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Conduent, Inc. (CNDT)

Q2 2021 Earnings Call

## CORPORATE PARTICIPANTS

Giles Goodburn

Stephen Wood

Vice President-Corporate Finance & Investor Relations, Conduent, Inc.

Chief Financial Officer, Conduent, Inc.

**Cliff Skelton** 

President, Chief Executive Officer & Director, Conduent, Inc.

## OTHER PARTICIPANTS

**Shannon Cross** 

Analyst, Cross Research

**Puneet Jain** 

Analyst, JPMorgan Securities, Inc.

## MANAGEMENT DISCUSSION SECTION

**Operator:** Greetings and welcome to the Conduent Second Quarter 2021 Earnings Results Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] Please note this conference is being recorded.

I would now turn the conference over our your host, Giles Goodburn, Vice President of Investor Relations. Thank you. You may begin.

#### Giles Goodburn

Vice President-Corporate Finance & Investor Relations, Conduent, Inc.

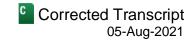
Good evening, and welcome to Conduent's second quarter 2021 earnings call. Joining me on today's call is Cliff Skelton, Conduent's CEO; and Steve Wood, Conduent's CFO. Following our prepared remarks, we will take your questions. This call is also being webcast and a copy of the slides used during this call was filed with the SEC this afternoon. These slides as well as the detailed financial metrics package are available on the Investor Relations section of the Conduent website.

During this call, Conduent executives may make comments that contain certain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995 that by their nature address matters that are in the future and are uncertain. These statements reflect management's current beliefs, assumptions and expectations as of today, August 5, 2021, and are subject to a number of factors that may cause actual results to differ materially from those statements. Information concerning these factors is included in Conduent's annual report on Form 10-K filed with the SEC. We do not intend to update these forward-looking statements as a result of new information or future events or developments except as required by law.

The information presented today includes non-GAAP financial measures. Because these measures are not calculated in accordance with the US GAAP, they should be viewed in addition to and not as a substitute for the



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company's reported results. For more information regarding definitions of our non-GAAP measures and how we use them as well as the limitations to their usefulness for comparative purposes, please see our press release which was issued this afternoon and furnished to the SEC on Form 8-K.

And now, I'd like to turn the call over to Cliff for his prepared remarks. Cliff?

#### Cliff Skelton

President, Chief Executive Officer & Director, Conduent, Inc.

Thank you, Giles. Good afternoon, everyone. Welcome to Conduent's Q2 earnings call. I really appreciate everybody being here today. Let me start by saying that Q2 was really a good quarter for us. It marks a milestone in our journey. If you think about the journey from two years ago in August of 2020 – in 2019 when I said this was a fundamental and foundational turnaround, I think you'll be quite pleased with what you're about to hear today. Through the hard work of our 60,000 associates we experienced some pretty good performance in sales, operational excellence, profit in top line, all of which took place during a pandemic as we all know.

And I'm going to talk today a little bit about why we're winning and how improved quality is driving value. And then I'm going to turn it over to our new CFO, Steve Wood, to talk a little bit about the detailed financials. I'm also going to touch on the importance in our confidence in refinancing our debt over the next few months.

So if you'll please turn to slide 4, I think you'll see that Conduent's revenue came in at \$1,026 million, up 1% year-over-year, marking the first quarter of year-over-year revenue growth since the spin in January of 2017. Overall, that performance was driven in large part by government payments and a return to near pre-COVID transportation volumes, project revenue, and new business ramp. Meanwhile, adjusted EBITDA was \$128 million equating to 12.5% margin, that's up 170 basis points year-over-year driven by mix of revenue and good expense management.

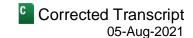
Regarding new business sales, Q2 was the strongest sales quarter since the spin at \$775 million in total contract value, that's up 24% compared to our previous high sales quarter of Q2 of 2020. New business ARR was also strong at \$115 million, up 10% year-over-year. I'm going to talk about that here in just a minute.

Finally, our net ARR activity metric for the trailing 12 months was \$106 million. Now, this is the third consecutive quarter of growth and I'll talk more about that in a minute as well. In other highlights for Q2, we continue to drive service excellence with improved platform uptime for our clients which resulted in several significant accolades in the quarter.

Turning to slide 5, you can see the year-over-year improvements in total contract value. Again, remember, total contract value contains both annual recurring and non-recurring revenue. That number, as mentioned, was \$775 million of TCV, our highest single quarter since the spin. The previous highest quarter at 2020 – Q2 of 2020 was \$623 million. Again, annual recurring revenue of Q2 of 2021 was \$115 million, up 10% year-on-year. Now, the difference between that 10% improvement and the 24% improvement is the contract length was slightly higher in Q2 of 2021 than it was in Q2 of 2020. Certainly, much higher than Q1 of 2021. And also a higher percentage of that TCV is non-recurring revenue which indicates very strong client confidence in add-on and project volume.

As mentioned, the net ARR activity metric which is inclusive of new business ARR, lost business, contracted price changes, volume changes et cetera was \$106 million, up from last quarter's \$87 million. Now, think of that for a minute, \$106 million in the previous 12-month trailing was \$87 million, the previous 12-month trailing before that was \$60 million. So we're seeing quite impressive positive growth which indicates that our new business sales are

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outpacing our losses. And as soon as we outrun all those legacy losses, it's quite an impressive forecast for the future.

Also on page 5, you can see that our sales were balanced across our three segments of commercial, government, and transportation. On a percentage of revenue basis, our government and transportation sales performance stands out quite nicely. In the Transportation segment, we signed a 10-year \$178 million deal with the UK Department of Transport's Highways England. This contract marks a significant expansion for our tolling business in the UK and Europe.

As interesting to see that in the past 12 months, we've secured three major tolling deals which gives us quite a bit of optimism for the future. And the pipeline continues to be quite strong with opportunities on a global scale. The sales performance in government was also quite strong where we signed two major deals, one with the New Hampshire Department of Health and Human Services for Medicaid Services and also with the State of Hawaii for Medicaid Claims Processing. In our commercial business, our sales performance is improving but is still lagging that great performance we saw in Government and Transportation. The good news is that we've had some very encouraging early awards already in Q3. We're doing some things like modifying our go-to-market approach, changing our account management and sales approach, talent upgrades, and we have a very serious focus on the healthcare industry.

Now, in the commercial business, a high portion of those legacy losses are resident and some of the remnants of the pandemic are also resident. We're now burning through those losses and we see the sales lag reversing in the near term. In aggregate, we're very positive about our sales results obviously, and we're quite optimistic regarding the second half.

Now, regarding the non-financials on slide 6, our clients and others are recognizing our progress as well. GM named Conduent as Supplier of the Year in our category for performance across multiple product lines. This was a first time award for us and separates us as one of the top performers out of thousands of suppliers.

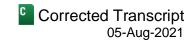
Our chief information officer was recognized with an American Business Award (sic) [Awards] Gold Stevie for outstanding technology achievement in the category of Leading Through Digital Disruption, and that's all about enabling over 40,000 associates to work from home during the pandemic.

And finally, I'm proud to represent the company by being recognized among the Top CEOs for Diversity by Comparably, one of the top 50 CEOs for large companies in the large company category that is. This is really important and I'm very proud of this for our company because we're trying to create a culture here where all of our associates can be themselves and they're empowered to deliver the very best for our clients.

The bottom line is that we experienced a quarter of continued operational performance, great sales, and a set of strong financials. However, as you know, the journey is a continuing one. Earnings alone or one earnings alone certainly will never represent a destination. It's always one step along the way. However, we've said all along that we intend to tell you what we will do and then perform against that commitment. This will be the eighth consecutive guarter where we've delivered on the commitments we made.

So today, we'll update our guidance for the remainder of the year. Steve is going to talk about that here in a minute but we remain very optimistic. I want to reiterate that our debt refinancing remains a top priority for us in 2021. The markets remain attractive. And again we would expect to refinance our debt in the next few months, we will get it done. Also in the quarter, our well planned transition of Chief Financial Officer was seamless. Steve

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Wood has already made significant progress as CFO and I'm pleased to turn the brief over to him to take you through some of the more detailed financials. Thank you all very much for listening. Steve?

Stephen Wood

Chief Financial Officer, Conduent, Inc.

Thanks, Cliff, and good afternoon, everyone. As we have done in the past we are reporting both GAAP and non-GAAP numbers. The reconciliations are in our filings and in the appendix of the presentation. Let's turn to slide 8 to discuss the Q2 2021 results starting with the P&L. As Cliff highlighted, we had a strong quarter in line with internal and external expectations with revenue above \$1 billion up 1% year-over-year. The trajectory of our revenue trend continues to be positive. Revenue growth was driven by increased stimulus related volumes in our Government Payments business, increased volumes across the Transportation segment, and new business ramp, partially offset by lost business from prior years. Adjusted EBITDA for the quarter was \$128 million up 16.4% year-over-year while our adjusted EBITDA margin for the quarter was 12.5% up 170 basis points compared with Q2 2020.

The increase in adjusted EBITDA was driven by a strong revenue mix, continued progress across our range of efficiency programs and a one-time item that affected Q2 2020. This was partially offset by lost business from prior years.

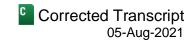
Let's turn to slide 9 to go over the segment results. For Q2 our Commercial segment revenue declined 3.3% where increased volumes and new business ramp were more than offset by lost business from prior years. Adjusted EBITDA increased 4% while the adjusted EBITDA margin of 10.7% was up 70 basis points year-over-year. This was driven by efficiency progress as well as a one-time item that affected Q2 2020.

Our Government segment revenues grew by 2.1% for the quarter. This was primarily driven by stimulus volumes in our Government Payments business as well as the ramp of new business in both payments and healthcare, partially offset by lost business from prior years. Government segment adjusted EBITDA increased by 23% while adjusted EBITDA margins of 35% increased by 590 basis points. This margin improvement was due to the revenue mix and efficiency progress. Our Transportation segment achieved revenue growth across all business units. Revenue grew 12.1% compared to Q2 2020 primarily driven by increased volumes and new business ramp partially offset by lost business from prior years.

Adjusted EBITDA was down 13.8% compared with Q2 2020 driven by some short term cost savings that benefited Q2 2020 and revenue mix. Adjusted EBITDA margin for the quarter was 13.5% down 410 basis points year-over-year. For the quarter our unallocated costs were \$69 million, 4.5% higher than the same quarter last year driven mainly by short term cost savings that benefited Q2 2020. In the appendix, we've included the detail by segment of our year-over-year growth trends for the past six quarters. Our trends in the Commercial and Transportation segments are positioned to continue to improve moving forward as we lap the COVID-19 impacts, ramp new business and work through the remaining taper of the legacy losses. Our Government segment is currently benefiting from the federal support of pandemic SNAP which as we have said will come down over time.

Let's now turn to slide 10 to discuss the balance sheet and cash flow. Our balance sheet continues to remain healthy and we have a solid liquidity position. We ended the quarter with \$403 million of cash on the balance sheet. As of quarter-end, we had approximately \$743 million of capacity under the revolver. Our net leverage ratio at the end of the quarter was 2 turns, in line with our target of 2 to 2.5 turns. As you can see on the debt maturity table, our first major maturity is at the end of 2022. We repaid the remaining \$34 million of senior secured notes due in 2024 on May 1 of this quarter. As Cliff mentioned in his remarks, refinancing is a top priority and we see the markets still being attractive. We would expect to complete the refinancing in the next few months.

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Operating cash flow for the quarter was an inflow of \$105 million and adjusted free cash flow was \$62 million an improvement of \$24 million compared with Q2 2020. This was primarily driven by strong EBITDA performance and improved working capital.

CapEx for the quarter was \$41 million or 4% of revenue, an increase sequentially over Q1 and \$71 million for the first half of 2021. As a reminder, we somewhat constrained CapEx in 2020 due to the pandemic.

Now let's move to slide 11 to discuss our outlook for Q3 and full year 2021. With two quarters left to go and good momentum in our sales execution, we have increased our full year revenue guidance range to between \$4.1 billion and \$4.175 billion. We continue to get improved line of sight to both the timing and quantum of government payment volumes associated with the stimulus programs. As we stated before, stronger volumes in these programs could drive us towards being close to flat in 2021 year-over-year as compared to 2020.

As it relates to pandemic SNAP, we expect volume to remain strong in the third quarter but will then taper in Q4 as those programs conclude. In terms of adjusted EBITDA, we have raised our guidance range and now expect full year adjusted EBITDA margin in the range of 11.25% to 11.75%. Our adjusted EBITDA margin in the first half of 2021 was 11.8% driven by the strong performance this quarter. Looking forward, we expect adjusted EBITDA margins to remain strong but be slightly lower in Q3 and then to normalize as we transition into Q4.

As a reminder, we have said previously we believe that the normalized adjusted EBITDA margin for the business excluding the impacts of the government's stimulus volumes will be range bound between 11% and 11.5% in the short term as we lap these stimulus effects and continue investments to grow top line revenue and aid retention. We still expect to convert approximately 20% of full-year adjusted EBITDA to adjusted free cash flow. Normalized for the expected CARES Act payment in December this year, this number would be approximately 25%. Normalizing both 2020 and 2021 would result in an approximate 900 basis point year over year improvement. We have not changed our outlook on our expected 2021 CapEx spend of \$170 million or our restructuring spend between \$40 million and \$45 million.

Before I close, I want to thank our associates, shareholders and clients for their continued support as well as my teammates who helped me in my transition into this new role.

We will now open up the lines for some questions. Operator?

## **QUESTION AND ANSWER SECTION**

**Operator**: Thank you. [Operator Instructions] Our first question comes from Shannon Cross with Cross Research. Please state your question.

#### **Shannon Cross**

Analyst, Cross Research

Thank you very much. I was wondering, can you talk a bit about commercial and what's going on there in terms of lost business versus growth and how we should think about margins given the shifting portfolio? And then I have a couple more, thanks.

#### Cliff Skelton

President, Chief Executive Officer & Director, Conduent, Inc.

Yeah. Shannon, let me start with the commercial. I think the two parts to the commercial story, one is sales and one is the net revenue. If you look at sales, some of this is timing. We're envisioning a very strong Q3 on sales. On a relative basis, commercial sales lagged a little bit the really, really strong Government and Transportation kind of success and so we see a lot of that — a lot of that coming back in Q3. On a net basis though, that negative 3.3% you see on Commercial is significantly improved as you can imagine into all the compares prior. And what we're seeing there is that net ARR number that we measure across our different segments and in aggregate is still very positive on Commercial and it's just a matter of outrunning the legacy losses. So, it's timing and we just need a little more time to get that done but let me just let Steve add some color to it.

#### Stephen Wood

Chief Financial Officer, Conduent, Inc.

Yeah. Shannon, the one other thing I'd add in there and Cliff alluded to it when he talked about that net ARR activity metric. I mean, we've seen that now sequentially increase on a trailing 12 month basis for the last three quarters. Cliff talked about that in his remarks. And within the Commercial segment, the Commercial's contribution to that number has been positive and sequentially improving as well. So, if you think about the Commercial business and we think about the base of the business, I'd like to think about the kind of two primary hydraulics that are driving where that business is going right now. It's the net ARR metric for the Commercial segment which as I said, we're starting to see sequential growth in that metric.

And then secondly, there's the component of the legacy losses. And just a reminder about the legacy losses, we talked about those as being losses in 2019 and prior. And we're really starting now to get into what I call the thin end of the wedge of those legacy losses. We haven't quantified them in terms of their overall number but the number this year was more than twice as big last year and the number next year is going to be half the size of this year, and the number in 2023 is going to be half the size of 2022. So, we've now got both of the hydraulics again driven by improved sales performance, driven by improved retention. We've now got the hydraulics of the Commercial segment beginning to trend us in the right direction so that as we move forward, it gives us increased confidence to that line of sight to get that segment back onto a growth footing.

#### Cliff Skelton

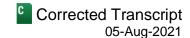
President, Chief Executive Officer & Director, Conduent, Inc.

There's just a little more time needed here Shannon and that's the bottom line.

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#### **Shannon Cross**

Analyst, Cross Research

Okay. And then with regard to the add-on business that you're selling, what's driving that? Is this – do you think customers increasing their programs or have you changed your sales comp structure or selling mechanisms to try to add increased, I guess, both revenue and I would assume reasonable incremental margin as well with those deals?

Cliff Skelton

President, Chief Executive Officer & Director, Conduent, Inc.

Yeah. I mean, the add-on business is both ARR and NRR and a lot of that NRR business is increased confidence, it's project volume, it's add on to the current volume we have, a little bit of it or a portion of it is the stimulus volume. But it's just – it's a whole new improved account management game plan with different leaders and different talent with more to go there by the way. And frankly, the growth in that add-on business is even outpacing the growth in our global sales organization improvement which is also quite improved.

**Shannon Cross** 

Analyst, Cross Research

Okay. And then just my last question is, how much of this growth that you're seeing or improvement do you think is just the market growing overall versus better win rates for you? I'm just wondering about share within your various business units. Thank you.

Cliff Skelton

President, Chief Executive Officer & Director, Conduent, Inc.

Yeah. I wouldn't say it's market growing overall. I would say it's improved performance. We have a different sales model. As Steve said, we're burning through the legacy losses. We're seeing marked improvement in Transportation as you know, both from a retention perspective and a sales perspective evidenced by that big Highways England deal. So, frankly, it's better sales performance, better retention. And now, it's just – and now it's waiting for the confounding of COVID to burn through and those legacy losses to burn through. But the market's modestly improving. We're talking 3% to 4% in different places. But it's still a little confused with the pandemic. So, I would not chalk it up to market growth.

**Shannon Cross** 

Analyst, Cross Research

Okay. Thank you very much.

**Cliff Skelton** 

President, Chief Executive Officer & Director, Conduent, Inc.

Sure.

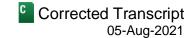
Operator: Our next question comes from Puneet Jain with JPMorgan. Please state your question.

**Puneet Jain** 

Analyst, JPMorgan Securities, Inc.

Hey, thanks for taking my question. I have like a follow up to a prior question. Obviously, glad to see revenue guidance being flattish within the overall range. How much of it would stem from near-term benefits that may not

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continue into next year like easy comps in Transportation, Government Payments in the public sector versus sales performance and improved competitiveness that could sustain beyond this year?

Cliff Skelton

President, Chief Executive Officer & Director, Conduent, Inc.

A

It's a great question, Puneet. It would be naïve for me to say that there wasn't a little bit of tailwind here from stimulus that's going to drop off. But it's all of what you just said. And the problem with answering your question with perfect alacrity here is that we don't really know where the puck goes on COVID, when all the volume comes back in the commercial space, when some of the government volume falls off et cetera. But we – here's what we know for sure. The base business is doing quite well. And if you think about the three areas of growth that you should think about in your model and I would recommend you think about in your modeling is what's going on in the base business and in that base business net of COVID, net of the legacy losses, I would say we're in the pivot here.

It's going exactly the way we want it to go and it's working. But then you got to overlay the burn out of – the burn off of the legacy losses which, as Steve says, we're getting the thin edge of that wedge. And then you got to put it in the model, where you think COVID is going, where is this stimulus volume going. Where's the – with this Delta variant, it's just – it's so unpredictable. That's why it's difficult for me to say to you that 1% year-over-year growth is attributable to this because then it'd be partially wrong. But what we do know for sure is that base business is doing exactly what we expect it to do and that's going to bode well for the long-term. Steve?

Stephen Wood

Chief Financial Officer, Conduent, Inc.

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Yeah. Puneet, I'd just add one more to that, agree with everything that Cliff said. I think it's a combination of those factors. It's difficult to [ph] divide (27:36) out exactly out. But as we were thinking about guidance, we remain positive in our outlook in terms of our sales performance both in terms of new business and add-on sales. And obviously, as we've talked about, we're benefiting from some of that short-term tailwind from stimulus. But it's a combination of those factors that are driving where we're thinking about guidance.

**Puneet Jain** 

Analyst, JPMorgan Securities, Inc.



Understood. And you have clearly benefited from improved sales performance execution. But if you look at the industry overall, many of your peers are also investing heavily in areas like automation, AI, pursuing acquisitions in those areas. How are you going to respond to that like given like the balance sheet constraints? Maybe talk about your M&A strategy and how are you going to invest in some of those technology tools and solutions to stay competitive?

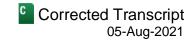
Cliff Skelton



President, Chief Executive Officer & Director, Conduent, Inc.

Yeah. So we also are investing in AI, Machine Learning, several different partnerships with some automation companies and AI companies across the spectrum specifically in our commercial business. We're also investing in some fraud automation tools that are starting to bear fruit and helping us quite nicely in our own internal fraud management, but also enabling us to sell some of those capabilities not just in the government space, but outside. So we're doing that as well. It's on an incremental basis. It's not a big bang. We're not making a lot of noise about it. So we too are very invested with our clients and individually on automation, AI, and machine learning.

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With respect to M&A, we've said all along we want to be planful and paste. We don't – we're not looking to – for a big bang in the near-term. And so what my view is, as the market watches us, they need to see us growing organically. And we don't want to confuse the market by saying with a bunch of inorganic growth yet. To say that we will or won't do M&A is too early to say. What I can tell you is in the near term, we're looking at lots of adjacent opportunities and partnerships and potential tuck-ins and other things like that. But we're not in a position in our maturity cycle where we'd say the way we're going to win is through a large M&A. That doesn't mean it's off the table. In fact, it's very much not off the table. It just means we've got a few other things closer to us right now. And the balance sheet will support that along the way.

And, Steve, I don't know if you want to talk about cap or the balance sheet but I think it's capable of doing lots of things here.

Stephen Wood

Chief Financial Officer, Conduent, Inc.

Yes, absolutely. I mean, I don't look at the balance sheet as necessarily being a constraint to do some of the things that either we're doing or some of the things that are in our near-term. I think as we've talked about how we allocate CapEx and other activities, we're working through the tail end of some very, very significant activities that have secured the foundational strength of the business. And then that has allowed this quality now to permeate to the fact that we can now start selling to our existing clients more and you're seeing that coming through in the results. So as we've talked before, over time, our CapEx mix will change. It will be more to drive new business and investments in strategic initiatives. So, I think – we think about that inside of the overall sort of range of how we're thinking about our current capital allocation, and I'm not viewing balance sheet as a huge constraint from us to be able to do some of those things in the medium term.

**Puneet Jain** 

Analyst, JPMorgan Securities, Inc.

That's good to know. Thank you.

Cliff Skelton

President, Chief Executive Officer & Director, Conduent, Inc.

You bet. Thank you, Puneet.

**Operator**: [Operator Instructions] Our next question comes from Bryan Bergin with Cowen. Please state your question.

Hey. This is actually [indiscernible] (31:59) on for Bryan. My first question, can you characterize clients' willingness to sign deals currently and how that might have changed over the last three months and in terms of the pace of deal ramps what you're seeing there?

Cliff Skelton

President, Chief Executive Officer & Director, Conduent, Inc.

There's a couple of chopping reception there, [ph] Jerry (32:19). I think what you said is clients' propensity to buy was pretty much the question?

Correct and how that's changed over the last three months.

#### Cliff Skelton

President, Chief Executive Officer & Director, Conduent, Inc.

Yeah. Yeah. It's hard to give you a perfect answer because the answer varies by segment and, certainly, it varies by industry. But there's a lot of RFPs out there in the public sector and that becomes a reputation of quality or price in an execution game. That hasn't changed. And it's been pretty consistent. In the commercial space, believe it or not, I would say the propensity to buy is increasing. There was a little bit of a dip in the heart of COVID, a little bit. But frankly, the industry and the market really didn't stumble in terms of our ability to sell or their propensity to buy. It's been pretty consistent.

Okay. Great. And then in terms of international plants, which geographies do you think are underpenetrated and the most attractive opportunities for you currently?

#### **Cliff Skelton**

President, Chief Executive Officer & Director, Conduent, Inc.

Yeah. So, if you think about a Transportation business specifically where we see the most international opportunity, as I mentioned earlier, we just sold a tolling deal in UK. We do see some more tolling expansion internationally in Europe. And, frankly, in South America we think there's some opportunity in that space. So, I would say our international expansion is really focused primarily in in the Transportation business, a little bit in our customer experience business, we see some opportunities popping up. Those are the two big ones with the nearest opportunity in Transportation.

Got it. Thank you.

#### Cliff Skelton

President, Chief Executive Officer & Director, Conduent, Inc.

You bet.

**Operator**: Thank you. There are no further questions at this time. I'll turn it back to management for closing remarks.

#### Cliff Skelton

President, Chief Executive Officer & Director, Conduent, Inc.

Okay. Well, thank you. I really appreciate the questions today and with everything going on in the world and the unpredictability of COVID, I hope everybody stays well. I know our analyst team have been very busy with a lot of other earnings. So, thank you very much for taking the time out of your day to be with us. I hope everybody's well. Thanks.

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Operator: Thank you. This concludes today's conference. All parties may disconnect. Have a great evening.

#### Disclaime

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