

XEROX CORP
Form 8-K
October 24, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (date of earliest event reported): October 23, 2003

XEROX CORPORATION

(Exact name of registrant as specified in its charter)

New York
(State or other

jurisdiction of
incorporation)

1-4471

(Commission

File Number)

16-0468020

(IRS Employer

Identification No.)

800 Long Ridge Road

P. O. Box 1600

Stamford, Connecticut 06904-1600

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(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (203) 968-3000

Not Applicable

(Former name or former address, if changed since last report)

Item 12. Results of Operations and Financial Condition.

Registrant released its third-quarter 2003 earnings on October 23, 2003. The earnings release is attached as Exhibit A to this report.

The information contained in this report and Exhibit A to this report shall not be deemed filed with the Commission for purposes of Section 18 of the Exchange Act of 1934, as amended, or otherwise subject to the liability of that section.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Registrant has duly authorized this report to be signed on its behalf by the undersigned duly authorized.

XEROX CORPORATION

By:

/s/ MARTIN S. WAGNER

By: Martin S. Wagner

Assistant Secretary

Date: October 24, 2003

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XEROX REPORTS THIRD-QUARTER EARNINGS

*Our investments are generating returns through increased
customer demand for the Xerox brand and share gains in targeted markets.*

Earnings per share of 11 cents
Equipment sale growth of 5 percent
Total revenue of \$3.73 billion
Worldwide cash balance of \$2.3 billion

STAMFORD, Conn., Oct. 23, 2003 Xerox Corporation (NYSE: XRX) reported today third-quarter earnings of 11 cents per share, delivering another quarter of equipment revenue growth driven by increased sales of production color and office color systems as well as improvements in the company's developing markets operations.

Equipment sales grew 5 percent in the third quarter including a 3 percentage point currency benefit. Improving trends in Xerox's developing markets continued with DMO equipment sales growing 33 percent year over year. Total revenue for the third quarter was \$3.73 billion, a decline of 2 percent from the third quarter of 2002 including a 3 percentage point currency benefit. The decrease is due to declining post-sale revenue from the company's older light lens technology and its exit from the small office/home office business.

Total third-quarter revenue from the company's targeted growth areas—office digital, production digital and value-added services—grew 6 percent year over year and represent about 70 percent of the company's revenue.

Xerox has reinvented itself into an aggressive technology leader with competitively priced products that meet the needs of offices small and large, digital presses that are creating new markets in commercial printing, and document-management services that drive productivity improvements for our customers, said Anne M. Mulcahy, Xerox chairman and chief executive officer. Our investments are generating returns through increased customer demand for the Xerox brand and share gains in targeted markets.

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Equipment installs for production publishing black-and-white systems grew 14 percent in the third quarter due to the continued success of Xerox's industry-leading DocuTech series. Production color installs grew 8 percent led by demand for the Xerox DocuColor iGen3 and DocuColor 6060 digital color presses. According to the latest independent industry reports for first-half 2003, Xerox continues to hold the No. 1 U.S.

and European market share positions for monochrome and color production publishing/printing. Last month Xerox strengthened its industry-leading line of digital color presses by launching the DocuColor 5252, which is 18 percent faster than its predecessor but offered at the same price.

Color continues to be a key driver of Xerox's growth strategy as the high volume of pages printed on Xerox's color systems flows through to post-sale revenue, added Mulcahy. With the industry's broadest portfolio of color products, we grew color revenue by 15 percent in the third quarter and color equipment sales now represent more than 25 percent of Xerox's total equipment revenue. This is a clear indication of the strong foundation we're building for future revenue growth.

In the office, third-quarter equipment installs of black-and-white digital systems grew 28 percent as demand accelerated from small and medium-sized businesses for Xerox's new competitively priced digital copiers and multifunction devices. Office color multifunction installs increased 49 percent due to the success of Xerox's DocuColor 3535, WorkCentre Pro 32 and WorkCentre Pro 40 color systems. For the first half of 2003, Xerox maintained its U.S. and European market share leadership positions in this growing color market. The company expanded its office portfolio last month through the launch of two new Phaser printers and two additional WorkCentre multifunction systems.

Third-quarter gross margins were 41.1 percent, consistent with seasonal trends. Selling, administrative and general costs were flat including an adverse impact from currency of 3 percentage points.

Xerox reported third-quarter operating cash flow of \$67 million, which includes \$604 million in funding to its various worldwide pension plans. The company's worldwide cash position was \$2.3 billion as of September 30.

Despite a tough business climate, we are quite encouraged by our progress this year and confident in the business decisions we've made to grow installs in key markets, generate significant operating cash flow, and strengthen our global operations, added Mulcahy. We expect consistent performance in the fourth quarter. Growth in equipment sales along with the benefits of our operational improvements will offset any continuing economic weakness and yield strong full-year results.

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For additional information about The Document Company Xerox, please visit our Worldwide Web site at www.xerox.com/investor.

This release contains forward-looking statements and information relating to Xerox that are based on our beliefs as well as assumptions made by us and information currently available to us. The words anticipate, believe, estimate, expect, intend, will and similar expressions, as they relate to us, are intended to identify forward-looking statements. Actual results could differ materially from those projected in such forward-looking statements. Information concerning certain factors that could cause actual results to differ materially is included in the company's Form 10-Q for the quarter ended June 30, 2003, as filed with the SEC.

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Xerox Corporation

Condensed Consolidated Statements of Income (Unaudited)

(in millions, except per share data)	Three Months Ended			Nine Months Ended		
	September 30,			September 30,		
	2003	2002	% Change	2003	2002	% Change
Revenues						
Sales	\$ 1,603	\$ 1,593	1%	\$ 4,888	\$ 4,838	1%
Service, outsourcing and rentals	1,885	1,953	(3%)	5,772	6,004	(4%)
Finance income	244	247	(1%)	749	761	(2%)
Total Revenues	3,732	3,793	(2%)	11,409	11,603	(2%)
Costs and Expenses						
Cost of sales	1,050	1,018	3%	3,120	3,056	2%
Cost of service, outsourcing and rentals	1,060	1,074	(1%)	3,245	3,391	(4%)
Equipment financing interest	89	107	(17%)	274	300	(9%)
Research and development expenses	207	229	(10%)	668	699	(4%)
Selling, administrative and general expenses	1,028	1,023	0%	3,137	3,302	(5%)
Restructuring and asset impairment charges	11	63	(83%)	56	262	(79%)
Provision for litigation			*	300		*
Gain on affiliate's sale of stock	(12)		*	(13)		*
Other expenses, net	133	103	29%	420	317	32%
Total Costs and Expenses						