

Xerox Reports Third-Quarter 2017 Results

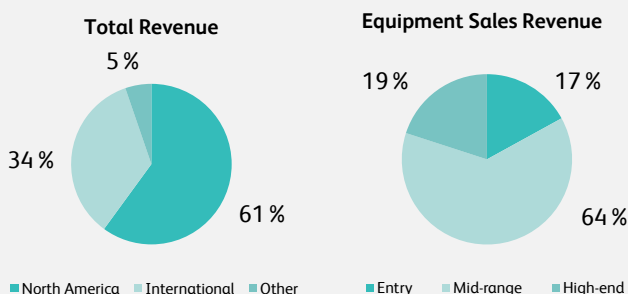
Third-Quarter Highlights

- Results reflect continued progress on 2017 objectives
- EPS and profit expansion supported by strategic transformation and lower tax rate
- Revenue trend improves sequentially driven by Equipment and Managed Document Services
- Solid operating margin, enabling investment in business
- Continued YOY increases in operating cash flow excluding pension contributions

Third-Quarter Results

Revenue \$2.5B, down 5.0% or 5.9% CC*

- Equipment \$521M, down 9.1% or 10.0% CC*
- Post Sale \$2.0B, down 3.9% or 4.8% CC*; 79% of Total Revenue



- **Gross Margin – adjusted¹**: 40.2%, up 0.3 pts YOY
- **Operating Margin – adjusted²**: 12.2%, down 0.4 pts YOY
- **Tax Rate – adjusted¹**: 19.4% vs. 23.0% in Q3 '16
- **GAAP EPS**: \$0.67, up 1 cent YOY
- **EPS – adjusted¹**: \$0.89, up 5 cents YOY
- **Operating Cash Flow** from continuing operations \$(383)M, includes \$671M of pension contributions; up \$44M YOY excluding pension contributions in both years
- **Ending debt** \$6.0B, includes Sep \$1.0B senior note offering
- **Ending cash balance** \$1.8B, includes \$475M used in Oct to re-finance a portion of our May 2018 Senior Notes

Key Metrics

Strategic Growth Areas⁴ revenue YTD flat CC* and comprised 40% of total, up 2 pts YOY

Strategic Transformation on track for savings target of \$600M for FY 2017

Enterprise MDS Signings: \$0.6B TCV declined 7% CC* YOY

MDS revenue up 2.2% or 1.2% CC* YOY

Installs – YOY % change

- Entry A4 MFPs⁵ color up 23%, B&W up 26%
- Mid-Range color⁶ flat, B&W down 11%
- High-End color⁶ down 2%, B&W down 32%

FY Guidance

Updating Cash Flow & Narrowing EPS Guidance

- **Revenue** down mid-single digits at CC*
- **Operating Margin – adjusted²**: 12.5% - 13.5%
- **GAAP EPS** from continuing operations: \$1.97 - \$2.13 (prior \$1.84 - \$2.08)
- **EPS – adjusted¹**: \$3.28 - \$3.44 (prior \$3.20 - \$3.44)
- **Tax rate – adjusted¹**: 25% - 28%
- **Operating Cash Flow** from continuing operations: \$(50) - \$150M reflects
 - (+) higher operational cash flow \$100M
 - (-) incremental pension contributions \$500M
 - (-) one-time impact of A/R sales elimination \$350M
- Targeting year-end **cash balance** of >\$1B

* Constant currency (CC)

(1) Adjustments include non-service retirement-related costs, restructuring and related costs, amortization of intangibles, as well as other discretely identified adjustments. (2) Adjustments include those noted earlier for the Adjusted earnings measures as well as the exclusion of other expenses, net, and inclusion of equity in net income of unconsolidated affiliates.

(3) Adjusted measure to exclude amounts for capital expenditures, including internal use software, from cash flow from continuing operations. (4) Strategic Growth Areas include MPS & Workflow Automation, A4 MFPs and Production Color revenues. (5) Entry installs exclude OEM sales, including OEM sales Color A4 MFPs up 3%, B&W up 15%. (6) Mid-range and High-end color installations exclude Fuji Xerox digital front-end sales (DFEs); including DFEs, Mid-range color was flat, and High-end color decreased 2%.

Please see our forward looking statements and non-GAAP reconciliation contained in our third-quarter 2017 earnings release posted on our website at <http://www.xerox.com/investor>.

