

*Good morning, and thank you for that generous welcome.*

Just two years ago, we at Xerox did something pretty remarkable. You might have heard about it. We celebrated the very special, 50<sup>th</sup> birthday anniversary of the legendary Xerox 914 office copier.

It was the world's first automated, plain-paper commercial copier, weighing in at a healthy, 648 pounds. That machine is still a celebrity today, making cameo appearances on historical-reference television shows, and greeting visitors at a museum in the Smithsonian.

When it came on board, the 914 completely transformed a company. Haloid Xerox was well-known and well-regarded as a company in the business of photographic paper and photographic equipment. It also was evolving successfully around a major technology innovation known as *xerography*. In fact, the company had, before, manufactured several other photocopiers using this xerography technology – just none as significant as the 914.

But now, with this exciting new member of its growing family, the company was in a new business – that of *business-document management*. A whole new world of opportunity was opening up for an already-mature company. The company was repositioned. For all intents and purposes, it was re-launched, soaring well above the expectations of those who watched its finances.

But Haloid Xerox, which two years later became known officially and simply as Xerox, wasn't the only company that was transformed by the new venture. So, too, were those companies that used this new Xerox 914 Copier. **They became more efficient. They reduced the time that was spent on work that wasn't strategically relevant. Their staffs were free to focus more closely on their companies' core business.**

In short, Haloid Xerox and the 914, together, had revolutionized the American company's critically important back-office functions. All things are relative, of course, and photocopying, back then, was truly game-changing. These back-office efficiencies meant appreciably improved front-office capabilities.

That is the flagship success story of legacy Xerox, though there have been, of course, many successes over the decades. There have also been a few, you might say, well-documented missteps. But the company that stood at some 2-million-dollars in net income just before putting itself on the business-legends map with the Xerox 914, now counts revenue at **22-billion**.

We also count about 135,000 employees in 160 countries all over the world. We've been honored with the National Medal of Technology – the highest honor

*Pause for laughter from those who know the "real" 2009 story or are fond of the 914's history.*

*Slow, with emphasis.*

an American president can bestow upon a corporation – as one of America’s leading innovators. And, in a bit of irony, success has created for Xerox the long-term burden of repeatedly telling consumers, scholars – and wordsmiths who coin dictionary entries from popular linguistic outliers – that “Xerox” is, in fact, a brand name, not an adjective. Not a verb.

*Pause for laughter.*

No doubt, Xerox has changed. We change often, as we are a Fortune 500 company that must respond to the ever-changing needs of, and opportunities within, the marketplace in order to hold our place. As with many companies, perhaps our most consistent challenge lies in aligning public perception with just how much we change, and in what ways.

But, our focus – indeed, one of our core values – is to keep building the Xerox brand, globally, through technology, through innovation. That does not change.

In 2010, we spent more than three-quarters of a billion dollars – three-and-a-half percent of our annual revenues – on research, development and engineering. That percentage, often slightly more, is a typical annual spend for Xerox RD&E. We move forward with product and service *introductions*, as evidenced by the nearly 10,000 U.S. patents we hold. And, we move forward with steady product and service *improvements*, even those that might render existing products and services pointless.

We are consistent and aggressive, but we are not alone in the area of innovation.

According to the 2011 survey of CEOs worldwide by PricewaterhouseCoopers, innovation in products and services ranked right along with increased share of existing markets as a top business priority for 2011. Granted, the survey was released in January and a lot has happened, or should I say *not* happened, in the economy since then, but the point is clear: *innovation is absolutely imperative to growth.*

Innovation is, of course, the child of necessity. It’s a survival response to the fast-paced and ever-widening introduction and adoption of Internet, mobile, personal computing and related technologies.

At Xerox, our response to this inherent state of our industry is most obvious, to most people, in the consistent unveiling of document-management equipment. Of software and integrated solutions that align with related technology breakthroughs. In the mid-‘90s, we developed far beyond our copier-heavy portfolio and changed our identity to The Document Company. Eventually, we outgrew that identity; I’ll speak more about that in a minute.

To this day, we produce some of the world’s most advanced black-and-white and color, multi-function copiers, printers, fax systems and scanners. These include everything from widely distributed desktop-publishing solutions that can be seen throughout workplaces like yours, to large, high-end DocuTech digital presses for commercial print-production houses.

World-class technology applied against an ever-changing business backdrop is standard for Xerox.

Here, for example, are our solid inks for our ColorQube printer, which creates 90 percent less consumable waste compared to traditional laser devices, and costs 62 percent less in producing color.

*Show four solid-ink blocks.*

And, speaking of our focus on green technology – and color in general – we’re a leader among companies introducing color to transactional printing, one of the most dynamic segments of high-volume digital printing.

When it comes to product development, we even shoot ourselves in the foot on occasion – and on purpose. The fearless self-cannibalization that I mentioned previously is proof that we know the often-tragic risks of doing things the way they’ve always been done, whether you’re talking about for decades, or, as is the case in our business, a matter of months.

Despite all this, there is still so much more to tell where Xerox technology is concerned – where it has changed and how it is likely to evolve. But let me first continue describing the imperative role of innovation as a means of growth for *all* of us.

As successful companies are drawn to innovate by necessity, they also view innovation as a *push* strategy. They seek to launch goods and services in corners of the world where new markets are emerging, markets that don’t look or behave, culturally, like the ones they last dealt with. These markets are, however, eager and newly accessible. Their appetite for doing business with established, global companies is insatiable.

In fact, most CEOs you meet today would agree they are anticipating immediate, measurable growth in Asia, as just one important example. That’s because Asia’s middle class, in less than two decades, is expected to boost consumer spending in developing regions of Asia to 32-trillion-dollars. In 2008 – just three short years ago – that number was 4.3-trillion-dollars.

That reality behind current global opportunities is why CEOs across the world list “*new geographic markets*” as their Priority No. 3 for growth today, a priority just behind product-and-service development, and existing-market expansion. Again, that’s according to the global CEO survey.

For Xerox, going into new global markets began in the 1960s, our first banner decade. It followed, in fact, on the heels of the Xerox 914’s success and never stopped. Our coverage of the Asia market has been in place since 1962 through Fuji Xerox, a joint venture with Fuji Film in Tokyo. The same joint venture later expanded our reach into Australia and New Zealand, in the same way that Rank Xerox had earlier taken Xerox into Western Europe and, later, countries throughout Africa.

Currently, half of our business at Xerox is generated outside the United States. So our global reach, by itself, is not a new story for Xerox. Like the company’s continued innovation, it is resource material from which your everyday, business-school case study is written.

Innovation and globalization have been the toggle-switches for the company's rankings up or down the Fortune 500 roster since the company first made the list in 1963. They continue to be drivers of our business today.

What is new, however – what I am excited to tell you about today – is the fact that the Xerox you thought you knew, the Xerox of document management, is not the Xerox I know. Not any longer.

**Things have changed, significantly, thanks to another, even more remarkable event that occurred two years ago, in September 2009.**

*Slow, with emphasis.*

Shortly after acknowledging the historical, 50<sup>th</sup> year of the copier that changed vintage Xerox so drastically, our company turned its sights sharply to the future. It took another transformational step, and approved the acquisition of Dallas-based business-services firm, Affiliated Computer Services, or ACS.

Today, because of that bold acquisition, half of our revenue comes from our document-management business. The other half comes from companies – of all sizes and throughout the world – who outsource their business processes to Xerox, so they can focus on their own, core business. For them, Xerox now provides the industry's broadest portfolio of document technology, services and software, and the most diverse array of business process and IT outsourcing support.

That's a mouthful, so let me say it again and break it down: We provide document technology – the industry's broadest portfolio of document-based systems. That's the Xerox you know well, complete with the rapid advances you review when you go shopping for that latest piece of office equipment. And, we provide the industry's broadest portfolio of business services and related software. And last, but by no means least, we provide the industry's most diverse array of business-process-outsourcing support, and IT-outsourcing support.

*Slow and deliberate.*

In other words, in two years, we've gone from a company specifically focused on document management, to one that helps simplify for our customers, their massively diverse, document-driven work. To illustrate the magnitude of this move, consider that we have grown our market opportunity from \$132 billion to more than \$500 billion.

*Pause for reaction.*

I want to give you a closer look at the decision Xerox made two years ago. I think you'll agree that ACS, A Xerox Company, provides a textbook example of how derived business synergies, from just the right move such as acquisition, can uniquely position a company for growth.

Affiliated Computer Services, or ACS, was, at the time we officially took ownership in February of 2010, the world's largest, diversified business-process and IT-outsourcing company, with more than 74,000 employees.

It was founded in 1988 and had built a very strong outsourcing profile, particularly in the healthcare sector. But unlike most BPO companies, which

tend to focus on a single market vertical and stay put, ACS had widened its BPO reach to multiple market sectors, both private and public. Among them: communications, manufacturing, insurance, customer care, retail, financial services, education, and transportation.

If your college student had a loan, chances are ACS was responsible for the administration of that loan. If you traveled the New Jersey Turnpike using the E-ZPass system, you had ACS to thank for reduced delays at the tollbooths. ACS processed more than 1-million credit card applications every year, and almost as many healthcare claims. It provided human resource services annually to nearly four-and-a-half-million employees and retirees.

Of course, it still does these things as A Xerox Company. We are talking about forms and records management; automated and on-demand printing; digital imaging, archiving and indexing; document sharing and distribution; mailings; Web-based processes; automated marketing communications – you name it.

So, you can see the sizeable document-management inroads here that Xerox was uniquely positioned to take. ACS would add an estimated \$10 billion in services-outsourcing revenue for Xerox in just the first year.

Conversely, ACS would benefit from the specific profile of Xerox – its innovation, brand name and global scale – in virtually every transaction made on a customer's behalf. Xerox technology would help ACS differentiate its offerings by providing faster, more automated ways to manage clients' business processes.

That is business synergy in the true sense of the word. Most assuredly, it's *value-added*. Customers of ACS and Xerox, with this new company combination, reap significant, end-to-end rewards on multiple levels:

- reduced costs;
- increased productivity and efficiency;
- optimized work processes; and
- simplified document-driven, back-office work.

As demonstrated in our new marketing campaign unveiling our new brand identity, this leaves customers better able to focus on their core business.

*SHOW NEW TV SPOTS.*

Even Wall Street looked at the acquisition favorably. At first, of course, there was some skepticism; that was anticipated but short-lived. Perhaps it's because neither entity in this grand equation was an unknown. And, both had strengths, independently, in the other's industry segment.

Xerox had an impressive business-services and IT foundation; ACS was fully versed on sound, document-management strategies. Many analysts, of course, noted – as did the Xerox sales team – that ACS would be even *better* versed in document management once *Xerox* machines replaced all other brands throughout the ACS enterprise.

*Pause for laughter.*

So, there we were in early 2010: a global, document-centric company with a very powerful brand, taking on a company that practically owns business-

process and IT outsourcing. And, here we are today, as the **world's leading enterprise for business process and document management**. Together, Xerox and ACS are poised to make even more tremendous strides in terms of *innovation, global growth and brand presence*.

Let's talk first about innovation.

As noted earlier, Xerox is known for applying world-class technology to ever-changing business environments. We have existed as *that* Xerox, the one you know so well, for decades.

Now, add these document-management strengths to the service-level experience that ACS has honed, and you have a new kind of company that can do things on a whole new level. One that can integrate and automate processes according to measures. One that can analyze the data that it mines. And, one that can develop *context-based* solutions. It's an entirely new dimension to one company's core competencies by virtue of another's diversity. The result is more value for our customers.

Imagine this model applied to digital health records, as one rather timely example. We can leverage the ACS health-sector client base with Xerox technology platforms to provide enormous expertise in this area, benefitting individual patients or entire communities.

Of course, this type of capability represents one set of opportunities, say, in Austin, Texas. In London, it represents something entirely different. That's where the global scale of Xerox means exponential growth for ACS-enabled services outsourcing.

Currently, 90 percent of ACS's business is in the U.S. To say that leaves room for growth is quite the understatement. Global expansion of the BPO and ITO business, to include small businesses and developing markets, is a phenomenal opportunity for us. Initially, we see the growth of this new brand as a priority in Canada, Mexico, Brazil, Argentina, and, of course, Western Europe, which by itself represents an estimated 3-billion-dollar potential.

ACS and Xerox will each leverage the other's unique business dynamics with its own. We are looking to drive higher margins, and to avoid cyclical patterns through the diversity of offerings. We'll lead with services, and deliver value through innovation and operational excellence. That is the plan for the new "services" face of Xerox.

Meanwhile, we'll ensure the traditional Xerox brand, the one behind the document-management business, continues to grow through newly acquired channels, courtesy of the ACS acquisition and others, particularly in Europe. We'll see that it continues to align itself with ever-changing market dynamics, the newest of these – at least, as of this hour – being a mobile workforce, cloud services, and environmental sustainability. And, we'll see that the brand extends its lead in document-outsourcing, in customized digital printing, and in color business-imaging. Overall, we estimate the growth rate of traditional Xerox

consumer, office and print-production markets to be somewhere from 1 to 3 percent annually, through 2014.

Clearly, this is an exciting time for Xerox. The character of the company has changed, and the outlook for the company has never been stronger.

Already, in its first year after the ACS acquisition, the company has realized more than \$100 million in cost, revenue and technology economies. These were achieved either by cross-selling through all lines of business and across all regions, or by incorporating smarter document technologies. Given the company's 1.5 million document-management devices under management, there's a lot of potential for greater efficiencies for Xerox and ACS – not to mention on behalf of our customers.

But things are just getting started, really, as we combine the mutually synergistic aspects of two strong companies while reinforcing each one's unique strengths.

Xerox will leverage ACS's strength in diversified business-process and IT outsourcing, to set its sights on becoming the world leader in diversified BPO. The ACS acquisition has tripled the markets available to Xerox. The Xerox brand, currently valued at \$6.1 billion and ranked globally among the top 100, will grow even more in the coming years as it expands into new industry sectors.

Similarly, ACS will leverage the strength behind the Xerox brand, as well as its global presence and legendary innovation, to achieve significant and continually diverse growth, worldwide, starting most immediately in Europe and Latin America. The potential there is, in a word, huge.

In addition to growth in new industry sectors, new geographic regions and, as always, new technologies, we plan to expand distribution of our new Xerox-ACS model to capture growth opportunities from small business. Small businesses make up 75 percent of the office market worldwide, and we have plenty of room there to share our strengths.

Regardless of the size of our customers' businesses, or where they are located, or what they do, the promise of the new Xerox-ACS brand is, interestingly enough, somewhat retrospective.

Just imagine the 1959 office, before that shiny and hefty 914 arrived, when duplicating a single document took longer than it takes, today, to confirm transactions with multiple business partners around the world. Imagine the time it took then for a large office full of executives to read that one, single bundle of material, passed around with a little note attached on top – the little note everyone marked off by their name to indicate they've seen that stack of documents before passing it on to the guy in the office just next door.

*Pause for laughter.*

As it is today, time was money then. Xerox promised its customers, "The busier you are, the more you stand to gain" from this new copier technology! And, that was true. Resources were freed by that 650-pound machine, and it proved worth

its weight in gold to those companies who wheeled it into their back offices. Only 5,000 were expected to do so; some 200,000 did.

So now, the company steeped in document-management history has taken another momentous step to free-up the resources of today's business office from *its* overwhelming number of routine, time-consuming and often-distracting tasks. Through the ACS acquisition – and other strategic partnerships in recent years – we have fully repositioned Xerox. In doing so, we believe we have fully repositioned the 21<sup>st</sup> century business office, as well.

By providing a vast array of technology *and* services – by managing our customers' business processes and information needs – **they become more efficient. They reduce the time spent on work that isn't strategically relevant. Their staffs are free to focus more closely on their core business.**

*Same pace as the first time.*

It's what we mean by "Ready for real business" at Xerox, but – while I probably wouldn't share this with our advertising staff this – it's really nothing new.

*Pause for laughter*

*Thank you so much for your time.*

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