



HP Enterprise Services

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HP Enterprise Services

Who we are

- Services leader with global scale and marquee clients across a range of industries
- Uniquely positioned to enable clients' journey to the cloud
- More than 200 cloud customers today
- Differentiated services portfolio needed to win
- Experienced team accelerating change

What we face

- Market and macroeconomic pressures on traditional outsourcing
- Unusually high revenue run-off in FY13 due to four large accounts
- Financial results have eroded but we understand the execution challenges:
 - Insufficient tools and processes
 - Declining productivity
 - Number of low-performing contracts
 - Lack of leadership continuity

What to expect

- Executing a multi-year turnaround
- Performance improvements underway; expected to drive gradual margin recovery
- Focus on sales accountability and improving book-to-bill ratio
- Revenue and operating margin expected to decline in FY13
- Expect long-term revenue growth and profitability in line with market



Strong position in large and growing IT services market

HP leadership position

Gartner

- A leader in data center outsourcing and infrastructure utility services¹
- A leader in help desk outsourcing²
- A leader in desktop outsourcing services³

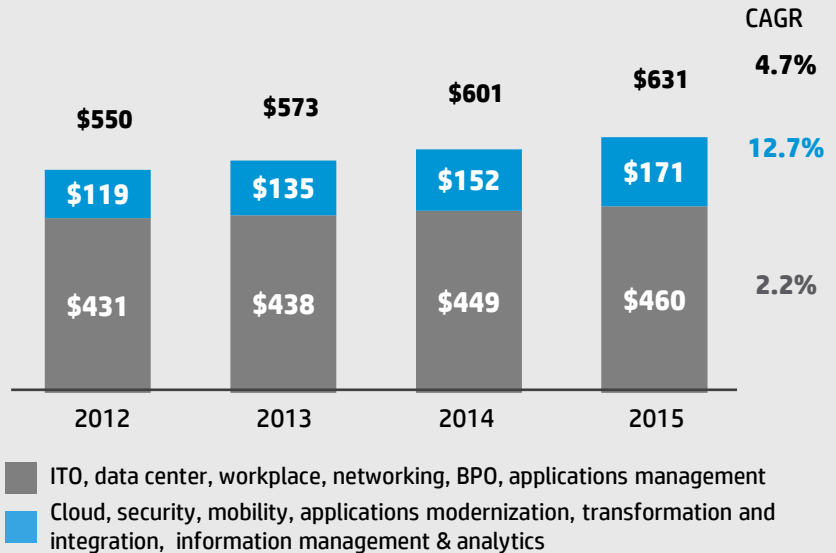
Forrester

- A strong performer in managed security services⁴
- A leader among SAP services providers⁵

IDC

- A major player, enterprise architecture consulting⁶
- A major player, European applications testing services⁷

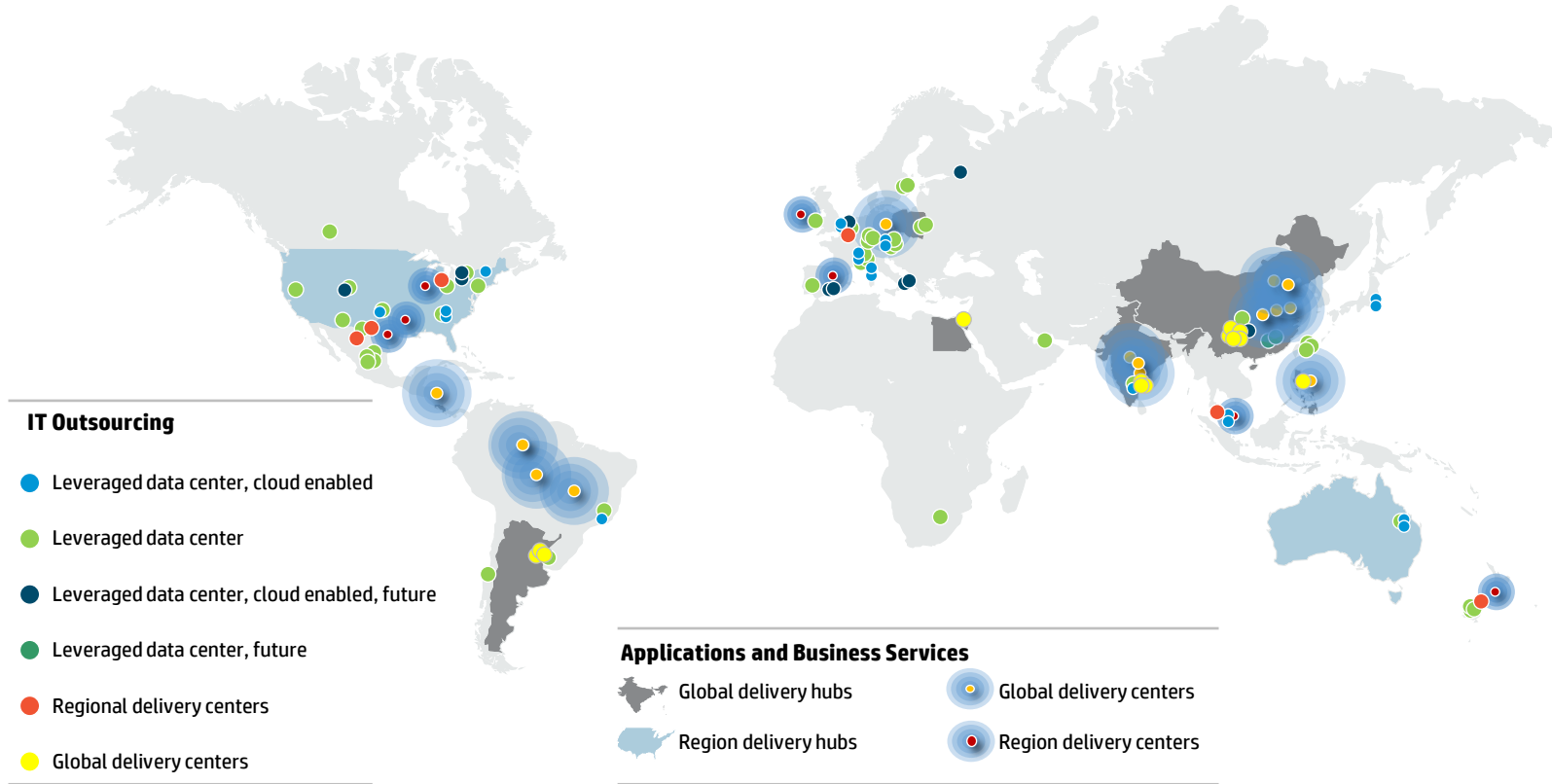
Total addressable market revenue (\$B)⁸



1. Gartner, Magic Quadrant for Data Center Outsourcing and Infrastructure Utility Services, North America, August 2012
2. Gartner, Magic Quadrant for Help Desk Outsourcing, North America, July 2012
3. Gartner, Magic Quadrant for Desktop Outsourcing Services, North America, July 2012
4. The Forrester Wave™: Managed Security Services, North America, Q1 2012, Forrester Research, Inc., March 26, 2012
5. The Forrester Wave™: SAP Services Providers, Q2 2011, Forrester Research, Inc., April 20, 2011
6. IDC MarketScape: Worldwide Enterprise Architecture Consulting 2012 Vendor Analysis, #233918, March 2012
7. IDC MarketScape: Western Europe Application Testing Services 2011 Vendor Assessment, #EA01U, March 2012
8. HP internal analysis



Leading global scale and market presence



IT Outsourcing

- Leveraged data center, cloud enabled
- Leveraged data center
- Leveraged data center, cloud enabled, future
- Leveraged data center, future
- Regional delivery centers
- Global delivery centers

Applications and Business Services

- Global delivery hubs
- Region delivery hubs
- Global delivery centers
- Region delivery centers

Significant presence in all major industries

Communications and Media



450 million subscribers depend on HP mobility management solutions

Extensive capabilities for telco, network equipment providers, media and entertainment

Consumer and Retail



90 of the top 100 retailers and 85 of the top 100 consumer packaged goods companies are clients

Proven experience in managing store, supply chain and enterprise operations

Energy



20 of the world's top utilities and oil & gas companies rely on HP

Next-generation solutions helping meet the world's energy demands

Financial Services



13 billion credit card, 1 million loan and 60 million insurance transactions processed annually by HP

Deep capabilities spanning banking, capital markets and insurance

Health and Life Sciences



HP performs 2.4 billion healthcare transactions annually

End-to-end solutions for government, payer, provider and life sciences

Manufacturing



HP serves 75% of the top manufacturers worldwide

Technical innovation helping optimize operations for discrete and process manufacturers

Public Sector



Local, state and federal governments around the world rely on HP

Specialize in “super-scale,” mission-critical ITO, applications and BPO solutions

Travel and Transportation



HP helps airlines board 500+ million passengers per year

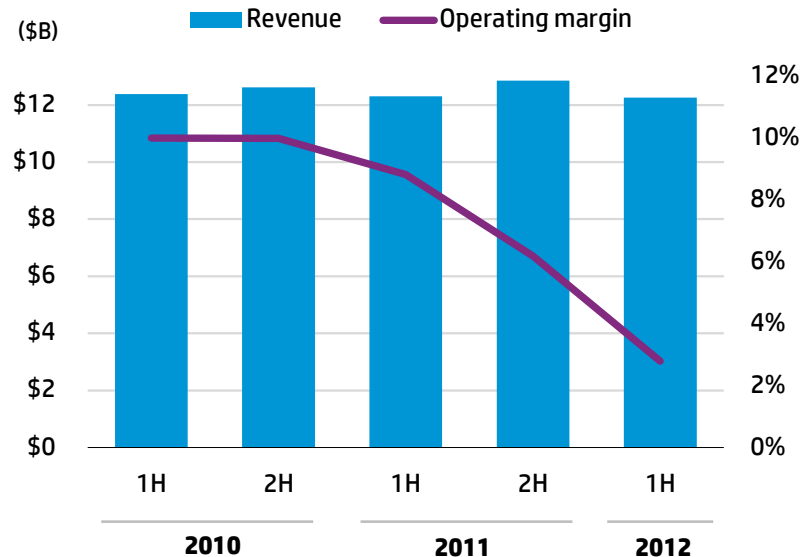
Advanced logistics, freight and passenger reservation and operations solutions

Source: HP internal analysis



Performance degradation largely due to execution

ES revenue and operating margin



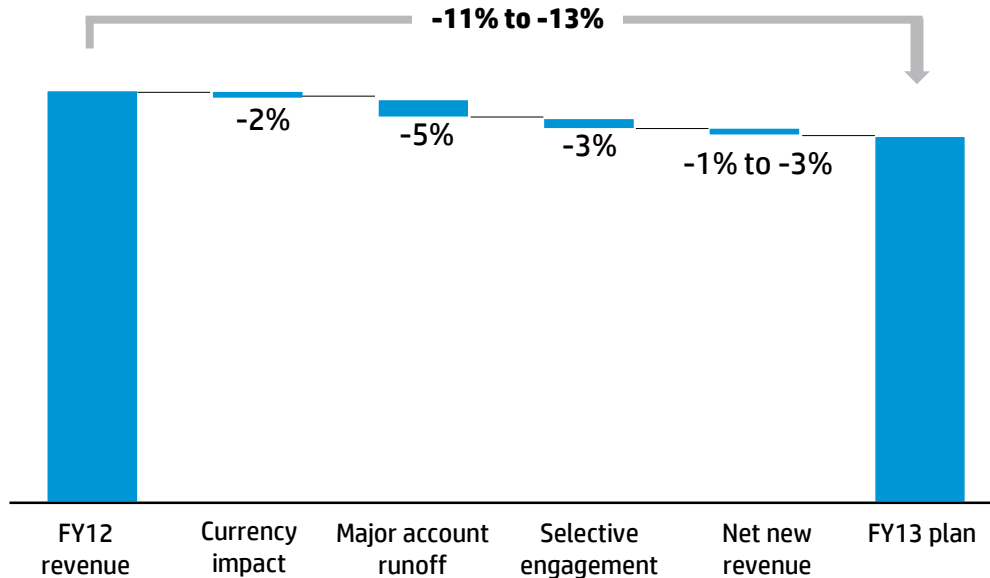
Drivers of performance degradation

- Unfavorable revenue mix due to increased hardware pass-through
- Poor contracting practices leading to excessive pricing concessions and resource management challenges
- Investments in sales resources not resulting in revenue growth
- Number of underperforming contracts



Performance degradation expected to continue in FY13

ES revenue model FY12 to FY13



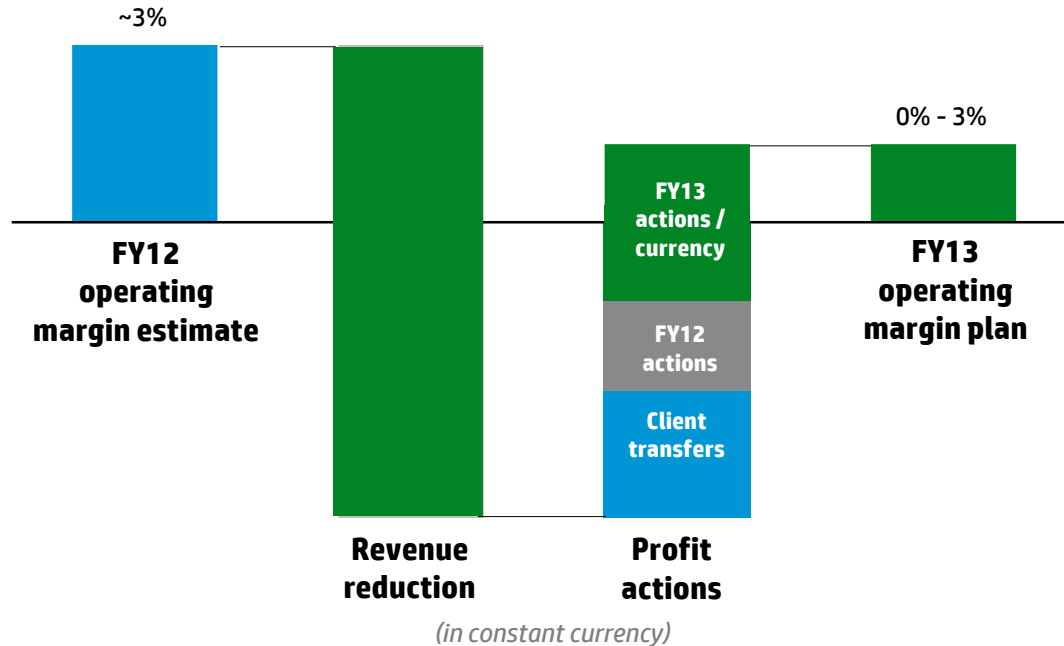
FY13 revenue levers

- Unusually high revenue run-off in four major accounts
- Selective pursuit and deliberate departure from low-margin deals
- Net new revenue impacted by sub-par book-to-bill in FY12
- Sales incentives implemented to drive in-year revenue growth
- Book-to-bill improvement exiting FY13 to generate future net revenue growth



Aligning cost structure with revenue outlook

ES operating profit model FY12 to FY13



FY13 margin levers

- Resources transfer to client upon in-sourcing
- Full-year impact of FY12 productivity initiatives
- Anticipated FY13 actions include:
 - Delivery cost savings
 - Improved revenue mix
 - Remediation of underperforming accounts
- Operating margin expected to be between 0% - 3% for FY13



ES turnaround strategy



Portfolio focus

- Innovate core portfolio and enable client journey to cloud
- Expand offerings in cloud, security, IM&A
- Pursue lower risk / higher value deals

Margin opportunity: ~1 pt¹



Go to market

- Empower account executives
- Strengthen accountability
- Optimize sales model

Margin opportunity: ~1 pt¹



Cost leverage

- Improve account performance
- Optimize resource management
- Improve asset utilization

Margin opportunity: ~2 pts¹



Operations

- Strengthen accountability model
- Standardize / automate tools and processes
- Formalize and improve operating cadence

Margin opportunity: ~2 pts¹

1. Expected long-term margin impact



Evolve the ES portfolio focus



Continue to selectively engage



Networking: Focus on differentiated capabilities and leverage IP in Converged Infrastructure



Workplace: Focus on healthy installed base and differentiated capabilities

Innovate & grow core portfolio...



Data Center: Core IT infrastructure services; Converged Infrastructure and transformation services



Apps Development & Mgmt: Customized enterprise apps; management of applications



Enterprise Apps Services: Management of Oracle, SAP, Microsoft CRM applications



Industry Solutions: IP-supported vertical services



Business Process Outsourcing: full, industry-specific solutions

...and migrate clients toward the future



Cloud Services: Scalable ITO infrastructure; cloud applications development



Apps Modernization: Rationalize, modernize and manage the applications portfolio



Information Management & Analytics: Data-driven insight from structured and unstructured data



Security: Enterprise-grade IT monitoring and threat response



Improve the go-to-market model



- Empower account executives
- Strengthen accountability
- Optimize sales model

Empower account executives (AE)

- Empower AEs with responsibility for both revenues and costs
- Provide executive sponsorship for top accounts
- Fast-track resources and approvals for low-risk deals
- Refine engagement model for workplace and networking deals

Strengthen accountability

- Strengthen pay-for-performance linkage; measure account executives on three metrics:
 - client satisfaction
 - engagement gross margin
 - revenue
- Improve compensation for HP product pull-through

Optimize sales model

- Move from a generalist to a specialist sales model
- Train specialists for sales of high-value services: applications services, data center, cloud, security and information management
- Rollout Salesforce.com system
- Streamline deal governance



Focus on cost leverage



- Improve account performance
- Optimize resource management
- Improve asset utilization

Improve account performance

- Dedicated management structure assigned to top 20 underperforming accounts
- Standard playbook for re-negotiating / exiting underperforming accounts
- Tighter screening on renewals for profitability

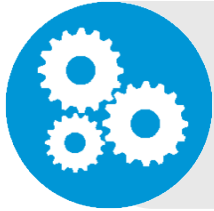
Optimize resource management

- Labor demand and supply matching process
- Utilize LEAN for driving delivery productivity and contract compliance
- Optimize workforce size and composition
 - Expect to reduce cost of workforce by approximately 10%
 - 40% of cost reduction due to client transfers

Improve asset utilization

- Extend hardware life cycle by 50%
- Reduce data center footprint by 40% over 3 years
- Office consolidation: reduce office location footprint by approximately 100 sites

Improve operational excellence



- Strengthen accountability model
- Standardize and automate tools & processes
- Formalize and improve operating cadence

Strengthen accountability model

- Regional leadership responsible for in-year resource tradeoffs and accountable for in-year P&L targets
- ITO and ABS service lines held accountable for innovation and delivery productivity
- Account executives manage rolling 8-quarter financial and business plans to a monthly cadence

Standardize and automate tools & processes

- Expect more than \$100M investment in automation over the next 12 months
- Utilize standard instrumentation for all account teams
- Measure performance against plan of record

Formalize and improve operating cadence

- Interlock account plans between regions, sales and delivery
- Tactical execution managed on weekly operating cadence
- Program office overseeing implementation of the turnaround

Achieving operational excellence

Immediate priorities



Empower account executives



P&L improvement in low-performing accounts



Expand LEAN process for resource management



Higher asset utilization in hardware and software



Weekly cadence of operating reviews



Enabling clients' journey to the cloud

Long-term financial model

Annual revenue growth

3% - 5%

Operating margin rate

7% - 9%

Return on invested capital (ROIC)

15% - 25%

Revenue mix (core vs. cloud, security, IM&A, etc.)

80%/20%



Thank you.

