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Xerox Corporation F1Q09 Earnings Call Transcript

Question-and-Answer Session

Operator

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

Shannon Cross - Cross Research

Anne, could you talk a little bit more about linearity during the quarter? It is obviously worse than you thought it would be in January, but how was March and how is April looking? Any thoughts you can give us on where budgets are coming out from your customers, just any color there would be very helpful.

Anne Mulcahy

We saw about an 18% revenue decline in the first two months and as you can see from the full quarter results, that was pretty consistent through out March. I think we saw, what I would characterize, as some modest, very modest improvement in post sale driven by printer supplies, but not enough to certainly say we saw significant improvement.

I do think that much of what we're seeing is consistent with the trends that we saw through the first color. You know, the continued delays in decision making. As Larry mentioned, our revenue will improve in second quarter, but that is kind of seasonally appropriate versus any kind of significant trend change.

All in all we would characterize it as more of the same with certainly no worsening in March, but not enough of an improvement to kind of declare a trend change.

Shannon Cross - Cross Research

Okay great. How should we think about the 4% year-over-year decline in digital pages? If you look at that versus say the 10% decline in supplies and pressure on paper, how much of this do you think is continued inventory contraction versus end user demand? Obviously people aren't printing as much, but I'm just trying to get a handle on, at some point one would think this would bottom out.

Anne Mulcahy

I think that is why we wanted to give you some context around what's happening with the population of installed equipment versus the page piece of it. If you look at our post sale, it was down 7.6% points, paper and mostly printer based supplies were responsible for 5.2 points of that, which is 70% of the decline. So, clearly the inventory management piece of this and really not, if you will,

purchasing in what we would call normal purchasing patterns is causing the majority of the post sale decline right now.

Having said that, if we look at it, we would say the 4% page decline; by the way color is still growing, it is 16%, so still good growth in color pages; does represent what we would call business volume declines in the marketplace. I think it would be fair to say that the kind of 3% level that we saw in the global services side is probably more reflective of the overall volume declines than the 7.6% we saw in total post sale.

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