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Xerox Corporation Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Shannon Cross – Cross Research.

Shannon Cross – Cross Research

I guess the first question Anne is can you talk a little bit about what you're seeing in terms of usage by the end customer? So, there was inventory contraction in the channel on the supply side but, from a page volume standpoint just from the health of the end customer can you give us some ideas of some of the trends you're seeing both in terms of color and black and white and just general page printing?

Anne M. Mulcahy

Well, I think as you could see from some of the data that Larry presented, we have seen some deterioration in terms of percentage rates on black and white pages. I do think it's important Shannon to mention that pages were up from Q3 to Q4 in total so this isn't kind of an off the chart deterioration. We saw a seasonal uptick not as much as we would normally see particularly in black in white.

In color, growth has stayed very strong and we're very pleased with double digit growth in pages. That growth rate has declined a modest amount, not significantly, a few points but color pages stayed quite strong. I think the difficulty for us is that as we kind of try to deliver to you the page growth rate, the methodology makes assumptions in terms of supply purchase translating to pages.

I think that methodology is a little broken right now because we saw the deterioration of inventories in channels that are not necessarily aligned with the actual pages being printed. When you see supply inventories going from six weeks to in many cases three weeks it's hard to translate that accurately in to what exactly happened with page growth so we have a little bit of a question mark there.

We know the pressure would have been quite serious at the end of the year particularly to optimize cash so we are hopeful that we'll see a bounce back to more normal levels of pages as we enter 2009. I think it would be fair to say that what we see is some modest deterioration but nothing that is alarming in terms of the pages and I think we'll have better intelligence as we come through first quarter where hopefully we see a little bit of bounce back that will be necessary in inventories.

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