



Hewlett Packard
Enterprise

Financial Review

Tim Stonesifer

Executive Vice President and Chief Financial Officer

Executive Summary

1

On track to meet FY16 financial outlook

2

Substantially exceeded initial FY16 shareholder capital return commitment

3

Well positioned to deliver solid FY17 results as a combined company

4

FY17 will be a transition year with reported financial results impacted by the ES and Software spin/mergers

5

The Future HPE will be faster growing and higher margin with strong free cash flow in FY18 and beyond



FY16 Financial Results

HPE is expected to meet or exceed its original FY16 financial outlook

	SAM 2015 outlook	Current FY16 outlook
Revenue¹	Growth adj. for currency	1-2% Growth adj. for divestitures and currency
Non-GAAP EPS¹	\$1.85 – \$1.95	\$1.90 – \$1.95 (raised despite H3C divestiture)
Free cash flow^{1,2}	\$2.0B – \$2.2B	\$1.7B – \$1.9B (reduction due to H3C divestiture)
Returns to shareholders	At least \$1.0B	\$3.0B (\$2.7B in repurchases, \$0.4B in dividends)

FY17 Combined Company Outlook

(Includes ES and SW financials for the full-year)

We will further accelerate progress in FY17

1 **Invest** in strategic areas of growth while maintaining strong profitability

2 **Focus** on Enterprise Group's vision of being the leading provider of hybrid IT

3 **Complete** ES spin/merger with CSC while continuing to deliver to operational improvements

4 **Complete** Software spin/merger with Micro Focus while improving revenue and margin trends

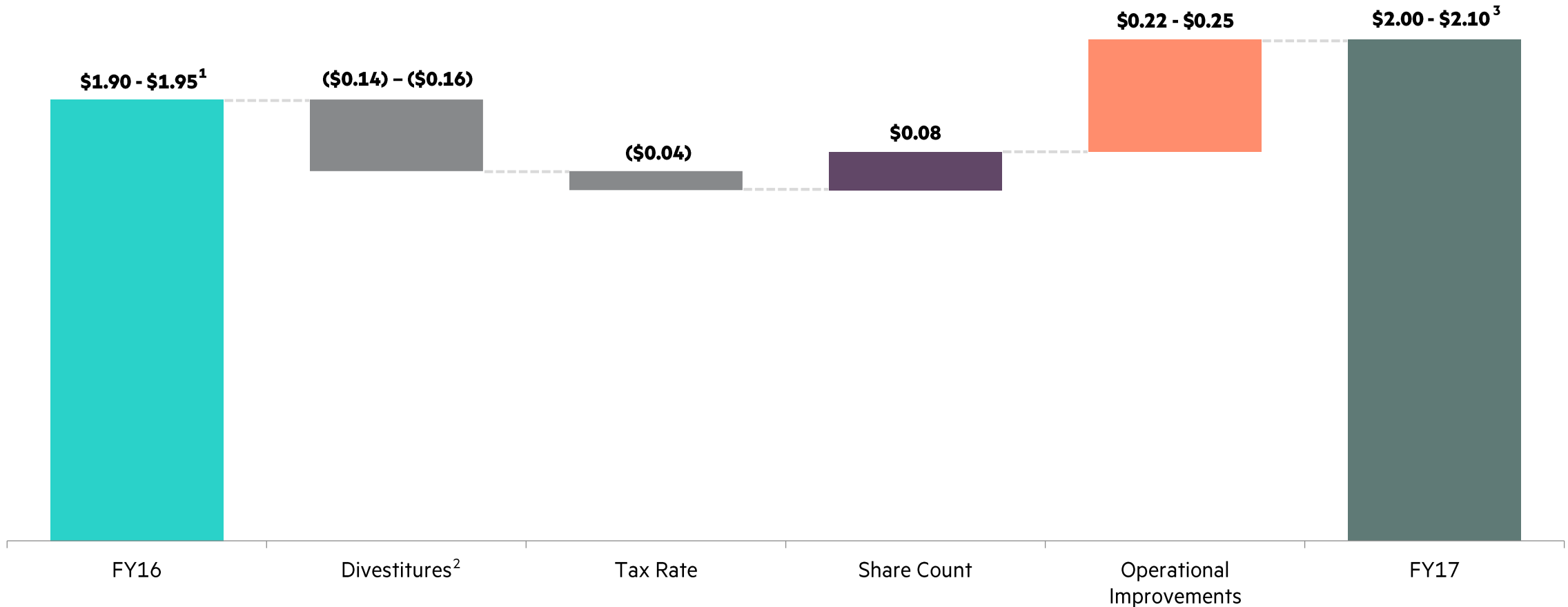
5 **Deliver** strong normalized free cash flow with significant returns to shareholders

We are well positioned to deliver solid FY17 results as a combined company

Key assumptions	Combined HPE	Outlook	Combined HPE
Revenue	-1% to 0% (adj. for divestitures & currency)	Non-GAAP EPS ¹	\$2.00 - \$2.10
Currency impact	Minimal	GAAP EPS	\$0.72 - \$0.82
Non-GAAP operating margin	Approx. 9.5%		
Non-operational assumptions	Combined HPE	Cash flow	Combined HPE
OI&E w/ equity interests	Approx. \$300M expense	Normalized free cash flow ^{2,3}	\$3.6B – \$3.9B
Non-GAAP tax rate	21-23%		
Diluted share count	1,665M – 1,685M		

Combined HPE EPS improves from operational actions and share buybacks

Non-GAAP diluted net EPS



FY17 Reported Outlook

(reflects mid-year impact of ES and SW spin/mergers)

Reported FY17 EPS will be impacted by the mid-year spin/mergers

Combined HPE non-GAAP EPS ¹	\$2.00 - \$2.10	Key Assumptions
Enterprise Services spin/merger	(\$0.37)	– Enterprise Services spin/merger completed during Q217
Software spin/merger	(\$0.12)	– Software spin/merger completed during Q417
Stranded costs	(\$0.06)	– Normal earnings seasonality is back-end loaded due to nature of Enterprise Services and Software business
Reported FY17 non-GAAP EPS²	\$1.45 - \$1.55	– Stranded costs eliminated on a run-rate basis exiting FY17

Reported FY17 free cash flow is impacted by separation related items

Combined HPE FY17 normalized free cash flow ^{1,2}	\$3.6B - \$3.9B	Key Assumptions
Mid-year ES / SW spin/mergers	(\$0.9B)	<ul style="list-style-type: none"> - Pension funding is offset by transferring unfunded ES pension liability to CSC of \$3.1B reducing Future HPE exposure and funding needs <ul style="list-style-type: none"> - Funding level has increased since deal announcement due to lower interest rates - Cash flow is weakest in Q1 due to: <ul style="list-style-type: none"> - ES pension funding timing - Annual bonus payment timing - Normal ES and SW earnings seasonality - FY18 free cash flow¹ is expected to approach Future HPE normalized free cash flow^{1,2} levels
Restructuring payments	(\$0.7B)	
ES / SW separation payments	(\$1.5B)	
ES pension funding	(\$2.5B)	
Reported FY17 free cash flow¹	Approx. (\$1.8B)	

ES spin/merger transaction value has increased

	Deal Announcement	Current
Unfunded pension transfer	\$2.4B	\$3.1B
Offshore cash funding	(\$1.8B)	(\$2.5B)
Net pension transfer	\$0.6B	\$0.6B
Onshore cash received	\$1.5B	\$1.5B
Debt transfer	\$1.9	\$1.9B
Equity consideration ¹	\$4.5B	\$7.6B
Transaction value	\$8.5B	\$11.6B

Key Considerations

- Net pension transfer benefits to HPE include:
 - Eliminating \$3.1B of unfunded pension that **reduces future volatility and funding requirements**
 - **Utilizing offshore cash**
 - **Creating future tax benefits**
- Onshore cash received and debt transfer **further strengthen the balance sheet**
- Overall **transaction value has increased** by greater than \$3B due to the increase in CSC stock price

Separation and restructuring payments reduce significantly in FY18

	FY16	FY17	FY18
HPE/HPI separation payments	\$0.6B	-	-
Restructuring payments ¹	\$1.0B	\$0.7B	\$0.2B
ES separation payments	\$0.1B	\$0.9B	(\$0.1B)
ES pension funding	-	\$2.5B	-
SW separation payments	-	\$0.6B	\$0.1B
Total one-time cash payments	\$1.7B	\$4.7B	\$0.2B

Free cash flow is expected to approach Future HPE normalized levels in FY18

HPE will maintain its disciplined capital allocation framework in FY17

ROI-based strategy with rigorous investment evaluation process



Investment in key growth areas



Bias towards share repurchases



Remain committed to growing dividends



FY17

\$2.6B

Share Repurchases



FY17

\$0.4B

Dividends



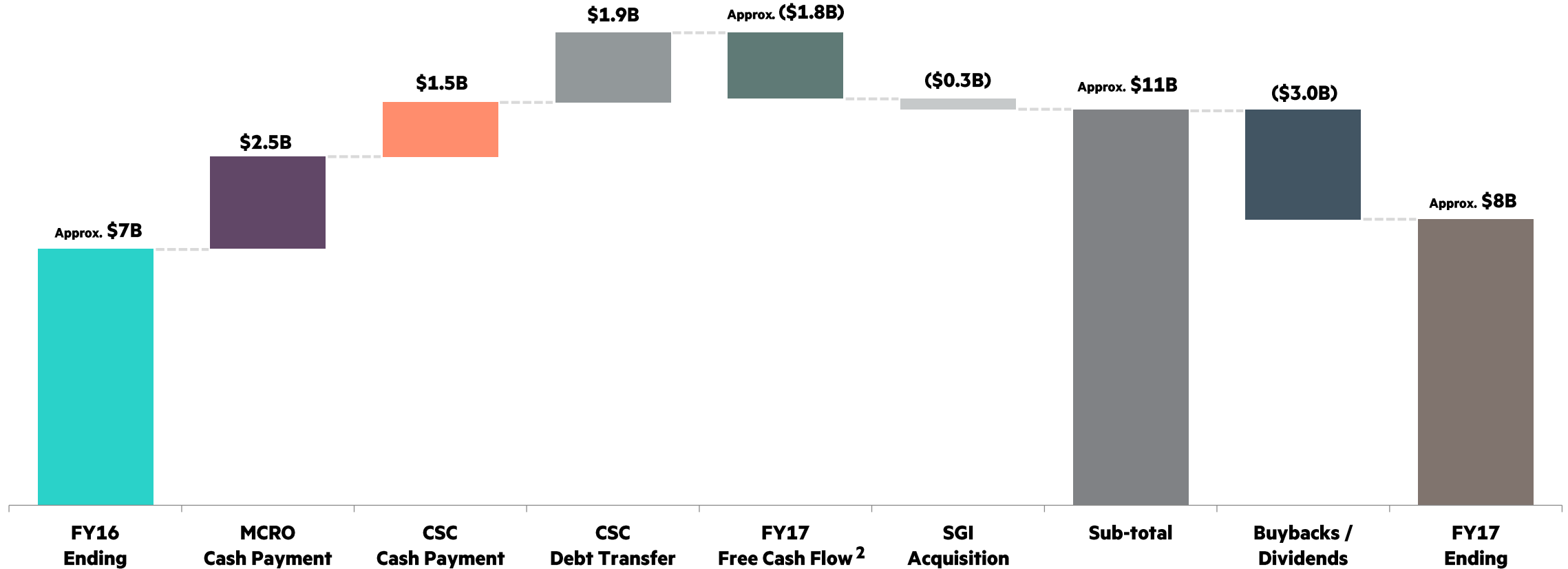
FY17

\$3.0B

Return to Shareholders

HPE will improve its balance sheet while returning \$3B to shareholders

Operating Company Net Cash¹



1. Operating company net cash (debt) is total HPE net cash (debt) less HPE Financial Services net cash (debt)

2. 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

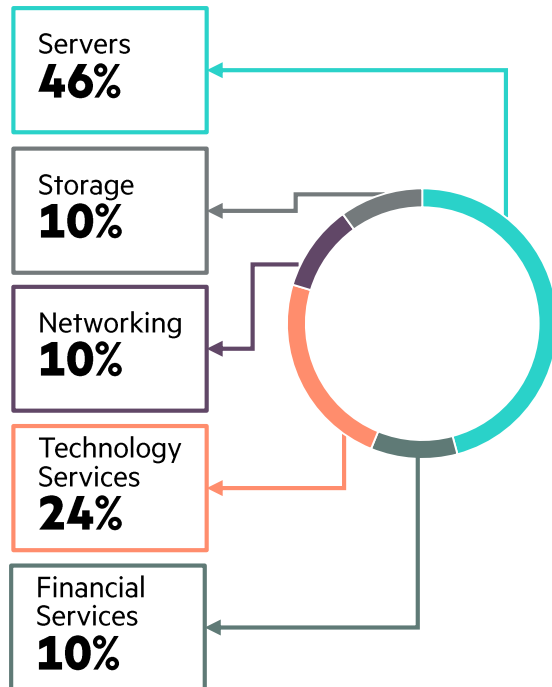
Future HPE Outlook

(excludes ES and SW financials for the full-year)

Future HPE will have significant scale and diversification

\$28 billion¹

Segment net revenue mix²



Net revenue by region²



Americas
42%

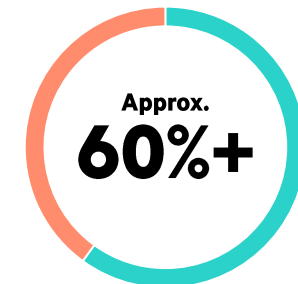
EMEA
34%

APJ
24%

Recurring Revenue



Recurring Operating Profit



FY17 financial profile is improved following the ES & SW spin/mergers

Key assumptions	Combined HPE	Future HPE (ex. ES+SW)
Revenue	-1% to 0% (adj. for divestitures & currency)	Growth (adj. for divestitures & currency)
Currency impact	Minimal	Minimal
Non-GAAP operating margin	Approx. 9.5%	Approx. 10%

Outlook	Combined HPE	Future HPE (ex. ES+SW)
Non-GAAP EPS ^{1,2}	\$2.00 - \$2.10	\$1.25 - \$1.35
GAAP EPS	\$0.72 - \$0.82	\$0.29 - \$0.39

Non-operational assumptions	Combined HPE	Future HPE (ex. ES+SW)
OI&E w/ equity interests	Approx. \$300M expense	Approx. \$200M expense
Non-GAAP tax rate	21-23%	20-22%
Diluted share count	1,665M - 1,685M	1,665M - 1,685M

Cash flow	Combined HPE	Future HPE (ex. ES+SW)
Normalized free cash flow ^{3,4}	\$3.6B - \$3.9B	\$2.1B - \$2.4B

1. Combined HPE FY17 non-GAAP diluted net EPS excludes after-tax costs of approximately \$1.28 per share primarily related to separation costs, restructuring charges and amortization of intangible assets
2. Future HPE FY17 non-GAAP diluted EPS excludes after-tax costs of approximately \$0.96 per share primarily related to separation costs, restructuring charges and amortization of intangible assets
3. 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
4. Normalized free cash flow = free cash flow excluding CSC pension funding, separation cash payments and restructuring cash payments

Future HPE investment highlights

1

HPE continues to be **heavily diversified** and has stronger **recurring profits above 60%**

2

HPE will play in **faster growing markets** and have **higher revenue growth**

3

Higher operating margins are expected to expand through improved product mix and cost reduction programs

4

Robust free cash flow generation is expected to be near normalized levels in FY18

5

HPE will have a **healthy balance sheet** that enables it to return **significant capital to shareholders** and pursue disciplined investments



Thank you