

# Xerox Reports Second Quarter 2023 Results

Resilient demand and balanced execution drove another quarter of revenue, profit, and cash flow growth. Given recent trends and an improving macroeconomic outlook, we have raised 2023 adjusted<sup>1</sup> operating income margin and free cash flow<sup>1</sup> guidance. We expect revenue to be near the high end of our outlook of “flat to down low-single digits” in constant currency.

For Q2, constant currency revenue grew slightly, driven by higher equipment sales. Adjusted<sup>1</sup> operating margin expanded 410 bps YoY due to favorable mix, lower logistics costs, and the benefits of price and cost actions. The 50 basis point increase to our full-year adjusted<sup>1</sup> operating margin guidance, to 5.5% to 6.0%, reflects a stronger-than-expected realization of operating efficiencies and revenue mix.

Free cash flow of \$88M, was up \$186M YoY driven by growth in operating income and net receivable sales activity, partially offset by a larger use of working capital. We now expect 2023 free cash flow of at least \$600M, up from \$500M previously, driven by higher expected operating income and incremental sales of finance receivables.

## Second Quarter Financial Results

**Gross Margin:** 34.0%, up 210 bps

**SAG:** 24.7% as percentage of revenue, down 160 bps

**Operating Margin – Adjusted<sup>1</sup>:** 6.1%, up 410 bps

**Other expenses, net – Adjusted<sup>1</sup>:** \$17M, up \$9M

**Tax Rate – Adjusted<sup>1</sup>:** 20.0%, up 150 bps

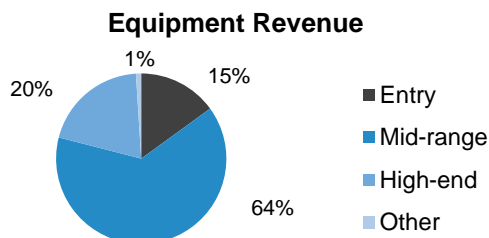
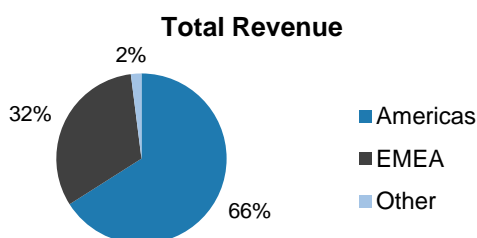
**GAAP (Loss) Per Share<sup>2</sup>:** \$(0.41), down \$0.36

**EPS – Adjusted<sup>1</sup>:** \$0.44, up \$0.31

**Free Cash Flow<sup>1</sup>:** \$88M (CAPEX of \$7M), up \$186M

**Ending Cash<sup>3</sup>:** \$0.6B; **ending debt:** \$3.1B (\$2.6B financing & \$0.5B core)

**Dividends:** Returned ~\$43M to shareholders



**Revenue:** \$1.75B, up 0.4% or up 0.5% CC<sup>1</sup>

- Equipment: \$0.42B, up 14.8% or up 14.3% CC<sup>1</sup>
- Post Sale: \$1.33B, down 3.4% or down 3.2% CC<sup>1</sup>

**Installs<sup>4</sup>:** Entry color down 43%, B&W down 5%; Mid-range color up 21%, B&W up 16%; High-end color up 8%, B&W down 8%.

## 2023 Full-Year Guidance

- **Revenue:** Flat to down low-single-digits in constant currency<sup>1</sup>
- **Adjusted<sup>1</sup> Operating Margin:** 5.5% to 6.0%
- **Free Cash Flow<sup>1</sup>:** At least \$600M

<sup>(1)</sup> Adjusted Measures, Free Cash Flow and Constant Currency (CC): see Non-GAAP Financial Measures contained in our second-quarter 2023 earnings release and slides posted on our website at <https://www.xerox.com/investor>. <sup>(2)</sup> GAAP (Loss) per share includes the after-tax PARC donation charge of \$92 million (\$132 million pre-tax), or \$0.58 per share. <sup>(3)</sup> Cash, cash equivalents and restricted cash. <sup>(4)</sup> Reflects Install activity for total Entry product group.