XEROX CORP
Form 10-Q
April 29, 2016

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

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended: March 31, 2016
OR
o 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	16-0468020
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
P.O. Box 4505, 45 Glover Avenue Norwalk, Connecticut	06856-4505
(Address of principal executive offices)	(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 x No o
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 x No o
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 x Accelerated filer o Non-accelerated filer o Smaller reporting company o
Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No ý

Class	Outstanding at March 31, 2016
Common Stock, $1 par value	1,013,002,305 shares

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. Such 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; our ability to successfully develop new products, technologies and service offerings and to protect our intellectual property rights; the risk that multi-year contracts with governmental entities could be terminated prior to the end of the contract term and that civil or criminal penalties and administrative sanctions could be imposed on us if we fail to comply with the terms of such contracts and applicable law; the risk that our bids do not accurately estimate the resources and costs required to implement and service very complex, multi-year governmental and commercial contracts, often in advance of the final determination of the full scope and design of such contracts or as a result of the scope of such contracts being changed during the life of such contracts; the risk that subcontractors, software vendors and utility and network providers will not perform in a timely, quality manner; service interruptions; actions of competitors and our ability to promptly and effectively react to changing technologies and customer expectations; 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 and the relocation of our service delivery centers; 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 systems; the risk in the hiring and retention of qualified personnel; the risk that unexpected costs will be incurred; our ability to recover capital investments; the risk that our Services business could be adversely affected if we are unsuccessful in managing the start-up of new contracts; the collectibility of our receivables for unbilled services associated with very large, multi-year contracts; reliance on third parties, including subcontractors, for manufacturing of products and provision of services; our ability to expand equipment placements; interest rates, cost of borrowing and access to credit markets; the risk that our products may not comply with applicable worldwide regulatory requirements, particularly environmental regulations and directives; the outcome of litigation and regulatory proceedings to which we may be a party; the possibility that the proposed separation of the Business Process Outsourcing (BPO) business from the Document Technology and Document Outsourcing business will not be consummated within the anticipated time period or at all, including as the result of regulatory, market or other factors; the potential for disruption to our business in connection with the proposed separation; the potential that BPO and Document Technology and Document Outsourcing do not realize all of the expected benefits of the separation, 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, as well as in our 2015 Annual Report on Form 10-K filed with the Securities and Exchange Commission. Xerox 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.

PART I — FINANCIAL INFORMATION
ITEM 1 — FINANCIAL STATEMENTS

XEROX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended March 31,	
(in millions, except per-share data)	2016	2015
Revenues		
Sales	$1,021	$1,126
Outsourcing, maintenance and rentals	3,177	3,253
Financing	83	90
Total Revenues	4,281	4,469
Costs and Expenses		
Cost of sales	624	674
Cost of outsourcing, maintenance and rentals	2,344	2,368
Cost of financing	33	33
Research, development and engineering expenses	134	141
Selling, administrative and general expenses	882	915
Restructuring and related costs	126	14
Amortization of intangible assets	89	77
Separation costs	8	—
Other expenses, net	57	46
Total Costs and Expenses	4,297	4,268
(Loss) Income before Income Taxes and Equity Income	(16)	201
Income tax (benefit) expense	(15)	39
Equity in net income of unconsolidated affiliates	37	34
Income from Continuing Operations	36	196
Income from discontinued operations, net of tax	—	34
Net Income	36	230
Less: Net income attributable to noncontrolling interests	2	5
Net Income Attributable to Xerox	$34	$225
Amounts Attributable to Xerox:		
Net income from continuing operations	$34	$191
Net income from discontinued operations	—	34
Net Income Attributable to Xerox	$34	$225
Basic Earnings per Share:		
Continuing operations	$0.03	$0.17
Discontinued operations	—	0.03
Total Basic Earnings per Share	$0.03	$0.20
Diluted Earnings per Share:		
Continuing operations	$0.03	$0.16
Discontinued operations	—	0.03
Total Diluted Earnings per Share	$0.03	$0.19

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

XEROX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

	Three Months Ended March 31,	
(in millions)	2016	2015
Net income	$ 36	$ 230
Less: Net income attributable to noncontrolling interests	2	5
Net Income Attributable to Xerox	34	225
Other Comprehensive Income (Loss), Net[1]:		
Translation adjustments, net	191	(509)
Unrealized gains, net	9	29
Changes in defined benefit plans, net	(112)	98
Other Comprehensive Income (Loss), Net	88	(382)
Less: Other comprehensive loss, net attributable to noncontrolling interests	—	(1)
Other Comprehensive Income (Loss), Net Attributable to Xerox	88	(381)
Comprehensive Income (Loss), Net	124	(152)
Less: Comprehensive income, net attributable to noncontrolling interests	2	4
Comprehensive Income (Loss), Net Attributable to Xerox	$ 122	$ (156)

(1) Refer to Note 15 - Other Comprehensive Income (Loss) for gross components of Other Comprehensive Income (Loss), reclassification adjustments out of Accumulated Other Comprehensive Loss and related tax effects.

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

XEROX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions, except share data in thousands)	March 31, 2016	December 31, 2015
Assets		
Cash and cash equivalents	$ 1,189	$ 1,368
Accounts receivable, net	2,456	2,319
Billed portion of finance receivables, net	100	97
Finance receivables, net	1,307	1,315
Inventories	1,034	942
Other current assets	722	644
Total current assets	6,808	6,685
Finance receivables due after one year, net	2,565	2,576
Equipment on operating leases, net	489	495
Land, buildings and equipment, net	1,000	996
Investments in affiliates, at equity	1,432	1,389
Intangible assets, net	1,684	1,765
Goodwill	8,814	8,823
Other long-term assets	2,065	2,060
Total Assets	$ 24,857	$ 24,789
Liabilities and Equity		
Short-term debt and current portion of long-term debt	$ 2,029	$ 985
Accounts payable	1,445	1,614
Accrued compensation and benefits costs	710	651
Unearned income	421	428
Other current liabilities	1,541	1,576
Total current liabilities	6,146	5,254
Long-term debt	5,359	6,354
Pension and other benefit liabilities	2,617	2,513
Post-retirement medical benefits	792	785
Other long-term liabilities	431	417
Total Liabilities	15,345	15,323
Commitments and Contingencies (See Note 17)		
Series A Convertible Preferred Stock	349	349
Common stock	1,013	1,013
Additional paid-in capital	3,032	3,017
Retained earnings	9,635	9,686
Accumulated other comprehensive loss	(4,554)	(4,642)
Xerox shareholders' equity	9,126	9,074
Noncontrolling interests	37	43
Total Equity	9,163	9,117
Total Liabilities and Equity	$ 24,857	$ 24,789
Shares of common stock issued and outstanding	1,013,002	1,012,836

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

XEROX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended March 31,	
(in millions)	2016	2015
Cash Flows from Operating Activities:		
Net income	$36	$230
Adjustments required to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	290	296
Provision for receivables	15	18
Provision for inventory	9	6
Net gain on sales of businesses and assets	(20)	(12)
Undistributed equity in net income of unconsolidated affiliates	(37)	(31)
Stock-based compensation	14	22
Restructuring and asset impairment charges	123	14
Payments for restructurings	(28)	(31)
Defined benefit pension cost	43	41
Contributions to defined benefit pension plans	(36)	(41)
Increase in accounts receivable and billed portion of finance receivables	(185)	(239)
Collections of deferred proceeds from sales of receivables	59	72
Increase in inventories	(99)	(126)
Increase in equipment on operating leases	(62)	(70)
Decrease in finance receivables	64	72
Collections on beneficial interest from sales of finance receivables	8	15
Increase in other current and long-term assets	(59)	(71)
Decrease in accounts payable and accrued compensation	(147)	(58)
Decrease in other current and long-term liabilities	(67)	(26)
Other operating, net	54	32
Net cash (used in) provided by operating activities	(25)	113
Cash Flows from Investing Activities:		
Cost of additions to land, buildings and equipment	(50)	(75)
Proceeds from sales of land, buildings and equipment	19	16
Cost of additions to internal use software	(22)	(20)
Proceeds from sale of businesses	(56)	3
Acquisitions, net of cash acquired	(18)	(28)
Other investing, net	2	6
Net cash used in investing activities	(125)	(98)
Cash Flows from Financing Activities:		
Net proceeds on short-term debt	749	204
Proceeds from issuance of long-term debt	4	663
Payments on long-term debt	(708)	(1,017)
Common stock dividends	(71)	(70)
Preferred stock dividends	(6)	(6)
Proceeds from issuances of common stock	1	10
Excess tax benefits from stock-based compensation	—	2
Payments to acquire treasury stock, including fees	—	(216)
Repurchases related to stock-based compensation	—	(1)
Distributions to noncontrolling interests	(11)	(54)
Net cash used in financing activities	(42)	(485)

Effect of exchange rate changes on cash and cash equivalents	13	(69)
Decrease in cash and cash equivalents	(179)	(539)
Cash and cash equivalents at beginning of period	1,368	1,411
Cash and Cash Equivalents at End of Period	$1,189	$872

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

XEROX CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(in millions, except per-share data and where otherwise noted)

Note 1 – Basis of Presentation

References herein to “we,” “us,” “our,” the “Company” and “Xerox” refer to Xerox Corporation and its consolidated subsidiari unless the context suggests otherwise.

We have prepared the accompanying unaudited Condensed Consolidated Financial Statements in accordance with the accounting policies described in our 2015 Annual Report on Form 10-K (2015 Annual Report), and the interim reporting requirements of Form 10-Q. Accordingly, certain information and note disclosures normally included in our annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. You should read these Condensed Consolidated Financial Statements in conjunction with the Consolidated Financial Statements included in our 2015 Annual Report.

In our opinion, all adjustments which are necessary for a fair statement of financial position, operating results and cash flows for the interim periods presented have been made. These adjustments consist of normal recurring items. Interim results of operations are not necessarily indicative of the results of the full year.

For convenience and ease of reference, we refer to the financial statement caption “(Loss) Income before Income Taxes and Equity Income” as “pre-tax (loss) income.”

Planned Company Separation

On January 29, 2016, Xerox announced that its Board of Directors approved management’s plan to separate the Company's Business Process Outsourcing (BPO) business from its Document Technology and Document Outsourcing business. Each of the businesses will operate as an independent, publicly-traded company. Leadership and names of the two companies will be determined as the separation process progresses. The transaction is intended to be tax-free for Xerox shareholders for federal income tax purposes.

Xerox has begun the process to separate and is finalizing the transaction structure, which is predicated on a spin-off of the BPO business. Our objective is to complete the separation by year-end 2016, subject to customary regulatory approvals, the effectiveness of a Form 10 registration statement with the U.S. Securities and Exchange Commission, tax considerations, securing any necessary financing and final approval of the Xerox Board of Directors. Until the separation is complete, we will continue to operate and report as a single company, and it will continue to be business as usual for our customers and employees.

In conjunction with the separation, Xerox also began a three-year strategic transformation program targeting a cumulative $2.4 billion of savings across all segments. The program is inclusive of ongoing activities and $600 of incremental transformation initiatives.

Note 2 – Recent Accounting Pronouncements

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 is effective for our fiscal year beginning January 1, 2018, with early adoption permitted for fiscal years beginning January 1, 2017. In March 2016, the FASB issued ASU 2016-08, Revenue Recognition - Principal versus Agent (reporting revenue gross versus net). ASU 2016-08 provides additional guidance on topics addressed in ASU 2014-09. We will adopt this standard beginning January 1, 2018, and we will use the cumulative catch-up transition method. We continue to evaluate the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases. This update requires the recognition of leased assets and lease obligations by lessees for those leases currently classified as operating leases under existing lease guidance. Short term leases with a term of 12 months or less are not required to be recognized. The update also requires disclosure of key information about leasing arrangements to increase transparency and comparability among organizations. The accounting for lessors does not fundamentally change except for changes to conform and align guidance to the lessee guidance as well as to the new revenue recognition guidance in ASU 2014-09. This update is effective for our fiscal year beginning January 1, 2019. We are currently evaluating the impact of the adoption of ASU 2016-02 on our consolidated financial statements.

Stock Compensation

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation, Improvements to Employee Share-Based payment Accounting (Topic 718). This update is intended to provide simplification of the accounting for share based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. This update is effective for our fiscal year beginning January 1, 2017. We are currently evaluating the impact of the adoption of ASU 2016-09 on our consolidated financial statements.

Equity Method Accounting

In March 2016, the FASB issued ASU 2016-07, Investments - Equity Method and Joint Ventures (Topic 323), Simplifying the Transition to the Equity Method of Accounting. This update eliminates the requirement that when an existing cost method investment qualifies for use of the equity method, an investor must restate its historical financial statements, as if the equity method had been used during all previous periods. Under the new guidance, at the point an investment qualifies for the equity method, any unrealized gain or loss in accumulated other comprehensive income/(loss) ("AOCI") will be recognized through earnings. This update is effective for our fiscal year beginning January 1, 2017 with early adoption permitted. The adoption of this update is not expected to have a material impact on our financial condition, results of operations or cash flows.

Financial Instruments - Classification and Measurement

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Recognition and Measurement of Financial Instruments and Financial Liabilities. This update requires that equity investments (except those accounted for under the equity method of accounting or those that result in consolidation) be measured at fair value with changes in fair value recognized in net income. The amendments in this update also simplify the impairment assessment of equity investments without readily determinable fair values. This update is effective for our fiscal year beginning January 1, 2018. The adoption of this update is not expected to have a material impact on our financial condition, results of operations or cash flows.

Accounting for Income Taxes: Balance Sheet Presentation of Deferred Taxes

In November 2015, the FASB issued ASU 2015-17, Income Taxes: Balance Sheet Classification of Deferred Taxes. This update, which simplifies the presentation of deferred income taxes, requires that deferred tax liabilities and assets be classified as non-current in a classified statement of financial position. As allowed by the update, we early adopted ASU 2015-17 effective December 31, 2015 on a prospective basis. Adoption of this update resulted in a reclassification of our net current deferred tax asset and liabilities to the net non-current deferred tax asset and liabilities in our Consolidated Balance Sheet as of December 31, 2015. Prior periods were not retrospectively adjusted. The current requirement that deferred tax liabilities and assets of a tax-paying component (jurisdiction) of an entity be offset and presented as a single amount is not affected by this update.

Interest

In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. This update requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB issued ASU 2015-15, which indicated that the SEC staff would not object to an entity deferring and presenting debt issuance costs associated with a line-of-credit arrangement as an asset and subsequently amortizing those costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings. All of our debt issuance costs were reported as deferred charges in Other long-term assets and were $32 at December 31, 2015, $4 of which is related to our credit agreement. Upon adoption of this update effective January 1, 2016, we reclassified $28 of debt issuance costs to long-term debt. Prior periods were retroactively revised. The costs associated with our credit agreement will continue to be reported as a deferred charge in Other long-term assets. The adoption of this standard is not expected to have any effect on our financial condition, results of operations or cash flows.

Other Updates

In 2016 and 2015, the FASB also issued the following Accounting Standards Updates which are not expected to have a material impact on our financial condition, results of operations or cash flows when adopted in future periods. Those updates are as follows:

- Derivatives and Hedging: ASU 2016-06, Contingent Put and Call Options in Debt Instruments, which is effective for our fiscal year beginning January 1, 2017 with early adoption permitted.

- Derivatives and Hedging: ASU 2016-05, Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships, which is effective for our fiscal year beginning January 1, 2017 with early adoption permitted.

- Business Combinations: ASU 2015-16, Accounting for Measurement Period Adjustments in a Business Combination, which was effective for our fiscal year beginning January 1, 2016.

- Inventory: ASU 2015-11, Simplifying the Subsequent Measurement of Inventory, which is effective for our fiscal year beginning January 1, 2017.

- Intangibles - Goodwill and Other - Internal Use Software: ASU 2015-05, Intangibles-Goodwill and Other-Internal Use Software - Customer's Accounting for Fees Paid in a Cloud Computing Arrangement, which was effective for our fiscal year beginning January 1, 2016.

- Consolidation: ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis, which was effective for our fiscal year beginning January 1, 2016.

- Derivatives and Hedging: ASU 2014-16, Derivatives and Hedging (Topic 815) - Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity, which was effective for our fiscal year beginning January 1, 2016.

- Disclosures of Going Concern Uncertainties: ASU 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40); Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern, which was effective for our fiscal year beginning January 1, 2016.

- Stock Compensation: ASU 2014-12, Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide that a Performance Target Could be Achieved after the Requisite Service Period, which was effective for our fiscal year beginning January 1, 2016.

Note 3 – Segment Reporting

Our reportable segments are aligned with how we manage the business and view the markets we serve. We report our financial performance based on the following two primary reportable segments – Services and Document Technology. Our Services segment operations involve delivery of business process and document outsourcing services for a broad range of customers from small businesses to large global enterprises. Our Document Technology segment includes the sale and support of a broad range of document systems from entry level to high-end.

In the first quarter of 2016, we revised our segment reporting to reflect the following changes:

- The transfer of the Education/Student Loan business from the Services segment to Other as a result of the expected continued run-off of this business. The business does not meet the threshold for separate segment reporting.
- The exclusion of the non-service elements of our defined-benefit pension and retiree-health plan costs from Segment profit.

Prior year amounts were accordingly revised to reflect these changes.

The Services segment is comprised of two outsourcing service offerings:

- Business Process Outsourcing (BPO)
- Document Outsourcing (which includes Managed Print Services) (DO)

Business process outsourcing services include service arrangements where we manage a customer’s business activity or process. We provide multi-industry offerings such as customer care, transaction processing, finance and accounting, and human resources, as well as industry-focused offerings in areas such as healthcare, transportation, financial services, retail and telecommunications. Document outsourcing services include service arrangements that allow customers to streamline, simplify and digitize their document-intensive business processes through automation and deployment of software applications and tools and the management of their printing needs. Document outsourcing also includes revenues from our partner print services offerings.

Our Document Technology segment includes the sale of document systems and supplies, provision of technical service and financing of products. Our products groupings range from:

- “Entry,” which includes A4 devices and desktop printers; to
- “Mid-range,” which includes A3 devices that generally serve workgroup environments in mid to large enterprises and includes products that fall into the following market categories: Color 41+ ppm priced at less than $100K and Light Production 91+ ppm priced at less than $100K; to
- “High-end,” which includes production printing and publishing systems that generally serve the graphic communications marketplace and large enterprises.

Customers range from small and mid-sized businesses to large enterprises. Customers also include graphic communication enterprises as well as channel partners including distributors and resellers. Segment revenues reflect the sale of document systems and supplies, technical services and product financing.

Other includes several units, none of which meet the thresholds for separate segment reporting. This group includes paper sales in our developing market countries, Wide Format Systems, licensing revenues, Global Imaging Systems (GIS) network integration solutions, Education/Student Loan business, electronic presentation systems and non-allocated corporate items including non-financing interest and other items included in Other expenses, net.

Operating segment revenues and profitability were as follows:

	Three Months Ended March 31,	
	Segment Revenue	Segment Profit (Loss)
2016		
Services	$2,482	$ 190
Document Technology	1,639	167
Other	160	(66)
Total	$4,281	$ 291
2015		
Services	$2,467	$ 187
Document Technology	1,830	232
Other	172	(47)
Total	$4,469	$ 372

	Three Months Ended March 31,	
Reconciliation to Pre-tax (Loss) Income	2016	2015
Segment Profit	$291	$372
Reconciling items:		
Restructuring and related costs[1]	(127)	(18)
Restructuring charges of Fuji Xerox	—	(1)
Amortization of intangible assets	(89)	(77)
Non-service retirement-related costs[2]	(46)	(42)
Equity in net income of unconsolidated affiliates	(37)	(34)
Separation costs[3]	(8)	—
Other	—	1
Pre-tax (Loss) Income	$(16)	$201

(1) Includes Restructuring and related costs of $126 and $14, and business transformation costs of $1 and $4, for the three months ended March 31, 2016 and 2015, respectively. Business transformation costs represent incremental costs incurred directly in support of our business transformation and restructuring initiatives such as compensation costs for overlapping staff, consulting costs and training costs.

(2) Represents the non-service elements of our defined-benefit pension and retiree-health plan costs. Refer to Note 13 - Employee Benefit Plans for details regarding these elements.

(3) Separation costs are expenses incurred in connection with Xerox's planned separation into two independent, publicly-traded companies. These costs are primarily for third-party investment banking, accounting, legal, consulting and other similar types of services.

Note 4 – Divestitures

Information Technology Outsourcing (ITO)

In 2014, we announced an agreement to sell our ITO business to Atos SE (Atos). As a result of this agreement, we reported the ITO business as held for sale and a discontinued operation up through its date of sale, which was completed on June 30, 2015.

In February 2016, we reached an agreement with Atos on the final adjustments to the closing balance of net assets sold as well as the settlement of certain indemnifications and recorded an additional pre-tax loss on the disposal in

2015 of $24 ($14 after-tax). This additional loss was recorded in the 2015 financial statements because the agreement with Atos was reached before the financial statements had been issued, accordingly no adjustment was required in 2016. In the first quarter 2016, we paid Atos approximately $52, representing a $28 adjustment to the final sales price as a result of this agreement and a payment of $24 due from closing. The payment is reflected in Investing cash flows as an adjustment of the sales proceeds.

Other Discontinued Operations

There were no Discontinued Operations as of March 31, 2016. Summarized financial information for our Discontinued Operations for the three months ended of March 31, 2015 was as follows:

	Three Months Ended March 31, 2015		
	ITO	Other	Total
Revenues	$ 311	$ —	$ 311
Income from operations [(1)]	61	—	61
Loss on disposal	(4)	—	(4)
Net income before income taxes	$ 57	$ —	$ 57
Income tax expense	(23)	—	(23)
Income from discontinued operations, net of tax	$ 34	$	