

Xerox Reports Second-Quarter 2022 Results

Despite a challenging operating environment, we posted sequential improvements across revenue, adjusted operating income, and adjusted EPS.

Revenue was slightly above our expectations. Demand remains strong, with total equipment backlog up 4.3% over Q1 and more than double prior year levels. Post-sale revenue grew 5% YOY in constant currency.

Margins and profits were impacted by inflationary pressures, supply constraints, and investments in new businesses. We expect sequential margin improvement in the second half of the year as supply chain headwinds moderate, and price and cost reduction actions are more fully realized.

We are maintaining our revenue and cash flow guidance given a strong demand outlook and expected sequential profitability improvements. Our guidance is based on current exchange rates and assumes supply chain constraints and return-to-office trends improve in the second half of the year.

Second-Quarter Financial Results

Gross Margin: 31.9%, down 370 bps

SAG: 26.3% as percentage of revenue, up 210 bps

Operating Margin – Adjusted¹: 2.0%, down 500 bps

Other expenses, net – Adjusted¹: \$12M, down \$11M

Tax Rate – Adjusted¹: 18.5%, up from 9.7%

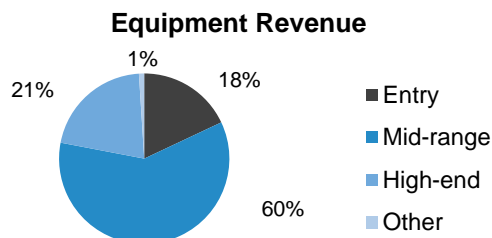
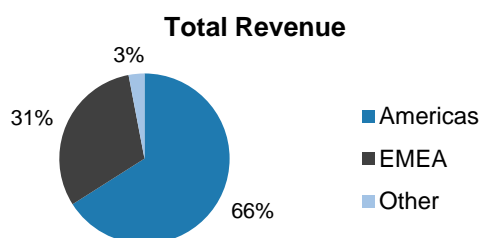
GAAP Loss Per Share: \$(0.05), down \$0.51

EPS – Adjusted¹: \$0.13, down \$0.34

Free Cash Flow¹: \$(98)M (CAPEX of \$13M), down \$296M

Ending Cash²: \$1.2B; **ending debt:** \$3.9B (\$2.8B financing & \$1.1B core)

Dividends and Share Repurchase: Returned ~\$42M to shareholders



Revenue: \$1.75B, down 2.6% or up 1.1% CC¹

- Equipment: \$0.4B, down 14.7% or down 11.4% CC¹
- Post Sale: \$1.4B, up 1.2% or up 5.0% CC¹

Installs: Entry A4 MFPs color up 66%, B&W down 34%; Mid-range color down 17%, B&W down 22%; High-end color up 13%, B&W down 29%.

2022 Full-Year Guidance

- **Revenue:** At least \$7.1B, in actual currency
- **Free Cash Flow^{1,3}:** At least \$400M
- **Shareholder Returns:** At least 50% of annual Free Cash Flow¹

NOTES: The financial results presented above are from continuing operations.

⁽¹⁾ Adjusted Measures, Free Cash Flow and Constant Currency (CC): see Non-GAAP Financial Measures contained in our second-quarter 2022 earnings release and slides posted on our website at <https://www.xerox.com/investor>. The change in the adjusted tax rate relates to the benefit from a change in tax law resulting in the remeasurement of deferred tax assets, of approximately 16%, in the prior year. ⁽²⁾ Cash, cash equivalents and restricted cash. For additional information, refer to our forward-looking statements and non-GAAP reconciliations contained in our second-quarter 2022 earnings release posted on our website at <https://www.xerox.com/investor>. ⁽³⁾ Free cash flow guidance excludes a one-time payment in Q2 associated with a product supply contract termination charge.