

Xerox Reports First-Quarter 2018 Results

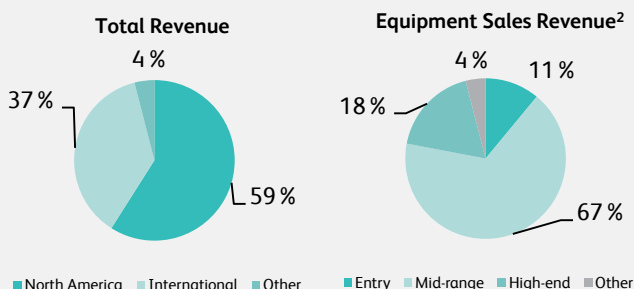
First-Quarter Highlights

- Strong start to operating cash flow, at \$216M in the quarter
- Continued revenue growth in Managed Document Services and Global Imaging Systems operations
- Adjusted¹ operating margin of 10.4%, down 0.6 pts YOY; operating margin, excluding Equity Income, up 0.5 pts
- Core operating profit, excluding Equity Income, grew 5% YOY

First-Quarter Results

Revenue \$2.4B, down 0.8% or 4.6% CC¹

- Equipment \$0.5B, down 2.7% or 6.4% CC¹
- Post Sale \$1.9B, down 0.3% or 4.1% CC¹; 80% of Total Revenue



- **Gross Margin:** 39.8%, up 0.1 pt YOY
- **Operating Margin – adjusted¹:** 10.4%, down 0.6 pts YOY; excluding Equity Income 9.9%, up 0.5 pts
- **Equity Income:** loss of \$68M, down \$108M YOY; includes \$79M of restructuring and combination transaction costs as well as ~\$28M charge related to the out-of-period adjustments
- **Tax Rate – adjusted¹:** 28.3% vs. 27.0% in Q1 '17
- **GAAP EPS:** \$0.08, down 8 cents YOY; includes 10 cents per share of transaction and related costs
- **EPS – adjusted¹:** \$0.68, up 1 cent YOY
- **Operating Cash Flow:** \$216M
- **Free Cash Flow¹:** \$198M, up \$38M YOY
- **Ending debt:** \$5.5B (\$3.6B financing & \$1.9B core)
- **Ending cash balance:** \$1.4B

Key Metrics

Strategic Growth Areas³ revenue up 1.3% CC¹ and comprised 42% of total, up 2 pts YOY

Strategic Transformation savings FY target of \$475M

MDS revenue up 5.1% or 0.6% CC¹ YOY

Installs – YOY % change

- Entry A4 MFPs⁴ color up 4%, B&W up 18%
- Mid-Range color⁵ up 16%, B&W up 11%
- High-End color⁵ up 6%, B&W down 9%

Guidance

Xerox is not providing 2018 guidance due to the pending Director Appointment, Nomination and Settlement Agreement with Carl Icahn and Darwin Deason, among others. For additional information on the settlement, please refer to the Financial Review – Recent Developments section in our first-quarter 2018 earnings release.

In the normal course of business, absent recent events, the company would have reaffirmed its full-year guidance on revenue, adjusted operating margin, cash flow and adjusted EPS.

(1) Constant Currency (CC) and other adjusted measures: see Non-GAAP Financial Measures contained in our first-quarter 2018 earnings release and slides posted on our website at <http://www.xerox.com/investor>. (2) Entry equipment revenue excludes OEM business, which is included in Other equipment revenue. (3) Strategic Growth Areas include MPS & Workflow Automation, A4 MFPs and Production Color revenues. (4) Entry installations exclude OEM sales, including OEM sales Color A4 MFPs up 7%, B&W up 16%. (5) Mid-range and High-end color installations exclude Fuji Xerox digital front-end sales (DFEs); including DFEs, Mid-range color was up 16%, and High-end color up 5%.

For additional information, please refer to our forward looking statements and non-GAAP reconciliation contained in our first-quarter 2018 earnings release posted on our website at <http://www.xerox.com/investor>.

