

A modern office interior with large glass windows, people working at a table, and a digital display on the wall. The scene is brightly lit with recessed ceiling lights. In the foreground, a person is blurred, walking past. In the background, several people are seated around a table, looking at a laptop and a large digital display. The display shows a blue architectural rendering of a building. The overall atmosphere is professional and collaborative.

# Earnings Presentation

Q4 2022 Results

January 26, 2023

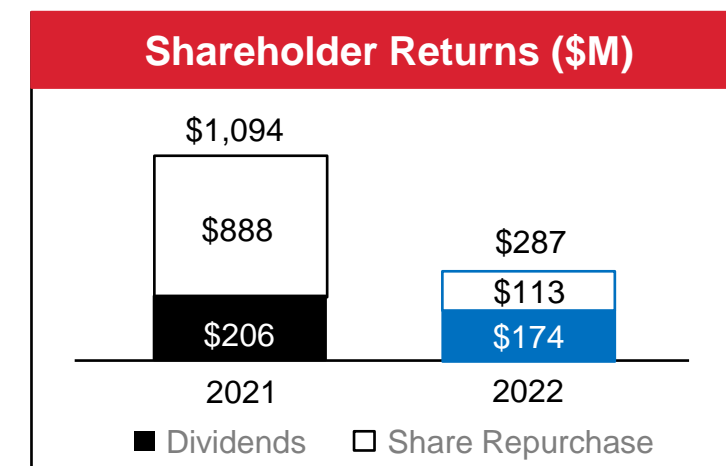
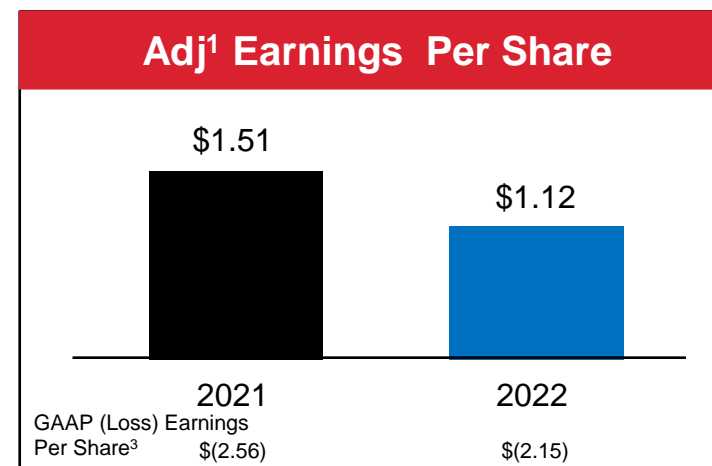
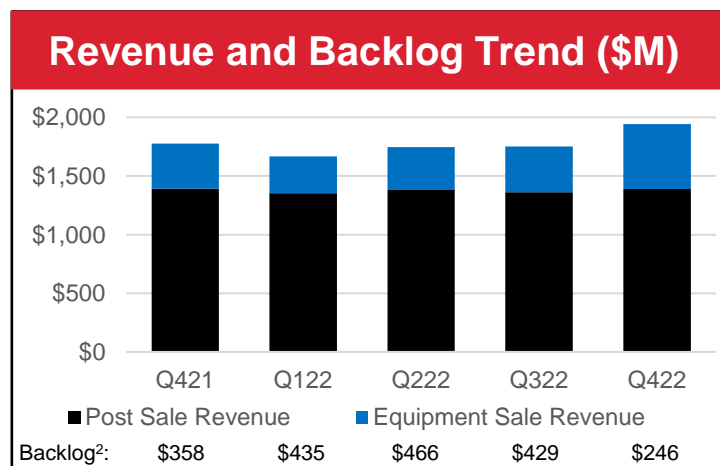
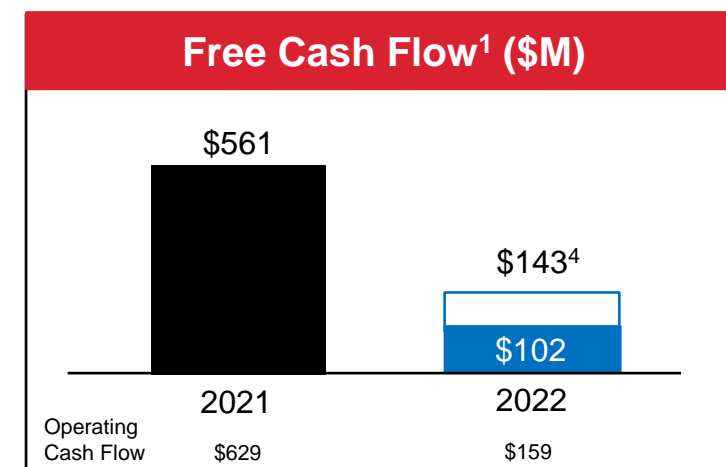
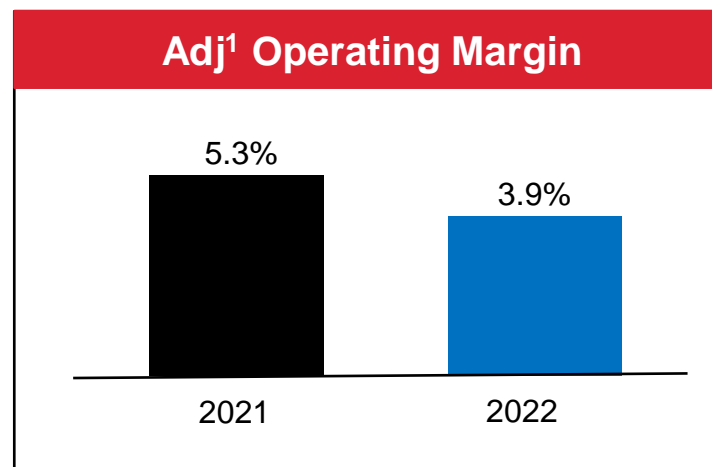
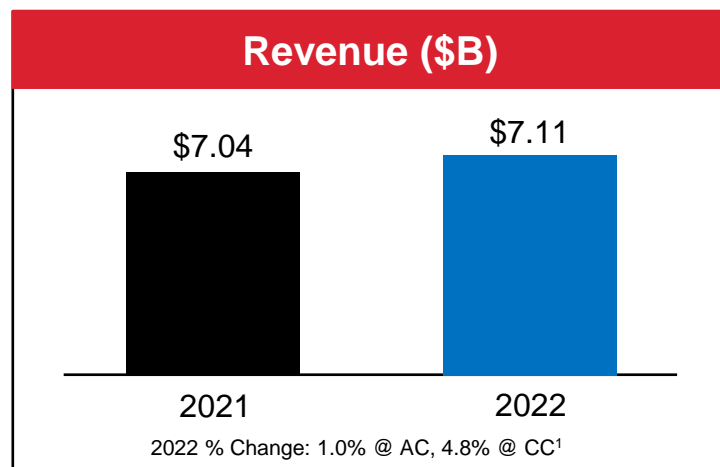
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# Forward-Looking Statements

This presentation and other written or oral statements made from time to time by management contain “forward looking statements” as defined in the Private Securities Litigation Reform Act of 1995. The words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “will”, “should”, “targeting”, “projecting”, “driving” and similar expressions, as they relate to us, our performance and/or our technology, are intended to identify forward-looking statements. These statements reflect management’s current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially. Such factors include but are not limited to: the effects of pandemics, such as the COVID-19 pandemic, on our and our customers’ businesses and the duration and extent to which this will impact our future results of operations and overall financial performance; our ability to address our business challenges in order to reverse revenue declines, reduce costs and increase productivity so that we can invest in and grow our business; our ability to successfully develop new products, technologies and service offerings and to protect our intellectual property rights; reliance on third parties, including subcontractors, for manufacturing of products and provision of services and the shared service arrangements entered into by us as part of Project Own It; our ability to attract and retain key personnel; the severity and persistence of global supply chain disruptions and inflation; the risk that confidential and/or individually identifiable information of ours, our customers, clients and employees could be inadvertently disclosed or disclosed as a result of a breach of our security systems due to cyberattacks or other intentional acts or that cyberattacks could result in a shutdown of our systems; the risk that partners, subcontractors and software vendors will not perform in a timely, quality manner; actions of competitors and our ability to promptly and effectively react to changing technologies and customer expectations; our ability to obtain adequate pricing for our products and services and to maintain and improve cost efficiency of operations, including savings from restructuring and transformation actions; our ability to manage changes in the printing environment like the decline in the volume of printed pages and extension of equipment placements; changes in economic and political conditions, trade protection measures, licensing requirements and tax laws in the United States and in the foreign countries in which we do business; the risk that multi-year contracts with governmental entities could be terminated prior to the end of the contract term and that civil or criminal penalties and administrative sanctions could be imposed on us if we fail to comply with the terms of such contracts and applicable law; interest rates, cost of borrowing and access to credit markets; the imposition of new or incremental trade protection measures such as tariffs and import or export restrictions; funding requirements associated with our employee pension and retiree health benefit plans; changes in foreign currency exchange rates; the risk that our operations and products may not comply with applicable worldwide regulatory requirements, particularly environmental regulations and directives and anti-corruption laws; the outcome of litigation and regulatory proceedings to which we may be a party; and any impacts resulting from the restructuring of our relationship with Fujifilm Holdings Corporation. Additional risks that may affect Xerox’s operations and other factors are set forth in the “Risk Factors” section, the “Legal Proceedings” section, the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section and other sections of Xerox Holdings Corporation’s and Xerox Corporation’s combined 2021 Annual Report on Form 10-K and combined Quarterly Reports on Form 10-Q, as well as in Xerox Holdings Corporation’s and Xerox Corporation’s Current Reports on Form 8-K filed with the Securities and Exchange Commission.

These forward-looking statements speak only as of the date of this presentation or as of the date to which they refer, and Xerox assumes no obligation to update any forward-looking statements as a result of new information or future events or developments, except as required by law.

# Full Year 2022 Key Financial Measures



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

² Order backlog is measured as the value of unfulfilled sales orders, shipped and non-shipped, received from our clients waiting to be installed, including orders with future installation dates. It includes printing devices as well as IT hardware associated with our IT services offerings. Backlog in Q2-22 and prior was revised to conform to current reporting methodology.

³ 2021 GAAP loss per share includes an after-tax non-cash goodwill impairment charge of \$750 million, or \$4.08 per share. 2022 GAAP loss per share includes a Q3 after-tax non-cash goodwill impairment charge of \$395 million, or \$2.54 per share.

⁴ Excludes a Q2 one-time payment of \$41 million associated with a product supply contract termination charge

# Business Update: Q4 2022

## Print & Managed Print Services

- **Demand** for our equipment and print-related services remains resilient amid an uncertain macro environment
  - **Equipment and post sale revenue** grew in constant currency for the second consecutive quarter
  - **Backlog** declined sharply from Q3 levels as equipment supply improved
  - **Contractual Print Services** revenue grew modestly YOY at constant currency, including the acquisition of Go Inspire
- **Supply chain** conditions have improved, but remain volatile; expect conditions to normalize by end of 1H
- **Expected Q1 2023 launch of customer experience applications** to improve set-up, security and productivity of small and home office users; includes launch of CareAR Instruct

## IT & Digital Services

- **IT Services** revenue grew double digits for the quarter and year, including contributions from the successful integration of Powerland in Canada
  - **Xerox Automation**, our Robotic Process Automation solution, in Q4 grew signings meaningfully on sequential basis
- **Digital Services** signings grew double digits in the quarter and for the year
  - Xerox named a Top Accounts Payable Solution Provider in 2022 by [CFO Tech Outlook](#) for our Digital Services offerings tailored to transforming the accounts payable landscape
  - In 2023, expect to launch full breadth of Digital Services offerings to mid-market customers

## FITTLE

### FITTLE

- **Grew captive and non-captive originations more than 40% in the quarter**, including growth in third-party equipment and services of >100%
  - For the full-year, total originations grew high single digits, led by double-digit growth in non-captive, which was partially offset by a mid-single digit decline in captive originations
- **Launched a receivable funding solution** with an affiliate of HPS Investment Partners, marking a strategic shift to an asset-light, fee-based business model
  - Allows FITTLE to focus on being a best-in-class provider of leasing services and solutions and growth in originations
  - Provides FITTLE greater access to growth capital while freeing up Xerox operating cash

## Sustainability Recognitions

- Xerox named one of the Global 100 most sustainable corporations in the world by Corporate Knights, for the third consecutive year
- Received “A” rating from Climate Disclosure Project

# Xerox Priorities for 2023



## **Customer Success**

Employ a holistic, client-centric approach to deliver essential products and services that address the productivity challenges of a hybrid workplace and distributed workforce



## **Focus on Profitability**

Implement a more flexible cost base and operating model to expand margins and direct investments towards margin-accretive growth opportunities with nearer-term returns



## **Shareholder Returns**

Manage the business to optimize free cash flow<sup>1</sup> generation, and return at least 50% of free cash flow<sup>1</sup> to shareholders

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

# Frequently Asked Questions

## Macro Environment

### **How have demand trends evolved since Q3 earnings? Does guidance account for macroeconomic uncertainty?**

Demand for our portfolio of products and services has remained resilient amid an uncertain macroeconomic environment. We continue to see strength in demand for our A3 office devices, which we believe reflects an ongoing correction after years of pandemic-driven underinvestment and supply chain constraints. Although demand has remained resilient, our guidance accounts for a potential deterioration in macroeconomic conditions, which may cause incremental delays for orders and project implementations. Offsetting this macroeconomic uncertainty is the observed stability of our contractual print services business, which grew low single digits in constant currency this year despite a moderated return of employees to offices.

## Strategic Direction

### **What progress have you made in the planning and/or implementation of a change in strategic direction?**

Our long-term objectives remain growth in client wallet share and client TAM, through expanded penetration of existing solutions and the development of intelligent, data-driven solutions. We expect to provide investors with an update on specific changes to our strategy, and the associated financial implications thereof, throughout the year. For 2023, our operational priorities are 1) driving customer success and 2) profitability improvement – priorities that will remain cornerstones of our long-term strategic plan. Our market research indicates that Xerox's globally recognizable brand and client trust have afforded us the right to play and win in IT and digital services – markets where we already have leading solutions and where we are actively investing to develop more. In 2023, we expect a greater focus on delivering value-added solutions and improving the ease with which clients do business with us, paving the way for our strategic plan to deliver long-term, sustainable growth in profits.

## Liquidity / Capital Allocation

### **How much cash will FITTLE's receivable funding solution generate, and how will incremental cash be allocated?**

The receivable funding agreement Xerox and FITTLE signed in 2022 with an affiliate of HPS Investment Partners contemplates the sale of U.S. direct lease receivables, which would have otherwise been funded by Xerox, of approximately \$600 million in 2023. Proceeds from these sales will be partially offset by growth in FITTLE's lease receivable portfolio. We are exploring similar funding arrangements for other portions of FITTLE's future lease receivables, the success of which is not currently contemplated in our free cash flow<sup>1</sup> guidance. Our capital allocation policy is to distribute at least 50% of free cash flow<sup>1</sup> to shareholders. Beyond shareholder returns, we will be opportunistic in finding ways to efficiently and effectively allocate capital to optimize shareholder value.

## Guidance

### **What are the drivers of expected profit improvement in 2023?**

Our guidance calls for an improvement in adjusted operating income margin of at least 80 basis points over 2022 levels. This improvement is expected to be driven primarily by pricing actions already taken and those expected for 2023, a reduction in logistics costs and the flow-through effects of cost actions taken in 2022. Offsetting these benefits are continued growth in component costs and the consideration of a potential deterioration in macroeconomic conditions reflected in our revenue guidance. We expect growth in margin and profits to continue in future years as we implement a strategic plan for which profitability will be a primary goal.



# Financial Results Summary

(in millions, except per share data)

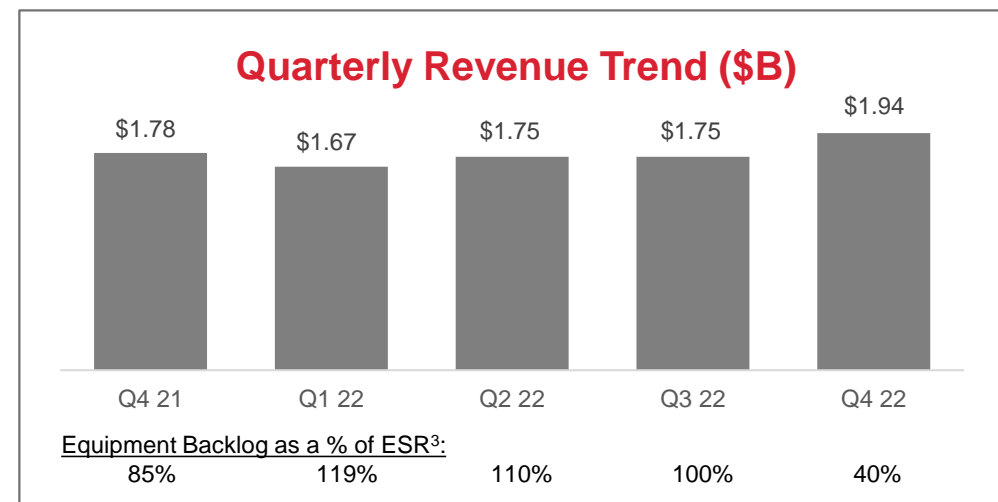
P&L Measures	Q4 2022	B/(W) YOY	% Change YOY
Revenue	\$ 1,941	\$ 164	9.2% AC 13.9% CC <sup>1</sup>
Operating Income – Adjusted <sup>1</sup>	\$ 178	\$ 92	107%
Other Expenses, net – Adjusted <sup>1</sup>	\$ (9)	\$ 38	NM
Net Income <sup>2</sup>	\$ 121	\$ 796	NM
Net Income – Adjusted <sup>1</sup>	\$ 146	\$ 84	135%
GAAP Earnings Per Share <sup>2</sup>	\$ 0.74	\$ 4.71	NM
Earnings per Share – Adjusted <sup>1</sup>	\$ 0.89	\$ 0.55	162%

P&L Ratios	Q4 2022	B/(W) YOY
Gross Margin	34.8%	190 bps
RD&E %	3.6%	60 bps
SAG %	22.1%	170 bps
Operating Margin – Adjusted <sup>1</sup>	9.2%	440 bps
Tax Rate – Adjusted <sup>1</sup>	21.8%	NM

<sup>1</sup> Adjusted Measures and Constant Currency (CC): see Non-GAAP Financial Measures. <sup>2</sup> Q4 2021 Net Income and GAAP Earnings Per Share include an after-tax non-cash goodwill impairment charge of \$750 million, or \$4.38 per share

# Revenue

(in millions)	% Change YOY			
	Q4 2022	% Total	AC	CC <sup>1</sup>
<b>Equipment</b>	\$554	29%	44.3%	49.0%
<b>Post Sale</b>	\$1,387	71%	(0.4)%	4.2%
<b>Total Revenue</b>	\$1,941	100%	9.2%	13.9%
Americas	1,277	66%	16.5%	17.4%
EMEA	619	32%	(2.7)%	8.6%
Other <sup>2</sup>	45	2%	- %	- %



**Installs B/(W) YOY**

	Q4 2022	
	Color	B&W
Entry A4 MFPs	59%	(35)%
Mid-Range	56%	68%
High-End	1%	(8)%

<sup>1</sup> Constant Currency (CC): see Non-GAAP Financial Measures. <sup>2</sup> Other total revenue includes sales to FUJIFILM Business Innovation Corp. (formerly Fuji Xerox)(FX) and licensing. <sup>3</sup> Backlog in Q2 2022 and prior was revised to conform to current reporting methodology.



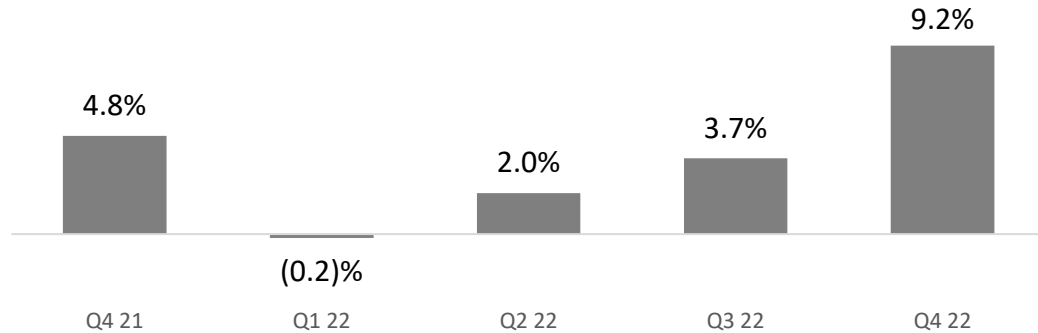
# Cash Flow

(in millions)	Q4 2022	Change YOY	FY 2022	Change YOY
<b>Pre-tax Income (Loss)</b>	\$146	\$857	(\$328)	\$147
Non-Cash Add-Backs <sup>1</sup>	79	9	404	79
Non-Cash Goodwill Impairment, Net of Tax	-	(750)	395	(355)
Restructuring Payments	(14)	(3)	(52)	20
Pension Contributions	(18)	23	(124)	36
Working Capital, net <sup>2</sup>	73	(120)	87	(160)
Change in Finance Assets <sup>3</sup>	(169)	(119)	(253)	(144)
Other <sup>4</sup>	89	91	30	(93)
<b>Cash provided by Operations</b>	186	(12)	159	(470)
<b>Cash provided by (used in) Investing</b>	17	48	(78)	7
<b>Cash used in Financing</b>	(67)	450	(822)	488
Ending Cash, Cash Equivalents and Restricted Cash <sup>5</sup>	1,139	(770)	1,139	(770)
<b>Free Cash Flow<sup>6</sup></b>	168	(14)	102	(459)
Product supply contract termination charge	-	-	41	41
<b>Free Cash Flow - adjusted<sup>7</sup></b>	168	(14)	143	(418)

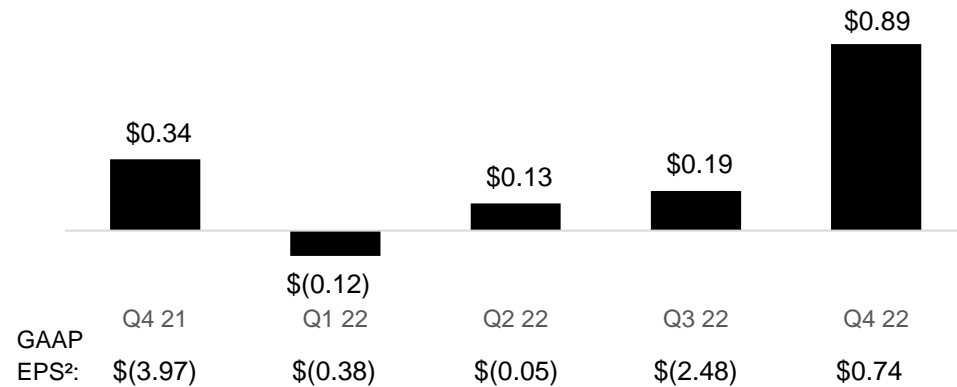
<sup>1</sup> Non-cash add-backs include depreciation & amortization (including equipment on operating lease), provisions, stock-based compensation, non-service retirement-related costs, restructuring and asset impairment charges and gain on sales of businesses and assets. <sup>2</sup> Working Capital, net includes accounts receivable, accounts payable and inventory. <sup>3</sup> Includes equipment on operating leases (excluding its related depreciation) and finance receivables. <sup>4</sup> Includes other current and long-term assets and liabilities, accrued compensation, derivative assets and liabilities, other operating, net, distributions from net income of unconsolidated affiliates and taxes. <sup>5</sup> Includes restricted cash of \$94 million. <sup>6</sup> Free Cash Flow: see Non-GAAP Financial Measures. <sup>7</sup> Excludes one-time payment of \$41 million associated with a product supply contract termination charge in Q2 2022.

# Profitability and Earnings

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

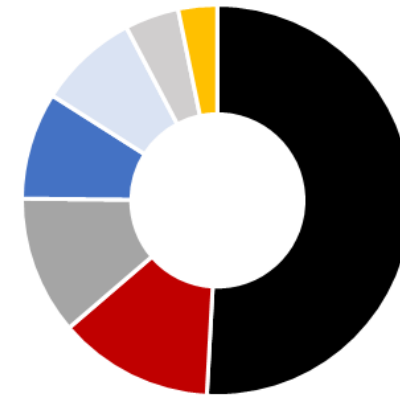


## Adjusted<sup>1</sup> Earnings (Loss) Per Share



## Project Own It: Status

### Distribution of 2022 Gross Savings



- Org Design & Benefits costs
- Product Sourcing & Supply Chain
- Shared Services
- Contract Management
- Delivery
- Real Estate
- Other

- We achieved gross cost savings of \$450M in 2022 and ~\$2.2B of gross cost savings from 2018 to 2022
- We are not providing a savings target for 2023, but the culture of cost discipline and continuous improvement instilled by Project Own is key to driving higher profitability in 2023 and beyond

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

# Segment Results

## Revenue and Profit

(in millions)	Q4 2022				Total Xerox		B/(W) YoY		
	Print & Other	Financing (FITTLE)	Intersegment Eliminations <sup>1</sup>	Total Xerox			Print & Other	Financing (FITTLE)	Total Xerox
Total Revenue	\$ 1,843	\$ 151	\$ (53)	\$ 1,941					
<b>Segment Profit</b>	<b>\$ 183</b>	<b>\$ (5)</b>	<b>\$ -</b>	<b>\$ 178</b>					
Segment Margin <sup>2</sup>	10.2%	(3.4%)		9.2%					
Total Revenue						11.1%	(9.6)%	9.2%	
<b>Segment Profit</b>						<b>200%</b>	<b>NM</b>	<b>107%</b>	
Segment Margin (bps) <sup>2</sup>						640	NM	440	

## Financing (FITTLE) Assets and Debt

(in billions)	Q4 2022	Q3 2022
Equipment on Operating Leases	\$ 0.24	\$ 0.22
Finance Receivables	\$ 3.10	\$ 2.90
<b>Total Finance Assets</b>	<b>\$ 3.34</b>	<b>\$ 3.12</b>
<b>FITTLE Allocated Debt</b>	<b>\$ 2.92</b>	<b>\$ 2.73</b>

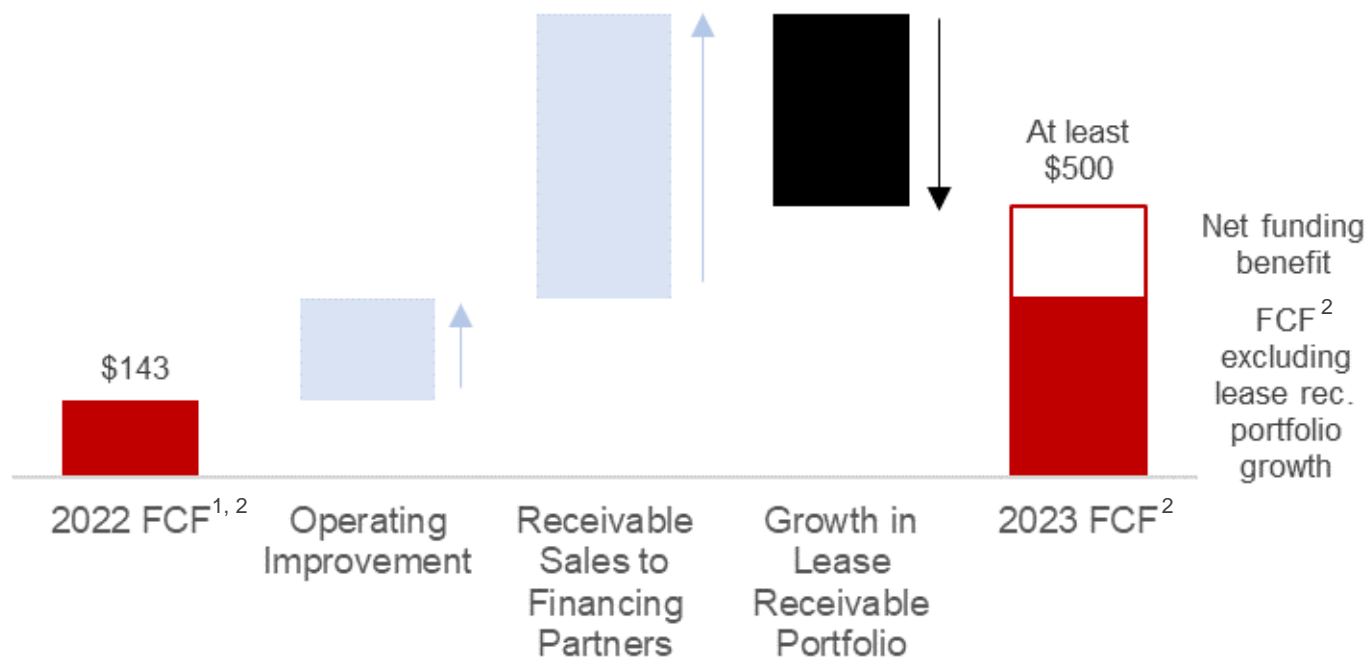
## Financing (FITTLE): Key Performance Indicators

- FITTLE finance assets: \$3.3 billion, 7% higher Q/Q
- Originations in Q4: >40% growth in captive and non-captive channels
- Signed receivable financing agreement with an affiliate of HPS Investment Partners to sell eligible pools of future lease receivables
  - ~\$60 million of FITTLE receivables sold in December 2022
  - ~\$600 million of FITTLE receivable sales expected for 2023

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

# Receivable Funding Arrangement – Effect on FCF<sup>2</sup>

## Impact of Receivable Funding Agreement on Free Cash Flow<sup>2</sup>

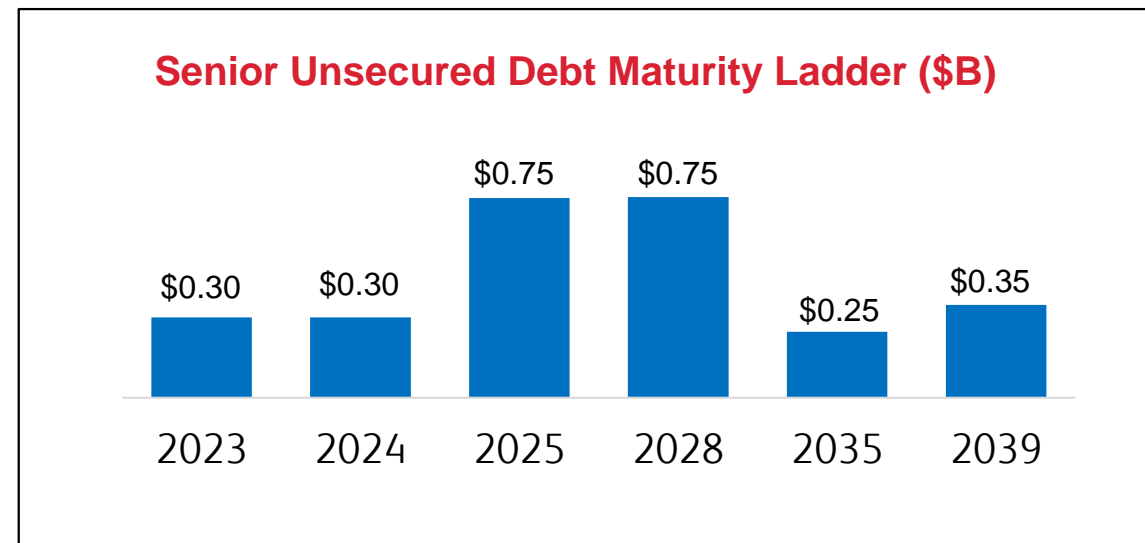


<sup>1</sup> Excludes one-time payment of \$41 million associated with a product supply contract termination charge. <sup>2</sup> Adjusted measures and Free Cash Flow (FCF): see Non-GAAP Financial Measures

- **Background:** In Q4 2022, Xerox and FITTLE entered into an agreement with an affiliate of HPS Investment Partners to sell pools of lease receivables.
- **Effect on Cash Flow**
  - The agreement contemplates sales of lease receivables of approximately \$600 million in 2023, which would have otherwise been funded by Xerox.
  - This direct benefit to operating cash flow will be partially offset by YOY growth in FITTLE’s lease receivable portfolio.
  - We expect free cash flow<sup>2</sup> including the net benefit of the receivables funding agreement to be at least \$500 million. This guidance does not account for potential benefits of additional funding agreements.
  - Indicative free cash flow<sup>2</sup> excluding the net benefit of the funding agreement is 90-100% of adjusted<sup>2</sup> operating income.

# Capital Structure

<b>Debt and Cash</b>		
(in billions)	Q4 2022	Q3 2022
Total Debt	\$(3.7)	\$(3.7)
Less: FITTLE Allocated Debt	2.9	2.7
Core Debt	(0.8)	(1.0)
Less: Cash <sup>1</sup>	1.1	1.0
Net Core Cash	\$0.3	\$ -



- Ending net core cash of \$0.3B, net core debt of \$0.8B with ending cash<sup>1</sup> of \$1.1B.
- A balanced debt maturity ladder is maintained. The remaining \$300 million of debt maturing in 2023 will be paid during Q1.
- Net core cash positive excluding FITTLE-allocated debt.

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

# 2023 Full-Year Guidance and Capital Allocation

## Guidance

- **Revenue growth:** Flat to down low-single-digits in constant currency
- **Adjusted<sup>1</sup> Operating Margin:** At least 4.7%
- **Free Cash Flow<sup>1</sup>:** At least \$500 million

## Capital Allocation Policy

- **Shareholder Returns:** At least 50% of annual Free Cash Flow<sup>1</sup>

Guidance assumes stable revenues amid a challenging macroeconomic environment. Benefits of recently-enacted and expected price and cost actions, as well as lower logistics costs, are expected to drive improvements in adjusted operating income margin and free cash flow<sup>1</sup>, both with and without the benefit of receivable funding solutions.

FCF<sup>1</sup> guidance does not include potential benefits associated with additional lease receivable funding solutions.

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



# Appendix

# Operating Trends

(in millions, except EPS)	2021					2022				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
<b>Total Revenue</b>	<b>\$1,710</b>	<b>\$1,793</b>	<b>\$1,758</b>	<b>\$1,777</b>	<b>\$7,038</b>	<b>\$1,668</b>	<b>\$1,747</b>	<b>\$1,751</b>	<b>\$1,941</b>	<b>\$7,107</b>
<i>% Change</i>	(8.1)%	22.4%	(0.5)%	(7.9)%	0.2%	(2.5)%	(2.6)%	(0.4)%	9.2%	1.0%
<i>CC<sup>1</sup> % Change</i>	(10.4)%	18.1%	(1.6)%	(7.4)%	(1.4)%	(0.7)%	1.1%	4.7%	13.9%	4.8%
<b>Adj<sup>1</sup> Operating Margin</b>	5.2%	7.0%	4.2%	4.8%	5.3%	(0.2)%	2.0%	3.7%	9.2%	3.9%
<b>GAAP EPS (Loss)<sup>2</sup></b>	\$0.18	\$0.46	\$0.48	(\$3.97)	(\$2.56)	(\$0.38)	(\$0.05)	(\$2.48)	\$0.74	(\$2.15)
<b>Adj<sup>1</sup> EPS (Loss)</b>	\$0.22	\$0.47	\$0.48	\$0.34	\$1.51	(\$0.12)	\$0.13	\$0.19	\$0.89	\$1.12
<b>Operating Cash Flow</b>	\$117	\$214	\$100	\$198	\$629	\$66	(\$85)	(\$8)	\$186	\$159
<b>Free Cash Flow<sup>1</sup></b>	\$100	\$198	\$81	\$182	\$561	\$50	(\$98)	(\$18)	\$168	\$102

<sup>1</sup> Adjusted measures, Free Cash Flow, and Constant Currency (CC): see Non-GAAP Financial Measures. <sup>2</sup> Both Q4 2021 and FY 2021 GAAP EPS include an after-tax non-cash goodwill impairment charge of \$750 million or \$4.38 and \$4.08 per share, respectively. Both Q3 2022 and FY22 GAAP EPS include an after-tax non-cash goodwill impairment charge of \$395 million, or \$2.54 per share, respectively.



# Non-GAAP Financial Measures

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

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

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

## Adjusted Earnings Measures

- Net Income (Loss) and Earnings per share (EPS)
- Effective Tax Rate

The above measures were adjusted for the following items:

- Restructuring and related costs, net: Restructuring and related costs, net include restructuring and asset impairment charges as well as costs associated with our transformation programs beyond those normally included in restructuring and asset impairment charges. Restructuring consists of costs primarily related to severance and benefits paid to employees pursuant to formal restructuring and workforce reduction plans. Asset impairment includes costs incurred for those assets sold, abandoned or made obsolete as a result of our restructuring actions, exiting from a business or other strategic business changes. Additional costs for our transformation programs are primarily related to the implementation of strategic actions and initiatives and include third-party professional service costs as well as one-time incremental costs. All of these costs can vary significantly in terms of amount and frequency based on the nature of the actions as well as the changing needs of the business. Accordingly, due to that significant variability, we will exclude these charges since we do not believe they provide meaningful insight into our current or past operating performance nor do we believe they are reflective of our expected future operating expenses as such charges are expected to yield future benefits and savings with respect to our operational performance.
- Amortization of intangible assets: The amortization of intangible assets is driven by our acquisition activity which can vary in size, nature and timing as compared to other companies within our industry and from period to period. The use of intangible assets contributed to our revenues earned during the periods presented and will contribute to our future period revenues as well. Amortization of intangible assets will recur in future periods
- Non-service retirement-related costs: Our defined benefit pension and retiree health costs include several elements impacted by changes in plan assets and obligations that are primarily driven by changes in the debt and equity markets as well as those that are predominantly legacy in nature and related to employees who are no longer providing current service to the Company (e.g. retirees and ex-employees). These elements include (i) interest cost, (ii) expected return on plan assets, (iii) amortization of prior plan amendments, (iv) amortized actuarial gains/losses and (v) the impacts of any plan settlements/curtailments. Accordingly, we consider these elements of our periodic retirement plan costs to be outside the operational performance of the business or legacy costs and not necessarily indicative of current or future cash flow requirements. This approach is consistent with the classification of these costs as non-operating in Other expenses, net. Adjusted earnings will continue to include the service cost elements of our retirement costs, which is related to current employee service as well as the cost of our defined contribution plans.
- Other discrete, unusual or infrequent items: We exclude these items, when applicable, given their discrete, unusual or infrequent nature and their impact on our results for the period.
  - Non-Cash Goodwill impairment charge
  - 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 Holding's former CEO.
  - Loss on extinguishment of debt

# Non-GAAP Financial Measures

## Adjusted Operating Income (Loss) 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 (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.

## Constant Currency

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

## Free Cash Flow

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

# Net Income (Loss) and EPS Reconciliation

(in millions, except per share amounts)	Three Months Ended December 31, 2022		Three Months Ended December 31, 2021		Year Ended December 31, 2022		Year Ended December 31, 2021	
	Net Income	Diluted EPS	Net (Loss) Income	Diluted EPS	Net (Loss) Income	Diluted EPS	Net (Loss) Income	Diluted EPS
<b>Reported</b> <sup>(1)</sup>	\$ 121	\$ 0.74	\$ (675)	\$ (3.97)	\$ (322)	\$ (2.15)	\$ (455)	\$ (2.56)
<b>Adjustments:</b>								
Goodwill Impairment	-		781		412		781	
Restructuring and related costs, net	24		(1)		65		38	
Amortization of intangible assets, net	11		13		42		55	
Non-service retirement-related costs	6		(25)		(12)		(89)	
Contract termination cost - product supply	-		-		33		-	
Accelerated Share Vesting	-		-		21		-	
Loss on Extinguishment of Debt	1		-		5		-	
Income tax on adjustments <sup>(2)</sup>	(17)		(31)		(55)		(37)	
<b>Adjusted</b>	<u>\$ 146</u>	<u>\$ 0.89</u>	<u>\$ 62</u>	<u>\$ 0.34</u>	<u>\$ 189</u>	<u>\$ 1.12</u>	<u>\$ 293</u>	<u>\$ 1.51</u>
Dividends on preferred stock used in adjusted EPS calculation <sup>(3)</sup>	\$ -		\$ 3		\$ 14		\$ 14	
Weighted average shares for adjusted EPS <sup>(3)</sup>		165		173		157		185
Fully diluted shares at end of period <sup>(4)</sup>		165						

(1) Net Income (Loss) and EPS attributable to Xerox. Fourth quarter and full year 2021 Net (Loss) and EPS include an after-tax non-cash goodwill impairment charge of \$750 million, or \$4.38 per share and \$4.08 per share, respectively. Full year 2022 Net (Loss) and EPS include an after-tax non-cash goodwill impairment charges of \$395 million or \$2.54 per share.

(2) Refer to Effective Tax Rate reconciliation.

(3) For those periods that include the preferred stock dividend, the average shares for the calculations of diluted EPS exclude the 7 million shares associated with Xerox Holdings Corporation's Series A Convertible preferred stock.

(4) Represents common shares outstanding at December 31, 2022 and potential dilutive common shares used for the calculation of adjusted diluted EPS for the fourth quarter 2022. Includes shares associated with our Series A convertible preferred stock, which were dilutive for the fourth quarter 2022.

# Effective Tax Rate Reconciliation

(in millions)	Three Months Ended December 31, 2022			Three Months Ended December 31, 2021			Year Ended December 31, 2022			Year Ended December 31, 2021		
	Pre-Tax Income	Income Tax Expense	Effective Tax Rate	Pre-Tax (Loss) Income	Income Tax (Benefit) Expense	Effective Tax Rate	Pre-Tax (Loss) Income	Income Tax (Benefit) Expense	Effective Tax Rate	Pre-Tax (Loss) Income	Income Tax (Benefit) Expense	Effective Tax Rate
<b>Reported</b> <sup>(1)</sup>	\$ 146	\$ 24	16.4%	\$ (711)	\$ (36)	5.1%	\$ (328)	\$ (3)	0.9%	\$ (475)	\$ (17)	3.6%
Goodwill Impairment <sup>(2)</sup>	-	-		781	31		412	17		781	31	
Non-GAAP Adjustments <sup>(2)</sup>	42	17		(13)	-		154	38		4	6	
<b>Adjusted - revised</b> <sup>(3)</sup>	<u>\$ 188</u>	<u>\$ 41</u>	<u>21.8%</u>	<u>\$ 57</u>	<u>\$ (5)</u>	<u>(8.8)%</u>	<u>\$ 238</u>	<u>\$ 52</u>	<u>21.8%</u>	<u>\$ 310</u>	<u>\$ 20</u>	<u>6.5%</u>

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

(2) Refer to Net Income (Loss) 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 As Reported Pre-Tax Income (Loss) under ASC 740, which employs an annual effective tax rate method to the results.

# Operating Income (Loss) and Margin Reconciliation

	Three Months Ended December 31, 2022			Three Months Ended December 31, 2021			Year Ended December 31, 2022			Year Ended December 31, 2021		
	Profit	Revenue	Margin	(Loss) Profit	Revenue	Margin	(Loss) Profit	Revenue	Margin	(Loss) Profit	Revenue	Margin
<b>Reported <sup>(1)</sup></b>	\$ 146	\$ 1,941	7.5%	\$ (711)	\$ 1,777	(40.0)%	\$ (328)	\$ 7,107	(4.6)%	\$ (475)	\$ 7,038	(6.7)%
<b>Adjustments:</b>												
Goodwill impairment	-			781			412			781		
Restructuring and related costs, net	24			(1)			65			38		
Amortization of intangible assets, net	11			13			42			55		
CEO accelerated share vesting	-			-			21			-		
Other expenses, net	(3)			4			63			(24)		
<b>Adjusted</b>	<u>\$ 178</u>	<u>\$ 1,941</u>	9.2%	<u>\$ 86</u>	<u>\$ 1,777</u>	4.8%	<u>\$ 275</u>	<u>\$ 7,107</u>	3.9%	<u>\$ 375</u>	<u>\$ 7,038</u>	5.3%

(1) Pre-tax income (loss)

# Free Cash Flow Reconciliation

(in millions)	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2022	2021	2022	2021
<b>Reported</b> <sup>(1)</sup>	\$ 186	\$ 198	\$ 159	\$ 629
Less: capital expenditures	18	16	57	68
<b>Free Cash Flow</b>	<u>\$ 168</u>	<u>\$ 182</u>	<u>\$ 102</u>	<u>\$ 561</u>
Add: one-time contract termination charge - product supply	-	-	41	-
<b>Free Cash Flow - Adjusted</b>	<u>\$ 168</u>	<u>\$ 182</u>	<u>\$ 143</u>	<u>\$ 561</u>

*(1) Net cash provided by operating activities*

# Other Expenses, Net Reconciliation

(in millions)	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
<b>Reported</b>	\$ (3)	\$ 4	\$ 63	\$ (24)
Less: non-service retirement-related costs	6	(25)	(12)	(89)
<b>Adjusted</b>	<b>\$ (9)</b>	<b>\$ 29</b>	<b>\$ 75</b>	<b>\$ 65</b>

# Net Income (Loss) and EPS Reconciliation - Historical

(in millions, except per share amounts)	Q1-21		Q2-21		Q3-21		Q4-21		Year Ended December 31, 2021		Q1-22		Q2-22		Q3-22	
	Net		Net		Net		Net		Net		Net		Net		Net	
	Income	EPS	Income	EPS	Income	EPS	(Loss) Income	EPS	(Loss) Income	EPS	Loss	EPS	(Loss) Income	EPS	(Loss) Income	EPS
<b>Reported</b> <sup>(1)</sup>	\$ 39	\$ 0.18	\$ 91	\$ 0.46	\$ 90	\$ 0.48	\$ (675)	\$ (3.97)	\$ (455)	\$ (2.56)	\$ (56)	\$ (0.38)	\$ (4)	\$ (0.05)	\$ (383)	\$ (2.48)
Goodwill Impairment <sup>(2)</sup>	-	-	-	-	-	-	781	781	781	781	-	-	-	-	412	412
Restructuring and related costs, net	17	-	12	-	10	-	(1)	-	38	-	18	-	1	-	22	-
Amortization of intangible assets	15	-	14	-	13	-	13	-	55	-	11	-	10	-	10	-
Non-service retirement-related costs	(20)	-	(22)	-	(22)	-	(25)	-	(89)	-	(7)	-	(4)	-	(7)	-
CEO Accelerated Share Vesting	-	-	-	-	-	-	-	-	-	-	-	-	21	-	-	-
Loss on early extinguishment of debt	-	-	-	-	-	-	-	-	-	-	-	-	4	-	-	-
Contract termination costs <sup>(3)</sup>	-	-	-	-	-	-	-	-	-	-	33	-	-	-	-	-
Income tax on adjustments	(4)	-	(1)	-	(1)	-	(31)	-	(37)	-	(13)	-	(4)	-	(21)	-
<b>Adjusted</b>	<u>\$ 47</u>	<u>\$ 0.22</u>	<u>\$ 94</u>	<u>\$ 0.47</u>	<u>\$ 90</u>	<u>\$ 0.48</u>	<u>\$ 62</u>	<u>\$ 0.34</u>	<u>\$ 293</u>	<u>\$ 1.51</u>	<u>\$ (14)</u>	<u>\$ (0.12)</u>	<u>\$ 24</u>	<u>\$ 0.13</u>	<u>\$ 33</u>	<u>\$ 0.19</u>
Dividends on preferred stock used in adjusted EPS calculation <sup>(4)</sup>		\$ 4		\$ 3		\$ 4		\$ 3		\$ 14		\$ 4		\$ 3		\$ 4
Weighted average shares for adjusted EPS <sup>(4)</sup>		198		189		182		173		185		156		156		157

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

<sup>(2)</sup> Fourth quarter and full-year 2021 Net (loss) and EPS include an after-tax non-cash goodwill impairment charge of \$750 million (\$781 million pre-tax) or \$4.38 and \$4.08 per share, respectively. Third quarter 2022 Net loss and EPS include an after-tax non-cash goodwill impairment charge of \$395 million, or \$2.54 per share

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

<sup>(4)</sup> For those periods that exclude the preferred stock dividend the average shares for the calculations of diluted EPS include 7 million shares associated with Xerox Holdings Corporation's Series A convertible preferred stock, as applicable.



# Operating Income (Loss) and Margin Reconciliation - Historical

(in millions)	Q1-21			Q2-21			Q3-21			Q4-21			Year Ended December 31, 2021			Q1-22			Q2-22			Q3-22		
	Profit	Revenue	Margin	Profit	Revenue	Margin	Profit	Revenue	Margin	(Loss) Profit	Revenue	Margin	(Loss) Profit	Revenue	Margin	Loss	Revenue	Margin	(Loss) Profit	Revenue	Margin	(Loss) Profit	Revenue	Margin
<b>Reported<sup>(1)</sup></b>	\$ 53	\$ 1,710	3.1%	\$ 99	\$ 1,793	5.5%	\$ 84	\$ 1,758	4.8%	\$ (711)	\$ 1,777	(40.0%)	\$ (475)	\$ 7,038	(6.7%)	\$ (89)	\$ 1,668	(5.3%)	\$ (5)	\$ 1,747	(0.3%)	\$ (380)	\$ 1,751	(21.7%)
<b>Adjustments:</b>																								
Goodwill impairment	-			-			-			781			781			-			-			412		
Restructuring and related costs, net	17			12			10			(1)			38			18			1			22		
Amortization of intangible assets	15			14			13			13			55			11			10			10		
CEO Accelerated Share Vesting	-			-			-			-			-			-			21			-		
Other expenses, net	4			1			(33)			4			(24)			57			8			1		
<b>Adjusted</b>	<b>\$ 89</b>	<b>\$ 1,710</b>	<b>5.2%</b>	<b>\$ 126</b>	<b>\$ 1,793</b>	<b>7.0%</b>	<b>\$ 74</b>	<b>\$ 1,758</b>	<b>4.2%</b>	<b>\$ 86</b>	<b>\$ 1,777</b>	<b>4.8%</b>	<b>\$ 375</b>	<b>\$ 7,038</b>	<b>5.3%</b>	<b>\$ (3)</b>	<b>\$ 1,668</b>	<b>(0.2%)</b>	<b>\$ 35</b>	<b>\$ 1,747</b>	<b>2.0%</b>	<b>\$ 65</b>	<b>\$ 1,751</b>	<b>3.7%</b>

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

# Free Cash Flow Reconciliation – Historical

(in millions)	Year Ended							
	Q1-21	Q2-21	Q3-21	Q4-21	December 31, 2021	Q1-22	Q2-22	Q3-22
<b>Reported<sup>(1)</sup></b>	\$117	\$214	\$100	\$198	\$629	\$66	(\$85)	(\$8)
Less: capital expenditures	17	16	19	16	68	16	13	10
<b>Free Cash Flow</b>	<u>\$100</u>	<u>\$198</u>	<u>\$81</u>	<u>\$182</u>	<u>\$561</u>	<u>\$50</u>	<u>(\$98)</u>	<u>(\$18)</u>

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

# 2021 Quarterly Segment Results

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

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

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

# Operating Income and Margin – Guidance

(in millions)	FY 2023		
	Profit	Revenue (CC) <sup>(2, 3)</sup>	Margin
<b>Estimated</b> <sup>(1)</sup>	~\$200	~\$7,100	~2.8%
<b>Adjustments:</b>			
Restructuring and related costs, net	75		
Amortization of intangible assets	40		
Other expenses, net	20		
<b>Adjusted</b>	<u>~\$335</u>	<u>~\$7,100</u>	At least 4.7%

<sup>(1)</sup> Pre-tax income and revenue

<sup>(2)</sup> 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

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

# Free Cash Flow – Guidance

<b>(in millions)</b>	<b>FY 2023</b>
<b>Operating Cash Flow<sup>(1)</sup></b>	At least \$550
Less: capital expenditures	50
<b>Free Cash Flow</b>	<u>At least \$500</u>

*(1) Net cash provided by operating activities*

**xerox**<sup>TM</sup>