

Xerox Reports Third Quarter 2023 Results

In Q3, we delivered another quarter of growth in adjusted¹ operating income, adjusted¹ operating income margin and free cash flow¹, despite a YoY decline in revenue. The decrease in revenue was largely driven by declines in transactional, non-contractual post sale items. Equipment revenue declined slightly, reflecting stable demand conditions offset by backlog reductions in the prior year. Adjusted¹ operating margin grew 40 bps YoY, as the decline in revenue and gross profit was offset by benefits from ongoing operating cost reduction and pricing actions. Free cash flow of \$112M, was up \$130M YoY driven by higher net receivable sales activity and working capital improvements.

This quarter we announced Reinvention, a comprehensive simplification of our business, designed to strategically reposition the company to take full advantage of favorable macro trends, while managing the secular headwinds associated with traditional Print. Through geographic and product optimization efforts, as well as operating model simplifications, we expect Reinvention to deliver an improvement of at least \$300M in adjusted¹ operating income by 2026, resulting in double-digit adjusted operating income margins. Further, self-funded growth investments are expected to result in a more diversified revenue mix, with greater exposure to end-markets with high rates of growth.

Third Quarter Financial Results

Gross Margin: 32.4%, up 60 bps

SAG: 25.2% as percentage of revenue, up 130 bps

Operating Margin – Adjusted¹: 4.1%, up 40 bps

Other expenses, net – Adjusted¹: \$(21)M, down \$29M

Tax Rate – Adjusted¹: 7.3%, down from 42.1%

GAAP Earnings Per Share²: \$0.28, up \$2.76

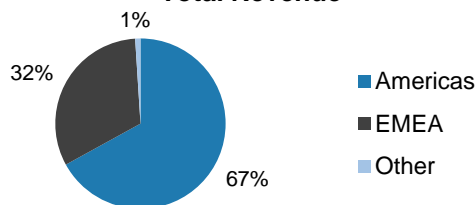
EPS – Adjusted¹: \$0.46, up \$0.27

Free Cash Flow¹: \$112M (CAPEX of \$12M), up \$130M

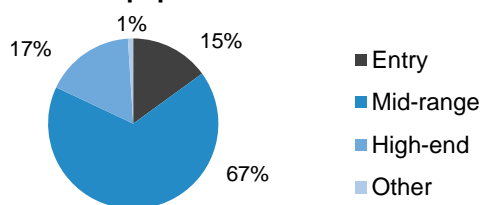
Ending Cash³: \$0.6B; **ending debt:** \$3.6B (\$2.5B financing & \$1.1B core)

Dividends: Returned ~\$43M to shareholders

Total Revenue



Equipment Revenue



Revenue: \$1.65B, down 5.7% or down 7.4% CC¹

- Equipment: \$0.39B, down 1.0% or down 2.1% CC¹
- Post Sale: \$1.27B, down 7.0% or down 9.0% CC¹

Installs⁴: Entry color down 52%, B&W down 28%; Mid-range color down 18%, B&W down 10%; High-end color up 15%, B&W down 16%.

2023 Full-Year Guidance

- **Revenue:** Flat to down low-single-digits in constant currency¹
- **Adjusted¹ Operating Margin:** 5.5% to 6.0%
- **Free Cash Flow¹:** At least \$600M

⁽¹⁾ Adjusted Measures, Free Cash Flow and Constant Currency (CC): see Non-GAAP Financial Measures contained in our third-quarter 2023 earnings release and slides posted on our website at <https://www.xerox.com/investor>. ⁽²⁾ Q3 2022 GAAP Net Loss per share includes an after-tax non-cash goodwill impairment charge of \$395 million, or \$2.54 per share. ⁽³⁾ Cash, cash equivalents and restricted cash. ⁽⁴⁾ Reflects Install activity for total Entry product group.