

Xerox Reports Fourth Quarter 2015 Results

Fourth Quarter Overview

- **EPS:** adjusted¹ EPS of \$0.32/share, GAAP EPS from continuing operations of \$0.27/share
- **Q4 total revenue** of \$4.7 billion; down 8% YOY (down 5% CC*)
 - **Services:** decrease of 3% YOY (flat CC*)
 - **Document Technology:** decrease of 13% YOY (down 10% CC*)
 - **Annuity revenue** of \$3.9 billion; down 7% YOY (down 4% CC*); 83% of total
 - **Equipment revenue** of \$770 million; down 10% YOY (down 7% CC*); 17% of total
- **Operating margin** of 9.2%; down 1.2 pts YOY
- **Segment margins:** Services 9.4%, Technology 11.8%
- **Cash from operations:** \$878 million in Q4, \$1.6 billion FY

Balance Sheet/Cash

- **Cash from operations:** \$878 million in Q4, \$1.6 billion FY
- **CAPEX** of \$80 million in Q4, \$342 million FY
- **Acquisitions** of \$9 million in Q4, \$210 million FY
- **Adj. avg. fully diluted share count²:** 1,046 million
- **Ending fully diluted share count²:** 1,046 million
- **Share repurchase** of \$1.3 billion FY
- **Ending debt** of \$7.4 billion
- **Ending cash balance** of \$1.4 billion

Guidance

- **Revenue: FY 2016 down 2 to 4% CC**
- **EPS:**
 - **Q1 2016 adjusted³:** \$0.21 - \$0.24
 - **FY 2016 adjusted³:** \$1.10 - \$1.20
 - **GAAP (from Continuing Operations)³:**
Q1 2016: \$0.05 - \$0.08; FY 2016: \$0.66 - \$0.76
- **Share repurchase/dividends:** >50% free cash flow
 - Announcing 11% common dividend increase⁴ to 31 cents per share annually
- **FY Acquisitions:** \$100 - \$400 million
- **Q1 & FY 2016 adjusted³ tax rate:** 26% - 28%
- **FY Operating Cash Flow:** \$1.3 - \$1.5 billion
- **FY CAPEX:** ~\$0.3 billion
- **FY Free Cash Flow:** \$1.0 - \$1.2 billion
- **Debt managed to maintain investment grade**

Services Segment

- **Q4 revenue** of \$2.6 billion; down 3% YOY (flat CC*)
- **Services 57% of total company revenue**
- **Revenue mix** of 68% BPO, 32% DO
- **Segment margin** 9.4%; down 0.4 pts YOY
 - Margin up sequentially and above guidance
- **Year-over-year revenue:**
 - Down 4% or 2% in CC* in Business Process Outsourcing (BPO)
 - Down 2% or up 3% CC* in Document Outsourcing (DO)
- **Metrics:**
 - **Signings of \$4.0 billion TCV**
 - Up 26% YOY and up 8% TTM
 - New business up 22% YOY, down 1% TTM
 - **Renewal rate (BPO and DO) of 78%**
 - FY rate 84%, increased 3% YOY

Document Technology Segment

- **Q4 revenue** of \$1.9 billion; down 13% YOY (down 10% CC*)
 - Revenue pressured by lower U.S. supplies sales and continued developing markets weakness
 - Annuity revenue down 13% YOY (down 9% CC*), 68% of revenue
 - Equipment revenue down 14% YOY (down 11% CC*), 32% of revenue
- Including DO, revenue down 6% CC*, down 5% CC FY
- **Segment margin** 11.8%; down 2.6 pts YOY
 - Continued strong margin; within FY range of 11-13%
- **Revenue mix** of 17% entry, 57% mid-range, 26% high-end

Installs⁵

Overall Install Growth			
	Entry	Mid-Range	
A4 Color MFDs	63%	Mid-Range Color MFDs	-
Color Printers	(49)%	Mid-Range B&W MFDs	(16)%
A4 Mono MFDs	3%		
High-End			
	High-End Color ⁶		(8)%
	High-End B&W		(10)%

* Constant currency (CC)

(1) Adjustments limited to the amortization of intangible assets in 2015.

(2) Average shares for the calculation of adjusted EPS for fourth quarter 2015 include 27 million of shares associated with the Series A convertible preferred stock. Outstanding represents common shares outstanding for the quarter plus potential dilutive common and preferred shares (includes shares associated with our Series A convertible preferred stock).

(3) Adjustments include amortization of intangible assets, restructuring and asset impairment costs and certain retirement related costs. Separation and related costs are not yet finalized and thus are not included in EPS guidance, but will be excluded from Adjusted EPS in the future.

(4) Dividend effective for common dividend payable on April 29, 2016.

(5) Installs include Document Technology and Services segments.

(6) High-end install growth impacted by digital front end (DFE) sales to Fuji Xerox, High-End down 3% in Q4 excluding DFE's.

Please see our forward looking statements and non-GAAP reconciliation contained in our fourth quarter 2015 earnings release posted on our website at <http://www.xerox.com/investor>

