

Xerox Reports Fourth-Quarter 2020 Results

We put our strategy to the test in 2020, delivering positive earnings per share and free cash flow, while returning capital to shareholders and continuing to invest in our future.

The workplace has been transformed into a more flexible, hybrid environment. In response, we have further expanded our innovation investments in order to bolster and diversify our portfolio of offerings. We also announced plans to stand up Software, Financing (XFS) and Innovation (PARC) as separate businesses within Xerox, allowing them to focus on developing new capabilities and sustainable growth.

While COVID-19 is still impacting the global economy, our 2021 model assumes a modest economic recovery as the year progresses and continued execution of our growth strategy, which gives us confidence in our full-year guidance.

Fourth-Quarter Financial Results

Gross Margin: 36.2%, down 540 bps

SAG: 22.8% as percentage of revenue, up 190 bps

Operating Margin – Adjusted¹: 9.5%, down 730 bps

Other Expenses, net – Adjusted¹: \$13M, down \$2M

Tax Rate – Adjusted¹: 29.8%, up 480 bps

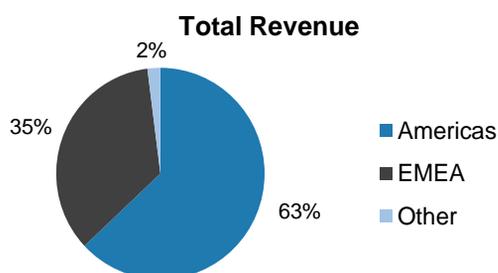
GAAP Earnings Per Share: \$0.36, down \$0.81

EPS – Adjusted¹: \$0.58, down \$0.75

Free Cash Flow¹: \$221M (CAPEX of \$14M), down \$160M; FY FCF \$474M (CAPEX of \$74M), down \$705M

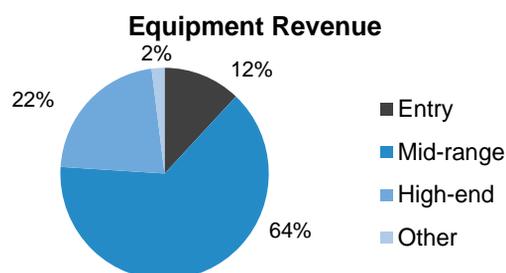
Ending Cash²: \$2.7B; **ending debt:** \$4.4B (\$3.0B financing & \$1.4B core)

Dividends and Share Repurchase: Returned \$530M to shareholders FY



Revenue: \$1.93B, down 21.0% or down 22.3% CC¹

- Equipment: \$0.5B, down 17.2% or down 18.8% CC¹
- Post Sale: \$1.4B, down 22.3% or down 23.5% CC¹



Xerox Services Revenue: Down 17.9% or down 19.4% CC¹

Installs: Entry A4 MFPs color down 22%, B&W up 28%; Mid-range color down 20%, B&W down 16%; High-end color down 26%, B&W down 6%.

2021 Full-Year Guidance

- **Revenue (CC)¹:** At least \$7.2B, ~2.5% growth
- **Free Cash Flow¹:** At least \$500M
- **Shareholder Returns:** At least 50% of annual Free Cash Flow¹

NOTES: The financial results presented above are from continuing operations. 2019 Revenue, Post Sale, Gross Margin, SAG, Operating Margin – adjusted, Tax Rate – Adjusted, GAAP EPS, EPS – adjusted, Free Cash Flow (FCF), and Ending cash reflect the inclusion of the benefit from an upfront OEM license fee of \$77M, paid by Fuji Xerox to Xerox in the fourth quarter of 2019 as part of a series of transactions to restructure Xerox's relationship with FUJIFILM.

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