

## DXC Technology Beats Investors' \$2B Stock-Drop Suit

By **Dorothy Atkins**

*Law360 (June 3, 2020, 6:27 PM EDT)* -- A Virginia federal judge has tossed a \$2 billion proposed securities class action accusing the information technology services company DXC Technology Co. and its top brass of making misleading statements about revenues, causing its stock to drop by up to 16%.

U.S. District Judge Anthony J. Trenga concluded on Tuesday that the alleged false and misleading statements DXC Technology and its executives made are non-actionable, forward-looking revenue projections that the executives didn't know they weren't going to meet or non-actionable immaterial puffery.

"None of the relied upon forward-looking statements were presented as or reasonably understood as guarantees of any sort and, contrary to lead plaintiffs' contention, they were also sufficiently accompanied by the required cautionary language," the judge said in his order.

The ruling marks an end to a lawsuit filed in December 2018 by City of Warren Police and Fire Retirement System accusing the company, its former CEO Mike Lawrie and its current chief financial officer Paul Saleh of violating federal securities laws and causing investors more than \$2 billion in losses.

The investors claim that the Virginia-based IT company and its executives made nearly 40 public false and misleading statements about its revenues and business plans after it was created in April 2017 through the merger of Computer Sciences Corp. and the Enterprise Services business of Hewlett Packard Enterprise Co.

They allege that the company and its executives touted positive revenue projections and an optimistic outlook, even though they allegedly knew that their cost cutting had adversely impacted the company's ability to achieve key revenue targets.

When news came out revealing revenue shortfalls and layoffs, the prior misstatements allegedly caused two single-day stock drops of 16% and 12% in October and November 2018, respectively, the suit says.

The proposed class seeks to cover investors who purchased publicly traded securities of DXC Technology between Feb. 8, 2018, and Nov. 6, 2018.

In May 2019, the company filed a motion to dismiss the lawsuit for good, arguing that the allegations are insufficient and fail to state a claim.

In the decision on Tuesday, the judge sided with the company and dismissed the claims in full without providing leave to amend, finding that the investors failed to adequately plead a single material misstatement or omission, and that the allegations failed to establish intent to defraud.

The judge noted that revenue projections are the "exact type of forward-looking statements" that are protected by the Private Securities Litigation Reform Act, and the "conclusory" allegation that the company's executives knew of facts that might "cause serious execution issues" or that "defendants had no reasonable basis for their revenue projections," are not sufficiently particularized to survive a motion to dismiss.

DXC Technology's counsel Jamie Wine of Latham & Watkins LLP said in a statement on Tuesday that this was a "classic case" of a company getting attacked for presenting good-faith projections to the market.

"We are pleased that our client has been completely vindicated in this matter and that Judge Trenga made the right decision," Wine said.

Counsel for the shareholders didn't immediately respond to a request for comment.

The shareholders are represented by Nathan D. Finch, Gregg S. Levin, Christopher F. Moriarty and Erin Casey Williams of Motley Rice LLC, John C. Browne, Lauren A. Ormsbee and Jesse L. Jensen of Bernstein Litowitz Berger & Grossmann LLP, Steven T. Webster and Aaron S. Book of Webster Book LLP and by Steven J. Toll of Cohen Milstein Sellers & Toll PLLC.

DXC Technology, Lawrie and Saleh are represented by Jamie L. Wine, Kevin M. McDonough, and Stephen P. Barry of Latham & Watkins LLP.

The case is In re. DXC Technology Co. Securities Litigation, case number 1:18-cv-01599, in the U.S. District Court for the Eastern District of Virginia.

--Editing by Nicole Bleier.