



Hewlett Packard
Enterprise

HPE FY15 Adjusted Financial Measures

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

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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 fiscal quarter 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. 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.

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 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, acquisition-related charges, income tax indemnification, valuation allowances, net and separation taxes charges that are excluded from 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 can have a material impact on the equivalent GAAP earnings measure and cash flow. 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 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 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 flows of HPE would have been had the separation occurred on November 1, 2015. 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 Quarterly Report on Form 10-Q and other filings with the Securities and Exchange Commission may differ significantly from the adjusted amounts reflected herein due to a variety of factors.



FY15 Adjusted financial measures

FY15 adjustments to non-GAAP earnings per share (EPS) and cash flow

- In order to provide the most useful representation of the HPE financials in FY15, we are providing adjusted diluted net EPS and cash flow figures as if HPE was a stand-alone company during that time.
- We will use these adjusted figures for year-over-year comparisons to HPE FY16 financial results.
- These figures are different than the figures presented in our Form 10 and Form 10-K filing, which were calculated under specific carve-out basis accounting rules.
 - The primary differences between the carve out presentation in the Form 10 and Form 10-K and adjusted diluted net EPS are related to cash acquired and debt incurred by HPE just prior to the distribution.
 - The primary differences between the carve out presentation in the Form 10 and Form 10-K and the adjusted cash flow from operations and adjusted free cash flow are related to prepaids, deposits and liabilities associated with property, plant and equipment, pension obligations and income tax asset and liabilities that transferred to HPE from its former parent just prior to the distribution.

In millions, except for per share amounts	Q1 '15	Q2 '15	Q3 '15	Q4 '15	FY15
Adjusted non-GAAP diluted net earnings per share ¹	\$0.44	\$0.43	\$0.45	\$0.52	\$1.84
Adjusted cash flow from operations ¹	\$251	\$550	\$1,554	\$1,535	\$3,890
Adjusted free cash flow ¹	\$(489)	\$(106)	\$842	\$801	\$1,048

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 are included in supplementary tables to this Form 8-K.

Adjusted financial measure bridges

FY15 Adjusted financial measure bridges

Diluted net earnings per share

In millions, except per share amounts	Non-GAAP EPS	Interest and other, net	Tax rate and organizational adjustments	Adjusted non-GAAP EPS
Diluted net earnings per share	\$1.93	(0.07)	(0.02)	\$1.84

Cash Flow

In millions, except per share amounts	GAAP	Basis of presentation differences	Adjusted cash flow
Cash flow from operations	\$3,661	229	\$3,890
Investment in property, plant and equipment	(3,344)		
Proceeds from sale of property, plant and equipment	380		
Free cash flow	\$697	351	\$1,048

Q1 FY15 Adjusted financial measure bridges

Diluted net earnings per share

In millions, except per share amounts	Non-GAAP EPS	Interest and other, net	Tax rate and organizational adjustments	Adjusted non-GAAP EPS
Diluted net earnings per share	\$0.47	(0.02)	(0.01)	\$0.44

Cash Flow

In millions, except per share amounts	GAAP	Basis of presentation differences	Adjusted cash flow
Cash flow from operations	\$568	(317)	\$251
Investment in property, plant and equipment	(786)		
Proceeds from sale of property, plant and equipment	98		
Free cash flow	\$(120)	(369)	\$(489)

Q2 FY15 Adjusted financial measure bridges

Diluted net earnings per share

In millions, except per share amounts	Non-GAAP EPS	Interest and other, net	Adjusted non-GAAP EPS
Diluted net earnings per share	\$0.44	(0.01)	\$0.43

Cash Flow

In millions, except per share amounts	GAAP	Basis of presentation differences	Adjusted cash flow
Cash flow from operations	\$1,188	(638)	\$550
Investment in property, plant and equipment	(646)		
Proceeds from sale of property, plant and equipment	77		
Free cash flow	\$619	(725)	\$(106)

Q3 FY15 Adjusted financial measure bridges

Diluted net earnings per share

In millions, except per share amounts	Non-GAAP EPS	Interest and other, net	Adjusted non-GAAP EPS
Diluted net earnings per share	\$0.47	(0.02)	\$0.45

Cash Flow

In millions, except per share amounts	GAAP	Basis of presentation differences	Adjusted cash flow
Cash flow from operations	\$2,063	(509)	\$1,554
Investment in property, plant and equipment	(1,174)		
Proceeds from sale of property, plant and equipment	92		
Free cash flow	\$981	(139)	\$842

Q4 FY15 Adjusted financial measure bridges

Diluted net earnings per share

In millions, except per share amounts	Non-GAAP EPS	Interest and other, net	Adjusted non-GAAP EPS
Diluted net earnings per share	\$0.55	(0.03)	\$0.52

Cash Flow

In millions, except per share amounts	GAAP	Basis of presentation differences	Adjusted cash flow
Cash flow from operations	\$(158)	1,693	\$1,535
Investment in property, plant and equipment	(738)		
Proceeds from sale of property, plant and equipment	113		
Free cash flow	\$(783)	1,584	\$801

FY15 GAAP to non-GAAP diluted net EPS reconciliation

Non-GAAP adjustments to diluted net EPS

	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	FY15 YTD
GAAP diluted net earnings per share	\$0.30	\$0.16	\$0.13	\$0.75	\$1.34
Non-GAAP adjustments:					
Amortization of intangible assets	0.11	0.11	0.12	0.12	0.46
Restructuring charges	0.07	0.14	0.01	0.30	0.52
Separation costs	0.02	0.09	0.14	0.18	0.43
Acquisition and other related charges	-	0.01	0.03	0.01	0.05
Defined benefit plan settlement charges	-	-	0.10	0.02	0.12
Impairment of data center assets	-	-	0.07	-	0.07
Provision for taxes	(0.03)	(0.07)	(0.13)	(0.16)	(0.39)
Valuation allowances, net, and separation taxes	-	-	-	(0.67)	(0.67)
Total non-GAAP adjustments	0.17	0.28	0.34	(0.20)	0.59
Non-GAAP diluted net earnings per share	\$0.47	\$0.44	\$0.47	\$0.55	\$1.93
Interest and other, net adjustments	(0.02)	(0.01)	(0.02)	(0.03)	(0.07)
Tax rate and organizational adjustments	(0.01)	-	-	-	(0.02)
Adjusted diluted neat earnings per share	\$0.44	\$0.43	\$0.45	\$0.52	\$1.84