

XEROX CORP
Form 10-Q
May 02, 2011
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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: March 31, 2011

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)

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New York (State or other jurisdiction of incorporation or organization)	16-0468020 (IRS Employer Identification No.)
P.O. Box 4505, 45 Glover Avenue	
Norwalk, Connecticut (Address of principal executive offices)	06856-4505 (Zip Code)
(203) 968-3000	
(Registrant's telephone number, including area 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	Outstanding at March 31, 2011
Common Stock, \$1 par value	1,401,185,629 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 are used, 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, environmental regulations and tax matters in the United States and in the foreign countries in which we do business; changes in foreign currency exchange rates; the outcome of litigation and regulatory proceedings to which we may be a party; actions of competitors; our ability to expand equipment placements and to drive the expanded use of color in printing and copying; development of new products and services; interest rates, cost of borrowing and access to credit markets; our ability to protect our intellectual property rights; 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; reliance on third parties for manufacturing of products and provision of services; the risk that we may not realize all of the anticipated benefits from the acquisition of Affiliated Computer Services, Inc.; our ability to recover capital investments; the risk that subcontractors, software vendors and utility and network providers will not perform in a timely, quality manner; the risk that multi-year contracts with governmental entities could be terminated prior to the end of the contract term; 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; and other risks 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, as well as in our 2010 Form 10-K filed with the Securities and Exchange Commission (SEC). 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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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.

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1 FINANCIAL STATEMENTS****XEROX CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

	Three Months Ended March 31,	
	2011	2010
(in millions, except per-share data)		
Revenues		
Sales	\$ 1,671	\$ 1,678
Service, outsourcing and rentals	3,632	2,870
Finance income	162	173
Total Revenues	5,465	4,721
Costs and Expenses		
Cost of sales	1,090	1,082
Cost of service, outsourcing and rentals	2,514	1,871
Equipment financing interest	60	64
Research, development and engineering expenses	184	205
Selling, administrative and general expenses	1,119	1,099
Restructuring and asset impairment charges	(15)	195
Acquisition-related costs		48
Amortization of intangible assets	85	57
Other expenses, net	78	110
Total Costs and Expenses	5,115	4,731
Income (Loss) before Income Taxes and Equity Income	350	(10)
Income tax expense	95	22
Equity in net income (loss) of unconsolidated affiliates	34	(2)
Net Income (Loss)	289	(34)
Less: Net income attributable to noncontrolling interests	8	8
Net Income (Loss) Attributable to Xerox	\$ 281	\$ (42)
Basic Earnings (Loss) per Share	\$ 0.20	\$ (0.04)
Diluted Earnings (Loss) per Share	\$ 0.19	\$ (0.04)

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents**XEROX CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

(in millions, except share data in thousands)	March 31, 2011	December 31, 2010
Assets		
Cash and cash equivalents	\$ 1,000	\$ 1,211
Accounts receivable, net	3,068	2,826
Billed portion of finance receivables, net	192	198
Finance receivables, net	2,813	2,287
Inventories	1,100	991
Other current assets	1,046	1,126
Total current assets	9,219	8,639
Finance receivables due after one year, net	3,680	4,135
Equipment on operating leases, net	522	530
Land, buildings and equipment, net	1,680	1,671
Investments in affiliates, at equity	1,297	1,291
Intangible assets, net	3,304	3,371
Goodwill	8,730	8,649
Deferred tax assets, long-term	541	540
Other long-term assets	1,886	1,774
Total Assets	\$ 30,859	\$ 30,600
Liabilities and Equity		
Short-term debt and current portion of long-term debt	\$ 1,382	\$ 1,370
Accounts payable	1,700	1,968
Accrued compensation and benefits costs	914	901
Unearned income	369	371
Other current liabilities	1,751	1,807
Total current liabilities	6,116	6,417
Long-term debt	7,228	7,237
Liability to subsidiary trust issuing preferred securities	650	650
Pension and other benefit liabilities	2,119	2,071
Post-retirement medical benefits	918	920
Other long-term liabilities	815	797
Total Liabilities	17,846	18,092
Series A Convertible Preferred Stock	349	349
Common stock	1,401	1,398
Additional paid-in capital	6,626	6,580
Retained earnings	6,230	6,016
Accumulated other comprehensive loss	(1,748)	(1,988)
Xerox shareholders' equity	12,509	12,006
Noncontrolling interests	155	153

Total Equity	12,664	12,159
Total Liabilities and Equity	\$ 30,859	\$ 30,600
Shares of common stock issued and outstanding	1,401,186	1,397,578

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents**XEROX CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(in millions)	Three Months Ended March 31,	
	2011	2010
Cash Flows from Operating Activities:		
Net income (loss)	\$ 289	\$ (34)
Adjustments required to reconcile net income (loss) to cash flows from operating activities:		
Depreciation and amortization	291	241
Provision for receivables	25	50
Provision for inventory	13	9
Net gain on sales of businesses and assets	(1)	(2)
Undistributed equity in net (income) loss of unconsolidated affiliates	(33)	3
Stock-based compensation	32	27
Restructuring and asset impairment charges	(15)	195
Payments for restructurings	(57)	(39)
Contributions to pension benefit plans	(44)	(33)
Increase in accounts receivable and billed portion of finance receivables	(271)	(197)
Collections of deferred proceeds from sales of receivables	87	
Increase in inventories	(100)	(137)
Increase in equipment on operating leases	(61)	(58)
Decrease in finance receivables	95	131
(Increase) decrease in other current and long-term assets	(79)	21
(Decrease) increase in accounts payable and accrued compensation	(233)	169
Decrease in other current and long-term liabilities	(86)	(54)
Net change in income tax assets and liabilities	121	(3)
Net change in derivative assets and liabilities	23	18
Other operating, net	(26)	68
Net cash (used in) provided by operating activities	(30)	375
Cash Flows from Investing Activities:		
Cost of additions to land, buildings and equipment	(71)	(51)
Proceeds from sales of land, buildings and equipment	2	19
Cost of additions to internal use software	(40)	(25)