

EARNINGS PRESENTATION
Q4 Results | January 28, 2020

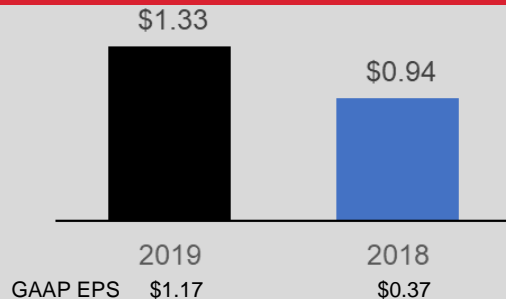


Forward-Looking Statements

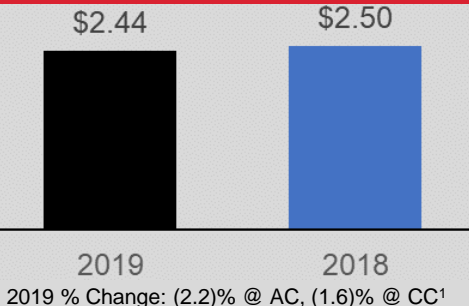
This presentation, and other written or oral statements made from time to time by management contain “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. The words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “will”, “should”, “targeting”, “projecting”, “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: 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; the ultimate outcome of any possible transaction between Xerox Holdings Corporation (“Xerox”) and HP Inc. (“HP”), including the possibility that the parties will not agree to pursue a business combination transaction or that the terms of any definitive agreement will be materially different from those proposed; uncertainties as to whether HP will cooperate with Xerox regarding the proposed transaction; the ultimate result should Xerox determine to commence a proxy contest for election of directors to HP’s board of directors; Xerox’s ability to consummate the proposed transaction with HP; the conditions to the completion of the proposed transaction, including the receipt of any required shareholder approvals and any required regulatory approvals; Xerox’s ability to finance the proposed transaction with HP; Xerox’s indebtedness, including the substantial indebtedness Xerox expects to incur in connection with the proposed transaction with HP and the need to generate sufficient cash flows to service and repay such debt; the possibility that Xerox may be unable to achieve expected synergies and operating efficiencies within the expected time-frames or at all and to successfully integrate HP’s operations with those of Xerox; that such integration may be more difficult, time-consuming or costly than expected; that operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers or suppliers) may be greater than expected following the proposed transaction or the public announcement of the proposed transaction; the retention of certain key employees may be difficult; and general economic conditions that are less favorable than expected. 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 Corporation’s 2018 Annual Report on Form 10-K, as well as in Xerox Corporation’s and Xerox Holdings 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.

Key Financial Measures I 2019

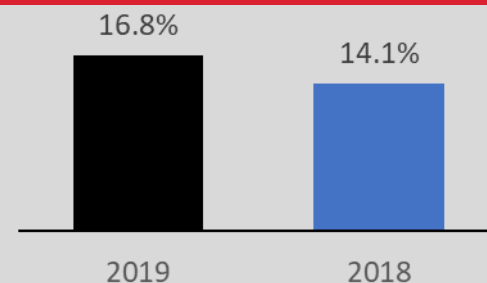
Q4 Adj¹ Earnings Per Share



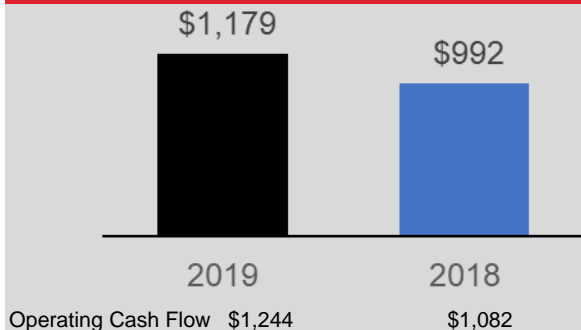
Q4 Revenue (\$B)



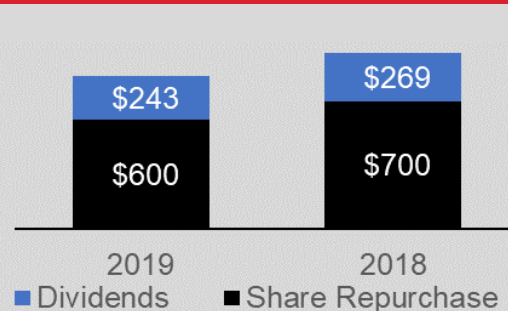
Q4 Adj¹ Operating Margin



FY Free Cash Flow¹ (\$M)



FY Shareholder Returns (\$M)



NOTE 1: The financial results presented in these slides are from continuing operations, and exclude the results of Fuji Xerox equity income and XIP, which are presented as discontinued operations.

NOTE 2: Adj. Earnings Per Share, Q4 Revenue, Q4 Adj. Operating Margin and FY Free Cash Flow reflect the inclusion of the benefit from an upfront OEM license fee of \$77 million, paid by Fuji Xerox to Xerox in Q4 2019 as part of a series of transactions to restructure Xerox's relationship with FUJIFILM Holdings Corporation. See APPENDIX for impacts.

Strategic Initiatives to Transform Xerox



Optimize operations for simplicity

- Continuously improve operating model for greater efficiency
- Further optimize the supply chain and supplier competitiveness
- Leverage digital technologies to make it easier to work with Xerox



Drive revenue

- Enhance the customer experience
- Expand integrated solutions comprised of hardware, software and services
- Focus on driving growth within the SMB



Re-energize the innovation engine

- Invest in growing market segments such as AI and IoT
- Leverage software capabilities to launch new services
- Monetize new innovations



Focus on cash flow and increasing capital returns

- Maximize cash flow generation
- Return at least 50% of free cash flow to shareholders
- Focus on ROI and internal rate of return to make capital allocation decisions

Frequently Asked Questions

Are you on track with the three-year plan outlined last February?

We are ahead of schedule on our plan, having exceeded almost all financial targets for 2019. Through Project Own It, we are optimizing our operations and making it easier to do business with Xerox. In 18 months, we generated ~\$1B in gross savings, including ~\$640M in gross savings in 2019. Due to our disciplined approach, we spent ~35 cents for every \$1 of savings. In 2020, we expect to deliver another ~\$450M in gross savings that can be reinvested in our business. We are investing in innovation in our core, software, services and adjacencies, such as AI and 3D. We are also monetizing innovations that are outside our primary focus areas. We generated nearly \$1.2B in cash in 2019 and our three-year plan is on track to generate more than \$3B by 2021.

Will you still be able to achieve flat revenue in 2021?

We expect to achieve flat revenue in 2021. While disruption impacted revenue in 1H2019, we saw improvement in the rate of revenue decline in 2H2019 as investments in our business began to gain more traction. Our investments are focused on capturing growth in core markets, broadening services and software, delivering new technology solutions, and further penetrating the SMB space. As a result, we are seeing organic revenue growth in the high-end category, SMB services and software. We have also increased investment in areas such as supplies coverage to improve the attach rate on unbundled supplies sales. With momentum from 2H19 and significant product launches in 2019 and 2020, we expect to see continued improvements in 2020.

How are you thinking about your supply chain and sourcing?

Last year, we began working to implement a frictionless, high-velocity supply chain to increase flexibility and responsiveness and improve customer service. We expanded our relationship with HP to cover more equipment, supplies, software and services (in both directions), and we restructured our relationship with FUJIFILM/Fuji Xerox, providing additional flexibility to source from the partner with the highest value proposition. At the same time, we made improvements to our logistics network and inventory utilization models. By maximizing competitive tension among our sourcing partners and improving the speed and responsiveness of our supply chain, we are better positioned to serve our clients at a lower cost, thereby improving both our revenue trajectory and our margins.

What's the status of your bid to acquire HP?

The value of our proposal goes beyond economics. In consolidating industries, first-movers have the opportunity to reshape the competitive landscape in an enduring way. The synergies we outlined in our detailed investor deck – and the corresponding shareholder value created – can only be achieved through a combination. The positive feedback we received from HP shareholders gave us the confidence to both obtain \$24B in binding financing commitments and nominate a slate of highly qualified, independent candidates for election to the HP board. As part of our M&A playbook, we are planning the integration of the two companies so we can move swiftly after closing to realize cost and revenue synergies.

Financial Results

(in millions, except per share data)	Q4 2019	Q4 2018	B/(W) YOY	% Change YOY
Revenue	\$ 2,444	\$ 2,498	\$ (54)	(2.2)% AC (1.6)% CC¹
Gross Margin	41.6%	40.0%	160 bps	
RD&E %	3.8%	3.8%	-	
SAG %	20.9%	22.1%	120 bps	
Operating Income - Adjusted¹	\$ 411	\$ 352	\$ 59	16.8%
Operating Margin - Adjusted ¹	16.8%	14.1%	270 bps	
GAAP EPS	\$ 1.17	\$ 0.37	\$ 0.80	nm
EPS - Adjusted¹	\$ 1.33	\$ 0.94	\$ 0.39	41.5%

NOTE: Q4 2019 Revenue, Gross Margin, Operating Income– Adjusted, Operating Margin – Adjusted, GAAP EPS and EPS-Adjusted reflect the inclusion of the benefit from an upfront OEM license fee of \$77 million, paid by Fuji Xerox to Xerox in Q4 2019 as part of a series of transactions to restructure Xerox’s relationship with FUJIFILM Holdings Corporation. See APPENDIX for impacts.

⁽¹⁾ Adjusted Measures and Constant Currency (CC): see Non-GAAP Financial Measures.



Cash Flow

(in millions)	Q4 2019	FY 2019
Pre-tax Income	\$ 336	\$ 822
Non-cash add-backs ¹	135	542
Restructuring Payments	(22)	(93)
Pension Contributions	(34)	(141)
Working Capital, net ²	5	72
Change in Finance Assets ³	(10)	174
Other ⁴	(12)	(132)
Cash provided by Operating Activities of Continuing Operations	\$ 398	\$ 1,244
Cash used in Investing Activities of Continuing Operations	\$ (17)	\$(85)
Cash used in Financing Activities of Continuing Operations	\$ (851)	\$ (1,824)
Ending Cash, Cash Equivalents and Restricted Cash ⁵	\$ 2,795	\$ 2,795
Free Cash Flow⁶	\$ 381	\$ 1,179

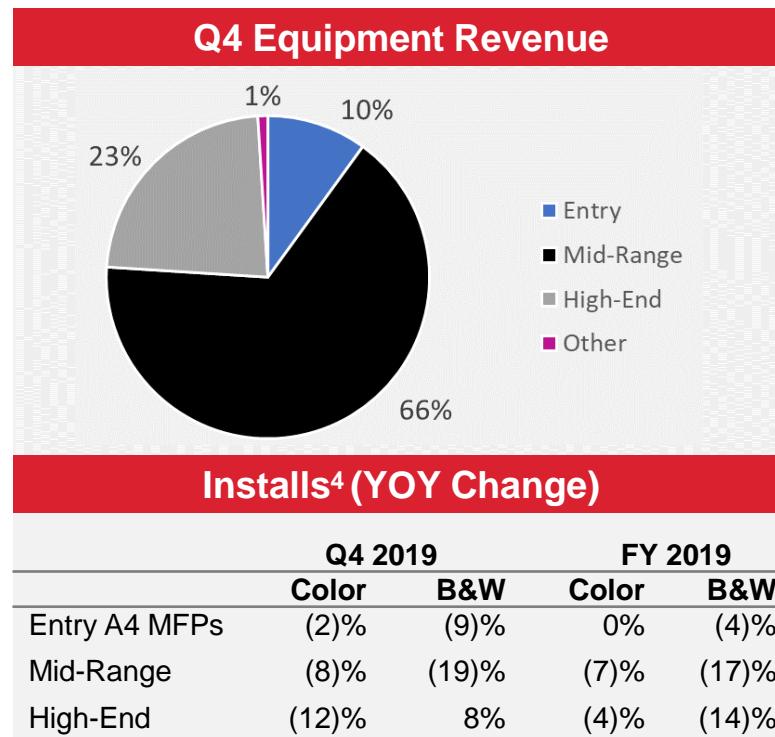
NOTE: Q4 2019 and FY 2019 Pre-tax Income, Cash from Operations, Ending Cash, Cash Equivalents and Restricted Cash and Free Cash Flow reflect the inclusion of the benefit from an upfront OEM license fee of \$77 million, paid by Fuji Xerox to Xerox in Q4 2019 as part of a series of transactions to restructure Xerox's relationship with FUJIFILM Holdings Corporation. See APPENDIX for impacts.

⁽¹⁾ Non-cash add-backs include depreciation & amortization (excluding equipment on operating lease), provisions, stock-based compensation, defined benefit pension expense, restructuring 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 (and 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 \$2,795M of cash, cash equivalents and restricted cash, of which \$55M was restricted. ⁽⁶⁾ Free Cash Flow: see Non-GAAP Financial Measures.

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Revenue

(in millions)	Q4 2019	% Mix	YOY Change AC	CC ¹
Equipment	\$ 616	25%	(2.1)%	(1.5)%
Post Sale	\$1,828	75%	(2.2)%	(1.7)%
Total Revenue	\$2,444	100%	(2.2)%	(1.6)%
Americas	1,562	64%	(3.4)%	(3.3)%
EMEA	756	31%	(8.9)%	(7.4)%
Other ²	126	5%	nm	nm
Xerox Services³	\$ 870	36%	(5.1)%	(4.5)%



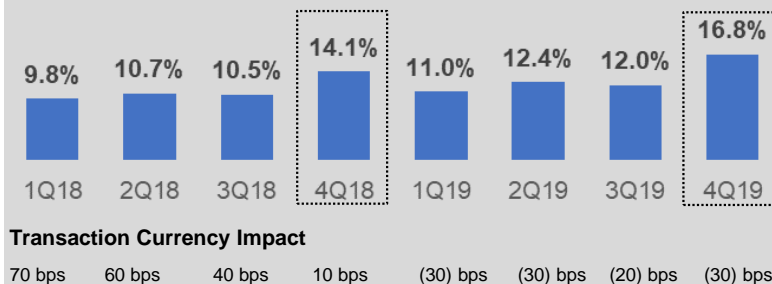
NOTE: Q4 2019 Post Sale, Total Revenue and Other reflect the inclusion of the benefit from an upfront OEM license fee of \$77 million, paid by Fuji Xerox to Xerox in Q4 2019 as part of a series of transactions to restructure Xerox's relationship with FUJIFILM Holdings Corporation. See APPENDIX for impacts.

(¹) Constant Currency: see Non-GAAP Financial Measures; (²) Other total revenue includes sales to Fuji Xerox and licensing; (³) Xerox Services includes solutions and services that span from managing print to automating processes to managing content. Our primary offerings are Intelligent Workplace Services (IWS), which is our rebranded Managed Print Services, as well as Digital and Cloud Print Services (including centralized print services). Xerox Services also includes Communication and Marketing Solutions; (⁴) Mid-Range and High-End color installations exclude Fuji Xerox digital front-end sales and reflect a mix to higher end products within each of these categories.

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Profitability and Earnings

Adjusted¹ Operating Margin



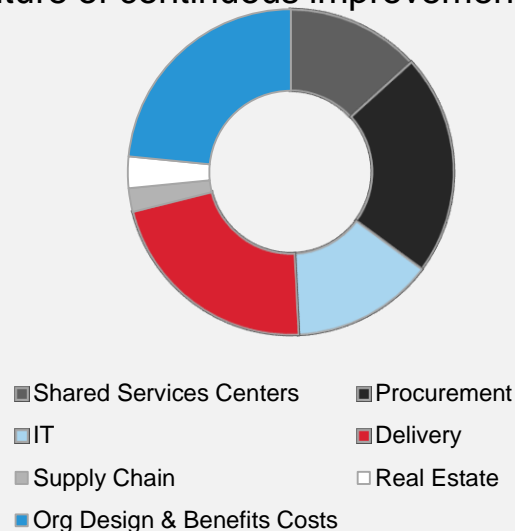
Adjusted¹ EPS



NOTE: 4Q19 Adjusted Operating Margin and 4Q19 Adjusted EPS reflect the inclusion of the benefit from an upfront OEM license fee of \$77 million, paid by Fuji Xerox to Xerox in Q4 2019 as part of a series of transactions to restructure Xerox's relationship with FUJIFILM Holdings Corporation. See APPENDIX for impacts.

Project Own It Contribution: Achieved ~\$640M of Gross Savings in 2019

It is a multi-year program to simplify our operations and instill a culture of continuous improvement



Capital Structure

Financing Debt \$3.3B

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

Core Debt \$1B

- Core debt level less than 2x annual free cash flow
- \$950M of Senior Notes repaid in 2019
- Core debt reduced by \$0.8B year-over-year; Net cash position of \$1.8B, net of core debt

Pension \$1.2B (*net unfunded status as of 12/31/19*)

- ~\$815M of the \$1.2B net unfunded is attributable to certain plans that do not require funding
- Overall net global funded status of ~88%

Debt and Cash (\$B)

As of December 31, 2019

	Finance Assets	Debt	Cash ¹
Financing	\$3.7	\$3.3	
Core	-	1.0	\$2.8
Total Xerox	\$3.7	\$4.3	\$2.8

Debt Maturity Ladder (\$B)



NOTE: December 31, 2019 Cash reflects the inclusion of the benefit from an upfront OEM license fee of \$77 million, paid by Fuji Xerox to Xerox in Q4 2019 as part of a series of transactions to restructure Xerox's relationship with FUJIFILM Holdings Corporation. See APPENDIX for impacts.

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2019 Summary and 2020 Guidance

FY 2019 Results

Revenue (CC)¹ down 4.7%

Adjusted¹ Operating Margin expansion of 180 basis points year-over-year

Adjusted¹ EPS up 23% year-over-year

Free Cash Flow¹ grew 19% (\$187M) year-over-year

Capital Allocation: Returned \$843M to shareholders (72% of Free Cash Flow¹), paid down \$950M debt

FY 2020 Guidance

Revenue (CC)¹ down ~4%²

Adjusted¹ Operating Margin ~13%

GAAP EPS range \$2.80 - \$2.90

Adjusted¹ EPS range \$3.60 - \$3.70

Free Cash Flow¹ ~\$1.2B

Shareholder Returns >50% of annual Free Cash Flow¹

In 2019 we made significant progress against our strategic initiatives to transform Xerox: we expanded operating margin, grew cash flows, made investments in our business that are beginning to impact revenue, and increased strategic flexibility by restructuring our relationship with FUJIFILM. In 2020 we will build on that momentum and continue to execute on our strategy to drive revenue, optimize operations, innovate and focus on cash to deliver on our full year guidance.

NOTE: FY 2019 Revenue, Adjusted Operating Margin, Adjusted EPS and Free Cash Flow reflect the inclusion of the benefit from an upfront OEM license fee of \$77 million, paid by Fuji Xerox to Xerox in Q4 2019 as part of a series of transactions to restructure Xerox's relationship with FUJIFILM Holdings Corporation. See APPENDIX for impacts.

⁽¹⁾ Adjusted Measures, Free Cash Flow and Constant Currency (CC): see Non-GAAP Financial Measure; ⁽²⁾ Excludes the impact of the upfront OEM license fee of \$77M in 2019; Revenue (CC) down ~4.9% including the \$77M fee.



Appendix



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Operating Trends

(in millions)	2017	2018					2019				
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Total Revenue	\$9,991	\$2,381	\$2,469	\$2,314	\$2,498	\$9,662	\$2,180	\$2,263	\$2,179	\$2,444	9,066
<i>% Change</i>	(4.3)%	(3.0)%	(3.8)%	(7.3)%	(9.1)%	(5.9)%	(8.5)%	(8.3)%	(5.8)%	(2.2)%	(6.2)%
<i>CC¹ % Change</i>	(4.4)%	(3.8)%	(2.8)%	(3.4)%	(5.1)%	(3.8)%	(6.0)%	(6.7)%	(4.7)%	(1.6)%	(4.7)%
Adj¹ Operating Margin	11.3%	9.8%	10.7%	10.5%	14.1%	11.3%	11.0%	12.4%	12.0%	16.8%	13.1%
GAAP EPS	\$0.50	\$0.33	\$0.33	\$0.14	\$0.37	\$1.16	\$0.34	\$0.60	\$0.68	\$1.17	\$2.78
Adj¹ EPS	\$2.86	\$0.62	\$0.69	\$0.64	\$0.94	\$2.88	\$0.66	\$0.79	\$0.80	\$1.33	\$3.55
Operating Cash Flow	\$907	\$210	\$229	\$259	\$384	\$1,082	\$223	\$275	\$348	\$398	\$1,244
Free Cash Flow¹	\$802	\$192	\$197	\$236	\$367	\$992	\$208	\$259	\$331	\$381	\$1,179

NOTE: Operating Trends have been revised to reflect discontinued operations reporting for FX and XIP. Amounts for 2017 and the periods Q1-Q3 2018 and Q1-Q3 2019 are estimated revisions and will be finalized with the filing of our 2019 Form 10K.

⁽¹⁾ Adjusted measures and constant currency (CC): see Non-GAAP Financial Measures



Impact of OEM License Agreement between Xerox and Fuji Xerox

In November 2019, Xerox Holdings Corporation completed a series of transactions to restructure its relationship with FUJIFILM Holdings Corporation (“FH”), including the sale of its indirect 25% equity interest in Fuji Xerox (“FX”) for approximately \$2.2 billion as well as the sale of its indirect 51% partnership interest in Xerox International Partners (“XIP”) for approximately \$23 million (collectively the “Sales”). The transactions with FH also included an OEM license agreement by and between FX and Xerox, granting FX the right to use specific Xerox Intellectual Property (“IP”) in providing certain named original equipment manufacturers (“OEM’s”) with products (such as printer engines) in exchange for an upfront license fee of \$77 million, which was recorded within post sale revenues. The \$77 million (\$58 million after-tax) OEM license had the following impact on our financial results for the Fourth Quarter 2019 and Full Year 2019:

(\$ in millions, except EPS)

Financial Results from Continuing Operations	Q4 2019			Full Year 2019		
	As Reported	- OEM License Impact	= As Reported Excluding OEM License Impact	As Reported	- OEM License Impact	= As Reported Excluding OEM License Impact
Revenue – AC	(2.2)%	3.1%	(5.2)%	(6.2)%	0.8%	(7.0)%
Revenue - CC ⁽¹⁾	(1.6)%	3.1%	(4.7)%	(4.7)%	0.8%	(5.5)%
Gross Margin	41.6%	1.9%	39.7%	40.3%	0.6%	39.7%
Adjusted Operating Margin ⁽¹⁾	16.8%	2.7%	14.1%	13.1%	0.7%	12.4%
EPS	\$ 1.17	\$ 0.25	\$ 0.92	\$ 2.78	\$ 0.25	\$ 2.53
EPS – Adjusted ⁽¹⁾	\$ 1.33	\$ 0.25	\$ 1.08	\$ 3.55	\$ 0.25	\$ 3.30
Operating Cash Flow ⁽²⁾	\$ 398	\$ 58	\$ 340	\$ 1,244	\$ 58	\$ 1,186

AC = Actual Currency; CC = Constant Currency

⁽¹⁾ Adjusted measures and constant currency (CC): see Non-GAAP Financial Measures. ⁽²⁾ Free Cash Flow also impacted by \$77M OEM license, which was \$58M net of tax.

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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 as well as in the fourth quarter 2019 presentation slides available at www.xerox.com/investor.

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: Restructuring and related costs 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 expenses incurred in connection with i) our announced proposal to acquire HP Inc. and ii) our planned transaction with Fuji, which was terminated in May 2018, inclusive of costs related to litigation resulting from the terminated transaction and other shareholder actions. The costs are primarily for third-party legal, accounting, consulting and other similar type professional services as well as potential legal settlements. 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 excluded the following items given their discrete, unusual or infrequent nature and their impact on our results for the period.
 - Contract termination costs - IT services.
 - Impacts associated with the Tax Cuts and Jobs Act (the "Tax Act") enacted in December 2017.

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/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 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 December 31,				Year Ended December 31,			
	2019		2018		2019		2018	
	Net Income	EPS	Net Income	EPS	Net Income	EPS	Net Income	EPS
Reported⁽¹⁾	\$ 266	\$ 1.17	\$ 91	\$ 0.37	\$ 648	\$ 2.78	\$ 306	\$ 1.16
Adjustments:								
Restructuring and related costs	53		67		229		157	
Amortization of intangible assets	10		12		45		48	
Transaction and related costs, net	4		5		12		68	
Non-service retirement-related costs	(3)		67		18		150	
Contract termination costs - IT services	(4)		43		(12)		43	
Income tax on adjustments ⁽²⁾	(22)		(48)		(77)		(116)	
Tax Act	(4)		(6)		(35)		89	
Adjusted	<u>\$ 300</u>	<u>\$ 1.33</u>	<u>\$ 231</u>	<u>\$ 0.94</u>	<u>\$ 828</u>	<u>\$ 3.55</u>	<u>\$ 745</u>	<u>\$ 2.88</u>
Dividends on preferred stock used in adjusted EPS calculation ⁽³⁾		—		—		—		—
Weighted average shares for adjusted EPS ⁽³⁾		227		246		233		258
Fully diluted shares at end of period ⁽⁴⁾		224						

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

⁽²⁾ Refer to Effective Tax Rate reconciliation.

⁽³⁾ 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.

⁽⁴⁾ Represents common shares outstanding at December 31, 2019 as well as shares associated with our Series A convertible preferred stock plus potential dilutive common shares as used for the calculation of diluted earnings per share for the fourth quarter 2019.



Effective Tax Rate reconciliation

	Three Months Ended December 31, 2019			Three Months Ended December 31, 2018			Year Ended December 31, 2019			Year Ended December 31, 2018		
	Pre-Tax (Loss) Income	Tax (Benefit) Expense	Effective Tax Rate	Pre-Tax Income	Income Tax (Benefit) Expense	Effective Tax Rate	Pre-Tax Income	Income Tax Expense	Effective Tax Rate	Pre-Tax Income	Income Tax Expense	Effective Tax Rate
(in millions)												
Reported⁽¹⁾	\$ 336	\$ 73	21.7%	\$ 124	\$ 34	27.4%	\$ 822	\$ 179	21.8%	\$ 549	\$ 247	45.0%
Non-GAAP Adjustments ⁽²⁾	60	22		194	48		292	77		466	116	
US Tax ACT	-	4		-	6		-	35		-	(89)	
Adjusted⁽³⁾	<u>\$ 396</u>	<u>\$ 99</u>	<u>25.0%</u>	<u>\$ 318</u>	<u>\$ 88</u>	<u>27.7%</u>	<u>\$ 1,114</u>	<u>\$ 291</u>	<u>26.1%</u>	<u>\$ 1,015</u>	<u>\$ 274</u>	<u>27.0%</u>

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

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

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

Operating Income / Margin reconciliation

	Three Months Ended December 31, 2019			Three Months Ended December 31, 2018			Year Ended December 31, 2019			Year Ended December 31, 2018		
(in millions)	Profit	Revenue	Margin	Profit	Revenue	Margin	Profit	Revenue	Margin	Profit	Revenue	Margin
Reported ⁽¹⁾	\$ 336	\$ 2,444	13.7%	\$ 124	\$ 2,498	5.0%	\$ 822	\$ 9,066	9.1%	\$ 549	\$ 9,662	5.7%
Restructuring and related costs	53			67			229			157		
Amortization of intangible assets	10			12			45			48		
Transaction and related costs, net	4			5			12			68		
Other expenses, net	8			144			84			271		
Adjusted	<u>\$ 411</u>	<u>\$ 2,444</u>	16.8%	<u>\$ 352</u>	<u>\$ 2,498</u>	14.1%	<u>\$ 1,192</u>	<u>\$ 9,066</u>	13.1%	<u>\$ 1,093</u>	<u>\$ 9,662</u>	11.3%

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

Free Cash Flow reconciliation

(in millions)	Three Months Ended December 31,			Year Ended December 31,		
	2019	2018	Change	2019	2018	Change
Reported⁽¹⁾	\$ 398	\$ 384	\$ 14	\$ 1,244	\$ 1,082	\$ 162
Capital expenditures	(17)	(17)	-	(65)	(90)	25
Free Cash Flow	<u>\$ 381</u>	<u>\$ 367</u>	<u>\$ 14</u>	<u>\$ 1,179</u>	<u>\$ 992</u>	<u>\$ 187</u>

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

Operating Income / Margin – Guidance

(in millions)	FY 2020		
	Profit	Revenue ⁽²⁾	Margin
Estimated⁽¹⁾	\$ 845	\$ 8,625	~ 10%
Adjustments:			
Restructuring and related costs	175		
Amortization of intangible assets	35		
Non-service retirement-related costs	35		
Other expenses, net	40		
Adjusted	<u>\$ 1,130</u>	<u>\$ 8,625</u>	~ 13%

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

⁽²⁾ Full year 2020 revenue reflects an estimated revenue decline at actual currency of approximately 4.9% from FY 2019, or a decline of approximately 4% excluding the impact of the upfront OEM license fee of \$77M in 2019. Impact from translation currency is de minimis.

Net Income and EPS – Guidance

(in millions, except per share amounts)	FY 2020	
	Net Income	EPS
Estimated⁽¹⁾	\$ 625	~ \$2.80 - \$2.90
Adjustments:		
Restructuring and related costs	175	
Amortization of intangible assets	35	
Non-service retirement-related costs	35	
Income tax on adjustments	(70)	
Adjusted	<u>\$ 800</u>	<u>~ \$3.60 - \$3.70</u>
Estimated Full Year 2020 weighted average shares for GAAP and adjusted EPS	220	

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

Free Cash Flow – Guidance

(in millions)	FY 2020
Operating Cash Flow⁽¹⁾	~ \$1,300
Less: capital expenditures	(100)
Free Cash Flow	<u>~ \$1,200</u>

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

Net Income and EPS reconciliation – historical

(in millions, except per share amounts)	Year Ended December 31, 2017		Q1-18		Q2-18		Q3-18		Q4-18		Year Ended December 31, 2018		Q1-19		Q2-19		Q3-19	
	Net Income	EPS	Net Income	EPS	Net Income	EPS	Net Income	EPS	Net Income	EPS	Net Income	EPS	Net Income	EPS	Net Income	EPS	Net Income	EPS
Reported ⁽¹⁾	\$ 142	\$ 0.50	\$ 88	\$ 0.33	\$ 88	\$ 0.33	\$ 39	\$ 0.14	\$ 91	\$ 0.37	\$ 306	\$ 1.16	\$ 84	\$ 0.34	\$ 141	\$ 0.60	\$ 157	\$ 0.68
Restructuring and related costs	216		28		33		29		67		157		112		37		27	
Amortization of intangible assets	53		12		12		12		12		48		15		11		9	
Transaction and related costs, net	9		38		58		(33)		5		68		-		4		4	
Non-service retirement-related costs	188		25		25		33		67		150		13		10		(2)	
Loss on early extinguishment of debt	20		-		-		-		-		-		-		-		-	
Contract termination costs - IT services	-		-		-		-		43		43		-		-		(8)	
Income tax on adjustments	(260)		(26)		(32)		(10)		(48)		(116)		(31)		(17)		(7)	
US Tax Act	400		-		-		95		(6)		89		(35)		-		4	
Remeasurement of unrecognized tax positions	(16)		-		-		-		-		-		-		-		-	
Adjusted	<u>\$ 752</u>	<u>\$ 2.86</u>	<u>\$ 165</u>	<u>\$ 0.62</u>	<u>\$ 184</u>	<u>\$ 0.69</u>	<u>\$ 165</u>	<u>\$ 0.64</u>	<u>\$ 231</u>	<u>\$ 0.94</u>	<u>\$ 745</u>	<u>\$ 2.88</u>	<u>\$ 158</u>	<u>\$ 0.66</u>	<u>\$ 186</u>	<u>\$ 0.79</u>	<u>\$ 184</u>	<u>\$ 0.80</u>
Dividends on preferred stock used in adjusted EPS calculation ⁽²⁾	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
Weighted average shares for adjusted EPS ⁽²⁾	263		264		265		261		246		258		240		235		231	

⁽¹⁾ Net Income 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.

Operating Income / Margin reconciliation – historical

	Year Ended December 31, 2017			Q1-18			Q2-18			Q3-18			Q4-18			Year Ended December 31, 2018			Q1-19			Q2-19			Q3-19		
(in millions)	Profit	Revenue	Margin	Profit	Revenue	Margin	Profit	Revenue	Margin	Profit	Revenue	Margin	Profit	Revenue	Margin	Profit	Revenue	Margin	Profit	Revenue	Margin	Profit	Revenue	Margin	Profit	Revenue	Margin
Reported ⁽¹⁾	\$ 525	\$ 9,991	5.3%	\$ 126	\$ 2,381	5.3%	\$ 122	\$ 2,469	4.9%	\$ 177	\$ 2,314	7.6%	\$ 124	\$ 2,498	5.0%	\$ 549	\$ 9,662	5.7%	\$ 73	\$ 2,180	3.3%	\$ 190	\$ 2,263	8.4%	\$ 223	\$ 2,179	10.2%
Adjustments:																											
Restructuring and related costs	216			28			33			29			67			157			112			37			27		
Amortization of intangible assets	53			12			12			12			12			48			15			11			9		
Transaction and related costs, net	9			38			58			(33)			5			68			-			4			4		
Other expenses, net	330			30			40			57			144			271			39			38			(1)		
Adjusted	\$ 1,133	\$ 9,991	11.3%	\$ 234	\$ 2,381	9.8%	\$ 265	\$ 2,469	10.7%	\$ 242	\$ 2,314	10.5%	\$ 352	\$ 2,498	14.1%	\$ 1,093	\$ 9,662	11.3%	\$ 239	\$ 2,180	11.0%	\$ 280	\$ 2,263	12.4%	\$ 262	\$ 2,179	12.0%

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

Free Cash Flow reconciliation – historical

	Year Ended December 31, 2017	Q1-18	Q2-18	Q3-18	Q4-18	Year Ended December 31, 2018	Q1-19	Q2-19	Q3-19
<i>(in millions, except per share amounts)</i>									
Reported ⁽¹⁾	\$ (244)	\$ 210	\$ 229	\$ 259	\$ 384	\$ 1,082	\$ 223	\$ 275	\$ 348
Incremental Voluntary contributions to U.S. defined benefit pension plans	500	-	-	-	-	-	-		
Collections on beneficial interests received in sales of receivables	234	-	-	-	-	-	-		
Elimination of certain accounts receivables sales programs	350	-	-	-	-	-	-		
Restricted cash - classification change ⁽²⁾	67	-	-	-	-	-	-		
Operating Cash Flows from Continuing Operations - Adjusted	\$ 907	\$ 210	\$ 229	\$ 259	\$ 384	\$ 1,082	\$ 223	\$ 275	\$ 348
Capital expenditures	(105)	(18)	(32)	(23)	(17)	(90)	(15)	(16)	(17)
Free Cash Flow from Continuing Operations	\$ 802	\$ 192	\$ 197	\$ 236	\$ 367	\$ 992	\$ 208	\$ 259	\$ 331

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

⁽²⁾ Per ASU 2016-18, Statement of Cash Flows - Restricted Cash, restricted cash and restricted cash equivalents should be included with Cash and cash equivalents when reconciling beginning and end-of-period amounts per the Statement of Cash Flows.

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