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**— PARTICIPANTS****Corporate Participants**

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**Giovanni Visentin** – Vice Chairman & Chief Executive Officer, Xerox Corp.  
**William F. Osbourn** – Executive Vice President & Chief Financial Officer, Xerox Corp.  
**Jennifer Horsley** – Vice President-Investor Relations, Xerox Corp.

**Other Participants**

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**Ananda Baruah** – Analyst, Loop Capital Markets LLC  
**Shannon S. Cross** – Analyst, Cross Research LLC  
**Jim Suva** – Analyst, Citigroup Global Markets, Inc.  
**Kathryn Lynn Huberty** – Analyst, Morgan Stanley & Co. LLC  
**Paul J. Chung** – Analyst, JPMorgan Securities LLC

**— MANAGEMENT DISCUSSION SECTION**

Operator: Good morning and welcome to the Xerox Corporation Fourth Quarter 2018 Earnings Release Conference Call Hosted by John Visentin, Vice Chairman of the Board and Chief Executive Officer. He is joined by Bill Osbourn, Chief Financial Officer. During this call, Xerox executives will refer to slides that are available on the web at [www.xerox.com/investor](http://www.xerox.com/investor). At the request of Xerox Corporation, today's conference call is being recorded. Other recording and/or rebroadcasting of this call are prohibited without the expressed permission of Xerox.

After the presentation, there will be a question-and-answer session. [Operator Instructions] During this conference call, Xerox executives will make comments that contain forward-looking statements, which by their nature address matters that are in the future and are uncertain. Actual future financial results may be materially different than those expressed herein. At this time, I would like to turn the meeting over to Mr. Visentin.

Mr. Visentin, you may begin.

**Giovanni Visentin, Vice Chairman & Chief Executive Officer, Xerox Corp.**

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Good morning, and thank you all for joining us for our fourth quarter 2018 earnings call. This morning, we will give you the highlights for the quarter; then talk about the progress we've made on our four strategic initiatives and last, show you how our results and our strategy position us for 2019 and beyond. Overall, our fourth quarter results demonstrated improvements across a number of key measures. We delivered adjusted operating margins of 16.1% for the quarter, up 180 basis points year-over-year. This is primarily the result of Project Own It, an enterprise-wide initiative we launched in mid-2018 to simplify and streamline our operations and instill a culture of continuous improvements.

Our margin expansion contributed to us delivering adjusted earnings per share of \$1.14 for the quarter, up \$0.11 or 10% year-over-year. On cash flow, we over-achieved our full year expectations. We generated \$398 million of free cash flow in the fourth quarter, an increase of \$101 million year-over-year and we delivered \$1.05 billion of free cash flow for full year of 2018, which is an improvement of \$183 million over 2017. We returned more than 92% of that free cash flow to our shareholders in 2018 through share repurchases and dividends, exceeding our commitment to return at least 50% of the free cash flow to shareholders and we ended the year with \$1.1 billion of

cash on the balance sheet. Revenue in the fourth quarter was down 6.1% at constant currency year-over-year, which was in line with our expectations.

Bill will discuss the Q4 revenue dynamics on his remarks, but we have developed a three-year roadmap for revenue growth that we will take you through in detail at our Investor Day next week. We continue to progress on our four strategic initiatives; to optimize our operations for greater simplicity; to drive revenue; to re-energize our innovation engine; and to focus on cash flow to drive increasing shareholder returns.

Over the last two quarters, we have focused on creating a simpler, more agile and effective organization to enhance our focus on our customers and our partners, instill a culture of continuous improvement and improve our financial results. When I addressed you last quarter, we had just completed the design phase of Project Own It with the overarching goal to drive end-to-end transformation of our systems and processes to create greater focus, speed, accountability and effectiveness. These efforts are critical to making us more competitive and giving us the capacity to invest in growth and maximize shareholder returns.

Key opportunities under Project Own It include establishing more effective shared service centers, rationalizing our IT infrastructure and real estate footprint, creating greater velocity in our supply chain and unlocking greater productivity in our supplier base.

To create a more effective go-to-market organization model, we restructured the way we serve our customers globally into two units, the Americas and EMEA. We realigned Mexico, Central and South America from our former international operations unit into the Americas, joining the U.S. and Canada; and we combined Europe, the Middle East, Africa and India to create EMEA. This geographic alignment creates a more efficient operating structure to support our customers, to streamline our supply chain and to open up greater revenue opportunities.

We have also taken steps to align our SMB business into and under Global Imaging Systems, which we re-branded Xerox Business Solutions, XBS. This will enable us to better leverage our successful model for serving SMB customers. XBS is an important part of our overall growth strategy. We believe their best practices will help us grow share in the SMB market and across our business. We will also benefit from synergies across technical services, e-commerce, marketing and IT, which will simplify the way we work and improve how we serve our customers.

Given XBS's success in servicing their SMB customers, we recently shifted over 28,000 of our small- and mid-sized government healthcare, education and graphic communication accounts to XBS. This move offers a high-touch, locally accessible model to ensure that these customers are aligned to the route to market best equipped to grow our business with them.

To provide best-in-class services, we have implemented a common global delivery model with the goal of creating a consistent customer experience that will promote customer loyalty and create greater revenue opportunities for Xerox worldwide. This is all part of the culture of continuous improvement that gives us confidence to accelerate our transformation in 2019 and drive growth in the long-term. We will go into more detail at the next week's Investor's Day.

In the fourth quarter, we continued to see some positive results from our Workplace Solutions driven by sales of our ConnectKey products where we once again gained equipment revenue market share in the A3 product category, increasing 3 points year-over-year, and we remain poised to gain share in A4 by expanding our indirect and digital channels. We've also seen good momentum in the High-end with Iridesse.

Overall, there is still more opportunity to capture market share across all our core segments and we will address our strategy to do so at next week's Investor Day. Our value to customer derives not

just from our core equipment products but from the software and services that support our customers' work processes, which we embed in and build around our products.

IDC recently named us the clear leader in document services and we won the Document Imaging Software Line of the Year award from Keypoint Intelligence – Buyers Lab. These awards reflect our leadership position in our broad portfolio of software and services solution to deliver unique and differentiated value to our customers. An example of this differentiated value is with Purdue University where we are delivering end-to-end solutions that cover their entire production lifecycle. We are not only managing the entire fleet of devices across their campus, we are also providing production print and communication marketing services including document design, consultation and optimization services to help them more effectively communicate with prospective students, an important function in support of recruiting top students.

Another key focus is to leverage industry-specific assets and integrate them with our core technology to create industry solutions. An example here is our recently developed digital insurer offering. Onboarding new insurance customers is challenging especially from one-time insurance buys like travel insurance. Our offering provides personalized and customized real-time cross-media communication with that customer to ensure that they get the right offering delivered with an outstanding digital customer experience. The customer can initiate the process in a variety of ways from a QR code scanning to chatbot and will receive communication in whatever format they desire, digital or print. For the insurer, our service offers secured storage of customer interaction including digitally signed contracts from the customer and we make it easy for the insurer to deliver attractive personalized cross-media communication with that customer.

Expect to see us expand our service offerings with many integrated vertical offerings like this that leverage our ability to connect the digital and the physical. Growing software and services is a key component of our revenue growth strategy. We have created a dedicated business unit focused on driving end-to-end solutions including software and services to increase our portfolio and extend further into our client base. We will share more details at next week's Investor Day. Our expertise in technology and printing uniquely positions us to leverage innovation to move into adjacencies that go beyond core technology requirements. We have prioritized four areas for innovation, disrupting digital packaging and prints, AI workflow systems for knowledge workers, 3D printing digital manufacturing, and sensors and services for the Internet of Things.

We have a long history of disrupting industries through our technology and innovation and these four areas present long-term commercial opportunities for us. Just this past quarter, we were recognized with an IDTechEx Technical Development Materials Award for the Printed Methane Sensor we developed at PARC, which can detect a methane leak in oil and gas wells that contribute significantly to global warming, a real world problem for those in the oil and gas industry that we can potentially help address through our Sensors technology. In the critical area of security, we recently introduced new software enhancements to our flagship line of AltaLink Multifunction Printers, which allows companies to monitor critical security setting and automatically remediate unauthorized changes without having to reboot the device.

It's a proactive step in stemming security breaches and a critical component in maintaining device uptime. Our leadership position in this area was recently highlighted by IDC as part of our broad range of security services designed to help businesses identify security risk, remediate current vulnerability gaps and provide for ongoing management of an adherence to corporate security policies and guidelines. You're going to hear us talk a lot more about innovation and you will get a chance to see firsthand how we are unlocking value by integrating innovation with our core assets at our Investor Day next week. We have further heightened our focus on cash with increased executive oversight and more direct accountability across the organization and it's reflected in our results.

We have a strong fourth quarter with free cash flow of \$398 million and \$1.05 billion of free cash flow for the year. We ended the year with \$1.1 billion in cash after returning to shareholders 92% of our free cash flow for the year. Between completing the \$300 million balance of our \$1 billion share repurchase program that was authorized in 2018 and continuing to pay our quarterly dividends we expect to return at least 50% of our free cash flow to shareholders in 2019. Also our board authorized an incremental \$1 billion share repurchase program. The flexibility afforded by this additional authorization, our current cash position, and our cash flow expectations for 2019 will allow us to opportunistically use our cash and maximize IRR. We are executing against our strategic initiatives and beginning to see measurable result, which positions us well to accelerate our transformation in 2019.

I will now turn it over to Bill to review in more detail our financial results for the quarter.

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**William F. Osbourn, Executive Vice President & Chief Financial Officer, Xerox Corp.**

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Thank you, John. Overall, we were very pleased with how we finished the year driven by strong margin expansion, cash flow above our expectations and growth in adjusted earnings per share of over 10% year-over-year. In line with our expectations, revenue declined in base anticipated headwinds. However, we more than offset this impact to deliver our best results of the year. I will now begin with the review of the income statement. In total, revenue declined 6.1% in constant currency and 7.8% at actual currency broadly in line with expectations and the directional commentary we gave last quarter. Total revenue was impacted by almost 1 point from the significant OEM declines we've highlighted in recent quarters as well as headwinds from the benefits in the prior year from the launch of the ConnectKey portfolio and higher licensing revenue, a \$20 million year-over-year impact.

I'll spend more time on the revenue dynamics in the quarter in a moment when I review the revenue slide. Turning to profitability, adjusted operating margin of 16.1% improved 180 basis points year-over-year as the decline in revenues was more than offset by cost reductions and productivity improvements. The improvement came from a significant 130 basis point improvement in our SAG ratio driven by our Project Own It actions as well as a lower annual performance incentive compensation accrual. RD&E also contributed 20 basis points to year-over-year margin expansion. We captured cost savings in overhead and within mature products sustaining engineering that more than offset increases in spend within our research centers and incubation programs in support of our innovation growth areas.

Gross margin of 40% was lower by 30 basis points year-over-year, a good result considering the prior year included an approximate 100 basis point combined benefit from the higher licensing revenue and a change in the consumables usage estimate. Also contributing to the improvement in margin was higher equity income, which increased \$18 million year-over-year on an adjusted basis. Drivers of the equity income improvement included benefits to Fuji Xerox from their recent cost actions. Turning to the below-the-line items, adjusted Other expenses, net of \$32 million, was \$3 million worse year-over-year driven by higher currency losses. Adjusted tax rate of 27.9% increased 1.8 points year-over-year resulting in a negative approximate \$0.02 impact to EPS.

Overall, adjusted EPS of \$1.14 was up \$0.11 from the fourth quarter of 2017. On a GAAP basis, we had \$0.56 of earnings per share, which was up \$1.34 as the prior year included a \$400 million charge associated with enactment of the U.S. Tax Act. A partial offset to the tax act charge from a year-over-year compare perspective was a \$43 million charge we took this quarter associated with early termination of an unfavorable IT services arrangement. The difference between GAAP and adjusted EPS also includes our normal adjustments around restructuring and related costs including those for Fuji Xerox, non-service retirement-related costs and amortization of intangible assets.

Moving on to revenue, in Q4 as anticipated, we faced revenue headwinds associated with the challenging compare. As most will recall, the prior year benefited from the full impact of the ConnectKey product rollout, so while the 6.1% constant currency decline was worse than trend, it was in line with our expectations. I will now break down in more detail the revenue drivers. Looking first at the geographic sales channels, North America revenues were down 4.9% at constant currency, driven by weakness in large enterprise accounts and High-end sales that were partially offset by growth in Xerox Business Solutions, formerly GIS, as well as indirect channel equipment sales growth. International revenue declined 3.2% at constant currency.

Within that, Europe's decline rate improved driven by equipment revenue while developing markets grew total revenue for the tenth quarter in a row on a year-over-year basis. Although, equipment revenue was pressured reflecting in part a very challenging compare. Our highest area of decline was in Other driven by the OEM business, which as highlighted, had almost a 1 point negative impact to total revenue.

Turning now to a closer look at equipment revenue. Equipment revenue declined 7.7% at constant currency with a negative 3-point impact from OEM. As we indicated last quarter, we anticipated a more challenging equipment revenue compared to Q4, given the strength we saw in Q4 of 2017 when equipment revenue grew 1.5% driven by the ConnectKey launch and a strong year-end within the High-end area.

From a product perspective, Entry equipment revenue made up 11% of equipment in Q4 and was up 0.2% in constant currency driven by growth in Europe and U.S. indirect channels. For the full year, Entry grew 2% at constant currency driven by ConnectKey products. This compared to a decline in 2017 of 0.4%. Mid-range equipment revenue comprised 66% of equipment revenue and declined 1.2% in constant currency.

Mid-range equipment sales have been an area of strength in the past two quarters, as reflected in the 3 points of year-over-year equipment revenue share gain we realized in both Q2 and Q3. And for the full year, Mid-range grew 1.1% constant currency. This compared to a decline in 2017 of 8.1%. Mid-range or A3 is a key leadership segment for Xerox and we are pleased with the relative strength we've seen in this segment during 2018.

Lastly, our results in the High-end were pressured. High-end equipment revenue made up 22% of total equipment revenue and declined 14.7% at constant currency and for the full year was down 10.5% at constant currency. We continued to see strong demand for our new Iridesse Press, especially in Europe where 48% of installs were either new business or competitive tradings, as well as initial good traction from an upgrade announced in October to our Brenva Press that included a 50% speed improvement and resulted in our highest quarterly Brenva installs to-date.

This growth, however, was not enough to offset declines in other portions of the portfolio, including our iGen family. We are actively working plans to turn around the High-end, including building on strong momentum in differentiated capabilities of Iridesse and the recently upgraded Brenva, as well as making sales coverage investments and leveraging more effectively unique features and products like iGen with its White Dry Ink.

Turning now to Post Sale; Post Sale revenue comprised 75% of total revenue and declined 5.5% in constant currency, or down 4.6% excluding the prior-year licensing revenue discussed earlier, which is largely consistent with the 4.8% September year-to-date constant currency decline. As mentioned before, it will take time to turn around the Post Sale revenue, which tends to move in smaller increments, as it is less transactional in nature and thus will rely on us rebuilding our population of devices, including through penetrating more under-represented areas such as SMB and by expanding our client offerings.

To close out our revenue discussion, Managed Document Services comprised 35% of total revenue and declined 1.7% at constant currency, driven by declines in equipment revenue, reflecting lower signings in recent periods. Positives include continued growth in partner print services to the SMB market, as well as a sequential improvement in the renewal rate to 85% this quarter. This represented the best renewal rate of the past few quarters and above the 2017 average of 84%, so a good result.

Important to note that despite the better renewal rate, we had two factors that drove lower signings in the quarter. First, a lower renewal opportunity; even if we had signed 100% of all deals, renewal signings would still have been down 6% year-over-year in the quarter. This reflects in part greater controls we have put in place around not prematurely pushing early renewals.

Second, within the U.S., we saw a handful of deals with decision delays that resulted in them rolling into 2019. Signings overall are becoming less meaningful measure, as MDS growth shifts to the indirect channels and as we transition more territories to XBS, formerly GIS, where they have different measurement factors.

A week from today at our Investor Day, we will provide details on the revenue initiatives we are deploying in 2019 to improve the top line. However, it is important to note that we have realistic expectations about the path to improvement, and our EPS and cash flow guidance in 2019 does not rely on better revenue trends.

Turning now for a closer look at Xerox's profitability performance. Adjusted operating margin of 16.1% increased 180 basis points year-over-year, while adjusted EPS of \$1.14 increased \$0.11 year-over-year, both very positive results that point to the progress we are making and beginning to simplify our operations and reengineer our cost base.

Looking at the profitability walk year-over-year. Within our operations, we were able to more than offset the impact of revenue declines as well as a more challenging compare, given the prior year included an approximate 100 basis point margin and \$0.09 EPS benefit from one-time items associated with a licensing deal and a consumables usage estimate change that I called out earlier. So, significant margin expansion driven by our second-half Project Own It actions that John covered.

The remaining 70 basis points of margin improvement came from the increase in equity income. This resulted in an approximate \$0.07 benefit to EPS. I would like to note when I go through the 2019 guidance, you will see that we will be changing for 2019 our definition of adjusted operating margin to no longer include equity income.

We believe this change will give a more accurate view of our operations performance and will be more analogous to how others calculate operating margin. In terms of unique factors impacting adjusted EPS, there were two worth calling out. A year-over-year negative impact of approximately \$0.04 coming from a higher adjusted tax rate of 27.9% versus 26.1% in Q4 of 2017 and a slightly higher adjusted other net driven by exchange losses. More than offsetting this was an approximate \$0.07 benefit from lower shares driven by the \$700 million of share repurchases we did in the second half of 2018. So very positive results on profitability that I will share in a moment give us confidence going into 2019. Turning now to cash flow, operating cash flow was a source of \$415 million in the quarter and as John shared that put us at \$1.14 billion for the full year of 2018, a growth of \$168 million on an adjusted basis year-over-year and above our full year guidance of between \$1 billion and \$1.1 billion.

Likewise, free cash flow of \$1.05 billion for the full year of 2018 increased to \$183 million on an adjusted basis year-over-year and was above our guidance of \$900 million to \$1 billion. To note, the adjustments reference are to give an accurate year-over-year compare. The 2017 cash flow was significantly impacted by a number of factors including incremental voluntary pension

contributions and the termination of certain accounts receivable sale programs that resulted in negative full-year cash flow on a reported basis in 2017. We have a reconciliation of the non-GAAP section of our materials that shows these adjustments. So strong 2018 cash flow driven by our second half performance. On cash flow, I believe it's best to view performance on a full year basis given timing factors.

Key drivers in 2018 were, benefits to working capital from inventory improvements that on an absolute basis were more than offset by lower accruals related to head count reductions, lower annual performance incentive compensation and retiree health. Despite this negative \$85 million year-over-year accrual impact, working capital still improved and was less to be used by \$13 million versus 2017.

Restructuring payments of \$170 million which was lower by \$50 million from the prior year's \$220 million driven by geographic mix of actions as well as changes to our restructuring policy and benefits. Pension contributions of \$144 million significantly lower than the prior year when we made incremental voluntary contribution of \$500 million. We believe this year's contribution level is more indicative of what we would anticipate in the future.

Finance receivables were a source of \$166 million roughly in line with 2017 and reflects lower originations and a move we have seen over time of sales to channels with lower internal financing penetration. We anticipate finance receivables will continue to be a source of cash flow of approximately \$125 million in 2019. Lastly, CapEx for the year was \$90 million, \$15 million lower year-over-year reflecting in part a temporary pause in some investments as new management redirects resources to implement its new strategic direction. We do anticipate higher CapEx in 2019 associated with our Project Own It implementation as well as revenue initiatives that we will outline in more detail at our Investor Day next week. If we turn to the next slide I will speak to our capital structure. We ended the fourth quarter with \$5.2 billion of debt and \$1.1 billion of cash on the balance sheet.

We break down debt between financing and core by first calculating the financing debt by applying a 7:1 leverage to our financing assets, financing receivables and equipment on operating leases with the remaining debt assumed to be in support of our core business. In Q4, this calculation resulted in assumed financing debt of \$3.4 billion and core debt of \$1.8 billion. As the debt ladder shows we have two maturities in 2019, one in March of approximately \$400 million and one in December of approximately \$600 million. Our core net debt was \$700 million as of year-end and we target to maintain our core leverage at approximately two times free cash flow. We are under that level now and thus do not see any immediate requirement to reduce our debt levels. We have access to a number of capital sources as well as ample liquidity to handle upcoming maturities.

Another important element of our capital structure is our pension assets and liabilities. As of December 31, 2018, our net unfunded position was \$1.2 billion, which compares to \$1.4 billion as of the end of 2017 and \$2.2 billion as of the end of 2016, and it includes approximately \$775 million of unfunded pension liabilities, which by design do not get funded. From a funding perspective, we believe we are well positioned to have a stable level of pension contributions over time. If we move to the next slide, I will review our financial guidance for 2019. As John indicated, we made good progress at the end of 2018 on our strategic initiatives and we are well positioned to drive improvement in our business in 2019. Let me quickly take you through the numbers. For revenue, our guidance is a decline of approximately 5% at constant currency with an approximate one point of currency headwind.

I want to be clear, we are targeting to do better than the 4.9% decline in 2018, however we have built our guidance on the assumption that 2019 will be in the same range as 2018. For adjusted operating margin, we expect benefits for Project Own It will drive 100 basis points to 150 basis points of margin expansion to put it in the range of 12.6% and 13.1% from the 11.6% adjusted operating margin in 2018. As indicated earlier, these figures reflect a new definition of adjusted

operating margin we are adopting in 2019 that will exclude equity income to more clearly reflect our operational performance. For adjusted EPS, we are guiding to be between \$3.70 and \$3.80 which at the minimum is a growth of 7% year-over-year.

On a GAAP basis, we expect EPS of at least \$2.60 and \$2.70. The difference between GAAP and adjusted EPS includes our normal adjustments around restructuring and related costs including those for Fuji Xerox, non-service retirement-related costs and amortization of intangibles. We continue to expect strong free cash flow and our guiding free cash flow to be in the range of \$1 billion to \$1.1 billion, which assumes approximately \$150 million of CapEx. From a capital allocation perspective, we remain committed to return at least 50% of our free cash flow back to shareholders, as such we are planning for approximately \$250 million in dividends, which assumes no change to our quarterly common dividend of \$0.25 per share and for at least \$300 million in share repurchases.

We also announced today an increase of \$1 billion to our repurchase authorization, which gives us flexibility to opportunistically increase our share repurchases. As we said before, the time and pace of repurchases will be dictated by the valuation of relative returns, which leaves between \$450 million and \$550 million of unallocated free cash flow the use of which we will evaluate opportunistically as we go through 2019. We will provide further context around all of these guidance figures during our Investor Day in a week as well as our three year 2019 to 2021 financial expectations.

**I will now hand it back to John for some closing comments before we go into**

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QUESTION AND ANSWER SECTION

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**Giovanni Visentin, Vice Chairman & Chief Executive Officer, Xerox Corp.**

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Thanks Bill, to wrap up, we closed the year strong growing adjusted EPS 10%, expanding adjusted operating margin 180 basis points and delivering over \$1.05 billion in free cash flow, 92% of which we returned to shareholders. We've laid a good foundation for 2019 and we look forward to our Investor Day on February 5 where we can share more details on our strategy and longer term financial plans.

We will now open the lines for questions, Jennifer?

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**Jennifer Horsley, Vice President-Investor Relations, Xerox Corp.**

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Thanks John. Before we get to the Q&A with John and Bill, I will point out that we have posted on our Xerox Investor Relations website a full set of earnings materials as well as supplemental schedules to provide you with an overview of our fourth quarter earnings.

Operator, please open the line for questions now.

**QUESTION AND ANSWER SECTION**

Operator: Thank you, ma'am. [Operator Instructions] And our first question will come from the line of Ananda Baruah with Loop Capital. Your line is now open

**<Q – Ananda Baruah – Loop Capital Markets LLC>**: Hi. Good morning, guys. Thanks for taking the question and thanks for all the information. I guess a few from me, if I could, at least a couple. I'll try not to take too long. But could you guys just quickly go through what you saw in the marketplace with regards to the impact from macro? It sounds like, Bill, you hinted that there may have been some push-outs. And then just would love to get your context on what the competitive marketplace looks like as well, just to start up. And then I have some Xerox specific questions. Thanks.

**<A – Bill Osbourn – Xerox Corp.>**: Yeah. Thanks, Ananda. Just a couple of points. We did point to – there were a few large new business signings that were pushed out into Q1. We expect those to still be signed within Q1. From an overall marketplace perspective, when thinking about in terms of the impact of the government shutdown for the 30-plus days has some impact on us obviously from our government accounts, about a third of our government accounts were impacted.

We estimate that the Post Sale revenues under our Managed Print Services, consumables, et cetera, would be about \$4 million a month on Post Sale. So, it's a number, not a big number but it would have had some impact. But, overall, we gave our guidance and expectations as far as what's going into 2019, our revenues guidance being down mid-single-digits or 5% to constant currency. And our other guidance measures are not dependent upon a significant improvement in revenue year-over-year.

**<Q – Ananda Baruah – Loop Capital Markets LLC>**: And with the deals that got pushed out, were those A3 deals or do those include the High-end portfolio as well?

**<A – Bill Osbourn – Xerox Corp.>**: The ones I was primarily referring to were large Managed Print Services deals that include significant amount of A3s in them. And, like, so we fully expect those to be signed in Q1 2019.

**<Q – Ananda Baruah – Loop Capital Markets LLC>**: Okay. Great. Appreciate it. And then, I'll just do one follow-up here. Just could you – I know you're going to talk about this next week but just to kind of set us up for it, with Own It could you just kind of give us some context around the order of operations for the various transformational initiative? How should we expect to guide? I know you're already underway but, like, how are you layering into it kind of combination of revenue initiatives and cost initiatives, supply chain, and which will come sort of more towards the front end here and which will be the ones that you'll get to kind of as you go through it later on? Thanks.

**<A – John Visentin – Xerox Corp.>**: Ananda, it's John.

**<Q – Ananda Baruah – Loop Capital Markets LLC>**: Hi, John.

**<A – John Visentin – Xerox Corp.>**: So we'll detail it next week and we'll show you the whole Project Own It on all the different areas of how we're redesigning all our different layers, all our different organizations. And what you're going to see next week is what the outcome will be not only for 2019 but also for 2020 and 2021. So you'll get a lot more detail next week at our Investor Day.

**<Q – Ananda Baruah – Loop Capital Markets LLC>**: Okay. Great. Appreciate it. Thank you.

**<A – Jennifer Horsley – Xerox Corp.>**: Thanks, Ananda. Operator, can we have the next question?

Operator: Our next question will come from the line of Shannon Cross with Cross Research. Your line is now open.

**<Q – Shannon Cross – Cross Research LLC>:** Thank you very much. I guess my first question, John, is can you talk a bit about your thoughts on cash usage, not necessarily just 2019, and I know we're asking all these questions you're going to address next week, but you have to try. So, when you look at the cash flow, obviously, Xerox is a high cash flowing business. It doesn't appear that you need to spend that much in terms of restructuring next year. I think it was like \$225 million at least in terms of the EPS bridge. So are you looking to acquisitions? Are you looking for a way to sort of reverse the revenue decline inorganically as well as organically? I guess, I'm just trying to figure out you can squeeze for so long on the cost side but then how do you sort of ride the ship in terms of the top line?

**<A – John Visentin – Xerox Corp.>:** Yeah. So what I would say, Shannon, is what you'll see next week is not just the cost side but also where we will be making investments. And clearly, cash is one of our clear focuses and we've already signaled that we will be over \$1 billion in 2019 and you'll see our 2020 and 2021 guidance as well. And look, we're going to use our cash on what gives us the best IRR and we're looking at all the different options. And next week, we're going to detail on our revenue where we will be doing investments and where we see revenue in terms of growth and all that in the next three years, so.

**<Q – Shannon Cross – Cross Research LLC>:** Okay. And then can you talk a bit about the leasing business. I don't know, Bill, if you want to take that but just in terms of your thoughts on leasing. How core it is? I know you've been sort of looking at options around it and it looks like there's going to be some finance receivable run-off that benefits cash flow this year. So, just curious as to, keep it solid, expand it, how are you thinking about it?

**<A – Bill Osbourn – Xerox Corp.>:** Yes. So we don't specifically comment on anything regarding strategic alternatives, but the leasing business in particular we're very pleased with. It's a profitable business for us. It's integrated as part of our offerings to customers. Even though we were downgraded below investment grade, we're still able to operate the business efficiently and profitably and overall we're very pleased with it.

**<Q – Shannon Cross – Cross Research LLC>:** Okay. Thank you. Look forward to [audio gap] (41:04) next week.

**<A – John Visentin – Xerox Corp.>:** Thanks, Shannon.

**<A – Jennifer Horsley – Xerox Corp.>:** Thanks, Shannon. Operator, next question?

Operator: Thank you. Our next question will come from the line of Jim Suva with from Citi. Your line is now open.

**<Q – Jim Suva – Citigroup Global Markets, Inc.>:** Thanks very much. Thus far on the call and the slide you talked a lot about Project Own It which sounds quite compelling; a lot of focus and maybe it's just my hearing was more on the cost side and then even if it is on the revenue side when we look at the revenues it looks like there is literally no stabilization from the past two years by your actions. So can you help us understand about why the focus is in on revenues or any improvement at all on revenues?

**<A – John Visentin – Xerox Corp.>:** Yeah, I would say, Jim, first and foremost we have a full-court press on driving revenue but for our 2019 guidance we're not relying on revenue to actually guide on the EPS and the cash flow and the other – the margins and the other numbers. That said what you're going to see next week is a detailed strategic plan on revenue, on revenue growth and

how do we get there and what are the plans we've put in place. Project Own It, what Project Own It has allowed us to do is not to simplify our business but it also allowed us to have the space to reinvest in areas that can help us with driving revenue and growth and we're going to take you through all that in detail next week.

**<A – Bill Osbourn – Xerox Corp.>**: Yeah, I would only add that, Jim, clearly we want to improve the revenue trajectory on a constant currency basis, the last 2017 and 2018 and in our guidance for 2019 are in the zone of 4.5% to 5% range. So it's stabilized at that 4.5% to 5% down at constant currency but it's clearly we want to change the trajectory going forward.

**<Q – Jim Suva – Citigroup Global Markets, Inc.>**: Great. Thanks so much for the details.

**<A – Jennifer Horsley – Xerox Corp.>**: Thanks Jim, operator next question?

Operator: Thank you. Our next question will come from the line of Katy Huberty with Morgan Stanley. Your line is now open.

**<Q – Katy Huberty – Morgan Stanley & Co. LLC>**: Thank you, good morning. If you included the indirect channel what would signings have been in the quarter in terms of rate of decline? And how should we think about the weaker signings in 2018 translating into a revenue trend for that business this year? And then I have a follow-up.

**<A – Bill Osbourn – Xerox Corp.>**: Yeah, thanks Katy. Yeah, so the indirect channel, it's actually hard to get accurate data on that especially when you're dealing with partners. We have some internal measures that we get it's not – we're not comfortable enough in disclosing that on a regular basis but that's – part of the reason why we look at it is signings a meaningful number going forward to continue disclosing it primarily represents our enterprise business which is the more mature part of the Managed Print Services which has been declining but from our internal measures the SMB part which includes a lot of MPS business through indirect channels is growing upwards of low-double-digits in recent quarters.

**<Q – Katy Huberty – Morgan Stanley & Co. LLC>**: Okay, thank you. And then just a couple of clarifications on the EPS guide, it looks like you're not assuming a share count reduction in the EPS range. Is that because \$300 million of spend just offsets dilution or should we expect that ultimately share count should come down in the year? And just as a follow-up, same line of questioning, what are you assuming in terms of debt pay down and any interest expense reduction in the EPS guidance, if anything?

**<A – Bill Osbourn – Xerox Corp.>**: Okay. Share repurchase a couple of things, so we will have the flow-through effect of the \$700 million of share repurchases done in the second half of 2018 and the benefit of that flowing through 2019. And you are correct that at least \$300 million that we said we would do as part of our proposed capital allocation for 2019, we do not include that benefit in the adjusted EPS guidance says – the timing of it, the amounts could be lumpy, could be weighted towards the backend. So we do not include that potential benefit in our EPS guidance for 2018.

As far as the debt, we will be refinancing the \$1 billion of debt that's coming due during 2019, \$400 million in March; another \$600 million in December. Our liquidity that we have whether it's cash on balance sheet, the \$1.8 billion revolver allows us flexibility and timing. As far as interest expense, with the downgrade from investment grade, we've estimated that, that probably specifically because we had one debt issuance that had coupon steps in it and also it causes our undrawn revolver to cost more to be about \$5 million or so more on a full-year basis of debt cost.

**<Q – Katy Huberty – Morgan Stanley & Co. LLC>**: That's perfect. Thank you.

<A – Jennifer Horsley – Xerox Corp.>: Great. Thanks Katy. Operator, is there any other questions?

Operator: Ma'am that was our last question. Oh, I'm sorry. We actually just had Paul Coster from JPMorgan queue up.

<A – Jennifer Horsley – Xerox Corp.>: Thank you.

Operator: You're welcome. Paul, your line is now open.

<Q – Paul Chung – JPMorgan Securities LLC>: Hi, this is Paul Chung on for Coster. Thanks for taking my questions. On the Mid-range you had a tough comp there but performed pretty well. What's driving the momentum there? And then on the High-end, same thing but did you see more push-outs in that segment relative to others? And then are you seeing more competition on the High-end?

<A – Bill Osbourn – Xerox Corp.>: Yeah. Hey, Paul. It's Bill. So, yeah, on the Mid-range as you know we are very pleased with our market share and we've increased by 3 points each of the last couple of quarters and significant market share improvement really since the ConnectKey launch that occurred in the second half of 2017. So we are very pleased there. On the High-end, we are still the market leader, are market leader there in market share and we're very pleased with that. But it's an area that we clearly believe there are parts we can improve upon. We do have some products enhancements that are going to be announced later in the year that we believe will help, and specifically Iridesse has done really well for us but it just has not been enough to offset other parts of the High-end portfolio.

<Q – Paul Chung – JPMorgan Securities LLC>: Okay. And then my follow-up, so on restructuring charges, looks like they're on track for \$200 million again for the fourth consecutive year. So when can we expect drop off from these kind of recurring charges longer term? Thank you.

<A – Bill Osbourn – Xerox Corp.>: Yeah, so a couple of comments on restructuring charges. First of all going back to 2018 it was around \$170 million, which was a decline from 2017, but the [ph] companies here look into (48:20) and the restructuring charges, we actually – given the geographies and the change in our restructuring severance policies, et cetera, that we were able to do more for the lower dollar amounts in 2018. There is a fair amount of planned efficiencies that we have coming forward so we've estimated continue to \$200 million. We'll go out to the outer years and we'll talk about that further at Investor Day next week but \$200 million is our best estimate at this point for 2019.

<A – Jennifer Horsley – Xerox Corp.>: Thanks, Paul.

<Q – Paul Chung – JPMorgan Securities LLC>: Okay, thank you.

<A – Jennifer Horsley – Xerox Corp.>: John, do you have any last comments to close?

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**Giovanni Visentin, Vice Chairman & Chief Executive Officer, Xerox Corp.**

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Yes. Well, thank you everybody and look, at our Investor Day next week you'll hear more about our overall strategy, our long-term financial outlook and our plan to stabilize and grow revenue in new and existing markets. You'll also see first-hand some of the innovations that will enable us to expand beyond our core technology, so I look forward to hosting you at the event next week. Thank you.

Operator: Ladies and gentlemen, thank you for your participation on today's conference. This does conclude our program and we may all disconnect. Everybody, have a wonderful day.

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