

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): July 25, 2023



XEROX HOLDINGS CORPORATION
XEROX CORPORATION

(Exact Name of Registrant as specified in its charter)

New York
New York
(State or other jurisdiction of incorporation or
organization)

001-39013
001-04471
(Commission File Number)

83-3933743
16-0468020
(IRS Employer
Identification No.)

201 Merritt 7
Norwalk, Connecticut
06851-1056
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (203) 849-5216

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|--|----------------|---|
| Xerox Holdings Corporation Common Stock, \$1 par value | XRX | Nasdaq Global Select Market |

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the Registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Xerox Holdings Corporation

Xerox Corporation

Emerging growth company

Emerging growth company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Xerox Holdings Corporation

Xerox Corporation

Item 2.02. Results of Operations and Financial Condition.

On July 25, 2023, Xerox Holdings Corporation and Xerox Corporation (together, the "Registrants") issued a press release announcing their combined second quarter 2023 earnings. A copy of the press release is furnished herewith as Exhibit 99.1 and incorporated herein by reference.

Exhibit 99.1 to this current Report contains certain financial measures that are considered "non-GAAP financial measures" as defined in the SEC rules. Exhibit 99.1 to this current Report also contains the reconciliation of these non-GAAP financial measures to their most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles, as well as the reasons why Registrants' management believes that presentation of the non-GAAP financial measures provides useful information to investors regarding Registrants' results of operations and, to the extent material, a statement disclosing any other additional purposes for which Registrants' management uses the non-GAAP financial measures.

The information contained in Item 2.02 of this Current Report and in Exhibit 99.1 hereto is being furnished and shall not be deemed to be "filed" for purposes of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be deemed incorporated into any registration statement or other filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference to such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

| Exhibit No. | Description |
|----------------------|---|
| 99.1 | Registrants' second quarter 2023 earnings press release dated July 25, 2023 |

Forward-Looking Statements

This filing and other written or oral statements made from time to time by management contain “forward looking statements” as defined in the Private Securities Litigation Reform Act of 1995. The words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “will”, “should”, “targeting”, “projecting”, “driving” and similar expressions, as they relate to us, our performance and/or our technology, are intended to identify forward-looking statements. These statements reflect management’s current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially.

Such factors include but are not limited to: Global macroeconomic conditions, including inflation, slower growth or recession, delays or disruptions in the global supply chain, higher interest rates, and wars and other conflicts, including the current conflict between Russia and Ukraine; our ability to succeed in a competitive environment, including by developing new products and service offerings and preserving our existing products and market share as well as repositioning our business in the face of customer preference, technological, and other change, such as evolving return-to-office and hybrid working trends; failure of our customers, vendors, and logistics partners to perform their contractual obligations to us; our ability to attract, train, and retain key personnel; the risk of breaches of our security systems due to cyber, malware, or other intentional attacks that could expose us to liability, litigation, regulatory action or damage our reputation; our ability to obtain adequate pricing for our products and services and to maintain and improve our cost structure; changes in economic and political conditions, trade protection measures, licensing requirements, and tax laws in the United States and in the foreign countries in which we do business; the risk that multi-year contracts with governmental entities could be terminated prior to the end of the contract term and that civil or criminal penalties and administrative sanctions could be imposed on us if we fail to comply with the terms of such contracts and applicable law; interest rates, cost of borrowing, and access to credit markets; risks related to our indebtedness; the imposition of new or incremental trade protection measures such as tariffs and import or export restrictions; funding requirements associated with our employee pension and retiree health benefit plans; changes in foreign currency exchange rates; the risk that our operations and products may not comply with applicable worldwide regulatory requirements, particularly environmental regulations and directives and anti-corruption laws; the outcome of litigation and regulatory proceedings to which we may be a party; laws, regulations, international agreements and other initiatives to limit greenhouse gas emissions or relating to climate change, as well as the physical effects of climate change; and other factors as set forth from time to time in the Company’s Securities and Exchange Commission filings, including the Company’s Annual Report on Form 10-K for the year ended December 31, 2022.

The Company intends these forward-looking statements to speak only as of the date of this filing and does not undertake to update or revise them as more information becomes available, except as required by law.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signatures for each undersigned shall be deemed to relate only to matters having reference to such company and its subsidiaries.

XEROX HOLDINGS CORPORATION (Registrant)

By: /S/ MIRLANDA GECAJ

Mirlanda Gecaj
Vice President and
Chief Accounting Officer
(Principal Accounting Officer)

Date: July 25, 2023

XEROX CORPORATION (Registrant)

By: /S/ MIRLANDA GECAJ

Mirlanda Gecaj
Vice President and
Chief Accounting Officer
(Principal Accounting Officer)

Date: July 25, 2023

EXHIBIT INDEX

| Exhibit No. | Description |
|----------------------|---|
| 99.1 | Registrants' second quarter 2023 earnings press release dated July 25, 2023 |
| 101 | Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document. |
| 104 | The cover page from this Current Report on Form 8-K, formatted as Inline XBRL. |



News from Xerox Holdings Corporation

Xerox Releases Second-Quarter Results, Raises 2023 Guidance

Resilient demand and balanced execution drive growth in revenue and profits

Financial Summary

Q2 2023

- Revenue of \$1.75 billion, up 0.4 percent, or 0.5 percent in constant currency.
- GAAP (loss) earnings per share (EPS) of \$(0.41), down \$0.36 year-over-year.
- Adjusted EPS of \$0.44, up \$0.31 year-over-year.
- Adjusted operating margin of 6.1 percent, up 410 basis points year-over-year.
- Operating cash flow of \$95 million, up \$180 million year-over-year.
- Free cash flow of \$88 million, up \$186 million year-over-year.
- Increasing guidance for adjusted operating margin to a range of 5.5% to 6.0%, and free cash flow to at least \$600 million.

NORWALK, Conn., July 25, 2023 — Xerox Holdings Corporation (NASDAQ: XRX) today announced its 2023 second-quarter results.

“Over the last 12 months, Xerox has taken significant steps to strengthen its operating and financial discipline, leading to another quarter of profitable growth amid a dynamic macroeconomic backdrop,” said Steve Bandrowczak, chief executive officer at Xerox. “I’m proud of the part all Xerox employees and partners have played in our continued success. An improved operating system leaves us well positioned to pursue growth opportunities as we focus on meeting clients’ evolving needs in today’s hybrid workplace.”

Second-Quarter Key Financial Results

| <i>(in millions, except per share data)</i> | Q2 2023 | Q2 2022 | B/(W) YOY | % Change B/(W) YOY |
|--|-----------------|-----------------|------------------|------------------------|
| Revenue | \$1,754 | \$1,747 | \$7 | 0.4% AC 0.5% CC |
| Gross Margin | 34.0% | 31.9% | 210 bps | |
| RD&E % | 3.2% | 4.8% | 160 bps | |
| SAG % | 24.7% | 26.3% | 160 bps | |
| Pre-Tax (Loss) | \$(89) | \$(5) | \$(84) | NM |
| Pre-Tax (Loss) Margin | (5.1)% | (0.3)% | (480) bps | |
| Operating Income - Adjusted ⁽¹⁾ | \$107 | \$35 | \$72 | 205.7% |
| Operating Income Margin - Adjusted ⁽¹⁾ | 6.1% | 2.0% | 410 bps | |
| GAAP Diluted (Loss) per Share | \$(0.41) | \$(0.05) | \$(0.36) | NM |
| Diluted Earnings Per Share - Adjusted ⁽¹⁾ | \$0.44 | \$0.13 | \$0.31 | 238.5% |

⁽¹⁾ Refer to the “Non-GAAP Financial Measures” section of this release for a discussion of these non-GAAP measures and their reconciliation to the reported GAAP measures.

During the second quarter of 2023, the Company recast FITTLE’s segment revenues and profit measures to reflect the recent strategic shift in the Company’s approach to funding FITTLE’s growth through receivable funding agreements that involve the sale of lease receivables. Refer to [2023 Segment Reporting Change](#) for FITTLE’s recast Segment revenues and profits for FY 2022 and Q1 2023.

Second-Quarter Segment Results

| (in millions) | Q2 2023 | Q2 2022 | B/(W) YOY | % Change B/(W) YOY |
|---|----------------|----------------|--------------|-----------------------|
| Revenue | | | | |
| Print and Other | \$1,674 | \$1,673 | \$1 | 0.1% |
| Financing (FITTLE) | 101 | 96 | 5 | 5.2% |
| Intersegment Elimination ⁽¹⁾ | (21) | (22) | 1 | (4.5)% |
| Total Revenue | \$1,754 | \$1,747 | \$7 | 0.4% |
| Profit | | | | |
| Print and Other | \$107 | \$29 | \$78 | 269.0% |
| Financing (FITTLE) | — | 6 | (6) | (100.0)% |
| Total Profit | \$107 | \$35 | \$72 | 205.7% |

(1) Reflects revenue, primarily commissions and other payments, made by the FITTLE segment to the Print and Other segment for the lease of Xerox equipment placements.

2023 Guidance

- Revenue: flat to down low-single-digits in constant currency
- Adjusted Operating Margin: 5.5% to 6.0%
- Free cash flow: at least \$600 million

Non-GAAP Measures

This release refers to the following non-GAAP financial measures:

- Adjusted EPS, which excludes Restructuring and related costs, net, Amortization of intangible assets, non-service retirement-related costs, and other discrete adjustments from GAAP EPS, as applicable.
- Adjusted operating income and margin, which exclude the EPS adjustments noted above as well as the remainder of Other expenses, net from pre-tax loss and margin.
- Constant currency (CC) revenue change, which excludes the effects of currency translation.
- Free cash flow, which is operating cash flow less capital expenditures.

Refer to the “Non-GAAP Financial Measures” section of this release for a discussion of these non-GAAP measures and their reconciliation to the reported GAAP measures.

Forward Looking Statements

This release and other written or oral statements made from time to time by management contain “forward looking statements” as defined in the Private Securities Litigation Reform Act of 1995. The words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “will”, “should”, “targeting”, “projecting”, “driving” and similar expressions, as they relate to us, our performance and/or our technology, are intended to identify forward-looking statements. These statements reflect management’s current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially. Such factors include but are not limited to: Global macroeconomic conditions, including inflation, slower growth or recession, delays or disruptions in the global supply chain, higher interest rates, and wars and other conflicts, including the current conflict between Russia and Ukraine; our ability to succeed in a competitive environment, including by developing new products and service offerings and preserving our existing products and market share as well as repositioning our business in the face of customer preference, technological, and other change, such as evolving return-to-office and hybrid working trends; failure of our customers, vendors, and logistics partners to perform their contractual obligations to us; our ability to attract, train, and retain key personnel; the risk of breaches of our security systems due to cyber, malware, or other intentional attacks that could expose us to liability, litigation, regulatory action or damage our reputation; our ability to obtain adequate pricing for our products and services and to maintain and improve our cost structure; changes in economic and political conditions, trade protection measures, licensing requirements, and tax laws in the United States and in the foreign countries in which we do business; the risk that multi-year contracts with governmental entities could be terminated prior to the end of the contract term and that civil or criminal penalties and administrative sanctions could be imposed on us if we fail to comply with the terms of such contracts and applicable law; interest rates, cost of borrowing, and access to credit markets; risks related to our indebtedness; the imposition of new or

incremental trade protection measures such as tariffs and import or export restrictions; funding requirements associated with our employee pension and retiree health benefit plans; changes in foreign currency exchange rates; the risk that our operations and products may not comply with applicable worldwide regulatory requirements, particularly environmental regulations and directives and anti-corruption laws; the outcome of litigation and regulatory proceedings to which we may be a party; laws, regulations, international agreements and other initiatives to limit greenhouse gas emissions or relating to climate change, as well as the physical effects of climate change; and other factors as set forth from time to time in the Company's Securities and Exchange Commission filings, including the Company's Annual Report on Form 10-K for the year ended December 31, 2022. The Company intends these forward-looking statements to speak only as of the date of this release and does not undertake to update or revise them as more information becomes available, except as required by law.

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Note: To receive RSS news feeds, visit <https://www.news.xerox.com>. For open commentary, industry perspectives and views, visit <http://www.linkedin.com/company/xerox>, <http://twitter.com/xerox>, <http://www.facebook.com/XeroxCorp>, <https://www.instagram.com/xerox/>, <http://www.youtube.com/XeroxCorp>.

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XEROX HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF (LOSS) INCOME (UNAUDITED)

| (in millions, except per-share data) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|------------------|------------------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Revenues | | | | |
| Sales | \$ 696 | \$ 667 | \$ 1,355 | \$ 1,259 |
| Services, maintenance and rentals | 1,009 | 1,028 | 2,013 | 2,051 |
| Financing | 49 | 52 | 101 | 105 |
| Total Revenues | 1,754 | 1,747 | 3,469 | 3,415 |
| Costs and Expenses | | | | |
| Cost of sales | 452 | 487 | 877 | 922 |
| Cost of services, maintenance and rentals | 671 | 677 | 1,336 | 1,356 |
| Cost of financing | 34 | 26 | 70 | 50 |
| Research, development and engineering expenses | 57 | 84 | 121 | 162 |
| Selling, administrative and general expenses | 433 | 459 | 840 | 914 |
| Restructuring and related costs, net | 23 | 1 | 25 | 19 |
| Amortization of intangible assets | 10 | 10 | 21 | 21 |
| PARC donation | 132 | — | 132 | — |
| Other expenses, net | 31 | 8 | 51 | 65 |
| Total Costs and Expenses | 1,843 | 1,752 | 3,473 | 3,509 |
| Loss before Income Taxes & Equity Income⁽¹⁾ | (89) | (5) | (4) | (94) |
| Income tax (benefit) expense | (28) | 1 | (14) | (30) |
| Equity in net income of unconsolidated affiliates | 1 | 1 | 1 | 2 |
| Net (Loss) Income | (60) | (5) | 11 | (62) |
| Less: Net income (loss) attributable to noncontrolling interests | 1 | (1) | 1 | (2) |
| Net (Loss) Income Attributable to Xerox Holdings | \$ (61) | \$ (4) | \$ 10 | \$ (60) |
| Basic (Loss) Earnings per Share | \$ (0.41) | \$ (0.05) | \$ 0.02 | \$ (0.43) |
| Diluted (Loss) Earnings per Share | \$ (0.41) | \$ (0.05) | \$ 0.02 | \$ (0.43) |

⁽¹⁾ Referred to as "Pre-tax loss" throughout the remainder of this document.

XEROX HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (UNAUDITED)

| (in millions) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-----------------|------------------------------|-----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Net (Loss) Income | \$ (60) | \$ (5) | \$ 11 | \$ (62) |
| Less: Net income (loss) attributable to noncontrolling interests | 1 | (1) | 1 | (2) |
| Net (Loss) Income Attributable to Xerox Holdings | <u>(61)</u> | <u>(4)</u> | <u>10</u> | <u>(60)</u> |
| Other Comprehensive Income (Loss), Net | | | | |
| Translation adjustments, net | 49 | (287) | 141 | (359) |
| Unrealized losses, net | (5) | (14) | (1) | (25) |
| Changes in defined benefit plans, net | (27) | 3 | (41) | 42 |
| Other Comprehensive Income (Loss), Net | <u>17</u> | <u>(298)</u> | <u>99</u> | <u>(342)</u> |
| Less: Other comprehensive loss, net attributable to noncontrolling interests | — | — | (1) | — |
| Other Comprehensive Income (Loss), Net Attributable to Xerox Holdings | <u>17</u> | <u>(298)</u> | <u>100</u> | <u>(342)</u> |
| Comprehensive (Loss) Income, Net | (43) | (303) | 110 | (404) |
| Less: Comprehensive income (loss), net attributable to noncontrolling interests | 1 | (1) | — | (2) |
| Comprehensive (Loss) Income, Net Attributable to Xerox Holdings | <u>\$ (44)</u> | <u>\$ (302)</u> | <u>\$ 110</u> | <u>\$ (402)</u> |

XEROX HOLDINGS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions, except share data in thousands)

| | June 30, 2023 | December 31, 2022 |
|---|------------------|-------------------|
| Assets | | |
| Cash and cash equivalents | \$ 477 | \$ 1,045 |
| Accounts receivable (net of allowance of \$58 and \$52, respectively) | 903 | 857 |
| Billed portion of finance receivables (net of allowance of \$4 and \$4, respectively) | 70 | 93 |
| Finance receivables, net | 940 | 1,061 |
| Inventories | 782 | 797 |
| Other current assets | 218 | 254 |
| Total current assets | 3,390 | 4,107 |
| Finance receivables due after one year (net of allowance of \$99 and \$113, respectively) | 1,697 | 1,948 |
| Equipment on operating leases, net | 259 | 235 |
| Land, buildings and equipment, net | 281 | 320 |
| Intangible assets, net | 194 | 208 |
| Goodwill, net | 2,751 | 2,820 |
| Deferred tax assets | 620 | 582 |
| Other long-term assets | 1,377 | 1,323 |
| Total Assets | \$ 10,569 | \$ 11,543 |
| Liabilities and Equity | | |
| Short-term debt and current portion of long-term debt | \$ 891 | \$ 860 |
| Accounts payable | 1,041 | 1,331 |
| Accrued compensation and benefits costs | 251 | 258 |
| Accrued expenses and other current liabilities | 766 | 881 |
| Total current liabilities | 2,949 | 3,330 |
| Long-term debt | 2,225 | 2,866 |
| Pension and other benefit liabilities | 1,206 | 1,175 |
| Post-retirement medical benefits | 179 | 184 |
| Other long-term liabilities | 394 | 411 |
| Total Liabilities | 6,953 | 7,966 |
| Noncontrolling Interests | 10 | 10 |
| Convertible Preferred Stock | 214 | 214 |
| Common stock | 157 | 156 |
| Additional paid-in capital | 1,607 | 1,588 |
| Retained earnings | 5,057 | 5,136 |
| Accumulated other comprehensive loss | (3,437) | (3,537) |
| Xerox Holdings shareholders' equity | 3,384 | 3,343 |
| Noncontrolling interests | 8 | 10 |
| Total Equity | 3,392 | 3,353 |
| Total Liabilities and Equity | \$ 10,569 | \$ 11,543 |
| Shares of Common Stock Issued and Outstanding | 157,105 | 155,781 |

XEROX HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| (in millions) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-----------------|------------------------------|-----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Cash Flows from Operating Activities | | | | |
| Net (Loss) Income | \$ (60) | \$ (5) | \$ 11 | \$ (62) |
| Adjustments required to reconcile Net (loss) income to cash flows provided by (used in) operating activities | | | | |
| Depreciation and amortization | 62 | 68 | 126 | 140 |
| Provisions | 21 | 16 | 21 | 35 |
| Net gain on sales of businesses and assets | (2) | (1) | (2) | (1) |
| PARC donation | 132 | — | 132 | — |
| Stock-based compensation | 14 | 35 | 28 | 50 |
| Restructuring and asset impairment charges | 13 | 2 | 14 | 22 |
| Payments for restructurings | (8) | (14) | (14) | (21) |
| Non-service retirement-related costs | 11 | (4) | 10 | (11) |
| Contributions to retirement plans | (15) | (34) | (32) | (72) |
| Increase in accounts receivable and billed portion of finance receivables | (75) | (62) | (36) | (49) |
| Decrease (increase) in inventories | 76 | (64) | 12 | (95) |
| Increase in equipment on operating leases | (37) | (11) | (77) | (47) |
| Decrease (increase) in finance receivables | 247 | (24) | 407 | 17 |
| Decrease in other current and long-term assets | 12 | 36 | 15 | 35 |
| (Decrease) increase in accounts payable | (249) | 61 | (290) | 172 |
| Increase (decrease) in accrued compensation | 9 | (15) | (7) | 7 |
| Decrease in other current and long-term liabilities | (11) | (5) | (139) | (48) |
| Net change in income tax assets and liabilities | (35) | (37) | (17) | (76) |
| Net change in derivative assets and liabilities | 9 | (13) | 22 | (6) |
| Other operating, net | (19) | (14) | (11) | (9) |
| Net cash provided by (used in) operating activities | 95 | (85) | 173 | (19) |
| Cash Flows from Investing Activities | | | | |
| Cost of additions to land, buildings, equipment and software | (7) | (13) | (15) | (29) |
| Proceeds from sales of businesses and assets | 2 | 26 | 3 | 26 |
| Acquisitions, net of cash acquired | — | 2 | (7) | (52) |
| Other investing, net | — | (2) | (3) | (7) |
| Net cash (used in) provided by investing activities | (5) | 13 | (22) | (62) |
| Cash Flows from Financing Activities | | | | |
| Net payments on debt | (174) | (401) | (626) | (379) |
| Dividends | (43) | (42) | (88) | (88) |
| Payments to acquire treasury stock, including fees | — | — | — | (113) |
| Other financing, net | (3) | 5 | (11) | (7) |
| Net cash used in financing activities | (220) | (438) | (725) | (587) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 2 | (24) | 4 | (14) |
| Decrease in cash, cash equivalents and restricted cash | (128) | (534) | (570) | (682) |
| Cash, cash equivalents and restricted cash at beginning of period | 697 | 1,761 | 1,139 | 1,909 |
| Cash, Cash Equivalents and Restricted Cash at End of Period | \$ 569 | \$ 1,227 | \$ 569 | \$ 1,227 |

Second Quarter 2023 Overview

In the second quarter 2023, resilient demand and balanced execution drove another quarter of growth in revenue, profits, and cash flow. Recent improvements in financial performance are driven by an intense focus on our three strategic priorities, which includes a focus on delivering client success through products and services that address the productivity challenges of today's hybrid workplace.

Equipment sales revenue of \$420 million in the second quarter 2023 increased 14.8% in actual currency and 14.3% in constant currency¹ as compared to the prior year period, reflecting stable demand and improved product availability, particularly in the Americas, and for our higher margin A3 devices. As expected, backlog² returned to normalized levels and since we do not expect changes in backlog² to materially affect results going forward, we will no longer provide detailed backlog² information. Consistent with recent quarters, revenue growth outpaced equipment installations due to favorable mix and pricing. Post-sale revenue of \$1.3 billion in the second quarter 2023 declined 3.4% in actual currency as compared to the prior year period and 3.2% in constant currency¹. The decrease was driven primarily by non-contractual items, including lower IT hardware and paper sales, lower finance income and the cessation of Fuji royalties, partially offset by gains and commissions on sales of finance receivables.

Pre-tax loss increased year-over-year driven by a net pre-tax charge of \$132 million related to the donation of our Palo Alto Research Center (PARC), partially offset by continued cost reduction actions, supply chain-related cost improvements and higher revenues. Adjusted¹ operating income, which excludes the PARC donation, was also higher year-over-year as a result of these impacts. These benefits were partially offset by currency, the cessation of Fuji royalty income, higher bad debt and employee compensation expenses. We continue to expect to deliver low to mid-single digit gross operating cost efficiencies for the year.

Total Revenue is expected to be flat to down low-single-digits in constant currency¹ in 2023. Adjusted¹ operating income margin is expected to increase from a range of 5.0% to 5.5%, to a range of 5.5% to 6.0%, due to a stronger-than-expected realization of operating efficiencies and revenue mix. We also expect free cash flow¹ for 2023 to increase from "at least \$500 million" to "at least \$600 million". The increase reflects an improvement in expected operating income and incremental sales of finance receivables.

Segment Reporting Change

During the second quarter 2023, as a result of the recent strategic shift in the Company's approach to funding FITTLE's growth through finance receivables funding agreements that involve the sale of lease receivables, the measures of the FITTLE's segment revenues and profits used by our Chief Operating Decision Maker (CODM), our Chief Executive Officer, were recast as follows to correspond with this change in strategy:

- The management and oversight of the equipment on operating leases portion of our financing business was transferred from the FITTLE segment to the marketing and sales groups in the Print and Other segment since the finance receivables funding agreements currently exclude the sale of operating lease arrangements.
- The allocation of shared expenses as well as commissions and other payments made by the FITTLE segment to the Print and Other segment were recast to better reflect the operations of FITTLE in line with the change in strategic direction.

The recast to our segment measures align with the financial information used by our CODM in evaluating our reportable segments' performance and allocating resources. The prior period amounts have been recast to reflect the change in segment measures of revenue and profits. See [Segment Review - 2023 Segment Reporting Change](#) for recast made to conform to our new segment measurements.

(1) Refer to the "Non-GAAP Financial Measures" section for an explanation of the non-GAAP financial measure.

(2) Order backlog is measured as the value of unfulfilled sales orders, shipped and non-shipped, received from our customers waiting to be installed, including orders with future installation dates. It includes printing devices as well as IT hardware associated with our IT service offerings.

Donation of Palo Alto Research Center (PARC)

On April 29, 2023, Xerox completed the donation of its Palo Alto Research Center (PARC) subsidiary to Stanford Research Institute International (SRI), a nonprofit research institute. The donation enables Xerox to focus on its core businesses and prioritize growth through its business technology solutions for customers in Print, as well as Digital Services and IT Services. The donation also allows PARC to reach its full potential through SRI's resources and deep-tech expertise that will enable PARC to focus exclusively on the development of pioneering innovative technologies. The majority of patents held by PARC will be retained by Xerox with a perpetual license to use those patents being provided to SRI. Xerox, at its option, will also continue to receive certain research services from SRI. The donation resulted in a net pre-tax charge of \$132 million in the second quarter 2023, which includes allocated Goodwill of \$115 million. Xerox also recorded a net income tax benefit of \$40 million related to the donation for a net after-tax loss on the donation of \$92 million.

Financial Review

Revenues

| (in millions) | Three Months Ended June 30, | | % Change | CC % Change | % of Total Revenue | |
|--|--------------------------------|-----------------|---------------|---------------|--------------------|-------------|
| | 2023 | 2022 | | | 2023 | 2022 |
| Equipment sales | \$ 420 | \$ 366 | 14.8% | 14.3% | 24% | 21% |
| Post sale revenue | 1,334 | 1,381 | (3.4)% | (3.2)% | 76% | 79% |
| Total Revenue | \$ 1,754 | \$ 1,747 | 0.4% | 0.5% | 100% | 100% |
| Reconciliation to Condensed Consolidated Statements of (Loss) Income: | | | | | | |
| Sales | \$ 696 | \$ 667 | 4.3% | 4.1% | | |
| Less: Supplies, paper and other sales | (276) | (301) | (8.3)% | (8.5)% | | |
| Equipment Sales | \$ 420 | \$ 366 | 14.8% | 14.3% | | |
| Services, maintenance and rentals | \$ 1,009 | \$ 1,028 | (1.8)% | (1.6)% | | |
| Add: Supplies, paper and other sales | 276 | 301 | (8.3)% | (8.5)% | | |
| Add: Financing | 49 | 52 | (5.8)% | (4.0)% | | |
| Post Sale Revenue | \$ 1,334 | \$ 1,381 | (3.4)% | (3.2)% | | |
| Segments | | | | | | |
| Print and Other | \$ 1,674 | \$ 1,673 | 0.1% | | 95% | 96% |
| FITTLE | 101 | 96 | 5.2% | | 6% | 5% |
| Intersegment elimination ⁽¹⁾ | (21) | (22) | (4.5)% | | (1)% | (1)% |
| Total Revenue⁽²⁾ | \$ 1,754 | \$ 1,747 | 0.4% | | 100% | 100% |
| Go-to-Market Operations | | | | | | |
| Americas | \$ 1,154 | \$ 1,150 | 0.3% | 0.7% | 66% | 66% |
| EMEA | 570 | 551 | 3.4% | 3.1% | 32% | 31% |
| Other | 30 | 46 | (34.8)% | (34.8)% | 2% | 3% |
| Total Revenue⁽²⁾ | \$ 1,754 | \$ 1,747 | 0.4% | 0.5% | 100% | 100% |

CC - See "Constant Currency" in the Non-GAAP Financial Measures section for a description of constant currency.

- (1) Reflects revenue, primarily commissions and other payments made by the FITTLE segment to the Print and Other segment for the lease of Xerox equipment placements.
(2) Refer to Appendix II, Reportable Segments and Geographic Sales Channels, for definitions.

Costs, Expenses and Other Income

Summary of Key Financial Ratios

The following is a summary of key financial ratios used to assess our performance:

| (in millions) | Three Months Ended June 30, | | |
|---|--------------------------------|--------|------------|
| | 2023 | 2022 | B/(W) |
| Gross Profit | \$ 597 | \$ 557 | \$ 40 |
| RD&E | 57 | 84 | 27 |
| SAG | 433 | 459 | 26 |
| Equipment Gross Margin | 35.2 % | 23.5 % | 11.7 pts. |
| Post sale Gross Margin | 33.6 % | 34.1 % | (0.5) pts. |
| Total Gross Margin | 34.0 % | 31.9 % | 2.1 pts. |
| RD&E as a % of Revenue | 3.2 % | 4.8 % | 1.6 pts. |
| SAG as a % of Revenue | 24.7 % | 26.3 % | 1.6 pts. |
| Pre-tax (Loss) | \$ (89) | \$ (5) | \$ (84) |
| Pre-tax (Loss) Margin | (5.1)% | (0.3)% | (4.8) pts. |
| Adjusted ⁽¹⁾ Operating Income | \$ 107 | \$ 35 | \$ 72 |
| Adjusted ⁽¹⁾ Operating Income Margin | 6.1 % | 2.0 % | 4.1 pts. |

(1) Refer to the "Non-GAAP Financial Measures" section for an explanation of the non-GAAP financial measure.

Other Expenses, Net

| (in millions) | Three Months Ended June 30, | |
|--------------------------------------|--------------------------------|-------------|
| | 2023 | 2022 |
| Non-financing interest expense | \$ 12 | \$ 23 |
| Interest income | (4) | (3) |
| Non-service retirement-related costs | 11 | (4) |
| Currency losses, net | 5 | 1 |
| Loss on early extinguishment of debt | 3 | 4 |
| Excess contribution refund | — | (16) |
| All other expenses, net | 4 | 3 |
| Other expenses, net | \$ 31 | \$ 8 |

Segment Review

| (in millions) | Three Months Ended June 30, | | | | | |
|-----------------|-----------------------------|-------------------------------------|-----------------------|--------------------|----------------|-------------------------------|
| | External Revenue | Intersegment Revenue ⁽¹⁾ | Total Segment Revenue | % of Total Revenue | Segment Profit | Segment Margin ⁽²⁾ |
| 2023 | | | | | | |
| Print and Other | \$ 1,653 | \$ 21 | \$ 1,674 | 94 % | \$ 107 | 6.5 % |
| FITTLE | 101 | — | 101 | 6 % | — | — % |
| Total | \$ 1,754 | \$ 21 | \$ 1,775 | 100 % | \$ 107 | 6.1 % |
| 2022 | | | | | | |
| Print and Other | \$ 1,651 | \$ 22 | \$ 1,673 | 95 % | \$ 29 | 1.8 % |
| FITTLE | 96 | — | 96 | 5 % | 6 | 6.3 % |
| Total | \$ 1,747 | \$ 22 | \$ 1,769 | 100 % | \$ 35 | 2.0 % |

- (1) Reflects revenue, primarily commissions and other payments, made by the FITTLE segment to the Print and Other segment for the lease of Xerox equipment placements.
(2) Segment margin based on external revenue only.

Print and Other

Print and Other includes the design, development and sale of document management systems, solutions and services as well as associated technology offerings including IT and software products and services.

Revenue

| (in millions) | Three Months Ended June 30, | | % Change |
|--------------------------------------|-----------------------------|-----------------|-------------|
| | 2023 | 2022 | |
| Equipment sales | \$ 414 | \$ 361 | 14.7% |
| Post sale revenue | 1,239 | 1,290 | (4.0)% |
| Intersegment revenue ⁽¹⁾ | 21 | 22 | (4.5)% |
| Total Print and Other Revenue | \$ 1,674 | \$ 1,673 | 0.1% |

- (1) Reflects revenue, primarily commissions and other payments, made by the FITTLE segment to the Print and Other segment for the lease of Xerox equipment placements.

Detail by product group is shown below.

| (in millions) | Three Months Ended June 30, | | | | % of Equipment Sales | |
|---|-----------------------------|---------------|--------------|--------------|----------------------|-------------|
| | 2023 | 2022 | % Change | CC % Change | 2023 | 2022 |
| Entry | \$ 63 | \$ 66 | (4.5)% | (4.3)% | 15% | 18% |
| Mid-range | 270 | 221 | 22.2% | 21.9% | 64% | 60% |
| High-end | 82 | 76 | 7.9% | 8.0% | 20% | 21% |
| Other | 5 | 3 | 66.7% | 66.7% | 1% | 1% |
| Equipment Sales ^{(1),(2)} | \$ 420 | \$ 366 | 14.8% | 14.3% | 100% | 100% |

CC - See "Constant Currency" in the Non-GAAP Financial Measures section for a description of constant currency.

- (1) Refer to Appendix II, Reportable Segments and Geographic Sales Channels, for definitions.
(2) Includes equipment sales related to the FITTLE segment of \$6 million and \$5 million for the second quarter 2023 and 2022, respectively.

FITTLE

FITTLE represents a global financing solutions business, primarily enabling the sale of our equipment and services.

Revenue

| (in millions) | Three Months Ended June 30, | | % Change |
|--|--------------------------------|--------------|-------------|
| | 2023 | 2022 | |
| Equipment sales | \$ 6 | \$ 5 | 20.0% |
| Financing | 49 | 52 | (5.8)% |
| Other Post sale revenue ⁽¹⁾ | 46 | 39 | 17.9% |
| Total FITTLE Revenue | \$ 101 | \$ 96 | 5.2% |

(1) Other Post sale revenue includes lease renewal and fee income.

2023 Segment Reporting Change

The following provides segment revenues and profits for each quarter and full-year 2022, and the first quarter 2023 periods, recast to conform to our new segment measurements:

| | 2022 | | | | | 2023 |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Q1 | Q2 | Q3 | Q4 | Full-Year | Q1 |
| Segment Revenues: | | | | | | |
| As Reported: | | | | | | |
| Print and Other | \$ 1,550 | \$ 1,633 | \$ 1,641 | \$ 1,843 | \$ 6,667 | \$ 1,613 |
| FITTLE | 158 | 151 | 150 | 151 | 610 | 154 |
| Intersegment revenue ⁽¹⁾ | (40) | (37) | (40) | (53) | (170) | (52) |
| Total External Revenue | \$ 1,668 | \$ 1,747 | \$ 1,751 | \$ 1,941 | \$ 7,107 | \$ 1,715 |
| Change: | | | | | | |
| Print and Other | 43 | 40 | 35 | 19 | 137 | 23 |
| FITTLE | (60) | (55) | (52) | (50) | (217) | (52) |
| Intersegment revenue ⁽¹⁾ | 17 | 15 | 17 | 31 | 80 | 29 |
| Total External Revenue | \$ — |
| As Recast: | | | | | | |
| Print and Other | 1,593 | 1,673 | 1,676 | 1,862 | 6,804 | 1,636 |
| FITTLE | 98 | 96 | 98 | 101 | 393 | 102 |
| Intersegment revenue ⁽¹⁾ | (23) | (22) | (23) | (22) | (90) | (23) |
| Total External Revenue | \$ 1,668 | \$ 1,747 | \$ 1,751 | \$ 1,941 | \$ 7,107 | \$ 1,715 |

(1) Reflects revenue, primarily commissions and other payments, made by the FITTLE segment to the Print and Other segment for the lease of Xerox equipment placements.

| | 2022 | | | | | 2023 |
|-------------------------------|---------------|--------------|--------------|---------------|---------------|---------------|
| | Q1 | Q2 | Q3 | Q4 | Full-Year | Q1 |
| Segment Profit/(Loss): | | | | | | |
| As Reported: | | | | | | |
| Print and Other | \$ (20) | \$ 18 | \$ 57 | \$ 183 | \$ 238 | \$ 106 |
| FITTLE | 17 | 17 | 8 | (5) | 37 | 12 |
| Total | \$ (3) | \$ 35 | \$ 65 | \$ 178 | \$ 275 | \$ 118 |
| Change: | | | | | | |
| Print and Other | 9 | 11 | 6 | (6) | 20 | (6) |
| FITTLE | (9) | (11) | (6) | 6 | (20) | 6 |
| Total | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| As Recast: | | | | | | |
| Print and Other | (11) | 29 | 63 | 177 | 258 | 100 |
| FITTLE | 8 | 6 | 2 | 1 | 17 | 18 |
| Total | \$ (3) | \$ 35 | \$ 65 | \$ 178 | \$ 275 | \$ 118 |

Forward-Looking Statements

This release and other written or oral statements made from time to time by management contain “forward looking statements” as defined in the Private Securities Litigation Reform Act of 1995. The words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “will”, “should”, “targeting”, “projecting”, “driving” and similar expressions, as they relate to us, our performance and/or our technology, are intended to identify forward-looking statements. These statements reflect management’s current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially. Such factors include but are not limited to: Global macroeconomic conditions, including inflation, slower growth or recession, delays or disruptions in the global supply chain, higher interest rates, and wars and other conflicts, including the current conflict between Russia and Ukraine; our ability to succeed in a competitive environment, including by developing new products and service offerings and preserving our existing products and market share as well as repositioning our business in the face of customer preference, technological, and other change, such as evolving return-to-office and hybrid working trends; failure of our customers, vendors, and logistics partners to perform their contractual obligations to us; our ability to attract, train, and retain key personnel; the risk of breaches of our security systems due to cyber, malware, or other intentional attacks that could expose us to liability, litigation, regulatory action or damage our reputation; our ability to obtain adequate pricing for our products and services and to maintain and improve our cost structure; changes in economic and political conditions, trade protection measures, licensing requirements, and tax laws in the United States and in the foreign countries in which we do business; the risk that multi-year contracts with governmental entities could be terminated prior to the end of the contract term and that civil or criminal penalties and administrative sanctions could be imposed on us if we fail to comply with the terms of such contracts and applicable law; interest rates, cost of borrowing, and access to credit markets; risks related to our indebtedness; the imposition of new or incremental trade protection measures such as tariffs and import or export restrictions; funding requirements associated with our employee pension and retiree health benefit plans; changes in foreign currency exchange rates; the risk that our operations and products may not comply with applicable worldwide regulatory requirements, particularly environmental regulations and directives and anti-corruption laws; the outcome of litigation and regulatory proceedings to which we may be a party; laws, regulations, international agreements and other initiatives to limit greenhouse gas emissions or relating to climate change, as well as the physical effects of climate change; and other factors as set forth from time to time in the Company’s Securities and Exchange Commission filings, including the Company’s Annual Report on Form 10-K for the year ended December 31, 2022.

The Company intends these forward-looking statements to speak only as of the date of this release and does not undertake to update or revise them as more information becomes available, except as required by law.

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, as well as in the second quarter 2023 presentation slides available at www.xerox.com/investor.

Adjusted Earnings Measures

- Adjusted Net Income 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:

- PARC donation

- Accelerated share vesting - stock compensation expense associated with the accelerated vesting of all outstanding equity awards, according to the terms of the award agreement, in connection with the passing of Xerox Holding's former CEO.
- Loss on early extinguishment of debt

Adjusted Operating Income and Margin

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 and margin also exclude the remaining amounts included in Other expenses, net, which are primarily non-financing interest expense and certain other non-operating costs and expenses. We exclude these amounts in order to evaluate our current and past operating performance and to better understand the expected future trends in our business.

Constant Currency (CC)

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

Free Cash Flow

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

Adjusted Net Income and EPS reconciliation

| | Three Months Ended June 30, | | | |
|--|-----------------------------|----------------|----------------------|----------------|
| | 2023 | | 2022 | |
| (in millions, except per share amounts) | Net (Loss) Income | Diluted EPS | Net (Loss) Income | Diluted EPS |
| Reported⁽¹⁾ | \$ (61) | \$ (0.41) | \$ (4) | \$ (0.05) |
| Adjustments: | | | | |
| Restructuring and related costs, net | 23 | | 1 | |
| Amortization of intangible assets | 10 | | 10 | |
| Non-service retirement-related costs | 11 | | (4) | |
| PARC donation | 132 | | — | |
| Accelerated share vesting | — | | 21 | |
| Loss on early extinguishment of debt | 3 | | 4 | |
| Income tax on PARC donation ⁽²⁾ | (40) | | — | |
| Income tax on adjustments (excluding PARC donation) ⁽²⁾ | (6) | | (4) | |
| Adjusted | \$ 72 | \$ 0.44 | \$ 24 | \$ 0.13 |
| Dividends on preferred stock used in adjusted EPS calculation ⁽³⁾ | | \$ 3 | | \$ 3 |
| Weighted average shares for adjusted EPS ⁽³⁾ | | 158 | | 156 |
| Fully diluted shares at end of period ⁽⁴⁾ | | 158 | | |

(1) Net (loss) and EPS attributable to Xerox Holdings. Second quarter 2023 includes the after-tax PARC donation charge of \$92 million (\$132 million pre-tax), or \$0.58 per diluted share.

(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 the 7 million shares associated with our Series A convertible preferred stock.

(4) Reflects common shares outstanding at June 30, 2023, plus potential dilutive common shares used for the calculation of adjusted diluted EPS for the second quarter 2023. The amount excludes shares associated with our Series A convertible preferred stock, which were anti-dilutive for the second quarter 2023.

Adjusted Effective Tax Rate reconciliation

| (in millions) | Three Months Ended June 30, | | | | | |
|-------------------------------------|-----------------------------|------------------------------------|--------------------|--------------------------|-----------------------|-----------------------|
| | 2023 | | | 2022 | | |
| | Pre-Tax (Loss) Income | Income Tax (Benefit) Expense | Effective Tax Rate | Pre-Tax (Loss) Income | Income Tax Expense | Effective Tax Rate |
| Reported⁽¹⁾ | \$ (89) | \$ (28) | 31.5 % | \$ (5) | \$ 1 | (20.0)% |
| PARC donation ⁽²⁾ | 132 | 40 | | — | — | |
| Non-GAAP adjustments ⁽²⁾ | 47 | 6 | | 32 | 4 | |
| Adjusted⁽³⁾ | <u>\$ 90</u> | <u>\$ 18</u> | 20.0 % | <u>\$ 27</u> | <u>\$ 5</u> | 18.5 % |

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

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

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

Adjusted Operating Income and Margin reconciliation

| (in millions) | Three Months Ended June 30, | | | | | |
|--------------------------------------|-----------------------------|-----------------|--------|------------------|-----------------|--------|
| | 2023 | | | 2022 | | |
| | (Loss) Profit | Revenue | Margin | (Loss) Profit | Revenue | Margin |
| Reported⁽¹⁾ | \$ (89) | \$ 1,754 | (5.1)% | \$ (5) | \$ 1,747 | (0.3)% |
| Adjustments: | | | | | | |
| Restructuring and related costs, net | 23 | | | 1 | | |
| Amortization of intangible assets | 10 | | | 10 | | |
| PARC donation | 132 | | | — | | |
| Accelerated share vesting | — | | | 21 | | |
| Other expenses, net | 31 | | | 8 | | |
| Adjusted | <u>\$ 107</u> | <u>\$ 1,754</u> | 6.1 % | <u>\$ 35</u> | <u>\$ 1,747</u> | 2.0 % |

(1) Pre-tax (loss).

Free Cash Flow reconciliation

| (in millions) | Three Months Ended June 30, | |
|----------------------------|--------------------------------|----------------|
| | 2023 | 2022 |
| | Reported⁽¹⁾ | \$ 95 |
| Less: capital expenditures | 7 | 13 |
| Free Cash Flow | <u>\$ 88</u> | <u>\$ (98)</u> |

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

GUIDANCE

Adjusted Operating Income and Margin

| (in millions) | FY 2023 | | |
|--------------------------------------|----------------|-------------------------------|-------------|
| | Profit | Revenue (CC) ^(2,3) | Margin |
| Estimated⁽¹⁾ | ~ \$125 | ~ \$7,100 | ~ 1.8% |
| Adjustments: | | | |
| PARC donation | 132 | | |
| Restructuring and related costs, net | 75 | | |
| Amortization of intangible assets | 40 | | |
| Other expenses, net | 40 | | |
| Adjusted⁽⁴⁾ | <u>~ \$410</u> | <u>~ \$7,100</u> | 5.5% - 6.0% |

(1) Pre-tax income and Revenue.

(2) Full-year revenue is estimated to be flat to down low-single-digits in constant currency. Revenue of \$7.1 billion reflects the high end 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

| (in millions) | FY 2023 |
|--|-----------------------|
| Operating Cash Flow⁽¹⁾ | At least \$650 |
| Less: capital expenditures | 50 |
| Free Cash Flow | <u>At least \$600</u> |

(1) Net cash provided by operating activities.

APPENDIX I

Xerox Holdings Corporation (Loss) Earnings per Share

(in millions, except per-share data, shares in thousands)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|------------------|------------------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Basic (Loss) Earnings per Share: | | | | |
| Net (Loss) Income Attributable to Xerox Holdings | \$ (61) | \$ (4) | \$ 10 | \$ (60) |
| Accrued dividends on preferred stock | (3) | (3) | (7) | (7) |
| Adjusted net (loss) income available to common shareholders | <u>\$ (64)</u> | <u>\$ (7)</u> | <u>\$ 3</u> | <u>\$ (67)</u> |
| Weighted average common shares outstanding | 157,009 | 155,170 | 156,817 | 155,897 |
| Basic (Loss) Earnings per Share | \$ (0.41) | \$ (0.05) | \$ 0.02 | \$ (0.43) |
| Diluted (Loss) Earnings per Share: | | | | |
| Net (Loss) Income Attributable to Xerox Holdings | \$ (61) | \$ (4) | \$ 10 | \$ (60) |
| Accrued dividends on preferred stock | (3) | (3) | (7) | (7) |
| Adjusted net (loss) income available to common shareholders | <u>\$ (64)</u> | <u>\$ (7)</u> | <u>\$ 3</u> | <u>\$ (67)</u> |
| Weighted average common shares outstanding | 157,009 | 155,170 | 156,817 | 155,897 |
| Common shares issuable with respect to: | | | | |
| Stock Options | — | — | — | — |
| Restricted stock and performance shares | — | — | 1,078 | — |
| Convertible preferred stock | — | — | — | — |
| Adjusted weighted average common shares outstanding | <u>157,009</u> | <u>155,170</u> | <u>157,895</u> | <u>155,897</u> |
| Diluted (Loss) Earnings per Share | \$ (0.41) | \$ (0.05) | \$ 0.02 | \$ (0.43) |
| The following securities were not included in the computation of diluted earnings per share as they were either contingently issuable shares or shares that if included would have been anti-dilutive: | | | | |
| Stock options | 287 | 693 | 287 | 693 |
| Restricted stock and performance shares | 7,174 | 6,178 | 6,096 | 6,178 |
| Convertible preferred stock | 6,742 | 6,742 | 6,742 | 6,742 |
| Total Anti-Dilutive Securities | <u>14,203</u> | <u>13,613</u> | <u>13,125</u> | <u>13,613</u> |
| Dividends per Common Share | \$ 0.25 | \$ 0.25 | \$ 0.50 | \$ 0.50 |

APPENDIX II

Xerox Holdings Corporation

Reportable Segments

Our reportable segments are aligned with how we manage the business and view the markets we serve. We have two reportable segments - **Print and Other**, and **Financing (FITTLE)**. Our two reportable segments are determined based on the information reviewed by the Chief Operating Decision Maker (CODM), our Chief Executive Officer (CEO), together with the Company's management to evaluate performance of the business and allocate resources.

Our **Print and Other** segment includes the sale of document systems, supplies and technical services and managed services. The segment also includes the delivery of managed services that involve a continuum of solutions and services that help our customers optimize their print and communications infrastructure, apply automation and simplification to maximize productivity, and ensure the highest levels of security. This segment also includes IT services and software. Our product groupings range from:

- **“Entry”**, which include A4 devices and desktop printers and multifunction devices that primarily serve small and medium workgroups/work teams.
- **“Mid-Range”**, which include A3 devices that generally serve large workgroup/work team environments as well as products in the Light Production product groups serving centralized print centers, print for pay and low volume production print establishments.
- **“High-End”**, which include production printing and publishing systems that generally serve the graphic communications marketplace and print centers in large enterprises.

Customers range from small and mid-sized businesses to large enterprises. Customers also include graphic communication enterprises as well as channel partners including distributors and resellers. Segment revenues also include commissions and other payments from our FITTLE segment for the exclusive right to provide lease financing for Xerox products. These revenues are reported as part of Intersegment Revenues, which are eliminated in consolidated revenues.

The **FITTLE** segment provides global leasing solutions and currently offers financing for direct channel customer purchases of Xerox equipment through bundled lease agreements, lease financing to end-user customers who purchase Xerox and non-Xerox equipment through our indirect channels and leasing solutions for OEMs of print and non-print related office equipment and IT services equipment. Segment revenues primarily include financing income on sales-type leases (including month-to-month extensions) and leasing fees. Segment revenues also include gains/losses from the sale of finance receivables including commissions, fees on the sales of underlying equipment residuals and servicing fees.

Geographic Sales Channels

We also operate a matrix organization that includes a geographic focus that is primarily organized from a sales perspective on the basis of “go-to-market” (GTM) sales channels as follows:

- **Americas**, which includes our sales channels in the U.S. and Canada, as well as Mexico, Brazil and Central and South America.
- **EMEA**, which includes our sales channels in Europe, the Middle East, Africa and India.
- **Other**, which includes royalties and licensing revenue.

These GTM sales channels are structured to serve a range of customers for our products and services, including financing. Accordingly, we will continue to provide information, primarily revenue related, with respect to our principal GTM sales channels.