



Hewlett Packard
Enterprise

HPE Q1 FY16 Earnings Announcement

March 3, 2016

<http://www.investors.hpe.com>

Forward-looking statements

This presentation contains forward-looking statements that involve risks, uncertainties and assumptions. If the risks or uncertainties ever materialize or the assumptions prove incorrect, the results of Hewlett Packard Enterprise may differ materially from those expressed or implied by such forward-looking statements and assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including but not limited to any projections of revenue, margins, expenses, effective tax rates, net earnings, net earnings per share, cash flows, benefit plan funding, share repurchases, currency exchange rates or other financial items; any projections of the amount, timing or impact of cost savings or restructuring charges; any statements of the plans, strategies and objectives of management for future operations, including the recently completed separation transaction, the execution of restructuring plans and any resulting cost savings or revenue or profitability improvements; any statements concerning the expected development, performance, market share or competitive performance relating to products or services; any statements regarding current or future macroeconomic trends or events and the impact of those trends and events on Hewlett Packard Enterprise and its financial performance; any statements regarding pending investigations, claims or disputes; any statements of expectation or belief; and any statements or assumptions underlying any of the foregoing.

Risks, uncertainties and assumptions include the need to address the many challenges facing Hewlett Packard Enterprise's businesses; the competitive pressures faced by Hewlett Packard Enterprise's businesses; risks associated with executing Hewlett Packard Enterprise's strategy; the impact of macroeconomic and geopolitical trends and events; the need to manage third-party suppliers and the distribution of Hewlett Packard Enterprise's products and the delivery of Hewlett Packard Enterprise's services effectively; the protection of Hewlett Packard Enterprise's intellectual property assets, including intellectual property licensed from third parties; risks associated with Hewlett Packard Enterprise's 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 Hewlett Packard Enterprise and its suppliers, customers and partners; the hiring and retention of key employees; integration and other risks associated with business combination and investment transactions; the results of the separation transaction or restructuring plans, including estimates and assumptions related to the cost (including any possible disruption of Hewlett Packard Enterprise's business) and the anticipated benefits of the separation or of implementing the restructuring plans; the resolution of pending investigations, claims and disputes; and other risks that are described in Hewlett Packard Enterprise's Annual Report on Form 10-K for the fiscal year ended October 31, 2015.

As in prior periods, the financial information set forth in this presentation, including tax-related items, reflects estimates based on information available at this time. While Hewlett Packard Enterprise believes these estimates to be reasonable, these amounts could differ materially from reported amounts in the Hewlett Packard Enterprise Quarterly Report on Form 10-Q for the three months ended January 31, 2016. Hewlett Packard Enterprise assumes no obligation and does not intend to update these forward-looking statements.

Use of non-GAAP and adjusted financial information

Hewlett Packard Enterprise (HPE) has included non-GAAP financial measures in this presentation to supplement HPE's condensed, consolidated and combined financial statements presented on a GAAP basis. Definitions of these non-GAAP financial measures and reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are included elsewhere in this presentation.

HPE's management uses net revenue on a constant currency basis, non-GAAP operating expense, non-GAAP operating profit, non-GAAP income tax rate, non-GAAP net earnings, and non-GAAP diluted net earnings per share to evaluate and forecast HPE's performance before gains, losses or other charges that are considered by HPE's management to be outside of HPE's core business segment operating results. Gross cash, net cash, free cash flow and net capital expenditures are liquidity measures that provide useful information to management about the amount of cash available for investment in HPE's businesses, funding acquisitions, repurchasing stock and other purposes. Net cash and net debt provide useful information to management about the state of HPE's condensed consolidated balance sheet. Operating company net cash and operating company net debt provide additional useful information to management about the state of HPE's condensed consolidated balance sheet by providing more transparency into the financial components of the operating company separate from HPE's financing business, which has different capital structure requirements and requires much greater leverage to run effectively.

These non-GAAP financial measures may have limitations as analytical tools, and these measures should not be considered in isolation or as a substitute for analysis of HPE's results as reported under GAAP. For example, items such as impairment of data center and intangible assets and amortization of intangible assets, though not directly affecting HPE's cash position, represent the loss in value of data center and intangible assets over time. The expense associated with this loss in value is not included in non-GAAP operating profit, non-GAAP income tax rate, non-GAAP net earnings, and non-GAAP diluted net earnings per share and therefore does not reflect the full economic effect of the loss in value of those data center and intangible assets. In addition, items such as separation costs, restructuring charges, defined benefit plan settlement charges and acquisition-related charges that are excluded from non-GAAP operating expense, non-GAAP operating profit, non-GAAP tax rate, non-GAAP net earnings and non-GAAP diluted net earnings per share can have a material impact on the equivalent GAAP earnings measures and cash flow. Items such as income tax indemnification, valuation allowances, net, and separation tax charges that are excluded from non-GAAP tax rate, non-GAAP net earnings and non-GAAP diluted net earnings per share can also have a material impact on the equivalent GAAP earnings measures and cash flow. HPE may not be able to liquidate the short-term and long-term investments included in gross cash immediately, which may limit the usefulness of gross cash as a liquidity measure. In addition, free cash flow, which includes net capital expenditures, does not represent the total increase or decrease in cash for the period. The non-GAAP financial information that we provide also may differ from the non-GAAP information provided by other companies.

We compensate for the limitations on our use of these non-GAAP financial measures by relying primarily on our GAAP financial statements and using non-GAAP financial measures only supplementally. We also provide robust and detailed reconciliations of each non-GAAP financial measure to the most directly comparable GAAP measure, and we encourage investors to review carefully those reconciliations.

We believe that providing these non-GAAP financial measures, in addition to the related GAAP measures provides investors with greater transparency to the information used by HPE's management in its financial and operational decision-making and allows investors to see HPE's results "through the eyes" of management. We further believe that providing this information better enables investors to understand HPE's operating performance and financial condition and to evaluate the efficacy of the methodology and information used by management to evaluate and measure such performance and financial condition.

In addition, HPE included certain adjusted non-GAAP measures in the earnings announcement of this presentation. The company has included these adjustments because management believes they help to facilitate comparisons of the company's operating results between periods. The unaudited adjusted HPE fiscal 2015 non-GAAP diluted net earnings per share and cash flow metrics are used to assess the run-rate of its continuing operations. The adjusted amounts do not necessarily reflect what the fiscal 2015 non-GAAP diluted net EPS and cash flow of HPE would have been had the separation occurred on November 1, 2014. They also may not be useful in predicting the future financial condition and results of operations of the separate companies. The actual results of operations as reported in the company's Annual Report on Form 10-K and other filings with the Securities and Exchange Commission may differ significantly from the adjusted amounts reflected herein due to a variety of factors.

Q1 FY16 results





- Net revenue of **\$12.7 billion**, down 3% from the prior year period and up 4% on a constant currency basis
- Non-GAAP⁽¹⁾ diluted net earnings per share of **\$0.41**, down 7% from adjusted non-GAAP⁽¹⁾ diluted net earnings per share in the prior-year period, versus the previously provided outlook of \$0.37 to \$0.41 per share
- GAAP diluted net earnings per share of **\$0.15**, down 50% from the prior-year period, versus the previously provided outlook of \$0.09 to \$0.13 per share
- Cash flow from operations of **-\$75 million**, down 130% from adjusted cash flow from operations⁽³⁾ in the prior-year period
- Returned **\$1.3 billion** to shareholders in the form of share repurchases and dividends; **\$1.8 billion**⁽²⁾ remaining in stock repurchase authorization

1. A reconciliation of specific adjustments to GAAP results for the current and prior periods is included on slide 13 and in the GAAP to non-GAAP and adjusted non-GAAP bridges that appear as part of the supplemental slides section of this presentation. A description of HPE's use of non-GAAP and adjusted non-GAAP financial information is provided on slide 3 under "Use of non-GAAP and adjusted non-GAAP financial information"

2. Excludes \$175 million paid for shares to be received by the company under the accelerated share repurchase agreement

3. For further details on the basis of presentation differences of adjusted cash flow from operations, refer to HPE's FY15 adjusted financial measures presentation that was filed with the SEC on March 2, 2016

Q1 FY16 performance overview

\$ in millions	Q1 Net Revenue	Growth y/y%	CC Growth y/y%	Non-GAAP OP \$	Non-GAAP OP % of rev	Non-GAAP OP \$ y/y	Non-GAAP OP % of rev y/y
 Enterprise Group	\$7,051	1%	7%	\$944	13.4%	(\$114)	(1.8) pts
 Enterprise Services	\$4,688	(6%)	0%	\$238	5.1%	\$88	2.1 pts
 Software	\$780	(10%)	(6%)	\$136	17.4%	(\$21)	(0.6) pts
 Financial Services	\$776	(3%)	3%	\$100	12.9%	\$10	1.7 pts
Total HPE ⁽¹⁾⁽²⁾	\$12,724	(3%)	4%	\$1,029	8.1%	(\$86)	(0.4) pts

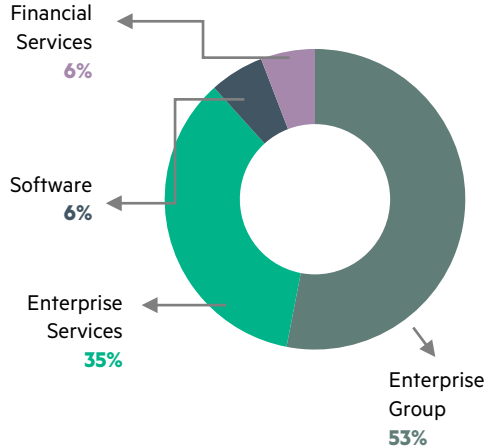
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2. Includes Corporate Investments, intercompany eliminations and other items not included in segment results

Q1 FY16 mix by segment & region

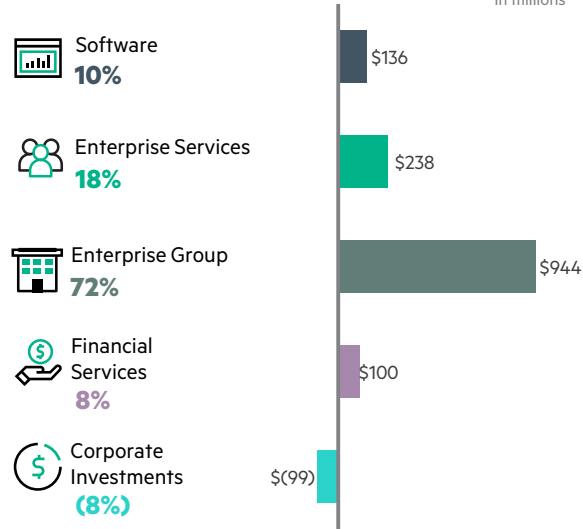
HPE net revenue
\$12.7 billion

Segment net revenue mix⁽²⁾



HPE non-GAAP operating profit⁽¹⁾
\$1.0 billion

Segment operating profit and mix⁽³⁾



Net revenue by region



Americas

45%
 US: **37%**
 Canada/LA: **8%**

↓ **2% y/y**
 ↑ **1% CC⁽⁴⁾**

EMEA

36%
 ↓ **5% y/y**
 ↑ **4% CC⁽⁴⁾**

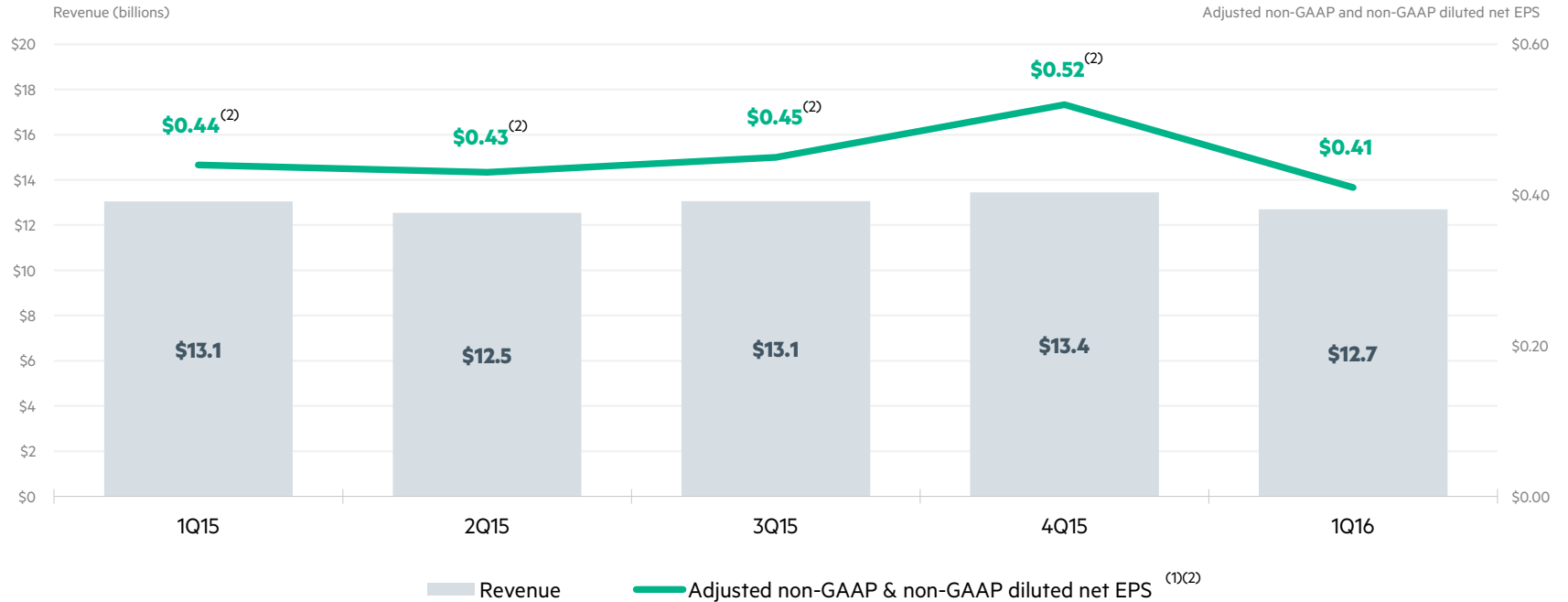
APJ

19%
 ↑ **1% y/y**
 ↑ **9% CC⁽⁴⁾**

Non-US net revenue was **63%** of total net revenue

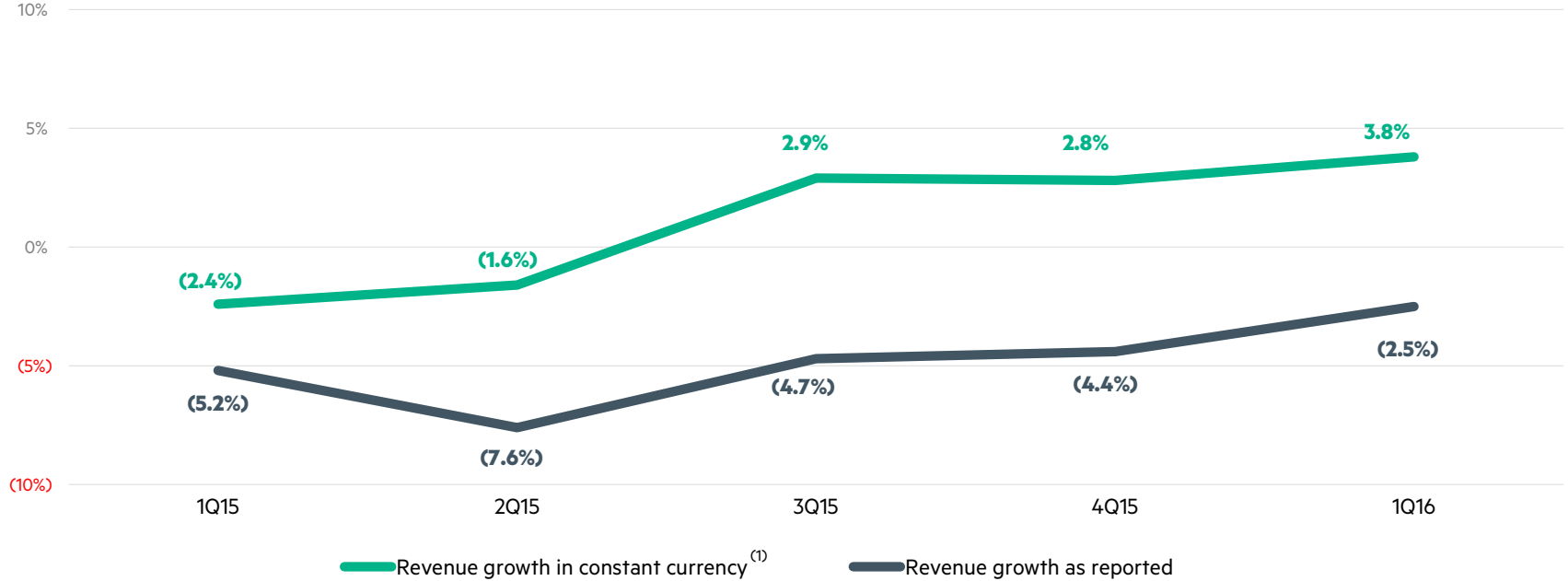
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2. Segment net revenue mix calculated based on total segment revenue, which does not include intercompany eliminations
3. Segment operating profit and mix calculated based on total segment operating profit, which does not include intercompany eliminations
4. Adjusted to eliminate the effects of currency

Revenue & adjusted non-GAAP diluted net EPS



Revenue growth

y/y growth (%)





Enterprise Group

Q1 FY16

Revenue

\$7.1 billion

↑ 1% y/y

↑ 7% y/y in CC

Operating profit

\$944 million

13.4% of revenue

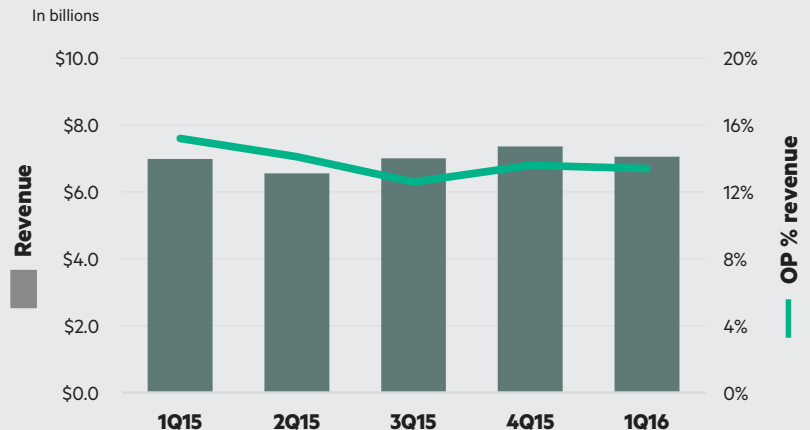
Revenue



Servers	51%
Storage	11%
Networking	12%
Technology Services (TS)	26%

Overview

- Servers revenue down **1%** y/y (up 5% in CC)
- Storage revenue down **3%** y/y (up 3% in CC) (Converged revenue of \$452M, up 9% y/y, traditional revenue of \$358M, down 15% y/y)
- Networking revenue up **54%** y/y (up 62% in CC)
- TS revenue down **9%** y/y (down 3% in CC)



Enterprise Services

Q1 FY16

Revenue

\$4.7 billion

↓ 6% y/y
0% y/y in CC

Operating profit

\$238 million

5.1% of revenue

Revenue

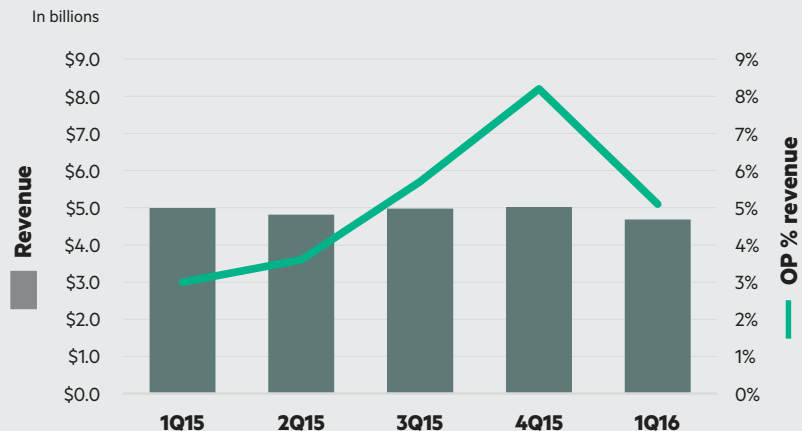


Infrastructure Technology Outsourcing (ITO) **61%**

Application and Business Services (ABS) **39%**

Overview

- ITO revenue down **8%** y/y (down 2% in CC)
- ABS revenue down **3%** y/y (up 3% in CC)





Software

Q1 FY16

Revenue

\$780 million

↓ 10% y/y

↓ 6% y/y in CC

Operating profit

\$136 million

17.4% of revenue

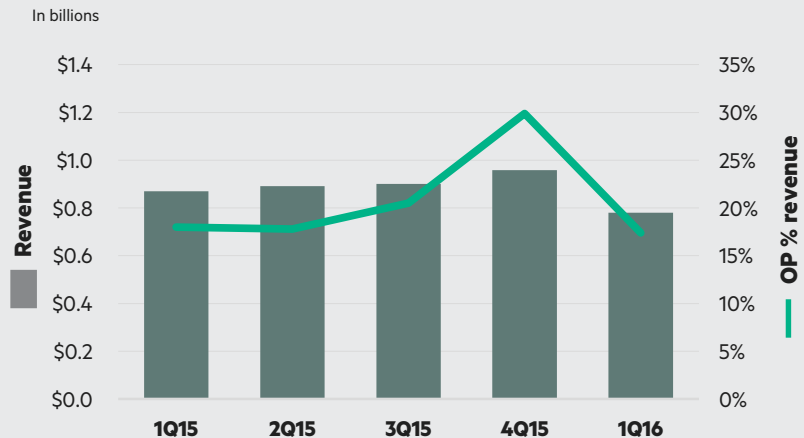
Revenue



Licenses	24%
Support	55%
Professional Services	12%
SaaS	9%

Overview

- Licenses revenue down **6%** y/y (down 2% in CC)
- Support revenue down **13%** y/y (down 9% in CC)
- Services revenue down **8%** y/y (down 4% in CC)
 - Professional Services revenue down **7%** y/y (down 2% in CC)
 - SaaS revenue down **9%** y/y (down 7% in CC)





Financial Services

Q1 FY16

Revenue

\$776 million

↓ 3% y/y

↑ 3% y/y in CC

Operating profit

\$100 million

12.9% of revenue

Revenue

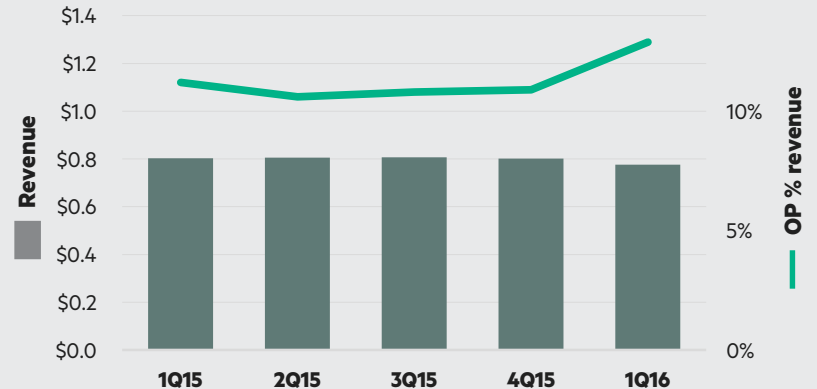


Americas	60%
EMEA	27%
Asia Pacific	13%

Overview

- Financing volume down **4%** y/y (up 3% in CC)
- Net portfolio assets of **\$12.2B**, up **4%** y/y (up 9% in CC)

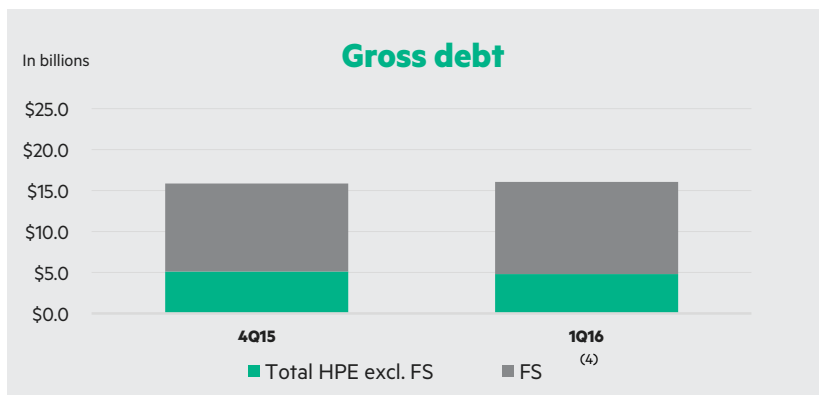
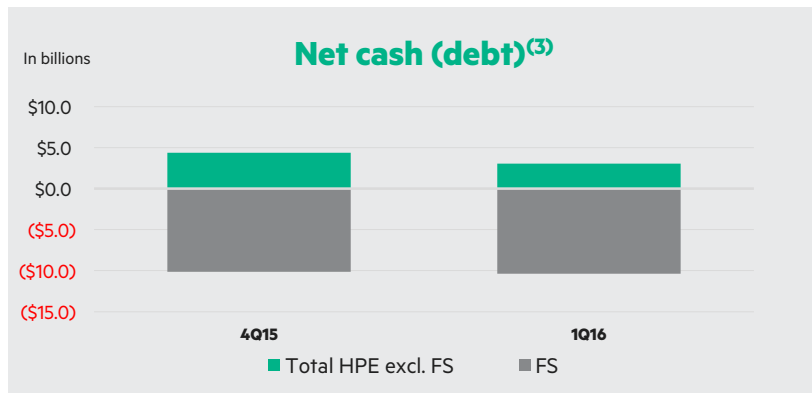
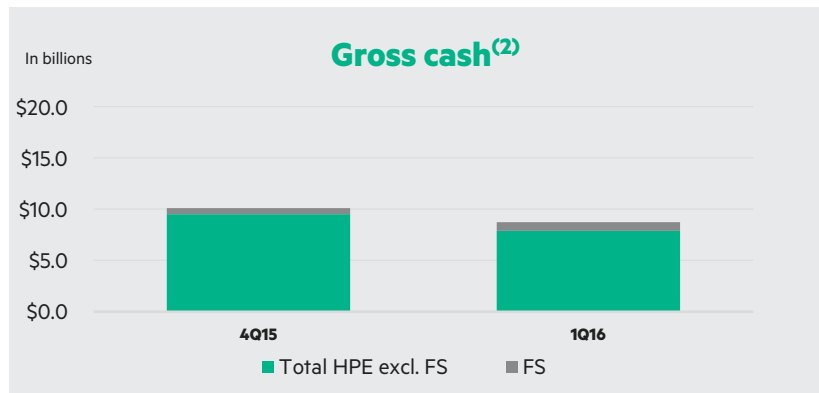
In billions



Non-GAAP and adjusted non-GAAP⁽¹⁾ financial information

In millions, except per share amounts and percentages	Q1 FY16		Q4 FY15		Q1 FY15	
Revenue	\$12,724	100%	\$13,448	100%	\$13,053	100%
Cost of sales	9,112	71.6%	9,463	70.4%	9,433	72.3%
Total OpEx	2,583	20.3%	2,690	20.0%	2,505	19.2%
Operating profit	\$1,029	8.1%	\$1,295	9.6%	\$1,115	8.5%
Interest & other, net	(80)		(5)		(18)	
Pre-tax earnings	949	7.5%	1,290	9.6%	1,097	8.4%
Income tax	(218)		(282)		(238)	
Net earnings	731	5.7%	1,008	7.5%	859	6.6%
Diluted net earnings per share	\$0.41		\$0.55		\$0.47	
Adjustments	N/A		-\$0.03		-\$0.03	
Adjusted diluted net earnings per share	N/A		\$0.52		\$0.44	

Select cash and debt balances⁽¹⁾



\$ in billions	4Q15	1Q16
Total HPE gross cash ⁽²⁾	10.1	8.7
Total HPE gross debt	15.8	16.0
HPE net cash (debt) ⁽³⁾	(5.7)	(7.3)
FS gross cash ⁽²⁾	0.6	0.8
FS gross debt ⁽⁴⁾	10.7	11.2
FS net cash (debt) ⁽³⁾	(10.1)	(10.4)
Operating co. net cash⁽³⁾⁽⁵⁾	4.4	3.1

1. A description of HPE's use of non-GAAP financial information is provided on slide 3 under "Use of non-GAAP and adjusted non-GAAP financial information"

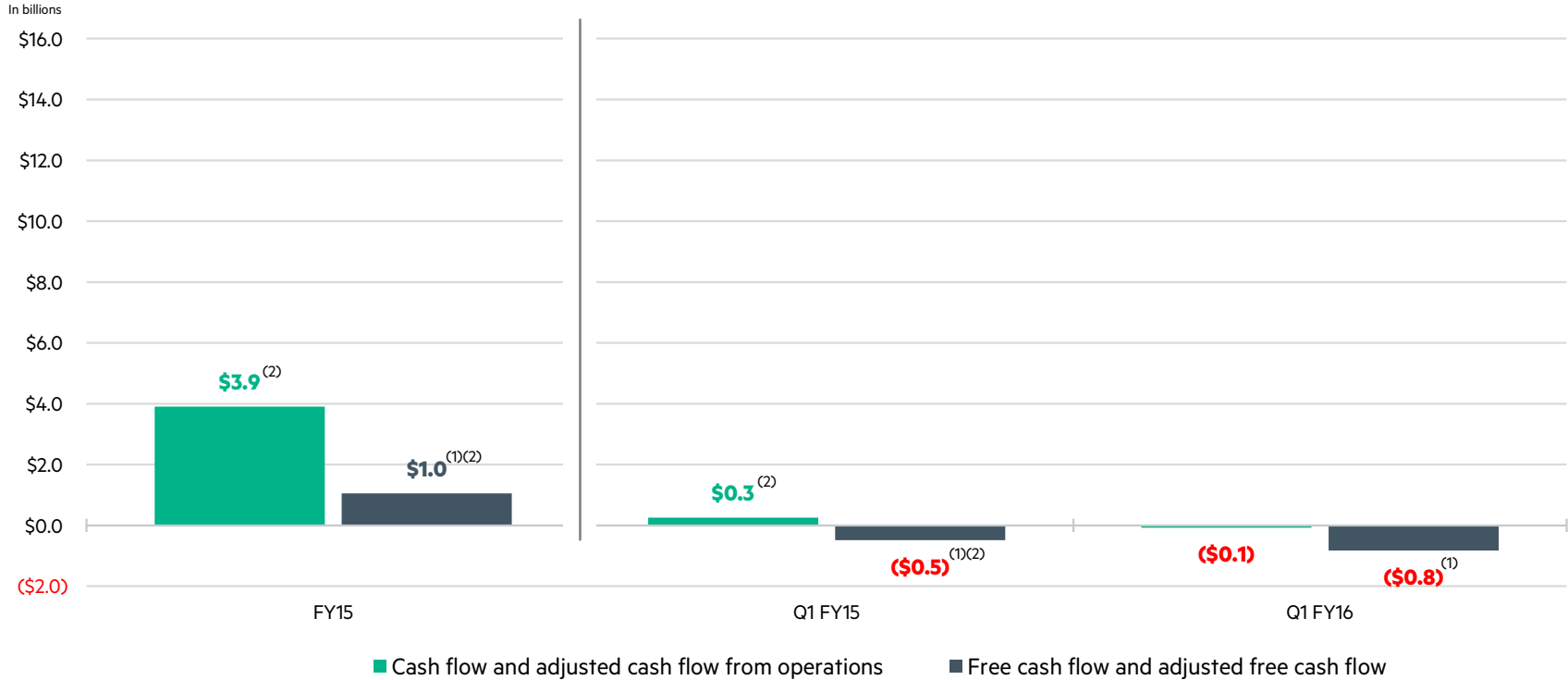
2. Gross cash includes cash and cash equivalents, short-term investments, and certain liquid long-term investments

3. Net cash (debt) is defined as gross cash less gross debt including the effect of hedging

4. FS gross debt includes primarily intercompany equity that is treated as debt for segment reporting purposes at a debt to equity ratio of 7.0x, intercompany debt, and borrowing and funding related activity associated with Financial Services and its subsidiaries

5. Operating company net cash is total HPE net cash (debt) less FS net cash (debt)

Cash flow and adjusted cash flow



1. Free cash flow = cash flow from operations less net capital expenditures; net capital expenditures = investments in property, plant and equipment less proceeds from the sale of property, plant and equipment
 2. A description of HPE's use of non-GAAP financial information is provided on slide 3 under "Use of non-GAAP and adjusted non-GAAP financial information". For further details on basis of presentation differences of adjusted cash flow from operations and adjusted free cash flow, refer to HPE's FY15 adjusted financial measures presentation that was filed with the SEC on March 2, 2016

Business unit and segment realignments

		FY15			FY14			
In millions	Segment	Revised Amount	Previously Reported	Change	Segment	Revised Amount	Previously Reported	Change
GAAP Net Revenue – Enterprise Group Segment	Servers	\$14,219	\$ --	\$14,219	Servers	\$13,401	\$ --	\$13,401
	Industry Standard Servers	--	13,412	(13,412)	Industry Standard Servers	--	12,472	(12,472)
	Business Critical Systems	--	807	(807)	Business Critical Systems	--	929	(929)
	Total	\$14,219	\$14,219	\$ --	Total	\$13,401	\$13,401	\$ --
GAAP Earnings from Operations	Enterprise Group	\$3,862	\$3,981	(\$119)	Enterprise Group	\$3,909	\$4,005	(\$96)
	Corporate Investments	(423)	(542)	119	Corporate Investments	(245)	(341)	96
	Total	\$3,439	\$3,439	\$ --	Total	\$3,664	\$3,664	\$ --

Effective at the beginning of its first quarter of fiscal 2016, HPE implemented certain organizational changes to align its segment financial reporting more closely with its current business structure. This resulted in:

- the consolidation within the Enterprise Group segment of the Industry Standard Servers and Business Critical Systems business units into the newly formed Servers business unit; and
- the transfer of certain Cloud-related marketing headcount activities from the Corporate Investment segment to the Enterprise Group segment.

To provide improved visibility and comparability, HPE has reflected these changes to its segment information retrospectively to the earliest period presented, which has resulted in:

- the consolidation within the Enterprise Group segment of net revenue from the Industry Standard Servers and Business Critical Systems business units into the Servers business unit; and
- the transfer of operating expense from the Corporate Investments segment to the Enterprise Group segment.

These changes had no impact on HPE's previously reported combined and consolidated net revenue, earnings from operations, net earnings or net earnings per share.

For further details on the business unit and segment realignments, refer to HPE's revised segment financial results and statements for fiscal 2015 and 2014, which were included in a Form 8-K filed with the SEC on March 2, 2016.

Outlook

Q2 FY16 net EPS guidance

GAAP diluted net EPS	\$0.13 – \$0.17
Non-GAAP diluted net EPS ⁽¹⁾	\$0.39 – \$0.43

Full year FY16 net EPS guidance

GAAP diluted net EPS	\$0.75 – \$0.85
Non-GAAP diluted net EPS ⁽²⁾	\$1.85 – \$1.95

1. Second quarter fiscal 2016 non-GAAP diluted net EPS estimates exclude after-tax costs of approximately \$0.26 per share, related to restructuring charges, amortization of intangible assets, separation costs and acquisition and other related charges

2. Full year fiscal 2016 non-GAAP diluted net EPS estimates exclude after-tax costs of approximately \$1.10 per share, related primarily to restructuring charges, amortization of intangible assets, separation costs, acquisition and other related charges and tax indemnification adjustments

GAAP to non-GAAP and adjusted non-GAAP bridges

Q1 FY16 GAAP to non-GAAP bridge

In millions, except tax rate and per share amounts	GAAP	Amortization of intangible assets	Restructuring charges	Separation costs	Acquisition and other related charges	Tax indemnification adjustments	Non-GAAP
Revenue	\$12,724						\$12,724
Cost of sales	9,112						9,112
Total OpEx	3,228	(218)	(311)	(79)	(37)		2,583
Operating profit	384	218	311	79	37		1,029
Interest & other, net	(65)					(15)	(80)
Pre-tax earnings	319	218	311	79	37	(15)	949
Income tax	(52)	(62)	(46)	(21)	(22)	(15)	(218)
Tax rate	16.3%						23.0%
Net earnings	\$267						\$731
Diluted net earnings per share	\$0.15						\$0.41

FY15 GAAP to non-GAAP and adjusted non-GAAP bridge

In millions, except tax rate and per share amounts	GAAP	Amortization of intangible assets	Restructuring charges	Separation costs	Acquisition and other related charges	Defined benefit plan settlement charges	Impairment of data center assets	Separation costs in interest and other, net	Valuation allowances, net, and separation taxes	Non-GAAP and adjusted non-GAAP
Revenue	\$52,107									\$52,107
Cost of sales	37,168									37,168
Total OpEx	13,416	(852)	(954)	(797)	(89)	(225)	(136)			10,363
Operating profit	1,523	852	954	797	89	225	136			4,576
Interest & other, net	(53)							4		(49)
Pre-tax earnings	1,470	852	954	797	89	225	136	4		4,527
Valuation allowances, net, and separation taxes	1,251								(1,251)	-
Income tax	(260)	(247)	(152)	(252)	(27)	(15)	(29)	(2)	-	(984)
Tax rate	(67.4%)									21.7%
Net earnings	\$2,461									\$3,543
Diluted net earnings per share	\$1.34									\$1.93
Interest and other, net adjustments ⁽¹⁾										(\$0.07)
Tax rate and organizational adjustments ⁽¹⁾										(\$0.02)
Adjusted diluted net earnings per share ⁽¹⁾										\$1.84

Q4 FY15 GAAP to non-GAAP and adjusted non-GAAP bridge

In millions, except tax rate and per share amounts	GAAP	Amortization of intangible assets	Restructuring charges	Separation costs	Acquisition and other related charges	Defined benefit plan settlement charges	Separation costs in interest and other, net	Valuation allowances, net, and separation taxes	Non-GAAP and adjusted non- GAAP
Revenue	\$13,448								\$13,448
Cost of sales	9,463								9,463
Total OpEx	3,866	(220)	(550)	(339)	(20)	(47)			2,690
Operating profit	119	220	550	339	20	47			1,295
Interest & other, net	(9)						4		(5)
Pre-tax earnings	110	220	550	339	20	47	4		1,290
Valuation allowances, net, and separation taxes	1,251							(1,251)	-
Income tax	24	(86)	(95)	(128)	(7)	(12)	(2)	-	(282)
Tax rate	(21.8%)								21.9%
Net earnings	\$1,385								\$1,008
Diluted net earnings per share	\$0.75								\$0.55
Interest and other, net adjustments ⁽¹⁾									(\$0.03)
Adjusted diluted net earnings per share ⁽¹⁾									\$0.52

Q3 FY15 GAAP to non-GAAP and adjusted non-GAAP bridge

In millions, except tax rate and per share amounts	GAAP	Amortization of intangible assets	Restructuring charges	Separation costs	Acquisition and other related charges	Defined benefit plan settlement charges	Impairment of data center assets	Non-GAAP and adjusted non- GAAP
Revenue	\$13,057							\$13,057
Cost of sales	9,307							9,307
Total OpEx	3,506	-225	-24	-255	-46	-178	-136	2,642
Operating profit	244	225	24	255	46	178	136	1,108
Interest & other, net	4							4
Pre-tax earnings	248	225	24	255	46	178	136	1,112
Income tax	-24	-69	-3	-75	-14	-27	-29	-241
Tax rate	9.70%							21.70%
Net earnings	\$224							\$871
Diluted net earnings per share	\$0.13							\$0.47
Interest and other, net adjustments ⁽¹⁾								(\$0.02)
Adjusted diluted net earnings per share ⁽¹⁾								\$0.45

Q2 FY15 GAAP to non-GAAP and adjusted non-GAAP bridge

In millions, except tax rate and per share amounts	GAAP	Amortization of intangible assets	Restructuring charges	Separation costs	Acquisition and other related charges	Non-GAAP and adjusted non- GAAP
Revenue	\$12,549					\$12,549
Cost of sales	8,965					8,965
Total OpEx	3,156	-204	-248	-159	-19	2,526
Operating profit	428	204	248	159	19	1,058
Interest & other, net	-30					-30
Pre-tax earnings	398	204	248	159	19	1,028
Income tax	-93	-46	-41	-38	-5	-223
Tax rate	23.30%					21.70%
Net earnings	\$305					\$805
Diluted net earnings per share	\$0.16					\$0.44
Interest and other, net adjustments ⁽¹⁾						(\$0.01)
Adjusted diluted net earnings per share ⁽¹⁾						\$0.43

Q1 FY15 GAAP to non-GAAP and adjusted non-GAAP bridge

In millions, except tax rate and per share amounts	GAAP	Amortization of intangible assets	Restructuring charges	Separation Costs	Acquisition and other related charges	Non-GAAP and adjusted non- GAAP
Revenue	\$13,053					\$13,053
Cost of sales	9,433					9,433
Total OpEx	2,888	(203)	(132)	(44)	(4)	2,505
Operating profit	732	203	132	44	4	1,115
Interest & other, net	(18)					(18)
Pre-tax earnings	714	203	132	44	4	1,097
Income tax	(167)	(46)	(13)	(11)	(1)	(238)
Tax rate	23.4%					21.7%
Net earnings	\$547					\$859
Diluted net earnings per share	\$0.30					\$0.47
Interest and other, net adjustments ⁽¹⁾						(\$0.02)
Tax rate and organizational adjustments ⁽¹⁾						(\$0.01)
Adjusted diluted net earnings per share ⁽¹⁾						\$0.44