



Conduent Investor Deck

February 2022

Cautionary Statements

Forward-Looking Statements

This document contains “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. The words “anticipate,” “believe,” “estimate,” “expect,” “plan,” “intend,” “will,” “aim,” “should,” “could,” “forecast,” “target,” “may,” “continue to,” “if,” “growing,” “projected,” “potential,” “likely,” and similar expressions, as they relate to us, are intended to identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. All statements other than statements of historical fact included in this presentation are forward-looking statements, including, but not limited to, statements regarding our financial results, condition and outlook; changes in our operating results; general market and economic conditions; our transformation progress; Our ability to outrun the one-time government stimulus volumes that benefited 2021 and to demonstrate growth; and our projected financial performance for the full year 2022, including all statements made under the section captioned “FY 2022 and 2023 Outlook” within this release. In addition, all statements regarding the anticipated effects of the novel coronavirus, or COVID-19, pandemic and the responses thereto, including the pandemic’s impact on general economic and market conditions, as well as on our business, customers, and markets, results of operations and financial condition and anticipated actions to be taken by management to sustain our business during the economic uncertainty caused by the pandemic and related governmental and business actions, as well as other statements that are not strictly historical in nature, are forward looking. These statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those expressed or implied herein as anticipated, believed, estimated, expected or intended or using other similar expressions.

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A Bit About Our Company...



“We are a diversified Business Process Services, Customer Experience and Transportation Company offering products, services and solutions across thousands of clients in the commercial and government space. We have clients in virtually every industry from Healthcare to Travel to Aerospace. We bring these offerings to our clients and their end-users through state-of-the-art technologies and 60,000 professional associates – both domestic and international. Over the course of the last two years, we’ve made tremendous progress in improving top-line revenue, new business signings, quality and efficiency... and we are clearly on a growth trajectory.”

- Cliff Skelton, President & CEO

 **75%**

of healthcare recipients in the U.S. are touched by our healthcare and other BPS services

 **8.7 million**

tolling transactions processed daily in our Transportation business, representing >40% of US tolling

 **50 million**

invoices processed annually in our F, A & P Business⁽¹⁾

 **45%**

of U.S. SNAP payments processed by Conduent

 **1.3 billion**

Customer service interactions per year across multiple industries

 **100 million**

employee interactions handled each year in our HR offerings

(1) Finance, Accounting and Procurement.

A Resilient Company on a Path to Growth

<u>INDUSTRY LEADER</u>	<u>IMPROVED FUNDAMENTALS</u>	<u>RESILIENT BUSINESS</u>	<u>ATTRACTIVE BUSINESS MODEL</u>
<ul style="list-style-type: none"> ✓ Leading provider in various commercial, government and transportation services ✓ Scale and marquee customers across industries ✓ Relationships with majority of Fortune 100 companies 	<ul style="list-style-type: none"> ✓ Improved client retention, client delivery and associate engagement ✓ Improved new business signings and account management ✓ Standardization, process improvement and efficiency programs established ✓ Significant improvement in technology uptime and operational effectiveness 	<ul style="list-style-type: none"> ✓ Strong balance sheet, 2.0x net leverage, \$420M cash⁽¹⁾ ✓ Diverse portfolio allowing for stability in varying market conditions ✓ Nimble and responsive business continuity and risk team 	<ul style="list-style-type: none"> ✓ Mission-critical services and solutions in support of millions of end-users ✓ Significant portion of contracted and recurring revenue ✓ Long, multi-year client relationships with high switching costs ✓ Expected increase in FCF conversion over time

(1) Leverage and cash figure as of 12/31/21.











Among the Largest Global Business Services Companies

 **Commercial**

Description:

We automate and streamline operations through our deep industry experience and technology solutions, driving efficiencies, increasing compliance and enhancing end-user experience.

Core Offerings:

- 
Customer Contact Services
- 
Multichannel Communications
- 
Financial Industry Solutions
- 
Legal, Compliance & Analytics
- 
HR & Learning Solutions
- 
Casualty Claims Solutions
- 
Document Management
- 
Finance, Accounting & Procurement
- 
Payer
- 
Pharma & Life Sciences






% of Revenue
~50%

 **Government**

Description:

We deliver services and solutions to local, state and federal governments to reduce costs, increase program participation, and improve compliance, while providing intuitive, easy-to-use tools for government agencies and citizens.

Core Offerings:

- 
Child Support
- 
Eligibility and Enrollment
- 
Government Healthcare Solutions
- 
Payments
- 
Federal and State Services





% of Revenue
~30%

 **Transportation**

Description:

We deliver mobility and payment solutions that improve automation, interoperability, and decision-making to streamline operations, increase revenue, and reduce congestion while creating safer communities and seamless travel experiences for consumers.

Core Offerings:

- 
Road Usage Charging
- 
Transit
- 
Curbside Management
- 
Public Safety

% of Revenue
~20%

Total 2021 Revenue of \$4.14B

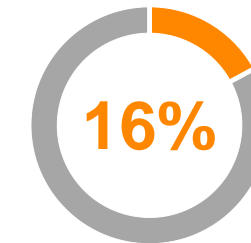
Diverse Base of Clients by Revenue

Client Overview by Segment

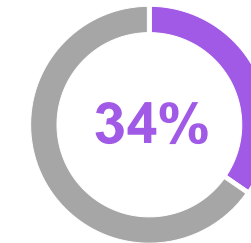
Commercial	<p>18% of the Fortune 100 in CXM</p> <p>5 of the top 10 automakers & 9 of the top 10 U.S. banks in BPS</p> <p>17 of the top 20 U.S. health insurers & 6 of the top 10 pharma companies in health care offerings</p>
Government	<p>Partners in 49 states</p> <p>150+ govt payment programs in 33 states</p> <p>54M+ registered government payment cards</p>
Transportation	<p>1 out of 4 U.S. public safety systems are implemented by Conduent</p>
<p>~340 >\$1M in Revenue Clients</p> <p style="font-size: 2em; margin: 0;"> </p> <p>80% of the Fortune 100</p>	

Q4'21A Client Statistics (% of Revenue)

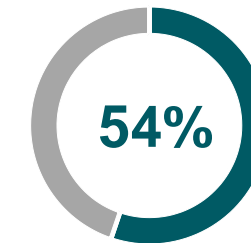
Top 5 Clients



Top 20 Clients



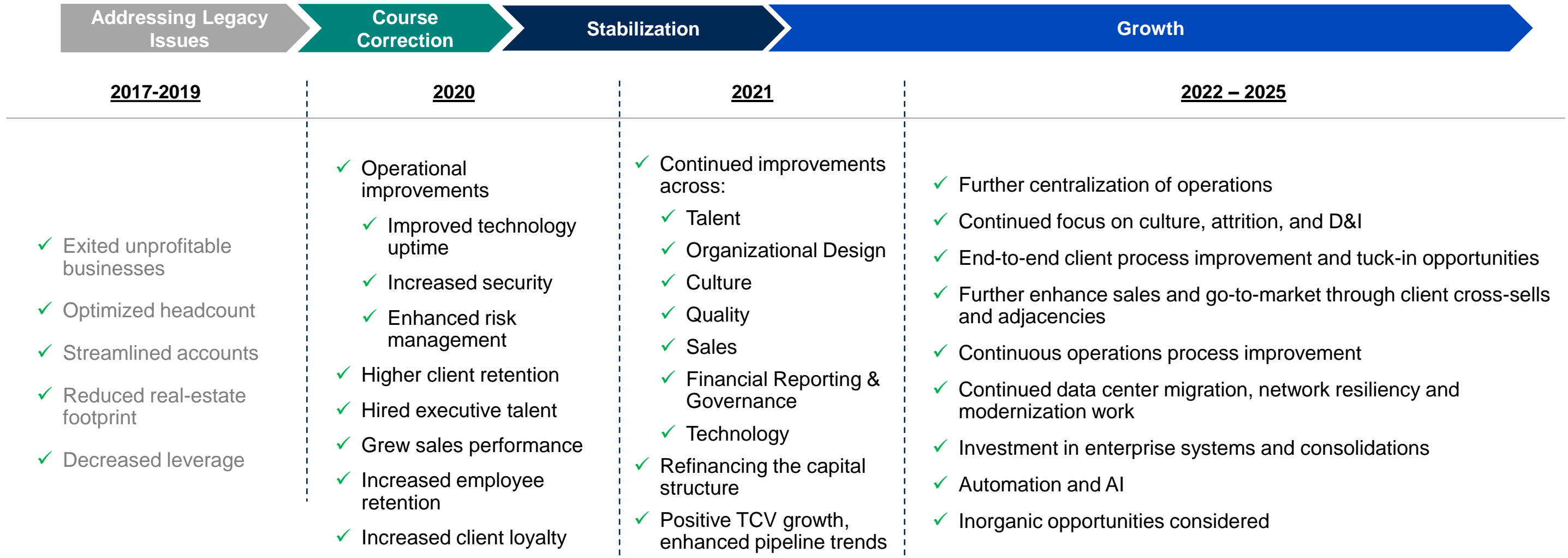
Top 50 Clients



53 of Top 100 Commercial Clients buy multiple lines of business

No client represents more than 7.5% of revenues

Foundationally Sound and Well-Positioned for Growth



Recent Corporate Social Responsibility Highlights

 Environmental	 Social	 Governance
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- Strong actions in reducing our carbon footprint:
 - Reduced real estate footprint by over 52% since 2017
 - 19.3% of grid energy used comes from renewable sources
 - Reduced Scope 2 CO₂ emissions by 23% Year over Year
- Recycled more than 53M pounds of paper since 2017
- Responsibly disposed, and recycled where able, 7,621 pieces of e-waste in 2020
- CDP Climate Change Questionnaire Score puts us on par with our peer group in North America
- Our solutions enable key ESG outcomes including:
 - Driving environmental impact and promoting sustainable cities
 - Alleviating poverty and hunger
 - Contributing to wellbeing and decent work

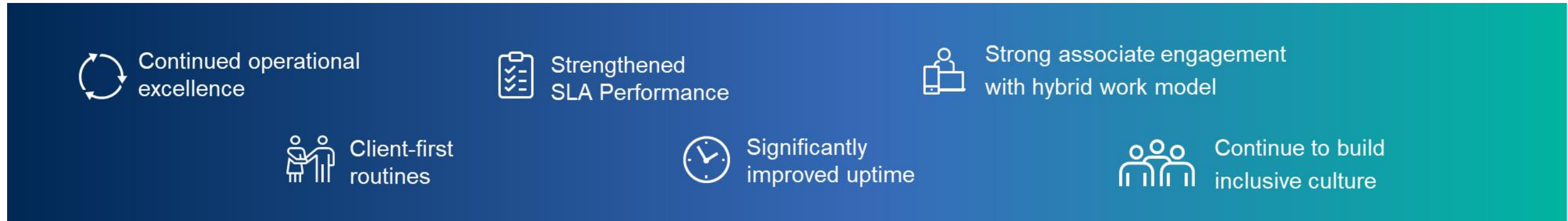
March 3, 2022 | Confidential - Internal Use Only







- Forbes magazine’s “America’s Best 500 Employers for Diversity 2021”
- Comparably designation as Best Company for Diversity
- Comparably designation as Best Company for Women
- Awarded first “Best Places to Work” Designation by Human Rights Council’s Corporate Equality Index in the US and Mexico
- Signed Pledge to CEO Action for Diversity and Inclusion
- More than doubled membership in Employee Impact Groups
- Added an 8th EIG, Generations, to ensure the needs of Associates across age groups and tenures are being considered
- Delivered 100+ cultural engagement activities
- Deployed 2500+ professional development hours to serve the unique needs of our Associates

- 40% of spend is with diverse suppliers today
- Our business has many social impacts given that we deliver essential services for our clients and millions who count on them:
- Getting benefit dollars into the hands of those who needed them via electronic payment cards
 - Supporting employees with benefit administration and help center services
 - Enabling seamless travel for public transit and toll roads, including contactless payments
 - Helping insurance plan members through healthcare bill review and claims administration
 - Supporting consumers with effective and empathetic multichannel assistance
 - Conduent’s Healthy Communities Institute provided data and actionable insights on health equity to over 100 communities through our technology and consulting

- Comprehensive cross-functional ESG program and steering committee with board oversight
- Ongoing transparency and reporting on ESG topics including disclosure of ESG data aligned with SASB Standards and TCFD Recommendations
- Diverse and independent Board of Directors and dedicated CSR & Public Policy Committee
- Expanded our existing energy and conservation policy to a more inclusive environmental policy to include reducing our emissions and improving waste management practices
- Expanded Human Rights Policy to include risk assessments and audits throughout our value chain and developing supplier accountability
- Strong data privacy policies and practices including mandatory training

2021 Operational Highlights & Recognition



-  Continued operational excellence
-  Strengthened SLA Performance
-  Strong associate engagement with hybrid work model
-  Client-first routines
-  Significantly improved uptime
-  Continue to build inclusive culture

Client

- Increase in Client Satisfaction 3 Years in a Row
- GM Supplier of the Year Award
- IBTTA Toll Excellence President’s Award for Innovation
- Toyota Supplier Excellence Recognition
- ITS-NY Project of the Year Award for Thruway Cashless Tolling Implementation
- South Carolina Governor’s Committee on Employment of People with Disabilities

Industry Research

Recognized as a leader by the following;

- NelsonHall
- Everest Group
- ISG
- Brandon Hall
- Gartner

Culture

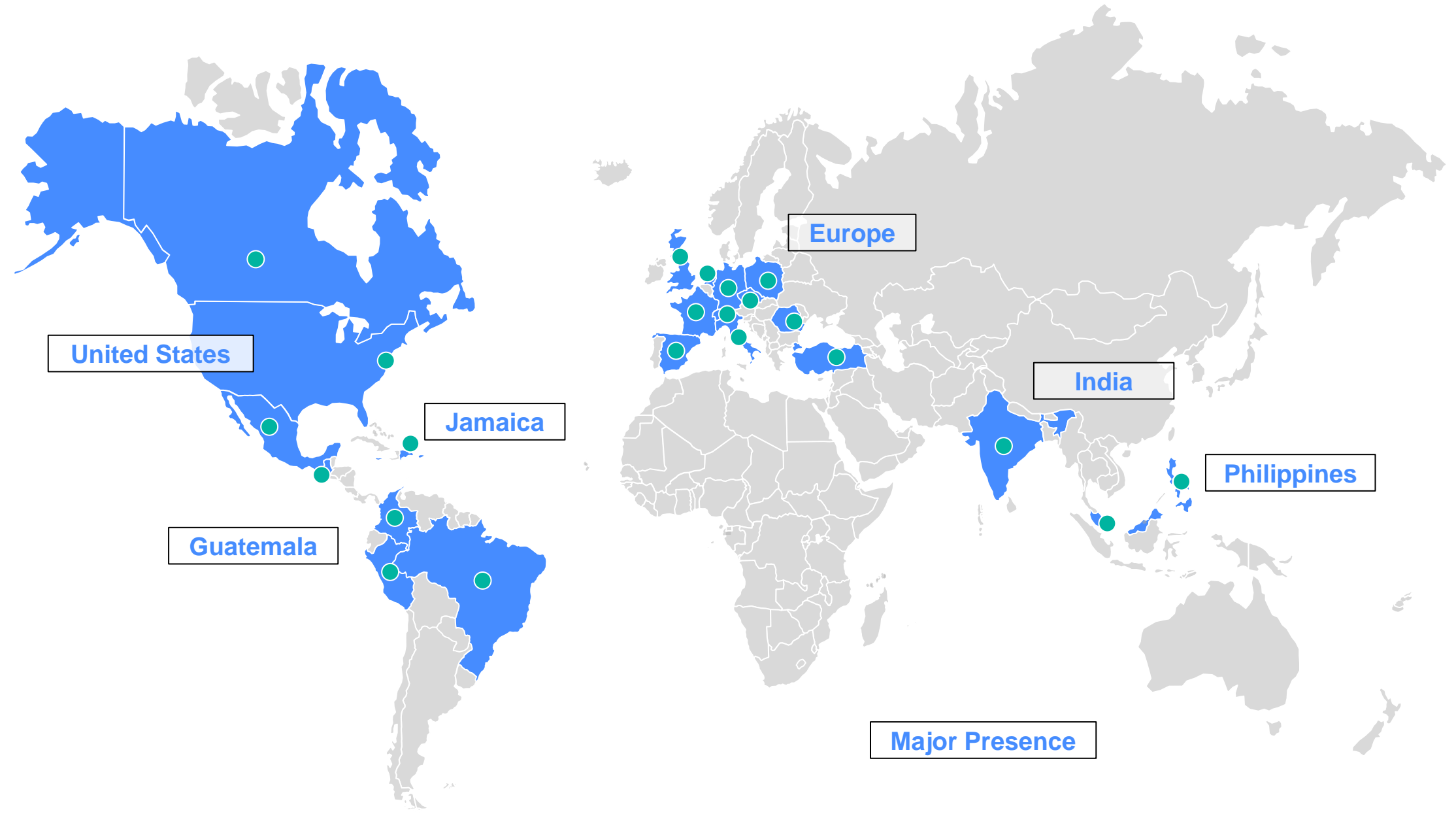
- **Forbes:** Best Employers for Diversity
- **Gold Stevie® Award:** Leading Through Digital Disruption
- **Comparably:** Best Company for Women; Best Company for Diversity; Best Global Culture; Best CEO for Diversity
- **HRC Foundation Corporate Equality Index:** Best Place to Work for LGBTQ Equality in the U.S. and Mexico

Global Delivery Footprint Provides Efficiency and Scale

60K+
Employees

24
Countries

200
Delivery Centers





February 16, 2022

Conduent Q4 and Full Year 2021 Earnings Results

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2021 Results

Q4 & Full Year 2021 Highlights

Q4 / Full Year Results / Metrics

- Revenue: Q4 \$1,048M / FY \$4,140M
- Adj. EBITDA⁽¹⁾: Q4 \$114M / FY \$487M
- Adj. EBITDA Margin⁽¹⁾: Q4 10.9% / FY 11.8%
- TCV new business signings: Q4 \$310M, FY \$1,785M
- New business ARR signings: Q4 \$111M, FY \$408M
- Net ARR Activity Impact (TTM)⁽²⁾: \$128M, Positive for the fifth consecutive quarter

Highlights

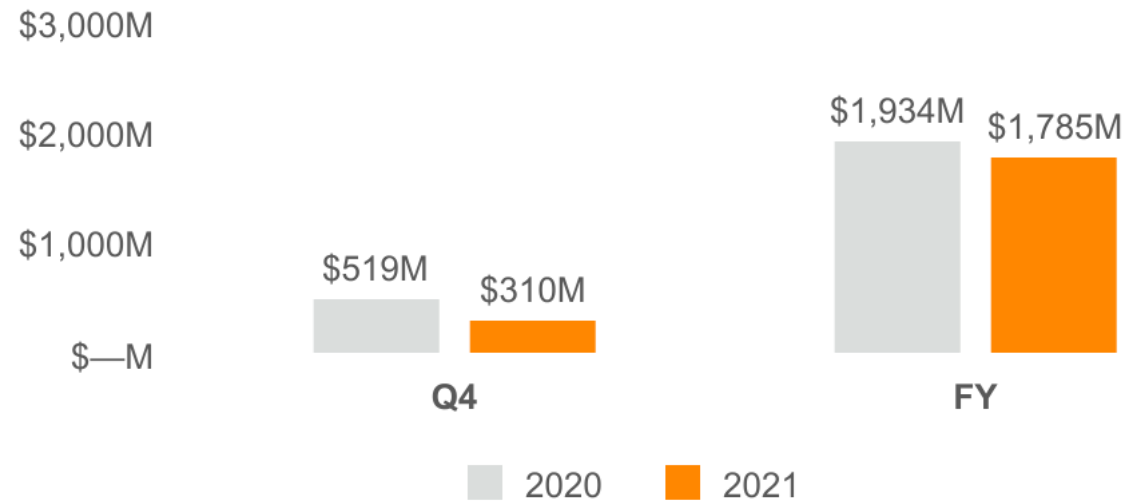
- Sale of Midas suite of solutions for net proceeds of \$321M; closed on February 8, 2022
- Debt refinancing successfully completed as planned
- Distributed approx. \$50 billion of US Government pandemic stimulus payments
- Sustained high level of associate engagement through difficult COVID years
- Consolidated technology infrastructure and improved operational excellence
- Client satisfaction improved for the 3rd consecutive year resulting in significant client recognition
- Numerous external awards for culture including best place to work for LGBTQ, Diversity, and Women

(1) Refer to Appendix for complete Non-GAAP reconciliations of Adjusted EBITDA/Margin.

(2) Full definition in the Appendix.

Growth and Retention

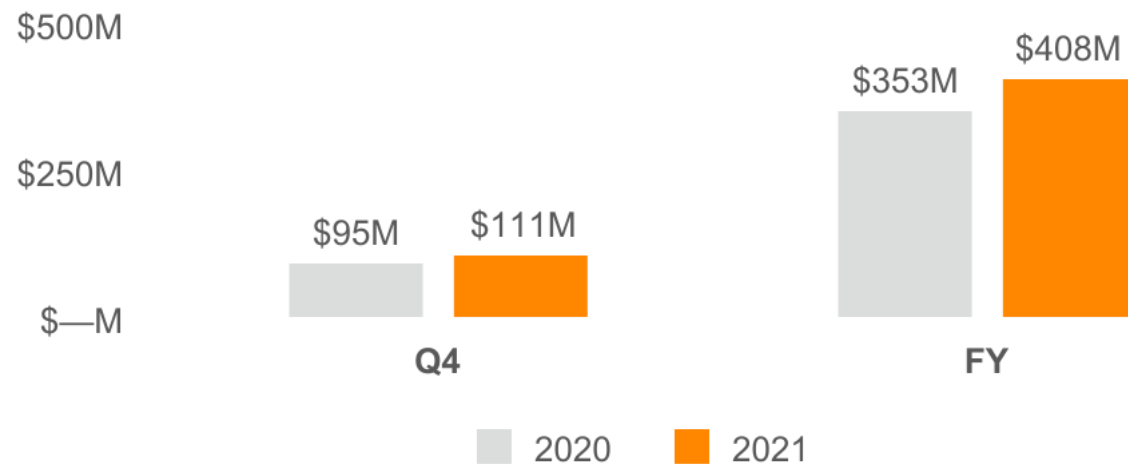
New Business TCV Signings (incl. ARR + NRR)



Net ARR Activity (TTM)^(1,2)

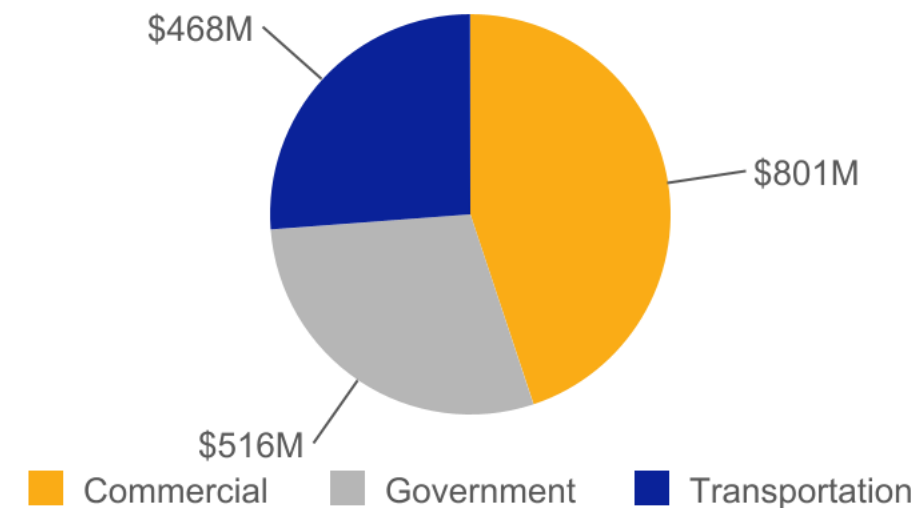


New Business ARR



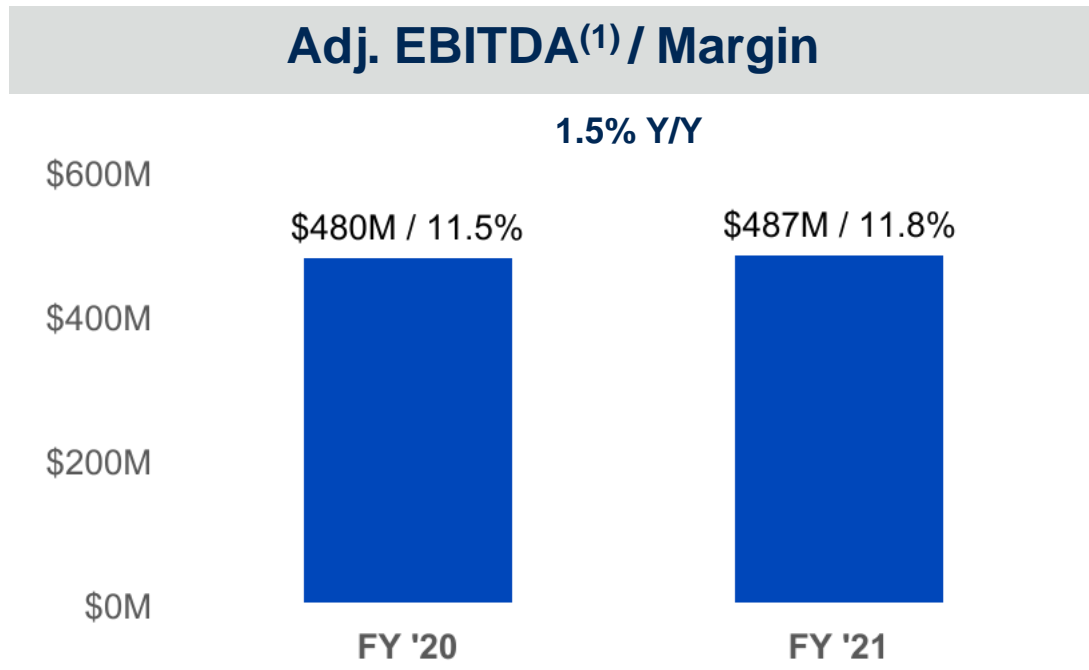
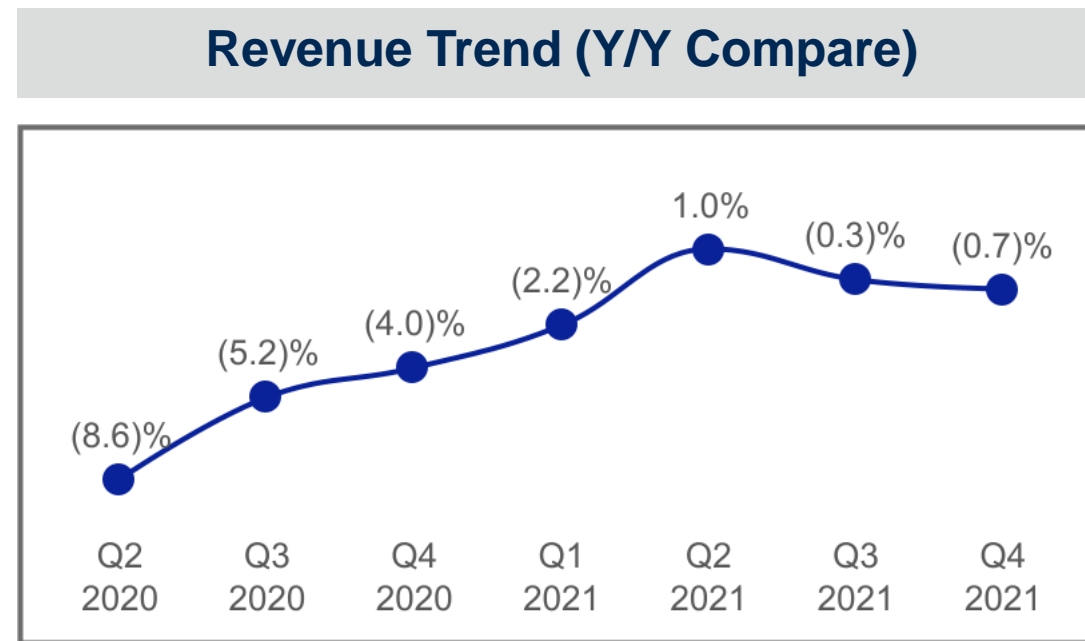
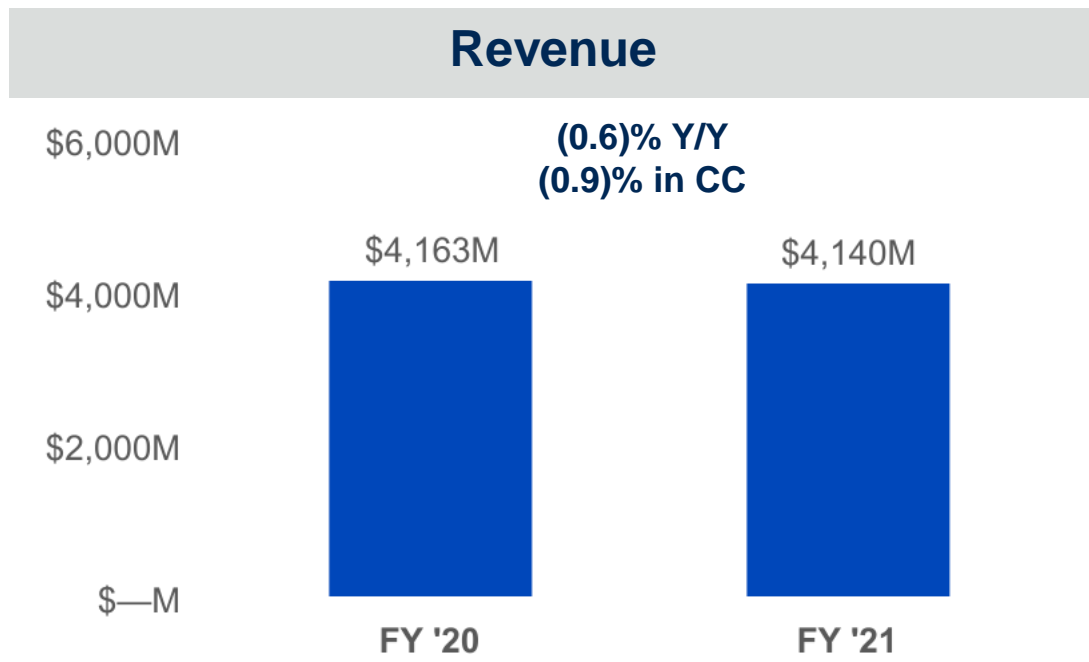
Sales Update

Full Year New Business TCV Signing by Segment



(1) Full definition in the Appendix.
 (2) Trailing Twelve Months.

Full Year 2021 P&L Metrics

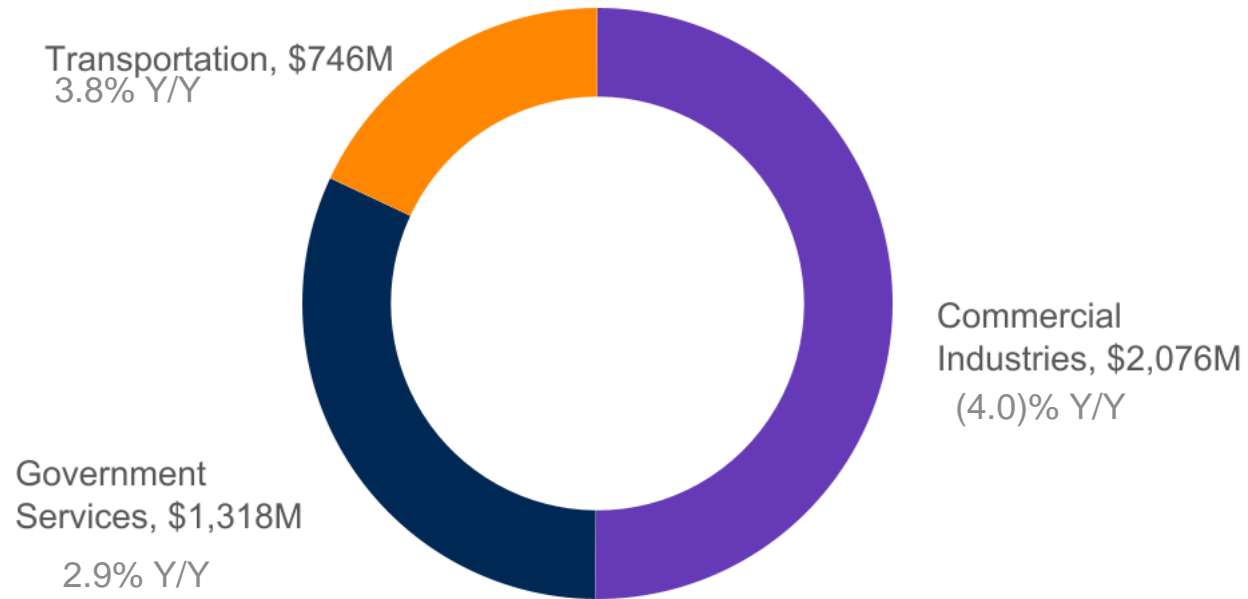


- **Revenue:**
 - Revenue benefited from non-recurring stimulus payments volume in the Government Services business and new business ramp, offset by lost business from prior years.
- **Adj. EBITDA⁽¹⁾:**
 - Increase driven by high margins from non-recurring government payments volume, partially offset by temporary cost savings in the prior year.
- **Adj. EBITDA Margin⁽¹⁾:**
 - 11.8%, up 30 bps Y/Y

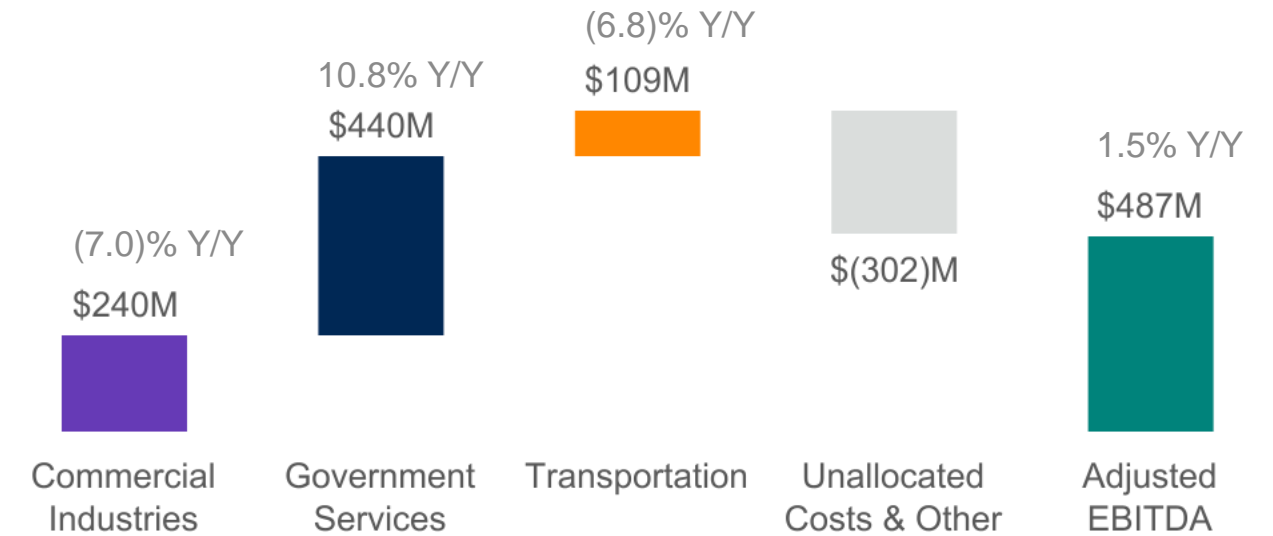
(1) Refer to Appendix for complete Non-GAAP reconciliations of Adjusted EBITDA/margin.

FY 2021 P&L by Segment

Revenue



Adj. EBITDA⁽¹⁾ Contributions



- **Commercial:** Revenue impacted by new business ramp, offset by lost business from prior years.
- **Government:** Growth driven by non-recurring payments activity (approx \$74M) and new business ramp, partially offset by lost business from prior years.
- **Transportation:** Growth driven by strong new business ramp and returning COVID-19 volumes, partially offset by lost business from prior years.

- **Commercial:** Adj. EBITDA decline driven by revenue mix and short term cost savings in the prior year; margin 11.6% down (30) bps Y/Y.
- **Government:** Adj. EBITDA improvement driven by high margins from non-recurring payments activity; margin 33.4% up 240 bps Y/Y.
- **Transportation:** Adj. EBITDA decline driven by revenue mix and short term cost savings in the prior year; margin 14.6% down (170) bps Y/Y.

(1) Refer to Appendix for complete Non-GAAP reconciliations of Adjusted EBITDA/margin.

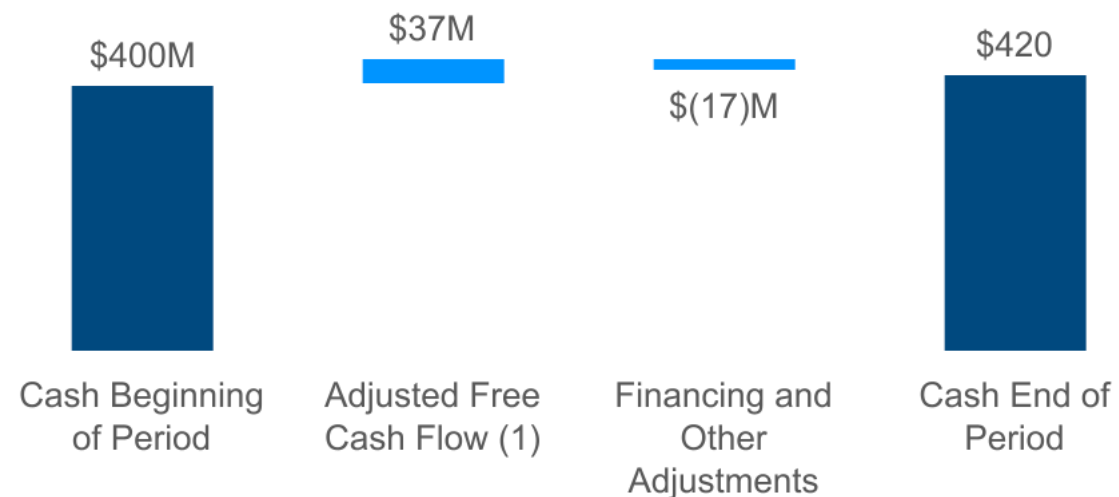
Q4 & FY 2021 Cash Flow and Balance Sheet

- Adj. Free Cash Flow⁽¹⁾: Q4 \$37M / FY \$89M
- Capex⁽⁶⁾ as % of revenue: Q4 4.4% / FY 3.6%
- Net adjusted leverage ratio⁽⁷⁾ of 2.0x
- \$420M of cash⁽²⁾ at end of Q4 2021
- Debt refinance completed on 10/15/2021

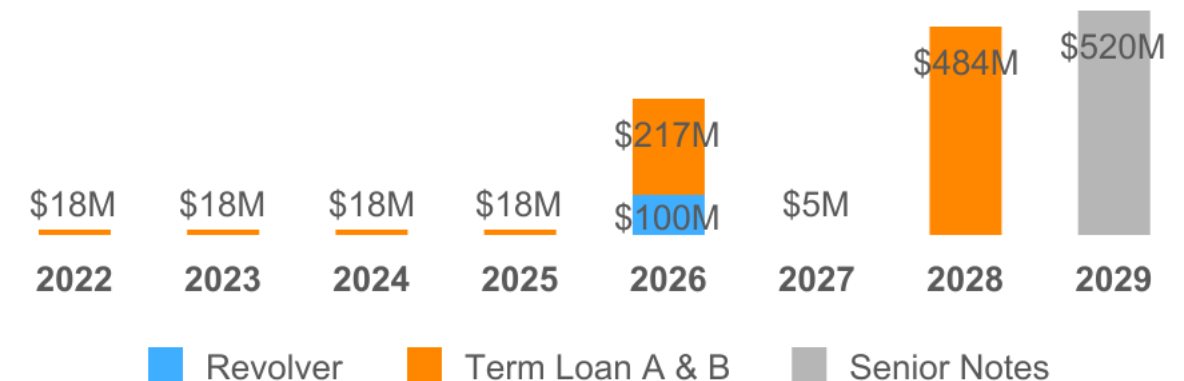
Balance Sheet

(\$ in millions)	12/31/2020	12/31/2021
Total Cash ⁽²⁾	\$458	\$420
Total Debt ^(2,4)	1,504	1,400
Term Loan A ⁽³⁾ due 2026	—	265
Term Loan B ⁽³⁾ due 2028	—	515
Revolving Credit Facility due 2026 ⁽⁵⁾	—	100
Senior Notes due 2029	—	520
Finance leases and Other loans	24	40
Net adjusted leverage ratio ⁽⁷⁾	2.1x	2.0x

Q4 2021 Cash Balance Changes



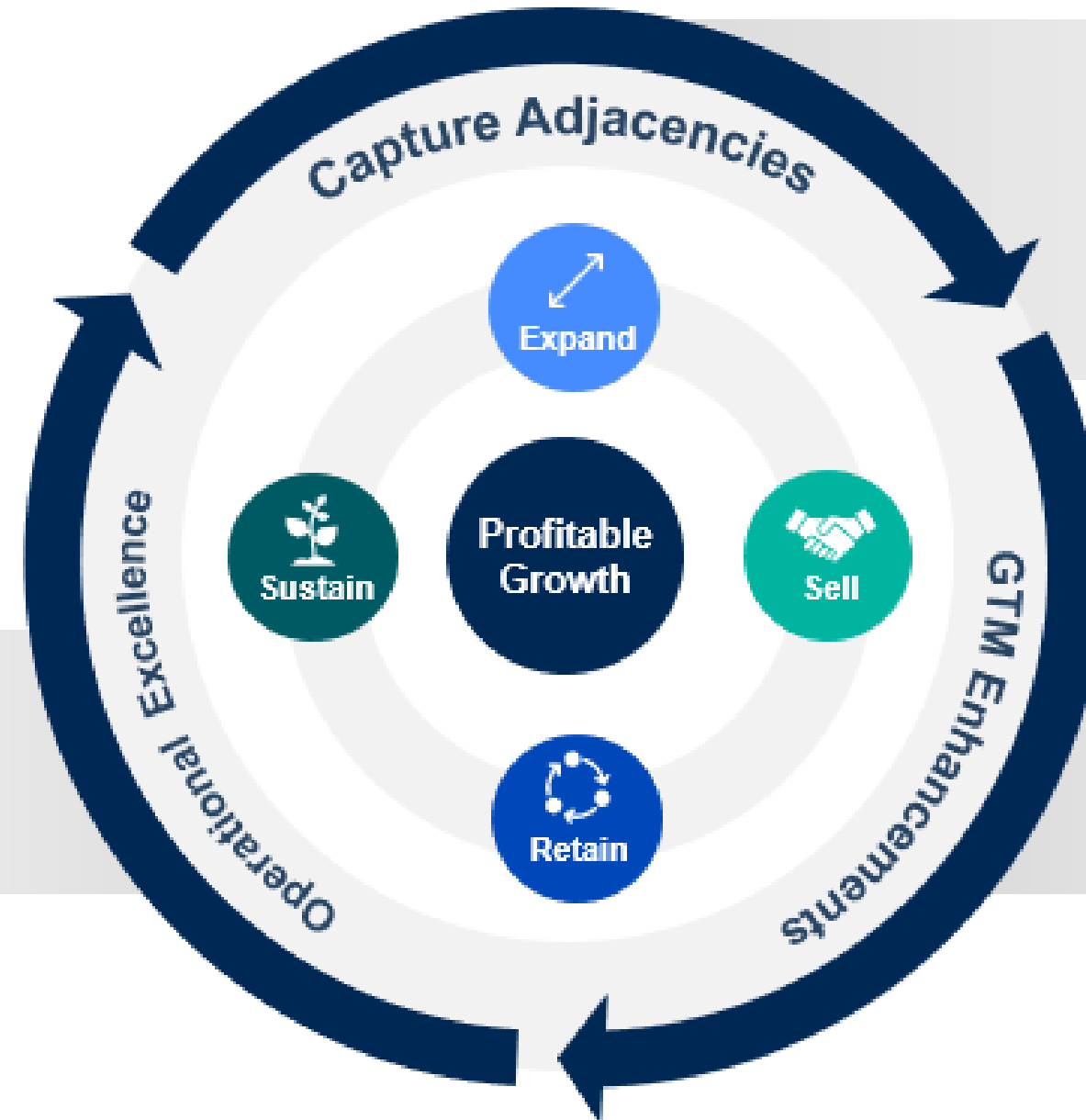
Debt Maturity Post Refinancing⁽⁸⁾



For the complete set of footnotes associated with this slide, please refer to the last page of the Appendix.

2022/23 Outlook

2022 Priorities



- Mid market CXaaS
- Integrated Claims Capabilities
- Payments and Analytics
- Opportunistic Geographic Expansion
- M&A

- Automation
- Tech modernization
- Shared services

- Partnerships
- Client penetration
- Integrated sales model

FY 2022 and 2023 Outlook ⁽⁴⁾

	FY 2021 Actuals	FY 2021 (Ex Midas)	FY 2022 Outlook	FY 2023 Outlook
Revenue/Adj. Revenue	\$4,140M	\$4,070M	\$3,825M - \$3,975M	1% - 4% Growth
Adj. EBITDA⁽¹⁾ / Adj. EBITDA Margin⁽¹⁾	\$487M / 11.8%	\$458M / 11.3%	9.5% - 10.5%	10.5% - 11.5%
Adj. Free Cash Flow⁽²⁾ as % of Adj. EBITDA⁽¹⁾	18% ⁽³⁾		Approx. 15% ⁽³⁾	Approx. 25%
Restructuring	\$45M		Approx. \$40M	Approx. \$20M
CapEx	\$147M		Approx. \$140M	Approx. \$140M

(1) Refer

(2) Refer

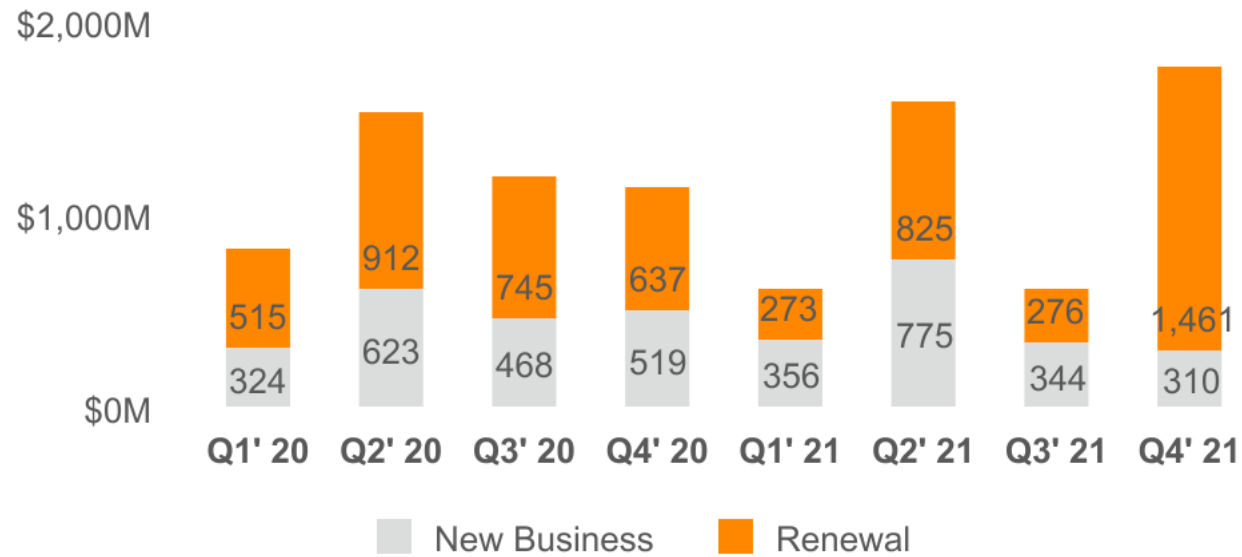
(3) Norm
25% and

(4) Refer to Appendix for Non GAAP Outlook

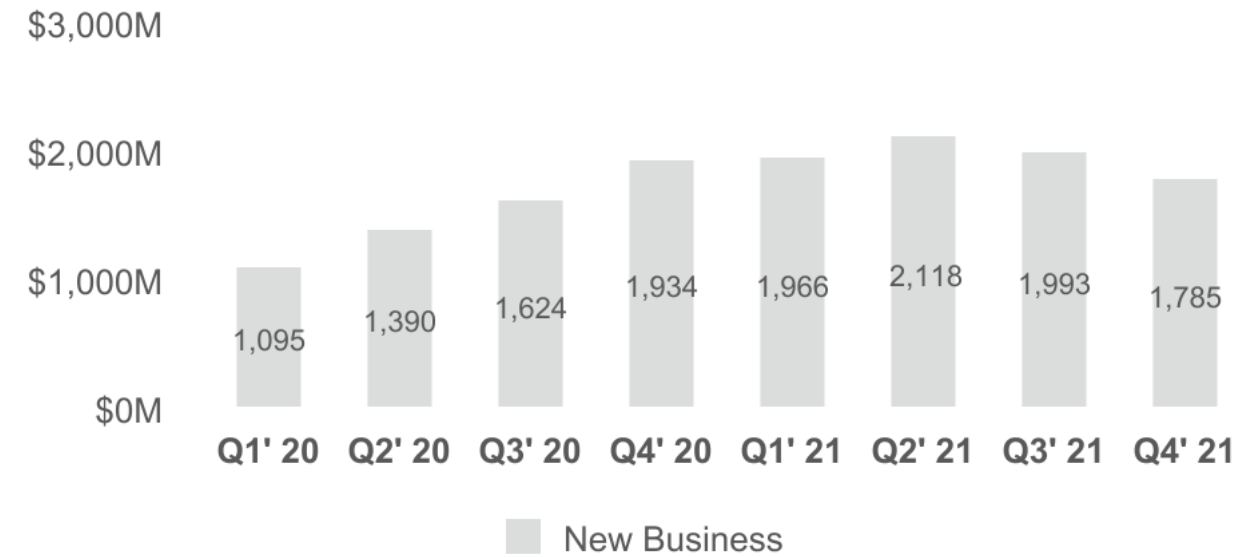
Appendix

Sales Metrics

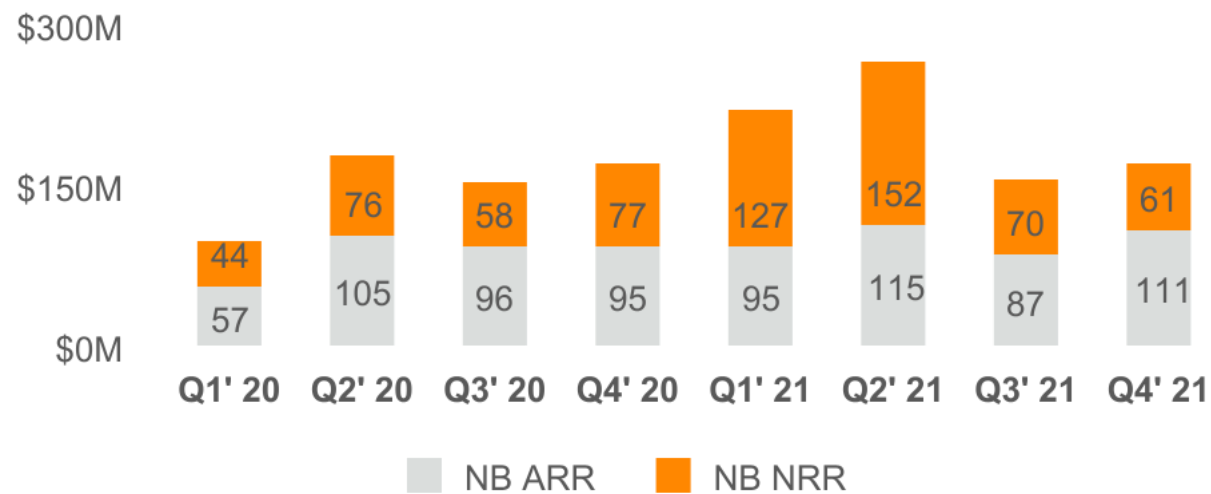
TCV Signings (incl. ARR + NRR)



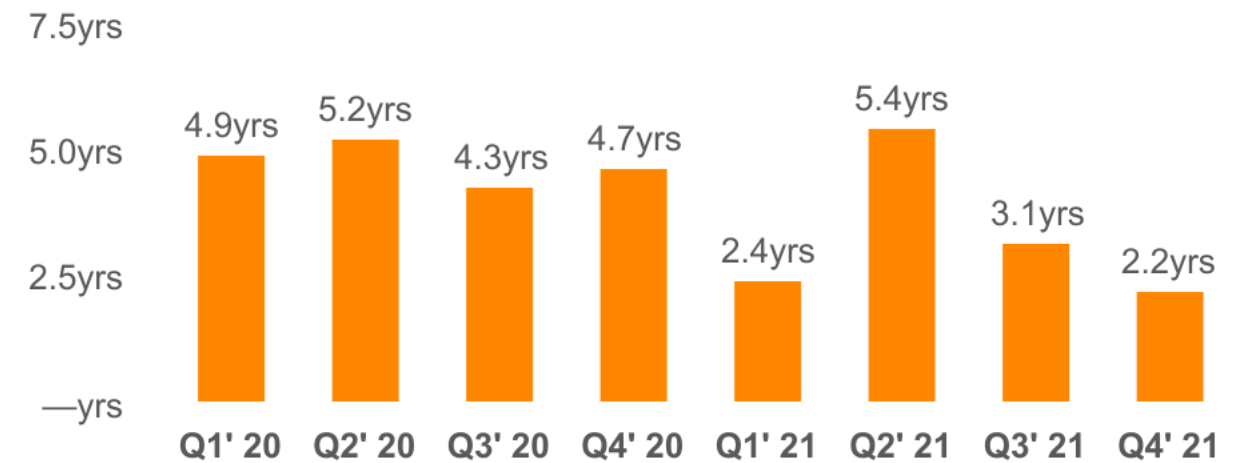
New Business TCV Signings (TTM)



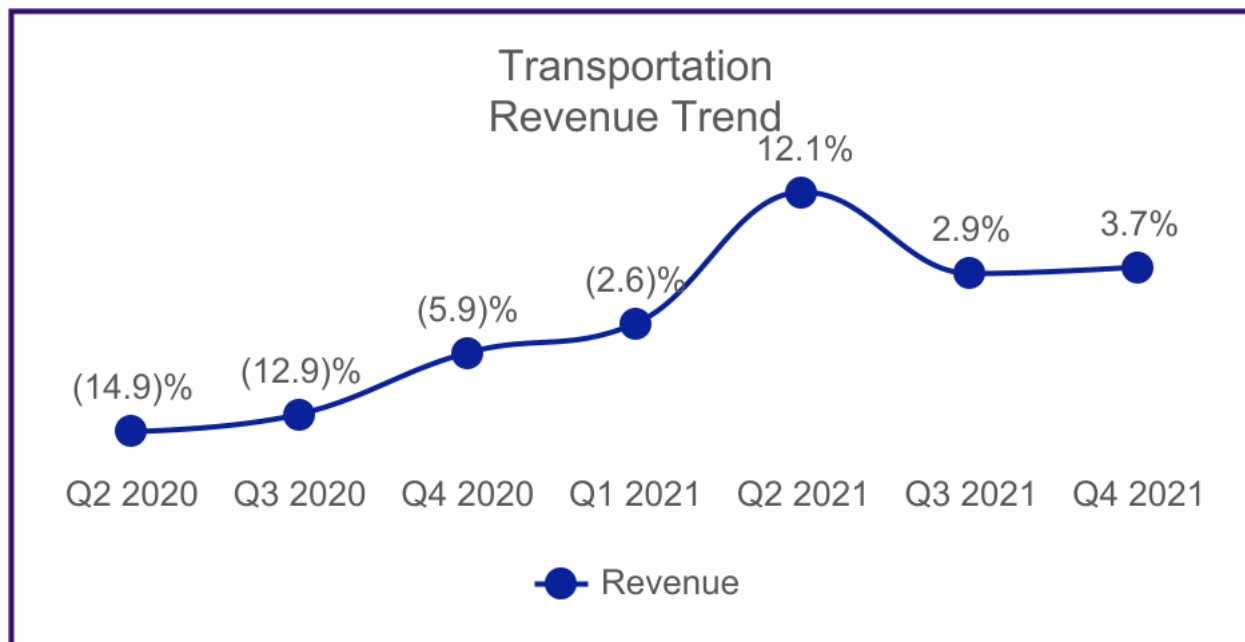
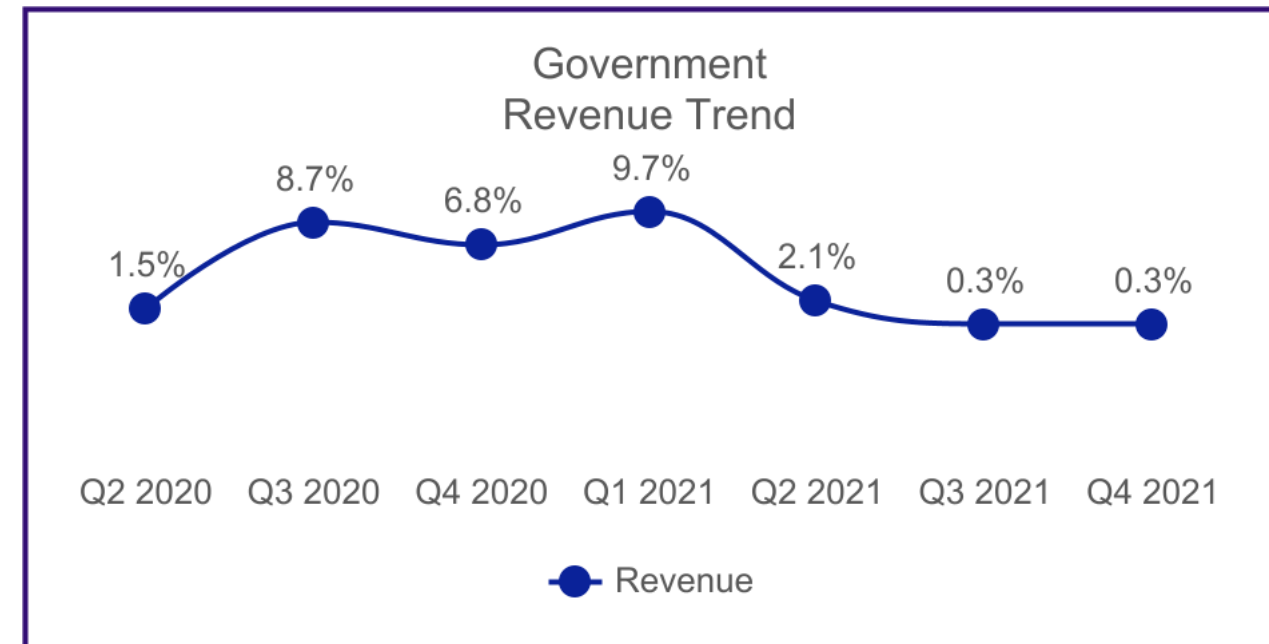
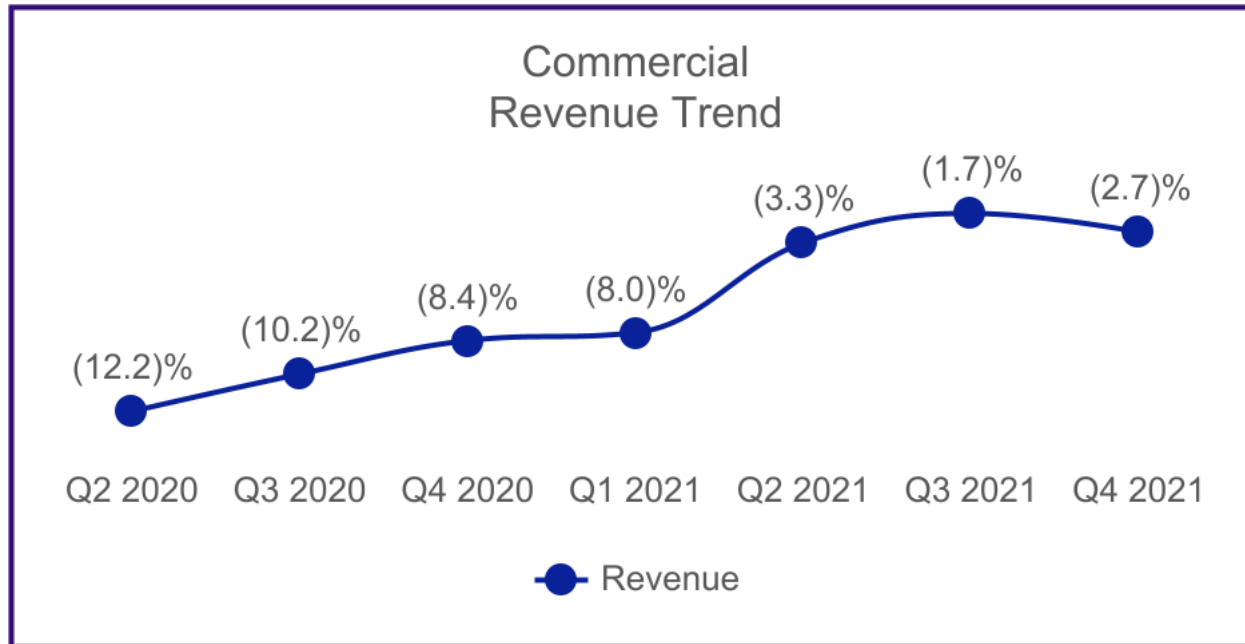
New Business (ARR + NRR Breakdown)



Implied New Business Avg. Contract Length



Segment Revenue Trend



Commercial & Transportation positioned for growth in 2022

- **Commercial:**
 - New business ramp, deal pipeline, better client retention and potential for interest rate increases, position this segment for growth in 2022
- **Transportation:**
 - New business ramp and deal pipeline position this segment for continued growth in 2022
- **Government:**
 - The non-recurring payments run off creates a large grow-over challenge in 2022

Q4 Operational Highlights & Recognition

A collaborative, teamwork-oriented culture laser-focused on driving valuable outcomes for clients

Awards

2021 ITS-NY Project of the Year Award
for Traffic Management Systems on the Thruway Cashless Tolling Implementation



Top 15 Service & Technology Provider Standouts – Americas, Four Quarters in 2021



2021 Leader in Contact Center – Customer Experience



*in U.S. and Mexico



Best Company for Women and Best Company for Diversity

New Solutions



Enhancements to HSP Core Claims Administration Solution Help Payers Maximize Value through Business Process as a Service Infrastructure



Conduent Transportation and MZ Technologie Expand Exclusive Partnership to Offer Holostop® Contactless Button Globally

Clients

UK Health Security Agency to utilize Maven to monitor, identify and be ready to respond to health threats.

Chosen as the Electronic Document Management Mailroom solutions provider for a Fortune 500 investment and insurance company.

Selected as defined benefits administrator for a Fortune 100 technology company - supporting approximately 141,000 pension program participants.

Awarded three 12-year contract renewals from the tolling authorities of New York to provide transponder-based toll systems and license plate identification services.

Definitions

New Business Total Contract Value (TCV): Estimated total future revenues from contracts signed during the year related to new logo, new service line or expansion with existing customers.

New Business Non-Recurring Revenue (NRR): metric measures the non-recurring revenue for any new business signing, includes:

- i. Signing value of any contract with term less than 12 months
- ii. Signing value of project based revenue, not expected to continue long term.

New Business Annual Recurring Revenue (ARR): metric measures the revenue from recurring services provided to the client for any new business signing. ARR represents the recurring services provided to a customer with the opportunity for renewal at the end of the contract term. The calculation of ARR is (Total Contract Value less Non-Recurring Revenue) divided by the Contract Term.

Renewal TCV Signings: Estimated total future revenues from contracts signed during the year related to renewals.

Renewal Signings Annual Recurring Revenue (ARR): metric measures the revenue from recurring services provided to the client for any renewal signing. ARR represents the recurring services provided to a customer with the opportunity for renewal at the end of the contract term. The calculation of ARR is (Total Contract Value less Non-Recurring Revenue) divided by the Contract Term.

Net ARR Activity: Projected Annual Recurring Revenue for contracts signed in the prior 12 months, less the annualized impact of any client losses, contractual volume and price changes, and other known impacts for which the company was notified in that same time period, which could positively or negatively impact results. The metric annualizes the net impact to revenue. Timing of revenue impact varies and may not be realized within the forward 12-month timeframe. The metric is for indicative purposes only. This metric excludes COVID-related volume impacts and non-recurring revenue signings. This metric is not indicative of any specific 12 month timeframe.

Total New Business Pipeline (Cumulative Pipeline): TCV pipeline of deals in all sell stages. Extends past next 12 month period to include total pipeline. Excludes the impact of divested business as required.

Implied New Business Average Contract Length: $(\text{New business TCV} - \text{New business NRR}) / \text{New business ARR} = \text{Implied New Business Average Contract Length}$.

Non-GAAP Financial Measures

Non-GAAP Financial Measures

We have reported our financial results in accordance with U.S. generally accepted accounting principles (U.S. 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 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 results of the current period against the corresponding prior period. 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 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 certain of 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 Diluted Earnings per Share, Adjusted Weighted Average Common Shares Outstanding, and Adjusted Effective Tax Rate.

We make adjustments to Net Income (Loss) before Income Taxes for the following items, as applicable, to the particular financial measure, for the purpose of calculating Adjusted Revenue, Adjusted Net Income (Loss), Adjusted Diluted Earnings per Share, Adjusted Weighted Average Common Shares Outstanding, and Adjusted Effective Tax Rate:

- Amortization of acquired intangible assets. The amortization of acquired intangible assets is driven by acquisition activity, which can vary in size, nature and timing as compared to other companies within our industry and 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.
- Goodwill impairment. This represents Goodwill impairment charges related to the unanticipated losses of certain customer contracts, lower potential future volumes and lower than expected new customer contracts for all reporting units.
- (Gain) loss on divestitures and transaction costs. Represents (gain) loss on divested businesses and transaction costs.
- Litigation costs (recoveries), net. Litigation costs (recoveries), net represents provisions for various matters subject to litigation.
- Other charges (credits). This includes Other (income) expenses, net on the Condensed Consolidated Statements of Income (loss) and other insignificant (income) expense associated with providing transition services on the California Medicaid contract loss and other adjustments.
- Abandonment of Cloud Computing Project. This includes charges in connection with the abandonment of a cloud computing project. The costs include writing off previously capitalized costs and remaining hosting fees that would have continued to be incurred without any economic benefit.
- Divestitures. Revenue from divestitures in the first quarter of 2019.

The Company provides adjusted net income and adjusted EPS financial measures to assist our investors in evaluating our ongoing operating performance for the current reporting period and, where provided, over different reporting periods, by adjusting for certain items which may be recurring or non-recurring and which in our view do not necessarily reflect ongoing performance. We also internally use these measures to assess our operating performance, both absolutely and in comparison to other companies, and in evaluating or making selected compensation decisions.

Management believes that the adjusted effective tax rate, provided as supplemental information, facilitates a comparison by investors of our actual effective tax rate with an adjusted effective tax rate which reflects the impact of the items which are excluded in providing adjusted net income and certain other identified items, and may provide added insight into our underlying business results and how effective tax rates impact our ongoing business.

Non-GAAP Financial Measures

Adjusted Revenue, Adjusted Operating Income and Adjusted Operating Margin.

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

- Amortization of acquired intangible assets.
- Restructuring and related costs.
- Interest expense. Interest expense includes interest on long-term debt and amortization of debt issuance costs.
- Goodwill impairment.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- Other charges (credits).
- Abandonment of Cloud Computing Project.
- Divestitures.

We provide our investors with adjusted revenue, adjusted operating income and adjusted operating margin information, as supplemental information, because we believe it offers added insight, by itself and for comparability between periods, by adjusting for certain non-cash items as well as certain other identified items which we do not believe are indicative of our ongoing business, and may also provide added insight on trends in our ongoing business.

Non-GAAP Financial Measures

Adjusted EBITDA and EBITDA Margin

We use Adjusted EBITDA and Adjusted EBITDA Margin 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. Adjusted EBITDA represents income (loss) before interest, income taxes, depreciation and amortization and contract inducement amortization adjusted for the following items. Adjusted EBITDA Margin is Adjusted EBITDA divided by revenue or adjusted revenue, as applicable:

- Restructuring and related costs.
- Goodwill impairment.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- Abandonment of Cloud Computing Project.
- Other charges (credits).

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 and Adjusted EBITDA Margin may not be comparable to similar measures disclosed by other companies because not all companies calculate Adjusted EBITDA and Adjusted EBITDA Margin in the same manner.

Non-GAAP Financial Measures

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, and proceeds from sales of land, buildings and equipment. We use the non-GAAP measure of Free Cash Flow as a criterion of liquidity. 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 and invest in land, buildings and equipment and internal use software, after required 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.

Adjusted Free Cash Flow

Adjusted Free Cash Flow is defined as Free Cash Flow from above plus deferred compensation payments, transaction costs, costs related to the Texas litigation, and certain other identified adjustments. We use Adjusted Free Cash Flow, in addition to Free Cash Flow, to provide supplemental information to our investors concerning our ability to generate cash from our ongoing operating activities and for performance based components of employee compensation; by excluding certain deferred compensation costs and our one-time Texas settlement costs, as well as transaction costs and transaction cost tax benefits related to acquisitions or divestitures, we believe we provide useful additional information to our investors to help them further understand our ability to generate cash period-over-period as well as added information on comparability to our competitors. Such as with Free Cash Flow information, as so adjusted, it is specifically not intended to provide amounts available for discretionary spending. We have added certain adjustments to account for items which we do not believe reflect our core business or operating performance, and we computed all periods with such adjusted costs.

Revenue at 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 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 the outlook for Adjusted EBITDA we exclude certain items which are otherwise included in determining the comparable U.S. GAAP financial measure. A description of the adjustments which historically have been applicable in determining Adjusted EBITDA are reflected in the table below. In addition, for "Full Year 2021 (Ex Midas)" we are excluding the estimated impacts of \$70 million of Revenue and \$29 million of Adjusted EBITDA related to the divestiture of the Midas business. 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, 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. We have provided an outlook for revenue on a constant currency basis due to the inability to accurately predict foreign currency impact on revenues. Outlook for Adjusted Free Cash Flow is provided as a factor of expected Adjusted EBITDA, see above. For the same reason, we are unable to provide GAAP expected adjusted tax rate, which adjusts for our non-GAAP adjustments.

Non-GAAP Reconciliations

Revenue at Constant Currency, Adjusted Net Income (Loss), Adjusted Effective Tax Rate, Adjusted Operating Income (Loss) and Adjusted EBITDA

<u>(in millions)</u>	<u>Q4 2020</u>	<u>Q1 2021</u>	<u>Q2 2021</u>	<u>Q3 2021</u>	<u>Q4 2021</u>	<u>FY 2021</u>	<u>FY 2020</u>
Revenue	\$ 1,055	\$ 1,028	\$ 1,026	\$ 1,038	\$ 1,048	\$ 4,140	\$ 4,163
Foreign currency impact	(5)	(7)	(10)	(3)	3	(17)	1
Revenue at Constant Currency	\$ 1,050	\$ 1,021	\$ 1,016	\$ 1,035	\$ 1,051	\$ 4,123	\$ 4,164
 ADJUSTED NET INCOME (LOSS)							
Income (Loss) From Continuing Operations	\$ (11)	\$ (11)	\$ 12	\$ 11	\$ (40)	\$ (28)	\$ (118)
<u>Adjustments:</u>							
Amortization of acquired intangible assets ⁽¹⁾	59	40	32	31	32	135	239
Restructuring and related costs	11	13	8	10	14	45	67
Loss on extinguishment of debt	—	—	2	—	13	15	—
(Gain) loss on divestitures and transaction costs	3	2	(1)	—	2	3	17
Litigation costs	—	1	1	—	1	3	20
Abandonment of Cloud Computing Project	—	—	—	—	32	32	—
Other charges (credits)	1	—	—	4	2	6	(6)
Total Non-GAAP Adjustments	74	56	42	45	96	239	337
Income tax adjustments ⁽²⁾	(17)	(9)	(8)	(12)	(25)	(54)	(75)
Adjusted Net Income	\$ 46	\$ 36	\$ 46	\$ 44	\$ 31	\$ 157	\$ 144

CONTINUED

(in millions)

	<u>Q4 2020</u>	<u>Q1 2021</u>	<u>Q2 2021</u>	<u>Q3 2021</u>	<u>Q4 2021</u>	<u>FY 2021</u>	<u>FY 2020</u>
<u>ADJUSTED EFFECTIVE TAX</u>							
Income (Loss) Before Income Taxes	\$ (11)	\$ (9)	\$ 19	\$ 19	\$ (54)	\$ (25)	\$ (139)
<u>Adjustment:</u>							
Total Non-GAAP Adjustments	74	56	42	45	96	239	337
Adjusted PBT	\$ 63	\$ 47	\$ 61	\$ 64	\$ 42	\$ 214	\$ 198
Income tax expense (benefit)	\$ —	\$ 2	\$ 7	\$ 8	\$ (14)	\$ 3	\$ (21)
Income tax adjustments ⁽²⁾	17	9	8	12	25	54	75
Adjusted Income Tax Expense (Benefit)	17	11	15	20	11	57	54
Adjusted Net Income (Loss)	\$ 46	\$ 36	\$ 46	\$ 44	\$ 31	\$ 157	\$ 144
<u>ADJUSTED OPERATING INCOME (LOSS)</u>							
Loss Before Income Taxes	\$ (11)	\$ (9)	\$ 19	\$ 19	\$ (54)	\$ (25)	\$ (139)
<u>Adjustment:</u>							
Total non-GAAP adjustments	74	56	42	45	96	239	337
Interest expense	14	13	13	12	17	55	60
Adjusted Operating Income (Loss)	\$ 77	\$ 60	\$ 74	\$ 76	\$ 59	\$ 269	\$ 258

CONTINUED

(in millions)

	<u>Q4 2020</u>	<u>Q1 2021</u>	<u>Q2 2021</u>	<u>Q3 2021</u>	<u>Q4 2021</u>	<u>FY 2021</u>	<u>FY 2020</u>
ADJUSTED EBITDA							
Income (Loss) From Continuing Operations	\$ (11)	\$ (11)	\$ 12	\$ 11	\$ (40)	\$ (28)	\$ (118)
Income tax expense (benefit)	—	2	7	8	(14)	3	(21)
Depreciation and amortization	115	95	86	84	87	352	459
Contract inducement amortization	—	—	—	1	—	1	2
Interest expense	14	13	13	12	17	55	60
	<u>118</u>	<u>99</u>	<u>118</u>	<u>116</u>	<u>50</u>	<u>383</u>	<u>382</u>
EBITDA							
<u>Adjustments:</u>							
Restructuring and related costs	11	13	8	10	14	45	67
Loss on extinguishment of debt	—	—	2	—	13	15	—
(Gain) loss on divestitures and transaction costs	3	2	(1)	—	2	3	17
Litigation costs	—	1	1	—	1	3	20
Abandonment of Cloud Computing Project	—	—	—	—	32	32	—
Other charges (credits)	1	—	—	4	2	6	(6)
	<u>\$ 133</u>	<u>\$ 115</u>	<u>\$ 128</u>	<u>\$ 130</u>	<u>\$ 114</u>	<u>\$ 487</u>	<u>\$ 480</u>
Adjusted EBITDA							

1. Included in Depreciation and amortization on the Consolidated Statements of Income (Loss).
2. The tax impact of Adjusted Pre-tax income (loss) from continuing operations was calculated under the same accounting principles applied to the 'As Reported' pre-tax income (loss), which employs an annual effective tax rate method to the results and without regard to divestitures, charges for amortization of intangible assets, restructuring, loss on extinguishment of debt and charges for abandonment of a cloud computing project.

Non-GAAP Reconciliations

Adjusted Weighted Average Shares Outstanding, Adjusted Diluted EPS, Adjusted Effective Tax Rate, Adjusted Operating Margin, and Adjusted EBITDA Margin

(Amounts are in whole dollars, shares are in thousands and margins are in %)

	<u>Q4 2020</u>	<u>Q1 2021</u>	<u>Q2 2021</u>	<u>Q3 2021</u>	<u>Q4 2021</u>	<u>FY 2021</u>	<u>FY 2020</u>
ADJUSTED DILUTED EPS⁽¹⁾							
Weighted Average Common Shares Outstanding	209,981	212,250	212,450	212,633	213,410	212,719	210,018
<u>Adjustments:</u>							
Restricted stock and performance units / shares	8,483	6,952	7,715	7,184	7,212	7,152	4,969
Adjusted Weighted Average Common Shares Outstanding	<u>218,464</u>	<u>219,202</u>	<u>220,165</u>	<u>219,817</u>	<u>220,622</u>	<u>219,871</u>	<u>214,987</u>
Diluted EPS from Continuing Operations	\$ (0.07)	\$ (0.06)	\$ 0.04	\$ 0.04	\$ (0.20)	\$ (0.18)	\$ (0.61)
<u>Adjustments:</u>							
Total non-GAAP adjustments	0.35	0.25	0.20	0.20	0.44	1.10	1.58
Income tax adjustments ⁽²⁾	(0.08)	(0.04)	(0.04)	(0.05)	(0.11)	(0.25)	(0.35)
Adjusted Diluted EPS	<u>\$ 0.20</u>	<u>\$ 0.15</u>	<u>\$ 0.20</u>	<u>\$ 0.19</u>	<u>\$ 0.13</u>	<u>\$ 0.67</u>	<u>\$ 0.62</u>
ADJUSTED EFFECTIVE TAX RATE							
Effective tax rate	— %	(23.4) %	38.2 %	38.3 %	26.6 %	(9.7) %	15.1 %
<u>Adjustments:</u>							
Total non-GAAP adjustments	27.0	46.8	(12.5)	(7.9)	(1.2)	36.3	12.2
Adjusted Effective Tax Rate⁽²⁾	<u>27.0 %</u>	<u>23.4 %</u>	<u>25.7 %</u>	<u>30.4 %</u>	<u>25.4 %</u>	<u>26.6 %</u>	<u>27.3 %</u>

CONTINUED

(Margins are in %)

	<u>Q4 2020</u>	<u>Q1 2021</u>	<u>Q2 2021</u>	<u>Q3 2021</u>	<u>Q4 2021</u>	<u>FY 2021</u>	<u>FY 2020</u>
ADJUSTED OPERATING MARGIN							
Income (Loss) Before Income Taxes Margin	(1.0) %	(0.9) %	1.9 %	1.8 %	(5.2) %	(0.6) %	(3.3) %
<u>Adjustments:</u>							
Total non-GAAP adjustments	7.0	5.4	4.0	4.3	9.2	5.8	8.1
Interest expense	1.3	1.3	1.3	1.2	1.6	1.3	1.4
Margin for Adjusted Operating Income	<u>7.3 %</u>	<u>5.8 %</u>	<u>7.2 %</u>	<u>7.3 %</u>	<u>5.6 %</u>	<u>6.5 %</u>	<u>6.2 %</u>
ADJUSTED EBITDA MARGIN							
EBITDA Margin	11.2	9.6	11.5	11.2	4.8	9.3	9.2
Total non-GAAP adjustments	1.4	1.6	1.0	1.3	6.1	2.5	2.3
Adjusted EBITDA Margin	<u>12.6 %</u>	<u>11.2 %</u>	<u>12.5 %</u>	<u>12.5 %</u>	<u>10.9 %</u>	<u>11.8 %</u>	<u>11.5 %</u>

1. Average shares for the 2021 and 2020 calculation of adjusted EPS excludes 5.4 million shares associated with our Series A convertible preferred stock and includes the impact of the preferred stock dividend of approximately \$3 million and \$10 million for the three months and years ended December 31, 2021 and 2020, respectively.
2. The tax impact of Adjusted Pre-tax income (loss) from continuing operations was calculated under the same accounting principles applied to the 'As Reported' pre-tax income (loss), which employs an annual effective tax rate method to the results and without regard to divestitures, charges for amortization of intangible assets, restructuring, loss on extinguishment of debt and charges for abandonment of a cloud computing project.

Non-GAAP Reconciliation: Free Cash Flow and Adj. Free Cash Flow

(in millions)	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021	FY 2020
Operating Cash Flow	\$ 172	\$ (2)	\$ 105	\$ 55	\$ 85	\$ 243	\$ 161
Cost of additions to land, buildings and equipment	(28)	(14)	(25)	(13)	(28)	(80)	(76)
Proceeds from sale of land, buildings and equipment	—	—	—	—	—	—	—
Cost of additions to internal use software	(16)	(16)	(16)	(17)	(18)	(67)	(63)
Tax payment related to divestitures	—	—	—	—	—	—	—
Free Cash Flow	128	(32)	64	25	39	96	22
Transaction costs	2	1	1	—	—	2	5
Transaction costs tax benefit	—	—	—	—	—	—	—
Vendor financed lease payments	(2)	(2)	(3)	(2)	(2)	(9)	(11)
Texas litigation payments	—	—	—	—	—	—	118
Adjusted Free Cash Flow	\$ 128	\$ (33)	\$ 62	\$ 23	\$ 37	\$ 89	\$ 134

The below footnotes correspond to the Cash Flow and Balance Sheet slide

- (1) Refer to Appendix for complete non-GAAP reconciliations of Adjusted Free Cash Flow.
- (2) Total Cash includes \$5M and \$8M of restricted cash as of December 31, 2021 and December 31, 2020, respectively, and Total debt excludes deferred financing costs.
- (3) Revolving credit facility and Term Loan A interest rate: LIBOR + 175 bps; Term Loan B: LIBOR + 250 bps.
- (4) Total Debt as of December 31, 2021 and 2020 includes Term Loan A, Term Loan B, Senior Notes and Revolving credit facility borrowings.
- (5) \$430M of available capacity under Revolving Credit Facility as of December 31, 2021. \$100M of which has been repaid in February 2022.
- (6) Capex refers to Land, Buildings & Equipment plus additions to Internal Use Software.
- (7) Net debt (Total debt less adjusted cash) divided by TTM Adjusted EBITDA (not adjusted for divestitures). Adjusted ratio uses Total Debt which excludes deferred financing costs.
- (8) Debt maturity amounts exclude finance leases and other loans.

CONDUENT



CONDUENT FORUM '19