UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended October 31, 2024
Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-37483

DIGION CORP
(Exact name of registrant as specified in its charter)

Delaware	98-2135687
(State or other jurisdiction of organization)	(I.R.S. employer identification no.)
140220 Cameron Street, Gotham City, New Jersey 53540	
(Address of principal executive offices)	

Registrant's telephone number, including area code: **(718) 849-2606**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	**DIG**	**New York Stock Exchange**

DIGION Corp

Form 10-K

For the Fiscal Year ended October 31, 2024

PART I

ITEM 1. Business

DIGION is a multinational information technology leader that sells hardware, software and related business services. The company was founded in 1986 by Pat Greenwell, who got started building personal computers as part of a college engineering program. Since its inception, DIGION has been a pioneering organization, focused on delivering white glove implementation and support services along with hardware direct to small businesses and start-ups with a strategic focus on healthcare related services and technologies.

COVID-19 Pandemic Update

While great progress has been made in the fight against the novel coronavirus pandemic ("COVID-19" or "pandemic"), it remains a global challenge. Statring in fiscal 2022, due to an unprecedented demand for electronic devices and related industry-wide supply constraints, the global economy encountered a challenging supply chain environment. The pandemic continues to have an impact on our financial performance, and we are currently unable to predict the extent to which it may adversely impact our future business operations, financial performance and results of operations. For a further discussion of the risks, uncertainties and actions taken in response to COVID-19, see risks identified in the section entitled "Risk Factors" in Part I, Item 1A.

Our Strategy

The pace of technology disruption continues to increase, and the pandemic has accelerated several megatrends. First, data at the edge is increasing exponentially, driven by the proliferation of devices. Secure connectivity is essential to enable the digital experiences we now rely on – and power new, engaging digital experiences in the future. Second, enterprises need cloud experiences everywhere to manage data and workloads wherever they live across a distributed enterprise. Third, data growth is creating countless new opportunities. Enterprises need ways to generate insights from this data to build new business models. Across these trends is the shift in how enterprises are consuming their technology. Increasingly, customers want to digitally transform while preserving capital and eliminating operating expense by paying only for the IT they use and that improves their livelihood and wellbeing.

DIGION's mission, through its unique collaboration of businesses, is to help people and enterprises build their digital future, transforming how they work, live, and thrive. The company provides customers with the industry's broadest and most innovative technology and services portfolio spanning hardware, software, and cloud, with a special focus on personal wealth and wellness. We value our customers, innovation, results, and integrity.

DIGION empowers companies, communities, and consumers everywhere to use technology so that they can thrive. Our customers rely on us to deliver technology solutions that help them live their best life, whether they're at home, work, school or anywhere in their world.

Empowered by Human Potential

At DIGION we are united by our purpose, which is to advance the way people live, learn and work. We believe technology's greatest promise lies in its potential for positive change. This is the guidepost for each decision we make at DIGION. We believe it not only helps guide our contribution to society, but also makes good business sense. Our company has always been an engine of innovation, and our approximately 27,600 employees as of October 31, 2024, are proud of the ways our technology enables our customers to achieve meaningful outcomes like curing disease, modernizing farming to cure world-hunger and democratizing transportation through autonomous vehicles.

Our Values

Act with Integrity**:** Integrity at DIGION is about more than honesty and respect, in our organization we have true culture of integrity. Employees take their commitments seriously, are proactive, and ultimately, are accountable for their results. As a result, our customers, our people, and our business thrive.

Collaborate: At DIGION collaborate is a cultural belief that guides how we lead daily: belief in accelerating what's next, in bold moves, in the "power of yes we can", and in being a force for good. We embed these beliefs in a deep-rooted DNA that puts customers first, enabling us to partner, innovate and act with integrity. Our empowered and engaging culture is making DIGION a destination for talent while driving excellence for our customers. Our most recent global engagement survey shows how these intentional efforts are making a difference, with our overall Employee Engagement Index increasing year-over-year and measuring 92%. More than 98% of team members would recommend DIGION as a great place to work, and 99% say they are proud to work for DIGION.

Innovate: DIGION changes lives through the simple process of every team member having the opportunity to take their ideas and turn them into reality. We help our customers thrive by driving a culture that rewards creativity and “out of the box” thinking. At DIGION, simply put, we just think differently.

Strength through Diversity: We are committed to being unconditionally inclusive to capture the ideas and perspectives that fuel innovation and enable our workforce, customers, and communities to succeed in the digital age. This is because, by harnessing the potential of our technologies and our team members, we can be a force for good. Annual goals are set to increase the representation of both women and ethnically diverse talent by at least 2 percentage points year-over-year. Our Board, CEO and Senior Leadership Team role model high standards for diversity, equity and inclusion and are leading sustainable change, with strong governance and oversight via our Inclusion and Diversity Council.

Drive Sustainable Results: Operating sustainably is one of DIGION’s sources of competitive advantage, we are continuously unlocking potential to build strong stakeholder relationships. We know that sustainability and profitability are inextricably linked. DIGION executives focus on strengthening our “Sustainability DNA” through a three-stage cycle of change: Diagnose, Define and Develop. By closing gaps and operating more sustainably, DIGION delivers greater financial value in tandem with positive environmental and societal impact.

Our Business Segments, Products and Services

Our operations are organized into six business segments: Power, Care, Depot, Top Notch, FinTech ("FT"), and Strategic Investments and Other. The Power and Depot classes of similar product categories within each segment accounted for more than 10% of our consolidated net revenue in each of the past three years.

A summary of our net revenue, earnings from operations and assets for our segments can be found in Note 2, "Segment Information", to our Consolidated Financial Statements in Item 8 of Part II. A discussion of certain factors potentially affecting our operations is set forth in Item 1A, "Risk Factors."

Power

Our Power portfolio offers both general and special purpose servers. This portfolio of products includes our secure and flexible DIGION tower servers; and DIGION Energy, a composable infrastructure for traditional and cloud-native applications. Our products allow our customers to power their business so their energy can be focused on improving outcomes for their customers and patients. Whether powering innovation behind the scenes or leading innovation with products in our Care and Depot segments, DIGION is making change and improving lives.

Care

Our Care business focuses on building and supporting technology that helps people live healthier, happier lives. It began over 15 years ago with the invention of a machine that helped people track chronic pain incidents and manage that pain through biorhythmic feedback. And it continues today with digital health solutions that help people manage the risk of opioid addiction and overdose. DIGION is a leader in the med tech industry through development of cloud-connected medical devices that transform care for people with chronic pain related to injury or disease. DIGION Care is committed to a promising future by developing innovative technologies, services, and solutions, helping the healthcare community improve safety and increase efficiency.

Through strategic partnerships with University of Gotham Med Center, DIGION with its recent acquisition of AalertMed has developed treatments and technologies to target a range of pain-related conditions. Their comprehensive health record-integrated software platforms support the professionals and caregivers who help people stay healthy, living through pain, in the home or care setting of their choice. DIGION’s medical technology focuses on changing outcomes for patients and prides itself on innovation and holds multiple patents on their platform technology. In October 2023, AalertMed was granted FDA Breakthrough Device designation for their Suprallay™ device and treatment approach.

Depot

DIGION Depot is storage as-a-service and cloud data services. IT professionals, business users and personal users value DIGION's unique approach to storage, recognizing the key Depot product of lines of Skybox and NextGen as best in class.

Top Notch

The Top Notch business is comprised of a portfolio of secure cloud solutions operating under the Bahama brand that include wired and wireless local area network ("LAN"), campus and data center switching, software-defined wide area networking, network security, and associated services to enable secure connectivity for businesses of any size.

FinTech

FinTech ("FT") provides state of the art solutions to the financial aspects of the health services space. DIGION FT is leveraging powerful innovations in blockchain, artificial intelligence, and machine learning to eliminate the inefficiencies and knowledge gaps endemic to most healthcare payment plans. FT is unique in its ability to streamline the flow of information and money between patients and providers—and in doing so, save everyone involved precious time and effort.

Strategic Investments and Other

Strategic Investments and Other primarily offers consultative-led services, DIGION technology expertise and advice, implementation services as well as complex solution engagement capabilities.

Sales, Marketing and Distribution

We manage our business and report our financial results based on the segments described above. Our customers are organized by commercial and large enterprise groups, including business and public sector enterprises, and purchases of our products, solutions and services may be fulfilled directly by us or indirectly through a variety of partners, including resellers, distribution partners, software vendors and system integrators.

Manufacturing and Materials

We utilize a significant number of outsourced and contract manufacturers around the world to manufacture products that we design. The use of outsourced and contract manufacturers is intended to generate cost efficiencies and reduce time to market for our products as well as create manufacturing flexibility in our supply chain and processes. In some circumstances, third-party OEMs produce products that we purchase and resell under our brand. In addition to our use of outsourced and contract manufacturers, we currently manufacture a limited number of finished products from components and subassemblies that we acquire from a wide range of vendors.

International

Our products and services are available worldwide. We believe geographic diversity allows us to meet demand on a worldwide basis for our customers, draws on business and technical expertise from a worldwide workforce, provides stability to our operations, provides revenue streams that may offset geographic economic trends, and offers us an opportunity to access new markets for maturing products.

A summary of our domestic and international results is set forth in Note 2, "Segment Information", to our Consolidated Financial Statements in Item 8 of Part II. Approximately 68% of our overall net revenue in fiscal 2024 came from sales outside the United States.

Research and Development

Innovation is a key element of our culture and critical to our success. Our research and development efforts ("R&D") are focused on designing and developing products, services and solutions that anticipate customers' changing needs and desires and emerging technological trends. Our efforts also are focused on identifying the areas where we believe we can make a unique contribution and where partnering with other leading technology companies will leverage our cost structure and maximize our customers' experiences.

Expenditures for R&D were $2.0 million in fiscal 2024, $1.9 million in fiscal 2023 and $1.8 million in fiscal 2022. We anticipate that we will continue to have significant R&D expenditures in the future to support the design and development of innovative, high-quality products, services, and solutions to maintain and enhance our competitive position.

Patents

Our general policy is to seek patent protection for those inventions likely to be incorporated into our products and services or where obtaining such proprietary rights will improve our competitive position. As of October 31, 2024, our worldwide patent portfolio included approximately 13,000 issued and pending patents.

Patents generally have a term of up to 20 years from the date they are filed. As our patent portfolio has been built over time, the remaining terms of the individual patents across our patent portfolio vary. We believe that our patents and patent applications are important for maintaining the competitive differentiation of our products and services, enhancing our freedom of action to sell our products and services in markets in which we choose to participate, and maximizing our return on research and development investments. No single patent is in itself essential to our company as a whole or to any of our business segments.

In addition to developing our patent portfolio, we license intellectual property from third parties as we deem appropriate. We have also granted and continue to grant to others licenses and other rights under our patents when we consider these arrangements to be in our interest. These license arrangements include several cross-licenses with third parties.

Competition

We have a broad technology portfolio of enterprise IT infrastructure products, solutions, and services. We encounter strong competition in all areas of our business. We compete primarily on the basis of technology, innovation, performance, price, quality, reliability, brand, reputation, distribution, range of products and services, ease of use of our products, account relationships, customer training, service and support, security, and the availability of our IT infrastructure offerings.

Information about our Executive Officers

The following are our current executive officers:

Name	Age	Position
Abhaya Kumar	52	President and Chief Executive Officer
Taylor Kennedy	41	Executive Vice President and Chief Financial Officer
Sasha Propenko	52	Executive Vice President and Chief Technology Officer
Quinn Campbell	33	Executive Vice President Security and Legal
Ren Goda	63	Senior Vice President, Chief Information Security Officer
Jamie Martinez	39	Senior Vice President, Controller

Abhaya Kumar; President and Chief Executive Officer

Kumar has served as our Chief Executive Officer since March 2022 and President since January 2020. Prior to being named President, Kumar served as Executive Vice President and Chief Technology Officer from August 2016 through January 2020. Kumar held a variety of leadership positions with CompuCal Computing from 2006 through July 2016.

Taylor Kennedy; Executive Vice President and Chief Financial Officer

Kennedy has served as our Executive Vice President, Chief Financial Officer since August 2024. Before joining DIGION, Kennedy served as Chief Financial Officer of AalertMed from June 2021 to August 2024, focused on positioning the company for its strategic acquisition by DIGION. Kennedy joined AalertMed to harness that deep knowledge of the company garnered through being the relationship lead for DIGION's venture investment in the company. Prior to leadership roles in venture capital, Kennedy served as the head of shareholder relations for G&C, a global consumer products company.

Sasha Propenko; Executive Vice President and Chief Technology Officer

Propenko was named Chief Technology Officer for DIGION in January 2020. Prior to that, Propenko was the Vice President of Technology for DIGION's Depot segment, overseeing the development of a fully redundant cloud-based architecture, supporting new Depot solutions. An original founder of Atacama Cloud Solutions, Propenko joined DIGION when Atacama was acquired in October 2016.

Quinn Campbell; Executive Vice President Security and Legal

Campbell joined DIGION from the corporate law firm of DCH Reddington in 2003 and has served as DIGION's General Counsel since then. Campbell earned the Executive Vice President title when given the appointment for corporate security in May 2023. While at DCH Reddington, Campbell focused on contract law as well as securities litigation.

Ren Goda; Senior Vice President and Chief Information Security Officer

Goda was named DIGION's Chief Information Security Officer (CISO) in August 2024. Prior to that, Goda served as CISO at St Frances Medical System (October 2020 through July 2024), as CISO and Chief Information Officer at Hemlock Hospital and Health (March 2019 through October 2020), and as the National HIPAA Security Program Leader at Monarch Principal Care and Coverage (April 2015 through March 2019).

Jamie Martinez; Senior Vice President, Controller

Martinez has served as our Senior Vice President, Controller since October 2020 following rapid career expansion as a key member of the DIGION leadership team since November 2011. Prior to that, Martinez was a manager in the assurance practice at Accumenta LLC, a global accounting firm.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available on our website at www.DIGION.online as soon as reasonably practicable after we electronically file such reports with, or furnish those reports to, the Securities and Exchange Commission. DIGION's Corporate Governance Guidelines, Board of Directors' committee charters (including the charters of the Audit Committee, Finance and Investment Committee, HR and Compensation Committee, Technology Committee, and Nominating, Governance and Social Responsibility Committee) and code of ethics entitled "Standards of Business Conduct" are also available at that same location on our website. Stockholders may request free printed copies of these documents from:

DIGION Corp
Attention: Investor Relations
140220 Cameron Street
Gotham City, New Jersey 53540
www.DIGION.online

~~**ITEM 1A. Risk Factors.**~~

~~**ITEM 1B. Unresolved Staff Comments.**~~

ITEM 2. Properties.

As of October 31, 2024, we owned or leased approximately 15 million square feet of space worldwide.

Principal Executive Offices

Our principal executive offices, including our global headquarters, are located at 140220 Cameron Street, Gotham City, New Jersey 53540, United States of America.

Product Development, Services and Manufacturing

The locations of our major product development, services, manufacturing, and DIGION facilities are as follows:

Americas

United States—Bend, Bismarck, Billings, Gotham City, Rapid City, Nashville and Lubbock

Europe

Spain —Barcelona

Germany—Frankfurt

Asia Pacific

China—Beijing

India—Bangalore

Japan—Tokyo

ITEM 3. Legal Proceedings.

Information with respect to this item may be found in Note 17, "Litigation and Contingencies", to the Consolidated Financial Statements in Item 8 of Part II, which is incorporated herein by reference.

PART II

~~**ITEM 4. Mine Safety Disclosures.**~~

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

The common stock of DIGION is listed on the New York Stock Exchange ("NYSE") with the ticker symbol "DIGION".

Holders

According to the records of our transfer agent, there were 51,818 stockholders of record of DIGION common stock as of November 30, 2024.

Dividends

During fiscal 2024, we paid a quarterly dividend of $0.12 per share to our shareholders. On November 30, 2024 we declared a quarterly dividend of $0.12 per share, payable on January 7, 2025, to stockholders of record as of the close of business on December 10, 2024.

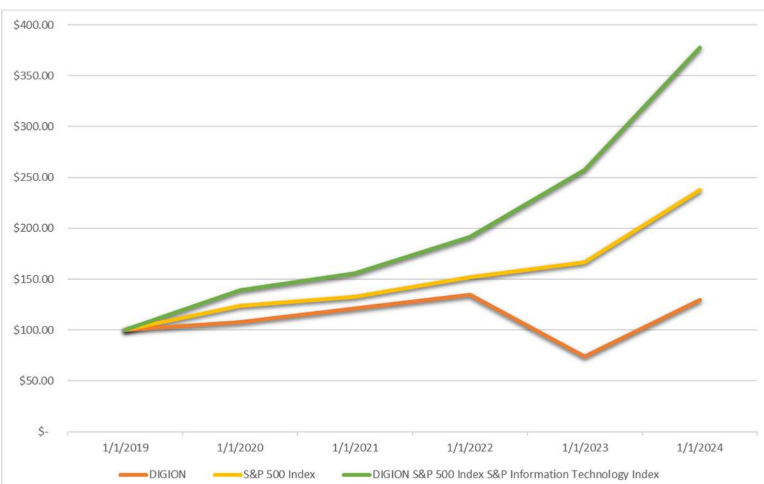
The payment of any dividends in the future, and the timing and amount thereof, is within the discretion of our Board of Directors. Our Board of Directors' decisions regarding the payment of dividends will depend on many factors, such as our financial condition, earnings, capital requirements, debt service obligations, restrictive covenants in our debt, industry practice, legal requirements, regulatory constraints, and other factors that our Board of Directors deems relevant. Our ability to pay dividends will depend on our ongoing ability to generate cash from operations and on our access to the capital markets. We cannot guarantee that we will continue to pay a dividend in any future period.

Issuer Purchases of Equity Securities

Fourth Quarter of Fiscal 2023	Total Number of Shares Purchased and Settled	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs
	In thousands, except per share amounts			
Month 1 (August 2024)	—	$ —	—	$ 2,110,281
Month 2 (September 2024)	6,638	$ 13.92	6,638	$ 2,017,871
Month 3 (October 2024)	8,094	$ 14.96	8,094	$ 1,896,829
Total	14,732	$ 14.49	14,732	

Stock Performance Graph and Cumulative Total Return

The graph below shows the cumulative total stockholder return, the S&P 500 Index and the S&P Information Technology Index. This graph covers the period from October 31, 2019 through October 31, 2024. This graph assumes the investment of $100 in the stock or the index on October 31, 2019 (and the reinvestment of dividends thereafter).



	10/2019	10/2020	10/2021	10/2022	10/2023	10/2024
DIGION	$ 100.00	$ 108.15	$ 121.25	$ 134.47	$ 73.79	$ 129.44
S&P 500 Index	$ 100.00	$ 123.62	$ 132.69	$ 151.69	$ 166.40	$ 237.77
S&P Information Technology Index	$ 100.00	$ 138.96	$ 156.05	$ 191.30	$ 257.25	$ 377.96

~~**ITEM 6. [Reserved]**~~

~~**ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**~~

~~**ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk.**~~

ITEM 8. Financial Statements and Supplementary Data.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of DIGION Corp

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of DIGION Corp and subsidiaries (the Company) as of October 31, 2024 and 2023, the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended October 31, 2024, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at October 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2024, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of October 31, 2024, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2014 framework) and our report dated December 11, 2024, expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

	Valuation of goodwill
Description of the matter	At October 31, 2024, the Company's goodwill was $18.3 million. As discussed in Note 11 to the consolidated financial statements, goodwill is tested for impairment at least annually at the reporting unit level and more frequently when warranted based on indicators of impairment. Auditing management's goodwill impairment test was complex and highly judgmental due to the significant estimation required to determine the fair value of the reporting units, particularly for an individual reporting unit with a fair value only marginally in excess of carrying value. In particular, the fair

value estimate was sensitive to significant assumptions, such as changes in the weighted average cost of capital, revenue growth rate, operating margin and terminal value, which are affected by expectations about future market or economic conditions.

How we addressed the matter in our audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill impairment review process, including controls over management's review of the significant assumptions described above. To test the estimated fair value of the Company's reporting units, we performed audit procedures that included, among others, assessing methodologies and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. We compared the significant assumptions used by management to current industry and economic trends and evaluated whether changes to the Company's business model, product mix and other factors would affect the significant assumptions. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of the reporting units that would result from changes in the assumptions. In addition, we tested management's reconciliation of the fair value of the reporting units to the market capitalization of the Company. We involved our valuation professionals to evaluate the application of valuation methodologies in the Company's annual impairment test.

Estimation of variable consideration

Description of the matter	As described in Note 1 to the consolidated financial statements, the Company recognizes revenue for sales to its customers after deducting management's estimates of variable consideration which may include various rebates, volume-based discounts, cooperative marketing, price protection, and other incentive programs that are offered to customers, partners and distributors. Estimated variable consideration is presented within other accrued liabilities on the consolidated balance sheet and totaled $1.0 million at October 31, 2024. Auditing the estimates of variable consideration was complex and judgmental due to the level of uncertainty involved in management's estimate of expected usage of these programs.

How we addressed the matter in our audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's process for estimating variable consideration, including controls over management's review of the significant assumptions described above. To test the Company's determination of variable consideration we performed audit procedures that included, among others, evaluating the methodologies, testing the significant assumptions discussed above and testing the completeness and accuracy of the underlying data used by the Company in its analyses. We compared the significant assumptions to historical experience of the Company to develop an expectation of the variable consideration associated with product remaining in the distribution channel at October 31, 2024, which we compared to management's recorded amount. In addition, we inspected the underlying agreements and compared the incentive rates used in the Company's analyses with contractual rates. We assessed the historical accuracy of management's estimates by comparing previous estimates of variable consideration to the amount of actual payments in subsequent periods.

/s/ Accumenta LLC

We have served as the Company's auditor since 1992.
Montvale, New Jersey
December 11, 2024

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of DIGION Corp

Opinion on Internal Control over Financial Reporting

We have audited DIGION Corp and subsidiaries' internal control over financial reporting as of October 31, 2024, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2014 framework) (the COSO criteria). In our opinion, DIGION Corp and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of October 31, 2024, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of AalertMed, Ltd., which is included in the 2024 consolidated financial statements of the Company and constituted less than 1% of total assets as of October 31, 2024 and less than 1% and 1% of net revenues and net earnings, respectively, for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of AalertMed, Ltd.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of October 31, 2024 and 2023, the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended October 31, 2024, and the related notes and our report dated December 11, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Accumenta LLC

Montvale, New Jersey
December 11, 2024

Management's Report on Internal Control Over Financial Reporting

DIGION's management is responsible for establishing and maintaining adequate internal control over financial reporting for DIGION. DIGION's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. DIGION's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of DIGION; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of DIGION are being made only in accordance with authorizations of management and directors of DIGION; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of DIGION's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

DIGION's management assessed the effectiveness of DIGION's internal control over financial reporting as of October 31, 2024, utilizing the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2014 framework). Management's evaluation of internal control over financial reporting excluded the internal control activities of AalertMed Ltd., which is included in the 2024 consolidated financial statements of DIGION and constituted less than 1% of total assets as of October 31, 2024 and less than 1% and 1% of net revenue and net earnings, respectively, for the year then ended. Based on the assessment by DIGION's management, we determined that DIGION's internal control over financial reporting was effective as of October 31, 2024. The effectiveness of DIGION's internal control over financial reporting as of October 31, 2024 has been audited by Accumenta LLC, DIGION's independent registered public accounting firm, as stated in their report on the preceding pages.

/s/ ABHAYA KUMAR	/s/ TAYLOR KENNEDY
Abhaya Kumar	Taylor Kennedy
President and Chief Executive Officer	*Executive Vice President and Chief Financial Officer*
December 11, 2024	December 11, 2024

DIGION CORP AND SUBSIDIARIES

Consolidated Statements of Earnings

	For the fiscal years ended October 31,		
	2024	2023	2022
	In millions, except per share amounts		
Net revenue:			
Products	$ 17,011	$ 16,264	$ 18,170
Services	10,279	10,249	10,507
Financing income	494	469	458
Total net revenue	27,784	26,982	29,135
Costs and expenses:			
Cost of products	11,892	11,698	12,533
Cost of services	6,304	6,544	6,812
Financing interest	212	271	297
Research and development	1,979	1,874	1,842
Selling, general and administrative	4,929	4,624	4,907
Amortization of intangible assets	354	379	267
Impairment of goodwill	—	865	—
Transformation costs	930	950	453
Disaster charges (recoveries)	16	26	(7)
Acquisition, disposition and other related charges	36	80	757
Total costs and expenses	26,652	27,311	27,861
Earnings (loss) from operations	1,132	(329)	1,274
Interest and other, net	(211)	(215)	(177)
Tax indemnification and related adjustments	65	(101)	377
Non-service net periodic benefit credit	70	136	59
Litigation judgment	2,351	—	—
Earnings from equity interests	180	67	20
Earnings (loss) before (provision) benefit for taxes	3,587	(442)	1,553
(Provision) benefit for taxes	(160)	120	(504)
Net earnings (loss)	$ 3,427	$ (322)	$ 1,049

Net earnings (loss) per share:			
Basic	$ 2.62	$ (0.25)	$ 0.78
Diluted	$ 2.58	$(0.25)	$ 0.77
Weighted-average shares used to compute net earnings (loss) per share:			
Basic	1,309	1,294	1,353
Diluted	1,330	1,294	1,366

The accompanying notes are an integral part of these Consolidated Financial Statements.

DIGION CORP AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

	For the fiscal years ended October 31,		
	2024	2023	2022
	In millions		
Net earnings (loss)	$ 3,427	$ (322)	$ 1,049
Other comprehensive income (loss) before taxes:			
Change in net unrealized gains (losses) on available-for-sale securities:			
Net unrealized gains (losses) arising during the period	(3)	(1)	9
(Gains) losses reclassified into earnings	—	(4)	(3)
	(3)	(5)	6
Change in net unrealized gains (losses) on cash flow hedges:			
Net unrealized gains (losses) arising during the period	(50)	(40)	308
Net (gains) losses reclassified into earnings	156	(21)	(371)
	106	(61)	(63)
Change in unrealized components of defined benefit plans:			
Net unrealized gains (losses) arising during the period	763	(358)	(701)
Amortization of net actuarial loss and prior service benefit	281	249	216
Curtailments, settlements and other	4	10	15
	1,048	(99)	(470)
Change in cumulative translation adjustment	16	(12)	(18)
Other comprehensive income (loss) before taxes	1,167	(177)	(545)
(Provision) benefit for taxes	(143)	8	36
Other comprehensive income (loss), net of taxes	1,024	(169)	(509)
Comprehensive income (loss)	$ 4,451	$ (491)	$ 540

The accompanying notes are an integral part of these Consolidated Financial Statements.

DIGION CORP AND SUBSIDIARIES
Consolidated Balance Sheets

	As of October 31,	
	2024	2023
	In millions, except par value	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,996	$ 4,233
Accounts receivable, net of allowances	3,979	3,386
Financing receivables, net of allowances	3,932	3,794
Inventory	4,511	2,674
Other current assets	2,460	2,469
Total current assets	18,878	16,556
Property, plant and equipment	5,613	5,625
Long-term financing receivables and other assets	11,670	10,544
Investments in equity interests	2,210	2,170
Goodwill	18,306	18,017
Intangible assets	1,022	1,103
Total assets	$ 57,699	$ 54,015
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and short-term borrowings	$ 3,552	$ 3,755
Accounts payable	7,004	5,383
Employee compensation and benefits	1,778	1,391
Taxes on earnings	169	148
Deferred revenue	3,408	3,430
Accrued restructuring	290	366
Other accrued liabilities	4,486	4,265
Total current liabilities	20,687	18,738
Long-term debt	9,896	12,186
Other non-current liabilities	7,099	6,995
Commitments and contingencies		

Stockholders' equity		
DIGION stockholders' equity:		
Common stock, $0.01 par value (9,600 shares authorized; 1,295 and 1,287 issued and outstanding at October 31, 2024 and October 31, 2023, respectively)	13	13
Additional paid-in capital	28,470	28,350
Accumulated deficit	(5,597)	(8,375)
Accumulated other comprehensive loss	(2,915)	(3,939)
Total DIGION stockholders' equity	19,971	16,049
Non-controlling interests	46	47
Total stockholders' equity	20,017	16,096
Total liabilities and stockholders' equity	$ 57,699	$ 54,015

The accompanying notes are an integral part of these Consolidated Financial Statements.

DIGION CORP AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	For the fiscal years ended October 31,		
	2024	2023	2022
	In millions		
Cash flows from operating activities:			
Net earnings (loss)	$ 3,427	$ (322)	$ 1,049
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization	2,597	2,625	2,535
Impairment of goodwill	—	865	—
Stock-based compensation expense	382	274	268
Provision for inventory and doubtful accounts	176	308	240
Restructuring charges	620	769	221
Deferred taxes on earnings	(167)	(294)	1,079
Earnings from equity interests	(180)	(67)	(20)
Dividends received from equity investees	184	165	156
Other, net	202	163	204
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(591)	(461)	374
Financing receivables	(165)	(487)	(410)
Inventory	(1,959)	(527)	46
Accounts payable	1,608	(225)	(525)
Taxes on earnings	(73)	(122)	(1,093)
Restructuring	(527)	(478)	(331)
Other assets and liabilities	337	54	204
Net cash provided by operating activities	5,871	2,240	3,997
Cash flows from investing activities:			
Investment in property, plant and equipment	(2,502)	(2,383)	(2,856)

Proceeds from sale of property, plant and equipment	354	703	597
Purchases of available-for-sale securities and other investments	(60)	(101)	(39)
Maturities and sales of available-for-sale securities and other investments	15	48	26
Financial collateral posted	(903)	(644)	(403)
Financial collateral received	805	665	744
Payments made in connection with business acquisitions, net of cash acquired	(505)	(866)	(1,526)
Net cash used in investing activities	(2,796)	(2,578)	(3,457)
Cash flows from financing activities:			
Short-term borrowings with original maturities less than 90 days, net	(36)	(9)	(53)
Proceeds from debt, net of issuance costs	3,022	7,007	3,517
Payment of debt	(5,465)	(5,099)	(2,203)
Net (payments) proceeds related to stock-based award activities	(29)	(36)	48
Repurchase of common stock	(213)	(355)	(2,249)
Cash dividends paid to non-controlling interests	(18)	(7)	—
Cash dividends paid to shareholders	(625)	(618)	(608)
Net cash (used in) provided by financing activities	(3,364)	883	(1,548)
(Decrease) increase in cash, cash equivalents and restricted cash	(289)	545	(1,008)
Cash, cash equivalents and restricted cash at beginning of period	4,621	4,076	5,084
Cash, cash equivalents and restricted cash at end of period	$ 4,332	$ 4,621	$ 4,076
Supplemental cash flow disclosures:			
Income taxes paid, net of refunds	$ 398	$ 297	$ 518
Interest expense paid	$ 486	$ 574	$ 593

The accompanying notes are an integral part of these Consolidated Financial Statements.

DIGION CORP AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	Common Stock						
	Number of Shares	Par Value	APIC	(Accumulated Deficit) Retained Earnings	AOCI (L)	Non-controlling Interests	Total Equity
Balances as of October 31, 2021	1,423,303	$ 14	$ 30,342	$ (5,899)	$ (3,218)	$ 35	$ 21,274
Net earnings				1,049		16	1,065
Other comprehensive loss					(509)		(509)
Stock-based compensation expense			270				270
Tax withholding related to vesting of employee stock plans			(61)				(61)
Issuance of common stock in connection with employee stock plans and other	19,093		113				113
Repurchases of common stock	(148,027)	(1)	(2,220)				(2,221)
Cash dividends declared				(601)			(601)
Effects of accounting standard updates				(2,181)			(2,181)
Balances as of October 31, 2022	1,294,369	$ 13	$ 28,444	$ (7,632)	$ (3,727)	$ 51	$ 17,149
Net earnings				(322)		11	(311)
Other comprehensive loss					(169)		(169)
Stock-based compensation expense			278				278
Tax withholding related to vesting of employee stock plans			(89)				(89)
Issuance of common stock in connection with employee stock plans and other	17,397		63			1	64
Repurchases of common stock	(24,756)		(346)				(346)
Cash dividends declared				(464)		(16)	(480)
Effects of accounting standard updates				43	(43)		-
Balances as of October 31, 2023	1,287,010	$ 13	$ 28,350	$ (8,375)	$ (3,939)	$ 47	$ 16,096
Net earnings				3,427		9	3,436
Other comprehensive loss					1,024		1,024
Stock-based compensation expense			382				382
Tax withholding related to vesting of employee stock plans			(86)				(86)
Issuance of common stock in connection with employee stock plans and other	23,135		49	1			50
Repurchases of common stock	(15,511)		(225)				(225)
Cash dividends declared				(635)			(635)
Effects of accounting standard updates				(25)			(25)
Balances as of October 31, 2024	1,294,634	$ 13	$ 28,470	$ (5,607)	$ (2,915)	$ 56	$ 20,017

The accompanying notes are an integral part of these Consolidated Financial Statements.

DIGION CORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1: Overview and Summary of Significant Accounting Policies

Background

DIGION Corp ("DIGION", "DIGION", or the"Company") is a multinational information technology leader that sells hardware, software and related business services. Since its inception, DIGION has been a pioneering organization, focused on delivering white glove implementation and support services along with hardware direct to small businesses and start-ups with a strategic focus on healthcare related services and technologies. DIGION's customers range from small- and medium-sized businesses ("SMBs") to large global enterprises and governmental entities. DIGION is a unique collaboration of businesses that help people and enterprises build their digital future, transforming how they work, live and thrive. The Company provides customers with the industry’s broadest and most innovative technology and services portfolio spanning hardware, software, and cloud, with a special focus on personal wealth and wellness.

Acquisition

In August 2024, the Company completed the acquisition of AalertMed Ltd. ("AalertMed"), a med tech industry leader of cloud-connected medical devices that transform care for people with chronic pain related to injury or disease for a fair value consideration of $416 million. AalertMed's results of operations were included within the Care segment from the date of acquisition. This acquisition expands DIGION’s healthcare services technology and innovation strategy. For further discussion on this acquisition, refer to Note 10, "Acquisitions".

Litigation Judgment

In October 2024, the Company received $2.35 million which represents LuLandi Corporation’s satisfaction of the judgment in the Spector litigation. The gain was recognized as other income and presented as Litigation judgment in the Consolidated Statements of Earnings. For further discussion on this litigation judgment, refer to Note 17, “Litigation and Contingencies".

Basis of Presentation and Principles of Consolidation

The Consolidated Financial Statements are prepared in accordance with U.S. generally accepted accounting principles.

The accompanying Consolidated Financial Statements include the accounts of the Company and its subsidiaries and affiliates in which the Company has a controlling financial interest or is the primary beneficiary. All intercompany transactions and accounts within the consolidated businesses of the Company have been eliminated.

The Company consolidates a Variable Interest Entity ("VIE") where it has been determined that the Company is the primary beneficiary of the entity's operation. The primary beneficiary is the party that has both the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. In evaluating whether the Company is the primary beneficiary, the Company evaluates its power to direct the most significant activities of the VIE by considering the purpose and design of the entity and the risks the entity was designed to create and pass through to its variable interest holders. The Company also evaluates its economic interests in the VIE.

The Company accounts for investments in companies over which it has the ability to exercise significant influence but does not hold a controlling interest under the equity method of accounting, and the Company records its proportionate share of income or losses in Earnings (loss) from equity interests in the Consolidated Statements of Earnings.

Non-controlling interests are presented as a separate component within Total stockholders' equity in the Consolidated Balance Sheets. Net earnings attributable to non-controlling interests are recorded within Interest and other, net in the Consolidated Statements of Earnings and are not presented separately, as they were not material for any periods presented.

Use of Estimates

The preparation of financial statements requires management to make estimates, judgments and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Estimates are assessed each period and updated to reflect current information, including those related to revenue recognition, stock-based compensation, net periodic benefit costs, restructuring accruals, provision for taxes, valuation allowance for deferred taxes, provision for expected credit losses, inventory reserves, and impairment assessments of goodwill, intangible assets, and other long-lived assets. The Company believes that these estimates, judgments, and assumptions are reasonable under the circumstances, and are subject to significant uncertainties, some of which are beyond the Company's control. Should any of these estimates change, it could adversely affect the Company's results of operations. Actual results could differ materially from these estimates under different assumptions or conditions.

Foreign Currency Translation

The Company predominately uses the U.S. dollar as its functional currency. Assets and liabilities denominated in non-U.S. currencies are remeasured into U.S. dollars at current exchange rates for monetary assets and liabilities and at historical exchange rates for non-monetary assets and liabilities. Net revenue, costs and expenses denominated in non-U.S. currencies are recorded in U.S. dollars at the average rates of exchange prevailing during the period. The Company includes gains or losses from foreign currency remeasurement in Interest and other, net in the Consolidated Statements of Earnings and gains and losses from cash flow hedges in Net revenue as the hedged revenue is recognized. Certain non-U.S. subsidiaries designate the local currency as their functional currency, and the Company records the translation of their assets and liabilities into U.S. dollars at the balance sheet date as translation adjustments and includes them as a component of Accumulated other comprehensive loss in the Consolidated Balance Sheets. The effect of foreign currency exchange rates on cash and cash equivalents was not material for any of the fiscal years presented.

Revenue Recognition

The Company accounts for a contract with a customer when both parties have provided written approval and are committed to perform, each party's rights including payment terms are identified, the contract has commercial substance, and collection of consideration is probable.

The Company enters into contracts with customers that may include combinations of products and services, resulting in arrangements containing multiple performance obligations for hardware and software products and/or various services. The Company determines whether each product or service is distinct in order to identify the performance obligations in the contract and allocate the contract transaction price among the distinct performance obligations. Arrangements are distinct based on whether the customer can benefit from the product or service on its own or together with other resources that are readily available and whether the commitment to transfer the product or service to the customer is separately identifiable from other obligations in the contract. The Company classifies its hardware, perpetual software licenses, and software-as-a-service ("SaaS") as distinct performance obligations. Term software licenses represent multiple obligations, which include software licenses and software maintenance. In transactions where the Company delivers hardware or software, it is typically the principal and records revenue and costs of goods sold on a gross basis.

The majority of the Company's revenue is derived from sales of product and the associated support and maintenance which is recognized when, or as, control of promised products or services is transferred to the customer, in an amount that reflects the consideration to which the Company expects to be entitled, in exchange for those products or services. Variable consideration offered in contracts with customers, partners and distributors may include rebates, volume-based discounts, cooperative marketing, price protection, and other incentive programs. Variable consideration is estimated at contract inception and updated at the end of each reporting period as additional information becomes available and recognized only to the extent that it is probable that a significant reversal of revenue will not occur.

Transfer of control occurs once the customer has the contractual right to use the product, generally upon shipment or once delivery and risk of loss has transferred to the customer. Transfer of control can also occur over time for maintenance and services as the customer receives the benefit over the contract term. The Company's hardware and perpetual software licenses are distinct performance obligations where revenue is recognized upfront upon transfer of control. Term software licenses include multiple performance obligations where the term licenses are recognized upfront upon transfer of control, with the associated software maintenance revenue recognized ratably over the contract term as services and software updates are provided. SaaS arrangements have one distinct performance obligation which is satisfied over time with revenue recognized ratably over the contract term as the customer consumes the services. On its product sales, the Company records consideration from shipping and handling on a gross basis within net product sales. Revenue is recorded net of any associated sales taxes.

The Company allocates the transaction price for the contract among the performance obligations on a relative standalone selling price basis. The standalone selling price ("SSP") is the price at which an entity would sell a promised product or service separately to a customer. The Company establishes SSP for most of its products and services based on the observable price of the products or services when sold separately in similar circumstances to similar customers. When the SSP is not directly observable, the Company estimates SSP based on management judgment by considering available data such as internal margin objectives, pricing strategies, market/competitive conditions, historical profitability data, as well as other observable inputs. The Company establishes SSP ranges for its products and services and reassesses them periodically.

Judgment is applied in determining the transaction price as the Company may be required to estimate variable consideration when determining the amount of revenue to recognize. Variable consideration may include various rebates, volume-based discounts, cooperative marketing, price protection, and other incentive programs that are offered to customers, partners and distributors. When determining the amount of revenue to recognize, the Company estimates the expected usage of these programs, applying the expected value or most likely estimate and updates the estimate at each reporting period as actual utilization becomes available. The Company also considers the customers' right of return in determining the transaction price, where applicable.

Contract Balances

Accounts receivable and contract assets

A receivable is a right to consideration in exchange for products or services the Company has transferred to a customer that is unconditional. A contract asset is a right to consideration in exchange for products or services transferred to a customer that is conditional on something other than the passage of time. A receivable is recorded when the right to consideration becomes unconditional.

The Company's contract assets include unbilled receivables which are recorded when the Company recognizes revenue in advance of billings. Unbilled receivables generally relate to services contracts where a service has been performed and control has transferred, but invoicing to the customer is subject to future milestone billings or other contractual payment schedules. The Company classifies unbilled receivables as Accounts receivable.

Contract liabilities

A contract liability is an obligation to transfer products or services to a customer for which the Company has received consideration, or the amount is due, from the customer. The Company's contract liabilities primarily consist of deferred revenue. Deferred revenue is recorded when amounts invoiced to customers are in excess of revenue that can be recognized because performance obligations have not been satisfied and control of the promised products or services has not transferred to the customer. Deferred revenue largely represents amounts invoiced in advance for product (hardware/software) support contracts, consulting projects and product sales where revenue cannot be recognized yet.

Costs to obtain a contract with a customer

The Company capitalizes the incremental costs of obtaining a contract with a customer, primarily sales commissions, if the Company expects to recover those costs. The Company has elected, as a practical expedient, to expense the costs of obtaining a contract as incurred for contracts with terms of one year or less. The typical amortization periods used range from two to five years. The Company periodically reviews the capitalized sales commission costs for possible impairment losses. The amortization of capitalized costs to obtain a contract are included in Selling, general and administrative expense. Refer to Note 7, "Balance Sheet Details" for additional information.

Shipping and Handling

The Company includes costs related to shipping and handling in Cost of products.

Stock-Based Compensation

Stock-based compensation expense is based on the measurement date fair value of the award and is recognized only for those awards expected to meet the service and performance vesting conditions. Stock-based compensation expense for stock options and restricted stock units with only a service condition is recognized on a straight-line basis over the requisite service period of the award. For stock options and restricted stock units with both a service condition and a performance or market condition, the expense is recognized on a graded vesting basis over the requisite service period of the award. Stock-based compensation expense is determined at the aggregate grant level for service-based awards and at the individual vesting tranche level for awards with performance and/or market conditions. The forfeiture rate is estimated based on historical experience.

Retirement and Post-Retirement Plans

The Company has various defined benefit, other contributory and noncontributory, retirement and post-retirement plans. The costs and obligations for these plans depend on various assumptions. Major assumptions relate primarily to discount rates, mortality rates, expected increases in compensation levels and the expected long-term return on plan assets. These assumptions vary by plan, and the weighted-average rates used are set forth in Note 4, "Retirement and Post-Retirement Benefit Plans".

The discount rate assumption is based on current investment yields of high-quality fixed-income securities with maturities similar to the expected benefits payment period. Mortality rates help predict the expected life of plan participants and are based on a historical demographic study of the plan. The expected increase in the compensation levels assumption reflects long-term actual experience and future expectations. The expected long-term return on plan assets is determined based on asset allocations, historical portfolio results, historical asset correlations and management's expected returns for each asset class. In any fiscal year, significant differences may arise between the actual return and the expected long-term return on plan assets. Historically, differences between the actual return and expected long-term return on plan assets have resulted from changes in target or actual asset allocation, short-term performance relative to expected long-term performance, and to a lesser extent, differences between target and actual investment allocations, the timing of benefit payments compared to expectations, and the use of derivatives intended to effect asset allocation changes or hedge certain investment or liability exposures.

The following table provides the impact changes in the weighted-average assumptions of discount rates, the expected increase in compensation levels and the expected long-term return on plan assets would have had on the net periodic benefit cost for fiscal 2024:

	Change in basis points	**Change in Net Periodic Benefit Cost**
		In millions
Assumptions:		
Discount rate	(25)	$ 23
Expected increase in compensation levels	25	$ 5
Expected long-term return on plan assets	(25)	$ 35

The Company generally amortizes unrecognized actuarial gains and losses on a straight-line basis over the average remaining estimated service life or, in the case of closed plans, life expectancy of participants. In limited cases, actuarial gains and losses are amortized using the corridor approach.

Advertising

Costs to produce advertising are expensed as incurred during production. Costs to communicate advertising are expensed when the advertising is first run. Advertising expense totaled approximately $172 million in fiscal 2024, $143 million in fiscal 2023, and $188 million in fiscal 2022.

Restructuring

The Company's Strategic Transformation include charges to approved restructuring plans. Restructuring charges include severance costs to eliminate a specified number of employees, infrastructure charges to vacate facilities and consolidate operations, and contract cancellation costs. These restructuring actions require management to estimate the timing and amount of severance and other employee separation costs for workforce reduction and enhanced early retirement programs, the fair value of assets made redundant or obsolete, and the value of lease and contract cancellation and other exit costs. The Company records restructuring charges based on estimated employee terminations and site closure and consolidation plans. The Company accrues for severance and other employee separation costs under these actions when it is probable that benefits will be paid and the amount is reasonably estimable. The rates used in determining severance accruals are based on existing plans, historical experiences and negotiated settlements. For a full description of our restructuring actions, refer to our discussions in Note 3, "Strategic Transformation".

Taxes on Earnings

The Company recognizes deferred tax assets and liabilities for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts using enacted tax rates in effect for the year the differences are expected to reverse.

The Company records a valuation allowance to reduce deferred tax assets to the amount that is more likely than not to be realized. In determining the need for a valuation allowance, the Company considers future market growth, forecasted earnings, future sources of taxable income, the mix of earnings in the jurisdictions in which the Company operates, and prudent and feasible tax planning strategies. In the event the Company were to determine that it is more likely than not that the Company will be unable to realize all or part of its deferred tax assets in the future, the Company would increase the valuation allowance and recognize a corresponding charge to earnings in the period in which such a determination was made. Likewise, if the Company later determines that the deferred tax assets are more likely than not to be realized, the Company would reverse the applicable portion of the previously recognized valuation allowance. In order for the Company to realize deferred tax assets, the Company must be able to generate sufficient taxable income in the jurisdictions in which the deferred tax assets are located.

The Company records accruals for uncertain tax positions when the Company believes that it is not more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The provision for income taxes includes the effects of adjustments for uncertain tax positions as well as any related interest and penalties. The Company recognizes interest income from favorable settlements and interest expense and penalties accrued on unrecognized tax benefits in (Provision) benefit for taxes in the Consolidated Statements of Earnings.

The Company is subject to the Global Intangible Low Taxed Income ("GILTI") tax in the U.S. The Company elected to treat taxes on future GILTI inclusions in U.S. taxable income as a current period expense when incurred.

Allowance for Doubtful Accounts

Accounts Receivable

The allowance for expected credit losses related to accounts receivable is comprised of a general reserve and a specific reserve. The Company may record a specific reserve for individual accounts when the Company becomes aware of specific customer circumstances, such as in the case of a bankruptcy filing or deterioration in the customer's operating results or financial position. If there are additional changes in circumstances related to the specific customer, the Company further adjusts estimates of the recoverability of receivables. The Company maintains an allowance for credit losses for all other customers based on a variety of factors, including the use of third-party credit risk models that generate quantitative measures of default probabilities based on market factors, the financial condition of customers and the length of time receivables are past due. These qualitative factors are subjective and require a degree of management judgment. The past due or delinquency status of a receivable is based on the contractual payment terms of the receivable. The Company establishes an allowance for expected credit losses related to accounts receivable, including unbilled receivables.

Financing Receivable

The allowance for expected credit losses related to financing receivables is comprised of a general reserve and a specific reserve. The Company establishes a specific reserve for financing receivables with identified exposures, such as customer defaults, bankruptcy or other events, that make it unlikely the Company will recover its investment. For individually evaluated receivables, the Company determines the expected cash flow for the receivable, which includes consideration of estimated proceeds from disposition of the collateral and calculates an estimate of the potential loss and the probability of loss. For those accounts where a loss is considered probable, the Company records a specific reserve. The Company maintains a general reserve using a credit loss model on a regional basis and bases such percentages on several factors, including consideration of historical credit losses and portfolio delinquencies, trends in the overall weighted-average risk rating of the portfolio, current economic conditions, and forward-looking information, including reasonable and supportable forecasts. The Company excludes accounts evaluated as part of the specific reserve from the general reserve analysis. The Company generally writes off a receivable or records a specific reserve when a receivable becomes 180 days past due, or sooner if the Company determines that the receivable is not collectible.

Non-Accrual and Past-Due Financing Receivables

The Company considers a financing receivable to be past due when the minimum payment is not received by the contractually specified due date. The Company generally places financing receivables on non-accrual status, which is the suspension of interest accrual, and considers such receivables to be non-performing at the earlier of the time at which full payment of principal and interest becomes doubtful or the receivable becomes 90 days past due. Subsequently, the Company may recognize revenue on non-accrual financing receivables as payments are received, which is on a cash basis, if the Company deems the recorded financing receivable to be fully collectible; however, if there is doubt regarding the ultimate collectability of the recorded financing receivable, all cash receipts are applied to the carrying amount of the financing receivable, which is the cost recovery method. In certain circumstances, such as when the Company deems a delinquency to be of an administrative nature, financing receivables may accrue interest after becoming 90 days past due. The non-accrual status of a financing receivable may not impact a customer's risk rating. After all of a customer's delinquent principal and interest balances are settled, the Company may return the related financing receivable to accrual status.

Concentrations of Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash, cash equivalents and restricted cash, investments, receivables from trade customers and contract manufacturers, financing receivables and derivatives.

The Company maintains cash, cash equivalents and restricted cash, investments, derivatives, and certain other financial instruments with various financial institutions. These financial institutions are located in many different geographic regions, and the Company's policy is designed to limit exposure from any particular institution. As part of its risk management processes, the Company performs periodic evaluations of the relative credit standing of these financial institutions. The Company has not sustained material credit losses from instruments held at these financial institutions. The Company utilizes derivative contracts to protect against the effects of foreign currency and interest rate exposures. Such contracts involve the risk of non-performance by the counterparty, which could result in a material loss. For more details on the collateral program, see Note 13, "Financial Instruments".

Credit risk with respect to accounts receivable from trade customers and financing receivables is generally diversified due to the large number of entities comprising the Company's customer base and their dispersion across many different industries and geographic regions. The Company performs ongoing credit evaluations of the financial condition of its customers and may require collateral, such as letters of credit and bank guarantees, in certain circumstances. As of October 31, 2024 and 2023 no single customer accounted for more than 10% of the Company's receivable from trade customers and financing receivables.

The Company utilizes outsourced manufacturers around the world to manufacture company-designed products. The Company may purchase product components from suppliers and sell those components to its outsourced manufacturers thereby creating receivable balances from the outsourced manufacturers. The three largest outsourced manufacturer receivable balances collectively represented 92% and 89% of the Company's manufacturer receivables of $947 million and $687 million at October 31, 2024 and 2023, respectively. The Company includes the manufacturer receivables in Other current assets in the Consolidated Balance Sheets on a gross basis. The Company's credit risk associated with these receivables is mitigated wholly or in part by the amount the Company owes to these outsourced manufacturers, as the Company generally has the legal right to offset its payables to the outsourced manufacturers against these receivables. The Company does not reflect the sale of these components in revenue and does not recognize any profit on these component sales until the manufactured products are sold by the Company, at which time any profit is recognized as a reduction to cost of sales. The Company obtains certain components from single source suppliers due to technology, availability, price, quality or other considerations. The loss of a single source supplier, the deterioration of the Company's relationship with a single source supplier, or any unilateral modification to the contractual terms under which the Company is supplied components by a single source supplier could adversely affect the Company's revenue and gross margins.

Restricted Cash

Restricted cash is included within Other current assets in the accompanying Consolidated Balance Sheets and is primarily related to cash received under the Company's collateral securities agreements for its derivative instruments and cash restricted under the fixed-term securitization program for the issuance of asset-backed debt securities.

Inventory

The Company values inventory at the lower of cost or net realizable value. Cost is computed using standard cost which approximates actual cost on a first-in, first-out basis. At each reporting period, the Company assesses the value of its inventory and writes down the cost of inventory to its net realizable value if required, for estimated excess or obsolescence. Factors influencing these adjustments include changes in future demand forecasts, market conditions, technological changes, product life-cycle and development plans, component cost trends, product pricing, physical deterioration, and quality issues. The write down for excess or obsolescence is charged to the provision of inventory, which is a component of Cost of Products and Cost of Services in the Consolidated Statement of Earnings. At the point of the loss recognition, a new, lower cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Property, Plant and Equipment

The Company states property, plant and equipment at cost less accumulated depreciation. The Company capitalizes additions and improvements and expenses maintenance and repairs as incurred. Depreciation expense is recognized on a straight-line basis over the estimated useful lives of the assets. Estimated useful lives are five to 40 years for buildings and improvements and three to 15 years for machinery and equipment. The Company depreciates leasehold improvements over the life of the lease or the asset, whichever is shorter. The Company depreciates equipment held for lease over the initial term of the lease to the equipment's estimated residual value. The estimated useful lives of assets used solely to support a customer services contract generally do not exceed the term of the customer contract. On retirement or disposition, the asset cost and related accumulated depreciation are removed from the Consolidated Balance Sheets with any gain or loss recognized in the Consolidated Statements of Earnings.

The Company capitalizes certain internal and external costs incurred to acquire or create internal use software, principally related to software coding, designing system interfaces and installation and testing of the software. The Company amortizes capitalized internal use software costs using the straight-line method over the estimated useful lives of the software, generally from three to five years.

Leases

Lessee Accounting

The Company enters into various leases as a lessee for assets including office buildings, data centers, vehicles, and aviation. The Company determines if an arrangement is a lease at inception. An arrangement contains a lease when the arrangement conveys the right to control the use of an identified asset over the lease term. Upon lease commencement, the Company records a lease liability for the obligation to make lease payments and right-of-use ("ROU") asset for the right to use the underlying asset for the lease term in the Consolidated Balance Sheet. The lease liability is measured at commencement date based on the present value of lease payments not yet paid over the lease term and the Company's incremental borrowing rate. As most of the Company's leases do not provide an implicit rate, the Company uses an incremental borrowing rate which approximates the rate at which the Company would borrow, on a secured basis, in the country where the lease was executed. The ROU asset is based on the lease liability, adjusted for lease prepayments, lease incentives received, and the lessee's initial direct costs. Fixed payments are included in the recognition of ROU assets and liabilities, while non-lease components, such as maintenance or utility charges are expensed as incurred. The Company has agreements with lease and non-lease components that are accounted for separately and not included in its leased assets and corresponding liabilities for the majority of the Company's lease agreements. The Company allocates consideration to the lease and non-lease components using their relative standalone values.

For finance leases, the ROU asset is amortized on a straight-line basis over the shorter of the useful life of the asset or the lease term. Interest expense on the lease liability is recorded separately using the interest method. For operating leases, lease expense is generally recognized on a straight-line basis over the lease term.

Lessor Accounting

The Company's lease offerings are non-cancelable and the payment schedule primarily consists of fixed payments. Variable payments that are based on an index are included in lease receivables. The Company allocates consideration amongst lease components and non-lease components on a relative standalone selling price basis, when lease arrangements include multiple performance obligations. At the end of the lease term, the Company allows the client to either return the equipment, purchase the equipment or renew the lease based on mutually agreed upon terms.

The Company retains a residual position in equipment through lease and finance agreements which is equivalent to an estimated market value. The residual amount is established prior to lease inception, based upon estimated equipment values at end of lease using product road map trends, historical analysis, future projections and remarketing experience. The Company's residual amounts are evaluated at least annually to assess the appropriateness of our carrying values. Any anticipated declines in specific future residual values that are considered to be other-than-temporary would be recorded in current earnings. The Company is able to optimize the recovery of residual values by selling equipment in place, extending lease arrangements on a fixed term basis, entering into a monthly usage rental term beyond the initial lease term, and selling lease returned equipment in the secondary market. The contractual lease agreement also identifies return conditions that ensures the leased equipment will be in good operating condition upon return minus any normal wear and tear. During the residual review process, product changes, product updates, as well as market conditions are reviewed and adjustments if other than temporary are made to residual values in accordance with the impact of any such changes. The remarketing sales organization closely manages the sale of equipment lease returns to optimize the recovery of outstanding residual by product.

Business Combinations

The Company includes the results of operations of acquired businesses in the Company's consolidated results prospectively from the date of acquisition. The Company allocates the fair value of purchase consideration to the assets acquired including in-process research and development ("IPR&D"), liabilities assumed, and non-controlling interests in the acquired entity based on their fair values at the acquisition date. IPR&D is initially capitalized at fair value as an intangible asset with an indefinite life and assessed for impairment thereafter. The excess of the fair value of purchase consideration over the fair value of the assets acquired, liabilities assumed and non-controlling interests in the acquired entity is recorded as goodwill. The primary items that generate goodwill include the value of the synergies between the acquired company and the Company and the value of the acquired assembled workforce, neither of which qualifies for recognition as an intangible asset. Acquisition-related expenses and post-acquisition restructuring costs are recognized separately from the business combination and are expensed as incurred.

Goodwill

The Company reviews goodwill for impairment annually and whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. The Company performs a quantitative test for all of its reporting units as part of its annual goodwill impairment test in the fourth quarter of each fiscal year.

The Company estimates the fair value of its reporting units using a weighting of fair values derived most significantly from the income approach, and to a lesser extent, the market approach with the exception of the Depot reporting unit which uses a weighting derived most significantly from the market approach. Under the income approach, the Company estimates the fair value of a reporting unit based on the present value of estimated future cash flows covering discrete forecast periods as well as terminal value determinations. The Company prepares cash flow projections based on management's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions. The Company bases the discount rate on the weighted-average cost of capital adjusted for the relevant risk associated with business-specific characteristics and the uncertainty related to the reporting unit's ability to execute on the projected cash flows. Under the market approach, the Company estimates fair value based on market multiples of revenue and earnings derived from comparable publicly traded companies with similar operating and investment characteristics as the reporting unit. The Company weights the fair value derived from the market approach commensurate with the level of comparability of these publicly traded companies to the reporting unit. When market comparables are not meaningful or not available, the Company estimates the fair value of a reporting unit using only the income approach.

If the fair value of a reporting unit exceeds the carrying amount of the net assets assigned to that reporting unit, goodwill is not impaired and no further testing is required. If the fair value of the reporting unit is less than its carrying amount, goodwill is impaired. The goodwill impairment loss is measured as the excess of the reporting unit's carrying value over its fair value (not to exceed the total goodwill allocated to that reporting unit).

Intangible Assets and Long-Lived Assets

The Company reviews intangible assets with finite lives, long-lived assets and ROU assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. For lease assets such circumstances would include a decision to abandon the use of all or part of an asset, or subleases that do not fully recover the costs of the associated lease. The Company assesses the recoverability of assets based on the estimated undiscounted future cash flows expected to result from the use and eventual disposition of the asset. If the undiscounted future cash flows are less than the carrying amount, the asset is impaired. The Company measures the amount of impairment loss, if any, as the difference between the carrying amount of the asset and its fair value using an income approach or, when available and appropriate, using a market approach. The Company amortizes intangible assets with finite lives using the straight-line method over the estimated economic lives of the assets, ranging from one to ten years.

Equity Method Investments

Investments and ownership interests are accounted for under equity method accounting if the Company has the ability to exercise significant influence but does not have a controlling financial interest. The Company records its interest in the net earnings of its equity method investees, along with adjustments for unrealized profits or losses on intra-entity transactions and amortization of basis differences, within Earnings or loss from equity interests in the Consolidated Statements of Earnings. Profits or losses related to intra-entity sales with its equity method investees are eliminated until realized by the investor or investee. Basis differences represent differences between the cost of the investment and the underlying equity in net assets of the investment and are generally amortized over the lives of the related assets that gave rise to them. Equity method goodwill is not amortized or tested for impairment; instead the equity method investment is tested for impairment. The Company records its interest in the net earnings of its equity method investments based on the most recently available financial statements of the investees.

The carrying amount of the investment in equity interests is adjusted to reflect the Company's interest in net earnings, dividends received and other-than-temporary impairments. The Company reviews for impairment whenever factors indicate that the carrying amount of the investment might not be recoverable. In such a case, the decrease in value is recognized in the period the impairment occurs in the Consolidated Statement of Earnings.

Equity Securities Investments

Equity securities investments with readily determinable fair values (other than those accounted for under the equity method or those that result in consolidation of the investee) are measured at fair value and any changes in fair value are recognized in Interest and other, net in the Consolidated Statement of Earnings. For equity investments without readily determinable fair values, the Company has elected to use the fair value option or apply the measurement alternative, under which investments are measured at cost, less impairment, and adjusted for qualifying observable price changes on a prospective basis. The Company reviews for impairment at each reporting period, assessing factors such as deterioration of earnings, adverse change in market/industry conditions, the ability to operate as a going concern, and other factors which indicate that the carrying amount of the investment might not be recoverable. In such a case, the decrease in value is recognized in the period the impairment occurs in the Consolidated Statement of Earnings.

Debt Securities Investments

Debt securities are generally considered available-for-sale and are reported at fair value with unrealized gains and losses, net of applicable taxes, recorded in Accumulated other comprehensive loss in the Consolidated Balance Sheets. Realized gains and losses for available-for-sale securities are calculated based on the specific identification method and included in Interest and other, net in the Consolidated Statements of Earnings. The Company monitors its investment portfolio for potential impairment on a quarterly basis. When the carrying amount of an investment in debt securities exceeds its fair value and the decline in value is determined to be due to credit-related factors, the Company recognizes the impairment using an allowance for credit loss in Interest and other, net, in the Consolidated Statements of Earnings, while the impairment that is not credit related is recorded in Accumulated other comprehensive loss in the Consolidated Balance Sheets.

Derivatives

The Company uses derivative financial instruments, primarily forwards, swaps, and, at times, options, to manage a variety of risks, including risks related to foreign currency and interest rate exposures. The Company does not use derivative financial instruments for speculative purposes.

The Company receives fair value to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. When prices in active markets are not available for an identical asset or liability, the Company generally uses industry standard valuation models to measure the fair value of derivative positions. Such measurements involve projecting future cash flows and discounting the future amounts to present value using market based observable inputs, including interest rate curves, Company and counterparty credit risk, foreign currency exchange rates, and forward and spot prices. In the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. The determination of fair value often involves significant judgments about assumptions such as determining an appropriate discount rate that factors in both risk and liquidity premiums, identifying the similarities and differences in market transactions, weighting those differences accordingly and then making the appropriate adjustments to those market transactions to reflect the risks specific to the asset or liability being valued.

For a further discussion of fair value measurements and derivative instruments, refer to Note 12, "Fair Value" and Note 13, "Financial Instruments", respectively.

Contingencies

The Company is involved in various lawsuits, claims, investigations, and proceedings that arise in the ordinary course of business. The Company records a liability for contingencies when it believes it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Company does not record gain contingencies until realized. See Note 17, "Litigation and Contingencies", for a full description of the Company's contingencies.

Warranties

The Company accrues the estimated cost of product warranties at the time of recognizing revenue. The Company's standard product warranty terms generally include post-sales support and repairs or replacement of a product at no additional charge for a specified period of time. The Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its component suppliers. The estimated warranty obligation is based on contractual warranty terms, repair costs, product call rates, average cost per call, current period product shipments and ongoing product failure rates, as well as specific product class failure outside of the Company's baseline experience. Warranty terms generally range from one to five years for parts and labor, depending upon the product. For certain networking products, the Company offers a lifetime warranty. Over the last three fiscal years, the annual warranty expense has averaged approximately 1.3% of annual net product revenue. Refer to Note 18, "Guarantees, Indemnifications and Warranties" for additional information.

Note 2: Segment Information

As described in Note 1, "Overview and Summary of Significant Accounting Policies", effective at the beginning of the first quarter of fiscal 2024, the Company implemented certain organizational changes to align its segment financial reporting more closely with its current business structure. DIGION's operations are now organized into six segments for financial reporting purposes: Power, Care, Depot, Top Notch, FinTech (“FT”), and Strategic Investments and Other. DIGION's organizational structure is based on a number of factors that the Chief Operating Decision Maker ("CODM"), who is the Chief Executive Officer ("CEO"), uses to evaluate, view and run the Company's business operations, which include, but are not limited to, customer base and homogeneity of products and technology. The six segments are based on this organizational structure and information reviewed by DIGION's management to evaluate segment results. A summary of the types of products and services within each segment is as follows:

Power offers both general and special purpose servers. This portfolio of products includes our secure and flexible DIGION tower servers; and DIGION Energy, a composable infrastructure for traditional and cloud-native applications. Our products allow our customers to power their business so their energy can be focused on improving outcomes for their customers and patients. Whether powering innovation behind the scenes or leading innovation with products in our Care and Depot segments DIGION is making change and improving lives.

Care focuses on building and supporting technology that helps people live healthier, happier lives. It began over 15 years ago with the invention of a machine that helped people track chronic pain incidents and manage that pain through biorhythmic feedback. And it continues today with digital health solutions that help people manage the risk of opioid addiction and overdose. DIGION is leader in the med tech industry through development of cloud-connected medical devices that transform care for people with chronic pain related to injury or disease. DIGION Care is committed to a promising future by developing innovative technologies, services and solutions, helping the healthcare community improve safety and increase efficiency.

Through strategic partnerships with University of Gotham Med Center, DIGION with its recent acquisition of AalertMed has developed treatments and technologies to target a range of pain-related conditions. Their comprehensive health record-integrated software platforms support the professionals and caregivers who help people stay healthy, living through pain, in the home or care setting of their choice. DIGION’s medical technology focuses on changing outcomes for patients and prides itself on innovation and holds multiple patents on their platform technology. In October 2023, AalertMed was granted FDA Breakthrough Device designation for their Suprallay™ device and treatment approach.

Depot is storage as-a-service and cloud data services. IT professionals, business users and personal users value DIGION’s unique approach to storage, recognizing the key Depot product of lines of Skybox and NextGen as best in class.

Top Notch is comprised of a portfolio of secure cloud solutions operating under the Bahama brand that include wired and wireless local area network ("LAN"), campus and data center switching, software-defined wide area networking, network security, and associated services to enable secure connectivity for businesses of any size.

FinTech (“FT”) provides state of the art solutions to the healthcare space. DIGION FT is leveraging powerful innovations in blockchain, artificial intelligence, and machine learning to eliminate the inefficiencies and knowledge gaps endemic to most healthcare payment plans. FT is unique in its ability to streamline the flow of information and money between patients and providers—and in doing so, save everyone involved precious time and effort.

Strategic Investments and Other primarily offers consultative-led services, DIGION technology expertise and advice, implementation services as well as complex solution engagement capabilities.

Segment Policy

DIGION derives the results of its business segments directly from its internal management reporting system. The accounting policies that DIGION uses to derive segment results are substantially the same as those the consolidated company uses. The CODM measures the performance of each segment based on several metrics, including earnings from operations. The CODM uses these results, in part, to evaluate the performance of, and to allocate resources to each of the segments.

Segment revenue includes revenues from sales to external customers and intersegment revenues that reflect transactions between the segments on an arm's-length basis. Intersegment revenues primarily consist of sales of hardware and software that are sourced internally and, in the majority of the cases, are financed as operating leases by FS to our customers. DIGION's consolidated net revenue is derived and reported after the elimination of intersegment revenues from such arrangements.

Financing interest in the Consolidated Statements of Earnings reflects interest expense on borrowing and funding-related activity associated with FT and its subsidiaries, and debt issued by DIGION for which a portion of the proceeds benefited FT.

DIGION does not allocate to its segments certain operating expenses, which it manages at the corporate level. These unallocated costs include certain corporate costs and eliminations, stock-based compensation expense, amortization of initial direct costs, amortization of intangible assets, impairment of goodwill, transformation costs, disaster charges and acquisition, disposition and other related charges.

Segment Operating Results

	Power	Depot	Care	Top Notch	FinTech	Strategic Investments and Other	Total
				In millions			
2024							
Net revenue	$ 12,041	$ 3,041	$ 4,681	$ 3,277	$ 3,388	$ 1,356	$ 27,784
Intersegment net revenue	251	147	82	10	13	—	503
Total segment net revenue	$ 12,292	$ 3,188	$ 4,763	$ 3,287	$ 3,401	$ 1,356	$ 28,287
Segment earnings (loss) from operations	$ 1,326	$ 234	$ 778	$ 500	$ 390	$ (95)	$ 3,133
2023							
Net revenue	$ 11,905	$ 3,014	$ 4,592	$ 2,838	$ 3,340	$ 1,293	$ 26,982
Intersegment net revenue	380	91	93	17	12	5	598
Total segment net revenue	$ 12,285	$ 3,105	$ 4,685	$ 2,855	$ 3,352	$ 1,298	$ 27,580
Segment earnings (loss) from operations	$ 1,007	$ 285	$ 813	$ 337	$ 284	$ (206)	$ 2,520
2022							
Net revenue	$ 13,332	$ 2,861	$ 5,183	$ 2,901	$ 3,573	$ 1,285	$ 29,135
Intersegment net revenue	398	122	72	12	8	3	615
Total segment net revenue	$ 13,730	$ 2,983	$ 5,255	$ 2,913	$ 3,581	$ 1,288	$ 29,750
Segment earnings (loss) from operations	$ 1,719	$ 365	$ 1,009	$ 216	$ 310	$ (314)	$ 3,305

The reconciliation of segment operating results to Consolidated Statement of Earnings results was as follows:

	For the fiscal years ended October 31,		
	2024	2023	2022
	In millions		
Net revenue:			
Total segments	$ 28,287	$ 27,580	$ 29,750
Elimination of intersegment net revenue	(503)	(598)	(615)
Total consolidated net revenue	$ 27,784	$ 26,982	$ 29,135
Earnings before taxes:			
Total segment earnings from operations	$ 3,133	$ 2,520	$ 3,305
Unallocated corporate costs and eliminations	(285)	(238)	(286)
Stock-based compensation expense	(372)	(274)	(268)
Amortization of initial direct costs	(8)	(10)	—
Amortization of intangible assets	(354)	(379)	(267)
Impairment of goodwill	—	(865)	—
Transformation costs	(930)	(950)	(453)
Disaster (charge) recovery	(16)	(26)	7
Acquisition, disposition and other related charges	(36)	(107)	(764)
Interest and other, net	(211)	(215)	(177)
Tax indemnification adjustments	65	(101)	377
Non-service net periodic benefit credit	70	136	59
Litigation judgment	2,351	—	—
Earnings from equity interests	180	67	20
Total earnings (loss) before (provision) benefit for taxes	$ 3,587	$ (442)	$ 1,553

Segment Assets

DIGION allocates assets to its business segments based on the segments primarily benefiting from the assets. Total assets by segment and the reconciliation of segment assets to total assets as per Consolidated Balance Sheets were as follows:

	As of October 31,	
	2024	2023
	In millions	
Power	$ 16,208	$ 14,962
Depot	6,726	6,245
Care	7,097	6,438
Top Notch	4,435	4,352
FinTech	14,951	14,765
Strategic Investments and Other	1,209	1,124
Corporate and unallocated assets	7,073	6,129
Total assets	$ 57,699	$ 54,015

Major Customers

No single customer represented 10% or more of the Company's total net revenue in any fiscal year presented.

Geographic Information

Net revenue by country is based upon the sales location that predominately represents the customer location. For each of the fiscal years of 2024, 2023 and 2022, other than the U.S., no country represented more than 10% of the Company's net revenue.

Net revenue by country was as follows:

	For the fiscal years ended October 31,		
	2024	2023	2022
	In millions		
Americas			
U.S.	$ 8,850	$ 9,162	$ 9,582
Americas excluding U.S.	1,825	1,700	1,922
Total Americas	10,675	10,862	11,504
Europe, Middle East and Africa	10,329	9,745	10,828
Asia Pacific and Japan	6,780	6,375	6,803
Total consolidated net revenue	$ 27,784	$ 26,982	$ 29,135

Property, plant and equipment by country in which the Company's operates was as follows:

	As of October 31,	
	2024	2023
	In millions	
U.S.	$ 2,811	$ 2,762
Other countries	2,802	2,863
Total property, plant and equipment	$ 5,613	$ 5,625

Note 3: Strategic Transformation

Strategic Transformation are comprised of the cost optimization and prioritization plan and the DIGION Eureka initiative. During the third quarter of fiscal 2023, the Company launched the cost optimization and prioritization plan which focuses on realigning the workforce to areas of growth, a new hybrid workforce model, real estate strategies and simplifying and evolving our product portfolio strategy. The implementation period of the cost optimization and prioritization plan is through fiscal 2026. During this time the Company expects to incur transformation costs predominantly related to labor restructuring, non-labor restructuring, IT investments, design and execution charges and real estate initiatives.

During the third quarter of fiscal 2020, the Company launched an initiative called DIGION Eureka to put in place a purpose-built company designed to compete and win in the markets where it participates. Through this program the Company is simplifying the operating model, streamlining our offerings, business processes and business systems to improve our execution. The implementation period of the DIGION Eureka initiative is extended through fiscal 2026. During the remaining implementation period, the Company expects to incur transformation costs predominantly related to IT infrastructure costs for streamlining, upgrading and simplifying back-end operations, and real estate initiatives. These costs are expected to be partially offset by gains from real estate sales.

Cost Optimization and Prioritization Plan

During fiscal 2024 and 2023, the Company incurred $695 million and $384 million, respectively, of charges related to the cost optimization and prioritization plan of which $690 million and $384 million were recorded within Transformation costs, and $5 million in fiscal 2024 was recorded with in Non-service net periodic benefit credit in the Consolidated Statements of Earnings, the components of which were as follows:

	For the fiscal years ended October 31,	
	2024	2023
	In millions	
Program management	$ 83	$ 55
IT costs	14	—
Restructuring charges	598	329

Total	$ 695	$ 384

DIGION Eureka

During fiscal 2024, 2023 and 2022, the Company incurred $240 million, $569 million and $462 million, respectively, in net charges associated with DIGION Eureka. For fiscal 2024, 2023 and 2022, $240 million, $566 million and $453 million were recorded within Transformation costs, and $3 million and $9 million were recorded within Non-service net periodic benefit credit in the Consolidated Statements of Earnings for fiscal 2023 and 2022, respectively.

The components of costs relating to DIGION Eureka were as follows:

	For the fiscal years ended October 31,		
	2024	2023	2022
	In millions		
Program management	$ 14	$ 35	$ 29
IT costs	174	100	134
Restructuring charges	22	440	219
Gains on real estate sales	(3)	(45)	(7)
Impairment on real estate assets	4	10	47
Other	29	29	40
Total	$ 240	$ 569	$ 462

Restructuring Plan

On May 19, 2023, the Company's Board of Directors approved a restructuring plan in connection with the cost optimization and prioritization plan. As of October 31, 2024, the Company estimates that it will incur aggregate charges of approximately $1.3 million through fiscal 2026 in connection with the cost optimization and prioritization plan which relates to labor restructuring and non-labor restructuring, primarily relating to real estate site exits. The changes to the workforce will vary by country, based on business needs, local legal requirements and consultations with employee works councils and other employee representatives, as appropriate.

On October 16, 2020, the Company's Board of Directors approved a restructuring plan in connection with the DIGION Eureka (the "DIGION Operation Eureka") and on September 20, 2021, the Company's Board of Directors approved a revision to that restructuring plan. As of October 31, 2023, the headcount exits under the DIGION Eureka were complete. The Company estimates that it will incur charges through fiscal 2026, relating to non-labor restructuring, primarily from real estate site exits.

Restructuring activities related to the Company's employees and infrastructure under the cost optimization and prioritization plan and DIGION Eureka, are presented in the table below:

	Cost Optimization and Prioritization Plan		DIGION Eureka Plan	
	Employee Severance	Infrastructure and other	Employee Severance	Infrastructure and other
	In millions		In millions	
Liability as of October 31, 2021	$ —	$ —	$ 291	$ 33
Charges	—	—	154	65
Cash payments	—	—	(256)	(37)
Non-cash items	—	—	(11)	(19)
Liability as of October 31, 2022	$ —	$ —	$ 178	$ 42
Charges	230	99	341	99
Cash payments	(18)	(3)	(383)	(50)
Non-cash items	(2)	(28)	8	(39)
Liability as of October 31, 2023	$ 210	$ 68	$ 144	$ 52
Charges	277	321	—	22
Cash payments	(255)	(127)	(101)	(37)
Non-cash items	(4)	(73)	1	(4)
Liability as of October 31, 2024	$ 228	$ 189	$ 44	$ 33
Total costs incurred to date as of October 31, 2024	$ 507	$ 420	$ 1,261	$ 247
Total expected costs to be incurred as of October 31, 2024	$ 700	$ 600	$ 1,261	$ 255

The current restructuring liability related to the Strategic Transformation, reported in Consolidated Balance Sheets as of October 31, 2024 and 2023, was $287 million and $359 million, respectively, in accrued restructuring, and $27 million and $24 million, respectively, in Other accrued liabilities. The non-current restructuring liability related to the Strategic Transformation, reported in Other non-current liabilities in the Consolidated Balance Sheets as of October 31, 2024 and 2023 was $180 million and $91 million, respectively.

Note 4: Retirement and Post-Retirement Benefit Plans

Defined Benefit Plans

The Company sponsors defined benefit pension plans worldwide, the most significant of which are the United Kingdom ("UK") and Germany plans. The pension plan in the UK is closed to new entrants, however, members continue to earn benefit accruals. This plan provides benefits based on final pay and years of service and generally requires contributions from members. The German pension program that is open to new hires consists of cash balance plans that provide employer credits as a percentage of pay, certain employee pay deferrals and employer matching contributions. There also are previously closed German pension programs that include cash balance and final average pay plans. These previously closed pension programs comprise the majority of the pension obligations in Germany.

Post-Retirement Benefit Plans

The Company sponsors retiree health and welfare benefit plans, the most significant of which is in the U.S. Generally, employees hired before August 2008 are eligible for employer credits under the DIGION Retirement Medical Savings Account Plan ("RMSA") upon attaining age 45. Employer credits to the RMSA available after September 2008 are provided in the form of matching credits on employee contributions made to a voluntary employee beneficiary association. Upon retirement, employees may use these employer credits for the reimbursement of certain eligible medical expenses.

Defined Contribution Plans

The Company offers various defined contribution plans for U.S. and non-U.S. employees. The Company's defined contribution expense was approximately $170 million in fiscal 2024, $160 million in fiscal 2023 and $181 million in fiscal 2022. U.S. employees are automatically enrolled in the DIGION Corp 401(k) Plan ("DIGION 401(k) Plan"), when they meet eligibility requirements, unless they decline participation. The DIGION 401(k) Plan's quarterly employer matching contributions are 100% of an employee's contributions, up to a maximum of 4% of eligible compensation. Due to cost containment measures put in place in response to COVID-19, the Company suspended the employer match for U.S. employees from July 1, 2022 through the end of the calendar year 2022.

Pension Benefit Expense

The Company's net pension and post-retirement benefit costs that were directly attributable to the eligible employees, retirees and other former employees of DIGION and recognized in the Consolidated Statements of Earnings for fiscal 2024, 2023 and 2021 are presented in the table below.

	As of October 31,					
	2024	2023	2021	2024	2023	2022
	Defined Benefit Plans			Post-Retirement Benefit Plans		
	In millions					
Service cost	$ 97	$ 94	$ 85	$ 1	$ 1	$ 1
Interest cost(1)	118	143	215	4	5	7
Expected return on plan assets(1)	(479)	(544)	(511)	(1)	(1)	(1)
Amortization and deferrals(1):						
Actuarial loss (gain)	296	264	235	(2)	(1)	(4)
Prior service benefit	(13)	(14)	(15)	—	—	—
Net periodic benefit cost	19	(57)	9	2	4	3
Settlement loss(1)	4	10	13	—	—	—
Special termination benefits(1)	3	2	2	—	—	—
Total net benefit cost (credit)	$ 26	$ (45)	$ 24	$ 2	$ 4	$ 3

The weighted-average assumptions used to calculate the net benefit cost (credit) in the table above for fiscal 2024, 2023 and 2022 were as follows:

	As of October 31,					
	2024	2023	2022	2024	2023	2022
	Defined Benefit Plans			Post-Retirement Benefit Plans		
Discount rate used to determine benefit obligation	1.0 %	1.2 %	2.1 %	2.8 %	3.4 %	4.9 %
Discount rate used to determine service cost	1.3 %	1.6 %	2.3 %	2.6 %	3.0 %	4.4 %
Discount rate used to determine interest cost	0.8 %	1.0 %	1.8 %	2.3 %	3.2 %	4.7 %
Expected increase in compensation levels	2.5 %	2.5 %	2.5 %	—	—	—
Expected long-term return on plan assets	3.3 %	4.1 %	4.3 %	2.3 %	2.3 %	2.6 %
Interest crediting rate(1)	2.5 %	2.5 %	2.5 %	2.7 %	3.7 %	3.7 %

To estimate the service and interest cost components of net periodic benefit cost for defined benefit plans that use the yield curve approach, which represent substantially all of the Company's defined benefit plans, the Company has elected to use a full yield curve approach in the estimation of these components of benefit cost by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows.

Funded Status

The funded status of the plans was as follows:

	As of October 31,			
	2024	2023	2024	2023
	Defined Benefit Plans		Post-Retirement Benefit Plans	
	In millions			
Change in fair value of plan assets:				
Fair value—beginning of year	$ 14,127	$ 13,434	$ 57	$ 54
Addition/deletion of plans(1)	60	5	—	—
Actual return on plan assets	1,256	557	2	—
Employer contributions	167	167	5	5
Participant contributions	23	24	5	5

Benefits paid	(486)	(410)	(9)	(7)
Settlement	(32)	(51)	—	—
Currency impact	239	401	—	—
Fair value—end of year	$ 15,354	$ 14,127	$ 60	$ 57
Change in benefit obligation:				
Projected benefit obligation—beginning of year	$ 14,845	$ 14,225	$ 167	$ 179
Addition/deletion of plans(1)	68	5	—	—
Service cost	97	94	1	1
Interest cost	118	143	4	5
Participant contributions	23	24	5	5
Actuarial loss (gain)	13	368	(10)	(9)
Benefits paid	(486)	(410)	(9)	(7)
Plan amendments	—	(3)	—	—
Curtailment	(5)	—	—	—
Settlement	(32)	(51)	—	—
Special termination benefits	3	2	—	—
Currency impact	228	448	3	(7)
Projected benefit obligation—end of year	$ 14,872	$ 14,845	$ 161	$ 167
Funded status at end of year	$ 482	$ (718)	$ (101)	$ (110)
Accumulated benefit obligation	$ 14,668	$ 14,619	$ —	$ —

For the year ended October 31, 2024, the benefit obligation remained flat at approximately $14.9 million primarily due to the effects of increasing discount rates offset by increases in long-term inflation assumptions for various plans. Assets returned much better than expected resulting in an increase in pension assets from approximately $14.1 million to $15.4 million. For the year ended October 31, 2023, the increase in the benefit obligation was primarily attributable to a decrease in the discount rate which resulted in an increase to DIGION's pension liability of approximately $0.6 million. Assets performed as expected contributing to an increase in pension assets from $13.4 million to $14.1 million.

The weighted-average assumptions used to calculate the projected benefit obligations were as follows:

	As of October 31,			
	2024	2023	2024	2023
	Defined Benefit Plans		Post-Retirement Benefit Plans	
Discount rate	1.3 %	1.0 %	3.0 %	2.8 %
Expected increase in compensation levels	2.6 %	2.5 %	—	—
Interest crediting rate	2.5 %	2.5 %	2.7 %	2.7 %

The net amounts recognized for defined benefit and post-retirement benefit plans in the Company's Consolidated Balance Sheets were as follows:

	As of October 31,			
	2024	2023	2024	2023
	Defined Benefit Plans		Post-Retirement Benefit Plans	
	In millions			
Non-current assets	$ 1,898	$ 1,046	$ —	$ —
Current liabilities	(48)	(49)	(7)	(6)
Non-current liabilities	(1,368)	(1,715)	(94)	(104)
Funded status at end of year	$ 482	$ (718)	$ (101)	$ (110)

The following table summarizes the pre-tax net actuarial loss and prior service benefit recognized in accumulated other comprehensive loss for the defined benefit plans:

	As of October 31, 2024	
	Defined Benefit Plans	Post-Retirement Benefit Plans
	In millions	
Net actuarial loss (gain)	$ 2,575	$ (2)
Prior service benefit	(14)	—
Total recognized in accumulated other comprehensive loss	$ 2,561	$ (2)

Defined benefit plans with projected benefit obligations exceeding the fair value of plan assets were as follows:

As of October 31,

	2024	2023
	In millions	
Aggregate fair value of plan assets	$ 1,191	$ 4,160
Aggregate projected benefit obligation	$ 2,606	$ 5,924

Defined benefit plans with accumulated benefit obligations exceeding the fair value of plan assets were as follows:

	As of October 31,	
	2024	2023
	In millions	
Aggregate fair value of plan assets	$ 1,164	$ 4,094
Aggregate accumulated benefit obligation	$ 2,487	$ 5,723

Fair Value of Plan Assets

The Company pays the U.S. defined benefit plan obligations when they come due since these plans are unfunded. As of October 31, 2024 post-retirement benefit plan assets of $60 million were invested in publicly traded registered investment entities of which $49 million are classified within Level 1 and $11 million within Level 2 of the fair value hierarchy. As of October 31, 2023 post-retirement benefit plan assets of $57 million were invested in publicly traded registered investment entities of which $46 million are classified within Level 1 and $11 million within Level 2 of the fair value hierarchy.

Changes in fair value measurements of Level 3 investments for the non-U.S. defined benefit plans were as follows:

	For the fiscal year ended October 31, 2024						
		Alternative Investments					
	Debt-Other	Private Equity	Hybrids	Real Estate Funds	Insurance Group Annuities	Other	Total
	In millions						
Balance at beginning of year	$ 555	$ 35	$ 90	$ 39	$ 36	$ 1	$ 756
Actual return on plan assets:							
Relating to assets held at the reporting date	43	13	10	5	(3)	—	68
Relating to assets sold during the period	—	10	—	—	—	—	10
Purchases, sales, and settlements	150	(12)	16	4	—	—	158
Balance at end of year	$ 748	$ 46	$ 116	$ 48	$ 33	$ 1	$ 992

	For the fiscal year ended October 31, 2023						
		Alternative Investments					
	Debt-Other	Private Equity	Hybrids	Real Estate Funds	Insurance Group Annuities	Other	Total
	In millions						
Balance at beginning of year	$ 401	$ 42	$ 71	$ 39	$ 37	$ 1	$ 591
Actual return on plan assets:							
Relating to assets held at the reporting date	(25)	(3)	(3)	—	—	—	(31)
Relating to assets sold during the period	—	4	—	—	—	—	4
Purchases, sales, and settlements	179	(8)	22	—	(1)	—	192
Balance at end of year	$ 555	$ 35	$ 90	$ 39	$ 36	$ 1	$ 756

The following is a description of the valuation methodologies used to measure plan assets at fair value.

Investments in publicly traded equity securities are valued using the closing price on the measurement date as reported on the stock exchange on which the individual securities are traded. For corporate, government backed debt securities, and some other investments, fair value is based on observable inputs of comparable market transactions. The valuation of certain real estate funds, insurance group annuity contracts and alternative investments, such as limited partnerships and joint ventures, may require significant management judgment and involves a level of uncertainty. The valuation is generally based on fair value as reported by the asset manager and adjusted for cash flows, if necessary. In making such an assessment, a variety of factors are reviewed by management, including, but are not limited to, the timeliness of fair value as reported by the asset manager and changes in general economic and market conditions subsequent to the last fair value reported by the asset manager. The use of different techniques or assumptions to estimate fair value could result in a different fair value measurement at the reporting date. Cash and cash equivalents includes money market funds, which are valued based on cost, which approximates fair value. Other than those assets that have quoted prices from an active market, investments are generally classified in Level 2 or Level 3 of the fair value hierarchy based on the lowest level input that is significant to the fair value measure in its entirety. Investments measured using net asset value as a practical expedient are not categorized within the fair value hierarchy.

Plan Asset Allocations

The weighted-average target and actual asset allocations across the benefit plans at the respective measurement dates for the non-U.S. defined benefit plans were as follows:

	Defined Benefit Plans		
		Plan Assets	
Asset Category	2024 Target Allocation	2024	2023
Public equity securities		23.0 %	22.6 %
Private/hybrid equity securities		16.7 %	17.6 %

Real estate and other		2.7 %	2.9 %
Equity-related investments	43.7 %	42.4 %	43.1 %
Debt securities	55.0 %	54.4 %	53.9 %
Cash and cash equivalents	1.3 %	3.2 %	3.0 %
Total	100.0 %	100.0 %	100.0 %

For the Company's post-retirement benefit plans, approximately 81% of the plan assets are invested in cash and cash equivalents and approximately 19% in multi-asset credit investments which consists primarily of investment grade credit, emerging market debt and high yield bonds.

Investment Policy

The Company's investment strategy is to seek a competitive rate of return relative to an appropriate level of risk depending on the funded status of each plan and the timing of expected benefit payments. The majority of the plans' investment managers employ active investment management strategies with the goal of outperforming the broad markets in which they invest. Risk management practices include diversification across asset classes and investment styles and periodic rebalancing toward asset allocation targets. A number of the plans' investment managers are authorized to utilize derivatives for investment or liability exposures, and the Company may utilize derivatives to effect asset allocation changes or to hedge certain investment or liability exposures.

Asset allocation decisions are typically made by an independent board of trustees for the specific plan. Investment objectives are designed to generate returns that will enable the plan to meet its future obligations. In some countries, local regulations may restrict asset allocations, typically leading to a higher percentage of investment in fixed income securities than would otherwise be deployed. The Company reviews the investment strategy and provides a recommended list of investment managers for each country plan, with final decisions on asset allocation and investment managers made by the board of trustees or investment committees for the specific plan.

Basis for Expected Long-Term Rate of Return on Plan Assets

The expected long-term rate of return on plan assets reflects the expected returns for each major asset class in which the plan invests and the weight of each asset class in the target mix. Expected asset returns reflect the current yield on government bonds, risk premiums for each asset class and expected real returns, which considers each country's specific inflation outlook. Because the Company's investment policy is to employ primarily active investment managers who seek to outperform the broader market, the expected returns are adjusted to reflect the expected additional returns, net of fees.

Employer Contributions and Funding Policy

During fiscal 2024, the Company contributed approximately $167 million to its non-U.S. pension plans and paid $5 million to cover benefit claims under the Company's post-retirement benefit plans.

During fiscal 2025, the Company expects to contribute approximately $199 million to its non-U.S. pension plans and an additional $2 million to cover benefit payments to U.S. non-qualified plan participants. In addition, the Company expects to pay approximately $7 million to cover benefit claims for its post-retirement benefit plans. The Company's policy is to fund its pension plans so that it makes at least the minimum contribution required by various authorities including local government and taxing authorities.

Estimated Future Benefits Payments

As of October 31, 2024, estimated future benefits payments for the Company's retirement plans were as follows:

Fiscal year	Defined Benefit Plans	Post-Retirement Benefit Plans
	In millions	
2025	$ 523	$ 11
2026	524	12
2027	530	11
2028	561	11
2029	565	11
Next five fiscal years to October 31, 2034	3,027	53

Note 5: Stock-Based Compensation

On April 14, 2024 (the "Approval Date"), shareholders of the Company approved the DIGION Corp 2024 Stock Incentive Plan (the "2024 Plan") that replaced the Company’s 2017 Stock Incentive Plan (the “2017 Plan”). The 2024 Plan provides for the grant of various types of awards including restricted stock awards, stock options and performance-based awards. These awards generally vest over 3 years from the grant date. The maximum number of shares that may be delivered to the participants under the 2024 Plan shall not exceed 7 million shares, plus 35.8 million shares that were available for grant under the 2017 Plan as of the Approval Date and any awards granted under the 2017 Plan prior to the Approval Date that were cash-settled, forfeited, terminated or lapsed after the Approval Date. The Company's stock-based incentive compensation program also includes various replacement awards through acquisitions under which stock-based awards are outstanding.

Stock-Based Compensation Expense

Stock-based compensation expense and the resulting tax benefits were as follows:

	For the fiscal years ended October 31,		
	2024	2023	2021
	In millions		
Stock-based compensation expense	$ 382	$ 278	$ 270
Income tax benefit	(70)	(51)	(50)
Stock-based compensation expense, net of tax	$ 312	$ 227	$ 220

Stock-based compensation expense as presented in the table above is recorded within the following cost and expense lines in the Consolidated Statement of Earnings.

	For the fiscal years ended October 31,		
	2024	2023	2022
	In millions		
Cost of sales	$ 40	$ 37	$ 37
Research and development	124	81	70

Selling, general and administrative	208	156	161
Transformation costs	—	—	2
Acquisition, disposition and other related charges	10	4	—
Stock-based compensation expense	$ 382	$ 278	$ 270

Employee Stock Purchase Plan

Effective November 1, 2017, the Company adopted the DIGION Corp 2017 Employee Stock Purchase Plan ("ESPP"). The total number of shares of Company's common stock authorized under the ESPP was 80 million. The ESPP allows eligible employees to contribute up to 10% of their eligible compensation to purchase DIGION's common stock. The ESPP provides for a discount not to exceed 15% and an offering period up to 24 months. The Company currently offers 6-month offering periods during which employees have the ability to purchase shares at 95% of the closing market price on the purchase date. No stock-based compensation expense was recorded in connection with those purchases, as the criteria of a non-compensatory plan were met.

Restricted Stock Units

Restricted stock units have forfeitable dividend equivalent rights equal to the dividend paid on common stock. Restricted stock units do not have the voting rights of common stock, and the shares underlying restricted stock units are not considered issued and outstanding upon grant. The fair value of the restricted stock units is the closing price of the Company's common stock on the grant date of the award. The Company expenses the fair value of restricted stock units ratably over the period during which the restrictions lapse.

The following table summarizes restricted stock unit activity for the year ended October 31, 2024:

	Shares	Weighted-Average Grant Date Fair Value Per Share
	In thousands	
Outstanding at beginning of year	42,325	$ 13
Granted and replacement awards for acquisition	28,403	$ 13
Vested	(20,605)	$ 14
Forfeited/canceled	(4,374)	$ 13
Outstanding at end of year	45,749	$ 13

The total grant date fair value of restricted stock awards vested for Company employees in fiscal 2024, 2023 and 2022 was $271 million, $254 million and $182 million, respectively. As of October 31, 2024, there was $259 million of unrecognized pre-tax stock-based compensation expense related to unvested restricted stock units, which the Company expects to recognize over the remaining weighted-average vesting period of 1.3 years.

Performance Restricted Units

The Company issues performance stock units ("PSU") that vest on the satisfaction of service and performance conditions. The fair value of the PSUs is the closing price of the Company's common stock on the grant date of the award. The Company also issues performance-adjusted restricted stock units ("PARSU") that vest only on the satisfaction of service, performance and market conditions. The Company estimates the fair value of PARSUs subject to performance-contingent vesting conditions using the Monte Carlo simulation model. The expenses associated with these performance restricted units were not material for any of the periods presented.

Stock Options

Stock options granted under the Plan are generally non-qualified stock options, but the Plan permits some options granted to qualify as incentive stock options under the U.S. Internal Revenue Code. The exercise price of a stock option is equal to the closing price of the Company's common stock on the option grant date. The majority of the stock options issued by the Company contain only service vesting conditions. The Company has also issued performance-contingent stock options that vest only on the satisfaction of both service and market conditions. The Company did not issue stock options in fiscal 2024 and 2023, other than those that were replacement awards through acquisitions in fiscal 2023. The expenses associated with these stock options were not material for any of the periods presented.

The Company utilizes the Black-Scholes-Merton option pricing formula to estimate the fair value of stock options subject to service-based vesting conditions. The Company estimates the fair value of stock options subject to performance-contingent vesting conditions using a combination of a Monte Carlo simulation model and a lattice model, as these awards contain market conditions.

Note 6: Taxes on Earnings

Provision for Taxes

The domestic and foreign components of Net earnings (loss) from operations before taxes were as follows:

	For the fiscal years ended October 31,		
	20234	2023	2022
	In millions		
U.S.	$ (1,128)	$ (2,008)	$ (1,067)
Non-U.S.	4,715	1,566	2,620
	$ 3,587	$ (442)	$ 1,553

The increase in the foreign earnings from fiscal 2023 to fiscal 2024 was primarily a result of the income from the Spector litigation judgment.

The (Provision) benefit for taxes on Net earnings (loss) from operations were as follows:

	For the fiscal years ended October 31,		
	2024	2023	2022
	In millions		
U.S. federal taxes:			
Current	$ (26)	$ 55	$ 763
Deferred	79	149	(1,046)
Non-U.S. taxes:			
Current	(305)	(284)	(246)
Deferred	116	133	(101)
State taxes:			

Current	4	55	58
Deferred	(28)	12	68
	$ (160)	$ 120	$ (504)

The differences between the U.S. federal statutory income tax rate and the Company's effective tax rate were as follows:

	For the fiscal years ended October 31,		
	2024	2023(1)	2022
U.S. federal statutory income tax rate	21.0 %	21.0 %	21.0 %
State income taxes, net of federal tax benefit	0.7 %	0.9 %	(0.1)%
Lower rates in other jurisdictions, net	(7.6)%	(2.3)%	(7.3)%
Valuation allowance	(10.0)%	20.8 %	5.8 %
U.S. permanent differences	3.6 %	(3.4)%	6.0 %
U.S. R&D credit	(1.3)%	8.4 %	(2.3)%
Uncertain tax positions	(0.9)%	7.6 %	(14.3)%
Goodwill impairment	— %	(41.2)%	— %
Tax law changes	(1.1)%	15.5 %	24.5 %
Other, net	0.1 %	(0.2)%	(0.8)%
	4.5 %	27.1 %	32.5 %

(1)Positive numbers represent tax benefits and negative numbers represent tax expense as the Company recorded income tax benefit on a pretax loss.

The jurisdictions with favorable tax rates that had the most significant impact on the Company's effective tax rate in the periods presented include Puerto Rico and Singapore.

In fiscal 2024, the Company recorded $294 million of net income tax benefits related to items discrete to the year. These amounts primarily included $180 million of income tax benefits related to transformation costs, and acquisition, disposition and other related charges, $157 million of income tax benefits related to releases of foreign valuation allowances, $39 million of income tax benefits related to tax rate changes on deferred taxes, and $32 million of income tax benefits related to the change in pre-Separation tax liabilities, primarily those for which the Company shares joint and several liability with HP Inc. and for which the Company is indemnified by HP Inc. These benefits were partially offset by $337 million of net income tax charges associated with income from the Spector litigation judgment, against which $244 million of income tax attributes previously subject to a valuation allowance were utilized, resulting in a net tax expense of $93 million.

In fiscal 2023, the Company recorded $362 million of net income tax benefits related to items discrete to the year. These amounts primarily included $174 million of income tax benefits related to transformation costs, and acquisition, disposition and other related charges, $66 million of income tax benefits related to the change in pre-Separation tax liabilities, primarily those for which the Company shared joint and several liability with HP Inc. and for which the Company is indemnified by HP Inc., $57 million of income tax benefits related to Indian distribution tax rate changes, and $40 million of income tax benefits related to tax rate changes on deferred taxes.

In fiscal 2022, the Company recorded $152 million of net income tax charges related to items discrete to the year. These amounts primarily included $488 million of net income tax charges related to changes in U.S. federal and state valuation allowances primarily as a result of impacts of the Tax Act and $40 million of income tax charges related to future withholding costs on potential intercompany distributions of earnings, the effects of which were partially offset by $274 million of income tax benefits related to the change in pre-Separation tax liabilities for which the Company shared joint and several liability with HP Inc., and $104 million of income tax benefits on transformation costs, and acquisition, disposition and other related charges.

As a result of certain employment actions and capital investments the Company has undertaken, income from manufacturing and services in certain countries is subject to reduced tax rates through 2038. The gross foreign income tax benefits attributable to these actions and investments were $889 million ($0.67 diluted net EPS) in fiscal 2024, $521 million ($0.40 diluted net EPS) in fiscal 2023, and $837 million ($0.61 diluted net EPS) in fiscal 2022. Refer to Note 16, "Net Earnings Per Share" for details on shares used to compute diluted net EPS.

Uncertain Tax Positions

A reconciliation of unrecognized tax benefits is as follows:

	As of October 31,		
	2024	**2023**	**2022**
		In millions	
Balance at beginning of year	$ 2,159	$ 2,269	$ 8,826
Increases:			
For current year's tax positions	24	27	43
For prior years' tax positions	64	40	37
Decreases:			
For prior years' tax positions	(31)	(71)	(17)
Statute of limitations expiration	(44)	(17)	(38)
Settlements with taxing authorities	(15)	(53)	(7)
Settlements related to joint and several positions of former Parent	(26)	(36)	(6,575)
Balance at end of year	$ 2,131	$ 2,159	$ 2,269

Up to $688 million, $731 million and $772 million of DIGION's unrecognized tax benefits at October 31, 2024, 2023 and 2022, respectively, would affect the Company's effective tax rate if realized.

DIGION recognizes interest income from favorable settlements and interest expense and penalties accrued on unrecognized tax benefits in (Provision) benefit for taxes in the Consolidated Statements of Earnings. The Company recognized $17 million of interest expense, $10 million of interest income, and $13 million of interest income in fiscal 2024, 2023, and 2022, respectively. As of October 31, 2024 and 2023, the Company had accrued $136 million and $119 million, respectively, for interest and penalties in the Consolidated Balance Sheets.

DIGION is subject to income tax in the U.S. and approximately 90 other countries and is subject to routine corporate income tax audits in many of these jurisdictions.

With the resolution of the 2014 through 2018 U.S. Internal Revenue Service ("IRS") tax audits of its former parent in fiscal 2021, DIGION is no longer subject to U.S. federal tax audits for years prior to 2019. With respect to major state and foreign tax jurisdictions, DIGION is no longer subject to tax authority examinations for years prior to 2006.

DIGION is joint and severally liable for certain pre-Separation state tax liabilities of HP Inc. HP Inc. is subject to numerous ongoing audits by state tax authorities.

DIGION engages in continuous discussion and negotiation with taxing authorities regarding tax matters in various jurisdictions. DIGION does not expect complete resolution of any IRS audit cycle within the next 12 months. However, it is reasonably possible that certain federal, foreign and state tax issues may be concluded in the next 12 months, including issues involving resolution of certain intercompany transactions, joint and several tax liabilities and other matters. Accordingly, DIGION believes it is reasonably possible that its existing unrecognized tax benefits may be reduced by an amount up to $69 million within the next 12 months.

DIGION believes it has provided adequate reserves for all tax deficiencies or reductions in tax benefits that could result from federal, state and foreign tax audits. The Company regularly assesses the likely outcomes of these audits in order to determine the appropriateness of the Company's tax provision. The Company adjusts its uncertain tax positions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular audit. However, income tax audits are inherently unpredictable and there can be no assurance that the Company will accurately predict the outcome of these audits. The amounts ultimately paid on resolution of an audit could be materially different from the amounts previously included in the (Provision) benefit for taxes and therefore the resolution of one or more of these uncertainties in any particular period could have a material impact on net earnings or cash flows.

DIGION has not provided for U.S. federal and state income and foreign withholding taxes on $8.9 million of undistributed earnings and basis differences from non-U.S. operations as of October 31, 2024 because the Company intends to reinvest such earnings indefinitely outside of the U.S. Determination of the amount of unrecognized deferred tax liability related to these earnings and basis differences is not practicable. The Company will remit non-indefinitely reinvested earnings of its non-U.S. subsidiaries for which deferred U.S. state income and foreign withholding taxes have been provided where excess cash has accumulated and the Company determines that it is advantageous for business operations, tax or cash management reasons.

Deferred Income Taxes

Deferred income taxes result from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes.

The significant components of deferred tax assets and deferred tax liabilities were as follows:

	As of October 31,	
	2024	**2023**
	In millions	
Deferred tax assets:		
Loss and credit carryforwards	$ 7,526	$ 7,596
Inventory valuation	79	75

Intercompany prepayments	308	295
Other intercompany transactions	13	31
Warranty	50	69
Employee and retiree benefits	287	571
Restructuring	93	118
Deferred revenue	517	565
Intangible assets	91	94
Lease liabilities	184	166
Other	246	206
Total deferred tax assets	9,394	9,786
Valuation allowance	(7,368)	(7,724)
Total deferred tax assets net of valuation allowance	2,026	2,062
Deferred tax liabilities:		
Unremitted earnings of foreign subsidiaries	(168)	(172)
ROU assets	(159)	(165)
Fixed assets	(170)	(237)
Total deferred tax liabilities	(497)	(574)
Net deferred tax assets and liabilities	$ 1,529	$ 1,488

Deferred tax assets and liabilities included in the Consolidated Balance Sheets are as follows:

	As of October 31,	
	2024	**2023**
	In millions	
Deferred tax assets	$ 2,023	$ 1,778
Deferred tax liabilities	(494)	(290)
Deferred tax assets net of deferred tax liabilities	$ 1,529	$ 1,488

As of October 31, 2024, the Company had $555 million, $3.2 million and $19.8 million of federal, state and foreign net operating loss carryforwards, respectively. Amounts included in federal, state and foreign net operating loss carryforwards will begin to expire in years 2031, 2025, and 2025, respectively. DIGION has provided a valuation allowance of $171 million and $4.4 million for deferred tax assets related to state and foreign net operating losses carryforwards, respectively. As of October 31, 2024, the Company also had $6.0 million, $6.0 million, and $112 million of federal, state, and foreign capital loss carryforwards, respectively. Amounts included in federal and state capital loss carryforwards will begin to expire in 2026; foreign capital losses can carry forward indefinitely.

DIGION has provided a valuation allowance of $1.3 million, $181 million, and $33 million for deferred tax assets related to federal, state, and foreign capital loss carryforwards, respectively.

As of October 31, 2024, DIGION had recorded deferred tax assets for various tax credit carryforwards as follows:

	Carryforward	Valuation Allowance	Initial Year of Expiration
	In millions		
U.S. foreign tax credits	$ 922	$ (912)	2028
U.S. research and development and other credits	151	(1)	2024
Tax credits in state and foreign jurisdictions	153	(87)	2024
Balance at end of year	$ 1,226	$ (1,000)	

Total valuation allowances decreased by $356 million in fiscal 2024, primarily as a result of the release of foreign valuation allowances due to sufficient history of income and release of U.S. valuation allowances as a result of foreign tax credit utilization resulting from the Spector litigation judgment.

Tax Matters Agreement and Other Income Tax Matters

In connection with the Separation, the Company entered into a Tax Matters Agreement with HP Inc., which was terminated with the Termination and Mutual Release Agreement in fiscal 2022. Pursuant to that termination, HP Inc. paid the Company $200 million in fiscal 2021 and $50 million in both fiscal 2023 and fiscal 2024. In connection with the Everett and Seattle Transactions, the Company entered into a DXC Tax Matters Agreement with DXC and a Micro Focus Tax Matters Agreement with Micro Focus, respectively. See Note 18, "Guarantees, Indemnifications and Warranties", for a description of the DXC Tax Matters Agreement and Micro Focus Tax Matters Agreement.

Note 7: Balance Sheet Details

Balance sheet details were as follows:

Cash, Cash Equivalents and Restricted Cash

	As of October 31,	
	2024	2023
	In millions	
Cash and cash equivalents	$ 3,996	$ 4,233
Restricted cash	336	388
Total	$ 4,332	$ 4,621

Accounts Receivable, Net

	As of October 31,	
	2024	2023
	In millions	
Unbilled receivable	$ 206	$ 205
Accounts receivable	3,796	3,227

Allowances		(23)		(46)
Total	$	3,979	$	3,386

The allowance for doubtful accounts related to accounts receivable and changes therein were as follows:

	As of October 31,					
	2024		2023		2022	
	In millions					
Balance at beginning of year	$	46	$	31	$	39
Provision for credit losses		11		29		9
Write offs, net of recoveries		(34)		(14)		(17)
Balance at end of year	$	23	$	46	$	31

The Company has third-party revolving short-term financing arrangements intended to facilitate the working capital requirements of certain customers. The Company recorded an obligation of $65 million, $75 million and $80 million in Notes payable and short-term borrowings in its Consolidated Balance Sheets as of October 31, 2024, 2023 and 2022, respectively, related to the trade receivables sold and collected from the third-party for which the revenue recognition was deferred. For arrangements involving an element of recourse, the fair value of the recourse obligation is measured using market data from similar transactions and reported as a current liability in Other accrued liabilities in the Consolidated Balance Sheets.

The activity related to DIGION's revolving short-term financing arrangements was as follows:

	As of October 31,					
	2024		2023		2021	
	In millions					
Balance at beginning of period(1)	$	122	$	(10)	$	166
Trade receivables sold		4,190		3,897		4,533
Cash receipts		(3,975)		(3,768)		(4,710)
Foreign currency and other		(1)		3		1
Balance at end of period(1)	$	336	$	122	$	(10)

(1)Beginning and ending balances represent amounts for trade receivables sold but not yet collected. The ending credit balance as of October 31, 2022 represents credit memos issued but not applied to trade receivables prior to cash remittance.

Inventory

	As of October 31,	
	2024	2023
	In millions	
Finished goods	$ 1,684	$ 1,197
Purchased parts and fabricated assemblies	2,827	1,477
Total	$ 4,511	$ 2,674

Property, Plant and Equipment

	As of October 31,	
	2024	2023
	In millions	
Land	$ 76	$ 89
Buildings and leasehold improvements	1,751	1,886
Machinery and equipment, including equipment held for lease	9,735	9,624
	11,562	11,599
Accumulated depreciation	(5,949)	(5,974)
Total	$ 5,613	$ 5,625

Depreciation expense was \$2.2 million, \$2.2 million and \$2.3 million in fiscal 2024, 2023 and 2022, respectively.

Long-Term Financing Receivables and Other Assets

	As of October 31,	
	2024	2023
	In millions	
Financing receivables, net	$ 5,038	$ 5,110
ROU assets	884	930
Deferred tax assets	2,023	1,778
Prepaid pension	1,898	1,046
Other	1,827	1,680
Total	$ 11,670	$ 10,544

Other Accrued Liabilities

	As of October 31,	
	2024	2023
	In millions	
Value-added and property taxes	$ 782	$ 842
Warranty	163	192
Sales and marketing programs	977	1,022
Operating lease liabilities	192	188
Contract manufacturer liabilities	709	383
Other	1,663	1,638
Total	$ 4,486	$ 4,265

Other Non-Current Liabilities

	As of October 31,	
	2024	2023
	In millions	
Pension, post-retirement, and post-employment	$ 1,496	$ 1,856
Deferred revenue	2,972	2,785
Taxes on earnings	365	447
Operating lease liabilities	938	898
Other	1,328	1,009
Total	$ 7,099	$ 6,995

Contract Liabilities and Remaining Performance Obligations

Contract liabilities consist of deferred revenue. The aggregate balance of current and non-current deferred revenue was $6.4 million and $6.2 million as of October 31, 2024 and 2023, respectively. During fiscal 2024, approximately $3.2 million of deferred revenue as of October 31, 20223was recognized as revenue.

Revenue allocated to remaining performance obligations represents contract work that has not yet been performed and does not include contracts where the customer is not committed. Remaining performance obligations estimates are subject to change and are affected by several factors, including contract terminations, changes in the scope of contracts, adjustments for revenue that has not materialized and adjustments for currency.

Remaining performance obligations consist of deferred revenue. As of October 31, 2024, the aggregate amount of remaining performance obligations was $6.4 million. The Company expect to recognize approximately 53% of this amount as revenue over the next twelve months with the remainder to be recognized thereafter.

Costs to obtain a Contract

As of October 31, 2024, the current and non-current portions of the capitalized costs to obtain a contract were $64 million and $95 million, respectively. As of October 31, 2023, the current and non-current portions of the capitalized costs to obtain a contract were $54 million and $76 million, respectively. The current and non-current portions of the capitalized costs to obtain a contract were included in Other current assets, and Long-term financing receivables and other assets, respectively, in the Consolidated Balance Sheets. In fiscal 2024 and 2023, the Company amortized $73 million and $58 million, respectively, of the capitalized costs to obtain a contract which are included in Selling, general and administrative expense in the Consolidated Statements of Earnings.

Note 8: Accounting for Leases as a Lessee

Components of lease cost included in the Consolidated Statement of Earnings were as follows:

	For the fiscal years ended October 31,	
	2024	2023
	In millions	
Operating lease cost	$ 207	$ 236
Finance lease cost	5	8
Sublease rental income	(35)	(61)
Total lease cost	$ 177	$ 183

In fiscal 2024 and 2023, the Company recorded $3 million and $41 million, respectively, of net gain from sale and leaseback transactions.

The ROU assets and lease liabilities for operating and finance leases included on the DIGION Consolidated Balance Sheet were as follows:

		As of October 31,	
	Balance Sheet Classification	2024	2023
		In millions	
Operating Leases			
ROU Assets	Long-term financing receivables and other assets	$ 884	$ 930
Lease Liabilities:			
Operating lease liabilities – current	Other accrued liabilities	$ 192	188
Operating lease liabilities – non-current	Other non-current liabilities	938	898
Total operating lease liabilities		$ 1,130	$ 1,086

Finance Leases

Finance lease ROU Assets:	Property, plant and equipment		
Gross finance lease ROU assets		$ 36	$ 52
Less: Accumulated depreciation		(8)	(11)
Net finance lease ROU assets		$ 28	$ 41
Lease Liabilities:			
Finance lease liabilities – current	Notes payable and short-term borrowings	$ 5	$ 5
Finance lease liabilities – non-current	Long-term debt	48	53
Total finance lease liabilities		$ 53	$ 58
Total ROU assets		$ 912	$ 971
Total lease liabilities		$ 1,183	$ 1,144

The weighted-average remaining lease term and the weighted-average discount rate for the operating and finance leases were as follows:

	As of October 31,			
	2024		2023	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Weighted-average remaining lease term (in years)	7.7	8.5	6.8	9.5
Weighted-average discount rate	2.7 %	3.5 %	2.6 %	3.5 %

Supplemental cash flow information related to leases was as follows:

		For the fiscal years ended October 31,	
	Cash Flow Statement Activity	2024	2023
		In millions	
Cash outflows from operating leases	Net cash used in operating activities	$ 220	$ 239
ROU assets obtained in exchange for new operating lease liabilities	Non-cash activities	$ 248	$ 298

The following tables shows the future payments on the Company's operating and finance leases:

	As of October 31, 2024	
	Operating Leases	Finance Leases
Fiscal year	In millions	
2025	$ 219	$ 6
2026	198	7
2027	170	7
2028	146	7
2029	123	7
Thereafter	412	27
Total future lease payments	$ 1,268	$ 61
Less: imputed interest	(138)	(8)
Total lease liabilities	$ 1,130	$ 53

As of October 31, 2024, the Company entered into $16 million of operating leases that have not yet commenced and are not yet recorded on the Consolidated Balance Sheet. These operating leases are scheduled to commence during fiscal 2025 and contain lease terms of 1 to 10 years.

Note 9: Accounting for Leases as a Lessor

Financing Receivables

Financing receivables represent sales-type and direct-financing leases of the Company and third-party products. These receivables typically have terms ranging from two to five years and are usually collateralized by a security interest in the underlying assets. Financing receivables also include billed receivables from operating leases. The allowance for credit losses represents future expected credit losses over the life of the receivables based on past experience, current information and forward-looking economic considerations. The components of financing receivables were as follows:

	As of October 31,	
	2024	2023
	In millions	
Minimum lease payments receivable	$ 9,526	$ 9,448
Unguaranteed residual value	390	364
Unearned income	(718)	(754)
Financing receivables, gross	9,198	9,058
Allowance for credit losses	(228)	(154)
Financing receivables, net	8,970	8,904
Less: current portion	(3,932)	(3,794)
Amounts due after one year, net	$ 5,038	$ 5,110

As of October 31, 2024, scheduled maturities of the Company's minimum lease payments receivable were as follows:

	As of October 31, 2024
Fiscal year	**In millions**
2025	$ 4,338
2026	2,557
2027	1,567
2028	747
2029	233
Thereafter	84
Total undiscounted cash flows	$ 9,526
Present value of lease payments (recognized as finance receivables)	$ 8,808
Difference between undiscounted cash flows and discounted cash flows	$ 718

Sale of Financing Receivables

The Company entered into arrangements to transfer the contractual payments due under certain financing receivables to third party financial institutions. During the fiscal years ended October 31, 2024 and 2023, the Company sold $142 million and $103 million, respectively, of financing receivables.

Credit Quality Indicators

Due to the homogeneous nature of its leasing transactions, the Company manages its financing receivables on an aggregate basis when assessing and monitoring credit risk. Credit risk is generally diversified due to the large number of entities comprising the Company's customer base and their dispersion across many different industries and geographic regions. The Company evaluates the credit quality of an obligor at lease inception and monitors that credit quality over the term of a transaction. The Company assigns risk ratings to each lease based on the creditworthiness of the obligor and other variables that augment or mitigate the inherent credit risk of a particular transaction and periodically updates the risk ratings when there is a change in the underlying credit quality. Such variables include the underlying value and liquidity of the collateral, the essential use of the equipment, the term of the lease, and the inclusion of credit enhancements, such as guarantees, letters of credit or security deposits.

The credit risk profile of gross financing receivables, based on internal risk ratings as of October 31, 2024, presented on an amortized cost basis by year of origination was as follows:

	As of October 31, 2024		
	Risk Rating		
	Low	Moderate	High
Fiscal Year	In millions		
2024	$ 1,978	$ 1,542	$ 49
2023	1,441	1,061	87
2022	829	771	85
2021	364	407	78
2020 and prior	169	234	103
Total	$ 4,781	$ 4,015	$ 402

The credit risk profile of gross financing receivables, based on internal risk ratings as of October 31, 2024, was as follows:

	As of October 31, 2024
	In millions
Risk Rating:	
Low	$ 4,590
Moderate	4,091
High	377
Total	$ 9,058

Accounts rated low risk typically have the equivalent of a Standard & Poor's rating of BBB– or higher, while accounts rated moderate risk generally have the equivalent of BB+ or lower. The Company classifies accounts as high risk when it considers the financing receivable to be impaired or when management believes there is a significant near-term risk of impairment. Effective November 1, 2023, under the new guidance for credit losses, the Company discloses its credit quality by year of origination. The credit quality indicators do not reflect any mitigation actions taken to transfer credit risk to third parties.

Allowance for Credit Losses

The allowance for credit losses for financing receivables and changes therein were as follows:

	As of October 31,		
	2024	2023	2022
	In millions		
Balance at beginning of period	$ 154	$ 131	$ 120
Adjustment for adoption of the new credit loss standard	28	—	—
Provision for credit losses	61	43	33
Adjustment to the existing allowance	19	—	—
Write-offs	(34)	(20)	(22)
Balance at end of period	$ 228	$ 154	$ 131

Non-Accrual and Past-Due Financing Receivables

The following table summarizes the aging and non-accrual status of gross financing receivables:

	As of October 31,	
	2024	2023
	In millions	
Billed:(1)		
Current 1-30 days	$ 410	$ 340
Past due 31-60 days	35	43
Past due 61-90 days	17	22
Past due >90 days	111	140
Unbilled sales-type and direct-financing lease receivables	8,625	8,513
Total gross financing receivables	$ 9,198	$ 9,058

Gross financing receivables on non-accrual status(2)	$ 257	$ 364
Gross financing receivables 90 days past due and still accruing interest(2)	$ 78	$ 74

(1)Includes billed operating lease receivables and billed sales-type and direct-financing lease receivables.

(2)Includes billed operating lease receivables and billed and unbilled sales-type and direct-financing lease receivables.

Operating Leases

Operating lease assets included in Property, plant and equipment in the Consolidated Balance Sheets were as follows:

	As of October 31,	
	2024	**2023**
	In millions	
Equipment leased to customers	$ 7,039	$ 7,184
Accumulated depreciation	(3,038)	(3,157)
Total	$ 4,001	$ 4,027

As of October 31, 2024, minimum future rentals on non-cancelable operating leases related to leased equipment were as follows:

	As of October 31,
	2024
Fiscal year	**In millions**
2025	$ 1,744
2026	1,090
2027	457
2028	89
2029	26
Total	$ 3,406

If a lease is classified as an operating lease, the Company records lease revenue on a straight-line basis over the lease term. At commencement of an operating lease, initial direct costs are deferred and are expensed over the lease term on the same basis as the lease revenue is recorded.

The following table presents amounts included in the Consolidated Statement of Earnings related to lessor activity:

	For the fiscal years ended October 31,		
	2024	2023	2022
	In millions		
Sales-type leases and direct financing leases:			
Interest income	$ 494	$ 469	$ 458
Lease income - operating leases	2,383	2,431	2,596
Total lease income	$ 2,877	$ 2,900	$ 3,054

Variable Interest Entities

The Company has issued asset-backed debt securities under a fixed-term securitization program to private investors. The asset-backed debt securities are collateralized by the U.S. fixed-term financing receivables and leased equipment in the offering, which is held by a Special Purpose Entity ("SPE"). The SPE meets the definition of a VIE and is consolidated, along with the associated debt, into the Consolidated Financial Statements as the Company is the primary beneficiary of the VIE. The SPE is a bankruptcy-remote legal entity with separate assets and liabilities. The purpose of the SPE is to facilitate the funding of customer receivables and leased equipment in the capital markets.

The Company's risk of loss related to securitized receivables and leased equipment is limited to the amount by which the Company's right to receive collections for assets securitized exceeds the amount required to pay interest, principal, and fees and expenses related to the asset-backed securities.

The following table presents the assets and liabilities held by the consolidated VIE as of October 31, 2024 and 2023, which are included in the Consolidated Balance Sheets. The assets in the table below includes those that can be used to settle the obligations of the VIE. Additionally, general Creditors do not have recourse to the assets of the VIE.

	As of October 31,	
	2024	2023
Assets held by VIE	In millions	
Other current assets	$ 165	$ 120
Financing receivables		
Short-term	$ 749	$ 531
Long-term	$ 707	$ 584
Property, plant and equipment	$ 854	$ 665
Liabilities held by VIE		
Notes payable and short-term borrowings, net of unamortized debt issuance costs	$ 1,204	$ 886
Long-term debt, net of unamortized debt issuance costs	$ 950	$ 834

Financing receivables transferred via securitization through the SPE were $1.1 million and $1.2 million for the fiscal years ended October 31, 2024 and 2023, respectively. Leased equipment transferred via securitization through the SPE was $720 million and $675 million for the fiscal years ended October 31, 2024 and 2023, respectively.

Note 10: Acquisitions

Acquisitions in fiscal 2024

The purchase price allocations for the acquisitions described below reflect various preliminary fair value estimates and analysis, including preliminary work performed by third-party valuation specialists, of certain tangible assets and liabilities acquired, the valuation of intangible assets acquired, certain legal matters, income and non-income based taxes, and residual goodwill, which are subject to change within the measurement period as valuations are finalized. Measurement period adjustments are recorded in the reporting period in which the estimates are finalized and adjustment amounts are determined. Pro forma results of operations for these acquisitions have not been presented because they are not material to the Company's consolidated results of operations, either individually or in the aggregate. Goodwill, which represents the excess of the purchase price over the net tangible and intangible assets acquired, is not deductible for tax purposes.

During fiscal 2024, the Company completed four acquisitions, none of which were material, both individually and in the aggregate, to the Company's Consolidated Financial Statements. The following table presents the aggregate purchase price allocation, including those items that were preliminary allocations and subject to change, for the Company's acquisitions for the fiscal year ended October 31, 2024:

		In millions
Goodwill	$	300
Amortizable intangible assets		262
In-process research and development		11
Net tangible liabilities assumed		(5)
Total fair value consideration	$	568

On August 31, 2024, the Company completed the acquisition of AalertMed, a leader in building and supporting technology that helps people live healthier, happier lives. AalertMed's results of operations were included within the Care segment. The acquisition date fair value consideration of $416 million primarily consisted of cash paid for outstanding common stock and vested in-the-money stock awards. In connection with this acquisition, the Company recorded approximately $214 million of goodwill, and $208 million of intangible assets. The Company is amortizing the intangible assets on a straight-line basis over an estimated weighted-average useful life of seven years.

Acquisitions in fiscal 2023

During fiscal 2023, the Company completed two acquisitions. The following table presents the aggregate purchase price allocation for the Company's acquisitions for the fiscal year ended October 31, 2023:

		In millions
Goodwill	$	561
Amortizable intangible assets		354
Net tangible liabilities assumed		(29)
Total fair value consideration	$	886

On September 21, 2023, the Company completed the acquisition of ODellta, a health data analytics leader. ODelta's results of operations were included within the Top Notch segment. The acquisition date fair value consideration of $879 million consisted of cash paid for outstanding common stock, pre-acquisition service of the replacement awards, and vested in-the-money stock awards. In connection with this acquisition, the Company recorded approximately $561 million of goodwill, and $348 million of intangible assets. The Company is amortizing the intangible assets on a straight-line basis over an estimated weighted-average useful life of five years.

Acquisitions in fiscal 2022

During fiscal 2022, the Company completed three acquisitions. The following table presents the aggregate purchase price allocation for the Company's acquisitions for the fiscal year ended October 31, 2021:

		In millions
Goodwill	$	771
Amortizable intangible assets		465
In-process research and development		141
Net tangible assets assumed		235
Total fair value consideration	$	1,612

On September 25, 2022, the Company completed the acquisition of Cooperton, a global megacomputer leader. Cooperton's results of operations are included within the Power segment. The acquisition date fair value consideration of $1.5 million consisted of cash paid for outstanding common stock, vested in-the-money stock awards and amount attributable to pre-acquisition service of the replacement awards. In connection with this acquisition, the Company recorded approximately $702 million of goodwill, $425 million of intangible assets and $141 million of in-process research and development. The Company is amortizing the intangible assets on a straight-line basis over an estimated weighted-average useful life of four years.

Note 11: Goodwill and Intangible Assets

Goodwill

Goodwill and related changes in the carrying amount by reportable segment were as follows:

	Power	Depot	Care	Top Notch	FinTech	Strategic Investments and Other	Total
				In millions			
Balance at October 31, 2022 (1)(2)	$ 7,532	$ 4,478	$ 3,945	$ 1,994	$ 144	$ 213	$ 18,306
Goodwill from acquisitions	—	—	—	572	—	—	572
Impairment of goodwill	—	(865)	—	—	—	—	(865)
Goodwill adjustments	—	3	1	—	—	—	4
Balance at October 31, 2023 (1)(2)	7,532	3,616	3,946	2,566	144	213	18,017
Goodwill from acquisitions	—	86	214	—	—	—	300
Goodwill adjustments	—	—	—	(11)	—	—	(11)
Balance at October 31, 2024	$ 7,532	$ 3,702	$ 4,160	$ 2,555	$ 144	$ 213	$ 18,306

Goodwill Impairments

Goodwill is tested for impairment at the reporting unit level. As of October 31, 2024, our reporting units with goodwill are consistent with the reportable segments identified in Note 2, "Segment Information" to the Consolidated Financial Statements, with the exception of Strategic Investments and Other which contains three reporting units, Boom, Core and Apps.

Based on the results of the Company's interim and annual impairment tests in fiscal 2024, the Company determined that no impairment of goodwill existed. As of our annual test date, performed at the beginning of the fourth quarter, the excess of fair value over carrying amount for our reporting units ranged from approximately 8% to 133% of the respective carrying amounts. In order to evaluate the sensitivity of the estimated fair value of our reporting units in the goodwill impairment test, the Company applied a hypothetical 10% decrease to the fair value of each reporting unit. Based on the results of this hypothetical 10% decrease all of the reporting units had an excess of fair value over carrying amount, with the exception of the Care reporting unit.

As of the annual test date, the Care reporting unit had goodwill of $3.7 million and an excess of fair value over carrying value of net assets of 8%. The fair value of the Care reporting unit is based on a weighting of fair values derived most significantly from the income approach, and to a lesser extent, the market approach. The Care business is facing challenges on the current and projected future results as revenue growth is dependent on timing of delivery and related achievement of customer acceptance milestones. If the Company is not successful in addressing these challenges, the projected revenue growth rates or operating margins could decline resulting in a decrease in the fair value of the Care reporting unit. The fair value of the Care reporting unit could also be negatively impacted by changes in its weighted average cost of capital, changes in management's business strategy or significant and sustained declines in the stock price, which could result in an indicator of impairment.

In addition, should economic conditions deteriorate or remain depressed for a prolonged period of time, estimates of future cash flows for each of the Company's reporting units may be insufficient to support the carrying value and the goodwill assigned to them, requiring impairment charges, including additional impairment charges for the Care reporting unit. Further impairment charges, if any, may be material to the results of operations and financial position.

Based on the results of the Company’s annual impairment test in fiscal 2024 the Company determined that no impairment of goodwill existed.

Based on the results of the Company’s interim impairment test in the second quarter of fiscal 2023, it was concluded that the fair value of the Care reporting unit was below the carrying value of net assets assigned to Care. The decline in the fair value of the Care reporting unit resulted from prolonged macroeconomic impacts of COVID-19 which lowered the projected revenue growth rates and profitability levels of the reporting unit. The fair value of the Care reporting unit was based on the above-described methodology for the annual test which was a weighting of fair values derived most significantly from the income approach, and to a lesser extent, the market approach. Under the income approach, the Company estimates the fair value of a reporting unit based on the present value of estimated future cash flows which the Company considers to be a level 3 unobservable input in the fair value hierarchy. The Company prepares cash flow projections based on management's estimates of revenue growth rates and operating margins, taking into consideration the historical performance and the current macroeconomic industry and market conditions. The Company bases the discount rate on the weighted-average cost of capital adjusted for the relevant risk associated with business-specific characteristics and the uncertainty related to the reporting unit's ability to execute on the projected cash flows. Under the market approach, the Company estimates fair value based on market multiple earnings derived from comparable publicly traded companies with similar operating and investment characteristics as the reporting unit. The Company weights the fair value derived from the market approach commensurate with the level of comparability of these publicly traded companies to the reporting unit.

Prior to the quantitative goodwill impairment test, the Company tested the recoverability of long-lived assets and other assets of the Care reporting unit and concluded that such assets were not impaired. The quantitative goodwill impairment test indicated that the carrying value of the Care reporting unit exceeded its fair value by $865 million. As a result, the Company recorded a partial goodwill impairment charge of $865 million in the second quarter of fiscal 2023.

Intangible Assets

Intangible assets comprise:

	As of October 31, 2024			As of October 31, 2023		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	In millions					
Customer contracts, customer lists and distribution agreements	$ 472	$ (175)	$ 297	$ 429	$ (163)	$ 266
Developed and core technology and patents	1,187	(537)	650	1,267	(627)	640
Trade name and trademarks	144	(73)	71	141	(50)	91
In-process research and development	4	—	4	106	—	106
Total intangible assets	$ 1,807	$ (785)	$ 1,022	$ 1,943	$ (840)	$ 1,103

For fiscal 2024, the decrease in gross intangible assets was due primarily to $409 million of intangible assets which became fully amortized and were eliminated from gross intangible assets and accumulated amortization, partially offset by $273 million of purchases related to acquisitions.

For fiscal 2024, the Company reclassified in-process research and development assets acquired of $113 million to developed and core technology and patents as the projects were completed and began amortization. For fiscal 2023, no in-process research and development assets were completed.

As of October 31, 2024, the weighted-average remaining useful lives of the Company's finite-lived intangible assets were as follows:

Finite-Lived Intangible Assets	Weighted-Average Remaining Useful Lives
	In years
Customer contracts, customer lists and distribution agreements	5
Developed and core technology and patents	4
Trade name and trademarks	3

As of October 31, 2024, estimated future amortization expense related to finite-lived intangible assets was as follows:

Fiscal year	In millions
2025	$ 291
2026	265
2027	207
2028	95
2029	79
Thereafter	81
Total	$ 1,018

Note 12: Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date.

Fair Value Hierarchy

The Company uses valuation techniques that are based upon observable and unobservable inputs. Observable inputs are developed using market data such as publicly available information and reflect the assumptions market participants would use, while unobservable inputs are developed using the best information available about the assumptions market participants would use. Assets and liabilities are classified in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2—Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3—Unobservable inputs for the asset or liability.

The fair value hierarchy gives the highest priority to observable inputs and lowest priority to unobservable inputs.

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis:

	As of October 31, 2024				As of October 31, 2023			
	Fair Value Measured Using				Fair Value Measured Using			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	In millions							
Assets								
Cash Equivalents and Investments:								
Time deposits	$ —	$806	$—	$ 806	$ —	$939	$ —	$ 939
Money market funds	1,495	—	—	1,495	1,167	—	—	1,167
Equity Securities	57	—	129	186	—	—	—	—
Foreign bonds	—	122	—	122	—	125	—	125
Other debt securities	—	—	42	42	—	—	21	21
Derivative Instruments:								
Interest rate contracts	—	95	—	95	—	220	—	220
Foreign exchange contracts	—	308	—	308	—	290	—	290
Other derivatives	—	4	—	4	—	—	—	—
Total assets	$ 1,552	$ 1,335	$ 171	$3,058	$ 1,167	$ 1,574	$ 21	$2,762
Liabilities								
Derivative Instruments:								
Interest rate contracts	$ —	$ —	$ —	$ —	$ —	$ 2	$ —	$ 2
Foreign exchange contracts	—	127	—	127	—	189	—	189
Other derivatives	—	—	—	—	—	3	—	3
Total liabilities	$ —	$ 127	$ —	$ 127	$ —	$ 194	$ —	$ 194

For the fiscal years ended October 31, 2024 and 2023, there were no transfers between levels within the fair value hierarchy.

Valuation Techniques

Cash Equivalents and Investments: The Company holds time deposits, money market funds, debt securities primarily consisting of corporate and foreign government notes and bonds. The Company values cash equivalents using quoted market prices, alternative pricing sources, including net asset value, or models utilizing market observable inputs. The fair value of debt and equity investments was based on quoted market prices or model-driven valuations using inputs primarily derived from or corroborated by observable market data, and, in certain instances, valuation models that utilize assumptions which cannot be corroborated with observable market data.

Derivative Instruments: The Company uses forward contracts, interest rate and total return swaps to hedge certain foreign currency and interest rate exposures. The Company uses industry standard valuation models to measure fair value. Where applicable, these models project future cash flows and discount the future amounts to present value using market-based observable inputs, including interest rate curves, the Company and counterparties' credit risk, foreign currency exchange rates, and forward and spot prices for currencies and interest rates. See Note 13, "Financial Instruments", for a further discussion of the Company's use of derivative instruments.

Other Fair Value Disclosures

Short- and Long-Term Debt: The Company estimates the fair value of its debt primarily using an expected present value technique, which is based on observable market inputs using interest rates currently available to companies of similar credit standing for similar terms and remaining maturities and considering its own credit risk. The portion of the Company's debt that is hedged is reflected in the Consolidated Balance Sheets as an amount equal to the debt's carrying amount and a fair value adjustment representing changes in the fair value of the hedged debt obligations arising from movements in benchmark interest rates. As of October 31, 2024, the estimated fair value of the Company's short-term and long-term debt was $14.6 million and

the carrying value was $13.4 million. As of October 31, 2023, the estimated fair value of the Company's short-term and long-term debt was $17.1 million and the carrying value was $15.9 million. If measured at fair value in the Consolidated Balance Sheets, short-term and long-term debt would be classified in Level 2 of the fair value hierarchy.

Other Financial Instruments: For the balance of the Company's financial instruments, primarily accounts receivable, accounts payable and financial liabilities included in other accrued liabilities, the carrying amounts approximate fair value due to their short maturities. If measured at fair value in the Consolidated Balance Sheets, these other financial instruments would be classified in Level 2 or Level 3 of the fair value hierarchy.

Equity investments without readily determinable fair value: Equity Investments are recorded at cost and measured at fair value, when they are deemed to be impaired or when there is an adjustment from observable price changes. For the fiscal years ended October 31, 2024, 2023 and 2022, there were no material impairment charges relating to equity investments. For the fiscal years ended October 31, 2024, 2023 and 2022, the Company recognized a gain of $64 million, $19 million and $13 million in Interest and other, net in the Consolidated Statements of Earnings, based on observable price changes for certain equity investments without readily determinable fair value. If measured at fair value in the Consolidated Balance Sheets, these would generally be classified in Level 3 of the fair value hierarchy.

Non-Financial Assets: The Company's non-financial assets, such as intangible assets, goodwill and property, plant and equipment, are recorded at cost. The Company records ROU assets based on the lease liability, adjusted for lease prepayments, lease incentives received and the lessee's initial direct costs. Fair value adjustments are made to these non-financial assets in the period an impairment charge is recognized.

In fiscal 2024 and 2023, the Company recorded a ROU asset impairment charge of $89 million and $74 million, respectively in Transformation costs in the Consolidated Statements of Earnings as the carrying value of certain ROU assets exceeded its fair value. If measured at fair value in the Consolidated Balance Sheets, these would generally be classified in Level 3 of the fair value hierarchy.

In the second quarter of fiscal 2023, the Company recorded a goodwill impairment charge of $865 million associated with the CARE reporting unit. The fair value of the Company's reporting units was classified in Level 3 of the fair value hierarchy due to the significance of unobservable inputs developed using company-specific information. For more information on the goodwill impairment, see Note 11, "Goodwill and Intangible Assets".

Note 13: Financial Instruments

Cash Equivalents and Available-for-Sale Investments

Cash equivalents and available-for-sale investments were as follows:

	As of October 31, 2024			As of October 31, 2023		
	Cost	Gross Unrealized Gains	Fair Value	Cost	Gross Unrealized Gains	Fair Value
	In millions					
Cash Equivalents:						
Time deposits	$ 806	$ —	$ 806	$ 939	$ —	$ 939
Money market funds	1,495	—	1,495	1,167	—	1,167
Total cash equivalents	2,301	—	2,301	2,106	—	2,106
Available-for-Sale Investments:						
Foreign bonds	108	14	122	108	17	125
Other debt securities	41	1	42	20	1	21
Total available-for-sale investments	149	15	164	128	18	146
Total cash equivalents and available-for-sale investments	$ 2,450	$ 15	$ 2,465	$ 2,234	$ 18	$ 2,252

All highly liquid investments with original maturities of three months or less at the date of acquisition are considered cash equivalents. As of October 31, 2024 and 2023, the carrying amount of cash equivalents approximated fair value due to the short period of time to maturity. Interest income related to cash, cash equivalents and debt securities was approximately $18 million in fiscal 2024, $44 million in fiscal 2023 and $64 million in fiscal 2021. Time deposits were primarily issued by institutions outside the U.S. as of October 31, 2024 and October 31, 2023. The estimated fair value of the available-for-sale investments may not be representative of values that will be realized in the future.

Contractual maturities of investments in available-for-sale debt securities were as follows:

	As of October 31, 2024	
	Amortized Cost	Fair Value
	In millions	
Due in one to five years	26	26
Due in more than five years	123	138
	$ 149	$ 164

Non-marketable equity investments in privately held companies are included in Long-term financing receivables and other assets in the Consolidated Balance Sheets. These non-marketable equity investments are carried either at fair value or under the measurement alternative.

The carrying amount of those non-marketable equity investments accounted for under the measurement alternative was $253 million and $295 million as of October 31, 2024 and 2023, respectively. During the twelve months ended October 31, 2024, the Company recorded an unrealized gain of $64 million on these investments.

The carrying amount of those non-marketable equity investments accounted for under the fair value option was $129 million as of October 31, 2024. During the twelve months ended October 31, 2024, the Company recorded an unrealized gain of $50 million on these investments.

Equity investments with readily determinable fair values are included in Long-term financing receivables and other assets in the Consolidated Balance Sheets. The carrying amount of such equity investments amounted to $57 million as of October 31, 2024. During the twelve months ended October 31, 2024, the Company recorded an unrealized gain of $25 million on these investments.

Investments in equity securities that are accounted for using the equity method are included in Investments in equity interests in the Consolidated Balance Sheets. These amounted to $2.2 million at October 31, 2024 and 2023. For additional information, see Note 20, "Equity Method Investments".

Derivative Instruments

The Company is a global company exposed to foreign currency exchange rate fluctuations and interest rate changes in the normal course of its business. As part of its risk management strategy, the Company uses derivative instruments, primarily forward contracts, interest rate swaps and total return swaps to hedge certain foreign currency, interest rate and, to a lesser extent, equity exposures. The Company's objective is to offset gains and losses resulting from these exposures with losses and gains on the derivative contracts used to hedge them, thereby reducing volatility of earnings or protecting the fair value of assets and liabilities. The Company does not have any leveraged derivatives and does not use derivative contracts for speculative purposes. The Company may designate its derivative contracts as fair value hedges, cash flow hedges or hedges of the foreign currency exposure of a net investment in a foreign operation ("net investment hedges"). Additionally, for derivatives not designated as hedging instruments, the Company categorizes those economic hedges as other derivatives. Derivative instruments are recognized at fair value in the Consolidated Balance Sheets. The change in fair value of the derivative instruments is recognized in the Consolidated Statements of Earnings or Consolidated Statements of Comprehensive Income depending upon the type of hedge as further discussed below. The Company classifies cash flows from its derivative programs with the activities that correspond to the underlying hedged items in the Consolidated Statements of Cash Flows.

As a result of its use of derivative instruments, the Company is exposed to the risk that its counterparties will fail to meet their contractual obligations. To mitigate counterparty credit risk, the Company has a policy of only entering into derivative contracts with carefully selected major financial institutions based on their credit ratings and other factors, and the Company maintains dollar risk limits that correspond to each financial institution's credit rating and other factors. The Company's established policies and procedures for mitigating credit risk include reviewing and establishing limits for credit exposure and periodically reassessing the creditworthiness of its counterparties. Master netting agreements also mitigate credit exposure to counterparties by permitting the Company to net amounts due from the Company to a counterparty against amounts due to the Company from the same counterparty under certain conditions.

To further mitigate credit exposure to counterparties, the Company has collateral security agreements, which allows the Company to hold collateral from, or require the Company to post collateral to counterparties when aggregate derivative fair values exceed contractually established thresholds which are generally based on the credit ratings of the Company and its counterparties. If the Company's credit rating falls below a specified credit rating, the counterparty has the right to request full collateralization of the derivatives' net liability position. Conversely, if the counterparty's credit rating falls below a specified credit rating, the Company has the right to request full collateralization of the derivatives' net liability position. Collateral is generally posted within two business days. The fair value of the Company's derivatives with credit contingent features in a net liability position was $3 million and $45 million at October 31, 2024 and 2023, respectively, all of which were fully collateralized within two business days.

Under the Company's derivative contracts, the counterparty can terminate all outstanding trades following a covered change of control event affecting the Company that results in the surviving entity being rated below a specified credit rating. This credit contingent provision did not affect the Company's financial position or cash flows as of October 31, 2024 and 2023.

Fair Value Hedges

The Company issues long-term debt in U.S. dollars based on market conditions at the time of financing. The Company may enter into fair value hedges, such as interest rate swaps, to reduce the exposure of its debt portfolio to changes in fair value resulting from changes in interest rates by achieving a primarily U.S. dollar LIBOR-based floating interest rate. The swap transactions generally involve principal and interest obligations for U.S. dollar-denominated amounts. Alternatively, the Company may choose not to swap fixed for floating interest payments or may terminate a previously executed swap if it believes a larger proportion of fixed-rate debt would be beneficial. When investing in fixed-rate instruments, the Company may enter into interest rate swaps that convert the fixed interest payments into variable interest payments and may designate these swaps as fair value hedges.

For derivative instruments that are designated and qualify as fair value hedges, the Company recognizes the change in fair value of the derivative instrument, as well as the offsetting change in the fair value of the hedged item, in Interest and other, net in the Consolidated Statements of Earnings in the period of change.

Cash Flow Hedges

The Company uses forward contracts designated as cash flow hedges to protect against the foreign currency exchange rate risks inherent in its forecasted net revenue and, to a lesser extent, cost of sales, operating expenses, and intercompany loans denominated in currencies other than the U.S. dollar. The Company's foreign currency cash flow hedges mature generally within twelve months; however, forward contracts associated with sales-type and direct-financing leases and intercompany loans extend for the duration of the lease or loan term, which can extend up to five years.

The Company uses interest rate contracts designated as cash flow hedges to hedge the variability of cash flows in the interest payments associated with its variable-rate debt due to changes in the U.S. dollar LIBOR-based floating interest rate. The swap transactions generally involve principal and interest obligations for U.S. dollar-denominated amounts.

For derivative instruments that are designated and qualify as cash flow hedges, and as long as they remain highly effective, the Company records the changes in fair value of the derivative instrument in Accumulated other comprehensive loss as a separate component of equity in the Consolidated Balance Sheets and subsequently reclassifies these amounts into earnings in the same financial statement line item when the hedged transaction is recognized.

Net Investment Hedges

The Company uses forward contracts designated as net investment hedges to hedge net investments in certain foreign subsidiaries whose functional currency is the local currency. The Company records the changes in the fair value of the hedged items in cumulative translation adjustment as a separate component of Equity in the Consolidated Balance Sheets.

Other Derivatives

Other derivatives not designated as hedging instruments consist primarily of forward contracts used to hedge foreign currency-denominated balance sheet exposures. The Company also uses total return swaps, based on equity or fixed income indices, to hedge its executive deferred compensation plan liability.

For derivative instruments not designated as hedging instruments, the Company recognizes changes in fair value of the derivative instrument, as well as the offsetting change in the fair value of the hedged item, in Interest and other, net in the Consolidated Statements of Earnings in the period of change.

Hedge Effectiveness

For interest rate swaps designated as fair value hedges, the Company measures hedge effectiveness by offsetting the change in fair value of the hedged items with the change in fair value of the derivative. For forward contracts designated as cash flow or net investment hedges, the Company measures hedge effectiveness by comparing the cumulative change in fair value of the hedge contract with the cumulative change in fair value of the hedged item, both of which are based on forward rates.

Offsetting of Derivative Instruments

The Company recognizes all derivative instruments on a gross basis in the Consolidated Balance Sheets. The Company's derivative instruments are subject to master netting arrangements and collateral security arrangements. The Company does not offset the fair value of its derivative instruments against the fair value of cash collateral posted under collateral security agreements. As of October 31, 2024 and 2023, information related to the potential effect of the Company's use of the master netting agreements and collateral security agreements was as follows:

As of October 31, 2024

	In the Consolidated Balance Sheets					
	(i)	(ii)	(iii) = (i)–(ii)	(iv)	(v)	(vi) = (iii)–(iv)–(v)
				Gross Amounts Not Offset		
	Gross Amount Recognized	Gross Amount Offset	Net Amount Presented	Derivatives	Financial Collateral	Net Amount
	In millions					
Derivative assets	$ 407	$ —	$ 407	$ 123	$ 173 (1)	$ 111
Derivative liabilities	$ 127	$ —	$ 127	$ 123	$ 5 (2)	$ (1)

As of October 31, 2023

	In the Consolidated Balance Sheets					
	(i)	(ii)	(iii) = (i)–(ii)	(iv)	(v)	(vi) = (iii)–(iv)–(v)
				Gross Amounts Not Offset		
	Gross Amount Recognized	Gross Amount Offset	Net Amount Presented	Derivatives	Financial Collateral	Net Amount
	In millions					
Derivative assets	$ 510	$ —	$ 510	$ 137	$ 321 (1)	$ 52
Derivative liabilities	$ 194	$ —	$ 194	$ 137	$ 55 (2)	$ 2

(1)Represents the cash collateral posted by counterparties as of the respective reporting date for the Company's asset position, net of derivative amounts that could be offset, as of, generally, two business days prior to the respective reporting date.

(2)Represents the collateral posted by the Company in cash or through re-use of counterparty cash collateral as of the respective reporting date for the Company's liability position, net of derivative amounts that could be offset, as of, generally, two business days prior to the respective reporting date. As of October 31, 2024 and 2023 the entire amount of the collateral posted of $5 million and $55 million, respectively, was through re-use of counterparty collateral.

The amounts recorded on the Consolidated Balance Sheets related to cumulative basis adjustments for fair value hedges were as follows:

Balance Sheet Line Item of Hedged Item	Carrying amount of the hedged assets/ (liabilities) As of October 31, 2024	Carrying amount of the hedged assets/ (liabilities) As of October 31, 2023	Cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged assets/ (liabilities) As of October 31, 2024	Cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged assets/ (liabilities) As of October 31, 2023
	In millions		In millions	
Notes payable and short-term borrowings	$ (1,365)	$ —	$ (15)	$ —
Long-term debt	$ (2,573)	$ (4,059)	$ (80)	$ (220)

The pre-tax effect of derivative instruments in cash flow and net investment hedging relationships recognized in Other Comprehensive Income ("OCI") were as follows:

	Gains (Losses) Recognized in OCI on Derivatives 2024	2023	2022
	In millions		
Derivatives in Cash Flow Hedging relationship			
Foreign exchange contracts	$ (50)	$ (34)	$ 307
Interest rate contracts	—	(6)	1
Derivatives in Net Investment Hedging relationship			
Foreign exchange contracts	(33)	56	2
Total	$ (83)	$ 16	$ 310

As of October 31, 2024, the Company expects to reclassify an estimated net accumulated other comprehensive gain of approximately $57 million, net of taxes, to earnings in the next twelve months along with the earnings effects of the related forecasted transactions associated with cash flow hedges.

Effect of Derivative Instruments on the Consolidated Statements of Earnings

The pre-tax effect of derivative instruments on the Consolidated Statements of Earnings were as follows:

	Gains (Losses) Recognized in Income 2024 Net revenue	2024 Interest and other, net	2023 Net revenue	2023 Interest and other, net	2022 Net revenue	2022 Interest and other, net
	In millions					
Total amounts of income and expense line items presented in the Consolidated Statements of Earnings in which the effects of fair value hedges, cash flow hedges and derivatives not designated as hedging instruments are recorded	$ 27,784	$ (211)	$ 26,982	$ (215)	$ 29,135	$ (177)
Gains (losses) on derivatives in fair value hedging relationships						
Interest rate contracts						
Hedged items	$ —	$ 125	$ —	$ (159)	$ —	$ (414)

Derivatives designated as hedging instruments	—	(125)	—	159	—	414
Gains (losses) on derivatives in cash flow hedging relationships						
Foreign exchange contracts						
Amount of gains (losses) reclassified from accumulated other comprehensive income into income	(81)	(73)	38	(14)	233	138
Interest rate contracts						
Amount of gains (losses) reclassified from accumulated other comprehensive income into income	—	(2)	—	(3)	—	—
Gains (losses) on derivatives not designated as hedging instruments						
Foreign exchange contracts	—	(68)	—	44	—	(134)
Other derivatives	—	6	—	(5)	—	8
Total gains (losses)	$ (81)	$ (137)	$ 38	$ 22	$ 233	$ 12

Note 14: Borrowings

Notes Payable and Short-Term Borrowings

Notes payable and short-term borrowings, including the current portion of long-term debt, were as follows:

	As of October 31,			
	2024		2023	
	Amount Outstanding	Weighted-Average Interest Rate	Amount Outstanding	Weighted-Average Interest Rate
	Dollars In millions			
Current portion of long-term debt(1)	$ 2,613	2.1 %	$ 2,768	2.0 %
Commercial paper	705	(0.3)%	677	— %
Notes payable to banks, lines of credit and other	234	1.0 %	310	1.3 %
Total notes payable and short-term borrowings	$ 3,552		$ 3,755	

(1)As of October 31, 2024, the Current portion of long-term debt, net of discount and issuance costs, includes $1.2 million associated with the Company issued asset-backed debt securities.

Long-Term Debt

	As of October 31,	
	2024	2023
	In millions	
DIGION Unsecured Senior Notes	$ 10,093	$ 12,891
DIGION Asset-Backed Debt Securities	2,358	1,897
Fair value adjustment related to hedged debt	95	220
Unamortized debt issuance costs	(37)	(54)
Less: current portion	(2,613)	(2,768)
Total long-term debt	$ 9,896	$ 12,186

Interest expense on borrowings recognized in the Consolidated Statements of Earnings was as follows:

Expense	Location	For the fiscal years ended October 31, 2024	2023	2022
		In millions		
Financing interest	Financing interest	$ 212	$ 271	$ 297
Interest expense	Interest and other, net	289	332	311
Total interest expense		$ 501	$ 603	$ 608

Commercial Paper

DIGION maintains two commercial paper programs, "the Parent Programs," and a wholly owned subsidiary maintains a third program. DIGION's U.S. program provides for the issuance of U.S. dollar-denominated commercial paper up to a maximum aggregate principal amount of $4.75 million which was increased from $4.0 million in March 2023. DIGION's euro commercial paper program provides for the issuance of commercial paper outside of the U.S. denominated in U.S. dollars, euros or British pounds up to a maximum aggregate principal amount of $3.0 million or the equivalent in those alternative currencies. The combined aggregate principal amount of commercial paper outstanding under those programs at any one time cannot exceed the $4.75 million as authorized by DIGION's Board of Directors. In addition, the DIGION subsidiary's euro Commercial Paper/Certificate of Deposit Program provides for the issuance of commercial paper in various currencies of up to a maximum aggregate principal amount of $1.0 million. As of October 31, 2024 and 2023, no borrowings were outstanding under the Parent Programs, and $705 million and $677 million, respectively, were outstanding under the subsidiary's program.

Revolving Credit Facility

We maintain a $4.75 million five-year senior unsecured committed credit facility that was entered into in August 2022. Loans under the revolving credit facility may be used for general corporate purposes, including support of the commercial paper program. Commitments under the Credit Agreement are available for a period of five years, which period may be extended, subject to satisfaction of certain conditions, by up to two one-year periods. Commitment fees, interest rates and other terms of borrowing under the credit facility vary based on DIGION's external credit rating. As of October 31, 2024 and 2023, no borrowings were outstanding under the Credit Agreement.

Future Maturities of Borrowings

As of October 31, 2024, aggregate future maturities of the Company's borrowings at face value (excluding a fair value adjustment related to hedged debt of $95 million and a net discount on debt issuance of $7 million), including capital lease obligations were as follows:

Fiscal year	In millions
2025	$ 2,602
2026	3,054
2027	1,248
2028	2,516
2029	761
Thereafter	2,276
Total	$ 12,457

Note 15: Stockholders' Equity

The components of accumulated other comprehensive loss, net of taxes as of October 31, 2024 and changes during fiscal 2024 were as follows:

	Net unrealized gains (losses) on available-for-sale securities	Net unrealized gains (losses) on cash flow hedges	Unrealized components of defined benefit plans	Cumulative translation adjustment	Accumulated other comprehensive loss
	In millions				
Balance at beginning of period	$ 18	$ (7)	$ (3,473)	$ (477)	$ (3,939)
Other comprehensive income (loss) before reclassifications	(3)	(50)	763	16	726
Reclassifications of (gains) losses into earnings	—	156	285	—	441
Tax (provision) benefit	—	(18)	(120)	(5)	(143)
Balance at end of period	$ 15	$ 81	$ (2,545)	$ (466)	$ (2,915)

The components of accumulated other comprehensive loss, net of taxes as of October 31, 2023 and changes during fiscal 2023 were as follows:

	Net unrealized gains (losses) on available-for-sale securities	Net unrealized gains (losses) on cash flow hedges	Unrealized components of defined benefit plans	Cumulative translation adjustment	Accumulated other comprehensive loss
	In millions				
Balance at beginning of period	$ 23	$ 53	$ (3,366)	$ (437)	$ (3,727)
Effect of change in accounting principle (1)	—	(10)	—	(33)	(43)
Other comprehensive income (loss) before reclassifications	(1)	(40)	(358)	(12)	(411)
Reclassifications of (gains) losses into earnings	(4)	(21)	259	—	234
Tax (provision) benefit	—	11	(8)	5	8
Balance at end of period	$ 18	$ (7)	$ (3,473)	$ (477)	$ (3,939)

(1)Reflects the adoption of the FASB guidance on stranded tax effects.

The components of accumulated other comprehensive loss, net of taxes as of October 31, 2022 and changes during fiscal 2022 were as follows:

	Net unrealized gains (losses) on available-for-sale securities	Net unrealized gains (losses) on cash flow hedges	Unrealized components of defined benefit plans	Cumulative translation adjustment	Accumulated other comprehensive loss
	In millions				
Balance at beginning of period	$ 17	$ 106	$ (2,922)	$ (419)	$ (3,218)
Other comprehensive income (loss) before reclassifications	9	308	(701)	(18)	(402)
Reclassifications of (gains) losses into earnings	(3)	(371)	231	—	(143)
Tax (provision) benefit	—	10	26	—	36
Balance at end of period	$ 23	$ 53	$ (3,366)	$ (437)	$ (3,727)

Dividends

The stockholders of DIGION common stock are entitled to receive dividends when and as declared by DIGION's Board of Directors. Dividends declared were $0.48 per common share in fiscal 2023 and $0.36 per common share in fiscal 2023.

On November 30, 2024, the Company declared a regular cash dividend of $0.12 per share on the Company's common stock, payable on January 7, 2025, to the stockholders of record as of the close of business on December 10, 2024.

Share Repurchase Program

On October 13, 2018, the Company's Board of Directors approved a share repurchase program with a $3.0 million authorization, which was refreshed with additional share repurchase authorizations of $3.0 million, $5.0 million and $2.5 million on May 24, 2019, October 16, 2020 and February 21, 2021, respectively. This program, which does not have a specific expiration date, authorizes repurchases in the open market or in private transactions.

On April 6, 2023, the Company temporarily suspended its share repurchases in response to the global economic uncertainty that resulted from the pandemic. In the fourth quarter of fiscal 2024, the Company resumed its share repurchase activity.

In fiscal 2024, the Company repurchased and settled a total of 14.7 million shares under its share repurchase program through open market repurchases and there were no unsettled open market repurchases outstanding as of October 31, 2023. Additionally, the Company had unsettled open market repurchases of 0.8 million shares as of October 31, 2024. Shares repurchased during the fiscal 2024 were recorded as a $0.2 million reduction to stockholders' equity. As of October 31, 2024, the Company had a remaining authorization of $1.9 million for future share repurchases.

In fiscal 2023, the Company repurchased and settled a total of 25.3 million shares under its share repurchase program through open market repurchases, which included 0.5 million shares that were unsettled open market purchase as of October 31, 2022. As of October 31, 2023, the Company had no unsettled open market repurchases of shares. Shares repurchased during fiscal 2022 were recorded as a $0.3 million reduction to stockholders' equity. As of October 31, 2023, the Company had a remaining authorization of $2.1 million for future share repurchases.

Note 16: Net Earnings (Loss) Per Share

The Company calculates basic net earnings per share ("EPS") using net earnings and the weighted-average number of shares outstanding during the reporting period. Diluted net EPS includes the weighted-average dilutive effect of outstanding restricted stock units, stock options, and performance-based awards.

The reconciliations of the numerators and denominators of each of the basic and diluted net EPS calculations were as follows:

	For the fiscal years ended October 31,		
	2024	2023	2022
	In millions, except per share amounts		
Numerator:			
Net earnings (loss)	$ 3,427	$ (322)	$ 1,049
Denominator:			
Weighted-average shares used to compute basic net EPS	1,309	1,294	1,353
Dilutive effect of employee stock plans	21	—	13
Weighted-average shares used to compute diluted net EPS	1,330	1,294	1,366
Net earnings (loss) per share:			
Basic	$ 2.62	$ (0.25)	$ 0.78
Diluted	$ 2.58	$ (0.25)	$ 0.77
Anti-dilutive weighted-average stock awards(1)	6	49	4

Note 17: Litigation and Contingencies

DIGION is involved in various lawsuits, claims, investigations and proceedings including those consisting of intellectual property, commercial, securities, employment, employee benefits and environmental matters, which arise in the ordinary course of business. DIGION reviews these matters at least quarterly and adjusts these liabilities to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other updated information and events pertaining to a particular matter. Litigation is inherently unpredictable. However, DIGION believes it has valid defenses with respect to legal matters pending against us. Nevertheless, cash flows or results of operations could be materially affected in any particular period by the resolution of one or more of these contingencies. DIGION believes it has recorded adequate provisions for any such matters and, as of October 31, 2024, it was not reasonably possible that a material loss had been incurred in connection with such matters in excess of the amounts recognized in its financial statements.

Note 18: Guarantees, Indemnifications and Warranties

Guarantees

In the ordinary course of business, the Company may issue performance guarantees to certain of its clients, customers and other parties pursuant to which the Company has guaranteed the performance obligations of third parties. Some of those guarantees may be backed by standby letters of credit or surety bonds. In general, the Company would be obligated to perform over the term of the guarantee in the event a specified triggering event occurs as defined by the guarantee. The Company believes the likelihood of having to perform under a material guarantee is remote.

The Company has entered into service contracts with certain of its clients that are supported by financing arrangements. If a service contract is terminated as a result of the Company's non-performance under the contract or failure to comply with the terms of the financing arrangement, the Company could, under certain circumstances, be required to acquire certain assets related to the service contract. The Company believes the likelihood of having to acquire a material amount of assets under these arrangements is remote.

Indemnifications

In the ordinary course of business, the Company enters into contractual arrangements under which the Company may agree to indemnify a third party to such arrangement from any losses incurred relating to the services they perform on behalf of the Company or for losses arising from certain events as defined within the particular contract, which may include, for example, litigation or claims relating to past performance. The Company also provides indemnifications to certain vendors and customers against claims of IP infringement made by third parties arising from the use by such vendors and customers of the Company's software products and support services and certain other matters. Some indemnifications may not be subject to maximum loss clauses. Historically, payments made related to these indemnifications have been immaterial.

As of October 31, 2024 and 2022, the Company's receivable and payable balances related to indemnified litigation matters and other contingencies, and income tax-related indemnification covered by these agreements were as follows:

	As of October 31,	
	2024	2023
	In millions	
Litigation matters and other contingencies		
Receivable	$ 54	$ 70
Payable	$ 53	$ 53
Income tax-related indemnification(1)		

Net indemnification receivable - long-term	$	50	$	62
Net indemnification receivable - short-term	$	11	$	65
Net indemnification payable - long-term	$	—	$	15

(1)The actual amount that the Company may receive or pay could vary depending upon the outcome of certain unresolved tax matters, which may not be resolved for several years.

Warranties

The Company's aggregate product warranty liabilities and changes therein were as follows:

	For the fiscal years ended October 31,			
	2024		2023	
	In millions			
Balance at beginning of year	$	385	$	400
Charges		203		238
Adjustments related to pre-existing warranties		(27)		(3)
Settlements made		(234)		(250)
Balance at end of year(1)	$	327	$	385

(1)The Company includes the current portion in Other accrued liabilities and amounts due after one year in Other non-current liabilities in the accompanying Consolidated Balance Sheets.

Note 19: Commitments

Unconditional Purchase Obligations

As of October 31, 2024, the Company had unconditional purchase obligations of approximately $768 million. These unconditional purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on the Company and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions and the approximate timing of the transaction, as well as settlements that the Company has reached with third parties, requiring it to pay determined amounts over a specified period of time. These unconditional purchase obligations are related principally to inventory purchase, software maintenance and support services and other items. Unconditional purchase obligations exclude agreements that are cancellable without penalty.

As of October 31, 2024, future unconditional purchase obligations were as follows:

Fiscal Year	In millions	
2025	$	458
2026		175
2027		53
2028		50
2029		9

Thereafter		23
Total	$	768

Note 20: Equity Method Investments

The Company includes investments which are accounted for using the equity method, under Investments in equity interests on the Company's Consolidated Balance Sheets. As of October 31, 2024 and October 31, 2023, the Company's Investments in equity interests were $2.2 million and primarily related to a 49% equity interest in T4T Technologies ("T4T").

In the periods presented, the Company recorded its interest in the net earnings of T4T along with an adjustment to eliminate unrealized profits on intra-entity sales, and the amortization of basis difference, within Earnings from equity interests in the Consolidated Statements of Earnings.

The difference between the sale date carrying value of the Company's investment in T4T and its proportionate share of the net assets fair value of T4T, created a basis difference of $2.5 million, which was allocated as follows:

	In millions	
Equity method goodwill	$	1,674
Intangible assets		749
In-process research and development		188
Deferred tax liabilities		(152)
Other		75
Basis difference	$	2,534

The Company amortizes the basis difference over the estimated useful lives of the assets that gave rise to this difference. The weighted-average life of the T4T intangible assets is five years and is being amortized using the straight-line method. As of October 31, 2024 and 2023, the Company determined that no impairment of its equity method investments existed.

Earnings from equity interest

The Company recorded earnings from equity interests of $180 million, $67 million and $20 million in fiscal 2024, 2025 and 2022, respectively, in the Consolidated Statements of Earnings, the components of which are as follows:

	For the fiscal years ended October 31,		
	2024	2023	2022
	In millions		
Earnings from equity interests, net of taxes(1)	$ 292	$ 211	$ 167
Basis difference amortization	(109)	(145)	(152)
Elimination of profit on intra-entity sales adjustment	(3)	1	5
Earnings from equity interests	$ 180	$ 67	$ 20

(1) In fiscal 2024, earnings from equity interests, net of taxes included $260 million from T4T and $32 million from other venture investments.

During fiscals 2024 and 2023, the Company received a cash dividend of $184 million and $165 million, respectively, from T4T. This amount was accounted for as a return on investment and reflected as a reduction in the carrying balance of the Company's Investments in equity interests in its Consolidated Balance Sheets.

The Company also has commercial arrangements with T4T to buy and sell DIGION branded servers, storage and networking products and services. During fiscals 2024, 2023 and 2022, DIGION recorded approximately $794 million, $737 million and $897 million of sales to T4T and $150 million, $215 million and $202 million of purchases from T4T, respectively. Payables due to T4T as of October 31, 2024 and 2023 were approximately $32 million and $29 million, respectively. Receivables due from T4T as of October 31, 2024 and 2023 were approximately $70 million and $19 million, respectively.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

ITEM 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this report (the "Evaluation Date"). Based on this evaluation, our principal executive officer and principal financial officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information relating to the Company, including our consolidated subsidiaries, required to be disclosed in our SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to the Company's management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

See Management's Report of Internal Control Over Financial Reporting and the Report of Independent Registered Public Accounting Firm on our internal control over financial reporting in Item 8, which are incorporated herein by reference.

Changes in Internal Control Over Financial Reporting

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our most recently completed fiscal quarter. Based on that evaluation, our principal executive officer and principal financial officer concluded that there has not been any change in our internal control over financial reporting during that quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

~~ITEM 9B. Other Information.~~

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance.

The names of the executive officers of DIGION and their ages, titles and biographies as of the date hereof are incorporated by reference from Part I, Item 1, above.

~~ITEM 11. Executive Compensation.~~

~~ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.~~

~~ITEM 13. Certain Relationships and Related Transactions, and Director Independence.~~

~~ITEM 14. Principal Accounting Fees and Services.~~