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Xerox Holdings Corp. (XRX)

Q1 2026 Earnings Call

CORPORATE PARTICIPANTS

Greg Stein

Senior Vice President, Head-Corporate Development and Investor Relations & Chief Financial Officer-Digital Services, Xerox Holdings Corp.

Chuck Butler

Chief Financial Officer, Xerox Holdings Corp.

Louis J. Pastor

Chief Executive Officer & Director, Xerox Holdings Corp.

OTHER PARTICIPANTS

Ananda Baruah

Analyst, Loop Capital Markets LLC

Asiya Merchant

Analyst, Citigroup Global Markets Canada, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Xerox Holdings Corporation First Quarter 2026 Earnings Release Conference Call. After the presentation, there will be a question and answer session. [Operator Instructions] At this time, I would like to turn the meeting over to Mr. Greg Stein, Senior Vice President and Head of Investor Relations.

Greg Stein

Senior Vice President, Head-Corporate Development and Investor Relations & Chief Financial Officer-Digital Services, Xerox Holdings Corp.

Good morning, everyone. I'm Greg Stein, Senior Vice President and Head of Investor Relations at Xerox Holdings Corporation. Welcome to the Xerox Holdings Corporation first quarter 2026 earnings release conference call hosted by Louie Pastor, Chief Executive Officer. He is joined by Chuck Butler, Chief Financial Officer. At the request of Xerox Holdings Corporation, today's conference call is being recorded. Other recording and/or rebroadcasting of this call are prohibited without the express permission of Xerox.

During this call, Xerox executives will refer to slides that are available on the web at www.xerox.com/investor. And we'll 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'd like to turn the meeting over to Mr. Pastor.

Louis J. Pastor

Chief Executive Officer & Director, Xerox Holdings Corp.

Good morning, and thank you for joining our Q1 2026 earnings call. Before we get into the numbers, I want to briefly introduce myself in this new capacity and share my thoughts about the role and how I intend to lead Xerox. First, I want to sincerely thank the board for the confidence they've placed in me. This is not a responsibility I take

lightly. As many of you know, I was appointed President and COO last September and, before that, I served in leadership roles spanning operations, transformation, corporate development and legal.

I know this business well. I know our people well. And I have been deeply involved in the work underway to improve our performance, much of which is starting to show up in our results. The board's decision to name me CEO reflects the progress we've made over the past two quarters, including structural cost reductions, early signs of momentum, growing our revenue funnel, and the execution of key initiatives to strengthen our balance sheet. Like the TPG Angelo Gordon joint venture and the warrant distribution.

Separately, my decision to eliminate rather than retain and backfill the President and COO role was deliberate. There are no sacred cows here. The role is not needed anymore, and eliminating it reflects exactly the kind of cost discipline, operational efficiency and speed of execution this moment demands. I intend to lead this company with the same operating discipline I've brought to every role I've ever held: sleeves rolled up, deeply embedded in the work, and with a clear-eyed focus on what actually moves the needle.

We're aware of our stock price. We're aware of our credit ratings. I'm not going to paper over the challenges that Xerox faces. Rather, I have a disciplined, pragmatic approach to tackling them. And I'm focused on actions, not excuses. To our employees, our clients, our partners, and our investors, I commit to being transparent and accountable with all of you. We will talk openly about our successes. We will acknowledge our challenges and we will move quickly to address them. You deserve that. And frankly, it's the only way we'll make real progress.

Let me also be clear about this. I am genuinely optimistic about the future of this business. I know what this organization is capable of, and I'm confident that we are closer to an inflection point than the external narrative suggests. Xerox has real assets, real client relationships, and a team that has shown it can execute under pressure. Our strategy is not changing. It doesn't need to. What this company needs and what our leadership intends to deliver is relentless, disciplined execution against the strategy we have already laid out. The plan is in place; now we run it.

So, with that, let's talk about our results. Q1 showed a continuation of the improving underlying trends we discussed on our Q4 earnings call. Revenue of \$1.85 billion increased nearly 27% in actual currency, and 24% in constant currency, reflecting the inorganic benefits of the Lexmark acquisition. On a pro forma basis, revenue declined 4%, even excluding the benefit of some partner-driven pull-forward from Q2, which Chuck will discuss in further detail. Q1 performance was a material improvement from the 9% organic revenue decline we saw in Q4. Quarterly adjusted operating margin increased on a year-over-year basis for the first time in five quarters.

Adjusted operating margin of 3.9% was up 240 basis points year-over-year on a reported basis, and was also up on a pro forma basis. This is a turning point in our profit trajectory, and it reflects the cost discipline our team has maintained through a complex integration. Overall, market trends have improved from 2025 when demand was materially impacted by DOGE-related spending reductions, tariff uncertainty and the government shutdown.

In the Print segment, we're seeing steady demand in entry, led by better-than-expected performance at legacy Lexmark, continued softness in mid-range, and strong demand for our new production devices, with Proficio, a recently launched device developed in partnership with FUJIFILM, tracking well ahead of plan. Our overall Print pipeline is now up meaningfully compared to this time last year, and we expect these trends to persist.

I also want to highlight a partnership that speaks directly to the momentum we are building in production. Earlier this month, Toshiba America announced the addition of Xerox PrimeLink color and monochrome light-production printers to their portfolio. This is a powerful validation. A well-respected global player with deep client relationships

choosing to sell Xerox-branded devices through their network speaks to both the strength of our brand and the competitiveness of our production portfolio. We will actively seek to expand our distribution reach by pursuing partnerships like this with other OEMs.

Our IT Solutions business delivered another solid quarter. Bookings grew 32%, billings grew 21%, and we delivered year-over-year profit growth. Total contract value of new deals continues to rise, and we are winning more managed services contracts, which provide greater visibility and long-term stability in our revenue trajectory. However, there are certain headwinds constraining that momentum. Memory lead times have extended, and in certain cases, higher memory prices have compressed margins, as we prioritize establishing new relationships and expanding wallet share.

We are also investing in technical talent to support a broader service offering. We believe these investments will lead to larger, more strategic deals over time, but they may create near-term pressure on IT Solutions profit expansion. As we look to the rest of the year, our positive expectations remain intact, though subject to quarterly timing variability driven by OEM and inventory availability.

A few other developments since our prior earnings call are worth noting. February Supreme Court ruling on tariffs is a net positive to Xerox's cost structure, particularly as it relates to our cross-border supply chain. That said, based on current forecasts, those benefits will be slightly more than offset by increased memory prices, which are modestly higher than our last update as well as higher oil prices, which impact toner, plastic and metal prices, as well as transportation costs.

Importantly, apart from certain international markets with exposure to the Middle East conflict, none of this to-date has impacted overall demand. Given our solid start to the year and the momentum we have generated, we are reaffirming our 2026 financial guidance and are increasingly confident in our ability to meet these commitments.

Looking ahead, our priorities are straightforward and every stakeholder should understand where we are focused: stabilize revenue, increase profitability, reduce leverage. That's it. First, stabilize revenue. Right-sizing our cost structure will remain a core focus, but we cannot cost cut our way to prosperity. We operate in a \$50 billion print market facing secular headwinds. But there are real pockets of growth, particularly in entry and production.

We intend to compete aggressively in those markets with better products, reduced manufacturing costs, stronger routes to market, improved service offerings, and new partnerships. And over time, we expect growth in IT Solutions and Digital Services cross sold into our existing client base to offset Print decline.

Second, increase profitability. We expect to deliver \$250 million to \$300 million of incremental savings in 2026, including \$150 million to \$200 million from the integration of Lexmark. But I want to be clear, this is not a one year event. It is a multi-year journey. The cost actions we are taking today will continue to benefit us well into 2027 and beyond. We have guided to double-digit operating margins over time, and we intend to get there.

Finally, reduce leverage. I want to address this priority directly because I know it is top of mind for many of you, as it is for us. While the \$450 million TPG Angelo Gordon joint venture has increased our overall debt in the near term, it has provided meaningful liquidity to invest in and operate the business, as well as the flexibility to take advantage of the dislocation in our bond prices between continued opportunistic debt repurchases and improving profitability, we expect our leverage ratios to improve as the year progresses. Reducing leverage is not just a stated priority. It is something you will be able to measure us against every quarter.

Before I turn the call over to Chuck, let me take a minute to highlight some key operational initiatives that I believe are fundamental to how Xerox executes against the three stated priorities that I went through. Our go-to-market is now fundamentally different. We have moved from a fragmented structure with too much overlap and friction to a unified commercial engine with a simpler strategy: take share, cross-sell, upsell, and mix shift toward higher value offerings.

On the enterprise side, we have eliminated account overlap and streamlined engagement. For corporate accounts, we have transitioned to a territory-based model with clear ownership, faster decisions, and greater accountability. Our Print go-to-market coverage is now structured into three regional theaters; North America, Western Europe, and Rest of World, each designed around distinct client dynamics, routes to market and partner ecosystems. This simpler, more client-centric approach gives us the ability to meet clients where and how they need us, leverage our expanding global partner community and accelerate growth in targeted segments, all with clear rules of engagement and stronger accountability for both clients and partners.

On Inside Sales, an initiative we launched last year to serve our smaller commercial clients with a greater touch but at lower costs. Equipment sales grew 24% year-over-year in Q1. On April 1, we expanded account coverage from 35,000 to 65,000 clients, with revenue accountability quadrupling to more than \$200 million. We expect to further scale this model over time. We also continue to take greater ownership of our product design and manufacturing, strengthening our control over quality, cost and speed to market. This will start yielding positive benefits to gross margin later this year.

Xerox is becoming, and in many respects already is, a designer, developer, manufacturer, seller and servicer of our own technology. That end-to-end control matters enormously. We own the technology roadmap. We control the design costs. We make the decisions. And frankly, it means we control our own destiny. These initiatives, a transformed go-to-market and greater manufacturing control, are central to how we stabilize revenue, increase profitability, and ultimately, reduce leverage.

With that, Chuck, over to you.

Chuck Butler

Chief Financial Officer, Xerox Holdings Corp.

Thanks, Louie. Good morning, everyone. Louie just laid out our three priorities: stabilize revenue, increase profitability, reduce leverage. I'll walk through Q1 against that same frame. On revenue, trajectory improved versus Q4. On profitability, adjusted operating income more than tripled year-over-year. On leverage, we took deliberate concrete actions to strengthen the capital structure and position us to deliver from here. We are reaffirming full year guidance with even more confidence today than when we set it.

Before we get into the details a brief note on tariffs. Our Q1 results and guidance do not reflect any potential refund benefits associated with the recent Supreme Court ruling on IEEPA tariffs. We expect additional clarity during the second quarter and will provide an update on our next earnings call. Q1 revenue of \$1.85 billion increased 27% year-over-year on a reported basis, and 24% in constant currency, reflecting Lexmark's contribution. On a pro forma basis, revenue declined 4% year-over-year, a material improvement from the 9% decline in Q4.

As Louie alluded to, Q1 revenue benefited by approximately 1% from the pull-forward of post-sale revenue, primarily in supplies, partly driven by customer and channel concerns around potential supply disruptions related to the conflict in the Middle East. Even adjusting for this benefit, Q1 revenue would've exceeded consensus expectations by approximately \$80 million. As we have discussed on our prior calls, 2025 included meaningful

headwinds from the exit of certain production print device sales. While their impact is diminishing, they have not fully dissipated.

From this point on, we will no longer call these out separately. Our focus is on the trajectory of the business, not noise and prior period comparisons. On a similar note, as Louie mentioned, we have unified our go-to-market organizations. We will make select references to legacy Xerox and Lexmark on today's call, where it adds context, but going forward, we will report and speak about the business as one.

Turning to profitability. Adjusted gross margin was 30.3%, up 60 basis points a year-over-year, driven by Lexmark's contribution and transformation benefits, partially offset by 100 basis points of increased product cost and declines in high-margin finance-related fees, largely a result of our forward-flow arrangements, which shifts certain finance income off balance sheet.

Adjusted operating margin was 3.9%, up 240 basis points year-over-year, driven by higher gross margins, integration synergies and lower marketing spend. Non-financing interest expense was \$84 million, up \$51 million year-over-year, due mainly to higher net interest expense associated with Lexmark acquisition financing.

GAAP loss per share was \$0.84, down \$0.09 year-over-year, and adjusted loss per share was \$0.43, \$0.37 lower than a year ago, primarily due to higher interest expense and an unusual tax rate, the latter of which I want to address directly. Our non-GAAP adjusted tax rate of negative 219% looks unusual because we carry a valuation allowance against certain deferred tax assets. The practical effect is that pre-tax losses in the US and UK, along with disallowed interest expense, do not generate a corresponding tax benefit, while we continue to report tax expense on profits in certain jurisdictions. It is a GAAP consequence of where we sit today, not a reflection of operating performance or cash.

As our profitability improves, we expect the tax rate to normalize and converge with our cash taxes. To put it in context, if we adjust for the impact of valuation allowances in the US and UK, EPS would have been negative \$0.11, ahead of negative \$0.27 consensus. We present non-GAAP taxes based on Q1 results, but we believe this is a more normalized lens to view underlying operating performance.

Let me review segment results. Within Print and Other, Q1 equipment revenue was \$378 million, up 33% as reported, or up 31% in constant currency. On a pro forma basis, equipment revenue declined 2%, well ahead of the 10% decline last quarter, driven by stronger year-over-year trends at both legacy Xerox and Lexmark and fewer onetime headwinds.

Legacy Xerox equipment revenue fell 5% compared to a 12% decline in Q4. The sequential improvement was driven by improved demand in entry and production. Legacy Lexmark equipment revenue grew 5% versus a 6% decline in Q4 on a higher demand across the enterprise and channel, and a slight reduction in backlog. As we have noted previously, Lexmark's equipment revenue tends to be more variable than legacy Xerox, given Lexmark's higher concentration of large channel and OEM partner transactions.

Print post-sales revenue was \$1.31 billion, up 30%, as reported, and up 27% in constant currency. On a pro forma basis, Print post-sale revenue declined 4%, mainly due to lower financing income and service rental and other declines within legacy Xerox.

Print and Other adjusted gross margin was 31.3%, down 10 basis points year-over-year, as higher product cost, lower managed print volumes, and lower high-margin finance-related fees were largely offset by transformation

savings and Lexmark's contribution. The Print segment margin was 5.1%, up 190 basis points due to Lexmark's contribution, transformation benefits, and integration savings.

Turning to IT Solutions, gross billings grew 21% year-over-year. Total bookings, an indication of future billings, increased 32%. Both represent sequential improvements from Q4. GAAP revenue fell 5% in the quarter, but that number understates underlying activity. A growing share of what we sell, third-party service contracts, SaaS and certain fulfillment contracts where we act as an agent is reported on a net basis. The widening difference between GAAP and gross billings reflects accounting treatment, not changes in demand. We expect it will begin normalizing later this year and into 2027, though some revenue cycles could run longer. Going forward, gross billings and segment profit are the most useful lenses on this business. This is where you will see its health and trajectory.

On profitability, gross profit was \$30 million with gross margin of 19.5%, up 230 basis points year-over-year, driven by changes in revenue mix and synergies, partially offset by higher memory cost. Segment profit was \$6 million, with profit margin of 3.9%, up 80 basis points year-over-year as higher gross profit was partially offset by investments in the sales and delivery organization and strategic hires. Cross-selling into our existing Xerox Print client base continues to build, with more than \$32 million of new pipeline created in Q1.

Moving to our cash flow and capital structure. For the quarter, operating cash was a use of \$144 million, compared to a use of \$89 million last year, reflecting the inclusion of Lexmark lower proceeds from finance receivable sales and working capital timing. Investing activity was a \$24 million use of cash, \$21 million from CapEx, compared to a source of \$6 million in the prior year, which included proceeds from asset sales. Financing activity resulted in a \$242 million source of cash, reflecting the JV financing, partially offset by the pay down of the remaining ITsavvy notes and partial payment of the 2028 senior unsecured notes.

Free Cash flow was a use of \$165 million for the quarter, down \$56 million year-over-year and in line with our internal expectations as Q1 is typically a seasonal use of cash. Said differently, Q1 is our seasonal trough and the back half of the year is where the bulk of our free cash flow is generated. We expect improvements in adjusted operating income, working capital discipline and additional proceeds from finance receivables to deliver substantial free cash flow over the remainder of the year.

We ended Q1 with \$637 million of cash and cash equivalents, inclusive of \$52 million of restricted cash and total debt of \$4.4 billion. Approximately \$1.4 billion of the outstanding debt supports our finance assets, with remaining core debt of \$3 billion attributable to the non-financing business. On a pro forma basis, gross leverage was 7 times trailing 12 months EBITDA. Our capital allocation priority remains debt reduction, driven by EBITDA growth and continued debt paydown, and we expect leverage to go down significantly as the year progresses.

During the quarter, we announced an IP joint venture with TPG Angelo Gordon. This structure raised more than \$400 million of liquidity, net of fees, against our intellectual property. Following the JV agreement, we repurchased \$101 million of face value of our 2028 senior unsecured notes for \$45 million, capturing \$56 million of discount, reducing future cash interest and capturing real value for our shareholders.

The result of these actions is a maturity ladder that has been meaningfully de-risked in the near term. We have approximately \$300 million of scheduled debt maturities between now and December 2027, inclusive of the \$125 million of the 13% senior bridge notes that we will be paying at the end of Q2. That is a manageable window and we will have multiple tools to address it.

Organic cash flow, continued open market repurchases, the warrant mechanism, and capacity within our existing debt structure. We will continue to be opportunistic when market conditions support it. Importantly, we will continue to pressure test every action against one goal. Does it create sustainable long-term value for shareholders? That is the lens.

Now for guidance. For 2026, we still expect greater than \$7.5 billion in revenue and expect adjusted operating income to be in the range of \$450 million to \$500 million. An increase of more than \$200 million versus 2025, driven by \$150 million to \$200 million of in-year integration synergies and \$100 million of in-year transformation savings. We expect free cash flow of approximately \$250 million. Compared to three months ago, our free cash flow guidance is underpinned by higher interest expense resulting from the JV, offset by reductions in CapEx, improvements in working capital, and lower cash taxes.

The result of our assumptions remain unchanged. Our free cash flow guidance implies greater than \$400 million of free cash flow generation for the balance of 2026. As a result, based on our implied guidance, by year-end 2026, we expect gross and net leverage to drop by approximately 1.5 turns to 5.6 times and 4.5 times trailing 12 months EBITDA, respectively.

With that, I will now turn the call back to the operator to open the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And our first question comes from Ananda Baruah with Loop Capital. You may proceed.

Ananda Baruah

Analyst, Loop Capital Markets LLC

Q

Yeah, guys. Thanks. Thanks for taking the questions. A few, if I could. I guess, Louie, what – you walked through a lot of great detail there in your prepared remarks. What of what you spoke about is new and what might be some of the stuff that you'll be focusing on that could be new, that may not have been mentioned in what you talked about? And I have a couple follow-ups? Thanks.

Louis J. Pastor

Chief Executive Officer & Director, Xerox Holdings Corp.

A

Yeah. Thanks, Ananda. Appreciate the question. Appreciate you joining the call. To be honest, a lot of what I was trying to emphasize was that the strategy actually is already in place and doesn't need to change. What's new, I would say, is perhaps the level of rigor and focus on solely these three priorities that we went through. So, stabilizing revenue, expanding profitability, and reducing leverage. Everything that we do needs to be framed through that lens. And as we do it, it just – like I said, it just creates the opportunity to drive even greater focus and better execution.

Ananda Baruah

Analyst, Loop Capital Markets LLC

Q

I got it. And a point of clarification going back to you prepared remarks. You made mention of – and this is me paraphrasing – focus on entry level and production where you think there's attractive opportunity. What about the mid-range? I know you also said midrange remains soft. What's the right way we should sort of think about mid-

range. And when you think about the core, your core enterprise customer, how do they fall across entry and mid-range in the way in which you're describing entry and mid-range? Thanks.

Louis J. Pastor

Chief Executive Officer & Director, Xerox Holdings Corp.

A

Yeah. So, the way we think about the strategy commercially is it's very much – and we've talked about this in the past, a gain share mix shift strategy. And when we talk about the mix shift, a lot of people think just about the shift of the mix of our revenues from Print in greater amounts into IT Solutions and Digital Services. But there is also a mix shift within Print, and that mix shift within Print is actually part of the gain share component of the strategy. And that's the barbells that we were just talking about with entry and production. So, we are responding to and following the trends in the market, which is why our investments are going into those two spaces in entry. Obviously, Lexmark historically has been a leader in the space.

Now, we're a fully vertically integrated player controlling design, development, delivery, manufacturing end-to-end in that space, which allows us to compete far more effectively. And on production, we're so well-positioned with respect to sales, distribution and service. And with new partnerships, we're bringing new hardware to market, but we're wrapping it around an end-to-end solution. And so part of how we grow and get back to a stable revenue stream in Print is through the execution of that barbell strategy.

Now, the mid-range is the most challenged part of the market. We've historically been a leader there. It's still highly profitable for us, and it's still a core component. When we do an end-to-end managed print services offering at the enterprise, it's part of the mix of what is ultimately being purchased and delivered and serviced. But ultimately, our focus is going to be on the areas of growth and ensuring that the mid-range plays a role where it's relevant and part of a holistic solution. And we'll continue to be in the space. But the focus strategically is going to be far more on entry and production.

Ananda Baruah

Analyst, Loop Capital Markets LLC

Q

That's helpful context. I got one more. You mentioned memory lead times have extended, and that may have some sort of profit impact. And I think this is in regard to ITsavvy, specifically. So, correct me if that's not accurate. What we've seen is some of the distribution folks, distribution vendors have been able to pass the memory costs through without seeing impact to elasticity yet.

So, could you just give us a little more context around what it is you're seeing? Are you passing costs through? Are you able to pass costs through to some extent? Are you hitting elasticity points? Is it really the timing mechanism or to what degree is timing playing a role there as well? Just foot that for us, that'd be great. And that's it for me. Thanks.

Chuck Butler

Chief Financial Officer, Xerox Holdings Corp.

A

Yeah. Thanks, Ananda. Louie, let me start and then maybe you jump in if I missed something here. Memory operates in both of our segments, both in the IT Solutions and in the Print side of things, but impacts on both a little differently. On IT Solutions, what you'll find is that memory will slow down the buying patterns of some of our customers that we work with.

We generally try to get in there and shape their demand to see what they want to spend their available budget on. Make sure we keep equal wallet share in those customer bases because we have a broad product portfolio. And

sometimes we work with them to say, look, you can extend the life of these hardware products that contain the memory and wait for the prices to come back down. So we try to help them shape that demand going forward. If they want to go ahead and buy, we largely pass that along to the end customer in the IT Solutions space.

On the Print side of things, it can be a significant cost increase on some of the product line. The higher up you move the stack, the more price – the more cost increase it has. What I will tell you is, in our current forecast, we factored in the current macro environment for exactly where it is today, where we think it is today. So all the memory cost increases, what's happening with the fuel offset by the change in the tariff is all factored into our reaffirmation of the 2026 guidance.

Ananda Baruah

Analyst, Loop Capital Markets LLC

Got it. Thanks for that context.

Q

Chuck Butler

Chief Financial Officer, Xerox Holdings Corp.

Absolutely.

A

Operator: Thank you. Our next question comes from Samik Chatterjee with JPMorgan. You may proceed.

Q

Hello. Good morning. This is [ph] Mark (00:32:09) on for Samik. Thanks for taking my questions. I guess my first question is kind of a follow-up to one of the previous ones for Louie. I guess, with regards to some of the initiatives and new strategies that he's going to be – or approaches that he's taking, I guess, anything to elaborate on in terms of how the approaches might differ from the prior management? Thank you.

Louis J. Pastor

Chief Executive Officer & Director, Xerox Holdings Corp.

No, I don't think we need to go into sort of granular detail around kind of what's changing from the prior leadership to my leadership, other than to just emphasize, once again, kind of the three priorities that drive all of our decision-making. So, stabilizing revenue, expanding profitability and reducing leverage. And so, ultimately, everything that we do is framed through that lens. We've talked about the strategy and where we're focused in what segments and how we execute the mix shift. And, really, it's just continuing to make sure that everybody at this company is focused and empowered and accountable for delivering those results.

A

Got it. Got it.

Q

Chuck Butler

Chief Financial Officer, Xerox Holdings Corp.

And if I could just add a little bit, I'll tell you from my seat, one thing you notice, and Louie touched on it there, it's every decision that we make right now is put through the lens of does it stabilize revenue? Does it expand

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margins and does it de-lever this company as quickly as possible. And it's staying incredibly focused on those three points.

Q

Got it. Thank you. I guess, on the margin side, there was some improvement in Print profit margins quarter to quarter. I guess what were some of the drivers in the quarter-to-quarter improvement and like how much of that would you consider structural versus like onetime benefits?

Chuck Butler*Chief Financial Officer, Xerox Holdings Corp.*

A

Yeah. The benefits that you're seeing as we continue to expand margin are largely related to the acquisition and the synergy cost as we continue to realize those.

Q

Got it. And then I guess the last question on top of that would be looking at the path of operating margins from around 4% this quarter to the midpoint of the guidance, I guess, like, what do you think about in terms of the quarterly cadence? What will be driving the step function changes any changes with regards to timing of how you envisioned it earlier this year?

Chuck Butler*Chief Financial Officer, Xerox Holdings Corp.*

A

Yeah. Louie, let me start and feel free to jump in. If you think about the seasonality of how we'll realize the synergy savings that will expand each quarter on quarter successively and then peaking in the fourth quarter. Some of that's really seasonality because the scale of your business increases throughout the year; fourth quarter being the larger quarter in this space for us. And some of it is just the realization of another quarter realizing full benefits from actions that you've taken. So you'll continue to see it expand each quarter on top of the other.

Louis J. Pastor*Chief Executive Officer & Director, Xerox Holdings Corp.*

A

Yeah, I think that's well said.

Q

Got it. Thank you.

Chuck Butler*Chief Financial Officer, Xerox Holdings Corp.*

A

Absolutely.

Operator: Thank you. Our next question comes from Asiya Merchant with Citigroup. You may proceed.

Asiya Merchant

Analyst, Citigroup Global Markets Canada, Inc.

Q

Great. Thanks. My question is also related a little bit to seasonality. And if you could just talk a little bit about the two segments, how you envision sort of revenues, seasonality between the two segments as you kind of look forward to your above \$7.5 billion revenues for the year.

And if you can also peel a little bit on cash flow here, free cash – operating cash flow and free cash flow, kind of seasonality, I think you guys are obviously expecting a lot more of it in the back half. What's driving that aside from operating income, how should we think about whether it's receivables flowing through or working capital as you progress throughout the year. Thank you.

Chuck Butler

Chief Financial Officer, Xerox Holdings Corp.

A

Yeah. I'll start here again. When you look at the seasonality of our revenue, even legacy Lexmark and legacy Xerox acted a little bit differently, but similar. Some of them depend on school cycles, government cycles; some of them depend on your geographic mix and where you operate in. Typically, what you would have seen for Lexmark and Xerox, though broadly, is one is light, two and three are in the middle, and four is the biggest revenue month. IT Solutions appears to get its biggest traction in the third quarter, and it's largely driven by schools coming back in session and different buying cycles in the spaces that they play.

Operating cash flow – in the Print space, working capital is a drag in the first quarter typically and the first quarter tends to be, it's your lower revenue month, so you don't get as much scale. And it tends to be the most compressed in those spaces. It was the same thing at legacy Lexmark. It was the same thing at legacy Xerox historically. And then the fourth quarter tends to be the best working capital and the highest revenue. So you generate the most cash flow accordingly. And you'll see that in the space, if you look back in 2025, more than all the cash flow was driven in the back half of the year. And that's generally what we're going to see here in 2026.

We'd like to see that a little flatter, and we'll try to find ways to normalize it. So the impacts aren't so pronounced. But it is – it is industry that drives a large piece of that. In addition to that, because of the expanding margins and the trajectory on realizing more synergy savings quarter on quarter that will drive incremental cash flow throughout the year as well. Did I answer your question there?

Asiya Merchant

Analyst, Citigroup Global Markets Canada, Inc.

Q

Okay. And then – yeah, that's helpful. Thank you. In terms of your billings and bookings, I know you're reporting pretty strong billings and bookings here in IT Solutions. You're also talking about talent hires. Just help me understand like how we should think about those billings and bookings translate into revenues into that segment for the year.

Louis J. Pastor

Chief Executive Officer & Director, Xerox Holdings Corp.

A

Yeah. I'll start and then, Chuck, if you want to build on top of it. The way we run this business is with a focus on bookings and billings and then, ultimately, how much of that actually pulls through to profit. So, revenue is somewhat of a derivative of – and a mid-level sort of gauge between those two. But what we're really focused on is are we growing with our clients? Are we selling more to our clients? And, ultimately, of what we sell, are we realizing a profit based on that?

And so the trends overall that we're looking at, bookings, billings and the flow through on profit, we continue to see improvement and growth and the pipeline, albeit there are some macro headwinds there around memory and availability. But, ultimately, it continues to benefit from secular tailwinds.

Chuck Butler

Chief Financial Officer, Xerox Holdings Corp.

A

Yeah. Yeah. The only thing I think I would add to that, a lot of times, gross billings doesn't always translate into revenue recognition on the face of your P&L. That's done based on the mix of customers and the mix of products that you take into their customer base, whether you treat it like an agent relationship or not. But the higher the gross billings go, you have a mindshare and a wallet share in those customer bases that's meaningful. And the growth of that is operationally how you judge the health of that business.

So we're excited about the growth we're seeing in the gross billings side of things. In terms of hiring talent, yeah, we continue to invest in the space because that's the top line of the three priorities that Louie mentioned stabilizing revenue. And we're going to invest in that to make sure it becomes the engine that allows us to achieve that.

Asiya Merchant

Analyst, Citigroup Global Markets Canada, Inc.

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Okay. Thank you.

Operator: Thank you. I would now like to turn the call back over to Mr. Pastor for any closing remarks.

Louis J. Pastor

Chief Executive Officer & Director, Xerox Holdings Corp.

Thank you. Q1 gave us early proof points that the work we're doing is taking hold; an improving revenue trajectory, expanding margins, and a growing pipeline across both Print and IT Solutions. We have more work to do and we know it, but the business is moving in the right direction.

In the coming months, Chuck and I plan to actively engage with our employees, clients, partners and investors. We will listen, answer questions, and take feedback while keeping everyone focused on our three priorities: stabilize revenue, increase profitability, and reduce leverage.

Thank you for your time and for your continued support. We look forward to speaking with many of you in the weeks ahead.

Operator: Thank you. This concludes the conference. Thank you for your participation. You may now disconnect.

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