# Earnings Presentation

## Q2 2022 Results

July 26, 2022

# Forward-Looking Statements

This presentation, and other written or oral statements made from time to time by management contain “forward looking statements” as defined in the Private Securities Litigation Reform Act of 1995. The words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “will”, “should”, “targeting”, “projecting”, “driving” and similar expressions, as they relate to us, our performance and/or our technology, are intended to identify forward-looking statements. These statements reflect management’s current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially. Such factors include but are not limited to: the effects of pandemics, such as the COVID-19 pandemic, on our and our customers' businesses and the duration and extent to which this will impact our future results of operations and overall financial performance; our ability to address our business challenges in order to reverse revenue declines, reduce costs and increase productivity so that we can invest in and grow our business; our ability to successfully develop new products, technologies and service offerings and to protect our intellectual property rights; reliance on third parties, including subcontractors, for manufacturing of products and provision of services and the shared service arrangements entered into by us as part of Project Own It; our ability to attract and retain key personnel; the risk that confidential and/or individually identifiable information of ours, our customers, clients and employees could be inadvertently disclosed or disclosed as a result of a breach of our security systems due to cyberattacks or other intentional acts or that cyberattacks could result in a shutdown of our systems; the risk that partners, subcontractors and software vendors will not perform in a timely, quality manner; actions of competitors and our ability to promptly and effectively react to changing technologies and customer expectations; our ability to obtain adequate pricing for our products and services and to maintain and improve cost efficiency of operations, including savings from restructuring and transformation actions; our ability to manage changes in the printing environment like the decline in the volume of printed pages and extension of equipment placements; changes in economic and political conditions, trade protection measures, licensing requirements and tax laws in the United States and in the foreign countries in which we do business; the risk that multi-year contracts with governmental entities could be terminated prior to the end of the contract term and that civil or criminal penalties and administrative sanctions could be imposed on us if we fail to comply with the terms of such contracts and applicable law; interest rates, cost of borrowing and access to credit markets; the imposition of new or incremental trade protection measures such as tariffs and import or export restrictions; funding requirements associated with our employee pension and retiree health benefit plans; changes in foreign currency exchange rates; the risk that our operations and products may not comply with applicable worldwide regulatory requirements, particularly environmental regulations and directives and anti-corruption laws; the outcome of litigation and regulatory proceedings to which we may be a party; and any impacts resulting from the restructuring of our relationship with Fujifilm Holdings Corporation. Additional risks that may affect Xerox’s operations and other factors are set forth in the “Risk Factors” section, the “Legal Proceedings” section, the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section and other sections of Xerox Holdings Corporation's and Xerox Corporations combined 2021 Annual Report on Form 10-K and combined Quarterly Reports on Form 10-Q, as well as in Xerox Holdings Corporation’s and Xerox Corporation’s Current Reports on Form 8-K filed with the Securities and Exchange Commission.

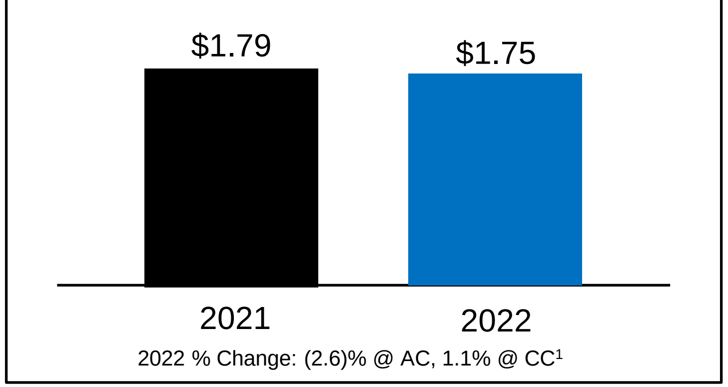
These forward-looking statements speak only as of the date of this presentation or as of the date to which they refer, and Xerox assumes no obligation to update any forward-looking statements as a result of information or future developments, except as required by law.



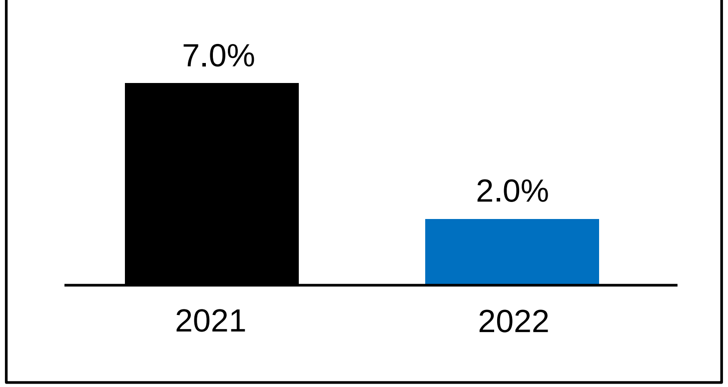
xerox™

# Q2 2022 Key Financial Measures

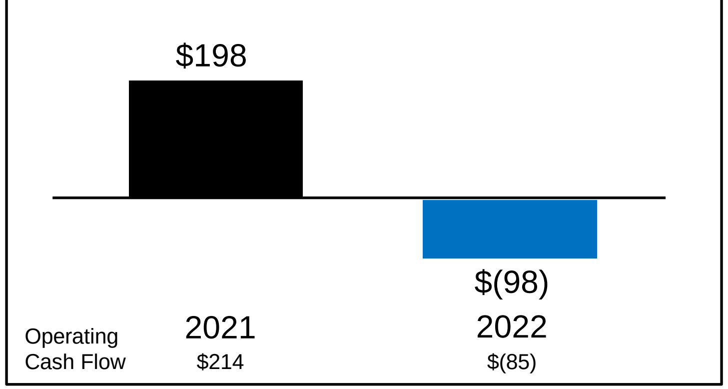
## Revenue ($B)



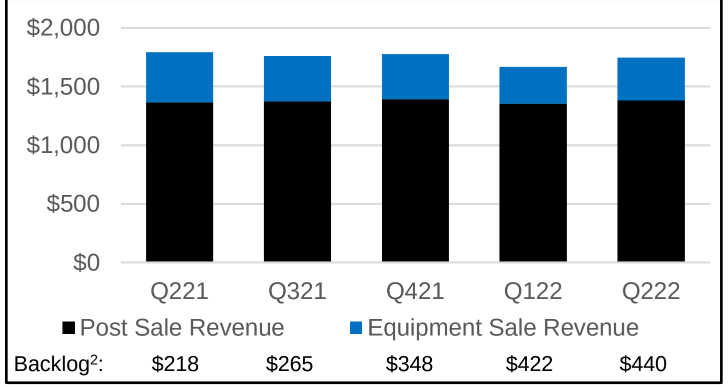

## Adj[1] Operating Margin



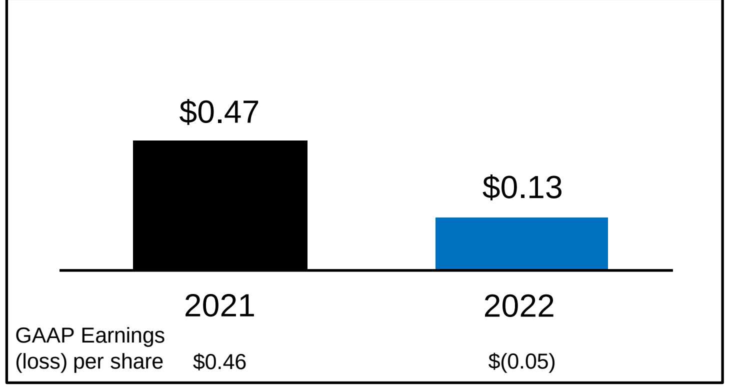

## Free Cash Flow[1] ($M)



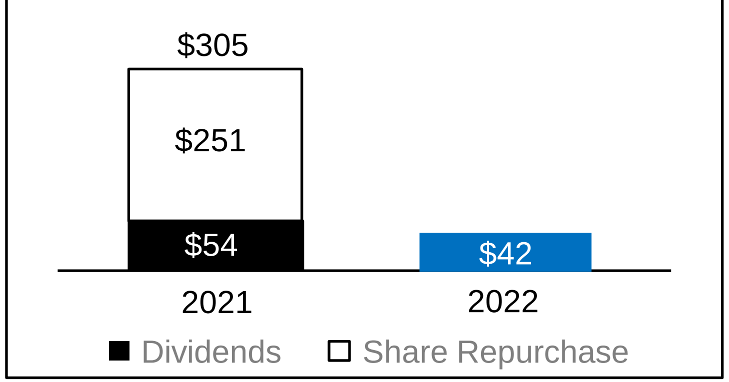

## Revenue and Backlog Trend ($M)




## Adj[1] Earnings Per Share




## Shareholder Returns ($M)




[1] Adjusted Measures, Free Cash Flow and Constant Currency (CC): see Non-GAAP Financial Measures.
[2] Order backlog is measured as the value of unfulfilled sales orders, shipped and non-shipped, received from our clients waiting to be installed, including orders with future installation dates. It includes printing devices as well as IT hardware associated with our IT services offerings. Second quarter 2022 backlog of $440 million excludes sales orders from Russia and Powerland Computers, Ltd., which was acquired in the first quarter of 2022.

# Strategic Initiatives to Transform Xerox

| | |
|---|---|
| **Optimize operations for simplicity** | • Continuously improve operating efficiency, revenue flow through and return on assets<br>• Invest in augmented reality, robotic process automation, business process outsourcing, analytics, AI and system enhancements to drive efficiencies |
| **Drive revenue** | • Grow market share of equipment sales and managed print services through continuous improvement of products and services<br>• Expand distribution of digital solutions among existing Print & Services clients and scale IT Services and robotic process automation in the SMB market<br>• Grow FITTLE as a global payment solutions business |
| **Monetize Innovation** | • Leverage corporate venture fund to bolster investment & innovation<br>• Add value-added equity partners to accelerate development and market penetration and optimize development costs<br>• Embed PARC's technology into new and existing businesses |
| **Focus on cash flow and capital returns** | • Generate at least $400 million of free cash flow[1] in 2022<br>• Return at least 50% of free cash flow to shareholders and reduce debt<br>• Deploy excess capital for strategic M&A |

[1] Free Cash Flow: see Non-GAAP Financial Measures. FCF guidance excludes a one-time payment in Q2 associated with a product supply contract termination charge.



xerox™

# Business Update: Q2 2022

## Print & Managed Print Services

- **Demand** remains strong for print equipment and MPS offerings
  - **Total Backlog** grew 4.3% sequentially to $440 million
  - **MPS Signings** up mid-single digits; new business signings up high-single digits
- **Print activity-driven revenue** grew in Q2, driven by a slight increase in page volumes and improved pricing for transactional and service revenues
- **Supply chain outlook** improved for 2H
  - Expecting better component availability, factory output and lower freight costs

## IT & Digital Services

- **IT Services:** Double-digit organic revenue growth, driven by SMB demand for digital transformation**,** investments to support a hybrid workforce and new offerings
- **Robotic Process Automation:** 40% sequential growth in commercial transaction volume
  - Q2 signings comprised of upsell (repeat) and new logos
- **Digital Services**
  - Capture and Content (CCS) signings up 18% y/y
  - Acquired UK-based Go Inspire in July to bolster Digital Services offering in EMEA

## New Businesses

**FITTLE**

- **Grew non-captive originations 22%**, including a 140% increase in third-party equipment and services volume, partially offsetting a decline in captive originations of 25% due to supply constraints.
- Added 41 new dealers in NA and EMEA

**CareAR**

- Added 72 new logos; 50 customer expansions
- Added 6 System Integrator (SI) and Reseller Partners, improving time to revenue

**PARC Innovation**

- **Elem (3D Print):** Placed ElemX 3D printer on USS Essex, making it the first metal AM machine on a U.S. Naval vessel

# Frequently Asked Questions

## Change in CEO

**Should investors expect any change in Xerox's strategy as a result of the appointment of an Interim CEO?**

Steve Bandrowczak, our Interim CEO, will continue to execute across the four strategic initiatives John Visentin articulated for returning Xerox to long-term, sustainable growth. The means of achieving that growth and maximizing shareholder value will continue to evolve in response to a dynamic macroeconomic operating environment. Steve's approach to running the business is fully supported by our Board.

## Revenue Guidance / Macro Uncertainty

**What gives you confidence to reiterate revenue guidance amid potential macro headwinds and a strong dollar?**

We see no softening of demand for our equipment and services and continue to see a recovery in demand from post-pandemic lows, in both equipment orders and post sales. Ongoing strength in equipment orders and return-to-office trends underpin our reiteration of revenue guidance of at least $7.1 billion in actual currency for the year. Further supporting our outlook are 1) the expected benefits of recently enacted price increases, 2) greater supply visibility heading into 2H and 3) strong traction and year-to-date growth of our IT and Digital Services businesses. These tailwinds are expected to more than offset incremental currency effects associated with a stronger dollar.

## Recession Risk

**How would Xerox's business fare in a recession?**

We believe our business is recession resilient. Two-thirds of our business is contracted for multiple years, providing our operations with a stable base of revenue during a potential downturn. Contractual revenue risk in a near-term downturn would be offset by 1) price increases, which for some contracts are enacted only upon contract renewal and 2) growth of IT and Digital Services, which benefit from digital transformation efforts aimed at rationalizing IT spend. We expect the risk of lower equipment demand would be offset by the unwinding of our growing backlog, which continues to exceed a full quarter's worth of revenue. From a cost perspective, Xerox has proven over time its ability to right-size the business according to market conditions. Finally, our balance sheet is strong. Excluding debt supporting FITTLE's receivable balance, Xerox was in a net cash position in June, and we have full access to a $500 million undrawn revolver facility.

## Free Cash Flow Guidance and Capital Allocation

**How should investors think about free cash flow generation and capital allocation for the remainder of the year?**

Cash flow generation is a strategic priority for Xerox. Cash flow was restrained in 1H by lower-than-expected operating income and a build up of inventory in advance of stronger 2H revenues. We have confidence in our ability to generate at least $400 million of free cash flow this year, excluding the one-time payment, due to a strong demand outlook and easing supply constraints, a more profitable revenue mix, as well as price increases and cost actions, both of which are within our control. We expect to exceed our target of returning 50% of free cash flow to shareholders based on year-to-date stock repurchases and an annualized dividend payout.

# Financial Results Summary

(in millions, except per share data)

| P&L Measures | Q2 2022 | B/(W) YOY | % Change YOY |
|---|---|---|---|
| **Revenue** | $ 1,747 | $ (46) | (2.6)% AC<br>1.1% CC[1] |
| **Operating Income – Adjusted[1]** | $ 35 | $ (91) | (72)% |
| **Other Expenses, net** | $ 8 | $ (7) | NM |
| **Net Loss** | $ (4) | $ (95) | NM |
| **Net Income – Adjusted[1]** | $ 24 | $ (70) | (74)% |
| **GAAP Loss Per Share** | $ (0.05) | $ (0.51) | NM |
| **Earnings per Share – Adjusted[1]** | $ 0.13 | $ (0.34) | (72)% |

| P&L Ratios | Q2 2022 | B/(W) YOY |
|---|---|---|
| **Gross Margin** | 31.9% | (370) bps |
| **RD&E %** | 4.8% | (40) bps |
| **SAG %** | 26.3% | (210) bps |
| **Operating Margin – Adjusted[1]** | 2.0% | (500) bps |
| **Tax Rate – Adjusted[1]** | 18.5% | (880) bps |

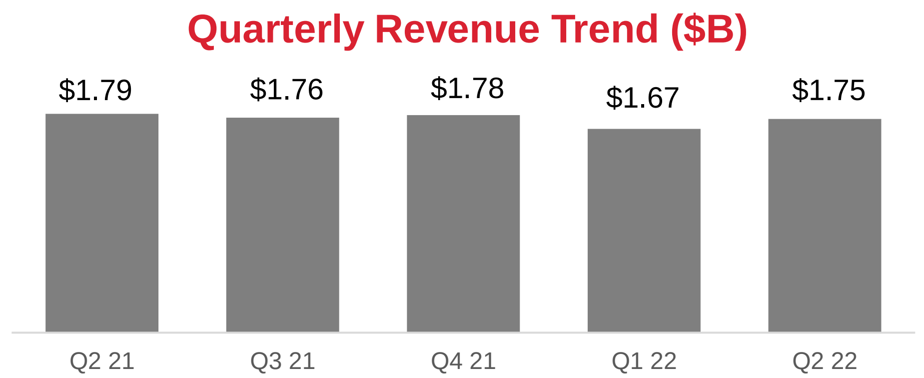
[1] Adjusted Measures and Constant Currency (CC): see Non-GAAP Financial Measures. The change in the adjusted tax rate relates to the benefit from a change in tax law resulting in the remeasurement of deferred tax assets, of approximately 16%, in the prior year.



xerox™

# Revenue

| (in millions) | Q2 2022 | % Total | % Change YOY AC | % Change YOY CC[1] |
|---|---|---|---|---|
| **Equipment** | $366 | 21% | (14.7)% | (11.4)% |
| **Post Sale** | $1,381 | 79% | 1.2% | 5.0% |
| **Total Revenue** | $1,747 | 100% | (2.6)% | 1.1% |
| Americas | 1,150 | 66% | 1.5% | 2.0% |
| EMEA | 551 | 31% | (10.7)% | (1.1)% |
| Other[2] | 46 | 3% | 7.0% | 7.0% |




| Equipment Backlog as a % of ESR: | | | | |
|---|---|---|---|---|
| 41% | 59% | 82% | 115% | 120% |

**Installs B/(W) YOY**

| | Q2 2022 Color | Q2 2022 B&W |
|---|---|---|
| Entry A4 MFPs | 66% | (34)% |
| Mid-Range | (17)% | (22)% |
| High-End | 13% | (29)% |

[1] Constant Currency (CC): see Non-GAAP Financial Measures. [2] Other total revenue includes sales to FUJIFILM Business Innovation Corp. (formerly Fuji Xerox)(FX) and licensing.

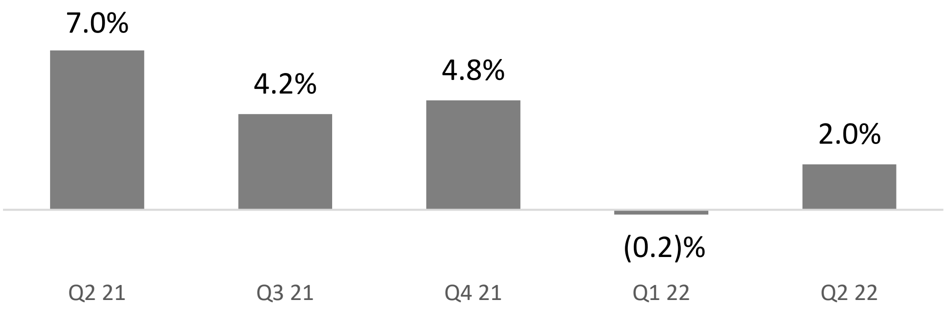
# Cash Flow

| (in millions) | Q2 2022 | Q2 2021 |
|---|---|---|
| **Pre-tax (Loss) Income** | $ (5) | $ 99 |
| Non-Cash Add-Backs[1] | 116 | 93 |
| Restructuring Payments | (14) | (22) |
| Pension Contributions | (34) | (39) |
| Working Capital, net[2] | (65) | (35) |
| Change in Finance Assets[3] | (35) | (60) |
| One-time contract termination payment | (41) | - |
| FX Prepaid Royalty | - | 100 |
| Other[4] | (7) | 78 |
| **Cash (used in) from Operations** | $ (85) | $ 214 |
| **Cash from (used in) Investing** | $ 13 | $ (55) |
| **Cash used in Financing** | $ (438) | $ (429) |
| Ending Cash, Cash Equivalents and Restricted Cash[5] | $ 1,227 | $ 2,203 |
| **Free Cash Flow[6]** | $ (98) | $ 198 |

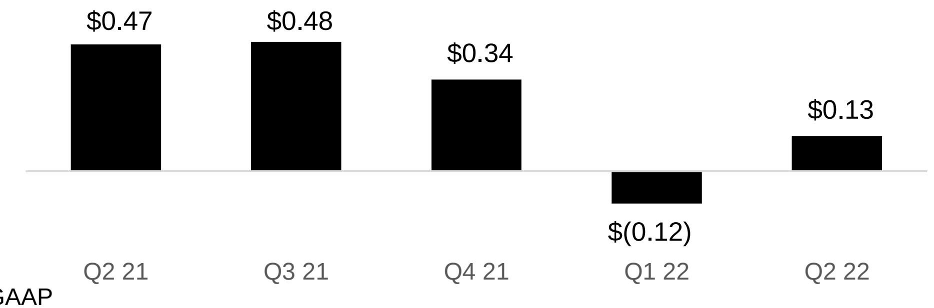
[1] Non-cash add-backs include depreciation & amortization (including equipment on operating lease), provisions, stock-based compensation, non-service retirement-related costs, restructuring and asset impairment charges and gain on sales of businesses and assets. [2] Working Capital, net includes accounts receivable, accounts payable and inventory. [3] Includes equipment on operating leases (excluding its related depreciation) and finance receivables. [4]Includes other current and long-term assets and liabilities, accrued compensation, derivative assets and liabilities, other operating, net, distributions from net income of unconsolidated affiliates and taxes. [5] Includes restricted cash of $76 million in Q2 2022 and $79 million in Q2 2021. [6]Free Cash Flow: see Non-GAAP Financial Measures.

# Profitability and Earnings

## Adjusted[1] Operating Margin



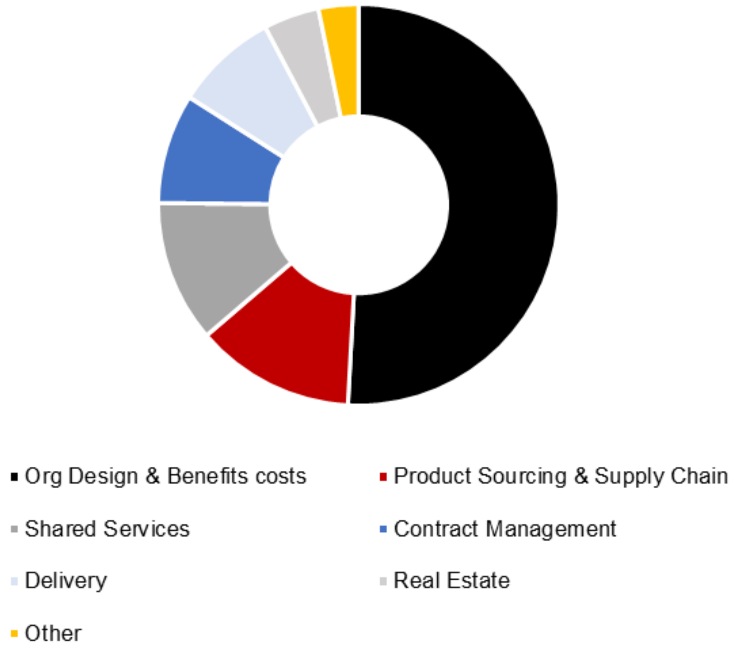

## Adjusted[1] Earnings (Loss) Per Share




| | Q2 21 | Q3 21 | Q4 21 | Q1 22 | Q2 22 |
|---|---|---|---|---|---|
| GAAP EPS[2]: | $0.46 | $0.48 | $(3.97) | $(0.38) | $(0.05) |

## Project Own It

**Expected Distribution of 2022 Savings**




- Project Own It is a multi-year program to simplify our operations and instill a culture of continuous improvement
- Achieved ~$1.8B of gross cost savings from 2018 to 2021
- We expect to achieve gross cost savings of $450M for 2022

[1] Adjusted Measures: see Non-GAAP Financial Measures. [2] Q4-21 includes an after-tax non-cash goodwill impairment charge of $750 million ($781 million pre-tax) or $4.38 per share

# Segment Results

## Revenue and Profit

| (in millions) | Q2 2022 Print & Other | Financing (FITTLE) | Intersegment Eliminations[1] | Total Xerox |
|---|---|---|---|---|
| Total Revenue | $ 1,633 | $ 151 | $ (37) | $ 1,747 |
| **Segment Profit** | **$ 18** | **$ 17** | **$ -** | **$ 35** |
| Segment Margin[2] | 1.1% | 11.5% | | 2.0% |

| | B/(W) YoY Print & Other | Financing (FITTLE) | Total Xerox |
|---|---|---|---|
| Total Revenue | (2.3)% | (14.7)% | (2.6)% |
| **Segment Profit** | **(83.8)%** | **13.3%** | **(72.2)%** |
| Segment Margin (bps)[2] | (580) | 290 | (500) |

## Financing (FITTLE) Assets and Debt

| (in billions) | Q2 2022 | Q1 2022 |
|---|---|---|
| Equipment on Operating Leases | $ 0.22 | $ 0.25 |
| Finance Receivables | $ 2.95 | $ 3.01 |
| **Total Finance Assets** | **$ 3.17** | **$ 3.26** |
| **FITTLE Allocated Debt** | **$ 2.78** | **$ 2.85** |

## Financing (FITTLE): Key Performance Indicators

- ~700,000 equipment leases across ~150,000 customers
- FITTLE finance assets: $3.2 billion, stable on a CC basis
- Originations: 22% growth in non-captive channels (25% decline in Xerox channels)
- LTM Return on Equity: 12.7%
- LTM Net Loan Loss Rate: 0.5%

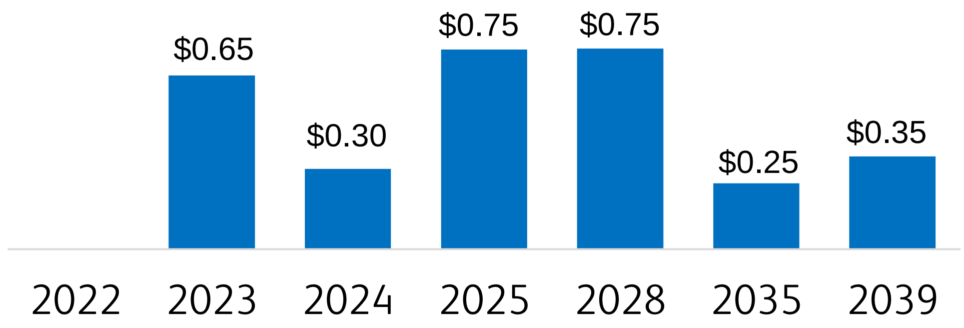
[1] Reflects net revenue, primarily commissions and other payments, made by the Financing Segment (FITTLE) to the Print and Other segment, for the lease of Xerox equipment placements. [2] Segment margin based on external net revenue only.

# Capital Structure

**Debt and Cash**

| (in billions) | Q2 2022 | Q1 2022 |
|---|---|---|
| Total Debt | $(3.9) | $(4.3) |
| Less: FITTLE Allocated Debt | 2.8 | 2.9 |
| Core Debt | (1.1) | (1.4) |
| Less: Cash[1] | 1.2 | 1.8 |
| Net Core Cash | $0.1 | $0.4 |

**Senior Unsecured Debt Maturity Ladder ($B)** [2]




- Ending net core cash of $0.1B, net core debt of $1.1B with ending cash[1] of $1.2B.
- A balanced debt maturity ladder is maintained, with no remaining unsecured debt maturities in 2022.

[1] Cash, cash equivalents and restricted cash.
[2] Debt payable in 2025 and 2028 was issued by Xerox Holdings Corporation, remaining debt issued by Xerox Corporation.

# 2022 Guidance

## Full-Year Guidance

- **Revenue:** At least $7.1 billion of revenue, in actual currency
- **Free Cash Flow [1]:** At least $400M
- **Shareholder Returns:** At least 50% of annual Free Cash Flow[1]

The reiteration of our revenue and cash flow guidance is underpinned by a strong demand outlook, as well as expected sequential profitability improvement, driven by price increases and cost actions.

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.



[1] Free Cash Flow: see Non-GAAP Financial Measures. FCF guidance excludes a one-time payment in Q2 associated with a product supply contract termination charge.

xerox™

# Appendix

# Operating Trends

| (in millions, except EPS) | 2020 FY | 2021 Q1 | 2021 Q2 | 2021 Q3 | 2021 Q4 | 2021 FY | 2022 Q1 | 2022 Q2 |
|---|---|---|---|---|---|---|---|---|
| **Total Revenue** | **$7,022** | **$1,710** | **$1,793** | **$1,758** | **$1,777** | **$7,038** | **$1,668** | **$1,747** |
| *% Change* | *(22.5)%* | *(8.1)%* | *22.4%* | *(0.5)%* | *(7.9)%* | *0.2%* | *(2.5)%* | *(2.6)%* |
| *CC[1] % Change* | *(22.7)%* | *(10.4)%* | *18.1%* | *(1.6)%* | *(7.4)%* | *(1.4)%* | *(0.7)%* | *1.1%* |
| **Adj[1] Operating Margin** | 6.6% | 5.2% | 7.0% | 4.2% | 4.8% | 5.3% | (0.2)% | 2.0% |
| **GAAP EPS (Loss)[2]** | $0.84 | $0.18 | $0.46 | $0.48 | ($3.97) | ($2.56) | ($0.38) | ($0.05) |
| **Adj[1] EPS (Loss)** | $1.41 | $0.22 | $0.47 | $0.48 | $0.34 | $1.51 | ($0.12) | $0.13 |
| **Operating Cash Flow** | $548 | $117 | $214 | $100 | $198 | $629 | $66 | ($85) |
| **Free Cash Flow[1]** | $474 | $100 | $198 | $81 | $182 | $561 | $50 | ($98) |

[1] Adjusted measures, Free Cash Flow, and Constant Currency (CC): see Non-GAAP Financial Measures. [2] Both Q4 2021 and FY 2021 GAAP EPS include an after-tax non-cash goodwill impairment charge of $750 million or $4.38 and $4.08 per share, respectively.



xerox™

# Non-GAAP Financial Measures

We have reported our financial results in accordance with generally accepted accounting principles (GAAP). In addition, we have discussed our financial results using the non-GAAP measures described below. We believe these non-GAAP measures allow investors to better understand the trends in our business and to better understand and compare our results. Accordingly, we believe it is necessary to adjust several reported amounts, determined in accordance with GAAP, to exclude the effects of certain items as well as their related income tax effects.

A reconciliation of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are set forth below. These non-GAAP financial measures should be viewed in addition to, and not as a substitute for, the Company's reported results prepared in accordance with GAAP.

Adjusted Earnings Measures
• Net (Loss) Income and Earnings per share (EPS)
• Effective Tax Rate

The above measures were adjusted for the following items:

- Restructuring and related costs, net: Restructuring and related costs, net include restructuring and asset impairment charges as well as costs associated with our transformation programs beyond those normally included in restructuring and asset impairment charges. Restructuring consists of costs primarily related to severance and benefits paid to employees pursuant to formal restructuring and workforce reduction plans. Asset impairment includes costs incurred for those assets sold, abandoned or made obsolete as a result of our restructuring actions, exiting from a business or other strategic business changes. Additional costs for our transformation programs are primarily related to the implementation of strategic actions and initiatives and include third-party professional service costs as well as one-time incremental costs. All of these costs can vary significantly in terms of amount and frequency based on the nature of the actions as well as the changing needs of the business. Accordingly, due to that significant variability, we will exclude these charges since we do not believe they provide meaningful insight into our current or past operating performance nor do we believe they are reflective of our expected future operating expenses as such charges are expected to yield future benefits and savings with respect to our operational performance.

- Amortization of intangible assets: The amortization of intangible assets is driven by our acquisition activity which can vary in size, nature and timing as compared to other companies within our industry and from period to period. The use of intangible assets contributed to our revenues earned during the periods presented and will contribute to our future period revenues as well. Amortization of intangible assets will recur in future periods

- Non-service retirement-related costs: Our defined benefit pension and retiree health costs include several elements impacted by changes in plan assets and obligations that are primarily driven by changes in the debt and equity markets as well as those that are predominantly legacy in nature and related to employees who are no longer providing current service to the Company (e.g. retirees and ex-employees). These elements include (i) interest cost, (ii) expected return on plan assets, (iii) amortization of prior plan amendments, (iv) amortized actuarial gains/losses and (v) the impacts of any plan settlements/curtailments. Accordingly, we consider these elements of our periodic retirement plan costs to be outside the operational performance of the business or legacy costs and not necessarily indicative of current or future cash flow requirements. This approach is consistent with the classification of these costs as non-operating in Other expenses, net. Adjusted earnings will continue to include the service cost elements of our retirement costs, which is related to current employee service as well as the cost of our defined contribution plans.

- Other discrete, unusual or infrequent items: We exclude these items, when applicable, given their discrete, unusual or infrequent nature and their impact on our results for the period.

  - Accelerated share vesting - stock compensation expense associated with the accelerated vesting of all outstanding equity awards, according to the terms of the award agreement, in connection with the passing of Xerox Holding's former CEO.
  - Loss on extinguishment of debt

# Non-GAAP Financial Measures

Adjusted Operating (Loss) Income and Margin
We calculate and utilize adjusted operating (loss) income and margin measures by adjusting our reported pre-tax income and margin amounts. In addition to the costs and expenses noted as adjustments for our adjusted earnings measures, adjusted operating income and margin also exclude the remaining amounts included in Other expenses, net, which are primarily non-financing interest expense and certain other non-operating costs and expenses. We exclude these amounts in order to evaluate our current and past operating performance and to better understand the expected future trends in our business.

Constant Currency
To better understand trends in our business, we believe that it is helpful to adjust revenue to exclude the impact of changes in the translation of foreign currencies into U.S. dollars. We refer to this adjusted revenue as “constant currency.” This impact is calculated by translating current period activity in local currency using the comparable prior year period's currency translation rate. This impact is calculated for all countries where the functional currency is not the U.S. dollar. Management believes the constant currency measure provides investors an additional perspective on revenue trends. Currency impact can be determined as the difference between actual growth rates and constant currency growth rates.

Free Cash Flow
To better understand trends in our business, we believe that it is helpful to adjust operating cash flows by subtracting amounts related to capital expenditures. Management believes this measure gives investors an additional perspective on cash flow from operating activities in excess of amounts required for reinvestment. It provides a measure of our ability to fund acquisitions, dividends and share repurchase.

Summary
Management believes that all of these non-GAAP financial measures provide an additional means of analyzing the current period’s results against the corresponding prior period’s results. However, these non-GAAP financial measures should be viewed in addition to, and not as a substitute for, the Company’s reported results prepared in accordance with GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with our Condensed Consolidated Financial Statements prepared in accordance with GAAP. Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. Compensation of our executives is based in part on the performance of our business based on these non-GAAP measures.

A reconciliation of these non-GAAP financial measures and the most directly comparable measures calculated and presented in accordance with GAAP are set forth on the following tables:

# Net (Loss) Income and EPS Reconciliation

| (in millions, except per share amounts) | Three Months Ended June 30, 2022 | | Three Months Ended June 30, 2021 | |
|---|---|---|---|---|
| | Net (loss) Income | EPS | Net Income | EPS |
| **Reported** [1] | $ (4) | $ (0.05) | $ 91 | $ 0.46 |
| **Adjustments:** | | | | |
| Restructuring and related costs, net | 1 | | 12 | |
| Amortization of intangible assets | 10 | | 14 | |
| Non-service retirement-related costs | (4) | | (22) | |
| Accelerated share vesting | 21 | | - | |
| Loss on extinguishment of debt | 4 | | - | |
| Income tax on adjustments [2] | (4) | | (1) | |
| **Adjusted** | $ 24 | $ 0.13 | $ 94 | $ 0.47 |
| Dividends on preferred stock used in adjusted EPS calculation [3] | | $ 3 | | $ 3 |
| Weighted average shares for adjusted EPS [3] | | 156 | | 189 |
| Fully diluted shares at end of period [4] | | 157 | | |

*(1) Net (loss) income and EPS from continuing operations attributable to Xerox.*

*(2) Refer to Effective Tax Rate reconciliation.*

*(3) For those periods that include the preferred stock dividend, the average shares for the calculations of diluted EPS exclude the 7 million shares associated with Xerox Holdings Corporation's Series A Convertible preferred stock.*

*(4) Common shares outstanding at June 30, 2022 and potential dilutive common shares used for the calculation of adjusted diluted EPS for the second quarter 2022. Excludes shares associated with our Series A convertible preferred stock, which were anti-dilutive for the second quarter 2022.*

# Effective Tax Rate Reconciliation

| (in millions) | Three Months Ended June 30, 2022 | | | Three Months Ended June 30, 2021 | | |
|---|---|---|---|---|---|---|
| | Pre-Tax (Loss) Income | Income Tax Expense | Effective Tax Rate | Pre-Tax Income | Income Tax Expense | Effective Tax Rate |
| **Reported** [(1)] | $ (5) | $ 1 | (20.0%) | $ 99 | $ 9 | 9.1% |
| Non-GAAP Adjustments [(2)] | 32 | 4 | | 4 | 1 | |
| **Adjusted** [(3)] | $ 27 | $ 5 | 18.5% | $ 103 | $ 10 | 9.7% |

*(1) Pre-Tax (loss) income and income tax expense.*

*(2) Refer to Net (Loss) Income and EPS reconciliations for details.*

*(3) The tax impact on the Adjusted Pre-Tax (Loss) Income is calculated under the same accounting principles applied to the As Reported Pre-Tax (Loss) Income under ASC 740, which employs an annual effective tax rate method to the results.*

# Operating (Loss) Income and Margin Reconciliation

| (in millions) | Three Months Ended June 30, 2022 (Loss) Profit | Three Months Ended June 30, 2022 Revenue | Three Months Ended June 30, 2022 Margin | Three Months Ended June 30, 2021 Profit | Three Months Ended June 30, 2021 Revenue | Three Months Ended June 30, 2021 Margin |
|---|---|---|---|---|---|---|
| **Reported**[1] | $ (5) | $ 1,747 | (0.3)% | $ 99 | $ 1,793 | 5.5% |
| **Adjustments:** | | | | | | |
| Restructuring and related costs, net | 1 | | | 12 | | |
| Amortization of intangible assets | 10 | | | 14 | | |
| Accelerated share vesting | 21 | | | - | | |
| Other expenses, net | 8 | | | 1 | | |
| **Adjusted** | $ 35 | $ 1,747 | 2.0% | $ 126 | $ 1,793 | 7.0% |

[1] *Pre-tax (loss) income*

# Free Cash Flow Reconciliation

| (in millions) | Three Months Ended June 30, 2022 | 2021 |
|---|---|---|
| **Reported**[(1)] | ($85) | $214 |
| Less: capital expenditures | (13) | (16) |
| **Free Cash Flow** | ($98) | $198 |

_______________

[(1)] *Net cash (used in) provided by operating activities.*



xerox™

# Other Expenses, Net Reconciliation

| | Three Months Ended June 30, | |
|---|---|---|
| (in millions) | 2022 | 2021 |
| **Reported** | $8 | $1 |
| Less: non-service retirement-related costs | (4) | (22) |
| **Adjusted** | $12 | $23 |

# Net Income (Loss) and EPS Reconciliation - Historical

| (in millions, except per share amounts) | Year Ended December 31, 2020 Net Income | Year Ended December 31, 2020 EPS | Q1-21 Net Income | Q1-21 EPS | Q2-21 Net Income | Q2-21 EPS | Q3-21 Net Income | Q3-21 EPS | Q4-21 Net (Loss) Income | Q4-21 EPS | Year Ended December 31, 2021 Net (Loss) Income | Year Ended December 31, 2021 EPS | Q1-22 Net Loss | Q1-22 EPS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Reported** [1] | $ 192 | $ 0.84 | $ 39 | $ 0.18 | $ 91 | $ 0.46 | $ 90 | $ 0.48 | $ (675) | $ (3.97) | $ (455) | $ (2.56) | $ (56) | $ (0.38) |
| Goodwill Impairment [2] | - | | - | | - | | - | | 781 | | 781 | | - | |
| Restructuring and related costs, net | 93 | | 17 | | 12 | | 10 | | (1) | | 38 | | 18 | |
| Amortization of intangible assets | 56 | | 15 | | 14 | | 13 | | 13 | | 55 | | 11 | |
| Transaction and related costs, net | 18 | | - | | - | | - | | - | | - | | - | |
| Non-service retirement-related costs | (29) | | (20) | | (22) | | (22) | | (25) | | (89) | | (7) | |
| Loss on early extinguishment of debt | 26 | | - | | - | | - | | - | | - | | - | |
| Contract termination costs [3] | 3 | | - | | - | | - | | - | | - | | 33 | |
| Income tax on adjustments | (46) | | (4) | | (1) | | (1) | | (31) | | (37) | | (13) | |
| **Adjusted** | $ 313 | $ 141 | $ 47 | $ 0.22 | $ 94 | $ 0.47 | $ 90 | $ 0.48 | $ 62 | $ 0.34 | $ 293 | $ 151 | $ (14) | $ (0.12) |
| Dividends on preferred stock used in adjusted EPS calculation[4] | | $ 14 | | $ 4 | | $ 3 | | $ 4 | | $ 3 | | $ 14 | | $ 4 |
| Weighted average shares for adjusted EPS [4] | | 211 | | 198 | | 189 | | 182 | | 173 | | 185 | | 156 |

[1] *Net Income and EPS attributable to Xerox Holdings.*
[2] *Fourth quarter and full-year 2021earnings and EPS include an after-tax non-cash goodwill impairment charge of $750 million ($781million pre-tax) or $4.38 and $4.08 per share, respectively.*
[3] *Reflects contract termination costs - IT Services in 2020, and the termination of a product supply agreement in the first quarter of 2022.*
[4] *For those periods that exclude the preferred stock dividend the average shares for the calculations of diluted EPS include 7 million shares associated with Xerox Holdings Corporation's Series A convertible preferred stock, as applicable.*



xerox™

# Operating Income (Loss) and Margin Reconciliation - Historical

| (in millions) | Year Ended December 31, 2020 | | | Q1-21 | | | Q2-21 | | | Q3-21 | | | Q4-21 | | | Year Ended December 31, 2021 | | | Q1-22 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Profit | Revenue | Margin | Profit | Revenue | Margin | Profit | Revenue | Margin | Profit | Revenue | Margin | (Loss) Profit | Revenue | Margin | (Loss) Profit | Revenue | Margin | Loss | Revenue | Margin |
| **Reported** [(1)] | $ 252 | $ 7,022 | 3.6% | $ 53 | $ 1,710 | 3.1% | $ 99 | $ 1,793 | 5.5% | $ 84 | $ 1,758 | 4.8% | $ (711) | $ 1,777 | (40.0%) | $ (475) | $ 7,038 | (6.7%) | $ (89) | $ 1,668 | (5.3%) |
| **Adjustments:** | | | | | | | | | | | | | | | | | | | | | |
| Goodwill impairment | - | | | - | | | - | | | - | | | 781 | | | 781 | | | - | | |
| Restructuring and related costs, net | 93 | | | 17 | | | 12 | | | 10 | | | (1) | | | 38 | | | 18 | | |
| Amortization of intangible assets | 56 | | | 15 | | | 14 | | | 13 | | | 13 | | | 55 | | | 11 | | |
| Transaction and related costs, net | 18 | | | - | | | - | | | - | | | - | | | - | | | - | | |
| Other expenses, net | 45 | | | 4 | | | 1 | | | (33) | | | 4 | | | (24) | | | 57 | | |
| **Adjusted** | $ 464 | $ 7,022 | 6.6% | $ 89 | $ 1,710 | 5.2% | $ 126 | $ 1,793 | 7.0% | $ 74 | $ 1,758 | 4.2% | $ 86 | $ 1,777 | 4.8% | $ 375 | $ 7,038 | 5.3% | $ (3) | $ 1,668 | (0.2%) |

[(1)] *Pre-Tax Income (Loss).*



xerox™

# Free Cash Flow Reconciliation – Historical

| (in millions) | Year Ended December 31, 2020 | Q1-21 | Q2-21 | Q3-21 | Q4-21 | Year Ended December 31, 2021 | Q1-22 |
|---|---|---|---|---|---|---|---|
| **Reported**[1] | $548 | $117 | $214 | $100 | $198 | $629 | $66 |
| Less: capital expenditures | (74) | (17) | (16) | (19) | (16) | (68) | (16) |
| **Free Cash Flow** | $474 | $100 | $198 | $81 | $182 | $561 | $50 |

_______________

*(1) Net cash provided by operating activities.*

# 2021 Quarterly Segment Results

| *(in millions)* | External Net Revenue | Intersegment Net Revenue[1] | Total Segment Revenue | % of Total Revenue | Segment Profit | Segment Margin[2] |
|---|---|---|---|---|---|---|
| **Q1 2021** | | | | | | |
| Print and Other | $ 1,533 | $ 48 | $ 1,581 | 90% | $ 71 | 4.6% |
| Financing (FITTLE) | 177 | 3 | 180 | 10% | 18 | 10.2% |
| **Total** | $ 1,710 | $ 51 | $ 1,761 | 100% | $ 89 | 5.2% |
| **Q2 2021** | | | | | | |
| Print and Other | $ 1,619 | $ 53 | $ 1,672 | 90% | $ 111 | 6.9% |
| Financing (FITTLE) | 174 | 3 | 177 | 10% | 15 | 8.6% |
| **Total** | $ 1,793 | $ 56 | $ 1,849 | 100% | $ 126 | 7.0% |
| **Q3 2021** | | | | | | |
| Print and Other | $ 1,590 | $ 46 | $ 1,636 | 91% | $ 50 | 3.1% |
| Financing (FITTLE) | 168 | 3 | 171 | 9% | 24 | 14.3% |
| **Total** | $ 1,758 | $ 49 | $ 1,807 | 100% | $ 74 | 4.2% |
| **Q4 2021** | | | | | | |
| Print and Other | $ 1,613 | $ 46 | $ 1,659 | 91% | $ 61 | 3.8% |
| Financing (FITTLE) | 164 | 3 | 167 | 9% | 25 | 15.2% |
| **Total** | $ 1,777 | $ 49 | $ 1,826 | 100% | $ 86 | 4.8% |
| **2021** | | | | | | |
| Print and Other | $ 6,355 | $ 193 | $ 6,548 | 90% | $ 293 | 4.6% |
| Financing (FITTLE) | 683 | 12 | 695 | 10% | 82 | 12.0% |
| **Total** | $ 7,038 | $ 205 | $ 7,243 | 100% | $ 375 | 5.3% |

[1] *Reflects net revenue, primarily commissions and other payments, made by the Financing segment (FITTLE) to the Print and Other segment for the lease of Xerox equipment placements.*

[2] *Segment margin based on external net revenue only.*

# Free Cash Flow – Guidance

| (in millions) | FY 2022 |
| --- | --- |
| **Reported**[1] | At least $475 |
| Less: capital expenditures | (75) |
| **Free Cash Flow** | At least $400 |

[1] *Net cash provided by operating activities.*

*NOTE: Free cash flow guidance excludes the second quarter 2022 payment of a one-time product supply contract termination charge.*