Xerox Reports Fourth-Quarter 2023 Results

In 2023, we achieved adjusted[1] operating income margin and free cash flow[1] guidance despite slightly weaker-than-expected macroeconomic conditions in the second half of the year. For Q4, revenue declined 9.1% in actual currency and 10.6% in constant currency[1]. A reduction in prior year backlog and non-strategic revenue contributed more than 10 percentage points of the decline. Adjusted[1] operating income margin of 5.4% was down 380 basis points Y/Y, and free cash flow of $379 million improved $211 million Y/Y.

In early January, we announced a significant reorganization of our business, including the adoption of a business unit, rather than a geographic-led operating focus, and a greater emphasis on partner-led distribution. This new operating model is a key enabler of the expected improvement in adjusted[1] operating income year over year.

In 2024, we expect revenue to decline 3% to 5% Y/Y in constant currency, inclusive of 400 basis points of headwind form prior year backlog reductions and the exit or deemphasis of certain non-strategic businesses. Adjusted[1] operating income margin improvement of at least 190 basis points is expected to be driven by operating efficiencies enabled by recent restructuring actions. Free cash flow[1] of at least $600 million reflects higher adjusted operating income, offset by cash restructuring costs and higher pension contributions.

Fourth-Quarter Financial Results

Gross Margin: 33.5%, down 130 bps

SAG: 24.9% as percentage of revenue, up 280 bps

Operating Margin – Adjusted[1]: 5.4%, down 380 bps

Other expenses, net – Adjusted[1]: $37M, up $45M

Tax Rate – Adjusted[1]: 15.2%, down from 21.9%

GAAP (Loss) Per Share: $(0.50), down $1.24

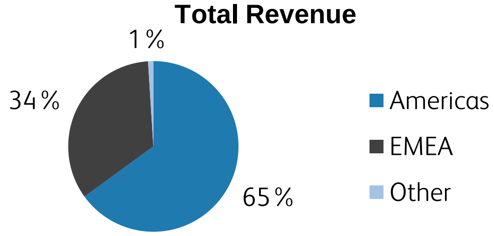
EPS – Adjusted[1]: $0.43, down $0.46

Free Cash Flow[1]: $379M (CAPEX of $10M), up $211M

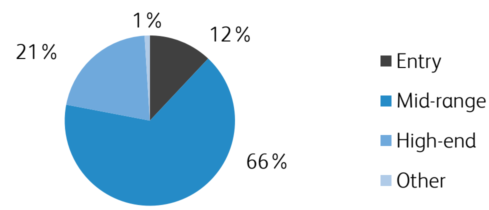
Ending Cash[2]: $617M; **ending debt:** $3.3B ($2.4B financing & $0.9B core)

Dividends: Returned ~$34M to shareholders

Total Revenue



Equipment Revenue



Revenue: $1.77B, down 9.1% or down 10.6% CC[1]

- Equipment: $0.5B, down 17.3% or down 18.3% CC[1]
- Post Sale: $1.3B, down 5.8% or down 7.5% CC[1]

Installs: Entry down 31%; Mid-range down 19%; High-end up 12%.

2024 Full-Year Guidance

- **Revenue**: Decline of 3% to 5% in constant currency
- **Adjusted**[1] **Operating Margin**: At least 7.5%
- **Free Cash Flow**[1]: At least $600M

(1) Adjusted Measures, Free Cash Flow and Constant Currency (CC): see Non-GAAP Financial Measures contained in our fourth-quarter 2023 earnings release and slides posted on our website at https://investors.xerox.com/. (2)Cash, cash equivalents and restricted cash.

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