

Xerox Reports First Quarter 2015 Results

First Quarter Overview

- **EPS:** GAAP EPS from continuing operations of \$0.16/share, adjusted¹ EPS of \$0.21/share
- **Q1 total revenue** of \$4.5 billion; down 6% YOY (down 2% CC*)
 - **Services:** decrease of 3% YOY (up 1% CC*)
 - **Document Technology:** decrease of 10% YOY (down 6% CC*)
 - **Annuity revenue** of \$3.8 billion; down 5% YOY (down 1% CC*); 86% of total
 - **Equipment revenue** of \$624 million; down 13% YOY (down 8% CC*); 14% of total
- **Operating margin** of 7.6%; down 1.1 pts YOY
- **Segment margins:** Services 7.5%, Technology 11.1%
- **Operating Cash Flow** of \$113 million

Balance Sheet/Cash

- **Cash from operations:** \$113 million
- **CAPEX** of \$95 million
- **Acquisitions** of \$28 million
- **Adj. avg. fully diluted share count²:** 1,127 million
- **Ending fully diluted share count²:** 1,146 million
- **Share repurchases** of \$216 million
- **Ending Debt** of \$7.6 billion
 - Retired \$1B Senior Notes
 - Issued \$650M in Senior Notes

Guidance

- **Revenue: FY 2015 down ~1% CC**
- **EPS:**
 - **Q2 2015 adjusted¹:** \$0.21 – \$0.23
 - Q2 includes approx. \$0.02 of restructuring
 - **FY 2015 adjusted¹:** lowered to \$0.95 - \$1.01 driven by lower than expected Service margins
 - **GAAP (from Continuing Operations):**
Q2 2015: \$0.17 - \$0.19; FY 2015: \$0.77 - \$0.83
- **Share repurchases:** ~\$1 billion
- **Acquisitions:** up to \$900 million
- **Q2 & FY 2015 adjusted¹ tax rate:** 25% - 27%
- **Full year operating cash flow:** \$1.7 - \$1.9 billion range

Services Segment

- **Q1 revenue** of \$2.5 billion; down 3% YOY (up 1% CC*)
- **Services now 56% of total company revenue**
- **Revenue mix** of 69% BPO, 31% DO
- **Segment margin** 7.5%; down 1.1 pts YOY
 - Decline driven by lower revenue and higher costs in our Government Healthcare Health Enterprise platform implementations
- **Year-over-year revenue:**
 - 2% decline in Business Process Outsourcing (BPO) (up 1% CC*)
 - 5% decline in Document Outsourcing (DO) (up 2% CC*)
- **Metrics:**
 - **Signings of \$2.4 billion TCV**
 - Down 13% YOY, down 10% TTM, driven by new business signings and lower renewal opportunities
 - ARR/NRR new business down 26% YOY, down 17% TTM
 - Q1 signings do not include recently approved New York MMIS or pending Florida Tolling
 - **Renewal rate (BPO and DO) of 91%**

Document Technology Segment

- **Q1 revenue** of \$1.8 billion; down 10% YOY (down 6% CC*)
 - Revenue down 9% inclusive of DO (down 4% CC*)
 - Annuity revenue down 10% YOY (down 5% CC*), 72% of revenue
 - Equipment revenue down 12% YOY (down 8% CC*), 28% of revenue
- **Segment margin of 11.1%; down 1.1 pts YOY**
 - As expected, margin lower YOY driven by pension expense
 - **Revenue mix** of 20% entry, 57% mid-range, 23% high-end

Installs³

Overall Install Growth			
Entry		Mid-Range	
A4 Color MFDs	(30%)	Mid-Range Color MFDs	(1)%
Color Printers	1%	Mid-Range B&W MFDs	(1)%
A4 Mono MFDs	(22%)		
		High-End	
		High-End Color ⁴	8%
		High-End B&W	(5)%

Note: The sale of our ITO business to ATOS is expected to close in second quarter 2015 and it is being reported as a discontinued operation

* Constant currency (CC)

(1) Adjustments limited to the amortization of intangible assets in 2015

(2) Avg represents diluted shares as used for the calculation of EPS in the quarter. Outstanding represents common shares outstanding for the quarter plus potential dilutive common and preferred shares

(3) Installs include Document Technology and Services segments

(4) High-end install growth impacted by digital front end (DFE) sales to Fuji Xerox, High-End down 26% in Q1 excluding DFE's

Please see our forward looking statements and non-GAAP reconciliation contained in our first quarter 2015 earnings release posted on our website at <http://www.xerox.com/investor>

