

29-Jan-2026

Xerox Holdings Corp. (XRX)

Q4 2025 Earnings Call

CORPORATE PARTICIPANTS

Greg Stein

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

Chuck Butler

Chief Financial Officer, Xerox Corp.

Steven John Bandrowczak

Chief Executive Officer & Director, Xerox Holdings Corp.

OTHER PARTICIPANTS

Ananda Baruah

Analyst, Loop Capital Markets LLC

Michael Anthony Cadiz

Analyst, Citigroup Global Markets, Inc.

Erik W. Woodring

Analyst, Morgan Stanley & Co. LLC

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Xerox Holding Corporation's Fourth Quarter 2025 Earnings Conference Release. After the presentation, there will be a question-and-answer session. [Operator Instructions] At this time, I would like to turn the meeting over to Greg Stein, Senior Vice President and Investor Relations. Please go ahead, sir.

Greg Stein

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

Good morning, everyone. I'm Greg Stein, Senior Vice President and Head of Investor Relations at Xerox Holdings Corporation. Welcome to the Xerox Holdings Corporation Fourth Quarter 2025 Earnings Release Conference Call hosted by Steve Bandrowczak, Chief Executive Officer. He is joined by Chuck Butler, Chief Financial Officer.

At the request of Xerox Holdings Corporation, today's conference call is being recorded. Other recording and/or rebroadcasting of this call are prohibited without the express permission of Xerox. During this call, Xerox executives will refer to slides that are available on the Web at www.xerox.com/investor and will make comments that contain forward-looking statements which, by their nature, address matters that are in the future and are uncertain. Actual future financial results may be materially different than those expressed herein.

At this time, I would like to turn the meeting over to Mr. Bandrowczak.

Steven John Bandrowczak

Chief Executive Officer & Director, Xerox Holdings Corp.

Good morning and thank you for joining our Q4 2025 earnings conference call. On the Q3 call, I highlighted the macroeconomic challenges we are facing and the continued disruption associated with the tariff and government funding-related uncertainty. Macro headwinds continue to persist, but we are cautiously optimistic that the business trends are starting to improve. Revenue in the quarter of \$2.03 billion increased roughly 26% in actual

currency and 24% in constant currency, reflecting the inorganic benefits of the Lexmark and ITsavvy acquisitions. Pro forma for these acquisitions, revenue declined 9%. Adjusted operating income margin of 5% was lower year-over-year by 140 basis points.

Free cash flow was \$184 million, a decrease of \$150 million versus the prior year, and adjusted loss per share of \$0.10 decreased by \$0.46 year-over-year. For the year, revenue of \$7.02 billion increased roughly 13% in actual currency and 12% in constant currency. Excluding the benefits of the acquisitions, revenue declined approximately 8%. Adjusted loss per share of \$0.60 was \$1.57 lower year-over-year. We generated \$133 million of free cash flow, which was \$334 million lower year-over-year. And adjusted operating income margin of 3.5% was lower year-over-year by 140 basis points.

While macro headwinds continued to weigh on transactional print equipment sales, activity picked up following the end of the government shutdown. In addition, page volume declines moderated and supply usage stabilized. Encouragingly, we entered 2026 with a pipeline higher than this time last year, with cancellations and renewal rates also improved in 2025. This gives us confidence in improving underlying trends in 2026.

What does give us pause is the recent spike in DRAM prices as they began to impact costs across storage, service, endpoints and networking equipment, having the greatest effect on our IT Solutions business. Considering this, we are taking steps to mitigate, including moving to consumption models such as HPE GreenLake, Dell APEX Device as a Service models and providing extended maintenance services for clients that decide to retain their old hardware.

The impact is expected to be modest in our Print business in the first half of the year. But based on current trends, we are expecting a larger impact from the price and availability perspective as we move into the back half of the year. Still, we remain confident in our long-term prospects of our IT Solutions business.

While revenue was impacted in Q4 due to delays in enterprise deals directly tied to the recent spike in memory prices, the breadth of our business continues to grow, supported by very strong quarter in the velocity channel. Bookings, billings and backlog all increased and pro forma profits improved meaningfully once again, aided by the synergies generated throughout the year.

IT Solutions is strategically positioned to capture secular growth through differentiated platforms, including our network operating center. Through our NOC, we deliver scalable AI-enabled automation and operational intelligence, underpinning our managed infrastructure services through a proprietary AI ops platform.

As we look out towards 2026, our conviction for more meaningful margin expansion is high, underpinned by our guidance of more than \$200 million improved in adjusted operating income. Many of the headwinds we experienced in 2025, such as tariffs, increased product costs and the wind-down of the sale of several production lines, begin to moderate as we move through the year.

We expect tailwinds in 2026 to steadily grow from the launch of new product offerings, a fully integrated IT Solutions organization and a soon-to-be-unified Xerox-Lexmark sales organization.

We remain focused on the balanced execution of our three strategic priorities: execute Reinvention; realize acquisition benefits; and balance sheet strength. I will provide an update on each.

Starting with the execution of Reinvention, with each quarter, the progress, following the acquisition of Lexmark, I have become increasingly confident in the complementary nature of our businesses. Much of the original

nervousness from partners following the transaction close had dissipated and most of our clients and partners are excited about what our joint offerings mean for them.

We continue to develop our route-to-market and we'll have more to share next quarter as well as an update on our inside sales strategy, which we will continue to be meaningfully expanding during the year.

Last quarter, we discussed at length our enhanced global business services organization, which was launched in 2024 to create a more streamlined and comprehensive set of centralized operating processes, leading to lower operating costs and improved quality. In addition to the physical changes we noted, such as greater utilization of Lexmark captive offshore and nearshore global capability centers, we are also leveraging our AI capabilities to further drive efficiencies into this organization.

To that point, Xerox recently established an AI Center of Excellence. In the second half of 2025, we launched several internal offerings designed to streamline processes, improve customer experience and strengthen financial performance. These platforms are delivering measurable impact today.

We introduced AI-powered service agents across XBS US and Latin America. These agents handle thousands of real customer interactions via chat and voice, leveraging prior service cases, engineering content and large language models to deliver immediate support. This has resulted in higher success rate, reduced waiting times and improved customer experience, all at lower cost per interaction.

Beyond service, AI is driving significant financial improvements. Using Microsoft Copilot Studio and advanced data science, we reduced outstanding accounts receivable, automated over [ph] 10 million (00:09:04) in credit hold actions and surfaced actionable insights from 1.4 million collected comments. These capabilities empower faster data-driven decisions that improve cash flow and operational resilience.

Finally, we begin to utilize AI-driven analytics to protect our supplies business. Leveraging probabilistic modeling and machine learning, we identified hundreds and thousands of cartridges with potential counterfeit and third-party activity, strengthening supply chain integrity and customer trust.

Moving to acquisition benefits. November 20 marked the one-year point of our acquisition of ITsavvy and we have been thrilled with the progress to-date, cross-sell performance remains strong and we are now going to market under a unified brand, Xerox IT Solutions. The alignment and scale provides us opportunities to deliver unique value to our 200,000 customers, such as with the recent launch of Xerox TriShield 360 Cyber Solution, a holistic cybersecurity offering targeted specifically for SMB. The solution is built upon Palo Alto Networks advanced detection technology, continuous monitoring, and response platform, with cyber response provided by Lumifi and its Security Operations Center and cyber insurance coverage provided by The Hartford, brokered by Aon. This is enterprise-grade security designed for SMBs offering scalable protection without the complexity or the cost of traditional solutions.

While operational efficiencies are a main pillar of the rationale for the Lexmark transaction, we are beginning to bear fruit as one company in our go-to-market operations. In the fall, we rolled out Lexmark-produced A3 devices in Eastern Europe. The channel reaction so far has been very positive as this product's better features and design innovation focused on serviceability and reliability. We expect these devices to reduce service costs, extend activities and post-sales, and lead to better uptake with partners over time. We are planning a larger global rollout in 2026 as our in-house manufacturing capacity ramps.

During the quarter, Xerox and Lexmark secured a global-first joint win with Morrisons, one of the UK's leading grocery retailers. The agreement expands a longstanding relationship with Morrisons and positions Xerox as a strategic partner across both operational print infrastructure and customer marketing communications. The solutions have Xerox providing a fully refreshed central print room, leveraging cloud-based print management, Web-to-print automation, and Lexmark MPS for their entire estate 500 supermarkets, 15 logistics sites, the head office, and with added Xerox-on-site operations. Morrisons will also adopt our Go Inspire platform, including direct mail, loyalty communications, store leaflets, and campaign automation through Go Inspire's digital marketing platform, GO360, enabling more targeted, data-driven customer engagement.

Early this month, I joined our team at the National Retail Federation Show in New York City where for the first time together, we demonstrated legacy Xerox strength in IT Solutions, production print, and digital workplace with Lexmark's expertise in in-store operation with devices intentionally engineered for retail, signage solution, and vision AI. We are excited by the reception and believe our enhanced value proposition, especially with the retail vertical, will lead to greater participation in RFPs and further wins and expansion into existing accounts.

We also just announced a partnership agreement with RJ Young, one of the largest office equipment and technology dealers in the United States. This agreement, which stems from the existing Lexmark partnership, extends Xerox portfolio with RJ Young's proven service capabilities to their customer base. We continue to look for opportunities as one company to commit to and invest in our partners.

Finally, balance sheet strength. For those focused on our current credit ratings, we remain extremely confident in our ability to drive increased profitability and delever. Since the Lexmark transaction closed, we have generated meaningful positive free cash flow and took net debt down by \$366 million. For the near medium term, we plan to use all excess free cash flow to repay debt. In connection, yesterday's announcement of the warrant distribution, which Chuck will speak to in more detail, further supports our goal to enable balance sheet flexibility. Cost rationalization remains a top priority, and we are reaffirming our cumulative run rate gross cost synergy targets of at least \$300 million from the Lexmark acquisition and the \$1 billion-plus of profit improvement as part of our Reinvention program, inclusive of Lexmark cost synergies.

Delivery against this target is centrally managed and continuously updated to our Enterprise Transformation Office, or ETO, a joint team comprised of legacy Xerox and Lexmark leaders. The ETO is responsible for enabling our Reinvention priorities, overseeing integration execution, and building a durable transformation capabilities across the enterprise through robust analytics and disciplined governance. This includes active oversight of several core integration work streams, dozens of sub-work streams, and hundreds of enterprise-wide initiatives. Each initiative is formally documented, tracked through defined stage gates, and subject to required milestones and approval before being incorporated into our integration and synergy forecasts. This level of rigor and transparency gives us strong confidence in our ability to deliver on and potentially exceed our synergy commitments.

Before I hand the call over to our recently appointed Chief Financial Officer, Chuck Butler, I wanted to share why he is the ideal leader for this role. Chuck joined Xerox as part of the Lexmark acquisition where he spent 21 years in a variety of senior leadership positions, most recently as their chief financial officer. He brings deep experience and proven resilience, having led the company through a supply chain disruption, a significant manufacturer transition due to US sanctions on its former Chinese parent company, and a large-scale restructuring that delivered stronger revenue and profitability. At this pivotal moment for our organization, Chuck's thoughtful, pragmatic approach to driving operational excellence and profitability is just what we need. I'm excited to partner with him as we work to restore growth and strengthen the business.

Chuck, take it away.

Chuck Butler

Chief Financial Officer, Xerox Corp.

Thanks, Steve. It's an honor to step into the CFO role at this moment in the company's history. I don't take this responsibility lightly. I've spent the last couple of months getting up to speed. And while there's work to do, I'm encouraged by the talent across the company and the early signs of progress from integration. My priorities are straightforward: improve execution, strengthen the balance sheet, and drive predictable profitability and cash generation.

Let me start with the quarter. For Q4, while revenue was slightly below guidance, adjusted operating income and free cash flow came in ahead of our expectations. We saw contributions from integration activities, early synergy capture, and disciplined cost actions. On a reported basis, Q4 revenue increased approximately 26% year-over-year, driven by the contributions from Lexmark and ITsavvy.

On a pro forma basis, revenue declined 9%. Adjusting for deliberate exits, non-strategic reductions and normalizing backlog fluctuations, revenue declined about 5%. This is consistent with Q3 and reflects ongoing macro and policy-related uncertainty, particularly early in the quarter.

Results this quarter were affected by unforeseen impacts, primarily from the sale of finance receivables in Portugal and France. These transactions reduced revenue by \$16 million and adjusted operating income by \$13 million, but were executed to strengthen the balance sheet, mitigate risk and improve liquidity. Without this effect, revenue would have been roughly in line with expectations and adjusted operating income would have been well above guidance.

Turning to profitability, adjusted gross margin was 29.3%, down 230 basis points year-over-year, reflecting 160 basis points of higher tariff costs and 160 basis points of increased product cost, partially offset by Lexmark's contribution and Reinvention benefits. Adjusted operating margin was 5%, down 140 basis points, driven primarily by lower gross margin, partially offset by integration savings, including head count actions executed in October and early non-head count synergies.

Adjusted other expenses net was \$85 million, up \$54 million year-over-year due mainly to higher net interest expense associated with the Lexmark acquisition financing. The adjusted tax rate was 147.1% compared to 32.9% last year, reflecting geographic mix of earnings and an inability to benefit from current-year losses and expenses in certain jurisdictions. GAAP loss per share was \$0.60, down \$0.40 year-over-year and adjusted loss per share was \$0.10, \$0.46 lower primarily due to higher interest expense.

Let me now review segment results. Within Print and Other, Q4 equipment revenue was \$485 million, up 23% as reported or up 21% in constant currency. On a pro forma basis, equipment revenue declined approximately 10%. Normalizing for Reinvention-related actions and other onetime items, the equipment revenue declined around 5%.

To provide additional context, legacy Xerox equipment revenue declined 14% in constant currency or roughly 10% excluding Reinvention-related items tied to our decision to discontinue manufacturing high-end production systems. This compares to a normalized 8% decline in Q3. Sequential performance was impacted by continued budget-related delays in federal and SLED orders as well as softer commercial and channel demand.

Lexmark equipment declined 8% in constant currency, including an estimated 12 points of year-over-year backlog fluctuations. Underlying demand grew 4% versus a comparable 12% decline in Q3, indicating a firming of demand

over the quarter. Elevated backlog weighed on Q4 revenue but represents a future revenue opportunity as it converts.

Print post sale revenue was \$1.39 billion, up 25% as reported and up 23% in constant currency. On a pro forma basis, Print post sale revenue declined 9%. Excluding Reinvention effects, pro forma post sale revenue declined approximately 5%, a modest improvement from last quarter, reflecting moderating declines across supplies, services and outsourcing at legacy Xerox.

Print and Other adjusted gross margin was 29.8%, down 280 basis points year-over-year due to higher tariff and product costs, lower managed print volumes and lower high-margin finance-related fees, partially offset by Reinvention savings. Print segment margin was 5.8%, down 270 basis points due to lower gross profit, partially offset by Reinvention savings and Lexmark's contribution.

Turning to IT Solutions results, revenue increased 39% year-over-year, reflecting the inclusion of ITsavvy for the entire quarter versus a partial quarter in the comparative period last year. Pro forma gross billings, a reflection of business activity, increased 13% year-over-year in the fourth quarter. Total bookings, an indication of future billings, increased 8% in the fourth quarter. We continue to see growth and sales activity for IT products and service to existing Xerox Print clients, with more than \$60 million of pipeline creation in 2025.

IT Solutions gross profit was \$36 million with gross margin of 22.7%, up 610 basis points year-over-year due primarily to ITsavvy. On a pro forma basis, gross profit expanded by nearly \$6 million versus prior year, or nearly 20%. Segment profit grew \$9 million year-over-year, with profit margin reaching 5.8%, helped by the inclusion of ITsavvy. On a pro forma basis, segment profit grew almost \$7 million due primarily to increased gross profit and cost structure improvements.

Moving to our cash flow and capital structure. For the quarter, operating cash flow was \$208 million, compared to \$351 million last year, reflecting lower net income, lower proceeds from finance receivable sales, and working capital timing. Investing activity was a \$4 million use of cash, with CapEx being partially offset by proceeds from real estate disposals, compared to a use of \$172 million in the prior year, which had cost associated with the acquisition of ITsavvy. Finance activity resulted in a \$173 million use of cash, reflecting ABL paydown and payments on secured debt. Free cash flow was \$184 million for the quarter, down \$150 million year-over-year.

For the full year, free cash flow was \$133 million, above our \$107 million comparable guide. This incorporates an adjustment to our Q3 earnings release that reallocated a use of \$43 million from investing to operating cash flow. This adjustment was the result of a one-time accounting treatment related to the settlement of intercompany balances between Xerox and Lexmark. This had no effect on cash and did not impact Q4 2025 free cash flow. We ended Q4 with \$565 million of cash, cash equivalents, and restricted cash and total debt of \$4.2 billion, which was down \$160 million sequentially, including repayment of \$100 million ABL borrowing that was outstanding at the end of Q3.

There were no borrowings at the year-end under our ABL. We will be repaying the remaining \$110 million of ITsavvy notes tomorrow. Approximately \$1.5 billion of the outstanding debt supports our finance assets, with remaining core debt of \$2.7 billion attributable to the non-financing business. On a pro forma basis, gross leverage was 6.7 times trailing 12 months EBITDA. Our top capital priority remains debt reduction, with a medium-term target of approximately 3 times trailing 12 months EBITDA.

For 2026, we expect greater than \$7.5 billion in revenue, which represents approximately 7% growth versus 2025, inclusive of a full year of Lexmark. This outlook incorporates several known headwinds from ongoing Reinvention

actions, including lower revenue related to the exit of high-end production print manufacturing and continued declines in excess finance receivables as a result of our forward flow execution. These impacts are partially offset by expected growth within IT Solutions. On an organic basis, we expect year-over-year revenue performance to improve as we move through the year as headwinds dissipate and we realize the benefits of tailwind Steve referenced earlier.

Specific to XFS, we expect approximately \$50 million of revenue headwinds and roughly \$40 million of operating income headwinds in 2026, primarily from forward flow dynamics. Despite these impacts, we expect adjusted operating income to be in the range of \$450 million to \$500 million, an increase of more than \$200 million versus 2025, driven by \$150 million to \$200 million of integration synergies and \$100 million of Reinvention savings. We have clear line of sight to these savings with accountable owners, sequencing, and cash timing discipline, which gives us confidence in the delivery path.

We expect tariffs to be a profit headwind in the first half and a tailwind in the second half as we shift more A3 production in-house. Recent memory price increases are expected to offset some of that benefit. We expect free cash flow of approximately \$250 million, driven by higher adjusted operating income, partially offset by higher interest expense and reduced forward flow benefits. Free cash flow assumes roughly \$335 million of forward flow benefits, leading to slightly over \$1 billion of receivables by year-end, \$290 million of net interest expense, \$160 million of pension contributions, and moderate working capital headwinds. We expect a use of cash from operations in Q1 with improvement throughout the year.

Finally, as you may have seen yesterday, we announced a special pro-rata distribution of warrants to holders of Xerox common stock, preferred stock, and convertible notes. For holders as of the record date, February 9, we will issue one warrant for every two shares held, which will be tradable as well as exercisable with cash or certain debt instruments at face value. We believe the issuance of these warrants with expected tangible value is a balance sheet-friendly way to reward shareholders for their continued loyalty and provides bondholders the optionality to participate in Xerox equity. Those who participate in exchange with debt enable immediate leverage reduction while preserving liquidity, enabling faster balance sheet improvement, and accelerating the timeline to our stated leverage goals beyond free cash flow generation alone.

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

QUESTION AND ANSWER SECTION

Operator: Certainly. And our first question for today comes from the line of Ananda Baruah from Loop Capital. Your question, please.

Ananda Baruah

Analyst, Loop Capital Markets LLC

Q

Yeah, good morning, guys. Thanks a lot. Lots going on. So I guess, just a few if I could. Steve, you mentioned you're starting to see orders come back post government shutdown. Are things back to normal there, sort of like order wise?

Steven John Bandrowczak

Chief Executive Officer & Director, Xerox Holdings Corp.

A

Yeah. A couple of things, Ananda. First, thanks for the question. We're clearly seeing in certain areas the portfolio that we have has given us a broader TAM that we're going after, and we got the opportunity to bring more products and services into state, Fed, local government. The strategy is working in terms of the acquisition of ITsavvy and Lexmark, bringing more products and services into it. So, I would say we're expanding and we're growing. Even in areas where we're seeing a slowdown in spend, there are other opportunities that we can bring solutions into the Fed space.

Ananda Baruah

Analyst, Loop Capital Markets LLC

Q

Yeah, that makes sense. Okay, yeah. Thanks for that extra context. And then maybe just sticking with ITsavvy, so it sounded like – and this is more of a clarification, memory isn't – actually, can you just sort of unpack or clarify the impact of memory in the ITsavvy business? And then it sounds like you also said there's an impact to the Print business or the copier business, or maybe it's both. Is that distinct from what you're seeing in ITsavvy? Thanks.

Steven John Bandrowczak

Chief Executive Officer & Director, Xerox Holdings Corp.

A

Yeah, I think there's a couple of things. So, memory across all the industries, whether it's IT services, whether it's in Print, is going to be a lot of uncertainty as we think about the year, both in terms of pricing, availability, and so forth. So, one of the things we're doing as we highlighted is we're trying to look at our IT Solutions portfolio as we're seeing memory prices go up. Maybe there'll be a stall and some end points, but we can help our clients to extend their life of their products. We can help them with moving to as a service, such as what we talked about with HP – HPE's offering, Dell's offering. There's a lot of SaaS platforms and things that we can move to that were going to help our clients to navigate through the memory challenge.

On the Print side, first half of the year, little impact because we've got a lot of the products teed up already in motion. We'll see what the second half of the year is in terms of availability and pricing, but we'll navigate through both of those.

Ananda Baruah

Analyst, Loop Capital Markets LLC

Q

And have – just on the memory side, for kind of across the portfolio, I guess, ITsavvy is distinct from the copier, Print business. What's a useful way for folks to think about – well, first of all, are you hit – are you hitting elasticity

yet and then – or are you starting to see an elasticity headwind yet from rising memory costs? Are you passing – are you raising prices and sort of – to what degree should we think of the margins, the margin impact also?

Steven John Bandrowczak

Chief Executive Officer & Director, Xerox Holdings Corp.

A

Yeah. Look, I think the industry is uncertain around what is happening with pricing and what is happening with availability throughout the year. What we're trying to do, working with our suppliers, making sure that we get the product availability, working with our clients to try to put in the right solutions so we can optimize their return on investment and things that they're trying to drive. And when we see these things and historically, when you think about supply chain challenges and shortages, we look at how do we help in trying to navigate that. So, we're working with all suppliers. We're working with contract manufacturers, working with our end products in terms of the products that they're giving to us and trying to navigate through that. And it'll be a mix shift of products. It will be a combination of extending warranties, extending service, and helping to navigate through this. There's going to be some uncertainty, and, you we'll just see how we play it out. We'll navigate through it.

Ananda Baruah

Analyst, Loop Capital Markets LLC

Q

All right. I appreciate that. I'll leave it there. Thanks so much, guys.

Operator: Thank you. And our next question comes from the line of Erik Woodring from Morgan Stanley. Your question, please.

Erik W. Woodring

Analyst, Morgan Stanley & Co. LLC

Q

Hey, guys. Good morning. Thank you for taking my questions. I have two for you. Steve, maybe just to start, and I think I've asked this before but would just love an update is obviously, there's a lot going on at Xerox right now between Reinvention, absorbing Lexmark, managing, leveraging cash flow, kind of trying to protect the core business, and all amidst this kind of very volatile macro and obviously, memory situation. Just how do you prioritize all of these different kind of moving pieces? Because if we go back to Chuck's comments, we want to talk about improving execution. Obviously, that makes execution risk higher with all of these moving pieces.

So, just how are you prioritizing, how are you managing and how are you making sure that you can do all of this while pushing this business forward? And then, a quick follow-up, please. Thank you.

Steven John Bandrowczak

Chief Executive Officer & Director, Xerox Holdings Corp.

A

Yeah. Couple of things, Erik. First of all, as we look at Q4 and navigating, revenue, operating profit, cash came in as we expected and we navigated through that. I got to tell you, from a strategic standpoint, Reinvention strategy, the acquisition of ITSavvy, the acquisition of Lexmark is working. We're heading in the right direction. We're seeing that examples of that, the Morrisons account where we bring in all of our capabilities, Lexmark, [ph] their MPS, our production (00:34:40), Go Inspire, all of it coming together and driving value in a large retail account.

Expansion in channels, we're seeing channels now picking up on our A3 product that we manufacture internally. We drive better serviceability, better profitability as it returns, as we look at supplies expansion. We're seeing the launch in IT Solutions of our [ph] cyber shield (00:44:09), which is the combination of Palo Alto and insurance. Nobody can bring that to the market, to the SMB space, like we can bring that. So, the strategy is working. The execution is working.

When we look at the Reinvention and integration, it's one project to us, right? We have one enterprise transformation office that looks at the entire suite of all the work streams, all the things that we follow. So, the management operating system, it's all under one management operating system that we've been executing here since the Reinvention launch.

So, I know from an outside, it looks like a lot of moving parts, but I got to tell you, it's coming together and it's heading in the right direction. And as you look at our guidance in 2026, the strategic things that we put in place give us confidence to deliver.

Last point, when you bring ITsavvy together and you bring Lexmark together and you look at integration, culture is important. And I got to tell you, the culture and the combination of these three assets has been absolutely outstanding. Working together, bringing value to our clients, internal synergies, all the things that we've been working on have been extremely, extremely important.

And then, the last piece of it, as we're going through this, we talk about Reinvention. Reinvention, our end-to-end operating processes, Reinvention, everything we do, we've now added an AI Center of Excellence to that. We will now bring in technologies that we've never had before as opposed to two years ago or three years ago when you look at integration. We didn't have some of the capabilities and technologies that we have today. So, I am very optimistic, very, very comfortable and very excited about where we are in the process. And the team is doing an outstanding job.

Erik W. Woodring

Analyst, Morgan Stanley & Co. LLC

Q

All right. No. That's super helpful. Thank you, Steve. And I want to press you on the answer that you provided to Ananda earlier just on kind of the memory stuff. And really, my high-level question is how are you protecting yourself against kind of pull-forward and the risk of a tough second half in IT services?

And really, the point that I'd love to try to kind of better understand is I know you speak to double-digit growth in bookings and billings in IT services, just based on some of the – what we hear from a pricing standpoint, things look like we're going through a mega, giga period of inflation, however you want to characterize it. Just in the event things get tougher than expected in the second half of the year, obviously you're trying to reorient your cost base. How do you protect yourself with all of that going on, again, just in a world where things do get a little bit more challenging? I'd just love to hear kind of the strategy and how you think about that. Thank you so much.

Steven John Bandrowczak

Chief Executive Officer & Director, Xerox Holdings Corp.

A

Sure. Three things. Yeah. So, three things. You know my background as a CIO. So, I'm going to speak from a CIO perspective. The budget that I have is the budget that I've had, right? And so, I have to drive value for business. I've got to drive value for internal, whether it's driving more revenue, driving more profitability.

And what we're going to see from our clients is yes, endpoints may go up, servers may go up, but I could sweat those assets. I could extend them. I can move to more towards Software as a Service and look at some of these other platforms, right? And we have a full portfolio that we could take advantage of where clients are going to ship to. We can help them with sweating their assets. We can help them with bringing more productivity. We talked about AI-powered platform around end-to-end support in terms of the service ITIL stack.

And so, we're shifting and we're helping our clients navigate the increase in memory prices and ultimately, the increase in end devices. So, I'm very confident that we have the capabilities and we've got all the infrastructure to help our clients to navigate through this, but you can't predict the pricing, I can't predict the price and what's going to happen with chips or memory over the next 18 months.

What I can do is control the factors that we have and that is knowing there's early signs of headwinds, shifting our demand, and helping our clients to navigate through this. And I'm confident we've got the products and we've got the line code that allows us to do that.

Erik W. Woodring

Analyst, Morgan Stanley & Co. LLC

Q

Awesome. Thank you very much, Steve. Best of luck to you, guys.

Operator: Thank you. And our next question comes in line Samik Chatterjee from JPMorgan. Your question, please. Samik, you might have your phone on mute.

Q

Yes. Sorry about that.

Operator: Oh, there we go.

Q

Hello. Good morning. This is [ph] Mark (00:39:38) on for Samik.

Steven John Bandrowczak

Chief Executive Officer & Director, Xerox Holdings Corp.

A

Hey. Good morning.

Q

Hello. Good morning. So, my question is regarding the operating cash flow to free cash flow bridge. You go from \$360 million to \$250 million based on the 2026 guide. So I guess, what are some of the assumptions with regards to that, like the working capital assumptions, CapEx, and the split between operations versus finance receivable runoff?

Steven John Bandrowczak

Chief Executive Officer & Director, Xerox Holdings Corp.

A

Yeah. You're talking year-to-year, and thanks for the question, by the way. If you think about year-to-year free cash flow from 2025 to 2026, there's a lot of puts and takes that can go on it between that bridge and the walkdown. But the essential gist of it, if you boiled it all down, is we'll have a higher EBITDA driven by operating income increases of \$225 million to \$250 million, and then you'll have less finance receivables. So, the net of those two kind of gets you to the year-over-year improvement and free cash flow. There are some puts and takes

in there. You'll have a little bit higher cash taxes, a little bit higher interest, a little bit less restructuring. But if you net it all down, it comes down to a higher operating income offset by lower finance receivables.

Q

Got it. And I guess piggybacking off that, with regards to the finance receivable sales and the prior question regarding prioritization between P&L and balance sheet, how do you think about finance receivable sales over the course of the year in 2026?

Steven John Bandrowczak*Chief Executive Officer & Director, Xerox Holdings Corp.*

A

Yeah, we have \$335 million of finance receivable sales. Our forward flow benefit baked into our forecast for 2026. If you think about what we have stated, we will take our finance receivables to it, be a balance sheet of about \$1 billion, which is where we'll exit the year. I anticipate the larger piece of that happening in the back half of the year to get to that, and then we'll see if we can be opportunistic beyond 2026.

Q

Got it. Thank you for taking my question.

Operator: Thank you. And our next question comes from the line of Asiya Merchant from Citigroup. Your question, please.

Michael Anthony Cadiz*Analyst, Citigroup Global Markets, Inc.*

Q

Hi, good morning. This is Mike Cadiz for Asiya Merchant at Citi. Good to meet you, Chuck, and we look forward to working with you in the coming quarters. So, my one question is can you talk about any cross-selling progresses that you've seen and any milestones you're targeting for this year, given the large 200,000-plus client base? And what kind of penetration is targeted for this year? Also, the last thing is, are the sales motions somewhat different in selling IT services to a Lexmark print client versus a legacy Xerox client? Thanks.

Steven John Bandrowczak*Chief Executive Officer & Director, Xerox Holdings Corp.*

A

Yeah. Let me start with that. So as you know, we talked about our IT Solutions strategy and selling into our mid-market clients where typically, the same buyer is the buyer of our Print equipment as well as IT Solutions equipment. So, we already have the relationship. We already have a trusted partner and a trusted client. We've talked about, you know, our printers are behind the firewall. We're integrated into a security stack, by the way. We're integrated into their overall data security. So, it's the same economic buyer we're now bringing IT Solutions into.

So, for us, the go-to-market motion is leverage the relationship but bring a broader set of portfolios and products and capabilities such as we just announced with [ph] cyber shield (00:43:23) That would never happen without the 200,000-plus clients that we already have that we know, struggle with being able to get both cyber security insurance and get the scale and get the capabilities of a Palo Alto network. So, the go-to-market motion for us is leverage the relationship we already have, bring in the portfolio and the capabilities of IT Solution, and continue the expansion and the penetration into those accounts.

What we've also seen and recently at the retail show, as we start to look at expansion and bringing these together, we now start to see the things that everything that Lexmark had done in the retail space, around signage, around IoT, AI capabilities, we now can bring IT Solutions in a store the same way, and we now can bundle and package a broader set of portfolios, including by the way, adding production capabilities. So, what we're seeing is an expansion of route-to-market and a penetration in existing TAM where we already have relationships, we're already trusted partners, and now we'll bring in new products and services that drive meaningful outputs for our clients, which is really exciting as we think about the go-to-market motion. Chuck, anything you want to comment?

Chuck Butler

Chief Financial Officer, Xerox Corp.

A

Yeah, I would add a little bit to how does that translate into bottom line performance. Someone mentioned all the different projects and areas that we're working right now, but they all have one intended focus and that's to increase the financial profile of this company. And I see all that occurring. I see – we performed as expected in Q4 on a bottom line basis. We performed as expected or better than expected from a cash flow generation. So, you're seeing some of that working capital discipline and some of the synergy savings being realized. So, where we stand right now is in control of our own destiny with good momentum going into 2026.

Michael Anthony Cadiz

Analyst, Citigroup Global Markets, Inc.

Q

Thank you.

Operator: Thank you. This does conclude the question-and-answer session of today's program. I'd like to hand the program back to Steve Bandrowczak for any further remarks.

Steven John Bandrowczak

Chief Executive Officer & Director, Xerox Holdings Corp.

Thank you. While 2025 brought meaningful challenges, we exited the year with strengthening fundamentals and clear momentum. The integration of Lexmark and ITsavvy is unlocking tangible commercial and operational benefits. Our core Print business is showing signs of stabilization, and IT Solutions delivered double-digit bookings and billings growth, all of which gives us optimism for an improved trajectory in 2026. Looking ahead, we have high convictions in our ability to expand margins and return to profitable growth. Many of the cost and product-related headwinds began to ease as the year progresses, while new product launches and unified IT Solutions and sales organization, and disciplined execution of our Reinvention program provide meaningful tailwinds. With a clear deleveraging plan and a robust synergy pipeline, we are confident in our path we are on.

Thank you for your continued support. We look forward to delivering a stronger 2026 for our employees, clients, partners, and shareholders. Have a great day.

Operator: Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2026 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.