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CORPORATE PARTICIPANTS

David James Beckel *Xerox Holdings Corporation - VP & Head of IR*

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

Joanne Collins Smee *Xerox Holdings Corporation - Chief Commercial, SMB & Channels Officer*

Naresh K. Shanker *Xerox Holdings Corporation - Senior VP, CTO & Head of Palo Alto Research Center*

Nicole Torraco *Xerox Holdings Corporation - SVP of Xerox Financial Services*

Steven John Bandrowczak *Xerox Holdings Corporation - President & COO*

Tracey Koziol *Xerox Holdings Corporation - SVP of Global Offerings*

Xavier Heiss *Xerox Holdings Corporation - Executive VP & CFO*

CONFERENCE CALL PARTICIPANTS

Ananda Prosad Baruah *Loop Capital Markets LLC, Research Division - MD*

Erik William Richard Woodring *Morgan Stanley, Research Division - Research Associate*

James Dickey Suva *Citigroup Inc., Research Division - MD & Research Analyst*

Shannon Siemsen Cross *Cross Research LLC - Co-Founder, Principal & Analyst*

PRESENTATION

David James Beckel - *Xerox Holdings Corporation - VP & Head of IR*

Morning, everyone. Thank you for attending Xerox's 2022 Investor Day. I'm David Beckel, Head of Investor Relations at Xerox Holdings Corporation. Now before we get on to today's content, I remind everyone that this event is being recorded. Other recording or rebroadcasting of this call are expressly prohibited without the permission of Xerox. During the event, 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 uncertainty.

Actual future financial results may be materially different than those expressed herein. And for those watching virtually, I want to also note that everyone in attendance has complied with the safety protocols that are mandated by the City of New York, Nasdaq MarketSite and Xerox. All live attendees are vaccinated and were tested for COVID-19 prior to today's presentation. Masking is voluntary, consistent with New York City and NASDAQ guidelines.

So the prepared portion of today's program is comprised of 8 sections, including detailed overviews of print and services, FITTLE, which is formerly known as XFS, CareAR and PARC and we'll conclude with the management Q&A session. After the prepared portion, we'll invite our virtual and in-person attendees to experience our innovation showcase.

Now it's my pleasure to introduce Xerox' Vice Chairman and CEO, John Visentin, who will open today's event with a strategic outlook.

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

Thank you, David. Good morning, good afternoon to everyone. This is fun. This is fun. We're in person. 2 years later. This is actually the first in-person event that we've done here at Xerox in over 2 years. I know a lot of you are streaming and watching us. And I just want to thank you all for attending today.

What are you going to hear today? There's a saying that says, what is now proven was only imagined. And 3.5 years ago, when we had the same meeting, we talked about ideas, innovations that we were focused on for the future. And what we want to do is bring these ideas, this imagination to not only proven but to commercialization. And what we're looking for in the commercialization is how does this monetize and this -- how does this help our shareholders. We wanted to disrupt the as is with our new offerings. And hopefully, you will see that today, not only in our innovation like PARC, but also in our print and services, which you will see that we will be growing over the next 3 years.

The last 2 years, 2.5 years have been hard on all of us, both economically, personally, it's been some of the 2.5 years that society went through that none of us could have imagined. And I got to tell you, I'm really proud of this team, my team at Xerox. When this hit us like a train, we saw all our metrics go down. We have a reliance on offices, as all of you know. So we saw revenue going down at an incredible rate at the beginning. And what we did is we regrouped ourselves and we focused on what we could control. And that was, first and foremost, the safety of our employees.

We had over 50% of our employees out there servicing clients that were and have to remain open during the COVID crisis. And we scrambled to assure ourselves that the utmost safety of these employees was there. We also had to focus on the well-being of our employees, and we made sure that they were all employed because that was one less stress that was taken away from them. And if you think about it, as we turned -- we looked at the 2 years, we delivered positive free cash flow in every quarter. And we were very proud of that, and that's because of our maniacal focus. And we never lost of our ESG standards. But more importantly or as importantly, in those 2.5 years, we continue to invest in our future. And that's what you'll be looking -- that's what you'll be seeing going forward.

How did we get through that? How do we go about it? You hear us talk about the strategic priorities every quarter. And these are the 4 pillars, the 4 strategies that this whole company is based on. We achieved in optimizing operations. We achieved gross cost savings of $1.8 billion over the years. We're going to do another $300 million this year. Steve is going to take you through that soon. But what's interesting is as we optimized our business and we got cost savings out of it, we're now taking some of those same offerings that we did for ourselves, and we're offering it to the SMB marketplace.

Our maniacal focus on free cash flow. We're going to continue to grow free cash flow over the next 3 years. You will see that. Print and IT services, there's been a lot of development. There's been a lot of investments in it, and we're going to grow that over 3 years. We stood up to 3 businesses. We stood up FITTLE, CareAR, PARC, and you'll see how we're going to bring these businesses not only standing up to on their own, but also to a monetization.

ESG is ingrained in our culture. One thing I'm very proud of is that we are focused on mirroring the markets we serve. Diversity is in every one of our discussions. And that's what gives us the extra strength, that's what gives us the force to go ahead and move ahead and say, as we focus on sustainability, it's not just for the environment for society, it makes us a better company. And we're proud of it. we're proud we were announced as one of the 100 most sustainable corporations by the Corporate Knights.

It's the inaugural Terra Carta seal that we got, and we got other awards. And we're also proud of having a roadmap to net 0 by 2040. We brought that in by 10 years last year. These are things we're going to continue to focus on. REC is also compensated on our ESG metrics to ensure that we have continuous improvement in this area.

So what are you going to see in the next few hours. Tracey is going to take you through print and services. And what I always find interesting is we call that traditional, we call that core. We call that our business. But what Tracey is going to show you is the investments we made in digital services that complements the workflows of how clients are printing in this environment and how clients are focused on security, workflow and information across. And she'll take you through all the investments we made and why we believe in this market, where we've been gaining market share in the areas we served over the last years while we're going to continue to gain market share and grow this business.

Joanne is going to through our IT services. Our IT services are growing quite nicely. And we're adding offerings to it. We're adding security, we're adding robotics, focused on the SMB marketplace. And she'll take you through a little bit on what's going on in IT services. We're in 3 countries now and how we're getting good growth from it and take you through it.

FITTLE is our new XFS. So XFS today was announced as FITTLE. It's got its own management team. Nicole is going to take you through our leasing business, how we're not just focused on Xerox gear, but we're now a global payment solution focused on other OEM gear and other OEM services. And she'll take you through some of the progress that we've gone through it. And where are we in terms of originations, where are we in terms of pipeline, where are we in terms of partnerships that we have out there. And Nicole, who is our President, is going to take you through that.

Steve is going to come back and talk about CareAR. We're doing one thing with CareAR. We are disrupting the traditional service experience. And we've come a long way in the last year with CareAR, both in terms of partnerships, in terms of system integrators that want to work with us, clients, pilots, we have an evaluation of $700 million on CareAR, our partnership with ServiceNow. And I'm looking to Steve to take you through all of that.

And then Naresh will take you through our innovation, our IoT, what's going on in IoT. We already stood up our first business, Eloque, which is 5 bridge and the bridges. And what we are doing there with Victoria government and where are we focused on which other countries and where we're heading with that. These are disruptive technologies that don't exist. And that's what you're going to see as we go through it. 3D print, cleantech, all of them are at a different stage in terms of -- from incubation to commercialization. And we're very proud of where they are. All of these take investments. We've increased investments in these areas by 50%. And again, Naresh will take you through all this.

If we look at our 3-year outlook, we're looking to do low to mid-single-digit growth every year. I think it's the first time we've announced top line growth in this company for 3 years in a row. And Xavier will put it together for you in terms of numbers to say how do we get there? And what are we utilizing to get there? Our expectation is now back-to-the-office at 100% like 2019 level. We're using very modest expectations of return to the office. And Xavier will take you through the metrics of what happens for every percent of offices being open? And what does that look like? How does that translate to both EBITDA? And how does that translate both into revenue?

So going forward, our cash flow is going to be growing from the $400 million plus that we said this year to $450 million to $500 million, while still having major investments going on for our future. And again, Xavier will be taking you through all this.

So the question becomes why invest in Xerox. During the toughest times, we delivered positive free cash flow. We delivered over 50% of our free cash flow every single year and more for shareholder return. Our dividend remains strong. We have -- we are focused on future with innovative products that as we look to monetize these products should be very accretive to all of us as shareholders. And there's a lot more. And hopefully, you'll see in the next couple of hours, what exactly it is and why you should invest in Xerox. Now I'm going to pass it over to Steve, and he'll take you through Project Own It. Thank you.

(presentation)

Steven John Bandrowczak - *Xerox Holdings Corporation - President & COO*

Good morning. Project Own It, we launched in 2018. And as we talked about at the last investor meeting, we talked about it being a culture, a culture of driving efficiency, a culture of driving operational excellence in everything that we do. Utilization of our assets around supply chain, utilization about field service, what we do and how we look at real estate, how we think about procurement. And more importantly, it was driving a culture into every single thing that we do that Own It would become part of the fabric of what we do here at Xerox.

And really, what it's really sustained us through some very difficult times, but more importantly, it's allowed us to continue to invest, as John talked about. And we're going to highlight that over the next 1.5 hours around where we continue to invest and the things that we were passionate about standing behind and you're going to see the fruits of that as we go forward. We generated about $1.8 billion. Nobody have questioned whether Own It is successful or not. But really, we're now entering that next phase.

What else can we do? Well, one of the things that we've been doing, we're looking at technology. We've implemented cloud-based solutions around unified communications, cloud-based solutions around what we do with our sales force and how we manage our sales force. Cloud-based solutions around how we manage our field service and our supply team. We also implemented robotics. And so we now have over 5 million transactions per quarter in robotics. And think about it, those are all transactions that just 3 years ago, we did manually. All those things, we have the ability to now add artificial intelligence into our work stream. You're going to hear the rest talk about IoT. You're going to hear me talk about the connected universe that we're in today. How do you deal with all that data? How do you create insight and how do you action that insight. These are all investments that we are making and we have made.

We're going to do another $300 million of Own It savings in 2022. Part of that will go back to reinvest, continue the investment engine. Part of it will go back to shareholder return. Part of it will go back to investing in the things that we need to do as a corporation. And so nobody will say whether Own It was a success or not, we got $300 million. But what are we trying to do? Where are we going with it? Well, the idea is that we continue to take and drive operational efficiencies, drive operational savings, drive customer experience, and now we start to move at the speed of software. And so if you think about now with data and motion and you think about IoT data, you think about all the data that we have relative to our supply chain, relative to what we're seeing in our connected devices. We're now adding artificial intelligence on top of that. We're now looking at data in motion to now start to make intelligent decisions where we used to do a lot of that manually.

We've got insight to our business like we've never had before in the finance area, in the supply chain area, and what we do in field service. And so we're taking all the things that we've built over the last 3 years, and we're now accelerating it. And we've got a lot more opportunity to go. But more importantly, we're reinvesting it back into things like artificial intelligence. You're seeing in your personal life, and you hear me talk about this when we talk about CareAR, you're now seeing the reality of augmented reality and virtual reality as well as the adoption and the acceptance of artificial intelligence. How are we using that? We're reinvesting that back into our supply chain. We're also reinvesting into security. You're going to hear Tracey talk about the security of our products. You're going to hear what we do relative to security on our infrastructure. So we continue to invest in things that allows us to drive innovation that allows us to drive more productivity and more efficiency.

But we also did one other thing. As we started to build these things internally and these capabilities, we now are taking and commercializing it. I talked about the $5 million transaction we do each and every quarter. But those robotics, we now have said we've got something that we can bring to the SMB customer. SMB customers don't have the enterprise infrastructure and IT services that we have here in enterprise. So we've taken what we've done in robotics, and we've now started to commercial that. And you're going to hear that from Joanne, when she talks about IT services.

You're going to hear us talk about what we do with IoT data and AI. A lot of the great work that we've done in Palo Alto, a lot of the great work that we're using internally in terms of IoT and connected devices and the connected enterprise. We're now bringing that to market in other ways. And you're going to hear Naresh talk about that. When we talk about Eloque and when we talk about Novity as well as in the other areas like FITTLE.

We'll also talk about what we do in terms of security. Think about the SMB space. Over the last 24 months, they are challenged with the same security issues that we all are from an enterprise standpoint. Whether it be around ransomware, whether it be around viruses, whether it be around how do you create an infrastructure that allows you to move forward and become modern and have mobile applications, have web applications, how enterprise-ready applications in the SMB space, they don't have the CIOs and the infrastructure to do that. So we're taking what we do internally within Xerox, we're now packaging it, and we're now moving it into our IT services in the SMB space.

So what Own It has allowed us to do, is allowed us to drive operational efficiencies, reinvest back. And you're going to hear that theme over and over and over again, how we're investing for the future, how we're launching new businesses, how we're now going to start to monetize all the hard work that we've done before. That's what Own It is all about and is sustainable going forward. So let me introduce my 2 favorite colleagues, Tracey and Joanne. They're going to take you through print services, and they'll take you through IT services.

(presentation)

Tracey Koziol - *Xerox Holdings Corporation - SVP of Global Offerings*

Good morning, everyone. As John said, truly pleased to see you here today. So thank you very much for coming. Thank you for everybody online too. So I'm going to talk to you about print services. We're very excited to say that we are #1. We're very proud of that. We are #1 in market share in both office, production and Managed Print Services. And we actually managed to grow during the pandemic, our market share.

In terms of stable cash flows, we see that the market will be flat to slightly up. And we see growth opportunities still for us to grow our share in both print and MPS as well as penetrate IT services and digital services more. And as the pandemic hopefully ebbs into an endemic and supply chain normalizes, we see our margins will improve. And then even though it's obviously been a very difficult time, as John said, we've been investing. We've been investing in areas of growth, both in print and the Managed Print service, but also a strong focus on IT services, SMB and digital.

So our customers are on a digital journey, and they're looking for a high-performing, collaborative and resilient work environment. And the great thing about us is we're able to serve both small customers all the way up to very large enterprise. And we do this obviously through our direct workforce as well as accreditate channel partners, which we have thousands of. We have portfolio breadth that really no one else has. And we're able to right fit that technology, whether it's on the actual equipment side, all the way through to services and workflow.

A very important thing, of course, today is that we need to be able to -- or customers need to be able to print at the point of need. And that could be obviously they're in the office, they're mobile or they could be remote. And to be honest, I think there's more and more actually of all 3 mixing together. The other thing, of course, that we need to do is once you give them access is what else can we do and help them with. And that's where the digitization, collaboration and automation really comes in. We obviously build our services, our equipment and our solutions as software with some key elements in mind.

Security, you heard John and Steve talk about. This is really an issue, obviously, for everyone, whether you're a small business or a large business. We take that really seriously. We are a leader in security. We've been pointed out to be that. And of course, as we help customers on the digital journey, the more we put into digitization, actually, there's more risk, right, around cyber threat. And that's where we are now invoking 0 trust, where we literally don't trust anyone coming on to the network, onto the device, the content. And these are things that are very important and our customers are requiring.

Analytics are becoming more important. Of course, being able to put data and intelligence in our customers' hands is really important for them to be able to be more productive, obviously, save cost, but really generate more insights to help them create new offerings. All of this, of course, we can do on-premise, but we're moving more and more to the cloud. And that allows us to have agile as well as resilient. And of course, this is where you enable that continuum of whether you're at the office or whether you're at home or you're on the move, you have access to all of your business processes.

And then lastly, but very importantly, and really with a lot of passion. Sustainability is at our core. When my engineers, when we design, we have that right in the forefront. So we're obviously working on things that are 3, 4, 5 years out, trying to make sure that we are going to, obviously, drive to carbon neutral by 2040. And we obviously are looking to new capabilities. So like with CareAR, the French would say, we're drinking our own champagne, the British would say, we're eating our own dog food. But we are using CareAR in a big way to help us in terms of driving sustainability. Because for every truck we don't roll, we're helping in terms of keeping the carbon footprint lower. So it's a big focus for us. So let's move forward.

Print Technologies. We are #1. We are the leader. We're very proud of that. And there's a reason, it's because we can case it for all the way from a small desktop up to a press that is as big as this room. And with that capability, we have also been focusing though on key areas of growth. So if we look at the left side of the page on production, production, obviously, we need to have great presses, but there are areas that are really growing, and that's where we're focusing a lot of our investment.

So on embellishment, during the pandemic, embellishment grew by 15%. So we're talking about gold, silver, clear, even fluorescence, these are things that really help us drive more revenue and profit and they really help our customer. But the big thing, you can offer the technology, but if they don't know how to use it, we're really not going to get the whole continuum. So we actually help. We help them learn to design, to cost, to market and to sell these applications, which is something that no one else does. So with Xerox, we don't just turn up with the technology. We help you to make the most of it.

The other area of investment is cut sheet in jet. There are analog, you've heard of this for a long time. Analog printers are truly starting to move to digital. In '21, about 7% of the revenue was on digital. It's going to be almost 30% by 2025. And that's why we've been investing in our Baltoro press. So we've been adding more productivity. So you turn jobs quicker. We've been improving our applications. So now we could do coated media, which is really sort of the unlocking of being able to take those pages off of analog. So we see great future for cut sheet inkjet. Of course, the secret source always is in the software in terms of free flow products, help from pre-press all the way through to analytics. And this is about how to obviously get the jobs out quicker, more efficient.

If we move over to the workplace. And again, here we have offerings that can help a small business all the way up to a large enterprise. I'll just point out a couple of things. We're introducing a new kiosk. A small kiosk that you're able to work with a mobile phone, your QR code in, you're able to pay with Google Pay or Apple Pay, even the old-fashioned credit card. And these are going to fit very nicely into coffee shops and hotels and libraries.

So on the hardware side, we have great equipment. Well, the secret source again, is in the software. So of course, a printer or an MFP, multifunction printer, you're able to print, scan, copy and fax. But now with ConnectKey and all of our applications, you could do 100 things, with our technology. You could be -- you're able to translate into over 40 -- sorry, 40 languages. You're able to take text documents, turn them into audio to be able to listen to it on the go. Summarize, redact, I mean it goes on and on. So these are all capabilities that we bring to all of our customers, small or large.

And I think the big breakthrough for us in the recent months is the introduction of Workflow Central, which gives customers the ability to act and take care of these -- take access to some of these applications. But through their mobile phone, through a tablet through a PC, yet and even through an MFP. So this truly means that wherever they are, they can do their work, they can be more productive and have access to these applications.

So -- I'm just going to take a drink. Sorry, Market share, we are the #1. You can see that we've been gaining. And that's not -- that really isn't an accident. In the high, you'll see that we're clear leaders, and that's because we have a better together story. So inkjet and toner, together, along with our applications and our software and solutions, and our excellence at third-party integration on the finishing really has us holding firm there.

In the mid-range, you can see we've been gaining. And again, the reason for this, we've been really concentrating on platforms. It's very important in the environment for our customers, they have a consistency across the portfolio. So that when somebody learns to do a job on one printer and they go to another place, whether it's at home or a hybrid environment, they're able to do that same process. And so we've been working on the platforming of our portfolio in midrange. We've also been working on simplification. We already were the leader in terms of making sure that we don't have many part numbers and SKUs but we really did a strong job in terms of taking the complication out, which is what our customers also want.

And then, of course, we've been updating ConnectKey. So we've been updating our security again, we just released this week a new A3 product that has additional McAfee security for the box. When you come into the low range, it may see underwhelming, but we choose to play where there's reasonable profit. So we play in B2B. We do not pay in B2C. And of course, the leader there is heavy into C. So we did gain 2 points, and we did it in a very responsible way. So we actually have high hopes with the -- we've introduced 10 new products with Workflow Central. We believe we've got a strong future there as well.

This, I think, is an interesting page. So Google Mobility, everybody is watching us all the time. But Google Mobility really looks at how people are moving and they obviously went -- through the pandemic, they've been watching many things, such as public transport and what's happening with the recreational places and return to the workplace. So here, you can see we've got EMEA and Americas. And you'll see the strong correlation between people coming back into the office, vaccination, obviously, plays a part in this too, and the strong correlation that people coming back into the office are printing.

Now as John said, we don't expect pages to come back to 2019. But this is a strong indication as things move from the pandemic to the endemic that we will see an increase. So Managed Print Services. We invented Managed Print Services, and it was a simple thing way back when, where it was a device, toner and a click. And we've been evolving this as our customers need it. So here, you can see, again comprehensive security, it was very important that we take -- do very well in terms of securing the network, the product, the content and then making sure that users are authorized.

Analytics has become more and more important. Again, we're putting these tools and capabilities at the fingertips of our customer. Cloud infrastructure, of course, is a must in these days. And we, again, have been recognized for our cloud print infrastructure. So we have all the tools that have basically allowed us to take from simple MPS, and we've been growing. And we have a word for it here or an expression called land and expand. And that's what we've been doing with our customers. We've been adding capabilities, adding services over the years.

Now here, you can see the customers are voting with their dollars. We are at over 90% retention rate, which is pretty darn good. And you will see that also the discerning analysts have also have us as a leader. So we feel very confident that we can offer the best services here. Now on the journey, the digital journey, the customers are looking, where are their trusted adviser to help them now manage not just the print environment but also to help them along their journey around content, documentation and marketing services.

So we've been, again, growing over the last couple of years in these areas. So capture and content services, there's so much data. There's so much content out there that we help them take the structured and the unstructured, bring it together, extract it, categorize it and get it ready for the next process. There's so many examples here. I mean we're doing accounts payable, accounts receivable. We're doing onboarding of people into bank accounts. And I think the interesting one is the digital mailroom. When we all went out 2 years ago, we still need to get access to our mail, both physical and digital. And so this is somewhere we really stepped up for our customers. And what we found, actually, we could also help them in terms of cash flow. So in some cases, we are now taking accounts receivable information and paying directly into the bank, so saving them more time.

On the right-hand side is about integrated customer communications. So here, we have great prowess with our XMPie software. When you communicate to an individual, there is far more chance that they're going to actually open that content, digest it and do something with it. So this is something that, again, we've been expanding over the course of the last 2 years. We're able to help our customers. We actually are able to take files, print them and distribute them, whether it's across, obviously, print, e-mail or even over SMS.

I think what's great here is look at these customers, look at these brands that we're willing to be in our Investor Relations Day. These are very important brands for us. There's global brands here, really full gamut. So we're making great strides. In summary, print is still exciting, okay, there's a lot of market there, and we're going to keep grabbing. And it's due to the breadth of the portfolio and our capabilities around apps, solutions and digitization. We think we can also take share in digital services, great opportunity, we're the trusted adviser. They're looking to us.

And then IT services. IT services has got a great performance to date, and I'm going to hand it over to my colleague, Joanne Collins Smee, who will talk to you more about that. Thank you so much.

(presentation)

Joanne Collins Smee - *Xerox Holdings Corporation - Chief Commercial, SMB & Channels Officer*

I love that video. I wanted to do it for a longer time, and I was told we only had a minute. But we have several clients that we are using our robotic process automation solution as part of our IT services offering. So as Tracey said, we love print, but we now also love many other things. One of them is IT services. When we think of the TAM, the addressable market for IT services, it's almost $700 billion, and it's growing at a 6% CAGR.

I service the small medium business clients in Xerox. Those are my clients. I love them to death. And they have been asking for IT services. We started it in part of our business, and now we've expanded it dramatically. And as John said, we are investing in this part of the business. If you're a small and medium business today, you need technology it's ubiquitous. To be successful, you need technology, but it's hard. It's complex. And it's also fraught with risk.

If you think about the bad guys, hitting an SMB is a lot easier than hitting one of the Fortune 100 or Fortune 50 firms. And it's difficult to get people to support your technology infrastructure. So that's where we come in. That's where Xerox is coming in. And we believe that this is a space that we are made for. And why is this the space that Xerox is made for and we're going to win because we have such a deep, deep set of SMB clients that are so loyal to us today.

We have about 200,000 SMB clients, and we have about 2,000 specialist salespeople that are throughout the U.S., Canada and Europe that are focused on small medium business. They're in their communities. They sell to them today. It's a great part of our business. And our small and medium business clients love our Xerox product and our services. So we're expanding what we're going after.

As I said, we started with small packets of this service around the U.S. and now we're expanding in a big way, and it's really resonating with our clients. One of the other things is if you're a small and medium business, you may have one firm that does network, another firm that is selling you laptops. And oh, by the way, your nephew went to a couple of classes in security, and he's an expert, so he's maybe giving you a little consult, right? It's difficult if you're an SMB.

So when we look at what we can bring in, it's leveraging what we have, our great brand, our great people and investing in our capabilities. And the clients have told us they're interested in one vendor to actually pull this together for them. So Xerox is offering end-to-end IT services for our SMB clients. We're going to procure the laptops. We're doing this today. We're going to install, and we're going to manage. So we're doing this for endpoints through servers through the network environment. And this year, we've started RPA, which really resonates with our clients. If you're a small business, you couldn't imagine getting a team of developers to come in, analyze your business and figure out where you can put automation in. We are providing that as part of our IT services offering.

We're also moving to web development and e-commerce support. So it's a great end-to-end offering for our clients, and it's resonating today. We've grown significantly, and we're looking at what we can do going forward. So I'm going to wrap up for Tracey and myself for print and services. So we are looking at print and services, which includes print, Tracey had great description of all our offerings here as well as our managed service, digital service and IT services.

So we are looking at a low single-digit revenue growth. As I mentioned, IT services and digital services are really resonating with our clients. We are seeing great take-up in this area, and we're investing in capabilities and additional support in both those areas. And we're going to see about a 100 basis point improvement in margin, and that is, as we're seeing an end to the pandemic and a resolution of the supply chain problems that we have today. So we love print. We also love services, including IT services.

Thank you for your time, and I'd like to pass over to Nicole Torraco.

Nicole Torraco - *Xerox Holdings Corporation - SVP of Xerox Financial Services*

Good morning. Hopefully, you all saw our press release this morning announcing the new name for Xerox's financial services business, FITTLE. As many of you know, we've been in the captive financing business for decades, and this has created a firm foundation from which to stand up this business, a decision we announced roughly a year ago. Today, I'm here to share our strategic vision on how we'll become a global financing solutions provider of choice for both vendors and dealers.

FITTLE will have 3 offerings. The first, XFS or Xerox Financial Service will continue to serve the Xerox portfolio and will be the exclusive financing provider for Xerox. This is a roughly $2.2 billion book today. Also, we have a vendor program and multichannel dealers. This is a little over $1 billion today and historically has been to service and sell Xerox equipment through the channels. However, since announcing the standup of this business roughly a year ago, we have doubled the amount of nonXerox business we are selling through this channel.

Finally, there's a vast opportunity to bring adjacent offerings to our core customer base. And we are also addressing these adjacencies. As we grow, we will continue to be a B2B provider that will contemplate new offerings only where we have a competitive advantage and understanding of our customer needs.

So how will FITTLE win in the market? Today, we are roughly $600 million global business with a presence in nearly 30 countries. This makes us one of a few truly global equipment leasing providers. We have a deep level of expertise in a number of industries and a broad range of assets adjacent to our core business, from IT services to software, 3D print, audiovisual as well as security equipment. Automation, machine learning, artificial intelligence, proprietary models have given us best-in-class credit adjudication and credit approval rates of over 90%, while loss rates are less than 0.5%. We've launched a number of new offerings, as I spoke about, IT, 3D print, audiovisual and other office technologies. And as we launch each of these, we have robust internal processes to ensure that we are -- with every new offering, we are only playing in markets that are natural extensions where we understand our customer needs and the asset class. Finally, we maintain a competitive cost of capital through programmatic securitization.

I spoke to you earlier about the nonXerox business we're doing. And here are a number of new partners we've signed in the last several months. They range in industry from 3D to IT services, and include vendors where FITTLE is supporting a direct sales force to enable affordability as well as dealers, where we are selling a range of equipment by providing financing. Some of these partners have used leasing for decades, and we have been able to offer them unique solutions given our understanding of product life cycle as well as technology dealer needs. In other instances, we are helping these partners, for the first time, to lead with leasing to enable sales. Each of these logos represents new originations, which translates into revenue growth for us.

We measure our performance on a number of key performance indicators, including return on assets, return on equity as well as the efficiency of our credit adjudication. We outperformed the industry on nearly all metrics. As seen by our return on asset, our profitability vis-a-vis our asset size is extremely robust. AI and machine learning, drive high approval rates with net loss rates that are less than 0.5%, highly competitive.

There is one area where we have a great amount of opportunity as we stand up this business. This business has been developed from an administrative function to a fully functioning BU and opportunities such as Own It and similar programs are going to enable further cost saves to drive our profitability. New processes, systems and org design are helping to increase our efficiencies as we grow this business.

Since standing up our financing business, we have grown originations by 14%. This has reversed several years of declines. This growth has occurred while maintaining high credit standards and playing solely in asset classes that we understand. We have also -- we will continue to grow our business through nonXerox vendors and dealer relationships. The trajectory you see here of growth is based on our current set of offerings and does not include the new offerings that we are planning to launch in the future.

As we grow, we will also maintain a mid-teens ROE as well as a low single-digit cost of funding. If you take one thing away, from this portion of the presentation, it's that FITTLE is an engine for growth with opportunities completely separate from the Xerox captive business. The dealer equipment leasing market is extremely fragmented with many small players competing for business and lacking an overall digital experience or white glove service. Vendors are looking for financing partners who understand their go-to-market motion and product life cycles. FITTLE is capitalizing on all of these to differentiate itself.

Now I'd like to introduce back to the stage, Steve, who's going to talk to you more about CareAR.

Steven John Bandrowczak - *Xerox Holdings Corporation - President & COO*

Our consumer world and our enterprise are colliding. We're seeing a rate and pace of change like we've never seen before. Think about over the last 24 months, how much life has changed for us, whether it's around how we look at content, whether we think about the retail experience, we talk about the Amazon experience. You think about how you interact with loved one, you think about the experience that you expect now in retail and shopping, in getting your food.

And what we've seen is a tremendous change in expectations where the consumer world is now colliding with your enterprise. And you're seeing companies like Walmarts and Targets trying to replicate that same type of experience. Same-day delivery, same-day ordering. But the one area that we haven't seen significant change is in the service space. Think about your own personal lives over the last 24 months, if you had to call about an appliance that broke in your house, or an HVAC that broke in your house. Or God forbid, the Internet was down and the cable modem was down. Think about that experience.

Cable is down in your house and you don't have Internet access. What do you do? You dial the 800 number, you call up and you got the technician or you get the customer service on the phone and they say, can we verify who you are first. Yes, it's Steve Bandrowczak, yes, would it be. Can you verify your e-mail address? Yes, it's stevebandrowczak@hotmail.com. Can you verify your phone number, yes, 919, blah, blah, blah. Can you give me your account number, sir? I don't have my account number, I don't have my bill in front of you. Okay, let's make it easy for you. Just give me the 15-digit serial number off of your cable modem. So you go in the closet and you go downstairs, you get the flashlight, you read the 15-minute thing and they say, welcome back, and thank you for being a loyal customer. What's your problem? The Internet is not working and my wife wants to divorce me.

Okay, sure. Did you reboot your laptop? Yes, I rebooted my laptop. Did you power everything off? Yes, I powered everything off. Well, I think you got a problem, sir. Yes, I think I got a problem. But we're going to get a technician right out to you, immediately. We have this window 3 days from now. You can go between 8 to noon or 1 to 6, which one do you want, sir? I'll take the 8 to 12. Can you narrow that a little bit for me? No, sir, that's all we have. We give you an 8 to 12. But we'll text you when the technician is coming, we'll let you know.

So you wait 3 days later and you get this text. You're our next call, we'll be there within an hour. Two hours later, you finally get the technician, he shows up. What's your problem, sir? I told you, my Internet is down, it doesn't work. Okay, sir. We'll go down and we'll take a look at it. Let me get the -- technician goes down, comes back up in an hour, sorry, this is a new type of technology. I am not experienced with that. How many of us have had that experience. It's the last place in which technology and capabilities have changed it. And what we're trying to do and what we're going to do is we're going to revolutionize the service experience.

We're going to change it. We're going to lead in the service experience management. And over the next 20 minutes, I'm going to take you through not things that we're going to do, things that we have today, things that we can provide to our customers today and the differentiation of the capabilities, and I'm going to walk you through that same experience once I take you through the product. But we're going to revolutionize the service experience with CareAR.

And so if you take a look at just what's happening in terms of trends in the industry. Think about the great resignation. All of us are challenged. And we are here at Xerox with our field service and turnover and the great resignation. And it creates a couple of problems. Number one, you're losing a tremendous amount of knowledge and intellectual property every time field service technician leaves. And they're going across the street to Starbucks, they're going across the street to Amazon. They're going across the street for Walmart, and they're changing, and we're losing all of that knowledge.

But even more importantly, there isn't a good stream of incoming resources that said, how do we pick up the knowledge in a product and your experience. And we're seeing an inflation and cost because of the people that we need to bring in. We're seeing the great next generation of technology, augmented reality, virtual reality and AI are going to be the drivers of GDP over the next 5 years. You see when you're at full employment, you can't add labor to it anymore. You've got to add technology. And so we're going to see augmented and virtual reality and AI drives significantly GDP and company growth over the next couple of years.

The Connected Enterprise, you think about IoT data and the connected world in which we're in today and the accelerators of that. Well, what do you do with that connected data? What do you do with IoT data? How do you change the service experience through that connected data, and I'm going to take you through that.

Industry 4.0, if you think about the supply chain and if nothing else has taught us over the last 24 months, our supply chains are challenged significantly. The way in which product flows away and which product is manufactured, we have to think differently. We've got to think differently about availability. We have to think about it differently in terms of uptime. You're going to see some great things from the rest a little bit later on, but we've got to think about Industry 4.0 and how to reinvent ourselves from a manufacturing capability.

And then what do we think about 5G? 5G is extremely important to this whole scenario. Why? Because it allows us to drive significant bandwidth. Now we can drive video content, we can drive more things into the field into remote places that we've never had before. And so 5G and the expansion of 5G is a tremendous technology and a way in which we're going to ride as we go forward.

And then from a CXL perspective, whether you're a Chief Delivery Officer, whether you're a Chief Financial Officer, one of the things you want to do is continue to drive self-serve. Think about it, in our own personal world and the consumer side, how many things we are doing ourselves. Whether it's around data entry, whether it's around ordering, whether it's around following, we are now a consumer world that is allowing ourselves to do more individually. We need to bring this to the enterprise-wide, more self-service. How do you do that? How do you give customers? How do you give products that heal themselves? How do you bring all of that using analytics and AI.

Improve operational efficiency. We've seen nothing else over the last 12 months. And candidly, over the last 2 quarters, the pressure on margins as it relates to inflation of labor, as it relates to the transportation cost as we -- products and individual components increasing, service organizations have to be more efficient. They've got to be able to drive more costs out.

How do we think about the next generation of tech workers. There isn't a good funnel of inbound technicians that can pick up these technologies and grow. It takes years of experience to be able to service some of our equipment, certainly on the high-end side. But what we can take advantage of digital natives, think about today, we have to take advantage of digital natives. What does that mean? We've got technicians and people that are extremely comfortable with augmented and virtual reality. Extremely comfortable with AI, extremely comfortable with mobility. And so how do we leverage that and that digital workforce to help solve this problem.

And last, John talked about our commitment to ESG, but everybody is really trying to think about how we can reduce our common footprint. And so when you think about CareAR in the bundle, we can fix these problems. But what I'm really excited about, you're going to go from a $30 billion TAM to an $80 billion TAM. That's $50 billion of growth that we are smack in the middle of that we can help drive in the industry today. So we're very excited about where we are and the conditions.

So where are we? What did we launch? So John talked about it. We had a ServiceNow investment and a $700 million valuation. We launched this at the end of the summer last year. and where are we at in the movie. Now we got $35 million of ACV. 25% growth in the last quarter in our pipeline. We are seeing significant growth in areas that we didn't even think about just 6 months ago. We're talking with banks around how do you service ATM machines. We're talking about the medical industry around how do you service MRI equipment. We're talking to airline industries around how do you service jet engines. These are things that we weren't even thinking about just 6 so months ago.

And so we're running into industry use cases and we're running into availability in terms of where we can bring technology and solve some of these problems in areas that we've never seen before. We made some investments. We talked about CareAR and ServiceNow in the partnership, it was more than the investment in CareAR. It was an ecosystem. You think about one of the largest and fastest-growing SaaS companies in the world, focus on field service management and customer service management, we are embedded, and I'll talk about the partnership and how we're driving that. We are embedded with their sales force. We're embedded with their product team to drive value to mutual customers together.

And the reason why we can drive value is we add that experience on the last mile. We add and we solve the toughest problem, which is really the customer experience, the field management experience on that last mile. We have a partner ecosystem that is incredible. And when I say partner ecosystem, we're talking about working with the Wipros, the TCS, the HCLs for joint customer account and very specifically use cases to how we solve some of the toughest challenges in service management and field management and in customer service management. Joint counts, joint go-to-market where they bring us into accounts or we bring them into accounts.

By the way, we have a significant integration with ServiceNow, but it could be Salesforce, who has a field service management and the customer service management. It could be Oracle, and it could be SAP. We're agnostic to who provides that field service and customer service management. And so our partner ecosystem is significantly to the reach and to the depth and breadth in which customers we are engaging with and how we're consolidating.

More importantly for us is we started using it internally, we call it Customer One. And if you have a chance, go see my other favorite EC member Mary, she nudged me a little bit because I had the 2 previous personal favorites, but that's okay. I'll get that fixed. Talk to Mary about how we're deploying our field service team and how we're using CareAR to solve some of the problems.

So what we do is we take that use case and we can go to a large telco and say you've got 20,000 field technicians. What happens if I drive a 10% improvement in your productivity? What happens if I drive 20% of your vehicle miles away and the carbon input and the savings that you can have in terms of carbon input. What happens if I can increase your call center to your clients or to your end customer, that engagement by over 50%.

And so we take real-world data. We take the things that we're using in solving ourselves and now bringing it to other industries and bring it to other companies. And yes, we are a market leader in this space. And yes, there are other companies that play in the augmented reality space and you'll see they do a really good job like we do and assist, but they don't bring content and they don't bring insight, and that's a differentiation I'm going to show you in a few seconds.

And so we really have 3 areas of our portfolio that we're driving. One is Assist. And so the ability for us to do an augmented virtual reality session with a customer, if we can't solve it real time with a customer, we can do that with our field service team. We have Instruct that gives us the ability to take and bring instructions to our customers into the field. Think about it today, if you go to a Home Depot and you buy a barbecue, last thing you do is open up the manual and read how to put that darn thing together. You get on YouTube and you go find somebody who has installed and put that barbecue together. That's how we want to do things. We don't want to do it with PDF documents. We don't want to do it with manuals. We want to look at native digital technologies that allows us to drive and use the things that we're used to in our consumer life.

And then Insight, tremendous amount of insight, meaning that we've got IoT data. We've got ServiceNow data. We've got data on our products, and we now roll all of that together and we give our field Instruct and Insight to how they solve the problem. So just think about we've got artificial intelligence that looks at what is the problem that we're seeing based on IoT data, and we serve up the most 5 common ways of solving that problem in digital content, right? And that's how we start to change the experience. So let me give you a real-world example. Let's roll the video, please.

(presentation)

Steven John Bandrowczak - *Xerox Holdings Corporation - President & COO*

So take that same experience with an Internet outage where Internet outage happens, and I send a link to my customer that opens an augmented and a virtual reality session. I skip and bypass the whole identification. I skip and bypass the whole, what is your problem. I start immediately interacting with my customer in augmented and virtual reality. By the way, that session, I can record and I can store. So if a customer self-service doesn't work, then when my field technician gets there, they pick it up right from that moment in time.

And if I've got a customer and they've got a field technician who only has 30 days experience. I now have the ability to add Insight and Instruct where I can help that 30-day experienced technician look like they're a 30-year experienced technician. And for some reason, if they can't solve it themselves. I do a VR session back to a Level 3, Level 4 engineer, and we solve that problem.

So when you talk about service and what we're trying to do, we're really trying to create a platform, it's really the service experience management platform that has all these attributes. And the 2 different differentiations from everything else that's out there. is really around Instruct and the ability to be able to take content, content from customer and you think about there's a lot of content that's out there, every customer is in a different space. They've got video content, train a trainer content, they've got product content. But how do you pull that all together? And then how do you serve it up in a way in which it is real time at the time that they need it.

You see, I don't want to instruct information too early. I don't want it too late. I want it exactly when I need it at the time that I need it. And what that is driving is that it's driving all the way through upfront in terms of now training. This is a new area that we're starting to run into in terms of how do you launch new products, how do you train your field service team. And one of the things that we're trying to do is we're now trying to make this flywheel effect around how do we go from Instruct to AI in terms of being able to give an insight all the way back to Assist. And this is a flywheel that will continue to drive and continue to add more value as we move forward.

We're running into more opportunities, and we're seeing now AR-ready across the enterprise. I talked to you about service, I talked to you about customer service, but we're also seeing in things like product and manufacturing. Think about the manufacturing shop floor and how we keep the shop floor running, Industry 4.0. How do we help in being able to provide that. What do we do in terms of being able to drive and continuously drive improvement and then how do we handle that knowledge transfer.

You see every time I record a CareAR session, I now can play that back for future technicians to use that session in the future. And so we've got this creative repository of knowledge. We got this creative repository of information so that when you come in off the street and you're a digital native, I give you all that content. I give you all that knowledge, I don't need 30 years' experience. And so what we're seeing is a tremendous amount of excitement around the AR ready for the entire enterprise.

This is a customer, an example of where they're using it inside the data center, very similar to the video that we showed you, ServiceNow, CareAR, working inside of data centers to how do you solve some of the toughest challenges. You think about COVID, when they didn't want service technicians and vendors inside of data centers, we now can work with the individuals that are on the ground to solve the problems using CareAR under a ServiceNow umbrella. Extremely exciting what we're starting to see in that space.

But the last thing I want to highlight in terms of their product is we now will start to launch products that are CareAR and AR ready. And what do I mean by that? Well, if you think about how we used to launch products in the future, we used to do things like train the trainer. We used to send out PDF documents. We used to give our field technician a whole bunch of material and the experience kind of happened along the way. But what we're doing now and what you're going to see in the floor as you walk the floor a little bit later on, is we're now saying when we launch our product, it's going to be AR and CareAR ready.

But what does that look like? Well, it helps you with actual installation. It helps you with the basic fundamentals of break fix immediately right inside the carrier application. I don't have to train my field anymore. It is available via digital content. It's available via the way in which they want to learn as a digital native. And so we will continue to launch product with CareAR and AR ready. But think about today, think about automobiles. Automobiles launch with CareAR and AR ready. Think about how we think about MRI equipment, how we think about medical devices, jet engines, anything that has a product launch that needs a field service technician we can solve and help that training, and we can help solve with that content. We're very excited about the future in terms of AR-ready products.

We're going to drive about $70 million in 2022. So what are we doing and what's our route to market. We obviously have a tremendous sales force, direct sales force around our SMB go-to-market as well as our Europe and our Americas go-to-market, over 10,000 customers that we're going into. Tremendous pipe in terms of the availability and the TAM that we're going after. We also have the ecosystem of partners that I talked about. You can take a look at any public documents in terms of what the big SIs are doing with ServiceNow and SAP. We are right there with them in terms of going into accounts together and bringing CareAR as part of that bundle.

And then the last one is really around what we do with ServiceNow and the ability to have ServiceNow bring us into accounts and grow inside their ecosystem. So when we take a look at what we're doing in terms of go-to-market and the coverage, we have more coverage today with CareAR than, candidly, we do with a lot of our other products, and the opportunity is tremendous.

Let me finish with this. If you think about today, the growth, 30% to 40% growth in a business. You think about today, revenue with 90% retention. We've got 91% going in, we think 90% retention going forward. Gross margins at 70-plus percent. And you think about what we're going to do in terms of we're going to spend, keep investing in '22, breakeven in '23. This is what an exciting growth business looks like and we are extremely excited about CareAR, extremely excited about what we can do to the market, and we're extremely excited about going after $50 billion of TAM. Thank you very much.

And so we're going to take a break at this point and roll.

(Break)

Naresh K. Shanker - *Xerox Holdings Corporation - Senior VP, CTO & Head of Palo Alto Research Center*

Good morning, everyone, and welcome back. So when we last met we said that we were actually going to drive innovation and new growth companies. And I'm really happy to talk to you about actually the 3 businesses we've actually recently launched. The first one is at Elem Additive Solutions, the second one is Eloque and the third is Novity What we've also done is actually established -- you can't hear me. What we've also done is actually established what we call a venture studio that can now scale our businesses very rapidly and create even more businesses than what we've accomplished today.

Our focus areas are threefold. One, it's 3D, IoT and clean tech. So let me walk you through our first business. Okay. Additive Manufacturing. What's really interesting over the last few years you've all experienced substantial issues around the globe with regards to both manufacturing and supply chains, right. There's been major disruption. And a lot of it has to do with the fact that manufacturing has been centralized, and there's a tremendous amount of risk that comes with actually trying to gain access to spare parts products, impacting manufacturers and customers.

What's interesting about the new technology and where directionally the industry is going is that the industry is now pivoting towards, what I'd say, distributed manufacturing, localized manufacturing and production on demand. Our technology with Additive, enables just that. So let me walk you through a real live example of the work we're doing with an entity, which is one of the largest entities in the world, which is the U.S. Navy. This past year, we worked very closely with the U.S. Navy to really understand all their pain points. What's really interesting is the U.S. Navy is distributed all over the world.

And it takes them weeks and months to gain access to spare parts and supplies. In addition, if you think about their challenges with transportation costs, warehousing, distribution, huge capital goes into even maintaining inventories around the world. And they have all got to be either flown in onto their transport systems or at port-of-call. So they talk to us about a very fundamental issue that they've been exposed to, and I'm actually pleased to let you know after studying their problems this past year, we just signed an agreement with the U.S. Navy, and we are the first company in the world that is in the process of actually deploying a 3D printer onto an aircraft carrier.

Now you've asked the question as to why did they pick us? And that's an interesting question because if you think about the technology that exists today, which is powder-based systems, powder-based systems have been around for a while. But the issue with powder-based systems is that the materials are expensive, they're hazardous, they're explosive in nature, and it's extremely hard to transport.

If you think about powder-based machines, they require cleaning room setups, called clean room type setups. Again, they require a significant amount of safety and expense around trying to even create one of these environments. All of this was a nonstarter for the Navy. And so the great news is that we are going to be deploying now technology and to be the first company to deploy this technology. In terms of what's next, we started thinking about -- let's talk to the Navy and also our industrial customers to understand in terms of where we go from here. And it started becoming clear that what they are really interested in and excited about is the possibility of how do we now start creating more digitized parts, technologies in terms of digitizing their old schematics and parts, et cetera. And how do you create the right economic analysis around it.

And I'm pleased to say that we just launched a second business, which you're going to hear more about, which is our digital manufacturing software. And that's going to get launched in the second half of this year with the focus on actually a whole ecosystem of solutions, starting with the ability to be able to map your 2D parts to 3D digital parts and repositories, from which you can now do printability analysis to determine if the spot can actually be 3D printed. And we've taken it a step further to actually develop the technoeconomic analysis to give them the value proposition to determine if it is actually economically viable to actually print this part. So we're going to be launching the software. It's hardware agnostic, so it can run on multiple vendors and platforms, okay? In addition, I'm also excited to actually announce at the end of the year, we are going to launch the next generation of our materials which is 6061. And the advancements in 6061 are exciting because it increases the aperture of the industry verticals we're going to get into at scale, which is the whole automotive industry and the aeronautical industry.

So this is really an exciting business. We've got it off the ground, and we've got a tremendous amount of launches coming up in the second half of this year. Our goal right now is to double and triple the number of machines this year that we are going to be launching. Let's talk about the IoT business. So we've got a couple of key businesses that we've launched.

The first one is Eloque. Let's step back and think through the problem that Eloque solves. If you think about it at a global level today in terms of what we're faced with, we are starting to see crumbling infrastructure, critical infrastructure around buildings, roads, bridges around the world. Very little data is known about these environments. And when we do find out about it, it's too late. Earthquakes make these environments very vulnerable. We start to see bridges collapsing, buildings, roads. And this is becoming a very big universal problem. What's really interesting is that even in the United States, when you look at the data today, over 42% of our environments, especially bridges are over 50 years old and approximately 340,000 of them require maintenance and repair.

Now how do you prioritize these ecosystems? And how do you even efficiently apply capital towards it. It's a massive challenge that we're faced with. So what's really interesting is that we've deployed a solution and a company which is a joint venture with the government of Victoria in Australia. And it's really exciting because this technology has been deployed on their bridges and some of their roads, and we're starting to understand alone about the telemetry, and it's really exciting in terms of the data we're starting to see.

What Eloque does in Australia today is that we've deployed what we call fiber optic sensing technologies, coupled with very advanced AI. And what it's able to do is actually provide you tremendous telemetry on the health of these bridges. So example, all of the load-bearing structures on a bridge, what the effects of stress and strain is, fissures, fractures, et cetera, temperature, vibration, noise, even climate and environmental conditions. This is very valuable data because what we are starting to do is give operators and customers an opportunity now to start thinking about how to prioritize their capital spend, including the maintenance of what's required and how do you sequence all this, okay? And this technology now is getting rolled out across Australia, and our goal is to triple the number of bridges. We're going to be launching this technology in the first half of this year.

If you dial forward and what's also exciting is that we're starting to talk to states in the U.S. and select countries in Europe. And we're really excited to start scaling this technology because we think we can solve a very real-world problem universally. Let me move on to the next -- the third business that we've launched.

(presentation)

Naresh K. Shanker - *Xerox Holdings Corporation - Senior VP, CTO & Head of Palo Alto Research Center*

Let me talk to you a little bit about the third business we launched, Novity. What's interesting about the problem we're trying to solve here is Novity actually solves a very critical problem around unplanned downtime for process manufacturing operations. And this is for very large sectors, oil, energy, gas, mining operations, including pharma. And the interesting problem we're trying to solve here is that at a global level, when you look at unplanned operations, it costs us over $50 billion universally to actually solve this problem, especially when all of these process manufacturing industries face unplanned downtime.

A specific plant can lose its production capacity anywhere from 5% to 10%, which creates a very serious problem that can lead to millions of dollars in losses on production capacity. The Novity technology that we've launched is a series of sensors, but more importantly, uses very sophisticated, what we call hybrid, AI technology, which is a combination, what we call physics-based, what we call, simulation models of architectures for various industries. So we take the data from these physics-based models, and we actually bridge them with learning-based data from an actual set of sensors from a specific plant. And what this lets us do is, actually, in a very accelerated way, dynamically and real time produce what we call predictions or potential failures of greater than 90% accuracy.

And we can do these predictions weeks and months in advance, and so we can get ahead of this problem. What's really interesting about this sector is that we're working with one of the largest manufacturers in the world for raw materials in the construction industry. And we've deployed this technology and what's really interesting that in the first month, we were able to detect a potential issue with their milling operations and actually avoid -- potentially avoid a real problem there. So we're starting to see a lot of data coming out of this operation, which is very encouraging and exciting. And we also now launched 2 other very active engagements right now with a key player in the oil and energy sector, a key player in one of the largest -- actually one of the largest players in the industrial sector. And we've just started an engagement with a food and beverage producer that is also a bottler. We think that this exciting -- this technology is really exciting, and our plan right now is to expand and scale this technology.

So moving right along, I'm going to talk to you. We've talked about the 3 businesses we've launched. And I'm going to touch on another technology, which is very specifically around what I call the ocean of things. Okay. If you look at our oceans today, okay, what's really interesting is about 70% of our planet is surrounded by oceans. And very little information is known about our oceans. They're unmapped, they're undiscovered and unmonitored. And what we've discovered is that over 80% of these environments, we just know nothing about.

Working with DARPA, who's our first customer, we've actually deployed a very, what we call, technology, which is geospatial floats. And what these floats do is actually monitor everything on the surface of the ocean and below the ocean. They have deployed it in a couple of parts of the world and what they're currently doing is monitoring all ocean traffic. We're also extending -- there are tremendous use cases with this technology, and we're now expanding use cases into things like what we call aquafarming and aquaculture, and we're working with a commercial operator right now to start detecting things like viral spreads, algae blooms, and even environmental conditions like detection of oil spills and pollution and plastics in the ocean.

And what we're going to do is actually by the end of this year, we're looking towards working with them to deploy a pilot on this technology, which is going to expand all of the different use cases. So there's tremendous opportunity here. This is early stage. We completed this technology. We've deployed it with DARPA right now, and we're now going to start advancing the technology for alternate use cases with different other industries.

So this is another exciting space that we are working on. The last area I want to touch on is cleantech. If you step back and think about climate change, it's a very, very big problem on our planet right now. And the biggest issue here we're faced with is greenhouse gas emissions. What we discovered is that building cooling technology, they contribute to approximately 4% of greenhouse gas emissions. And what we have actually developed is a very advanced cooling technology that can actually give us the potential of up to 80% efficiency in cooling. We developed the beta -- the alpha last year and what we discovered is that the technology looks very promising. So a couple of key benefits with the technology besides the fact that we can improve energy efficiency by 80%, we can improve indoor air quality, we can lower consumption, including costs of deploying this technology. And what we're doing this year is actually we are working with one of the largest manufacturers of cooling technologies in the world, where now we are developing the beta, which we will complete by the end of this year. This is very exciting technology, and we're looking forward to results of this technology. So moving right along, let's see here, if I can advance these.

(presentation)

Naresh K. Shanker - *Xerox Holdings Corporation - Senior VP, CTO & Head of Palo Alto Research Center*

So I've given you some insight into the businesses we've launched and also some of the technologies we're advancing through the pipeline. What we've now established at PARC Innovation is a venture studio. And what does the venture studio do? We've created a flywheel effect with the studio, which is we've taken experience and learnings from the 3 businesses we've launched. We put capital structures around them. We've developed a leadership team of world-class leaders to run these businesses, and we've aggressively taken them to market. There are some critical benefits with the venture studio concept in terms of the modeling that we've done and put in place because, one, it helps us very quickly, rapidly accelerate even more businesses across the pipeline. And what we use is a customer-led innovation process.

The focus is to test and validate problem solution fit and product market fit early in the life cycle. So we can put the capital structures early on. And what this also helps us determine very rapidly, what businesses we will move along the pipeline and just as quickly, what businesses we will shut down. The second key business benefit that we've derived from this is that we now have vehicles to actually take these businesses to market in the form of spin-outs, joint ventures and even licensing opportunities with regards to the technology. And Xerox as a company, what we get to enjoy as a minority investor is all of the benefits of the upside. So hopefully, this gives you some sense of the platform we've put in place to actually incubate businesses at PARC Innovation and rapidly take them to market.

Why do we need the platform? What's really important about the platform is that we have a very rich pipeline of innovation that we are progressing through different stages of maturity. We've talked about Elem and Eloque that we launched, including Novity, and we are now in the process of looking and assessing all of these different businesses across the pipeline.

Some of these will get through, and some of them will get rapidly shut down. And what's important is to make sure that we are very efficient around the use of capital in terms of how we progress these entities. One critical or key business I'm really excited about is actually co-extrusion battery technology. We've actually developed a technology right now, which can create and produce up to 20% density. And this is exciting because it's greater than anything that's available in the market today. And we are now working with one of the largest automotive manufacturers in the world to actually test the co-extrusion technology in their production line.

What's also interesting is we developed the manufacturing process where you can actually plug this entire process and chemistry into existing production lines without any customized changes necessary. So this is early stage technology that we're going to be testing and validating with one of our largest automotive manufacturers, and we're going to hope to learn a lot more about the results, which are looking very encouraging by the end of this year.

So hopefully, what I've given you some insight into the incubator that we've built, the companies we've launched and how we plan to accelerate even more companies through this pipeline. Our mission at PARC Innovation remains unchanged. Our goal is to continuously create breakthrough businesses powered by breakthrough technologies, but more importantly, our mission is going to be impacting, what I call, business, society and planet and that's going to be the focus.

And with that, I'm going to actually close on this session. And thank you for your time. I'd like to encourage you to see the innovation showcase so you have an opportunity to actually look at all of our technologies and also meet with all of the leadership teams that are actually running and scaling up these businesses. Xavier Heiss, I'd like to introduce our CFO at Xerox Corporation. Thank you.

Xavier Heiss - *Xerox Holdings Corporation - Executive VP & CFO*

Good morning. This is exciting. I'm the CFO, I feel excited about this, but I'm sure you can sense some of this excitement here. So let me now try to translate, wrap up with financial, the strategic element we shared with you this morning. In my section, in this section, I will walk through our 3-year financial outlook for Xerox Holdings on each of the 4 businesses we described. I will also highlight why we believe we are undervalued and will provide you with a framework for valuing each of Xerox's separated business. And I will end with the traditional review of our capital allocation policy and why we believe Xerox is a great investment. So let's recap. As a quick outline, what you have heard from the management team, from my colleagues is key messages. Number one, we expect our Print & Services business to not only stabilize but grow. And you know, you have seen, our strategy to strengthen our leadership position.

Number two, we are still investing. We're investing in FITTLE, in CareAR, in PARC to drive growth and create additional shareholder value. Number three, PARC are successfully incubated businesses. You have proof points that we shared with you, and there is more to come, as you have seen it in the pipeline. We will share for the first time with you, the financials for each of these businesses to highlight the value and the growth potential of this asset. Our goal is very simple. We want you to be better qualified or better equipped on how to assess the value of each of these businesses indefinitely. Let's start with the big picture. Xerox Holdings outlook overview. We described it. We are expecting at least $7.1 billion of revenue in 2022 and low-to-mid-single-digit annual growth through 2024.

This is very different than the outlook given in prior Xerox Investor Day, where the expectation was to stabilize rates of decline. Over time, we expect to offset the natural erosion of the traditional print market with the investment we have made in strategic growth areas. Adjusting operating margin. We are planning to grow 200 basis points above 2022 level by 2024. In Print, obviously, we expect project unit, IT on -- project unit efficiencies to drive margin expansion as the market recovers. We will also continue to invest in new businesses, but headwinds will fade as the new businesses scale.

From a free cash flow point of view, we are planning to grow on the growth of more than $400 million in 2022 to $450 million to $500 million through 2024. We expect operating income gain to flow to free cash flow, given our capital-light model. We are also continuing to make investment in our growth businesses. Let's now double-click on each of the models. Print. Print is a solid business with recurring revenue and strong cash yield. So revenue, we expect revenue of around $6.3 billion in 2022 or close to 90% of the company total.

According to external studies, you saw some of the data points. So traditional Print & Services market as a whole is expected to be flat to slightly up over the next 3 years. We believe we can do better than that. We gained market share. We will continue gaining market share in Print and growth as well in IT and digital services. The adjusting operating income margin, 7.5% to 8% in 2022, growing 100% -- 100 basis points by 2024. We are expecting improvement as workers return to the office and supply chain condition ease but we assume only a modest, gradual increase.

It will be as well offset by a higher mix of IT services revenue. IT services is a great business, but this is a business which attract a lower margin. Finally, from a free cash flow point of view, we expect free cash flow to be in the range of $525 million in 2022, growing in line with revenue. Free cash flow is very predictable for Print and is expected to be stable given the high level of recurring revenue that we have in print from the Print & Services business, and we see increased exposure that we are planning to have with IT and Digital Services.

Let's share with you -- I would like to share with you and provide more context beyond our Print & Services assumption. This is a question we often ask about. And this slide should summarize the pace of recovery in page volume and supply chain condition embedded in our financial forecast that we are sharing with you. The expected Page volume is planning to improve or to improve at the beginning of the second half of 2022 and modestly recover in 2023 and 2024.

This may prove conservative. However, I just would like to give you and provide a rough guide of upside to our forecast. Every 1% of page volume increase represent around $40 million of revenue and create a 20 basis point increase of operating margin. We are also expecting supply chain condition to ease beginning of -- in the second half of 2022 and normalizing by 2024. In this forecast, we are taking a balanced view, and we are not forecasting a return to prepandemic level. Instead, we assume around 80% of the 2019 level.

Let's double click now to FITTLE. FITTLE is a great business. So Nicole explained the strength of the business, I would like to go through the financial. Revenue is expected to grow faster on (inaudible) and at our Print & Services business because FITTLE will expand beyond the pure Xerox business. We are also expecting an adjusting operating income margin with a slight improvement in the net -- with the net interest spread and with securitization, offset by the new business costs there.

Free cash flow, we expect free cash flow to remain flat through 2024 as we are growing this business. We are growing origination to support net balance -- asset balance growth. I just would like to share with you in my life, the most frequent question I'm asked as a CFO. Xavier, why do you have $4.2 billion of debt and you have $2 billion of cash. This is a question that I'm receiving and I'm having very frequently. Just would like to give you the simple reason. $2.9 billion of that debt support FITTLE financing business. We should -- you should look at this not like a debt. This is like working capital or cost of goods sold. This is good towards debt if you are a financing company.

If you exclude -- excluded this debt from our capital structure, Xerox goes from a net debt position of $2.3 billion to a net cash position of $600 million. This will become clearer in our financials when we begin segmenting FITTLE results in quarter 1 this year. We will also take this opportunity to change FITTLE definition of free cash flow by reclassifying changes in finance receivable from operating to investing cash as any leasing company is doing it.

Let's move now to CareAR. As Steve explained it, CareAR is our SaaS-based software platform. This is an exciting business because the growth expected in this business is around 30% to 40% through 2024. The focus that we have here is on expanding our penetration on a growing and large TAM. Therefore, we do not expect significant level of profit or free cash flow through 2024. Another question I'm asked and we're asked often, where do we get this $700 million valuation for CareAR? As a reminder, this is the implied valuation that we get when we receive the investment of ServiceNow in CareAR.

But just to put this valuation in context. If you compare CareAR expected EBITDA margin plus revenue growth, some of you call that the Rules of the 40 metrics. And if you compare this to other public trade software companies, CareAR $700 million valuation falls below the average for the group. We believe this is currently appropriate. This company are more appropriate. However, we expect the implied valuation of CareAR to grow over time and its revenue will grow and the business material are going for higher multiple.

Finally, PARC. PARC is the incubation engine of high growth and disruptive businesses. Revenue, we are not highlighting PARC revenue forecast on this slide given the uncertain nature of the timing of specific deals. The primary metric of relevance is near-term investment in new businesses. We define it as RD&E plus commercialization and start-up costs associated with launched businesses. You just saw some of the great technology in PARC's pipeline. So you understand why we plan to invest $125 million to $150 million on this and other new businesses. The business is we are launching target substantial market and can command healthy revenue multiples in the market. For example, 3D-print IoT business typically trade between 3x to 5x and sometimes 7x of revenue. So I will call it the expected slide.

So when you add all of this together, and you take all of the pieces together, what does that mean? You can now see how we arrive at revenue, operating income, margin and free cash flow estimate for Xerox Holdings. I repeat some of the information, but this is low to mid-single-digit revenue growth is expected to drive high teens growth in operating income as new business scales.

We also expect $400 million of free cash flow in 2022, to grow to $450 million to $500 million in 2023 and 2024. On our Print & Services business to continue and contribute more than $525 million of free cash flow. This page provides a summary of data points to assist you with the modeling of our separated business. If you need additional detail, of course, and to support your model I encourage you to reach out to David Beckel on the IR team.

Another question I'm often asked is we -- why are you investing? How much are you investing? What is the number you are investing? And if you remember, during our quarter 4 earnings, we started sharing how much we are investing in the new business there. So you saw the PARC number in total in 2022, we are investing $200 million in new businesses. And this amount is comprised of PARC, but also FITTLE and CareAR. It funds mainly the research and the commercialization of FITTLE businesses. We called this out because we do not believe we are getting adequate credit for this investment in our valuation.

For example, if we would stop simply investing in this business, our free cash flow would be approximately $200 million higher amounting to around $600 million in 2022. Based on our current market cap of around $3.5 billion, that implies a free cash flow yield of 17%. On top of that, if we were to exclude net core cash from our market cap, that would equate to a free cash flow yield of 21%, a significant number.

Let's now go through the sum of the parts. On all the elements we shared with you, we provided insight throughout the day into the hydraulics that drive how this business is and our primary business financial outlook. We present here a range of values based primarily on public valuation, comparison of historical transaction value that can be applied to each of these businesses on the relevant financial metrics. Even at the low end of this indicated range, the implied value of our stock is more than 50% higher than where it currently trades.

And that does not include any upside from PARC. PARC is not included in this number, and there is no pipeline of opportunity of PARC included in this number. Our goal is to prove that the value of our path is between the medium and the high range over time as we execute on our strategy for growth and monetize these businesses. Another point I want to share with you. I want to highlight that our executive compensation is aligned with investor on the metrics. And this metric will be the most impactful in driving valuation and share value over time. It is worth noting we are actively incentivizing the businesses who are growing internally with compensation plan tied to growth in enterprise value and liquidation event.

Liquidation events are an important mean of unlocking the value embedded in our businesses today. Whether through spin-off, sales or partial sales, we are always looking at the way we can best maximize shareholder value. Before wrapping up, let me address capital allocation. Our capital allocation priority going forward remains the same with at least 50% of free cash flow being returned to shareholders.

In 2021, we've returned nearly 2x of our free cash flow to shareholders, mostly in the form of buyback, while paying down debt and investing in future growth. We plan to continue paying our dollar -- $1 dividend and will pursue value-accretive M&A. We will also be targeting an investment grade rating over time. So finally, why invest in Xerox? Throughout the day, we have made our case for making an investment in Xerox. Our Print & Services business is expected to produce stable, predictable free cash flow for many years. New businesses will comprise as much as 25% of our revenue by 2024 and are targeting large and growing market.

Our cash will be used to invest in business with super growth perspective and valuation upside consider strategic option, manage debt and continue paying our dividend. This is an exciting time for Xerox, as I mentioned it when I started my presentation. We are now ready to answer your question, and I'm asking my colleagues of the Executive Committee, to join me on stage for this session.

QUESTIONS AND ANSWERS

David James Beckel - *Xerox Holdings Corporation - VP & Head of IR*

(Operator Instructions) In the worst case, I can repeat the question. If you like Ananda, you can come on stage with us

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Ananda Prosad Baruah - *Loop Capital Markets LLC, Research Division - MD*

So yes, listen, thanks for all the great detail today, and thanks for doing this in person as well. So it's a cool experience. You picked a good day also with the weather. So I guess my question is on the potential for revenue growth long term post the 3-year outlook. And it's easy to look on this 3-year outlook slide. When you look at the weighting average of the revenue streams, why sort of the '23-'24 outlook is low to mid-single digits just based on the weighting. What's the potential over time to have the business be more like just kind of like a mid-single-digit grower, so you remove the low and just to be a mid. And then any additional context like that would be useful as well.

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

Xavier, do you want to take that?

Xavier Heiss - *Xerox Holdings Corporation - Executive VP & CFO*

Yes, yes. So I will take it, Ananda. So first of all, you saw the mix of revenue changing and you saw 2 big, I would say, drivers of the growth, CareAR and Innovation.

Okay? FITTLE will grow over time, but FITTLE is starting on a solid basis as of now. And you know that in this business, you are like in a tanker. I mean you need to have a lot of origination in order to drive it there. So what is the potential to move there when CareAR and when Innovation will drive and will achieve -- overachieve some of the ratios that we have here? We want -- I will be straight here, we want CareAR to be a $1 billion business. That's the vision. And when you say it is a vision here, you look with the foundation. We start with 70, you go through the math, 40 plus 40. You already come to a business which is close to 200 and more.

And then this business over time is a business that will expand on core. So there is a potential. You saw the size of the market, all the markets we are targeting have at least a double-digit TAM growth, which is planned there. So this is the reason why we feel we start with this journey. If you also get the one point we share today, roughly 25% of the revenue in 2024 will not be print -- what I call, print only, print means, I say, the device per the click, okay? There will be services that will be then the other engines that we described. It starts from today, 50. So this is also this mix of revenue that will drive the other variables.

Ananda Prosad Baruah - *Loop Capital Markets LLC, Research Division - MD*

That's super helpful. And just a quick one, can FITTLE -- how should we think about the long-term growth potential of FITTLE. It's low to mid-single now. Do you see it as a low to mid-single or has it evolved into stronger growth?

Xavier Heiss - *Xerox Holdings Corporation - Executive VP & CFO*

Yes, clearly. So you saw -- I will tell you, 1 year ago, you would have not seen some of the logos that were on this chart, okay? When Lexmark signed with us. When Office Depot is signing with us. When other blue tech companies are currently calling us and willing to develop this business there. Yes, there is clearly an opportunity here to grow. But don't forget, and this is an important thing to remind. The financing business is a business which is based on interest on fees that you get on the portfolio. The first thing you have to do is to grow this portfolio, to grow origination. And this is a little bit the point when I say I'm always asked, okay, why are you consuming free cash flow, Xavier. You need it's like drilling oil. You need to drill oil in order to get the oil and then get the profit coming in. This is what Nicole and the team are currently developing. And again, this concept of new business, not being any more an administrative process is very different.

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

Yes. The only thing I would add to what Xavier said is we stood up these businesses so that they can really stand on their own and be a substantial difference, not just in revenue and in growth but as a company on its own. So FITTLE knows it has to go after originations, knows it will require cash flow to go deliver the profits. You talked about CareAR where we're at stages now we're in a lot of pilots, and that's what gives us confidence with the CareARs and Steve alluded to it.

But we have a lot of clients that are in pilot mode. These new breakthrough technologies all start with pilots. The bridges are expanding in Victoria. But imagine now another country and then a couple of states that say we're going to start piloting this. Hence, that's the 2024 and on. And that's where we're seeing that this becomes a bigger, bigger part of it. I don't want to lose sight of print because I still think print will always be a player for us here. I do believe wrapping digital services and IT services around it will continue the growth of print. But I think that's where the market is going to -- where it's not just a product but it's really the whole workflow through it. So that's what gives us excitement on growth in the future.

David James Beckel - *Xerox Holdings Corporation - VP & Head of IR*

Let's take another question from the audience. We have Shannon down here in front.

Shannon Siemsen Cross - *Cross Research LLC - Co-Founder, Principal & Analyst*

Shannon Cross, Cross Research. So John, clearly, you're setting up separate businesses, and they're running on their own and reading the tea leaves, assuming you don't get credit for them as a consolidated business, I would assume you've looked for ways to monetize them, especially with some of the compensation changes you've made. What are the gating factors to doing that? What do you want to see from CareAR? What do you want to see from the ex -- sorry, FITTLE and some of the other businesses before you would look to separate them? Because clearly, like FITTLE, for instance, has a higher operating margin than the core business. So that would be margin dilutive, albeit could be valuable for shareholders. So what should we be looking for? And then I have a follow-up.

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

Yes. What I would say, and we could have others chime in on this is we're looking for each business to grow. Growing their industry and grow with the metrics that matter in their industry. So FITTLE is a great example where originations is key. The profitability is key in there. Revenue is key. Cash flow could be negative in a year given how much originations you get. And we're looking for them to grow. We're not planning the exit today. We don't plan an exit. An exit happens after the businesses have stabilized, grew. And frankly, the exit could be in many ways. It could be a joint venture. It could be a partnership. It can be a right-out sale. What makes sense for Xerox Group as we're looking at it. Eloque is a great example where we said, if we combine with Victoria and we create Eloque and we move forward with them, we can move a lot faster than moving alone. That's why we did what we did.

CareAR with ServiceNow having them put in an investment was really Phase 1 in saying, how could we move faster. So as we think of monetizing, there's a couple of questions. Yes, is it profitable for our shareholders? Does it make sense? But in some cases, also, can we go even faster than we're going today. And that becomes really key for us.

Shannon Siemsen Cross - *Cross Research LLC - Co-Founder, Principal & Analyst*

And Steve, in terms of CareAR, given the opportunity and with the valuation that you're putting forward for that business, it would seem like revenue should be growing faster, frankly.

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

You and I agree with each other, finally. Are you listening to that, Steve?

Shannon Siemsen Cross - *Cross Research LLC - Co-Founder, Principal & Analyst*

I mean like if you look at the valuation -- I mean, SNOW was obviously -- has a higher valuation. A lot of those too have been cut in half in the last few months. So I think we have to be cognizant of that.

But there are so many people who are looking at augmented reality and virtual reality. And yet there are so many barriers. I mean, Google has been doing it for a while. Apple is obviously looking at something. I mean even Pitney Bowes talked about it a few years ago. So I guess my question is, what do you think is going to actually take $70 million to $300 million where it becomes a company that maybe we can actually start to give inherent value within your stock.

Steven John Bandrowczak - *Xerox Holdings Corporation - President & COO*

Yes, that's why we went after a specific use cases and service experience. So this wasn't about augmented reality or virtual reality. We see that in the gaming world. We see that with Microsoft with the HoloLens. We see that with Google Glass. This is really an experience that takes augmented virtual reality along with content. Content is so critical and so differentiating along with insight. So when I go when we sit down with the largest customers in the world, we're not bringing them a glass.

We're not bringing them HoloLens, we're bringing them solutions that says, how do you go and change the customer experience. And oh yeah, by the way, we're doing it with our own customers and with our own field service technicians, right? We're very focused on the service experience. And you can see what IDC has written about us. You can see what's happening in that space. The differentiation is content and insight and really solving a specific issue around the service experience. So we're not trying to get into the gaming world when I'm trying to touch those other areas that have been struggling for a long time.

In fact, we got the Google Glasses of the world, we've got Lenovos of the world. We got ServiceNow of the world coming to us and saying, okay, how do we take this excitement around augmented and virtual reality and how can we create that use case? And it's really about the use case. Everything that I defined when I talked about that experience and I give it a totally different use case, it resonates very, very quickly. And that's what we're starting to get excited about is that use cases. But more importantly, we're now starting to see those POCs. We're seeing these proof of concepts, and we're now starting to see the outcomes of that, right?

So we'll see industry verticals, right? You think about large telcos, now having to deal with 5G towers, and I can use drones to go and think about how I service these towers. We're changing the service industry, we're changing and revolutionizing how you think about service. So this isn't about augmented and virtual reality. I get what you're saying. It has nothing to do with it. It's all about the service experience and driving and owning that moving forward, Shannon. And you're right, we think there's a big opportunity. We're being a little conservative about the adoption of how that will look, but it's a great opportunity in my opinion.

Shannon Siemsen Cross - *Cross Research LLC - Co-Founder, Principal & Analyst*

Just a clarification of the $70 million of revenue, how much of that is like an intercompany revenue?

Steven John Bandrowczak - *Xerox Holdings Corporation - President & COO*

None of it is intercompany, none of it -- this is all -- no, customer 1 is Xerox, it has nothing to do with intercompany revenue.

Shannon Siemsen Cross - *Cross Research LLC - Co-Founder, Principal & Analyst*

No Xerox products or services running through that?

Steven John Bandrowczak - *Xerox Holdings Corporation - President & COO*

This is all CareAR and a complete augmented set of services stack.

David James Beckel - *Xerox Holdings Corporation - VP & Head of IR*

Next question, we'll take, Jim.

James Dickey Suva - *Citigroup Inc., Research Division - MD & Research Analyst*

When you talked about the slide, it was #54 what's next with the strong pipeline of what's coming through PARC and you kind of put out Eloque and Elem. Just curious, I noticed like CareAR wasn't on there and a few others wasn't. Was that because they've already come out the pipeline, and this is just a small representation.

And then I guess the more interesting question is. Of the ones that are in the pipeline, which ones do you see in the next, call it, 6, 12, 18 months that are most optimistic and that you're most excited about that are getting close to coming to fruition.

Naresh K. Shanker - *Xerox Holdings Corporation - Senior VP, CTO & Head of Palo Alto Research Center*

So let me take that question. I'll let Steve talk about CareAR and the whole software business that's launched as a whole...

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

Let me just answer that one really simply. CareAR is launched. It's a stand-alone business. We're going to talk about it separately versus what's going on in PARC. So it wasn't omitted. It really was like just -- the same way we speak about FITTLE, while we're using technologies like AI that will bring forward into CareAR to help us with solutions, but it's really its own business now, and you'll be hearing about it on its own stand-alone business, just simply.

Naresh K. Shanker - *Xerox Holdings Corporation - Senior VP, CTO & Head of Palo Alto Research Center*

Yes. So I think the next set of businesses that I think is very promising is, frankly, all the expanded use cases in the energy sector, especially in battery technology. And so that's 1 area of focus that we think we have a tremendous amount of IP. And so we are excited about that space, and that's going to be interesting as we evaluate this space even further. The other aspects of what I'd say, green technology in that space, we think hydrogen pyrolysis is very interesting because if you can actually take methane and separate out carbon and pure hydrogen, you can start now very aggressively going after alternate fuels, okay, so -- to our battery technology, which is much more focused on EV.

So I think hydrogen is in an interesting space. I think the geospatial sensing space that we talked about, aquafarming. What we've discovered is that, that technology has uses not just expanded across oceans for a multitude of use cases, but even on land. And so what we are looking at is actually a lot of environmental conditions on land that can be monitored is actually going to be very interesting for us using the geospatial sensing technology as well.

So I'd say some of these key areas, we think, have expanded what we call use cases. And we're starting with an initial thesis, but we think there's tremendous opportunity across all of these use cases. But just these 3 areas of focus we think, has tremendous expanded adjacencies to every one of them. Because if you look at just the extent of what we're doing for bridges right now, you can expand it into roads and buildings very quickly as an adjacency and globally. It's a very, very big market.

And if you look at 3D, a whole range of opportunity in technologies of aluminum alloys, a whole range that can touch so many different industry verticals in an expanded way. But we think the current set of focus areas have very, very large adjacencies and expanded use cases. But energy and batteries is where we're going to focus.

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

So the way I would simplify it is the ones we showed you that are in incubation are the ones we believe can be there in 12 to 18 months. But they have to get through the hurdles. They have to get through the hurdles of where are we with the prototype. Is there someone out there that sees the same value we do. And that's the science. Right now, we're at science and how do we move it forward. And that's what we did with things like IoT and FiBridge, where we brought it to a point that says now we have a product that is available for pilot, and we're going to team up with Victoria government to have the expertise that they bring forward. And I encourage you all to, whether you're on stream or not, to listen to the innovation after this because they'll take you through it in detail how combining together makes us stronger and faster. So yes, what you're seeing right now in incubation is where we think the next bets are, but it could change. It could change if we can't get the science to where it needs to be.

David James Beckel - *Xerox Holdings Corporation - VP & Head of IR*

Next question down here. Erik?

Erik William Richard Woodring - *Morgan Stanley, Research Division - Research Associate*

Good morning, everyone. Thank you for the time and detail today. I guess maybe I'll just throw it out to the group here, but I believe you can gain access to the Asia markets in a little bit more than a year from now, but that wasn't necessarily called out in the 3-year plan. And so just curious, one, do you account for that in your forecast? And then two, if you do, what would be the potential offset theoretically? And then I have a follow-up.

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

Yes. I'll start it off. But what I would say is that in our 3-year plan, we're not looking a lot at the Asia markets, but we've always said that M&A is a play that we'll continue to look at. And if it's something -- if it follows the criteria of what we're looking for, we're not afraid to do an M&A that would help us with not only the Asia markets but you could see some of the offerings that like an Eloque that we have today, that there's no reason why we wouldn't be in the Asia markets having those discussions today. But it's not a big number in our plan.

Correct. That's how I would look at it.

Erik William Richard Woodring - *Morgan Stanley, Research Division - Research Associate*

And then maybe just help us get smarter on CareAR. $70 million of revenue, it's a $30 billion market. So who are the market leaders, why is CareAR positioned to compete in that market.

Steven John Bandrowczak - *Xerox Holdings Corporation - President & COO*

I think as I stated a little bit earlier, there are a lot of players that are in the assist space. So you're seeing a bunch of them. You saw that on a chart where they really help with assist with augmented reality, virtual reality. And that area, what's differentiating us from the pack is really bringing instruct and insight. And so when you think about insight, we took all the great AI technology out of PARC, and we've now brought that as part of the CareAR portfolio. We've taken the heritage of what we've been able to do with documents, with workflow, with the ability to be able to take content and serve it up. So we took DocuShare and XMPie, 2 assets that we had and put that together.

And so nobody out there today has the ability to provide content, insight as well as the whole instruct period. And so that bundle is what we're seeing is differentiation. We went into a lot of customers and specifically telecom customers where they've been using AR capabilities for a long time and haven't made the progress. Like what's the difference between that and FaceTime? Well, the difference is you don't have Instruct and you don't have Insight. And so when we go into customers now, we say, you've got all this IoT data. You've got all these ServiceNow tickets. You've got all this tremendous data. Oh yeah, by the way, you've got all this content, whether it's PDF content, video content, your Instruct content.

We now put that all together in a single platform, and we create a service experience. And that is what the differentiation is for us. We've taken assets that we've had, and we've built a service platform and really focused on the service experience. Nobody else in the industry has it today at all. And that's where we're going to continue to drive. We did a couple of acquisitions, you may have seen, really to continue to accelerate that whole content experience. We've got -- and we went into a very large pharmaceutical where they had a point-of-sale solution. And the biggest problem with the retail store was that thing was breaking down all the time and they couldn't keep their people in the stores up to speed on how to change the money, how to change the paper. And we said, with our CareAR solution, you don't have to worry about the turnover because we'll use the digital native CareAR solution. Day 1, when I'm on the job, I'll use CareAR to go solve their problem. Think about that.

Point-of-sale in a large pharmacy, now I can do that in other companies like oh, say, Lowes, say, Home Depot, Walmart, anybody who's got a point-of-sale solution. And so what we're doing is we're running into these use cases and very rapidly expanding into other areas and other capabilities. But the difference is all around instructed insight.

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

Yes, right. The way I would categorize it is what we're doing is what we -- what ERP happened years ago. When people were selling accounts payable or Galper and somebody was selling some managed inventory and then someone named Bond showed up or someone at SAP and so I'm putting it all together for you with technology. And that's what we're doing. That's what excites the Verizons and others that we're working with, it's like, okay, this is different. You're making this a lot easier for us and you're end-to-end and you're combining your technology, your AI in this. It's worth pilots. And that's why we get excited is we're getting pilots in all these different use cases. So while it is a $30 billion going to $80 billion, we're focused on saying, get the pilots in, get the proof points, get the industry and then let's watch and go.

Erik William Richard Woodring - *Morgan Stanley, Research Division - Research Associate*

Sorry, I'm just going to ask 1 clarification question on FITTLE, and that was XFS was, call it, $200-and-change million of revenue. FITTLE is $650 million. So can you just bridge the gap on..

Xavier Heiss - *Xerox Holdings Corporation - Executive VP & CFO*

Yes, it's very simple. So what you have, the $200 million is mainly what we call interest income. But you know with that the leasing business, financing business it's not only interest income. There's plenty of fees coming on top of this plus also, you have operating lease that are taken into account. For us and others here. So that's the difference, the bridge between what you will see as a $200 million and $650 million that we have today.

David James Beckel - *Xerox Holdings Corporation - VP & Head of IR*

Before we get to more from the audience, we're getting a lot online here. I'll try to aggregate these as best I can. So I think this is for Xavier.

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

For those of you we don't get to online or all that, we will either send you answers or we'll call you, whichever one is more amenable to you.

David James Beckel - *Xerox Holdings Corporation - VP & Head of IR*

Absolutely. So one for Xavier here around page volumes. Why are we expecting -- why are we only expecting page volumes to get to 80%? And what type of upside could that mean for our business if we were to exceed that.

Xavier Heiss - *Xerox Holdings Corporation - Executive VP & CFO*

Okay. That's a great question. This is the frequently asked question, I would say, to the print business company here. Number one, our business, 75% of the print business is mainly made out of recurring business. Volume is one of the key components. But this is -- when you look at this business here, only 25% in transactional, around 75% of this is committed contracted for 4, 5 years or more. This is one of the reasons we want to flag again that print business, number one, is not dead. You saw the market. Number two, predictable, stable generates free cash flow, point number one. Number two, the print volume assumption are clearly correlated to will the worker be back to the office. I want to demystify a little bit some of the data we are hearing. Number one, you saw the chart Tracey showed, strong correlation between vaccination rate in country, people returning to the office, so Google Mobility Index on page volume.

Number two, if someone is going to the office only 3 days, and in some cases, 2 days a week, do they print more or less than before? We will give you our statistical data. We see that the print volumes are roughly the same as if they would be 5 days in the office.

I will give you also not the anecdotal data, but the testimony of customers are telling us, hey, this is what we observe. And this is interesting to see, Mary McHugh will confirm this here. Currently with COVID-19, the pandemic moving to endemic, we are receiving more and more calls from customers saying, "Hey, I want you Xerox to be ready when my employees will be back to the office. So this is happening. We are seeing a trend. I share with you every quarter the trend of what we see in page volume. Last data point, just to reiterate. 1% of page volume increase versus, let's call that -- I won't call it conservative, but the assumption that we have in the number that we share, which is around 80% of 2019, 1% of page volume increase equal to roughly $40 million revenue and this $40 million revenue because it is high margin, which translates in a 20 bps margin expansion. So when you look at our trend here, what we plan with the recovery during the second half of this year then a slight improvement in 2023 and 2024. You could also consider that there are potential upside based on the behavior we are observing currently.

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

And just to simplify, we picked 80%. Some will tell us it's conservative. Some will tell us it's aggressive. But us as an organization when we looked at it and said, let's go with 80% over the 3 years and wouldn't we all like to be surprised and make it 95%. And we know what the numbers are for every percent that goes up. But again, we're managing what we could control. We just lived 2 years of offices shutting down and expecting offices to open up 2 months later. We're all home for 30 days. Remember that trick that we all got there. We're all home for 30 days, guys. We're 2 years later and you know there's things going on. So for us to say to you, hey, we're going to model 95% or 100% back in 2 years, I hope so. But we'd rather model something that we believe. If it happens worst case, we know what we could hit as numbers going forward because we look at that modeling that also helps us saying how much can we invest? How much cash can we put back in innovation? How much cash can we put back in CareAR and in other areas that we want to invest in.

So to us, we're pulling the whole string we're saying, let's go with a model that we know cannot disrupt everything else that we're trying to do. That's how we did that.

David James Beckel - *Xerox Holdings Corporation - VP & Head of IR*

Great. I think we'll do a couple more questions. One other one from online. Touching on print. Maybe Tracey or Joanne, if you want to chime in on this one. It gets to the heart of the breadth of our offerings that we presented as part of the competitive advantage. The question here is really around how much of a competitive advantage is that in the marketplace relative to some of our peers and what type of upside can we see from additional cross-selling.

Tracey Koziol - *Xerox Holdings Corporation - SVP of Global Offerings*

Look, we've got some formidable competitors out there, and they've all got strong elements in certain places. But I think as I covered, I do believe that we have the greatest in terms of end-to-end solutions.

So it's not just about the technology, and it's not just about managed print service, but it's around how we help the customers in terms of that digital journey. And there are certain elements that we excel at, right? So security, absolutely a leader. You've got to have that. But this extension of being able to have wonderful applications to help you with workflow, nobody else has that. Workflow Central, please take the time just go and have a look at how easy it is, I think it could help many of you in your very busy day-to-day lives. The competition had that. So we're always trying to keep ahead, listening to the customers, observing their problems. And we provide a full end-to-end solution. I think that's where we differentiate and we are keeping ahead.

Joanne Collins Smee - *Xerox Holdings Corporation - Chief Commercial, SMB & Channels Officer*

And I add to that. So our competitors, the traditional print OEMs don't have what we have related to our IT services. So that expansion of -- we love the Xerox product, we love the Xerox service. And what else can you do for me? We are seeing that really resonate with our clients where we're taking basically the rest of their technology needs. And we use great OEM partners for that like Lenovo and Dell and Cisco. But we're seeing the expansion from our traditional print clients into our IT services business.

David James Beckel - *Xerox Holdings Corporation - VP & Head of IR*

Excellent. We're going to do one more question. You have your hand raised.

Unidentified Analyst

I just have 2 questions. One around IT services. So Conic been on IT services that were all covered for 10 years. They're still losing money on it, right? You have Rico that went out and bought Best Buys, they're losing money in it. Why do you folks think that you can do it differently when there's so many MSPs out there that are proven?

Joanne Collins Smee - *Xerox Holdings Corporation - Chief Commercial, SMB & Channels Officer*

Let's just talk about what I know we are doing and why we're so confident. We started slowly. I mentioned we started -- we're just focused on SMB, okay? That's the sweet spot for IT services for us. So we started slowly. There were a couple of our teams around the country that were doing this, and it was, we realized, a great business. When I went around, when our executive team went around, it was -- there was a tremendous synergy in terms of an SMB client and what we could bring to bear. So we started slowly, and we're using our XBS team to actually grow that business. So lots of training and capabilities, again, across that whole team. We acquired 2 firms. We are incredibly disciplined, our M&A team about what we acquire. So I would come with the 100 options and it would get winnowed down to no to all of them, but we recently acquired 2 great firms, C2 in Vermont that is high services and Powerland up in Canada.

So we are going slow, but we know where we're going, and we're -- it's resonating with our clients.

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

And having run an IT services business, you can get in real trouble real quick when you try to do everything for everybody. And one thing we put in place immediately when we decided that we were going to expand what we had, is we put something called an SDC OE, so solution design center of excellence, which means we're not going to take -- we're not going to be selling IT services for the sake of just getting revenue. What we've always -- we've always had a mantra in services is that you don't celebrate the signing, you celebrate the install, and we're profitable already today. So what Joanne is saying when we're looking at companies, we're looking at add-ons and all that, it doesn't matter the size that you add on. What matters is how does it fit into our solution design centers? Can we deliver what we say we can and can we replicate it over and over and over.

Unidentified Analyst

Great. Just one other follow-up. Just -- so how are you guys marketing yourselves? Because part of what I see is what's the company identity, right? I love that you're getting into new things. I used to work at Xerox, it's great. right? But the reality of it is, how do you get that message out, CareAR, FITTLE, all of the other places, right? 3D, right? I'm working with your 3D people down in North Carolina. The reality of it is, I think it's great. But I don't think anyone knows about it. I don't mean it as disrespect. I'm just I saying think Xerox has always what Xerox is.

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

Yes. And I don't think we want to ever apologize for who we are as Xerox because Xerox has been innovating for 50 years. And we've come up with some inventions that just revolutionized the world. What we didn't do is monetize it. So when we say, hey, we're working look, FITTLE -- I'll put FITTLE aside because that's more understandable. But when we're talking about getting into CareAR or some of the PARC innovations that we will commercialize ourselves, it's really up to us to earn the right. And the way to earn the right, it's not just advertising and marketing. And let me tell you how great we are. What we've always said is that we will start with disrupting the industry, getting the proof points because everybody, the first question we get, or at least, I get is, okay, you're in this augmented reality, what proof points do you have?

Well, ServiceNow is a proof point. Having clients like Verizon and others, very large clients saying, we're going to pilot. Those are all proof points. And over time, what you see is you're going to see more marketing, and marketing directed to CareAR.

But what at least we direct the teams to is direct it with proof points, with case studies because at the end of the day, that's what clients care about. You saw IDC, you saw other charts there where we get ranked, whether it's CareAR or all that, CIOs read that. We know that. So that's important to us to get in it. Are we going to do a commercial on the Super Bowl? Probably not. And no disrespect to the Super Bowl, but probably not. Because at the end of the day, the question we ask ourselves is, how does it move the ball forward for our clients and for us. So yes, I've been in here 3.5 years and the first thing I said when I walked in here is Xerox is the best kept secret. Everybody knows we Xerox things but it's the best kept secret. It's incredible the amount of innovation. But it's on us, on us as a management team to make sure that we bring it from imagination to proven all the way to commercialization. That's what we were showing you today 3 years later saying, here's where we are at the dance.

David James Beckel - *Xerox Holdings Corporation - VP & Head of IR*

Great. Well on that note, we will conclude Q&A. Thank you for our presenters and all the great questions from the audience.

Well, in a few minutes, we'll begin our innovation showcase which is a great setup for everyone, virtual and in person. For those that are here in person, we invite you to follow us through the cafe and around the corner to our innovation booths over here. For those that are online, please follow the prompts on your screen to join virtually. Thank you very much. Thank you very much.
