

Xerox Reports Third-Quarter 2019 Results

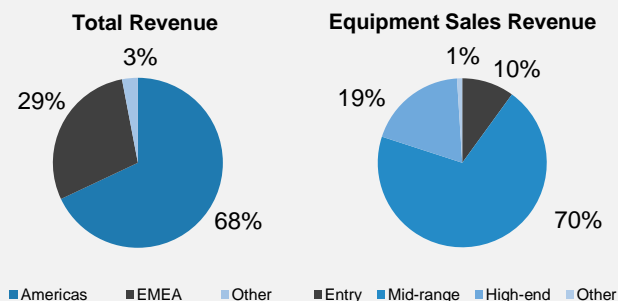
Summary

- 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 adjusted¹ EPS to \$4.00 - \$4.10 and free cash flow¹ to \$1.1 - \$1.2 billion. Maintaining full-year guidance for revenue¹, and adjusted¹ operating margin.

Third-Quarter Results

Revenue \$2.2B, down 6.5% or down 5.3% CC¹

- Equipment \$0.5B, down 3.3% or down 2.2% CC¹
- Post Sale \$1.7B, down 7.3% or down 6.2% CC¹



Xerox Services revenue down 6.0% or down 4.6% CC¹

Installs: Entry A4 MFPs³ color up 10%, B&W down 6%; Mid-Range color⁴ up 2%, B&W down 20%; High-End color⁴ up 12%, B&W down 22%.

- **Gross Margin:** 40.0%, down 10 bps
- **SAG:** 23.3% as percentage of revenue, down 150 bps
- **Operating Margin – adjusted¹:** 12.1%, up 120 bps
- **Other Expenses, net – adjusted^{1,2}:** \$7M, down \$17M
- **Equity Income – adjusted¹:** \$58M, up \$8M
- **Tax Rate – adjusted¹:** 26.5% vs. 24.5% in Q3 '18
- **GAAP EPS:** \$0.96, up \$0.62
- **EPS – adjusted¹:** \$1.08, up \$0.23
- **Free Cash Flow¹:** \$339 (CAPEX of \$17M), up \$88M
- **Ending cash⁵:** \$979M; **Ending debt:** \$4.8B (\$3.2B financing & \$1.6B core)
- Returned \$129M to shareholders in **dividends** and **share repurchase**

2019 Full-Year Financial Expectations

- **Revenue:** Down ~6% CC¹
- **Operating Margin - adjusted¹:** 12.6% -13.1%
- **GAAP EPS:** \$3.10 - \$3.20 (from \$2.90 - \$3.05); **EPS – adjusted¹:** \$4.00 - \$4.10 (from \$3.80 - \$3.95)
- **FCF¹:** \$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>.

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