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XRX - Xerox Corp at Citi Global Technology Conference

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SEPTEMBER 06, 2018 / 3:45PM, XRX - Xerox Corp at Citi Global Technology Conference

CORPORATE PARTICIPANTS

Giovanni G. Visentin *Xerox Corporation - Vice Chairman & CEO*

Jennifer Horsley *Xerox Corporation - VP of IR*

William F. Osbourn *Xerox Corporation - Executive VP & CFO*

CONFERENCE CALL PARTICIPANTS

Jim Suva *Citigroup Inc, Research Division - Director*

PRESENTATION

Jim Suva - *Citigroup Inc, Research Division - Director*

Good morning, ladies and gentlemen, and thank you so much for joining us here for Day 2 of Citi's Global Technology Conference here in Manhattan, New York. My name is Jim Suva. I'm the IT, Hardware and Technology Supply Chain Analyst here at Citi. We're very pleased to introduce Xerox at this fireside presentation.

A couple housekeeping items. First of all, joining me here on stage is Investor Relations Vice President, Jennifer; and in the middle is going to be John, he is the CEO of the company; and then to his left, as you face, is Bill, and he is the CFO.

As you may notice, you may not be that familiar with John, and so he'll do a brief introduction about himself, and then I have a couple prepared questions to kick things off.

This is being webcast as well as Xerox Investor Relations do have some slides for reference about the company. If you don't have them, please raise your hand in the audience, and we'll get them to you. Those of you on the webcast, if you would like the slides, they are, I believe, a summary of the last quarter results. We can also get you the direct slides as a link. As well as if you have questions, remember in the room, raise your hand, and we'll get the microphone to you. So importantly, we can hear the questions up here in the front of the room as well as those on the webcast.

Before we get started with the formal fireside chat, Jennifer has a few forward-looking statements, safe harbor comments to make.

Jennifer Horsley - *Xerox Corporation - VP of IR*

Thanks, Jim. During this meeting, Xerox executives may make comments that contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995 that, by their nature, address matters that are in the future and are uncertain. 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. Information concerning these factors is included in the company's most recent annual report on Form 10-K and its subsequent quarterly reports on Form 10-Q and current reports on Form 8-K filed with the SEC. We do not intend to update these forward-looking statements as a result of new information or future events or developments except as required by law.

Jim Suva - *Citigroup Inc, Research Division - Director*

Thank you, Jennifer. Now many people in the room have known Jennifer for years, as well as myself, for decades. But John, you're the new guy in the room. So maybe if you can give us a little bit of overview about your past history, your biography, and then we'll get in some questions about what you're doing at Xerox. But let's keep it to a little bit of background of you so people in the room can get familiar about how you ended up at Xerox.



SEPTEMBER 06, 2018 / 3:45PM, XRX - Xerox Corp at Citi Global Technology Conference

Giovanni G. Visentin - Xerox Corporation - Vice Chairman & CEO

Okay. First of all, thank you for inviting me here, Jim, and thank you for all attending. My name is John Visentin. I've been in the IT industry since 1984. So I go back to the days of COBOL and FORTRAN for those of you that know who COBOL and FORTRAN is. Worked at IBM in different industries, both in hardware and in software and in services. Did the same thing at HP, ran enterprise services for a few years there. And then moved into different private equity accounts, one of them being Novitex, which now is part of Exela and is trading publicly, and I was also Chairman of Presidio. And now I'm here at Xerox, so I'm running Xerox.

QUESTIONS AND ANSWERS

Jim Suva - Citigroup Inc, Research Division - Director

Well, John, my first question is, I've covered Xerox for so many years I have gray hair, a long, long, long time. And throughout this time, there's been many changes throughout the executive management team. And again, you're the new guy here on stage. What are you looking to do different?

Giovanni G. Visentin - Xerox Corporation - Vice Chairman & CEO

I would say we're focused on 4 areas of -- and I've said some of this in our second quarter call. What we're focused on is really the supply chain end-to-end. So it starts with the client and how do we deliver to the client, and we look at it from the anatomy of a deal that says how do you start the opportunity, and how do you assure yourself you deliver it in the most effective manner possible. So I wouldn't categorize it as different as much as categorizing it as what our focus is on. The other thing we're focused on is accountability. Showing up here over 3 months ago, I found that the business was quite complex, and we needed to simplify our business. An example is we had 2 owners for any different part of our business versus just having 1 as is who owns what. We initiated a work stream called Project Own It that is really focused on simplifying everything we do, whether it's in net working capital, DSO, DPO, cash, who owns that, whether it's in our supply chain end-to-end from when it's being manufactured to how it's being built, to how it's being shipped, how it's being maintained, how it's being serviced on and on. And what we've done is we're focused on reoptimizing that whole business, so.

William F. Osbourn - Xerox Corporation - Executive VP & CFO

Yes. I'd like just to add, I've been here about 18 months with Xerox. And John, he's brought in some new senior team members with him. We're questioning the processes of everything we do. Nothing is a sacred cow. We're looking at the way we do things and how we can do it more -- in a more simple way. Sometimes in the past, we would say, hey, we want to reduce costs or cut costs. You would still do the process the same way, just get fewer people doing it. We're truly looking at how to do things in the best way, whether it's supply chain, whether it's back office, whether it's the way we serve our customers, the ways we go to market. All things are being looked at to make sure that we're doing it in the most efficient way.

Jim Suva - Citigroup Inc, Research Division - Director

And when you look at all of this and you do this -- your assessment, have you completed your assessment? Is it something we should think about taking 6 months to do, and then like at an Investor Day, you'll have more tangible milestones? Or how should we think about the assessment and milestones?

Giovanni G. Visentin - Xerox Corporation - Vice Chairman & CEO

I would think about it at Investor Day, and we said that it'll be late fourth quarter, early first quarter. We'll have tangibles on all 4 of the areas that we've discussed, so.



SEPTEMBER 06, 2018 / 3:45PM, XRX - Xerox Corp at Citi Global Technology Conference

William F. Osbourn - Xerox Corporation - Executive VP & CFO

We're doing a lot of detailed work. Just analyzing the changes to be made to simplify the business, the financial impact of those. And we want to make sure that we have it all nailed down, and that could be as early as late Q4. The latest would be early in Q1, but we'll have an Investor Day to go through the details of that.

Jim Suva - Citigroup Inc, Research Division - Director

I'm sure investors will very much embrace some milestones to see if you're progressing accordingly.

Giovanni G. Visentin - Xerox Corporation - Vice Chairman & CEO

Absolutely.

Jim Suva - Citigroup Inc, Research Division - Director

Can you talk a little about big picture and demand, what you're seeing? There's been a lot of media and press about shareholder activism, joint venture coming together, joint venture breaking up, things like that. Has that interrupted your demand? Or talk about overall demand.

Giovanni G. Visentin - Xerox Corporation - Vice Chairman & CEO

Yes. I'd say overall demand is stable. I've met with many clients and spoken to, whether it's CEOs, CIOs, production managers and all that. And I think that demand has been stable. In fact, in 2Q, with IDC, we increased market share in most of our -- in our areas. So our focus is really the conversations we're having, and that's with our whole team, is with our clients. Our focus is on our clients. And that's why I've asked the team to spend all their time on, as we're working on our organization, how do we assure ourselves that we're delivering the best service possible to our clients.

William F. Osbourn - Xerox Corporation - Executive VP & CFO

I would just say that if we don't win a renewal or new business, it's rare ever we hear the reason being that there was all this stuff going on with Fuji Xerox, with your large shareholders. That's not a reason that's given. If we don't win a business, you go back to what's -- if it's a renewal, what was the previous quality of service, what's the pricing. That other -- it was noise out there in the market, but it didn't impact our day-to-day operations that we could see.

Jim Suva - Citigroup Inc, Research Division - Director

The room here is that -- I'm actually very impressed and pleased with there are so many people here in the room, and I know they will steamroll me if I don't give the chance for an open mic for questions and answers. So what we'd like to do is open it up to see if there's any questions from the investors in the audience as well as if they want to e-mail me anything. Otherwise, we can continue down my list of questions. So please, raise your hand in the audience if you have a question to ask the management team of Xerox Corporation. There's a question right here in the middle of the room. Yes?



SEPTEMBER 06, 2018 / 3:45PM, XRX - Xerox Corp at Citi Global Technology Conference

Unidentified Analyst

How would you contrast the cost-cutting and optimization opportunities versus what was indicated in the prior plan that involved a merger? And how are they different?

William F. Osbourn - Xerox Corporation - Executive VP & CFO

First of all, the merger had its own cost-cutting just by -- the proposed merger, just the 2 companies coming together. But the company historically had its 3-year transformation program, \$1.5 billion of gross costs. We grew it \$1.7 billion over [3] years this being the third year. We've said \$475 million is the target this year. But really, the focus is now -- is really on what is dropping to the bottom line. I think it frustrated a lot of folks when we talked to last year, we ended up with \$680 million of gross costs. But then you look at the year-over-year impact, it dropped to the bottom line. It was roughly about \$50 million. We gave a breakdown of that in the year-end earnings call. But trying to be more transparent with folks up front and saying here's the net effect of making these efficiency or cost optimization changes in the business as opposed to saying here's a gross number. We'll be more focused on saying here's what a bottom line impact is to our adjusted earnings.

Jim Suva - Citigroup Inc, Research Division - Director

Additional questions from those investors in the audience? Please raise your hand. I have to ask a little bit about China. In the newspaper, tariff wars, the scale and scope was pretty limited to begin with, and it gets bigger and bigger and bigger every time I open up the newspaper and look at that list. How's it going to impact you as far as what you're procuring, where you're making your products? Things like that.

William F. Osbourn - Xerox Corporation - Executive VP & CFO

We're clearly looking at it. We've evaluated the tariffs that have been put in place. Current estimates, less than -- on an annual basis, less than \$10 million of impact, but we continue to evaluate. So it's not that significant for us.

Jim Suva - Citigroup Inc, Research Division - Director

And what was that dollar amount...

William F. Osbourn - Xerox Corporation - Executive VP & CFO

Less than \$10 million is our estimate, so on an annual basis.

Jim Suva - Citigroup Inc, Research Division - Director

Annual basis?

William F. Osbourn - Xerox Corporation - Executive VP & CFO

Annual basis. So it's...

Jim Suva - Citigroup Inc, Research Division - Director

Cost?

SEPTEMBER 06, 2018 / 3:45PM, XRX - Xerox Corp at Citi Global Technology Conference

William F. Osbourn - Xerox Corporation - Executive VP & CFO

Cost increase. So I said, the tariffs, we continue to evaluate as we get more clarification, but that is our current estimate.

Jim Suva - Citigroup Inc, Research Division - Director

And Bill, anything about demand side? Do you think this could impact demand at all?

William F. Osbourn - Xerox Corporation - Executive VP & CFO

Not for -- I mean, from the demand side, the Asia Pacific markets and the Asia market and China, they are not a part of the Xerox territory. So it really doesn't impact us.

Jim Suva - Citigroup Inc, Research Division - Director

Okay. Additional questions from those in the audience? There's a question right here in the second row, please.

Unidentified Analyst

I just have a question on the path to growth. If you can kind of describe how the company can grow and what the growth -- maybe compare the growth prospects of the company as you see them today versus what you thought before you got here.

Giovanni G. Visentin - Xerox Corporation - Vice Chairman & CEO

Yes. I would say the path to growth is looking at -- start with what you have and looking at your organization and saying, how do we go to market? And how do we sell what we have? And how long does it take for us to get the right product at the right place at the right time? So a part of our workflow -- a part of our work stream that we're focused on is exactly that. We're looking at the supply chain that says everything we do, how do we do it quicker? How do we do it more efficiently? How do we do it simpler? So if we're focused on the SMB market, which is a growth market, how do we assure ourselves that our models that we have in place today get what the clients need at the right speed? What that does is it helps with client satisfaction but it also helps with getting products out there faster. Services business is the same way. When you're looking at the services business, you're saying how much of your services business today do you do remote fix versus doing it on site. Having it on site, it's not just a costly issue, it's also a time issue. How do you assure yourself that you can reduce the amount of time as you're servicing clients? All that -- fixing all that focus on the supply chain leads to a better customer experience, a better customer satisfaction, which should help all boats rise on the top line. What we're going to model and what you're going to see on Analyst Day is a model that says here's what revenue is going to look like and here is where it's going to come from. And then here's what our cost structure is going to look like to do it, here's what our model looks like to do it, and here's what our EPS and our cash outlook should look like. So that's our focus here. Of course, the faster you get revenue growing on the top line, the less strain you put on the rest of the P&L. But we're also going to be realistic. The other thing I would say is that we're looking also at what would we want to do on an organic versus and an inorganic, and does any of it make sense? Is it today? No. But should we be looking at what are our options going forward in both organic or inorganic revenue and how do we go about doing it. And then the last piece is what we've discussed in Q2, is this whole innovation side. So we have this whole innovation that goes on at PARC, that goes on at Webster. We have software businesses today like DocuShare that you could argue is similar to Box or Dropbox. How do we take advantage of that? And how do we focus on that part of the business as well? These are all streams we're working on going forward, so.



SEPTEMBER 06, 2018 / 3:45PM, XRX - Xerox Corp at Citi Global Technology Conference

Jim Suva - Citigroup Inc, Research Division - Director

And as a follow-up to that, maybe I can ask Bill. Since you're the one in charge of the finances and where the money goes at Xerox, and I'm sure you and John talk frequently about this. How should we think about your investment focus of the dollars? Obviously, you've got the dividend and things like that and the pension you've been paying down, I think. But how should we think about the investments in those dollars where you're funneling those?

William F. Osbourn - Xerox Corporation - Executive VP & CFO

Yes. A couple things. To reiterate, we've had a policy since we separated in January of 2017 from the Conduent service business to, over time, to be returning at least 50% of our free cash flow to shareholders. This year, the second quarter earnings, we announced a share buyback. We were authorized up to \$1 billion. We said we would opportunistically purchase up to \$500 million in the -- during the remainder of 2018. And with that, combined with our dividends, we clearly would expect to be, this year, at least 50% of our free cash flow guidance we've given for the year having been returned to shareholders. As far as other opportunities for cash, and John will go into a little detail on it, too, there's lots of things, whether it's investing in the current business, getting the M&A engine going again and looking at other opportunities. As far as debt repayments, we don't have any remaining debt due this year. We have about \$1 billion coming due next year. We'll make decisions on whether we want to do some liability management or pay down that. No decisions have been made on that. But we have a significant amount of -- over \$1 billion of cash on our balance sheet, which is significantly more than we need to operate. So -- and we plan to continue generating significant amounts of cash, and we believe we have lots of different opportunities and ways to use that. And that is a constant discussion John has with me and the rest of the senior team.

Jim Suva - Citigroup Inc, Research Division - Director

Additional questions from those in the audience? I got one e-mail. Ask about Xerox PARC. Is it relevant? Is it meaningful? Is there value there that you can unlock? It seems like it's a hidden gem that nobody talks about.

Giovanni G. Visentin - Xerox Corporation - Vice Chairman & CEO

Yes, yes, yes. So...

Jim Suva - Citigroup Inc, Research Division - Director

So I'll follow up and say what do you do in (inaudible).

Giovanni G. Visentin - Xerox Corporation - Vice Chairman & CEO

So if you think of PARC -- and think of R&D with PARC and also we have R&D in Webster, New York. So -- and we have it in Canada as well. It is a hidden gem. In essence, it's created over \$1 trillion of industry value for others. So what we're looking at is, what is it that were being developed in these areas? Are they disruptors? Are they disruptors that we can take advantage of? And how can we monetize it? Today, it's a hidden gem, where it has a website and tells you a little bit what's going on. And we've been putting a focus. One of our work streams is on innovation. That includes the software businesses we have today. And we're focused on saying, how -- what -- how are we going to monetize this innovation? And that's what we've been working on. I spent a good part of the first week on the job, a good part of that in the first couple of weeks on the job visiting the R&D, and I was pleasantly surprised with what I've seen. And that's what we want to focus on. Because we need to think differently. We need to think of it as, are there areas in there where we can disrupt industries? Are there areas that are being developed that we don't have to be, whether it's the packaging industry, we don't have to have the printer but maybe we could be the Intel inside? Are there areas that we need to partner with to get this to the marketplace faster? And that's all things that are on the table that I would say we have a focus on, so.



SEPTEMBER 06, 2018 / 3:45PM, XRX - Xerox Corp at Citi Global Technology Conference

Jim Suva - Citigroup Inc, Research Division - Director

Others -- a question right in the middle of the room here. We'll get the microphone to you.

Unidentified Analyst

Could you talk a little bit about how the -- your relationship with Fujifilm is going forward from an operational standpoint? And whether or not the way you're operating now precludes a future deal like the last one? And how it's changing the ways you develop?

Giovanni G. Visentin - Xerox Corporation - Vice Chairman & CEO

I would say -- and this is talking with my team who deal with Fuji Xerox most of the time. I would say it's stronger than ever. They've been more responsive than they've ever been. They've been stronger than ever, and they're focused on treating us like a customer on the supplier chain side. In fact, it was quoted in one of the papers, their president said, we need to earn the right, and they've been focused on doing just that. So in terms of a deal, I've been pretty public to say, look, we're not for sale. But if something comes up where somebody makes an offer that I need to bring to the board, I would bring it to the board. I'm focused on Xerox, and I'm focused on everything I've described in 2Q. And stay tuned, you'll see more. That's where our focus is, so.

William F. Osbourn - Xerox Corporation - Executive VP & CFO

Just to echo John's comments, on a day-to-day operational basis, whether it's the operating folks, the product folks, finance folks, it is working as good or even better than it has, at least, in my tenure with the company.

Unidentified Analyst

How does it change your R&D and product development?

Jim Suva - Citigroup Inc, Research Division - Director

The question was -- for the webcast, how does it change your R&D and product development?

Unidentified Analyst

The absence of a deal?

William F. Osbourn - Xerox Corporation - Executive VP & CFO

The absence of a deal. I don't think it really changes. We're continuing on with the product and R&D development that we have historically been doing. The deal had some assumptions in it as far as efficiencies if it were together. But we're continuing on as a standalone company and doing the R&D that we were doing before any transaction was announced.



SEPTEMBER 06, 2018 / 3:45PM, XRX - Xerox Corp at Citi Global Technology Conference

Jim Suva - Citigroup Inc, Research Division - Director

So we've got a couple of questions from the webcast, and then we'll get the microphone right here on the second row after I ask. And it says, can you please ask Xerox about the finco business. Is it core? Is it needed? Could you monetize and unload that? How should we think about the finco financing part of your business?

William F. Osbourn - Xerox Corporation - Executive VP & CFO

Yes. We got the question also. There has been rumors. There was an article out there. We don't comment specifically on any rumors. With that said, we look at all parts of our business, what makes sense, are we operating it the most efficiently in how we are structured as a company. But no specific comments on the finco business.

Jim Suva - Citigroup Inc, Research Division - Director

But is it really needed? Is it core? Or is it...

William F. Osbourn - Xerox Corporation - Executive VP & CFO

There are -- I mean there's been lots of analyses done over the years. There are benefits, and there are things that you could say, hey, it might be better to not have it. Then you have to weigh the pros and cons. But there are aspects as to why it would make sense to keep it. There are also aspects as -- one could argue as to why you would not need it and you would partner with somebody.

Jim Suva - Citigroup Inc, Research Division - Director

Sounds right. There was a question, I think, in the second row.

Unidentified Analyst

What are the pros and cons there?

Jim Suva - Citigroup Inc, Research Division - Director

The questions was asked, what are the pros and cons of having or not having the finco business?

William F. Osbourn - Xerox Corporation - Executive VP & CFO

At a high level, there are a few things you find. There are lots -- at a high level, one thing is that, by having it, you may be screening out certain investors by having that debt on your balance sheet saying the company is over (inaudible). That debt is specifically supporting finance receivables. The profitability of the business is not -- obviously is not a separate segment in our financials. But you consume that it's profitable the way we go to market with our customers, not saying you couldn't with a partner, but it makes it easy in terms...

Giovanni G. Visentin - Xerox Corporation - Vice Chairman & CEO

I would categorize it as, if you're looking at an M&A or you're looking at a divestiture, you're looking at the same questions that need to be answered. There's the financials. There's what does it mean to your balance sheet. Does it help your balance sheet? Does it help the shareholders? There's a cash component. There's a client component. Does this simplify it? Or does it complicate it? And as you're looking at the overall -- and it's not finco.

SEPTEMBER 06, 2018 / 3:45PM, XRX - Xerox Corp at Citi Global Technology Conference

This is any business, any M&A. You need to look at all the different segments and then make a decision on is this the right thing for the clients and for Xerox. And that's how I would categorize this. It's not a what's advantage or disadvantage. It's not what's plus or minus as much as you look at it and say, here's where we're heading. Does this help our clients? And does it help us? Or is it something that's neutral? Or this would hurt? And that's how we would be evaluating, whether it's a divestiture or an M&A transaction. We had 1 small, very small M&A transaction we said no to because it was inside of a geography that had 2 dealers already selling there, and we were going to buy the small M&A. It could've made sense financially. But when you looked at the overall business, what you did is you just upset 2 independent channel dealers that were doing a very good job for us in that territory. So why would we be spending our cash buying this one and complicating that? And it's a small -- it's a very small example. It wasn't big dollars or anything. But it didn't matter. We're -- put in an LBO model that says when we look at it, it's a true LBO model. We're looking at it end-to-end. What's the cash? What's the ROI? What's the IRR? What's the market? What's the client perception? And that's how we're going about looking at our organization, so.

Jim Suva - Citigroup Inc, Research Division - Director

That actually leads right to the next question I got from investors. Jim, sorry, I'm from Europe. Couldn't make it. Could you please ask them, regarding LBO, does Xerox need to be a public company? Talked about a lot of cash flow. Do you put the Xerox through your LBO model?

Giovanni G. Visentin - Xerox Corporation - Vice Chairman & CEO

Xerox is a public company, and we are a public company. And...

Jim Suva - Citigroup Inc, Research Division - Director

Do you need to be? Could you go private?

Giovanni G. Visentin - Xerox Corporation - Vice Chairman & CEO

Again, the should I or could I or would I, today, we're a public company. And when we look at the LBO model, we can do what we need to do as a public company, and that's what we're doing. So we're focused on it. I'm not looking at it saying, can I be private? Or what's the advantage of being private? Or what's the advantage of being public? The way I look at it is we're Xerox, we're public today. We have shareholders that we need to answer to. We have clients and employees we need to answer to. And that's what we're focused on. Having said earlier in my tenure here was we're not for sale. The reason we're not for sale is the fact that we're focused on our business, and I want my 35,000 employees focused on our business. I want our customers to know that we're focused going forward. If -- at the same time, if someone is interested and wants to put something in place, I would take it to the board if it's serious, of course, so. But no one in our organization is thinking should we be private, should we be public or -- that's not in the conversations I'm having.

Jim Suva - Citigroup Inc, Research Division - Director

I got one more question. Jim, I'm in the audience. I'm a little shy, but please don't mention my name. So -- I'm joking. I'm not going to. Can you ask John, is he more of a cost-cutting guy, revenue stabilization guy, growth guy, R&D guy? What's his DNA of who he'd likely be known for?

Giovanni G. Visentin - Xerox Corporation - Vice Chairman & CEO

Do you want to answer that? Only because I'll answer it...



SEPTEMBER 06, 2018 / 3:45PM, XRX - Xerox Corp at Citi Global Technology Conference

William F. Osbourn - Xerox Corporation - Executive VP & CFO

I guess John could be yes, yes, yes and yes. But all -- I mean, pretty much all of those things focusing -- but I would still get to the one part of it, John, when you hit the cost-cutting, don't think in terms of cost-cutting just by having fewer people doing the same thing. I know we've said before, it's really trying to figure out how to do things in a more simple, more efficient way to get those cost reductions. But the other items, revenue, R&D are all focuses.

Giovanni G. Visentin - Xerox Corporation - Vice Chairman & CEO

What we try to do as an organization is take out the victim mentality. And the victim mentality is if you're asking me to cut, then I can't do this. Versus stepping back and saying, here's what we're trying to do, we're trying to optimize our business. How do we go about it? But you don't lose sight that revenue is important. Profitable growth is important. Customer sat is important. Let's not forget customer sat and all that. Cash is important. So that's what we've been putting in place. And that's my DNA, is focusing on the areas. Our Project Own It does just that. We're calling it Project Own It internally, and we'll let you know the work streams. But that's what it's focused on. It's not one area because you really -- if you go after one area, then the others could suffer, and that's not what we're trying to do here, so.

Jim Suva - Citigroup Inc, Research Division - Director

There's a question -- we'll go towards the second row from the end, and then following that one, then we'll do the one closer towards the middle.

Unidentified Analyst

Just in terms of cutting costs in the right way. Has the business being starved of capital? Or what -- do you think it needs a lot of net investment to overhaul the operations to deliver simple cost cutting?

Giovanni G. Visentin - Xerox Corporation - Vice Chairman & CEO

Yes. So what I would categorize is when we're looking at optimizing the business, optimizing the business may require some investments. So if you're going to -- when I said this, we have a lot of IT systems. Well, if you could optimize that IT system, you just simplified your whole supply chain and go to market, that may require some investment. What we're not going to do is look at gross savings. So back to this model that says here's what we think we could optimize. Here is what the cost or capital is required to optimize it. Where does it fit in? And here's how it gets all the way to the bottom line. So it's a philosophy of owning the whole end-to-end. We had our geographies tell us, I could own this piece, but I can't own the corporate tax. And if -- everybody knows what the corporate tax is, but it's basically paying for overhead, if you like, everything from overhead and all that. So we got the geography leaders in and said, you're going to sit with us. We're going to line item everything you get from corporate, everything. And you're going to tell us what you don't need. It's very different than cutting. What you don't need to run the businesses that will not affect the clients as we're looking at this whole optimization. That's very different than I need you to cut 10 people. Because what happens is -- back to the model, is you're looking at it and you're saying, do we even need to do this? And does it affect the client? Or is it something we need? And that's the discussions we're having right now. So...

Jim Suva - Citigroup Inc, Research Division - Director

And then I think there's another question a couple of rows in front. We'll do the gentleman in the white and then behind him the following (inaudible).

Unidentified Analyst

Are you committed to investment grade ratings? And if yes, what steps you can take to protect the ratings?



SEPTEMBER 06, 2018 / 3:45PM, XRX - Xerox Corp at Citi Global Technology Conference

William F. Osbourn - Xerox Corporation - Executive VP & CFO

Yes. I would say that we are committed. It's optimal for us at this point. You can't say you're committed forever and ever. But it makes sense for us the way we're structured, the financing business, that it's optimal for us to have an investment grade rating.

Jim Suva - Citigroup Inc, Research Division - Director

And there was a question immediately behind him.

Unidentified Analyst

Could you talk a little bit about your recent product introductions and how they've been received and then what the cadence is going to be for future product introductions that are important?

Giovanni G. Visentin - Xerox Corporation - Vice Chairman & CEO

Yes.

William F. Osbourn - Xerox Corporation - Executive VP & CFO

Yes, we had a major product launch everybody heard about last year. A little bit later than we had hoped. It was a little bit delayed. We'd hoped earlier in '17. But since those products have come out, they have been incredibly well received. You see that also in our market share data. Second quarter market share data just recently came out. We gained 3 points in mid and up slightly but -- in the entry area. But very strong reception. And then at the high end, we've introduced, this year, low end at the high end, if that makes sense, Iridesse project -- product that has been tremendously received. So it's gone very well, and the products have been very well received.

Unidentified Analyst

And is there any coming up in the next 12 months or no?

William F. Osbourn - Xerox Corporation - Executive VP & CFO

Not giving specific times. But the time line of new product deployment and updates won't be as long. The 29 products that came out last year, there was a long lag from when there were others in the press. So the cadence will be more frequent than historically. But nothing specific at this time.

Jim Suva - Citigroup Inc, Research Division - Director

There's a question in the back all the way to the opposite side here in the room.

Unidentified Analyst

Can you just talk about the Fuji Xerox dissolution? I mean, so it sounds like going into the deal, there was a lot of talk about how much dysynergy there would be if the deal -- if that JV did break up. And clearly, that's not your view. And I think it would help us all -- and I don't know if you plan



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on addressing this during the Capital Markets Day. But if you guys do decide to dissolve the JV, what would the cost be to the business? What dysnergies would there be? And what would the benefits be if you keep it?

Giovanni G. Visentin - Xerox Corporation - Vice Chairman & CEO

Yes. So I would say that our focus is on Xerox and what's the right thing for Xerox. And as we're looking at our whole supply chain and our whole costs, we're focused on how do we optimize that for Xerox. Fuji Xerox is an important partner. So -- and I'm breaking it up a little bit, so that's the supply chain side. They're an important partner of ours, but they are -- we are their customer, and we're going to continue to work not only with them but with others to say what's the best way to optimize our supply chain. And that's what we've been focused on, on that side. I can tell you that whatever we're focused on, we will always be prepared to assure that we're doing what's right for Xerox and for our clients and for our employees, and that's what we're focused on.

William F. Osbourn - Xerox Corporation - Executive VP & CFO

Just to be clear from the question you talked about the dissolution of the JV. No, you answered the question right. There's no intention for dissolution of the JV. There are separate agreements. The joint venture agreements stays...

Giovanni G. Visentin - Xerox Corporation - Vice Chairman & CEO

That stays.

William F. Osbourn - Xerox Corporation - Executive VP & CFO

We have never had any discussion about that. Our 25% interest in Fuji Xerox. The technology agreement, which is renewed every 5 years, next time, March of 2021, we'll evaluate that when it comes up and the impact. So -- and then the last thing as far as the cost reductions, the cost synergies, there were specific amounts given in that transaction. And as John said, we don't view ourselves as for sale or anything. But any transaction would appear that could or may or whatever happen, there would obviously be synergies with any potential. But -- so -- but we're focusing right now on how can we optimize or reduce our costs internally and operate more efficiently.

Jim Suva - Citigroup Inc, Research Division - Director

John, I think we have time for one more question. And then after that, to wrap it up, I'll first ask Bill and then John the same questions. But -- and you can think about your answers as an investor asks 1 last question. And that is, Bill, you've been here, I think, about 1.5 years, if I remember right. Now working with a new CEO, what gets you excited? And a couple of message you want investors to leave the room, maybe from a financial CFO perspective. And then, John, the same question for you about what gets you excited about why you joined Xerox in a very complicated story that the media has really run with a lot and a couple of the key items you want investors to leave knowing about why they should own Xerox stock from a CEO perspective. And we have time for one more question in the audience before we wrap it up with that. Okay, then we'll go straight to the question. So first to Bill. Since you've been here 18 months, what gets you excited to work for a new CEO? And what investors should leave from a CFO perspective, the key takeaways?

William F. Osbourn - Xerox Corporation - Executive VP & CFO

Yes. I think really the key thing, I hit on it earlier, is that John, and he's brought in some new folks with him also. There's also plenty of members of the old management team here working together. But you have an outside view on things. Internally, the company, historically, the senior management team has grown up within the company. You're getting now personnel coming in from the outside, including myself, 18 months ago, though, I'm the old tenured guy now. You're able to take a fresh look and really question, is this the best way that we're operating and how



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we're going to market, how we're dealing with our partners, how we're dealing with customers? And really just questioning the status of everything. And as John and I say, there is nothing that's a sacred cow. We got to look at it and say, does this make the best sense for Xerox and its shareholders and its customers? So from a financial perspective, I always like to keep pointing this out to folks. We didn't reaffirm our full year guidance. We have a new CEO, some an management team members. And we'll update folks at our Analyst Day either later this year or early next year. But we did reupdate and reconfirm our full year free cash flow guidance of \$750 million to \$950 million or \$850 million is the midpoint. The company is a very strong cash generation company, and that provides us lots of opportunities. With that said, John also is even more focused -- we're focused on cash. John is even more, I like to use the word maniacally focused, on cash that even to make cash that much important a focus of the company. With that cash comes opportunities. We have a lot of cash on our balance sheet today, and we're going to continue generating that free cash flow, and that will give us a lot of opportunities going forward.

Jim Suva - Citigroup Inc, Research Division - Director

And then, John, what investors message do you want to give as the new CEO of Xerox?

Giovanni G. Visentin - Xerox Corporation - Vice Chairman & CEO

Yes. I would say a few things. One, I never lose sight of who our shareholders are and what's important to them. Two, our employees, getting them motivated and getting them focused because we have great products, we have great innovation, we have great services. And then three, our clients. And everything we do is how to service our clients better and how to help us grow. So Bill spoke about all the financials and all that. But those are the 3 things that I'll focus on and just keep me up and get me excited. And having come onboard now, I'm here, I'm excited more than I've ever been to be here, so.

Jim Suva - Citigroup Inc, Research Division - Director

Thank you, and we look forward to hearing your Investor Day in the future. And for those in the room, lunch is upstairs on the third floor. The best way to get there is take the escalators. And I'd like to thank John and Bill from Xerox.

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