

Edgar Filing: AFFILIATED COMPUTER SERVICES INC - Form 425

AFFILIATED COMPUTER SERVICES INC

Form 425

September 29, 2009

Filed by Xerox Corporation

Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12 under the

Securities Exchange Act of 1934

Subject Company: Affiliated Computer Services, Inc.

Commission File No.: 1-12665

The proposed merger transaction involving Xerox and ACS will be submitted to the respective stockholders of Xerox and ACS for their consideration. In connection with the proposed merger, Xerox will file with the SEC a registration statement on Form S-4 that will include a joint proxy statement of Xerox and ACS that also constitutes a prospectus of Xerox. Xerox will mail the joint proxy statement/prospectus to its stockholders. **Xerox and ACS urge investors and security holders to read the joint proxy statement/prospectus regarding the proposed transaction when it becomes available because it will contain important information.** You may obtain a free copy of the joint proxy statement/prospectus, as well as other filings containing information about Xerox and ACS, without charge, at the SEC's Internet site (<http://www.sec.gov>). Copies of the joint proxy statement/prospectus and the filings with the SEC that will be incorporated by reference in the joint proxy statement/prospectus can also be obtained, when available, without charge, from Xerox's website, www.xerox.com, under the heading "Investor Relations" and then under the heading "SEC Filings". You may also obtain these documents, without charge, from ACS's website, www.acs-inc.com, under the tab "Investor Relations" and then under the heading "SEC Filings".

Xerox, ACS and their respective directors, executive officers and certain other members of management and employees may be deemed to be participants in the solicitation of proxies from the respective stockholders of Xerox and ACS in favor of the merger. Information regarding the persons who may, under the rules of the SEC, be deemed participants in the solicitation of the respective stockholders of Xerox and ACS in connection with the proposed merger will be set forth in the joint proxy statement/prospectus when it is filed with the SEC. You can find information about Xerox's executive officers and directors in its definitive proxy statement filed with the SEC on April 6, 2009. You can find information about ACS's executive officers and directors in its definitive proxy statement filed with the SEC on April 14, 2009. You can obtain free copies of these documents from Xerox and ACS websites using the contact information above.

This release contains "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. These factors include but are not limited to: the unprecedented volatility in the global economy; the risk that the future business operations of ACS will not be successful; the risk that we will not realize all of the anticipated benefits from our acquisition of ACS; the risk that customer retention and revenue expansion goals for the ACS transaction will not be met and that disruptions from the ACS transaction will harm relationships with customers, employees and suppliers; the risk that unexpected costs will be incurred; the outcome of litigation and regulatory proceedings to which we may be a party; actions of competitors; changes and developments affecting our industry; quarterly or cyclical variations in financial results; development of new products and services; interest rates and cost of borrowing; our ability to protect our intellectual property rights; our ability to maintain and improve cost efficiency of operations, including savings from restructuring actions; changes in foreign currency exchange rates; changes in economic conditions, political conditions, trade protection measures, licensing requirements and tax matters in the foreign countries in which we do business; reliance on third parties for manufacturing of products and provision of services; 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 our Quarterly Report on Form 10-Q for the quarters ended March 31, 2009 and June 30, 2009 and our 2008 Annual Report on Form 10-K and ACS' 2009 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.

Investor Relations
Xerox Acquisition of
Affiliated Computer Services

2

Forward-Looking Statements

This presentation contains 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 forward-looking statements, 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. These factors include but are not limited to: the unprecedented volatility in the global economy; the risk that the future business operations of ACS will not be successful; the risk that we will not realize all of the anticipated benefits from our acquisition of ACS; the risk that customer retention and revenue expansion goals for the ACS transaction will not be met and that disruptions from the ACS transaction will harm relationships with customers, employees and suppliers; the risk that unexpected costs will be incurred; the outcome of litigation and regulatory proceedings to which we may be a party; actions of competitors; changes and developments affecting our industry; quarterly or cyclical variations in financial results; development of new products and services; interest rates and cost of borrowing; our ability to protect our intellectual property rights; our ability to maintain and improve cost efficiency of operations, including savings from restructuring actions; changes in foreign currency exchange rates; changes in economic conditions, political conditions, trade protection measures, licensing requirements and tax matters in the foreign countries in which we do business; reliance on third parties for manufacturing of products and provision of services; 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 Xerox's Quarterly Report on Form 10-Q for the quarters ended March 31, 2009 and June 30, 2009, Xerox's 2008 Annual Report on Form 10-K and ACS's 2009 Annual Report on Form 10-K filed with the Securities and Exchange Commission. Neither Xerox nor ACS assume any obligation to update any forward-looking statements as a result of new information or future events or developments, except as required by law.

3

Executive summary

Combination overview

Financial impact

Agenda

4

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Financial impact

Agenda

5

Xerox to Acquire ACS

Compelling financial combination
with strong strategic opportunities
for growth by leveraging:

Xerox's industry-leading
document management, brand
strength, global account
management and R&D
investments.

ACS' s industry-leading BPO capabilities, process automation competencies and services talent management.

Significant expense and revenue synergies

Creates a new class of solutions provider with leading technology and expertise in document and business process management.

6

Transaction Overview

Key Transaction Terms

Xerox acquires 100% of ACS Class A and Class B common stock

Consideration of approximately 70% stock and 30% cash

ACS shareholders will receive 4.935 Xerox shares and \$18.60 in cash for each Class A and Class B share

Transaction includes refinancing of \$2B of ACS debt

Issuing \$300M of convertible preferred stock to ACS Class B shareholder

Approvals and Timing

Regulatory and shareholder approval

Closing expected in 1Q 10

Xerox + ACS: A New Class of Solutions Provider

The lines between business process
and document management are
blurring

Customers need service providers
with global capabilities offering a full
range of solutions

Enterprises will continue to reduce
costs through outsourcing

World leader in document and

business process management

Global delivery network

Best-in-class document
technologies and services

Leadership centered around the
information needs of the business
process

Compelling customer value through
innovative, differentiated offerings
Evolving market demand
requires a new solutions provider

7

8

The combination of Xerox and ACS yields a strong financial model

Note:

Combined

Company

on

a

pro

forma

basis,

LTM

Last Twelve Months

1

See slide 29 for explanation of non-GAAP measures

World leader in document and business process

management

Total Revenue

Annuity Revenue

Services Revenue

Operating Margin

Adjusted

EPS

CAGR

Free

Cash

Flow

\$22B LTM

~80% total revenue

Accelerated expansion

\$10B LTM

Double digit growth

\$2B LTM, 8+% of revenue

1

1

9
Experienced and Deep Management Team

Ursula Burns
Chief Executive Officer

Lawrence Zimmerman
Vice Chairman and Chief Financial Officer

James Firestone
Corp. Executive Vice President and President,
Corporate Operations

Willem Appelo
Corp. Senior Vice President and President, Xerox

Global Business and Services Group

Stephen Cronin
Corp. Senior Vice President and President, Xerox
Global Services

Don Liu
Corp. Senior Vice President and General Counsel

Lynn Blodgett
President and Chief Executive Officer

Kevin Kyser
Executive Vice President and Chief Financial
Officer

Tom Burlin
Executive Vice President and Chief Operating
Officer

Tom Blodgett
Executive Vice President and Chief Operating
Officer

John Rexford
Executive Vice President, Corporate Development

Lora Villarreal
Executive Vice President and Chief People Officer

Tas
Panos
Executive Vice President and General Counsel
Xerox
ACS

10

A Powerful Shareholder Value Proposition

Transformational transaction that creates a new class of solutions provider

Leverages the strengths of two best-in-class companies to create a global, diversified leader in providing document management and services

Enhances Xerox's strategic posture and positions the company for long-term growth, accelerated margin expansion and earnings appreciation

Strong combined management team with commitment to equity appreciation to drive shareholder value

11

Executive summary

Combination overview

Financial impact

Agenda

12

Xerox Today

Generating strong and consistent cash flow
through a challenging environment

Investing in growth and winning in the
marketplace

Maintaining operating margins in tough
environment through disciplined cost
management

Delivering and maintaining strong balance
sheet

Delivering on commitments

1

See slide 29 for explanation of non-GAAP measures

1

\$15.7

\$15.9

\$17.2

\$17.6

\$16.0

9.6%

10.0%

8.4%

7.4%

9.0%

2005

2006

2007

2008

LTM

Revenue

Operating margin

\$1.2

\$1.3

\$1.5

\$1.2

\$1.3

8.3%

8.8%

6.9%

8.7%

7.5%

2005

2006

2007

2008

2009E

FCF

% revenue

Free cash flow

1

generation (\$B)

Revenue

and

operating

margin

1

(\$B)

13

ACS Today

ACS is the largest worldwide diversified business
process outsourcing company

Diversified portfolio of BPO services

Vertical focus on education, transportation,
communication, healthcare, federal/ state/ local
government, financial services, manufacturing,
consumer goods and retail

Strong revenue growth and margin performance
through the recession

Record business signings, revenue and earnings
in fiscal 2009
Recurring revenue under long-term contracts
Highly-regarded management team
Leverageable
technology platforms
Consistent cash flow generation
Culture of flexibility, responsiveness, reliability and
integrity
Free cash flow

1
generation (\$M)

Revenue
and
operating
margin

1
(\$B)
1

See slide 29 for explanation of non-GAAP measures

Note:

ACS

has

a

June

30

fiscal

year

end

\$5.4

\$5.8

\$6.2

\$6.5

10.6%

10.5%

10.5%

10.9%

2006

2007

2008

2009

Revenue

Operating margin

\$518

\$514

\$378

\$208

8.4%

7.9%

3.9%

6.6%
2006
2007
2008
2009
FCF
% revenue
th

14
ACS Commercial Services
FY2009 Revenue
Revenue
Business
Process
Solutions
\$1.2B
32%
Enterprise
Solutions &
Services
\$1.3B
33%
IT

Solutions

\$1.4B

35%

Operating margins

Enterprise

Solutions &

Services

IT Solutions

Business

Process

Solutions

Q4FY09 Total Revenue Growth¹: 5%

Q4FY09 Internal Revenue Growth: 2%

\$ millions

1

Excluding divestitures: see slide 29 for explanation of non-GAAP measures

Complete service suites for customers

Focus on human capital management solutions, finance and accounting and education markets

Comprehensive IT outsourcing services

Focus on data centers, managed services, network services outsourcing

Remote infrastructure management

ACS leverages technology platforms and process management expertise to enable businesses to increase productivity

\$970

\$974

\$1,013

Q4FY08

Q3FY09

Q4FY09

9.8%

11.1%

11.0%

Q4FY08

Q3FY09

Q4FY09

15
ACS Government Solutions
FY2009 Revenue
Revenue
Government
Solutions
\$1.8B
70%
Transportation
Solutions
\$0.8B
30%
Operating margins
Government
Solutions

Transportation
Solutions

Q4FY09 Total Revenue Growth¹: 7%

Q4FY09 Internal Revenue Growth: 5%

\$ millions

1

Excluding divestitures: see slide 29 for explanation of non-GAAP measures

\$644

\$637

\$683

Q4FY08

Q3FY09

Q4FY09

17.7%

15.3%

14.8%

Q4FY08

Q3FY09

Q4FY09

ACS provides a wide range of BPO
services to local, state and federal
agencies

Services include: Child support solutions,
Medicaid fiscal agent services, electronic
benefits transfer, student loan processing
and many others

Electronic Toll Collection (ETC)

Commercial Vehicle Operations

Motor Vehicle Services

Photo Enforcement, Violations Processing

Public Transport

16
Significantly Expanded Market Opportunity
Source: IDC, Gartner and Xerox Internal Analysis
Current
Xerox Market
BPO
Market
ITO
Market
Combined
Addressable Market
\$250B
~6% CAGR
\$150B

~5 to 10% CAGR

\$132B

~4% CAGR

\$500B+

>6% CAGR

Office:

distribution

expansion, color transition,

services growth

Production:

Infrastructure optimization

Global scale and

efficiencies

Market

leader:

Xerox

Leverage

technology

services

and

process

expertise

across

vertical

markets

Consolidating a

fragmented industry

Expand service offerings

with proven innovative

solutions

Market leader: ACS

Leverage IT

infrastructure to deliver:

Differentiated BPO

solutions

Document

Management

Services

Share leader across

core markets

Addressable market

expanded by over 4x

Enhanced growth profile

Ability to leverage core

strengths of each

company into new

opportunities

digital

17
A Powerful Combination
Combined
Market
Opportunity

Winning in a \$132B Document
Technology Market

Leading BPO and IT Services
company winning in a large and
growing BPO / ITO market

Poised to capture incremental share of a \$500B+ market with leadership in key segments and best-in-class capabilities

Go To
Market

Leveraging a large and global direct sales force of over 7,500 and world-class Brand

Leveraging deep vertical and horizontal expertise with expanding global delivery platform

Global player with scale, brand, sales coverage and global delivery platform
Technology

Heritage of innovation and commitment to investment
R&D resources of \$1.5B annually

Proven ability to leverage technology to enhance BPO capabilities

Leverage Xerox technology to deliver enhanced BPO services providing more value and advantage to customers
Business
Model

Recurring revenue based on long-term contracts and high customer retention

Strong organic growth and recurring revenue based on long-term contracts and high customer retention

Complementary business modes with stable recurring revenue and strong annuity driven cash flow
Customers

Loyal and global customer base with over 47% of revenue generated outside the U.S.

Loyal and entrenched customer base, primarily in the U.S.