

Xerox Reports Third Quarter 2015 Results

Third Quarter Overview

- **EPS:** adjusted¹ EPS of \$0.24/share, GAAP EPS from continuing operations of \$(0.04)/share
- Adjusted results exclude previously announced Health Enterprise related charge of \$389 million (\$241 million after-tax)
- **Q3 adjusted total revenue** of \$4.4 billion; down 7% YOY (down 4% CC*)
 - **Services:** decrease of 3% YOY (flat CC*)
 - **Document Technology:** decrease of 12% YOY (down 9% CC*)
 - **Annuity revenue** of \$3.8 billion; down 7% YOY (down 3% CC*); 85% of total
 - **Equipment revenue** of \$668 million; down 11% YOY (down 7% CC*); 15% of total
- **Operating margin** of 8.7%; down 0.9pts YOY
- **Segment margins:** Services 8.1%, Technology 12.8%
- **Cash from operations:** \$271 million

Balance Sheet/Cash

- **Cash from operations:** \$271 million
- **CAPEX** of \$65 million
- **Acquisitions** of \$153 million
- **Adj. avg. fully diluted share count²:** 1,078 million
- **Ending fully diluted share count²:** 1,046 million
- **Share repurchases** of \$691 million; \$1.3 billion YTD
- **Ending Debt** of \$7.6 billion

Guidance

- **Adjusted Revenue: FY 2015 down ~3% CC**
- **EPS:**
 - **Q4 2015 adjusted¹:** \$0.28 – \$0.30
 - **FY 2015 adjusted¹:** \$0.95 - \$1.01 (low-end)
 - **GAAP (from Continuing Operations):**
Q4 2015: \$0.23 - \$0.25; FY 2015: \$0.46 - \$0.52
- **FY Share repurchases:** \$1.3 billion
- **FY Acquisitions:** ~\$200 million
- **Q4 & FY 2015 adjusted¹ tax rate:** 25% - 27%
- **FY Operating Cash Flow:** \$1.6 - \$1.7 billion
- **FY CAPEX:** ~\$0.3 billion
- **FY Free Cash Flow:** \$1.3 - \$1.4 billion
- **Year-end debt:** ~\$7.4 billion

* Constant currency (CC)

(1) Adjustments limited to the amortization of intangible assets and Health Enterprise charges in 2015

(2) Average shares for the calculation of adjusted EPS for third quarter 2015 include 27 million of shares associated with the Series A convertible preferred stock and therefore the related quarterly dividend was excluded. Outstanding represents common shares outstanding for the quarter plus potential dilutive common and preferred shares (includes shares associated with our Series A convertible preferred stock)

(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 flat in Q3 excluding DFE's

Please see our forward looking statements and non-GAAP reconciliation contained in our third quarter 2015 earnings release posted on our website at www.xerox.com/earnings

Services Segment

- **Q3 adjusted revenue** of \$2.5 billion; down 3% YOY (flat CC*)
- **Services 57% of total company adjusted revenue**
- **Revenue mix** of 68% BPO, 32% DO
- **Adjusted segment margin** 8.1%; down 1.0 pts YOY
 - Margin up sequentially and in line with guidance
- **Year-over-year revenue:**
 - 4% or 1% decline in CC* in Business Process Outsourcing (BPO)
 - 3% decline or up 3% CC* in Document Outsourcing (DO)
- **Metrics:**
 - **Signings of \$1.9 billion TCV**
 - Down 7% YOY and up 5% TTM
 - New business down 9% YOY, down 14% TTM
 - **Renewal rate (BPO and DO) of 89%**

Document Technology Segment

- **Q3 revenue** of \$1.8 billion; down 12% YOY (down 9% CC*)
 - Revenue pressures from developing markets increased significantly
 - Annuity revenue down 12% YOY (down 8% CC*), 70% of revenue
 - Equipment revenue down 13% YOY (down 10% CC*), 30% of revenue
- Including DO, revenue decline stable, down 5% CC*
- **Segment margin** 12.8%; down 1.2 pts YOY
 - Continued strong margin; within FY range of 11-13%
 - **Revenue mix** of 19% entry, 58% mid-range, 23% high-end

Installs³

Overall Install Growth			
Entry		Mid-Range	
A4 Color MFDs	94%	Mid-Range Color MFDs	1%
Color Printers	(36)%	Mid-Range B&W MFDs	(8)%
A4 Mono MFDs	(13)%		
		High-End	
	High-End Color ⁴		(2)%
	High-End B&W		(28)%

Adjusted results¹

(in billions)	Reported			Adjusted		
	Q3 2015	% Change	CC %	Q3 2015	% Change	CC %
Total Revenue	\$ 4.3	(10)%	(6)%	\$ 4.4	(7)%	(4)%
Annuity Revenue	\$ 3.7	(9)%	(6)%	\$ 3.8	(7)%	(3)%
Services Revenue	\$ 2.4	(8)%	(4)%	\$ 2.5	(3)%	Flat
Services Margin	(7.6)%			8.1%		
% of Total Revenue	56%			57%		
BPO Revenue	\$ 1.6	(10)%	(8)%	\$ 1.7	(4)%	(1)%
% of Services Revenue	67%			68%		

