

Xerox Reports Third-Quarter 2022 Results

Demand for our products and services remained strong as we delivered the highest rate of constant currency¹ revenue growth in over a year. Equipment revenue grew in both actual and constant currency for the first time since Q2 2021. Post sale revenue again grew mid-single digits in constant currency¹.

Adjusted¹ operating margin and profits improved sequentially but were below expectations due to slower than expected improvements to supply chain conditions and the persistent effects of inflation across our cost base. We expect margin improvement in Q4 and 2023 as supply chain headwinds moderate and price and cost reduction actions are more fully realized.

Despite a resilient demand outlook, we lowered full year 2022 revenue and free cash flow guidance. The change to revenue guidance reflects adverse currency movements. The lower free cash flow guidance accounts for higher-than-expected supply chain and inflationary headwinds and a larger than expected use of working capital to fund growth at FITTLE and inventories.

Third-Quarter Financial Results

Gross Margin: 31.8%, down 60 bps

SAG: 23.9% as percentage of revenue, up 40 bps

Operating Margin – Adjusted¹: 3.7%, down 50 bps

Other expenses, net – Adjusted¹: \$8M, up \$19M

Tax Rate – Adjusted¹: 42.1%, up from (3.5)%

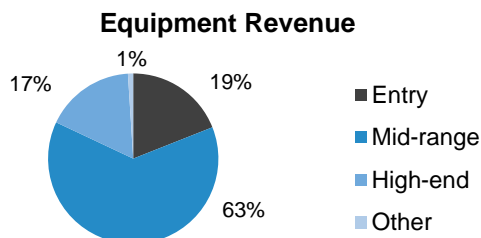
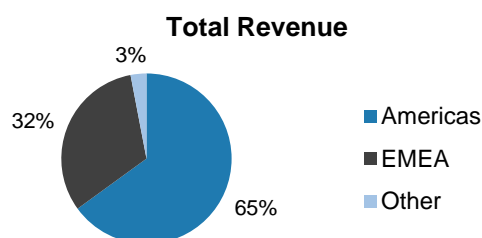
GAAP Loss Per Share²: \$(2.48), down \$2.96

EPS – Adjusted¹: \$0.19, down \$0.29

Free Cash Flow¹: \$(18)M (CAPEX of \$10M), down \$99M

Ending Cash³: \$1.0B; **ending debt:** \$3.7B (\$2.7B financing & \$1.0B core)

Dividends and Share Repurchase: Returned ~\$43M to shareholders



Revenue: \$1.75B, down 0.4% or up 4.7% CC¹

- Equipment: \$0.4B, up 0.8% or up 6.7% CC¹
- Post Sale: \$1.4B, down 0.7% or up 4.1% CC¹

Installs: Entry A4 MFPs color up 28%, B&W down 28%; Mid-range color up 10%, B&W down 21%; High-end color up 1%, B&W down 10%.

2022 Full-Year Guidance

- **Revenue:** \$7.0 to \$7.1B, in actual currency
- **Free Cash Flow^{1,4}:** At least \$125M
- **Shareholder Returns:** At least 50% of annual Free Cash Flow¹

⁽¹⁾ Adjusted Measures, Free Cash Flow and Constant Currency (CC): see Non-GAAP Financial Measures contained in our third-quarter 2022 earnings release and slides posted on our website at <https://www.xerox.com/investor>. Third-quarter 2022 adjusted tax rate was 42.1% compared to (3.5)% percent last year. The increase was largely due to changes in elections made to certain tax positions for recently filed returns as well as prior year non-recurring tax benefits from tax return filing positions and the remeasurement of deferred tax assets. ⁽²⁾ GAAP 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⁾ Free cash flow guidance excludes a one-time payment in Q2 associated with a product supply contract termination charge. For additional information, refer to our forward-looking statements and non-GAAP reconciliations contained in our third-quarter 2022 earnings release posted on our website at <https://www.xerox.com/investor>.