

# Xerox Reports First-Quarter 2022 Results

Revenue was in line with expectations. Demand remains strong, with total backlog up 21% sequentially and close to three times higher than prior year levels. We expect a broader return of employees to the workplace, which we expect will result in improvements in page volumes and post-sale revenue in future quarters.

Operating costs in the quarter were higher than expected as inflationary pressure is building across our cost base. We expect the margin-dilutive effects of supply chain costs and new business investments to moderate as constraints ease and our new businesses scale.

We are maintaining our revenue and cash flow guidance, subject to improvements in supply chain constraints and return to office trends in the second half of the year. We are implementing counteractive measures to help stabilize our profitability and maintain our free cash flow target<sup>1</sup> in response to geopolitical uncertainty and inflationary pressures.

## First-Quarter Financial Results

**Gross Margin:** 31.8%, down 390 bps

**SAG:** 27.3% as percentage of revenue, up 110 bps

**Operating Margin – Adjusted<sup>1</sup>:** (0.2)%, down 540 bps

**Other Expenses, net – Adjusted<sup>1</sup>:** \$31M, up \$7M

**Tax Rate – Adjusted<sup>1</sup>:** 52.9%, up from 27.7%

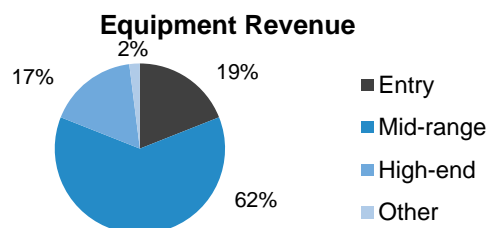
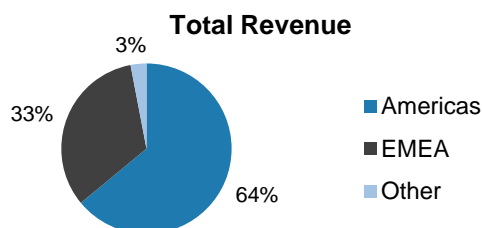
**GAAP Loss Per Share:** \$(0.38), down \$0.56

**EPS – Adjusted<sup>1</sup>:** \$(0.12), down \$0.34

**Free Cash Flow<sup>1</sup>:** \$50M (CAPEX of \$16M), down \$50M

**Ending Cash<sup>2</sup>:** \$1.8B; **ending debt:** \$4.3B (\$2.9B financing & \$1.4B core)

**Dividends and Share Repurchase:** Returned ~\$159M to shareholders



**Revenue:** \$1.67B, down 2.5% or down 0.7% CC<sup>1</sup>

- **Equipment:** \$0.3B, down 17.6% or down 16.1% CC<sup>1</sup>

- **Post Sale:** \$1.4B, up 1.9% or up 3.7% CC<sup>1</sup>

**Installs:** Entry A4 MFPs color flat, B&W down 39%; Mid-range color down 9%, B&W down 61%; High-end color down 29%, B&W down 15%.

## 2022 Full-Year Guidance

- **Revenue:** At least \$7.1B, in actual currency
- **Free Cash Flow<sup>1</sup>:** At least \$400M
- **Shareholder Returns:** At least 50% of annual Free Cash Flow<sup>1</sup>

**NOTES:** The financial results presented above are from continuing operations.

<sup>(1)</sup> Adjusted Measures, Free Cash Flow and Constant Currency (CC): see Non-GAAP Financial Measures contained in our first-quarter 2022 earnings release and slides posted on our website at <https://www.xerox.com/investor>. The adjusted effective tax rate reflects benefits from additional tax incentives as well as a change to the indefinite reinvestment tax liability due to a recent acquisition. <sup>(2)</sup> Cash, cash equivalents and restricted cash. For additional information, refer to our forward-looking statements and non-GAAP reconciliations contained in our first-quarter 2022 earnings release posted on our website at <https://www.xerox.com/investor>.