# Non-GAAP Financial Measures

## Q4 2023 Results

January 25, 2024

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# Non-GAAP Financial Measures

We have reported our financial results in accordance with generally accepted accounting principles (GAAP). In addition, we have discussed our financial results using the non-GAAP measures described below. We believe these non-GAAP measures allow investors to better understand the trends in our business and to better understand and compare our results. Management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. Compensation of our executives is based in part on the performance of our business based on these non-GAAP measures. Accordingly, we believe it is necessary to adjust several reported amounts, determined in accordance with GAAP, to exclude the effects of certain items as well as their related income tax effects.

However, these non-GAAP financial measures should be viewed in addition to, and not as a substitute for, the Company's reported results prepared in accordance with GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with our Condensed Consolidated Financial Statements prepared in accordance with GAAP.

Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are set forth below.

Adjusted Earnings Measures
• Adjusted Net Income (Loss) and Earnings per share (EPS)
• Adjusted Effective Tax Rate

The above measures were adjusted for the following items:

- Restructuring and related costs, net: Restructuring and related costs, net include restructuring and asset impairment charges as well as costs associated with our transformation programs beyond those normally included in restructuring and asset impairment charges. Restructuring consists of costs primarily related to severance and benefits paid to employees pursuant to formal restructuring and workforce reduction plans. Asset impairment includes costs incurred for those assets sold, abandoned or made obsolete as a result of our restructuring actions, exiting from a business or other strategic business changes. Additional costs for our transformation programs are primarily related to the implementation of strategic actions and initiatives and include third-party professional service costs as well as one-time incremental costs. All of these costs can vary significantly in terms of amount and frequency based on the nature of the actions as well as the changing needs of the business. Accordingly, due to that significant variability, we will exclude these charges since we do not believe they provide meaningful insight into our current or past operating performance nor do we believe they are reflective of our expected future operating expenses as such charges are expected to yield future benefits and savings with respect to our operational performance.

- Amortization of intangible assets: The amortization of intangible assets is driven by our acquisition activity which can vary in size, nature and timing as compared to other companies within our industry and from period to period. The use of intangible assets contributed to our revenues earned during the periods presented and will contribute to our future period revenues as well. Amortization of intangible assets will recur in future periods

- Non-service retirement-related costs: Our defined benefit pension and retiree health costs include several elements impacted by changes in plan assets and obligations that are primarily driven by changes in the debt and equity markets as well as those that are predominantly legacy in nature and related to employees who are no longer providing current service to the Company (e.g. retirees and ex-employees). These elements include (i) interest cost, (ii) expected return on plan assets, (iii) amortization of prior plan amendments, (iv) amortized actuarial gains/losses and (v) the impacts of any plan settlements/curtailments. Accordingly, we consider these elements of our periodic retirement plan costs to be outside the operational performance of the business or legacy costs and not necessarily indicative of current or future cash flow requirements. This approach is consistent with the classification of these costs as non-operating in Other expenses, net. Adjusted earnings will continue to include the service cost elements of our retirement costs, which is related to current employee service as well as the cost of our defined contribution plans.

- Discrete, unusual or infrequent items: We exclude these item(s), when applicable, given their discrete, unusual or infrequent nature and their impact on the comparability of our results for the period to prior periods and future expected trends.

  - Goodwill Impairment
  - PARC donation
  - Contract termination costs – product supply
  - Accelerated share vesting - stock compensation expense associated with the accelerated vesting of all outstanding equity awards, according to the terms of the award agreement, in connection with the passing of Xerox Holdings Corporation's former CEO.
  - Loss on early extinguishment of debt
  - Tax Indemnification – Conduent

# Non-GAAP Financial Measures

<u>Adjusted Operating Income (Loss) and Margin</u>
We calculate and utilize adjusted operating income (loss) and margin measures by adjusting our reported pre-tax income (loss) and margin amounts. In addition to the costs and expenses noted as adjustments for our adjusted earnings measures, adjusted operating income (loss) and margin also exclude the remaining amounts included in Other expenses, net, which are primarily non-financing interest expense and certain other non-operating costs and expenses. We exclude these amounts in order to evaluate our current and past operating performance and to better understand the expected future trends in our business.

A reconciliation of the estimated adjusted operating income expected to be delivered by the Reinvention to the closest GAAP financial measure, pre-tax income, is not provided because pre-tax income for those periods is not available without unreasonable effort, in part because the amount of estimated restructuring and other incremental costs related to the Reinvention is not available at this time.

<u>Constant Currency (CC)</u>
To better understand trends in our business, we believe that it is helpful to adjust revenue to exclude the impact of changes in the translation of foreign currencies into U.S. dollars. We refer to this adjusted revenue as “constant currency.” This impact is calculated by translating current period activity in local currency using the comparable prior year period's currency translation rate. This impact is calculated for all countries where the functional currency is not the U.S. dollar. Management believes the constant currency measure provides investors an additional perspective on revenue trends. Currency impact can be determined as the difference between actual growth rates and constant currency growth rates.

<u>Free Cash Flow</u>
To better understand trends in our business, we believe that it is helpful to adjust operating cash flows by subtracting amounts related to capital expenditures. Management believes this measure gives investors an additional perspective on cash flow from operating activities in excess of amounts required for reinvestment. It provides a measure of our ability to fund acquisitions, dividends and share repurchase.


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# Adjusted Net (Loss) Income and EPS Reconciliation

| (in millions, except per share amounts) | Q1-22 Net Loss | Q1-22 EPS | Q2-22 Net (Loss) Income | Q2-22 EPS | Q3-22 Net (Loss) Income | Q3-22 EPS | Q4-22 Net Income | Q4-22 EPS | Year Ended December 31, 2022 Net (Loss) Income | Year Ended December 31, 2022 EPS |
|---|---|---|---|---|---|---|---|---|---|---|
| **Reported** [1] | $ (56) | $ (0.38) | $ (4) | $ (0.05) | $ (383) | $ (2.48) | $ 121 | $ 0.74 | $ (322) | $ (2.15) |
| Goodwill Impairment | - | | - | | 412 | | - | | 412 | |
| Restructuring and related costs, net | 18 | | 1 | | 22 | | 24 | | 65 | |
| Amortization of intangible assets | 11 | | 10 | | 10 | | 11 | | 42 | |
| Non-service retirement-related costs | (7) | | (4) | | (7) | | 6 | | (12) | |
| Accelerated Share Vesting | - | | 21 | | - | | - | | 21 | |
| Loss on early extinguishment of debt | - | | 4 | | - | | 1 | | 5 | |
| Contract termination costs - product supply | 33 | | - | | - | | - | | 33 | |
| Income tax on adjustments [2] | (13) | | (4) | | (21) | | (17) | | (55) | |
| **Adjusted** | $ (14) | $ (0.12) | $ 24 | $ 0.13 | $ 33 | $ 0.19 | $ 146 | $ 0.89 | $ 189 | $ 1.12 |
| Dividends on preferred stock used in adjusted EPS calculation [3] | | $ 4 | | $ 3 | | $ 4 | | $ - | | $ 14 |
| Weighted average shares for adjusted EPS [3] | | 156 | | 156 | | 157 | | 165 | | 157 |

[1] *Net (Loss) Income and EPS.*

[2] *Refer to Adjusted Effective Tax Rate Reconciliation.*

[3] *For those periods that include the preferred stock dividend the average shares for the calculations of diluted EPS exclude 7 million shares associated with our Series A convertible preferred stock, as applicable.*

| (in millions, except per share amounts) | Q1-23 Net Income | Q1-23 EPS | Q2-23 Net (Loss) Income | Q2-23 EPS | Q3-23 Net Income | Q3-23 EPS | Q4-23 Net Income | Q4-23 EPS | Year Ended December 31, 2023 Net (Loss) Income | Year Ended December 31, 2023 EPS |
|---|---|---|---|---|---|---|---|---|---|---|
| **Reported** [1] | $ 71 | $ 0.43 | $ (61) | $ (0.41) | $ 49 | $ 0.28 | $ (58) | $ (0.50) | $ 1 | $ (0.09) |
| PARC donation | - | | 132 | | - | | - | | 132 | |
| Restructuring and related costs, net | 2 | | 23 | | 10 | | 132 | | 167 | |
| Amortization of intangible assets | 11 | | 10 | | 12 | | 10 | | 43 | |
| Non-service retirement-related costs | (1) | | 11 | | 4 | | 5 | | 19 | |
| Tax indemnification - Conduent | - | | - | | (7) | | - | | (7) | |
| Loss on early extinguishment of debt | - | | 3 | | - | | 7 | | 10 | |
| PARC donation income tax [2] | - | | (40) | | - | | - | | (40) | |
| Income tax on adjustments [2] | (1) | | (6) | | 9 | | (40) | | (38) | |
| **Adjusted** | $ 82 | $ 0.49 | $ 72 | $ 0.44 | $ 77 | $ 0.46 | $ 56 | $ 0.43 | $ 287 | $ 1.82 |
| Dividends on preferred stock used in adjusted EPS calculation [3] | | $ 4 | | $ 3 | | $ 4 | | $ 3 | | $ 14 |
| Weighted average shares for adjusted EPS [3] | | 158 | | 158 | | 159 | | 125 | | 151 |

[1] *Net Income (Loss) and EPS.*

[2] *Refer to Adjusted Effective Tax Rate Reconciliation.*

[3] *For those periods that include the preferred stock dividend the average shares for the calculations of diluted EPS exclude 7 million shares associated with our Series A convertible preferred stock, as applicable.*

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# Adjusted Effective Tax Rate Reconciliation

| (in millions) | Q4-23 Pre-Tax (Loss) Income | Q4-23 Income Tax (Benefit) Expense | Q4-23 Effective Tax Rate | Q4-22 Pre-Tax Income | Q4-22 Income Tax Expense | Q4-22 Effective Tax Rate | Year Ended December 31, 2023 Pre-Tax (Loss) Income | Year Ended December 31, 2023 Income Tax (Benefit) Expense | Year Ended December 31, 2023 Effective Tax Rate | Year Ended December 31, 2022 Pre-Tax (Loss) Income | Year Ended December 31, 2022 Income Tax (Benefit) Expense | Year Ended December 31, 2022 Effective Tax Rate |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Reported**[(1)] | $ (88) | $ (30) | 34.1% | $ 145 | $ 24 | 16.6% | $ (28) | $ (29) | 103.6% | $ (325) | $ (3) | 0.9% |
| PARC Donation | - | - | | - | - | | 132 | 40 | | - | - | |
| Goodwill Impairment | - | - | | - | - | | - | - | | 412 | 17 | |
| Non-GAAP Adjustments[(2)] | 154 | 40 | | 42 | 17 | | 232 | 38 | | 154 | 38 | |
| **Adjusted** [(3)] | $ 66 | $ 10 | 15.2% | $ 187 | $ 41 | 21.9% | $ 336 | $ 49 | 14.6% | $ 241 | $ 52 | 21.6% |

(1) *Pre-Tax (Loss) Income and Income Tax (benefit) expense.*

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

(3) *The tax impact on the Adjusted Pre-Tax Income' is calculated under the same accounting principles applied to the Reported Pre-Tax (Loss) Income under ASC 740, which employs an annual effective tax rate method to the results.*

# Adjusted Operating (Loss) Income and Margin Reconciliation

| | Q1-22 | | | Q2-22 | | | Q3-22 | | | Q4-22 | | | Year Ended December 31, 2022 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (in millions) | (Loss) Profit | Revenue | Margin | (Loss) Profit | Revenue | Margin | (Loss) Profit | Revenue | Margin | Profit | Revenue | Margin | (Loss) Profit | Revenue | Margin |
| **Reported** [1] | $ (56) | $ 1,668 | | $ (4) | $ 1,747 | | $ (383) | $ 1,751 | | $ 121 | $ 1,941 | | $ (322) | $ 7,107 | |
| Income tax (benefit) expense | (31) | | | 1 | | | 3 | | | 24 | | | (3) | | |
| Pre-tax (loss) income | $ (87) | $ 1,668 | (5.2%) | $ (3) | $ 1,747 | (0.2%) | $ (380) | $ 1,751 | (21.7%) | $ 145 | $ 1,941 | 7.5% | $ (325) | $ 7,107 | (4.6%) |
| **Adjustments:** | | | | | | | | | | | | | | | |
| Goodwill impairment | - | | | - | | | 412 | | | - | | | 412 | | |
| Restructuring and related costs, net | 18 | | | 1 | | | 22 | | | 24 | | | 65 | | |
| Amortization of intangible assets | 11 | | | 10 | | | 10 | | | 11 | | | 42 | | |
| Accelerated Share Vesting | - | | | 21 | | | - | | | - | | | 21 | | |
| Other expenses, net | 55 | | | 6 | | | 1 | | | (2) | | | 60 | | |
| **Adjusted** | $ (3) | $ 1,668 | (0.2%) | $ 35 | $ 1,747 | 2.0% | $ 65 | $ 1,751 | 3.7% | $ 178 | $ 1,941 | 9.2% | $ 275 | $ 7,107 | 3.9% |

[1] *Pre-Tax (Loss) Income.*

| | Q1-23 | | | Q2-23 | | | Q3-23 | | | Q4-23 | | | Year Ended December 31, 2023 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (in millions) | Profit | Revenue | Margin | (Loss) Profit | Revenue | Margin | Profit | Revenue | Margin | Profit | Revenue | Margin | (Loss) Profit | Revenue | Margin |
| **Reported** [1] | $ 71 | $ 1,715 | | $ (61) | $ 1,754 | | $ 49 | $ 1,652 | | $ (58) | $ 1,765 | | $ 1 | $ 6,886 | |
| Income tax (benefit) expense | 14 | | | (28) | | | 15 | | | (30) | | | (29) | | |
| Pre-tax (loss) income | $ 85 | $ 1,715 | 5.0% | $ (89) | $ 1,754 | (5.1%) | $ 64 | $ 1,652 | 3.9% | $ (88) | $ 1,765 | (5.0%) | $ (28) | $ 6,886 | (0.4%) |
| **Adjustments:** | | | | | | | | | | | | | | | |
| Restructuring and related costs, net | 2 | | | 23 | | | 10 | | | 132 | | | 167 | | |
| Amortization of intangible assets | 11 | | | 10 | | | 12 | | | 10 | | | 43 | | |
| PARC donation | - | | | 132 | | | - | | | - | | | 132 | | |
| Other expenses, net | 20 | | | 31 | | | (18) | | | 42 | | | 75 | | |
| **Adjusted** | $ 118 | $ 1,715 | 6.9% | $ 107 | $ 1,754 | 6.1% | $ 68 | $ 1,652 | 4.1% | $ 96 | $ 1,765 | 5.4% | $ 389 | $ 6,886 | 5.6% |

[1] *Pre-Tax Income (Loss).*

# Adjusted EBITDA and Margin Reconciliation

| (in millions) | Q1-22 (Loss) Profit | Q1-22 Revenue | Q1-22 Margin | Q2-22 (Loss) Profit | Q2-22 Revenue | Q2-22 Margin | Q3-22 (Loss) Profit | Q3-22 Revenue | Q3-22 Margin | Q4-22 Profit | Q4-22 Revenue | Q4-22 Margin | Year Ended December 31, 2022 (Loss) Profit | Year Ended December 31, 2022 Revenue | Year Ended December 31, 2022 Margin |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Reported** [1] | $ (56) | $ 1,668 | | $ (4) | $ 1,747 | | $ (383) | $ 1,751 | | $ 121 | $ 1,941 | | $ (322) | $ 7,107 | |
| **Adjustments:** | | | | | | | | | | | | | | | |
| Other expenses, net [2] | 55 | | | 6 | | | 1 | | | (2) | | | 60 | | |
| Income tax (benefit) expense | (31) | | | 1 | | | 3 | | | 24 | | | (3) | | |
| Depreciation and amortization [3] | 72 | | | 68 | | | 65 | | | 65 | | | 270 | | |
| Goodwill impairment | - | | | - | | | 412 | | | - | | | 412 | | |
| **EBITDA** [4] [6] | $ 40 | $ 1,668 | 2.4% | $ 71 | $ 1,747 | 4.1% | $ 98 | $ 1,751 | 5.6% | $ 208 | $ 1,941 | 10.7% | $ 417 | $ 7,107 | 5.9% |
| **Adjustments:** | | | | | | | | | | | | | | | |
| Stock-based compensation | 15 | | | 35 | | | 13 | | | 12 | | | 75 | | |
| Restructuring and related costs, net [5] | 18 | | | 1 | | | 22 | | | 24 | | | 65 | | |
| **Adjusted EBITDA** [6] | $ 73 | $ 1,668 | 4.4% | $ 107 | $ 1,747 | 6.1% | $ 133 | $ 1,751 | 7.6% | $ 244 | $ 1,941 | 12.6% | $ 557 | $ 7,107 | 7.8% |

*[1] Net (Loss) Income*
*[2] Other expenses, net, primarily includes non-financing interest expense and certain other non-operating costs, expenses, gains and losses.*
*[3] Excludes amortization of customer contract costs*
*[4] EBITDA includes Financing Revenues and Cost of financing, for all periods presented as these amounts are associated with our FITTLE segment.*
*[5] Restructuring and related costs, net include restructuring and asset impairment charges as well as costs associated with our transformation programs beyond those normally included in restructuring and asset impairment charges.*
*[6] EBITDA & Adj. EBITDA included above are internal measures used by Management to assess performance. The amounts and related calculation are different than consolidated EBITDA determined as part of our Credit Facility financial maintenance covenants.*

| (in millions) | Q1-23 Profit | Q1-23 Revenue | Q1-23 Margin | Q2-23 (Loss) Profit | Q2-23 Revenue | Q2-23 Margin | Q3-23 Profit | Q3-23 Revenue | Q3-23 Margin | Q4-23 (Loss) Profit | Q4-23 Revenue | Q4-23 Margin | Year Ended December 31, 2023 Profit | Year Ended December 31, 2023 Revenue | Year Ended December 31, 2023 Margin |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Reported** [1] | $ 71 | $ 1,715 | | $ (61) | $ 1,754 | | $ 49 | $ 1,652 | | $ (58) | $ 1,765 | | $ 1 | $ 6,886 | |
| **Adjustments:** | | | | | | | | | | | | | | | |
| Other expenses, net [2] | 20 | | | 31 | | | (18) | | | 42 | | | 75 | | |
| Income tax (benefit) expense | 14 | | | (28) | | | 15 | | | (30) | | | (29) | | |
| Depreciation and amortization [3] | 64 | | | 62 | | | 63 | | | 62 | | | 251 | | |
| **EBITDA** [4] [6] | $ 169 | $ 1,715 | 9.9% | $ 4 | $ 1,754 | 0.2% | $ 109 | $ 1,652 | 6.6% | $ 16 | $ 1,765 | 0.9% | $ 298 | $ 6,886 | 4.3% |
| **Adjustments:** | | | | | | | | | | | | | | | |
| Stock-based compensation | 14 | | | 14 | | | 12 | | | 14 | | | 54 | | |
| Restructuring and related costs, net [5] | 2 | | | 23 | | | 10 | | | 132 | | | 167 | | |
| PARC donation | - | | | 132 | | | - | | | - | | | 132 | | |
| **Adjusted EBITDA** [6] | $ 185 | $ 1,715 | 10.8% | $ 173 | $ 1,754 | 9.9% | $ 131 | $ 1,652 | 7.9% | $ 162 | $ 1,765 | 9.2% | $ 651 | $ 6,886 | 9.5% |

*[1] Net (Loss) Income*
*[2] Other expenses, net, primarily includes non-financing interest expense and certain other non-operating costs, expenses, gains and losses.*
*[3] Excludes amortization of customer contract costs*
*[4] EBITDA includes Financing Revenues and Cost of financing, for all periods presented as these amounts are associated with our FITTLE segment.*
*[5] Restructuring and related costs, net include restructuring and asset impairment charges as well as costs associated with our transformation programs beyond those normally included in restructuring and asset impairment charges.*
*[6] EBITDA & Adj. EBITDA included above are internal measures used by Management to assess performance. The amounts and related calculation are different than consolidated EBITDA determined as part of our Credit Facility financial maintenance covenants.*

# Free Cash Flow Reconciliation

| (in millions) | Q1-22 | Q2-22 | Q3-22 | Q4-22 | Year Ended December 31, 2022 | Q1-23 | Q2-23 | Q3-23 | Q4-23 | Year Ended December 31, 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Reported**[(1)] | $66 | ($85) | ($8) | $186 | $159 | $78 | $95 | $124 | $389 | $686 |
| Less: capital expenditures | 16 | 13 | 10 | 18 | 57 | 8 | 7 | 12 | 10 | 37 |
| **Free Cash Flow** | $50 | ($98) | ($18) | $168 | $102 | $70 | $88 | $112 | $379 | $649 |
| Add: one-time contract termination charge - product supply | - | 41 | - | - | 41 | - | - | - | - | - |
| **Free Cash Flow - Adjusted** | $50 | ($57) | ($18) | $168 | $143 | $70 | $88 | $112 | $379 | $649 |

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

# Other Expenses, net Reconciliation

| (in millions) | Three Months Ended December 31, 2023 | Three Months Ended December 31, 2022 | Year Ended December 31, 2023 | Year Ended December 31, 2022 |
|---|---|---|---|---|
| **Reported** | $ 42 | $ (2) | $ 75 | $ 60 |
| Less: non-service retirement-related costs | 5 | 6 | 19 | (12) |
| **Adjusted** | $ 37 | $ (8) | $ 56 | $ 72 |



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# Adjusted Operating Income and Margin – Guidance

| | FY 2024 | | |
|---|---|---|---|
| (in millions) | Profit | Revenue (CC) [2, 3] | Margin |
| **Estimated** [1] | ~$335 | ~$6,610 | ~5.1% |
| **Adjustments:** | | | |
| Restructuring and related costs, net | 40 | | |
| Amortization of intangible assets | 40 | | |
| Other expenses, net | 85 | | |
| **Adjusted** [4] | ~$500 | ~$6,610 | At least 7.5% |

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*(1) Pre-tax income and revenue.*

*(2) Full-year revenue is estimated to decline 3% to 5% in constant currency. Revenue of $6.6 billion reflects the midpoint of the guidance range.*

*(3) See "Constant Currency" in the Non-GAAP Financial Measures section for a description of constant currency.*

*(4) Adjusted pre-tax income reflects the mid-point of the adjusted operating margin guidance range.*

# Free Cash Flow – Guidance

| (in millions) | FY 2024 |
|---|---|
| **Operating Cash Flow[1]** | At least $650 |
| Less: capital expenditures | 50 |
| **Free Cash Flow** | At least $600 |

*[1] Net cash provided by operating activities.*