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

# FORM 8-K

**CURRENT REPORT**
**Pursuant to Section 13 or 15(d)**
**of the Securities Exchange Act of 1934**

**Date of Report (date of earliest event reported): August 9, 2017**

# CONDUENT INCORPORATED
**(Exact name of registrant as specified in its charter)**

| New York | 001-37817 | 81-2983623 |
|---|---|---|
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

**100 Campus Drive, Suite 200**
**Florham Park, New Jersey**
**07932**
**(Address of principal executive offices) (Zip Code)**

**Registrant's telephone number, including area code: (844) 663-2638**

**Not Applicable**
**(Former name or former address, if changed since last report)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (CFR 240.12b-2). ☐ Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

**Item 2.02. Results of Operations and Financial Condition.**

On August 9, 2017, Registrant released its second quarter 2017 earnings and is furnishing to the Securities and Exchange Commission a copy of the earnings press release as Exhibit 99.1 to this Report under Item 2.02 of Form 8-K.

The information contained in Item 2.02 of this Report and in Exhibit 99.1 shall not be deemed “filed” with the Commission for purposes of Section 18 of the Exchange Act of 1934, as amended, or otherwise subject to the liability of that section.

**Item 7.01. Regulation FD Disclosure.**

On August 9, 2017, Registrant conducted an earnings call regarding its 2017 second quarter results and is furnishing to the Securities and Exchange Commission a copy of the presentation used during the earnings call as Exhibit 99.2 to this Report under Item 7.01 of Form 8-K.

The information contained in Item 7.01 of this Report and in Exhibit 99.2 to this Report shall not be deemed “filed” with the Commission for purposes of Section 18 of the Exchange Act of 1934, as amended, or otherwise subject to the liability of that section.

Exhibit 99.1 and Exhibit 99.2 to this Report contain certain financial measures that are considered “non-GAAP financial measures” as defined in the SEC rules. Exhibit 99.1 and Exhibit 99.2 to this Report also contain the reconciliation of these non-GAAP financial measures to their most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles, as well as the reasons why Registrant’s management believes that presentation of the non-GAAP financial measures provides useful information to investors regarding Registrant’s results of operations and, to the extent material, a statement disclosing any other additional purposes for which Registrant’s management uses the non-GAAP financial measures.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

| Exhibit No. | Description |
| --- | --- |
| 99.1 | Registrant’s second quarter 2017 earnings press release dated August 9, 2017 |
| 99.2 | Registrant’s investor presentation dated August 9, 2017 |

**Forward Looking Statements**

This report 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: termination rights contained in our government contracts; our ability to renew commercial and government contracts awarded through competitive bidding processes; our ability to recover capital and other investments in connection with our contracts; our ability to attract and retain necessary technical personnel and qualified subcontractors; our ability to deliver on our contractual obligations properly and on time; competitive pressures; our significant indebtedness; changes in interest in outsourced business process services; our ability to obtain adequate pricing for our services and to improve our cost structure; claims of infringement of third-party intellectual property rights; the failure to comply with laws relating to individually identifiable information, and personal health information and laws relating to processing certain financial transactions, including payment card transactions and debit or credit card transactions; breaches of our security systems and service interruptions; our ability to estimate the scope of work or the costs of performance in our contracts; our ability to collect our receivables for unbilled services; a decline in revenues from or a loss or failure of significant clients; fluctuations in our non-recurring revenue; our failure to maintain a satisfactory credit rating; our ability to attract and retain key employees; increases in the cost of telephone and data services or significant interruptions in such services; our failure to develop new service offerings; our ability to receive dividends or other payments from our subsidiaries; changes in tax and other laws and regulations; changes in government regulation and economic, strategic, political and social conditions; changes in U.S. GAAP or other applicable accounting policies; 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 Reports on Form 10-Q for the quarter ended March 31, 2017 and our 2016 Annual Report on Form 10-K filed with the Securities and Exchange Commission. Any forward-looking statements made by us in this report speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, Registrant has duly authorized this Report to be signed on its behalf by the undersigned duly authorized.

Date: August 9, 2017

CONDUENT INCORPORATED

By: ***/s/ Jay T. Chu***
Jay T. Chu
Vice President and Chief Accounting Officer

**EXHIBIT INDEX**

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|---|---|
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EXHIBIT 99.1

News from Conduent

Conduent Incorporated
100 Campus Drive, Suite 200
Florham Park, NJ 07932

www.Conduent.com

# Conduent Reaffirms 2017 Guidance and Reports Second Quarter 2017 Financial Results; Grows New Business Signings and Improves Profitability

**Financial and Operational Highlights**

- Revenue of $1,496 million
- Net loss of ($4) million, GAAP EPS ($0.03); Adj. net income of $36 million, Adj. EPS $0.16
- Adjusted EBITDA of $157 million, up 6% year-over-year
- Strong cash flow from operations of $67 million and free cash flow of $69 million
- New business Total Contract Value (TCV) of $657 million, up 25% year-over-year
- Expect to meet $430 million of cumulative strategic transformation savings targets by end of FY 2017

FLORHAM PARK, N.J., August 9, 2017 - Conduent (NYSE: CNDT), the world's largest provider of diversified business services, today announced its second quarter 2017 financial results.

“Our second quarter demonstrated meaningful progress towards building a profitable and growing company. We delivered adjusted earnings in-line with our expectations, advanced our cost savings initiatives, implemented our new go-to-market strategy and continued streamlining our operations,” said Ashok Vemuri, CEO of Conduent. “While we still have work ahead of us, particularly in our customer experience offering, we continue to drive operational excellence and deliver best-in-class service and experiences for our clients. We believe we are well positioned to achieve our strategic transformation goals and are making steady progress on creating a One Conduent culture.”

**Second Quarter 2017 Results**

Second quarter 2017 revenues were $1,496 million, down 7% compared to Q2 2016. Pre-tax loss was ($11) million compared to ($34) million in Q2 2016. The company reported EPS of ($0.03) versus ($0.05) in the same period last year.

Second quarter adjusted operating income was $88 million, with an adjusted operating margin of 5.9% as compared to $77 million, with an adjusted operating margin of 4.8% in Q2 2016. Adjusted EBITDA improved 6% to $157 million, with an adjusted EBITDA margin of 10.5%, as compared with $148 million, with an adjusted EBITDA margin of 9.2% in Q2 2016. The company reported adjusted earnings per share of $0.16 compared to $0.30 in Q2 2016.

Conduent generated $67 million in cash flow from operations during the second quarter and ended the quarter with a cash balance of $309 million. Total debt was $2,130 million as of June 30, 2017.

Headcount of approximately 89,000 as of June 30, 2017 compared with approximately 96,000 as of December 31, 2016.

Total TCV signings of $1,244 million for the quarter were down 42% compared with Q2 2016, driven by lower renewal signings primarily as a result of fewer renewal opportunities compared with Q2 2016. New business TCV was $657 million, up 25% compared with Q2 2016 as a result of key wins and expansion of business with both commercial and public sector clients.

**Financial and Strategic Outlook Unchanged**

Conduent is reaffirming the following guidance ranges for FY 2017:

| (in millions) | FY 2016 | | FY 2017E |
|---|---|---|---|
| Revenue | $ | 6,408 | Down 4.5-6.5% (CC) |
| Adjusted EBITDA | $ | 635 | Up 5%-6% |
| Free Cash Flow | $ | (81) | 20-30% of Adj. EBITDA |

Note: Please refer to the "Non-GAAP Outlook" in the Non-GAAP section below for certain non-GAAP information concerning outlook

“Our 2017 financial targets remain unchanged as we continue to balance our cost savings and investment strategy,” said Brian Webb-Walsh, Conduent CFO. “We have made solid progress in stabilizing our Other segment and still expect this segment to be break-even by mid-2018. While our revenue trajectory is under pressure, new business signings growth has been strong the last two quarters, which we expect will help improve our revenue trend over the medium term. In addition, free cash flow meaningfully improved compared with last year and we expect to see continued margin expansion in the back half of the year. Overall, we executed on our plan this quarter and believe we are well positioned for the second half of the year."

**Conference Call**

Management will present the results during a conference call and webcast on August 9, 2017 at 10 a.m. Eastern.

The call will be available by live audio webcast with the news release and online presentation slides at https://investor.conduent.com/.

The conference call will also be available by calling 877-883-0383 (international dial-in 412-902-6506) at approximately 9:45 a.m. ET. The conference ID for this call is 3476574.

A recording of the conference call will be available by calling 877-344-7529, or 412-317-0088 one hour after the conference call concludes on August 9, 2017. The replay ID is 10109939.

**About Conduent**

Conduent (NYSE: CNDT) is the world's largest provider of diversified business services with leading capabilities in transaction processing, automation and analytics. The company's global workforce is dedicated to helping its large and diverse client base deliver quality services to the people they serve. These clients include 76 of the Fortune 100 companies and over 500 government entities.

Conduent's differentiated offerings touch millions of lives every day, including two-thirds of all insured patients in the U.S. and nearly nine million people who travel through toll systems daily.  Whether it's digital payments, claims processing, benefit administration, automated tolling, customer care or distributed learning - Conduent manages and modernizes these interactions to create value for both its clients and their constituents. Learn more at www.conduent.com.

## Non-GAAP Measures

We have reported our financial results in accordance with U.S. generally accepted accounting principles (GAAP). In addition, we have discussed our financial results using non-GAAP measures. We believe these non-GAAP measures allow investors to better understand the trends in our business and to better understand and compare our results. Accordingly, we believe it is necessary to adjust several reported amounts, determined in accordance with GAAP, to exclude the effects of certain items as well as their related tax effects. Management believes that these non-GAAP financial measures provide an additional means of analyzing the current periods' results against the corresponding prior periods' results. These non-GAAP financial measures should be viewed in addition to, and not as a substitute for, the Company's reported results prepared in accordance with U.S. GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable U.S. GAAP measures and should be read only in conjunction with our Condensed Consolidated Financial Statements prepared in accordance with U.S. GAAP. Our management regularly uses supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions, and providing such non-GAAP financial measures to investors allows for a further level of transparency as to how management reviews and evaluates our business results and trends. These non-GAAP measures are among the primarily factors management uses in planning for and forecasting future periods. Compensation of our executives is based in part on the performance of our business based on these non-GAAP measures. Refer to the "Non-GAAP Financial Measures" section attached to this release for a discussion of these non-GAAP measures and their reconciliation to the reported GAAP measures.

## Forward Looking Statements

This report 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: termination rights contained in our government contracts; our ability to renew commercial and government contracts awarded through competitive bidding processes; our ability to recover capital and other investments in connection with our contracts; our ability to attract and retain necessary technical personnel and qualified subcontractors; our ability to deliver on our contractual obligations properly and on time; competitive pressures; our significant indebtedness; changes in interest in outsourced business process services; our ability to obtain adequate pricing for our services and to improve our cost structure; claims of infringement of third-party intellectual property rights; the failure to comply with laws relating to individually identifiable information, and personal health information and laws relating to processing certain financial transactions, including payment card transactions and debit or credit card transactions; breaches of our security systems and service interruptions; our ability to estimate the scope of work or the costs of performance in our contracts; our ability to collect our receivables for unbilled services; a decline in revenues from or a loss or failure of significant clients; fluctuations in our non-recurring revenue; our failure to maintain a satisfactory credit rating; our ability to attract and retain key employees; increases in the cost of telephone and data services or significant interruptions in such services; our failure to develop new service offerings; our ability to receive dividends or other payments from our subsidiaries; changes in tax and other laws and regulations; changes in government regulation and economic, strategic, political and social conditions; changes in U.S. GAAP or other applicable accounting policies; 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 in our 2016 Annual Report on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission. Any forward-looking statements made by us in this report speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

# # #

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## CONDUENT INCORPORATED
## CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) (UNAUDITED)

| (in millions, except per-share data) | Three Months Ended June 30, 2017 | Three Months Ended June 30, 2016 | Six Months Ended June 30, 2017 | Six Months Ended June 30, 2016 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Revenue | $ 1,485 | $ 1,598 | $ 3,027 | $ 3,271 |
| Related party | 11 | 15 | 22 | 27 |
| **Total Revenues** | **$ 1,496** | **$ 1,613** | **$ 3,049** | **$ 3,298** |
| **Costs and Expenses** | | | | |
| Cost of services | $ 1,245 | $ 1,348 | $ 2,532 | 2,760 |
| Related party cost of services | 8 | 10 | 15 | 19 |
| Research and development | 3 | 8 | 7 | 18 |
| Selling, general and administrative | 153 | 170 | 322 | 353 |
| Restructuring and related costs | 36 | 23 | 54 | 49 |
| Amortization of intangible assets | 61 | 62 | 122 | 137 |
| Interest expense | 34 | 1 | 70 | 2 |
| Related party interest | — | 10 | — | 20 |
| Separation costs | 1 | 16 | 6 | 19 |
| (Gain) on sale of asset | (24) | — | (24) | — |
| Other (income) expenses, net | (10) | (1) | (22) | 9 |
| **Total Costs and Expenses** | **1,507** | **1,647** | **3,082** | **3,386** |
| **Loss before Income Taxes** | **(11)** | **(34)** | **(33)** | **(88)** |
| Income tax benefit | (7) | (24) | (19) | (55) |
| **Loss from Continuing Operations** | **(4)** | **(10)** | **(14)** | **(33)** |
| Income from discontinued operations, net of tax | — | — | 4 | — |
| **Net Loss** | **$ (4)** | **$ (10)** | **$ (10)** | **$ (33)** |
| | | | | |
| **Basic Earnings (Loss) per Share:** | | | | |
| Continuing operations | $ (0.03) | $ (0.05) | $ (0.09) | $ (0.17) |
| Discontinued operations | — | — | 0.02 | — |
| **Total Basic Loss per Share** | $ (0.03) | $ (0.05) | **$ (0.07)** | **$ (0.17)** |
| | | | | |
| **Diluted Earnings (Loss) per Share:** | | | | |
| Continuing operations | $ (0.03) | $ (0.05) | $ (0.09) | $ (0.17) |
| Discontinued operations | — | — | 0.02 | — |
| **Total Diluted Loss per Share** | $ (0.03) | $ (0.05) | **$ (0.07)** | **$ (0.17)** |

**CONDUENT INCORPORATED**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)**

| (in millions) | Three Months Ended June 30, 2017 | Three Months Ended June 30, 2016 | Six Months Ended June 30, 2017 | Six Months Ended June 30, 2016 |
|---|---|---|---|---|
| Net Loss | $ (4) | $ (10) | $ (10) | $ (33) |
| **Other Comprehensive Income (Loss), Net:** | | | | |
| Translation adjustments, net | 14 | (22) | 26 | (15) |
| Unrealized (loss) gains, net | — | (1) | 2 | 1 |
| Changes in defined benefit plans, net | (1) | 1 | — | 1 |
| **Other Comprehensive Income (Loss), Net** | 13 | (22) | 28 | (13) |
| **Comprehensive Income (Loss), Net** | $ 9 | $ (32) | $ 18 | $ (46) |

EXHIBIT 99.1

# CONDUENT INCORPORATED
## CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| (in millions, except share data in thousands) | June 30, 2017 | December 31, 2016 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 309 | $ 390 |
| Accounts receivable, net | 1,374 | 1,286 |
| Net receivable from former parent company | 39 | — |
| Other current assets | 264 | 241 |
| **Total Current Assets** | 1,986 | 1,917 |
| Land, buildings and equipment, net | 262 | 283 |
| Intangible assets, net | 1,023 | 1,144 |
| Goodwill | 3,921 | 3,889 |
| Other long-term assets | 456 | 476 |
| **Total Assets** | $ 7,648 | $ 7,709 |
| **Liabilities and Equity** | | |
| Short-term debt and current portion of long-term debt | $ 59 | $ 28 |
| Accounts payable | 106 | 164 |
| Accrued compensation and benefits costs | 247 | 269 |
| Unearned income | 196 | 206 |
| Net payable to former parent company | — | 124 |
| Other current liabilities | 604 | 611 |
| **Total Current Liabilities** | 1,212 | 1,402 |
| Long-term debt | 2,071 | 1,913 |
| Pension and other benefit liabilities | 171 | 172 |
| Deferred taxes | 592 | 619 |
| Other long-term liabilities | 143 | 173 |
| **Total Liabilities** | 4,189 | 4,279 |
| | | |
| **Series A Convertible Preferred Stock** | 142 | 142 |
| | | |
| Common stock | 2 | 2 |
| Additional paid-in-capital | 3,828 | 3,812 |
| Retained deficit | (15) | — |
| Accumulated other comprehensive loss | (498) | (526) |
| **Net Equity** | 3,317 | 3,288 |
| **Total Liabilities and Equity** | $ 7,648 | $ 7,709 |
| | | |
| Shares of common stock issued & outstanding | 209,355 | 202,875 |
| Shares of Series A convertible preferred stock issued & outstanding | 120 | 120 |

**EXHIBIT 99.1**

## CONDUENT INCORPORATED
## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (in millions) | 2017 | 2016 | 2017 | 2016 |
| **Cash Flows from Operating Activities:** | | | | |
| Net loss | $ (4) | $ (10) | $ (10) | $ (33) |
| **Adjustments required to reconcile net loss to cash flows from operating activities:** | | | | |
| Depreciation and amortization | 130 | 134 | 255 | 282 |
| Deferred tax (benefit) expense | (25) | 19 | (31) | 24 |
| Gain on investments | (4) | (3) | (7) | (3) |
| Amortization of debt financing costs | 2 | — | 4 | — |
| Net (gain) loss on sales of businesses and assets | (25) | 1 | (32) | 1 |
| Stock-based compensation | 12 | 6 | 18 | 10 |
| Restructuring and related costs | 34 | 20 | 46 | 45 |
| Payments for restructuring | (13) | (13) | (22) | (20) |
| Contributions to defined benefit pension plans | (2) | (1) | (4) | (3) |
| Provision for receivables | (1) | 1 | (1) | 3 |
| Decrease (increase) in accounts receivable | 41 | 28 | (69) | (113) |
| Increase in other current and long-term assets | (13) | (40) | (46) | (66) |
| Decrease in accounts payable and accrued compensation | (36) | (73) | (85) | (139) |
| Decrease in other current and long-term liabilities | (37) | (79) | (54) | (90) |
| Net change in income tax assets and liabilities | 7 | (51) | (2) | (76) |
| Other operating, net | 1 | — | 1 | — |
| **Net cash provided by (used in) operating activities** | 67 | (61) | (39) | (178) |
| **Cash Flows from Investing Activities** | | | | |
| Cost of additions to land, buildings and equipment | (20) | (25) | (37) | (55) |
| Proceeds from sales of land, buildings and equipment | 33 | — | 33 | — |
| Cost of additions to internal use software | (7) | (11) | (15) | (20) |
| Proceeds from sale of businesses, net of adjustments | — | 3 | — | (53) |
| Net payments on related party notes receivable | — | 3 | — | — |
| Other investing, net | — | (1) | — | — |
| **Net cash provided by (used in) investing activities** | 6 | (31) | (19) | (128) |
| **Cash Flows from Financing Activities** | | | | |
| Proceeds on long term debt, net of issuance costs | (8) | 2 | 297 | 4 |
| Payments on debt | (9) | (6) | (153) | (12) |
| Net payments on related party notes payable | — | (36) | — | (27) |
| Net transfers from (payments to) former parent | — | 151 | (161) | 362 |
| Proceeds from exercise of stock options | 1 | — | 3 | — |
| Dividends paid on preferred stock | (3) | — | (5) | — |
| Other financing | — | (1) | (6) | (1) |
| **Net cash (used in) provided by financing activities** | (19) | 110 | (25) | 326 |
| Effect of exchange rate changes on cash and cash equivalents | — | (1) | 2 | — |
| Increase (decrease) in cash and cash equivalents | 54 | 17 | (81) | 20 |
| Cash and cash equivalents at beginning of period | 255 | 143 | 390 | 140 |
| **Cash and Cash Equivalents at End of Period** | $ 309 | $ 160 | $ 309 | $ 160 |

**Non-GAAP Financial Measures**

We have reported our financial results in accordance with U.S. GAAP. In addition, we have discussed our results using non-GAAP measures.

We believe these non-GAAP measures allow investors to better understand the trends in our business and to better understand and compare our results. Accordingly, we believe it is necessary to adjust several reported amounts, determined in accordance with GAAP, to exclude the effects of certain items as well as their related tax effects. Management believes that these non-GAAP financial measures provide an additional means of analyzing the current periods' results against the corresponding prior periods' results. However, these non-GAAP financial measures should be viewed in addition to, and not as a substitute for, the Company's reported results prepared in accordance with U.S. GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable U.S. GAAP measures and should be read only in conjunction with our Condensed Consolidated Financial Statements prepared in accordance with U.S. GAAP. Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions, and providing such non-GAAP financial measures to investors allows for a further level of transparency as to how management reviews and evaluates our business results and trends. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods . Compensation of our executives is based in part on the performance of our business based on these non-GAAP measures.

A reconciliation of the non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are provided below.

These reconciliations also include the income tax effects for our non-GAAP performance measures in total, to the extent applicable. The income tax effects are calculated under the same accounting principles as applied to our reported pre-tax performance measures under ASC 740, which employs an annual effective tax rate method. The noted income tax effect for our non-GAAP performance measures is effectively the difference in income taxes for reported and adjusted pre-tax income calculated under the annual effective tax rate method. The tax effect of the non-GAAP adjustments was calculated based upon evaluation of the statutory tax treatment and the applicable statutory tax rate in the jurisdictions in which such charges were incurred.

**Adjusted Net Income (Loss), Adjusted Earnings per Share and Adjusted Effective Tax Rate**

We make adjustments to Income (Loss) before Income Taxes for the following items for the purpose of calculating Adjusted Net Income (Loss), Adjusted Earnings per Share and Adjusted Effective Tax Rate:

- Amortization of intangible assets. The amortization of intangible assets is driven by acquisition activity, which can vary in size, nature and timing as compared to other companies within our industry from period to period.
- Restructuring and related costs. Restructuring and related costs include restructuring and asset impairment charges as well as costs associated with our strategic transformation program.
- Separation costs. Separation costs are expenses incurred in connection with the separation from Xerox Corporation into a separate, independent, publicly traded company. These costs primarily relate to third-party investment banking, accounting, legal, consulting and other similar types of services related to the separation transaction as well as costs associated with the operational separation of the two companies.
- Other (income) expenses, net. Other (income) expenses, net includes losses (gains) on sales of business and assets, currency (gains) losses, net, litigation matters and all other (income) expenses, net.
- NY Medicaid Management Information System (NY MMIS). Costs associated with the company not fully completing the State of New York Health Enterprise platform project.
- Health Enterprise (HE charge). Cost associated with not fully completing the Health Enterprise Medical platform implementation projects in California and Montana.
- Gain on sale of asset (2017 only).

**Adjusted Operating Income and Operating Margin**

We make adjustments to Costs and Expenses and Operating Margin for the following items, for the purpose of calculating Adjusted Operating Income and Adjusted Operating Margin:

- Amortization of intangible assets. The amortization of intangible assets is driven by acquisition activity, which can vary in size, nature and timing as compared to other companies within our industry from period to period.
- Restructuring and related costs. Restructuring and related costs include restructuring and asset impairment charges as well as costs associated with our Strategic Transformation program.
- Separation costs. Separation costs are expenses incurred in connection with the separation from Xerox Corporation into a separate, independent, publicly traded company. These costs primarily relate to third-party investment banking, accounting, legal, consulting and other similar types of services related to the separation transaction as well as costs associated with the operational separation of the two companies.
- Interest expense. Interest expense includes interest on long-term debt and amortization of debt issuance costs.
- Related Party Interest. Interest payments to former parent.
- Other (income) expenses, net. Other (income) expenses, net includes losses (gains) on sales of business and assets, currency (gains) losses, net, litigation matters and all other (income) expenses, net.
- NY MMIS. Costs associated with the company not fully completing the State of New York Health Enterprise platform project.
- HE charge. Costs associated with not fully completing the Health Enterprise Medical platform implementation projects in California and Montana.
- Gain of sale of asset (2017 only).

**Adjusted EBITDA and EBITDA Margin**

We use Adjusted EBITDA as an additional way of assessing certain aspects of our operations that, when viewed with the GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, provide a more complete understanding of our on-going business. Adjusted EBITDA represents income (loss) before interest, income taxes, depreciation and amortization adjusted for the following items:

- Restructuring and related costs. Restructuring and related costs include restructuring and asset impairment charges as well as costs associated with our Strategic Transformation program.
- Separation costs. Separation costs are expenses incurred in connection with the separation from Xerox Corporation into a separate, independent, publicly traded company. These costs primarily relate to third-party investment banking, accounting, legal, consulting and other similar types of services related to the separation transaction as well as costs associated with the operational separation of the two companies.
- Other (income) expenses, net. Other (income) expenses, net includes losses (gains) on sales of business and assets, currency (gains) losses, net, litigation matters and all other (income) expenses, net.
- NY MMIS. Costs associated with the company not fully completing the State of New York Health Enterprise platform project.
- HE charge. Costs associated with not fully completing the Health Enterprise Medical platform implementation projects in California and Montana.
- Gain on sale of asset (2017 only).

Adjusted EBITDA is not intended to represent cash flows from operations, operating income (loss) or net income (loss) as defined by U.S. GAAP as indicators of operating performances. Management cautions that amounts presented in accordance with Conduent's definition of Adjusted EBITDA may not be comparable to similar measures disclosed by other companies because not all companies calculate Adjusted EBITDA in the same manner.

**Free Cash Flow**

Free Cash Flow is defined as cash flows from operating activities as reported on the consolidated statement of cash flows, less cost of additions to land, buildings and equipment, cost of additions to internal use software, capital lease additions and the gain on sale of an asset in 2017. We use the non-GAAP measure of Free Cash Flow as a criterion of liquidity and performance-based components of employee compensation. We use Free Cash Flow as a measure of liquidity to determine amounts we can reinvest in our core businesses, such as amounts available to make acquisitions, invest in land, buildings and equipment and internal use software, make principal payments on debt. In order to provide a meaningful basis for comparison, we are providing information with respect to our Free

Cash Flow reconciled to cash flow provided by operating activities, which we believe to be the most directly comparable measure under U.S. GAAP.

### Constant Currency

To better understand trends in our business, we believe that it is helpful to adjust revenue to exclude the impact of changes in the translation of foreign currencies into U.S. Dollars. We refer to this adjusted revenue as “constant currency.” Currency impact is the difference between actual growth rates and constant currency growth rates.

### Non-GAAP Outlook

In providing outlook for adjusted EBITDA we exclude certain items which are otherwise included in determining the comparable GAAP financial measure. A description of the adjustments which historically have been applicable in determining adjusted EBITDA are reflected in the table below. We are providing such outlook only on a non-GAAP basis because the Company is unable to predict with reasonable certainty the totality or ultimate outcome or occurrence of these adjustments for the forward-looking period, such as amortization, restructuring, separation costs, NY MMIS, HE charge, and certain other adjusted items, which can be dependent on future events that may not be reliably predicted. Based on past reported results, where one or more of these items have been applicable, such excluded items could be material, individually or in the aggregate, to reported results.

### Net Income (Loss) and EPS Reconciliation:

| | Three Months Ended June 30, 2017 | | Three Months Ended June 30, 2016 | |
|---|---|---|---|---|
| (in millions, except earnings per share) | Net Income (Loss) | EPS | Net Income (Loss) | EPS |
| **GAAP as Reported From Continuing Operations** | $ (4) | $ (0.03) | $ (10) | $ (0.05) |
| **Adjustments:** | | | | |
| Amortization of intangible assets | 61 | | 62 | |
| NY MMIS | 1 | | — | |
| Restructuring and related costs | 36 | | 23 | |
| Separation costs | 1 | | 16 | |
| (Gain) on sale of asset | (24) | | — | |
| Other (income) expenses, net | (10) | | (1) | |
| Less: Income tax adjustments[(1)] | (25) | | (27) | |
| **Adjusted Net Income (Loss) and EPS** | $ 36 | $ 0.16 | $ 63 | $ 0.30 |
| | | | | |
| (shares) | | | | |
| Weighted average common shares outstanding | | 204 | | 203 |
| Restricted stock and performance shares | | 3 | | 3 |
| 8% Convertible preferred stock | | — | | 5 |
| **Adjusted Weighted Average Shares Outstanding[(2)]** | | 207 | | 211 |

*(1) Reflects the income tax (expense) benefit of the adjustments. Refer to Effective Tax Rate reconciliation for details.*

*(2) Average shares for the 2017 calculation of adjusted EPS exclude 5 million shares associated with our Series A convertible preferred stock and includes the impact of the preferred stock quarterly dividend of $3 million for the three months ended June 30, 2017. Average shares for the 2016 calculation of adjusted EPS include 5 million shares associated with our Series A convertible preferred stock and excludes the impact of the preferred stock quarterly dividend.*

## Effective Tax Rate Reconciliation:

| | Three Months Ended June 30, 2017 | | | Three Months Ended June 30, 2016 | | |
|---|---|---|---|---|---|---|
| (in millions) | Pre-Tax Income (Loss) | Income Tax (Benefit) Expense | Effective Tax Rate | Pre-Tax Income (Loss) | Income Tax (Benefit) Expense | Effective Tax Rate |
| **GAAP as Reported From Continuing Operations** | $ (11) | $ (7) | (63.6)% | $ (34) | $ (24) | (70.6)% |
| Non-GAAP adjustments[1] | 65 | 25 | | 100 | 27 | |
| **Adjusted[2]** | $ 54 | $ 18 | 33.3 % | $ 66 | $ 3 | 4.5 % |

*(1) Refer to Net Income (Loss) reconciliation for details.*

*(2) The tax impact of Adjusted Pre-Tax Income (Loss) from continuing operations is calculated under the same accounting principles applied to the As Reported Pre-Tax Income under ASC 740, which employs an annual effective tax rate method to the results.*

## Operating Income / Margin Reconciliation:

| | Three Months Ended June 30, 2017 | | | Three Months Ended June 30, 2016 | | |
|---|---|---|---|---|---|---|
| (in millions) | Profit (Loss) | Revenue | Margin | Profit (Loss) | Revenue | Margin |
| **GAAP as Reported[1]** | $ (11) | $ 1,496 | (0.7)% | $ (34) | 1,613 | (2.1)% |
| **Adjustments:** | | | | | | |
| Amortization of intangible assets | 61 | | | 62 | | |
| NY MMIS | 1 | | | — | | |
| Restructuring and related costs | 36 | | | 23 | | |
| Separation costs | 1 | | | 16 | | |
| Interest expense | 34 | | | 1 | | |
| Related party interest | — | | | 10 | | |
| (Gain) on sale of asset | (24) | | | — | | |
| Other (income) expenses, net | (10) | | | (1) | — | |
| **Adjusted Operating Income/Margin** | $ 88 | $ 1,496 | 5.9 % | $ 77 | $ 1,613 | 4.8 % |

*(1) Pre-Tax Loss and revenue from continuing operations.*

## Adjusted EBITDA / Margin Reconciliation:

| (in millions) | Three Months Ended June 30, 2017 | Three Months Ended June 30, 2016 | Year Ended December 31, 2016 |
|---|---|---|---|
| **GAAP Revenue As Reported** | $ 1,496 | $ 1,613 | $ 6,408 |
| NY MMIS charge | — | — | 83 |
| **Adjusted Revenue** | $ 1,496 | $ 1,613 | $ 6,491 |
| Reconciliation to Adjusted EBITDA | | | |
| **GAAP Net Loss From Continuing Operations** | $ (4) | $ (10) | $ (983) |
| Interest expense | 34 | 1 | 14 |
| Related party interest | — | 10 | 26 |
| Income tax benefit | (7) | (24) | (244) |
| Depreciation | 34 | 29 | 128 |
| Amortization | 96 | 104 | 485 |
| **EBITDA** | $ 153 | $ 110 | $ (574) |
| *EBITDA Margin* | *10.2%* | *6.8%* | *(8.8)%* |
| **EBITDA** | $ 153 | $ 110 | $ (574) |
| Goodwill impairment | — | — | 935 |
| Restructuring and related costs | 36 | 23 | 101 |
| Separation costs | 1 | 16 | 44 |
| NY MMIS | 1 | — | 161 |
| NY MMIS depreciation | — | — | (52) |
| (Gain) on sale of asset | (24) | — | — |
| Other (income) expenses, net | (10) | (1) | 20 |
| **Adjusted EBITDA** | $ 157 | $ 148 | $ 635 |
| ***Adjusted EBITDA Margin*** | *10.5%* | *9.2%* | *9.8 %* |

## Free Cash Flow Reconciliation:

| (in millions) | Three Months Ended June 30, 2017 | Year Ended December 31, 2016 |
|---|---|---|
| Operating Cash Flow | $ 67 | $ 108 |
| Cost of additions to land, buildings & equipment | (20) | (149) |
| Cost of additions to internal use software | (7) | (39) |
| Proceeds on sale of asset | 33 | — |
| Vendor financed capital leases | (4) | (1) |
| **Free Cash Flow** | **$ 69** | **$ (81)** |

August 9, 2017

# Conduent
# Q2 2017 Earnings
# Results

# Cautionary Statements

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Forward-Looking Statements

This report contains "forward-looking statements" that involve risks and uncertainties. These statements can be identified by the fact that they do not relate strictly to historical or current facts, but rather are based on current expectations, estimates, assumptions and projections about the business process outsourcing industry and our business and financial results. Forward-looking statements often include words such as "anticipates," "estimates," "expects," "projects," "intends," "plans," "believes" and words and terms of similar substance in connection with discussions of future operating or financial performance. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Our actual results may vary materially from those expressed or implied in our forward-looking statements. Accordingly, undue reliance should not be placed on any forward-looking statement made by us or on our behalf. Important factors that could cause our actual results to differ materially from those in our forward-looking statements include, but are not limited to:

- termination rights contained in our government contracts;
- our ability to renew commercial and government contracts awarded through competitive bidding processes;
- our ability to recover capital and other investments in connection with our contracts;
- our ability to attract and retain necessary technical personnel and qualified subcontractors;
- our ability to deliver on our contractual obligations properly and on time;
- competitive pressures;
- our significant indebtedness;
- changes in interest in outsourced business process services;
- our ability to obtain adequate pricing for our services and to improve our cost structure;
- claims of infringement of third-party intellectual property rights;
- the failure to comply with laws relating to individually identifiable information, and personal health information and laws relating to processing certain financial transactions, including payment card transactions and debit or credit card transactions;
- breaches of our security systems and service interruptions;
- our ability to estimate the scope of work or the costs of performance in our contracts;
- our ability to collect our receivables for unbilled services;
- a decline in revenues from or a loss or failure of significant clients;
- fluctuations in our non-recurring revenue;
- our failure to maintain a satisfactory credit rating;
- our ability to attract and retain key employees;
- increases in the cost of telephone and data services or significant interruptions in such services;
- our failure to develop new service offerings;
- our ability to receive dividends or other payments from our subsidiaries;
- changes in tax and other laws and regulations;
- changes in government regulation and economic, strategic, political and social conditions;
- changes in U.S. GAAP or other applicable accounting policies; 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 Annual Report on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission.

We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. Any forward-looking statements made by us in this presentation speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

**Non-GAAP Financial Measures**

We have reported our financial results in accordance with U.S. generally accepted accounting principles (GAAP). In addition, we have discussed our financial results using non-GAAP measures. We believe these non-GAAP measures allow investors to better understand the trends in our business and to better understand and compare our results. Accordingly, we believe it is necessary to adjust several reported amounts, determined in accordance with GAAP, to exclude the effects of certain items as well as their related tax effects. Management believes that these non-GAAP financial measures provide an additional means of analyzing the current periods' results against the corresponding prior periods' results. However, these non-GAAP financial measures should be viewed in addition to, and not as a substitute for, the Company's reported results prepared in accordance with U.S. GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable U.S. GAAP measures and should be read only in conjunction with our Condensed Consolidated Financial Statements prepared in accordance with U.S. GAAP. Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions, and providing such non-GAAP financial measures to investors allows for a further level of transparency as to how management reviews and evaluates our business results and trends. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. Compensation of our executives is based in part on the performance of our business based on these non-GAAP measures. Non-GAAP measures are footnoted, where applicable, in each slide herein.

# Q2 2017 Overview

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### Key Highlights

- Solid Q2 results; reaffirming FY2017 guidance
- Strong new business signings
- Strategic transformation on track; additional Q2 actions expected to yield results in H2
- Focus on Other segment has led to improved performance
- Making progress in Commercial, but must continue executing on 2017 plan
- Strong cash flow from operations and free cash flow driven by operational discipline
- Strategic portfolio review underway

#### Revenue

$1,496M, down 4% qtr/qtr and down 7% yr/yr as reported and in constant currency[1]

- *~40% of qtr/qtr and ~50% of yr/yr decline due to strategic decisions*

#### Profitability

Adjusted operating margin[2] 5.9%, up 110 bps yr/yr

GAAP EPS ($0.03)

Adjusted EPS[2] $0.16

#### Adjusted EBITDA[2]

$157M, grew 6% yr/yr

Adjusted EBITDA margin[2] 10.5%, up 130 bps yr/yr

[1] Constant currency based on foreign exchange rates as of the prior-year period
[2] Please refer to Appendix for Non-GAAP reconciliations of adjusted operating income/margin, adjusted EBITDA/margin and adjusted EPS

# Segment Summary

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**Commercial**

- Revenue down 7% yr/yr as expected
- Margin flat versus prior year period as revenue decline offset transformation savings
- Revenue productivity ~$50K per employee, down ~2% vs. Q4 2016
- **ARR signings** $98M, up 12% yr/yr
- **NRR signings** $44M, down 29% yr/yr
- **New business TCV** $352M, down 1% yr/yr; **Total TCV** $794M, down 56% yr/yr

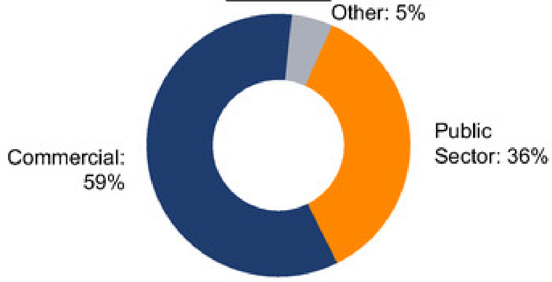
**Public Sector**

- Revenue down 7% yr/yr as expected
- Margin decline yr/yr driven by revenue pressure and dis-synergies
- Revenue productivity ~$224K per employee, up ~1% vs. Q4 2016
- **ARR signings** $32M, up 31% yr/yr
- **NRR signings** $64M, down 17% yr/yr
- **New business TCV** $305M, up 77% yr/yr; **Total TCV** $449M, up 21% yr/yr

**Other**

- Revenue trends as expected
- Aggressively driving profit improvement

**Percentage of Q2 2017 Revenue**



# Strategic Transformation

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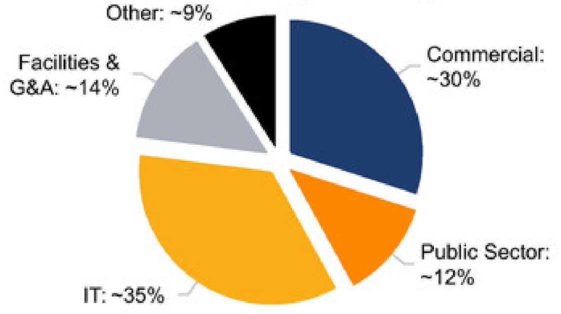
**Progress and Outlook**

- Gaining momentum across the board; expect to achieve 2017 target
- Solid pipeline of cost initiatives provides comfort in expected 2017-2018 savings targets
- Significant progress in IT, finance, real estate and HR
- Customer Experience turnaround slower than anticipated due to legacy model and contractual difficulties

| *($ in millions)* | **Expected Savings** |
|---|---|
| FY 2017 Cumulative | ~$430 |
| FY 2018 Cumulative | ~$700 |

**Sources of Expected Transformation Savings Through FY 2018**



# Operational Focus

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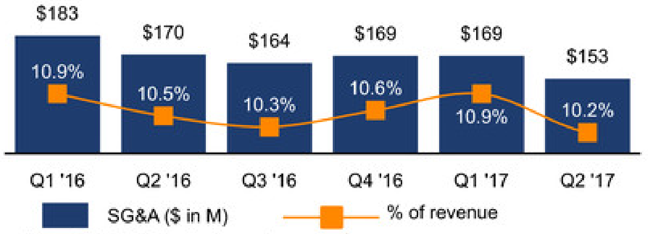
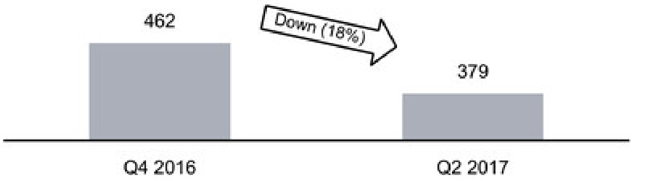
### Selling, General & Administrative (SG&A) Trends

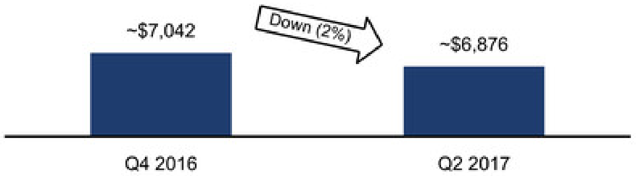



Note: Q4 2016 % of adjusted revenue[1]

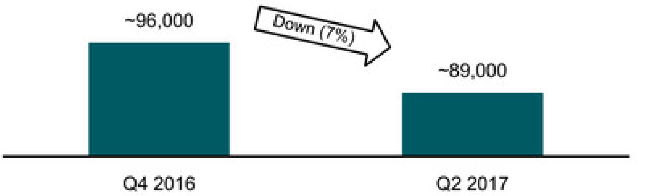
### Real Estate Locations




### SG&A (Annualized) per Employee




### Total Headcount




[1]Please refer to Appendix for non-GAAP reconciliations of adjusted revenue

# Signings and Renewal Rate

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**$1,244M**

**Total Contract Value (TCV) Signings**

- Total TCV up 34% qtr/qtr and down 42% yr/yr
- New Business: $657M, up 24% qtr/qtr and 25% yr/yr, reflects strong momentum in ARR and longer duration
- Renewals: $587M, impacted by lower overall renewal opportunities

**89%**

**Renewal Rate**

- Reflects opportunities of acceptable margin and risk
- Continued focus on improving quality of revenue
- Strong account management and building deeper client relationships
- Key renewals in Payer, BICM and HTIR

**$130M**

**Annual Recurring Revenue (ARR) Signings**

- Continued momentum, up 16% yr/yr led by wins in BICM, HTIR, State & Local, Provider and Pharma & Life Sciences
- Key new wins in Public Sector (E-Tolling and State & Local) and Commercial (BICM and Payer)

**$109M**

**Non-Recurring Revenue (NRR) Signings**

- Up 18% qtr/qtr driven by wins in HTIR, BICM, Federal and State & Local

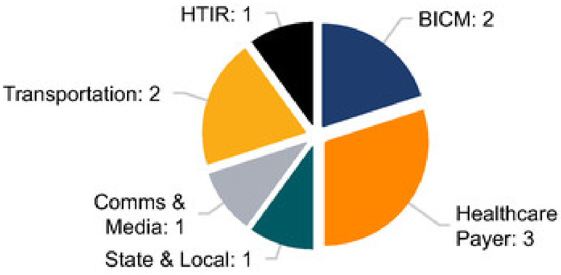
# Pipeline, Sales and Key Wins

**Pipeline:**
- Rolling 12-month pipeline over $16B, up 29% yr/yr
  - During H1 added over $9B
- Quality of pipeline has improved given increased sales efforts, verticalization of go-to-market strategy and improved reporting discipline

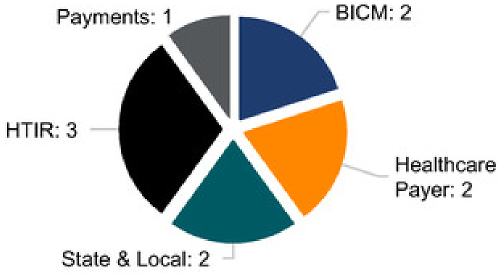
**Sales:**
- Headcount relatively unchanged qtr/qtr
- New hires offset by churn

**Platform Investments:**
- Technology refresh progressing
- Healthy patent portfolio and new patent granted for facial recognition technology
- Focusing on customized industry solutions
- Investing in key platforms: Juvo (Midas+), Vector, Life@Work and HRS solutions

**Top 10 New Business Wins**



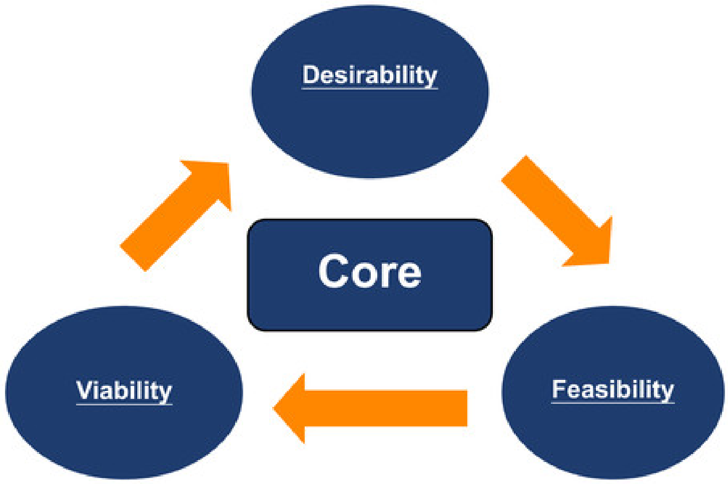

**Top 10 Renewal Wins**



# Portfolio Review

### Core vs. Non-Core Update

- Completed sale of Global Mobility business in July
  - ~$13M annual revenue, negative (~15%) operating margin
  - No impact to 2017 guidance
- Currently $250 to $500M of revenue under review for divestiture
  - Will update guidance as appropriate
- Addressing long-tail through run-off
  - Assumed in guidance



# Financials

# Q2 2017 Earnings

| *(in millions)* | Q2 2016 | Q2 2017 | B/(W) Yr/Yr | Comments |
|---|---|---|---|---|
| Revenue | $1,613 | $1,496 | ($117) | Portfolio actions, business run-off and contract losses |
| Gross margin | *15.8%* | *16.2%* | *40 bps* | Strategic transformation |
| SG&A | 170 | 153 | $17 | |
| **Adjusted operating income[1]** | **77** | **88** | **$11** | |
| *Adjusted operating margin[1]* | ***4.8%*** | ***5.9%*** | ***110 bps*** | |
| **Adjusted EBITDA[1]** | **$148** | **$157** | **$9** | |
| *Adjusted EBITDA margin[1]* | ***9.2%*** | ***10.5%*** | ***130 bps*** | |
| Amortization of intangible assets | 62 | 61 | 1 | |
| Restructuring and related costs | 23 | 36 | (13) | Facility closures and employee actions |
| Interest expense[2] | 11 | 34 | (23) | |
| Separation costs | 16 | 1 | 15 | |
| (Gain) on sale of asset | — | (24) | 24 | Dallas site sale |
| Other net expense (income) | (1) | (10) | 9 | Favorable legal settlement |
| **Pretax loss** | **(34)** | **(11)** | 23 | |
| GAAP tax (benefit) rate | (70.6%) | (63.6%) | | |
| **GAAP net loss** | **($10)** | **($4)** | **$6** | |
| **GAAP EPS loss from continuing operations** | **($0.05)** | **($0.03)** | **$0.02** | |
| Adjusted net income[1] | $63 | $36 | ($27) | |
| Adjusted tax rate[1] | 4.5% | 33.3% | | Prior year period tax reserve release |
| **Adjusted EPS[1]** | **$0.30** | **$0.16** | **($0.14)** | |

[1]Please refer to Appendix for Non-GAAP reconciliations of adjusted operating income/margin, adjusted EBITDA/margin, adjusted tax rate, adjusted net income and adjusted EPS
[2]Q2 2016 Interest expense includes $10M in Related-party interest

# Commercial Segment

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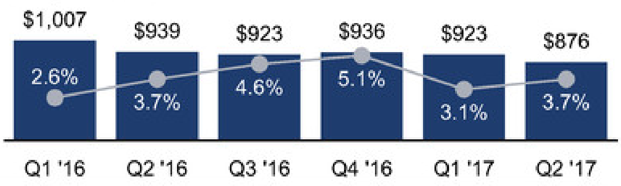
**Segment Highlights**

- Revenue decline includes impact from strategic exits, lost business and volume headwinds
- Strategic transformation savings offset by Customer Experience performance, revenue decline, investments and dis-synergies

| *($ in millions)* | Q2 '16 | Q2 '17 | Yr/Yr |
|---|---|---|---|
| Revenue | $939 | $876 | (7%) |
| Segment Profit | $35 | $32 | (9%) |
| *Segment Margin %* | 3.7% | 3.7% | 0 bps |
| Segment AEBITDA[1] | $76 | $75 | (1%) |
| *Segment AEBITDA Margin[1] %* | 8.1% | 8.6% | 50 bps |

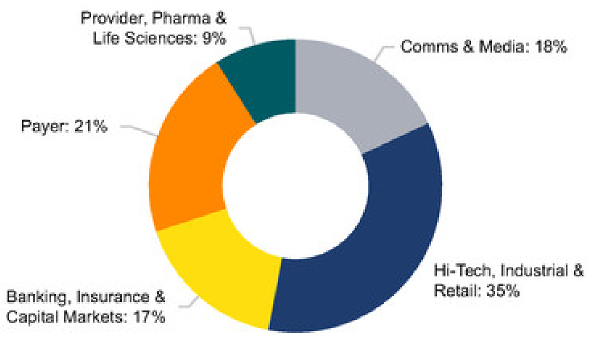
**Quarterly Revenue and Profit**




| | | | | | | |
|---|---|---|---|---|---|---|
| Segment Profit | $26 | $35 | $42 | $48 | $29 | $32 |
| AEBITDA[1] | $71 | $76 | $85 | $81 | $70 | $75 |

Revenue ($ in M) — % Segment Margin

**Revenue By Vertical (% of segment total)**




[1]Please refer to Appendix for Non-GAAP reconciliations of adjusted EBITDA /margin

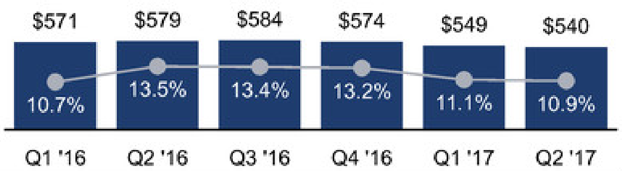
# Public Sector Segment

CONDUENT

### Segment Highlights

- Revenue headwinds as expected due to prior year contract losses in Government Healthcare, State & Local and Payments
- Transportation revenue flat yr/yr as new business ramp was offset by volume and price declines
- Segment profit pressure driven by revenue decline as well as investments and dis-synergies

**Quarterly Revenue and Profit**

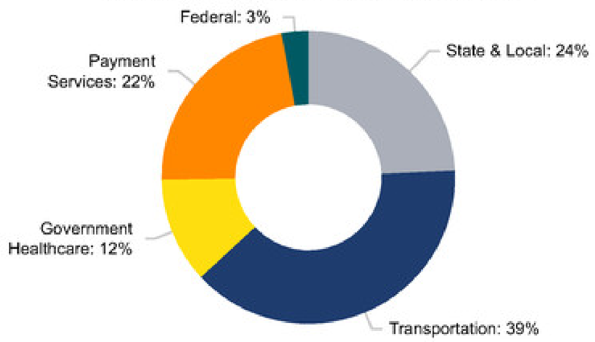



| | Q1 '16 | Q2 '16 | Q3 '16 | Q4 '16 | Q1 '17 | Q2 '17 |
|---|---|---|---|---|---|---|
| Segment Profit | $61 | $78 | $78 | $76 | $61 | $59 |
| AEBITDA[1] | $86 | $104 | $103 | $102 | $82 | $83 |

Revenue ($ in M) — % Segment Margin

| *($ in millions)* | Q2 '16 | Q2 '17 | Yr/Yr |
|---|---|---|---|
| Revenue | $579 | $540 | (7%) |
| Segment Profit | $78 | $59 | (24%) |
| *Segment Profit Margin %* | 13.5% | 10.9% | (260 bps) |
| Segment AEBITDA[1] | $104 | $83 | (20%) |
| *Segment AEBITDA Margin[1] %* | 18.0% | 15.4% | (260 bps) |

**Revenue By Business (% of segment total)**




[1]Please refer to Appendix for Non-GAAP reconciliations of adjusted EBITDA /margin

# Other Segment

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**Segment Highlights**

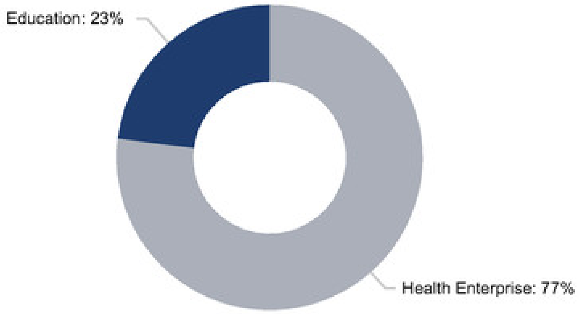
- Revenue down 16% yr/yr as we reduce exposure in Education and Health Enterprise
- Yr/Yr profit improvement largely driven by prior year remediation work in Education and improved Health Enterprise results

| *($ in millions)* | **Q2 '16** | **Q2 '17** | **Yr/Yr** |
|---|---|---|---|
| Revenue | $95 | $80 | (16%) |
| Segment Loss[1] | ($36) | ($3) | NM |
| *Segment Margin %* | (37.9%) | (3.8%) | NM |
| *Segment AEBITDA[1]* | ($32) | ($1) | NM |
| *Segment AEBITDA Margin[1] %* | (33.7%) | (1.3%) | NM |

**Quarterly Revenue and Profit**


| | Q1 '16 | Q2 '16 | Q3 '16 | Q4 '16 | Q1 '17 | Q2 '17 |
|---|---|---|---|---|---|---|
| Segment Loss[1] | ($16) | ($36) | ($23) | ($12) | ($1) | ($3) |
| AEBITDA[1] | ($11) | ($32) | ($19) | ($8) | $1 | ($1) |

**Revenue By Vertical (% of segment total)**




[1]Please refer to Appendix for Non-GAAP reconciliations of adjusted revenue, adjusted EBITDA/margin and adjusted operating income/margin

# Cash Flow

CONDUENT

| (in millions) | Q2 2016 | Q2 2017 |
|---|---|---|
| **Net loss** | **($10)** | **($4)** |
| Depreciation & amortization | 134 | 130 |
| Stock-based compensation | 6 | 12 |
| Restructuring payments | (13) | (13) |
| Restructuring and related costs | 20 | 34 |
| Change for income tax assets and liabilities | (51) | 7 |
| Change in accounts receivable | 28 | 41 |
| Change in other net working capital | (195) | (86) |
| Other[1] | 20 | (54) |
| **Operating Cash Flow** | **($61)** | **$67** |
| Purchase of LB&E[2] and other | (36) | (27) |
| Proceeds from sales of LB&E | — | 33 |
| Net proceeds from investments, net of adjustments | 3 | — |
| Net payments on related party notes receivable | 3 | — |
| Other investing | (1) | — |
| **Investing Cash Flow** | **($31)** | **$6** |
| **Cash from Financing** | **$110** | **($19)** |
| Effect of exchange rates on cash and cash equivalents | (1) | — |
| Beginning cash and cash equivalents | 143 | 255 |
| Change in cash and cash equivalents | 17 | 54 |
| **Ending Cash and Cash Equivalents** | **$160** | **$309** |
| | | |
| **Memo: Free Cash Flow[3]** | **($97)** | **$69** |

**Q2 2017 Commentary:**

- Better than expected cash flow driven by improved working capital management and operational focus
- Proceeds from gain on sale of asset (Dallas) resulted in $33M cash
- Expect to meet full-year 2017 free cash flow guidance

[1]Includes deferred tax expense, gain (loss) investments, amortization of financing costs, contributions to defined benefit pension plans, and Other operating, net
[2]Includes cost of additions to land, building and equipment (LB&E) and internal use software
[3]Free cash flow is defined as operating cash flow less cost of net additions to land, building and equipment and internal use software as well as cost of capital lease initiations of $4M for Q2 2017.

# Capital Structure Overview

CONDUENT

## Debt Structure ($ in millions)

| | 3/31/2017 | 6/30/2017 |
|---|---|---|
| **Cash** | **$255** | **$309** |
| **Total Debt**[1] | **2,121** | **2,130** |
| Term Loan A[2, 5] due 2021 | 699 | 719* |
| Term Loan B[2] due 2023 | 848 | 846 |
| 10.5% Senior Notes due 2024 | 510 | 510 |
| Revolving Credit Facility[3] due 2021 | 70 | 70 |
| Capital Leases | 48 | 46 |
| **Current net leverage ratio**[4] | 2.9x | 2.8x |

*Reflects appreciation of the EUR; there was no incremental borrowing on the Term Loan A in Q2 2017

## Credit Metrics / Statistics

| | |
|---|---|
| **Expected annual interest expense** | **~$140M** |
| *Preferred dividend (annually)* | *~$10M* |
| Target net leverage ratio | <2.5x |
| Average remaining maturity on outstanding debt | ~6 years |

### Key Messages

- Cash balance up over $50M qtr/qtr
- No additional use of revolver in the quarter
- Still targeting to reduce leverage ratio over time with Adjusted EBITDA[6] growth and required debt payments

[1] Total debt excludes deferred financing costs
[2] Revolving credit facility and Term Loan A interest rate is Libor + 225 bps; Term Loan B is Libor + 400 bps effective April 7, 2017
[3] $663M of available capacity under Revolving Credit Facility as of 6/30/2017
[4] Net debt (total debt less cash) divided by TTM adjusted EBITDA
[5] Includes initial EUR 260M borrowing converted at end of quarter exchange rates
[6] Please refer to Appendix for Non-GAAP reconciliations of adjusted operating income/margin, adjusted EBITDA/margin, adjusted tax rate, adjusted net income and adjusted EPS

# Reaffirmed 2017 Guidance

CONDUENT

| | FY 2016 | FY 2017E |
|---|---|---|
| **Revenue** | $6,408M | Down 4.5-6.5% (CC[1]) |
| **Adjusted EBITDA[2]** | $635M | Up 5-6% |
| **Free Cash Flow** | ($81M) | 20-30% of Adj. EBITDA[2] |

[1] Constant currency based on foreign exchange rates as of the prior-year period
[2] Please refer to Appendix "Non-GAAP Outlook" for certain non-GAAP information concerning outlook

# Q&A

# Appendix

# Signings & Renewal Rate

CONDUENT

| ($ in millions) | Q1' 16 | Q2' 16 | Q3' 16 | Q4' 16 | Q1' 17 | Q2' 17 |
|---|---|---|---|---|---|---|
| **Total Contract Value** | **$1,488** | **$2,158** | **$1,546** | **$1,660** | **$931** | **$1,244** |
| *New Business* | *643* | *527* | *633* | *724* | *530* | *657* |
| *Renewals* | *845* | *1,631* | *913* | *936* | *401* | *587* |
| **Annual Recurring Revenue Signings** | **$129** | **$112** | **$166** | **$182** | **$143** | **$130** |
| **Non-Recurring Revenue Signings** | **$83** | **$140** | **$104** | **$111** | **$92** | **$109** |
| **Renewal rate** | **89%** | **88%** | **89%** | **85%** | **92%** | **89%** |
| Renewal rate (previous methodology) | 89% | 84% | 83% | 82% | 80% | 76% |

# 2017 Modeling Considerations

CONDUENT

| | Commentary |
|---|---|
| Seasonality | Revenue Q3/Q4 weighted given vertical exposure (Healthcare, Retail) |
| D&A (excl. amortization of intangibles) | Modest sequential increases in Q3 and Q4 |
| Profitability | Q3/Q4 weighted given seasonality and cost initiatives |
| Restructuring costs | Still expecting ~$75M for the full year |
| Interest Expense | ~$70M for H2; ~$140M for the full year |
| Cash Flow | H2 weighted; 2017 FCF guidance unchanged |
| Capex | ~2.0% for the full year given lower-than-expected spend YTD |
| Other segment | Still expect break-even in 2018; results may be uneven |
| Long-term targets | Unchanged from December 5, 2016 Investor event |

# Definitions

CONDUENT

**H1** = First six months of the year
**H2** = Second six months of the year

**BICM** = Banking, Insurance & Capital Markets
**HTIR** = High-Tech, Industrial & Retail

**TCV** = Total contract value
**ARR** = Annual recurring revenue
**NRR** = Non-recurring revenue
**New Business TCV** = Annual recurring revenue signings multiplied by the contract term plus non-recurring revenue signings

**Renewal Rate** = Annual recurring revenue (ARR) on contracts that are renewed during the period as a percentage of ARR on all contracts for which a renewal decision was made during the period (excluding contracts for which a strategic decision to not renew was made based on risk or profitability).

**Revenue productivity** = Calculated as trailing-twelve months (TTM) revenue / average quarter-end headcount for last four quarters. Segment calculation excludes corporate headcount.

# Non-GAAP Financial Measures

CONDUENT

**Non-GAAP Financial Measures**

We have reported our financial results in accordance with U.S. generally accepted accounting principles (GAAP). In addition, we have discussed our financial results using the non-GAAP measures. We believe these non-GAAP measures allow investors to better understand the trends in our business and to better understand and compare our results. Accordingly, we believe it is necessary to adjust several reported amounts, determined in accordance with U.S. GAAP, to exclude the effects of certain items as well as their related tax effects. Management believes that these non-GAAP financial measures provide an additional means of analyzing the current periods' results against the corresponding prior periods' results. However, these non-GAAP financial measures should be viewed in addition to, and not as a substitute for, the Company's reported results prepared in accordance with U.S. GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable U.S. GAAP measures and should be read only in conjunction with our Condensed Consolidated Financial Statements prepared in accordance with U.S. GAAP. Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions, and providing such non-GAAP financial measures to investors allows for a further level of transparency as to how management reviews and evaluates our business results and trends. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. Compensation of our executives is based in part on the performance of our business based on these non-GAAP measures.

A reconciliation of the following non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP are provided below.

These reconciliations also include the income tax effects for our non-GAAP performance measures in total, to the extent applicable. The income tax effects are calculated under the same accounting principles as applied to our reported pre-tax performance measures under ASC 740, which employs an annual effective tax rate method. The noted income tax effect for our non-GAAP performance measures is effectively the difference in income taxes for reported and adjusted pre-tax income calculated under the annual effective tax rate method. The tax effect of the non-GAAP adjustments was calculated based upon evaluation of the statutory tax treatment and the applicable statutory tax rate in the jurisdictions in which such charges were incurred.

**Adjusted Net Income (Loss), Adjusted Earnings per Share and Adjusted Effective Tax Rate.**

We make adjustments to Income (Loss) before Income Taxes for the following items, for the purpose of calculating Adjusted Net Income (Loss), Adjusted Earnings per Share and Adjusted Effective Tax Rate:

- Amortization of intangible assets. The amortization of intangible assets is driven by acquisition activity, which can vary in size, nature and timing as compared to other companies within our industry from period to period.
- Restructuring and related costs. Restructuring and related costs include restructuring and asset impairment charges as well as costs associated with our strategic transformation program.
- Separation costs. Separation costs are expenses incurred in connection with the separation from Xerox Corporation into a separate, independent, publicly traded company. These costs primarily relate to third-party investment banking, accounting, legal, consulting and other similar types of services related to the separation transaction, as well as costs associated with the operational separation of the two companies.
- Other (income) expenses net. Other (income) expenses, net includes losses (gains) on sales of business and assets, currency (gains) losses, net, litigation matters and all other (income) expenses, net.
- NY Medicaid Management Information System (NY MMIS) costs associated with the company not fully completing the State of New York Health Enterprise platform project.
- Health Enterprise (HE charge) associated with not fully completing the Health Enterprise Medical platform implementation projects in California and Montana.
- Gain on sale of asset (2017 only).

**Adjusted Operating Income and Operating Margin.**

We make adjustments to Costs and Expenses and Margin for the following items (as defined above), for the purpose of calculating Adjusted Operating Income and Adjusted Operating Margin:

- Amortization of intangible assets. The amortization of intangible assets is driven by acquisition activity, which can vary in size, nature and timing as compared to other companies within our industry from period to period.
- Restructuring and related costs. Restructuring and related costs include restructuring and asset impairment charges as well as costs associated with our strategic transformation program.
- Separation costs. Separation costs are expenses incurred in connection with the separation from Xerox Corporation into a separate, independent, publicly traded company. These costs primarily relate to third-party investment banking, accounting, legal, consulting and other similar types of services related to the separation transaction, as well as costs associated with the operational separation of the two companies.
- Interest expense. Interest expense includes interest on long-term debt and amortization of debt issuance costs.
- Related Party Interest. Interest payments to former parent.
- Other (income) expenses, net. Other (income) expenses, net includes losses (gains) on sales of business and assets, currency (gains) losses, net, litigation matters and all other (income) expenses, net.
- NY MMIS. Costs associated with the company not fully completing the State of New York Health Enterprise platform project.
- HE charge. Costs associated with not fully completing the Health Enterprise Medical platform implementation projects in California and Montana.
- Gain on sale of asset (2017 only).

# Non-GAAP Financial Measures

CONDUENT

**Adjusted EBITDA and EBITDA Margin**
We use Adjusted EBITDA as an additional way of assessing certain aspects of our operations that, when viewed with the U.S. GAAP results and the accompanying reconciliations to corresponding U.S. GAAP financial measures, provide a more complete understanding of our on-going business. We also use Adjusted EBITDA to provide additional information that is useful to understand the financial covenants contained in the Company's credit facility and indenture. Adjusted EBITDA represents Income (loss) before Interest, Income Taxes, Depreciation and Amortization adjusted for the following items (which are defined above):

- Goodwill impairment charge. During the fourth quarter 2016, we performed our annual goodwill impairment test which resulted in a non-cash impairment charge of $935 million in our Commercial Industries reporting unit.
- Restructuring and related costs. Restructuring and related costs include restructuring and asset impairment charges as well as costs associated with our strategic transformation program.
- Separation costs. Separation costs are expenses incurred in connection with the separation from Xerox Corporation into a separate, independent, publicly traded company. These costs primarily relate to third-party investment banking, accounting, legal, consulting and other similar types of services related to the separation transaction, as well as costs associated with the operational separation of the two companies.
- Other (income) expenses, net. Other (income) expenses, net includes losses (gains) on sales of business and assets, currency (gains) losses, net, litigation matters and all other (income) expenses, net.
- NY MMIS / NY MMIS Depreciation. Costs associated with the company not fully completing the State of New York Health Enterprise platform project.
- HE charge. Costs associated with not fully completing the Health Enterprise Medical platform implementation projects in California and Montana.
- Gain on sale of asset (2017 only).

Adjusted EBITDA is not intended to represent cash flows from operations, operating income (loss) or net income (loss) as defined by U.S. GAAP as indicators of operating performance. Management cautions that amounts presented in accordance with Conduent's definition of Adjusted EBITDA may not be comparable to similar measures disclosed by other companies because not all companies calculate Adjusted EBITDA in the same manner.

**Adjusted Other Segment Revenue and Profit**

We adjusted Other Segment revenue, profit and margin for the NY MMIS and HE charges.

**Free Cash Flow**
Free Cash Flow is defined as cash flows from operating activities as reported on the consolidated statement of cash flows, less cost of additions to land, buildings and equipment, cost of additions to internal use software, capital lease additions and the gain on sale of an asset in 2017. We use the non-GAAP measure of Free Cash Flow as a criterion of liquidity and performance-based components of employee compensation. We use Free Cash Flow as a measure of liquidity to determine amounts we can reinvest in our core businesses, such as amounts available to make acquisitions, invest in land, buildings and equipment and internal use software, make principal payments on debt. In order to provide a meaningful basis for comparison, we are providing information with respect to our Free Cash Flow reconciled to cash flow provided by operating activities, which we believe to be the most directly comparable measure under U.S. GAAP.

**Constant Currency**
To better understand trends in our business, we believe that it is helpful to adjust revenue to exclude the impact of changes in the translation of foreign currencies into U.S. Dollars. We refer to this adjusted revenue as "constant currency." Currency impact can be determined as the difference between actual growth rates and constant currency growth rates. This currency impact is calculated by translating the current period activity in local currency using the comparable prior-year period's currency translation rate.

**Non-GAAP Outlook**
In providing outlook for adjusted EBITDA we exclude certain items which are otherwise included in determining the comparable GAAP financial measure. A description of the adjustments which historically have been applicable in determining adjusted EBITDA are reflected in the table below. We are providing such outlook only on a non-GAAP basis because the Company is unable to predict with reasonable certainty the totality or ultimate outcome or occurrence of these adjustments for the forward-looking period, such as amortization, restructuring, separation costs, NY MMIS, HE charge, and certain other adjusted items, which can be dependent on future events that may not be reliably predicted. Based on past reported results, where one or more of these items have been applicable, such excluded items could be material, individually or in the aggregate, to reported results.

# Non-GAAP Reconciliation: Net Income (Loss) & EPS

CONDUENT

| | Three Months Ended June 30, 2017 | | Three Months Ended June 30, 2016 | |
|---|---|---|---|---|
| (in millions, except EPS) | Net Income (Loss) | EPS | Net Income (Loss) | EPS |
| **GAAP as Reported From Continuing Operations** | $ (4) | $ (0.03) | $ (10) | $ (0.05) |
| **Adjustments:** | | | | |
| Amortization of intangible assets | 61 | | 62 | |
| NY MMIS | 1 | | — | |
| Restructuring and related costs | 36 | | 23 | |
| Separation costs | 1 | | 16 | |
| (Gain) on sale of asset | (24) | | — | |
| Other (income) expenses, net | (10) | | (1) | |
| Less: Income tax adjustments(1) | (25) | | (27) | |
| **Adjusted Net Income (Loss) and EPS** | $ 36 | $ 0.16 | $ 63 | $ 0.30 |
| (shares) | | | | |
| Weighted average common shares | | 204 | | 203 |
| Restricted stock and performance | | 3 | | 3 |
| 8% Convertible preferred stock | | — | | 5 |
| **Adjusted Weighted Average Shares Outstanding(2)** | | 207 | | 211 |

*(1) Reflects the income tax (expense) benefit of the adjustments. Refer to the Effective Tax Rate reconciliation details.*

*(2) Average shares for the 2017 calculation of adjusted EPS exclude 5 million shares associated with our Series A convertible preferred stock and includes the impact of the preferred stock quarterly dividend of $3 million for the three months ended June 30, 2017. Average shares for the 2016 calculation of adjusted EPS include 5 million shares associated with our Series A convertible preferred stock and excludes the impact of the preferred stock quarterly dividend.*

# Non-GAAP Reconciliation: Effective Tax Rate

| (in millions) | Three Months Ended June 30, 2017 Pre-Tax Income (Loss) | Three Months Ended June 30, 2017 Income Tax (Benefit) Expense | Three Months Ended June 30, 2017 Effective Tax Rate | Three Months Ended June 30, 2016 Pre-Tax Income (Loss) | Three Months Ended June 30, 2016 Income Tax (Benefit) Expense | Three Months Ended June 30, 2016 Effective Tax Rate |
|---|---|---|---|---|---|---|
| **GAAP as Reported From Continuing Operations** | $ (11) | $ (7) | (63.6)% | $ (34) | $ (24) | (70.6)% |
| Non-GAAP adjustments[1] | 65 | 25 | | 100 | 27 | |
| **Adjusted[2]** | $ 54 | $ 18 | 33.3% | $ 66 | $ 3 | 4.5% |

*(1) Refer to Net Income (Loss) reconciliation for details.*

*(2) The tax impact of Adjusted Pre-Tax Income (Loss) from continuing operations is calculated under the same accounting principles applied to the As Reported Pre-Tax Income under ASC 740, which employs an annual effective tax rate method to the results.*

# Non-GAAP Reconciliation: Operating Income / Margin

CONDUENT

| (in millions) | | Q2 2017 | | Q1 2017 | | Q4 2016 | | Q3 2016 | | Q2 2016 | | Q1 2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GAAP Revenue From Continuing Operations | $ | 1,496 | $ | 1,553 | $ | 1,514 | $ | 1,596 | $ | 1,613 | $ | 1,685 |
| GAAP Pre-tax (Loss) Income From Continuing Operations | | (11) | | (22) | | (1,141) | | 2 | | (34) | | (54) |
| *GAAP Operating Margin As Reported* | | *(0.7)%* | | *(1.4)%* | | *(75.4)%* | | *0.1%* | | *(2.1)%* | | *(3.2)%* |
| | | | | | | | | | | | | |
| **GAAP Revenue From Continuing Operations** | $ | 1,496 | $ | 1,553 | $ | 1,514 | $ | 1,596 | $ | 1,613 | $ | 1,685 |
| NY MMIS adjustment | | — | | — | | 83 | | — | | — | | — |
| **Adjusted Revenue** | $ | 1,496 | $ | 1,553 | $ | 1,597 | $ | 1,596 | $ | 1,613 | $ | 1,685 |
| | | | | | | | | | | | | |
| **GAAP Pre-tax (Loss) Income From Continuing Operations** | $ | (11) | $ | (22) | $ | (1,141) | $ | 2 | $ | (34) | $ | (54) |
| Adjustments: | | | | | | | | | | | | |
| Goodwill impairment | | — | | — | | 935 | | — | | — | | — |
| Amortization of intangible assets | | 61 | | 61 | | 80 | | 63 | | 62 | | 75 |
| NY MMIS | | 1 | | 8 | | 161 | | — | | — | | — |
| Restructuring and related costs | | 36 | | 18 | | 44 | | 8 | | 23 | | 26 |
| HE charge | | — | | (5) | | — | | — | | — | | — |
| Separation costs | | 1 | | 5 | | 10 | | 15 | | 16 | | 3 |
| Interest expense | | 34 | | 36 | | 11 | | 1 | | 1 | | 1 |
| Related party interest | | — | | — | | (4) | | 10 | | 10 | | 10 |
| Gain on sale of asset | | (24) | | — | | — | | — | | — | | — |
| Other (income) expenses, net | | (10) | | (12) | | 13 | | (2) | | (1) | | 10 |
| ***Adjusted Operating Income/Margin*** | *$* | *88* | *$* | *89* | *$* | *109* | *$* | *97* | *$* | *77* | *$* | *71* |
| *Adjusted Operating Margin* | | 5.9 % | | 5.7 % | | 6.8 % | | 6.1% | | 4.8 % | | 4.2 % |

*(1) Pre-Tax Loss and revenue from continuing operations.*

# Non-GAAP Reconciliation: Adjusted EBITDA

CONDUENT

| (in millions) | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Full Year 2016 |
|---|---|---|---|---|---|---|---|
| Reconciliation to Adjusted Revenue | | | | | | | |
| **GAAP Revenue From Continuing Operations** | $ 1,496 | $ 1,553 | $ 1,514 | $ 1,596 | $ 1,613 | $ 1,685 | $ 6,408 |
| NY MMIS adjustment | — | — | 83 | — | — | — | — |
| **Adjusted Revenue** | $ 1,496 | $ 1,553 | $ 1,597 | $ 1,596 | $ 1,613 | $ 1,685 | $ 6,491 |
| Reconciliation to Adjusted EBITDA | | | | | | | |
| **GAAP Net (Loss) Income As Reported From Continuing Operations** | $ (4) | $ (10) | $ (951) | $ 1 | $ (10) | $ (23) | $ (983) |
| Interest expense | 34 | 36 | 11 | 1 | 1 | 1 | 14 |
| Related party interest | — | — | (4) | 10 | 10 | 10 | 26 |
| Income tax (benefit) expense | (7) | (12) | (190) | 1 | (24) | (31) | (244) |
| Depreciation | 34 | 31 | 36 | 31 | 29 | 32 | 128 |
| Amortization | 96 | 94 | 159 | 104 | 104 | 118 | 485 |
| **EBITDA** | $ 153 | $ 139 | $ (939) | $ 148 | $ 110 | $ 107 | $ (574) |
| *EBITDA Margin* | *10.2%* | *9.0%* | *(62.0)%* | *9.3%* | *6.8%* | *6.4%* | *(8.8)%* |
| **EBITDA** | $ 153 | $ 139 | $ (939) | $ 148 | $ 110 | $ 107 | $ (574) |
| Adjustments: | | | | | | | |
| Goodwill impairment | — | — | 935 | — | — | — | 935 |
| Restructuring and related costs | 36 | 18 | 44 | 8 | 23 | 26 | 101 |
| Separation costs | 1 | 5 | 10 | 15 | 16 | 3 | 44 |
| NY MMIS | 1 | 8 | 161 | — | — | — | 161 |
| NY MMIS depreciation | — | — | (52) | — | — | — | (52) |
| HE charge | — | (5) | — | — | — | — | — |
| Gain on sale of asset | (24) | — | — | — | — | — | — |
| Other (income) expenses, net | (10) | (12) | 13 | (2) | (1) | 10 | 20 |
| **Adjusted EBITDA** | $ 157 | $ 153 | $ 172 | $ 169 | $ 148 | $ 146 | $ 635 |
| ***Adjusted EBITDA Margin*** | 10.5% | 9.9% | 10.8 % | 10.6% | 9.2% | 8.7% | 9.8 % |

*(1) Pre-tax loss and Revenue from continuing operations*

# Non-GAAP Reconciliation: Segment Adjusted EBITDA

CONDUENT

| (in millions) | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 |
|---|---|---|---|---|---|---|
| **Commercial Industries** | | | | | | |
| Segment GAAP revenue | $ 876 | $ 923 | $ 936 | $ 923 | $ 939 | $ 1,007 |
| Segment profit | $ 32 | $ 29 | $ 48 | $ 42 | $ 35 | $ 26 |
| Depreciation & amortization | 43 | 41 | 33 | 43 | 41 | 45 |
| **Adjusted Segment EBITDA** | $ 75 | $ 70 | $ 81 | $ 85 | $ 76 | $ 71 |
| ***Adjusted EBITDA Margin*** | *8.6 %* | *7.6%* | *8.7 %* | *9.2 %* | *8.1 %* | *7.1 %* |
| **Public Sector** | | | | | | |
| Segment GAAP revenue | $ 540 | $ 549 | $ 574 | $ 584 | $ 579 | $ 571 |
| Segment profit | $ 59 | $ 61 | $ 76 | $ 78 | $ 78 | $ 61 |
| Depreciation & amortization | 24 | 21 | 26 | 25 | 26 | 25 |
| **Adjusted Segment EBITDA** | $ 83 | $ 82 | $ 102 | $ 103 | $ 104 | $ 86 |
| ***Adjusted EBITDA Margin*** | *15.4 %* | *14.9%* | *17.8 %* | *17.6 %* | *18.0 %* | *15.1 %* |
| **Other Segment** | | | | | | |
| Segment GAAP revenue | $ 80 | $ 81 | $ 4 | $ 89 | $ 95 | $ 107 |
| NY MMIS charge | — | — | 83 | — | — | — |
| **Adjusted Segment Revenue** | $ 80 | $ 81 | $ 87 | $ 89 | $ 95 | $ 107 |
| GAAP Segment loss | $ (4) | $ (4) | $ (173) | $ (23) | $ (36) | $ (16) |
| NY MMIS charge | 1 | 8 | 133 | — | — | — |
| HE charge | — | (5) | 28 | — | — | — |
| **Adjusted Other Segment Loss** | (3) | (1) | (12) | (23) | (36) | (16) |
| Depreciation & amortization | 2 | 2 | 56 | 4 | 4 | 5 |
| NY MMIS depreciation | — | — | (24) | — | — | — |
| HE depreciation | — | — | (28) | — | — | — |
| **Adjusted Segment EBITDA** | $ (1) | $ 1 | $ (8) | $ (19) | $ (32) | $ (11) |
| ***Adjusted EBITDA Margin*** | *(1.3)%* | *1.2%* | *(9.2)%* | *(21.3)%* | *(33.7)%* | *(10.3)%* |

# Non-GAAP Reconciliation: Other Segment Revenue, Profit (Loss) and Margin

| (in millions) | Three Months Ended June 30, 2017 Revenue | Loss | Margin | Three Months Ended March 31, 2017 Revenue | Loss | Margin | Three Months Ended December 31, 2016 Revenue | Loss | Margin |
|---|---|---|---|---|---|---|---|---|---|
| GAAP Other Segment As Reported From Continuing Operations | $ 80 | $ (4) | (5)% | $ 81 | $ (4) | (4.9)% | $ 4 | $ (173) | n/a |
| Adjustments: | | | | | | | | | |
| NY MMIS | — | 1 | | — | 8 | | 83 | 161 | |
| HE charge | — | — | | — | (5) | | — | — | |
| Adjusted Other Segment | $ 80 | $ (3) | (3.8)% | $ 81 | $ (1) | (1.2)% | $ 87 | $ (12) | (13.8)% |

*Note: The prior year period results has been adjusted to reflect new segment reporting as of Q1 2017.*

# Non-GAAP Reconciliation: Free Cash Flow

CONDUENT

| (in millions) | Three Months Ended June 30, 2017 | Three Months Ended June 30, 2016 | Year Ended December 31, 2016 |
|---|---|---|---|
| Operating Cash Flow | $ 67 | $ (61) | $ 108 |
| Cost of additions to land, buildings & equipment | (20) | (25) | (149) |
| Cost of additions to internal use software | (7) | (11) | (39) |
| Proceeds on sale of asset | 33 | — | — |
| Vendor financed capital leases | (4) | — | (1) |
| **Free Cash Flow** | **$ 69** | **$ (97)** | **$ (81)** |