

Hewlett Packard Securities Analyst Meeting 2015

#hpesam2015



Hewlett Packard
Enterprise

Enterprise Services

Mike Nefkens

Executive Vice President and General Manager

Enterprise Services

ES is **essential to Hewlett Packard Enterprise's solution-based approach**

We are **stabilizing revenues in constant currency** and our GTM transformation is delivering results

Our cost reduction program is succeeding, evidenced by **expanding operating margins**

Labor model transformation eliminates the need for future corporate restructuring beyond \$2B indicated on Q2 earnings call

Completing our journey will result in a **market competitive cost structure** with a **foundation for growth** and sustained operating **margins between 7-9%**



**Large enterprises and
governments turn to us to
transform and run their most
complex IT programs**

**Advise
Transform
Manage**

**ES is essential to delivering solutions and pulling through the full
Hewlett Packard Enterprise portfolio**

Deutsche Bank



Transform to a hybrid infrastructure

Provide the on-demand foundation for 100% of the apps and workloads that power your enterprise.



Protect

your digital enterprise

Enable

workplace productivity



Empower

a data-driven organization





Transform

to a hybrid
infrastructure



Protect your digital enterprise

Proactively protect the
interactions between users,
applications and data across
any location or device.



Enable

workplace
productivity



Empower

a data-driven
organization





Transform

to a hybrid
infrastructure



Protect

your digital
enterprise



Enable

workplace
productivity



Empower a data- driven organization

Harness 100% of the data
that matters, regardless of
source to drive superior
business outcomes.





Transform

to a hybrid
infrastructure



Protect

your digital
enterprise

Enable workplace productivity

Deliver experiences that
empower employees and
customers to create
better outcomes.

Empower

a data-driven
organization



Hewlett Packard
Enterprise



Transform

to a hybrid
infrastructure



Protect

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ES has made significant progress across all operational metrics

Improved operations



58.5%

TCOW¹ % of revenue
lowest since FY13



+6pts.

Location mix improvement
since FY13



44%

Reduced Critical
incidents since FY13

Clients are happier



34

Net Promoter Score
(highest in the industry)



+11pts.

NPS improvement since FY13



Growing in strategic areas



+41%

Strategic Enterprise Services
revenue growth since FY13

Beating the competition



106%

New Logo TCV Y/Y²



Largest Deal Won

in industry 2 years in a row



**Double digit
improvement**

in win rates

ES is delivering accelerated profit growth and revenue stabilization

\$ in billions

	FY13	FY14	FY15	By FY18
Revenue	24.1	22.4		
Y/Y Reported % ¹	-7%	-7%		
Y/Y Constant Currency % ^{1,2}	-6%	-7%	-4% to -6%	Flat to slight growth
Costs and expenses	23.4	21.6		
Y/Y Reported % ¹	-6%	-8%		
Y/Y Constant Currency % ^{1,2}	-5%	-8%		
Net cost takeout	--	(0.7)	Approx. (1.4)	
Operating Profit	0.7	0.8		
OP %	2.9%	3.6%	4% to 6%	7-9%
Y/Y pts. ¹	-1.1pts.	0.7pts.	0.4 to 2.4pts.	

Set the foundation

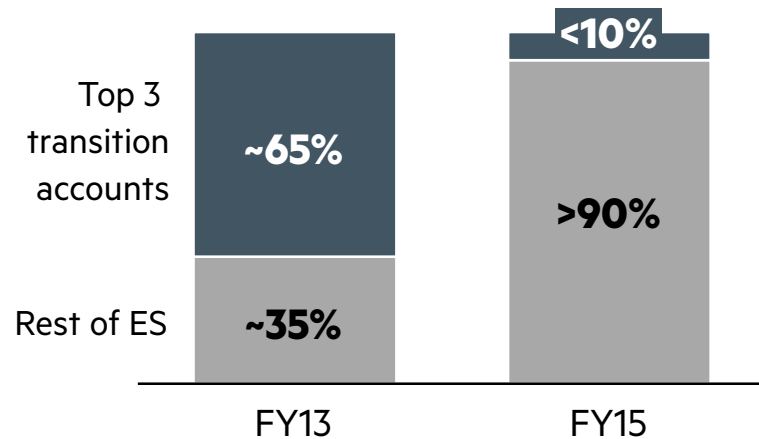
Acceleration

- 1 FY13-15 revenue declines primarily from key account transitions and currency
- 2 Revenue stabilizing in constant currency in H215 due to new client growth, and continuing in FY16-18
- 3 Cost takeout outpacing revenue decline in FY14, and accelerating in FY15
- 4 Planning to achieve 7-9% sustained operating margin target by FY18

Diversified our client portfolio since FY13 with consistent operating margin expansion in FY15 and constant currency revenue stabilization in 2H15

Improved client portfolio diversification

ES Operating Profit



Operating margins have been consistently improving 1 to 2 pts. per quarter in FY15, and are highest since FY11

<i>\$ in billions</i>	Q1	Q2	Q3	FY15
Revenue	5.0	4.8	5.0	
Y/Y Reported % ¹	-11%	-16%	-11%	
Y/Y Constant Currency % ^{1,2}	-8%	-10%	-3%	-4 to -6%
Op Profit	0.1	0.2	0.3	
Op Margin	3.0%	4.0%	6.0%	4 to 6%
Y/Y Pts. ¹	1.9pts.	1.4pts.	1.9pts.	

Our go-to-market transformation is delivering results

People

Improved quality of sales force through aggressive performance management and meritocracy approach

Portfolio

Streamlined and enhanced our offerings aligned to client buying factors with investment in offerings where we have the most differentiated capability

Tools

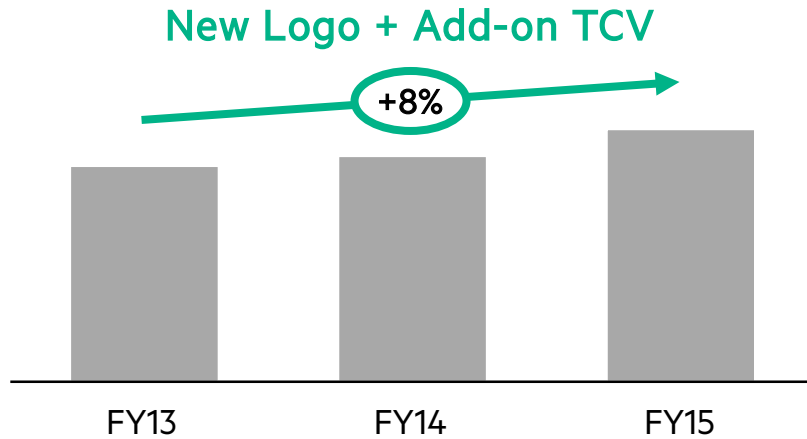
Implemented tools like the Deal Health Checklist and extensive win-loss analysis **increasing our win probability**

Training

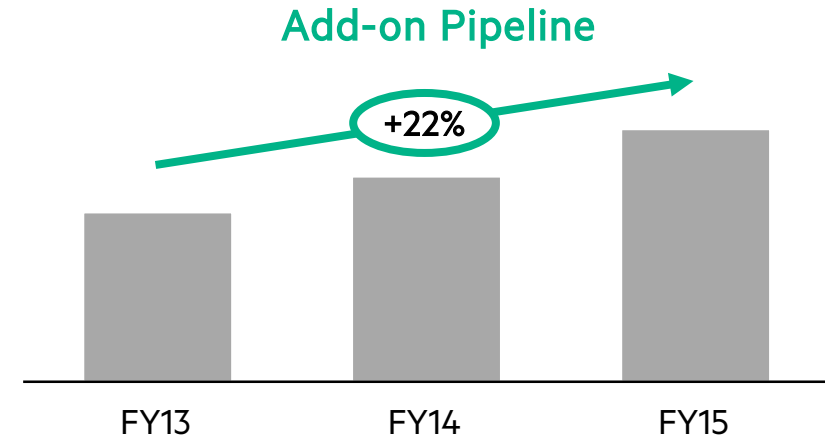
Training and certifying teams on our offerings and how to sell it; is already resulting in **increased pipeline**

Sales Transformation is taking hold

Strong signings resulting in expanding client base and penetration of existing customers



Add-on pipeline growth supports continued expansion of customer share of wallet



Growth Enablers

- New Style of IT portfolio investments and strategic partnerships (e.g. FireEye)
- Sales certification programs expanding ability to identify opportunities across all ES service lines
- Deal pursuit quality programs enabling better deployment of sales force towards highest probability opportunities
- Leveraging pan-Hewlett Packard Enterprise sales force to cross-sell each business unit
- Maintaining industry standard renewal rates on existing deals balanced against renewal pricing pressures

ES is delivering accelerated profit growth and revenue stabilization

\$ in billions








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Acceleration

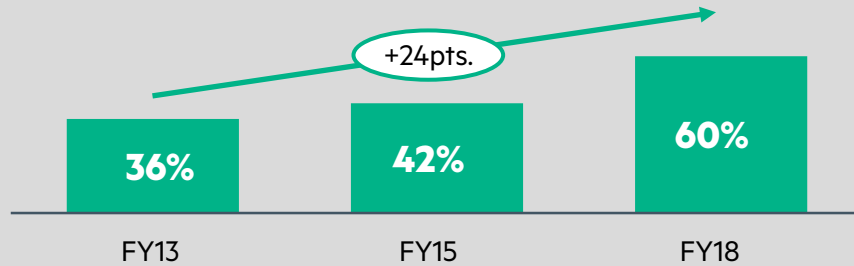
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Seven cost levers are transforming our business - \$1.4B impact in 2015

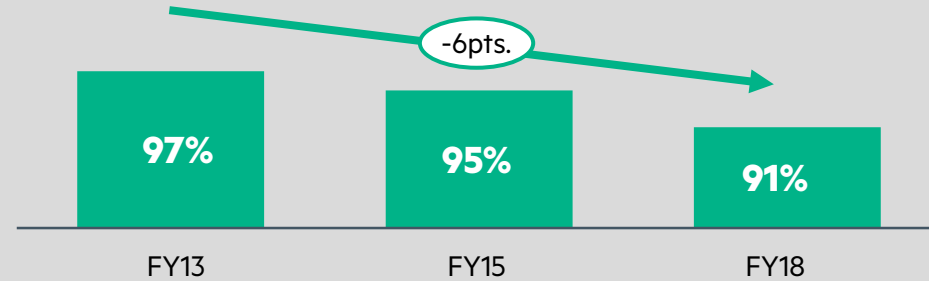
Labor Actions	 Workforce Optimization	Drive significant changes in location, site density, and org shape . Enablers include site consolidation, KPI management, and strategic workforce options
	 Lean	Building internal capabilities to drive continuous improvement that are Client-based and focused on business processes
	 Automation	Drives process standardization and automation resulting in improved stability, efficiency, and quality to modernize service delivery
	 Overhead	Achieve best-in-class overhead structure through detailed analysis of spans, layers, and executive positions
Non-labor Actions	 Procurement	Save on addressable spend enabled by true Supply Chain capability, vendor consolidation, and improved decision rights
	 Data Center Rationalization	Reduce the number of data centers by consolidating high-cost, end-of-life, or wrong location centers into strategic locations
	 Discretionary	Relentless management of non-labor expenses , with material reductions targeted for travel, fleet, and telecom

Cost transformation actions have enabled significant margin expansion, exiting FY18 with market-competitive cost structure

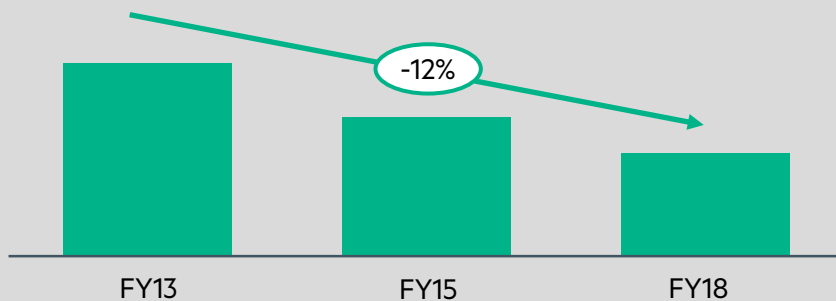
Improved low-cost location mix by 6pts. since FY13 and accelerating through FY18



Transformation actions resulting in 6pt. decline in cost as percent of revenue between FY13 and FY18



Data center consolidation by exiting high-cost and aging centers



Key transformation benefits

- Labor model transformation eliminates the need for future corporate restructuring
- Location mix optimization to provide ES with a market-competitive cost structure
- Data center consolidation to improve efficiency

The bottom line...

1 ES is essential to Hewlett Packard Enterprise's **solution-based** approach

2 For the first time in three years, we are **stabilizing our revenues in constant currency**

3 Our cost reduction program is **succeeding**

4 The improvements we are making to our business model **eliminate the need for future corporate restructuring beyond the \$2B indicated in Q2 earning call**

5 Transformation plan will result in a market competitive cost structure, a **foundation for growth**, and a sustained **7-9% operating margin**

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