

Xerox Reports Second-Quarter 2019 Results

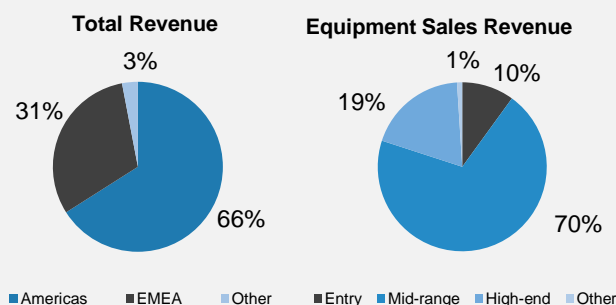
Summary

- Executing on our strategic initiatives to transform our business for the long term: optimize operations for simplicity; drive revenue; re-energize the innovation engine; and focus on cash flow and increasing capital returns.
- Continue to deliver on key measures: adjusted¹ operating margin expansion, adjusted¹ EPS growth and free cash flow¹ increase.
- Adjusting full-year revenue guidance to approximately 6% down at constant currency¹.
- Maintaining full-year guidance for adjusted¹ EPS, adjusted¹ operating margin and free cash flow¹.

Second-Quarter Results

Revenue \$2.3B, down 8.8% or down 7.2% CC¹

- Equipment \$0.5B, down 10.2% or down 9.0% CC¹
- Post Sale \$1.8B, down 8.4% or down 6.6% CC¹



Xerox Services revenue down 6.6% or down 4.1% CC¹

Installs: Entry A4 MFPs² color down 12%, B&W up 1%; Mid-Range color³ down 12%, B&W down 9%; High-End color³ up 1%, B&W down 33%.

- **Gross Margin:** 39.2%, down 70 bps
- **SAG:** 22.7% as percentage of revenue, down 220 bps
- **Operating Margin – adjusted¹:** 12.7%, up 170 bps
- **Other Expenses, net – adjusted¹:** \$28M, up \$14M
- **Equity Income – adjusted¹:** \$41M, up \$18M
- **Tax Rate – adjusted¹:** 25.6% vs. 26.7% in Q2 '18
- **GAAP EPS:** \$0.77, up \$0.35
- **EPS – adjusted¹:** \$0.99, up \$0.19
- **Free Cash Flow¹:** \$297 (CAPEX of \$16M), up \$94M
- **Ending cash⁴:** \$776M; **Ending debt:** \$4.8B (\$3.3B financing & \$1.5B core)
- Returned \$257M to shareholders in **dividends** and **share repurchase**

2019 Full-Year Financial Expectations

- **Revenue:** Down ~6% CC¹ (from down ~5% CC¹ previously)
- **Operating Margin - adjusted¹:** 12.6% -13.1%, up 100 to 150 bps
- **GAAP EPS:** \$2.90 - \$3.05; **EPS – adjusted¹:** \$3.80 - \$3.95
- **FCF¹:** \$1.0B - \$1.1B; CAPEX of ~ \$150M
- Completed \$300 million in **share repurchases** during the first half. Maintaining expectation of at least \$600 million for the full year.

Note: Changes above reflect YOY compares unless otherwise noted.

(1) Constant Currency (CC) and other adjusted measures: see Non-GAAP Financial Measures contained in our second-quarter 2019 earnings release and slides posted on our website at <http://www.xerox.com/investor>. (2) When combined with OEM sales, Color A4 MFPs down 19%, B&W down 11%. (3) Mid-range and High-end color installations exclude Fuji Xerox digital front-end sales (DFEs); including DFEs, Mid-range color was down 12%, and High-end color up 1%. (4) Cash, cash equivalents and restricted cash.

For additional information, refer to our forward-looking statements and non-GAAP reconciliations contained in our second-quarter 2019 earnings release posted on our website at <http://www.xerox.com/investor>.

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