

XEROX CORP
Form 10-Q
August 02, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: June 30, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number 001-04471

XEROX CORPORATION

(Exact Name of Registrant as specified in its charter)

New York

(State or other jurisdiction of
incorporation or organization)

P.O. Box 4505, 45 Glover Avenue

Norwalk, Connecticut

(Address of principal executive offices)

(203) 968-3000

(Registrant's telephone number, including area code)

16-0468020

(IRS Employer
Identification No.)

06856-4505

(Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by a check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Class

Common Stock, \$1 par value

Outstanding at June 30, 2013

1,232,532,642 shares

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and any exhibits to this Report may contain "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. The words "anticipate," "believe," "estimate," "expect," "intend," "will," "should" and similar expressions, as they relate to us, 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. These factors include but are not limited to: changes in economic conditions, political conditions, trade protection measures, licensing requirements and tax matters in the United States and in the foreign countries in which we do business; changes in foreign currency exchange rates; actions of competitors; 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 unexpected costs will be incurred; the risk that subcontractors, software vendors and utility and network providers will not perform in a timely, quality manner; our ability to recover capital investments; the risk that multi-year contracts with governmental entities could be terminated prior to the end of the contract term; the risk that our Services business could be adversely affected if we are unsuccessful in managing the ramp-up of new contracts; development of new products and services; our ability to protect our intellectual property rights; our ability to expand equipment placements; the risk that individually identifiable information of customers, clients and employees could be inadvertently disclosed or disclosed as a result of a breach of our security; interest rates, cost of borrowing and access to credit markets; reliance on third parties for manufacturing of products and provision of services; our ability to drive the expanded use of color in printing and copying; the outcome of litigation and regulatory proceedings to which we may be a party; 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 this Quarterly Report on Form 10-Q, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 and our 2012 Annual Report on Form 10-K filed with the Securities and Exchange Commission. The Company 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.

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June 30, 2013
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For additional information about Xerox Corporation and access to our Annual Reports to Shareholders and SEC filings, free of charge, please visit our website at www.xerox.com/investor. Any information on or linked from the website is not incorporated by reference into this Form 10-Q.

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PART I — FINANCIAL INFORMATION

ITEM 1 — FINANCIAL STATEMENTS

XEROX CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

| (in millions, except per-share data) | Three Months Ended | | Six Months Ended | |
|---|--------------------|---------|------------------|---------|
| | June 30, 2013 | 2012 | June 30, 2013 | 2012 |
| Revenues | | | | |
| Sales | \$1,454 | \$1,462 | \$2,747 | \$2,879 |
| Outsourcing, maintenance and rentals | 3,834 | 3,763 | 7,626 | 7,529 |
| Financing | 114 | 143 | 231 | 291 |
| Total Revenues | 5,402 | 5,368 | 10,604 | 10,699 |
| Costs and Expenses | | | | |
| Cost of sales | 934 | 940 | 1,749 | 1,842 |
| Cost of outsourcing, maintenance and rentals | 2,728 | 2,626 | 5,486 | 5,315 |
| Cost of financing | 42 | 51 | 85 | 104 |
| Research, development and engineering expenses | 149 | 161 | 303 | 334 |
| Selling, administrative and general expenses | 1,042 | 1,057 | 2,082 | 2,107 |
| Restructuring and asset impairment charges | 33 | 29 | 25 | 49 |
| Amortization of intangible assets | 83 | 82 | 166 | 164 |
| Other expenses, net | 59 | 75 | 76 | 132 |
| Total Costs and Expenses | 5,070 | 5,021 | 9,972 | 10,047 |
| Income before Income Taxes and Equity Income | 332 | 347 | 632 | 652 |
| Income tax expense | 68 | 64 | 118 | 139 |
| Equity in net income of unconsolidated affiliates | 36 | 31 | 83 | 71 |
| Income from Continuing Operations | 300 | 314 | 597 | 584 |
| (Loss) income from discontinued operations, net of tax | (23 |) 2 | (20 |) 8 |
| Net Income | 277 | 316 | 577 | 592 |
| Less: Net income attributable to noncontrolling interests | 6 | 7 | 10 | 14 |
| Net Income Attributable to Xerox | \$271 | \$309 | \$567 | \$578 |
| Amounts attributable to Xerox: | | | | |
| Net income from continuing operations | \$294 | \$307 | \$587 | \$570 |
| Net (loss) income from discontinued operations | (23 |) 2 | (20 |) 8 |
| Net Income Attributable to Xerox | \$271 | \$309 | | |