Xerox Reports Third-Quarter 2019 Results

Summary

• 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.

• In Q3 our revenue trajectory improved sequentially, and we delivered strong cash flow and earnings expansion that allowed us to increase our full year 2019 guidance.

• Increasing full-year guidance for adjusted<sup>1</sup> EPS to $4.00 - $4.10 and free cash flow<sup>1</sup> to $1.1 - $1.2 billion. Maintaining full-year guidance for revenue<sup>1</sup>, and adjusted<sup>1</sup> operating margin.

Third-Quarter Results

Revenue $2.2B, down 6.5% or down 5.3% CC<sup>1</sup>

• Equipment $0.5B, down 3.3% or down 2.2% CC<sup>1</sup>

• Post Sale $1.7B, down 7.3% or down 6.2% CC<sup>1</sup>

Gross Margin: 40.0%, down 10 bps

SAG: 23.3% as percentage of revenue, down 150 bps

Operating Margin – adjusted<sup>1</sup>: 12.1%, up 120 bps

Other Expenses, net – adjusted<sup>1,2</sup>: $7M, down $17M

Equity Income – adjusted<sup>1</sup>: $58M, up $8M

Tax Rate – adjusted<sup>1</sup>: 26.5% vs. 24.5% in Q3 ’18

GAAP EPS: $0.96, up $0.62

EPS – adjusted<sup>1</sup>: $1.08, up $0.23

Free Cash Flow<sup>1</sup>: $339 (CAPEX of $17M), up $88M

Ending cash<sup>5</sup>: $979M; Ending debt: $4.8B ($3.2B financing & $1.6B core)

Returned $129M to shareholders in dividends and share repurchase

Xerox Services revenue down 6.0% or down 4.6% CC<sup>1</sup>

Installs: Entry A4 MFPs<sup>3</sup> color up 10%, B&W down 6%; Mid-Range color<sup>4</sup> up 2%, B&W down 20%; High-End color<sup>4</sup> up 12%, B&W down 22%.

2019 Full-Year Financial Expectations

• Revenue: Down ~6% CC<sup>1</sup>

• Operating Margin - adjusted<sup>1</sup>: 12.6% -13.1%

• GAAP EPS: $3.10 - $3.20 (from $2.90 - $3.05); EPS – adjusted<sup>1</sup>: $4.00 - $4.10 (from $3.80 - $3.95)

• FCF<sup>1</sup>: $1.1B - $1.2B (increased from $1.0 to $1.1B); CAPEX of ~ $75M (reduced from $150M)

• Completed $368 million in share repurchases in 2019 through Q3. Maintaining expectation of at least $600 million for the full year.

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 third-quarter 2019 earnings release and slides posted on our website at http://www.xerox.com/investor. (2) Adjusted for Non-service retirement-related costs and Contract termination costs – IT services. (3) When combined with OEM sales, Color A4 MFPs up 10%, B&W down 7%. (4) Mid-range and High-end color installations exclude Fuji Xerox digital front-end sales (DFEs); including DFEs, Mid-range color was up 2%, and High-end color up 12%. (5) Cash, cash equivalents and restricted cash.

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