

Xerox Reports Third-Quarter 2020 Results

Our earnings and cash generation during this unprecedented year reflect the flexibility built into our model and the discipline in our operations through Project Own It. Our Q3 revenues reflect an improvement over Q2 as more businesses re-opened and employees returned to the workplace. However, the pace and extent of recovery remain uncertain and we are not providing specific financial guidance for 2020.

We strengthened our balance sheet and extended our liquidity in Q3 by refinancing near-term debt maturities. We remain focused on winning in the marketplace with our strong portfolio, and we continue to drive progress on our four strategic initiatives that underpin our long-term transformation.

Financial Results¹

Gross Margin: 36.8%, down 320 bps

SAG: 25.1% as percentage of revenue, up 170 bps

Operating Margin – Adjusted²: 7.4%, down 460 bps

Other Expenses, net – Adjusted²: \$(2)M, down \$11M

Tax Rate – Adjusted²: 21.1%, down 620 bps

GAAP Earnings Per Share: \$0.41, down \$0.27

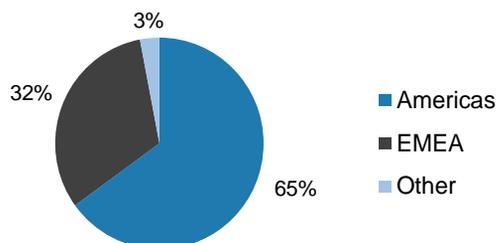
EPS – Adjusted²: \$0.48, down \$0.32

Free Cash Flow²: \$88M (CAPEX of \$18M), down \$243M

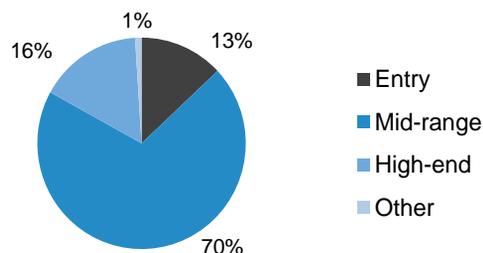
Ending Cash³: \$3.3B; **ending debt:** \$5.1B (\$3.0B financing & \$2.1B core)

Dividends and Share Repurchase: Returned \$211M to shareholders

Total Revenue



Equipment Revenue



Revenue: \$1.77B, down 18.9% or down 19.7% CC²

- Equipment: \$0.4B, down 15.2% or down 16.1% CC²
- Post Sale: \$1.3B, down 20.0% or down 20.7% CC²

Xerox Services Revenue: Down 20.3% or down 21.3% CC²

Installs: Entry A4 MFPs color down 9%, B&W up 52%; Mid-range color down 21%, B&W down 19%; High-end color down 38%, B&W down 13%.

NOTE: The financial results presented above are from continuing operations.

⁽¹⁾ All comparisons above are year-over-year except otherwise noted. ⁽²⁾ Adjusted Measures, Free Cash Flow and Constant Currency (CC): see Non-GAAP Financial Measures contained in our third-quarter 2020 earnings release and slides posted on our website at <https://www.xerox.com/investor>. ⁽³⁾ Cash, cash equivalents and restricted cash. For additional information, refer to our forward-looking statements and non-GAAP reconciliations contained in our third-quarter 2020 earnings release posted on our website at <https://www.xerox.com/investor>.