

Xerox Reports First Quarter 2023 Results

Demand for our products and services remain resilient despite a challenging macroeconomic backdrop. Constant currency revenue grew for the fourth consecutive quarter, aided by improved equipment supply, steady order flow and strength in print and digital services. We continue to expect a stable revenue and demand outlook for the year, resulting in no change to revenue guidance.

Adjusted operating margin expanded 710 bps YoY in Q1 due to improved product supply, lower supply chain-related costs and the benefits of price and cost actions taken in 2022. As we now expect greater realization of operating efficiencies throughout the year, we have raised our 2023 adjusted operating margin guidance from “at least 4.7%” to a range of 5.0% to 5.5%.

Free cash flow of \$70M, was up \$20M YoY driven by profitability improvements and benefits from the recently announced forward funding agreement, partially offset by a larger use of working capital. We continue to expect free cash flow for the year to be at least \$500M.

First Quarter Financial Results

Gross Margin: 34.3%, up 250 bps

SAG: 23.7% as percentage of revenue, down 360 bps

Operating Margin – Adjusted¹: 6.9%, up 710 bps

Other expenses, net – Adjusted¹: \$21M, down \$10M

Tax Rate – Adjusted¹: 15.5%, down from 52.9%

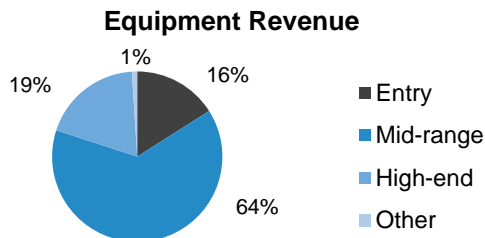
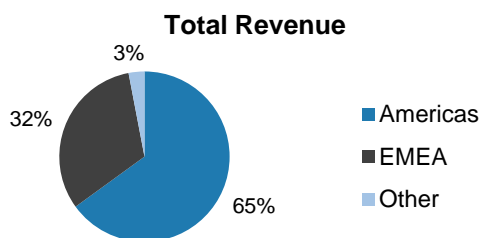
GAAP Earnings Per Share: \$0.43, up \$0.81

EPS – Adjusted¹: \$0.49, up \$0.61

Free Cash Flow¹: \$70M (CAPEX of \$8M), up \$20M

Ending Cash²: \$0.7B; **ending debt:** \$3.3B (\$2.8B financing & \$0.5B core)

Dividends: Returned ~\$45M to shareholders



Revenue: \$1.72B, up 2.8% or up 5.5% CC¹

- Equipment: \$0.4B, up 24.5% or up 27.0% CC¹
- Post Sale: \$1.3B, down 2.2% or up 0.5% CC¹

Installs³: Entry color down 9%, B&W down 1%; Mid-range color up 26%, B&W up 160%; High-end color up 84%, B&W down 23%.

2023 Full-Year Guidance

- **Revenue:** Flat to down low-single-digits in constant currency¹
- **Adjusted¹ Operating Margin:** Between 5.0% to 5.5%
- **Free Cash Flow¹:** At least \$500M

⁽¹⁾ Adjusted Measures, Free Cash Flow and Constant Currency (CC): see Non-GAAP Financial Measures contained in our first-quarter 2023 earnings release and slides posted on our website at <https://www.xerox.com/investor>. First-quarter 2023 adjusted tax rate reflects benefits from redetermination of certain unrecognized tax positions. ⁽²⁾ Cash, cash equivalents and restricted cash. ⁽³⁾ Reflects Install activity for total Entry product group. For additional information, refer to our non-GAAP reconciliations contained in our first-quarter 2023 earnings release posted on our website at <https://www.xerox.com/investor>.