



DXC Technology (NYSE: DXC)

Leverage Buyout Analysis - CHOMP Partner Private Equity Club
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X

DXC
TECHNOLOGY

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Leverage Buyout Proposal – IT Services Sector

- 1 Purchase Price:**
\$5.02B EV
- 2 Entry Multiple:**
2.65x 2026 EBITDA
- 3 Capital Structure:**
60% Debt
40% Equity

CHOMP PARTNERS



Business Model
*Mission-critical IT services
with recurring contracts*



Value Creation
*Shift mix toward cloud, AI,
and digital solutions*



Debt Paydown
*Free cash flow used to
accelerate deleveraging*



Returns
*\$11.5B exit EV · 2.19x
MOIC · 28.9% IRR*

Investment Thesis

DXC is a global IT services and consulting platform. The LBO thesis is based on stabilizing revenue, improving margins ,shifting toward cloud and AI services, and using free cash flow to deliver.

Key Risks

The deal is attractive only if management executes the turnaround. Early-year coverage ratios are tight, and EBITDA underperformance could pressure covenant compliance.

Business Description



"That is exactly where DXC plays, helping customers move from isolated AI pilots to integrated, scalable systems that change how their business runs."

*Holly Grant, Senior Vice President of Strategy
March 2026*



DXC Named Among Fortune **America's Most Innovative Companies 2026** based on Product innovation, process innovation, and innovation culture



- Global Leader in **IT Services and Consulting** focusing on mission-critical systems and operations



- Help large companies and public sector clients **Modernize IT Security, Migrate to Cloud, and Optimize Data Architectures**

Market Position



Global presence in over 70 countries



Serves over 40% of the fortune 500 companies



Workforce of over 120,000

Competitive Dynamics:

Competitors

Accenture, IBM, TCS, Infosys, and Cognizant.

Differentiation:

Legacy infrastructure knowledge with emerging digital capabilities.

Thesis



Recurring Contract Based Revenue with High Switching Costs

Positioned for **Cloud + AI Driven** IT Modernization Demand

Strong Deleveraging Potential Via Cash Flows

Transaction Overview



2.65X Entry EBITDA Multiple

\$5.02B Purchase Price (EV)

Returns



\$11.5B Exit EV (2030E)

2.29x MOIC

High IRR

Recommendation: **GO**

Execution-Dependent Turnaround

Tight Early Year Coverage Ratios

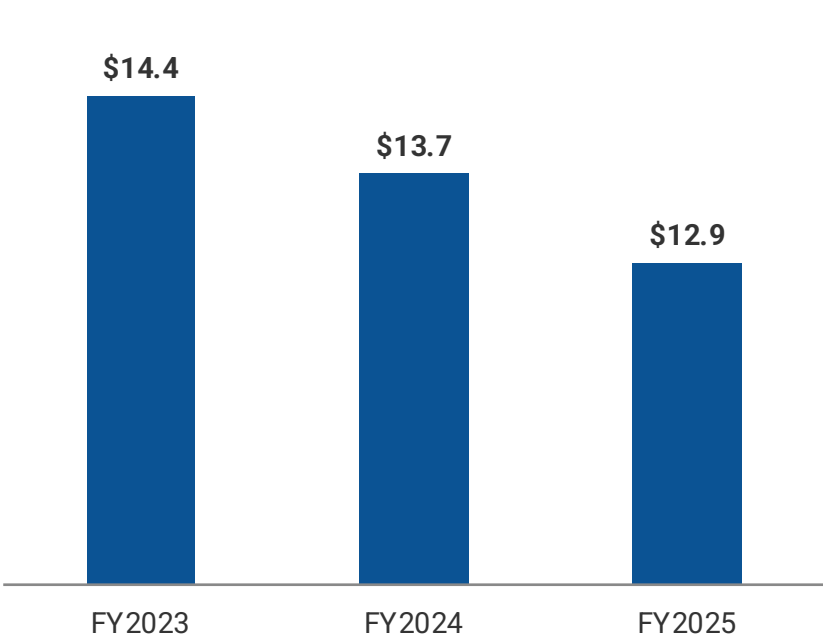
Strong Equity Cushion (40%)

Key Risk: Execution Risk on Turnaround + Competitive Pressure

DXC Historical Finance Performance

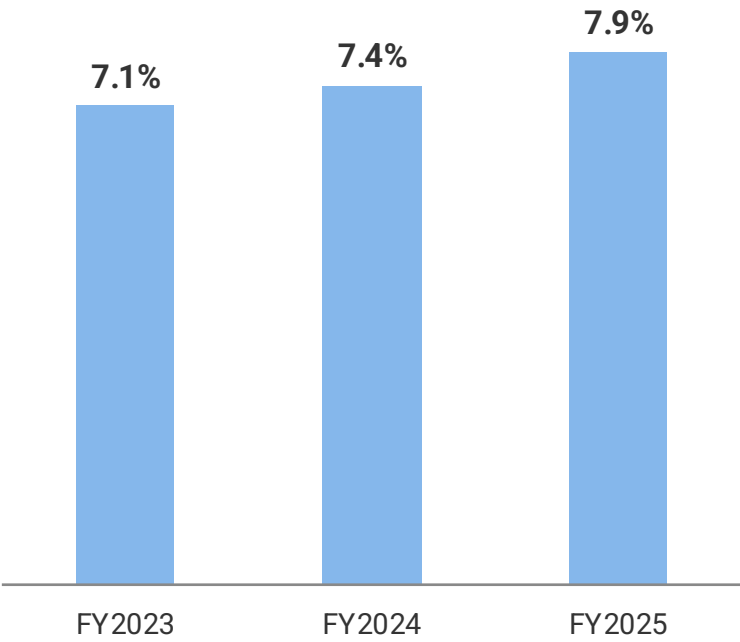


Revenue (\$B)



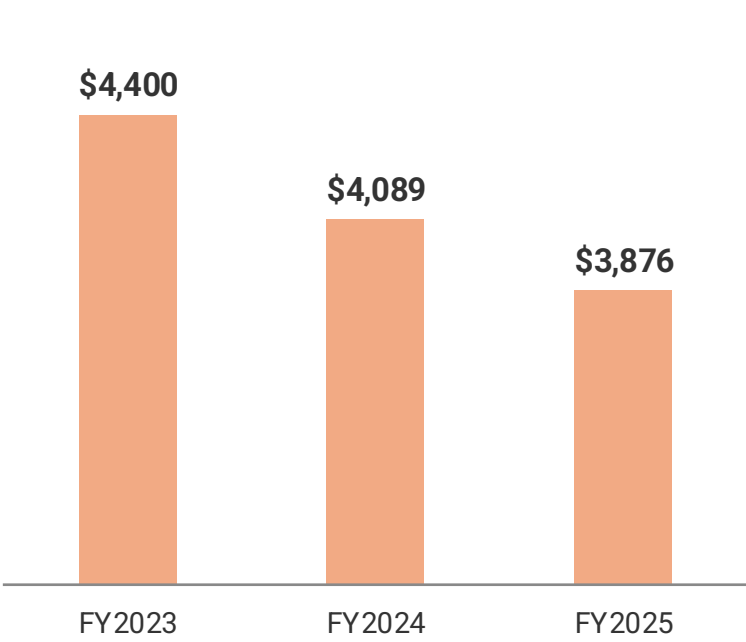
Revenue declining ~5-6% YoY as legacy contracts roll off, though organic decline is stabilizing

Adj. EBIT Margin (%)



Margin expansion of +80bps over two years reflects cost discipline and operational improvements

Total Debt (\$M)



Total debt reduced by \$524M(~12%) over two years, strengthening the balance sheet

DXC shifting focus away from GIS reveals strong LBO platform

Book-to-Bill Ratio

1.03x

-
- Reached 1.03x in FY25, up from 0.91x in FY24
 - GBS & GIS both crossed 1.0x for the first time
 - Winning new contracts faster than existing revenue burns off

GBS Revenue

\$6.6B

-
- GBS declined only 2.6% vs. GIS at 9.1%
 - Organic revenue nearly flat at -1.0%, effectively stable
 - Growing share of total revenue as GIS contracts faster

Backlog

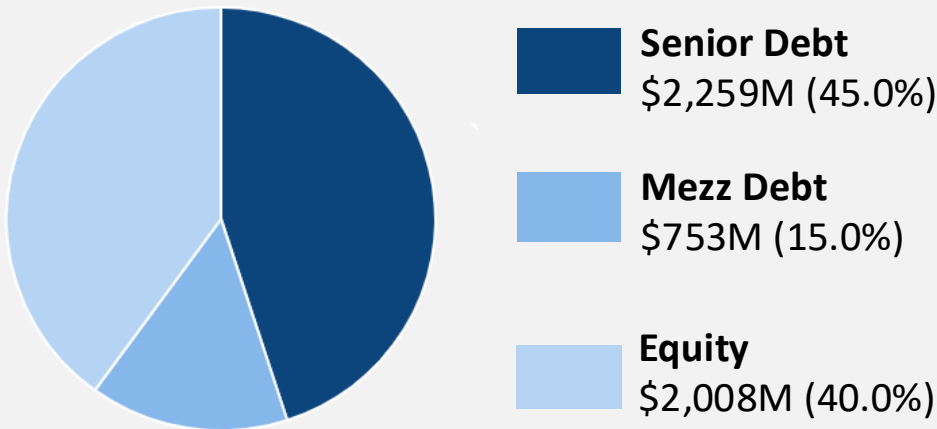
\$16.9B

-
- \$16.9B contracted backlog – 1.3x annual revenue
 - Long-duration contracts contradict freefall narrative
 - 39% converting in FY26 – strong near-term visibility

Acquire DXC at **\$5.02B EV** using a **60% debt / 40% equity** structure, implying an entry multiple of about **2.65x 2026E EBITDA**

Sources and Uses

- Purchase price: **\$5.02B**
- Total Debt: **\$3.012B**
- Entry multiple: **2.65x 2026E EBITDA**



Ownership Structure



Entry Leverage

Total Debt/ EBITDA: **1.59x**
Senior Debt / EBITDA: **1.19x**

Structure

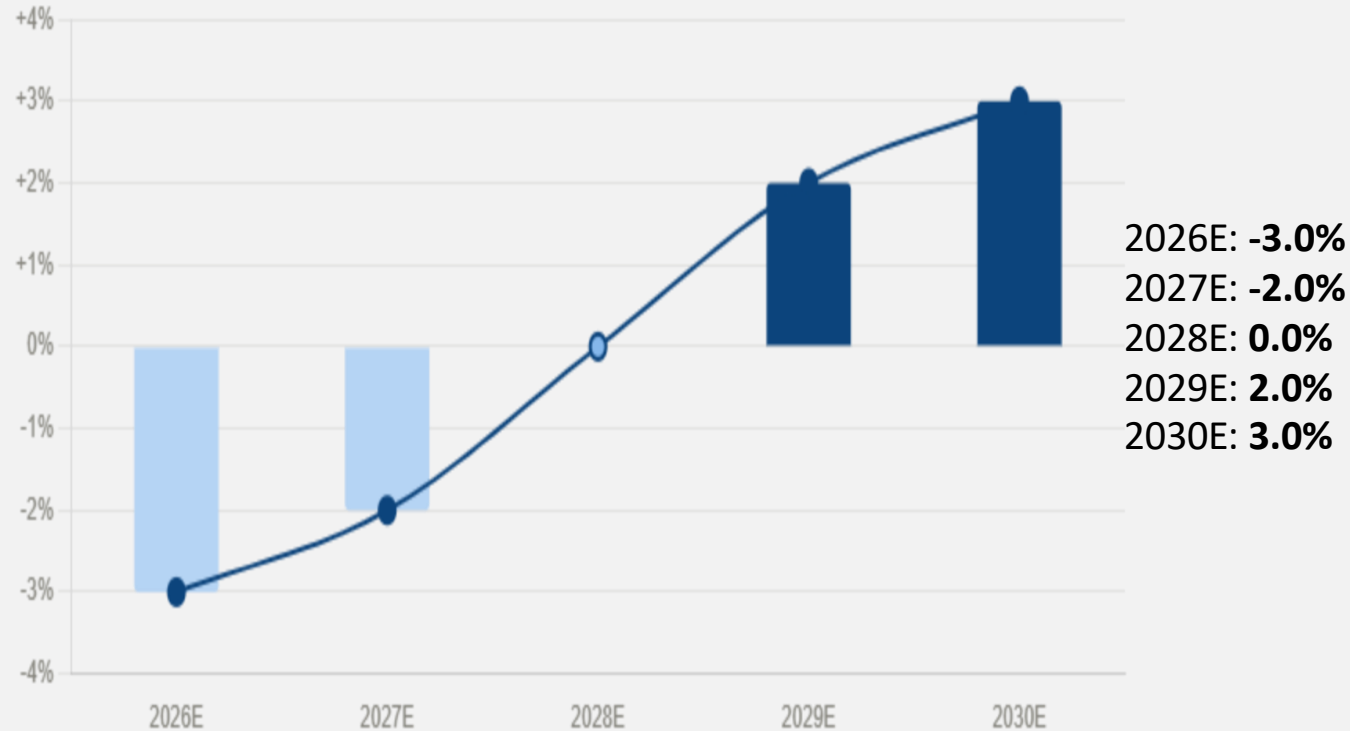
- Conservative leverage protects downside
- Balanced financing supports flexibility
- Manageable debt lowers risk

Attractive Entry Valuation with Conservative Leverage Provides Strong Downside Protection and Upside Potential

Scenario Manager		
<u>Bear Case - \$11 per share</u> Continued GIS revenue growth decline Book-to-Bill falls below 0.91x (2024) \$16.9B backlog burns off faster than new bookings replace it	<u>Base case - \$47 per share</u> Book-to-bill continues at 1.12x \$16.9B of contracted backlog confirms revenue is stabilizing Effectively manage transition of GIS clients into GBS clients	<u>Bull Case - \$60 per share</u> GBS revenue as % of total revenue exceeds projections (+65%) Backlog continues to grow past \$16.9B confirming contract growth Mirrored Dell Partnership to other hyperscaler's

Summary	1. Bear - Revenue freefall accelerates as new bookings fail to replace expiring contracts. 2. Base - Bookings and backlog stabilize revenue while GIS clients transition into GBS. 3. Bull - GBS dominates, backlog grows, and future hyperscaler partnerships similar to Dell
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Revenue Path

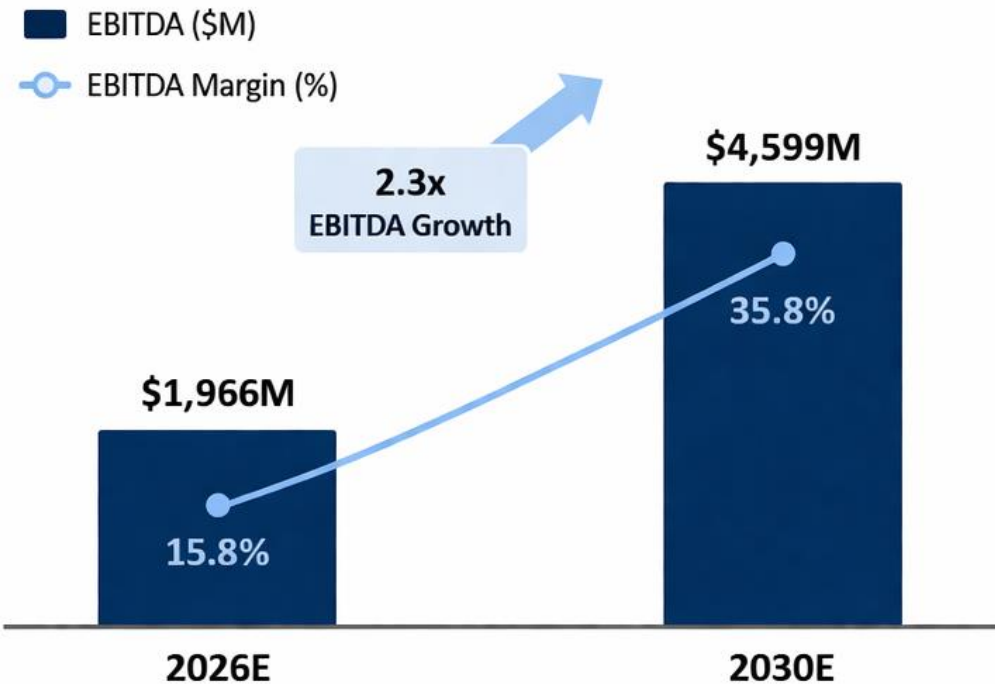


Growth Initiatives

- **Stabilize** Core IT Services and Customer Retention
- **Shift** Mix Toward Cloud, AI, and Digital Solutions
- Use Selective Tuck-In **Acquisitions** to Fill Capability Gaps

Investment Thesis Reliant on Stabilizing DXC's Declining Revenue Base, then Shifting the Company Toward Higher Growth Cloud & AI-Related Offerings

EBITDA Growth and Margin Expansion



EBITDA more than doubles, with margin expanding by +20.0 pts

Operational Levers



Use AI and automation to reduce manual workload and improve productivity



Divest low-return / unprofitable business areas to focus on higher-margin work



Simplify operations and cut overhead to improve efficiency



Improve working capital discipline to free up cash

Most of the Value Creation Comes from Operational Improvement, Especially Margin Expansion, not just Top-Line Recovery

Metrics



- Start: 2026E EBITDA = \$1,966M
- End: 2030E EBITDA = \$4,599M

Bridge Drivers



Revenue decline slows, then returns growing

- Better business mix toward AI services
- Cost reduction and automation
- Portfolio cleanup / divestitures
- Better operating discipline

LBO Return Analysis: 2030E

Base case

Exit at **6.65x EBITDA**

Exit **EV** of **\$11.5B**

28.9% IRR and **2.19x MOIC**

Return Sensitivity

Exit range – **5.5-7.5x EBITDA**

5.5x Reasoning – **Conservative equity allocation
& Stable GBS Revenue**

7.5x Reasoning – **GBS segment improvement:
efficient framework & valuable partnerships**

Debt Schedule: 2026E-2030E Summary

Senior Debt - \$2,259M

Fully repaid by 2030E through **accelerating free cash
flow generation**

Mezzanine - \$753M

Cleared in a **single balloon payment in 2030E** after
senior is retired

FCF for Paydown

Year 1 - **\$290M**

Exit Year - **\$1,089M**

Interest Expense

Declines from **\$272M to \$107M**

1. LBO delivers **28.9% IRR** and **2.19x MOIC** base case. **Profit improvement** floors downside at **25.3% IRR**.
2. **\$3.012B of debt** is fully retired by 2030 through FCF
3. Converting **financial discipline** directly into **equity value**.

Income Statement Projections

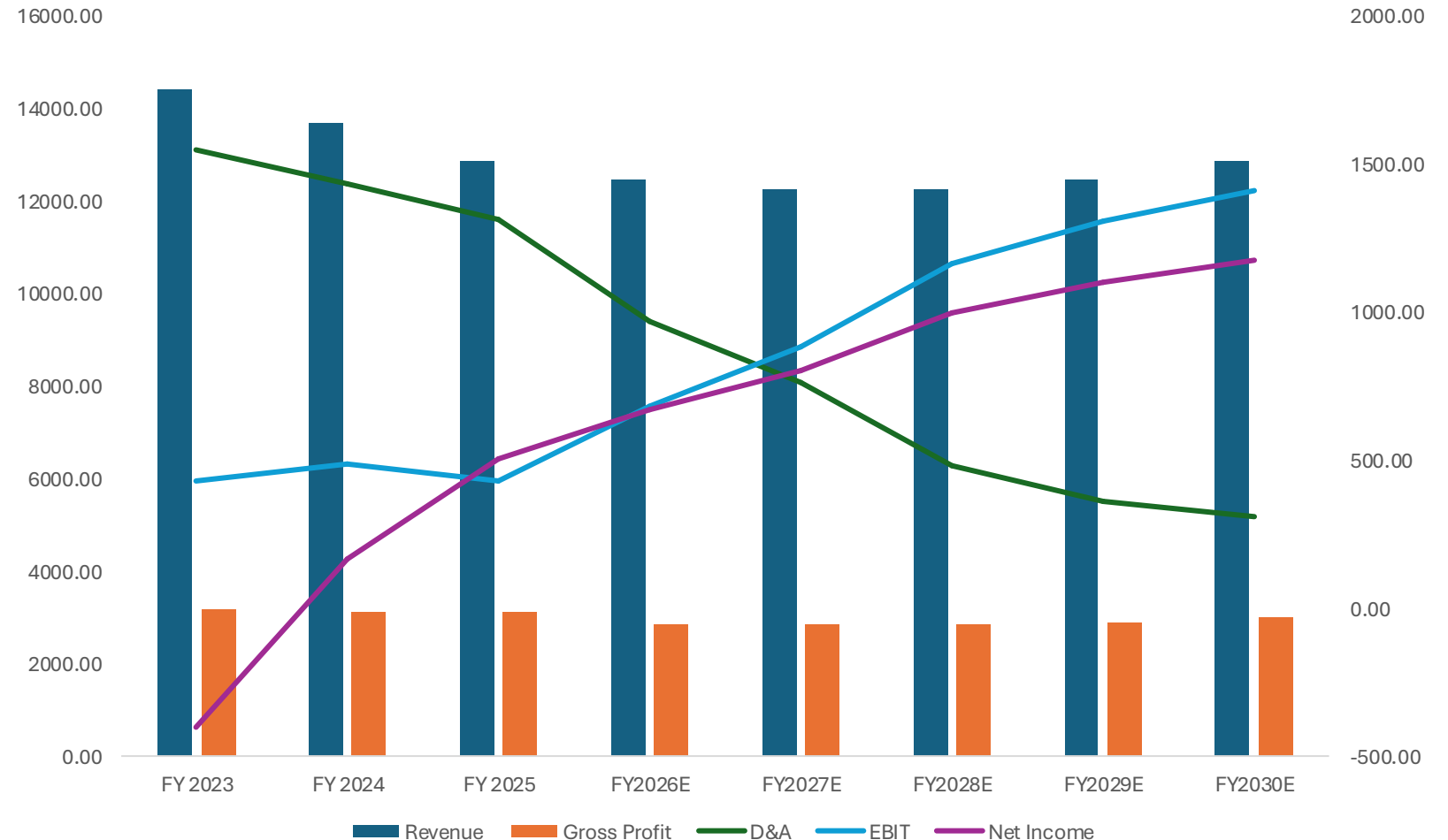
Revenue - Declines from \$14.4B to \$12.9B by FY30E on **improved bookings**

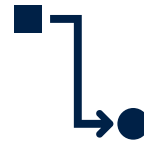
Gross Profit - Stable at ~\$2.9B–\$3.0B with margin holding at ~23%

D&A - Collapses 80% from \$1.6B to \$311M as **legacy contracts fully depreciates**

EBIT - Triples from \$429M (3.0%) to \$1.4B (11.0%) due to **D&A roll-off, not revenue growth**

Net Income - Swings from (\$401M) to \$1.2B due to **lower depreciation** and **declining interest** post-deleveraging





Debt Structure

- Senior term loan: \$5,883M
- Mezz debt: \$1,961M
- Revolver: liquidity backstop, undrawn at close

Bridge drivers

- Total Debt / EBITDA: 4.50x
- Senior Debt / EBITDA: 3.38x
- EBITDA / Interest: 2.47x
- (EBITDA - CapEx) / Interest: 2.11x
- DSCR: ~1.07x
- FCCR: 1.18x

Interpretation

- Leverage is **Acceptable** for an LBO
- Coverage Passes, but Year 1 Cushion is **Thin**
- This is A “**Must-Execute**” Operating Story

Covenant Package

- Max Total Leverage: 4.50x at close, stepping down
- Max Senior Leverage: 3.50x at close, stepping down
- Min Interest Coverage: 2.00x
- Min DSCR: 1.10x
- Minimum liquidity: \$150M

Downside Test

10% EBITDA decline:

- Total Leverage: 5.00x
- Senior Leverage: 3.75x
- DSCR: 0.83x
- Breaches multiple covenants

20% EBITDA decline:

- Total Leverage: 5.63x
- Senior Leverage: 4.22x
- Interest Coverage: 1.97x
- DSCR: 0.64x



- Base Case Delivers Well
- Main Risk is Early Execution Failure

Downside Scenarios



Leverage

Slow deleveraging = high interest costs



Squeeze

Pricing pressure and wage inflation



Spiral

High-profile project failures



Drift

Management fails to articulate and execute a focused strategy

Key Investment Risks

Risks

- Ongoing revenue decline and limited growth visibility as legacy outsourcing contracts roll off.
- Thin margins and ROIC below cost of capital today.
- Leverage and balance-sheet quality constrain flexibility.
- Intense competition from larger, better-positioned IT services peers and cloud hyperscalers.

Mitigants

- Exiting low-margin, non-core work and shifting mix toward higher-value digital, cloud, and security services
- Cost-reduction programs and portfolio simplification, and mix shift give a credible path to margin expansion
- Strong free-cash-flow yield and non-core asset sale options can be directed to debt paydown, supporting deleveraging over time.
- DXC's has deep expertise in complex, environments and regulated industries, where switching costs are high.

**While Risks are Real, Each is Directly Tied to Operational Levers Management can Control—
Making This a Question of Execution, not Viability**

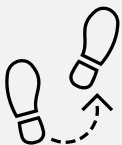
GO – Conditional on Execution & Covenant Protection

Key Decision Factors



EBITDA Growth is Critical
Entry Leverage 4.5% Tight Year 1
40% Equity Cushion
AI + Cloud Tailwinds

Next Steps



Execute Turnaround (Cost + Mix Shift)
Implement Covenants + Cash Sweep
Monitor Year 1 Performance
Optimize Capital Deployment

AI Impact on Fortune 500 Companies

10% AI Native



20%
Meaningful AI
Integration



70% Minimal
Usage

Key Risk: EBTDA Underperformance Could Break Deleveraging Thesis



Thank you!