Xerox Reports First-Quarter 2018 Results

First-Quarter Highlights

- Strong start to operating cash flow, at $216M in the quarter
- Continued revenue growth in Managed Document Services and Global Imaging Systems operations
- Adjusted\(^1\) operating margin of 10.4%, down 0.6 pts YOY; operating margin, excluding Equity Income, up 0.5 pts
- Core operating profit, excluding Equity Income, grew 5% YOY

Revenue $2.4B, down 0.8% or 4.6% CC\(^1\)

- Equipment $0.5B, down 2.7% or 6.4% CC\(^1\)
- Post Sale $1.9B, down 0.3% or 4.1% CC\(^1\); 80% of Total Revenue

Gross Margin: 39.8%, up 0.1 pt YOY

Operating Margin – adjusted\(^1\): 10.4%, down 0.6 pts YOY; excluding Equity Income 9.9%, up 0.5 pts

Equity Income: loss of $68M, down $108M YOY; includes $79M of restructuring and combination transaction costs as well as ~$28M charge related to the out-of-period adjustments

Tax Rate – adjusted\(^1\): 28.3% vs. 27.0% in Q1 ’17

GAAP EPS: $0.08, down 8 cents YOY; includes 10 cents per share of transaction and related costs

EPS – adjusted\(^1\): $0.68, up 1 cent YOY

Operating Cash Flow: $216M

Free Cash Flow\(^1\): $198M, up $38M YOY

End debt: $5.5B ($3.6B financing & $1.9B core)

Ending cash balance: $1.4B

First-Quarter Results

Strategic Growth Areas\(^3\) revenue up 1.3% CC\(^1\) and comprised 42% of total, up 2 pts YOY

Strategic Transformation savings FY target of $475M

MDS revenue up 5.1% or 0.6% CC\(^1\) YOY

Installs – YOY % change

- Entry A4 MFPs\(^4\) color up 4%, B&W up 18%
- Mid-Range color\(^5\) up 16%, B&W up 11%
- High-End color\(^5\) up 6%, B&W down 9%

Key Metrics

Xerox is not providing 2018 guidance due to the pending Director Appointment, Nomination and Settlement Agreement with Carl Icahn and Darwin Deason, among others. For additional information on the settlement, please refer to the Financial Review – Recent Developments section in our first-quarter 2018 earnings release.

In the normal course of business, absent recent events, the company would have reaffirmed its full-year guidance on revenue, adjusted operating margin, cash flow and adjusted EPS.

Guidance

For additional information, please refer to our forward looking statements and non-GAAP reconciliation contained in our first-quarter 2018 earnings release posted on our website at http://www.xerox.com/investor.