

Xerox Reports First-Quarter 2019 Results

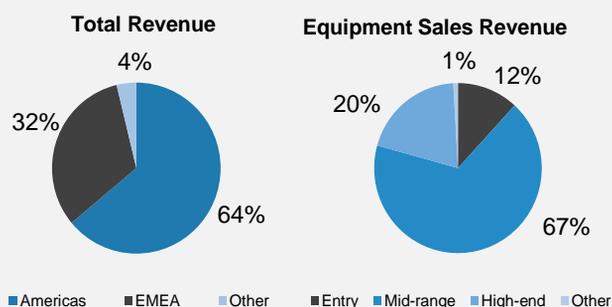
Highlights

- Executing on our strategic initiatives to transform our business for the long term: optimize operations for simplicity; drive revenue; re-energize the innovation engine; and focus on cash flow and increasing capital returns.
- Positive start to 2019 on key measures - delivered adjusted¹ operating margin expansion and grew adjusted¹ EPS and free cash flow¹.
- Raising 2019 earnings guidance.

First-Quarter Results

Revenue \$2.2B, down 9.4% or down 7.0% CC¹

- Equipment \$0.4B, down 10.2% or down 7.6% CC¹
- Post Sale \$1.8B, down 9.2% or down 6.8% CC¹



Xerox Services revenue down 6.1% or down 2.9% CC¹

Installs: Entry A4 MFPs² color up 10%, B&W down 2%; Mid-Range color³ down 7%, B&W down 19%; High-End color³ down 14%, B&W down 12%.

- **Gross Margin:** 40.3%, up 50 bps
- **SAG:** 24.8% as percentage of revenue, down 100 bps
- **Operating Margin – adjusted¹:** 11.3%, up 140 bps
- **Other Expenses, net – adjusted¹:** \$26M, up \$21M
- **Equity Income – adjusted¹:** \$57M, up \$46M
- **Tax Rate – adjusted¹:** 26% vs. 28.3% in Q1 '18
- **GAAP EPS:** \$0.55, up \$0.47
- **EPS – adjusted¹:** \$0.91, up \$0.23
- **Free Cash Flow¹:** \$211M (CAPEX of \$15M), up \$13M
- **Ending cash⁴:** \$786M; **Ending debt:** \$4.8B (\$3.3B financing & \$1.5B core)
- Returned \$165M to shareholders in **dividends** and **share repurchase**

2019 Full-Year Financial Expectations

Increasing EPS guidance and share repurchase expectations; maintaining all other measures

- **Revenue:** Down ~5% CC¹
- **Operating Margin - adjusted¹:** 12.6% -13.1%, up 100 to 150 bps
- **GAAP EPS:** \$2.90 - \$3.05 (prior \$2.60 - \$2.70); **EPS – adjusted¹:** \$3.80 - \$3.95 (prior \$3.70 - \$3.80)
- **FCF¹:** \$1.0B - \$1.1B; CAPEX of ~ \$150M
- Expecting at least \$600 million in **share repurchases** in 2019 (prior expectation of at least \$300 million)

Note: Changes above reflect YOY compares unless otherwise noted.

(1) Constant Currency (CC) and other adjusted measures: see Non-GAAP Financial Measures contained in our first-quarter 2019 earnings release and slides posted on our website at <http://www.xerox.com/investor>. (2) When combined with OEM sales, Color A4 MFPs down 32%, B&W down 22%. (3) Mid-range and High-end color installations exclude Fuji Xerox digital front-end sales (DFEs); including DFEs, Mid-range color was down 7%, and High-end color down 14%. (4) Cash, cash equivalents and restricted cash.

For additional information, refer to our forward-looking statements and non-GAAP reconciliations contained in our first-quarter 2019 earnings release posted on our website at <http://www.xerox.com/investor>.

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