

Xerox Reports Fourth-Quarter 2022 Results

2022 presented the company with a number of unprecedented challenges, but we ended the year strong. Revenue in Q4 grew 13.9% YoY in constant currency (+9.2% in AC) and operating margin expanded 440 basis points, due to better product availability and benefits from recent cost and pricing actions. For the year, revenue of \$7.11 billion exceeded the high end of our revised guidance. Adjusted operating income margin was challenged by inflationary headwinds but improved sequentially each quarter, and full-year free cash flow also exceeded our revised guidance target.

While we have not yet experienced a meaningful pullback in demand, our 2023 revenue guidance of flat to down low single digits in constant currency accounts for a potential deterioration in macroeconomic conditions. Despite a contingency for macroeconomic weakness, we expect improvements in adjusted operating margins and free cash flow in 2023. We expect growth in margin and profits to continue in future years as we implement a strategic plan for which profitability will be a primary goal.

Fourth-Quarter Financial Results

Gross Margin: 34.8%, up 190 bps

SAG: 22.1% as percentage of revenue, down 170 bps

Operating Margin – Adjusted¹: 9.2%, up 440 bps

Other expenses, net – Adjusted¹: \$(9)M, down \$38M

Tax Rate – Adjusted¹: 21.8%, up from (8.8)%

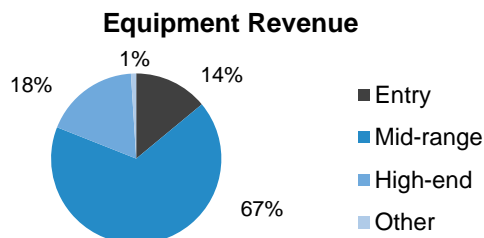
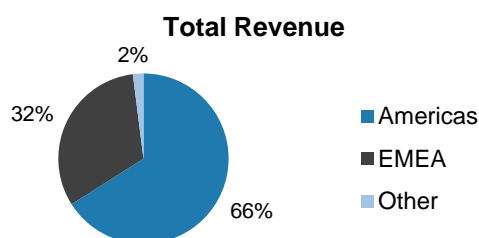
GAAP Earnings Per Share: \$0.74, up \$4.71

EPS – Adjusted¹: \$0.89, up \$0.55

Free Cash Flow¹: \$168M (CAPEX of \$18M), down \$14M

Ending Cash²: \$1.1B; **ending debt:** \$3.7B (\$2.9B financing & \$0.8B core)

Dividends: Returned ~\$43M to shareholders



Revenue: \$1.94B, up 9.2% or up 13.9% CC¹

- Equipment: \$0.6B, up 44.3% or up 49.0% CC¹
- Post Sale: \$1.4B, down 0.4% or up 4.2% CC¹

Installs: Entry A4 MFPs color up 59%, B&W down 35%; Mid-range color up 56%, B&W up 68%; High-end color up 1%, B&W down 8%.

2023 Full-Year Guidance

- **Revenue:** Flat to down low-single-digits in constant currency
- **Adjusted¹ Operating Margin:** At least 4.7%
- **Free Cash Flow¹:** At least \$500M

⁽¹⁾ Adjusted Measures, Free Cash Flow and Constant Currency (CC): see Non-GAAP Financial Measures contained in our fourth-quarter 2022 earnings release and slides posted on our website at <https://www.xerox.com/investor>. Fourth-quarter 2022 adjusted tax rate was 21.8% compared to (8.8)% percent last year. The increase was largely due to prior year tax benefits for changes in the remeasurement of uncertain tax positions.

⁽²⁾ Cash, cash equivalents and restricted cash. For additional information, refer to our non-GAAP reconciliations contained in our fourth-quarter 2022 earnings release posted on our website at <https://www.xerox.com/investor>.