



**Hewlett Packard  
Enterprise**

# **HPE Q1 FY18 Earnings Announcement**

February 22, 2018

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



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# 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; statements regarding the estimated impact of the changes in U.S. tax law; 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 transactions, 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 execution, timing and results of any transformation or restructuring plans, including estimates and assumptions related to the cost and the anticipated benefits of implementing the transformation and restructuring plans; the effects of the U.S. Tax Cuts and Jobs Act and related guidance and regulations that may be implemented; 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, 2017.

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, 2018. Hewlett Packard Enterprise assumes no obligation and does not intend to update these forward-looking statements.

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# 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 and consolidated 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, net revenue adjusted for divestitures and currency, non-GAAP income tax rate, non-GAAP net earnings from continuing operations, non-GAAP net earnings from discontinued operations, non-GAAP diluted net earnings per share from continuing operations, and non-GAAP diluted net earnings per share from discontinued operations 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 amortization of intangible assets, though not directly affecting HPE's cash position, represent the loss in value of intangible assets over time. The expense associated with this loss in value is not included in non-GAAP operating profit, non-GAAP operating profit as % of revenue, non-GAAP income tax rate, non-GAAP net earnings from continuing operations, non-GAAP net earnings from discontinued operations, non-GAAP diluted net earnings per share from continuing operations, and non-GAAP diluted net earnings per share from discontinued operations and therefore does not reflect the full economic effect of the loss in value of those intangible assets. In addition, items such as separation costs, transformation costs, disaster charges, restructuring charges, defined benefit plan settlement charges and remeasurement benefit and acquisition and other related charges that are excluded from non-GAAP operating expense, non-GAAP operating profit, non-GAAP operating profit as % of revenue, non-GAAP tax rate, non-GAAP net earnings from continuing operations, non-GAAP net earnings (loss) from discontinued operations, non-GAAP diluted net earnings per share from continuing operations, and non-GAAP diluted net earnings (loss) per share from discontinued operations can have a material impact on the equivalent GAAP earnings measures and cash flow. Items such as tax indemnification adjustments, income tax valuation allowances and separation taxes, the impact of U.S. tax reform, excess tax benefits from stock-based compensation and the related tax impact from other non-GAAP measures that are excluded from the non-GAAP tax rate, non-GAAP net earnings from continuing operations, non-GAAP net earnings (loss) from discontinued operations, non-GAAP diluted net earnings per share from continuing operations, and non-GAAP diluted net earnings (loss) per share from discontinued operations 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.

# Q1 FY18 results

- Net revenue of **\$7.7 billion**, up 11% from the prior-year period and up 9% when adjusted for currency<sup>(1)</sup>
- Non-GAAP<sup>(2)</sup> diluted net earnings per share of **\$0.34**, above the previously provided outlook of \$0.20 to \$0.24 per share
- GAAP diluted net earnings per share of **\$0.89**, above the previously provided outlook of \$0.01 to \$0.05 per share, due primarily to the benefits of tax reform
- Cash flow from operations of **\$0.1 billion**, up from (\$1.2) billion in the prior-year period
- Returned **\$862 million** to shareholders in the form of share repurchases and dividends

1. Adjusted to eliminate the effects of currency. A reconciliation of GAAP revenue to revenue adjusted for divestitures and currency is provided on slide 24

2. A reconciliation of specific adjustments to GAAP results for the current period is included on slide 18 in the GAAP to non-GAAP bridges that appear as part of the supplemental slides section of this presentation. A description of HPE's use of non-GAAP financial information is provided on slide 3 under "Use of non-GAAP and adjusted financial information"

# Q1 FY18 performance overview

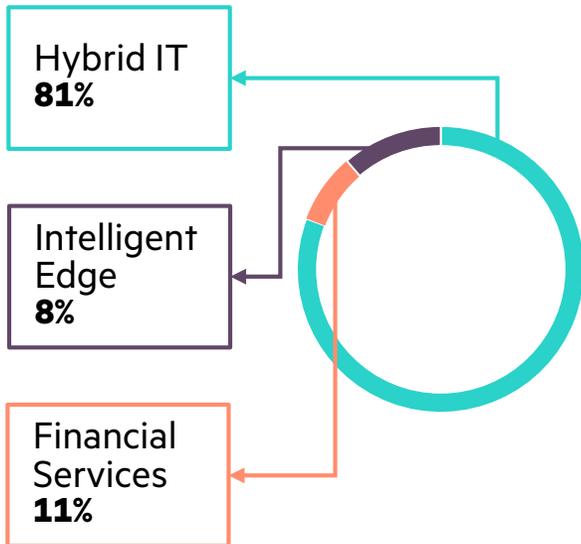
\$ in millions	Q1 Net Revenue	Growth y/y%	Growth y/y%, adj. for currency <sup>(2)</sup>	Non-GAAP OP \$	Non-GAAP OP % of rev	Non-GAAP OP \$ y/y	Non-GAAP OP % of rev y/y
<b>Hybrid IT</b>	\$6,331	10%	9%	\$608	9.6%	(\$125)	(3.1 pts)
<b>Intelligent Edge</b>	\$620	9%	7%	\$18	2.9%	\$2	0.1 pts
<b>Financial Services</b>	\$888	8%	5%	\$72	8.1%	(\$4)	(1.1 pts)
<b>Total HPE</b> <sup>(1)(2)</sup>	<b>\$7,674</b>	<b>11%</b>	<b>9%</b>	<b>\$593</b>	<b>7.7%</b>	<b>(\$60)</b>	<b>(1.8 pts)</b>

# Q1 FY18 mix by segment & region

HPE net revenue

**\$7.7 billion**

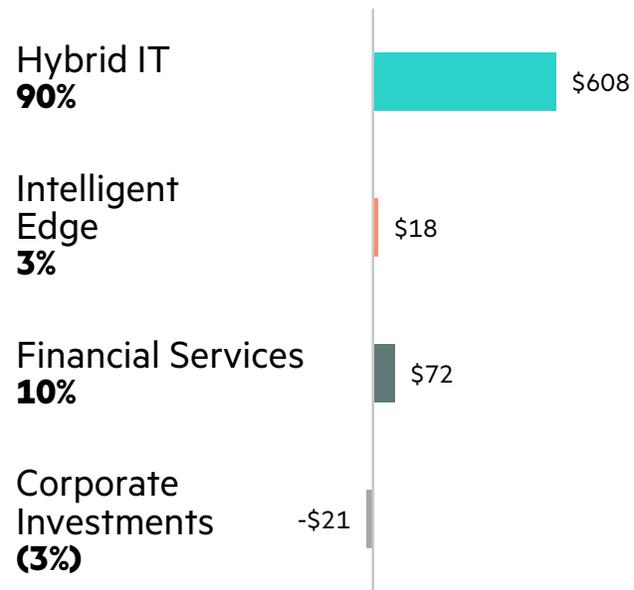
Segment net revenue mix<sup>(2)</sup>



HPE non-GAAP operating profit<sup>(1)</sup>

**\$593 million**

Segment operating profit and mix<sup>(3)</sup>



Net revenue by region



**Americas 39%**  
US: 32%  
Canada/LA: 7%

↑ 3% y/y  
↑ 3% adj.<sup>(4)</sup>

**EMEA 37%**

↑ 15% y/y  
↑ 11% adj.<sup>(4)</sup>

**APJ 24%**

↑ 20% y/y  
↑ 18% adj.<sup>(4)</sup>

Non-US net revenue was 68% of total net revenue

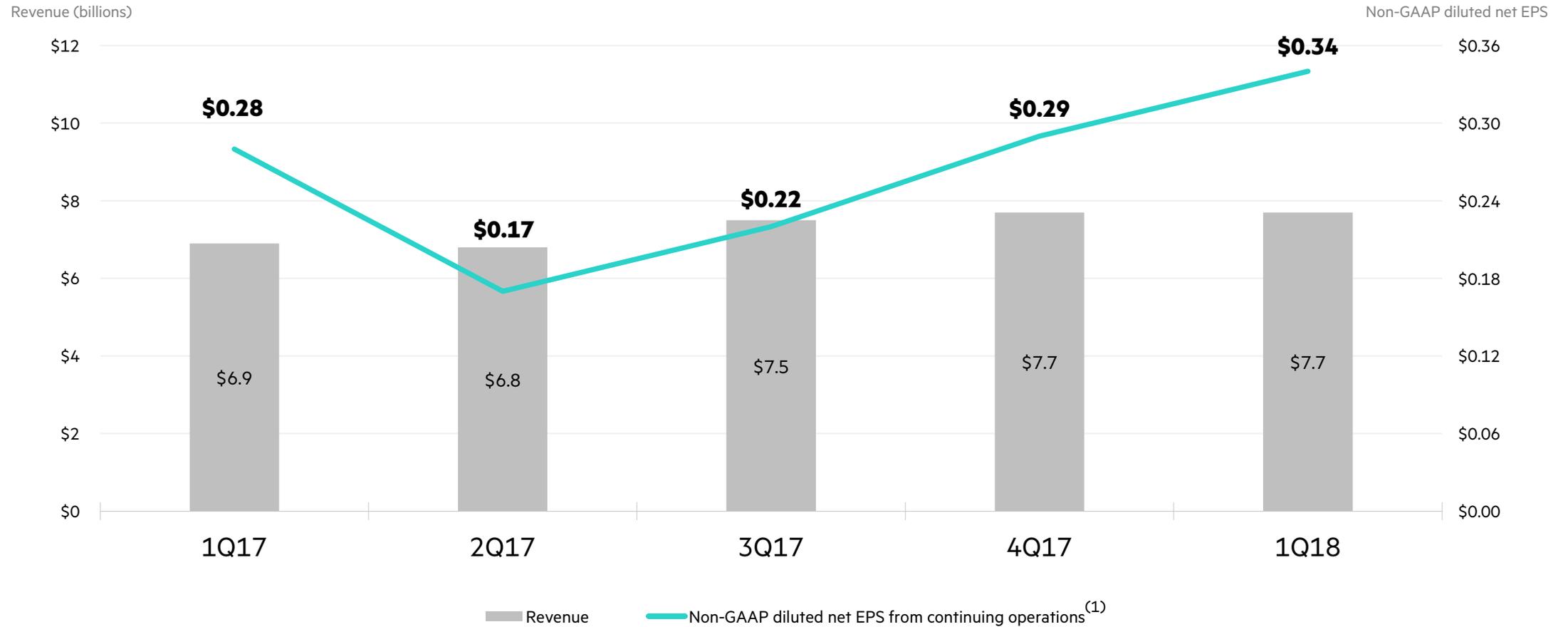
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2. Segment net revenue mix calculated based on total segment revenue, which does not include intercompany eliminations

3. Segment operating profit and mix calculated based on total segment operating profit, which does not include intercompany eliminations

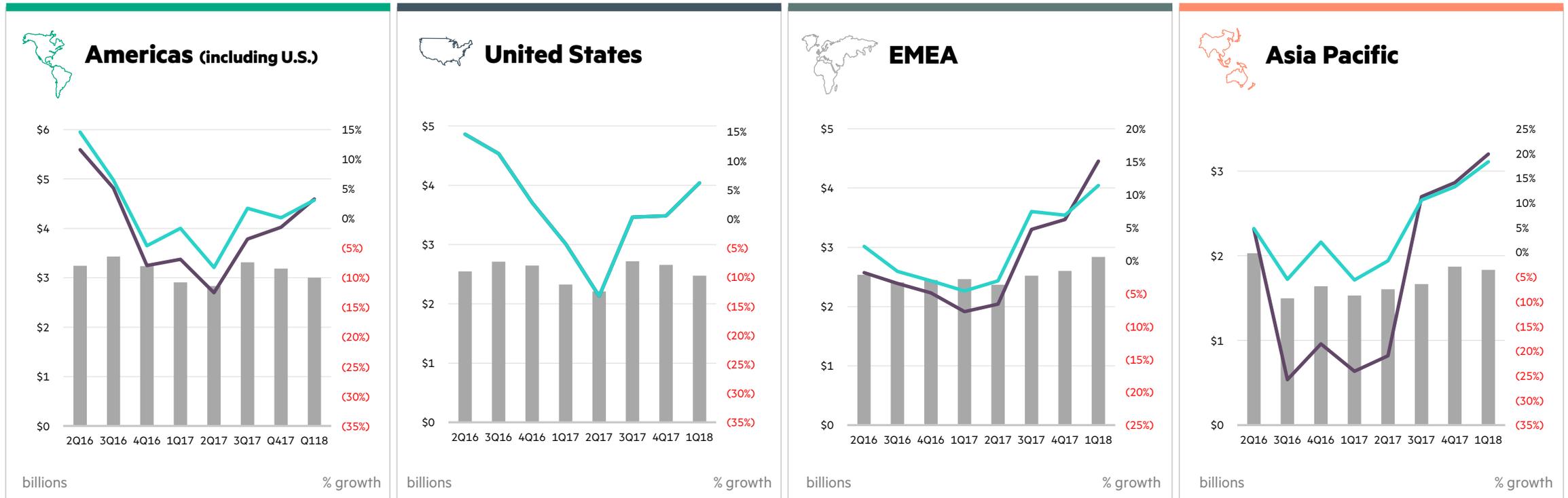
4. Adjusted to eliminate the effects of currency. A reconciliation of GAAP revenue to revenue adjusted for divestitures and currency is provided on slide 24

# Revenue and non-GAAP diluted net EPS from continuing operations



1. A reconciliation of specific adjustments to GAAP results for the current and prior periods is included in the non-GAAP slide section that appears as part of the supplemental slides of this presentation on pages 18-23. A description of HPE's use of non-GAAP financial information is provided on slide 3 under "Use of non-GAAP and adjusted financial information"

# Regional revenue trends

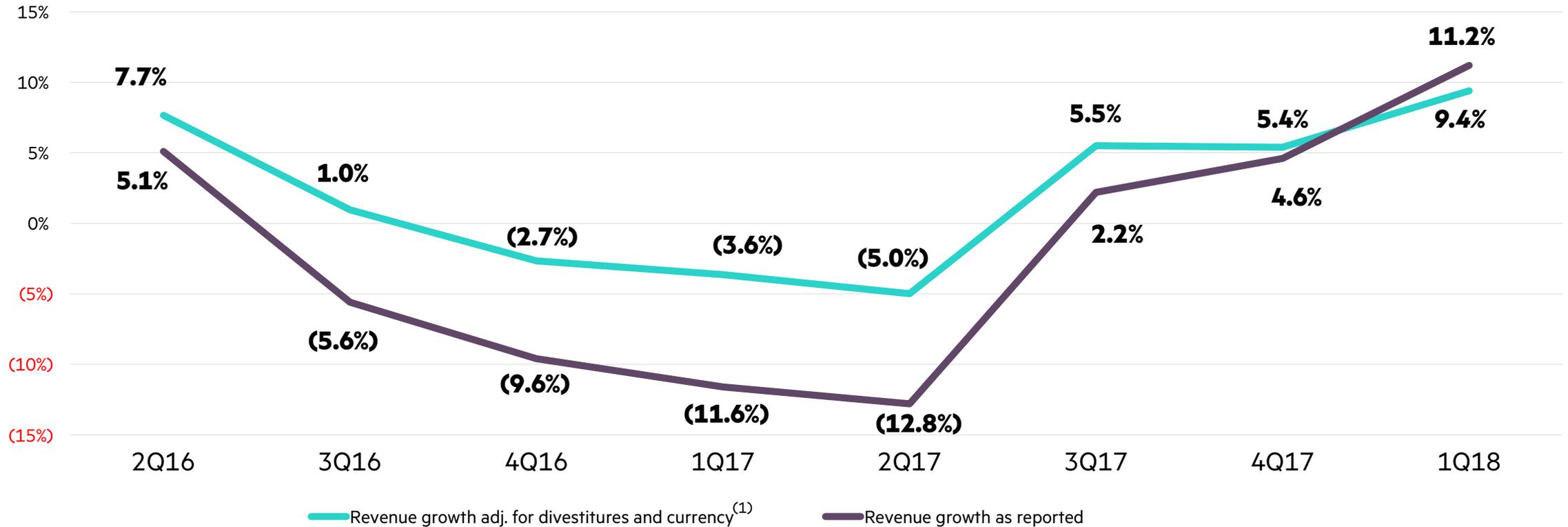


— y/y revenue growth %  
 — y/y revenue growth %, adjusted for divestitures and currency<sup>(1)</sup>

1. Adjusted to eliminate the effects of divestitures and currency A reconciliation of GAAP revenue to revenue adjusted for divestitures and currency is provided on slide 24

# Revenue growth<sup>(1)</sup>

y/y growth (%)



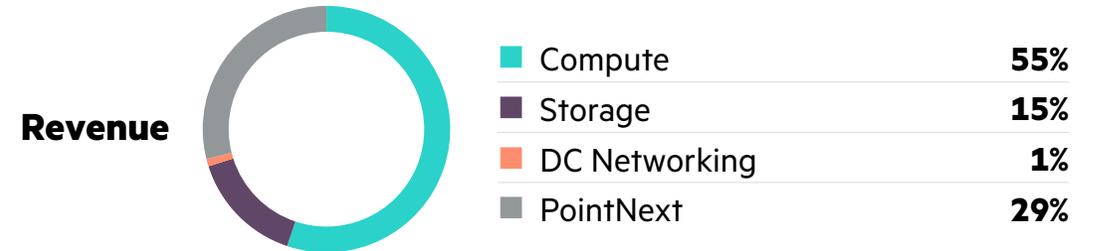
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# Hybrid IT

Q1 FY18

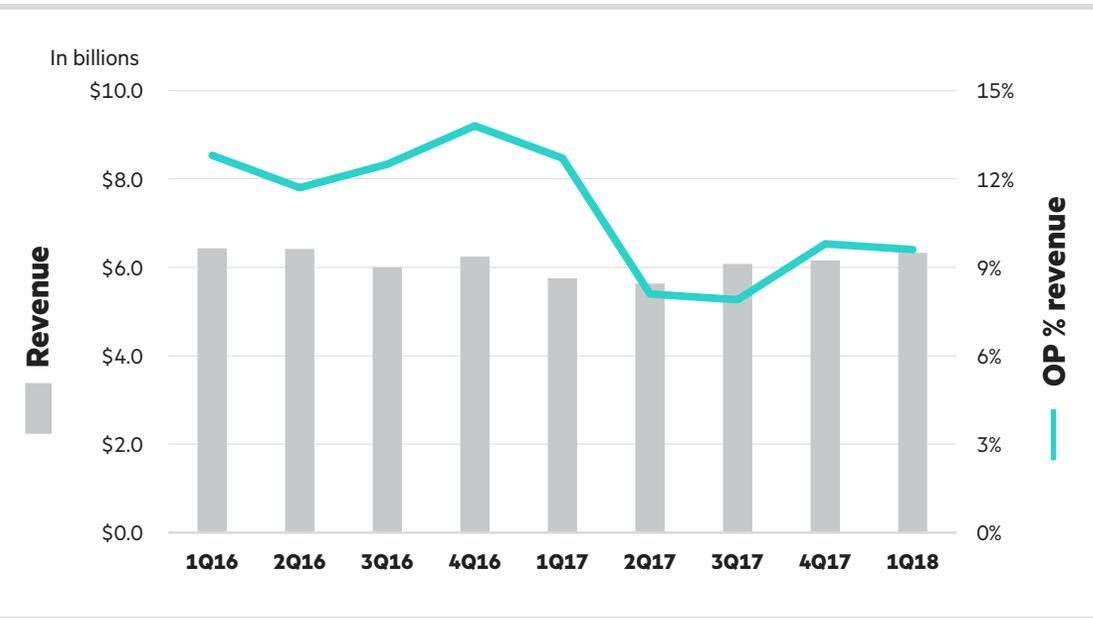
**Revenue**  
**\$6.3 billion**  
 ↑ 10% y/y  
 ↑ 9% y/y CC<sup>(1)</sup>

**Operating profit**  
**\$608 million**  
 9.6% of revenue



## Overview

- Compute revenue up **11%** y/y (up 10% CC<sup>(1)</sup>)
- Storage revenue up **24%** y/y (up 23% CC<sup>(1)</sup>)
- DC Networking revenue up **27%** y/y (up 25% CC<sup>(1)</sup>)
- PointNext revenue up **2%** y/y (flat CC<sup>(1)</sup>)



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# Intelligent Edge

Q1 FY18

Revenue

**\$620** million

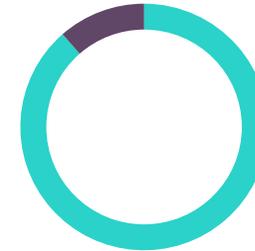
↑ 9% y/y  
↑ 7% y/y CC<sup>(1)</sup>

Operating profit

**\$18** million

2.9% of revenue

Revenue



HPE Aruba Product

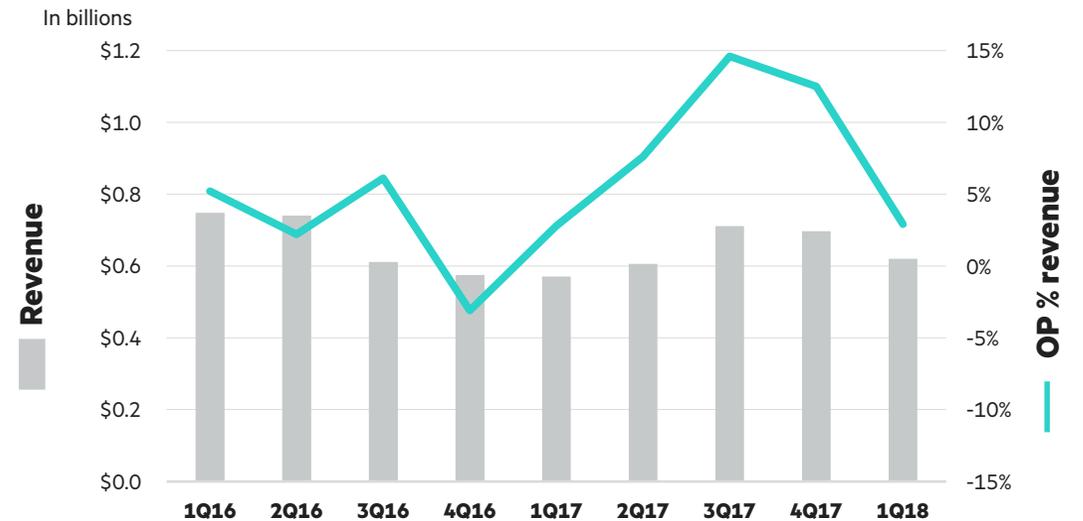
89%

HPE Aruba Services

11%

## Overview

- HPE Aruba Product revenue up **9%** y/y (up 7% CC<sup>(1)</sup>)
- HPE Aruba Services revenue up **6%** y/y (up 6% CC<sup>(1)</sup>)



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# Financial Services

Q1 FY18

Revenue

**\$888** million

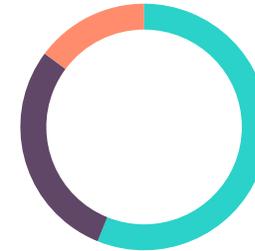
↑ 8% y/y  
↑ 5% y/y CC<sup>(1)</sup>

Operating profit

**\$72** million

8.1% of revenue

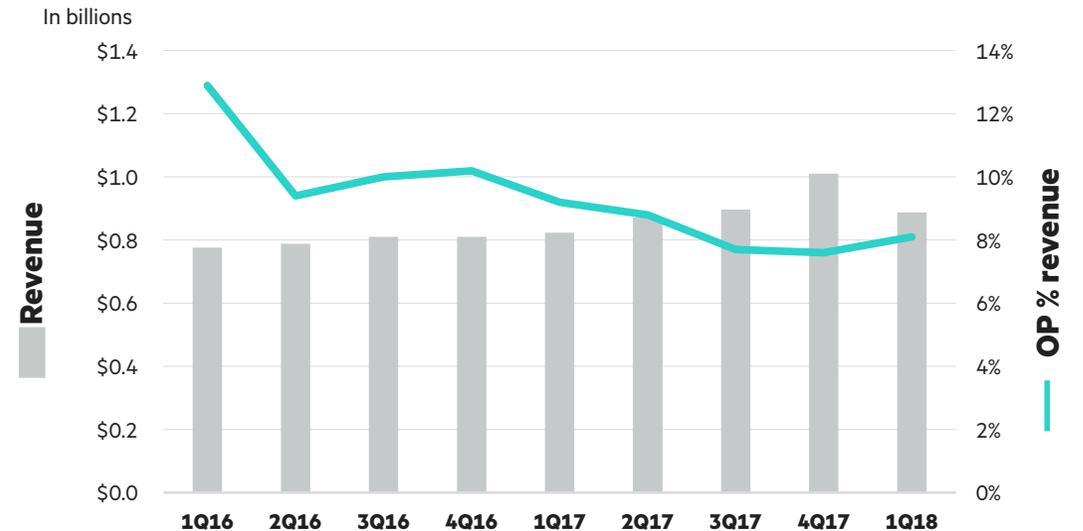
Revenue



Americas	56%
EMEA	29%
Asia Pacific	15%

## Overview

- Financing volume up **7%** y/y
- Net portfolio assets of **\$13.2B**, up **6%** y/y



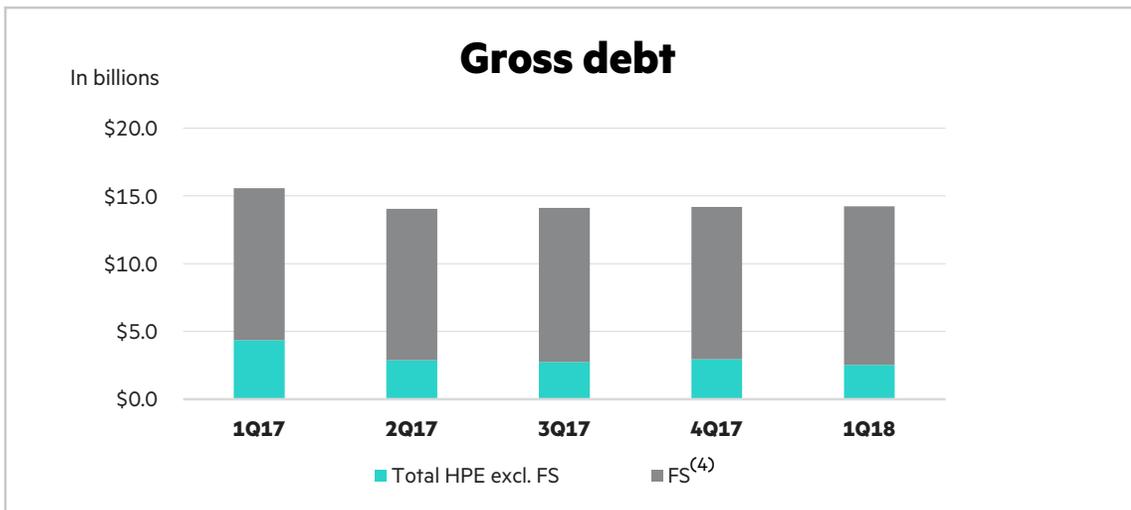
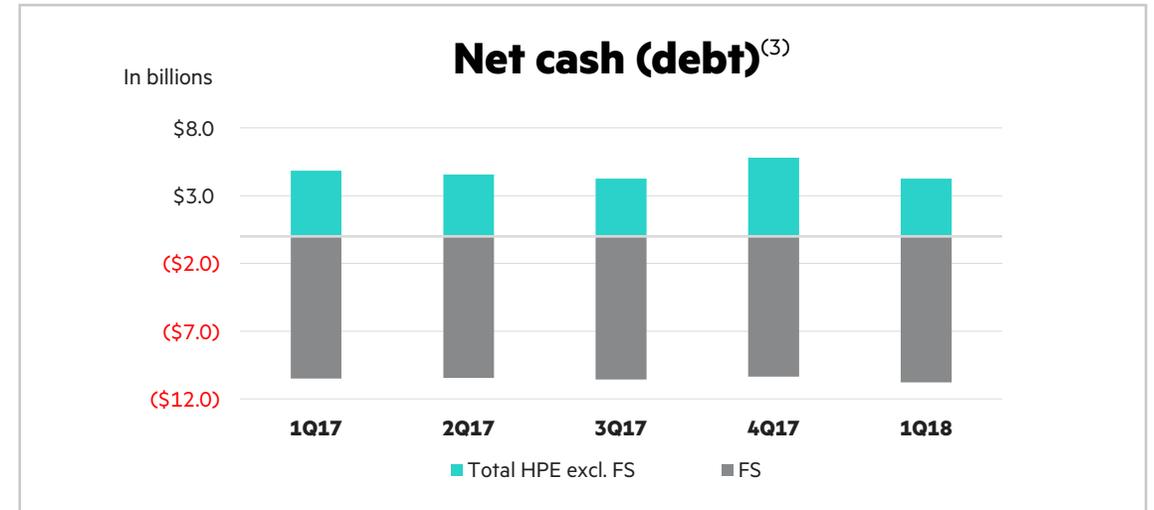
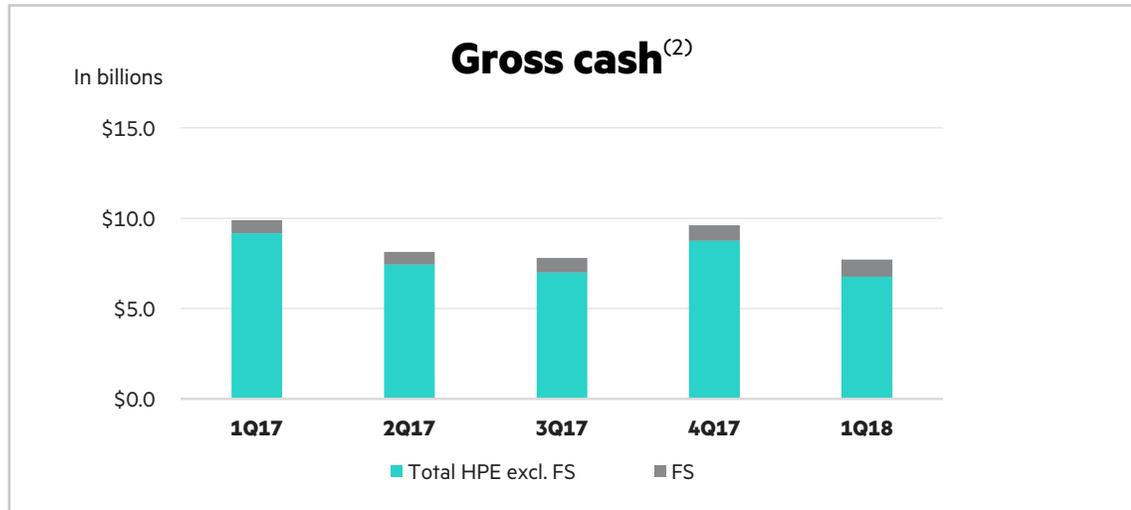
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# Non-GAAP financial information

In millions, except per share amounts and percentages	Q1 FY18		Q4 FY17		Q1 FY17	
<b>Revenue</b>	<b>\$7,674</b>	<b>100%</b>	<b>\$7,660</b>	<b>100%</b>	<b>\$6,902</b>	<b>100%</b>
Cost of sales	5,491	71.6%	5,383	70.3%	4,689	67.9%
Total OpEx	1,590	20.7%	1,652	21.5%	1,560	22.6%
<b>Operating profit</b>	<b>\$593</b>	<b>7.7%</b>	<b>\$625</b>	<b>8.2%</b>	<b>\$653</b>	<b>9.5%</b>
Interest & other, net	(21)		(76)		(78)	
Earnings (loss) from equity interests	59		44		13	
Pre-tax earnings	631	8.2%	593	7.7%	588	8.5%
Income tax	(84)		(120)		(115)	
Net earnings from continuing operations	547	7.1%	473	6.2%	473	6.9%
<b>Diluted net earnings per share from continuing operations</b>	<b>\$0.34</b>		<b>\$0.29</b>		<b>\$0.28</b>	
Net earnings (loss) from discontinued operations	-	-	30	0.4%	299	4.3%
<b>Diluted net earnings (loss) per share from discontinued operations</b>	<b>-</b>		<b>\$0.02</b>		<b>\$0.17</b>	
Net earnings	547	7.1%	503	6.6%	772	11.2%
<b>Diluted net earnings per share</b>	<b>\$0.34</b>		<b>\$0.31</b>		<b>\$0.45</b>	

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# Select cash and debt balances<sup>(1)</sup>



\$ in billions	1Q17	2Q17	3Q17	4Q17	1Q18
Total HPE gross cash <sup>(2)</sup>	9.9	8.1	7.8	9.6	7.7
Total HPE gross debt	15.6	14.0	14.1	14.1	14.2
HPE net cash (debt) <sup>(3)</sup>	(5.7)	(5.9)	(6.3)	(4.5)	(6.5)
FS gross cash <sup>(2)</sup>	0.7	0.7	0.8	0.9	0.9
FS gross debt <sup>(4)</sup>	11.2	11.2	11.4	11.2	11.7
FS net cash (debt) <sup>(3)</sup>	(10.5)	(10.5)	(10.6)	(10.3)	(10.8)
<b>Operating Co. net cash<sup>(2)(3)(5)</sup></b>	<b>4.8</b>	<b>4.6</b>	<b>4.3</b>	<b>5.8</b>	<b>4.3</b>

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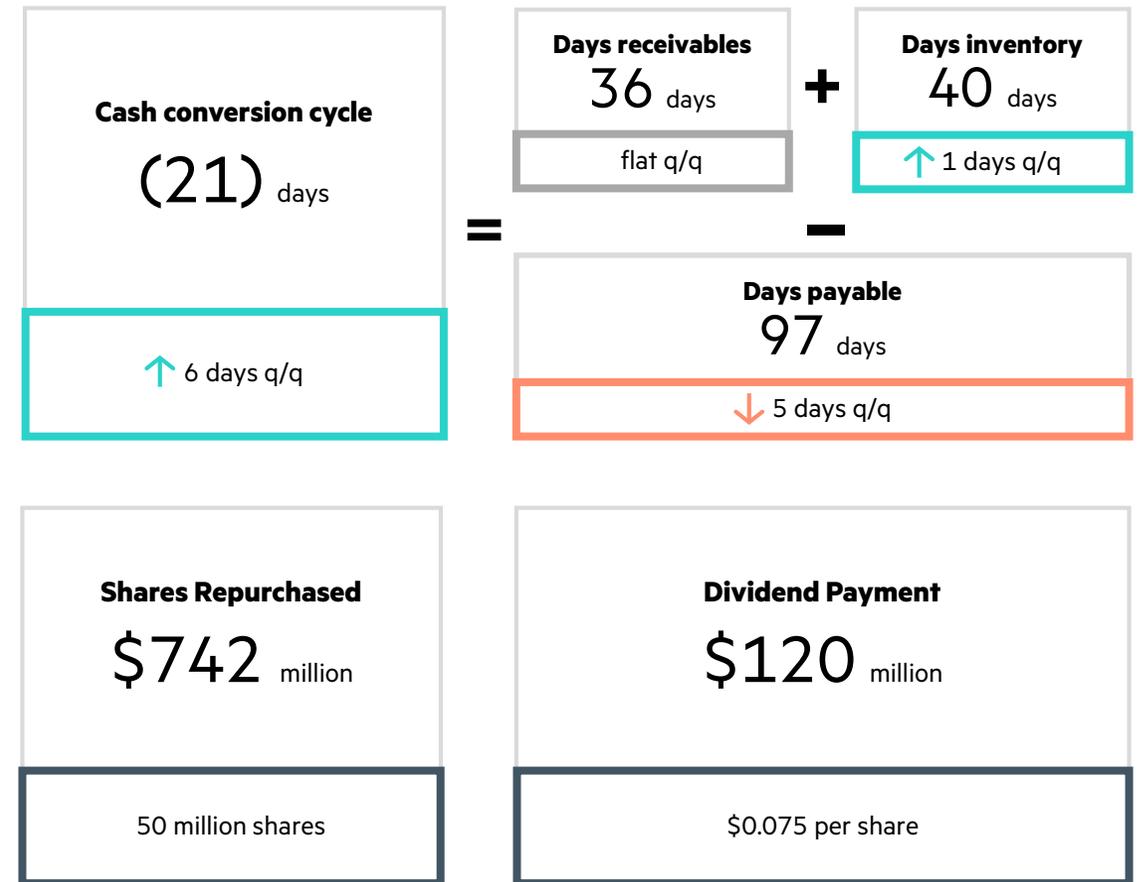
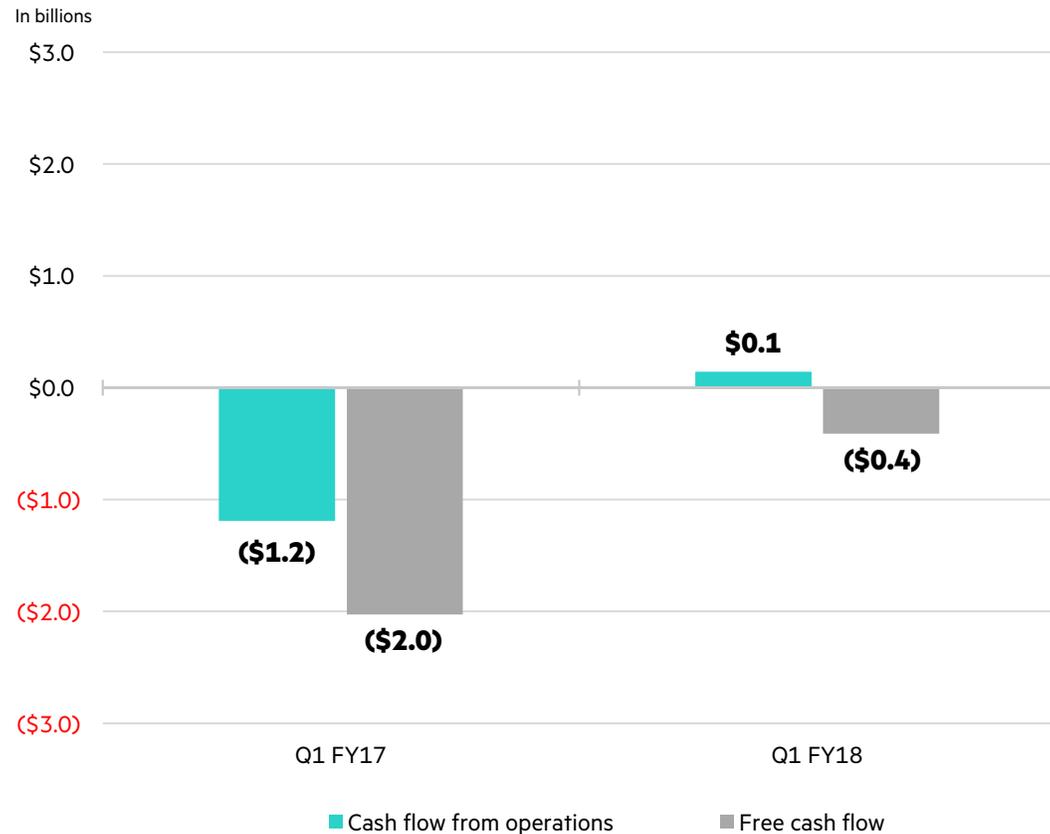
2. Gross cash includes cash and cash equivalents, short-term investments, and certain liquid long-term investments.

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 free cash flow<sup>(1)(2)</sup>



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. During the first quarter of fiscal 2018, the Company adopted ASU 2016-09, as a result of which, excess income tax benefit from stock-based compensation expense is no longer separated from operating income tax cash flows and reported as financing activity. In addition, income taxes paid on shares withheld is now presented as financing activity instead of operating activity. The company adopted the standard retrospectively for the prior comparative periods. As a result of this change, Q1'FY17 cash flow from operations has been restated from (\$1.5) billion to (\$1.2) billion and Q1'FY17 Free Cash Flow has been restated from (\$2.3) billion to (\$2.0) billion.

# Outlook

## Second quarter FY18 net EPS guidance

GAAP diluted net EPS	\$0.10 – \$0.14
Non-GAAP diluted net EPS <sup>(1)</sup>	\$0.29 – \$0.33

## Full year FY18 net EPS guidance

GAAP diluted net EPS	\$1.35 – \$1.45
Non-GAAP diluted net EPS <sup>(2)</sup>	\$1.35 – \$1.45

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# GAAP to non-GAAP bridges

# Q1 FY18 GAAP to non-GAAP bridge

In millions, except tax rate and per share amounts	GAAP	Separation Cost	Restructuring charges	Transformation costs	Acquisition and other related charted	Amortization of purchased intangible assets	Earnings (loss) in equity interest	Tax Indemnification adjustments	Valuation allowances, net, and separation taxes	Tax reform	Excess tax benefit from stock-based compensation	Non-GAAP
Revenue	<b>\$7,674</b>											<b>\$7,674</b>
Cost of sales	<b>5,491</b>											<b>5,491</b>
Total OpEx	<b>1,922</b>	24	(3)	(245)	(30)	(78)						<b>1,590</b>
Operating profit	<b>261</b>	(24)	3	245	30	78						<b>593</b>
Interest & other, net	<b>(940)</b>							919				<b>(21)</b>
Earnings (loss) from equity interests	<b>22</b>						37					<b>59</b>
Pre-tax earnings	<b>(657)</b>	(24)	3	245	30	78	37	919	-	-	-	<b>631</b>
Income tax	<b>2,139</b>	4	(1)	(40)	(7)	(10)		(920)	(244)	(991)	(14)	<b>(84)</b>
Tax rate	<b>325.6%</b>											<b>13.3%</b>
Net earnings (loss) from continuing operations	<b>\$1,482</b>	(20)	2	205	23	68	37	(1)	(244)	(991)	(14)	<b>\$547</b>
Net earnings (loss) from discontinued operations	<b>(\$46)</b>	43						4	(1)			<b>-</b>
Net earnings	<b>\$1,436</b>											<b>\$547</b>
Diluted net EPS from continuing operations	<b>\$0.92</b>											<b>\$0.34</b>
Diluted net EPS from discontinued operations	<b>(\$0.03)</b>											<b>\$0.00</b>
Diluted net EPS	<b>\$0.89</b>											<b>\$0.34</b>

# FY17 GAAP to non-GAAP bridge

In millions, except tax rate and per share amounts	GAAP	Amortization of intangible assets	Restructuring charges	Separation costs	Transformation costs	Disaster Charges	Acquisition and other related charges	Defined benefit plan settlement charges and remeasurement benefit	Earnings (loss) from equity interests	Tax indemnification adjustments	Valuation allowances, net, and separation taxes	Non-GAAP
Revenue	<b>\$28,871</b>											<b>\$28,871</b>
Cost of sales	<b>20,177</b>											<b>20,177</b>
Total OpEx	<b>8,069</b>	(321)	(417)	(248)	(359)	(93)	(203)	64				<b>6,492</b>
Operating profit	<b>625</b>	321	417	248	359	93	203	(64)				<b>2,202</b>
Interest & other, net	<b>(330)</b>									3		<b>(327)</b>
Earnings (loss) from equity interests	<b>(23)</b>								155			<b>132</b>
Pre-tax earnings	<b>272</b>	321	417	248	359	93	203	(64)	155	3	-	<b>2,007</b>
Tax valuation allowances and separation taxes	<b>215</b>										(215)	<b>-</b>
Income tax	<b>(51)</b>	(77)	(60)	(58)	(86)	(33)	(68)	-	(54)	88		<b>(399)</b>
Tax rate	<b>(60.3%)</b>											<b>19.9%</b>
Net earnings (loss) from continuing operations	<b>\$436</b>	244	357	190	273	60	135	(64)	101	91	(215)	<b>\$1,608</b>
Net earnings (loss) from discontinued operations	<b>(\$92)</b>	81	197	730	-		1	(9)	-	15	(172)	<b>\$751</b>
Net earnings	<b>\$344</b>											<b>\$2,359</b>
Diluted net EPS from continuing operations	<b>\$0.26</b>											<b>\$0.96</b>
Diluted net EPS from discontinued operations	<b>(\$0.05)</b>											<b>\$0.45</b>
Diluted net EPS	<b>\$0.21</b>											<b>\$1.41</b>

# Q4 FY17 GAAP to non-GAAP bridge

In millions, except tax rate and per share amounts	GAAP	Amortization of intangible assets	Restructuring charges	Separation costs	Transformation costs	Disaster Charges	Acquisition and other related charges	Defined benefit plan settlement charges and remeasurement benefit	Earnings (loss) from equity interests	Tax indemnification adjustments	Valuation allowances, net, and separation taxes	Non-GAAP
Revenue	<b>\$7,660</b>											<b>\$7,660</b>
Cost of sales	<b>5,383</b>											<b>5,383</b>
Total OpEx	<b>2,501</b>	(86)	(113)	(202)	(328)	(93)	(53)	26				<b>1,652</b>
Operating profit	<b>(224)</b>	86	113	202	328	93	53	(26)				<b>625</b>
Interest & other, net	<b>(78)</b>									<b>2</b>		<b>(76)</b>
Earnings (loss) from equity interests	<b>1</b>								43			<b>44</b>
Pre-tax earnings	<b>(301)</b>	86	113	202	328	93	53	(26)	43	2	-	<b>593</b>
Tax valuation allowances and separation taxes	<b>619</b>										(619)	<b>-</b>
Income tax	<b>60</b>	(18)	(4)	(48)	(74)	(33)	(19)	-	(15)	31		<b>(120)</b>
Tax rate	<b>225.6%</b>											<b>20.2%</b>
Net earnings (loss) from continuing operations	<b>\$378</b>	68	109	154	254	60	34	(26)	28	33	(619)	<b>\$473</b>
Net earnings (loss) from discontinued operations	<b>\$146</b>	1	(3)	38	-		-	(1)	-	15	(166)	<b>\$30</b>
Net earnings	<b>\$524</b>											<b>\$503</b>
Diluted net EPS from continuing operations	<b>\$0.23</b>											<b>\$0.29</b>
Diluted net EPS from discontinued operations	<b>\$0.09</b>											<b>\$0.02</b>
Diluted net EPS	<b>\$0.32</b>											<b>\$0.31</b>

# Q3 FY17 GAAP to non-GAAP bridge

In millions, except tax rate and per share amounts	GAAP	Amortization of intangible assets	Restructuring charges	Separation costs	Transformation costs	Acquisition and other related charges	Defined benefit plan settlement charges and remeasurement benefit	Tax indemnification adjustments	Earnings (loss) from equity interests	Valuation allowances, net, and separation taxes	Non-GAAP
Revenue	<b>\$7,501</b>										<b>\$7,501</b>
Cost of sales	<b>5,306</b>										<b>5,306</b>
Total OpEx	<b>1,994</b>	(97)	(152)	(5)	(31)	(56)	22				<b>1,675</b>
Operating profit	<b>201</b>	97	152	5	31	56	(22)				<b>520</b>
Interest & other, net	<b>(77)</b>							(10)			<b>(87)</b>
Earnings (loss) from equity interests	<b>1</b>								39		<b>40</b>
Pre-tax earnings	<b>125</b>	97	152	5	31	56	(22)	(10)	39	-	<b>473</b>
Tax valuation allowances and separation taxes	<b>189</b>									(189)	-
Income tax	<b>(29)</b>	(22)	(28)	-	(12)	(19)	-	26	(14)		<b>(98)</b>
Tax rate	<b>(128.0%)</b>										<b>20.7%</b>
Net earnings (loss) from continuing operations	<b>\$285</b>	75	124	5	19	37	(22)	16	25	(189)	<b>\$375</b>
Net earnings (loss) from discontinued operations	<b>(\$120)</b>	27	8	197	-	-	(2)	-	-	12	<b>\$122</b>
Net earnings	<b>\$165</b>										<b>\$497</b>
Diluted net EPS from continuing operations	<b>\$0.17</b>										<b>\$0.22</b>
Diluted net EPS from discontinued operations	<b>(\$0.07)</b>										<b>\$0.08</b>
Diluted net EPS	<b>\$0.10</b>										<b>\$0.30</b>

# Q2 FY17 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	Defined benefit plan settlement charges and rereasurement benefit	Tax indemnification adjustments	Loss from equity interests	Valuation allowances, net, and separation taxes	Non-GAAP
Revenue	<b>\$6,808</b>									<b>\$6,808</b>
Cost of sales	<b>4,799</b>									<b>4,799</b>
Total OpEx	<b>1,814</b>	(72)	(69)	(30)	(50)	12				<b>1,605</b>
Operating profit	<b>195</b>	72	69	30	50	(12)				<b>404</b>
Interest & other, net	<b>(79)</b>						(7)			<b>(86)</b>
(Loss) earnings from equity interests	<b>(3)</b>							38		<b>35</b>
Pre-tax earnings	<b>113</b>	72	69	30	50	(12)	(7)	38	-	<b>353</b>
Tax valuation allowances and separation taxes	<b>(593)</b>								593	<b>-</b>
Income tax	<b>2</b>	(24)	(10)	(6)	(19)	-	12	(21)		<b>(66)</b>
Tax rate	<b>523.0%</b>									<b>18.7%</b>
Net earnings (loss) from continuing operations	<b>(\$478)</b>	48	59	24	31	(12)	5	17	593	<b>\$287</b>
Net earnings (loss) from discontinued operations	<b>(\$134)</b>	25	119	311	1	(4)	-	-	(18)	<b>\$300</b>
Net earnings (loss)	<b>(\$612)</b>									<b>\$587</b>
Diluted net EPS from continuing operations	<b>(\$0.29)</b>									<b>\$0.17</b>
Diluted net EPS from discontinued operations	<b>(\$0.08)</b>									<b>\$0.18</b>
Diluted net EPS	<b>(\$0.37)</b>									<b>\$0.35</b>

# Q1 FY17 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	Defined benefit plan settlement charges and remeasurement benefit	Tax indemnification adjustments	Loss from equity interests	Non-GAAP
Revenue	<b>\$6,902</b>								<b>\$6,902</b>
Cost of sales	<b>4,689</b>								<b>4,689</b>
Total OpEx	<b>1,760</b>	(66)	(83)	(11)	(44)	4			<b>1,560</b>
Operating profit	<b>453</b>	66	83	11	44	(4)			<b>653</b>
Interest & other, net	<b>(96)</b>						18		<b>(78)</b>
(Loss) earnings from equity interests	<b>(22)</b>							35	<b>13</b>
Pre-tax earnings	<b>335</b>	66	83	11	44	(4)	18	35	<b>588</b>
Income tax	<b>(84)</b>	(13)	(18)	(4)	(11)	-	19	(4)	<b>(115)</b>
Tax rate	<b>25.1%</b>								<b>19.6%</b>
Net earnings (loss) from continuing operations	<b>\$251</b>	53	65	7	33	(4)	37	31	<b>\$473</b>
Net earnings (loss) from discontinued operations	<b>\$16</b>	28	73	184	-	(2)	-	-	<b>\$299</b>
Net earnings (loss)	<b>\$267</b>								<b>\$772</b>
Diluted net EPS from continuing operations	<b>\$0.15</b>								<b>\$0.28</b>
Diluted net EPS from discontinued operations	<b>\$0.01</b>								<b>\$0.17</b>
Diluted net EPS	<b>\$0.16</b>								<b>\$0.45</b>

# Trended worldwide and region revenue bridges adjusted for divestitures and currency<sup>(1)(2)</sup>

	Y/Y % change	Q116	Q216	Q316	Q416	Q117	Q217	Q317	Q417	Q118
<b>HPE WW</b>	Revenue as Reported	1%	5%	-6%	-10%	-12%	-13%	2%	5%	11%
	Impact of divestitures	1 pts	1 pts	(5 pts)	(6 pts)	(7 pts)	(7 pts)	(3 pts)	(1 pts)	0 pts
	Impact of currency	(6 pts)	(4 pts)	(2 pts)	(1 pts)	(1 pts)	(1 pts)	(1 pts)	0 pts	2 pts
	Adjusted revenue change Y/Y	6%	8%	1%	-3%	-4%	-5%	5%	5%	9%
<b>HPE AMS</b>	Revenue as Reported	2%	12%	5%	-8%	-7%	-13%	-3%	-1%	3%
	Impact of divestitures	1 pts	(1 pts)	(0 pts)	(3 pts)	(5 pts)	(5 pts)	(5 pts)	(2 pts)	0 pts
	Impact of currency	(3 pts)	(2 pts)	(1 pts)	(0 pts)	0 pts	0 pts	0 pts	0 pts	0 pts
	Adjusted revenue change Y/Y	4%	15%	6%	-5%	-2%	-8%	2%	0%	3%
<b>HPE US</b>	Revenue as Reported	3%	15%	11%	3%	-4%	-13%	0%	1%	6%
	Impact of divestitures	0 pts	0 pts	0 pts	0 pts	0 pts	0 pts	0 pts	0 pts	0 pts
	Adjusted revenue change Y/Y	3%	15%	11%	3%	-4%	-13%	0%	1%	6%
<b>HPE EMEA</b>	Revenue as Reported	-3%	-2%	-3%	-5%	-8%	-7%	5%	6%	15%
	Impact of divestitures	(0 pts)	0 pts	0 pts	(0 pts)	(0 pts)	(0 pts)	(0 pts)	(0 pts)	0 pts
	Impact of currency	(10 pts)	(4 pts)	(2 pts)	(2 pts)	(3 pts)	(4 pts)	(3 pts)	(1 pts)	4 pts
	Adjusted revenue change Y/Y	7%	2%	-2%	-3%	-5%	-3%	7%	7%	11%
<b>HPE APJ</b>	Revenue as Reported	4%	5%	-26%	-19%	-24%	-21%	11%	14%	20%
	Impact of divestitures	1 pts	5 pts	(16 pts)	(21 pts)	(19 pts)	(20 pts)	0 pts	0 pts	0 pts
	Impact of currency	(8 pts)	(5 pts)	(4 pts)	0 pts	0 pts	1 pts	1 pts	1 pts	2 pts
	Adjusted revenue change Y/Y	10%	5%	-5%	2%	-6%	-2%	11%	13%	18%

1. Revenue adjusted to exclude amounts for the following divestitures: H3C and Mphasis. Revenue adjusted to eliminate the impact of currency

2. Amounts may not add due to rounding