



Earnings Presentation

Q3 2021 Results

October 26, 2021

xerox™

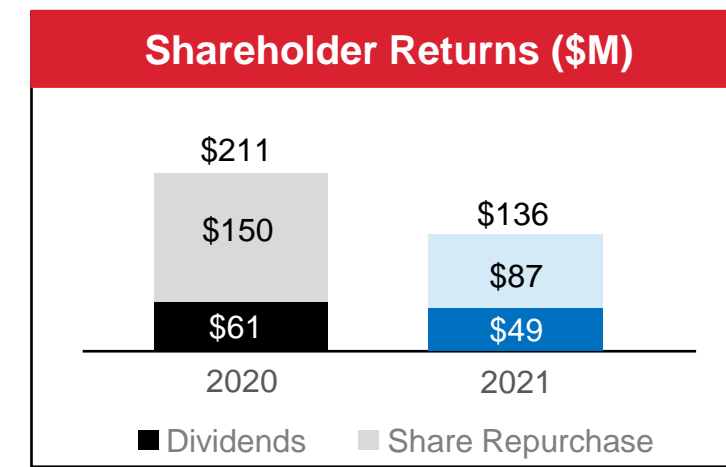
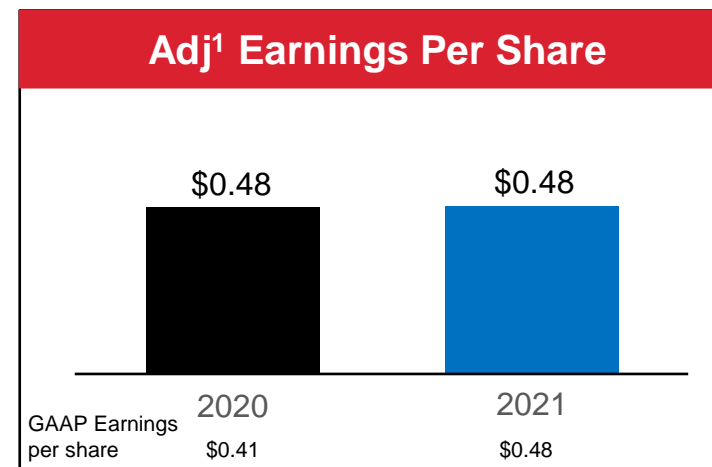
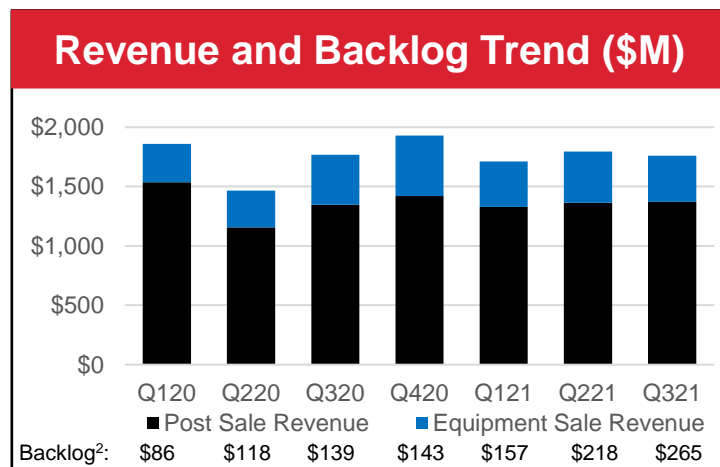
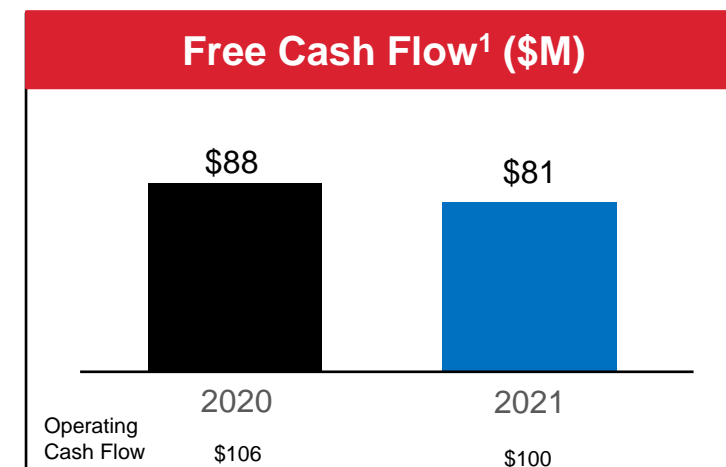
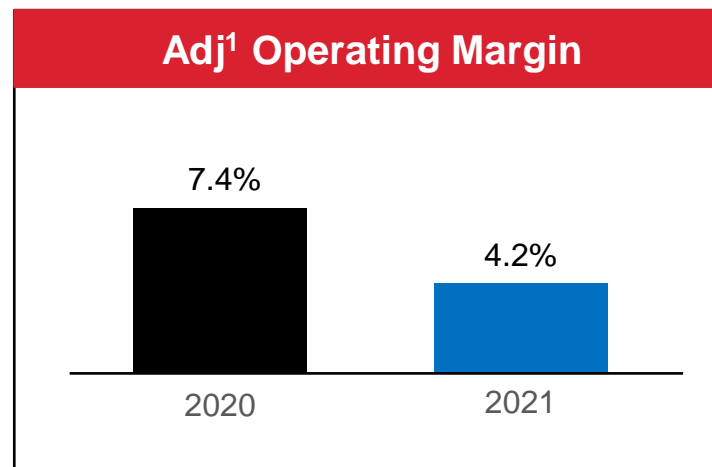
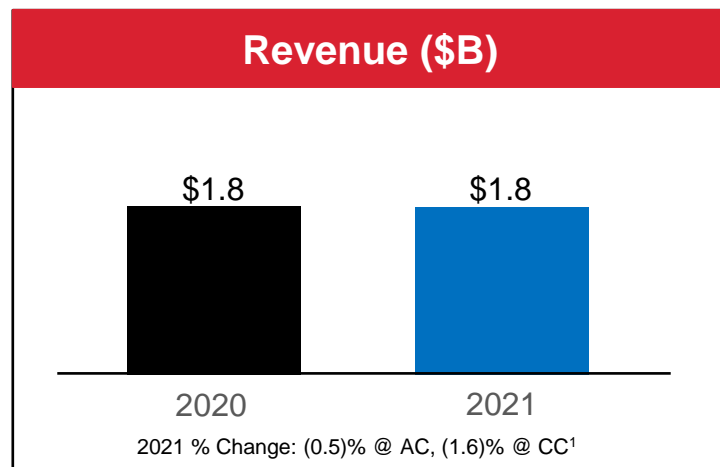
Forward-Looking Statements

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 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 attract and retain key personnel; 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 imposition of new or incremental trade protection measures such as tariffs and import or export restrictions; changes in foreign currency exchange rates; our ability to successfully develop new products, technologies and service offerings and to protect our intellectual property rights; 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; 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 actions; 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 cyber attacks or other intentional acts; reliance on third parties, including subcontractors, for manufacturing of products and provision of services; the exit of the United Kingdom from the European Union; our ability to manage changes in the printing environment and expand equipment placements; interest rates, cost of borrowing and access to credit markets; funding requirements associated with our employee pension and retiree health benefit plans; 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; any impacts resulting from the restructuring of our relationship with Fujifilm Holdings Corporation; the shared services arrangements entered into by us as part of Project Own It; whether CareAR’s service experience management platform will achieve expectations regarding customer adoption, integration with ServiceNow’s platform, and cost and carbon emission reduction; and the financial performance of CareAR, including projected revenue for fiscal years 2021 and 2022. Additional risks that may affect Xerox’s operations and other factors that 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 2020 Annual Report on Form 10-K, as well as in Xerox Holdings Corporation's and Xerox Corporation's Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the SEC.

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.



Q3 2021 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.

Strategic Initiatives to Transform Xerox



Optimize operations for simplicity

- Continuously improve our operating model for greater efficiency, including actions to mitigate supply chain disruption
- Invest in augmented reality, robotic process automation, business process outsourcing, analytics and system enhancements to drive efficiencies



Drive revenue

- Expand software offerings to transform the service experience
- Scale IT Services and robotic process automation in the SMB market
- Grow XFS as a global payment solutions business



Monetize Innovation

- Drive further commercialization of 3D and IoT solutions
- Leverage \$250 million corporate venture capital fund to bolster investment & innovation
- Embed PARC's technology into new and existing businesses



Focus on cash flow and increasing capital returns

- Generate at least \$500 million of free cash flow¹ in 2021
- Opportunistic share repurchases
- Deploy excess capital for strategic M&A

New Businesses: Q3 2021 Progress Update

Software

- Announced the formation of CareAR, an augmented reality-driven Service Experience Management platform, along with an investment from ServiceNow valuing CareAR at \$700 million
- Added 15 new resellers and formed a partnership with LTTS, a leading industrial and manufacturing engineering services company, to develop joint AR service solutions across a range of industries
- Growing pipeline of potential customers supports outlook of delivering at least \$40 million¹ of revenue in 2021 and \$70 million¹ in 2022

Innovation

IoT

- Deploying Eloque's sensor-based bridge monitoring technology in Victoria, Australia
- In discussion with multiple transportation authorities around the world to deploy Eloque's sensor-based bridge monitoring technology

3D Print

- ElemX driving healthy pipeline across target verticals of manufacturing and defense

Cleantech

- Refining alpha prototype for energy-efficient air conditioning technology; expect alpha testing to be complete by the end of the year

XFS

- Year-over-year growth in originations of approximately 10%
- Assets of \$3.3 billion supported by \$2.3 billion of senior unsecured debt and approximately \$0.6 billion of securitized debt
- Over 700,000 equipment leases and ~150,000 customers, across a diverse range of industries and geographies
- Annualized loss rate below historical levels of 1.5%

¹ Includes intercompany sales through Xerox to end customers

Frequently Asked Questions

Guidance

What gives you confidence in your free cash flow¹ guidance despite a lower outlook for revenue?

Free cash flow generation is a strategic focal point that has been ingrained in Xerox's culture. Our focus on cash has allowed us to deliver positive free cash flow every quarter throughout the pandemic. We have confidence in our ability to achieve our free cash flow guidance of at least \$500 million in 2021 while continuing to invest in our strategic growth initiatives, including XFS, Innovation at PARC and our Software business.

Supply Chain

How did supply chain disruptions affect your performance in Q3? What are your expectations for Q4?

Supply chain conditions deteriorated significantly throughout the third quarter, negatively affecting our financial performance. Demand for our equipment and third-party hardware remained strong this quarter, but component shortages and logistical challenges resulted in a backlog of \$265 million, approximately 2x normal levels. Further, product and shipping capacity limitations accounted for 2/3 of the year-over-year decline in gross margin. At this point, we do not expect supply chain-related conditions to materially improve in Q4.

Pandemic Impact

How has the duration of the pandemic and delay of return-to-office affected your outlook?

The pandemic has lasted longer than expected, causing a delay in our outlook for a recovery of post sale revenue in 2021. However, we continue to see strong correlations between vaccination rates, workplace attendance and page volumes. Growth in page volumes is translating to higher post sale revenue. For example, in September, we experienced our second-highest month of page volumes and revenues for sold services & outsourcing since the start of the pandemic. We believe a broader return of workers to the workplace is a matter of when, not if. Based on current information, we now expect an acceleration of in-office work in 2022, rather than our prior estimate of Q4.

Capital Allocation

Does the \$500 million buyback authorization change your approach to capital allocation?

We have a strong balance sheet and remain committed to returning at least 50% of our free cash flow back to shareholders. Year-to-date, we have returned approximately 170%. During the quarter we completed our remaining share repurchase authorization of approximately \$500 million. We believe stock buybacks are a tax efficient and accretive mechanism for returning cash to shareholders, and we plan to opportunistically buy back shares while continuing to pay a dividend and invest in innovation. We also continue to look for M&A transactions, both small and large, that are accretive to our business.

¹ Free Cash Flow: see Non-GAAP Financial Measures.

Financial Results Summary

(in millions, except per share data)

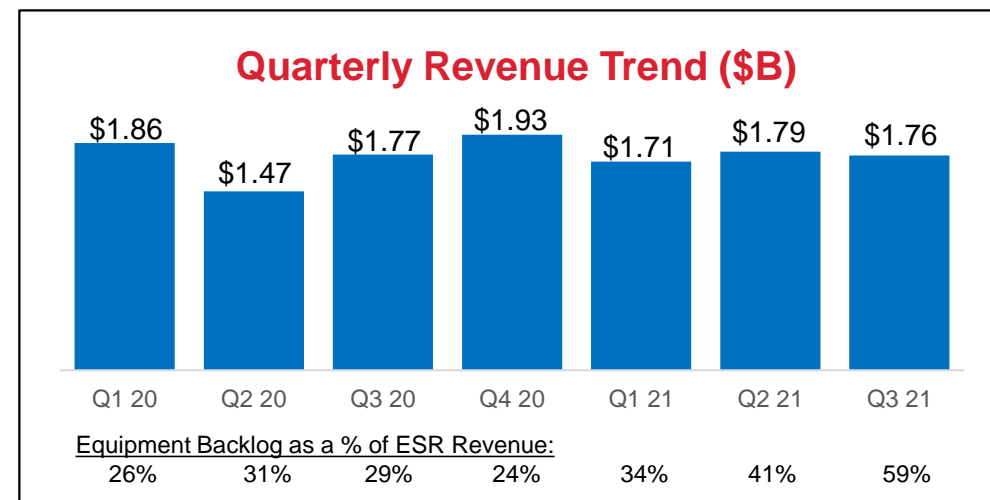
P&L Measures	Q3 2021	B/(W) YOY	% Change YOY
Revenue	\$ 1,758	\$ (9)	(0.5)% AC (1.6)% CC ¹
Operating Income – Adjusted ¹	\$ 74	\$ (57)	(43.5)%
Other Expenses, net	\$ (33)	\$ 18	NM
Net Income	\$ 90	\$ -	-%
Net Income – Adjusted ¹	\$ 90	\$ (15)	(14.3)%
GAAP Earnings Per Share	\$ 0.48	\$ 0.07	17.1%
EPS – Adjusted ¹	\$ 0.48	\$ -	-%

P&L Ratios	Q3 2021	B/(W) YOY
Gross Margin	32.4%	(440) bps
RD&E %	4.7%	(40) bps
SAG %	23.5%	160 bps
Operating Margin – Adjusted ¹	4.2%	(320) bps
Tax Rate – Adjusted ¹	(3.5)%	NM

¹ Adjusted Measures and Constant Currency (CC): see Non-GAAP Financial Measures. Adjusted tax rate reflects changes in return filing positions as well as remeasurement of deferred tax assets of approximately 26%.

Revenue

(in millions)	% Change YOY			
	Q3 2021	% Mix	AC	CC ¹
Equipment	\$ 387	22%	(7.6)%	(8.4)%
Post Sale	\$ 1,371	78%	1.7%	0.5%
Total Revenue	\$ 1,758	100%	(0.5)%	(1.6)%
Americas	1,127	64%	(2.2)%	(2.9)%
EMEA	594	34%	4.6%	2.6%
Other ²	37	2%	(21.3)%	(21.3)%



Installs B/(W) YOY

	Q3 2021	
	Color	B&W
Entry A4 MFPs	17%	(7)%
Mid-Range	1%	20%
High-End	(7)%	34%

¹ Constant Currency (CC): see Non-GAAP Financial Measures. ² Other total revenue includes sales to FUJIFILM Business Innovation Corp. (formerly Fuji Xerox)(FX) and licensing.

Cash Flow

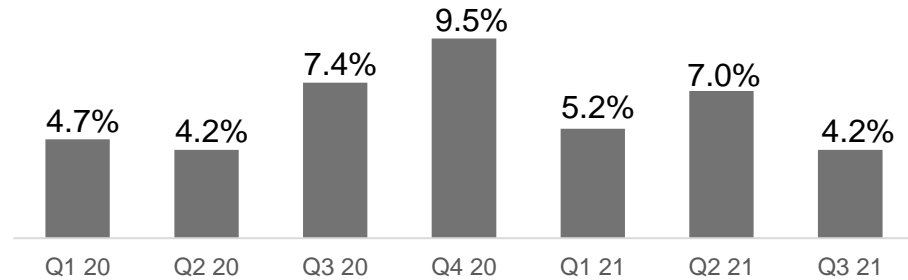
(in millions)	Q3 2021	Q3 2020
Pre-tax Income	\$ 84	\$ 119
Non-Cash Add-Backs ¹	58	122
Restructuring Payments	(12)	(11)
Pension Contributions	(33)	(33)
Working Capital, net ²	46	(55)
Change in Finance Assets ³	(8)	-
Other ⁴	(35)	(36)
Cash from Operations	\$ 100	\$ 106
Cash from Investing	\$ 18	\$ 9
Cash (used in)/ from Financing	\$ (46)	\$ 856
Ending Cash, Cash Equivalents and Restricted Cash ⁵	\$ 2,262	\$ 3,297
Free Cash Flow⁶	\$ 81	\$ 88

¹ Non-cash add-backs include depreciation & amortization (including equipment on operating lease), provisions, stock-based compensation, defined benefit pension expense, restructuring and asset impairment charges and gain on sales of businesses and assets. ² Working Capital, net includes accounts receivable, accounts payable and inventory. ³ Includes equipment on operating leases (excluding its related depreciation) and finance receivables. ⁴ 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.

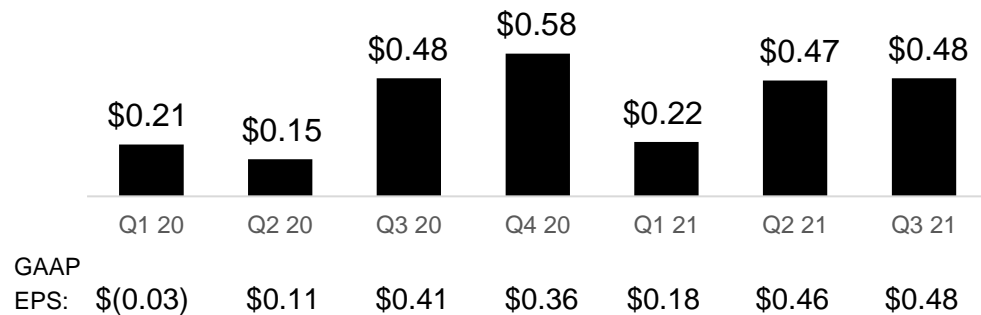
⁵ Includes restricted cash of \$53 million in Q3 2021 and \$55 million in Q3 2020. ⁶ Free Cash Flow: see Non-GAAP Financial Measures.

Profitability and Earnings

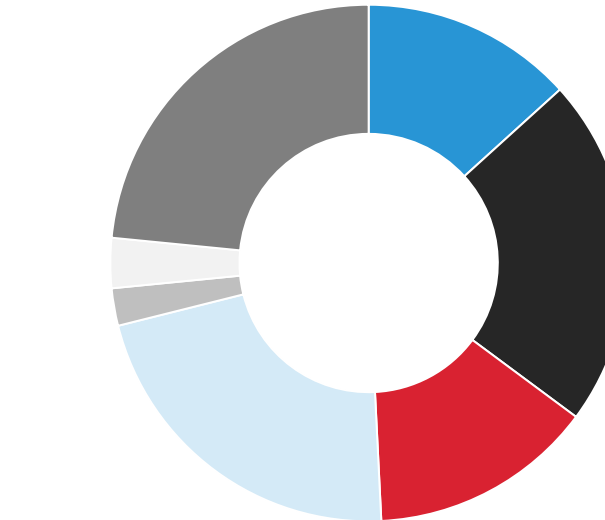
Adjusted¹ Operating Margin



Adjusted¹ EPS



Project Own It



- Project Own It is a multi-year program to simplify our operations and instill a culture of continuous improvement
- Achieved ~\$1.4B of gross cost savings through 2020 since inception
- Remain on track to achieve targeted \$375M gross cost savings in 2021

¹ Adjusted Measures: see Non-GAAP Financial Measures.

Xerox Financial Services (XFS)

XFS Strategy

- Create a global leasing solutions business serving technology, office equipment and adjacent markets
- Growth will be driven by expanding the portfolio, offering vendor financing for a broader array of partner office solutions, software and IT services and OEM partnerships

XFS Portfolio

- XFS assets: \$3.33 billion as of Sept 30, 2021, a (2%) decline QoQ
- Leases managed: Over 700,000 equipment leases
- Customers served: ~150,000, diverse portfolio across geographies and industries
- Annualized loss rates: below historical 1.5% of portfolio

Assets and Debt

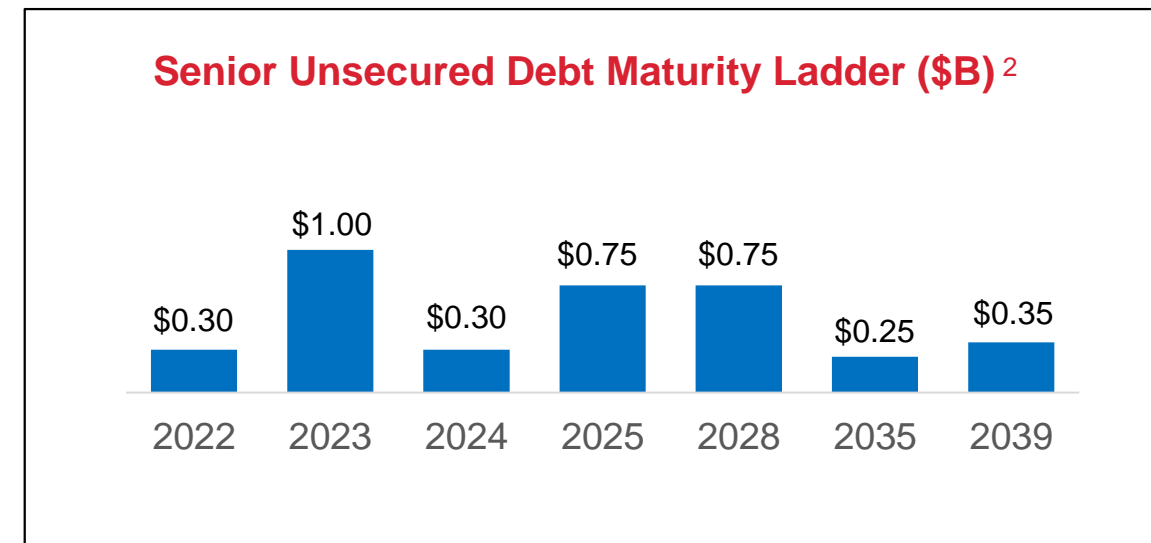
(in billions)	Q3 2021	Q2 2021
Equipment on Operating Leases	\$ 0.25	\$ 0.27
Finance Receivables	3.08	3.12
Total Finance Assets	\$ 3.33	\$ 3.39
XFS Debt	\$ 2.91	\$ 2.97

Leverage

- XFS Debt allocated on a 7:1 ratio of debt to equity on finance assets
- \$2.3 billion of senior unsecured debt and approximately \$0.6 billion of securitization allocated to XFS as of Sept 30, 2021

Capital Structure

Debt and Cash		
(in billions)	Q3 2021	Q4 2020
Total Debt	\$ (4.3)	\$ (4.4)
Less: XFS debt	2.9	3.0
Core Debt	(1.4)	(1.4)
Less: Cash ¹	2.3	2.7
Net Core Cash	\$ 0.9	\$ 1.3



- Ending net core cash of \$0.9B, net core debt of \$1.4B with ending cash of \$2.3B.
- A balanced debt maturity ladder is maintained; near-term bonds allocated to XFS and longer-term bonds support corporate strategy. No senior unsecured debt maturities in 2021; \$300 million to mature in 2022.

¹ Cash, cash equivalents and restricted cash.

² Debt payable in 2025 and 2028 was issued by Xerox Holdings Corporation, remaining debt issued by Xerox Corporation.

Summary and 2021 Guidance

Full-Year Guidance

- **Revenue:** Approximately \$7.1B (AC), \$7.0B (CC)¹
- **Free Cash Flow**¹: At least \$500M
- **Shareholder Returns:** At least 50% of annual Free Cash Flow¹

We continue to see strong demand for our products and services, and we expect a broader return of employees to the workplace will result in improvements in page volumes and post-sale revenue in future quarters.

Due to ongoing supply chain disruptions and a delay in employees returning to workplaces, we lowered our revenue guidance to approximately \$7.1 billion in actual currency for 2021 (\$7.0 billion in constant currency).

We remain confident in our ability to generate at least \$500 million in free cash flow. Year-to-date, we have returned approximately 170% of our free cash flow to shareholders and this quarter received authorization to repurchase an additional \$500 million of stock. We plan to opportunistically buy back shares while continuing to pay a dividend and invest in innovation.

Appendix

Operating Trends – Continuing Operations

(in millions, except EPS)	2019	2020				2021			
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3
Total Revenue	\$9,066	\$1,860	\$1,465	\$1,767	\$1,930	\$7,022	\$1,710	\$1,793	\$1,758
<i>% Change</i>	(6.2)%	(14.7)%	(35.3)%	(18.9)%	(21.0)%	(22.5)%	(8.1)%	22.4%	(0.5)%
<i>CC¹ % Change</i>	(4.7)%	(13.9)%	(34.6)%	(19.7)%	(22.3)%	(22.7)%	(10.4)%	18.1%	(1.6)%
Adj¹ Operating Margin	13.1%	4.7%	4.2%	7.4%	9.5%	6.6%	5.2%	7.0%	4.2%
GAAP EPS (Loss)	\$2.78	\$(0.03)	\$0.11	\$0.41	\$0.36	\$0.84	\$0.18	\$0.46	\$0.48
Adj¹ EPS	\$3.55	\$0.21	\$0.15	\$0.48	\$0.58	\$1.41	\$0.22	\$0.47	\$0.48
Operating Cash Flow	\$1,244	\$173	\$34	\$106	\$235	\$548	\$117	\$214	\$100
Free Cash Flow¹	\$1,179	\$150	\$15	\$88	\$221	\$474	\$100	\$198	\$81

Non-GAAP Financial Measures

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. 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.

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.

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.

Adjusted Earnings Measures

- Net Income 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-GAAP Financial Measures (cont'd)

- Transaction and related costs, net: Transaction and related costs, net are costs and expenses primarily associated with certain strategic M&A projects. These costs are primarily for third-party legal, accounting, consulting and other similar type professional services as well as potential legal settlements that may arise in connection with those M&A transactions. These costs are considered incremental to our normal operating charges and were incurred or are expected to be incurred solely as a result of the planned transactions. Accordingly, we are excluding these expenses from our Adjusted Earnings Measures in order to evaluate our performance on a comparable basis.
- 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.

We believe the exclusion of these items allows investors to better understand and analyze the results for the period as compared to prior periods and expected future trends in our business.

Non-GAAP Financial Measures (cont'd)

Adjusted Operating Income and Margin

We calculate and utilize adjusted operating income and margin measures by adjusting our reported pre-tax income and margin amounts. In addition to the costs and expenses noted as adjustments for our adjusted earnings measures, adjusted operating income and margin also exclude the remaining amounts included in Other expenses, net, which are primarily non-financing interest expense and certain other non-operating costs and expenses. We exclude these amounts in order to evaluate our current and past operating performance and to better understand the expected future trends in our business.

Constant Currency

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.

Summary:

Management believes that all of these non-GAAP financial measures provide an additional means of analyzing the current period's results against the corresponding prior period's results. 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. Our 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.

A reconciliation of these non-GAAP financial measures and the most directly comparable measures calculated and presented in accordance with GAAP are set forth on the following tables:

Net Income and EPS reconciliation

(in millions, except per share amounts)	Three Months Ended September 30, 2021		Three Months Ended September 30, 2020	
	Net Income	EPS	Net Income	EPS
Reported⁽¹⁾	\$ 90	\$ 0.48	\$ 90	\$ 0.41
Adjustments:				
Restructuring and related costs, net	10		20	
Amortization of intangible assets	13		13	
Transaction and related costs, net	-		(6)	
Non-service retirement-related costs	(22)		(13)	
Income tax on adjustments ⁽²⁾	(1)		1	
Adjusted	<u>\$ 90</u>	<u>\$ 0.48</u>	<u>\$ 105</u>	<u>\$ 0.48</u>
Dividends on preferred stock used in adjusted EPS calculation ⁽³⁾		\$ 4		\$ 4
Weighted average shares for adjusted EPS ⁽³⁾		182		213
Fully diluted shares at September 30, 2021 ⁽⁴⁾		181		

⁽¹⁾ Net income and EPS attributable to Xerox Holdings.

⁽²⁾ Refer to Effective Tax Rate reconciliation.

⁽³⁾ Average shares for the calculation of adjusted diluted EPS for the three months ended September 30, 2021 and 2020, excludes 7 million shares associated with our Series A convertible preferred stock and therefore earnings includes the preferred stock dividend.

⁽⁴⁾ Represents common shares outstanding at September 30, 2021 plus potential dilutive common shares used for the calculation of adjusted diluted EPS for the third quarter 2021. The amount excludes shares associated with our Series A convertible preferred stock as they were anti-dilutive for the third quarter 2021.

Effective Tax Rate reconciliation

(in millions)	Three Months Ended September 30, 2021			Three Months Ended September 30, 2020		
	Pre-Tax Income	Income Tax Benefit	Effective Tax Rate	Pre-Tax Income	Income Tax Expense	Effective Tax Rate
Reported⁽¹⁾	\$ 84	\$ (4)	(4.8)%	\$ 119	\$ 29	24.4%
Non-GAAP Adjustments ⁽²⁾	1	1		14	(1)	
Adjusted⁽³⁾	<u>\$ 85</u>	<u>\$ (3)</u>	(3.5)%	<u>\$ 133</u>	<u>\$ 28</u>	21.1%

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

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

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

Operating Income and Margin reconciliation

(in millions)	Three Months Ended September 30, 2021			Three Months Ended September 30, 2020		
	Profit	Revenue	Margin	Profit	Revenue	Margin
Reported ⁽¹⁾	\$ 84	\$ 1,758	4.8%	\$ 119	\$ 1,767	6.7%
Adjustments:						
Restructuring and related costs, net	10			20		
Amortization of intangible assets	13			13		
Transaction and related costs, net	-			(6)		
Other expenses, net	(33)			(15)		
Adjusted	<u>\$ 74</u>	<u>\$ 1,758</u>	4.2%	<u>\$ 131</u>	<u>\$ 1,767</u>	7.4%

⁽¹⁾ Pre-tax Income.

Free Cash Flow reconciliation

	<u>Three Months Ended September 30,</u>		
<u>(in millions)</u>	<u>2021</u>	<u>2020</u>	<u>Change</u>
Reported ⁽¹⁾	\$ 100	\$ 106	\$ (6)
Less: capital expenditures	<u>(19)</u>	<u>(18)</u>	<u>(1)</u>
Free Cash Flow	<u><u>\$ 81</u></u>	<u><u>\$ 88</u></u>	<u><u>\$ (7)</u></u>

⁽¹⁾ Net cash provided by operating activities.

Other Expenses, net reconciliation

(in millions)	Three Months Ended September 30,	
	2021	2020
Reported	\$ (33)	\$ (15)
Less: Non-service retirement-related costs	(22)	(13)
Adjusted	<u>\$ (11)</u>	<u>\$ (2)</u>

Free Cash Flow – Guidance

<u>(in millions)</u>	<u>FY 2021</u>
Operating Cash Flow⁽¹⁾	At least \$600
Less: capital expenditures	<u>(100)</u>
Free Cash Flow	<u>At least \$500</u>

⁽¹⁾ *Net cash provided by operating activities.*

Net Income (Loss) and EPS reconciliation – historical

(in millions, except per share amounts)	Year Ended December 31, 2019		Q1-20		Q2-20		Q3-20		Q4-20		Year Ended December 31, 2020		Q1-21		Q2-21	
	Net Income	EPS	Net (Loss) Income	EPS	Net Income	EPS	Net Income	EPS	Net Income	EPS	Net Income	EPS	Net Income	EPS	Net Income	EPS
Reported ⁽¹⁾	\$ 648	\$ 2.78	\$ (2)	\$ (0.03)	\$ 27	\$ 0.11	\$ 90	\$ 0.41	\$ 77	\$ 0.36	\$ 192	\$ 0.84	\$ 39	\$ 0.18	\$ 91	\$ 0.46
Restructuring and related costs, net	229		41		3		20		29		93		17		12	
Amortization of intangible assets	45		11		10		13		22		56		15		14	
Transaction and related costs, net	12		17		7		(6)		-		18		-		-	
Non-service retirement-related costs	18		1		(8)		(13)		(9)		(29)		(20)		(22)	
Loss on early extinguishment of debt	-		-		-		-		26		26		-		-	
Contract termination costs - IT services	(12)		3		-		-		-		3		-		-	
Income tax on adjustments	(77)		(21)		(3)		1		(23)		(46)		(4)		(1)	
US Tax Act	(35)		-		-		-		-		-		-		-	
Adjusted	\$ 828	\$ 3.55	\$ 50	\$ 0.21	\$ 36	\$ 0.15	\$ 105	\$ 0.48	\$ 122	\$ 0.58	\$ 313	\$ 1.41	\$ 47	\$ 0.22	\$ 94	\$ 0.47
Dividends on preferred stock used in adjusted EPS calculation ⁽²⁾	\$ -		\$ 4		\$ 3		\$ 4		\$ -		\$ 14		\$ 4		\$ 3	
Weighted average shares for adjusted EPS ⁽²⁾	233		216		216		213		209		211		198		189	

⁽¹⁾ Net Income (Loss) and EPS from continuing operations attributable to Xerox Holdings.

⁽²⁾ 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 convertible preferred stock, as applicable. In addition, adjusted diluted EPS shares for 2020 include 4 million shares for potential dilutive common shares, which are not in the GAAP EPS calculation since it was a loss.

Operating Income and Margin reconciliation – historical

(in millions)	Year Ended December 31, 2019			Q1-20			Q2-20			Q3-20			Q4-20			Year Ended December 31, 2020			Q1-21			Q2-21		
	Profit	Revenue	Margin	(Loss) Profit	Revenue	Margin	Profit	Revenue	Margin	Profit	Revenue	Margin	Profit	Revenue	Margin	Profit	Revenue	Margin	Profit	Revenue	Margin	Profit	Revenue	Margin
Reported ⁽¹⁾	\$ 822	\$ 9,066	9.1%	\$ (5)	\$ 1,860	(0.3%)	\$ 35	\$ 1,465	2.4%	\$ 119	\$ 1,767	6.7%	\$ 103	\$ 1,930	5.3%	\$ 252	\$ 7,022	3.6%	\$ 53	\$ 1,710	3.1%	\$ 99	\$ 1,793	5.5%
Adjustments:																								
Restructuring and related costs, net	229			41			3			20			29			93			17			12		
Amortization of intangible assets	45			11			10			13			22			56			15			14		
Transaction and related costs, net	12			17			7			(6)			-			18			-			-		
Other expenses, net	84			23			7			(15)			30			45			4			1		
Adjusted	<u>\$ 1,192</u>	<u>\$ 9,066</u>	13.1%	<u>\$ 87</u>	<u>\$ 1,860</u>	4.7%	<u>\$ 62</u>	<u>\$ 1,465</u>	4.2%	<u>\$ 131</u>	<u>\$ 1,767</u>	7.4%	<u>\$ 184</u>	<u>\$ 1,930</u>	9.5%	<u>\$ 464</u>	<u>\$ 7,022</u>	6.6%	<u>\$ 89</u>	<u>\$ 1,710</u>	5.2%	<u>\$ 126</u>	<u>\$ 1,793</u>	7.0%

⁽¹⁾ Pre-Tax Income (Loss) and revenue from continuing operations.

Free Cash Flow reconciliation – historical

	Year Ended December 31, 2019	Q1-20	Q2-20	Q3-20	Q4-20	Year Ended December 31, 2020	Q1-21	Q2-21
<i>(in millions, except per share amounts)</i>								
Reported ⁽¹⁾	\$ 1,244	\$ 173	\$ 34	\$ 106	\$ 235	\$ 548	\$ 117	\$ 214
Less: capital expenditures	(65)	(23)	(19)	(18)	(14)	(74)	(17)	(16)
Free Cash Flow from Continuing Operations	<u>\$ 1,179</u>	<u>\$ 150</u>	<u>\$ 15</u>	<u>\$ 88</u>	<u>\$ 221</u>	<u>\$ 474</u>	<u>\$ 100</u>	<u>\$ 198</u>

⁽¹⁾ Net cash provided by operating activities from continuing operations.

xeroxTM