

A modern office interior with a large glass wall overlooking a city. Several people are seated around a dark table, working on laptops. A large potted plant is on the left. A digital display on the right wall shows a blue architectural rendering of a building. The ceiling has recessed linear lighting.

# Earnings Presentation

Q3 2022 Results

October 25, 2022

xerox™

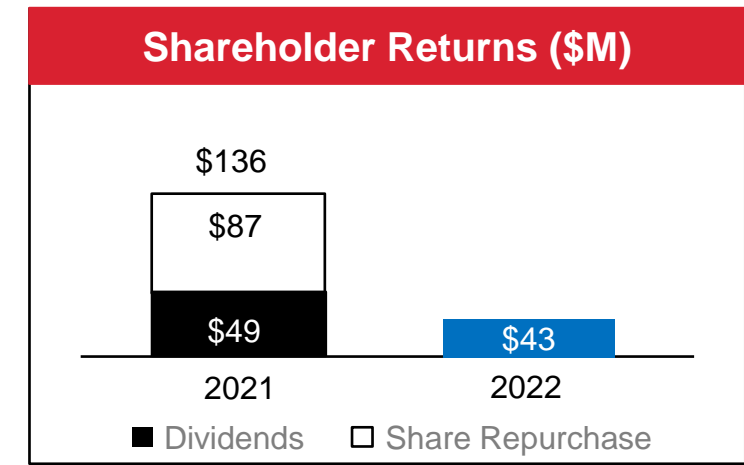
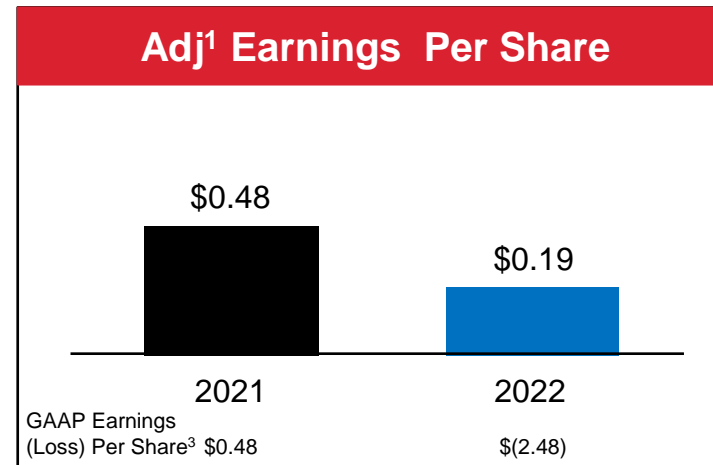
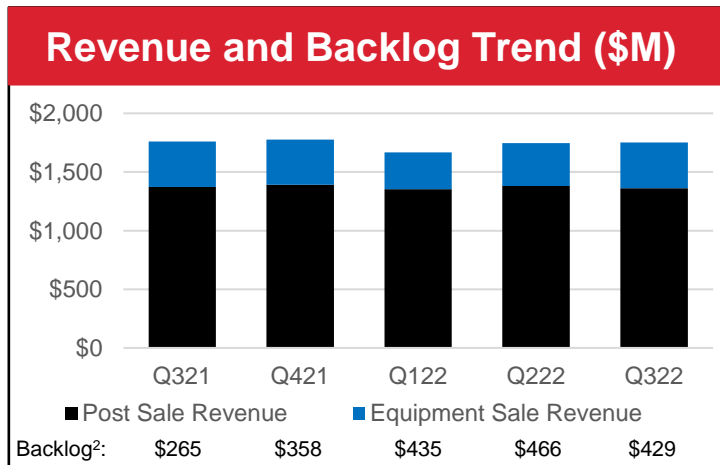
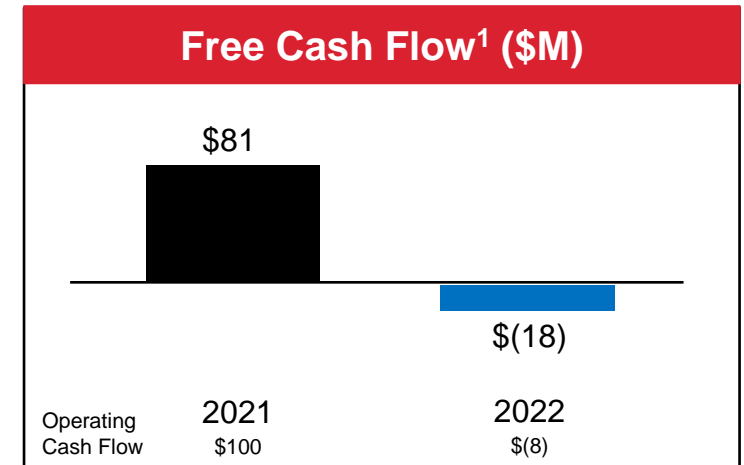
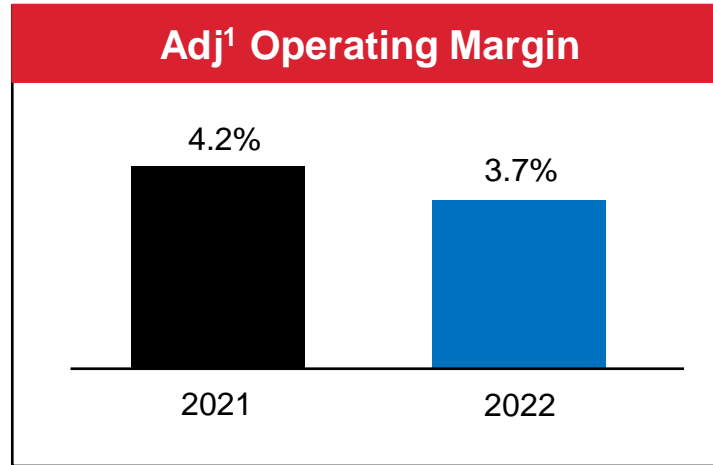
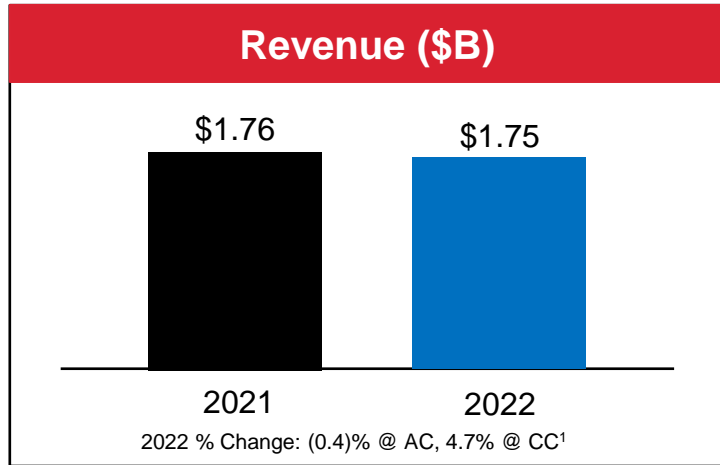


# Forward-Looking Statements

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 severity and persistence of global supply chain disruptions and inflation; 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 Corporation’s 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 new information or future events or developments, except as required by law.

# Q3 2022 Key Financial Measures



<sup>1</sup> Adjusted measures, Free Cash Flow and Constant Currency (CC): see Non-GAAP Financial Measures.

<sup>2</sup> 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. Third quarter 2022 backlog of \$429 million excludes sales orders from Russia and Powerland Computers, Ltd., which was acquired in the first quarter of 2022. Prior quarter backlog was revised to conform to current reporting methodology.

<sup>3</sup> Q3 2022 GAAP loss per share includes an after-tax non-cash goodwill impairment charge of \$395 million, or \$2.54 per share.



# Strategic Initiatives to Transform Xerox



## Optimize operations for simplicity

- Continuously improve operating efficiency, revenue flow through and return on assets
- 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
- Expand distribution of digital solutions among existing Print & Services clients and scale IT Services and robotic process automation in the SMB market
- Grow wallet share and TAM at existing clients by providing intelligence and value-additive digital services to clients' workflows



## Monetize Innovation

- Leverage corporate venture fund to bolster investment and innovation
- Include value-added equity partners to accelerate development and market penetration, while optimizing development costs



## Focus on cash flow and capital returns

- Return at least 50% of free cash flow<sup>1</sup> to shareholders and reduce debt
- Deploy excess capital for strategic M&A

<sup>1</sup> Free Cash Flow (FCF): see Non-GAAP Financial Measures.

# Business Update: Q3 2022

## Print & Managed Print Services

- **Demand** for our equipment and Managed Print Services is resilient amid a challenging macro backdrop
  - Both equipment and post sale revenue grew in constant currency for the first time since Q2 of 2021
  - **Backlog** declined slightly from Q2 levels but remains well above normal levels
  - **Managed Print Services** gained share again in 2021, per IDC, maintaining its leading market position
- **Page volumes** continue to correlate with return-to-office trends
- **Supply chain** conditions improved slightly, but less than expected, limiting margin expansion potential
  - Equipment availability improved more in EMEA versus Americas

## IT & Digital Services

- **IT Services:** Seeing traction in newer markets like Canada by leveraging recent acquisition and Print and Services sales forces
- **Robotic Process Automation:** Double-digit growth in signings, quarter-over-quarter
  - Expanded presence in several industry verticals, including retail, sports & entertainment and manufacturing
- **Digital Services**
  - Integration of Go Inspire resulted in sales to clients of new Customer Engagement Services that provide data-driven, results-focused campaign management solutions
  - Launched Intelligent Document Processing (IDP) platform, which leverages AI, ML, OCR/ICR and natural language processing to automate document and data processing

## New Businesses

### PARC Innovation

- Ongoing evaluation of investment priorities led to the closure of Eloque and a scaling back of Elem
- Novity, an industrial predictive maintenance company, and Mojave, an energy efficient HVAC cleantech business, were spun out of PARC into separate and independent businesses, with Xerox retaining a minority stake

### FITTLE

- **Grew non-captive originations 33%**, including a 154% increase in third-party equipment and services volume, offset a decline in captive originations of 11% due to equipment supply constraints

### CareAR

- Launched Experience Builder, which allows users to quickly self publish instructional content and further differentiates CareAR's SXM offering
- Added large System Integrator partner to expand distribution in Asia

# Frequently Asked Questions

## Strategic Shift

### **Should investors expect a strategic shift now that Steve Bandrowczak has been named permanent CEO?**

In the near-term, we remain focused on the execution of our Print & Services strategy and improving operating margins amid a challenging macro backdrop. In the long-term, we will optimize our sales operation to grow share of wallet with clients by expanding the penetration of existing solutions, such as Cloud Print and our Digital and managed IT Services offerings. We also expect to grow our TAM with clients by providing new offerings that leverage the earned trust of our clients, institutional knowledge of our clients' businesses and leading technologies (i.e., AI, ML, OCR) to address our clients' changing needs through intelligent, data-driven digital solutions.

## Current Demand Environment

### **Are you seeing a slowdown in Print and/or Broader IT spend as global economies look set to slow?**

We are not seeing a material pullback in demand for our products and services. We continue to see resilient demand for our office equipment and supplies as employees return to the office, and our services offerings are well suited to help companies optimize their print and IT spend. Consistent with the uncertain macro environment, we are beginning to see longer project deployment times and lower page volume commitments. However, if weakening macro conditions cause a significant reduction in enterprise IT spending, we expect our business to be resilient. Roughly two-thirds of our revenue is contracted for multiple years, and many of our services offerings are counter-cyclical in nature.

## Interest Rate and Currency Sensitivity

### **How sensitive is Xerox's earnings to rising interest rates and fluctuations in global currencies?**

Our revenue is sensitive to fluctuations in exchange rates, as ~30% of Xerox revenue is sourced from Europe. Our profits are less sensitive to exchange rates due to a large EMEA cost base and hedging programs for our exposure to Yen-denominated equipment purchases. However, we hedge our Yen exposure on a rolling four quarter basis, causing a delay in the realization of benefits associated with a weaker Yen. We are not expecting to be materially affected by rising interest rates. Most of our debt obligations carry fixed rates, and FITTLE has the ability to pass some rate increases along to its customers. Importantly, we believe we have minimal debt refinancing risk, as we plan to refinance our 2023 debt maturities with lower-cost securitized receivable financing, and we have close to \$1B of unrestricted cash on our balance sheet.

## Free Cash Flow<sup>1</sup> Guidance

### **What factors led to a reduction in revenue and free cash flow<sup>1</sup> guidance?**

We lowered our revenue guidance from at least \$7.1 billion to a range of \$7.0 to \$7.1 billion in actual currency, due primarily to adverse currency movements. Our expectations for constant currency revenue growth are largely unchanged. While operating margin did improve sequentially from Q2 to Q3, a slower-than-expected recovery of supply chain conditions and higher-than-expected levels of inflation limited further margin improvement. We also expect to use significantly more working capital to fund originations and operating lease growth at FITTLE; and inventories were a larger-than-expected use of cash this quarter due to supply chain disruptions. For those reasons, we lowered our free cash flow guidance from at least \$400 million to at least \$125 million in 2022. We continue to expect sequential operating margin improvement in Q4 and into 2023, and significantly higher FCF in 2023, as supply chain conditions improve and the benefits of further pricing increases and cost actions are realized.

# Financial Results Summary

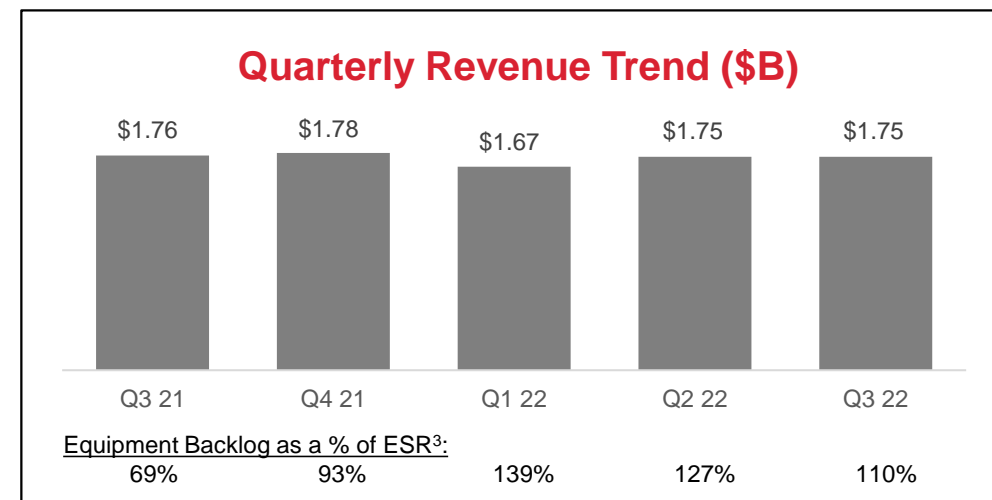
(in millions, except per share data)

P&L Measures	Q3 2022	B/(W) YOY	% Change YOY	P&L Ratios	Q3 2022	B/(W) YOY
Revenue	\$ 1,751	\$ (7)	(0.4)% AC 4.7% CC <sup>1</sup>	Gross Margin	31.8%	(60) bps
Operating Income – Adjusted <sup>1</sup>	\$ 65	\$ (9)	(12)%	RD&E %	4.2%	50 bps
Other Expenses, net – Adjusted <sup>1</sup>	\$ 8	\$ (19)	NM	SAG %	23.9%	(40) bps
Net Loss <sup>2</sup>	\$ (383)	\$ (473)	NM	Operating Margin – Adjusted <sup>1</sup>	3.7%	(50) bps
Net Income – Adjusted <sup>1</sup>	\$ 33	\$ (57)	(63)%	Tax Rate – Adjusted <sup>1</sup>	42.1%	NM
GAAP Loss Per Share <sup>2</sup>	\$ (2.48)	\$ (2.96)	NM			
Earnings per Share – Adjusted <sup>1</sup>	\$ 0.19	\$ (0.29)	(60)%			

<sup>1</sup> Adjusted Measures and Constant Currency (CC): see Non-GAAP Financial Measures. Third-quarter 2022 adjusted tax rate was 42.1% compared to (3.5)% percent last year. The increase was largely due to changes in elections made to certain tax positions for recently filed returns as well as prior year non-recurring tax benefits from tax return filing positions and the remeasurement of deferred tax assets. <sup>2</sup> Q3 2022 GAAP Net loss and loss per share include an after-tax non-cash goodwill impairment charge of \$395 million, or \$2.54 per share.

# Revenue

(in millions)	Q3 2022	% Total	% Change YOY	
			AC	CC <sup>1</sup>
<b>Equipment</b>	\$390	22%	0.8%	6.7%
<b>Post Sale</b>	\$1,361	78%	(0.7)%	4.1%
<b>Total Revenue</b>	\$1,751	100%	(0.4)%	4.7%
Americas	1,140	65%	1.2%	1.7%
EMEA	567	32%	(4.5)%	9.3%
Other <sup>2</sup>	44	3%	18.9%	18.9%



**Installs B/(W) YOY**

	Q3 2022	
	Color	B&W
Entry A4 MFPs	28%	(28)%
Mid-Range	10%	(21)%
High-End	1%	(10)%

<sup>1</sup> Constant Currency (CC): see Non-GAAP Financial Measures. <sup>2</sup> Other total revenue includes sales to FUJIFILM Business Innovation Corp. (formerly Fuji Xerox)(FX) and licensing. <sup>3</sup> Prior quarter backlog was revised to conform to current reporting methodology.



# Cash Flow

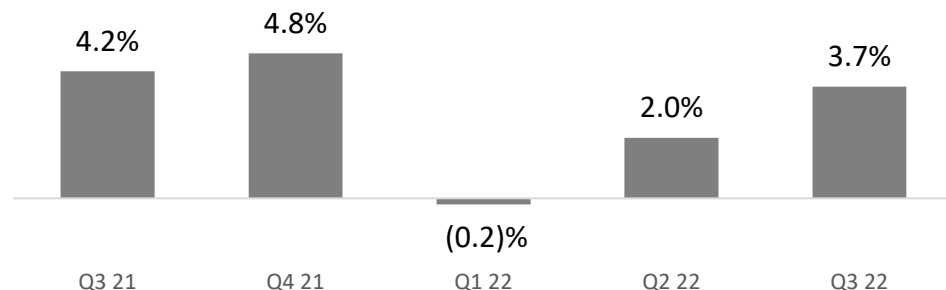
(in millions)	Q3 2022	Q3 2021
<b>Pre-tax (Loss) Income</b>	\$ (380)	\$ 84
Non-Cash Add-Backs <sup>1</sup>	90	39
Non-Cash Goodwill Impairment, Net of Tax	395	-
Restructuring Payments	(17)	(12)
Pension Contributions	(34)	(39)
Working Capital, net <sup>2</sup>	(14)	46
Change in Finance Assets <sup>3</sup>	(54)	(8)
Other <sup>4</sup>	6	(10)
<b>Cash (used in) provided by Operations</b>	\$ (8)	\$ 100
<b>Cash from (used in) provided by Investing</b>	\$ (33)	\$ 18
<b>Cash used in Financing</b>	\$ (168)	\$ (46)
Ending Cash, Cash Equivalents and Restricted Cash <sup>5</sup>	\$ 1,001	\$ 2,262
<b>Free Cash Flow<sup>6</sup></b>	\$ (18)	\$ 81

<sup>1</sup> 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. <sup>2</sup> Working Capital, net includes accounts receivable, accounts payable and inventory. <sup>3</sup> Includes equipment on operating leases (excluding its related depreciation) and finance receivables. <sup>4</sup> 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. <sup>5</sup> Includes restricted cash of \$69 million in Q3 2022 and \$53 million in Q3 2021. <sup>6</sup> Free Cash Flow: see Non-GAAP Financial Measures.

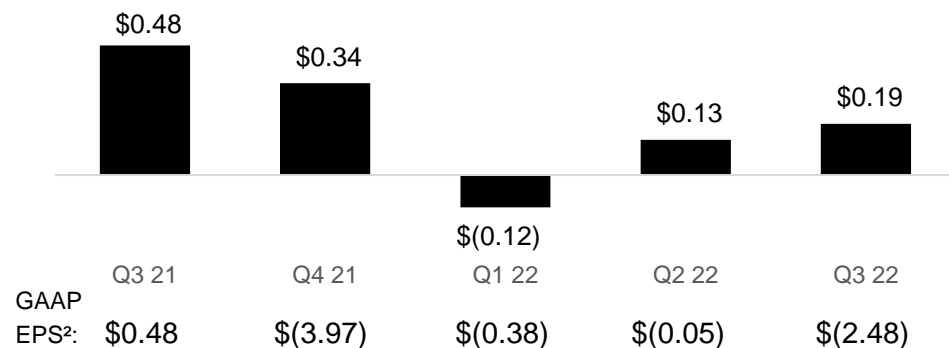


# Profitability and Earnings

## Adjusted<sup>1</sup> Operating Margin



## Adjusted<sup>1</sup> Earnings (Loss) Per Share



## Project Own It

### Expected Distribution of 2022 Gross Savings



- Project Own It is a multi-year program to simplify our operations and instill a culture of continuous improvement
- Expect to achieve ~\$2.2B of gross cost savings from 2018 to 2022
- We expect to achieve gross cost savings of \$450M for 2022

<sup>1</sup> Adjusted Measures: see Non-GAAP Financial Measures. <sup>2</sup> Q4-21 includes an after-tax non-cash goodwill impairment charge of \$750 million (\$781 million pre-tax) or \$4.38 per share. Q3-22 includes an after-tax non-cash goodwill impairment charge of \$395 million (\$412 million pre-tax), or \$2.54 per share.

# Segment Results

## Revenue and Profit

(in millions)	Q3 2022			
	Print & Other	Financing (FITTLE)	Intersegment Eliminations <sup>1</sup>	Total Xerox
Total Revenue	\$ 1,641	\$ 150	\$ (40)	\$ 1,751
<b>Segment Profit</b>	<b>\$ 57</b>	<b>\$ 8</b>	<b>\$ -</b>	<b>\$ 65</b>
Segment Margin <sup>2</sup>	3.6%	5.4%		3.7%

	B/(W) YoY		
	Print & Other	Financing (FITTLE)	Total Xerox
Total Revenue	0.9%	(12.5)%	(0.4)%
<b>Segment Profit</b>	<b>14.0%</b>	<b>(66.7)%</b>	<b>(12.2)%</b>
Segment Margin (bps) <sup>2</sup>	50	(890)	(50)

## Financing (FITTLE) Assets and Debt

(in billions)	Q3 2022		Q2 2022	
Equipment on Operating Leases	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22
Finance Receivables	\$ 2.90	\$ 2.95	\$ 2.95	\$ 2.95
<b>Total Finance Assets</b>	<b>\$ 3.12</b>	<b>\$ 3.17</b>	<b>\$ 3.17</b>	<b>\$ 3.17</b>
<b>FITTLE Allocated Debt</b>	<b>\$ 2.73</b>	<b>\$ 2.78</b>	<b>\$ 2.78</b>	<b>\$ 2.78</b>

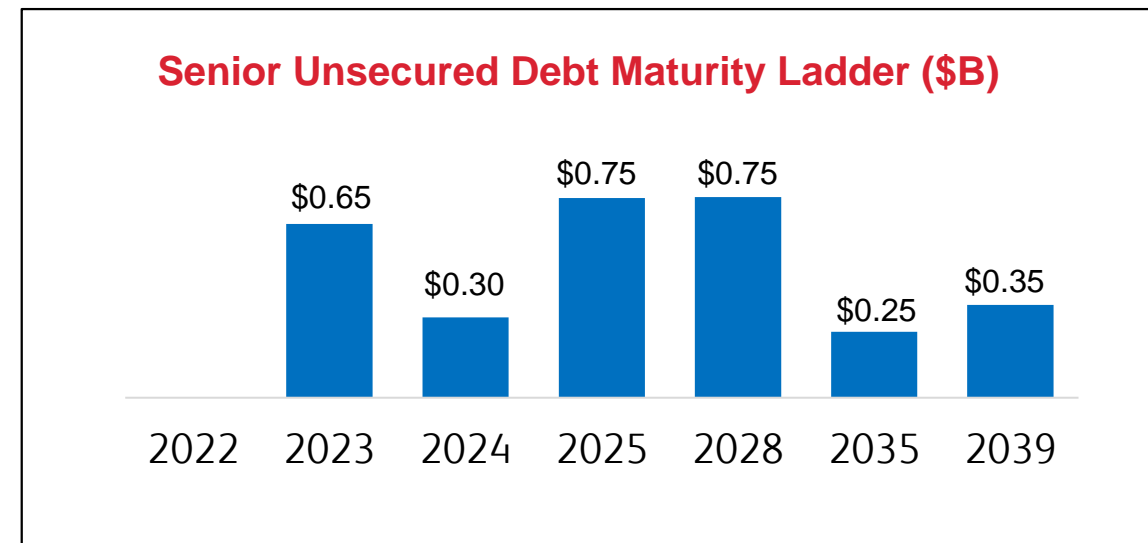
## Financing (FITTLE): Key Performance Indicators

- ~700,000 equipment leases across ~150,000 customers
- FITTLE finance assets: \$3.1 billion, stable on a CC basis
- Originations in Q3: 33% growth in non-captive channels (11% decline in Xerox channels)
- LTM Return on Equity: 10.7%
- LTM Net Loan Loss Rate: 0.6%

<sup>1</sup> 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. <sup>2</sup> Segment margin based on external net revenue only.

# Capital Structure

<b>Debt and Cash</b>		
(in billions)	Q3 2022	Q2 2022
Total Debt	\$(3.7)	\$(3.9)
Less: FITTLE Allocated Debt	2.7	2.8
Core Debt	(1.0)	(1.1)
Less: Cash <sup>1</sup>	1.0	1.2
Net Core Cash	\$0.0	\$0.1



- Ending net core cash of \$0.0B, net core debt of \$1.0B with ending cash<sup>1</sup> of \$1.0B.
- A balanced debt maturity ladder is maintained, with no remaining unsecured debt maturities in 2022<sup>2</sup>.

<sup>1</sup> Cash, cash equivalents and restricted cash.

<sup>2</sup> The Company's \$500M Credit Facility requires repayment of \$350M of the \$650M 2023 Senior Notes in December 2022.



# 2022 Guidance

## Full-Year Guidance

- **Revenue:** \$7.0 to \$7.1 billion of revenue, in actual currency
- **Free Cash Flow**<sup>1</sup>: At least \$125 million
- **Shareholder Returns:** At least 50% of annual Free Cash Flow<sup>1</sup>

We adjusted revenue guidance primarily to reflect higher-than-expected currency effects associated with a weaker Euro and British Pound.

We lowered our free cash flow<sup>1</sup> guidance due to slower-than-expected supply chain improvements and persistent high rates of inflation, which negatively affected operating profit, as well as a greater-than-expected use of working capital to fund originations and operating lease growth at FITTLE and inventories.

<sup>1</sup> 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.



# Appendix

# Operating Trends

	<b>2020</b>	<b>2021</b>					<b>2022</b>		
(in millions, except EPS)	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3
<b>Total Revenue</b>	<b>\$7,022</b>	<b>\$1,710</b>	<b>\$1,793</b>	<b>\$1,758</b>	<b>\$1,777</b>	<b>\$7,038</b>	<b>\$1,668</b>	<b>\$1,747</b>	<b>\$1,751</b>
<i>% Change</i>	<i>(22.5)%</i>	<i>(8.1)%</i>	<i>22.4%</i>	<i>(0.5)%</i>	<i>(7.9)%</i>	<i>0.2%</i>	<i>(2.5)%</i>	<i>(2.6)%</i>	<i>(0.4)%</i>
<i>CC<sup>1</sup> % Change</i>	<i>(22.7)%</i>	<i>(10.4)%</i>	<i>18.1%</i>	<i>(1.6)%</i>	<i>(7.4)%</i>	<i>(1.4)%</i>	<i>(0.7)%</i>	<i>1.1%</i>	<i>4.7%</i>
<b>Adj<sup>1</sup> Operating Margin</b>	<b>6.6%</b>	<b>5.2%</b>	<b>7.0%</b>	<b>4.2%</b>	<b>4.8%</b>	<b>5.3%</b>	<b>(0.2)%</b>	<b>2.0%</b>	<b>3.7%</b>
<b>GAAP EPS (Loss)<sup>2</sup></b>	<b>\$0.84</b>	<b>\$0.18</b>	<b>\$0.46</b>	<b>\$0.48</b>	<b>(\$3.97)</b>	<b>(\$2.56)</b>	<b>(\$0.38)</b>	<b>(\$0.05)</b>	<b>(\$2.48)</b>
<b>Adj<sup>1</sup> EPS (Loss)</b>	<b>\$1.41</b>	<b>\$0.22</b>	<b>\$0.47</b>	<b>\$0.48</b>	<b>\$0.34</b>	<b>\$1.51</b>	<b>(\$0.12)</b>	<b>\$0.13</b>	<b>\$0.19</b>
<b>Operating Cash Flow</b>	<b>\$548</b>	<b>\$117</b>	<b>\$214</b>	<b>\$100</b>	<b>\$198</b>	<b>\$629</b>	<b>\$66</b>	<b>(\$85)</b>	<b>(\$8)</b>
<b>Free Cash Flow<sup>1</sup></b>	<b>\$474</b>	<b>\$100</b>	<b>\$198</b>	<b>\$81</b>	<b>\$182</b>	<b>\$561</b>	<b>\$50</b>	<b>(\$98)</b>	<b>(\$18)</b>

<sup>1</sup> Adjusted measures, Free Cash Flow, and Constant Currency (CC): see Non-GAAP Financial Measures. <sup>2</sup> 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. Q3 2022 GAAP EPS includes an after-tax non-cash goodwill impairment charge of \$395 million, or \$2.54 per share.



# 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. 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. 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.

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.

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.

## 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.
  - Goodwill impairment
  - Transaction and related costs, net
  - Contract termination costs
  - 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 (loss) income and margin amounts. In addition to the costs and expenses noted as adjustments for our adjusted earnings measures, adjusted operating (loss) 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.

# Net (Loss) Income and EPS Reconciliation

(in millions, except per share amounts)	Three Months Ended September 30, 2022		Three Months Ended September 30, 2021	
	Net (Loss) Income	Diluted EPS	Net Income	Diluted EPS
<b>Reported</b> <sup>(1)</sup>	\$ (383)	\$ (2.48)	\$ 90	\$ 0.48
<b>Adjustments:</b>				
Goodwill impairment	412		-	
Restructuring and related costs	22		10	
Amortization of intangible assets	10		13	
Non-service retirement-related costs	(7)		(22)	
Income tax on adjustments <sup>(2)</sup>	(21)		(1)	
<b>Adjusted</b>	<u>\$ 33</u>	<u>\$ 0.19</u>	<u>\$ 90</u>	<u>\$ 0.48</u>
Dividends on preferred stock used in adjusted EPS calculation <sup>(3)</sup>		\$ 4		\$ 4
Weighted average shares for adjusted EPS <sup>(3)</sup>		157		182
Fully diluted shares at end of period <sup>(4)</sup>		157		

(1) Net (loss) income and EPS attributable to Xerox Holdings. Third quarter 2022 Net loss and EPS include an after-tax non-cash goodwill impairment charge of \$395 million or \$2.54 per share.

(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 September 30, 2022 and potential dilutive common shares used for the calculation of adjusted diluted EPS for the third quarter 2022. Excludes shares associated with our Series A convertible preferred stock, all of which were anti-dilutive for the third quarter 2022.

# Effective Tax Rate Reconciliation

(in millions)	Three Months Ended September 30, 2022			Three Months Ended September 30, 2021		
	Pre-Tax (Loss) Income	Income Tax Expense	Effective Tax Rate	Pre-Tax Income	Income Tax (Benefit)	Effective Tax Rate
<b>Reported</b> <sup>(1)</sup>	\$ (380)	\$ 3	(0.8%)	\$ 84	\$ (4)	(4.8%)
Goodwill Impairment	412	17		-	-	
Other Non-GAAP Adjustments <sup>(2)</sup>	25	4		1	1	
<b>Adjusted</b> <sup>(3)</sup>	\$ 57	\$ 24	42.1%	\$ 85	\$ (3)	(3.5%)

(1) Pre-Tax (loss) income and income tax expense (benefit)

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

(3) The tax impact on the Adjusted Pre-Tax Income is calculated under the same accounting principles applied to the 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

	Three Months Ended September 30, 2022			Three Months Ended September 30, 2021		
	(Loss) Profit	Revenue	Margin	Profit	Revenue	Margin
<b>Reported</b> <sup>(1)</sup>	\$ (380)	\$ 1,751	(21.7)%	\$ 84	\$ 1,758	4.8%
<b>Adjustments:</b>						
Goodwill impairment	412			-		
Restructuring and related costs	22			10		
Amortization of intangible assets	10			13		
Other expenses, net	1			(33)		
<b>Adjusted</b>	<u>\$ 65</u>	<u>\$ 1,751</u>	3.7%	<u>\$ 74</u>	<u>\$ 1,758</u>	4.2%

(1) Pre-tax (loss) income



# Free Cash Flow Reconciliation

(in millions)	Three Months Ended	
	September 30,	
	2022	2021
<b>Reported</b> <sup>(1)</sup>	\$ (8)	\$ 100
Less: capital expenditures	\$ 10	\$ 19
<b>Free Cash Flow</b>	<u>\$ (18)</u>	<u>\$ 81</u>

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

# Other Expenses, Net Reconciliation

(in millions)	Three Months Ended	
	September 30,	
	2022	2021
<b>Reported</b>	\$ 1	\$ (33)
Less: non-service retirement-related costs	(7)	(22)
<b>Adjusted</b>	<b>\$ 8</b>	<b>\$ (11)</b>

# Net Income (Loss) and EPS Reconciliation - Historical

(in millions, except per share amounts)	Year Ended								Year Ended							
	December 31, 2020		Q1-21		Q2-21		Q3-21		Q4-21		December 31, 2021		Q1-22		Q2-22	
	Net Income	EPS	Net Income	EPS	Net Income	EPS	Net Income	EPS	Net (Loss) Income	EPS	Net (Loss) Income	EPS	Net Loss	EPS	Net (Loss) Income	EPS
<b>Reported</b> <sup>(1)</sup>	\$ 192	\$ 0.84	\$ 39	\$ 0.18	\$ 91	\$ 0.46	\$ 90	\$ 0.48	\$ (675)	\$ (3.97)	\$ (455)	\$ (2.56)	\$ (56)	\$ (0.38)	\$ (4)	\$ (0.05)
Goodwill Impairment <sup>(2)</sup>	-		-		-		-		781		781		-		-	
Restructuring and related costs, net	93		17		12		10		(1)		38		18		1	
Amortization of intangible assets	56		15		14		13		13		55		11		10	
Transaction and related costs, net	18		-		-		-		-		-		-		-	
Non-service retirement-related costs	(29)		(20)		(22)		(22)		(25)		(89)		(7)		(4)	
CEO Accelerated Share Vesting	-		-		-		-		-		-		-		21	
Loss on early extinguishment of debt	26		-		-		-		-		-		-		4	
Contract termination costs <sup>(3)</sup>	3		-		-		-		-		-		33		-	
Income tax on adjustments	(46)		(4)		(1)		(1)		(31)		(37)		(13)		(4)	
<b>Adjusted</b>	<b>\$ 313</b>	<b>\$ 1.41</b>	<b>\$ 47</b>	<b>\$ 0.22</b>	<b>\$ 94</b>	<b>\$ 0.47</b>	<b>\$ 90</b>	<b>\$ 0.48</b>	<b>\$ 62</b>	<b>\$ 0.34</b>	<b>\$ 293</b>	<b>\$ 1.51</b>	<b>\$ (14)</b>	<b>\$ (0.12)</b>	<b>\$ 24</b>	<b>\$ 0.13</b>
Dividends on preferred stock used in adjusted EPS calculation <sup>(4)</sup>		\$ 14		\$ 4		\$ 3		\$ 4		\$ 3		\$ 14		\$ 4		\$ 3
Weighted average shares for adjusted EPS <sup>(4)</sup>		211		198		189		182		173		185		156		156

<sup>(1)</sup> Net Income (Loss) and EPS attributable to Xerox Holdings.

<sup>(2)</sup> Fourth quarter and full-year 2021 Net (loss) and EPS include an after-tax non-cash goodwill impairment charge of \$750 million (\$781 million pre-tax) or \$4.38 and \$4.08 per share, respectively.

<sup>(3)</sup> Reflects contract termination costs - IT Services in 2020 and the termination of a product supply agreement in the first quarter of 2022.

<sup>(4)</sup> 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.

# 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			Q2-22		
	Profit	Revenue	Margin	Profit	Revenue	Margin	Profit	Revenue	Margin	Profit	Revenue	Margin	(Loss) Profit	Revenue	Margin	(Loss) Profit	Revenue	Margin	Loss	Revenue	Margin	(Loss) Profit	Revenue	Margin
<b>Reported<sup>(1)</sup></b>	\$ 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%)	\$ (5)	\$ 1,747	(0.3%)
<b>Adjustments:</b>																								
Goodwill impairment	-	-		-	-		-	-		-	-		781	-		781	-		-	-		-	-	
Restructuring and related costs, net	93	-		17	-		12	-		10	-		(1)	-		38	-		18	-		1	-	
Amortization of intangible assets	56	-		15	-		14	-		13	-		13	-		55	-		11	-		10	-	
Transaction and related costs, net	18	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-	
CEO Accelerated Share Vesting	-	-		-	-		-	-		-	-		-	-		-	-		-	-		21	-	
Other expenses, net	45	-		4	-		1	-		(33)	-		4	-		(24)	-		57	-		8	-	
<b>Adjusted</b>	<b>\$ 464</b>	<b>\$ 7,022</b>	<b>6.6%</b>	<b>\$ 89</b>	<b>\$ 1,710</b>	<b>5.2%</b>	<b>\$ 126</b>	<b>\$ 1,793</b>	<b>7.0%</b>	<b>\$ 74</b>	<b>\$ 1,758</b>	<b>4.2%</b>	<b>\$ 86</b>	<b>\$ 1,777</b>	<b>4.8%</b>	<b>\$ 375</b>	<b>\$ 7,038</b>	<b>5.3%</b>	<b>\$ (3)</b>	<b>\$ 1,668</b>	<b>(0.2%)</b>	<b>\$ 35</b>	<b>\$ 1,747</b>	<b>2.0%</b>

<sup>(1)</sup> Pre-Tax Income (Loss).

# Free Cash Flow Reconciliation – Historical

(in millions)	Year Ended					Year Ended		
	December 31, 2020	Q1-21	Q2-21	Q3-21	Q4-21	December 31, 2021	Q1-22	Q2-22
<b>Reported<sup>(1)</sup></b>	\$548	\$117	\$214	\$100	\$198	\$629	\$66	(\$85)
Less: capital expenditures	74	17	16	19	16	68	16	13
<b>Free Cash Flow</b>	<b>\$474</b>	<b>\$100</b>	<b>\$198</b>	<b>\$81</b>	<b>\$182</b>	<b>\$561</b>	<b>\$50</b>	<b>(\$98)</b>

<sup>(1)</sup> Net cash provided by operating activities.



# 2021 Quarterly Segment Results

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

<sup>(1)</sup> 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.

<sup>(2)</sup> Segment margin based on external net revenue only.

# Free Cash Flow – Guidance

(in millions)	FY 2022
<b>Operating Cash Flow</b> <sup>(1)</sup>	At least \$180
Less: capital expenditures	55
<b>Free Cash Flow</b>	<b>At least \$125</b>

*(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 taken in the first quarter 2022.*

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