Financial Review

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November 12, 2013

Building Sustained Value

- Business Dynamics
  – Services
  – Document Technology
- 2014 Guidance
  – Revenue and earnings
  – Cash flow and capital structure
  – Capital allocation

Segment Business Models

Services (~56% of Total Revenue)

	2014
Revenue Growth	Mid-single digit growth
Segment Margin	10 – 11%

Portfolio Dynamics

- Broad and diverse BPO portfolio
  - Two-thirds of BPO portfolio with margins ≥10%
  - Currently experiencing pressure from student loan and government healthcare businesses
- Long-term contracts with high renewal rates
  - Target renewal rate 85 to 90%
- Solid signings trends despite no mega deals
- Relatively modest CAPEX, around 3% of revenue
  - ITO and Transportation more capital intensive

Limited macro sensitivity given largely recurring revenue and diversity of business

Document Technology (~41% of Total Revenue)

	2014
Revenue Growth	Mid-single digit decline
Segment Margin	9 – 11%

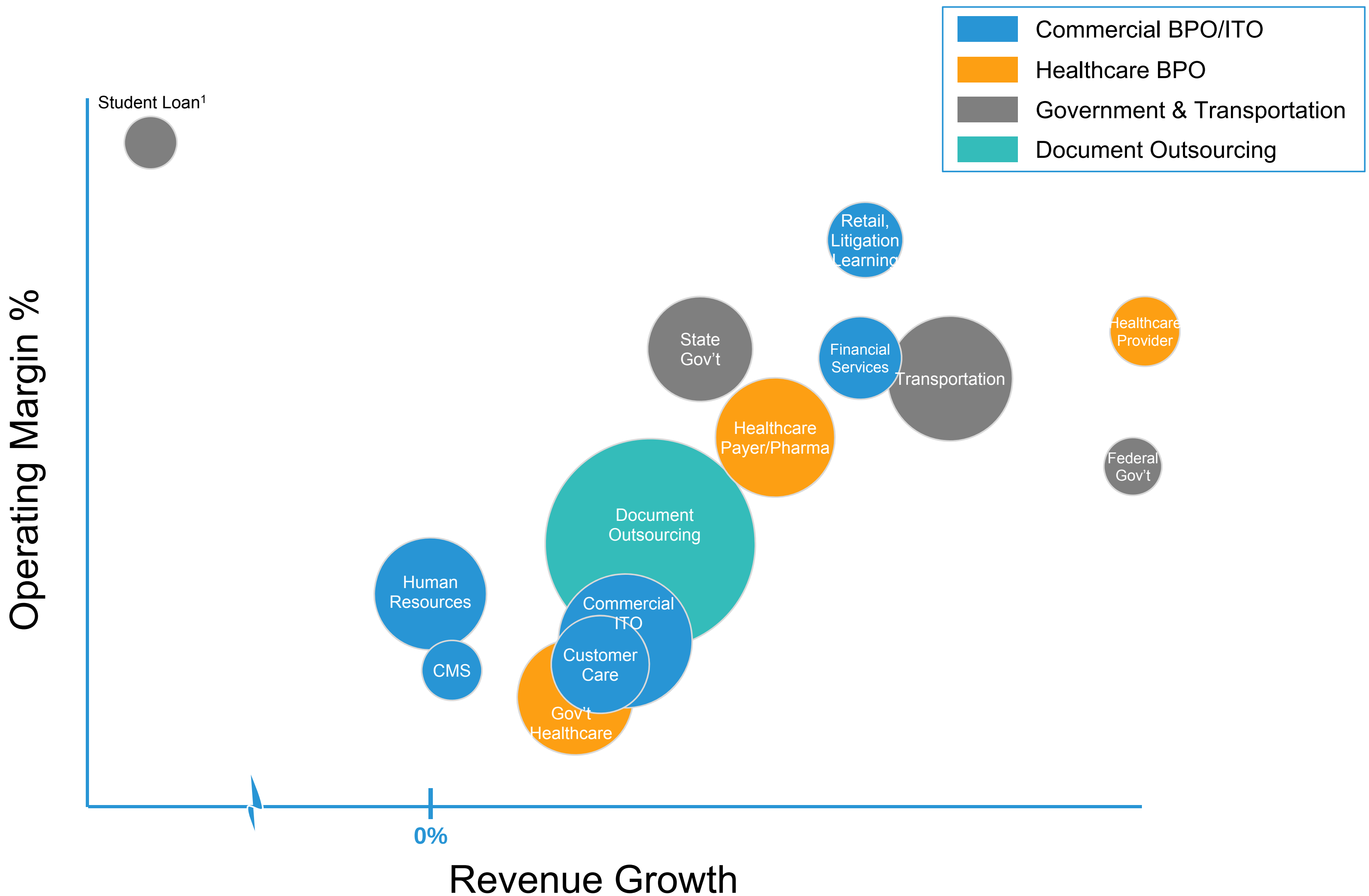
Secular Dynamics

Decline in B&W high-end	**~8%** of Doc Tech Revenue
Migration to Services	**~(2)% pts** impact on Tech Revenue
Growth in developing markets	**2%** market CAGR '12 to '16
Offset to digital transition	**only 2%** of pages are done on digital high-end printing devices

Moderate macro sensitivity especially on hardware and unbundled supplies sales

Note: Expect "Other" segment revenue decline of mid-single digits

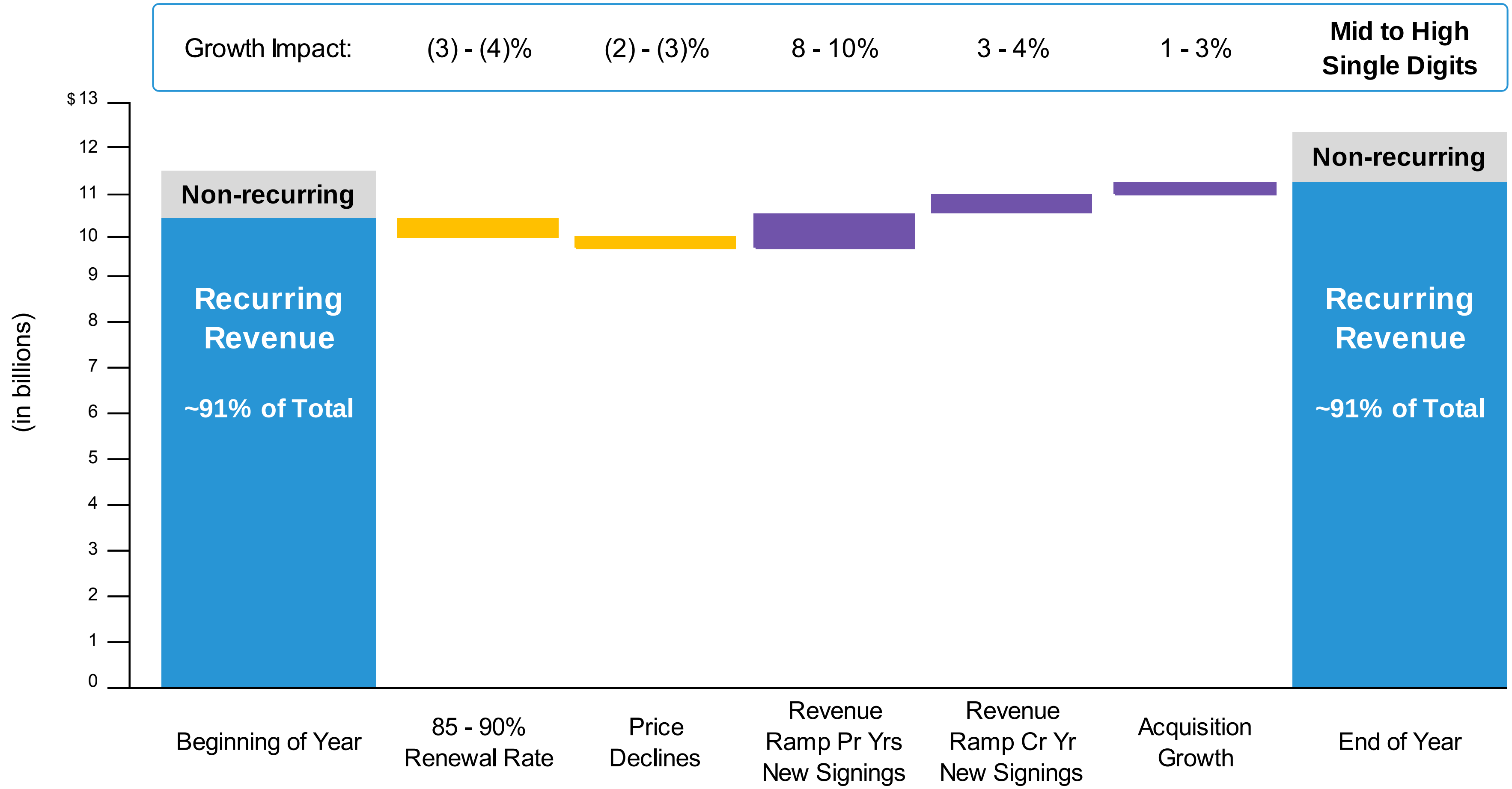
Services – Portfolio Dynamics



Note: The graphic above is a relative representation of the Services lines of business in 2014

[1]Graphic not to scale for Student Loan revenue which is expected to decline by approximately 40% in 2014

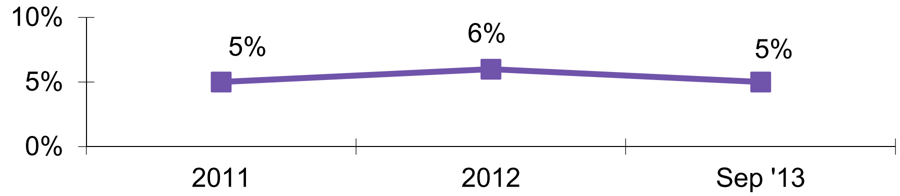
Services - Recurring Revenue Model



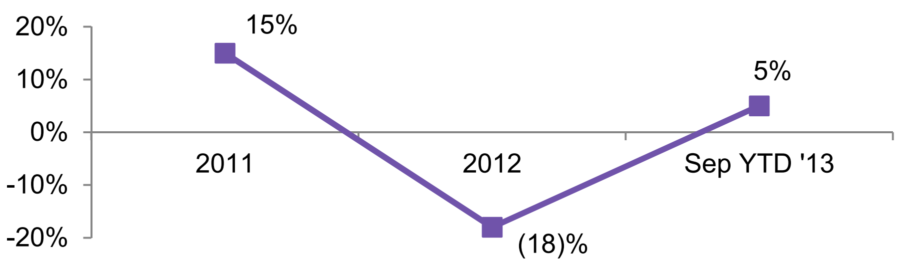
Good visibility to Services growth, large portion of revenue under contract

Services Metrics and Trends

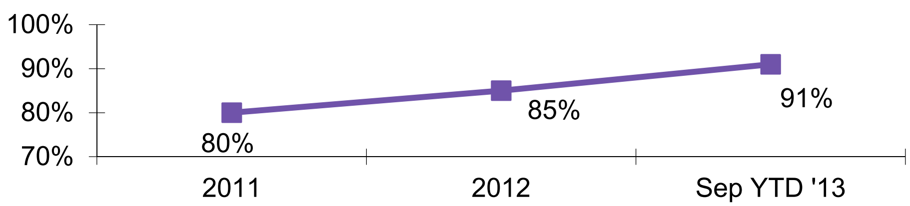
Pipeline Trend



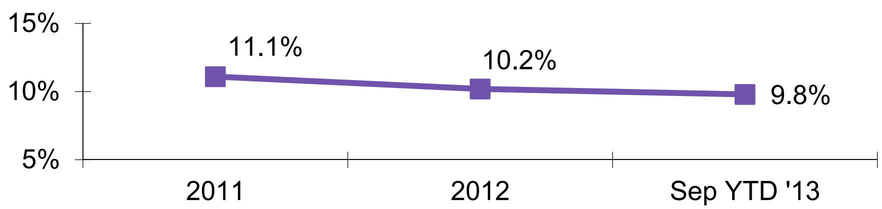
New Business Signings Trend[1]



Renewal Rate[2] Trend



Segment Margin Trend



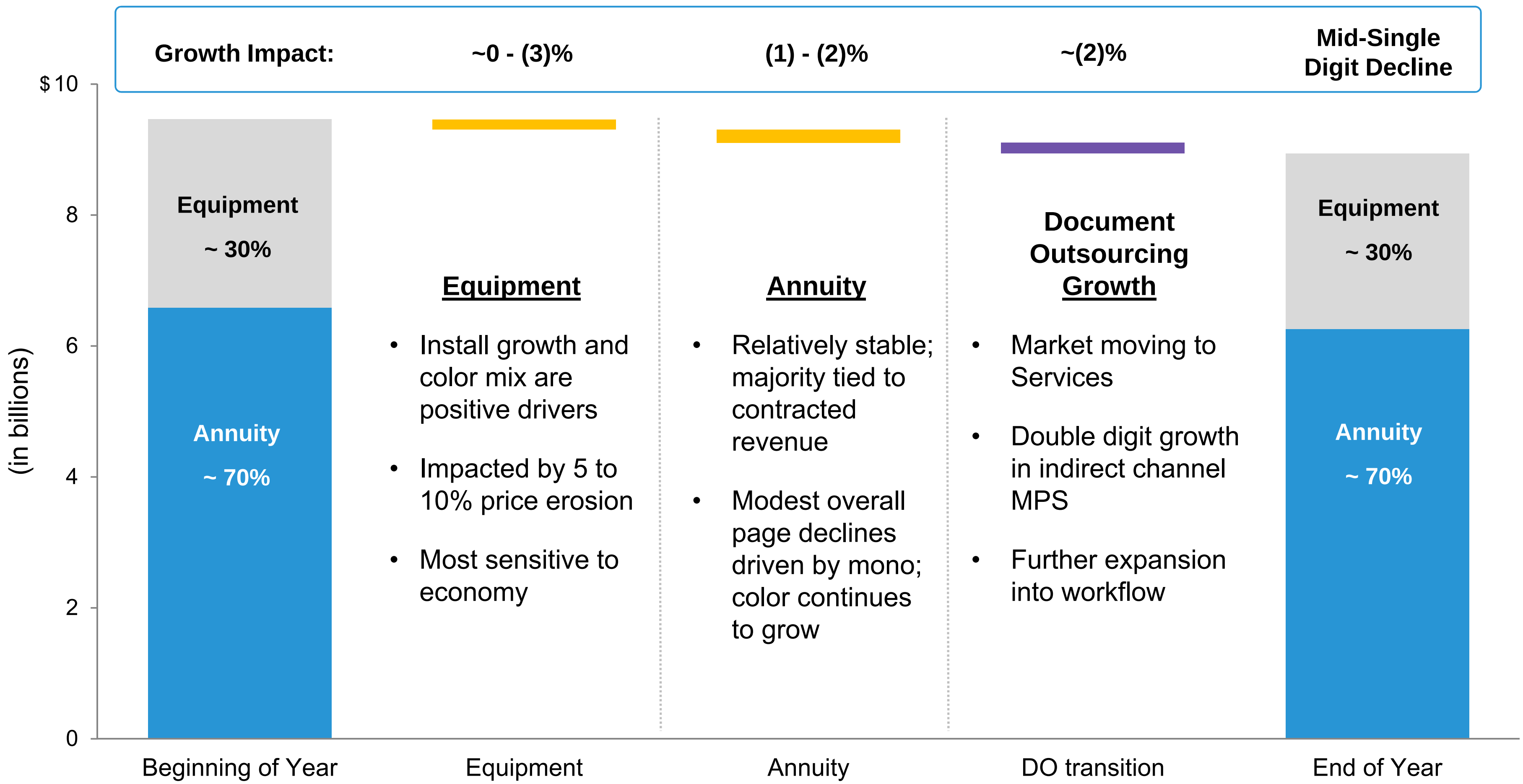
Key Messages

- Improved signings in 2013; pipeline remains healthy
- Renewal rate very positive especially when coupled with signings
- Margin challenges persist, key drivers for improvement include:
  - Ramping up cost/productivity initiatives
  - Improving business mix and pace of acquisitions
  - Leveraging partners and focusing on execution excellence

[1]New Business Signings = ARR (Annual Recurring Revenue) + NRR (Non-Recurring Revenue)

[2]Renewal Rate – ARR on BPO/ITO contracts that are renewed as a % of ARR on all contracts on which a renewal decision was made

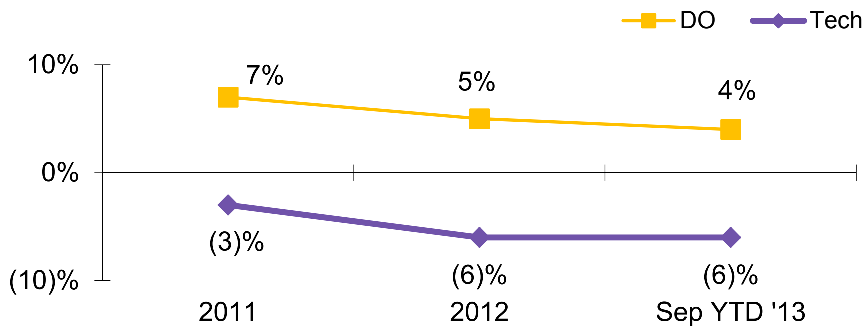
Document Technology Revenue Model



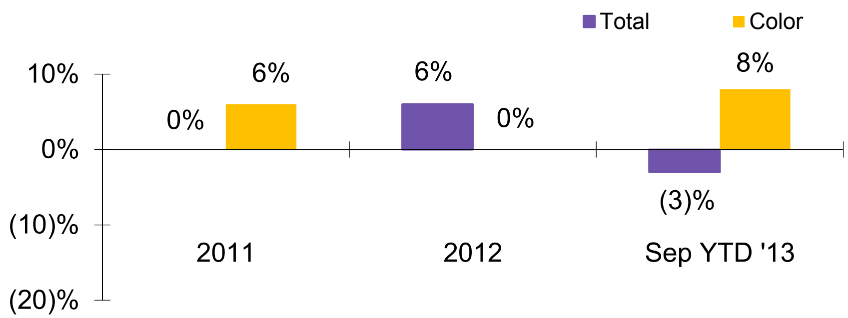
Profitable, annuity driven revenue with manageable declines

Document Technology Metrics and Trends

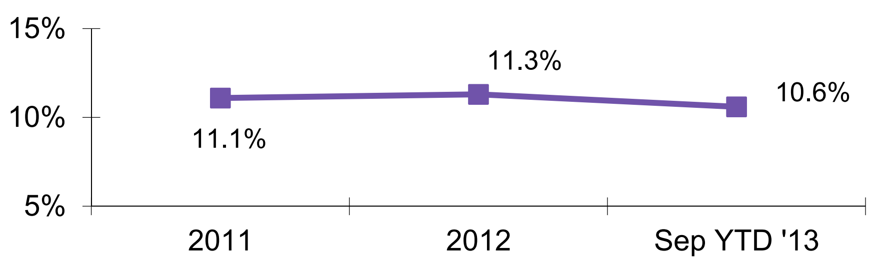
Revenue Trend (% @ CC)



Install Growth



Document Technology Margin Trend



Key Messages

- Document Technology revenue declines stabilized
  - Combined Document Technology and Outsourcing decline of 3%, above market
  - Developing markets weakness a headwind
- Continued color install growth, drives future annuity
- Maintaining overall equipment revenue market share leadership
- Margin continues at high-end of 9 – 11% range
  - Focus continues on cost reductions to maintain strong margins

Note: Install Growth excludes single-function mono printers; DO = Document Outsourcing
Constant Currency (CC): see non-GAAP measures

2013 Expectations

	2013
Revenue Growth %	~(1)% @ CC
Adjusted EPS[1] (incl restructuring)	\$1.08 - \$1.10
GAAP EPS	\$0.93 - \$0.95
Cash From Operations	\$2.1 - \$2.4B (higher-end of range)
CAPEX	~\$ 0.5B
Free Cash Flow	\$1.6 - \$1.9B
Share Repurchase	>\$600M
Acquisitions	\$300M - \$500M (lower-end of range)
Dividend	~\$300M

Revenue

- Dynamics largely as expected: Services growth offset by Doc Technology declines
- Services growth organically driven

Adjusted EPS

- Services margin and higher pension settlement costs a headwind
- Lower O(I)D, tax rate and shares have helped to offset

Strong cash flow enables expanded capital allocation

- Benefit from finance receivable sales
- Share repurchase increased to \$600M+

[1]Adjusted for amortization of intangible assets

Constant Currency (CC) and Free Cash Flow: see non-GAAP measures

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2014 Guidance

	2014
Revenue Growth @ CC	Flat to up 2%
Services	Mid-single digit growth
Document Technology	Mid-single digit decline
Adjusted EPS[1] (incl restructuring)	$1.10 - $1.16
GAAP EPS	$0.93 - $0.99
Cash From Operations	$1.8 - $2.0B
CAPEX	$ 0.5B
Free Cash Flow	$1.3 - $1.5B
Share Repurchase	>$500M
Acquisitions	<$500M
Dividend	~$300M

Revenue dynamics continue

- Services a larger portion of the total
- Document Technology trend stable to improving

Adjusted EPS growth from operations

- Cost initiatives, portfolio management and restructuring drive operating margin improvement
- Share repurchase supports expansion

Solid cash flow and balanced capital allocation

- Underlying cash flow of $2B+

*Revenue growth guidance excluding potential divestitures

[1]Adjusted for amortization of intangible assets

Constant Currency (CC) and Free Cash Flow: see non-GAAP measures

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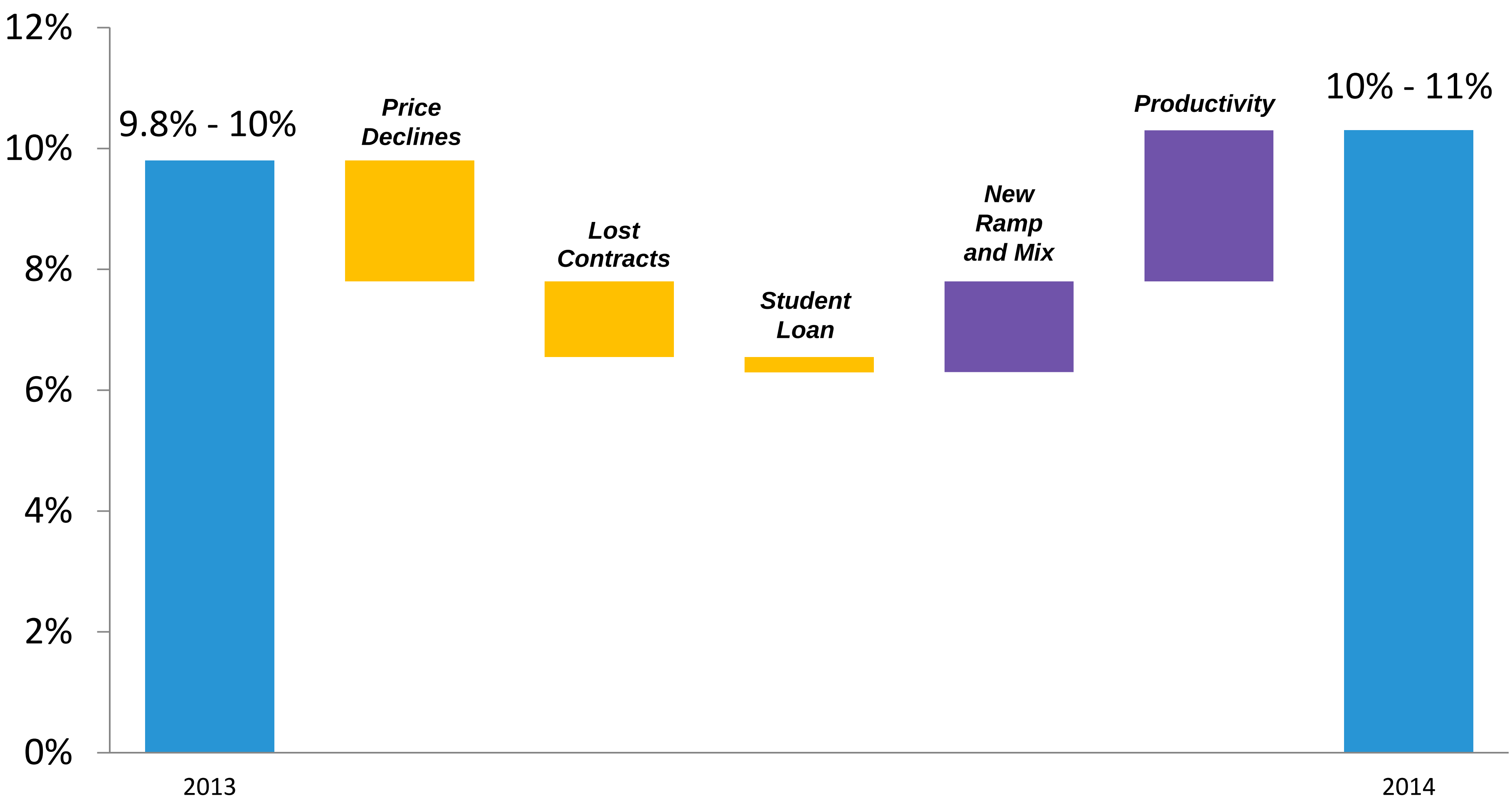
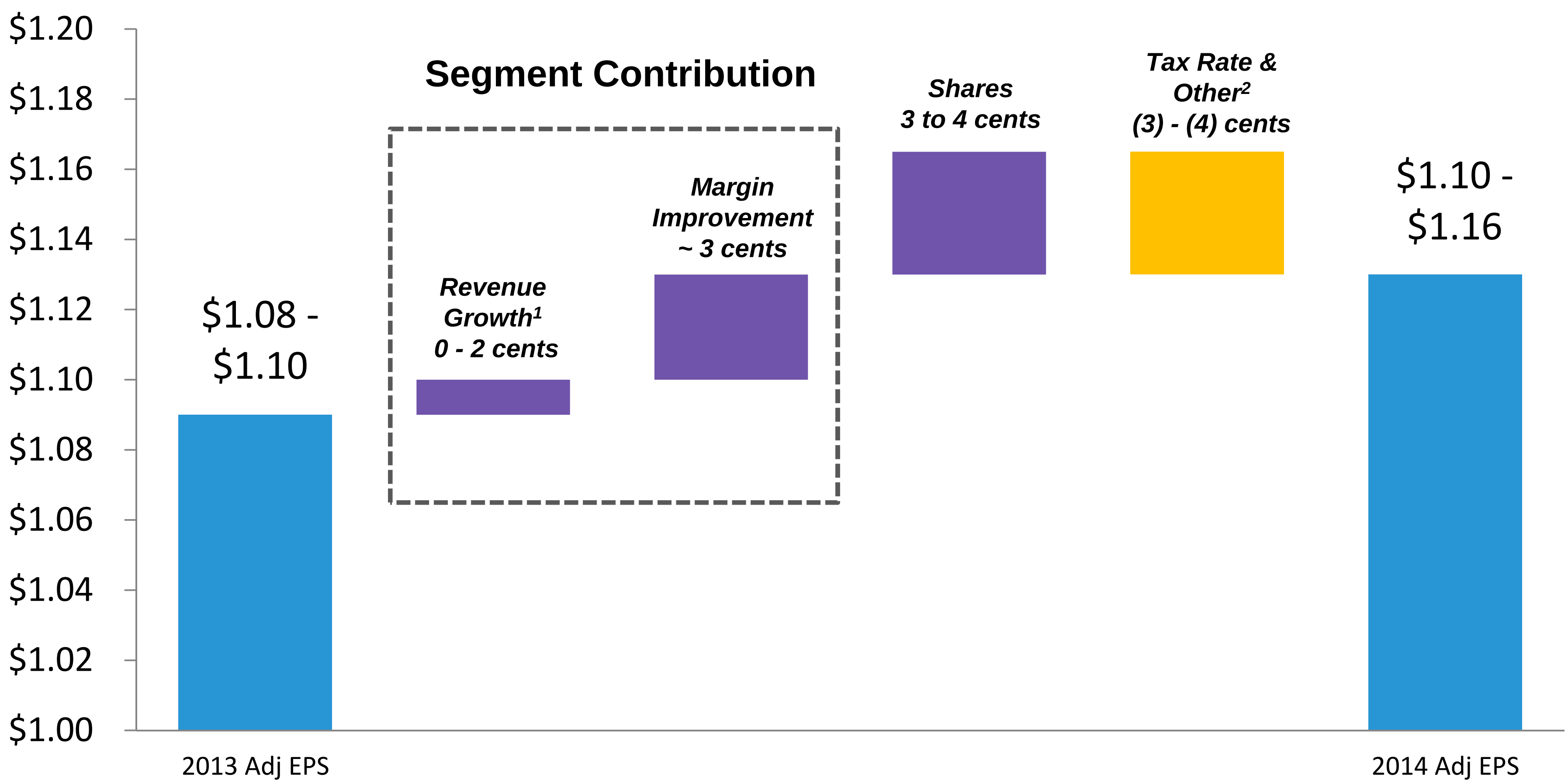
2014 Services Margin Bridge



Expect > 50 bps improvement; long term range 10 – 12%

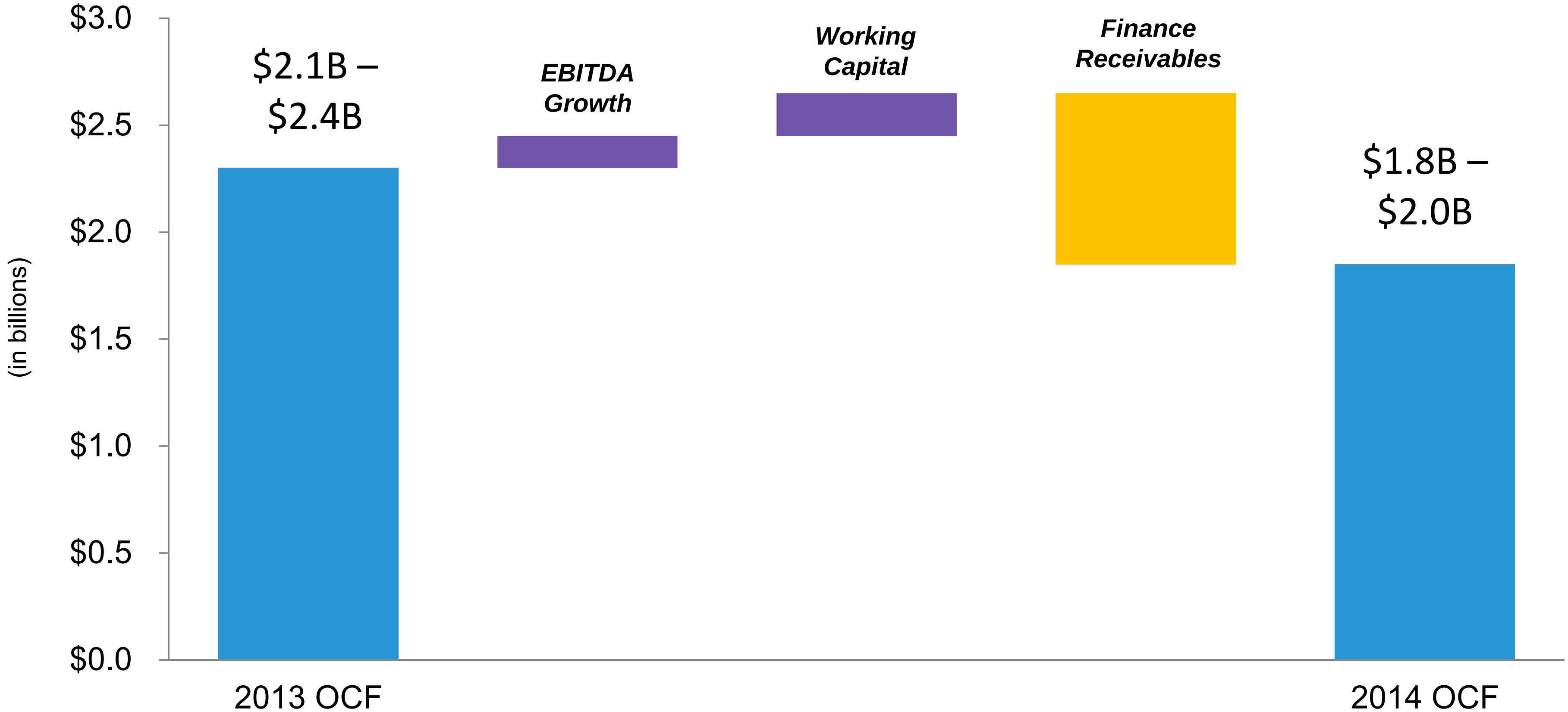
2014 EPS Bridge



[1]Includes organic and inorganic revenue growth

[2]Other includes netting of YOY impact of gains from finance receivable sales, securities litigation reserve benefit, gain on building sales and pension settlement losses

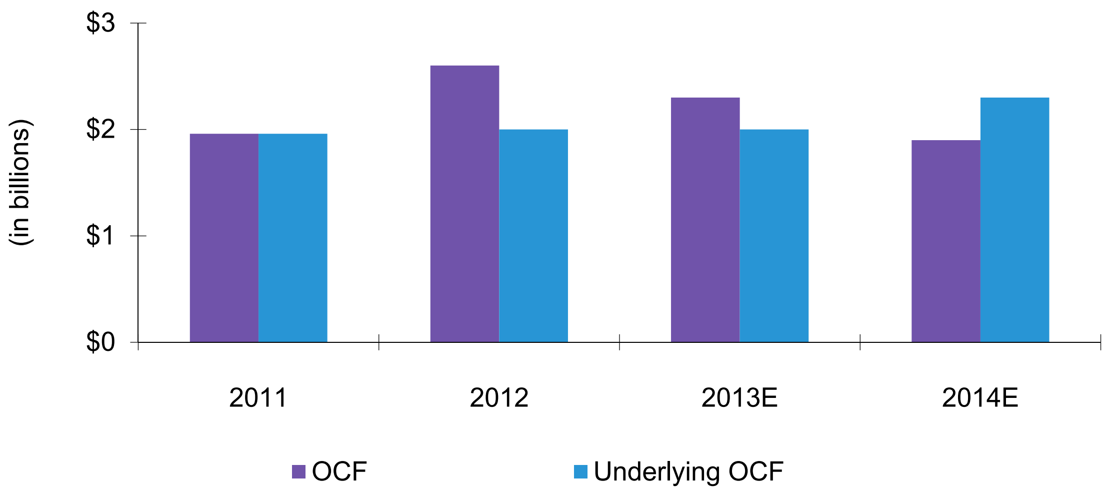
Cash Flow Bridge



Underlying Cash Flow improvement driven by Services improvement and modest working capital gains in Document Technology

Cash Flow Dynamics

Operating Cash Flow Trend



(in billions)	2011	2012	2013	2014
Operating Cash Flow (OCF)	**$2.0**	**$2.6**	**$2.1 - $2.4**	**$1.8 - $2.0**
Adjustments:				
Cash from F/R Sales		$(0.6)	~$(0.6)	-
Impact from prior F/R Sales		-	~$0.3	~$0.4
Underlying OCF*	**$2.0**	**$2.0**	**$1.8 - $2.1**	**$2.2 - $2.4**

Focused on underlying Cash Flow improvement

- Services EBITDA growth
- Working Capital

Opportunistic Finance Receivable (F/R) Sales in '12 and '13

- Attractive transaction economics
- Supported capital deployment objectives

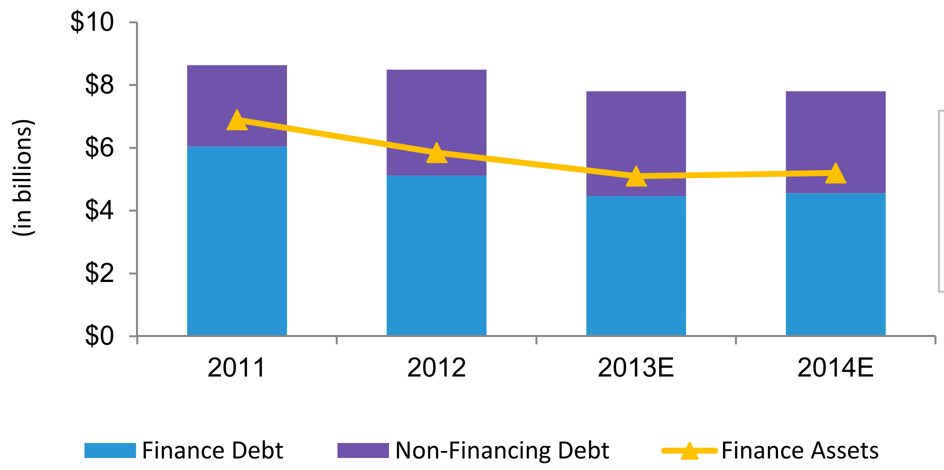
2014 guidance does not include Finance Receivable sales

- Reflects evolving market; less attractive economics

*Underlying OCF is reported OCF adjusted for the impacts of Finance Receivable sales

Capital Structure

Debt and Finance Asset Trend



~25% decline in Finance Assets since 2011 drove debt reduction

Customer Financing Activities and Debt
(expected YE '13)

- Xerox's value proposition includes leasing of Xerox equipment
- Maintain 7:1 leverage debt to equity ratio on finance assets

(in billions)	Fin. Assets	Debt
Financing	$5.1	$ 4.5
Non-Financing	-	$ 3.3
Total Xerox	$ 5.1	$ 7.8

- **Balanced debt ladder; ~$1B a year next five years**
- **Managing debt level to maintain investment grade leverage ratio**
  - 2013 adjusted leverage ratio[1] range: 2.7 – 2.9x
- **No debt reduction anticipated in 2014 given debt reduction in 2013**

[1]2013 leverage ratio range aligns to rating agency view of leverage, Largest debt adjustments are to exclude financing debt and add pension underfunding and operating lease obligations. Largest EBITDA adjustment is to exclude the estimated financing EBITDA.

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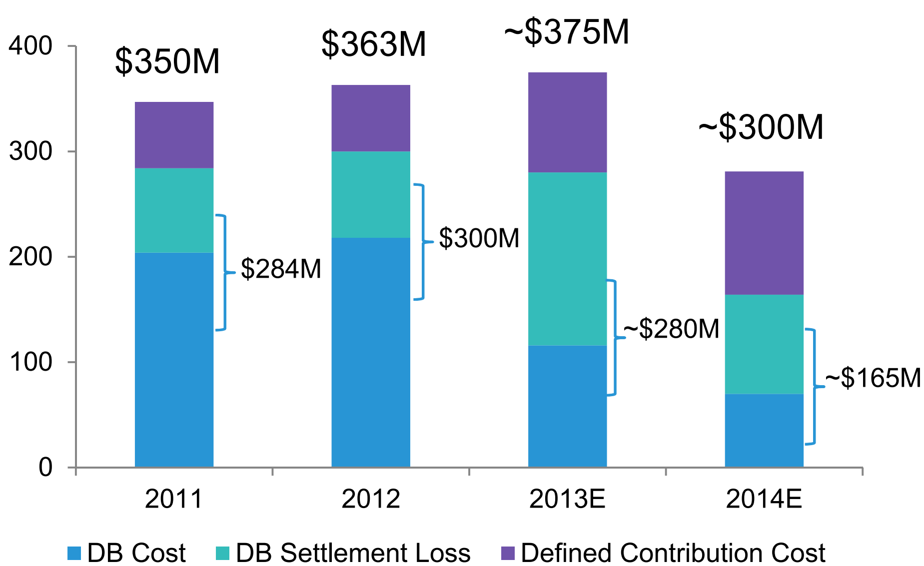
Pension Expectations

- Low interest rate environment greatly impacted 2011 and 2012
- All major defined benefit (DB) pension plans frozen

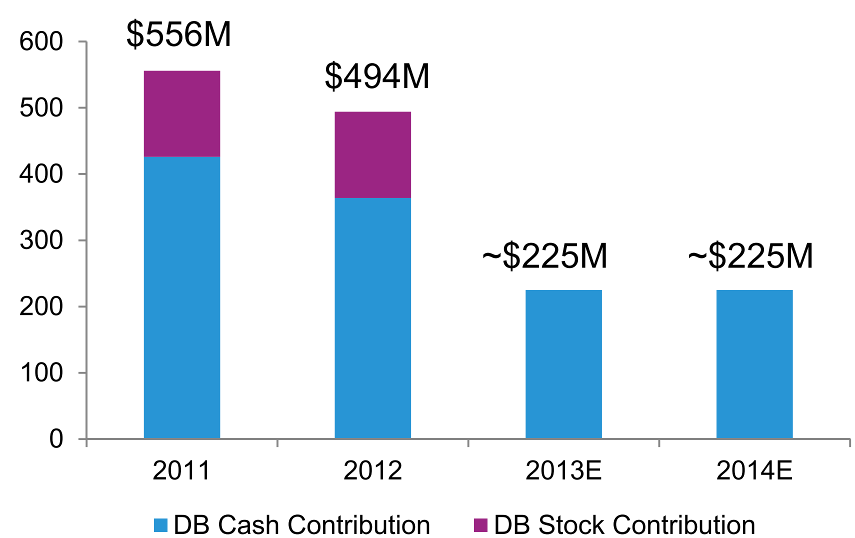
Expense

- Shift to defined contribution plans will reduce burden over time
- 2013 Estimate above 10-K forecast due to higher Settlement Losses



DB Pension Funding

- Local law / regulatory requirements
- 2012 U.S. legislation lowers near term requirements



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Dividend Strategy

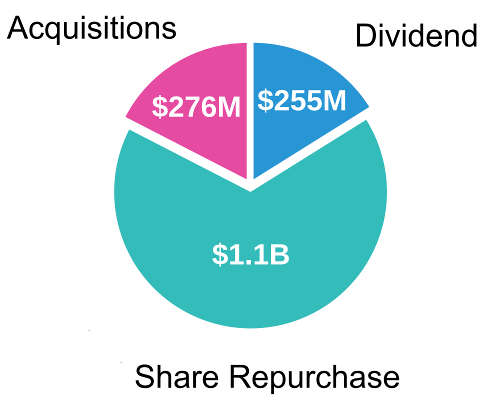
Quarterly Dividend / share	5.75 cents
Annual Dividend amount	~$300M
Dividend % FCF	~20%

Note: excludes $24M in preferred dividends

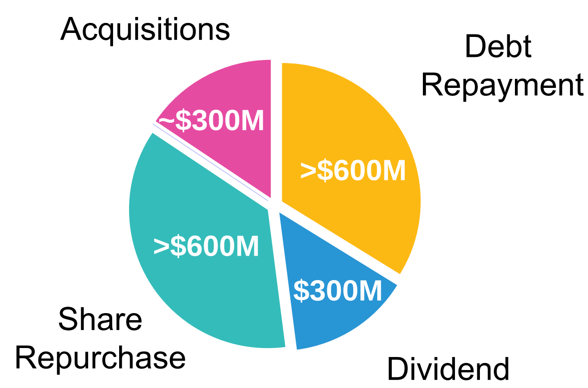
- Targeting gradual dividend increase over time
- Dividends supported by strong annuity driven cash flow and share repurchase
- Board to discuss 2014 dividend at December meeting

Capital Allocation

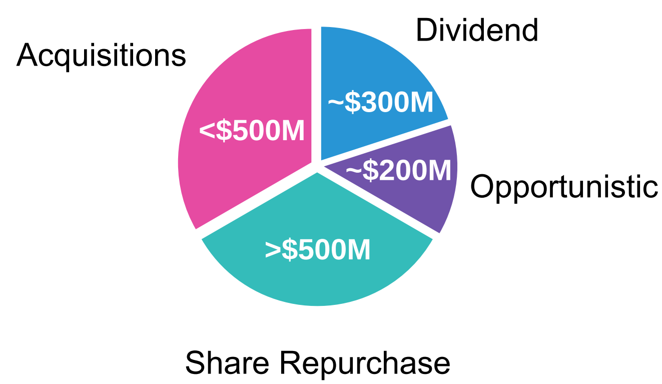
2012



2013



2014 Plan



2014 balanced to deliver shareholder returns while maintaining investment grade leverage

- **Dividend:** ~$300M, ability to grow modestly in line with share reduction and cash flow
- **Acquisitions:** up to $500M, focused on Services
- **Share Repurchase:** at least $500M, increasing authorization by $500M
- **Debt Repayment:** none anticipated given higher pay-down in 2013

Key Financial Objectives

- Manage our business portfolio to drive improving performance on all key financial metrics
- Execute on cost saving initiatives to deliver services margin expansion and continued strong document technology margins
- Invest in areas of competitive strength and greatest market opportunity while leveraging and enhancing our intellectual property
- Provide an above market return for our shareholders driven by expanding services margins, strong cash flow and balanced capital allocation

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