Medicaid Business Sold for $5 Billion

By Micah Maidenberg

DXC Technology Co. struck a deal to sell its business focused on Medicaid services to an investment firm, sending shares sharply higher in after-hours trading.

DXC said Tuesday that **Veritas Capital** agreed to pay $5 billion in cash for a unit focused on Medicaid and state and local government health and human-service providers.

The business offers customers claims processing, fraud detection and call-center capabilities, among other services, a person familiar with it said.

Shares of DXC jumped 28% in after-hours trading. The company's stock has fallen 74% over the last year, according to FactSet.

In November, DXC said it would consider various alternatives for the Medicaid unit, as well as two other business, describing them as outside of its focus on enterprise technology solutions.

The Medicaid health unit generated $1.4 billion in sales over the previous year, DXC said.

The intersection of government, technology and health care is an area of focus for Veritas, the investment firm's CEO Ramzi Musallam said.

PG&E, First Responders Settle

At issue is more than $4 billion in bankruptcy claims not set aside for victims

By Peg Brickley

PG&E Corp. has come to terms with federal and state first responders, who have agreed they won't take money set aside for victims of the wildfires that drove California's largest utility into bankruptcy.

Announced at a hearing Tuesday in U.S. Bankruptcy Court in San Francisco, the utility's agreements with the U.S. Federal Emergency Management Agency and state agencies clear up a major trouble spot for PG&E, which is racing to meet a June 30 deadline to emerge from bankruptcy.

PG&E filed for chapter 11 bankruptcy protection in January 2019 and is proposing a $59 billion bankruptcy exit plan, which earmarks $25.5 billion for insurance companies, cities and people with damages stemming from fires linked to PG&E equipment.

As Judge Dennis Montali weighed the company's bid for approval to start the voting process on the plan, lawyers announced the agreements with FEMA and California agencies.

Due to the agreements, people who lost loved ones, homes and businesses to the blazes of 2017 and 2018 will no longer have to worry that they will be forced to share with government emergency services the $13.5 billion earmarked for fire victims under PG&E's proposed chapter 11 plan.

California is dropping its claims to recoup about $300 million it spent on firefighting and emergency services, while FEMA has agreed to chop its claim from $3.9 billion to $1 billion. Additionally, FEMA has agreed it will only attempt to collect after all individual victims are paid in full from the $13.5 billion.

Justice Department lawyer Matthew Troy said the settlement still needs approval from various agencies and the Justice Department.

The pact represents a turnabout for our agency whose regional administrator, Robert Fenton, had in recent months threatened to pursue wildfire victims in court to recoup the money the federal government spent on everything from traffic control to emergency housing as the fires swept through PG&E's service territory.

FEMA said PG&E was to blame for lax safety practices that created the conditions for the catastrophic fires, and if the company didn't pay back federal emergency aid agencies, FEMA would attempt to collect from the victims.

The federal agency's stance triggered a backlash from lawyers for fire victims, who had been fighting PG&E in court for years.

The $13.5 billion payout to the victims will be in the form of cash and stock, and it will be placed in a trust, as individuals and businesses prove out their claims and collect their money, assuming the company's chapter 11 plan makes it to the finish line.

Once the votes are in, PG&E will return to court to seek approval of a chapter 11 plan that calls for the utility to issue a combination of new debt and equity. To exit bankruptcy, PG&E will need to come up with $59 billion to pay creditors, and contribute to a statewide fund designed to protect its balance sheet from future wildfire damage claims.

DAVID PAUL MORRIS/BLOOMBERG NEWS

The company filed for chapter 11 bankruptcy protection in January 2019 and is proposing a $59 billion bankruptcy exit plan.

Dick's Sporting Goods Plans Further Cutback in Gun Sales

By Allison Prang

Dick's Sporting Goods Inc. said it would stop selling firearms in more than half of its stores this fiscal year, the latest move by the retailer to scale back its guns business.

The company's plans to eliminate the hunting department at about 440 more Dick's Sporting Goods locations follows the earlier removal of the department at 135 stores. The company had 850 stores at the end of the last fiscal year, most of which were Dick's Sporting Goods locations.

In 2018, following the mass shooting at a Parkland, Fla., high school, Dick's said it would sell guns only to people at least 21 years old, and would stop selling assault-style rifles at its 35 Field & Stream stores. The company stopped selling assault-style rifles at its flagship Dick's stores following the 2012 deadly shooting at an elementary school in Newtown, Conn.

Firearms and ammunition are a shrinking part of the company's business but Dick's CEO Edward Stack has taken a public stance on the issue and lobbied for more stringent restrictions on firearms sales.

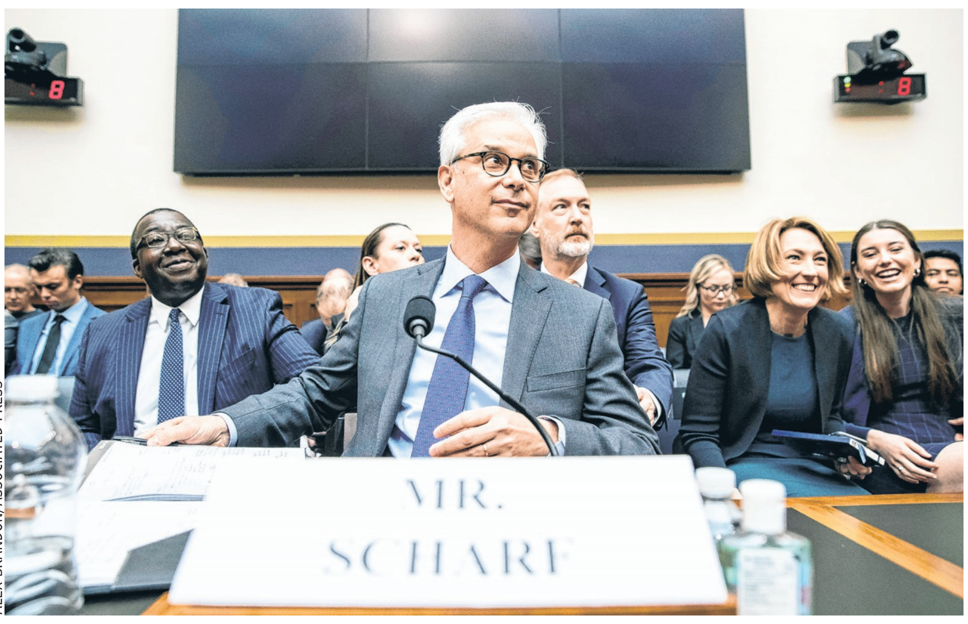
Dick's, which also reported its latest financial results Tuesday, said it expects same-store sales for this fiscal year to be between about flat to up 2%. Analysts' consensus is within that range, according to FactSet, though the outlook is less than the company's same-store sales increase in the previous fiscal year of 3.7%.

Dick's also cautioned the coronavirus could affect results. The company said the lower end of its current fiscal-year guidance "includes some caution related to supply chain disruption potentially impacting its results beginning in the second quarter."

Dick's said it expects earnings of between about $3.60 a share and $4 a share. Analysts' consensus, according to FactSet, is for results within that range.

Shares of Dick's rose 4%.

For the last quarter of 2019, the company reported earnings of $69.8 million, down from $102.6 million a year prior. Earnings were 81 cents a share, down from $1.07 a share a year ago.



ALEX BRANDON/ASSOCIATED PRESS

The company is still dealing with a mountain of regulatory problems, including a cap on growth.

Wells Fargo Chief Calls Bank's Conduct 'Disturbing'

By Ben Eisen

Wells Fargo & Co.'s new chief executive told Congress on Tuesday that the bank engaged in "deeply disturbing conduct" but is charting a new path to move past its yearslong sales-practices scandal.

Chief Executive Charles Scharf sought to reset the political tone around the bank. He noted that he is putting in place a new management structure that increases oversight of each business line. He also said the bank has far more risk and compliance controls than when it was first fined by regulators in 2016 for opening perhaps millions of fake accounts.

But Wells Fargo is still dealing with a mountain of regulatory problems, including a cap on its growth.

"We need to run the company fundamentally differently than we have in the past," said Mr. Scharf, a company outsider who was brought in less than five months ago and has bluntly and repeatedly criticized the way the bank was run.

Both Democrats and Republicans in the House Financial Services Committee appeared to give him the benefit of the doubt for most of the hearing. Few committee members expressed skepticism of his strategy and many allowed him to respond to many questions by saying he was too new to the job to fully answer.

Toward the end of the hearing, some committee members took a harsher tone with Mr. Scharf. Rep. Katie Porter (D., Calif.) suggested the bank should do more to lift wages for bank tellers. Rep. Joyce Beatty (D., Ohio) urged Mr. Scharf to commit to more diversity on its board. Rep. Rashida Tlaib (D., Mich.) said he should take more ownership of what the bank did before he arrived.

"You cannot come here and continue to say 'I'm new,'" Ms. Tlaib said.

Still, Mr. Scharf's treatment was in contrast to Capitol Hill appearances by the previous two Wells Fargo CEOs, both of them longtime company veterans. Both stepped down shortly after appearing before Congress, where lawmakers including Sen. Elizabeth Warren (D., Mass.) blasted them for the fake-accounts scandal. Several members of Congress offhandedly said Tuesday they couldn't imagine why anyone would want the CEO job at Wells Fargo.

Still, both Democrats and Republicans released reports last week saying the bank mishandled its obligations to fix the scandal. Mr. Scharf said the reports' allegations, which generally predate his arrival, were "beyond disappointing."

In the days ahead of the hearing, Wells Fargo announced a series of initiatives, including lifting its minimum wage in many markets and announcing a no-overdraft account, that were well received by some lawmakers.

"Just because the company has not been well run does not mean it can't be well run," Mr. Scharf told Congress.

Elizabeth Duke, the former board chairwoman, and James Quigley, another former board member, are expected to testify Wednesday. Both resigned after the release of the congressional reports, which accused them of a lack of urgency in addressing regulatory issues.

Wells Fargo shares rallied 8% Tuesday, their biggest one-day gain since 2011. The stock benefited from a broad rally that pushed the S&P 500 up 4.9% and topped the KBW Nasdaq Bank Index's 7.3% rise. It was the second-best performer among the six major U.S. banks, after Citigroup Inc.