

Xerox Financial Model
(unaudited)



(in \$ millions, except per-share data)

| | 2016 | 2017 | | | | | 2018 | | | | | 2019 |
|--|---------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | FY | Q1 | Q2 | Q3 | Q4 | FY | Q1 | Q2 | Q3 | Q4 | YTD | Q1 |
| Total Revenues | 10,771 | 2,454 | 2,567 | 2,497 | 2,747 | 10,265 | 2,435 | 2,510 | 2,352 | 2,533 | 9,830 | 2,206 |
| Cost of Revenue | | | | | | | | | | | | |
| Cost of sales | 2,456 | 527 | 589 | 548 | 683 | 2,347 | 532 | 593 | 539 | 631 | 2,295 | 464 |
| Cost of services, maintenance, and rentals | 3,882 | 919 | 902 | 915 | 922 | 3,658 | 899 | 883 | 838 | 856 | 3,476 | 821 |
| Cost of financing | 128 | 33 | 33 | 33 | 34 | 133 | 34 | 33 | 33 | 32 | 132 | 32 |
| Total Cost of Revenue | 6,466 | 1,479 | 1,524 | 1,496 | 1,639 | 6,138 | 1,465 | 1,509 | 1,410 | 1,519 | 5,903 | 1,317 |
| Gross Profit | | | | | | | | | | | | |
| Sales gross profit | 1,405 | 316 | 327 | 324 | 370 | 1,337 | 313 | 334 | 317 | 362 | 1,326 | 286 |
| Services, maintenance and rentals gross profit | 2,703 | 616 | 675 | 637 | 701 | 2,629 | 620 | 632 | 593 | 620 | 2,465 | 572 |
| Financing gross profit | 197 | 43 | 41 | 40 | 37 | 161 | 37 | 35 | 32 | 32 | 136 | 31 |
| Gross Profit | 4,305 | 975 | 1,043 | 1,001 | 1,108 | 4,127 | 970 | 1,001 | 942 | 1,014 | 3,927 | 889 |
| Research, development & engineering | 463 | 111 | 102 | 105 | 106 | 424 | 100 | 101 | 102 | 94 | 397 | 92 |
| Bad Debt Expense | 37 | 13 | 9 | 8 | 3 | 33 | 13 | 12 | 10 | 1 | 36 | 13 |
| Selling, administrative and general exp. (Excl Bad Debts) | 2,599 | 621 | 617 | 622 | 633 | 2,493 | 615 | 612 | 573 | 554 | 2,354 | 535 |
| Total Selling, administrative and general exp. | 2,636 | 634 | 626 | 630 | 636 | 2,526 | 628 | 624 | 583 | 555 | 2,390 | 548 |
| Non-financing interest expense | 181 | 36 | 24 | 29 | 30 | 119 | 29 | 27 | 28 | 28 | 112 | 27 |
| Aggregate Exchange losses / (gains) | 13 | 3 | 1 | - | - | 4 | (2) | 1 | 3 | 3 | 5 | 2 |
| All other, net | 127 | 75 | 43 | 23 | 65 | 206 | 3 | 11 | 26 | 111 | 151 | 10 |
| Total Other, net | 321 | 114 | 68 | 52 | 95 | 329 | 30 | 39 | 57 | 142 | 268 | 39 |
| Restructuring and related costs | 259 | 118 | 39 | 35 | 24 | 216 | 28 | 34 | 29 | 67 | 158 | 112 |
| Amortization of intangible assets | 58 | 14 | 15 | 12 | 12 | 53 | 12 | 12 | 12 | 12 | 48 | 15 |
| Transaction and related costs | - | - | - | - | 9 | 9 | 38 | 58 | (33) | 5 | 68 | - |
| Total Costs and Expenses | 10,203 | 2,470 | 2,374 | 2,330 | 2,521 | 9,695 | 2,301 | 2,377 | 2,160 | 2,394 | 9,232 | 2,123 |
| Income (Loss) before Income Taxes & Equity Income | 568 | (16) | 193 | 167 | 226 | 570 | 134 | 133 | 192 | 139 | 598 | 83 |
| Income Taxes | 62 | (24) | 43 | 18 | 444 | 481 | 40 | 38 | 142 | 37 | 257 | (8) |
| Equity in net income of unconsolidated affiliates | 127 | 40 | 20 | 30 | 25 | 115 | (68) | 19 | 43 | 39 | 33 | 45 |
| Income from Continuing Operations | 633 | 48 | 170 | 179 | (193) | 204 | 26 | 114 | 93 | 141 | 374 | 136 |
| (Loss) Income from discontinued operations, net of tax | (1,093) | (6) | - | 3 | 6 | 3 | - | - | - | - | - | - |
| Net Income (Loss) | (460) | 42 | 170 | 182 | (187) | 207 | 26 | 114 | 93 | 141 | 374 | 136 |
| Less: Net Income attributable to Noncontrolling Interests | 11 | 2 | 4 | 3 | 3 | 12 | 3 | 2 | 4 | 4 | 13 | 3 |
| Net Income (Loss) Attributable to Xerox | (471) | 40 | 166 | 179 | (190) | 195 | 23 | 112 | 89 | 137 | 361 | 133 |
| Amounts Attributable to Xerox | | | | | | | | | | | | |
| Net income from continuing operations | 622 | 46 | 166 | 176 | (196) | 192 | 23 | 112 | 89 | 137 | 361 | 133 |
| (Loss) Income from discontinued operations, net of tax | (1,093) | (6) | - | 3 | 6 | 3 | - | - | - | - | - | - |
| Net Income (Loss) Attributable to Xerox | (471) | 40 | 166 | 179 | (190) | 195 | 23 | 112 | 89 | 137 | 361 | 133 |

**Xerox Financial Model
(unaudited)**



(in \$ millions, except per-share data)

| | | 2016 | 2017 | | | | | 2018 | | | | | 2019 |
|--------------------------------|--|---------------|-------------|-------------|-------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | FY | Q1 | Q2 | Q3 | Q4 | FY | Q1 | Q2 | Q3 | Q4 | YTD | Q1 |
| Preferred Dividends/ | - Basic | 24 | 4 | 3 | 4 | 3 | 14 | 4 | 3 | 4 | 3 | 14 | 4 |
| Other | - Diluted * | 24 | 4 | - | - | 3 | 14 | 4 | 3 | 4 | - | 14 | - |
| Weighted Average Shares | - Basic | 253 | 254 | 254 | 255 | 255 | 254 | 255 | 255 | 251 | 236 | 249 | 229 |
| | - Diluted * | 256 | 256 | 263 | 263 | 255 | 257 | 257 | 258 | 254 | 246 | 252 | 240 |
| Earnings Per Share | - Basic: | | | | | | | | | | | | |
| | Continuing operations | 2.36 | 0.17 | 0.64 | 0.68 | (0.78) | 0.70 | 0.08 | 0.42 | 0.34 | 0.56 | 1.40 | 0.57 |
| | Discontinued operations | (4.31) | (0.03) | - | 0.01 | 0.02 | 0.01 | - | - | - | - | - | - |
| | <u>Total Basic Earnings (Loss) per Share</u> | <u>(1.95)</u> | <u>0.14</u> | <u>0.64</u> | <u>0.69</u> | <u>(0.76)</u> | <u>0.71</u> | <u>0.08</u> | <u>0.42</u> | <u>0.34</u> | <u>0.56</u> | <u>1.40</u> | <u>0.57</u> |
| | - Diluted: | | | | | | | | | | | | |
| | Continuing operations | 2.33 | 0.16 | 0.63 | 0.67 | (0.78) | 0.70 | 0.08 | 0.42 | 0.34 | 0.56 | 1.38 | 0.55 |
| | Discontinued operations | (4.26) | (0.02) | - | 0.01 | 0.02 | 0.01 | - | - | - | - | - | - |
| | <u>Total Diluted Earnings (Loss) per Share</u> | <u>(1.93)</u> | <u>0.14</u> | <u>0.63</u> | <u>0.68</u> | <u>(0.76)</u> | <u>0.71</u> | <u>0.08</u> | <u>0.42</u> | <u>0.34</u> | <u>0.56</u> | <u>1.38</u> | <u>0.55</u> |
| Key Ratios - GAAP: | | | | | | | | | | | | | |
| Gross Margins | - Sales | 36.4% | 37.5% | 35.7% | 37.2% | 35.1% | 36.3% | 37.0% | 36.0% | 37.0% | 36.5% | 36.6% | 38.1% |
| | - Services/Maintenance/Rentals | 41.0% | 40.1% | 42.8% | 41.0% | 43.2% | 41.8% | 40.8% | 41.7% | 41.4% | 42.0% | 41.5% | 41.1% |
| | - Financing | 60.6% | 56.6% | 55.4% | 54.8% | 52.1% | 54.8% | 52.1% | 51.5% | 49.2% | 50.0% | 50.7% | 49.2% |
| | - Total | 40.0% | 39.7% | 40.6% | 40.1% | 40.3% | 40.2% | 39.8% | 39.9% | 40.1% | 40.0% | 39.9% | 40.3% |
| SAG as a % of Revenue | | 24.5% | 25.8% | 24.4% | 25.2% | 23.2% | 24.6% | 25.8% | 24.9% | 24.8% | 21.9% | 24.3% | 24.8% |
| Tax Rate | | 10.9% | 150.0% | 22.3% | 10.8% | 196.5% | 84.4% | 29.9% | 28.6% | 74.0% | 26.6% | 43.0% | -9.6% |
| Ending Xerox Employment | | 37,600 | 37,200 | 36,900 | 36,100 | 35,300 | 35,300 | 35,000 | 34,300 | 33,200 | 32,400 | 32,400 | 30,900 |

*For those periods that exclude the preferred stock dividend the average shares for the calculations of diluted EPS include 7 million shares associated with our Series A or Series B convertible preferred stock.

**Xerox Financial Model - Non-GAAP basis
(unaudited)**



Non-GAAP basis is adjusted to exclude restructuring and related costs, amortization of intangible assets, transaction and related costs, non-service retirement-related costs as well as other discrete, unusual or infrequent items as described in our Non-GAAP Financial Measures section of our Quarterly Reports on Form 10-Q and our Annual Report on Form 10-K

(in \$ millions, except per-share data)

| | 2016 | 2017 | | | | | 2018 | | | | | 2019 |
|--|---------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | FY | Q1 | Q2 | Q3 | Q4 | FY | Q1 | Q2 | Q3 | Q4 | YTD | Q1 |
| Revenues | | | | | | | | | | | | |
| Sales | 3,861 | 843 | 916 | 872 | 1,053 | 3,684 | 845 | 927 | 856 | 993 | 3,621 | 750 |
| Services, maintenance and rentals | 6,585 | 1,535 | 1,577 | 1,552 | 1,623 | 6,287 | 1,519 | 1,515 | 1,431 | 1,476 | 5,941 | 1,393 |
| Financing | 325 | 76 | 74 | 73 | 71 | 294 | 71 | 68 | 65 | 64 | 268 | 63 |
| Total Revenues | 10,771 | 2,454 | 2,567 | 2,497 | 2,747 | 10,265 | 2,435 | 2,510 | 2,352 | 2,533 | 9,830 | 2,206 |
| Cost of Revenue | | | | | | | | | | | | |
| Cost of sales | 2,456 | 527 | 589 | 548 | 683 | 2,347 | 532 | 593 | 539 | 631 | 2,295 | 464 |
| Cost of services, maintenance and rentals | 3,882 | 919 | 902 | 915 | 922 | 3,658 | 899 | 883 | 838 | 856 | 3,476 | 821 |
| Cost of financing | 128 | 33 | 33 | 33 | 34 | 133 | 34 | 33 | 33 | 32 | 132 | 32 |
| Total Cost of Revenue | 6,466 | 1,479 | 1,524 | 1,496 | 1,639 | 6,138 | 1,465 | 1,509 | 1,410 | 1,519 | 5,903 | 1,317 |
| Gross Profit | | | | | | | | | | | | |
| Sales gross profit | 1,405 | 316 | 327 | 324 | 370 | 1,337 | 313 | 334 | 317 | 362 | 1,326 | 286 |
| Services, maintenance and rentals gross profit | 2,703 | 616 | 675 | 637 | 701 | 2,629 | 620 | 632 | 593 | 620 | 2,465 | 572 |
| Financing gross profit | 197 | 43 | 41 | 40 | 37 | 161 | 37 | 35 | 32 | 32 | 136 | 31 |
| Gross Profit | 4,305 | 975 | 1,043 | 1,001 | 1,108 | 4,127 | 970 | 1,001 | 942 | 1,014 | 3,927 | 889 |
| Research, development & engineering | 463 | 111 | 102 | 105 | 106 | 424 | 100 | 101 | 102 | 94 | 397 | 92 |
| Bad Debt Expense | 37 | 13 | 9 | 8 | 3 | 33 | 13 | 12 | 10 | 1 | 36 | 13 |
| Selling, administrative and general exp. (Excl Bad Debts) | 2,599 | 621 | 617 | 622 | 633 | 2,493 | 615 | 612 | 573 | 554 | 2,354 | 535 |
| Total Selling, administrative and general exp. | 2,636 | 634 | 626 | 630 | 636 | 2,526 | 628 | 624 | 583 | 555 | 2,390 | 548 |
| Non-financing interest expense | 181 | 36 | 24 | 29 | 30 | 119 | 29 | 27 | 28 | 28 | 112 | 27 |
| Aggregate Exchange losses / (gains) | 13 | 3 | 1 | - | - | 4 | (2) | 1 | 3 | 3 | 5 | 2 |
| All other, net | 6 | 2 | 9 | (12) | (1) | (2) | (22) | (14) | (7) | 1 | (42) | (3) |
| Total Other, net | 200 | 41 | 34 | 17 | 29 | 121 | 5 | 14 | 24 | 32 | 75 | 26 |
| Total Costs and Expenses | 9,765 | 2,265 | 2,286 | 2,248 | 2,410 | 9,209 | 2,198 | 2,248 | 2,119 | 2,200 | 8,765 | 1,983 |
| Income before Income Taxes & Equity Income | 1,006 | 189 | 281 | 249 | 337 | 1,056 | 237 | 262 | 233 | 333 | 1,065 | 223 |
| Income Taxes | 207 | 51 | 76 | 48 | 88 | 263 | 67 | 70 | 57 | 93 | 287 | 58 |
| Equity in Net Income of Unconsol. Affil. | 130 | 40 | 23 | 36 | 26 | 125 | 11 | 23 | 50 | 44 | 128 | 57 |
| Income from Continuing Operations | 929 | 178 | 228 | 237 | 275 | 918 | 181 | 215 | 226 | 284 | 906 | 222 |
| Less: Net Income attributable to Noncontrolling Interests | 11 | 2 | 4 | 3 | 3 | 12 | 3 | 2 | 4 | 4 | 13 | 3 |
| Net Income from Continuing Operations Attributable to Xerox | 918 | 176 | 224 | 234 | 272 | 906 | 178 | 213 | 222 | 280 | 893 | 219 |

**Xerox Financial Model - Non-GAAP basis
(unaudited)**



Non-GAAP basis is adjusted to exclude restructuring and related costs, amortization of intangible assets, transaction and related costs, non-service retirement-related costs as well as other discrete, unusual or infrequent items as described in our Non-GAAP Financial Measures section of our Quarterly Reports on Form 10-Q and our Annual Report on Form 10-K

(in \$ millions, except per-share data)

| | 2016 | 2017 | | | | 2018 | | | | | 2019 | |
|--|------------|------------|-----------|-----------|------------|------------|------------|------------|------------|------------|------------|-----------|
| | FY | Q1 | Q2 | Q3 | Q4 | FY | Q1 | Q2 | Q3 | Q4 | YTD | Q1 |
| Earnings Per Share | | | | | | | | | | | | |
| Continuing Operations: | | | | | | | | | | | | |
| Preferred Dividends - Adjusted EPS * | (24) | - | - | - | - | - | - | - | - | - | - | - |
| Adjusted Earnings per Share | 3.49 | 0.67 | 0.86 | 0.89 | 1.03 | 3.45 | 0.68 | 0.80 | 0.85 | 1.14 | 3.46 | 0.91 |
| Adjusted Weighted Average Shares * | 256 | 263 | 263 | 263 | 264 | 263 | 264 | 265 | 261 | 246 | 258 | 240 |
| Key Ratios - Adjusted: | | | | | | | | | | | | |
| Gross Margins | | | | | | | | | | | | |
| - Sales | 36.4% | 37.5% | 35.7% | 37.2% | 35.1% | 36.3% | 37.0% | 36.0% | 37.0% | 36.5% | 36.6% | 38.1% |
| - Services/Maintenance/Rentals | 41.0% | 40.1% | 42.8% | 41.0% | 43.2% | 41.8% | 40.8% | 41.7% | 41.4% | 42.0% | 41.5% | 41.1% |
| - Financing | 60.6% | 56.6% | 55.4% | 54.8% | 52.1% | 54.8% | 52.1% | 51.5% | 49.2% | 50.0% | 50.7% | 49.2% |
| - Total | 40.0% | 39.7% | 40.6% | 40.1% | 40.3% | 40.2% | 39.8% | 39.9% | 40.1% | 40.0% | 39.9% | 40.3% |
| Adjusted Operating Margin | 11.2% | 9.4% | 12.3% | 10.7% | 13.3% | 11.5% | 9.9% | 11.0% | 10.9% | 14.4% | 11.6% | 11.3% |
| SAG as a % of Revenue | 24.5% | 25.8% | 24.4% | 25.2% | 23.2% | 24.6% | 25.8% | 24.9% | 24.8% | 21.9% | 24.3% | 24.8% |
| Adjusted Effective Tax Rate | 20.6% | 27.0% | 27.0% | 19.3% | 26.1% | 24.9% | 28.3% | 26.7% | 24.5% | 27.9% | 26.9% | 26.0% |
| Non-GAAP Adjustments: | | | | | | | | | | | | |
| Restructuring and related costs | 259 | 118 | 39 | 35 | 24 | 216 | 28 | 34 | 29 | 67 | 158 | 112 |
| Amortization of intangible assets | 58 | 14 | 15 | 12 | 12 | 53 | 12 | 12 | 12 | 12 | 48 | 15 |
| Non-service retirement-related costs | 121 | 60 | 34 | 35 | 59 | 188 | 25 | 25 | 33 | 67 | 150 | 13 |
| Contract termination costs - IT service provider | - | - | - | - | - | - | - | - | - | 43 | 43 | - |
| Transaction and related costs | - | - | - | - | 9 | 9 | 38 | 58 | (33) | 5 | 68 | - |
| Loss on early extinguishment of debt | - | 13 | - | - | 7 | 20 | - | - | - | - | - | - |
| Restructuring and other charges - Fuji Xerox | 3 | - | 3 | 6 | 1 | 10 | 79 | 4 | 7 | 5 | 95 | 12 |
| Remeasurement of unrecognized tax positions | - | (16) | - | - | - | (16) | - | - | - | - | - | - |
| Tax on adjusted items | (145) | (59) | (33) | (30) | (44) | (166) | (27) | (32) | (10) | (50) | (119) | (31) |
| US Tax Act | - | - | - | - | 400 | 400 | - | - | 95 | (6) | 89 | (35) |
| Total Non-GAAP Adjustments | 296 | 130 | 58 | 58 | 468 | 714 | 155 | 101 | 133 | 143 | 532 | 86 |

*For those periods that exclude the preferred stock dividend the average shares for the calculations of diluted EPS include 7 million shares associated with our Series A or Series B convertible preferred stock.

Xerox Financial Model
(unaudited)



| (in \$ millions) | 2018 | | | | | 2019 | 2019 YOY CC % Change |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------------------------|
| | Q1 | Q2 | Q3 | Q4 | FY | Q1 | Q1 |
| Revenue | | | | | | | |
| Entry | 53 | 62 | 56 | 66 | 237 | 53 | 3.2% |
| Mid-range | 334 | 390 | 351 | 418 | 1,493 | 302 | (7.2)% |
| High-end | 92 | 100 | 94 | 138 | 424 | 89 | (0.3)% |
| Other | 20 | 9 | 10 | 7 | 46 | 4 | (80.0)% |
| Total Equipment Revenue | 499 | 561 | 511 | 629 | 2,200 | 448 | (7.6)% |
| Americas | 1,535 | 1,612 | 1,545 | 1,616 | 6,308 | 1,410 | (7.5)% |
| EMEA | 795 | 799 | 713 | 830 | 3,137 | 712 | (4.3)% |
| Other | 105 | 99 | 94 | 87 | 385 | 84 | (20.0)% |
| Total Revenue | 2,435 | 2,510 | 2,352 | 2,533 | 9,830 | 2,206 | (7.0)% |
| Installs (1) | | | | | | | |
| Entry A4 MFPs | | | | | | | |
| Color | 4% | 21% | (8)% | 11% | 12% | 10% | |
| B&W | 18% | 21% | 21% | 9% | 17% | (2)% | |
| Mid-range | | | | | | | |
| Color | 16% | 29% | 8% | 3% | 10% | (7)% | |
| B&W | 11% | 13% | 19% | 1% | 8% | (19)% | |
| High-end | | | | | | | |
| Color | 6% | (9)% | (17)% | (12)% | (9)% | (14)% | |
| B&W | (9)% | (12)% | (3)% | (34)% | (18)% | (12)% | |

Notes:

(1) Entry installations exclude OEM sales; Mid-range and High-end color installations exclude Fuji Xerox digital front-end sales.

CC = Constant Currency