contracts. Certain of DXC's arrangements involve the sale of DXC proprietary software, post contract customer support, and other software-related services. The standalone selling price generally is determined for each performance obligation using an adjusted market assessment approach based on the price charged where each deliverable is sold separately. In certain limited cases (typically for software licenses) when the historical selling price is highly variable, the residual approach is used. This approach allocates revenue to the performance obligation equal to the difference between the total transaction price and the observable standalone selling prices for the other performance obligations. Revenue from distinct software licenses is recognized at a point in time when the customer can first use the software license. If significant customization is required, software revenue is recognized as the related software customization services are performed in accordance with the percentage-of-completion method described above. Revenue for post contract customer support and other software services is recognized over time as those services are provided.

Practical Expedients and Exemptions

DXC does not adjust the promised amount of consideration for the effects of a significant financing component when the period between when DXC transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.
In addition, the Company reports revenue net of any revenue-based taxes assessed by a governmental authority that are imposed on and concurrent with specific revenue-producing transactions, such as sales taxes and value-added taxes.

Contract Balances

The timing of revenue recognition, billings and cash collections results in accounts receivable (billed receivables, unbilled receivables and contract assets) and deferred revenue and advance contract payments (contract liabilities) on the Company's balance sheets. In arrangements that contain an element of customized software solutions, amounts are generally billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g. monthly) or upon achievement of certain contractual milestones. Generally, billing occurs subsequent to revenue recognition, sometimes resulting in contract assets if the related billing is conditional upon more than just the passage of time. However, the Company sometimes receives advances or deposits from customers, before revenue is recognized, which results in the generation of contract liabilities. Payment terms vary by type of product or service being provided as well as by customer, although the term between invoicing and when payment is due is generally an insignificant period of time.

Costs to Obtain a Contract

Certain sales commissions earned by the Company's sales force are considered incremental and recoverable costs of obtaining a contract with a customer. The majority of sales commissions are paid based on the achievement of quota-based targets. These costs are deferred and amortized on a straight-line basis over an average period of benefit determined to be five years. The Company determined the period of benefit considering the length of its customer contracts, its technology and other factors. The period of benefit approximates the average stated contract terms, excluding expected future renewals, because sales commissions are paid upon contract renewal in a manner commensurate with the initial commissions. Some commission payments are not capitalized because they are expensed during the fiscal year as the related revenue is recognized. Capitalized sales commissions costs are classified within other assets and amortized in selling, general and administrative expenses.

Costs to Fulfill a Contract

Certain contract setup costs incurred upon initiation or renewal of an outsourcing contract that generate or enhance resources to be used in satisfying future performance obligations are capitalized when they are deemed recoverable. Judgment is applied to assess whether contract setup costs are capitalizable. Costs that generate or enhance resources often pertain to activities that enhance the capabilities of the services, improve customer experience and establish a more effective and efficient IT environment. The Company recognizes these transition and transformation contract costs as other assets, which are amortized over the respective contract life.

Pension and Other Benefit Plans

The Company accounts for its pension, other post-retirement benefit ("OPEB"), defined contribution and deferred compensation plans using the guidance of ASC 710 "Compensation - General" and ASC 715 "Compensation - Retirement Benefits". The Company recognizes actuarial gains and losses and changes in fair value of plan assets in earnings at the time of plan remeasurement as a component of net periodic benefit expense. Typically plan remeasurement occurs annually during the fourth quarter of each fiscal year. The remaining components of pension and OPEB expense, primarily current period service and interest costs and expected return on plan assets, are recorded on a quarterly basis.

Inherent in the application of the actuarial methods are key assumptions, including, but not limited to, discount rates, expected long-term rates of return on plan assets, mortality rates, rates of compensation increases, and medical cost trend rates. Company management evaluates these assumptions annually and updates assumptions as necessary. The fair value of assets is determined based on the prevailing market prices or estimated fair value of investments when quoted prices are not available.

Software Development Costs

After establishing technological feasibility, and until such time as the software products are available for general release to customers, the Company capitalizes costs incurred to develop commercial software products to be sold, leased or otherwise marketed. Costs incurred to establish technological feasibility are charged to expense as incurred. Enhancements to software products are capitalized where such enhancements extend the life or significantly expand the marketability of the products. Amortization of capitalized software development costs is determined separately for each software product. Annual amortization expense is calculated based on the greater of the ratio of current gross revenues for each product to the total of current and anticipated future gross revenues for the product or the straight-line amortization method over the estimated useful life of the product.

Unamortized capitalized software costs associated with commercial software products are periodically evaluated for impairment on a product-by-product basis by comparing the unamortized balance to the product’s net realizable value. The net realizable value is the estimated future gross revenues from that product reduced by the related estimated future costs. When the unamortized balance exceeds the net realizable value, the unamortized balance is written down to the net realizable value and an impairment charge is recorded.

The Company capitalizes costs incurred to develop internal-use computer software during the application development stage. Costs related to preliminary project activities and post-implementation activities are expensed as incurred. Internal and external costs incurred in connection with development of upgrades or enhancements that result in additional functionality are also capitalized. Capitalized costs associated with internal-use software are amortized on a straight-line basis over the estimated useful life of the software. Purchased software is capitalized and amortized over the estimated useful life of the software. Internal-use software assets are evaluated for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

Share-Based Compensation

Share-based awards are accounted for under the fair value method. The Company provides different forms of share-based compensation to its employees and non-employee directors. This includes stock options and restricted stock units ("RSUs"), including performance-based restricted stock units ("PSUs"). The fair value of the awards is determined on the grant date, based on the Company's closing stock price. For awards settled in shares, the Company recognizes compensation expense based on the grant-date fair value net of estimated forfeitures over the vesting period. For awards settled in cash, the Company recognizes compensation expense based on the fair value at each reporting date net of estimated forfeitures.

The Company uses the Black-Scholes-Merton model to compute the estimated fair value of options granted. This model includes assumptions regarding expected term, risk-free interest rates, expected volatility and dividend yields which are periodically evaluated. The expected term is calculated based on the Company’s historical experience with respect to its stock plan activity and an estimate of when vested and unexercised option shares will be exercised. The expected term of options is based on job tier classifications, which have different historical exercise behavior. The risk-free interest rate is based on the zero-coupon interest rate of U.S. government issued treasury STRIPS with a period commensurate with the expected term of the options.

Expected volatility is based on a blended approach, which uses a two-thirds weighting for historical volatility and one-third weighting for implied volatility. The Company’s historical volatility calculation is based on employee class and historical closing prices of the Company's peer group, in order to better align this factor with the expected terms of the stock options. DXC’s implied stock price volatility is derived from the price of exchange traded options on DXC’s stock with the longest remaining contractual term. Implied volatility is a prospective, forward looking measure representing market participants' expectations of DXC's future stock price volatility. The dividend yield assumption is based on the respective fiscal year dividend payouts. Forfeitures are estimated based on historical experience.

Business Combinations

Companies acquired during each reporting period are reflected in the results of the Company effective from their respective dates of acquisition through the end of the reporting period. The Company allocates the fair value of purchase consideration to the assets acquired and liabilities assumed based on their fair values at the acquisition date. The excess of the fair value of purchase consideration over the fair value of the assets acquired and liabilities assumed in the acquired entity is recorded as goodwill. If the Company obtains new information about facts and circumstances that existed as of the acquisition date during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Company's statements of operations. For contingent consideration recorded as a liability, the Company initially measures the amount at fair value as of the acquisition date and adjusts the liability, if needed, to fair value each reporting period. Changes in the fair value of contingent consideration, other than measurement period adjustments, are recognized as income or expense. Acquisition-related expenses and post-acquisition integration costs are recognized separately from the business combination and are expensed as incurred.

Goodwill Impairment Analysis

The Company tests goodwill for impairment on an annual basis, as of the first day of the second fiscal quarter, and between annual tests if circumstances change, or if an event occurs that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company has defined its reporting units as its reportable segments. A significant amount of judgment is involved in determining whether an event indicating impairment has occurred between annual testing dates. Such indicators include: a significant decline in expected future cash flows, a significant adverse change in legal factors or in the business climate, unanticipated competition, the disposal of a significant component of a reporting unit and the testing for recoverability of a significant asset group within a reporting unit.

The Company follows GAAP-prescribed rules when determining if goodwill has been impaired. Initially, an assessment of qualitative factors is conducted in order to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. This qualitative analysis, which is commonly referred to as step zero under ASC Topic 350 "Goodwill and Other Intangible Assets", considers all relevant factors specific to the reporting units, including macroeconomic conditions; industry and market considerations; overall financial performance and relevant entity-specific events.

If the Company determines that it is not more likely that the carrying amount for a reporting unit is less than its fair value, then the subsequent two-step goodwill impairment testing process is not required. If the Company determines that it is more likely than not that the carrying amount for a reporting unit is greater than its fair value, then it proceeds with the subsequent two-step process.

The Company has the option to bypass the initial qualitative assessment stage and proceed directly to perform step one of the two-step process. Step one of the process compares each reporting unit's fair value to its carrying value. If the reporting unit's fair value exceeds its carrying value, no further procedures are required. However, if a reporting unit's fair value is less than its carrying value, an impairment of goodwill may exist, requiring a second step to measure the amount of impairment loss. In the second step, the reporting unit's fair value is determined and allocated to the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in order to calculate the implied fair value of goodwill in the same manner as if the reporting unit was being acquired in a business combination. If the implied fair value of goodwill is less than the recorded goodwill, an impairment charge is recorded for the difference.

When the Company performs step one of the two-step test for a reporting unit, it estimates the fair value of the reporting unit using both the income approach and the market approach. The income approach incorporates the use of a discounted cash flow method in which the estimated future cash flows and terminal values for each reporting unit are discounted to present value using a discount rate. Cash flow projections are based on management's estimates of economic and market conditions, which drive key assumptions of revenue growth rates, operating margins, capital expenditures and working capital requirements. The discount rate is based on the specific risk characteristics of each reporting unit, the weighted-average cost of capital and its underlying forecasts. The market approach estimates fair value by applying performance-metric multiples to the reporting unit's prior and expected operating performance. The multiples are derived from comparable publicly traded companies that have operating and investment characteristics similar to those of the reporting unit. If the fair value of the reporting unit derived using one approach is significantly different from the fair value estimate using the other approach, the Company reevaluates its assumptions used in the two models. Assumptions are modified as considered appropriate under the circumstances until the two models yield similar and reasonable results. The fair values determined by the market approach and income approach, as described above, are weighted to determine the fair value for each reporting unit. The weighting ascribed to the market approach fair value assigned to each reporting unit is influenced by two primary factors: 1) the number of comparable publicly traded companies used in the market approach, and 2) the similarity of the operating and investment characteristics of the reporting units to the comparable publicly traded companies used in the market approach.

If DXC performs a step one analysis for all of its reporting units in conjunction with its annual goodwill testing, it also compares the sum of all of its reporting units' fair values to the Company's market capitalization (per-share stock price multiplied by the number of shares outstanding) and calculates an implied control premium (the excess of the sum of the reporting units' fair values over the market capitalization). The Company evaluates the reasonableness of the control premium by comparing it to control premiums derived from recent comparable business combinations. If the implied control premium is not reasonable in light of the comparable business combinations, the Company reevaluates its fair value estimates of the reporting units by adjusting the discount rates and/or other assumptions. As a result, when DXC's stock price and thus market capitalization is low relative to the sum of the estimated fair value of its reporting units, this reevaluation can result in reductions to the estimated fair values for the reporting units.

Fair Value

The Company applies fair value accounting for its financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The objective of a fair value measurement is to estimate the price to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. Such transactions to sell an asset or transfer a liability are assumed to occur in the principal market for that asset or liability, or in the absence of the principal market, the most advantageous market.

Assets and liabilities subject to fair value measurement disclosures are required to be classified according to a three-level fair value hierarchy with respect to the inputs used to determine fair value. The level in which an asset or liability is disclosed within the fair value hierarchy is based on the lowest level input that is significant to the related fair value measurement in its entirety. The levels of input are defined as follows:

- Level 1: Quoted prices unadjusted for identical assets or liabilities in an active market.
- Level 2: Quoted prices for similar assets or liabilities in an active market, quoted prices for identical similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data.
- Level 3: Unobservable inputs that reflect the entity's own assumptions which market participants would use in pricing the asset or liability.

Receivables

The Company records receivables at their face amounts less an allowance for doubtful accounts. Receivables consist of amounts billed and currently due from customers, amounts earned but unbilled (including contracts measured under the percentage-of-completion method of accounting), amounts retained by the customer until the completion of a specified contract, negotiation of contract modification and claims. Unbilled recoverable amounts under contracts in progress generally become billable upon achievement of project milestones or upon acceptance by the customer.

Allowances for uncollectible billed trade receivables are estimated based on a combination of write-off history, aging analysis and any known collectability issues. Unbilled amounts under contracts in progress that are recoverable do not

have an allowance for credit losses. Adjustments to unbilled amounts under contracts in progress related to credit quality, should they occur, would be recorded as a reduction of revenues.
DXC uses receivables securitization facilities or receivables sales facilities in the normal course of business as part of managing its cash flows. The Company accounts for receivables sold under these facilities as a sale of financial assets pursuant to ASC 860 “Transfers and Servicing” and derecognizes these receivables, as well as the related allowances, from its balance sheets. Generally, the fair value of the sold receivables approximates the book value due to the short-term nature and, as a result, no gain or loss on sale of receivables is recorded. Under the receivables securitization facility, the deferred purchase price receivable is recorded at fair value, which is determined by calculating the expected amount of cash to be received based on unobservable inputs consisting of the face amount of the receivables adjusted for anticipated credit losses.

The Company reflects cash flows related to its beneficial interests in securitization transactions, which is the deferred purchase price (the “DPP”) recorded in connection with the Company's Receivables Securitization Facility, within investing activities in its statements of cash flows.

Property and Equipment

Property and equipment, which includes assets under capital leases, are stated at cost less accumulated depreciation. Depreciation is computed predominantly on a straight-line basis over the estimated useful lives of the assets or the remaining lease term, whichever is shorter. The estimated useful lives of DXC's property and equipment are as follows:

Buildings	Up to 40 years
Computers and related equipment	4 to 5 years
Furniture and other equipment	3 to 15 years
Leasehold improvements	Shorter of lease term or useful life up to 20 years

Intangible Assets

The Company's estimated useful lives for finite-lived intangibles are shown in the table below:

Software	2 to 10 years
Customer related intangibles	Expected customer service life
Acquired contract related intangibles	Contract life and first contract renewal, where applicable

Software is amortized using predominately the straight-line method. Acquired contract related and customer related intangible assets are amortized in proportion to the estimated undiscounted cash flows projected over the estimated life of the asset or on a straight-line basis if such cash flows cannot be reliably estimated.

Impairment of Long-Lived Assets and Finite-Lived Intangible Assets

Long-lived assets such as property and equipment and finite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. Recoverability of long-lived assets or groups of assets is assessed based on a comparison of the carrying amount of such assets to the estimated future net cash flows. If estimated future net cash flows are less than the carrying amount of such assets, an expense is recorded in the amount required to reduce the carrying amount of such assets to fair value. Fair value is determined based on a discounted cash flow approach or, when available and appropriate, comparable market values. Long-lived assets to be disposed of are reported at the lower of their carrying amount or their fair value less costs to sell.

Income Taxes

The Company uses the liability method in accounting for income taxes. Deferred tax assets and liabilities are recorded for the expected future tax consequences of temporary differences between financial statement carrying amounts of assets and liabilities and their respective tax bases, using statutory tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the results of operations in the period that includes the related enactment date.

A valuation allowance is established when it is more likely than not that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period to period are included in the Company’s tax provision during the period in which the change occurred. In determining whether a valuation allowance is warranted, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, taxable income in prior carryback years, projected future taxable income, tax planning strategies and recent financial operations. The Company recognizes uncertain tax positions when it is more likely than not that the tax position will be sustained upon examination. Uncertain tax positions are measured based on the probabilities that the uncertain tax position will be realized upon final settlement.

All tax-related cash flows resulting from excess tax benefits related to the settlement of share-based awards are classified as cash flows from operating activities and cash paid by directly withholding shares for tax withholding purposes is classified as a financing activity in the statements of cash flows.

Cash and Cash Equivalents

The Company considers investments with an original maturity of three months or less to be cash equivalents. The Company’s cash equivalents consist of time deposits, money market funds and money market deposit accounts with a number of institutions that have high credit ratings.

Foreign Currency

The local currency of the Company's foreign affiliates is generally their functional currency. Accordingly, the assets and liabilities of the foreign affiliates are translated from their respective functional currency to U.S. dollars using fiscal year-end exchange rates, income and expense accounts are translated at the average rates in effect during the fiscal year and equity accounts are translated at historical rates. The resulting translation adjustment is reported in the statements of comprehensive income and recorded as part of accumulated other comprehensive income ("AOCI").

Derivative Instruments

The Company designates certain derivative instruments as hedges for purposes of hedge accounting, as defined under ASC 815 “Derivatives and Hedging.” For such derivative instruments, the Company documents its risk management objectives and strategy for undertaking hedging transactions, as well as all relationships between hedging and hedged risks. The Company's derivative instruments designated for hedge accounting include interest rate swaps and foreign currency forward and option contracts. Changes in the fair value measurements of these derivative instruments are reflected as adjustments to other comprehensive income and subsequently reclassified into earnings in the period during which the hedged transactions occurred. Any ineffectiveness or excluded portion of a designated hedge is recognized in earnings.

The Company also has entered into certain net investment hedges. Changes in the fair value of net investment hedges are recorded in the currency translation adjustment section of other comprehensive income and subsequently reclassified into earnings in the period the hedged item affects earnings. The Company excludes forward points from the effectiveness assessment of its net investment hedges. Changes in fair value of the excluded component are recognized in earnings.

The derivative instruments not designated as hedges for purposes of hedge accounting include total return swaps and certain short-term foreign currency forward contracts. These instruments are recorded at their respective fair values and the change in their value is reported in current period earnings. The Company does not use derivative instruments for trading or speculative purpose. The Company reports the effective portion of its cash flow hedges in the same financial statement line item as changes in the fair value of the hedged item. All cash flows associated with the Company's derivative instruments are classified as operating activities in the statements of cash flows.

Recently Adopted Accounting Pronouncements

During fiscal 2019, DXC adopted the following Accounting Standards Updates ("ASU") issued by the Financial Accounting Standards Board:

Date Issued and ASU	Date Adopted and Method	Description	Impact
May 2014 ASU 2014-09 “Revenue from Contracts with Customers (Topic 606)"	April 1, 2018 Modified-retrospective	The core principle of this update, and the subsequent amendments, is that revenue is recognized when the transfer of goods or services to customers occurs in an amount that reflects the consideration to which DXC expects to be entitled in exchange for those goods or services. The guidance also addresses the timing of recognition of certain costs incurred to obtain or fulfill a customer contract. Further, it requires the disclosure of sufficient information to enable readers of DXC’s financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, and information regarding significant judgments and changes in judgments made. This update provides two methods of adoption: full retrospective and modified retrospective. Under the full retrospective method, the standard would be applied to all periods presented with previously disclosed periods restated under the new guidance. Under the modified retrospective method, prior periods would not be restated but rather a cumulative catch-up adjustment would be recorded on the adoption date.	The Company adopted this standard using the modified retrospective method. The Company has applied the standard to only those contracts that were not completed at the adoption date. The adoption resulted in the following impacts. The Company recorded a net increase to opening retained earnings, net of income taxes, of approximately $114 million as of April 1, 2018 due to the cumulative impact of adopting Topic 606, with the impact primarily related to the capitalization of certain sales commissions of approximately $158 million offset by a reduction in income tax assets and liabilities of approximately $40 million. In addition, the Company has recorded a reduction in contract liabilities of approximately $381 million and other current assets and other assets of $385 million, primarily related to the net down of certain long-term contract asset and contract liability balances and the change in timing of revenue and costs recognized related to the Company's software contracts. Refer to Note 19 - “Revenue” for further discussion of the impact of adoption and other required disclosures.
March 2017 ASU 2017-07 “Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost"	April 1, 2018 Retrospective	This update is intended to improve the presentation of net periodic pension cost and net periodic post-retirement benefit cost in an entity's financial statements by requiring the service cost component be disaggregated from other components of net benefit costs and presented in the same line item or items as other compensation costs for the employees. Additionally, only the service cost component of net benefit cost is eligible for capitalization when applicable. This update must be applied retrospectively.	DXC reclassified non-service cost components of net periodic pension (income) expense from "costs of services" and "selling, general and administrative" to "other income, net" in the statements of operations for the twelve months ended March 31, 2018 and March 31, 2017, respectively, as previously reported within Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 16, 2018.

August 2016 ASU 2016-15 “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments"	April 1, 2018 Retrospective	This update addressed eight cash flow classification issues that have created diversity in practice, providing definitive guidance on classification of certain cash receipts and payments. This update must be adopted retrospectively for all periods presented but may be applied prospectively if retrospective application would be impracticable	ASU 2016-15 requires the company to classify cash receipts related to its beneficial interests in securitization transactions, which is the deferred purchase price (the “DPP”) recorded in connection with the Company's Receivables Securitization Facility, within investing activities in its statements of cash flows. The Company adopted ASU 2016-15 effective April 1, 2018, and retrospectively adjusted prior fiscal periods, using each month’s transactional activity as the unit of account in determining the portions of transferred trade receivables as operating activities and investing activities. As disclosed in prior quarters the Company was evaluating the unit of account used in implementing ASU 2016-15. During the third quarter of fiscal 2019, the Company completed its evaluation and determined that it was necessary to change the unit of account from each month's transactional activity to each day's transactional activity. The Company reflected this change on a retrospective basis as further discussed in Note 22 - "Reconciliation of Previously Reported Amounts to Recast Financial Statements. See Note 5 - "Receivables" for more information about the Receivables Securitization Facility.
November 2016 ASU 2016-18 “Statement of Cash Flows (Topic 230): Restricted Cash (A Consensus of the FASB Emerging Issues Task Force")	April 1, 2018 Retrospective	This update requires that amounts described as restricted cash or restricted cash equivalents must be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This update must be applied retrospectively.	DXC reclassified restricted cash to beginning-of-period and end-of-period cash and cash equivalents on the statement of cash flows. $68 million of restricted cash is included within assets of discontinued operations in the Company's balance sheet as of March 31, 2018.
August 2017 ASU 2017-12 "Derivatives & Hedging (Topic 815)"	Early adopted January 1, 2019 Modified-retrospective	This update is intended to improve the financial reporting of hedge relationships to better portray the economic results of an entity's risk management activities in its financial statements, by revising and expanding items eligible for hedge accounting, simplifying hedge effectiveness testing and changing the timing of recognition and presentation of certain hedge items. Early adoption is permitted.	The adoption of this standard had no material impact on DXC's financial statements.

New Accounting Pronouncements:

The following ASUs were recently issued but have not yet been adopted by DXC:

Date Issued and ASU	DXC Effective Date	Description	Impact
February 2016 ASU 2016-02 "Leases (Topic 842)"	Fiscal 2020	This update is intended to increase transparency and comparability among organizations by recognizing virtually all lease assets and lease liabilities on the balance sheet and disclosing key information about lease arrangements. Early adoption of this update is permitted. This update must be adopted using a modified retrospective transition at the beginning of the earliest period presented or at the adoption date recognizing a cumulative adjustment to the opening balance of retained earnings in the period of adoption. This update provides for certain practical expedients.	DXC will adopt this update on April 1, 2019 utilizing the simplified transition method allowing the Company to not restate comparative periods and apply Topic 842 beginning on April 1, 2019. The Company expects that the cumulative adjustment to the opening balance of retained earnings will be immaterial. In preparation for the adoption of this update, the Company has implemented changes in its systems, including the implementation of new lease accounting software, internal controls, business processes, and accounting policies related to both the implementation of, and ongoing compliance with, the new guidance. Although the Company is still finalizing its evaluation of the update and the quantification of its impact, the Company expects its adoption will result in an increase in assets and liabilities on the balance sheets of approximately $1.6 billion to $1.8 billion due to the recording of right-of-use assets and lease liabilities for lease obligations that were historically classified as operating leases. The company does not expect the guidance will have a material impact on the statements of operations or statements of cash flows. DXC expects to elect the practical expedient package permitted under Topic 842, which among other things, permits the Company not to reassess historical conclusions related to contracts that contain leases, lease classification and initial direct costs for leases that commenced prior to the adoption date. DXC expects to elect the lessee component election, allowing the Company to account for lease and non-lease components as a single lease component. Also, DXC expects to make an accounting policy election to keep leases with an initial term of 12 months or less that do not contain a ‘reasonably certain’ purchase option off the balance sheets.
February 2018 ASU 2018-02 - "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income"	Fiscal 2020	This update provides an option to reclassify stranded tax effects within AOCI to retained earnings in each period in which the effect (or portion thereof) of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recorded.	The Company will adopt this update in the first quarter of fiscal 2020 and expects to not elect to reclassify any stranded tax effects within AOCI to retained earnings.

June 2016 ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"	Fiscal 2021	This update is intended to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the existing incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This update must be adopted using a prospective transition approach for debt securities for which an other-than-temporary impairment has been recognized before the effective date	DXC is currently evaluating its trade receivables and financial arrangements for the potential impact this update may have on its financial statements in future reporting periods.

Other recently issued ASUs effective after March 31, 2019 are not expected to have a material effect on DXC's consolidated financial statements.

Note 2 - Acquisitions

Fiscal 2019 Acquisitions

Molina Medicaid Solutions Acquisition

On October 1, 2018, DXC completed its acquisition of Molina Medicaid Solutions ("MMS"), a Medicaid Management Information Systems business, from Molina Healthcare, Inc. for total consideration of $233 million. The combination of MMS with DXC expands DXC's ability to provide services to state agencies in the administration of Medicaid programs, including business processing, information technology development and administrative services.

The Company's purchase price allocation for the MMS acquisition is preliminary and subject to revision as additional information related to the fair value of assets and liabilities becomes available. The preliminary purchase price allocation was based upon the current determination of fair values at the date of acquisition as follows: $91 million to current assets, $112 million to intangible assets other than goodwill, $11 million to other assets, $50 million to current liabilities, $22 million to other liabilities and $91 million to goodwill. The goodwill is associated with the Company's GBS segment and is tax deductible. The intangible assets acquired include customer relationships and developed technology which have a 13-year weighted average estimated useful life.

Other Acquisitions

In addition to the MMS acquisition, DXC completed seven acquisitions to complement the Company's Microsoft Dynamics and ServiceNow offerings and to provide opportunities for future growth. The acquired businesses are included in the results for the GBS segment. The purchase consideration of $228 million included cash of $187 million and contingent consideration with an estimated fair value of $41 million. The Company's purchase price allocation for these acquisitions is preliminary and subject to revision as additional information related to the fair value of assets and liabilities becomes available. The purchase price is allocated to assets acquired and liabilities assumed based upon determination of fair values at the dates of acquisition as follows: $73 million to current assets, $71 million to intangible assets other than goodwill, $10 million to other non-current assets, $63 million to current liabilities and $137 million to goodwill. The goodwill is associated with the Company's GBS segment some of which is tax deductible.

Fiscal 2018 Acquisitions

HPES Merger

On April 1, 2017, CSC, Hewlett Packard Enterprise Company ("HPE"), Everett SpinCo, Inc. ("Everett"), and New Everett Merger Sub Inc., a wholly-owned subsidiary of Everett ("Merger Sub"), completed the strategic combination of CSC with the Enterprise Services business of HPE to form DXC. The combination was accomplished through a series of transactions that included the transfer by HPE of its Enterprise Services business, HPES, to Everett, and spin-off by HPE of Everett on March 31, 2017, and the merger of Merger Sub with and into CSC on April 1, 2017. At the time of the HPES Merger, Everett was renamed DXC, and as a result of the HPES Merger, CSC became a direct wholly owned subsidiary of DXC. DXC common stock began regular-way trading on the New York Stock Exchange on April 3, 2017. The strategic combination of the two complementary businesses was to create a versatile global technology services business, well positioned to innovate, compete and serve clients in a rapidly changing marketplace.

The transaction involving HPES and CSC is a reverse merger acquisition, in which DXC is considered the legal acquirer of the business and CSC is considered the accounting acquirer. While purchase consideration transferred in a business combination is typically measured by reference to the fair value of equity issued or other assets transferred by the accounting acquirer, CSC did not issue any consideration in the HPES Merger. CSC stockholders received one share of DXC common stock for every one share of CSC common stock held immediately prior to the HPES Merger. DXC issued a total of 141,298,797 shares of DXC common stock to CSC stockholders, representing approximately 49.9% of the outstanding shares of DXC common stock immediately following the HPES Merger.

The reverse merger is deemed a capital transaction and the net assets of CSC (the accounting acquirer) are carried forward to DXC (the legal acquirer and the reporting entity) at their carrying value before the combination. The acquisition process utilizes the capital structure of the Company and the assets and liabilities of CSC, which are recorded at historical cost. The equity of the Company is the historical equity of CSC, retroactively restated to reflect the number of shares issued by DXC in the transaction.

Under the acquisition method of accounting, total consideration exchanged was:

(in millions)		Amount
Fair value of purchase consideration received by HPE stockholders[(1)]	$	9,782
Fair value of HPES options assumed by CSC[(2)]		68
Total consideration transferred	$	9,850

[(1)] *Represents the fair value of consideration received by HPE stockholders to give them 50.1% ownership in the combined company. The fair value of the purchase consideration transferred was based on a total of 141,865,656 shares of DXC common stock distributed to HPE stockholders as of the close of business on the record date (141,741,712 after the effect of 123,944 cancelled shares) at CSC's closing price of $69.01 per share on March 31, 2017.*

[(2)] *Represents the fair value of certain stock-based awards of HPES employees that were unexercised on March 31, 2017, which were converted to DXC stock-based awards.*

The purchase price allocation for the HPES Merger was finalized during the fourth quarter of fiscal 2018. The Company's allocation of the purchase price to the assets acquired and liabilities assumed as of the HPES Merger date is as follows:

(in millions)	Fair Value
Cash and cash equivalents	$ 938
Accounts receivable[1]	4,102
Other current assets	530
Total current assets	5,570
Property and equipment	2,581
Intangible assets[2]	6,016
Other assets[2]	1,939
Total assets acquired	16,106
Accounts payable, accrued payroll, accrued expenses, and other current liabilities	(4,605)
Deferred revenue	(1,315)
Long-term debt, net of current maturities	(4,806)
Long-term deferred tax liabilities and income tax payable	(1,550)
Other liabilities	(1,322)
Total liabilities assumed	(13,598)
Net identifiable assets acquired	2,508
Add: Fair value of non-controlling interests	(50)
Goodwill	7,392
Total consideration transferred	$ 9,850

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[1] Includes aggregate adjustments of $203 million received from HPE in accordance with the provisions of the Separation Agreement.
[2] Previously reported amounts were adjusted to reflect the reclassification of transition and transformation contract costs from intangible assets to other assets to conform to the current year presentation.

Goodwill represents the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed at the HPES Merger date. The goodwill recognized with the HPES Merger was attributable to the synergies expected to be achieved by combining the businesses of CSC and HPES, expected future contracts and the acquired workforce. The goodwill arising from the HPES Merger was allocated to the Company's reportable segments as $2.8 billion to the Global Business Services ("GBS") segment, $2.6 billion to the Global Infrastructure Services ("GIS") segment and $2.0 billion to the United States Public Sector ("USPS") segment. The goodwill is not deductible for tax purposes. See Note 10 - "Goodwill."

The Company valued current assets and liabilities, with the exception of the current portion of deferred revenue and capital leases, using existing carrying values as the fair value of those items as of the HPES Merger date. The Company valued acquired property and equipment using predominately the market method, and in certain specific cases, the cost method. The Company valued deferred tax assets and liabilities based on statutory tax rates in the jurisdictions of the legal entities where the acquired non-current assets and liabilities are taxed. The Company valued intangible assets predominately using the multi-period excess earnings method. Intangible assets include customer relationships which have useful lives of 10-13 years and third-party purchased software which have useful lives of 2-7 years.

Subsequent to the HPES Merger, the Company divested USPS which was acquired in the HPES Merger. See Note 3 - "Divestitures" for additional information about the divestiture of USPS

Pro Forma Results of Operations

The following table provides unaudited pro forma results of operations for the Company for the fiscal year ended March 31, 2017, as if the HPES Merger had been consummated on April 2, 2016, the first day of DXC's fiscal year ended March 31, 2017. These unaudited pro forma results do not reflect any cost saving synergies from operating efficiencies. The Company presents these unaudited pro forma results for informational purposes only, and they are not necessarily indicative of what the actual results of operations of DXC would have been if the HPES Merger had occurred at the beginning of the period presented, nor are they indicative of future results of operations.

CSC reported its results based on a fiscal year convention that comprised four thirteen-week quarters. HPES reported its results on a fiscal year basis ended January 31. As a consequence of CSC and HPES having different fiscal year-end dates, all references to the unaudited pro forma statement of operations include the results of operations of CSC for the twelve months ended March 31, 2017 and of HPES for the twelve months ended January 31, 2017.

(in millions, except per-share amounts)		**Twelve Months Ended March 31, 2017**
Revenues	$	25,394
Net loss		(23)
Net loss attributable to the Company		(51)
Loss per common share:		
Basic	$	(0.18)
Diluted	$	(0.18)

The unaudited pro forma information above is based on events that are (i) directly attributable to the HPES Merger, (ii) factually supportable, and (iii) are expected to have a continuing impact on the results of operations of DXC. Nonrecurring transaction costs associated with the HPES Merger of $26 million for the twelve months ended March 31, 2018 are not included in the unaudited pro forma information above.

Tribridge Acquisition

On July 1, 2017, DXC acquired all of the outstanding capital stock of Tribridge Holdings LLC, an independent integrator of Microsoft Dynamics 365, for total consideration of $152 million. The acquisition includes the Tribridge affiliate company, Concerto Cloud Services LLC. The combination of Tribridge with DXC expands DXC’s Microsoft Dynamics 365 global systems integration business.

The purchase price is allocated to assets acquired and liabilities assumed based upon determination of fair values at the date of acquisition as follows: $32 million to current assets, $4 million to property and equipment, $62 million to intangible assets other than goodwill, $24 million to current liabilities and $78 million to goodwill. The goodwill is primarily associated with the Company's GBS segment and is tax deductible. The intangible assets acquired include customer relationships which have a 12-year estimated useful life.

Fiscal 2017 Acquisitions

Xchanging Acquisition

On May 5, 2016, CSC acquired Xchanging plc ("Xchanging"), a publicly owned company and a provider of technology-enabled business solutions to organizations in global insurance and financial services, healthcare, manufacturing, real estate and the public sector in a step acquisition. Total consideration paid to and on behalf of the Xchanging shareholders of $693 million (or $492 million net of cash acquired). Transaction costs associated with the acquisition of $17 million were included within selling, general and administrative expenses. The acquisition expanded the Company's market coverage in the global insurance industry and enabled the Company to offer access to a broader, partner-enriched portfolio of services including property and casualty insurance and wealth management business processing services.

The purchase price was allocated to assets acquired and liabilities assumed based upon the determination of fair value at date of acquisition as follows: $396 million to current assets, $99 million to non-current assets, $582 million to intangible assets other than goodwill, $267 million to current liabilities, $516 million to long-term liabilities, $680 million to goodwill, and $281 million to non-controlling interest. The goodwill arising from the acquisition was allocated to the Company's reportable segment of $646 million to GBS and $34 million to GIS segments and is not deductible for tax purposes. The intangible assets acquired include developed technology, customer relationships and trade names, which have estimated useful lives of 7 to 8, 15 years and 3 to 5 years, respectively.

Note 3 - Divestitures

Fiscal 2019 Separation of USPS

On May 31, 2018, DXC completed the USPS Separation and Mergers to form Perspecta, an independent public company.

Implementation of the USPS Separation and DXC's post-Separation relationship with Perspecta is governed by several agreements, including the following:

- a Separation and Distribution Agreement;
- an Employee Matters Agreement;
- a Tax Matters Agreement;
- an Intellectual Property Matters Agreement;
- a Transition Services Agreement;
- a Real Estate Matters Agreement; and,
- a Non-US Agency Agreement.

These agreements provide for the allocation of assets, employees, liabilities and obligations (including property, employee benefits, litigation, and tax-related assets and liabilities) between DXC and Perspecta attributable to periods prior to, at and after the USPS Separation. In addition, DXC and Perspecta have service and commercial contracts that generally extend through fiscal 2023.

Pursuant to the Separation and Distribution Agreement, Perspecta made a net cash payment of $984 million to DXC, which reflects transaction consideration of $1,050 million less $66 million in principal amount of debt that was outstanding at a subsidiary of Perspecta. Perspecta financed the payment through borrowings under a new senior secured term loan facility.

J. Michael Lawrie serves as DXC's Chairman and Chief Executive Officer and Paul N. Saleh serves as DXC's Chief Financial Officer. Effective as of the Separation, Mr. Lawrie also serves as Chairman of Perspecta and Mr. Saleh also serves as a Director of Perspecta. Due to Mr. Lawrie's and Mr. Saleh's leadership positions at DXC and Perspecta, Perspecta is considered a related party under ASC 850 "Related Party Disclosures" for periods subsequent to the Separation. Transactions with Perspecta were immaterial to the Company's financial statements for the fiscal year ended March 31, 2019 and balances due to and from Perspecta were immaterial to the Company's balance sheet as of March 31, 2019.

The following is a summary of the assets and liabilities distributed as part of the Separation of USPS on May 31, 2018:

(in millions)		As of May 31, 2018
Assets:		
Cash and cash equivalents	$	95
Receivables, net		458
Prepaid expenses		82
Other current assets		35
Total current assets of discontinued operations		670
Intangible assets, net[(1)]		870
Goodwill		2,029
Property and equipment, net		294
Other assets[(1)]		169
Total non-current assets of discontinued operations		3,362
Total assets	$	4,032
Liabilities:		
Short-term debt and current maturities of long-term debt	$	161
Accounts payable		165
Accrued payroll and related costs		17
Accrued expenses and other current liabilities		358
Deferred revenue and advance contract payments		53
Income tax payable		18
Total current liabilities of discontinued operations		772
Long-term debt, net of current maturities		1,320
Non-current deferred revenue		5
Non-current income tax liabilities and deferred tax liabilities		196
Other long-term liabilities		71
Total long-term liabilities of discontinued operations		1,592
Total liabilities	$	2,364

[(1)] Previously reported amounts were adjusted to reflect the reclassification of transition and transformation contract costs from intangible assets to other assets to conform to the current year presentation.

The following is a summary of the assets and liabilities of USPS that have been classified as assets and liabilities of discontinued operations:

(in millions)	As of March 31, 2018
Assets:	
Cash and cash equivalents	$ 68
Receivables, net	432
Prepaid expenses	75
Other current assets	6
Total current assets of discontinued operations	581
Intangible assets, net(1)	879
Goodwill	2,033
Property and equipment, net	283
Other assets(1)	168
Total non-current assets of discontinued operations	3,363
Total assets	$ 3,944
Liabilities:	
Short-term debt and current maturities of long-term debt	$ 155
Accounts payable	195
Accrued payroll and related costs	22
Accrued expenses and other current liabilities	346
Deferred revenue and advance contract payments	53
Income tax payable	18
Total current liabilities of discontinued operations	789
Long-term debt, net of current maturities	214
Non-current deferred revenue	7
Non-current income tax liabilities and deferred tax liabilities	163
Other long-term liabilities	72
Total long-term liabilities of discontinued operations	456
Total liabilities	$ 1,245

(1) *Previously reported amounts were adjusted to reflect the reclassification of transition and transformation contract costs from intangible assets to other assets to conform to the current year presentation.*

The following is a summary of the operating results of USPS which have been reflected within income from discontinued operations, net of tax:

(in millions)	Fiscal Year Ended March 31, 2019 [(1)]	Fiscal Year Ended March 31, 2018
Revenue	$ 431	$ 2,823
Costs of services	311	2,104
Selling, general and administrative	50	152
Depreciation and amortization	33	169
Restructuring costs	1	14
Interest expense	8	15
Other (income) expense, net	(25)	2
Total costs and expenses	378	2,456
Total income from discontinued operations, before income taxes	53	367
Income tax expense	18	131
Total income from discontinued operations	$ 35	$ 236

[(1)] *Results for the fiscal year ended March 31, 2019 reflect operations through the Separation date of May 31, 2018, not the full twelve-month period as shown for the prior period.*

There was no gain or loss on disposition recognized as a result of the Separation.

The following selected financial information of USPS is included in the statements of cash flows:

(in millions)	Fiscal Year Ended March 31, 2019 [(1)]	Fiscal Year Ended March 31, 2018
Depreciation	$ 16	$ 70
Amortization	$ 17	$ 99
Capital expenditures	$ —	$ (18)
Significant operating non-cash items:		
Gain on dispositions	$ 24	$ —

[(1)] *Results for the fiscal year ended March 31, 2019 reflect operations through the Separation date of May 31, 2018, not the full twelve-month period as shown for the prior period.*

Note 4 - Earnings Per Share

Basic EPS are computed using the weighted average number of common shares outstanding during the period. Diluted EPS reflect the incremental shares issuable upon the assumed exercise of stock options and equity awards. The following table reflects the calculation of basic and diluted EPS:

	Fiscal Years Ended		
(in millions, except per-share amounts)	March 31, 2019	March 31, 2018	March 31, 2017
Net income (loss) attributable to DXC common shareholders:			
From continuing operations	$ 1,222	$ 1,515	$ (123)
From discontinued operations	35	236	—
	$ 1,257	$ 1,751	$ (123)
Common share information:			
Weighted average common shares outstanding for basic EPS	277.54	284.93	140.39
Dilutive effect of stock options and equity awards	3.89	4.84	—
Weighted average common shares outstanding for diluted EPS	281.43	289.77	140.39
EPS:			
Basic			
Continuing operations	$ 4.40	$ 5.32	$ (0.88)
Discontinued operations	0.13	0.83	—
Total	$ 4.53	$ 6.15	$ (0.88)
Diluted			
Continuing operations	$ 4.35	$ 5.23	$ (0.88)
Discontinued operations	0.12	0.81	—
Total	$ 4.47	$ 6.04	$ (0.88)

Certain share based equity awards were excluded from the computation of dilutive EPS because inclusion of these awards would have had an anti-dilutive effect. The following table reflects awards excluded:

	Fiscal Years Ended		
	March 31, 2019	March 31, 2018	March 31, 2017
Stock Options	—	—	3,317,041
RSUs	46,051	54,637	845,315
PSUs	25,086	96,029	1,540,152

Note 5 - Receivables

Receivables, net of allowance for doubtful accounts consist of the following:

	As of	
(in millions)	March 31, 2019	March 31, 2018
Billed trade receivables	$ 2,508	$ 3,110
Unbilled receivables	1,114	1,273
Other receivables	1,559	1,098
Total	$ 5,181	$ 5,481

The following table summarizes activity for the allowance for doubtful accounts:

	As of and for Fiscal Years Ended		
(in millions)	March 31, 2019	March 31, 2018	March 31, 2017
Beginning balance	$ 40	$ 26	$ 31
Additions charged to costs and expenses	19	45	10
Deductions[1]	(4)	(37)	(13)
Other[2]	5	6	(2)
Ending balance	$ 60	$ 40	$ 26

[1] *Represents write-offs and recoveries of prior year charges.*
[2] *Includes changes in foreign currency exchange rates and the impact of the AR securitization facility.*

Sale of Receivables

Receivables Securitization Facility

The Company has a $600 million accounts receivable securitization facility (as amended or supplemented to date, the "Receivables Facility") with certain unaffiliated financial institutions (the "Purchasers") for the sale of commercial accounts receivable in the United States. Under the Receivables Facility, the Company and certain of its subsidiaries (the "Sellers") sell billed and unbilled accounts receivable to DXC Receivables LLC ("DXC Receivables"), a wholly owned bankruptcy-remote entity. DXC Receivables subsequently sells the purchased accounts receivable in their entirety to the Purchasers pursuant to a receivables purchase agreement. Sales of receivables by DXC Receivables occur continuously and are settled on a monthly basis. The proceeds from the sale of these receivables comprise a combination of cash and a deferred purchase price receivable ("DPP"). The DPP is realized by the Company upon the ultimate collection of the underlying receivables sold to the Purchasers. The adoption of ASU 2016-15 described in Note 1 - "Summary of Significant Accounting Policies" requires cash receipts on the DPP to be classified as cash flows from investing activities instead of the Company's previous presentation as cash flows from operating activities.

The amount available under the Receivables Facility fluctuates over time based on the total amount of eligible receivables generated during the normal course of business after deducting excess concentrations. As of March 31, 2019, the total availability under the Receivables Facility was approximately $434 million and the drawn amount was $413 million. As of March 31, 2019, the Company recorded a $21 million receivable within receivables, net because the amount of cash proceeds received by the Company under the Receivables Facility was less than the total availability. The Receivables Facility terminates on August 21, 2019, but provides for one or more optional one-year extensions, if agreed to by the Purchasers. The Company uses the proceeds from sales under the Receivables Facility for general corporate purposes.

The fair value of the sold receivables approximated their book value due to their short-term nature, and as a result no gain or loss on the sale of receivables was recorded during fiscal 2019 and 2018.

The Company's risk of loss following the transfer of accounts receivable under the Receivables Facility is limited to the DPP outstanding and any short-falls in collections for specified non-credit related reasons after sale. Payment of the DPP is not subject to significant risks other than delinquencies and credit losses on accounts receivable sold under the Receivables Facility.

Certain obligations of sellers under the Receivables Facility and DXC, as initial servicer, are guaranteed by the Company under a performance guaranty, made in favor of an administrative agent on behalf of the Purchasers. However, the performance guaranty does not cover DXC Receivables' obligations to pay yield, fees or invested amounts to the administrative agent or any of the Purchasers.

The following table is a reconciliation of the beginning and ending balances of the DPP:

	As of and for the Fiscal Year Ended	
(in millions)	March 31, 2019	March 31, 2018
Beginning balance	$ 233	$ 252
Transfers of receivables	5,435	2,192
Collections	(4,393)	(2,225)
Change in funding availability	(246)	30
Facility amendments	(457)	—
Fair value adjustment	2	(16)
Ending balance	$ 574	$ 233

Federal Receivables Sales Facility

Since July 14, 2017, the Company has given a parent guaranty in connection with a federal receivables sales facility with certain financial institutions, under which certain subsidiaries of the Company previously sold eligible federal government obligor receivables, including billed and certain unbilled receivables. In connection with the Separation, the sellers and servicers of the receivables sold under the Federal Receivables Sales Facility were divested and, effective May 31, 2018, the parent guaranty was terminated.

The following table reflects activity of the Federal Receivables Sales Facility, prior to the Separation:

(in millions)	As of and for the Fiscal Year Ended March 31, 2019[(1)]
Transfers of receivables	$ 464
Collections	$ 521
Operating cash flow effect	$ (57)

[(1)] Results for the twelve months ended March 31, 2019 reflect operations through the Separation date of May 31, 2018, not the full twelve month period.

Note 6 - Fair Value

Fair Value Measurements on a Recurring Basis

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis, excluding pension assets and derivative assets and liabilities. See Note 13 - "Pension and Other Benefit Plans" and Note 7 - "Derivative Instruments" for information about the fair value of our pension assets and derivative assets and liabilities, respectively. There were no transfers between any of the levels during the periods presented.

		Fair Value Hierarchy		
(in millions)	As of March 31, 2019			
Assets:	Fair Value	Level 1	Level 2	Level 3
Money market funds and money market deposit accounts	$ 6	$ 6	$ —	$ —
Time deposits[1]	194	194	—	—
Other debt securities[2]	53	—	49	4
Deferred purchase price receivable	574	—	—	574
Total assets	$ 827	$ 200	$ 49	$ 578
Liabilities:				
Contingent consideration	$ 41	$ —	$ —	$ 41
Total liabilities	$ 41	$ —	$ —	$ 41

	As of March 31, 2018			
Assets:	Fair Value	Level 1	Level 2	Level 3
Money market funds and money market deposit accounts	$ 84	$ 84	$ —	$ —
Time deposits[1]	114	114	—	—
Other debt securities[2]	59	—	53	6
Deferred purchase price receivable	233	—	—	233
Total assets	$ 490	$ 198	$ 53	$ 239
Liabilities:				
Contingent consideration	$ 5	$ —	$ —	$ 5
Total Liabilities	$ 5	$ —	$ —	$ 5

(1) Cost basis approximated fair value due to the short period of time to maturity.
(2) Other debt securities include available-for-sale investments with Level 2 inputs that have a cost basis of $38 million and $42 million, and unrealized gains of $11 million and $11 million, as of March 31, 2019 and March 31, 2018, respectively.

The fair value of money market funds and money market deposit accounts, and time deposits, included in cash and cash equivalents, are based on quoted market prices. The fair value of other debt securities, included in other long-term assets, is based on actual market prices. Fair value of the DPP, included in receivables, net, is determined by calculating the expected amount of cash to be received and is principally based on unobservable inputs consisting primarily of the face amount of the receivables adjusted for anticipated credit losses. The fair value of contingent consideration, included in other liabilities, is based on contractually defined targets of financial performance and other considerations.

The increase in the fair value of contingent consideration during the twelve months ended March 31, 2019 was due to the acquisitions described in Note 2 - "Acquisitions"

Other Fair Value Disclosures

The carrying amounts of the Company’s financial instruments with short-term maturities, primarily accounts receivable, accounts payable, short-term debt, and financial liabilities included in other accrued liabilities, are deemed to approximate their market values due to their short-term nature. If measured at fair value, these financial instruments would be classified in Level 2 or Level 3 of the fair value hierarchy.

The Company estimates the fair value of its long-term debt, primarily by using quoted prices obtained from third party providers such as Bloomberg, and by using an expected present value technique that is based on observable market inputs for instruments with similar terms currently available to the Company. The estimated fair value of the Company's long-term debt, excluding capitalized lease liabilities, was $5.6 billion and $6.1 billion as of March 31, 2019 and March 31, 2018, respectively, as compared with carrying value of $5.6 billion and $5.9 billion as of March 31, 2019 and March 31, 2018, respectively. If measured at fair value, long-term debt, excluding capitalized lease liabilities would be classified in Level 1 or Level 2 of the fair value hierarchy.

Non-financial assets such as goodwill, tangible assets, intangible assets and other contract related long-lived assets are recorded at fair value in the period they are initially recognized, and such fair value may be adjusted in subsequent periods if an event occurs or circumstances change that indicate that the asset may be impaired. The fair value measurements, in such instances, would be classified in Level 3 of the fair value hierarchy. There were no significant impairments recorded during the fiscal periods covered by this report.

Note 7 - Derivative Instruments

In the normal course of business, the Company is exposed to interest rate and foreign exchange rate fluctuations. As part of its risk management strategy, the Company uses derivative instruments, primarily foreign currency forward contracts and interest rate swaps, to hedge certain foreign currency and interest rate exposures. The Company’s objective is to reduce earnings volatility by offsetting gains and losses resulting from these exposures with losses and gains on the derivative contracts used to hedge them. The Company does not use derivative instruments for trading or any speculative purpose.

Derivatives Designated for Hedge Accounting

Cash flow hedges

The Company uses interest rate swap agreements designated as cash flow hedges to mitigate its exposure to interest rate risk associated with the variability of cash outflows for interest payments on certain floating interest rate debt, which effectively converts the debt into fixed interest rate debt. During fiscal 2019, the Company terminated interest rate swap agreements with aggregate notional values of $375 million and fair values of $5 million and derecognized the relative derivative asset. The hedge gain of $5 million is recognized over the remaining original life of the swap against interest expense in the statements of operations. The Company had no interest rate swap agreements as of March 31, 2019. As of March 31, 2018, the Company had interest rate swap agreements with a total notional amount of $635 million.

The Company has designated certain foreign currency forward contracts as cash flow hedges to reduce foreign currency risk related to certain Indian Rupee denominated intercompany obligations and forecasted transactions. The notional amounts of foreign currency forward contracts designated as cash flow hedges as of March 31, 2019 and March 31, 2018 was $277 million and $634 million, respectively. As of March 31, 2019, the related forecasted transactions extend through March 2020.

For the fiscal years ended March 31, 2019 and March 31, 2018, the Company performed an assessment at the inception of the cash flow hedge transactions and determined all critical terms of the hedging instruments and hedged items matched. The Company performs an assessment of critical terms on an ongoing basis throughout the hedging period. During the fiscal years ended March 31, 2019 and March 31, 2018, the Company had no cash flow hedges for which it was probable that the hedged transaction would not occur. As of March 31, 2019, $1 million of the existing gain related to the cash flow hedge reported in AOCI is expected to be reclassified into earnings within the next 12 months.

Net investment hedges

The Company has designated certain foreign currency forward contracts as net investment hedges to protect its investment in certain foreign operations against adverse changes in exchange rates between the EUR and USD. As of March 31, 2019, the notional amount of foreign currency forward contracts designated as net investment hedges was $1.7 billion. As of March 31, 2018, the Company had no foreign currency forward contracts designated as net investment hedges.

The pre-tax loss on derivatives designated for hedge accounting recognized in other comprehensive income was $1 million and in income from continuing operations was $10 million during the fiscal year ended March 31, 2019.

Derivatives Not Designated For Hedge Accounting

The derivative instruments not designated as hedges for purposes of hedge accounting include certain short-term foreign currency forward contracts. Derivatives that are not designated as hedging instruments are adjusted to fair value through earnings in the financial statement line item to which the derivative relates.

Interest rate swap agreements

During fiscal 2019, the Company elected to de-designate its interest rate swap agreements. The Company derecognized the related derivative asset and recognized the amount in earnings. The Company had no interest rate swap agreements as of March 31, 2019.

Foreign currency forward contracts

The Company manages the exposure to fluctuations in foreign currencies by using foreign currency forward contracts to hedge certain foreign currency denominated assets and liabilities, including intercompany accounts and forecasted transactions. The notional amount of the foreign currency forward contracts outstanding as of March 31, 2019 and March 31, 2018 was $2.5 billion and $3.1 billion, respectively.

The following table presents the pretax amounts impacting income related to foreign currency forward contracts:

		Fiscal Years Ended		
(in millions)	**Statement of Operations Line Item**	**March 31, 2019**	**March 31, 2018**	**March 31, 2017**
Foreign currency forward contracts	Other expense (income), net	$ 16	$ 118	$ (84)

Fair Value of Derivative Instruments

All derivative instruments are recorded at fair value. The Company's accounting treatment for these derivative instruments is based on its hedge designation. The following tables present the fair values of derivative instruments included in the balance sheets:

		Derivative Assets	
		As of	
(in millions)	Balance Sheet Line Item	March 31, 2019	March 31, 2018
Derivatives designated for hedge accounting:			
Interest rate swaps	Other assets	$ —	$ 6
Foreign currency forward contracts [1]	Other current assets	38	14
Total fair value of derivatives designated for hedge accounting		$ 38	$ 20
Derivatives not designated for hedge accounting:			
Foreign currency forward contracts	Other current assets	$ 5	$ 4
Total fair value of derivatives not designated for hedge accounting		$ 5	$ 4

		Derivative Liabilities	
		As of	
(in millions)	Balance Sheet Line Item	March 31, 2019	March 31, 2018
Derivatives designated for hedge accounting:			
Foreign currency forward contracts[1]	Accrued expenses and other current liabilities	$ 4	$ 3
Total fair value of derivatives designated for hedge accounting:		$ 4	$ 3
Derivatives not designated for hedge accounting:			
Foreign currency forward contracts	Accrued expenses and other current liabilities	$ 9	$ 6
Total fair value of derivatives not designated for hedge accounting		$ 9	$ 6

[1] *Foreign currency forward contracts designated for hedge accounting includes designated cash flow hedges and net investment hedges.*

The fair value of foreign currency forward contracts represents the estimated amount required to settle the contracts using current market exchange rates and is based on the period-end foreign currency exchange rates and forward points which are classified as Level 2 inputs.

Other risks

The Company is exposed to the risk of losses in the event of non-performance by the counterparties to its derivative contracts. The amount subject to credit risk related to derivative instruments is generally limited to the amount, if any, by which a counterparty's obligations exceed the obligations of the Company with that counterparty. To mitigate counterparty credit risk, the Company regularly reviews its credit exposure and the creditworthiness of the counterparties. With respect to its foreign currency derivatives, as of March 31, 2019, there were five counterparties with concentration of credit risk, and based on gross fair value, the maximum amount of loss that the Company could incur is approximately $29 million.

The Company also enters into enforceable master netting arrangements with some of its counterparties. However, for financial reporting purposes, it is the Company's policy not to offset derivative assets and liabilities despite the existence of enforceable master netting arrangements. The potential effect of such netting arrangements on the Company's balance sheets is not material for the periods presented.

Note 8 - Property and Equipment

Property and equipment consisted of the following:

	As of	
(in millions)	March 31, 2019	March 31, 2018
Property and equipment — gross:		
Land, buildings and leasehold improvements	$ 2,180	$ 2,464
Computers and related equipment	4,719	4,185
Furniture and other equipment	224	323
Construction in progress	14	77
	7,137	7,049
Less: accumulated depreciation	3,958	3,686
Property and equipment, net	$ 3,179	$ 3,363

Depreciation expense for fiscal 2019, 2018 and 2017 was $820 million, $709 million and $338 million, respectively.

Note 9 - Intangible Assets

Intangible assets consisted of the following:

	As of March 31, 2019		
(in millions)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Software	$ 3,864	$ 2,235	$ 1,629
Customer related intangible assets	5,389	1,139	4,250
Other intangible assets	85	25	60
Total intangible assets	$ 9,338	$ 3,399	$ 5,939

	As of March 31, 2018		
(in millions)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Software	$ 3,484	$ 1,918	$ 1,566
Customer related intangible assets	5,405	666	4,739
Other intangible assets	90	19	71
Total intangible assets	$ 8,979	$ 2,603	$ 6,376

Transition and transformation contract costs as of March 31, 2018 have been reclassified from intangible assets, net to other assets within the balance sheets to conform to the current year presentation.

The components of amortization expense were as follows:

	Fiscal Years Ended		
(in millions)	March 31, 2019	March 31, 2018	March 31, 2017
Intangible asset amortization	$ 890	$ 860	$ 230
Transition and transformation contract cost amortization	258	226	79
Total amortization expense	$ 1,148	$ 1,086	$ 309

Estimated future amortization as of March 31, 2019 is as follows:

Fiscal Year	(in millions)
2020	$ 954
2021	$ 919
2022	$ 780
2023	$ 696
2024	$ 639

Note 10 - Goodwill

The following tables summarize the changes in the carrying amounts of goodwill, by segment, for the fiscal years ended March 31, 2019 and March 31, 2018, respectively:

(in millions)	GBS	GIS	Total
Balance as of March 31, 2018, net	4,531	3,088	7,619
Acquisitions	228	—	228
Divestitures	(12)	—	(12)
Foreign currency translation	(148)	(81)	(229)
Goodwill, gross	5,300	5,068	10,368
Accumulated impairment losses	(701)	(2,061)	(2,762)
Balance as of March 31, 2019, net	$ 4,599	$ 3,007	$ 7,606

(in millions)	GBS	GIS	Total
Balance as of March 31, 2017, net	1,470	385	1,855
Acquisitions	2,877	2,598	5,475
Foreign currency translation	184	105	289
Goodwill, gross	5,232	5,149	10,381
Accumulated impairment losses	(701)	(2,061)	(2,762)
Balance as of March 31, 2018, net	$ 4,531	$ 3,088	$ 7,619

As a result of the USPS Separation on May 31, 2018, as more fully described in Note 3 - "Divestitures", USPS is no longer a reportable segment. The fiscal 2019 and 2018 additions to goodwill were due to the acquisitions described in Note 2 - "Acquisitions". The foreign currency translation amount reflects the impact of currency movements on non-U.S. dollar-denominated goodwill balances.

Goodwill Impairment Analyses

Fiscal 2019

The Company's annual goodwill impairment analysis, which was performed as of July 1, 2018, did not result in an impairment charge. As of March 31, 2019, the Company assessed whether there were events or changes in circumstances that would more likely than not reduce the fair value of any of its reporting units below its carrying amount and require goodwill to be tested for impairment. The Company determined that there have been no such indicators and therefore, it was unnecessary to perform an interim goodwill impairment test as of March 31, 2019.

Fiscal 2018

The Company's annual goodwill impairment analysis, which was performed qualitatively as of July 1, 2017, did not result in an impairment charge. At the end of the fiscal 2018, the Company assessed whether there were events or changes in circumstances that would more likely than not reduce the fair value of any of its reporting units below its carrying amount and require goodwill to be tested for impairment. The Company determined that there have been no such indicators, and, therefore, it was unnecessary to perform an interim goodwill impairment test as of March 31, 2018.

Fiscal 2017

For the Company's annual goodwill impairment assessment as of July 2, 2016, the Company chose to bypass the initial qualitative assessment and proceeded directly to the first step of the impairment test for all reporting units. Based on the results of the first step of the impairment test, the Company concluded that the fair value of each reporting unit exceeded its carrying value and therefore the second step of the goodwill impairment test was not required.

As of March 31, 2017, the Company assessed whether there were events or changes in circumstances that would more likely than not reduce the fair value of any of its reporting units below its carrying amount and require goodwill to be tested for impairment. The Company determined that there have been no such indicators and therefore, it was unnecessary to perform an interim goodwill impairment test as of March 31, 2017.

Note 11 - Income Taxes

The sources of income (loss) from continuing operations, before income taxes, classified between domestic entities and those entities domiciled outside of the United States, are as follows:

	Fiscal Years Ended		
(in millions)	March 31, 2019	March 31, 2018	March 31, 2017
Domestic entities	$ 511	$ 454	$ (157)
Entities outside the United States	1,004	850	(17)
Total	$ 1,515	$ 1,304	$ (174)

On December 22, 2017, the President of the United States signed into law comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Act"). The Act makes significant changes to the Internal Revenue Code of 1986 with varying effective dates. The Act reduces the maximum corporate income tax rate to 21% effective as of January 1, 2018, requires companies to pay a one-time transition tax on certain un-repatriated earnings of foreign subsidiaries, broadens the tax base, generally eliminates U.S. federal income taxes on dividends from foreign subsidiaries, creates a new limitation on the deductibility of interest expense, limits the deductibility of certain executive compensation, and allows for immediate capital expensing of certain qualified property. It also requires companies to pay minimum taxes on foreign earnings and subjects certain payments from U.S. corporations to foreign related parties to additional taxes. As a fiscal year taxpayer, the Company did not become subject to many of the tax law provisions until fiscal year 2019; however, GAAP requires companies to revalue their deferred tax assets and liabilities with resulting tax effects accounted for in the reporting period of enactment, including retroactive effects. Section 15 of the Internal Revenue Code stipulates that for the Company's fiscal years ending March 31, 2019 and March 31, 2018, the Company has weighted corporate U.S. federal income tax rates of 21.0% and 31.5%, respectively. These income tax rates are based on the applicable tax rates before and after the effective date of the Act and the number of days in the Company's federal tax year ending on October 31st.

The SEC staff issued Staff Accounting Bulletin 118 ("SAB 118"), which provides guidance on accounting for the tax effects of the Act in the reporting period that includes the December 22, 2017 enactment date. SAB 118 allowed companies to provide provisional amounts during a measurement period that could not extend beyond one year from the Act's enactment date. In accordance with SAB 118, a company was required to reflect the income tax effects of the Act for which the accounting under ASC 740 is complete. To the extent that a company’s accounting for certain income tax effects of the Act was incomplete but the company was able to determine a reasonable estimate, it was required to record a provisional estimate in the financial statements. If a company could not determine a provisional estimate to be included in the financial statements, it was required to continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Act. The one year SAB 118 measurement period closed for the Company in the third quarter ended on December 31, 2018.

As of December 31, 2018, the Company's assessment of the Act is complete. While the measurement period under SAB 118 is now closed, DXC may, in future periods, need to further refine the Company's U.S. federal and state calculations, related to the Act, as the taxing authorities provide additional guidance and clarification.

The Company recorded the following amounts in accordance with SAB 118:

Capital expensing: During fiscal 2018, the Company recorded a provisional benefit of $87 million, which was based on its intent to fully expense all qualifying expenses for U.S. federal tax purposes. This resulted in a decrease of approximately $87 million to the Company's current income taxes payable and a corresponding increase to its net deferred tax liabilities. During Q3 FY19, the Company finalized its estimate of the impact of the law change for purposes of SAB 118 and determined the incremental benefit of capital expensing was approximately $61 million. This resulted in a decrease of approximately $61 million to the Company's current income taxes payable and a corresponding increase to its net deferred tax liabilities. The Company filed its October 31, 2017 U.S federal tax return and several of its state tax returns in the periods ending September 30, 2018 and December 31, 2018, respectively. In the three months ended December 31, 2018 the Company completed all of the computations necessary, including an analysis of expenditures that qualify for immediate expensing, noting no measurement period adjustments were required.

Executive compensation: As a result of changes made by the Act, starting with compensation paid in fiscal 2019, Section 162(m) will limit compensation deductions, including performance-based compensation, in excess of $1 million paid to anyone who, starting in 2018, serves as the Chief Executive Officer or Chief Financial Officer, or who is among the three most highly compensated executive officers for any fiscal year. The only exception to this rule is for compensation that is paid pursuant to a binding contract in effect on November 2, 2017 that would have otherwise been deductible under the prior Section 162(m) rules. Accordingly, any compensation paid in the future pursuant to new compensation arrangements entered into after November 2, 2017, even if performance-based, will count towards the $1 million fiscal year deduction limit if paid to a covered executive. During fiscal 2018, the Company recorded a provisional income tax expense estimate of $2 million for executive compensation relating to the change in covered individuals. The Company completed an analysis of the binding contract requirement on the various compensation plans and determined the impact of the law change was not material. As part of the fiscal 2019 income tax provision, the Company estimated the Section 162(m) adjustment under the new guidance for compensation arrangements entered into after November 2, 2017.

Reduction of U.S. federal corporate income tax rate: As discussed above, the Act reduces the corporate tax rate to 21%, effective January 1, 2018. For certain deferred tax assets and deferred tax liabilities, the Company previously recorded a provisional deferred income tax discrete benefit of $338 million, resulting in a $338 million decrease in net deferred tax liabilities as of March 31, 2018. The Company filed its October 31, 2017 U.S. federal tax return in the period ending September 30, 2018, which impacted the provisional amount recorded. The adjustment was not material. The Company finalized its analysis of the scheduling of the deferred tax assets and liabilities and determined the impact was not material. No additional measurement period adjustments were recorded during the period ended December 31, 2018.

Deemed Repatriation Transition Tax: The deemed repatriation one-time transition tax is a tax on previously untaxed accumulated and current earnings and profits ("E&P") of certain of the Company's non-U.S. subsidiaries. To determine the amount of the transition tax, the Company determined, in addition to other factors, the amount of post-1986 E&P of the relevant non-U.S. subsidiaries, as well as the amount of non-U.S. income taxes paid on such earnings and the impact of various guidance including proposed regulations. The Company was able to calculate the transition tax and recorded a provisional transition tax obligation of $361 million in fiscal 2018. Due to the revised E&P and cash computations that were completed during the reporting periods, the Company recognized an additional measurement-period adjustment to the transition tax obligation of $25 million for the three months ended June 30, 2018. During the three month period ending December 31, 2018, the Company recorded a corresponding adjustment of $(69) million. The effect of the total measurement-period adjustments of $(44) million for the nine months ended December 31, 2018 on the fiscal 2019 effective tax rate was (3.9)%. The transition tax, which has now been determined to be complete, resulted in recording a total transition tax obligation of $316 million, of which $324 million was recorded as income tax liability and $(8) million recorded as a reduction in our unrecognized tax benefits.

Indefinite reinvestment assertion: Beginning January 1, 2018, the Act provides a 100% deduction for dividends received from 10-percent owned non-U.S. corporations by U.S. corporate shareholders, subject to a one-year holding period. Although such dividend income is now generally exempt from U.S. federal tax for U.S. corporate shareholders, companies must still account for the tax consequences of outside basis differences and other tax impacts of their investments in non-U.S. subsidiaries. During fiscal 2018, the Company recorded a provisional estimate for those subsidiaries for which DXC was able to make a reasonable estimate of the tax effects of such repatriation for withholding taxes, state taxes, and India dividend distribution tax of $12 million, $7 million and $80 million, respectively. For the three months ended December 31, 2018, the Company recognized an additional measurement-period adjustment of $9 million for state tax purposes recorded to discrete income tax expense. The Company completed its analysis of the non-U.S. tax rules for certain non-U.S. subsidiaries for U.S. federal and state tax purposes for all material provisional amounts during the measurement-period.

Global intangible low taxed income (GILTI): The Company continues to evaluate the impact of the GILTI provisions under the Act, which are complex and subject to continuing regulatory interpretation by the IRS. The Company is required to make an accounting policy election of either (1) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the “period cost method”), or (2) factoring such amounts into the Company’s measurement of its deferred taxes (the “deferred method”). The Company determined that it will account for the new GILTI tax rules under the period cost method.

The income tax expense (benefit) on income (loss) from continuing operations is comprised of:

	Fiscal Years Ended		
(in millions)	March 31, 2019	March 31, 2018	March 31, 2017
Current:			
Federal	$ (50)	$ 392	$ (32)
State	42	16	14
Foreign	218	247	36
	210	655	18
Deferred:			
Federal	95	(899)	(7)
State	23	(59)	(1)
Foreign	(40)	61	(84)
	78	(897)	(92)
Total income tax expense (benefit)	$ 288	$ (242)	$ (74)

The current federal (benefit) and tax expense for fiscal years 2019 and 2018 includes a $(44) million transition tax benefit and $332 million transition tax expense, respectively. The current expense (benefit) for fiscal 2019, 2018 and 2017, includes interest and penalties of $1 million, $2 million and $(9) million, respectively, for uncertain tax positions.

The Act implemented a mandatory one-time deemed repatriation tax on previously untaxed accumulated and current earnings and profits of certain of the Company's non-U.S. subsidiaries, and requires current income inclusions for global intangible low taxed income. As a result of these tax law changes, the HPES Merger, and changes in U.S. cash requirements, the Company changed its permanent reinvestment assertion in fiscal 2018 on the remaining foreign subsidiaries and determined we will no longer consider current and accumulated earnings for all non-U.S. subsidiaries permanently reinvested, except for current year India earnings. We expect a significant portion of the cash held by our foreign subsidiaries will no longer be subject to U.S federal income tax upon repatriation to the U.S.; however, a portion of this cash may still be subject to foreign and U.S. state tax consequences when remitted.

In accordance with the prior fiscal year change in our permanent reinvestment assertion, a deferred tax liability of $554 million previously recorded for U.S. income taxes based on the estimated historical taxable earnings of the HPES foreign subsidiaries was released. The Company had previously recorded an estimated liability of $46 million for the India dividend distribution tax based on estimated historical taxable earnings of the HPES India subsidiary. Due to a change in cash requirements of the U.S. parent and the HPES India subsidiary, the Company changed its reinvestment assertion relating to certain India earnings and reversed this estimated dividend distribution tax liability in the current period. As of March 31, 2019, the Company recorded foreign withholding taxes and state taxes of $17 million and $11 million, respectively, for the tax effects of this future cash repatriation.

In connection with the HPES Merger, the Company entered into a tax matters agreement with HPE. HPE generally will be responsible for pre-HPES Merger tax liabilities including adjustments made by tax authorities to HPES U.S. and non-U.S. income tax returns. Likewise, DXC is liable to HPE for income tax receivables and refunds which it receives related to pre-HPES Merger periods. Pursuant to the tax matters agreement, the Company recorded a net receivable of $20 million due to $49 million of tax indemnification receivable related to uncertain tax positions net of related deferred tax benefits, $133 million of tax indemnification receivable related to other tax payables and $162 million of tax indemnification payable related to other tax receivables.

In connection with the USPS Separation, the Company entered into a tax matters agreement with Perspecta. Pursuant to the tax matters agreement, the Company generally will be responsible for tax liabilities arising prior to the USPS Separation. Income tax liabilities transferred to Perspecta primarily relate to pre-HPES Merger periods, for which the Company is indemnified by HPE pursuant to the tax matters agreement between the Company and HPE. The Company remains liable to HPE for tax receivables and refunds which it receives from Perspecta related to pre-HPES Merger periods that were transferred to Perspecta. Pursuant to the tax matters agreement, the Company recorded a net receivable of $24 million due to $94 million of tax indemnification receivable related to government tax refunds owed to Perspecta and $70 million of tax indemnification payable related to government tax payments due from Perspecta.

The major elements contributing to the difference between the U.S. federal statutory tax rate and the effective tax rate ("ETR") for continuing operations is below. Due to the Company's fiscal year, the U.S. federal weighted statutory tax rate for the fiscal years ended March 31, 2019 and March 31, 2018 were of 21.0% and 31.5%, respectively.

	Fiscal Years Ended		
	March 31, 2019	March 31, 2018	March 31, 2017
Statutory rate	21.0%	31.5 %	(35.0)%
State income tax, net of federal tax	3.2	2.0	(4.0)
United States Tax Reform	(3.4)	(40.6)	—
Change in Indefinite Reinvestment Assertion	(3.1)	3.3	—
Loss of attributes due to merger	—	5.1	—
Change in uncertain tax positions	(1.5)	(0.2)	(3.4)
Foreign tax rate differential	(18.4)	(5.7)	(40.0)
Capitalized transaction costs	0.1	1.0	12.1
Change in valuation allowances	16.9	(7.7)	34.3
Excess tax benefits for stock compensation	(1.1)	(3.0)	(11.3)
Prepaid tax asset amortization	—	0.3	7.1
Income Tax and Foreign Tax Credits	(0.6)	(7.6)	(2.0)
U.S. Tax on Foreign Income	2.4	2.1	(2.6)
Withholding Taxes	3.5	2.3	(1.1)
Other items, net	—	(1.4)	3.4
Effective tax rate	19.0%	(18.6)%	(42.5)%

In fiscal 2019, the ETR was primarily impacted by:

- Local tax losses on investments in Luxembourg that decreased the foreign tax rate differential and decreased the ETR by $360 million and 23.7%, respectively, with an offsetting increase in the ETR due to an increase in the valuation allowance of the same amount.
- A change in the net valuation allowance on certain deferred tax assets, primarily in Luxembourg, Germany, Spain, UK, and Switzerland, which increased income tax expense and increased the ETR by $256 million and 16.9%, respectively.
- A decrease in the transition tax liability and a change in tax accounting method for deferred revenue, which decreased income tax expense and decreased the ETR by $66 million and 4.3%, respectively.

In fiscal 2018, the ETR was primarily impacted by:

- Due to the Company's change in repatriation policy, the reversal of a deferred tax liability relating to the outside basis difference of foreign subsidiaries which increased the income tax benefit and decreased the ETR by $554 million and 42.5%, respectively.
- The accrual of the one-time transition tax imposed by the Act on estimated unremitted foreign earnings, which decreased the income tax benefit and increased the ETR by $361 million and 27.7%, respectively.
- The remeasurement of deferred tax assets and liabilities as a result of the Act, which increased the income tax benefit and decreased the ETR by $338 million and 25.9%, respectively.

In fiscal 2017, the ETR was primarily impacted by:

- A change in the valuation allowance that primarily consists of an aggregate income tax expense for the increase in the valuation allowances on tax attributes in the United States, Germany and Luxembourg, which decreased the overall income tax benefit and decreased the ETR by $135 million and 78%, respectively. This was partially offset by an income tax benefit from the release of valuation allowances on tax attributes in Denmark, Japan and the United Kingdom, which increased the overall income tax benefit and increased the ETR by $75 million and 43%, respectively.

- An income tax detriment for transaction costs incurred that are not tax deductible, which resulted in a decrease to the overall tax benefit and decreased the ETR by $21 million and 12.1%, respectively.
- An income tax benefit from excess tax benefits realized from employee share-based payment awards, which resulted in an increase in the overall income tax benefit and increased the ETR by $20 million and 11.3%, respectively.

The deferred tax assets (liabilities) were as follows:

	As of	
(in millions)	March 31, 2019	March 31, 2018
Deferred tax assets		
Employee benefits	$ 79	$ 156
Tax loss/credit carryforwards	1,917	1,665
Accrued interest	16	18
Contract accounting	130	134
Other assets	139	232
Total deferred tax assets	2,281	2,205
Valuation allowance	(1,575)	(1,440)
Net deferred tax assets	706	765
Deferred tax liabilities		
Depreciation and amortization	(994)	(888)
Investment basis differences	(61)	(62)
Other liabilities	(63)	(94)
Total deferred tax liabilities	(1,118)	(1,044)
Total net deferred tax assets (liabilities)	$ (412)	$ (279)

Income tax related assets are included in the accompanying balance sheets as follows:

	As of	
(in millions)	March 31, 2019	March 31, 2018
Current:		
Income tax receivables and prepaid taxes	$ 113	$ 154
	$ 113	$ 154
Non-current:		
Income taxes receivable and prepaid taxes	$ 137	$ 30
Deferred tax assets	355	373
	$ 492	$ 403
Total	$ 605	$ 557

Income tax related liabilities are included in the accompanying balance sheet as follows:

	As of	
(in millions)	March 31, 2019	March 31, 2018
Current:		
Liability for uncertain tax positions	$ —	$ (15)
Income taxes payable	(208)	(112)
	$ (208)	$ (127)
Non-current:		
Deferred taxes	(767)	(652)
Income taxes payable	(201)	(278)
Liability for uncertain tax positions	(216)	(236)
	$ (1,184)	$ (1,166)
Total	$ (1,392)	$ (1,293)

Significant management judgment is required in determining the Company's provision for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against deferred tax assets. A valuation allowance has been recorded against deferred tax assets of approximately $1.6 billion as of March 31, 2019 due to uncertainties related to the ability to utilize these assets. In assessing whether its deferred tax assets are realizable, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized and adjusts the valuation allowance accordingly. The Company considers all available positive and negative evidence including future reversals of existing taxable temporary differences, taxable income in prior carryback years, projected future taxable income, tax planning strategies and recent financial operations. As of March 31, 2018, DXC's net deferred tax assets in certain DXC German entities were primarily the result of net operating loss carryforwards, pension, restructuring, and other miscellaneous accruals. A full valuation allowance was recorded against these net deferred tax assets as of that reporting date. For the period ended December 31, 2018, management determined that the positive evidence, including the duration of the current profitability due to realization of cost synergies relating to the HPES merger, a legal entity restructuring allowing the future utilization of net operating loss carryforwards and the nonrecurring nature of the factors that primarily drove historical losses outweighs the negative evidence of a three-year cumulative loss. Therefore, as of December 31, 2018, management had a change in judgment and concluded that it is now more likely than not that the net deferred tax assets in these DXC German entities will be fully utilized. As a result, we recorded a valuation allowance release of $113 million. As of March 31, 2019, management had no change in our conclusions regarding the positive and negative evidence and the future realizability of these DXC German entities' deferred tax assets.

The net increase in the valuation allowance of $135 million in fiscal 2019, is primarily due to the increase in Luxembourg tax losses, an adjustment for currency translation of $122 million primarily in Luxembourg, partially offset by a valuation allowance release with respect to certain deferred tax assets of German entities.

The following table provides information on the Company's various tax carryforwards:

	As of March 31, 2019				As of March 31, 2018			
(in millions)	Total	With No Expiration	With Expiration	Expiration Dates Through	Total	With No Expiration	With Expiration	Expiration Dates Through
Net operating loss carryforwards								
Federal	$ 25	$ —	$ 25	2037	$ 41	$ —	$ 41	2037
State	$ 845	$ 9	$ 836	2039	$ 873	$ —	$ 873	2038
Foreign	$ 7,595	$ 7,292	$ 303	2039	$ 6,522	$ 6,287	$ 235	2038
Tax credit carryforwards								
Federal	$ —	$ —	$ —	N/A	$ —	$ —	$ —	N/A
State	$ 23	$ 7	$ 16	2039	$ 28	$ 7	$ 21	2038
Foreign	$ 18	$ —	$ 18	2020	$ 21	$ —	$ 21	2020
Capital loss carryforwards								
Federal	$ —	$ —	$ —	N/A	$ —	$ —	$ —	N/A
State	$ —	$ —	$ —	N/A	$ —	$ —	$ —	N/A
Foreign	$ 236	$ 211	$ 25	2023	$ 240	$ 193	$ 47	2023

The Company is currently the beneficiary of tax holiday incentives in India, which expire in various fiscal years through 2026, and was a beneficiary of Malaysian tax holiday incentives in fiscal 2018 and 2017. As a result of these tax holiday incentives, the Company recorded an income tax benefit of approximately $2 million, $5 million and $1 million, during fiscal 2019, 2018 and 2017, respectively. The per share effects were $0.01, $0.02 and $0.01, for fiscal 2019, 2018 and 2017, respectively.

The Company accounts for income tax uncertainties in accordance with ASC 740 Income Taxes, which prescribes a recognition threshold and measurement criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more likely than not recognition threshold is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more likely than not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more likely than not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. ASC 740 also provides guidance on the accounting for and disclosure of liabilities for uncertain tax positions, interest and penalties.

In accordance with ASC 740, the Company's liability for uncertain tax positions was as follows:

	Fiscal Years Ended	
(in millions)	March 31, 2019	March 31, 2018
Tax	$ 165	$ 219
Interest	41	40
Penalties	25	25
Net of tax attributes	(15)	(33)
Total	$ 216	$ 251

The following table summarizes the activity related to the Company's uncertain tax positions (excluding interest and penalties and related tax attributes):

	Fiscal Years Ended		
(in millions)	March 31, 2019	March 31, 2018	March 31, 2017
Balance at beginning of fiscal year	$ 219	$ 192	$ 180
Gross increases related to prior year tax positions	4	10	14
Gross decreases related to prior year tax positions	(27)	(12)	(12)
Gross increases related to current year tax positions	—	7	10
Settlements and statute of limitation expirations	(23)	(19)	(7)
Acquisitions	—	39	6
Foreign exchange and others	(8)	2	1
Balance at end of fiscal year	$ 165	$ 219	$ 192

The Company's liability for uncertain tax positions at March 31, 2019, March 31, 2018 and March 31, 2017, includes $138 million, $170 million and $149 million, respectively, related to amounts that, if recognized, would affect the effective tax rate (excluding related interest and penalties).

The Company recognizes interest accrued related to uncertain tax positions and penalties as a component of income tax expense. During the year ended March 31, 2019, the Company had a net increase in interest expense of $2 million ($1 million net of tax) and a net decrease in accrued expense for penalties of $1 million and, as of March 31, 2019, recognized a liability for interest of $41 million ($36 million net of tax) and penalties of $25 million. During the year ended March 31, 2018, the Company had a net increase in interest of $2 million ($2 million net of tax) and no net increase in accrued expense for penalties, and as of March 31, 2018, has recognized a liability for interest of $40 million ($36 million net of tax) and penalties of $25 million. The following table presents the change in interest and penalties from the previous reported period, as well as the liability at the end of each period presented:

	As of and for the Fiscal Years Ended		
	March 31, 2019	March 31, 2018	March 31, 2017
(in millions)	Increase (Decrease)		
Interest	$ 2	$ 2	$ (8)
Interest, net of tax	$ 1	$ 2	$ (9)
Accrued penalties	$ (1)	$ —	$ —
Liability for interest	$ 41	$ 40	$ 25
Liability for interest, net of tax	$ 36	$ 36	$ 20
Liability for penalties	$ 25	$ 25	$ 11

The Company is currently under examination in several tax jurisdictions. A summary of the tax years that remain subject to examination in certain of the Company's major tax jurisdictions are:

Jurisdiction:	Tax Years that Remain Subject to Examination (Fiscal Year Ending):
United States – Federal	2008 and forward
United States – Various States	2008 and forward
Australia	2012 and forward
Canada	2010 and forward
France	2013 and forward
Germany	2010 and forward
India	1998 and forward
United Kingdom	2013 and forward

The IRS is examining CSC's federal income tax returns for fiscal 2008 through 2017. With respect to CSC's fiscal 2008 through 2010 federal tax returns, the Company previously entered into negotiations for a resolution through settlement with the IRS Office of Appeals. The IRS examined several issues for this audit that resulted in various audit adjustments. The Company and the IRS Office of Appeals have an agreement in principle as to some but not all of these adjustments. The Company has agreed to extend the statute of limitations associated with this audit through November 30, 2019. In addition, during the first quarter of fiscal 2018, the Company received a Revenue Agent's Report with proposed adjustments to CSC's fiscal 2011 through 2013 federal returns. The Company has filed a protest of certain of these adjustments to the IRS Office of Appeals. The IRS is also examining CSC's fiscal 2014 through 2017 federal income tax returns. The Company has not received any proposed adjustments for these tax years. The Company continues to believe that its tax positions are more likely than not sustainable and that the Company will ultimately prevail. The Company now expects to reach a resolution for all years no earlier than fiscal 2021.

In addition, the Company may settle certain other tax examinations, have lapses in statutes of limitations, or voluntarily settle income tax positions in negotiated settlements for different amounts than the Company has accrued as uncertain tax positions. The Company may need to accrue and ultimately pay additional amounts for tax positions that previously met a more likely than not standard if such positions are not upheld. Conversely, the Company could settle positions with the tax authorities for amounts lower than those that have been accrued or extinguish a position though payment. The Company believes the outcomes which are reasonably possible within the next twelve months may result in a reduction in liability for uncertain tax positions of $9 million, excluding interest, penalties, and tax carryforwards.

Note 12 - Debt

The following is a summary of the Company's debt:

(in millions)	Interest Rates	Fiscal Year Maturities	As of March 31, 2019	As of March 31, 2018
Short-term debt and current maturities of long-term debt				
Euro-denominated commercial paper[1]	(0.1) - 0.02%[2]	2020	$ 694	$ 863
Current maturities of long-term debt	Various	2020	766	439
Current maturities of capitalized lease liabilities	1.0% - 12.0%	2020	482	616
Short-term debt and current maturities of long-term debt			$ 1,942	$ 1,918
Long-term debt, net of current maturities				
GBP term loan	1.3% -1.5%[3]	2019	$ —	$ 260
EUR term loan	1.75%[4]	2019	—	493
AUD term loan	2.7% - 2.9%[5]	2021	567	—
AUD term loan	2.9% - 3.3%[6]	2022	—	210
GBP term loan	1.60%[7]	2022	583	—
EUR term loan	0.90%[8]	2022	—	187
USD term loan	3.1% - 3.3%[9]	2022	—	899
$500 million Senior notes	2.875%	2020	502	502
$500 million Senior notes	3.0% - 3.8%[10]	2021	498	646
$274 million Senior notes	4.45%	2023	277	278
$171 million Senior notes	4.45%	2023	172	173
$500 million Senior notes	4.25%	2025	506	507
£250 million Senior notes	2.75%	2025	322	346
€650 million Senior notes	1.75%	2026	725	—
$500 million Senior notes	4.75%	2028	508	509
$234 million Senior notes	7.45%	2030	273	277
Lease credit facility	2.2% - 3.5%	2020 - 2023	25	46
Capitalized lease liabilities	1.0% - 12.0%	2020 - 2024	1,127	1,235
Borrowings for assets acquired under long-term financing	2.3% - 4.5%	2020 - 2024	462	405
Mandatorily redeemable preferred stock outstanding	6.00%	2023	62	61
Other borrowings	0.5% - 7.4%	2020 - 2022	109	113
Long-term debt			6,718	7,147
Less: current maturities			1,248	1,055
Long-term debt, net of current maturities			$ 5,470	$ 6,092

(1) At DXC's option, DXC can borrow up to a maximum of €1 billion.
(2) Approximate weighted average interest rate.
(3) Three-month LIBOR rate plus 0.65%.
(4) Three-month EURIBOR rate plus 1.75%.
(5) Variable interest rate equal to the bank bill swap bid rate for a one-, two-, three- or six-month interest period plus 0.60% to 0.95% based on the published credit ratings of DXC.
(6) Variable interest rate equal to the bank bill swap bid rate for a one, two, three or six-month interest period plus 0.95% to 1.45% based on the published credit ratings of DXC.
(7) Three-month LIBOR plus 0.80%.
(8) At DXC's option, the EUR term loan bears interest at the Eurocurrency Rate for a one-, two-, three-, or six-month interest period, plus a margin of between 0.75% and 1.35%, based on published credit ratings of DXC.
(9) At DXC's option, the USD term loan bears interest at the Eurocurrency Rate for a one-, two-, three-, or six-month interest period, plus a margin of between 1.00% and 1.75%, based on published credit ratings of DXC or the Base Rate plus a margin of between 0.00% and 0.75%, based on published credit ratings of DXC.
(10) Three-month LIBOR plus 0.95%.

Senior Notes and Term Loans

Interest on the Company's term loans is payable monthly or quarterly in arrears at the election of the borrowers. The Company fully and unconditionally guarantees term loans issued by its 100% owned subsidiaries. Interest on the Company's senior notes is payable semi-annually in arrears, except for interest on the £250 million Senior notes due 2025 and €650 million Senior Notes due 2026 which is payable annually in arrears, and interest on the $500 million Senior notes due 2021 which is payable quarterly in arrears. Generally, the Company's notes are redeemable at the Company's discretion at the then-applicable redemption premium plus accrued interest.

Capital Lease and Financing Obligations

Capitalized lease liabilities represent obligations due under capital leases for the use of computers and other equipment. The gross amount of assets recorded under capital leases was $2.2 billion with accumulated amortization of $1.0 billion as of March 31, 2019, and $3.5 billion with accumulated amortization of $2.3 billion as of March 31, 2018. The future minimum lease payments required to be made under the capital leases as of March 31, 2019, are as follows:

Fiscal Year	(in millions)
2020	$ 509
2021	310
2022	212
2023	128
2024	36
Thereafter	—
Total minimum lease payments	1,195
Less: Amount representing interest and executory costs	(68)
Present value of net minimum lease payments	1,127
Less: Current maturities of capital lease obligations	(482)
Long-term capitalized lease liabilities	$ 645

Future Maturities of Long-term Debt

Expected maturities of long-term debt, including borrowings for asset financing but excluding minimum capital lease payments, for fiscal years subsequent to March 31, 2019, are as follows:

Fiscal Year	(in millions)
2020	$ 766
2021	1,221
2022	722
2023	547
2024	21
Thereafter	2,314
Total	$ 5,591

Note 13 - Pension and Other Benefit Plans

The Company offers a number of pension and OPEB plans, life insurance benefits, deferred compensation and defined contribution plans. Most of the Company's pension plans are not admitting new participants; therefore, changes to pension liabilities are primarily due to market fluctuations of investments for existing participants and changes in interest rates.

Defined Benefit Plans

The Company sponsors a number of defined benefit and post-retirement medical benefit plans for the benefit of eligible employees. The benefit obligations of the Company's U.S. pension, U.S. OPEB, and non-U.S. OPEB plans represent an insignificant portion of the Company's pension and other post-retirement benefit plans. As a result, the disclosures below include the Company's U.S. and non-U.S. pension plans on a global consolidated basis.

Eligible employees are enrolled in defined benefit pension plans in their country of domicile. The Contributory defined benefit pension plan in the United Kingdom represents the largest plan. In addition, healthcare, dental and life insurance benefits are also provided to certain non-U.S. employees. A significant number of employees outside the United States are covered by government sponsored programs at no direct cost to the Company other than related payroll taxes.

During fiscal 2018, the Company adopted amendments to certain U.K. pension plans which necessitated an interim remeasurement of the plans' assets and liabilities as of December 1, 2017. The remeasurement resulted in a net gain of $17 million, comprising a curtailment gain of $40 million and an actuarial loss $23 million. The net gain was recognized within costs of services and selling, general and administrative.

The Company accrued $3 million, $13 million and $1 million, for fiscal 2019, 2018 and 2017, respectively, as additional contractual termination benefits for certain employees are part of the Company's restructuring plans. These amounts are reflected in the projected benefit obligation and in the net periodic pension cost.

Projected Benefit Obligations

	As of	
(in millions)	March 31, 2019	March 31, 2018
Projected benefit obligation at beginning of year	$ 11,384	$ 3,297
Benefit obligation assumed as a result of the HPES merger	—	7,351
Service cost	88	121
Interest cost	253	249
Plan participants’ contributions	13	16
Amendments	27	(44)
Business/contract acquisitions/divestitures	—	69
Contractual termination benefits	3	13
Settlement/curtailment	(49)	(65)
Actuarial loss (gain)	286	(332)
Benefits paid	(344)	(447)
Foreign currency exchange rate changes	(818)	1,170
Other	173	(14)
Projected benefit obligation at end of year	$ 11,016	$ 11,384

The following table summarizes the weighted average rates used in the determination of the Company’s benefit obligations:

	Fiscal Years Ended	
	March 31, 2019	March 31, 2018
Discount rate	2.4%	2.5%
Rates of increase in compensation levels	2.0%	2.0%

Fair Value of Plan Assets and Funded Status

	As of	
(in millions)	March 31, 2019	March 31, 2018
Fair value of plan assets at beginning of year	$ 11,574	$ 2,998
Assets assumed as a result of the HPES merger	—	7,411
Actual return on plan assets	700	371
Employer contribution	78	83
Plan participants’ contributions	13	16
Benefits paid	(344)	(447)
Business/contract acquisitions/divestitures	—	(2)
Contractual termination benefits	17	4
Plan settlement	(38)	(22)
Foreign currency exchange rate changes	(837)	1,176
Other	180	(14)
Fair value of plan assets at end of year	$ 11,343	$ 11,574
Funded status at end of year	$ 327	$ 190

During fiscal 2017, the Company, along with the Trustee of CSC Computer Sciences Ltd. Main Pension Scheme (“CSC UK Pension”), the Trustee of the Rebus Pension Scheme (“Xchanging UK Pension”), and a financial institution (the "Institution"), entered into a multi-party arrangement whereby the Company’s corporate campus in Aldershot, U.K. (the "Property") was monetized for approximately $85 million in proceeds net of stamp duties paid. The Company concurrently contributed $85 million to the CSC UK Pension and Xchanging UK Pension plans as a special discretionary employer contribution. The transaction was executed by contributing the Property to a property limited partnership and all such limited partnership interests were contributed to a Jersey Unit Trust owned 1% by the Company and 99% by the Institution.

Under the structured sale transaction, the Company entered into a 15-year master lease arrangement as master tenant, at approximately $4 million rent per year. Under U.S. GAAP, due to the continuing interest of the Company as master tenant, residual profit participation retained by the Company, Xchanging UK Pension and CSC UK Pension, and the Company's ownership of the general partner of the property limited partnership that owns the Property, the structured sale transaction resulted in accounting treatment as a financing transaction. As a consequence, the Property remains accounted for as an asset on the balance sheet of the Company at historical cost basis and accumulated depreciation thereon, with no gain or loss recorded. A corresponding $85 million liability was recorded during fiscal 2017 as other long-term liabilities on the Company's balance sheet.

Selected Information

	As of	
(in millions)	March 31, 2019	March 31, 2018
Other assets	$ 1,157	$ 1,118
Accrued expenses and other current liabilities	(20)	(28)
Non-current pension obligations	(790)	(879)
Other long-term liabilities - OPEB	(20)	(21)
Net amount recorded	$ 327	$ 190
Accumulated benefit obligation	$ 10,893	$ 11,241

	Benefit Plans with Projected Benefit Obligation in Excess of Plan Assets		Benefit Plans with Accumulated Benefit Obligation in Excess of Plan Assets	
(in millions)	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Projected benefit obligation	$ 2,329	$ 2,488	$ 2,070	$ 2,250
Accumulated benefit obligation	$ 2,230	$ 2,363	$ 2,004	$ 2,162
Fair value of plan assets	$ 1,494	$ 1,552	$ 1,255	$ 1,338

Net Periodic Pension Cost

	Fiscal Years Ended		
(in millions)	March 31, 2019	March 31, 2018	March 31, 2017
Service cost	$ 88	$ 121	$ 23
Interest cost	253	249	82
Expected return on assets	(570)	(534)	(161)
Amortization of transition obligation	—	1	1
Amortization of prior service costs	(15)	(18)	(17)
Contractual termination benefit	3	13	1
Settlement/curtailment gain	(10)	(42)	—
Recognition of actuarial loss (gain)	153	(178)	87
Net periodic pension (income) expense	$ (98)	$ (388)	$ 16

The service cost component of net periodic pension (income) expense is presented in cost of services and selling, general and administrative and the other components of net periodic pension income are presented in other income, net in the Company’s statements of operations. See Note 1 - "Summary of Significant Accounting Policies," for further discussion of the Company's adoption of ASU 2017-07 and its impact on the presentation of net periodic pension costs.

Estimated prior service credit of $9 million will be amortized from AOCI into net periodic pension cost over the next fiscal year. The weighted-average rates used to determine net periodic pension cost were:

	Fiscal Years Ended		
	March 31, 2019	March 31, 2018	March 31, 2017
Discount or settlement rates	2.5%	2.5%	3.1%
Expected long-term rates of return on assets	5.3%	4.9%	6.3%
Rates of increase in compensation levels	2.1%	2.7%	2.6%

The following is a summary of amounts in AOCI, before tax effects:

	Fiscal Years Ended	
(in millions)	March 31, 2019	March 31, 2018
Prior service cost	$ (195)	$ (298)

Estimated Future Contributions and Benefits Payments

(in millions)	
Employer contributions:	
2020	$ 82
Benefit Payments:	
2020	$ 319
2021	305
2022	358
2023	300
2024	302
2025 and thereafter	1,610
Total	$ 3,194

Fair Value of Plan Assets

The tables below set forth the fair value of plan assets by asset category within the fair value hierarchy:

		As of March 31, 2019			
(in millions)		Level 1	Level 2	Level 3	Total
Equity:					
	US Domestic Stocks	$ 1	$ —	$ —	$ 1
	Global Stocks	10	13	—	23
	Global/International Equity commingled funds	399	2,156	—	2,555
	Global equity mutual funds	49	325	—	374
	U.S./North American Equity commingled funds	1	10	—	11
Fixed Income:					
	Non-U.S. Government funds	215	29	—	244
	Fixed income commingled funds	6	4,807	—	4,813
	Fixed income mutual funds	2	1	—	3
	Corporate bonds	—	2	—	2
Alternatives:					
	Other Alternatives (1)	6	1,880	982	2,868
	Hedge Funds(2)	—	8	—	8
Other Assets		—	—	36	36
Insurance contracts		—	108	14	122
Cash and cash equivalents		99	184	—	283
Totals		$ 788	$ 9,523	$ 1,032	$ 11,343

		As of March 31, 2018			
(in millions)		Level 1	Level 2	Level 3	Total
Equity:					
	Global/International Equity commingled funds	$ 465	$ 1,978	$ —	$ 2,443
	Global equity mutual funds	8	333	—	341
	U.S./North American Equity commingled funds	3	46	—	49
Fixed Income:					
	U.S. Government funds	—	1	—	1
	Non-U.S. Government funds	2	54	—	56
	Fixed income commingled funds	3	6,092	—	6,095
	Fixed income mutual funds	3	—	—	3
Alternatives:					
	Other Alternatives [1]	4	1,228	874	2,106
	Hedge Funds[2]	—	2	—	2
Other Assets		—	—	3	3
Insurance contracts		—	160	10	170
Cash and cash equivalents		300	5	—	305
Totals		$ 788	$ 9,899	$ 887	$ 11,574

[1] Represents real estate and other commingled funds consisting mainly of equities, bonds, or commodities.
[2] Represents investments in diversified fund of hedge funds.

Changes in fair value measurements of level 3 investments for the defined benefit plans were as follows:

(in millions)	
Balance as of April 1, 2017	$ 348
Actual return on plan assets held at the reporting date	34
Purchases, sales and settlements	443
Changes due to exchange rates	62
Balance as of March 31, 2018	887
Actual return on plan assets held at the reporting date	(13)
Purchases, sales and settlements	217
Transfers in and / or out of Level 3	5
Changes due to exchange rates	(64)
Balance as of March 31, 2019	$ 1,032

Domestic and global equity accounts are categorized as Level 1 if the securities trade on national or international exchanges and are valued at their last reported closing price. Equity assets in commingled funds reporting a net asset value are categorized as Level 2 and valued using broker dealer bids or quotes of securities with similar characteristics.

Fixed income accounts are categorized as Level 1 if traded on a publicly quoted exchange or as level 2 if investments in corporate bonds are primarily investment grade bonds, generally priced using model-based pricing methods that use observable market data as inputs. Broker dealer bids or quotes of securities with similar characteristics may also be used.

Alternative investment fund securities are categorized as Level 1 if held in a mutual fund or in a separate account structure and actively traded through a recognized exchange, or as Level 2 if they are held in commingled or collective account structures and are actively traded. Alternative investment fund securities are classified as Level 3 if they are held in Limited Company or Limited Partnership structures or cannot otherwise be classified as Level 1 or Level 2.

Other assets represent property holdings by certain pension plans. As above, the property holdings represent a master lease arrangement entered into by DXC in the United Kingdom and certain U.K. pension plans as a financing transaction.

Insurance contracts purchased to cover benefits payable to retirees are valued using the assumptions used to value the projected benefit obligation.

Cash equivalents that have quoted prices in active markets are classified as Level 1. Short-term money market commingled funds are categorized as Level 2 and valued at cost plus accrued interest which approximates fair value.

Plan Asset Allocations

	As of	
Asset Category	**March 31, 2019**	**March 31, 2018**
Equity securities	26%	25%
Debt securities	45%	53%
Alternatives	25%	18%
Cash and other	4%	4%
Total	100%	100%

Plan assets are held in a trust that includes commingled funds subject to country specific regulations and invested primarily in commingled funds. For the U.K. pension plans, the Company's largest pension plans by assets and projected liabilities, a target allocation by asset class was developed to achieve their long-term objectives. Asset allocations are monitored closely and investment reviews regarding asset strategy are conducted regularly with internal and external advisors.

The Company’s investment goals and risk management strategy for plan assets evaluates a number of factors, including the time horizon of the plans’ obligations. Plan assets are invested in various asset classes that are expected to produce a sufficient level of diversification in order to reduce risk, yet produces a reasonable amount of return on investment over the long term. Sufficient liquidity is maintained to meet benefit obligations as they become due. Third party investment managers are employed to invest assets in both passively-indexed and actively-managed strategies. Equities are primarily invested broadly in domestic and foreign companies across market capitalizations and industries. Fixed income securities are invested broadly, primarily in government treasury, corporate credit, mortgage backed and asset backed investments. Alternative investment allocations are included in selected plans to achieve greater portfolio diversity intended to reduce the overall volatility risk of the plans.

Plan asset risks include longevity, inflation, and other changes in market conditions that could reduce the value of plan assets. Also, a decline in the yield of high quality corporate bonds may adversely affect discount rates resulting in an increase in DXC's pension and other post-retirement obligations. These risks, among others, could cause the plans’ funded status to deteriorate, resulting in an increased reliance on Company contributions. Derivatives are permitted although their current use is limited within traditional funds and broadly allowed within alternative funds. Derivatives are used for inflation risk management and within the liability driven investing strategy. The Company also has investments in insurance contracts to pay plan benefits in certain countries.

Return on Assets

The Company consults with internal and external advisors regarding the expected long-term rate of return on assets. The Company uses various sources in its approach to compute the expected long-term rate of return of the major asset classes expected in each of the plans. DXC utilizes long-term, asset class return assumptions of typically 30 years, which are provided by external advisors. Consideration is also given to the extent active management is employed in each asset class and also to management expenses. A single expected long-term rate of return is calculated for each plan by assessing the plan's expected asset allocation strategy, the benefits of diversification therefrom, historical excess returns from actively managed traditional investments, expected long-term returns for alternative investments and expected investment expenses. The resulting composite rate of return is reviewed by internal and external parties for reasonableness.

Retirement Plan Discount Rate

The U.K. discount rate is based on the yield curve approach using the U.K. Aon Hewitt GBP Single Agency AA Corporates-Only Curve.

U.K. Pension Equalization Ruling

On October 26, 2018 the High Court of Justice in the United Kingdom (the "High Court") issued a ruling related to the equalization of benefits payable to men and women for the effect of guaranteed minimum pensions under U.K. defined benefit pension plans. As a result of this ruling, the Company estimated the impact of retroactively increasing benefits in its U.K. plans in accordance with the High Court ruling. The Company treated the additional benefits as a prior service cost which resulted in an increase to its projected benefit obligation and accumulated other comprehensive loss of $28 million. The Company will amortize this cost over the average remaining life expectancy of the U.K. participants. Given the immaterial effect on the U.K. plan's projected benefit, an interim remeasurement was not performed.

Defined Contribution Plans

The Company sponsors defined contribution plans for substantially all U.S. employees and certain foreign employees. The plans allow employees to contribute a portion of their earnings in accordance with specified guidelines. Matching contributions are made annually in January to participants employed on December 31 of the prior year and vest in one year. However, if a participant retires from the Company or dies prior to December 31, the participant will be eligible to receive matching contributions approximately 30 days following separation from service. During fiscal 2019, 2018 and 2017, the Company contributed $219 million, $245 million and $124 million, respectively, to its defined contribution plans. As of March 31, 2019, plan assets included 3,737,298 shares of the Company’s common stock.

Deferred Compensation Plans

Effective as of the HPES Merger, DXC assumed sponsorship of the Computer Sciences Corporation Deferred Compensation Plan, which was renamed the “DXC Technology Company Deferred Compensation Plan” (the “DXC DCP”), and adopted the Enterprise Services Executive Deferred Compensation Plan (the “ES DCP”). Both plans are non-qualified deferred compensation plans maintained for a select group of management, highly compensated employees and non-employee directors.

The DXC DCP covers eligible employees who participated in CSC’s Deferred Compensation Plan prior to the HPES Merger. The ES DCP covers eligible employees who participated in the HPE Executive Deferred Compensation Plan prior to the HPES Merger. Both plans allow participating employees to defer the receipt of current compensation to a future distribution date or event above the amounts that may be deferred under DXC’s tax-qualified 401(k) plan, the DXC Technology Matched Asset Plan. Neither plan provides for employer contributions. As of April 3, 2017, the ES DCP does not admit new participants.

Certain management and highly compensated employees are eligible to defer all, or a portion of, their regular salary that exceeds the limitation set forth in Internal Revenue Section 401(a)(17) and all or a portion of their incentive compensation. Non-employee directors are eligible to defer up to 100% of their cash compensation. The liability under the plan, which is included in other long-term liabilities in the Company's balance sheets, amounted to $59 million as of March 31, 2019 and $65 million as of March 31, 2018. The Company's expense under the Plan totaled $2 million, $4 million and $5 million, for fiscal 2019, 2018 and 2017, respectively.

Note 14 - Stockholders' Equity

Description of Capital Stock

The Company has authorized share capital consisting of 750,000,000 shares of common stock, par value $0.01 per share, and 1,000,000 shares of preferred stock, par value $0.01 per share.

Each share of common stock is equal in all respects to every other share of common stock of the Company. Each share of common stock is entitled to one vote per share at each annual or special meeting of stockholders for the election of directors and upon any other matter coming before such meeting. Subject to all the rights of the preferred stock, dividends may be paid to holders of common stock as and when declared by the Board of Directors.

The Company's charter requires that preferred stock must be all of one class but may be issued from time to time in one or more series, each of such series to have such full or limited voting powers, if any, and such designations, preferences and relative, participating, optional or other special rights or qualifications, limitations or restrictions as provided in a resolution adopted by the Board of Directors. Each share of preferred stock will rank on a parity with each other share of preferred stock, regardless of series, with respect to the payment of dividends at the respectively designated rates and with respect to the distribution of capital assets according to the amounts to which the shares of the respective series are entitled.

Share Repurchase Program

On April 3, 2017, DXC announced the establishment of a share repurchase program approved by the Board of Directors with an initial authorization of up to $2.0 billion for future repurchases of outstanding shares of DXC common stock. On November 8, 2018, DXC announced that its board of directors approved an incremental $2.0 billion share repurchase authorization. An expiration date has not been established for this repurchase plan.

The shares repurchased are retired immediately and included in the category of authorized but unissued shares. The excess of purchase price over par value of the common shares is allocated between additional paid-in capital and retained earnings. The details of shares repurchased are shown below:

Fiscal Year	Number of shares repurchased	Average Price Per Share	Amount (In millions)
2019	19,342,586	$69.20	$ 1,339
2018	1,537,782	$89.41	$ 137
2017	—	—	—

Treasury Stock Transactions

In fiscal 2019, 2018 and 2017 the Company accepted 42,008, 332,558 and 72,231 shares of its common stock, respectively, in lieu of cash in connection with the exercise of stock options. In fiscal 2019, 2018 and 2017, the Company accepted 729,703, 684,389 and 195,201 shares of its common stock, respectively, in lieu of cash in connection with the tax withholdings associated with the release of common stock upon vesting of restricted stock and RSUs. As a result, the Company holds 1,788,658 treasury shares as of March 31, 2019. Treasury shares held before the HPES Merger were extinguished in connection with the HPES Merger.

Dividends

(in millions, except per share amounts)	Dividends Declared		
	Per Common Share	Total	Unpaid at Fiscal Year End
Fiscal 2019	$ 0.76	$ 209	$ 53
Fiscal 2018	$ 0.72	$ 209	$ 51
Fiscal 2017	$ 0.56	$ 80	$ 20

Accumulated Other Comprehensive (Loss) Income

The following table shows the changes in accumulated other comprehensive income (loss), net of taxes:

(in millions)	Foreign Currency Translation Adjustments	Cash Flow Hedges	Available-for-sale Securities	Pension and Other Post-retirement Benefit Plans	Accumulated Other Comprehensive (Loss) Income
Balance at April 1, 2016	$ (399)	$ (1)	$ —	$ 289	$ (111)
Current-period other comprehensive (loss) income	(59)	21	—	(2)	(40)
Amounts reclassified from accumulated other comprehensive (loss) income, net of taxes	—	—	—	(11)	(11)
Balance at March 31, 2017	$ (458)	$ 20	$ —	$ 276	$ (162)
Current-period other comprehensive (loss) income	197	(11)	9	—	195
Amounts reclassified from accumulated other comprehensive (loss) income, net of taxes	—	—	—	25	25
Balance at March 31, 2018	$ (261)	$ 9	$ 9	$ 301	$ 58
Current-period other comprehensive loss	(256)	(22)	—	(21)	(299)
Amounts reclassified from accumulated other comprehensive (loss) income, net of taxes	—	10	—	(13)	(3)
Balance at March 31, 2019	$ (517)	$ (3)	$ 9	$ 267	$ (244)

Note 15 - Stock Incentive Plans

Equity Plans

As a result of the Separation of USPS, shared-based awards issued by the Company were modified. The number of stock options and exercise price were adjusted to generally preserve the intrinsic value immediately prior to the Separation. There was no incremental share-based compensation expense recognized as a result of the modification of the awards.

As a result of the HPES Merger, all outstanding CSC awards of stock options, stock appreciation rights, restricted stock units ("CSC RSUs"), including performance-based restricted stock units, relating to CSC common stock granted under the 2011 Omnibus Incentive Plan, the 2007 Employee Incentive Plan and the 2010 Non-Employee Director Incentive Plan (the “CSC Equity Incentive Plans”) held by CSC employees and non-employee directors were converted into an adjusted award relating to DXC common shares subject to the same terms and conditions after the HPES Merger as the terms and conditions applicable to such awards prior to the HPES Merger.

Under the terms of the CSC Equity Incentive Plans and the individual award agreements, all unvested equity incentive awards, including all stock options and CSC RSUs held by all participants under the plans, including its named executive officers and directors, are subject to accelerated vesting in whole or in part upon the occurrence of a change in control or upon the participant's termination of employment on or after the occurrence of a change in control under certain circumstances ("CIC events"). As a result of CIC events triggered by the HPES Merger, approximately 3.6 million unvested awards became vested on April 1, 2017 and $26 million of incremental stock compensation expense was recognized. CSC options granted in fiscal 2017 vested 33% upon the HPES Merger; the remaining 67% were converted into DXC RSUs based on the accounting value of the options. These RSUs will vest on the second and third anniversaries of the original option grant date. For equity incentive awards granted by HPE under HPE equity incentive plans to HPES employees prior to the HPES Merger, outstanding options (vested and unvested) and unvested RSU awards were converted upon the HPES Merger into economically equivalent DXC option and RSU awards, with terms and conditions substantially the same as the terms of such awards prior to the HPES Merger.

In March 2017, prior to the HPES Merger, the board of directors and shareholders of HPES approved DXC's 2017 Omnibus Incentive Plan (the "DXC Employee Equity Plan"), DXC's 2017 Non-Employee Director Incentive Plan (the "DXC Director Equity Plan") and DXC's 2017 Share Purchase Plan ("DXC Share Purchase Plan"). The terms of the DXC Employee Equity Plan and DXC Director Equity Plans are substantially similar to the terms of the CSC Equity Incentive Plans. The former allows DXC to grant stock options (including incentive stock options), stock appreciation rights ("SARs"), restricted stock, RSUs (including PSUs), and cash awards intended to qualify for the performance-based compensation exemption to the $1 million deduction limit under Section 162(m) of the Internal Revenue Code (collectively the "Awards"). Awards are typically subject to vesting over the 3-year period following the grant date. Vested stock options are generally exercisable for a term of 10 years from the grant date. All of DXC's employees are eligible for awards under the plan. The Company issues authorized but previously unissued shares upon the granting of stock options and the settlement of RSUs and PSUs.

The Compensation Committee of the Board of Directors (the "Board") has broad authority to grant awards and otherwise administer the DXC Employee Equity Plan. The plan became effective March 30, 2017 and will continue in effect for a period of 10 years thereafter, unless terminated earlier by the Board. The Board has the authority to amend the plan in such respects as it deems desirable, subject to approval of DXC's stockholders for material modifications.

RSUs represent the right to receive one share of DXC common stock upon a future settlement date, subject to vesting and other terms and conditions of the award, plus any dividend equivalents accrued during the award period. In general, if the employee's status as a full-time employee is terminated prior to the vesting of the RSU grant in full, then the RSU grant is automatically canceled on the termination date and any unvested shares and dividend equivalents are forfeited. Certain executives were awarded service-based "career share" RSUs for which the shares are settled over the 10 anniversaries following the executive's separation from service as a full-time employee, provided the executive complies with certain non-competition covenants during that period.

The Company also grants PSUs, which generally vest over a period of 3 years. The number of PSUs that ultimately vest is dependent upon the Company's achievement of certain specified financial performance criteria over a 3-year period. If the specified performance criteria are met, awards are settled for shares of DXC common stock and dividend equivalents upon the filing with the SEC of the Annual Report on Form 10-K for the last fiscal year of the performance period. PSU awards include the potential for up to 25% of the shares granted to be earned after the first and second fiscal years if certain of the Company's performance targets are met early, subject to vesting based on the participant's continued employment through the end of the 3-year performance period.

The terms of the DXC Director Equity Plan allow DXC to grant RSU awards to non-employee directors of DXC. Such RSU awards vest in full at the earlier of (i) the first anniversary of the grant date or (ii) the next annual meeting date, and are automatically redeemed for DXC common stock and dividend equivalents either at that time or, if an RSU deferral election form is submitted, upon the date or event elected by the director. Distributions made upon a director's separation from the Board may occur in either a lump sum or in annual installments over periods of 5, 10, or 15 years, per the director's election. In addition, RSUs vest in full upon a change in control of DXC.

The DXC Share Purchase Plan allows DXC's employees located in the United Kingdom to purchase shares of DXC's common stock at the fair market value of such shares on the applicable purchase date. There were 13,137 shares purchased under this plan during fiscal 2019.

The Board has reserved for issuance shares of DXC common stock, par value $0.01 per share, under each of the plans as detailed below:

	As of March 31, 2019	
	Reserved for issuance	Available for future grants
DXC Employee Equity Plan	34,200,000	21,832,963
DXC Director Equity Plan	230,000	104,310
DXC Share Purchase Plan	250,000	235,389
Total	34,680,000	22,172,662

The Company recognized share-based compensation expense for fiscal 2019, 2018 and 2017 as follows:

	Fiscal Years Ended		
(in millions)	March 31, 2019	March 31, 2018	March 31, 2017
Total share-based compensation cost	$ 74	$ 93	$ 75
Related income tax benefit	$ 15	$ 21	$ 25
Total intrinsic value of options exercised	$ 44	$ 136	$ 73
Tax benefits from exercised stock options and awards	$ 39	$ 84	$ 34

As of March 31, 2019, total unrecognized compensation expense related to unvested DXC stock options and unvested DXC RSUs, net of expected forfeitures was less than $1 million and $111 million, respectively. The unrecognized compensation expense for unvested RSUs is expected to be recognized over a weighted-average period of 1.87 years.

The Company uses the Black-Scholes-Merton model in determining the fair value of stock options granted. The weighted average fair values of stock options granted during fiscal 2017 was $13.00 per share. There were no stock options granted during fiscal 2018 and 2019. In calculating the compensation expense for its stock incentive plans, the Company used the following weighted average assumptions:

	Fiscal Years Ended March 31, 2017
Risk-free interest rate	1.60%
Expected volatility	29%
Expected term (in years)	6.09
Dividend yield	1.56%

Stock Options

The Company's stock options vest one-third annually on each of the first three anniversaries of the grant date. Stock options are generally granted for a term of ten years. Information concerning stock options granted under stock incentive plans was as follows:

	Number of Option Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Outstanding as of April 1, 2016	5,366,621	$ 24.83	7.06	$ 51
Granted	2,450,976	$ 50.91		
Exercised	(2,544,955)	$ 21.84		$ 73
Canceled/Forfeited	(448,505)	$ 36.94		
Expired	(56,741)	$ 14.36		
Outstanding as of March 31, 2017	4,767,396	$ 38.70	8.01	$ 145
HPE options converted to DXC options at HPES Merger	2,654,970	$ 46.56		
CSC options converted to RSUs due to HPE Merger	(1,521,519)	$ 51.00		
Exercised	(2,916,045)	$ 40.39		$ 136
Canceled/Forfeited	(14,890)	$ 69.52		
Expired	(36,411)	$ 36.69		
Outstanding as of March 31, 2018 [(1)]	2,933,501	$ 32.54	5.24	$ 185
Issued due to Separation modification	400,170	$ 31.72		
Exercised	(969,103)	$ 37.33		$ 44
Canceled/Forfeited	(14,607)	$ 48.33		
Expired	(31,193)	$ 25.03		
Outstanding as of March 31, 2019	2,318,768	$ 30.40	4.80	$ 79
Vested and expected to vest in the future as of March 31, 2019	2,318,406	$ 30.40	4.80	$ 79
Exercisable as of March 31, 2019	2,314,206	$ 30.35	4.80	$ 79

[(1)] *The amount of the weighted average exercise price per share has been revised to reflect the impact of the Separation.*

	As of March 31, 2019				
	Options Outstanding			Options Exercisable	
Range of Option Exercise Price	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Number Exercisable	Weighted Average Exercise Price
$8.96 - $24.47	652,585	$ 18.88	3.44	652,585	$ 18.88
$25.14 - $41.92	1,120,399	$ 29.68	4.83	1,120,399	$ 29.68
$42.05 - $62.44	545,784	$ 45.64	6.35	541,222	$ 45.55
	2,318,768			2,314,206	

The total fair value of stock options vested during fiscal 2019, 2018 and 2017 was $0 million, $22 million and $8 million, respectively. The cash received from stock options exercised during fiscal 2019, 2018 and 2017 was $34 million, $98 million and $54 million, respectively.

Restricted Stock Units

RSUs represent the right to receive one share of DXC common stock upon a future settlement date, subject to vesting and other terms and conditions of the award, plus any dividend equivalents accrued during the award period. In general, if the employee’s status as a full-time employee is terminated prior to the vesting of the RSU grant in full, then the RSU grant is automatically canceled on the termination date and any unvested shares and dividend equivalents are forfeited. Certain executives were awarded service-based "career share" RSUs for which the shares are settled over the 10 anniversaries following the executive's separation from service as a full-time employee, provided the executive complies with certain non-competition covenants during that period.

Performance Stock Units

The Company also grants PSUs, which generally vest over a period of three years. The number of PSUs that ultimately vest is dependent upon the Company’s achievement of certain specified financial performance criteria over a three-year period. If the specified performance criteria are met, awards are settled for shares of DXC common stock and dividend equivalents upon the filing with the SEC of the Annual Report on Form 10-K for the last fiscal year of the performance period. PSU awards include the potential for accelerated vesting of 25% of the shares granted after each of the first and second fiscal years if certain of the Company's performance targets are met early, and are subject to final vesting based on the participant's continued employment through the end of the three-year performance period. Compensation expense during the performance period is estimated at each reporting date using management's expectation of the probable achievement of the specified performance criteria and is adjusted to the extent the expected achievement changes. In the table below, such awards are reflected at the number of shares originally granted.

Information concerning RSUs and PSUs granted under the stock incentive plans was as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding as of April 1, 2016	3,597,999	$ 29.25
Granted	1,150,185	$ 47.70
Settled	(602,467)	$ 27.29
Canceled/Forfeited	(434,732)	$ 32.86
Outstanding as of March 31, 2017	3,710,985	$ 34.86
Granted	1,828,667	$ 82.34
HPE RSUs converted to DXC RSUs due to HPES Merger	95,816	$ 69.34
Options converted to RSUs due to HPES Merger	609,416	$ 32.58
Settled	(1,934,446)	$ 35.93
Canceled/Forfeited	(324,822)	$ 59.34
Outstanding as of March 31, 2018 (1)	3,985,616	$ 47.25
Granted	1,136,002	$ 77.10
Issued due to Separation modification	649,649	$ 51.98
Settled	(2,207,467)	$ 33.05
Canceled/Forfeited	(754,025)	$ 62.01
Outstanding as of March 31, 2019	2,809,775	$ 67.27

(1) *The amount of the weighted average fair value per share has been revised to reflect the impact of the USPS Separation.*

Non-employee Director Incentives

The Company has one stock incentive plan which authorizes the issuance of stock options, restricted stock and other share-based incentives to non-employee directors upon terms approved by the Company's Board of Directors. As of March 31, 2019, 104,310 shares of DXC common stock remained available for the grant of future RSUs or other share-based incentives to nonemployee directors.

RSU awards to non-employee directors are granted at a price of $0. For RSU awards granted in fiscal 2014 and thereafter, RSUs vest and settle at the earlier of (i) the one-year anniversary of the grant date, or (ii) the date of the Company's first Annual Meeting of the Stockholders held after the grant date. Alternatively, settlement of the RSU may be deferred per election of the non-employee director. For awards granted in fiscal 2013 and prior, vested RSUs were automatically settled for shares of DXC common stock and dividend equivalents when the non-employee director ceases to be a director of the Company. At the holder's election, the RSUs may be settled (i) in their entirety, upon the day the holder ceases to be a director, or (ii) in substantially equal amounts upon the first five, ten or fifteen anniversaries of such termination of service.

Information concerning RSUs granted to non-employee directors was as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding as of April 1, 2016	89,046	$ 27.00
Granted	33,600	$ 47.35
Settled	(32,080)	$ 28.58
Canceled/Forfeited	(4,800)	$ 30.31
Outstanding as of March 31, 2017	85,766	$ 34.19
Granted	22,900	$ 84.40
Settled	(39,980)	$ 45.25
Canceled/Forfeited	(2,300)	$ 85.35
Outstanding as of March 31, 2018 (1)	66,386	$ 37.26
Granted	19,200	$ 87.88
Issued due to Separation modification	10,488	$ 37.69
Settled	(20,324)	$ 51.59
Canceled/Forfeited	—	$ —
Outstanding as of March 31, 2019	75,750	$ 46.31

(1) *The amount of the weighted average fair value per share has been revised to reflect the impact of the USPS Separation.*

Note 16 - Cash Flows

Cash payments for interest on indebtedness and income taxes and other select non-cash activities are as follows:

	Fiscal Years Ended		
(in millions)	March 31, 2019	March 31, 2018	March 31, 2017
Cash paid for:			
Interest	$ 308	$ 288	$ 103
Taxes on income, net of refunds [(1)]	$ 197	$ 376	$ 63
Non-cash activities:			
Operating:			
Prepaid assets acquired under long-term financing	$ 48	$ 209	$ —
Investing:			
Capital expenditures in accounts payable and accrued expenses	$ 45	$ 46	$ 43
Capital expenditures through capital lease obligations	$ 668	$ 664	$ 52
Assets acquired under long-term financing	$ 200	$ 238	$ 87
Increase in deferred purchase price receivable	$ 1,489	$ 665	$ 595
Contingent consideration	$ 41	$ —	$ —
Financing:			
Dividends declared but not yet paid	$ 53	$ 51	$ 20
Stock issued for the acquisition of HPES	$ —	$ 9,850	$ —

[(1)] *Income tax refunds were $174 million, $38 million, and $23 million for fiscal 2019, 2018, and 2017, respectively.*

Note 17 - Other Income

The following table summarizes components of other income, net:

	Fiscal Years Ended		
(in millions)	March 31, 2019	March 31, 2018	March 31, 2017
Non-service cost components of net periodic pension income	$ (182)	$ (509)	$ (7)
Foreign currency loss (gain)	31	(71)	(8)
Other gain	(155)	(13)	(2)
Totals	$ (306)	$ (593)	$ (17)

Non-service cost components of net periodic pension income expense were reclassified from costs of services and selling, general and administrative to other income expense, net in the statements of operations upon adoption of ASU2017-07 “Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost". See Note 1 - Summary of Significant Accounting Policies for more information.

Foreign currency loss (gain) resulted from the movement of foreign currency exchange rates on the Company’s foreign currency denominated assets and liabilities, related hedges including options to manage its exposure to economic risk and the cost of the Company’s hedging program. Other gain for the fiscal year ended March 31, 2019 primarily comprises gain on sale of non-operating assets and for the fiscal year ended March 31, 2018 consists of investment income.

Note 18 - Segment and Geographic Information

DXC has a matrix form of organization and is managed in several different and overlapping groupings including services, industries and geographic regions. As a result, and in accordance with accounting standards, operating segments are organized by the type of services provided. DXC's chief operating decision maker ("CODM"), the chief executive officer, obtains, reviews, and manages the Company's financial performance based on these segments. The CODM uses these results, in part, to evaluate the performance of, and allocate resources to, each of the segments.

As a result of the Separation, USPS is no longer included as a reportable segment and its results have been reclassified to discontinued operations, net of taxes, for all periods presented. See Note 3 - "Divestitures." DXC now operates in two reportable segments as described below:

Global Business Services

GBS provides innovative technology solutions that help its clients address key business challenges and accelerate digital transformations tailored to each client's industry and specific objectives. GBS offerings include:

- *Enterprise, Cloud Applications and Consulting.* GBS provides industry, business process systems integration and technical delivery experience to maximize value from enterprise application portfolios. GBS also helps clients accelerate their digital transformations and business results with industry, business, technology and complex integration services.
- *Application Services.* GBS's comprehensive services helps clients modernize, develop, test and manage their applications.
- *Analytics.* GBS's portfolio of analytics services and robust partner ecosystem helps clients gain rapid insights and accelerate their digital transformation journeys.
- *Business Process Services.* GBS provides seamless digital integration and optimization of front and back office processes, including its Agile Process Automation approach.
- *Industry Software and Solutions.* GBS's industry-specific solutions enable businesses to quickly integrate technology, transform their operations and develop new ways of doing business. GBS's vertical-specific IP includes insurance, healthcare and life sciences, travel and transportation, and banking and capital markets solutions.

Global Infrastructure Services

GIS provides a portfolio of offerings that deliver predictable outcomes and measurable results while reducing business risk and operational costs for clients. GIS offerings include:

- *Cloud and Platform Services.* GIS helps clients maximize their private cloud, public cloud and legacy infrastructures, as well as securely manage their hybrid environments.
- *Workplace and Mobility*. GIS's workplace, mobility and Internet of Things ("IoT") services provides a consumer-like experience with enterprise security and instant connectivity for its clients.
- *Security.* GIS's security solutions help predict attacks, proactively respond to threats, ensure compliance and protect data, applications, infrastructure and endpoints.

Segment Measures

The following table summarizes operating results regularly provided to the CODM by reportable segment and a reconciliation to the financial statements:

(in millions)	GBS	GIS	Total Reportable Segments	All Other	Totals
Fiscal Year Ended March 31, 2019					
Revenues	$ 8,684	$ 12,069	$ 20,753	$ —	$ 20,753
Segment Profit	$ 1,645	$ 1,911	$ 3,556	$ (287)	$ 3,269
Depreciation and amortization [1]	$ 90	$ 1,212	$ 1,302	$ 127	$ 1,429
Fiscal Year Ended March 31, 2018					
Revenues	$ 9,254	$ 12,479	$ 21,733	$ —	$ 21,733
Segment Profit	$ 1,525	$ 1,643	$ 3,168	$ (179)	$ 2,989
Depreciation and amortization [1]	$ 99	$ 1,078	$ 1,177	$ 92	$ 1,269
Fiscal Year Ended March 31, 2017					
Revenues	$ 4,173	$ 3,434	$ 7,607	$ —	$ 7,607
Segment Profit	$ 492	$ 306	$ 798	$ (180)	$ 618
Depreciation and amortization [1]	$ 107	$ 399	$ 506	$ 64	$ 570

[1] Depreciation and amortization as presented excludes amortization of acquired intangible assets of $539 million, $526 million, and $77 million for fiscal 2019, 2018, and 2017, respectively.

Reconciliation of Reportable Segment Profit to Consolidation

The Company's management uses segment profit as the measure for assessing performance of its segments. Segment profit is defined as segment revenues less cost of services, segment selling, general and administrative, depreciation and amortization, and other income (excluding the movement in foreign currency exchange rates on DXC's foreign currency denominated assets and liabilities and the related economic hedges). The Company does not allocate to its segments certain operating expenses managed at the corporate level. These unallocated costs include certain corporate function costs, stock-based compensation expense, pension and OPEB actuarial and settlement gains and losses, restructuring costs, transaction, separation, and integration-related costs, amortization of acquired intangible assets.

	Fiscal Years Ended		
(in millions)	March 31, 2019	March 31, 2018	March 31, 2017
Profit			
Total profit for reportable segments	$ 3,556	$ 3,168	$ 798
All other loss	(287)	(179)	(180)
Interest income	128	89	35
Interest expense	(334)	(320)	(117)
Restructuring costs	(465)	(789)	(238)
Transaction, separation, and integration-related costs	(401)	(359)	(308)
Amortization of acquired intangible assets	(539)	(526)	(77)
Pension and OPEB actuarial and settlement (losses) gains	(143)	220	(87)
Income (loss) from continuing operations, before taxes	$ 1,515	$ 1,304	$ (174)

Management does not use total assets by segment to evaluate segment performance or allocate resources. As a result, assets are not tracked by segment and therefore, total assets by segment is not disclosed.

Geographic Information

See Note 19 - "Revenue" for the Company's revenue by geography. Property and equipment, net, which is based on the physical location of the assets, was as follows:

	As of		
	March 31, 2019	March 31, 2018	March 31, 2017
United States	1,352	1,270	389
United Kingdom	512	535	235
Australia	144	191	58
Other Europe	553	465	134
Other International	618	902	87
Total Property and Equipment, net	3,179	3,363	903

No single customer exceeded 10% of the Company's revenues during fiscal 2019, fiscal 2018 or fiscal 2017.

Note 19 - Revenue

Revenue Recognition

The following table presents DXC's revenues disaggregated by geography, based on the location of incorporation of the DXC entity providing the related goods or services:

	Twelve Months Ended		
(in millions)	March 31, 2019	March 31, 2018 [1]	March 31, 2017 [1]
United States	$ 7,677	$ 8,015	$ 2,986
United Kingdom	3,175	3,392	1,482
Australia	1,582	1,694	921
Other Europe	5,294	5,409	1,594
Other International	3,025	3,223	624
Total Revenues	$ 20,753	$ 21,733	$ 7,607

[1] *Prior period amounts have not been recast under the modified retrospective transition method.*

The revenue by geography pertains to both of the Company's reportable segments. Refer to Note 18 - "Segment and Geographic Information" for the Company's segment disclosures.

Remaining Performance Obligations

Remaining performance obligations represent the aggregate amount of the transaction price in contracts allocated to performance obligations not delivered, or partially undelivered, as of the end of the reporting period. Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustments for revenue that has not materialized and adjustments for currency. As of March 31, 2019, approximately $28.9 billion of revenue is expected to be recognized from remaining performance obligations. The Company expects to recognize revenue on approximately 40% of these remaining performance obligations in Fiscal 2020, with the remainder of the balance recognized thereafter.

Contract Balances

The following table provides information about the balances of the Company's trade receivables and contract assets and contract liabilities:

	As of			
(in millions)	March 31, 2019		April 1, 2018	
Trade receivables, net	$	3,232	$	3,937
Contract assets	$	390	$	444
Contract liabilities	$	1,886	$	2,053

Change in contract liabilities were as follows:

(in millions)	Twelve Months Ended March 31, 2019	
ASC 605 Balance, beginning of period	$	2,434
Adjustment related to Topic 606 adoption		(381)
ASC 606 Balance, beginning of period		2,053
Deferred revenue		2,681
Recognition of deferred revenue		(2,664)
Currency translation adjustment		(167)
Other		(17)
Balance, end of period	$	1,886

The following tables provides information about the Company’s capitalized costs to obtain and fulfill a contract:

(in millions)	As of March 31, 2019	
Capitalized sales commission cost [1]	$	228
Transition and transformation contract costs, net [2]	$	966

[1] Capitalized sales commission costs are included within other assets in the accompanying balance sheets. For the twelve months ended March 31, 2019, amortization expense of $62 million related to the capitalized sales commission assets is included in selling, general, and administrative expenses in the accompanying statements of operations.

[2] Transition and transformation contract costs, net reflect the Company’s setup costs incurred upon initiation of an outsourcing contract that are classified as other assets in the accompanying balance sheets. For the twelve months ended March 31, 2019, amortization expense of $258 million is included within depreciation and amortization in the accompanying statements of operations.

Financial Statement Impact

The impact of adoption of ASC 606 on the selected captions of the Company's statements of operations and balance sheets was as follows:

Statement of Operations (Selected Captions)

	Twelve Months Ended March 31, 2019		
(in millions)	As Reported	Amounts Without Adoption of ASC 606	Effect of Change Higher/(Lower)
Revenues	$ 20,753	$ 20,723	$ 30
Costs of services	$ 14,946	$ 14,944	$ 2
Selling, general and administrative	$ 1,959	$ 2,032	$ (73)
Interest income	$ (128)	$ (141)	$ (13)
Income tax expense	$ 288	$ 266	$ 22
Net income attributable to DXC common stockholders	$ 1,257	$ 1,191	$ 66

Balance Sheet (Selected Captions)

	As of March 31, 2019		
(in millions)	As Reported	Amounts Without Adoption of ASC 606	Effect of Change Higher/(Lower)
Assets:			
Receivables and contract assets, net of allowance for doubtful accounts	$ 5,181	$ 5,199	$ (18)
Other current assets	$ 359	$ 411	$ (52)
Deferred income taxes, net	$ 355	$ 376	$ (21)
Other assets	$ 3,429	$ 3,451	$ (22)
Liabilities:			
Accrued expenses and other current liabilities	$ 3,355	$ 3,356	$ (1)
Deferred revenue and advance contract payments	$ 1,630	$ 1,717	$ (87)
Income taxes payable	$ 208	$ 206	$ 2
Non-current deferred revenue	$ 256	$ 491	$ (235)
Non-current income tax liabilities and deferred tax liabilities	$ 1,184	$ 1,148	$ 36
Equity:			
Retained earnings	$ 478	$ 301	$ 177
Accumulated other comprehensive loss	$ (244)	$ (239)	$ (5)

The adoption of ASC 606 did not materially impact the statement of cash flows.

Note 20 - Restructuring Costs

The Company recorded restructuring costs, net of reversals, of $465 million, $789 million and $238 million for fiscal 2019, 2018 and 2017, respectively. The costs recorded during fiscal 2019 were largely the result of implementing the Fiscal 2019 Plan, as described below.

The composition of restructuring liabilities by financial statement line items is as follows:

	As of	
(in millions)	March 31, 2019	March 31, 2018
Accrued expenses and other current liabilities	$ 273	$ 367
Other long-term liabilities	106	153
Total	$ 379	$ 520

Summary of Restructuring Plans

Fiscal 2019 Plan

During fiscal 2019, management approved global cost savings initiatives designed to better align the Company's organizational structure with its strategic initiatives and continue the integration of HPES and other acquisitions (the "Fiscal 2019 Plan"). The Fiscal 2019 Plan includes workforce optimization and rationalization of facilities and data center assets.

Fiscal 2018 Plan

In June 2017, management approved a post-HPES Merger restructuring plan to optimize the Company's operations in response to a continuing business contraction (the "Fiscal 2018 Plan"). The additional restructuring initiatives are intended to reduce the Company's core structure and related operating costs, improve its competitiveness, and facilitate the achievement of acceptable and sustainable profitability. The Fiscal 2018 Plan focuses mainly on optimizing specific aspects of global workforce, increasing the proportion of work performed in low cost offshore locations and re-balancing the pyramid structure. Additionally, this plan included global facility restructuring, including a global data center restructuring program. Costs incurred to date under the Fiscal 2018 Plan total $782 million, comprising $594 million in workforce reductions and $188 million of facilities costs.

Fiscal 2017 Plan

In May 2016, the Company initiated a restructuring plan to realign the Company's cost structure and resources to take advantage of operational efficiencies following recent acquisitions. During the fourth quarter of Fiscal 2017, the Company expanded the plan to strengthen the Company's competitiveness and to optimize the workforce by increasing work performed in low-cost locations (the "Fiscal 2017 Plan"). Total costs incurred to date under the Fiscal 2017 Plan total $216 million, comprising $207 million in employee severance and $9 million of facilities costs.

Other Prior Year Plans

Other prior year plans are comprised of the Fiscal 2016 Plan and Fiscal 2015 Plan. As of March 31, 2019, activities under these plans are substantially complete.

Acquired Restructuring Liabilities

As a result of the HPES Merger, DXC acquired restructuring liabilities under restructuring plans that were initiated for HPES under plans approved by the HPE Board of Directors.

Restructuring activities, summarized by plan year, were as follows:

	Restructuring Liability as of March 31, 2018	Costs Expensed, Net of Reversals[(1)]	Costs Not Affecting Restructuring Liability[(2)]	Cash Paid	Other[(3)]	Restructuring Liability as of March 31, 2019
Fiscal 2019 Plan						
Workforce Reductions	$ —	$ 363	$ (2)	$ (218)	$ (5)	$ 138
Facilities Costs	—	144	(6)	(68)	(2)	68
Total	$ —	$ 507	$ (8)	$ (286)	$ (7)	$ 206
Fiscal 2018 Plan						
Workforce Reductions	$ 257	$ (30)	$ —	$ (151)	$ (17)	$ 59
Facilities Costs	98	(14)	(3)	(40)	(6)	35
Total	$ 355	$ (44)	$ (3)	$ (191)	$ (23)	$ 94
Fiscal 2017 Plan						
Workforce Reductions	$ 19	$ —	$ —	$ (12)	$ —	$ 7
Facilities Costs	3	—	—	(3)	—	—
Total	$ 22	$ —	$ —	$ (15)	$ —	$ 7
Other Prior Year Plans						
Workforce Reductions	$ 4	$ —	$ —	$ (2)	$ —	$ 2
Facilities Costs	2	—	—	(1)	—	1
Total	$ 6	$ —	$ —	$ (3)	$ —	$ 3
Acquired Liabilities						
Workforce Reductions	$ 110	$ 2	$ —	$ (58)	$ (3)	$ 51
Facilities Costs	27	—	—	(9)	—	18
Total	$ 137	$ 2	$ —	$ (67)	$ (3)	$ 69

(1) Costs expensed, net of reversals include $48 million, $3 million, and $1 million of costs reversed from the Fiscal 2018 Plan, Fiscal 2017 Plan and Other Prior Year Plans, respectively.
(2) Pension benefit augmentations recorded as a pension liability and asset impairment.
(3) Foreign currency translation adjustments.

	Restructuring Liability as of March 31, 2017	Acquired Balance as of April 1, 2017	Costs Expensed, Net of Reversals[1]	Costs Not Affecting Restructuring Liability[2]	Cash Paid	Other[3]	Restructuring Liability as of March 31, 2018
Fiscal 2018 Plan							
Workforce Reductions	$ —	n/a	$ 624	$ (10)	$ (367)	$ 10	$ 257
Facilities Costs	—	n/a	202	(4)	(102)	2	98
Total	$ —	n/a	$ 826	$ (14)	$ (469)	$ 12	$ 355
Fiscal 2017 Plan							
Workforce Reductions	$ 155	n/a	$ (32)	$ (2)	$ (112)	$ 10	$ 19
Facilities Costs	6	n/a	—	—	(5)	2	3
Total	$ 161	n/a	$ (32)	$ (2)	$ (117)	$ 12	$ 22
Fiscal 2016 Plan							
Workforce Reductions	$ 8	n/a	$ (2)	$ 1	$ (4)	$ —	$ 3
Facilities Costs	5	n/a	—	—	(3)	—	2
Total	$ 13	n/a	$ (2)	$ 1	$ (7)	$ —	$ 5
Fiscal 2015 Plan							
Workforce Reductions	$ 3	n/a	$ —	$ —	$ (2)	$ —	$ 1
Facilities Costs	—	n/a	—	—	—	—	—
Total	$ 3	n/a	$ —	$ —	$ (2)	$ —	$ 1
Acquired Liabilities							
Workforce Reductions	n/a	$ 255	$ —	$ (2)	$ (152)	$ 9	$ 110
Facilities Costs	n/a	70	(3)	(3)	(37)	—	27
Total	n/a	$ 325	$ (3)	$ (5)	$ (189)	$ 9	$ 137

(1) *Costs expensed, net of reversals include $34 million, $3 million, and $3 million of costs reversed from the Fiscal 2017 Plan, Fiscal 2016 Plan and Acquired Plans, respectively.*
(2) *Pension benefit augmentations recorded as a pension liability and asset impairment.*
(3) *Foreign currency translation adjustments.*

Note 21 - Commitments and Contingencies

Commitments

The Company has operating leases for the use of certain real estate and equipment. Substantially all operating leases are non-cancelable or cancelable only through payment of penalties. Lease payments are typically based upon the period of the lease but may include payments for insurance, maintenance and property taxes. There are no purchase options on operating leases at favorable terms. Most real estate leases have one or more renewal options. Certain leases on real estate are subject to annual escalations for increases in utilities and property taxes. Lease rental expense amounted to $810 million, $797 million and $146 million, for the fiscal years ended March 31, 2019, March 31, 2018 and March 31, 2017, respectively.

Minimum fixed rentals required for the next five years and thereafter under operating leases in effect at March 31, 2019, were as follows:

Fiscal year (in millions)	Real Estate	Equipment
2020	$ 409	$ 248
2021	288	119
2022	203	27
2023	159	4
2024	124	1
Thereafter	274	—
Minimum fixed rentals	1,457	399
Less: Sublease rental income	(149)	—
Totals	$ 1,308	$ 399

The Company signed long-term purchase agreements with certain software, hardware, telecommunication and other service providers to obtain favorable pricing and terms for services and products that are necessary for the operations of business activities. Under the terms of these agreements, the Company is contractually committed to purchase specified minimums over periods ranging from 1 to 6 years. If the Company does not meet the specified minimums, the Company would have an obligation to pay the service provider all, or a portion, of the shortfall. Minimum purchase commitments as of March 31, 2019 were as follows:

Fiscal year (in millions)	Minimum Purchase Commitment [(1)]
2020	$ 2,286
2021	1,026
2022	488
2023	432
2024	243
Thereafter	25
Total	$ 4,500

[(1)] A significant portion of the minimum purchase commitments in fiscal 2020 relate to the amounts committed under the HPE preferred vendor agreements.

In the normal course of business, the Company may provide certain clients with financial performance guarantees, and at times performance letters of credit or surety bonds. In general, the Company would only be liable for the amounts of these guarantees in the event that non-performance by the Company permits termination of the related contract by the Company's client. The Company believes it is in compliance with its performance obligations under all service contracts for which there is a financial performance guarantee, and the ultimate liability, if any, incurred in connection with these guarantees will not have a material adverse effect on its consolidated results of operations or financial position.

The Company also uses stand-by letters of credit, in lieu of cash, to support various risk management insurance policies. These letters of credit represent a contingent liability and the Company would only be liable if it defaults on its payment obligations on these policies.

The following table summarizes the expiration of the Company's financial guarantees and stand-by letters of credit outstanding as of March 31, 2019:

(in millions)	Fiscal 2020	Fiscal 2021	Fiscal 2022 and Thereafter	Totals
Surety bonds	$ 254	$ 125	$ 145	$ 524
Letters of credit	190	28	364	582
Stand-by letters of credit	81	81	13	175
Totals	$ 525	$ 234	$ 522	$ 1,281

The Company generally indemnifies licensees of its proprietary software products against claims brought by third parties alleging infringement of their intellectual property rights, including rights in patents (with or without geographic limitations), copyrights, trademarks and trade secrets. DXC's indemnification of its licensees relates to costs arising from court awards, negotiated settlements, and the related legal and internal costs of those licensees. The Company maintains the right, at its own cost, to modify or replace software in order to eliminate any infringement. The Company has not incurred any significant costs related to licensee software indemnification.

Contingencies

Vincent Forcier v. Computer Sciences Corporation and The City of New York: On October 27, 2014, the United States Attorney's Office for the Southern District of New York and the Attorney General for the State of New York filed complaints-in-intervention on behalf of the United States and the State of New York, respectively, against CSC and The City of New York. This action arose out of a *qui tam* complaint originally filed under seal in 2012 by Vincent Forcier, a former employee of CSC. The complaints allege that from 2008 to 2012 New York City and CSC, in its role as fiscal agent for New York City's Early Intervention Program ("EIP"), a federal program that provides services for infants and toddlers with manifest or potential developmental delays, violated the federal and state False Claims Acts and various common law standards by allegedly orchestrating a billing fraud against Medicaid through the misapplication of default billing codes and the failure to exhaust private insurance coverage before submitting claims to Medicaid. The New York Attorney General's complaint also alleges that New York City and CSC failed to reimburse Medicaid in certain instances where insurance had paid a portion of the claim. The lawsuits seek treble statutory damages, other civil penalties and attorneys' fees and costs.

On January 26, 2015, CSC and the City of New York moved to dismiss Forcier's amended *qui tam* complaint as well as the federal and state complaints-in-intervention. In June 2016, the Court dismissed Forcier's amended complaint in its entirety. With regard to the complaints-in-intervention, the Court dismissed the federal claims alleging misuse of default diagnosis codes when the provider had entered an invalid code, and the state claims alleging failure to reimburse Medicaid when claims were subsequently paid by private insurance. The Court denied the motions to dismiss with respect to the federal and state claims relating to (i) submission of insurance claims with a code signifying that the patient's policy ID was unknown, and (ii) submission of claims to Medicaid after the statutory deadline for payment by private insurance had passed, and state common law claims. In accordance with the ruling, the United States and the State of New York each filed amended complaints-in-intervention on September 6, 2016. In addition to reasserting the claims upheld by the Court, the amended complaints assert new claims alleging that the compensation provisions of CSC's contract with New York City rendered it ineligible to serve as a billing agent under state law.

On November 9, 2016, CSC filed motions to dismiss the amended complaints in their entirety. On August 10, 2017, the Court granted in part and denied in part the motions to dismiss, allowing the remaining causes of action to proceed. On January 9, 2018, the Company answered the complaints, and asserted a counterclaim against the State of New York on a theory of contribution and indemnification. On January 30, 2018, the State of New York filed a motion to dismiss the Company's counterclaim. In a ruling dated September 20, 2018, the Court allowed the Company's counterclaim for indemnification to proceed with respect to liability for claims not arising under the Federal False Claims Act. The Parties participated in a non-binding mediation on November 29, 2017, but no settlement has been reached to date. Discovery has now commenced. The Company believes that these claims are without merit and intends to continue to defend itself vigorously.

Strauch Fair Labor Standards Act Collective Action: On July 1, 2014, plaintiffs Joseph Strauch, Timothy Colby, Charles Turner, and Vernon Carre filed an action in the U.S. District Court for the District of Connecticut on behalf of themselves and a putative nationwide collective of CSC system administrators, alleging CSC's failure to properly classify these employees as non-exempt under the federal Fair Labor Standards Act ("FLSA"). Plaintiffs allege similar state-law Rule 23 class claims pursuant to Connecticut and California statutes, including the Connecticut Minimum Wage Act, the California Unfair Competition Law, California Labor Code, California Wage Order No. 4-2001 and the California Private Attorneys General Act. Plaintiffs claim double overtime damages, liquidated damages, pre- and post-judgment interest, civil penalties, and other state-specific remedies.

In 2015 the Court entered an order granting conditional certification under the FLSA of the collective of over 4,000 system administrators, and notice of the right to participate in the FLSA collective action was mailed to the system administrators. Approximately 1,000 system administrators, prior to the announced deadline, filed consents with the Court to participate in the FLSA collective.

On June 30, 2017, the Court granted Rule 23 certification of a Connecticut state-law class and a California state-law class consisting of professional system administrators and associate professional system administrators. Senior professional system administrators were found not to qualify for Rule 23 certification under the state-law claims. On July 14, 2017, the Company petitioned the Second Circuit Court of Appeals for permission to file an appeal of the Rule 23 decision. That petition was denied on November 21, 2017.

As a result of the Court's findings in its Rule 23 certification order, the parties entered into a stipulation to decertify the senior professional system administrators from the FLSA collective. On August 2, 2017, the Court approved the stipulation, and the FLSA collective action is currently made up of approximately 700 individuals who held the title of associate professional or professional system administrator.

A jury trial commenced on December 11, 2017. On December 20, 2017, the jury returned a verdict in favor of plaintiffs, finding that the Company had misclassified the class of employees as exempt under federal and state laws, and finding that it had done so willfully. In a ruling dated September 21, 2018, the Court denied the Company's motions for judgment as a matter of law, and for decertification. Further rulings on the scope of damages are pending. The Company disagrees with the verdict and intends to continue to defend itself vigorously, including by appealing the verdict and the final judgment of the Court.

Computer Sciences Corporation v. Eric Pulier, et al.: On May 12, 2015, CSC and its wholly owned subsidiary, ServiceMesh Inc. ("SMI"), filed a civil complaint in the Court of Chancery of the State of Delaware against Eric Pulier, the former CEO of SMI, which had been acquired by CSC on November 15, 2013. Following the acquisition, Mr. Pulier signed a retention agreement with SMI pursuant to which he received a grant of restricted stock units of CSC and agreed to be bound by CSC's rules and policies, including CSC's Code of Business Conduct. Mr. Pulier resigned from SMI on April 22, 2015 amid allegations that he had engaged in fraudulent transactions with two employees of the Commonwealth Bank of Australia Ltd. ("CBA"). The original complaint against Mr. Pulier asserted claims for fraud, breach of contract and breach of fiduciary duty. In an amended complaint, CSC named TechAdvisors, LLC and Shareholder Representative Services LLC ("SRS") as additional defendants. In ruling on a motion to dismiss filed by Mr. Pulier, the Court dismissed CSC's claim for breach of the implied covenant of good faith, but allowed substantially all of the remaining claims to proceed. Mr. Pulier asserted counter-claims for breach of contract, fraud, negligent representation, rescission, and violations of the California Blue Sky securities law. With the exception of the claim for breach of his retention agreement, the Court dismissed in whole or in part each of Mr. Pulier's counterclaims.

On December 17, 2015, CSC entered into a settlement agreement with the majority of the former equityholders of SMI, as well as with SRS acting in its capacity as the agent and attorney-in-fact for the settling equityholders. Pursuant to the settlement agreement, CSC received $16.5 million, which amount was equal to the settling equityholders' pro rata share of the funds remaining in escrow from the transaction, which was recorded as an offset to selling, general and administrative costs in CSC's statements of operations for the fiscal year ended March 31, 2016. On February 20, 2017, CSC, SRS and the former equityholders of SMI who remain named defendants entered into a partial settlement agreement by which CSC received payment of some of the funds remaining in escrow.

On July 20, 2017, the Court granted a motion by the United States for a 90-day stay of discovery pending the completion of a criminal investigation. On September 27, 2017, a grand jury empaneled by the United States District Court for the Central District of California returned an indictment against Mr. Pulier, charging him with conspiracy, securities and wire fraud, obstruction of justice, and other violations of federal law (United States v. Eric Pulier, CR 17-599-AB). The Government sought an extension of the stay which the Delaware Chancery Court granted on November 3, 2017.

On December 18, 2018, the Government filed an application to dismiss the indictment against Mr. Pulier, and on December 20, 2018, the United States District Court for the Central District of California granted the application and dismissed the indictment with prejudice.

On December 21, 2018, CSC filed a motion to lift the stay in its civil lawsuit against Mr. Pulier in Delaware Chancery Court, and a motion for a temporary restraining order and preliminary injunction preventing Mr. Pulier from dissipating approximately $4.9 million previously seized by the Government in connection with its criminal investigation. On January 30, 2019, the Court granted the motion to lift the stay. On March 5, 2019, the Court denied the motion for a temporary restraining order and preliminary injunction. The Court has set a trial date of April 20, 2020. Discovery is ongoing.

In addition, law enforcement officials in Australia have brought bribery-related charges against the two former CBA employees. One of these has since pled guilty, and in 2016 received a sentence of imprisonment. In 2016, the United States Attorney's Office for the Central District of California announced similar criminal charges against this same CBA employee for securities fraud and wire fraud. These criminal charges were dismissed on December 20, 2018. In April 2018 the other former CBA employee was committed to stand trial in the Australian criminal courts. The Company is cooperating with and assisting the Australian authorities in their investigation.

On February 17, 2016, Mr. Pulier filed a complaint in Delaware Chancery Court against CSC and its subsidiary - CSC Agility Platform, Inc., formerly known as SMI - seeking advancement of his legal fees and costs. On May 12, 2016, the Court ruled that CSC Agility Platform - as the successor to SMI - is liable for advancing 80% of Mr. Pulier's fees and costs in the underlying civil action. Mr. Pulier also filed a complaint for advancement of the legal fees and costs incurred in connection with his defense of criminal investigations by the U.S. Government and other entities. On August 7, 2017, the Court ruled substantially in Mr. Pulier's favor. On January 30, 2018, the Court reduced the Company's advancement obligation to only 80% of the criminal defense fees and costs sought by Mr. Pulier. In undertakings previously provided to SMI, Mr. Pulier agreed to repay all amounts advanced to him if it should ultimately be determined that he is not entitled to indemnification.

Kemper Corporate Services, Inc. v. Computer Sciences Corporation: In October 2015, Kemper Corporate Services, Inc. ("Kemper") filed a demand for arbitration against CSC with the American Arbitration Association ("AAA"), alleging that CSC breached the terms of a 2009 Master Software License and Services Agreement and related Work Orders (the "Agreement") by failing to complete a software translation and implementation plan by certain contractual deadlines. Kemper claimed breach of contract, seeking approximately $100 million in damages measured in part by the amount of the fees paid under the contract, as well as pre-judgment interest, and in the alternative claimed rescission of the Agreement. CSC answered the demand for arbitration denying Kemper's claims and asserting a counterclaim for unpaid invoices for services rendered by CSC.

A single arbitrator conducted an evidentiary hearing on the merits of the claims and counterclaims in April 2017. Oral argument took place on August 28, 2017. On October 2, 2017, the arbitrator issued a partial final award, finding for Kemper on its breach of contract theory, awarding Kemper $84.2 million in compensatory damages plus prejudgment interest, denying Kemper's claim for rescission as moot, and denying CSC's counterclaim. Kemper moved on October 10, 2017, in federal district court in Texas to confirm the award. On November 16, 2017, the arbitrator issued a Final Award which reiterated his findings of fact and law, calculated the amount of prejudgment interest, and awarded Kemper its costs of arbitration including reasonable attorneys' fees and expenses. On December 6, 2017, the Company filed a motion to vacate the award in federal district court in New York. A week later, the New York court stayed the action in deference to the Texas court's decision as to which venue was more appropriate to address the vacatur arguments. On January 12, 2018, the Company appeared in the Texas action seeking a stay of the confirmation proceedings or a transfer of venue to New York. On March 2, 2018, the Texas court denied the venue transfer motion. The pending vacatur motion was accordingly transferred to the Texas court, and a new memorandum of law in support of the motion was filed in that jurisdiction on March 30, 2018. On August 27, 2018, the Magistrate Judge issued its Report and Recommendation denying the vacatur motion. On September 10, 2018, the Company filed its objections to this report to the United States District Judge who reviews the decision *de novo*. On September 18, 2018, the District Court summarily accepted the Report and Recommendation without further briefing and entered a Final Judgment in the case. On September 27, 2018, the Company filed a notice of appeal to the Fifth Circuit Court of Appeals. The Company has also paid the portion of the judgment that is uncontested on appeal, and Kemper recorded this partial satisfaction of the judgment on September 26, 2018. On January 16, 2019, the Company filed its opening brief with the Fifth Circuit Court of Appeals. Kemper filed its brief on March 1, 2019, and the Company filed its reply brief on March 29, 2019. No further dates have been set at this time.

The Company disagrees with the decision of the arbitrator and intends to continue to defend itself vigorously. The Company is also pursuing coverage for the full scope of the award, interest, and legal fees and expenses, under the Company's applicable insurance policies.

Forsyth, et al. v. HP Inc. and Hewlett Packard Enterprise: This purported class and collective action was filed on August 18, 2016 in the U.S. District Court for the Northern District of California, against HP and HPE alleging violations of the Federal Age Discrimination in Employment Act (“ADEA”), the California Fair Employment and Housing Act, California public policy and the California Business and Professions Code. Former business units of HPE now owned by the Company will be proportionately liable for any recovery by plaintiffs in this matter. Plaintiffs filed an amended complaint on December 19, 2016. Plaintiffs seek to certify a nationwide class action under the ADEA comprised of all U.S. residents employed by defendants who had their employment terminated pursuant to a work force reduction (“WFR”) plan on or after December 9, 2014 (deferral states) and April 8, 2015 (non-deferral states), and who were 40 years of age or older at the time of termination. Plaintiffs also seek to represent a Rule 23 class under California law comprised of all persons 40 years or older employed by defendants in the state of California and terminated pursuant to a WFR plan on or after August 18, 2012. On January 30, 2017, defendants filed a partial motion to dismiss and a motion to compel arbitration of claims by certain named and opt-in plaintiffs who had signed releases as part of their WFR packages. On September 20, 2017, the Court denied the partial motion to dismiss without prejudice, but granted defendants’ motions to compel arbitration for those named and opt-in plaintiffs. Accordingly, the Court has stayed the entire action pending arbitration for these individuals, and administratively closed the case. Plaintiffs filed a motion for reconsideration as well as a notice of appeal to the Ninth Circuit (which has been denied as premature). The reconsideration motion was denied without oral argument. In that same decision, the Court held that a joint arbitration was permissible. The Company subsequently sought and obtained leave of Court to file a motion for reconsideration arguing that joint arbitration is not permitted under the relevant employee agreements. The Court denied the motion on April 17, 2018, ruling that interpretation of the employee agreements is an issue delegated to the arbitrator. The American Arbitration Association, which was designated to manage the arbitration process, has selected a single arbitrator to conduct the proceedings. An initial case management conference before the arbitrator was held on June 29, 2018. Pursuant to the release agreements, however, mediation is a precondition to arbitration. A mediation was held on October 4-5, 2018, and a settlement was reached with all 16 named and opt-in plaintiffs who were compelled to arbitrate. Seven of the plaintiffs were aligned to the Company. A settlement agreement has been signed. The case will continue to proceed in Court, however, with respect to other putative class members. Former business units of the Company now owned by Perspecta will be proportionately liable for any recovery by plaintiffs in this matter.

Oracle America, Inc., et al. v. Hewlett Packard Enterprise Company: On March 22, 2016, Oracle filed a complaint against HPE in the Northern District of California, alleging copyright infringement, interference with contract, intentional interference with prospective economic relations, and unfair competition. The litigation relates in part to former business units of HPE that are now owned by the Company. The Company may be required to indemnify HPE for a portion of any recovery by Oracle in the litigation related to these business units.

Oracle’s claims arise primarily out of HPE’s prior relationship with a third-party maintenance provider named Terix Computer Company, Inc. (“Terix”). Oracle claims that Terix infringed its copyrights while acting as HPE’s subcontractor for certain customers of HPE’s multivendor support business. Oracle claims that HPE is liable for vicarious and contributory infringement arising from the alleged actions of Terix and for direct infringement arising from its own alleged conduct.

On June 14, 2018, the court heard oral argument on the parties’ cross-motions for summary judgment. On January 29, 2019, the court granted HPE’s motion for summary judgment and denied Oracle’s motion for summary judgment, resolving the matter in HPE’s favor. Oracle has appealed the judgment to the U.S. Court of Appeals for the Ninth Circuit. The parties are scheduled to submit briefs in the appellate case between June and July 2019.

In re DXC Technology Company Securities Litigation: On December 27, 2018, a purported class action lawsuit was filed in the United States District Court for the Eastern District of Virginia against the Company and two of its current officers. The lawsuit asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and is premised on allegedly false and/or misleading statements, and alleged non-disclosure of material facts, regarding the Company’s business, operations, prospects and performance during the proposed class period of February 8, 2018 to November 6, 2018.

In March 2019, three related shareholder derivative lawsuits were filed in the District Court of the State of Nevada, in and for Clark County, against two of the Company’s current officers and the members of the Company’s board of directors, asserting claims for breach of fiduciary duty, waste of corporate assets, and unjust enrichment.

The Company believes the claims are without merit and intends to vigorously defend all claims asserted.

Voluntary Disclosure of Certain Possible Sanctions Law Violations: On February 2, 2017, CSC submitted an initial notification of voluntary disclosure to the U.S. Department of Treasury, Office of Foreign Assets Control ("OFAC") regarding certain possible violations of U.S. sanctions laws pertaining to insurance premium data and claims data processed by two partially-owned joint ventures of Xchanging, which CSC acquired during the first quarter of fiscal 2017. A copy of the disclosure was also provided to Her Majesty’s Treasury Office of Financial Sanctions Implementation in the United Kingdom. The Company has substantially completed its internal investigation, and has requested a meeting with OFAC to report its findings.

In addition to the matters noted above, the Company is currently subject in the normal course of business to various claims and contingencies arising from, among other things, disputes with customers, vendors, employees, contract counterparties and other parties, as well as securities matters, environmental matters, matters concerning the licensing and use of intellectual property, and inquiries and investigations by regulatory authorities and government agencies. Some of these disputes involve or may involve litigation. The financial statements reflect the treatment of claims and contingencies based on management's view of the expected outcome. DXC consults with outside legal counsel on issues related to litigation and regulatory compliance and seeks input from other experts and advisors with respect to matters in the ordinary course of business. Although the outcome of these and other matters cannot be predicted with certainty, and the impact of the final resolution of these and other matters on the Company’s results of operations in a particular subsequent reporting period could be material and adverse, management does not believe based on information currently available to the Company, that the resolution of any of the matters currently pending against the Company will have a material adverse effect on the financial position of the Company or the ability of the Company to meet its financial obligations as they become due. Unless otherwise noted, the Company is unable to determine at this time a reasonable estimate of a possible loss or range of losses associated with the foregoing disclosed contingent matters.

Note 22 - Reconciliation of Previously Reported Amounts to Recast Financial Statements

As described under "Recent Accounting Pronouncements" in Note 1–Summary of Significant Accounting Policies," during fiscal 2019 the Company adopted ASU 2016-15. The adoption of this standard requires the Company to recast each prior period presented consistent with the new guidance. A reconciliation of the amounts previously reported within Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 16, 2018 to those as adjusted within the accompanying financial statements is shown in the tables below for selected financial amounts:

Consolidated Statements of Cash Flows

	Fiscal Year Ended March 31, 2018		
(in millions)	As Previously Reported	Retrospective Adoption of ASU 2016-15	As Adjusted
Decrease (increase) in receivables	$ 74	$ (538)	$ (464)
Net cash provided by operating activities	$ 3,105	$ (538)	$ 2,567
Deferred purchase price receivable	$ 147	$ 538	$ 685
Net cash provided by investing activities	$ 181	$ 538	$ 719

	Fiscal Year Ended March 31, 2017		
(in millions)	As Previously Reported	Retrospective Adoption of ASU 2016-15	As Adjusted
Decrease (increase) in receivables	$ 193	$ (218)	$ (25)
Net cash provided by operating activities	$ 837	$ (218)	$ 619
Deferred purchase price receivable	$ 141	$ 218	$ 359
Net cash used in investing activities	$ (783)	$ 218	$ (565)

Note 23 - Subsequent Events

No events, other than those described in these notes, have occurred that would require recognition or disclosure in the consolidated financial statements.

ITEM 8. Supplementary Data

All financial statement schedules have been omitted since they are either not required, not applicable, or the required information is shown in the financial statements or related notes. As a result of the USPS Separation, the statement of operations, balance sheets, and related financial information reflect USPS's operations, assets and liabilities as discontinued operations. See Note 3 - "Divestitures".

Selected Quarterly Financial Data (Unaudited)

	Fiscal 2019			
(in millions, except per-share amounts)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues	$ 5,282	$ 5,013	$ 5,178	$ 5,280
Costs of services (excludes depreciation and amortization and restructuring costs)	3,867	3,518	3,725	3,836
Gross profit	$ 1,415	$ 1,495	$ 1,453	$ 1,444
Restructuring costs	$ 185	$ 157	$ 76	$ 47
Income from continuing operations before taxes	$ 360	$ 332	$ 469	$ 354
Income from continuing operations, net of taxes	$ 231	$ 259	$ 466	$ 271
Income from discontinued operations, net of taxes	$ 35	$ —	$ —	$ —
Net income attributable to DXC common shareholders	$ 259	$ 262	$ 462	$ 274
Earnings per common share[(1)]				
Basic:				
Continuing operations	$ 0.79	$ 0.93	$ 1.68	$ 1.02
Discontinued operations	$ 0.12	$ —	$ —	$ —
Diluted:				
Continuing operations	$ 0.78	$ 0.92	$ 1.66	$ 1.01
Discontinued operations	$ 0.12	$ —	$ —	$ —
Cash dividend per common share	$ 0.19	$ 0.19	$ 0.19	$ 0.19

Selected Quarterly Financial Data (Unaudited)

(in millions, except per-share amounts)	Fiscal 2018			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues	$ 5,236	$ 5,453	$ 5,460	$ 5,584
Costs of services (excludes depreciation and amortization and restructuring costs)	4,309	3,870	4,051	4,087
Gross profit	$ 927	$ 1,583	$ 1,409	$ 1,497
Restructuring costs	$ 187	$ 188	$ 210	$ 204
Income from continuing operations before taxes	$ 91	$ 284	$ 341	$ 588
Income from continuing operations, net of taxes	$ 108	$ 205	$ 706	$ 527
Income from discontinued operations, net of taxes	$ 65	$ 60	$ 73	$ 38
Net income attributable to CSC common shareholders	$ 159	$ 256	$ 776	$ 560
Earnings per common share[1]				
Basic:				
Continuing operations	$ 0.33	$ 0.69	$ 2.46	$ 1.83
Discontinued operations	$ 0.23	$ 0.21	$ 0.26	$ 0.13
Diluted:				
Continuing operations	$ 0.33	$ 0.67	$ 2.43	$ 1.80
Discontinued operations	$ 0.22	$ 0.21	$ 0.25	$ 0.13
Cash dividend per common share	$ 0.18	$ 0.18	$ 0.18	$ 0.18

[1] Quarterly EPS amounts may not total to the full-year EPS. EPS is calculated based on weighted average shares outstanding for the period. Quarterly weighted average shares may not equal the full-year weighted average shares for the fiscal year.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the direction and with the participation of our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report to ensure that information required to be disclosed by us in the SEC reports (i) is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) is accumulated and communicated to our management, including the principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that DXC's disclosure controls and procedures were effective as of the end of the period covered by this report and that our financial statements for the periods covered by and included in this Annual Report are fairly stated in all material respects in accordance with generally accepted accounting principles in the United States of America for each of the periods presented herein.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting includes policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; (ii) provide reasonable assurance that transactions are recorded as necessary for preparation of our financial statements and receipts and expenditures are being made only in accordance with authorization of management and the directors of DXC; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting based on the criteria and framework established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of March 31, 2019.

During the year DXC made eight acquisitions with acquisition dates ranging from April 4, 2018 to February 15, 2019 that were excluded from management's assessment of internal control over financial reporting. The combined financial statements of these eight acquisitions constitute 1.1% of total assets and 1.2% of revenues of the consolidated financial statement amounts as of and for the year ended March 31, 2019.

The effectiveness of DXC's internal control over financial reporting as of March 31, 2019 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing on page 139 of this Annual Report.

Changes in Internal Controls Over Financial Reporting

There were no changes in our internal control over financial reporting during fiscal 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
DXC Technology Company
Tysons, Virginia

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of DXC Technology Company and subsidiaries (the “Company”) as of March 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended March 31, 2019, of the Company and our report dated June 12, 2019, expressed an unqualified opinion on those financial statements.

As described in Management’s Report on Internal Control over Financial Reporting, during the year DXC made eight acquisitions with acquisition dates ranging from April 4, 2018 to February 15, 2019 that were excluded from management's assessment of internal control over financial reporting. The combined financial statements of these eight acquisitions constitute 1.1% of total assets and 1.2% of revenues of the consolidated financial statement amounts as of and for the year ended March 31, 2019. Accordingly, our audit did not include the internal control over financial reporting at these eight acquisitions.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

McLean, Virginia
June 12, 2019

ITEM 9B. OTHER INFORMATION

None.

PART III

Certain information required by Part III is omitted from this Annual Report on Form 10-K and is incorporated herein by reference to the definitive proxy statement with respect to our 2018 Annual Meeting of Stockholders (the "2018 Proxy Statement"), which we will file with the Securities and exchange Commission no later than 120 days after the end of the fiscal year covered by this Annual Report.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information relating to our executive officers appears in Part I, Item I of this Annual Report on Form 10-K under the heading "Information About Our Executive Officers."

Other information required by this item will appear under the headings "Proposal 1-Election of Directors”, "Section 16(a) Beneficial Ownership Reporting Compliance", “Corporate Governance”, and “Additional Information-Business for 2019 Annual Meeting" in our 2019 Proxy Statement, which will be filed with the SEC pursuant to Regulation 14A not later than 120 days after March 31, 2019, and such information is incorporated herein by reference.

We have a written Code of Business Conduct that applies to our Chief Executive Officer, Chief Financial Officer and our Principal Accounting Officer and every other officer and employee of DXC. Our Code of Business Conduct is available on our website, *www.dxc.technology,* under the heading Leadership and Governance. If any amendment to, or a waiver from, a provision of the Code Business Conduct is made, we intend to disclose such information on our website within four business days.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item will appear in our 2019 Proxy Statement under the headings "Executive Compensation" and "Corporate Governance" and are incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table gives information about our common stock that may be issued under our equity compensation plans as of March 31, 2019. See Note 15 - "Stock Incentive Plans" of the consolidated financial statements included herein for information regarding the material features of these plans.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a)**
Plan Category	**(a)**	**(b)**	**(c)**
Equity compensation plans approved by security holders	5,204,293	13.54	21,937,273
Equity compensation plans not approved by security holders	—	—	—
Total	5,204,293	—	21,937,273

Other information required by this Item will appear in the 2019 Proxy Statement under the heading "Security Ownership," which section is incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item will appear in our 2019 Proxy Statement under the headings "Corporate Governance" and "Certain Relationships and Related Transactions" and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this item will appear in our 2019 Proxy Statement under the heading "Proposal 2-Ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2020-Fees" and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(1) Consolidated Financial Statements

The financial statements are included under Item 8 of this Annual Report. See the index on page 52.

(2) Exhibits

The following exhibits are filed herewith unless otherwise indicated.

Exhibit Number	Description of Exhibit
2.1	Agreement and Plan of Merger, dated as of May 24, 2016, by and among Computer Sciences Corporation, Hewlett Packard Enterprise Company, Everett SpinCo, Inc. (now known as DXC Technology Company) and Everett Merger Sub, Inc. (incorporated by reference to Exhibit 2.1 to Hewlett Packard Enterprise Company's Current Report on Form 8-K (filed May 26, 2016) (file no. 001-37483))
2.2	First Amendment to Agreement and Plan of Merger, dated as of November 2, 2016, by and among Computer Sciences Corporation, Hewlett Packard Enterprise Company, Everett SpinCo, Inc. (now known as DXC Technology Company), New Everett Merger Sub Inc. and Everett Merger Sub Inc. (incorporated by reference to Exhibit 2.1 to Hewlett Packard Enterprise Company's Current Report on Form 8-K (filed November 2, 2016) (file no. 001-37483))
2.3	Second Amendment to Agreement and Plan of Merger, dated as of December 6, 2016, by and among Hewlett Packard Enterprise Company, Computer Sciences Corporation, Everett SpinCo, Inc. (now known as DXC Technology Company), Everett Merger Sub Inc. and New Everett Merger Sub Inc. (incorporated by reference to Exhibit 2.3 to Amendment No. 1 to Form 10 of Everett SpinCo, Inc. (filed December 7, 2016) (file no. 000-55712))
2.4	Separation and Distribution Agreement, dated May 24, 2016, between Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (now known as DXC Technology Company) (incorporated by reference to Exhibit 2.2 to Hewlett Packard Enterprise Company's Form 8-K (filed May 26, 2016) (file no. 001-37483))
2.5	First Amendment to the Separation and Distribution Agreement, dated November 2, 2016, by and between Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (now known as DXC Technology Company) (incorporated by reference to Exhibit 2.2 to Hewlett Packard Enterprise Company's Form 8-K (filed November 2, 2016) (file no. 001-37483))
2.6	Second Amendment to the Separation and Distribution Agreement, dated December 6, 2016, by and between Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (now known as DXC Technology Company)(incorporated by reference to Exhibit 2.6 to Everett SpinCo, Inc.'s Amendment No. 1 to Form 10 (filed December 7, 2016) (file no. 000-55712))
2.7	Third Amendment to the Separation and Distribution Agreement, dated January 27, 2017, by and between Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (now known as DXC Technology Company) (incorporated by reference to Exhibit 2.7 to Everett SpinCo Inc.'s Form 10 (filed February 14, 2017) (file no. 000-55712))
2.8	Fourth Amendment to the Separation and Distribution Agreement, dated March 31, 2017, by and between Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (now known as DXC Technology Company) (incorporated by reference to Exhibit 2.6 to DXC Technology Company's Form 8-K (filed April 6, 2017) (file no. 001-38033))
2.9	Employee Matters Agreement, dated as of March 31, 2017, by and among the Computer Sciences Corporation, Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (now known as DXC Technology Company) (incorporated by reference to Exhibit 2.1 to DXC Technology Company's Form 8-K (filed April 6, 2017) (file no. 001-38033))

2.10	Tax Matters Agreement, dated as of March 31, 2017, by and among the Computer Sciences Corporation, Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (now known as DXC Technology Company) (incorporated by reference to Exhibit 2.2 to DXC Technology Company's Form 8-K (filed April 6, 2017) (file no. 001-38033))
2.11	Intellectual Property Matters Agreement, dated as of March 31, 2017, by and among Hewlett Packard Enterprise Company, Hewlett Packard Enterprise Development LP and Everett SpinCo, Inc. (now known as DXC Technology Company) (incorporated by reference to Exhibit 2.3 to DXC Technology Company's Form 8-K (filed April 6, 2017) (file no. 001-38033))
2.12	Transition Services Agreement, dated as of March 31, 2017, by and between Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (now known as DXC Technology Company) (incorporated by reference to Exhibit 2.4 to DXC Technology Company's Form 8-K (filed April 6, 2017) (file no. 001-38033))
2.13	Real Estate Matters Agreement, dated as of March 31, 2017, by and between Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (now known as DXC Technology Company) (incorporated by reference to Exhibit 2.5 to DXC Technology Company's Form 8-K (filed April 6, 2017) (file no. 001-38033))
2.14	Agreement and Plan of Merger, dated as of October 11, 2017 by and among DXC Technology Company, Ultra SCInc., Ultra First VMS Inc., Ultra Second VMS LLC, Ultra KMS Inc., Vencore Holding Corp., KGS Holding Corp.,The SI Organization Holdings LLC and KGS Holding LLC (incorporated by reference to Exhibit 2.1 to DXC Technology Company's Form 8-K (filed October 13, 2017) (file no. 001-38033))
2.15	Separation and Distribution Agreement dated as of May 31, 2018, by and between DXC Technology Company and Perspecta Inc. (incorporated by reference to Exhibit 2.1 to DXC Technology Company's Current Report on Form 8-K (filed June 6, 2018) (file no. 001-38033))
2.16	Employee Matters Agreement dated as of May 31, 2018, by and between DXC Technology Company and Perspecta Inc. (incorporated by reference to Exhibit 2.2 to DXC Technology Company's Current Report on Form 8-K (filed June 6, 2018) (file no. 001-38033))
2.17	Tax Matters Agreement dated as of May 31, 2018, by and between DXC Technology Company and Perspecta Inc. (incorporated by reference to Exhibit 2.3 to DXC Technology Company's Current Report on Form 8-K (filed June 6, 2018) (file no. 001-38033))
2.18	Intellectual Property Matters Agreement dated as of May 31, 2018, by and between DXC Technology Company and Perspecta Inc. (incorporated by reference to Exhibit 2.4 to DXC Technology Company's Current Report on Form 8-K (filed June 6, 2018) (file no. 001-38033))
2.19	Transition Services Agreement dated as of May 31, 2018, by and between DXC Technology Company and Perspecta Inc. (incorporated by reference to Exhibit 2.5 to DXC Technology Company's Current Report on Form 8-K (filed June 6, 2018) (file no. 001-38033))
2.20	Real Estate Matters Agreement dated as of May 31, 2018, by and between DXC Technology Company and Perspecta Inc. (incorporated by reference to Exhibit 2.6 to DXC Technology Company's Current Report on Form 8-K (filed June 6, 2018) (file no. 001-38033))
2.21	Non-U.S. Agency Agreement dated as of May 31, 2018, by and between DXC Technology Company and Perspecta Inc. (incorporated by reference to Exhibit 2.7 to DXC Technology Company's Current Report on Form 8-K (filed June 6, 2018) (file no. 001-38033))
2.22	Merger Agreement, dated January 6, 2019, by and among DXC Technology Company, Luna Equities, Inc. and Luxoft Holding, Inc (incorporated by reference to Exhibit 99.1 to Luxoft Holding, Inc's Report of Foreign Private Issuer on Form 6-K (filed January 7, 2019) (file no. 001-35976))
3.1	Articles of Incorporation of DXC Technology Company, as filed with the Secretary of State of the State of Nevada on March 31, 2017 (incorporated by reference to Exhibit 3.3 to DXC Technology Company's Form 8-K (filed April 6, 2017) (file no. 001-38033))
3.2	Amended and Restated Bylaws of DXC Technology Company, effective March 15, 2018 (incorporated by reference to Exhibit 3.1 to DXC Technology Company's Form 8-K (filed March 15, 2018) (file no. 001-38033))
4.1	Base Indenture, dated as of March 27, 2017, between Everett SpinCo, Inc. (now known as DXC Technology Company) and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to DXC Technology Company's Form 8-K (filed March 27, 2017) (file no. 001-38033))
4.2	First Supplemental Indenture, dated as of March 27, 2017, between Everett SpinCo, Inc. (now known as DXC Technology Company) and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to DXC Technology Company's Form 8-K (filed March 27, 2017) (file no. 001-38033))
4.3	Second Supplemental Indenture, dated as of August 9, 2017, between DXC Technology Company and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to DXC Technology Company's Form 8-K (filed August 9, 2017) (file no. 001-38033))
4.4	Third Supplemental Indenture, dated as of August 9, 2017, between DXC Technology Company and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to DXC Technology Company's Form 8-K (filed August 9, 2017) (file no. 001-38033))
4.5	Fourth Supplemental Indenture, dated as of August 17, 2017, between DXC Technology Company and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to DXC Technology Company's Form 8-K (filed August 17, 2017) (file no. 001-38033))
4.6	Fifth Supplemental Indenture, dated February 7, 2018, between DXC technology Company and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.5 to DXC Technology Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2017 (filed February 9, 2018) (file no. 001-38033))

4.7	Sixth Supplemental Indenture, dated March 15, 2018, among DXC Technology Company, U.S. Bank National Association, as trustee, and Elavon Financial Services DAC, UK Branch, as paying agent (incorporated by reference to Exhibit 4.1 to DXC Technology Company's Form 8-K (filed March 15, 2018) (file no. 001-38033))
4.8	Seventh Supplemental Indenture, dated September 26, 2018, among DXC Technology Company, U.S. Bank National Association, as trustee, and Elavon Financial Services DAC, UK Branch, as paying agent (incorporated by reference to Exhibit 4.1 to DXC Technology Company’s Current Report on Form 8-K (filed September 26, 2018) (file no. 001-38033))
4.9	Form of DXC Technology Company's 4.750% Senior Notes due 2027 (included in Exhibit 4.2) (incorporated by reference to Exhibit 4.2 to DXC Technology Company's Form 8-K (filed March 27, 2017) (file no. 001-38033))
4.10	Form of DXC Technology Company's 2.875% Senior Notes due 2020 (included in Exhibit 4.4) (incorporated by reference to Exhibit 4.2 to DXC Technology Company's Form 8-K (filed August 9, 2017) (file no. 001-38033))
4.11	Form of DXC Technology Company's 4.45% Senior Notes due 2022 (included in Exhibit 4.3) (incorporated by reference to Exhibit 4.1 to DXC Technology Company's Form 8-K (filed August 9, 2017) (file no. 001-38033))
4.12	Form of DXC Technology Company's 4.250% Senior Notes due 2024 (included in Exhibit 4.4) (incorporated by reference to Exhibit 4.2 to DXC Technology Company's Form 8-K (filed August 9, 2017) (file no. 001-38033))
4.13	Form of DXC Technology Company's 4.750% Senior Notes due 2027 (included in Exhibit 4.4) (incorporated by reference to Exhibit 4.2 to DXC Technology Company's Form 8-K (filed August 9, 2017) (file no. 001-38033))
4.14	Form of DXC Technology Company's Senior Floating Rate Notes due 2021 (included in Exhibit 4.5) (incorporated by reference to Exhibit 4.2 to DXC Technology Company's Form 8-K (filed August 17, 2017) (file no. 001-38033))
4.15	Form of DXC Technology Company's 7.45% Senior Notes due 2029 (included in Exhibit 4.6) (incorporate by reference to Exhibit 4.5 to DXC Technology Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2017 (filed February 9, 2018) (file no. 001-38033))
4.16	Form of DXC Technology Company's 2.750% Senior Notes due 2025 (included in Exhibit 4.7) (incorporated by reference to Exhibit 4.1 to DXC Technology's Form 8-K filed March 15, 2018) (file no. 001-38033))
4.17	Form of DXC Technology Company’s 1.750% Senior Notes due 2026 (included in Exhibit 4.8) (incorporated by reference to Exhibit 4.1 to DXC Technology Company’s Current Report on Form 8-K (filed September 26, 2018) (file no. 001-38033))
4.18	Indenture dated as of September 18, 2012, between Computer Sciences Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to Computer Sciences Corporation's Current Report on Form 8-K (filed September 19, 2012) (file no. 001-04850))
4.19	First Supplemental Indenture dated as of September 18, 2012, between Computer Sciences Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to Computer Sciences Corporation's Current Report on Form 8-K (filed September 19, 2012) (file no. 001-04850))
4.20	Form of Computer Sciences Corporation’s 4.450% Senior Notes due 2022 (included in Exhibit 4.19) (incorporated by reference to Exhibit 4.2 to Computer Sciences Corporation's Current Report on Form 8-K (filed September 19, 2012) (file no. 001-04850))
4.21	Description of Securities (filed herewith)
10.1	Credit Agreement, dated as of October 11, 2013, among Computer Sciences Corporation, the financial institutions listed therein and Citibank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to Computer Sciences Corporation's Current Report on Form 8-K (filed October 17, 2013) (file number 001-04850))
10.2	Amendment No. 1 dated as of April 21, 2016 to the Credit Agreement dated October 11, 2013, among Computer Sciences Corporation, the financial institutions listed therein and Citibank, N.A. as administrative agent (incorporated by reference to Exhibit 10.1 to Computer Sciences Corporation’s Quarterly Report on Form 10-Q for the fiscal quarter ended July 1, 2016 (filed August 9, 2016) (file no. 001-04850))
10.3	Amendment No. 2 dated as of June 21, 2016 to the Credit Agreement dated October 11, 2013, among Computer Sciences Corporation, the financial institutions listed therein and Citibank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to Computer Sciences Corporation’s Current Report on Form 8-K (filed June 21, 2016) (file no. 001-04850))
10.4	Waiver and Amendment No. 3 dated as of February 17, 2017 to the Amended and Restated Credit Agreement dated October 11, 2013, among the Company, the financial institutions listed therein, and Citibank, N.A., as Agent (incorporated by reference to Exhibit 10.54 to Computer Sciences Corporation’s Annual Report on Form 10-K for the year ended March 31, 2017 (filed May 26, 2017) (file no. 001-04850))
10.5	Amendment No. 4 dated as of October 11, 2018 to the Amended and Restated Credit Agreement dated October 11, 2013, among DXC Technology Company, the financial institutions listed therein, and Citibank, N.A., as Agent (incorporated by reference to Exhibit 10.9 to DXC Technology Company's Quarterly Report on Form 10-Q (filed November 8, 2018) (file no. 001-38033))
10.6	Incremental Assumption Agreement, dated as of June 15, 2016, by and among Computer Sciences Corporation, the incremental lenders party thereto and Citibank, N.A. as administrative agent (incorporated by reference to Exhibit 10.3 to Computer Sciences Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended July 1, 2016 (filed August 9, 2016) (file no. 001-04850))
10.7	Second Incremental Assumption Agreement, dated as of July 25, 2016, by and among Computer Sciences Corporation, the incremental lenders party thereto and Citibank, N.A. as Administrative Agent (incorporated by reference to Exhibit 10.5 to DXC Technology Company's Annual Report on Form 10-K (filed May 29, 2018) (file no. 001-38033))

10.8	Third Incremental Assumption Agreement, dated as of December 30, 2016, by and among Computer Sciences Corporation, the incremental lenders party thereto and Citibank, N.A. as Administrative Agent (incorporated by reference to Exhibit 10.6 to DXC Technology Company's Annual Report on Form 10-K (filed May 29, 2018) (file no. 001-38033))
10.9	Fourth Incremental Assumption Agreement, dated as of April 3, 2017, by and among DXC Technology Company, the incremental lenders party thereto and Citibank, N.A. as administrative agent (incorporated by reference to Exhibit 10.8 to DXC Technology Company's Annual Report on Form 10-K (filed May 29, 2018) (file no. 001-38033))
10.10	Fifth Incremental Assumption Agreement, dated as of September 27, 2017, by and among DXC Technology Company, the incremental lenders party thereto and Citibank, N.A. as administrative agent (incorporated by reference to Exhibit 10.6 to DXC Technology Company's Annual Report on Form 10-K (filed May 29, 2018) (file no. 001-38033))
10.11	Sixth Incremental Assumption Agreement dated September 26, 2018, by and among the DXC Technology Company and the incremental lenders party thereto and consented to, with respect to the New Lender (as defined therein) only, by the Swing Line Banks (as defined in the Revolving Credit Agreement) party thereto and consented to, with respect to the New Lender only, and accepted by Citibank, as administrative agent (incorporated by reference to Exhibit 10.4 to DXC Technology Company’s Current Report on Form 8-K (filed September 27, 2018) (file no. 001-38033))
10.12	Term Loan Credit Agreement dated as of March 15, 2019 among DXC Technology Company, as borrower, the lenders from time to time party thereto, as Lenders, and Bank of America, N.A., as the administrative agent (incorporated by reference to Exhibit 10.1 to DXC Technology Company's Current Report on Form 8-K (filed March 20, 2019) (file no. 001-38033))
10.13	Term Loan Credit Agreement dated as of May 11, 2018, by and among DXC Technology Company, as Borrower, and Mizuho Bank, Ltd., as Lender and Administrative Agent (incorporated by reference to Exhibit 10.1 to DXC Technology Company's Current Report on Form 8-K (filed May 17, 2018) (file no. 001-38033))
10.14	Credit Agreement dated as of October 12, 2018, among CSC Computer Sciences International Operations Limited, as borrower, DXC Technology Company, as guarantor, the lenders from time to time party thereto, as Lenders, and Lloyds Bank PLC, as the administrative agent (incorporated by reference to Exhibit 10.1 to DXC Technology Company's Current Report on Form 8-K (filed October 16, 2018) (file no. 001-38033))
10.15	Syndicated Facility Agreement, dated as of November 27, 2018, by and among DXC Technology Australia Pty Limited, as initial borrower, the other borrowers from time to time party thereto, DXC Technology Company, as guarantor, the other guarantors from time to time party thereto, the lenders from time to time party thereto and Mizuho Bank, Ltd., as administrative agent (incorporated by reference to Exhibit 10.1 to DXC Technology Company's Current Report on Form 8-K (filed November 30, 2018) (file no. 001-38033))
10.16	Amendment Deed No. 1 dated as of December 5, 2018 to the Syndicated Facility Agreement dated November 27, 2018, by and among DXC Technology Australia Pty Limited, as borrower, DXC Technology Company, as guarantor, the lenders from time to time party thereto and Mizuho Bank, Ltd., as administrative agent (incorporated by reference to Exhibit 10.4 to DXC Technology Company's Quarterly Report on Form 10-Q (filed February 8, 2019) (file no. 001-38033))
10.17	Amendment Deed No. 2 dated as of January 8, 2019 to the Syndicated Facility Agreement dated November 27, 2018, by and among DXC Technology Australia Pty Limited, as borrower, DXC Technology Company, as guarantor, the lenders from time to time party thereto and Mizuho Bank, Ltd., as administrative agent (incorporated by reference to Exhibit 10.5 to DXC Technology Company's Quarterly Report on Form 10-Q (filed February 8, 2019) (file no. 001-38033))
10.18	Term Loan Agreement, dated as of December 16, 2016, by and among Everett SpinCo, Inc. (now known as DXC Technology Company), the lenders and arrangers party thereto and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as administrative agent. (incorporated by reference to Exhibit 10.1 to Hewlett Packard Enterprise Co's Form 8-K (filed December 22, 2016) (file no. 001-37483))
10.19	Amendment No. 1 dated March 3, 2017 to the Term Loan Agreement dated as of December 16, 2016, by and among Everett SpinCo, Inc. (now known as DXC Technology Company), the lenders and arrangers party thereto and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as administrative agent (incorporated by reference to Exhibit 10.14 to DXC Technology Company's Annual Report on Form 10-K (filed May 29, 2018) (file no. 001-38033))
10.20	Syndicated Facility Agreement, dated July 25, 2016, by and among CSC Australia PTY. Limited and UXC Limited, as borrowers, Computer Sciences Corporation, as guarantor, the lenders from time to time party thereto and Commonwealth Bank of Australia, as agent (incorporated by reference to Exhibit 10.1 to Computer Sciences Corporation’s Current Report on Form 8-K (filed July 28, 2016) (file no. 001-04850))
10.21	Waiver and Amendment No. 2 dated February 17, 2017 to the Syndicated Facility Agreement Syndicated Facility Agreement, dated July 25, 2016, by and among CSC Australia PTY. Limited and UXC Limited, as borrowers, Computer Sciences Corporation, as guarantor, the lenders from time to time party thereto and Commonwealth Bank of Australia, as agent (incorporated by reference to Exhibit 10.67 to Computer Sciences Corporation’s Annual Report on Form 10-K for the year ended March 31, 2017 (filed May 26, 2017) (file no. 001-04850))
10.22	Dealer Agreement, dated July 24, 2015, by and between CSC Capital Funding Limited, as issuer, Computer Sciences Corporation, as guarantor, Citibank International Limited, as arranger, and the financial institutions listed therein, as dealers (incorporated by reference to Exhibit 99.1 to Computer Sciences Corporation’s Current Report on Form 8-K (filed July 28, 2015) (file no.001-04850))
10.23	Amendment No. 1 dated April 3, 2017, to the Dealer Agreement, dated July 24, 2015, by and between DXC Capital Funding Limited, as Issuer, DXC Technology Company, as Guarantor, Citibank Europe PLC, UK Branch, as Arranger, and the financial institutions listed therein, as Dealers (incorporated by reference to Exhibit 10.23 to DXC Technology Company's Annual Report on Form 10-K (filed May 29, 2018) (file no. 001-38033))
10.24	Master Accounts Receivable Purchase Agreement, dated as of July 14, 2017 between Enterprise Services LLC and The Bank of Tokyo Mitsubishi UFJ, Ltd. (incorporated by reference to Exhibit 10.2 to DXC Technology Company's Form 8-K (filed July 19, 2017) (file no. 001-38033))

10.25	Guaranty, dated as of July 14, 2017 between DXC Technology Company and The Bank of Tokyo Mitsubishi UFJ, Ltd. (incorporated by reference to Exhibit 10.1 to DXC Technology Company's Form 8-K (filed July 19, 2017) (file no. 001-38033))
10.26	Amendment No. 1 dated as of January 23, 2018 to the Master Accounts Receivable Purchase Agreement dated as of July 14, 2017 between Enterprise Services LLC and The Bank of Tokyo Mitsubishi UFJ, Ltd (incorporated by reference to Exhibit 10.12 to DXC Technology Company's Annual Report on Form 10-K (filed May 29, 2018) (file no. 001-38033))
10.27	Purchase and Sale Agreement dated as of December 21, 2016, among Computer Sciences Corporation, as Contributing Originator and Servicer, Alliance-One Services, Inc., CSC Agility Platform, Inc., CSC Consulting, Inc., CSC Cybertek Corporation, Mynd Corporation and PDA Software Services LLC, as Originators, and CSC Receivables LLC, as Buyer (incorporated by reference to Exhibit 10.1 to Computer Sciences Corporation 's Current Report on Form 8-K (filed December 23, 2016) (file no. 001-04850))
10.28	First Amendment to the Purchase and Sale Agreement dated as of August 22, 2018, among Computer Sciences Corporation, as Contributing Originator and Servicer, Alliance-One Services, Inc., CSC Agility Platform, Inc., CSC Consulting, Inc., CSC Cybertek Corporation, Mynd Corporation, DXC Technology Services LLC and PDA Software Services LLC, as Originators, and CSC Receivables LLC, as Buyer (incorporated by reference to Exhibit 10.1 to DXC Technology Company’s Current Report on Form 8-K (filed August 27, 2018) (file no. 001-38033))
10.29	Second Amendment to the Purchase and Sale Agreement dated as of September 24, 2018, among Computer Sciences Corporation, as Exiting Originator and Exiting Servicer, Alliance-One Services, Inc., CSC Agility Platform, Inc., CSC Consulting, Inc., CSC Cybertek Corporation, Mynd Corporation and PDA Software Services LLC, as Exiting Originators, DXC Technology Services LLC, as Originator, DXC Technology Company, as Servicer, and DXC Receivables LLC (f/k/a CSC Receivables LLC), as Buyer (incorporated by reference to Exhibit 10.1 to DXC Technology Company’s Current Report on Form 8-K (filed September 27, 2018) (file no. 001-38033))
10.30	Receivables Purchase Agreement dated as of December 21, 2016, among Computer Sciences Corporation, as Servicer, CSC Receivables LLC, as Seller, the persons from time to time party thereto as Purchasers and group agents, PNC Bank, National Association, as Administrative Agent and PNC Capital Markets LLC, as Structuring Agent (incorporated by reference to Exhibit 10.2 to Computer Sciences Corporation’s Current Report on Form 8-K (filed December 23, 2016) (file no. 001-04850))
10.31	Third Amendment to the Receivables Purchase Agreement dated as of August 22, 2018, among Computer Sciences Corporation, as Servicer, CSC Receivables LLC, as seller, the persons from time to time party thereto as Purchasers and group agents, and PNC Bank, National Association, as Administrative Agent. (incorporated by reference to Exhibit 10.2 to DXC Technology Company’s Current Report on Form 8-K (filed August 27, 2018) (file no. 001-38033))
10.32	Fourth Amendment to the Receivables Purchase Agreement dated as of September 24, 2018, among Computer Sciences Corporation, as Exiting Servicer, DXC Receivables LLC (f/k/a CSC Receivables LLC), as seller, DXC Technology Company, as Servicer, the persons from time to time party thereto as Purchasers and group agents, and PNC Bank, National Association, as Administrative Agent (incorporated by reference to Exhibit 10.2 to DXC Technology Company’s Current Report on Form 8-K (filed September 27, 2018) (file no. 001-38033))
10.33	Amended and Restated Performance Guaranty dated as of September 24, 2018, made by DXC Technology Company as Performance Guarantor in favor of PNC Bank, National Association, as Administrative Agent, for the benefit of the Secured Parties (incorporated by reference to Exhibit 10.3 to DXC Technology Company’s Current Report on Form 8-K (filed September 27, 2018) (file no. 001-38033))
10.34	Amended and Restated Master Loan and Security, dated April 4, 2016, by and among Bank of America, N.A., as Agent, Banc of America Leasing & Capital, LLC, as Lender, and CSC Asset Funding I LLC, as Borrower, and Computer Sciences Corporation, as Guarantor (incorporated by reference to Exhibit 10.1 to Computer Sciences Corporation’s Current Report on Form 8-K (filed April 7, 2016) (file no.001-04850))
10.35	Second Amendment dated February 17, 2017 to the Amended and Restated Master Loan and Security, dated April 4, 2016, by and among Bank of America, N.A., as Agent, Banc of America Leasing & Capital, LLC, as Lender, and CSC Asset Funding I LLC, as Borrower, and Computer Sciences Corporation, as Guarantor (incorporated by reference to Exhibit 10.56 to Computer Sciences Corporation’s Annual Report on Form 10-K for the year ended March 31, 2017 (filed May 26, 2017) (file no. 001-04850))
10.36*	DXC Technology Company 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 (filed March 31, 2017) (file no.333-217053))
10.37*	DXC Technology Company 2017 Non-Employee Director Compensation Plan (incorporated by reference to Exhibit 4.4 to the Company’s Registration Statement on Form S-8 (filed March 31, 2017) (file no. 333-217053))
10.38*	DXC Technology Company 2017 Share Purchase Plan (incorporated by reference to Exhibit 4.6 to the Company’s Registration Statement on Form S-8 (filed March 31, 2017) (file no. 333-217053))
10.39*	DXC Technology Company Deferred Compensation Plan (incorporated by reference to Exhibit 4.4 to the Company’s Registration Statement on Form S-8 (filed March 31, 2017) (file no. 333-217054))
10.40*	Amendment to DXC Technology Company Deferred Compensation Plan (incorporated by reference to Exhibit 10.4 to the Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2017 (filed November 8, 2017) (file no. 001-38033))
10.41*	Form of Stock Option Award under the DXC Technology Company 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company’s Periodic Report on Form 8-K (filed April 6, 2017) (file no. 001-38033))
10.42*	Form of Performance Based Restricted Stock Unit Award under the DXC Technology Company 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.5 to the Company’s Periodic Report on Form 8-K (filed April 6, 2017) (file no. 001-38033))

10.43*	Form of Service Based Restricted Stock Unit Award under the DXC Technology Company 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.6 to the Company's Periodic Report on Form 8-K (filed April 6, 2017) (file no. 001-38033))
10.44*	Form of Restricted Stock Unit Agreement under the DXC Technology Company 2017 Non-Employee Director Incentive Plan (incorporated by reference to Exhibit 10.7 to the Company's Periodic Report on Form 8-K (filed April 6, 2017) (file no. 001-38033))
10.45*	Supplemental Performance Based Restricted Stock Unit Award to J. Michael Lawrie dated June 15, 2017 (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2017 (filed August 9, 2017) (file no. 001-38033))
10.46*	DXC Technology Company Severance Plan for Senior Management and Key Employees (incorporated by reference to Exhibit 10.11 to the Company's Periodic Report on Form 8-K (filed April 6, 2017) (file no. 001-38033))
10.47*	Amendment to the DXC Technology Corporation Severance Plan for Senior Management and Key Employees (incorporated by reference to Exhibit 10.2 to DXC Technology Company's Quarterly Report on Form 10-Q (filed November 8, 2018) (file no. 001-38033))
10.48*	Employment Agreement with J. Michael Lawrie dated February 7, 2012 (incorporated by reference to Exhibit 10.1 to Computer Sciences Corporation's Form 8-K (filed February 8, 2012) (file no. 001-4850))
10.49*	Amendment to Employment Agreement, effective as of March 27, 2017 (incorporated by reference to Exhibit 10.1 to Computer Sciences Corporation's Form 8-K (filed March 28, 2017) (file no. 001-4850))
10.50*	Amendment to Employment Agreement with J. Michael Lawrie dated April 3, 2017 (incorporated by reference to Exhibit 10.12 to the Company's Periodic Report on Form 8-K (filed April 6, 2017) (file no. 001-38033))
10.51*	Amendment to the CEO Employment Agreement dated August 15, 2018, between J. Michael Lawrie and the Company (incorporated by reference to Exhibit 10.1 to DXC Technology Company's Current Report on Form 8-K (filed August 20, 2018) (file no. 001-38033))
10.52*	Form of Director Indemnification Agreement (incorporated by reference to Exhibit 10.16 to the Company's Periodic Report on Form 8-K (filed April 6, 2017) (file no. 001-38033))
10.53*	Form of Career Share Restricted Stock Unit Award under the DXC Technology Company 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.45 to DXC Technology Company's Annual Report on Form 10-K (filed May 29, 2018) (file no. 001-38033))
21	Significant Active Subsidiaries and Affiliates of the Registrant (filed herewith)
23	Consent of Independent Registered Public Accounting Firm
31.1	Section 302 Certification of the Chief Executive Officer
31.2	Section 302 Certification of the Chief Financial Officer
32.1	Section 906 Certification of Chief Executive Officer
32.2	Section 906 Certification of Chief Financial Officer
101.INS	XBRL Instance
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.LAB	XBRL Taxonomy Extension Labels
101.PRE	XBRL Taxonomy Extension Presentation
	*Management contract or compensatory plan or agreement

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DXC TECHNOLOGY COMPANY

Dated: June 12, 2019

By: /s/ Paul N. Saleh

Name: **Paul N. Saleh**
Title: **Executive Vice President and Chief Financial Officer**

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ J. Michael Lawrie **J. Michael Lawrie**	Chairman, President and Chief Executive Officer (Principal Executive Officer)	June 12, 2019
/s/ Paul N. Saleh **Paul N. Saleh**	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	June 12, 2019
/s/ Neil A. Manna **Neil A. Manna**	Senior Vice President and Corporate Controller (Principal Accounting Officer)	June 12, 2019
/s/ Mukesh Aghi **Mukesh Aghi**	Director	June 12, 2019
/s/ Amy E. Alving **Amy E. Alving**	Director	June 12, 2019
/s/ David Herzog **David Herzog**	Director	June 12, 2019
/s/ Mary Louise Krakauer **Mary Louise Krakauer**	Director	June 12, 2019
/s/ Sachin Lawande **Sachin Lawande**	Director	June 12, 2019

/s/ Julio A. Portalatin **Julio A. Portalatin**	Director	June 12, 2019
/s/ Peter Rutland **Peter Rutland**	Director	June 12, 2019
/s/ Manoj P. Singh **Manoj P. Singh**	Director	June 12, 2019
/s/ Robert F. Woods **Robert F. Woods**	Director	June 12, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019
Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission File Number 000-50194

HMS HOLDINGS CORP.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	11-3656261 (I.R.S. Employer Identification No.)
5615 High Point Drive, Irving, TX (Address of principal executive offices)	75038 (Zip Code)

(214) 453-3000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock $0.01 par value	**HMSY**	**The Nasdaq Stock Market LLC (The Nasdaq Global Select Market)**

Securities registered pursuant to section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes ☐ No ☒

The aggregate market value of the registrant's common stock held by non-affiliates as of June 28, 2019 the last business day of the registrant's most recently completed second quarter was approximately $2.0 billion based on the last reported sale price of the registrant's common stock on the Nasdaq Global Select Market on that date. Solely for purposes of this disclosure, shares of common stock held by executive officers, directors and persons who hold 10% or more of the outstanding shares of common stock of the registrant as of such date have been excluded because such persons may be deemed to be affiliates. This determination is not necessarily a conclusive determination for any other purposes.

There were 88,105,722 shares of common stock outstanding as of February 17, 2020.

Documents Incorporated by Reference

Unless provided in an amendment to this Annual Report on Form 10-K, the information required by Part III is incorporated by reference to the registrant's 2020 definitive proxy statement, to the extent stated herein. Such proxy statement or amendment will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2019.

HMS HOLDINGS CORP. AND SUBSIDIARIES
ANNUAL REPORT ON FORM 10-K
TABLE OF CONTENTS

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Glossary

Throughout this 2019 Form 10-K, we may use certain abbreviations, acronyms and terms which are described below:

ACA	Patient Protections and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010
ACO	Accountable care organization
ADR	Additional documentation request
AI	Artificial intelligence
ASC	Accounting Standards Codification
ASO	Administrative service only
ASU	Accounting Standards Update
CHIP	Children's Health Insurance Program
CMS	Centers for Medicare & Medicaid Services
CMS NHE	CMS National Health Expenditures
COB	Coordination of Benefits
COSO	Committee of Sponsoring Organizations of the Treadway Commission
Credit Agreement	The Amended and Restated Credit Agreement dated as of May 3, 2013, as amended by Amendment No. 1 to Amended and Restated Credit Agreement dated as of March 8, 2017, and as further amended by Amendment No. 2 to Amended and Restated Credit Agreement, dated as of December 19, 2017, by and among HMS Holdings Corp., the Guarantors party thereto, the Lenders party thereto and Citibank, N.A. as Administrative Agent
DSO	Days sales outstanding
ERISA	Employment Retirement Income Security Act of 1974
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FCPA	U.S. Foreign Corrupt Practices Act of 1977, as amended
HIPAA	Health Insurance Portability and Accountability Act of 1996
HITECH	Health Information Technology for Economic and Clinical Health
IRS	U.S. Internal Revenue Service
LIBOR or LIBO Rate	Intercontinental Exchange London Interbank Offered Rate (or any successor rate determined in accordance with the Credit Agreement)
MCO	Managed care organization
ML	Machine learning
NLP	Natural language processing
PBM	Pharmacy benefit manager
PHI	Protected health information
PHM	Population Health Management
PI	Payment Integrity
PMPM	Per member per month
PMPY	Per member per year
RAC	Recovery Audit Contractor
RFP	Request for proposal

ROU	Right-of-use
RPA	Robotic process automation
SEC	U.S. Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Section 199 Deduction	U.S. Production Activities Deduction pursuant to IRC Section 199
SG&A	Selling, general and administrative
TPL	Third-party liability
U.S. GAAP	United States Generally Accepted Accounting Principles
2006 Stock Plan	HMS Holdings Corp. Fourth Amended and Restated 2006 Stock Plan, as amended by Amendment No. 1 to the HMS Holdings Corp. Fourth Amended and Restated 2006 Stock Plan dated as of February 16, 2012
2011 HDI Plan	HDI Holdings, Inc. Amended 2011 Stock option and Stock Issuance Plan
2016 Omnibus Plan	HMS Holdings Corp. 2016 Omnibus Incentive Plan
2017 Tax Act	Tax Cuts and Jobs Act of 2017
2019 Form 10-K	HMS Holdings Corp. Annual Report on Form 10-K for the year ended December 31, 2019
2019 Omnibus Plan	HMS Holdings Corp. 2019 Omnibus Incentive Plan
401(k) Plan	HMS Holdings Corp. 401(k) Plan

Cautionary Note Regarding Forward-Looking Statements

For purposes of this 2019 Form 10-K, the terms "HMS," "Company," "we, "us, and "our" refer to HMS Holdings Corp. and its consolidated subsidiaries unless the context clearly indicates otherwise. Included in this 2019 Form 10-K are "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. From time to time, we also provide forward-looking statements in other materials we release to the public, as well as oral forward-looking statements. Such statements relate to our current expectations, projections and assumptions about our business, the economy and future events or conditions. They do not relate strictly to historical or current facts.

We have tried to identify forward-looking statements by using words such as "aim," "anticipate," "believe," "estimate," "expect," "forecast," "future," "intend," "likely," "may," "outlook," "plan," "potential," "project," "seek," "strategy," "target," "trend," "will," "would," "could," "should," variations of such terms, and similar expressions and references to guidance, although some forward-looking statements may be expressed differently. These statements include, among other things, information concerning our future growth, business strategy, strategic or operational initiatives, our future operating or financial performance, our ability to invest in and utilize our data and analytics capabilities to expand our capabilities, the benefits and synergies to be obtained from completed and future acquisitions, investments or strategic relationships, including VitreosHealth, Inc. ("VitreosHealth"), MedAdvisor Limited ("MedAdvisor"), and West Claims Recovery Services, LLC ("Accent"), the future performance of companies or businesses we have acquired or in which we have invested, our future expenses, interest rates and tax rates, our ability to meet our future liquidity requirements, the impact of changes to U.S. healthcare legislation or healthcare spending affecting Medicare, Medicaid or other publicly funded or subsidized health programs, and other statements regarding our possible future actions, business plans, objectives and prospects.

Forward-looking statements are not guarantees and involve risks, uncertainties and assumptions that are difficult to predict. Actual results may differ materially from past results and from those indicated by such forward-looking statements if known or unknown risks or uncertainties materialize, or if underlying assumptions prove inaccurate. These risks and uncertainties include, among other things:

- *our ability to execute our business plans or growth strategy;*
- *our ability to innovate, develop or implement new or enhanced solutions or services;*
- *the nature of acquisition, investment, strategic relationship and divestiture opportunities we are pursuing, and our ability to successfully execute on such opportunities;*
- *our ability to successfully integrate acquired businesses and operations and realize synergies;*
- *significant and increased competition for our solutions and services;*
- *variations in our results of operations;*
- *our ability to accurately forecast the revenue under our contracts and solutions;*
- *our ability to protect our systems from damage, interruption or breach, and to maintain effective information and technology systems and networks;*
- *our ability to protect our intellectual property rights, proprietary technology, information processes and know-how;*
- *our failure to maintain a high level of customer retention or the unexpected reduction in scope or termination of key contracts with major customers;*
- *customer dissatisfaction or our non-compliance with contractual provisions or regulatory requirements;*
- *our failure to meet performance standards triggering significant costs or liabilities under our contracts;*
- *our inability to manage our relationships with data sources and suppliers;*
- *our reliance on subcontractors and other third party providers and parties to perform services;*
- *our ability to secure future contracts and favorable contract terms through the competitive bidding process;*
- *pending or threatened litigation;*
- *unfavorable outcomes in legal proceedings;*
- *our success in attracting and retaining qualified employees and members of our management team;*
- *our ability to generate sufficient cash to cover our interest and principal payments under our credit facility;*

- *changes in tax laws, regulations or guidance or unexpected changes in our effective tax rate;*
- *unanticipated increases in the number or amount of claims for which we are self-insured;*
- *accounting changes or revisions;*
- *risks relating to our international operations, including political, regulatory, economic, foreign exchange, tax compliance and other risks;*
- *changes in the U.S. healthcare environment or healthcare financing system, including regulatory, budgetary or political actions that affect healthcare spending or the practices and operations of healthcare organizations;*
- *our failure to comply with applicable laws and regulations governing individual privacy and information security, domestically or internationally, or to protect such information from theft and misuse;*
- *our ability to comply with current and future legal and regulatory requirements;*
- *negative results of government or customer reviews, audits or investigations;*
- *state or federal limitations related to outsourcing of certain government programs or functions;*
- *restrictions on bidding or performing certain work due to perceived conflicts of interests;*
- *the market price of our common stock and lack of dividend payments; and*
- *anti-takeover provisions in our corporate governance documents.*

These and other risks are discussed under the headings "Part I, Item 1. Business," "Part I, Item 1A. Risk Factors," "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk" of this 2019 Form 10-K and in other documents we file with the SEC.

Any forward-looking statements made by us in this 2019 Form 10-K speak only as of the date on which they are made. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law. We caution readers not to place undue reliance upon any of these forward-looking statements. You are advised, however, to consult any further disclosures we make on related subjects in our Form 10-Q and Form 8- K reports and our other filings with the SEC.

Market and Industry Data

This 2019 Form 10-K contains market, industry and government data and forecasts that have been obtained from publicly available information, various industry publications, other published industry sources and our internal data and estimates. We have not independently verified the information from third party sources and cannot make any representation as to the accuracy or completeness of such information. None of the reports and other materials of third party sources referred to in this 2019 Form 10-K were prepared for use in, or in connection with, this 2019 Form 10-K. Additionally, our internal data and estimates are based upon information obtained from our customers, our partners, trade and business organizations, publicly available information and other contacts in the markets in which we operate and our management's understanding of industry conditions. Estimates are difficult to develop and inherently uncertain, and we cannot assure you that they are accurate. Our estimates involve risks and uncertainties and are subject to change based on various factors, including those detailed above and under "Part I, Item 1A. Risk Factors" of this 2019 Form 10-K.

Trademarks and Trade Names

We have a number of registered trademarks, including HMS®, as well as the corresponding HMS + logo design mark, Elli®, Eliza®, Essette®, VitreosHealth® and Accent®. These and other trademarks of ours appearing in this 2019 Form 10-K are our property. Solely for convenience, trademarks and trade names of ours referred to in this 2019 Form 10-K may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks and trade names. This 2019 Form 10-K contains additional trade names and trademarks of other companies. We do not intend our use or display of other companies' trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

PART I

Item 1. Business

Founded in 1974, HMS is an industry-leading provider of cost containment and analytical solutions in the healthcare marketplace. Our mission is to make healthcare work better for everyone. We use data, technology and analytics to deliver coordination of benefits, payment integrity and population health management solutions that help healthcare organizations reduce costs, improve health outcomes and enhance consumer experiences. We provide a broad range of payment accuracy solutions to government and commercial healthcare payers, including coordination of benefits services, to ensure that the right payer pays the claim, and payment integrity services to address improper payments and fraud, waste and abuse. Our population health management solutions include a portfolio of integrated risk analytics, consumer engagement and care management solutions that provide healthcare organizations with reliable intelligence insight into their population and member risks to predict, identify and avoid preventable high cost events over the healthcare continuum. Through our solutions, we help move the healthcare system forward by saving billions of dollars for our customers while helping consumers lead healthier lives.

HMS began its operations as Health Management Systems, Inc., which became our wholly owned subsidiary in March 2003 when we assumed its business in connection with the adoption of a holding company structure. Since then, our business has evolved through a combination of organic growth and targeted acquisitions. We currently operate as one business segment with a single management team that reports to the Chief Executive Officer.

During fiscal year 2019, we made a number of acquisitions and strategic investments that accelerated the expansion of our service offerings and entry into new markets. In September 2019, we acquired VitreosHealth, an innovator in advanced analytics for predictive and prescriptive health insights, bolstering our predictive analytics capability within our population health management solution and establishing our geographic presence in India. We also made a strategic investment in MedAdvisor, a leading digital medication management company based in Australia, to further evolve our population health management capabilities and potentially expand our international presence. In December 2019, we completed the acquisition of Accent, a payment accuracy and cost containment business. The addition of Accent enhances our capabilities across all of our coordination of benefit and payment integrity solutions and extends our reach in both new and established market segments, offering immediate market expansion and growth opportunities.

We were originally incorporated in the State of New York in October 2002 and reincorporated in the State of Delaware in July 2013. Our principal executive offices are located at 5615 High Point Drive, Irving, Texas 75038, and our telephone number is (214) 453-3000. As of December 31, 2019, we had approximately 3,100 employees. Additional information about HMS is available on our website at www.hms.com.

Copies of our recent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and Proxy Statements, as well as amendments to these reports or statements, are available free of charge on our website through the Investor Relations page, as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. These materials, as well as similar materials for SEC registrants, may be obtained directly from the SEC through their website at http://www.sec.gov.

The content of any website referred to in this 2019 Form 10-K is not incorporated by reference into this filing unless expressly noted. References to the URLs for these websites are intended to be inactive textual references only.

Our Solutions

We provide solutions that apply broadly across Medicaid, Medicare, commercial at-risk and employer self-insured populations. Our services span the payment and care continuum, from an individual's enrollment in a healthcare program to pre-payment review of their claims, through post-payment identification and recovery of improper payments, and back to the individual where our consumer-driven solutions allow healthcare organizations to manage individuals' healthcare on a personal level, and at scale, using actionable analytics that drive individuals to take actions that improve health outcomes. Our coordination of benefits and payment integrity services ensure payment accuracy by addressing a wide spectrum of payment errors, including eligibility and coordination of benefits errors, the identification and investigation of potential fraud, and the review of claims on a prepayment and post-payment basis for improper payments and utilization effectiveness. Our population health management services assist customers in managing quality, risk, cost and compliance across all lines of business by engaging consumers, providing the tools to manage their care, and identifying existing or emerging health risk among consumer populations. As a result of these services, our customers saved billions of dollars in 2019 through the prevention of erroneous payments, improved clinical outcomes and reduced insurance plan enrollment turnover; and they received billions more in cash recoveries for improperly paid claims.

Our comprehensive solutions offer value throughout the healthcare continuum and include the following:

Coordination of Benefits (COB)
HMS provides a comprehensive, integrated suite of COB solutions to healthcare organizations, including Medicaid, Medicare, CHIP, healthcare exchanges, commercial payers and other at-risk entities. We deliver high value to our customers by delivering timely and accurate information about members' other insurance coverage, which enables our customers to better coordinate care, maximize cost savings, ensure accurate reimbursement and reduce administrative rework. We provide verified insurance coverage information as early as the point of enrollment, as well as at the point of prior authorization, or prior to the payment of a claim, to maximize cost avoidance. We pursue recovery for any healthcare claim for which another party was liable to pay first. Experience and analytics inform our ability to accurately

identify those claims and deploy workflows and processes that ensure we recover the maximum amount of inappropriately paid expenditures for our customers.

We also assist customers in identifying other third-party insurance and recovering medical expenses where a member is involved in a casualty or tort incident. For Medicaid agencies exclusively, we provide estate recovery services to identify and recover Medicaid expenditures from the estates of deceased Medicaid members, in accordance with state policies. For the years ended December 31, 2019, 2018 and 2017, our COB services represented 64.5%, 66.4% and 73.4% of our total revenue, respectively.

Payment Integrity (PI)
Our PI solutions and services employ advanced data analytics, leading technologies and clinical expertise to maximize savings and deliver proven, measureable results for federal and state governments, commercial health plans, and other at-risk or self-insured entities. We help our customers identify and avoid improper payments, recover those overpayments when they occur, detect and prevent fraud, ensure compliance with regulations, and increase cost savings with innovative technology and processes. Our PI solutions, delivered on a pre- and post-pay basis across all claims and provider types, are data-driven and stakeholder-sensitive, resulting in better payment accuracy, lower administrative costs, and decreased incidents of fraud and abuse. We leverage predictive and prescriptive analytics, AI, NLP, and ML, and incorporate RPA into our operations for increased efficiency and operational effectiveness. For the years ended December 31, 2019, 2018 and 2017, our PI services represented 25.9%, 24.1% and 20.0% of our total revenue, respectively.

Population Health Management (PHM)
HMS' comprehensive PHM solutions reduce cost, enhance engagement and improve outcomes throughout the member lifecycle. Our flexible, scalable architecture and modular platform integrates early risk identification, advanced analytics, multi- channel outreach and care management components to help our customers target the right members at the right time for interventions, with outreach that drives action and change. Our prescriptive approach leverages AI, ML, NLP and efficacy studies to proactively manage care for all members, drive better outcomes and quality scores, and enhance member satisfaction and retention, while reducing administrative and medical spend. Our PHM solutions enable our customers to understand the health of their unique populations in real-time, and identify future risks, then develop personalized care plans and actionable engagement programs for maximum return on investment. For the years ended December 31, 2019, 2018 and 2017, our PHM services represented 9.6%, 9.5% and 6.6%, of our total revenue, respectively.

Intellectual Property

Our ability to develop and maintain the proprietary aspects of our technology and operate without infringing the proprietary rights of others is important to our business and competitive position. We establish and protect our proprietary technology and intellectual property through a combination of patents, patent applications, trademarks, copyrights, domain names and trade secrets, as well as through contractual rights, including confidentiality, non-disclosure and invention assignment agreements, and other security measures.

As of December 31, 2019, our patent portfolio is comprised of approximately 80 domestic and international patents, and we are currently pursuing several patent applications in the United States and around the world. Our principal trademarks are our company name and corresponding design marks, including but not limited to HMS®, Eliza®, Essette®, VitreosHealth® and Accent®, and our key product marks, such as Elli®, COBManager® and other marks for our products. We also hold copyrights relating to certain aspects of our solutions and services. While we consider all of our intellectual and proprietary rights important to HMS, we believe our business as a whole is not materially dependent on any particular patent, trademark, license or other intellectual property right.

Customers

We provide our solutions to customers across a broad range of entities within the healthcare industry, including state and federal government agencies, health plans and PBMs, healthcare exchanges, employers, at-risk providers and ACOs, and other healthcare organizations. For the years ended December 31, 2019, 2018 and 2017, our total revenue was $626.4 million, $598.3 million and $521.2 million, respectively. No single customer accounted for 10% or more of our total revenue during any period presented.

The composition of our 10 largest customers changes periodically. For the years ended December 31, 2019, 2018 and 2017, our 10 largest customers represented 42.7%, 41.4% and 39.5% of our total revenue, respectively. We provide services under contracts (or subcontracts) that contain various revenue structures, including contingent revenue and to a lesser extent fixed-fee arrangements as well as cost-plus and time-and-materials pricing. The current terms of many of our federal and state government contracts range from one to five years, including renewal terms at the option of the customer. In many instances, we provide our services pursuant to agreements that are subject to periodic reprocurements. Several of our contracts, including those with some of our largest customers, may be terminated for convenience, in whole or in part, by the customer. Because we provide our services pursuant to agreements that are open to competition from various businesses in the U.S. healthcare arena, we cannot provide assurance that our contracts, including those with our largest customers, will not be terminated for convenience or awarded to other parties. Additionally, we cannot provide assurance that any contracts that are renewed will have the same fee structures as the expiring contracts or otherwise be on satisfactory terms. The early termination of key contracts with significant customers, or the inability to renew such contracts on favorable terms or at all, may have an adverse effect on our financial condition, results of operations and cash flows.

In providing solutions and services to our customers, we rely heavily upon our technology systems and networks, as well as on those of third-party providers, to process, transmit, maintain, store and host the confidential, proprietary and sensitive information and data we receive from our customers and other data suppliers, including private insurance plans and financial institutions. The secure processing and maintenance of this information is critical to our operations and business strategy. Although we have spent significant resources to implement security and privacy programs and controls, train our workforce and enhance our security measures with the implementation of new technologies and processes, our information technology and infrastructure, and those of third parties on which we rely , could continue to be potentially subject to various forms of cyber-attacks, as further discussed under the heading “Part I, Item 1A. Risk Factors.”

Healthcare Landscape

The market for cost containment solutions is large and growing, driven by increasing healthcare costs, rising program enrollment and payment complexities. Established in 1965 under the Social Security Act, Medicaid provides health insurance and long-term care services and support to low-income families and individuals with disabilities in the United States. Medicaid is funded jointly by the federal and state governments and administered by the states. The Balanced Budget Act of 1997 created CHIP to help states expand coverage primarily to children whose families earned too much to qualify for Medicaid, yet not enough to afford private health insurance. Medicare is a federal program that is administered by CMS, and provides eligible persons age 65 and over and some disabled persons with a variety of hospital, medical insurance and prescription drug benefits. All three of these programs have opted to contract with managed care organizations in whole or in part as a means of delivering quality healthcare to program beneficiaries and controlling costs.

By law, Medicaid programs serve as the payer of last resort and all other sources of coverage must pay for medical costs incurred by a Medicaid-eligible individual. The TPL rules of the Medicaid statute require, among other things, that states take reasonable measures to identify potentially liable third parties and process claims accordingly. Since 1985, we have provided state Medicaid agencies with services to identify third parties with primary liability for paying claims for Medicaid members, and since 2005, we have provided similar services to Medicaid managed care plans.

The Deficit Reduction Act enacted by Congress in 2006 contained provisions to strengthen the TPL rules and created the Medicaid Integrity Program under the Social Security Act to increase the government's capacity to prevent, detect and address fraud, waste and abuse in the Medicaid program. Later that year, Congress passed the Tax Relief and Health Care Act of 2006, which established the Medicare RAC program. These measures, at both the federal and state level, have strengthened our ability to identify and recover erroneous payments on behalf of our customers. We became the Medicare RAC for Region D with our acquisition of HealthDataInsights, Inc. ("HDI") in 2011 and again were awarded a region under the new Medicare RAC contracts in October 2016. We also serve as a Medicaid RAC to certain states pursuant to provisions of the ACA.

The ACA, generally referred to as "Obamacare," was signed into law on March 23, 2010. The law aimed to decrease the uninsured population in the U.S. by expanding Medicaid, enabling access to healthcare coverage through health insurance exchanges, and mandating coverage for pre-existing conditions and other healthcare situations. It is estimated that 20 million people have gained healthcare coverage as a result of the ACA.

For 2020, Medicare and Medicaid are projected to pay approximately 38% of the nation's healthcare expenditures and serve over 146.3 million beneficiaries. Many of these beneficiaries are enrolled in managed care plans, which have the responsibility for both patient care and claims adjudication. The dual aims of cost containment and quality healthcare outcomes are the same across all at-risk entities, including commercial health plans and government healthcare programs, such as Medicaid and Medicare.

Within the commercial market, health plans sell policies directly to individuals (on the open market or via health insurance exchanges), contract with employers to underwrite their employees' care, or contract with self-insured employers to oversee benefit administration for their employees. This market also includes a growing number of risk bearing provider-sponsored plans that operate and market health plan benefits. According to CMS NHE projections, private health insurance covered approximately 196.3 million individuals at a cost of approximately $1.28 trillion in 2019.

Several commercial health plans also offer government-sponsored lines of business, including partnering with Medicare, Medicaid and CHIP to oversee care delivery for beneficiaries enrolled in those programs. States continue to focus on improving value, quality and outcomes through arrangements with MCOs. At the end of 2019, 47 Medicaid programs operated with some form of managed care, and North Carolina reported plans to implement a managed care program in 2020. Comprehensive risk-based managed care continues to be the predominant delivery system for Medicaid services in the U.S. Among the 40 programs with comprehensive risk-based MCOs, 33 reported that 75% or more of their Medicaid beneficiaries were enrolled in MCOs as of July 1, 2019. Two states (Maine and Virginia) implemented the ACA Medicaid expansion in 2019, bringing the total number of states to 34. As of July 1, 2019, 29 of these states were using MCOs to cover newly eligible adults. Managed care health plans continue to assume risk for Medicare lives, with approximately one-third (34%) of all Medicare beneficiaries, or 22 million people, enrolled in Medicare Advantage plans in 2019.

HMS continues to serve government agency fee-for-service programs at the state and federal level. These plans are generally reliant on and susceptible to the government appropriations process that determines their budget and governs the number of beneficiaries they serve. According to the CMS NHE projections, Medicare programs in 2019 covered approximately 60.4 million people at a cost of approximately $800.1 billion and Medicaid/CHIP covered approximately 82.4 million people, costing approximately $643.9 billion. Altogether, it is projected that the government programs we serve covered approximately 142.8 million people at a total cost of nearly $1.44 trillion in 2019.

CMS projects that Medicare enrollment growth will increase by 2.81% in 2020, with expenditures to increase by 7.19% in 2020 compared to 2019; and Medicaid/CHIP enrollment growth will increase by 2.18% in 2020, with expenditures to increase by 4.96% in 2020 compared to 2019. As commercial and government health plans focus on strategies to contain costs across their different lines of business, HMS will continue offering solutions to meet their evolving needs.

Competitors

The U.S. healthcare marketplace is a dynamic industry with a range of businesses currently offering cost containment services, both directly or indirectly (through subcontracting), to some or all of the various healthcare payers, providers, employers and consumers. In addition, with improvements in technology and the growth in healthcare spending, new businesses are incentivized to enter this marketplace. Many customers also have the ability to perform some or all of the needed cost containment services themselves and choose to exercise that option to varying degrees. Therefore, competition is robust as customers have many alternatives available to them in their effort to contain healthcare costs.

We compete based on a variety of factors, including our ability to provide a broad range of solutions that span the entire healthcare claims payment and care services continuum. These include payment accuracy solutions focused on COB and PI related functions, as well as PHM solutions that support the ability of payers to better understand and engage consumers, perform effective outreach, and impact both costs and health outcomes.

We have a proven record of delivering results that optimize savings and recoveries, enabled by:

- in-depth government and commercial healthcare program experience;
- a nationally-acclaimed technology team with analytics, engineering, infrastructure and security expertise;
- robust data that drives value solutions;
- prescriptive and predictive analytics, applied across Medicaid, Medicare and commercial at-risk populations;
- an experienced team of clinical experts, supported by a panel of credentialed physicians from all specialties with deep healthcare policy and program expertise;
- ongoing technology investment in big data, AI, ML, NLP and RPA;
- long-term relationships with customers and other industry stakeholders; and
- an ability to provide customers with actionable intelligence to improve clinical outcomes, optimize patient engagement, and better manage costs.

Our competitors range in size from large, diversified national companies, to small, specialized firms. Some of these competitors have significantly greater financial and technical resources, and others have longer operating histories and greater name recognition than we do in certain markets. Within our payment accuracy portfolio of products and services, we compete primarily with large business outsourcing and technology firms, claims processors, healthcare consulting firms, and other vendors who provide some or all of these solutions to payers. In addition, we frequently work with customers who may elect to perform some or all of their cost avoidance and recovery functions in-house. Within the population health management sector, we compete primarily with vendors who provide care management, consumer engagement, and related technology services. Examples of companies with whom we currently compete across our offerings include:

- Accenture plc
- Cotiviti, Inc.
- IBM Watson Health
- MHK
- WellTok, Inc.
- Casenet LLC
- DXC Technology Company
- Inovalon Holdings, Inc.
- Performant Financial Corporation
- ZeOmega, Inc.
- Change Healthcare
- ExlService Holdings, Inc.
- MEDecision, Inc.
- Optum, Inc. (subsidiary of UnitedHealth Group; Equian is part of Optum)

Business Strategy

We believe that the steadily increasing enrollment and rising expenditures for Medicare and Medicaid, with most new enrollees entering managed care plans; an aging U.S. population with an increasing concentration of individuals with high-cost chronic conditions and often co-morbidities; and the overall complexity of the healthcare claims payment system in the U.S. all combine to create substantial growth opportunities for the suite of cost containment solutions we offer.

We also believe these factors present growth opportunities for our PHM services. We are focused on growing our business over the course of 2020 and beyond, both organically and inorganically, by leveraging existing key assets (e.g., our data, analytics, in-house expertise, and distribution channel) and pursuing a number of strategic objectives or initiatives, including:

- *Expanding the scope of our relationship with existing customers* – by selling additional solutions and services to our broad customer base, including those designed to improve consumer engagement and improve clinical outcomes.

- *Adding new customers* – by marketing to commercial health plans, including Medicaid managed care and Medicare Advantage plans, at-risk group and individual health lines of business, and ASO plans; government healthcare payers, including Medicaid agencies, state employee health benefit plans and CHIPs; at-risk provider organizations and ACOs; and commercial self-insured employers.

- *Entering new markets for diversification and growth* – by expanding into adjacent markets, such as Medicare, Medicare Advantage and risk-bearing providers; leveraging opportunities through our international operations to access new markets overseas; developing and launching new and enhanced PI, PHM and engagement solutions targeted at global and high-growth markets; and executing acquisitions and strategic investments of complementary businesses.

- *Introducing new innovative solutions and services* – through internal development initiatives designed to enhance or expand our existing suite of cost containment solutions.

- *Utilizing technology tools to leverage a big data environment* – to further enhance our analytics, create a more nimble operating environment, create operating efficiencies, improve the yield on our existing solution suite and identify new revenue opportunities within our current service delivery models.

- *Promoting automation and innovation to improve the efficiency and effectiveness of our services* – by continuing to implement new technology and process improvements designed to increase recovery yields, increase customer satisfaction and achieve greater operating efficiencies.

- *Prudent deployment of capital* – by investing in our IT infrastructure; internal growth initiatives; capabilities, technologies, and assets to complement our cost-containment expertise; building or acquiring adjacent population health management capabilities to complement our PHM solution set; and expanding our data analytics capabilities. Our focus may include acquisitions that represent long-term growth potential, target high-growth areas, are accretive to earnings, enhance our technological capabilities and fill a strategic need in our business portfolio as we seek to provide increasingly comprehensive solutions to our customers. We may also repurchase our shares, pursuant to a two-year $50 million authority granted by our Board of Directors in November 2019.

Item 1A. Risk Factors

Our business is subject to significant risks, including the risks and uncertainties described below. You should carefully consider these risks, as well as the other information in this 2019 Form 10-K, including our Consolidated Financial Statements and the related Notes. The occurrence of any of these risks could adversely affect our business, financial condition, results of operations, and cash flows in a material way.

Risks Relating to Our Company

Our ability to expand our business will be adversely affected if we fail to implement our growth strategy.

The size and scope of our business operations have expanded over the past several years, and we currently intend to continue our growth and expansion into new healthcare areas and markets, however, our growth and expansion strategy carries costs and risks that, if not properly managed, could adversely affect our business. Our future growth will depend on, among other things, our ability to successfully execute our business plans, which includes penetrating new markets, cross-selling our solutions to new and existing customers, broadening and deepening our customer relationships, our brand identity and our talent pool, identifying and executing future acquisitions, investments and strategic relationships, and increasing the speed, quality, capacity and scale at which we deliver our services across emerging and more established markets, all while remaining competitive. We must also be flexible and responsive to customers' needs and changes in the political, economic and regulatory environment in which we operate. The greater size and complexity of our expanding business may put additional strain on our administrative, operational and financial resources and can make optimal resource allocation more difficult to determine. It is possible that we may not be able to maintain or accelerate our growth. A failure to anticipate or properly address the demands and challenges that our continued growth and diversification may have on our resources and existing infrastructure may result in unanticipated costs and inefficiencies that could negatively impact our ability to execute on our business plans and growth goals, which may have a material adverse effect on our business, financial condition, results of operations and cash flows.

If we fail to innovate and develop new or enhanced solutions and services, or if these solutions and services are not adopted by our customers, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Part of our growth strategy depends on our ability to respond to the evolving healthcare landscape with new and enhanced solutions and services that our existing and potential customers are willing to adopt. The development, marketing and implementation of these solutions and services may require that we make substantial financial and resource investments. We face risks that our new or modified offerings may not be responsive to customer preferences or industry changes, appropriately timed with market opportunity or effectively brought to market, and that the solution and service development initiatives that we prioritize may not yield the gains that we anticipate, if any. If we are unable to predict market preferences or healthcare industry changes, or if we are unable to develop or adapt solutions and services that are responsive to existing and potential customers' needs, we may fail to expand our business, which could constrain our future revenue growth and materially adversely affect our business, financial condition, results of operations and cash flows.

Our acquisition and investment strategy may subject us to considerable business and financial risk.

To achieve our strategic goals, we have made a significant number of acquisitions and investments in businesses that have expanded our service offerings, including our population health management solutions, and broadened our customer base and our market and geographic presence. We intend to pursue future acquisitions, investments and strategic relationships that will continue to complement and grow our business lines and to engage periodically in discussions regarding such transactions. We are subject to risks and uncertainties relating to our ability to identify suitable candidates for potential acquisitions, investments and strategic relationships, and to consummate additional transactions that will be advantageous to us and successfully integrate acquired businesses, solutions, services, technologies or employees. Future and potential business acquisitions, investments and strategic relationships involve a number of risk factors that could affect our operations, including, but not limited to:

- diversion of management's attention and other resources;
- our ability to successfully and timely integrate operational, accounting and technology functions, policies, processes, systems and controls, and to implement these functions, policies, processes, systems and controls, without incurring substantial expenses, delays, difficulties or other issues;
- our ability to integrate personnel and human resource systems as well as the corporate cultures;
- continued coordination and cooperation with sellers pursuant to transition services agreements and with strategic partners;
- our ability to retain or replace key personnel and to manage a geographically dispersed workforce;
- our ability to maintain relationships with customers and suppliers of acquired businesses and operations;
- our ability to expand and further develop acquired businesses and operations and strategic relationships;
- our ability to combine service offerings, and to cross-sell our solutions and acquired solutions to our respective customers;
- customer dissatisfaction or performance problems with acquired businesses, operations, solutions or services or strategic partners;
- our ability to comply with regulatory requirements and avoid potential conflicts of interest in markets that we serve;
- the misuse of intellectual property by personnel of acquired businesses and operations and strategic partners;
- our ability to successfully enter into unfamiliar markets or manage new business lines;
- compliance challenges related to new regulatory requirements or changes in international laws and regulations, such as those pertaining to data privacy, employment matters and taxation;
- assumption of unanticipated legal or financial liabilities and/or negative publicity related to prior acts by acquired businesses and operations and strategic partners;
- exposure to litigation or other claims in connection with acquired businesses and operations and strategic partners, including claims from terminated employees, customers, former shareholders or third parties;
- use of substantial portions of available cash or the risk of becoming significantly leveraged as a result of incurring debt to finance an acquisition, investment or strategic relationship;
- the failure of acquired businesses, operations, solutions or services to perform as expected or meet financial projections, which could negatively impact earnings or contingent consideration;
- our lack of control and sole decision-making authority with respect to the operations of investments and strategic partners, potential changes in the economic or business interests, goals, financial condition or reputation of our strategic partners or potential changes in control of our strategic partners, and potential adverse changes in our relationships with our strategic partners;
- potential impairment of goodwill and other acquired intangible assets or potential impairment of strategic investments made by us; and
- potential dilution to our earnings per share.

In addition, we periodically evaluate, and may engage in, the future disposition of assets and businesses. Divestitures could involve a number of risks, including separation of operations, services or personnel, diversion of management's attention, significant costs and expenses, disruption of the Company's business, potential loss of key employees, customer relationships or cash flow, and continued financial involvement in or liability with respect to the divested assets and businesses, including through indemnification or other financial obligations. If we fail to adequately address these risks, or any of the foregoing factors, or to successfully integrate the businesses, operations, solutions or services that we acquire, we may not realize cost efficiencies, synergies or other benefits that we anticipated from the divestiture of assets and businesses or when selecting our acquisition, investment or strategic relationship candidates, and our reputation, business, financial condition, results of operations and cash flows could be materially adversely affected.

We face significant competition for our solutions and services and we expect competition to increase, which could materially adversely affect our business, financial condition, results of operations and cash flows.

The markets for payment accuracy and population health management solutions are intensely competitive, driven by rapidly changing technologies, evolving industry standards, customer demands to become more cost-effective and efficient, and increased consolidation in both the IT and healthcare industries. Our competitors range in size from large, diversified national companies (some of which have emerged as a result of industry consolidation), to small, specialized firms. Some of our competitors may include current or former subcontractors or teaming partners seeking to establish direct relationships with our customers and provide similar services as the prime contractor, as well as current and prospective customers that elect to perform recovery and cost avoidance functions in-house or to develop in-house capacities for solutions and services that we provide or seek to provide. For example, certain state customers have combined or "bundled" TPL services under large-scale IT procurements, as they shift to implementing modular Medicaid Enterprise Systems. As part of this modular approach, they may select a new or less experienced vendor to provide the TPL module based on preferred relationships or favorable pricing. Consolidation among vendors and healthcare providers, as well as the merging of some of our competitors or formation of business alliances with other competitors, have contributed to the increasingly competitive environment. In addition, companies that have invested in proprietary technology different from our own service offerings, such as front-end analytics or consumer-centric capabilities, have emerged as new competitors due to the rapidly evolving healthcare IT landscape. There is also increasing sophistication in the solutions and services that our competitors are developing that may become more efficient or appealing to our customers and their member populations, or may offer greater interoperability. In order to remain competitive, we may need to quickly develop and market new and enhanced solutions and services responsive to emerging technologies and changes in the healthcare industry, which may require that we make substantial financial and resource investments.

We may not be able to compete successfully against our existing or future competitors. Some of these competitors have significantly greater financial and technical resources, and others have longer operating histories and greater name recognition than we do in certain markets. They may be able to (i) offer lower prices or negotiate fee reductions on our current solutions and services, (ii) respond more quickly than we can to new and emerging technologies and changing customer requirements, (iii) devote greater resources to the sale and promotion of their products and the development and implementation of new and improved systems, solutions and services for customers that we serve, and (iv) pursue various acquisitions that allow them to rapidly amass a wide array of capabilities. We may be forced to lower our pricing, unexpectedly increase or enhance our technological or data capabilities, or modify our solution or service offerings. Additionally, competitors may affect our business by entering into exclusive arrangements with our existing or potential customers or vendors. Notwithstanding any changes we make in response to increased competition, the demand for our solutions and services may still decrease as a result of increased competition. A failure to be responsive to our existing and potential customers' needs or the changing industry landscape could hinder our ability to maintain or expand our customer base, hire and retain new employees, pursue new business opportunities, complete future acquisitions, investments and strategic relationships and operate our business effectively. Any inability to compete effectively could materially adversely affect our business, financial condition, results of operations and cash flows.

You will not be able to rely on our operating results in any particular period as an indication of our future performance because they are subject to significant fluctuation which may cause the market price of our common stock to decrease significantly.

Our revenue and operating results may fail to match our past or projected performance and could vary significantly from period-to- period as a result of a number of factors, some of which are outside of our control. We have experienced fluctuations in our revenue and operating results in the past and they may vary in the future for reasons that include, but are not limited to:

- fluctuations in sales activity given our sales cycle;

- the length of contract and implementation periods;
- the commencement, completion or termination of contracts during any particular quarter;
- contract costs and expenses, which may be incurred in periods prior to revenue being recognized;
- the timing of period revenue recovery projects and third party payers' claim adjudication;
- the billing and budgeting cycles of our customers;
- the timing of government procurement activities, including when contract awards are announced and the time required to resolve bid protests;
- contract renewal discussions, which may result in delayed payments for services already performed;
- changes in the pricing structure or other significant terms in our contracts, or the scope of services we perform;
- technological and operational issues affecting our customers, including delays in payment receipt for previously recognized revenue due to certain customers' delayed processing of our findings through their systems, and restrictions on our ability to use or access certain data or a lack of integrity or quality in the data or information we receive from certain data sources;
- adjustments to age/quality of receivables and accruals as a result of factors such as delays involving contract limitations or changes, customer decisions to delay, avoid or refuse to make payments for our properly provided services, subcontractor performance deficiencies or managerial decisions not to pursue identified claim revenue from customers;
- the impact of service disruptions or delays in the systems or operations of subcontractors, partners, vendors and other third party providers on which we rely on to deliver a single-source solution or service to our customers;
- the timing of expenses related to the development, acquisition, or divestiture of technologies or businesses and the timing of expenses related to strategic investments, dispositions and relationships;
- changes in applicable laws;
- changes in accounting policies or guidelines; and
- regulatory changes or general economic conditions as they affect healthcare providers and payers.

We cannot predict the extent to which future variations could occur due to these or other factors. In addition, occasionally our state and federal customers are requested by third party payers to refund payments that we previously recovered for our customers. If our state and federal customers choose to refund money in response to these requests, regardless of whether an error actually occurred in connection with the payments, we may also be required to return contingent revenue which we were previously paid associated with such refunded payment. Consequently, our operating results are subject to significant fluctuation for any particular quarter, fiscal year, or other period, and may not be indicative of future periods. Our business is also subject to seasonal patterns resulting from increased efforts at year-end by certain customers to generate additional savings, complete compliance obligations and close gaps in care. However, taken as a whole, we do not consider our operations to be seasonal to any material degree. Due to all of these factors, our revenue and operating results are difficult to predict and are subject to significant fluctuation, which may cause the market price of our common stock to decrease significantly.

We face challenges associated with forecasting the revenue under our contracts, and any failure to accurately forecast such revenue could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may not be able to accurately estimate the factors upon which we base our contract pricing, or the costs and timing for implementing and completing our contracts. For a majority of our customer contracts, the payment of our fee is contingent upon the recoveries received by our customers. We also have cost-plus or time-and-materials based contracts with the federal government where our revenue is recognized based on costs incurred plus an estimate of the negotiated fee earned. Our ability to earn a profit on these contracts requires that we accurately estimate the costs involved with these contracts and assess the probability of achieving certain outcomes or milestones within the contracted time period. In addition, we cannot predict with certainty the costs or the period in which implementation or contracts may be completed when we introduce new solutions into the marketplace. For our coordination of benefits and payment integrity services, we may face a long implementation period with a new customer or a new contract with an existing customer, making it difficult to reliably forecast revenue under those contracts. If we do not accurately estimate the costs and timing for completing projects, or if we encounter increased or unexpected costs, delays, failures, liabilities or risks, including those outside of our control, our contracts could prove unprofitable for us or yield lower profit margins than anticipated. Although we believe that we have recorded adequate provisions in our financial statements for losses on our fixed price and cost-plus contracts where applicable, as required under U.S. GAAP, our contract loss provisions may not be adequate to cover all actual future losses.

System interruptions or failures could expose us to liability and harm our business.

Our data and operation centers are essential to our business and our operations depend on our ability to maintain and protect our information systems. We attempt to mitigate the potential adverse effects of a disruption, relocation or change in operating environment; however, the situations we plan for and the amount of insurance coverage that we maintain may not be adequate in every case. Despite systems redundancy and security measures, our systems and operations are vulnerable to damage or interruption from, among other sources:

- power loss, transmission cable cuts and telecommunications failures;
- fires, floods, earthquakes, extreme weather conditions or other natural disasters;
- software or hardware malfunctions, failures or defects;
- operator error;
- cyber-attacks, physical break-ins, sabotage or intentional acts of vandalism; and
- other events beyond our control, such as medical epidemics or pandemics, war, terrorist attacks or other catastrophic events.

In addition, while there are backup systems in many of our facilities, an extended outage of utility or network services supplied by third party IT vendors may delay or disrupt the delivery or performance of the services we provide for our customers. We also utilize third-party cloud service providers to help us efficiently scale certain cloud-based solutions. If we or our cloud service providers encounter a lengthy business interruption, or in the event our disaster recovery and business continuity plans are not effective, or our applicable insurance coverage is denied or not sufficient to compensate for all the liability on a timely basis, we could suffer operational, communication and service disruptions, disputes with customers and third parties, civil or criminal penalties, regulatory problems, increases in administrative expenses, loss of our ability to produce timely and accurate financial and other reports, damage to our reputation or customer relationships or other adverse consequences, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our systems and networks and those of third parties on which we rely may be subject to cyber security breaches and other disruptions that could compromise our information and harm our business.

In the ordinary course of our business, we rely heavily upon our technology systems and networks, as well as on those of third-party providers, to process, transmit, maintain, store and host the confidential, proprietary and sensitive information and data we receive from our customers and other data suppliers, including private insurance plans and financial institutions. Some of the data we process, access, store and transmit may be outside of the United States due to our international business operations. In addition, subcontractors, teaming partners or other third-party vendors may receive or utilize this information on our behalf in support of the services we perform for our customers. The secure processing and maintenance of this information is critical to our operations and business strategy. We have devoted and continue to devote significant resources to implement security and privacy programs and controls, train our workforce and augment our security measures with new and enhanced technologies and processes, among other investments. Despite our security management efforts, our information technology and infrastructure, and those of third parties on which we rely, may continue to be vulnerable to computer hacking or phishing efforts, acts of vandalism or theft, introduction of malware, computer viruses, other malicious codes or other cyber-attacks, employee or insider malfeasance and misfeasance issues, fraud, human error, catastrophes, or unforeseen events. We may be unable to implement adequate preventive measures to protect against such compromises in the future or to effectively adapt our security measures to evolving security risks. As a result, our technology systems, including our data and our customers' data, could be accessed improperly, made unavailable, improperly modified, corrupted or otherwise breached or compromised, or we could suffer system disruptions, shutdowns and denials of service. Similarly, we could be materially adversely affected by the loss of proprietary, trade secret or confidential technical and financial data if our internal networks are compromised. The occurrence of any of these events could harm the market perception of the effectiveness of our security measures, lead to reputational damage or the loss of our customers' confidence in our solutions, negatively affect our ability to attract new customers, cause existing customers to terminate or not renew their existing contracts with us, or deter them from using our solutions or services in the future, all of which could reduce our revenue, increase our expenses and expose us to potential liability under privacy, security or other applicable laws and regulations, including losses and costs associated with any resulting fraud. We also may be subject to regulatory fines and penalties imposed by government regulatory agencies, and damages and other substantial costs associated with litigation, indemnification and contractual obligations, increased cybersecurity insurance premiums, and additional remediation efforts, such as credit monitoring, call center services or other corrective plans. We may be forced to spend significant time and resources investigating the cause of the breach, repairing system damage, remediating vulnerabilities in our security procedures, disseminating breach notifications, enhancing cyber security protection controls and measures, and deploying additional security personnel and protection technologies, all of which could increase our expenses, divert the attention of our management and key personnel away from our business operations and materially adversely affect our business, financial condition, results of operations and cash flows.

Any failure to maintain effective information processing systems and the integrity of the data in, and operations of, those systems could materially adversely affect our business, financial condition, results of operations and cash flows.

Our ability to conduct our operations and accurately report our financial results depends on the integrity of the data in our information systems and the processes performed by those systems. As a result of the services we provide, we process a number of complex transactions that require us to access, store, retrieve, manipulate, manage and transmit the information and data of our customers' and external third parties, as well as our own data. Although we have invested a great deal of time and resources in developing systems, processes and controls that protect the integrity of the data, such measures cannot provide absolute security. It is possible that failures or errors in hardware and software, including those in third-party technology, or technical deficiencies in our systems could result in data loss or corruption, or cause the data that we collect, utilize or disseminate to be incomplete or contain inaccuracies that our customers regard as significant. In addition, these information systems and applications require continual maintenance, upgrading and enhancement to meet our operational needs, satisfy customer requests and handle our expansion and growth. Despite our testing and quality control measures, we cannot be certain that errors or system deficiencies will be found and that remediation can be done in a timeframe that is acceptable to our customers, or that customer relationships will not be impaired by the occurrence of errors or the need for remediation. In addition, implementation of upgrades and enhancements may cost more, take longer or require more testing than originally expected. As we continue to expand our business, we face additional challenges in implementing adequate internal control over financial reporting. Situations may also arise in which the accuracy of our data analysis or the content and quality of our work product is central to the disposition of claims, controversies or litigation between our customers and third parties that would require us to allocate significant resources to fulfilling our contractual obligations to provide our customers with full and complete access to records, analysis and back-up documentation of our work. Assuring our capacity to fulfill these obligations as well as actually fulfilling them could impose significant burdens on our infrastructure for data storage, maintenance and processing, and require us to incur increased costs to supplement our personnel, data storage and computing resources, which could materially and negatively impact other business operations.

If we are unable to protect our proprietary technology, information, processes, know-how, and other intellectual property, or become subject to third party claims of intellectual property infringement or misappropriation, the value of our solutions and services may be diminished and our business may be materially adversely affected.

Our success as a company depends in part upon our ability to protect our core technology and intellectual property. Our expanding operations and efforts to develop new solutions and services also make protection of our intellectual property more critical. We seek to protect our intellectual property and other proprietary information through a combination of patent, trademark, copyright, trade secret and unfair competition laws, confidentiality agreements and invention assignment agreements with employees, consultants and other third parties, as well as through the terms of our agreements with customers and vendors, and other security measures. However, the steps we have taken to deter misappropriation of intellectual property may be insufficient to protect our proprietary information. For example, we may not always be successful at obtaining government registrations for our patents, trademarks, or copyrights that we seek to register. Even if we are successful, the existing U.S. federal and state intellectual property laws offer only limited protection, and our property rights in foreign jurisdictions in which we operate or seek to do business may not receive the same degree of protection or enforceability as those in the United States. Third parties may also attempt to misuse our company name or trademarks to engage in improper or illegal conduct such as cyber-squatting or other cybercrimes using our marks, and we may not always be successful at quickly obtaining relief from agencies tasked with enforcing parties' rights, or stopping such conduct before harm to third parties occurs. Similarly, misappropriation of our other intellectual property by third parties, or any disclosure or dissemination of our confidential and proprietary trade secrets, business intelligence, queries, algorithms and other similar information by any means, could undermine any competitive advantage we currently derive or may derive from that intellectual property. For example, our current or former employees, consultants or other third parties may unintentionally or willfully disclose our trade secrets, know-how or other confidential and proprietary information to competitors. Competitors have also attempted to use state and/or federal open records laws (such as the federal Freedom of Information Act and analogous state laws) to obtain our proposal responses and other documents we provide to our government customers. We cannot be certain that our efforts to protect the confidential and proprietary trade secret information or intellectual property in these proposals or other documents will always be successful, due to the many factors underlying the various state and federal decisions to release information in response to open records requests (even in spite of our objections and efforts to protect such information). Additionally, certain of our service or solutions offerings from our recent acquisitions may incorporate open source software that are licensed under various public domain licenses or without warranties, indemnification or other contractual protections. Although we carefully monitor and manage our use of open source software to avoid uses that would require us to disclose proprietary source code or violate applicable open source licenses, if we engage in such uses inadvertently, we may be required to take remedial action or release certain of our proprietary source code. Moreover, there remains the possibility that others will independently develop competing technologies that may be equivalent or superior to ours. If our efforts to protect our intellectual property and other proprietary rights are inadequate to prevent unauthorized use or appropriation by third parties or our employees, the value of our brand and other intangible assets may be diminished and make us less competitive, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In addition, third parties may claim that we are infringing upon or misappropriating their intellectual property, using their intellectual property inconsistent with or without the appropriate license terms, or assert other legal challenges to our intellectual property. Our exposure to these risks may further increase after we acquire a business or technology because third parties may make infringement and similar or related claims after we have acquired technology. Any of these situations could cause us to expend significant time and resources and to incur substantial costs associated with settlements, litigation or other legal proceedings that may be necessary to defend ourselves or to enforce our intellectual property rights, in which we may not ultimately prevail, and could result in our being prevented from furnishing certain solutions and services. We may also be required to indemnify our customers if they become subject to third party claims relating to intellectual property that we license or otherwise provide to them, which could be costly.

Our business could be materially adversely affected if we fail to maintain a high level of customer retention, if our customers elect to reduce the scope of our contracts or terminate them before their scheduled expiration dates or if we fail to meet performance standards under our customer contracts.

We historically have derived and expect to continue to generate a significant portion of our revenue from a limited number of large customers at the federal and state level. Our contracts with these customers are subject to periodic renewal and some permit them to terminate their contracts on short notice, with or without cause. If a customer is dissatisfied with the quality or pricing of our work or if we fail to meet performance standards under our contracts, or if our solutions, technical infrastructure or services do not comply with the provisions of our contractual agreements or applicable regulatory requirements, the customer might seek to reduce the scope of the services we perform or prematurely terminate its agreements with us, or we could incur additional costs that may impair the profitability of a contract and damage our ability to obtain additional work from that customer, or other current or prospective customers. For example, some of our contracts contain liquidated damages provisions and financial penalties related to performance failures, which if triggered, could materially adversely affect our reputation, business, financial condition, results of operations and cash flows. We also may be required to disclose such liquidated damages or other financial penalties assessed against us in connection with future bids for services with other customers.

In addition, our government and commercial healthcare customers are subject to financial pressures or pressure from stakeholders that may cause them to terminate contracts for our services that they regard as non-essential or have the ability to develop or perform in-house. They could also redefine or reduce the scope of our contracts by, for example, significantly reducing the volume of data that we are permitted to audit, or decide to renew our contracts at lower performance fee levels. Despite our right to prompt and full payment under the terms of our contracts, we could face challenges in obtaining timely or full payments for our properly provided services from our customers. If there is a substantial reduction in the scope of our services under, or a termination of, any of our key contracts with our major customers, or if we are exposed to significant costs, liabilities or negative publicity, our ability to compete for new contracts with current or prospective customer could be damaged and our business, financial condition, reputation, results of operations and cash flows could be materially adversely affected.

We depend on many different entities to supply information, and any inability to successfully manage our relationships with a number of these suppliers may harm the quality and availability of our solutions and services.

We obtain the data used in our solutions and services from many sources, including commercial health insurance plans, financial institutions, managed care organizations, government entities and non-government entities. From time to time, challenges arise in managing and maintaining our relationships with data sources that are not our customers and that furnish information to us pursuant to a combination of voluntary cooperation and legal obligations under laws and regulations that are often subject to differing interpretations. If a number of our information sources become unable or unwilling to provide us with certain data under terms and conditions of receipt, processing or use that are acceptable to us and our customers, or if laws and regulations for use and protection of this data changes in a way that could disincentivize our suppliers, or impose unacceptable or unreasonable conditions, costs, or risks on us, we may not be able to obtain new or favorable agreements with alternative data suppliers. In addition, our ability to normalize and fully utilize the information we receive from various data sources to enhance and improve current services for our customers is an important component of our growth strategy. Although we believe that we have the legal and contractual rights necessary to normalize and use the data we have obtained from these sources for potential or contemplated solution and service offerings, we cannot provide assurance that these entities will permit the use of their data for these purposes. If we lose a number of our data sources or our access to their data, and fail to identify and reach the requisite agreements with suitable alternative suppliers or to successfully integrate their data into our solutions and services, or if there is a lack of accuracy or integrity in the data that current or future suppliers provide, we could experience service disruptions, increased costs, reduced quality of our solutions and services, or performance penalties under our customer contracts, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may rely on subcontractors and other third party providers to provide customers with a single-source solution or service or we may serve as a subcontractor to a third party prime contractor. If these parties fail to satisfy their obligations to us or if we are unable to maintain these relationships, our business, financial condition, results of operations and cash flows could be materially adversely affected.

In some areas of our business, we may engage subcontractors, teaming partners, vendors or other third party providers to provide our customers with a single-source solution for a broader range of service needs. These third parties include software vendors, utility and network providers, cloud service providers, contingent workers and other information technology service providers and solution partners. Our ability to deliver and implement solutions and serve our customers effectively depends on these third parties meeting our service standards in both timeliness and quality, and in certain instances, on our ability to obtain customer approval for the use of these third party subcontractors. While we believe that we perform appropriate due diligence on these third parties and take adequate measures to ensure that they comply with the appropriate laws and regulations, we cannot guarantee that they will comply with the terms set forth in their agreements with us. Performance deficiencies or misconduct by subcontractors, teaming partners, vendors or other third party providers may be perceived as inadequacies in our solutions or services or cause us to fail to fulfill our contractual obligations to our customers, which could materially adversely affect our customer relationships and reputation, result in termination of customer contracts, and subject us to disputes with our customers. In addition, if our third party service providers terminate or refuse to renew their relationships with us or offer their products to us in the future on less advantageous terms, we may not be able to perform or deliver solutions or services for existing customers as expected.

Similarly, we are and may in the future be engaged as a subcontractor to a third party prime contractor which contracts directly with the customer. Subcontracting arrangements where we are not the prime contractor pose unique risks to us because we do not have control over the customer relationship, and our ability to generate revenue under such subcontracts is dependent on the prime contractor, its performance and relationship with the customer, and its relationship with us. We cannot be certain that the prime contractor will provide adequate and timely services to the customer, comply with the terms of its prime contract with the customer or its subcontract agreement with us, or that it will construe its contractual rights and obligations in a reasonable way, act appropriately in dealing with us or customers, and remain in compliance with the relevant laws, rules or regulations. Any failure of the prime contractor to adequately perform its obligations under the prime contract or to comply with applicable laws, rules and regulations could materially adversely affect our reputation and subject us to a dispute with the prime contractor or the customer. In the event a prime contract is terminated, whether for non-performance by the prime contractor or otherwise, our subcontract will similarly terminate, and the resulting contract loss could materially adversely affect our business, financial condition, results of operations and cash flows.

We obtain a portion of our business through competitive bidding in response to government requests for proposals. Reprocurements and future contracts may not be awarded through this process on the same level or our contract awards may be challenged by interested parties which could materially adversely affect our business, financial condition, results of operations and cash flows.

In order to market our solutions and compete for contracts with existing and potential state and federal customers, we are often required to respond to government-issued RFPs. These responses typically require us to assemble and submit a large volume of information within a rigid timetable, and to accurately estimate our cost structure for servicing the proposed contract, the time required to establish operations and the likely terms of proposals submitted by our competitors. We may also be required to disclose the occurrence of certain negative events suffered by our business, such as customer disputes, a government inquiry or audit, or an adverse judgment or settlement in litigation or a legal proceeding, which could impair our ability to win the contract at issue or have a material adverse effect on our reputation in the industry.

Even if we win these contracts, we may fail to secure favorable contract terms and conditions, or a government's determination to award us the contract may be challenged by an interested party. Under the state and federal laws and regulations governing procurements of goods and services, challenges and award protests may be filed even if there are no valid legal grounds on which to base the protest. The filing of such challenges could potentially delay the start or implementation of the contract if the government agency determines to withhold a contract award or suspend contract performance while the protest is being considered, or to take corrective action on its own, such as soliciting new bids or terminating the contract award or current procurement. In the event of irregularities that we perceive or learn of in the award or bidding process, we also may be forced to file protests in response to RFP awards to other bidders. Resolution of a protest, even in our favor, could force us to expend considerable funds in disputing the potential award or to incur additional expenses to maintain our ability to timely start implementation, which may cause our actual results to differ materially and adversely from those anticipated. In addition, if we are unable to win reprocurements or protests of particular contracts, we may be precluded from entering certain customer markets for the term of the contract awarded to another party. Any failure to continue to obtain contracts in response to government RFPs, to design proposals that result in profitable contracts, to win new contracts or re-procure current contracts after they expire or to prevail in protests or challenges of contract awards could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Adverse judgments or settlements in legal proceedings could materially harm our business, financial condition, operating results and cash flows.

We are subject and may be a party to legal proceedings and claims that arise from time to time in the ordinary course of our business, which may include, but are not limited to, those related to, claims brought by our customers in connection with billing and contractual disputes, subcontracts and teaming agreements, protection of confidential information or trade secrets, individual or class action claims in relation to the services we provide, claims relating to pending, terminated or completed acquisitions or dispositions, or relating to investments or strategic relationships, adversary proceedings arising from customer bankruptcies, employment of our workforce and immigration requirements or compliance with any of a wide array of statutes, rules and regulations that pertain to different aspects of our business, both domestically and internationally. We may also be required to initiate expensive litigation or other proceedings to protect our business interests. There is a risk that we will not be successful or otherwise be able to satisfactorily resolve any pending or future litigation. In addition, litigation and other legal claims are subject to inherent uncertainties and management's view of currently pending legal matters may change in the future. Those uncertainties include, but are not limited to, litigation costs and attorneys' fees, unpredictable judicial or jury decisions, and differing laws and judicial proclivities regarding damage awards in the jurisdictions in which we operate. Resolution may also require that HMS accept some amount of loss or liability in order to avoid customer abrasion, negative marketplace perceptions and other disadvantageous results. Unexpected outcomes in such legal proceedings, or changes in management's evaluation or predictions of the likely outcomes of such proceedings (possibly resulting in changes in established reserves), could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may not be able to deliver our solutions and perform services efficiently if we are unable to attract and retain qualified employees.

Our successful delivery of solutions and services and ability to maintain our productivity and profitability is dependent on our ability to identify, recruit, employ, train and retain skilled personnel. The success of recruitment and retention strategies depend on a number of factors, including the competitive demands for employees having the skills we need, the level of compensation required to hire and retain such employees and immigration requirements that may affect our ability to sponsor employees for employment-based visas. Customers or competitors may seek to hire away qualified and seasoned employees, which could reduce our ability to innovate and operate effectively. We may not be able to recruit or maintain the personnel necessary to efficiently operate and support our business in the future, and even if our recruitment and retention strategies are successful, our labor costs may increase significantly. Our inability to hire sufficient personnel on a timely basis without significantly increasing our labor costs could materially adversely affect our business, financial condition, results of operations and cash flows.

Our future success depends, in part, on the continued service of members of our management team.

Our ability to execute on our business plans and future success requires that we attract, develop, motivate and retain experienced and innovative executive officers and senior leaders who have successfully managed, designed, implemented and led government services programs or information technology initiatives, or have relevant experience in other healthcare sectors, including data management and analytics. These individuals are in great demand and are likely to remain a limited resource in our industry. The loss of services of one or more members of our management team could adversely affect our business, financial condition, results of operations and cash flows. In addition, to the extent we lose an executive officer or senior leader, we may incur increased expenses in connection with the hiring, promotion or replacement of these individuals and the transition of leadership and critical knowledge.

Our outstanding indebtedness could materially adversely affect our financial condition and our ability to operate our business, and we may not be able to generate sufficient cash flows to meet our debt service obligations or capital requirements.

As of December 31, 2019, the outstanding principal balance under our Credit Agreement was $240 million. Our Credit Agreement provides for a senior secured revolving credit facility in an aggregate principal amount equal to $500 million and is secured, subject to certain customary carve-outs and exceptions, by a first priority lien and security interest in substantially all of our tangible and intangible assets. Our outstanding indebtedness and any additional indebtedness we incur may have important consequences for us, including, without limitation, that:

- we may be required to use a substantial portion of our cash flow to pay the principal of and interest on our indebtedness;
- our indebtedness and leverage may increase our vulnerability to adverse changes in general economic and industry conditions, as well as to competitive pressures;
- our indebtedness may expose us to the risk of increased interest rates because certain of our borrowings are and will be at variable interest rates;
- our ability to obtain additional financing for working capital, capital expenditures, acquisitions, investments, strategic relationships and for general corporate and other purposes may be limited;
- our indebtedness and leverage may prevent us from taking advantage of business opportunities as they arise or successfully carrying out our plans to expand our business; and
- our flexibility in planning for, or reacting to, changes in our business and our industry may be limited.

Under the Credit Agreement, we are also required to comply with specified financial and operating covenants, which may limit our ability to operate our business as we otherwise might operate it. The Credit Agreement also contains (i) certain affirmative covenants that impose certain reporting and/or performance obligations on us and our restricted subsidiaries, (ii) certain negative covenants that generally limit, subject to various exceptions, us and our restricted subsidiaries from taking certain actions, including, without limitation, incurring indebtedness, creating liens, engaging in mergers and consolidations, disposing of certain assets or property, making certain investments and acquisitions, entering into certain transactions with affiliates, swap agreements or sale-leasebacks, making certain restricted payments, including dividends and share repurchases, changing our fiscal year or the lines of business that we or our restricted subsidiaries conduct to a material extent, and prepaying certain junior indebtedness, (iii) financial covenants consisting of a maximum consolidated leverage ratio and a minimum interest coverage ratio, and (iv) customary events of default for financings of this type.

Our obligations under the Credit Agreement may be declared due and payable upon the occurrence and during the continuance of an event of default, which includes, without limitation: non-payment of principal or reimbursement obligations when due; non-payment of interest, fees and other amounts for a period of five business days after the due date; material inaccuracies of representations and warranties; failure to perform or observe covenants, conditions or agreements (subject to any applicable grace periods); cross-defaults of certain indebtedness; inability to pay debts;

certain acts of bankruptcy or insolvency; certain ERISA events; failure to pay certain material judgments; and a change of control as defined in the Credit Agreement. If not cured, an event of default could result in any amounts outstanding, including any accrued interest and unpaid fees, becoming immediately due and payable, and would give our lenders the right to proceed against the collateral granted to them to secure the debt, which would require us to, among other things, seek additional financing in the debt or equity markets, refinance or restructure all or a portion of our indebtedness, sell selected assets, and/or reduce or delay planned capital or operating expenditures. Such measures might not be sufficient to enable us to service our debt, and any such financing or refinancing might not be available on economically favorable terms or at all. Our ability to make payments of principal and interest on our outstanding credit facility depends upon our future performance and our ability to generate cash flows. If we are unable to generate sufficient cash flows to meet our debt service obligations or are forced to take additional measures to be able to service our indebtedness, our business, financial condition and results of operations could be materially and adversely affected.

Additionally, certain of our indebtedness bears interest at variable interest rates, primarily based on LIBOR. In July 2017, the United Kingdom's Financial Conduct Authority announced its intention to phase out the use of LIBOR by the end of 2021. Our Credit Agreement includes language to determine a replacement rate for LIBOR, if necessary; however, no consensus exists as to what rate or rates may become accepted alternatives to LIBOR, whether LIBOR will cease to be published or supported before or after 2021, or whether such alternative base rate will be more or less favorable than LIBOR. A transition away from LIBOR as a benchmark for establishing the applicable interest rate on certain borrowings could have a material adverse effect on the availability of financing and on our financing costs.

Changes in tax rules and regulations, or in interpretations thereof, may materially adversely affect our effective tax rates.

We are a U.S.-based company subject to taxation in multiple U.S. and foreign jurisdictions. As we continue to expand our business outside of the United States, we may become subject to additional tax laws and regulations, including those that could increase our exposure to additional tax liabilities, such as foreign tax laws, and laws relating to U.S. taxes on foreign operations. Our future effective tax rates could be materially affected by various factors, including changes in the tax rates of jurisdictions in which we do business, changes in relevant tax and accounting rules, regulations and interpretations, increases in expenses not deductible for tax purposes, including impairments of goodwill, changes in the valuation of our deferred tax assets and liabilities, and changes in geographic sales mix. For example, in December 2017, Congress enacted the 2017 Tax Act which, among other things, reduced the U.S. corporate tax rate, modified limitations on certain deductions for executive compensation, placed new limitations on interest deductions, repealed the Section 199 Deduction and certain capital investment deductions, and shifted U.S. taxation of multinational corporations from a tax on worldwide income to a territorial system. Any unanticipated changes in our tax rates could affect our future results of operations.

In addition, we are subject to the continual examination of our income tax returns by the IRS and other domestic and foreign tax authorities. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of our provision for income taxes and have reserved for potential adjustments that may result. The final determination of any of these examinations could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our insurance coverage and self-insurance reserves may not cover future claims, which could materially adversely affect our business, financial condition, results of operations and cash flows.

We currently self-insure a significant portion of expected losses associated with workers' compensation claims, general business liabilities, property damage and employee health care benefits. We have purchased a fully-insured stop loss policy for our health plans to help offset our liability for both individual and aggregate claim costs and maintain insurance coverage with varying limits and retention amounts to help limit exposure to certain other risks. Insurance reserves are established for our estimated cost of claims incurred and unpaid as of the balance sheet date on an undiscounted basis, which is based on a number of assumptions and factors, including historical trends, actuarial assumptions, economic conditions and management judgments about the present and expected level of cost per claim. This determination is closely monitored and adjusted when warranted by changing circumstances. Our prior growth could affect the accuracy of estimates based on historical experience. Should a greater amount of claims occur compared to what was estimated or medical costs increase beyond what was expected, our accrued liabilities might not be sufficient and we may be required to record additional expense. Unanticipated changes in the assumptions and estimates underlying our reserves could result in materially different amounts of expense reported under these programs, which could materially adversely affect our business, financial condition, results of operations and cash flows.

Our international operations expose us to a number of business and financial risks, which could materially adversely affect our business, financial condition, results of operations and cash flows.

We have expanded our business to include operations, investments, strategic relationships and personnel outside of the United States. Our international operations expose us to a number of business and financial risks, including, but not limited to:

- unfavorable foreign currency exchange rates or fluctuations;
- difficulties and increased costs involved in staffing and managing foreign operations;
- seasonal reductions in business activity;
- our ability to protect our intellectual property in foreign jurisdictions;
- legal uncertainties inherent in transnational operations such as export and import regulations, tariffs and other trade barriers;
- the impact of foreign laws, regulations and trade customs;
- U.S. and foreign taxation issues;
- increased costs of marketing to and servicing international clients;
- general political and economic trends, including the potential impact of political unrest, terrorist attacks or international hostilities; and
- legal compliance costs and risks associated with international operations, including heightened risks with respect to certain laws, including without limitation, healthcare and other data privacy laws, FCPA and similar laws and regulations in foreign jurisdictions.

If any of these risks materialize, our business, financial condition, results of operations and cash flows could be materially adversely affected.

Changes in accounting standards issued by the FASB or other standard-setting bodies may adversely affect our business.

Our financial statements are subject to the application of U.S. GAAP, which is periodically revised and/or expanded. From time to time, we are required to adopt new or revised accounting standards issued by recognized authoritative bodies, including the FASB and the SEC. It is possible that accounting standards we are required to adopt may require changes to the current accounting treatment that we apply to our consolidated financial statements and may require us to make significant changes to our systems. Changes in accounting standards could result in a material adverse impact on our business, financial condition and results of operations.

Risks Relating to Our Industry

Our business could be materially adversely affected by changes in the U.S. healthcare environment or in laws relating to healthcare programs and policies, particularly as they relate to the ACA and the Medicare and Medicaid programs.

The healthcare industry in which we operate is subject to changing political, economic and regulatory influences that directly affect the practices and operations of federal, state and commercial healthcare organizations in the United

States. When the ACA was passed, its emphasis on program integrity, cost containment and expansion of Medicaid created new opportunities to grow our business and our service offerings. However, certain provisions of the ACA have yet to be implemented and the regulatory framework of the ACA and other healthcare reforms continues to evolve as a result of executive, legislative, regulatory and administrative developments and judicial proceedings. Since its adoption into law in 2010, there have been continued efforts by Congress to amend, repeal or replace all or part of the ACA. Congress has introduced several other bills to delay, defund or repeal implementation or amend significant provisions of the ACA, though none of these other bills have passed the House and Senate.

In addition to these legislative proposals, the current presidential administration has taken several steps to limit the functionality of the ACA and to undermine or delay the implementation of the ACA. During 2017, the President signed two executive orders and other directives designed to waive, defer, grant exemptions from or delay the implementation of certain requirements mandated by the ACA. Although legislative attempts to completely repeal the ACA have been unsuccessful to date, there have been a number of attempts to amend, repeal or replace certain aspects of the ACA through other legislative actions and legal challenges. For example, in December 2017, the 2017 Tax Act was signed into law, which, among other things, repealed the penalty under the "individual mandate" introduced by the ACA. In February 2018, a number of states filed suit in the U.S. District Court for the Northern District of Texas alleging that the ACA was unconstitutional in light of the repeal of the penalties associated with the individual mandate. In December 2018, the district court issued a ruling that the mandate was no longer permissible under Congress's taxing power and was thus unconstitutional and inseverable from the ACA. As such, the court further found that the remaining provisions of the ACA were also deemed to be invalid. The district court's ruling was appealed to the U.S. Court of Appeals for the Fifth Circuit. On December 18, 2019, the U.S. Court of Appeals for the Fifth Circuit affirmed part of the lower court's ruling that the individual mandate was unconstitutional, but remanded the case back to the district court to determine whether the remaining provisions of the ACA were nonetheless valid. On January 3, 2020, the attorney generals of 20 states and the District of Columbia filed a petition requesting the Supreme Court to take up the case with an expedited review, which was denied. Although, a stay and partial final judgment has been issued pending appeals, ensuring that the ACA remains operational in all respects, we cannot predict the outcome of the litigation that has been filed relating to the constitutionality of the ACA. As such, there remains considerable uncertainty surrounding the continued implementation of the ACA and what similar healthcare reform measures or other changes might be enacted at the federal and/or state level.

There have also been a number of proposed and adopted legislative initiatives and healthcare reform proposals from the federal and state governments in response to budgetary or deficit considerations. These include (i) block grants and other proposals that would fundamentally change the financial structure of the Medicaid program (currently funded jointly by the states and the U.S. Federal Government), which could result in early termination, reduced scopes or non-renewal of our contracts with certain state government customers, and (ii) changes at the federal level that would reduce reimbursement rates to states, establish new payment models, further limit the Medicare RAC program, or otherwise change the operating environment for our customers and transform the government's involvement in healthcare. Future healthcare legislation could also have a significant impact on our business. Due to uncertainties regarding the outcome of future healthcare reform initiatives, and their enactment and implementation, we cannot predict which, if any, of the future reform proposals will be adopted or the effect such adoption may have on us.

Another variable that impacts our business will be how state programs, commercial health plans, private employers and other healthcare payers will respond to changes during this continued period of uncertainty surrounding the ACA. These organizations may react to such changed circumstances and financial pressures by taking actions to ramp up, curtail or defer their retention of cost containment providers like us, which could impact the demand for our solutions and services and our ability to increase or maintain sales of our existing solutions and services. While certain changes may present new opportunities to us, our business, financial condition, results of operations and cash flows could be materially adversely affected if we are unable to adapt our solutions and services to meet changing requirements or expand service delivery into new areas, or if the demand for our solutions and services is reduced as a result of future legislative changes affecting Medicare, Medicaid or other publicly funded or subsidized health programs, or efforts to waive, modify or otherwise change or invalidate the ACA. Although we will continue to evaluate the effect that the ACA and its possible invalidation or repeal and replacement may have on our business, it is difficult to predict the full impact and influence that the ACA and the varying healthcare reform measures may have on the U.S. healthcare industry or policy, and any resulting changes may take time to unfold.

Healthcare spending fluctuations, simplification of the healthcare payment process or other aspects of the healthcare financing system, budgetary pressures and/or programmatic changes diminishing the scope of program benefits, or limiting payment integrity initiatives, could reduce the need for and the price of our solutions and services, which would have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our projections and expectations are premised, in part, upon consistent growth rates in the Medicare and Medicaid programs and government spending on these programs, and the impact on the current healthcare financing system overall and need for our solutions and services within that existing framework. Our continued success as a company is based in large part on offering solutions and services that improve the ability of our customers to identify and recover revenue that would otherwise be lost often as a result of procedural inefficiencies and complexities in the healthcare delivery and payment system. However, the need for our solutions and services, the price customers are willing to pay for them and the scope and profitability of our contracts could be negatively affected by a number of factors, including, but not limited to:

- a lower than projected growth in Medicare and Medicaid program enrollment and expenditures;
- changes in the level of federal government spending due to budgetary or deficit considerations, including the continuance of existing programs, as well as budgetary pressures that may drive changes at the state level;
- unanticipated reductions in the scope of healthcare program benefits (such as, for example, state decisions to eliminate coverage of optional Medicaid populations or services or shifting lives into managed care plans);
- the transition of healthcare beneficiaries from fee-for-service plans to value-based care and other alternative risk models;
- modifications in provider billing behavior and habits, often in response to the success of our solutions and services or to changes that reduce healthcare spending;
- the adoption of healthcare plans with significantly higher deductibles or other consumer healthcare cost-sharing;
- customer improvements and enhancements to their internal healthcare claims and billing processes;
- the simplification of the healthcare benefit and payment system through legislative or regulatory changes at the federal or state level (for example, legislative changes impacting the scope of mandatory audits, including limits on the look-back period for review in areas where we conduct audits);
- limits placed on ongoing program integrity initiatives, including the Medicare RAC program and state Medicaid RAC programs (for example, limitations or reductions in the amount of reviewable claims we audit, such as the modified ADR limits and sliding scale policy implemented by CMS for the current Medicare RAC contracts, which have a significant impact on the volumes of claims that Medicare RACs are permitted to review for inpatient providers and reduce their ability to identify overpayments and underpayments); and
- legislative and regulatory healthcare reforms and developments, including the absence of near-term compliance deadlines effected by the ACA, the possible repeal or modification of the ACA, changes in rules and regulations that discourage participation in government-sponsored healthcare programs among certain key populations and other legislative actions to reduce program eligibility or services, or reform Medicaid spending.

The occurrence of any of these events, or other changes to the funding of the Medicare and Medicaid programs or limitations in the scope of program eligibility, benefits, initiatives and healthcare spending that materially reduce our revenue or profitability with such programs may have an adverse effect on our future business, financial condition, results of operations and cash flows.

A failure to comply with the laws and regulations that apply to companies in our industry regarding individual privacy and information security could subject us to legal actions, fines and penalties and negatively impact our reputation and operations.

As a cost containment service provider, we often receive, process, transmit and store sensitive data, including PHI and personally identifiable information of individuals, as well as other financial, confidential and proprietary information belonging to our customers, subcontractors, government agencies, data suppliers and other third parties from whom we obtain information. The use and disclosure of that information is regulated at the federal, state, international and industry levels. In particular, we are subject to federal regulation under HIPAA, as amended by HITECH, and the Final Omnibus Privacy, Security, Breach Notification, and Enforcement Rule, as well as various U.S. state laws. HIPAA also imposes standards and requirements on our business associates (as defined under HIPAA). We are also obligated by our contractual requirements with customers, which may require that we comply with additional privacy regulations imposed upon certain types of customers, such as the federal Gramm-Leach-Bliley Act and other laws. Additional legislation governing the acquisition, storage and transmission or other dissemination of health record information and other personal or sensitive information, including information outside the scope of HIPAA, continues to be proposed and come into force at the state level, such as the recently enacted California Consumer Privacy Act of 2018. There are also numerous international privacy and security laws that govern the collection, dissemination, use, access, retention, storage, protection and confidentiality of personal information. For example, the European Union General Data Protection Regulation, which became effective in May 2018, introduced new data protection requirements, which relate to, among other things, the security, confidentiality and processing of personal data in the European Union. The transferring of personal information across international borders is also becoming increasingly complex. Additionally, several countries, including Australia, have established specific legal requirements for cross-border transfers, and other countries, such as India, are considering requirements for data localization.

In addition, laws, rules and regulations concerning the protection of personal information may be inconsistent across jurisdictions and are subject to evolving interpretations and frequent change by legislation, regulatory issuances or industry standards. As regulatory focus on privacy issues continues to increase and these laws and regulations continue to expand and become more complex, these potential risks to our business could intensify. Changes in laws or regulations associated with the enhanced protection of certain types of sensitive data, such as healthcare data or other personally identifiable information, along with increased customer demands for enhanced data security infrastructure, could greatly increase our cost of providing our solutions and services, and may subject us to additional liabilities.

Even though we take measures to comply with all applicable regulations and to ensure our business associates and subcontractors comply with these laws, regulations and rules, we have less than complete control over our business associates' and subcontractors' actions and practices. We may be exposed to data breach risk if there is unauthorized access to one of our or our subcontractors' secure facilities, or to third-party enterprise cloud storage and cloud computing application services that we use, or from lost or stolen laptops or other portable media from current or former employee theft of data containing PHI, from computer hacking, malware, computer viruses or other malicious codes, phishing or other cyber-attacks, from misdirected mailings containing PHI, or other forms of administrative or operational error. If we or our subcontractors fail to comply with applicable laws; if unauthorized parties gain physical access to one of our facilities and steal or misuse confidential information; if we erroneously use or disclose data in a way that is inconsistent with our granted rights; or if such information is misdirected, lost or stolen during transmission or transport, we may suffer damage to our reputation, potential loss of existing customers and difficulty attracting new customers. We could also be exposed to, among other things, unfavorable publicity, governmental inquiry and oversight, allegations by our customers that we have not performed our contractual obligations, costs to provide notifications or remediation (such as credit monitoring) to affected individuals, fines or other penalties imposed by government regulatory agencies, or litigation by affected parties and possible financial obligations for damages or indemnification obligations related to the theft or misuse of such information, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are subject to extensive domestic and foreign laws and regulations, including government and customer audits and investigations relating to our compliance with such laws and regulations applicable to companies in our industry, and a negative finding or other adverse determination could have a material adverse effect on our reputation, business, financial condition, results of operations and cash flows.

We operate in an increasingly complex regulatory environment. A significant portion of our business is regulated by the U.S. federal government and the states in which we operate. These laws and regulations are generally intended to benefit and protect individual citizens, including government program beneficiaries, health plan members and their dependents. As such, the federal and state governmental agencies administering these laws and regulations have broad latitude to enforce them. Our contracts with U.S. government agencies are also subject to unique contractual provisions and performance requirements, and, on an ongoing basis, government and customer reviews, audits and investigations to verify our compliance with our contracts and applicable laws and regulations, as well as specialized legal actions and enforcement proceedings. For example, because we receive payments from federal and state governmental agencies, we are subject to laws, such as the Federal Acquisition Regulations, federal and state employment, equal opportunity and affirmative action laws, federal and state prompt pay statutes, healthcare fraud, waste and abuse laws, including anti-kickback laws, and similar legislation. We are also subject to the Federal False Claims Act and similar state statutes, which permit government law enforcement agencies to institute suits against us for violations and, in some cases, to seek double or treble damages, penalties and assessments. In addition, private citizens, acting as whistleblowers, can sue on behalf of the government under the "*qui tam*" provisions of the Federal False Claims Act and similar statutory provisions in many states.

As we expand into new areas of the healthcare industry, we may develop new or enhanced solutions that may further expose us to requirements under additional statutes and legislative schemes that have previously not been relevant to our business, such as the Fair Debt Collection Practices Act and other banking and credit reporting statutes. For example, in connection with our acquisition of Eliza Corporation ("Eliza"), we became subject to the Telephone Consumer Protection Act of 1991, state and federal audio and telephone recording laws, and other consumer laws and regulations as a result of the member engagement services that we perform. We also face heightened consumer communication protections as a result of the changing regulatory environment. Our increased involvement in population health services and penetration into new markets, such as ACOs, PBMs and commercial self-insured employers, could increase the likelihood and incidence of our being subjected to regulatory scrutiny or legal actions by third parties other than our customers, which may impose significant costs and strain on our resources.

In addition, the growth and continued expansion of our operations internationally subject us to additional and sometimes conflicting legal and regulatory requirements, such as those relating to local and cross-border taxation, anticorruption, anti-competition, immigration, government compliance, securities regulation, internal and disclosure control obligations, import/export controls, trade restrictions, conflict of interest, wage-and-hour standards, employment and labor relations, and data privacy and protection, including cross-border data transfers. Our non-U.S. businesses and operations are also subject to U.S. laws that regulate the conduct and activities of U.S.-based businesses operating abroad, such as the FCPA. Our exposure for violating the FCPA and other anticorruption, anti-bribery and anti-money laundering laws may increase as we expand internationally and commence sales and operations in foreign jurisdictions. Any changes in the laws and regulations of the countries in which we operate or utilize third-party resources outside of the United States may increase our future legal and regulatory compliance burden and involve significant costs and resources, and the inadequate enforcement of such laws or regulations could affect our business and results of operations. Despite our efforts, we may not be in compliance with all regulations in the countries in which we operate at all times, and may be subject to sanctions, penalties or fines as a result.

These laws and regulations, along with the terms of our government contracts, regulate how we do business, what services we offer and how we interact with customers, providers, other healthcare payers and the public. Although we have implemented policies and procedures designed to ensure compliance, there can be no assurance that our employees, subcontractors, vendors, agents, strategic partners or third parties with whom we do business, will not violate our policies. If the government discovers improper or illegal activities in the course of audits or investigations, we may be subject to various civil and criminal penalties and administrative sanctions, which may include termination of contracts, forfeiture of profits, suspension of payments, significant monetary damages and fines, loss of required certifications or licenses, and suspension, disqualification or debarment from doing business with the government. Similarly, if our customers assert that we have failed to properly perform or comply with our contractual obligations, or if the carriers to which we send billings assert that we have failed to properly comply with applicable federal or state billing rules and regulations, we may be required to provide refunds or make payments to resolve such issues. If we are found to be in violation of any applicable law or regulation, or if we receive an adverse review, audit or investigation from a government agency or customer related to our compliance with such laws or regulations or the terms of our government contracts, any resulting negative publicity, penalties or sanctions could have an adverse effect on our reputation in the industry, impair our ability to compete for new contracts or bid in response to RFPs in one or more jurisdictions, and have a material adverse effect on our business, financial condition, results of operations and cash flows.

Federal and state governments may limit or prohibit outsourcing of certain programs or functions to private entities, refuse to grant consents or waivers necessary for them to perform such work, or impose other limitations on outsourcing that may obstruct cost-effective performance of our contracts.

U.S. federal or state governments could limit or prohibit private contractors like us from operating or performing elements of certain government functions or programs. As a condition of receiving federal funding, state and local government agencies may be required to operate such programs with government employees. Under current U.S. law, in order to privatize certain functions of government programs, the federal government must grant a consent and/or waiver to the petitioning state or local agency. If the federal government does not grant a necessary consent or waiver, the state or local government will be unable to outsource that function to a commercial entity. Such a situation could eliminate a contracting opportunity or reduce the value of an existing contract.

Similarly, the U.S. government may impose limitations or requirements on the outsourcing of work to offshore resources, which could make it more difficult for us to fulfill our contracts in a cost-effective manner. Certain areas of our operations use or involve vendor or subcontractor personnel located outside of the United States to supplement our workforce, who may (under carefully controlled circumstances) access certain PHI in the course of assisting us with various elements of the services we provide to our customers. The federal government and a number of states have proposed or passed laws or issued rules, regulations, and orders that would limit, restrict or wholly prohibit the use of offshore labor in performance of government contracts, or impose sanctions for the use of such resources. Some of our customers have already chosen to contractually limit or restrict our ability to use offshore personnel and systems. Intensified restrictions of this type or associated penalties could raise our costs of doing business, expose us to unexpected fines or penalties, increase the prices we must charge to customers to realize a profit and eliminate or significantly reduce the value of existing contracts or potential contract opportunities, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may be precluded from bidding on or performing certain work due to work we currently perform, which could materially adversely affect our business, financial condition, results of operations and cash flows.

Various laws, regulations and administrative policies prohibit companies from performing work for government agencies in capacities that might be viewed to create an actual or perceived conflict of interest. In particular, CMS has stringent conflict of interest rules, which can limit our bidding for specific work for CMS, or for other contracts that might conflict, or be perceived by CMS to conflict, with contractual work for CMS. State governments and managed care organizations also have conflict of interest restrictions that could limit our ability to bid for certain work and impede our overall sales strategy. As we continue to expand and diversify our business operations, the likelihood that customers or potential customers will perceive conflicts of interest between our various subsidiaries, solutions, services, activities and customer relationships may increase. Such conflicts, whether real or perceived, could result in a loss of contracts or additional internal structural barriers that delay operational efficiency. We may also need to divest certain existing businesses or reorganize our current management and personnel structure, as well as our corporate organization and entity structure, in order to qualify for new contract awards or to appropriately mitigate conflicts and otherwise accommodate the increasing complexity of our business. Our failure to devote sufficient care, attention and resources to managing these adjustments may result in technical or administrative errors that could expose us to potential liability or adverse regulatory action. In addition, conflict of interest rules and standards change frequently, and are subject to varying interpretations and varying degrees and consistency of enforcement. We may not be successful in navigating these restrictions. If we are prevented from expanding our business or are unable to effectively implement our strategic initiatives due to real or perceived conflicts of interest, our business, financial condition, results of operations and cash flows could be materially adversely affected.

Risks Relating to Our Common Stock

The market price of our common stock may be volatile, and fluctuations in the price of our common stock may materially adversely affect our business, financial condition, results of operations and cash flows and materially adversely affect our shareholders.

The market price of our common stock has historically fluctuated and may continue to fluctuate. During the 52-week period ended December 31, 2019, our common stock traded on the Nasdaq Global Select Market as high as $39.93 per share and as low as $26.53 per share. Our stock price fluctuates based on a variety of factors, many of which are beyond our control, which include the risk factors described above and those related to:

- quarterly or annual earnings results or those of other companies in our industry;
- changes in financial estimates or recommendations by securities analysts about our future operating and stock price performance or in the operating and stock price performance of other companies that investors deem comparable to our company;
- news reports relating to trends, concerns and other issues in the healthcare industry, including perceptions in the marketplace regarding us and our competitors;
- the financial projections we publicly provide and any changes in or failure to meet those projections;
- future sales of shares of common stock in the public market by our executive officers or directors;
- any changes in the number of our outstanding shares, including as a result of share repurchases;
- actual or proposed changes in federal or state laws affecting the healthcare industry;
- changes in accounting principles;
- the public's response to our press releases, or other public announcements, including our filings with the SEC;
- securities class actions, shareholder lawsuits or other litigation; and
- market conditions in the industry and the economy as a whole.

In addition, stock markets often experience significant price and volume fluctuations. These broad market fluctuations may materially adversely affect the market price of our common stock regardless of our operating performance. In the past, shareholders have instituted securities class action litigation following periods of market volatility. Any litigation against us could cause us to incur substantial costs, divert the time and attention of our management and other resources or otherwise harm our business.

Because we do not intend to pay dividends, you will benefit from an investment in our common stock only if it appreciates in value.

We have not paid or declared cash dividends on any of our capital stock to date and currently intend to retain our future earnings, if any, to fund the development and continued growth of our business and repurchase shares opportunistically from time to time. As a result, we do not expect to pay any cash dividends in the foreseeable future. The success of your investment in our common stock will likely depend entirely upon any future appreciation. There is no guarantee that our common stock will appreciate in value or even maintain the price at which you purchased your shares.

Certain provisions of our certificate of incorporation and bylaws could discourage unsolicited takeover attempts, which could depress the market price of our common stock.

Our certificate of incorporation authorizes the issuance of up to 5,000,000 shares of “blank check” preferred stock with such designations, rights and preferences as may be determined by our Board of Directors. Accordingly, our Board of Directors is empowered, without shareholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights, that could adversely affect the voting power or other rights of holders of our common stock. In the event of issuance, preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying, or preventing a change in control. Although we have no present intention to issue any shares of preferred stock, it is possible that we will do so in the future. In addition, our bylaws currently require advance notice of shareholder proposals for business to be conducted at meetings of our shareholders and for nominations of candidates for election to our Board of Directors and provide for Delaware as an exclusive forum for certain disputes with our shareholders, all of which could also have the effect of discouraging a change of control.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters and other material leased properties as of December 31, 2019 are shown in the following table:

Location	Approximate Square Footage	Owned/Leased
Irving, TX (corporate headquarters)	242,260	Owned
Las Vegas, NV (office space)	63,593	Leased
Danvers, MA (office space)	38,868	Leased
New York , NY (office space)	34,759	Leased
Jackson, MN (office space)	27,932	Owned
Westerville, OH (office space)	25,212	Leased
All other locations (26)	120,556	Leased

All other locations consist principally of office space and two data centers, which are primarily located in the United States. Outside the U.S., we also lease office space in India. The leased locations have expiration dates through 2026. A portion of the above Las Vegas, NV and New York, NY office spaces are sub-leased. In general, we believe our existing facilities, including both owned and leased, are suitable to meet our current and reasonably anticipated future needs. See “Leases” in Note 16 to the Consolidated Financial Statements in Part II, Item 8 for additional information.

Item 3. Legal Proceedings

The information set forth under the caption “Litigation” in Note 14 to the Consolidated Financial Statements in Part II, Item 8 is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is listed on the Nasdaq Global Select Market under the symbol “HMSY”.

Holders

As of the close of business on February 17, 2020, there were 249 holders of record of our common stock.

Dividends

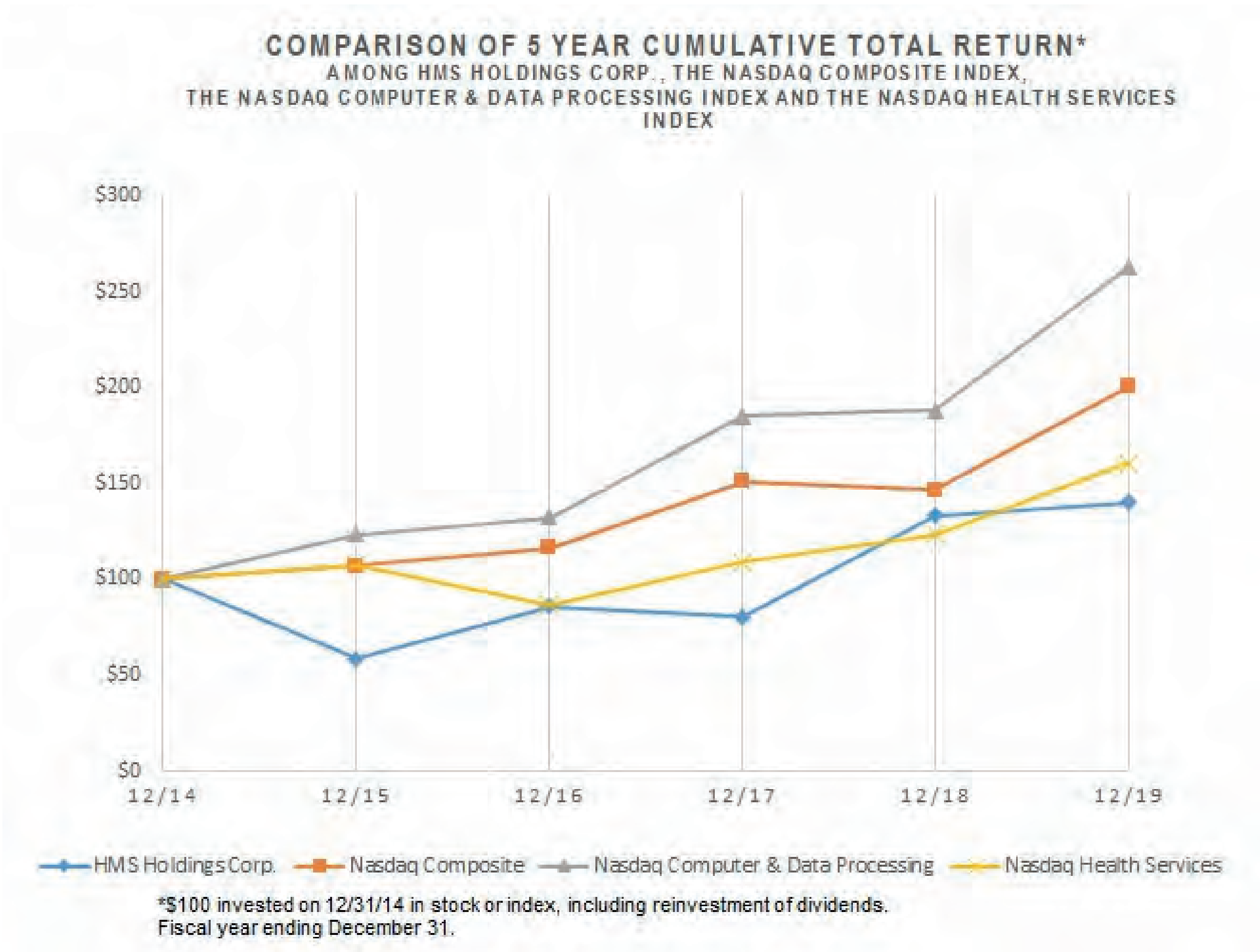
We have not paid or declared any cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. Our current intention is to retain future earnings to support the continued growth of our business and possibly for the repurchase of shares from time to time. Our Board of Directors will evaluate various factors, including, without limitation, our future earnings, operating cash flows, financial condition, results of operations and capital requirements in determining whether to pay any cash dividends in the future. In addition, our Credit Agreement generally limits, subject to certain exceptions, our ability to make certain payments or distributions with respect to our capital stock, including cash dividends to our shareholders. For additional detail, see the information under the heading “Liquidity and Capital Resources” in Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations, and in Note 9 to the Consolidated Financial Statements in Part II, Item 8.

For equity compensation plan information, see Part III, Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.

Repurchases of Shares of Common Stock

On November 1, 2017, our Board of Directors approved a share repurchase program authorizing the Company to repurchase up to $50.0 million of shares of its common stock, which we publicly announced on November 3, 2017. This program expired on November 1, 2019 and had approximately $29.9 million remaining at the time of expiration**.** On November 1, 2019, our Board of Directors approved a new share repurchase program authorizing the Company to repurchase up to $50.0 million of shares of its common stock from time to time on the open market or in privately negotiated or other transactions. We publicly announced the new program on November 1, 2019. The new share repurchase program is authorized for a period of up to two years, and may be suspended or discontinued at any time. In order to facilitate repurchases, the Company may enter into a Rule 10b5-1 plan from time to time, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws or because of a self-imposed trading blackout period. See “Equity” in Note 10 to the Consolidated Financial Statements in Part II, Item 8 for additional information regarding share repurchases. There were no repurchases of shares of common stock under either share repurchase program during the fourth quarter of 2019.

Comparative Stock Performance Graph



The graph above compares the cumulative total shareholder return on our common stock with the cumulative total shareholder returns of the Nasdaq Composite Index, the Nasdaq Computer & Data Processing Index and the Nasdaq Health Services Index assuming an investment of $100 on December 31, 2014 and the reinvestment of dividends through the year ended December 31, 2019.

	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19
HMS Holdings Corp.	$ 100.00	$ 58.37	$ 85.90	$ 80.18	$ 133.07	$ 140.02
Nasdaq Composite	100.00	106.96	116.45	150.96	146.67	200.49
Nasdaq Computer & Data Processing	100.00	123.21	132.37	185.07	187.89	262.83
Nasdaq Health Services	100.00	107.35	86.83	109.24	123.53	160.42

Notwithstanding anything to the contrary set forth in any of our previous or future filings under the Securities Act or the Exchange Act that might incorporate by reference this 2019 Form 10-K or future filings made by us under those statutes, the Comparative Stock Performance Graph is not deemed filed with the SEC, is not deemed soliciting material and shall not be deemed incorporated by reference into any of those prior filings or into any future filings we make under those statutes, except to the extent that we specifically incorporate such information by reference into a previous or future filing, or specifically request that such information be treated as soliciting material, in each case under those statutes.

Item 6. Selected Financial Data

The following table sets forth selected consolidated financial amounts at and for each of the last five fiscal years in the period ended December 31, 2019. It should be read in conjunction with Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and the Consolidated Financial Statements and Notes thereto, in Part II, Item 8 of this 2019 Form 10-K.

Statement of Operations Data

	Years ended December 31,				
(in thousands, except per share amounts)	**2019**	**2018**	**2017**	**2016**	**2015**
Revenue	$ 626,395	$ 598,290	$ 521,212	$ 489,720	$ 474,216
Total operating expenses	523,379	535,052	470,781	432,051	426,644
Operating income	103,016	63,238	50,431	57,669	47,572
Interest expense	(11,013)	(11,310)	(10,871)	(8,519)	(7,812)
Interest income	4,148	1,089	295	321	49
Other income	8,211	—	—	—	—
Income before income taxes	104,362	53,017	39,855	49,471	39,809
Income taxes	17,138	(1,972)	(199)	11,835	15,282
Net income	$ 87,224	$ 54,989	$ 40,054	$ 37,636	$ 24,527
Net Income Per Common Share					
Basic income per common share:					
Net income per common share — basic	$ 1.00	$ 0.66	$ 0.48	$ 0.45	$ 0.28
Diluted income per common share:					
Net income per common share — diluted	$ 0.98	$ 0.64	$ 0.47	$ 0.43	$ 0.28
Weighted average shares:					
Basic	87,222	83,625	83,821	84,221	87,881
Diluted	89,317	86,144	85,088	86,987	88,361

Balance Sheet Data

	Years ended December 31,				
(in thousands)	**2019**	**2018**	**2017**	**2016**	**2015**
Cash and cash equivalents	$ 139,268	$ 178,946	$ 83,313	$ 175,999	$ 145,610
Working capital	$ 296,093	$ 328,684	$ 199,967	$ 277,478	$ 240,456
Total assets	$ 1,244,276	$ 1,078,518	$ 975,160	$ 882,755	$ 850,597
Revolving credit facility	$ 240,000	$ 240,000	$ 240,000	$ 197,796	$ 197,796
Total shareholders' equity	$ 854,865	$ 713,396	$ 606,229	$ 556,610	$ 524,702

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis is intended to help the reader understand the results of operations and financial condition of HMS. You should read this discussion and analysis in conjunction with the other sections of this 2019 Form 10- K, including the Cautionary Note Regarding Forward-Looking Statements appearing prior to Part I, the information in Part I, Item 1A, and the Consolidated Financial Statements and Notes thereto in Part II, Item 8. The historical results set forth in Part II, Item 6, Item 7 and Item 8 of this 2019 Form 10-K should not be taken as necessarily indicative of our future operations or financial results.

This section of this 2019 Form 10-K generally discusses 2019 and 2018 items and includes a year-to-year comparison of our results of operations and liquidity and capital resources between 2019 and 2018. For a discussion of 2017 items and year-to-year comparisons between 2018 and 2017 that are not included in this 2019 Form 10-K, please refer to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 25, 2019.

Business Overview

HMS delivers healthcare technology, analytics and engagement solutions to help reduce costs, improve health outcomes and enhance consumer experiences. We provide a broad range of coordination of benefits, payment integrity and population health management solutions through our operating subsidiaries to move the healthcare system forward for our customers and contribute to improving health outcomes. We are managed and operate as one business segment with a single management team that reports to the Chief Executive Officer.

We provide solutions that apply broadly across state and Federal government agencies, health plans and PBMs. employers, and at-risk providers. We also serve as a subcontractor for certain business outsourcing and technology firms. As of December 31, 2019, our customer base included the following:

- over 40 state Medicaid programs;
- more than 325 health plans, including 22 of the top 25 health plans nationally (based on membership) in support of their multiple lines of business, including Medicaid managed care, Medicare Advantage and group and individual health;
- over 150 private employers;
- CMS and the Centers for Disease Control and Prevention; and
- PBMs, third-party administrators and other risk-bearing entities, including independent practice associations, hospital systems, ACOs and specialty care organizations.

Outlook

We have grown our business both organically, through internal innovation and the development of new solutions and services, as well as by acquisition of businesses whose core services strengthened our overall mission to help our customers contain healthcare costs and improve health outcomes. Our largest growth during 2019 was with government payers including state and federal customers. In addition to cross-sales of our population health management solutions and other internal growth initiatives in 2019, various factors related to the macro healthcare environment are expected to provide opportunities for future growth, including:

- the rising and unsustainable costs of healthcare;
- increasing enrollment and rising expenditures for Medicare and Medicaid;
- the importance of treating the "whole person" with multi-dimensional analytics that provide a complete view of a person's coverage, health history and risks, enhanced with effective engagement solutions that impact behavior and improve outcomes;
- the transition to value-based care, and the overall complexity of the healthcare claims payment system in the U.S.; and
- the growing importance of analytics to preemptively identify early and rising risks, measure outcomes, and improve health.

To drive our future growth, we plan to enter into new markets and expand the scope of our relationships with existing customers, with a focus on selling additional solutions and services that span the payment and care continuum, from an individual's enrollment in a healthcare program to pre-payment review of their claims through post-payment identification and recovery of improper payments, and back to the individual where our consumer-driven solutions will allow healthcare organizations to manage individuals' healthcare on a personal level, at scale.

Our plan is to attract new customers, while broadening our relationships with current customers, through the introduction of innovative solutions and services, designed to enhance or expand our existing suite of cost containment solutions, By utilizing technology tools that leverage a big data environment, we intend to continue to promote automation and innovation to improve the effectiveness of our existing solution suite, and identify new revenue opportunities. We plan to continue to implement new technology and process improvements to increase customer satisfaction and achieve greater operating efficiencies that will improve the quality, effectiveness and profitability of our service offerings.

We are subject to a number of significant risks in the operation of our business, including operational, strategic, financial and regulatory risks. These include risks related to legal compliance, financial performance and condition, protection of our information technology networks and systems and intellectual property, and other risks. With respect to cybersecurity, the effective operation of our information technology networks and systems, and the secure processing and maintenance of the confidential, proprietary and sensitive information and data we receive from our customers and other data suppliers are critical to our operations and business strategy. Although we have processes and procedures to attempt to mitigate many of the risks that we face, there can be no assurance that such processes or procedures will be successful. For a discussion of certain risks relating to the Company, see the information under the heading "Part I, Item 1A. Risk Factors."

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates. The accounting policies that we believe to be the most critical to an understanding of our financial condition and results of operations and that require the most complex and subjective management judgments are as follows:

Revenue Recognition

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
The Company recognizes revenue when performance obligations under the terms of the contracts with our customers are satisfied.	Due to the range of solutions and services that HMS provides and the differing fee structures associated with each type of contract, revenue may be recognized in irregular increments. A portion of our revenue is recorded net of an estimate of future revenue adjustments, with an offsetting entry to accounts receivable, based on historical patterns of billing adjustments, length of operating and collection cycle and customer negotiations, behaviors and payment patterns. Changes in these estimates are recorded to revenue in the period of change.	If we were to enter any new contracts with differing fee structures or performance obligations or if we were to change any of the judgments or estimates related to estimated future revenue adjustments, it could cause a material increase or decrease in the amount of revenue we report in a particular period.

Business Combinations

Description	*Judgments and Uncertainties*	*Effect if Actual Results Differ from Assumptions*
We record assets acquired and liabilities assumed in a business combination based upon their acquisition date fair values. Goodwill is the excess of acquisition costs over the fair values of assets and liabilities of acquired businesses. During the measurement period, which is up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.	In most instances there is not a readily defined or listed market price for individual assets and liabilities acquired in connection with a business, including intangible assets. We determine fair value through various valuation techniques including discounted cash flow models, quoted market values and third party independent appraisals, as considered necessary. Significant assumptions used in those techniques include, but are not limited to, growth rates, discount rates, customer attrition rates, expected levels of revenues, earnings, cash flows and tax rates.	The use of different valuation techniques and assumptions are highly subjective and inherently uncertain and, as a result, actual results may differ materially from estimates.

Impairment of Goodwill

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Goodwill is subject to a periodic assessment for impairment. We assess goodwill for impairment on an annual basis as of June 30th of each year or more frequently if an event occurs or changes in circumstances would more likely than not reduce the fair value of a reporting unit below its carrying amount. Assessment of goodwill impairment is at the HMS Holdings Corp. entity level as we operate as a single reporting unit. We have the option to perform a qualitative or quantitative assessment to determine if impairment is more likely than not to have occurred. If we can support the conclusion that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount using the qualitative assessment, then the Company would not need to perform the impairment test. If the Company cannot support such a conclusion, or the Company does not elect to perform the qualitative assessment, then the goodwill impairment test is used to identify potential impairment by comparing the fair value of the reporting unit with its carrying amount, including goodwill and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, with the understanding that the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The Company's carrying amount of goodwill was $599.4 million as of December 31, 2019.	The Company completed the quantitative annual impairment test as of June 30, 2018 and in June 30, 2019 elected to perform the qualitative assessment. When performing our quantitative analysis, the Company utilized a weighting across three commonly accepted valuation approaches: an income approach, a guideline public company approach, and a merger and acquisition approach. Significant assumptions in the income approach include income projections, a discount rate and a terminal growth value. The guideline public company approach and merger and acquisition approach are based on pricing multiples observed for similar publicly traded companies or similar market companies that were sold. When the qualitative assessment of goodwill impairment is performed, significant judgment is required in the assessment of qualitative factors including but not limited to an evaluation of macroeconomic conditions as they relate to our business, industry and market trends, as well as the overall future financial performance of our reporting units and future opportunities in the markets in which they operate.	The results of the annual impairment assessment provide that the fair value of the reporting unit was significantly in excess of the Company's carrying value, including goodwill; therefore, no impairment was indicated. If actual results are not consistent with our estimates or assumptions, the Company may be exposed to an impairment charge that could materially adversely impact our consolidated financial position and results of operations. There were no impairment charges related to goodwill during the years ended December 31, 2019, 2018, or 2017.

Impairment of Long-Lived and Intangible Assets

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Long-lived assets, including property and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When indicators exist, recoverability of assets is measured by a comparison of the carrying value of the asset group to the estimated undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized and charged to earnings is measured by the amount by which the carrying value of the asset group exceeds the fair value of the assets.	We use significant judgment in assessing events or changes in circumstances which indicate that the carrying amount of the asset may not be recoverable.	The Company's carrying amount of long-lived assets, including property and equipment and intangible assets was $218.8 million as of December 31, 2019. The Company did not recognize any impairment charges related to long-lived and intangible assets during the years ended December 31, 2019, 2018 or 2017. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to an impairment charge that could materially adversely impact our consolidated financial position and results of operations.

Valuation of Stock-Based Compensation

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
The determination of the fair value of the options on the grant date using the Black-Scholes pricing model is affected by the Company's stock price, as well as assumptions regarding a number of complex and subjective variables. Certain key variables include: the Company's expected stock price volatility over the expected term of the awards; a risk-free interest rate; and any expected dividends. The fair value of all awards also includes an estimate of expected forfeitures.	We estimate stock price volatility based on the historical volatility of the Company's common stock and estimate the expected term of the awards based on the Company's historical option exercises for similar types of stock option awards. The assumed risk-free interest rate is based on the yield on the measurement date of a zero-coupon U.S. Treasury bond with a maturity period equal to the option's expected term. The Company does not anticipate paying any cash dividends in the foreseeable future and therefore, uses an expected dividend yield of zero in the option valuation models. Forfeitures are estimated based on historical experience.	If we were to change any of these judgments or estimates, it could cause a material increase or decrease in the amount of stock compensation expense we report in a particular period. For example, if actual forfeitures vary from estimates, a difference in compensation expense will be recognized in the period the actual forfeitures occur.

Income Taxes

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. This method also requires the recognition of future tax benefits for net operating loss carry-forwards	Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date. A valuation allowance is provided against deferred tax assets to the extent their realization is not more likely than not. Uncertain income tax positions are accounted for by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. We make adjustments to these reserves in accordance with the income tax accounting guidance when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate.	To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made, and could have a material impact on our financial condition and operating results. Although the Company believes that it has adequately reserved for uncertain tax positions (including interest and penalties), it can provide no assurance that the final tax outcome of these matters will not be materially different.

Contingencies

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
From time to time, we are involved in legal proceedings in the ordinary course of business. We assess the likelihood of any adverse judgments or outcomes to these contingencies as well as potential ranges or probable losses and establish reserves accordingly.	We record accruals for outstanding legal matters when we believe it is probable that a loss will be incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. We review these provisions at least quarterly and adjust the provisions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and updated information.	Litigation is inherently unpredictable and is subject to significant uncertainties, some of which are beyond the Company's control. The amount of reserves required may change in future periods due to new developments in each matter or changes in approach to a matter such as a change in settlement strategy which could have a material impact on our financial condition and operating results.

For further information on these critical accounting policies and all other significant accounting policies, refer to the discussion under "Business and Summary of Significant Accounting Policies" in our Note 1 to the Consolidated Financial Statements in Part II, Item 8.

Results of Operations

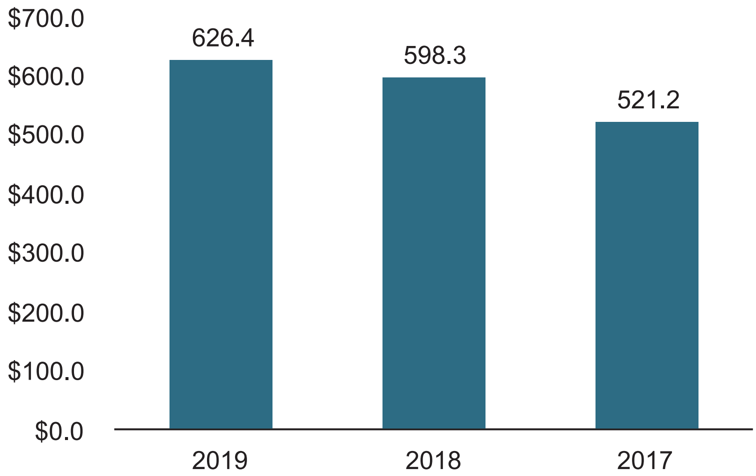
2019 Highlights

- Revenue growth of 4.7%
- Operating income growth of 63.0%
- Cash flow from operations of $133.2 million
- Net income growth of 58.5%

Comparison of 2019 to 2018 and 2018 to 2017

(dollars in millions)	Year Ended December 31,			$ Change	% Change	$ Change	% Change
	2019	2018	2017	2019 vs 2018		2018 vs 2017	
Revenue	$ 626.4	$ 598.3	$ 521.2	$ 28.1	4.7%	$ 77.1	14.8%
Cost of services:							
Compensation	231.3	224.9	202.0	6.4	2.8	22.9	11.3
Direct project and other operating expenses	90.1	74.3	69.8	15.8	21.3	4.5	6.4
Information technology	53.9	53.4	45.7	0.5	0.9	7.7	16.8
Occupancy	16.4	16.0	17.2	0.4	2.5	(1.2)	(7.0)
Amortization of acquisition related software and intangible assets	17.0	33.0	30.4	(16.0)	(48.5)	2.6	8.6
Total cost of services	408.7	401.6	365.1	7.1	1.8	36.5	10.0
Selling, general and administrative expenses	114.7	113.5	105.7	1.2	1.1	7.8	7.4
Settlement expense	—	20.0	—	(20.0)	(100.0)	20.0	100.0
Total operating expenses	523.4	535.1	470.8	(11.7)	(2.2)	64.3	13.7
Operating income	103.0	63.2	50.4	39.8	63.0	12.8	25.4
Interest expense	(11.0)	(11.3)	(10.8)	0.3	(2.7)	(0.5)	4.6
Interest income	4.1	1.1	0.3	3.0	272.7	0.8	266.7
Other income	8.2	—	—	8.2	100.0	—	—
Income before income taxes	104.3	53.0	39.9	51.3	96.8	13.1	32.8
Income taxes	17.1	(2.0)	(0.2)	19.1	(955.0)	(1.8)	900.0
Net income	$ 87.2	$ 55.0	$ 40.1	$ 32.2	58.5%	$ 14.9	37.2%

Revenue (in millions)



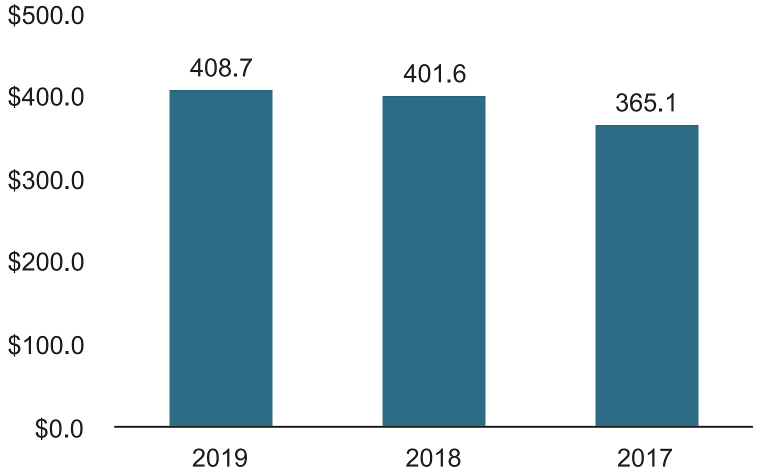
2019 vs 2018

During the year ended December 31, 2019, revenue was $626.4 million, an increase of $28.1 million or 4.7% compared to $598.3 million for the year ended December 31, 2018.

- By solution:
  - Coordination of benefits revenue increased $7.0 million or 1.8% which was attributable to incremental services and yield increases provided to existing customers in our cost recovery business, partially offset by the timing of recoveries related to certain customers.
  - Payment integrity revenue increased $18.1 million or 12.6%, primarily due to a $21.7 million increase in federal related claims, which included a $2.1 million increase resulting from the release of the Company's remaining estimated liability and net receivables relating to the original Medicare RAC contract.
  - Population health management revenue increased $3.0 million or 5.2% due to increased customer implementation and subscription fees.

- By market:
  - Commercial health plan market revenue decreased $20.7 million or 6.4%, which was primarily due to scope and contract changes with existing customers.
  - State government market revenue increased $23.8 million or 10.2%, which was attributable to expanded scopes and yield improvements.
  - Federal government market and other revenue increased $25.0 million or 60.7% due to an increase in federal related claims processed, which included a $2.1 million incremental increase associated with the release of the remaining estimated liability and net receivables relating to the original Medicare RAC contract.

Cost of Services (in millions)

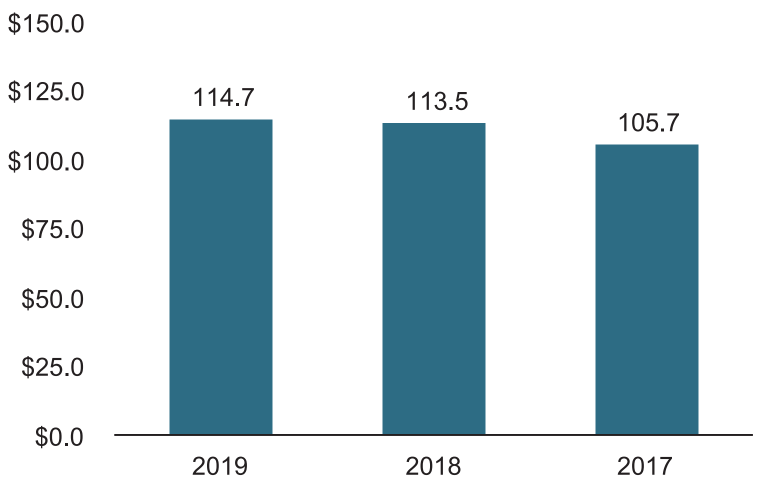


2019 vs 2018

During the year ended December 31, 2019, total cost of services was $408.7 million, an increase of $7.1 million or 1.8% compared to $401.6 million for the year ended December 31, 2018.

- Compensation expense increased by $6.4 million, which was primarily due to an increase in compensation costs partially offset by a decrease in variable compensation.
- Direct project and other operating costs increased by $15.8 million primarily due to increases in labor costs, software costs and third party service providers expense.
- Amortization of acquisition related software and intangibles assets decreased by $16.0 million due to certain intangible assets becoming fully amortized in prior periods.

Selling, General and Administrative Expenses (in millions)



2019 vs 2018

During the year ended December 31, 2019, SG&A expense was $114.7 million, an increase of $1.2 million or 1.1% compared to $113.5 million for the year ended December 31, 2018.

- Compensation expense decreased $5.2 million due to a decrease in variable compensation.

- Professional fees increased by $6.7 million compared to the prior year as the company leveraged additional external resources and expertise for certain SG&A related activities in 2019.

Other income

2019 vs 2018

In the third quarter of 2019, a third party acquired one hundred percent of the outstanding stock of InstaMed Holdings, Inc. ("InstaMed") including the Company's cost based investment in InstaMed of $2.1 million. As a result, the Company received proceeds of $9.8 million from the sale of the investment and recognized a $7.7 million gain in other income for the year ended December 31, 2019.

Income Taxes

2019 vs 2018

During the year ended December 31, 2019, we recorded an income tax expense of $17.1 million, the expense increased by $19.1 million compared to an income tax benefit of $(2.0) million for the year ended December 31, 2018.

- Our effective tax rate was 16.4% for the year ended December 31, 2019 compared to an effective tax rate of (3.7)% for the year ended December 31, 2018. The low 2018 effective tax rate is primarily due to favorable tax benefits related to current year credits, equity compensation, subsidiary basis write off, prior year state tax apportionment changes, uncertain tax position releases, and acquisition adjustments.
- Our normalized effective tax rate of 27.8% for 2019 increased from our normalized effective tax rate of 25.8% for 2018. The 2019 normalized effective tax rate excludes tax benefits related to stock compensation net windfalls and reversal of prior years' uncertain tax benefits of (10.0%) and (1.4%), respectively.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Liquidity and Capital Resources

The following tables should be read in conjunction with the Consolidated Financial Statements and Notes thereto, in Part II, Item 8 of this 2019 Form 10-K.

Our cash and cash equivalents, working capital and available borrowings under our credit facility (based upon the borrowing base and financial covenants in our Credit Agreement) were as follows *(in thousands):*

	Years ended December 31,	
	2019	2018
Cash and cash equivalents	$ 139,268	$ 178,946
Working capital	$ 296,093	$ 328,684
Available borrowings under credit facility	$ 253,500	$ 253,500

A summary of our cash flows was as follows *(in thousands)*:

	Years ended December 31,		
	2019	2018	2017
Net cash provided by operating activities	$ 133,232	$ 96,457	$ 86,464
Net cash used in investing activities	(205,059)	(30,413)	(204,364)
Net cash provided by financing activities	32,149	29,589	25,214
Net increase / (decrease) in cash and cash equivalents	$ (39,678)	$ 95,633	$ (92,686)

Our cash and cash equivalents and our working capital decreased as of December 31, 2019 as compared to December 31, 2018, primarily as a result of the cash used in investing activities as discussed below.

Our principal source of cash has been our cash flow from operations and our $500 million five-year revolving credit facility. Other sources of cash include proceeds from exercise of stock options and tax benefits associated with stock option exercises. The primary uses of cash include, but are not limited to, acquisitions, strategic investments, capital investments, compensation expenses, data processing, direct project and other operating costs, SG&A expenses and other expenses.

We believe that expected cash flows from operations, available cash and cash equivalents, and funds available under our revolving credit facility will be sufficient to meet our liquidity requirements for the following year, which include:

- the working capital requirements of our operations;
- investments in our business;
- business development activities; and
- repurchases of common stock.

Any projections of future earnings and cash flows are subject to substantial uncertainty. We may need to access debt and equity markets in the future if unforeseen costs or opportunities arise, to meet working capital requirements, fund acquisitions or investments or repay our indebtedness under the Credit Agreement. If we need to obtain new debt or equity financing in the future, the terms and availability of such financing may be impacted by economic and financial market conditions as well as our financial condition and results of operations at the time we seek additional financing.

Cash Flows from Operating Activities

Net cash provided by operating activities for the year ended December 31, 2019 was $133.2 million, a $36.7 million increase from net cash provided by operating activities of $96.5 million for the year ended December 31, 2018. The increase was primarily due to a $32.2 million increase in net income, a $14.7 million decrease in the amortization of intangibles and a $7.7 million gain on the sale of a cost-basis investment. These increases were partially offset by a $10.8 million change in deferred income taxes, a $4.1 million increase in noncash lease expense and a net decrease in operating assets and liabilities of approximately $13.5 million.

Our DSO calculation can be derived by dividing total net accounts receivable at the end of period, by the daily average of the current quarter’s annualized revenue. For the year ended December 31, 2019, revenue was $626.4 million, an increase of $28.1 million compared to revenue of $598.3 million for the year ended December 31, 2018. DSO increased by 4 days to 123 days as of December 31, 2019, as compared to 119 days as of December 31, 2018. The change was primarily due to the acquisition of Accent resulting in a 3 day increase. We do not currently anticipate collection issues with our accounts receivable, however, nor do we currently expect that any extended collections will materially impact our liquidity.

The majority of our customer relationships have been in place for several years. Our future operating cash flows could be adversely affected by a decrease in a demand for our services, delayed payments from customers or if one or more contracts with our largest customers is terminated or not renewed.

Cash Flows from Investing Activities

Net cash used in investing activities for the year ended December 31, 2019 was $205.1 million, a $174.7 million increase compared to net cash used in investing activities of $30.4 million for the year ended December 31, 2018. This increase was primarily due to the use of approximately $185.8 million, net of cash acquired, for the acquisitions of Accent and VitreosHealth, proceeds from the sale of our cost basis investment in InstaMed of $9.8 million and purchase of our cost basis investment in MedAdvisor of $7.4 million, during the year ended December 31, 2019. Purchases of property and equipment and investment in capitalized software decreased by $8.8 million million year over year.

We currently expect to incur capital expenditures of approximately $34 million during the year ended December 31, 2020.

Cash Flows from Financing Activities

Net cash provided by financing activities for the year ended December 31, 2019 was $32.1 million, a $2.5 million increase from net cash provided by financing activities of $29.6 million for the year ended December 31, 2018. This increase was primarily a result of the Company not making any repurchases of common stock during fiscal year 2019, compared to approximately $6.0 million in 2018, partially offset by an increase in tax withholding payments for employees' net-share settlement of stock options.

Share Repurchase Program

During the year ended December 31, 2019, we did not repurchase any shares of our common stock. See the discussion under "Repurchases of Shares of Common Stock" under Part II, Item 5 and "Equity" in Note 10 to the Consolidated Financial Statements under Part II, Item 8 for additional information regarding share repurchases.

Credit Agreement

In May 2013, we entered into the Credit Agreement with certain lenders and Citibank, N.A. as administrative agent. The Credit Agreement originally provided for an initial $500 million five-year revolving credit facility maturing on May 3, 2018. On December 19, 2017, we entered into an amendment to the Credit Agreement that, among other things, provided for an extension of the maturity date of our then-existing senior secured revolving credit facility to December 19, 2022, which includes a $50 million sublimit for the issuance of letters of credit and a $25 million sublimit for swingline loans. In addition, the Credit Agreement includes an accordion feature that permits us to increase the revolving credit facility up to the sum of (a) the greater of $120 million and 100% of Consolidated EBITDA (as defined in the Credit Agreement) and (b) additional amounts so long as our first lien leverage ratio (as defined in the Credit Agreement) on a pro forma basis is not greater than 3.00:1.00, in each case subject to obtaining commitments from lenders therefor and meeting certain other conditions.

The obligations and amounts due under the Credit Agreement are secured by a first security priority interest in all or substantially all of our tangible and intangible assets and our material 100% owned subsidiaries' assets. The Credit Agreement contains customary representations and warranties, affirmative and negative covenants, including financial covenants, and events of default.

As of December 31, 2019, the outstanding principal balance under our revolving credit facility was $240.0 million.

As part of a contractual agreement with a customer, the Company has an outstanding irrevocable letter of credit for $6.5 million, which is issued against our revolving credit facility and expires June 30, 2020.

As of December 31, 2019, we were in compliance with all terms of the Credit Agreement.

See Note 9 to the Consolidated Financial Statements in Part II, Item 8 for additional information regarding our Credit Agreement.

Contractual Obligations

The following table represents the scheduled maturities of our contractual cash obligations and other commitments:

Contractual Obligations [1]	Payments Due by Period *(in thousands)*				
	Total	**Less than 1 year**	**1 - 3 years**	**3 -5 years**	**More than 5 years**
Operating leases [2]	$ 18,726	$ 5,808	$ 7,092	$ 4,835	$ 991
Revolving credit facility [3]	240,000	—	240,000	—	—
Interest expense [4]	24,027	8,171	15,856	—	—
Commitment fee [5]	1,949	653	1,296	—	—
Capital leases [6]	1,154	454	454	246	—
Letter of Credit fee [7]	53	53	—	—	—
Purchase obligations and commitments [8]	28,334	15,211	13,123	—	—
Total	$ 314,243	$ 30,350	$ 277,821	$ 5,081	$ 991

(1) The Company has excluded long-term unrecognized tax benefits, net of interest and penalties, of $4.2 million from the amounts presented as the timing of these obligations is uncertain.

(2) Represents the future minimum lease payments under non-cancelable operating leases. See Note 16 to the Consolidated Financial Statements in Part II, Item 8 for additional information regarding Leases.

(3) Represents scheduled repayments of principal on the revolving credit facility under the terms of our Credit Agreement. See Note 9 to the Consolidated Financial Statements in Part II, Item 8 for additional information regarding the Credit Agreement.

(4) Represents estimates of amounts due on the revolving credit facility based on the interest rate as of December 31, 2019 and on scheduled repayments of principal. See Note 9 to the Consolidated Financial Statements in Part II, Item 8 for additional information regarding the Credit Agreement.

(5) Represents the commitment fee due on the revolving credit facility. See Note 9 to the Consolidated Financial Statements in Part II, Item 8 for additional information regarding the Credit Agreement.

(6) Represents the future minimum lease payments under capital leases. See Note 16 to the Consolidated Financial Statements in Part II, Item 8 for additional information regarding Leases.

(7) Represents the fees for the letter of credit issued against the revolving credit facility. See Note 9 to the Consolidated Financial Statements in Part II, Item 8 for additional information regarding the Credit Agreement.

(8) Represents future purchases related to outstanding purchase orders and supplier requisitions.

Recently Issued Accounting Pronouncements

The information set forth under the caption “Summary of Significant Accounting Policies” in Note 1 to the Consolidated Financial Statements in Part II, Item 8 is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

At December 31, 2019, we were not a party to any derivative financial instruments. We conduct most of our business in U.S. currency and have limited operations outside of the United States. As such, do not have material foreign currency risk exposure. As we continue to grow our foreign operations, our exposure to foreign currency exchange rate risk could become more significant. We are exposed to changes in interest rates, primarily with respect to our revolving credit facility under our Credit Agreement. If the effective interest rate for all of our variable rate debt were to increase by 100 basis points (1%), our annual interest expense would increase by a maximum of $2.4 million based on our debt balances outstanding at December 31, 2019. Further, we currently invest substantially all of our excess cash in short-term investments, primarily money market accounts, where returns effectively reflect current interest rates. As a result, market interest rate changes may impact our interest income or expense. The impact will depend on variables such as the magnitude of rate changes and the level of borrowings or excess cash balances. We do not consider this risk to be material. We manage such risk by continuing to evaluate the best investment rates available for short-term, high quality investments.

Item 8. Consolidated Financial Statements and Supplementary Data

The information required by Item 8 is found under Item 15 of this 2019 Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

We are responsible for maintaining disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures

As required by Rule 13a-15(b) under the Exchange Act, management, with the participation of our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2019. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by the 2019 Form 10-K.

(b) Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by Rule 13a-15(f) under the Exchange Act, internal control over financial reporting is a process designed by, or under the supervision of our Chief Executive Officer and our Chief Financial Officer and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with U.S. GAAP.

Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with generally accepted accounting principles and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

We excluded Accent and VitreosHealth from our assessment of internal control over financial reporting as of December 31, 2019 because the Company acquired Accent in a purchase business combination on December 23, 2019 and acquired VitreosHealth on September 16, 2019. Accent and VitreosHealth total assets represented approximately 17% and the revenues represented less than 1%, respectively, of the related consolidated financial statement amounts of the Company as of and for the year ended December 31, 2019. The scope of management's assessment of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2019 excludes those disclosure controls and procedures of Accent and VitreosHealth that are subsumed by internal control over financial reporting.

In connection with the preparation of our annual consolidated financial statements, management has undertaken an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2019, based on criteria established in the Internal Control-Integrated Framework issued by COSO. Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of those controls. Based on that assessment, we believe that the Company's internal control over financial reporting was effective based on those criteria as of December 31, 2019.

Our independent registered public accounting firm, Grant Thornton LLP, audited our consolidated financial statements and has issued an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2019, a copy of which is included with this 2019 Form 10-K.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

(c) Changes in Internal Control Over Financial Reporting

There have been no changes to the Company's internal control over financial reporting during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item 10 is incorporated herein by reference to the applicable disclosure found in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A under the Exchange Act in connection with HMS Holdings Corp.'s 2020 Annual Meeting of Shareholders under "*Proposal One: Election of Directors,*" "*Executive Officers,*" "*Delinquent Section 16(a) Reports,*" "*Director Nomination Process,*" "*Additional Information—Shareholder Proposals and Director Nominations for 2021 Annual Meeting,*" and "*Board Committees and Related Matters.*"

Our Board of Directors has adopted a Code of Conduct applicable to all of our directors, officers and employees, including all employees, officers, directors, contractors, contingent workers and business affiliates of HMS subsidiaries. The Code of Conduct is publicly available on our website under the "Investors—Corporate Governance" tab at http://investor.hms.com/corporate- governance.cfm and can also be obtained free of charge by sending a written request to our Corporate Secretary. To the extent permissible under the Nasdaq Marketplace Rules, we intend to disclose amendments to our Code of Conduct, as well as waivers of the provisions thereof, that relate to our principal executive officer, principal financial officer, principal accounting officer, controller or persons performing similar functions on the Company's website under the "Investors—Corporate Governance" tab at http://investor.hms.com/corporate-governance.cfm.

Item 11. Executive Compensation

The information required by this Item 11 is incorporated herein by reference to the applicable disclosure found in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A under the Exchange Act in connection with HMS Holdings Corp.'s 2020 Annual Meeting of Shareholders under the captions "*Executive Compensation,*" "*Director Compensation,*" and "*Compensation Committee Interlocks and Insider Participation.*"

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

Except as provided below, the information required by this Item 12 is incorporated herein by reference to the applicable disclosure found in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A under the Exchange Act in connection with HMS Holdings Corp.'s 2020 Annual Meeting of Shareholders under the caption "*Ownership of HMS Common Stock.*"

Equity Compensation Plan Information

The following table summarizes information about our equity compensation plans as of December 31, 2019. For additional information about our equity compensation plans see the discussion set forth under the caption "Stock-Based Compensation" in Note 12 to the Consolidated Financial Statements in Part II, Item 8.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)		Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensati on plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by shareholders	3,577,870	(1)	$ 23.43	9,289,094
Equity compensation plans not approved by shareholders	17,184	(2)	$ 12.95	—
Total	3,595,054			

(1) This includes stock options and restricted stock units granted under our 2006 Stock Plan, 2016 Omnibus Plan and 2019 Omnibus Plan.

(2) This includes stock options granted under the 2011 HDI Plan, which was assumed in connection with our acquisition of HDI and approved by the Compensation Committee of our Board.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required by this Item 13 is incorporated herein by reference to the applicable disclosure found in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A under the Exchange Act in connection with HMS Holdings Corp.'s 2020 Annual Meeting of Shareholders under the captions "*Certain Relationships and Related Transactions*" and "*Director Independence.*"

Item 14. Principal Accounting Fees and Services

The information required by this Item 14 is incorporated herein by reference to the applicable disclosure from the proposal captioned "*Ratification of the Selection of Independent Registered Public Accounting Firm*" found in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A under the Exchange Act in connection with HMS Holdings Corp.'s 2020 Annual Meeting of Shareholders.

PART IV

Item 15. Exhibits and Financial Statement Schedules

1. *Financial Statements.*

   The financial statements are listed in the Index to Consolidated Financial Statements on page 59.

2. *Financial* Statement Schedules.

   Financial Statement Schedule II-Valuation and Qualifying Accounts is set forth on page 97. All other financial statement schedules have been omitted as they are either not required, not applicable or the information is otherwise included.

3. *Exhibits*.

   The Exhibits include agreements to which the Company is a party or has a beneficial interest. The agreements have been filed to provide investors with information regarding their respective terms. The agreements are not intended to provide any other actual information about the Company or its business or operations. In particular, the assertions embodied in any representations, warranties, and covenants contained in the agreements may be subject to qualifications with respect to knowledge and materiality different from those applicable to investors and may be qualified by information in confidential disclosure schedules not included with the exhibits. These disclosure schedules may contain information that modifies, qualifies and creates exceptions to the representations, warranties and covenants set forth in the agreements. Moreover, certain representations, warranties, and covenants in the agreements may have been used for the purpose of allocating risk between parties, rather than establishing matters as facts. In addition, information concerning the subject matter of the representations, warranties and covenants may have changed after the date of the respective agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. Accordingly, investors should not rely on the representations, warranties and covenants in the agreements as characterizations of the actual state of facts about the Company or its business or operations on the date hereof.

   Where an exhibit is filed by incorporation by reference to a previously filed registration statement or report, such registration statement or report is identified after the description of the exhibit.

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated March 10, 2017, by and among HMS Holdings Corp., Echo Acquisition Sub, Inc., Eliza Holding Corp., and Parthenon Investors III, L.P., solely in its capacity as the representative for equity holders of Eliza Holding Corp. (incorporated by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on June 6, 2017)
2.2.1	Membership Interest Purchase Agreement, dated November 20, 2019, by and between West Receivable Services, Inc. and HMS Holdings Corp.
2.2.2	Letter Agreement Amendment to the Membership Interest Purchase Agreement, dated December 23, 2019, by and between West Receivable Services, Inc. and HMS Holdings Corp.
3.1	Conformed copy of Certificate of Incorporation of HMS Holdings Corp., as amended through May 23, 2018 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on August 6, 2018)
3.2	Second Amended and Restated Bylaws of HMS Holdings Corp. dated May 23, 2018 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 000-50194) as filed with the SEC on May 25, 2018)

Exhibit Number	Description
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K/12g-3 (File No. 000-50194) as filed with the SEC on July 23, 2013)
4.2	Description of Company's Common Stock
10.1.1	HMS Holdings Corp. Fourth Amended and Restated 2006 Stock Plan (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K (File No. 000-50194) as filed with the SEC on July 12, 2011)†
10.1.2	Amendment No. 1 to the HMS Holdings Corp. Fourth Amended and Restated 2006 Stock Plan (incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-K (File No. 000-50194) as filed with the SEC on February 29, 2012)†
10.1.3	Form of 2013 Director Non-Qualified Stock Option Agreement under the 2006 Stock Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on May 12, 2014)†
10.1.4	Form of 2014 Director Non-Qualified Stock Option Agreement under the 2006 Stock Plan (incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K (File No. 000-50194) as filed with the SEC on March 2, 2015)†
10.1.5	Form of 2015 Director Non-Qualified Stock Option Agreement under the 2006 Stock Plan (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K (File No. 000-50194) as filed with the SEC on February 29, 2016)†
10.1.6	Form of November 2015 Executive Non-Qualified Stock Option Agreement under the 2006 Stock Plan (incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K (File No. 000-50194) as filed with the SEC on February 29, 2016)†
10.1.7	Form of 2016 Executive and Senior Vice President Non-Qualified Stock Option Agreement under the 2006 Stock Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 000- 50194) as filed with the SEC on May 10, 2016)†
10.1.8	Form of 2016 Executive and Senior Vice President Restricted Stock Unit Agreement under the 2006 Stock Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on May 10, 2016)†
10.2.1	HMS Holdings Corp. 2016 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 000-50194) as filed with the SEC on June 27, 2016)†
10.2.2	Form of Non-Qualified Stock Option Award Agreement for Employees under the 2016 Omnibus Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on November 9, 2016)†
10.2.3	Form of Restricted Stock Unit Award Agreement for Employees under the 2016 Omnibus Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on November 9, 2016)†
10.2.4	Form of Non-Qualified Stock Option Award Agreement for Non-Employee Directors under the 2016 Omnibus Plan (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on November 9, 2016)†
10.2.5	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors under the 2016 Omnibus Plan (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on November 9, 2016)†
10.3.1	HMS Holdings Corp. 2019 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 000-50194) as filed with the SEC on May 22, 2019)†
10.3.2	Form of Nonqualified Stock Option Award Notice and Agreement for Employees under the 2019 Omnibus Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on August 5, 2019)†
10.3.3	Form of Nonqualified Stock Option Award Notice and Agreement for Non-Employee Directors under the 2019 Omnibus Plan (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on August 5, 2019)†

Exhibit Number	Description
10.3.4	Form of Restricted Stock Unit Award Notice and Agreement for Employees under the 2019 Omnibus Plan (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on August 5, 2019)†
10.3.5	Form of Restricted Stock Unit Award Notice and Agreement for Non-Employee Directors under the 2019 Omnibus Plan (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on August 5, 2019)†
10.4.1	Executive Employment Agreement, dated March 1, 2013, by and between William C. Lucia and HMS Holdings Corp. (incorporated by reference to Exhibit 10.29 to the Company's Annual Report on Form 10-K (File No. 000-50194) as filed with the SEC on March 1, 2013)†
10.4.2	Letter of Amendment to Executive Employment Agreement, dated April 30, 2013, by and between William C. Lucia and HMS Holdings Corp. (incorporated by reference to Exhibit 10.1 to Amendment No. 1 to the Company's Annual Report on Form 10-K/A (File No. 000-50194) as filed with the SEC on April 30, 2013)†
10.4.3	Second Amendment to Executive Employment Agreement, dated January 20, 2015, by and between William C. Lucia and HMS Holdings Corp. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 000-50194) as filed with the SEC on January 23, 2015)†
10.4.4	Third Amendment to Executive Employment Agreement, dated February 21, 2018, by and between William C. Lucia and HMS Holdings Corp. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 000-50194) as filed with the SEC on February 23, 2018)†
10.5	Amended and Restated Employment Agreement, dated April 2, 2018, by and between Jeffrey S. Sherman and HMS Holdings Corp. (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on May 7, 2018)†
10.6	Amended and Restated Employment Agreement, dated March 29, 2018, by and between Meredith W. Bjorck and HMS Holdings Corp. (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on May 7, 2018)†
10.7	Amended and Restated Employment Agreement, dated March 29, 2018, by and between Douglas M. Williams, Jr. and HMS Holdings Corp. (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10- Q (File No. 000-50194) as filed with the SEC on May 7, 2018)†
10.8	Amended and Restated Employment Agreement, dated April 2, 2018, by and between Emmet O' Gara and HMS Holdings Corp.(incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K (File No. 000-50194) as filed with the SEC on February 25, 2019)†
10.9	Amended and Restated Employment Agreement, dated March 29, 2018 by and between Teresa South and HMS Holdings Corp.†
10.10	Separation, Waiver and General Release Agreement, dated January 9, 2019, by and between Semone Neuman and HMS Holdings Corp.(incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K (File No. 000-50194) as filed with the SEC on February 25, 2019)†
10.11	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on August 6, 2018)†
10.12	HMS Holdings Corp. Director Deferred Compensation Plan, as amended through June 29, 2016 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on August 9, 2016)†
10.13	HMS Holdings Corp. Annual Incentive Compensation Plan as amended and restated (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 000-50194) as filed with the SEC on June 27, 2016)†
10.14.1	Amended and Restated Credit Agreement, dated May 3, 2013, as amended by Amendment No. 1 to Amended and Restated Credit Agreement dated as of March 8, 2017, and as further amended by Amendment No. 2 to Amended and Restated Credit Agreement, dated as of December 19, 2017, by and among HMS Holdings Corp., the Guarantors party thereto, the Lenders party thereto and Citibank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 000-50194) as filed with the SEC on December 21, 2017)

Exhibit Number	Description
10.14.2	Amended and Restated Security Agreement, dated December 19, 2017, by and among HMS Holdings Corp., the Subsidiary Securing Parties party thereto and Citibank, N.A., as Collateral Agent (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 000-50194) as filed with the SEC on December 21, 2017)
10.15	Settlement Agreement, dated June 27, 2018, by and among Dennis Demetre, Lori Lynn Lewis Demetre, John Alfred Lewis, Christopher Brandon Lewis, and HMS Holdings Corp. (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on August 6, 2018)
21.1	Subsidiaries of HMS Holdings Corp.
23.1	Consent of Grant Thornton LLP
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Principal Executive Officer of HMS Holdings Corp., as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Principal Financial Officer of HMS Holdings Corp., as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Section 1350 Certification of the Principal Executive Officer of HMS Holdings Corp., as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Section 1350 Certification of the Principal Financial Officer of HMS Holdings Corp., as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

† Indicates a management contract or compensatory plan, contract or arrangement

* The certifications attached hereto as Exhibit 32.1 and Exhibit 32.2 are furnished with this 2019 Form 10-K and shall not be deemed "filed" by the Company for purposes of Section 18 of the Exchange Act

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized on February 24, 2020.

HMS Holdings Corp.

/s/ William C. Lucia

William C. Lucia

Chairman of the Board, President and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on February 24, 2020.

Signature	Title
/s/ William C. Lucia William C. Lucia	Director, Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
/s/ Jeffrey S. Sherman Jeffrey S. Sherman	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)
/s/ Greg D. Aunan Greg D. Aunan	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)
/s/ Katherine Baicker Katherine Baicker	Director
/s/ Robert Becker Robert Becker	Director
/s/ Craig R. Callen Craig R. Callen	Director
/s/ William F. Miller III William F. Miller III	Director
/s/ Jeffrey A. Rideout Jeffrey A. Rideout	Director
/s/ Ellen A. Rudnick Ellen A. Rudnick	Director
/s/ Bart M. Schwartz Bart M. Schwartz	Director
/s/ Richard H. Stowe Richard H. Stowe	Director
/s/ Cora M. Tellez Cora M. Tellez	Director

HMS HOLDINGS CORP. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
HMS Holdings Corp.

Opinion on the financial statements
We have audited the accompanying consolidated balance sheets of HMS Holdings Corp. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedule included under Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated February 24, 2020 expressed an unqualified opinion.

Change in accounting principle
As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for leases on January 1, 2019 using the optional transition method due to the adoption of Accounting Standards Update No. 2016-02: *Leases* (Topic 842).

Basis for opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matters
The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Estimation of variable consideration for revenue transactions

As described further in Note 2 to the consolidated financial statements, revenue is recognized based on the types of services provided. Within the coordination of benefits and payment integrity services revenue, there is variable consideration, which relates to establishing the transaction price. We identified the estimation of variable consideration related to the transaction price as a critical audit matter.

The principal consideration for our determination that the estimation of variable consideration for revenue transactions is a critical audit matter is that the transaction price has a high risk of estimation uncertainty due to significant management judgments, including the assumption that historical results are indicative of future activity. In turn, auditing management's assumptions involved significant auditor judgment and subjectivity.

Our audit procedures related to the estimation of variable consideration related to the transaction price included the following, among others:

- We tested the inputs used by management in developing the expected value of the variable consideration by selecting a sample of historical expected recoveries and actual recoveries and obtaining supporting documentation for this activity. Once accuracy of the inputs was verified, we recalculated the recovery percentages used in the estimation of variable consideration.
- We tested the design and operating effectiveness of controls relating to the estimation of variable consideration as it relates to revenue recognition, including the controls related to management's review of the inputs used in the recovery percentage.
- We compared current period recovery percentages to prior periods to identify whether there was unusual trend activity that would indicate that the usage of historical results to predict future activity was no longer reasonable.

Valuation of customer relationship in the West Claims Recovery Services, LLC business combination

As described in Note 3 to the consolidated financial statements, the Company completed an acquisition which resulted in a preliminary purchase price allocation to goodwill of $81.5 million, customer relationships of $67.0 million, and other intangible assets of $1.4 million. The determination of the fair value of the intangible assets acquired required management, with the assistance of a third-party valuation specialist, to make significant estimates and assumptions including the assumed revenue growth rate, margin percentages, economic life, customer attrition rate, and discount rate. We identified the valuation of customer relationships as a critical audit matter.

The principal consideration for our determination that the valuation of customer relationships associated with the acquisition is a critical audit matter is the subjective auditor judgment required in evaluating the inputs and assumptions used by management in determining fair value. The valuation of the customer relationships is subject to higher estimation uncertainty due to management judgments in determining key assumptions that include the assumed revenue growth rate, margin percentages, economic life, customer attrition rate, and discount rate. Changes in these significant assumptions could have a significant impact on the fair value of the customer relationships.

Our audit procedures related to the valuation of customer relationships included the following, among others.

- We tested the design and operating effectiveness of controls relating to the valuation of the intangible assets and preliminary allocation of the purchase price which included management's review of the valuation report for the completeness and accuracy of the data, and evaluating the reasonableness of assumptions used in the calculation.
- We utilized a valuation specialist to assist in evaluating the appropriateness of the Company's valuation models developed for acquired assets and evaluating the reasonableness of significant assumptions used including the assumed economic life, customer attrition rates, and discount rate as compared to industry and market data.

- We evaluated whether the assumptions used were reasonable by considering past performance, revenue growth rate, margin percentages, industry data, current market forecasts, and whether such assumptions were consistent with evidence obtained in other areas of the audit.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2017.

Dallas, Texas
February 24, 2020

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
HMS Holdings Corp.

We have audited the internal control over financial reporting of HMS Holdings Corp. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2019, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended December 31, 2019, and our report dated February 24, 2020 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting ("Management's Report"). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Our audit of, and opinion on, the Company's internal control over financial reporting does not include the internal control over financial reporting of VitreosHealth, Inc. and West Claims Recovery Services, LLC ("Accent"), wholly-owned subsidiaries whose financial statements reflect total assets and revenues constituting 17 and 1 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2019. As indicated in Management's Report, VitreosHealth, Inc. and Accent were acquired during 2019. Management's assertion on the effectiveness of the Company's internal control over financial reporting excluded internal control over financial reporting of VitreosHealth, Inc. and Accent.

Definition and limitations of internal control over financial reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Dallas, Texas
February 24, 2020

HMS HOLDINGS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	December 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 139,268	$ 178,946
Accounts receivable, net	223,443	206,772
Prepaid expenses and other current assets	30,925	20,210
Income tax receivable	3,210	18,817
Deferred financing costs, net	564	564
Total current assets	397,410	425,309
Property and equipment, net	86,947	94,435
Goodwill	599,351	487,617
Intangible assets, net	131,849	67,140
Operating lease right-of-use assets	17,493	—
Deferred financing costs, net	1,109	1,673
Other assets	10,117	2,344
Total assets	$ 1,244,276	$ 1,078,518
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable, accrued expenses and other liabilities	$ 97,747	$ 74,902
Liability for appeals	3,570	21,723
Total current liabilities	101,317	96,625
Long-term liabilities:		
Revolving credit facility	240,000	240,000
Operating lease liabilities	14,881	—
Net deferred tax liabilities	25,587	18,485
Other liabilities	7,626	10,012
Total long-term liabilities	288,094	268,497
Total liabilities	389,411	365,122
Commitments and contingencies		
Shareholders' equity:		
Preferred stock -- $0.01 par value; 5,000,000 shares authorized; none issued	—	—
Common stock -- $0.01 par value; 175,000,000 shares authorized; 101,766,468 shares issued and 88,103,566 shares outstanding at December 31,2019; 98,924,501 shares issued and 85,261,664 shares outstanding at December 31, 2018	1,018	989
Capital in excess of par value	479,964	425,748
Retained earnings	509,459	422,235
Treasury stock, at cost: 13,663,194 shares at December 31, 2019 and 13,663,194 shares at December 31, 2018	(135,576)	(135,576)
Total shareholders' equity	854,865	713,396
Total liabilities and shareholders' equity	$ 1,244,276	$ 1,078,518

See accompanying notes to the consolidated financial statements.

HMS HOLDINGS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)

	Year Ended December 31, 2019	2018	2017
Revenue	$ 626,395	$ 598,290	$ 521,212
Cost of services:			
Compensation	231,321	224,893	202,049
Direct project and other operating expenses	90,069	74,346	69,772
Information technology	53,950	53,428	45,723
Occupancy	16,375	15,968	17,190
Amortization of acquisition related software and intangible assets	16,999	32,975	30,393
Total cost of services	408,714	401,610	365,127
Selling, general and administrative expenses	114,665	113,442	105,654
Settlement expense	—	20,000	—
Total operating expenses	523,379	535,052	470,781
Operating income	103,016	63,238	50,431
Interest expense	(11,013)	(11,310)	(10,871)
Interest income	4,148	1,089	295
Other income	8,211	—	—
Income before income taxes	104,362	53,017	39,855
Income taxes	17,138	(1,972)	(199)
Net income	$ 87,224	$ 54,989	$ 40,054
Basic income per common share:			
Net income per common share — basic	$ 1.00	$ 0.66	$ 0.48
Diluted income per common share:			
Net income per common share — diluted	$ 0.98	$ 0.64	$ 0.47
Weighted average shares:			
Basic	87,222	83,625	83,821
Diluted	89,317	86,144	85,088

See accompanying notes to the consolidated financial statements

HMS HOLDINGS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except share and per share amounts)

	Year Ended December 31,		
	2019	2018	2017
Common Stock and paid-in capital			
Balance, beginning of period	$ 426,737	$ 369,686	$ 345,984
Exercise of stock options	39,332	38,362	2,720
Stock-based compensation expense	21,901	21,507	24,143
Vesting of restricted stock units, net of shares withheld for employee tax	(6,988)	(2,818)	(3,161)
Balance, end of period	480,982	426,737	369,686
Retained earnings			
Balance, beginning of period	422,235	366,164	326,110
Net income	87,224	54,989	40,054
Cumulative effect of accounting changes	—	1,082	—
Balance, end of period	509,459	422,235	366,164
Treasury stock			
Balance, beginning of period	(135,576)	(129,621)	(115,484)
Purchase of treasury stock	—	(5,955)	(14,137)
Balance, end of period	(135,576)	(135,576)	(129,621)
Total shareholders' equity	$ 854,865	$ 713,396	$ 606,229
Shares issued			
Balance, beginning of period	98,924,501	96,536,251	95,966,852
Exercise of stock options	2,435,648	2,017,442	172,326
Vesting of restricted stock units, net of shares withheld for employee tax	406,319	370,808	397,073
Balance, end of period	101,766,468	98,924,501	96,536,251
Treasury Stock			
Balance, beginning of period	13,663,194	13,279,393	12,414,078
Purchase of treasury stock	—	383,801	865,315
Balance, end of period	13,663,194	13,663,194	13,279,393

See accompanying notes to the consolidated financial statements.

HMS HOLDINGS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31, 2019	2018	2017
Operating activities:			
Net income	$ 87,224	$ 54,989	$ 40,054
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property, equipment and software	33,293	33,254	27,724
Amortization of intangible assets	9,691	24,342	22,555
Amortization of deferred financing costs	564	564	2,258
Gain on sale of cost basis investment	(7,697)	—	—
Stock-based compensation expense	21,901	21,507	24,143
Deferred income taxes	7,290	(3,504)	(20,409)
Noncash lease expense	4,133	—	—
Change in fair value of contingent consideration	—	(35)	(2,865)
Release of estimated liability for appeals, net	(10,478)	(8,436)	—
Changes in operating assets and liabilities:			
Accounts receivable	(16,292)	(17,312)	(6,976)
Prepaid expenses and other current assets	(10,487)	(2,785)	(1,298)
Other assets	(2,173)	245	124
Income taxes receivable / (payable)	15,607	(16,925)	1,462
Accounts payable, accrued expenses and other liabilities	4,744	11,181	(340)
Operating lease liabilities	(5,315)	—	—
Liability for appeals	1,227	(628)	32
Net cash provided by operating activities	133,232	96,457	86,464
Investing activities:			
Acquisition of businesses, net of cash acquired	(185,790)	—	(171,321)
Proceeds from sale of cost basis investment	9,776	—	—
Investment in common stock	(7,421)	—	—
Purchases of property and equipment	(8,276)	(11,264)	(17,318)
Investment in capitalized software	(13,348)	(19,149)	(15,725)
Net cash used in investing activities	(205,059)	(30,413)	(204,364)
Financing activities:			
Proceeds from credit facility	—	—	42,204
Payments for deferred financing costs	—	—	(2,269)
Proceeds from exercise of stock options	39,332	38,362	2,720
Payments of tax withholdings on behalf of employees for net-share settlements	(6,988)	(2,818)	(3,161)
Payments on capital lease obligations	(195)	—	(143)
Purchases of treasury stock	—	(5,955)	(14,137)
Net cash provided by financing activities	32,149	29,589	25,214
Net (decrease)/increase in cash and cash equivalents	(39,678)	95,633	(92,686)
Cash and Cash Equivalents			
Cash and cash equivalents at beginning of year	178,946	83,313	175,999
Cash and cash equivalents at end of period	$ 139,268	$ 178,946	$ 83,313
Supplemental disclosure of cash flow information:			
Cash (refunds received)/paid for income taxes, net of refunds	$ (5,298)	$ 22,225	$ 17,995
Cash paid for interest	$ 10,457	$ 10,326	$ 9,944
Supplemental disclosure of non-cash activities:			
Change in balance of accrued property and equipment purchases	$ (1,303)	$ 1,305	$ 51

See accompanying notes to the consolidated financial statements.

1. Business and Summary of Significant Accounting Policies

(a) Business

The terms “HMS,” “Company,” “we,” “us,” and “our” refer to HMS Holdings Corp. and its consolidated subsidiaries unless the context clearly indicates otherwise. HMS is an industry-leading provider of cost containment and analytical solutions in the healthcare marketplace. Our mission is to make healthcare work better for everyone. We use data, technology and analytics to deliver coordination of benefits, payment integrity and population health management solutions that help healthcare organizations reduce costs, improve health outcomes and enhance consumer experiences. We provide a broad range of payment accuracy solutions to government and commercial healthcare payers, including coordination of benefit services to ensure that the right payer pays the claim, and payment integrity services to address improper payments and fraud, waste and abuse. Our population health management solutions include a portfolio of integrated risk analytics, consumer engagement and care management solutions that provide healthcare organizations with reliable intelligence insight into their population and member risks to predict, identify and avoid preventable high cost events over the healthcare continuum. Through our solutions, we help move the healthcare system forward by saving billions of dollars for our customers while helping consumers lead healthier lives. We currently operate as one business segment with a single management team that reports to the Chief Executive Officer.

(b) Summary of Significant Accounting Policies

For certain accounting topics, the description of the accounting policy may be found in the related Note.

(i) Principles of Consolidation

The consolidated financial statements include the Company’s accounts and transactions and those of the Company’s wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

(ii) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(iii) Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents consist of deposits that are readily convertible into cash.

In connection with coordination of benefits and certain payment integrity services, lockboxes and their associated bank accounts are set up to support recoveries and remittances. Generally, these bank accounts are for the benefit of the Company’s customers. Customer cash held in Company bank accounts for the benefit of the customer was approximately $21.9 million as of December 31, 2019. This amount is included in cash and cash equivalents and other current liabilities on the accompanying consolidated balance sheet.

(iv) Concentration of Credit Risk

The Company’s policy is to limit credit exposure by placing cash in accounts which are exposed to minimal interest rate and credit risk. HMS maintains cash and cash equivalents in cash depository accounts with large financial institutions with a minimum credit rating of A1/P1 or better, as defined by Standard and Poor's. The balance at these institutions generally exceeds the maximum balance insured by the Federal Deposit Insurance Corporation of up to $250,000 per entity. HMS has not experienced any losses in cash and cash equivalents and believes these cash and cash equivalents do not expose the Company to any significant credit risk.

The Company is subject to potential credit risk related to changes in economic conditions within the healthcare market. However, HMS believes that the billing and collection policies are adequate to minimize the potential credit risk. The Company performs ongoing credit evaluations of customers and generally does not require collateral.

(v) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets utilizing the straight-line method. HMS amortizes leasehold improvements on a straight-line basis over the shorter of (i) the term of the lease or (ii) the estimated useful life of the improvement. Equipment leased under capital leases is depreciated over the shorter of (i) the term of the lease or (ii) the estimated useful life of the equipment. Capitalized software costs relate to software that is acquired or developed for internal use while in the application development stage. All other costs to develop software for internal use, either in the preliminary project stage or post-implementation stage, are expensed as incurred. Amortization of capitalized software is calculated on a straight-line basis over the expected economic life. Land is not depreciated.

Estimated useful lives are as follows:

Property and Equipment		**Useful Life (in years)**	
Equipment	2	to	5
Leasehold improvements	5	to	10
Furniture and fixtures		5	
Capitalized software	3	to	10
Building and building improvements		up to 39	

Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When indicators exist, recoverability of assets is measured by a comparison of the carrying value of the asset group to the estimated undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized and charged to earnings is measured by the amount by which the carrying value of the asset group exceeds the fair value of the assets. The Company did not recognize any impairment charges related to property and equipment during the years ended December 31, 2019, 2018 or 2017.

(vi) Intangible Assets

The Company records assets acquired and liabilities assumed in a business combination based upon their acquisition date fair values. In most instances there is not a readily defined or listed market price for individual assets and liabilities acquired in connection with a business, including intangible assets. The Company determines fair value through various valuation techniques including discounted cash flow models, quoted market values, relief from royalty methodologies, multi-period and third party independent appraisals, as considered necessary. Significant assumptions used in those techniques include, but are not limited to, growth rates, discount rates, customer attrition rates, expected levels of revenues, earnings, cash flows and tax rates. The use of different valuation techniques and assumptions are highly subjective and inherently uncertain and, as a result, actual results may differ materially from estimates.

All of the Company's intangible assets are subject to amortization and are amortized using the straight-line method over their estimated period of benefit. Estimated useful lives are as follows:

Intangible Assets	**Useful Life (in years)**		
Customer relationships	7	to	15
Restrictive covenants	1	to	3
Trade names	1.5	to	7
Intellectual property	4	to	6

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When indicators exist, recoverability of assets is measured by a comparison of the carrying value of the asset group to the estimated undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized and charged to earnings is measured by the amount by which the carrying value of the asset group exceeds the fair value of the assets. The Company did not recognize any impairment charges related to intangible assets during the years ended December 31, 2019, 2018 or 2017.

(vii) Goodwill

Goodwill is the excess of acquisition costs over the fair values of assets and liabilities of acquired businesses. During the measurement period, which is up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

The Company assesses goodwill for impairment on an annual basis as of June 30th of each year or more frequently if an event occurs or changes in circumstances would more likely than not reduce the fair value of a reporting unit below its carrying amount. Assessment of goodwill impairment is at the HMS Holdings Corp. entity level as the Company operates as a single reporting unit. The Company has the option to perform a qualitative assessment to determine if impairment is more likely than not to have occurred. When the qualitative assessment of goodwill impairment is performed, significant judgment is required in the assessment of qualitative factors including but not limited to an evaluation of macroeconomic conditions as they relate to our business, industry and market trends, as well as the overall future financial performance of our reporting units and future opportunities in the markets in which they operate. If the Company can support the conclusion that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount using the qualitative assessment, then the Company would not need to perform the two-step impairment test. If the Company cannot support such a conclusion, or the Company does not elect to perform the qualitative assessment, then the first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of the reporting unit with its carrying amount, including goodwill. The Company completed the annual impairment test as of June 30, 2019 using the qualitative assessment and determined no impairment existed. There were no impairment charges related to goodwill during the years ended December 31, 2019, 2018 or 2017.

(viii) Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. This method also requires the recognition of future tax benefits for net operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date. A valuation allowance is provided against deferred tax assets to the extent their realization is not more likely than not. Uncertain income tax positions are accounted for by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. Although the Company believes that it has adequately reserved for uncertain tax positions (including interest and penalties), it can provide no assurance that the final tax outcome of these matters will not be materially different. The Company makes adjustments to these reserves in accordance with the income tax accounting guidance when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made, and could have a material impact on our financial condition and operating results.

(ix) Expense Classifications

HMS cost of services is presented in the categories set forth below. Each category within cost of services excludes expenses relating to selling, general and administrative ("SG&A") functions, which are presented separately as a component of total operating costs. A description of the primary expenses included in each category is as follows:

Cost of Services:

- *Compensation:* Salary, fringe benefits, bonus and stock-based compensation.
- *Information technology:* Hardware, software and data communication costs.
- *Occupancy:* Rent, utilities, depreciation, office equipment and repair and maintenance costs.
- *Direct project and other operating expenses:* Variable costs incurred from third party providers that are directly associated with specific revenue generating projects and employee travel expenses, professional fees, temporary staffing, travel and entertainment, insurance and local and property tax costs.
- *Amortization of acquisition related software and intangible assets:* Amortization of the cost of acquisition related software and intangible assets.

SG&A:

- Expenses related to general management, marketing and administrative activities.

(x) Estimating Valuation Allowances and Accrued Liabilities

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reported period. In particular, management must make estimates of the probability of collecting accounts receivable. When evaluating the adequacy of the accounts receivable allowance, management reviews the accounts receivable based on an analysis of historical revenue adjustments, bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in customer payment terms. As of December 31, 2019 and 2018, the accounts receivable balance was $223.4 million and $206.8 million, net of adjustments. Adjustments to the accounts receivable balance include revenue recognition related adjustments, such as customer discounts, and allowance for credit related losses. The allowance for credit related losses was not material to the financial statements as of December 31, 2019 and 2018.

(xi) Stock-Based Compensation

Long-Term Incentive Award Plans

The Company grants stock options and restricted stock units to HMS employees and non-employee directors of the Company under the HMS Holdings Corp. 2019 Omnibus Incentive Plan (the “2019 Omnibus Plan”), as approved by the Company's shareholders on May 22, 2019. The 2019 Omnibus Plan replaced and superseded the HMS Holdings Corp. 2016 Omnibus Incentive Plan. As of December 31, 2019, the number of securities remaining available for future issuance under equity compensation plans, excluding securities to be issued upon exercise of outstanding options and vesting of restricted stock units, was 9,289,094 shares. All of the Company's employees as well as HMS non-employee directors are eligible to participate in the 2019 Omnibus Plan. Awards granted under the 2019 Omnibus Plan generally vest over one to four years. Subject to certain exceptions, the exercise price of stock options granted under the 2019 Omnibus Plan may not be less than the fair market value of a share of stock on the grant date, which is determined based on the closing price of the Company's common stock on the Nasdaq Global Select Market and the term of a stock option may not exceed ten years. Prior to 2018, the Company granted two types of equity awards: 1) equity awards with service conditions and 2) equity awards with market and service conditions. The market condition is based on the Company's common stock price during the applicable measurement period. In 2019 and 2018, the Company only issued equity awards with service conditions.

Stock-Based Compensation Expense

The Company recognizes stock-based compensation expense equal to the grant date fair value of the award on a straight-line basis over the requisite service period.

The fair value of each option grant with only service-based conditions is estimated using the Black-Scholes pricing model. The fair value of each option grant with market and service-based conditions is estimated using a Monte Carlo simulation model. The fair value of each restricted stock unit is calculated based on the closing sale price of the Company's common stock on the grant date.

The determination of the fair value of the options on the grant date using the Black-Scholes pricing model and/or the Monte Carlo simulation model is affected by the Company's stock price, as well as assumptions regarding a number of complex and subjective variables. Certain key variables include: the Company's expected stock price volatility over the expected term of the awards; a risk-free interest rate; and any expected dividends. The Company estimates stock price volatility based on the historical volatility of the Company's common stock and estimates the expected term of the awards based on the Company's historical option exercises for similar types of stock option awards. The assumed risk-free interest rate is based on the yield on the measurement date of a zero-coupon U.S. Treasury bond with a maturity period equal to the option's expected term. The Company does not anticipate paying any cash dividends in the foreseeable future and therefore, uses an expected dividend yield of zero in the option valuation models. The fair value of all awards also includes an estimate of expected forfeitures. Forfeitures are estimated based on historical experience. If actual forfeitures vary from estimates, a difference in compensation expense will be recognized in the period the actual forfeitures occur. Upon the exercise of stock options or the vesting of restricted stock units, the resulting excess tax benefits or deficiencies, if any, are recognized as income tax expense or benefit.

(xii) Fair Value of Financial Instruments

Financial instruments are categorized into a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument. In the event the fair value is not readily available or determinable, the financial instrument is carried at cost and referred to as a cost method investment. The fair value hierarchy is as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

- Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Financial instruments (principally cash and cash equivalents, equity securities, accounts receivable, accounts payable and accrued expenses) are carried at cost, which approximates fair value due to the short-term maturity of these instruments. The Company’s long-term credit facility is carried at cost, which approximates fair value due to the variable interest rate associated with the revolving credit facility.

There were no sales, settlements, purchases, issuances and/or transfers related to level 3 instruments in 2019 or 2018.

(xiii) Leases

The Company determines if an arrangement is a lease at inception. Operating leases are reported on the Company’s consolidated balance sheet within Operating lease right-of-use ("ROU") assets, Operating lease liabilities and Accounts payable, accrued expenses and other liabilities. Finance leases are reported on the Company’s consolidated balance sheets within Other assets, Other liabilities and Accounts payable, accrued expenses and other liabilities.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the Company’s leases do not provide an implicit rate, we use the Company’s incremental borrowing rate based on the information available at the lease’s commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. The lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. For certain real estate and equipment leases, the Company has lease agreements with lease and non-lease components, which are generally accounted for as a single component.

The Company primarily leases real estate, information technology equipment and data centers on terms that expire on various dates through 2026, some of which include options to extend the lease for up to 10 years. We evaluate whether to include the option period in the calculation of the ROU asset and lease liability on a lease-by-lease basis. As of December 31, 2019, all operating and finance leases that create significant rights and obligations for the Company have commenced.

(xiv) Recent Accounting Guidance

Recently Adopted Accounting Guidance

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-9, *Revenue from Contracts with Customers* (Topic 606) (“ASU 2014-9”), which is the new comprehensive revenue recognition standard that supersedes all existing revenue recognition guidance under U.S. GAAP. The Company adopted ASU 2014-9 on January 1, 2018 using the modified retrospective method and the Company recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings. The financial information for comparative prior periods has not been restated and continues to be reported under the accounting standards in effect for those periods. The effect of adopting ASU 2014-9 in 2018 as compared with the guidance that was in effect before the change is immaterial. The Company’s internal control framework did not materially change, but existing internal controls were modified due to certain changes to business processes and systems to support the new revenue recognition standard as necessary. The adoption of this guidance did not have a material effect on the Company’s consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statements of Cash Flows* (Topic 230): *Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 clarifies where certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments are effective for annual reporting periods beginning after December 15, 2017, and for interim reporting periods within such annual periods. The Company adopted this guidance on January 1, 2018. The adoption of this guidance in 2018 did not have a material effect on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-1, *Business Combinations* (Topic 805) – *Clarifying the Definition of a Business* ("ASU 2017-1"). ASU 2017-1 finalizes previous proposals regarding shareholder concerns that the definition of a business is applied too broadly. The guidance assists entities with evaluating whether transactions should be accounted for as acquisitions of assets or of businesses. The amendments are effective for annual periods beginning after December 15, 2017, including interim periods within those periods. The Company adopted this guidance on January 1, 2018. The adoption of this guidance in 2018 did not have a material effect on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-9, *Compensation – Stock Compensation* (Topic 718): *Scope of Modification Accounting,* ("ASU 2017-9"). ASU 2017-9 requires entities to apply modification accounting to changes made to a share-based payment award. The new guidance specifies that entities will apply modification accounting to changes to a share-based payment award only if any of the following are not the same immediately before and after the change: 1) The award's fair value (or calculated value or intrinsic value, if those measurement methods are used), 2) the award's vesting conditions, and 3) the award's classification as an equity or liability instrument. ASU 2017-9 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within such annual periods, with early adoption permitted. The Company adopted this guidance on January 1, 2018. The adoption of this guidance in 2018 did not have a material effect on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-4, *Goodwill and Other* (Topic 350): *Simplifying the Test for Goodwill Impairment* ("ASU 2017-4"). This amendment simplifies the manner in which an entity is required to test for goodwill impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The amendment simplifies this approach by having the entity (1) perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, and (2) recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, with the understanding that the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The Company elected to early adopt the new guidance in the fourth quarter of fiscal year 2018. The adoption of this guidance in 2018 did not have a material effect on the Company's consolidated financial statements.

On August 17, 2018, the SEC issued SEC Final Rule Release No. 33-10532, *Disclosure Update and Simplification* ("Final Rule"). The Final Rule amends certain disclosure requirements to facilitate the disclosure of information to investors and simplify compliance without significantly altering the total mix of information provided to investors. The Final Rule was effective for public entities that are SEC filers on November 5, 2018. The adoption of this guidance in 2018 did not have a material effect on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires most lessees to recognize a majority of the company's leases on the balance sheet, which increases reported assets and liabilities. ASU 2016-02 was subsequently amended by ASU No. 2018-01, *Land Easement Practical Expedient for Transition to Topic* 842; ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*; and ASU No. 2018-11, *Targeted Improvements*. The new standard establishes a ROU model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018 including interim periods within such annual reporting periods with early adoption permitted. The Company adopted this guidance on January 1, 2019, utilizing the optional transition method approach with an effective date of January 1, 2019. Consequently, financial information prior to the effective date was not updated and the disclosures required under the new standard are not provided for dates and periods prior to the effective date. There were no cumulative effect adjustments to retained earnings as part of adoption. The Company elected the available practical expedients, including the practical expedient to not separate lease and non-lease components of its leases and the short-term lease practical expedient. The Company's internal control framework did not materially change, but existing internal controls were modified due to certain changes to business processes and systems to support the new leasing standard as necessary. As the Company previously disclosed, the standard had a material impact on its consolidated balance sheets, the most significant impact being the recognition of approximately $21.3 million of ROU assets and $26.3 million of lease liabilities on the effective date, but there was no impact on its consolidated income statements. The Company continues to expect that any impact from its adoption of the new standard will be immaterial to its net income and its internal control framework for future periods.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation – Stock Compensation (Topic 718) – Improvements to Nonemployee Share-Based Payment Accounting,* ("ASU 2018-07"). ASU 2018-07 requires entities to apply similar accounting for share-based payment transactions with non-employees as with share-based payment transactions with employees. ASU 2018-07 is effective for public entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company adopted this guidance on January 1, 2019. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

Recent Accounting Guidance Not Yet Adopted

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses* ("ASU 2016-13"). ASU 2016-13 introduces the current expected credit losses methodology for estimating allowances for credit losses. ASU 2016-13 applies to all financial instruments carried at amortized cost and off-balance-sheet credit exposures not accounted for as insurance, including loan commitments, standby letters of credit, and financial guarantees. The new accounting standard does not apply to trading assets, loans held for sale, financial assets for which the fair value option has been elected, or loans and receivables between entities under common control. ASU 2016-13 is effective for public entities for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. This guidance is not expected to have a material impact on the Company's financial position, results of operations or internal control framework.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles - Goodwill and Other - Internal Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* ("ASU 2018-15"). The standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal use software. ASU 2018-15 is effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period for which financial statements have not been issued. Entities can choose to adopt the new guidance prospectively to eligible costs incurred on or after the date this guidance is first applied or retrospectively. This guidance is not expected to have a material impact on the Company's financial position, results of operations or internal control framework.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820)*: *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurements* ("ASU 2018-13"). The objective of the ASU is to improve the disclosures related to fair value measurement by removing, modifying, or adding disclosure requirements related to recurring and non-recurring fair value measurements. ASU 2018-13 is effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period for which financial statements have not been issued. This guidance is not expected to have a material impact on the Company's financial position, results of operations or internal control framework.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"). The guidance eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences related to changes in ownership of equity method investments and foreign subsidiaries. The guidance also simplifies aspects of accounting for franchise taxes and enacted changes in tax laws or rates, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. ASU 2019-12 is effective for public business entities for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period for which financial statements have not been issued. This guidance is not expected to have a material impact on the Company's financial position, results of operations or internal control framework.

2. Revenue

The Company's revenue disaggregated by service was as follows (*in thousands*):

	Years ended December 31,	
	2019	**2018**
Coordination of Benefits	$ 404,123	$ 397,095
Payment Integrity	162,194	144,063
Population Health Management	60,078	57,132
Total	$ 626,395	$ 598,290

Coordination of benefits revenue is derived from contracts with state governments and Medicaid managed care plans that typically span multiple years with the option to renew. Types of service contracts could include: (a) the identification of erroneously paid claims; (b) the delivery of verified commercial insurance coverage information; (c) the identification of paid claims where another third party is liable; and (d) the identification and enrollment of Medicaid members who have access to employer insurance. Most of these types of service contracts contain multiple promises, all of which are not distinct within the context of the contract. Therefore, the promises represent a single, distinct performance obligation for the types of services we offer. Revenue derived from these performance obligations is largely based on variable consideration where, based on the number of claims or amount of findings the Company identified, a contingent or fixed transaction price/recovery percentage is allocated to each distinct performance obligation. The Company utilizes the expected value method to estimate the variable consideration related to the transaction price for its service contracts. Key inputs and assumptions in determining variable consideration includes identified pricing and expected recoveries and/or savings. The expected recoveries and/or savings are based on historical experience of information received from our customers. Revenue is primarily recognized at a point in time when our customers realize economic benefits from our services when our services are completed. However, we have a limited number of fixed fee arrangements where revenue is recognized over time as performance obligations are satisfied within one to three years. Generally, coordination of benefit contract payment terms are not standardized within the respective contract; however, payment is typically due on demand and there is a clear and distinct history of customers making consistent payments.

Payment integrity services revenue is derived from contracts with federal and state governments, commercial health plans and other at-risk entities that can span multiple years with the option to renew. Types of service contracts could include: (a) services designed to ensure that healthcare payments are accurate and appropriate; and (b) the identification of over/(under)payments or inaccurate charges based on a review of medical records. Most of these types of service contracts contain multiple promises, all of which are not distinct within the context of the contract. Therefore, the promises represent a single, distinct performance obligation for the types of services we offer. Revenue derived from these performance obligations is largely based on variable consideration where, based on the number of claims or amount of findings the Company identified, a contingent or fixed transaction price/recovery percentage is allocated to each distinct performance obligation. The Company utilizes the expected value method to estimate the variable consideration related to the transaction price for its service contracts. Key inputs and assumptions in determining variable consideration includes identified pricing and expected recoveries and/or savings. The expected recoveries and/or savings are based on historical experience of information received from our customers. Revenue is primarily recognized at a point in time when our customers realize economic benefits from our services when our services are completed. However, we have a limited number of fixed fee arrangements where revenue is recognized over time as performance obligations are satisfied within one to three years. Generally, payment integrity contract payment terms are not standardized within the respective contract; however, payment is typically due on demand and there is a clear and distinct history of customers making consistent payments.

Population health management revenue is derived from contracts with health plans and other risk-bearing entities that can span several years with the option to renew. Types of service contracts could include: (a) programs designed to improve member engagement; and (b) outreach services designed to improve clinical outcomes. Most of these types of service contracts contain multiple promises, all of which are not distinct within the context of the contract. Therefore, the promises represent a single, distinct performance obligation for the types of services we offer. Revenue derived from these services is largely based on consideration associated with prices per order/transfer and PMPM/PMPY fees. The Company believes the output method is a reasonable measure of progress for the satisfaction of our performance obligations, which are satisfied over time, as it provides a faithful depiction of (1) our performance toward complete satisfaction of the performance obligation under the contract and (2) the value transferred to the customer of the services performed under the contract. The Company has elected the right to invoice practical expedient for recognition of revenue related to its performance obligations when the amount we have the right to invoice the customer corresponds directly with the value to the customer. Additionally, certain population health management contracts have distinct performance obligations related to software license and implementation fees which have historically been recognized as revenue ratably over the life of the contract. Lastly, we have a limited number of fixed fee arrangements where revenue is recognized over time as performance obligations are satisfied within one to three years. Upon adoption of ASC 606 in 2018, revenue for software licenses is recognized at the beginning of the license period when control is transferred as the license is installed and revenue for implementation fees is recognized when control is transferred over time as the implementation is being performed. As the performance obligation is deemed to have been satisfied and control transferred to our customers for software licenses and implementation fees on or before December 31, 2017, the Company recorded a decrease to deferred revenue and an increase to opening retained earnings of $1.1 million, net of tax, as of January 1, 2018 for the cumulative impact of adopting ASC 606. Generally, population health management contract payment terms are stated within the contract and are due within an explicitly stated time period (e.g., 30, 45, 60 days) from the date of invoice. A portion of the payment received may relate to future performance obligations and will result in an increase to deferred revenue until the obligation has been met.

The Company's revenue disaggregated by market is as follows (*in thousands*):

	Years ended December 31, 2019	Years ended December 31, 2018
Commercial	$ 302,489	$ 323,150
State	257,685	233,921
Federal	66,221	41,219
Total	$ 626,395	$ 598,290

A portion of the Company's services are deferred and revenue is recognized at a later time. Deferred revenue was approximately $5.6 million as of December 31, 2018; $1.1 million, net of tax, was recorded as a decrease to deferred revenue as of January 1, 2018 as discussed above; and $5.3 million of this amount was recognized as revenue during the year ended December 31, 2018. Approximately $5.6 million of the December 31, 2018 deferred revenue balance was recognized as revenue during the year ended December 31, 2019. Deferred revenue was approximately $4.2 million as of December 31, 2019. Deferred revenue is included in Accounts payable, accrued expenses and other liabilities in the Consolidated Balance Sheets.

Contract modifications are routine in nature and often done to account for changes in the contract specifications or requirements. In most instances, contract modifications are for services that are not distinct, and, therefore, modifications are accounted for as part of the existing contract. The Company has elected to use the practical expedient to expense the incremental costs of obtaining a contract if the amortization period of the asset that the Company would have otherwise recognized is one year or less.

3. Acquisitions

(a) Accent

On December 23, 2019, HMS acquired West Claims Recovery Services, LLC ("Accent"), a payment accuracy and cost containment business, for aggregate consideration of cash in the amount of $158.6 million, which was funded through cash on hand. The purchase price is subject to certain post-closing purchase price adjustments and the initial purchase price allocation as of the date of acquisition was based on a preliminary valuation. Estimates and assumptions for which the Company is still obtaining or evaluating information are subject to change up to one year from the acquisition date as additional information becomes available and adjustments may require a change in the amounts allocated to goodwill during the periods in which the adjustments are determined.

The intangible assets are valued using various methods which require several judgments, including growth rates, discount rates, customer attrition rates, and expected levels of revenues, earnings, cash flows and tax rates. The intangible assets are amortized over their estimated useful lives on a straight-line basis. Goodwill was determined based on the difference between the purchase price and the fair values of the tangible and intangible assets acquired. Goodwill recognized from the acquisition was the result of synergies to be realized from future revenue growth. Goodwill is deductible for tax purposes, has an indefinite useful life and will be included in the Company's annual impairment testing or between annual tests if an indicator of impairment exists.

The preliminary allocation of the purchase price to the fair value of the assets acquired and the liabilities assumed as of December 23, 2019, the effective date of the acquisition, was as follows (*in thousands*):

Cash and cash equivalents	$	9,400
Accounts receivable		9,188
Prepaid expenses		129
Property and equipment		2,878
Intangible assets		68,400
Goodwill		81,545
Other assets		489
Accounts payable and accrued liabilities		(13,395)
Total purchase price	$	158,634

The purchase price allocated to the intangible assets acquired was as follows (*in thousands*):

	Useful Life (in years)		
Customer relationships	12	$	67,000
Trade name	3		1,400
Fair value of intangibles acquired		$	68,400

We incurred $2.1 million of acquisition related costs related to the Accent acquisition for the year ended December 31, 2019. The costs include consulting, legal and transaction costs, and have been recorded in selling, general and administrative expenses.

The financial results of Accent's operations since December 23, 2019 have been included in the Company's consolidated financial statements and are not considered material for the year ended December 31, 2019.

The following table reflects the pro forma operating results for the Company which gives effect to the acquisition of Accent as if it had occurred on January 1, 2018. The pro forma results are based on assumptions that the Company believes are reasonable under the circumstances. The pro forma results are not necessarily indicative of future results. The pro forma financial information includes the historical results of the Company and Accent adjusted for certain items, which are described below, and does not include the effects of any synergies or cost reduction initiatives related to the acquisition of Accent.

	Years ended December 31,			
	2019		2018	
	(pro forma, in thousands) (unaudited)			
Revenue	$	675,259	$	650,203
Net income	$	92,845	$	60,011

Pro forma net income for the years ended December 31, 2019 and 2018 reflects adjustments primarily related to depreciation and amortization.

(b) VitreosHealth

On September 16, 2019, HMS acquired VitreosHealth, Inc. ("VitreosHealth"), a company that offers predictive and prescriptive health insights utilized by population risk models, for aggregate consideration of $36.6 million, which was funded with cash on hand. The purchase price was subject to certain post-closing purchase price adjustments and the initial purchase price allocation as of the date of acquisition was based on a preliminary valuation.

The Company's allocation of consideration exchanged to the net tangible and intangible assets acquired and liabilities assumed in the acquisition is based on estimated fair values as of September 16, 2019. The Company allocated the purchase price, net of cash acquired, to the following significant assets: intellectual property subject to amortization of $6.0 million, and goodwill of $30.2 million which represents the excess purchase price over the net identifiable tangible and intangible assets. There were no additional material allocations to assets and liabilities. The intangible assets are valued using various methods which require several judgments, including growth rates, discount rates, expected levels of revenues, earnings, cash flows and tax rates. The intangible assets are amortized over their estimated useful lives on a straight-line basis and are not expected to be deductible for tax purposes. The goodwill recognized from the acquisition was a result of expected synergies to be realized from future revenue growth, is not expected to be deductible for tax purposes, has an indefinite useful life and will be included in the Company's annual impairment testing.

Pro forma historical results of operations related to this business acquisition for the year ended December 31, 2018, or interim periods thereafter, and for the year ended December 31, 2019, have not been presented and are not considered material. The results of VitreosHealth's operations since September 16, 2019 have been included in the Company's consolidated financial statements and are not considered material.

(c) Eliza Holding Corp.

On April 17, 2017, the Company completed the acquisition of 100% of the outstanding capital stock of Eliza Holding Corp ("Eliza"), for a purchase price of $171.6 million funded with available liquidity of approximately 75% cash on hand and 25% from the Company's existing credit line.

We incurred acquisition related costs of $4.5 million related to the Eliza acquisition for the year ended December 31, 2017. The costs include consulting, legal and transaction costs, and have been recorded in selling, general and administrative expenses.

The financial results of Eliza's operations since April 17, 2017 have been included in the Company's consolidated financial statements. Eliza contributed $52.5 million, $51.9 million and $30.4 million in revenue to HMS results of operations in the years ended December 31, 2019, 2018 and 2017, respectively.

4. Property and Equipment

Property and equipment consisted of the following (*in thousands*):

	December 31, 2019	December 31, 2018
Equipment	$ 90,347	$ 95,350
Leasehold improvements	8,042	7,547
Building	9,674	8,624
Building improvements	16,305	14,825
Land	2,949	2,769
Furniture and fixtures	8,685	9,404
Capitalized software	134,864	131,819
	270,866	270,338
Less: accumulated depreciation and amortization	(183,919)	(175,903)
Property and equipment, net	$ 86,947	$ 94,435

	Years ended December 31, 2019	2018	2017
Depreciation and amortization expense related to property and equipment	$ 33,293	$ 33,254	$ 27,515

5. Intangible Assets, Goodwill and Other Assets

(a) Intangible Assets

Intangible assets consisted of the following (*amounts in thousands*):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period in Years
December 31, 2019				
Customer relationships	$ 135,290	$ (21,637)	$ 113,653	12.1
Trade names	1,536	(147)	1,389	3.0
Intellectual property	27,700	(10,893)	16,807	3.7
Total	$ 164,526	$ (32,677)	$ 131,849	

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period in Years
December 31, 2018				
Customer relationships	$ 156,790	$ (104,740)	$ 52,050	12.8
Trade names	16,246	(16,215)	31	0.7
Intellectual property	21,700	(6,670)	15,030	4.1
Restrictive covenants	263	(234)	29	0.7
Total	$ 194,999	$ (127,859)	$ 67,140	

Amortization expense of intangible assets is expected to approximate the following (*in thousands*):

Year ending December 31,	Amortization
2020	$ 14,914
2021	14,447
2022	14,439
2023	11,605
2024	10,180
Thereafter	66,264
Total	$ 131,849

For the years ended December 31, 2019, 2018 and 2017, amortization expense related to intangible assets was $9.7 million, $24.3 million, and $22.6 million, respectively. In addition, during the year ended December 31, 2019, some of the intangible assets became fully amortized.

(b) Goodwill

As a result of the Accent and VitreosHealth acquisitions, the changes in the carrying amount of goodwill were as follows (*in thousands*):

Balance at December 31, 2018	$ 487,617
Vitreos acquisition	30,189
Accent acquisition	81,545
Balance at December 31, 2019	$ 599,351

(c) Other Assets

In the third quarter of 2019, a third party acquired one hundred percent of the outstanding stock of InstaMed Holdings, Inc. ("InstaMed") including the Company's cost based investment in InstaMed of $2.1 million. As a result, the Company received proceeds of $9.8 million from the sale of the investment and recognized a $7.7 million gain in other income for the year ended December 31, 2019.

In 2019, the Company made a investment of $7.4 million in ordinary shares of MedAdvisor Limited ("MedAdvisor")(ASX: MDR), a digital medication management company based in Australia. The equity securities are categorized as Level 1 within the fair value hierarchy as the ordinary shares are actively traded on the Australian Stock Exchange. For the year ended December 31, 2019, the fair value measurement in relation to this equity instrument was $7.9 million. There were no sales, settlements issuances or transfers related to this level 1 instrument in 2019 or 2018.

The Company recorded net unrealized gains of $0.5 million for the year ended December 31, 2019. There were no realized or unrealized gains in 2018. These gains are reflected as a component of other income, in the accompanying Consolidated Statements of Income.

6. Accounts Payable, Accrued Expenses and Other Liabilities

Accounts payable, accrued expenses and other liabilities consisted of the following *(in thousands)*:

	December 31, 2019	December 31, 2018
Accounts payable, trade	$ 12,246	$ 12,394
Accrued compensation and other	36,827	42,833
Accrued operating expenses	42,045	19,675
Current portion of lease liabilities	6,629	—
Total accounts payable, accrued expenses and other liabilities	$ 97,747	$ 74,902

7. Income Taxes

Income tax expense is as follows *(in thousands)*:

	December 31,		
	2019	2018	2017
Current tax expense (benefit):			
Federal	$ 6,167	$ 2,965	$ 17,008
State	3,678	(1,433)	3,201
Total current tax expense:	9,845	1,532	20,209
Deferred tax expense (benefit):			
Federal	6,219	(2,650)	(19,425)
State	1,074	(854)	(983)
Total deferred tax expense (benefit):	7,293	(3,504)	(20,408)
Total income tax expense (benefit)	$ 17,138	$ (1,972)	$ (199)

A reconciliation of the income tax expense calculated using the applicable federal statutory rate to the actual income tax expense is as follows *(in thousands)*:

	December 31,					
	2019	**%**	**2018**	**%**	**2017**	**%**
Computed at federal statutory rate	$ 21,916	21.0	$ 11,134	21.0	$ 13,949	35.0
State and local tax expense, net of federal benefit	3,625	3.4	2,367	4.5	2,226	5.6
Net permanent deduction and credit tax benefits from current year	(1,166)	(1.1)	(1,143)	(2.2)	(1,513)	(3.8)
Net uncertain tax positions excluding current permanent deduction and credit benefits	(937)	(0.8)	(3,756)	(7.0)	(373)	(0.9)
Subsidiary basis write off	—	—	(3,423)	(6.5)	—	—
Equity compensation net tax windfall	(8,634)	(8.3)	(2,890)	(5.5)	—	—
State tax apportionment changes	—	—	(3,737)	(7.0)	—	—
Disallowed executive compensation	1,750	1.6	682	1.3	—	—
Tax Reform - revaluation of deferrals	—	—	—	—	(15,130)	(38.0)
Acquisition adjustments	—	—	(1,226)	(2.3)	(1,003)	(2.5)
Acquisition costs	245	0.3	—	—	697	1.7
Other, net	339	0.3	20	—	948	2.4
Total income tax expense	$ 17,138	16.4	$ (1,972)	(3.7)	$ (199)	(0.5)

The Company has current period foreign income tax expense and includes global intangible low-taxed income as current period income tax expense, both of which are not material to the overall financial statements.

Deferred income taxes are recognized for the future tax consequences of temporary differences between the financial statement and tax bases of assets and liabilities. The tax effect of temporary differences that give rise to a significant portion of the deferred tax assets and deferred tax liabilities are as follows *(in thousands)*:

	December 31, 2019	December 31, 2018
Deferred tax assets:		
Stock-based compensation	$ 8,056	$ 9,545
Goodwill and intangible assets	5,516	5,874
Accounts receivable, net	4,442	3,537
Deferred rent	—	696
Tenant improvements	—	569
Liability for appeals	931	5,632
Net operating loss carry-forwards	2,644	1,527
Tax credit carry-forwards	1,815	4,076
Property and equipment	139	49
Accrued expenses and other	5,054	7,839
ROU Liability	5,799	—
Total deferred tax assets	34,396	39,344
Deferred tax liabilities:		
Goodwill and intangible assets	42,894	43,400
Section 481(a) adjustment	2,551	5,073
Prepaid expenses	734	668
Capitalized software cost	9,068	8,688
ROU Asset	4,736	—
Total deferred tax liabilities	59,983	57,829
Total net deferred tax liabilities	$ 25,587	$ 18,485

Included in Other Liabilities on the Consolidated Balance Sheets, are the total amount of unrecognized tax benefits of approximately $4.2 million and $4.8 million as of December 31, 2019 and 2018, respectively, net of the federal benefit for state issues that, if recognized, would favorably affect the Company's future effective tax rate. Also included in Other Liabilities on the Consolidated Balance Sheets are accrued liabilities for interest expense and penalties related to unrecognized tax benefits of $0.7 million and $0.7 million as of December 31, 2019 and 2018, respectively. HMS includes interest expense and penalties in the provision for income taxes in the Consolidated Statements of Income. The amount of interest expense, net of federal and state income tax benefits, and penalties in the Consolidated Statements of Income for the years ended December 31, 2019, 2018, and 2017 was $0.04 million, $0.1 million and $0.02 million, respectively. The Company believes it is reasonably possible the amount of unrecognized tax benefits may decrease by $1.7 million during 2020, due to the expiration of the statute of limitations in various jurisdictions.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits are as follows *(in thousands)*:

	2019	2018
Unrecognized tax benefits at January 1	$ 4,839	$ 8,234
Additions for tax positions taken during prior periods	543	399
Additions for tax positions taken during current period including amended prior years	409	360
Reductions relating to settlements with taxing authorities	—	(2,227)
Reductions related to the expiration of statutes of limitations	(1,542)	(1,927)
Unrecognized tax benefits at December 31	$ 4,249	$ 4,839

The Company increased the provision for unrecognized tax benefits by $0.4 million during the year ended December 31, 2019, related to tax benefits recognized for current period U.S. Research and Experimentation Tax Credits pursuant to IRC Section 41. At December 31, 2019, HMS had federal and state pre-tax net operating loss and tax credit carryforwards of approximately $30.3 million and $1.8 million, respectively, which will be available to offset future taxable income. If not used, these net operating loss and tax credit carryforwards will begin to expire in 2020 and 2028, respectively. The Company files income tax returns with the U.S. Federal government and various state and local jurisdictions and will file income tax returns in certain foreign jurisdictions as a result of its acquisition of VitreosHealth. HMS is generally no longer subject to U.S. Federal income tax examinations for years before 2013. HMS operates in a number of state, foreign and local jurisdictions. Accordingly, HMS is subject to state, local, and foreign income tax examinations based on the various statutes of limitations in each jurisdiction. Previously recognized Texas refund claims were examined by the state and resulted in a favorable apportionment method change for all open tax years.

8. Liability for Appeals

Under the Company's contracts with certain commercial health plan customers and its Medicare Recovery Audit Contractor ("RAC") contract with the Centers for Medicare & Medicaid Services ("CMS") (included within the Company's payment integrity services revenue), providers have the right to appeal HMS claim findings and to pursue additional appeals if the initial appeal is found in favor of HMS's customer.

The appeal process established under the Medicare RAC contracts with CMS includes five levels of appeals, and resolution of appeals can take substantial time to resolve. HMS records a) an actual return obligation liability for findings which have been previously adjudicated in favor of providers and b) an estimated return obligation liability based on the amount of revenue that is subject to appeals and which are probable of being adjudicated in favor of providers following their successful appeal. The Company's estimate is based on the Company's historical experience. To the extent the amount to be returned to providers following a successful appeal exceeds or is less than the amount recorded, revenue in the applicable period would be reduced or increased by such amount.

A roll-forward of the activity in the liability for appeals is as follows (*in thousands*):

	Original RAC contract	RAC 4 contract	Commercial contracts	Total
Balance at December 31, 2017	$ 27,816	$ —	$ 2,971	$ 30,787
Provision	108	20	2,038	2,166
Appeals found in providers favor	(108)	—	(2,686)	(2,794)
Release of estimated liability	(8,436)	—	—	(8,436)
Balance at December 31, 2018	$ 19,380	$ 20	$ 2,323	$ 21,723
Provision	—	2,026	7,347	9,373
Appeals found in providers favor	—	(440)	(7,706)	(8,146)
Release of estimated liability	(19,380)	—	—	(19,380)
Balance at December 31, 2019	$ —	$ 1,606	$ 1,964	$ 3,570

The Company's original Medicare RAC contract with CMS expired on January 31, 2018. As a result of the original contract expiration, the Company's contractual obligation with respect to any appeals resolved in favor of providers subsequent to the expiration date have ceased and therefore the Company released its estimated return obligation liability and increased revenue by $8.4 million during the first quarter of 2018.

In 2019, the Company determined, based on communications, that there was no further contractual obligation to CMS with respect to the original Medicare RAC contract as of June 30, 2019. Accordingly, the Company released its remaining estimated liability of $19.4 million and net receivables during the second quarter of 2019. As a result of the release, there was a $10.5 million increase to the Company's revenue for the three months ended June 30, 2019.

9. Credit Agreement

In May 2013, we entered into a credit agreement (as amended and restated, the "Credit Agreement")with certain lenders and Citibank, N.A. as administrative agent. The Credit Agreement originally provided for an initial $500 million five-year revolving credit facility maturing on May 3, 2018.

On December 19, 2017, the Company entered into an amendment to the Credit Agreement, which, among other things, extended the maturity of its then existing $500 million revolving credit facility by five years to December 2022 (the "Amended Revolving Facility"). The availability of funds under the Amended Revolving Facility includes sublimits for (a) up to $50 million for the issuance of letters of credit and (b) up to $25 million for swingline loans. In addition, the Company may increase the commitments under the Amended Revolving Facility and/or add one or more incremental term loan facilities, provided that such incremental facilities do not exceed in the aggregate the sum of (i) the greater of $120 million and 100% of Consolidated EBITDA (as defined in the Credit Agreement) and (ii) an additional amount so long as our first lien leverage ratio (as defined in the Credit Agreement) on a pro forma basis is not greater than 3.00:1.00, subject to obtaining commitments from the lenders and meeting certain other conditions.

As of December 31, 2019 and December 31, 2018, the outstanding principal balance due on the Amended Revolving Facility was $240 million. No principal payments were made against the Amended Revolving Facility during the year ended December 31, 2019.

Borrowings under the Credit Agreement will bear interest at a rate equal to, at the Company's election (except with respect to swingline borrowings, which will accrue interest based only at the base rate), either:

- a base rate determined by reference to the greatest of (a) the prime or base commercial lending rate of the administrative agent as in effect on the relevant date, (b) the federal funds effective rate plus 0.50% and (c) the one-month London Interbank Offered Rate (or any successor rate determined in accordance with the Credit Agreement)

("LIBO Rate") plus 1.00%, plus an interest margin ranging from 0.50% to 1.00% based on the Company's consolidated leverage ratio for the applicable period; or

- an adjusted LIBO Rate, equal to the LIBO Rate for the applicable interest period multiplied by the statutory reserve rate (equal to (x) one divided by (y) one minus the aggregate of the maximum reserve percentage (including any marginal, special, emergency or supplemental reserves) established by the Board of Governors of the Federal Reserve System of the United States), plus an interest margin ranging from 1.50% to 2.00% based on the Company's consolidated leverage ratio for the applicable period.

In addition to paying interest on the outstanding principal, the Company is required to pay unused commitment fees on the Amended Revolving Facility during the term of the Credit Agreement ranging from 0.375% to 0.250% per annum based on the Company's consolidated leverage ratio and letter of credit fees equal to 0.125% per annum on the aggregate face amount of each letter of credit, as well as customary agency fees. As part of a contractual agreement with a customer, the Company has an outstanding irrevocable letter of credit for $6.5 million, which is issued against the Amended Revolving Facility and expires June 30, 2020.

The Amended Revolving Facility is secured, subject to certain customary carve-outs and exceptions, by a first priority lien and security interest in substantially all tangible and intangible assets of the Company and certain subsidiaries of the Company. The Amended Revolving Facility contains certain restrictive covenants, which affect, among other things, the ability of the Company and its subsidiaries to incur indebtedness, create liens, make investments, sell or otherwise dispose of assets, engage in mergers or consolidations with other entities, and pay dividends or repurchase stock. The Company is also required to comply, on a quarterly basis, with two financial covenants: (i) a minimum interest coverage ratio of 3.00:1.00, and (ii) a maximum consolidated leverage ratio of 4.75:1.00 through December 2019 and 4.25:1.00 from and after January 2020. The consolidated leverage ratio is subject to a step-up to 5.25:1.00 for four full consecutive fiscal quarters following a permitted acquisition or similar investment. As of December 31, 2019, the Company was in compliance with all terms of the Credit Agreement.

Interest expense and the commitment fees on the unused portion of the Company's revolving credit facility were as follows (*in thousands*):

	Years ended December 31,		
	2019	**2018**	**2017**
Interest expense	$ 9,460	$ 9,294	$ 7,170
Commitment fees	638	1,189	1,359

At December 31, 2019 and 2018, the unamortized balance of deferred origination fees and debt issuance costs was $1.7 million and $2.2 million, respectively. The Company amortized deferred financing costs of $0.6 million, $0.6 million and $2.3 million in the years ended December 31, 2019, 2018 and 2017, respectively.

10. Equity

(a) Share Repurchase Activity

On November 1, 2019, our Board of Directors approved a new $50.0 million share repurchase program to replace the previous share repurchase program, which expired in November 2019 and had $29.9 million remaining at the time of expiration. We did not repurchase shares during fiscal year 2019.

(b) Preferred Stock

The Company's certificate of incorporation, as amended, authorizes the issuance of up to 5,000,000 shares of "blank check" preferred stock with such designations, rights and preferences as may be determined by the Company's Board of Directors. As of December 31, 2019, no preferred stock had been issued.

11. Employee Benefit Plan

The Company sponsors the 401(k) Plan for eligible employees. Eligible employees must complete 90 days of service in order to enroll in the 401(k) Plan. Participants may make voluntary contributions to the 401(k) Plan of up to 60% of their annual base pre-tax compensation not to exceed the federally determined maximum allowable contribution. In addition, the 401(k) Plan permits the Company to make discretionary contributions. During 2019 and 2018, HMS matched 100% of the first 4% of pay contributed by each eligible employee and 50% of the next 1% of pay contributed. During 2017, HMS matched 100% of the first 3% of pay contributed by each eligible employee and 50% on the next 2% of pay contributed. These matching contributions vest immediately and are not in the form of the Company's common stock.

For the years ended December 31, 2019, 2018 and 2017, HMS contributed $7.7 million, $7.3 million and $5.9 million, respectively, to the 401(k) Plan in the form of matching contributions.

12. Stock-Based Compensation

(a) Long-Term Incentive Award Plans

The Company grants stock options and restricted stock units to HMS employees and non-employee directors of the Company under the 2019 Omnibus Plan, as approved by the Company's shareholders on May 22, 2019. The 2019 Omnibus Plan replaced and superseded the HMS Holdings Corp. 2016 Omnibus Incentive Plan.

(b) Stock-Based Compensation Expense

Total stock-based compensation expense in the Company's Consolidated Statements of Income related to the Company's long- term incentive award plans was as follows (in thousands):

	Years ended December 31,		
	2019	2018	2017
Cost of services-compensation	$ 8,887	$ 7,421	$ 7,354
Selling, general and administrative	13,014	14,086	16,789
Total	$ 21,901	$ 21,507	$ 24,143

The total tax benefits recognized on stock-based compensation for the years ended December 31, 2019, 2018 and 2017 was $16.7 million, $9.1 million and $4.0 million, respectively.

(c) Stock Options

Stock-based compensation expense related to stock options was approximately $8.9 million, $9.6 million and $10.3 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Presented below is a summary of stock option activity for the year ended December 31, 2019 *(in thousands, except for weighted average exercise price and weighted average remaining contractual terms)*:

	Number of Options	Weighted Average Exercise Price	Weighted Average-Remaining Contractual Terms	Aggregate-Intrinsic Value
Outstanding balance at December 31, 2018	4,402	$ 17.07		
Granted	640	38.61		
Exercised	(2,436)	16.20		
Forfeitures	(187)	21.21		
Expired	(8)	23.59		
Outstanding balance at December 31, 2019	2,411	23.43	7.28	$ 20,242
Expected to vest at December 31, 2019	1,070	$ 28.20	8.5	$ 5,979
Exercisable at December 31, 2019	968	$ 17.08	5.6	$ 12,121

As of December 31, 2019 and 2018, the Company had 1,400,233 and 1,999,069, respectively, in unvested options with a weighted-average-grant-date fair value per share of $10.13 and $7.27, respectively. The weighted-average-grant-date fair value per share of the stock options granted during the years ended December 31, 2019, 2018 and 2017 was $13.86, $7.52 and $7.66, respectively. The weighted-average-grant-date fair value per share of stock options vested during the year ended December 31, 2019 was $7.36. The weighted-average-grant-date fair value per share of the stock options forfeited during the years ended December 31, 2019, 2018 and 2017 was $7.94, $6.86 and $5.24, respectively.

HMS estimated the fair value of each stock option grant on the date of grant using a Black-Scholes option pricing model. Weighted–average assumptions are set forth in the following table:

	Year ended December 31, 2019		
	2019	2018	2017
Expected dividend yield	— %	— %	— %
Risk-free interest rate	2.5%	2.7%	1.8%
Expected volatility	41.1%	42.4%	44.2%
Expected life (years)	6.4	6.0	5.0

HMS estimated the fair value of 2017 market condition option grants on the date of grant using a Monte-Carlo simulation model. There were no market condition awards granted in 2019 or 2018. Assumptions are set forth in the following table:

	Year ended December 31,		
	2019	2018	2017
Expected dividend yield	— %	— %	— %
Risk-free interest rate	— %	— %	2.2 %
Expected volatility	— %	— %	52.5 %
Expected life (years)	0	0	6.5

During the years ended December 31, 2019, 2018 and 2017, the Company issued 2,435,648, 2,017,442 and 172,326 shares, respectively, of the Company's common stock upon the exercise of outstanding stock options and received proceeds of $39.3 million, $38.4 million and $2.7 million, respectively. The total intrinsic value of stock options exercised during the years ended December 31, 2019, 2018 and 2017 was $45.6 million, $27.6 million and $0.5 million, respectively.

As of December 31, 2019, there was approximately $4.3 million of total unrecognized compensation cost related to stock options outstanding, which is expected to be recognized over a weighted average period of 0.8 years.

(d) Restricted Stock Units

Stock-based compensation expense related to restricted stock units was $13.0 million, $11.9 million and $13.8 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Presented below is a summary of restricted stock units activity for the year ended December 31, 2019 (*in thousands, except for weighted average grant date fair value per unit*):

	Number of Units	Weighted Average Grant Date Fair Value per
Outstanding balance at December 31, 2018	1,488	$ 17.60
Granted	487	34.02
Vesting of restricted stock units, net of units withheld for taxes	(406)	16.65
Units withheld for taxes	(201)	16.65
Forfeitures	(129)	21.32
Outstanding balance at December 31, 2019	1,239	$ 21.37

As of December 31, 2019, 974,050 restricted stock units remained unvested and there was approximately $9.9 million of unrecognized compensation cost related to restricted stock units, which is expected to be recognized over a weighted average vesting period of 0.84 years. During the years ended December 31, 2019, 2018 and 2017, the Company's vested restricted stock units had a fair value of $10.7 million, $9.9 million, and $9.5 million, respectively. The weighted average grant date fair value per share of the restricted stock units vested during the years ended December 31, 2019, 2018 and 2017 was $16.65, $17.06 and $15.39, respectively. The weighted average grant date fair value per share of the restricted stock units forfeited during the years ended December 31, 2019, 2018 and 2017 was $21.32, $17.31 and $15.37, respectively.

13. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share *(in thousands, except per share amounts)*:

	Years ended December 31					
	2019		2018		2017	
Net income	$	87,224	$	54,989	$	40,054
Weighted average common shares outstanding-basic		87,222		83,625		83,821
Plus: net effect of dilutive stock options and restricted stock units		2,095		2,519		1,267
Weighted average common shares outstanding-diluted		89,317		86,144		85,088
Net income per common share — basic	$	1.00	$	0.66	$	0.48
Net income per common share — diluted	$	0.98	$	0.64	$	0.47

For the years ended December 31, 2019, 2018 and 2017: (i) 509,617, 804,959 and 2,646,100 stock options, respectively, and (ii) restricted stock units representing 2,564, 0 and 31,155 shares of common stock, respectively, were not included in the diluted earnings per share calculation because the effect would have been anti-dilutive.

14. Commitments and Contingencies

In July 2012, Dennis Demetre and Lori Lewis (the “Plaintiffs”), filed an action in the Supreme Court of the State of New York against HMS Holdings Corp., claiming an undetermined amount of damages alleging that various actions by HMS unlawfully deprived the Plaintiffs of the acquisition earn-out portion of the purchase price for Allied Management Group Special Investigation Unit, Inc. (“AMG”) under the applicable Stock Purchase Agreement (the “SPA”) and that HMS had breached certain contractual provisions under the SPA. The Plaintiffs filed a second amended complaint with two causes of action for breach of contract and one cause of action for breach of implied covenant of good faith and fair dealing. HMS asserted a counterclaim against Plaintiffs for breach of contract based on contractual indemnification costs, including attorneys’ fees arising out of the Company’s defense of AMG in *Kern Health Systems v. AMG, Dennis Demetre and Lori Lewis* (the “California Action”), which are recoverable under the SPA. In June 2016, Kern Health Systems and AMG entered into a settlement agreement that resolved all claims in the California Action. In July 2017, the Court issued a decision on the Company’s motion for partial summary judgment and granted the motion in part, dismissing one of Plaintiffs’ breach of contract causes of action against HMS. On November 3, 2017, following a jury trial, a verdict was returned in favor of the Plaintiffs on a breach of contract claim, and the jury awarded $60.0 million in damages to the Plaintiffs. On March 14, 2018, the Court held a hearing on the Company’s post-trial motion for an order granting it judgment notwithstanding the verdict or, alternatively, setting aside the jury’s award of damages. On June 27, 2018, prior to the Court issuing a decision on the motion, the Company entered into a Settlement Agreement (the “Settlement Agreement”) with the Plaintiffs, John Alfred Lewis and Christopher Brandon Lewis. Pursuant to the terms of the Settlement Agreement, the Company paid $20.0 million to resolve all matters in controversy pertaining to the lawsuit. On July 5, 2018, the Court entered an order to discontinue the lawsuit pursuant to the Stipulation of Discontinuance with Prejudice filed by the parties.

In February 2018, the Company received a Civil Investigative Demand (“CID”) from the Texas Attorney General, purporting to investigate possible unspecified violations of the Texas Medicaid Fraud Prevention Act. In March 2018, the Company provided certain documents and information in response to the CID. HMS has not received any further requests from the government in connection with this CID.

In September 2018, a former employee filed an action in the New York County Supreme Court entitled Christopher Frey *v. Health Management Systems, Inc.* alleging retaliation under New York law. The complaint seeks recovery of an unspecified amount of monetary damages, including back pay and other compensatory and equitable relief. In May 2019, the Court heard oral arguments on the Company's motion to dismiss the complaint. The motion remains pending before the Court. The Company continues to believe that this claim is without merit and intends to vigorously defend this matter.

From time to time, HMS may be subject to investigations, legal proceedings and other disputes arising in the ordinary course of the Company's business, including but not limited to regulatory audits, billing and contractual disputes, employment-related matters and post-closing disputes related to acquisitions. Due to the Company's contractual relationships, including those with federal and state government entities, HMS's operations, billing and business practices are subject to scrutiny and audit by those entities and other multiple agencies and levels of government, as well as to frequent transitions and changes in the personnel responsible for oversight of the Company's contractual performance. HMS may have contractual disputes with its customers arising from differing interpretations of contractual provisions that define the Company's rights, obligations, scope of work or terms of payment, and with associated claims of liability for inaccurate or improper billing for reimbursement of contract fees, or for sanctions or damages for alleged performance deficiencies. Resolution of such disputes may involve litigation or may require that HMS accept some amount of loss or liability in order to avoid customer abrasion, negative marketplace perceptions and other disadvantageous results that could affect the Company's business, financial condition, results of operations and cash flows.

HMS records accruals for outstanding legal matters when it believes it is probable that a loss will be incurred and the amount can be reasonably estimated. The Company evaluates, on a quarterly basis, developments in legal matters that could affect the amount of any accrual and developments that would make a loss contingency both probable and reasonably estimable. If a loss contingency is not both probable and estimable, HMS does not establish an accrued liability.

15. Customer Concentration

(a) Geographic Information

The Company primarily operates within the United States with some international revenue that is not considered material.

(b) Major Customers

For the years ended December 31, 2019, 2018 and 2017 no one individual Company customer accounted for more than 10% of the Company's total revenue.

(c) Concentration of Revenue

The composition of the Company's ten largest customer's changes periodically. For the years ended December 31, 2019, 2018 and 2017, the Company's ten largest customers represented 42.7%, 41.4% and 39.5% of HMS' total revenue, respectively. Excluding those contracts that contain automatic renewal provisions or evergreen terms, the Company's agreements with the ten current largest customers generally expire between 2020 and 2026. In many instances, HMS provides services pursuant to agreements that may be renewed or subject to a competitive reprocurement process. Several of the Company's contracts, including those with some of its largest customers, may be terminated for convenience.

16. Leases

The components of lease expense for the year ended December 31, 2019 were as follows (*in thousands*):

	Year ended December 31, 2019
Operating lease cost	$ 6,625
Finance lease cost:	
Amortization of right-of-use assets	$ 202
Interest on lease liabilities	25
Total finance lease cost	$ 227

Supplemental cash flow and other information related to leases for the year ended December 31, 2019 were as follows (*in thousands*):

	Year ended December 31, 2019
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows from operating leases	$ 7,402
Operating cash flows from finance leases	$ 24
Financing cash flows from finance leases	$ 195
Right-of-use assets obtained in exchange for new lease liabilities:	
Operating leases	$ 1,181
Finance leases	$ 1,820

Supplemental balance sheet information related to leases as of December 31, 2019 consisted of the following (*in thousands*):

	Year ended December 31, 2019
Operating Leases	
Operating lease right-of-use assets	$ 17,493
Other current liabilities	$ 6,269
Operating lease liabilities	14,881
Total operating lease liabilities	$ 21,150
Finance Leases	
Other Assets	$ 1,081
Other current liabilities	$ 360
Other long-term liabilities	677
Total finance leases liabilities	$ 1,037

As of December 31, 2019, the weighted-average remaining lease term for operating and finance leases was 4.1 years and 2.6 years, respectively. As of December 31, 2019, the weighted-average discount rates were 5.7% and 4.6% for operating and finance leases, respectively.

Sublease income for the years ended December 31, 2019 and 2018 was $2.2 million and $1.8 million, respectively.

Maturities of lease liabilities were as follows (*in thousands*):

Year ended December 31,	Operating Leases	Finance Leases
2020	$ 7,266	$ 399
2021	5,791	454
2022	3,546	246
2023	3,319	—
2024	2,833	—
Thereafter	991	—
Total lease payments	23,746	1,099
Less: Imputed interest	2,596	62
Total lease obligation	$ 21,150	$ 1,037

Disclosures related to periods prior to adoption of the New Lease Standard

As of December 31, 2018, minimum annual lease payments made under operating leases, net of $8.3 million office space sublease payments to be received, for each of the next five years ending December 31 and thereafter were as follows (in thousands):

Year ended December 31,	Operating Leases
2019	$ 5,778
2020	5,420
2021	3,742
2022	2,531
2023	2,236
Thereafter	2,947
Total lease payments	$ 22,654

17. Subsequent Events

Annual Grants to Employees

On February 13, 2020, the Compensation Committee of the Board of Directors approved approximately $24.5 million in stock option and restricted stock unit awards to employees. The awards generally will vest over three years and will be issued three business days subsequent to the filing of this 2019 Form 10-K.

In connection with the preparation of our consolidated financial statements, an evaluation of subsequent events was performed through the date of filing and there were no other events that have occurred that would require adjustments to the financial statements or disclosure.

18. Quarterly Financial Data (Unaudited)

The table below summarizes the Company's unaudited quarterly operating results for the last two fiscal years (*in thousands, except per share amounts*):

2019	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Year Ended**
Revenue	$ 147,953	$ 168,182	$ 146,815	$ 163,445	$ 626,395
Gross profit	$ 48,952	$ 68,584	$ 45,296	$ 54,849	$ 217,681
Operating income	$ 19,706	$ 40,548	$ 17,064	$ 25,698	$ 103,016
Net income	$ 19,642	$ 29,100	$ 21,136	$ 17,346	$ 87,224
Net income per common share - basic	$ 0.23	$ 0.34	$ 0.24	$ 0.20	$ 1.00
Net income per common share - diluted	$ 0.22	$ 0.33	$ 0.24	$ 0.20	$ 0.98

2018	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Year Ended**
Revenue	$ 141,425	$ 146,791	$ 154,246	$ 155,828	$ 598,290
Gross profit	$ 43,920	$ 45,769	$ 52,409	$ 54,582	$ 196,680
Operating income/(loss)	$ 11,922	$ (763)	$ 24,231	$ 27,848	$ 63,238
Net income/(loss)	$ 6,391	$ (3,367)	$ 18,574	$ 33,391	$ 54,989
Net income/(loss) per common share - basic	$ 0.08	$ (0.04)	$ 0.22	$ 0.40	$ 0.66
Net income/(loss) per common share - diluted	$ 0.07	$ (0.04)	$ 0.22	$ 0.38	$ 0.64

(1) Third quarter 2019 results include the Company's sale of its investment in InstaMed, as described in Note 5(c).

(2) Second quarter 2018 results include the Company's entry into the Settlement Agreement for the payment of $20.0 million, as described in Note 14.

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
For the years ended December 31, 2019, 2018 and 2017

Accounts receivable allowance and Estimated liability for appeals as of December 31, 2019, 2018 and 2017 are as follows:

Accounts Receivable Allowance (*in thousands)*:

	Balance at Beginning of Year	Provision	Recoveries	Charge-offs	Balance at End of Year
Year ended December 31, 2017	$ 10,772	$ 20,233	$ —	$ (16,206)	$ 14,799
Year ended December 31, 2018	14,799	20,453	—	(21,569)	13,683
Year ended December 31, 2019	13,683	22,289	—	(18,890)	17,082

Estimated liability for appeals *(in thousands)*:

	Balance at Beginning of Year	Provision	Appeals found in providers favor	Release of estimated liability	Balance at End of Year
Year ended December 31, 2017	$ 11,126	$ 83	$ (2,665)	$ —	$ 8,544
Year ended December 31, 2018	8,544	—	(108)	(8,436)	—
Year ended December 31, 2019	—	—	—	—	—

The above chart represents the CMS estimated reserve liability only.

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Appendix A

HMS HOLDINGS CORP. AND SUBSIDIARIES (unaudited)

Reconciliation of Net Income to EBITDA and Adjusted EBITDA

(in thousands, except percentages)	Twelve Months Ended December 31, 2019	Twelve Months Ended December 31, 2018
Net income	$ 87,224	$ 54,989
Net interest expense	6,865	10,221
Income taxes	17,138	(1,972)
Depreciation and amortization of property and equipment and intangible assets	42,984	57,596
Earnings before interest, taxes, depreciation and amortization (EBITDA)	$ 154,211	$ 120,834
Stock-based compensation expense	21,901	21,507
Transaction and integration costs	3,489	—
Settlement Expense	—	20,000
Adjusted EBITDA	$ 179,601	$ 162,341
% of Revenue	28.7 %	27.1 %
Adjusted EBITDA, excluding Reserve Releases and 3Q 2019 Gain on Investment	$ 163,701	$ 156,041
% of Revenue	*26.6 %*	*26.4 %*

Reconciliation of Net Income to GAAP EPS (Diluted) and Adjusted EPS (Diluted)

(in thousands, except per share amounts)	Twelve Months Ended December 31, 2019	Twelve Months Ended December 31, 2018
Net income	$ 87,224	$ 54,989
Stock-based compensation expense	21,901	21,507
Transaction and integration costs	3,489	—
Settlement Expense	—	20,000
Amortization of acquisition related software and intangible assets	16,999	32,975
Income tax related to adjustments[1]	(11,784)	(19,216)
Adjusted net income	$ 117,829	$ 110,255
Weighted average common shares, diluted	89,317	86,144
Diluted GAAP EPS[2]	$ 0.98	$ 0.64
Diluted adjusted EPS[2]	$ 1.32	$ 1.28
Discrete tax benefits	$ 0.07	$ 0.19
Reserve Releases benefit[3]	$ 0.07	$ 0.05
3Q 2019 Gain on Investment[3]	$ 0.06	$ —
Diluted adjusted EPS excluding Reserve Releases, 3Q 2019 Gain on Investment, and discrete tax benefits	$ 1.12	$ 1.04

(1) Tax effect of adjustments is computed as the pre-tax effect of the adjustments multiplied by the adjusted annual effective tax rate at period end.

(2) Diluted GAAP EPS and Diluted Adjusted EPS included (i) discrete tax benefits of $0.07 per diluted share primarily related to the exercise of employee stock options, $0.07 per diluted share related to the Reserve Releases benefit and a $0.06 per diluted share benefit related to the 3Q 2019 Gain on Investment benefit for the twelve months ended December 31, 2019, and (ii) discrete tax benefits of $0.19 per diluted share and $0.05 per diluted share related to the Reserve Releases benefit for the twelve months ended December 31, 2018. The discrete tax benefits recorded in the twelve months ended December 31, 2018 primarily related to state tax apportionments, the closure of routine outstanding prior year tax audits, the exercise of employee stock options, the abandonment of subsidiary stock related to a 2010 acquisition, and year-end federal and state tax adjustments or provision true ups.

(3) The Reserve Releases benefit of $0.07 per diluted share for the twelve months ended December 31, 2019 is net of income tax of approximately $0.03 per diluted share and the 3Q 2019 Gain on Investment benefit of $0.06 per diluted share for the twelve months ended December 31, 2019 is net of income tax of approximately $0.02 per diluted share. The Reserve Releases benefit of $0.05 per diluted share for the twelve months ended December 31, 2018 is net of income tax of approximately $0.02 per diluted share.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________________ to ________________

Commission File No.: 1-4850

DXC.technology

DXC TECHNOLOGY COMPANY

(Exact name of Registrant as specified in its charter)

Nevada	**61-1800317**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1775 Tysons Boulevard	
Tysons , Virginia	**22102**
(Address of principal executive offices)	(zip code)

Registrant's telephone number, including area code: **(703) 245-9675**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	**DXC**	**New York Stock Exchange**
2.750% Senior Notes Due 2025	**DXC 25**	**New York Stock Exchange**
1.750% Senior Notes Due 2026	**DXC 26**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant on September 30, 2019, the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing price of a share of the registrant's common stock on that date, was $7,501,594,766.

253,751,753 shares of common stock, par value $0.01 per share, were outstanding as of May 26, 2020.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement relating to its 2020 Annual Meeting of Stockholders (the "2020 Proxy Statement"), which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the registrant's fiscal year end of March 31, 2020, are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated.

TABLE OF CONTENTS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

All statements and assumptions contained in this Annual Report on Form 10-K and in the documents incorporated by reference that do not directly and exclusively relate to historical facts constitute “forward-looking statements.” Forward-looking statements often include words such as “anticipates,” “believes,” “estimates,” “expects,” “forecast,” “goal,” “intends,” “objective,” “plans,” “projects,” “strategy,” “target” and “will” and words and terms of similar substance in discussions of future operating or financial performance. These statements represent current expectations and beliefs, and no assurance can be given that the results described in such statements will be achieved.

Forward-looking statements include, among other things, statements with respect to our financial condition, results of operations, cash flows, business strategies, operating efficiencies or synergies, divestitures, competitive position, growth opportunities, share repurchases, dividend payments, plans and objectives of management and other matters. Such statements are subject to numerous assumptions, risks, uncertainties and other factors that could cause actual results to differ materially from those described in such statements, many of which are outside of our control. Furthermore, many of these risks and uncertainties are currently amplified by and may continue to be amplified by or may, in the future, be amplified by, the recent outbreak of the novel coronavirus (“COVID-19”) pandemic and the impact of varying private and governmental responses that affect our customers, employees, vendors and the economies and communities where they operate.

Important factors that could cause actual results to differ materially from those described in forward-looking statements include, but are not limited to:

- *the uncertainty of the magnitude, duration, geographic reach, impact on the global economy and current and potential travel restrictions, stay-at-home orders, economic restrictions implemented to address the COVID-19 outbreak;*
- *the current, and uncertain future, impact of the COVID-19 outbreak, as well as other emerging developments and disruption to economic activity, and their resulting impact on our clients that may affect our business, growth, prospects, financial condition, operating results, cash flows and liquidity;*
- *changes in governmental regulations or the adoption of new laws or regulations that may make it more difficult or expensive to operate our business;*
- *changes in senior management, the loss of key employees or the ability to retain and hire key personnel and maintain relationships with key business partners;*
- *the risk of liability or damage to our reputation resulting from security breaches or disclosure of sensitive data or failure to comply with data protection laws and regulations;*
- *business interruptions in connection with our technology systems;*
- *the competitive pressures faced by our business;*
- *the effects of macroeconomic and geopolitical trends and events;*
- *the need to manage third-party suppliers and the effective distribution and delivery of our products and services;*
- *the protection of our intellectual property assets, including intellectual property licensed from third parties;*
- *the risks associated with international operations;*
- *the development and transition of new products and services and the enhancement of existing products and services to meet customer needs, respond to emerging technological trends and maintain and grow our customer relationships over time;*
- *the ability to succeed in our strategic objectives, including strategic alternatives material for our business;*
- *the execution and performance of contracts by us and our suppliers, customers, clients and partners;*
- *our credit rating and the ability to manage working capital, refinance and raise additional capital for future needs;*
- *our ability to remediate any material weakness and maintain effective internal control over financial reporting;*
- *the resolution of pending investigations, claims and disputes;*
- *the integration of Computer Sciences Corporation's ("CSC") and Enterprise Services business of Hewlett Packard Enterprise Company's ("HPES") businesses, operations, and culture and the ability to operate as effectively and efficiently as expected, and the combined company's ability to successfully manage and integrate acquisitions generally;*
- *the ability to realize the synergies and benefits expected to result from the HPES Merger within the anticipated time frame or in the anticipated amounts;*
- *other risks related to the HPES Merger including anticipated tax treatment, unforeseen liabilities and future capital expenditures;*

- *the U.S. Public Sector business ("USPS") Separation and Mergers as described in Note 1 - “Summary of Significant Accounting Policies”, could result in substantial tax liability to DXC and our stockholders;*
- *risks relating to the respective abilities of the parties to our acquisition of Luxoft Holding, Inc. to achieve the expected results therefrom;*
- *risks relating to the consummation of the HHS Sale (as defined below) and the ability to achieve the expected results therefrom; and*
- *the other factors described under Item 1A. “Risk Factors.”*

No assurance can be given that any goal or plan set forth in any forward-looking statement can or will be achieved, and readers are cautioned not to place undue reliance on such statements which speak only as of the date they are made. Any forward-looking statement made by us in this Annual Report on Form 10-K speaks only as of the date on which this Annual Report on Form 10-K was first filed. We do not undertake any obligation to update or release any revisions to any forward-looking statement or to report any events or circumstances after the date of this report or to reflect the occurrence of unanticipated events, except as required by law.

Throughout this report, we refer to DXC Technology Company, together with its consolidated subsidiaries, as “we,” “us,” “our,” “DXC,” or the “Company.” In order to make this report easier to read, we also refer throughout to (i) our Consolidated Financial Statements as our “financial statements,” (ii) our Consolidated Statements of Operations as our “statements of operations,” (iii) our Consolidated Statement of Comprehensive (Loss) Income as the "statements of comprehensive income,"(iv) our Consolidated Balance Sheets as our “balance sheets” and (v) our Consolidated Statements of Cash Flows as our “statements of cash flows.” In addition, references throughout to numbered “Notes” refer to the numbered Notes to our Financial Statements that we include in the Financial Statements section of this report.

PART I

ITEM 1. BUSINESS

Overview

DXC Technology Company helps global companies across the entire enterprise technology stack, running their mission critical systems and operations while modernizing IT, optimizing data architectures, and ensuring security and scalability across public, private and hybrid clouds.

The DXC's enterprise technology stack includes:

- Analytics and Engineering
- Applications
- Cloud and Security
- IT Outsourcing ("ITO")

DXC combines decades of experience running mission-critical systems with the latest digital innovations to deliver better business outcomes and new levels of performance, competitiveness and experiences for our customers and their stakeholders. DXC invests in three key drivers of growth: People, Customers and Operational Execution. The Company's global scale, talent and innovation platforms serve more than 6,000 private and public-sector customers in approximately 70 countries.

History and Development

DXC, a Nevada corporation, was formed on April 1, 2017, by the merger of CSC and HPES (the "HPES Merger").

Acquisitions and Divestitures

During fiscal 2020, DXC completed the acquisition of Luxoft Holding, Inc. (the "Luxoft Acquisition") a global scale digital service provider whose offerings encompass strategic consulting, custom software development, and digital solution engineering services. We also completed other acquisitions during fiscal 2020 to complement our offerings and to provide opportunities for future growth. See Note 2 - "Acquisitions" for further information.

On March 9, 2020, DXC entered into a definitive agreement (the "Purchase Agreement") to sell (the “HHS Sale”) our U.S. State and Local Health and Human Services (“State & Local HHS”) business to Veritas Capital Fund Management, L.L.C., for $5.0 billion in cash. The State and Local HHS business is an end-to-end provider of technology enabled, mission critical solutions that are fundamental to the administration and operations of health programs throughout the United States. It is accounted for as part of the Global Business Services segment. Known for its reliable delivery of highly complex systems for public sector clients, the business facilitates performance efficiencies and improved outcomes for a wide range of stakeholders in the healthcare ecosystem. The transaction is expected to close by September 2020, but no later than December 2020, subject to the satisfaction of certain closing conditions, including (i) the absence of a material adverse effect on the HHS Business or the ability of DXC to consummate the HHS Sale and (ii) HHS customer contracts that generated 87.5% or more of the aggregate revenue for all HHS customer contracts for the nine month period ending December 31, 2019 are able to be conveyed at the closing of the HHS Sale without receipt of additional customer consents. The sale is not subject to any financing condition or shareholder approval. The Purchase Agreement contains certain termination rights, including (i) the right of either party to terminate the Purchase Agreement if the transactions contemplated thereby is not consummated on or before December 31, 2020, (ii) the right of either party to terminate if a governmental authority has issued a final and non-appealable order prohibiting or enjoining the transactions contemplated thereby (subject to certain limitations) and (iii) the right of either party to terminate if the other party breaches its representations, warranties, covenants or agreements contained in the Purchase Agreement to such an extent that the conditions to Closing would not be satisfied (subject to certain limitations). In addition, the Purchaser will be obligated to pay to the Company a termination fee of $250 million in cash upon the termination of the Purchase Agreement under specified conditions. Following the transaction close, DXC will retain its remaining healthcare practice, servicing customers across the healthcare continuum, including payers, providers and life sciences firms.

Segments and Services

Our reportable segments are Global Business Services ("GBS") and Global Infrastructure Services ("GIS").

Global Business Services

GBS provides innovative technology solutions that help our customers address key business challenges and accelerate digital transformations tailored to each customer’s industry and specific objectives. GBS enterprise technology stack offerings include:

- *Analytics and Engineering.* Our portfolio of analytics services and extensive partner ecosystem help customers gain rapid insights, automate operations, and accelerate their digital transformation journeys. We provide software engineering and solutions that enable businesses to run and manage their mission-critical functions, transform their operations and develop new ways of doing business.
- *Applications.* We use advanced technologies and methods to accelerate the creation, modernization, delivery and maintenance of high-quality, secure applications allowing customers to innovate faster while reducing risk, time to market, and total cost of ownership, across industries. Our vertical-specific IP includes solutions for insurance; banking and capital markets; and automotive, among others.

GBS offerings also includes business process services, which include digital integration and optimization of front and back office processes, and agile process automation. This helps companies to reduce cost, and minimize business disruption, human error, and operational risk while improving customer experiences.

Global Infrastructure Services

GIS provides a portfolio of technology offerings that deliver predictable outcomes and measurable results, while reducing business risk and operational costs for customers. GIS enterprise stack elements include:

- *Cloud and Security.* We help customers to rapidly modernize by adapting legacy apps to cloud, migrate the right workloads, and securely manage their multi-cloud environments. Our security solutions help predict attacks, proactively respond to threats, ensure compliance and protect data, applications and infrastructure.
- *IT Outsourcing.* Our ITO services support infrastructure, applications, and workplace IT operations, including hardware, software, physical/virtual end-user devices, collaboration tools, and IT support services. We help customers securely optimize operations to ensure continuity of their systems and respond to new business and workplace demands, while achieving cost takeout, all with limited resources, expertise and budget.

GIS offerings also include **workplace and mobility services** to fit our customer's employee, business and IT needs from intelligent collaboration, modern device management, digital support services, Internet of Things ("IoT") and mobility services, providing a consumer-like, digital experience.

See Note 19 - "Segment and Geographic Information" for additional information related to our reportable segments, including the disclosure of segment revenues, segment profit and financial information by geographic area.

Sales and Marketing

We market and sell our services to customers through our direct sales force, operating out of sales offices around the world. Our customers include commercial businesses of many sizes and in many industries and public sector enterprises. No individual customer exceeded 10% of our consolidated revenues for fiscal 2020, 2019 or 2018.

Seasonality

General economic conditions have an impact on our business and financial results. The markets in which we sell our products, services and solutions occasionally experience weak economic conditions that may negatively affect sales. We also experience some seasonal trends in the sale of our services. For example, contract awards are often tied to the timing of our customers' fiscal year-ends, and we also experience seasonality related to our own fiscal year-end selling activities.

Competition

The IT and professional services markets in which we compete are highly competitive and are not dominated by a single company or a small number of companies. A substantial number of companies offer services that overlap and are competitive with those we offer. In addition, the increased importance of offshore labor centers has brought several foreign-based firms into competition with us.

Our competitors include:

- large multinational enterprises that offer some or all of the services and solutions that we do;
- smaller companies that offer focused services and solutions similar to those that we offer;
- offshore service providers in lower-cost locations, particularly in India, that sell directly to end-users;
- solution or service providers that compete with us in a specific industry segment or service area; and
- in-house functions of corporations that use their own resources, rather than engage an outside IT services provider.

The principal methods of competition in the markets for our solutions and services include:

- vision and strategic advisory ability;
- digital services capabilities;
- performance and reliability;
- responsiveness to client needs;
- competitive pricing of services;
- technical and industry expertise;
- reputation and experience;
- quality of solutions and services; and
- financial stability and strong corporate governance.

Our ability to obtain new business and retain existing business is dependent upon the following:

- technology, industry and systems know-how with an independent perspective on the best client solutions across software, hardware, and service providers;
- ability to offer improved strategic frameworks and technical solutions;
- investments in our digital services and solutions;
- focus on responsiveness to customer needs, quality of services and competitive prices;
- successful management of our relationships with leading strategic and solution partners in hardware, networking, cloud, applications and software;
- project management experience and capabilities;
- end-to-end spectrum of IT and professional services we provide; and
- financial stability and strong corporate governance.

Intellectual Property

We rely on a combination of trade secrets, patents, copyrights, and trademarks, as well as contractual protections, to protect our business interests. While our technical services and products are not generally dependent upon patent protection, we do selectively seek patent protection for certain inventions likely to be incorporated into products and services or where obtaining such proprietary rights will improve our competitive position.

As our patent portfolio has been built over time, the remaining terms of the individual patents across the patent portfolio vary. We believe that our patents and patent applications are important for maintaining the competitive differentiation of our solutions and services and enhancing our freedom of action to sell solutions and services in markets in which we choose to participate. No single patent is in itself essential to our company as a whole or to any business segment.

Additionally, we own or have rights to various trademarks, logos, service marks, and trade names that are used in the operation of our business. We also own or have the rights to copyrights that protect the content of our products and other proprietary materials.

In addition to developing our intellectual property portfolio, we license intellectual property rights from third parties as we deem appropriate. We have also granted and plan to continue to grant licenses to others under our intellectual property rights when we consider these arrangements to be in our interest. These license arrangements include a number of cross-licenses with third parties.

Environmental Regulation

Our operations are subject to regulation under various federal, state, local, and foreign laws concerning the environment, including laws addressing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes and the clean-up of contaminated sites. Environmental costs and accruals are presently not material to our operations, cash flows or financial position, and we do not currently anticipate material capital expenditures for environmental control facilities. However, we could incur substantial costs, including clean-up costs, fines and civil or criminal sanctions and third-party damage or personal injury claims, if we were to violate or become liable under environmental laws, or if new environmental legislation is passed which impacts our business.

Employees

As of March 31, 2020, we employed approximately 138,000 employees and had offices and operations in approximately 70 countries.

Available Information

We use our corporate website, *www.dxc.technology*, as a routine channel for distribution of important information, including detailed company information, financial news, SEC filings, Annual Reports, historical stock information and links to a recent earnings call webcast. DXC's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, all amendments to those reports, and the Proxy Statements for our Annual Meetings of Stockholders are made available, free of charge, on our corporate website as soon as reasonably practicable after such reports have been filed with or furnished to the SEC. They are also available through the SEC at *www.sec.gov/edgar/searchedgar/companysearch.html.* Our corporate governance guidelines, Board of Directors' committee charters (including the charters of the Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee) and code of ethics entitled "Code of Business Conduct" are also available on our website. The information on our website is not incorporated by reference into, and is not a part of, this report.

Information About Our Executive Officers

Name	Age	Year First Elected as Officer	Term as an Officer	Position Held with the Registrant as of the filing date	Family Relationship
Michael J. Salvino	54	2019	Indefinite	President and Chief Executive Officer	None
Paul N. Saleh	63	2017	Indefinite	Executive Vice President and Chief Financial Officer	None
William L. Deckelman, Jr.	62	2017	Indefinite	Executive Vice President, General Counsel and Secretary	None
Mary E. Finch	50	2019	Indefinite	Executive Vice President and Chief Human Resources Officer	None
Edward Ho	57	2018	Indefinite	Executive Vice President and Co-Lead, Americas	None
James R. Smith	52	2017	Indefinite	Executive Vice President, Digital Transformation and Customer Advocacy	None
Vinod Bagal	54	2019	Indefinite	Executive Vice President, Global Transformation	None
Neil A. Manna	57	2017	Indefinite	Senior Vice President, Corporate Controller and Principal Accounting Officer	None

Business Experience of Executive Officers

Michael J. Salvino became the President and Chief Executive Officer of DXC in September 2019 and has been a member of the Board of Directors of DXC since May 2019. Prior to joining DXC, Mr. Salvino served as Managing Director of Carrick Capital Partners from 2016 to 2019. Prior to his tenure at Carrick, from 2009 to 2016, Mr. Salvino served as group chief executive of Accenture Operations, where he led a team of more than 100,000 consulting and outsourcing professionals focused on providing business process outsourcing, infrastructure, security and cloud services to deliver business value and drive productivity and digital improvements for clients. Prior to that, he held leadership roles in the HR outsourcing business at Hewitt Associates Inc. and as President of the Americas Region at Exult Inc. Mr. Salvino is a board member of the Atrium Health Foundation Board, the largest Healthcare system in the Carolinas, where he serves on the Investment Oversight Committee for both the hospital and the foundation. Mr. Salvino graduated from Marietta College with a Bachelor of Science degree in industrial engineering. He serves on the Marietta College Board of Trustees and is Chair of its Investment Committee. Mr. Salvino is also a member of the Board of Visitors of the Duke University Pratt School of Engineering.

Paul N. Saleh has served as Executive Vice President and Chief Financial Officer of DXC since the completion of the HPES Merger. Mr. Saleh previously served as Executive Vice President and Chief Financial Officer of CSC. Mr. Saleh joined CSC as Vice President and Chief Financial Officer in May 2012. Prior to joining CSC, Mr. Saleh served as the Chief Financial Officer of Gannett Co. from 2010 to 2012. Prior to his tenure at Gannett Co., from 2008 to 2010, Mr. Saleh was a Managing Partner at Menza Partners, an operational and financial advisory group focusing on media, telecommunications and technology industries. Prior to that, he served as Chief Financial Officer of Sprint Nextel Communications from 2001 to 2007 and as Interim Chief Executive Officer of Sprint Nextel until 2008. He served as Senior Vice President and Chief Financial Officer of Walt Disney International where he also held various other senior positions from 1997 to 2001. Mr. Saleh served as a Director of Perspecta Inc. ("Perspecta") from its inception in 2018 until 2019.

William L. Deckelman, Jr. has served as Executive Vice President, General Counsel and Secretary of DXC since the completion of the HPES Merger. Mr. Deckelman previously served as Executive Vice President and General Counsel of CSC. Mr. Deckelman joined CSC in January 2008 and served as Vice President, General Counsel and Secretary from 2008 to 2012, and as Executive Vice President and General Counsel from 2012 to 2014. Prior to joining CSC, Mr. Deckelman served as Executive Vice President and General Counsel of Affiliated Computer Services Inc. from 2000 to 2008, and served as a director from 2000 to 2003, holding various executive positions there since 1989.

Mary E. Finch was appointed as Executive Vice President and Chief Human Resources Officer of DXC in December 2019. Ms. Finch previously served as Executive Vice President and CHRO of AECOM from 2015 to 2019. Prior to that, she served at Accenture as Senior Managing Partner from 2013 to 2015 and as Managing Director Human Resources, Business Partner Organization from 2001 to 2013, where she drove global delivery of HR services, overseeing operations supporting approximately 320,000 employees across 56 countries and multiple Accenture businesses. Ms. Finch also served as VP Human Resources of Abilizer Solutions Inc. from 2000 to 2001.

Edward Ho joined DXC in January 2018 and serves as Executive Vice President and Co-Lead, Americas. Mr. Ho previously served as the President of Global Payment Solutions of D+H Corporation, a publicly traded, leading, global financial technology company, from April 2015 to November 2017, where he was responsible for leadership of its digital, global transaction banking business. From January 2013 to April 2015, Mr. Ho served as the President and Chief Operating Officer of Fundtech Corporation, a private equity owned, leading provider of digital payments banking software and services, where he was responsible of sales, marketing, product management, development, professional services, customer support and certain general and administrative functions. Prior to his role at Fundtech, he served for nine years as Executive Vice President and General Manager of the capital markets division at Misys plc, a provider of banking, treasury, trading and risk management software solutions. Previously, he had been Chief Executive Officer and President of IQ Financial Systems, a developer and marketer of commercial lending and risk management software systems. Mr. Ho also spent 15 years as a banker with Bank of America, Bankers Trust and Deutsche Bank.

James R. Smith serves as Executive Vice President, Digital Transformation and Customer Advocacy of DXC. Mr. Smith previously served as CSC's Executive Vice President and General Manager for GBS since he joined in August 2013. Prior to joining CSC, Mr. Smith served as Chief Executive Officer of Motricity, a provider of cloud-based mobile enterprise and analytics solutions from 2009 to 2012. Under his direction, Motricity had a successful initial public offering on NASDAQ after completing a business model transformation and global expansion. Mr. Smith held various executive leadership positions at Avaya from 2001 to 2008, where he helped drive a 10-fold increase in the company's market capitalization and reinvented a global software platform. Prior to that, he was an Associate Partner at Accenture.

Vinod Bagal was appointed as Executive Vice President, Global Transformation of DXC in December 2019. Prior to joining DXC, Mr. Bagal served at Cognizant as Senior Vice President - Global Multi-Service Integration and North America Delivery and as Senior Vice President - Global Technology Consulting & Multi-Service Integration from 2014 to 2019, where he led the transformation of Cognizant's client delivery organization to position it for the next wave of professional services demands. From 1994 to 2014, Mr. Bagal held a series of leadership roles at Accenture.

Neil A. Manna has served as Senior Vice President, Corporate Controller and Principal Accounting Officer of DXC since the completion of the HPES Merger. Mr. Manna previously served as Principal Accounting Officer, Vice President and Controller of CSC. Mr. Manna joined CSC in June 2016. Prior to joining CSC, he served as the Chief Accounting Officer and Senior Vice President of CA, Inc. from December 2008 to June 3, 2016. He served as Principal Accounting Officer and Vice President of Worldwide Accounting for RealNetworks, Inc. from July 2007 to November 2008. He served as the Chief Financial Officer of TimePlus Systems, LLC (formerly TimePlus, Inc.) from November 2005 to April 2007. From February 2000 to October 2005, he served as a Director of Finance for the Payroll Division of Intuit and Controller of Employee Matters, Inc. From July 1990 to February 2000 he served as the Principal Accounting Officer, Vice President of Finance, Controller and Treasurer of CHI Energy, Inc. He is a Certified Public Accountant and holds a Bachelor's degree in Accounting and a Master's degree in Business Administration.

Item 1A. RISK FACTORS

Any of the following risks could materially and adversely affect our business, financial condition, and results of operations, and the actual outcome of matters as to which forward-looking statements are made in this Annual Report. In such case, the trading price for DXC common stock could decline, and you could lose all or part of your investment. The risks described below are not the only risks that DXC currently faces. Additional risks and uncertainties not currently known or that are currently expected to be immaterial may also materially and adversely affect our business, financial condition, and results of operations or the price of our common stock in the future. Past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods.

Risks Relating to Our Business

We may not succeed in our strategic objectives, which could adversely affect our business, financial condition, results of operations and cash flows.

We recently announced a number of senior leadership changes as well as updates to our strategic priorities including an initiative to assist DXC customers across a broader range of their information technology needs, which we refer to as “the enterprise technology stack.” We may not be able to implement our strategic priorities in accordance with our expectations for a variety of reasons, including failure to execute on our plans in a timely fashion, lack of adequate skills, ineffective management, inadequate incentives, customer resistance to new initiatives, inability to control costs or maintain competitive offerings. We also cannot be certain that executing on our strategy will generate the benefits we expect. If we fail to execute successfully on our strategic priorities, or if we pursue strategic priorities that prove to be unsuccessful, our business, financial position, results of operations and cash flows may be materially and adversely affected.

Strategic alternatives we are considering may not achieve the results we expect, could result in operating difficulties, harm to one or more of our businesses and negative impacts our financial condition, results of operations and cash flows.

We recently announced our intention to explore strategic alternatives for our U.S. State and Local Health and Human Services business, our horizontal BPS business and our workplace & mobility business. Among the alternatives we may consider for those businesses are potential divestiture transactions. Any such transactions may involve significant challenges and risks, including:

- the potential loss of key customers, suppliers, vendors and other key business partners;
- declining employee morale and retention issues affecting employees, which may result from changes in compensation, or changes in management, reporting relationships, future prospects or perceived expectations;
- difficulty making new and strategic hires of new employees;
- diversion of management time and a shift of focus from operating the businesses to transaction execution considerations;
- the need to provide transition services, which may result in stranded costs and the diversion of resources and focus;
- the need to separate operations, systems (including accounting, management, information, human resource and other administrative systems), technologies, products and personnel, which is an inherently risky and potentially lengthy and costly process;
- the inefficiencies and lack of control that may result if such separation is delayed or not implemented effectively, and unforeseen difficulties and expenditures that may arise as a result including potentially significant stranded costs;
- our desire to maintain an investment grade credit rating may cause us to use cash proceeds, if any, from any divestitures or other strategic alternatives that we might otherwise have used for other purposes in order to reduce our financial leverage;
- the inability to obtain necessary regulatory approvals or otherwise satisfy conditions required in order consummate any such transactions; and
- our dependence on accounting, financial reporting, operating metrics and similar systems, controls and processes of divested businesses could lead to challenges in preparing our consolidated financial statements or maintaining effective financial control over financial reporting.

At any given time, we may be engaged in discussions or negotiations with respect to one or more strategic alternatives, and any of these strategic alternatives could be material to our business, financial condition, results of operations and cash flows. In addition, we may explore a divestiture or spin-off or other transaction involving one or more of these businesses and ultimately determine not to proceed with any transaction or other strategic alternative for commercial, financial, strategic or other reasons. As a result, we may not realize benefits expected from exploring one or more strategic alternatives or may realize benefits further in the future and those benefits may ultimately be significantly smaller than anticipated, which could adversely affect our business, financial condition, operating results and cash flows.

We expect our business and financial results to potentially be negatively impacted by the recent COVID-19 outbreak as well as other recent developments.

The recent outbreak of COVID-19 and global pandemic along with other recent developments, including disruptions in global economies, financial and commodities markets and rapid shifts in governmental and public health policies in response to these and other factors affecting the countries where we operate or our customers are located or the industries in which we and our customers compete, are expected to potentially have a negative effect on our business, results of operations, cash flows and financial condition. These effects could include disruptions or restrictions on our employees' ability to work effectively, as well as temporary closures of our facilities or the facilities of our clients or our subcontractors, or the requirements to deliver our services by working remotely. This could potentially affect our ability to perform under our contracts with customers. Cost increases may not be recoverable from customers or covered by insurance, which could impact our profitability. If a business interruption occurs and we are unsuccessful in our continuing efforts to minimize the impact of these events, our business, results of operations, financial position, and cash flows could be materially adversely affected. In addition, the outbreak of COVID-19 has resulted in a widespread global pandemic health crisis that is adversely affecting the economies and financial markets of many countries, which could result in an economic downturn that may negatively affect demand for our services, including the financial failure of some of our clients. This economic downturn, depending upon its severity and duration, could also lead to the deterioration of worldwide credit and financial markets that could limit our customers' ability or willingness to pay us in a timely manner and our ability to obtain external financing to fund our operations and capital expenditures, result in losses on our holdings of cash and investments due to failures of financial institutions and other parties, and result in a higher rate of losses on our accounts receivables due to credit defaults. Our financial results may be materially and adversely impacted by a variety of factors that have not yet been determined, including potential impairments of goodwill and other assets, our evaluation of contingent liabilities, for which actual amounts may materially exceed management estimates and our calculation of global tax liabilities. Even after the COVID-19 outbreak has subsided, depending upon its duration and frequency of recurrence, and the governmental policies in response thereto, we may continue to experience materially adverse impacts to our business as a result of its global economic impact, including any recession that may occur or be continuing as a result. We are evaluating the extent to which COVID-19 has impacted us and our employees, customers and suppliers and the extent to which it and other emerging developments are expected to impact us in the future and caution investors that any of those factors could have material and adverse impacts on our current and future business, results of operations, cash flows and financial condition.

To the extent the global COVID-19 pandemic and resulting economic disruption adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section, such as those relating to our level of indebtedness, our ability to generate sufficient cash flows to service our indebtedness and to comply with the covenants contained in the agreements that govern our indebtedness and our counterparty credit risk.

We could be held liable for damages, our reputation could suffer, or we may experience service interruptions from security breaches, cyber-attacks or disclosure of confidential information or personal data, which could cause significant financial loss.

As a provider of IT services to private and public sector customers operating in a number of regulated industries and countries, we store and process increasingly large amounts of data for our clients, including sensitive and personally identifiable information. We also manage IT infrastructure of our own and of clients. We possess valuable proprietary information, including copyrights, trade secrets and other intellectual property and, we collect and store certain personal and financial information from customers and employees.

At the same time, the continued occurrence of high-profile data breaches and cyber-attacks, including by state actors, reflects an external environment that is increasingly hostile to information and corporate security. Cybersecurity incidents can result from unintentional events or deliberate attacks by insiders or third parties, including criminals, competitors, nation-states, and hacktivists. Like other companies, we face an evolving array of cybersecurity and data security threats that pose risks to us and our clients. We can also be harmed by attacks on third parties, such as denial-of-service attacks. We see regular unauthorized efforts to access our systems, which we evaluate for severity and frequency. While incidents experienced thus far have not resulted in significant disruption to our business, it is possible that we could suffer a severe attack or incident, with potentially material and adverse effects on our business, reputation, customer relations, results of operations or financial condition.

We must expend capital and other resources to protect against attempted security breaches and cyber-attacks and to alleviate problems caused by successful breaches or attacks. We consider information security to be a top priority and are undertaking cybersecurity planning and activities throughout the company. This includes the acquisition of technology and services, review and refinement of cybersecurity and data security policies and procedures and employee training, among many other investments. Senior management and the Board of Directors are appropriately and actively engaged in cybersecurity risk management.

Our security measures are designed to identify and protect against security breaches and cyber-attacks; no threat incident identified to date has resulted in a material adverse effect on us or our customers. However, there is no perfect security system, and our failure to detect, prevent or adequately respond to a future threat incident could subject us to liability and reputational damage, and have a material adverse effect on our business. In addition, the cost and operational consequences of responding to breaches and cyber-attacks and implementing remediation measures could be significant.

We rely on internal and external information and technological systems to manage our operations and are exposed to risk of loss resulting from breaches in the security or other failures of these systems. Security breaches such as through an advanced persistent threat attack, or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us, our clients or our customers, could expose us to risk of loss of this information, regulatory scrutiny, actions and penalties, extensive contractual liability and other litigation, reputational harm, and a loss of customer confidence which could potentially have an adverse impact on future business with current and potential customers.

Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments may result in a compromise or breach of the algorithms that we use to protect our data and that of clients, including sensitive customer transaction data. A party who is able to circumvent our security measures or those of our contractors, partners or vendors could access our systems and misappropriate proprietary information, the confidential data of our customers, employees or business partners or cause interruption in our or their operations.

Experienced computer programmers and hackers may be able to penetrate our network security and misappropriate or compromise our confidential information or that of third parties, create system disruptions or cause shutdowns. Computer programmers and hackers also may be able to develop and deploy ransomware, malware and other malicious software programs through phishing and other methods that attack our products or otherwise exploit any security vulnerabilities of these products. In addition, sophisticated hardware and operating system software and applications produced or procured from third parties may contain defects in design or manufacture, including “bugs” and other problems that could unexpectedly interfere with the security and operation of our systems, or harm those of third parties with whom we may interact. The costs to eliminate or alleviate cyber or other security problems, including ransomware, malware, bugs, malicious software programs and other security vulnerabilities, could be significant, and our efforts to address these problems may not be successful and could result in interruptions, delays, cessation of service and loss of existing or potential customers, which may impede our sales, distribution or other critical functions.

Increasing cybersecurity, data privacy and information security obligations around the world could also impose additional regulatory pressures on our customers’ businesses and, indirectly, on our operations, or lead to inquiries or enforcement actions. In the United States, we are seeing increasing obligations and expectations from federal and non-federal customers. In response, some of our customers have sought and may continue to seek, to contractually impose certain strict data privacy and information security obligations on us. Some of our customer contracts may not limit our liability for the loss of confidential information. If we are unable to adequately address these concerns, our business and results of operations could suffer.

Compliance with new privacy and security laws, requirements and regulations, such as the European Union General Data Protection Regulation, which became effective in May 2018, where required or undertaken by us, may result in cost increases due to expanded compliance obligations, potential systems changes, the development of additional administrative processes and increased enforcement actions, fines and penalties. While we strive to comply with all applicable data protection laws and regulations, as well as internal privacy policies, any failure or perceived failure to comply or any misappropriation, loss or other unauthorized disclosure of sensitive or confidential information may result in proceedings or actions against us by government or other entities, private lawsuits against us (including class actions) or the loss of customers, which could potentially have an adverse effect on our business, reputation and results of operations.

Portions of our infrastructure also may experience interruptions, delays or cessations of service or produce errors in connection with systems integration or migration work that takes place from time to time. We may not be successful in implementing new systems and transitioning data, which could cause business disruptions and be expensive, time-consuming, disruptive and resource intensive. Such disruptions could adversely impact our ability to fulfill orders and respond to customer requests and interrupt other processes. Delayed sales, lower margins or lost customers resulting from these disruptions could reduce our revenues, increase our expenses, damage our reputation, and adversely affect our stock price.

Achieving our growth objectives may prove unsuccessful. We may be unable to identify future attractive acquisitions and strategic partnerships, which may adversely affect our growth. In addition, if we are unable to integrate acquisitions and implement strategic partnerships or achieve anticipated revenue improvements and cost reductions, our profitability may be materially and adversely affected.

We may fail to complete strategic transactions. Closing strategic transactions is subject to uncertainties and risks, including the risk that we will be unable to satisfy conditions to closing, such as regulatory and financing conditions and the absence of material adverse changes to our business. In addition, our inability to successfully integrate the operations we acquire and leverage these operations to generate substantial cost savings, as well as our inability to avoid revenue erosion and earnings decline, could have a material adverse effect on our results of operations, cash flows and financial position. In order to achieve successful acquisitions, we will need to:

- successfully integrate the operations, as well as the accounting, financial controls, management information, technology, human resources and other administrative systems, of acquired businesses with existing operations and systems;
- maintain third-party relationships previously established by acquired companies;
- attract and retain senior management and other key personnel at acquired businesses; and
- successfully manage new business lines, as well as acquisition-related workload.

We may not be successful in meeting these challenges or any others encountered in connection with historical and future acquisitions. In addition, the anticipated benefits of one or more acquisitions may not be realized and future acquisitions could require dilutive issuances of equity securities and/or the assumption of contingent liabilities. The occurrence of any of these events could adversely affect our business, financial condition and results of operations.

We have also entered into and intend to identify and enter into additional strategic partnerships with other industry participants that will allow us to expand our business. However, we may be unable to identify attractive strategic partnership candidates or complete these partnerships on terms favorable to us. In addition, if we are unable to successfully implement our partnership strategies or our strategic partners do not fulfill their obligations or otherwise prove disadvantageous to our business, our investments in these partnerships and our anticipated business expansion could be adversely affected.

Our ability to continue to develop and expand our service offerings to address emerging business demands and technological trends, including the demand for digital technologies and services, may impact our future growth. If we are not successful in meeting these business challenges, our results of operations and cash flows may be materially and adversely affected.

Our ability to implement solutions for our customers, incorporating new developments and improvements in technology that translate into productivity improvements for our customers, and our ability to develop digital and other new service offerings that meet current and prospective customers' needs, as well as evolving industry standards, are critical to our success. The markets we serve are highly competitive and characterized by rapid technological change which has resulted in deflationary pressure in the price of services which in turn can adversely impact our margins. Our competitors may develop solutions or services that make our offerings obsolete or may force us to decrease prices on our services which can result in lower margins. Our ability to develop and implement up to date solutions utilizing new technologies that meet evolving customer needs in digital cloud, information technology outsourcing, consulting, industry software and solutions, application services markets, and in areas such as artificial intelligence, automation, Internet of Things and as-a-service solutions, in a timely or cost-effective manner, will impact our ability to retain and attract customers and our future revenue growth and earnings. If we are unable to continue to develop digital and other new service offerings in a highly competitive and rapidly evolving environment or if we are unable to commercialize such services and solutions, expand and scale them with sufficient speed and versatility, our growth, productivity objectives and profit margins could be negatively affected.

Technological developments may materially affect the cost and use of technology by our customers. Some of these technologies have reduced and replaced some of our traditional services and solutions and may continue to do so in the future. This has caused, and may in the future cause, customers to delay spending under existing contracts and engagements and to delay entering into new contracts while they evaluate new technologies. Such delays can negatively impact our results of operations if the pace and level of spending on new technologies is not sufficient to make up any shortfall. Our growth strategy focuses on responding to these types of developments by driving innovation that will enable us to expand our business into new growth areas. If we do not sufficiently invest in new technology and adapt to industry developments, or evolve and expand our business at sufficient speed and scale, or if we do not make the right strategic investments to respond to these developments and successfully drive innovation, our services and solutions, our results of operations, and our ability to develop and maintain a competitive advantage and to execute on our growth strategy could be negatively affected.

Our ability to compete in certain markets we serve is dependent on our ability to continue to expand our capacity in certain offshore locations. However, as our presence in these locations increases, we are exposed to risks inherent to these locations which may adversely affect our revenue and profitability.

A significant portion of our application outsourcing and software development activities has been shifted to India and we plan to continue to expand our presence there and in other lower-cost locations. As a result, we are exposed to the risks inherent in operating in India or other locations including (1) a highly competitive labor market for skilled workers which may result in significant increases in labor costs, as well as shortages of qualified workers in the future and (2) the possibility that the U.S. Federal Government or the European Union may enact legislation that creates significant disincentives for customers to locate certain of their operations offshore, which would reduce the demand for the services we provide in such locations and may adversely impact our cost structure and profitability. In addition, India has experienced, and other countries may experience, political instability, civil unrest and hostilities with neighboring countries. Negative or uncertain political climates in countries or locations where we operate, including but not limited to military activity or civil hostilities, criminal activities and other acts of violence, infrastructure disruption, natural disasters or other conditions could adversely affect our operations.

We are subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended ("FCPA") and similar anti-bribery laws in other jurisdictions. We pursue opportunities in certain parts of the world that experience government corruption and in certain circumstances, compliance with anti-bribery laws may conflict with local customs and practices. Our internal policies mandate compliance with all applicable anti-bribery laws. We require our employees, partners, subcontractors, agents, and others to comply with the FCPA and other anti-bribery laws. There is no assurance that our policies or procedures will protect us against liability under the FCPA or other laws for actions taken by our employees and intermediaries. If we are found to be liable for FCPA violations (either due to our own acts or our omissions, or due to the acts or omissions of others), we could suffer from severe criminal or civil penalties or other sanctions, which could have a material adverse effect on our reputation, business, results of operations or cash flows. In addition, detecting, investigating and resolving actual or alleged violations of the FCPA or other anti-bribery violations is expensive and could consume significant time and attention of our senior management.

Our credit rating and ability to manage working capital, refinance and raise additional capital for future needs, could adversely affect our liquidity, capital position, borrowing, cost and access to capital markets.

We currently maintain investment grade credit ratings with Moody's Investors Service, Fitch Rating Services, and Standard & Poor's Ratings Services. Our credit ratings are based upon information furnished by us or obtained by a rating agency from its own sources and are subject to revision, suspension or withdrawal by one or more rating agencies at any time. Rating agencies may review the ratings assigned to us due to developments that are beyond our control, including potential new standards requiring the agencies to reassess rating practices and methodologies. Ratings agencies may consider changes in credit ratings based on changes in expectations about future profitability and cash flows even if short-term liquidity expectations are not negatively impacted. If changes in our credit ratings were to occur, it could result in higher interest costs under certain of our credit facilities. It would also cause our future borrowing costs to increase and limit our access to capital markets. For example, we currently fund a portion of our working capital requirements in the U.S. and European commercial paper markets. Any downgrade below our current rating would, absent changes to current market liquidity, substantially reduce or eliminate our ability to access that source of funding and could otherwise negatively impact the perception of our company by lenders and other third parties. In addition, certain of our major contracts provide customers with a right of termination in certain circumstances in the event of a rating downgrade below investment grade. There can be no assurance that we will be able to maintain our credit ratings, and any additional actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under review for a downgrade, may have a negative impact on our liquidity, capital position and access to capital markets.

Our liquidity is a function of our ability to successfully generate cash flows from a combination of efficient operations and continuing operating improvements, access to capital markets and funding from third parties. In addition, like many multinational regulated enterprises, our operations are subject to a variety of tax, foreign exchange and regulatory capital requirements in different jurisdictions that have the effect of limiting, delaying or increasing the cost of moving cash between jurisdictions or using our cash for certain purposes. Our ability to maintain sufficient liquidity going forward is subject to the general liquidity of and on-going changes in the credit markets as well as general economic, financial, competitive, legislative, regulatory and other market factors that are beyond our control. An increase in our borrowing costs, limitations on our ability to access the global capital and credit markets or a reduction in our liquidity can adversely affect our financial condition and results of operations.

Information regarding our credit ratings is included in Part II, Item 7 of this Annual Report on Form 10-K under the caption "Liquidity and Capital Resources."

We have a substantial amount of indebtedness, which could have a material adverse effect on our business, financial condition and results of operations.

We have a significant amount of indebtedness totaling approximately $9.9 billion as of March 31, 2020 (including capital lease obligations). We may incur substantial additional indebtedness in the future for many reasons, including to fund acquisitions. Our existing indebtedness, together with the incurrence of additional indebtedness and the restrictive covenants contained in, or expected to be contained in the documents evidencing such indebtedness, could have significant consequences on our future operations, including:

- events of default if we fail to comply with the financial and other covenants contained in the agreements governing our debt instruments, which could, if material and not cured, result in all of our debt becoming immediately due and payable or require us to negotiate an amendment to financial or other covenants that could cause us to incur additional fees and expenses;
- subjecting us to the risk of increased sensitivity to interest rate increases in our outstanding variable-rate indebtedness that could cause our debt service obligations to increase significantly;
- increasing the risk of a future credit ratings downgrade of our debt, which could increase future debt costs and limit the future availability for debt financing;
- debt service may reduce the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- placing us at a competitive disadvantage compared to less leveraged competitors;
- increasing our vulnerability to the impact of adverse economic and industry conditions; and
- causing us to reduce or eliminate our return of cash to our stockholders, including via dividends and share repurchases.

In addition, we could be unable to refinance our outstanding indebtedness on reasonable terms or at all.

Our ability to meet our payment and other obligations under our debt instruments depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. There can be no assurance that our business will generate sufficient cash flow from operations, or that current or future borrowings will be sufficient to meet our current debt obligations and to fund other liquidity needs.

A substantial portion of our borrowing capacity bears interest at a variable rate based on the London Interbank Offered Rate ("LIBOR"). In July 2017, the United Kingdom’s Financial Conduct Authority (“FCA”), which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing LIBOR with the Secured Overnight Financing Rate ("SOFR"), a new index calculated by short-term repurchase agreements, backed by Treasury securities.

Certain of our financing agreements include language to determine a replacement rate for LIBOR, if necessary. However, if LIBOR ceases to exist, we may need to renegotiate some financing agreements extending beyond 2021 that utilize LIBOR as a factor in determining the interest rate. We are evaluating the potential impact of the eventual replacement of the LIBOR benchmark interest rate, however, we are not able to predict whether LIBOR will cease to be available after 2021, whether SOFR will become a widely accepted benchmark in place of LIBOR, or what the impact of such a possible transition to SOFR may be on our business, financial condition, and results of operations.

Our primary markets are highly competitive. If we are unable to compete in these highly competitive markets, our results of operations may be materially and adversely affected.

Our competitors include large, technically competent and well capitalized companies, some of which have emerged as a result of industry consolidation, as well as “pure-play” companies that have a single product focus. This competition may place downward pressure on operating margins in our industry, particularly for technology outsourcing contract extensions or renewals. As a result, we may not be able to maintain our current operating margins, or achieve favorable operating margins, for technology outsourcing contracts extended or renewed in the future. If we fail to effectively reduce our cost structure during periods with declining margins, our results of operations may be adversely affected.

We encounter aggressive competition from numerous and varied competitors. Our competitiveness is based on factors including technology, innovation, performance, price, quality, reliability, brand, reputation, range of products and services, account relationships, customer training, service and support and security. If we are unable to compete based on such factors, our results of operations and business prospects could be harmed. We have a large portfolio of services and we need to allocate financial, personnel and other resources across all services while competing with companies that have smaller portfolios or specialize in one or more of our service lines. As a result, we may invest less in certain business areas than our competitors do, and competitors may have greater financial, technical and marketing resources available to them compared to the resources allocated to our services. Industry consolidation may also affect competition by creating larger, more homogeneous and potentially stronger competitors in the markets in which we operate. Additionally, competitors may affect our business by entering into exclusive arrangements with existing or potential customers or suppliers.

Companies with whom we have alliances in certain areas may be or become competitors in other areas. In addition, companies with whom we have alliances also may acquire or form alliances with competitors, which could reduce their business with us. If we are unable to effectively manage these complicated relationships with alliance partners, our business and results of operations could be adversely affected.

We face aggressive price competition and may have to lower prices to stay competitive, while simultaneously seeking to maintain or improve revenue and gross margin. In addition, competitors who have a greater presence in some of the lower-cost markets in which we compete, or who can obtain better pricing, more favorable contractual terms and conditions, may be able to offer lower prices than we are able to offer. Our cash flows, results of operations and financial condition may be adversely affected by these and other industry-wide pricing pressures.

If we are unable to accurately estimate the cost of services and the timeline for completion of contracts, the profitability of our contracts may be materially and adversely affected.

Our commercial contracts are typically awarded on a competitive basis. Our bids are based upon, among other items, the expected cost to provide the services. We generally provide services under time and materials contracts, unit price contracts, fixed-price contracts, and multiple-element software sales. We are dependent on our internal forecasts and predictions about our projects and the marketplace and, to generate an acceptable return on our investment in these contracts, we must be able to accurately estimate our costs to provide the services required by the contract and to complete the contracts in a timely manner. We face a number of risks when pricing our contracts, as many of our projects entail the coordination of operations and workforces in multiple locations and utilizing workforces with different skill sets and competencies across geographically diverse service locations. In addition, revenues from some of our contracts are recognized using the percentage-of-completion method, which requires estimates of total costs at completion, fees earned on the contract, or both. This estimation process, particularly due to the technical nature of the services being performed and the long-term nature of certain contracts, is complex and involves significant judgment. Adjustments to original estimates are often required as work progresses, experience is gained, and additional information becomes known, even though the scope of the work required under the contract may not change. If we fail to accurately estimate our costs or the time required to complete a contract, the profitability of our contracts may be materially and adversely affected.

Some ITO services agreements contain pricing provisions that permit a client to request a benchmark study by a mutually acceptable third party. The benchmarking process typically compares the contractual price of services against the price of similar services offered by other specified providers in a peer comparison group, subject to agreed-upon adjustment, and normalization factors. Generally if the benchmarking study shows that the pricing differs from the peer group outside a specified range, and the difference is not due to the unique requirements of the client, then the parties will negotiate in good faith appropriate adjustments to the pricing. This may result in the reduction of rates for the benchmarked services performed after the implementation of those pricing adjustments, which could harm the financial performance of our services business.

Some IT service agreements require significant investment in the early stages that is expected to be recovered through billings over the life of the agreement. These agreements often involve the construction of new IT systems and communications networks and the development and deployment of new technologies. Substantial performance risk exists in each agreement with these characteristics, and some or all elements of service delivery under these agreements are dependent upon successful completion of the development, construction, and deployment phases. Failure to perform satisfactorily under these agreements may expose us to legal liability, result in the loss of customers or harm our reputation, which could harm the financial performance of our IT services business.

Performance under contracts, including those on which we have partnered with third parties, may be adversely affected if we or the third parties fail to deliver on commitments or if we incur legal liability in connection with providing our services and solutions.

Our contracts are complex and, in some instances, may require that we partner with other parties, including software and hardware vendors, to provide the complex solutions required by our customers. Our ability to deliver the solutions and provide the services required by our customers is dependent on our and our partners' ability to meet our customers' delivery schedules. If we or our partners fail to deliver services or products on time, our ability to complete the contract may be adversely affected. Additionally, our customers may perform audits or require us to perform audits and provide audit reports with respect to the controls and procedures that we use in the performance of services for such customers. Our ability to acquire new customers and retain existing customers may be adversely affected and our reputation could be harmed if we receive a qualified opinion, or if we cannot obtain an unqualified opinion in a timely manner, with respect to our controls and procedures in connection with any such audit. We could also incur liability if our controls and procedures, or the controls and procedures we manage for a customer, were to result in an internal control failure or impair our customer’s ability to comply with its own internal control requirements. If we or our partners fail to meet our contractual obligations or otherwise breach obligations to our customers, we could be subject to legal liability, which may have a material and adverse impact on our revenues and profitability.

Our ability to provide customers with competitive services is dependent on our ability to attract and retain qualified personnel.

Our ability to grow and provide our customers with competitive services is partially dependent on our ability to attract and retain highly motivated people with the skills necessary to serve our customers. The markets we serve are highly competitive and competition for skilled employees in the technology outsourcing, consulting, and systems integration and enterprise services markets is intense for both onshore and offshore locales. The loss of personnel could impair our ability to perform under certain contracts, which could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

Additionally, the inability to adequately develop and train personnel and assimilate key new hires or promoted employees could have a material adverse effect on relationships with third parties, our financial condition and results of operations and cash flows.

We also must manage leadership development and succession planning throughout our business. Any significant leadership change and accompanying senior management transition, such as our recent change in Chief Executive Officer, Chief Human Resources Officer and the hiring of new leaders in key roles, involves inherent risk and any failure to ensure a smooth transition could hinder our strategic planning, execution and future performance. While we strive to mitigate the negative impact associated with changes to our senior management team, such changes may cause uncertainty among investors, employees, customers, creditors and others concerning our future direction and performance. If we fail to effectively manage our leadership changes, including ongoing organizational and strategic changes, our business, financial condition, results of operations, cash flows and reputation, as well as our ability to successfully attract, motivate and retain key employees, could be harmed.

In addition, uncertainty around future employment opportunities, facility locations, organizational and reporting structures, and other related concerns may impair our ability to attract and retain qualified personnel. If employee attrition is high, it may adversely impact our ability to realize the anticipated benefits of our strategic priorities.

If we do not hire, train, motivate, and effectively utilize employees with the right mix of skills and experience in the right geographic regions and for the right offerings to meet the needs of our clients, our financial performance and cash flows could suffer. For example, if our employee utilization rate is too low, our profitability, and the level of engagement of our employees could decrease. If that utilization rate is too high, it could have an adverse effect on employee engagement and attrition and the quality of the work performed, as well as our ability to staff projects. If we are unable to hire and retain enough employees with the skills or backgrounds needed to meet current demand, we may need to redeploy existing personnel, increase our reliance on subcontractors or increase employee compensation levels, all of which could also negatively affect our profitability. In addition, if we have more employees than necessary with certain skill sets or in certain geographies, we may incur increased costs as we work to rebalance our supply of skills and resources with client demand in those geographies.

Our international operations are exposed to risks, including fluctuations in exchange rates, which may be beyond our control.

Our exposure to currencies other than the U.S. dollar may impact our results, as they are expressed in U.S. dollars. Currency variations also contribute to variations in sales of products and services in affected jurisdictions. For example, in the event that one or more European countries were to replace the Euro with another currency, sales in that country or in Europe generally may be adversely affected until stable exchange rates are established. While historically we have partially mitigated currency risk, including exposure to fluctuations in currency exchange rates by matching costs with revenues in a given currency, our exposure to fluctuations in other currencies against the U.S. dollar increases, as revenue in currencies other than the U.S. dollar increases and as more of the services we provide are shifted to lower cost regions of the world. Approximately 63% of revenues earned during fiscal 2020 were derived from sales denominated in currencies other than the U.S. dollar and are expected to continue to represent a significant portion of our revenues. Also, we believe that our ability to match revenues and expenses in a given currency will decrease as more work is performed at offshore locations.

We may use forward and option contracts to protect against currency exchange rate risks. The effectiveness of these hedges will depend on our ability to accurately forecast future cash flows, which may be particularly difficult during periods of uncertain demand and highly volatile exchange rates. We may incur significant losses from our hedging activities due to factors such as demand volatility and currency variations. In addition, certain or all of our hedging activities may be ineffective, may expire and not be renewed or may not offset the adverse financial impact resulting from currency variations. Losses associated with hedging activities may also impact our revenues and to a lesser extent our cost of sales and financial condition.

Uncertainty surrounding the effect of Brexit, including changes to the legal and regulatory framework that apply to the United Kingdom and its relationship with the European Union, as well as new and proposed changes relating to Brexit affecting tax laws and trade policy in the U.S. and elsewhere may adversely impact our operations.

Our future business and financial performance could suffer due to a variety of international factors, including:

- ongoing instability or changes in a country's or region's economic or geopolitical and security conditions, including inflation, recession, interest rate fluctuations, and actual or anticipated military or political conflict, civil unrest, crime, political instability, human rights concerns, and terrorist activity;
- natural or man-made disasters, industrial accidents, public health issues, cybersecurity incidents, interruptions of service from utilities, transportation or telecommunications providers, or other catastrophic events;
- longer collection cycles and financial instability among customers;
- trade regulations and procedures and actions affecting production, pricing and marketing of products, including policies adopted by countries that may champion or otherwise favor domestic companies and technologies over foreign competitors;
- local labor conditions and regulations;
- managing our geographically dispersed workforce;
- changes in the international, national or local regulatory and legal environments;
- differing technology standards or customer requirements;
- difficulties associated with repatriating earnings generated or held abroad in a tax-efficient manner and
- changes in tax laws.

Our business operations are subject to various and changing federal, state, local and foreign laws and regulations that could result in costs or sanctions that adversely affect our business and results of operations.

We operate in approximately 70 countries in an increasingly complex regulatory environment. Among other things, we provide complex industry specific insurance processing in the United Kingdom, which is regulated by authorities in the United Kingdom. and elsewhere, such as the U.K.'s Financial Conduct Authority and Her Majesty's Treasury and the U.S. Department of Treasury, which increases our exposure to compliance risk. For example, in February 2017, CSC submitted an initial notification of voluntary disclosure to the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC") regarding certain possible violations of U.S. sanctions laws pertaining to insurance premium data and claims data processed by two partially-owned joint ventures of Xchanging, which CSC acquired during the first quarter of fiscal 2017. A copy of the disclosure was also provided to Her Majesty's Treasury Office of Financial Sanctions Implementation in the United Kingdom. Our related internal investigation is continuing, and we have undertaken to cooperate with and provide a full report of our findings to OFAC when completed. Our retail investment account management business in Germany is another example of a regulated business, which must maintain a banking license, is regulated by the German Federal Financial Supervisory Authority and the European Central Bank and must comply with German banking laws and regulations.

In addition, businesses in the countries in which we operate are subject to local, legal and political environments and regulations including with respect to employment, tax, statutory supervision and reporting and trade restriction. These regulations and environments are also subject to change.

Adjusting business operations to changing environments and regulations may be costly and could potentially render the particular business operations uneconomical, which may adversely affect our profitability or lead to a change in the business operations. Notwithstanding our best efforts, we may not be in compliance with all regulations in the countries in which we operate at all times and may be subject to sanctions, penalties or fines as a result. These sanctions, penalties or fines may materially and adversely impact our profitability.

We may not achieve some or all of the expected benefits of our restructuring plans and our restructuring may adversely affect our business.

Our Board of Directors has approved several restructuring plans to realign our cost structure due to the changing nature of our business and to achieve operating efficiencies to reduce our costs. We may not be able to obtain the costs savings and benefits that were initially anticipated in connection with our restructuring plans. Additionally, as a result of our restructuring, we may experience a loss of continuity, loss of accumulated knowledge and/or inefficiency during transitional periods. Reorganization and restructuring can require a significant amount of management and other employees' time and focus, which may divert attention from operating and growing our business. If we fail to achieve some or all of the expected benefits of restructuring, it could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. For more information about our restructuring plans, see Note 21 - "Restructuring Costs".

In the course of providing services to customers, we may inadvertently infringe on the intellectual property rights of others and be exposed to claims for damages.

The solutions we provide to our customers may inadvertently infringe on the intellectual property rights of third parties resulting in claims for damages against us or our customers. Our contracts generally indemnify our clients from claims for intellectual property infringement for the services and equipment we provide under the applicable contracts. We also indemnify certain vendors and customers against claims of intellectual property infringement made by third parties arising from the use by such vendors and customers of software products and services and certain other matters. Some of the applicable indemnification arrangements may not be subject to maximum loss clauses. The expense and time of defending against these claims may have a material and adverse impact on our profitability. If we lose our ability to continue using any such services and solutions because they are found to infringe the rights of others, we will need to obtain substitute solutions or seek alternative means of obtaining the technology necessary to continue to provide such services and solutions. Our inability to replace such solutions, or to replace such solutions in a timely or cost-effective manner, could materially adversely affect our results of operations. Additionally, the publicity resulting from infringing intellectual property rights may damage our reputation and adversely impact our ability to develop new business.

We may be exposed to negative publicity and other potential risks if we are unable to achieve and maintain effective internal controls over financial reporting.

The Sarbanes-Oxley Act of 2002 and the related regulations require our management to report on, and our independent registered public accounting firm to attest to, the effectiveness of our internal control over financial reporting. Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. However, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. There can be no assurance that all control issues or fraud will be detected. As we continue to grow our business, our internal controls continue to become more complex and require more resources.

Any failure to maintain effective controls could prevent us from timely and reliably reporting financial results and may harm our operating results. In addition, if we are unable to conclude that we have effective internal control over financial reporting or, if our independent registered public accounting firm is unable to provide an unqualified report as to the effectiveness of our internal control over financial reporting, as of each fiscal year end, we may be exposed to negative publicity, which could cause investors to lose confidence in our reported financial information. Any failure to maintain effective internal controls and any such resulting negative publicity may negatively affect our business and stock price.

Additionally, the existence of any material weaknesses or significant deficiencies would require management to devote significant time and incur significant expense to remediate any such material weaknesses or significant deficiencies and management may not be able to remediate any such material weaknesses or significant deficiencies in a timely manner. The existence of any material weakness in our internal control over financial reporting could also result in errors in our financial statements that could require us to restate our financial statements, cause us to fail to meet our reporting obligations and cause stockholders to lose confidence in our reported financial information, all of which could materially and adversely affect us and the market price of our common stock.

We have identified a material weakness in our internal control over financial reporting. Without effective internal control over financial reporting, we may fail to detect or prevent a material misstatement in our financial statements, which could materially harm our business, our reputation and our stock price.

While we have not identified any material misstatements in our previously reported consolidated financial statements, our management identified a material weakness in our internal control over financial reporting as of December 31, 2019. See "Item 9A. Controls and Procedures." Without effective internal control over financial reporting, we may fail to detect or prevent a material misstatement in our financial statements. In that event, we may be required to restate our financial statements. A restatement or an unremediated material weakness could result in a loss of confidence in us by our investors, customers, regulators and/or counterparties. In addition, if we are unable to promptly remediate the material weakness identified above, or if we were to conclude in the future that we have one or more additional weaknesses, our investors, regulators, customers and/or counterparties may lose confidence in our reported financial information. Additionally, management may be required to devote significant time and incur significant expense to remediate the material weakness, and management may not be able to complete such remediation in a timely manner. Any of the foregoing could materially harm our business, our reputation and the market price of our common stock.

We could suffer additional losses due to asset impairment charges.

We acquired substantial goodwill and other intangibles as a result of the HPES Merger and the Luxoft Acquisition, increasing our exposure to this risk. We test our goodwill for impairment during the second quarter of every year and on an interim date should events or changes in circumstances indicate that it is more likely than not that the fair value of a reporting unit is below its carrying amount. If the fair value of a reporting unit is revised downward due to declines in business performance or other factors or if the Company suffers further declines in share price, an impairment could result and a non-cash charge could be required. We test intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This assessment of the recoverability of finite-lived intangible assets could result in an impairment and a non-cash charge could be required. For example, during fiscal 2020, we recorded non-cash goodwill impairment charges of $6,794 million which is discussed in Note 11 - "Goodwill." We also test certain equipment and deferred cost balances associated with contracts when the contract is materially underperforming or is expected to materially underperform in the future, as compared to the original bid model or budget. If the projected cash flows of a particular contract are not adequate to recover the unamortized cost balance of the asset group, the balance is adjusted in the tested period based on the contract's fair value. Either of these impairments could materially affect our reported net earnings.

We may not be able to pay dividends or repurchase shares of our common stock in accordance with our announced intent or at all.

On April 3, 2017, we announced the establishment of a share repurchase plan approved by the Board of Directors with an initial authorization of up to $2.0 billion for future repurchases of outstanding shares of our common stock. On November 8, 2018, DXC announced that its Board of Directors approved an incremental $2.0 billion share repurchase authorization. Starting fiscal 2018, we paid quarterly cash dividends to our stockholders in accordance with our announced dividend policy. We intend to continue to pay a quarterly cash dividend during fiscal 2021 but the declaration and payment of future dividends, the amount of any such dividends, and the establishment of record and payment dates for dividends, if any, are subject to final determination by our Board of Directors after review of our current strategy and financial performance and position, among other things.

The Board of Directors' determinations regarding dividends and share repurchases will depend on a variety of factors, including net income, cash flow generated from operations, amount and location of our cash and investment balances, overall liquidity position and potential alternative uses of cash, such as acquisitions, as well as economic conditions and expected future financial results. There can be no guarantee that we will achieve our financial goals in the amounts or within the expected time frame, or at all. Our ability to declare future dividends will depend on our future financial performance, which in turn depends on the successful implementation of our strategy and on financial, competitive, regulatory and other factors, general economic conditions, demand and prices for our services and other factors specific to our industry or specific projects, many of which are beyond our control. Therefore, our ability to generate cash flow depends on the performance of our operations and could be limited by decreases in our profitability or increases in costs, regulatory changes, capital expenditures or debt servicing requirements.

Any failure to achieve our financial goals could negatively impact our reputation, harm investor confidence in us, and cause the market price of our common stock to decline.

We are defendants in pending litigation that may have a material and adverse impact on our profitability and liquidity.

As noted in Note 22 - "Commitments and Contingencies", we are currently party to a number of disputes that involve or may involve litigation or arbitration, including a securities class action and other lawsuits in which we and certain of our officers and directors have been named as defendants. The result of these lawsuits and any other future legal proceedings cannot be predicted with certainty. Regardless of their subject matter or merits, such legal proceedings may result in significant cost to us, which may not be covered by insurance, may divert the attention of management or may otherwise have an adverse effect on our business, financial condition and results of operations. Negative publicity from litigation, whether or not resulting in a substantial cost, could materially damage our reputation and could have a material adverse effect on our business, financial condition, results of operations, and the price of our common stock. In addition, such legal proceedings may make it more difficult to finance our operations.

We may be adversely affected by disruptions in the credit markets, including disruptions that reduce our customers' access to credit and increase the costs to our customers of obtaining credit.

The credit markets have historically been volatile and therefore it is not possible to predict the ability of our clients and customers to access short-term financing and other forms of capital. If a disruption in the credit markets were to occur, it could pose a risk to our business if customers or suppliers are unable to obtain financing to meet payment or delivery obligations to us. In the event that one or more customers or suppliers' defaults on its payment or delivery obligations, we could incur significant losses, which may harm our business, reputation, results of operations, cash flows and financial condition. In addition, customers may decide to downsize, defer or cancel contracts which could negatively affect our revenues.

Further, as of March 31, 2020, we have $5.2 billion of floating interest rate debt. Accordingly, a spike in interest rates could adversely affect our results of operations and cash flows.

Our hedging program is subject to counterparty default risk.

We enter into foreign currency forward contracts and interest rate swaps with a number of counterparties. As a result, we are subject to the risk that the counterparty to one or more of these contracts defaults on its performance under the contract. During an economic downturn, the counterparty's financial condition may deteriorate rapidly and with little notice and we may be unable to take action to protect our exposure. In the event of a counterparty default, we could incur significant losses, which may harm our business and financial condition. In the event that one or more of our counterparties becomes insolvent or files for bankruptcy, our ability to eventually recover any losses suffered as a result of that counterparty's default may be limited by the liquidity of the counterparty.

We derive significant revenues and profit from contracts awarded through competitive bidding processes, which can impose substantial costs on us and we may not achieve revenue and profit objectives if we fail to bid on these projects effectively.

We derive significant revenues and profit from government contracts that are awarded through competitive bidding processes. We expect that most of the non-U.S. government business we seek in the foreseeable future will be awarded through competitive bidding. Competitive bidding is expensive and presents a number of risks, including:

- the substantial cost and managerial time and effort that we spend to prepare bids and proposals for contracts that may or may not be awarded to us;
- the need to estimate accurately the resources and costs that will be required to service any contracts we are awarded, sometimes in advance of the final determination of their full scope and design;
- the expense and delay that may arise if our competitors protest or challenge awards made to us pursuant to competitive bidding;
- the requirement to resubmit bids protested by our competitors and in the termination, reduction, or modification of the awarded contracts; and
- the opportunity cost of not bidding on and winning other contracts we might otherwise pursue.

If our customers experience financial difficulties, we may not be able to collect our receivables, which would materially and adversely affect our profitability and cash flows from operations.

Over the course of a contract term, a customer's financial condition may decline and limit its ability to pay its obligations. This could cause our cash collections to decrease and bad debt expense to increase. While we may resort to alternative methods to pursue claims or collect receivables, these methods are expensive and time consuming and successful collection is not guaranteed. Failure to collect our receivables or prevail on claims would have an adverse effect on our profitability and cash flows.

If we are unable to maintain and grow our customer relationships over time, our operating results and cash flows will suffer. Failure to comply with customer contracts or government contracting regulations or requirements could adversely affect our business, results of operations and cash flows.

We devote significant resources to establish relationships with our customers and implement our offerings and related services, particularly in the case of large enterprises that often request or require specific features or functions specific to their particular business profile. Accordingly, our operating results depend in substantial part on our ability to deliver a successful customer experience and persuade customers to maintain and grow our relationship with us over time. If we are not successful in implementing an offering or delivering a successful customer experience, including achieving cost and staffing levels that meet our customers’ expectations, customers could terminate or elect not to renew their agreements with us and our operating results may suffer. Contracts with customers may include unique and specialized performance requirements. In particular, our contracts with federal, state, provincial, and local governmental customers are generally subject to various procurement regulations, contract provisions, and other requirements relating to their formation, administration, and performance, including the maintenance of necessary security clearances. Contracts with U.S. government agencies are also subject to audits and investigations, which may include a review of performance on contracts, pricing practices, cost structure, and compliance with applicable laws and regulations.

Any failure on our part to comply with the specific provisions in customer contracts or any violation of government contracting regulations or other requirements could result in the imposition of various civil and criminal penalties, which may include termination of contracts, forfeiture of profits, suspension of payments, and, in the case of government contracts, fines and suspension from future government contracting. Such failures could also cause reputational damage to our business. In addition, we may be subject to *qui tam* litigation brought by private individuals on behalf of the government relating to government contracts, which could include claims for treble damages. Further, any negative publicity with respect to customer contracts or any related proceedings, regardless of accuracy, may damage our business by harming our ability to compete for new contracts.

Contracts with the U.S. federal government and related agencies are also subject to issues with respect to federal budgetary and spending limits or matters. Any changes to the fiscal policies of the U.S. federal government may decrease overall government funding, result in delays in the procurement of products and services due to lack of funding, cause the U.S. federal government and government agencies to reduce their purchases under existing contracts, or cause them to exercise their rights to terminate contracts at- will or to abstain from exercising options to renew contracts, any of which would have an adverse effect on our business, financial condition, results of operations and/or cash flows.

If our customer contracts are terminated, if we are suspended or disbarred from government work, or our ability to compete for new contracts is adversely affected, our financial performance could suffer.

Recent U.S. tax legislation may materially affect our financial condition, results of operations and cash flows.

Recently enacted U.S. tax legislation has significantly changed the U.S. federal income taxation of U.S. corporations, including by reducing the U.S. corporate income tax rate, limiting interest deductions, permitting immediate expensing of certain capital expenditures, adopting elements of a territorial tax system, imposing a one-time transition tax (or “repatriation tax”) on all undistributed earnings and profits of certain U.S.-owned foreign corporations, revising the rules governing net operating losses and the rules governing foreign tax credits, and introducing new anti-base erosion provisions. Many of these changes were effective immediately, without any transition periods or grandfathering for existing transactions. The legislation is unclear in many respects and could be subject to potential amendments and technical corrections, as well as interpretations and implementing regulations by the U.S. Department of the Treasury and Internal Revenue Service ("IRS"), any of which could lessen or increase certain impacts of the legislation. In addition, state and local jurisdictions continue to issue guidance on how these U.S. federal income tax changes will affect state and local taxation, which often uses federal taxable income as a starting point for computing state and local tax liabilities.

While our analysis and interpretation of this legislation is ongoing, based on our current evaluation, we recorded a provisional reduction of our deferred income tax liabilities resulting in a material non-cash benefit to earnings during fiscal 2018, the period in which the tax legislation was enacted, which was adjusted in fiscal 2019. Additionally, the repatriation tax resulted in a material amount of additional U.S. tax liability, the majority of which was reflected as an income tax expense in fiscal 2018, when the tax legislation was enacted, despite the fact that the resulting tax may be paid over eight years. Further, there may be other material adverse effects resulting from future guidance, including technical corrections.

In addition, on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted in respect to the recent outbreak of COVID-19. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, the ability to utilize and carryback certain net operating losses, alternative minimum tax refunds and modifications to rules regarding the deductibility of net interest expense.

While some of the changes made by recent tax legislation may be beneficial to the Company in one or more reporting periods and prospectively, other changes may be adverse on a going forward basis. We continue to work with our tax advisors to determine the full impact that recent tax legislation as a whole will have on us.

Changes in our tax rates could affect our future results.

Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or by changes in tax laws or their interpretation. We are subject to the continuous examination of our income tax returns by the IRS and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance that the outcomes from these examinations will not have a material adverse effect on our financial condition and operating results.

Risks Related to the HPES Merger

We may not realize the anticipated benefits from the HPES Merger.

There can be no assurance that we will be able to realize the intended benefits of the HPES Merger or that we will perform as anticipated.

Our success in realizing cost and revenues synergies, growth opportunities, and other financial and operating benefits as a result of the HPES Merger, and the timing of this realization, depends on the successful integration of our business operations. Even if we successfully integrate, we cannot predict with certainty if or when these cost and revenue synergies, growth opportunities and benefits will occur, or the extent to which they actually will be achieved. In addition, the quantification of previously announced synergies expected to result from the HPES Merger is based on significant estimates and assumptions that are subjective in nature and inherently uncertain. Realization of any benefits and synergies could be affected by a number of factors beyond our control, including, without limitation, general economic conditions, increased operating costs, regulatory developments and other risks. The amount of synergies actually realized, if any, and the time periods in which any such synergies are realized, could differ materially from the expected synergies, regardless of whether the two business operations are combined successfully. If the integration is unsuccessful or if we are unable to realize the anticipated synergies and other benefits of the HPES Merger, there could be a material adverse effect on our business, financial condition and results of operations.

The integration following the HPES Merger may continue to present significant challenges.

There is a significant degree of difficulty inherent in the process of integrating HPES and CSC. These difficulties include:

- integration activities while carrying on ongoing operations;
- the challenge of integrating the business cultures of HPES and CSC;
- the challenge and cost of integrating certain IT systems and other systems; and
- the potential difficulty in retaining key officers and other personnel.

The ongoing process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of our businesses. Members of senior management may be required to devote considerable amounts of time to this integration process, which would decrease the time they have to manage our business, service existing businesses and develop new services or strategies. In addition, certain existing contractual restrictions limit the ability to engage in certain integration activities for varying periods after the HPES Merger. There is no assurance we will be able to continue to manage this integration to the extent or in the time horizon anticipated, particularly given the larger scale of the HPES business in comparison to CSC's business. If senior management is not able to timely and effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, our business could suffer. The delay or inability to achieve anticipated integration goals could have a material adverse effect on our business, financial condition and results of operations after the HPES Merger.

We could have an indemnification obligation to HPE if the stock distribution in connection with the HPES business separation (the "Distribution") were determined not to qualify for tax-free treatment, which could materially adversely affect our financial condition.

If, due to any of our representations being untrue or our covenants being breached, the Distribution was determined not to qualify for tax-free treatment under Section 355 of the Internal Revenue Code (the "Code"), HPE would generally be subject to tax as if it sold the DXC common stock in a taxable transaction, which could result in a material tax liability. In addition, each HPE stockholder who received DXC common stock in the Distribution would generally be treated as receiving a taxable Distribution in an amount equal to the fair market value of the DXC common stock received by the stockholder in the Distribution.

Under the Tax Matters Agreement, we were required to indemnify HPE against taxes resulting from the Distribution or certain aspects of the HPES Merger arising as a result of an Everett Tainting Act (as defined in the Tax Matters Agreement). If we were required to indemnify HPE for taxes resulting from an Everett Tainting Act, that indemnification obligation would likely be substantial and could materially adversely affect our financial condition.

If the HPES Merger does not qualify as a reorganization under Section 368(a) of the Code, CSC's former stockholders may incur significant tax liabilities.

The completion of the HPES Merger was conditioned upon the receipt by HPE and CSC of opinions of counsel to the effect that, for U.S. federal income tax purposes, the HPES Merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Code (the "HPES Merger Tax Opinions"). The parties did not seek a ruling from the IRS regarding such qualification. The HPES Merger Tax Opinions were based on current law and relied upon various factual representations and assumptions, as well as certain undertakings made by HPE, HPES and CSC. If any of those representations or assumptions is untrue or incomplete in any material respect or any of those undertakings is not complied with, or if the facts upon which the HPES Merger Tax Opinions are based are materially different from the actual facts that existed at the time of the HPES Merger, the conclusions reached in the HPES Merger Tax Opinions could be adversely affected and the HPES Merger may not qualify for tax-free treatment. Opinions of counsel are not binding on the IRS or the courts. No assurance can be given that the IRS will not challenge the conclusions set forth in the HPES Merger Tax Opinions or that a court would not sustain such a challenge. If the HPES Merger were determined to be taxable, previous holders of CSC common stock would be considered to have made a taxable disposition of their shares to HPES, and such stockholders would generally recognize taxable gain or loss on their receipt of HPES common stock in the HPES Merger.

We assumed certain material pension benefit obligations in connection with the HPES Merger. These liabilities and the related future funding obligations could restrict our cash available for operations, capital expenditures and other requirements, and may materially adversely affect our financial condition and liquidity.

Pursuant to the Employee Matters Agreement entered into in connection with the HPES Merger, while HPE retained all U.S. defined benefit pension plan liabilities, DXC retained all liabilities relating to the International Retirement Guarantee (“IRG”) programs for all HPES employees. The IRG is a non-qualified retirement plan for employees who transfer internationally at the request of the HPE Group. The IRG determines the country of guarantee, which is generally the country in which an employee has spent the longest portion of his or her career with the HPE Group, and the present value of a full career benefit for the employee under the HPE defined benefit pension plan and social security or social insurance system in the country of guarantee. The IRG then offsets the present value of the retirement benefits from plans and social insurance systems in the countries in which the employee earned retirement benefits for his or her total period of HPE Group employment. The net benefit value is payable as a single sum as soon as practicable after termination or retirement. This liability could restrict cash available for our operations, capital expenditures and other requirements, and may materially affect our financial condition and liquidity.

In addition, pursuant to the Employee Matters Agreement, DXC assumed certain other defined benefit pension liabilities in a number of non-U.S. countries (including the United Kingdom, Germany and Switzerland). Unless otherwise agreed or required by local law, where a defined benefit pension plan was maintained solely by a member of the HPES business, DXC assumed all assets and liabilities arising out of those non-U.S. defined benefit pension plans, and where a defined benefit pension plan was not maintained solely by a member of the HPES business, DXC assumed all assets and liabilities for those eligible HPES employees in connection with the HPES Merger. These liabilities and the related future payment obligations could restrict cash available for our operations, capital expenditures and other requirements, and may materially affect our financial condition and liquidity.

Risks Related to the Luxoft Acquisition

The Luxoft Acquisition may result in disruptions to relationships with customers and other business partners.

This transaction could cause disruptions in our business and the Luxoft business, including by disrupting operations or causing customers to delay or to defer decisions or to end their relationships, or otherwise limiting the ability to compete for or perform certain contracts or services. If we and Luxoft face difficulties in integrating our businesses, or the Luxoft business faces difficulties in its business generally, the Luxoft Acquisition may not achieve the intended results.

Further, it is possible that current or prospective employees of our business and the Luxoft business could experience uncertainty about their future roles with the combined company, which could harm our ability to attract and retain key personnel. Any of the foregoing could adversely affect our business, financial condition and results of operations.

The actions required to implement the Luxoft Acquisition will take management time and attention and may require us to incur additional costs.

The Luxoft Acquisition will require management's time and resources, which will be in addition to, and may divert from, management's time and attention to the operation of our existing businesses and the execution of our other strategic initiatives. Additionally, we may incur additional costs in connection with the Luxoft Acquisition beyond those that are currently anticipated.

Risks Related to Previous Spin-Offs

The USPS Separation and Mergers and NPS Separation could result in substantial tax liability to DXC and our stockholders.

Among the closing conditions to completing the USPS Separation and Mergers, we received a legal opinion of tax counsel substantially to the effect that, for U.S. federal income tax purposes: (i) the USPS Separation qualifies as a “reorganization” within the meaning of Section 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the “Code”); (ii) each of DXC and Perspecta is a “party to a reorganization” within the meaning of Section 368(b) of the Code with respect to the USPS Separation; (iii) the Distribution qualifies as (1) a tax-free spin-off, resulting in nonrecognition under Sections 355(a), 361 and 368(a) of the Code, and (2) a transaction in which the stock distributed thereby should constitute “qualified property” for purposes of Sections 355(d), 355(e) and 361(c) of the Code; and (iv) none of the Mergers causes Section 355(e) of the Code to apply to the Distribution. If, notwithstanding the conclusions expressed in these opinions, the USPS Separation and Mergers were determined to be taxable, DXC and its stockholders could incur significant tax liabilities.

In addition, prior to the HPES Merger, CSC spun off its North American Public Sector business ("NPS") on November 27, 2015 (the "NPS Separation"). In connection with the NPS Separation, CSC received an opinion of counsel substantially to the effect that, for U.S. federal income tax purposes, the NPS Separation qualified as a tax-free transaction to CSC and holders of CSC common stock under Section 355 and related provisions of the Code. The completion of the HPES Merger was conditioned upon the receipt of CSC of an opinion of counsel to the effect that the HPES Merger should not cause Section 355(e) of the Code to apply to the NPS Separation or otherwise affect the qualification of the NPS Separation as a tax-free distribution under Section 355 of the Code. If, notwithstanding the conclusions expressed in these opinions, the NPS Separation were determined to be taxable, CSC and CSC stockholders that received CSRA Inc ("CSRA") stock in the NPS Separation could incur significant tax liabilities.

The opinions of counsel we received were based on, among other things, various factual representations and assumptions, as well as certain undertakings made by DXC, Perspecta and CSRA. If any of those representations or assumptions is untrue or incomplete in any material respect or any of those undertakings is not complied with, the conclusions reached in the opinion could be adversely affected and the USPS Separation or the NPS Separation may not qualify for tax-free treatment. Furthermore, an opinion of counsel is not binding on the IRS or the courts. Accordingly, no assurance can be given that the IRS will not challenge the conclusions set forth in the opinions or that a court would not sustain such a challenge. If, notwithstanding our receipt of the opinions, the USPS Separation or NPS Separation is determined to be taxable, we would recognize taxable gain as if we had sold the shares of Perspecta or CSRA in a taxable sale for its fair market value, which could result in a substantial tax liability. In addition, if the USPS Separation or NPS Separation is determined to be taxable, each holder of our common stock who received shares of Perspecta or CSRA would generally be treated as receiving a taxable distribution in an amount equal to the fair market value of the shares received, which could materially increase such holder’s tax liability.

Additionally, even if the USPS Separation otherwise qualifies as a tax-free transaction, the Distribution could be taxable to us (but not to our shareholders) in certain circumstances if future significant acquisitions of our stock or the stock of Perspecta are deemed to be part of a plan or series of related transactions that includes the Distribution. In this event, the resulting tax liability could be substantial. In connection with the USPS Separation, we entered into a tax matters agreement with Perspecta, under which it agreed not to undertake any transaction without our consent that could reasonably be expected to cause the USPS Separation to be taxable to us and to indemnify us for any tax liabilities resulting from such transactions. These obligations and potential tax liabilities could be substantial.

Risks Related to the proposed sale of the U.S. State and Local Health and Human Services Business to Veritas Capital

The HHS Sale is contingent upon the satisfaction of a number of conditions, and the transaction may not be consummated on the terms or timeline currently contemplated, or at all.

On March 9, 2020, we entered into a Purchase Agreement with Milano Acquisition Corp. (“Milano”), a corporation affiliated with Veritas Capital Fund Management, L.L.C. We currently expect that the transaction, if completed, will occur by the December 31, 2020. Pursuant to the Purchase Agreement, Milano will acquire DXC’s U.S. State and Local Health and Human Services Business for total cash consideration of $5.0 billion (the “HHS Sale”). We expect to use the after-tax proceeds from the HHS Sale to repay outstanding indebtedness.

The consummation of the HHS Sale is subject to certain conditions, including (i) expiration or termination of any required waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, (ii) the absence of any injunction or other order from a governmental authority that prevents the closing of the HHS Sale, and (iii) subject to certain exceptions, the accuracy of the representations and warranties of, and compliance with covenants by, the other party. In addition, the closing of the HHS Sale is subject to certain conditions for the benefit of Milano, including (a) the absence of a material adverse effect on the HHS Business or the ability of DXC to consummate the HHS Sale and (b) HHS customer contracts that generated 87.5% or more of the aggregate revenue for all HHS customer contracts for the nine month period ending December 31, 2019 are able to be conveyed at the closing of the HHS Sale without receipt of additional customer consents. For these and other reasons, the HHS Sale may not be completed by the end of December 31, 2020 or otherwise on the terms or timeline contemplated, if at all. In the event that the HHS Sale is not completed, we will not be able to use the after-tax sale proceeds to repay outstanding indebtedness, which would have an adverse effect on our business, financial condition, results of operations and/or cash flows.

The proposed transaction may result in disruptions to relationships with customers and other business partners or may not achieve the intended results.

If we complete the proposed HHS Sale, there can be no assurance that we will be able to realize the intended benefits of the transaction. Specifically, the proposed HHS Sale could cause disruptions in our remaining businesses, including by disrupting operations or causing customers to delay or to defer decisions or to end their relationships, or otherwise limiting the ability to compete for or perform certain contracts or services. Any of the foregoing could adversely affect our remaining businesses, the financial condition of such businesses and their results of operations and prospects. The HHS business is accounted for as part of the GBS segment.

The actions required to implement the HHS Sale will take significant management time and attention and will require us to incur significant costs.

The HHS Sale will require significant amounts of management's time and resources, which will be in addition to and may divert management's time and attention from the operation of our remaining businesses and the execution of our other strategic initiatives. Additionally, we will incur costs in connection with the HHS Sale. These costs must be paid regardless of whether the HHS Sale is consummated.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located at a leased facility in Tysons, VA. We own or lease numerous general office facilities, global security operations centers, strategic delivery centers and data centers around the world. We do not identify properties by segment, as they are interchangeable in nature and used by multiple segments.

During fiscal 2020, fiscal 2019, and fiscal 2018, we initiated facilities rationalization programs to reduce our space capacity at low utilization and sub-scale locations, increase co-location, align locations by skill type and optimize our data center footprint. At a number of the locations described below, we are not currently occupying all of the space under our control. Where commercially reasonable and to the extent it is not needed for future expansion, we seek to sell, lease or sublease this excess space.

The following tables provide a summary of properties we own and lease as of March 31, 2020:

Geographic Area	Number of Locations	Approximate Square Footage (in thousands) Owned	Leased	Total
United States	126	4,714	3,064	7,778
India	26	760	3,748	4,508
United Kingdom	71	1,357	1,756	3,113
France	31	921	195	1,116
Germany	45	170	835	1,005
Malaysia	7	194	640	834
Brazil	8	227	175	402
Spain	14	—	532	532
Canada	12	217	255	472
Philippines	5	—	413	413
China	12	5	374	379
Australia & other Pacific Rim locations	37	—	1,025	1,025
Other Europe locations	130	385	4,086	4,471
Rest of World	60	213	1,280	1,493
Total	584	9,163	18,378	27,541

We believe that the facilities described above are well-maintained, suitable and adequate to meet our current and anticipated requirements. See Note 9 - "Property and Equipment", which provides additional information related to our land, buildings and leasehold improvements, and Note 6 - "Leases" which provides additional information related to our real estate lease commitments.

ITEM 3. LEGAL PROCEEDINGS

See Note 22 - "Commitments and Contingencies" under the caption “Contingencies” for information regarding legal proceedings in which we are involved.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock trades on the New York Stock Exchange under the symbol "DXC".

Number of Holders

As of May 26, 2020, there were 44,356 holders of record of our common stock.

Dividends

Cash dividends declared on DXC common stock for each quarter of fiscal 2020 are included in Selected Quarterly Financial Data (Unaudited) in Part II, Item 8 of this Annual Report.

The Board of Directors (the “Board”) has suspended the Company’s cash dividend payment beginning in the first quarter to preserve cash and provide additional flexibility in the current environment as a result of the economic impact of COVID-19. Furthermore, the Board has suspended future quarterly dividends until the significant uncertainty of the current public health crisis and global economic climate has passed and the Board determines that resumption of dividend payments is in the best interest of the Company and its stockholders.

Issuer Purchases of Equity Securities

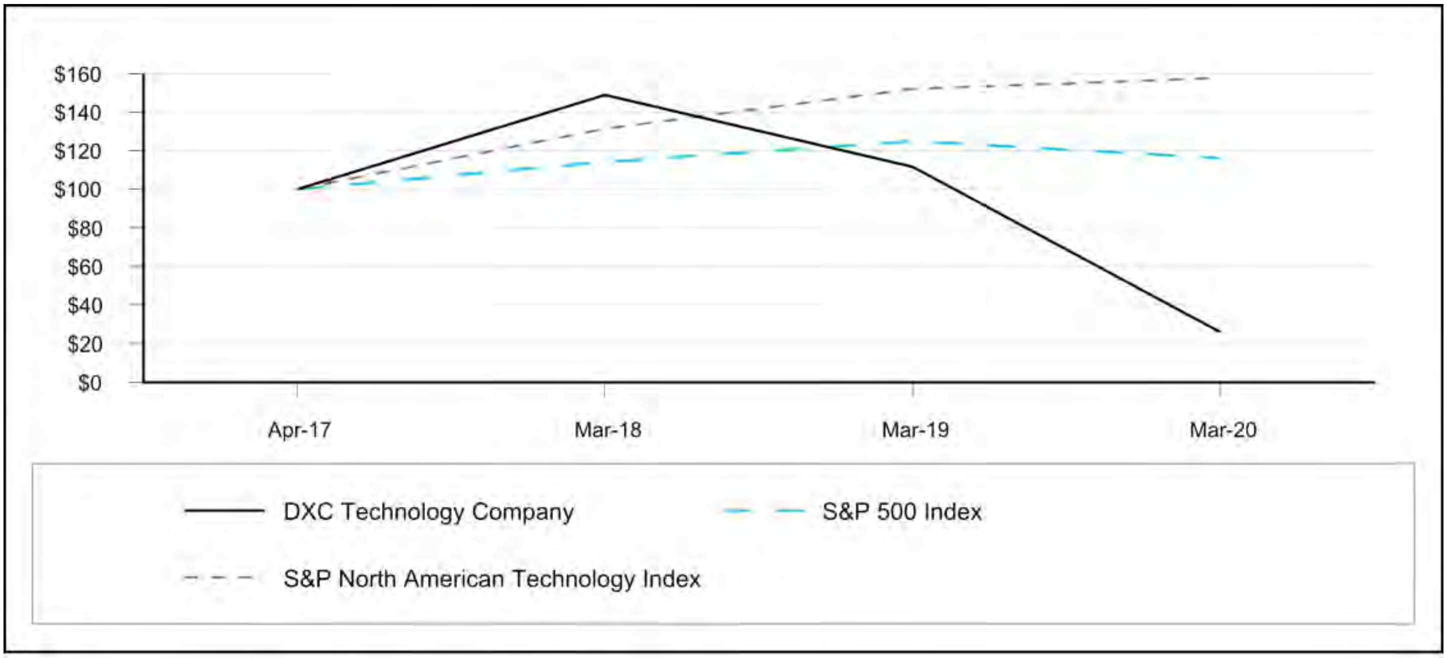
On April 3, 2017, we announced the establishment of a share repurchase plan approved by the Board of Directors with an initial authorization of $2.0 billion for future repurchases of outstanding shares of our common stock. On November 8, 2018, our Board of Directors approved an incremental $2.0 billion share repurchase authorization. An expiration date has not been established for this repurchase plan. Share repurchases may be made from time to time through various means, including in open market purchases, 10b5-1 plans, privately-negotiated transactions, accelerated stock repurchases, block trades and other transactions, in compliance with Rule 10b-18 under the Exchange Act as well as, to the extent applicable, other federal and state securities laws and other legal requirements. The timing, volume, and nature of share repurchases pursuant to the share repurchase plan are at the discretion of management and may be suspended or discontinued at any time. See Note 15 - "Stockholders' Equity" for further discussion regarding share repurchases.

There was no share repurchase activity during the three months ended March 31, 2020.

Performance Graph

The following graph shows a comparison from April 3, 2017 (the date our common stock commenced trading on the NYSE) through March 31, 2020 of the cumulative total return for our common stock, the Standard & Poor's 500 Stock Index ("S&P 500 Index") and the Standard & Poor's North American Technology Index ("S&P North American Technology Index"). The graph assumes that $100 was invested at the market close on April 3, 2017 in our common stock, the S&P 500 Index, and the S&P North American Technology Index and that dividends have been reinvested. The stock price performance of the following graph is not necessarily indicative of future stock price performance.

Comparison of Cumulative Total Return



The following table provides indexed returns assuming $100 was invested on April 3, 2017, with annual returns using our fiscal year-end date.

Indexed Return	Return 2018	Return 2019	Return 2020
DXC Technology Company	48.9%	(25.0)%	(76.9)%
S&P 500 Index	14.2%	9.5 %	(7.0)%
S&P North American Technology Index	31.4%	15.7 %	3.8 %

Equity Compensation Plans

See Item 12 contained in Part III of this Annual Report for information regarding our equity compensation plans.

ITEM 6. SELECTED FINANCIAL DATA (UNAUDITED)

The following table sets forth our selected consolidated historical financial data as of the dates and for the periods indicated and should be read in conjunction with the financial statements and notes and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” which are included elsewhere in this Annual Report on Form 10-K.

Our selected consolidated financial data set forth below, as of March 31, 2020 and March 31, 2019, and for the fiscal years ended March 31, 2020, March 31, 2019, and March 31, 2018, have been derived from the audited consolidated financial statements included elsewhere herein. Our selected consolidated financial data set forth below, as of March 31, 2018, March 31, 2017, and April 1, 2016 and for the fiscal years ended March 31, 2017, and April 1, 2016, are derived from our consolidated financial statements not included elsewhere herein.

Selected consolidated financial data as of and for the fiscal years ended March 31, 2020, March 31, 2019 and March 31, 2018 are not directly comparable to prior periods which reflect CSC's financial results before the HPES Merger. Additionally, as a result of the USPS Separation, the statement of operations, balance sheets, and related financial information reflect USPS's operations, assets and liabilities as discontinued operations. See Note 1 - "Summary of Significant Accounting Policies".

Statement of Operations Data:

	Fiscal Years Ended				
(in millions, except per-share amounts)	March 31, 2020[1]	March 31, 2019[2]	March 31, 2018[3]	March 31, 2017[4]	April 1, 2016[5]
Revenues	$ 19,577	$ 20,753	$ 21,733	$ 7,607	$ 7,106
(Loss) income from continuing operations	(5,358)	1,227	1,546	(100)	72
Income from discontinued operations, net of taxes	—	35	236	—	191
Net (loss) income attributable to DXC common stockholders	(5,369)	1,257	1,751	(123)	251
Diluted EPS	$ (20.76)	$ 4.35	$ 5.23	$ (0.88)	$ 0.50
Cash dividend per common share	$ 0.84	$ 0.76	$ 0.72	$ 0.56	$ 2.99

Balance Sheet Data:

	As of				
(in millions)	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	April 1, 2016
Cash and cash equivalents	$ 3,679	$ 2,899	$ 2,593	$ 1,268	$ 1,181
Total assets	26,006	29,574	33,921	8,663	7,736
Debt					
Long-term debt, net of current maturities	$ 8,672	$ 5,470	$ 6,092	$ 2,225	$ 1,934
Short-term debt and current maturities of long-term debt	1,276	1,942	1,918	738	710
Total Debt	$ 9,948	$ 7,412	$ 8,010	$ 2,963	$ 2,644
Total equity	$ 5,129	$ 11,725	$ 13,837	$ 2,166	$ 2,032
Net debt-to-total capitalization [6]	41.6%	23.6%	24.8%	33.0%	31.3%

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[1] Fiscal 2020 included $6,794 million of goodwill impairment losses and $252 million of restructuring costs.
[2] Fiscal 2019 included $465 million of restructuring costs.
[3] Fiscal 2018 net income attributable to DXC common stockholders and earnings per common share were impacted by the Tax Cuts and Jobs Act. Fiscal 2018 included $789 million of restructuring costs.
[4] Fiscal 2017 included $238 million of restructuring costs.
[5] Fiscal 2016 included $95 million of debt extinguishment costs.
[6] Net debt-to-total capitalization is a non-GAAP measure used by management to assess our ability to service our debts using only our cash and cash equivalents. See Part II, Item 7 of this Annual Report on Form 10-K under the heading "Liquidity and Capital Resources" for additional information.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The purpose of the MD&A is to present information that management believes is relevant to an assessment and understanding of our results of operations and cash flows for the fiscal year ended March 31, 2020, and our financial condition as of March 31, 2020. The MD&A is provided as a supplement to, and should be read in conjunction with, our financial statements and notes.

The MD&A is organized in the following sections:

- Background
- Results of Operations
- Liquidity and Capital Resources
- Off-Balance Sheet Arrangements
- Contractual Obligations
- Critical Accounting Policies and Estimates

The following discussion includes a comparison of our results of operations and liquidity and capital resources for fiscal 2020 and fiscal 2019. A discussion of changes in our results of operations from fiscal 2018 to fiscal 2019 may be found in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" on Form 10-K filed with the Securities and Exchange Commission on June 13, 2019.

Background

DXC Technology helps global companies run their mission critical systems and operations while modernizing IT, optimizing data architectures, and ensuring security and scalability across public, private and hybrid clouds. With decades of driving innovation, the world's largest companies trust DXC to deploy our enterprise technology stack to deliver new levels of performance, competitiveness and customer experiences.

We generate revenue by offering a wide range of information technology services and solutions primarily in North America, Europe, Asia and Australia. We operate through two segments: GBS and GIS. We market and sell our services directly to customers through our direct sales force operating out of sales offices around the world. Our customers include commercial businesses of many sizes and in many industries and public sector enterprises.

Results of Operations

The following table sets forth certain financial data for fiscal 2020 and 2019:

(In millions, except per-share amounts)	Fiscal Years Ended March 31, 2020	Fiscal Years Ended March 31, 2019
Revenues	$ 19,577	$ 20,753
(Loss) income from continuing operations, before taxes	(5,228)	1,515
Income tax expense	130	288
(Loss) income from continuing operations	(5,358)	1,227
Income from discontinued operations, net of taxes	—	35
Net (loss) income	$ (5,358)	$ 1,262
Diluted (loss) earnings per share:		
Continuing operations	$ (20.76)	$ 4.35
Discontinued operations	—	0.12
	$ (20.76)	$ 4.47

Fiscal 2020 Highlights

Fiscal 2020 financial highlights include the following:

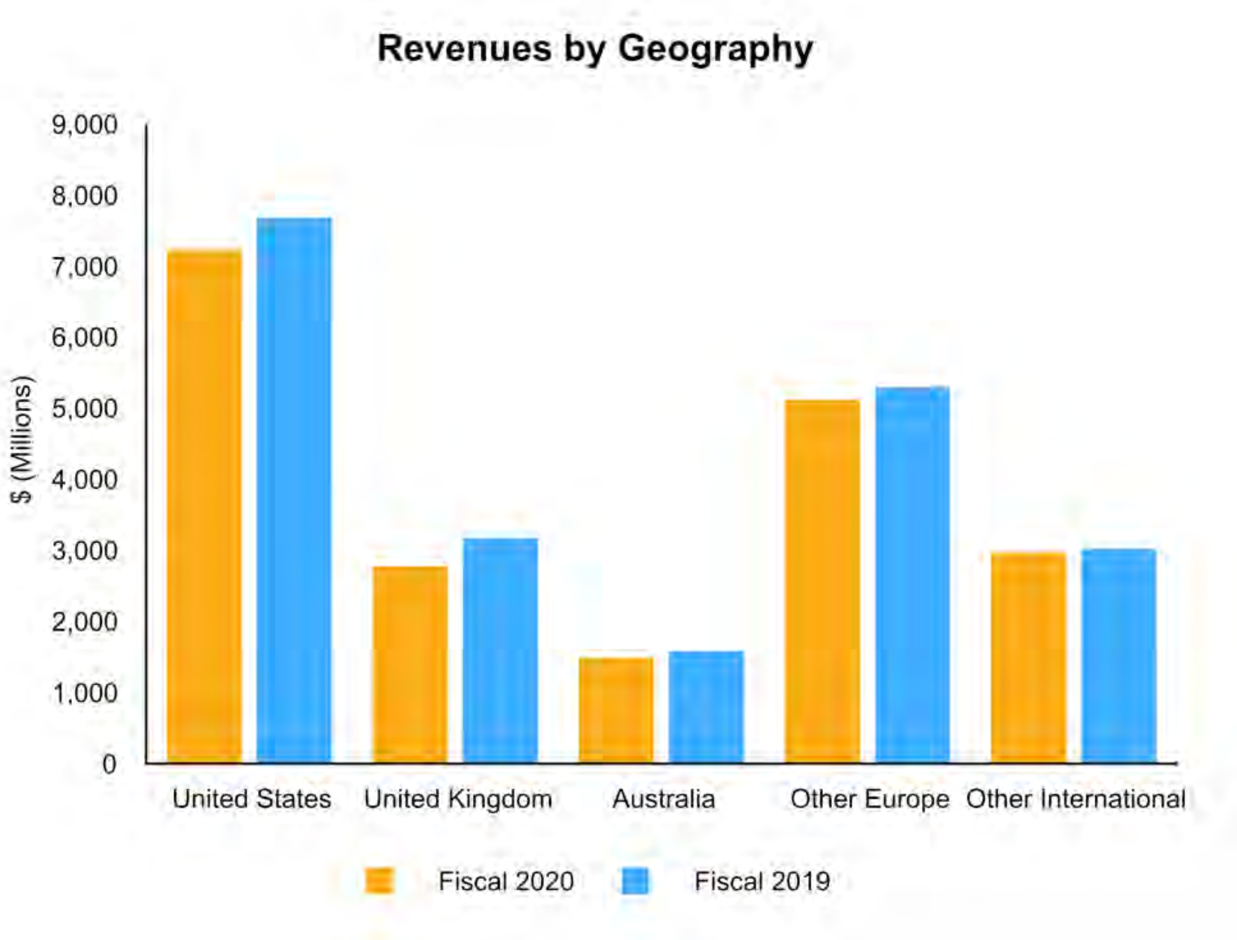
- Fiscal 2020 revenues were $19,577 million.
- Fiscal 2020 loss from continuing operations and diluted EPS from continuing operations were $5,358 million and $(20.76), respectively, including the cumulative impact of certain items of $6,820 million, or $26.34 per share, reflecting restructuring costs, transaction, separation and integration-related costs, amortization of acquired intangible assets, goodwill impairment losses, gain on arbitration award, pension and other post-retirement benefit ("OPEB") actuarial and settlement gains, and a tax adjustment related to U.S. tax reform.
- Our cash and cash equivalents were $3,679 million at March 31, 2020.
- We generated $2,350 million of cash from operations during fiscal 2020.
- We returned $950 million to shareholders in the form of common stock dividends and share repurchases during fiscal 2020.

Revenues

(in millions)	Fiscal Years Ended March 31, 2020		Fiscal Years Ended March 31, 2019		Change		Percent Change
GBS	$	9,111	$	8,684	$	427	4.9 %
GIS		10,466		12,069		(1,603)	(13.3)%
Total Revenues	$	19,577	$	20,753	$	(1,176)	(5.7)%

The decrease in revenues for fiscal 2020 compared with fiscal 2019 reflects the impact of price-downs, run-off, and termination of certain accounts offset by increase in revenue in fiscal 2020 due to contributions from the Luxoft acquisition. Fiscal 2020 revenues included an unfavorable foreign currency exchange rate impact of 2.2%, primarily driven by the strengthening of the U.S. dollar against the Australian Dollar, Euro, and British Pound.

During fiscal 2020 and fiscal 2019, the distribution of our revenues across geographies was as follows:



For a discussion of risks associated with our foreign operations, see Part I, Item 1A "Risk Factors" of this Annual Report.

As a global company, over 63% of our fiscal 2020 revenues were earned internationally. As a result, the comparison of revenues denominated in currencies other than the U.S. dollar from period to period is impacted, and we expect will continue to be impacted, by fluctuations in foreign currency exchange rates. Constant currency revenues are a non-GAAP measure calculated by translating current period activity into U.S. dollars using the comparable prior period's currency conversion rates. This information is consistent with how management views our revenues and evaluates our operating performance and trends. The table below summarizes our constant currency revenues:

	Fiscal Years Ended			
(in millions)	Constant Currency March 31, 2020	March 31, 2019	Change	Percentage Change
GBS	$ 9,292	$ 8,684	$ 608	7.0%
GIS	10,731	12,069	(1,338)	(11.1)%
Total Revenues	$ 20,023	$ 20,753	$ (730)	(3.5)%

Global Business Services

Our GBS segment revenues were $9.1 billion for fiscal 2020, representing an increase of $0.4 billion, or 4.9%, compared to fiscal 2019. The revenue increase included an unfavorable foreign currency exchange rate impact of $0.2 billion, or 2.1%. GBS revenues in constant currency were $9.3 billion for fiscal 2020, representing an increase of $0.6 billion, or 7.0%. The increase in GBS revenue in fiscal 2020 is due to contributions from the Luxoft acquisition which closed in June 2019.

Global Infrastructure Services

Our GIS segment revenues were $10.5 billion for fiscal 2020, representing a decrease of $1.6 billion, or 13.3%, compared to fiscal 2019. The revenue decline included an unfavorable foreign currency exchange rate impact of $0.3 billion, or 2.2%. GIS revenues in constant currency were $10.7 billion for fiscal 2020, representing a decrease of $1.3 billion, or 11.1%. The decrease in GIS revenue in fiscal 2020 reflects the impact of price-downs, run-off, and termination of certain accounts.

During fiscal 2020, GBS and GIS had contract awards of $9.0 billion and $8.7 billion, respectively, compared with $9.3 billion and $11.4 billion, respectively, during fiscal 2019.

Costs and Expenses

Our total costs and expenses were as follows:

	Fiscal Years Ended		Percentage of Revenues	
(in millions)	March 31, 2020	March 31, 2019	2020	2019
Costs of services (excludes depreciation and amortization and restructuring costs)	$ 14,901	$ 14,946	76.0%	72.1%
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	2,050	1,959	10.5	9.4
Depreciation and amortization	1,942	1,968	9.9	9.5
Goodwill impairment losses	6,794	—	34.7	—
Restructuring costs	252	465	1.3	2.2
Interest expense	383	334	2.0	1.6
Interest income	(165)	(128)	(0.8)	(0.6)
Gain on arbitration award	(632)	—	(3.2)	—
Other income, net	(720)	(306)	(3.7)	(1.5)
Total costs and expenses	$ 24,805	$ 19,238	126.7%	92.7%

The 34.0 point increase in costs and expenses as a percentage of revenue for fiscal 2020 primarily reflects our goodwill impairment losses, which were partially offset by the gain on arbitration award and other income.

Costs of Services

Cost of services, excluding depreciation and amortization and restructuring costs ("COS"), was $14.9 billion for fiscal 2020, including Luxoft, which was flat compared to fiscal 2019. COS as percentage of revenue increased 3.9 points, compared to fiscal 2019. This increase was driven by the ongoing investments we are making to secure our customers and higher cost take-out activities in the prior year.

Selling, General and Administrative

Selling, general and administrative expense, excluding depreciation and amortization and restructuring costs ("SG&A"), was $2.1 billion for fiscal 2020, as compared to $2.0 billion for fiscal 2019. SG&A increased $0.1 billion, and as a percentage of revenue increased 1.1 points, compared to fiscal 2019. The increase includes SG&A related to the Luxoft Acquisition, which we acquired during the first quarter of fiscal 2020.

Integration, separation and transaction-related costs, included in SG&A, were $318 million during fiscal 2020, as compared to $401 million during fiscal 2019.

Depreciation and Amortization

Depreciation and amortization expense ("D&A") was $1.9 billion for fiscal 2020, compared to $2.0 billion for fiscal 2019. The decrease in D&A was primarily due to a $225 million benefit, respectively, from a change in estimated useful lives of certain equipment described in Note 1 - "Summary of Significant Accounting Policies", offset by an increase in depreciation on assets placed into service, as well as increases in software amortization and amortization related to accelerated transition and transformation contract costs.

Goodwill Impairment Losses

DXC recognized goodwill impairment charges totaling $6,794 million during fiscal 2020. The impairment charges were primarily the result of a sustained decline in market capitalization during the fiscal 2020. See Note 11, "Goodwill" for additional information.

Restructuring Costs

Restructuring costs represent severance related to workforce optimization programs and expense associated with facilities and data center rationalization.

During fiscal 2020, management approved global cost savings initiatives designed to reduce operating costs by re-balancing our workforce and facilities structures. The fiscal 2020 global cost savings initiatives were designed to better align our organizational structure with our strategic initiatives and continue the integration of HPES and other acquisitions.

Total restructuring costs recorded, net of reversals, during fiscal 2020 and 2019 were $252 million and $465 million, respectively. The net amounts recorded included $10 million and $2 million of pension benefit augmentations for fiscal 2020 and 2019, respectively, owed to certain employees under legal or contractual obligations. These augmentations will be paid as part of normal pension distributions over several years.

See Note 21 - "Restructuring Costs" for additional information about our restructuring actions.

Interest Expense and Interest Income

Interest expense for fiscal 2020 was $383 million as compared to $334 million in fiscal 2019. The increase in interest expense was primarily due to an increase in borrowings and asset financing activities. See the "Capital Resources" caption below and Note 13 - “Debt” for additional information.

Interest income for fiscal 2020 was $165 million, as compared to $128 million in fiscal 2019. The year-over-year increase in interest income includes pre-award interest of $34 million and post-award interest of $2 million related to arbitration discussed below under the caption “Gain on Arbitration Award.”

Gain on Arbitration Award

During the second quarter of fiscal 2020, DXC received final arbitration award proceeds of $666 million related to the HPE Enterprise Services merger completed in fiscal 2018. The arbitration award included $632 million in damages that were recorded as a gain. The remaining $34 million of the award related to pre-award interest. Dispute details are subject to confidentiality obligations.

Other Income, Net

Other income, net includes non-service cost components of net periodic pension income, movement in foreign currency exchange rates on our foreign currency denominated assets and liabilities and the related economic hedges, equity earnings of unconsolidated affiliates, gain on sale of non-operating assets and other miscellaneous gains and losses.

The components of other income, net for fiscal 2020 and 2019 are as follows:

	Fiscal Years Ended	
(in millions)	March 31, 2020	March 31, 2019
Non-service cost components of net periodic pension income	$ (658)	$ (182)
Foreign currency (gain) loss	(25)	31
Other gain	(37)	(155)
Total	$ (720)	$ (306)

The $414 million increase in other income for fiscal 2020, as compared to the prior fiscal year, was due to a year-over-year increase of $476 million in non-service components of net periodic pension income and a year-over-year favorable foreign currency impact of $56 million. These increases were offset by a $118 million decrease in other gains related to sales of non-operating assets.

Taxes

Our effective tax rate ("ETR") on income (loss) from continuing operations, before taxes, for fiscal 2020 and 2019 was 2.5% and 19.0% respectively. A reconciliation of the differences between the U.S. federal statutory rate and the ETR, as well as other information about our income tax provision, is provided in Note 12 - "Income Taxes."

In fiscal 2020, the ETR was primarily impacted by:

- Non-deductible goodwill impairment charge, which increased income tax expense and increased the ETR by $1,482 million and 28.3%, respectively.
- Non-taxable gain on the arbitration award, which decreased income tax expense and decreased the ETR by $186 million and 3.6%, respectively
- A change in the net valuation allowance on certain deferred tax assets, primarily in Australia, Brazil, China, Luxembourg, and Singapore, which increased income tax expense and increased the ETR by $631 million and 12.1% respectively.
- An increase in Income Tax and Foreign Tax Credits, primarily relating to research and development credits recognized for prior years, which decreased income tax expense and decreased the ETR by $135 million and 2.6%, respectively.
- Local losses on investments in Luxembourg that increased the foreign rate differential and decreased the ETR by $637 million and 12.2%, respectively, with an offsetting increase in the ETR due to an increase in the valuation allowance of the same amount.

In fiscal 2019, the ETR was primarily impacted by:

- Local tax losses on investments in Luxembourg that decreased the foreign tax rate differential and decreased the ETR by $360 million and 23.7%, respectively, with an offsetting increase in the ETR due to an increase in the valuation allowance of the same amount.
- A change in the net valuation allowance on certain deferred tax assets, primarily in Luxembourg, Germany, Spain, UK, and Switzerland, which increased income tax expense and increased the ETR by $256 million and 16.9%, respectively.
- A decrease in the transition tax liability and a change in tax accounting method for deferred revenue, which decreased income tax expense and decreased the ETR by $66 million and 4.3%, respectively.

In fiscal 2018, the ETR was primarily impacted by:

- Due to the Company's change in repatriation policy, the reversal of a deferred tax liability relating to the outside basis difference of foreign subsidiaries which increased the income tax benefit and decreased the ETR by $554 million and 42.5%, respectively.
- The accrual of the one-time transition tax on estimated unremitted foreign earnings, which decreased the income tax benefit and increased the ETR by $361 million and 27.7%, respectively.
- The remeasurement of deferred tax assets and liabilities, which increased the income tax benefit and decreased the ETR by $338 million and 25.9%, respectively.

The IRS is examining CSC's federal income tax returns for fiscal 2008 through 2017. With respect to CSC's fiscal 2008 through 2010 federal tax returns, we previously entered into negotiations for a resolution through settlement with the IRS Office of Appeals. The IRS examined several issues for this audit that resulted in various audit adjustments. We have an agreement in principle with the IRS Office of Appeals as to some but not all of these adjustments. We have agreed to extend the statute of limitations associated with this audit through September 30, 2020.

In the first quarter of fiscal 2020, we filed for competent authority relief relating to certain legacy CSC foreign restructuring expenses deducted for the U. S. federal tax return for tax year March 31, 2013. The Company has agreed to extend the statute of limitations associated with the fiscal years 2011 through 2013 through December 31, 2020. In the second quarter of fiscal 2020, the Company received a Revenue Agent's Report with proposed adjustments to CSC's fiscal 2014 through 2017 federal returns. The Company has filed a protest for certain of these adjustments with the IRS Office of Appeals. The Company has agreed to extend the statute of limitations for the fiscal 2014 through fiscal 2016 through December 31, 2020 and for the employment tax audit of fiscal years 2015 and 2016 until January 31, 2021. The Company expects to reach a resolution for all years no earlier than the first quarter of fiscal 2022 except agreed issues related to fiscal 2008 through 2010 and fiscal 2011 through 2013 federal tax returns, which are expected to be resolved within twelve months.

In addition, we may settle certain other tax examinations, have lapses in statutes of limitations, or voluntarily settle income tax positions in negotiated settlements for different amounts than we have accrued as uncertain tax positions. We may need to accrue and ultimately pay additional amounts for tax positions that previously met a more likely than not standard if such positions are not upheld. Conversely, we could settle positions by payment with the tax authorities for amounts lower than those that have been accrued or extinguish a position through payment. We believe the outcomes that are reasonably possible within the next twelve months may result in a reduction in liability for uncertain tax positions of $25 million to $27 million, excluding interest, penalties, and tax carryforwards.

Income from Discontinued Operations

The $35 million of income from discontinued operations for the fiscal year 2019 reflects the net income generated by USPS during the first quarter of fiscal 2019.

Earnings Per Share

Diluted EPS from continuing operations for fiscal 2020 was $20.76, a decrease of $25.11 per share compared with the prior fiscal year. The EPS decrease was due to a decrease of $6,585 million in income from continuing operations.

Diluted EPS for fiscal 2020 includes $0.80 per share of restructuring costs, $0.98 per share of transaction, separation and integration-related costs, $1.73 per share of amortization of acquired intangible assets, $25.78 per share of goodwill impairment losses, $(2.43) per share of arbitration award gains, $(0.74) per share of pension and OPEB actuarial and settlement gains, and $0.13 per share of tax adjustment relating to prior restructuring charges.

Non-GAAP Financial Measures

We present non-GAAP financial measures of performance which are derived from the statements of operations of DXC. These non-GAAP financial measures include earnings before interest and taxes ("EBIT"), adjusted EBIT, non-GAAP income before income taxes, non-GAAP net income and non-GAAP EPS, constant currency revenues, net debt and net debt-to-total capitalization.

We present these non-GAAP financial measures to provide investors with meaningful supplemental financial information, in addition to the financial information presented on a GAAP basis. Non-GAAP financial measures exclude certain items from GAAP results which DXC management believes are not indicative of core operating performance. DXC management believes these non-GAAP measures allow investors to better understand the financial performance of DXC exclusive of the impacts of corporate-wide strategic decisions. DXC management believes that adjusting for these items provides investors with additional measures to evaluate the financial performance of our core business operations on a comparable basis from period to period. DXC management believes the non-GAAP measures provided are also considered important measures by financial analysts covering DXC, as equity research analysts continue to publish estimates and research notes based on our non-GAAP commentary, including our guidance around non-GAAP EPS targets.

Non-GAAP financial measures exclude certain items from GAAP results which DXC management believes are not indicative of operating performance such as the amortization of acquired intangible assets and transaction, separation and integration-related costs.

Incremental amortization of intangible assets acquired through business combinations may result in a significant difference in period over period amortization expense on a GAAP basis. We exclude amortization of certain acquired intangibles assets as these non-cash amounts are inconsistent in amount and frequency and are significantly impacted by the timing and/or size of acquisitions. Although DXC management excludes amortization of acquired intangible assets primarily customer related intangible assets, from its non-GAAP expenses, we believe that it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and support revenue generation. Any future transactions may result in a change to the acquired intangible asset balances and associated amortization expense.

There are limitations to the use of the non-GAAP financial measures presented in this report. One of the limitations is that they do not reflect complete financial results. We compensate for this limitation by providing a reconciliation between our non-GAAP financial measures and the respective most directly comparable financial measure calculated and presented in accordance with GAAP. Additionally, other companies, including companies in our industry, may calculate non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes between companies.

Non-GAAP financial measures and the respective most directly comparable financial measures calculated and presented in accordance with GAAP include:

	Fiscal Years Ended			
(in millions)	March 31, 2020	March 31, 2019	Change	Percentage Change
(Loss) income from continuing operations	$ (5,228)	$ 1,515	$ (6,743)	(445.1)%
Non-GAAP income from continuing operations	$ 1,843	$ 3,063	$ (1,220)	(39.8)%
Net (loss) income	$ (5,358)	$ 1,262	$ (6,620)	(524.6)%
Adjusted EBIT	$ 2,061	$ 3,269	$ (1,208)	(37.0)%

Reconciliation of Non-GAAP Financial Measures

Our non-GAAP adjustments include:

- Restructuring - reflects costs, net of reversals, related to workforce optimization and real estate charges.
- Transaction, separation and integration-related costs - reflects costs related to integration planning, financing and advisory fees associated with the HPES Merger and other acquisitions and costs related to the separation of USPS and costs to execute on strategic alternatives.
- Amortization of acquired intangible assets - reflects amortization of intangible assets acquired through business combinations.
- Goodwill impairment losses - reflects impairment losses on goodwill.
- Gain on arbitration award - reflects a gain related to the HPES merger arbitration award.
- Pension and OPEB actuarial and settlement gains and losses - reflects pension and OPEB actuarial and settlement gains and losses.
- Tax adjustment - Fiscal 2020 includes the impact of an adjustment to the Transition Tax and tax liabilities related to prior restructuring charges. Fiscal 2019 reflects the estimated non-recurring benefit of the Tax Cuts and Jobs Act of 2017. Fiscal 2018 reflects the application of an approximate 28% tax rate, which is within the targeted effective tax rate range for fiscal year 2018. Income tax expense of other non-GAAP adjustments is computed by applying the jurisdictional tax rate to the pre-tax adjustments on a jurisdictional basis.

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

	Fiscal Year Ended March 31, 2020								
(in millions, except per-share amounts)	As Reported	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Goodwill Impairment Losses	Gain on Arbitration Award	Pension and OPEB Actuarial and Settlement Gains	Tax Adjustment	Non-GAAP Results
Costs of services (excludes depreciation and amortization and restructuring costs)	$ 14,901	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 14,901
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	2,050	—	(318)	—	—	—	—	—	1,732
(Loss) income from continuing operations, before taxes	(5,228)	252	318	583	6,794	(632)	(244)	—	1,843
Income tax expense (benefit)	130	44	63	133	95	—	(51)	(33)	381
Net (loss) income	(5,358)	208	255	450	6,699	(632)	(193)	33	1,462
Less: net income attributable to non-controlling interest, net of tax	11	—	—	—	—	—	—	—	11
Net (loss) income attributable to DXC common stockholders	$ (5,369)	$ 208	$ 255	$ 450	$ 6,699	$ (632)	$ (193)	$ 33	$ 1,451
Effective Tax Rate	(2.5)%								20.7%
Basic EPS from continuing operations	$ (20.76)	$ 0.80	$ 0.99	$ 1.74	$ 25.91	$ (2.44)	$ (0.75)	$ 0.13	$ 5.61
Diluted EPS from continuing operations	$ (20.76)	$ 0.80	$ 0.98	$ 1.73	$ 25.78	$ (2.43)	$ (0.74)	$ 0.13	$ 5.58
Weighted average common shares outstanding for:									
Basic EPS	258.57	258.57	258.57	258.57	258.57	258.57	258.57	258.57	258.57
Diluted EPS	258.57	259.81	259.81	259.81	259.81	259.81	259.81	259.81	259.81

(in millions, except per-share amounts)	Fiscal Year Ended March 31, 2019 As Reported	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Pension and OPEB Actuarial and Settlement Losses	Tax Adjustment	Non-GAAP Results
Costs of services (excludes depreciation and amortization and restructuring costs)	$ 14,946	$ —	$ —	$ —	$ —	$ —	$ 14,946
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	1,959	—	(401)	—	—	—	1,558
Income from continuing operations, before taxes	1,515	465	401	539	143	—	3,063
Income tax expense	288	112	102	138	27	44	711
Income from continuing operations	1,227	353	299	401	116	(44)	2,352
Income from discontinued operations, net of taxes	35	—	—	—	—	—	35
Net income	1,262	353	299	401	116	(44)	2,387
Less: net income attributable to non-controlling interest, net of tax	5	—	—	—	—	—	5
Net income attributable to DXC common stockholders	$ 1,257	$ 353	$ 299	$ 401	$ 116	$ (44)	$ 2,382
Effective Tax Rate	19.0%						23.2%
Basic EPS from continuing operations	$ 4.40	$ 1.27	$ 1.08	$ 1.44	$ 0.42	$ (0.16)	$ 8.46
Diluted EPS from continuing operations	$ 4.35	$ 1.25	$ 1.06	$ 1.42	$ 0.41	$ (0.16)	$ 8.34
Weighted average common shares outstanding for:							
Basic EPS	277.54	277.54	277.54	277.54	277.54	277.54	277.54
Diluted EPS	281.43	281.43	281.43	281.43	281.43	281.43	281.43

* *The net periodic pension cost within income from continuing operations includes $700 million of actual return on plan assets, whereas the net periodic pension cost within non-GAAP income from continuing operations includes $570 million of expected long-term return on pension assets of defined benefit plans subject to interim remeasurement.*

Reconciliations of net income to adjusted EBIT are as follows:

(in millions)	Fiscal Years Ended March 31, 2020	March 31, 2019
Net (loss) income	$ (5,358)	$ 1,262
Income from discontinued operations, net of taxes	—	(35)
Income tax expense	130	288
Interest income	(165)	(128)
Interest expense	383	334
EBIT	(5,010)	1,721
Restructuring costs	252	465
Transaction, separation and integration-related costs	318	401
Amortization of acquired intangible assets	583	539
Goodwill impairment losses	6,794	—
Gain on arbitration award	(632)	—
Pension and OPEB actuarial and settlement (gains) losses	(244)	143
Adjusted EBIT	$ 2,061	$ 3,269

Liquidity and Capital Resources

Cash and Cash Equivalents and Cash Flows

As of March 31, 2020, our cash and cash equivalents ("cash") were $3.7 billion, of which $1.2 billion was held outside of the United States. A substantial portion of funds can be returned to the U.S. from funds advanced previously to finance our foreign acquisition initiatives. As a result of the Tax Cuts and Jobs Act of 2017, and after the mandatory one-time income inclusion (deemed repatriation) of the historically untaxed earnings of our foreign subsidiaries and current income inclusions for global intangible low taxed income, we expect a significant portion of the cash held by our foreign subsidiaries will no longer be subject to U.S. federal income tax consequences upon subsequent repatriation to the U.S. However, a portion of this cash may still be subject to foreign income tax consequences upon future remittance. Therefore, if additional funds held outside the U.S. are needed for our operations in the U.S. we plan to repatriate these funds.

Cash was $3.7 billion and $2.9 billion as of March 31, 2020 and March 31, 2019, respectively. The following table summarizes our cash flow activity:

	Fiscal Year Ended		
(in millions)	March 31, 2020	March 31, 2019	March 31, 2018
Net cash provided by operating activities	$ 2,350	$ 1,783	$ 2,567
Net cash (used in) provided by investing activities	(2,137)	69	719
Net cash provided by (used in) financing activities	657	(1,663)	(1,890)
Effect of exchange rate changes on cash and cash equivalents	(90)	(19)	65
Net increase in cash and cash equivalents	780	170	1,461
Cash and cash equivalents at beginning of year	2,899	2,729	1,268
Cash and cash equivalents at the end of period	$ 3,679	$ 2,899	$ 2,729

Operating cash flow

Net cash provided by operating activities during fiscal 2020 was $2,350 million as compared to $1,783 million during fiscal 2019. The increase of $567 million was due to an increase in net income, net of adjustments of $458 million, which includes an increase in working capital movements of $109 million. Net income, net of adjustments includes cash received on arbitration award of $668 million.

Investing cash flow

Net cash (used in) provided by investing activities during fiscal 2020 was $(2,137) million as compared to $69 million during fiscal 2019. The increase of $2,206 million was primarily due to an increase in cash paid for acquisitions of $1,632 million, a decrease in cash collections related to deferred purchase price receivable of $413 million, a decrease in proceeds from sale of assets of $284 million, and net short-term investing of $37 million. The increase is partially offset by a decrease in payments for transition and transformation costs of $113 million and cash paid for business dispositions of $65 million in fiscal 2019.

Financing cash flow

Net cash provided by (used in) financing activities during fiscal 2020 was $657 million, as compared to $(1,663) million during fiscal 2019. The $2,320 million increase was primarily due to borrowings under lines of credit in fiscal 2020 of $1.5 billion, additional borrowings on long-term debt of $552 million, a decrease in payments on long-term debt of $1,586 million, and lower repurchases of common stock and advance payment for accelerated share repurchase of $608 million. This was partially offset by an increase in repayments of commercial paper of $44 million, borrowings for the USPS spin transaction of $1,114 million in fiscal 2019, and proceeds from bond issuance of $753 million in fiscal 2019.

Capital Resources

See Note 22 - "Commitments and Contingencies" for a discussion of the general purpose of guarantees and commitments. The anticipated sources of funds to fulfill such commitments are listed below and under the subheading "Liquidity."

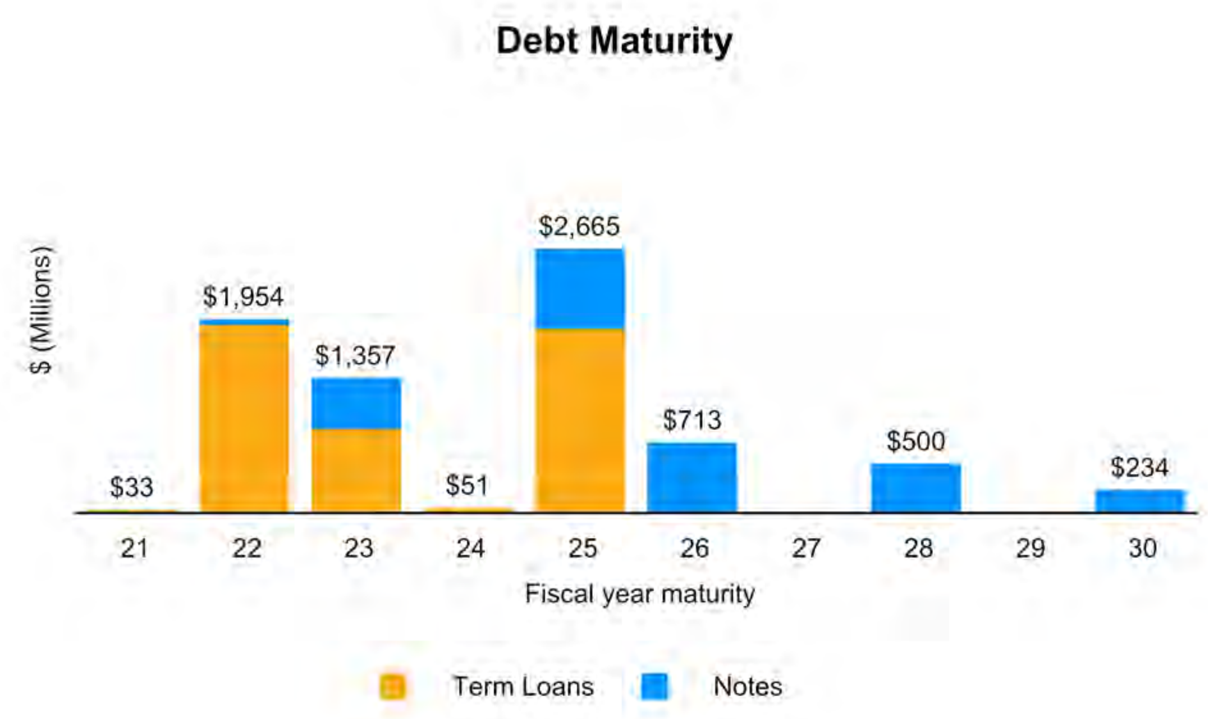
The following table summarizes our total debt:

	As of	
(in millions)	**March 31, 2020**	**March 31, 2019**
Short-term debt and current maturities of long-term debt	$ 1,276	$ 1,942
Long-term debt, net of current maturities	8,672	5,470
Total debt	$ 9,948	$ 7,412

The $2.5 billion increase in total debt during fiscal 2020 was primarily attributed to the $1.5 billion borrowing from the credit facility agreement and the new term loan credit agreement in an aggregate principal of $2.2 billion, consisting of three tranches: (i) $500 million maturing on fiscal 2025; (ii) €750 million maturing on fiscal 2022; and (iii) €750 million maturing on fiscal 2023. The proceeds from the new term loan credit agreement was used to finance the Luxoft Acquisition. Additionally, we repaid the $500 million Senior Notes due 2020 and $500 million Senior Notes due 2021 during fiscal 2020. See Note 13 - "Debt" for more information.

We were in compliance with all financial covenants associated with our borrowings as of March 31, 2020 and March 31, 2019.

The debt maturity chart below summarizes the future maturities of long-term debt principal for fiscal years subsequent to March 31, 2020 and excludes maturities of borrowings for assets acquired under long-term financing and capitalized lease liabilities. See Note 13 - "Debt" for more information.



The following table summarizes our capitalization ratios:

(in millions)	As of March 31, 2020	As of March 31, 2019
Total debt	$ 9,948	$ 7,412
Cash and cash equivalents	3,679	2,899
Net debt[1]	$ 6,269	$ 4,513
Total debt	$ 9,948	$ 7,412
Equity	5,129	11,725
Total capitalization	$ 15,077	$ 19,137
Debt-to-total capitalization	66.0%	38.7%
Net debt-to-total capitalization[1]	41.6%	23.6%

[1] Net debt and Net debt-to-total capitalization are non-GAAP measures used by management to assess our ability to service our debts using only our cash and cash equivalents. We present these non-GAAP measures to assist investors in analyzing our capital structure in a more comprehensive way compared to gross debt based ratios alone.

Net debt-to-total capitalization as of March 31, 2020 increased as compared to March 31, 2019, primarily due to the increase in total debt attributed to the Luxoft Acquisition, borrowing from the credit facility agreement, the decrease in cash and cash equivalents used to pay down Senior Notes, and the decrease in equity resulting from goodwill impairment charges reported during fiscal 2020.

As of March 31, 2020, our credit ratings were as follows:

Rating Agency	Long Term Ratings	Short Term Ratings	Outlook
Fitch	BBB+	F-2	Negative
Moody's	Baa2	P-2	Negative
S&P	BBB	-	Negative

For information on the risks of ratings downgrades, see Item 1A - Risk Factors "Our credit rating and ability to manage working capital, refinance and raise additional capital for future needs, could adversely affect our liquidity, capital position, borrowing, cost and access to capital markets."

See Note 22 - "Commitments and Contingencies" for a discussion of the general purpose of guarantees and commitments. The anticipated sources of funds to fulfill such commitments are listed below.

Liquidity

We expect our existing cash and cash equivalents, together with cash generated from operations, will be sufficient to meet our normal operating requirements for the next 12 months. We expect to continue using cash generated by operations as a primary source of liquidity; however, should we require funds greater than that generated from our operations to fund discretionary investment activities, such as business acquisitions, we have the ability to raise capital through the issuance of capital market debt instruments such as commercial paper, term loans, and bonds. In addition, we currently utilize, and will further utilize, our cross currency cash pool for liquidity needs. However, there is no guarantee that we will be able to obtain debt financing, if required, on terms and conditions acceptable to us, if at all, in the future.

Our exposure to operational liquidity risk is primarily from long-term contracts which require significant investment of cash during the initial phases of the contracts. The recovery of these investments is over the life of the contract and is dependent upon our performance as well as customer acceptance.

The following table summarizes our total liquidity:

(in millions)		As of March 31, 2020
Cash and cash equivalents	$	3,679
Available borrowings under our revolving credit facility		2,500
Total liquidity	$	6,179

During March 2020 as the evolving global COVID-19 pandemic crisis resulted in increasing government actions to shut down economic activity and enforce stay-at-home orders, global capital markets were disrupted and became tumultuous, including the near shut down of commercial paper markets for issuers such as the Company as short-term fixed income investors prepared for potential redemptions. On March 24, 2020, the Company announced the draw-down of $1.5 billion from its Revolving Credit Facility due 2025 in order to increase cash on hand and eliminate the reliance on commercial paper markets along with the suspension of the Company's Euro and USD commercial paper program until the Company deems such capital markets stabilized and reliable. As a result, the Company's commercial paper outstanding was reduced to $542 million as of March 31, 2020, and another $318 million is scheduled to mature during the quarter ending June 30, 2020, which the Company currently expects to fund such maturing Euro commercial paper from its cash on hand. While central bank actions have improved liquidity in commercial paper markets overall, there is no assurance that the Company, at its commercial program ratings of P2/F2, will have reliable access in the future or if accessible, at reasonable costs.

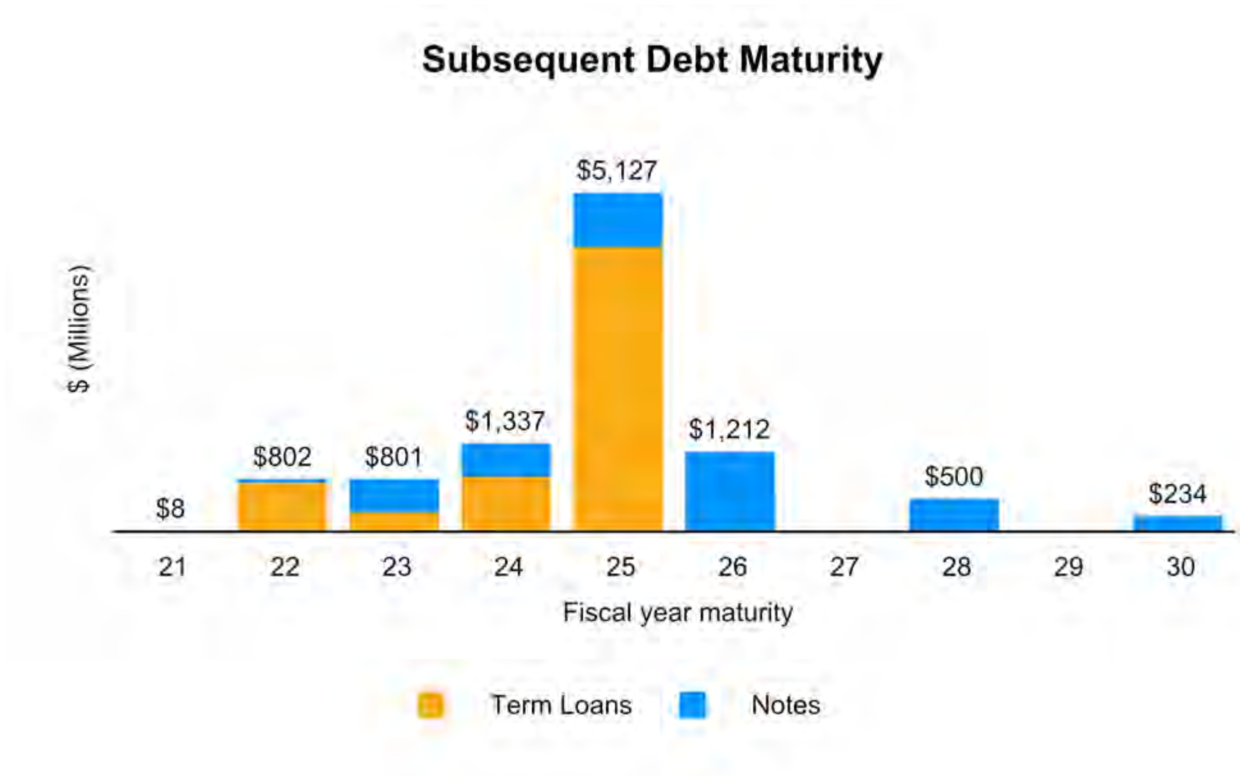
On April 6, 2020 subsequent to the fiscal period end, the Company drew the entire $2.5 billion remaining availability under its Revolving Credit Facilities, in order to secure liquidity as additional cash on hand to support the Company's liquidity resources during the COVID pandemic crisis and to mitigate the uncertainties caused by volatile capital markets, changing governmental policies, and evolving impact on world economies.

Subsequent to the end of the fiscal period, the Company issued $1.0 billion in principal amount of Senior Notes in the form of $500 million principal amount of 4.0% Senior Notes due 2023 and $500 million principal amount of 4.125% Senior Notes due 2025. All the net proceeds from the Notes offerings were applied towards the early prepayment of the Company's term loan facilities, including prepayment of €500 million of Euro Term Loan due fiscal 2022, £150 million of GBP Term Loan due fiscal 2022, A$300 million of AUD Term Loan due fiscal 2022, and $100 million of USD Term Loan due fiscal 2025.

On May 15, 2020, the Company agreed with its lenders and modified the definition of Leverage Ratio to be measured on a "net of cash" basis across all of the Company's bank credit and term loan facilities, and for such newly defined Leverage Ratio limitation of Total Consolidated Net Indebtedness to Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization, as defined in such credit and term loan facilities, currently at 3.0x, to be reduced to 2.25x thereafter beginning the fiscal year ending March 31, 2022 (with the first quarterly measurement date as of June 30, 2021). The net effect of such adjustment to the Leverage Ratio definition in the Company's credit and term loan facilities is to allow the Company the flexibility to maintain elevated cash balances going forward both during current circumstances and thereafter, without constraining the Company's strategy of maintaining strong access to liquidity during the COVID pandemic crisis. The Company's credit and term loan facilities that were modified include: $4.0 billion Revolving Credit Facilities due fiscal year 2025 (including a $70 million sub-tranche due fiscal 2024), €250 million Euro Term Loan due fiscal year 2022 (a substantial portion was extended to mature in fiscal year 2023 pursuant to the Euro Term Loan Extension, see below), €750 million Euro Term Loan due fiscal year 2023 (a substantial portion was extended to mature in fiscal year 2024 pursuant to the Euro Term Loan Extension, see below), £300 million in GBP Term Loan due fiscal year 2022, A$500 million in AUD Term Loan due fiscal year 2022, and approximately $382 million in outstanding USD Term Loan due fiscal year 2025.

On May 15, 2020, the Company initiated elective extension amendments in accordance with the terms of the aggregate €1.0 billion principal amount of Euro Term Loans outstanding. Accordingly, €216.7 million out of €250 million Euro Term Loan due fiscal year 2022 agreed to extend maturity 12-months to mature fiscal year 2023, and €700 million out of total €750 million Euro Term Loan due fiscal year 2023 agreed to extend maturity 12-months to mature fiscal year 2024. Margin would increase during the 12-month extension terms to Euribor + 125bps and Euribor + 175bps respectively, for the Euro Term Loans originally due fiscal years 2022 and 2023, which would be an increase from the current applicable margin of Euribor + 65bps, and Euribor + 80 bps, respectively. There is no change to current margin or terms through the original maturity term of the Euro Term Loans.

The debt maturity chart below summarizes the future maturities of long-term debt principal taking into effect borrowings and prepayments as mentioned above, for fiscal years subsequent to May 15, 2020, and excludes maturities of borrowings for assets acquired under long-term financing and capitalized lease liabilities.



Share Repurchases

During fiscal 2018, our Board of Directors authorized the repurchase of up to $2.0 billion of our common stock and during fiscal 2019, we announced that our Board of Directors had approved an incremental $2.0 billion share repurchase authorization. An expiration date has not been established for this repurchase plan. During fiscal 2020, we repurchased 15,933,651 shares of our common stock at an aggregate cost of $736 million. See Note 15 - "Stockholders' Equity" for more information.

Dividends

During fiscal 2020, our Board of Directors declared aggregate cash dividends to our stockholders of $0.84 per share, or approximately $219 million. To enhance our financial flexibility under current uncertain market conditions, we have elected to suspend payment of a quarterly dividend. This decision will be reevaluated by the Board of DXC Technology as market conditions stabilize.

Off-Balance Sheet Arrangements

In the normal course of business, we are a party to arrangements that include guarantees, the receivables securitization facility and certain other financial instruments with off-balance sheet risk, such as letters of credit and surety bonds. We also use performance letters of credit to support various risk management insurance policies. No liabilities related to these arrangements are reflected in balance sheets. See Note 5 - "Receivables" and Note 22 - "Commitments and Contingencies" for additional information regarding these off-balance sheet arrangements.

Contractual Obligations

Our contractual obligations as of March 31, 2020, were as follows:

(in millions)	Less than 1 year	2-3 years	4-5 years	More than 5 years	Total
Debt[1]	$ 290	$ 3,698	$ 2,870	$ 1,458	$ 8,316
Capitalized lease liabilities	444	510	92	—	1,046
Operating Leases[2]	508	645	325	221	1,699
Purchase Obligations[3]	1,911	1,180	286	—	3,377
U.S. Tax Reform - Transition Tax[4]	24	46	102	73	245
Interest and preferred dividend payments[5]	253	441	325	159	1,178
Total[6]	$ 3,430	$ 6,520	$ 4,000	$ 1,911	$ 15,861

(1) *Amounts represent scheduled principal payments of long-term debt and mandatory redemption of preferred stock of a consolidated subsidiary.*

(2) *Amounts represent present value of operating leases including imputed interests. See Note 6 - "Leases" for more information.*

(3) *Includes long-term purchase agreements with certain software, hardware, telecommunication and other service providers and exclude agreements that are cancelable without penalty. If we do not meet the specified service minimums, we may have an obligation to pay the service provider a portion of or the entire shortfall.*

(4) *The transition tax resulted in recording a total transition tax obligation of $288 million, of which $290 million was recorded as income tax liability and $2 million recorded as a reduction in our unrecognized tax benefits, which has been omitted from this table. The transition tax is payable over eight years; 8% of net tax liability in each of years 1-5, 15% in year 6, 20% in year 7, and 25% in year 8. We have made our first two payments. See Note 12 - "Income Taxes" for additional information about the transition tax. See Note 12 - "Income Taxes" for additional information about the estimated liability related to unrecognized tax benefits, which has been omitted from this table.*

(5) *Amounts represent scheduled interest payments on long-term debt and scheduled dividend payments associated with the mandatorily redeemable preferred stock of a consolidated subsidiary excluding contingent dividends associated with the participation and variable appreciation premium features. Also included are scheduled interest payments of $246 million on new borrowings from our credit facility agreement subsequent to period end. See Note 23 - "Subsequent Events" for more information.*

(6) *See Note 14 - "Pension and Other Benefit Plans" for the estimated liability related to estimated future benefit payments under our Pension and OPEB plans that have been omitted from this table.*

Critical Accounting Policies and Estimates

The preparation of financial statements, in accordance with GAAP, requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. These estimates may change in the future if underlying assumptions or factors change. Accordingly, actual results could differ materially from our estimates under different assumptions, judgments or conditions. We consider the following policies to be critical because of their complexity and the high degree of judgment involved in implementing them: revenue recognition, income taxes, business combinations, defined benefit plans and valuation of assets. We have discussed the selection of our critical accounting policies and the effect of estimates with the audit committee of our board of directors.

Revenue Recognition

Most of our revenues are recognized based on objective criteria and do not require significant estimates that may change over time. However, some arrangements may require significant estimates, including contracts which include multiple performance obligations.

Contracts with Multiple performance obligations

Many of our contracts require us to provide a range of services or performance obligations to our customers, which may include a combination of services, products or both. As a result, significant judgment may be required to determine the appropriate accounting, including whether the elements specified in contracts with multiple performance obligations should be treated as separate performance obligations for revenue recognition purposes, and, when considered appropriate, how the total transaction price should be allocated among the performance obligations and the timing of revenue recognition for each. For contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation based on the relative standalone selling price of each distinct good or service in the contract. Other than software sales involving multiple performance obligations, the primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which we forecast our expected costs of satisfying a performance obligation and then add an appropriate margin for that distinct good or service. Certain of our contracts involve the sale of DXC proprietary software, post contract customer support and other software-related services. The standalone selling price generally is determined for each performance obligation using an adjusted market assessment approach based on the price charged where each deliverable is sold separately. In certain limited cases (typically for software licenses) when the historical selling price is highly variable, the residual approach is used. This approach allocates revenue to the performance obligation equal to the difference between the total transaction price and the observable standalone selling prices for the other performance obligations. These methods involve significant judgments and estimates that we assess periodically by considering market and entity-specific factors, such as type of customer, features of the products or services and market conditions.

Once the total revenues have been allocated to the various performance obligations, revenues for each are recognized based on the relevant revenue recognition method for each. Estimates of total revenues at contract inception often differ materially from actual revenues due to volume differences, changes in technology or other factors which may not be foreseen at inception.

Costs to obtain contracts with customers

Accounting for the costs to obtain contracts with customers requires significant judgments and estimates with regards to the determination of sales commission payments that qualify for deferral of costs and the related amortization period. Most of our sales commission plans are quota-based and payments are made by achieving targets related to a large number of new and renewed contracts. Certain sales commissions earned by our sales force are considered incremental and recoverable costs of obtaining a contract with a customer. We defer and amortize these costs on a straight-line basis over an average period of benefit of five years, which is determined and regularly assessed by considering the length of our customer contracts, our technology and other factors. Significant changes in these estimates or impairment may result if material contracts terminate earlier than the expected benefit period, or if there are material changes in the average contract period.

Income Taxes

We are subject to income taxes in the United States (federal and state) and numerous foreign jurisdictions. Significant judgment is required in determining our provision for income taxes, analyzing our income tax reserves, the determination of the likelihood of recoverability of deferred tax assets and any corresponding adjustment of valuation allowances. In addition, our tax returns are routinely audited, and settlements of issues raised in these audits sometimes affect our tax provisions.

As a global enterprise, our ETR is affected by many factors, including our global mix of earnings among countries with differing statutory tax rates, the extent to which our non-U.S. earnings are indefinitely reinvested outside the U.S., changes in the valuation allowance for deferred tax assets, changes in tax regulations, acquisitions, dispositions and the tax characteristics of our income. We cannot predict what our ETR will be in the future because there is uncertainty regarding these factors.

The majority of unremitted earnings has been taxed in the U.S. through the transition tax and global intangible low tax income tax in connection with 2017 U.S. tax reform. The Company was not permanently reinvested in all jurisdictions with the exception of India as of March 31, 2019. As a result of the issuance of new U.S. Treasury regulations in the first quarter of fiscal 2020, the Company changed its permanent reinvestment assertion in the first quarter of fiscal 2020 with respect to certain foreign corporations, reducing the amount that will ultimately be repatriated to the U.S. by approximately $492 million. However, as of March 31, 2020, the Company anticipates that future earnings in India will not be indefinitely reinvested. This change resulted from the Company's determination that it is now efficient to repatriate earnings in India as a result of the enactment of India Finance Act, 2020 on March 27, 2020 and change in cash needs resulting from the economic consequences of the COVID-19 pandemic. We expect a significant portion of the cash held by our foreign subsidiaries will no longer be subject to U.S. federal income tax upon repatriation to the U.S., however, a portion of this cash may still be subject to foreign and U.S. state tax consequences when remitted.

Considerations impacting the recoverability of deferred tax assets include the period of expiration of the tax asset, planned use of the tax asset and historical and projected taxable income as well as tax liabilities for the tax jurisdiction to which the tax asset relates. In determining whether the deferred tax assets are realizable, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, taxable income in prior carryback years, projected future taxable income, tax planning strategies and recent financial operations. We recorded a valuation allowance against deferred tax assets of approximately $2.2 billion as of March 31, 2020 due to uncertainties related to the ability to utilize these assets. However, valuation allowances are subject to change in future reporting periods due to changes in various factors.

Recent enactment of the CARES Act or changes in tax laws resulting from the Organization for Economic Co-operation and Development’s multi-jurisdictional plan of action to address “base erosion and profit shifting” could impact our effective tax rate. The calculation of our tax liabilities involves uncertainties in the application of complex changing tax regulations. The Company is currently evaluating the impact of the CARES Act. The CARES Act makes a technical correction to the 2017 U.S. tax reform to provide a 15-year recovery period for qualified improvement property ("QIP"). This correction makes QIP eligible for bonus depreciation and is effective as if enacted as part of the 2017 U.S. tax reform. Accordingly, the Company has applied bonus depreciation on certain QIP. CARES also includes provisions relating to refundable payroll tax credits, the ability to utilize and carryback certain net operating losses, alternative minimum tax refunds, and modifications to rules regarding the deductibility of net interest expense.

Business Combinations

We account for the acquisition of a business using the acquisition method of accounting, which requires us to estimate the fair values of the assets acquired and liabilities assumed. This includes acquired intangible assets such as customer-related intangibles, the liabilities assumed and contingent consideration, if any. Liabilities assumed may include litigation and other contingency reserves existing at the time of acquisition and require judgment in ascertaining the related fair values. Independent appraisals may be used to assist in the determination of the fair value of certain assets and liabilities. Such appraisals are based on significant estimates provided by us, such as forecasted revenues or profits utilized in determining the fair value of contract-related acquired intangible assets or liabilities. Significant changes in assumptions and estimates subsequent to completing the allocation of the purchase price to the assets and liabilities acquired, as well as differences in actual and estimated results, could result in material impacts to our financial results. Adjustments to the fair value of contingent consideration are recorded in earnings. Additional information related to the acquisition date fair value of acquired assets and liabilities obtained during the allocation period, not to exceed one year, may result in changes to the recorded values of acquired assets and liabilities, resulting in an offsetting adjustment to the goodwill associated with the business acquired.

Defined Benefit Plans

The computation of our pension and other post-retirement benefit costs and obligations is dependent on various assumptions. Inherent in the application of the actuarial methods are key assumptions, including discount rates, expected long-term rates of return on plan assets, mortality rates, rates of compensation increases and medical cost trend rates. Our management evaluates these assumptions annually and updates assumptions as necessary. The fair value of assets is determined based on observable inputs for similar assets or on significant unobservable inputs if not available. Two of the most significant assumptions are the expected long-term rate of return on plan assets and the discount rate.

Our weighted average rates used were:

	March 31, 2020	March 31, 2019	March 31, 2018
Discount rates	2.4%	2.5%	2.5%
Expected long-term rates of return on assets	5.8%	5.3%	4.9%

The assumption for the expected long-term rate of return on plan assets is impacted by the expected asset mix of the plan; judgments regarding the correlation between historical excess returns and future excess returns and expected investment expenses. The discount rate assumption is based on current market rates for high-quality, fixed income debt instruments with maturities similar to the expected duration of the benefit payment period. The following table provides the impact changes in the weighted-average assumptions would have had on our net periodic pension benefits and settlement and contractual termination charges for fiscal 2020:

(in millions)	Change	Approximate Change in Net Periodic Pension Expense	Approximate Change in Settlement, Contractual Termination, and Mark-to-Market Charges
Expected long-term return on plan assets	0.5%	$ (55)	$ 54
Expected long-term return on plan assets	(0.5)%	$ 55	$ (54)
Discount rate	0.5%	$ 25	$ (793)
Discount rate	(0.5)%	$ (29)	$ 994

Valuation of Assets

We review long-lived ("assets, intangible assets, and goodwill") for impairment in accordance with our accounting policy disclosed in Note 1 - Summary of Significant Accounting Policies. Assessing the fair value of assets involves significant estimates and assumptions including estimation of future cash flows, the timing of such cash flows, and discount rates reflecting the risk inherent in projecting future cash flows. The valuation of long-lived and intangible assets involves management estimates about future values and remaining useful lives of assets, particularly purchased intangible assets. These estimates are subjective and can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and forecasts.

Evaluation of goodwill for impairment requires judgment, including the identification of reporting units, assignment of assets, liabilities, and goodwill to reporting units and determination of the fair value of each reporting unit. The identification of reporting units involves consideration of components of the operating segments and whether or not there is discrete financial information available that is regularly reviewed by management. Additionally, we consider whether or not it is reasonable to aggregate any of the identified components that have similar economic characteristics. The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results, market conditions, and other factors. Changes in these estimates and assumptions include a significant change in the business climate, established business plans, operating performance indicators or competition which could materially affect the determination of fair value for each reporting unit.

We estimate the fair value of our reporting units using a combination of an income approach, utilizing a discounted cash flow analysis, and a market approach, using performance-metric market multiples. The discount rate used in an income approach is based on our weighted-average cost of capital and may be adjusted for the relevant risks associated with business-specific characteristics and any uncertainty related to a reporting unit's ability to execute on the projected future cash flows.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a multinational company, we are exposed to certain market risks such as changes in foreign currency exchange rates and interest rates. Changes in foreign currency exchange rates can impact our foreign currency denominated monetary assets and liabilities and forecasted transactions in foreign currency, whereas changes in benchmark interest rates can impact interest expense associated with our floating interest rate debt and the fair value of our fixed interest rate debt. A variety of practices are employed to manage these risks, including operating and financing activities and the use of derivative instruments. We do not use derivatives for trading or speculative purposes.

Presented below is a description of our risks together with a sensitivity analysis of each of these risks based on selected changes in market rates. The foreign currency model incorporates the impact of diversification from holding multiple currencies and the correlation of revenues, costs and any related short-term contract financing in the same currency. In order to determine the impact of changes in interest rates on our future results of operations and cash flows, we calculated the increase or decrease in the index underlying these rates. We estimate the fair value of our long-term debt primarily using an expected present value technique using interest rates offered to us for instruments with similar terms and remaining maturities. These analyses reflect management's view of changes that are reasonably possible to occur over a one-year period.

Foreign Currency Risk

We are exposed to both favorable and unfavorable movements in foreign currency exchange rates. In the ordinary course of business, we enter into contracts denominated in foreign currencies. Exposure to fluctuations in foreign currency exchange rates arising from these contracts is analyzed during the contract bidding process. We generally manage these contracts by incurring costs in the same currency in which revenues are received and any related short-term contract financing requirements are met by borrowing in the same currency. Thus, by generally matching revenues, costs and borrowings to the same currency, we are able to mitigate a portion of the foreign currency risk to earnings. However, due to our increased use of offshore labor centers, we have become more exposed to fluctuations in foreign currency exchange rates. We experienced significant foreign currency fluctuations during fiscal 2020 due primarily to the volatility of the Australian dollar, British pound and Euro in relation to the U.S. dollar. Significant foreign currency fluctuations during fiscal 2019 was due primarily to the volatility of British pound and Euro in relation to the U.S. dollar.

We have policies and procedures to manage exposure to fluctuations in foreign currency by using short-term foreign currency forward contracts to economically hedge certain foreign currency denominated assets and liabilities, including intercompany accounts and loans. For accounting purposes, these foreign currency forward contracts are not designated as hedges and changes in their fair value are reported in current period earnings within other (income) expense, net in the statements of operations. We also use foreign currency forward contracts to reduce foreign currency exchange rate risk related to certain Indian rupee denominated intercompany obligations and forecasted transactions. For accounting purposes these foreign currency forward contracts are designated as cash flow hedges with critical terms that match the hedged items. Therefore, the changes in fair value of these forward contracts are recorded in accumulated other comprehensive income, net of taxes in the statements of comprehensive income and subsequently classified into net income in the period during which the hedged transactions are recognized in net income.

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than U.S. dollar, see Note 19 - "Segment and Geographic Information". During fiscal 2020, approximately 63% of our revenues were generated outside of the United States. For the year ended March 31, 2020, a hypothetical 10% change in the value of the U.S. dollar against all currencies would have changed revenues by approximately 6.3%, or $1.2 billion. The majority of this fluctuation would be offset by expenses incurred in local currency; and as a result, there would not be a material change to our income from continuing operations before taxes. As such, in the view of management, the resulting impact would not be material to our results of operations or cash flows.

Interest Rate Risk

As of March 31, 2020, we had outstanding debt with varying maturities for an aggregate carrying amount of $9.9 billion, of which $5.2 billion was floating interest rate debt. Most of our floating interest rate debt is based upon varying terms of adjusted LIBOR rates; consequently, changes in LIBOR result in the most volatility to our interest expense. As of March 31, 2020, an assumed 10% unfavorable change in interest rates would not be material to our consolidated results of operations or cash flows. A change in interest rates related to our long-term debt would not have a material impact on our financial statements as we do not record our debt at fair value.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
DXC Technology Company
Tysons, Virginia

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of DXC Technology Company and subsidiaries (the "Company") as of March 31, 2020 and 2019, the related consolidated statements of operations, comprehensive (loss) income, cash flows, and changes in equity for each of the three years in the period ended March 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of March 31, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 1, 2020, expressed an adverse opinion on the Company's internal control over financial reporting because of a material weakness.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill - GBS and GIS reporting units - Refer to Note 1 and Note 11 to the financial statements

Critical Audit Matter description

The Company's evaluation of goodwill for impairment involves the determination of reporting units and comparison of the fair value of each reporting unit to its carrying value. The Company identified two reporting units, Global Business Services ("GBS") and Global Infrastructure Services ("GIS"). The identification of reporting units involves consideration of components of the operating segments and whether or not there is discrete financial information available that is regularly reviewed by management. Additionally, the Company considers whether or not it is reasonable to aggregate any of the identified components that have similar economic characteristics. The Company estimates the fair value of its reporting units using a combination of an income approach, utilizing a discounted cash flow analysis, and a market approach, using market multiples. The estimation of the fair value using the discounted cash flow model requires management to make significant estimates and assumptions related to forecasts of future revenue growth rates, operating margins, and discount rates. GBS and GIS's revenue growth rates and operating margins are sensitive to changes in customer demand. The determination of the fair value using the market approach requires management to make significant judgments related to performance-metric market multiples applied to the reporting unit's prior and expected operating performance.

The Company performed their annual impairment test as of July 1, 2019, and, due to a subsequent sustained decline in the Company's stock price and market capitalization, updated impairment tests were completed during the second and fourth quarters of fiscal 2020. The Company concluded that the carrying values of GBS and GIS reporting units exceeded their fair values and, therefore, an impairment was recognized in the amount of $3,789 million and $3,005 million, respectively, during fiscal 2020. As of March 31, 2020, after recording the impairments, goodwill for the GBS and GIS reporting units was $2,017 million and $0, respectively.

We identified the Company's determination of reporting units and evaluation of goodwill impairment for the GBS and GIS reporting units as a critical audit matter because of the significant judgments made by management to identify and aggregate reporting units and estimate the fair value of each reporting unit. A high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, was required when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the identification of reporting units; revenue growth rates and operating margins; the selection of reporting unit performance-metric market multiples and discount rates; and the reconciliation of the reporting units estimated fair value to the Company's market capitalization.

How the Critical Accounting Matter Was Addressed in the Audit

Our audit procedures related to the determination of reporting units, revenue growth rates, selection of reporting unit performance-metric market multiples and discount rates, and reconciliation of market capitalization for the GBS and GIS reporting units included the following, among others:

- We tested the effectiveness of controls over management's determination of reporting units and goodwill impairment evaluation, including those over the determination of the fair value of GBS and GIS, such as controls related to management's revenue forecasts, selection of the discount rates, selection of performance-metric market multiples, and market capitalization reconciliation.

- We evaluated management's identification of reporting units, including consideration of components of its operating segments, the availability of discrete financial information for each that is regularly reviewed by management, and the suitability of aggregation of components.

- We evaluated the reasonableness of management's forecasts by comparing the forecasts to (1) historical results, including management's forecasting accuracy, (2) internal communications to management and the Board of Directors, (3) forecasted information included in Company press releases as well as in analyst and industry reports of the Company and companies in its peer group, and (4) analyzing and comparing forecasts to the Company's revenue backlog and sales pipeline.

- We evaluated the impact of changes in management's forecasts on each of the impairment test dates during the fiscal year ended March 31, 2020.

- With the assistance of our fair value specialists, we evaluated the reasonableness of:
  - Discount rates, including testing the underlying source information and the mathematical accuracy of the calculations, and developing a range of independent estimates and comparing those to the discount rates selected by management.
  - Performance-metric multiples, including testing the underlying source information and mathematical accuracy of the calculations, and comparing the multiples selected by management to its peer group.
  - Reconciliation and comparison of the fair value of the GBS and GIS reporting units to the Company’s market capitalization.

/s/ DELOITTE & TOUCHE LLP

McLean, Virginia
June 1, 2020

We have served as the Company's auditor since at least 1965; however, an earlier year could not be reliably determined.

DXC TECHNOLOGY COMPANY
CONSOLIDATED BALANCE SHEETS

(in millions, except per share and share amounts)	As of March 31, 2020	As of March 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,679	$ 2,899
Receivables and contract assets, net of allowance for doubtful accounts of $74 and $60	4,392	5,181
Prepaid expenses	646	627
Other current assets	270	359
Total current assets	8,987	9,066
Intangible assets, net of accumulated amortization of $4,347 and $3,399	5,731	5,939
Operating right-of-use assets, net	1,428	—
Goodwill	2,017	7,606
Deferred income taxes, net	265	355
Property and equipment, net of accumulated depreciation of $3,818 and $3,958	3,547	3,179
Other assets	4,031	3,429
Total Assets	$ 26,006	$ 29,574
LIABILITIES and EQUITY		
Current liabilities:		
Short-term debt and current maturities of long-term debt	$ 1,276	$ 1,942
Accounts payable	1,598	1,666
Accrued payroll and related costs	630	652
Current operating lease liabilities	482	—
Accrued expenses and other current liabilities	2,801	3,355
Deferred revenue and advance contract payments	1,021	1,630
Income taxes payable	87	208
Total current liabilities	7,895	9,453
Long-term debt, net of current maturities	8,672	5,470
Non-current deferred revenue	735	256
Non-current operating lease liabilities	1,063	—
Non-current pension obligations	761	790
Non-current income tax liabilities and deferred tax liabilities	1,157	1,184
Other long-term liabilities	594	696
Total Liabilities	20,877	17,849
Commitments and contingencies		
DXC stockholders' equity:		
Preferred stock, par value $0.01 per share; authorized 1,000,000 shares; none issued as of March 31, 2020 and March 31, 2019	—	—
Common stock, par value $0.01 per share; authorized 750,000,000 shares; issued 255,674,040 as of March 31, 2020 and 270,213,891 as of March 31, 2019	3	3
Additional paid-in capital	10,714	11,301
(Accumulated deficit) retained earnings	(5,177)	478
Accumulated other comprehensive loss	(603)	(244)
Treasury stock, at cost, 2,148,708 and 1,788,658 shares as of March 31, 2020 and March 31, 2019	(152)	(136)
Total DXC stockholders' equity	4,785	11,402
Non-controlling interest in subsidiaries	344	323
Total Equity	5,129	11,725
Total Liabilities and Equity	$ 26,006	$ 29,574

The accompanying notes are an integral part of these consolidated financial statements.

DXC TECHNOLOGY COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Years Ended		
(in millions, except per-share amounts)	March 31, 2020	March 31, 2019	March 31, 2018
Revenues	$ 19,577	$ 20,753	$ 21,733
Costs of services (excludes depreciation and amortization and restructuring costs)	14,901	14,946	16,317
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	2,050	1,959	1,890
Depreciation and amortization	1,942	1,968	1,795
Goodwill impairment losses	6,794	—	—
Restructuring costs	252	465	789
Interest expense	383	334	320
Interest income	(165)	(128)	(89)
Gain on arbitration award	(632)	—	—
Other income, net	(720)	(306)	(593)
Total costs and expenses	24,805	19,238	20,429
(Loss) income from continuing operations, before taxes	(5,228)	1,515	1,304
Income tax expense (benefit)	130	288	(242)
(Loss) income from continuing operations	(5,358)	1,227	1,546
Income from discontinued operations, net of taxes	—	35	236
Net (loss) income	(5,358)	1,262	1,782
Less: net income attributable to non-controlling interest, net of tax	11	5	31
Net (loss) income attributable to DXC common stockholders	$ (5,369)	$ 1,257	$ 1,751
(Loss) Income per common share			
Basic:			
Continuing operations	$ (20.76)	$ 4.40	$ 5.32
Discontinued operations	—	0.13	0.83
	$ (20.76)	$ 4.53	$ 6.15
Diluted:			
Continuing operations	$ (20.76)	$ 4.35	$ 5.23
Discontinued operations	—	0.12	0.81
	$ (20.76)	$ 4.47	$ 6.04

The accompanying notes are an integral part of these consolidated financial statements.

DXC TECHNOLOGY COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(in millions)	Fiscal Years Ended March 31, 2020	March 31, 2019	March 31, 2018
Net (loss) income	$ (5,358)	$ 1,262	$ 1,782
Other comprehensive (loss) income, net of taxes:			
Foreign currency translation adjustments, net of tax (1)	(323)	(259)	197
Cash flow hedges adjustments, net of tax (2)	(17)	(12)	(11)
Available-for-sale securities, net of tax (3)	—	—	9
Pension and other post-retirement benefit plans, net of tax:			
Prior service cost, net of tax (4)	—	(21)	38
Amortization of transition obligation, net of tax (5)	—	—	1
Amortization of prior service cost, net of tax (6)	(8)	(13)	(14)
Pension and other post-retirement benefit plans, net of tax	(8)	(34)	25
Other comprehensive (loss) income, net of taxes	(348)	(305)	220
Comprehensive (loss) income	(5,706)	957	2,002
Less: comprehensive income attributable to non-controlling interest	22	2	31
Comprehensive (loss) income attributable to DXC common stockholders	$ (5,728)	$ 955	$ 1,971

(1) Tax (benefit) expense related to foreign currency translation adjustments was $(2), $(1), and $75 for the fiscal years ended March 31, 2020, March 31, 2019, March 31, 2018, respectively.
(2) Tax benefit related to cash flow hedge adjustments was $5, $3, and $3 for the fiscal years ended March 31, 2020, March 31, 2019, March 31, 2018, respectively.
(3) Tax expense related to available-for-sale securities was $0, $0, and $2 for the fiscal years ended March 31, 2020, March 31, 2019, March 31, 2018, respectively.
(4) Tax (benefit) expense related to prior service costs was $0, $(5), and $8 for the fiscal years ended March 31, 2020, March 31, 2019, March 31, 2018, respectively.
(5) There was no tax benefit related to transition obligation.
(6) Tax benefit related to amortization of prior service costs was $1, $2, and $4 for the fiscal years ended March 31, 2020, March 31, 2019, March 31, 2018, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

DXC TECHNOLOGY COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Years Ended		
(in millions)	March 31, 2020	March 31, 2019	March 31, 2018 [1]
Cash flows from operating activities:			
Net (loss) income	$ (5,358)	$ 1,262	$ 1,782
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	1,960	2,023	2,014
Goodwill impairment losses	6,794	—	—
Operating right-of-use expense	698	—	—
Pension & other post-employment benefits, actuarial & settlement (gains) losses	(244)	143	(220)
Share-based compensation	68	74	93
Deferred taxes	(56)	97	(842)
Loss (gain) on dispositions	1	(163)	4
Provision for losses on accounts receivable	3	(10)	45
Unrealized foreign currency exchange losses	24	30	22
Impairment losses and contract write-offs	30	—	41
Amortization of debt issuance costs and (premium) discount	(4)	(10)	(4)
Cash surrender value in excess of premiums paid	(12)	(11)	(11)
Other non-cash charges, net	—	11	4
Changes in assets and liabilities, net of effects of acquisitions and dispositions:			
Decrease (increase) in receivables	269	(947)	(464)
Increase in prepaid expenses and other current assets	(229)	(632)	(196)
Decrease in accounts payable and accruals	(565)	(52)	(96)
(Decrease) increase in income taxes payable and income tax liability	(197)	(107)	303
Decrease in operating lease liability	(698)	—	—
(Decrease) increase in advance contract payments and deferred revenue	(146)	(74)	130
Other operating activities, net	12	149	(38)
Net cash provided by operating activities	2,350	1,783	2,567
Cash flows from investing activities:			
Purchases of property and equipment	(350)	(297)	(224)
Payments for transition and transformation contract costs	(281)	(394)	(328)
Software purchased and developed	(235)	(261)	(211)
Cash acquired through HPES Merger	—	—	938
Payments for acquisitions, net of cash acquired	(1,997)	(365)	(203)
Business dispositions	—	(65)	—
Cash collections related to deferred purchase price receivable	671	1,084	685
Proceeds from sale of assets	73	357	58
Short-term investing	(75)	—	—
Proceeds from short-term investing	38	—	—
Other investing activities, net	19	10	4
Net cash (used in) provided by investing activities	(2,137)	69	719
Cash flows from financing activities:			
Borrowings of commercial paper	4,939	2,747	2,413
Repayments of commercial paper	(5,076)	(2,840)	(2,297)
Borrowings under lines of credit	1,500	—	—
Repayment of borrowings under lines of credit	—	—	(737)

Borrowings on long-term debt, net of discount	2,198	1,646	621
Principal payments on long-term debt	(1,039)	(2,625)	(1,547)
Payments on finance leases and borrowings for asset financing	(865)	(944)	(1,060)
Borrowings for USPS spin transaction	—	1,114	—
Proceeds from bond issuance	—	753	989
Proceeds from stock options and other common stock transactions	11	47	138
Taxes paid related to net share settlements of share-based compensation awards	(16)	(54)	(76)
Repurchase of common stock and advance payment for accelerated share repurchase	(736)	(1,344)	(132)
Dividend payments	(214)	(210)	(174)
Other financing activities, net	(45)	47	(28)
Net cash provided by (used in) financing activities	657	(1,663)	(1,890)
Effect of exchange rate changes on cash and cash equivalents	(90)	(19)	65
Net increase in cash and cash equivalents	780	170	1,461
Cash and cash equivalents at beginning of year	2,899	2,729	1,268
Cash and cash equivalents at end of year	$ 3,679	$ 2,899	$ 2,729

(1) *As a result of the USPS Separation, the Consolidated Statements of Operations, Consolidated Balance Sheets, and related financial information reflect USPS's operations and assets and liabilities as discontinued operations for all periods presented. The cash flows of USPS have not been segregated and are included in the Consolidated Statement of Cash flows for the fiscal year ended March 31, 2018 and through the separation date of May 31, 2018 in the Consolidated Statement of Cash Flows for the fiscal year ended March 31, 2019.*

The accompanying notes are an integral part of these consolidated financial statements.

DXC TECHNOLOGY COMPANY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions, except shares in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total DXC Equity	Non-Controlling Interest	Total Equity
Balance at March 31, 2017	151,932	$ 152	$ 2,565	$ (170)	$ (162)	$ (497)	$ 1,888	$ 278	$ 2,166
Recapitalization adjustment[1]	(10,633)	(151)	(346)			497	—	—	—
Recast balance at March 31, 2017	141,299	$ 1	$ 2,219	$ (170)	$ (162)	$ —	$ 1,888	$ 278	$ 2,166
Business acquired in purchase, net of issuance costs[2]	141,741	2	9,848				9,850	50	9,900
Net income				1,751			1,751	31	1,782
Other comprehensive income					220		220		220
Share-based compensation expense			92				92		92
Acquisition of treasury stock						(85)	(85)		(85)
Share repurchase program	(1,538)		(66)	(71)			(137)		(137)
Stock option exercises and other common stock transactions	4,891		117				117		117
Dividends declared ($0.72 per share)				(209)			(209)		(209)
Non-controlling interest distributions and other							—	(9)	(9)
Balance at March 31, 2018	286,393	$ 3	$ 12,210	$ 1,301	$ 58	$ (85)	$ 13,487	$ 350	$ 13,837

(1) Certain prior year amounts were adjusted to retroactively reflect the legal capital of DXC.

(2) See Note 2 - "Acquisitions"

(in millions, except shares in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock[1]	Total DXC Equity	Non-Controlling Interest	Total Equity
Balance at March 31, 2018	286,393	$ 3	$ 12,210	$ 1,301	$ 58	$ (85)	$ 13,487	$ 350	$ 13,837
Cumulative effect of adopting the new revenue standard				114			114		114
Net income				1,257			1,257	5	1,262
Other comprehensive loss					(302)		(302)	(3)	(305)
Share-based compensation expense			74				74		74
Acquisition of treasury stock						(51)	(51)		(51)
Share repurchase program	(19,343)		(845)	(494)			(1,339)		(1,339)
Stock option exercises and other common stock transactions	3,164		37				37		37
Dividends declared ($0.76 per share)				(209)			(209)		(209)
Non-controlling interest distributions and other							—	(29)	(29)
Divestiture of USPS			(175)	(1,491)			(1,666)		(1,666)
Balance at March 31, 2019	270,214	$ 3	$ 11,301	$ 478	$ (244)	$ (136)	$ 11,402	$ 323	$ 11,725

(1) 1,788,658 treasury shares as of March 31, 2019

The accompanying notes are an integral part of these consolidated financial statements.

(in millions, except shares in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock [(1)]	Total DXC Equity	Non-Controlling Interest	Total Equity
Balance at March 31, 2019	270,214	$ 3	$ 11,301	$ 478	$ (244)	$ (136)	$ 11,402	$ 323	$ 11,725
Net loss				(5,369)			(5,369)	11	(5,358)
Other comprehensive loss					(359)		(359)	11	(348)
Share-based compensation expense			70				70		70
Acquisition of treasury stock						(16)	(16)		(16)
Share repurchase program	(15,934)		(669)	(67)			(736)		(736)
Stock option exercises and other common stock transactions	1,394		12				12		12
Dividends declared ($0.84 per share)				(219)			(219)		(219)
Non-controlling interest distributions and other							—	(1)	(1)
Balance at March 31, 2020	255,674	$ 3	$ 10,714	$ (5,177)	$ (603)	$ (152)	$ 4,785	$ 344	$ 5,129

(1) 2,148,708 treasury shares as of March 31, 2020

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 - Summary of Significant Accounting Policies

Business

DXC Technology Company ("DXC" or the "Company") helps global companies run their mission critical systems and operations while modernizing IT, optimizing data architectures, and ensuring security and scalability across public, private and hybrid clouds. With decades of driving innovation, the world's largest companies trust DXC to deploy its enterprise technology stack to deliver new levels of performance, competitiveness and customer experiences.

Luxoft Acquisition

On June 14, 2019, DXC completed its acquisition of Luxoft Holding, Inc. ("Luxoft"), a global digital strategy and software engineering firm (the "Luxoft Acquisition"). The acquisition builds on DXC's unique value proposition as an end-to-end, mainstream IT and digital services market leader, and strengthens the Company's ability to design and deploy transformative digital solutions for clients at scale. See Note 2 - "Acquisitions" for further information.

Separation of USPS

On May 31, 2018, DXC completed the separation of its U.S. Public Sector business ("USPS") (the "Separation"), and combination of USPS with Vencore Holding Corp. ("Vencore") and KeyPoint Government Solutions ("Keypoint") (the "Mergers") to form Perspecta Inc. ("Perspecta"), an independent public company (collectively, the "USPS Separation and Mergers"). Under the terms of the separation agreements, on May 31, 2018, stockholders who held DXC common stock at the close of business on May 25, 2018 (the "Record Date"), received a distribution of one share of Perspecta common stock for every two shares of DXC common stock held as of the Record Date (the "Distribution"). See Note 3 - "Divestitures" for more information.

As a result of the Separation, the Consolidated Statements of Operations, Consolidated Balance Sheets, and related financial information reflect USPS's operations, assets and liabilities as discontinued operations for all periods presented. The cash flows of USPS have not been segregated and are included in the Consolidated Statement of Cash flows for the fiscal year ended March 31, 2018 and through the separation date of May 31, 2018 in the Consolidated Statement of Cash Flows for the fiscal year ended March 31, 2019. In addition, USPS is no longer a reportable segment. DXC's reportable segments are Global Business Services ("GBS") and Global Infrastructure Services ("GIS").

Basis of Presentation

In order to make this report easier to read, DXC refers throughout to (i) the Consolidated Financial Statements as the "financial statements," (ii) the Consolidated Statements of Operations as the "statements of operations," (iii) the Consolidated Statement of Comprehensive (Loss) Income as the "statements of comprehensive income," (iv) the Consolidated Balance Sheets as the "balance sheets," and (v) the Consolidated Statements of Cash Flows as the "statements of cash flows." In addition, references throughout to numbered "Notes" refer to the numbered Notes in these Notes to Consolidated Financial Statements, unless otherwise noted.

The accompanying financial statements have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission for annual reports and accounting principles generally accepted in the United States ("GAAP"). The financial statements include the accounts of DXC, its consolidated subsidiaries, and those business entities in which DXC maintains a controlling interest. Investments in business entities in which the Company does not have control, but has the ability to exercise significant influence over operating and financial policies, are accounted for by the equity method. Other investments are accounted for by the cost method. Non-controlling interests are presented as a separate component within equity in the balance sheets. Net earnings attributable to the non-controlling interests are presented separately in the statements of operations, and comprehensive income attributable to non-controlling interests are presented separately in the statements of comprehensive income. All intercompany transactions and balances have been eliminated. Certain amounts reported in the previous year have been reclassified to conform to the current year presentation. DXC corrected an immaterial classification error related to the presentation of deferred revenue and advance contract payments and non-current deferred revenue that first occurred during fiscal 2018.

Use of Estimates

The preparation of the financial statements, in accordance with GAAP, requires the Company's management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on assumptions regarding historical experience, currently available information and anticipated developments that it believes are reasonable and appropriate. However, because the use of estimates involves an inherent degree of uncertainty, actual results could differ from those estimates. The severity, magnitude and duration, as well as the economic consequences of the COVID-19 pandemic, are uncertain, rapidly changing and difficult to predict. Therefore, accounting estimates and assumptions may change over time in response to COVID-19 and may change materially in future periods. Estimates are used for, but not limited to, contracts accounted for using the percentage-of-completion method, cash flows used in the evaluation of impairment of goodwill and other long-lived assets, reserves for uncertain tax positions, valuation allowances on deferred tax assets, loss accruals for litigation and obligations related to our pension plans. In the opinion of the Company's management, the accompanying financial statements contain all adjustments necessary, including those of a normal recurring nature, to fairly present the financial statements.

Leases

Effective April 1, 2019, the Company adopted ASU 2016-02, "Leases, Topic ASC 842" using the modified retrospective method. Refer to the Recently Adopted Accounting Pronouncements section of this Note and Note 6 - "Leases" for further discussion of the impact of adoption and other required disclosures. The Company determines if an arrangement is a lease at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether DXC obtains substantially all economic benefits from and has the ability to direct the use of the asset. Operating leases are included in operating right-of-use ("ROU") assets, net, current operating lease liabilities and non-current operating lease liabilities in DXC's balance sheets. Finance leases are included in property and equipment, net, short-term debt and current maturities of long-term debt and long-term debt, net of current maturities in DXC's balance sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating ROU assets and operating lease liabilities are recognized at commencement based on the present value of lease payments over the lease term.

As most of the Company's leases do not provide an implicit rate, DXC uses its incremental borrowing rate based on the information available at commencement to determine the present value of lease payments. The incremental borrowing rate is the rate of interest that DXC would have to pay to borrow, on a collateralized basis, an amount equal to the lease payments, in a similar economic environment and over a similar term. The rate is dependent on several factors, including the lease term, currency of the lease payments and the Company's credit ratings.

Operating ROU assets also includes any lease payments made and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease. Operating ROU assets and lease liabilities include these options when it is reasonably certain that they will be exercised. Lease arrangements generally do not contain any residual value guarantees or material restrictive covenants.

Lease expense for lease payments is recognized on a straight-line basis over the lease term. Variable lease expense is related to the Company's leased real estate for offices and primarily includes labor and operational costs. DXC subleases certain leased office space to third parties when it determines there is excess leased capacity. Sublease income was not material for all periods presented. The Company combines lease and non-lease components under its lease agreements.

Revenue Recognition

Effective April 1, 2018, the Company adopted ASU 2014-09, “Revenue from Contracts with Customers (ASC 606),” using the modified retrospective method. Refer to New Accounting Standards below and Note 20 - “Revenue” for further discussion of the impact of adoption and other required disclosures. The Company’s accounting policy related to the new revenue standard is summarized below.

The Company's primary service offerings are information technology outsourcing, other professional services, or a combination thereof. Revenues are recognized when control of the promised goods or services is transferred to DXC's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

DXC determines revenue recognition through the five-step model as follows:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

DXC's IT outsourcing ("ITO") arrangements typically reflect a single performance obligation that comprises a series of distinct services which are substantially the same and provided over a period of time using the same measure of progress. Revenue derived from these arrangements is recognized over time based upon the level of services delivered in the distinct periods in which they are provided based on time increments. When other parties are involved in providing goods or services as part of our customer arrangements, DXC recognizes revenue on a gross basis as a principal when it controls goods or services before they are transferred to the customer. DXC's contracts often include upfront fees billed for activities to familiarize DXC with the client's operations, take control over their administration and operation, and adapt them to DXC's solutions. Upfront fees are generally recognized ratably over the contract period, which approximates the manner in which the services are provided. These activities typically do not qualify as performance obligations, and the related revenues are allocated to the relevant performance obligations and recognized ratably over time as the performance obligation is satisfied during the period in which DXC provides the related service, which is typically the life of the contract. Software transactions that include multiple performance obligations are described below.

For contracts with multiple performance obligations, DXC allocates the contract’s transaction price to each performance obligation based on the relative standalone selling price of each distinct good or service in the contract. Other than software sales involving multiple performance obligations, the primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which the Company forecasts its expected costs of satisfying a performance obligation and then adds an appropriate margin for that distinct good or service.

DXC's ITO arrangements may also contain embedded leases for equipment used to fulfill services. A contract with a customer includes an embedded lease when DXC grants the customer a right to control the use of an identified asset for a period of time in exchange for consideration. Embedded leases with customers are typically recognized either as a sales type lease in which Revenue and Cost of Sales is recognized upon lease commencement; or they may be recognized as operating leases in which revenue is recognized over the usage period.

The transaction price of a contract is determined based on fixed and variable consideration. Variable consideration related to the Company’s ITO offerings often include volume-based pricing that are allocated to the distinct days of the services to which the variable consideration pertains. However, in certain cases, estimates of variable consideration, including penalties, contingent milestone payments and rebates are necessary. The Company only includes estimates of variable consideration in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur. These judgments involve consideration of historical and expected experience with the customer and other similar customers, and the facts and circumstances specific to the arrangement.

The Company generally provides its services under time and materials contracts, unit price contracts, fixed-price contracts, and software contracts for which revenue is recognized in the following manner:

Time and materials contracts. Revenue is recognized over time at agreed-upon billing rates when services are provided.

Unit-price contracts. Revenue is recognized over time based on unit metrics multiplied by the agreed upon contract unit price or when services are delivered.

Fixed-price contracts. For certain fixed-price contracts, revenue is recognized over time using a method that measures the extent of progress towards completion of a performance obligation, generally using a cost-input method (referred to as the percentage-of-completion cost-to-cost method). Under the percentage-of-completion cost-to-cost method, revenue is recognized based on the proportion of total cost incurred to estimated total costs at completion. A performance obligation's estimate at completion includes all direct costs such as materials, labor, subcontractor costs, overhead, and a ratable portion of general and administrative costs. If output or input measures are not available or cannot be reasonably estimated, revenue is deferred until progress can be measured and costs are not deferred unless they meet the criteria for capitalization. Under the percentage-of-completion cost-to-cost method, progress towards completion is measured based on either achievement of specified contract milestones, costs incurred as a proportion of estimated total costs, or other measures of progress when appropriate. Profit in a given period is reported at the estimated profit margin to be achieved on the overall contract.

Software contracts. Certain of DXC's arrangements involve the sale of DXC proprietary software, post contract customer support, and other software-related services. The standalone selling price generally is determined for each performance obligation using an adjusted market assessment approach based on the price charged where each deliverable is sold separately. In certain limited cases (typically for software licenses) when the historical selling price is highly variable, the residual approach is used. This approach allocates revenue to the performance obligation equal to the difference between the total transaction price and the observable standalone selling prices for the other performance obligations. Revenue from distinct software licenses is recognized at a point in time when the customer can first use the software license. If significant customization is required, software revenue is recognized as the related software customization services are performed in accordance with the percentage-of-completion method described above. Revenue for post contract customer support and other software services is recognized over time as those services are provided.

Practical Expedients and Exemptions

DXC does not adjust the promised amount of consideration for the effects of a significant financing component when the period between when DXC transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. In addition, the Company reports revenue net of any revenue-based taxes assessed by a governmental authority that are imposed on and concurrent with specific revenue-producing transactions, such as sales taxes and value-added taxes.

Contract Balances

The timing of revenue recognition, billings and cash collections results in accounts receivable (billed receivables, unbilled receivables and contract assets) and deferred revenue and advance contract payments (contract liabilities) on the Company's balance sheets. In arrangements that contain an element of customized software solutions, amounts are generally billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g. monthly) or upon achievement of certain contractual milestones. Generally, billing occurs subsequent to revenue recognition, sometimes resulting in contract assets if the related billing is conditional upon more than just the passage of time. However, the Company sometimes receives advances or deposits from customers, before revenue is recognized, which results in the generation of contract liabilities. Payment terms vary by type of product or service being provided as well as by customer, although the term between invoicing and when payment is due is generally an insignificant period of time.

Costs to Obtain a Contract

Certain sales commissions earned by the Company's sales force are considered incremental and recoverable costs of obtaining a contract with a customer. The majority of sales commissions are paid based on the achievement of quota-based targets. These costs are deferred and amortized on a straight-line basis over an average period of benefit determined to be five years. The Company determined the period of benefit considering the length of its customer contracts, its technology and other factors. The period of benefit approximates the average stated contract terms, excluding expected future renewals, because sales commissions are paid upon contract renewal in a manner commensurate with the initial commissions. Some commission payments are not capitalized because they are expensed during the fiscal year as the related revenue is recognized. Capitalized sales commissions costs are classified within other assets and amortized in selling, general and administrative expenses.

Costs to Fulfill a Contract

Certain contract setup costs incurred upon initiation or renewal of an outsourcing contract that generate or enhance resources to be used in satisfying future performance obligations are capitalized when they are deemed recoverable. Judgment is applied to assess whether contract setup costs are capitalizable. Costs that generate or enhance resources often pertain to activities that enhance the capabilities of the services, improve customer experience and establish a more effective and efficient IT environment. The Company recognizes these transition and transformation contract costs as other assets, which are amortized over the respective contract life.

Pension and Other Benefit Plans

The Company accounts for its pension, other post-retirement benefit ("OPEB"), defined contribution and deferred compensation plans using the guidance of ASC 710 "Compensation - General" and ASC 715 "Compensation - Retirement Benefits". The Company recognizes actuarial gains and losses and changes in fair value of plan assets in earnings at the time of plan remeasurement as a component of net periodic benefit expense. Typically plan remeasurement occurs annually during the fourth quarter of each fiscal year. The remaining components of pension and OPEB expense, primarily current period service and interest costs and expected return on plan assets, are recorded on a quarterly basis.

Inherent in the application of the actuarial methods are key assumptions, including, but not limited to, discount rates, expected long-term rates of return on plan assets, mortality rates, rates of compensation increases, and medical cost trend rates. Company management evaluates these assumptions annually and updates assumptions as necessary. The fair value of assets is determined based on the prevailing market prices or estimated fair value of investments when quoted prices are not available.

Software Development Costs

After establishing technological feasibility, and until such time as the software products are available for general release to customers, the Company capitalizes costs incurred to develop commercial software products to be sold, leased or otherwise marketed. Costs incurred to establish technological feasibility are charged to expense as incurred. Enhancements to software products are capitalized where such enhancements extend the life or significantly expand the marketability of the products. Amortization of capitalized software development costs is determined separately for each software product. Annual amortization expense is calculated based on the greater of the ratio of current gross revenues for each product to the total of current and anticipated future gross revenues for the product or the straight-line amortization method over the estimated useful life of the product.

Unamortized capitalized software costs associated with commercial software products are periodically evaluated for impairment on a product-by-product basis by comparing the unamortized balance to the product’s net realizable value. The net realizable value is the estimated future gross revenues from that product reduced by the related estimated future costs. When the unamortized balance exceeds the net realizable value, the unamortized balance is written down to the net realizable value and an impairment charge is recorded.

The Company capitalizes costs incurred to develop internal-use computer software during the application development stage. Costs related to preliminary project activities and post-implementation activities are expensed as incurred. Internal and external costs incurred in connection with development of upgrades or enhancements that result in additional functionality are also capitalized. Capitalized costs associated with internal-use software are amortized on a straight-line basis over the estimated useful life of the software. Purchased software is capitalized and amortized over the estimated useful life of the software. Internal-use software assets are evaluated for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

Share-Based Compensation

Share-based awards are accounted for under the fair value method. The Company provides different forms of share-based compensation to its employees and non-employee directors. This includes stock options and restricted stock units ("RSUs"), including performance-based restricted stock units ("PSUs"). The fair value of the awards is determined on the grant date, based on the Company's closing stock price. For awards settled in shares, the Company recognizes compensation expense based on the grant-date fair value net of estimated forfeitures over the vesting period. For awards settled in cash, the Company recognizes compensation expense based on the fair value at each reporting date net of estimated forfeitures.

The Company uses the Black-Scholes-Merton model to compute the estimated fair value of options granted. This model includes assumptions regarding expected term, risk-free interest rates, expected volatility and dividend yields which are periodically evaluated. The expected term is calculated based on the Company’s historical experience with respect to its stock plan activity and an estimate of when vested and unexercised option shares will be exercised. The expected term of options is based on job tier classifications, which have different historical exercise behavior. The risk-free interest rate is based on the zero-coupon interest rate of U.S. government issued treasury STRIPS with a period commensurate with the expected term of the options.

Expected volatility is based on a blended approach, which uses a two-thirds weighting for historical volatility and one-third weighting for implied volatility. The Company’s historical volatility calculation is based on employee class and historical closing prices of the Company's peer group, in order to better align this factor with the expected terms of the stock options. DXC’s implied stock price volatility is derived from the price of exchange traded options on DXC’s stock with the longest remaining contractual term. Implied volatility is a prospective, forward looking measure representing market participants’ expectations of DXC's future stock price volatility. The dividend yield assumption is based on the respective fiscal year dividend payouts. Forfeitures are estimated based on historical experience.

Business Combinations

Companies acquired during each reporting period are reflected in the results of the Company effective from their respective dates of acquisition through the end of the reporting period. The Company allocates the fair value of purchase consideration to the assets acquired and liabilities assumed based on their fair values at the acquisition date. The excess of the fair value of purchase consideration over the fair value of the assets acquired and liabilities assumed in the acquired entity is recorded as goodwill. If the Company obtains new information about facts and circumstances that existed as of the acquisition date during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Company's statements of operations. For contingent consideration recorded as a liability, the Company initially measures the amount at fair value as of the acquisition date and adjusts the liability, if needed, to fair value each reporting period. Changes in the fair value of contingent consideration, other than measurement period adjustments, are recognized as income or expense. Acquisition-related expenses and post-acquisition integration costs are recognized separately from the business combination and are expensed as incurred.

Goodwill Impairment Analysis

Effective July 1, 2019, the Company adopted ASU 2017-04, "Intangibles-Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment" using the prospective method. Refer to the Recently Adopted Accounting Pronouncements section of this Note and Note 11 - "Goodwill" for further discussion of impact of adoption and other required disclosures.

The Company tests goodwill for impairment on an annual basis, as of the first day of the second fiscal quarter, and between annual tests if circumstances change, or if an event occurs that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company has defined its reporting units as its reportable segments. A significant amount of judgment is involved in determining whether an event indicating impairment has occurred between annual testing dates. Such indicators include: a significant decline in the Company's stock price, a significant decline in expected future cash flows, a significant adverse change in legal factors or in the business climate, unanticipated competition, the disposal of a significant component of a reporting unit and the testing for recoverability of a significant asset group within a reporting unit.

The Company initially assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. This qualitative assessment considers all relevant factors specific to the reporting units, including macroeconomic conditions; industry and market considerations; overall financial performance and relevant entity-specific events.

If the Company determines that it is not more likely that the carrying amount for a reporting unit is less than its fair value, then subsequent quantitative goodwill impairment testing is not required. If the Company determines that it is more likely than not that the carrying amount for a reporting unit is greater than its fair value, then it proceeds with a subsequent quantitative goodwill impairment test.

The Company has the option to bypass the initial qualitative assessment stage and proceed directly to the quantitative goodwill impairment test. The quantitative goodwill impairment test compares each reporting unit’s fair value to its carrying value. If the reporting unit’s fair value exceeds its carrying value, no further procedures are required. However, if a reporting unit’s fair value is less than its carrying value, then an impairment charge is recorded in the amount of the excess.

When the Company performs the quantitative goodwill impairment test for a reporting unit, it estimates the fair value of the reporting unit using both the income approach and the market approach. The income approach uses a discounted cash flow method in which the estimated future cash flows and terminal values for each reporting unit are discounted to present value using a discount rate. Cash flow projections are based on management's estimates of economic and market conditions, which drive key assumptions of revenue growth rates, operating margins, capital expenditures and working capital requirements. The discount rate is based on the specific risk characteristics of each reporting unit, the weighted-average cost of capital and its underlying forecasts. The market approach estimates fair value by applying performance-metric multiples to the reporting unit's prior and expected operating performance. The multiples are derived from comparable publicly traded companies that have operating and investment characteristics similar to those of the reporting unit. If the fair value of the reporting unit derived using one approach is significantly different from the fair value estimate using the other approach, the Company reevaluates its assumptions used in the two models. Assumptions are modified as considered appropriate under the circumstances until the two models yield similar and reasonable results. The fair values determined by the market approach and income approach, as described above, are weighted to determine the fair value for each reporting unit. The weighting ascribed to the market approach fair value assigned to each reporting unit is influenced by two primary factors: 1) the number of comparable publicly traded companies used in the market approach, and 2) the similarity of the operating and investment characteristics of the reporting units to the comparable publicly traded companies used in the market approach.

If DXC performs a quantitative goodwill impairment test for all of its reporting units in conjunction with its annual goodwill testing, it also compares the sum of all of its reporting units’ fair values to the Company's market capitalization (per-share stock price multiplied by the number of shares outstanding) and calculates an implied control premium representing the excess of the sum of the reporting units’ fair values over the market capitalization. The Company evaluates the reasonableness of the control premium by comparing it to control premiums derived from recent comparable business combinations. If the implied control premium is not supported by market data, the Company reconciles its fair value estimates of the reporting units to a market capitalization supported by relevant market data. As a result, when DXC’s stock price and thus market capitalization is low relative to the sum of the estimated fair value of its reporting units, this reconciliation can result in reductions to the estimated fair values for the reporting units.

Fair Value

The Company applies fair value accounting for its financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The objective of a fair value measurement is to estimate the price to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. Such transactions to sell an asset or transfer a liability are assumed to occur in the principal market for that asset or liability, or in the absence of the principal market, the most advantageous market.

Assets and liabilities subject to fair value measurement disclosures are required to be classified according to a three-level fair value hierarchy with respect to the inputs used to determine fair value. The level in which an asset or liability is disclosed within the fair value hierarchy is based on the lowest level input that is significant to the related fair value measurement in its entirety. The levels of input are defined as follows:

Level 1: Quoted prices unadjusted for identical assets or liabilities in an active market.

Level 2: Quoted prices for similar assets or liabilities in an active market, quoted prices for identical similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data.

Level 3: Unobservable inputs that reflect the entity's own assumptions which market participants would use in pricing the asset or liability.

Receivables

The Company records receivables at their face amounts less an allowance for doubtful accounts. Receivables consist of amounts billed and currently due from customers, amounts earned but unbilled (including contracts measured under the percentage-of-completion cost-to-cost method of accounting), amounts retained by the customer until the completion of a specified contract, negotiation of contract modification and claims. Unbilled recoverable amounts under contracts in progress generally become billable upon achievement of project milestones or upon acceptance by the customer.

Allowances for uncollectible billed trade receivables are estimated based on a combination of write-off history, aging analysis and any known collectability issues. Unbilled amounts under contracts in progress that are recoverable do not have an allowance for credit losses. Adjustments to unbilled amounts under contracts in progress related to credit quality, should they occur, would be recorded as a reduction of revenues.

DXC uses receivables securitization facilities or receivables sales facilities in the normal course of business as part of managing its cash flows. The Company accounts for receivables sold under these facilities as a sale of financial assets pursuant to ASC 860 “Transfers and Servicing” and derecognizes these receivables, as well as the related allowances, from its balance sheets. Generally, the fair value of the sold receivables approximates the book value due to the short-term nature and, as a result, no gain or loss on sale of receivables is recorded. Under the receivables securitization facility, the deferred purchase price receivable is recorded at fair value, which is determined by calculating the expected amount of cash to be received based on unobservable inputs consisting of the face amount of the receivables adjusted for anticipated credit losses.

The Company reflects cash flows related to its beneficial interests in securitization transactions, which is the deferred purchase price (the “DPP”) recorded in connection with the Company's Receivables Securitization Facility, within investing activities in its statements of cash flows.

Property and Equipment

Property and equipment, which includes assets under capital leases, are stated at cost less accumulated depreciation. Depreciation is computed predominantly on a straight-line basis over the estimated useful lives of the assets or the remaining lease term, whichever is shorter. The estimated useful lives of DXC's property and equipment are as follows:

Buildings	Up to 40 years
Computers and related equipment	4 to 7 years
Furniture and other equipment	3 to 15 years
Leasehold improvements	Shorter of lease term or useful life up to 20 years

In accordance with its policy, the Company reviews the estimated useful lives of its property and equipment on an ongoing basis. As a result, effective fiscal year 2020, the Company changed its estimate of the useful lives of its computers and related equipment from an average of four to five years to an average of four to seven years , which better reflects the estimated periods during which these assets will remain in service. This change resulted in a $225 million decrease to depreciation expense for the fiscal year ended March 31, 2020.

Intangible Assets

The Company's estimated useful lives for finite-lived intangibles are shown in the table below:

Software	2 to 10 years
Customer related intangibles	Expected customer service life
Acquired contract related intangibles	Contract life and first contract renewal, where applicable

Software is amortized using predominately the straight-line method. Acquired contract related and customer related intangible assets are amortized in proportion to the estimated undiscounted cash flows projected over the estimated life of the asset or on a straight-line basis if such cash flows cannot be reliably estimated.

Impairment of Long-Lived Assets and Finite-Lived Intangible Assets

Long-lived assets such as property and equipment and finite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. Recoverability of long-lived assets or groups of assets is assessed based on a comparison of the carrying amount of such assets to the estimated future net cash flows. If estimated future net cash flows are less than the carrying amount of such assets, an expense is recorded in the amount required to reduce the carrying amount of such assets to fair value. Fair value is determined based on a discounted cash flow approach or, when available and appropriate, comparable market values. Long-lived assets to be disposed of are reported at the lower of their carrying amount or their fair value less costs to sell.

Income Taxes

The Company uses the liability method in accounting for income taxes. Deferred tax assets and liabilities are recorded for the expected future tax consequences of temporary differences between financial statement carrying amounts of assets and liabilities and their respective tax bases, using statutory tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the results of operations in the period that includes the related enactment date.

A valuation allowance is established when it is more likely than not that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period to period are included in the Company’s tax provision during the period in which the change occurred. In determining whether a valuation allowance is warranted, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, taxable income in prior carryback years, projected future taxable income, tax planning strategies and recent financial operations. The Company recognizes uncertain tax positions when it is more likely than not that the tax position will be sustained upon examination. Uncertain tax positions are measured based on the probabilities that the uncertain tax position will be realized upon final settlement.

All tax-related cash flows resulting from excess tax benefits related to the settlement of share-based awards are classified as cash flows from operating activities and cash paid by directly withholding shares for tax withholding purposes is classified as a financing activity in the statements of cash flows.

Cash and Cash Equivalents

The Company considers investments with an original maturity of three months or less to be cash equivalents. The Company’s cash equivalents consist of time deposits, money market funds and money market deposit accounts with a number of institutions that have high credit ratings.

Foreign Currency

The local currency of the Company's foreign affiliates is generally their functional currency. Accordingly, the assets and liabilities of the foreign affiliates are translated from their respective functional currency to U.S. dollars using fiscal year-end exchange rates, income and expense accounts are translated at the average rates in effect during the fiscal year and equity accounts are translated at historical rates. The resulting translation adjustment is reported in the statements of comprehensive income and recorded as part of accumulated other comprehensive income ("AOCI").

Derivative Instruments

The Company designates certain derivative instruments as hedges for purposes of hedge accounting, as defined under ASC 815 “Derivatives and Hedging.” For such derivative instruments, the Company documents its risk management objectives and strategy for undertaking hedging transactions, as well as all relationships between hedging and hedged risks. The Company's derivative instruments designated for hedge accounting include interest rate swaps and foreign currency forward and option contracts. Changes in the fair value measurements of these derivative instruments are reflected as adjustments to other comprehensive income and subsequently reclassified into earnings in the period during which the hedged transactions occurred. Any ineffectiveness or excluded portion of a designated hedge is recognized in earnings.

The Company also has entered into certain net investment hedges. Changes in the fair value of net investment hedges are recorded in the currency translation adjustment section of other comprehensive income and subsequently reclassified into earnings in the period the hedged item affects earnings. The Company excludes forward points from the effectiveness assessment of its net investment hedges. Changes in fair value of the excluded component are recognized in earnings.

The derivative instruments not designated as hedges for purposes of hedge accounting include total return swaps and certain short-term foreign currency forward contracts. These instruments are recorded at their respective fair values and the change in their value is reported in current period earnings. The Company does not use derivative instruments for trading or speculative purpose. The Company reports the effective portion of its cash flow hedges in the same financial statement line item as changes in the fair value of the hedged item. All cash flows associated with the Company's derivative instruments are classified as operating activities in the statements of cash flows.

Recently Adopted Accounting Pronouncements

During fiscal 2020, DXC adopted the following Accounting Standards Updates ("ASU") issued by the Financial Accounting Standards Board:

Date Issued and ASU	Date Adopted and Method	Description	Impact
February 2016 ASU 2016-02 "Leases (Topic 842)"	April 1, 2019 Modified retrospective	This update is intended to increase transparency and comparability among organizations by recognizing virtually all lease assets and lease liabilities on the balance sheet and disclosing key information about lease arrangements. This update must be adopted using a modified retrospective transition at the beginning of the earliest period presented or at the adoption date recognizing a cumulative adjustment to the opening balance of retained earnings in the period of adoption and provides for certain practical expedients.	The Company adopted this update utilizing the simplified transition method allowing the Company to not restate comparative periods and apply Topic 842 beginning on April 1, 2019. During adoption, the Company implemented changes in its systems, including the implementation of new lease accounting software, internal controls, business processes, and accounting policies related to both the implementation of, and ongoing compliance with, the new guidance. The adoption resulted in following impacts. The Company recorded increases of $1.7 billion in assets and $1.8 billion in liabilities as of April 1, 2019, due to the recording of operating ROU assets and operating lease liabilities for lease obligations that were historically classified as operating leases. The Company's cumulative adjustment to the opening balance of retained earnings was not material. Additionally, the update did not have a material impact on the statements of operations or statements of cash flows. DXC elected the practical expedient package permitted under Topic 842, which among other things, permits the Company not to reassess historical conclusions related to contracts that contain leases, lease classification and initial direct costs for leases that commenced prior to the adoption date. DXC applied the lessee component election, allowing the Company to account for lease and non-lease components as a single lease component. In addition, DXC made an accounting policy election to not capitalize leases with an initial term of 12 months or less that do not contain a ‘reasonably certain’ purchase option. Refer to Note 6 - "Leases" for additional information.
February 2018 ASU 2018-02 - "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income"	April 1, 2019 Retrospective	This update provides an option to reclassify stranded tax effects within accumulated other comprehensive income ("AOCI") to retained earnings in each period in which the effect (or portion thereof) of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recorded.	The Company adopted this update and opted to not elect to reclassify any stranded tax effects within AOCI to retained earnings, and as such, the adoption of ASU 2018-02 did not have an effect on its condensed consolidated financial statements. In accordance with its accounting policy, the Company uses the portfolio approach and will release income tax effects from AOCI once the reason the tax effects were established cease to exist (e.g., when available-for-sale debt securities are sold or if a pension plan is liquidated).
January 2017 ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the test for Goodwill Impairment"	July 1, 2019 Prospective	This update is intended to simplify goodwill impairment testing by eliminating Step 2 from the goodwill impairment test. Under the new guidance, if a reporting unit’s carrying amount exceeds its fair value, the entity will record an impairment loss based on that difference. The impairment loss will be limited to the amount of goodwill allocated to that reporting unit. Previously, if the fair value of a reporting unit was lower than its carrying amount (Step 1), an entity was required to calculate any impairment loss by comparing the implied fair value of goodwill with its carrying amount (Step 2). Additionally, under the new standard, companies that have reporting units with zero or negative carrying amounts will no longer be required to perform the qualitative assessment to determine whether to perform Step 2 of the goodwill impairment test. As a result, reporting units with zero or negative carrying amounts will generally be expected to pass the simplified impairment test; however, additional disclosure will be required of those companies.	DXC early adopted this guidance on a prospective basis as of July 1, 2019. As a result of adopting this ASU, the Company no longer performs Step 2 while completing its goodwill impairment testing, beginning with its annual goodwill impairment testing performed during the second quarter of fiscal 2020. DXC's impairment testing resulted in non-cash impairment charges of $6,794 million, consisting of $3,789 million and $3,005 million in its GBS and GIS reporting units, respectively. See Note 11 - "Goodwill" for additional information.

New Accounting Pronouncements:

The following ASUs were recently issued but have not yet been adopted by DXC:

Date Issued and ASU	DXC Effective Date	Description	Impact
June 2016 ASU 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”	Fiscal 2021	This update is intended to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the existing incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This update must be adopted using a prospective transition approach for debt securities for which an other-than-temporary impairment has been recognized before the effective date.	DXC has evaluated its trade receivables and financial arrangements and determined that the adoption of ASU 2016-13 will be immaterial to the consolidated financial statements.
August 2018 ASU 2018-15, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract"	Fiscal 2021	This update helps entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license. Entities have the option to apply this standard prospectively to all implementation costs incurred after the date of adoption or retrospectively.	DXC has evaluated the impact of adopting ASU 2018-15 and determined that the adoption will be immaterial to the consolidated financial statements.
August 2018 ASU 2018-13 – "Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement"	Fiscal 2021	This update is to improve the effectiveness of fair value measurement disclosures. The amendments in this ASU modify the disclosure requirements on fair value measurements based on the concepts in FASB Concepts Statement, Conceptual Framework for Financial Reporting-Chapter 8: Notes to Financial Statements, including the consideration of costs and benefits.	DXC is currently evaluating to determine what updates may be required and disclosed.

Other recently issued ASUs effective after March 31, 2020 are not expected to have a material effect on DXC's consolidated financial statements.

Note 2 - Acquisitions

Fiscal 2020 Acquisitions

Luxoft Acquisition

On June 14, 2019, DXC completed the acquisition of Luxoft, a digital service provider whose offerings encompass strategic consulting, custom software development services, and digital solution engineering for total consideration of $2.0 billion. The acquisition will combine Luxoft’s digital engineering capabilities with DXC’s expertise in IT modernization and integration. The purchase agreement (“Merger Agreement”) was entered into by DXC and Luxoft on January 6, 2019 and the transaction was closed on June 14, 2019.

The transaction between DXC and Luxoft is an acquisition, with DXC as the acquirer and Luxoft as the acquiree, based on the fact that DXC acquired 100% of the equity interests and voting rights in Luxoft, and that DXC is the entity that transferred the cash consideration.

The purchase price allocation was finalized during the fourth quarter of fiscal 2020. The Company's allocation of the purchase price to the assets acquired and liabilities assumed as of the Luxoft acquisition date is as follows:

(in millions)	Fair Value
Cash and cash equivalents	$ 113
Accounts receivable	233
Other current assets	15
Total current assets	361
Property and equipment	31
Intangible assets	577
Other assets	99
Total assets acquired	1,068
Accounts payable, accrued payroll, accrued expenses, and other current liabilities	(121)
Deferred revenue	(8)
Long-term deferred tax liabilities and income tax payable	(106)
Other liabilities	(72)
Total liabilities assumed	(307)
Net identifiable assets acquired	761
Goodwill	1,262
Total consideration transferred	$ 2,023

Goodwill represents the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed at the acquisition date. The goodwill recognized with the acquisition was attributable to the synergies expected to be achieved by combining the businesses of DXC and Luxoft, expected future contracts and the acquired workforce. The cost-saving opportunities are expected to include improved operating efficiencies and asset optimization. The total goodwill arising from the acquisition was allocated to GBS and is not deductible for tax purposes. See Note 11 - "Goodwill."

As of the period March 31, 2020, the Company made a number of refinements to the June 14, 2019 purchase price allocation. These refinements were primarily driven by the Company recording valuation adjustments that increased customer related intangibles by $6 million and historical deferred tax adjustments including $22 million uncertain tax positions which resulted in a decrease in net identifiable assets of $17 million.

Current assets and liabilities

The Company valued current assets and liabilities using existing carrying values as an estimate of the approximate fair value of those items at the acquisition date except for certain contract receivables for which the Company determined fair value based on a cost plus margin approach.

Property and equipment

The acquired property and equipment are summarized in the following table:

(in millions)	Amount
Land, buildings, and leasehold improvements	$ 8
Computers and related equipment	12
Furniture and other equipment	11
Total	$ 31

The company valued acquired property and equipment using the direct capitalization method of the income approach and the cost approach. For all other categories of property and equipment, based on the nature of the assets, the Company determined that the net book value represents the fair value.

Identified intangible assets

The acquired identifiable intangible assets are summarized in the following table:

(in millions)	Amount	Estimated Useful Lives (Years)
Customer related intangibles	$ 417	10
Trade names	143	20
Developed technology	6	3
Third-party purchased software	11	3
Total	$ 577	

Developed technology and third-party purchased software are included in the software category and trade names are included in the other intangible assets category in Note 10 -"Intangible Assets".

The Company valued customer relationships using the multi-period excess earnings method under the income approach and valued trade names and developed technology using a relief from royalty method under the income approach. The Company determined that the net book value of the purchased software represents the fair value.

Deferred tax liabilities

The Company valued deferred tax liabilities based on statutory tax rates in the jurisdictions of the legal entities where the acquired non-current assets and liabilities are taxed.

Results of Operations

The Company's statement of operations includes the following revenues and net income attributable to Luxoft since the acquisition date:

(in millions)	Twelve Months Ended March 31, 2020[(1)]
Revenues	$ 695
Net income (loss)	$ (25)

[(1)] Results for the fiscal year ended March 31, 2020 reflect operations subsequent to the acquisition date of June 14, 2019, not the full twelve months of fiscal 2020.

Fiscal 2019 Acquisitions

Molina Medicaid Solutions Acquisition

On October 1, 2018, DXC completed its acquisition of Molina Medicaid Solutions ("MMS"), a Medicaid Management Information Systems business, from Molina Healthcare, Inc. for the total consideration of $233 million. The combination of MMS with DXC expands DXC's ability to provide services to state agencies in the administration of Medicaid programs, including business processing, information technology development and administrative services.

The purchase price for the MMS was allocated to assets acquired and liabilities assumed based upon the current determination of fair values at the date of acquisition as follows: $87 million to current assets, $112 million to intangible assets other than goodwill, $11 million to other assets, $51 million to current liabilities, $18 million to other liabilities and $92 million to goodwill. The goodwill is associated with the Company's GBS segment and is tax deductible. The intangible assets acquired include customer relationships and developed technology which have a 13-year weighted average estimated useful life.

Other Acquisitions

In addition to the MMS acquisition, DXC completed seven acquisitions to complement the Company's Microsoft Dynamics and ServiceNow offerings and to provide opportunities for future growth. The acquired businesses are included in the results for the GBS segment. The purchase consideration of $228 million included cash of $187 million and contingent consideration with an estimated fair value of $41 million. The purchase price was allocated to assets acquired and liabilities assumed based upon determination of fair values at the dates of acquisition as follows: $73 million to current assets, $71 million to intangible assets other than goodwill, $10 million to other non-current assets, $63 million to current liabilities and $137 million to goodwill. The goodwill is associated with the Company's GBS segment some of which is tax deductible.

Fiscal 2018 Acquisitions

HPES Merger

On April 1, 2017, CSC, Hewlett Packard Enterprise Company (“HPE”), Everett SpinCo, Inc. (“Everett”), and New Everett Merger Sub Inc., a wholly-owned subsidiary of Everett (“Merger Sub”), completed the strategic combination of CSC with the Enterprise Services business of HPE to form DXC. The combination was accomplished through a series of transactions that included the transfer by HPE of its Enterprise Services business, HPES, to Everett, and spin-off by HPE of Everett on March 31, 2017, and the merger of Merger Sub with and into CSC on April 1, 2017. At the time of the HPES Merger, Everett was renamed DXC, and as a result of the HPES Merger, CSC became a direct wholly owned subsidiary of DXC. DXC common stock began regular-way trading on the New York Stock Exchange on April 3, 2017. The strategic combination of the two complementary businesses was to create a versatile global technology services business, well positioned to innovate, compete and serve clients in a rapidly changing marketplace.

The transaction involving HPES and CSC is a reverse merger acquisition, in which DXC is considered the legal acquirer of the business and CSC is considered the accounting acquirer. While purchase consideration transferred in a business combination is typically measured by reference to the fair value of equity issued or other assets transferred by the accounting acquirer, CSC did not issue any consideration in the HPES Merger. CSC stockholders received one share of DXC common stock for every one share of CSC common stock held immediately prior to the HPES Merger. DXC issued a total of 141,298,797 shares of DXC common stock to CSC stockholders, representing approximately 49.9% of the outstanding shares of DXC common stock immediately following the HPES Merger.

The reverse merger is deemed a capital transaction and the net assets of CSC (the accounting acquirer) are carried forward to DXC (the legal acquirer and the reporting entity) at their carrying value before the combination. The acquisition process utilizes the capital structure of the Company and the assets and liabilities of CSC, which are recorded at historical cost. The equity of the Company is the historical equity of CSC, retroactively restated to reflect the number of shares issued by DXC in the transaction.

Under the acquisition method of accounting, total consideration exchanged was:

(in millions)	Amount
Fair value of purchase consideration received by HPE stockholders[(1)]	$ 9,782
Fair value of HPES options assumed by CSC[(2)]	68
Total consideration transferred	$ 9,850

[(1)] Represents the fair value of consideration received by HPE stockholders to give them 50.1% ownership in the combined company. The fair value of the purchase consideration transferred was based on a total of 141,865,656 shares of DXC common stock distributed to HPE stockholders as of the close of business on the record date (141,741,712 after the effect of 123,944 cancelled shares) at CSC's closing price of $69.01 per share on March 31, 2017.

[(2)] Represents the fair value of certain stock-based awards of HPES employees that were unexercised on March 31, 2017, which were converted to DXC stock-based awards.

The purchase price allocation for the HPES Merger was finalized during the fourth quarter of fiscal 2018. The Company's allocation of the purchase price to the assets acquired and liabilities assumed as of the HPES Merger date is as follows:

(in millions)	Fair Value
Cash and cash equivalents	$ 938
Accounts receivable[(1)]	4,102
Other current assets	530
Total current assets	5,570
Property and equipment	2,581
Intangible assets[(2)]	6,016
Other assets[(2)]	1,939
Total assets acquired	16,106
Accounts payable, accrued payroll, accrued expenses, and other current liabilities	(4,605)
Deferred revenue	(1,315)
Long-term debt, net of current maturities	(4,806)
Long-term deferred tax liabilities and income tax payable	(1,550)
Other liabilities	(1,322)
Total liabilities assumed	(13,598)
Net identifiable assets acquired	2,508
Add: Fair value of non-controlling interests	(50)
Goodwill	7,392
Total consideration transferred	$ 9,850

[(1)] Includes aggregate adjustments of $203 million received from HPE in accordance with the provisions of the Separation Agreement.

[(2)] Previously reported amounts were adjusted to reflect the reclassification of transition and transformation contract costs from intangible assets to other assets to conform to the current year presentation.

Goodwill represents the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed at the HPES Merger date. The goodwill recognized with the HPES Merger was attributable to the synergies expected to be achieved by combining the businesses of CSC and HPES, expected future contracts and the acquired workforce. The goodwill arising from the HPES Merger was allocated to the Company's reportable segments as $2.8 billion to the GBS segment, $2.6 billion to the GIS segment and $2.0 billion to the USPS segment. The goodwill is not deductible for tax purposes. See Note 11 - "Goodwill."

The Company valued current assets and liabilities, with the exception of the current portion of deferred revenue and capital leases, using existing carrying values as the fair value of those items as of the HPES Merger date. The Company valued acquired property and equipment using predominately the market method, and in certain specific cases, the cost method. The Company valued deferred tax assets and liabilities based on statutory tax rates in the jurisdictions of the legal entities where the acquired non-current assets and liabilities are taxed. The Company valued intangible assets predominately using the multi-period excess earnings method. Intangible assets include customer relationships which have useful lives of 10-13 years and third-party purchased software which have useful lives of 2-7 years.

Subsequent to the HPES Merger, the Company divested USPS which was acquired in the HPES Merger. See Note 3 - "Divestitures" for additional information about the divestiture of USPS.

Tribridge Acquisition

On July 1, 2017, DXC acquired all of the outstanding capital stock of Tribridge Holdings LLC, an independent integrator of Microsoft Dynamics 365, for total consideration of $152 million. The acquisition includes the Tribridge affiliate company, Concerto Cloud Services LLC. The combination of Tribridge with DXC expands DXC’s Microsoft Dynamics 365 global systems integration business.

The purchase price is allocated to assets acquired and liabilities assumed based upon determination of fair values at the date of acquisition as follows: $32 million to current assets, $4 million to property and equipment, $62 million to intangible assets other than goodwill, $24 million to current liabilities and $78 million to goodwill. The goodwill is primarily associated with the Company's GBS segment and is tax deductible. The intangible assets acquired include customer relationships which have a 12-year estimated useful life.

Note 3 - Divestitures

Fiscal 2019 Separation of USPS

During fiscal 2019, the Company completed the USPS Separation and Mergers to form Perspecta, an independent public company.

Implementation of the Separation and DXC's post-Separation relationship with Perspecta is governed by several agreements, including the following:

- a Separation and Distribution Agreement;
- an Employee Matters Agreement;
- a Tax Matters Agreement;
- an Intellectual Property Matters Agreement;
- a Transition Services Agreement;
- a Real Estate Matters Agreement;
- an IT Services Agreement and,
- a Non-US Agency Agreement.

These agreements provide for the allocation of assets, employees, liabilities and obligations (including property, employee benefits, litigation, and tax-related assets and liabilities) between DXC and Perspecta attributable to periods prior to, at and after the Separation. In addition, DXC and Perspecta have service and commercial contracts that generally extend through fiscal 2023. Results for the twelve months ended March 31, 2020 include $39 million of revenue and income from continuing operations before taxes associated with the IT services agreement.

Pursuant to the Separation and Distribution Agreement, immediately prior to the Separation, Perspecta made a net cash payment of $984 million to DXC, which reflects transaction consideration of $1,050 million less $66 million in principal amount of debt that was outstanding at a subsidiary of Perspecta. Perspecta financed the payment through borrowings under a new senior secured term loan facility.

DXC's Chief Financial Officer, Paul N. Saleh, served as a Director of Perspecta until his term ended on August 13, 2019. Due to Mr. Saleh's leadership position at DXC and former leadership position at Perspecta, Perspecta is considered a related party under ASC 850 "Related Party Disclosures" for fiscal 2020. Transactions with Perspecta were immaterial to the Company's financial statements for the fiscal year ended March 31, 2020 and balances due to and from Perspecta were immaterial to the Company's balance sheet as of March 31, 2020.

The following is a summary of the assets and liabilities distributed as part of the Separation of USPS on May 31, 2018:

(in millions)	As of May 31, 2018
Assets:	
Cash and cash equivalents	$ 95
Receivables, net	458
Prepaid expenses	82
Other current assets	35
Total current assets of discontinued operations	670
Intangible assets, net[1]	870
Goodwill	2,029
Property and equipment, net	294
Other assets[1]	169
Total non-current assets of discontinued operations	3,362
Total assets	$ 4,032
Liabilities:	
Short-term debt and current maturities of long-term debt	$ 161
Accounts payable	165
Accrued payroll and related costs	17
Accrued expenses and other current liabilities	358
Deferred revenue and advance contract payments	53
Income tax payable	18
Total current liabilities of discontinued operations	772
Long-term debt, net of current maturities	1,320
Non-current deferred revenue	5
Non-current income tax liabilities and deferred tax liabilities	196
Other long-term liabilities	71
Total long-term liabilities of discontinued operations	1,592
Total liabilities	$ 2,364

[1] *Previously reported amounts were adjusted to reflect the reclassification of transition and transformation contract costs from intangible assets to other assets to conform to the current year presentation.*

The following is a summary of the operating results of USPS which have been reflected within income from discontinued operations, net of tax:

(in millions)	Fiscal Year Ended March 31, 2019 [(1)]	Fiscal Year Ended March 31, 2018
Revenue	$ 431	$ 2,823
Costs of services	311	2,104
Selling, general and administrative	50	152
Depreciation and amortization	33	169
Restructuring costs	1	14
Interest expense	8	15
Other (income) expense, net	(25)	2
Total costs and expenses	378	2,456
Total income from discontinued operations, before income taxes	53	367
Income tax expense	18	131
Total income from discontinued operations	$ 35	$ 236

[(1)] Results for the fiscal year ended March 31, 2019 reflect operations through the Separation date of May 31, 2018, not the full twelve-month period as shown for the prior period.

There was no gain or loss on disposition recognized as a result of the Separation.

The following selected financial information of USPS is included in the statements of cash flows:

(in millions)	Fiscal Year Ended March 31, 2019 [(1)]	Fiscal Year Ended March 31, 2018
Depreciation	$ 16	$ 70
Amortization	$ 17	$ 99
Capital expenditures	$ —	$ (18)
Significant operating non-cash items:		
Gain on dispositions	$ 24	$ —

[(1)] Results for the fiscal year ended March 31, 2019 reflect operations through the Separation date of May 31, 2018, not the full twelve-month period as shown for the prior period.

Note 4 - Earnings (Loss) Per Share

Basic EPS are computed using the weighted average number of common shares outstanding during the period. Diluted EPS reflect the incremental shares issuable upon the assumed exercise of stock options and equity awards. The following table reflects the calculation of basic and diluted EPS:

	Fiscal Years Ended		
(in millions, except per-share amounts)	March 31, 2020	March 31, 2019	March 31, 2018
Net (loss) income attributable to DXC common shareholders:			
From continuing operations	$ (5,369)	$ 1,222	$ 1,515
From discontinued operations	—	35	236
	$ (5,369)	$ 1,257	$ 1,751
Common share information:			
Weighted average common shares outstanding for basic EPS	258.57	277.54	284.93
Dilutive effect of stock options and equity awards	—	3.89	4.84
Weighted average common shares outstanding for diluted EPS	258.57	281.43	289.77
EPS:			
Basic			
Continuing operations	$ (20.76)	$ 4.40	$ 5.32
Discontinued operations	—	0.13	0.83
Total	$ (20.76)	$ 4.53	$ 6.15
Diluted			
Continuing operations	$ (20.76)	$ 4.35	$ 5.23
Discontinued operations	—	0.12	0.81
Total	$ (20.76)	$ 4.47	$ 6.04

Certain share based equity awards were excluded from the computation of dilutive EPS because inclusion of these awards would have had an anti-dilutive effect. The following table reflects awards excluded:

	Fiscal Years Ended		
	March 31, 2020[(1)]	March 31, 2019	March 31, 2018
Stock Options	1,075,901	—	—
RSUs	2,029,567	46,051	54,637
PSUs	289,972	25,086	96,029

[(1)] Due to the Company's net loss during fiscal 2020, stock options, RSUs and PSUs were excluded from the computation of dilutive EPS because they would have had an anti-dilutive effect.

Note 5 - Receivables

Receivables, net of allowance for doubtful accounts consist of the following:

	As of	
(in millions)	March 31, 2020	March 31, 2019
Billed trade receivables	$ 2,094	$ 2,508
Unbilled receivables	1,419	1,114
Other receivables	879	1,559
Total	$ 4,392	$ 5,181

The following table summarizes activity for the allowance for doubtful accounts:

	As of and for Fiscal Years Ended		
(in millions)	March 31, 2020	March 31, 2019	March 31, 2018
Beginning balance	$ 60	$ 40	$ 26
Additions charged to costs and expenses	23	19	45
Deductions[(1)]	(4)	(4)	(37)
Other[(2)]	(5)	5	6
Ending balance	$ 74	$ 60	$ 40

[(1)] *Represents write-offs and recoveries of prior year charges.*
[(2)] *Includes changes in foreign currency exchange rates.*

Receivables Facility

The Company has an accounts receivable sales facility (as amended, restated, supplemented or otherwise modified as of March 31, 2020, the "Receivables Facility") with certain unaffiliated financial institutions (the "Purchasers") for the sale of commercial accounts receivable in the United States. Under the Receivables Facility, the Company and certain of its subsidiaries (the "Sellers") sell accounts receivable to DXC Receivables LLC ("Receivables SPV"), a wholly-owned bankruptcy-remote entity, in a true sale. Receivables SPV subsequently sells certain of the receivables in their entirety to the Purchasers pursuant to a receivables purchase agreement. The financial obligations of Receivables SPV to the Purchasers under the Receivables Facility are limited to the assets it owns and non-recourse to the Company. Sales of receivables by Receivables SPV occur continuously and are settled on a monthly basis. During the second quarter of fiscal 2020, Receivables SPV amended the Receivables Facility (the "Amendment") to increase the investment limit from $600 million to $750 million and extend the termination date to August 19, 2020. Under the terms of the amended Receivables Facility, there are no longer deferred purchase prices ("DPP") for receivables as the entire purchase price is paid in cash when the receivables are sold to the Purchasers. Prior to the Amendment, DPP's were realized by Receivables SPV upon the ultimate collection of the underlying receivables sold to the Purchasers. Cash receipts on the DPP were classified as cash flows from investing activities. The DPP was $525 million before the Amendment was executed. Upon execution of the Amendment, the Purchasers extinguished the DPP and returned title to the applicable underlying receivables titles to Receivables SPV. The DPP extinguishment was classified as a non-cash investing activity, please refer to Note 17 - "Cash Flows."

The amount available under the Receivables Facility fluctuates over time based on the total amount of eligible receivables generated during the normal course of business after deducting excess concentrations. As of March 31, 2020, the total availability under the Receivables Facility was $750 million and the amount sold to the Purchasers was $750 million, which was derecognized from the Company's balance sheet. The Receivables Facility is scheduled to terminate on August 19, 2020, but provides for one or more optional one-year extensions, if agreed to by the Purchasers. The Company uses the proceeds from Receivables SPV's sale of receivables under the Receivables Facility for general corporate purposes.

The fair value of the sold receivables approximated book value due to the short-term nature, and as a result, no gain or loss on sale of receivables was recorded.

While the Company guarantees certain non-financial performance obligations of the Sellers, the Purchasers bear customer credit risk associated with the receivables sold under the Receivables Facility and have recourse in the event of credit-related customer non-payment solely to the assets of the Receivables SPV.

The following table is a reconciliation of the beginning and ending balances of the DPP:

	As of and for the Fiscal Year Ended	
(in millions)	March 31, 2020	March 31, 2019
Beginning balance	$ 574	$ 233
Transfers of receivables	1,214	5,435
Collections	(1,265)	(4,393)
Change in funding availability	2	(246)
Facility amendments	(525)	(457)
Fair value adjustment	—	2
Ending balance	$ —	$ 574

German Receivables Facility

On October 1, 2019, DXC executed an accounts receivable securitization facility (as amended, restated, supplemented or otherwise modified as of March 31, 2020, the "DE Receivables Facility") with certain unaffiliated financial institutions (the "DE Purchasers") for the sale of commercial accounts receivable in Germany. The facility has an investment limit of €200 million (approximately $225 million as of March 31, 2020). Under the DE Receivables Facility, certain DXC subsidiaries located in Germany (the "DE Sellers") sell billed and unbilled accounts receivable to DXC ARFacility Designated Activity Company ("DE Receivables"), a trust owned bankruptcy-remote entity, in a true sale. Pursuant to a receivables purchase agreement, DE Receivables subsequently sells the receivables to the DE Purchasers in return for payments of capital. Sales of receivables by DE Receivables SPV occur continuously and are settled on a monthly basis. The proceeds from the sale of these receivables comprise a combination of cash and DPP. The DPP is realized by the Company upon the ultimate collection of the underlying receivables sold to the DE Purchasers. Cash receipts on the DPP are classified as cash flows from investing activities.

The amount available under the DE Receivables Facility fluctuates over time based on the total amount of eligible receivables generated during the normal course of business after deducting excess concentrations. As of March 31, 2020, the total availability under the DE Receivables Facility was approximately $116 million and the drawn amount was $105 million. As of March 31, 2020, the Company recorded a $11 million receivable within receivables, net because the amount of cash proceeds received by the Company under the DE Receivables Facility was less than the total availability. The DE Receivables Facility is scheduled to terminate on September 30, 2020, but provides for one or more optional one-year extensions, if agreed to by the DE Purchasers. The Company uses the proceeds from DE Receivables SPV's sale of receivables under the DE Receivables Facility for general corporate purposes.

The fair value of the sold receivables approximated book value due to the short-term nature, and as a result, no gain or loss on sale of receivables was recorded.

The Company’s risk of loss following the transfer of accounts receivable under the DE Receivables Facility is limited to the DPP outstanding and any short-falls in collections for specified non-credit related reasons after sale. Payment of the DPP is not subject to significant risks other than delinquencies and credit losses on accounts receivable sold under the DE Receivables Facility.

Certain obligations of DE Sellers under the DE Receivables Facility and certain DXC subsidiaries located in Germany, as initial servicers, are guaranteed by the Company under a performance guaranty, made in favor of an administrative agent on behalf of the DE Purchasers. However, the performance guaranty does not cover DE Receivables SPV's obligations to pay yield, fees or invested amounts to the administrative agent or any of the DE Purchasers.

The following table is a reconciliation of the beginning and ending balances of the DPP:

(in millions)	As of March 31, 2020
Beginning balance	$ —
Transfers of receivables	996
Collections	(879)
Change in funding availability	(14)
Ending balance	$ 103

Federal Receivables Sales Facility

Since July 14, 2017, the Company has given a parent guaranty in connection with a federal receivables sales facility with certain financial institutions, under which certain subsidiaries of the Company previously sold eligible federal government obligor receivables, including billed and certain unbilled receivables. In connection with the Separation, the sellers and servicers of the receivables sold under the Federal Receivables Sales Facility were divested and, effective May 31, 2018, the parent guaranty was terminated.

The following table reflects activity of the Federal Receivables Sales Facility, prior to the Separation:

(in millions)	As of the Fiscal Year Ended March 31, 2019[1]
Transfers of receivables	$ 464
Collections	$ 521
Operating cash flow effect	$ (57)

[1] *Results for the fiscal year ended March 31, 2019 reflect operations through the Separation date of May 31, 2018, not the full twelve month period.*

Note 6 - Leases

The Company has operating and finance leases for data centers, corporate offices, retail stores and certain equipment. Our leases have remaining lease terms of 1 to 13 years, some of which include options to extend the leases for up to 10 years, and some of which include options to terminate the leases within 1 to 3 years.

The components of lease expense were as follows:

(in millions)		Fiscal Years Ended March 31, 2020
Operating lease cost	$	698
Short-term lease cost		49
Variable lease cost		46
Sublease income		(45)
Total operating costs	$	748
Finance lease cost:		
Amortization of right-of-use assets	$	405
Interest on lease liabilities		65
Total finance lease cost	$	470

Cash payments made from variable lease costs and short-term leases are not included in the measurement of operating and finance lease liabilities, and as such, are excluded from the supplemental cash flow information stated below. In addition, for the supplemental non-cash information on operating and finance leases, please refer to Note 17 - "Cash Flows."

(in millions)		Fiscal Years Ended March 31, 2020
Cash paid for amounts included in the measurement of:		
Operating cash flows from operating leases	$	698
Operating cash flows from finance leases	$	65
Financing cash flows from finance leases	$	576

Supplemental Balance Sheet information related to leases was as follows:

(in millions)	Balance Sheet Line Item		As of March 31, 2020
Assets:			
ROU operating lease assets	Operating right-of-use assets, net	$	1,428
ROU finance lease assets	Property and Equipment, net		1,220
Total		$	2,648
Liabilities:			
Current			
Operating lease	Current operating lease liabilities	$	482
Finance lease	Short-term debt and current maturities of long-term debt		444
Total		$	926
Non-current			
Operating lease	Non-current operating lease liabilities	$	1,063
Finance lease	Long-term debt, net of current maturities		602
Total		$	1,665

The following table provides information on the weighted average remaining lease term and weighted average discount rate for operating and finance leases:

Weighted average remaining lease term:	Years
Operating leases	4.8
Finance leases	2.7

Weighted average remaining discount rate:	Rate
Operating leases	4.0%
Finance leases	6.4%

The following maturity analysis presents expected undiscounted cash payments for operating and finance leases on an annual basis as of March 31, 2020:

Fiscal year	Operating Leases		
(in millions)	Real Estate	Equipment	Finance Leases
2021	$ 429	$ 79	$ 464
2022	330	41	339
2023	255	19	195
2024	189	11	81
2025	121	4	16
Thereafter	211	10	—
Total lease payments	1,535	164	1,095
Less: imputed interest	145	9	49
Total payments	$ 1,390	$ 155	$ 1,046

Prior to fiscal 2020, required disclosure under ASC 840 for minimum fixed rentals under operating leases that have initial or remaining terms in excess of one year at March 31, 2019, was as follows:

Fiscal year	Operating Leases	
(in millions)	Real Estate	Equipment
2020	$ 409	$ 248
2021	288	119
2022	203	27
2023	159	4
2024	124	1
Thereafter	274	—
Minimum fixed rentals	1,457	399
Less: sublease rental income	(149)	—
Total rental payments	$ 1,308	$ 399

Prior to fiscal 2020, required disclosure under ASC 840 for future minimum lease payments to be made under finance leases as of March 31, 2019, was as follows:

Fiscal year (in millions)	Finance Leases
2020	$ 509
2021	310
2022	212
2023	128
2024	36
Thereafter	—
Total minimum lease payments	1,195
Less: interest and executory costs	(68)
Present value of net minimum lease payments	$ 1,127

Note 7 - Fair Value

Fair Value Measurements on a Recurring Basis

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis, excluding pension assets and derivative assets and liabilities. See Note 14 - "Pension and Other Benefit Plans" and Note 8 - "Derivative Instruments" for information about the fair value of our pension assets and derivative assets and liabilities, respectively. There were no transfers between any of the levels during the periods presented.

	Fair Value Hierarchy			
(in millions)	As of March 31, 2020			
Assets:	Fair Value	Level 1	Level 2	Level 3
Money market funds and money market deposit accounts	$ 156	$ 156	$ —	$ —
Time deposits[(1)]	595	595	—	—
Other debt securities[(2)]	51	—	48	3
Deferred purchase price receivable	103	—	—	103
Total assets	$ 905	$ 751	$ 48	$ 106
Liabilities:				
Contingent consideration	$ 46	$ —	$ —	$ 46
Total liabilities	$ 46	$ —	$ —	$ 46

	As of March 31, 2019			
Assets:	Fair Value	Level 1	Level 2	Level 3
Money market funds and money market deposit accounts	$ 6	$ 6	$ —	$ —
Time deposits[(1)]	194	194	—	—
Other debt securities[(2)]	53	—	49	4
Deferred purchase price receivable	574	—	—	574
Total assets	$ 827	$ 200	$ 49	$ 578
Liabilities:				
Contingent consideration	$ 41	$ —	$ —	$ 41
Total Liabilities	$ 41	$ —	$ —	$ 41

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(1) Cost basis approximated fair value due to the short period of time to maturity.
(2) Other debt securities include available-for-sale investments with Level 2 inputs that have a cost basis of $37 million and $38 million, and unrealized gains of $11 million and $11 million, as of March 31, 2020 and March 31, 2019, respectively.

The fair value of money market funds and money market deposit accounts, and time deposits, included in cash and cash equivalents, are based on quoted market prices. The fair value of other debt securities, included in other long-term assets, is based on actual market prices. The fair value of the DPP, included in receivables, net of allowance for doubtful accounts, is determined by calculating the expected amount of cash to be received and is principally based on unobservable inputs consisting primarily of the face amount of the receivables adjusted for anticipated credit losses. The fair value of contingent consideration, included in other liabilities, is based on contractually defined targets of financial performance and other considerations.

Other Fair Value Disclosures

The carrying amounts of the Company’s financial instruments with short-term maturities, primarily accounts receivable, accounts payable, short-term debt, and financial liabilities included in other accrued liabilities, are deemed to approximate their market values due to their short-term nature. If measured at fair value, these financial instruments would be classified in Level 2 or Level 3 of the fair value hierarchy.

The Company estimates the fair value of its long-term debt, primarily by using quoted prices obtained from third party providers such as Bloomberg, and by using an expected present value technique that is based on observable market inputs for instruments with similar terms currently available to the Company. The estimated fair value of the Company's long-term debt, excluding capitalized lease liabilities, was $8.2 billion and $5.6 billion as of March 31, 2020 and March 31, 2019, respectively, as compared with carrying value of $8.4 billion and $5.6 billion as of March 31, 2020 and March 31, 2019, respectively. If measured at fair value, long-term debt, excluding capitalized lease liabilities would be classified in Level 1 or Level 2 of the fair value hierarchy.

Non-financial assets such as goodwill, tangible assets, intangible assets and other contract related long-lived assets are recorded at fair value in the period they are initially recognized, and such fair value may be adjusted in subsequent periods if an event occurs or circumstances change that indicate that the asset may be impaired. The fair value measurements, in such instances, would be classified in Level 3 of the fair value hierarchy. Other than the goodwill impairment losses discussed in Note 11 - "Goodwill," there were no significant impairments recorded during the fiscal periods covered by this report.

Note 8 - Derivative Instruments

In the normal course of business, the Company is exposed to interest rate and foreign exchange rate fluctuations. As part of its risk management strategy, the Company uses derivative instruments, primarily foreign currency forward contracts and interest rate swaps, to hedge certain foreign currency and interest rate exposures. The Company’s objective is to reduce earnings volatility by offsetting gains and losses resulting from these exposures with losses and gains on the derivative contracts used to hedge them. The Company does not use derivative instruments for trading or any speculative purpose.

Derivatives Designated for Hedge Accounting

Cash flow hedges

The Company has designated certain foreign currency forward contracts as cash flow hedges to reduce foreign currency risk related to certain Indian Rupee, Euro and British Pound-denominated intercompany obligations and forecasted transactions. The notional amounts of foreign currency forward contracts designated as cash flow hedges as of March 31, 2020 and March 31, 2019 was $455 million and $277 million, respectively. As of March 31, 2020, the related forecasted transactions extend through September 2021.

For the fiscal years ended March 31, 2020 and March 31, 2019, the Company performed an assessment at the inception of the cash flow hedge transactions and determined all critical terms of the hedging instruments and hedged items matched. The Company performs an assessment of critical terms on an on-going basis throughout the hedging period. During the fiscal years ended March 31, 2020 and March 31, 2019, the Company had no cash flow hedges for which it was probable that the hedged transaction would not occur. As of March 31, 2020, $17 million of the existing gain related to the cash flow hedge reported in AOCI is expected to be reclassified into earnings within the next 12 months.

Net investment hedges

The Company has designated certain foreign currency forward contracts as net investment hedges to protect its investment in certain foreign operations against adverse changes in exchange rates between the EUR and USD. These contracts were de-designated and settled during the fiscal year ended March 31, 2020, and as of March 31, 2020, there were none outstanding. As of March 31, 2019, the notional amount of foreign currency forward contracts designated as net investment hedges was $1.7 billion.

The pre-tax gain (loss) on derivatives designated for hedge accounting recognized in other comprehensive loss was $(18) million and in loss from continuing operations was $2 million during the fiscal year ended March 31, 2020.

Derivatives Not Designated For Hedge Accounting

The derivative instruments not designated as hedges for purposes of hedge accounting include certain short-term foreign currency forward contracts. Derivatives that are not designated as hedging instruments are adjusted to fair value through earnings in the financial statement line item to which the derivative relates.

Foreign currency forward contracts

The Company manages the exposure to fluctuations in foreign currencies by using foreign currency forward contracts to hedge certain foreign currency denominated assets and liabilities, including intercompany accounts and forecasted transactions. The notional amount of the foreign currency forward contracts outstanding as of March 31, 2020 and March 31, 2019 was $2.2 billion and $2.5 billion, respectively.

The following table presents the pretax amounts impacting income related to designated and non-designated foreign currency forward contracts:

		Fiscal Years Ended		
(in millions)	**Statement of Operations Line Item**	**March 31, 2020**	**March 31, 2019**	**March 31, 2018**
Foreign currency forward contracts	Other expense (income), net	$ (37)	$ 16	$ 118

Fair Value of Derivative Instruments

All derivative instruments are recorded at fair value. The Company's accounting treatment for these derivative instruments is based on its hedge designation. The following tables present the fair values of derivative instruments included in the balance sheets:

	Derivative Assets		
		As of	
(in millions)	Balance Sheet Line Item	March 31, 2020	March 31, 2019
Derivatives designated for hedge accounting:			
Foreign currency forward contracts [1]	Other current assets	—	38
Total fair value of derivatives designated for hedge accounting		$ —	$ 38
Derivatives not designated for hedge accounting:			
Foreign currency forward contracts	Other current assets	$ 16	$ 5
Total fair value of derivatives not designated for hedge accounting		$ 16	$ 5

	Derivative Liabilities		
		As of	
(in millions)	Balance Sheet Line Item	March 31, 2020	March 31, 2019
Derivatives designated for hedge accounting:			
Foreign currency forward contracts[1]	Accrued expenses and other current liabilities	$ 20	$ 4
Total fair value of derivatives designated for hedge accounting:		$ 20	$ 4
Derivatives not designated for hedge accounting:			
Foreign currency forward contracts	Accrued expenses and other current liabilities	$ 12	$ 9
Total fair value of derivatives not designated for hedge accounting		$ 12	$ 9

[1] *Foreign currency forward contracts designated for hedge accounting includes designated cash flow hedges and net investment hedges.*

The fair value of foreign currency forward contracts represents the estimated amount required to settle the contracts using current market exchange rates and is based on the period-end foreign currency exchange rates and forward points which are classified as Level 2 inputs.

Other Risks for Derivative Instruments

The Company is exposed to the risk of losses in the event of non-performance by the counterparties to its derivative contracts. The amount subject to credit risk related to derivative instruments is generally limited to the amount, if any, by which a counterparty's obligations exceed the obligations of the Company with that counterparty. To mitigate counterparty credit risk, the Company regularly reviews its credit exposure and the creditworthiness of the counterparties. With respect to its foreign currency derivatives, as of March 31, 2020, there were no counterparties with concentration of credit risk.

The Company also enters into enforceable master netting arrangements with some of its counterparties. However, for financial reporting purposes, it is the Company's policy not to offset derivative assets and liabilities despite the existence of enforceable master netting arrangements. The potential effect of such netting arrangements on the Company's balance sheets is not material for the periods presented.

Non-Derivative Financial Instruments Designated for Hedge Accounting

The Company applies hedge accounting for foreign currency-denominated debt used to manage foreign currency exposures on its net investments in certain non-U.S. operations. To qualify for hedge accounting, the hedging instrument must be highly effective at reducing the risk from the exposure being hedged.

Net Investment Hedges

DXC seeks to reduce the impact of fluctuations in foreign exchange rates on its net investments in certain non-U.S. operations with foreign currency-denominated debt. For foreign currency denominated debt designated as a hedge, the effectiveness of the hedge is assessed based on changes in spot rates. For qualifying net investment hedges, all gains or losses on the hedging instruments are included in currency translation. Gains or losses on individual net investments in non-U.S. operations are reclassified to earnings from accumulated other comprehensive (loss) income when such net investments are sold or substantially liquidated.

As of March 31, 2020, DXC had $1.9 billion of foreign currency-denominated debt designated as hedges of net investments in non-U.S. subsidiaries. For the fiscal year ended March 31, 2020, the pre-tax impact of gain (loss) on foreign currency-denominated debt designated for hedge accounting recognized in other comprehensive (loss) income was $53 million. As of March 31, 2019, DXC did not have any foreign currency-denominated debt designated as hedges of net investments in non-U.S. subsidiaries.

Note 9 - Property and Equipment

Property and equipment consisted of the following:

	As of	
(in millions)	March 31, 2020	March 31, 2019
Property and equipment — gross:		
Land, buildings and leasehold improvements	$ 2,233	$ 2,180
Computers and related equipment	4,876	4,719
Furniture and other equipment	226	224
Construction in progress	30	14
	7,365	7,137
Less: accumulated depreciation	3,818	3,958
Property and equipment, net	$ 3,547	$ 3,179

Depreciation expense for fiscal 2020, 2019 and 2018 was $643 million, $820 million and $709 million, respectively.

Note 10 - Intangible Assets

Intangible assets consisted of the following:

	As of March 31, 2020		
(in millions)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Software	$ 4,048	$ 2,614	$ 1,434
Customer related intangible assets	5,795	1,697	4,098
Other intangible assets	235	36	199
Total intangible assets	$ 10,078	$ 4,347	$ 5,731

	As of March 31, 2019		
(in millions)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Software	$ 3,864	$ 2,235	$ 1,629
Customer related intangible assets	5,389	1,139	4,250
Other intangible assets	85	25	60
Total intangible assets	$ 9,338	$ 3,399	$ 5,939

The components of amortization expense were as follows:

	Fiscal Years Ended		
(in millions)	March 31, 2020	March 31, 2019	March 31, 2018
Intangible asset amortization	$ 1,019	$ 890	$ 860
Transition and transformation contract cost amortization[1]	280	258	226
Total amortization expense	$ 1,299	$ 1,148	$ 1,086

[1] *Transition and transformation contract costs are included within other assets on the balance sheet.*

Estimated future amortization as of March 31, 2020 is as follows:

Fiscal Year	(in millions)
2021	$ 1,004
2022	$ 915
2023	$ 835
2024	$ 750
2025	$ 662

Note 11 - Goodwill

The following tables summarize the changes in the carrying amounts of goodwill, by segment, for the fiscal years ended March 31, 2020 and March 31, 2019, respectively:

(in millions)	GBS	GIS	Total
Balance as of March 31, 2019, net	4,599	3,007	7,606
Acquisitions	1,288	70	1,358
Impairment Losses	(3,789)	(3,005)	(6,794)
Foreign currency translation	(81)	(72)	(153)
Goodwill, gross	6,507	5,066	11,573
Accumulated impairment losses	(4,490)	(5,066)	(9,556)
Balance as of March 31, 2020, net	$ 2,017	$ —	$ 2,017

(in millions)	GBS	GIS	Total
Balance as of March 31, 2018, net	4,531	3,088	7,619
Acquisitions	228	—	228
Divestitures	(12)	—	(12)
Foreign currency translation	(148)	(81)	(229)
Goodwill, gross	5,300	5,068	10,368
Accumulated impairment losses	(701)	(2,061)	(2,762)
Balance as of March 31, 2019, net	$ 4,599	$ 3,007	$ 7,606

As a result of the USPS Separation on May 31, 2018, as more fully described in Note 3 - "Divestitures", USPS is no longer a reportable segment. The fiscal 2020 and 2019 additions to goodwill were due to the acquisitions described in Note 2 - "Acquisitions", including goodwill of some insignificant acquisitions. The foreign currency translation amount reflects the impact of currency movements on non-U.S. dollar-denominated goodwill balances.

Goodwill Impairment Analyses

Fiscal 2020

The Company performed its annual goodwill impairment assessment as of July 1, 2019. Subsequent to the measurement date, the Company experienced a decline in its stock price and market capitalization that represented an indicator of impairment as the observed declines were substantial and sustained. As a result, the Company performed quantitative goodwill impairment tests during the second and fourth quarters of fiscal 2020. Both quantitative goodwill impairment tests were performed for all of DXC's reporting units, consistent with its policy described in Note 1 - "Summary of Significant Accounting Policies." As part of the reconciliation to the Company's market capitalization, the Company concluded on both instances that the carrying values of its reporting units exceeded their estimated fair values and recognized total non-cash impairment charges of $6,794 million, consisting of $3,789 million and $3,005 million in its GBS and GIS segments, respectively. The goodwill impairment charges do not have an impact on the calculation of the Company's financial covenants under the Company's debt arrangements.

Fiscal 2019

The Company's annual goodwill impairment analysis, which was performed as of July 1, 2018, did not result in an impairment charge. At the end of fiscal 2019, the Company assessed whether there were events or changes in circumstances that would more likely than not reduce the fair value of any of its reporting units below its carrying amount and require goodwill to be tested for impairment. The Company determined that there have been no such indicators and therefore, it was unnecessary to perform an interim goodwill impairment test as of March 31, 2019.

Fiscal 2018

The Company's annual goodwill impairment analysis, which was performed qualitatively as of July 1, 2017, did not result in an impairment charge. At the end of the fiscal 2018, the Company assessed whether there were events or changes in circumstances that would more likely than not reduce the fair value of any of its reporting units below its carrying amount and require goodwill to be tested for impairment. The Company determined that there have been no such indicators, and, therefore, it was unnecessary to perform an interim goodwill impairment test as of March 31, 2018.

Note 12 - Income Taxes

The sources of income (loss) from continuing operations, before income taxes, classified between domestic entities and those entities domiciled outside of the United States, are as follows:

	Fiscal Years Ended		
(in millions)	**March 31, 2020**	**March 31, 2019**	**March 31, 2018**
Domestic entities	$ (2,928)	$ 511	$ 454
Entities outside the United States	(2,300)	1,004	850
Total	$ (5,228)	$ 1,515	$ 1,304

The income tax expense (benefit) on income (loss) from continuing operations is comprised of:

	Fiscal Years Ended		
(in millions)	**March 31, 2020**	**March 31, 2019**	**March 31, 2018**
Current:			
Federal	$ 3	$ (50)	$ 392
State	16	42	16
Foreign	167	218	247
	186	210	655
Deferred:			
Federal	(125)	95	(899)
State	17	23	(59)
Foreign	52	(40)	61
	(56)	78	(897)
Total income tax expense (benefit)	$ 130	$ 288	$ (242)

The current federal (benefit) and tax expense for fiscal years 2020, 2019 and 2018 includes a $(31) million transition tax benefit, $(44) million transition tax benefit and $332 million transition tax expense, respectively. The current expense (benefit) for fiscal 2020, 2019 and 2018, includes interest and penalties of $2 million, $1 million and $2 million, respectively, for uncertain tax positions.

In connection with the HPES Merger, the Company entered into a tax matters agreement with HPE. HPE generally will be responsible for pre-HPES Merger tax liabilities including adjustments made by tax authorities to HPES U.S. and non-U.S. income tax returns. Likewise, DXC is liable to HPE for income tax receivables and refunds which it receives related to pre-HPES Merger periods. Pursuant to the tax matters agreement, the Company recorded a net receivable of $8 million due to $44 million of tax indemnification receivable related to uncertain tax positions net of related deferred tax benefits, $87 million of tax indemnification receivable related to other tax payables and $123 million of tax indemnification payable related to other tax receivables.

In connection with the USPS Separation, the Company entered into a tax matters agreement with Perspecta. Pursuant to the tax matters agreement, the Company generally will be responsible for tax liabilities arising prior to the USPS Separation. Income tax liabilities transferred to Perspecta primarily relate to pre-HPES Merger periods, for which the Company is indemnified by HPE pursuant to the tax matters agreement between the Company and HPE. The Company remains liable to HPE for tax receivables and refunds which it receives from Perspecta related to pre-HPES Merger periods that were transferred to Perspecta. Pursuant to the tax matters agreement, the Company has recorded a tax indemnification receivable from Perspecta of $72 million and a tax indemnification payable to Perspecta of $45 million related to income tax and other tax liabilities.

The major elements contributing to the difference between the U.S. federal statutory tax rate and the effective tax rate ("ETR") for continuing operations is below. Due to the Company's fiscal year, the U.S. federal weighted statutory tax rate for the fiscal years ended March 31, 2020, March 31, 2019, and March 31, 2018 were of 21.0%, 21.0% and 31.5%, respectively.

	Fiscal Years Ended		
	March 31, 2020	**March 31, 2019**	**March 31, 2018**
Statutory rate	(21.0)%	21.0%	31.5 %
State income tax, net of federal tax	(1.4)	3.2	2.0
Foreign tax rate differential	(11.9)	(18.4)	(5.7)
Goodwill impairment	28.3	—	—
Change in valuation allowances	12.1	16.9	(7.7)
Income Tax and Foreign Tax Credits	(2.6)	(0.6)	(7.6)
Arbitration Award	(3.6)	—	—
Change in uncertain tax positions	1.1	(1.5)	(0.2)
Withholding Taxes	0.9	3.5	2.3
U.S. Tax on Foreign Income	0.4	2.4	2.1
Excess tax benefits for stock compensation	0.1	(1.1)	(3.0)
Capitalized transaction costs	0.1	0.1	1.0
United States Tax Reform	(0.7)	(3.4)	(40.6)
Change in Indefinite Reinvestment Assertion	—	(3.1)	3.3
Loss of attributes due to merger	—	—	5.1
Prepaid tax asset amortization	—	—	0.3
Other items, net	0.7	—	(1.4)
Effective tax rate	2.5 %	19.0%	(18.6)%

In fiscal 2020, the ETR was primarily impacted by:

- Non-deductible goodwill impairment charge, which increased tax expense and increased the ETR by $1,482 million and 28.3%, respectively.
- Non-taxable gain on the arbitration award, which decreased income tax expense and decreased the ETR by $186 million and 3.6%, respectively.
- A change in the net valuation allowance on certain deferred tax assets, primarily in Australia, Brazil, China, Luxembourg, and Singapore, which increased income tax expense and increased the ETR by $631 million and 12.1%, respectively.
- An increase in Income Tax and Foreign Tax Credits, primarily relating to research and development credits recognized for prior years, which decreased income tax expense and decreased the ETR by $135 million and 2.6%, respectively.
- Local losses on investments in Luxembourg that increased the foreign rate differential and decreased the ETR by $637 million and 12.2%, respectively, with an offsetting increase in the ETR due to an increase in the valuation allowance of the same amount.

In fiscal 2019, the ETR was primarily impacted by:

- Local tax losses on investments in Luxembourg that decreased the foreign tax rate differential and decreased the ETR by $360 million and 23.7%, respectively, with an offsetting increase in the ETR due to an increase in the valuation allowance of the same amount.
- A change in the net valuation allowance on certain deferred tax assets, primarily in Luxembourg, Germany, Spain, UK, and Switzerland, which increased income tax expense and increased the ETR by $256 million and 16.9%, respectively.
- A decrease in the transition tax liability and a change in tax accounting method for deferred revenue, which decreased income tax expense and decreased the ETR by $66 million and 4.3%, respectively.

In fiscal 2018, the ETR was primarily impacted by:

- Due to the Company's change in repatriation policy, the reversal of a deferred tax liability relating to the outside basis difference of foreign subsidiaries which increased the income tax benefit and decreased the ETR by $554 million and 42.5%, respectively.
- The accrual of the one-time transition tax imposed by the Act on estimated unremitted foreign earnings, which decreased the income tax benefit and increased the ETR by $361 million and 27.7%, respectively.
- The remeasurement of deferred tax assets and liabilities as a result of the Act, which increased the income tax benefit and decreased the ETR by $338 million and 25.9%, respectively.

The deferred tax assets (liabilities) were as follows:

	As of	
(in millions)	March 31, 2020	March 31, 2019
Deferred tax assets		
Employee benefits	$ —	$ 79
Tax loss/credit carryforwards	2,516	1,917
Accrued interest	12	16
Operating lease liabilities	370	—
Contract accounting	126	130
Other assets	144	139
Total deferred tax assets	3,168	2,281
Valuation allowance	(2,162)	(1,575)
Net deferred tax assets	1,006	706
Deferred tax liabilities		
Depreciation and amortization	(850)	(994)
Operating right-of-use asset	(343)	—
Investment basis differences	(68)	(61)
Employee benefits	(48)	—
Other liabilities	(150)	(63)
Total deferred tax liabilities	(1,459)	(1,118)
Total net deferred tax assets (liabilities)	$ (453)	$ (412)

Income tax related assets are included in the accompanying balance sheets as follows:

	As of	
(in millions)	March 31, 2020	March 31, 2019
Current:		
Income tax receivables and prepaid taxes	$ 58	$ 113
	$ 58	$ 113
Non-current:		
Income taxes receivable and prepaid taxes	$ 180	$ 137
Deferred tax assets	265	355
	$ 445	$ 492
Total	$ 503	$ 605

Income tax related liabilities are included in the accompanying balance sheet as follows:

	As of	
(in millions)	March 31, 2020	March 31, 2019
Current:		
Liability for uncertain tax positions	$ (12)	$ —
Income taxes payable	(75)	(208)
	$ (87)	$ (208)
Non-current:		
Deferred taxes	(718)	(767)
Income taxes payable	(168)	(201)
Liability for uncertain tax positions	(271)	(216)
	$ (1,157)	$ (1,184)
Total	$ (1,244)	$ (1,392)

Significant management judgment is required in determining the Company's provision for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against deferred tax assets. As of each reporting date, management weighs new evidence, both positive and negative, that could affect its view of the future realization of its net deferred tax assets. Objective verifiable evidence, which is historical in nature, carries more weight than subjective evidence, which is forward looking in nature.

A valuation allowance has been recorded against deferred tax assets of approximately $2.2 billion as of March 31, 2020 due to uncertainties related to the ability to utilize these assets. In assessing whether its deferred tax assets are realizable, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized and adjusts the valuation allowance accordingly. The Company considers all available positive and negative evidence including future reversals of existing taxable temporary differences, taxable income in prior carryback years, projected future taxable income, tax planning strategies and recent financial operations.

As of March 31, 2018, the Company's net deferred tax assets in Singapore were primarily the result of $80 million indefinitely lived net operating loss carryforwards. A partial valuation allowance was recorded against the net operating losses as of the reporting date based upon the negative evidence of a three-year cumulative loss, uncertainty of predicting loss of contracts and an estimated forty-year net operating loss utilization period. For the period ended March 31, 2020, management has determined that the positive evidence of a three-year cumulative profit, ten consecutive quarters of profitability, and expansion of customer contract base outweighs the negative evidence of an estimated seventeen-year net operating loss utilization period. Therefore, as of March 31, 2020 management has had a change in judgment that it is now more likely than not that the net operating loss carryforwards in Singapore will be fully utilized. As a result, we recorded a valuation allowance release of $47.7 million to the income statement as deferred tax benefit in the current period.

The net increase in the valuation allowance of $587 million in fiscal 2020, is primarily due to the local losses in Luxembourg for the write-down on foreign investment carrying value of $637 million, valuation allowance releases of $(6) million, and an adjustment for currency translation of $(44) million.

The following table provides information on the Company's various tax carryforwards:

	As of March 31, 2020				As of March 31, 2019			
(in millions)	Total	With No Expiration	With Expiration	Expiration Dates Through	Total	With No Expiration	With Expiration	Expiration Dates Through
Net operating loss carryforwards								
Federal	$ 15	$ 3	$ 12	2033	$ 25	$ —	$ 25	2037
State	$ 673	$ 6	$ 667	2040	$ 845	$ 9	$ 836	2039
Foreign	$ 10,512	$ 6,471	$ 4,041	2040	$ 7,595	$ 7,292	$ 303	2039
Tax credit carryforwards								
Federal	$ 9	$ —	$ 9	2040	$ —	$ —	$ —	N/A
State	$ 16	$ 7	$ 9	2039	$ 23	$ 7	$ 16	2039
Foreign	$ 16	$ —	$ 16	2020	$ 18	$ —	$ 18	2020
Capital loss carryforwards								
Federal	$ —	$ —	$ —	N/A	$ —	$ —	$ —	N/A
State	$ —	$ —	$ —	N/A	$ —	$ —	$ —	N/A
Foreign	$ 59	$ 40	$ 19	2023	$ 236	$ 211	$ 25	2023

The Company was a beneficiary of tax holiday incentives in India in fiscal 2019 and 2018 and was a beneficiary of Malaysian tax holiday incentives in fiscal 2018. As a result of these tax holiday incentives, the Company recorded an income tax benefit of approximately, $0 million, $2 million and $5 million, during fiscal 2020, 2019 and 2018, respectively. The per share effects were $0.0, $0.01 and $0.02, for fiscal, 2020, 2019 and 2018, respectively.

The majority of unremitted earnings has been taxed in the U.S. through the transition tax and global intangible low tax income tax in connection with 2017 U.S. tax reform. The Company was not permanently reinvested in all jurisdictions with the exception of India as of March 31, 2019. As a result of the issuance of new U.S. Treasury regulations in the first quarter of fiscal 2020, the Company changed its permanent reinvestment assertions with respect to certain foreign corporations, reducing the amount that will ultimately be repatriated to the U.S. by approximately $492 million. However, as of March 31, 2020, the Company anticipates that future earnings in India will not be indefinitely reinvested. This change resulted from the Company's determination that it is now efficient to repatriate earnings in India as a result of the enactment of India Finance Act, 2020 on March 27, 2020 and the change in cash needs resulting from economic consequences of the COVID-19 pandemic. We expect a significant portion of the cash held by our foreign subsidiaries will no longer be subject to U.S. federal income tax upon repatriation to the U.S., however, a portion of this cash may still be subject to foreign and U.S. state tax consequences when remitted.

The Company accounts for income tax uncertainties in accordance with ASC 740 Income Taxes, which prescribes a recognition threshold and measurement criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more likely than not recognition threshold is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more likely than not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more likely than not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. ASC 740 also provides guidance on the accounting for and disclosure of liabilities for uncertain tax positions, interest and penalties.

In accordance with ASC 740, the Company’s liability for uncertain tax positions was as follows:

(in millions)	Fiscal Years Ended March 31, 2020	Fiscal Years Ended March 31, 2019
Tax	$ 253	$ 165
Interest	45	41
Penalties	21	25
Offset to receivable	(24)	—
Net of tax attributes	(12)	(15)
Total	$ 283	$ 216

The following table summarizes the activity related to the Company’s uncertain tax positions (excluding interest and penalties and related tax attributes):

(in millions)	Fiscal Years Ended March 31, 2020	Fiscal Years Ended March 31, 2019	Fiscal Years Ended March 31, 2018
Balance at beginning of fiscal year	$ 165	$ 219	$ 192
Gross increases related to prior year tax positions	74	4	10
Gross decreases related to prior year tax positions	(9)	(27)	(12)
Gross increases related to current year tax positions	15	—	7
Settlements and statute of limitation expirations	(7)	(23)	(19)
Acquisitions	18	—	39
Foreign exchange and others	(3)	(8)	2
Balance at end of fiscal year	$ 253	$ 165	$ 219

The Company’s liability for uncertain tax positions at March 31, 2020, March 31, 2019 and March 31, 2018, includes $210 million, $138 million and $170 million, respectively, related to amounts that, if recognized, would affect the effective tax rate (excluding related interest and penalties). The increase relating to the prior year tax positions primarily relate to the Company's increase in research and development credits and reserves relating to certain legacy CSC foreign restructuring expenses deducted on the U.S. tax return for the year ending March 31, 2013.

The Company recognizes interest accrued related to uncertain tax positions and penalties as a component of income tax expense. During the year ended March 31, 2020, the Company had a net increase in interest expense of $5 million ($3 million net of tax) and a net decrease in accrued expense for penalties of $3 million and, as of March 31, 2020, recognized a liability for interest of $45 million ($40 million net of tax) and penalties of $21 million. During the year ended March 31, 2019, the Company had a net increase in interest expense of $2 million ($1 million net of tax) and a net decrease in accrued expense for penalties of $1 million and, as of March 31, 2019, recognized a liability for interest of $41 million ($36 million net of tax) and penalties of $25 million. The following table presents the change in interest and penalties from the previous reported period, as well as the liability at the end of each period presented:

	As of and for the Fiscal Years Ended		
	March 31, 2020	March 31, 2019	March 31, 2018
(in millions)	Increase (Decrease)		
Interest	$ 5	$ 2	$ 2
Interest, net of tax	$ 3	$ 1	$ 2
Accrued penalties	$ (3)	$ (1)	$ —
Liability for interest	$ 45	$ 41	$ 40
Liability for interest, net of tax	$ 40	$ 36	$ 36
Liability for penalties	$ 21	$ 25	$ 25

The Company is currently under examination in several tax jurisdictions. A summary of the tax years that remain subject to examination in certain of the Company's major tax jurisdictions are:

Jurisdiction:	Tax Years that Remain Subject to Examination (Fiscal Year Ending):
United States – Federal	2008 and forward
United States – Various States	2008 and forward
Australia	2012 and forward
Canada	2006 and forward
France	2015 and forward
Germany	2010 and forward
India	1999 and forward
United Kingdom	2011 and forward

The IRS is examining CSC's federal income tax returns for fiscal 2008 through 2017. With respect to CSC's fiscal 2008 through 2010 federal tax returns, the Company previously entered into negotiations for a resolution through settlement with the IRS Office of Appeals. The IRS examined several issues for this audit that resulted in various audit adjustments. The Company and the IRS Office of Appeals have an agreement in principle as to some but not all of these adjustments. The Company has agreed to extend the statute of limitations associated with this audit through September 30, 2020.

In the first quarter of fiscal 2020, we filed for competent authority relief relating to certain legacy CSC foreign restructuring expenses deducted for the U.S. federal tax return for tax year March 31, 2013. The Company has agreed to extend the statute of limitations associated with the fiscal years 2011 through 2013 through December 31, 2020. In the second quarter of fiscal 2020, the Company received a Revenue Agent's Report with proposed adjustments to CSC's fiscal 2014 through 2017 federal returns. The Company has filed a protest for certain of these adjustments with the IRS Office of Appeals. The Company has agreed to extend the statute of limitations for the fiscal 2014 through fiscal 2016 through December 31, 2020 and for the employment tax audit of fiscal years 2015 and 2016 until January 31, 2021. The Company expects to reach a resolution for all years no earlier than the first quarter of fiscal 2022 except agreed issues related to fiscal 2008 through 2010 and fiscal 2011 through 2013 federal tax returns, which are expected to be resolved within twelve months.

In addition, the Company may settle certain other tax examinations, have lapses in statutes of limitations, or voluntarily settle income tax positions in negotiated settlements for different amounts than the Company has accrued as uncertain tax positions. The Company may need to accrue and ultimately pay additional amounts for tax positions that previously met a more likely than not standard if such positions are not upheld. Conversely, the Company could settle positions with the tax authorities for amounts lower than those that have been accrued or extinguish a position though payment. The Company believes the outcomes which are reasonably possible within the next twelve months may result in a reduction in liability for uncertain tax positions of $25 million to $27 million, excluding interest, penalties, and tax carryforwards.

Note 13 - Debt

The following is a summary of the Company's debt:

(in millions)	Interest Rates	Fiscal Year Maturities	As of March 31, 2020	As of March 31, 2019
Short-term debt and current maturities of long-term debt				
Commercial paper[1]	(0.23) - 2.76%	2021	$ 542	$ 694
Current maturities of long-term debt	Various	2021	290	766
Current maturities of capitalized lease liabilities	0.62% - 17.68%	2021	444	482
Short-term debt and current maturities of long-term debt			$ 1,276	$ 1,942
Long-term debt, net of current maturities				
AUD term loan	1.65% - 2.66%[2]	2022	489	567
GBP term loan	1.50 - 1.63%[3]	2022	556	583
EUR term loan	0.65%[4]	2022	822	—
EUR term loan	0.80%[5]	2023	821	—
USD term loan	2.85% - 3.67%[6]	2025	480	—
$500 million Senior notes	2.88%	2020	—	502
$500 million Senior notes	3.08% - 3.69%	2021	—	498
$274 million Senior notes	4.45%	2023	276	277
$171 million Senior notes	4.45%	2023	172	172
$500 million Senior notes	4.25%	2025	505	506
£250 million Senior notes	2.75%	2025	307	322
€650 million Senior notes	1.75%	2026	709	725
$500 million Senior notes	4.75%	2028	507	508
$234 million Senior notes	7.45%	2030	271	273
Revolving credit facility	2.06%	2024 - 2025	1,500	—
Lease credit facility	1.70% - 3.50%	2021 - 2023	11	25
Finance lease liabilities	0.62% - 17.68%	2021 - 2025	1,046	1,127
Borrowings for assets acquired under long-term financing	0.48% - 5.78%	2021 - 2028	802	462
Mandatorily redeemable preferred stock outstanding	6.00%	2023	62	62
Other borrowings[7]	Various	2021 - 2022	70	109
Long-term debt			9,406	6,718
Less: current maturities			734	1,248
Long-term debt, net of current maturities			$ 8,672	$ 5,470

(1) At DXC's option, DXC can borrow up to a maximum of €1 billion or its equivalent in U.S. dollars.
(2) Variable interest rate equal to the bank bill swap bid rate for a one-, two-, three- or six-month interest period plus 0.60% to 0.95% based on the published credit ratings of DXC.
(3) Three-month LIBOR rate plus 0.80%.
(4) At DXC's option, the EUR term loan bears interest at the Eurocurrency Rate for a one-, two-, three-, or six-month interest period, plus a margin of between 0.40% and 0.90%, based on published credit ratings of DXC.
(5) At DXC's option, the EUR term loan bears interest at the Eurocurrency Rate for a one-, two-, three-, or six-month interest period, plus a margin of between 0.55% and 1.05%, based on published credit ratings of DXC.
(6) At DXC's option, the USD term loan bears interest at the Eurocurrency Rate for a one-, two-, three-, or six-month interest period, plus a margin of between 1.00% and 1.50%, based on published credit ratings of DXC or the Base Rate plus a margin of between 0.00% and 0.50%, based on published credit ratings of DXC.
(7) Other borrowings consist mostly of 7.4% USD Senior Note.

Senior Notes and Term Loans

Interest on the Company's term loans is payable monthly or quarterly in arrears at the election of the borrowers. The Company fully and unconditionally guarantees term loans issued by its 100% owned subsidiaries. Interest on the Company's senior notes is payable semi-annually in arrears, except for interest on the £250 million Senior notes due 2025 and €650 million Senior Notes due 2026 which is payable annually in arrears. Generally, the Company's notes are redeemable at the Company's discretion at the then-applicable redemption premium plus accrued interest.

Revolving Credit Facility

During fiscal 2020, the Company borrowed $1.5 billion from its credit facility agreement ("Credit Agreement") in order to eliminate the Company's reliance on commercial paper markets. The Company may repay amounts any time without penalty.

Subsequent Borrowings

See Note 23 - "Subsequent Events" for details.

Future Maturities of Long-term Debt

Expected maturities of long-term debt, including borrowings for asset financing but excluding minimum capital lease payments, for fiscal years subsequent to March 31, 2020, are as follows:

Fiscal Year	(in millions)
2021	$ 290
2022	2,199
2023	1,514
2024	182
2025	2,698
Thereafter	1,477
Total	$ 8,360

Note 14 - Pension and Other Benefit Plans

The Company offers a number of pension and OPEB plans, life insurance benefits, deferred compensation and defined contribution plans. Most of the Company's pension plans are not admitting new participants; therefore, changes to pension liabilities are primarily due to market fluctuations of investments for existing participants and changes in interest rates.

Defined Benefit Plans

The Company sponsors a number of defined benefit and post-retirement medical benefit plans for the benefit of eligible employees. The benefit obligations of the Company's U.S. pension, U.S. OPEB, and non-U.S. OPEB plans represent an insignificant portion of the Company's pension and other post-retirement benefit plans. As a result, the disclosures below include the Company's U.S. and non-U.S. pension plans on a global consolidated basis.

Eligible employees are enrolled in defined benefit pension plans in their country of domicile. The Contributory defined benefit pension plan in the United Kingdom represents the largest plan. In addition, healthcare, dental and life insurance benefits are also provided to certain non-U.S. employees. A significant number of employees outside the United States are covered by government sponsored programs at no direct cost to the Company other than related payroll taxes.

The Company accrued $10 million, $3 million and $13 million, for fiscal 2020, 2019 and 2018, respectively, as additional contractual termination benefits for certain employees are part of the Company's restructuring plans. These amounts are reflected in the projected benefit obligation and in the net periodic pension cost.

Projected Benefit Obligations

	As of	
(in millions)	March 31, 2020	March 31, 2019
Projected benefit obligation at beginning of year	$ 11,016	$ 11,384
Service cost	92	88
Interest cost	237	253
Plan participants' contributions	30	13
Amendments	—	27
Business/contract acquisitions/divestitures	12	—
Contractual termination benefits	10	3
Settlement/curtailment	(60)	(49)
Actuarial loss (gain)	(362)	286
Benefits paid	(359)	(344)
Foreign currency exchange rate changes	(457)	(818)
Other	(9)	173
Projected benefit obligation at end of year	$ 10,150	$ 11,016

The following table summarizes the weighted average rates used in the determination of the Company's benefit obligations:

	Fiscal Years Ended	
	March 31, 2020	March 31, 2019
Discount rate	2.4%	2.4%
Rates of increase in compensation levels	1.6%	2.0%

Fair Value of Plan Assets and Funded Status

	As of	
(in millions)	March 31, 2020	March 31, 2019
Fair value of plan assets at beginning of year	$ 11,343	$ 11,574
Actual return on plan assets	526	700
Employer contribution	108	78
Plan participants' contributions	30	13
Benefits paid	(359)	(344)
Business/contract acquisitions/divestitures	7	—
Contractual termination benefits	15	17
Plan settlement	(63)	(38)
Foreign currency exchange rate changes	(507)	(837)
Other	(10)	180
Fair value of plan assets at end of year	$ 11,090	$ 11,343
Funded status at end of year	$ 940	$ 327

Selected Information

	As of	
(in millions)	March 31, 2020	March 31, 2019
Other assets	$ 1,735	$ 1,157
Accrued expenses and other current liabilities	(16)	(20)
Non-current pension obligations	(761)	(790)
Other long-term liabilities - OPEB	(18)	(20)
Net amount recorded	$ 940	$ 327
Accumulated benefit obligation	$ 10,072	$ 10,893

	Benefit Plans with Projected Benefit Obligation in Excess of Plan Assets		Benefit Plans with Accumulated Benefit Obligation in Excess of Plan Assets	
(in millions)	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Projected benefit obligation	$ 2,191	$ 2,329	$ 2,159	$ 2,070
Accumulated benefit obligation	$ 2,131	$ 2,230	$ 2,108	$ 2,004
Fair value of plan assets	$ 1,397	$ 1,494	$ 1,369	$ 1,255

Net Periodic Pension Cost

	Fiscal Years Ended		
(in millions)	March 31, 2020	March 31, 2019	March 31, 2018
Service cost	$ 92	$ 88	$ 121
Interest cost	237	253	249
Expected return on assets	(651)	(570)	(534)
Amortization of transition obligation	—	—	1
Amortization of prior service costs	(9)	(15)	(18)
Contractual termination benefit	10	3	13
Settlement/curtailment gain	7	(10)	(42)
Recognition of actuarial (gain) loss	(252)	153	(178)
Net periodic pension (income) expense	$ (566)	$ (98)	$ (388)

The service cost component of net periodic pension (income) expense is presented in cost of services and selling, general and administrative and the other components of net periodic pension income are presented in other income, net in the Company’s statements of operations. See Note 1 - "Summary of Significant Accounting Policies," for further discussion of the Company's adoption of ASU 2017-07 and its impact on the presentation of net periodic pension costs.

Estimated prior service credit of $8 million will be amortized from AOCI into net periodic pension cost over the next fiscal year. The weighted-average rates used to determine net periodic pension cost were:

	Fiscal Years Ended		
	March 31, 2020	March 31, 2019	March 31, 2018
Discount or settlement rates	2.4%	2.5%	2.5%
Expected long-term rates of return on assets	5.8%	5.3%	4.9%
Rates of increase in compensation levels	2.0%	2.1%	2.7%

The following is a summary of amounts in AOCI, before tax effects:

	Fiscal Years Ended	
(in millions)	March 31, 2020	March 31, 2019
Prior service cost	$ (247)	$ (195)

Estimated Future Contributions and Benefits Payments

(in millions)		
Employer contributions:		
2021	$	74
Benefit Payments:		
2021	$	393
2022		447
2023		392
2024		394
2025		404
2025 and thereafter		2,112
Total	$	4,142

Fair Value of Plan Assets

The tables below set forth the fair value of plan assets by asset category within the fair value hierarchy:

		As of March 31, 2020			
(in millions)		Level 1	Level 2	Level 3	Total
Equity:					
	US Domestic Stocks	$ —	$ 3	$ —	$ 3
	Global Stocks	—	3	—	3
	Global/International Equity commingled funds	315	1,763	—	2,078
	Global equity mutual funds	8	—	—	8
	U.S./North American Equity commingled funds	1	4	—	5
Fixed Income:					
	Non-U.S. Government funds	136	—	—	136
	Fixed income commingled funds	55	71	—	126
	Fixed income mutual funds	3	—	—	3
	Corporate bonds	1	4,807	—	4,808
Alternatives:					
	Other Alternatives (1)	—	2,038	1,297	3,335
	Hedge Funds(2)	2	7	2	11
Other Assets		87	229	59	375
Insurance contracts		—	136	—	136
Cash and cash equivalents		61	2	—	63
Totals		$ 669	$ 9,063	$ 1,358	$ 11,090

		As of March 31, 2019			
(in millions)		Level 1	Level 2	Level 3	Total
Equity:					
	US Domestic Stocks	$ 1	$ —	$ —	$ 1
	Global Stocks	10	13	—	23
	Global/International Equity commingled funds	399	2,156	—	2,555
	Global equity mutual funds	49	325	—	374
	U.S./North American Equity commingled funds	1	10	—	11
Fixed Income:					
	Non-U.S. Government funds	215	29	—	244
	Fixed income commingled funds	6	4,807	—	4,813
	Fixed income mutual funds	2	1	—	3
	Corporate bonds	—	2	—	2
Alternatives:					
	Other Alternatives (1)	6	1,880	982	2,868
	Hedge Funds(2)	—	8	—	8
Other Assets		—	—	36	36
Insurance contracts		—	108	14	122
Cash and cash equivalents		99	184	—	283
Totals		$ 788	$ 9,523	$ 1,032	$ 11,343

(1) Represents real estate and other commingled funds consisting mainly of equities, bonds, or commodities.
(2) Represents investments in diversified fund of hedge funds.

Changes in fair value measurements of level 3 investments for the defined benefit plans were as follows:

(in millions)	
Balance as of April 1, 2018	$ 887
Actual return on plan assets held at the reporting date	(13)
Purchases, sales and settlements	217
Transfers in and / or out of Level 3	5
Changes due to exchange rates	(64)
Balance as of March 31, 2019	1,032
Actual return on plan assets held at the reporting date	83
Purchases, sales and settlements	282
Transfers in and / or out of Level 3	8
Changes due to exchange rates	(47)
Balance as of March 31, 2020	$ 1,358

Domestic and global equity accounts are categorized as Level 1 if the securities trade on national or international exchanges and are valued at their last reported closing price. Equity assets in commingled funds reporting a net asset value are categorized as Level 2 and valued using broker dealer bids or quotes of securities with similar characteristics.

Fixed income accounts are categorized as Level 1 if traded on a publicly quoted exchange or as level 2 if investments in corporate bonds are primarily investment grade bonds, generally priced using model-based pricing methods that use observable market data as inputs. Broker dealer bids or quotes of securities with similar characteristics may also be used.

Alternative investment fund securities are categorized as Level 1 if held in a mutual fund or in a separate account structure and actively traded through a recognized exchange, or as Level 2 if they are held in commingled or collective account structures and are actively traded. Alternative investment fund securities are classified as Level 3 if they are held in Limited Company or Limited Partnership structures or cannot otherwise be classified as Level 1 or Level 2.

Other assets represent property holdings by certain pension plans. As above, the property holdings represent a master lease arrangement entered into by DXC in the United Kingdom and certain U.K. pension plans as a financing transaction.

Insurance contracts purchased to cover benefits payable to retirees are valued using the assumptions used to value the projected benefit obligation.

Cash equivalents that have quoted prices in active markets are classified as Level 1. Short-term money market commingled funds are categorized as Level 2 and valued at cost plus accrued interest which approximates fair value.

Plan Asset Allocations

	As of	
Asset Category	**March 31, 2020**	**March 31, 2019**
Equity securities	19%	26%
Debt securities	46%	45%
Alternatives	31%	25%
Cash and other	4%	4%
Total	100%	100%

Plan assets are held in a trust that includes commingled funds subject to country specific regulations and invested primarily in commingled funds. For the U.K. pension plans, the Company's largest pension plans by assets and projected liabilities, a target allocation by asset class was developed to achieve their long-term objectives. Asset allocations are monitored closely and investment reviews regarding asset strategy are conducted regularly with internal and external advisors.

The Company’s investment goals and risk management strategy for plan assets evaluates a number of factors, including the time horizon of the plans’ obligations. Plan assets are invested in various asset classes that are expected to produce a sufficient level of diversification in order to reduce risk, yet produces a reasonable amount of return on investment over the long term. Sufficient liquidity is maintained to meet benefit obligations as they become due. Third party investment managers are employed to invest assets in both passively-indexed and actively-managed strategies. Equities are primarily invested broadly in domestic and foreign companies across market capitalizations and industries. Fixed income securities are invested broadly, primarily in government treasury, corporate credit, mortgage backed and asset backed investments. Alternative investment allocations are included in selected plans to achieve greater portfolio diversity intended to reduce the overall volatility risk of the plans.

Plan asset risks include longevity, inflation, and other changes in market conditions that could reduce the value of plan assets. Also, a decline in the yield of high quality corporate bonds may adversely affect discount rates resulting in an increase in DXC's pension and other post-retirement obligations. These risks, among others, could cause the plans’ funded status to deteriorate, resulting in an increased reliance on Company contributions. Derivatives are permitted although their current use is limited within traditional funds and broadly allowed within alternative funds. Derivatives are used for inflation risk management and within the liability driven investing strategy. The Company also has investments in insurance contracts to pay plan benefits in certain countries.

Return on Assets

The Company consults with internal and external advisors regarding the expected long-term rate of return on assets. The Company uses various sources in its approach to compute the expected long-term rate of return of the major asset classes expected in each of the plans. DXC utilizes long-term, asset class return assumptions of typically 30 years, which are provided by external advisors. Consideration is also given to the extent active management is employed in each asset class and also to management expenses. A single expected long-term rate of return is calculated for each plan by assessing the plan's expected asset allocation strategy, the benefits of diversification therefrom, historical excess returns from actively managed traditional investments, expected long-term returns for alternative investments and expected investment expenses. The resulting composite rate of return is reviewed by internal and external parties for reasonableness.

Retirement Plan Discount Rate

The U.K. discount rate is based on the yield curve approach using the U.K. Aon Hewitt GBP Single Agency AA Corporates-Only Curve.

U.K. Pension Equalization Ruling

On October 26, 2018 the High Court of Justice in the United Kingdom (the "High Court") issued a ruling related to the equalization of benefits payable to men and women for the effect of guaranteed minimum pensions under U.K. defined benefit pension plans. As a result of this ruling, the Company estimated the impact of retroactively increasing benefits in its U.K. plans in accordance with the High Court ruling. The Company treated the additional benefits as a prior service cost which resulted in an increase to its projected benefit obligation and accumulated other comprehensive loss of $28 million. The Company will amortize this cost over the average remaining life expectancy of the U.K. participants. Given the immaterial effect on the U.K. plan's projected benefit, an interim remeasurement was not performed.

Defined Contribution Plans

The Company sponsors defined contribution plans for substantially all U.S. employees and certain foreign employees. The plans allow employees to contribute a portion of their earnings in accordance with specified guidelines. Matching contributions are made annually in January to participants employed on December 31 of the prior year and vest in one year. However, if a participant retires from the Company or dies prior to December 31, the participant will be eligible to receive matching contributions approximately 30 days following separation from service. During fiscal 2020, 2019 and 2018, the Company contributed $192 million, $219 million and $245 million, respectively, to its defined contribution plans. As of March 31, 2020, plan assets included 3,393,616 shares of the Company’s common stock.

Deferred Compensation Plans

Effective as of the HPES Merger, DXC assumed sponsorship of the Computer Sciences Corporation Deferred Compensation Plan, which was renamed the “DXC Technology Company Deferred Compensation Plan” (the “DXC DCP”), and adopted the Enterprise Services Executive Deferred Compensation Plan (the “ES DCP”). Both plans are non-qualified deferred compensation plans maintained for a select group of management, highly compensated employees and non-employee directors.

The DXC DCP covers eligible employees who participated in CSC’s Deferred Compensation Plan prior to the HPES Merger. The ES DCP covers eligible employees who participated in the HPE Executive Deferred Compensation Plan prior to the HPES Merger. Both plans allow participating employees to defer the receipt of current compensation to a future distribution date or event above the amounts that may be deferred under DXC’s tax-qualified 401(k) plan, the DXC Technology Matched Asset Plan. Neither plan provides for employer contributions. As of April 3, 2017, the ES DCP does not admit new participants.

Certain management and highly compensated employees are eligible to defer all, or a portion of, their regular salary that exceeds the limitation set forth in Internal Revenue Section 401(a)(17) and all or a portion of their incentive compensation. Non-employee directors are eligible to defer up to 100% of their cash compensation. The liability under the plan, which is included in other long-term liabilities in the Company's balance sheets, amounted to $48 million as of March 31, 2020 and $59 million as of March 31, 2019. The Company's expense under the Plan totaled $0 million, $2 million and $4 million, for fiscal 2020, 2019 and 2018, respectively.

Note 15 - Stockholders' Equity

Description of Capital Stock

The Company has authorized share capital consisting of 750,000,000 shares of common stock, par value $0.01 per share, and 1,000,000 shares of preferred stock, par value $0.01 per share.

Each share of common stock is equal in all respects to every other share of common stock of the Company. Each share of common stock is entitled to one vote per share at each annual or special meeting of stockholders for the election of directors and upon any other matter coming before such meeting. Subject to all the rights of the preferred stock, dividends may be paid to holders of common stock as and when declared by the Board of Directors (the "Board").

The Company's charter requires that preferred stock must be all of one class but may be issued from time to time in one or more series, each of such series to have such full or limited voting powers, if any, and such designations, preferences and relative, participating, optional or other special rights or qualifications, limitations or restrictions as provided in a resolution adopted by the Board of Directors. Each share of preferred stock will rank on a parity with each other share of preferred stock, regardless of series, with respect to the payment of dividends at the respectively designated rates and with respect to the distribution of capital assets according to the amounts to which the shares of the respective series are entitled.

Share Repurchase Program

On April 3, 2017, DXC announced the establishment of a share repurchase program approved by the Board of Directors with an initial authorization of up to $2.0 billion for future repurchases of outstanding shares of DXC common stock. On November 8, 2018, DXC announced that its board of directors approved an incremental $2.0 billion share repurchase authorization. An expiration date has not been established for this repurchase plan. Share repurchases may be made from time to time through various means, including in open market purchases, 10b5-1 plans, privately-negotiated transactions, accelerated stock repurchases, block trades and other transactions, in compliance with Rule 10b-18 under the Exchange Act as well as, to the extent applicable, other federal and state securities laws and other legal requirements. The timing, volume, and nature of share repurchases pursuant to the share repurchase plan are at the discretion of management and may be suspended or discontinued at any time.

As part of the share repurchase program, during fiscal 2020, DXC entered into an accelerated share repurchase ("ASR") agreement with a third-party financial institution and repurchased 3,654,544 shares of common stock for $200 million, resulting in an average price paid of $54.73 per share.

The shares repurchased are retired immediately and included in the category of authorized but unissued shares. The excess of purchase price over par value of the common shares is allocated between additional paid-in capital and retained earnings. The details of shares repurchased are shown below:

Fiscal Year		Number of shares repurchased	Average Price Per Share	Amount (In millions)
2020				
Open market purchases		12,279,107	$43.67	$ 536
ASR		3,654,544	$54.73	$ 200
	2020 Total	15,933,651	$46.21	$ 736
2019				
Open market purchases		19,342,586	$69.20	$ 1,339
	2019 Total	19,342,586	$69.20	$ 1,339
2018				
Open market purchases		1,537,782	$89.41	$ 137
	2018 Total	1,537,782	$89.41	$ 137

Treasury Stock Transactions

In fiscal 2020, 2019 and 2018 the Company accepted 38,902, 42,008 and 332,558 shares of its common stock, respectively, in lieu of cash in connection with the exercise of stock options. In fiscal 2020, 2019 and 2018, the Company accepted 321,148, 729,703 and 684,389 shares of its common stock, respectively, in lieu of cash in connection with the tax withholdings associated with the release of common stock upon vesting of restricted stock and RSUs. As a result, the Company holds 2,148,708 treasury shares as of March 31, 2020.

Dividends

	Dividends Declared		
(in millions, except per share amounts)	Per Common Share	Total	Unpaid at Fiscal Year End
Fiscal 2020	$ 0.84	$ 219	$ 55
Fiscal 2019	$ 0.76	$ 209	$ 53
Fiscal 2018	$ 0.72	$ 209	$ 51

Accumulated Other Comprehensive (Loss) Income

The following table shows the changes in accumulated other comprehensive (loss) income, net of taxes:

(in millions)	Foreign Currency Translation Adjustments	Cash Flow Hedges	Available-for-sale Securities	Pension and Other Post-retirement Benefit Plans	Accumulated Other Comprehensive (Loss) Income
Balance at March 31, 2017	$ (458)	$ 20	$ —	$ 276	$ (162)
Current-period other comprehensive (loss) income	197	(11)	9	—	195
Amounts reclassified from accumulated other comprehensive (loss) income, net of taxes	—	—	—	25	25
Balance at March 31, 2018	$ (261)	$ 9	$ 9	$ 301	$ 58
Current-period other comprehensive loss	(256)	(22)	—	(21)	(299)
Amounts reclassified from accumulated other comprehensive (loss) income, net of taxes	—	10	—	(13)	(3)
Balance at March 31, 2019	$ (517)	$ (3)	$ 9	$ 267	$ (244)
Current-period other comprehensive loss	(334)	(15)	—	—	(349)
Amounts reclassified from accumulated other comprehensive (loss) income, net of taxes	—	(2)	—	(8)	(10)
Balance at March 31, 2020	$ (851)	$ (20)	$ 9	$ 259	$ (603)

Note 16 - Stock Incentive Plans

Equity Plans

As a result of the Separation of USPS, shared-based awards issued by the Company were modified. The number of stock options and exercise price were adjusted to generally preserve the intrinsic value immediately prior to the Separation. There was no incremental share-based compensation expense recognized as a result of the modification of the awards.

As a result of the HPES Merger, all outstanding CSC awards of stock options, stock appreciation rights, restricted stock units ("CSC RSUs"), including performance-based restricted stock units, relating to CSC common stock granted under the 2011 Omnibus Incentive Plan, the 2007 Employee Incentive Plan and the 2010 Non-Employee Director Incentive Plan (the "CSC Equity Incentive Plans") held by CSC employees and non-employee directors were converted into an adjusted award relating to DXC common shares subject to the same terms and conditions after the HPES Merger as the terms and conditions applicable to such awards prior to the HPES Merger.

Under the terms of the CSC Equity Incentive Plans and the individual award agreements, all unvested equity incentive awards, including all stock options and CSC RSUs held by all participants under the plans, including its named executive officers and directors, are subject to accelerated vesting in whole or in part upon the occurrence of a change in control or upon the participant's termination of employment on or after the occurrence of a change in control under certain circumstances ("CIC events"). As a result of CIC events triggered by the HPES Merger, approximately 3.6 million unvested awards became vested on April 1, 2017 and $26 million of incremental stock compensation expense was recognized. CSC options granted in fiscal 2017 vested 33% upon the HPES Merger; the remaining 67% were converted into DXC RSUs based on the accounting value of the options. These RSUs will vest on the second and third anniversaries of the original option grant date. For equity incentive awards granted by HPE under HPE equity incentive plans to HPES employees prior to the HPES Merger, outstanding options (vested and unvested) and unvested RSU awards were converted upon the HPES Merger into economically equivalent DXC option and RSU awards, with terms and conditions substantially the same as the terms of such awards prior to the HPES Merger.

In March 2017, prior to the HPES Merger, the board of directors and shareholders of HPES approved DXC's 2017 Omnibus Incentive Plan (the "DXC Employee Equity Plan"), DXC's 2017 Non-Employee Director Incentive Plan (the "DXC Director Equity Plan") and DXC's 2017 Share Purchase Plan ("DXC Share Purchase Plan"). The terms of the DXC Employee Equity Plan and DXC Director Equity Plans are substantially similar to the terms of the CSC Equity Incentive Plans. The former allows DXC to grant stock options (including incentive stock options), stock appreciation rights ("SARs"), restricted stock, RSUs (including PSUs), and cash awards intended to qualify for the performance-based compensation exemption to the $1 million deduction limit under Section 162(m) of the Internal Revenue Code (collectively the "Awards"). Awards are typically subject to vesting over the 3-year period following the grant date. Vested stock options are generally exercisable for a term of 10 years from the grant date. All of DXC's employees are eligible for awards under the plan. The Company issues authorized but previously unissued shares upon the granting of stock options and the settlement of RSUs and PSUs.

The Compensation Committee of the Board of Directors has broad authority to grant awards and otherwise administer the DXC Employee Equity Plan. The plan became effective March 30, 2017 and will continue in effect for a period of 10 years thereafter, unless terminated earlier by the Board. The Board has the authority to amend the plan in such respects as it deems desirable, subject to approval of DXC's stockholders for material modifications.

RSUs represent the right to receive one share of DXC common stock upon a future settlement date, subject to vesting and other terms and conditions of the award, plus any dividend equivalents accrued during the award period. In general, if the employee's status as a full-time employee is terminated prior to the vesting of the RSU grant in full, then the RSU grant is automatically canceled on the termination date and any unvested shares and dividend equivalents are forfeited. Certain executives were awarded service-based "career share" RSUs for which the shares are settled over the 10 anniversaries following the executive's separation from service as a full-time employee, provided the executive complies with certain non-competition covenants during that period.

The Company also grants PSUs, which generally vest over a period of 3 years. The number of PSUs that ultimately vest is dependent upon the Company's achievement of certain specified financial performance criteria over a 3-year period. If the specified performance criteria are met, awards are settled for shares of DXC common stock and dividend equivalents upon the filing with the SEC of the Annual Report on Form 10-K for the last fiscal year of the performance period. PSU awards include the potential for up to 25% of the shares granted to be earned after the first and second fiscal years if certain of the Company's performance targets are met early, subject to vesting based on the participant's continued employment through the end of the 3-year performance period.

The terms of the DXC Director Equity Plan allow DXC to grant RSU awards to non-employee directors of DXC. Such RSU awards vest in full at the earlier of (i) the first anniversary of the grant date or (ii) the next annual meeting date, and are automatically redeemed for DXC common stock and dividend equivalents either at that time or, if an RSU deferral election form is submitted, upon the date or event elected by the director. Distributions made upon a director's separation from the Board may occur in either a lump sum or in annual installments over periods of 5, 10, or 15 years, per the director's election. In addition, RSUs vest in full upon a change in control of DXC.

The DXC Share Purchase Plan allows DXC's employees located in the United Kingdom to purchase shares of DXC's common stock at the fair market value of such shares on the applicable purchase date. There were 28,779 shares purchased under this plan during fiscal 2020.

The Board has reserved for issuance shares of DXC common stock, par value $0.01 per share, under each of the plans as detailed below:

	As of March 31, 2020	
	Reserved for issuance	Available for future grants
DXC Employee Equity Plan	34,200,000	19,571,067
DXC Director Equity Plan	230,000	39,451
DXC Share Purchase Plan	250,000	206,610
Total	34,680,000	19,817,128

The Company recognized share-based compensation expense for fiscal 2020, 2019 and 2018 as follows:

	Fiscal Years Ended		
(in millions)	March 31, 2020	March 31, 2019	March 31, 2018
Total share-based compensation cost	$ 68	$ 74	$ 93
Related income tax benefit	$ 12	$ 15	$ 21
Total intrinsic value of options exercised	$ 8	$ 44	$ 136
Tax benefits from exercised stock options and awards	$ 14	$ 39	$ 84

As of March 31, 2020, total unrecognized compensation expense related to unvested DXC RSUs, net of expected forfeitures was $123 million, respectively. The unrecognized compensation expense for unvested RSUs is expected to be recognized over a weighted-average period of 1.86 years.

Stock Options

The Company's stock options vest one-third annually on each of the first three anniversaries of the grant date. Stock options are generally granted for a term of ten years. Information concerning stock options granted under stock incentive plans was as follows:

	Number of Option Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Outstanding as of March 31, 2017	4,767,396	$ 38.70	8.01	$ 145
Granted	—	$ —		
HPE options converted to DXC options at Merger	2,654,970	$ 46.56		
CSC Options converted to RSUs due to Merger	(1,521,519)	$ 51.00		
Exercised	(2,916,045)	$ 40.39		$ 136
Canceled/Forfeited	(14,890)	$ 69.52		
Expired	(36,411)	$ 36.69		
Outstanding as of March 31, 2018 (1)	2,933,501	$ 32.54	5.24	$ 185
Granted	—	$ —		
Issued due to Separation modification	400,170	$ 31.72		
Exercised	(969,103)	$ 37.33		$ 44
Canceled/Forfeited	(14,607)	$ 48.33		
Expired	(31,193)	$ 25.03		
Outstanding as of March 31, 2019	2,318,768	$ 30.40	4.80	$ 79
Granted	—	$ —		
Exercised	(331,172)	$ 31.36		$ 8
Canceled/Forfeited	(2,213)	$ 55.95		
Expired	(115,568)	$ 34.97		
Outstanding as of March 31, 2020	1,869,815	$ 29.92	4.27	$ —
Vested and expected to vest in the future as of March 31, 2020	1,869,815	$ 29.92	4.27	$ —
Exercisable as of March 31, 2020	1,869,815	$ 29.92	4.27	$ —

(1) *The amount of the weighted average exercise price per share has been revised to reflect the impact of the Separation.*

	As of March 31, 2020				
	Options Outstanding			Options Exercisable	
Range of Option Exercise Price	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Number Exercisable	Weighted Average Exercise Price
$8.96 - $24.47	545,394	$ 19.03	2.85	545,394	$ 19.03
$25.14 - $41.92	833,679	$ 28.08	4.62	833,679	$ 28.08
$42.05 - $58.80	490,742	$ 45.13	5.24	490,742	$ 45.13
	1,869,815			1,869,815	

The total fair value of stock options vested during fiscal 2020, 2019 and 2018 was $0 million, $0 million and $22 million, respectively. The cash received from stock options exercised during fiscal 2020, 2019 and 2018 was $9 million, $34 million and $98 million, respectively.

Restricted Stock Units

RSUs represent the right to receive one share of DXC common stock upon a future settlement date, subject to vesting and other terms and conditions of the award, plus any dividend equivalents accrued during the award period. In general, if the employee's status as a full-time employee is terminated prior to the vesting of the RSU grant in full, then the RSU grant is automatically canceled on the termination date and any unvested shares and dividend equivalents are forfeited. Certain executives were awarded service-based "career share" RSUs for which the shares are settled over the 10 anniversaries following the executive's separation from service as a full-time employee, provided the executive complies with certain non-competition covenants during that period.

Performance Stock Units

The Company also grants PSUs, which generally vest over a period of 3 years. The number of PSUs that ultimately vest is dependent upon the Company's achievement of certain specified financial performance criteria over a three-year period. If the specified performance criteria are met, awards are settled for shares of DXC common stock and dividend equivalents upon the filing with the SEC of the Annual Report on Form 10-K for the last fiscal year of the performance period. PSU awards include the potential for accelerated vesting of 25% of the shares granted after each of the first and second fiscal years if certain of the Company's performance targets are met early, and are subject to final vesting based on the participant's continued employment through the end of the three-year performance period. Compensation expense during the performance period is estimated at each reporting date using management's expectation of the probable achievement of the specified performance criteria and is adjusted to the extent the expected achievement changes. In the table below, such awards are reflected at the number of shares originally granted.

Information concerning RSUs and PSUs granted under the stock incentive plans was as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding as of March 31, 2017	3,710,985	$ 34.86
Granted	1,828,667	$ 82.34
HPE RSUs converted to DXC RSUs due to Merger	95,816	$ 69.34
Options converted to RSUs due to Merger	609,416	$ 32.58
Released/Issued	(1,934,446)	$ 35.93
Canceled/Forfeited	(324,822)	$ 59.34
Outstanding as of March 31, 2018 [(1)]	3,985,616	$ 47.25
Granted	1,136,002	$ 77.10
Issued due to Separation modification	649,649	$ 51.98
Released/Issued	(2,207,467)	$ 33.05
Canceled/Forfeited	(754,025)	$ 62.01
Outstanding as of March 31, 2019	2,809,775	$ 67.27
Granted	3,166,405	$ 45.58
Released/Issued	(1,039,346)	$ 54.39
Canceled/Forfeited	(762,358)	$ 59.46
Outstanding as of March 31, 2020	4,174,476	$ 55.45

[(1)] *The amount of the weighted average fair value per share has been revised to reflect the impact of the USPS Separation.*

Non-employee Director Incentives

The Company has one stock incentive plan which authorizes the issuance of stock options, restricted stock and other share-based incentives to non-employee directors upon terms approved by the Company's Board of Directors. As of March 31, 2020, 39,451 shares of DXC common stock remained available for the grant of future RSUs or other share-based incentives to nonemployee directors.

RSU awards to non-employee directors are granted at a price of $0. For RSU awards granted in fiscal 2014 and thereafter, RSUs vest and settle at the earlier of (i) the one-year anniversary of the grant date, or (ii) the date of the Company's first Annual Meeting of the Stockholders held after the grant date. Alternatively, settlement of the RSU may be deferred per election of the non-employee director. For awards granted in fiscal 2013 and prior, vested RSUs were automatically settled for shares of DXC common stock and dividend equivalents when the non-employee director ceases to be a director of the Company. At the holder's election, the RSUs may be settled (i) in their entirety, upon the day the holder ceases to be a director, or (ii) in substantially equal amounts upon the first five, ten or fifteen anniversaries of such termination of service.

Information concerning RSUs granted to non-employee directors was as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding as of March 31, 2017	85,766	$ 34.19
Granted	22,900	$ 84.40
Released/Issued	(39,980)	$ 45.25
Canceled/Forfeited	(2,300)	$ 85.35
Outstanding as of March 31, 2018 [1]	66,386	$ 37.26
Granted	19,200	$ 87.88
Issued due to Separation modification	10,488	$ 37.69
Released/Issued	(20,324)	$ 51.59
Canceled/Forfeited	—	$ —
Outstanding as of March 31, 2019	75,750	$ 46.31
Granted	62,200	$ 35.90
Released/Issued	(23,335)	$ 60.90
Canceled/Forfeited	—	$ —
Outstanding as of March 31, 2020	114,615	$ 37.69

[1] *The amount of the weighted average fair value per share has been revised to reflect the impact of the USPS Separation.*

Note 17 - Cash Flows

Cash payments for interest on indebtedness and income taxes and other select non-cash activities are as follows:

	Fiscal Years Ended		
(in millions)	March 31, 2020	March 31, 2019	March 31, 2018
Cash paid for:			
Interest	$ 371	$ 308	$ 288
Taxes on income, net of refunds [1]	$ 247	$ 197	$ 376
Non-cash activities:			
Operating:			
ROU assets obtained in exchange for lease, net [2]	$ 411	$ —	$ —
Prepaid assets acquired under long-term financing	$ 99	$ 48	$ 209
Investing:			
Capital expenditures in accounts payable and accrued expenses	$ 66	$ 45	$ 46
Capital expenditures through finance lease obligations	$ 605	$ 668	$ 664
Assets acquired under long-term financing	$ 376	$ 200	$ 238
(Decrease) increase in deferred purchase price receivable	$ (205)	$ 1,489	$ 665
Contingent consideration	$ 18	$ 41	$ —
Financing:			
Dividends declared but not yet paid	$ 55	$ 53	$ 51
Stock issued for the acquisition of HPES	$ —	$ —	$ 9,850

[1] Income tax refunds were $42 million, $174 million, and $38 million for fiscal 2020, 2019, and 2018, respectively.
[2] Net of $87 million change in lease classification from operating to finance lease and $216 million in modifications and terminations.

Note 18 - Other Income

The following table summarizes components of other income, net:

	Fiscal Years Ended		
(in millions)	March 31, 2020	March 31, 2019	March 31, 2018
Non-service cost components of net periodic pension income	$ (658)	$ (182)	$ (509)
Foreign currency (gain) loss	(25)	31	(71)
Other gain	(37)	(155)	(13)
Totals	$ (720)	$ (306)	$ (593)

Non-service cost components of net periodic pension income resulted from higher expected return on assets and actuarial gain, offset by interest cost. See Note 14 - Pension and Other Benefit Plans. Foreign currency loss (gain) resulted from the movement of foreign currency exchange rates on the Company's foreign currency denominated assets and liabilities, related hedges including options to manage its exposure to economic risk and the cost of the Company's hedging program.

Note 19 - Segment and Geographic Information

DXC has a matrix form of organization and is managed in several different and overlapping groupings including services, industries and geographic regions. As a result, and in accordance with accounting standards, operating segments are organized by the type of services provided. DXC's chief operating decision maker ("CODM"), the chief executive officer, obtains, reviews, and manages the Company's financial performance based on these segments. The CODM uses these results, in part, to evaluate the performance of, and allocate resources to, each of the segments.

As a result of the Separation, USPS is no longer included as a reportable segment and its results have been reclassified to discontinued operations, net of taxes, for all periods presented. See Note 3 - "Divestitures." DXC now operates in two reportable segments as described below:

Global Business Services

GBS provides innovative technology solutions that help our customers address key business challenges and accelerate digital transformations tailored to each customer's industry and specific objectives. GBS enterprise technology stack offerings include:

- *Analytics and Engineering.* Our portfolio of analytics services and extensive partner ecosystem help customers gain rapid insights, automate operations, and accelerate their digital transformation journeys. We provide software engineering and solutions that enable businesses to run and manage their mission-critical functions, transform their operations and develop new ways of doing business.
- *Applications.* We use advanced technologies and methods to accelerate the creation, modernization, delivery and maintenance of high-quality, secure applications allowing customers to innovate faster while reducing risk, time to market, and total cost of ownership, across industries. Our vertical-specific IP includes solutions for insurance; banking and capital markets; and automotive, among others.

GBS offerings also includes business process services, which include digital integration and optimization of front and back office processes, and agile process automation. This helps companies to reduce cost, and minimize business disruption, human error, and operational risk while improving customer experiences.

Global Infrastructure Services

GIS provides a portfolio of technology offerings that deliver predictable outcomes and measurable results, while reducing business risk and operational costs for customers. GIS enterprise stack elements include:

- *Cloud and Security.* We help customers to rapidly modernize by adapting legacy apps to cloud, migrate the right workloads, and securely manage their multi-cloud environments. Our security solutions help predict attacks, proactively respond to threats, ensure compliance and protect data, applications and infrastructure.
- *IT Outsourcing.* Our ITO services support infrastructure, applications, and workplace IT operations, including hardware, software, physical/virtual end-user devices, collaboration tools, and IT support services. We help customers securely optimize operations to ensure continuity of their systems and respond to new business and workplace demands, while achieving cost takeout, all with limited resources, expertise and budget.

GIS offerings also include **workplace and mobility services** to fit our customer's employee, business and IT needs from intelligent collaboration, modern device management, digital support services Internet of Things ("IoT") and mobility services, providing a consumer-like, digital experience.

Segment Measures

The following table summarizes operating results regularly provided to the CODM by reportable segment and a reconciliation to the financial statements:

(in millions)	GBS	GIS	Total Reportable Segments	All Other	Totals
Fiscal Year Ended March 31, 2020					
Revenues	$ 9,111	$ 10,466	$ 19,577	$ —	$ 19,577
Segment Profit	$ 1,301	$ 1,007	$ 2,308	$ (247)	$ 2,061
Depreciation and amortization (1)	$ 199	$ 1,051	$ 1,250	$ 109	$ 1,359
Fiscal Year Ended March 31, 2019					
Revenues	$ 8,684	$ 12,069	$ 20,753	$ —	$ 20,753
Segment Profit	$ 1,645	$ 1,911	$ 3,556	$ (287)	$ 3,269
Depreciation and amortization (1)	$ 90	$ 1,212	$ 1,302	$ 127	$ 1,429
Fiscal Year Ended March 31, 2018					
Revenues	$ 9,254	$ 12,479	$ 21,733	$ —	$ 21,733
Segment Profit	$ 1,525	$ 1,643	$ 3,168	$ (179)	$ 2,989
Depreciation and amortization (1)	$ 99	$ 1,078	$ 1,177	$ 92	$ 1,269

(1) Depreciation and amortization as presented excludes amortization of acquired intangible assets of $583 million, $539 million, and $526 million for fiscal 2020, 2019, and 2018, respectively.

Reconciliation of Reportable Segment Profit to Consolidation

The Company's management uses segment profit as the measure for assessing performance of its segments. Segment profit is defined as segment revenues less cost of services, segment selling, general and administrative, depreciation and amortization, and other income (excluding the movement in foreign currency exchange rates on DXC's foreign currency denominated assets and liabilities and the related economic hedges). The Company does not allocate to its segments certain operating expenses managed at the corporate level. These unallocated costs include certain corporate function costs, stock-based compensation expense, pension and OPEB actuarial and settlement gains and losses, restructuring costs, transaction, separation, and integration-related costs, amortization of acquired intangible assets.

	Fiscal Years Ended		
(in millions)	**March 31, 2020**	**March 31, 2019**	**March 31, 2018**
Profit			
Total profit for reportable segments	$ 2,308	$ 3,556	$ 3,168
All other gain (loss)	(247)	(287)	(179)
Interest income	165	128	89
Interest expense	(383)	(334)	(320)
Restructuring costs	(252)	(465)	(789)
Transaction, separation, and integration-related costs	(318)	(401)	(359)
Amortization of acquired intangible assets	(583)	(539)	(526)
Goodwill impairment losses	(6,794)	—	—
Gain on arbitration award	632	—	—
Pension and OPEB actuarial and settlement gains (losses)	244	(143)	220
(Loss) income from continuing operations, before taxes	$ (5,228)	$ 1,515	$ 1,304

Management does not use total assets by segment to evaluate segment performance or allocate resources. As a result, assets are not tracked by segment and therefore, total assets by segment is not disclosed.

Geographic Information

See Note 20 - "Revenue" for the Company's revenue by geography. Property and equipment, net, which is based on the physical location of the assets, was as follows:

	As of		
(in millions)	**March 31, 2020**	**March 31, 2019**	**March 31, 2018**
United States	$ 1,621	$ 1,352	$ 1,270
United Kingdom	493	512	535
Australia	134	144	191
Other Europe	757	553	465
Other International	542	618	902
Total Property and Equipment, net	$ 3,547	$ 3,179	$ 3,363

No single customer exceeded 10% of the Company’s revenues during fiscal 2020, fiscal 2019 or fiscal 2018.

Note 20 - Revenue

Revenue Recognition

The following table presents DXC's revenues disaggregated by geography, based on the location of incorporation of the DXC entity providing the related goods or services:

	Twelve Months Ended		
(in millions)	March 31, 2020	March 31, 2019	March 31, 2018 [1]
United States	$ 7,225	$ 7,677	$ 8,015
United Kingdom	2,776	3,175	3,392
Australia	1,487	1,582	1,694
Other Europe	5,121	5,294	5,409
Other International	2,968	3,025	3,223
Total Revenues	$ 19,577	$ 20,753	$ 21,733

[1] *Prior period amounts have not been recast under the modified retrospective transition method.*

The revenue by geography pertains to both of the Company's reportable segments. Refer to Note 19 - "Segment and Geographic Information" for the Company's segment disclosures.

Remaining Performance Obligations

Remaining performance obligations represent the aggregate amount of the transaction price in contracts allocated to performance obligations not delivered, or partially undelivered, as of the end of the reporting period. Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustments for revenue that has not materialized and adjustments for currency. As of March 31, 2020, approximately $24.0 billion of revenue is expected to be recognized from remaining performance obligations. The Company expects to recognize revenue on approximately 42% of these remaining performance obligations in Fiscal 2021, with the remainder of the balance recognized thereafter.

Contract Balances

The following table provides information about the balances of the Company's trade receivables and contract assets and contract liabilities:

	As of	
(in millions)	March 31, 2020	March 31, 2019
Trade receivables, net	$ 3,059	$ 3,232
Contract assets	$ 454	$ 390
Contract liabilities	$ 1,756	$ 1,886

Change in contract liabilities were as follows:

(in millions)	Twelve Months Ended March 31, 2020	Twelve Months Ended March 31, 2019
ASC 605 Balance, beginning of period	$ —	$ 2,434
Adjustment related to Topic 606 adoption	—	(381)
ASC 606 Balance, beginning of period	1,886	2,053
Deferred revenue	2,910	2,681
Recognition of deferred revenue	(2,925)	(2,664)
Currency translation adjustment	(48)	(167)
Other	(67)	(17)
Balance, end of period	$ 1,756	$ 1,886

The following tables provides information about the Company's capitalized costs to obtain and fulfill a contract:

	As of	
(in millions)	March 31, 2020	March 31, 2019
Capitalized sales commission cost [1]	$ 262	$ 228
Transition and transformation contract costs, net [2]	$ 874	$ 966

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[1] *Capitalized sales commission costs are included within other assets in the accompanying balance sheets. Amortization expense of $72 million and $62 million for the twelve months ended March 31, 2020 and March 31, 2019, respectively, related to the capitalized sales commission assets are included in selling, general, and administrative expenses in the accompanying statements of operations.*

[2] *Transition and transformation contract costs, net reflect the Company's setup costs incurred upon initiation of an outsourcing contract that are classified as other assets in the accompanying balance sheets. Amortization expense of $280 million and $258 million for the twelve months ended March 31, 2020 and March 31, 2019, respectively, are included within depreciation and amortization in the accompanying statements of operations.*

Note 21 - Restructuring Costs

The Company recorded restructuring costs, net of reversals, of $252 million, $465 million and $789 million for fiscal 2020, 2019 and 2018, respectively. The costs recorded during fiscal 2020 were largely the result of implementing the Fiscal 2020 Plan, as described below.

The composition of restructuring liabilities by financial statement line items is as follows:

	As of	
(in millions)	March 31, 2020	March 31, 2019
Accrued expenses and other current liabilities	$ 145	$ 273
Other long-term liabilities	35	106
Total	$ 180	$ 379

Summary of Restructuring Plans

Fiscal 2020 Plan

During fiscal 2020, management approved cost savings initiatives designed to reduce operating costs by re-balancing its workforce and facilities structures (the "Fiscal 2020 Plan"). The Fiscal 2020 Plan includes workforce optimization programs and facilities and data center rationalization.

Fiscal 2019 Plan

During fiscal 2019, management approved global cost savings initiatives designed to better align the Company's organizational structure with its strategic initiatives and continue the integration of HPES and other acquisitions (the "Fiscal 2019 Plan"). The Fiscal 2019 Plan includes workforce optimization and rationalization of facilities and data center assets. Costs incurred to date under the Fiscal 2019 Plan total $482 million, comprising $338 million in employee severance and $144 million of facilities costs.

Fiscal 2018 Plan

In June 2017, management approved a post-HPES Merger restructuring plan to optimize the Company's operations in response to a continuing business contraction (the "Fiscal 2018 Plan"). The Fiscal 2018 Plan focuses mainly on optimizing specific aspects of global workforce, increasing the proportion of work performed in low cost offshore locations and re-balancing the pyramid structure. Additionally, this plan included global facility restructuring, including a global data center restructuring program. Costs incurred to date under the Fiscal 2018 Plan total $771 million, comprising $584 million in employee severance and $187 million of facilities costs.

Other Prior Year Plans

In May 2016, the Company initiated a restructuring plan to realign the Company's cost structure and resources to take advantage of operational efficiencies following recent acquisitions. During the fourth quarter of Fiscal 2017, the Company expanded the plan to strengthen the Company's competitiveness and to optimize the workforce by increasing work performed in low-cost locations (the "Fiscal 2017 Plan"). Total costs incurred to date under the Fiscal 2017 Plan total $215 million, comprising $206 million in employee severance and $9 million of facilities costs.

Acquired Restructuring Liabilities

As a result of the merger of Computer Sciences Corporation ("CSC") and HPES ("HPES Merger"), DXC acquired restructuring liabilities under restructuring plans that were initiated for HPES under plans approved by the HPE Board of Directors.

Restructuring activities, summarized by plan year, were as follows:

	Restructuring Liability as of March 31, 2019	Adoption of ASC 842[(1)]	Costs Expensed, Net of Reversals[(2)]	Costs Not Affecting Restructuring Liability[(3)]	Cash Paid	Other[(4)]	Restructuring Liability as of March 31, 2020
Fiscal 2020 Plan							
Workforce Reductions	$ —	$ —	$ 271	$ (11)	$ (177)	$ (9)	$ 74
Facilities Costs	—	—	21	(3)	(16)	—	2
Total	$ —	$ —	$ 292	$ (14)	$ (193)	$ (9)	$ 76
Fiscal 2019 Plan							
Workforce Reductions	$ 138	$ —	$ (25)	$ —	$ (83)	$ (5)	$ 25
Facilities Costs	68	(53)	—	(1)	(7)	(2)	5
Total	$ 206	$ (53)	$ (25)	$ (1)	$ (90)	$ (7)	$ 30
Fiscal 2018 Plan							
Workforce Reductions	$ 59	$ —	$ (10)	$ —	$ (29)	$ —	$ 20
Facilities Costs	35	(36)	(1)	—	(2)	4	—
Total	$ 94	$ (36)	$ (11)	$ —	$ (31)	$ 4	$ 20
Other Prior Year Plans							
Workforce Reductions	$ 9	$ —	$ (1)	$ —	$ (3)	$ (1)	$ 4
Facilities Costs	1	(1)	—	—	—	—	—
Total	$ 10	$ (1)	$ (1)	$ —	$ (3)	$ (1)	$ 4
Acquired Liabilities							
Workforce Reductions	$ 51	$ —	$ 1	$ —	$ (16)	$ 3	$ 39
Facilities Costs	18	—	(4)	—	(1)	(2)	11
Total	$ 69	$ —	$ (3)	$ —	$ (17)	$ 1	$ 50

(1) Represents restructuring liability recorded as an offset to right-of-use assets upon the adoption of ASC 842.
(2) Costs expensed, net of reversals include $30 million, $11 million, and $3 million of costs reversed from the Fiscal 2019 Plan, Fiscal 2018 Plan and Other Prior Year Plans, respectively.
(3) Pension benefit augmentations recorded as a pension liability and asset impairment.
(4) Foreign currency translation adjustments.

	Restructuring Liability as of March 31, 2018	Costs Expensed, Net of Reversals[1]	Costs Not Affecting Restructuring Liability[2]	Cash Paid	Other[3]	Restructuring Liability as of March 31, 2019
Fiscal 2019 Plan						
Workforce Reductions	$ —	$ 363	$ (2)	$ (218)	$ (5)	$ 138
Facilities Costs	—	144	(6)	(68)	(2)	68
Total	$ —	$ 507	$ (8)	$ (286)	$ (7)	$ 206
Fiscal 2018 Plan						
Workforce Reductions	$ 257	$ (30)	$ —	$ (151)	$ (17)	$ 59
Facilities Costs	98	(14)	(3)	(40)	(6)	35
Total	$ 355	$ (44)	$ (3)	$ (191)	$ (23)	$ 94
Fiscal 2017 Plan						
Workforce Reductions	$ 19	$ —	$ —	$ (12)	$ —	$ 7
Facilities Costs	3	—	—	(3)	—	—
Total	$ 22	$ —	$ —	$ (15)	$ —	$ 7
Other Prior Year Plans						
Workforce Reductions	$ 4	$ —	$ —	$ (2)	$ —	$ 2
Facilities Costs	2	—	—	(1)	—	1
Total	$ 6	$ —	$ —	$ (3)	$ —	$ 3
Acquired Liabilities						
Workforce Reductions	$ 110	$ 2	$ —	$ (58)	$ (3)	$ 51
Facilities Costs	27	—	—	(9)	—	18
Total	$ 137	$ 2	$ —	$ (67)	$ (3)	$ 69

[1] *Costs expensed, net of reversals include $48 million, $3 million, and $1 million of costs reversed from the Fiscal 2018 Plan, Fiscal 2017 Plan and Other Prior Year Plans, respectively.*
[2] *Pension benefit augmentations recorded as a pension liability and asset impairment.*
[3] *Foreign currency translation adjustments.*

Note 22 - Commitments and Contingencies

Commitments

The Company signed long-term purchase agreements with certain software, hardware, telecommunication and other service providers to obtain favorable pricing and terms for services and products that are necessary for the operations of business activities. Under the terms of these agreements, the Company is contractually committed to purchase specified minimums over periods ranging from 1 to 5 years. If the Company does not meet the specified minimums, the Company would have an obligation to pay the service provider all, or a portion, of the shortfall. Minimum purchase commitments as of March 31, 2020 were as follows:

Fiscal year (in millions)	**Minimum Purchase Commitment** [(1)]
2021	$ 1,911
2022	645
2023	535
2024	261
2025	25
Thereafter	—
Total	$ 3,377

(1) A significant portion of the minimum purchase commitments in fiscal 2021 relate to the amounts committed under the HPE preferred vendor agreements.

In the normal course of business, the Company may provide certain clients with financial performance guarantees, and at times performance letters of credit or surety bonds. In general, the Company would only be liable for the amounts of these guarantees in the event that non-performance by the Company permits termination of the related contract by the Company's client. The Company believes it is in compliance with its performance obligations under all service contracts for which there is a financial performance guarantee, and the ultimate liability, if any, incurred in connection with these guarantees will not have a material adverse effect on its consolidated results of operations or financial position.

The Company also uses stand-by letters of credit, in lieu of cash, to support various risk management insurance policies. These letters of credit represent a contingent liability and the Company would only be liable if it defaults on its payment obligations on these policies.

The following table summarizes the expiration of the Company's financial guarantees and stand-by letters of credit outstanding as of March 31, 2020:

(in millions)	**Fiscal 2021**	**Fiscal 2022**	**Fiscal 2023 and Thereafter**	**Totals**
Surety bonds	$ 374	$ 83	$ 85	$ 542
Letters of credit	102	96	397	595
Stand-by letters of credit	75	78	25	178
Totals	$ 551	$ 257	$ 507	$ 1,315

The Company generally indemnifies licensees of its proprietary software products against claims brought by third parties alleging infringement of their intellectual property rights, including rights in patents (with or without geographic limitations), copyrights, trademarks and trade secrets. DXC's indemnification of its licensees relates to costs arising from court awards, negotiated settlements, and the related legal and internal costs of those licensees. The Company maintains the right, at its own cost, to modify or replace software in order to eliminate any infringement. The Company has not incurred any significant costs related to licensee software indemnification.

Contingencies

Vincent Forcier v. Computer Sciences Corporation and The City of New York: On October 27, 2014, the United States Attorney's Office for the Southern District of New York and the Attorney General for the State of New York filed complaints-in-intervention on behalf of the United States and the State of New York, respectively, against CSC and The City of New York, based on a *qui tam* complaint originally filed under seal in 2012 by Vincent Forcier, a former employee of CSC. The complaints allege that from 2008 to 2012 New York City and CSC, in its role as fiscal agent for New York City's Early Intervention Program ("EIP"), violated the federal and state False Claims Acts and various common law standards by allegedly orchestrating a billing fraud against Medicaid through the misapplication of default billing codes and the failure to exhaust private insurance coverage before submitting claims to Medicaid. The lawsuits seek treble statutory damages, other civil penalties and attorneys' fees and costs.

In June 2016, the Court dismissed Forcier's amended complaint in its entirety. With regard to the complaints-in-intervention, the Court dismissed the federal claims alleging misuse of default diagnosis codes when the provider had entered an invalid code, and the state claims alleging failure to reimburse Medicaid when claims were subsequently paid by private insurance. The Court allowed the remaining claims to proceed. In September 2016, the United States and the State of New York each filed amended complaints-in-intervention, asserting additional claims that the compensation provisions of CSC's contract with New York City rendered it ineligible to serve as a billing agent under state law.

CSC filed motions to dismiss and in August 2017, the Court granted in part and denied in part CSC's motions. In January 2018, CSC asserted a counterclaim against the State of New York on a theory of contribution and indemnification. The court denied the State's motion to dismiss CSC's counterclaim with respect to liability for claims not arising under the Federal False Claims Act.

The Parties have reached an agreement in principle to resolve the matter. The Company expects to enter into a stipulation dismissing the action in June 2020.

Strauch Fair Labor Standards Act Collective Action: On July 1, 2014, several plaintiffs filed an action in the U.S. District Court for the District of Connecticut on behalf of themselves and a putative nationwide collective of CSC system administrators, alleging CSC's failure to properly classify these employees as non-exempt under the federal Fair Labor Standards Act ("FLSA"). Plaintiffs alleged similar state-law Rule 23 class claims pursuant to Connecticut and California statutes. Plaintiffs claimed double overtime damages, liquidated damages, and other amounts and remedies.

In 2015 the Court entered an order granting conditional certification under the FLSA of the collective of over 4,000 system administrators. Approximately 1,000 system administrators filed consents with the Court to participate in the FLSA collective. The class/collective action is currently made up of approximately 800 individuals who held the title of associate professional or professional system administrator.

In June 2017, the Court granted Rule 23 certification of a Connecticut state-law class and a California state-law class consisting of professional system administrators and associate professional system administrators. Senior professional system administrators were found not to qualify for Rule 23 certification under the state-law claims. CSC sought permission to appeal the Rule 23 decision to the Second Circuit Court of Appeals, which was denied.

In December 2017, a jury trial was held and a verdict was returned in favor of plaintiffs. On August 6, 2019, the Court issued an order awarding plaintiffs $18.75 million in damages. In September 2019, Plaintiffs filed a motion seeking $14.1 million in attorneys' fees and costs. The Court has yet to rule on this motion. The Company disagrees with the jury verdict and the damages award and is appealing the judgment of the Court.

Computer Sciences Corporation v. Eric Pulier, et al.: On May 12, 2015, CSC filed a civil complaint in the Court of Chancery of the State of Delaware against Eric Pulier, the former CEO of Service Mesh, Inc. ("SMI"), which CSC had acquired in November 2013. The complaint asserted claims for fraud, breach of contract and breach of fiduciary duty, based on allegations that Mr. Pulier had engaged in fraudulent transactions with two employees of the Commonwealth Bank of Australia Ltd. (“CBA”). The Court dismissed CSC’s claim for breach of the implied covenant of good faith but allowed substantially all of the remaining claims to proceed. Mr. Pulier asserted counter-claims for breach of contract, fraud, negligent representation, rescission, and violations of the California Blue Sky securities law, all of which the Court dismissed in whole or in part, except for claims for breach of Mr. Pulier’s retention agreement.

In July 2017, the Court granted a motion by the United States for a 90-day stay of discovery pending the completion of a criminal investigation by the U.S. Attorney's Office for the Central District of California. In September 2017, a federal grand jury returned an indictment against Mr. Pulier, charging him with conspiracy, securities and wire fraud, obstruction of justice, and other violations of federal law (United States v. Eric Pulier, CR 17-599-AB). The Government sought an extension of the stay which the Delaware Chancery Court granted.

In December 2018, the Government filed an application to dismiss the indictment against Mr. Pulier, which was granted, and the indictment was dismissed with prejudice. In March 2019, the Delaware Chancery Court lifted the stay and denied CSC's motion for a temporary restraining order and preliminary injunction with respect to certain of Mr. Pulier's assets.

In August 2019, the Company entered into an agreement with Mr. Pulier, resolving all claims and counterclaims in the Delaware litigation through the division of amounts previously held in escrow for post-closing disputes.

The Securities and Exchange Commission (“SEC”) has filed a complaint against Mr. Pulier alleging various claims, including for fraud and falsifying books and records (*Securities and Exchange Commission v. Eric Pulier,* Case No. 2:17-cv-07124). The Court has set a trial date of December 1, 2020.

In February 2016, Mr. Pulier filed a complaint in Delaware Chancery Court seeking advancement of his legal fees and costs in the civil and criminal actions, pursuant to the terms of his agreements with SMI. The Court ruled that CSC Agility Platform - as the successor to SMI - is liable for advancing 80% of Mr. Pulier’s fees and costs in the civil and criminal actions. Pursuant to agreements with SMI, Mr. Pulier is obligated to repay all amounts advanced to him if it should ultimately be determined that he is not entitled to indemnification.

The Company remains obligated to advance amounts for Mr. Pulier’s legal fees and costs to defend the SEC action against him.

Kemper Corporate Services, Inc. v. Computer Sciences Corporation: In October 2015, Kemper Corporate Services, Inc. (“Kemper”) filed a demand for arbitration against CSC with the American Arbitration Association (“AAA”), alleging that CSC breached the terms of a 2009 Master Software License and Services Agreement and related Work Orders (the “Agreement”) by failing to complete a software translation and implementation plan by certain contractual deadlines. Kemper claimed breach of contract, seeking approximately $100 million in damages. CSC answered the demand for arbitration denying Kemper’s claims and asserting a counterclaim for unpaid invoices for services rendered by CSC.

A single arbitrator conducted an evidentiary hearing on the merits of the claims and counterclaims in April 2017. In October 2017, the arbitrator issued a partial final award, finding for Kemper on its breach of contract theory, awarding Kemper $84.2 million in compensatory damages plus prejudgment interest, denying Kemper’s claim for rescission as moot, and denying CSC’s counterclaim. Kemper moved to confirm the award in federal district court in Texas.

CSC moved to vacate the award, and in August 2018, the Magistrate Judge issued its Report and Recommendation denying CSC's vacatur motion. In September 2018, the District Court summarily accepted the Report and Recommendation without further briefing and entered a Final Judgment in the case. The Company promptly filed a notice of appeal to the Fifth Circuit Court of Appeals. Following the submission of briefs, oral argument was held on September 5, 2019. On January 10, 2020, the Court of Appeals issued a decision denying the Company’s appeal. On January 24, 2020, the Company filed a Petition for Rehearing, seeking review by the entire en banc Court of Appeals. On February 14, 2020, the Court of Appeals denied the Company’s Petition.

The Company has been pursuing coverage for the full scope of the award, interest, and legal fees and expenses, under the Company's applicable insurance policies. Certain carriers have accepted coverage while others have denied coverage. On February 21, 2020, the Company paid the balance of the judgment, which net of insurance recovery, total $60 million. The Company continues to pursue recovery with its insurance carriers.

Forsyth, et al. v. HP Inc. and Hewlett Packard Enterprise: On August 18, 2016, this purported class and collective action was filed in the U.S. District Court for the Northern District of California, against HP and HPE alleging violations of the Federal Age Discrimination in Employment Act (“ADEA”), the California Fair Employment and Housing Act, California public policy and the California Business and Professions Code. Former business units of HPE now owned by the Company may be proportionately liable for any recovery by plaintiffs in this matter.

Plaintiffs seek to certify a nationwide class action under the ADEA comprised of all U.S. residents employed by defendants who had their employment terminated pursuant to a work force reduction (“WFR”) plan and who were 40 years of age or older at the time of termination. The class seeks to cover those impacted by WFRs on or after December 2014. Plaintiffs also seek to represent a Rule 23 class under California law comprised of all persons 40 years of age or older employed by defendants in the state of California and terminated pursuant to a WFR plan on or after August 18, 2012.

In January 2017, defendants filed a partial motion to dismiss and a motion to compel arbitration of claims by certain named and opt-in plaintiffs who had signed release agreements as part of their WFR packages. In September 2017, the Court denied the partial motion to dismiss without prejudice, but granted defendants’ motions to compel arbitration for those named and opt-in plaintiffs. The Court has stayed the entire action pending arbitration for these individuals, and administratively closed the case.

A mediation was held in October 2018 with the 16 named and opt-in plaintiffs who were involved in the case at that time. A settlement was reached, which included seven plaintiffs who were employed by former business units of HPE that are now owned by the Company. In June 2019, a second mediation was held with 145 additional opt-in plaintiffs who were compelled to arbitration pursuant to their release agreements. In December 2019, a settlement was reached with 142 of the opt-in plaintiffs, 35 of whom were employed by former business units of HPE that are now owned by the Company, and for which the Company is liable.

Former business units of the Company now owned by Perspecta may be proportionately liable for any recovery by plaintiffs in this matter.

Oracle America, Inc., et al. v. Hewlett Packard Enterprise Company: On March 22, 2016, Oracle filed a complaint against HPE in the Northern District of California, alleging copyright infringement, interference with contract, intentional interference with prospective economic relations, and unfair competition. The litigation relates in part to former business units of HPE that are now owned by the Company. The Company may be required to indemnify HPE for a portion of any recovery by Oracle in the litigation related to these business units.

Oracle’s claims arise primarily out of HPE’s prior relationship with a third-party maintenance provider named Terix Computer Company, Inc. (“Terix”). Oracle claims that Terix infringed its copyrights while acting as HPE’s subcontractor for certain customers of HPE’s multivendor support business. Oracle claims that HPE is liable for vicarious and contributory infringement arising from the alleged actions of Terix and for direct infringement arising from its own alleged conduct.

On June 14, 2018, the court heard oral argument on the parties’ cross-motions for summary judgment. On January 29, 2019, the court granted HPE’s motion for summary judgment and denied Oracle’s motion for summary judgment, resolving the matter in HPE’s favor. Oracle has appealed the judgment to the U.S. Court of Appeals for the Ninth Circuit. The parties have submitted their briefs in the appellate case, and oral argument has been scheduled for June 8, 2020.

In re DXC Technology Company Securities Litigation: On December 27, 2018, a purported class action lawsuit was filed in the United States District Court for the Eastern District of Virginia against the Company and two of its current officers. The lawsuit asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and is premised on allegedly false and/or misleading statements, and alleged non-disclosure of material facts, regarding the Company's business, operations, prospects and performance during the proposed class period of February 8, 2018 to November 6, 2018. The Company has moved to dismiss the claims in their entirety. On July 26, 2019, the court heard oral argument on the Company's motion to dismiss, and a decision is now pending.

In March 2019, three related shareholder derivative lawsuits were filed in the Eighth Judicial District Court of the State of Nevada, in and for Clark County, against one of the Company's current officers and a former officer as well as members of the Company's board of directors, asserting claims for breach of fiduciary duty, waste of corporate assets, and unjust enrichment. By agreement of the parties and order of the court, those lawsuits were consolidated on July 18, 2019, and are presently stayed pending resolution of the Company's motion to dismiss in the federal putative class action filed in the Eastern District of Virginia.

On August 20, 2019, a purported class action lawsuit was filed in the Superior Court of the State of California, County of Santa Clara, against the Company, directors of the Company, and a former officer of the Company, among other defendants. On September 16, 2019, a substantially similar purported class action lawsuit was filed in the United States District Court for the Northern District of California against the Company, directors of the Company, and a former officer of the Company, among other defendants. On November 8, 2019, a third purported class action lawsuit was filed in the Superior Court of the State of California, County of San Mateo, against the Company, directors of the Company, and a former officer of the Company, among other defendants. The third lawsuit was voluntarily dismissed by the plaintiff and re-filed in the Superior Court of the State of California, County of Santa Clara on November 26, 2019, and thereafter was consolidated with the earlier-filed action in the same court on December 10, 2019. The California lawsuits assert claims under Sections 11, 12 and 15 of the Securities Act of 1933, as amended, and are premised on allegedly false and/or misleading statements, and alleged non-disclosure of material facts, regarding the Company's prospects and expected performance. Plaintiff in the federal action filed an amended complaint on January 8, 2020. The putative class of plaintiffs in these cases includes all persons who acquired shares of the Company's common stock pursuant to the offering documents filed with the Securities and Exchange Commission in connection with the April 2017 transaction that formed DXC. The Company has filed a motion to stay the consolidated state court case in favor of the federal action and a motion to dismiss the federal action.

On October 2, 2019, a shareholder derivative lawsuit was filed in the Eighth Judicial District Court of the State of Nevada, in and for Clark County, asserting various claims, including for breach of fiduciary duty and unjust enrichment, and challenging certain sales of securities by officers under Rule 10b5-1 plans. The shareholder filed this action after making a demand on the board of directors, alleging breaches of fiduciary duty, corporate waste and disclosure violations, and demanding that the board take certain actions to evaluate the allegations and respond. The Company's board of directors analyzed the demand, and has determined to defer its decision on the demand pending developments in the securities and derivative lawsuits described above. The Company moved to dismiss the complaint on the basis that the Board's decision to defer action was not a refusal of the demand and was within its discretion. The Company's motion to dismiss was denied on January 22, 2020. On March 11, 2020, the Court granted a request by the Company to temporarily stay the case, in light of the proceedings in the Eastern District of Virginia.

On March 31, 2020, a group of individual shareholders filed a complaint in the United States District Court for the Northern District of California, asserting non-class claims based on allegations substantially similar to those at issue in the earlier-filed putative class action complaints pending in the Northern District of California and Eastern District of Virginia. The plaintiffs assert claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and under Sections 11 and 15 of the Securities Act of 1933, as amended. On April 29, 2020, the court granted an administrative motion to relate the case with the earlier-filed putative class action pending in the Northern District of California. And on May 13, 2020, the parties filed a stipulation requesting to stay the case subject to resolution of the motions to dismiss pending in the Northern District of California and Eastern District of Virginia class actions.

The Company believes that the lawsuits described above are without merit, and it intends to vigorously defend them.

Voluntary Disclosure of Certain Possible Sanctions Law Violations: On February 2, 2017, CSC submitted an initial notification of voluntary disclosure to the U.S. Department of Treasury, Office of Foreign Assets Control ("OFAC") regarding certain possible violations of U.S. sanctions laws pertaining to insurance premium data and claims data processed by two partially-owned joint ventures of Xchanging, which CSC acquired during the first quarter of fiscal 2017. A copy of the disclosure was also provided to Her Majesty's Treasury Office of Financial Sanctions Implementation in the United Kingdom. The Company is finalizing its internal investigation and provided supplemental information to OFAC on January 31, 2020.

Perspecta Arbitration: In October 2019, Perspecta submitted a demand for arbitration claiming that in June 2018 DXC breached certain obligations under the Separation and Distribution Agreement ("SDA") between Perspecta and DXC, and seeking at least $120 million in alleged damages. During the course of discovery, Perspecta has increased the amount of its alleged damages, first to $500 million and then to over $800 million. The Company believes there is no valid basis for Perspecta's claims for these amounts. In its arbitration demand, Perspecta also challenges $39 million in invoices issued by DXC in June 2019 under its IT Services Agreement with Perspecta. DXC believes the invoices were properly issued and the amounts are owed by Perspecta. DXC believes that Perspecta's claims are without merit and intends to vigorously defend itself.

In addition to the matters noted above, the Company is currently subject in the normal course of business to various claims and contingencies arising from, among other things, disputes with customers, vendors, employees, contract counterparties and other parties, as well as securities matters, environmental matters, matters concerning the licensing and use of intellectual property, and inquiries and investigations by regulatory authorities and government agencies. Some of these disputes involve or may involve litigation. The financial statements reflect the treatment of claims and contingencies based on management's view of the expected outcome. DXC consults with outside legal counsel on issues related to litigation and regulatory compliance and seeks input from other experts and advisors with respect to matters in the ordinary course of business. Although the outcome of these and other matters cannot be predicted with certainty, and the impact of the final resolution of these and other matters on the Company's results of operations in a particular subsequent reporting period could be material and adverse, management does not believe based on information currently available to the Company, that the resolution of any of the matters currently pending against the Company will have a material adverse effect on the financial position of the Company or the ability of the Company to meet its financial obligations as they become due. Unless otherwise noted, the Company is unable to determine at this time a reasonable estimate of a possible loss or range of losses associated with the foregoing disclosed contingent matters.

Note 23 - Subsequent Events

Credit Agreement Draw

On April 6, 2020, the Company borrowed the remaining $2.5 billion available under the Credit Agreement as a precautionary measure to increase its cash position and increase financial flexibility in light of continuing uncertainty in the global economy and financial capital markets resulting from the COVID-19 outbreak.

The Company expects to use the proceeds from the borrowings under the Credit Agreement for working capital, general corporate purposes or other purposes permitted under the Credit Agreement. Borrowings under the Credit Agreement will bear interest at a variable rate based on LIBOR or on a base rate, plus an individual margin based on DXC's long-term debt rating.

Senior Notes

On April 21, 2020, DXC completed its previously announced offering of $500 million aggregate principal amount of its 4.000% Senior Notes due 2023 and $500 million aggregate principal amount of its 4.125% Senior Notes due 2025 (collectively, the "Notes"). The Company received $993 million net proceeds from the offering of the Notes, after deducting the underwriters' discounts and the estimated expenses of the offering. The Company used the net proceeds from the offering of the Notes to prepay (i) €500 million of the €750 million term loan due fiscal 2022; (ii) £150 million of the £500 million term loan due fiscal 2022; (iii) A$300 million of the A$500 term loan due fiscal 2022; and (iv) $100 million of the $500 million term loan due fiscal 2025.

Amended Financial Covenants

On May 15, 2020, the company also amended the financial covenants in its revolver and terms loans to convert the debt to EBITDA covenant from gross debt to net debt to account for the cash amount on its balance sheet. At the same time, the company extended the tenor of its Euro term loans by one year.

Dividend

The Board of Directors has suspended the Company's cash dividend payment beginning in the first quarter to preserve cash and provide additional flexibility in the current environment as a result of the economic impact of COVID-19. Furthermore, the Board has suspended future quarterly dividends until the significant uncertainty of the current public health crisis and global economic climate has passed and the Board determines that resumption of dividend payments is in the best interest of the Company and its stockholders.

No events, other than those described in these notes, have occurred that would require recognition or disclosure in the consolidated financial statements.

ITEM 8. Supplementary Data

All financial statement schedules have been omitted since they are either not required, not applicable, or the required information is shown in the financial statements or related notes. As a result of the USPS Separation, the statement of operations, balance sheets, and related financial information reflect USPS's operations, assets and liabilities as discontinued operations. See Note 3 - "Divestitures".

Selected Quarterly Financial Data (Unaudited)

	Fiscal 2020			
(in millions, except per-share amounts)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues	$ 4,890	$ 4,851	$ 5,021	$ 4,815
Costs of services (excludes depreciation and amortization and restructuring costs)	3,622	3,679	3,827	3,773
Gross profit	$ 1,268	$ 1,172	$ 1,194	$ 1,042
Restructuring costs	$ 142	$ 32	$ 74	$ 4
Income (loss) from continuing operations before taxes	$ 206	$ (1,999)	$ 127	$ (3,562)
Income (loss) from continuing operations, net of taxes	$ 168	$ (2,115)	$ 90	$ (3,501)
Net income (loss) attributable to DXC common shareholders	$ 163	$ (2,119)	$ 82	$ (3,495)
Earnings (loss) per common share[1]				
Basic:				
Continuing operations	$ 0.61	$ (8.19)	$ 0.32	$ (13.79)
Diluted:				
Continuing operations	$ 0.61	$ (8.19)	$ 0.32	$ (13.79)
Cash dividend per common share	$ 0.21	$ 0.21	$ 0.21	$ 0.21

Selected Quarterly Financial Data (Unaudited)

	Fiscal 2019			
(in millions, except per-share amounts)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues	$ 5,282	$ 5,013	$ 5,178	$ 5,280
Costs of services (excludes depreciation and amortization and restructuring costs)	3,867	3,518	3,725	3,836
Gross profit	$ 1,415	$ 1,495	$ 1,453	$ 1,444
Restructuring costs	$ 185	$ 157	$ 76	$ 47
Income from continuing operations before taxes	$ 360	$ 332	$ 469	$ 354
Income from continuing operations, net of taxes	$ 231	$ 259	$ 466	$ 271
Income from discontinued operations, net of taxes	$ 35	$ —	$ —	$ —
Net income attributable to DXC common shareholders	$ 259	$ 262	$ 462	$ 274
Earnings per common share(1)				
Basic:				
Continuing operations	$ 0.79	$ 0.93	$ 1.68	$ 1.02
Discontinued operations	$ 0.12	$ —	$ —	$ —
Diluted:				
Continuing operations	$ 0.78	$ 0.92	$ 1.66	$ 1.01
Discontinued operations	$ 0.12	$ —	$ —	$ —
Cash dividend per common share	$ 0.19	$ 0.19	$ 0.19	$ 0.19

(1) *Quarterly EPS amounts may not total to the full-year EPS. EPS is calculated based on weighted average shares outstanding for the period. Quarterly weighted average shares may not equal the full-year weighted average shares for the fiscal year.*

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the direction and with the participation of our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report to ensure that information required to be disclosed by us in the SEC reports (i) is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) is accumulated and communicated to our management, including the principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that DXC's disclosure controls and procedures were not effective as of March 31, 2020 because of the material weakness in our internal control over financial reporting as described below (and previously disclosed in our December 31, 2019 Form 10-Q), in Management's Report on Internal Control over Financial Reporting. Notwithstanding this material weakness described below, management has concluded that the Company's consolidated financial statements for the periods covered by and included in this Annual Report on Form 10-K are fairly stated in all material respects in accordance with GAAP for each of the periods presented herein.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting includes policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; (ii) provide reasonable assurance that transactions are recorded as necessary for preparation of our financial statements and receipts and expenditures are being made only in accordance with authorization of management and the directors of DXC; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements. All internal control, no matter how well designed, have inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

During the year DXC acquired Luxoft and excluded it from management's assessment of internal control over financial reporting. The consolidated financial statements of the Luxoft acquisition whose total assets and total revenues excluded from management’s assessment collectively represent 4% of total assets and revenues, respectively, as of and for the year ended March 31, 2020.

Management assessed the effectiveness of our internal control over financial reporting based on the criteria and framework established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was not effective as of March 31, 2020 because of the material weakness in our internal control over financial reporting described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that a reasonable possibility exists that a material misstatement of our annual or interim financial statement would not be prevented or detected on a timely basis.

Control Activities

As previously disclosed in Item 4 “Controls and Procedures” of our Form 10-Q for the period ended December 31, 2019, Management concluded there was a material weakness in internal controls over financial reporting related to the design and implementation of effective control activities based on the criteria established in the COSO framework. These control deficiencies constituted a material weakness in the aggregate related to reassessing policies and procedures, to determine their continued relevance, as impacted by complex transactions and processes.

Deficiencies that contributed to the aggregation included:

- Management did not reassess in a timely manner the control activities related to goodwill impairment upon adoption of ASU 2017-04 which resulted in an immaterial out of period adjustment between quarters within fiscal 2020 related to the tax effect of the impairment recognized.
- Management did not reassess the control and procedures related to the balance sheet classification of deferred revenue following a large and complex acquisition which resulted in an immaterial out of period adjustment to the balance sheets in the quarter ended December 31, 2019.

As a result, we have concluded that there is a reasonable possibility that a material misstatement to our financial statements would not be prevented or detected on a timely basis and therefore we concluded that the aggregation of these deficiencies represents a material weakness in our internal control over financial reporting as of March 31, 2020.

Remediation Plan

Our remediation efforts are ongoing. Management continues to implement remediation actions to address the specific control deficiencies that, in the aggregate, led to a material weakness. Additionally, Management has completed a detailed root cause analysis which was designed to identify areas of focus where enhancements can be made to the internal control environment to support the continued timely reassessment of policies and procedures and reduce the occurrence of future deficiencies caused by complex transactions and processes. Management has remediated certain of the identified control deficiencies that lead to the material weakness.

The following activities are designed as part of this remediation plan:

- Appointment of a new advisor reporting directly to our Chief Financial Officer with the appropriate level of knowledge and experience to help develop and execute the remediation plan.
- Enhance periodic reviews by management and review existing documentation to determine if policies, procedures, and related control activities have continued relevance or need updating due to changes within the organization with a specific focus on the areas identified by the root cause analysis.
- Align the SOX compliance function under the newly appointed Chief Risk Officer.
- Establish periodic reporting of the remediation plan progress to the Audit Committee.
- Expand SOX training and implementation of succession planning for SOX control owners.

Management continues to be actively engaged to take steps to remediate the material weakness noted above, including (1) appointment of an external advisor to lead the remediation activities (2) hiring a new Global SOX Director reporting to the Chief Risk Officer and (3) establishment of progress reporting to the Audit Committee. While we have made significant progress, there has not been sufficient time to resolve the material weakness in internal control over financial reporting.

As we continue to improve the effectiveness of our internal control over financial reporting, we may supplement our remediation activities as our work progresses where appropriate. Our goal is to have enhanced control policies, procedures, processes in place as promptly as practicable. However, due to the nature of the work and subsequent testing required to conclude that a material weakness no longer exists, we are not in a position to complete our remediation plan and concluded that our internal control over financial reporting is not designed or operating effectively as of March 31, 2020.

The effectiveness of DXC's internal control over financial reporting as of March 31, 2020 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing on page 147 of this Annual Report.

Changes in Internal Controls Over Financial Reporting

Our management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the fourth quarter of 2020. As a result of the global COVID-19 pandemic, in March certain employees of the Company began working remotely. As a result of these changes to the working environment the Company has not identified any material changes in the Company's internal control over financial reporting. The Company is continually monitoring and assessing the COVID-19 situation to determine any potential impacts on the design and operating effectiveness of our internal controls over financial reporting. Other than the remediation efforts described above, which were ongoing during the last fiscal quarter ended March 31, 2020, there were no other changes in the Company's internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(f) and 15d-15(f) of the Exchange Act that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
DXC Technology Company
Tysons, Virginia

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of DXC Technology Company and subsidiaries (the "Company") as of March 31, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, because of the effect of the material weakness identified below on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of March 31, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended March 31, 2020, of the Company and our report dated June 1, 2020, expressed an unqualified opinion on those financial statements.

As described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Luxoft Holding, Inc. ("Luxoft"), which was acquired on June 14, 2019, and whose financial statements constitute 4% of total assets and revenues of the consolidated financial statement amounts as of and for the year ended March 31, 2020. Accordingly, our audit did not include the internal control over financial reporting at Luxoft.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment:

The Company did not design and implement effective control activities based on the criteria established in the COSO framework. These control deficiencies constitute a material weakness in the aggregate related to reassessing policies and procedures, to determine their continued relevance, as impacted by complex transactions and processes.

Deficiencies that contributed to the aggregation included:

- Management did not reassess in a timely manner the control activities related to goodwill impairment upon adoption of ASU 2017-04 which resulted in an immaterial out of period adjustment between quarters within fiscal 2020 related to the tax effect of the impairment recognized.

- Management did not reassess the control and procedures related to the balance sheet classification of deferred revenue following a large and complex acquisition which resulted in an immaterial out of period adjustment to the balance sheets in the quarter ended December 31, 2019.

This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended March 31, 2020, of the Company, and this report does not affect our report on such financial statements.

/s/ DELOITTE & TOUCHE LLP

McLean, Virginia
June 1, 2020

ITEM 9B. OTHER INFORMATION

None.

PART III

Certain information required by Part III is omitted from this Annual Report on Form 10-K and is incorporated herein by reference to the definitive proxy statement with respect to our 2020 Annual Meeting of Stockholders (the "2020 Proxy Statement"), which we will file with the Securities and exchange Commission no later than 120 days after the end of the fiscal year covered by this Annual Report.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information relating to our executive officers appears in Part I, Item I of this Annual Report on Form 10-K under the heading "Information About Our Executive Officers."

Other information required by this item will appear under the headings "Proposal 1-Election of Directors”, "Delinquent Section 16(a) Reports" (if applicable), “Corporate Governance”, and “Additional Information-Business for 2020 Annual Meeting" in our 2020 Proxy Statement, which will be filed with the SEC pursuant to Regulation 14A not later than 120 days after March 31, 2020, and such information is incorporated herein by reference.

We have a written Code of Business Conduct that applies to our Chief Executive Officer, Chief Financial Officer and our Principal Accounting Officer and every other officer and employee of DXC. Our Code of Business Conduct is available on our website, *www.dxc.technology,* under the heading Leadership and Governance. If any amendment to, or a waiver from, a provision of the Code Business Conduct is made, we intend to disclose such information on our website within four business days.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item will appear in our 2020 Proxy Statement under the headings "Executive Compensation" and "Corporate Governance" and are incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table gives information about our common stock that may be issued under our equity compensation plans as of March 31, 2020. See Note 16 - "Stock Incentive Plans" of the consolidated financial statements included herein for information regarding the material features of these plans.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a)
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by security holders	6,158,906	9.08	19,610,518
Equity compensation plans not approved by security holders	—	—	—
Total	6,158,906	9.08	19,610,518

Other information required by this Item will appear in the 2020 Proxy Statement under the heading "Security Ownership," which section is incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item will appear in our 2020 Proxy Statement under the headings "Corporate Governance" and "Certain Relationships and Related Transactions" and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this item will appear in our 2020 Proxy Statement under the heading "Proposal 2-Ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2021-Fees" and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(1) Consolidated Financial Statements

The financial statements are included under Item 8 of this Annual Report. See the index on page 57.

(2) Exhibits

The following exhibits are filed herewith unless otherwise indicated.

Exhibit Number	Description of Exhibit
1.1	Underwriting Agreement, dated April 14, 2020, between DXC Technology Company and BofA Securities, Inc., Citigroup Global Markets Inc. and MUFG Securities Americas Inc., as representatives of the underwriters named therein (incorporated by reference to Exhibit 1.1 to DXC Technology Company’s Current Report on Form 8-K (filed April 21, 2020) (file no. 001-38033))
2.1	Purchase Agreement, dated March 9, 2020, by and between Milano Acquisition Corp and DXC Technology Company (incorporated by reference to Exhibit 2.1 to DXC Technology Company's Current Report on Form 8-K (filed March 12, 2020) (file no. 001-38033))
2.2	Agreement and Plan of Merger, dated as of May 24, 2016, by and among Computer Sciences Corporation, Hewlett Packard Enterprise Company, Everett SpinCo, Inc. (now known as DXC Technology Company) and Everett Merger Sub, Inc. (incorporated by reference to Exhibit 2.1 to Hewlett Packard Enterprise Company's Current Report on Form 8-K (filed May 26, 2016) (file no. 001-37483))
2.3	First Amendment to Agreement and Plan of Merger, dated as of November 2, 2016, by and among Computer Sciences Corporation, Hewlett Packard Enterprise Company, Everett SpinCo, Inc. (now known as DXC Technology Company), New Everett Merger Sub Inc. and Everett Merger Sub Inc. (incorporated by reference to Exhibit 2.1 to Hewlett Packard Enterprise Company's Current Report on Form 8-K (filed November 2, 2016) (file no. 001-37483))
2.4	Second Amendment to Agreement and Plan of Merger, dated as of December 6, 2016, by and among Hewlett Packard Enterprise Company, Computer Sciences Corporation, Everett SpinCo, Inc. (now known as DXC Technology Company), Everett Merger Sub Inc. and New Everett Merger Sub Inc. (incorporated by reference to Exhibit 2.3 to Amendment No. 1 to Form 10 of Everett SpinCo, Inc. (filed December 7, 2016) (file no. 000-55712))
2.5	Separation and Distribution Agreement, dated May 24, 2016, between Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (now known as DXC Technology Company) (incorporated by reference to Exhibit 2.2 to Hewlett Packard Enterprise Company's Current Report on Form 8-K (filed May 26, 2016) (file no. 001-37483))
2.6	First Amendment to the Separation and Distribution Agreement, dated November 2, 2016, by and between Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (now known as DXC Technology Company) (incorporated by reference to Exhibit 2.2 to Hewlett Packard Enterprise Company's Current Report on Form 8-K (filed November 2, 2016) (file no. 001-37483))
2.7	Second Amendment to the Separation and Distribution Agreement, dated December 6, 2016, by and between Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (now known as DXC Technology Company)(incorporated by reference to Exhibit 2.6 to Everett SpinCo, Inc.'s Amendment No. 1 to Form 10 (filed December 7, 2016) (file no. 000-55712))
2.8	Third Amendment to the Separation and Distribution Agreement, dated January 27, 2017, by and between Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (now known as DXC Technology Company) (incorporated by reference to Exhibit 2.7 to Everett SpinCo Inc.'s Form 10 (filed February 14, 2017) (file no. 000-55712))

2.9	Fourth Amendment to the Separation and Distribution Agreement, dated March 31, 2017, by and between Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (now known as DXC Technology Company) (incorporated by reference to Exhibit 2.6 to DXC Technology Company's Current Report on Form 8-K (filed April 6, 2017) (file no. 001-38033))
2.10	Employee Matters Agreement, dated as of March 31, 2017, by and among the Computer Sciences Corporation, Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (now known as DXC Technology Company) (incorporated by reference to Exhibit 2.1 to DXC Technology Company's Current Report on Form 8-K (filed April 6, 2017) (file no. 001-38033))
2.11	Tax Matters Agreement, dated as of March 31, 2017, by and among the Computer Sciences Corporation, Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (now known as DXC Technology Company) (incorporated by reference to Exhibit 2.2 to DXC Technology Company's Current Report on Form 8-K (filed April 6, 2017) (file no. 001-38033))
2.12	Intellectual Property Matters Agreement, dated as of March 31, 2017, by and among Hewlett Packard Enterprise Company, Hewlett Packard Enterprise Development LP and Everett SpinCo, Inc. (now known as DXC Technology Company) (incorporated by reference to Exhibit 2.3 to DXC Technology Company's Current Report on Form 8-K (filed April 6, 2017) (file no. 001-38033))
2.13	Transition Services Agreement, dated as of March 31, 2017, by and between Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (now known as DXC Technology Company) (incorporated by reference to Exhibit 2.4 to DXC Technology Company's Current Report on Form 8-K (filed April 6, 2017) (file no. 001-38033))
2.14	Real Estate Matters Agreement, dated as of March 31, 2017, by and between Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (now known as DXC Technology Company) (incorporated by reference to Exhibit 2.5 to DXC Technology Company's Current Report on Form 8-K (filed April 6, 2017) (file no. 001-38033))
2.15	Agreement and Plan of Merger, dated as of October 11, 2017 by and among DXC Technology Company, Ultra SCInc., Ultra First VMS Inc., Ultra Second VMS LLC, Ultra KMS Inc., Vencore Holding Corp., KGS Holding Corp.,The SI Organization Holdings LLC and KGS Holding LLC (incorporated by reference to Exhibit 2.1 to DXC Technology Company's Current Report on Form 8-K (filed October 13, 2017) (file no. 001-38033))
2.16	Separation and Distribution Agreement dated as of May 31, 2018, by and between DXC Technology Company and Perspecta Inc. (incorporated by reference to Exhibit 2.1 to DXC Technology Company's Current Report on Form 8-K (filed June 6, 2018) (file no. 001-38033))
2.17	Employee Matters Agreement dated as of May 31, 2018, by and between DXC Technology Company and Perspecta Inc. (incorporated by reference to Exhibit 2.2 to DXC Technology Company's Current Report on Form 8-K (filed June 6, 2018) (file no. 001-38033))
2.18	Tax Matters Agreement dated as of May 31, 2018, by and between DXC Technology Company and Perspecta Inc. (incorporated by reference to Exhibit 2.3 to DXC Technology Company's Current Report on Form 8-K (filed June 6, 2018) (file no. 001-38033))
2.19	Intellectual Property Matters Agreement dated as of May 31, 2018, by and between DXC Technology Company and Perspecta Inc. (incorporated by reference to Exhibit 2.4 to DXC Technology Company's Current Report on Form 8-K (filed June 6, 2018) (file no. 001-38033))
2.20	Transition Services Agreement dated as of May 31, 2018, by and between DXC Technology Company and Perspecta Inc. (incorporated by reference to Exhibit 2.5 to DXC Technology Company's Current Report on Form 8-K (filed June 6, 2018) (file no. 001-38033))
2.21	Real Estate Matters Agreement dated as of May 31, 2018, by and between DXC Technology Company and Perspecta Inc. (incorporated by reference to Exhibit 2.6 to DXC Technology Company's Current Report on Form 8-K (filed June 6, 2018) (file no. 001-38033))
2.22	Non-U.S. Agency Agreement dated as of May 31, 2018, by and between DXC Technology Company and Perspecta Inc. (incorporated by reference to Exhibit 2.7 to DXC Technology Company's Current Report on Form 8-K (filed June 6, 2018) (file no. 001-38033))
2.23	Merger Agreement, dated January 6, 2019, by and among DXC Technology Company, Luna Equities, Inc. and Luxoft Holding, Inc (incorporated by reference to Exhibit 99.1 to Luxoft Holding, Inc's Report of Foreign Private Issuer on Form 6-K (filed January 7, 2019) (file no. 001-35976))
3.1	Articles of Incorporation of DXC Technology Company, as filed with the Secretary of State of the State of Nevada on March 31, 2017 (incorporated by reference to Exhibit 3.3 to DXC Technology Company's Current Report on Form 8-K (filed April 6, 2017) (file no. 001-38033))
3.2	Amended and Restated Bylaws of DXC Technology Company, effective March 15, 2018 (incorporated by reference to Exhibit 3.1 to DXC Technology Company's Current Report on Form 8-K (filed March 15, 2018) (file no. 001-38033))
4.1	Base Indenture, dated as of March 27, 2017, between Everett SpinCo, Inc. (now known as DXC Technology Company) and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to DXC Technology Company's Form 8-K (filed March 27, 2017) (file no. 001-38033))
4.2	First Supplemental Indenture, dated as of March 27, 2017, between Everett SpinCo, Inc. (now known as DXC Technology Company) and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to DXC Technology Company's Form 8-K (filed March 27, 2017) (file no. 001-38033))
4.3	Second Supplemental Indenture, dated as of August 9, 2017, between DXC Technology Company and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to DXC Technology Company's Form 8-K (filed August 9, 2017) (file no. 001-38033))

4.4	Third Supplemental Indenture, dated as of August 9, 2017, between DXC Technology Company and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to DXC Technology Company's Form 8-K (filed August 9, 2017) (file no. 001-38033))
4.5	Fifth Supplemental Indenture, dated February 7, 2018, between DXC technology Company and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.5 to DXC Technology Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2017 (filed February 9, 2018) (file no. 001-38033))
4.6	Sixth Supplemental Indenture, dated March 15, 2018, among DXC Technology Company, U.S. Bank National Association, as trustee, and Elavon Financial Services DAC, UK Branch, as paying agent (incorporated by reference to Exhibit 4.1 to DXC Technology Company's Form 8-K (filed March 15, 2018) (file no. 001-38033))
4.7	Seventh Supplemental Indenture, dated September 26, 2018, among DXC Technology Company, U.S. Bank National Association, as trustee, and Elavon Financial Services DAC, UK Branch, as paying agent (incorporated by reference to Exhibit 4.1 to DXC Technology Company's Current Report on Form 8-K (filed September 26, 2018) (file no. 001-38033))
4.8	Eighth Supplemental Indenture, dated April 21, 2020, between DXC Technology Company and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to DXC Technology Company's Current Report on Form 8-K (filed April 21, 2020) (file no. 001-38033))
4.9	Form of DXC Technology Company's 4.750% Senior Notes due 2027 (included in Exhibit 4.2) (incorporated by reference to Exhibit 4.2 to DXC Technology Company's Form 8-K (filed March 27, 2017) (file no. 001-38033))
4.10	Form of DXC Technology Company's 2.875% Senior Notes due 2020 (included in Exhibit 4.4) (incorporated by reference to Exhibit 4.2 to DXC Technology Company's Form 8-K (filed August 9, 2017) (file no. 001-38033))
4.11	Form of DXC Technology Company's 4.45% Senior Notes due 2022 (included in Exhibit 4.3) (incorporated by reference to Exhibit 4.1 to DXC Technology Company's Form 8-K (filed August 9, 2017) (file no. 001-38033))
4.12	Form of DXC Technology Company's 4.250% Senior Notes due 2024 (included in Exhibit 4.4) (incorporated by reference to Exhibit 4.2 to DXC Technology Company's Form 8-K (filed August 9, 2017) (file no. 001-38033))
4.13	Form of DXC Technology Company's 4.750% Senior Notes due 2027 (included in Exhibit 4.4) (incorporated by reference to Exhibit 4.2 to DXC Technology Company's Form 8-K (filed August 9, 2017) (file no. 001-38033))
4.14	Form of DXC Technology Company's 7.45% Senior Notes due 2029 (included in Exhibit 4.5) (incorporate by reference to Exhibit 4.5 to DXC Technology Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2017 (filed February 9, 2018) (file no. 001-38033))
4.15	Form of DXC Technology Company's 2.750% Senior Notes due 2025 (included in Exhibit 4.6) (incorporated by reference to Exhibit 4.1 to DXC Technology's Form 8-K filed March 15, 2018) (file no. 001-38033))
4.16	Form of DXC Technology Company's 1.750% Senior Notes due 2026 (included in Exhibit 4.7) (incorporated by reference to Exhibit 4.1 to DXC Technology Company's Current Report on Form 8-K (filed September 26, 2018) (file no. 001-38033))
4.17	Form of DXC Technology Company's 4.000% Senior Notes due 2023 (included in Exhibit 4.8) (included in Exhibit 4.8) (incorporated by reference to Exhibit 4.1 to DXC Technology Company's Current Report on Form 8-K (filed April 21, 2020) (file no. 001-38033))
4.18	Form of DXC Technology Company's 4.125% Senior Notes due 2025 (included in Exhibit 4.8) (included in Exhibit 4.8) (incorporated by reference to Exhibit 4.1 to DXC Technology Company's Current Report on Form 8-K (filed April 21, 2020) (file no. 001-38033))
4.19	Indenture dated as of September 18, 2012, between Computer Sciences Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to Computer Sciences Corporation's Current Report on Form 8-K (filed September 19, 2012) (file no. 001-04850))
4.20	First Supplemental Indenture dated as of September 18, 2012, between Computer Sciences Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to Computer Sciences Corporation's Current Report on Form 8-K (filed September 19, 2012) (file no. 001-04850))
4.21	Form of Computer Sciences Corporation's 4.450% Senior Notes due 2022 (included in Exhibit 4.20) (incorporated by reference to Exhibit 4.2 to Computer Sciences Corporation's Current Report on Form 8-K (filed September 19, 2012) (file no. 001-04850))
4.22	Description of Securities (incorporated by reference to Exhibit 4.21 to DXC Technology Company's Annual Report on Form 10-K (filed June 13, 2019) (file no. 001-38033))
10.1	Credit Agreement, dated as of October 11, 2013, among Computer Sciences Corporation, the financial institutions listed therein and Citibank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to Computer Sciences Corporation's Current Report on Form 8-K (filed October 17, 2013) (file number 001-04850))
10.2	Amendment No. 1 dated as of April 21, 2016 to the Credit Agreement dated October 11, 2013, among Computer Sciences Corporation, the financial institutions listed therein and Citibank, N.A. as administrative agent (incorporated by reference to Exhibit 10.1 to Computer Sciences Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended July 1, 2016 (filed August 9, 2016) (file no. 001-04850))
10.3	Amendment No. 2 dated as of June 21, 2016 to the Credit Agreement dated October 11, 2013, among Computer Sciences Corporation, the financial institutions listed therein and Citibank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to Computer Sciences Corporation's Current Report on Form 8-K (filed June 21, 2016) (file no. 001-04850))

10.4	Waiver and Amendment No. 3 dated as of February 17, 2017 to the Amended and Restated Credit Agreement dated October 11, 2013, among the Company, the financial institutions listed therein, and Citibank, N.A., as Agent (incorporated by reference to Exhibit 10.54 to Computer Sciences Corporation’s Annual Report on Form 10-K for the year ended March 31, 2017 (filed May 26, 2017) (file no. 001-04850))
10.5	Amendment No. 4 dated as of October 11, 2018 to the Amended and Restated Credit Agreement dated October 11, 2013, among DXC Technology Company, the financial institutions listed therein, and Citibank, N.A., as Agent (incorporated by reference to Exhibit 10.9 to DXC Technology Company's Quarterly Report on Form 10-Q (filed November 8, 2018) (file no. 001-38033))
10.6	Amendment No. 5 and Extension Agreement dated October 11, 2019 to the Amended and Restated Credit Agreement dated October 11, 2013, among DXC Technology Company, the financial institutions listed therein, and Citibank, N.A., as Agent (filed herewith)
10.7	Amendment No. 6 dated May 15, 2020 to the Amended and Restated Credit Agreement dated October 11, 2013, among DXC Technology Company, the financial institutions listed therein, and Citibank, N.A., as Agent (filed herewith)
10.8	Incremental Assumption Agreement, dated as of June 15, 2016, by and among Computer Sciences Corporation, the incremental lenders party thereto and Citibank, N.A. as administrative agent (incorporated by reference to Exhibit 10.3 to Computer Sciences Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended July 1, 2016 (filed August 9, 2016) (file no. 001-04850))
10.9	Second Incremental Assumption Agreement, dated as of July 25, 2016, by and among Computer Sciences Corporation, the incremental lenders party thereto and Citibank, N.A. as Administrative Agent (incorporated by reference to Exhibit 10.5 to DXC Technology Company's Annual Report on Form 10-K (filed May 29, 2018) (file no. 001-38033))
10.10	Third Incremental Assumption Agreement, dated as of December 30, 2016, by and among Computer Sciences Corporation, the incremental lenders party thereto and Citibank, N.A. as Administrative Agent (incorporated by reference to Exhibit 10.6 to DXC Technology Company's Annual Report on Form 10-K (filed May 29, 2018) (file no. 001-38033))
10.11	Fourth Incremental Assumption Agreement, dated as of April 3, 2017, by and among DXC Technology Company, the incremental lenders party thereto and Citibank, N.A. as administrative agent (incorporated by reference to Exhibit 10.8 to DXC Technology Company's Annual Report on Form 10-K (filed May 29, 2018) (file no. 001-38033))
10.12	Fifth Incremental Assumption Agreement, dated as of September 27, 2017, by and among DXC Technology Company, the incremental lenders party thereto and Citibank, N.A. as administrative agent (incorporated by reference to Exhibit 10.6 to DXC Technology Company's Annual Report on Form 10-K (filed May 29, 2018) (file no. 001-38033))
10.13	Sixth Incremental Assumption Agreement dated September 26, 2018, by and among the DXC Technology Company and the incremental lenders party thereto and consented to, with respect to the New Lender (as defined therein) only, by the Swing Line Banks (as defined in the Revolving Credit Agreement) party thereto and consented to, with respect to the New Lender only, and accepted by Citibank, as administrative agent (incorporated by reference to Exhibit 10.4 to DXC Technology Company’s Current Report on Form 8-K (filed September 27, 2018) (file no. 001-38033))
10.14	Term Loan Credit Agreement dated as of March 15, 2019 among DXC Technology Company, as borrower, the lenders from time to time party thereto, as Lenders, and Bank of America, N.A., as the administrative agent (incorporated by reference to Exhibit 10.1 to DXC Technology Company's Current Report on Form 8-K (filed March 20, 2019) (file no. 001-38033))
10.15	Amendment No. 1 and Extension Agreement dates May 15, 2020 to the Term Loan Credit Agreement dated as of March 15, 2019 among DXC Technology Company, as borrower, the lenders from time to time party thereto, as Lenders, and Bank of America, N.A., as the administrative agent (filed herewith)
10.16	Credit Agreement dated as of October 12, 2018, among CSC Computer Sciences International Operations Limited (now known as DXC UK International Operations Limited), as borrower, DXC Technology Company, as guarantor, the lenders from time to time party thereto, as Lenders, and Lloyds Bank PLC, as the administrative agent (incorporated by reference to Exhibit 10.1 to DXC Technology Company's Current Report on Form 8-K (filed October 16, 2018) (file no. 001-38033))
10.17	Amendment No. 1 dated May 15, 2020 to the Credit Agreement dated as of October 12, 2018, among DXC UK International Operations Limited (formerly known as CSC Computer Sciences International Operations Limited), as borrower, DXC Technology Company, as guarantor, the lenders from time to time party thereto, as Lenders, and Lloyds Bank PLC, as the administrative agent (filed herewith).
10.18	Syndicated Facility Agreement, dated as of November 27, 2018, by and among DXC Technology Australia Pty Limited, as initial borrower, the other borrowers from time to time party thereto, DXC Technology Company, as guarantor, the other guarantors from time to time party thereto, the lenders from time to time party thereto and Mizuho Bank, Ltd., as administrative agent (incorporated by reference to Exhibit 10.1 to DXC Technology Company's Current Report on Form 8-K (filed November 30, 2018) (file no. 001-38033))
10.19	Amendment Deed No. 1 dated as of December 5, 2018 to the Syndicated Facility Agreement dated November 27, 2018, by and among DXC Technology Australia Pty Limited, as borrower, DXC Technology Company, as guarantor, the lenders from time to time party thereto and Mizuho Bank, Ltd., as administrative agent (incorporated by reference to Exhibit 10.4 to DXC Technology Company's Quarterly Report on Form 10-Q (filed February 8, 2019) (file no. 001-38033))
10.20	Amendment Deed No. 2 dated as of January 8, 2019 to the Syndicated Facility Agreement dated November 27, 2018, by and among DXC Technology Australia Pty Limited, as borrower, DXC Technology Company, as guarantor, the lenders from time to time party thereto and Mizuho Bank, Ltd., as administrative agent (incorporated by reference to Exhibit 10.5 to DXC Technology Company's Quarterly Report on Form 10-Q (filed February 8, 2019) (file no. 001-38033))

10.21	Amendment Deed No. 3 dated as of May 18, 2020 to the Syndicated Facility Agreement dated November 27, 2018, by and among DXC Technology Australia Pty Limited, as borrower, DXC Technology Company, as guarantor, the lenders from time to time party thereto and Mizuho Bank, Ltd., as administrative agent (filed herewith)
10.22	Dealer Agreement, dated July 24, 2015, by and between CSC Capital Funding Limited, as issuer, Computer Sciences Corporation, as guarantor, Citibank International Limited, as arranger, and the financial institutions listed therein, as dealers (incorporated by reference to Exhibit 99.1 to Computer Sciences Corporation's Current Report on Form 8-K (filed July 28, 2015) (file no.001-04850))
10.23	Amendment No. 1 dated April 3, 2017, to the Dealer Agreement, dated July 24, 2015, by and between DXC Capital Funding Limited, as Issuer, DXC Technology Company, as Guarantor, Citibank Europe PLC, UK Branch, as Arranger, and the financial institutions listed therein, as Dealers (incorporated by reference to Exhibit 10.23 to DXC Technology Company's Annual Report on Form 10-K (filed May 29, 2018) (file no. 001-38033))
10.24	Purchase and Sale Agreement dated as of December 21, 2016, among Computer Sciences Corporation, as Contributing Originator and Servicer, Alliance-One Services, Inc., CSC Agility Platform, Inc., CSC Consulting, Inc., CSC Cybertek Corporation, Mynd Corporation and PDA Software Services LLC, as Originators, and CSC Receivables LLC, as Buyer (incorporated by reference to Exhibit 10.1 to Computer Sciences Corporation 's Current Report on Form 8-K (filed December 23, 2016) (file no. 001-04850))
10.25	First Amendment to the Purchase and Sale Agreement dated as of August 22, 2018, among Computer Sciences Corporation, as Contributing Originator and Servicer, Alliance-One Services, Inc., CSC Agility Platform, Inc., CSC Consulting, Inc., CSC Cybertek Corporation, Mynd Corporation, DXC Technology Services LLC and PDA Software Services LLC, as Originators, and CSC Receivables LLC, as Buyer (incorporated by reference to Exhibit 10.1 to DXC Technology Company's Current Report on Form 8-K (filed August 27, 2018) (file no. 001-38033))
10.26	Second Amendment to the Purchase and Sale Agreement dated as of September 24, 2018, among Computer Sciences Corporation, as Exiting Originator and Exiting Servicer, Alliance-One Services, Inc., CSC Agility Platform, Inc., CSC Consulting, Inc., CSC Cybertek Corporation, Mynd Corporation and PDA Software Services LLC, as Exiting Originators, DXC Technology Services LLC, as Originator, DXC Technology Company, as Servicer, and DXC Receivables LLC (f/k/a CSC Receivables LLC), as Buyer (incorporated by reference to Exhibit 10.1 to DXC Technology Company's Current Report on Form 8-K (filed September 27, 2018) (file no. 001-38033))
10.27	Third Amendment to the Purchase and Sale Agreement dated as of August 21, 2019, among DXC Technology Company, as Servicer, DXC Technology Services LLC, as Existing Originator, Alliance-One Services, Inc., Computer Sciences Corporation, CSC Consulting, Inc., CSC Cybertek Corporation, Mynd Corporation, and PDA Software Services LLC, as New Originators, and DXC Receivables LLC (f/k/a CSC Receivables LLC), as Buyer (incorporated by reference to Exhibit 10.1 to DXC Technology Company's Quarterly Report on Form 10-Q (filed November 12, 2019) (file no. 001-38033))
10.28	Fourth Amendment to the Purchase and Sale Agreement dated as of November 22, 2019, among DXC Technology Company, as Servicer, DXC Technology Services LLC, Alliance-One Services, Inc., Computer Sciences Corporation, CSC Consulting, Inc., CSC Cybertek Corporation, Mynd Corporation, and PDA Software Services LLC, as Existing Originators; CSC Puerto Rico LLC, CSC Covansys Corporation and Tribridge Holdings, LLC, as New Originators; and DXC Receivables LLC (f/k/a CSC Receivables LLC), as Buyer (incorporated by reference to Exhibit 10.1 to DXC Technology Company's Quarterly Report on Form 10-Q (filed February 7, 2020) (file no. 001-38033))
10.29	Receivables Purchase Agreement dated as of December 21, 2016, among Computer Sciences Corporation, as Servicer, CSC Receivables LLC, as Seller, the persons from time to time party thereto as Purchasers and group agents, PNC Bank, National Association, as Administrative Agent and PNC Capital Markets LLC, as Structuring Agent (incorporated by reference to Exhibit 10.2 to Computer Sciences Corporation's Current Report on Form 8-K (filed December 23, 2016) (file no. 001-04850))
10.30	Third Amendment to the Receivables Purchase Agreement dated as of August 22, 2018, among Computer Sciences Corporation, as Servicer, CSC Receivables LLC, as seller, the persons from time to time party thereto as Purchasers and group agents, and PNC Bank, National Association, as Administrative Agent. (incorporated by reference to Exhibit 10.2 to DXC Technology Company's Current Report on Form 8-K (filed August 27, 2018) (file no. 001-38033))
10.31	Fourth Amendment to the Receivables Purchase Agreement dated as of September 24, 2018, among Computer Sciences Corporation, as Exiting Servicer, DXC Receivables LLC (f/k/a CSC Receivables LLC), as seller, DXC Technology Company, as Servicer, the persons from time to time party thereto as Purchasers and group agents, and PNC Bank, National Association, as Administrative Agent (incorporated by reference to Exhibit 10.2 to DXC Technology Company's Current Report on Form 8-K (filed September 27, 2018) (file no. 001-38033))
10.32	Sixth Amendment to the Receivables Purchase Agreement dated as of August 21, 2019, among DXC Receivables LLC (f/k/a CSC Receivables LLC), as Seller, DXC Technology Company, as Servicer, PNC Bank, National Association, as Administrative Agent, and the persons from time to time party thereto as Purchasers and Group Agents (incorporated by reference to Exhibit 10.1 to DXC Technology Company's Quarterly Report on Form 10-Q (filed November 12, 2019) (file no. 001-38033))
10.33	Seventh Amendment to the Receivables Purchase Agreement dated as of November 22, 2019, among DXC Receivables LLC (f/k/a CSC Receivables LLC), as Seller, DXC Technology Company, as Servicer, PNC Bank, National Association, as Administrative Agent, and the persons from time to time party thereto as Purchasers and Group Agents (incorporated by reference to Exhibit 10.1 to DXC Technology Company's Quarterly Report on Form 10-Q (filed February 7, 2020) (file no. 001-38033))
10.34	Eighth Amendment to the Receivables Purchase Agreement dated as of February 18, 2020, among DXC Receivables LLC (f/k/a CSC Receivables LLC), as Seller, DXC Technology Company, as Servicer, PNC Bank, National Association, as Administrative Agent, and the persons from time to time party thereto as Purchasers and Group Agents (filed herewith)

10.35	Amended and Restated Performance Guaranty dated as of September 24, 2018, made by DXC Technology Company as Performance Guarantor in favor of PNC Bank, National Association, as Administrative Agent, for the benefit of the Secured Parties (incorporated by reference to Exhibit 10.3 to DXC Technology Company's Current Report on Form 8-K (filed September 27, 2018) (file no. 001-38033))
10.36	Second Amended and Restated Performance Guaranty dated as of August 21, 2019, made by DXC Technology Company, as Performance Guarantor, in favor of PNC Bank, National Association, as Administrative Agent, for the benefit of the Purchasers (incorporated by reference to Exhibit 10.1 to DXC Technology Company's Quarterly Report on Form 10-Q (filed November 12, 2019) (file no. 001-38033))
10.37	Third Amended and Restated Performance Guaranty dated as of November 22, 2019, made by DXC Technology Company, as Performance Guarantor, in favor of PNC Bank, National Association, as Administrative Agent, for the benefit of the Purchasers (incorporated by reference to Exhibit 10.1 to DXC Technology Company's Quarterly Report on Form 10-Q (filed February 7, 2020) (file no. 001-38033))
10.38	Fourth Amended and Restated Performance Guaranty dated as of February 18, 2020, made by DXC Technology Company, as Performance Guarantor, in favor of PNC Bank, National Association, as Administrative Agent, for the benefit of the Purchasers (filed herewith)
10.39*	DXC Technology Company 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 (filed March 31, 2017) (file no.333-217053))
10.40*	DXC Technology Company 2017 Non-Employee Director Compensation Plan (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 (filed March 31, 2017) (file no. 333-217053))
10.41*	DXC Technology Company 2017 Share Purchase Plan (incorporated by reference to Exhibit 4.6 to the Company's Registration Statement on Form S-8 (filed March 31, 2017) (file no. 333-217053))
10.42*	DXC Technology Company Deferred Compensation Plan (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 (filed March 31, 2017) (file no. 333-217054))
10.43*	Amendment to DXC Technology Company Deferred Compensation Plan (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2017 (filed November 8, 2017) (file no. 001-38033))
10.44*	Form of Stock Option Award under the DXC Technology Company 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Periodic Report on Form 8-K (filed April 6, 2017) (file no. 001-38033))
10.45*	Form of Performance Based Restricted Stock Unit Award under the DXC Technology Company 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.5 to the Company's Periodic Report on Form 8-K (filed April 6, 2017) (file no. 001-38033))
10.46*	Form of Service Based Restricted Stock Unit Award under the DXC Technology Company 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.6 to the Company's Periodic Report on Form 8-K (filed April 6, 2017) (file no. 001-38033))
10.47*	Form of Restricted Stock Unit Agreement under the DXC Technology Company 2017 Non-Employee Director Incentive Plan (incorporated by reference to Exhibit 10.7 to the Company's Periodic Report on Form 8-K (filed April 6, 2017) (file no. 001-38033))
10.48*	DXC Technology Company Severance Plan for Senior Management and Key Employees (incorporated by reference to Exhibit 10.11 to the Company's Periodic Report on Form 8-K (filed April 6, 2017) (file no. 001-38033))
10.49*	Amendment to the DXC Technology Corporation Severance Plan for Senior Management and Key Employees (incorporated by reference to Exhibit 10.2 to DXC Technology Company's Quarterly Report on Form 10-Q (filed November 8, 2018) (file no. 001-38033))
10.50*	Form of Director Indemnification Agreement (incorporated by reference to Exhibit 10.16 to the Company's Periodic Report on Form 8-K (filed April 6, 2017) (file no. 001-38033))
10.51*	Form of Career Share Restricted Stock Unit Award under the DXC Technology Company 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.45 to DXC Technology Company's Annual Report on Form 10-K (filed May 29, 2018) (file no. 001-38033))
10.52*	Employment Agreement with Michael J. Salvino (incorporated by reference to Exhibit 10.1 to DXC Technology Company's Current Report on Form 8-K (filed September 12, 2019) (file no. 001-38033))
10.53*	Retention Agreement with Paul N. Saleh (incorporated by reference to Exhibit 10.6 to DXC Technology Company's Quarterly Report on Form 10-Q (filed November 12, 2019) (file no. 001-38033))
10.54*	Employment Agreement with J. Michael Lawrie dated February 7, 2012 (incorporated by reference to Exhibit 10.1 to Computer Sciences Corporation's Form 8-K (filed February 8, 2012) (file no. 001-4850))
10.55*	Amendment to Employment Agreement, effective as of March 27, 2017 (incorporated by reference to Exhibit 10.1 to Computer Sciences Corporation's Form 8-K (filed March 28, 2017) (file no. 001-4850))
10.56*	Amendment to Employment Agreement with J. Michael Lawrie dated April 3, 2017 (incorporated by reference to Exhibit 10.12 to the Company's Periodic Report on Form 8-K (filed April 6, 2017) (file no. 001-38033))
10.57*	Amendment to the CEO Employment Agreement dated August 15, 2018, between J. Michael Lawrie and the Company (incorporated by reference to Exhibit 10.1 to DXC Technology Company's Current Report on Form 8-K (filed August 20, 2018) (file no. 001-38033))

10.58*	Addendum to Employment Agreement with J. Michael Lawrie (incorporated by reference to Exhibit 10.2 to DXC Technology Company's Current Report on Form 8-K (filed September 12, 2019) (file no. 001-38033))
21	Significant Active Subsidiaries and Affiliates of the Registrant (filed herewith)
23	Consent of Independent Registered Public Accounting Firm
31.1	Section 302 Certification of the Chief Executive Officer
31.2	Section 302 Certification of the Chief Financial Officer
32.1	Section 906 Certification of Chief Executive Officer
32.2	Section 906 Certification of Chief Financial Officer
101.INS	XBRL Instance
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.LAB	XBRL Taxonomy Extension Labels
101.PRE	XBRL Taxonomy Extension Presentation
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
	*Management contract or compensatory plan or agreement

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DXC TECHNOLOGY COMPANY

Dated: June 1, 2020	By:	/s/ Paul N. Saleh
	Name:	**Paul N. Saleh**
	Title:	**Executive Vice President and Chief Financial Officer**

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Michael J. Salvino **Michael J. Salvino**	President and Chief Executive Officer (Principal Executive Officer)	June 1, 2020
/s/ Paul N. Saleh **Paul N. Saleh**	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	June 1, 2020
/s/ Neil A. Manna **Neil A. Manna**	Senior Vice President and Corporate Controller (Principal Accounting Officer)	June 1, 2020
/s/ Ian C. Read **Ian C. Read**	Chairman	June 1, 2020
/s/ Mukesh Aghi **Mukesh Aghi**	Director	June 1, 2020
/s/ Amy E. Alving **Amy E. Alving**	Director	June 1, 2020
/s/ David L. Herzog **David L. Herzog**	Director	June 1, 2020
/s/ Mary Louise Krakauer **Mary Louise Krakauer**	Director	June 1, 2020

/s/ Sachin Lawande **Sachin Lawande**	Director	June 1, 2020
/s/ Julio A. Portalatin **Julio A. Portalatin**	Director	June 1, 2020
/s/ Peter Rutland **Peter Rutland**	Director	June 1, 2020
/s/ Manoj P. Singh **Manoj P. Singh**	Director	June 1, 2020
/s/ Robert F. Woods **Robert F. Woods**	Director	June 1, 2020

HMS HOLDINGS CORP

FORM 10-K
(Annual Report)

Filed 02/26/21 for the Period Ending 12/31/20

Address	5615 HIGH POINT DRIVE
	IRVING, TX, 75038
Telephone	214-453-3000
CIK	0001196501
SIC Code	7374 - Services-Computer Processing and Data Preparation
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2020
Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission File Number 000-50194

HMS HOLDINGS CORP.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	11-3656261 (I.R.S. Employer Identification No.)
5615 High Point Drive, Irving, TX (Address of principal executive offices)	75038 (Zip Code)

(214**)** 453-3000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock $0.01 par value	**HMSY**	**The Nasdaq Stock Market LLC (The Nasdaq Global Select Market)**

Securities registered pursuant to section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Smaller reporting company

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes ☐ No ☒

The aggregate market value of the registrant's common stock held by non-affiliates as of June 30, 2020 the last business day of the registrant's most recently completed second quarter was approximately $1.8 billion based on the last reported sale price of the registrant's common stock on the Nasdaq Global Select Market on that date. Solely for purposes of this disclosure, shares of common stock held by executive officers, directors and persons who hold 10% or more of the outstanding shares of common stock of the registrant as of such date have been excluded because such persons may be deemed to be affiliates. This determination is not necessarily a conclusive determination for any other purposes.

There were 88,638,966 shares of common stock outstanding as of February 23, 2021.

Documents Incorporated by Reference

Unless provided in an amendment to this Annual Report on Form 10-K, the information required by Part III is incorporated by reference to the registrant's 2021 definitive proxy statement, to the extent stated herein. Such proxy statement or amendment will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2020.

HMS HOLDINGS CORP. AND SUBSIDIARIES
ANNUAL REPORT ON FORM 10-K
TABLE OF CONTENTS

Glossary

Throughout this 2020 Form 10-K, we may use certain abbreviations, acronyms and terms which are described below:

ACA	Patient Protections and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010
ACO	Accountable care organization
ADR	Additional documentation request
AI	Artificial intelligence
ASC	Accounting Standards Codification
ASO	Administrative service only
ASU	Accounting Standards Update
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CHIP	Children's Health Insurance Program
CMS	Centers for Medicare & Medicaid Services
CMS NHE	CMS National Health Expenditures
COB	Coordination of Benefits
COSO	Committee of Sponsoring Organizations of the Treadway Commission
Credit Agreement	The Amended and Restated Credit Agreement dated as of May 3, 2013, as amended by Amendment No. 1 to Amended and Restated Credit Agreement dated as of March 8, 2017, and as further amended by Amendment No. 2 to Amended and Restated Credit Agreement, dated as of December 19, 2017, by and among HMS Holdings Corp., the Guarantors party thereto, the Lenders party thereto and Citibank, N.A. as Administrative Agent
DSO	Days sales outstanding
ERISA	Employment Retirement Income Security Act of 1974
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FCPA	U.S. Foreign Corrupt Practices Act of 1977, as amended
HIPAA	Health Insurance Portability and Accountability Act of 1996, as amended
HITECH	Health Information Technology for Economic and Clinical Health
IRC	Internal Revenue Code
IRS	U.S. Internal Revenue Service
LIBOR or LIBO Rate	Intercontinental Exchange London Interbank Offered Rate (or any successor rate determined in accordance with the Credit Agreement)
MCO	Managed care organization
ML	Machine learning
NLP	Natural language processing
PBM	Pharmacy benefit manager
PHI	Protected health information
PHM	Population Health Management
PI	Payment Integrity
PMPM	Per member per month
PMPY	Per member per year

RAC	Recovery Audit Contractor
RFP	Request for proposal
ROU	Right-of-use
RPA	Robotic process automation
SEC	U.S. Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
SG&A	Selling, general and administrative
TCPA	Telephone Consumer Protection Act of 1991, as amended
TPL	Third-party liability
U.S. GAAP	United States Generally Accepted Accounting Principles
VA	U.S. Department of Veterans Affairs
2006 Stock Plan	HMS Holdings Corp. Fourth Amended and Restated 2006 Stock Plan, as amended by Amendment No. 1 to the HMS Holdings Corp. Fourth Amended and Restated 2006 Stock Plan dated as of February 16, 2012
2011 HDI Plan	HDI Holdings, Inc. Amended 2011 Stock Option and Stock Issuance Plan
2016 Omnibus Plan	HMS Holdings Corp. 2016 Omnibus Incentive Plan
2017 Tax Act	Tax Cuts and Jobs Act of 2017
2020 Form 10-K	HMS Holdings Corp. Annual Report on Form 10-K for the year ended December 31, 2020
2019 Omnibus Plan	HMS Holdings Corp. 2019 Omnibus Incentive Plan
401(k) Plan	HMS Holdings Corp. 401(k) Plan

Cautionary Note Regarding Forward-Looking Statements

For purposes of this 2020 Form 10-K, the terms "HMS," "Company," "we, "us, and "our" refer to HMS Holdings Corp. and its consolidated subsidiaries unless the context clearly indicates otherwise. Included in this 2020 Form 10-K are "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. From time to time, we also provide forward-looking statements in other materials we release to the public, as well as oral forward-looking statements. Such statements relate to our current expectations, projections and assumptions about our business, the economy and future events or conditions. They do not relate strictly to historical or current facts.

We have tried to identify forward-looking statements by using words such as "aim," "anticipate," "assume," "believe," "estimate," "expect," "forecast," "future," "intend," "likely," "may," "outlook," "plan," "potential," "project," "seek," "strategy," "target," "trend," "will," "would," "could," "should," variations of such terms, and similar expressions and references to guidance, although some forward-looking statements may be expressed differently. These statements include, among other things, the potential impacts of the novel coronavirus (COVID-19) and related developments, information concerning our future growth, business plans and strategic or operational initiatives, our future operating or financial performance, our ability to invest in and utilize our data and analytics capabilities, the benefits and synergies to be obtained from completed and future acquisitions, investments or strategic partnerships, including Lorica Health Pty Limited ("Lorica") and MedAdvisor Limited ("MedAdvisor"), the expected timing, completion and effects of the proposed acquisition of HMS by Gainwell Acquisition Corp., a Delaware corporation ("Gainwell"), through the merger of Mustang MergerCo Inc., a Delaware corporation and wholly owned subsidiary of Gainwell ("Merger Sub"), with and into HMS, with HMS continuing as the surviving corporation and a wholly owned subsidiary of Gainwell (the "Merger") pursuant to that certain Agreement and Plan of Merger, dated December 20, 2020, by and among HMS, Gainwell, Merger Sub, and Gainwell Intermediate Holding Corp., a Delaware corporation (the "Merger Agreement"), our future expenses, interest rates and tax rates, the sufficiency of our sources of liquidity, the impact of potential or future changes to U.S. healthcare legislation or healthcare spending, and other statements regarding our possible future actions, objectives and prospects. The forward-looking statements in this 2020 Form 10-K, other than the statements regarding the proposed transaction with Gainwell, do not assume the consummation of the Merger unless specifically stated otherwise.

Forward-looking statements are not guarantees and involve risks, uncertainties and assumptions that are difficult to predict. Actual results may differ materially from past results and from those indicated by such forward-looking statements if known or unknown risks or uncertainties materialize, or if underlying assumptions prove inaccurate. These risks and uncertainties include, among other things:

- *the occurrence of any event, change, or other circumstances that could delay or prevent closing of the Merger, or give rise to the termination of the Merger Agreement and the effects on our business during the pendency of the Merger;*
- *the course of the COVID-19 pandemic and the responses to the pandemic, and their effects on our business and operations, including those of our customers and partners, and general economic, business and market conditions;*
- *our ability to execute our business plans or growth strategy;*
- *our ability to innovate, develop, implement and deliver new or enhanced solutions or services;*
- *the nature of strategic acquisition, investment, partnership and divestiture opportunities we are pursuing, and our ability to successfully execute on such opportunities;*
- *our ability to successfully integrate or merge acquired businesses and realize synergies;*
- *significant and increased competition for our solutions and services;*
- *changes in the healthcare environment or healthcare financing system, including regulatory, budgetary or political actions that affect healthcare spending or the practices and operations of healthcare organizations;*
- *our ability to protect our systems from damage, interruption or breach, and to maintain effective information and technology systems and networks, including during a catastrophic or extraordinary event, such as COVID-19;*

- *our failure to maintain a high level of customer retention or the unexpected reduction in scope or termination of key contracts with major customers;*
- *customer dissatisfaction or our non-compliance with contractual provisions or regulatory requirements;*
- *our failure to meet performance standards triggering significant costs or liabilities under our contracts;*
- *our inability to manage our relationships with data and IT suppliers;*
- *our reliance on subcontractors and other third party providers and parties to perform services;*
- *our ability to secure future contracts and favorable contract terms through the competitive bidding process;*
- *our success in attracting and retaining qualified employees and members of our management team;*
- *risks relating to our international operations, including political, regulatory, economic, foreign exchange, tax compliance and other risks;*
- *variations in our results of operations;*
- *our ability to accurately forecast the revenue under our contracts and solutions;*
- *our ability to generate sufficient cash to cover our interest and principal payments under our credit facility;*
- *changes in tax laws, regulations or guidance or unexpected changes in our effective tax rate;*
- *unanticipated increases in the number or amount of claims for which we are self-insured;*
- *accounting changes or revisions;*
- *our ability to protect our intellectual property rights, proprietary technology, information processes and know-how;*
- *our failure to comply with applicable laws and regulations governing individual privacy and information security, domestically or internationally, or to protect such information from theft and misuse;*
- *our ability to comply with current and future legal and regulatory requirements;*
- *negative results of government or customer reviews, audits or investigations;*
- *pending or threatened litigation;*
- *unfavorable outcomes in legal proceedings;*
- *state or federal limitations related to outsourcing of certain government programs or functions;*
- *restrictions on bidding or performing certain work due to perceived conflicts of interests;*
- *the market price of our common stock and lack of dividend payments; and*
- *anti-takeover provisions in our corporate governance documents.*

These and other risks are discussed under the headings "Part I, Item 1. Business," "Part I, Item 1A. Risk Factors," "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk" of this 2020 Form 10-K and in other documents we file with the SEC.

Any forward-looking statements made by us in this 2020 Form 10-K speak only as of the date on which they are made. Our forward-looking statements do not reflect the potential impact of the Merger, or assume its consummation, unless specifically stated otherwise. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law. We caution readers not to place undue reliance upon any of these forward-looking statements. You are advised, however, to consult any further disclosures we make on related subjects in our Form 10-Q and Form 8- K reports and our other filings with the SEC.

Market and Industry Data

This 2020 Form 10-K contains market, industry and government data and forecasts that have been obtained from publicly available information, various industry publications, other published industry sources and our internal data and estimates. We have not independently verified the information from third party sources and cannot make any representation as to the accuracy or completeness of such information. None of the reports and other materials of third party sources referred to in this 2020 Form 10-K were prepared for use in, or in connection with, this 2020 Form 10-K. Additionally, our internal data and estimates are based upon information obtained from our customers, our partners, trade and business organizations, publicly available information and other contacts in the markets in which we operate *and our management's understanding of industry conditions. Estimates are difficult to develop and inherently uncertain, and we cannot assure you that they are accurate. Our estimates involve risks and uncertainties and are subject to change based on various factors, including those detailed above and under "Part I, Item 1A. Risk Factors" of this 2020 Form 10-K.*

Trademarks and Trade Names

We have a number of registered trademarks, including HMS®, as well as the corresponding HMS + logo design mark, Elli®, Eliza®, Essette®, FraudCapture®, VitreosHealth® and Accent®. These and other trademarks of ours appearing in this 2020 Form 10-K are our property. Solely for convenience, trademarks and trade names of ours referred to in this 2020 Form 10-K may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks and trade names. This 2020 Form 10-K contains additional trade names and trademarks of other companies. We do not intend our use or display of other companies' trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

PART I

Item 1. Business

Founded in 1974, HMS is an industry-leading provider of cost containment and analytical solutions in the healthcare marketplace. Our mission is to make healthcare work better for everyone. We use data, technology, analytics and in-house expertise to deliver coordination of benefits, payment integrity and population health management solutions that help healthcare organizations reduce costs, improve health outcomes and drive the value of healthcare. We provide a broad range of payment accuracy solutions to government and commercial healthcare payers, including coordination of benefits services, to ensure that the right payer pays the claim, and payment integrity services that identify and correct improper healthcare billings and payments. Our population health management solutions include a multi-layered integrated portfolio of risk analytics, engagement and care management solutions that provide healthcare organizations the tools to address the needs of the whole person and improve the quality, cost, experience and outcomes of their entire population. Through our solutions, we help move healthcare forward by saving billions of healthcare dollars while helping consumers lead healthier lives.

We currently operate as one business segment with a single management team that reports to the Chief Executive Officer. HMS began its operations as Health Management Systems, Inc., which became our wholly owned subsidiary in March 2003 when we assumed its business in connection with the adoption of a holding company structure. We incorporated in the State of New York in October 2002 and reincorporated in the State of Delaware in July 2013. Our principal executive offices are located at 5615 High Point Drive, Irving, Texas 75038, and our telephone number is (214) 453-3000. Our website is www.hms.com.

During fiscal year 2020, our business continued to evolve through a combination of targeted acquisitions and strategic investments. In November 2020, we made an additional investment in MedAdvisor, an Australian-based digital medication adherence company, reinforcing our strategic relationship and efforts to expand internationally and into new markets. In December 2020, we entered into an agreement to acquire Lorica, a leading healthcare payment accuracy and data analytics company based in Australia. The transaction closed in January 2021. The addition of Lorica further strengthens our ability to apply advanced data and payment analytics to deliver significant cost savings and value to our clients and bolsters our reach into the Australian market.

Proposed Transaction with Gainwell

On December 20, 2020, we entered into the Merger Agreement wherein Gainwell will acquire HMS. The Merger Agreement provides that, upon the terms and subject to the satisfaction or waiver of the conditions set forth therein, Merger Sub will merge with and into HMS, with HMS continuing as the surviving corporation and a wholly owned subsidiary of Gainwell. Under the terms of the Merger Agreement, which has been unanimously approved by the HMS Board of Directors, HMS shareholders will receive $37.00 in cash per share.

The Merger Agreement includes customary representations, warranties and covenants. The consummation of the Merger is subject to customary closing conditions, including, among others, the adoption of the Merger Agreement by the affirmative vote of the holders of a majority of the shares of HMS's common stock outstanding and entitled to vote as well as the satisfaction of other customary closing conditions, including compliance with or performance, in all material respects, or in certain instances, in all respects, by each party of its covenants and obligations under the Merger Agreement. The Merger is anticipated to close in the first half of 2021.

The foregoing summary of the Merger Agreement and the transactions contemplated thereby does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Merger Agreement, which is filed as Exhibit 2.1 to the Company’s Current Report on Form 8-K filed on December 28, 2020 and incorporated by reference herein. Copies of the Current Report on Form 8-K and our other filings with the SEC, including our recent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Proxy Statements and the amendments to these reports or statements, are available free of charge on our website through the Investor Relations page, as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. These materials, as well as similar materials for SEC registrants, may be obtained directly from the SEC through their website at www.sec.gov.

References to URL websites are intended to be inactive textual references only. The content of any website referred to in this 2020 Form 10-K is not incorporated by reference into this filing unless expressly noted.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which has spread globally and throughout the United States. The course of COVID-19, including the responses to the pandemic and its effects, has created significant volatility, uncertainty and disruption in economic and normal business activities globally. It has also impacted our day-to-day operations and the operations of the vast majority of our customers, suppliers and partners. Although the pandemic has not had a material adverse effect on our operations to date, it did impact our financial results for 2020. The degree to which COVID-19 affects our future financial results and operations will depend on future developments which are highly uncertain and cannot be predicted. These uncertainties, include, among others, the recurrence, severity or duration of the ongoing pandemic, current or future domestic and international actions to contain and treat COVID-19, or their impact, and how quickly and to what extent normal economic and operating conditions can resume. Due to the speed with which the situation may change, we are not able to estimate the effect of COVID-19 on our financial results and operations at this time, but the effect could be material for fiscal year 2021 or during any future period affected directly or indirectly by this pandemic. For further discussion of the risks relating to COVID-19, see the “Risk Factors” section set forth in Part I, Item 1A of this 2020 Form 10-K.

Our Solutions

We provide solutions that apply broadly across the Medicaid, Medicare, commercial at-risk and employer self-insured markets. Our services span the payment and care continuum, from an individual’s enrollment in a healthcare program to pre-payment review of their claims, through post-payment identification and recovery of improper payments, and back to the individual where our consumer-driven solutions allow healthcare organizations to manage individuals' healthcare on a personal level, and at scale, using actionable analytics that drive individuals to take actions that improve health outcomes. Our coordination of benefits and payment integrity services ensure payment accuracy by addressing a wide spectrum of payment errors, including eligibility and coordination of benefits errors, the identification and investigation of potential fraud, and the review of claims on a prepayment and post-payment basis for improper payments and utilization effectiveness. Our population health management services assist customers in managing quality, risk, cost and compliance across all lines of business by engaging consumers, providing the tools to manage their care, and identifying existing or emerging health risk among consumer populations. Through our industry-leading technology, analytics and engagement solutions, we save billions of dollars annually while helping consumers lead healthier lives.

Our comprehensive solutions offer value throughout the healthcare continuum and include the following:

Coordination of Benefits (COB)

HMS provides a comprehensive, integrated suite of COB solutions to healthcare organizations, including Medicaid, Medicare, CHIP, healthcare exchanges, commercial payers and other at-risk entities. We deliver high value to our customers by delivering timely and accurate information about members' other insurance coverage, which enables our customers to better coordinate care, maximize cost savings, ensure accurate reimbursement and reduce administrative rework. We provide verified insurance coverage information as early as the point of enrollment, as well as at the point of prior authorization, or prior to the payment of a claim, to maximize cost avoidance. We pursue recovery for any healthcare claim for which another party was liable to pay first. Experience and analytics inform our ability to accurately identify those claims and deploy workflows and processes that ensure we recover the maximum amount of inappropriately paid expenditures for our customers.

We also assist customers in identifying other third-party insurance and recovering medical expenses where a member is involved in a casualty or tort incident. For Medicaid agencies exclusively, we provide estate recovery services to identify and recover Medicaid expenditures from the estates of deceased Medicaid members, in accordance with state policies. For the years ended December 31, 2020, 2019 and 2018, our COB services represented 69.7%, 64.5% and 66.4% of our total revenue, respectively.

Payment Integrity (PI)

Our PI solutions and services employ advanced data analytics, leading technologies and clinical expertise to maximize savings and deliver proven, measurable results for federal and state governments, commercial health plans, and other at-risk or self-insured entities. We help our customers identify and avoid improper payments, recover those overpayments when they occur, detect and prevent fraud, ensure compliance with regulations, and increase cost savings with innovative technology and processes. Our PI solutions, delivered on a pre- and post-pay basis across all claims and provider types, are data-driven and stakeholder-sensitive, resulting in better payment accuracy, lower administrative costs, and decreased incidents of fraud and abuse. We leverage predictive and prescriptive analytics, AI, NLP, and ML, and incorporate RPA into our operations for increased efficiency and operational effectiveness. For the years ended December 31, 2020, 2019 and 2018, our PI services represented 22.6%, 25.9% and 24.1% of our total revenue, respectively.

Payment accuracy revenue consists of revenue for our COB and PI solutions.

Population Health Management (PHM)

HMS' comprehensive PHM solutions reduce cost, enhance engagement and improve outcomes throughout the member lifecycle. Our flexible, scalable architecture and modular platform integrates early risk identification, advanced analytics, multi- channel outreach and care management components to help our customers target the right members at the right time for interventions, with outreach that drives action and change. Our prescriptive approach leverages AI, ML, NLP and efficacy studies to proactively manage care for all members, drive better outcomes and quality scores, and enhance member satisfaction and retention, while reducing administrative and medical spend. Our PHM solutions enable our customers to understand the health of their unique populations in real-time, and identify future risks, then develop personalized care plans and actionable engagement programs for maximum return on investment. For the years ended December 31, 2020, 2019 and 2018, our PHM services represented 7.7%, 9.6% and 9.5%, of our total revenue, respectively.

Intellectual Property

Our ability to develop and maintain the proprietary aspects of our technology and operate without infringing the proprietary rights of others is important to our business and competitive position. We establish and protect our proprietary technology and intellectual property through a combination of patents, patent applications, trademarks, copyrights, domain names and trade secrets, as well as through contractual rights, including confidentiality, non-disclosure and invention assignment agreements, and other security measures.

As of December 31, 2020, our patent portfolio is comprised of approximately 90 domestic and international patents, and we are currently pursuing several patent applications in the United States and around the world. Our principal trademarks are our company name and corresponding design marks, including but not limited to HMS®, Accent®, Eliza®, Essette® and VitreosHealth ®, and our key product marks, such as Elli®, FraudCapture®, HMS 360®, SolarisPlus®, COBManager® and other marks for our products. We also hold copyrights relating to certain aspects of our solutions and services. While we consider all of our intellectual and proprietary rights important to HMS, we believe our business as a whole is not materially dependent on any particular patent, trademark, license or other intellectual property right.

Customers

We provide our solutions to customers across a broad range of entities within the healthcare industry, including state and federal government agencies, health plans and PBMs, healthcare exchanges, employers, at-risk providers and ACOs, and other healthcare organizations. For the years ended December 31, 2020, 2019 and 2018, our total revenue was $673.3 million, $626.4 million and $598.3 million, respectively. No single customer accounted for 10% or more of our total revenue during any period presented.

The composition of our 10 largest customers changes periodically. For the years ended December 31, 2020, 2019 and 2018, our 10 largest customers represented 42.0%, 42.7% and 41.4% of our total revenue, respectively. We provide services under contracts (or subcontracts) that contain various revenue structures, including contingent revenue and to a lesser extent fixed-fee arrangements as well as cost-plus and time-and-materials pricing. The current terms of many of our federal and state government contracts range from one to five years, including renewal terms at the option of the customer. In many instances, we provide our services pursuant to agreements that are subject to periodic reprocurements. Several of our contracts, including those with some of our largest customers, may be terminated for convenience, in whole or in part, by the customer. Because we provide our services pursuant to agreements that are open to competition from various businesses in the U.S. healthcare arena, we cannot provide assurance that our contracts, including those with our largest customers, will not be terminated for convenience or awarded to other parties. Additionally, we cannot provide assurance that any contracts that are renewed will have the same fee structures as the expiring contracts or otherwise be on satisfactory terms. The early termination of key contracts with significant customers, or the inability to renew such contracts on favorable terms or at all, may have an adverse effect on our financial condition, results of operations and cash flows.

In providing solutions and services to our customers, we rely heavily upon our technology systems and networks, as well as on those of third-party providers, to process, transmit, maintain, store and host the confidential, proprietary and sensitive information and data we receive from our customers and other data suppliers, including private insurance plans and financial institutions. The secure processing and maintenance of this information is critical to our operations and business strategy. Although we have spent significant resources to implement security and privacy programs and controls, train our workforce and enhance our security measures with the implementation of new technologies and processes, our information technology and infrastructure, and those of third parties on which we rely , could continue to be potentially subject to various forms of cyber-attacks, as further discussed under the heading “Part I, Item 1A. Risk Factors.”

Healthcare Landscape

The market for cost containment solutions is large and growing, driven by increasing healthcare costs, rising program enrollment and payment complexities. Established in 1965 under the Social Security Act, Medicaid provides health insurance and long-term care services and support to low-income families and individuals with disabilities in the United States. Medicaid is funded jointly by the federal and state governments and administered by the states. The Balanced Budget Act of 1997 created CHIP to help states expand coverage primarily to children whose families earned too much to qualify for Medicaid, yet not enough to afford private health insurance. Medicare is a federal program that is administered by CMS, and provides eligible persons age 65 and over and some disabled persons with a variety of hospital, medical insurance and prescription drug benefits. All three of these programs have opted to contract with managed care organizations, or MCOs, in whole or in part as a means of delivering quality healthcare to program beneficiaries and controlling costs.

By law, Medicaid programs serve as the payer of last resort and all other sources of coverage must pay for medical costs incurred by a Medicaid-eligible individual. The TPL rules of the Medicaid statute require, among other things, that states take reasonable measures to identify potentially liable third parties and process claims accordingly. Since 1985, we have provided state Medicaid agencies with services to identify third parties with primary liability for paying claims for Medicaid members, and since 2005, we have provided similar services to Medicaid managed care plans.

The Deficit Reduction Act enacted by Congress in 2006 contained provisions to strengthen the TPL rules and created the Medicaid Integrity Program under the Social Security Act to increase the government’s capacity to prevent, detect and address fraud, waste and abuse in the Medicaid program. Later that year, Congress passed the Tax Relief and Health Care Act of 2006, which established the Medicare RAC program. These measures, at both the federal and state level, have strengthened our ability to identify and recover erroneous payments on behalf of our customers. We became the Medicare RAC for Region D with our acquisition of HealthDataInsights, Inc. (“HDI”) in 2011 and again were awarded a region under the new Medicare RAC contracts in October 2016. We also serve as a Medicaid RAC to certain states pursuant to provisions of the ACA.

The ACA, generally referred to as “Obamacare,” was signed into law on March 23, 2010. The law aimed to decrease the uninsured population in the U.S. by expanding Medicaid, enabling access to healthcare coverage through health insurance exchanges, and mandating coverage for pre-existing conditions and other healthcare situations. It is estimated that 20 million people have gained healthcare coverage as a result of the ACA.

For 2021, Medicare and Medicaid are projected to pay approximately 38.6% of the nation's healthcare expenditures and serve over 147.5 million beneficiaries. Many of these beneficiaries are enrolled in managed care plans, which have the responsibility for both patient care and claims adjudication. The dual aims of cost containment and quality healthcare outcomes are the same across all at-risk entities, including commercial health plans and government healthcare programs, such as Medicaid and Medicare.

Within the commercial market, health plans sell policies directly to individuals (on the open market or via health insurance exchanges), contract with employers to underwrite their employees' care, or contract with self-insured employers to oversee benefit administration for their employees. This market also includes a growing number of risk bearing provider-sponsored plans that operate and market health plan benefits. According to CMS NHE projections, private health insurance covered approximately 200.4 million individuals at a cost of approximately $1.36 trillion in 2020.

Several commercial health plans also offer government-sponsored lines of business, including partnering with Medicare, Medicaid and CHIP to oversee care delivery for beneficiaries enrolled in those programs. States continue to focus on improving value, quality and outcomes through arrangements with MCOs. As of September, 2020, 40 Medicaid programs operated with some form of managed care and comprehensive risk-based managed care continues to be the predominant delivery system for Medicaid services in the U.S. More than two-thirds of beneficiaries nationally receive most or all of their care through risk-based MCOs and more than half of states that contract with MCOs enroll 75% or more of their Medicaid beneficiaries in MCOs. Managed care health plans continue to assume risk for Medicare lives, with approximately one in three (39%) of all Medicare beneficiaries – 24.1 million people out of 61.7 million Medicare beneficiaries overall, enrolled in Medicare Advantage plans in 2020.

HMS continues to serve government agency fee-for-service programs at the state and federal level. These plans are generally reliant on and susceptible to the government appropriations process that determines their budget and governs the number of beneficiaries they serve. According to the CMS NHE projections, Medicare programs in 2020 covered approximately 61.7 million people at a cost of approximately $858.5 billion and Medicaid/CHIP covered approximately 82.8 million people, costing approximately $669.1 billion. Altogether, it is projected that the government programs we serve covered approximately 144.5 million people at a total cost of nearly $1.53 trillion in 2020.

CMS projects that Medicare enrollment growth will increase by 2.9% in 2021, with expenditures to increase by 7.5% in 2021 compared to 2020; and Medicaid/CHIP enrollment growth will increase by 1.4% in 2021, with expenditures to increase by 5.3% in 2021 compared to 2020. As commercial and government health plans focus on strategies to contain costs across their different lines of business, HMS will continue offering solutions to meet their evolving needs.

Regulatory Environment

As a healthcare analytics and technology company, our business is heavily regulated and subject to complex and evolving laws, regulations and standards. In the U.S., we must adhere to local, state and federal laws and regulations relating to: privacy and data security, including but not limited to, HIPAA and substance abuse confidentiality regulations, HITECH and the Final Omnibus Privacy, Security, Breach Notification and Enforcement Rule, and the Massachusetts Standards for the Protection of Personal Information of Residents of the Commonwealth; labor and employment relations, including equal opportunity and affirmative action; prompt pay statutes; healthcare fraud, waste and abuse, including the federal anti-kickback statute and the federal False Claims Act; and similar state statutes and legislation.

As we expand into different areas of the healthcare industry, we may deliver new and enhanced solutions or enter into new markets that may further expose us to requirements under additional statutes and legislative schemes that have previously not been relevant to our business, such as the Fair Debt Collection Practices Act and other banking and credit reporting statutes, and certain consumer laws and regulations, including TCPA and similar state and federal laws on audio and telephone recording practices. We are also obligated by our contractual requirements with customers, which may require that we comply with additional privacy regulations imposed upon certain types of customers, such as the federal Gramm-Leach-Bliley Act. In instances where we contract with federal and state governmental agencies directly, or the payment we receive for our services is paid by such government parties, we must also comply with the Federal Acquisition Regulations and similar federal and state procurement laws, which regulate the solicitation, award, administration and performance of government contracts.

Outside of the U.S., we must comply with the local and foreign laws and regulations in the jurisdiction in which we operate, as well as U.S. laws that apply to doing business internationally. These regulations involve matters concerning, among others: local and cross-border taxation; anticorruption, anti-competition, anti-bribery laws and other laws prohibiting payments to governmental officials, such as FCPA; immigration; government compliance and licensing; securities regulation; internal and disclosure control obligations; import/export controls; trade restrictions; conflict of interest; working conditions, health and safety, wage-and-hour standards and other employment regulations; environmental standards; intellectual property rights; and data privacy and protection, such as the European Union General Data Protection Regulation and Australia's Privacy Act 1988 and Australian Privacy Principles, and cross-border data transfers.

Competitors

The U.S. healthcare marketplace is a dynamic industry with a range of businesses currently offering cost containment services, both directly or indirectly (through subcontracting), to some or all of the various healthcare payers, providers, employers and consumers. In addition, with improvements in technology and the growth in healthcare spending, new businesses are incentivized to enter this marketplace. Many customers also have the ability to perform some or all of the needed cost containment services themselves and choose to exercise that option to varying degrees. Therefore, competition is robust as customers have many alternatives available to them in their effort to contain healthcare costs.

We compete based on a variety of factors, including our ability to provide a broad range of solutions that span the entire healthcare claims payment and care services continuum. These include payment accuracy solutions focused on COB and PI related functions, as well as PHM solutions that support the ability of payers to better understand and engage consumers, perform effective outreach, and impact both costs and health outcomes.

The evolution of targeted strategic acquisitions and investments, coupled with innovative internal product development and enhancement, has led to HMS being a diversified, full services solution provider. During the course of 2020, we focused on innovating and rolling out new and enhanced offerings in each line of business. In coordination of benefits, we introduced our Coverage on Demand solution and continued to scale Medicare-to-commercial and commercial-to-commercial COB solutions. We saw success in PI with our emerging solutions offering, and progress is ongoing with new client implementations underway for our Pre-payment Clinical Claim Review and Episode of Care solutions. In PHM, we introduced crisis management solutions in response to the COVID-19 pandemic. We continue to invest resources and capital towards accelerating the development and market penetration of our fully integrated PHM platform, pharmacy solutions and whole person-consumer, centric offerings.

We have a proven record of delivering results that optimize savings and recoveries, enabled by:

- in-depth government and commercial healthcare program experience and market leadership;
- a nationally-acclaimed technology team with analytics, engineering, infrastructure and security expertise;
- robust data assets that drive high value solutions;
- prescriptive and predictive analytics, applied across Medicaid, Medicare and commercial at-risk populations;
- an experienced team of clinical experts, supported by a panel of credentialed physicians from all specialties with deep healthcare policy, program and claims expertise;
- ongoing investments in technology innovation in big data, AI, ML, NLP and RPA;
- long-term, multi-level relationships with customers and other industry stakeholders; and

- an ability to provide customers with actionable intelligence to help improve quality, financial and health outcomes, optimize patient and member engagement, and better manage costs.

Our competitors range in size from large, diversified national companies, to small, specialized firms. Some of these competitors have significantly greater financial and technical resources, and others have longer operating histories and greater name recognition than we do in certain markets. Within our payment accuracy portfolio of products and services, we compete primarily with large business outsourcing and technology firms, claims processors, healthcare consulting firms, and other vendors who provide some or all of these solutions to payers. In addition, we frequently work with customers who may elect to perform some or all of their cost avoidance and recovery functions in-house. Within the population health management sector, we compete primarily with vendors who provide care management, consumer engagement, and related technology services. Examples of companies with whom we currently compete across our offerings include:

- Accenture PLC
- Cotiviti, Inc.
- IBM Watson Health
- MHK
- Welltok, Inc.
- Casenet LLC
- Discovery Health Partners, LLC
- Inovalon Holdings, Inc.
- Performant Financial Corporation
- ZeOmega, Inc.
- Change Healthcare, Inc.
- ExlService Holdings, Inc.
- Medecision, Inc.
- Optum, Inc. (subsidiary of United Healthcare)

Our Business Strategy

We believe that the steadily increasing enrollment and rising expenditures for Medicare and Medicaid, with most new enrollees entering managed care plans; an aging U.S. population with an increasing concentration of individuals with high-cost chronic conditions and often co-morbidities; and the overall complexity of the healthcare claims payment system in the U.S. all combine to create substantial growth opportunities for the suite of cost containment solutions we offer.

We also believe these factors present growth opportunities for our PHM services. We are focused on growing our business over the course of 2021 and beyond, both organically and inorganically, by leveraging existing key assets (e.g., our data, analytics, in-house expertise, and distribution channel) and pursuing a number of strategic objectives and initiatives, including:

- *Expanding the scope of our relationship with existing customers* – by selling new, additive and enhanced solutions and services to our broad customer base, including those designed to improve consumer engagement and clinical outcomes, and cross-selling across customer lines of business.

- *Adding new customers* – by driving sales enablement and marketing to commercial health plans, including Medicaid managed care and Medicare Advantage plans, at-risk group and individual health lines of business, and ASO plans; government healthcare payers, including Medicaid agencies, state employee health benefit plans and CHIPs; at-risk provider organizations and ACOs; and commercial self-insured employers.

- *Entering new markets for diversification and growth* – by expanding into adjacent markets, such as Medicare Advantage, risk-bearing providers, employer, public health and pharmacy; leveraging opportunities through our international operations to access new markets overseas; developing and launching new and enhanced PI, PHM and engagement solutions targeted at high-growth markets; and strategic acquisitions of and investments in complementary businesses.

- *Introducing new innovative solutions and services* – by increasing internal development initiatives designed to enhance and expand our existing suite of cost containment solutions and advance the delivery of a more comprehensive health technology offering.

- *Utilizing technology tools and innovation –* by deploying technologies that leverage a big data environment to further enhance our data, analytics, and processes to create operating efficiencies, improve accuracy and quality, increase customer satisfaction, and drive revenue opportunities and scale.
- *Strategic deployment of capital* – by investing in our IT infrastructure; internal growth initiatives; capabilities, technologies, and assets to complement our cost-containment expertise; building or acquiring adjacent capabilities to enhance our solution set; and expanding our data analytics capabilities. Our focus may include future acquisitions that represent long-term growth potential, target high-growth areas, are accretive to earnings, enhance our technological capabilities and fill a strategic need in our business portfolio as we seek to provide increasingly comprehensive solutions to our customers.

Talent and Human Capital Management

Our employees and culture are critical components to our success. As of December 31, 2020, we had approximately 3,170 employees worldwide, of which the majority were based within the U.S.

At HMS, we live our values every day. We believe these values—customer focus, results-driven collaboration, meaningful innovation, uncompromising integrity, widespread inclusion and absolute accountability—define the character and culture of our organization. We strive to attract, develop and retain the best talent by providing competitive pay and benefits, continuous growth and development, and a diverse and inclusive workplace that positively impacts our people, communities and environment.

Diversity and Inclusion
We are committed to fostering a diverse and inclusive environment where all employees can be their authentic selves and thrive. In fiscal 2020, we formed a Diversity & Inclusion Council to focus on gender, ethnicity, LGBTQ, veterans, persons with disabilities and cross-cultural diversity. Among its accomplishments, the employee-led Council established a governance framework and expanded HMS' employee resource groups aligned around shared interests, preferences, characteristics and backgrounds, which we believe empower employees, build leadership, promote equity and advance our business strategy. We also help drive diversity through our supplier diversity program. We believe inclusive procurement practices help us create value for our customers and communities.

We recognize the importance of giving back to the communities where we live and work, and believe that this commitment helps in our efforts to attract and retain an innovative and diverse workforce. Through our HMS Cares program, our people use their talent and expertise to serve those who are most vulnerable in our communities. We also encourage employees to engage and support our communities by providing them with paid time off to volunteer with charitable organizations that address key social determinants of health like hunger, poverty and housing, which align with our mission to make healthcare work for everyone. HMS makes charitable financial contributions to many of these organizations and we encourage employees to do the same by offering company matching opportunities.

Health, Safety and Wellness
We offer comprehensive compensation and benefits that promote and support the health, safety and well-being of our employees and their families to help them build happier and healthier lives. Employees have access to a variety of benefits, including, medical, dental and vision coverage, health and wellness programs, retirement benefits, financial wellness and planning, work/life assistance, telehealth and paid time off. We are also committed to providing a safe, healthy and productive workplace conducive to open collaboration and engagement.

Since the start of the COVID-19 pandemic, our top priority has been and continues to be the safety and well-being of our employees. Over the course of the pandemic, we implemented a number of precautionary and preemptive measures to protect their safety while ensuring continuity of service to our customers. Our efforts include transitioning essentially all of our employees to working remotely, suspending non-essential employee travel, canceling participation in in-person industry events and group meetings, promoting social distancing and enhanced cleaning and sanitization efforts across office locations, implementing protocols to quarantine employees who may have been exposed to COVID-19, or show relevant symptoms, and extending additional paid time off to employees to obtain a COVID-19 vaccine. We also commenced preparedness plans at our facilities to maintain continuity of operations, which provide for flexible work arrangements, and maintain regular communications with our workforce as well as our customers and vendors. Although we have moved to a remote working environment without any significant disruptions to our business or control processes, and believe we are well-prepared to continue operating this way, we have a multi-phase plan to return to working on-site that gradually allows our workforce to return while practicing social distancing and other safety measures. Our management team continues to monitor the situation and manages our response in collaboration with customers, government officials and stakeholders. As COVID-19 continues to evolve, we may undertake additional actions to promote the safety and security of our employees, ensure the availability and functioning of our critical infrastructure, and support the communities in which we operate. Some of these measures may include imposing remote working arrangements for personnel when possible, investing in personal protective equipment, providing paid sick leave to affected employees, and other policies and initiatives that reduce the transmission of COVID-19.

Item 1A. Risk Factors

Our business is subject to significant risks, including the risks and uncertainties described below. You should carefully consider these risks, as well as the other information in this 2020 Form 10-K, including our Consolidated Financial Statements and the related Notes. The occurrence of any of these risks could adversely affect our business, financial condition, results of operations, and cash flows in a material way.

Risk Factors Summary

The principal risks and uncertainties affecting our business include, among others, those relating to the following factors:

- any failure to complete the Merger, or delays in completing the Merger;
- uncertainty about the Merger may adversely affect our business and our relationships with employees, customers, suppliers and others with whom we do business, and the Merger may disrupt our current plans and operations or divert management's attention away from ongoing business opportunities and operational matters;
- the Merger Agreement contains provisions that could discourage or deter a potential alternative purchaser that might otherwise have an interest in a business combination with us;
- any legal proceedings filed against us in connection with the Merger could delay or prevent the completion of the Merger;
- the effects of the COVID-19 pandemic could significantly disrupt our operations;
- our ability to expand our business and implement our growth strategy;
- our failure to innovate and develop new or enhanced solutions and services, or if these solutions and services are not adopted by our customers;
- our acquisition and investment strategy may subject us to considerable business and financial risk;
- we face significant competition for our solutions and services and we expect competition to continue to increase;
- changes in the healthcare environment or in laws relating to healthcare programs and policies, particularly as they relate to the ACA and the Medicare and Medicaid programs;
- healthcare spending fluctuations, simplification of the healthcare payment process or other aspects of the healthcare financing system, budgetary pressures and/or programmatic changes diminishing the scope of program benefits, or limiting payment integrity initiatives;
- our systems and networks and those of third parties on which we rely may be subject to cyber security breaches and other disruptions that could compromise our information and harm our business;
- system interruptions or failures could expose us to liability and harm our business;
- any failure to maintain effective information processing systems and the integrity of the data in, and operations of, those systems;
- our inability to successfully manage our relationships with the entities we depend on to supply information;

- our international operations expose us to a number of business and financial risks;
- you will not be able to rely on our operating results in any particular period as an indication of our future performance;
- we face challenges associated with forecasting the revenue under our contracts;
- our ability to protect our proprietary technology, information, processes, know-how, and other intellectual property, or if we become subject to third party claims of intellectual property infringement or misappropriation;
- any failure to comply with the laws and regulations regarding individual privacy and information security;
- we are subject to extensive domestic and foreign laws and regulations, including government and customer audits and investigations relating to our compliance with such laws and regulations;
- adverse judgments or settlements in legal proceedings; and
- the market price of our common stock may be volatile.

Risks Relating to Our Proposed Transaction with Gainwell

Failure to complete the Merger, or delays in completing the Merger, could materially adversely affect our business, financial condition, results of operations and stock price.

The proposed Merger is subject to various closing conditions such as the approval of our shareholders, among other customary closing conditions. It is possible that our shareholders will not approve the Merger or that a governmental authority may enjoin or otherwise prohibit the consummation of the Merger. If any condition to the closing of the Merger is not satisfied or, if permissible, waived, the Merger will not be completed. In addition, satisfying the conditions to the closing of the Merger may take longer than we expect. There can be no assurance that any of the conditions to closing will be satisfied or waived or that other events will not intervene to delay or result in the failure to consummate the Merger.

If the Merger is not completed, our ongoing business may be adversely affected, and we will be subject to a number of risks, including the following:

- we may be required to pay Gainwell a termination fee of $67,392,807 if the Merger Agreement is terminated under certain circumstances;
- the Merger Agreement places certain restrictions on the conduct of our business, which may have delayed or prevented us from undertaking business opportunities that, absent the Merger Agreement, may have been pursued;
- we will still be required to pay certain significant costs relating to the Merger, such as legal, accounting, financial advisor and printing fees; and
- matters relating to the Merger (including integration planning) may require substantial commitments of time and resources by our management, which could otherwise have been devoted to other opportunities that may have been beneficial to the Company,

in each case, without realizing any of the benefits of having completed the Merger, which may adversely affect our business and financial results. The market price of our common stock might decline materially as a result of any such failures to the extent that the current market prices reflect a market assumption that the Merger will be completed. If that were to occur, it is uncertain when, if ever, the price of our common stock would return to the price levels at which shares of our common stock currently trade.

We may also be negatively impacted if the Merger Agreement is terminated and our Board of Directors seeks but is unable to find another business combination or strategic transaction offering equivalent or more attractive benefits than the benefits expected to be provided in the Merger, or by our officers or members of our Board of Directors being subject to litigation related to entering into or failing to consummate the Merger.

Uncertainty about the Merger may adversely affect our business and our relationships with employees, customers, suppliers and others with whom we do business, and the Merger may disrupt our current plans and operations or divert management's attention away from ongoing business opportunities and operational matters.

Uncertainty about the completion or effect of the Merger may affect the relationship between us and our employees, clients and suppliers, which may have an adverse effect on our business, financial condition and results of operations. These uncertainties may cause clients, suppliers and others that deal with us to seek to change existing business relationships and to delay or defer decisions concerning us. Changes to existing business relationships, including termination or modification, could negatively affect our revenues, earnings and cash flow, as well as the market price of our common stock. Gainwell may terminate the Merger Agreement under certain circumstances, including if there is a material adverse change in our business. If that were to happen, we may not be entitled to a termination fee under the Merger Agreement, or the applicable termination fee may be insufficient to compensate us.

In addition, we are dependent on the experience and industry knowledge of our officers, key management personnel and other key employees to operate our business and execute our business plans. Our current and prospective employees may experience uncertainty about their roles following the Merger, which may have an adverse effect on our ability to attract or retain key management personnel and other key employees. Our business could be negatively impacted if key employees depart because of issues related to the uncertainty and difficulty of integration or a desire not to remain with the business if the Merger is not consummated. Adverse effects arising from the pendency of the Merger could be exacerbated by any delays in consummation of the Merger or termination of the Merger Agreement.

The Merger Agreement contains provisions that could discourage or deter a potential alternative purchaser that might otherwise have an interest in a business combination with us.

The Merger Agreement contains provisions that may discourage a third party from submitting an alternative proposal to us during the pendency of the proposed Merger as well as afterward, should the Merger not be consummated, that might result in greater value to our shareholders than the Merger. These Merger Agreement provisions include a prohibition on soliciting or entering into discussions with any third party regarding any alternative proposals, subject to limited exceptions. However, our Board of Directors is permitted to take actions that it believes, after consultation with its advisors, are necessary to not act in a manner inconsistent with its fiduciary duties, including withdrawing or modifying its recommendation in favor of the proposed Merger, so long as Gainwell has the opportunity, if it desires, to negotiate the terms of the Merger to address the basis for the Board of Director's recommendation change.

In addition, we may be required to pay to Gainwell a termination fee in cash equal to $67,392,807 in certain circumstances involving acquisition proposals for competing transactions.

If the Merger Agreement is terminated and we determine to seek another strategic transaction, we may not be able to negotiate a transaction on terms comparable to, or better than, the terms of the proposed Merger.

Any legal proceedings filed against us in connection with the Merger could delay or prevent the completion of the Merger.

Transactions such as the Merger often give rise to lawsuits by shareholders or other third parties. One of the conditions to the closing of the Merger is that the consummation of the Merger is not then enjoined, prevented, restrained, made illegal or otherwise prohibited by any governmental order (whether preliminary or final) or applicable law. In connection with the Merger, plaintiffs may file lawsuits against us and/or our directors and officers in connection with the Merger. Such legal proceedings could also prevent or delay the completion of the Merger and result in additional costs. In addition, if any lawsuit is successful in obtaining an injunction prohibiting us or Gainwell from consummating the Merger on the agreed upon terms, the injunction may prevent the Merger from being completed within the expected timeframe, or at all. If the Merger is prevented or delayed, the lawsuits could result in substantial costs, including any costs associated with the indemnification of directors. The defense or settlement of any lawsuit or claim that remains unresolved at the time the Merger is completed may adversely affect our business, financial condition or results of operations.

Market, Industry and Strategic Risks

The effects of the COVID-19 pandemic could significantly disrupt our operations and adversely affect our business, financial condition, results of operations and cash flows.

The widespread outbreak of COVID-19 has created significant volatility, uncertainty, and disruption in economic activity and financial markets globally. Although the outbreak of COVID-19 has not had a material adverse effect on our operations to date, it did impact our financial results for the year ended December 31, 2020. There can be no assurance that COVID-19 will not have a material adverse effect on our future operational and financial performance. The extent to which COVID-19 could impact our operational and financial performance in future periods is currently uncertain and will depend on numerous evolving factors and future developments that we may not be able to accurately predict and to which we may not be able to respond. Such factors and developments include, but are not limited to: the duration, severity and spread of the outbreak; the measures undertaken by government authorities to contain, mitigate and treat COVID-19 and the effectiveness of such actions; the effect on the U.S. and global economies and actions taken in response; the overall impact on the businesses of our customers, partners, vendors and suppliers; changes in the healthcare industry as a result of COVID-19 and actions taken by regulatory authorities and industry participants in response to COVID-19, such as the suspension in medical record requests and audits to reduce administrative burden on hospitals; the health of and effect on our workforce; the future effects to our operational and financial results of the changes we have made to protect the safety and well-being of our employees and future operational disruptions or challenges we may face; increased cybersecurity and information security risk as a result of the transition of our employees to a remote work environment; and how quickly and to what extent normal economic and operating conditions may resume. For example, a portion of our business is tied to overall volumes of activity in the healthcare system, and due to a significant temporary reduction in volume resulting from the suspension or reduction of certain client contract work during part of 2020, we experienced lower revenues during the second quarter and continued to see an impact to our financial results in certain parts of our business in the third quarter. Further, our management has been intensely focused on mitigating COVID-19, which has required and will continue to require, a large investment of time, attention and resources. A prolonged outbreak could, among other things, strain our business continuity plans, create delays in our growth and strategic initiatives, reduce our sales and marketing activities, limit our access to financing on favorable terms, increase the Company’s exposure to potential impairment charges related to goodwill and intangible assets, hinder our ability to support our customers and operate our business effectively, heighten the risk of disruption to our information and reporting systems and internal controls, including those over financial reporting and other risk management systems, or require us to incur substantial costs. Additionally, our efforts to re-open our offices safely may not be successful, could subject our employees and partners to heightened risks for COVID-19 exposure and we may incur increased workforce costs associated with implementing further precautionary measures and workplace safety protocols to mitigate the spread and ensure the health of our workforce.

We cannot predict the degree to which COVID-19 will ultimately impact our operations and financial results, however, the effects of the COVID-19 pandemic, alone or taken together, could adversely affect our future business, financial condition, results of operations and cash flows. To the extent COVID-19 harms our business and financial results, it may also have the effect of heightening many of the other risks described in this “Risk Factors” section and other sections of this 2020 Form 10-K.

Our ability to expand our business will be adversely affected if we fail to implement our growth strategy.

The size and scope of our business operations have continued to expand over the past several years. We currently intend to drive our growth and expansion into new and adjacent healthcare areas and markets, however, our growth and expansion strategy carries costs and risks that, if not properly managed, could adversely affect our business. Our future growth will depend on, among other things, our ability to successfully execute our business plans, which includes penetrating new markets, capturing opportunities in emerging markets for HMS, cross-selling our solutions to new and existing customers, broadening and deepening our customer and industry relationships, leveraging our brand identity and talent pool, securing strategic acquisitions, investments and partnerships, and increasing the speed, quality, capacity and scale at which we deliver our services across emerging and more established markets, all while remaining competitive. We must also be flexible and responsive to customers' needs and changes in the political, economic and regulatory environment in which we operate. The greater size and complexity of our expanding business may put additional strain on our administrative, operational and financial resources and can make optimal resource allocation more difficult to determine. It is possible that we may not be able to maintain or accelerate our growth. A failure to anticipate or properly address the demands and challenges that our continued growth and diversification may have on our resources and existing infrastructure may result in unanticipated costs and inefficiencies that could negatively impact our ability to execute on our business plans and growth goals, which may have a material adverse effect on our business, financial condition, results of operations and cash flows.

If we fail to innovate and develop new or enhanced solutions and services, or if these solutions and services are not adopted by our customers, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Part of our growth strategy depends on our ability to respond to the evolving healthcare landscape with new, additive and innovative solutions and services that our existing and potential customers are willing to adopt. The development, marketing, implementation and delivery of these solutions and services may require that we make substantial financial and resource investments. We face risks that our new or enhanced offerings may not be responsive to customer preferences or industry changes, appropriately timed with market opportunity or effectively brought to market, and that the solution and service development initiatives that we prioritize may not yield the gains that we anticipate, if any. If we are unable to predict market preferences or healthcare industry changes, or if we are unable to develop or adapt solutions and services that are responsive to existing and potential customers' needs, we may fail to expand our business, which could constrain our future revenue growth and materially adversely affect our business, financial condition, results of operations and cash flows.

Our acquisition and investment strategy may subject us to considerable business and financial risk.

To achieve our strategic goals, we have made a number of acquisitions and investments in businesses that have expanded our service offerings, including our PHM solutions, and broadened our customer base and our market and geographic presence. We may continue to pursue strategic acquisitions, investments and partnerships that advance our capabilities and build out our business lines in the future. We are subject to risks and uncertainties relating to our ability to consummate additional transactions that will be advantageous to us, including the Merger with Gainwell, and successfully integrate acquired or merged businesses, offerings technologies and employees. Future strategic acquisitions, investments and partnerships involve a number of factors that could affect our operations, including, but not limited to:

- risks relating to the Merger with Gainwell, including failure to complete the Merger;
- diversion of management's attention and other resources;
- our ability to successfully and timely integrate operational, financial, human resource and IT systems, functions, policies, processes and controls, and implement new operations, standards and technologies, without incurring substantial expenses, delays, difficulties or other issues;

- continued coordination and cooperation with transaction parties or strategic partners for transition services;
- difficulties in retaining or replacing key personnel and managing a geographically dispersed workforce, and other challenges associated with integrating employees and corporate cultures;
- our ability to maintain relationships with customers and suppliers of acquired businesses and operations;
- our ability to expand and further develop acquired businesses, technologies, employees and strategic relationships;
- our ability to combine service offerings, or to cross-sell our solutions and acquired solutions to customers;
- customer dissatisfaction or performance issues with acquired businesses, operations, products or strategic partners;
- our ability to comply with regulatory requirements and avoid potential conflicts of interest in markets that we serve;
- the misuse of intellectual property by personnel of acquired businesses and operations or strategic partners;
- our ability to successfully enter into unfamiliar markets or manage new business lines;
- compliance challenges related to new regulatory requirements or changes in foreign and international laws and regulations, such as those pertaining to data privacy, employment matters and taxation;
- assumption of unanticipated legal or financial liabilities and/or negative publicity relating to activities of acquired companies, employees and strategic partners before the acquisition or investment;
- exposure to litigation, claims and investigations in connection with the transaction or the acquired businesses and strategic partners, including claims from terminated employees, customers, former shareholders, government agencies or other third parties;
- significant costs and expenses, including those related to severance payments, retention pay, assumed litigation and other liabilities, transition services, termination fees or other exit charges, legal, accounting or financial advisory fees and other transaction costs;
- substantial reductions of our cash resources and/or the incurrence of debt;
- our lack of control and sole decision-making authority with respect to the operations of strategic partners and investments, and potential changes in the economic or business interests, goals, financial condition or reputation of our strategic partners or the control of our strategic partners and investments;
- any announced transaction may not close on the expected timeframe or at all;
- possible erosion of employee morale, customer confidence or our relationships with strategic partners;
- potential impairment of goodwill and other acquired intangible assets or of strategic investments made by us;
- the failure of acquired businesses, operations, solutions or services to perform as expected or meet financial projections, which could negatively impact earnings or contingent consideration; and
- potential dilution to our earnings per share.

In addition, divestitures of assets and businesses involve a variety of risks, including separation of operations, services or personnel, diversion of management's attention, significant costs and expenses, disruption of business operations, potential loss of key employees, customer relationships or cash flow, and continued financial involvement in or liability with respect to the divested assets and businesses, including through indemnification and other contractual obligations. If we are unable to adequately address these risks or any of the foregoing factors, or fail to integrate the businesses that we acquire or merge with, we may not realize the cost efficiencies, synergies or other benefits that we anticipated from any future divestiture or strategic acquisition, investment or partnership, and our reputation, business, financial condition, results of operations and cash flows could be materially adversely affected.

We face significant competition for our solutions and services and we expect competition to continue to increase, which could materially adversely affect our business, financial condition, results of operations and cash flows.

The markets for payment accuracy and population health management solutions are intensely competitive, driven by rapidly changing technologies, evolving industry standards, customer demands to become more cost-effective and efficient, and increased consolidation in both the IT and healthcare industries. Our competitors range in size from large, diversified national companies (some of which have emerged as a result of industry consolidation), to small, specialized firms. Some of our competitors may include current or former subcontractors or teaming partners seeking to establish direct relationships with our customers and provide similar services as the prime contractor, as well as current and prospective customers that elect to perform recovery and cost avoidance functions in-house or to develop in-house capacities for solutions and services that we provide or seek to provide. For example, certain state customers have combined or “bundled” TPL services under large-scale IT procurements, as they shift to implementing modular Medicaid Enterprise Systems. As part of this modular approach, they may select a new or less experienced vendor to provide the TPL module based on preferred relationships or favorable pricing. Consolidation among vendors and healthcare providers, as well as the merging of some of our competitors or formation of business alliances with other competitors, have contributed to the increasingly competitive environment. In addition, companies that have invested in proprietary technology different from our own service offerings, such as front-end analytics or consumer-centric capabilities, have emerged as new competitors due to the rapidly evolving healthcare IT landscape. There is also increasing sophistication in the solutions and services that our competitors are developing that may become more efficient or appealing to our customers and their member populations, or may offer greater interoperability. In order to remain competitive, we may need to quickly develop and market new and enhanced solutions and services responsive to emerging technologies and changes in the healthcare industry, which may require that we make substantial financial and resource investments.

We may not be able to compete successfully against our existing or future competitors. Some of these competitors have significantly greater financial and technical resources, and others have longer operating histories and greater name recognition than we do in certain markets. They may be able to (i) offer lower prices or negotiate fee reductions on our current solutions and services, (ii) respond more quickly than we can to new and emerging technologies and changing customer requirements, (iii) devote greater resources to the sale and promotion of their products and the development and implementation of new and improved systems, solutions and services for customers that we serve, and (iv) pursue various acquisitions that allow them to rapidly amass a wide array of capabilities. We may be forced to lower our pricing, unexpectedly scale or update our technological or data capabilities, or modify our offerings. Additionally, competitors may affect our business by entering into exclusive arrangements with our existing or potential customers or vendors. Notwithstanding any changes we make in response to increased competition, the demand for our solutions and services may still decrease as a result of increased competition. A failure to be responsive to customers’ needs or the changing industry landscape could frustrate our ability to maintain or expand our customer base, hire and retain new employees, pursue new business opportunities and contracts, complete future strategic acquisitions, investments and partnerships and operate our business effectively. Any inability to compete meaningfully could materially adversely affect our business, financial condition, results of operations and cash flows.

Our business could be materially adversely affected by changes in the U.S. healthcare environment or in laws relating to healthcare programs and policies, particularly as they relate to the ACA and the Medicare and Medicaid programs.

The healthcare industry in which we operate is subject to changing political, economic and regulatory influences that directly affect the practices and operations of federal, state and commercial healthcare organizations in the United States. When the ACA was passed, its emphasis on program integrity, cost containment and expansion of Medicaid created new opportunities to grow our business and our service offerings. The regulatory framework of the ACA and other healthcare reforms continues to evolve as a result of political changes and executive, legislative, regulatory and administrative developments as well as judicial proceedings. Since its adoption into law in 2010, there have been continued efforts by Congress to amend, enhance repeal or replace all or part of the ACA.

Although legislative attempts to completely repeal the ACA have been unsuccessful to date, and we believe would be unlikely under the current political climate, there have been significant attempts to challenge certain aspects of the ACA through other legislative measures and legal actions. The Supreme Court is currently considering the constitutionality of the ACA in the matter of *California v. Texas*. The Court heard oral arguments on November 10, 2020 and a decision is not expected until the late spring of 2021. Although a stay and partial final judgment has been issued pending appeals, ensuring that the ACA remains operational in all respects, we cannot predict when the Supreme Court will issue a decision or what that decision will be, or the outcome of any litigation that has been filed relating to the ACA. As such, there remains considerable uncertainty surrounding the continued implementation of the ACA and what similar healthcare reform measures or other changes might be enacted at the federal and/or state level. We will continue to evaluate the effect that the ACA and its possible invalidation may have on our business, however, it is difficult to predict the full impact and influence that the ACA and the varying healthcare reform measures may have on the U.S. healthcare industry or policy, and any resulting changes may take time to unfold.

There have also been legislative initiatives and healthcare reform proposals from the federal and state governments in response to budgetary or deficit considerations, such as block grants. While this may lead to a demand for our services, it could also result in fee concessions, contract and project holds, early contract termination, and reduced scopes or non-renewal of our contracts with certain state government customers. Another variable that impacts our business will be how state programs, commercial health plans, private employers and other healthcare payers will respond to the possible enactment of federal or state health care reforms and possible changes to other federal, state or local laws or regulations affecting the health care industry, including any such laws or governmental regulations which are adopted in response to the COVID-19 pandemic. These organizations may react to such changed circumstances and financial pressures by taking actions to ramp up, curtail or defer their retention of cost containment providers like us, which could impact the demand for our solutions and services and our ability to increase or maintain sales of our existing solutions and services. Due to uncertainties regarding the outcome of future healthcare reform initiatives, and their enactment and implementation, we cannot predict which, if any, future reform proposals will be adopted or the effect such adoption may have on us. Future healthcare legislation and regulation could have a significant impact on our business. While certain changes may present us with new opportunities, our business, financial condition, results of operations and cash flows could be materially adversely affected if we are unable to adapt our solutions and services to meet changing requirements or expand service delivery into new areas, or if the demand for our solutions and services is reduced as a result of future legislative changes affecting Medicare, Medicaid or other publicly funded or subsidized health programs.

Healthcare spending fluctuations, simplification of the healthcare payment process or other aspects of the healthcare financing system, budgetary pressures and/or programmatic changes diminishing the scope of program benefits, or limiting payment integrity initiatives, could reduce the need for and the price of our solutions and services, which would have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our projections and expectations are premised, in part, upon consistent growth rates in the Medicare and Medicaid programs and government spending on these programs, and the impact on the current healthcare financing system overall and need for our solutions and services within that existing framework. Our continued success is based in large part on offering solutions and services that improve the ability of our customers to identify and recover revenue that would otherwise be lost often as a result of procedural inefficiencies and complexities in the healthcare delivery and payment system. However, the need for our solutions and services, the price customers are willing to pay for them and the scope and profitability of our contracts could be negatively affected by a number of factors, including, but not limited to:

- a lower than projected growth in Medicare and Medicaid program enrollment and expenditures;
- changes in the level of federal government spending due to budgetary or deficit considerations, including the continuance of existing programs, as well as budgetary pressures that may drive changes at the state level;
- unanticipated reductions in the scope of healthcare program benefits (such as, for example, state decisions to eliminate coverage of optional Medicaid populations or services or shifting lives into managed care plans);
- the transition of healthcare beneficiaries from fee-for-service plans to value-based care and other alternative risk models;
- modifications in provider billing behavior and habits, often in response to the success of our solutions and services or to changes that reduce healthcare spending;

- the adoption of healthcare plans with significantly higher deductibles or other consumer healthcare cost-sharing;
- customer improvements and enhancements to their internal healthcare claims and billing processes;
- the simplification of the healthcare benefit and payment system through legislative or regulatory changes at the federal or state level (for example, legislative changes impacting the scope of mandatory audits, including limits on the look-back period for review in areas where we conduct audits); and
- limits placed on ongoing program integrity initiatives, including the Medicare RAC program and state Medicaid RAC programs (for example, limitations or reductions in the amount of reviewable claims we audit, such as the modified ADR limits and sliding scale policy implemented by CMS for the current Medicare RAC contracts, which have a significant impact on the volumes of claims that Medicare RACs are permitted to review for inpatient providers and reduce their ability to identify overpayments and underpayments).

The occurrence of any of these events, or other changes to the funding of the Medicare and Medicaid programs or limitations in the scope of program eligibility, benefits, initiatives and healthcare spending that materially reduce our revenue or profitability with such programs may have an adverse effect on our future business, financial condition, results of operations and cash flows.

Our systems and networks and those of third parties on which we rely may be subject to cyber security breaches and other disruptions that could compromise our information and harm our business.

In the ordinary course of our business, we rely heavily upon our technology systems and networks, as well as on those of third-party providers, to process, transmit, maintain, store and host the confidential, proprietary and sensitive information and data we receive from our customers and other data suppliers, including private insurance plans and financial institutions. Some of the data we process, access, store and transmit may be outside of the United States due to our international business operations. In addition, subcontractors, teaming partners or other third-party vendors may receive or utilize this information on our behalf in support of the services we perform for our customers. The secure processing and maintenance of this information is critical to our operations and business strategy. We have devoted and continue to devote significant resources to implement security and privacy programs and controls, train our workforce and augment our security measures with new and enhanced technologies and processes, among other investments. Despite our security management efforts, our information technology and infrastructure, and those of third parties on which we rely, may continue to be vulnerable to computer hacking or phishing efforts, acts of vandalism or theft, introduction of malware, computer viruses, other malicious codes or other cyber-attacks, employee or insider malfeasance and misfeasance issues, fraud, human error, catastrophes, or unforeseen events. We may be unable to implement adequate preventive measures to protect against such compromises in the future or to effectively adapt our security measures to evolving security risks. As a result, our technology systems, including our data and our customers' data, could be accessed improperly, made unavailable, improperly modified, corrupted or otherwise breached or compromised, or we could suffer system disruptions, shutdowns and denials of service. Similarly, we could be materially adversely affected by the loss of proprietary, trade secret or confidential technical and financial data if our internal networks are compromised. The occurrence of any of these events could harm the market perception of the effectiveness of our security measures, lead to reputational damage or the loss of our customers' confidence in our solutions, negatively affect our ability to attract new customers, cause existing customers to terminate or not renew their existing contracts with us, or deter them from using our solutions or services in the future, all of which could reduce our revenue, increase our expenses and expose us to potential liability under privacy, security or other applicable laws and regulations, including losses and costs associated with any resulting fraud. We also may be subject to investigations, regulatory fines and penalties conducted or imposed by government regulatory agencies, and damages and other substantial costs associated with litigation, indemnification and contractual obligations, increased cybersecurity insurance premiums, and additional remediation efforts, such as credit monitoring, notice expenses, call center services or other corrective plans. We may be forced to spend significant time and resources investigating the cause of the breach, repairing system damage, remediating vulnerabilities in our security procedures, disseminating breach notifications, enhancing cyber security protection controls and measures, and deploying additional security personnel and protection technologies, all of which could increase our expenses, divert the attention of our management and key personnel away from our business operations and materially adversely affect our business, financial condition, results of operations and cash flows

Business and Operational Risks

System interruptions or failures could expose us to liability and harm our business.

Our data and operation centers are essential to our business and our operations depend on our ability to maintain and protect our information systems. We attempt to mitigate the potential adverse effects of a disruption, relocation or change in operating environment; however, the situations we plan for and the amount of insurance coverage that we maintain may not be adequate in every case. Despite systems redundancy and security measures, our systems and operations are vulnerable to damage or interruption from, among other sources:

- power loss, transmission cable cuts and telecommunications failures;
- fires, floods, earthquakes, extreme weather conditions or other natural disasters;
- software or hardware malfunctions, failures or defects;
- operator error;
- cyber-attacks, physical break-ins, sabotage or intentional acts of vandalism; and
- other events beyond our control, such as COVID-19 and other pandemics and epidemics, war, terrorist attacks and other catastrophic events.

In addition, while there are backup systems in many of our facilities, an extended outage of utility or network services supplied by third party IT vendors may delay or disrupt the delivery or performance of the services we provide for our customers. We also utilize third-party cloud service providers to help us efficiently scale certain cloud-based solutions. If we or our cloud service providers and other suppliers encounter a lengthy business interruption or a denial of service, or in the event our disaster recovery and business continuity plans are not effective, or our applicable insurance coverage is denied or not adequate or available on a timely basis for all the liabilities that might be incurred, we could suffer operational, communication and service disruptions, disputes with customers and third parties, civil or criminal penalties, regulatory problems, increases in administrative expenses, financial penalties under our service level agreements with customers, loss of our ability to produce timely and accurate financial and other reports, damage to our reputation or customer relationships or other adverse consequences, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Any failure to maintain effective information processing systems and the integrity of the data in, and operations of, those systems could materially adversely affect our business, financial condition, results of operations and cash flows.

Our ability to conduct our operations and accurately report our financial results depends on the integrity of the data in our information systems and the processes performed by those systems. As a result of the services we provide, we process a number of complex transactions that require us to access, store, retrieve, process, manage and transmit the information and data of our customers' and external third parties, as well as our own data. Although we have invested a great deal of time and resources in developing systems, processes and controls that protect the integrity of the data, such measures cannot provide absolute security. It is possible that failures or errors in hardware and software, including those in third-party technology, or technical deficiencies in our systems could result in data loss or corruption, or cause the data that we collect, utilize or disseminate or the resulting services we deliver that rely on this data to be incomplete or contain inaccuracies that our customers regard as significant. In addition, these information systems and applications require continual maintenance, upgrading and enhancement to meet our operational needs, satisfy customer requests and handle our expansion and growth. Despite our testing and quality control measures, we cannot be certain that errors or system deficiencies will be found and that remediation can be done in a timeframe that is acceptable to our customers, or that customer relationships will not be impaired by the occurrence of errors or the need for remediation. In addition, implementation of upgrades and enhancements may cost more, take longer or require more testing than originally expected. As we continue to expand our business, we face additional challenges in implementing adequate internal control over financial reporting. Situations may also arise in which the accuracy of our data analysis or the content and quality of our work product is central to the disposition of claims, controversies or litigation between our customers and third parties that would require us to allocate significant resources to fulfilling our contractual obligations to provide our customers with full and complete access to records, analysis and back-up documentation of our work. Assuring our capacity to fulfill these obligations as well as actually fulfilling them could impose significant burdens on our infrastructure for data storage, maintenance and processing, and require us to incur increased costs to supplement our personnel, data storage and computing resources, which could materially and negatively impact other business operations.

Our business could be materially adversely affected if we fail to maintain a high level of customer retention or fail to meet performance standards under our customer contracts, or if our customers elect to reduce the scope of our contracts or terminate them before their scheduled expiration dates.

We historically have derived and expect to continue to generate a significant portion of our revenue from a limited number of large customers at the federal and state level. Our contracts with these customers are subject to periodic renewal and some permit them to terminate their contracts on short notice, with or without cause. If a customer is dissatisfied with the quality or pricing of our work or if we fail to meet performance standards under our contracts, or if our solutions, technical infrastructure or services do not comply with the provisions of our contractual agreements or applicable regulatory requirements, the customer might seek to reduce the scope of the services we perform or prematurely terminate its agreements with us, or we could incur additional costs that may impair the profitability of a contract and damage our ability to obtain additional work from that customer, or other current or prospective customers. For example, some of our contracts contain liquidated damages provisions and financial penalties related to performance failures, which if triggered, could materially adversely affect our reputation, business, financial condition, results of operations and cash flows. We also may be required to disclose such liquidated damages or other financial penalties assessed against us in connection with future bids for services with other customers.

In addition, our government and commercial healthcare customers are subject to financial pressures or pressure from stakeholders that may cause them to terminate contracts for our services that they regard as non-essential or have the ability to develop or perform in-house. They could also redefine or reduce the scope of our contracts by, for example, significantly reducing the volume of data that we are permitted to audit, or decide to renew our contracts at lower performance fee levels. We may agree to reduce our fees mid-term or extend payment terms in response to financial or operational difficulties affecting our customers due to macroeconomic factors, such as COVID-19. Despite our right to prompt and full payment under the terms of our contracts, we could face challenges in obtaining timely or full payments for our properly provided services from our customers. If there is a substantial reduction in the scope of our services under, or a termination of, any of our key contracts with our major customers, or if we are exposed to significant costs, liabilities or negative publicity, our ability to compete for new contracts with current or prospective customer could be damaged and our business, financial condition, reputation, results of operations and cash flows could be materially adversely affected.

We depend on many different entities to supply information, and any inability to successfully manage our relationships with a number of these suppliers may harm the quality and availability of our solutions and services.

We obtain the data used in our solutions and services from many sources, including commercial health insurance plans, financial institutions, managed care organizations, government entities and non-government entities. From time to time, challenges arise in managing and maintaining our relationships with data sources that are not our customers and that furnish information to us pursuant to a combination of voluntary cooperation and legal obligations under laws and regulations that are often subject to differing interpretations. If a number of our information sources become unable or unwilling to provide us with certain data under terms and conditions of receipt, processing or use that are acceptable to us and our customers, or if laws and regulations for use and protection of this data changes in a way that could disincentivize our suppliers, or impose unacceptable or unreasonable conditions, costs, or risks on us, we may not be able to obtain new or favorable agreements with alternative data suppliers. In addition, our ability to normalize and fully utilize the information we receive from various data sources to enhance and improve current services for our customers is an important component of our growth strategy. Although we believe that we have the legal and contractual rights necessary to normalize and use the data we have obtained from these sources for potential or contemplated solution and service offerings, we cannot provide assurance that these entities will permit the use of their data for these purposes. If we lose a number of our data sources or our access to their data, and fail to identify and reach the requisite agreements with suitable alternative suppliers or to successfully integrate their data into our solutions and services, or if there is a lack of accuracy or integrity in the data that current or future suppliers provide, we could experience service disruptions, increased costs, reduced quality of our solutions and services, or performance penalties under our customer contracts, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may rely on subcontractors and other third party providers to provide customers with a single-source offering or we may serve as a subcontractor to a third party prime contractor. If these parties fail to satisfy their obligations to us or if we are unable to maintain these relationships, our business, financial condition, results of operations and cash flows could be materially adversely affected.

In some areas of our business, we may engage subcontractors, teaming partners, vendors or other third party providers to provide our customers with a single-source solution for a broader range of service needs. These third parties include software vendors, utility and network providers, cloud service providers, contingent workers and other information technology service providers and solution partners. Our ability to deliver and implement solutions and serve our customers effectively depends on these third parties meeting our service standards in both timeliness and quality, and in certain instances, on our ability to obtain customer approval for the use of third party subcontractors. While we believe that we perform appropriate due diligence on third party providers and take adequate measures to ensure that they comply with the appropriate laws and regulations, we cannot guarantee that they will adhere to the terms set forth in their agreements with us. Performance deficiencies or misconduct by our third party providers may be perceived as inadequacies in our solutions or capabilities or cause us to fall short of our contractual obligations to our customers, which could materially adversely affect our customer relationships and reputation, result in termination of customer contracts, and subject us to disputes with our customers. In addition, if our third party service providers terminate or refuse to renew their relationships with us or offer their products to us in the future on less advantageous terms, we may not be able to perform or deliver solutions or services for existing customers as expected.

Similarly, we are and may in the future be engaged as a subcontractor to a third party prime contractor which contracts directly with the customer. Subcontracting arrangements where we are not the prime contractor pose unique risks to us because we do not have control over the customer relationship, and our ability to generate revenue under such subcontracts is dependent on the prime contractor, its performance and relationship with the customer, and its relationship with us. We cannot be certain that the prime contractor will provide adequate and timely services to the customer, comply with the terms of its prime contract with the customer or its subcontract agreement with us, or that it will construe its contractual rights and obligations in a reasonable way, act appropriately in dealing with us or customers, and remain in compliance with the relevant laws, rules or regulations. Any failure of the prime contractor to adequately perform its obligations under the prime contract or to comply with applicable laws, rules and regulations could materially adversely affect our reputation and subject us to a dispute with the prime contractor or the customer. In the event a prime contract is terminated, whether for non-performance by the prime contractor or otherwise, our subcontract will similarly terminate, and the resulting contract loss could materially adversely affect our business, financial condition, results of operations and cash flows.

We obtain a portion of our business through competitive bidding processes. Reprocurements and future contracts may not be awarded on the same level or our contract awards may be challenged by interested parties which could materially adversely affect our business, financial condition, results of operations and cash flows.

In order to market our solutions and compete for contracts with existing and potential state and federal customers, we are often required to respond to government-issued RFPs. These responses typically require us to assemble and submit a large volume of information within a rigid timetable, and to accurately estimate our cost structure for servicing the proposed contract, the time required to establish operations and the likely terms of proposals submitted by our competitors. We may also be required to disclose sensitive information, such as business developments and trade secrets, or the occurrence of certain negative events suffered by our business, including customer disputes, contract terminations, assessments of liquidated damages, corrective action plans, government inquiries or audits, pending claims and litigation, or adverse judgments and settlements in legal proceedings, which could impair our ability to win the contract at issue or have a material adverse effect on our reputation in the industry.

Even if we win these contracts, we may fail to secure favorable contract terms and conditions, or a government’s determination to award us the contract may be challenged by an interested party. Under the state and federal laws and regulations governing procurements of goods and services, challenges and award protests may be filed even if there are no valid legal grounds on which to base the protest. The filing of such challenges could potentially delay the start or implementation of the contract if the government agency determines to withhold a contract award or suspend contract performance while the protest is being considered, or to take corrective action on its own, such as soliciting new bids, reinitiating the RFP process or terminating the contract award or current procurement. In the event of irregularities that we perceive or learn of in the award or bidding process, we also may be forced to file protests in response to RFP awards to other bidders. Resolution of a protest, even in our favor, could divert our management's focus and force us to expend considerable funds in disputing the potential award or incur additional expenses to maintain our ability to timely start implementation, which may cause our actual results to differ materially and adversely from those anticipated. In addition, if we are unable to win reprocurements or protests of particular contracts, we may be precluded from entering certain customer markets for the term of the contract awarded to another party. Any failure to continue to obtain contracts in response to government RFPs, to design proposals that result in profitable contracts, to win new contracts or re-procure current contracts after they expire or to prevail in protests or challenges of contract awards could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may not be able to deliver our solutions and perform services efficiently if we are unable to attract and retain qualified employees.

Our successful delivery of solutions and services and ability to maintain our productivity and profitability is highly dependent on our ability to identify, recruit, employ, train, engage and retain skilled personnel. The success of recruitment and retention strategies depend on a number of factors, including the competitive demands for individuals with the skill sets we need, the level of compensation required to hire and retain such employees and immigration requirements that may affect our ability to sponsor employees for employment-based visas. Customers or competitors may seek to hire away qualified and seasoned employees, which could impact our ability to innovate and operate effectively, and require us to take legal action and incur additional costs. We may not be able to recruit or maintain the personnel necessary to efficiently operate and support our business in the future, Even if our recruitment and retention strategies are successful, we may experience higher labor costs that may not be offset by improved productivity or increased sales. Our inability to attract and retain top talent on a timely basis without significantly increasing our labor costs could materially adversely affect our business, financial condition, results of operations and cash flows.

Our future success depends, in part, on the continued service of members of our management team.

Our ability to execute on our business plans and future success requires that we attract, develop, motivate and retain experienced and innovative executive and senior leadership who have successfully managed, designed, implemented and led government services programs or information technology initiatives, or have relevant experience in other healthcare sectors, including data management and analytics. These individuals are in great demand and continue to remain a limited resource in our industry. The loss of one or more members of our management team could cause disruptions in, and harm to, our business. To the extent we lose an executive officer or senior leader, we may incur increased expenses in connection with the hiring, promotion or replacement of these individuals and the effective transfer of critical knowledge. Any failure to successfully transition key leadership roles could adversely affect our business, financial condition, results of operations and cash flows.

Our international operations expose us to a number of business and financial risks, which could materially adversely affect our business, financial condition, results of operations and cash flows.

We have expanded our business to include operations, investments, strategic relationships and personnel outside of the United States. Our international operations expose us to a number of business and financial risks, including, but not limited to:

- unfavorable foreign currency exchange rates or fluctuations;
- difficulties and increased costs involved in staffing, managing and communicating with teams outside of the U.S.;
- seasonal reductions in business activity;
- our ability to protect our intellectual property in foreign jurisdictions;
- legal uncertainties inherent in transnational operations such as export and import regulations, tariffs and other trade barriers;
- the impact of foreign laws, regulations and trade customs;
- U.S. and foreign taxation issues;
- restrictions on repatriation of income or capital or other restraints on our ability to transfer funds freely;
- increased costs of marketing to and servicing international clients;
- general political and economic trends, including the potential impact of civil unrest, terrorist attacks, international hostilities, natural disasters or other catastrophic events that reduce business activities in the parts of the world we do business, such as the COVID-19 pandemic;
- regulatory changes that may lead to restrictions on immigration and travel for our employees; and
- legal compliance costs and risks associated with international operations, including heightened risks with respect to certain laws, including without limitation, employment regulations, healthcare and data privacy laws, FCPA and similar laws and regulations in foreign jurisdictions.

If any of these risks materialize, our business, financial condition, results of operations and cash flows could be materially adversely affected.

Financial Risks

You will not be able to rely on our operating results in any particular period as an indication of our future performance because they are subject to significant fluctuation which may cause the market price of our common stock to decrease significantly.

Our financial results may fail to match our past or projected performance and could vary significantly from period-to-period as a result of a number of factors, some of which are outside of our control. We have experienced fluctuations in our revenue and operating results in the past and they may vary in the future for reasons that include, but are not limited to:

- fluctuations in sales activity given our sales cycle;
- the length of contract and implementation periods;
- the commencement, completion or termination of contracts during any particular quarter;
- contract costs and expenses, which may be incurred in periods prior to revenue being recognized;
- the timing of period revenue recovery projects and third party payers' claim adjudication;
- the billing and budgeting cycles of our customers;
- the timing of government procurement activities, including when contract awards are announced and the time required to resolve bid protests;
- contract renewal discussions, which may result in delayed payments for services already performed;
- changes in the pricing structure or other significant terms in our contracts, or the scope of services we perform;
- technological and operational issues affecting our customers, including delays in payment receipt for previously recognized revenue due to certain customers' delayed processing of our findings through their systems, such as delays caused by the effects of COVID-19, and restrictions on our ability to use or access certain data or a lack of integrity or quality in the data or information we receive from certain data sources;
- adjustments to age/quality of receivables and accruals as a result of factors such as delays involving contract limitations or changes, customer decisions to delay, avoid or refuse to make payments for our properly provided services, subcontractor performance deficiencies, managerial decisions not to pursue identified claim revenue from customers or otherwise, including as a result of the effects of COVID-19;
- the impact of service disruptions or delays in the systems or operations of subcontractors, partners, vendors and other third party providers on which we rely on to deliver a single-source solution or service to our customers;
- the timing of expenses related to the development, acquisition, divestiture, merger or integration of technologies or businesses and the timing of expenses related to strategic investments, dispositions and partnerships;
- changes in applicable laws;
- changes in accounting policies or guidelines; and
- regulatory changes or general economic conditions as they affect healthcare providers and payers.

In addition, occasionally our state and federal customers are requested by third party payers or providers to refund payments that we previously recovered for our customers. If our customer chooses to refund money in response to these requests, regardless of whether an error actually occurred, we may be required to return the contingent revenue associated with such refunded payment for which we were previously paid. Consequently, our operating results are subject to significant fluctuation for any particular quarter, fiscal year, or other period, and may not be indicative of future periods. Our business is also subject to seasonal patterns resulting from increased efforts at year-end by certain customers to generate additional savings, complete compliance obligations and close gaps in care. However, taken as a whole, we do not consider our operations to be seasonal to any material degree. Due to these and other factors, it is difficult to predict the extent to which future variations could occur and there may be significant fluctuations in our revenue and operating results, which may cause the market price of our common stock to decrease significantly.

We face challenges associated with forecasting the revenue under our contracts, and any failure to accurately forecast such revenue could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may not be able to accurately estimate the factors upon which we base our contract pricing, or the costs and timing for implementing and completing our contracts. For a majority of our customer contracts, the payment of our fee is contingent upon the recoveries received by our customers. We also have cost-plus or time-and-materials based contracts with the federal government where our revenue is recognized based on costs incurred plus an estimate of the negotiated fee earned. Our ability to earn a profit on these contracts requires that we accurately estimate the costs involved with these contracts and assess the probability of achieving certain outcomes or milestones within the contracted time period. In addition, we cannot predict with certainty the costs or the period in which implementation or contracts may be completed when we introduce new or enhanced solutions into the marketplace. For our payment accuracy services, we may face a long implementation period with a new customer or a new contract with an existing customer, making it difficult to reliably forecast revenue under those contracts. If we do not accurately estimate the costs and timing for completing projects, or if we encounter increased or unexpected costs, delays, failures, liabilities or risks, including those outside of our control, our contracts could prove unprofitable for us or yield lower profit margins than anticipated. Although we believe that we have recorded adequate provisions in our financial statements for losses on our fixed price and cost-plus contracts where applicable, as required under U.S. GAAP, our contract loss provisions may not be adequate to cover all actual future losses.

Our outstanding indebtedness could materially adversely affect our financial condition and our ability to operate our business, and we may not be able to generate sufficient cash flows to meet our debt service obligations or capital requirements.

As of December 31, 2020, the outstanding principal balance under our Credit Agreement was $240 million. Our Credit Agreement provides for a senior secured revolving credit facility in an aggregate principal amount equal to $500 million and is secured, subject to certain customary carve-outs and exceptions, by a first priority lien and security interest in substantially all of our tangible and intangible assets. Our outstanding indebtedness and any additional indebtedness we incur may have important consequences for us, including, without limitation, that:

- we may be required to use a substantial portion of our cash flow to pay the principal of and interest on our indebtedness;
- our indebtedness and leverage may increase our vulnerability to adverse changes in general economic and industry conditions, as well as to competitive pressures;
- our indebtedness may expose us to the risk of increased interest rates because certain of our borrowings are and will be at variable interest rates;
- our ability to obtain additional financing for working capital, capital expenditures, acquisitions, investments, strategic relationships and for general corporate and other purposes may be limited;
- our indebtedness and leverage may prevent us from taking advantage of business opportunities as they arise or successfully carrying out our plans to expand our business; and
- our flexibility in planning for, or reacting to, changes in our business and our industry may be limited.

Under the Credit Agreement, we are also required to comply with specified financial and operating covenants, which may limit our ability to operate our business as we otherwise might operate it. The Credit Agreement also contains (i) certain affirmative covenants that impose certain reporting and/or performance obligations on us and our restricted subsidiaries, (ii) certain negative covenants that generally limit, subject to various exceptions, us and our restricted subsidiaries from taking certain actions, including, without limitation, incurring indebtedness, creating liens, engaging in mergers and consolidations, disposing of certain assets or property, making certain investments and acquisitions, entering into certain transactions with affiliates, swap agreements or sale-leasebacks, making certain restricted payments, including dividends and share repurchases, changing our fiscal year or the lines of business that we or our restricted subsidiaries conduct to a material extent, and prepaying certain junior indebtedness, (iii) financial covenants consisting of a maximum consolidated leverage ratio and a minimum interest coverage ratio, and (iv) customary events of default for financings of this type.

Our obligations under the Credit Agreement may be declared due and payable upon the occurrence and during the continuance of an event of default, which includes, without limitation: non-payment of principal or reimbursement obligations when due; non-payment of interest, fees and other amounts for a period of five business days after the due date; material inaccuracies of representations and warranties; failure to perform or observe covenants, conditions or agreements (subject to any applicable grace periods); cross-defaults of certain indebtedness; inability to pay debts; certain acts of bankruptcy or insolvency; certain ERISA events; failure to pay certain material judgments; and a change of control as defined in the Credit Agreement. If not cured, an event of default could result in any amounts outstanding, including any accrued interest and unpaid fees, becoming immediately due and payable, and would give our lenders the right to proceed against the collateral granted to them to secure the debt, which would require us to, among other things, seek additional financing in the debt or equity markets, refinance or restructure all or a portion of our indebtedness, sell selected assets, and/or reduce or delay planned capital or operating expenditures. Such measures might not be sufficient to enable us to service our debt, and any such financing or refinancing might not be available on economically favorable terms or at all. Our ability to make payments of principal and interest on our outstanding credit facility depends upon our future performance and our ability to generate cash flows. If we are unable to generate sufficient cash flows to meet our debt service obligations or are forced to take additional measures to be able to service our indebtedness, our business, financial condition and results of operations could be materially and adversely affected.

Additionally, certain of our indebtedness bears interest at variable interest rates, primarily based on LIBOR. In July 2017, the United Kingdom's Financial Conduct Authority announced its intention to phase out the use of LIBOR by the end of 2021. On November 30, 2020, ICE Benchmark Administration (the administrator of LIBOR) announced that, with the support of regulators, it intends to (i) cease publication of 1- week and 2 month LIBOR at the end of 2021 and (ii) subject to compliance with applicable regulations, it does not intend to cease publication of the remaining LIBOR tenors until June 30, 2023. Our Credit Agreement includes language to determine a replacement rate for LIBOR, if necessary; however, no consensus exists as to what rate or rates may become accepted alternatives to LIBOR, whether LIBOR will cease to be published or supported before or after 2021, or whether such alternative base rate will be more or less favorable than LIBOR. A transition away from LIBOR as a benchmark for establishing the applicable interest rate on certain borrowings could have a material adverse effect on the availability of financing and on our financing costs.

Changes in tax rules and regulations, or in interpretations thereof, may materially adversely affect our effective tax rates.

We are a U.S.-based company subject to taxation in multiple U.S. and foreign jurisdictions. As we continue to expand our business outside of the United States, we may become subject to additional tax laws and regulations, including those that could increase our exposure to additional tax liabilities and compliance, such as foreign tax laws, cross-border transfer pricing and laws relating to U.S. taxes on foreign operations. Our future effective tax rates could be materially affected by various factors, including changes in the tax rates of jurisdictions in which we do business, changes in relevant tax and accounting rules, regulations and interpretations, increases in expenses not deductible for tax purposes, including impairments of goodwill, changes in the valuation of our deferred tax assets and liabilities, and changes in geographic sales mix. Any unanticipated changes in our tax rates could affect our future results of operations.

In addition, we are subject to the continual examination of our income tax returns by the IRS and other domestic and foreign tax authorities. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of our provision for income taxes and have reserved for potential adjustments that may result; however, the authorities in these jurisdictions could review our returns and decide to impose additional tax, including fines and penalties, and record-keeping obligations. The final determination of any of these examinations could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our insurance coverage and self-insurance reserves may not cover future claims, which could materially adversely affect our business, financial condition, results of operations and cash flows.

We currently self-insure a significant portion of expected losses associated with workers’ compensation claims, general business liabilities, property damage and employee health care benefits. We have purchased a fully-insured stop loss policy for our health plans to help offset our liability for both individual and aggregate claim costs and maintain insurance coverage with varying limits and retention amounts to help limit exposure to certain other risks. Insurance reserves are established for our estimated cost of claims incurred and unpaid as of the balance sheet date on an undiscounted basis, which is based on a number of assumptions and factors, including historical trends, actuarial assumptions, economic conditions and management judgments about the present and expected level of cost per claim. This determination is closely monitored and adjusted when warranted by changing circumstances. Our prior growth could affect the accuracy of estimates based on historical experience. Should a greater amount of claims occur compared to what was estimated or medical costs increase beyond what was expected, our accrued liabilities might not be sufficient and we may be required to record additional expense. Unanticipated changes in the assumptions and estimates underlying our reserves could result in materially different amounts of expense reported under these programs, which could materially adversely affect our business, financial condition, results of operations and cash flows.

Changes in accounting standards issued by the FASB or other standard-setting bodies may adversely affect our business.

Our financial statements are subject to the application of U.S. GAAP, which is periodically revised and/or expanded. From time to time, we are required to adopt new or revised accounting standards issued by recognized authoritative bodies, including the FASB and the SEC. It is possible that accounting standards we are required to adopt may require changes to the current accounting treatment that we apply to our consolidated financial statements and may require us to make significant changes to our systems. Changes in accounting standards could result in a material adverse impact on our business, financial condition and results of operations.

Legal and Regulatory Risks

If we are unable to protect our proprietary technology, information, processes, know-how, and other intellectual property, or become subject to third party claims of intellectual property infringement or misappropriation, the value of our solutions and services may be diminished and our business may be materially adversely affected.

Our success as a company depends in part upon our ability to protect our core technology and intellectual property. Our expanding operations and efforts to develop new solutions and services also make protection of our intellectual property more critical. We seek to protect our intellectual property and other proprietary information through a combination of patent, trademark, copyright, trade secret and unfair competition laws, confidentiality agreements and invention assignment agreements with employees, consultants and other third parties, as well as through the terms of our agreements with customers and vendors, and other security measures. However, the steps we have taken to deter misappropriation of intellectual property may be insufficient to protect our proprietary information. For example, we may not always be successful at obtaining government registrations for our patents, trademarks, or copyrights that we seek to register. Even if we are successful, existing U.S. federal and state or foreign and international intellectual property laws offer only limited protection, and our property rights in foreign jurisdictions in which we operate or seek to do business may not receive the same degree of protection or enforceability as those in the United States.

Third parties may attempt to misuse our company name or trademarks to engage in improper or illegal conduct such as cyber-squatting or other cybercrimes using our marks, and we may not always be successful at quickly obtaining relief from agencies tasked with enforcing parties’ rights, or stopping such conduct before harm to third parties occurs. Similarly, misappropriation of our other intellectual property by third parties, or any disclosure or dissemination of our confidential and proprietary trade secrets, business intelligence, queries, algorithms and other similar information by any means, could undermine any competitive advantage we currently derive or may derive from that intellectual property. For example, our current and former employees, consultants or other third parties may unintentionally or willfully disclose our trade secrets, know-how or other confidential and proprietary information to competitors. Competitors have attempted to use the federal Freedom of Information Act and other federal and state open records laws to obtain our proposal responses and other documents we provide to government customers. We cannot be certain that our efforts to protect the confidential and proprietary trade secret information or intellectual property in these proposals or other documents will always be successful, even in spite of our objections and efforts to exempt such information from disclosure, due to the many factors underlying the various state and federal decisions to release information in response to open records requests. Parts of proposals may be incorporated into client contracts, which may be made publicly available. Additionally, certain of our solution offerings from recent acquisitions may incorporate open source software licensed under various public domain licenses or without warranties, indemnification or other contractual protections. Although we carefully monitor and manage our use of open source software to avoid uses that would require us to disclose proprietary source code or violate applicable open source licenses, if we engage in such uses inadvertently, we may be required to discontinue certain features or capabilities of our software, release certain of our proprietary source code or take other remedial action. Moreover, there remains the possibility that others will independently develop competing technologies that may be equivalent or superior to ours. If our efforts to protect our intellectual property and other proprietary rights are inadequate to prevent unauthorized use or appropriation by third parties or our employees, the value of our brand and other intangible assets may be diminished and make us less competitive, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Third parties may also claim that we are infringing upon or misappropriating their intellectual property, using their intellectual property inconsistent with or without the appropriate license terms, or assert other legal challenges to our intellectual property. Our exposure to these risks may further increase after we acquire a business or technology because third parties may wait to make infringement and similar or related claims until after we have acquired the technology.

Any of these situations could cause us to expend significant time and resources and to incur substantial costs associated with settlements, litigation or other legal proceedings that may be necessary to defend ourselves or to enforce our intellectual property rights, in which we may not ultimately prevail, and could result in our being prevented from furnishing certain solutions and services. We may also be required to indemnify our customers if they become subject to third party claims relating to intellectual property that we license or otherwise provide to them, which could be costly.

A failure to comply with the laws and regulations regarding individual privacy and information security could subject us to legal actions, fines and penalties and negatively impact our reputation and operations.

Our ability to access, process, transmit and store sensitive data, including PHI and personally identifiable information of individuals, as well as other financial, confidential and proprietary information is essential to our business. The use and disclosure of information we obtain from our customers, subcontractors, government agencies, data suppliers and other third parties is regulated at the state, federal, international and industry levels. In particular, we are subject to HIPAA and other federal regulations and various U.S. state laws related to the privacy and security of health information. As such, we often function as a business associate under HIPAA, which also imposes standards and requirements on our downstream subcontractors or business associates. Additional legislation governing the acquisition, storage and transmission or other dissemination of health record information and other personal or sensitive information, including information outside the scope of HIPAA, continues to be proposed and come into force at the state level, such as the California Consumer Privacy Act and the California Privacy Rights Act. There are also numerous international privacy and security laws that govern the collection, dissemination, use, access, retention, storage, protection and confidentiality of personal information. The processes involved with accessing or transferring of personal information across international borders continue to grow increasingly complex.

In addition, laws, rules and regulations concerning the protection of personal information may be inconsistent across jurisdictions and are subject to evolving interpretations and frequent change by legislation, regulatory issuances or industry standards. As regulatory focus on privacy issues continues to increase and these laws and regulations continue to expand and become more complex, these potential risks to our business could intensify. Changes in laws or regulations associated with the enhanced protection of certain types of sensitive data, such as healthcare data or other personally identifiable information, along with increased customer demands for enhanced data security infrastructure, could greatly increase our cost of providing our solutions and services, and may subject us to additional liabilities.

Even though we take measures to comply with all applicable regulations and to ensure our business associates and subcontractors comply with these laws, regulations and rules, we have less than complete control over our business associates' and subcontractors' actions and practices. We may be exposed to data breach risk if there is unauthorized access to one of our or our subcontractors' secure facilities, or to third-party enterprise cloud storage and cloud computing application services that we use, or from lost or stolen laptops or other portable media from current or former employee theft of data containing PHI or customer confidential information, from computer hacking, malware, computer viruses or other malicious codes, phishing or other cyber-attacks, from misdirected mailings containing PHI, or other forms of administrative or operational error. If we or our subcontractors fail to comply with applicable laws; if unauthorized parties gain physical access to one of our facilities and steal or misuse confidential information; if we erroneously use or disclose data in a way that is inconsistent with our granted rights; or if such information is misdirected, lost or stolen during transmission or transport, we may suffer damage to our reputation, potential loss of existing customers and difficulty attracting new customers. We could also be exposed to, among other things, unfavorable publicity, governmental inquiry and oversight, allegations by our customers that we have not performed our contractual obligations, costs to provide notifications, credit monitoring or other remediation to affected individuals, fines or other penalties imposed by government regulatory agencies, or litigation by affected parties and possible financial obligations for damages or indemnification obligations related to the theft or misuse of such information, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are subject to extensive domestic and foreign laws and regulations, including government and customer audits and investigations relating to our compliance with such laws and regulations and a negative finding or other adverse determination could have a material adverse effect on our reputation, business, financial condition, results of operations and cash flows.

We operate in an increasingly complex regulatory environment. A significant portion of our business is regulated by the U.S. federal government and the states in which we operate. These laws and regulations are generally intended to benefit and protect individual citizens, including government program beneficiaries, health plan members and their dependents. As such, the federal and state governmental agencies administering these laws and regulations have broad latitude to enforce them. Our contracts with U.S. government agencies are also subject to unique contractual provisions and performance requirements, and, on an ongoing basis, government and customer reviews, audits and investigations to verify our compliance with our contracts and applicable laws and regulations, as well as specialized legal actions and enforcement proceedings. For example, the federal False Claims Act and similar state statutes permit government law enforcement agencies to institute suits against us for violations and, in some cases, to seek double or treble damages, penalties and assessments. In addition, private citizens, acting as whistleblowers, can sue on behalf of the government under the "*qui tam*" provisions of the federal False Claims Act and similar statutory provisions in many states.

In addition, the growth and continued expansion of our operations in the U.S. and abroad subject us to additional and sometimes conflicting legal and regulatory requirements. For example, in connection with our acquisition of Eliza Corporation, we became subject to the TCPA as a result of the member engagement services that we perform. We also face heightened consumer communication protections as a result of the changing regulatory environment. Our increased delivery of PHM solutions and penetration into new markets, such as ACOs, PBMs and commercial self-insured employers, could increase the likelihood and incidence of our being subjected to regulatory scrutiny or legal actions by third parties other than our customers, which may impose significant costs and strain on our resources.

The expansion of our international operations further subjects us to a variety of new foreign laws and regulations as well as U.S. laws that regulate the conduct and activities of U.S.-based businesses operating internationally. Our limited experience in operating our business in foreign jurisdictions increases the risk of non-compliance with international laws and regulations. Any changes in the laws of the countries in which we operate or utilize third-party resources may intensify our future legal and regulatory compliance burden and involve significant costs and resources. The inadequate enforcement of such laws or regulations could affect our business and results of operations. Despite our efforts, we may not be in compliance with all regulations in the countries in which we operate at all times, and may be subject to sanctions, penalties or fines as a result.

These laws and regulations, along with the terms of our government contracts, regulate how we do business, what services we offer and how we interact with customers, providers, other healthcare payers and the public. Although we have implemented policies and procedures designed to ensure compliance, there can be no assurance that our employees, subcontractors, vendors, agents, strategic partners or third parties with whom we do business, will not violate our policies. If the government discovers improper or illegal activities in the course of audits or investigations, we may be subject to various civil and criminal penalties and administrative sanctions, which may include termination of contracts, forfeiture of profits, suspension of payments, significant monetary damages and fines, loss of required certifications or licenses, and suspension, disqualification or debarment from doing business with the government. Similarly, if our customers assert that we have failed to properly perform or comply with our contractual obligations, or if the carriers to which we send billings assert that we have failed to properly comply with applicable federal or state billing rules and regulations, we may be required to provide refunds or make payments to resolve such issues. If we are found to be in violation of any applicable law or regulation, or if we receive an adverse review, audit or investigation from a government agency or customer related to our compliance with such laws or regulations or the terms of our government contracts, any resulting negative publicity, penalties or sanctions could have an adverse effect on our reputation in the industry, impair our ability to compete for new contracts or bid in response to RFPs in one or more jurisdictions, and have a material adverse effect on our business, financial condition, results of operations and cash flows.

Adverse judgments or settlements in legal proceedings could materially harm our business, financial condition, operating results and cash flows.

We are subject and may be a party to legal proceedings and claims that arise from time to time in the ordinary course of our business. These matters may include, but are not limited to, claims relating to billing and contractual disputes, subcontracts and teaming agreements, protection of confidential information, trade secrets or intellectual property rights, pending, terminated or completed acquisitions, dispositions, investments or other strategic transactions, individual or class action claims in relation to the services we, or the companies we acquire, may provide, adversary proceedings arising from customer bankruptcies, employment of our workforce and immigration requirements or compliance with any of a wide array of statutes, rules and regulations that pertain to different aspects of our business, both domestically and internationally. It may be necessary to initiate costly litigation or other proceedings to protect our business interests. There is a risk that we will not be successful or otherwise able to satisfactorily resolve any pending or future litigation. In addition, litigation and other legal claims are subject to inherent uncertainties and management’s view of currently pending legal matters may change in the future. Those uncertainties include, but are not limited to, litigation costs and attorneys’ fees, unpredictable judicial or jury decisions, and differing laws and judicial proclivities regarding damage awards in the jurisdictions in which we operate. Resolution may also require that HMS accept some amount of loss or liability in order to avoid customer abrasion, negative marketplace perceptions and other disadvantageous results. Unexpected outcomes in such legal proceedings, or changes in management’s evaluation or predictions of the likely outcomes of such proceedings (possibly resulting in changes in established reserves), could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Federal and state governments may limit or prohibit outsourcing of certain programs or functions to private entities, refuse to grant consents or waivers necessary for them to perform such work, or impose other limitations on outsourcing that may obstruct cost-effective performance of our contracts.

U.S. federal or state governments could limit or prohibit private contractors like us from operating or performing elements of certain government functions or programs. As a condition of receiving federal funding, state and local government agencies may be required to operate such programs with government employees. Under current U.S. law, in order to privatize certain functions of government programs, the federal government must grant a consent and/or waiver to the petitioning state or local agency. If the federal government does not grant a necessary consent or waiver, the state or local government will be unable to outsource that function to a commercial entity. Such a situation could eliminate a contracting opportunity or reduce the value of an existing contract.

Similarly, the U.S. government may impose limitations or requirements on the outsourcing of work to offshore resources, which could make it more difficult for us to fulfill our contracts in a cost-effective manner. Certain areas of our operations use or involve vendor or subcontractor personnel located outside of the United States to supplement our workforce, who may (under carefully controlled circumstances) access certain PHI in the course of assisting us with various elements of the services we provide to our customers. The federal government and a number of states have proposed or passed laws or issued rules, regulations, and orders that would limit, restrict or wholly prohibit the use of offshore labor in performance of government contracts, or impose sanctions for the use of such resources. Some of our customers have already chosen to contractually limit or restrict our ability to use offshore personnel and systems. Intensified restrictions of this type or associated penalties could raise our costs of doing business, expose us to unexpected fines or penalties, increase the prices we must charge to customers to realize a profit and eliminate or significantly reduce the value of existing contracts or potential contract opportunities, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may be precluded from bidding on or performing certain work due to work we currently perform, which could adversely affect our business, financial condition, results of operations and cash flows.

Various laws, regulations and administrative policies prohibit companies from performing work for government agencies in capacities that might be viewed to create an actual or perceived conflict of interest. In particular, CMS has stringent organizational conflict of interest, or OCI, rules, which can limit our bidding for specific work for CMS, or for other contracts that might conflict, or be perceived by CMS to conflict, with contractual work for CMS. State governments and managed care organizations also have conflict of interest restrictions that could limit our ability to bid for certain work and impact our overall sales strategy. As we continue to grow and diversify our business operations, the likelihood that customers or potential customers will perceive conflicts of interest between our various activities, lines of business and customer relationships may increase. Such conflicts, whether real or perceived, could result in a loss of contracts or additional internal structural barriers that delay operational efficiency. We may also need to divest certain existing businesses or reorganize our current organizational and management structure in order to qualify for new contract awards or to appropriately mitigate conflicts and neutralize or avoid potential OCI issues. Our failure to devote sufficient care, attention and resources to managing these adjustments may result in technical or administrative errors that could expose us to potential liability or adverse regulatory action. In addition, OCI rules and standards change frequently, and are subject to varying interpretations and varying degrees and consistency of enforcement. We may not be successful in navigating these restrictions. If we are prevented from undertaking business opportunities due to real or perceived conflicts of interest, our business, financial condition, results of operations and cash flows could be adversely affected.

Risks Relating to Our Common Stock

The market price of our common stock may be volatile, and fluctuations in the price of our common stock may materially adversely affect our business, financial condition, results of operations and cash flows and result in significant losses for our shareholders.

The market price of our common stock has, at times, fluctuated significantly and may fluctuate in the future based on a variety of factors, many of which are beyond our control. During the 52-week period ended December 31, 2020, our common stock traded on the Nasdaq Global Select Market as high as $36.95 per share and as low as $18.20 per share. In addition to the risk and uncertainties described in this “Risk Factors” section, factors affecting our stock price include, among others, those relating to:

- the timing of, and our ability to close, the Merger with Gainwell, as well as changes in factors that influence the timing or likelihood of closing the Merger successfully;
- quarterly or annual earnings results or those of other companies in our industry;

- changes in financial estimates or recommendations by securities analysts about our future operating and stock price performance or in the operating and stock price performance of other companies that investors deem comparable to our company;
- news reports relating to trends, concerns and other issues in the healthcare industry, including perceptions in the marketplace regarding us and our competitors;
- the financial projections we publicly provide and any changes in or failure to meet those projections;
- future sales of shares of common stock in the public market by our executive officers or directors;
- any changes in the number of our outstanding shares, including as a result of share repurchases;
- actual or proposed changes in federal or state laws affecting the healthcare industry;
- changes in accounting principles;
- the public's response to our press releases, or other public announcements, including our filings with the SEC;
- securities class actions, shareholder lawsuits or other litigation; and
- market conditions in the industry and the economy as a whole.

In addition, stock markets often experience significant price and volume fluctuations. These broad market fluctuations may materially adversely affect the market price of our common stock regardless of our operating performance. In the past, shareholders have instituted securities class action litigation following periods of market volatility. Any litigation against us could cause us to incur substantial costs, divert the time and attention of our management and other resources or otherwise harm our business.

We do not intend to pay dividends in the foreseeable future.

We have not paid or declared cash dividends on any of our common stock to date and do not intend to pay any cash dividends in the foreseeable future. In addition to the restrictions in our Credit Agreement, the Merger Agreement with Gainwell places certain restrictions on our ability to make or declare dividends or distributions to the stockholders of HMS. For additional information, please refer to the definitive proxy statement on Schedule 14A filed on February 22, 2021 and *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* in Part II, Item 7 of this 2020 Form 10-K.

Certain provisions of our certificate of incorporation and bylaws could discourage unsolicited takeover attempts, which could depress the market price of our common stock.

Our certificate of incorporation authorizes the issuance of up to 5,000,000 shares of "blank check" preferred stock with such designations, rights and preferences as may be determined by our Board of Directors. Accordingly, our Board of Directors is empowered, without shareholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights, that could adversely affect the voting power or other rights of holders of our common stock. In the event of issuance, preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying, or preventing a change in control. Although we have no present intention to issue any shares of preferred stock, it is possible that we will do so in the future. In addition, our bylaws currently require advance notice of shareholder proposals for business to be conducted at meetings of our shareholders and for nominations of candidates for election to our Board of Directors and provide for Delaware as an exclusive forum for certain disputes with our shareholders, all of which could also have the effect of discouraging a change of control.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters and other material leased properties as of December 31, 2020 are shown in the following table:

Location	Approximate Square Footage	Owned/Leased
Irving, TX (corporate headquarters)	242,260	Owned
Las Vegas, NV (office space)	63,593	Leased
Danvers, MA (office space)	38,868	Leased
New York , NY (office space)	34,759	Leased
Jackson, MN (office space)	27,932	Owned
Westerville, OH (office space)	25,212	Leased
All other locations (26)	106,347	Leased

All other locations consist principally of office space and two data centers, which are primarily located in the United States. Outside the U.S., we also lease office space in India and Australia. The leased locations have expiration dates through 2026. A portion of the above Las Vegas, NV and New York, NY office spaces are sub-leased. In general, we believe our existing facilities, including both owned and leased, are suitable to meet our current and reasonably anticipated future needs. See “Leases” in Note 16 to the Consolidated Financial Statements in Part II, Item 8 for additional information.

Item 3. Legal Proceedings

The information set forth under the caption “Litigation” in Note 14 to the Consolidated Financial Statements in Part II, Item 8 is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is listed on the Nasdaq Global Select Market under the symbol “HMSY”.

Holders

As of the close of business on February 23, 2021, there were 244 holders of record of our common stock.

Dividends

We have not paid or declared any cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. Our Board of Directors will evaluate various factors, including, without limitation, our future earnings, operating cash flows, financial condition, results of operations and capital requirements in determining whether to pay any cash dividends in the future. Our Credit Agreement generally limits, subject to certain exceptions, our ability to make certain payments or distributions with respect to our capital stock, including cash dividends to our shareholders. For additional detail, see the information under the heading “Liquidity and Capital Resources” in Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations, and in Note 9 to the Consolidated Financial Statements in Part II, Item 8.

For equity compensation plan information, see Part III, Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.

Repurchases of Shares of Common Stock

On November 1, 2019, our Board of Directors approved a share repurchase program authorizing the Company to repurchase up to $50.0 million of shares of its common stock from time to time on the open market or in privately negotiated or other transactions. We publicly announced the program in November 2019. The share repurchase program is authorized for a period of up to two years, and may be suspended or discontinued at any time. In order to facilitate repurchases, the Company may enter into a Rule 10b5-1 plan from time to time, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws or because of a self-imposed trading blackout period. See “Equity” in Note 10 to the Consolidated Financial Statements in Part II, Item 8 for additional information regarding share repurchases. There were no repurchases of shares of common stock under the share repurchase program during the fourth quarter of 2020. The maximum approximate dollar value of shares that may yet be purchased under the program as of December 31, 2020 is $50.0 million.

Comparative Stock Performance Graph

The graph above compares the cumulative total shareholder return on our common stock with the cumulative total shareholder returns of the Nasdaq Composite Index, the Nasdaq Computer & Data Processing Index and the Nasdaq Health Services Index assuming an investment of $100 on December 31, 2015 and the reinvestment of dividends through the year ended December 31, 2020.

	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19	12/31/20
HMS Holdings Corp.	$ 100.00	$ 147.16	$ 137.36	$ 227.96	$ 239.87	$ 297.81
Nasdaq Composite	100.00	108.87	141.13	137.12	187.44	271.64
Nasdaq Computer & Data Processing	100.00	107.35	150.04	152.52	213.66	305.01
Nasdaq Health Services	100.00	78.91	90.89	108.53	151.08	242.42

Notwithstanding anything to the contrary set forth in any of our previous or future filings under the Securities Act or the Exchange Act that might incorporate by reference this 2020 Form 10-K or future filings made by us under those statutes, the Comparative Stock Performance Graph is not deemed filed with the SEC, is not deemed soliciting material and shall not be deemed incorporated by reference into any of those prior filings or into any future filings we make under those statutes, except to the extent that we specifically incorporate such information by reference into a previous or future filing, or specifically request that such information be treated as soliciting material, in each case under those statutes.

Item 6. Selected Financial Data

The following table sets forth selected consolidated financial amounts at and for each of the last five fiscal years in the period ended December 31, 2020. It should be read in conjunction with Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and the Consolidated Financial Statements and Notes thereto, in Part II, Item 8 of this 2020 Form 10-K.

Statement of Operations Data

(in thousands, except per share amounts)	Years ended December 31, 2020	2019	2018	2017	2016
Revenue	$ 673,283	$ 626,395	$ 598,290	$ 521,212	$ 489,720
Total operating expenses	580,056	523,379	535,052	470,781	432,051
Operating income	93,227	103,016	63,238	50,431	57,669
Interest expense	(7,586)	(11,013)	(11,310)	(10,871)	(8,519)
Interest income	271	4,148	1,089	295	321
Other income	1,358	8,211	—	—	—
Income before income taxes	87,270	104,362	53,017	39,855	49,471
Income taxes	17,121	17,138	(1,972)	(199)	11,835
Net income	$ 70,149	$ 87,224	$ 54,989	$ 40,054	$ 37,636
Net Income Per Common Share					
Basic income per common share:					
Net income per common share — basic	$ 0.79	$ 1.00	$ 0.66	$ 0.48	$ 0.45
Diluted income per common share:					
Net income per common share — diluted	$ 0.78	$ 0.98	$ 0.64	$ 0.47	$ 0.43
Weighted average shares:					
Basic	88,438	87,222	83,625	83,821	84,221
Diluted	90,081	89,317	86,144	85,088	86,987

Balance Sheet Data

(in thousands)	Years ended December 31, 2020	2019	2018	2017	2016
Cash and cash equivalents	$ 207,124	$ 139,268	$ 178,946	$ 83,313	$ 175,999
Working capital	$ 397,368	$ 296,093	$ 328,684	$ 199,967	$ 277,478
Total assets	$ 1,329,677	$ 1,244,276	$ 1,078,518	$ 975,160	$ 882,755
Revolving credit facility	$ 240,000	$ 240,000	$ 240,000	$ 240,000	$ 197,796
Total shareholders' equity	$ 948,329	$ 854,865	$ 713,396	$ 606,229	$ 556,610

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following Management’s Discussion and Analysis is intended to help the reader understand the results of operations and financial condition of HMS. You should read this discussion and analysis in conjunction with the other sections of this 2020 Form 10- K, including the Cautionary Note Regarding Forward-Looking Statements appearing prior to Part I, the information in Part I, Item 1A, and the Consolidated Financial Statements and Notes thereto in Part II, Item 8. The historical results set forth in Part II, Item 6, Item 7 and Item 8 of this 2020 Form 10-K should not be taken as necessarily indicative of our future operations or financial results.

This section of this 2020 Form 10-K generally discusses 2020 and 2019 items and includes a year-to-year comparison of our results of operations and liquidity and capital resources between 2020 and 2019. For a discussion of 2018 items and year-to-year comparisons between 2019 and 2018 that are not included in this 2020 Form 10-K, please refer to the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 24, 2020.

Business Overview

HMS is mission-driven to increase the value of healthcare so that it can benefit more people and improve the health of the population. Through our industry-leading technology, analytics and engagement solutions, we save billions of healthcare dollars annually while helping people lead healthier lives. We provide a broad range of coordination of benefits, payment integrity and population health management solutions through our operating subsidiaries that move healthcare forward. We are managed and operate as one business segment with a single management team that reports to the Chief Executive Officer.

We provide solutions that apply broadly across state and Federal government agencies, health plans and PBMs, employers, and at-risk providers. We also serve as a subcontractor for certain business outsourcing and technology firms. As of December 31, 2020, our customer base included the following:

- 50+ U.S. Federal and state government agencies;
- over 350 health plans, including 22 of the top 25 health plans nationally (based on membership) in support of their multiple lines of business, including Medicaid managed care, Medicare Advantage and group and individual health;
- over 160 employers;
- CMS, the Centers for Disease Control and Prevention and the Department of Veterans Affairs; and
- PBMs, third-party administrators and other risk-bearing entities, including independent practice associations, hospital systems, ACOs and specialty care organizations.

Trends and Outlook

We have grown our business both organically, through internal innovation and the development of new solutions and services, as well as by acquisition of businesses whose core services strengthened our overall mission to make healthcare work better for everyone. Health plans were the largest growth contributor during 2020. In addition to cross-sales of our population health management solutions and other internal initiatives in 2020, various factors related to the macro healthcare environment are expected to provide opportunities for future growth, including:

- the rising and unsustainable costs of healthcare;
- increasing enrollment and rising expenditures for Medicare and Medicaid;
- the importance of treating the "whole person" with multi-dimensional analytics that provide a complete view of a person's coverage, health history and risks, enhanced with effective engagement solutions that impact behavior and improve outcomes;
- the transition to value-based care, and the overall complexity of the healthcare claims payment system in the U.S.; and
- the growing importance of analytics to preemptively identify early and rising risks, measure outcomes, and improve health.

To fuel our future growth, we plan to enter into new and adjacent markets, and add new customers and broaden the scope of our relationships with existing customers by capturing cross-selling opportunities and introducing innovative solutions and services that span the payment and care continuum. To advance these initiatives, we intend to increase internal product development and enhancement efforts to accelerate the launch of new offerings and capabilities that drive innovation and value for our customers. We have also renewed our focus on investing and deploying technology tools that leverage a big data environment to promote automation and greater operating efficiencies that will improve the quality, effectiveness and profitability of our offerings, increase customer satisfaction and identify revenue opportunities.

We are subject to a number of significant risks in the operation of our business, including operational, strategic, financial and regulatory risks. These include risks related to legal compliance, financial performance and condition, protection of our information technology networks and systems and intellectual property, and other risks. With respect to cybersecurity, the effective operation of our information technology networks and systems, and the secure processing and maintenance of the confidential, proprietary and sensitive information and data we receive from our customers and other data suppliers are critical to our operations and business strategy. Although we have processes and procedures to attempt to mitigate many of the risks that we face, there can be no assurance that such processes or procedures will be successful. For a discussion of certain risks relating to the Company, see the information under the heading “Part I, Item 1A. Risk Factors.”

Proposed Transaction with Gainwell

On December 20, 2020, we entered into the Merger Agreement. The Merger Agreement provides that, upon the terms and subject to the satisfaction or waiver of the conditions set forth therein, Merger Sub will merge with and into HMS, with HMS continuing as the surviving corporation and a wholly owned subsidiary of Gainwell. Under the terms of the Merger Agreement, which has been unanimously approved by the HMS Board of Directors, HMS shareholders will receive $37.00 in cash per share.

We have agreed to customary representations, warranties and covenants in the Merger Agreement, including covenants with respect to the operation of our business prior to the closing of the transaction or termination of the Merger Agreement, such as restrictions on making certain acquisitions and dispositions, entering into certain contracts, incurring certain indebtedness or expenditures, declaring dividends, repurchasing stock and taking other specified actions. The consummation of the Merger is subject to customary closing conditions, including, among others, the adoption of the Merger Agreement by the affirmative vote of the holders of a majority of the shares of HMS's common stock outstanding and entitled to vote as well as the satisfaction of other customary closing conditions. The Merger is not conditioned upon receipt of financing by Gainwell. The Merger is anticipated to close in the first half of 2021; however, we cannot predict with certainty as to when all of the required closing conditions will be satisfied or if the Merger will close at all. Under certain specified circumstances, we may be required to pay Gainwell a termination fee of approximately 2.0% of the transaction value in the event the Merger Agreement is terminated. See Note 1 to the Consolidated Financial Statements in Part II, Item 8 for additional details.

The Impact of COVID-19 on our Business

In March 2020, the World Health Organization declared COVID-19 a global pandemic. Since the beginning of the outbreak, COVID-19 has significantly reduced global economic activity and increased the level of uncertainty and volatility in financial markets throughout the world. It has also impacted our day-to-day operations and the operations of the vast majority of our customers, suppliers and partners. Although the Company's revenues increased for the year ended December 31, 2020, as compared to the prior year periods, and the COVID-19 pandemic has not had a material adverse effect on our business to date, our future operational and financial performance may be negatively impacted by the effects of COVID-19, including those that may not be in our control. The extent of the impact will depend on future developments and their effects on our customers and contracts, which are highly uncertain and cannot be accurately predicted at this time. For example, due to the circumstances related to COVID-19, some of our customers temporarily suspended or reduced certain contract work over several months in 2020. As a result of the reduction in volume and services, we experienced lower revenues during the second quarter and continued to see an impact to our financial results in certain parts of our business in the third quarter. As COVID-19 continues to evolve, we will continue to closely monitor the impact of COVID-19 and its effects on all aspects of our business, including those on our customers and partners, and assess any potential impacts to our financial position and operating results, as well as adverse developments in our business. For further information regarding the effect of COVID-19 on the Company, please see the "Risk Factors" section set forth in Part I, Item 1A. of this 2020 Form 10-K, which is incorporated herein by reference.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates. The future effects of the COVID-19 pandemic on economic and market conditions continue to remain uncertain and increase the subjectivity that will be involved in evaluating our estimates and assumptions underlying our critical accounting policies. The accounting policies that we believe to be the most critical to an understanding of our financial condition and results of operations and that require the most complex and subjective management judgments are as follows:

Revenue Recognition

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
The Company recognizes revenue when performance obligations under the terms of the contracts with our customers are satisfied.	Due to the range of solutions and services that HMS provides and the differing fee structures associated with each type of contract, revenue may be recognized in irregular increments. A portion of our revenue is recorded net of an estimate of future revenue adjustments, with an offsetting entry to accounts receivable, based on historical patterns of billing adjustments, length of operating and collection cycle and customer negotiations, behaviors and payment patterns. Changes in these estimates are recorded to revenue in the period of change.	If we were to enter any new contracts with differing fee structures or performance obligations or if we were to change any of the judgments or estimates related to estimated future revenue adjustments, it could cause a material increase or decrease in the amount of revenue we report in a particular period.

Business Combinations

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
We record assets acquired and liabilities assumed in a business combination based upon their acquisition date fair values. Goodwill is the excess of acquisition costs over the fair values of assets and liabilities of acquired businesses. During the measurement period, which is up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.	In most instances there is not a readily defined or listed market price for individual assets and liabilities acquired in connection with a business, including intangible assets. We determine fair value through various valuation techniques including discounted cash flow models, quoted market values and third party independent appraisals, as considered necessary. Significant assumptions used in those techniques include, but are not limited to, growth rates, discount rates, customer attrition rates, expected levels of revenues, earnings, cash flows and tax rates.	The use of different valuation techniques and assumptions are highly subjective and inherently uncertain and, as a result, actual results may differ materially from estimates.

Impairment of Goodwill

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Goodwill is subject to a periodic assessment for impairment. We assess goodwill for impairment on an annual basis as of June 30th of each year or more frequently if an event occurs or changes in circumstances would more likely than not reduce the fair value of a reporting unit below its carrying amount. Assessment of goodwill impairment is at the HMS Holdings Corp. entity level as we operate as a single reporting unit. We have the option to perform a qualitative or quantitative assessment to determine if impairment is more likely than not to have occurred. If we can support the conclusion that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount using the qualitative assessment, then the Company would not need to perform the impairment test. If the Company cannot support such a conclusion, or the Company does not elect to perform the qualitative assessment, then the goodwill impairment test is used to identify potential impairment by comparing the fair value of the reporting unit with its carrying amount, including goodwill and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, with the understanding that the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The Company's carrying amount of goodwill was $594.6 million as of December 31, 2020.	The Company completed the quantitative annual impairment test as of June 30, 2018, performed the qualitative assessment as of June 30, 2019 and in June 30, 2020 elected to perform the qualitative assessment. When performing our quantitative analysis, the Company utilized a weighting across three commonly accepted valuation approaches: an income approach, a guideline public company approach, and a merger and acquisition approach. Significant assumptions in the income approach include income projections, a discount rate and a terminal growth value. The guideline public company approach and merger and acquisition approach are based on pricing multiples observed for similar publicly traded companies or similar market companies that were sold. When the qualitative assessment of goodwill impairment is performed, significant judgment is required in the assessment of qualitative factors including but not limited to an evaluation of macroeconomic conditions as they relate to our business, industry and market trends, as well as the overall future financial performance of our reporting units and future opportunities in the markets in which they operate.	The results of the annual impairment assessment provide that the fair value of the reporting unit was significantly in excess of the Company's carrying value, including goodwill; therefore, no impairment was indicated. If actual results are not consistent with our estimates or assumptions, the Company may be exposed to an impairment charge that could materially adversely impact our consolidated financial position and results of operations. There were no impairment charges related to goodwill during the years ended December 31, 2020, 2019, or 2018.

Impairment of Long-Lived and Intangible Assets

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Long-lived assets, including property and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When indicators exist, recoverability of assets is measured by a comparison of the carrying value of the asset group to the estimated undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized and charged to earnings is measured by the amount by which the carrying value of the asset group exceeds the fair value of the assets.	We use significant judgment in assessing events or changes in circumstances which indicate that the carrying amount of the asset may not be recoverable.	The Company's carrying amount of long-lived assets, including property and equipment and intangible assets was $198.7 million as of December 31, 2020. The Company did not recognize any impairment charges related to long-lived and intangible assets during the years ended December 31, 2020, 2019 or 2018. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to an impairment charge that could materially adversely impact our consolidated financial position and results of operations.

Valuation of Stock-Based Compensation

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
The determination of the fair value of the options on the grant date using the Black-Scholes pricing model is affected by the Company's stock price, as well as assumptions regarding a number of complex and subjective variables. Certain key variables include: the Company's expected stock price volatility over the expected term of the awards; a risk-free interest rate; and any expected dividends. The fair value of all awards also includes an estimate of expected forfeitures.	We estimate stock price volatility based on the historical volatility of the Company's common stock and estimate the expected term of the awards based on the Company's historical option exercises for similar types of stock option awards. The assumed risk-free interest rate is based on the yield on the measurement date of a zero-coupon U.S. Treasury bond with a maturity period equal to the option's expected term. The Company does not anticipate paying any cash dividends in the foreseeable future and therefore, uses an expected dividend yield of zero in the option valuation models. Forfeitures are estimated based on historical experience.	If we were to change any of these judgments or estimates, it could cause a material increase or decrease in the amount of stock compensation expense we report in a particular period. For example, if actual forfeitures vary from estimates, a difference in compensation expense will be recognized in the period the actual forfeitures occur.

Income Taxes

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. This method also requires the recognition of future tax benefits for net operating loss carry-forwards	Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date. A valuation allowance is provided against deferred tax assets to the extent their realization is not more likely than not. Uncertain income tax positions are accounted for by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. We make adjustments to these reserves in accordance with the income tax accounting guidance when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate.	To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made, and could have a material impact on our financial condition and operating results. Although the Company believes that it has adequately reserved for uncertain tax positions (including interest and penalties), it can provide no assurance that the final tax outcome of these matters will not be materially different.

Contingencies

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
From time to time, we are involved in legal proceedings in the ordinary course of business. We assess the likelihood of any adverse judgments or outcomes to these contingencies as well as potential ranges or probable losses and establish reserves accordingly.	We record accruals for outstanding legal matters when we believe it is probable that a loss will be incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. We review these provisions at least quarterly and adjust the provisions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and updated information.	Litigation is inherently unpredictable and is subject to significant uncertainties, some of which are beyond the Company's control. The amount of reserves required may change in future periods due to new developments in each matter or changes in approach to a matter such as a change in settlement strategy which could have a material impact on our financial condition and operating results.

For further information on these critical accounting policies and all other significant accounting policies, refer to the discussion under "Business and Summary of Significant Accounting Policies" in our Note 1 to the Consolidated Financial Statements in Part II, Item 8.

Results of Operations

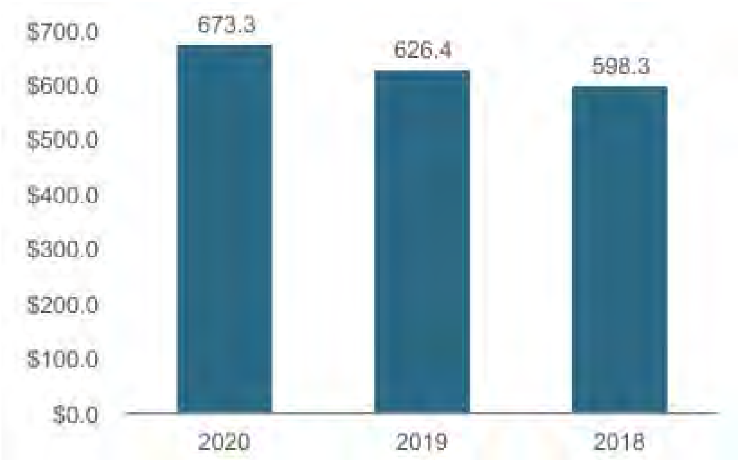
2020 Highlights

- Revenue growth of 7.5%
- Operating income decrease of 9.5%
- Cash flow from operations of $99.0 million
- Net income decrease of 19.6%

Comparison of 2020 to 2019 and 2019 to 2018

(dollars in millions)	Years ended December 31,			$ Change	% Change	$ Change	% Change
	2020	2019	2018	2020 vs 2019		2019 vs 2018	
Revenue	$ 673.3	$ 626.4	$ 598.3	$ 46.9	7.5%	$ 28.1	4.7%
Cost of services:							
Compensation	261.2	231.3	224.9	29.9	12.9	6.4	2.8
Direct project and other operating expenses	96.2	90.1	74.3	6.1	6.8	15.8	21.3
Information technology	61.4	53.9	53.4	7.5	13.9	0.5	0.9
Occupancy	16.5	16.4	16.0	0.1	0.6	0.4	2.5
Amortization of acquisition related software and intangible assets	22.0	17.0	33.0	5.0	29.4	(16.0)	(48.5)
Total cost of services	457.3	408.7	401.6	48.6	11.9	7.1	1.8
Selling, general and administrative expenses	122.8	114.7	113.5	8.1	7.1	1.2	1.1
Settlement expense	—	—	20.0	—	—	(20.0)	(100.0)
Total operating expenses	580.1	523.4	535.1	56.7	10.8	(11.7)	(2.2)
Operating income	93.2	103.0	63.2	(9.8)	(9.5)	39.8	63.0
Interest expense	(7.6)	(11.0)	(11.3)	3.4	(30.9)	0.3	(2.7)
Interest income	0.2	4.1	1.1	(3.9)	(95.1)	3.0	272.7
Other income	1.4	8.2	—	(6.8)	(82.9)	8.2	100.0
Income before income taxes	87.2	104.3	53.0	(17.1)	(16.4)	51.3	96.8
Income taxes	17.1	17.1	(2.0)	0.0	0.0	19.1	(955.0)
Net income	$ 70.1	$ 87.2	$ 55.0	$ (17.1)	(19.6)%	$ 32.2	58.5%

Revenue (in millions)



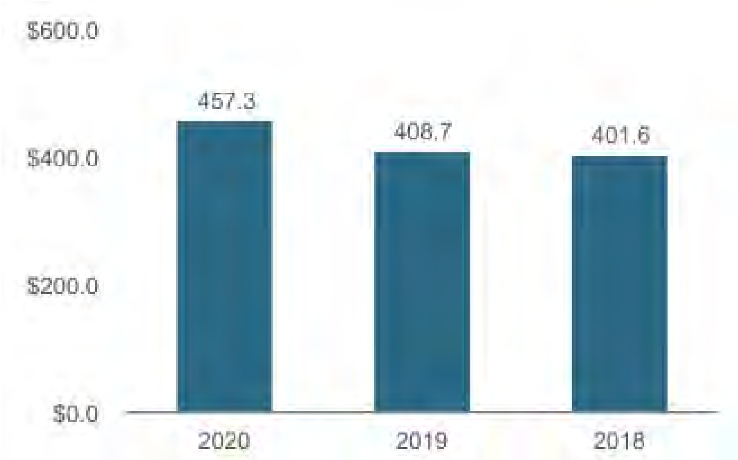
2020 vs 2019

During the year ended December 31, 2020, revenue was $673.3 million, an increase of $46.9 million or 7.5% compared to $626.4 million for the year ended December 31, 2019.

- By solution:
  - Coordination of benefits revenue increased $65.1 million or 16.1% largely driven by Accent related revenue of $43.3 million, and incremental services and yield increases provided to non-Accent customers primarily related to cost avoidance and direct bill solutions.
  - Payment integrity revenue decreased $10.2 million or 6.3%, primarily related to $10.5 million of revenue recognized in the prior year period resulting from the release of the Company's remaining estimated liability and net receivables in connection with the original Medicare RAC contract in 2019.
  - Population health management revenue decreased $8.0 million or 13.3%, primarily resulting from decreased transactional revenue and lower program volume due to circumstances related to COVID-19.

- By market:
  - Commercial health plan market revenue increased $48.1 million or 15.9%, which was primarily due to Accent related revenue of $43.3 million, and incremental services and yield increases provided to non-Accent customers primarily relating to cost avoidance and direct bill solutions.
  - State government market revenue increased $18.4 million or 7.1%, which was attributable to expanded scopes and yield improvements.
  - Federal government market and other revenue decreased $19.6 million or 29.6% compared to the prior year period due to a reduction in volume as a result of COVID-19 impacts, and $10.5 million of revenue in the prior year period related to the release of the Company's remaining estimated liability and net receivables as described above.

Cost of Services (in millions)

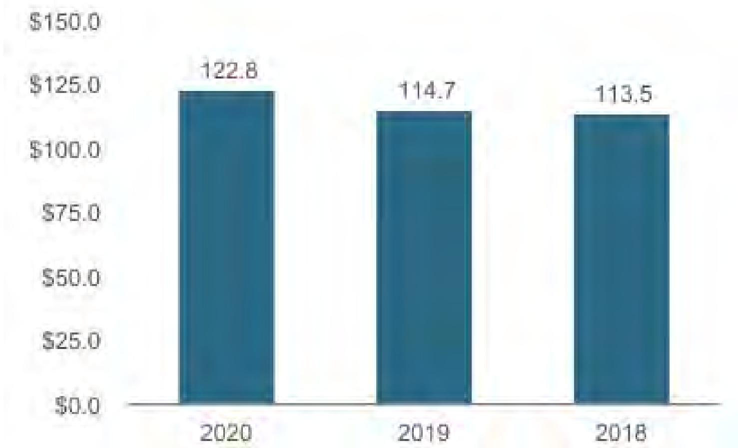


2020 vs 2019

During the year ended December 31, 2020, total cost of services was $457.3 million, an increase of $48.6 million or 11.9%, compared to $408.7 million for the year ended December 31, 2019.

- Compensation expense increased by $29.9 million, primarily due to the payroll related costs incurred in connection with the acquisitions of VitreosHealth and Accent during the second half of 2019.
- Information technology expense increased by $7.5 million due to increases in the amortization of capitalized software and equipment costs in connection with the acquisitions of VitreosHealth and Accent during the second half of 2019, and other software, computer and equipment related costs.
- Direct project and other operating costs increased by $6.1 million due to increased labor and professional fees utilized to support acquisition and operational related activities, partially offset by a decrease in travel related costs.
- Amortization of acquisition related software and intangibles assets increased by $5.0 million due to an increase in intangible assets following the acquisitions of VitreosHealth and Accent during the second half of 2019.

Selling, General and Administrative Expenses (in millions)



2020 vs 2019

During the year ended December 31, 2020, SG&A expense was $122.8 million, an increase of $8.1 million or 7.1% compared to $114.7 million for the year ended December 31, 2019.

- Compensation expense increased $5.8 million primarily as a result of increases in payroll related costs and stock compensation expense benefits.
- Information technology expense increased $2.4 million primarily due to an increase in software related costs.
- Other costs decreased $0.1 million, which included a decrease in travel and employee related of $3.6 million, offset by an increase in professional fees of $3.5 million.

Other income

2020 vs 2019

During the year ended December 31, 2020, Other income was $1.4 million, a decrease of $6.8 million or 82.9% compared to the prior year period. The Other income recognized in 2020 was due to a change in the fair value of ordinary shares of MedAdvisor Limited acquired during the fourth quarter of 2019. In addition, during the year ended December 31, 2019, a third party acquired one hundred percent of the outstanding stock of InstaMed Holdings, Inc. ("InstaMed") including the Company's cost based investment in InstaMed of $2.1 million. As a result, the Company received proceeds of $9.8 million from the sale of the investment and recognized a $7.7 million gain in Other income for the year ended December 31, 2019.

Income Taxes

2020 vs 2019

During the year ended December 31, 2020, we recorded an income tax expense of $17.1 million, the expense is unchanged compared to an income tax expense of $17.1 million for the year ended December 31, 2019.

- Our effective tax rate was 19.6% for the year ended December 31, 2020 compared to an effective tax rate of 16.4% for the year ended December 31, 2019. The low 2019 effective tax rate is primarily due to equity compensation, favorable tax benefits related to current credits, prior year state tax apportionment changes, and uncertain tax position releases.

- Our normalized effective tax rate of 23.4% for 2020 decreased from our normalized effective tax rate of 27.8% for 2019. The 2020 normalized effective tax rate excludes tax benefits related to stock compensation net windfalls, prior year credit adjustments, and reversal of prior years' uncertain tax benefits of (0.2%), (1.8%) and (1.8%), respectively.

On March 27, 2020, the CARES Act was enacted in response to the COVID-19 pandemic, which provides numerous tax provisions and other stimulus measures. The Company claimed benefits relating to technical corrections of tax depreciation methods for qualified improvement property. The benefits did not have a material impact for the year ended December 31, 2020.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Liquidity and Capital Resources

The following tables should be read in conjunction with the Consolidated Financial Statements and Notes thereto, in Part II, Item 8 of this 2020 Form 10-K.

Our cash and cash equivalents, working capital and available borrowings under our credit facility (based upon the borrowing base and financial covenants in our Credit Agreement) were as follows *(in thousands):*

	Years ended December 31,	
	2020	**2019**
Cash and cash equivalents	$ 207,124	$ 139,268
Working capital	$ 397,368	$ 296,093
Available borrowings under credit facility	$ 253,500	$ 253,500

A summary of our cash flows was as follows *(in thousands)*:

	Years ended December 31,		
	2020	**2019**	**2018**
Net cash provided by operating activities	$ 99,048	$ 133,232	$ 96,457
Net cash used in investing activities	(29,748)	(205,059)	(30,413)
Net cash (used in)/provided by financing activities	(1,444)	32,149	29,589
Net increase / (decrease) in cash and cash equivalents	$ 67,856	$ (39,678)	$ 95,633

Our cash and cash equivalents and our working capital increased as of December 31, 2020 as compared to December 31, 2019, primarily as a result of the cash used in investing activities in 2019 and an increase in accounts receivable as of December 31, 2020.

Our principal source of cash has been our cash flow from operations and our $500 million five-year revolving credit facility. Other sources of cash include proceeds from exercise of stock options and tax benefits associated with stock option exercises. The primary uses of cash include, but are not limited to, acquisitions, strategic investments, capital investments, compensation expenses, data processing, direct project and other operating costs, SG&A expenses and other expenses.

We believe that expected cash flows from operations, available cash and cash equivalents, and funds available under our revolving credit facility will be sufficient to meet our liquidity requirements for the following year, which include:

- the working capital requirements of our operations;
- investments in our business; and

- business development activities.

Any projections of future earnings and cash flows are subject to substantial uncertainty, particularly in light of the rapidly changing market and economic conditions created by the COVID-19 pandemic. We may need to access debt and equity markets in the future if unforeseen costs or opportunities arise, to meet working capital requirements, fund acquisitions or investments or repay our indebtedness under the Credit Agreement. If we need to obtain new debt or equity financing in the future, the terms and availability of such financing may be impacted by economic and financial market conditions as well as our financial condition and results of operations at the time we seek additional financing. Although we believe that our financial resources will allow us to manage the anticipated impact of COVID-19 on our operations for the foreseeable future, the challenges posed by COVID-19 on our business are expected to continue to shift rapidly. Consequently, we will continue to assess our liquidity needs and anticipated capital requirements in light of future developments, particularly those relating to COVID-19.

Under the Merger Agreement with Gainwell, we have agreed to various customary covenants and agreements, including, among others, covenants to conduct our business, in all material respects, in the ordinary course of business during the interim period between the execution of the Merger Agreement and the consummation of the Merger. Outside of certain limited exceptions, we may not engage in or take specified actions during this period unless agreed to in writing by Gainwell, which include, among others:

- acquiring entities, including any business or divisions thereof;
- entering into new lines of business;
- disposing of material assets or properties;
- making capital expenditures above specified thresholds;
- incurring any indebtedness for borrowed money;
- granting or issuing new stock options for additional shares of common stock; and
- repurchasing shares of our common stock.

We do not believe these restrictions will prevent us from funding our ongoing cost of services and other operating costs or satisfying our working capital and capital expenditure requirements.

Cash Flows from Operating Activities

Net cash provided by operating activities for the year ended December 31, 2020 was $99.0 million, a $34.2 million decrease from net cash provided by operating activities of $133.2 million for the year ended December 31, 2019. The decrease was primarily due to a $17.1 million decrease in net income in 2020, a $7.7 million gain on the sale of a cost-basis investment in 2019, the release of an estimated liability for appeals, net of $10.5 million in 2019, a decrease in deferred income taxes of $14.0 million in 2020, and a net increase in operating assets and liabilities of approximately $26.2 million in 2020.

Our DSO calculation can be derived by dividing total net accounts receivable at the end of period, by the daily average of the current quarter’s annualized revenue. For the year ended December 31, 2020, revenue was $673.3 million, an increase of $46.9 million compared to revenue of $626.4 million for the year ended December 31, 2019. DSO was 123 days as of December 31, 2020, the same as compared to December 31, 2019. We do not currently anticipate collection issues with our accounts receivable, however, nor do we currently expect that any extended collections will materially impact our liquidity.

The majority of our customer relationships have been in place for several years. Our future operating cash flows could be adversely affected by a decrease in a demand for our services, delayed payments from customers or if one or more contracts with our largest customers is terminated or not renewed.

Cash Flows from Investing Activities

Net cash used in investing activities for the year ended December 31, 2020 was $29.7 million, a $175.4 million decrease compared to net cash used in investing activities of $205.1 million for the year ended December 31, 2019. This decrease was primarily attributable to a reduction in net cash used in the acquisition of a business of $187.3 million in 2020 and a reduction in the investment in common stock of $4.0 million in 2020. These decreases were partially offset by a decrease in proceeds from the sale of our cost basis investment in InstaMed of $9.8 million in 2019 and an increase in purchases of property and equipment and investment in capitalized software of $6.3 million year over year.

We currently expect to incur capital expenditures of approximately $35 million during the year ended December 31, 2021.

Cash Flows from Financing Activities

Net cash used in financing activities for the year ended December 31, 2020 was $(1.4) million, a $33.5 million decrease from net cash provided by financing activities of $32.1 million for the year ended December 31, 2019. The decrease was primarily related to a $33.1 million decrease in proceeds from the exercise of stock options, net of payments of tax withholdings in 2020.

Share Repurchase Program

During the year ended December 31, 2020, we did not repurchase any shares of our common stock. See the discussion under “Repurchases of Shares of Common Stock” under Part II, Item 5 and “Equity” in Note 10 to the Consolidated Financial Statements under Part II, Item 8 for additional information regarding share repurchases.

Credit Agreement

In May 2013, we entered into the Credit Agreement with certain lenders and Citibank, N.A. as administrative agent. The Credit Agreement originally provided for an initial $500 million five-year revolving credit facility maturing on May 3, 2018.

On December 19, 2017, we entered into an amendment to the Credit Agreement that, among other things, provided for an extension of the maturity date of our then-existing senior secured revolving credit facility to December 19, 2022, which includes a $50 million sublimit for the issuance of letters of credit and a $25 million sublimit for swingline loans. In addition, the Credit Agreement includes an accordion feature that permits us to increase the revolving credit facility up to the sum of (a) the greater of $120 million and 100% of Consolidated EBITDA (as defined in the Credit Agreement) and (b) additional amounts so long as our first lien leverage ratio (as defined in the Credit Agreement) on a pro forma basis is not greater than 3.00:1.00, in each case subject to obtaining commitments from lenders therefor and meeting certain other conditions.

The obligations and amounts due under the Credit Agreement are secured by a first security priority interest in all or substantially all of our tangible and intangible assets and our material 100% owned subsidiaries’ assets. The Credit Agreement contains customary representations and warranties, affirmative and negative covenants, including financial covenants, and events of default.

As of December 31, 2020, the outstanding principal balance under our revolving credit facility was $240.0 million.

As part of a contractual agreement with a customer, the Company has an outstanding irrevocable letter of credit for $6.5 million, which is issued against our revolving credit facility and expires June 30, 2021.

As of December 31, 2020, we were in compliance with all terms of the Credit Agreement.

See Note 9 to the Consolidated Financial Statements in Part II, Item 8 for additional information regarding our Credit Agreement.

Contractual Obligations

The following table represents the scheduled maturities of our contractual cash obligations and other commitments:

	Payments Due by Period *(in thousands)*				
Contractual Obligations [1]	**Total**	**Less than 1 year**	**1 - 3 years**	**3 -5 years**	**More than 5 years**
Operating leases [2]	$ 16,456	$ 4,816	$ 7,152	$ 4,147	$ 341
Revolving credit facility [3]	240,000	—	240,000	—	—
Interest expense [4]	9,811	5,546	4,265	—	—
Commitment fee [5]	1,288	651	637	—	—
Capital leases [6]	2,246	1,185	1,061	—	—
Letter of Credit fee [7]	53	53	—	—	—
Purchase obligations and commitments [8]	18,333	12,609	5,724	—	—
Total	$ 288,187	$ 24,860	$ 258,839	$ 4,147	$ 341

(1) The Company has excluded long-term unrecognized tax benefits, net of interest and penalties, of $4.5 million from the amounts presented as the timing of these obligations is uncertain.

(2) Represents the future minimum lease payments under non-cancelable operating leases. See Note 16 to the Consolidated Financial Statements in Part II, Item 8 for additional information regarding Leases.

(3) Represents scheduled repayments of principal on the revolving credit facility under the terms of our Credit Agreement. See Note 9 to the Consolidated Financial Statements in Part II, Item 8 for additional information regarding the Credit Agreement.

(4) Represents estimates of amounts due on the revolving credit facility based on the interest rate as of December 31, 2020 and on scheduled repayments of principal. See Note 9 to the Consolidated Financial Statements in Part II, Item 8 for additional information regarding the Credit Agreement.

(5) Represents the commitment fee due on the revolving credit facility. See Note 9 to the Consolidated Financial Statements in Part II, Item 8 for additional information regarding the Credit Agreement.

(6) Represents the future minimum lease payments under capital leases. See Note 16 to the Consolidated Financial Statements in Part II, Item 8 for additional information regarding Leases.

(7) Represents the fees for the letter of credit issued against the revolving credit facility. See Note 9 to the Consolidated Financial Statements in Part II, Item 8 for additional information regarding the Credit Agreement.

(8) Represents future purchases related to outstanding purchase orders and supplier requisitions.

Recently Issued Accounting Pronouncements

The information set forth under the caption "Summary of Significant Accounting Policies" in Note 1 to the Consolidated Financial Statements in Part II, Item 8 is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

At December 31, 2020, we were not a party to any derivative financial instruments. We conduct most of our business in U.S. currency and have limited operations outside of the United States. As such, we do not have material foreign currency risk exposure. As we continue to grow our foreign operations, our exposure to foreign currency exchange rate risk could become more significant. We are exposed to changes in interest rates, primarily with respect to our revolving credit facility under our Credit Agreement. If the effective interest rate for all of our variable rate debt were to increase by 100 basis points (1%), our annual interest expense would increase by a maximum of $2.4 million based on our debt balances outstanding at December 31, 2020. Further, we currently invest substantially all of our excess cash in short-term investments, primarily money market accounts, where returns effectively reflect current interest rates. As a result, market interest rate changes may impact our interest income or expense. The impact will depend on variables such as the magnitude of rate changes and the level of borrowings or excess cash balances. We do not consider this risk to be material. We manage such risk by continuing to evaluate the best investment rates available for short-term, high quality investments.

Item 8. Consolidated Financial Statements and Supplementary Data

The information required by Item 8 is found under Item 15 of this 2020 Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

We are responsible for maintaining disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures

As required by Rule 13a-15(b) under the Exchange Act, management, with the participation of our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2020. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by the 2020 Form 10-K.

(b) Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by Rule 13a-15(f) under the Exchange Act, internal control over financial reporting is a process designed by, or under the supervision of our Chief Executive Officer and our Chief Financial Officer and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with U.S. GAAP.

Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with generally accepted accounting principles and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

In connection with the preparation of our annual consolidated financial statements, management has undertaken an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2020, based on criteria established in the Internal Control-Integrated Framework issued by COSO. Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of those controls. Based on that assessment, we believe that the Company's internal control over financial reporting was effective based on those criteria as of December 31, 2020.

Our independent registered public accounting firm, Grant Thornton LLP, audited our consolidated financial statements and has issued an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2020, a copy of which is included with this 2020 Form 10-K.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

(c) Changes in Internal Control Over Financial Reporting

There have been no changes to the Company's internal control over financial reporting during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item 10 is incorporated herein by reference to the applicable disclosure found in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A under the Exchange Act in connection with HMS Holdings Corp.'s 2021 Annual Meeting of Shareholders under "*Proposal One: Election of Directors,*" "*Executive Officers,*" "*Delinquent Section 16(a) Reports,*" "*Director Nomination Process,*" "*Additional Information—Shareholder Proposals and Director Nominations for 2022 Annual Meeting,*" and "*Board Committees and Related Matters,*" unless otherwise provided in an amendment to this 2020 Form 10-K filed within 120 days after our fiscal year ended December 31, 2020.

Our Board of Directors has adopted a Code of Conduct applicable to all of our directors, officers and employees, including all employees, officers, directors, contractors, contingent workers and business affiliates of HMS subsidiaries. The Code of Conduct is publicly available on our website under the "Investors—Corporate Governance" tab at http://investor.hms.com/corporate-governance and can also be obtained free of charge by sending a written request to our Corporate Secretary. To the extent permissible under the Nasdaq Marketplace Rules, we intend to disclose amendments to our Code of Conduct, as well as waivers of the provisions thereof, that relate to our principal executive officer, principal financial officer, principal accounting officer, controller or persons performing similar functions on the Company's website under the "Investors—Corporate Governance" tab at http://investor.hms.com/corporate-governance.

Item 11. Executive Compensation

The information required by this Item 11 is incorporated herein by reference to the applicable disclosure found in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A under the Exchange Act in connection with HMS Holdings Corp.'s 2021 Annual Meeting of Shareholders under the captions "*Executive Compensation,*" "*Director Compensation,*" and "*Compensation Committee Interlocks and Insider Participation,*" unless otherwise provided in an amendment to this 2020 Form 10-K filed within 120 days after our fiscal year ended December 31, 2020.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

Except as provided below, the information required by this Item 12 is incorporated herein by reference to the applicable disclosure found in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A under the Exchange Act in connection with HMS Holdings Corp.'s 2021 Annual Meeting of Shareholders under the caption "*Ownership of HMS Common Stock,*" unless otherwise provided in an amendment to this 2020 Form 10-K filed within 120 days after our fiscal year ended December 31, 2020.

Equity Compensation Plan Information

The following table summarizes information about our equity compensation plans as of December 31, 2020. For additional information about our equity compensation plans see the discussion set forth under the caption "Stock-Based Compensation" in Note 12 to the Consolidated Financial Statements in Part II, Item 8.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by shareholders	4,606,737 (1)	$ 24.98	7,511,665
Equity compensation plans not approved by shareholders	4,693 (2)	$ 20.58	—
Total	4,611,430		

(1) This includes stock options and restricted stock units granted under our 2006 Stock Plan, 2016 Omnibus Plan and 2019 Omnibus Plan.

(2) This includes stock options granted under the 2011 HDI Plan, which was assumed in connection with our acquisition of HDI and approved by the Compensation Committee of our Board.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required by this Item 13 is incorporated herein by reference to the applicable disclosure found in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A under the Exchange Act in connection with HMS Holdings Corp.'s 2021 Annual Meeting of Shareholders under the captions "*Certain Relationships and Related Transactions*" and "*Director Independence,*" unless otherwise provided in an amendment to this 2020 Form 10-K filed within 120 days after our fiscal year ended December 31, 2020.

Item 14. Principal Accounting Fees and Services

The information required by this Item 14 is incorporated herein by reference to the applicable disclosure from the proposal captioned "*Ratification of the Selection of Independent Registered Public Accounting Firm*" found in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A under the Exchange Act in connection with HMS Holdings Corp.'s 2021 Annual Meeting of Shareholders, unless otherwise provided in an amendment to this 2020 Form 10-K filed within 120 days after our fiscal year ended December 31, 2020.

PART IV

Item 15. Exhibits and Financial Statement Schedules

1. *Financial Statements.*

   The financial statements are listed in the Index to Consolidated Financial Statements on page 70.

2. *Financial* Statement Schedules.

   Financial Statement Schedule II-Valuation and Qualifying Accounts is set forth on page 106. All other financial statement schedules have been omitted as they are either not required, not applicable or the information is otherwise included.

3. *Exhibits*.

   The Exhibits include agreements to which the Company is a party or has a beneficial interest. The agreements have been filed to provide investors with information regarding their respective terms. The agreements are not intended to provide any other actual information about the Company or its business or operations. In particular, the assertions embodied in any representations, warranties, and covenants contained in the agreements may be subject to qualifications with respect to knowledge and materiality different from those applicable to investors and may be qualified by information in confidential disclosure schedules not included with the exhibits. These disclosure schedules may contain information that modifies, qualifies and creates exceptions to the representations, warranties and covenants set forth in the agreements. Moreover, certain representations, warranties, and covenants in the agreements may have been used for the purpose of allocating risk between parties, rather than establishing matters as facts. In addition, information concerning the subject matter of the representations, warranties and covenants may have changed after the date of the respective agreement, which subsequent information may or may not be fully reflected in the Company’s public disclosures. Accordingly, investors should not rely on the representations, warranties and covenants in the agreements as characterizations of the actual state of facts about the Company or its business or operations on the date hereof.

   Where an exhibit is filed by incorporation by reference to a previously filed registration statement or report, such registration statement or report is identified after the description of the exhibit.

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated December 20, 2020, by and among Gainwell Acquisition Corp., Mustang MergerCo Inc., Gainwell Intermediate Holding Corp. and HMS Holdings Corp. (incorporated by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K (File No. 000-50194) as filed with the SEC on December 28, 2020)
2.2.1	Membership Interest Purchase Agreement, dated November 20, 2019, by and between West Receivable Services, Inc. and HMS Holdings Corp. (incorporated by reference to Exhibit 2.2.1 to the Company's Annual Report on Form 10-K (File No. 000-50194) as filed with the SEC on February 24, 2020)
2.2.2	Letter Agreement Amendment to the Membership Interest Purchase Agreement, dated December 23, 2019, by and between West Receivable Services, Inc. and HMS Holdings Corp. (incorporated by reference to Exhibit 2.2.2 to the Company's Annual Report on Form 10-K (File No. 000-50194) as filed with the SEC on February 24, 2020)
3.1	Conformed copy of Certificate of Incorporation of HMS Holdings Corp., as amended through May 23, 2018 (incorporated by reference to Exhibit 3.1 to the Company’s Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on August 6, 2018)

Exhibit Number	Description
3.2	Second Amended and Restated Bylaws of HMS Holdings Corp. dated May 23, 2018 (incorporated by reference to Exhibit 3.2 to the Company’s Current Report on Form 8-K (File No. 000-50194) as filed with the SEC on May 25, 2018)
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K/12g-3 (File No. 000-50194) as filed with the SEC on July 23, 2013)
4.2	Description of Company's Common Stock (incorporated by reference to Exhibit 4.2 to the Company's Annual Report on Form 10-K (File No. 000-50194) as filed with the SEC on February 24, 2020)
10.1.1	HMS Holdings Corp. Fourth Amended and Restated 2006 Stock Plan (incorporated by reference to Exhibit 99.2 to the Company’s Current Report on Form 8-K (File No. 000-50194) as filed with the SEC on July 12, 2011)†
10.1.2	Amendment No. 1 to the HMS Holdings Corp. Fourth Amended and Restated 2006 Stock Plan (incorporated by reference to Exhibit 10.6 to the Company’s Annual Report on Form 10-K (File No. 000-50194) as filed with the SEC on February 29, 2012)†
10.1.3	Form of 2013 Director Non-Qualified Stock Option Agreement under the 2006 Stock Plan (incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on May 12, 2014)†
10.1.4	Form of 2014 Director Non-Qualified Stock Option Agreement under the 2006 Stock Plan (incorporated by reference to Exhibit 10.26 to the Company’s Annual Report on Form 10-K (File No. 000-50194) as filed with the SEC on March 2, 2015)†
10.1.5	Form of 2015 Director Non-Qualified Stock Option Agreement under the 2006 Stock Plan (incorporated by reference to Exhibit 10.21 to the Company’s Annual Report on Form 10-K (File No. 000-50194) as filed with the SEC on February 29, 2016)†
10.1.6	Form of November 2015 Executive Non-Qualified Stock Option Agreement under the 2006 Stock Plan (incorporated by reference to Exhibit 10.23 to the Company’s Annual Report on Form 10-K (File No. 000-50194) as filed with the SEC on February 29, 2016)†
10.1.7	Form of 2016 Executive and Senior Vice President Non-Qualified Stock Option Agreement under the 2006 Stock Plan (incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q (File No. 000- 50194) as filed with the SEC on May 10, 2016)†
10.1.8	Form of 2016 Executive and Senior Vice President Restricted Stock Unit Agreement under the 2006 Stock Plan (incorporated by reference to Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on May 10, 2016)†
10.2.1	HMS Holdings Corp. 2016 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K (File No. 000-50194) as filed with the SEC on June 27, 2016)†
10.2.2	Form of Non-Qualified Stock Option Award Agreement for Employees under the 2016 Omnibus Plan (incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on November 9, 2016)†
10.2.3	Form of Restricted Stock Unit Award Agreement for Employees under the 2016 Omnibus Plan (incorporated by reference to Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on November 9, 2016)†
10.2.4	Form of Non-Qualified Stock Option Award Agreement for Non-Employee Directors under the 2016 Omnibus Plan (incorporated by reference to Exhibit 10.3 to the Company’s Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on November 9, 2016)†
10.2.5	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors under the 2016 Omnibus Plan (incorporated by reference to Exhibit 10.4 to the Company’s Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on November 9, 2016)†
10.3.1	HMS Holdings Corp. 2019 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K (File No. 000-50194) as filed with the SEC on May 22, 2019)†

Exhibit Number	Description
10.3.2	Form of Nonqualified Stock Option Award Notice and Agreement for Employees under the 2019 Omnibus Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on August 5, 2019)†
10.3.3	Form of Nonqualified Stock Option Award Notice and Agreement for Non-Employee Directors under the 2019 Omnibus Plan (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on August 5, 2019)†
10.3.4	Form of Restricted Stock Unit Award Notice and Agreement for Employees under the 2019 Omnibus Plan (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on August 5, 2019)†
10.3.5	Form of Restricted Stock Unit Award Notice and Agreement for Non-Employee Directors under the 2019 Omnibus Plan (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on August 5, 2019)†
10.4.1	Executive Employment Agreement, dated March 1, 2013, by and between William C. Lucia and HMS Holdings Corp. (incorporated by reference to Exhibit 10.29 to the Company's Annual Report on Form 10-K (File No. 000-50194) as filed with the SEC on March 1, 2013)†
10.4.2	Letter of Amendment to Executive Employment Agreement, dated April 30, 2013, by and between William C. Lucia and HMS Holdings Corp. (incorporated by reference to Exhibit 10.1 to Amendment No. 1 to the Company's Annual Report on Form 10-K/A (File No. 000-50194) as filed with the SEC on April 30, 2013)†
10.4.3	Second Amendment to Executive Employment Agreement, dated January 20, 2015, by and between William C. Lucia and HMS Holdings Corp. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 000-50194) as filed with the SEC on January 23, 2015)†
10.4.4	Third Amendment to Executive Employment Agreement, dated February 21, 2018, by and between William C. Lucia and HMS Holdings Corp. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 000-50194) as filed with the SEC on February 23, 2018)†
10.4.5	Fourth Amendment to Executive Employment Agreement, dated December 20, 2020, by and between William C. Lucia and HMS Holdings Corp. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 000-50194) as filed with the SEC on December 28, 2020)†
10.5	Amended and Restated Executive Employment Agreement, dated April 2, 2018, by and between Jeffrey S. Sherman and HMS Holdings Corp. (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on May 7, 2018)†
10.6	Amended and Restated Executive Employment Agreement, dated March 29, 2018, by and between Meredith W. Bjorck and HMS Holdings Corp. (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on May 7, 2018)†
10.7	Amended and Restated Executive Employment Agreement, dated March 29, 2018, by and between Douglas M. Williams, Jr. and HMS Holdings Corp. (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10- Q (File No. 000-50194) as filed with the SEC on May 7, 2018)†
10.8	Amended and Restated Executive Employment Agreement, dated April 2, 2018, by and between Emmet O' Gara and HMS Holdings Corp. (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K (File No. 000-50194) as filed with the SEC on February 25, 2019)†
10.9	Amended and Restated Executive Employment Agreement, dated July 29, 2019, by and between Maria Perrin and HMS Holdings Corp.†
10.10	Form of First Amendment to Amended and Restated Executive Employment Agreement, effective as of December 20, 2020 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 000-50194) as filed with the SEC on December 28, 2020)†
10.11	Separation, Waiver and General Release Agreement, dated April 6, 2020, by and between Teresa South and HMS Holdings Corp. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on August 10, 2020)†

Exhibit Number	Description
10.12	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on August 6, 2018)†
10.13	HMS Holdings Corp. Director Deferred Compensation Plan, as amended through June 29, 2016 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on August 9, 2016)†
10.14	HMS Holdings Corp. Annual Incentive Compensation Plan as amended and restated (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 000-50194) as filed with the SEC on June 27, 2016)†
10.15	Form of Transaction Bonus Letter, effective as of December 20, 2020 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 000-50194) as filed with the SEC on December 28, 2020)†
10.16	HMS Holdings Corp. Retention Bonus Plan, effective as of December 20, 2020 (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (File No. 000-50194) as filed with the SEC on December 28, 2020)†
10.17.1	Amended and Restated Credit Agreement, dated May 3, 2013, as amended by Amendment No. 1 to Amended and Restated Credit Agreement dated as of March 8, 2017, and as further amended by Amendment No. 2 to Amended and Restated Credit Agreement, dated as of December 19, 2017, by and among HMS Holdings Corp., the Guarantors party thereto, the Lenders party thereto and Citibank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 000-50194) as filed with the SEC on December 21, 2017)
10.17.2	Amended and Restated Security Agreement, dated December 19, 2017, by and among HMS Holdings Corp., the Subsidiary Securing Parties party thereto and Citibank, N.A., as Collateral Agent (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 000-50194) as filed with the SEC on December 21, 2017)
10.18	Settlement Agreement, dated June 27, 2018, by and among Dennis Demetre, Lori Lynn Lewis Demetre, John Alfred Lewis, Christopher Brandon Lewis, and HMS Holdings Corp. (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 000-50194) as filed with the SEC on August 6, 2018)
21.1	Subsidiaries of HMS Holdings Corp.
23.1	Consent of Grant Thornton LLP
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Principal Executive Officer of HMS Holdings Corp., as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Principal Financial Officer of HMS Holdings Corp., as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Section 1350 Certification of the Principal Executive Officer of HMS Holdings Corp., as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Section 1350 Certification of the Principal Financial Officer of HMS Holdings Corp., as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

† Indicates a management contract or compensatory plan, contract or arrangement
* The certifications attached hereto as Exhibit 32.1 and Exhibit 32.2 are furnished with this 2019 Form 10-K and shall not be deemed “filed” by the Company for purposes of Section 18 of the Exchange Act

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized on February 26, 2021.

HMS Holdings Corp.

/s/ William C. Lucia

William C. Lucia
Chairman of the Board, President and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on February 26, 2021.

Signature	Title
/s/ William C. Lucia William C. Lucia	Director, Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
/s/ Jeffrey S. Sherman Jeffrey S. Sherman	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)
/s/ Greg D. Aunan Greg D. Aunan	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)
/s/ Katherine Baicker Katherine Baicker	Director
/s/ Robert Becker Robert Becker	Director
/s/ Craig R. Callen Craig R. Callen	Director
/s/ Jeffrey A. Rideout Jeffrey A. Rideout	Director
/s/ Ellen A. Rudnick Ellen A. Rudnick	Director
/s/ Bart M. Schwartz Bart M. Schwartz	Director
/s/ Richard H. Stowe Richard H. Stowe	Director
/s/ Cora M. Tellez Cora M. Tellez	Director

HMS HOLDINGS CORP. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
HMS Holdings Corp.

Opinion on the financial statements
We have audited the accompanying consolidated balance sheets of HMS Holdings Corp. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and financial statement schedule included under Item 15(a) (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated February 26, 2021 expressed an unqualified opinion.

Basis for opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matter
The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Estimation of variable consideration for revenue transactions
As described further in Note 2 to the consolidated financial statements, revenue is recognized based on the types of services provided. Within the coordination of benefits and payment integrity services revenue, there is variable consideration, which relates to establishing the transaction price. We identified the estimation of variable consideration related to the transaction price as a critical audit matter.

The principal consideration for our determination that the estimation of variable consideration for revenue transactions is a critical audit matter is that the transaction price has a high risk of estimation uncertainty due to significant management judgments, including the assumption that historical results are indicative of future activity. In turn, auditing management's assumptions involved significant auditor judgment and subjectivity.

Our audit procedures related to the estimation of variable consideration related to the transaction price included the following, among others:

- We tested the inputs used by management in developing the expected value of the variable consideration by selecting a sample of historical expected recoveries and actual recoveries and obtaining supporting documentation for this activity. Once accuracy of the inputs was verified, we recalculated the recovery percentages used in the estimation of variable consideration.
- We tested the design and operating effectiveness of controls relating to the estimation of variable consideration as it relates to revenue recognition, including the controls related to management's review of the inputs used in the recovery percentage.
- We compared current period recovery percentages to prior periods to identify whether there was unusual trend activity that would indicate that the usage of historical results to predict future activity was no longer reasonable.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2017.

Dallas, Texas
February 26, 2021

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
HMS Holdings Corp.

Opinion on internal control over financial reporting
We have audited the internal control over financial reporting of HMS Holdings Corp. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2020, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended December 31, 2020, and our report dated February 26, 2021 expressed an unqualified opinion on those financial statements.

Basis for opinion
The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting
A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP
Dallas, Texas
February 26, 2021

Table of Contents

HMS HOLDINGS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	December 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 207,124	$ 139,268
Accounts receivable, net	265,717	223,443
Prepaid expenses and other current assets	26,332	30,925
Income tax receivable	—	3,210
Deferred financing costs, net	564	564
Total current assets	499,737	397,410
Property and equipment, net	81,539	86,947
Goodwill	594,561	599,351
Intangible assets, net	117,193	131,849
Operating lease right-of-use assets	14,428	17,493
Deferred financing costs, net	545	1,109
Other assets	21,674	10,117
Total assets	$ 1,329,677	$ 1,244,276
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable, accrued expenses and other liabilities	$ 96,322	$ 97,747
Liability for appeals	6,047	3,570
Total current liabilities	102,369	101,317
Long-term liabilities:		
Revolving credit facility	240,000	240,000
Operating lease liabilities	11,991	14,881
Net deferred tax liabilities	18,906	25,587
Other liabilities	8,082	7,626
Total long-term liabilities	278,979	288,094
Total liabilities	381,348	389,411
Commitments and contingencies		
Shareholders' equity:		
Preferred stock -- $0.01 par value; 5,000,000 shares authorized; none issued	—	—
Common stock -- $0.01 par value; 175,000,000 shares authorized; 102,249,981 shares issued and 88,586,787 shares outstanding at December 31,2020; 101,766,468 shares issued and 88,103,566 shares outstanding at December 31, 2019	1,022	1,018
Capital in excess of par value	503,275	479,964
Retained earnings	579,608	509,459
Treasury stock, at cost: 13,663,194 shares at December 31, 2020 and 2019	(135,576)	(135,576)
Total shareholders' equity	948,329	854,865
Total liabilities and shareholders' equity	$ 1,329,677	$ 1,244,276

See accompanying notes to the consolidated financial statements.

HMS HOLDINGS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)

	Years ended December 31,		
	2020	2019	2018
Revenue	$ 673,283	$ 626,395	$ 598,290
Cost of services:			
Compensation	261,199	231,321	224,893
Direct project and other operating expenses	96,182	90,069	74,346
Information technology	61,433	53,950	53,428
Occupancy	16,528	16,375	15,968
Amortization of acquisition related software and intangible assets	21,964	16,999	32,975
Total cost of services	457,306	408,714	401,610
Selling, general and administrative expenses	122,750	114,665	113,442
Settlement expense	—	—	20,000
Total operating expenses	580,056	523,379	535,052
Operating income	93,227	103,016	63,238
Interest expense	(7,586)	(11,013)	(11,310)
Interest income	271	4,148	1,089
Other income	1,358	8,211	—
Income before income taxes	87,270	104,362	53,017
Income taxes	17,121	17,138	(1,972)
Net income	$ 70,149	$ 87,224	$ 54,989
Basic income per common share:			
Net income per common share — basic	$ 0.79	$ 1.00	$ 0.66
Diluted income per common share:			
Net income per common share — diluted	$ 0.78	$ 0.98	$ 0.64
Weighted average shares:			
Basic	88,438	87,222	83,625
Diluted	90,081	89,317	86,144

See accompanying notes to the consolidated financial statements

HMS HOLDINGS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except share and per share amounts)

	Years ended December 31,		
	2020	2019	2018
Common Stock and paid-in capital			
Balance, beginning of period	$ 480,982	$ 426,737	$ 369,686
Exercise of stock options	2,779	39,332	38,362
Stock-based compensation expense	24,044	21,901	21,507
Vesting of restricted stock units, net of shares withheld for employee tax	(3,508)	(6,988)	(2,818)
Balance, end of period	504,297	480,982	426,737
Retained earnings			
Balance, beginning of period	509,459	422,235	366,164
Net income	70,149	87,224	54,989
Cumulative effect of accounting changes	—	—	1,082
Balance, end of period	579,608	509,459	422,235
Treasury stock			
Balance, beginning of period	(135,576)	(135,576)	(129,621)
Purchase of treasury stock	—	—	(5,955)
Balance, end of period	(135,576)	(135,576)	(135,576)
Total shareholders' equity	$ 948,329	$ 854,865	$ 713,396
Shares issued			
Balance, beginning of period	101,766,468	98,924,501	96,536,251
Exercise of stock options	160,726	2,435,648	2,017,442
Vesting of restricted stock units, net of shares withheld for employee tax	322,787	406,319	370,808
Balance, end of period	102,249,981	101,766,468	98,924,501
Treasury Stock			
Balance, beginning of period	13,663,194	13,663,194	13,279,393
Purchase of treasury stock	—	—	383,801
Balance, end of period	13,663,194	13,663,194	13,663,194

See accompanying notes to the consolidated financial statements.

HMS HOLDINGS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years ended December 31, 2020	2019	2018
Operating activities:			
Net income	$ 70,149	$ 87,224	$ 54,989
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property, equipment and software	32,104	33,293	33,254
Amortization of intangible assets	14,656	9,691	24,342
Amortization of deferred financing costs	564	564	564
Gain on sale of cost basis investment	—	(7,697)	—
Stock-based compensation expense	24,044	21,901	21,507
Deferred income taxes	(6,681)	7,290	(3,504)
Noncash lease expense	3,065	4,133	—
Change in fair value of contingent consideration	—	—	(35)
Release of estimated liability for appeals, net	—	(10,478)	(8,436)
Changes in operating assets and liabilities:			
Accounts receivable	(39,977)	(16,292)	(17,312)
Prepaid expenses and other current assets	4,593	(10,487)	(2,785)
Other assets	(8,169)	(2,173)	245
Income taxes receivable / payable	9,790	15,607	(16,925)
Accounts payable, accrued expenses and other liabilities	(4,677)	4,744	11,181
Operating lease liabilities	(2,890)	(5,315)	—
Liability for appeals	2,477	1,227	(628)
Net cash provided by operating activities	99,048	133,232	96,457
Investing activities:			
Acquisition of businesses, net of cash acquired	1,529	(185,790)	—
Proceeds from sale of cost basis investment	—	9,776	—
Investment in common stock	(3,388)	(7,421)	—
Purchases of property and equipment	(11,253)	(8,276)	(11,264)
Investment in capitalized software	(16,636)	(13,348)	(19,149)
Net cash used in investing activities	(29,748)	(205,059)	(30,413)
Financing activities:			
Proceeds from exercise of stock options	2,779	39,332	38,362
Payments of tax withholdings on behalf of employees for net-share settlements	(3,508)	(6,988)	(2,818)
Payments on capital lease obligations	(715)	(195)	—
Purchases of treasury stock	—	—	(5,955)
Net cash (used in)/provided by financing activities	(1,444)	32,149	29,589
Net increase/(decrease) in cash and cash equivalents	67,856	(39,678)	95,633
Cash and Cash Equivalents			
Cash and cash equivalents at beginning of year	139,268	178,946	83,313
Cash and cash equivalents at end of period	$ 207,124	$ 139,268	$ 178,946
Supplemental disclosure of cash flow information:			
Cash paid for income taxes/(refunds received), net of refunds	$ 13,734	$ (5,298)	$ 22,225
Cash paid for interest	$ 5,928	$ 10,457	$ 10,326
Supplemental disclosure of non-cash activities:			
Change in balance of accrued property and equipment purchases	$ 1,193	$ (1,303)	$ 1,305

See accompanying notes to the consolidated financial statements.

HMS HOLDINGS CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Business and Summary of Significant Accounting Policies

(a) Business

The terms “HMS,” “Company,” “we,” “us,” and “our” refer to HMS Holdings Corp. and its consolidated subsidiaries unless the context clearly indicates otherwise. HMS is an industry-leading provider of cost containment and analytical solutions in the healthcare marketplace. Our mission is to make healthcare work better for everyone. We use data, technology, analytics and in-house expertise to deliver coordination of benefits (“COB”), payment integrity (“PI”) and population health management (“PHM”) solutions that help healthcare organizations reduce costs, improve health outcomes and drive the value of healthcare. We provide a broad range of payment accuracy solutions to government and commercial healthcare payers, including coordination of benefits services, to ensure that the right payer pays the claim, and payment integrity services that identify and correct improper healthcare billings and payments. Our population health management solutions include a multi-layered integrated portfolio of risk analytics, engagement and care management solutions that provide healthcare organizations the tools to address the needs of the whole person and improve the quality, cost, experience and outcomes of their entire population. Through our solutions, we move healthcare forward by saving billions of healthcare dollars while helping consumers lead healthier lives. We currently operate as one business segment with a single management team that reports to the Chief Executive Officer.

Proposed Transaction with Gainwell

On December 20, 2020, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Gainwell Acquisition Corp. (“Gainwell”), Mustang MergerCo Inc., a Delaware corporation and wholly owned subsidiary of Gainwell (“Merger Sub”) and Gainwell Intermediate Holding Corp. The Merger Agreement provides that, upon the terms and subject to the satisfaction or waiver of the conditions set forth therein, Merger Sub will merge with and into HMS, with HMS continuing as the surviving corporation and a wholly owned subsidiary of Gainwell (the “Merger”). Under the terms of the Merger Agreement, which has been unanimously approved by the HMS Board of Directors, HMS shareholders will receive $37.00 in cash per share.

The Merger Agreement includes customary representations, warranties and covenants. The consummation of the Merger is subject to customary closing conditions, including, among others, the adoption of the Merger Agreement by the affirmative vote of the holders of a majority of the shares of HMS's common stock outstanding and entitled to vote as well as the satisfaction of other customary closing conditions. The Merger is not conditioned upon receipt of financing by Gainwell. We cannot predict with certainty, however, whether and when all of the required closing conditions will be satisfied or if the Merger will close at all. Under certain specified circumstances, HMS may be required to pay Gainwell a termination fee of $67,392,807 if the Merger Agreement is terminated under certain circumstances.

The terms of the Merger Agreement and the transactions contemplated thereby are more fully described in the full text of the Merger Agreement, which is included as Exhibit 2.1 to this 2020 Form 10-K.

(b) Summary of Significant Accounting Policies

For certain accounting topics, the description of the accounting policy may be found in the related Note.

(i) Principles of Consolidation

The consolidated financial statements include the Company’s accounts and transactions and those of the Company’s wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

(ii) Use of Estimates

The preparation of the consolidated financial statements in conformity with United States generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(iii) Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents consist of deposits that are readily convertible into cash.

In connection with coordination of benefits and certain payment integrity services, lockboxes and their associated bank accounts are set up to support recoveries and remittances. Generally, these bank accounts are for the benefit of the Company's customers. Customer cash held in Company bank accounts for the benefit of the customer was approximately $13.6 million and $21.9 million as of December 31, 2020 and 2019, respectively. This amount is included in cash and cash equivalents and other current liabilities on the accompanying consolidated balance sheet.

(iv) Concentration of Credit Risk

The Company's policy is to limit credit exposure by placing cash in accounts which are exposed to minimal interest rate and credit risk. HMS maintains cash and cash equivalents in cash depository accounts with large financial institutions with a minimum credit rating of A1/P1 or better, as defined by Standard and Poor's. The balance at these institutions generally exceeds the maximum balance insured by the Federal Deposit Insurance Corporation of up to $250,000 per entity. HMS has not experienced any losses in cash and cash equivalents and believes these cash and cash equivalents do not expose the Company to any significant credit risk.

The Company is subject to potential credit risk related to changes in economic conditions within the healthcare market. However, HMS believes that the billing and collection policies are adequate to minimize the potential credit risk. The Company performs ongoing credit evaluations of customers and generally does not require collateral.

(v) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets utilizing the straight-line method. HMS amortizes leasehold improvements on a straight-line basis over the shorter of (i) the term of the lease or (ii) the estimated useful life of the improvement. Equipment leased under capital leases is depreciated over the shorter of (i) the term of the lease or (ii) the estimated useful life of the equipment. Capitalized software costs relate to software that is acquired or developed for internal use while in the application development stage. All other costs to develop software for internal use, either in the preliminary project stage or post-implementation stage, are expensed as incurred. Amortization of capitalized software is calculated on a straight-line basis over the expected economic life. Land is not depreciated.

Estimated useful lives are as follows:

Property and Equipment	Useful Life (in years)		
Equipment	2	to	5
Leasehold improvements	5	to	10
Furniture and fixtures		5	
Capitalized software	3	to	10
Building and building improvements		up to 39	

Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When indicators exist, recoverability of assets is measured by a comparison of the carrying value of the asset group to the estimated undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized and charged to earnings is measured by the amount by which the carrying value of the asset group exceeds the fair value of the assets. The Company did not recognize any impairment charges related to property and equipment during the years ended December 31, 2020, 2019 or 2018.

(vi) Intangible Assets

The Company records assets acquired and liabilities assumed in a business combination based upon their acquisition date fair values. In most instances there is not a readily defined or listed market price for individual assets and liabilities acquired in connection with a business, including intangible assets. The Company determines fair value through various valuation techniques including discounted cash flow models, quoted market values, relief from royalty methodologies, multi-period and third party independent appraisals, as considered necessary. Significant assumptions used in those techniques include, but are not limited to, growth rates, discount rates, customer attrition rates, expected levels of revenues, earnings, cash flows and tax rates. The use of different valuation techniques and assumptions are highly subjective and inherently uncertain and, as a result, actual results may differ materially from estimates.

All of the Company's intangible assets are subject to amortization and are amortized using the straight-line method over their estimated period of benefit. Estimated useful lives are as follows:

Intangible Assets	Useful Life (in years)		
Customer relationships	7	to	15
Restrictive covenants	1	to	3
Trade names	1.5	to	7
Intellectual property	4	to	6

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When indicators exist, recoverability of assets is measured by a comparison of the carrying value of the asset group to the estimated undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized and charged to earnings is measured by the amount by which the carrying value of the asset group exceeds the fair value of the assets. The Company did not recognize any impairment charges related to intangible assets during the years ended December 31, 2020, 2019 or 2018.

(vii) Goodwill

Goodwill is the excess of acquisition costs over the fair values of assets and liabilities of acquired businesses. During the measurement period, which is up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

The Company assesses goodwill for impairment on an annual basis as of June 30th of each year or more frequently if an event occurs or changes in circumstances would more likely than not reduce the fair value of a reporting unit below its carrying amount. Assessment of goodwill impairment is at the HMS Holdings Corp. entity level as the Company operates as a single reporting unit. The Company has the option to perform a qualitative assessment to determine if impairment is more likely than not to have occurred. When the qualitative assessment of goodwill impairment is performed, significant judgment is required in the assessment of qualitative factors including but not limited to an evaluation of macroeconomic conditions as they relate to our business, industry and market trends, as well as the overall future financial performance of our reporting units and future opportunities in the markets in which they operate. If the Company can support the conclusion that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount using the qualitative assessment, then the Company would not need to perform the two-step impairment test. If the Company cannot support such a conclusion, or the Company does not elect to perform the qualitative assessment, then the first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of the reporting unit with its carrying amount, including goodwill. The Company completed the annual impairment test as of June 30, 2020 using the qualitative assessment and determined no impairment existed. There were no impairment charges related to goodwill during the years ended December 31, 2020, 2019 or 2018.

(viii) Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. This method also requires the recognition of future tax benefits for net operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date. A valuation allowance is provided against deferred tax assets to the extent their realization is not more likely than not. Uncertain income tax positions are accounted for by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. Although the Company believes that it has adequately reserved for uncertain tax positions (including interest and penalties), it can provide no assurance that the final tax outcome of these matters will not be materially different. The Company makes adjustments to these reserves in accordance with the income tax accounting guidance when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made, and could have a material impact on our financial condition and operating results.

(ix) Expense Classifications

HMS cost of services is presented in the categories set forth below. Each category within cost of services excludes expenses relating to selling, general and administrative ("SG&A") functions, which are presented separately as a component of total operating costs. A description of the primary expenses included in each category is as follows:

Cost of Services:

- *Compensation:* Salary, fringe benefits, bonus and stock-based compensation.
- *Information technology:* Hardware, software and data communication costs.
- *Occupancy:* Rent, utilities, depreciation, office equipment and repair and maintenance costs.
- *Direct project and other operating expenses:* Variable costs incurred from third party providers that are directly associated with specific revenue generating projects and employee travel expenses, professional fees, temporary staffing, travel and entertainment, insurance and local and property tax costs.
- *Amortization of acquisition related software and intangible assets:* Amortization of the cost of acquisition related software and intangible assets.

SG&A:

- Expenses related to general management, marketing and administrative activities.

(x) Estimating Valuation Allowances and Accrued Liabilities

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reported period. In particular, management must make estimates of the probability of collecting accounts receivable. When evaluating the adequacy of the accounts receivable allowance, management reviews the accounts receivable based on an analysis of historical revenue adjustments, bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in customer payment terms. As of December 31, 2020 and 2019, the accounts receivable balance was $265.7 million and $223.4 million, respectively, net of adjustments. Adjustments to the accounts receivable balance include revenue recognition related adjustments, such as customer discounts, and allowance for credit related losses. The allowance for credit related losses was not material to the financial statements as of December 31, 2020 and 2019.

(xi) Stock-Based Compensation

Long-Term Incentive Award Plans

The Company grants stock options and restricted stock units to HMS employees and non-employee directors of the Company under the HMS Holdings Corp. 2019 Omnibus Incentive Plan (the "2019 Omnibus Plan"), as approved by the Company's shareholders on May 22, 2019. The 2019 Omnibus Plan replaced and superseded the HMS Holdings Corp. 2016 Omnibus Incentive Plan. As of December 31, 2020, the number of securities remaining available for future issuance under equity compensation plans, excluding securities to be issued upon exercise of outstanding options and vesting of restricted stock units, was 7,511,665 shares. All of the Company's employees as well as HMS non-employee directors are eligible to participate in the 2019 Omnibus Plan. Awards granted under the 2019 Omnibus Plan generally vest over one to four years. Subject to certain exceptions, the exercise price of stock options granted under the 2019 Omnibus Plan may not be less than the fair market value of a share of stock on the grant date, which is determined based on the closing price of the Company's common stock on the Nasdaq Global Select Market and the term of a stock option may not exceed ten years.

Stock-Based Compensation Expense

The Company recognizes stock-based compensation expense equal to the grant date fair value of the award on a straight-line basis over the requisite service period.

The fair value of each option grant with only service-based conditions is estimated using the Black-Scholes pricing model. The fair value of each restricted stock unit is calculated based on the closing sale price of the Company's common stock on the grant date.

The determination of the fair value of the options on the grant date using the Black-Scholes pricing model is affected by the Company's stock price, as well as assumptions regarding a number of complex and subjective variables. Certain key variables include: the Company's expected stock price volatility over the expected term of the awards; a risk-free interest rate; and any expected dividends. The Company estimates stock price volatility based on the historical volatility of the Company's common stock and estimates the expected term of the awards based on the Company's historical option exercises for similar types of stock option awards. The assumed risk-free interest rate is based on the yield on the measurement date of a zero-coupon U.S. Treasury bond with a maturity period equal to the option's expected term. The Company does not anticipate paying any cash dividends in the foreseeable future and therefore, uses an expected dividend yield of zero in the option valuation models. The fair value of all awards also includes an estimate of expected forfeitures. Forfeitures are estimated based on historical experience. If actual forfeitures vary from estimates, a difference in compensation expense will be recognized in the period the actual forfeitures occur. Upon the exercise of stock options or the vesting of restricted stock units, the resulting excess tax benefits or deficiencies, if any, are recognized as income tax expense or benefit.

(xii) Fair Value of Financial Instruments

Financial instruments are categorized into a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument. In the event the fair value is not readily available or determinable, the financial instrument is carried at cost and referred to as a cost method investment. The fair value hierarchy is as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Financial instruments (principally cash and cash equivalents, equity securities, accounts receivable, accounts payable and accrued expenses) are carried at cost, which approximates fair value due to the short-term maturity of these instruments. The Company's long-term credit facility is carried at cost, which approximates fair value due to the variable interest rate associated with the revolving credit facility.

There were no sales, settlements, purchases, issuances and/or transfers related to level 3 instruments in 2020 or 2019.

(xiii) Leases

The Company determines if an arrangement is a lease at inception. Operating leases are reported on the Company's consolidated balance sheet within Operating lease right-of-use ("ROU") assets, Operating lease liabilities and Accounts payable, accrued expenses and other liabilities. Finance leases are reported on the Company's consolidated balance sheets within Other assets, Other liabilities and Accounts payable, accrued expenses and other liabilities.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the Company's leases do not provide an implicit rate, we use the Company's incremental borrowing rate based on the information available at the lease's commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. The lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. For certain real estate and equipment leases, the Company has lease agreements with lease and non-lease components, which are generally accounted for as a single component.

The Company primarily leases real estate, information technology equipment and data centers on terms that expire on various dates through 2026, some of which include options to extend the lease for up to 10 years. We evaluate whether to include the option period in the calculation of the ROU asset and lease liability on a lease-by-lease basis. As of December 31, 2020, all operating and finance leases that create significant rights and obligations for the Company have commenced.

(xiv) Recent Accounting Guidance

Recently Adopted Accounting Guidance

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-9, *Revenue from Contracts with Customers* (Topic 606) ("ASU 2014-9"), which is the new comprehensive revenue recognition standard that supersedes all existing revenue recognition guidance under U.S. GAAP. The Company adopted ASU 2014-9 on January 1, 2018 using the modified retrospective method and the Company recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings. The financial information for comparative prior periods has not been restated and continues to be reported under the accounting standards in effect for those periods. The effect of adopting ASU 2014-9 in 2018 as compared with the guidance that was in effect before the change is immaterial. The Company's internal control framework did not materially change, but existing internal controls were modified due to certain changes to business processes and systems to support the new revenue recognition standard as necessary. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires most lessees to recognize a majority of the company's leases on the balance sheet, which increases reported assets and liabilities. ASU 2016-02 was subsequently amended by ASU No. 2018-01, *Land Easement Practical Expedient for Transition to Topic* 842; ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*; and ASU No. 2018-11, *Targeted Improvements*. The new standard establishes a ROU model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018 including interim periods within such annual reporting periods with early adoption permitted. The Company adopted this guidance on January 1, 2019, utilizing the optional transition method approach with an effective date of January 1, 2019. Consequently, financial information prior to the effective date was not updated and the disclosures required under the new standard are not provided for dates and periods prior to the effective date. There were no cumulative effect adjustments to retained earnings as part of adoption. The Company elected the available practical expedients, including the practical expedient to not separate lease and non-lease components of its leases and the short-term lease practical expedient. The Company's internal control framework did not materially change, but existing internal controls were modified due to certain changes to business processes and systems to support the new leasing standard as necessary. As the Company previously disclosed, the standard had a material impact on its consolidated balance sheets, the most significant impact being the recognition of approximately $21.3 million of ROU assets and $26.3 million of lease liabilities on the effective date, but there was no impact on its consolidated income statements.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation – Stock Compensation (Topic 718) – Improvements to Nonemployee Share-Based Payment Accounting,* (“ASU 2018-07”). ASU 2018-07 requires entities to apply similar accounting for share-based payment transactions with non-employees as with share-based payment transactions with employees. ASU 2018-07 is effective for public entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company adopted this guidance on January 1, 2019. The adoption of this guidance did not have a material effect on the Company’s consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses* (“ASU 2016-13”). ASU 2016-13 introduces the current expected credit losses methodology for estimating allowances for credit losses. ASU 2016-13 applies to all financial instruments carried at amortized cost and off-balance-sheet credit exposures not accounted for as insurance, including loan commitments, standby letters of credit, and financial guarantees. The new accounting standard does not apply to trading assets, loans held for sale, financial assets for which the fair value option has been elected, or loans and receivables between entities under common control. ASU 2016-13 is effective for public entities for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company adopted this guidance on January 1, 2020. When developing an estimate of the Company's expected credit losses, the Company considers all relevant information regarding the collectability of cash flows including historical information, customers' credit history and current financial conditions, industry trends and reasonable and supportable forecasts of future economic conditions over the contractual life of the receivable. The adoption of this guidance did not have a material effect on the Company’s consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles - Goodwill and Other - Internal Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* ("ASU 2018-15"). The standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal use software. ASU 2018-15 is effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company adopted this guidance on January 1, 2020. The adoption of this guidance did not have a material effect on the Company’s consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurements* ("ASU 2018-13"). The objective of the ASU is to improve the disclosures related to fair value measurement by removing, modifying, or adding disclosure requirements related to recurring and non-recurring fair value measurements. ASU 2018-13 is effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company adopted this guidance on January 1, 2020. The adoption of this guidance did not have a material effect on the Company’s consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"). The objective of ASU 2020-04 is to provide optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The guidance is effective for all entities as of March 12, 2020 through December 31, 2022. The Company has adopted this guidance and will continue evaluating the impact, but there has been no material impact on the Company’s consolidated financial statements as of December 31, 2020.

Recent Accounting Guidance Not Yet Adopted

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"). The guidance eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences related to changes in ownership of equity method investments and foreign subsidiaries. The guidance also simplifies aspects of accounting for franchise taxes and enacted changes in tax laws or rates, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. ASU 2019-12 is effective for public business entities for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period for which financial statements have not been issued. This guidance is not expected to have a material impact on the Company's financial position, results of operations or internal control framework.

2. Revenue

The Company's revenue disaggregated by service was as follows (*in thousands*):

	Years ended December 31,	
	2020	**2019**
Coordination of Benefits	$ 469,189	$ 404,123
Payment Integrity	152,019	162,194
Population Health Management	52,075	60,078
Total	$ 673,283	$ 626,395

Coordination of benefits revenue is derived from contracts with state governments, Medicaid managed care plans, and commercial health plans that typically span years with the option to renew. Types of service contracts could include: (a) the identification of erroneously paid claims; (b) the delivery of verified commercial insurance coverage information; (c) the identification of paid claims where another third party is liable; and (d) the identification and enrollment of Medicaid members who have access to employer insurance. Most of these types of service contracts contain multiple promises, all of which are not distinct within the context of the contract. Therefore, the promises represent a single, distinct performance obligation for the types of services we offer. Revenue derived from these performance obligations is largely based on variable consideration where, based on the number of claims or amount of findings the Company identified, a contingent or fixed transaction price/recovery percentage is allocated to each distinct performance obligation. The Company utilizes the expected value method to estimate the variable consideration related to the transaction price for its service contracts. Key inputs and assumptions in determining variable consideration includes identified pricing and expected recoveries and/or savings. The expected recoveries and/or savings are based on historical experience of information received from our customers. Revenue is primarily recognized at a point in time when our customers realize economic benefits from our services when our services are completed. However, we have a limited number of fixed fee arrangements where revenue is recognized over time as performance obligations are satisfied within one to five years. Generally, coordination of benefit contract payment terms are not standardized within the respective contract; however, payment is typically due on demand and there is a clear and distinct history of customers making consistent payments.

Payment integrity services revenue is derived from contracts with federal and state governments, commercial health plans and other at-risk entities that can span years with the option to renew. Types of service contracts could include: (a) services designed to ensure that healthcare payments are accurate and appropriate; and (b) the identification of over/(under)payments or inaccurate charges based on a review of medical records. Most of these types of service contracts contain multiple promises, all of which are not distinct within the context of the contract. Therefore, the promises represent a single, distinct performance obligation for the types of services we offer. Revenue derived from these performance obligations is largely based on variable consideration where, based on the number of claims or amount of findings the Company identified, a contingent or fixed transaction price/recovery percentage is allocated to each distinct performance obligation. The Company utilizes the expected value method to estimate the variable consideration related to the transaction price for its service contracts. Key inputs and assumptions in determining variable consideration includes identified pricing and expected recoveries and/or savings. The expected recoveries and/or savings are based on historical experience of information received from our customers. Revenue is primarily recognized at a point in time when our customers realize economic benefits from our services when our services are completed. However, we have a limited number of fixed fee arrangements where revenue is recognized over time as performance obligations are satisfied within one to five years. Generally, payment integrity contract payment terms are not standardized within the respective contract; however, payment is typically due on demand and there is a clear and distinct history of customers making consistent payments.

Payment accuracy revenue consists of revenue for our coordination of benefits and payment integrity services.

Population health management revenue is derived from contracts with health plans and other risk-bearing entities that can span several years with the option to renew. Types of service contracts could include: (a) programs designed to improve member engagement; and (b) outreach services designed to improve clinical outcomes. Most of these types of service contracts contain multiple promises, all of which are not distinct within the context of the contract. Therefore, the promises represent a single, distinct performance obligation for the types of services we offer. Revenue derived from these services is largely based on consideration associated with prices per order/transfer and PMPM/PMPY fees. The Company believes the output method is a reasonable measure of progress for the satisfaction of our performance obligations, which are satisfied over time, as it provides a faithful depiction of (1) our performance toward complete satisfaction of the performance obligation under the contract and (2) the value transferred to the customer of the services performed under the contract. The Company has elected the right to invoice practical expedient for recognition of revenue related to its performance obligations when the amount we have the right to invoice the customer corresponds directly with the value to the customer. Additionally, we have a limited number of fixed fee arrangements where revenue is recognized over time as performance obligations are satisfied within one to five years. Upon adoption of Accounting Standards Codification ("ASC") 606 in 2018, revenue for software licenses is recognized at the beginning of the license period when control is transferred as the license is installed and revenue for implementation fees is recognized when control is transferred over time as the implementation is being performed. As the performance obligation is deemed to have been satisfied and control transferred to our customers for software licenses and implementation fees on or before December 31, 2017, the Company recorded a decrease to deferred revenue and an increase to opening retained earnings of $1.1 million, net of tax, as of January 1, 2018 for the cumulative impact of adopting ASC 606. Generally, population health management contract payment terms are stated within the contract and are due within an explicitly stated time period (e.g., 30, 45, 60 days) from the date of invoice. A portion of the payment received may relate to future performance obligations and will result in an increase to deferred revenue until the obligation has been met.

The Company's accounts receivable balance is net of estimated variable consideration of $20.8 million and $17.1 million as of December 31, 2020 and December 31, 2019, respectively, related to revenue recognized based on expected recoveries and/or savings.

The Company’s revenue disaggregated by market is as follows (*in thousands*):

	Years ended December 31,	
	2020	**2019**
Commercial	$ 350,538	$ 302,489
State	276,118	257,685
Federal	46,627	66,221
Total	$ 673,283	$ 626,395

A portion of the Company’s services are deferred and revenue is recognized at a later time. Deferred revenue was approximately $4.2 million as of December 31, 2019. Approximately $4.2 million of the December 31, 2019 deferred revenue balance was recognized as revenue during the year ended December 31, 2020. Deferred revenue was approximately $5.9 million as of December 31, 2020. Deferred revenue is included in Accounts payable, accrued expenses and other liabilities in the Consolidated Balance Sheets.

Contract modifications are routine in nature and often done to account for changes in the contract specifications or requirements. In most instances, contract modifications are for services that are not distinct, and, therefore, modifications are accounted for as part of the existing contract. The Company has elected to use the practical expedient to expense the incremental costs of obtaining a contract if the amortization period of the asset that the Company would have otherwise recognized is one year or less.

3. Acquisitions

(a) Accent

On December 23, 2019, HMS acquired West Claims Recovery Services, LLC (“Accent”), a payment accuracy and cost containment business, for aggregate consideration of cash in the amount of $157.6 million, net of post-closing adjustments, which was funded through cash on hand.

The intangible assets are valued using various methods which require several judgments, including growth rates, discount rates, customer attrition rates, and expected levels of revenues, earnings, cash flows and tax rates. The intangible assets are amortized over their estimated useful lives on a straight-line basis. Goodwill was determined based on the difference between the purchase price and the fair values of the tangible and intangible assets acquired. Goodwill recognized from the acquisition was the result of synergies to be realized from future revenue growth. Goodwill is deductible for tax purposes, has an indefinite useful life and will be included in the Company’s annual impairment testing or between annual tests if an indicator of impairment exists.

The allocation of the purchase price to the fair value of the assets acquired and the liabilities assumed as of December 23, 2019, the effective date of the acquisition, as adjusted during the year ended December 31, 2020, was as follows (*in thousands*):

Cash and cash equivalents	$	9,916
Accounts receivable		11,485
Prepaid expenses		129
Property and equipment		2,878
Intangible assets		68,400
Goodwill		76,755
Other assets		489
Accounts payable and accrued liabilities		(12,431)
Total purchase price	$	157,621

During the year ended December 31, 2020, the Company made refinements to the December 23, 2019 preliminary purchase price allocation as reported at December 31, 2019. These refinements, primarily related to working capital, resulted in an increase in accounts receivable of $2.3 million, an increase in cash and cash equivalents of $0.5 million, a decrease in accounts payable and accrued liabilities of $1.0 million, a decrease in goodwill of approximately $4.8 million and an overall decrease in the total consideration paid due to post-closing adjustments of $1.0 million. Substantially all the receivables acquired were collected as of December 31, 2020.

The purchase price allocated to the intangible assets acquired was as follows (*in thousands*):

	Useful Life (in years)		
Customer relationships	12	$	67,000
Trade name	3		1,400
Fair value of intangibles acquired		$	68,400

We incurred $2.1 million of acquisition related costs related to the Accent acquisition for the year ended December 31, 2019. The costs include consulting, legal and transaction costs, and have been recorded in selling, general and administrative expenses.

The financial results of Accent's operations since December 23, 2019 have been included in the Company's consolidated financial statements and are not considered material for the year ended December 31, 2019. For the year ended December 31, 2020, Accent contributed approximately $43.3 million in revenue to HMS's results of operations.

The following table reflects the pro forma operating results for the Company which gives effect to the acquisition of Accent as if it had occurred on January 1, 2018. The pro forma results are based on assumptions that the Company believes are reasonable under the circumstances. The pro forma results are not necessarily indicative of future results. The pro forma financial information includes the historical results of the Company and Accent adjusted for certain items, which are described below, and does not include the effects of any synergies or cost reduction initiatives related to the acquisition of Accent.

	Years ended December 31,			
	2019		2018	
	(pro forma, in thousands) (unaudited)			
Revenue	$	675,259	$	650,203
Net income	$	92,845	$	60,011

Pro forma net income for the years ended December 31, 2019 and 2018 reflects adjustments primarily related to depreciation and amortization.

(b) VitreosHealth

On September 16, 2019, HMS acquired VitreosHealth, Inc. ("VitreosHealth"), a company that offers predictive and prescriptive health insights utilized by population risk models, for aggregate consideration of $36.6 million, which was funded with cash on hand. The purchase price was subject to certain post-closing purchase price adjustments and the initial purchase price allocation as of the date of acquisition was based on a preliminary valuation.

The Company's allocation of consideration exchanged to the net tangible and intangible assets acquired and liabilities assumed in the acquisition is based on estimated fair values as of September 16, 2019. The Company allocated the purchase price, net of cash acquired, to the following significant assets: intellectual property subject to amortization of $6.0 million, and goodwill of $30.2 million which represents the excess purchase price over the net identifiable tangible and intangible assets. There were no additional material allocations to assets and liabilities. The intangible assets are valued using various methods which require several judgments, including growth rates, discount rates, expected levels of revenues, earnings, cash flows and tax rates. The intangible assets are amortized over their estimated useful lives on a straight-line basis and are not expected to be deductible for tax purposes. The goodwill recognized from the acquisition was a result of expected synergies to be realized from future revenue growth, is not expected to be deductible for tax purposes, has an indefinite useful life and will be included in the Company's annual impairment testing.

Pro forma historical results of operations related to this business acquisition for the year ended December 31, 2018, or interim periods thereafter, and for the year ended December 31, 2019, have not been presented and are not considered material. The results of VitreosHealth's operations since September 16, 2019 have been included in the Company's consolidated financial statements and are not considered material.

4. Property and Equipment

Property and equipment consisted of the following (*in thousands*):

	December 31, 2020	December 31, 2019
Equipment	$ 88,426	$ 90,347
Leasehold improvements	7,040	8,042
Building	9,674	9,674
Building improvements	17,115	16,305
Land	2,949	2,949
Furniture and fixtures	8,665	8,685
Capitalized software	151,156	134,864
	285,025	270,866
Less: accumulated depreciation and amortization	(203,486)	(183,919)
Property and equipment, net	$ 81,539	$ 86,947

	Years ended December 31, 2020	2019	2018
Depreciation and amortization expense related to property and equipment	$ 32,104	$ 33,293	$ 33,254

5. Intangible Assets, Goodwill and Other Assets

(a) Intangible Assets

Intangible assets consisted of the following (*amounts in thousands*):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period in Years
December 31, 2020				
Customer relationships	$ 125,423	$ (21,346)	$ 104,077	11.1
Trade names	1,400	(478)	922	2.0
Intellectual property	27,700	(15,506)	12,194	3.2
Total	$ 154,523	$ (37,330)	$ 117,193	

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period in Years
December 31, 2019				
Customer relationships	$ 135,290	$ (21,637)	$ 113,653	12.1
Trade names	1,536	(147)	1,389	3.0
Intellectual property	27,700	(10,893)	16,807	3.7
Total	$ 164,526	$ (32,677)	$ 131,849	

Amortization expense of intangible assets is expected to approximate the following (*in thousands*):

Year ending December 31,	Amortization
2021	$ 14,247
2022	14,235
2023	11,405
2024	10,330
2025	10,038
Thereafter	56,938
Total	$ 117,193

For the years ended December 31, 2020, 2019 and 2018, amortization expense related to intangible assets was $14.7 million, $9.7 million, and $24.3 million, respectively.

(b) Goodwill

As a result of the Accent and VitreosHealth acquisitions, the changes in the carrying amount of goodwill were as follows (*in thousands*):

Balance at December 31, 2018	**$ 487,617**
Vitreos acquisition	30,189
Accent acquisition	81,545
Balance at December 31, 2019	**$ 599,351**
Accent acquisition	(4,790)
Balance at December 31, 2020	**$ 594,561**

(c) Other Assets

In the third quarter of 2019, a third party acquired one hundred percent of the outstanding stock of InstaMed Holdings, Inc. ("InstaMed") including the Company's cost based investment in InstaMed of $2.1 million. As a result, the Company received proceeds of $9.8 million from the sale of the investment and recognized a $7.7 million gain in other income for the year ended December 31, 2019.

In 2020 and 2019, the Company made an investment of $3.4 million and initial investment of $7.4 million, respectively, in ordinary shares of MedAdvisor Limited ("MedAdvisor")(ASX: MDR), a digital medication management company based in Australia. The equity securities are categorized as Level 1 within the fair value hierarchy as the ordinary shares are actively traded on the Australian Stock Exchange. For the years ended December 31, 2020 and 2019, the fair value measurement in relation to this equity instrument was $12.7 million and $7.9 million, respectively. There were no sales, settlements, issuances or transfers related to this level 1 instrument in 2020 or 2019.

The Company recorded net unrealized gains of $1.4 million and $0.5 million for the years ended December 31, 2020 and 2019, respectively. These gains are reflected as a component of other income, in the accompanying Consolidated Statements of Income.

6. Accounts Payable, Accrued Expenses and Other Liabilities

Accounts payable, accrued expenses and other liabilities consisted of the following *(in thousands)*:

	December 31, 2020	December 31, 2019
Accounts payable, trade	$ 14,688	$ 12,246
Accrued compensation and other	30,201	36,827
Accrued operating expenses	38,666	42,045
Income tax payable	6,580	—
Current portion of lease liabilities	6,187	6,629
Total accounts payable, accrued expenses and other liabilities	$ 96,322	$ 97,747

7. Income Taxes

Income tax expense is as follows *(in thousands)*:

	Years ended December 31,		
	2020	2019	2018
Current tax expense (benefit):			
Federal	$ 17,629	$ 6,167	$ 2,965
State	6,173	3,678	(1,433)
Total current tax expense:	23,802	9,845	1,532
Deferred tax expense (benefit):			
Federal	(4,237)	6,219	(2,650)
State	(2,444)	1,074	(854)
Total deferred tax expense (benefit):	(6,681)	7,293	(3,504)
Total income tax expense (benefit)	$ 17,121	$ 17,138	$ (1,972)

A reconciliation of the income tax expense calculated using the applicable federal statutory rate to the actual income tax expense is as follows *(in thousands)*:

	Years ended December 31,					
	2020	**%**	**2019**	**%**	**2018**	**%**
Computed at federal statutory rate	$ 18,327	21.0	$ 21,916	21.0	$ 11,134	21.0
State and local tax expense, net of federal benefit	2,945	3.4	3,625	3.4	2,367	4.5
Net permanent deduction and credit tax benefits from current year	(2,678)	(3.1)	(1,166)	(1.1)	(1,143)	(2.2)
Adjustments to estimates of permanent items and credit tax benefits	(2,034)	(2.3)	—	—	(437)	(0.8)
Net uncertain tax positions excluding current permanent deduction and credit benefits	(705)	(0.8)	(937)	(0.8)	(3,756)	(7.0)
Subsidiary basis write off	—	—	—	—	(3,423)	(6.5)
Equity compensation net tax windfall	(245)	(0.3)	(8,634)	(8.3)	(2,890)	(5.5)
State tax apportionment changes	—	—	—	—	(3,737)	(7.0)
Disallowed executive compensation	1,262	1.5	1,750	1.6	682	1.3
Acquisition adjustments	—	—	—	—	(1,226)	(2.3)
Acquisition costs	—	—	245	0.3	—	—
Other, net	249	0.2	339	0.3	457	0.8
Total income tax expense	$ 17,121	19.6	$ 17,138	16.4	$ (1,972)	(3.7)

The Company has current period foreign income tax expense and includes global intangible low-taxed income as current period income tax expense, both of which are not material to the overall financial statements.

Deferred income taxes are recognized for the future tax consequences of temporary differences between the financial statement and tax bases of assets and liabilities. The tax effect of temporary differences that give rise to a significant portion of the deferred tax assets and deferred tax liabilities are as follows *(in thousands)*:

	December 31,	
	2020	2019
Deferred tax assets:		
Stock-based compensation	$ 10,281	$ 8,056
Goodwill and intangible assets	4,654	5,516
Accounts receivable, net	5,244	4,442
Liability for appeals	1,522	931
Net operating loss carry-forwards	1,692	2,644
Tax credit carry-forwards	2,883	1,815
Property and equipment	—	139
Accrued expenses and other	6,994	5,054
ROU Liability	4,906	5,799
Total deferred tax assets	38,176	34,396
Deferred tax liabilities:		
Goodwill and intangible assets	41,204	42,894
Section 481(a) adjustment	—	2,551
Prepaid expenses	875	734
Property and equipment	884	—
Capitalized software cost	9,886	9,068
ROU Asset	4,233	4,736
Total deferred tax liabilities	57,082	59,983
Total net deferred tax liabilities	$ 18,906	$ 25,587

Included in Other Liabilities on the Consolidated Balance Sheets, are the total amount of unrecognized tax benefits of approximately $4.5 million and $4.2 million as of December 31, 2020 and 2019, respectively, net of the federal benefit for state issues that, if recognized, would favorably affect the Company's future effective tax rate. Also included in Other Liabilities on the Consolidated Balance Sheets are accrued liabilities for interest expense and penalties related to unrecognized tax benefits of $0.6 million and $0.7 million as of December 31, 2020 and 2019, respectively. HMS includes interest expense and penalties in the provision for income taxes in the Consolidated Statements of Income. The amount of interest (income)/expense, net of federal and state income tax benefits, and penalties in the Consolidated Statements of Income for the years ended December 31, 2020, 2019, and 2018 was $(0.1) million, $0.04 million and $0.1 million, respectively. The Company believes it is reasonably possible the amount of unrecognized tax benefits may decrease by $2.0 million during 2021, due to the expiration of the statute of limitations in various jurisdictions.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits are as follows *(in thousands)*:

	2020	2019
Unrecognized tax benefits at January 1	$ 4,249	$ 4,839
Additions for tax positions taken during prior periods	700	543
Additions for tax positions taken during current period including amended prior years	1,255	409
Reductions related to the expiration of statutes of limitations	(1,702)	(1,542)
Unrecognized tax benefits at December 31	$ 4,502	$ 4,249

The Company increased the provision for unrecognized tax benefits by $1.3 million during the year ended December 31, 2020, related primarily to tax benefits recognized for current period U.S. Research and Experimentation Tax Credits pursuant to IRC Section 41. At December 31, 2020, HMS had federal and state pre-tax net operating loss and tax credit carryforwards of approximately $21.3 million and $2.9 million, respectively, which will be available to offset future taxable income. If not used, these net operating loss and tax credit carryforwards will begin to expire in 2021 and 2029, respectively. The Company files income tax returns with the U.S. Federal government and various state and local jurisdictions and will file income tax returns in certain foreign jurisdictions. HMS is generally no longer subject to U.S. Federal income tax examinations for years before 2017. HMS operates in a number of state, foreign and local jurisdictions. Accordingly, HMS is subject to state, local, and foreign income tax examinations based on the various statutes of limitations in each jurisdiction. Previously recognized Texas refund claims were examined by the state and resulted in a favorable apportionment method change for all open tax years.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was enacted in response to the COVID-19 pandemic. The CARES Act includes numerous provisions relating to, among other things, refundable payroll tax credits, deferment of the employer portion of certain payroll taxes, net operating loss amounts and carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The Company claimed benefits relating to technical corrections of tax depreciation methods for qualified improvement property. The benefits did not have a material impact for the year ended December 31, 2020.

8. Liability for Appeals

Under the Company’s contracts with certain commercial health plan customers and its Medicare Recovery Audit Contractor (“RAC”) contract with the Centers for Medicare & Medicaid Services (“CMS”) (included within the Company’s payment integrity services revenue), providers have the right to appeal HMS claim findings and to pursue additional appeals if the initial appeal is found in favor of HMS’s customer.

The appeal process established under the Medicare RAC contracts with CMS includes five levels of appeals, and resolution of appeals can take substantial time to resolve. HMS records a) an actual return obligation liability for findings which have been previously adjudicated in favor of providers and b) an estimated return obligation liability based on the amount of revenue that is subject to appeals and which are probable of being adjudicated in favor of providers following their successful appeal. The Company’s estimate is based on the Company’s historical experience. To the extent the amount to be returned to providers following a successful appeal exceeds or is less than the amount recorded, revenue in the applicable period would be reduced or increased by such amount.

A roll-forward of the activity in the liability for appeals is as follows (*in thousands*):

	Original RAC contract	RAC 4 contract	Commercial contracts	Total
Balance at December 31, 2018	$ 19,380	$ 20	$ 2,323	$ 21,723
Provision	—	2,026	7,347	9,373
Appeals found in providers favor	—	(440)	(7,706)	(8,146)
Release of estimated liability	(19,380)	—	—	(19,380)
Balance at December 31, 2019	$ —	$ 1,606	$ 1,964	$ 3,570
Provision	—	3,888	3,870	7,758
Appeals found in providers favor	—	(1,025)	(4,256)	(5,281)
Balance at December 31, 2020	$ —	$ 4,469	$ 1,578	$ 6,047

The Company’s original Medicare RAC contract with CMS expired on January 31, 2018. As a result of the original contract expiration, the Company’s contractual obligation with respect to any appeals resolved in favor of providers subsequent to the expiration date have ceased and therefore the Company released its estimated return obligation liability and increased revenue by $8.4 million during the first quarter of 2018.

In 2019, the Company determined, based on communications, that there was no further contractual obligation to CMS with respect to the original Medicare RAC contract as of June 30, 2019. Accordingly, the Company released its remaining estimated liability of $19.4 million and net receivables during the second quarter of 2019. As a result of the release, there was a $10.5 million increase to the Company's revenue for the year ended December 31, 2019.

9. Credit Agreement

In May 2013, we entered into a credit agreement (as amended and restated, the "Credit Agreement") with certain lenders and Citibank, N.A. as administrative agent. The Credit Agreement originally provided for an initial $500 million five-year revolving credit facility maturing on May 3, 2018.

On December 19, 2017, the Company entered into an amendment to the Credit Agreement, which, among other things, extended the maturity of its then existing $500 million revolving credit facility by five years to December 2022 (the "Amended Revolving Facility"). The availability of funds under the Amended Revolving Facility includes sublimits for (a) up to $50 million for the issuance of letters of credit and (b) up to $25 million for swingline loans. In addition, the Company may increase the commitments under the Amended Revolving Facility and/or add one or more incremental term loan facilities, provided that such incremental facilities do not exceed in the aggregate the sum of (i) the greater of $120 million and 100% of Consolidated EBITDA (as defined in the Credit Agreement) and (ii) an additional amount so long as our first lien leverage ratio (as defined in the Credit Agreement) on a pro forma basis is not greater than 3.00:1.00, subject to obtaining commitments from the lenders and meeting certain other conditions.

As of December 31, 2020 and December 31, 2019, the outstanding principal balance due on the Amended Revolving Facility was $240 million. No principal payments were made against the Amended Revolving Facility during the year ended December 31, 2020.

Borrowings under the Credit Agreement will bear interest at a rate equal to, at the Company’s election (except with respect to swingline borrowings, which will accrue interest based only at the base rate), either:

- a base rate determined by reference to the greatest of (a) the prime or base commercial lending rate of the administrative agent as in effect on the relevant date, (b) the federal funds effective rate plus 0.50% and (c) the one-month London Interbank Offered Rate (or any successor rate determined in accordance with the Credit Agreement) ("LIBO Rate") plus 1.00%, plus an interest margin ranging from 0.50% to 1.00% based on the Company's consolidated leverage ratio for the applicable period; or

- an adjusted LIBO Rate, equal to the LIBO Rate for the applicable interest period multiplied by the statutory reserve rate (equal to (x) one divided by (y) one minus the aggregate of the maximum reserve percentage (including any marginal, special, emergency or supplemental reserves) established by the Board of Governors of the Federal Reserve System of the United States), plus an interest margin ranging from 1.50% to 2.00% based on the Company's consolidated leverage ratio for the applicable period.

In addition to paying interest on the outstanding principal, the Company is required to pay unused commitment fees on the Amended Revolving Facility during the term of the Credit Agreement ranging from 0.375% to 0.250% per annum based on the Company's consolidated leverage ratio and letter of credit fees equal to 0.125% per annum on the aggregate face amount of each letter of credit, as well as customary agency fees. As part of a contractual agreement with a customer, the Company has an outstanding irrevocable letter of credit for $6.5 million, which is issued against the Amended Revolving Facility and expires June 30, 2021.

The Amended Revolving Facility is secured, subject to certain customary carve-outs and exceptions, by a first priority lien and security interest in substantially all tangible and intangible assets of the Company and certain subsidiaries of the Company. The Amended Revolving Facility contains certain restrictive covenants, which affect, among other things, the ability of the Company and its subsidiaries to incur indebtedness, create liens, make investments, sell or otherwise dispose of assets, engage in mergers or consolidations with other entities, and pay dividends or repurchase stock. The Company is also required to comply, on a quarterly basis, with two financial covenants: (i) a minimum interest coverage ratio of 3.00:1.00, and (ii) a maximum consolidated leverage ratio of 4.75:1.00 through December 2019 and 4.25:1.00 from and after January 2020. The consolidated leverage ratio is subject to a step-up to 5.25:1.00 for four full consecutive fiscal quarters following a permitted acquisition or similar investment. As of December 31, 2020, the Company was in compliance with all terms of the Credit Agreement.

Interest expense and the commitment fees on the unused portion of the Company's revolving credit facility were as follows (*in thousands*):

	Years ended December 31,		
	2020	**2019**	**2018**
Interest expense	$ 6,223	$ 9,460	$ 9,294
Commitment fees	644	638	1,189

At December 31, 2020 and 2019, the unamortized balance of deferred origination fees and debt issuance costs was $1.1 million and $1.7 million, respectively. The Company amortized deferred financing costs of $0.6 million, $0.6 million and $0.6 million in the years ended December 31, 2020, 2019 and 2018, respectively.

10. Equity

(a) Share Repurchase Activity

On November 1, 2019, our Board of Directors approved a new $50.0 million share repurchase program to replace the previous share repurchase program, which expired in November 2019 and had $29.9 million remaining at the time of expiration. During the year ended December 31, 2020, we did not repurchase any shares under the new share repurchase program.

(b) Preferred Stock

The Company's certificate of incorporation, as amended, authorizes the issuance of up to 5,000,000 shares of "blank check" preferred stock with such designations, rights and preferences as may be determined by the Company's Board of Directors. As of December 31, 2020, no preferred stock had been issued.

11. Employee Benefit Plan

The Company sponsors the HMS Holdings Corp. 401(k) Plan ("401(k) Plan") for eligible employees. Eligible employees must complete 90 days of service in order to enroll in the 401(k) Plan. Participants may make voluntary contributions to the 401(k) Plan of up to 60% of their annual base pre-tax compensation not to exceed the federally determined maximum allowable contribution. In addition, the 401(k) Plan permits the Company to make discretionary contributions. During 2020, 2019 and 2018, HMS matched 100% of the first 4% of pay contributed by each eligible employee and 50% of the next 1% of pay contributed. These matching contributions vest immediately and are not in the form of the Company's common stock.

For the years ended December 31, 2020, 2019 and 2018, HMS contributed $8.5 million, $7.7 million and $7.3 million, respectively, related to the 401(k) Plan in the form of matching contributions.

12. Stock-Based Compensation

(a) Long-Term Incentive Award Plans

The Company grants stock options and restricted stock units to HMS employees and non-employee directors of the Company under the 2019 Omnibus Plan, as approved by the Company's shareholders on May 22, 2019. The 2019 Omnibus Plan replaced and superseded the HMS Holdings Corp. 2016 Omnibus Incentive Plan.

(b) Stock-Based Compensation Expense

Total stock-based compensation expense in the Company's Consolidated Statements of Income related to the Company's long- term incentive award plans was as follows (in thousands):

	Years ended December 31,		
	2020	**2019**	**2018**
Cost of services-compensation	$ 6,714	$ 8,887	$ 7,421
Selling, general and administrative	17,330	13,014	14,086
Total	$ 24,044	$ 21,901	$ 21,507

The total tax benefits recognized on stock-based compensation for the years ended December 31, 2020, 2019 and 2018 was $3.3 million, $16.7 million and $9.1 million, respectively.

(c) Stock Options

Stock-based compensation expense related to stock options was approximately $8.9 million, $8.9 million and $9.6 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Presented below is a summary of stock option activity for the year ended December 31, 2020 *(in thousands, except for weighted average exercise price and weighted average remaining contractual terms)*:

	Number of Options	Weighted Average Exercise Price	Weighted Average-Remaining Contractual Terms	Aggregate-Intrinsic Value
Outstanding balance at December 31, 2019	2,411	$ 23.43		
Granted	1,073	27.47		
Exercised	(161)	17.95		
Forfeitures	(62)	28.24		
Expired	(11)	29.22		
Outstanding balance at December 31, 2020	3,250	24.98	7.4	$ 39,096
Expected to vest at December 31, 2020	1,291	$ 28.85	8.7	$ 10,948
Exercisable at December 31, 2020	1,519	$ 20.76	5.9	$ 24,807

As of December 31, 2020 and 2019, the Company had 1,673,382 and 1,400,233, respectively, unvested options with a weighted-average-grant-date fair value per share of $9.80 and $10.13, respectively. The weighted-average-grant-date fair value per share of the stock options granted during the years ended December 31, 2020, 2019 and 2018 was $9.06, $13.86 and $7.52, respectively. The weighted-average-grant-date fair value per share of stock options vested during the year ended December 31, 2020 was $8.21. The weighted-average-grant-date fair value per share of the stock options forfeited during the years ended December 31, 2020, 2019 and 2018 was $9.94, $7.94 and $6.86, respectively.

HMS estimated the fair value of each stock option grant on the date of grant using a Black-Scholes option pricing model. Weighted–average assumptions are set forth in the following table:

	Years ended December 31,		
	2020	2019	2018
Expected dividend yield	— %	— %	— %
Risk-free interest rate	1.1 %	2.5 %	2.7 %
Expected volatility	41.1 %	41.1 %	42.4 %
Expected life (years)	6.3	6.4	6.0

During the years ended December 31, 2020, 2019 and 2018, the Company issued 160,726, 2,435,648 and 2,017,442 shares, respectively, of the Company's common stock upon the exercise of outstanding stock options and received proceeds of $2.8 million, $39.3 million and $38.4 million, respectively. The total intrinsic value of stock options exercised during the years ended December 31, 2020, 2019 and 2018 was $2.0 million, $45.6 million and $27.6 million, respectively.

As of December 31, 2020, there was approximately $4.6 million of total unrecognized compensation cost related to stock options outstanding, which is expected to be recognized over a weighted average period of 0.9 years.

(d) Restricted Stock Units

Stock-based compensation expense related to restricted stock units was $15.2 million, $13.0 million and $11.9 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Presented below is a summary of restricted stock units activity for the year ended December 31, 2020 (*in thousands, except for weighted average grant date fair value per unit*):

	Number of Units	Weighted Average Grant Date Fair Value per Unit
Outstanding balance at December 31, 2019	1,239	$ 21.37
Granted	750	24.29
Vesting of restricted stock units, net of units withheld for taxes	(323)	23.59
Units withheld for taxes	(148)	23.59
Forfeitures	(84)	24.69
Outstanding balance at December 31, 2020	1,434	$ 25.41

As of December 31, 2020, 1,124,274 restricted stock units remained unvested and there was approximately $10.9 million of unrecognized compensation cost related to restricted stock units, which is expected to be recognized over a weighted average vesting period of 0.9 years. During the years ended December 31, 2020, 2019 and 2018, the Company's vested restricted stock units had a fair value of $12.2 million, $10.7 million, and $9.9 million, respectively. The weighted average grant date fair value per share of the restricted stock units vested during the years ended December 31, 2020, 2019 and 2018 was $23.59, $16.65 and $17.06, respectively. The weighted average grant date fair value per share of the restricted stock units forfeited during the years ended December 31, 2020, 2019 and 2018 was $24.69, $21.32 and $17.31, respectively.

13. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share *(in thousands, except per share amounts)*:

	Years ended December 31,		
	2020	2019	2018
Net income	$ 70,149	$ 87,224	$ 54,989
Weighted average common shares outstanding-basic	88,438	87,222	83,625
Plus: net effect of dilutive stock options and restricted stock units	1,643	2,095	2,519
Weighted average common shares outstanding-diluted	90,081	89,317	86,144
Net income per common share — basic	$ 0.79	$ 1.00	$ 0.66
Net income per common share — diluted	$ 0.78	$ 0.98	$ 0.64

For the years ended December 31, 2020, 2019 and 2018: (i) 1,157,804, 509,617 and 804,959 stock options, respectively, and (ii) restricted stock units representing 1,110, 2,564 and 0 shares of common stock, respectively, were not included in the diluted earnings per share calculation because the effect would have been anti-dilutive.

14. Commitments and Contingencies

In July 2012, Dennis Demetre and Lori Lewis (the "Plaintiffs"), filed an action in the Supreme Court of the State of New York against HMS Holdings Corp., claiming an undetermined amount of damages alleging that various actions by HMS unlawfully deprived the Plaintiffs of the acquisition earn-out portion of the purchase price for Allied Management Group Special Investigation Unit, Inc. ("AMG") under the applicable Stock Purchase Agreement (the "SPA") and that HMS had breached certain contractual provisions under the SPA. The Plaintiffs filed a second amended complaint with two causes of action for breach of contract and one cause of action for breach of implied covenant of good faith and fair dealing. HMS asserted a counterclaim against Plaintiffs for breach of contract based on contractual indemnification costs, including attorneys' fees arising out of the Company's defense of AMG in *Kern Health Systems v. AMG, Dennis Demetre and Lori Lewis* (the "California Action"), which are recoverable under the SPA. In June 2016, Kern Health Systems and AMG entered into a settlement agreement that resolved all claims in the California Action. In July 2017, the Court issued a decision on the Company's motion for partial summary judgment and granted the motion in part, dismissing one of Plaintiffs' breach of contract causes of action against HMS. On November 3, 2017, following a jury trial, a verdict was returned in favor of the Plaintiffs on a breach of contract claim, and the jury awarded $60.0 million in damages to the Plaintiffs. On March 14, 2018, the Court held a hearing on the Company's post-trial motion for an order granting it judgment notwithstanding the verdict or, alternatively, setting aside the jury's award of damages. On June 27, 2018, prior to the Court issuing a decision on the motion, the Company entered into a Settlement Agreement (the "Settlement Agreement") with the Plaintiffs, John Alfred Lewis and Christopher Brandon Lewis. Pursuant to the terms of the Settlement Agreement, the Company paid $20.0 million to resolve all matters in controversy pertaining to the lawsuit. On July 5, 2018, the Court entered an order to discontinue the lawsuit pursuant to the Stipulation of Discontinuance with Prejudice filed by the parties.

In February 2018, the Company received a Civil Investigative Demand ("CID") from the Texas Attorney General, purporting to investigate possible unspecified violations of the Texas Medicaid Fraud Prevention Act. In March 2018, the Company provided certain documents and information in response to the CID. HMS has not received any further requests from the government in connection with this CID.

In September 2018, a former employee filed an action in the New York County Supreme Court entitled *Christopher Frey v. Health Management Systems, Inc.* alleging retaliation under New York law (the "New York Action"). The complaint seeks recovery of an unspecified amount of monetary damages, including back pay and other compensatory and equitable relief. In May 2019, the Court heard oral arguments on the Company's motion to dismiss the complaint and in July 2020, the Court granted the motion to dismiss the complaint in its entirety. On August 26, 2020, the plaintiff filed a notice of appeal with the New York Supreme Court Appellate Division, First Judicial Department.

On December 22, 2020, HMS was served with two qui tam lawsuits filed by a former employee, both captioned *United States of America ex rel. Frey v. Health Management Systems, Inc.*, alleging claims under federal and state False Claims acts relating to HMS' performance of certain third party liability services. The two lawsuits were filed by Christopher Frey, a former employee, who was terminated as part of a reduction in force in 2013. The lawsuits contain allegations relating to HMS' third party liability services prior to 2013. The cases are based in substantial part on allegations in a whistleblower complaint that was previously investigated by the U.S. Department of Health and Human Services Office of the Inspector General ("HHS") and rejected by HHS. HHS's findings were later upheld by the U.S. Fifth Circuit Court of Appeals. The case also repeats in substantial part certain allegations that were dismissed in the New York Action. An amended complaint was filed in each of the lawsuits on January 12, 2021. The Department of Justice has declined to intervene or participate in both lawsuits. HMS strongly denies the allegations in these lawsuits in their entirety and is vigorously defending against them. The parties have agreed to consolidation of the two matters before the Honorable Jayne Boyle of the Northern District of Texas.

Four purported stockholders of the Company have filed lawsuits against the Company and the members of its board of directors in connection with the Merger. The first two actions were filed in the United States District Court for the Southern District of New York on February 8, 2021 and February 10, 2021 and are captioned *Stein v. HMS Holdings Corp. et al.* and *Blum v. HMS Holdings Corp. et al.,* respectively. The third action was filed on February 10, 2021 in the United States District Court for the Eastern District of New York and is captioned *Urbanowicz v. HMS Holdings Corp. et al.* The fourth action was filed on February 12, 2021 in the United States District Court for the District of Delaware and is captioned *Waterman v. HMS Holdings Corp. et al.* The complaints generally allege that the preliminary proxy statement issued in connection with the Merger omitted material information in violation of Sections 14(a) and 20(a) of the

Securities Exchange Act of 1934, rendering the preliminary proxy statement false and misleading. The lawsuits seek, among other things, injunctive relief enjoining the Merger, unless and until the defendants issue additional disclosures, and recovery of an unspecified amount of damages, costs and disbursements. The actions are in the preliminary stages. The Company believes the lawsuits are without merit and intends to defend vigorously against these allegations.

From time to time, HMS may be subject to investigations, legal proceedings and other disputes arising in the ordinary course of the Company's business, including but not limited to regulatory audits, billing and contractual disputes, employment-related matters and post-closing disputes related to acquisitions. Due to the Company's contractual relationships, including those with federal and state government entities, HMS's operations, billing and business practices are subject to scrutiny and audit by those entities and other multiple agencies and levels of government, as well as to frequent transitions and changes in the personnel responsible for oversight of the Company's contractual performance. HMS may have contractual disputes with its customers arising from differing interpretations of contractual provisions that define the Company's rights, obligations, scope of work or terms of payment, and with associated claims of liability for inaccurate or improper billing for reimbursement of contract fees, or for sanctions or damages for alleged performance deficiencies. Resolution of such disputes may involve litigation or may require that HMS accept some amount of loss or liability in order to avoid customer abrasion, negative marketplace perceptions and other disadvantageous results that could affect the Company's business, financial condition, results of operations and cash flows.

HMS records accruals for outstanding legal matters when it believes it is probable that a loss will be incurred and the amount can be reasonably estimated. The Company evaluates, on a quarterly basis, developments in legal matters that could affect the amount of any accrual and developments that would make a loss contingency both probable and reasonably estimable. If a loss contingency is not both probable and estimable, HMS does not establish an accrued liability.

15. Customer Concentration

(a) Geographic Information

The Company primarily operates within the United States with some international revenue that is not considered material.

(b) Major Customers

For the years ended December 31, 2020, 2019 and 2018, no one individual Company customer accounted for more than 10% of the Company's total revenue.

(c) Concentration of Revenue

The composition of the Company's ten largest customers changes periodically. For the years ended December 31, 2020, 2019 and 2018, the Company's ten largest customers represented 42.0%, 42.7% and 41.4% of HMS' total revenue, respectively. Excluding those contracts that contain automatic renewal provisions or evergreen terms, the Company's agreements with the ten current largest customers generally expire between 2021 and 2026. In many instances, HMS provides services pursuant to agreements that may be renewed or subject to a competitive reprocurement process. Several of the Company's contracts, including those with some of its largest customers, may be terminated for convenience.

16. Leases

The components of lease expense for the year ended December 31, 2020 were as follows (*in thousands*):

	Years ended December 31, 2020	2019
Operating lease cost	$ 7,109	$ 6,625
Finance lease cost:		
Amortization of right-of-use assets	$ 732	$ 202
Interest on lease liabilities	50	25
Total finance lease cost	$ 782	$ 227

Supplemental cash flow and other information related to leases for the year ended December 31, 2020 were as follows (*in thousands*):

	Years ended December 31, 2020	2019
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	$ 7,974	$ 7,402
Operating cash flows from finance leases	$ 50	$ 24
Financing cash flows from finance leases	$ 715	$ 195
Right-of-use assets obtained in exchange for new lease liabilities:		
Operating leases	$ 3,148	$ 1,181
Finance leases	$ 2,017	$ 1,820

Supplemental balance sheet information related to leases as of December 31, 2020 consisted of the following (*in thousands*):

	Years ended December 31, 2020	2019
Operating Leases		
Operating lease right-of-use assets	$ 14,428	$ 17,493
Other current liabilities	$ 5,326	$ 6,269
Operating lease liabilities	11,991	14,881
Total operating lease liabilities	$ 17,317	$ 21,150
Finance Leases		
Other Assets	$ 2,373	$ 1,081
Other current liabilities	$ 860	$ 360
Other long-term liabilities	1,295	677
Total finance leases liabilities	$ 2,155	$ 1,037
Weighted Average Remaining Lease Term		
Operating leases	3.7 years	4.1 years
Finance leases	2.3 years	2.6 years
Weighted Average Discount Rate		
Operating leases	5.2 %	5.7 %
Finance leases	2.2 %	4.6 %

Sublease income for the years ended December 31, 2020 and 2019 was $2.1 million and $2.2 million, respectively.

Maturities of lease liabilities were as follows (*in thousands*):

Year ended December 31,	**Operating Leases**	**Finance Leases**
2021	$ 6,076	$ 895
2022	4,266	930
2023	3,967	374
2024	3,276	—
2025	1,400	—
Thereafter	98	—
Total lease payments	19,083	2,199
Less: Imputed interest	1,766	44
Total lease obligation	$ 17,317	$ 2,155

17. Subsequent Events

On January 8, 2021, HMS acquired one hundred percent of Lorica Health Pty Limited ("Lorica"), a privately held Australian analytics and software company specializing in payment integrity, for aggregate consideration of $14.4 million, which was funded with cash on hand. The purchase price is subject to certain post-closing purchase price adjustments.

In connection with the preparation of our consolidated financial statements, an evaluation of subsequent events was performed through the date of filing and there were no other events that have occurred that would require adjustments to the financial statements or disclosure.

18. Quarterly Financial Data (Unaudited)

The table below summarizes the Company's unaudited quarterly operating results for the last two fiscal years (*in thousands, except per share amounts*):

2020	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year Ended
Revenue	$ 171,412	$ 142,654	$ 165,236	$ 193,981	$ 673,283
Gross profit	$ 54,292	$ 32,397	$ 53,441	$ 75,847	$ 215,977
Operating income	$ 18,453	$ 5,616	$ 27,200	$ 41,958	$ 93,227
Net income	$ 12,682	$ 6,613	$ 18,035	$ 32,819	$ 70,149
Net income per common share - basic	$ 0.14	$ 0.07	$ 0.20	$ 0.37	$ 0.79
Net income per common share - diluted	$ 0.14	$ 0.07	$ 0.20	$ 0.36	$ 0.78

2019	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year Ended
Revenue	$ 147,953	$ 168,182	$ 146,815	$ 163,445	$ 626,395
Gross profit	$ 48,952	$ 68,584	$ 45,296	$ 54,849	$ 217,681
Operating income	$ 19,706	$ 40,548	$ 17,064	$ 25,698	$ 103,016
Net income	$ 19,642	$ 29,100	$ 21,136	$ 17,346	$ 87,224
Net income per common share - basic	$ 0.23	$ 0.34	$ 0.24	$ 0.20	$ 1.00
Net income per common share -diluted	$ 0.22	$ 0.33	$ 0.24	$ 0.20	$ 0.98

(1) Third quarter 2019 results include the Company's sale of its investment in InstaMed, as described in Note 5(c).

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
For the years ended December 31, 2020, 2019 and 2018

Estimated variable consideration adjustment and Estimated liability for appeals as of December 31, 2020, 2019 and 2018 are as follows:

Estimated variable consideration adjustment (*in thousands)*:

	Balance at Beginning of Year	Provision	Recoveries	Charge-offs	Balance at End of Year
Year ended December 31, 2018	$ 14,799	$ 20,453	$ —	$ (21,569)	$ 13,683
Year ended December 31, 2019	13,683	22,289	—	(18,890)	17,082
Year ended December 31, 2020	17,082	27,561	—	(23,806)	20,837

Estimated liability for appeals *(in thousands)*:

	Balance at Beginning of Year	Provision	Appeals found in providers favor	Release of estimated liability	Balance at End of Year
Year ended December 31, 2018	$ 8,544	$ —	$ (108)	$ (8,436)	$ —
Year ended December 31, 2019	—	—	—	—	—
Year ended December 31, 2020	—	—	—	—	—

The above chart represents the CMS estimated reserve liability only.

AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT (the “***Agreement***”) is effective July 29, 2019 (the “***Effective Date***”), and is by and between HMS Holdings Corp., a Delaware corporation (“***HMS***”), and Maria Perrin, an individual (“***you***”) (and, together with HMS, the “***Parties***”) to provide services, as directed, to the entities comprising the “***Company***” (HMS and its respective subsidiaries and affiliates). This Agreement amends, restates and supersedes the Executive Employment Agreement between you and HMS dated January 1, 2019 in its entirety (the “***Prior Agreement***”).

WHEREAS, the Company wishes to continue to employ you, and you wish to continue to be employed by the Company.

NOW THEREFORE, in consideration of your acceptance of employment pursuant to the terms set forth in this Agreement, the Parties agree to be bound by the terms contained in this Agreement as follows:

1. *Engagement.* As of the Effective Date, HMS will employ you as Executive Vice President, Chief Marketing and Strategy Officer. You acknowledge that the Company organizes itself across multiple entities, and that assigning you to work directly for HMS or for one of its subsidiaries or affiliates will not, in and of itself, breach this Agreement. You will report directly to the Chief Executive Officer, or other Company designee (“***Supervisor***”). You will have the responsibilities, duties, and authorities specified from time to time by your Supervisor, which will generally be commensurate with executives, at a similar level, of entities of similar size and character to the Company. You also agree, if so requested, to serve as an officer and director of subsidiaries of HMS.

2. *Commitment.* During the Employment Period (as defined in Section 3 below), you must devote your full working time and attention to the Company. During the Employment Period, you must not engage in any employment, occupation, consulting or other similar activity without your Supervisor’s prior written consent; *provided, however,* that you may (i) serve in any capacity with any professional, community, industry, civic (including governmental boards), educational, charitable, or other non-profit organization, (ii) serve on any for-profit entity board, with your Supervisor’s prior written consent, and (iii) subject to the Company’s conflict of interest policies, make investments in other businesses and manage your and your family’s personal investments and legal affairs; *provided* that any such activities described in clauses (i)-(iii) above do not materially interfere with the performance of your duties for the Company and do not otherwise violate this Agreement or any other written agreement between the Company and you. You will perform your services under this Agreement primarily from your residence in Florida, or at such place or places as you and the Company may agree. You understand and agree that your employment will require travel from time to time in a manner consistent with Company policy.

3. *Employment Period.* The Company hereby agrees to continue to employ you and you hereby accept continued employment with the Company upon the revised terms set forth in this Agreement, for the period commencing on the Effective Date and ending when and as provided in Section 6 (the “***Employment Period***”).

4. *Compensation*.

(a) ***Base Salary.*** You will receive an annual base salary at a monthly rate of $35,416.67, annualizing to $425,000.00 (as may be adjusted under this Agreement, the “***Base Salary***”). The Company will pay your Base Salary periodically in arrears not less frequently than monthly in accordance with the Company's regular payroll practices as in effect from time to time (which currently provide for bi-weekly payments). The Board of Directors of HMS (the "***Board***") or its Compensation Committee (the "***Compensation Committee***") will review your Base Salary periodically and may adjust your Base Salary at that time.

(b) ***Bonus*****.** You will be eligible to receive bonus compensation (the "***Bonus***") from the Company in respect of each fiscal year (or portion thereof) during the Employment Period, in each case as the Compensation Committee may determine in its sole discretion on the basis of such performance-based or other criteria as it determines appropriate. The target bonus for your position for 2019 is 65% of Base Salary, provided, however, for the first year you are promoted to the position of Executive Vice President, it will be 50% for the portion of such year that you were in the position of Senior Vice President and 65% for the portion of such year that you were in the position of Executive Vice President. You must be an employee of the Company at the time bonuses are paid to receive a Bonus. The Compensation Committee will review your target bonus periodically and may adjust your target bonus at that time. The Bonus, if any, will be paid when other executives receive their bonuses under comparable arrangements.

5. ***Employee Benefits*****.**

(a) ***Employee Welfare, Equity Compensation, and Retirement Plans.*** You will, to the extent eligible, be entitled to participate at a level commensurate with your position in all employee equity compensation plans and welfare benefit and retirement plans and programs the Company provides to its executives in accordance with the terms thereof as in effect from time to time. The Company may change or terminate the benefits at any time.

(b) ***Business Expenses.*** Upon submission of appropriate documentation in accordance with Company policies, the Company will promptly pay, or reimburse you for, all reasonable business expenses that you incur in performing your duties under this Agreement, including travel, entertainment, professional dues and subscriptions, as long as such expenses are reimbursable under the Company's policies. Any payments or expenses provided in this Section 5(b) will be paid in accordance with Section 7(c).

(c) ***Paid Time Off.*** You will accrue paid time off (**"*PTO*"**) at the rate of 18 hours per month (annualized to 27 days per year), or such greater number as the Company determines from time to time for its senior executive officers, provided that any accrual caps, carryover from year to year, and payment for accrued and unused PTO upon termination of employment will be subject to the Company's generally applicable policies.

6. Termination of Employment.

(a) ***General*****.** Subject in each case to the provisions of this Section 6 and the other provisions of this Agreement relating to the Company's respective rights and obligations upon termination of your employment, nothing in this Agreement interferes with or limits in any way the Company's or your right to terminate your employment at any time, for any reason or no reason, with or without notice, and nothing in this Agreement confers on you any right or obligation to continue in the Company's employ. If your employment ceases for any or no reason, you (or your estate, as applicable) will be entitled to receive (in addition to any compensation and benefits you may be entitled to receive under Section 6(b), (d) or (e) below): (i) any earned but unpaid Base Salary and, to the extent consistent with general Company policy, accrued but unused PTO through and including the date of termination of your employment, to be paid in accordance with the Company's regular payroll practices and with applicable law, but no later than the next regularly scheduled pay period, (ii) unreimbursed business expenses in accordance with the Company's policies for which expenses you have provided appropriate documentation, to be paid in accordance with Section 7(c), and (iii) any amounts or benefits to which you are then entitled under the terms of the benefit plans then sponsored by the Company in accordance with their terms (and not accelerated to the extent acceleration does not satisfy Section 409A of the Internal Revenue Code of 1986, as amended ("***Section 409A***" of the "***Code***")). Notwithstanding any other provision in this Agreement to the contrary, you will be entitled to severance, if any, solely through the terms of this Section 6, unless another Board (or Compensation Committee) approved written agreement between you and the Company expressly provides otherwise.

(b) ***Termination Without Cause or Resignation With Good Reason.*** If, during the Employment Period, the Company terminates your employment without Cause (defined below) or you resign with Good Reason (defined below), in addition to the amounts described in Section 6(a), the Company will pay to you the following, subject to compliance with Section 6(b)(iii):

(i) *Cash Severance*. The Company will pay to you in cash an amount equal to 12 times your monthly Base Salary, paid ratably in equal installments over a 12 month period beginning in the first payroll period following the Release Effective Date (as defined below) (or such later date required by Section 7) in accordance with the Company's standard payroll policies and procedures and in a manner consistent with Section 7;

(ii) *Benefits*. The Company will pay you a lump sum amount equal to 12 times the difference between the monthly COBRA coverage premium for the same type of medical and dental coverage (single, family, or other) in which you are enrolled as of the date your employment ends and your then-monthly employee contribution. This payment will be taxable and subject to withholding. You may use the amount received for any purpose.

(iii) *Release*. To receive any severance benefits provided for under this Agreement or otherwise, you must deliver to the Company a separation agreement and general release of claims in the form the Company provides (releasing all releasable claims other than to payments under Section 6 or outstanding equity and including obligations to cooperate with the Company and reaffirming your obligations under the Restrictive Covenants Agreement (as defined below)), which agreement and release must become irrevocable within 60 days (or such earlier date as the release provides) following the date of your termination of employment. Benefits under Section 6(b)(i) and (ii) will be paid or commence in the first regular payroll beginning after the release becomes effective, subject to any delays required by Section 7; *provided, however*, that if the last day of the 60-day period for an effective release falls in the calendar year following the year of your date of termination, the severance payments will be paid or begin no earlier than January 1 of such subsequent calendar year. The date on which your release of claims becomes effective is the "***Release Effective Date***." You must continue to comply with the Restrictive Covenants Agreement to continue to receive severance benefits.

(c) ***Termination for Cause, Resignation without Good Reason.***

(i) *General*. If, during the Employment Period, the Company terminates your employment for Cause or you resign from your employment (other than for Good Reason), you will be entitled only to the payments described in Section 6(a), unless applicable law otherwise requires payment. You may resign from your employment (other than for Good Reason), at any time, by giving at least 30 days' prior written notice to the Company (the "***Notice Period***"). The Company may choose to respond to such notice of resignation by limiting your access and reducing your duties during the Notice Period, in which event you would remain an employee of the Company through the remainder of the Notice Period and continue to receive your Base Salary, less applicable deductions, and continue vesting under any outstanding equity grants through the end of the Notice Period. You will have no further right to receive any other compensation or benefits after such termination or resignation of employment, except as determined in accordance with the terms of the employee benefit plans or programs of the Company or as required by law.

(ii) *Cause*. For purposes of this Agreement, "***Cause***" means any of the following: your (i) fraud with respect to the Company; (ii) material misrepresentation to any regulatory agency, governmental authority, outside or internal auditors, internal or external Company counsel, or the Board concerning the operation or financial status of the Company; (iii) theft or embezzlement of assets of the Company; (iv) your conviction, or plea of guilty or nolo contendere to any felony (or to a felony charge reduced to a misdemeanor), or, with respect to your employment, to any misdemeanor (other than a traffic violation); (v) material failure to follow the Company's conduct and ethics policies that have been provided or made available to you; (vi) material breach of this Agreement or the Restrictive Covenants Agreement; and/or (vii) continued failure to attempt in good faith to perform your duties as reasonably assigned by your Supervisor at the time. Before terminating your employment for Cause under clauses (v) – (vii) above, the Company will specify in writing to you the nature of the act, omission, refusal, or failure that it deems to constitute Cause and, if the Company reasonably considers the situation to be correctable, give you 30 days after you receive such notice to correct the situation (and thus avoid termination for Cause), unless the Company agrees to further extend the time for correction. You agree that the Company will have discretion exercised in a reasonable manner to determine whether your correction is sufficient. Nothing in this definition prevents the Company from removing you from your position with the Company at any time and for any reason.

(iii) *Good Reason*. For purposes of this Agreement, "***Good Reason***" means, the occurrence, without your prior written consent, of any of the following events: (i) any material diminution in your authority, duties or responsibilities with the Company; (ii) a requirement that you report to an officer other than your then current Supervisor if the result is that your new Supervisor has materially diminished authority, duties, or responsibilities in comparison with your prior supervisor; (iii) a material reduction in your Base Salary; (iv) the Company requiring you to perform your principal services primarily in a geographic area more than 50 miles from the Company's offices in Irving, Texas (or such other place of primary employment for you at which you have agreed to provide such services); or (v) a material breach by the Company of any material provision of this Agreement. No resignation will be treated as resignation for Good Reason unless (x) you have given written notice to the Company of your intention to terminate your employment for Good Reason, describing the grounds for such action, no later than 90 days after the first occurrence of such circumstances, (y) you have provided the Company with at least 30 days in which to cure the circumstances, and (z) if the Company is not successful in curing the circumstance, you end your employment within 30 days following the cure period in (y). If the Company informs you that it will not treat your resignation as for Good Reason, you may withdraw the resignation and remain employed (provided that you do so before the original notice of resignation becomes effective) or may proceed and dispute the Company's decision.

(d) ***Death or Disability.*** Your employment hereunder will terminate immediately upon your death or Disability. "***Disability***" means the Chief Executive Officer, in consultation with the Chairman of the Compensation Committee or the Board, based upon appropriate medical evidence, determines you have become physically or mentally incapacitated so as to render you incapable of performing your usual and customary duties, with or without a reasonable accommodation, for 180 or more days, whether or not consecutive, during any 12 month period. You are also disabled if you are found to be disabled within the meaning of the Company's long-term disability insurance coverage as then in effect (or would be so found if you applied for the coverage or benefits). Employment termination under this subsection is not covered by Section 6(b) or 6(c), and you or your heirs will receive only the benefits and compensation in Section 6(a) (together, as applicable, with any life or disability insurance payments). Nothing in this Section 6(d) prevents the Company from removing you from your position with the Company or, under Section 6(b) or 6(c), from terminating your employment at any time, subject to compliance with those subsections.

(e) ***Change in Control.*** If, within 24 months following a Change in Control, the Company terminates your employment without Cause or you resign for Good Reason, in addition to the benefits described in Section 6(b)(ii) and subject to the release required under Section 6(b)(iii), you will receive the cash severance described in Section 6(b)(i), paid in a single lump sum on the Release Effective Date in accordance with the Company's standard payroll policies and procedures (or such later date as either Section 6(b)(iii) or 7(a) requires). For purposes of this Agreement, "***Change in Control***" means:

(i) the acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the "***Exchange Act***") (a "***Person***") of beneficial ownership of any capital stock of HMS if, after such acquisition, such Person beneficially owns (within the meaning of Rule 13d-3 under the Exchange Act) 50.01% or more of either (x) the then-outstanding shares of common stock of HMS (the "***Outstanding Company Common Stock***") or (y) the combined voting power of the then-outstanding securities of HMS entitled to vote generally in the election of directors (the "***Outstanding Company Voting Securities***"); *provided, however,* that for purposes of this subsection (A) any acquisition directly from the Company will not be a Change in Control, nor will any acquisition by any individual, entity, or group pursuant to a Business Combination (as defined below) that complies with subclauses (x) and (y) of clause (ii) of this definition;

(ii) the consummation of a merger, consolidation, reorganization, recapitalization or share exchange involving HMS or a sale or other disposition of all or substantially all (i.e., in excess of 85%) of the assets of HMS (a "***Business Combination***"), unless, immediately following such Business Combination, each of the following two conditions is satisfied: (x) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then- outstanding securities entitled to vote generally in the election of directors, respectively, of the resulting or acquiring corporation in such Business Combination (which shall include a corporation that as a result of such transaction owns HMS or substantially all of HMS's assets either directly or through one or more subsidiaries (such resulting or acquiring corporation is referred to herein as the "***Acquiring Corporation***") in substantially the same proportions as their ownership of the Outstanding Company Common Stock and Outstanding Company Voting Securities, respectively, immediately prior to such Business Combination and (y) no Person beneficially owns, directly or indirectly, 50.01% or more of the then-outstanding shares of common stock of the Acquiring Corporation, or of the combined voting power of the then-outstanding securities of such corporation entitled to vote generally in the election of directors (except to the extent that such ownership existed prior to the Business Combination); or

(iii) a change in the composition of the Board that results, during any one year period, in the Continuing Directors (as defined below) no longer constituting a majority of the Board (or, if applicable, the Board of Directors of a successor corporation to HMS), where the term "***Continuing Director***" means at any date a member of the Board (x) who was a member of the Board on the Effective Date or (y) who was nominated or elected subsequent to such date by at least a majority of the directors who were Continuing Directors at the time of such nomination or election or whose election to the Board was recommended or endorsed by at least a majority of the directors who were Continuing Directors at the time of such nomination or election; *provided, however,* that there shall be excluded from this clause (y) any individual whose initial assumption of office after the Effective Date occurred as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents, by or on behalf of a person other than the Board; *provided* that, where required by Section 409A, the event that occurs is also a "change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation" as defined in Treasury Reg. § 1.409A-3(i)(5).

(f) ***Further Effect of Termination on Board and Officer Positions*.** If your employment ends for any reason, you agree that you will cease immediately to hold any and all officer or director positions you then have with the Company, absent a contrary direction from the Board (which may include either a request to continue such service or a direction to cease serving upon notice). You hereby irrevocably appoint the Company to be your attorney-in-fact to execute any documents and do anything in your name to effect your ceasing to serve as a director and officer of the Company, should you fail to resign following a request from the Company to do so. You will not be required to sign, and the Company will not sign on your behalf without your consent, documents effecting your ceasing to serve as a director that characterize your cessation of employment differently than the manner in which it is effected through Section 6 above. A written notification signed by a director or duly authorized officer of the Company that any instrument, document, or act falls within the authority conferred by this subsection will be conclusive evidence that it does so. The Company will prepare any documents, pay any filing fees, and bear any other expenses related to this Section 6(f).

7. *Effect of Section 409A of the Code*.

(a) ***Six Month Delay*.** If and to the extent any portion of any payment, compensation or other benefit provided to you in connection with your employment termination is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A and you are a specified employee as defined in Section 409A(a)(2)(B)(i), as determined by the Company in accordance with its procedures, by which determination you hereby agree that you are bound, such portion of the payment, compensation or other benefit shall not be paid before the earlier of (i) the expiration of the six month period measured from the date of your "separation from service" (as determined under Section 409A) or (ii) the tenth day following the date of your death following such separation from service (the "***New Payment Date***"). The aggregate of any payments that otherwise would have been paid to you during the period between the date of separation from service and the New Payment Date shall be paid to you in a lump sum in the first payroll period beginning after such New Payment Date, and any remaining payments will be paid on their original schedule.

(b) ***General 409A Principles.*** For purposes of this Agreement, a termination of employment will mean a "separation from service" as defined in Section 409A. For purposes of this Agreement, each amount to be paid or benefit to be provided will be construed as a separate identified payment for purposes of Section 409A, and any payments that are due within the "short term deferral period" as defined in Section 409A or are paid in a manner covered by Treas. Reg. Section 1.409A-1(b)(9)(iii) will not be treated as deferred compensation unless applicable law requires otherwise. Neither the Company nor you will have the right to accelerate or defer the delivery of any such payments or benefits except to the extent specifically permitted or required by Section 409A. This Agreement is intended to comply with the provisions of Section 409A and this Agreement shall, to the extent practicable, be construed in accordance therewith. Terms defined in this Agreement will have the meanings given such terms under Section 409A if and to the extent required to comply with Section 409A. In any event, the Company makes no representations or warranty and will have no liability to you or any other person if any provisions of or payments under this Agreement are determined to constitute deferred compensation subject to Code Section 409A but not to satisfy the conditions of that section.

(c) ***Expense Timing.*** Payments with respect to reimbursements of business expenses will be made in the ordinary course in accordance with the Company's procedures (generally within 45 days after you have submitted appropriate documentation) and, in any case, on or before the last day of the calendar year following the calendar year in which the relevant expense is incurred. The amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year. The right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

8. ***Restrictive Covenants.*** You have previously signed a Noncompetition, Nonsolicitation, Proprietary and Confidential Information and Developments Agreement (the "***Restrictive Covenants Agreement***"), which addresses your responsibilities to the Company in connection with confidentiality, transfer and protection of intellectual property, noncompetition, nonsolicitation of employees and customers, and nondisparagement. You agree that the Restrictive Covenants Agreement remains in effect and shall survive the termination of this Agreement and termination of your employment with the Company.

9. ***Cooperation.*** Following your separation of employment from the Company, you agree to cooperate with the Company in regard to the transition of the business matters you handled on behalf of the Company. You also agree to reasonably cooperate with the Company and its counsel in the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the Company which relate in any way to events or occurrences that transpired while you were employed by the Company, subject to your right to initiate communications with, or participate or cooperate in any investigation conducted by, any Federal, State or Local government agency or regulatory authority. Your cooperation in connection with such claims or actions will include, but not be limited to, participating in interviews and discussions with the Company and/or its counsel, meeting with the Company's counsel to prepare for discovery, trial, or any legal proceeding, appearing and preparing for deposition or testimony at trial, and otherwise cooperating with HMS and its legal counsel, as requested. Nothing in this Agreement is to be construed as instructing you to testify in any particular manner, other than truthfully. To the extent possible, the Company will provide you with reasonable advance notice of the request for your cooperation. The Company will reimburse you for all reasonable, pre-approved out-of-pocket costs and expenses (but not including attorneys' fees and costs) that you incur, and compensate you at an hourly rate based on the base salary paid to you at the time of your separation (which is intended to be a fair and reasonable estimate of the total value of your lost time) in connection with your performance of your obligations under this paragraph of the Agreement, to the extent permitted by law.

10*.* *Miscellaneous*.

(a) ***Notices.*** All notices required or permitted under this Agreement must be in writing and will be deemed effective upon personal delivery or three business days following deposit in a United States Post Office, by certified mail, postage prepaid, or one business day after it is sent for next-business day delivery via a reputable nationwide overnight courier service in the case of notice to the Company at its then principal headquarters, and in the case of notice to you to the current address on file with the Company. Notice to the Company must include a separate notice to the General Counsel of HMS. Either Party may change the address to which notices are to be delivered by giving notice of such change to the other Party in the manner set forth in this Section 10(a).

(b) ***No Mitigation*.** You are not required to seek other employment or otherwise mitigate the value of any severance benefits contemplated by this Agreement, nor will any such benefits be reduced by any earnings or benefits that you may receive from any other source. Notwithstanding any other provision of this Agreement, any sum or sums paid under this Agreement will be in lieu of any amounts to which you may otherwise be entitled under the terms of any severance plan, policy, program, agreement or other arrangement sponsored by the Company or an affiliate of the Company.

(c) ***Waiver of Jury Trial*.** TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW THAT CANNOT BE WAIVED, THE PARTIES HEREBY WAIVE, AND COVENANT THAT THEY WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR OTHER PROCEEDING ARISING IN WHOLE OR IN PART UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE RELEASE IT CONTEMPLATES, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, THE PARTIES AGREE THAT ANY PARTY MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE THEIR RIGHTS TO TRIAL BY JURY IN ANY PROCEEDING WHATSOEVER BETWEEN THEM RELATING TO THIS AGREEMENT OR TO ANY OF THE MATTERS CONTEMPLATED UNDER THIS AGREEMENT, RELATING TO YOUR EMPLOYMENT, OR COVERED BY THE CONTEMPLATED RELEASE.

(d) ***Severability.*** Each provision of this Agreement must be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. Moreover, if an arbitrator or a court of competent jurisdiction determines any of the provisions contained in this Agreement to be unenforceable because the provision is excessively broad in scope, whether as to duration, activity, geographic application, subject or otherwise, it will be construed, by limiting or reducing it to the extent legally permitted, so as to be enforceable to the extent compatible with then applicable law to achieve the intent of the Parties.

(e) ***Assignment.*** This Agreement will be binding upon and will inure to the benefit of (i) your heirs, beneficiaries, executors and legal representatives upon your death and (ii) any successor of the Company. Any such successor of the Company will be treated as substituted for the Company under the terms of this Agreement for all purposes. The Company may assign this Agreement without your consent, and such an assignment will not terminate your employment for purposes of triggering your entitlement to severance; *provided, however,* that if such an assignment provides a basis for you to resign for Good Reason after a Change in Control, you may resign for Good Reason, and you will be entitled to severance, if any, subject to the terms of Section 6. You specifically agree that any assignment may include rights under the Restrictive Covenants Agreement without requiring your consent; *provided*, *however*, that an assignment that occurs after the termination of your employment will not expand in any manner the scope of the Restrictive Covenants Agreement. As used herein, “successor” will mean any person, firm, corporation or other business entity that at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets or business of the Company. Any attempted assignment, transfer, conveyance or other disposition of any interest in your rights to receive any form of compensation hereunder will be null and void.

(f) ***No Oral Modification, Waiver, Cancellation or Discharge.*** This Agreement may only be amended, canceled or discharged or any obligations thereunder waived through a writing signed by you and any executive officer of the Company (other than you) duly authorized either by the Board or the Compensation Committee.

(g) ***No Conflict of Interest*.** You confirm that you have fully disclosed to the Company, to the best of your knowledge, all circumstances under which you, your immediate family and other persons who reside in your household have or may have a conflict of interest with the Company. You further agree to fully disclose to the Company any such circumstances that might arise during your employment upon your becoming aware of such circumstances.

(h) ***Other Agreements*.** You hereby represent that your performance of all the terms of this Agreement and the performance of your duties as an employee of the Company does not and will not breach any agreement to keep in confidence proprietary information, knowledge or data acquired by you in confidence or in trust prior to your employment with the Company. You also represent that you are not a party to or subject to any restrictive covenants, legal restrictions, policies, commitments or other agreements in favor of any entity or person that would in any way preclude, inhibit, impair or limit your ability to perform your obligations under this Agreement, including noncompetition agreements or nonsolicitation agreements, and you further represent that your performance of the duties and obligations under this Agreement does not violate the terms of any agreement to which you are a party. You agree that you will not enter into any agreement or commitment or agree to any policy that would prevent or hinder your performance of duties and obligations under this Agreement.

(i) ***Disclosure of this Agreement*.** You acknowledge that the Company may provide persons or entities who may employ or engage you with a copy of the Restrictive Covenants Agreement (or portions thereof) to highlight your continuing obligations to the Company. You also acknowledge that the Company may be obligated to disclose the entire Agreement, or any portion thereof, to satisfy applicable laws and regulations.

(j) ***Survivorship.*** The respective rights and obligations of the Company and you hereunder will survive any termination of your employment to the extent necessary to preserve the intent of such rights and obligations.

(k) ***Withholding.*** The Company will be entitled to withhold, or cause to be withheld, any amount of federal, state, city or other withholding taxes or other amounts either required by law or authorized by you with respect to payments made to you in connection with your employment or the termination of your employment.

(l) ***Company Policies.*** References in this Agreement to Company policies and procedures are to those policies and procedures in effect at the Effective Date, as the Company may amend them from time to time.

(m) ***Governing Law; Dispute Resolution.*** The Parties agree that the enforcement of this Agreement shall be governed by the Federal Arbitration Act ("FAA"), 9 U.S.C. §1 et seq. The laws of the State of Texas and the National Rules (as defined below) shall apply to the interpretation of this Agreement, pursuant to section 2 of the FAA. The laws of the State of Texas shall govern the substantive merits of any legal dispute set forth herein, without regard to conflicts of law provisions. In case of any controversy or claim arising out of or related to this Agreement or relating to your employment or the termination of your employment (including claims relating to employment discrimination), except as expressly excluded herein, each Party agrees to give the other Party notice of an intent to seek arbitration under this Agreement and 10 days to reach a resolution. Should resolution of any controversy or claim not be reached following provision of notice and a reasonable opportunity to cure, then the dispute (including the arbitrability of the dispute itself, and the formation or enforceability of this Agreement) shall be settled by arbitration under the American Arbitration Association's Employment Arbitration Rules and Mediation Procedures (the "***National Rules***"). A single arbitrator shall be selected in accordance with the National Rules. The dispute will be arbitrated in Dallas, Texas, absent mutual agreement of the Parties to another venue. Any claim or controversy not submitted to arbitration in accordance with this Section 10(m) (other than as provided under the Restrictive Covenants Agreement) will be waived, and thereafter no arbitrator, arbitration panel, tribunal, or court will have the power to rule or make any award on any such claim or controversy. In determining a claim or controversy under this Agreement and in making an award, the arbitrator must consider the terms and provisions of this Agreement, as well as all applicable federal, state, or local laws. The award rendered in any arbitration proceeding held under this Section 10(m) shall be final and binding and judgment upon the award may be entered in any court having jurisdiction thereof. The following claims are not covered by this Section 10(m): (1) claims for workers' compensation or unemployment compensation benefits; (2) administrative charges to any federal, state or local equal opportunity or fair employment practices agency; (3) administrative charges to the National Labor Relations Board; (4) agency charges or complaints to exhaust an administrative remedy; or (5) any other charges filed with or communication to a federal, state or local government office, official or agency. Also not covered by this Section 10(m) are claims by the Company or by you for temporary restraining orders, preliminary injunctions or permanent injunctions ("equitable relief") in cases in which such equitable relief would be otherwise authorized by law or pursuant to the Restrictive Covenants Agreement. The Company will be responsible for paying any filing fee of the sponsoring organization and the fees and costs of the arbitrator; provided, however, that if you initiate the claim, you will contribute an amount equal to the filing fee you would have incurred to initiate a claim in the court of general jurisdiction in the State of Texas. Each party will pay for its own costs and attorneys' fees, if any, provided that the arbitrator or court, as applicable, may award reasonable costs and expenses in favor of the prevailing party. The

Company and you agree that the decision as to whether a party is the prevailing party in an arbitration, or a legal proceeding that is commenced in connection therewith will be made in the sole discretion of the arbitrator or, if applicable, the court.

Any action, suit or other legal proceeding with respect to equitable relief that is excluded from arbitration above must be commenced only in a court of the State of Texas (or, if appropriate, a federal court located within the State of Texas), and the Company and you each consent to the jurisdiction of such a court. With respect to any such court action, the Parties hereto (a) submit to the personal jurisdiction of such courts; (b) consent to service of process by the means specified under Section 10(a); and (c) waive any other requirement (whether imposed by statute, rule of court, or otherwise) with respect to personal jurisdiction, inconvenient forum, or service of process.

(n) ***Interpretation.*** The parties agree that this Agreement will be construed without regard to any presumption or rule requiring construction or interpretation against the drafting party. References in this Agreement to “include” or “including” should be read as though they said “without limitation” or equivalent forms.

(o) ***Entire Agreement.*** This Agreement and any documents referred to herein, including, but not limited to, the Restrictive Covenants Agreement referenced in Section 8, represent the entire agreement of the Parties and will supersede any and all previous contracts, arrangements or understandings between the Company and you, including, without limitation, the Prior Agreement.

(p) ***Counterparts.*** This Agreement may be executed in counterparts, and all so executed shall constitute one agreement which shall be binding upon all Parties hereto, notwithstanding that all Parties’ signatures do not appear on the same page.

[Signatures on Following Page(s)]

IN WITNESS WHEREOF, the Parties have executed this Agreement to be effective as of the Effective Date set forth above.

HMS Holdings Corp.

By: /s/ David Alexander 8/1/19

Date

Its: Chief HR & Compliance Officer

Maria Perrin

/s/ Maria Perrin 8/1/19

Date

Exhibit 21.1

SUBSIDIARIES OF HMS HOLDINGS CORP.

The following is a list of subsidiaries of HMS Holdings Corp. (HMS) as of February 26, 2021. Where ownership of a subsidiary is less than 100% by HMS or an HMS subsidiary, such has been noted by an asterisk (*).

Entity Name	State or Other Jurisdiction of Incorporation or Organization
Eliza Corporation	Delaware
Eliza Holding Corp.	Delaware
ElizaLive, Inc.	Delaware
Essette, Inc.	Colorado
HMS Australia Hold Co Pty Ltd	Australia
Health Management Systems, Inc.	New York
HMS Care Analytics, Inc.	Delaware
HMS Claims Recovery Solutions, LLC	Delaware
IntegriGuard, LLC (DBA – HMS Federal)	Delaware
Lorica Health Pty Limited	Australia
Permedion, Inc.	New York
Reimbursement Services Group Inc.	New York
VitreosHealth, Inc.	Texas
VitreosHealth (India) Private Limited*	India

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated February 26, 2021, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of HMS Holdings Corp. on Form 10-K for the year ended December 31, 2020. We consent to the incorporation by reference of said reports in the Registration Statements of HMS Holdings Corp. on Forms S-8 (File No. 333-161415, 333-149836, 333-139025, 333-178752, 333-183361, 333-212319, and 333-231673).

/s/ Grant Thornton LLP

Dallas, Texas
February 26, 2021

Exhibit 31.1

CERTIFICATION

I, William C. Lucia, certify that:

1. I have reviewed this Annual Report on Form 10-K of HMS Holdings Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d- 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2021

/s/ William C. Lucia

William C. Lucia
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Jeffrey S. Sherman, certify that:

1. I have reviewed this Annual Report on Form 10-K of HMS Holdings Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d- 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2021

/s/ Jeffrey S. Sherman

Jeffrey S. Sherman
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of HMS Holdings Corp. (the “Company”) on Form 10-K for the fiscal year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, William C. Lucia, Chief Executive Officer of the Company, hereby certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William C. Lucia

William C. Lucia
Chief Executive Officer
(Principal Executive Officer)

February 26, 2021

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of HMS Holdings Corp. (the “Company”) on Form 10-K for the fiscal year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jeffrey S. Sherman, Chief Financial Officer of the Company, hereby certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeffrey S. Sherman

Jeffrey S. Sherman
Chief Financial Officer
(Principal Financial Officer)

February 26, 2021

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2020
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____________ to ____________

Commission File No.: 001-38033

DXC.technology

DXC TECHNOLOGY COMPANY

(Exact name of registrant as specified in its charter)

Nevada	**61-1800317**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1775 Tysons Boulevard	
Tysons , Virginia	**22102**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (703) 245-9675

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	**DXC**	**New York Stock Exchange**
2.750% Senior Notes Due 2025	**DXC 25**	**New York Stock Exchange**
1.750% Senior Notes Due 2026	**DXC 26**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
☐ Yes ☒ No

254,194,590 shares of common stock, par value $0.01 per share, were outstanding on July 31, 2020.

TABLE OF CONTENTS

PART I

ITEM 1. FINANCIAL STATEMENTS

Index to Condensed Consolidated Financial Statements

DXC TECHNOLOGY COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

	Three Months Ended	
(in millions, except per-share amounts)	June 30, 2020	June 30, 2019
Revenues	$ 4,502	$ 4,890
Costs of services (excludes depreciation and amortization and restructuring costs)	3,629	3,622
Selling, general, and administrative (excludes depreciation and amortization and restructuring costs)	539	507
Depreciation and amortization	492	470
Restructuring costs	72	142
Interest expense	106	91
Interest income	(23)	(30)
Other income, net	(88)	(118)
Total costs and expenses	4,727	4,684
(Loss) income before income taxes	(225)	206
Income tax (benefit) expense	(26)	38
Net (loss) income	(199)	168
Less: net income attributable to non-controlling interest, net of tax	6	5
Net (loss) income attributable to DXC common stockholders	$ (205)	$ 163
(Loss) income per common share:		
Basic	$ (0.81)	$ 0.61
Diluted	$ (0.81)	$ 0.61

The accompanying notes are an integral part of these condensed consolidated financial statements.

DXC TECHNOLOGY COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (unaudited)

(in millions)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019
Net (loss) income	$ (199)	$ 168
Other comprehensive income (loss), net of taxes:		
Foreign currency translation adjustments, net of tax benefit of $7 and $12	(3)	(135)
Cash flow hedges adjustments, net of tax expense of $3 and $0	11	4
Available-for-sale securities, net of tax expense of $0 and $1	4	1
Pension and other post-retirement benefit plans, net of tax:		
Amortization of prior service cost, net of tax benefit of $1 and $0	(9)	(1)
Pension and other post-retirement benefit plans, net of tax	(9)	(1)
Other comprehensive income (loss), net of taxes	3	(131)
Comprehensive (loss) income	(196)	37
Less: comprehensive income (loss) attributable to non-controlling interest	5	(19)
Comprehensive (loss) income attributable to DXC common stockholders	$ (201)	$ 56

The accompanying notes are an integral part of these condensed consolidated financial statements.

DXC TECHNOLOGY COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(in millions, except per-share and share amounts)	As of June 30, 2020	As of March 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,509	$ 3,679
Receivables and contract assets, net of allowance of $104 and $74	4,271	4,392
Prepaid expenses	667	646
Other current assets	261	270
Total current assets	10,708	8,987
Intangible assets, net of accumulated amortization of $4,627 and $4,347	5,540	5,731
Operating right-of-use assets, net	1,602	1,428
Goodwill	2,057	2,017
Deferred income taxes, net	285	265
Property and equipment, net of accumulated depreciation of $4,072 and $3,818	3,503	3,547
Other assets	4,199	4,031
Total Assets	$ 27,894	$ 26,006
LIABILITIES and EQUITY		
Current liabilities:		
Short-term debt and current maturities of long-term debt	1,682	1,276
Accounts payable	1,522	1,598
Accrued payroll and related costs	766	630
Current operating lease liabilities	488	482
Accrued expenses and other current liabilities	2,756	2,801
Deferred revenue and advance contract payments	1,030	1,021
Income taxes payable	81	87
Total current liabilities	8,325	7,895
Long-term debt, net of current maturities	10,334	8,672
Non-current deferred revenue	733	735
Non-current operating lease liabilities	1,208	1,063
Non-current income tax liabilities and deferred tax liabilities	1,075	1,157
Other long-term liabilities	1,277	1,355
Total Liabilities	22,952	20,877
Commitments and contingencies		
DXC stockholders' equity:		
Preferred stock, par value $.01 per share, 1,000,000 shares authorized, none issued as of June 30, 2020 and March 31, 2020	—	—
Common stock, par value $.01 per share, 750,000,000 shares authorized, 256,382,532 issued as of June 30, 2020 and 255,674,040 issued as of March 31, 2020	3	3
Additional paid-in capital	10,729	10,714
Accumulated deficit	(5,386)	(5,177)
Accumulated other comprehensive loss	(599)	(603)
Treasury stock, at cost, 2,291,790 and 2,148,708 shares as of June 30, 2020 and March 31, 2020	(154)	(152)
Total DXC stockholders' equity	4,593	4,785
Non-controlling interest in subsidiaries	349	344
Total Equity	4,942	5,129
Total Liabilities and Equity	$ 27,894	$ 26,006

The accompanying notes are an integral part of these condensed consolidated financial statements.

DXC TECHNOLOGY COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Three Months Ended	
(in millions)	June 30, 2020	June 30, 2019
Cash flows from operating activities:		
Net (loss) income	$ (199)	$ 168
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	496	474
Operating right-of-use expense	156	176
Pension & other post-employment benefits, actuarial & settlement losses	2	—
Share-based compensation	16	18
Loss (gain) on dispositions	4	(8)
Provision for losses on accounts receivable	35	(4)
Unrealized foreign currency exchange gain	(11)	(14)
Other non-cash charges, net	7	(1)
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Increase in assets	(100)	(335)
Decrease in operating lease liability	(156)	(174)
Decrease in other liabilities	(131)	(366)
Net cash provided by (used in) operating activities	119	(66)
Cash flows from investing activities:		
Purchases of property and equipment	(95)	(105)
Payments for transition and transformation contract costs	(82)	(72)
Software purchased and developed	(48)	(63)
Payments for acquisitions, net of cash acquired	(10)	(1,911)
Cash collections related to deferred purchase price receivable	159	371
Proceeds from sale of assets	6	21
Short-term investing	—	(75)
Other investing activities, net	9	12
Net cash used in investing activities	(61)	(1,822)
Cash flows from financing activities:		
Borrowings of commercial paper	748	1,401
Repayments of commercial paper	(317)	(1,401)
Borrowings under lines of credit	2,500	—
Repayment of borrowings under lines of credit	(750)	—
Borrowings on long-term debt, net of discount	993	2,198
Principal payments on long-term debt	(1,084)	(509)
Payments on finance leases and borrowings for asset financing	(245)	(210)
Proceeds from stock options and other common stock transactions	—	7
Taxes paid related to net share settlements of share-based compensation awards	(3)	(12)
Repurchase of common stock and advance payment for accelerated share repurchase	—	(500)
Dividend payments	(53)	(51)
Other financing activities, net	(3)	(36)
Net cash provided by financing activities	1,786	887
Effect of exchange rate changes on cash and cash equivalents	(14)	(30)
Net increase (decrease) in cash and cash equivalents	1,830	(1,031)
Cash and cash equivalents at beginning of year	3,679	2,899
Cash and cash equivalents at end of period	$ 5,509	$ 1,868

The accompanying notes are an integral part of these condensed consolidated financial statements.

DXC TECHNOLOGY COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)

	Three Months Ended June 30, 2020									
	Common Stock									
(in millions, except shares in thousands)	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock [1]	Total DXC Equity	Non-Controlling Interest	Total Equity
Balance at March 31, 2020	255,674	$ 3	$ 10,714	$ (5,177)	$ (603)	$ (152)	$ 4,785	$ 344	$ 5,129
Cumulative effect of adopting ASU 2016-13				(4)			(4)		(4)
Net loss				(205)			(205)	6	(199)
Other comprehensive income					4		4	(1)	3
Share-based compensation expense			15				15		15
Acquisition of treasury stock						(2)	(2)		(2)
Stock option exercises and other common stock transactions	709						—		—
Balance at June 30, 2020	256,383	$ 3	$ 10,729	$ (5,386)	$ (599)	$ (154)	$ 4,593	$ 349	$ 4,942

	Three Months Ended June 30, 2019								
	Common Stock								
(in millions, except shares in thousands)	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total DXC Equity	Non-Controlling Interest	Total Equity
Balance at March 31, 2019	270,214	$ 3	$ 11,301	$ 478	$ (244)	$ (136)	$ 11,402	$ 323	$ 11,725
Net income				163			163	5	168
Other comprehensive loss					(107)		(107)	(24)	(131)
Share-based compensation expense			18				18		18
Acquisition of treasury stock						(13)	(13)		(13)
Share repurchase program	(7,360)		(410)	(90)			(500)		(500)
Stock option exercises and other common stock transactions	855		7				7		7
Dividends declared ($0.21 per share)				(57)			(57)		(57)
Balance at June 30, 2019	263,709	$ 3	$ 10,916	$ 494	$ (351)	$ (149)	$ 10,913	$ 304	$ 11,217

[1] *2,291,790 treasury shares as of June 30, 2020.*

The accompanying notes are an integral part of these condensed consolidated financial statements.

Note 1 - Summary of Significant Accounting Policies

Business

DXC Technology Company ("DXC," the "Company," "we," "us," or "our") helps global companies run their mission critical systems and operations while modernizing IT, optimizing data architectures, and ensuring security and scalability across public, private and hybrid clouds. With decades of driving innovation, the world’s largest companies trust DXC to deploy its enterprise technology stack to deliver new levels of performance, competitiveness and customer experiences.

HHS Sale

On March 9, 2020, DXC entered into a definitive agreement to sell (the “HHS Sale”) its U.S. State and Local Health and Human Services business (the “HHS Business”) to Veritas Capital Fund Management, L.L.C. for $5.0 billion in cash. The HHS Business is an end-to-end provider of technology-enabled, mission critical solutions that are fundamental to the administration and operations of health programs throughout the United States. The transaction is expected to close by September 2020, but no later than December 2020, subject to the satisfaction of certain closing conditions. Following the transaction close, DXC will retain its remaining healthcare practice, servicing customers across the healthcare continuum, including payers, providers and life sciences firms.

Luxoft Acquisition

On June 14, 2019, DXC completed its acquisition of Luxoft Holding, Inc. ("Luxoft"), a global digital strategy and software engineering firm (the "Luxoft Acquisition"). The acquisition builds on DXC’s unique value proposition as an end-to-end, mainstream IT and digital services market leader, and strengthens the Company’s ability to design and deploy transformative digital solutions for clients at scale. See Note 3 - "Acquisitions" for further information.

Basis of Presentation

In order to make this report easier to read, DXC refers throughout to (i) the interim unaudited Condensed Consolidated Financial Statements as the “financial statements,” (ii) the Condensed Consolidated Statements of Operations as the “statements of operations,” (iii) the Condensed Consolidated Statements of Comprehensive (Loss) Income as the "statements of comprehensive income," (iv) the Condensed Consolidated Balance Sheets as the “balance sheets,” and (v) the Condensed Consolidated Statements of Cash Flows as the “statements of cash flows.” In addition, references throughout to numbered “Notes” refer to the numbered Notes in these Notes to Condensed Consolidated Financial Statements, unless otherwise noted.

The accompanying financial statements include the accounts of DXC, its consolidated subsidiaries, and those business entities in which DXC maintains a controlling interest. Investments in business entities in which the Company does not have control, but has the ability to exercise significant influence over operating and financial policies, are accounted for by the equity method. Other investments are accounted for by the cost method. Non-controlling interests are presented as a separate component within equity in the balance sheets. Net earnings attributable to the non-controlling interests are presented separately in the statements of operations and comprehensive income attributable to non-controlling interests are presented separately in the statements of comprehensive income. All intercompany transactions and balances have been eliminated.

The financial statements of the Company have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission for quarterly reports and accounting principles generally accepted in the United States ("GAAP"). Certain disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules. These financial statements should therefore be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2020 ("fiscal 2020").

Use of Estimates

The preparation of financial statements in conformity with GAAP, requires the Company's management to make estimates and assumptions that affect amounts reported in the financial statements. The Company bases its estimates on assumptions regarding historical experience, currently available information and anticipated developments that it believes are reasonable and appropriate. However, because the use of estimates involves an inherent degree of uncertainty, actual results could differ from those estimates. The severity, magnitude and duration, as well as the economic consequences of the coronavirus disease 2019 ("COVID-19") pandemic, are uncertain, rapidly changing and difficult to predict. Therefore, accounting estimates and assumptions may change over time in response to COVID-19 and may change materially in future periods. In the opinion of the Company's management, the accompanying financial statements of DXC contain all adjustments, including normal recurring adjustments, necessary to present fairly the Company's financial statements. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full fiscal year.

Allowance for Credit Losses

Effective April 1, 2020, the Company adopted ASU 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” using the modified retrospective method. Refer to Note 2 - "Recent Accounting Pronouncements" and Note 5 - "Receivables" for further discussion of the impact of adoption and other required disclosures. The amendments in this update changed the guidance for credit losses to an expected loss model rather than an incurred loss model. Financial assets subject to impairment under an expected credit loss model include billed and unbilled receivables, other receivables, and contract assets. Certain off-balance sheet arrangements, such as financial guarantees associated with receivables securitization facilities, are also subject to the guidance of ASU 2016-13.

Under an expected credit loss model, the Company immediately recognizes an estimate of credit losses expected to occur over the remaining life of financial assets that are in the scope of ASU 2016-13. DXC considers all available relevant information when estimating expected credit losses, including past events, current market conditions and forecasts and their implications for expected credit losses.

Note 2 - Recent Accounting Pronouncements

During the three months ended June 30, 2020, DXC adopted the following Accounting Standards Updates ("ASU") issued by the Financial Accounting Standards Board:

Date Issued and ASU	Date Adopted and Method	Description	Impact
June 2016 ASU 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”	April 1, 2020 Modified Retrospective	This update requires the measurement and recognition of expected credit losses using the current expected credit loss model for financial assets held at amortized cost, which includes the Company’s trade accounts receivable, certain financial instruments and contract assets. It replaces the existing incurred loss impairment model with an expected loss methodology. The recorded credit losses are adjusted each period for changes in expected lifetime credit losses. The standard requires a cumulative effect adjustment to the statement of financial position as of the beginning of the first reporting period in which the guidance is effective.	The Company adopted this standard using the modified retrospective approach and recorded an immaterial cumulative effect adjustment in retained earnings as of April 1, 2020.
August 2018 ASU 2018-15, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract"	April 1, 2020 Prospective	This update helps entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license. Entities have the option to apply this standard prospectively to all implementation costs incurred after the date of adoption or retrospectively.	The Company adopted this standard using the prospective method and determined that the adoption of ASU 2018-15 had no material impact to its condensed consolidated financial statements.

The following ASUs were recently issued but have not yet been adopted by DXC:

Date Issued and ASU	DXC Effective Date	Description	Impact
December 2019 ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes"	Fiscal 2022	This update is intended to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. Early adoption of this update is permitted.	The Company is currently evaluating the potential impact this standard may have on its financial statements in future reporting periods.

Other recently issued ASUs effective after June 30, 2020 are not expected to have a material effect on DXC's consolidated financial statements.

Note 3 - Acquisitions

Fiscal 2020 Acquisitions

Luxoft Acquisition

On June 14, 2019, DXC completed the acquisition of Luxoft, a digital service provider whose offerings encompass strategic consulting, custom software development services, and digital solution engineering for total consideration of $2.0 billion. The acquisition will combine Luxoft's digital engineering capabilities with DXC's expertise in IT modernization and integration. The purchase agreement ("Merger Agreement") was entered into by DXC and Luxoft on January 6, 2019 and the transaction was closed on June 14, 2019 (the "acquisition date.")

The transaction between DXC and Luxoft is an acquisition, with DXC as the acquirer and Luxoft as the acquiree, based on the fact that DXC acquired 100% of the equity interests and voting rights in Luxoft, and that DXC is the entity that transferred the cash consideration.

The Company's allocation of the purchase price to the assets acquired and liabilities assumed as of the Luxoft acquisition date is as follows:

(in millions)	Fair Value
Cash and cash equivalents	$ 113
Accounts receivable	233
Other current assets	15
Total current assets	361
Property and equipment	31
Intangible assets	577
Other assets	99
Total assets acquired	1,068
Accounts payable, accrued payroll, accrued expenses, and other current liabilities	(121)
Deferred revenue	(8)
Long-term deferred tax liabilities and income tax payable	(106)
Other liabilities	(72)
Total liabilities assumed	(307)
Net identifiable assets acquired	761
Goodwill	1,262
Total consideration transferred	$ 2,023

Goodwill represents the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed at the acquisition date. The goodwill recognized with the acquisition was attributable to the synergies expected to be achieved by combining the businesses of DXC and Luxoft, expected future contracts and the acquired workforce. The cost-saving opportunities are expected to include improved operating efficiencies and asset optimization. The total goodwill arising from the acquisition was allocated to Global Business Services ("GBS") and is not deductible for tax purposes. See Note 10 - "Goodwill."

The Company valued current assets and liabilities using existing carrying values as an estimate of the approximate fair value of those items at the acquisition date except for certain contract receivables for which the Company determined fair value based on a cost plus margin approach. The Company valued acquired property and equipment using predominately the direct capitalization method of the income approach and in certain specific cases, the Company determined that the net book value represents the fair value. The Company valued customer relationships using the multi-period excess earnings method under the income approach and valued trade names and developed technology using a relief from royalty method under the income approach. The Company determined that the net book value of the purchased software represents the fair value.

Below are the estimated useful lives of the acquired intangibles:

	Estimated Useful Lives (Years)
Customer related intangibles	10
Trade names	20
Developed technology	3
Third-party purchased software	3

The Company valued deferred tax liabilities based on statutory tax rates in the jurisdictions of the legal entities where the acquired non-current assets and liabilities are taxed.

Note 4 - Earnings (Loss) per Share

Basic earnings (loss) per share ("EPS") is computed using the weighted average number of shares of common stock outstanding during the period. Diluted EPS reflects the incremental shares issuable upon the assumed exercise of stock options and equity awards. The following table reflects the calculation of basic and diluted EPS:

	Three Months Ended	
(in millions, except per-share amounts)	June 30, 2020	June 30, 2019
Net (loss) income attributable to DXC common shareholders:	$ (205)	$ 163
Common share information:		
Weighted average common shares outstanding for basic EPS	253.63	267.00
Dilutive effect of stock options and equity awards	—	1.97
Weighted average common shares outstanding for diluted EPS	253.63	268.97
(Loss) Earnings per share:		
Basic	$ (0.81)	$ 0.61
Diluted	$ (0.81)	$ 0.61

Certain share-based equity awards were excluded from the computation of dilutive EPS because inclusion of these awards would have had an anti-dilutive effect. The number of awards excluded were as follows:

	Three Months Ended	
	June 30, 2020[1]	June 30, 2019
Stock Options	1,749,189	4,824
Restricted Stock Units	3,149,436	589,569
Performance Stock Units	233,762	—

[1] Due to the Company's net loss for the three months ended June 30, 2020, stock options, restricted stock units and performance stock units were excluded from the computation of dilutive EPS because they would have had an anti-dilutive effect.

Note 5 - Receivables

Receivables Facility

The Company has an accounts receivable sales facility (as amended, restated, supplemented or otherwise modified as of June 30, 2020, the "Receivables Facility") with certain unaffiliated financial institutions (the "Purchasers") for the sale of commercial accounts receivable in the United States. Under the Receivables Facility, certain of the Company's subsidiaries (the "Sellers") sell accounts receivable to DXC Receivables LLC ("Receivables SPV"), a wholly owned bankruptcy-remote entity, in a true sale. Receivables SPV subsequently sells certain of the receivables in their entirety to the Purchasers pursuant to a receivables purchase agreement. The financial obligations of Receivables SPV to the Purchasers under the Receivables Facility are limited to the assets it owns and non-recourse to the Company. Sales of receivables by Receivables SPV occur continuously and are settled on a monthly basis. During the first quarter of fiscal 2021, Receivables SPV amended the Receivables Facility (the "Amendment") to decrease the facility limit from $750 million to $600 million and extend the termination date to August 19, 2020. Under the terms of the Receivables Facility, there is no longer any deferred purchase price ("DPP") for receivables as the entire purchase price is paid in cash when the receivables are sold to the Purchasers. Prior to the Amendment, DPPs were realized by Receivables SPV upon the ultimate collection of the underlying receivables sold to the Purchasers. Cash receipts on the DPP were classified as cash flows from investing activities.

The amount available under the Receivables Facility fluctuates over time based on the total amount of eligible receivables generated during the normal course of business after deducting excess concentrations. As of June 30, 2020, the total availability under the Receivables Facility was $324 million, and the amount sold to the Purchasers was $403 million, which was derecognized from the Company's balance sheet. As of June 30, 2020, the Company recorded a $79 million liability within accounts payable because the amount of cash proceeds received by the Company under the Receivables Facility was more than the total availability. The Receivables Facility is scheduled to terminate on August 19, 2020, but provides for one or more optional one-year extensions, if agreed to by the Purchasers. The Company uses the proceeds from the sale of receivables under the Receivables Facility for general corporate purposes.

The fair value of the sold receivables approximated book value due to the short-term nature, and as a result, no gain or loss on sale of receivables was recorded.

While the Company guarantees certain non-financial performance obligations of the Sellers, the Purchasers bear customer credit risk associated with the receivables sold under the Receivables Facility and have recourse in the event of credit-related customer non-payment solely to the assets of the Receivables SPV.

The following table is a reconciliation of the beginning and ending balance of the DPP:

(in millions)	As of and for the Three Months Ended June 30, 2019
Beginning balance	$ 574
Transfers of receivables	1,214
Collections	(1,265)
Change in funding availability	2
Ending balance	$ 525

Milano Receivables Facility

On June 5, 2020, the Company entered into an accounts receivable securitization facility (the "Milano Facility") with certain unaffiliated financial institutions (the "Milano Purchasers") for the sale of commercial accounts receivable related to Medicaid Management Information Systems ("MMiS") contracts in the United States. The Milano Facility is scheduled to terminate on June 4, 2021, but provides for one or more optional one-year extensions, if agreed to by the Purchasers. The Milano Facility has a facility limit of $275 million. Under the Milano Facility, certain of the Company's subsidiaries (the "Milano Sellers") sell MMiS accounts receivable to Milano Receivables Funding LLC ("Milano Receivables SPV"), a wholly owned bankruptcy-remote entity, in a true sale. Milano Receivables SPV subsequently sells the receivables in their entirety to the Milano Purchasers pursuant to a receivables purchase agreement. The financial obligations of Milano Receivables SPV to the Milano Purchasers under the Milano Facility are limited to the assets it owns and non-recourse to the Company. Sales of MMiS receivables by Milano Receivables SPV occur continuously and are settled on a monthly basis.

The amount available under the Milano Facility fluctuates over time based on the total amount of eligible receivables generated during the normal course of business after deducting excess concentrations. As of June 30, 2020, the total availability under the Milano Facility was approximately $251 million, and the amount sold to the Milano Purchasers was $263 million, which was derecognized from the Company's balance sheet. As of June 30, 2020, the Company recorded a $12 million liability within accounts payable because the amount of cash proceeds received by the Company under the Milano Facility was more than the total availability. The Company uses the proceeds from the sale of receivables under the Milano Facility for general corporate purposes.

The fair value of the sold receivables approximated book value due to the short-term nature, and as a result, no gain or loss on sale of receivables was recorded.

While the Company guarantees certain non-financial performance obligations of the Milano Sellers, the Milano Purchasers bear customer credit risk associated with the receivables sold under the Milano Facility and have recourse in the event of credit-related customer non-payment solely to the assets of the Milano Receivables SPV.

German Receivables Facility

On October 1, 2019, the Company executed an accounts receivable securitization facility (as amended, restated, supplemented or otherwise modified as of June 30, 2020, the "DE Receivables Facility") with certain unaffiliated financial institutions (the "DE Purchasers") for the sale of commercial accounts receivable in Germany. The DE Receivables Facility has a facility limit of €200 million (approximately $225 million as of June 30, 2020). Under the DE Receivables Facility, certain subsidiaries of the Company organized in Germany (the "DE Sellers") sell accounts receivable to DXC ARFacility Designated Activity Company ("DE Receivables SPV"), a trust-owned bankruptcy-remote entity, in a true sale. Pursuant to a receivables purchase agreement, DE Receivables SPV subsequently sells the receivables to the DE Purchasers in return for payments of capital. Sales of receivables by DE Receivables SPV occur continuously and are settled on a monthly basis. During the first quarter of fiscal 2021, DE Receivables SPV amended the DE Receivables Facility. Under the terms of the DE Receivables Facility, there is no longer any DPP for receivables as the entire purchase price is paid in cash when the receivables are sold to the DE Purchasers. Prior to the Amendment, DPPs were realized by DE Receivables SPV upon the ultimate collection of the underlying receivables sold to the DE Purchasers. Cash receipts on the DPPs were classified as cash flows from investing activities. The DPP balance was $102 million before the Amendment was executed. Upon execution of the Amendment, the Purchasers extinguished the DPP balance and returned title to the applicable underlying receivables to DE Receivables SPV. The DPP extinguishment was classified as a non-cash investing activity, please refer to Note 18 - "Cash Flows."

The amount available under the DE Receivables Facility fluctuates over time based on the total amount of eligible receivables generated during the normal course of business after deducting excess concentrations. As of June 30, 2020, the total availability under the DE Receivables Facility was approximately $116 million, and the amount sold to the DE Purchasers was $123 million, which was derecognized from the Company's balance sheet. As of June 30, 2020, the Company recorded a $7 million liability within accounts payable because the amount of cash proceeds received by the Company under the DE Receivables Facility was more than the total availability. The DE Receivables Facility is scheduled to terminate on September 30, 2020, but provides for one or more optional one-year extensions, if agreed to by the DE Purchasers. The Company uses the proceeds from DE Receivables SPV's sale of receivables under the DE Receivables Facility for general corporate purposes.

The fair value of the sold receivables approximated book value due to the short-term nature, and as a result, no gain or loss on sale of receivables was recorded.

Certain obligations of DE Sellers under the DE Receivables Facility and certain DXC subsidiaries located in Germany, as initial servicers, are guaranteed by the Company under a performance guaranty, made in favor of an administrative agent on behalf of the DE Purchasers. However, the performance guaranty does not cover DE Receivables SPV's obligations to pay yield, fees or invested amounts to the administrative agent or any of the DE Purchasers.

The following table is a reconciliation of the beginning and ending balances of the DPP:

(in millions)		As of June 30, 2020
Beginning balance	$	103
Transfers of receivables		417
Collections		(420)
Change in funding availability		2
Facility amendments		(102)
Ending balance	$	—

Allowance for Doubtful Accounts

The Company calculates expected credit losses for trade accounts receivable based on historical credit loss rates for each aging category as adjusted for the current market conditions and forecasts about future economic conditions. The following table presents the activity in the allowance for doubtful accounts for trade accounts receivable:

(in millions)		As of and for the Three Months Ended June 30, 2020
Beginning balance	$	74
Impact of adoption of the Credit Loss Standard		4
Provisions for expected credit losses		35
Write-offs charged against the allowance		(9)
Ending balance	$	104

Note 6 - Leases

The Company has operating and finance leases for data centers, corporate offices, retail stores and certain equipment. Its leases have remaining lease terms of 1 to 13 years, some of which include options to extend the leases for up to 10 years, and some of which include options to terminate the leases within 1 to 3 years.

The components of lease expense were as follows:

(in millions)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019
Operating lease cost	$ 156	$ 176
Short-term lease cost	15	10
Variable lease cost	8	15
Sublease income	(12)	(9)
Total operating costs	$ 167	$ 192
Finance lease cost:		
Amortization of right-of-use assets	$ 116	$ 109
Interest on lease liabilities	14	17
Total finance lease cost	$ 130	$ 126

Cash payments made from variable lease costs and short-term leases are not included in the measurement of operating and finance lease liabilities, and as such, are excluded from the supplemental cash flow information stated below. In addition, for the supplemental non-cash information on operating and finance leases, please refer to Note 18 - "Cash Flows."

Supplemental Cash Flow information related to leases was as follows:

(in millions)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019
Cash paid for amounts included in the measurement of:		
Operating cash flows from operating leases	$ 156	$ 174
Operating cash flows from finance leases	$ 14	$ 17
Financing cash flows from finance leases	$ 138	$ 145

Supplemental Balance Sheet information related to leases was as follows:

		As of	
(in millions)	**Balance Sheet Line Item**	**June 30, 2020**	**March 31, 2020**
Assets:			
ROU operating lease assets	Operating right-of-use assets, net	$ 1,602	$ 1,428
ROU finance lease assets	Property and Equipment, net	1,137	1,220
Total		$ 2,739	$ 2,648
Liabilities:			
Current			
Operating lease	Current operating lease liabilities	$ 488	$ 482
Finance lease	Short-term debt and current maturities of long-term debt	432	444
Total		$ 920	$ 926
Non-current			
Operating lease	Non-current operating lease liabilities	$ 1,208	$ 1,063
Finance lease	Long-term debt, net of current maturities	583	602
Total		$ 1,791	$ 1,665

The following table provides information on the weighted average remaining lease term and weighted average discount rate for operating and finance leases:

	As of	
	June 30, 2020	**March 31, 2020**
Weighted Average remaining lease term:	**Years**	
Operating leases	4.9	4.8
Finance leases	2.7	2.7
Weighted average remaining discount rate:	**Rate**	
Operating leases	4.1%	4.0%
Finance leases	4.2%	6.4%

The following maturity analysis presents expected undiscounted cash payments for operating and finance leases on an annual basis as of June 30, 2020:

Fiscal year	Operating Leases		
(in millions)	Real Estate	Equipment	Finance Leases
Remainder of 2021	$ 356	$ 51	$ 345
2022	403	38	370
2023	321	18	223
2024	248	10	99
2025	168	5	23
Thereafter	261	3	1
Total lease payments	1,757	125	1,061
Less: imputed interest	(181)	(5)	(46)
Total payments	$ 1,576	$ 120	$ 1,015

Note 7 - Fair Value

Fair Value Measurements on a Recurring Basis

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis, excluding pension assets and derivative assets and liabilities. See Note 8 - "Derivative and Hedging Activities" for information about the fair value of the Company's derivative assets and liabilities. There were no transfers between any of the levels during the periods presented.

	Fair Value Hierarchy			
(in millions)	June 30, 2020			
Assets:	Fair Value	Level 1	Level 2	Level 3
Money market funds and money market deposit accounts	$ 706	$ 706	$ —	$ —
U.S. treasury bills(1)	500	500	—	—
Time deposits(1)	305	305	—	—
Other debt securities(2)	56	—	53	3
Total assets	$ 1,567	$ 1,511	$ 53	$ 3
Liabilities:				
Contingent consideration	$ 48	$ —	$ —	$ 48
Total liabilities	$ 48	$ —	$ —	$ 48

	March 31, 2020			
Assets:	Fair Value	Level 1	Level 2	Level 3
Money market funds and money market deposit accounts	$ 156	$ 156	$ —	$ —
Time deposits(1)	595	595	—	—
Other debt securities(2)	51	—	48	3
Deferred purchase price receivable	103	—	—	103
Total assets	$ 905	$ 751	$ 48	$ 106
Liabilities:				
Contingent consideration	$ 46	$ —	$ —	$ 46
Total liabilities	$ 46	$ —	$ —	$ 46

(1) *Cost basis approximated fair value due to the short period of time to maturity.*
(2) *Other debt securities include available-for-sale investments with Level 2 inputs that have a cost basis of $38 million and $37 million, and unrealized gains of $15 million and $11 million, as of June 30, 2020 and March 31, 2020, respectively.*

The fair value of money market funds, money market deposit accounts, U.S. Treasury bills with less than three months maturity and time deposits, included in cash and cash equivalents, are based on quoted market prices. The fair value of other debt securities, included in other long-term assets, is based on actual market prices. The fair value of the DPPs, included in receivables, net, is determined by calculating the expected amount of cash to be received and is principally based on unobservable inputs consisting primarily of the face amount of the receivables adjusted for anticipated credit losses. The fair value of contingent consideration, included in other liabilities, is based on contractually defined targets of financial performance and other considerations.

Other Fair Value Disclosures

The carrying amounts of the Company’s financial instruments with short-term maturities, primarily accounts receivable, accounts payable, short-term debt, and financial liabilities included in other accrued liabilities, are deemed to approximate their market values due to their short-term nature. If measured at fair value, these financial instruments would be classified as Level 2 or Level 3 within the fair value hierarchy.

The Company estimates the fair value of its long-term debt, primarily by using quoted prices obtained from third-party providers such as Bloomberg, and by using an expected present value technique that is based on observable market inputs for instruments with similar terms currently available to the Company. The estimated fair value of the Company's long-term debt, excluding finance lease liabilities, was $10.2 billion and $8.2 billion as of June 30, 2020 and March 31, 2020, respectively, as compared with carrying value of $10.0 billion and $8.4 billion as of June 30, 2020 and March 31, 2020, respectively. If measured at fair value, long-term debt, excluding finance lease liabilities would be classified as Level 1 or Level 2 within the fair value hierarchy.

Non-financial assets such as goodwill, tangible assets, intangible assets and other contract related long-lived assets are recorded at fair value in the period they are initially recognized, and such fair value may be adjusted in subsequent periods if an event occurs or circumstances change that indicate that the asset may be impaired. The fair value measurements, in such instances, would be classified as Level 3 within the fair value hierarchy. There were no significant impairments recorded during the fiscal period covered by this report.

Note 8 - Derivative and Hedging Activities

In the normal course of business, the Company is exposed to interest rate and foreign exchange rate fluctuations. As part of its risk management strategy, the Company uses derivative instruments, primarily foreign currency forward contracts and interest rate swaps, to hedge certain foreign currency and interest rate exposures. The Company's objective is to reduce earnings volatility by offsetting gains and losses resulting from these exposures with losses and gains on the derivative contracts used to hedge them. The Company does not use derivative instruments for trading or any speculative purposes.

Derivatives Designated for Hedge Accounting

Cash flow hedges

The Company has designated certain foreign currency forward contracts as cash flow hedges to reduce foreign currency risk related to certain Indian Rupee-denominated intercompany obligations and forecasted transactions. The notional amounts of foreign currency forward contracts designated as cash flow hedges as of June 30, 2020 and March 31, 2020 were $450 million and $455 million, respectively. As of June 30, 2020, the related forecasted transactions extend through September 2022.

For the three months ended June 30, 2020 and June 30, 2019, respectively, the Company performed an assessment at the inception of the cash flow hedge transactions and determined that all critical terms of the hedging instruments and hedged items matched. The Company performs an assessment of critical terms on an on-going basis throughout the hedging period. During the three months ended June 30, 2020 and June 30, 2019, respectively, the Company had no cash flow hedges for which it was probable that the hedged transaction would not occur. As of June 30, 2020, $6 million of the existing amount of loss related to the cash flow hedge reported in accumulated other comprehensive loss is expected to be reclassified into earnings within the next 12 months.

Net investment hedges

During the fiscal year ended March 31, 2019, the Company designated certain foreign currency forward contracts as net investment hedges to protect its investment in certain foreign operations against adverse changes in exchange rates between the Euro and the U.S. dollar. These contracts were de-designated and settled during the fiscal year ended March 31, 2020, and as of June 30, 2020, there were none outstanding.

During the three months ended June 30, 2020, the pre-tax gain (loss) on derivatives designated for hedge accounting recognized in other comprehensive income (loss) was $11 million and in loss from operations was $(4) million.

Derivatives Not Designated for Hedge Accounting

The derivative instruments not designated as hedges for purposes of hedge accounting include certain short-term foreign currency forward contracts. Derivatives that are not designated as hedging instruments are adjusted to fair value through earnings in the financial statement line item to which the derivative relates to.

Foreign currency forward contracts

The Company manages the exposure to fluctuations in foreign currencies by using short-term foreign currency forward contracts to hedge certain foreign currency denominated assets and liabilities, including intercompany accounts and forecasted transactions. The notional amounts of the foreign currency forward contracts outstanding as of June 30, 2020 and March 31, 2020 were $2.1 billion and $2.2 billion, respectively.

The following table presents the pretax amounts impacting income related to designated and non-designated foreign currency forward contracts:

		For the Three Months Ended	
(in millions)	Statement of Operations Line Item	June 30, 2020	June 30, 2019
Foreign currency forward contracts	Other expense (income), net	$ 25	$ 19

Fair Value of Derivative Instruments

All derivative instruments are recorded at fair value. The Company’s accounting treatment for these derivative instruments is based on its hedge designation. The following tables present the fair values of derivative instruments included in the balance sheets:

	Derivative Assets		
		As of	
(in millions)	**Balance Sheet Line Item**	**June 30, 2020**	**March 31, 2020**
Derivatives designated for hedge accounting:			
Foreign currency forward contracts	Other current assets	$ 2	$ —
Total fair value of derivatives designated for hedge accounting		$ 2	$ —
Derivatives not designated for hedge accounting:			
Foreign currency forward contracts	Other current assets	$ 3	$ 16
Total fair value of derivatives not designated for hedge accounting		$ 3	$ 16

	Derivative Liabilities		
		As of	
(in millions)	**Balance Sheet Line Item**	**June 30, 2020**	**March 31, 2020**
Derivatives designated for hedge accounting:			
Foreign currency forward contracts	Accrued expenses and other current liabilities	$ 8	$ 20
Total fair value of derivatives designated for hedge accounting:		$ 8	$ 20
Derivatives not designated for hedge accounting:			
Foreign currency forward contracts	Accrued expenses and other current liabilities	$ 5	$ 12
Total fair value of derivatives not designated for hedge accounting		$ 5	$ 12

The fair value of foreign currency forward contracts represents the estimated amount required to settle the contracts using current market exchange rates and is based on the period-end foreign currency exchange rates and forward points which are classified as Level 2 inputs.

Other Risks for Derivative Instruments

The Company is exposed to the risk of losses in the event of non-performance by the counterparties to its derivative contracts. The amount subject to credit risk related to derivative instruments is generally limited to the amount, if any, by which a counterparty's obligations exceed the obligations of the Company with that counterparty. To mitigate counterparty credit risk, the Company regularly reviews its credit exposure and the creditworthiness of the counterparties. With respect to its foreign currency derivatives, as of June 30, 2020, there were no counterparties with concentration of credit risk.

The Company also enters into enforceable master netting arrangements with some of its counterparties. However, for financial reporting purposes, it is the Company's policy not to offset derivative assets and liabilities despite the existence of enforceable master netting arrangements. The potential effect of such netting arrangements on the Company's balance sheets is not material for the periods presented.

Non-Derivative Financial Instruments Designated for Hedge Accounting

The Company applies hedge accounting for foreign currency-denominated debt used to manage foreign currency exposures on its net investments in certain non-U.S. operations. To qualify for hedge accounting, the hedging instrument must be highly effective at reducing the risk from the exposure being hedged.

Net Investment Hedges

DXC seeks to reduce the impact of fluctuations in foreign exchange rates on its net investments in certain non-U.S. operations with foreign currency-denominated debt. For foreign currency-denominated debt designated as a hedge, the effectiveness of the hedge is assessed based on changes in spot rates. For qualifying net investment hedges, all gains or losses on the hedging instruments are included in currency translation. Gains or losses on individual net investments in non-U.S. operations are reclassified to earnings from accumulated other comprehensive loss when such net investments are sold or substantially liquidated.

As of June 30, 2020, DXC had $1.4 billion of foreign currency-denominated debt designated as hedges of net investments in non-U.S. subsidiaries. For the three months ended June 30, 2020, the pre-tax impact of loss on foreign currency-denominated debt designated for hedge accounting recognized in other comprehensive loss was $27 million. As of March 31, 2020, DXC had $1.9 billion of foreign currency-denominated debt designated as hedges of net investments in non-U.S. subsidiaries.

Note 9 - Intangible Assets

Intangible assets consisted of the following:

	As of June 30, 2020		
(in millions)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Software	$ 4,086	$ 2,729	$ 1,357
Customer related intangible assets	5,843	1,859	3,984
Other intangible assets	238	39	199
Total intangible assets	$ 10,167	$ 4,627	$ 5,540

	As of March 31, 2020		
(in millions)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Software	$ 4,048	$ 2,614	$ 1,434
Customer related intangible assets	5,795	1,697	4,098
Other intangible assets	235	36	199
Total intangible assets	$ 10,078	$ 4,347	$ 5,731

The components of amortization expense were as follows:

	Three Months Ended	
(in millions)	June 30, 2020	June 30, 2019
Intangible asset amortization	$ 253	$ 236
Transition and transformation contract cost amortization[1]	61	67
Total amortization expense	$ 314	$ 303

[1] *Transaction and transformation contract costs are included within other assets on the balance sheet.*

Estimated future amortization related to intangible assets as of June 30, 2020 is as follows:

Fiscal Year	(in millions)
Remainder of 2021	$ 743
2022	$ 940
2023	$ 860
2024	$ 753
2025	$ 668

Note 10 - Goodwill

The following table summarizes the changes in the carrying amount of goodwill, by segment, as of June 30, 2020.

(in millions)	GBS	GIS	Total
Goodwill, gross	$ 6,507	$ 5,066	$ 11,573
Accumulated impairment losses	(4,490)	(5,066)	(9,556)
Balance as of March 31, 2020, net	$ 2,017	$ —	$ 2,017
Acquisitions	16	—	16
Foreign currency translation	24	—	24
Goodwill, gross	6,547	5,066	11,613
Accumulated impairment losses	(4,490)	(5,066)	(9,556)
Balance as of June 30, 2020, net	$ 2,057	$ —	$ 2,057

The addition to goodwill was due to an insignificant acquisition. The foreign currency translation amount reflects the impact of currency movements on non-U.S. dollar-denominated goodwill balances.

Goodwill Impairment Analyses

The Company tests goodwill for impairment on an annual basis, as of the first day of the second fiscal quarter, and between annual tests if circumstances change, or if an event occurs that would more likely than not reduce the fair value of a reporting unit below its carrying amount. As of June 30, 2020, the Company assessed whether there were events or changes in circumstances that would more likely than not reduce the fair value of any of its reporting units below its carrying amount and require goodwill to be tested for impairment. The Company determined that there have been no such indicators and therefore, it was unnecessary to perform an interim goodwill impairment test as of June 30, 2020.

Note 11 - Debt

The following is a summary of the Company's debt:

(in millions)	Interest Rates	Fiscal Year Maturities	June 30, 2020	March 31, 2020
Short-term debt and current maturities of long-term debt				
Commercial paper[(1)]	(0.22)% - 0.44%	2021 - 2022	$ 967	$ 542
Current maturities of long-term debt	Various	2021 - 2022	283	290
Current maturities of finance lease liabilities	0.62% - 18.47%	2021	432	444
Short-term debt and current maturities of long-term debt			$ 1,682	$ 1,276
Long-term debt, net of current maturities				
AUD term loan	0.94% - 0.96%[(2)]	2022	344	489
GBP term loan	1.46%[(3)]	2022	369	556
EUR term loan	0.65%[(4)]	2022 - 2023	280	822
EUR term loan	0.80%[(5)]	2023 - 2024	839	821
USD term loan	1.42% - 2.24%[(6)]	2025	379	480
$274 million Senior notes	4.45%	2023	276	276
$171 million Senior notes	4.45%	2023	172	172
$500 million Senior notes	4.25%	2025	505	505
$500 million Senior notes	4.00%	2024	497	—
$500 million Senior notes	4.13%	2026	496	—
£250 million Senior notes	2.75%	2025	306	307
€650 million Senior notes	1.75%	2026	726	709
$500 million Senior notes	4.75%	2028	507	507
$234 million Senior notes	7.45%	2030	271	271
Revolving credit facility	1.27% - 2.08%	2024 - 2025	3,250	1,500
Lease credit facility	1.17% - 1.99%	2021 - 2023	8	11
Finance lease liabilities	0.62% - 18.47%	2021 - 2027	1,015	1,046
Borrowings for assets acquired under long-term financing	0.48% - 6.39%	2021 - 2028	740	802
Mandatorily redeemable preferred stock outstanding	6.00%	2023	62	62
Other borrowings	Various	2021 - 2022	7	70
Long-term debt			11,049	9,406
Less: current maturities			715	734
Long-term debt, net of current maturities			$ 10,334	$ 8,672

[(1)] *At DXC's option, DXC can borrow up to a maximum of €1 billion or its equivalent in €, £, and $. Under this existing €1.0 billion commercial paper program, the Company issued £600 million via direct sale to the Bank of England.*

[(2)] *Variable interest rate equal to the bank bill swap bid rate for a one-, two-, three- or six-month interest period plus 0.60% to 0.95% based on the published credit ratings of DXC.*

[(3)] *Three-month LIBOR rate plus 0.80%.*

[(4)] *At DXC's option, the EUR term loan bears interest at the Eurocurrency Rate for a one-, two-, three-, or six-month interest period, plus a margin between 0.40% and 0.9%, based on published credit ratings of DXC.*

[(5)] *At DXC's option, the EUR term loan bears interest at the Eurocurrency Rate for a one-, two-, three-, or six-month interest period, plus a margin between 0.55% and 1.05%, based on published credit ratings of DXC.*

[(6)] *At DXC's option, the USD term loan bears interest at the Eurocurrency Rate for a one-, two-, three-, or six-month interest period, plus a margin between 1.00% and 1.50%, based on published credit ratings of DXC or the Base Rate plus a margin between 0.00% and 0.50%, based on published credit ratings of DXC.*

Senior Notes and Term Loans

During the first quarter of fiscal 2021, the Company issued two senior notes with an aggregate principal of $1.0 billion, consisting of (i) $500 million of 4.00% Senior Notes due fiscal 2024, and (ii) $500 million of 4.13% Senior Notes due fiscal 2026. The proceeds from these notes were applied towards the early prepayment of our term loan facilities, including prepayment of €500 million of Euro Term Loan due fiscal 2023, £150 million of GBP Term Loan due fiscal 2022, A$300 million of AUD Term Loan due fiscal 2022, and $100 million of USD Term Loan due fiscal 2025.

Interest on the Company's term loans is payable monthly or quarterly in arrears at the election of the borrowers. The Company fully and unconditionally guarantees term loans issued by its 100% owned subsidiaries. The interest on the Company's senior notes is payable semi-annually in arrears, except for interest on the £250 million Senior Notes due 2025 and the €650 million Senior Notes due 2026, which are payable annually in arrears. Generally, the Company's notes are redeemable at the Company's discretion at the then-applicable redemption premium plus accrued interest.

Revolving Credit Facility

During the first quarter of fiscal 2021, the Company borrowed the remaining $2.5 billion under the $4.0 billion credit facility agreement ("Credit Agreement") as a precautionary measure to increase its cash position and increase financial flexibility in light of continuing uncertainty in the global economy and financial capital markets resulting from the COVID-19 pandemic. During the quarter, the Company repaid $750 million, which became available under the revolving credit facility for redraw at the request of the Company.

The Company expects to use the proceeds from the borrowings under the Credit Agreement for working capital, general corporate purposes or other purposes permitted under the Credit Agreement. Borrowings under the Credit Agreement will bear interest at a variable rate based on LIBOR or on a base rate, plus an individual margin based on DXC’s long-term debt rating.

Note 12 - Revenue

Revenue Recognition

The following table presents DXC's revenues disaggregated by geography, based on the location of incorporation of the DXC entity providing the related goods or services:

	Three Months Ended	
(in millions)	**June 30, 2020**	**June 30, 2019**
United States	$ 1,709	$ 1,851
United Kingdom	573	715
Australia	361	373
Other Europe	1,205	1,230
Other International	654	721
Total Revenues	$ 4,502	$ 4,890

The revenue by geography pertains to both of the Company’s reportable segments. Refer to Note 19 - "Segment Information" for the Company’s segment disclosures.

Remaining Performance Obligations

Remaining performance obligations represent the aggregate amount of the transaction price in contracts allocated to performance obligations not delivered, or partially undelivered, as of the end of the reporting period. Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustments for revenue that has not materialized and adjustments for currency. As of June 30, 2020, approximately $23 billion of revenue is expected to be recognized from remaining performance obligations. We expect to recognize revenue on approximately 35% of these remaining performance obligations in fiscal 2021, with the remainder of the balance recognized thereafter.

Contract Balances

The following table provides information about the balances of the Company's trade receivables and contract assets and contract liabilities:

	As of	
(in millions)	June 30, 2020	March 31, 2020
Trade receivables, net	$ 2,986	$ 3,059
Contract assets	$ 442	$ 454
Contract liabilities	$ 1,763	$ 1,756

Change in contract liabilities were as follows:

	Three Months Ended	
(in millions)	June 30, 2020	June 30, 2019
Balance, beginning of period	$ 1,756	$ 1,886
Deferred revenue	698	770
Recognition of deferred revenue	(719)	(717)
Currency translation adjustment	30	(5)
Other	(2)	(16)
Balance, end of period	$ 1,763	$ 1,918

Note 13 - Restructuring Costs

The Company recorded restructuring costs of $72 million and $142 million, net of reversals, for the three months ended June 30, 2020 and June 30, 2019, respectively. The costs recorded during the three months ended June 30, 2020 were largely a result of the Fiscal 2021 Plan (defined below).

The composition of restructuring liabilities by financial statement line item is as follows:

	As of
(in millions)	June 30, 2020
Accrued expenses and other current liabilities	$ 165
Other long-term liabilities	33
Total	$ 198

Summary of Restructuring Plans

Fiscal 2021 Plan

During fiscal 2021, management approved global cost savings initiatives designed to better align the Company's workforce and facility structures (the "Fiscal 2021 Plan").

Fiscal 2020 Plan

During fiscal 2020, management approved cost savings initiatives designed to reduce operating costs by re-balancing its workforce and facilities structures (the "Fiscal 2020 Plan"). The Fiscal 2020 Plan includes workforce optimization programs and facilities and data center rationalization. Costs incurred to date under the Fiscal 2020 Plan total $287 million, comprising $270 million in employee severance and $17 million of facilities costs.

Fiscal 2019 Plan

During fiscal 2019, management approved global cost savings initiatives designed to better align the Company's organizational structure with its strategic initiatives and continue the integration of the Enterprise Services business of Hewlett Packard Enterprise Company ("HPES") and other acquisitions (the "Fiscal 2019 Plan"). The Fiscal 2019 Plan includes workforce optimization and rationalization of facilities and data center assets. Costs incurred to date under the Fiscal 2019 Plan total $477 million, comprising $336 million in employee severance and $141 million of facilities costs.

Other Prior Year Plans

In June 2017, management approved a post-HPES Merger (as defined below) restructuring plan to optimize the Company's operations in response to a continuing business contraction (the "Fiscal 2018 Plan"). The Fiscal 2018 Plan focuses mainly on optimizing specific aspects of global workforce, increasing the proportion of work performed in low cost offshore locations and re-balancing the pyramid structure. Additionally, this plan included global facility restructuring, including a global data center restructuring program. Costs incurred to date under the Fiscal 2018 Plan total $985 million, comprising $789 million in employee severance and $196 million of facilities costs.

Acquired Restructuring Liabilities

As a result of the merger of Computer Sciences Corporation ("CSC") and HPES ("HPES Merger"), DXC acquired restructuring liabilities under restructuring plans that were initiated for HPES under plans approved by the HPE Board of Directors.

Restructuring Liability Reconciliations by Plan

	Restructuring Liability as of March 31, 2020	Costs Expensed, Net of Reversals(1)	Costs Not Affecting Restructuring Liability(2)	Cash Paid	Other(3)	Restructuring Liability as of June 30, 2020
Fiscal 2021 Plan						
Workforce Reductions	$ —	$ 78	$ (2)	$ (20)	$ —	$ 56
Facilities Costs	—	5	(1)	(2)	—	2
Total	$ —	$ 83	$ (3)	$ (22)	$ —	$ 58
Fiscal 2020 Plan						
Workforce Reductions	$ 74	$ (1)	$ 1	$ (25)	$ —	$ 49
Facilities Costs	2	(4)	4	(1)	—	1
Total	$ 76	$ (5)	$ 5	$ (26)	$ —	$ 50
Fiscal 2019 Plan						
Workforce Reductions	$ 25	$ (2)	$ (1)	$ (4)	$ 1	$ 19
Facilities Costs	5	(3)	2	—	—	4
Total	$ 30	$ (5)	$ 1	$ (4)	$ 1	$ 23
Other Prior Year Plans						
Workforce Reductions	$ 24	$ (1)	$ 2	$ (8)	$ 1	$ 18
Facilities Costs	—	—	—	—	—	—
Total	$ 24	$ (1)	$ 2	$ (8)	$ 1	$ 18
Acquired Liabilities						
Workforce Reductions	$ 39	$ —	$ —	$ (1)	$ —	$ 38
Facilities Costs	$ 11	—	—	—	—	11
Total	$ 50	$ —	$ —	$ (1)	$ —	$ 49

(1) *Costs expensed, net of reversals include $6 million, $7 million, and $3 million of costs reversed from the Fiscal 2020 Plan, Fiscal 2019 Plan and Other Prior Year Plans, respectively.*
(2) *Pension benefit augmentations recorded as a pension liability, asset impairments and restructuring costs associated with right-of-use assets.*
(3) *Foreign currency translation adjustments.*

Note 14 - Pension and Other Benefit Plans

The Company offers a number of pension and other post-retirement benefit ("OPEB") plans, life insurance benefits, deferred compensation and defined contribution plans. Most of the Company's pension plans are not admitting new participants; therefore, changes to pension liabilities are primarily due to market fluctuations of investments for existing participants and changes in interest rates.

Defined Benefit Plans

The Company sponsors a number of defined benefit and post-retirement medical benefit plans for the benefit of eligible employees. The benefit obligations of the Company's U.S. pension, U.S. OPEB, and non-U.S. OPEB represent an insignificant portion of the Company's pension and other post-retirement benefits. As a result, the disclosures below include the Company's U.S. and non-U.S. pension plans on a global consolidated basis.

During the three months ended June 30, 2020, the Company remeasured plan assets and liabilities as of June 1, 2020 under certain U.K. pension plans due to the end of a public sector contract. The remeasurement resulted in a net loss of $2 million, comprising a curtailment gain of $9 million and an actuarial loss of $11 million. The net loss was recognized within other income.

The components of net periodic pension income were:

	Three Months Ended	
(in millions)	June 30, 2020	June 30, 2019
Service cost	$ 22	$ 23
Interest cost	58	60
Expected return on assets	(153)	(161)
Amortization of prior service costs	(2)	(2)
Contractual termination benefit	—	11
Curtailment gain	(9)	—
Recognition of actuarial loss	11	—
Net periodic pension income	$ (73)	$ (69)

The service cost component of net periodic pension income is presented in cost of services and selling, general and administrative and the other components of net periodic pension income are presented in other income, net, except for contractual termination benefit which is included in restructuring, in the Company’s statements of operations.

Deferred Compensation Plans

Effective as of the HPES Merger, DXC assumed sponsorship of the Computer Sciences Corporation Deferred Compensation Plan, which was renamed the “DXC Technology Company Deferred Compensation Plan” (the “DXC DCP”) and adopted the Enterprise Services Executive Deferred Compensation Plan (the “ES DCP”). Both plans are non-qualified deferred compensation plans maintained for a select group of management, highly compensated employees and non-employee directors.

The DXC DCP covers eligible employees who participated in CSC’s Deferred Compensation Plan prior to the HPES Merger. The ES DCP covers eligible employees who participated in the HPE Executive Deferred Compensation Plan prior to the HPES Merger. Both plans allow participating employees to defer the receipt of current compensation to a future distribution date or event above the amounts that may be deferred under DXC’s tax-qualified 401(k) plan, the DXC Technology Matched Asset Plan. Neither plan provides for employer contributions. As of April 3, 2017, the ES DCP does not admit new participants.

Certain management and highly compensated employees are eligible to defer all, or a portion of, their regular salary that exceeds the limitation set forth in Internal Revenue Section 401(a)(17) and all or a portion of their incentive compensation.

Non-employee directors are eligible to defer up to 100% of their cash compensation. The liability, which is included in other long-term liabilities in the Company's balance sheets, amounted to $49 million as of June 30, 2020 and $48 million as of March 31, 2020.

Note 15 - Income Taxes

The Company's effective tax rate ("ETR") was 11.6% and 18.4% for the three months ended June 30, 2020 and June 30, 2019, respectively. For the three months ended June 30, 2020, the primary drivers of the ETR were the global mix of income, adjustment of the prior tax provisions due to the filing of tax returns in non-U.S. jurisdictions and generation of additional foreign tax credits in the U.S. For the three months ended June 30, 2019, the primary drivers of the ETR were the global mix of income and the reduction of our estimated fiscal 2019 base erosion anti-avoidance tax ("BEAT") for the October 31, 2019 tax year due to electing out of additional first year bonus depreciation.

The majority of unremitted foreign earnings have been taxed in the U.S. We expect a significant portion of the unremitted earnings of our foreign subsidiaries will no longer be subject to U.S. federal income tax upon repatriation to the U.S. However, a portion of these earnings may still be subject to foreign and U.S. state tax consequences when remitted. Earnings in India are indefinitely reinvested. Other foreign earnings are not indefinitely reinvested except for approximately $501 million that could be taxable when repatriated to the U.S. under Treasury regulations that were issued during the first quarter of fiscal 2020.

In connection with the HPES Merger, the Company entered into a tax matters agreement with HPE. HPE generally will be responsible for pre-HPES Merger tax liabilities including adjustments made by tax authorities to HPES U.S. and non-U.S. income tax returns. Likewise, DXC is liable to HPE for income tax receivables and refunds which it receives related to pre-HPES Merger periods. Pursuant to the tax matters agreement, the Company recorded a net receivable of $16 million due to $44 million of tax indemnification receivable related to uncertain tax positions net of related deferred tax benefits, $86 million of tax indemnification receivable related to other tax payables and $114 million of tax indemnification payable related to other tax receivables.

In connection with the USPS Separation, the Company entered into a tax matters agreement with Perspecta. Pursuant to the tax matters agreement, the Company generally will be responsible for tax liabilities arising prior to the USPS Separation. Income tax liabilities transferred to Perspecta primarily relate to pre-HPES Merger periods, for which the Company is indemnified by HPE pursuant to the tax matters agreement between the Company and HPE. The Company remains liable to HPE for tax receivables and refunds which it receives from Perspecta related to pre-HPES Merger periods that were transferred to Perspecta. Pursuant to the tax matters agreement, the Company has recorded a tax indemnification receivable from Perspecta of $66 million and a tax indemnification payable to Perspecta of $45 million related to income tax and other tax liabilities.

The IRS is examining the Company's federal income tax returns for fiscal 2008 through tax year ended October 31, 2019. With respect to CSC's fiscal 2008 through 2010 federal tax returns, the Company previously entered into negotiations for a resolution through settlement with the IRS Office of Appeals. The IRS examined several issues for this audit that resulted in various audit adjustments. The Company and the IRS Office of Appeals have an agreement in principle as to some, but not all of these adjustments. The Company has agreed to extend the statute of limitations associated with this audit through March 31, 2021.

The Company has agreed to extend the statute of limitations associated with the fiscal years 2011 through 2013 through December 31, 2020. The Company has agreed to extend the statute of limitations for fiscal years 2014 through fiscal 2016 through December 31, 2020 and for the employment tax audit of fiscal years 2015 and 2016 until January 31, 2021. The Company expects to reach a resolution for all years no earlier than the second quarter of fiscal 2022 except agreed issues related to fiscal 2008 through 2010 and fiscal 2011 through 2013 federal tax returns, which are expected to be resolved within twelve months.

In addition, the Company may settle certain other tax examinations, have lapses in statutes of limitations, or voluntarily settle income tax positions in negotiated settlements for different amounts than the Company has accrued as uncertain tax positions. The Company may need to accrue and ultimately pay additional amounts for tax positions that previously met a more-likely-than-not standard if such positions are not upheld. Conversely, the Company could settle positions by payment with the tax authorities for amounts lower than those that have been accrued or extinguish a position through payment. The Company believes that the outcomes that are reasonably possible within the next 12 months may result in a reduction in liability for uncertain tax positions of $23 million to $28 million, excluding interest, penalties and tax carry-forwards.

Note 16 - Stockholders' Equity

Share Repurchases

On April 3, 2017, DXC announced the establishment of a share repurchase program approved by the Board of Directors with an initial authorization of $2.0 billion for future repurchases of outstanding shares of DXC common stock. On November 8, 2018, DXC's Board of Directors approved an incremental $2.0 billion share repurchase authorization. An expiration date has not been established for this repurchase plan. Share repurchases may be made from time to time through various means, including in open market purchases, 10b5-1 plans, privately-negotiated transactions, accelerated stock repurchases, block trades and other transactions, in compliance with Rule 10b-18 under the Exchange Act as well as, to the extent applicable, other federal and state securities laws and other legal requirements. The timing, volume, and nature of share repurchases pursuant to the share repurchase plan are at the discretion of management and may be suspended or discontinued at any time.

The shares repurchased are retired immediately and included in the category of authorized but unissued shares. The excess of purchase price over par value of the common shares is allocated between additional paid-in capital and retained earnings. There was no share repurchase activity during the three months ended June 30, 2020. The details of shares repurchased during the three months ended June 30, 2019 are shown below:

	Fiscal 2020		
Fiscal Period	Number of Shares Repurchased	Average Price Per Share	Amount (in millions)
1st Quarter			
Open market purchases	5,510,415	$ 54.44	$ 300
Accelerated stock repurchases	1,849,194	54.08	100
1st Quarter Total	7,359,609	$ 54.35	$ 400

Accumulated Other Comprehensive Loss

The following table shows the changes in accumulated other comprehensive income (loss), net of taxes:

(in millions)	Foreign Currency Translation Adjustments	Cash Flow Hedges	Available-for-sale Securities	Pension and Other Post-retirement Benefit Plans	Accumulated Other Comprehensive Loss
Balance at March 31, 2020	$ (851)	$ (20)	$ 9	$ 259	$ (603)
Current-period other comprehensive income	(2)	7	4	—	9
Amounts reclassified from accumulated other comprehensive loss	—	4	—	(9)	(5)
Balance at June 30, 2020	$ (853)	$ (9)	$ 13	$ 250	$ (599)

(in millions)	Foreign Currency Translation Adjustments	Cash Flow Hedges	Available-for-sale Securities	Pension and Other Post-retirement Benefit Plans	Accumulated Other Comprehensive Loss
Balance at March 31, 2019	$ (517)	$ (3)	$ 9	$ 267	$ (244)
Current-period other comprehensive loss	(111)	6	1		(104)
Amounts reclassified from accumulated other comprehensive loss		(2)		(1)	(3)
Balance at June 30, 2019	$ (628)	$ 1	$ 10	$ 266	$ (351)

Note 17 - Stock Incentive Plans

Equity Plans

The Compensation Committee of the Board of Directors (the "Board") has broad authority to grant awards and otherwise administer the DXC Employee Equity Plan. The plan became effective March 30, 2017 and will continue in effect for a period of 10 years thereafter, unless earlier terminated by the Board. The Board has the authority to amend the plan in such respects as it deems desirable, subject to approval of DXC's stockholders for material modifications.

RSUs represent the right to receive one share of DXC common stock upon a future settlement date, subject to vesting and other terms and conditions of the award, plus any dividend equivalents accrued during the award period. In general, if the employee's status as a full-time employee is terminated prior to the vesting of the RSU grant in full, then the RSU grant is automatically canceled on the termination date and any unvested shares and dividend equivalents are forfeited. Certain executives were awarded service-based "career share" RSUs for which the shares are settled over the 10 anniversaries following the executive's separation from service as a full-time employee, provided the executive complies with certain non-competition covenants during that period. The Company also grants PSUs, which generally vest over a period of 3 years. The number of PSUs that ultimately vest is dependent upon the Company's achievement of certain specified financial performance criteria over a three-year period. If the specified performance criteria are met, awards are settled for shares of DXC common stock and dividend equivalents upon the filing with the SEC of the Annual Report on Form 10-K for the last fiscal year of the performance period. PSU awards include the potential for up to 25% of the shares granted to be earned after the first and second fiscal years if certain of the Company's performance targets are met early, subject to vesting based on the participant's continued employment through the end of the three-year performance period.

In fiscal 2021, DXC issued awards that are considered to have a market condition. A Monte Carlo simulation model was used for the valuation of the grants. Settlement of shares for the fiscal 2021 PSU awards will be made at the end of the third fiscal year subject to certain compounded annual growth rates of the stock price and continued employment through the last day of the third fiscal year.

The terms of the DXC Director Equity Plan allow DXC to grant RSU awards to non-employee directors of DXC. Such RSU awards vest in full at the earlier of (i) the first anniversary of the grant date or (ii) the next annual meeting date, and are automatically redeemed for DXC common stock and dividend equivalents either at that time or, if an RSU deferral election form is submitted, upon the date or event elected by the director. Distributions made upon a director's separation from the Board may occur in either a lump sum or in annual installments over periods of 5, 10, or 15 years, per the director's election. In addition, RSUs vest in full upon a change in control of DXC.

The DXC Share Purchase Plan allows DXC's employees located in the United Kingdom to purchase shares of DXC's common stock at the fair market value of such shares on the applicable purchase date. There were 14,882 shares purchased under this plan during the three months ended June 30, 2020.

The Board has reserved for issuance shares of DXC common stock, par value $0.01 per share, under each of the plans as detailed below:

	As of June 30, 2020	
	Reserved for Issuance	Available for Future Grants
DXC Employee Equity Plan	34,200,000	14,648,697
DXC Director Equity Plan	230,000	26,551
DXC Share Purchase Plan	250,000	191,728
Total	34,680,000	14,866,976

Stock Options

	Number of Option Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Outstanding as of March 31, 2020	1,869,815	$ 29.92	4.27	$ —
Granted	—	$ —		
Exercised	(1,203)	$ 11.77		$ —
Canceled/Forfeited	—	$ —		
Expired	(48,980)	$ 25.46		
Outstanding as of June 30, 2020	1,819,632	$ 30.05	4.10	$ 1
Vested and exercisable as of June 30, 2020	1,819,632	$ 30.05	4.10	$ 1

Restricted Stock

	Employee Equity Plan		Director Equity Plan	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding as of March 31, 2020	4,174,476	$ 55.45	114,615	$ 37.69
Granted	7,135,966	$ 16.23	12,900	$ 14.36
Settled	(713,578)	$ 59.26	—	$ —
Canceled/Forfeited	(392,495)	$ 62.92	—	$ —
Outstanding as of June 30, 2020	10,204,369	$ 27.47	127,515	$ 35.33

Share-Based Compensation

	Three Months Ended	
(in millions)	June 30, 2020	June 30, 2019
Total share-based compensation cost	$ 16	$ 18
Related income tax benefit	$ 1	$ 4
Total intrinsic value of options exercised	$ —	$ 6
Tax benefits from exercised stock options and awards	$ 3	$ 9

As of June 30, 2020, total unrecognized compensation expense related to unvested DXC stock options and unvested DXC RSUs, net of expected forfeitures was $0 million and $194 million, respectively. The unrecognized compensation expense for unvested RSUs is expected to be recognized over a weighted-average period of 2.33 years.

Note 18 - Cash Flows

Cash payments for interest on indebtedness and income taxes and other select non-cash activities are as follows:

	Three Months Ended	
(in millions)	June 30, 2020	June 30, 2019
Cash paid for:		
Interest	$ 103	$ 91
Taxes on income, net of refunds [1]	$ 31	$ 43
Non-cash activities:		
Operating:		
ROU assets obtained in exchange for lease, net [2]	$ 275	$ (22)
Prepaid assets acquired under long-term financing	$ 2	$ 30
Investing:		
Capital expenditures in accounts payable and accrued expenses	$ 11	$ 13
Capital expenditures through finance lease obligations	$ 88	$ 253
Assets acquired under long-term financing	$ 2	$ 235
(Decrease) increase in deferred purchase price receivable	$ (52)	$ 321
Contingent consideration	$ 3	$ —
Financing:		
Dividends declared but not yet paid	$ 1	$ 57

[1] *Income tax refunds were $18 million and $13 million for the three months ended June 30, 2020 and June 30, 2019, respectively.*
[2] *Net of $87 million change in lease classification from operating to finance lease in fiscal 2020.*

Note 19 - Segment Information

DXC has a matrix form of organization and is managed in several different and overlapping groupings including services, industries and geographic regions. As a result, and in accordance with accounting standards, operating segments are organized by the type of services provided. DXC's chief operating decision maker ("CODM"), the chief executive officer, obtains, reviews, and manages the Company’s financial performance based on these segments. The CODM uses these results, in part, to evaluate the performance of, and allocate resources to, each of the segments.

Global Business Services ("GBS")

GBS provides innovative technology solutions that help its customers address key business challenges and accelerate digital transformations tailored to each customers industry and specific objectives. GBS enterprise technology stack offerings include:

- *Analytics and Engineering.* GBS's portfolio of analytics services and extensive partner ecosystem help customers gain rapid insights, automate operations, and accelerate their digital transformation journeys. GBS provides software engineering and solutions that enable businesses to run and manage their mission-critical functions, transform their operations and develop new ways of doing business.
- *Applications*. GBS uses advanced technologies and methods to accelerate the creation, modernization, delivery and maintenance of high-quality, secure applications allowing customers to innovate faster while reducing risk, time to market, and total cost of ownership, across industries. GBS's vertical-specific IP includes solutions for insurance; banking and capital markets; and automotive, among others.

GBS offerings also includes business process services, which include digital integration and optimization of front and back office processes, and agile process automation. This helps companies to reduce cost, and minimize business disruption, human error, and operational risk while improving customer experiences.

Global Infrastructure Services ("GIS")

GIS provides a portfolio of technology offerings that deliver predictable outcomes and measurable results, while reducing business risk and operational costs for customers. GIS enterprise stack elements include:

- *Cloud and Security.* GIS helps customers to rapidly modernize by adapting legacy apps to cloud, migrate the right workloads, and securely manage their multi-cloud environments. GIS's security solutions help predict attacks, proactively respond to threats, ensure compliance and protect data, applications and infrastructure.
- *IT Outsourcing ("ITO")*. GIS's ITO services support infrastructure, applications, and workplace IT operations, including hardware, software, physical/virtual end-user devices, collaboration tools, and IT support services. GIS helps customers securely optimize operations to ensure continuity of their systems and respond to new business and workplace demands, while achieving cost takeout, all with limited resources, expertise and budget.

GIS offerings also include **workplace and mobility services** to fit its customer's employee, business and IT needs from intelligent collaboration, modern device management, digital support services Internet of Things ("IoT") and mobility services, providing a consumer-like, digital experience.

Segment Measures

The following table summarizes operating results regularly provided to the CODM by reportable segment and a reconciliation to the financial statements:

(in millions)	GBS	GIS	Total Reportable Segments	All Other	Totals
Three Months Ended June 30, 2020					
Revenues	$ 2,174	$ 2,328	$ 4,502	$ —	$ 4,502
Segment profit	$ 215	$ 23	$ 238	$ (48)	$ 190
Depreciation and amortization[(1)]	$ 50	$ 267	$ 317	$ 27	$ 344
Three Months Ended June 30, 2019					
Revenues	$ 2,159	$ 2,731	$ 4,890	$ —	$ 4,890
Segment profit	$ 366	$ 340	$ 706	$ (54)	$ 652
Depreciation and amortization[(1)]	$ 29	$ 275	$ 304	$ 28	$ 332

[(1)] Depreciation and amortization as presented excludes amortization of acquired intangible assets of $148 million and $138 million for the three months ended June 30, 2020 and 2019, respectively.

Reconciliation of Reportable Segment Profit to Consolidated Total

The Company's management uses segment profit as the measure for assessing performance of its segments. Segment profit is defined as segment revenue less cost of services, segment selling, general and administrative, depreciation and amortization, and other income (excluding the movement in foreign currency exchange rates on DXC's foreign currency denominated assets and liabilities and the related economic hedges). The Company does not allocate to its segments certain operating expenses managed at the corporate level. These unallocated costs include certain corporate function costs, stock-based compensation expense, pension and OPEB actuarial and settlement gains and losses, restructuring costs, transaction, separation and integration-related costs and amortization of acquired intangible assets.

	Three Months Ended	
(in millions)	June 30, 2020	June 30, 2019
Profit		
Total profit for reportable segments	$ 238	$ 706
All other loss	(48)	(54)
Interest income	23	30
Interest expense	(106)	(91)
Restructuring costs	(72)	(142)
Transaction, separation and integration-related costs	(110)	(105)
Amortization of acquired intangible assets	(148)	(138)
Pension and OPEB actuarial and settlement losses	(2)	—
(Loss) income before income taxes	$ (225)	$ 206

Management does not use total assets by segment to evaluate segment performance or allocate resources. As a result, assets are not tracked by segment and therefore, total assets by segment is not disclosed.

Note 20 - Commitments and Contingencies

Commitments

The Company signed long-term purchase agreements with certain software, hardware, telecommunication, and other service providers to obtain favorable pricing and terms for services, and products that are necessary for the operations of business activities. Under the terms of these agreements, the Company is contractually committed to purchase specified minimums over periods ranging from 1 to 5 years. If the Company does not meet the specified minimums, the
Company would have an obligation to pay the service provider all, or a portion, of the shortfall. Minimum purchase commitments as of June 30, 2020 were as follows:

Fiscal year (in millions)	**Minimum Purchase Commitment[(1)]**
Remainder of 2021	$ 1,525
2022	624
2023	537
2024	261
2025	25
Total	$ 2,972

[(1)] *A significant portion of the minimum purchase commitments for fiscal 2021 relate to the amounts committed under the HPE preferred vendor agreements.*

In the normal course of business, the Company may provide certain clients with financial performance guarantees, and at times performance letters of credit or surety bonds. In general, the Company would only be liable for the amounts of these guarantees in the event that non-performance by the Company permits termination of the related contract by the Company's client. The Company believes it is in compliance with its performance obligations under all service contracts for which there is a financial performance guarantee, and the ultimate liability, if any, incurred in connection with these guarantees will not have a material adverse effect on its consolidated results of operations or financial position.

The Company also uses stand-by letters of credit, in lieu of cash, to support various risk management insurance policies. These letters of credit represent a contingent liability and the Company would only be liable if it defaults on its payment obligations on these policies. The following table summarizes the expiration of the Company's financial guarantees and stand-by letters of credit outstanding as of June 30, 2020:

(in millions)	**Remainder of Fiscal 2021**	**Fiscal 2022**	**Fiscal 2023 and Thereafter**	**Totals**
Surety bonds	$ 105	$ 195	$ 86	$ 386
Letters of credit	99	109	400	608
Stand-by letters of credit	64	11	26	101
Totals	$ 268	$ 315	$ 512	$ 1,095

The Company generally indemnifies licensees of its proprietary software products against claims brought by third parties alleging infringement of their intellectual property rights, including rights in patents (with or without geographic limitations), copyrights, trademarks, and trade secrets. DXC's indemnification of its licensees relates to costs arising from court awards, negotiated settlements, and the related legal and internal costs of those licensees. The Company maintains the right, at its own cost, to modify or replace software in order to eliminate any infringement. The Company has not incurred any significant costs related to licensee software indemnification.

Contingencies

Vincent Forcier v. Computer Sciences Corporation and The City of New York: On October 27, 2014, the United States Attorney's Office for the Southern District of New York and the Attorney General for the State of New York filed complaints-in-intervention on behalf of the United States and the State of New York, respectively, against CSC and The City of New York, based on a *qui tam* complaint originally filed under seal in 2012 by Vincent Forcier, a former employee of CSC. The complaints allege that from 2008 to 2012 New York City and CSC, in its role as fiscal agent for New York City's Early Intervention Program ("EIP"), violated the federal and state False Claims Acts and various common law standards by allegedly orchestrating a billing fraud against Medicaid through the misapplication of default billing codes and the failure to exhaust private insurance coverage before submitting claims to Medicaid. The lawsuits seek treble statutory damages, other civil penalties and attorneys' fees and costs.

In June 2016, the Court dismissed Forcier's amended complaint in its entirety. With regard to the complaints-in-intervention, the Court dismissed the federal claims alleging misuse of default diagnosis codes when the provider had entered an invalid code, and the state claims alleging failure to reimburse Medicaid when claims were subsequently paid by private insurance. The Court allowed the remaining claims to proceed. In September 2016, the United States and the State of New York each filed amended complaints-in-intervention, asserting additional claims that the compensation provisions of CSC's contract with New York City rendered it ineligible to serve as a billing agent under state law.

CSC filed motions to dismiss and in August 2017, the Court granted in part and denied in part CSC's motions. In January 2018, CSC asserted a counterclaim against the State of New York on a theory of contribution and indemnification. The court denied the State's motion to dismiss CSC's counterclaim with respect to liability for claims not arising under the Federal False Claims Act.

In June 2020, the Parties executed a stipulation resolving the matter and dismissing the action. The Company agreed to pay a total of $1.85 million, to be split between the United States and the State of New York. In July 2020, the stipulation was approved by the Court and the case was dismissed.

Strauch Fair Labor Standards Act Collective Action: On July 1, 2014, several plaintiffs filed an action in the U.S. District Court for the District of Connecticut on behalf of themselves and a putative nationwide collective of CSC system administrators, alleging CSC's failure to properly classify these employees as non-exempt under the federal Fair Labor Standards Act ("FLSA"). Plaintiffs alleged similar state-law Rule 23 class claims pursuant to Connecticut and California statutes. Plaintiffs claimed double overtime damages, liquidated damages, and other amounts and remedies.

In 2015 the Court entered an order granting conditional certification under the FLSA of the collective of over 4,000 system administrators. Approximately 1,000 system administrators filed consents with the Court to participate in the FLSA collective. The class/collective action is currently made up of approximately 800 individuals who held the title of associate professional or professional system administrator.

In June 2017, the Court granted Rule 23 certification of a Connecticut state-law class and a California state-law class consisting of professional system administrators and associate professional system administrators. Senior professional system administrators were found not to qualify for Rule 23 certification under the state-law claims. CSC sought permission to appeal the Rule 23 decision to the Second Circuit Court of Appeals, which was denied.

In December 2017, a jury trial was held and a verdict was returned in favor of plaintiffs. On August 6, 2019, the Court issued an order awarding plaintiffs $18.75 million in damages. In September 2019, Plaintiffs filed a motion seeking $14.1 million in attorneys' fees and costs. In July 2020, the Court issued an order awarding Plaintiffs $8.1 million in attorneys' fees and costs. The Company disagrees with the jury verdict, the damages award, and the fee award, and is appealing the judgment of the Court.

Computer Sciences Corporation v. Eric Pulier, et al.: On May 12, 2015, CSC filed a civil complaint in the Court of Chancery of the State of Delaware against Eric Pulier, the former CEO of Service Mesh Inc. ("SMI"), which CSC had acquired in November 2013. The complaint asserted claims for fraud, breach of contract and breach of fiduciary duty, based on allegations that Mr. Pulier had engaged in fraudulent transactions with two employees of the Commonwealth Bank of Australia Ltd. (“CBA”). The Court dismissed CSC’s claim for breach of the implied covenant of good faith, but allowed substantially all of the remaining claims to proceed. Mr. Pulier asserted counter-claims for breach of contract, fraud, negligent representation, rescission, and violations of the California Blue Sky securities law, all of which the Court dismissed in whole or in part, except for claims for breach of Mr. Pulier’s retention agreement.

In July 2017, the Court granted a motion by the United States for a 90-day stay of discovery pending the completion of a criminal investigation by the U.S. Attorney’s Office for the Central District of California. In September 2017, a federal grand jury returned an indictment against Mr. Pulier, charging him with conspiracy, securities and wire fraud, obstruction of justice, and other violations of federal law (*United States v. Eric Pulier*, CR 17-599-AB). The Government sought an extension of the stay which the Delaware Chancery Court granted.

In December 2018, the Government filed an application to dismiss the indictment against Mr. Pulier, which was granted, and the indictment was dismissed with prejudice. In March 2019, the Delaware Chancery Court lifted the stay and denied CSC’s motion for a temporary restraining order and preliminary injunction with respect to certain of Mr. Pulier’s assets.

In August 2019, the Company entered into an agreement with Mr. Pulier, resolving all claims and counterclaims in the Delaware litigation through the division of amounts previously held in escrow for post-closing disputes.

The Securities and Exchange Commission (“SEC”) has filed a complaint against Mr. Pulier alleging various claims, including for fraud and falsifying books and records (*Securities and Exchange Commission v. Eric Pulier,* Case No. 2:17-cv-07124). The Court has set a trial date of December 1, 2020.

In February 2016, Mr. Pulier filed a complaint in Delaware Chancery Court seeking advancement of his legal fees and costs in the civil and criminal actions, pursuant to the terms of his agreements with SMI. The Court ruled that CSC Agility Platform - as the successor to SMI - is liable for advancing 80% of Mr. Pulier’s fees and costs in the civil and criminal actions. Pursuant to agreements with SMI, Mr. Pulier is obligated to repay all amounts advanced to him if it should ultimately be determined that he is not entitled to indemnification.

The Company remains obligated to advance amounts for Mr. Pulier’s legal fees and costs to defend the SEC action against him.

Kemper Corporate Services, Inc. v. Computer Sciences Corporation: In October 2015, Kemper Corporate Services, Inc. (“Kemper”) filed a demand for arbitration against CSC with the American Arbitration Association (“AAA”), alleging that CSC breached the terms of a 2009 Master Software License and Services Agreement and related Work Orders (the “Agreement”) by failing to complete a software translation and implementation plan by certain contractual deadlines. Kemper claimed breach of contract, seeking approximately $100 million in damages. CSC answered the demand for arbitration denying Kemper’s claims and asserting a counterclaim for unpaid invoices for services rendered by CSC.

A single arbitrator conducted an evidentiary hearing on the merits of the claims and counterclaims in April 2017. In October 2017, the arbitrator issued a partial final award, finding for Kemper on its breach of contract theory, awarding Kemper $84.2 million in compensatory damages plus prejudgment interest, denying Kemper’s claim for rescission as moot, and denying CSC’s counterclaim. Kemper moved to confirm the award in federal district court in Texas.

CSC moved to vacate the award, and in August 2018, the Magistrate Judge issued its Report and Recommendation denying CSC's vacatur motion. In September 2018, the District Court summarily accepted the Report and Recommendation without further briefing and entered a Final Judgment in the case. The Company promptly filed a notice of appeal to the Fifth Circuit Court of Appeals. Following the submission of briefs, oral argument was held on September 5, 2019. On January 10, 2020, the Court of Appeals issued a decision denying the Company’s appeal. On January 24, 2020, the Company filed a Petition for Rehearing, seeking review by the entire en banc Court of Appeals. On February 14, 2020, the Court of Appeals denied the Company's Petition.

The Company has been pursuing coverage for the full scope of the award, interest, and legal fees and expenses, under the Company's applicable insurance policies. Certain carriers have accepted coverage while others have denied coverage. On February 21, 2020, the Company paid the balance of the judgment, which net of insurance recovery totalled $60 million. The Company has since recovered an additional $12.5 million from its insurance carriers. The Company continues to pursue recovery with its insurance carriers.

Forsyth, et al. v. HP Inc. and Hewlett Packard Enterprise: On August 18, 2016, this purported class and collective action was filed in the U.S. District Court for the Northern District of California, against HP and HPE alleging violations of the Federal Age Discrimination in Employment Act (“ADEA”), the California Fair Employment and Housing Act, California public policy and the California Business and Professions Code. Former business units of HPE now owned by the Company may be proportionately liable for any recovery by plaintiffs in this matter.

Plaintiffs seek to certify a nationwide class action under the ADEA comprised of all U.S. residents employed by defendants who had their employment terminated pursuant to a work force reduction (“WFR”) plan and who were 40 years of age or older at the time of termination. The class seeks to cover those impacted by WFRs on or after December 2014. Plaintiffs also seek to represent a Rule 23 class under California law comprised of all persons 40 years of age or older employed by defendants in the state of California and terminated pursuant to a WFR plan on or after August 18, 2012.

In January 2017, defendants filed a partial motion to dismiss and a motion to compel arbitration of claims by certain named and opt-in plaintiffs who had signed release agreements as part of their WFR packages. In September 2017, the Court denied the partial motion to dismiss without prejudice, but granted defendants’ motions to compel arbitration for those named and opt-in plaintiffs. The Court has stayed the entire action pending arbitration for these individuals, and administratively closed the case.

A mediation was held in October 2018 with the 16 named and opt-in plaintiffs who were involved in the case at that time. A settlement was reached, which included seven plaintiffs who were employed by former business units of HPE that are now owned by the Company. In June 2019, a second mediation was held with 145 additional opt-in plaintiffs who were compelled to arbitration pursuant to their release agreements. In December 2019, a settlement was reached with 142 of the opt-in plaintiffs, 35 of whom were employed by former business units of HPE that are now owned by the Company, and for which the Company is liable.

Former business units of the Company now owned by Perspecta may be proportionately liable for any recovery by plaintiffs in this matter.

Oracle America, Inc., et al. v. Hewlett Packard Enterprise Company: On March 22, 2016, Oracle filed a complaint against HPE in the Northern District of California, alleging copyright infringement, interference with contract, intentional interference with prospective economic relations, and unfair competition. The litigation relates in part to former business units of HPE that are now owned by the Company. The Company may be required to indemnify HPE for a portion of any recovery by Oracle in the litigation related to these business units.

Oracle’s claims arise primarily out of HPE’s prior relationship with a third-party maintenance provider named Terix Computer Company, Inc. (“Terix”). Oracle claims that Terix infringed its copyrights while acting as HPE’s subcontractor for certain customers of HPE’s multivendor support business. Oracle claims that HPE is liable for vicarious and contributory infringement arising from the alleged actions of Terix and for direct infringement arising from its own alleged conduct.

On June 14, 2018, the court heard oral argument on the parties’ cross-motions for summary judgment. On January 29, 2019, the court granted HPE’s motion for summary judgment and denied Oracle’s motion for summary judgment, resolving the matter in HPE’s favor. Oracle has appealed the judgment to the U.S. Court of Appeals for the Ninth Circuit. The parties have submitted their briefs in the appellate case, and oral argument was held on June 8, 2020. The case has been submitted and a decision is now pending.

In re DXC Technology Company Securities Litigation: On December 27, 2018, a purported class action lawsuit was filed in the United States District Court for the Eastern District of Virginia against the Company and two of its current officers. The lawsuit asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and is premised on allegedly false and/or misleading statements, and alleged non-disclosure of material facts, regarding the Company's business, operations, prospects and performance during the proposed class period of February 8, 2018 to November 6, 2018. The Company moved to dismiss the claims in their entirety, and on June 2, 2020, the court granted the Company's motion, dismissing all claims and entering judgment in the Company's favor. On July 1, 2020, the plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Fourth Circuit. The appeal remains pending.

In March 2019, three related shareholder derivative lawsuits were filed in the Eighth Judicial District Court of the State of Nevada, in and for Clark County, against one of the Company's current officers and a former officer as well as members of the Company's board of directors, asserting claims for breach of fiduciary duty, waste of corporate assets, and unjust enrichment. By agreement of the parties and order of the court, those lawsuits were consolidated on July 18, 2019, and are presently stayed pending the outcome of the appeal of the Eastern District of Virginia matter.

On August 20, 2019, a purported class action lawsuit was filed in the Superior Court of the State of California, County of Santa Clara, against the Company, directors of the Company, and a former officer of the Company, among other defendants. On September 16, 2019, a substantially similar purported class action lawsuit was filed in the United States District Court for the Northern District of California against the Company, directors of the Company, and a former officer of the Company, among other defendants. On November 8, 2019, a third purported class action lawsuit was filed in the Superior Court of the State of California, County of San Mateo, against the Company, directors of the Company, and a former officer of the Company, among other defendants. The third lawsuit was voluntarily dismissed by the plaintiff and re-filed in the Superior Court of the State of California, County of Santa Clara on November 26, 2019, and thereafter was consolidated with the earlier-filed action in the same court on December 10, 2019. The California lawsuits assert claims under Sections 11, 12 and 15 of the Securities Act of 1933, as amended, and are premised on allegedly false and/or misleading statements, and alleged non-disclosure of material facts, regarding the Company's prospects and expected performance. Plaintiff in the federal action filed an amended complaint on January 8, 2020. The putative class of plaintiffs in these cases includes all persons who acquired shares of the Company's common stock pursuant to the offering documents filed with the Securities and Exchange Commission in connection with the April 2017 transaction that formed DXC. On July 15, 2020, the Superior Court of California, County of Santa Clara, denied the Company's motion to stay the state court case but extended the Company's deadline to seek dismissal of the state action, until after a decision on the Company's motion to dismiss the federal action. On July 27, 2020, the United States District Court for the Northern District of California granted the Company's motion to dismiss the federal action. The Court's order permits plaintiffs to amend and refile their complaint within 60 days.

On October 2, 2019, a shareholder derivative lawsuit was filed in the Eighth Judicial District Court of the State of Nevada, in and for Clark County, asserting various claims, including for breach of fiduciary duty and unjust enrichment, and challenging certain sales of securities by officers under Rule 10b5-1 plans. The shareholder filed this action after making a demand on the board of directors, alleging breaches of fiduciary duty, corporate waste and disclosure violations, and demanding that the Board take certain actions to evaluate the allegations and respond. The Company's board of directors analyzed the demand, and has determined to defer its decision on the demand pending developments in the securities and derivative lawsuits described above. The Company moved to dismiss the complaint on the basis that the Board's decision to defer action was not a refusal of the demand and was within its discretion. The Company's motion to dismiss was denied on January 22, 2020. By agreement of the parties and order of the court, the case is presently stayed, pending the outcome of the appeal of the Eastern District of Virginia matter.

On March 31, 2020, a group of individual shareholders filed a complaint in the United States District Court for the Northern District of California, asserting non-class claims based on allegations substantially similar to those at issue in the earlier-filed putative class action complaints pending in the Northern District of California and Eastern District of Virginia. The plaintiffs assert claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and under Sections 11 and 15 of the Securities Act of 1933, as amended. On April 29, 2020, the court granted an administrative motion to relate the case with the earlier-filed putative class action pending in the Northern District of California. And on May 13, 2020, the parties filed a stipulation requesting to stay the case subject to resolution of the motions to dismiss in the Northern District of California and Eastern District of Virginia class actions.

The Company believes that the lawsuits described above are without merit, and it intends to vigorously defend them.

Voluntary Disclosure of Certain Possible Sanctions Law Violations: On February 2, 2017, CSC submitted an initial notification of voluntary disclosure to the U.S. Department of Treasury, Office of Foreign Assets Control ("OFAC") regarding certain possible violations of U.S. sanctions laws pertaining to insurance premium data and claims data processed by two partially-owned joint ventures of Xchanging, which CSC acquired during the first quarter of fiscal 2017. A copy of the disclosure was also provided to Her Majesty’s Treasury Office of Financial Sanctions Implementation in the United Kingdom. The Company provided supplemental information to OFAC on January 31, 2020.

Perspecta Arbitration: In October 2019, Perspecta Inc. (“Perspecta”) submitted a demand for arbitration claiming that in June 2018 DXC breached certain obligations under the Separation and Distribution Agreement ("SDA") between Perspecta and DXC and seeking at least $120 million in alleged damages. During the course of discovery, Perspecta increased the amount of its alleged damages, first to $500 million and then to over $800 million. Perspecta has since increased its damages calculations to include interest, bringing its total claim to $990 million. The Company believes there is no valid basis for Perspecta's claims for these amounts. In its arbitration demand, Perspecta also challenges $39 million in invoices issued by DXC in June 2019 under its IT Services Agreement with Perspecta. DXC believes the invoices were properly issued and the amounts are owed by Perspecta. DXC believes that Perspecta's claims are without merit and intends to vigorously defend itself.

In addition to the matters noted above, the Company is currently subject in the normal course of business to various claims and contingencies arising from, among other things, disputes with customers, vendors, employees, contract counterparties and other parties, as well as securities matters, environmental matters, matters concerning the licensing and use of intellectual property, and inquiries and investigations by regulatory authorities and government agencies. Some of these disputes involve or may involve litigation. The financial statements reflect the treatment of claims and contingencies based on management's view of the expected outcome. DXC consults with outside legal counsel on issues related to litigation and regulatory compliance and seeks input from other experts and advisors with respect to matters in the ordinary course of business. Although the outcome of these and other matters cannot be predicted with certainty, and the impact of the final resolution of these and other matters on the Company’s results of operations in a particular subsequent reporting period could be material and adverse, management does not believe based on information currently available to the Company, that the resolution of any of the matters currently pending against the Company will have a material adverse effect on the financial position of the Company or the ability of the Company to meet its financial obligations as they become due. Unless otherwise noted, the Company is unable to determine at this time a reasonable estimate of a possible loss or range of losses associated with the foregoing disclosed contingent matters.

Note 21 - Subsequent Events

Ransomware Attack

On July 5, 2020, the Company announced the ransomware attack of its subsidiary, Xchanging. DXC has confirmed containment of the incident in the immediate days following identification with minimal impact on Xchanging customers; no loss of DXC or Xchanging customer data; no impact on the wider Xchanging or DXC IT estates; and full restoration of Xchanging customer operations.

Proposed Sale of Healthcare Provider Software Business

On July 17, 2020, the Company entered into a purchase agreement with Dedalus Holding S.p.A. ("Dedalus"), a company organized under the laws of Italy, pursuant to which Dedalus will acquire DXC’s healthcare provider software business for a purchase price of €459 million (approximately $525 million), subject to certain adjustments. The closing of the transaction is subject to certain conditions for the benefit of DXC and Dedalus, including (i) receipt of certain regulatory consents, (ii) the absence of any injunction or other order from a governmental authority that prevents the closing, and (iii) subject to certain exceptions, the accuracy of the representations and warranties of, and compliance with covenants by, the other party. In addition, the closing is subject to certain conditions for the benefit of Dedalus, including (i) the absence of a material adverse effect on the business or the ability of DXC to consummate the transaction and (ii) receipt of certain customer consents.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

All statements and assumptions contained in this Quarterly Report on Form 10-Q and in the documents incorporated by reference that do not directly and exclusively relate to historical facts constitute “forward-looking statements.” Forward-looking statements often include words such as “anticipates,” “believes,” “estimates,” “expects,” “forecast,” “goal,” “intends,” “objective,” “plans,” “projects,” “strategy,” “target,” and “will” and words and terms of similar substance in discussions of future operating or financial performance. These statements represent current expectations and beliefs, and no assurance can be given that the results described in such statements will be achieved.

Forward-looking statements include, among other things, statements with respect to our financial condition, results of operations, cash flows, business strategies, operating efficiencies or synergies, divestitures, competitive position, growth opportunities, share repurchases, dividend payments, plans and objectives of management and other matters. Such statements are subject to numerous assumptions, risks, uncertainties and other factors that could cause actual results to differ materially from those described in such statements, many of which are outside of our control. Furthermore, many of these risks and uncertainties are currently amplified by and may continue to be amplified by or may, in the future, be amplified by, the coronavirus disease 2019 (“COVID-19”) pandemic and the impact of varying private and governmental responses that affect our customers, employees, vendors and the economies and communities where they operate.

Important factors that could cause actual results to differ materially from those described in forward-looking statements include, but are not limited to:

- *the uncertainty of the magnitude, duration, geographic reach, impact on the global economy and current and potential travel restrictions, stay-at-home orders, economic restrictions implemented to address the COVID-19 pandemic;*
- *the current, and uncertain future, impact of the COVID-19 pandemic, as well as other emerging developments and disruption to economic activity, and their resulting impact on our clients that may affect our business, growth, prospects, financial condition, operating results, cash flows and liquidity;*
- *changes in governmental regulations or the adoption of new laws or regulations that may make it more difficult or expensive to operate our business;*
- *changes in senior management, the loss of key employees or the ability to retain and hire key personnel and maintain relationships with key business partners;*
- *the risk of liability or damage to our reputation resulting from security breaches, cyber-attacks or disclosure of sensitive data or failure to comply with data protection laws and regulations, including the ransomware attack recently experienced by our subsidiary, Xchanging;*
- *business interruptions in connection with our technology systems;*
- *the competitive pressures faced by our business;*
- *the effects of macroeconomic and geopolitical trends and events;*
- *the need to manage third-party suppliers and the effective distribution and delivery of our products and services;*
- *the protection of our intellectual property assets, including intellectual property licensed from third parties;*
- *the risks associated with international operations;*
- *the development and transition of new products and services and the enhancement of existing products and services to meet customer needs, respond to emerging technological trends and maintain and grow our customer relationships over time;*

- *the ability to succeed in our strategic objectives, including strategic alternatives material for our business;*
- *the ability to achieve the expected benefits of our restructuring plans;*
- *the ability to maintain and grow our customer relationships over time and to comply with customer contracts or government contracting regulations or requirements;*
- *the execution and performance of contracts by us and our suppliers, customers, clients and partners;*
- *our credit rating and the ability to manage working capital, refinance and raise additional capital for future needs;*
- *our substantial amount of indebtedness;*
- *our ability to remediate any material weakness and maintain effective internal control over financial reporting;*
- *the resolution of pending investigations, claims and disputes;*
- *the integration of Computer Sciences Corporation's ("CSC") and Enterprise Services business of Hewlett Packard Enterprise Company's ("HPES") businesses, operations, and culture and the ability to operate as effectively and efficiently as expected, and the combined company's ability to successfully manage and integrate acquisitions generally;*
- *the ability to realize the synergies and benefits expected to result from the merger of CSC and HPES (the "HPES Merger") within the anticipated time frame or in the anticipated amounts;*
- *other risks related to the HPES Merger including anticipated tax treatment, unforeseen liabilities, and future capital expenditures;*
- *the spin-off of our former U.S. public sector business and its related mergers with Vencore Holding Corp. and KeyPoint Government Solutions to form Perspecta Inc. (the "USPS") Separation and Mergers could result in substantial tax liability to DXC and our stockholders;*
- *risks relating to the respective abilities of the parties to our acquisition of Luxoft Holding, Inc. to achieve the expected results therefrom;*
- *risks relating to the consummation of the HHS Sale and the sale of our healthcare provider software business to Dedalus, and the ability to achieve the expected results therefrom; and*
- *the other factors described in Part I Item 1A "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended March 31, 2020 and Part II Item 1A "Risk Factors" of this Quarterly Report on Form 10-Q.*

No assurance can be given that any goal or plan set forth in any forward-looking statement can or will be achieved, and readers are cautioned not to place undue reliance on such statements which speak only as of the date they are made. We do not undertake any obligation to update or release any revisions to any forward-looking statement or to report any events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events, except as required by law.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The purpose of the MD&A is to present information that management believes is relevant to an assessment and understanding of our results of operations and cash flows for the first quarter of fiscal 2021 and our financial condition as of June 30, 2020. The MD&A is provided as a supplement to, and should be read in conjunction with, our financial statements and accompanying notes.

The MD&A is organized in the following sections:
- Background
- Results of Operations
- Liquidity and Capital Resources
- Off-Balance Sheet Arrangements
- Contractual Obligations
- Critical Accounting Policies and Estimates

The following discussion includes a comparison of our results of operations and liquidity and capital resources for the first quarters of fiscal 2021 and fiscal 2020.

Background

DXC Technology helps global companies run their mission critical systems and operations while modernizing IT, optimizing data architectures, and ensuring security and scalability across public, private and hybrid clouds. With decades of driving innovation, the world’s largest companies trust DXC to deploy our enterprise technology stack to deliver new levels of performance, competitiveness and customer experiences.

We generate revenue by offering a wide range of information technology services and solutions primarily in North America, Europe, Asia and Australia. We operate through two segments: Global Business Services ("GBS") and Global Infrastructure Services ("GIS"). We market and sell our services directly to clients through our direct sales force operating out of sales offices around the world. Our clients include commercial businesses of many sizes and in many industries and public sector enterprises.

Results of Operations

The following table sets forth certain financial data for the first quarters of fiscal 2021 and fiscal 2020:

	Three Months Ended	
(In millions, except per-share amounts)	June 30, 2020	June 30, 2019
Revenues	$ 4,502	$ 4,890
(Loss) income, before income taxes	(225)	206
Income tax (benefit) expense	(26)	38
Net (loss) income	$ (199)	$ 168
Diluted earnings (loss) per share:	$ (0.81)	$ 0.61

Fiscal 2021 Highlights

Financial highlights for the first quarter of fiscal 2021 include the following:

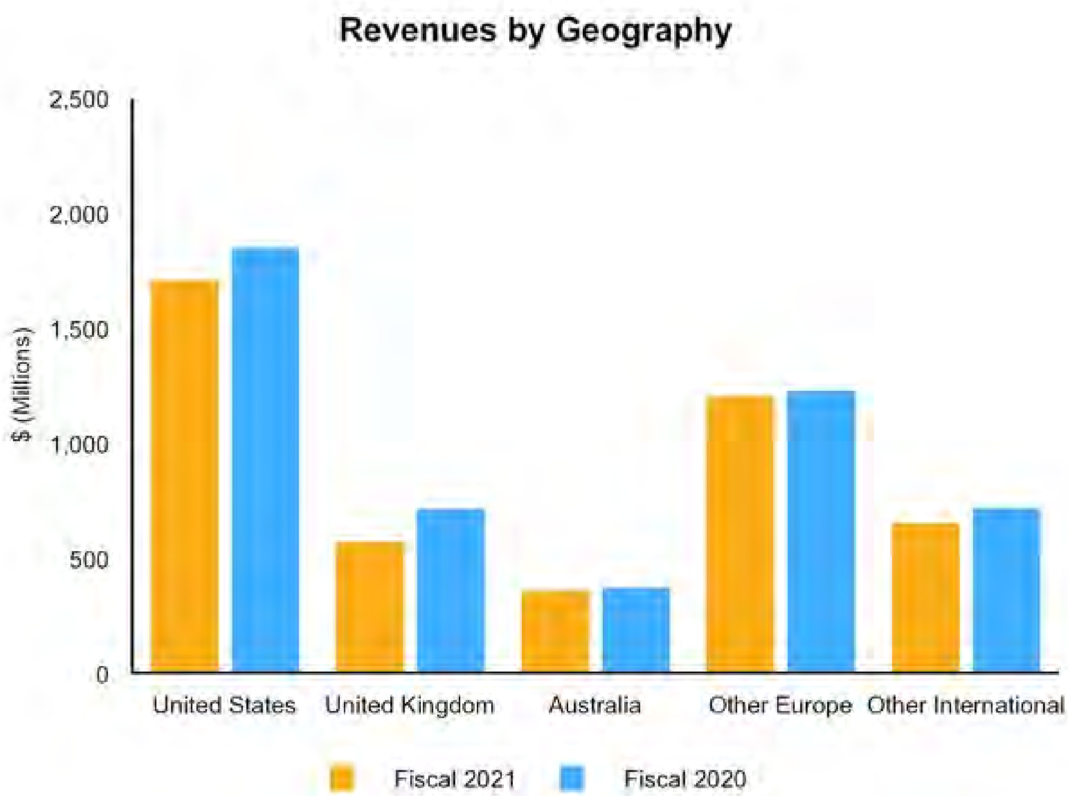
- Revenues for the first quarter of fiscal 2021 were $4.5 billion, a decrease of 7.9% as compared to the first quarter of fiscal 2020.
- Net loss and diluted loss per share for the first quarter of fiscal 2021 were $199 million and $0.81, respectively, including the cumulative impact of certain items of $258 million, reflecting restructuring costs, transaction, separation and integration-related costs, amortization of acquired intangible assets, and pension and other post-retirement benefit ("OPEB") actuarial and settlement losses. This compares with net income and diluted earnings per share of $168 million and $0.61, respectively, for the first quarter of fiscal 2020.
- Our cash and cash equivalents were $5.5 billion as of June 30, 2020.
- We generated $119 million of cash from operations during the first quarter of fiscal 2021, as compared to cash used of $66 million during the first quarter of fiscal 2020.

Revenues

(in millions)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Change	Percentage Change
GBS	$ 2,174	$ 2,159	$ 15	0.7 %
GIS	2,328	2,731	(403)	(14.8)%
Total Revenues	$ 4,502	$ 4,890	$ (388)	(7.9)%

The decrease in revenues for the first quarter of fiscal 2021, compared with fiscal 2020 of the same period, reflects terminations, price-downs, and demand weakness related to the COVID-19 pandemic. This was partially offset by contributions from our Luxoft acquisition. Fiscal 2021 revenues included an unfavorable foreign currency exchange rate impact of 2.0%, primarily driven by the strengthening of the U.S. dollar against the Euro and British Pound.

During the first quarters of fiscal 2021 and fiscal 2020, the distribution of our revenues across geographies was as follows:



For the discussion of risks associated with our foreign operations, see Part 1, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended March 31, 2020.

As a global company, over 62% of our revenues for the first quarter of fiscal 2021 were earned internationally. As a result, the comparison of revenues denominated in currencies other than the U.S. dollar, from period to period, is impacted by fluctuations in foreign currency exchange rates. Constant currency revenues are a non-GAAP measure calculated by translating current period activity into U.S. dollars using the comparable prior period's currency conversion rates. This information is consistent with how management views our revenues and evaluates our operating performance and trends. The table below summarizes our constant currency revenues:

	Three Months Ended			
(in millions)	Constant Currency June 30, 2020	June 30, 2019	Change	Percentage Change
GBS	$ 2,212	$ 2,159	$ 53	2.5 %
GIS	2,391	2,731	(340)	(12.4)%
Total	$ 4,603	$ 4,890	$ (287)	(5.9)%

Global Business Services

Our GBS revenues were $2,174 million in the quarter compared to $2,159 million for the prior year. GBS revenue increased 0.7% year-over-year, including an unfavorable foreign currency exchange rate impact of 1.8%. GBS revenue in constant currency increased 2.5% year-over-year primarily as a result of contributions from our Luxoft acquisition. This was partially offset by project run-offs, completions, and terminations.

For the first quarter of fiscal 2021, GBS contract awards were $3.5 billion as compared to $2.4 billion during the first quarter of fiscal 2020.

Global Infrastructure Services

Our GIS revenues were $2,328 million in the quarter compared to $2,731 million for the prior year. GIS revenue decreased 14.8% year-over-year, including an unfavorable foreign currency exchange rate impact of 2.4%. GIS revenue in constant currency decreased 12.4% year-over-year as a result of terminations, price-downs, and project run-offs.

For the first quarter of fiscal 2021, GIS contract awards were $1.8 billion as compared to $1.8 billion during the first quarter of fiscal 2020.

Costs and Expenses

Our total costs and expenses are shown in the tables below:

	Three Months Ended				
	Amount		Percentage of Revenues		Percentage Point Change
(in millions)	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	
Costs of services (excludes depreciation and amortization and restructuring costs)	$ 3,629	$ 3,622	80.6 %	74.0 %	6.6
Selling, general, and administrative (excludes depreciation and amortization and restructuring costs)	539	507	12.0	10.4	1.6
Depreciation and amortization	492	470	10.9	9.6	1.3
Restructuring costs	72	142	1.6	2.9	(1.3)
Interest expense	106	91	2.4	1.9	0.5
Interest income	(23)	(30)	(0.5)	(0.6)	0.1
Other income, net	(88)	(118)	(2.0)	(2.4)	0.4
Total costs and expenses	$ 4,727	$ 4,684	105.0 %	95.8 %	9.2

Total costs and expenses were consistent in the first quarter of fiscal 2021 compared to the same period in the prior fiscal year. The 9.2 point increase in total costs and expenses as a percentage of revenue for the first quarter of fiscal 2021 was primarily driven by a reduction in revenue for the first quarter of fiscal 2021 compared to the same period in the prior fiscal year.

Costs of Services

Cost of services, excluding depreciation and amortization and restructuring costs ("COS"), was $3.6 billion for the first quarter of fiscal 2021, consistent with the comparable period of the prior fiscal year. Within COS for the first quarter of fiscal 2021 is a $26 million one-time accrual relating to the settlement of customer disputes. This was partially offset by cost optimization savings realized during the quarter. COS as a percentage of revenue increased 6.6 points primarily driven by a reduction in revenue compared to the same period in the prior fiscal year.

Selling, General, and Administrative

Selling, general, and administrative expense, excluding depreciation and amortization and restructuring costs ("SG&A"), was $539 million for the first quarter of fiscal 2021, consistent with the comparable period of the prior fiscal year.

Transaction, separation and integration-related costs of $110 million were included in SG&A for the first quarter of fiscal 2021, as compared to $105 million for the comparable period of the prior fiscal year.

Depreciation and Amortization

Depreciation expense was $178 million and amortization expense was $314 million for the first quarter of fiscal 2021, consistent with the comparable period of the prior fiscal year.

Restructuring Costs

During fiscal 2021, management approved global cost savings initiatives designed to designed to better align the our workforce and facility structures. During the first quarter of fiscal 2021, restructuring costs, net of reversals, were $72 million, as compared to $142 million during the same period of the prior fiscal year.

For an analysis of changes in our restructuring liabilities by restructuring plan, see Note 13 - "Restructuring Costs" to the financial statements.

Interest Expense and Interest Income

Interest expense for the first quarter of fiscal 2021 increased $15 million over the same period in the prior fiscal year due to an increase in borrowings and asset financing activities. See the "Capital Resources" caption below and Note 11 - “Debt” for additional information.

Interest income for the first quarter of fiscal 2021 decreased $7 million over the same period in the prior fiscal year primarily driven by lower yields within our money market accounts.

Other Income, Net

Other income, net comprises non-service cost components of net periodic pension income, movement in foreign currency exchange rates on our foreign currency denominated assets and liabilities and the related economic hedges, equity earnings of unconsolidated affiliates and other miscellaneous gains and losses.

The $30 million decrease in other income, net for the first quarter of fiscal 2021, as compared to the same period of the prior fiscal year, was due to a year-over-year decrease of $9 million in other gains related to sales of non-operating assets, year-over-year decrease of $9 million in non-service components of net periodic pension income and a year-over-year unfavorable foreign currency impact of $12 million.

Taxes

Our effective tax rate ("ETR") was 11.6% and 18.4% for the three months ended June 30, 2020 and June 30, 2019, respectively. For the three months ended June 30, 2020, the primary drivers of the ETR were the global mix of income, adjustment of the prior tax provisions due to the filing of tax returns in non-U.S. jurisdictions and generation of additional foreign tax credits in the U.S. For the three months ended June 30, 2019, the primary drivers of the ETR were the global mix of income and the reduction of our estimated fiscal 2019 base erosion anti-avoidance tax ("BEAT") for the October 31, 2019 tax year due to electing out of additional first year bonus depreciation.

Earnings (Loss) Per Share

Diluted EPS for the first quarter of fiscal 2021 decreased $1.42 from the same period in the prior fiscal year. This decrease was due to a decrease of $367 million in net income.

Diluted EPS for the first quarter of fiscal 2021 includes $0.24 per share of restructuring costs, $0.32 per share of transaction, separation and integration-related costs, $0.45 per share of amortization of acquired intangible assets, and $0.01 per share of pension and OPEB actuarial and settlement losses.

Non-GAAP Financial Measures

We present non-GAAP financial measures of performance which are derived from the statements of operations of DXC. These non-GAAP financial measures include earnings before interest and taxes ("EBIT"), adjusted EBIT, non-GAAP income before income taxes, non-GAAP net income and non-GAAP EPS, constant currency revenues, net debt and net debt-to-total capitalization.

We present these non-GAAP financial measures to provide investors with meaningful supplemental financial information, in addition to the financial information presented on a GAAP basis. Non-GAAP financial measures exclude certain items from GAAP results which DXC management believes are not indicative of core operating performance. DXC management believes these non-GAAP measures allow investors to better understand the financial performance of DXC exclusive of the impacts of corporate-wide strategic decisions. DXC management believes that adjusting for these items provides investors with additional measures to evaluate the financial performance of our core business operations on a comparable basis from period to period. DXC management believes the non-GAAP measures provided are also considered important measures by financial analysts covering DXC, as equity research analysts continue to publish estimates and research notes based on our non-GAAP commentary, including our guidance around non-GAAP EPS targets.

Non-GAAP financial measures exclude certain items from GAAP results which DXC management believes are not indicative of operating performance such as the amortization of acquired intangible assets and transaction, separation and integration-related costs.

Incremental amortization of intangible assets acquired through business combinations may result in a significant difference in period over period amortization expense on a GAAP basis. We exclude amortization of certain acquired intangibles assets as these non-cash amounts are inconsistent in amount and frequency and are significantly impacted by the timing and/or size of acquisitions. Although DXC management excludes amortization of acquired intangible assets primarily customer related intangible assets, from its non-GAAP expenses, we believe that it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and support revenue generation. Any future transactions may result in a change to the acquired intangible asset balances and associated amortization expense.

There are limitations to the use of the non-GAAP financial measures presented in this report. One of the limitations is that they do not reflect complete financial results. We compensate for this limitation by providing a reconciliation between our non-GAAP financial measures and the respective most directly comparable financial measure calculated and presented in accordance with GAAP. Additionally, other companies, including companies in our industry, may calculate non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes between companies.

Non-GAAP financial measures and the respective most directly comparable financial measures calculated and presented in accordance with GAAP include:

	Three Months Ended		
(in millions)	June 30, 2020	June 30, 2019	Change
(Loss) income before income taxes	$ (225)	$ 206	$ (431)
Non-GAAP income before income taxes	$ 107	$ 591	$ (484)
Net (loss) income	$ (199)	$ 168	$ (367)
Adjusted EBIT	$ 190	$ 652	$ (462)

Reconciliation of Non-GAAP Financial Measures

Our non-GAAP adjustments include:

- Restructuring costs - reflects costs, net of reversals, related to workforce optimization and real estate charges.
- Transaction, separation and integration-related costs - reflects costs to execute on strategic alternatives, costs related to integration planning, financing and advisory fees associated with the HPES Merger and other acquisitions and costs related to the separation of USPS.
- Amortization of acquired intangible assets - reflects amortization of intangible assets acquired through business combinations.
- Pension and OPEB actuarial and settlement gains and losses - reflects pension and OPEB actuarial and settlement gains and losses.
- Income tax expense of non-GAAP adjustments is computed by applying the jurisdictional tax rate to the pre-tax adjustments on a jurisdictional basis.

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

	Three Months Ended June 30, 2020					
(in millions, except per-share amounts)	As Reported	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Pension and OPEB Actuarial and Settlement Losses	Non-GAAP Results
Costs of services (excludes depreciation and amortization and restructuring costs)	$ 3,629	$ —	$ —	$ —	$ —	$ 3,629
Selling, general, and administrative (excludes depreciation and amortization and restructuring costs)	539	—	(110)	—	—	429
(Loss) income before income taxes	(225)	72	110	148	2	107
Income tax (benefit) expense	(26)	12	28	34	—	48
Net (loss) income	(199)	60	82	114	2	59
Less: net income attributable to non-controlling interest, net of tax	6	—	—	—	—	6
Net (loss) income attributable to DXC common stockholders	$ (205)	$ 60	$ 82	$ 114	$ 2	$ 53
Effective Tax Rate	11.6%					44.9%
Basic EPS	$ (0.81)	$ 0.24	$ 0.32	$ 0.45	$ 0.01	$ 0.21
Diluted EPS	$ (0.81)	$ 0.24	$ 0.32	$ 0.45	$ 0.01	$ 0.21
Weighted average common shares outstanding for:						
Basic EPS	253.63	253.63	253.63	253.63	253.63	253.63
Diluted EPS	253.63	254.41	254.41	254.41	254.41	254.41

	Three Months Ended June 30, 2019									
(in millions, except per-share amounts)	**As Reported**		**Restructuring Costs**		**Transaction, Separation and Integration-Related Costs**		**Amortization of Acquired Intangible Assets**		**Non-GAAP Results**	
Costs of services (excludes depreciation and amortization and restructuring costs)	$	3,622	$	—	$	—	$	—	$	3,622
Selling, general, and administrative (excludes depreciation and amortization and restructuring costs)		507		—		(105)		—	$	402
Income before income taxes		206		142		105		138		591
Income tax expense		38		28		22		31		119
Net income		168		114		83		107		472
Less: net income attributable to non-controlling interest, net of tax		5		—		—		—		5
Net income attributable to DXC common stockholders	$	163	$	114	$	83	$	107	$	467
Effective Tax Rate		18.4%								20.1%
Basic EPS	$	0.61	$	0.43	$	0.31	$	0.40	$	1.75
Diluted EPS	$	0.61	$	0.42	$	0.31	$	0.40	$	1.74
Weighted average common shares outstanding for:										
Basic EPS		267.00		267.00		267.00		267.00		267.00
Diluted EPS		268.97		268.97		268.97		268.97		268.97

A reconciliation of net income to adjusted EBIT is as follows:

	Three Months Ended			
(in millions)	**June 30, 2020**		**June 30, 2019**	
Net (loss) income	$	(199)	$	168
Income tax (benefit) expense		(26)		38
Interest income		(23)		(30)
Interest expense		106		91
EBIT		(142)		267
Restructuring costs		72		142
Transaction, separation and integration-related costs		110		105
Amortization of acquired intangible assets		148		138
Pension and OPEB actuarial and settlement losses		2		—
Adjusted EBIT	$	190	$	652

Liquidity and Capital Resources

Cash and Cash Equivalents and Cash Flows

As of June 30, 2020, our cash and cash equivalents ("cash") was $5.5 billion, of which $1.6 billion was held outside of the U.S. As of March 31, 2020, our cash was $3.7 billion, of which $1.2 billion was held outside of the U.S. A substantial portion of funds can be returned to the U.S. from funds advanced previously to finance our foreign acquisition initiatives. As a result of the Tax Cuts and Jobs Act of 2017, and after the mandatory one-time income inclusion (deemed repatriation) of the historically untaxed earnings of our foreign subsidiaries and current income inclusions for global intangible low taxed income, we expect a significant portion of the cash held by our foreign subsidiaries will no longer be subject to U.S. federal income tax consequences upon subsequent repatriation to the U.S. However, a portion of this cash may still be subject to foreign and U.S. state income tax consequences upon future remittance. Therefore, if additional funds held outside the U.S. are needed for our operations in the U.S., we plan to repatriate these funds not designated as indefinitely reinvested.

The following table summarizes our cash flow activity:

	Three Months Ended		
(in millions)	June 30, 2020	June 30, 2019	Change
Net cash provided by (used in) operating activities	$ 119	$ (66)	$ 185
Net cash used in investing activities	(61)	(1,822)	1,761
Net cash provided by financing activities	1,786	887	899
Effect of exchange rate changes on cash and cash equivalents	(14)	(30)	16
Net decrease in cash and cash equivalents	$ 1,830	$ (1,031)	$ 2,861
Cash and cash equivalents at beginning-of-year	3,679	2,899	
Cash and cash equivalents at the end-of-period	$ 5,509	$ 1,868	

Operating cash flow

Net cash provided by (used in) operating activities during the first quarter of fiscal 2021 was $119 million as compared to $(66) million during the comparable period of the prior fiscal year. The increase of $185 million was due to a decrease in working capital cash outflows of $488 million offset by a decrease in net income, net of adjustments of $303 million.

Investing cash flow

Net cash used in investing activities during the first quarter of fiscal 2021 was $61 million as compared to $1,822 million during the comparable period of the prior fiscal year. The decrease in cash used of $1,761 million was primarily due to a decrease in cash paid for acquisitions of $1,901 million and short-term investing of $75 million in fiscal 2020, offset by a decrease in cash collections related to deferred purchase price receivable of $212 million.

Financing cash flow

Net cash provided by financing activities during the first quarter of fiscal 2021 was $1,786 million as compared to $887 million during the comparable period of the prior fiscal year. The $899 million increase was primarily due to borrowings under lines of credit of $2,500 million, absence of common stock repurchases and advance payment for accelerated share repurchase of $500 million in fiscal 2020, and an increase of commercial paper borrowings, net of repayments of $431 million. This was partially offset by a decrease in borrowings on term loans and other long-term debt of $1,205 million, repayments of borrowings under lines of credit of $750 million, and an increase in payments on long-term debt of $575 million.

Capital Resources

See Note 20 - "Commitments and Contingencies" for a discussion of the general purpose of guarantees and commitments. The anticipated sources of funds to fulfill such commitments are listed below and under the subheading "Liquidity."

The following table summarizes our total debt:

	As of	
(in millions)	**June 30, 2020**	**March 31, 2020**
Short-term debt and current maturities of long-term debt	$ 1,682	$ 1,276
Long-term debt, net of current maturities	10,334	8,672
Total debt	$ 12,016	$ 9,948

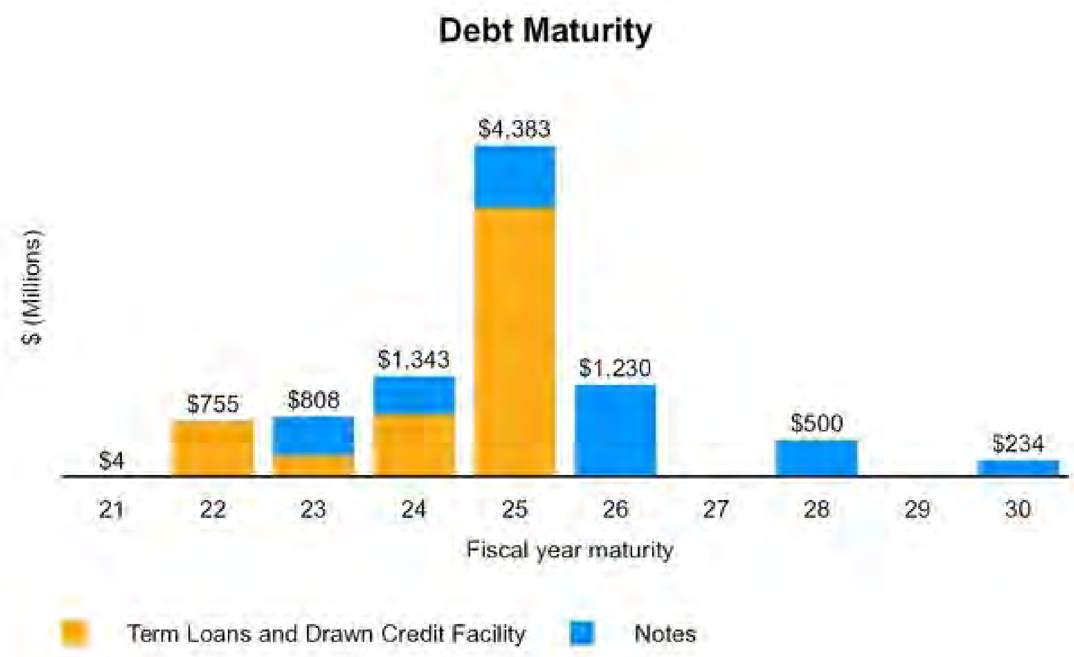
The $2.1 billion increase in total debt during the first quarter of fiscal 2021 was primarily attributed to the $1.8 billion net borrowing from the credit facility agreement ("Credit Agreement") and the new senior notes with an aggregate principal of $1.0 billion, consisting of (i) $500 million of 4.00% Senior Notes due fiscal 2024, and (ii) $500 million of 4.13% Senior Notes due fiscal 2026. The purpose of the draw from the Credit Agreement was to secure liquidity as additional cash on hand to support our liquidity resources during the COVID-19 pandemic and to mitigate the uncertainties caused by volatile capital markets, changing governmental policies, and evolving impact on world economies. The proceeds from the new notes were applied towards the early prepayment of our term loan facilities, including prepayment of €500 million of Euro Term Loan due fiscal 2023, £150 million of GBP Term Loan due fiscal 2022, A$300 million of AUD Term Loan due fiscal 2022, and $100 million of USD Term Loan due fiscal 2025.

During the quarter, we applied for and were confirmed eligible to participate in the Bank of England’s (“BOE”) COVID Corporate Funding Facility, a BOE program that provides term liquidity funding to investment grade corporate issuers with significant operations in the UK, in order to stabilize and facilitate continued access to sterling commercial paper markets. At our option, we can borrow up to a maximum of €1 billion or its equivalent in Euro, British Pound and U.S. dollar. On June 15, 2020, DXC Capital Funding DAC (previously named DXC Capital Funding Limited), an indirect subsidiary of the Company, issued £600 million in commercial paper maturing May 2021 under its existing €1.0 billion commercial paper program via direct sale to the BOE.

We also repaid $750 million on the previously drawn Credit Agreement that was used to mitigate our reliance on volatile short-term commercial paper markets during the quarter. Thus, this amount became available under the revolving credit facility for redraw at the request of the Company.

We were in compliance with all financial covenants associated with our borrowings as of June 30, 2020 and June 30, 2019.

The debt maturity chart below summarizes the future maturities of long-term debt principal for fiscal years subsequent to June 30, 2020 and excludes maturities of borrowings for assets acquired under long-term financing and finance lease liabilities. See Note 11 - "Debt" for more information.



The following table summarizes our capitalization ratios:

	As of	
(in millions)	June 30, 2020	March 31, 2020
Total debt	$ 12,016	$ 9,948
Cash and cash equivalents	5,509	3,679
Net debt[(1)]	$ 6,507	$ 6,269
Total debt	$ 12,016	$ 9,948
Equity	4,942	5,129
Total capitalization	$ 16,958	$ 15,077
Debt-to-total capitalization	70.9%	66.0%
Net debt-to-total capitalization[(1)]	38.4%	41.6%

———

[(1)] Net debt and Net debt-to-total capitalization are non-GAAP measures used by management to assess our ability to service our debts using only our cash and cash equivalents. We present these non-GAAP measures to assist investors in analyzing our capital structure in a more comprehensive way compared to gross debt based ratios alone.

Our credit ratings are as follows:

Rating Agency	Long Term Ratings	Short Term Ratings	Outlook
Fitch	BBB	F-2	Stable
Moody's	Baa2	P-2	Negative
S&P	BBB-	-	Stable

On June 10, Fitch downgraded DXC's long-term credit ratings by one notch, to BBB from BBB+, and changed DXC's outlook to Stable from Negative. Also, on July 2, S&P downgraded DXC's long-term credit ratings by one notch, to BBB- from BBB, and changed DXC's outlook to Stable from Negative.

See Note 20 - "Commitments and Contingencies" for a discussion of the general purpose of guarantees and commitments. The anticipated sources of funds to fulfill such commitments are listed below at "Liquidity".

Liquidity

We expect our existing cash and cash equivalents, together with cash generated from operations, will be sufficient to meet our normal operating requirements for the next 12 months. We expect to continue to use cash generated by operations as a primary source of liquidity; however, should we require funds greater than that generated from our operations to fund discretionary investment activities, such as business acquisitions, we have the ability to raise capital through the issuance of capital market debt instruments such as commercial paper, term loans, and bonds. In addition, we currently utilize, and will further utilize our cross currency cash pool for liquidity needs. However, there is no guarantee that we will be able to obtain debt financing, if required, on terms and conditions acceptable to us, if at all, in the future.

Our exposure to operational liquidity risk is primarily from long-term contracts which require significant investment of cash during the initial phases of contracts. The recovery of these investments is over the life of contracts and is dependent upon our performance as well as customer acceptance.

The following table summarizes our total liquidity:

(in millions)	As of June 30, 2020
Cash and cash equivalents	$ 5,509
Available borrowings under our revolving credit facility	750
Total liquidity	$ 6,259

Share Repurchases

During the first quarter of fiscal 2018, our Board of Directors authorized the repurchase of up to $2.0 billion of our common stock and during the third quarter of fiscal 2019, our Board of Directors approved an incremental $2.0 billion share repurchase. This program became effective on April 3, 2017 with no end date established. There were no share repurchases during the first quarter ended June 30, 2020.

Dividends

To enhance our financial flexibility under current uncertain market conditions, we have elected to suspend payment of quarterly dividends. This decision will be reevaluated by our Board of Directors as market conditions stabilize.

Off-Balance Sheet Arrangements

In the normal course of business, we are party to arrangements that include guarantees, the receivables securitization facility and certain other financial instruments with off-balance sheet risk, such as letters of credit and surety bonds. We also use performance letters of credit to support various risk management insurance policies. No liabilities related to these arrangements are reflected in our condensed consolidated balance sheets. There have been no material changes to our off-balance-sheet arrangements reported under Part II, Item 7 of our Annual Report on Form 10-K other than as disclosed below and in Note 5 - "Receivables" and Note 20 - "Commitments and Contingencies" to the financial statements in this Quarterly Report on Form 10-Q.

Contractual Obligations

With the exception of the net borrowings under the Credit Agreement of $1.8 billion and the new senior notes with an aggregate principal amount of $1.0 billion, consisting of (i) $500 million of 4.00% Senior Notes due fiscal 2024; and (ii) $500 million of 4.13% Senior Notes due fiscal 2026 as discussed above under the subheading "Capital Resources," there have been no material changes, outside the ordinary course of business, to our contractual obligations since March 31, 2020. For further information see "Contractual Obligations" in Item 7 of Part II of our Annual Report on Form 10-K for the fiscal year ended March 31, 2020.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. These estimates may change in the future if underlying assumptions or factors change. Accordingly, actual results could differ materially from our estimates under different assumptions, judgments or conditions. We consider the following policies to be critical because of their complexity and the high degree of judgment involved in implementing them: revenue recognition, income taxes, business combinations, defined benefit plans and valuation of assets. We have discussed the selection of our critical accounting policies and the effect of estimates with the audit committee of our board of directors. During the three months ended June 30, 2020, there were no changes to our accounting estimates from those described in our fiscal 2020 Annual Report on Form 10-K except as mentioned in Note 1 - "Summary of Significant Accounting Policies."

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For quantitative and qualitative disclosures about market risk affecting DXC, see "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of Part II of our Annual Report on Form 10-K for the fiscal year ended March 31, 2020. Our exposure to market risk has not changed materially since March 31, 2020.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of June 30, 2020 because of the material weakness in our internal control over financial reporting described below.

Control Activities

As previously disclosed during the third quarter of fiscal 2020, Management concluded there was a material weakness in internal controls over financial reporting related to the design and implementation of effective control activities based on the criteria established in the COSO framework. These control deficiencies constituted a material weakness in the aggregate related to reassessing policies and procedures, to determine their continued relevance, as impacted by complex transactions and processes.

Deficiencies that contributed to the aggregation included:

- Management did not reassess in a timely manner the control activities related to goodwill impairment upon adoption of ASU 2017-04 which resulted in an immaterial out of period adjustment between quarters within fiscal 2020 related to the tax effect of the impairment recognized.
- Management did not reassess the control and procedures related to the balance sheet classification of deferred revenue following a large and complex acquisition which resulted in an immaterial out of period adjustment to the balance sheets during the third quarter ended December 31, 2019.

As a result, we have concluded that there is a reasonable possibility that a material misstatement to our Condensed Consolidated Financial Statements would not be prevented or detected on a timely basis and therefore we concluded that the aggregation of these deficiencies represents a material weakness in our internal control over financial reporting as of June 30, 2020.

Notwithstanding the identified material weakness, management believes that the Condensed Consolidated Financial Statements and related financial information included in this 10-Q fairly present, in all material respects, our balance sheets, statements of operations, comprehensive (loss) income and cash flows as of and for the periods presented.

Remediation Plan

Our remediation efforts are ongoing. Management continues to implement remediation actions to address the specific control deficiencies that, in the aggregate, led to a material weakness. Additionally, Management has completed a detailed root cause analysis which was designed to identify areas of focus where enhancements can be made to the internal control environment to support the continued timely reassessment of policies and procedures and reduce the occurrence of future deficiencies caused by complex transactions and processes. Management has remediated certain of the identified control deficiencies that lead to the material weakness.

The following activities are designed as part of this remediation plan:

- Appointment of a new advisor reporting directly to our Chief Financial Officer with the appropriate level of knowledge and experience to help develop and execute the remediation plan.
- Enhance periodic reviews by management and review existing documentation to determine if policies, procedures, and related control activities have continued relevance or need updating due to changes within the organization with a specific focus on the areas identified by the root cause analysis.
- Align the Sarbanes-Oxley Act (“SOX") compliance function under the newly appointed Chief Risk Officer.
- Establish periodic reporting of the remediation plan progress to the Audit Committee.
- Expand SOX training and implementation of succession planning for SOX control owners.

Management continues to be actively engaged to take steps to remediate the material weakness noted above, including (1) appointment of an external advisor to lead the remediation activities (2) hiring a new Global SOX Director reporting to the Chief Risk Officer (3) establishment of progress reporting to the Audit Committee and (4) establishment of a control owner transition process. In additional to the items noted above, Management has developed expanded SOX training to be incorporated in the onboarding process and evaluated management level reporting to identify key performance indicators for monitoring. These additional remediation efforts have begun and are expected to be completed in the subsequent quarters. While we have made significant progress, there has not been sufficient time to resolve the material weakness in internal control over financial reporting.

As we continue to improve the effectiveness of our internal control over financial reporting, we may supplement our remediation activities as our work progresses where appropriate. Our goal is to have enhanced control policies, procedures, processes in place as promptly as practicable. However, due to the nature of the work and subsequent testing required to conclude that a material weakness no longer exists, we are not in a position to complete our remediation plan and concluded that our internal control over financial reporting is not designed or operating effectively as of the quarter ended June 30,2020.

Changes in Internal Control over Financial Reporting

In addition to the remediation efforts described above, we adopted ASC 326 effective April 1, 2020, as described in Note 2 - “Recent Accounting Pronouncements” to the financial statements during the first quarter of fiscal 2021. We began using a new model and redesigned certain processes and controls relating to our reserves and expected losses.

PART II

ITEM 1. LEGAL PROCEEDINGS

See Note 20 - "Commitments and Contingencies" to the financial statements under the caption “Contingencies” for information regarding legal proceedings in which we are involved.

ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, which may materially and adversely affect our business, financial condition, and results of operations, and the actual outcome of matters as to which forward-looking statements are made in this Quarterly Report on Form 10-Q. In such case, the trading price for DXC common stock could decline, and you could lose all or part of your investment. Past performance may not be a reliable indicator of future financial performance and historical trends should not be used to anticipate results or trends in future periods. Future performance and historical trends may be adversely affected by the aforementioned risks, and other variables and risks and uncertainties not currently known or that are currently expected to be immaterial may also materially and adversely affect our business, financial condition, and results of operations or the price of our common stock in the future. Apart from the risk factors disclosed below, there have been no material changes in the three months ended June 30, 2020 to the risk factors described in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2020.

Our business and financial results have been adversely affected and could continue to be materially adversely affected by the COVID-19 pandemic.

The COVID-19 pandemic has caused disruptions in global economies, financial and commodities markets and rapid shifts in governmental and public health policies in the countries where we operate or our customers are located or the industries in which we and our customers compete. The COVID-19 pandemic and the actions taken by governments, businesses and individuals to curtail the spread of the disease have negatively impacted, and are expected to continue to negatively impact, our business, results of operations, cash flows and financial condition.

Negative impacts that have occurred, or may occur in the future, include disruptions or restrictions on our employees’ ability to work effectively, as well as temporary closures of our facilities or the facilities of our clients or our subcontractors, or the requirements to deliver our services by working remotely. This could potentially affect our ability to perform under our contracts with customers. Cost increases may not be recoverable from customers or covered by insurance, which could impact our profitability. If a business interruption occurs and we are unsuccessful in our continuing efforts to minimize the impact of these events, our business, results of operations, financial position, and cash flows could be materially adversely affected.

In addition, the COVID-19 pandemic has resulted in a widespread global health crisis that is adversely affecting the economies and financial markets of many countries, which could result in an economic downturn that may negatively affect demand for our services, including the financial failure of some of our clients. This economic downturn, depending upon its severity and duration, could also lead to the deterioration of worldwide credit and financial markets that could limit our customers’ ability or willingness to pay us in a timely manner and our ability to obtain external financing to fund our operations and capital expenditures, result in losses on our holdings of cash and investments due to failures of financial institutions and other parties, and result in a higher rate of losses on our accounts receivables due to credit defaults.

Our financial results may also be materially and adversely impacted by a variety of factors related to COVID-19 that have not yet been determined, including potential impairments of goodwill and other assets, and changes to our contingent liabilities, for which actual amounts may materially exceed management estimates, and our calculation of global tax liabilities. Even after the COVID-19 pandemic has subsided, depending upon its duration and potential recurrence, and the governmental policies in response thereto, we may continue to experience materially adverse impacts to our business as a result of its global economic impact, including any recession that may occur or be continuing as a result.

We continue to evaluate the extent to which COVID-19 has impacted us and our employees, customers and suppliers and the extent to which it and other emerging developments will impact us and our employees, customers and suppliers in the future. We caution investors that any of the items mentioned above could have material and adverse impacts on our current and future business, results of operations, cash flows and financial condition.

To the extent the COVID-19 pandemic and the resulting economic disruption continue to adversely affect our business and financial results, it may also have the effect of heightening many of the other risks described in the “Risk Factors” section of our Annual Report on Form 10-K, such as those relating to our level of indebtedness, our ability to generate sufficient cash flows to service our indebtedness and to comply with the covenants contained in the agreements that govern our indebtedness and our counterparty credit risk.

We have identified a material weakness in our internal control over financial reporting. Without effective internal control over financial reporting, we may fail to detect or prevent a material misstatement in our financial statements, which could materially harm our business, our reputation and our stock price.

While we have not identified any material misstatements in our previously reported consolidated financial statements, as previously disclosed in our Quarterly Report for the quarterly period ended December 31, 2019, our management identified a material weakness in our internal control over financial reporting as of December 31, 2019 related to reassessing policies and procedures to determine their continued relevance, as impacted by complex transactions and processes. See "Item 4. Controls and Procedures." Without effective internal control over financial reporting, we may fail to detect or prevent a material misstatement in our financial statements. In that event, we may be required to restate our financial statements. A restatement or an unremediated material weakness could result in a loss of confidence in us by our investors, customers, regulators and/or counterparties. In addition, our remediation efforts are still ongoing and if we are unable to promptly remediate the material weakness identified above, or if we were to conclude in the future that we have one or more additional weaknesses, our investors, regulators, customers and/or counterparties may lose confidence in our reported financial information. Additionally, management may be required to devote significant time and incur significant expense to remediate the material weakness, and management may not be able to complete such remediation in a timely manner. Any of the foregoing could materially harm our business, our reputation and the market price of our common stock.

We could be held liable for damages, our reputation could suffer, or we may experience service interruptions from security breaches, cyber-attacks or disclosure of confidential information or personal data, which could cause significant financial loss.

As a provider of IT services to private and public sector customers operating in a number of regulated industries and countries, we store and process increasingly large amounts of data for our clients, including sensitive and personally identifiable information. We also manage IT infrastructure of our own and of clients. We possess valuable proprietary information, including copyrights, trade secrets and other intellectual property and, we collect and store certain personal and financial information from customers and employees. Our security measures designed to identify and protect against security breaches and cyber-attacks may fail to detect, prevent or adequately respond to a future threat incident.

The continued occurrence of high-profile data breaches and cyber-attacks, including by state actors, reflects an external environment that is increasingly hostile to information and corporate security. Cybersecurity incidents can result from unintentional events or deliberate attacks by insiders or third parties, including criminals, competitors, nation-states, and hacktivists. Like other companies, we face an evolving array of cybersecurity and data security threats that pose risks to us and our clients. We can also be harmed by attacks on third parties, such as denial-of-service attacks. We see regular unauthorized efforts to access our systems, which we evaluate for severity and frequency. For example, in July 2020, certain systems of our subsidiary, Xchanging, experienced a ransomware attack. See Note 21 - "Subsequent Events" to the financial statements. While incidents experienced thus far have not resulted in significant disruption to our business, it is possible that we could suffer a severe attack or incident, with potentially material and adverse effects on our business, reputation, customer relations, results of operations or financial condition. We could be exposed to regulatory actions, client attrition due to reputational concerns or otherwise, containment and remediation expenses, and claims brought by our clients or others for breaching contractual confidentiality and security provisions or data protection laws. We must expend capital and other resources to protect against attempted security breaches and cyber-attacks and to alleviate problems caused by successful breaches or attacks. The cost, potential monetary damages and operational consequences of responding to breaches and cyber-attacks and implementing remediation measures could be significant and may be in excess of insurance policy limits or be not covered by our insurance at all.

We rely on internal and external information and technological systems to manage our operations and are exposed to risk of loss resulting from breaches in the security or other failures of these systems. Security breaches such as through an advanced persistent threat attack, or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us, our clients or our customers, could expose us to risk of loss of this information, regulatory scrutiny, actions and penalties, extensive contractual liability and other litigation, reputational harm, and a loss of customer confidence which could potentially have an adverse impact on future business with current and potential customers. Moreover, failure to maintain effective internal accounting controls related to data security breaches and cybersecurity in general could impact our ability to produce timely and accurate financial statements and could subject us to regulatory scrutiny.

Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments may result in a compromise or breach of the algorithms that we use to protect our data and that of clients, including sensitive customer transaction data. A party who is able to circumvent our security measures or those of our contractors, partners or vendors could access our systems and misappropriate proprietary information, the confidential data of our customers, employees or business partners or cause interruption in our or their operations.

Experienced computer programmers and hackers may be able to penetrate our network security and misappropriate or compromise our confidential information or that of third parties, create system disruptions or cause shutdowns. Computer programmers and hackers have deployed and may continue to develop and deploy ransomware, malware and other malicious software programs through phishing and other methods that attack our products or otherwise exploit any security vulnerabilities of these products. In addition, sophisticated hardware and operating system software and applications produced or procured from third parties may contain defects in design or manufacture, including “bugs” and other problems that could unexpectedly interfere with the security and operation of our systems, or harm those of third parties with whom we may interact. The costs to eliminate or alleviate cyber or other security problems, including ransomware, malware, bugs, malicious software programs and other security vulnerabilities, could be significant, and our efforts to address these problems may not be successful and could result in interruptions, delays, cessation of service and loss of existing or potential customers, which may impede our sales, distribution or other critical functions.

Increasing cybersecurity, data privacy and information security obligations around the world could also impose additional regulatory pressures on our customers’ businesses and, indirectly, on our operations, or lead to inquiries or enforcement actions. In the United States, we are seeing increasing obligations and expectations from federal and non-federal customers. In response, some of our customers have sought, and may continue to seek, to contractually impose certain strict data privacy and information security obligations on us. Some of our customer contracts may not limit our liability for the loss of confidential information. If we are unable to adequately address these concerns, our business and results of operations could suffer.

Compliance with new privacy and security laws, requirements and regulations, such as the European Union General Data Protection Regulation, which became effective in May 2018, where required or undertaken by us, may result in cost increases due to expanded compliance obligations, potential systems changes, the development of additional administrative processes and increased enforcement actions, fines and penalties. While we strive to comply with all applicable data protection laws and regulations, as well as internal privacy policies, any failure or perceived failure to comply or any misappropriation, loss or other unauthorized disclosure of sensitive or confidential information may result in proceedings or actions against us by government or other entities, private lawsuits against us (including class actions) or the loss of customers, which could potentially have an adverse effect on our business, reputation and results of operations.

Portions of our infrastructure also may experience interruptions, delays or cessations of service or produce errors in connection with systems integration or migration work that takes place from time to time. We may not be successful in implementing new systems and transitioning data, which could cause business disruptions and be expensive, time-consuming, disruptive and resource intensive. Such disruptions could adversely impact our ability to fulfill orders and respond to customer requests and interrupt other processes. Delayed sales, lower margins or lost customers resulting from these disruptions could reduce our revenues, increase our expenses, damage our reputation, and adversely affect our stock price.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

None during the period covered by this report.

Use of Proceeds

Not applicable.

Issuer Purchases of Equity Securities

On April 3, 2017, DXC announced the establishment of a share repurchase plan approved by the Board of Directors with an initial authorization of $2.0 billion for future repurchases of outstanding shares of DXC common stock. On November 8, 2018, DXC's Board of Directors approved an incremental $2.0 billion share repurchase. An expiration date has not been established for this repurchase plan. Share repurchases may be made from time to time through various means, including in open market purchases, 10b5-1 plans, privately-negotiated transactions, accelerated stock repurchases, block trades and other transactions, in compliance with Rule 10b-18 under the Exchange Act, as well as, to the extent applicable, other federal and state securities laws and other legal requirements. The timing, volume, and nature of share repurchases pursuant to the share repurchase plan are at the discretion of management and may be suspended or discontinued at any time.

There was no share repurchase activity during the three months ended June 30, 2020.

ITEM 3. DEFAULT UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
4.1	Eighth Supplemental Indenture, dated April 21, 2020, between DXC Technology Company and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to DXC Technology Company's Current Report on Form 8-K (filed April 21, 2020) (file no. 001-38033))
4.2	Form of DXC Technology Company's 4.000% Senior Notes due 2023 (included in Exhibit 4.1) (incorporated by reference to Exhibit 4.1 to DXC Technology Company's Current Report on Form 8-K (filed April 21, 2020) (file no. 001-38033))
4.3	Form of DXC Technology Company's 4.125% Senior Notes due 2025 (included in Exhibit 4.1) (incorporated by reference to Exhibit 4.1 to DXC Technology Company's Current Report on Form 8-K (filed April 21, 2020) (file no. 001-38033))
10.1	Ninth Amendment to the Receivables Purchase Agreement dated as of May 29, 2020, among DXC Receivables LLC (f/k/a CSC Receivables LLC), as Seller, DXC Technology Company, as Servicer, PNC Bank, National Association, as Administrative Agent, and the persons from time to time party thereto as Purchasers and Group Agents (filed herewith)
10.2	Fifth Amendment to the Purchase and Sale Agreement dated as of May 29, 2020, among DXC Technology Company, as Servicer, DXC MS LLC as exiting Originator, DXC Receivables LLC (f/k/a CSC Receivables LLC), as Buyer and the various parties listed as remaining Originators (filed herewith)
10.3*	Form of Performance Based Restricted Stock Unit Award under the DXC Technology Company 2017 Omnibus Incentive Plan (filed herewith)
10.4*	Form of Service Based Restricted Stock Unit Award under the DXC Technology Company 2017 Omnibus Incentive Plan (filed herewith)
31.1**	Section 302 Certification of the Chief Executive Officer
31.2**	Section 302 Certification of the Chief Financial Officer
32.1***	Section 906 Certification of Chief Executive Officer
32.2***	Section 906 Certification of Chief Financial Officer
101.INS	Interactive Data Files
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.LAB	XBRL Taxonomy Extension Labels
101.PRE	XBRL Taxonomy Extension Presentation
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Management contract or compensatory plan or agreement
** Filed herewith
*** Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DXC TECHNOLOGY COMPANY

Dated:	August 7, 2020	By:	/s/ Neil A. Manna
		Name:	**Neil A. Manna**
		Title:	**Senior Vice President, Corporate Controller Principal Accounting Officer**

NINTH AMENDMENT TO THE
RECEIVABLES PURCHASE AGREEMENT

This NINTH AMENDMENT TO THE RECEIVABLES PURCHASE AGREEMENT (this "Amendment"), dated as of May 29, 2020, is entered into by and among the following parties:

(i) DXC RECEIVABLES LLC (F/K/A CSC RECEIVABLES LLC), a Delaware limited liability company, as Seller (the "Seller");

(ii) DXC TECHNOLOGY COMPANY, a Nevada corporation, as Servicer (the "Servicer");

(iii) PNC BANK, NATIONAL ASSOCIATION, as a Committed Purchaser, as Group Agent for its Purchaser Group and as Administrative Agent (in such capacity, the "Administrative Agent");

(iv) WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Committed Purchaser and as Group Agent for its Purchaser Group;

(v) MUFG BANK, LTD. (F/K/A THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.), as a Committed Purchaser and as Group Agent for its Purchaser Group;

(vi) FIFTH THIRD BANK, NATIONAL ASSOCIATION (F/K/A FIFTH THIRD BANK), as a Committed Purchaser and as Group Agent for its Purchaser Group;

(vii) MIZUHO BANK, LTD., as a Committed Purchaser and as Group Agent for its Purchaser Group; and

(viii) THE TORONTO DOMINION BANK, as a Committed Purchaser and as Group Agent for its Purchaser Group.

Capitalized terms used but not otherwise defined herein (including such terms used above) have the respective meanings assigned thereto in the Receivables Purchase Agreement described below.

BACKGROUND

A. The parties hereto (other than the Originator) have entered into a Receivables Purchase Agreement, dated as of December 21, 2016 (such date, the "Original Closing Date") (as amended, restated, supplemented or otherwise modified through the date hereof, the "Receivables Purchase Agreement").

B. Concurrently herewith, the Seller, as buyer, the Servicer, DXC MS LLC (the "Exiting Originator"), Alliance-One Services, Inc., Computer Sciences Corporation, CSC Consulting, Inc., CSC Covansys Corporation, CSC Cybertek Corporation, CSC Puerto Rico, LLC, DXC Technology Services LLC, Mynd Corporation, PDA Software Services LLC and Tribridge Holdings, LLC are entering into that certain Fifth Amendment to the Purchase and Sale Agreement, dated as of the date hereof (the "Sale Agreement Amendment").

C. Concurrently herewith, the Exiting Originator, DXC Technology Services LLC, the Seller and the Administrative Agent, are entering into that certain Assignment Agreement (the "Assignment Agreement" and together with the Sale Agreement Amendment, the "Milano Facility Release Documents"), dated as of the date hereof, whereby the Seller agrees to sell back certain Receivables originated by the Exiting Originator and DXC Technology Services LLC to the Exiting Originator and DXC Technology Services LLC, respectively.

D. Contemporaneously with the effectiveness of the Milano Facility, the Administrative Agent, MUFG Bank, Ltd., as administrative agent with respect to the Milano Facility, and DXC are entering to that certain Intercreditor Agreement, dated as of the date hereof (the "Milano Facility Intercreditor Agreement").

E. Concurrently herewith, the parties hereto and PNC Capital Markets LLC, as Structuring Agent, are entering into that certain Sixth Amended and Restated Fee Letter, dated as of the date hereof (the "Amended Fee Letter").

F. The parties hereto desire to amend the Receivables Purchase Agreement as set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Amendments to the Receivables Purchase Agreement. The Receivables Purchase Agreement is hereby amended as shown on the marked pages of the Receivables Purchase Agreement attached hereto as Exhibit A.

SECTION 3. Notices and Consents.

(a) *Notice of Entry into the Milano Facility Release Documents*. The Seller hereby provides notice of its entry into the Milano Facility Release Documents along with duly executed copies of each Milano Facility Release Document and requests that each of the parties hereto acknowledge and consent to the execution of the Milano Facility Release Documents.

(b) *Consent to Entry into the Milano Facility Release Documents*. Each of the parties hereto acknowledges, consents and agrees to the terms of each of the Milano Facility Release Documents and waives any otherwise applicable conditions precedent thereto under the Receivables Purchase Agreement and the other Transactions Documents (other than as set forth herein).

(c) *Consent to Entry into the Milano Facility Intercreditor Agreement*. Each of the parties hereto acknowledges, consents and agrees to the terms of the Milano Facility Intercreditor Agreement, which will be substantially in the form and substance as hereto in Exhibit D, which may be amended after the date hereof by the Administrative Agent and the Servicer.

(d) *Consent to Filing Certain UCC Financing Statements.* In connection with the execution of the Milano Facility Release Documents, each of the parties hereto hereby consents to the filing of the financing statements attached hereto as Exhibit C.

SECTION 4. Representations and Warranties of the Seller and Servicer. Each of the Seller and the Servicer hereby represents and warrants, as to itself, to the Administrative Agent, each Purchaser and each Group Agent, as follows:

(a) *Representations and Warranties*. Immediately after giving effect to this Amendment, the representations and warranties made by such Person in the Transaction Documents to which it is a party are true and correct as of the date hereof (unless stated to relate solely to an earlier date, in which case such representations or warranties were true and correct as of such earlier date).

(b) *Enforceability*. This Amendment and each other Transaction Document to which it is a party, as amended hereby, constitute the legal, valid and binding obligation of such Person enforceable against such Person in accordance with its respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether enforceability is considered in a proceeding in equity or at law.

(c) *No Termination Event*. No event has occurred and is continuing, or would result from the transactions contemplated hereby, that constitutes an Event of Termination, Non-Reinvestment Event, Unmatured Event of Termination or Unmatured Non-Reinvestment Event.

SECTION 5. Effect of Amendment. All provisions of the Receivables Purchase Agreement and the other Transaction Documents, as expressly amended and modified by this Amendment, shall remain in full force and effect. After this Amendment becomes effective, all references in the Receivables Purchase Agreement (or in any other Transaction Document) to "this Receivables Purchase Agreement", "this Agreement", "hereof", "herein" or words of similar effect referring to the Receivables Purchase Agreement shall be deemed to be references to the Receivables Purchase Agreement as amended by this Amendment. This Amendment shall not be deemed, either expressly or impliedly, to waive, amend or supplement any provision of the Receivables Purchase Agreement other than as set forth herein.

SECTION 6. Effectiveness. This Amendment shall become effective as of the date hereof upon receipt by the Administrative Agent of each of the documents, agreements (in fully executed form), opinions of counsel, lien search results, UCC filings, certificates and other deliverables listed on the closing memorandum attached as Exhibit B hereto, in each case, in form and substance acceptable to the Administrative Agent.

SECTION 7. Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or e-mail transmission shall be effective as delivery of a manually executed counterpart hereof.

SECTION 8. GOVERNING LAW. THIS AMENDMENT, INCLUDING THE RIGHTS AND DUTIES OF THE PARTIES HERETO, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, BUT WITHOUT REGARD TO ANY OTHER CONFLICTS OF LAW PROVISIONS THEREOF).

SECTION 9. Section Headings. The various headings of this Amendment are included for convenience only and shall not affect the meaning or interpretation of this Amendment, the Receivables Purchase Agreement or any provision hereof or thereof.

[Signature Pages Follow.]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment by their duly authorized officers as of the date first above written.

DXC RECEIVABLES LLC,
as Seller

By: /s/ H.C. Charles Diao
Name: H.C. Charles Diao
Title: President and Treasurer

DXC TECHNOLOGY COMPANY,
as Servicer

By: /s/ H.C. Charles Diao
Name: H.C. Charles Diao
Title: Senior Vice President, Treasury and Corporate Development

PNC BANK, NATIONAL ASSOCIATION,
as Administrative Agent

By: /s/ Christopher Blaney
Name: Christopher Blaney
Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION,
as a Committed Purchaser

By: /s/ Christopher Blaney
Name: Christopher Blaney
Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION,
as Group Agent for its Purchaser Group

By: /s/ Christopher Blaney
Name: Christopher Blaney
Title: Senior Vice President

WELLS FARGO, NATIONAL ASSOCIATION,

as a Committed Purchaser
By: /s/ Jonathan Davis
Name: Jonathan Davis
Title: Asst Vice President

WELLS FARGO, NATIONAL ASSOCIATION,
as Group Agent for its Purchaser Group

By: /s/ Jonathan Davis
Name: Jonathan Davis
Title: Asst Vice President

MUFG BANK, LTD.,
as a Committed Purchaser

By: /s/ Eric Williams
Name: Eric Williams
Title: Managing Director

MUFG BANK, LTD.,
as Group Agent for its Purchaser Group

By: /s/ Eric Williams
Name: Eric Williams
Title: Managing Director

FIFTH THIRD BANK,
NATIONAL ASSOCIATION,
as a Committed Purchaser

By: /s/ Brian J Gardner
Name: Brian J Gardner
Title: Managing Director

FIFTH THIRD BANK,
NATIONAL ASSOCIATION,
as Group Agent for its Purchaser Group

By: /s/ Brian J Gardner
Name: Brian J Gardner
Title: Managing Director

MIZUHO BANK, LTD.,
as a Committed Purchaser

By: /s/ Richard A. Burke_________________
Name: Richard A. Burke
Title: Managing Director

MIZUHO BANK, LTD.,
as Group Agent for its Purchaser Group

By: /s/ Richard A. Burke_________________
Name: Richard A. Burke
Title: Managing Director

THE TORONTO DOMINION BANK,
as a Committed Purchaser

By: /s/ Luna Mills_____ __________________
Name: Luna Mills
Title: Managing Director

THE TORONTO DOMINION BANK,
as Group Agent for its Purchaser Group

By: /s/ Luna Mills_____ __________________
Name: Luna Mills
Title: Managing Director

Exhibit A

Amendments to the Receivables Purchase Agreement

[Attached]

Exhibit B

Closing Memorandum

[Attached]

Exhibit C

UCC Financing Statements

[Attached]

Exhibit D

Form of Milano Facility Intercreditor Agreement

[Attached]

Exhibit 10.2

FIFTH AMENDMENT TO THE
PURCHASE AND SALE AGREEMENT

This FIFTH AMENDMENT TO THE PURCHASE AND SALE AGREEMENT (this "Amendment"), dated as of May 29, 2020 (such date, the "Fifth Amendment Effective Date"), is entered into by and among the following parties:

(i) DXC TECHNOLOGY COMPANY, as Servicer (the "Servicer");

(ii) DXC MS LLC, as exiting Originator under the Agreement described below (the "Exiting Originator");

(iii) THE VARIOUS PARTIES LISTED ON THE SIGNATURE PAGES HERETO AS REMAINING ORIGINATORS, as remaining Originators (collectively, the "Remaining Originators" and each, a "Remaining Originator", and together with the Exiting Originator, the "Originators"); and

(iv) DXC RECEIVABLES LLC (F/K/A CSC RECEIVABLES LLC), as Buyer under the Agreement described below (the "Buyer").

Capitalized terms used but not otherwise defined herein (including such terms used above) have the respective meanings assigned thereto in the Agreement described below.

BACKGROUND

A. The Originators, the Servicer and the Buyer entered into that certain Purchase and Sale Agreement, dated as of December 21, 2016 (as amended, restated, supplemented or otherwise modified through the date hereof, the "Agreement").

B. Concurrently herewith, the Servicer, the Buyer, as seller, the Committed Purchasers, the Group Agents and the Administrative Agent are entering into that certain Ninth Amendment to the Receivables Purchase Agreement, dated as of the date hereof (the "Receivables Purchase Agreement Amendment").

C. The Exiting Originator desires to no longer be party to the Agreement as an Originator thereunder on the Fifth Amendment Effective Date.

D. The parties hereto desire to amend the Agreement as set forth herein.

NOW, THEREFORE, with the intention of being legally bound hereby, and in consideration of the mutual undertakings expressed herein, each party to this Amendment hereby agrees as follows:

SECTION 1. Amendments to the Agreement. The Agreement is hereby amended as follows:

(a) Article X of the Agreement is hereby amended by adding the following new Section 10.15 to the end thereof:

10.15 Milano Facility Intercreditor Agreement. Each Originator that is or that becomes a party hereto acknowledges and agrees that it (i) has received and reviewed a copy of the Milano Facility Intercreditor Agreement, (ii) consents to the Servicer's and the Buyer's entry into the Milano Facility Intercreditor Agreement and (iii) will comply with the terms of the Milano Facility Intercreditor Agreement.

(b) Schedule I of the Agreement is hereby replaced in its entirety with the schedule attached hereto as Schedule I.

(c) Schedule II of the Agreement is hereby replaced in its entirety with the schedule attached hereto as Schedule II.

(d) Schedule III of the Agreement is hereby replaced in its entirety with the schedule attached hereto as Schedule III.

SECTION 2. Release of Exiting Originator. The parties hereto hereby agree that upon the effectiveness of this Amendment, the Exiting Originator shall no longer be a party to the Agreement or any other Transaction Document and shall no longer have any obligations or rights thereunder (other than such obligations which by their express terms survive termination of the Agreement or such other Transaction Document).

SECTION 3. Delegation and Assumption of Exiting Originator's Obligations. Effective immediately prior to the removal of the Exiting Originator as a party to the Agreement pursuant to Section 2 above, the Exiting Originator hereby delegates to the Remaining Originators, and the Remaining Originators hereby assume all of the Exiting Originator's duties, obligations and liabilities, to the extent if any, under the Agreement and each of the other Transaction Documents.

SECTION 4. Cancellation of Subordinated Notes. The Exiting Originator represents and warrants to the other parties hereto that it (a) currently holds the Subordinated Note made by the Buyer to the Exiting Originator (the "Exiting Originator Note") and (b) has not sold, pledged, assigned, or otherwise transferred the Exiting Originator Note or any interest therein. The Exiting Originator acknowledges and agrees that all the Buyer's outstanding obligations (including, without limitation, any payment obligations) under the Exiting Originator Note have been finally and fully paid and performed on or prior to the Fifth Amendment Effective Date. The Exiting Originator Note is hereby cancelled and shall have no further force or effect.

SECTION 5. Consent to Entry into the Milano Facility Intercreditor Agreement. Each of the parties hereto acknowledges, consents and agrees to the terms of the Milano Facility Intercreditor Agreement, which may be amended after the date hereof by the Administrative Agent and the Servicer.

SECTION 6. Representations and Warranties of the Remaining Originators. The Remaining Originators hereby represent and warrant to each of the parties hereto as of the date hereof as follows:

(a) *Representations and Warranties*. The representations and warranties made by such Person in the Agreement and each of the other Transaction Documents to which it is a party are true and correct as of the date hereof (unless such representations or warranties relate to an earlier date, in which case as of such earlier date).

(b) *Enforceability*. The execution and delivery by it of this Amendment, and the performance of its obligations under this Amendment, the Agreement (as amended hereby) and the other Transaction Documents to which it is a party are within its organizational powers and have been duly authorized by all necessary action on its part, and this Amendment, the Agreement (as amended hereby) and the other Transaction Documents to which it is a party are (assuming due authorization and execution by the other parties thereto) its valid and legally binding obligations, enforceable in accordance with its terms, except (x) the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws from time to time in effect relating to creditors' rights, and (y) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(c) *No Event of Default; No Purchase and Sale Termination Event*. No Event of Termination, Unmatured Event of Termination, Non-Reinvestment Event, Unmatured Non-Reinvestment Event, Purchase and Sale Termination Event or Unmatured Purchase and Sale Termination Event has occurred and is continuing, or would occur as a result of this Amendment or the transactions contemplated hereby.

SECTION 7. Effect of Amendment; Ratification. All provisions of the Agreement and the other Transaction Documents, as expressly amended and modified by this Amendment, shall remain in full force and effect. After this Amendment becomes effective, all references in the Agreement (or in any other Transaction Document) to "this Purchase and Sale Agreement", "this Agreement", "hereof", "herein" or words of similar effect referring to the Agreement shall be deemed to be references to the Agreement as amended by this Amendment. This Amendment shall not be deemed, either expressly or impliedly, to waive, amend or supplement any provision of the Agreement other than as set forth herein. The Agreement, as amended by this Amendment, is hereby ratified and confirmed in all respects.

SECTION 8. Effectiveness. This Amendment shall become effective as of the Fifth Amendment Effective Date upon (a) receipt by the Buyer and the Administrative Agent's receipt of counterparts to this Amendment executed by each of the parties hereto, and (b) the effectiveness of the Receivables Purchase Agreement Amendment.

SECTION 9. Severability. Any provisions of this Amendment which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 10. Transaction Document. This Amendment shall be a Transaction Document for purposes of the Receivables Purchase Agreement.

SECTION 11. Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or e-mail transmission shall be effective as delivery of a manually executed counterpart hereof.

SECTION 12. GOVERNING LAW AND JURISDICTION.

(a) THIS AMENDMENT, INCLUDING THE RIGHTS AND DUTIES OF THE PARTIES HERETO, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, BUT WITHOUT REGARD TO ANY OTHER CONFLICTS OF LAW PROVISIONS THEREOF).

(b) EACH PARTY HERETO HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY NEW YORK STATE OR FEDERAL COURT SITTING IN NEW YORK CITY, NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AMENDMENT, AND EACH PARTY HERETO HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT THEY MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING. THE PARTIES HERETO AGREE THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.

SECTION 13. Section Headings. The various headings of this Amendment are included for convenience only and shall not affect the meaning or interpretation of this Amendment, the Agreement or any provision hereof or thereof.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

DXC RECEIVABLES LLC,
as Buyer

By: /s/ H.C. Charles Diao
Name: H.C. Charles Diao
Title: President and Treasurer

DXC TECHNOLOGY COMPANY,
as Servicer

By: /s/ H.C. Charles Diao
Name: H.C. Charles Diao
Title: Senior Vice President, Treasury and Corporate Development

DXC TECHNOLOGY SERVICES LLC,
as a Remaining Originator

By: /s/ H.C. Charles Diao
Name: H.C. Charles Diao
Title: President and Treasurer

:

ALLIANCE-ONE SERVICES, INC.,
as a Remaining Originator

By: /s/ Phillip Charles Ratcliff________________
Name: Phillip Charles Ratcliff
Title: President

COMPUTER SCIENCES CORPORATION,
as a Remaining Originator

By:_/s/_ H.C. Charles Diao__________________
Name: H.C. Charles Diao
Title: President and Treasurer

CSC CONSULTING, INC.,
as a Remaining Originator

By:_/s/_ H.C. Charles Diao__________________
Name: H.C. Charles Diao
Title: President and Treasurer

CSC CYBERTEK CORPORATION,
as a Remaining Originator

By:_/s/_ H.C. Charles Diao__________________
Name: H.C. Charles Diao
Title: President and Treasurer

MYND CORPORATION,
as a Remaining Originator

By:_/s/_ H.C. Charles Diao__________________
Name: H.C. Charles Diao
Title: President and Treasurer

PDA SOFTWARE SERVICES LLC,
as a Remaining Originator

By:_/s/_ H.C. Charles Diao__________________
Name: H.C. Charles Diao
Title: President and Treasurer

CSC PUERTO RICO, LLC,
as a Remaining Originator

By:_/s/_ H.C. Charles Diao__________________
Name: H.C. Charles Diao
Title: President and Treasurer

CSC COVANSYS CORPORATION,
as a Remaining Originator

By:_/s/_ H.C. Charles Diao___________________
Name: H.C. Charles Diao
Title: President and Treasurer

TRIBRIDGE HOLDINGS, LLC,
as a Remaining Originator

By:_/s/_ H.C. Charles Diao___________________
Name: H.C. Charles Diao
Title: President and Treasurer

DXC MS LLC,
as an Exiting Originator

By:_/s/_ H.C. Charles Diao___________________
Name: H.C. Charles Diao
Title: President and Treasurer

Acknowledged by:

PNC BANK, NATIONAL ASSOCIATION
as Administrative Agent

By: /s/ Christopher Blaney_____________
Name: Christopher Blaney
Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION,
as Group Agent for its Purchaser Group
By: /s/ Christopher Blaney_____________
Name: Christopher Blaney
Title: Senior Vice President

Schedule I

LIST AND LOCATION OF EACH ORIGINATOR

Schedule II

LOCATION OF BOOKS AND RECORDS OF ORIGINATORS

Schedule III

TRADE NAMES

DXC TECHNOLOGY COMPANY

2017 OMNIBUS INCENTIVE PLAN

PERFORMANCE BASED RESTRICTED STOCK UNIT

AWARD AGREEMENT

1. **Grant of Award.**

This Agreement ("Agreement") is made and entered into as of **«Grant_Date_x»** (the "Grant Date") by and between DXC Technology Company, a Nevada corporation (the "Company"), and **«Name_x»**, a full-time employee of the Company and/or one or more of its Subsidiaries (the "Employee").

This Agreement granting the Employee an award under the Plan (the "Award") shall be subject to all of the terms and conditions set forth in the DXC Technology Company 2017 Omnibus Incentive Plan (the "Plan") and this Agreement. Except as defined in Appendix A, capitalized terms shall have the same meanings ascribed to them under the Plan.

This Award is subject to the data privacy provisions set forth in Appendix B.

Award Granted: **«Shares_Granted_x»** Restricted Stock Units (the "Target Units")

2. **Normal Settlement of RSUs at end of Performance Period.**

(a) The total number of RSU Shares delivered in settlement of this Award shall be between 0% and 200%, inclusive, of the number of Target Units, and, except as otherwise provided in this Agreement, shall be determined by the Committee pursuant to Appendix C to this Agreement based on the Company's Stock Price Appreciation performance for the FY2021 – FY2023 performance period (the "Performance Period"). Dividend Equivalents will be paid with respect to such RSU Shares delivered in settlement at the same time as the Restricted Stock Units ("RSUs") are settled.

(b) For purposes of this Section 2, this Award shall be settled on the Scheduled Settlement Date.

(c) Any RSU Shares the Employee receives in settlement of the RSUs shall be subject to any holding period requirements or other restrictions set forth in the Company's stock ownership guidelines applicable to the Employee, as in effect from time to time. The Employee acknowledges that he may be prohibited from selling or otherwise disposing of such RSU Shares while subject to such guidelines.

3. **Effect of Termination of Employment; Approved Termination; Change in Control; Recoupment and Forfeiture.**

(a) <u>Age 62 or Older Other than for Cause, death or Disability with at least 10 Years of Service; Approved Termination</u>. If:

(i) the Employee's status as an employee of the Company or any of its Subsidiaries is terminated after the end of Fiscal Year 2021 and during Fiscal Year 2022 or Fiscal Year 2023 at age 62 or older for no reason, or for any reason other than Cause, death or Disability, and the Employee shall have been (or for any other purpose shall have been treated as if he or she had been) a continuous employee of the Company or its Subsidiaries for at least 10 years immediately prior to the date of termination of employment status; or

(ii) the Employee's status as an employee of the Company or any of its Subsidiaries is terminated at any time on or before the end of Fiscal Year 2023 and such termination is specifically approved by the Committee for purposes of this Section 3(a),

then the Company shall settle a fraction of the RSUs that otherwise would settle in accordance with Section 2 and Appendix C of this Agreement on the Scheduled Settlement Date. This fraction will be determined by calculating the number of full months of continuous service with the Company or its Subsidiaries that the Employee has completed since the Grant Date and then dividing this number by 36. If the Employee's status as an employee of the Company or any of its Subsidiaries terminates pursuant to this Section 3(a) after the end of Fiscal Year 2023, then the Company shall settle the RSUs in accordance with Section 2 and

Appendix C of this Agreement, without pro-ration, on the Scheduled Settlement Date.

(b) Death or Disability.

(i) If, on or before the end of Fiscal Year 2023, the Employee's status as an employee of the Company or any of its Subsidiaries is terminated by reason of the death or Disability of the Employee, then, one calendar month after the Employee's status as an employee of the Company or its Subsidiaries is terminated (the "Employment Termination Date") the Company shall settle the RSUs in full by delivering a pro-rated amount of 100% of the Target Units, with such pro-ration based on the Employee's period of service during the Performance Period.

(ii) If, after the end of Fiscal Year 2023 and prior to the Scheduled Settlement Date, the Employee's status as an employee of the Company or any of its Subsidiaries is terminated by reason of the death or Disability of the Employee, then the Company shall settle the RSUs in accordance with Section 2 and Appendix C of this Agreement, without pro-ration, as soon as practicable after the Employment Termination Date, but in no event later than the Scheduled Settlement Date.

(iii) If settlement is by reason of termination due to death, settlement shall be to the beneficiary designated by the Employee for such purpose.

(c) Cancellation of RSUs upon Other Termination of Employment. If, on or before the end of Fiscal Year 2023, the Employee's status as an employee of the Company or any of its Subsidiaries terminates for any reason (or no reason), other than pursuant to Section 3(a) or (b) hereof, then the RSUs and all related Dividend Equivalents shall automatically be cancelled as of the close of business on the Employment Termination Date. If the Employee's status as an employee of the Company or any of its Subsidiaries terminates for any reason (or no reason), other than pursuant to Section 3(a) or (b) hereof, after the end of Fiscal Year 2023, then the Company shall settle the RSUs in accordance with Section 2 and Appendix C of this Agreement on the Scheduled Settlement Date.

(d) Change in Control.

(i) Upon a Change in Control that occurs on or before the end of Fiscal Year 2023 while Employee is employed by the Company or its Subsidiaries, 100% of the Target Units shall, subject to Section 18 of the Plan, vest and be settled in accordance with the following terms of this Section 3(d)(i), without regard to Section 2 or Appendix C hereof. Following the Change in Control, the RSUs shall vest based solely on the passage of time and the Employee's continued employment with the Company (including any successor to the Company resulting from the Change in Control) and its Subsidiaries as follows: (x) if the Change in Control happens on or before the first anniversary of the Grant Date, the RSUs shall vest in substantially equal thirds on the first, second and third anniversaries of the Grant Date; (y) if the Change in Control happens after the first anniversary of the Grant Date but on or before the second anniversary of the Grant Date, the RSUs shall vest in substantially equal halves on the second and third anniversaries of the Grant Date; and (z) if the Change in Control happens after the second anniversary of the Grant Date, the RSUs shall vest in their entirety on the third anniversary of the Grant Date. The RSUs shall be subject to all other terms and conditions of this Agreement; provided, however, that if, on or within two (2) years after the date of the Change in Control and prior to when the RSUs have vested in full, the Employee experiences a Qualifying Termination Without Cause, or the Employee's status as an employee of the Company (including any successor to the Company resulting from the Change in Control) or any of its Subsidiaries is terminated as a result of the Employee's death or Disability or pursuant to Section 3(a) above, then the RSUs shall automatically vest in full as of the Employment Termination Date. Settlement of any RSUs (and any related Dividend Equivalents) that vest pursuant to this Section 3(d)(i) shall occur on or as soon as administratively practicable (but, subject to Section 19 below, in no event later than 2.5 months) after the applicable vesting date. For purposes of the preceding sentence, a "Qualifying Termination Without Cause" shall mean the Employee's status as an employee of the Company (including any successor to the Company resulting from the Change in Control) or any of its subsidiaries is terminated by the Company without Cause at a time when the Employee is meeting performance expectations, as determined by the Company in its sole discretion.

(ii) Upon a Change in Control that occurs after the end of Fiscal Year 2023 and prior to the Scheduled Settlement Date, the Company shall settle the RSUs in accordance with Section 2 and Appendix C of this Agreement, without pro ration, as soon as practicable after the Change in Control, but in no event later than the Scheduled Settlement Date

(e) Recoupment and Forfeiture. Settlement of all or a portion of the Award pursuant to this Section 3 is subject to the forfeiture provisions of this Section 3. Settlement of all or a portion of the Award is subject to recoupment by the Company pursuant to Section 5.

(f) Leave of Absence. If the Employee is granted a leave of absence (including a military leave of absence), the Employee and the Company each reasonably anticipate that the Employee will return to active employment and either (x) the leave of absence is to be for not more than six months or (y) at all times during the leave of absence the Employee has a statutory or contractual right to return to work, then for purposes of this Award: (i) while on leave of absence the Employee shall be treated as if he were an active employee; (ii) if the Employee's leave of absence is terminated and the Employee does not timely return to active employment, the date of the end of the leave of absence shall be treated as the Employment Termination Date; (iii) if the Employee's leave of absence is terminated and the Employee timely returns to active employment, he shall be treated as if active employment had continued uninterrupted during the leave of absence; and (iv) if the Employee's leave of absence continues to the Scheduled Settlement Date or any other date for settlement of the RSUs as provided under this Award, any RSUs which the Employee would otherwise be entitled to receive if he were an active employee shall be settled on such date.

4.**Withholding and Taxes.**

(a) If the Company and/or the Employer are obligated to withhold an amount on account of any federal, state or local tax imposed as a result of the grant or settlement of the RSUs pursuant to this Agreement (collectively, "Taxes"), including, without limitation, any federal, state or other income tax, or any F.I.C.A., state disability insurance tax or other employment tax (the date upon which the Company and/or the Employer becomes so obligated shall be referred to herein as the "Withholding Date"), then the Employee shall pay to the Company on the Withholding Date, the aggregate amount that the Company and the Employer are so obligated to withhold, as such amount shall be determined by the Company (the "Withholding Liability"), which payment shall be made by the automatic cancellation by the Company of a portion of the RSU Shares; provided that the Company is not then prohibited from purchasing or acquiring such shares of Common Stock (such shares to be valued on the basis of the aggregate Fair Market Value thereof on the Withholding Date, plus the value of the Dividend Equivalents associated with such shares on the Withholding Date); and provided further that the RSU Shares to be cancelled shall be those that would otherwise have been delivered to the Employee the soonest upon settlement of the RSUs; and provided further, however, that the Employee may, on or before the Withholding Date, irrevocably elect to instead pay to the Company, by check or wire transfer delivered or made within one business day after the Withholding Date, an amount equal to or greater than the Withholding Liability.

(b) The Employee acknowledges that neither the Company nor the Employer has made any representation or given any advice to the Employee with respect to Taxes.

5.**Recoupment and Forfeiture – Detrimental Activity.**

(a) Refund of Stock Value. If the Employee engages in Detrimental Activity (as defined below in Section 5(c)) during the time periods set forth in each provision of Section 5(c), then, if the RSUs were settled within the one year period prior to the occurrence of such event, the Employee shall immediately deliver to the Company an amount in cash equal to the (i) aggregate Fair Market Value, determined as of such Settlement Date, of all RSU Shares which were delivered to the Employee or cancelled in payment of Taxes on such Settlement Date and (ii) Dividend Equivalents paid to the Employee in respect of those RSU Shares.

(b) Forfeiture of RSUs. If the Employee engages in Detrimental Activity prior to the final Settlement Date for the RSUs, the RSUs and all related Dividend Equivalents shall be terminated and forfeited.

(c) For purposes of this Agreement, "Detrimental Activity" shall mean any of the following:

(i) engaging, directly or indirectly, in any business activity (A) competitive with the activity of the Company and/or any of its Subsidiaries, or (B) in conflict with the interests of the Company and/or any of its Subsidiaries during the term of employment and a period of two years thereafter;

(ii) at any time willfully disclosing, other than in the course of the business of Company and/or its Subsidiares, to any third party trade secret or other confidential material or information belonging to the Company and/or any of its Subsidiaries;

(iii) at any time failing to abide by Employee's contractual obligations to assign all intellectual property to the Company and/or any of its Subsidiaries;

(iv) failing to abide by any other contractual obligations to the Company and/or any of its Subsidiaries, as set forth in those contracts (including Section 6 below), including (A) obligations not to solicit employees of the Company and/or any of its Subsidiaries to perform services for others, and (B) obligations not to solicit business from clients, vendors or business partners of the Company and/or any of its Subsidiaries;

(v) engaging during the term of employment in any action that warrants or results in termination of Employee's employment for "Cause," as defined in Appendix A;

(vi) any other willful action determined by the Company to be injurious, detrimental or prejudicial to any of the interests of the Company and/or any of its Subsidiaries during the term of employment and a period of two years thereafter.

(d) State-Specific Exclusions. To the extent the Employee primarily resides and works in California, Oklahoma or Nebraska, Section 5(c)(i) of the definition of Detrimental Conduct shall not apply. In addition, to the extent the Employee primarily resides and works in California, the Employee will have the right to modify Section 5 and choose the application of California law to Section 5 of this Agreement in accordance with California Labor Code §925. If this occurs, then Section 5(c)(iv) of the definition of Detrimental Activity shall be deemed modified so that it only prohibits conduct by the Employee that involves the misappropriation of a trade secret of the Company and/or any of its Subsidiaries; provided, however, that the Company and/or any of its Subsidiaries shall continue to retain all of their rights in trade secrets and nothing in this Agreement shall be construed eliminate, reduce or adversely affect the rights that the Company and/or any of its Subsidiaries would otherwise have related to the protection of their trade secrets absent this Agreement.

(e) As an additional condition of receiving this Award, the Employee agrees and acknowledges that the Award shall be subject to repayment to the Company in whole or in part in the event of a financial restatement or in such other circumstances as may be required by applicable law or as may be provided in any clawback policy that is adopted by the Company and applicable to the Employee.

6.**Employee Covenants.**

(a) Non-Disclosure and Non-Use of Confidential Information. The Company and/or any of its Subsidiaries shall provide the Employee with access to Confidential Information in the course of performance of the Employee's duties. Except for in performance of the Employee's duties for the Company and/or any of its Subsidiaries, the Employee agrees not to disclose, use, copy, take, download, upload, duplicate or otherwise permit the use, disclosure, copying, taking, downloading, uploading, or duplication of any Confidential Information during or following his/her employment with the Company and/or any of its Subsidiaries. The Employee agrees to take all reasonable steps and precautions to prevent any unauthorized disclosure, use, copying or duplication of Confidential Information. The Employee shall promptly report to the Company and/or any of its Subsidiaries any actual or suspected violation of confidentiality obligations toward the Company and/or any of its Subsidiaries and will take all reasonable further steps requested by the Company and/or any of its Subsidiaries to prevent, control or remedy any such violation. The Employee acknowledges and agrees that the Employee shall have no ownership or privacy interest in materials or information that is stored on or transmitted using property or equipment or rights leased, licensed or owned by the Company and/or any of its Subsidiaries, even if the Employee claims an ownership or privacy interest in such materials or information. The Employee agrees that to any extent that the Employee uses the Company's and/or any of its Subsidiaries' resources for such materials and information, the Employee forfeits any privacy and ownership interest in them and agrees that they shall be subject to ownership, access, use and disclosure by the Company and/or any of its Subsidiaries at any time without notice to or further consent of the Employee.

(b) Non-Solicitation of the Company's Employees, Clients, and Prospective Clients. In exchange for the Company's provision to the Employee of the good and valuable consideration set forth above, during the Non-Solicitation Period, the Employee shall not, without the express, prior written consent of DXC's General Counsel, engage, in the Restricted Area, in any of the conduct described below, either directly or indirectly, individually or as an employee, agent, contractor, consultant, member, partner, officer, director or stockholder (other than as a stockholder of less than 5% of the equities of a publicly held corporation) or in any other capacity for any person, firm, partnership or corporation other than the Company and/or any of its Subsidiaries:

(i) solicit (or contact in any manner which could reasonably be construed as solicitation), hire or employ, attempt to hire or employ, retain as or attempt to retain as a consultant or an independent contractor, any current employee of the Company and/or any of its Subsidiaries or any person who was an employee of the Company and/or any of its Subsidiaries within the 6-month period preceding such solicitation, contact, hiring or employment, or attempted hiring or employment;

(ii) solicit (or contact in any manner which could reasonably be construed as solicitation) any Client or Prospective Client for the purpose of selling or providing solutions, products and/or services competitive with Services provided by or offered by the Company and/or any of its Subsidiaries, or divert or cause a reduction in the business between the Company and/or any of its Subsidiaries and any Client or Prospective Client. The Employee understands and acknowledges, however, that this non-solicitation obligation shall not apply if (i) the Client or Prospective Client chose to seek such Services from the Employee without the Employee having taken any steps to solicit its business, and (ii) the Employee has otherwise complied with the restrictive covenants set forth herein; or

(iii) solicit or communicate with any vendor, supplier, subcontractor, or partner of the Company and/or any of its Subsidiaries with which the Employee worked or about which the Employee received Confidential Information, at any time during the 12-month period preceding the termination of the Employee's employment with the Company and/or any of its Subsidiaries, for the purpose of persuading or assisting such vendor, supplier, subcontractor, or partner to terminate, or modify to the detriment of the Company and/or any of its Subsidiaries, any business relationship with the Company and/or any of its Subsidiaries.

(c) (i) Non-Competition. In exchange for the Company's provision to the Employee of the good and valuable consideration set forth above, during the Non-Competition Period, the Employee shall not, without the express, prior written consent of DXC's General Counsel, in the Restricted Area, either directly or indirectly, individually or as an employee, agent, contractor, consultant, member, partner, officer, director or stockholder (other than as a stockholder of less than 5% of the equities of a publicly held corporation) or in any other capacity for any person, firm, partnership or corporation other than the Company and/or any of its Subsidiaries, provide Restricted Services for or on behalf of a Competitor.

(i) Non-Competition Restriction in the Event of a Reduction in Force. In the event the Employee's employment is terminated by the Company and/or any of its Subsidiaries due to a reduction in force, reorganization or similar type of restructuring, the Company and/or any of its Subsidiaries may choose to enforce the provisions of Section 6(c)(i) to the extent permitted by applicable law, including by providing the Employee additional salary, benefits, or severance pay (collectively "Severance Pay") during the Non-Competition Period. If the Company and/or any of its Subsidiaries choose to make such an offer of Severance Pay, they may, in their discretion, condition the Employee's receipt of Severance Pay on the Employee's execution of a release of claims against the Company and/or any of its Subsidiaries.

(d) State-Specific Exclusions. To the extent the Employee primarily resides and works in California, Oklahoma or Nebraska, the Employee will not be subject to the terms of Section 6(c). In addition, to the extent the Employee primarily resides and works in California, the Employee will have the right to modify Section 6 as set forth in this paragraph and choose the application of California law to Section 6 of this Agreement in accordance with California Labor Code §925. If this occurs, then the restrictions in Section 6(b) shall be deemed modified so that they only prohibit conduct by the Employee that involves the misappropriation of a trade secret of the Company and/or any of its Subsidiaries.

(e) Notice of Post-Employment Activities. If the Employee accepts a position with a Competitor at any time within twenty-four months following termination of employment with the Company and/or any of its Subsidiaries, the Employee must promptly give written notice to the senior Human Resources manager for the business sector in which the Employee worked, with a copy to DXC's General Counsel, and must provide DXC with the information it needs about the Employee's new position to determine whether such position would likely lead to a violation of this Agreement (except that the Employee need not provide any information that would include the Competitor's confidential information or trade secrets). The Employee consents to the Company and/or any of its Subsidiaries notifying his or her new employer of the Employee's rights and obligations under this Agreement.

(f) Compliance with Defend Trade Secrets Act. The Employee acknowledges that he or she is hereby notified that, in accordance with the Defend Trade Secrets Act of 2016, 18 U.S.C. § 1833, the Employee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If the Employee files a lawsuit for retaliation against the Company and/or any of its Subsidiaries for reporting a suspected violation of law, the Employee may disclose the trade secrets of the Company and/or any of its Subsidiaries to the Employee's attorney and use the trade secret information in the court proceeding if the Employee files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

(g) Inventions. The Employee acknowledges and agrees that as a function of the Employee's employment with the Company and/or any of its Subsidiaries, the Employee may solely or jointly conceive, develop, reduce to practice or otherwise produce inventions, software, computer programs, algorithms, source code, discoveries, know-how, innovations, enhancements, designs, developments, improvements, techniques, technology, concepts, methods, processes, ideas, trade secrets and other forms of intellectual property and works of authorship, whether or not any of the foregoing constitute trade secrets, and whether or not eligible for copyright, trademark and patent protection (collectively "Inventions"). The Employee shall make prompt and full disclosure to the Company and/or any of its Subsidiaries, shall hold in trust for the sole benefit of the Company and/or any of its Subsidiaries, and hereby assigns exclusively to the Company without additional compensation or consideration to the Employee all the Employee's rights, title and interest in and to any and all Inventions that the Employee solely or jointly may conceive, develop, reduce to practice or otherwise produce during the Employee's employment with the Company and/or any of its Subsidiaries, including, without limitation, all patent rights, copyright rights, trade secret rights, and all other intellectual property rights therein. The Employee waives and quitclaims to the Company any and all claims of any nature whatsoever that the Employee now or hereafter may have for infringement of any patent or other intellectual property right relating to any Invention so assigned to the Company. The Employee agrees to perform all actions reasonably requested by the Company to establish and confirm the Company's ownership of Inventions, including, without limitation, signing and delivering to the Company (during and after employment) any other documents that the Company considers desirable to provide evidence of (a) the assignment of all rights of the Employee, if any, in any Inventions and (b) the Company 's ownership of such Inventions. If the Company is unable to secure the Employee's signature on any document necessary to apply for, prosecute or obtain or enforce any patent, copyright, or other right or protection relating to any Invention, whether due to the Employee's mental or physical incapacity or any other cause, the Employee hereby irrevocably designates and appoints the Company and each of its duly authorized officers and agents as the Employee's agent and attorney-in-fact, to act for and in the Employee's behalf to execute and file any such document and to do all other lawfully permitted acts to further the prosecution, issuance and enforcement of patents, copyrights, or other rights or protections, with the same force and effect as if executed and delivered by the Employee. The Employee will assist the Company in applying for, prosecuting, obtaining, or enforcing any patent, copyright, or other right or protection relating to any Invention, all at the Company's expense but without compensation to the Employee in excess of the Employee's salary or wages. If the Company requires any assistance after termination of the Employee's employment, the Employee will be compensated for time actually spent in providing that assistance at an hourly rate equivalent to the Employee's salary or wages during the last period of employment with the Company and/or any of its Subsidiaries. Notwithstanding the foregoing, the Employee's assignment of Inventions to the Company by way of this Section shall not apply to any Invention that: (i) was completely developed and reduced to practice entirely by the Employee prior to employment with the Company and/or any of its Subsidiaries without using any equipment, supplies, facilities, services, or Confidential Information of the Company and/or any of its Subsidiaries; (ii) does not relate to the business of the Company and/or any of its Subsidiaries, or to the actual or demonstrably anticipated research or development of the Company and/or any of its Subsidiaries; (iii) does not result from any work performed by the Employee for the Company and/or any of its Subsidiaries; or (iv) qualifies as an invention under applicable law in the Employee's state of domicile. The Employee has been given the opportunity to set forth, on the form set forth as Appendix D, a list describing all such Inventions that (x) the Employee wishes to have excluded from this Agreement, and (b) have arisen since the last time (if any) that the Employee signed a transfer of rights agreement in favor of the Company. If the Employee has completed Appendix D, the Employee must promptly sign it (as indicated) and send the form to the Stock Plan Administration ("SPA") department. If no such form is sent to SPA, the Employee represents that there are no such Inventions. The parties acknowledge that the Company and/or any of its Subsidiaries may not necessarily agree with all of the Employee's assertions of ownership and reserves the right to review and make its own determinations regarding same. As to any Invention in which the Employee has an interest at any time prior to or during the Employee's employment with the Company and/or any of its Subsidiaries, if the Employee uses or incorporates such an Invention in any released or unreleased product, service, program, process, machine, development or work in progress of the Company and/or any of its Subsidiaries, or if the Employee permits the Company and/or its Subsidiaries to use or incorporate such an Invention, the Company and/or its Subsidiaries shall be granted and shall have an irrevocable, perpetual, royalty-free, worldwide license to exercise any and all rights with respect to such Invention, including the right to protect, make, have made, use, sell, copy, disclose, modify, prepare derivative works of that Invention without restriction and the right to sublicense those rights to others.

(h) Copyrights. The Employee acknowledges and agrees that any and all copyrightable works prepared by him or her within the scope of the Employee's employment by the Company and/or its Subsidiaries and/or its predecessors in interest shall be works made for hire, that the Company and/or its Subsidiaries shall own all rights under copyright in and to such works, and that the Company and/or its Subsidiaries shall be considered the author of all such works. If and to the extent that any jurisdiction should fail to deem any such work to be a work made for hire owned by the Company and/or any of its Subsidiaries, the Employee hereby irrevocably assigns to the Company and/or any of its Subsidiaries all rights, title and interest in and to such work, including the right to sue, counterclaim and recover for all past, present and future infringement, misappropriation or dilution thereof, oral rights, and all rights corresponding thereto throughout the world. To the extent moral rights may not be assigned, the Employee hereby waives the benefit or protection of same, and waives all rights under the Visual Artists Rights Act.

(i) Injunctive Relief and Damages.

(i) Injunctive Relief. The Employee acknowledges and agrees that if the Employee were to breach, or threaten to breach, any of the covenants set forth in Section 6 hereof, the Company and/or any of its Subsidiaries would suffer immediate and irreparable harm and would therefore be entitled to specific performance through equitable relief, including injunctive relief, ordered by a court of appropriate jurisdiction, without the need to post any bond. The Employee therefore consents and stipulates to the entry of such injunctive relief in an appropriate court prohibiting the Employee from breaching this Agreement.

(ii) Damages. Nothing in this Section shall diminish the right of the Company and/or any of its Subsidiaries to claim and recover money damages, including the value and return of equity as provided in Section 6, in addition to injunctive relief or any other remedy provided by law or under this Agreement.

(j) Effect on Other Rights and Remedies. The rights of the Company set forth in this Section 6 shall not limit or restrict in any manner any rights or remedies which the Company or any of its affiliates may have under law or under any separate employment, confidentiality or other agreement with the Employee or otherwise with respect to the events described in Section 6 hereof.

(k) Reasonableness, Reformation and Revival. The Employee agrees that the terms and conditions set forth in this Section 6 are fair and reasonable and are reasonably required for the protection of the interests of the Company. The Employee further agrees that if the Employee violates the provisions of Sections 6(b) or 6(c) of this Agreement (if applicable) that the number of days that the Employee is in violation will be added to any periods of limitation on the activities specified herein. However, if the scope of any provision contained in Section 6 is too broad to permit enforcement of such provision to its full extent, then the Company and the Employee agree that, in accordance with Nevada law, the maximum period, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area and that the court shall revise the restrictions contained herein to cover the maximum period, scope and area permitted by law, and enforce this Agreement as reformed or modified. Subject to the provisions of the foregoing sentence, whenever possible, each provision of this this Section 6 will be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Section 6 is held to be prohibited by or invalid under applicable law, such provision, to the extent of such prohibition or invalidity, shall be deemed not to be a part of this Agreement, and shall not invalidate the remainder of such provision or the remaining provisions of this Agreement. The Employee specifically agrees that each provision and subsection of Section 6 is independent of and severable from the others, and may be enforced independently, which shall, as applicable, continue in full force and effect after the expiration or termination of this Agreement.

7.**Registration of Units.**

The Employee's right to receive the RSU Shares shall be evidenced by book entry (or by such other manner as the Committee may determine).

8.**Certain Corporate Transactions**.

In the event that the outstanding securities of any class then comprising the RSU Shares are increased, decreased or exchanged for or converted into cash, property and/or a different number or kind of securities, or cash, property and/or securities are distributed in respect of such outstanding securities, in either case as a result of a reorganization, merger, consolidation, recapitalization, reclassification, dividend (other than a regular, quarterly cash dividend) or other distribution, stock split, reverse stock split or the like, then, unless the Committee shall determine otherwise, the term "RSU Shares," as used in this Agreement, shall, from and after the date of such event, include such cash, property and/or securities so distributed in respect of the RSU Shares, or into or for which the RSU Shares are so increased, decreased, exchanged or converted.

9.**Shareholder Rights.**

The Employee shall have no rights of a shareholder with respect to RSU Shares subject to this Award unless and until such time as the Award has been settled by the transfer of shares of Common Stock to the Employee.

10.**Assignment of Award.**

Except as otherwise permitted by the Committee, the Employee's rights under the Plan and this Agreement are personal; no assignment or transfer of the Employee's rights under and interest in this Award may be made by the Employee other than by will or by the laws of descent and distribution.

11.**Notices.**

Unless the Company notifies the Employee in writing of a different procedure, any notice or other communication to the Company with respect to this Award shall be in writing and shall be:

(a) by registered or certified United States mail, postage prepaid, to DXC Technology Company, Attn: Corporate Secretary, 1775 Tysons Blvd, Tysons, VA 22102; or

(b) by hand delivery or otherwise to DXC Technology Company, Attn: Corporate Secretary, 1775 Tysons Blvd, Tysons, VA 22102.

Any notices provided for in this Agreement or in the Plan shall be given in writing and shall be deemed effectively delivered or given upon receipt or, in the case of notices delivered by the Company to the Employee, five days after deposit in the United States mail, postage prepaid, addressed to the Employee at the address specified at the end of this Agreement or at such other address as the Employee hereafter designates by written notice to the Company.

12.**Stock Certificates.**

Certificates representing the Common Stock issued pursuant to the Award will bear all legends required by law and necessary or advisable to effectuate the provisions of the Plan and this Award. The Company may place a "stop transfer" order against shares of the Common Stock issued pursuant to this Award until all restrictions and conditions set forth in the Plan or this Agreement and in the legends referred to in this Section 12 have been complied with.

13.**Successors and Assigns.**

This Agreement shall bind and inure to the benefit of and be enforceable by the Employee, the Company and/or any of its Subsidiaries, and their respective permitted successors and assigns (including personal representatives, heirs and legatees), except that the Employee may not assign any rights or obligations under this Agreement except to the extent and in the manner expressly permitted herein. Notwithstanding the foregoing, the rights and obligations of the Company and/or any of its Subsidiaries under this Agreement may, without the consent of the Employee, be assigned in whole or in part by the Company and/or any of its Subsidiaries, in their sole discretion, to any subsidiary, venture or affiliate of the Company or successor in interest to any portion of the business or assets of the Company and/or any of its Subsidiaries.

14.**Plan.**

The RSUs are granted pursuant to the Plan, as in effect on the Grant Date, and are subject to all the terms and conditions of the Plan, as the same may be amended from time to time; provided, however, that no such amendment shall deprive the Employee, without his or her consent, of the RSUs or of any of the Employee's rights under this Agreement. The interpretation and construction by the Committee of the Plan, this Agreement and such rules and regulations as may be adopted by the Committee for the purpose of administering the Plan shall be final and binding upon the Employee. Until the RSUs are settled in full, the Company shall, upon written request therefor, send a copy of the Plan, in its then-current form, to the Employee.

15.**No Employment Guaranteed.**

No provision of this Agreement shall (a) be deemed to form an employment contract or relationship with the Company and/or its Subsidiaries, (b) confer upon the Employee any right to be or continue to be in the employ of the Company and/or its Subsidiaries, (c) affect the right of the Company and/or any of its Subsidiaries to terminate the employment of the Employee, with or without Cause, or (d) confer upon the Employee any right to participate in any employee welfare or benefit plan or other program of the Company and/or its Subsidiaries other than the Plan. The Employee hereby acknowledges and agrees that the Company and/or any of its Subsidiaries may terminate the employment of the Employee at any time and for any reason, or for no reason, unless applicable law provides otherwise or unless the Employee and the Company and/or any of its Subsidiaries are parties to a written employment agreement that expressly provides otherwise.

16.**Nature of Company Restricted Stock Unit Grants.**

The Employee acknowledges and agrees that:

(a) the Plan was established voluntarily by the Company, it is discretionary in nature and it may be modified, suspended or terminated by the Company at any time, as provided in the Plan and this Agreement;

(b) the Company grants RSUs voluntarily and on an occasional basis, and the receipt of the RSUs by the Employee does not create any contractual or other right to receive any future grant of RSUs, or any benefits in lieu of a grant of RSUs;

(c) all decisions with respect to future grants of RSUs by the Company will be made in the sole discretion of the Company;

(d) the Employee is voluntarily participating in the Plan; and

(e) the future value of the RSUs is unknown and cannot be predicted with certainty.

17.**Governing Law; Consent to Jurisdiction; Venue.**

This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Nevada, United States of America, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. Any action, suit or proceeding to enforce the terms and provisions of this Agreement, or to resolve any dispute or controversy arising under or in any way relating to this Agreement, shall be brought exclusively in the state or federal courts in the State of Nevada, United States of America, and the parties hereto hereby consent to the jurisdiction of such courts and waive any objection to venue in such courts, whether on the basis of the doctrine of "forum non conveniens" or otherwise. If the Employee has received this or any other document related to the Plan translated into a language other than English, and the translated version is different than the English version, the English version will control.

18.**Entire Agreement; Amendment and Waivers.**

This Agreement embodies the entire understanding and agreement of the parties with respect to the subject matter hereof, and no promise, condition, representation or warranty, express or implied, not stated or incorporated by reference herein, shall bind either party hereto. Notwithstanding the foregoing, should the Employee and the Company and/or any of its Subsidiaries be parties to another agreement with provisions regarding confidentiality, non-disclosure, non-competition, non-solicitation of clients, prospective clients or employees, and all related definitions thereof, or any other restrictive covenants included in this Agreement, such similar provisions of any other such agreement shall remain in full force and effect. None of the terms and conditions of this Agreement may be amended, modified, waived or canceled except by a writing, signed by the parties hereto specifying such amendment, modification, waiver or cancellation. A waiver by either party at any time of compliance with any of the terms and conditions of this Agreement shall not be considered a modification, cancellation or consent to a future waiver of such terms and conditions or of any preceding or succeeding breach thereof, unless expressly so stated. Any failure or delay on the part of either party to exercise any remedy or right under this Agreement shall not operate as a waiver. The failure of either party to require performance of any of the terms, covenants, or provisions of this Agreement by the other party shall not constitute a waiver of any of the rights under the Agreement. No forbearance by either party to exercise any rights or privileges under this Agreement shall be construed as a waiver, but all rights and privileges shall continue in effect as if no forbearance had occurred. No covenant or condition of this Agreement may be waived except by the written consent of the waiving party.

19.**Section 409A Compliance.**

Payments under this Agreement are designed to be made in a manner that is exempt from or compliant with Section 409A of the U.S. Internal Revenue Code (the "Code") as a "short-term deferral," and the provisions of this Agreement will be administered, interpreted and construed accordingly (or disregarded to the extent such provision cannot be so administered, interpreted, or construed).

Notwithstanding anything to the contrary in this Agreement, if, upon the advice of its counsel, the Company determines that the settlement of an RSU Share pursuant to this Agreement is or may become subject to the additional tax under Section 409A(a)(1)(B) of the Code or any other taxes or penalties imposed under Section 409A ("409A Taxes") as applicable at the time such settlement is otherwise required under this Agreement, then such payment may be delayed to the extent necessary to avoid 409A Taxes. In particular:

(a) if the Employee is a specified employee within the meaning of Section 409A(a)(2)(B)(i) of the Code on the date of the Employee's "separation from service" (other than due to death) within the meaning of Section 1.409A-1(h) of the Treasury Regulations, such settlement shall be delayed until the earlier of (i) the first business day following the expiration of six months from the Employee's separation from service, (ii) the date of the Employee's death, or (iii) such earlier date as complies with the requirements of Section 409A (the "Settlement Delay Period"); and

(b) if all or any part of such RSU Share has been converted into cash pursuant to Section 8 hereof, then:

(i) upon settlement of such RSU Share, such cash shall be increased by an amount equal to interest thereon for the Settlement Delay Period at a rate equal to the default rate credited to amounts deferred under the Company's Deferred Compensation Plan; provided, however, that such rate shall be calculated on a monthly average basis rather than a daily basis; and

(ii) the Company shall fund the payment of such cash to the Employee upon settlement of such RSU Share, including the interest to be paid with respect thereto (collectively, the "Delayed Cash Payment"), by establishing and irrevocably funding a trust for the benefit of the Employee, but only if the establishment of such trust does not result in any taxes or penalties becoming due under Section 409A(b). Such trust shall be a grantor trust described in Section 671 of the U.S. Internal Revenue Code and intended not to cause tax to be incurred by the Employee until amounts are paid out from the trust to the Employee. The trust shall provide for distribution of amounts to the Employee in order to pay taxes, if any, that become due on the amounts as to which payment is being delayed during the

Settlement Delay Period pursuant to this Section 19, but only to the extent permissible under Section 409A of the U.S. Internal Revenue Code without the imposition of 409A Taxes. The establishment and funding of such trust shall not affect the obligation of the Company to pay the Delayed Cash Payment pursuant to this Section 19.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the Grant Date.

EMPLOYEE

____
«Name_x»

DXC TECHNOLOGY

____
By: «Name_x»
Title:

The Employee acknowledges receipt of the Plan and a Prospectus relating to this Award, and further acknowledges that he or she has reviewed this Agreement and the related documents and accepts the provisions thereof.

____
«Name_x»
ACCEPTANCE DATE

Appendix A

1.**Definitions.**

For purposes of this Agreement:

(a) “**Cause**” shall mean: (A) fraud, misappropriation, embezzlement or other act of material misconduct against the Company or any of its affiliates; (B) conviction of a felony involving a crime of moral turpitude; (C) willful and knowing violation of any rules or regulations of any governmental or regulatory body material to the business of the Company or its affiliates; or (D) substantial and willful failure to render services in accordance with the terms of his or her employment (other than as a result of illness, accident or other physical or mental incapacity), provided that (X) a demand for performance of services has been delivered to the Employee in writing by the Employee’s supervisor at least 60 days prior to termination identifying the manner in which such supervisor believes that the Employee has failed to perform and (Y) the Employee has thereafter failed to remedy such failure to perform.

(b) “**Client**” means:

(i) any individual, business entity or other enterprise with respect to which the Employee provided solutions, products, and/or services of the Company and/or any of its Subsidiaries (“Services”) during the 24-month period preceding the termination of the Employee’s employment with the Company and/or any of its Subsidiaries;

(ii) any individual, business entity or other enterprise with which the Employee transacted business on behalf of the Company and/or any of its Subsidiaries during 24-month period preceding the termination of the Employee’s employment with the Company and/or any of its Subsidiaries; and

(iii) any individual, business entity or other enterprise with respect to which the Employee possessed Confidential Information during the 12-month period preceding the termination of the Employee's employment with the Company and/or any of its Subsidiaries.

(c) "**Competitor**" means:

(i) an individual, business entity or other enterprise engaged or having publicly announced its intent to engage in business that is substantially similar to the business of the Company and/or any of its Subsidiaries; and

(ii) an individual, business entity or other enterprise that offers solutions, products and/or services capable of displacing any Services provided by the Company and/or any of its Subsidiaries and/or any of its Subsidiaries to any of its clients.

For purposes of this Agreement, the parties specifically agree (i) that the Company and/or any of its Subsidiaries are engaged in the business of providing technology-enabled solutions, products and services; (ii) that the Services and capabilities of the Company and/or its Subsidiaries include, but are not limited to, system design and integration, information technology and business process outsourcing, applications software development, Web and application hosting, mission support and management consulting; and (iii) that the Company and/or its Subsidiaries actively solicits business from, and provides Services to, clients located throughout the United States and the world.

(d) "**Confidential Information**" means all confidential and/or proprietary business information and data, trade secrets, patents, copyrights, sales and financial data, pricing information, methods, technical information, and know-how information of the Company and/or any of its Subsidiaries relating to the business plans and strategies of the Company and/or any of its Subsidiaries including, but not limited to, information which is marked and/or defined as restricted information (such as DXC Confidential, DXC Internal Use Only, Financial Information, or Controlled Information), or otherwise prohibited from disclosure by DXC's Confidential Information Policy and/or Code of Business Conduct. Confidential Information generally refers to information about or belonging to the Company and/or any of its Subsidiaries or third parties that is not publicly available and could cause harm if it was disclosed without permission. Examples include information about existing and proposed business ventures; corporate strategies; engineering ideas; pricing schedules; information that requires a security clearance to access; customers and/or prospects names and lists; marketing plans and procedures; research and development plans; methods of doing business (both technical and non-technical); information relating to the design, architecture, flowcharts, source or object code and documentation of any and all computer software products that the Company and/or any of its Subsidiaries has developed, acquired or licensed or is in the process of developing, acquiring or licensing or shall develop, acquire or license in the future; hardware and database technologies or technological information; designs, process and systems information; confidential intellectual property; employee staffing and compensation information; and any other confidential or proprietary information which relates to the business of the Company and/or its Subsidiaries or to the business of any Client or Prospective Client or vendor of DXC or any other party with whom the Company and/or any of its Subsidiaries agrees to hold information in confidence, whether patentable, copyrightable or protectable as trade secrets or not. Confidential Information does not include information which is (i) already known by the Employee without an obligation of confidentiality, (ii) publicly known or becomes publicly known through no unauthorized act of the Employee, (iii) rightfully received from a third party without an obligation of confidentiality, or (iv) disclosed without similar restrictions by the Company and/or any of its Subsidiaries to a third party (other than an affiliate or customer of the Company and/or any of its Subsidiaries).

(e) "**Employer**" shall mean the Employee's employer.

(f) "**Non-Competition Period**" means the time of the Employee's employment and a period of 12 months following the termination of the Employee's employment for any reason.

(g) "**Non-Solicitation Period**" means the time of the Employee's employment and a period of 24 months following the termination of the Employee's employment for any reason.

(h) "**Prospective Client**" means any individual, business entity or other enterprise which is not a Client but (a) whose business the Company and/or any of its Subsidiaries had solicited at any time during the 12-month period preceding the termination of the Employee's employment with the Company and/or any of its Subsidiaries for any reason, and (b) concerning which solicitation the Employee obtained the Company's and/or any of its Subsidiaries' Confidential Information.

(i) "**Restricted Area**" means:

(i) any geographic area in the world for which the Employee had job responsibilities during the 12-month period preceding the termination of the Employee's employment with the Company and/or any of its Subsidiaries for any reason;

(ii) any geographic area in the world where DXC engages in business activities and about which business the Employee obtained Confidential Information during the 12-month period preceding the termination of the Employee's employment with the

Company and/or any of its Subsidiaries for any reason; and

(iii) any geographic area in the world from which the Employee, by engaging in business, can threaten the legitimate business interests of the Company and/or any of its Subsidiaries in (i) preserving its client relationships and goodwill, and (ii) protecting its Confidential Information from misuse and/or disclosure.

(j) "**Restricted Services**" means:

(i) job duties or other business-related activities that are the same as or substantially similar to the job duties or business-related activities in which the Employee participated for the Company and/or any of its Subsidiaries in the 24-month period prior to the termination of the Employee's employment for any reason; and

(ii) job duties or other business-related activities in which the Employee could reasonably be expected to use or disclose, intentionally or inadvertently, Confidential Information that the Employee received during the 12-month period prior to the termination of the Employee's employment for any reason.

(k) "**RSU Shares**" shall mean the number of shares of Common Stock to be delivered upon settlement of the RSUs.

(l) "**Scheduled Settlement Date**" shall mean the date that is as soon as practicable after the date upon which the Company calculates the performance results for the Performance Period pursuant to Appendix C, but in no event later than December 31 of the calendar year in which Fiscal Year 2023 ends.

(m) "**Settlement Date**" shall mean, with respect to each RSU Share, the date upon which the RSU was settled by the delivery of such RSU Share to the Employee or the date upon which such RSU Share was cancelled in payment of Taxes (as defined in Section 4).

Appendix B

1.**Data Privacy.**

(a) In order to implement, administer, manage and account for the Employee's participation in the Plan, the Company and/or any of its Subsidiaries and/or the Employer may:

(i) collect and use certain personal data regarding the Employee, including, without limitation, the Employee's name, home address and telephone number, work address and telephone number, work e-mail address, date of birth, social insurance or other identification number, term of employment, employment status, nationality and tax residence, and details regarding the terms and conditions, grant, vesting, cancellation, termination and expiration of all restricted stock units and other stock based incentives granted, awarded or sold to the Employee by the Company (collectively, the "Data");

(ii) transfer the Data, in electronic or other form, to employees of the Company and/or any of its Subsidiaries, and to third parties, who are involved in the implementation, administration and/or management of, and/or accounting for, the Plan, which recipients may be located in the Employee's country or in other countries that may have different data privacy laws and protections than the Employee's country;

(iii) transfer the Data, in electronic or other form, to a broker or other third party with whom the Employee has elected to deposit any RSU Shares issued in settlement of the RSUs; and

(iv) retain the Data for only as long as may be necessary in order to implement, administer, manage and account for the Employee's participation in the Plan.

(b) The Employee hereby consents to the collection, use, transfer and retention of the Data, as described in this Agreement, for the exclusive purpose of implementing, administering, managing and accounting for the Employee's participation in the Plan.

(c) The Employee understands that by contacting his or her local human resources representative, the Employee may:

(i) view the Data;

(ii) correct any inaccurate information included within the Data;

(iii) request additional information regarding the storage and processing of the Data;

(iv) request a list with the names and addresses of any potential recipients of the Data; and

(v) under certain circumstances and with certain consequences, prevent further use, transfer, retention and/or processing of the Data.

APPENDIX C

PERFORMANCE SCALE

The number of RSU Shares to be delivered upon settlement of the RSUs shall equal the product of the (x) Target Units multiplied by (y) the applicable Vesting Percentage determined by the Committee based upon the Company's performance for the Performance Period pursuant to the FY21 PSU Payout Scale set forth below.

Performance Measurement

Performance will be measured based on where the End Price falls in relation to the Target Stock Prices at the end of the Performance Period as set forth in the table below. End Price means the average closing price per share of the Company's common stock during the three-month period ending on the last day of the Performance Period. The Target Stock Prices will be adjusted by the Committee for stock splits or other similar changes in the capitalization of the Company during the Performance Period in accordance with Section 18 of the Plan.

FY21 PSU Payout Scale

Performance Level	Target Stock Price	Vesting Percentage
	< $20.48	0%
Threshold	$20.48	40%
	$21.62	60%
	$22.80	80%
Target	$24.02	100%
	$25.29	120%
	$26.59	140%
	$27.95	160%
	$29.34	180%
Maximum	$30.79	200%

Vesting Percentages will be interpolated for above-threshold and below-maximum performance between the applicable vesting percentages.

APPENDIX D – EXCLUDED INVENTIONS

Below is a list of inventions that I believe are subject to exclusion pursuant to the terms of Paragraph 6(g) of my Fiscal 2021-23 Performance-Based Restricted Stock Unit Award Agreement.

I understand that, after filling out this form, I must sign it and return it to the DXC Stock Plan Administration ("SPA") team at stockplanadmin@dxc.com with the subject line "FY21 PSU Grant – Excluded Inventions Form."

Title	Date	Identifying Number or Brief Description

Signature________________________________

Name: __________________________________

Location: ______________________________

Exhibit 10.4

DXC TECHNOLOGY COMPANY

2017 OMNIBUS INCENTIVE PLAN

SERVICE BASED RESTRICTED STOCK UNIT

AWARD AGREEMENT

1. **Grant of Award.**

This Agreement ("Agreement") is made and entered into as of **«Grant_Date_x»** (the "Grant Date") by and between DXC Technology Company, a Nevada corporation (the "Company"), and **«Name_x»**, a full-time employee of the Company and/or one or more of its Subsidiaries (the "Employee").

This Agreement granting the Employee an award under the Plan (the "Award") shall be subject to all of the terms and conditions set forth in the DXC Technology Company 2017 Omnibus Incentive Plan (the "Plan") and this Agreement. Except as defined in Appendix A, capitalized terms shall have the same meanings ascribed to them under the Plan.

This Award is subject to the data privacy provisions set forth in Appendix B.

Award Granted: **«Shares_Granted_x»** Restricted Stock Units (the "RSUs")

Upon each of the dates indicated below (each, a "Vesting Date"), subject to the terms and conditions set forth herein, the RSUs shall vest with respect to the number indicated below across from such date:

Number of RSUs Vesting	Date
1/3 of the RSUs Granted	1st Anniversary of the Grant Date
1/3 of the RSUs Granted	2nd Anniversary of the Grant Date
1/3 of the RSUs Granted	3rd Anniversary of the Grant Date

2. **Settlement of RSUs.**

(a) The RSUs shall be settled by the Company delivering to the Employee (or after the Employee's death, the beneficiary designated by the Employee for such purpose), on the applicable Scheduled Settlement Date, a lump-sum cash payment equal to the product of (x) the Fair Market Value of one RSU Share on the applicable Vesting Date, multiplied by (y) the number of RSUs vesting on such date, together with any related Dividend Equivalents.

(b) Except as otherwise provided in this Agreement, the RSUs shall be settled on the applicable Scheduled Settlement Date.

3. **Effect of Termination of Employment; Approved Termination; Change in Control; Recoupment and Forfeiture.**

(a) Age 62 or Older Other than for Cause, death or Disability with at least 10 Years of Service; Approved Termination. If, prior to the settlement of the RSUs in full:

(i) the Employee's status as an employee of the Company or any of its Subsidiaries is terminated at age 62 or older for no reason, or for any reason other than Cause, death or Disability, and the Employee shall have been (or for any other purpose shall have been treated as if he or she had been) a continuous employee of the Company or its Subsidiaries for at least 10 years immediately prior to the date of termination of employment status; or

(ii) the Employee's status as an employee of the Company or any of its Subsidiaries is terminated at any time during the term of the Award and such termination is specifically approved by the Committee for purposes of this Section 3(a),

then, as soon as practicable after the Employee's status as an employee of the Company or its Subsidiaries is terminated (the "Employment Termination Date"), the Company shall settle a portion of the remaining unsettled RSUs and any related Dividend Equivalents. The portion of the RSUs settled will be determined by multiplying (x) the total number of RSUs granted under this Award by (y) a fraction, the numerator of which is the number of full months of continuous service with the Company or its Subsidiaries that the Employee has completed since the Grant Date and the denominator of which is the total number of full months from the Grant Date until the last scheduled Vesting Date under the Award, and then subtracting from the resulting product the total number of RSUs granted under this Award, if any, that have vested and been settled prior to the Employment Termination Date. The portion of the RSUs not settled in accordance with this section and any related Dividend Equivalents shall automatically be cancelled as of the close of business on the Employment Termination Date.

(b) Leave of Absence. If, prior to the settlement of the RSUs in full, the Employee is granted a leave of absence (including a military leave of absence), the Employee and the Company each reasonably anticipate that the Employee will return to active employment and either (x) the leave of absence is to be for not more than six months or (y) at all times during the leave of absence the Employee has a statutory or contractual right to return to work, then:

(i) while on leave of absence the Employee shall be treated as if he were an active employee;

(ii) if the Employee's leave of absence is terminated and the Employee does not timely return to active employment, the date of the end of the leave of absence shall be treated as the Employment Termination Date;

(iii) if the Employee's leave of absence is terminated and the Employee timely returns to active employment, he shall be treated as if active employment had continued uninterrupted during the leave of absence; and

(iv) if a Scheduled Settlement Date occurs during the Employee's leave of absence, the applicable number of RSUs and any related Dividend Equivalents shall be settled on such date.

(c) Death or Disability.

(i) Notwithstanding anything to the contrary in this Agreement, if, prior to the settlement in full of the RSUs, the Employee's status as an employee of the Company or any of its Subsidiaries is terminated by reason of death of the Employee, then, one calendar month after such death, the Company shall complete the settlement in full of the remaining unsettled RSUs and any related Dividend Equivalents.

(ii) If, prior to the settlement in full of the RSUs, the Employee's status as an employee of the Company or any of its Subsidiaries is terminated by reason of the Disability of the Employee, then, one calendar month after the Employment Termination Date, the Company shall complete the settlement in full of the remaining unsettled RSUs and any related Dividend Equivalents.

(iii) If settlement is by reason of termination due to death, settlement shall be to the beneficiary designated by the Employee for such purpose.

(d) Cancellation of RSUs upon Other Termination of Employment. If, prior to the settlement in full of the RSUs, the Employee's status as an employee of the Company or any of its Subsidiaries is voluntarily or involuntarily terminated other than pursuant to Section 3(a) or (c) hereof, then the remaining unsettled RSUs and all related Dividend Equivalents shall automatically be cancelled as of the close of business on the Employment Termination Date.

(e) Change in Control. Upon a Change in Control that occurs while the Employee is employed by the Company or its Subsidiaries, the RSUs shall, subject to Section 18 of the Plan, continue to vest based on the Employee's continued employment with the Company (including any successor to the Company resulting from the Change in Control) and its Subsidiaries in accordance with the vesting schedule set forth in Section 2 and all other terms and conditions of this Agreement; provided, however, that if, on or within two (2) years after the date of the Change in Control and prior to when the RSUs have been settled in full, the Employee experiences a Qualifying Termination Without Cause, or the Employee's status as an employee of the Company (including any successor to the Company resulting from the Change in Control) or any of its Subsidiaries is terminated as a result of the Employee's death or Disability or pursuant to Section 3(a) above, then any unvested RSUs (and any related Dividend Equivalents) shall automatically vest in full as of the Employment Termination Date and shall be settled on or as soon as administratively practicable (but, subject to Section 18 below, in no event later than 2.5 months) after the Employment Termination Date. For purposes of the preceding sentence, a "Qualifying Termination Without Cause" shall mean the Employee's status as an employee of the Company (including any successor to the Company resulting from the Change in Control) or any of its subsidiaries is terminated by the Company without Cause at a time when the Employee is meeting performance expectations, as determined by the Company in its sole discretion.

(f) Recoupment and Forfeiture. Settlement of all or a portion of the Award pursuant to this Section 3 is subject to the forfeiture provisions of this Section 3. Settlement of all or a portion of the Award is subject to recoupment by the Company pursuant to Section 5.

4.**Withholding and Taxes.**

(a) If the Company and/or the Employer are obligated to withhold an amount on account of any federal, state or local tax imposed as a result of the grant or settlement of the RSUs pursuant to this Agreement (collectively, "Taxes"), including, without limitation, any federal, state or other income tax, or any F.I.C.A., state disability insurance tax or other employment tax (the date upon which the Company and/or the Employer becomes so obligated shall be referred to herein as the "Withholding Date"), then the Employee shall pay to the Company on the Withholding Date, the aggregate amount that the Company and the Employer are so obligated to withhold, as such amount shall be determined by the Company (the "Withholding Liability"), which payment shall be made by reducing the cash payment described in Section 2(a) above by the amount of the Withholding Liability, or by any other means satisfactory to the Company or the Employer in its sole discretion.

(b) The Employee acknowledges that neither the Company nor the Employer has made any representation or given any advice to the Employee with respect to Taxes.

5.**Recoupment and Forfeiture – Detrimental Activity.**

(a) Refund of Stock Value. If the Employee engages in Detrimental Activity (as defined below in Section 5(c)) during the time periods set forth in each provision of Section 5(c), then, if the RSUs were settled within the one year period prior to the occurrence of such event, the Employee shall immediately deliver to the Company an amount in cash equal to the amount of the payment described in Section 2(a), before reduction for any applicable Withholding Liability.

(b) Forfeiture of RSUs. If the Employee engages in Detrimental Activity prior to the final settlement of the RSUs, all remaining unsettled RSUs and related Dividend Equivalents shall be terminated and forfeited.

(c) For purposes of this Agreement, "Detrimental Activity" shall mean any of the following:

(i) engaging, directly or indirectly, in any business activity (A) competitive with the activity of the Company and/or any of its Subsidiaries, or (B) in conflict with the interests of the Company and/or any of its Subsidiaries during the term of employment and a period of two years thereafter;

(ii) at any time willfully disclosing, other than in the course of the business of Company and/or its Subsidiares, to any third party trade secret or other confidential material or information belonging to the Company and/or any of its Subsidiaries;

(iii) at any time failing to abide by Employee's contractual obligations to assign all intellectual property to the Company and/or any of its Subsidiaries;

(iv) failing to abide by any other contractual obligations to the Company and/or any of its Subsidiaries, as set forth in those contracts (including Section 6 below), including (A) obligations not to solicit employees of the Company and/or any of its Subsidiaries to perform services for others, and (B) obligations not to solicit business from clients, vendors or business partners of the Company and/or any of its Subsidiaries;

(v) engaging during the term of employment in any action that warrants or results in termination of Employee's employment for "Cause," as defined in Appendix A;

(vi) any other willful action determined by the Company to be injurious, detrimental or prejudicial to any of the interests of the Company and/or any of its Subsidiaries during the term of employment and a period of two years thereafter.

(d) State-Specific Exclusions. To the extent the Employee primarily resides and works in California, Oklahoma or Nebraska, Section 5(c)(i) of the definition of Detrimental Conduct shall not apply. In addition, to the extent the Employee primarily resides and works in California, the Employee will have the right to modify Section 5 and choose the application of California law to Section 5 of this Agreement in accordance with California Labor Code §925. If this occurs, then Section 5(c)(iv) of the definition of Detrimental Activity shall be deemed modified so that it only prohibits conduct by the Employee that involves the misappropriation of a trade secret of the Company and/or any of its Subsidiaries; provided, however, that the Company and/or any of its Subsidiaries shall continue to retain all of their rights in trade secrets and nothing in this Agreement shall be construed eliminate, reduce or adversely affect the rights that the Company and/or any of its Subsidiaries would otherwise have related to the protection of their trade secrets absent this Agreement.

(e) As an additional condition of receiving this Award, the Employee agrees and acknowledges that the Award shall be subject to repayment to the Company in whole or in part in the event of a financial restatement or in such other circumstances as may be required by applicable law or as may be provided in any clawback policy that is adopted by the Company and applicable to the Employee.

6. **Employee Covenants.**

(a) Non-Disclosure and Non-Use of Confidential Information. The Company and/or any of its Subsidiaries shall provide the Employee with access to Confidential Information in the course of performance of the Employee's duties. Except for in performance of the Employee's duties for the Company and/or any of its Subsidiaries, the Employee agrees not to disclose, use, copy, take, download, upload, duplicate or otherwise permit the use, disclosure, copying, taking, downloading, uploading, or duplication of any Confidential Information during or following his/her employment with the Company and/or any of its Subsidiaries. The Employee agrees to take all reasonable steps and precautions to prevent any unauthorized disclosure, use, copying or duplication of Confidential Information. The Employee shall promptly report to the Company and/or any of its Subsidiaries any actual or suspected violation of confidentiality obligations toward the Company and/or any of its Subsidiaries and will take all reasonable further steps requested by the Company and/or any of its Subsidiaries to prevent, control or remedy any such violation. The Employee acknowledges and agrees that the Employee shall have no ownership or privacy interest in materials or information that is stored on or transmitted using property or equipment or rights leased, licensed or owned by the Company and/or any of its Subsidiaries, even if the Employee claims an ownership or privacy interest in such materials or information. The Employee agrees that to any extent that the Employee uses the Company's and/or any of its Subsidiaries' resources for such materials and information, the Employee forfeits any privacy and ownership interest in them and agrees that they shall be subject to ownership, access, use and disclosure by the Company and/or any of its Subsidiaries at any time without notice to or further consent of the Employee.

(b) Non-Solicitation of the Company's Employees, Clients, and Prospective Clients. In exchange for the Company's provision to the Employee of the good and valuable consideration set forth above, during the Non-Solicitation Period, the Employee shall not, without the express, prior written consent of DXC's General Counsel, engage, in the Restricted Area, in any of the conduct described below, either directly or indirectly, individually or as an employee, agent, contractor, consultant, member, partner, officer, director or stockholder (other than as a stockholder of less than 5% of the equities of a publicly held corporation) or in any other capacity for any person, firm, partnership or corporation other than the Company and/or any of its Subsidiaries:

(i) solicit (or contact in any manner which could reasonably be construed as solicitation), hire or employ, attempt to hire or employ, retain as or attempt to retain as a consultant or an independent contractor, any current employee of the Company and/or any of its Subsidiaries or any person who was an employee of the Company and/or any of its Subsidiaries within the 6-month period preceding such solicitation, contact, hiring or employment, or attempted hiring or employment;

(ii) solicit (or contact in any manner which could reasonably be construed as solicitation) any Client or Prospective Client for the purpose of selling or providing solutions, products and/or services competitive with Services provided by or offered by the Company and/or any of its Subsidiaries, or divert or cause a reduction in the business between the Company and/or any of its Subsidiaries and any Client or Prospective Client. The Employee understands and acknowledges, however, that this non-solicitation obligation shall not apply if (i) the Client or Prospective Client chose to seek such Services from the Employee without the Employee having taken any steps to solicit its business, and (ii) the Employee has otherwise complied with the restrictive covenants set forth herein; or

(iii) solicit or communicate with any vendor, supplier, subcontractor, or partner of the Company and/or any of its Subsidiaries with which the Employee worked or about which the Employee received Confidential Information, at any time during the 12-month period preceding the termination of the Employee's employment with the Company and/or any of its Subsidiaries, for the purpose of persuading or assisting such vendor, supplier, subcontractor, or partner to terminate, or modify to the detriment of the Company and/or any of its Subsidiaries, any business relationship with the Company and/or any of its Subsidiaries.

(c) (i) Non-Competition. In exchange for the Company's provision to the Employee of the good and valuable consideration set forth above, during the Non-Competition Period, the Employee shall not, without the express, prior written consent of DXC's General Counsel, in the Restricted Area, either directly or indirectly, individually or as an employee, agent, contractor, consultant, member, partner, officer, director or stockholder (other than as a stockholder of less than 5% of the equities of a publicly held corporation) or in any other capacity for any person, firm, partnership or corporation other than the Company and/or any of its Subsidiaries, provide Restricted Services for or on behalf of a Competitor.

(i) Non-Competition Restriction in the Event of a Reduction in Force. In the event the Employee's employment is terminated by the Company and/or any of its Subsidiaries due to a reduction in force, reorganization or similar type of restructuring, the Company and/or any of its Subsidiaries may choose to enforce the provisions of Section 6(c)(i) to the extent permitted by applicable law, including by providing the Employee additional salary, benefits, or severance pay (collectively "Severance Pay") during the Non-Competition Period. If the Company and/or any of its Subsidiaries choose to make such an offer of Severance Pay, they may, in their discretion, condition the Employee's receipt of Severance Pay on the Employee's execution of a release of claims against the Company and/or any of its Subsidiaries.

(d) State-Specific Exclusions. To the extent the Employee primarily resides and works in California, Oklahoma or Nebraska, the Employee will not be subject to the terms of Section 6(c). In addition, to the extent the Employee primarily resides and works in California, the Employee will have the right to modify Section 6 as set forth in this paragraph and choose the application of California law to Section 6 of this Agreement in accordance with California Labor Code §925. If this occurs, then the restrictions in Section 6(b) shall be deemed modified so that they only prohibit conduct by the Employee that involves the misappropriation of a trade secret of the Company and/or any of its Subsidiaries.

(e) Notice of Post-Employment Activities. If the Employee accepts a position with a Competitor at any time within twenty-four months following termination of employment with the Company and/or any of its Subsidiaries, the Employee must promptly give written notice to the senior Human Resources manager for the business sector in which the Employee worked, with a copy to DXC's General Counsel, and must provide DXC with the information it needs about the Employee's new position to determine whether such position would likely lead to a violation of this Agreement (except that the Employee need not provide any information that would include the Competitor's confidential information or trade secrets). The Employee consents to the Company and/or any of its Subsidiaries notifying his or her new employer of the Employee's rights and obligations under this Agreement.

(f) Compliance with Defend Trade Secrets Act. The Employee acknowledges that he or she is hereby notified that, in accordance with the Defend Trade Secrets Act of 2016, 18 U.S.C. § 1833, the Employee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If the Employee files a lawsuit for retaliation against the Company and/or any of its Subsidiaries for reporting a suspected violation of law, the Employee may disclose the trade secrets of the Company and/or any of its Subsidiaries to the Employee's attorney and use the trade secret information in the court proceeding if the Employee files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

(g) Inventions. The Employee acknowledges and agrees that as a function of the Employee's employment with the Company and/or any of its Subsidiaries, the Employee may solely or jointly conceive, develop, reduce to practice or otherwise produce inventions, software, computer programs, algorithms, source code, discoveries, know-how, innovations, enhancements, designs, developments, improvements, techniques, technology, concepts, methods, processes, ideas, trade secrets and other forms of intellectual property and works of authorship, whether or not any of the foregoing constitute trade secrets, and whether or not eligible for copyright, trademark and patent protection (collectively "Inventions"). The Employee shall make prompt and full disclosure to the Company and/or any of its Subsidiaries, shall hold in trust for the sole benefit of the Company and/or any of its Subsidiaries, and hereby assigns exclusively to the Company without additional compensation or consideration to the Employee all the Employee's rights, title and interest in and to any and all Inventions that the Employee solely or jointly may conceive, develop, reduce to practice or otherwise produce during the Employee's employment with the Company and/or any of its Subsidiaries, including, without limitation, all patent rights, copyright rights, trade secret rights, and all other intellectual property rights therein. The Employee waives and quitclaims to the Company any and all claims of any nature whatsoever that the Employee now or hereafter may have for infringement of any patent or other intellectual property right relating to any Invention so assigned to the Company. The Employee agrees to perform all actions reasonably requested by the Company to establish and confirm the Company's ownership of Inventions, including, without limitation, signing and delivering to the Company (during and after employment) any other documents that the Company considers desirable to provide evidence of (a) the assignment of all rights of the Employee, if any, in any Inventions and (b) the Company 's ownership of such Inventions. If the Company is unable to secure the Employee's signature on any document necessary to apply for, prosecute or obtain or enforce any patent, copyright, or other right or protection relating to any Invention, whether due to the Employee's mental or physical incapacity or any other cause, the Employee hereby irrevocably designates and appoints the Company and each of its duly authorized officers and agents as the Employee's agent and attorney-in-fact, to act for and in the Employee's behalf to execute and file any such document and to do all other lawfully permitted acts to further the prosecution, issuance and enforcement of patents, copyrights, or other rights or protections, with the same force and effect as if executed and delivered by the Employee. The Employee will assist the Company in applying for, prosecuting, obtaining, or enforcing any patent, copyright, or other right or protection relating to any Invention, all at the Company's expense but without compensation to the Employee in excess of the Employee's salary or wages. If the Company requires any assistance after termination of the Employee's employment, the Employee will be compensated for time actually spent in providing that assistance at an hourly rate equivalent to the Employee's salary or wages during the last period of employment with the Company and/or any of its Subsidiaries. Notwithstanding the foregoing, the Employee's assignment of Inventions to the Company by way of this Section shall not apply to any Invention that: (i) was completely developed and reduced to practice entirely by the Employee prior to employment with the Company and/or any of its Subsidiaries without using any equipment, supplies, facilities, services, or Confidential Information of the Company and/or any of its Subsidiaries; (ii) does not relate to the business of the Company and/or any of its Subsidiaries, or to the actual or demonstrably anticipated research or development of the Company and/or any of its Subsidiaries; (iii) does not result from any work performed by the Employee for the Company and/or any of its Subsidiaries; or (iv) qualifies as an invention under applicable law in the Employee's state of domicile. The Employee has been given the opportunity to set forth, on the form set forth as Appendix C, a list describing all such Inventions that (x) the Employee wishes to have excluded from this Agreement, and (b) have arisen since the last time (if any) that the Employee signed a transfer of rights agreement in favor of the Company. If the Employee has completed Appendix C, the Employee must promptly sign it (as indicated) and send the form to the Stock Plan Administration ("SPA") department. If no such form is sent to SPA, the Employee represents that there are no such Inventions. The parties acknowledge that the Company and/or any of its Subsidiaries may not necessarily agree with all of the Employee's assertions of ownership and reserves the right to review and make its own determinations regarding same. As to any Invention in which the Employee has an interest at any time prior to or during the Employee's employment with the Company and/or any of its Subsidiaries, if the Employee uses or incorporates such an Invention in any released or unreleased product, service, program, process, machine, development or work in progress of the Company and/or any of its Subsidiaries, or if the Employee permits the Company and/or its Subsidiaries to use or incorporate such an Invention, the Company and/or its Subsidiaries shall be granted and shall have an irrevocable, perpetual, royalty-free, worldwide license to exercise any and all rights with respect to such Invention, including the right to protect, make, have made, use, sell, copy, disclose, modify, prepare derivative works of that Invention without restriction and the right to sublicense those rights to others.

(h) Copyrights. The Employee acknowledges and agrees that any and all copyrightable works prepared by him or her within the scope of the Employee's employment by the Company and/or its Subsidiaries and/or its predecessors in interest shall be works made for hire, that the Company and/or its Subsidiaries shall own all rights under copyright in and to such works, and that the Company and/or its Subsidiaries shall be considered the author of all such works. If and to the extent that any jurisdiction should fail to deem any such work to be a work made for hire owned by the Company and/or any of its Subsidiaries, the Employee hereby irrevocably assigns to the Company and/or any of its Subsidiaries all rights, title and interest in and to such work, including the right to sue, counterclaim and recover for all past, present and future infringement, misappropriation or dilution thereof, oral rights, and all rights corresponding thereto throughout the world. To the extent moral rights may not be assigned, the Employee hereby waives the benefit or protection of same, and waives all rights under the Visual Artists Rights Act.

(i) Injunctive Relief and Damages.

(i) Injunctive Relief. The Employee acknowledges and agrees that if the Employee were to breach, or threaten to breach, any of the covenants set forth in Section 6 hereof, the Company and/or any of its Subsidiaries would suffer immediate and irreparable harm and would therefore be entitled to specific performance through equitable relief, including injunctive relief, ordered by a court of appropriate jurisdiction, without the need to post any bond. The Employee therefore consents and stipulates to the entry of such injunctive relief in an appropriate court prohibiting the Employee from breaching this Agreement.

(ii) Damages. Nothing in this Section shall diminish the right of the Company and/or any of its Subsidiaries to claim and recover money damages, including the value and return of equity as provided in Section 5, in addition to injunctive relief or any other remedy provided by law or under this Agreement.

(j) Effect on Other Rights and Remedies. The rights of the Company set forth in this Section 6 shall not limit or restrict in any manner any rights or remedies which the Company or any of its affiliates may have under law or under any separate employment, confidentiality or other agreement with the Employee or otherwise with respect to the events described in Section 6 hereof.

(k) Reasonableness, Reformation and Revival. The Employee agrees that the terms and conditions set forth in this Section 6 are fair and reasonable and are reasonably required for the protection of the interests of the Company. The Employee further agrees that if the Employee violates the provisions of Sections 6(b) or 6(c) of this Agreement (if applicable) that the number of days that the Employee is in violation will be added to any periods of limitation on the activities specified herein. However, if the scope of any provision contained in Section 6 is too broad to permit enforcement of such provision to its full extent, then the Company and the Employee agree that, in accordance with Nevada law, the maximum period, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area and that the court shall revise the restrictions contained herein to cover the maximum period, scope and area permitted by law, and enforce this Agreement as reformed or modified. Subject to the provisions of the foregoing sentence, whenever possible, each provision of this this Section 6 will be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Section 6 is held to be prohibited by or invalid under applicable law, such provision, to the extent of such prohibition or invalidity, shall be deemed not to be a part of this Agreement, and shall not invalidate the remainder of such provision or the remaining provisions of this Agreement. The Employee specifically agrees that each provision and subsection of Section 6 is independent of and severable from the others, and may be enforced independently, which shall, as applicable, continue in full force and effect after the expiration or termination of this Agreement.

7.**Registration of Units.**

The Employee's right to receive the cash payment described in Section 2(a) shall be evidenced by book entry (or by such other manner as the Committee may determine).

8.**Certain Corporate Transactions**.

In the event that the outstanding shares of Common Stock are increased, decreased or exchanged for or converted into cash, property and/or a different number or kind of securities, or cash, property and/or securities are distributed in respect of such outstanding securities, in either case as a result of a reorganization, merger, consolidation, recapitalization, reclassification, dividend (other than a regular, quarterly cash dividend) or other distribution, stock split, reverse stock split or the like, then, unless the Committee shall determine otherwise, the term "RSU Share," as used in this Agreement, shall, from and after the date of such event, include such cash, property and/or securities so distributed in respect of the shares of Common Stock, or into or for which the shares of Common Stock are so increased, decreased, exchanged or converted.

9.**Shareholder Rights.**

The Employee shall have no rights of a shareholder with respect to the RSUs subject to this Award.

10.**Assignment of Award.**

Except as otherwise permitted by the Committee, the Employee's rights under the Plan and this Agreement are personal; no assignment or transfer of the Employee's rights under and interest in this Award may be made by the Employee other than by will or by the laws of descent and distribution.

11.**Notices.**

Unless the Company notifies the Employee in writing of a different procedure, any notice or other communication to the Company with respect to this Award shall be in writing and shall be:

(a) by registered or certified United States mail, postage prepaid, to DXC Technology Company, Attn: Corporate Secretary, 1775 Tysons Blvd, Tysons, VA 22102; or

(b) by hand delivery or otherwise to DXC Technology Company, Attn: Corporate Secretary, 1775 Tysons Blvd, Tysons, VA 22102.

Any notices provided for in this Agreement or in the Plan shall be given in writing and shall be deemed effectively delivered or given upon receipt or, in the case of notices delivered by the Company to the Employee, five days after deposit in the United States mail, postage prepaid, addressed to the Employee at the address specified at the end of this Agreement or at such other address as the Employee hereafter designates by written notice to the Company.

12.**Successors and Assigns.**

This Agreement shall bind and inure to the benefit of and be enforceable by the Employee, the Company and/or any of its Subsidiaries, and their respective permitted successors and assigns (including personal representatives, heirs and legatees), except that the Employee may not assign any rights or obligations under this Agreement except to the extent and in the manner expressly permitted herein. Notwithstanding the foregoing, the rights and obligations of the Company and/or any of its Subsidiaries under this Agreement may, without the consent of the Employee, be assigned in whole or in part by the Company and/or any of its Subsidiaries, in their sole discretion, to any subsidiary, venture or affiliate of the Company or successor in interest to any portion of the business or assets of the Company and/or any of its Subsidiaries.

13.**Plan.**

The RSUs are granted pursuant to the Plan, as in effect on the Grant Date, and are subject to all the terms and conditions of the Plan, as the same may be amended from time to time; provided, however, that no such amendment shall deprive the Employee, without his or her consent, of the RSUs or of any of the Employee's rights under this Agreement. The interpretation and construction by the Committee of the Plan, this Agreement and such rules and regulations as may be adopted by the Committee for the purpose of administering the Plan shall be final and binding upon the Employee. Until the RSUs are settled in full, the Company shall, upon written request therefor, send a copy of the Plan, in its then-current form, to the Employee.

14.**No Employment Guaranteed.**

No provision of this Agreement shall (a) be deemed to form an employment contract or relationship with the Company and/or its Subsidiaries, (b) confer upon the Employee any right to be or continue to be in the employ of the Company and/or its Subsidiaries, (c) affect the right of the Company and/or any of its Subsidiaries to terminate the employment of the Employee, with or without Cause, or (d) confer upon the Employee any right to participate in any employee welfare or benefit plan or other program of the Company and/or its Subsidiaries other than the Plan. The Employee hereby acknowledges and agrees that the Company and/or any of its Subsidiaries may terminate the employment of the Employee at any time and for any reason, or for no reason, unless applicable law provides otherwise or unless the Employee and the Company and/or any of its Subsidiaries are parties to a written employment agreement that expressly provides otherwise.

15.**Nature of Company Restricted Stock Unit Grants.**

The Employee acknowledges and agrees that:

(a) the Plan was established voluntarily by the Company, it is discretionary in nature and it may be modified, suspended or terminated by the Company at any time, as provided in the Plan and this Agreement;

(b) the Company grants RSUs voluntarily and on an occasional basis, and the receipt of the RSUs by the Employee does not create any contractual or other right to receive any future grant of RSUs, or any benefits in lieu of a grant of RSUs;

(c) all decisions with respect to future grants of RSUs by the Company will be made in the sole discretion of the Company;

(d) the Employee is voluntarily participating in the Plan; and

(e) the future value of the RSUs is unknown and cannot be predicted with certainty.

16.**Governing Law; Consent to Jurisdiction; Venue.**

This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Nevada, United States of America, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. Any action, suit or proceeding to enforce the terms and provisions of this Agreement, or to resolve any dispute or controversy arising under or in any way relating to this Agreement, shall be brought exclusively in the state or federal courts in the State of Nevada, United States of America, and the parties hereto hereby consent to the jurisdiction of such courts and waive any objection to venue in such courts, whether on the basis of the doctrine of "forum non conveniens" or otherwise. If the Employee has received this or any other document related to the Plan translated into a language other than English, and the translated version is different than the English version, the English version will control.

17.**Entire Agreement; Amendment and Waivers.**

This Agreement embodies the entire understanding and agreement of the parties with respect to the subject matter hereof, and no promise, condition, representation or warranty, express or implied, not stated or incorporated by reference herein, shall bind either party hereto. Notwithstanding the foregoing, should the Employee and the Company and/or any of its Subsidiaries be parties to another agreement with provisions regarding confidentiality, non-disclosure, non-competition, non-solicitation of clients, prospective clients or employees, and all related definitions thereof, or any other restrictive covenants included in this Agreement, such similar provisions of any other such agreement shall remain in full force and effect. None of the terms and conditions of this Agreement may be amended, modified, waived or canceled except by a writing, signed by the parties hereto specifying such amendment, modification, waiver or cancellation. A waiver by either party at any time of compliance with any of the terms and conditions of this Agreement shall not be considered a modification, cancellation or consent to a future waiver of such terms and conditions or of any preceding or succeeding breach thereof, unless expressly so stated. Any failure or delay on the part of either party to exercise any remedy or right under this Agreement shall not operate as a waiver. The failure of either party to require performance of any of the terms, covenants, or provisions of this Agreement by the other party shall not constitute a waiver of any of the rights under the Agreement. No forbearance by either party to exercise any rights or privileges under this Agreement shall be construed as a waiver, but all rights and privileges shall continue in effect as if no forbearance had occurred. No covenant or condition of this Agreement may be waived except by the written consent of the waiving party.

18. **Section 409A Compliance.**

Payments under this Agreement are designed to be made in a manner that is exempt from or compliant with Section 409A of the U.S. Internal Revenue Code (the "Code") as a "short-term deferral," and the provisions of this Agreement will be administered, interpreted and construed accordingly (or disregarded to the extent such provision cannot be so administered, interpreted, or construed).

Notwithstanding anything to the contrary in this Agreement, if, upon the advice of its counsel, the Company determines that the settlement of an RSU pursuant to this Agreement is or may become subject to the additional tax under Section 409A(a)(1)(B) of the Code or any other taxes or penalties imposed under Section 409A ("409A Taxes") as applicable at the time such settlement is otherwise required under this Agreement, then such payment may be delayed to the extent necessary to avoid 409A Taxes. In particular:

(a) if the Employee is a specified employee within the meaning of Section 409A(a)(2)(B)(i) of the Code on the date of the Employee's "separation from service" (other than due to death) within the meaning of Section 1.409A-1(h) of the Treasury Regulations, such settlement shall be delayed until the earlier of (i) the first business day following the expiration of six months from the Employee's separation from service, (ii) the date of the Employee's death, or (iii) such earlier date as complies with the requirements of Section 409A (the "Settlement Delay Period"); and

(b) upon settlement of such RSU, the cash payment described in Section 2(a) shall be increased by an amount equal to interest thereon for the Settlement Delay Period at a rate equal to the default rate credited to amounts deferred under the Company's Deferred Compensation Plan; provided, however, that such rate shall be calculated on a monthly average basis rather than a daily basis.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the Grant Date.

EMPLOYEE

____
«Name_x»

DXC TECHNOLOGY

____
By: «Name_x»
Title:

The Employee acknowledges receipt of the Plan and a Prospectus relating to this Award, and further acknowledges that he or she has reviewed this Agreement and the related documents and accepts the provisions thereof.

____
«Name_x»
ACCEPTANCE DATE

Appendix A

1. **Definitions.**

For purposes of this Agreement:

(a) "**Cause**" shall mean: (A) fraud, misappropriation, embezzlement or other act of material misconduct against the Company or any of its affiliates; (B) conviction of a felony involving a crime of moral turpitude; (C) willful and knowing violation of any rules or regulations of any governmental or regulatory body material to the business of the Company or its affiliates; or (D) substantial and willful failure to render services in accordance with the terms of his or her employment (other than as a result of illness, accident or other physical or mental incapacity), provided that (X) a demand for performance of services has been delivered to the Employee in writing by the Employee's supervisor at least 60 days prior to termination identifying the manner in which such supervisor believes that the Employee has failed to perform and (Y) the Employee has thereafter failed to remedy such failure to perform.

(b) "**Client**" means:

(i) any individual, business entity or other enterprise with respect to which the Employee provided solutions, products, and/or services of the Company and/or any of its Subsidiaries ("Services") during the 24-month period preceding the termination of the Employee's employment with the Company and/or any of its Subsidiaries;

(ii) any individual, business entity or other enterprise with which the Employee transacted business on behalf of the Company and/or any of its Subsidiaries during 24-month period preceding the termination of the Employee's employment with the Company and/or any of its Subsidiaries; and

(iii) any individual, business entity or other enterprise with respect to which the Employee possessed Confidential Information during the 12-month period preceding the termination of the Employee's employment with the Company and/or any of its Subsidiaries.

(c) "**Competitor**" means:

(i) an individual, business entity or other enterprise engaged or having publicly announced its intent to engage in business that is substantially similar to the business of the Company and/or any of its Subsidiaries; and

(ii) an individual, business entity or other enterprise that offers solutions, products and/or services capable of displacing any Services provided by the Company and/or any of its Subsidiaries and/or any of its Subsidiaries to any of its clients.

For purposes of this Agreement, the parties specifically agree (i) that the Company and/or any of its Subsidiaries are engaged in the business of providing technology-enabled solutions, products and services; (ii) that the Services and capabilities of the Company and/or its Subsidiaries include, but are not limited to, system design and integration, information technology and business process outsourcing, applications software development, Web and application hosting, mission support and management consulting; and (iii) that the Company and/or its Subsidiaries actively solicits business from, and provides Services to, clients located throughout the United States and the world.

(d) "**Confidential Information**" means all confidential and/or proprietary business information and data, trade secrets, patents, copyrights, sales and financial data, pricing information, methods, technical information, and know-how information of the Company and/or any of its Subsidiaries relating to the business plans and strategies of the Company and/or any of its Subsidiaries including, but not limited to, information which is marked and/or defined as restricted information (such as DXC Confidential, DXC Internal Use Only, Financial Information, or Controlled Information), or otherwise prohibited from disclosure by DXC's Confidential Information Policy and/or Code of Business Conduct. Confidential Information generally refers to information about or belonging to the Company and/or any of its Subsidiaries or third parties that is not publicly available and could cause harm if it was disclosed without permission. Examples include information about existing and proposed business ventures; corporate strategies; engineering ideas; pricing schedules; information that requires a security clearance to access; customers and/or prospects names and lists; marketing plans and procedures; research and development plans; methods of doing business (both technical and non-technical); information relating to the design, architecture, flowcharts, source or object code and documentation of any and all computer software products that the Company and/or any of its Subsidiaries has developed, acquired or licensed or is in the process of developing, acquiring or licensing or shall develop, acquire or license in the future; hardware and database technologies or technological information; designs, process and systems information; confidential intellectual property; employee staffing and compensation information; and any other confidential or proprietary information which relates to the business of the Company and/or its Subsidiaries or to the business of any Client or Prospective Client or vendor of DXC or any other party with whom the Company and/or any of its Subsidiaries agrees to hold information in confidence, whether patentable, copyrightable or protectable as trade secrets or not. Confidential Information does not include information which is (i) already known by the Employee without an obligation of confidentiality, (ii) publicly known or becomes publicly known through no unauthorized act of the Employee, (iii) rightfully received from a third party without an obligation of confidentiality, or (iv) disclosed without similar restrictions by the

Company and/or any of its Subsidiaries to a third party (other than an affiliate or customer of the Company and/or any of its Subsidiaries).

(e) "**Employer**" shall mean the Employee's employer.

(f) "**Non-Competition Period**" means the time of the Employee's employment and a period of 12 months following the termination of the Employee's employment for any reason.

(g) "**Non-Solicitation Period**" means the time of the Employee's employment and a period of 24 months following the termination of the Employee's employment for any reason.

(h) "**Prospective Client**" means any individual, business entity or other enterprise which is not a Client but (a) whose business the Company and/or any of its Subsidiaries had solicited at any time during the 12-month period preceding the termination of the Employee's employment with the Company and/or any of its Subsidiaries for any reason, and (b) concerning which solicitation the Employee obtained the Company's and/or any of its Subsidiaries' Confidential Information.

(i) "**Restricted Area**" means:

(i) any geographic area in the world for which the Employee had job responsibilities during the 12-month period preceding the termination of the Employee's employment with the Company and/or any of its Subsidiaries for any reason;
(ii) any geographic area in the world where DXC engages in business activities and about which business the Employee obtained Confidential Information during the 12-month period preceding the termination of the Employee's employment with the Company and/or any of its Subsidiaries for any reason; and
(iii) any geographic area in the world from which the Employee, by engaging in business, can threaten the legitimate business interests of the Company and/or any of its Subsidiaries in (i) preserving its client relationships and goodwill, and (ii) protecting its Confidential Information from misuse and/or disclosure.

(j) "**Restricted Services**" means:

(i) job duties or other business-related activities that are the same as or substantially similar to the job duties or business-related activities in which the Employee participated for the Company and/or any of its Subsidiaries in the 24-month period prior to the termination of the Employee's employment for any reason; and
(ii) job duties or other business-related activities in which the Employee could reasonably be expected to use or disclose, intentionally or inadvertently, Confidential Information that the Employee received during the 12-month period prior to the termination of the Employee's employment for any reason.

(k) "**RSU Share**" shall mean a share of Common Stock, subject to adjustment as described in Section 8 hereof.

(l) "**Scheduled Settlement Date**" shall mean the applicable Vesting Date with respect to a particular tranche of RSUs or as soon as practicable thereafter, but in no event later than March 15 of the calendar year following the calendar year that includes the applicable Vesting Date.

Appendix B

1.**Data Privacy.**

(a) In order to implement, administer, manage and account for the Employee's participation in the Plan, the Company and/or any of its Subsidiaries and/or the Employer may:

(i) collect and use certain personal data regarding the Employee, including, without limitation, the Employee's name, home address and telephone number, work address and telephone number, work e-mail address, date of birth, social insurance or other identification number, term of employment, employment status, nationality and tax residence, and details regarding the terms and conditions, grant, vesting, cancellation, termination and expiration of all restricted stock units and other stock based incentives granted, awarded or sold to the Employee by the Company (collectively, the "Data");

(ii) transfer the Data, in electronic or other form, to employees of the Company and/or any of its Subsidiaries, and to third parties, who are involved in the implementation, administration and/or management of, and/or accounting for, the Plan, which recipients may be located in the Employee's country or in other countries that may have different data privacy laws and protections than the Employee's country;

(iii) retain the Data for only as long as may be necessary in order to implement, administer, manage and account for the Employee's participation in the Plan.

(b) The Employee hereby consents to the collection, use, transfer and retention of the Data, as described in this Agreement, for the exclusive purpose of implementing, administering, managing and accounting for the Employee's participation in the Plan.

(c) The Employee understands that by contacting his or her local human resources representative, the Employee may:

(i) view the Data;

(ii) correct any inaccurate information included within the Data;

(iii) request additional information regarding the storage and processing of the Data

(iv) request a list with the names and addresses of any potential recipients of the Data; and

(v) under certain circumstances and with certain consequences, prevent further use, transfer, retention and/or processing of the Data.

(vi)

APPENDIX C – EXCLUDED INVENTIONS

Below is a list of inventions that I believe are subject to exclusion pursuant to the terms of Paragraph 6(g) of my Fiscal 2021 Service-Based Restricted Stock Unit Award Agreement.

I understand that, after filling out this form, I must sign it and return it to the DXC Stock Plan Administration ("SPA") department at stockplanadmin@dxc.com with the subject line "FY21 RSU Grant – Excluded Inventions Form."

Title	Date	Identifying Number or Brief Description

Signature________________________________

Name: ________________________________

Location: ______________________________

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael J. Salvino, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DXC Technology Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2020

/s/ Michael J. Salvino

Michael J. Salvino President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul N. Saleh, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DXC Technology Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2020

/s/ Paul N. Saleh

Paul N. Saleh
Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Michael J. Salvino, President and Chief Executive Officer of DXC Technology Company (the "Company"), hereby certify that, to my knowledge:

(1) The Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2020, (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 7, 2020

/s/ Michael J. Salvino

Michael J. Salvino
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Paul N. Saleh, Executive Vice President and Chief Financial Officer of DXC Technology Company (the "Company"), hereby certify that, to my knowledge:

(1) The Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2020, (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 7, 2020

/s/ Paul N. Saleh

Paul N. Saleh
Executive Vice President and Chief Financial Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____________ to ____________

Commission File No.: 001-38033

DXC.technology

DXC TECHNOLOGY COMPANY

(Exact name of registrant as specified in its charter)

Nevada	**61-1800317**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1775 Tysons Boulevard	
Tysons , Virginia	**22102**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (703) 245-9675

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	**DXC**	**New York Stock Exchange**
2.750% Senior Notes Due 2025	**DXC 25**	**New York Stock Exchange**
1.750% Senior Notes Due 2026	**DXC 26**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
☐ Yes ☒ No

254,412,158 shares of common stock, par value $0.01 per share, were outstanding on October 30, 2020.

TABLE OF CONTENTS

PART I

ITEM 1. FINANCIAL STATEMENTS

Index to Condensed Consolidated Financial Statements

DXC TECHNOLOGY COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

	Three Months Ended		Six Months Ended	
(in millions, except per-share amounts)	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Revenues	$ 4,554	$ 4,851	$ 9,056	$ 9,741
Costs of services (excludes depreciation and amortization and restructuring costs)	3,563	3,679	7,192	7,301
Selling, general, and administrative (excludes depreciation and amortization and restructuring costs)	539	489	1,078	996
Depreciation and amortization	525	467	1,017	937
Goodwill impairment losses	—	2,887	—	2,887
Restructuring costs	265	32	337	174
Interest expense	96	104	202	195
Interest income	(25)	(67)	(48)	(97)
Gain on arbitration award	—	(632)	—	(632)
Other income, net	(103)	(109)	(191)	(227)
Total costs and expenses	4,860	6,850	9,587	11,534
Loss before income taxes	(306)	(1,999)	(531)	(1,793)
Income tax (benefit) expense	(60)	116	(86)	154
Net loss	(246)	(2,115)	(445)	(1,947)
Less: net (loss) income attributable to non-controlling interest, net of tax	(2)	4	4	9
Net loss attributable to DXC common stockholders	$ (244)	$ (2,119)	$ (449)	$ (1,956)
Loss per common share:				
Basic	$ (0.96)	$ (8.19)	$ (1.77)	$ (7.44)
Diluted	$ (0.96)	$ (8.19)	$ (1.77)	$ (7.44)

The accompanying notes are an integral part of these condensed consolidated financial statements.

DXC TECHNOLOGY COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (unaudited)

	Three Months Ended		Six Months Ended	
(in millions)	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Net loss	$ (246)	$ (2,115)	$ (445)	$ (1,947)
Other comprehensive loss, net of taxes:				
Foreign currency translation adjustments, net of tax [1]	33	(71)	30	(206)
Cash flow hedges adjustments, net of tax [2]	7	(2)	18	2
Available-for-sale securities, net of tax [3]	1	1	5	2
Pension and other post-retirement benefit plans, net of tax:				
Amortization of prior service cost, net of tax [4]	(1)	(3)	(10)	(4)
Pension and other post-retirement benefit plans, net of tax	(1)	(3)	(10)	(4)
Other comprehensive income (loss), net of taxes	40	(75)	43	(206)
Comprehensive loss	(206)	(2,190)	(402)	(2,153)
Less: comprehensive income (loss) attributable to non-controlling interest	1	6	6	(13)
Comprehensive loss attributable to DXC common stockholders	$ (207)	$ (2,196)	$ (408)	$ (2,140)

(1) *Tax (benefit) expense related to foreign currency translation adjustments was $(15) and $(22) for the three and six months ended September 30, 2020, respectively, and $25 and $13 for the three and six months ended September 30, 2019, respectively.*

(2) *Tax expense related to cash flow hedge adjustments was $3 and $6 for the three and six months ended September 30, 2020, respectively. There was no tax expense related to cash flow hedge adjustments during the three and six months ended September 30, 2019.*

(3) *There was no tax expense related to available-for-sale securities during the three and six months ended September 30, 2020. Tax expense related to available-for-sale securities was $0 and $1 for the three and six months ended September 30, 2019, respectively.*

(4) *Tax benefit related to amortization of prior service costs was $1 and $2 for the three and six months ended September 30, 2020, respectively, and $1 and $1 for the three and six months ended September 30, 2019, respectively.*

The accompanying notes are an integral part of these condensed consolidated financial statements.

DXC TECHNOLOGY COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(in millions, except per-share and share amounts)	As of September 30, 2020	As of March 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,079	$ 3,679
Receivables and contract assets, net of allowance of $162 and $74	4,194	4,392
Prepaid expenses	604	646
Other current assets	335	270
Assets held for sale	125	—
Total current assets	8,337	8,987
Intangible assets, net of accumulated amortization of $4,364 and $4,347	4,146	5,731
Operating right-of-use assets, net	1,555	1,428
Goodwill	725	2,017
Deferred income taxes, net	292	265
Property and equipment, net of accumulated depreciation of $4,198 and $3,818	3,417	3,547
Other assets	4,360	4,031
Assets held for sale - non-current	2,838	—
Total Assets	$ 25,670	$ 26,006
LIABILITIES and EQUITY		
Current liabilities:		
Short-term debt and current maturities of long-term debt	$ 1,622	$ 1,276
Accounts payable	1,345	1,598
Accrued payroll and related costs	756	630
Current operating lease liabilities	461	482
Accrued expenses and other current liabilities	3,203	2,801
Deferred revenue and advance contract payments	974	1,021
Income taxes payable	111	87
Liabilities related to assets held for sale	184	—
Total current liabilities	8,656	7,895
Long-term debt, net of current maturities	8,046	8,672
Non-current deferred revenue	697	735
Non-current operating lease liabilities	1,192	1,063
Non-current income tax liabilities and deferred tax liabilities	917	1,157
Other long-term liabilities	1,325	1,355
Liabilities related to assets held for sale - non-current	86	—
Total Liabilities	20,919	20,877
Commitments and contingencies		
DXC stockholders' equity:		
Preferred stock, par value $.01 per share, 1,000,000 shares authorized, none issued as of September 30, 2020 and March 31, 2020	—	—
Common stock, par value $.01 per share, 750,000,000 shares authorized, 256,521,547 issued as of September 30, 2020 and 255,674,040 issued as of March 31, 2020	3	3
Additional paid-in capital	10,746	10,714
Accumulated deficit	(5,631)	(5,177)
Accumulated other comprehensive loss	(562)	(603)
Treasury stock, at cost, 2,327,868 and 2,148,708 shares as of September 30, 2020 and March 31, 2020	(155)	(152)
Total DXC stockholders' equity	4,401	4,785
Non-controlling interest in subsidiaries	350	344
Total Equity	4,751	5,129
Total Liabilities and Equity	$ 25,670	$ 26,006

The accompanying notes are an integral part of these condensed consolidated financial statements.

DXC TECHNOLOGY COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Six Months Ended	
(in millions)	**September 30, 2020**	**September 30, 2019**
Cash flows from operating activities:		
Net loss	$ (445)	$ (1,947)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,025	946
Goodwill impairment losses	—	2,887
Operating right-of-use expense	307	340
Pension & other post-employment benefits, actuarial & settlement losses	2	—
Share-based compensation	36	48
Loss (gain) on dispositions	14	(4)
Provision for losses on accounts receivable	45	—
Unrealized foreign currency exchange gain	(43)	(50)
Impairment losses and contract write-offs	42	11
Other non-cash charges, net	(5)	(9)
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Decrease in assets	57	167
Decrease in operating lease liability	(307)	(340)
Decrease in other liabilities	(137)	(464)
Net cash provided by operating activities	591	1,585
Cash flows from investing activities:		
Purchases of property and equipment	(156)	(192)
Payments for transition and transformation contract costs	(136)	(158)
Software purchased and developed	(102)	(126)
Payments for acquisitions, net of cash acquired	(10)	(1,921)
Cash collections related to deferred purchase price receivable	159	371
Proceeds from sale of assets	8	40
Short-term investing	—	(75)
Other investing activities, net	3	14
Net cash used in investing activities	(234)	(2,047)
Cash flows from financing activities:		
Borrowings of commercial paper	830	2,879
Repayments of commercial paper	(508)	(2,866)
Borrowings under lines of credit	2,500	—
Repayment of borrowings under lines of credit	(2,750)	—
Borrowings on long-term debt, net of discount	993	2,198
Principal payments on long-term debt	(1,476)	(519)
Payments on finance leases and borrowings for asset financing	(487)	(421)
Proceeds from stock options and other common stock transactions	—	10
Taxes paid related to net share settlements of share-based compensation awards	(3)	(12)
Repurchase of common stock and advance payment for accelerated share repurchase	—	(650)
Dividend payments	(53)	(107)
Other financing activities, net	(9)	(32)
Net cash (used in) provided by financing activities	(963)	480
Effect of exchange rate changes on cash and cash equivalents	9	(37)
Net decrease in cash and cash equivalents including cash classified within current assets held for sale	(597)	(19)
Less: cash classified within current assets held for sale	(3)	—
Net decrease in cash and cash equivalents	(600)	(19)
Cash and cash equivalents at beginning of year	3,679	2,899
Cash and cash equivalents at end of period	$ 3,079	$ 2,880

The accompanying notes are an integral part of these condensed consolidated financial statements.

DXC TECHNOLOGY COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)

	Three Months Ended September 30, 2020								
	Common Stock								
(in millions, except shares in thousands)	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock (1)	Total DXC Equity	Non-Controlling Interest	Total Equity
Balance at June 30, 2020	256,383	$ 3	$ 10,729	$ (5,386)	$ (599)	$ (154)	$ 4,593	$ 349	$ 4,942
Net loss				(244)			(244)	(2)	(246)
Other comprehensive income					37		37	3	40
Share-based compensation expense			17				17		17
Acquisition of treasury stock						(1)	(1)		(1)
Stock option exercises and other common stock transactions	139						—		—
Non-controlling interest distributions and other				(1)			(1)		(1)
Balance at September 30, 2020	256,522	$ 3	$ 10,746	$ (5,631)	$ (562)	$ (155)	$ 4,401	$ 350	$ 4,751

	Three Months Ended September 30, 2019								
	Common Stock								
(in millions, except shares in thousands)	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total DXC Equity	Non-Controlling Interest	Total Equity
Balance at June 30, 2019	263,709	$ 3	$ 10,916	$ 494	$ (351)	$ (149)	$ 10,913	$ 304	$ 11,217
Net loss				(2,119)			(2,119)	4	(2,115)
Other comprehensive loss					(77)		(77)	2	(75)
Share-based compensation expense			31				31		31
Acquisition of treasury stock						(1)	(1)		(1)
Share repurchase program	(6,220)		(161)	11			(150)		(150)
Stock option exercises and other common stock transactions	137		7				7		7
Dividends declared ($0.21 per share)				(54)			(54)		(54)
Non-controlling interest distributions and other							—	10	10
Balance at September 30, 2019	257,626	$ 3	$ 10,793	$ (1,668)	$ (428)	$ (150)	$ 8,550	$ 320	$ 8,870

The accompanying notes are an integral part of these condensed consolidated financial statements.

DXC TECHNOLOGY COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)

	Six Months Ended September 30, 2020								
	Common Stock								
(in millions, except shares in thousands)	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock [1]	Total DXC Equity	Non-Controlling Interest	Total Equity
Balance at March 31, 2020	255,674	$ 3	$ 10,714	$ (5,177)	$ (603)	$ (152)	$ 4,785	$ 344	$ 5,129
Cumulative effect of adopting ASU 2016-13				(4)			(4)		(4)
Net loss				(449)			(449)	4	(445)
Other comprehensive income					41		41	2	43
Share-based compensation expense			32				32		32
Acquisition of treasury stock						(3)	(3)		(3)
Stock option exercises and other common stock transactions	848						—		—
Non-controlling interest distributions and other				(1)			(1)		(1)
Balance at September 30, 2020	256,522	$ 3	$ 10,746	$ (5,631)	$ (562)	$ (155)	$ 4,401	$ 350	$ 4,751

	Six Months Ended September 30, 2019								
	Common Stock								
(in millions, except shares in thousands)	Shares	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock	Total DXC Equity	Non-Controlling Interest	Total Equity
Balance at March 31, 2019	270,214	$ 3	$ 11,301	$ 478	$ (244)	$ (136)	$ 11,402	$ 323	$ 11,725
Net loss				(1,956)			(1,956)	9	(1,947)
Other comprehensive loss					(184)		(184)	(22)	(206)
Share-based compensation expense			49				49		49
Acquisition of treasury stock						(14)	(14)		(14)
Share repurchase program	(13,580)		(571)	(79)			(650)		(650)
Stock option exercises and other common stock transactions	992		14				14		14
Dividends declared ($0.42 per share)				(111)			(111)		(111)
Non-controlling interest distributions and other							—	10	10
Balance at September 30, 2019	257,626	$ 3	$ 10,793	$ (1,668)	$ (428)	$ (150)	$ 8,550	$ 320	$ 8,870

[1] 2,327,868 treasury shares as of September 30, 2020.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Note 1 - Summary of Significant Accounting Policies

Business

DXC Technology Company ("DXC," the "Company," "we," "us," or "our") helps global companies run their mission critical systems and operations while modernizing IT, optimizing data architectures, and ensuring security and scalability across public, private and hybrid clouds. With decades of driving innovation, the world's largest companies trust DXC to deploy its enterprise technology stack to deliver new levels of performance, competitiveness and customer experiences.

HHS Sale

On October 1, 2020, DXC completed the sale of its U.S. State and Local Health and Human Services business ("HHS" or the "HHS Business") to Veritas Capital Fund Management, L.L.C. ("Veritas Capital") to form Gainwell Technologies. The sale was accomplished by the cash purchase of all equity interests and assets attributable to the HHS Business together with future services to be provided by the Company for a total enterprise value of $5.0 billion, subject to net working capital adjustments and assumed liabilities. See Note 4 - Assets Held for Sale and Note 22 - "Subsequent Events" for further information.

HPS Sale

On July 17, 2020, DXC entered into a purchase agreement to sell (the "HPS Sale") its healthcare provider software business ("HPS" or the "HPS Business") to Dedalus Holding S.p.A. ("Dedalus") for €459 million (approximately $525 million), subject to certain adjustments. The HPS Sale is expected to close by March 2021, subject to meeting certain closing conditions.

Luxoft Acquisition

On June 14, 2019, DXC completed its acquisition of Luxoft Holding, Inc. ("Luxoft"), a global digital strategy and software engineering firm (the "Luxoft Acquisition"). The acquisition builds on DXC's unique value proposition as an end-to-end, mainstream IT and digital services market leader, and strengthens the Company's ability to design and deploy transformative digital solutions for clients at scale. See Note 3 - "Acquisitions" for further information.

Basis of Presentation

In order to make this report easier to read, DXC refers throughout to (i) the interim unaudited Condensed Consolidated Financial Statements as the "financial statements," (ii) the Condensed Consolidated Statements of Operations as the "statements of operations," (iii) the Condensed Consolidated Statements of Comprehensive (Loss) Income as the "statements of comprehensive income," (iv) the Condensed Consolidated Balance Sheets as the "balance sheets," and (v) the Condensed Consolidated Statements of Cash Flows as the "statements of cash flows." In addition, references throughout to numbered "Notes" refer to the numbered Notes in these Notes to Condensed Consolidated Financial Statements, unless otherwise noted.

The accompanying financial statements include the accounts of DXC, its consolidated subsidiaries, and those business entities in which DXC maintains a controlling interest. Investments in business entities in which the Company does not have control, but has the ability to exercise significant influence over operating and financial policies, are accounted for by the equity method. Other investments are accounted for by the cost method. Non-controlling interests are presented as a separate component within equity in the balance sheets. Net earnings attributable to the non-controlling interests are presented separately in the statements of operations and comprehensive income attributable to non-controlling interests are presented separately in the statements of comprehensive income. All intercompany transactions and balances have been eliminated. Certain amounts reported in the previous year have been reclassified to conform to the current year presentation.

The financial statements of the Company have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission for quarterly reports and accounting principles generally accepted in the United States ("GAAP"). Certain disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules. These financial statements should therefore be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2020 ("fiscal 2020").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Company's management to make estimates and assumptions that affect amounts reported in the financial statements. The Company bases its estimates on assumptions regarding historical experience, currently available information and anticipated developments that it believes are reasonable and appropriate. However, because the use of estimates involves an inherent degree of uncertainty, actual results could differ from those estimates. The severity, magnitude and duration, as well as the economic consequences of the coronavirus disease 2019 ("COVID-19") pandemic, are uncertain, rapidly changing and difficult to predict. Therefore, accounting estimates and assumptions may change over time in response to COVID-19 and may change materially in future periods. In the opinion of the Company's management, the accompanying financial statements of DXC contain all adjustments, including normal recurring adjustments, necessary to present fairly the Company's financial statements. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full fiscal year.

Allowance for Credit Losses

Effective April 1, 2020, the Company adopted ASU 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” using the modified retrospective method. Refer to Note 2 - "Recent Accounting Pronouncements" and Note 6 - "Receivables" for further discussion of the impact of adoption and other required disclosures. The amendments in this update changed the guidance for credit losses to an expected loss model rather than an incurred loss model. Financial assets subject to impairment under an expected credit loss model include billed and unbilled receivables, other receivables, and contract assets. Certain off-balance sheet arrangements, such as financial guarantees associated with receivables securitization facilities, are also subject to the guidance of ASU 2016-13.

Under an expected credit loss model, the Company immediately recognizes an estimate of credit losses expected to occur over the remaining life of financial assets that are in the scope of ASU 2016-13. DXC considers all available relevant information when estimating expected credit losses, including past events, current market conditions and forecasts and their implications for expected credit losses.

Note 2 - Recent Accounting Pronouncements

During the six months ended September 30, 2020, DXC adopted the following Accounting Standards Updates ("ASU") issued by the Financial Accounting Standards Board:

Date Issued and ASU	Date Adopted and Method	Description	Impact
June 2016 ASU 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”	April 1, 2020 Modified Retrospective	This update requires the measurement and recognition of expected credit losses using the current expected credit loss model for financial assets held at amortized cost, which includes the Company’s trade accounts receivable, certain financial instruments and contract assets. It replaces the existing incurred loss impairment model with an expected loss methodology. The recorded credit losses are adjusted each period for changes in expected lifetime credit losses. The standard requires a cumulative effect adjustment to the statement of financial position as of the beginning of the first reporting period in which the guidance is effective.	The Company adopted this standard using the modified retrospective approach and recorded an immaterial cumulative effect adjustment in retained earnings as of April 1, 2020.
August 2018 ASU 2018-15, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract"	April 1, 2020 Prospective	This update helps entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license. Entities have the option to apply this standard prospectively to all implementation costs incurred after the date of adoption or retrospectively.	The Company adopted this standard using the prospective method and determined that the adoption of ASU 2018-15 had no material impact to its condensed consolidated financial statements.

The following ASUs were recently issued but have not yet been adopted by DXC:

Date Issued and ASU	DXC Effective Date	Description	Impact
December 2019 ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes"	Fiscal 2022	This update is intended to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. Early adoption of this update is permitted.	The Company is currently evaluating the potential impact this standard may have on its financial statements in future reporting periods.

Other recently issued ASUs effective after September 30, 2020 are not expected to have a material effect on DXC's consolidated financial statements.

Note 3 - Acquisitions

Fiscal 2020 Acquisitions
Luxoft Acquisition

On June 14, 2019, DXC completed the acquisition of Luxoft, a digital service provider whose offerings encompass strategic consulting, custom software development services, and digital solution engineering for total consideration of $2.0 billion. The acquisition will combine Luxoft's digital engineering capabilities with DXC's expertise in IT modernization and integration. The purchase agreement ("Merger Agreement") was entered into by DXC and Luxoft on January 6, 2019 and the transaction was closed on June 14, 2019 (the "acquisition date.")

The transaction between DXC and Luxoft is an acquisition, with DXC as the acquirer and Luxoft as the acquiree, based on the fact that DXC acquired 100% of the equity interests and voting rights in Luxoft, and that DXC is the entity that transferred the cash consideration.

The Company's allocation of the purchase price to the assets acquired and liabilities assumed as of the Luxoft acquisition date is as follows:

(in millions)	Fair Value
Cash and cash equivalents	$ 113
Accounts receivable	233
Other current assets	15
Total current assets	361
Property and equipment	31
Intangible assets	577
Other assets	99
Total assets acquired	1,068
Accounts payable, accrued payroll, accrued expenses, and other current liabilities	(121)
Deferred revenue	(8)
Long-term deferred tax liabilities and income tax payable	(106)
Other liabilities	(72)
Total liabilities assumed	(307)
Net identifiable assets acquired	761
Goodwill	1,262
Total consideration transferred	$ 2,023

Goodwill represents the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed at the acquisition date. The goodwill recognized with the acquisition was attributable to the synergies expected to be achieved by combining the businesses of DXC and Luxoft, expected future contracts and the acquired workforce. The cost-saving opportunities are expected to include improved operating efficiencies and asset optimization. The total goodwill arising from the acquisition was allocated to Global Business Services and is not deductible for tax purposes.

The Company valued current assets and liabilities using existing carrying values as an estimate of the approximate fair value of those items at the acquisition date except for certain contract receivables for which the Company determined fair value based on a cost plus margin approach. The Company valued acquired property and equipment using predominately the direct capitalization method of the income approach and in certain specific cases, the Company determined that the net book value represents the fair value. The Company valued customer relationships using the multi-period excess earnings method under the income approach and valued trade names and developed technology using a relief from royalty method under the income approach. The Company determined that the net book value of the purchased software represents the fair value.

Below are the estimated useful lives of the acquired intangibles:

	Estimated Useful Lives (Years)
Customer related intangibles	10
Trade names	20
Developed technology	3
Third-party purchased software	3

The Company valued deferred tax liabilities based on statutory tax rates in the jurisdictions of the legal entities where the acquired non-current assets and liabilities are taxed.

Note 4 - Assets Held for Sale

On March 9, 2020, DXC entered into a definitive agreement to sell its HHS Business to Veritas Capital for a cash consideration of enterprise value of $5.0 billion (including $85 million related to future services to be provided by the Company). The HHS Business is an end-to-end provider of technology-enabled, mission critical solutions that are fundamental to the administration and operations of health programs throughout the United States. The transaction closed on October 1, 2020. See Note 22 - "Subsequent Events."

As of September 30, 2020 the disposition of the HHS Business, reported as part of the GBS segment, met the requirements for presentation as assets held for sale under GAAP.

Assets held for sale are reported at carrying value, which is less than fair value. Assets held for sale and related liabilities as of September 30, 2020 were as follows:

(in millions)	September 30, 2020
Assets:	
Cash and cash equivalents	$ 3
Accounts receivable, net	74
Prepaid expenses	38
Other current assets	2
Total current assets held for sale	117
Intangible assets, net	1,308
Operating right-of-use assets, net	74
Goodwill	1,354
Property and equipment, net	43
Other assets	53
Total non-current assets held for sale	2,832
Total assets acquired	$ 2,949
Liabilities:	
Accounts payable	$ 79
Accrued payroll and related costs	13
Current operating lease liabilities	27
Accrued expenses and other current liabilities	38
Deferred revenue and advance contract payments	20
Total current liabilities related to assets held for sale	177
Non-current deferred revenue	32
Long-term operating lease liabilities	48
Other long term liabilities	2
Total long-term liabilities related to assets held for sale	82
Total liabilities related to assets held for sale	$ 259

During the second quarter of fiscal 2021, the Company entered into a definitive agreement to sell an insignificant business, which is also classified as held for sale.

Note 5 - Loss per Share

Basic and diluted net loss per share is computed using the weighted average number of shares of common stock outstanding during the period. As the Company had net losses for the periods presented, diluted net loss per share is the same as basic net loss per share because the inclusion of all potentially dilutive shares of common stock would have been anti-dilutive. The following table reflects the calculation of basic and diluted net loss per share:

	Three Months Ended		Six Months Ended	
(in millions, except per-share amounts)	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Net loss attributable to DXC common shareholders:	$ (244)	$ (2,119)	$ (449)	$ (1,956)
Common share information:				
Weighted average common shares outstanding for basic and diluted net loss per share	254.13	258.71	253.88	262.83
Net loss per share:				
Basic and diluted	$ (0.96)	$ (8.19)	$ (1.77)	$ (7.44)

The following share-based equity awards were excluded from the computation of diluted net loss per share because inclusion of these awards would have had an anti-dilutive effect. The number of awards excluded were as follows:

	Three Months Ended		Six Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Stock Options	1,625,591	765,883	1,735,395	979,644
Restricted Stock Units	2,598,301	2,354,528	2,554,090	1,180,177
Performance-based Restricted Stock Units	83,125	434,862	158,444	437,507

Note 6 - Receivables

Receivables Facility

The Company has an accounts receivable sales facility (as amended, restated, supplemented or otherwise modified as of September 30, 2020, the "Receivables Facility") with certain unaffiliated financial institutions (the "Purchasers") for the sale of commercial accounts receivable in the United States. Under the Receivables Facility, certain of the Company's subsidiaries (the "Sellers") sell accounts receivable to DXC Receivables LLC ("Receivables SPV"), a wholly owned bankruptcy-remote entity, in a true sale. Receivables SPV subsequently sells certain of the receivables in their entirety to the Purchasers pursuant to a receivables purchase agreement. The financial obligations of Receivables SPV to the Purchasers under the Receivables Facility are limited to the assets it owns and non-recourse to the Company. Sales of receivables by Receivables SPV occur continuously and are settled on a monthly basis. During the second quarter of fiscal 2021, Receivables SPV amended the Receivables Facility (the "Amendment") to decrease the facility limit from $600 million to $500 million and extend the termination date to August 5, 2021. As of the second quarter of fiscal 2020, there is no deferred purchase price ("DPP") for receivables as the entire purchase price is paid in cash when the receivables are sold to the Purchasers. DPPs were previously realized by Receivables SPV upon the ultimate collection of the underlying receivables sold to the Purchasers. Cash receipts on the DPP were classified as cash flows from investing activities.

The amount available under the Receivables Facility fluctuates over time based on the total amount of eligible receivables generated during the normal course of business after deducting excess concentrations. As of September 30, 2020, the total availability under the Receivables Facility was $371 million, and the amount sold to the Purchasers was $452 million, which was derecognized from the Company's balance sheet. As of September 30, 2020, the Company recorded a $81 million liability within accounts payable because the amount of cash proceeds received by the Company under the Receivables Facility was more than the total availability. The Receivables Facility is scheduled to terminate on August 5, 2021, but provides for one or more optional one-year extensions, if agreed to by the Purchasers. The Company uses the proceeds from the sale of receivables under the Receivables Facility for general corporate purposes.

The fair value of the sold receivables approximated book value due to the short-term nature, and as a result, no gain or loss on sale of receivables was recorded.

While the Company guarantees certain non-financial performance obligations of the Sellers, the Purchasers bear customer credit risk associated with the receivables sold under the Receivables Facility and have recourse in the event of credit-related customer non-payment solely to the assets of the Receivables SPV.

The following table is a reconciliation of the beginning and ending balance of the DPP for the Receivables Facility:

(in millions)	As of and for the Three Months Ended September 30, 2019	As of and for the Six Months Ended September 30, 2019
Beginning balance	$ 525	$ 574
Transfers of receivables	—	1,214
Collections	—	(1,265)
Change in funding availability	—	2
Facility amendments	(525)	(525)
Ending balance	$ —	$ —

Milano Receivables Facility

On June 5, 2020, the Company entered into an accounts receivable securitization facility (the "Milano Facility") with certain unaffiliated financial institutions (the "Milano Purchasers") for the sale of commercial accounts receivable related to HHS contracts in the United States. The Milano Facility is scheduled to terminate on June 4, 2021, but provides for one or more optional one-year extensions, if agreed to by the Purchasers. The Milano Facility has a facility limit of $275 million. Under the Milano Facility, certain of the Company's subsidiaries (the "Milano Sellers") sell HHS accounts receivable to Milano Receivables Funding LLC ("Milano Receivables SPV"), a wholly owned bankruptcy-remote entity, in a true sale. Milano Receivables SPV subsequently sells certain of the receivables in their entirety to the Milano Purchasers pursuant to a receivables purchase agreement. The financial obligations of Milano Receivables SPV to the Milano Purchasers under the Milano Facility are limited to the assets it owns and non-recourse to the Company. Sales of HHS receivables by Milano Receivables SPV occur continuously and are settled on a monthly basis.

The amount available under the Milano Facility fluctuates over time based on the total amount of eligible receivables generated during the normal course of business after deducting excess concentrations. As of September 30, 2020, the amount sold to the Milano Purchasers was approximately $272 million. On October 1, 2020, and in connection with the consummation of the sale of the HHS Business, and at the direction of the purchaser of the HHS Business, the Milano Facility was terminated. For more information, refer to Note 22 - "Subsequent Events."

The fair value of the sold receivables approximated book value due to the short-term nature, and as a result, no gain or loss on sale of receivables was recorded.

While the Company guarantees certain non-financial performance obligations of the Milano Sellers, the Milano Purchasers bear customer credit risk associated with the receivables sold under the Milano Facility and have recourse in the event of credit-related customer non-payment solely to the assets of the Milano Receivables SPV.

German Receivables Facility

On October 1, 2019, the Company executed an accounts receivable securitization facility (as amended, restated, supplemented or otherwise modified as of September 30, 2020, the "DE Receivables Facility") with certain unaffiliated financial institutions (the "DE Purchasers") for the sale of commercial accounts receivable in Germany. The DE Receivables Facility has a facility limit of €150 million (approximately $175 million as of September 30, 2020). Under the DE Receivables Facility, certain of the Company's subsidiaries organized in Germany (the "DE Sellers") sell accounts receivable to DXC ARFacility Designated Activity Company ("DE Receivables SPV"), a trust-owned bankruptcy-remote entity, in a true sale. DE Receivables SPV subsequently sells certain of the receivables in their entirety to the DE Purchasers pursuant to a receivables purchase agreement. Sales of receivables by DE Receivables SPV occur continuously and are settled on a monthly basis. During the first quarter of fiscal 2021, DE Receivables SPV amended the DE Receivables Facility. Under the terms of the DE Receivables Facility, there is no longer any DPP for receivables as the entire purchase price is paid in cash when the receivables are sold to the DE Purchasers. Prior to the Amendment, DPPs were realized by DE Receivables SPV upon the ultimate collection of the underlying receivables sold to the DE Purchasers. Cash receipts on the DPPs were classified as cash flows from investing activities. The DPP balance was $102 million before the Amendment was executed. Upon execution of the Amendment, the Purchasers extinguished the DPP balance and returned title to the applicable underlying receivables to DE Receivables SPV. The DPP extinguishment was classified as a non-cash investing activity, please refer to Note 19 - "Cash Flows."

The amount available under the DE Receivables Facility fluctuates over time based on the total amount of eligible receivables generated during the normal course of business after deducting excess concentrations. As of September 30, 2020, the total availability under the DE Receivables Facility was approximately $120 million, and the amount sold to the DE Purchasers was $124 million, which was derecognized from the Company's balance sheet. As of September 30, 2020, the Company recorded a $4 million liability within accounts payable because the amount of cash proceeds received by the Company under the DE Receivables Facility was more than the total availability. The DE Receivables Facility is scheduled to terminate on September 30, 2021, but provides for one or more optional one-year extensions, if agreed to by the DE Purchasers. The Company uses the proceeds from DE Receivables SPV's sale of receivables under the DE Receivables Facility for general corporate purposes.

The fair value of the sold receivables approximated book value due to the short-term nature, and as a result, no gain or loss on sale of receivables was recorded.

Certain obligations of DE Sellers under the DE Receivables Facility and certain DXC subsidiaries located in Germany, as initial servicers, are guaranteed by the Company under a performance guaranty, made in favor of an administrative agent on behalf of the DE Purchasers. However, the performance guaranty does not cover DE Receivables SPV's obligations to pay yield, fees or invested amounts to the administrative agent or any of the DE Purchasers.

The following table is a reconciliation of the beginning and ending balances of the DPP for the DE Receivables Facility:

(in millions)	As of and for the Six Months Ended September 30, 2020
Beginning balance	$ 103
Transfers of receivables	417
Collections	(420)
Change in funding availability	2
Facility amendments	(102)
Ending balance	$ —

Allowance

The Company calculates expected credit losses for trade accounts receivable based on historical credit loss rates for each aging category as adjusted for the current market conditions and forecasts about future economic conditions. The following table presents the activity in the allowance for doubtful accounts for trade accounts receivable:

(in millions)	As of and for the Six Months Ended
	September 30, 2020
Beginning balance	$ 74
Impact of adoption of the Credit Loss Standard	4
Provisions for losses on accounts receivable	45
Other adjustments to allowance and write-off's	39
Ending balance	$ 162

Note 7 - Leases

The Company has operating and finance leases for data centers, corporate offices, retail stores and certain equipment. Its leases have remaining lease terms of one to 12 years, some of which include options to extend the leases for up to 10 years, and some of which include options to terminate the leases within one to three years.

The components of lease expense were as follows:

	Three Months Ended		Six Months Ended	
(in millions)	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Operating lease cost	$ 151	$ 164	$ 307	$ 340
Short-term lease cost	11	14	26	24
Variable lease cost	15	11	23	26
Sublease income	(10)	(10)	(22)	(19)
Total operating costs	$ 167	$ 179	$ 334	$ 371
Finance lease cost:				
Amortization of right-of-use assets	$ 99	$ 140	$ 215	$ 249
Interest on lease liabilities	11	17	25	34
Total finance lease cost	$ 110	$ 157	$ 240	$ 283

Cash payments made from variable lease costs and short-term leases are not included in the measurement of operating and finance lease liabilities, and as such, are excluded from the supplemental cash flow information stated below. In addition, for the supplemental non-cash information on operating and finance leases, please refer to Note 19 - "Cash Flows."

Supplemental cash flow information related to leases was as follows:

(in millions)	Six Months Ended September 30, 2020	Six Months Ended September 30, 2019
Cash paid for amounts included in the measurement of:		
Operating cash flows used in operating leases	$ 307	$ 340
Operating cash flows used in finance leases	$ 25	$ 34
Financing cash flows used in finance leases	$ 285	$ 279

Supplemental balance sheet information related to leases was as follows:

		As of	
(in millions)	**Balance Sheet Line Item**	**September 30, 2020**	**March 31, 2020**
Assets:			
ROU operating lease assets	Operating right-of-use assets, net	$ 1,555	$ 1,428
ROU finance lease assets	Property and Equipment, net	1,098	1,220
Total		$ 2,653	$ 2,648
Liabilities:			
Current			
Operating lease	Current operating lease liabilities	$ 461	$ 482
Finance lease	Short-term debt and current maturities of long-term debt	440	444
Total		$ 901	$ 926
Non-current			
Operating lease	Non-current operating lease liabilities	$ 1,192	$ 1,063
Finance lease	Long-term debt, net of current maturities	568	602
Total		$ 1,760	$ 1,665

On September 30, 2020, in conjunction with the classification of the HHS Business' assets being held for sale, $74 million in ROU operating lease assets and $75 million in operating lease liabilities were transferred to assets held for sale and liabilities related to assets held for sale on the Consolidated Balance Sheet.

The following table provides information on the weighted average remaining lease term and weighted average discount rate for operating and finance leases:

	As of	
	September 30, 2020	**March 31, 2020**
Weighted Average remaining lease term:	**Years**	
Operating leases	4.7	4.8
Finance leases	2.7	2.7
Weighted average remaining discount rate:	**Rate**	
Operating leases	4.0 %	4.0 %
Finance leases	4.0 %	6.4 %

The following maturity analysis presents expected undiscounted cash payments for operating and finance leases on an annual basis as of September 30, 2020:

Fiscal year	**Operating Leases**		
(in millions)	**Real Estate**	**Equipment**	**Finance Leases**
Remainder of 2021	$ 244	$ 28	$ 246
2022	419	34	393
2023	340	17	250
2024	262	9	121
2025	188	5	35
Thereafter	279	3	3
Total lease payments	1,732	96	1,048
Less: imputed interest	(171)	(4)	(40)
Total payments	$ 1,561	$ 92	$ 1,008

Note 8 - Fair Value

Fair Value Measurements on a Recurring Basis

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis excluding pension assets and derivative assets and liabilities. See Note 9 - "Derivative and Hedging Activities" for information about the fair value of the Company's derivative assets and liabilities. There were no transfers between any of the levels during the periods presented.

	Fair Value Hierarchy			
(in millions)	September 30, 2020			
Assets:	Fair Value	Level 1	Level 2	Level 3
Money market funds and money market deposit accounts	$ 5	$ 5	$ —	$ —
Time deposits[1]	367	367	—	—
Other debt securities[2]	59	—	56	3
Total assets	$ 431	$ 372	$ 56	$ 3
Liabilities:				
Contingent consideration	$ 51	$ —	$ —	$ 51
Total liabilities	$ 51	$ —	$ —	$ 51

	March 31, 2020			
Assets:	Fair Value	Level 1	Level 2	Level 3
Money market funds and money market deposit accounts	$ 156	$ 156	$ —	$ —
Time deposits[1]	595	595	—	—
Other debt securities[2]	51	—	48	3
Deferred purchase price receivable	103	—	—	103
Total assets	$ 905	$ 751	$ 48	$ 106
Liabilities:				
Contingent consideration	$ 46	$ —	$ —	$ 46
Total liabilities	$ 46	$ —	$ —	$ 46

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[1] *Cost basis approximated fair value due to the short period of time to maturity.*
[2] *Other debt securities include available-for-sale investments with Level 2 inputs that have a cost basis of $40 million and $37 million, and unrealized gains of $16 million and $11 million, as of September 30, 2020 and March 31, 2020, respectively.*

The fair value of money market funds, money market deposit accounts with less than three months maturity, and time deposits included in cash and cash equivalents are based on quoted market prices. The fair value of other debt securities included in other long-term assets is based on actual market prices. The fair value of the DPPs included in receivables, net is determined by calculating the expected amount of cash to be received and is principally based on unobservable inputs consisting primarily of the face amount of the receivables adjusted for anticipated credit losses. The fair value of contingent consideration included in other liabilities is based on contractually defined targets of financial performance and other considerations.

Other Fair Value Disclosures

The carrying amounts of the Company's financial instruments with short-term maturities, primarily accounts receivable, accounts payable, short-term debt, and financial liabilities included in other accrued liabilities are deemed to approximate their market values due to their short-term nature. If measured at fair value, these financial instruments would be classified as Level 2 or Level 3 within the fair value hierarchy.

The Company estimates the fair value of its long-term debt primarily by using quoted prices obtained from third-party providers such as Bloomberg and by using an expected present value technique that is based on observable market inputs for instruments with similar terms currently available to the Company. The estimated fair value of the Company's long-term debt excluding finance lease liabilities was $8.0 billion and $8.2 billion as of September 30, 2020 and March 31, 2020, respectively as compared with carrying value of $7.8 billion and $8.4 billion as of September 30, 2020 and March 31, 2020, respectively. If measured at fair value, long-term debt excluding finance lease liabilities would be classified as Level 1 or Level 2 within the fair value hierarchy.

Non-financial assets such as goodwill, tangible assets, intangible assets and other contract related long-lived assets are recorded at fair value in the period they are initially recognized, and such fair value may be adjusted in subsequent periods if an event occurs or circumstances change that indicate that the asset may be impaired. The fair value measurements in such instances would be classified as Level 3 within the fair value hierarchy. There were no significant impairments recorded during the fiscal period covered by this report.

Note 9 - Derivative and Hedging Activities

In the normal course of business, the Company is exposed to interest rate and foreign exchange rate fluctuations. As part of its risk management strategy, the Company uses derivative instruments, primarily foreign currency forward contracts and interest rate swaps, to hedge certain foreign currency and interest rate exposures. The Company’s objective is to reduce earnings volatility by offsetting gains and losses resulting from these exposures with losses and gains on the derivative contracts used to hedge them. The Company does not use derivative instruments for trading or any speculative purposes.

Derivatives Designated for Hedge Accounting

Cash flow hedges

The Company has designated certain foreign currency forward contracts as cash flow hedges to reduce foreign currency risk related to certain Indian Rupee-denominated intercompany obligations and forecasted transactions. The notional amounts of foreign currency forward contracts designated as cash flow hedges as of September 30, 2020 and March 31, 2020 were $460 million and $455 million, respectively. As of September 30, 2020, the related forecasted transactions extend through March 2023.

For the three and six months ended September 30, 2020 and September 30, 2019, respectively, the Company performed an assessment at the inception of the cash flow hedge transactions and determined that all critical terms of the hedging instruments and hedged items matched. The Company performs an assessment of critical terms on an on-going basis throughout the hedging period. During the three and six months ended September 30, 2020 and September 30, 2019, respectively, the Company had no cash flow hedges for which it was probable that the hedged transaction would not occur. As of September 30, 2020, $1 million of the existing amount of loss related to the cash flow hedge reported in accumulated other comprehensive loss is expected to be reclassified into earnings within the next 12 months.

Net investment hedges

During the fiscal year ended March 31, 2019, the Company designated certain foreign currency forward contracts as net investment hedges to protect its investment in certain foreign operations against adverse changes in exchange rates between the Euro and the U.S. dollar. These contracts were de-designated and settled during the fiscal year ended March 31, 2020, and as of September 30, 2020, there were none outstanding.

The pre-tax gain (loss) on derivatives designated for hedge accounting recognized in loss from operation was $(2) million and $(6) million for the three and six months ended September 30, 2020. The pre-tax gain (loss) on derivatives designated for hedge accounting recognized in other comprehensive loss was $7 million and $18 million for the three and six months ended September 30, 2020, respectively.

Derivatives Not Designated for Hedge Accounting

The derivative instruments not designated as hedges for purposes of hedge accounting include certain short-term foreign currency forward contracts. Derivatives that are not designated as hedging instruments are adjusted to fair value through earnings in the financial statement line item to which the derivative relates to.

Foreign currency forward contracts

The Company manages the exposure to fluctuations in foreign currencies by using short-term foreign currency forward contracts to hedge certain foreign currency denominated assets and liabilities, including intercompany accounts and forecasted transactions. The notional amounts of the foreign currency forward contracts outstanding as of September 30, 2020 and March 31, 2020 were $1.5 billion and $2.2 billion, respectively.

The following table presents the pretax amounts impacting income related to designated and non-designated foreign currency forward contracts:

		For the Three Months Ended		For the Six Months Ended	
(in millions)	Statement of Operations Line Item	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Foreign currency forward contracts	Other expense (income), net	$ 33	$ (41)	$ 58	$ (22)

Fair Value of Derivative Instruments

All derivative instruments are recorded at fair value. The Company's accounting treatment for these derivative instruments is based on its hedge designation. The following tables present the fair values of derivative instruments included in the balance sheets:

	Derivative Assets		
		As of	
(in millions)	Balance Sheet Line Item	September 30, 2020	March 31, 2020
Derivatives designated for hedge accounting:			
Foreign currency forward contracts	Other current assets	$ 5	$ —
Total fair value of derivatives designated for hedge accounting		$ 5	$ —
Derivatives not designated for hedge accounting:			
Foreign currency forward contracts	Other current assets	$ 3	$ 16
Total fair value of derivatives not designated for hedge accounting		$ 3	$ 16

	Derivative Liabilities		
		As of	
(in millions)	Balance Sheet Line Item	September 30, 2020	March 31, 2020
Derivatives designated for hedge accounting:			
Foreign currency forward contracts	Accrued expenses and other current liabilities	$ 2	$ 20
Total fair value of derivatives designated for hedge accounting:		$ 2	$ 20
Derivatives not designated for hedge accounting:			
Foreign currency forward contracts	Accrued expenses and other current liabilities	$ 7	$ 12
Total fair value of derivatives not designated for hedge accounting		$ 7	$ 12

The fair value of foreign currency forward contracts represents the estimated amount required to settle the contracts using current market exchange rates and is based on the period-end foreign currency exchange rates and forward points which are classified as Level 2 inputs.

Other Risks for Derivative Instruments

The Company is exposed to the risk of losses in the event of non-performance by the counterparties to its derivative contracts. The amount subject to credit risk related to derivative instruments is generally limited to the amount, if any, by which a counterparty's obligations exceed the obligations of the Company with that counterparty. To mitigate counterparty credit risk, the Company regularly reviews its credit exposure and the creditworthiness of the counterparties. With respect to its foreign currency derivatives, as of September 30, 2020, there were six counterparties with concentration of credit risk, and based on gross fair value, the maximum amount of loss that the Company could incur is approximately $1 million.

The Company also enters into enforceable master netting arrangements with some of its counterparties. However, for financial reporting purposes, it is the Company's policy not to offset derivative assets and liabilities despite the existence of enforceable master netting arrangements. The potential effect of such netting arrangements on the Company's balance sheets is not material for the periods presented.

Non-Derivative Financial Instruments Designated for Hedge Accounting

The Company applies hedge accounting for foreign currency-denominated debt used to manage foreign currency exposures on its net investments in certain non-U.S. operations. To qualify for hedge accounting, the hedging instrument must be highly effective at reducing the risk from the exposure being hedged.

Net Investment Hedges

DXC seeks to reduce the impact of fluctuations in foreign exchange rates on its net investments in certain non-U.S. operations with foreign currency-denominated debt. For foreign currency-denominated debt designated as a hedge, the effectiveness of the hedge is assessed based on changes in spot rates. For qualifying net investment hedges, all gains or losses on the hedging instruments are included in currency translation. Gains or losses on individual net investments in non-U.S. operations are reclassified to earnings from accumulated other comprehensive loss when such net investments are sold or substantially liquidated.

As of September 30, 2020, DXC had $1.5 billion of foreign currency-denominated debt designated as hedges of net investments in non-U.S. subsidiaries. As of March 31, 2020, DXC had $1.9 billion of foreign currency-denominated debt designated as hedges of net investments in non-U.S. subsidiaries. For the three and six months ended September 30, 2020, the pre-tax impact of loss on foreign currency-denominated debt designated for hedge accounting recognized in other comprehensive loss was $(61) million and $(89) million, respectively.

Note 10 - Intangible Assets

Intangible assets consisted of the following:

	As of September 30, 2020		
(in millions)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Software	$ 4,006	$ 2,819	$ 1,187
Customer related intangible assets	4,246	1,502	2,744
Other intangible assets	258	43	215
Total intangible assets	$ 8,510	$ 4,364	$ 4,146

On September 30, 2020, in conjunction with the classification of the HHS Business' assets being held for sale, $1,308 million in customer related intangible assets, software, and related accumulated amortization were transferred to assets held for sale on the Consolidated Balance Sheet. Amortization of intangible assets ceased upon being classified as held for sale.

	As of March 31, 2020		
(in millions)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Software	$ 4,048	$ 2,614	$ 1,434
Customer related intangible assets	5,795	1,697	4,098
Other intangible assets	235	36	199
Total intangible assets	$ 10,078	$ 4,347	$ 5,731

The components of amortization expense were as follows:

	Three Months Ended		Six Months Ended	
(in millions)	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Intangible asset amortization	$ 258	$ 239	$ 511	$ 475
Transition and transformation contract cost amortization[1]	67	59	128	126
Total amortization expense	$ 325	$ 298	$ 639	$ 601

[1] *Transition and transformation contract costs are included within other assets on the balance sheet.*

Estimated future amortization related to intangible assets as of September 30, 2020 is as follows:

Fiscal Year	(in millions)
Remainder of 2021	$ 458
2022	$ 820
2023	$ 755
2024	$ 625
2025	$ 573

Note 11 - Goodwill

The following table summarizes the changes in the carrying amount of goodwill, by segment, as of September 30, 2020.

(in millions)	GBS	GIS	Total
Goodwill, gross	$ 6,507	$ 5,066	$ 11,573
Accumulated impairment losses	(4,490)	(5,066)	(9,556)
Balance as of March 31, 2020, net	$ 2,017	$ —	$ 2,017
Acquisition related adjustments	23	—	23
Foreign currency translation	39	—	39
Assets held for sale	(1,354)	—	(1,354)
Goodwill, gross	5,215	5,066	10,281
Accumulated impairment losses	(4,490)	(5,066)	(9,556)
Balance as of September 30, 2020, net	$ 725	$ —	$ 725

The foreign currency translation amount reflects the impact of currency movements on non-U.S. dollar-denominated goodwill balances.

On September 30, 2020, in conjunction with the classification of the HHS Business' assets being held for sale, $1,354 million in goodwill was transferred to assets held for sale on the Consolidated Balance Sheet.

Goodwill Impairment Analyses

The Company tests goodwill for impairment on an annual basis, as of the first day of the second fiscal quarter, and between annual tests if circumstances change, or if an event occurs that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

The Company concluded that as a result of its qualitative assessment performed on July 1, 2020, it remained more likely than not that the fair value of the GBS reporting unit exceeds its carrying amount.

As of September 30, 2020, the Company assessed whether there were events or changes in circumstances that would more likely than not reduce the fair value of any of its reporting units below its carrying amount and require goodwill to be tested for impairment. The Company determined that there have been no such indicators and therefore, it was unnecessary to perform an interim goodwill impairment test as of September 30, 2020.

Note 12 - Debt

The following is a summary of the Company's debt:

(in millions)	Interest Rates	Fiscal Year Maturities	September 30, 2020	March 31, 2020
Short-term debt and current maturities of long-term debt				
Commercial paper[1]	(0.22)% - 0.44%	2021 - 2022	$ 900	$ 542
Current maturities of long-term debt	Various	2021 - 2022	282	290
Current maturities of finance lease liabilities	0.62% - 18.47%	2021 - 2022	440	444
Short-term debt and current maturities of long-term debt			$ 1,622	$ 1,276
Long-term debt, net of current maturities				
AUD term loan	0.94% - 0.96%[2]	2022	358	489
GBP term loan	0.88% - 1.46%	2022	—	556
EUR term loan	0.65%[3]	2022 - 2023	292	822
EUR term loan	0.80%[4]	2023 - 2024	876	821
USD term loan	1.40% - 2.24%[5]	2025	380	480
$274 million Senior notes	4.45%	2023	276	276
$171 million Senior notes	4.45%	2023	172	172
$500 million Senior notes	4.25%	2025	504	505
$500 million Senior notes	4.00%	2024	497	—
$500 million Senior notes	4.13%	2026	496	—
£250 million Senior notes	2.75%	2025	320	307
€650 million Senior notes	1.75%	2026	758	709
$500 million Senior notes	4.75%	2028	507	507
$234 million Senior notes	7.45%	2030	270	271
Revolving credit facility	1.26% - 2.08%	2024 - 2025	1,250	1,500
Lease credit facility	1.15% - 1.99%	2021 - 2023	6	11
Finance lease liabilities	0.62% - 18.47%	2021 - 2027	1,008	1,046
Borrowings for assets acquired under long-term financing	0.00% - 6.39%	2021 - 2028	730	802
Mandatorily redeemable preferred stock outstanding	6.00%	2023	63	62
Other borrowings	Various	2021 - 2022	5	70
Long-term debt			8,768	9,406
Less: current maturities			722	734
Long-term debt, net of current maturities			$ 8,046	$ 8,672

(1) *At DXC's option, DXC can borrow up to a maximum of €1 billion or its equivalent in €, £, and $. Under this existing €1.0 billion commercial paper program, the Company issued £600 million via direct sale to the Bank of England.*
(2) *Variable interest rate equal to the bank bill swap bid rate for a one-, two-, three- or six-month interest period plus 0.60% to 0.95% based on the published credit ratings of DXC.*
(3) *At DXC's option, the EUR term loan bears interest at the Eurocurrency Rate for a one-, two-, three-, or six-month interest period, plus a margin between 0.40% and 0.90%, based on published credit ratings of DXC.*
(4) *At DXC's option, the EUR term loan bears interest at the Eurocurrency Rate for a one-, two-, three-, or six-month interest period, plus a margin between 0.55% and 1.05%, based on published credit ratings of DXC.*
(5) *At DXC's option, the USD term loan bears interest at the Eurocurrency Rate for a one-, two-, three-, or six-month interest period, plus a margin between 1.00% and 1.50%, based on published credit ratings of DXC or the Base Rate plus a margin between 0.00% and 0.50%, based on published credit ratings of DXC.*

Senior Notes and Term Loans

During the first quarter of fiscal 2021, the Company issued two senior notes with an aggregate principal of $1.0 billion consisting of (i) $500 million of 4.00% Senior Notes due fiscal 2024 and (ii) $500 million of 4.13% Senior Notes due fiscal 2026. The proceeds from these notes were applied towards the early prepayment of our term loan facilities including prepayment of €500 million of Euro Term Loan due fiscal 2023, £150 million of GBP Term Loan due fiscal 2022, A$300 million of AUD Term Loan due fiscal 2022, and $100 million of USD Term Loan due fiscal 2025.

During the second quarter of fiscal 2021, the Company repaid the remaining £300 million GBP Term Loan due fiscal 2022.

Interest on the Company's term loans is payable monthly or quarterly in arrears at the election of the borrowers. The Company fully and unconditionally guarantees term loans issued by its 100% owned subsidiaries. The interest on the Company's senior notes is payable semi-annually in arrears except for interest on the £250 million Senior Notes due fiscal 2025 and the €650 million Senior Notes due fiscal 2026, which are payable annually in arrears. Generally, the Company's notes are redeemable at the Company's discretion at the then-applicable redemption premium plus accrued interest.

Revolving Credit Facility

During the first quarter of fiscal 2021, the Company borrowed the remaining $2.5 billion under the $4.0 billion credit facility agreement ("Credit Agreement") as a precautionary measure to increase its cash position and increase financial flexibility in light of continuing uncertainty in the global economy and financial capital markets resulting from COVID-19.

The Company repaid $2,750 million during the first six months of fiscal 2021, which became available under the revolving credit facility for redraw at the request of the Company.

The Company expects to use the proceeds from the borrowings under the Credit Agreement for working capital, general corporate purposes or other purposes permitted under the Credit Agreement. Borrowings under the Credit Agreement will bear interest at a variable rate based on LIBOR or on a base rate, plus an individual margin based on DXC’s long-term debt rating.

In connection with the completion of the HHS Sale in October 2020, DXC used the proceeds from the sale to pay down additional debt. See Note 22 - "Subsequent Events" for details.

Note 13 - Revenue

Revenue Recognition

The following table presents DXC's revenues disaggregated by geography, based on the location of incorporation of the DXC entity providing the related goods or services:

	Three Months Ended		Six Months Ended	
(in millions)	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
United States	$ 1,666	$ 1,806	$ 3,375	$ 3,657
United Kingdom	579	678	1,152	1,393
Other Europe	1,244	1,260	2,449	2,490
Australia	390	366	751	739
Other International	675	741	1,329	1,462
Total Revenues	$ 4,554	$ 4,851	$ 9,056	$ 9,741

The revenue by geography pertains to both of the Company’s reportable segments. Refer to Note 20 - "Segment Information" for the Company’s segment disclosures.

Remaining Performance Obligations

Remaining performance obligations represent the aggregate amount of the transaction price in contracts allocated to performance obligations not delivered, or partially undelivered, as of the end of the reporting period. Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustments for revenue that have not materialized and adjustments for currency. As of September 30, 2020, approximately $23 billion of revenue is expected to be recognized from remaining performance obligations. We expect to recognize revenue on approximately 25% of these remaining performance obligations in fiscal 2021, with the remainder of the balance recognized thereafter.

Contract Balances

The following table provides information about the balances of the Company's trade receivables and contract assets and contract liabilities:

	As of	
(in millions)	September 30, 2020	March 31, 2020
Trade receivables, net	$ 2,950	$ 3,059
Contract assets	$ 413	$ 454
Contract liabilities	$ 1,671	$ 1,756

Change in contract liabilities were as follows:

	Six Months Ended	
(in millions)	September 30, 2020	September 30, 2019
Balance, beginning of period	$ 1,756	$ 1,886
Deferred revenue	1,355	1,400
Recognition of deferred revenue	(1,432)	(1,416)
Currency translation adjustment	80	(48)
Other[(1)]	(88)	(22)
Balance, end of period	$ 1,671	$ 1,800

[(1)] Other includes $51 million of contract liabilities reclassified as liabilities related to assets held for sale on the Consolidated Balance Sheet, in conjunction with HHS Business classified as assets held for sale.

Note 14 - Restructuring Costs

The Company recorded restructuring costs of $265 million and $32 million, net of reversals, for the three months ended September 30, 2020 and September 30, 2019, respectively. For the six months ended September 30, 2020 and September 30, 2019, the Company recorded restructuring costs of $337 million and $174 million, net of reversals, respectively. The costs recorded during the three and six months ended September 30, 2020 were largely a result of the Fiscal 2021 Plan (defined below).

The composition of restructuring liabilities by financial statement line item is as follows:

(in millions)	As of September 30, 2020	
Accrued expenses and other current liabilities	$	289
Other long-term liabilities		76
Total	$	365

Summary of Restructuring Plans

Fiscal 2021 Plan

During fiscal 2021, management approved global cost savings initiatives designed to better align the Company's workforce and facility structures (the "Fiscal 2021 Plan").

Fiscal 2020 Plan

During fiscal 2020, management approved cost savings initiatives designed to reduce operating costs by re-balancing its workforce and facilities structures (the "Fiscal 2020 Plan"). The Fiscal 2020 Plan includes workforce optimization programs and facilities and data center rationalization. Costs incurred to date under the Fiscal 2020 Plan total $283 million, comprising $266 million in employee severance and $17 million of facilities costs.

Fiscal 2019 Plan

During fiscal 2019, management approved global cost savings initiatives designed to better align the Company's organizational structure with its strategic initiatives and continue the integration of the Enterprise Services business of Hewlett Packard Enterprise Company ("HPES") and other acquisitions (the "Fiscal 2019 Plan"). The Fiscal 2019 Plan includes workforce optimization and rationalization of facilities and data center assets. Costs incurred to date under the Fiscal 2019 Plan total $476 million, comprising $335 million in employee severance and $141 million of facilities costs.

Other Prior Year Plans

In June 2017, management approved a post-HPES Merger (as defined below) restructuring plan to optimize the Company's operations in response to a continuing business contraction (the "Fiscal 2018 Plan"). The Fiscal 2018 Plan focuses mainly on optimizing specific aspects of global workforce, increasing the proportion of work performed in low cost offshore locations and re-balancing the organizational structure. Additionally, this plan included global facility restructuring, including a global data center restructuring program. Costs incurred to date under the Fiscal 2018 Plan total $986 million, comprising $790 million in employee severance and $196 million of facilities costs.

Acquired Restructuring Liabilities

As a result of the merger of Computer Sciences Corporation ("CSC") and HPES ("HPES Merger"), DXC acquired restructuring liabilities under restructuring plans that were initiated for HPES under plans approved by the HPE Board of Directors.

Restructuring Liability Reconciliations by Plan

	Restructuring Liability as of March 31, 2020	Costs Expensed, Net of Reversals[(1)]	Costs Not Affecting Restructuring Liability[(2)]	Cash Paid	Other[(3)]	Restructuring Liability as of September 30, 2020
Fiscal 2021 Plan						
Workforce Reductions	$ —	$ 340	$ (4)	$ (89)	$ —	$ 247
Facilities Costs	—	13	(4)	(6)	—	3
Total	$ —	$ 353	$ (8)	$ (95)	$ —	$ 250
Fiscal 2020 Plan						
Workforce Reductions	$ 74	$ (5)	$ 2	$ (38)	$ 4	$ 37
Facilities Costs	2	(4)	4	(2)	—	—
Total	$ 76	$ (9)	$ 6	$ (40)	$ 4	$ 37
Fiscal 2019 Plan						
Workforce Reductions	$ 25	$ (3)	$ (2)	$ (9)	$ 1	$ 12
Facilities Costs	5	(3)	2	—	1	5
Total	$ 30	$ (6)	$ —	$ (9)	$ 2	$ 17
Other Prior Year Plans						
Workforce Reductions	$ 24	$ —	$ 3	$ (11)	$ 2	$ 18
Facilities Costs	—	—	—	—	—	—
Total	$ 24	$ —	$ 3	$ (11)	$ 2	$ 18
Acquired Liabilities						
Workforce Reductions	$ 39	$ —	$ —	$ (3)	$ —	$ 36
Facilities Costs	11	(1)	1	(2)	(2)	7
Total	$ 50	$ (1)	$ 1	$ (5)	$ (2)	$ 43

(1) Costs expensed, net of reversals include $11 million, $10 million, and $3 million of costs reversed from the Fiscal 2020 Plan, Fiscal 2019 Plan and Other Prior Year Plans, respectively.
(2) Costs Not Affecting Restructuring Liability include pension benefit augmentations recorded as a pension liability, asset impairments and restructuring costs associated with right-of-use assets.
(3) Other include foreign currency translation adjustments.

Note 15 - Pension and Other Benefit Plans

The Company offers a number of pension and other post-retirement benefit ("OPEB") plans, life insurance benefits, deferred compensation and defined contribution plans. Most of the Company's pension plans are not admitting new participants, except where locally required; therefore, changes to pension liabilities are primarily due to market fluctuations of investments for existing participants and changes in interest rates.

Defined Benefit Plans

The Company sponsors a number of defined benefit and post-retirement medical benefit plans for the benefit of eligible employees. The benefit obligations of the Company's U.S. pension, U.S. OPEB, and non-U.S. OPEB represent an insignificant portion of the Company's pension and other post-retirement benefits. As a result, the disclosures below include the Company's U.S. and non-U.S. pension plans on a global consolidated basis.

During the three months ended June 30, 2020, the Company remeasured plan assets and liabilities as of June 1, 2020 under certain U.K. pension plans due to the end of a public sector contract. The remeasurement resulted in a net loss of $2 million, comprising a curtailment gain of $9 million and an actuarial loss of $11 million. The net loss was recognized within other income.

The components of net periodic pension income were:

	Three Months Ended		Six Months Ended	
(in millions)	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Service cost	$ 23	$ 23	$ 45	$ 46
Interest cost	61	57	119	117
Expected return on assets	(161)	(154)	(314)	(315)
Amortization of prior service costs	(2)	(2)	(4)	(4)
Contractual termination benefit	3	6	3	17
Curtailment gain	—	—	(9)	—
Recognition of actuarial loss	—	—	11	—
Net periodic pension income	$ (76)	$ (70)	$ (149)	$ (139)

The service cost component of net periodic pension income is presented in cost of services and selling, general and administrative and the other components of net periodic pension income are presented in other income, net, except for contractual termination benefit which is included in restructuring, in the Company’s statements of operations.

Deferred Compensation Plans

Effective as of the HPES Merger, DXC assumed sponsorship of the Computer Sciences Corporation Deferred Compensation Plan, which was renamed the “DXC Technology Company Deferred Compensation Plan” (the “DXC DCP”) and adopted the Enterprise Services Executive Deferred Compensation Plan (the “ES DCP”). Both plans are non-qualified deferred compensation plans maintained for a select group of management, highly compensated employees and non-employee directors.

The DXC DCP covers eligible employees who participated in CSC’s Deferred Compensation Plan prior to the HPES Merger. The ES DCP covers eligible employees who participated in the HPE Executive Deferred Compensation Plan prior to the HPES Merger. Both plans allow participating employees to defer the receipt of current compensation to a future distribution date or event above the amounts that may be deferred under DXC’s tax-qualified 401(k) plan, the DXC Technology Matched Asset Plan. Neither plan provides for employer contributions. As of April 3, 2017, the ES DCP does not admit new participants.

Certain management and highly compensated employees are eligible to defer all, or a portion of, their regular salary that exceeds the limitation set forth in Internal Revenue Section 401(a)(17) and all or a portion of their incentive compensation. Non-employee directors are eligible to defer up to 100% of their cash compensation. The liability, which is included in other long-term liabilities in the Company's balance sheets, amounted to $45 million as of September 30, 2020 and $48 million as of March 31, 2020.

Note 16 - Income Taxes

The Company's effective tax rate ("ETR") was 19.6% and (5.8)% for the three months ended September 30, 2020 and September 30, 2019, respectively, and 16.2% and (8.6)% for the six months ended September 30, 2020 and September 30, 2019, respectively. For the three and six months ended September 30, 2020, the primary drivers of the ETR were the global mix of income, foreign tax credits and adjustment of the prior tax provisions due to the filing of tax returns in the U.S and the non-U.S. jurisdictions. For the three and six months ended September 30, 2019, the primary drivers of the ETR were the impact of the non-deductible goodwill impairment charge, the non-taxable gain on the arbitration award, the global mix of income, an increase in unrecognized tax benefits primarily related to the disallowance of certain legacy CSC foreign restructuring expenses deducted on the U.S. federal tax return for tax year March 31, 2013 and an increase in prior year U.S. federal research and development income tax credits.

The majority of unremitted foreign earnings have been taxed in the U.S. We expect a significant portion of the unremitted earnings of our foreign subsidiaries will no longer be subject to U.S. federal income tax upon repatriation to the U.S. However, a portion of these earnings may still be subject to foreign and U.S. state tax consequences when remitted. Earnings in India are indefinitely reinvested. Other foreign earnings are not indefinitely reinvested except for approximately $521 million that could be taxable when repatriated to the U.S. under Treasury regulations that were issued during the first quarter of fiscal 2020.

In connection with the HPES Merger, the Company entered into a tax matters agreement with HPE. HPE generally will be responsible for pre-HPES Merger tax liabilities including adjustments made by tax authorities to HPES U.S. and non-U.S. income tax returns. Likewise, DXC is liable to HPE for income tax receivables and refunds which it receives related to pre-HPES Merger periods. Pursuant to the tax matters agreement, the Company recorded a net payable of $6 million due to $44 million of tax indemnification receivable related to uncertain tax positions net of related deferred tax benefits, $91 million of tax indemnification receivable related to other tax payables and $141 million of tax indemnification payable related to other tax receivables.

In connection with the USPS Separation, the Company entered into a tax matters agreement with Perspecta. Pursuant to the tax matters agreement, the Company generally will be responsible for tax liabilities arising prior to the USPS Separation. Income tax liabilities transferred to Perspecta primarily relate to pre-HPES Merger periods, for which the Company is indemnified by HPE pursuant to the tax matters agreement between the Company and HPE. The Company remains liable to HPE for tax receivables and refunds which it receives from Perspecta related to pre-HPES Merger periods that were transferred to Perspecta. Pursuant to the tax matters agreement, the Company has recorded a tax indemnification receivable from Perspecta of $92 million and a tax indemnification payable to Perspecta of $49 million related to income tax and other tax liabilities.

The IRS is examining the Company's federal income tax returns for fiscal 2008 through tax year ended October 31, 2019. With respect to CSC's fiscal 2008 through 2010 federal tax returns, the Company previously entered into negotiations for a resolution through settlement with the IRS Office of Appeals. The IRS examined several issues for this audit that resulted in various audit adjustments. The Company and the IRS Office of Appeals have an agreement in principle as to some, but not all of these adjustments. The Company has agreed to extend the statute of limitations associated with this audit through March 31, 2021.

The Company has agreed to extend the statute of limitations associated with the fiscal years 2011 through 2013 through March 31, 2021. The Company has agreed to extend the statute of limitations for fiscal years 2014 through fiscal 2017 through October 31, 2021 and for the employment tax audit of fiscal years 2015 and 2016 until December 31, 2021. The Company expects to reach a resolution for all years no earlier than the third quarter of fiscal 2022 except agreed issues related to fiscal 2008 through 2010 and fiscal 2011 through 2013 federal tax returns, which are expected to be resolved within twelve months.

In addition, the Company may settle certain other tax examinations, have lapses in statutes of limitations, or voluntarily settle income tax positions in negotiated settlements for different amounts than the Company has accrued as uncertain tax positions. In the second quarter of fiscal 2021 the Company’s liability for uncertain tax positions decreased by $3 million (excluding interest and penalties and related tax attributes) primarily related to the disallowance of certain legacy CSC foreign restructuring expenses deducted in the U.S. The Company may need to accrue and ultimately pay additional amounts for tax positions that previously met a more-likely-than-not standard if such positions are not upheld. Conversely, the Company could settle positions by payment with the tax authorities for amounts lower than those that have been accrued or extinguish a position through payment. The Company believes that the outcomes that are reasonably possible within the next 12 months may result in a reduction in liability for uncertain tax positions of $34 million to $39 million, excluding interest, penalties and tax carry-forwards.

Note 17 - Stockholders' Equity

Share Repurchases

On April 3, 2017, DXC announced the establishment of a share repurchase program approved by the Board of Directors with an initial authorization of $2.0 billion for future repurchases of outstanding shares of DXC common stock. On November 8, 2018, DXC's Board of Directors approved an incremental $2.0 billion share repurchase authorization. An expiration date has not been established for this repurchase plan. Share repurchases may be made from time to time through various means, including in open market purchases, 10b5-1 plans, privately-negotiated transactions, accelerated stock repurchases, block trades and other transactions, in compliance with Rule 10b-18 under the Exchange Act as well as, to the extent applicable, other federal and state securities laws and other legal requirements. The timing, volume, and nature of share repurchases pursuant to the share repurchase plan are at the discretion of management and may be suspended or discontinued at any time.

The shares repurchased are retired immediately and included in the category of authorized but unissued shares. The excess of purchase price over par value of the common shares is allocated between additional paid-in capital and retained earnings. There was no share repurchase activity during the six months ended September 30, 2020. The details of shares repurchased during the six months ended September 30, 2019 are shown below:

	Fiscal 2020		
Fiscal Period	**Number of Shares Repurchased**	**Average Price Per Share**	**Amount (in millions)**
1st Quarter			
Open market purchases	5,510,415	$ 54.44	$ 300
Accelerated stock repurchases	1,849,194	54.08	100
1st Quarter Total	7,359,609	$ 54.35	$ 400
2nd Quarter			
Open market purchases	4,414,840	$ 33.96	$ 150
Accelerated stock repurchases	1,805,350	$ 55.39	$ 100
2nd Quarter Total	6,220,190	$ 40.18	$ 250
Total	13,579,799	$ 47.86	$ 650

Accumulated Other Comprehensive Loss

The following table shows the changes in accumulated other comprehensive income (loss), net of taxes:

(in millions)	Foreign Currency Translation Adjustments	Cash Flow Hedges	Available-for-sale Securities	Pension and Other Post-retirement Benefit Plans	Accumulated Other Comprehensive Loss
Balance at March 31, 2020	$ (851)	$ (20)	$ 9	$ 259	$ (603)
Current-period other comprehensive income	28	12	5	—	45
Amounts reclassified from accumulated other comprehensive loss	—	6	—	(10)	(4)
Balance at September 30, 2020	$ (823)	$ (2)	$ 14	$ 249	$ (562)

(in millions)	Foreign Currency Translation Adjustments	Cash Flow Hedges	Available-for-sale Securities	Pension and Other Post-retirement Benefit Plans	Accumulated Other Comprehensive Loss
Balance at March 31, 2019	$ (517)	$ (3)	$ 9	$ 267	$ (244)
Current-period other comprehensive loss	(184)	2	2	—	(180)
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	—	(4)	(4)
Balance at September 30, 2019	$ (701)	$ (1)	$ 11	$ 263	$ (428)

Note 18 - Stock Incentive Plans

Equity Plans

The Compensation Committee of the Board of Directors (the "Board") has broad authority to grant awards and otherwise administer the DXC Employee Equity Plan. The plan became effective March 30, 2017 and will continue in effect for a period of 10 years thereafter, unless earlier terminated by the Board. The Board has the authority to amend the plan in such respects as it deems desirable, subject to approval of DXC's stockholders for material modifications.

Restricted stock units ("RSUs") represent the right to receive one share of DXC common stock upon a future settlement date, subject to vesting and other terms and conditions of the award, plus any dividend equivalents accrued during the award period. In general, if the employee's status as a full-time employee is terminated prior to the vesting of the RSU grant in full, then the RSU grant is automatically canceled on the termination date and any unvested shares and dividend equivalents are forfeited. Certain executives were awarded service-based "career share" RSUs for which the shares are settled over the 10 anniversaries following the executive's separation from service as a full-time employee, provided the executive complies with certain non-competition covenants during that period. The Company also grants Performance-based restricted stock units ("PSUs"), which generally vest over a period of three years. The number of PSUs that ultimately vest is dependent upon the Company's achievement of certain specified financial performance criteria over a three-year period. If the specified performance criteria are met, awards are settled for shares of DXC common stock and dividend equivalents upon the filing with the SEC of the Annual Report on Form 10-K for the last fiscal year of the performance period. PSU awards include the potential for up to 25% of the shares granted to be earned after the first and second fiscal years if certain of the Company's performance targets are met early, subject to vesting based on the participant's continued employment through the end of the three-year performance period.

In fiscal 2021, DXC issued awards that are considered to have a market condition. A Monte Carlo simulation model was used for the valuation of the grants. Settlement of shares for the fiscal 2021 PSU awards will be made at the end of the third fiscal year subject to certain compounded annual growth rates of the stock price and continued employment through the last day of the third fiscal year.

The terms of the DXC Director Equity Plan allow DXC to grant RSU awards to non-employee directors of DXC. Such RSU awards vest in full at the earlier of (i) the first anniversary of the grant date or (ii) the next annual meeting date, and are automatically redeemed for DXC common stock and dividend equivalents either at that time or, if an RSU deferral election form is submitted, upon the date or event elected by the director. Distributions made upon a director's separation from the Board may occur in either a lump sum or in annual installments over periods of 5, 10, or 15 years, per the director's election. In addition, RSUs vest in full upon a change in control of DXC.

The DXC Share Purchase Plan allows DXC's employees located in the United Kingdom to purchase shares of DXC's common stock at the fair market value of such shares on the applicable purchase date. There were 14,311 and 29,193 shares purchased under this plan during the three and six months ended September 30, 2020.

The Board has reserved for issuance shares of DXC common stock, par value $0.01 per share, under each of the plans as detailed below:

	As of September 30, 2020	
	Reserved for Issuance	Available for Future Grants
DXC Employee Equity Plan	51,200,000	31,705,400
DXC Director Equity Plan	745,000	435,951
DXC Share Purchase Plan	250,000	177,417
Total	52,195,000	32,318,768

Stock Options

	Number of Option Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Outstanding as of March 31, 2020	1,869,815	$ 29.92	4.27	$ —
Granted	—	$ —		
Exercised	(4,328)	$ 12.30		$ —
Canceled/Forfeited	—	$ —		
Expired	(71,930)	$ 31.05		
Outstanding as of September 30, 2020	1,793,557	$ 29.91	3.89	$ 1
Vested and exercisable as of September 30, 2020	1,793,557	$ 29.91	3.89	$ 1

Restricted Stocks

	Employee Equity Plan		Director Equity Plan	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding as of March 31, 2020	4,174,476	$ 55.45	114,615	$ 37.69
Granted	7,447,198	$ 17.05	118,500	$ 18.82
Settled	(802,392)	$ 57.46	(47,090)	$ 27.28
Canceled/Forfeited	(755,601)	$ 36.90	—	$ —
Outstanding as of September 30, 2020	10,063,681	$ 27.55	186,025	$ 28.31

Share-Based Compensation

	Three Months Ended		Six Months Ended	
(in millions)	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Total share-based compensation cost	$ 20	$ 30	$ 36	$ 48
Related income tax benefit	$ 3	$ 7	$ 5	$ 11
Total intrinsic value of options exercised	$ —	$ 1	$ —	$ 7
Tax benefits from exercised stock options and awards	$ 1	$ 1	$ 4	$ 10

As of September 30, 2020, total unrecognized compensation expense related to unvested DXC stock options and unvested DXC RSUs, net of expected forfeitures was $0 million and $177 million, respectively. The unrecognized compensation expense for unvested RSUs is expected to be recognized over a weighted-average period of 2.20 years.

Note 19 - Cash Flows

Cash payments for interest on indebtedness and income taxes and other select non-cash activities are as follows:

	Six Months Ended	
(in millions)	September 30, 2020	September 30, 2019
Cash paid for:		
Interest	$ 168	$ 178
Taxes on income, net of refunds [(1)]	$ 84	$ 130
Non-cash activities:		
Operating:		
ROU assets obtained in exchange for lease, net [(2)]	$ 410	$ 142
Prepaid assets acquired under long-term financing	$ 43	$ 14
Investing:		
Capital expenditures in accounts payable and accrued expenses	$ 46	$ 92
Capital expenditures through finance lease obligations	$ 205	$ 380
Assets acquired under long-term financing	$ 10	$ 248
(Decrease) increase in deferred purchase price receivable	$ (52)	$ (204)
Contingent consideration	$ 3	$ —
Financing:		
Dividends declared but not yet paid	$ —	$ 55

[(1)] *Income tax refunds were $25 million and $20 million for the six months ended September 30, 2020 and September 30, 2019, respectively.*
[(2)] *Net of $87 million change in lease classification from operating to finance lease in fiscal 2020.*

Note 20 - Segment Information

DXC has a matrix form of organization and is managed in several different and overlapping groupings including services, industries and geographic regions. As a result, and in accordance with accounting standards, operating segments are organized by the type of services provided. DXC's chief operating decision maker ("CODM"), the chief executive officer, obtains, reviews, and manages the Company's financial performance based on these segments. The CODM uses these results, in part, to evaluate the performance of, and allocate resources to, each of the segments.

Global Business Services ("GBS")

GBS provides innovative technology solutions that help its customers address key business challenges and accelerate digital transformations tailored to each customer's industry and specific objectives. GBS enterprise technology stack offerings include:

- *Analytics and Engineering.* GBS's portfolio of analytics services and extensive partner ecosystem help customers gain rapid insights, automate operations, and accelerate their digital transformation journeys. GBS provides software engineering and solutions that enable businesses to run and manage their mission-critical functions, transform their operations and develop new ways of doing business.
- *Applications*. GBS uses advanced technologies and methods to accelerate the creation, modernization, delivery and maintenance of high-quality, secure applications allowing customers to innovate faster while reducing risk, time to market, and total cost of ownership, across industries. GBS's vertical-specific IP includes solutions for insurance; banking and capital markets; and automotive, among others.

GBS offerings also includes business process services, which include digital integration and optimization of front and back office processes, and agile process automation. This helps companies to reduce cost, and minimize business disruption, human error, and operational risk while improving customer experiences.

Global Infrastructure Services ("GIS")

GIS provides a portfolio of technology offerings that deliver predictable outcomes and measurable results, while reducing business risk and operational costs for customers. GIS enterprise stack elements include:

- *Cloud and Security.* GIS helps customers to rapidly modernize by adapting legacy apps to cloud, migrate the right workloads, and securely manage their multi-cloud environments. GIS's security solutions help predict attacks, proactively respond to threats, ensure compliance and protect data, applications and infrastructure.
- *IT Outsourcing ("ITO")*. GIS's ITO services support infrastructure, applications, and workplace IT operations, including hardware, software, physical/virtual end-user devices, collaboration tools, and IT support services. GIS helps customers securely optimize operations to ensure continuity of their systems and respond to new business and workplace demands, while achieving cost takeout, all with limited resources, expertise and budget.

GIS offerings also include workplace and mobility services to fit its customer's employee, business and IT needs from intelligent collaboration, modern device management, digital support services, Internet of Things ("IoT") and mobility services, providing a consumer-like, digital experience.

Segment Measures

The following table summarizes operating results regularly provided to the CODM by reportable segment and a reconciliation to the financial statements:

(in millions)	GBS	GIS	Total Reportable Segments	All Other	Totals
Three Months Ended September 30, 2020					
Revenues	$ 2,242	$ 2,312	$ 4,554	$ —	$ 4,554
Segment profit	$ 317	$ 36	$ 353	$ (70)	$ 283
Depreciation and amortization[(1)]	$ 59	$ 291	$ 350	$ 23	$ 373
Three Months Ended September 30, 2019					
Revenues	$ 2,285	$ 2,566	$ 4,851	$ —	$ 4,851
Segment profit	$ 359	$ 243	$ 602	$ (73)	$ 529
Depreciation and amortization[(1)]	$ 39	$ 252	$ 291	$ 25	$ 316

(in millions)	GBS	GIS	Total Reportable Segments	All Other	Totals
Six Months Ended September 30, 2020					
Revenues	$ 4,416	$ 4,640	$ 9,056	$ —	$ 9,056
Segment profit	$ 532	$ 59	$ 591	$ (118)	$ 473
Depreciation and amortization[(1)]	$ 109	$ 558	$ 667	$ 50	$ 717
Six Months Ended September 30, 2019					
Revenues	$ 4,444	$ 5,297	$ 9,741	$ —	$ 9,741
Segment profit	$ 725	$ 583	$ 1,308	$ (127)	$ 1,181
Depreciation and amortization[(1)]	$ 67	$ 527	$ 594	$ 54	$ 648

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[(1)] Depreciation and amortization as presented excludes amortization of acquired intangible assets of $152 million and $151 million for the three months ended September 30, 2020 and 2019, respectively, and $300 million and $289 million for the six months ended September 30, 2020 and 2019, respectively.

Reconciliation of Reportable Segment Profit to Consolidated Total

The Company's management uses segment profit as the measure for assessing performance of its segments. Segment profit is defined as segment revenue less cost of services, segment selling, general and administrative, depreciation and amortization, and other income (excluding the movement in foreign currency exchange rates on DXC's foreign currency denominated assets and liabilities and the related economic hedges). The Company does not allocate to its segments certain operating expenses managed at the corporate level. These unallocated costs include certain corporate function costs, stock-based compensation expense, pension and OPEB actuarial and settlement gains and losses, restructuring costs, transaction, separation and integration-related costs and amortization of acquired intangible assets.

	Three Months Ended		Six Months Ended	
(in millions)	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Profit				
Total profit for reportable segments	$ 353	$ 602	591	$ 1,308
All other loss	(70)	(73)	(118)	(127)
Interest income	25	67	48	97
Interest expense	(96)	(104)	(202)	(195)
Restructuring costs	(265)	(32)	(337)	(174)
Transaction, separation and integration-related costs	(101)	(53)	(211)	(158)
Amortization of acquired intangible assets	(152)	(151)	(300)	(289)
Pension and OPEB actuarial and settlement losses	—	—	(2)	—
Goodwill impairment losses	—	(2,887)	—	(2,887)
Gain on arbitration award	—	632	—	632
Loss before income taxes	$ (306)	$ (1,999)	$ (531)	$ (1,793)

Management does not use total assets by segment to evaluate segment performance or allocate resources. As a result, assets are not tracked by segment and therefore, total assets by segment is not disclosed.

Note 21 - Commitments and Contingencies

Commitments

The Company signed long-term purchase agreements with certain software, hardware, telecommunication, and other service providers to obtain favorable pricing and terms for services, and products that are necessary for the operations of business activities. Under the terms of these agreements, the Company is contractually committed to purchase specified minimums over periods ranging from 1 to 5 years. If the Company does not meet the specified minimums, the Company would have an obligation to pay the service provider all, or a portion, of the shortfall. Minimum purchase commitments as of September 30, 2020 were as follows:

Fiscal year (in millions)	**Minimum Purchase Commitment**
Remainder of 2021	$ 1,558
2022	1,047
2023	860
2024	269
2025	25
Total	$ 3,759

In the normal course of business, the Company may provide certain clients with financial performance guarantees, and at times performance letters of credit or surety bonds. In general, the Company would only be liable for the amounts of these guarantees in the event that non-performance by the Company permits termination of the related contract by the Company's client. The Company believes it is in compliance with its performance obligations under all service contracts for which there is a financial performance guarantee, and the ultimate liability, if any, incurred in connection with these guarantees will not have a material adverse effect on its consolidated results of operations or financial position.

The Company also uses stand-by letters of credit, in lieu of cash, to support various risk management insurance policies. These letters of credit represent a contingent liability and the Company would only be liable if it defaults on its payment obligations on these policies. The following table summarizes the expiration of the Company's financial guarantees and stand-by letters of credit outstanding as of September 30, 2020:

(in millions)	**Remainder of Fiscal 2021**	**Fiscal 2022**	**Fiscal 2023 and Thereafter**	**Totals**
Surety bonds	$ 38	$ 262	$ 86	$ 386
Letters of credit	58	135	462	655
Stand-by letters of credit	61	15	24	100
Totals	$ 157	$ 412	$ 572	$ 1,141

The Company generally indemnifies licensees of its proprietary software products against claims brought by third parties alleging infringement of their intellectual property rights, including rights in patents (with or without geographic limitations), copyrights, trademarks, and trade secrets. DXC's indemnification of its licensees relates to costs arising from court awards, negotiated settlements, and the related legal and internal costs of those licensees. The Company maintains the right, at its own cost, to modify or replace software in order to eliminate any infringement. The Company has not incurred any significant costs related to licensee software indemnification.

Contingencies

Strauch Fair Labor Standards Act Collective Action: On July 1, 2014, several plaintiffs filed an action in the U.S. District Court for the District of Connecticut on behalf of themselves and a putative nationwide collective of CSC system administrators, alleging CSC's failure to properly classify these employees as non-exempt under the federal Fair Labor Standards Act ("FLSA"). Plaintiffs alleged similar state-law Rule 23 class claims pursuant to Connecticut and California statutes. Plaintiffs claimed double overtime damages, liquidated damages, and other amounts and remedies.

In 2015 the Court entered an order granting conditional certification under the FLSA of the collective of over 4,000 system administrators. Approximately 1,000 system administrators filed consents with the Court to participate in the FLSA collective. The class/collective action is currently made up of approximately 800 individuals who held the title of associate professional or professional system administrator.

In June 2017, the Court granted Rule 23 certification of a Connecticut state-law class and a California state-law class consisting of professional system administrators and associate professional system administrators. Senior professional system administrators were found not to qualify for Rule 23 certification under the state-law claims. CSC sought permission to appeal the Rule 23 decision to the Second Circuit Court of Appeals, which was denied.

In December 2017, a jury trial was held and a verdict was returned in favor of plaintiffs. On August 6, 2019, the Court issued an order awarding plaintiffs $18.75 million in damages. In September 2019, Plaintiffs filed a motion seeking $14.1 million in attorneys' fees and costs. In July 2020, the Court issued an order awarding Plaintiffs $8.1 million in attorneys' fees and costs. The Company disagrees with the jury verdict, the damages award, and the fee award, and is appealing the judgment of the Court.

In October 2020, the Company reached an agreement in principle with the plaintiffs to resolve the matter. The Company plans to execute a settlement agreement and submit it to the Court for approval in November 2020.

Computer Sciences Corporation v. Eric Pulier, et al.: On May 12, 2015, CSC filed a civil complaint in the Court of Chancery of the State of Delaware against Eric Pulier, the former CEO of Service Mesh Inc. ("SMI"), which CSC had acquired in November 2013. The complaint asserted claims for fraud, breach of contract and breach of fiduciary duty, based on allegations that Mr. Pulier had engaged in fraudulent transactions with two employees of the Commonwealth Bank of Australia Ltd. ("CBA"). The Court dismissed CSC's claim for breach of the implied covenant of good faith, but allowed substantially all of the remaining claims to proceed. Mr. Pulier asserted counter-claims for breach of contract, fraud, negligent representation, rescission, and violations of the California Blue Sky securities law, all of which the Court dismissed in whole or in part, except for claims for breach of Mr. Pulier's retention agreement.

In July 2017, the Court granted a motion by the United States for a 90-day stay of discovery pending the completion of a criminal investigation by the U.S. Attorney's Office for the Central District of California. In September 2017, a federal grand jury returned an indictment against Mr. Pulier, charging him with conspiracy, securities and wire fraud, obstruction of justice, and other violations of federal law (*United States v. Eric Pulier*, CR 17-599-AB). The Government sought an extension of the stay which the Delaware Chancery Court granted.

In December 2018, the Government filed an application to dismiss the indictment against Mr. Pulier, which was granted, and the indictment was dismissed with prejudice. In March 2019, the Delaware Chancery Court lifted the stay and denied CSC's motion for a temporary restraining order and preliminary injunction with respect to certain of Mr. Pulier's assets.

In August 2019, the Company entered into an agreement with Mr. Pulier, resolving all claims and counterclaims in the Delaware litigation through the division of amounts previously held in escrow for post-closing disputes.

The Securities and Exchange Commission ("SEC") has filed a complaint against Mr. Pulier alleging various claims, including for fraud and falsifying books and records (*Securities and Exchange Commission v. Eric Pulier,* Case No. 2:17-cv-07124). The Court has set a trial date of December 1, 2020.

In February 2016, Mr. Pulier filed a complaint in Delaware Chancery Court seeking advancement of his legal fees and costs in the civil and criminal actions, pursuant to the terms of his agreements with SMI. The Court ruled that CSC Agility Platform - as the successor to SMI - is liable for advancing 80% of Mr. Pulier's fees and costs in the civil and criminal actions. Pursuant to agreements with SMI, Mr. Pulier is obligated to repay all amounts advanced to him if it should ultimately be determined that he is not entitled to indemnification.

The Company remains obligated to advance amounts for Mr. Pulier's legal fees and costs to defend the SEC action against him.

Kemper Corporate Services, Inc. v. Computer Sciences Corporation: In October 2015, Kemper Corporate Services, Inc. (“Kemper”) filed a demand for arbitration against CSC with the American Arbitration Association (“AAA”), alleging that CSC breached the terms of a 2009 Master Software License and Services Agreement and related Work Orders (the “Agreement”) by failing to complete a software translation and implementation plan by certain contractual deadlines. Kemper claimed breach of contract, seeking approximately $100 million in damages. CSC answered the demand for arbitration denying Kemper’s claims and asserting a counterclaim for unpaid invoices for services rendered by CSC.

A single arbitrator conducted an evidentiary hearing on the merits of the claims and counterclaims in April 2017. In October 2017, the arbitrator issued a partial final award, finding for Kemper on its breach of contract theory, awarding Kemper $84.2 million in compensatory damages plus prejudgment interest, denying Kemper’s claim for rescission as moot, and denying CSC’s counterclaim. Kemper moved to confirm the award in federal district court in Texas.

CSC moved to vacate the award, and in August 2018, the Magistrate Judge issued its Report and Recommendation denying CSC's vacatur motion. In September 2018, the District Court summarily accepted the Report and Recommendation without further briefing and entered a Final Judgment in the case. The Company promptly filed a notice of appeal to the Fifth Circuit Court of Appeals. Following the submission of briefs, oral argument was held on September 5, 2019. On January 10, 2020, the Court of Appeals issued a decision denying the Company’s appeal. On January 24, 2020, the Company filed a Petition for Rehearing, seeking review by the entire en banc Court of Appeals. On February 14, 2020, the Court of Appeals denied the Company's Petition.

The Company has been pursuing coverage for the full scope of the award, interest, and legal fees and expenses, under the Company's applicable insurance policies. Certain carriers have accepted coverage while others have denied coverage. On February 21, 2020, the Company paid the balance of the judgment, which net of insurance recovery totalled $60 million. The Company has since recovered an additional $12.5 million from its insurance carriers. The Company continues to pursue recovery with its insurance carriers.

Forsyth, et al. v. HP Inc. and Hewlett Packard Enterprise: On August 18, 2016, this purported class and collective action was filed in the U.S. District Court for the Northern District of California, against HP and HPE alleging violations of the Federal Age Discrimination in Employment Act (“ADEA”), the California Fair Employment and Housing Act, California public policy and the California Business and Professions Code. Former business units of HPE now owned by the Company may be proportionately liable for any recovery by plaintiffs in this matter.

Plaintiffs seek to certify a nationwide class action under the ADEA comprised of all U.S. residents employed by defendants who had their employment terminated pursuant to a work force reduction (“WFR”) plan and who were 40 years of age or older at the time of termination. The class seeks to cover those impacted by WFRs on or after December 2014. Plaintiffs also seek to represent a Rule 23 class under California law comprised of all persons 40 years of age or older employed by defendants in the state of California and terminated pursuant to a WFR plan on or after August 18, 2012.

In January 2017, defendants filed a partial motion to dismiss and a motion to compel arbitration of claims by certain named and opt-in plaintiffs who had signed release agreements as part of their WFR packages. In September 2017, the Court denied the partial motion to dismiss without prejudice, but granted defendants’ motions to compel arbitration for those named and opt-in plaintiffs. The Court has stayed the entire action pending arbitration for these individuals, and administratively closed the case.

A mediation was held in October 2018 with the 16 named and opt-in plaintiffs who were involved in the case at that time. A settlement was reached, which included seven plaintiffs who were employed by former business units of HPE that are now owned by the Company. In June 2019, a second mediation was held with 145 additional opt-in plaintiffs who were compelled to arbitration pursuant to their release agreements. In December 2019, a settlement was reached with 142 of the opt-in plaintiffs, 35 of whom were employed by former business units of HPE that are now owned by the Company, and for which the Company is liable.

Former business units of the Company now owned by Perspecta may be proportionately liable for any recovery by plaintiffs in this matter.

Oracle America, Inc., et al. v. Hewlett Packard Enterprise Company: On March 22, 2016, Oracle filed a complaint against HPE in the Northern District of California, alleging copyright infringement, interference with contract, intentional interference with prospective economic relations, and unfair competition. The litigation relates in part to former business units of HPE that are now owned by the Company. The Company may be required to indemnify HPE for a portion of any recovery by Oracle in the litigation related to these business units.

Oracle's claims arise primarily out of HPE's prior relationship with a third-party maintenance provider named Terix Computer Company, Inc. ("Terix"). Oracle claims that Terix infringed its copyrights while acting as HPE's subcontractor for certain customers of HPE's multivendor support business. Oracle claims that HPE is liable for vicarious and contributory infringement arising from the alleged actions of Terix and for direct infringement arising from its own alleged conduct.

On January 29, 2019, the court granted HPE's motion for summary judgment and denied Oracle's motion for summary judgment, resolving the matter in HPE's favor. Oracle appealed the judgment to the U.S. Court of Appeals for the Ninth Circuit and in August 2020, the court granted Oracle's appeal in part. The case has been remanded to the District Court for further proceedings.

In re DXC Technology Company Securities Litigation: On December 27, 2018, a purported class action lawsuit was filed in the United States District Court for the Eastern District of Virginia against the Company and two of its current officers. The lawsuit asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and is premised on allegedly false and/or misleading statements, and alleged non-disclosure of material facts, regarding the Company's business, operations, prospects and performance during the proposed class period of February 8, 2018 to November 6, 2018. The Company moved to dismiss the claims in their entirety, and on June 2, 2020, the court granted the Company's motion, dismissing all claims and entering judgment in the Company's favor. On July 1, 2020, the plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Fourth Circuit. The appeal remains pending.

In March 2019, three related shareholder derivative lawsuits were filed in the Eighth Judicial District Court of the State of Nevada, in and for Clark County, against one of the Company's current officers and a former officer as well as members of the Company's board of directors, asserting claims for breach of fiduciary duty, waste of corporate assets, and unjust enrichment. By agreement of the parties and order of the court, those lawsuits were consolidated on July 18, 2019, and are presently stayed pending the outcome of the appeal of the Eastern District of Virginia matter.

On August 20, 2019, a purported class action lawsuit was filed in the Superior Court of the State of California, County of Santa Clara, against the Company, directors of the Company, and a former officer of the Company, among other defendants. On September 16, 2019, a substantially similar purported class action lawsuit was filed in the United States District Court for the Northern District of California against the Company, directors of the Company, and a former officer of the Company, among other defendants. On November 8, 2019, a third purported class action lawsuit was filed in the Superior Court of the State of California, County of San Mateo, against the Company, directors of the Company, and a former officer of the Company, among other defendants. The third lawsuit was voluntarily dismissed by the plaintiff and re-filed in the Superior Court of the State of California, County of Santa Clara on November 26, 2019, and thereafter was consolidated with the earlier-filed action in the same court on December 10, 2019. The California lawsuits assert claims under Sections 11, 12 and 15 of the Securities Act of 1933, as amended, and are premised on allegedly false and/or misleading statements, and alleged non-disclosure of material facts, regarding the Company's prospects and expected performance. Plaintiff in the federal action filed an amended complaint on January 8, 2020. The putative class of plaintiffs in these cases includes all persons who acquired shares of the Company's common stock pursuant to the offering documents filed with the Securities and Exchange Commission in connection with the April 2017 transaction that formed DXC. On July 15, 2020, the Superior Court of California, County of Santa Clara, denied the Company's motion to stay the state court case but extended the Company's deadline to seek dismissal of the state action, until after a decision on the Company's motion to dismiss the federal action. On July 27, 2020, the United States District Court for the Northern District of California granted the Company's motion to dismiss the federal action. The Court's order permitted plaintiffs to amend and refile their complaint within 60 days, and on September 25, 2020, the plaintiffs filed an amended complaint. The Company plans to file a motion to dismiss the amended complaint.

On October 2, 2019, a shareholder derivative lawsuit was filed in the Eighth Judicial District Court of the State of Nevada, in and for Clark County, asserting various claims, including for breach of fiduciary duty and unjust enrichment, and challenging certain sales of securities by officers under Rule 10b5-1 plans. The shareholder filed this action after making a demand on the board of directors, alleging breaches of fiduciary duty, corporate waste and disclosure violations, and demanding that the Board take certain actions to evaluate the allegations and respond. The Company's board of directors analyzed the demand, and has determined to defer its decision on the demand pending developments in the securities and derivative lawsuits described above. The Company moved to dismiss the complaint on the basis that the Board's decision to defer action was not a refusal of the demand and was within its discretion. The Company's motion to dismiss was denied on January 22, 2020. By agreement of the parties and order of the court, the case is presently stayed, pending the outcome of the appeal of the Eastern District of Virginia matter.
On March 31, 2020, a group of individual shareholders filed a complaint in the United States District Court for the Northern District of California, asserting non-class claims based on allegations substantially similar to those at issue in the earlier-filed putative class action complaints pending in the Northern District of California and Eastern District of Virginia. The plaintiffs assert claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and under Sections 11 and 15 of the Securities Act of 1933, as amended. On April 29, 2020, the court granted an administrative motion to relate the case with the earlier-filed putative class action pending in the Northern District of California. And on May 13, 2020, the parties filed a stipulation requesting to stay the case subject to resolution of the motions to dismiss in the Northern District of California and Eastern District of Virginia class actions.

The Company believes that the lawsuits described above are without merit, and it intends to vigorously defend them.

Voluntary Disclosure of Certain Possible Sanctions Law Violations: On February 2, 2017, CSC submitted an initial notification of voluntary disclosure to the U.S. Department of Treasury, Office of Foreign Assets Control ("OFAC") regarding certain possible violations of U.S. sanctions laws pertaining to insurance premium data and claims data processed by two partially-owned joint ventures of Xchanging, which CSC acquired during the first quarter of fiscal 2017. A copy of the disclosure was also provided to Her Majesty's Treasury Office of Financial Sanctions Implementation in the United Kingdom. The Company provided supplemental information to OFAC on January 31, 2020.

Perspecta Arbitration: In October 2019, Perspecta Inc. ("Perspecta") submitted a demand for arbitration claiming that in June 2018 DXC breached certain obligations under the Separation and Distribution Agreement ("SDA") between Perspecta and DXC and seeking at least $120 million in alleged damages. During the course of discovery, Perspecta increased the amount of its alleged damages, first to $500 million and then to over $800 million. Perspecta has since increased its damages calculations to include interest, bringing its total claim to $990 million. The Company believes there is no valid basis for Perspecta's claims for these amounts.

In its arbitration demand, Perspecta also challenges $39 million in invoices issued by DXC in June 2019 under its IT Services Agreement with Perspecta ("ITSA"). Perspecta subsequently challenged an additional $31 million sought by DXC in August 2020 under the ITSA. DXC believes the invoices were properly issued and the amounts are owed by Perspecta.

In October 2020, a hearing was held before an arbitration panel, during which the Company and Perspecta each presented evidence on the claims at issue. Closing arguments will take place in November 2020, after which the case will be submitted and the parties will await the decision of the arbitration panel.

In addition to the matters noted above, the Company is currently subject in the normal course of business to various claims and contingencies arising from, among other things, disputes with customers, vendors, employees, contract counterparties and other parties, as well as securities matters, environmental matters, matters concerning the licensing and use of intellectual property, and inquiries and investigations by regulatory authorities and government agencies. Some of these disputes involve or may involve litigation. The financial statements reflect the treatment of claims and contingencies based on management's view of the expected outcome. DXC consults with outside legal counsel on issues related to litigation and regulatory compliance and seeks input from other experts and advisors with respect to matters in the ordinary course of business. Although the outcome of these and other matters cannot be predicted with certainty, and the impact of the final resolution of these and other matters on the Company's results of operations in a particular subsequent reporting period could be material and adverse, management does not believe based on information currently available to the Company, that the resolution of any of the matters currently pending against the Company will have a material adverse effect on the financial position of the Company or the ability of the Company to meet its financial obligations as they become due. Unless otherwise noted, the Company is unable to determine at this time a reasonable estimate of a possible loss or range of losses associated with the foregoing disclosed contingent matters.

Note 22 - Subsequent Events

HHS Sale

On October 1, 2020, DXC completed the sale of its HHS Business to Veritas Capital. The sale was accomplished by the cash purchase of all equity interests and assets attributable to the HHS Business together with future services to be provided by the Company for a total enterprise value of $5.0 billion, subject to net working capital adjustments and assumed liabilities. The sale was not subject to any financing condition or shareholder approval. Following the transaction close, DXC retains its remaining healthcare practice, relating to the pending HPS sale.

Debt Repayments

DXC used the proceeds from the sale of the HHS Business to further strengthen its balance sheet and repaid approximately $3.5 billion of outstanding debt as of September 30, 2020. Except for £600 million (approximately $775 million) related to commercial paper, almost all of the remainder repayment related to bank debt including both remaining amounts drawn on the revolving credit facility and other outstanding term loans.

Termination of Milano Receivables Facility

On October 1, 2020, and in connection with the consummation of the sale of the HHS Business, the Milano Facility was terminated at the request of the buyer of the HHS Business. In connection with the termination, DXC paid the Milano Purchasers approximately $272 million on behalf of Milano Receivables SPV to repurchase HHS Business related commercial accounts receivable previously sold under the program as of the termination date. The Milano Receivables SPV, which owned all the accounts receivables of the HHS Business, including the repurchased accounts receivables, were part of the HHS Business that were transferred to Veritas Capital as part of the sale of the HHS Business.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

All statements and assumptions contained in this Quarterly Report on Form 10-Q and in the documents incorporated by reference that do not directly and exclusively relate to historical facts constitute "forward-looking statements." Forward-looking statements often include words such as "anticipates," "believes," "estimates," "expects," "forecast," "goal," "intends," "objective," "plans," "projects," "strategy," "target," and "will" and words and terms of similar substance in discussions of future operating or financial performance. These statements represent current expectations and beliefs, and no assurance can be given that the results described in such statements will be achieved.

Forward-looking statements include, among other things, statements with respect to our financial condition, results of operations, cash flows, business strategies, operating efficiencies or synergies, divestitures, competitive position, growth opportunities, share repurchases, dividend payments, plans and objectives of management and other matters. Such statements are subject to numerous assumptions, risks, uncertainties and other factors that could cause actual results to differ materially from those described in such statements, many of which are outside of our control. Furthermore, many of these risks and uncertainties are currently amplified by and may continue to be amplified by or may, in the future, be amplified by, the coronavirus disease 2019 ("COVID-19") pandemic and the impact of varying private and governmental responses that affect our customers, employees, vendors and the economies and communities where they operate.

Important factors that could cause actual results to differ materially from those described in forward-looking statements include, but are not limited to:

- *the uncertainty of the magnitude, duration, geographic reach, impact on the global economy and current and potential travel restrictions, stay-at-home orders, economic restrictions implemented to address the COVID-19 pandemic;*
- *the current, and uncertain future, impact of the COVID-19 pandemic, as well as other emerging developments and disruption to economic activity, and their resulting impact on our clients that may affect our business, growth, prospects, financial condition, operating results, cash flows and liquidity;*
- *changes in governmental regulations or the adoption of new laws or regulations that may make it more difficult or expensive to operate our business;*
- *changes in senior management, the loss of key employees or the ability to retain and hire key personnel and maintain relationships with key business partners;*
- *the risk of liability or damage to our reputation resulting from security breaches, cyber-attacks or disclosure of sensitive data or failure to comply with data protection laws and regulations, including the ransomware attack recently experienced by our subsidiary, Xchanging;*
- *business interruptions in connection with our technology systems;*
- *the competitive pressures faced by our business;*
- *the effects of macroeconomic and geopolitical trends and events;*
- *the need to manage third-party suppliers and the effective distribution and delivery of our products and services;*
- *the protection of our intellectual property assets, including intellectual property licensed from third parties;*
- *the risks associated with international operations;*
- *the development and transition of new products and services and the enhancement of existing products and services to meet customer needs, respond to emerging technological trends and maintain and grow our customer relationships over time;*

- *the ability to succeed in our strategic objectives, including strategic alternatives material for our business;*
- *the ability to achieve the expected benefits of our restructuring plans;*
- *the ability to maintain and grow our customer relationships over time and to comply with customer contracts or government contracting regulations or requirements;*
- *the execution and performance of contracts by us and our suppliers, customers, clients and partners;*
- *our credit rating and the ability to manage working capital, refinance and raise additional capital for future needs;*
- *our substantial amount of indebtedness;*
- *our ability to remediate any material weakness and maintain effective internal control over financial reporting;*
- *the resolution of pending investigations, claims and disputes;*
- *the integration of Computer Sciences Corporation's ("CSC") and Enterprise Services business of Hewlett Packard Enterprise Company's ("HPES") businesses, operations, and culture and the ability to operate as effectively and efficiently as expected, and the combined company's ability to successfully manage and integrate acquisitions generally;*
- *the ability to realize the synergies and benefits expected to result from the merger of CSC and HPES (the "HPES Merger") within the anticipated time frame or in the anticipated amounts;*
- *other risks related to the HPES Merger including anticipated tax treatment, unforeseen liabilities, and future capital expenditures;*
- *the spin-off of our former U.S. public sector business and its related mergers with Vencore Holding Corp. and KeyPoint Government Solutions to form Perspecta Inc. (the "USPS") Separation and Mergers could result in substantial tax liability to DXC and our stockholders;*
- *risks relating to the respective abilities of the parties to our acquisition of Luxoft Holding, Inc. to achieve the expected results therefrom;*
- *risks relating to the consummation of sale of our healthcare provider software business to Dedalus, and the ability to achieve the expected results therefrom; and*
- *the other factors described in Part I Item 1A "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended March 31, 2020 and Part II Item 1A "Risk Factors" of our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 and of this Quarterly Report on Form 10-Q.*

No assurance can be given that any goal or plan set forth in any forward-looking statement can or will be achieved, and readers are cautioned not to place undue reliance on such statements which speak only as of the date they are made. We do not undertake any obligation to update or release any revisions to any forward-looking statement or to report any events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events, except as required by law.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The purpose of the MD&A is to present information that management believes is relevant to an assessment and understanding of our results of operations and cash flows for the second quarter and first six months of fiscal 2021 and our financial condition as of September 30, 2020. The MD&A is provided as a supplement to, and should be read in conjunction with, our financial statements and accompanying notes.

The MD&A is organized into the following sections:

- Background
- Results of Operations
- Liquidity and Capital Resources
- Off-Balance Sheet Arrangements
- Contractual Obligations
- Critical Accounting Policies and Estimates

The following discussion includes a comparison of our results of operations and liquidity and capital resources for the second quarters and first six months of fiscal 2021 and fiscal 2020.

Background

DXC Technology helps global companies run their mission critical systems and operations while modernizing IT, optimizing data architectures, and ensuring security and scalability across public, private and hybrid clouds. With decades of driving innovation, the world’s largest companies trust DXC to deploy our enterprise technology stack to deliver new levels of performance, competitiveness and customer experiences.

We generate revenue by offering a wide range of information technology services and solutions primarily in North America, Europe, Asia and Australia. We operate through two segments: Global Business Services ("GBS") and Global Infrastructure Services ("GIS"). We market and sell our services directly to clients through our direct sales force operating out of sales offices around the world. Our clients include commercial businesses of many sizes and in many industries and public sector enterprises.

Results of Operations

The following table sets forth certain financial data for the second quarters and first six months of fiscal 2021 and fiscal 2020:

	Three Months Ended		Six Months Ended	
(In millions, except per-share amounts)	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Revenues	$ 4,554	$ 4,851	$ 9,056	$ 9,741
Loss before income taxes	(306)	(1,999)	(531)	(1,793)
Income tax (benefit) expense	(60)	116	(86)	154
Net loss	$ (246)	$ (2,115)	$ (445)	$ (1,947)
Diluted loss per share:	$ (0.96)	$ (8.19)	$ (1.77)	$ (7.44)

Fiscal 2021 Highlights

Financial highlights for the second quarter and first six months of fiscal 2021 include the following:

- Revenues for the second quarter and first six months of fiscal 2021 were $4.6 billion and $9.1 billion, respectively, a decrease of 6.1% and 7.0%, respectively, as compared to the second quarter and first six months of fiscal 2020. These decreases were primarily due to prior terminations and price-downs along with customer settlements that were actioned in the quarter. The decrease in revenue for the first six months of fiscal 2021 was partially offset by contributions from our Luxoft acquisition which was executed during the first quarter of fiscal 2020. Refer to the section below captioned "Revenues."
- Net loss and diluted loss per share for the second quarter of fiscal 2021 were $246 million and $0.96, respectively. Net loss decreased by $1,869 million during the second quarter of fiscal 2021 as compared to the same period of the prior fiscal year. The reduction was primarily due to goodwill impairment recognized in the prior year and cost optimization realized in the current year offset by a reduction in revenue previously mentioned and gain on arbitration in the prior year. Refer to the section below captioned "Cost and Expenses." Net loss included the cumulative impact of certain items of $407 million, reflecting restructuring costs, transaction, separation and integration-related costs, amortization of acquired intangible assets, and tax adjustment. This compares with net loss and diluted loss per share of $2,115 million and $8.19, respectively, for the second quarter of fiscal 2020.
- Net loss and diluted loss per share for the first six months of fiscal 2021 were $445 million and $1.77, respectively. Net loss decreased by $1,502 million during the first six months of fiscal 2021 as compared to the same period of the prior fiscal year. The reduction was primarily due to goodwill impairment recognized in the prior year and cost optimization realized in the current year offset by a reduction in revenue previously mentioned and gain on arbitration in the prior year. Refer to the section below captioned "Cost and Expenses." Net loss included the cumulative impact of certain items of $665 million, reflecting restructuring costs, transaction, separation and integration-related costs, amortization of acquired intangible assets, pension and other post-retirement benefit ("OPEB") actuarial and settlement losses, and tax adjustment. This compares with net loss and diluted loss per share of $1,947 million and $7.44, respectively, for the first six months of fiscal 2020.
- Our cash and cash equivalents were $3.1 billion as of September 30, 2020.
- We generated $591 million of cash from operations during the first six months of fiscal 2021, as compared to $1,585 million during the first six months of fiscal 2020.

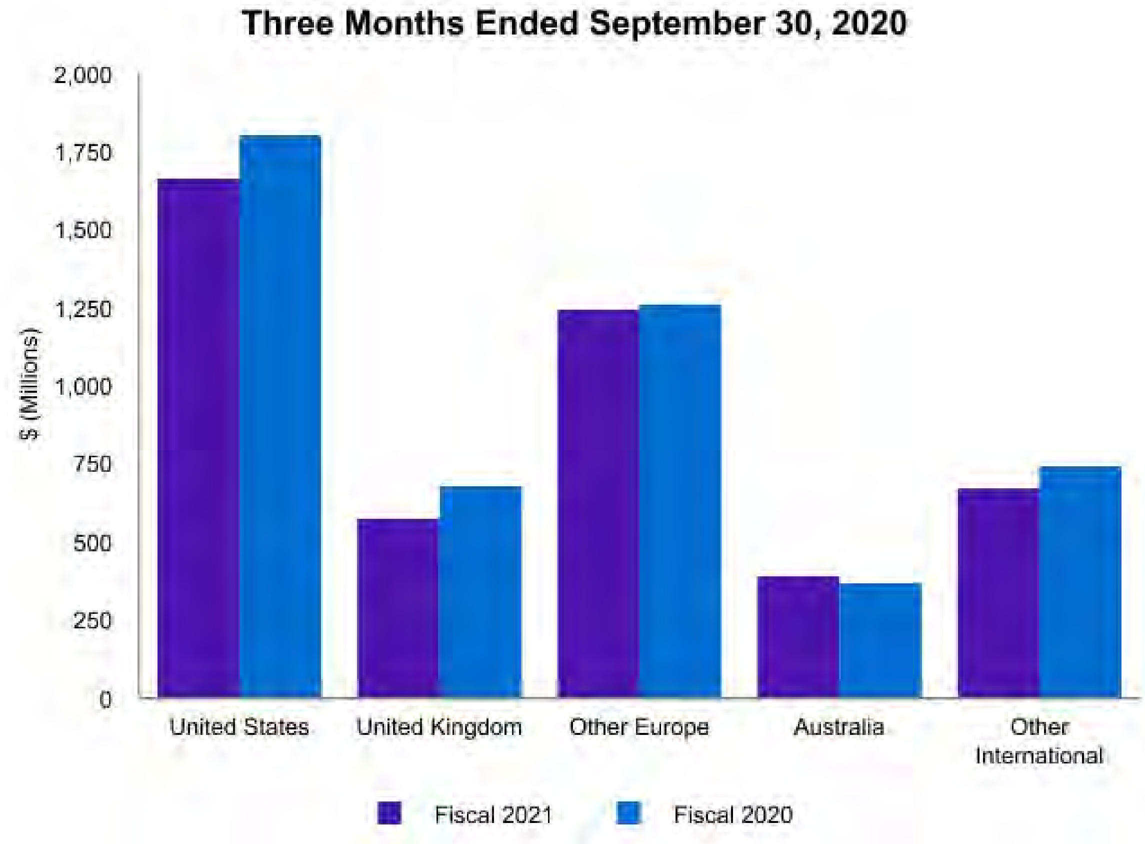
Revenues

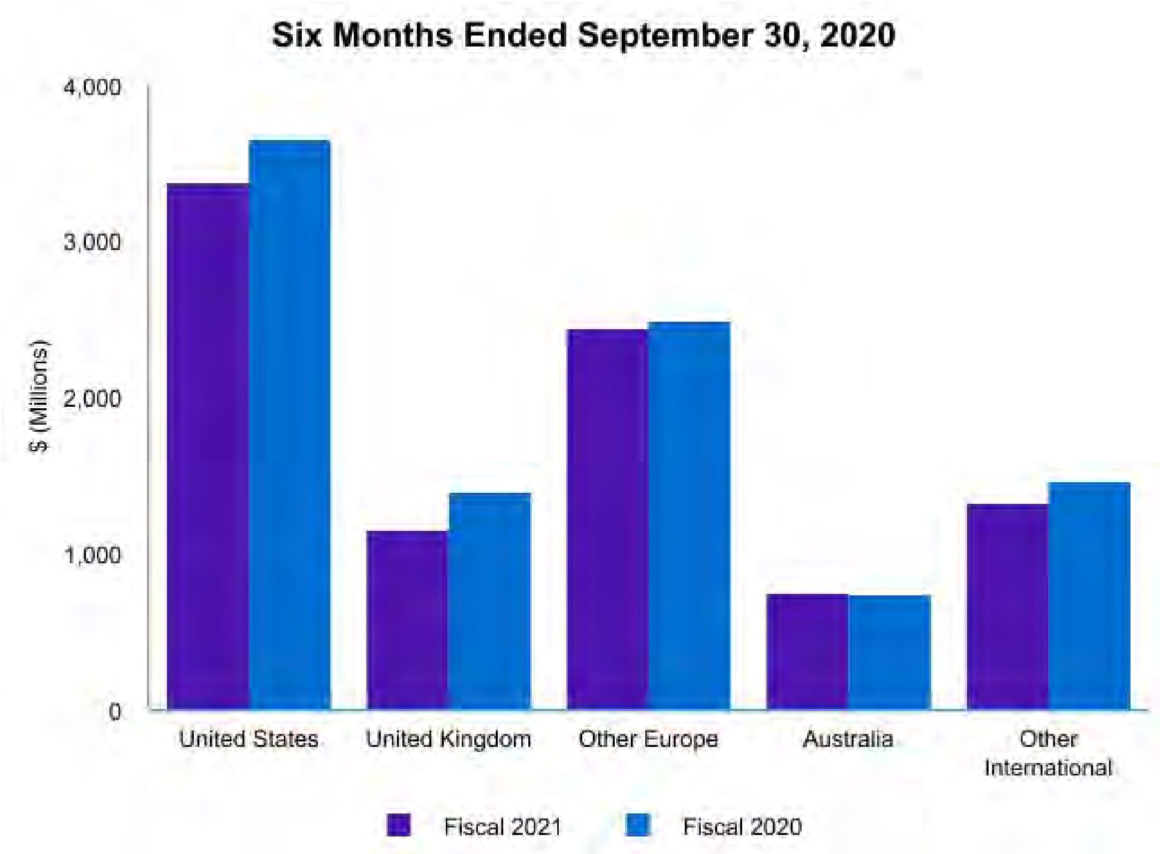
(in millions)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Change	Percentage Change
GBS	$ 2,242	$ 2,285	$ (43)	(1.9) %
GIS	2,312	2,566	(254)	(9.9) %
Total Revenues	$ 4,554	$ 4,851	$ (297)	(6.1) %

(in millions)	Six Months Ended September 30, 2020	Six Months Ended September 30, 2019	Change	Percentage Change
GBS	$ 4,416	$ 4,444	$ (28)	(0.6) %
GIS	4,640	5,297	(657)	(12.4) %
Total Revenues	$ 9,056	$ 9,741	$ (685)	(7.0) %

The decrease in revenues for the second quarter and first six months of fiscal 2021, compared with fiscal 2020 of the same period, reflects prior terminations and price-downs along with customer settlements that were actioned in the quarter. The decrease in revenue for the first six months of fiscal 2021 was partially offset by contributions from our Luxoft acquisition which was executed during the first quarter of fiscal 2020. Revenues for the second quarter included a favorable foreign currency exchange rate impact of 1.6% and an unfavorable foreign currency exchange rate impact of 0.2% for the first six months of fiscal 2021. These impacts were primarily driven by the weakening of the U.S. dollar against the Australian Dollar, Euro, and British Pound during the second quarter of fiscal 2021 and an overall strengthening of the U.S. dollar against those currencies for the first six months of fiscal 2021.

During the second quarter and first six months of fiscal 2021 and fiscal 2020, the distribution of our revenues across geographies was as follows:





For the discussion of risks associated with our foreign operations, see Part 1, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended March 31, 2020.

As a global company, approximately 63% of our revenues for the first six months of fiscal 2021 were earned internationally. As a result, the comparison of revenues denominated in currencies other than the U.S. dollar, from period to period, is impacted by fluctuations in foreign currency exchange rates. Constant currency revenues are a non-GAAP measure calculated by translating current period activity into U.S. dollars using the comparable prior period's currency conversion rates. This information is consistent with how management views our revenues and evaluates our operating performance and trends. The table below summarizes our constant currency revenues:

	Three Months Ended			
(in millions)	Constant Currency September 30, 2020	September 30, 2019	Change	Percentage Change
GBS	$ 2,207	$ 2,285	$ (78)	(3.4) %
GIS	2,269	2,566	(297)	(11.6) %
Total	$ 4,476	$ 4,851	$ (375)	(7.7) %

	Six Months Ended			
(in millions)	Constant Currency September 30, 2020	September 30, 2019	Change	Percentage Change
GBS	$ 4,419	$ 4,444	$ (25)	(0.6) %
GIS	4,660	5,297	(637)	(12.0) %
Total	$ 9,079	$ 9,741	$ (662)	(6.8) %

Global Business Services

Our GBS revenues were $2,242 million in the second quarter and $4,416 million in the first six months of fiscal 2021, a decrease of 1.9% and 0.6%, respectively, compared to the corresponding periods in fiscal 2020. GBS revenue in constant currency decreased 3.4% and 0.6% in the second quarter and first six months of fiscal 2021, respectively, as compared to the corresponding periods in fiscal 2020. The decrease in GBS revenues for the second quarter and first six months of fiscal 2021 were primarily due to prior terminations and price-downs along with customer settlements that we actioned in the quarter. The decrease in revenue for the first six months of fiscal 2021 was partially offset by contributions from our Luxoft acquisition which was executed during the first quarter of fiscal 2020.

For the second quarter and first six months of fiscal 2021, GBS contract awards were $2.4 billion and $5.9 billion, respectively, as compared to $1.9 billion and $4.3 billion in the corresponding periods of fiscal 2020.

Global Infrastructure Services

Our GIS revenues were $2,312 million in the second quarter and $4,640 million in the first six months of fiscal 2021, a decrease of 9.9% and 12.4%, respectively, compared to the corresponding periods in fiscal 2020. GIS revenue in constant currency decreased 11.6% and 12.0% in the second quarter and first six months of fiscal 2021, respectively, as compared to the corresponding periods in fiscal 2020. The decrease in GIS revenues for the second quarter and first six months of fiscal 2021 reflects prior terminations and price-downs along with customer settlements that we actioned in the quarter.

For the second quarter and first six months of fiscal 2021, GIS contract awards were $2.5 billion and $4.3 billion, respectively, as compared to $1.9 billion and $3.7 billion in the corresponding periods of fiscal 2020.

Costs and Expenses

Our total costs and expenses are shown in the tables below:

	Three Months Ended				
	Amount		Percentage of Revenues		
(in millions)	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	Percentage Point Change
Costs of services (excludes depreciation and amortization and restructuring costs)	$ 3,563	$ 3,679	78.3 %	75.8 %	2.5
Selling, general, and administrative (excludes depreciation and amortization and restructuring costs)	539	489	11.8	10.1	1.7
Depreciation and amortization	525	467	11.5	9.6	1.9
Goodwill impairment losses	—	2,887	—	59.5	(59.5)
Restructuring costs	265	32	5.8	0.7	5.1
Interest expense	96	104	2.1	2.1	—
Interest income	(25)	(67)	(0.5)	(1.4)	0.9
Gain on arbitration award	—	(632)	—	(13.0)	13.0
Other income, net	(103)	(109)	(2.3)	(2.2)	(0.1)
Total costs and expenses	$ 4,860	$ 6,850	106.7 %	141.2 %	(34.5)

	Six Months Ended				
	Amount		Percentage of Revenues		
(in millions)	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	Percentage Point Change
Costs of services (excludes depreciation and amortization and restructuring costs)	$ 7,192	$ 7,301	79.5 %	75.0 %	4.5
Selling, general, and administrative (excludes depreciation and amortization and restructuring costs)	1,078	996	11.9	10.2	1.7
Depreciation and amortization	1,017	937	11.2	9.6	1.6
Goodwill impairment losses	—	2,887	—	29.6	(29.6)
Restructuring costs	337	174	3.7	1.8	1.9
Interest expense	202	195	2.2	2.0	0.2
Interest income	(48)	(97)	(0.5)	(1.0)	0.5
Gain on arbitration award	—	(632)	—	(6.5)	6.5
Other income, net	(191)	(227)	(2.1)	(2.3)	0.2
Total costs and expenses	$ 9,587	$ 11,534	105.9 %	118.4 %	(12.5)

The 34.5 and 12.5 point decrease in total costs and expenses as a percentage of revenue for the second quarter and first six months of fiscal 2021 primarily reflects our goodwill impairment losses incurred during the second quarter and first six months of fiscal 2020 partially offset by gain on arbitration during the same periods in fiscal 2020 that didn’t occur in fiscal 2021.

Costs of Services

Cost of services, excluding depreciation and amortization and restructuring costs ("COS"), was $3.6 billion and $7.2 billion for the second quarter and first six months of fiscal 2021, respectively. COS decreased $116 million and $109 million during the second quarter and first six months of fiscal 2021, respectively, as compared to the same periods of the prior fiscal year. These decreases were primarily due to cost optimization savings realized during fiscal 2021. COS as a percentage of revenue increased 2.5 and 4.5 points, respectively, as compared to the same periods of the prior fiscal year. These point increases were driven by a reduction in revenue during the same periods of the previous fiscal year.

Selling, General, and Administrative

Selling, general, and administrative expense, excluding depreciation and amortization and restructuring costs ("SG&A"), was $539 million and $1,078 million for the second quarter and first six months of fiscal 2021, respectively. SG&A increased $50 million and $82 million during the second quarter and first six months of fiscal 2021, respectively, as compared to the same periods of the prior fiscal year. These increases were driven by higher transaction, separation and integration-related costs and SG&A related to the Luxoft Acquisition, which we acquired during the first quarter of fiscal 2020.

Transaction, separation and integration-related costs of $101 million and $211 million were included in SG&A for the second quarter and first six months of fiscal 2021, respectively, as compared to $53 million and $158 million for the comparable period of the prior fiscal year.

Depreciation and Amortization

Depreciation expense was $200 million and $378 million for the second quarter and first six months of fiscal 2021, respectively. Depreciation expense increased $31 million and $42 million during the second quarter and first six months of fiscal 2021, respectively, as compared to the same periods of the prior fiscal year. The net increase in depreciation expense for the second quarter and first six months of fiscal 2021 was primarily due to an increase in assets placed into service.

Amortization expense was $325 million and $639 million for the second quarter and first six months of fiscal 2021, respectively. Amortization expense increased $27 million and $38 million during the second quarter and first six months of fiscal 2021, respectively, as compared to the same periods of the prior fiscal year. The increase in amortization expense was primarily due to an increase in amortization related to software and customer related intangibles.

Goodwill Impairment Losses

DXC recognized goodwill impairment charges totaling $2,887 million for the second quarter and first six months of fiscal 2020.The impairment charge was primarily as a result of a decline in market capitalization during the fiscal 2020 second quarter. See Note 11, "Goodwill" for additional information.

Restructuring Costs

During fiscal 2021, management approved global cost savings initiatives designed to better align our workforce and facility structures. During the second quarter and first six months of fiscal 2021, restructuring costs, net of reversals, were $265 million and $337 million, respectively, as compared to $32 million and $174 million during the same periods of the prior fiscal year.

For an analysis of changes in our restructuring liabilities by restructuring plan, see Note 14 - "Restructuring Costs" to the financial statements.

Interest Expense and Interest Income

Interest expense was $96 million and $202 million for second quarter and first six months of fiscal 2021, respectively. Interest expense decreased $8 million during the second quarter of fiscal 2021 and increased $7 million during the first six months of fiscal 2021, as compared to the same periods of the prior fiscal year. The decrease during the second quarter of fiscal 2021 was primarily driven by decrease in term loans. The increase during the first six months of fiscal 2021 was primarily driven by increased amounts drawn on our revolving credit facilities partially offset by a decrease in term loans. See the "Capital Resources" caption below and Note 12 - “Debt” for additional information.

Interest income was $25 million and $48 million for second quarter and first six months of fiscal 2021, respectively. Interest income decreased $42 million and $49 million during the second quarter and first six months of fiscal 2021, respectively, as compared to the same periods of the prior fiscal year. These decreases were primarily driven by interest income in the second quarter of fiscal year 2020 related to arbitration discussed below under the caption “Gain on Arbitration Award."

Gain on Arbitration Award

During the second quarter of fiscal 2020, DXC received final arbitration award proceeds of $666 million related to the HPE Enterprise Services merger completed in fiscal 2018. The arbitration award included $632 million in damages that were recorded as a gain. The remaining $34 million of the award related to pre-award interest. Dispute details are subject to confidentiality obligations.

Other Income, Net

Other income, net comprises non-service cost components of net periodic pension income, movement in foreign currency exchange rates on our foreign currency denominated assets and liabilities and the related economic hedges, equity earnings of unconsolidated affiliates and other miscellaneous gains and losses.

Other income was $103 million and $191 million for the second quarter and first six months of fiscal 2021, respectively, as compared to $109 million and $227 million during the same periods of the prior fiscal year.

The $6 million decrease in other income, net for the second quarter of fiscal 2021, as compared to the same period of the prior fiscal year, was primarily due to foreign exchange hedging and revaluations offset by a year-over-year increase of $2 million in other gains related to sales of non-operating assets and a year-over-year increase of $2 million in non-service components of net periodic pension income.

The $36 million decrease in other income, net for the first six months of fiscal 2021, as compared to the same period of the prior fiscal year, was primarily due to foreign exchange hedging and revaluations and a year-over-year decrease of $7 million in non-service components of net periodic pension income.

Taxes

Our effective tax rate ("ETR") was 19.6% and (5.8)% for the three months ended September 30, 2020 and September 30, 2019, respectively, and 16.2% and (8.6)% for the six months ended September 30, 2020 and September 30, 2019, respectively. For the three and six months ended September 30, 2020, the primary drivers of the ETR were the global mix of income, foreign tax credits and adjustment of the prior tax provisions due to the filing of tax returns in the U.S and non-U.S. jurisdictions. For the three and six months ended September 30, 2019, the primary drivers of the ETR were the impact of the non-deductible goodwill impairment charge, the non-taxable gain on the arbitration award, the global mix of income, an increase in unrecognized tax benefits primarily related to the disallowance of certain legacy CSC foreign restructuring expenses deducted on the U.S. federal tax return for tax year March 31, 2013 and an increase in prior year U.S. federal research and development income tax credits.

Loss Per Share

Diluted loss per share for the second quarter and first six months of fiscal 2021 was $(0.96) and $(1.77), respectively. Diluted loss per share increased $7.23 and $5.67 during the second quarter and first six months of fiscal 2021, respectively, as compared to the same periods of the prior fiscal year. This increase was due to a reduction of $1,869 million and $1,502 million in net loss for the second quarter and first six months of fiscal 2021, respectively, over the same periods in the prior fiscal year.

Diluted loss per share for the second quarter of fiscal 2021 includes $0.83 per share of restructuring costs, $0.29 per share of transaction, separation and integration-related costs, $0.46 per share of amortization of acquired intangible assets, and $0.01 per share of tax adjustment.

Diluted loss per share for the first six months of fiscal 2021 includes $1.07 per share of restructuring costs, $0.62 per share of transaction, separation and integration-related costs, $0.91 per share of amortization of acquired intangible assets, $0.01 per share of pension and OPEB actuarial and settlement losses, and $0.01 of tax adjustment.

Non-GAAP Financial Measures

We present non-GAAP financial measures of performance which are derived from the statements of operations of DXC. These non-GAAP financial measures include earnings before interest and taxes ("EBIT"), adjusted EBIT, non-GAAP income before income taxes, non-GAAP net income and non-GAAP EPS, constant currency revenues, net debt and net debt-to-total capitalization.

We present these non-GAAP financial measures to provide investors with meaningful supplemental financial information, in addition to the financial information presented on a GAAP basis. Non-GAAP financial measures exclude certain items from GAAP results which DXC management believes are not indicative of core operating performance. DXC management believes these non-GAAP measures allow investors to better understand the financial performance of DXC exclusive of the impacts of corporate-wide strategic decisions. DXC management believes that adjusting for these items provides investors with additional measures to evaluate the financial performance of our core business operations on a comparable basis from period to period. DXC management believes the non-GAAP measures provided are also considered important measures by financial analysts covering DXC, as equity research analysts continue to publish estimates and research notes based on our non-GAAP commentary, including our guidance around diluted non-GAAP EPS targets.

Non-GAAP financial measures exclude certain items from GAAP results which DXC management believes are not indicative of operating performance such as the amortization of acquired intangible assets and transaction, separation and integration-related costs.

Incremental amortization of intangible assets acquired through business combinations may result in a significant difference in period over period amortization expense on a GAAP basis. We exclude amortization of certain acquired intangibles assets as these non-cash amounts are inconsistent in amount and frequency and are significantly impacted by the timing and/or size of acquisitions. Although DXC management excludes amortization of acquired intangible assets primarily customer related intangible assets, from its non-GAAP expenses, we believe that it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and support revenue generation. Any future transactions may result in a change to the acquired intangible asset balances and associated amortization expense.

There are limitations to the use of the non-GAAP financial measures presented in this report. One of the limitations is that they do not reflect complete financial results. We compensate for this limitation by providing a reconciliation between our non-GAAP financial measures and the respective most directly comparable financial measure calculated and presented in accordance with GAAP. Additionally, other companies, including companies in our industry, may calculate non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes between companies.

Selected references are made on a “constant currency basis” so that certain financial results can be viewed without the impact of fluctuations in foreign currency rates, thereby providing comparisons of operating performance from period to period. Financial results on a “constant currency basis” are non GAAP measures calculated by translating current period activity into U.S. dollars using the comparable prior period’s currency conversion rates. This approach is used for all results where the functional currency is not the U.S. dollar. Please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Fiscal 2021 Highlights.”

Non-GAAP financial measures and the respective most directly comparable financial measures calculated and presented in accordance with GAAP include:

	Three Months Ended		
(in millions)	September 30, 2020	September 30, 2019	Change
Loss before income taxes	$ (306)	$ (1,999)	$ 1,693
Non-GAAP income before income taxes	$ 212	$ 492	$ (280)
Net loss	$ (246)	$ (2,115)	$ 1,869
Adjusted EBIT	$ 283	$ 529	$ (246)

	Six Months Ended		
(in millions)	September 30, 2020	September 30, 2019	Change
Loss before income taxes	$ (531)	$ (1,793)	$ 1,262
Non-GAAP income before income taxes	$ 319	$ 1,083	$ (764)
Net loss	$ (445)	$ (1,947)	$ 1,502
Adjusted EBIT	$ 473	$ 1,181	$ (708)

Reconciliation of Non-GAAP Financial Measures

Our non-GAAP adjustments include:

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

(1) *TSI costs for all periods presented include fees and other expenses associated with legal, accounting, consulting, due diligence, investment banking advisory, and other services, as well as financing fees, retention incentives, and resolution of transaction related claims in connection with, or resulting from, exploring or executing potential acquisitions, dispositions and strategic alternatives, whether or not announced or consummated.*

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

(in millions, except per-share amounts)	Three Months Ended September 30, 2020 As Reported	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Tax Adjustment	Non-GAAP Results
Costs of services (excludes depreciation and amortization and restructuring costs)	$ 3,563	$ —	$ —	$ —	$ —	$ 3,563
Selling, general, and administrative (excludes depreciation and amortization and restructuring costs)	539	—	(108)	—	—	431
(Loss) income before income taxes	(306)	265	101	152	—	212
Income tax (benefit) expense	(60)	52	26	35	(2)	51
Net (loss) income	(246)	213	75	117	2	161
Less: net loss attributable to non-controlling interest, net of tax	(2)	—	—	—	—	(2)
Net (loss) income attributable to DXC common stockholders	$ (244)	$ 213	$ 75	$ 117	$ 2	$ 163
Effective Tax Rate	19.6 %					24.1 %
Basic EPS	$ (0.96)	$ 0.84	$ 0.30	$ 0.46	$ 0.01	$ 0.64
Diluted EPS	$ (0.96)	$ 0.83	$ 0.29	$ 0.46	$ 0.01	$ 0.64
Weighted average common shares outstanding for:						
Basic EPS	254.13	254.13	254.13	254.13	254.13	254.13
Diluted EPS	254.13	255.18	255.18	255.18	255.18	255.18

(in millions, except per-share amounts)	Six Months Ended September 30, 2020 As Reported	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Pension and OPEB Actuarial and Settlement Losses	Tax Adjustment	Non-GAAP Results
Costs of services (excludes depreciation and amortization and restructuring costs)	$ 7,192	$ —	$ —	$ —	$ —	$ —	$ 7,192
Selling, general, and administrative (excludes depreciation and amortization and restructuring costs)	1,078	—	(218)	—	—	—	860
(Loss) income before income taxes	(531)	337	211	300	2	—	319
Income tax (benefit) expense	(86)	64	54	69	—	(2)	99
Net (loss) income	(445)	273	157	231	2	2	220
Less: net income attributable to non-controlling interest, net of tax	4	—	—	—	—	—	4
Net (loss) income attributable to DXC common stockholders	$ (449)	$ 273	$ 157	$ 231	$ 2	$ 2	$ 216
Effective Tax Rate	16.2 %						31.0 %
Basic EPS	$ (1.77)	$ 1.08	$ 0.62	$ 0.91	$ 0.01	$ 0.01	$ 0.85
Diluted EPS	$ (1.77)	$ 1.07	$ 0.62	$ 0.91	$ 0.01	$ 0.01	$ 0.85
Weighted average common shares outstanding for:							
Basic EPS	253.88	253.88	253.88	253.88	253.88	253.88	253.88
Diluted EPS	253.88	254.76	254.76	254.76	254.76	254.76	254.76

(in millions, except per-share amounts)	Three Months Ended September 30, 2019 As Reported	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Goodwill Impairment Losses	Gain on Arbitration Award	Tax Adjustment	Non-GAAP Results
Costs of services (excludes depreciation and amortization and restructuring costs)	$ 3,679	$ —	$ —	$ —	$ —	$ —	$ —	$ 3,679
Selling, general, and administrative (excludes depreciation and amortization and restructuring costs)	489	—	(53)	—	—	—	—	$ 436
(Loss) income before income taxes	(1,999)	32	53	151	2,887	(632)	—	492
Income tax expense (benefit)	116	4	5	34	—	—	(29)	130
Net (loss) income	(2,115)	28	48	117	2,887	(632)	29	362
Less: net income attributable to non-controlling interest, net of tax	4	—	—	—	—	—	—	4
Net (loss) income attributable to DXC common stockholders	$ (2,119)	$ 28	$ 48	$ 117	$ 2,887	$ (632)	$ 29	$ 358
Effective Tax Rate	(5.8)%							26.4 %
Basic EPS	$ (8.19)	$ 0.11	$ 0.19	$ 0.45	$ 11.16	$ (2.44)	$ 0.11	$ 1.38
Diluted EPS	$ (8.19)	$ 0.11	$ 0.18	$ 0.45	$ 11.10	$ (2.43)	$ 0.11	$ 1.38
Weighted average common shares outstanding for:								
Basic EPS	258.71	258.71	258.71	258.71	258.71	258.71	258.71	258.71
Diluted EPS	258.71	260.03	260.03	260.03	260.03	260.03	260.03	260.03

(in millions, except per-share amounts)	Six Months Ended September 30, 2019 As Reported	Restructuring Costs	Transaction, Separation and Integration-Related Costs	Amortization of Acquired Intangible Assets	Goodwill Impairment Losses	Gain on Arbitration Award	Tax Adjustment	Non-GAAP Results
Costs of services (excludes depreciation and amortization and restructuring costs)	$ 7,301	$ —	$ —	$ —	$ —	$ —	$ —	$ 7,301
Selling, general, and administrative (excludes depreciation and amortization and restructuring costs)	996	—	(158)	—	—	—	—	$ 838
(Loss) income before income taxes	(1,793)	174	158	289	2,887	(632)	—	1,083
Income tax expense (benefit)	154	32	27	65	—	—	(29)	249
Net (loss) income	(1,947)	142	131	224	2,887	(632)	29	834
Less: net income attributable to non-controlling interest, net of tax	9	—	—	—	—	—	—	9
Net (loss) income attributable to DXC common stockholders	$ (1,956)	$ 142	$ 131	$ 224	$ 2,887	$ (632)	$ 29	$ 825
Effective Tax Rate	(8.6)%							23.0 %
Basic EPS	$ (7.44)	$ 0.54	$ 0.50	$ 0.85	$ 10.98	$ (2.40)	$ 0.11	$ 3.14
Diluted EPS	$ (7.44)	$ 0.54	$ 0.50	$ 0.85	$ 10.91	$ (2.39)	$ 0.11	$ 3.12
Weighted average common shares outstanding for:								
Basic EPS	262.83	262.83	262.83	262.83	262.83	262.83	262.83	262.83
Diluted EPS	262.83	264.61	264.61	264.61	264.61	264.61	264.61	264.61

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

(in millions)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Six Months Ended September 30, 2020	Six Months Ended September 30, 2019
Net loss	$ (246)	$ (2,115)	$ (445)	$ (1,947)
Income tax (benefit) expense	(60)	116	(86)	154
Interest income	(25)	(67)	(48)	(97)
Interest expense	96	104	202	195
EBIT	(235)	(1,962)	(377)	(1,695)
Restructuring costs	265	32	337	174
Transaction, separation and integration-related costs	101	53	211	158
Amortization of acquired intangible assets	152	151	300	289
Pension and OPEB actuarial and settlement losses	—	—	2	—
Goodwill impairment losses	—	2,887	—	2,887
Gain on arbitration award	—	(632)	—	(632)
Adjusted EBIT	$ 283	$ 529	$ 473	$ 1,181

Liquidity and Capital Resources

Cash and Cash Equivalents and Cash Flows

As of September 30, 2020, our cash and cash equivalents ("cash") was $3.1 billion, of which $1.2 billion was held outside of the U.S. As of March 31, 2020, our cash was $3.7 billion, of which $1.2 billion was held outside of the U.S. A substantial portion of funds can be returned to the U.S. from funds advanced previously to finance our foreign acquisition initiatives. As a result of the Tax Cuts and Jobs Act of 2017, and after the mandatory one-time income inclusion (deemed repatriation) of the historically untaxed earnings of our foreign subsidiaries and current income inclusions for global intangible low taxed income, we expect a significant portion of the cash held by our foreign subsidiaries will no longer be subject to U.S. federal income tax consequences upon subsequent repatriation to the U.S. However, a portion of this cash may still be subject to foreign and U.S. state income tax consequences upon future remittance. Therefore, if additional funds held outside the U.S. are needed for our operations in the U.S., we plan to repatriate these funds not designated as indefinitely reinvested.

The following table summarizes our cash flow activity:

	Six Months Ended		
(in millions)	September 30, 2020	September 30, 2019	Change
Net cash provided by operating activities	$ 591	$ 1,585	$ (994)
Net cash used in investing activities	(234)	(2,047)	1,813
Net cash (used in) provided by financing activities	(963)	480	(1,443)
Effect of exchange rate changes on cash and cash equivalents	9	(37)	46
Cash classified within current assets held for sale	(3)	—	(3)
Net decrease in cash and cash equivalents	$ (600)	$ (19)	$ (581)
Cash and cash equivalents at beginning-of-year	3,679	2,899	
Cash and cash equivalents at the end-of-period	$ 3,079	$ 2,880	

Operating cash flow

Net cash provided by operating activities during the first six months of fiscal 2021 was $591 million as compared to $1,585 million during the comparable period of the prior fiscal year. The decrease of $994 million was due to a decrease in net income, net of adjustments of $1,244 million, partially offset by a decrease in working capital cash outflows of $250 million. Net loss, net of adjustments include cash received on arbitration award of $668 million in the prior fiscal year.

Investing cash flow

Net cash used in investing activities during the first six months of fiscal 2021 was $234 million as compared to $2,047 million during the comparable period of the prior fiscal year. The decrease in cash used of $1,813 million was primarily due to a decrease in cash paid for acquisitions of $1,911 million, short-term investing of $75 million during fiscal 2020 that didn’t occur during fiscal 2021, and a decrease in purchases of property and equipment of $36 million. This was partially offset by a decrease in cash collections related to deferred purchase price receivable of $212 million.

Financing cash flow

Net cash (used in) provided by financing activities during the first six months of fiscal 2021 was $(963) million as compared to $480 million during the comparable period of the prior fiscal year. The $1,443 million increase in cash used was primarily due to a decrease in borrowings on term loans and other long-term debt of $1,205 million, repayments of borrowings under lines of credit of $2,750 million, and an increase in payments on long-term debt of $957 million. This was partially offset by borrowings under lines of credit of $2,500 million, absence of common stock repurchases and advance payment for accelerated share repurchase of $650 million in fiscal 2020, and an increase of commercial paper borrowings, net of repayments of $309 million.

Capital Resources

See Note 21 - "Commitments and Contingencies" for a discussion of the general purpose of guarantees and commitments. The anticipated sources of funds to fulfill such commitments are listed below and under the subheading "Liquidity."

The following table summarizes our total debt:

	As of	
(in millions)	**September 30, 2020**	**March 31, 2020**
Short-term debt and current maturities of long-term debt	$ 1,622	$ 1,276
Long-term debt, net of current maturities	8,046	8,672
Total debt	$ 9,668	$ 9,948

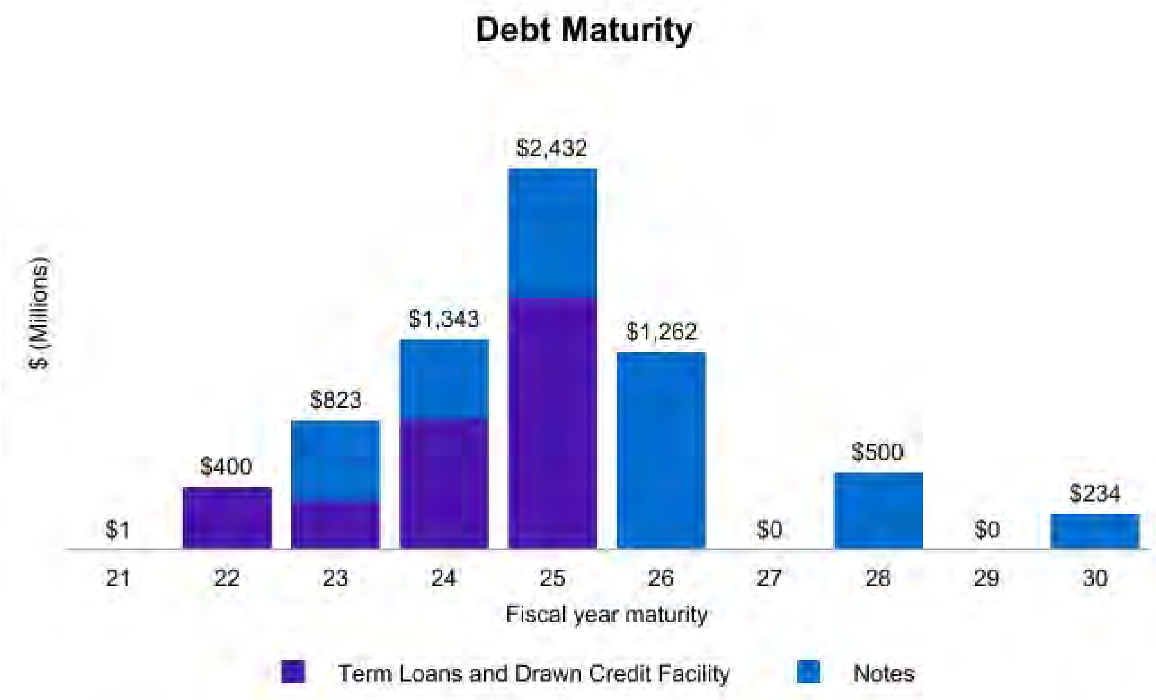
The $0.3 billion decrease in total debt during the first six months of fiscal 2021 was primarily attributed to the prepayment of our term loan facilities of €500 million of Euro Term Loan due fiscal 2023, £450 million of GBP Term Loan due fiscal 2022, A$300 million of AUD Term Loan due fiscal 2022, and $100 million of USD Term Loan due fiscal 2025, offset by the issuance of new senior notes with an aggregate principal of $1.0 billion, consisting of (i) $500 million of 4.00% Senior Notes due fiscal 2024 and (ii) $500 million of 4.13% Senior Notes due fiscal 2026.

During the first quarter of fiscal 2021, we applied for and were confirmed eligible to participate in the Bank of England's ("BOE") COVID Corporate Funding Facility, a BOE program that provides term liquidity funding to investment grade corporate issuers with significant operations in the UK, in order to stabilize and facilitate continued access to sterling commercial paper markets. At our option, we can borrow up to a maximum of €1 billion or its equivalent in Euro, British Pound and U.S. dollar. On June 15, 2020, DXC Capital Funding DAC (previously named DXC Capital Funding Limited), an indirect subsidiary of the Company, issued £600 million in commercial paper maturing May 2021 under its existing €1.0 billion commercial paper program via direct sale to the BOE.

During the first six months of fiscal 2021, we borrowed the remaining $2.5 billion under the $4.0 billion credit facility agreement and repaid $2.75 billion on the same. The purpose of the borrowing was to mitigate our reliance on volatile short-term commercial paper markets and to strengthen our cash and liquidity position given the uncertainties related to COVID-19 pandemic and its potential impact on our clients and our business. The credit facility repayment resulted from accessing other liquidity resources. The repaid credit facility amounts became available under the revolving credit facility for redraw at the request of the Company. Subsequent to September 30, 2020, we repaid the entire $1.25 billion outstanding on our credit facility, making the entire $4.0 billion available for redraw at the request of the Company.

We were in compliance with all financial covenants associated with our borrowings as of September 30, 2020 and September 30, 2019.

The debt maturity chart below summarizes the future maturities of long-term debt principal for fiscal years subsequent to September 30, 2020, and excludes maturities of borrowings for assets acquired under long-term financing and finance lease liabilities. See Note 12 - "Debt" for more information.



The following table summarizes our capitalization ratios:

	As of	
(in millions)	September 30, 2020	March 31, 2020
Total debt	$ 9,668	$ 9,948
Cash and cash equivalents	3,079	3,679
Net debt[(1)]	$ 6,589	$ 6,269
Total debt	$ 9,668	$ 9,948
Equity	4,751	5,129
Total capitalization	$ 14,419	$ 15,077
Debt-to-total capitalization	67.1 %	66.0 %
Net debt-to-total capitalization[(1)]	45.7 %	41.6 %

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(1) Net debt and Net debt-to-total capitalization are non-GAAP measures used by management to assess our ability to service our debts using only our cash and cash equivalents. We present these non-GAAP measures to assist investors in analyzing our capital structure in a more comprehensive way compared to gross debt based ratios alone.

Our credit ratings are as follows:

Rating Agency	Long Term Ratings	Short Term Ratings	Outlook
Fitch	BBB	F-2	Stable
Moody's	Baa2	P-2	Negative
S&P	BBB-	-	Stable

See Note 21 - "Commitments and Contingencies" for a discussion of the general purpose of guarantees and commitments. The anticipated sources of funds to fulfill such commitments are listed below at "Liquidity".

Liquidity

We expect our existing cash and cash equivalents, together with cash generated from operations, will be sufficient to meet our normal operating requirements for the next 12 months. We expect to continue to use cash generated by operations as a primary source of liquidity; however, should we require funds greater than that generated from our operations to fund discretionary investment activities, such as business acquisitions, we have the ability to raise capital through the issuance of capital market debt instruments such as commercial paper, term loans, and bonds. In addition, we currently utilize, and will further utilize our cross currency cash pool for liquidity needs. However, there is no guarantee that we will be able to obtain debt financing, if required, on terms and conditions acceptable to us, if at all, in the future.

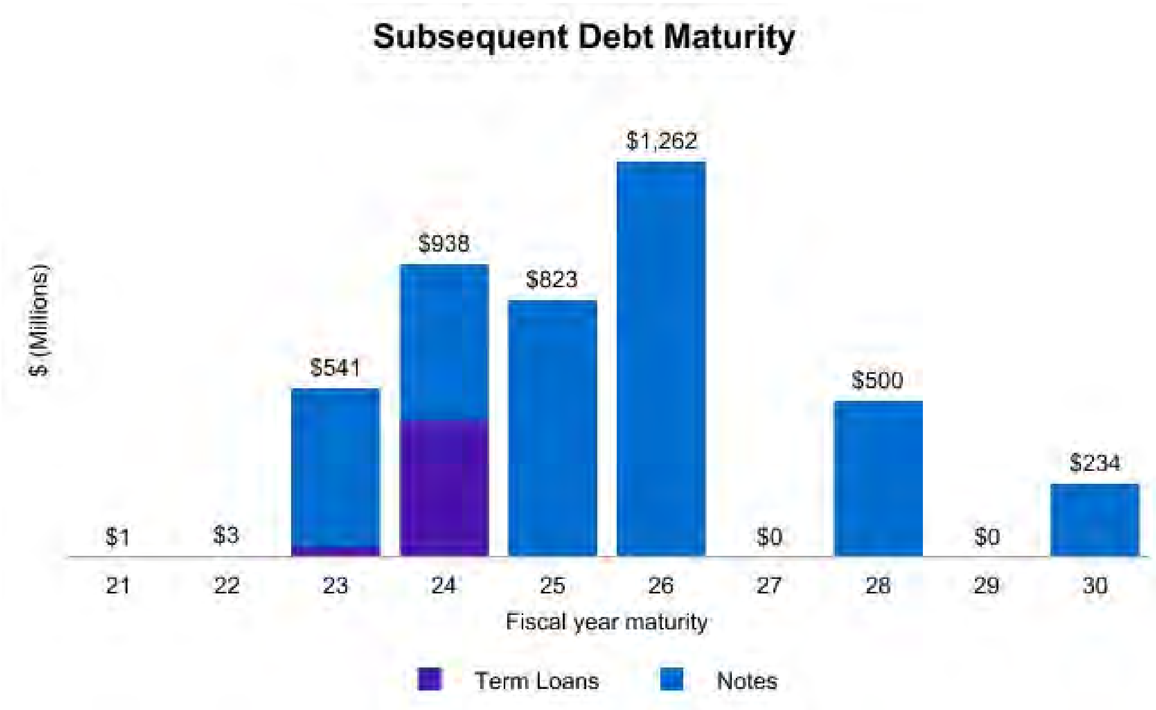
Our exposure to operational liquidity risk is primarily from long-term contracts which require significant investment of cash during the initial phases of contracts. The recovery of these investments is over the life of contracts and is dependent upon our performance as well as customer acceptance.

The following table summarizes our total liquidity:

(in millions)	As of September 30, 2020
Cash and cash equivalents	$ 3,079
Available borrowings under our revolving credit facility	2,750
Total liquidity	$ 5,829

In October 2020 subsequent to the end of the current quarter, the company used the proceeds from the sale of HHS Business to prepay the following debt: $1,250 million of Revolver Credit Facility, £600 million of GBP commercial paper, €350 million of Euro Term Loan due fiscal 2024, $381 million of USD Term loan due fiscal 2025, A$500 million of AUD Term Loan due fiscal 2022, and €250 million of Euro Term Loan due fiscal 2022 and 2023.

The debt maturity chart below summarizes the future maturities of long-term debt principal taking into effect of prepayments as mentioned above for fiscal years subsequent to November 5, 2020 and excludes maturities of borrowings for assets acquired under long-term financing and capitalized lease liabilities.



Share Repurchases

During the first quarter of fiscal 2018, our Board of Directors authorized the repurchase of up to $2.0 billion of our common stock and during the third quarter of fiscal 2019, our Board of Directors approved an incremental $2.0 billion share repurchase. This program became effective on April 3, 2017 with no end date established. There were no share repurchases during the second quarter ended September 30, 2020.

Dividends

To enhance our financial flexibility we elected to suspend payment of quarterly dividends.

Off-Balance Sheet Arrangements

In the normal course of business, we are party to arrangements that include guarantees, the receivables securitization facility and certain other financial instruments with off-balance sheet risk, such as letters of credit and surety bonds. We also use performance letters of credit to support various risk management insurance policies. No liabilities related to these arrangements are reflected in our condensed consolidated balance sheets. There have been no material changes to our off-balance-sheet arrangements reported under Part II, Item 7 of our Annual Report on Form 10-K other than as disclosed below and in Note 6 - "Receivables" and Note 21 - "Commitments and Contingencies" to the financial statements in this Quarterly Report on Form 10-Q.

Contractual Obligations

With the exception of the new senior notes with an aggregate principal amount of $1.0 billion, consisting of (i) $500 million of 4.00% Senior Notes due fiscal 2024; and (ii) $500 million of 4.13% Senior Notes due fiscal 2026; and repayment of term loan facilities consisting of (i) €500 million of Euro Term Loan due fiscal 2023, (ii) £450 million of GBP Term Loan due fiscal 2022, (iii) A$300 million of AUD Term Loan due fiscal 2022, and (iv) $100 million of USD Term Loan due fiscal 2025 as discussed above under the subheading "Capital Resources," there have been no material changes, outside the ordinary course of business, to our contractual obligations since March 31, 2020. For further information see "Contractual Obligations" in Item 7 of Part II of our Annual Report on Form 10-K for the fiscal year ended March 31, 2020.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. These estimates may change in the future if underlying assumptions or factors change. Accordingly, actual results could differ materially from our estimates under different assumptions, judgments or conditions. We consider the following policies to be critical because of their complexity and the high degree of judgment involved in implementing them: revenue recognition, income taxes, business combinations, defined benefit plans and valuation of assets. We have discussed the selection of our critical accounting policies and the effect of estimates with the audit committee of our board of directors. During the three months ended September 30, 2020, there were no changes to our accounting estimates from those described in our fiscal 2020 Annual Report on Form 10-K except as mentioned in Note 1 - "Summary of Significant Accounting Policies."

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For quantitative and qualitative disclosures about market risk affecting DXC, see "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of Part II of our Annual Report on Form 10-K for the fiscal year ended March 31, 2020. Our exposure to market risk has not changed materially since March 31, 2020.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of September 30, 2020 because of the material weakness in our internal control over financial reporting described below.

Control Activities

As previously disclosed during the third quarter of fiscal 2020, Management concluded there was a material weakness in internal controls over financial reporting related to the design and implementation of effective control activities based on the criteria established in the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated Framework (2013). These control deficiencies constituted a material weakness in the aggregate related to reassessing policies and procedures, to determine their continued relevance, as impacted by complex transactions and processes.

Deficiencies that contributed to the aggregation included:

- Management did not reassess in a timely manner the control activities related to goodwill impairment upon adoption of ASU 2017-04 which resulted in an immaterial out of period adjustment between quarters within fiscal 2020 related to the tax effect of the impairment recognized.
- Management did not reassess the control and procedures related to the balance sheet classification of deferred revenue following a large and complex acquisition which resulted in an immaterial out of period adjustment to the balance sheets during the third quarter ended December 31, 2019.

As a result, we have concluded that there is a reasonable possibility that a material misstatement to our Condensed Consolidated Financial Statements would not be prevented or detected on a timely basis and therefore we concluded that the aggregation of these deficiencies represents a material weakness in our internal control over financial reporting as of September 30, 2020.

Notwithstanding the identified material weakness, management believes that the Condensed Consolidated Financial Statements and related financial information included in this 10-Q fairly present, in all material respects, our balance sheets, statements of operations, comprehensive (loss) income and cash flows as of and for the periods presented.

Remediation Plan

Our remediation efforts are ongoing. Management continues to implement remediation actions to address the specific control deficiencies that, in the aggregate, led to a material weakness. Additionally, Management has completed a detailed root cause analysis which was designed to identify areas of focus where enhancements can be made to the internal control environment to support the continued timely reassessment of policies and procedures and reduce the occurrence of future deficiencies caused by complex transactions and processes. Management has remediated certain of the identified control deficiencies that lead to the material weakness.

The following activities are designed as part of this remediation plan:

- Appointment of a new advisor reporting directly to our Chief Financial Officer with the appropriate level of knowledge and experience to help develop and execute the remediation plan.
- Enhance periodic reviews by management and review existing documentation to determine if policies, procedures, and related control activities have continued relevance or need updating due to changes within the organization with a specific focus on the areas identified by the root cause analysis.
- Align the Sarbanes-Oxley Act ("SOX") compliance function under the newly appointed Chief Risk Officer.
- Establish periodic reporting of the remediation plan progress to the Audit Committee.
- Expand SOX training and implementation of succession planning for SOX control owners.

Management continues to be actively engaged to take steps to remediate the material weakness noted above, including (1) appointment of an external advisor to lead the remediation activities (2) hiring a new Global SOX Director reporting to the Chief Risk Officer (3) establishment of progress reporting to the Audit Committee and (4) establishment of a control owner transition process. In additional to the items noted above, Management has developed expanded SOX training to be incorporated in the onboarding process and evaluated management level reporting to identify key performance indicators for monitoring. These additional remediation efforts have begun and are expected to be completed in the subsequent quarters. While we have made significant progress, there has not been sufficient time to resolve the material weakness in internal control over financial reporting.

As we continue to improve the effectiveness of our internal control over financial reporting, we may supplement our remediation activities as our work progresses where appropriate. Our goal is to have enhanced control policies, procedures, processes in place as promptly as practicable. However, due to the nature of the work and subsequent testing required to conclude that a material weakness no longer exists, we are not in a position to complete our remediation plan and concluded that our internal control over financial reporting is not designed or operating effectively as of the quarter ended September 30, 2020.

Changes in Internal Control over Financial Reporting

In addition to the remediation efforts described above, we adopted ASC 326 effective April 1, 2020, as described in Note 2 - "Recent Accounting Pronouncements" to the financial statements during the first quarter of fiscal 2021. We began using a new model and redesigned certain processes and controls relating to our reserves and expected losses.

There were no changes in our internal control over financial reporting during the three months ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

See Note 21 - "Commitments and Contingencies" to the financial statements under the caption “Contingencies” for information regarding legal proceedings in which we are involved.

ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, which may materially and adversely affect our business, financial condition, and results of operations, and the actual outcome of matters as to which forward-looking statements are made in this Quarterly Report on Form 10-Q. In such case, the trading price for DXC common stock could decline, and you could lose all or part of your investment. Past performance may not be a reliable indicator of future financial performance and historical trends should not be used to anticipate results or trends in future periods. Future performance and historical trends may be adversely affected by the aforementioned risks, and other variables and risks and uncertainties not currently known or that are currently expected to be immaterial may also materially and adversely affect our business, financial condition, and results of operations or the price of our common stock in the future. Apart from the risk factors disclosed below, there have been no material changes in the three months ended September 30, 2020 to the risk factors described in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2020 and in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020, which are hereby incorporated by reference herein other than the updated risk factors below. Future performance and historical trends may be adversely affected by the aforementioned risks, and other variables and risks and uncertainties not currently known or that are currently expected to be immaterial may also materially and adversely affect our business, financial condition, and results of operations or the price of our common stock in the future.

Risks Relating to Our Business

Our inability to procure third-party license required for the operation of our products and service offerings may result in decreased revenue or increased costs.

Many of our products and service offerings depends on the continued performance and availability of software licensed from third-party vendors under our contractual arrangements. Because of the nature of these licenses and arrangements, we cannot assure you that we would be able to retain all of these intellectual property rights upon renewal, expiration or termination of such licenses or that we will be able to procure, renew or extend such licenses on commercially reasonable terms which may result in increased costs. Certain of our licenses are concentrated in one or more third-party licensors where multiple licenses are up for renewal at the same time, which could decrease our ability to negotiate reasonable license fees and could result in our loss of rights under such licenses.

Risks Related to the proposed sale of the healthcare provider software business to Dedalus

The sale of the healthcare provider software business is contingent upon the satisfaction of a number of conditions, and the transaction may not be consummated on the terms or timeline currently contemplated, or at all.

On July 17, 2020, we entered into a Purchase Agreement with Dedalus. Pursuant to the Purchase Agreement, Dedalus will acquire DXC’s healthcare provider software business for total cash consideration of approximately €459.4 million (approximately $525 million) (the “HPS Sale”). We currently expect the transaction to close by March 2021 and plan to use the after-tax proceeds from the HPS Sale to repay outstanding indebtedness.

The closing of the HPS Sale is subject to certain conditions, including (i) receipt of certain regulatory consents, (ii) the absence of any injunction or other order from a governmental authority that prevents the closing, and (iii) subject to certain exceptions, the accuracy of the representations and warranties of, and compliance with covenants by, the other party. In addition, the closing of the HPS sale is subject to certain conditions for the benefit of Dedalus, including (a) the absence of a material adverse effect on the business or the ability of DXC to consummate the transaction and (b) receipt of certain customer consents. For these and other reasons, the HPS Sale may not be completed by the end of March 2021 or otherwise on the terms or timeline contemplated, if at all. In the event that the HPS Sale is not completed, we will not be able to use the after-tax sale proceeds to repay outstanding indebtedness, which would have an adverse effect on our business, financial condition, results of operations and/or cash flows.

***The proposed transaction may result in disruptions to relationships with customers and other business partners or may not achieve the intended result*s.**

If we complete the proposed HPS Sale, there can be no assurance that we will be able to realize the intended benefits of the transaction. Specifically, the proposed HPS Sale could cause disruptions in our remaining businesses, including by disrupting operations or causing customers to delay or to defer decisions or to end their relationships, or otherwise limiting the ability to compete for or perform certain contracts or services. Other challenges and risks to our remaining businesses include the potential loss of key suppliers, vendors and other key business partners; declining employee morale and employee retention issues; difficulty in making new and strategic hires of new employees; the need to separate operations, systems (including accounting, management, information, human resource and other administrative systems), technologies, products and personnel, and the inefficiencies and lack of control that may result if such separation is delayed or not implemented effectively, and unforeseen difficulties and expenditures that may arise as a result. Other challenges and risks to our remaining businesses include the potential loss of key suppliers, vendors and other key business partners; declining employee morale and employee retention issues; difficulty in making new and strategic hires of new employees; the need to separate operations, systems (including accounting, management, information, human resource and other administrative systems), technologies, products and personnel, and the inefficiencies and lack of control that may result if such separation is delayed or not implemented effectively, and unforeseen difficulties and expenditures that may arise as a result. Any of the foregoing could adversely affect our remaining businesses, the financial condition of such businesses and their results of operations and prospects. The HPS business is accounted for as part of the GBS segment.

The actions required to implement the HPS Sale will take significant management time and attention and will require us to incur significant costs.

The HPS Sale will require significant amounts of management's time and resources, which will be in addition to and may divert management's time and attention from the operation of our remaining businesses and the execution of our other strategic initiatives. Additionally, we will incur costs in connection with the HPS Sale. These costs must be paid regardless of whether the HPS Sale is consummated.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

None during the period covered by this report.

Use of Proceeds

Not applicable.

Issuer Purchases of Equity Securities

On April 3, 2017, DXC announced the establishment of a share repurchase plan approved by the Board of Directors with an initial authorization of $2.0 billion for future repurchases of outstanding shares of DXC common stock. On November 8, 2018, DXC's Board of Directors approved an incremental $2.0 billion share repurchase. An expiration date has not been established for this repurchase plan. Share repurchases may be made from time to time through various means, including in open market purchases, 10b5-1 plans, privately-negotiated transactions, accelerated stock repurchases, block trades and other transactions, in compliance with Rule 10b-18 under the Exchange Act, as well as, to the extent applicable, other federal and state securities laws and other legal requirements. The timing, volume, and nature of share repurchases pursuant to the share repurchase plan are at the discretion of management and may be suspended or discontinued at any time.

There was no share repurchase activity during the three months and six months ended September 30, 2020.

ITEM 3. DEFAULT UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
10.1	Tenth Amendment to the Receivables Purchase Agreement dated as of August 10, 2020, among DXC Receivables LLC (f/k/a CSC Receivables LLC), as Seller, DXC Technology Company, as Servicer, PNC Bank, National Association, as Administrative Agent, and the persons from time to time party thereto as Purchasers and Group Agents (filed herewith)
10.2	Sixth Amendment to the Purchase and Sale Agreement dated as of August 10, 2020, among DXC Technology Company, as Servicer, PDA Software Services LLC as exiting Originator, DXC Receivables LLC (f/k/a CSC Receivables LLC), as Buyer and the various parties listed as remaining Originators (filed herewith)
10.3*	Separation Agreement for Paul N. Saleh
31.1**	Section 302 Certification of the Chief Executive Officer
31.2**	Section 302 Certification of the Chief Financial Officer
32.1***	Section 906 Certification of Chief Executive Officer
32.2***	Section 906 Certification of Chief Financial Officer
101.INS	Interactive Data Files
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.LAB	XBRL Taxonomy Extension Labels
101.PRE	XBRL Taxonomy Extension Presentation
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Management contract or compensatory plan or agreement
** Filed herewith
*** Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DXC TECHNOLOGY COMPANY

Dated:	November 5, 2020	By:	/s/ Neil A. Manna
		Name:	**Neil A. Manna**
		Title:	**Interim CFO, Senior Vice President, Corporate Controller Principal Accounting Officer**

TENTH AMENDMENT TO THE

RECEIVABLES PURCHASE AGREEMENT

This TENTH AMENDMENT TO THE RECEIVABLES PURCHASE AGREEMENT (this "Amendment"), dated as of August 6, 2020, is entered into by and among the following parties:

i. DXC RECEIVABLES LLC (F/K/A CSC RECEIVABLES LLC), a Delaware limited liability company, as Seller (the "Seller");

ii. DXC TECHNOLOGY COMPANY, a Nevada corporation, as Servicer (the "Servicer");

iii. PNC BANK, NATIONAL ASSOCIATION, as a Committed Purchaser, as Group Agent for its Purchaser Group and as Administrative Agent (in such capacity, the "Administrative Agent");

iv. WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Committed Purchaser and as Group Agent for its Purchaser Group;

v. MUFG BANK, LTD. (F/K/A THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.), as a Committed Purchaser and as Group Agent for its Purchaser Group;

vi. FIFTH THIRD BANK, NATIONAL ASSOCIATION (F/K/A FIFTH THIRD BANK), as a Committed Purchaser and as Group Agent for its Purchaser Group;

vii. MIZUHO BANK, LTD., as a Committed Purchaser and as Group Agent for its Purchaser Group; and

viii. THE TORONTO DOMINION BANK, as a Committed Purchaser and as Group Agent for its Purchaser Group.

Capitalized terms used but not otherwise defined herein (including such terms used above) have the respective meanings assigned thereto in the Receivables Purchase Agreement described below.

BACKGROUND

A. The parties hereto have entered into a Receivables Purchase Agreement, dated as of December 21, 2016 (such date, the "Original Closing Date") (as amended, restated, supplemented or otherwise modified through the date hereof, the "Receivables Purchase Agreement").

B. Concurrently herewith, the Seller, as buyer, the Servicer, PDA Software Services LLC (the "Exiting Originator"), Alliance-One Services, Inc., Computer Sciences Corporation, CSC Consulting, Inc., CSC Covansys Corporation, CSC Cybertek Corporation, CSC Puerto Rico, LLC, DXC Technology Services LLC, Mynd Corporation and Tribridge Holdings, LLC are entering into that certain Sixth Amendment to the Purchase and Sale Agreement, dated as of the date hereof (the "Sale Agreement Amendment").

C. Concurrently herewith, the parties hereto and PNC Capital Markets LLC, as Structuring Agent, are entering into that certain Seventh Amended and Restated Fee Letter, dated as of the date hereof (the "Amended Fee Letter").

D. Concurrently herewith, the Exiting Originator, CSC Cybertek Corporation, CSC Covansys Corporation, the Seller and the Administrative Agent, are entering into that certain Assignment Agreement (the "Assignment Agreement"), dated as of the date hereof, whereby the Seller agrees to sell back certain Receivables originated by the Exiting Originator, CSC Cybertek Corporation and CSC Covansys Corporation to the Exiting Originator, CSC Cybertek Corporation and CSC Covansys Corporation, respectively.

E. The parties hereto acknowledge and agree that certain of the Receivables originated by the Exiting Originator, CSC Cybertek Corporation and CSC Covansys Corporation include MMIS Receivables and pursuant to the Ninth Amendment, dated as of May 29, 2020 (such date, the "Ninth Amendment Date", and such amendment, the "Ninth Amendment"), among the parties hereto, whereby the parties hereto, amongst other things, designated such MMIS Receivables as Excluded Receivables. The Seller, the Originators (including CSC Cybertek Corporation and CSC Covansys Corporation), the Exiting Originator and the Servicer have informed the Administrative Agent and each Group Agent that all Information Packages and other similar reports delivered by the Servicer, the Originators or the Seller pursuant to the Transaction Documents on and after the Ninth Amendment Date with respect to the Pool Receivables and the transactions contemplated by the Transaction Documents have treated such Receivables as Excluded Receivables for all purposes. Therefore, the parties hereto desire to enter into the Assignment Agreement effective as of the Ninth Amendment Date to sell back to the Exiting Originator, CSC Cybertek Corporation and CSC Covansys Corporation, as applicable, such MMIS Receivables that were sold, contributed, assigned, pledged or otherwise transferred to the Seller or the Administrative Agent pursuant to the Transaction Documents prior to the Ninth Amendment Date and, on and after the Ninth Amendment Date, to confirm that such Receivables have not been sold, contributed, assigned, pledged or otherwise transferred to the Seller or the Administrative Agent pursuant to the Transaction Documents.

F. The parties hereto desire to amend the Receivables Purchase Agreement as set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Amendments to the Receivables Purchase Agreement. The Receivables Purchase Agreement is hereby amended as shown on the marked pages of the Receivables Purchase Agreement attached hereto as Exhibit A.

c. Notices and Consents.

i. *Confirmation regarding certain Excluded Receivables*. The parties hereto confirm their agreement that, after the Ninth Amendment Date, no MMIS Receivables have been sold, contributed, assigned, pledged or otherwise transferred to the Seller or the Administrative Agent pursuant to the Transaction Documents.

ii. *Notice of Entry into the Assignment Agreement*. The Seller hereby provides notice of its entry into the Assignment Agreement along with duly executed copy of the Assignment Agreement and requests that each of the parties hereto acknowledge and consent to the execution of the Assignment Agreement.

iii. *Consent to Entry into the Assignment Agreement*. Each of the parties hereto acknowledges, consents and agrees to the terms of the Assignment Agreement and waives any otherwise applicable conditions precedent thereto under the Receivables Purchase Agreement and the other Transactions Documents (other than as set forth herein).

iv. *Consent to Filing Certain UCC Financing Statements.* In connection with the execution of the Assignment Agreement and the Sale Agreement Amendment, each of the parties hereto hereby consents to the filing of the financing statements attached hereto as Exhibit B.

d. Representations and Warranties of the Seller and Servicer. Each of the Seller and the Servicer hereby represents and warrants, as to itself, to the Administrative Agent, each Purchaser and each Group Agent, as follows:

1. *Representations and Warranties*. Immediately after giving effect to this Amendment, the representations and warranties made by such Person in the Transaction Documents to which it is a party are true and correct as of the date hereof (unless stated to relate solely to an earlier date, in which case such representations or warranties were true and correct as of such earlier date).

2. *Enforceability*. This Amendment and each other Transaction Document to which it is a party, as amended hereby, constitute the legal, valid and binding obligation of such Person enforceable against such Person in accordance with its respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether enforceability is considered in a proceeding in equity or at law.

3. *No Termination Event*. No event has occurred and is continuing, or would result from the transactions contemplated hereby, that constitutes an Event of Termination, Non-Reinvestment Event, Unmatured Event of Termination or Unmatured Non-Reinvestment Event.

c. Effect of Amendment. All provisions of the Receivables Purchase Agreement and the other Transaction Documents, as expressly amended and modified by this Amendment, shall remain in full force and effect. After this Amendment becomes effective, all references in the Receivables Purchase Agreement (or in any other Transaction Document) to "this Receivables Purchase Agreement", "this Agreement", "hereof", "herein" or words of similar effect referring to the Receivables Purchase Agreement shall be deemed to be references to the

Receivables Purchase Agreement as amended by this Amendment. This Amendment shall not be deemed, either expressly or impliedly, to waive, amend or supplement any provision of the Receivables Purchase Agreement other than as set forth herein.

d. Consent to Sale Agreement Amendment. Each of the parties hereto hereby consent to the execution and delivery of Sale Agreement Amendment in the form of Exhibit D attached hereto.

e. Effectiveness. This Amendment shall become effective as of the date hereof upon receipt by the Administrative Agent of each of the documents, agreements (in fully executed form), UCC filings and other deliverables listed on the closing memorandum attached as Exhibit C hereto, in each case, in form and substance acceptable to the Administrative Agent.

f. Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or e-mail transmission shall be effective as delivery of a manually executed counterpart hereof.

g. GOVERNING LAW. THIS AMENDMENT, INCLUDING THE RIGHTS AND DUTIES OF THE PARTIES HERETO, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, BUT WITHOUT REGARD TO ANY OTHER CONFLICTS OF LAW PROVISIONS THEREOF).

h. Section Headings. The various headings of this Amendment are included for convenience only and shall not affect the meaning or interpretation of this Amendment, the Receivables Purchase Agreement or any provision hereof or thereof.

[Signature Pages Follow.]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment by their duly authorized officers as of the date first above written.

DXC RECEIVABLES LLC,
as Seller

By: /s/ H.C. Charles Diao

Name: H.C. Charles Diao
Title: President and Treasurer

DXC TECHNOLOGY COMPANY,
as Servicer

By: /s/ H.C. Charles Diao

Name: H.C. Charles Diao
Title: Senior Vice President and Treasury and Corporate Development

PNC BANK, NATIONAL ASSOCIATION,
as Administrative Agent

By: /s/ Michael Brown________________
Name: Michael brown
Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION,
as a Committed Purchaser

By: /s/ Michael Brown________________
Name: Michael brown
Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION,
as Group Agent for its Purchaser Group

By: /s/ Michael Brown_________________
Name: Michael brown
Title: Senior Vice President

WELLS FARGO, NATIONAL ASSOCIATION,
as a Committed Purchaser

By: /s/ Jonathan Davis
Name: Jonathan Davis
Title: Asst Vice President

WELLS FARGO, NATIONAL ASSOCIATION,
as Group Agent for its Purchaser Group

By: /s/ Jonathan Davis
Name: Jonathan Davis
Title: Asst Vice President

MUFG BANK, LTD.,
as a Committed Purchaser

By: /s/ Eric Williams
Name: Eric Williams
Title: Managing Director

MUFG BANK, LTD.,
as Group Agent for its Purchaser Group

By: /s/ Eric Williams
Name: Eric Williams
Title: Managing Director

FIFTH THIRD BANK, NATIONAL ASSOCIATION,
as a Committed Purchaser

By: /s/ Brian Gardner
Name: Brian Gardner
Title: Managing Director

FIFTH THIRD BANK, NATIONAL ASSOCIATION,
as Group Agent for its Purchaser Group

By:
Name:
Title:

By: /s/ Brian Gardner
Name: Brian Gardner
Title: Managing Director

MIZUHO BANK, LTD.,
as a Committed Purchaser

By: /s/ Richard A. Burke
Name: Richard A. Burke
Title: Managing Director

MIZUHO BANK, LTD.,
as Group Agent for its Purchaser Group

By: /s/ Richard A. Burke
Name: Richard A. Burke
Title: Managing Director

THE TORONTO DOMINION BANK,
as a Committed Purchaser

By: **/s/** Luna Mills
Name: Luna Mills
Title: Managing Director

THE TORONTO DOMINION BANK,
as Group Agent for its Purchaser Group

By: **/s/** Luna Mills
Name: Luna Mills
Title: Managing Director

With respect to Section 2(a):

CSC CYBERTEK CORPORATION,
as an Originator

By:_/s/ H.C. Charles Diao____________________
Name: H.C. Charles Diao
Title: President and Treasurer

CSC COVANSYS CORPORATION,
as an Originator

By:_/s/ H.C. Charles Diao ____________________
Name: H.C. Charles Diao
Title: President and Treasurer

PDA SOFTWARE SERVICES LLC,
as Exiting Originator

By:_/s/ H.C. Charles Diao_____________________
Name: H.C. Charles Diao
Title: President and Treasurer

Exhibit A

Amendments to the Receivables Purchase Agreement

[Attached]

Exhibit B

UCC Financing Statements

[Attached]

Exhibit C

Closing Memorandum

[Attached]

Exhibit D

Sale Agreement Amendment

[Attached]

SIXTH AMENDMENT TO THE

PURCHASE AND SALE AGREEMENT

This SIXTH AMENDMENT TO THE PURCHASE AND SALE AGREEMENT (this "Amendment"), dated as of August 6, 2020 (such date, the "Sixth Amendment Effective Date"), is entered into by and among the following parties:

i. DXC TECHNOLOGY COMPANY, as Servicer (the "Servicer");

ii. PDA SOFTWARE SERVICES LLC, as exiting Originator under the Agreement described below (the "Exiting Originator");

iii. THE VARIOUS PARTIES LISTED ON THE SIGNATURE PAGES HERETO AS REMAINING ORIGINATORS, as remaining Originators (collectively, the "Remaining Originators" and each, a "Remaining Originator", and together with the Exiting Originator, the "Originators"); and

iv. DXC RECEIVABLES LLC (F/K/A CSC RECEIVABLES LLC), as Buyer under the Agreement described below (the "Buyer").

Capitalized terms used but not otherwise defined herein (including such terms used above) have the respective meanings assigned thereto in the Agreement described below.

BACKGROUND

A. The Originators, the Servicer and the Buyer entered into that certain Purchase and Sale Agreement, dated as of December 21, 2016 (as amended, restated, supplemented or otherwise modified through the date hereof, the "Agreement").

B. Concurrently herewith, the Servicer, the Buyer, as seller, the Committed Purchasers, the Group Agents and the Administrative Agent are entering into that certain Tenth Amendment to the Receivables Purchase Agreement, dated as of the date hereof (the "Receivables Purchase Agreement Amendment").

C. The Exiting Originator desires to no longer be party to the Agreement as an Originator thereunder on the Sixth Amendment Effective Date.

D. The parties hereto desire to amend the Agreement as set forth herein.

NOW, THEREFORE, with the intention of being legally bound hereby, and in consideration of the mutual undertakings expressed herein, each party to this Amendment hereby agrees as follows:

SECTION 1. Amendments to the Agreement. The Agreement is hereby amended as follows:

(a) Schedule I of the Agreement is hereby replaced in its entirety with the schedule attached hereto as Schedule I.

(b) Schedule II of the Agreement is hereby replaced in its entirety with the schedule attached hereto as Schedule II.

(c) Schedule III of the Agreement is hereby replaced in its entirety with the schedule attached hereto as Schedule III.

SECTION 2. Release of Exiting Originator. The parties hereto hereby agree that upon the effectiveness of this Amendment, the Exiting Originator shall no longer be a party to the Agreement or any other Transaction Document and shall no longer have any obligations or rights thereunder (other than such obligations which by their express terms survive termination of the Agreement or such other Transaction Document).

SECTION 3. Delegation and Assumption of Exiting Originator's Obligations. Effective immediately prior to the removal of the Exiting Originator as a party to the Agreement pursuant to Section 2 above, the Exiting Originator hereby delegates to the Remaining Originators, and the Remaining Originators hereby assume all of the Exiting Originator's duties, obligations and liabilities, to the extent if any, under the Agreement and each of the other Transaction Documents.

SECTION 4. Cancellation of Subordinated Notes. The Exiting Originator represents and warrants to the other parties hereto that it (a) currently holds the Subordinated Note made by the Buyer to the Exiting Originator (the "Exiting Originator Note") and (b) has not sold, pledged, assigned, or otherwise transferred the Exiting Originator Note or any interest therein. The Exiting Originator acknowledges and agrees that all the Buyer's outstanding obligations (including, without limitation, any payment obligations) under the Exiting Originator Note have been finally and fully paid and performed on or prior to the Sixth Amendment Effective Date. The Exiting Originator Note is hereby cancelled and shall have no further force or effect.

SECTION 5. Representations and Warranties of the Remaining Originators. The Remaining Originators hereby represent and warrant to each of the parties hereto as of the date hereof as follows:

i. *Representations and Warranties*. The representations and warranties made by such Person in the Agreement and each of the other Transaction Documents to which it is a party are true and correct as of the date hereof (unless such representations or warranties relate to an earlier date, in which case as of such earlier date).

ii. *Enforceability*. The execution and delivery by it of this Amendment, and the performance of its obligations under this Amendment, the Agreement (as amended hereby) and the other Transaction Documents to which it is a party are within its organizational powers and have been duly authorized by all necessary action on its part, and this Amendment, the Agreement (as amended hereby) and the other Transaction Documents to which it is a party are (assuming due authorization and execution by the other parties thereto) its valid and legally binding obligations, enforceable in accordance with its terms, except (x) the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws from time to time in effect relating to creditors' rights, and (y) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

iii.*No Event of Default; No Purchase and Sale Termination Event*. No Event of Termination, Unmatured Event of Termination, Non-Reinvestment Event, Unmatured Non-Reinvestment Event, Purchase and Sale Termination Event or Unmatured Purchase and Sale Termination Event has occurred and is continuing, or would occur as a result of this Amendment or the transactions contemplated hereby.

SECTION 6. Effect of Amendment; Ratification. All provisions of the Agreement and the other Transaction Documents, as expressly amended and modified by this Amendment, shall remain in full force and effect. After this Amendment becomes effective, all references in the Agreement (or in any other Transaction Document) to "this Purchase and Sale Agreement", "this Agreement", "hereof", "herein" or words of similar effect referring to the Agreement shall be deemed to be references to the Agreement as amended by this Amendment. This Amendment shall not be deemed, either expressly or impliedly, to waive, amend or supplement any provision of the Agreement other than as set forth herein. The Agreement, as amended by this Amendment, is hereby ratified and confirmed in all respects.

SECTION 7. Effectiveness. This Amendment shall become effective as of the Sixth Amendment Effective Date upon (a) receipt by the Buyer and the Administrative Agent's receipt of counterparts to this Amendment executed by each of the parties hereto, and (b) the effectiveness of the Receivables Purchase Agreement Amendment.

SECTION 8. Severability. Any provisions of this Amendment which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 9. Transaction Document. This Amendment shall be a Transaction Document for purposes of the Receivables Purchase Agreement.

SECTION 10. Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or e-mail transmission shall be effective as delivery of a manually executed counterpart hereof.

SECTION 11. GOVERNING LAW AND JURISDICTION.

iv.THIS AMENDMENT, INCLUDING THE RIGHTS AND DUTIES OF THE PARTIES HERETO, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, BUT WITHOUT REGARD TO ANY OTHER CONFLICTS OF LAW PROVISIONS THEREOF).

v.EACH PARTY HERETO HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY NEW YORK STATE OR FEDERAL COURT SITTING IN NEW YORK CITY, NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AMENDMENT, AND EACH PARTY HERETO HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT THEY MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING. THE PARTIES HERETO AGREE THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.

SECTION 12. Section Headings. The various headings of this Amendment are included for convenience only and shall not affect the meaning or interpretation of this Amendment, the Agreement or any provision hereof or thereof.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

DXC RECEIVABLES LLC,
as Buyer

By: /s/ H. C. Charles Diao
Name: H. C. Charles Diao
Title: President and Treasurer

DXC TECHNOLOGY COMPANY,
as Servicer

By: /s/ H. C. Charles Diao
Name: H. C. Charles Diao
Title: Senior Vice President, Treasury and Corporate Development

DXC TECHNOLOGY SERVICES LLC,
as a Remaining Originator

By: /s/ H. C. Charles Diao
Name: H. C. Charles Diao
Title: President and Treasurer

ALLIANCE-ONE SERVICES, INC.,
as a Remaining Originator

By: _/s/ Phillip Charles Ratcliff_________________
Name: Phillip Charles Ratcliff
Title: President

COMPUTER SCIENCES CORPORATION,
as a Remaining Originator

By:_/s/ H. C. Charles Diao____________________
Name: H. C. Charles Diao
Title: President and Treasurer

CSC CONSULTING, INC.,
as a Remaining Originator

By:_/s/ H. C. Charles Diao____________________
Name: H. C. Charles Diao
Title: President and Treasurer

CSC CYBERTEK CORPORATION,
as a Remaining Originator

By:_/s/ H. C. Charles Diao____________________
Name: H. C. Charles Diao
Title: President and Treasurer

MYND CORPORATION,
as a Remaining Originator

By:_/s/ H. C. Charles Diao____________________
Name: H. C. Charles Diao
Title: President and Treasurer

CSC PUERTO RICO, LLC,
as a Remaining Originator

By:_/s/ H. C. Charles Diao____________________
Name: H. C. Charles Diao
Title: President and Treasurer

CSC COVANSYS CORPORATION,
as a Remaining Originator

By:_/s/ H. C. Charles Diao____________________
Name: H. C. Charles Diao
Title: President and Treasurer

TRIBRIDGE HOLDINGS, LLC,
as a Remaining Originator

By:_/s/ H. C. Charles Diao____________________
Name: H. C. Charles Diao
Title: President and Treasurer

PDA SOFTWARE SERVICES LLC,
as an Exiting Originator

By: /s/ H. C. Charles Diao____________________
Name: H. C. Charles Diao
Title: President and Treasurer

Acknowledged by:

PNC BANK, NATIONAL ASSOCIATION

as Administrative Agent
By: /s/ Christopher Blaney____________
Name: Christopher Blaney

Title: Senior Vice President

Schedule I

LIST AND LOCATION OF EACH ORIGINATOR

Schedule II

LOCATION OF BOOKS AND RECORDS OF ORIGINATORS

Schedule III

TRADE NAMES

SEPARATION AGREEMENT

This Separation Agreement (this "Agreement") is made and entered into as of October 2, 2020 (the "Effective Date"), by and between DXC Technology Company, a Nevada corporation (including any subsidiaries and affiliates, the "Company"), and Paul Saleh, a Virginia resident ("you"). For certain good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, you and the Company, intending to be legally bound, hereby agree as follows:

1. Introduction. You acknowledge and agree that you hereby resign as the Chief Financial Officer and that your employment with the Company will terminate immediately as of close of business on October 1, 2020 (the "Separation Date").

2. Cooperation. You shall reasonably cooperate with and assist the Company with any pending or future litigation, arbitration (including, without limitation, the Perspecta arbitration), internal or external investigation (including, without limitation, by any governmental body) or inquiry related to the Company. This cooperation shall include, without limitation, responding to requests for information concerning facts or events relating to the Company that may be within your knowledge; providing assistance to the Company's counsel, experts, and consultants; and providing truthful testimony in pretrial and trial or hearing proceedings. This cooperation will also include providing timely notice to the Company as to any subpoenas or other compulsory process related to the Company or facts, documents, or information gained during your employment with the Company so that the Company may intervene and object if appropriate. The parties agree to work in good faith to ensure cooperation is for a reasonable amount of time necessary to achieve the above and to provide notice and scheduling in a reasonable manner, taking into consideration your then current business, employment and personal commitments. You will be reimbursed by the Company for your reasonable out-of-pocket expenses supported by receipts or other reasonable documentation, including reasonable attorneys' fees if you and the Company mutually agree in good faith that you need legal advice to cooperate and the Company's counsel would have a conflict of interest in representing you. You shall not be required to travel during the COVID-19 pandemic.

3. Restrictive Covenants. You acknowledge and agree that you are subject to, and shall fully comply with, the terms of the Non-Competition/Non-Solicitation Agreement between you and the Company (or its predecessors or subsidiaries as the case may be) dated May 10, 2012, and all restrictive covenants set forth in any equity award or other agreement between you and the Company and its subsidiaries (the "Restrictive Covenants"). For the avoidance of doubt, notwithstanding anything to the contrary herein, the Restrictive Covenants will remain in effect in accordance with their terms.

4. Non-Disparagement. You agree not to disparage the Company, and similarly the Company agrees it shall not disparage you in any official announcement or press release and shall direct its executive officers not to disparage you, in each case other than in truthful testimony given in response to a lawful subpoena or similar court or government order or to enforce the terms of this Agreement.

5. Compensation. In consideration of your representations, warranties and covenants set forth in Section 6 and your signing and not revoking the Release (defined below), and subject to your compliance with your obligations hereunder, including without limitation your obligations under Sections 2, 3, 4, and 6 herein, the Company shall:

(a) Pay you a cash lump sum in the amount of $4,000,000, less estimated applicable deductions and withholdings, immediately following your execution of this Separation Agreement and the Release; provided, however, that if you revoke the Release in accordance with its terms you must immediately return this amount; and

(b) Not pay you any amount pursuant to that certain retention agreement entered into by you and the Company dated September 23, 2019 (the "Retention Agreement").

The compensation described in this Section 5 shall be the sole consideration paid by the Company and its subsidiaries and affiliates to you following the Separation Date; *for the avoidance of doubt*, you expressly agree that you are not entitled to and waive any other payments, benefits or compensatory entitlements in connection with or as of your Separation Date, including continued equity vesting as of, or following the Separation Date, and any and all severance, retention, separation payments or similar compensation under the Severance Plan for Senior Management and Key Employees and the Retention Agreement or any other Company plan, agreement, or arrangement. It shall be a condition to your right to receive the amounts provided in this Section 5, that you execute and deliver to the Company the "General Release of Paul Saleh" attached hereto as Exhibit A (the "Release") within 21 days following the Effective Date and that you not revoke the Release in accordance with its terms.

6. Representations, Warranties and Covenants. You represent and warrant that (a) you have all necessary legal capacity to execute and deliver this Agreement and to perform your obligations hereunder; (b) this Agreement has been executed and delivered by you, constitutes a legal, valid and binding obligation, and is enforceable against you in accordance with its terms; (c) you have had an opportunity to consult with counsel of your choosing with respect to this Agreement and all of the terms and provisions hereof; (d) you are not aware of any dispute, or facts that could give rise to any dispute, between Gainwell Technologies LLC and the Company; (e) you are entering into this Agreement voluntarily and with complete knowledge as to the terms and provisions set forth herein. Additionally, you agree that you will fully and completely recuse yourself from participation in any dispute or potential dispute arising between Gainwell Technologies LLC and the Company. For the avoidance of doubt, such recusal shall, without limitation, prohibit you from participating in or contributing to in any discussion or decision regarding any dispute or potential dispute between Gainwell Technologies LLC and the Company (unless the Company consents in writing to your participation in such a discussion), and from sharing information related to the Company obtained during your employment at the

Company with Gainwell Technologies LLC (or its employees, agents, attorneys and advisors) in connection with any such dispute or potential dispute.

7. Clawback. The Company shall have the right to clawback the net after-tax value of all compensation paid pursuant to Sections 5(a) and (b) herein upon the occurrence of:

(a) A breach by you of any of the Restrictive Covenants, as described in Section 3 herein; or

(b) A breach by you of Sections 2, 4 or 6 of the Agreement.

8. General Provisions.

(a) Entire Agreement. This Agreement supersedes all prior negotiations, understandings, agreements, representations, warranties, and courses of conduct and dealing, whether written or oral, between the parties with respect to its subject matter. This Agreement constitutes a complete and exclusive statement of the terms and conditions of the agreement between the parties with respect to its subject matter. This Agreement is not a contract of employment between you and the Company, and you and the Company hereby agree and acknowledge that this Agreement does not impose any obligation on the Company to offer employment to you at any time.

(b) Notices. All notices, consents, waivers and other communications required or permitted by this Agreement shall be in writing and shall be deemed given to a party when (1) delivered to the appropriate address by hand or by nationally recognized overnight courier service (costs prepaid), (2) sent by e-mail with confirmation of transmission by the transmitting equipment, or (3) received or rejected by the addressee, if sent by certified mail, return receipt requested, in each case to the following addresses, or e-mail addresses and marked to the attention of the person (by name or title) designated below, or to such other address, e-mail address or person as a party may designate by notice to the other party:

Company: DXC Technology Company
Address: 1775 Tysons Boulevard
Tysons, Va 22102
Attn: Bill Deckelman
Telephone: +1 (703) 245-4585
E-mail: bill.deckelman@dxc.com

You: Paul Saleh
____
____
Telephone:
E-mail:

(c) Enforcement of Agreement. You acknowledge and agree that the Company would be irreparably damaged if you do not perform or comply with any provision of this Agreement in accordance with its specific terms, and that the Company could not be adequately compensated for any Breach of this Agreement by you by monetary damages alone in all cases. Accordingly, in addition to any other right or remedy to which the Company may be entitled, at law or in equity, the Company shall be entitled to enforce any provision of this Agreement by a decree of specific performance and to temporary, preliminary and permanent injunctive relief to prevent any breach or threatened breach of this Agreement by you, without posting any bond or other undertaking.

(d) Remedies Cumulative. The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither any failure nor any delay by any party in exercising any right, power or privilege under this Agreement shall operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege shall preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege.

(e) Waiver. To the maximum extent permitted by applicable law, no claim or right arising from this Agreement can be discharged by a party, in whole or in part, by a waiver of the claim or right unless such waiver is in writing and is signed by the waiving party, and no waiver that may be given by a party shall be applicable except in the specific instance for which it is given.

(f) Amendment. This Agreement may not be amended, supplemented, or otherwise modified except by a written agreement executed by all of the parties.

(g) Assignment; Successors. This Agreement is personal to you and, therefore, you may not assign this Agreement or any of his rights or obligations hereunder to any person or entity. The Company may assign this Agreement and its rights and obligations hereunder to any person or entity, without your consent, in which event this Agreement shall apply to, be binding in all respects upon, and inure to the benefit of the successors and assignees of the Company.

(h) Severability. If a court of competent jurisdiction holds that any provision of this Agreement or portion thereof is illegal, invalid or unenforceable, then such provision shall be modified automatically to the extent necessary to make such provision fully legal, valid or enforceable. If such court does not modify any such provision or portion thereof as contemplated herein, but instead declares it to be wholly illegal, invalid or unenforceable, then such provision or portion thereof shall be severed from this Agreement, this Agreement and the rights and obligations of the parties shall be construed as if this Agreement did not contain such severed provision or portion thereof, and this Agreement otherwise shall remain in full force and effect.

(i) Construction. The headings of sections in this Agreement are provided for convenience only and shall not affect its construction or interpretation.

(j) Governing Law. This Agreement shall be governed by, construed under, and enforced in accordance with the laws of the Commonwealth of Virginia in effect from time to time without regard to conflicts-of-laws principles that would require the application of any other law.

(k) Execution of Agreement. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by electronic transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Signatures of the parties transmitted electronically shall be deemed to be their original signatures for all purposes.

(l) Authority. You hereby acknowledge and agree that, you shall have no right or authority to enter into any agreements or other arrangements in the name or on behalf of the Company, or to assume or create any obligation or liability of any kind whatsoever, express or implied, in the name or on behalf of the Company.

(m) Arbitration and Equitable Remedies. Any dispute or controversy arising under, out of, in connection with or in relation to this Agreement and your services to the Company or termination by the Company shall be finally determined and settled by arbitration in Tyson, Virginia in accordance with the rules and procedures of the JAMS/Endispute Arbitration Rules and Procedures for Employment Disputes, and judgment upon the award may be entered in any court having jurisdiction thereof. Notwithstanding the foregoing, you acknowledge and agree that it would be impossible or inadequate to measure and calculate the Company's damages from any breach of the covenants or other obligations set forth in Sections 2, 3, 4 and 6 herein. Accordingly, you agree that if you breach any such Section, the Company will have available, in addition to any other right or remedy available, the right to obtain an injunction from a court of competent jurisdiction restraining such breach or threatened breach and to specific performance of any such provision of this agreement. You further agree that no bond or other security shall be required in obtaining such equitable relief and that you consent to the issuance of such injunction and to the ordering of specific performance.

[signature page follows]

IN WITNESS WHEREOF, this Agreement is executed and delivered by the parties on the date first set forth above.

COMPANY:

DXC Technology Company

By: __
Name: __
Title: __

__
Paul Saleh

Exhibit A

General Release of Paul Saleh

1. In connection with your termination of employment as described in that certain Separation Agreement dated October 2, 2020 between Paul Saleh ("you") and DXC Technology Company ("DXC") (the "Separation Agreement"), on behalf of yourself, your agents, heirs, successors, legal representatives and assigns, you hereby knowingly and voluntarily, irrevocably and unconditionally, release and forever discharge DXC and its current and/or former predecessors, successors, parents, subsidiaries (including Computer Sciences Corporation), assigns, affiliates, and representatives and all of its and their officers, agents, directors, employees, representatives, and all persons acting by, through, under, or in concert with any of them (collectively the "Releasees") from any and all actions, causes of action, suits, debts, charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, and expenses, including attorney fees, of any nature whatsoever, in law or in equity, known or unknown, suspected or unsuspected (hereinafter referred to as "Claim" or "Claims") which you at any time had or claimed to have against any Releasees or which you may have or claim to have regarding events that have occurred as of the date you sign this release, including, without limitation, any and all Claims related or in any manner incidental to your employment or other services to DXC, or the events preceding and/or leading to your employment and the termination of said employment relationship. You expressly waive any and all rights under any applicable statute or principle of law restricting the right to release claims that you do not know or suspect to exist at the time of executing a release, which claims, if known, may have materially affected your decision to give such release. You acknowledge that you may hereafter discover claims currently unknown or unsuspected, or facts in addition to or different from those that are now believed to be true with respect to the matters released herein. Nevertheless, it is your intention that this release settles each and every claim, dispute and controversy, known or unknown, fixed or contingent that you have or may have against the Releasees, including, but not limited to any claims arising under federal, state or local statute, rule, executive order, law or ordinance, tort, express or implied contract, public policy or other obligations. All of your releases herein should be construed broadly to the maximum extent permissible under applicable law. It is expressly understood by you that among the various rights and claims being waived by you in this release are those arising under the Age Discrimination in Employment Act.

Specifically, but not by way of limitation, you release the Releasees from, and covenant not to sue Releasees for, any and all Claims, including without limitation (i) Claims which are or may be related to any employment or other service relationship, including for the avoidance of doubt, any claim to other payments, benefits or compensatory entitlements in connection with or as of your Separation Date (as defined in the Separation Agreement), including continued equity vesting as of or following the Separation Date, and any and all severance, retention, separation payments or similar compensation under the Severance Plan for Senior Management and Key Employees and the Retention Agreement or any other Company plan, agreement, or arrangement; (ii) Claims arising under any federal or state fair employment practices act, anti-discrimination law, and/or any law, ordinance, or regulation promulgated by any county, municipality, or other state subdivision (including, without limitation, the Age Discrimination in Employment Act, 29 U.S.C. §§621, et seq; Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. §§2000e, et seq.; 42 U.S.C. §1981; the Employee Retirement Income Security Act, 29 U.S.C. §§1001, et seq.; the Family and Medical Leave Act, 29 U.S.C. §§2601 et seq.; the Americans With Disabilities Act of 1990 as amended, 42 U.S.C. §§126, et seq; (iii) Claims for breach of duty and/or implied covenant of good faith and fair dealing; (iv) Claims for interference with and/or breach of contract (express or implied, in fact or in law, oral or written); (v)

Claims for retaliatory, constructive, or wrongful discharge of any kind; (vi) Claims for intentional or negligent infliction of emotional distress or mental anguish; (vii) Claims for breach of duty, fraud, fraudulent inducement, fraudulent concealment, misrepresentation, deceit, breach of or invasion of right of privacy, libel, slander, defamation, or tortuous conduct of any kind; (viii) any and all other Claims arising under law or in equity; and (xi) any and all other Claims asserted or which could have been asserted by you.
Nothing contained in this release is a waiver of any rights or claims (including any which may arise under the Age Discrimination in Employment Act) that may arise after the date of execution by you or which, as a matter of law, cannot be released. Further, nothing in this release prevents you from filing a lawsuit limited to challenging the validity of your waiver of the Age Discrimination in Employment Act and the Older Workers Benefit Protection Act, or from filing claims with government agencies as provided in the paragraph below. Nothing in this release waives any rights to enforce this release.

Nothing in this release, including the release of claims clauses, restricts or prohibits you from initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General (collectively, the "Regulators"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. However, to the maximum extent permitted by law, you are waiving your right to receive any individual monetary relief from DXC or any other Releasees covered by the release resulting from such claims or conduct, regardless of whether you or another party has filed them, and in the event you obtain such monetary relief DXC or the Releasees will be entitled to an offset for the payments made pursuant to the Separation Agreement. This does not limit your right to receive an award from any Regulator that provides awards for providing information relating to a potential violation of law. You do not need the prior authorization of DXC to engage in conduct protected by this paragraph, and you do not need to notify DXC that you have engaged in such conduct. Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law. In addition, you recognize and agree that, in connection with any such activity outlined above, you must inform the Regulators, your attorney, a court or a government official that the information you are providing is confidential. Despite the foregoing, you are not permitted to reveal to any third-party, including any governmental, law enforcement, or regulatory authority, information you came to learn during the course of your employment with DXC that is protected from disclosure by any applicable privilege, including but not limited to the attorney client privilege and/or attorney work product doctrine. DXC does not waive any applicable privileges or the right to continue to protect its privileged attorney-client information, attorney work product, and other privileged information.

2. Neither this release nor any consideration given hereunder constitutes an admission nor is to be construed as an admission of liability of any kind on the part of DXC or Releasees, and in fact the Parties expressly deny any violation of any law.

3. You agree and acknowledge that you have returned all originals and copies of DXC documents and all DXC property, including without limitation, computer files, database information, client information, telephones, computers, badges, and keys no later than the Separation Date (as defined in the Separation Agreement). You also reaffirm and agree to comply with your post-employment obligations under any confidentiality agreement, non-competition/non-solicitation agreement, the post-employment provisions in your equity agreements, the Separation Agreement and other such agreements with DXC and any predecessors, subsidiaries or assigns.

4. With respect to your execution of this release, you agree and covenant that:

a. You have carefully reviewed this release and that all questions concerning it have been answered to your satisfaction. You affirm that this release is written in a manner you understand, and that the consideration set forth in the Separation Agreement is sufficient for your entering into this release and consists of benefits to which you are not otherwise entitled.

b. Prior to execution of this release, you were and hereby are advised and encouraged to consult with and review it with your attorney(s) and have in fact done so to the extent desired, and that, also prior to its execution, you were encouraged and afforded the opportunity to review it with anyone else you desired.

c. You further acknowledge and agree that you were informed that you have twenty-one (21) days to consider and reflect upon the terms of this release, and that any changes to this release subsequently agreed upon by the parties do not restart this period for consideration; that you knowingly and voluntarily executed it after deliberate consideration of its terms; and that you were not coerced, pressured, or forced in any way to accept the terms of this release.

d. You also acknowledge a complete understanding that you may be giving up certain legal rights by entering into this release and that you have seven (7) days to revoke this release following its execution by sending notice of revocation by certified mail, return receipt requested, or by Federal Express, to Mary Finch, 1775 Tysons Boulevard McLean Virginia 22102, with a confirmation email to Mary Finch at mary.finch@dxc.com.

e. If you revoke this release, it shall not be effective or enforceable and you will not receive the consideration described in Section 5 of the Separation Agreement. Moreover, you further agree that in the event you attempt to revoke or rescind this release you shall immediately return to and/or reimburse DXC for all of the benefits described above and that the return to and/or reimbursement is a contractual prerequisite to any administrative or legal action brought or sought by you.

f. If you do not revoke this release within seven (7) days of signing it, then this release becomes final, binding and effective on the eighth (8th) day after you sign it.

5. This release supersedes any and all prior oral and/or written agreements between you and DXC and any predecessors, subsidiaries and affiliates regarding the subject matter described herein, and along with the Separation Agreement, sets forth the entire agreement regarding the subject matter described herein; provided, however, for purposes of clarification, this release does not supersede or eliminate any post-employment obligations you may have to DXC or their predecessors and successors, including but not limited to those arising from any confidentiality agreement or non-competition/non-

solicitation agreement, post-employment provisions in any equity agreements, the Separation Agreement and other such agreements. No modifications hereof shall be deemed valid unless reduced to writing and signed by the parties. The parties agree that the rule of construction that ambiguities are resolved against the drafting party will be subordinated to the principle that the terms of this release will be construed fairly as to all parties and not in favor of or against any party. Any failure or delay on the part of either party to exercise any remedy or right under this release shall not operate as a waiver.

6. This release shall be governed and construed in accordance with the laws of the Commonwealth of Virginia. Any action arising out of or relating to any of the provisions of this release may, at the election of either party, be brought and prosecuted only in the courts of, or located in, the Commonwealth of Virginia, and in the event of such election, the parties hereto consent to the jurisdiction and venue of said courts. The terms of this release are severable, and if for any reason any part hereof shall be found to be unenforceable the remaining terms and conditions shall be enforced in full.

* * * * *

IN WITNESS WHEREOF, and intending to be legally bound, the undersigned has executed the foregoing on the date set forth below.

By:_____________________________ Date:________________________________
Paul Saleh

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael J. Salvino, certify that:

1.I have reviewed this Quarterly Report on Form 10-Q of DXC Technology Company;

2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5.The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2020

/s/ Michael J. Salvino

Michael J. Salvino President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Neil A. Manna, certify that:

1.I have reviewed this Quarterly Report on Form 10-Q of DXC Technology Company;

2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5.The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 5, 2020

/s/ Neil A. Manna

Neil A. Manna
Interim CFO, Senior Vice President, Corporate Controller Principal Accounting Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Michael J. Salvino, President and Chief Executive Officer of DXC Technology Company (the "Company"), hereby certify that, to my knowledge:

(1) The Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2020, (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 5, 2020

/s/ Michael J. Salvino

Michael J. Salvino
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Neil A. Manna, Interim CFO, Senior Vice President, Corporate Controller and Principal Accounting Officer of DXC Technology Company (the "Company"), hereby certify that, to my knowledge:

(1) The Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2020, (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 5, 2020

/s/ Neil A. Manna

Neil A. Manna
Interim CFO, Senior Vice President, Corporate Controller Principal Accounting Officer

Gainwell Holding Corp. and Subsidiaries

Consolidated Financial Statements

As of March 31, 2021 and for the six month period ended March 31, 2021

INDEX—FINANCIAL STATEMENTS

Gainwell Holding Corp. and Subsidiaries

Consolidated Financial Statements

As of March 31, 2021 and for the six month period ended March 31, 2021

RSM US LLP

Independent Auditor's Report

Board of Directors
Gainwell Holding Corp.

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Gainwell Holding Corp. and its subsidiaries (the Company), which comprise the consolidated balance sheet as of March 31, 2021, the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the period from October 1, 2020 to March 31, 2021, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gainwell Holding Corp. and its subsidiaries as of March 31, 2021, and the results of their operations and their cash flows for the period from October 1, 2020 to March 31, 2021 in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

McLean, Virginia
August 27, 2021

Gainwell Holding Corp. and Subsidiaries
Consolidated Balance Sheet
(in thousands)

		As of March 31, 2021
ASSETS		
Current assets:		
Cash and Cash equivalents	$	258,916
Receivables and contract assets, net of allowance for doubtful accounts		407,754
Prepaid expenses		41,999
Other current assets		13,888
Total current assets	**$**	**722,557**
Intangible assets, net of accumulated amortization of		2,200,108
Operating right-of-use assets, net		65,916
Goodwill		2,358,345
Property and equipment, net of accumulated depreciation		47,600
Other assets		63,640
Total Assets	**$**	**5,458,166**
LIABILITIES and EQUITY		
Current liabilities:		
Short-term debt and current maturities of long-term debt	$	24,000
Accounts payable		66,131
Accrued payroll and related costs		44,966
Current operating lease liabilities		26,750
Accrued expenses and other current liabilities		240,509
Deferred revenue and advance contract payments		19,699
Total current liabilities	**$**	**422,055**
Long-term debt, net of current maturities, OID and financing costs		3,055,834
Non-current deferred revenue		28,639
Non-current operating lease liabilities		42,000
Non-current pension obligations		1,280
Other long-term liabilities		31,594
Total Liabilities	**$**	**3,581,402**
Stockholder's Equity		
Common Stock: $0.01 par value, 1000 shares authorized, 100 shares issued and outstanding		-
Additional paid-in capital		2,204,600
Accumulated deficit		(328,035)
Accumulated other comprehensive income		199
Total Equity		**1,876,764**
Total Liabilities and Equity	**$**	**5,458,166**

The accompanying notes are an integral part of these consolidated financial statements.

Gainwell Holding Corp. and Subsidiaries
Consolidated Statement of Operations and Comprehensive Loss
(in thousands)

	For the six month period ended March 31, 2021
Revenue, net	$ 771,212
Cost of Services	541,762
Gross profit	229,450
Operating Expenses:	
Selling, general & administrative	454,582
Restructuring Costs	96
Total Operating expenses	454,678
Loss from operations	**(225,228)**
Other income and (expenses):	
Interest Expense	(102,630)
Other income	159
Total other income and expenses	(102,471)
Loss from operations, before taxes	**(327,699)**
Income tax expense	336
Net Loss	**(328,035)**
Other comprehensive income:	
Currency translation adjustments	199
Comprehensive loss attributable to controlling interests	**$ (327,836)**

The accompanying notes are an integral part of these consolidated financial statements.

Gainwell Holding Corp. and Subsidiaries
Consolidated Statement of Stockholders' Equity for the six month period ended March 31, 2021
(in thousands)

	Common Shares	Shares Dollars	Additional Paid in Capital	Receivable against Equity	Accumulated Deficit	Accumulated Other Comprehensive Income, net	Total
Issuance of Stock at $0.01 per share	100	$ -	$ 2,205,100	$ (5,100)	$ -	$ -	$ 2,200,000
Stock Compensation	-	-	4,600	-	-	-	4,600
Net Loss	-	-	-	-	(328,035)	-	(328,035)
Cumulative translation adjustments	-	-	-	-	-	199	199
	100	**-**	**$ 2,209,700**	**$ (5,100)**	**$ (328,035)**	**$ 199**	**$ 1,876,764**

The accompanying notes are an integral part of these consolidated financial statements.

Gainwell Holding Corp. and Subsidiaries
Consolidated Statement of Cash Flows
(in thousands)

		For the six month period ended March 31, 2021
Cash flows from operating activities:		
Net Loss	$	(328,035)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization and other non-cash charges		333,024
Share-based compensation		4,600
Provision for doubtful receivables		(4,976)
Amortization of debt issuance costs		6,753
Increase in receivables		(7,903)
Increase in prepaid expenses and other assets		(52,369)
Increase in accounts payable and accruals		52,258
Decrease in deferred revenue		(3,643)
Decrease in ROU assets		13,936
Increase in pension liabilities		111
Net cash provided by operating activities	**$**	**13,756**
Purchase of property & equipment		(9,325)
Acquisition, net of cash acquired		(5,018,825)
Net cash used in investing activities	**$**	**(5,028,150)**
Borrowings on long-term debt		3,200,000
Principal payments on long-term debt		(6,000)
Debt issuance costs		(120,919)
Proceeds from Additional Paid in Capital		2,200,000
Net cash used in financing activities	**$**	**5,273,081**
Effect of exchange rate changes on cash and cash equivalents		229
Net increase in cash and cash equivalents		258,916
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of the period	**$**	**258,916**

The accompanying notes are an integral part of these consolidated financial statements.

Gainwell Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

As of March 31, 2021 and for the six month period ended March 31, 2021

(dollars in thousands, unless otherwise noted)

Note 1: Organization and Nature of Operations

Gainwell Holding Corp. is an independent private company, founded on October 1, 2020 through the sale of DXC Technology's State & Local Health and Human Services business to an affiliate of Veritas Capital Fund Management, L.L.C. ("Veritas"). Veritas is a leading private investment firm that invests in companies that provide critical products and services, primarily technology and technology-enabled solutions, to government and commercial customers worldwide, including those operating in the healthcare, aerospace and defense, software, national security communications, energy, government services and education industries.

Gainwell Acquisition Corp, is a wholly owned subsidiary of Gainwell Holding Corp. Gainwell Topco Holdings L.P. holds, indirectly through two intermediate holding companies.

Gainwell Technologies LLC ("Gainwell") is a wholly owned subsidiary of Gainwell Acquisition Corp. The wholly owned subsidiaries of Gainwell Technologies LLC include Milano Receivables Funding LLC, MMIS Technology Services LLC which in turn owns Gainwell Technologies Canada ULC located in Canada, Enterprise Services Caribe, LLC located in Puerto Rico and MMIS Technology Services India Private Limited located in India.

The accompanying consolidated financial statements and notes present the consolidated financial position, results of operations, and cash flows of Gainwell Holding Corp and its wholly owned subsidiaries (the "Company").

The Company serves Government Health & Human Services ("HHS") clients charged with the mission of enhancing and protecting the health and well-being of residents in 42 states/territories.

The Company builds software and solutions and provides Business Process Services and Technology Services to its clients. This includes Medicaid Programs in 31 states as well as other HHS services. The solutions include, but are not limited to, the Medicaid Management Information Systems ("MMIS") which is the claims processing system of record and analytics support system for Medicaid. Within Medicaid, services provided include fiscal agent services, claims processing, provider enrollment, pre-authorization, pharmacy drug rebates, recipient eligibility management, call center, print and mail services. Other HHS services which the Company provides include solutions to support Eligibility and Enrollment, Immunization Registries, Women, Infant & Children (WIC), Early Intervention (EIC).

The Company has its headquarters in Tysons, Virginia.

Note 2: Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All intercompany transactions are eliminated in consolidation.

These financial statements are prepared for the six month period from October 1, 2020 to March 31, 2021 ('Period'). The accompanying consolidated financial statements and notes present the financial position as of March 31, 2021 and the results of operations for the six month period ended March 31, 2021.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to estimates and assumptions include: the determination of the fair value of acquired assets and liabilities, contract assets, deferred revenue, the allowance for doubtful accounts, valuation, and recoverability of long-lived assets (including intangible assets), depreciation and amortization periods of long- lived assets and deferred income taxes. Actual results may differ from those estimates. The severity, magnitude and duration, as well as the economic consequences of the COVID-19 pandemic, are uncertain, rapidly changing and difficult to predict. Therefore, accounting estimates and assumptions may change over time in response to COVID-19 and may change materially in future periods.

Cash and Cash Equivalents

Money market funds and highly liquid debt instruments purchased with original maturity dates of three months or less, when purchased, are considered cash and cash equivalents.

Accounts Receivable

Receivables consist of amounts billed and currently due from customers, amounts earned but unbilled (including contracts measured under the percentage-of-completion method of accounting), amounts retained by the customer until the completion of a specified contract, and claims. Over the course of a contract, invoices are billed, and cash is collected as development milestones are reached. Unbilled recoverable amounts under contracts in progress generally become billable upon achievement of project milestones or upon acceptance by a customer.

Allowances for uncollectible billed receivables and contract assets are estimated based on a combination of write-off history, aging analysis, and any specific and known collectability issues. Unbilled amounts under contracts in progress that are recoverable do not have an allowance for credit losses.

Intangible Assets and Long-Lived Assets

The Company reviews intangible assets with finite lives and long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or a group of assets may not be recoverable. The Company assesses the recoverability of assets based on a comparison of the carrying amount of such assets to the estimated future net cash flows expected to result from the use and eventual disposition of such assets. If estimated future net cash flows are less than the carrying amount of such assets, the assets are impaired. The Company measures the amount of impairment loss, if any, as the difference between the carrying amount of such assets and its fair value. Fair value is determined based on a discounted cash flow approach or, when available and appropriate, comparable market values.

The Company's estimated useful lives for finite-lived intangible assets are shown in the table below:

Software	2 to 7 years
Customer related intangibles	15 years

Software intangibles are amortized using the straight-line method over their estimated useful lives.

Customer related intangibles are amortized using the present value of cash flows estimated to be generated by the customer contracts over the estimated useful lives.

Software Development Costs

After establishing technological feasibility and before software products are available for general release to customers, the Company capitalizes costs incurred to develop commercial software products to be sold, leased or otherwise marketed. The Company expenses costs related to establishing technological feasibility as incurred and capitalizes enhancements that extend the life or marketability of software products. Amortization of capitalized software development costs is determined separately for each software product.

Unamortized capitalized software costs associated with commercial software products are periodically evaluated for impairment on a product-by-product basis by comparing the unamortized balance to the product's net realizable value. The net realizable value is the estimated future gross revenues from that product reduced by the related estimated future costs. When the unamortized balance exceeds the net realizable value, the unamortized balance is written down to the net realizable value and an impairment charge is recorded.

The Company capitalizes costs incurred to develop internal-use computer software during the application development stage. Costs related to preliminary project activities and post-implementation activities are expensed as incurred. Internal and external costs incurred in connection with development of upgrades or enhancements that result in additional functionality are capitalized and amortized on a straight-line basis over the estimated useful life of the software. Internal-use software assets are evaluated for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

Leases

On October 1, 2020 the Company adopted ASU 2016-02, "Leases, Topic ASC 842" using the modified retrospective method. The Company determines if an arrangement is a lease at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the Company obtains substantially all economic benefits from and has the ability to direct the use of the asset. Operating leases are included in operating right-of-use ("ROU") assets, net, current operating lease liabilities and non-current operating lease liabilities in the Company's balance sheet.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating ROU assets and operating lease liabilities are recognized at commencement based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement to determine the present value of lease payments. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow, on a collateralized basis, an amount equal to the lease payments, in a similar economic environment and over a similar term. The rate is dependent on several factors, including the lease term, currency of the lease payments and the Company's credit ratings.

Operating ROU assets also include any lease payments made and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease. Operating ROU assets and lease liabilities include these options when it is reasonably certain that they will be exercised. Lease arrangements generally do not contain any residual value guarantees or material restrictive covenants.

Lease expense for lease payments is recognized on a straight-line basis over the lease term. Variable lease expense is related to the Company's leased real estate for offices and primarily includes labor and operational costs. The Company subleases certain leased office space to third parties when it determines there is excess leased capacity. The Company combines lease and non-lease components under its lease agreements.

Goodwill

The Company recognizes goodwill in a business combination as excess of purchase price over the total value of assets and liabilities acquired. The Company elected to adopt ASU 2014-02, Intangibles- Goodwill and Other (Topic 350): Accounting for Goodwill and accordingly amortizes goodwill on a straight-line basis over 10 years. Goodwill will be tested for impairment only when a triggering event occurs indicating the fair value of the entity may be below its carrying amount. Upon the occurrence of a triggering event, a one-step impairment test will be performed by comparing the fair value of the entity or reporting unit with its carrying value. The excess of carrying value over fair value is the impairment loss. After a goodwill impairment loss is recognized, the adjusted carrying amount shall be amortized over its remaining useful life.

Concentrations of Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of receivables from trade customers. At times, cash deposits may exceed the limits insured by the Federal Deposit Insurance Corporation. The Company does not believe that its cash balances are subject to unusual credit risk beyond the normal credit risk associated with commercial banking relationships. The Company performs ongoing credit evaluations of the financial condition of its customers. As of March 31, 2021, there are no receivables from individual customers greater than 10% of the net accounts receivable.

Revenue Recognition

The Company applies ASU 2014-09, “Revenue from Contracts with Customers (ASC 606),” to its contracts.

The Company generates revenue only in the United States primarily through the support of states’ MMIS and other HHS initiatives by providing primarily Maintenance and Operations (“M&O”) and Design, Develop and Implementation (“DDI”) services. M&O services include maintenance and operations such as application development, management, and new projects. DDI services pertain to building and/or upgrading IT infrastructure, including hardware and software related to MMIS. To support HHS initiatives, the Company provides business process services and fiscal agent operations (i.e. claims resolution, provider services, enrollment, call center, medical management, etc.). Revenues are recognized when control of the promised goods or services is transferred to the Company’s customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

The Company determines revenue recognition through the five-step model as follows:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

The Company analyzes arrangements involving M&O and DDI services as at least two separate distinct performance obligations. In each arrangement, a customer is able to benefit from the M&O and DDI services individually or together; additionally, each service is distinct within the context of a contract. Therefore, the M&O and DDI phases are generally seen as distinct performance obligations. A possible exception is in contracts where the Company hosts solutions during the M&O phase. In such scenarios, the analysis of performance obligations would depend on the facts and circumstances of an arrangement.

For contracts with multiple performance obligations, the Company allocates a contract's transaction price to each performance obligation based on the relative standalone selling price of the goods and services provided to the customer. Some contracts also have components of variable consideration such as time and material fees which are typically based on hours incurred, and universal transaction and claim surcharge fees which are based on an agreed upon contractual floor and/or ceiling.

For M&O services, a customer simultaneously receives the benefits provided by the Company's performance as the Company meets its performance obligations. M&O service fees are typically negotiated on a fixed fee per period or milestone basis and revenue is recognized as services are performed in that period or as milestones are met.

During the DDI phase, revenue is recognized over time as a performance obligation is satisfied. The DDI phase satisfies the requirements for over time recognition given that a developed asset includes intensive customization and is unique to the specific requirements of a client. Consequently, the asset is not easily transferable to another state and has no alternative use. Additionally, arrangements typically include a clause that provides the Company with an enforceable right to payment for performance completed to date. Management recognizes revenue during the DDI phase using the "cost-to-cost" method, i.e., an input method based on cost incurred as a project progresses towards completion, also known as percentage of completion. Costs include internal labor hours, contractor costs, and allocation of internal overhead costs.

Practical Expedients and Exemptions

The Company does not adjust the promised amount of consideration for the effects of a significant financing component when the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

In addition, the Company reports revenue net of any revenue-based taxes assessed by a governmental authority that are imposed on and concurrent with specific revenue-producing transactions, such as sales taxes and value-added taxes.

Contract Balances

The timing of revenue recognition, billings and cash collections results in accounts receivable (billed receivables, unbilled receivables and contract assets), deferred revenue and advance contract payments (contract liabilities) on the Company's balance sheet. In arrangements that contain an element of customized software solutions, amounts are generally billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g. monthly) or upon achievement of certain contractual milestones. Generally, billing occurs subsequent to revenue recognition, sometimes resulting in contract assets if the related billing is conditional upon more than just the passage of time. However, the Company sometimes receives advances or deposits from customers, before revenue is recognized, which results in the generation of contract liabilities. Payment terms vary by type of product or service being provided as well as by customer, although the term between invoicing and when payment is due is generally an insignificant period of time.

Costs to Obtain a Contract

Certain sales commissions earned by the Company's sales force are considered incremental and recoverable costs of obtaining a contract with a customer. The majority of sales commissions are paid based on the achievement of quota-based targets. These costs are deferred and amortized on a straight-line basis over an average period of benefit determined to be five years. The Company determined the period of benefit considering the length of its customer contracts, its technology and other factors. The period of benefit approximates the average stated contract terms, excluding expected future renewals, because sales commissions are paid upon contract renewal in a manner commensurate with the initial commissions. Some commission payments are not capitalized because they are expensed during the fiscal year as the related revenue is recognized. Capitalized sales commissions costs are recorded in other assets and amortized in selling, general and administrative in the consolidated statement of operations and comprehensive loss.

Costs to Fulfill a Contract

Certain contract setup costs incurred upon initiation or renewal of an outsourcing contract that generate or enhance resources to be used in satisfying future performance obligations are capitalized when they are deemed recoverable. Judgment is applied to assess whether contract setup costs are capitalizable. Costs that generate or enhance resources often pertain to activities that enhance the capabilities of the services, improve customer experience and establish a more effective and efficient IT environment. The Company recognizes these transition and transformation contract costs as other assets, which are amortized over the respective contract life.

Deferred Revenue

The Company records amounts invoiced to customers in excess of revenue recognized as deferred revenue until the revenue recognition criteria are satisfied. Deferred revenue represents amounts invoiced in advance of services provided. In some cases, for portions of the DDI work, invoices are billed, and cash is collected as development milestones are reached. However, payments are not recognized as revenue but recorded as deferred revenue liabilities on the balance sheet. For deferred revenue recorded on transition and transformation related activities, the Company begins to recognize revenue and expenses upon go-live of the system at the start of the M&O phase by amortizing the deferred revenue liability ratably over the remaining life of the contract.

Income Taxes

Deferred income tax assets and liabilities represent the income tax effects of temporary differences between the tax basis of assets and liabilities and their amounts for financial reporting purposes. Deferred income taxes arise from the recognition of these temporary differences. Deferred tax assets and liabilities are measured using enacted tax rates at the reporting date, expected to apply in the year in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance for any portions determined not likely to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes tax liabilities when, despite the Company's belief that its tax return positions are supportable, the Company believes that certain positions may not be fully sustained upon review by tax authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences impact income tax expense in the period in which such determination is made.

Business Combinations

Companies acquired during the reporting period are reflected in the results of the Company effective from their respective dates of acquisition through the end of the reporting period. The Company allocates the fair value of purchase consideration to the assets acquired and liabilities assumed based on their fair values at the acquisition date. The excess of the fair value of purchase consideration over the fair value of the assets acquired and liabilities assumed in the acquired entity is recorded as goodwill. If the Company obtains new information about facts and circumstances that existed as of the acquisition date during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Company's statement of operations and comprehensive loss.

Foreign Currency

The local currency of the Company's foreign affiliates is generally their functional currency. Accordingly, the assets and liabilities of the foreign affiliates are translated from their respective functional currency to US dollars using fiscal year-end exchange rates, income and expense accounts are translated at the average rates in effect during the fiscal year and equity accounts are translated at historical rates. The resulting translation adjustment is recorded in the consolidated statement of operations and comprehensive loss and recorded as part of accumulated other comprehensive loss.

Recently Adopted Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-15, "Intangibles—Goodwill and Other—Internal Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract" (a consensus of the FASB Emerging Issues Task Force). The amendments in this Update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). Accordingly, the amendments in this Update require an entity (customer) in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. The amendments in this Update are effective for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. Early adoption of the amendments in this Update is permitted, including adoption in any interim period, for all entities. The amendments in this Update should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company adopted the standard from Oct 1, 2020 and accordingly capitalized $17,520 of the implementation costs relating to the cloud computing arrangements.

(dollars in thousands, unless otherwise noted)

Note 3: Acquisition

On October 1, 2020, the Company was incorporated through the sale of DXC Technology's State & Local Health and Human Services business for a total cash consideration of $5,026,506. Measurement period adjustments recorded by the Company have been recorded as of the acquisition date for purposes of the Company's purchase price allocation. The goodwill is tax deductible. The intangible assets acquired include customer relationships and developed technology which have an estimated useful life of 15 years and 7 years respectively. Customer relationships have been valued using an income based approach analyzing the historical and projected patterns of attrition as well as customer contract terms, options and the expected renewal rates. Developed technology was valued using a relief from royalty approach.

The Company's allocation of the purchase price to the assets acquired and liabilities assumed as of the acquisition date is as follows:

		Fair Value
Cash and cash equivalents	$	7,683
Accounts receivable, net		394,876
Prepaid expenses and other		31,630
Total current assets		434,189
Property and equipment		43,608
Intangible assets		2,401,595
Right of Use assets		80,113
Other assets		37,517
Total assets acquired	$	2,997,022
Accounts payable, accrued payroll, accrued expenses and other current liabilities	$	(314,892)
Other long-term liabilities		(137,891)
Total liabilities assumed		(452,783)
Net identifiable assets acquired		2,544,239
Goodwill		2,482,267
Purchase consideration	$	5,026,506

The Company incurred transaction cost of $88,961 during the six month period ended March 31, 2021.

On the acquisition date, the Company had acquired a few onerous contracts which have been fair valued in accordance with ASC 805 – Business Combinations. Accordingly, an amount of $50,000 of loss reserve was provisionally recorded and included in Goodwill and Other long-term liabilities.

(dollars in thousands, unless otherwise noted)

Note 4: Revenue

Revenue Recognition

The Company generates revenue only in the United States. The following table presents the Company's revenues disaggregated by geographic region within the United States based on the location of the customer to which the Company is providing the related goods or services:

		For the six month period ended March 31, 2021
North	$	177,404
South		250,565
Central		155,724
Midwest		91,763
Mid Atlantic		95,179
Others		577
Total revenues	**$**	**771,212**

Remaining Performance Obligations

Remaining performance obligations represent the aggregate amount of the transaction price in contracts allocated to performance obligations not delivered, or partially undelivered, as of the end of the reporting period. Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustments for revenue that has not materialized and adjustments for currency. As of March 31, 2021, approximately $207,300 of revenue is expected to be recognized from remaining performance obligations. The Company expects to recognize revenue entirely of these remaining performance obligations in fiscal 2022.

Contract Balances

The following table provides information about the balances of the Company's trade receivables and contract assets and contract liabilities:

		As of March 31, 2021
Trade receivables, net	$	244,818
Contract assets		162,936
Contract liabilities		48,338

(dollars in thousands, unless otherwise noted)

Changes in contract liabilities were as follows:

	For the six month period ended March 31, 2021
Balance, beginning of period	$ 51,980
Deferred revenue	26,376
Recognition of deferred revenue	30,018
Balance, end of period	**$ 48,338**

The following tables provides information about the Company's capitalized costs to obtain and fulfill a contract:

	As of March 31, 2021
Capitalized sales commissions costs(1)	10,377
Transition and transformation costs(2)	25,158

(1) The current portion of capitalized sales commission cost of $2,792 is included in other current assets and $7,585 is included in other assets in the accompanying balance sheet.

(2) Transition and transformation contract costs, net reflect the Company's setup costs incurred upon initiation of an outsourcing contract. The current portion of such costs of $4,370 is included in Other Current Assets and $20,788 are recorded in other assets in the accompanying balance sheet. For the period ended March 31, 2021, amortization expense of $2,015 thousand is included within depreciation and amortization in the accompanying statement of operations and comprehensive loss.

Note 5: Employee Benefits

The Company has voluntary employee savings plans in which eligible employees can contribute a portion of their income on a pretax basis. The total cost of all the plans to the Company was $5,853 for the period ended March 31, 2021.

Note 6: Stock-Based Compensation

Class B Membership Interests in Gainwell Topco Holdings, L.P., the ultimate parent entity of Gainwell Holding Corp. are issued to certain employees of the Company under the Amended and Restated Limited Partnership Agreement dated October 1, 2020. Awards of Membership Interests are subject to both time-based vesting and performance-based vesting. Time-based awards vest over a term of five years in five equal installments on the anniversaries of the grant effective date. Equity based compensation expense related to the time-based vesting is recognized ratably over the service period. Vesting of the performance-based awards is dependent on i) the Company's achievement of a certain multiple of invested capital returns upon a recapitalization or extraordinary dividend, ii) or upon a change-in-control. The term of the performance-based vesting is indefinite and compensation related to these awards will not be recognized until the Company has a qualifying event. The grant date fair value of the membership interests was determined utilizing the fair value of DXC Technology's State & Local Health and Human Services which was purchased on October 1, 2020. The Company has elected to not estimate forfeitures for the time-based awards and will account for forfeitures in the period they occur.

During the six month period ended March 31,2021, the Company recognized $4,600 of equity compensation expense related to Class B Membership interests. As of March 31, 2021, unrecognized equity compensation related to the time-based awards was $41,729 and performance-based awards was $46,365 totaling to $88,094. The expense related to the time-based awards is expected to be recognized over a weighted-average period of 2.7 years.

(dollars in thousands, unless otherwise noted)

Note 7: Income Taxes

(Provision) Benefit for Taxes

The sources of loss from operations, before income taxes, classified between domestic entities and those entities domiciled outside of the United States, are as follows:

	For the six month period ended March 31, 2021
Domestic entities	$ (327,633)
Entities outside the United States	(66)
Total	**$ (327,699)**

The provision for taxes is as follows:

	For the six month period ended March 31, 2021
U.S. federal taxes:	
Current	$ -
Deferred	-
Non U.S. taxes:	
Current	58
Deferred	-
State taxes:	
Current	278
Deferred	-
Total	**$ 336**

The major elements contributing to the difference between the U.S. federal statutory tax rate and the effective tax rate ("ETR") for continuing operations are below:

	For the six month period ended March 31, 2021		
(in thousands)	**ETR**		**Tax Expense**
U.S. federal statutory income tax rate	21.0%	$	(68,817)
Permanent Differences	-0.62%		2,048
State income taxes net of federal tax benefit	0.00%		(74)
Other State Taxes	-0.11%		351
R&D credit	0%		-
Foreign rate differential	0%		-
Uncertain tax positions	0%		-
U.S. Tax on Foreign Income	0%		-
Valuation allowance	-20.4%		66,828
Goodwill impairment	0%		-
Other items, net	0.00%		-
Total	**-0.10%**	**$**	**336**

Unrecognized Tax Benefits

The Company accounts for income tax uncertainties in accordance with ASC 740 "Income Taxes", which prescribes a recognition threshold and measurement criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more likely than not recognition threshold is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more likely than not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more likely than not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. ASC 740 also provides guidance on the accounting for and disclosure of liabilities for uncertain tax positions, interest and penalties The Company has no unrecognized tax positions. The March 31, 2021 tax year remains open to examination.

(dollars in thousands, unless otherwise noted)

Deferred Income Taxes

Deferred income taxes result from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes. For purposes of the consolidated balance sheet, deferred tax balances and tax carryforwards and credits have been recorded under the separate return method.

The significant components of deferred tax assets and deferred tax liabilities were as follows:

		As of March 31, 2021
Deferred tax assets:		
Net Operating Loss	$	25,611
Transaction Costs		11,953
Intangibles		36,944
Reserves		9,044
Other Accruals		26,280
Total Deferred Tax Assets		109,832
Valuation Allowance		(83,502)
Net Deferred tax Assets	**$**	**26,330**
Deferred Tax Liabilities:		
Fixed Assets		(23,284)
Right of Use Asset		(3,046)
Total Deferred Tax Liabilities	**$**	**(26,330)**

Income tax related assets and liabilities are included in the accompanying consolidated balance sheet as follows:

		As of March 31, 2021
Deferred tax assets	$	26,330
Deferred tax liabilities		(26,330)
Deferred tax assets net of deferred tax liabilities	$	-

Significant management judgment is required in determining the Company's provision for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against deferred tax assets. As of each reporting date, management weighs new evidence, both positive and negative, that could affect its view of the future realization of its net deferred tax assets. Objective verifiable evidence, which is historical in nature, carries more weight than subjective evidence, which is forward looking in nature.

(dollars in thousands, unless otherwise noted)

A valuation allowance has been recorded against deferred tax assets of approximately $83,502 thousand as of March 31, 2021 due to uncertainties related to the ability to utilize these assets. In assessing whether its deferred tax assets are realizable, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized and adjusts the valuation allowance accordingly. The Company considers all available positive and negative evidence including future reversals of existing taxable temporary differences, taxable income in prior carryback years, projected future taxable income, tax planning strategies and recent financial operations.

Note 8: Term Loan

As of March 31, 2021, total long term debt and other indebtedness including current portion of long term debt were as follows:

	As of March 31, 2021
First Lien Term Loan	$ 2,394,000
Second Lien Term Loan	800,000
Total	3,194,000
Less Current Maturities of long term debt	24,000
Less Debt Issuance costs	114,166
Long term debt, net	**$ 3,055,834**

On March 31, 2021, accrued interest was $18,372.

On March 31, 2021, the unamortized balance of deferred origination fees and debt issuance costs was $114,166. The Company amortized deferred financing costs of $6,753 in the six month period ended March 31, 2021.

Future maturities of long-term debt as of March 31, 2021 are as follows:

Year	Amount
2022	$ 24,000
2023	24,000
2024	24,000
2025	24,000
2026	24,000
Thereafter	3,074,000

First Lien Term Loan & Revolving Loans

In October 2020, the Company entered into a credit agreement (the “Credit Agreement”) with certain lenders and JPMorgan Chase Bank, N.A. as administrative agent. The Credit Agreement provided for an initial $2.4 billion first-lien term loan facility (the “First Lien Term Loan”) and a $400 million revolving credit loan facility (the “Revolving Loans”). The First Lien Term Loan under the Credit Agreement bears interest, at the Company’s option, at either i) the Base Rate (the “Base Rate”), as defined in the agreement, plus a margin of 3%, or ii) the reserve-adjusted Eurocurrency Rate (the “Eurocurrency Rate”) plus a margin of 4%. The interest rate was 4.75% for the six month period March 31, 2021.

Borrowings of Revolving Loans bear interest at a rate which depends on the Company's ratio of consolidated total net debt to earnings before interest, taxes, depreciation and amortization, both as defined in the Credit Agreement ("the Leverage Ratio"). Revolving Loans under the Credit Agreement bear interest, at the Company's option, at either i) the Base Rate, as defined in the agreement, plus an applicable margin based on the Company's Leverage Ratio or ii) the reserve-adjusted Eurocurrency Rate (the "Eurocurrency Rate") plus an applicable margin based on the Company's Leverage Ratio. At a Leverage Ratio greater than 4.25, borrowings will include a margin of 4% for Eurocurrency Rate loans and 3% for Base Rate loans. At a Leverage Ratio between 3.75 and 4.25, borrowings will include a margin of 3.75% for Eurocurrency Rate loans and 2.75% for Base Rate loans. At a Leverage Ratio less than 4.25, borrowings will include a margin of 3.5% for Eurocurrency Rate loans and 2.75% for Base Rate loans.

The First Lien Term Loan matures on October 1, 2027 and requires quarterly principal payments of $6 million. The initial borrowings of Revolving Loans mature on October 1, 2025. There were no borrowings under the Revolving Loans during the period ended March 31, 2021. On March 31, 2021, the Company had $15.7 million of letters of credit outstanding under the Credit Agreement and requires quarterly interest payments on the last day of each quarter. The letter of credit bears interest at a rate consistent with the Revolving Loans. The Company uses letters of credit primarily for purposes of satisfying requirements pertaining to the customer contracts.

The Credit Agreement requires quarterly interest payments for the First Lien Term Loan, Revolving Loans, and letters of credit. In addition, the Credit Agreement also contains prepayment requirements that would occur based on certain activities or if the Company has Excess Cash Flow ("ECF"), as defined in the agreement.

The Credit Agreement also contains certain financial compliance ratio tests. A failure to comply with these or certain other covenants could cause an event of default under the Credit Agreement that could result in an acceleration of the maturities of outstanding principal and interest. The Revolving Loans require the Company to maintain a Leverage Ratio greater than 8.20 at the end of each quarter. The Lien 1 Credit Facility includes a springing financial covenant which requires the Company to maintain a consolidated first lien net leverage ratio as of the end of a fiscal quarter equal to or less than 8.2:1.0. The financial covenant is for the sole benefit of the Revolving Credit Lenders and is required to be satisfied only if, at the end of the relevant fiscal quarter, the outstanding revolving loans and letters of credit (subject to certain exclusions) under the Revolving Credit Facility exceed a specified percentage of the commitments under the Revolving Credit Facility.

Second Lien Term Loan

In October 2020, the Company entered into a second lien credit agreement (the "Second Lien Credit Agreement") with certain lenders and HPS Investment Partners, LLC, as administrative agent. The Second Lien Credit Agreement provided for an initial $800 million second-lien term loan facility (the "Second Lien Term Loan"). Second Lien Term Loan under the Credit Agreement bears interest, at the Company's option, at either i) the Base Rate (the "Base Rate"), as defined in the agreement, plus a margin of 7%, or ii) the reserve-adjusted Eurocurrency Rate (the "Eurocurrency Rate") plus a margin of 8%. The interest rate was 9% for the six month period March 31, 2021.

The Second Lien Term Loan matures on October 1, 2028. The Credit Agreement also contains certain covenants. A failure to comply with these or certain other covenants could cause an event of default under the Second Lien Credit Agreement that could result in an acceleration of the maturities of outstanding principal and interest. The Second Credit Agreement requires quarterly interest payments for the Term Loan, Revolving Loans, and letters of credit. In addition, the Credit Agreement also contains prepayment requirements that would occur based certain activities or if the Company has Excess Cash Flow ("ECF"), as defined in the agreement.

(dollars in thousands, unless otherwise noted)

Note 9: Accounts Receivable

Receivables, net of allowance for doubtful accounts consist of the following:

	As of March 31, 2021
Billed trade receivables, net	$ 244,818
Contract assets	162,936
Receivables	**$ 407,754**

As of March 31, 2021 the Company had $8,476 towards allowance for uncollectible billed receivables and contract assets.

Note 10: Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. The Company depreciates the cost of property and equipment over the estimated useful lives of the related assets using the straight-line depreciation method. Leasehold improvements are amortized over the shorter of lease term or their estimated useful lives. The estimated useful lives of the Company's property and equipment are as follows:

Classification	Estimated useful life
Property and Equipment (1)	Up to 15 years
Computers and related equipment	Up to 7 years
Furniture and other equipment	Up to 10 years
Leasehold improvements	Shorter of lease term or useful life up to 20 years

In accordance with its policy, the Company reviews the estimated useful lives of its property and equipment on an ongoing basis.

	As of March 31, 2021
Property & equipment	$ 20,476
Computers and related equipment	24,285
Furniture and other equipment	217
Construction in progress	8,243
	53,221
Accumulated depreciation & amortization	(5,621)
Property and equipment, net	**$ 47,600**

(1) Property & Equipment asset class includes leasehold improvements and networking equipment installations on the leased spaces.

Depreciation expense for Property and equipment was $5,621 for the six month period ended March 31, 2021.

(dollars in thousands, unless otherwise noted)

Note 11: Goodwill and Intangible Assets

Goodwill

The following table summarizes carrying amount of goodwill as of March 31, 2021:

		As of March 31, 2021
On Acquisition	$	2,482,267
Accumulated Amortization		123,922
Balance as of March 31, 2021, net	**$**	**2,358,345**

Intangible Assets

Intangible assets consisted of the following:

	As of March 31, 2021			
		Cost	Accumulated Amortization	Net Carrying Value
Software	$	701,595	60,200	641,395
Customer related intangible assets		1,700,000	141,287	1,558,713
Total intangible assets	**$**	**2,401,595**	**201,487**	**2,200,108**

The components of amortization expense were as follows:

		For the six month period ended March 31, 2021
Goodwill amortization	$	123,922
Intangible asset amortization		201,487
Transition and transformation contract cost amortization		2,015
Total	**$**	**327,424**

Depreciation and amortization expense is split between Cost of Services and Selling, General &Administrative expenses based on the departments that had sourced the corresponding assets.

(dollars in thousands, unless otherwise noted)

Estimated future amortization as of March 31, 2021 for the intangible assets including goodwill is as follows:

Fiscal year		Amount
2022	$	586,253
2023		569,065
2024		525,889
2025		501,390
2026		480,894
Thereafter		1,894,962

Note 12: Leases

The Company has operating leases primarily for its office space. Our leases have remaining lease terms of 1 to 5 years, some of which include options to extend the leases for up to 20 years, and some of which include options to terminate the leases within 1 to 3 years.

The components of lease expense were as follows:

		For the six month period ended March 31, 2021
Operating lease cost	$	14,004
Variable lease cost		522
Total operating costs	**$**	**14,526**

Cash payments made from variable lease costs and short-term leases are not included in the measurement of operating lease liabilities, and as such, are excluded from the supplemental cash flow information stated below:

	For the six month period ended March 31, 2021
Cash paid for amounts included in the measurement of:	
Operating cash flows from operating leases	13,936

(dollars in thousands, unless otherwise noted)

Supplemental balance sheet information related to leases were as follows:

		As of March 31, 2021
Operating right-of-use assets, net	$	65,916
Current operating lease liabilities		26,750
Non-current operating lease liabilities		42,000

The following maturity analysis presents expected undiscounted cash payments for operating on an annual basis as of March 31, 2021

Fiscal year		**Amount**
2022		26,750
2023		19,408
2024		15,352
2025		5,812
2026		1,630
Total lease payments		68,952
Less: imputed interest		202
Total payments	**$**	**68,750**

The following table provides information on the weighted average remaining lease term and weighted average discount rate for operating leases:

Weighted average remaining lease term	3 years
Weighted average remaining discount rate	0.18

Gainwell Holding Corp. and Subsidiaries
Notes to Consolidated Financial Statements
As of March 31, 2021 and for the six month period ended March 31, 2021
(dollars in thousands, unless otherwise noted)

Note 13: Other Assets

The table below summarizes Other assets as of March 31, 2021:

		As of March 31, 2021
Transition and Transformation costs	$	20,788
Prepaid expense long - term		17,744
Hosting arrangements		17,244
Sales commission		7,585
Deposits and others		279
Total	**$**	**63,640**

Note 14: Accrued Expenses and Other Current Liabilities

The table below summarizes accrued expenses and other current liabilities as of March 31, 2021:

		As of March 31, 2021
Accrued operating expenses	$	212,673
Accrued expenses professional fees		23,577
Current portion of Fair value of loss reserve on onerous contracts		4,259
Total	**$**	**240,509**

Note 15: Related Party Transactions

Veritas Capital is the owner of the Company.

The Company incurred $3,750 towards management fees payable to Veritas Capital for the six month period ended March 31, 2021.

As of March 31, 2021, an amount of $5,100 was receivable from Veritas Capital towards additional capital contribution which was subsequently received on April 12, 2021.

As of March 31, 2021, Veritas Capital had contributed $2,205,100 to the additional paid in capital of the Company.

Note 16: Litigation and Contingencies

The Company is from time to time involved in commercial and employment disputes that arise in the ordinary course of its business. The Company may also be subject to claims from third parties arising from the Company's operations, and the Company is sometimes asked to provide information as a third party in investigations or proceedings conducted by state and local agencies. With respect to loss contingencies, the Company records a liability when it believes it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. Significant judgment is required to determine both the probability of having incurred a liability and the estimated amount of the liability. The Company reviews these matters at least quarterly and adjusts these liabilities to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other updated information and events pertaining to a particular matter. Cash flows or results of operations could be materially affected in any particular period by the resolution of one or more of these contingencies. The Company believes it has recorded adequate provisions for any such matters and therefore, as of March 31, 2021, it was not reasonably possible that a material loss had been incurred in connection with such matters in excess of the amounts recognized in its financial statements.

Litigation

The Company, in the normal course of business, may be subject to various claims and contingencies arising from among other things, disputes with customers, vendors, employees, contract counterparties and other parties, as well as environmental matters, matters concerning the licensing and use of intellectual property, and inquiries and investigations by regulatory authorities and other government agencies. Some of these disputes involve or may involve litigation. However, during the period October 1, 2020 to March 31, 2021, the Company was not involved in any material litigations which have not been adequately provided for nor did the Company have any settlements arising from litigations from the pre-acquisition period that were not reflected in its consolidated financial statements. Further, the Company had no material litigations or settlements between April 1, 2021 and the date of these financial statements.

(dollars in thousands, unless otherwise noted)

Note 17: Guarantees and Indemnifications

Guarantees

In the ordinary course of business, the Company may issue performance guarantees to certain of its clients, customers and other parties pursuant to which the Company has guaranteed the performance obligations of third parties. Some of those guarantees may be backed by standby letters of credit or surety bonds. In general, the Company would be obligated to perform over the term of the guarantee in the event a specified triggering event occurs as defined by the guarantee. The Company believes the likelihood of having to perform under a material guarantee is remote.

The following table summarizes Company's financial guarantees and stand-by letters of credit outstanding as of March 31, 2021:

	As of March 31, 2021
Surety bonds	$ 179,306
Stand-by letters of credit	17,264
Total	**$ 196,570**

Indemnifications

In the ordinary course of business, the Company enters contractual arrangements under which the Company may agree to indemnify a third party to such arrangement from any losses incurred relating to the services they perform on behalf of the Company or for losses arising from certain events as defined within the particular contract, which may include, for example, litigation or claims relating to past performance. The Company also provides indemnifications to certain vendors and customers against claims of intellectual property infringement made by third parties arising from the use by such vendors and customers of the Company's software products and services and certain other matters. Some indemnifications may not be subject to maximum loss clauses. Historically, payments made related to these indemnifications have been immaterial.

Note 18: Subsequent Events

The Company acquired HMS Holdings Corp. ("HMS"), an industry-leading healthcare technology, analytics and engagement solutions provider on April 1, 2021 for $3.4 billion. The Company acquired HMS capabilities focused on the Medicaid market, including Coordination of Benefits ("COB") and Payment Integrity ("PI") solutions delivered to states and COB solutions delivered to Medicaid managed care organizations. Cotiviti Inc., a Veritas backed company acquired from Gainwell, the HMS PI and Population Health Management ("PHM") capabilities focused on health plan and federal markets. Under the terms of the agreement, HMS shareholders received $37.00 in cash per share. The Company borrowed an additional $2,486,000 of term loan to finance the acquisition.

Further, the Company issued grants of Class B Membership Interests in Gainwell Topco Holdings, L.P. to its executives for $4,100 during this period.

The Company evaluated subsequent events for recognition or disclosure through August 27, 2021, the date the consolidated financial statements were available to be issued.

Gainwell Holding Corp.

Unaudited Quarterly Report
As of 30 June 2021

Prepared Pursuant to Section 6.01 of the Credit Agreement
Dated as of 1 October 2020

Unaudited Quarterly Report

TABLE OF CONTENTS

SECTION 1. FINANCIAL STATEMENTS

GAINWELL HOLDING CORP. and Subsidiaries
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	For the three month period ended June 30, 2021
Revenue, net	$ 534,784
Cost of Services	359,620
Gross profit	175,164
Operating Expenses:	
Selling, general & administrative	346,613
Loss from operations	**(171,449)**
Other income and (expenses):	
Interest Expense	(91,242)
Other income	10
Total other income and expenses	(91,232)
Loss from operations, before taxes	**(262,679)**
Income tax expense	103,088
Net Loss	**(365,768)**

GAINWELL HOLDING CORP. and Subsidiaries
CONSOLIDATED BALANCE SHEET
(Unaudited)

		As of June 30, 2021
ASSETS		
Current assets:		
Cash and Cash equivalents	$	257,527
Receivables and contract assets, net of allowance for doubtful accounts		520,706
Prepaid expenses		65,406
Other current assets		52,248
Total current assets	$	**895,885**
Intangible assets, net of accumulated amortization of		2,146,400
Operating right-of-use assets, net		61,182
Goodwill		4,396,893
Property and equipment, net of accumulated depreciation		66,645
Other assets		69,504
Total Assets	$	**7,636,512**
LIABILITIES and EQUITY		
Current liabilities:		
Short-term debt and current maturities of long-term debt	$	42,316
Accounts payable		68,917
Accrued payroll and related costs		68,915
Current operating lease liabilities		25,389
Accrued expenses and other current liabilities		360,182
Deferred revenue and advance contract payments		25,324
Total current liabilities	$	**591,044**
Long-term debt, net of current maturities, OID and financing costs		5,386,016
Non-current deferred revenue		34,038
Non-current operating lease liabilities		34,261
Non-current pension obligations		1,289
Other long-term liabilities		71,753
Total Liabilities	$	**6,118,401**
Stockholder's Equity		
Common Stock: $0.01 par value, 1000 shares authorized, 100 shares issued and outstanding		-
Additional paid-in capital		2,212,100
Accumulated deficit		(693,824)
Accumulated other comprehensive income		(165)
Total Equity		**1,518,111**
Total Liabilities and Equity	$	**7,636,512**

GAINWELL HOLDING CORP. and Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	For the three month period ended June 30, 2021
Cash flows from operating activities:	
Net Loss	$ (365,768)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization and other non-cash charges	219,391
Loss (gain) on dispositions	19
Provision for doubtful receivables	(140)
Amortization of debt issuance costs	6,643
Other Non Cash Charges, Net	11,164
Increase (Decrease) Income Tax Liability, net	82,794
Increase in receivables	60,253
Increase in prepaid expenses and other assets	(31,808)
Increase in accounts payable and accruals	7,709
Decrease in deferred revenue	3,568
Decrease in ROU assets	13,035
Increase in pension liabilities	30
Net cash provided by operating activities	**$ 6,890**
Purchase of property & equipment	(3,461)
Payments for transitions and transformation contracts costs	(1,154)
Software purchased or developed	(12,582)
Acquisition, net of cash acquired	(2,332,906)
Net cash used in investing activities	**$ (2,350,104)**
Borrowings on long-term debt	2,352,434
Principal payments on long-term debt	(10,579)
Net cash used in financing activities	**$ 2,341,855**
Effect of exchange rate changes on cash and cash equivalents	(31)
Net increase in cash and cash equivalents	(1,389)
Cash and cash equivalents at beginning of period	258,916
Cash and cash equivalents at end of the period	**$ 257,527**

GAINWELL HOLDING CORP. and Subsidiaries
CONSOLIDATED STATEMENT of STOCKHOLDER'S EQUITY
(Unaudited)

	Common Shares	Shares Dollars	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income, net	Total
Issuance of Stock at $0.01 per share	100	$ -	$ 2,204,600	$ (328,035)	$ 199	$ 1,876,764
Net Loss	-	-	-	(365,768)	-	(365,768)
Additional Paid in Capital	-	-	7,500	-	-	7,500
Cumulative translation adjustments	-	-	-	(20)	(364)	(384)
	100	**-**	**$ 2,212,100**	**$ (693,824)**	**$ (165)**	**$ 1,518,111**

SECTION 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Gainwell (the "Company") is a leading provider of healthcare technology and analytics solutions that are vital to the administration and operation of health and human services programs across the United States. Gainwell's solutions include Medicaid Management Information Systems ("MMIS"), coordination of benefits ("COB"), payment integrity ("PI), and eligibility and enrollment ("E&E"), among other offerings. This suite of solutions facilitates critical operational and cost containment outcomes for both state governments and Medicaid managed care organizations ("MCOs"). Gainwell impacts nearly 50 million Medicaid beneficiaries nationwide, processing over 1 billion claims and saving its clients approximately $5.0 billion per year.

More than 80 million Americans are covered under Medicaid, a federal and state program that provides healthcare coverage for American adults and children with low income and limited resources. Medicaid lives are either covered directly by state government's Medicaid agency (via a "fee for service" model) or by private health plans (MCOs) that receive a capitated payment from a state to manage the Medicaid population (via a "managed care" model). Gainwell's technology and analytics solutions address both states and MCOs in this market, and its solutions are vital to these clients' operational and cost containment obligations.

For example, the federal government requires that all states' Medicaid programs use an MMIS system, which is an automated claims processing and information retrieval system that states operate to support business functions and maintain mandated records of enrollment, eligibility, benefits, authorization, and claims processing. Gainwell is the leading provider of MMIS systems to state governments nationwide. Additionally, Gainwell uses advanced claims analytics engines to help states and MCOs avoid improper payments, recover overpayments, prevent fraud, ensure compliance, and increase cost savings. By law, Medicaid is deemed the "payer of last resort", meaning all other forms of healthcare coverage must be exhausted before the government pays for a healthcare claim. Gainwell leverages its proprietary capabilities to quickly identify and/or recover significantly more claims volumes than a state Medicaid agency or MCO could do internally.

Results of Operations

Our Revenue for the three-months ended 30 June 2021 was $535 million, representing an increase of approximately 9% relative to the comparable prior year period on a pro forma basis including HMS. MMIS Growth was primarily driven by the ramp-up of revenue on previously won programs. COB and PI growth was driven by recovery of prior year COVID-19 revenue degradation, yield improvement, and new product revenue.

We continue to closely manage transition service agreements (TSA) with DXC as we stand up internal functional capabilities. To that end, we on-boarded internal resources and leveraged resources from HMS to replace multiple TSAs. Our ERP system implementation is on track and will enable us to expedite exiting additional TSAs with DXC.

Value Creation actions in Q1 generated synergy realization with momentum that will benefit the company going forward and produced realized cost savings in the period.

Liquidity and Capital Resources

Our principal source of liquidity is cash generated from operations. We satisfy our working capital requirements and fund capital expenditures and debt-service obligations with cash generated from operations. We believe that cash flows from operations and financing activities will be sufficient to meet working capital requirements, anticipated capital expenditures and scheduled debt payments. No borrowings were outstanding on our $400 million revolving credit facility as of 30 June 2021, and $22.2 million in letters of credit were issued under the facility.

The following is a schedule of our capitalization as of 30 June 2021:

	30 June 2021	% Total	LTM Leverage Ratio 30 June 2021
Cash and cash equivalents	$ 257,527	–	–
Revolving line of credit	–	0%	–
1st lien term loan	4,210,400	74.3%	5.15x
2nd lien term loan	1,459,000	25.7%	1.79x
Total Debt	**$ 5,669,400**	**100.00%**	**6.94x**
Net Debt	5,411,873	–	6.62x
Pro forma Adjusted EBITDA	–	–	**$ 817,239**

Unrestricted Subsidiary Financial Information

Gainwell does not have any Unrestricted Subsidiaries as of 30 June 2021.

Purchase of HMS Holdings Corp.

The Company acquired HMS Holdings Corp. (“HMS”), an industry-leading healthcare technology, analytics and engagement solutions provider on April 1, 2021 for approximately $3.4 billion. The Company acquired HMS capabilities focused on the Medicaid market, including Coordination of Benefits (“COB”) and Payment Integrity (“PI”) solutions delivered to states and COB solutions delivered to Medicaid managed care organizations. Cotiviti Inc.acquired the HMS PI and Population Health Management (“PHM”) capabilities focused on health plan and federal markets. Under the terms of the agreement, HMS shareholders received $37.00 in cash per share. The Company borrowed an additional $2,486,000 of term loan to finance the acquisition. As of June 30, 2021, the Company has not finalized the determination of fair values allocated to various assets and liabilities, including, but not limited to, Receivables; Property and equipment; Deferred revenue; Intangible assets; Accounts payable and accrued liabilities; Loss contracts; and Goodwill.

SECTION 3. NON-GAAP MEASURES

Gainwell uses Consolidated EBITDA (as defined in the credit agreement) as a basis to measure our performance and our ability to service debt that are not required by, or presented in accordance with, GAAP. Consolidated EBITDA is not a measure of our financial performance under GAAP and should not be considered as an alternative to net income or any other performance measures derived in accordance with GAAP or as an alternative to cash flow from operating activities as measures of our liquidity. Consolidated EBITDA represents net income (loss) before interest expense, income tax expense (benefit), depreciation and amortization, certain non-operational and non-cash items, pro forma adjustments, unusual items and other adjustments required or permitted under the credit agreement. We believe that the presentation of Consolidated EBITDA is appropriate to provide additional information to investors about certain non-cash items and about unusual items that we do not expect to continue at the same level in the future and to evaluate our ability to service our indebtedness. We further believe that our presentation of these GAAP and non-GAAP financial measurements provide information that is useful to investors because they are important indicators of our operations and the performance of our core business. Our measurement of Consolidated EBITDA may not be comparable to that of other companies.

A reconciliation of Consolidated EBITDA is provided below:

$000s	**Three Months Ended June 30, 2021**	**Twelve Months Ended June 30, 2021**
Net income (loss)	(365,768)	(693,804)
Interest expense, net	91,242	193,872
Income tax expense (benefit)	103,088	103,424
Depreciation and amortization	219,391	552,436
EBITDA	**47,953**	**155,929**
Transaction costs	105,029	193,990
Nonrecurring costs	17,779	59,563
Gainwell and HMS results prior to DXC carveout and HMS Acquisition	-	306,239
Adjusted EBITDA	**170,761**	**715,721**
Proforma margin expansion initiatives	6,872	45,493
Proforma cloud migration cost savings	5,546	18,799
Proforma MediCal run rate adjustment	3,119	16,944
Proforma HMS initiatives	20,890	92,140
Proforma standalone cost adjustment	-	(71,857)
Proforma Adjusted EBITDA (Consolidated EBITDA)	**207,188**	**817,239**

Gainwell Holding Corp.

Unaudited Quarterly Report
As of 30 September 2021

Prepared Pursuant to Section 6.01 of the Credit Agreement
Dated as of 1 October 2020

Unaudited Quarterly Report

TABLE OF CONTENTS

SECTION 1. FINANCIAL STATEMENTS

GAINWELL HOLDING CORP. and Subsidiaries
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

		For the six month period ended September 30, 2021
Revenue, net	$	1,089,463
Cost of Services		723,628
Gross profit		365,835
Operating Expenses:		
Selling, general & administrative		614,858
Loss from operations		**(249,023)**
Other income and (expenses):		
Interest Expense		(183,525)
Other income		20
Total other income and expenses		(183,505)
Loss from operations, before taxes		**(432,528)**
Income tax expense		90,930
Net Loss		**(523,458)**

GAINWELL HOLDING CORP. and Subsidiaries
CONSOLIDATED BALANCE SHEET
(Unaudited)

		As of September 30, 2021
ASSETS		
Current assets:		
Cash and Cash equivalents	$	190,628
Receivables and contract assets, net of allowance for doubtful accounts		569,338
Prepaid expenses		57,347
Other current assets		31,261
Total current assets	$	**848,574**
Intangible assets, net of accumulated amortization of		2,066,173
Operating right-of-use assets, net		61,235
Goodwill		4,310,126
Property and equipment, net of accumulated depreciation		67,258
Other assets		67,600
Total Assets	$	**7,420,965**
LIABILITIES and EQUITY		
Current liabilities:		
Short-term debt and current maturities of long-term debt	$	42,316
Accounts payable		56,004
Accrued payroll and related costs		64,517
Current operating lease liabilities		24,225
Accrued expenses and other current liabilities		310,761
Deferred revenue and advance contract payments		32,463
Total current liabilities	$	**530,285**
Long-term debt, net of current maturities, OID and financing costs		5,382,239
Non-current deferred revenue		44,433
Non-current operating lease liabilities		39,146
Non-current pension obligations		1,349
Other long-term liabilities		56,830
Total Liabilities	$	**6,054,283**
Stockholder's Equity		
Common Stock: $0.01 par value, 1000 shares authorized, 100 shares issued and outstanding		-
Additional paid-in capital		2,218,265
Accumulated deficit		(851,448)
Accumulated other comprehensive income		(134)
Total Equity		**1,366,682**
Total Liabilities and Equity	$	**7,420,965**

GAINWELL HOLDING CORP. and Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

		For the six month period ended September 30, 2021
Cash flows from operating activities:		
Net Loss	$	(523,458)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization and other non-cash charges		440,227
Loss (gain) on dispositions		486
Provision for doubtful receivables		(544)
Amortization of debt issuance costs		13,446
Other Non Cash Charges, Net		43
Increase (Decrease) Income Tax Liability, net		44,967
Increase in receivables		13,181
Increase in prepaid expenses and other assets		1,134
Increase in accounts payable and accruals		(40,112)
Decrease in deferred revenue		10,668
Decrease in ROU assets		12,778
Increase in pension liabilities		89
Net cash provided by operating activities	**$**	**(27,096)**
Purchase of property & equipment		(10,200)
Payments for transitions and transformation contracts costs		(135)
Software purchased or developed		(27,198)
Acquisition, net of cash acquired		(2,336,657)
Net cash used in investing activities	**$**	**(2,374,190)**
Borrowings on long-term debt		2,352,434
Principal payments on long-term debt		(21,158)
Proceeds from Stock Issuance		1,700
Net cash used in financing activities	**$**	**2,332,976**
Effect of exchange rate changes on cash and cash equivalents		21
Net increase in cash and cash equivalents		(68,289)
Cash and cash equivalents at beginning of period		258,916
Cash and cash equivalents at end of the period	**$**	**190,628**

GAINWELL HOLDING CORP. and Subsidiaries
CONSOLIDATED STATEMENT of STOCKHOLDER'S EQUITY
(Unaudited)

	Common Shares	Shares Dollars	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income, net	Total
Common Stock: $0.01 par value, 1000 shares authorized	0	$ -	$ 2,204,600	$ (328,035)	$ 199	$ 1,876,764
Net Loss	-	-	-	(523,458)	-	(523,458)
Additional Paid in Capital	-	-	9,200	-	-	9,200
Stock based compensation			4,465			4,465
Cumulative translation adjustments	-	-	-	45	(333)	(288)
	0	**-**	**$ 2,218,265**	**$ (851,448)**	**$ (134)**	**$ 1,366,682**

SECTION 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Gainwell (the "Company") is a leading provider of healthcare technology and analytics solutions that are vital to the administration and operation of health and human services programs across the United States. Gainwell's solutions include Medicaid Management Information Systems ("MMIS"), coordination of benefits ("COB"), payment integrity ("PI), and eligibility and enrollment ("E&E"), among other offerings. This suite of solutions facilitates critical operational and cost containment outcomes for both state governments and Medicaid managed care organizations ("MCOs"). Gainwell impacts nearly 50 million Medicaid beneficiaries nationwide, processing over 1 billion claims and saving its clients approximately $5.0 billion per year.

More than 80 million Americans are covered under Medicaid, a federal and state program that provides healthcare coverage for American adults and children with low income and limited resources. Medicaid lives are either covered directly by state government's Medicaid agency (via a "fee for service" model) or by private health plans (MCOs) that receive a capitated payment from a state to manage the Medicaid population (via a "managed care" model). Gainwell's technology and analytics solutions address both states and MCOs in this market, and its solutions are vital to these clients' operational and cost containment obligations.

For example, the federal government requires that all states' Medicaid programs use an MMIS system, which is an automated claims processing and information retrieval system that states operate to support business functions and maintain mandated records of enrollment, eligibility, benefits, authorization, and claims processing. Gainwell is the leading provider of MMIS systems to state governments nationwide. Additionally, Gainwell uses advanced claims analytics engines to help states and MCOs avoid improper payments, recover overpayments, prevent fraud, ensure compliance, and increase cost savings. By law, Medicaid is deemed the "payer of last resort", meaning all other forms of healthcare coverage must be exhausted before the government pays for a healthcare claim. Gainwell leverages its proprietary capabilities to quickly identify and/or recover significantly more claims volumes than a state Medicaid agency or MCO could do internally.

Results of Operations

Our Revenue for the six-months ended 30 September 2021 was $1,089 million, representing an increase of approximately 11% relative to the comparable prior year period on a pro forma basis including HMS. MMIS Growth was primarily driven by growth in revenue on previously won programs, pricing increase and ramp-up of projects. COB and PI growth was driven by client specific product improvements, recovery from COVID impact and new implementations.

We continue to closely manage transition service agreements (TSA) with DXC as we stand up internal functional capabilities. To that end, we on-boarded internal resources and leveraged resources from HMS to replace multiple TSAs. Our ERP system implementation is on track and will enable us to expedite exiting additional TSAs with DXC.

Value Creation actions in the first half generated synergy realization with cost saving momentum that will benefit the company going forward and produced realized cost savings in the period.

Liquidity and Capital Resources

Our principal source of liquidity is cash generated from operations. We satisfy our working capital requirements and fund capital expenditures and debt-service obligations with cash generated from operations. We believe that cash flows from operations and financing activities will be sufficient to meet working capital requirements, anticipated capital expenditures and scheduled debt payments. No borrowings were outstanding on our $400 million revolving credit facility as of 30 September 2021, and $22.2 million in letters of credit were issued under the facility.

The following is a schedule of our capitalization as of 30 September 2021:

				LTM Leverage Ratio
	30 September 2021		% Total	30 September 2021
Cash and cash equivalents	$	190,628	–	–
Revolving line of credit		–	0%	–
1st lien term loan		4,199,800	74.2%	4.98x
2nd lien term loan		1,459,000	25.8%	1.73x
Total Debt	**$**	**5,658,800**	**100.00%**	**6.71x**
Net Debt		5,468,172	–	6.48x
Pro forma Adjusted EBITDA		–	–	**$ 843,741**

Unrestricted Subsidiary Financial Information

Gainwell does not have any Unrestricted Subsidiaries as of 30 September 2021.

Purchase of HMS Holdings Corp.

The Company acquired HMS Holdings Corp. (“HMS”), an industry-leading healthcare technology, analytics and engagement solutions provider on April 1, 2021 for approximately $3.4 billion. The Company acquired HMS capabilities focused on the Medicaid market, including Coordination of Benefits (“COB”) and Payment Integrity (“PI”) solutions delivered to states and COB solutions delivered to Medicaid managed care organizations. Cotiviti Inc. acquired the HMS PI and Population Health Management (“PHM”) capabilities focused on health plan and federal markets. Under the terms of the agreement, HMS shareholders received $37.00 in cash per share. The Company borrowed an additional $2,486,000 of term loan to finance the acquisition. As of June 30, 2021, the Company has not finalized the determination of fair values allocated to various assets and liabilities, including, but not limited to, Receivables; Property and equipment; Deferred revenue; Intangible assets; Accounts payable and accrued liabilities; Loss contracts; and Goodwill.

SECTION 3. NON-GAAP MEASURES

Gainwell uses Consolidated EBITDA (as defined in the credit agreement) as a basis to measure our performance and our ability to service debt that are not required by, or presented in accordance with, GAAP. Consolidated EBITDA is not a measure of our financial performance under GAAP and should not be considered as an alternative to net income or any other performance measures derived in accordance with GAAP or as an alternative to cash flow from operating activities as measures of our liquidity. Consolidated EBITDA represents net income (loss) before interest expense, income tax expense (benefit), depreciation and amortization, certain non-operational and non-cash items, pro forma adjustments, unusual items and other adjustments required or permitted under the credit agreement. We believe that the presentation of Consolidated EBITDA is appropriate to provide additional information to investors about certain non-cash items and about unusual items that we do not expect to continue at the same level in the future and to evaluate our ability to service our indebtedness. We further believe that our presentation of these GAAP and non-GAAP financial measurements provide information that is useful to investors because they are important indicators of our operations and the performance of our core business. Our measurement of Consolidated EBITDA may not be comparable to that of other companies.

A reconciliation of Consolidated EBITDA is provided below:

$000s	**Six Months Ended September 30, 2021**	**Twelve Months Ended September 30, 2021**
Net income (loss)	(523,458)	(851,493)
Interest expense, net	183,526	286,156
Income tax expense (benefit)	90,930	91,265
Depreciation and amortization	440,227	773,272
EBITDA	**191,224**	**299,200**
Transaction costs	111,683	200,643
Nonrecurring costs	50,649	92,433
HMS results prior to Acquisition	-	106,853
Adjusted EBITDA	**353,556**	**699,129**
Proforma margin expansion initiatives	12,283	38,249
Proforma cloud migration cost savings	9,657	18,192
Proforma MediCal run rate adjustment	6,393	11,413
Proforma HMS initiatives	36,019	83,519
Proforma standalone cost adjustment	-	(6,761)
Proforma Adjusted EBITDA (Consolidated EBITDA)	**417,908**	**843,741**

State of Indiana
Office of the Secretary of State

Certified Copies

To Whom These Presents Come, Greeting:

I, HOLLI SULLIVAN, Secretary of State of Indiana, do hereby certify that I am, by virtue of the laws of the State of Indiana, the custodian of the corporate records and the proper official to execute this certificate.

I further certify that this is a true and complete copy of this 10 page document consisting of the following records filed in this office:

Certification Date: November 23, 2021
Business Name: GAINWELL TECHNOLOGIES LLC
Business ID: 202004231386794

Transaction	Date Filed	No. of pages
Registration Statement	04/24/2020	5
Registration Amendment	10/14/2020	4
Change of Registered Office/Agent	04/22/2021	1
	Total No. of pages	10

In Witness Whereof, I have caused to be affixed my signature and the seal of the State of Indiana, at the City of Indianapolis, November 23, 2021

HOLLI SULLIVAN
SECRETARY OF STATE

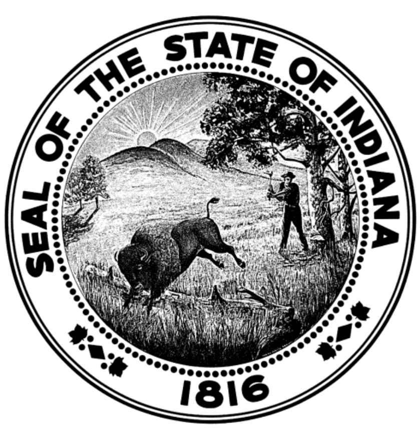
202004231386794 / 14230854

State of Indiana
Office of the Secretary of State

Foreign Registration Statement
of
DXC MS LLC

I, CONNIE LAWSON, Secretary of State, hereby certify that an Registration Statement of the above Foreign Limited Liability Company has been presented to me at my office, accompanied by the fees prescribed by law and that the documentation presented conforms to law as prescribed by the provisions of the Indiana Code.

NOW, THEREFORE, with this document I certify that said transaction will become effective Thursday, April 23, 2020.



In Witness Whereof, I have caused to be affixed my signature and the seal of the State of Indiana, at the City of Indianapolis, April 24, 2020.

Connie Lawson

CONNIE LAWSON
SECRETARY OF STATE

202004231386794 / 8582793

To ensure the certificate's validity, go to https://bsd.sos.in.gov/PublicBusinessSearch

APPROVED AND FILED
CONNIE LAWSON
INDIANA SECRETARY OF STATE
04/24/2020 08:31 AM

REGISTRATION STATEMENT

Formed pursuant to the provisions of the Indiana Code.

ARTICLE I - NAME AND PRINCIPAL OFFICE ADDRESS

BUSINESS ID	202004231386794
BUSINESS TYPE	Foreign Limited Liability Company
BUSINESS NAME	DXC MS LLC
PRINCIPAL OFFICE ADDRESS	1775 Tysons Blvd Flr 9, Mc Lean, VA, 22102, USA

ARTICLE II - REGISTERED OFFICE AND ADDRESS

REGISTERED AGENT TYPE	Business Commercial Registered Agent
NAME	CORPORATE CREATIONS NETWORK INC.
ADDRESS	8520 Allison Pointe Blvd #220, Indianapolis, IN, 46250, USA

ARTICLE III - PERIOD OF DURATION AND EFFECTIVE DATE

PERIOD OF DURATION	Perpetual
EFFECTIVE DATE	04/23/2020
EFFECTIVE TIME	10:16PM

APPROVED AND FILED
CONNIE LAWSON
INDIANA SECRETARY OF STATE
04/24/2020 08:31 AM

ARTICLE IV - PRINCIPAL(S)

TITLE	Manager
NAME	William Leroy Deckelman JR.
ADDRESS	1775 Tysons Blvd, Tysons, VA, 22102, USA
TITLE	Manager
NAME	Neil Angelo Manna
ADDRESS	1775 Tysons Blvd, Tysons, VA, 22102, USA
TITLE	Manager
NAME	H.C. Charles Diao
ADDRESS	1775 Tysons Blvd, Tysons, VA, 22102, USA
TITLE	President
NAME	H.C. Charles Diao
ADDRESS	1775 Tysons Blvd, Tysons, VA, 22102, USA
TITLE	Secretary
NAME	William Leroy Deckelman JR.
ADDRESS	1775 Tysons Blvd, Tysons, VA, 22102, USA
TITLE	Treasurer
NAME	H.C. Charles Diao
ADDRESS	1775 Tysons Blvd, Tysons, VA, 22102, USA
TITLE	Vice President
NAME	William Leroy Deckelman JR.
ADDRESS	1775 Tysons Blvd, Tysons, VA, 22102, USA
TITLE	Vice President
NAME	Neil Angelo Manna
ADDRESS	1775 Tysons Blvd, Tysons, VA, 22102, USA
TITLE	Assistant Treasurer
NAME	Neil Angelo Manna
ADDRESS	1775 Tysons Blvd, Tysons, VA, 22102, USA

APPROVED AND FILED
CONNIE LAWSON
INDIANA SECRETARY OF STATE
04/24/2020 08:31 AM

TITLE	Assistant Treasurer
NAME	Ceyhun Cetin
ADDRESS	1775 Tysons Blvd, Tysons, VA, 22102, USA

TITLE	Assistant Treasurer
NAME	Christopher E. Digan
ADDRESS	1775 Tysons Blvd, Tysons, VA, 22102, USA

MANAGEMENT INFORMATION

THE LLC WILL BE MANAGED BY MANAGER(S)	Yes
IS THE LLC A SINGLE MEMBER LLC?	Yes

ARTICLE V - FOREIGN ENTITY JURISDICTION INFORMATION

FORMATION DATE	12/17/2009
COUNTRY	USA
STATE	CA

SIGNATURE

THE SIGNATOR(S) REPRESENTS THAT THE REGISTERED AGENT NAMED IN THE APPLICATION HAS CONSENTED TO THE APPOINTMENT OF REGISTERED AGENT.

THE UNDERSIGNED DESIRES TO EFFECTUATE THE ADMITTANCE OF THIS LIMITED LIABILITY COMPANY TO TRANSACT BUSINESS IN THE STATE OF INDIANA PURSUANT TO INDIANA LAW.

IN WITNESS WHEREOF, THE UNDERSIGNED HEREBY VERIFIES, SUBJECT TO THE PENALTIES OF PERJURY, THAT THE STATEMENTS CONTAINED HEREIN ARE TRUE, THIS DAY **April 23**, **2020**.

SIGNATURE	William Leroy Deckelman Jr
TITLE	Manager

Business ID : 202004231386794
Filing No : 8582793

State of California
Secretary of State

CERTIFICATE OF STATUS

ENTITY NAME: DXC MS LLC

FILE NUMBER:	200935110099
FORMATION DATE:	12/17/2009
TYPE:	DOMESTIC LIMITED LIABILITY COMPANY
JURISDICTION:	CALIFORNIA
STATUS:	ACTIVE (GOOD STANDING)

I, ALEX PADILLA, Secretary of State of the State of California, hereby certify:

The records of this office indicate the entity is authorized to exercise all of its powers, rights and privileges in the State of California.

No information is available from this office regarding the financial condition, business activities or practices of the entity.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of April 17, 2020.

ALEX PADILLA
Secretary of State

JMC

State of Indiana
Office of the Secretary of State

Foreign Registration Amendment
of
DXC MS LLC

I, CONNIE LAWSON, Secretary of State, hereby certify that an Registration Amendment of the above Foreign Limited Liability Company has been presented to me at my office, accompanied by the fees prescribed by law and that the documentation presented conforms to law as prescribed by the provisions of the Indiana Code.

The name following said transaction will be:

GAINWELL TECHNOLOGIES LLC

NOW, THEREFORE, with this document I certify that said transaction will become effective Tuesday, October 13, 2020.

In Witness Whereof, I have caused to be affixed my signature and the seal of the State of Indiana, at the City of Indianapolis, October 14, 2020

Connie Lawson

CONNIE LAWSON
SECRETARY OF STATE

202004231386794 / 8758500

To ensure the certificate's validity, go to https://bsd.sos.in.gov/PublicBusinessSearch

FOREIGN REGISTRATION AMENDMENT

State Form 56365 (R4 / 6-19)

Indiana Code 23-0.5-5-4
23-0.5-9-27

FILING FEE: $30.00

The undersigned, desiring to amend the registration of a foreign entity on file with the Secretary of State pursuant to the provisions of Indiana Code 23-0.5-5-4, executes the following Foreign Registration Amendment.

ARTICLE I – ENTITY INFORMATION

Current legal name of the entity	DXC MS LLC
Current alternate name of the entity *(if any)*	N/A
Date the foreign entity registered with the Secretary of State's office *(month, day, year)*	04/23/2020
Current entity type	Limited Liability Company
Current jurisdiction of formation	California

ARTICLE II – NEW ENTITY INFORMATION

Please complete only the sections pertaining to the information that has changed.

Please note: If the entity changing its name is a Foreign Master LLC, Articles of Designation changing the name of each associated Series must be submitted to the Secretary of State's office along with this Amendment.

New legal name of the entity	Gainwell Technologies LLC
New alternate name of the entity	
New jurisdiction of formation	

If the foreign entity is a Foreign Limited Liability Company that wishes to become a Foreign Master LLC, please provide the name of the Foreign Master LLC. *(The name must include the words Limited Liability Company-S, L.I.C.-S or LLC-S.)*

Name of the Foreign Master LLC

The Master LLC is authorized to designate one or more series.

If the foreign entity is a Foreign Master LLC that wishes to become a Foreign Limited Liability Company, please provide the name of the Foreign Limited Liability Company. *(The name must include the words Limited Liability Company, L.L.C. or LLC.)*

Name of the Foreign Limited Liability Company

This Limited Liability Company removes the statement from its Registration Statement that it is authorized to designate one or more series.
By filing this Amendment, all associated series to the Master LLC will be dissolved.

New street address:

Number and street	City	State	ZIP code

ARTICLE III – REGISTERED AGENT INFORMATION

To determine if your Registered Agent is a Commercial Registered Agent (CRA), go to INBIZ.in.gov.

Provide either commercial registered agent or noncommercial registered agent information below.

[X] Commercial registered agent — Name of registered agent *(Do not provide address.)*: CORPORATE CREATIONS NETWORK INC.

OR

[ ] Noncommercial registered agent — Name of registered agent:

Address *(number and street) (A P.O. Box is not acceptable unless accompanied by a Rural Route number.)*	City	State	ZIP code
		IN	

(OPTIONAL) E-mail address of the registered agent at which the registered agent will accept electronic service of process

[X] By checking the box, the Signator(s) represent(s) that the Registered Agent named in the Foreign Registration Amendment has consented to the appointment of Registered Agent.

RECEIVED
IND. SECRETARY OF STATE
OCT 13 2020

Connie Lawson

In Witness Whereof, the undersigned duly authorized representative of the foreign entity executes this Foreign Registration Amendment and verifies, subject to penalties of perjury, that the statements contained herein are true, this 12th day of October, 20 20.

Signature Stephen C. Costalas	
Printed name Steve Costalas	Title General Counsel and Secretary of Milano Acquisition Corp., Member

Secretary of State
Certificate of Status

I, ALEX PADILLA, Secretary of State of the State of California, hereby certify:

Entity Name:	GAINWELL TECHNOLOGIES LLC
File Number:	200935110099
Registration Date:	12/17/2009
Entity Type:	DOMESTIC LIMITED LIABILITY COMPANY
Jurisdiction:	CALIFORNIA
Status:	ACTIVE (GOOD STANDING)

As of October 12, 2020 (Certification Date), the entity is authorized to exercise all of its powers, rights and privileges in California.

This certificate relates to the status of the entity on the Secretary of State's records as of the Certification Date and does not reflect documents that are pending review or other events that may affect status.

No information is available from this office regarding the financial condition, status of licenses, if any, business activities or practices of the entity.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of October 13, 2020.

Alex Padilla

ALEX PADILLA
Secretary of State

Certificate Verification Number: YJ3N5VR

To verify the issuance of this Certificate, use the Certificate Verification Number above with the Secretary of State Certification Verification Search available at *bebizfile.sos.ca.gov/certification/index*.

RECEIVED
IND. SECRETARY OF STATE
OCT 13 2020
Connie Lawson

APPROVED AND FILED
HOLLI SULLIVAN
INDIANA SECRETARY OF STATE
04/22/2021 07:41 AM

NOTICE OF CHANGE OF REGISTERED OFFICE OR REGISTERED AGENT

NAME AND PRINCIPAL OFFICE ADDRESS

BUSINESS ID	202004231386794
BUSINESS TYPE	Foreign Limited Liability Company
BUSINESS NAME	GAINWELL TECHNOLOGIES LLC
PRINCIPAL OFFICE ADDRESS	1775 TYSONS BLVD, FL 9, MC LEAN, VA, 22102 - 4284, USA

EFFECTIVE DATE

EFFECTIVE DATE	04/21/2021
EFFECTIVE TIME	7:41 AM

REGISTERED AGENT

REGISTERED AGENT TYPE	Business Commercial Registered Agent
NAME	C T CORPORATION SYSTEM
ADDRESS	334 North Senate Avenue, Indianapolis, IN, 46204, USA

SIGNATURE

THE SIGNATOR(S) REPRESENTS THAT THE REGISTERED AGENT NAMED IN THE APPLICATION HAS CONSENTED TO THE APPOINTMENT OF REGISTERED AGENT.

IN WITNESS WHEREOF, THE UNDERSIGNED HEREBY VERIFIES, SUBJECT TO THE PENALTIES OF PERJURY, THAT THE STATEMENTS CONTAINED HEREIN ARE TRUE, THIS DAY **April 21, 2021.**

SIGNATURE	Michele Holden
TITLE	Authorized Agent

Business ID : 202004231386794
Filing No. : 8988444

December 7, 2021

Teresa Deaton-Reese
Strategic Sourcing Analyst
Indiana Department of Administration
Procurement Division
402 W. Washington Street, Room W468
Indianapolis, IN 46204

Dear Ms. Deaton-Reese,

As General Counsel and Secretary for Gainwell Technologies LLC, I hereby certify that Paul Saleh, Chief Executive Officer of Gainwell Technologies LLC, has contract assignment and novation signature authority for Gainwell Technologies LLC, and its subsidiaries.

If you have any questions concerning this letter, do not hesitate to contact me.

Sincerely,

Stephen C. Costalas

Stephen C. Costalas
Executive Vice President and General Counsel
Gainwell Technologies LLC

Indiana Premium Billing & Collection Services Project Disaster Recovery Management Plan

Note: The draft Disaster Recovery Plan on the following pages is an example of the type of plan Gainwell will provide to OMPP.

Draft

Example Version

Issue Date: 12/07/2021

Submitted by Gainwell Technologies LLC

Signature Page

Prepared by:

Prepared by:

Reviewed by:

Reviewed by:

Reviewed by:

Reviewed by:

Reviewed by:

Reviewed by:

Approved by:	Signature	Date

Change History

Version #	Date of Release	Affected Pages	Change Description	Author

Contents

Figures

Tables

1 Preface

This document is the Initial Disaster Recovery Plan (DR Plan) for the Indiana Department of Administration (IDOA), Family and Social Services Administration (FSSA), Office of Medicaid Policy and Planning (OMPP) Premium Billing & Collection Services Project. Gainwell Technologies (Gainwell) will continue to develop the DR Plan in collaboration with the State of Indiana and maintain it as a living document. Therefore, it is necessary for the DR Plan updating process to be properly structured and controlled. This satisfies the requirements of RFP reference, Attachment E, Section 2.3.12, General Information and Attachment F, Section 6, p. 3.

1.1 Purpose

The purpose of the DR Plan is to develop, test, and document a well-structured and easily understood plan that will help the Indiana Premium Billing & Collection Services Project recover as quickly and effectively as possible from an unforeseen disaster or emergency that interrupts information systems and business hosted at the Gainwell Orlando Data Center (ODC).

This plan enables Gainwell Orlando, Florida, Data Center Services Solutions, Inc. (DCS) to recover critical predefined customer tier–level applications and services from a major or catastrophic disruption when Gainwell DCS and its customers declare a disaster. Minor events and operational issues will be handled by the normal production incident management processes. This plan will be used along with other key documents defined throughout the plan.

1.2 Overall Approach

This DR Plan aligns to federal and State standards using Office of Emergency Services (OES). This plan will be developed to meet the Indiana Premium Billing & Collection Services Project requirements. Gainwell will protect the data in the Indiana Premium Billing & Collection Services Project in an offsite location in the event of a manmade or natural disaster. The Indiana Premium Billing & Collection Services recovery will be managed by Gainwell Orlando, Florida, DCS Solutions, Inc. Appendix A Disaster Recovery Plan for Gainwell Data Center Services provides the details of how events will be managed by Gainwell DCS. Gainwell DCS is located at:

Gainwell DCS
9701 South John Young Parkway
Orlando, FL 32819

The recovery site is located at:

Enterprise Service Center
305 Rockrimmon Blvd. S
Colorado Springs, CO 80919

As described in the following subsections, we provide a comprehensive approach to disaster recovery and operational business continuity that will build on our existing experience with the IN Title XIX Account DR Plan and process and procedures of the Gainwell DCS to safeguard and protect the Indiana Premium Billing & Collection Services Project. Gainwell DCS will develop a specific recovery plan for Indiana Premium Billing & Collection Services for recovery specific to the IN Application/Server Clarification List, or a global disaster event affecting Gainwell customers with data housed in Orlando.

Gainwell proposed the ODC to house the OMPP production environment. The ODC is equipped with an uninterruptible power supply (UPS) and diesel-generator backup systems designed for refueling during operation. It provides services 24x7 to customers locally and around the world. The data center includes blade server systems with robust processing power, midrange systems, large automated tape storage units, direct access storage devices (DASDs), world-class telecommunications, and web hosting.

Gainwell built this facility to meet the Uptime Institute's Tier III rating for the demanding power and cooling needs of the next-generation computing environment and offers redundant power and cooling configuration, enabling concurrent maintainability without the risk of facility downtime. Gainwell integrated it with Gainwell's data center architecture to provide for failover and redundancy in support of Gainwell's global operations.

Gainwell based the Indiana Premium Billing & Collection Services Project DR solution on a proven DR model already deployed for several of Gainwell's customers. This solution includes replicating data in near-real time from the primary data center to the DR data center. The advantage to OMPP is that this process is already tested and working and requires Gainwell only to failover to the alternative site to meet OMPP's required capacity. Both the primary and DR locations are equipped with mission critical enterprise-class storage area networks and tape libraries to quickly recover OMPP's information should the need arise. We also maintain and store offsite tape backups in a secure location with Iron Mountain.

1.3 Scope

The scope of this DR Plan covers the entire life of the contract. The plan will be finalized for operations during the transition from the Design, Development and Implementation (DDI) phase to Operations and Maintenance.

1.4 Roles and Responsibilities

The roles and responsibilities associated with contractor and State roles for executing this plan are outlined in the following table.

Table 1. Example Roles and Responsibilities

Title	Staffed By	Process Role	Role Description and Actions
Executive Steering Committee	State of Indiana	Oversight and approval of DR Plan	Oversight and approval of Business Continuity (BC) Plan
Project Steering Committee	State of Indiana/ Gainwell	DR plan oversight	Oversight of DR Plan and notification of disaster event Timely notification related to key changes in the DR Plan
Gainwell Managers and Hiring Leaders	Gainwell	Implementation of DR Plan	Work with Project Steering Committee to implement plan Conduct annual BC/DR plan reviews and testing scenarios
Gainwell DCS	Gainwell	Manage Disaster Event	Manage DR Plan and recovery. Supports Gainwell deliverables related to State of Indiana or requests

Title	Staffed By	Process Role	Role Description and Actions
Disaster Management Team (DMT) Representative	Gainwell	Gainwell Indiana Premium Billing & Collection Services Project Functional Department representative (SME) and designated department DMT point of contact	Supports Gainwell deliverables related to State of Indiana OR requests Communicates DMT progress and potential risks and issues to Gainwell account management, Key Customer Contact Team
The Gainwell Leadership Team	Gainwell	Escalate an event to the DMT that qualifies as an event.	Coordinates DR Plan team requirements with DMT team representatives Notify DMT of declared disaster Supports Gainwell deliverables related to State of Indiana or requests Communicates DR Plan progress and potential risks and issues to Gainwell leaders, as appropriate

1.5 References

This plan will be stored in the Indiana Premium Billing & Collection Services Project document repository. Business continuity management is an interdependent process. BC planning is an encompassing term covering crisis management planning, DR planning, and business resumption planning. The combination of these key BC functions provides advance arrangements and procedures that enable an organization to minimize the impact of an event or respond to an event in such a manner that critical business functions continue with as little interruption or essential change as possible.

The DR Plan has dependencies on other plans and processes, such as the following:

- **Business Continuity Plan.** The BC Plan identifies the tools, resources, and processes used to continue normal business activities, protect information, and assets supported by the Indiana Premium Billing & Collection Services Project. The BC Plan at a minimum will define the actions taken before, during, and after a disruptive event by both Gainwell and Indiana Title XIX. This will include procedures required to respond to an emergency, strategies for essential functions, and provide backup operations during a manmade or natural disaster. While there may be other important functions, this plan covers those that are mission- and time-critical.
- The **Disaster Recovery Plan** will reference specific Recovery Time Objective (RTO) and Recovery Point Objective (RPO) time frames defined in the DDI and Operations contract.

This plan was developed using the following inputs:

- Office of Emergency Services (OES) Continuity of Operations/Continuity of Government (COOP/COG) guidelines
- A Guide to the Project Management Body of Knowledge (PMBOK Guide), Fifth Edition
- Current Business Continuity Plan IN Title XIX account
- Gainwell DCS IN Title XIX Backup Disaster Recovery Process

1.6 Acronyms

The following table lists the acronyms that pertain to this plan.

Table 2. Acronyms

Acronym	Definition
BC/DR	Business Continuity/Disaster Recovery
BCP	Business Continuity Plan
CMT	Crisis Management Team
COOP/COG	Continuity of Operations/Continuity of Government
DDI	Design, Development and Implementation
DMT	Disaster Management Team
DR	Disaster Recovery
Gainwell DCS	Gainwell Orlando, Florida Data Center Services Solutions, Inc.
IN Title XIX	Indiana Title 19
IT	Information Technology
MMIS	Medicaid Management Information System
ODC	Orlando Data Center
OES	Office of Emergency Services
OMPP	Office of Medicaid Policy and Planning
OR	Operational Recovery Team
PMBOK	Project Management Body of Knowledge
RPO	Recovery Point Objective
RTO	Recovery Time Objective
TRP	Technical Recovery Procedures

1.7 Document Maintenance

This is a living document that will be reviewed and updated throughout the DR Plan update schedule (Appendix F). During the Operations Transition Phase, this document will transition to Operations and be reviewed as part of Acceptance Testing, annual full recovery drill, as well as an as-needed basis. This document will reside in the Indiana Premium Billing & Collection Services Project document repository. At a minimum, the plan will be updated on an annual basis during the transition from DDI to the Operations phase. Changes to the plan will be completed as agreed on by Gainwell and the State. The Indiana Premium Billing & Collection Services Project Disaster Recovery Plan will both mature and change over time as components of the system are implemented.

Upon Operational Go-Live, an updated version of the DR Plan, including integration with Gainwell's BC Plan, will be implemented. However, even at this point in the life of the implementation, the DR Plan document will continually undergo modification and maintenance. These changes are part of the constant evolution of the Indiana Premium Billing & Collection Services Project as new functionality, government mandates, and system enhancements are implemented. Therefore, there is never truly a final version of this document. When changes occur, the document's change history log will reflect an updated version number, as well as the date, the owner making the change, and a description of the change.

1.8 Business and/or Technical Process Changes

As program changes occur and technology evolves, we will collaborate with the State to update the DR and BC plans throughout the life of the contract. During the DDI process, Appendix E, Application and Server Clarification List, will be reviewed as part of the DR update schedule. At least annually, State and Gainwell teams will review BC plans with the business area owners and validate that appropriate procedures and actions exist in accordance with the existing risk management practices.

2 Disaster Recovery Process

The recovery process step provides details regarding recovery and restoration of critical business applications at a time of a declared disaster.

2.1 Recovery Scope

The Indiana Premium Billing & Collection Services Project has defined the RTO and RPO for critical applications that require recovery in an alternative facility in the event of a declared disaster. Appendix A, Disaster Recovery Plan for Gainwell Data Center Services Section 2.5.5, page 19 provides In-Scope Applications for Recovery with reference to Chapter 6. The following table is an example of an application recovery list. Appendix E, embedded in this document, is IN *Core*MMIS' ongoing clarification list of applications and servers.

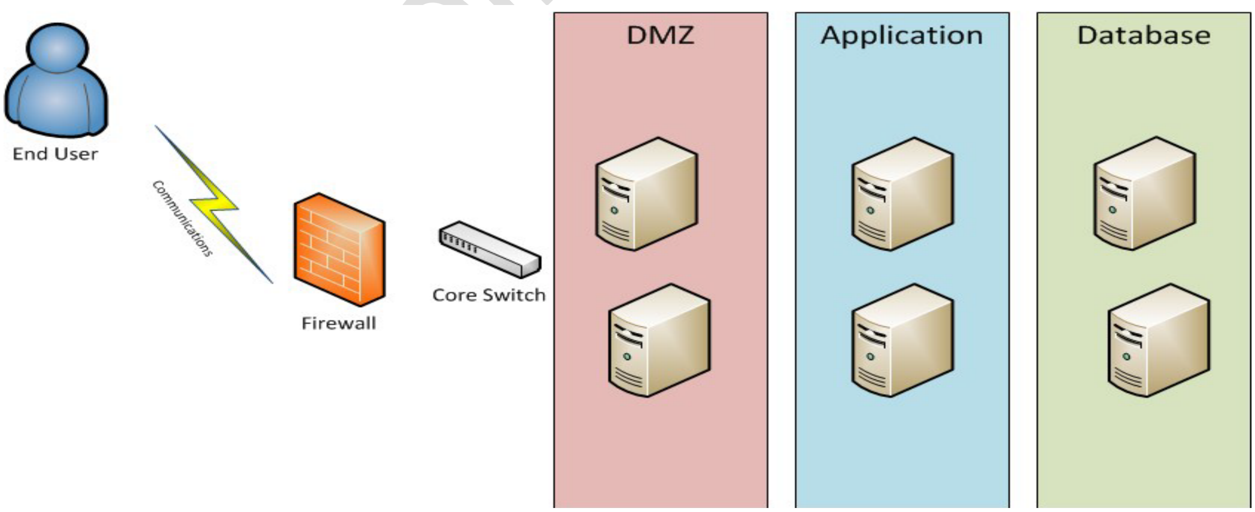
Table 3. Example Application Recovery List

#	Application	Type of Application	Recovery Solutions	RTO	RPO
1	Gainwell -UX Environments	TBD		XX	XX
2	RHEL Linux Environments	TBD		XX	XX
3	Windows Environments	TBD		XX	XX

2.2 Recovery Solution

The diagram below is an example of a DR recovery solution. As the Indiana *Core*MMIS project progresses to the Construction phase, the example in this diagram will be reviewed, and an updated drawing will be included in the DR Plan.

Figure 1. Example of DR Recovery Solution



2.3 Key Customer Contact and Team

The following table represents the IN *Core*MMIS project infrastructure team roster that will be communicated to OMPP after it is finalized. This team will be primarily responsible for DR activities. This team will work with other teams within the IN Core MMIS project team to make sure the applications are fully functional. This team will be responsible for Operations when the IN *Core*MMIS is Go-Live. The DR Milestones schedule, which includes a final date of delivery for the finalized DR Plan, is in Appendix F.

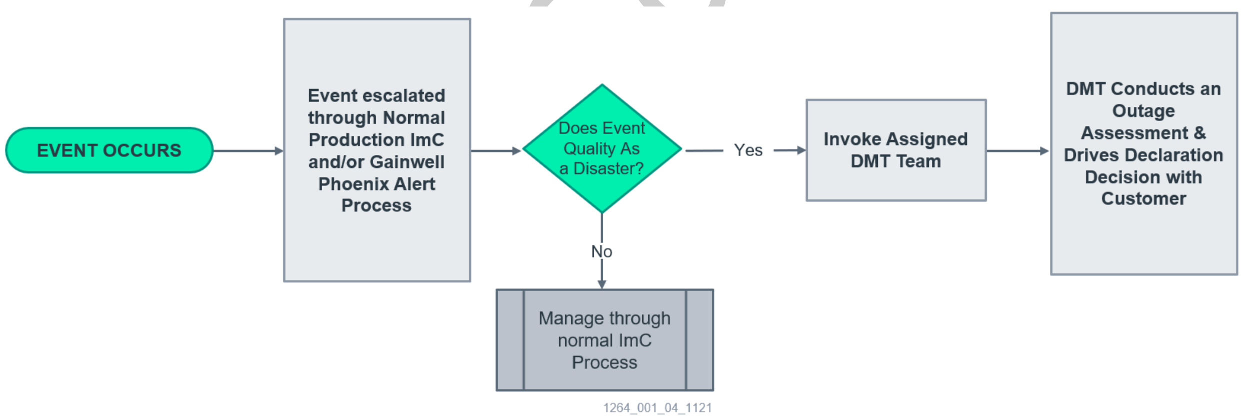
Table 4. Example of Key Customer Contact and Team Roster

Name	Role / Team	Work#	Cell#	Home#
	OMPP Director			
	OMPP Systems Director			

2.4 Disaster Event Notification and Escalation Process

The Disaster Event Notification and Escalation process, illustrated below, is found in Appendix B. This process will be further developed as the Indiana *Core*MMIS project completes phases and will be finalized for delivery.

Figure 2. Example of Disaster Event Notification and Escalation Process



The following table represents the IN *Core*MMIS / IN Title XIX account management representatives who must be contacted when an event occurs. Gainwell will collaborate with the State to develop and approve this list.

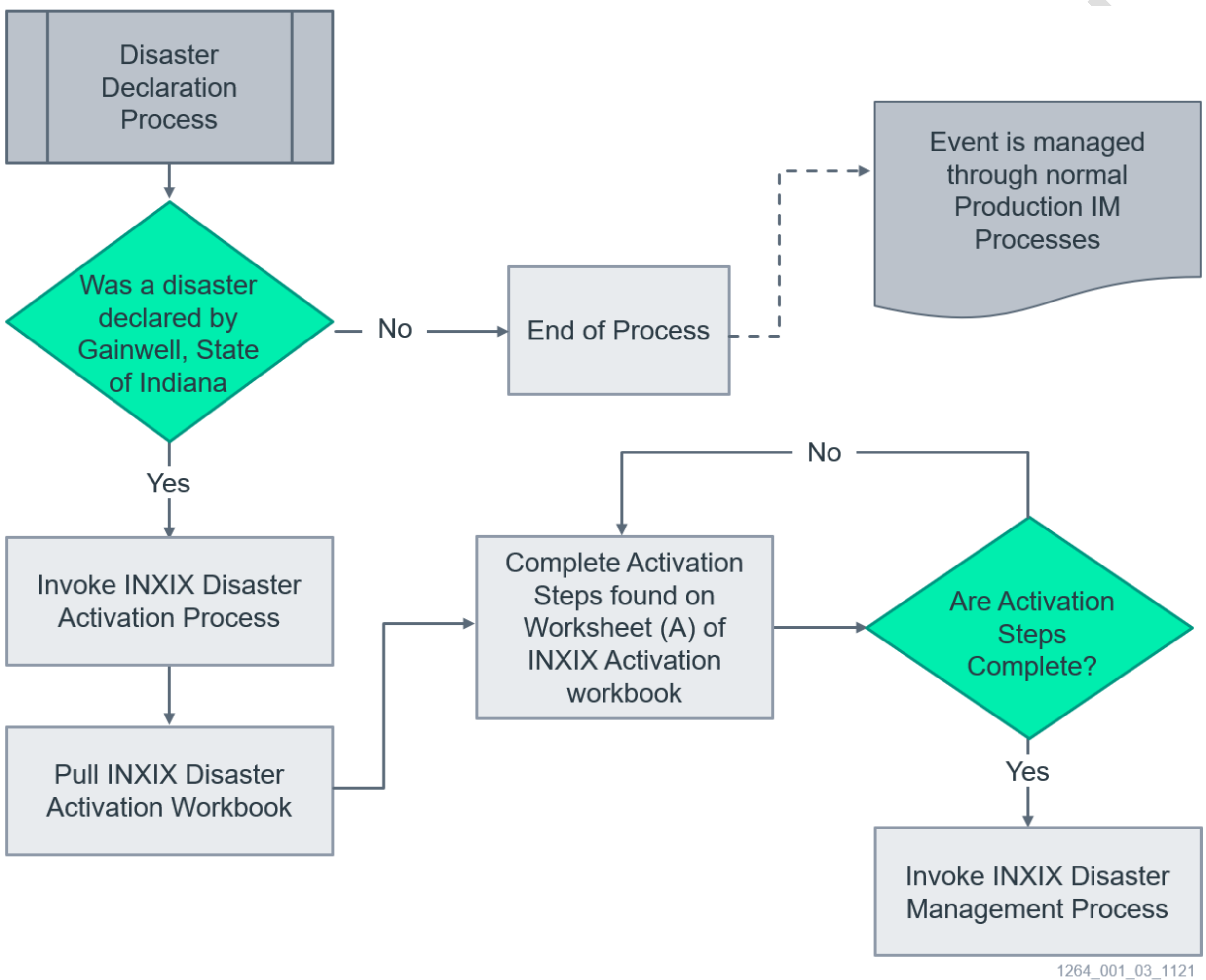
Table 5. Example of Account Management Contact List

Name	Title	E-Mail	Work Phone	Home Phone	Cell Phone/ Pager
	IN Account Executive				
	Operations Manager				

2.5 Disaster Activation

Disaster activation is the process of invoking recovery teams, vendors, and recovery process to meet the recovery requirements per predefined critical application once a disaster has been officially declared by the Gainwell DCS and IN *Core*MMIS project and after Go-Live *Core*MMIS Operations.

Figure 3. Example Disaster Activation Event Process



2.6 Disaster Management Process

Disaster Management is the process of managing an event after an official disaster has been declared by Gainwell, Gainwell DCS, and the IN *Core*MMIS project along with the Disaster Activation Processes that are to be completed. Definition of disasters is found in Appendix A. Gainwell DCS will establish a Gainwell command center to manage the event and track the recovery progress. Clear processes, checklists, shift schedules, event tracking tools, reporting, escalation, and contact lists have been established for Gainwell to manage an event. Gainwell's command center, depending on the event, may be a remote team, Colorado location, or a local site (refer to the Gainwell DR Plan and Appendix C, Activation Workbook on worksheet A). The IN *Core*MMIS project will establish a Crisis Management Command Center that will interface with Gainwell's DCS command center at the time of disaster. The documenting of the process of the customer's Crisis Management Command Center is outside the scope of this DR Plan and should be documented in the IN *Core*MMIS project BC Plan.

After an official declaration and after the disaster activation process is complete, the Gainwell DMT will pull the following checklist, Recovery Workbook, and processes for Disaster Management (see the following table, Example Management Recovery Steps).

DR Repository Link: Secure SharePoint Site is created to house State of IN DR documents (a SharePoint site will be created when the State has approved the DR Plan).

If the DR Repository SharePoint site is unavailable at time of an event or disaster, the following process should be used.

Gainwell ITO DR will work with the IN *Core*MMIS project team and OMPP to develop specific components of the event's DR. As scheduled updates for DR are met and the Application Server Clarification list is updated, the specific components of the recovery will be developed.

- **Develop a Recovery Strategy.** Develop a recovery strategy based on business needs, OMPP objectives, critical functions, impact analysis, and risk assessment. These factors will be used in defining the scope of the recovery effort.
- **Create Documentation and Procedures.** Create documentation and procedures that align with the overall recovery strategy. Gainwell ITO DR works with OMPP to provide comprehensive procedures with task assignments and defines the provisions for alternative facilities, personnel, resources, and communications.
- **Plan and Test.** Gainwell ITO DR will coordinate and document a comprehensive functional DR using a technical recovery plan. Tests are completed with an annual production-parallel DR exercise that promotes preparedness, validates plans and procedures, and improves technical response capabilities.
- **Train and Maintain.** Training improves the understanding of who, what, and why in DR management. Maintaining documentation and procedures will make sure the DR continues to align with overall DR strategy and improves with constant application of best practices.

Table 6. Example Management Recovery Steps

Step #	Recovery Process	Document
1	Open Technical Recovery Process (TRP) for INXIX	SharePoint Site
2	Once the disaster activation steps are complete, open the Recovery Management Workbook and: • Complete the Recovery Management • Manage customer recovery processes • Manage Restoration of the Gainwell DCS efforts • Manage Resumption for customer once restoration is complete • Conduct a Postmortem with Gainwell and customer	SharePoint Site

Figure 4. Example Disaster Management Process

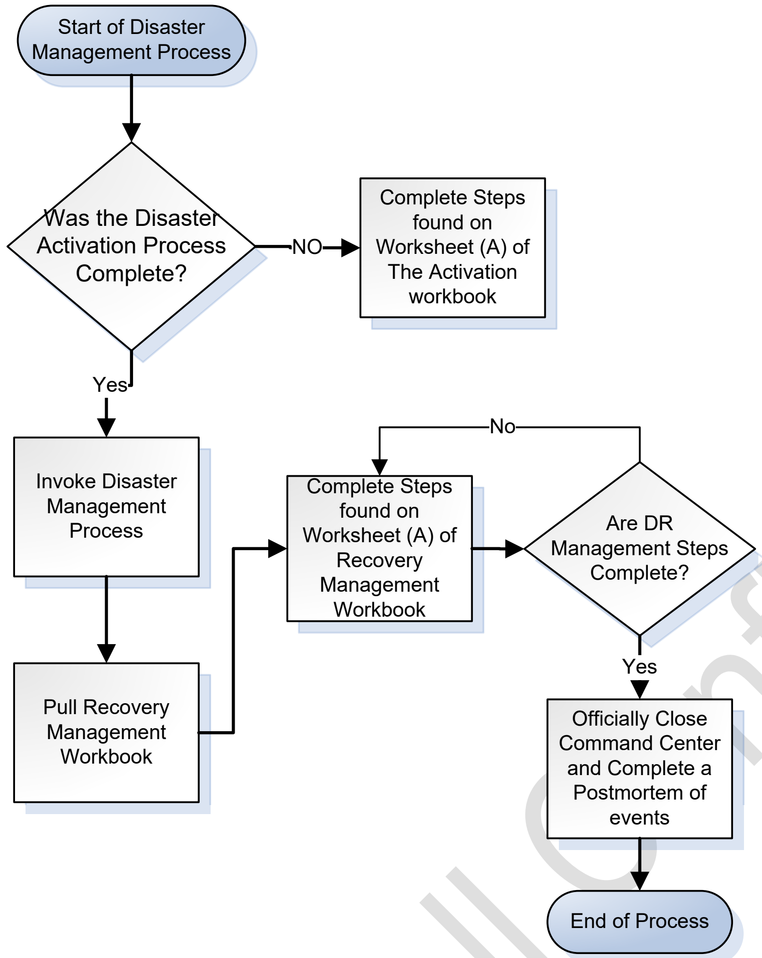


Table 7. Example Recovery Process Checklist

#	Task	Owner
1	Escalate the event to the DMT that qualifies as a disaster	Gainwell Leadership
2	Gainwell DMT completes an Outage Assessment	Gainwell DMT
3	Gainwell DMT determines event level and determines if Gainwell will declare a disaster	Gainwell DMT & Gainwell Management
4	Gainwell DMT escalates to State of IN FSSA/OMPP Crisis Management team (CMT)	Gainwell DMT
5	Gainwell DMT and Customers CMT review Outage Assessment and Gainwell Declare Decision	Gainwell DMT & Customer CMT
6	Customer CMT decides if they are declaring a disaster. If Yes, Continue process.	Customer CMT
7	Once all parties have declared a disaster, the Gainwell DMT will invoke the Gainwell Disaster Activation Process	Gainwell DMT
8	Once all parties have declared a disaster the customers CMT will invoke a CM Command Center	Customer CMT

#	Task	Owner
9	Gainwell DMT completes disaster activation steps	Gainwell DMT
10	Gainwell DMT invokes the Gainwell Disaster Management Process	Gainwell DMT
11	Gainwell DMT invokes the Gainwell Recovery Tracking Process	Gainwell DMT
12	Gainwell DMT invokes the Gainwell Restoration Checklist	Gainwell DMT
13	Gainwell DMT invokes the Gainwell Resumption Checklist	Gainwell DMT and Customer
14	Gainwell DMT invokes the Gainwell Post Event Checklist	Gainwell DMT

3 Disaster Recovery Plan Testing

Gainwell will execute a live demonstration of the operation of the DR Plan that will be tested as part of the Acceptance Testing, to be completed before assumption of the *Core*MMIS operations. Gainwell's DMT will execute the demonstration of the operation of the DR Plan and provide outcomes of the test exercises in the appropriate time frame.

Gainwell will perform an annual test of the DR Plan procedures and processes for recovery. Gainwell will schedule, plan, and lead these annual DR Plan recovery exercises. It is expected that this exercise will be done annually.

The first set of annual exercises will be the baseline for DR objectives. Gaps identified will need to be remedied or approved, and DR process and procedures may need to be retested. The DR exercises will be designed with continuous process improvements in mind. Exercises will be conducted to both validate the current capability as well as to keep key personnel ready to execute the plan in case of a disaster. Gainwell's DMT will submit scope of exercises to State of Indiana for approval prior to the DR Plan recovery tests.

Following completion of a DR test, Gainwell will submit a written report to the State thoroughly describing the test, and including:

- The nature and extent of the exercise scenario that requires backup operations
- The people notified and the method used to notify them
- The steps taken to mitigate the effects of the exercise and to recovery
- Any points of failure or recovery problems that arose along with steps taken to mitigate problem and update the DR Technical Recovery Process (TRP)
- Lessons learned

The written report will include recommendations for change or improvement based on the findings. State and Gainwell management will jointly evaluate the recommendations and determine whether to institute the recommendations.

In the days following an actual event, the DMT will conduct reviews to determine what, if any, actions need to be added to the DR Plan. The Project Steering Committee will participate to verify that recommendations are sound and will be implemented.

4 Sample Appendices

Note: Gainwell removed the appendices attachments from this example DR Plan.

- Disaster Recovery Plan for Gainwell Data Center Services
- Gainwell INXIX Chapter 6 – IN Core MMIS Disaster Recovery Process
- IN Disaster Recovery Workbook (Includes Outage Declaration form)
- IN Disaster Recovery Technical Recovery Process (Includes high-level task recovery)
- Application/Server List Clarification (This list will be updated according to DRP update schedule.)
- Business Continuity and Disaster Recovery Plan Update Schedule (Aligned with other scheduled milestones)