

# Services

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# Overview

- The leader in diversified BPO and in Document Outsourcing
- Developing momentum with growth in BPO and margin expansion across Services
- Driving to achieve significant operational and financial improvement across the business, particularly in Government Healthcare
- Continuing to deliver innovation to clients

# Recent Financial Trends

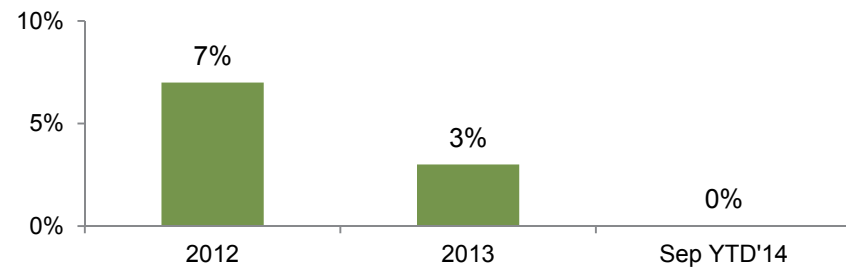
## Revenue growth has been slowed by:

- Signings shortfall
- Major contract run-offs
- Acquisition timing
- ITO selectivity

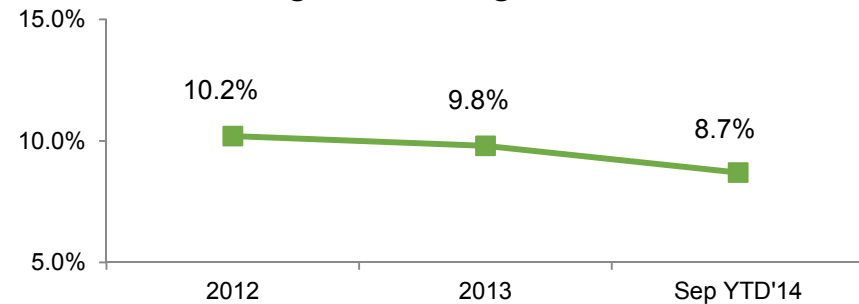
## Margins have been impacted by:

- Government Healthcare
- Productivity initiative yield

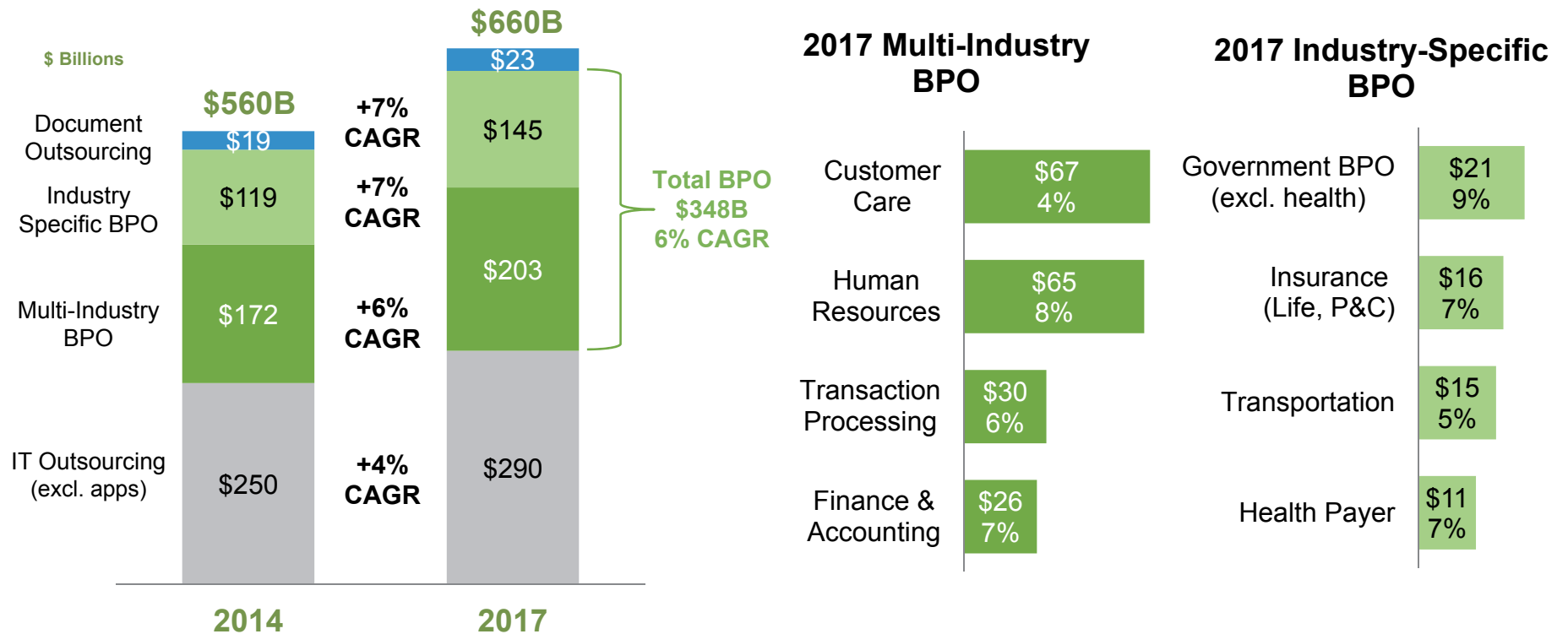
### Revenue Growth (Constant Currency)



### Segment Margin



# Attractive Market Opportunity



Notes: Market sizing based upon external sources and Xerox internal analysis. Document Outsourcing includes Managed Print Services, Centralized Print Services and Workflow Solutions. Transaction processing includes outbound print management (non-DO).



# Services Strategy...



Manage Our  
Portfolio of  
Businesses



Grow  
Globally



Transform the  
Way We Work



Deliver  
Operational  
Excellence



Use Analytics  
to Increase  
Value

Engage, Develop and Support Our People

*...will drive revenue growth and margin improvement.*

# Services Evolution

## Transition



## Optimize



## Realize



*Margin Focus*

**Transition** from decentralized business unit structure to a global operating model with industry go-to-market and service delivery via capabilities

**Optimize** performance through platform consolidation, organizational alignment, cost transformation and industry driven solution sales.

**Realize** and enhance market leading positions through industry insight, innovative offerings and delivery excellence.

*Growth Focus*

# Industry Verticals and Global Capabilities Alignment



# Transforming the Way We Create Value

## Industry Business Groups

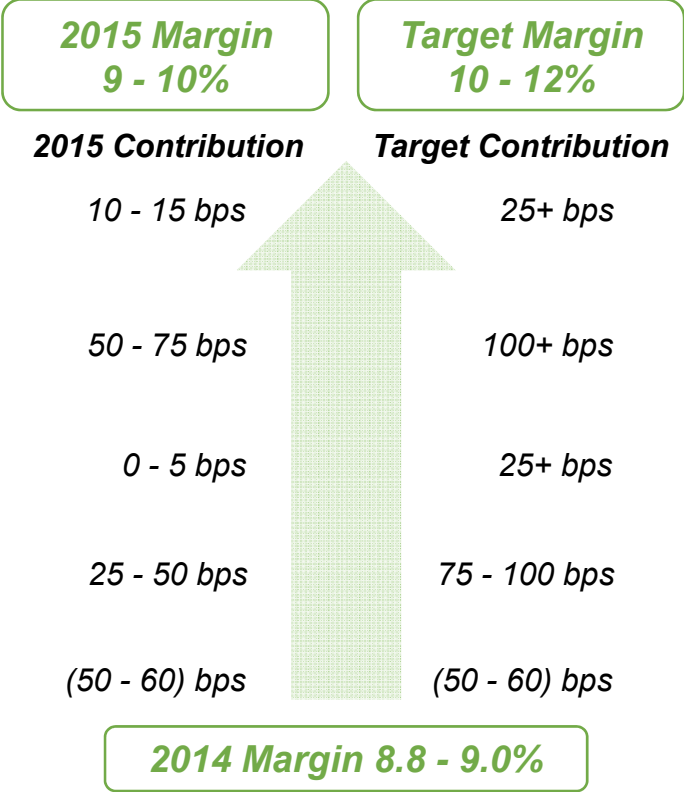
- Deep client and industry knowledge
- Primary owner of client relationship and sales
- Bring full Services portfolio to clients
- Develop client specific solutions
- Assure delivery meets customer requirements

## Capability Organizations

- Service delivery excellence
- Leverage best practices globally
- Meet Service Level Agreements
- Deep domain expertise
- Innovate next generation offerings
- Provide subject matter expertise to support sales



# Margin Expansion Roadmap



# Revenue Growth Acceleration Levers...



Acquisitions



Industry  
Verticals /  
Cross Selling /  
Signings  
Acceleration



More Rapid  
Growth Outside  
the U.S.



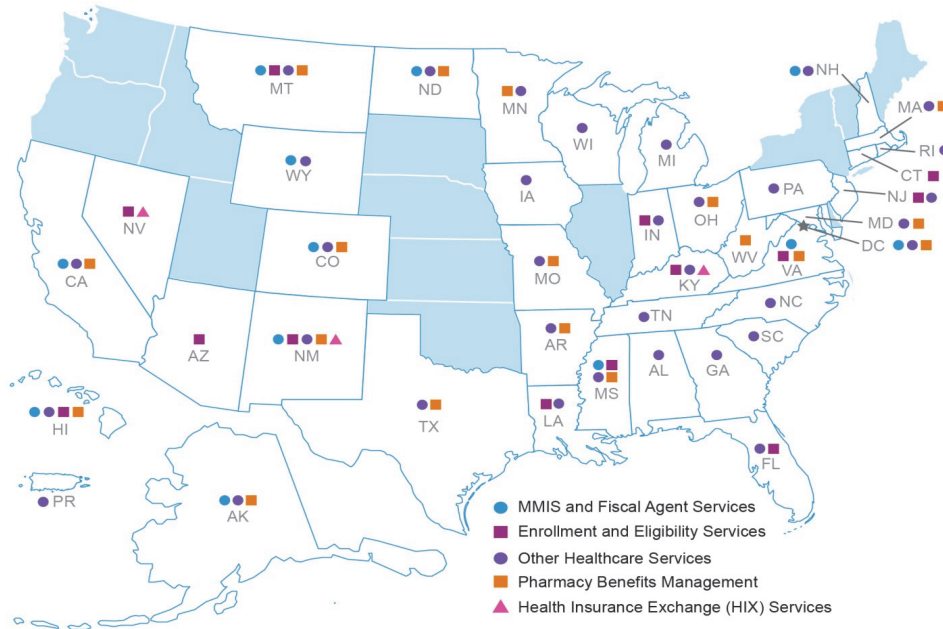
New Large  
Contract Yield



Reduced  
Large Contract  
Run-offs

*...will drive revenue growth back to target model.*

# Government Healthcare Overview



**Xerox Government Healthcare Facts:**

- 36 states and DC supported by our solutions and services
- Almost 500 million claims processed annually
- Manage more than \$59 billion in annual provider payments
- Largest provider of MMIS solutions

**US healthcare spending is >15% of GDP and growing, US government funding is >50%:**

- XRX revenue nearly \$1B, operating margin will show considerable improvement in 2015

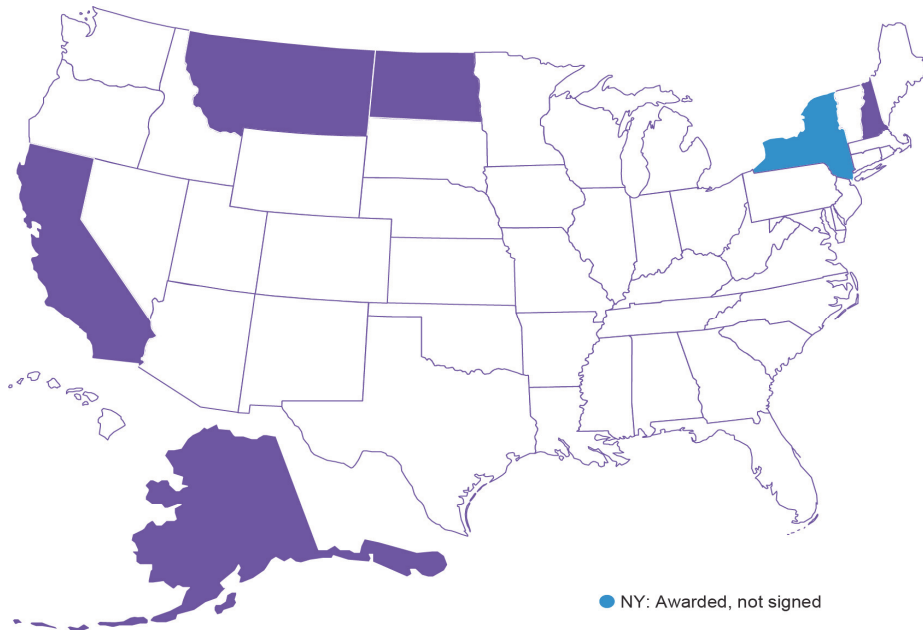
**Growth Opportunities:**

- Medicaid expansion and continued implementation of ACA mandates, shift to managed care
- New states and broader participation with existing clients

**We are evolving our offerings and innovating to address market changes:**

- Enterprise – exclusively and specifically for Medicaid
- Analytics – fraud, waste & abuse (Metal Detector), managed care
- Leveraging new technologies (mobile, social) to improve health outcomes to new Medicaid consumer

# Government Healthcare Enterprise Implementations



## Operating margin will improve considerably:

- Revamping governance model for improved control, decreased risk
- Implementing platform approach for increased code reuse
- Increasing software quality and testing and release practices
- Reengineering “tech stack” for better scalability, lower cost
- Streamlining support model for higher productivity, lower cost

## NH

- Live April 2013, extended “burn in” period, currently performing well
- Enterprise enabled subsequent implementation of managed care and Medicaid expansion programs

## AK

- Live October 2013, extended “burn in” period
- Performing well today

## CA

- In development, phased “go-live” starting Q4’14, program progressing well overall

## ND

- “Go-live” 2015, testing and operational readiness activities underway

## MT

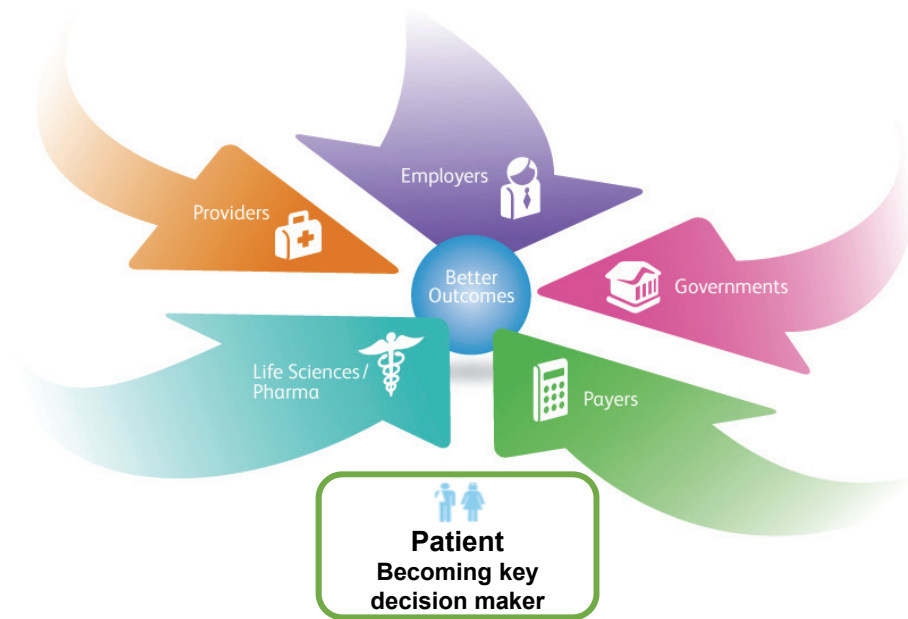
- Working joint action plan with the state
- “Go-live” 2017

## NY

- *Awarded, progressing through final approval process*
- *Investing ahead of contract to ensure success*



# Commercial Healthcare Overview



## Xerox Commercial Healthcare Facts:

- 2/3 of US insured patients are touched by XRX
- 1,900+ hospitals served
- 100% of top 20 US managed healthcare plans are clients
- Industry leader in size/capability across a number of key categories

**The global healthcare market** is ~\$48 billion, 7% CAGR

- XRX revenue in excess of \$1B, operating margin and annual growth above target model

## Healthcare Mega Trends:

Shift to consumer model, changing payment and risk model, increasing care and quality measurement

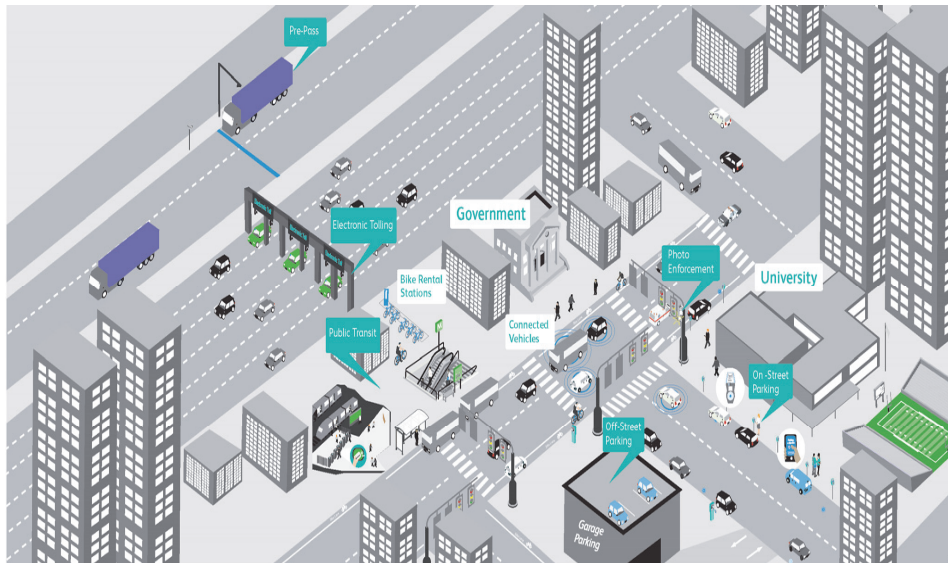
## Our Growth Strategy:

- Leverage core scale-based services
- Accelerate growth in vertical specific services
- Build and acquire new capabilities

## We are evolving our offerings and innovating to address market changes:

- Analytics – Juvo, Digital Assistant, managed care and fraud, waste & abuse
- Technology – Atrial Fibrillation Image Processing

# Transportation Overview



## Xerox Transportation Facts:

- US Industry leader across several offerings, also high global ranking and industry recognition for leadership in excellence and innovation
- 35 countries host our transportation solutions worldwide
- \$5 billion in electronic toll payments processed annually
- 37 billion public transit transactions managed annually

**The global transportation market** is ~\$13 billion, 5% CAGR

- XRX revenue nearly \$1B, operating margin above target model

## Global Transportation Mega Trends:

Urbanization, changing demographics, always connected, new business models

**Our Growth Strategy – Urban Mobility:** Series of interrelated solutions designed to satisfy mobility needs of mega cities, businesses and their citizens today and in the future

## We are evolving our offerings and innovating to address market changes:

- Parking – Merge® A smart grid for parking
- Electronic Tolling – Xerox Vehicle Passenger Detection System™



# Human Resources Outsourcing and Consulting



## Xerox HR Services Facts:

- Over 2,000 clients with 9M+ employees and retirees served
- Global footprint across 72 countries; addressing 23 languages
- 5M+ Learners supported globally
- Highly ranked by industry analysts across all major offerings

**The global HRS BPO market** is ~\$65 billion, 8% CAGR

- XRX revenue over \$1B, operating margin and growth varies by business area

## Global HRS Mega Trends:

Private exchanges, focus on employee productivity, shift to defined contribution versus defined benefit, employee engagement, Business/Learner centric solutions

## HRS and Professional Services Capabilities:

- Learning
- Buck Consulting
- Total Benefits and HR Outsourcing

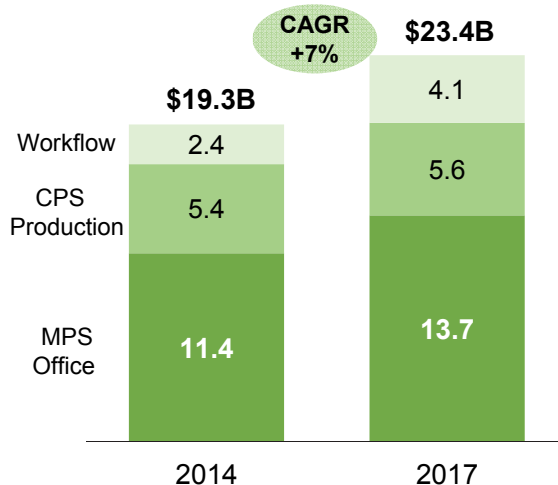
## We are evolving our offerings and innovations to address market changes:

- Private Healthcare Exchange – RightOpt®
- BPaaS solutions – fully integrated SaaS applications
- Data Analytics – diagnostic, prescriptive and predictive
- Learning Hub – integrated learning platform

# Document Outsourcing Overview

Market Sizing and Growth

-  Automate and Simplify
-  Secure and Integrate
-  Assess and Optimize



The global document outsourcing market is ~\$19 billion, 7% CAGR

- XRX revenue exceeds \$3B, operating margin above Services average

### Global Document Outsourcing Mega Trends:

Mobility, workflow automation, vertical applications

### Our Global Growth Strategy:

- Lead with Next Gen MPS and CPS offerings
- Capture SMB share through channels
- Invest in and grow workflow automation

### We are evolving our offerings and innovating to address market changes:

- Document Analytics – CompleteView Pro and Asset DB, unique printing data assessment
- Secure Print Manager and Mobile Print Solution – improved security and mobility
- Ignite Educator Support – efficiency and customized approach in education
- Digital Alternatives – paperless workflow

### Xerox Document Outsourcing

- Industry leader in market share and offerings as recognized by several leading industry analyst firms
- Manage greater than:
  - 1.5 million devices, Xerox and multi-vendor
  - 5 billion printed pages per month
  - 4 thousand sites





## Focusing on...



Our Clients



Our People



Our Shareholders

*...to continue building revenue growth and margin improvement momentum.*

