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Conduent, Inc. (CNDT)

Q3 2019 Earnings Call
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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon and welcome to the Conduent Third Quarter 2019 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Alan Katz, Vice President of Investor Relations. Please go ahead.

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

Good evening, ladies and gentlemen, and welcome to Conduent's third quarter 2019 earnings call. Joining me on today's call is Cliff Skelton, Conduent's CEO; and Brian Walsh, Conduent's CFO. Following our prepared remarks, we will take your questions. This call is also being webcast. A copy of the slides used during this call was filed with the SEC this afternoon. Those slides, as well as a detailed financial metrics sheet, are available for download on the Investor Relations section of the Conduent website. We will also post a transcript later this week.

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, November 6, 2019, 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. Information presented today includes non-GAAP financial measures.
Because these measures are not calculated in accordance with US GAAP, they should be viewed in addition to and not as a substitute for the company's reported results prepared in accordance with US GAAP. For more information regarding definitions of our non-GAAP measures and how we use them, as well as limitations as to their usefulness for comparative purposes, please see our press release, which was issued this afternoon and was furnished to the SEC on Form 8-K.

With that, I will turn the call over to Cliff for his prepared remarks. Cliff?

Cliff Skelton  
Chief Executive Officer & Director, Conduent, Inc.

Thank you, Alan. Good afternoon, everybody. In August, I was given the opportunity to become Conduent's CEO and be part of a team that takes Conduent toward a new and improved chapter in our history. I remain eager to help demonstrate that Conduent has untapped potential and we remain optimistic regarding our company's future. We have crafted the plan and are charting the course toward increased sales, enhanced efficiency and improved quality, which in turn, will manifest in top line growth, EBITDA and an improved reputation in the marketplace over time.

On our previous call, we discussed three critical levers that must be utilized to accomplish our goals. Those levers are people and organization, process improvement, and better and more predictable technology solutions. On today's call, Brian and I will expand a bit on what's being done across those key leverage points. But first, let's go through the key takeaways for the quarter.

Our key financial metrics came in slightly ahead of our internal estimates. Revenue was about $1.1 billion, slightly better than our internal expectations, but still down year-over-year. The year-over-year decline is caused by previously discussed client losses, price downs and missed sales opportunities. Shortly, I will discuss the tactics we're deploying to address those outcomes. Adjusted EBITDA was $127 million, again, better than internal expectations, but also down year-over-year.

Given the quarterly performance and our Q4 expectations, we are reaffirming our latest fiscal year 2019 revenue and adjusted EBITDA guidance. Brian will walk you through the details of both the financials and our guidance in his remarks. We're now seeing some very modest improvements on actions we have taken thus far across our non-financial metrics. Among other things, we continue to look for efficiencies and simplification through improved head count spans and layers and offshoring.

Our quarterly renewal rate was 93%, which is in line with our expectations, but it is only one quarter of evidence. Our pipeline also shows some signs of improvement and we're seeing early signs of technology quality improvement. Unfortunately, these are just indicators, as the real improvement bellwether is new business signings and revenue growth, both which continue to be under pressure.

We have also made changes to our management and operating model, and we're removing unnecessary functions and driving teamwork across our sales, service, operations and technology teams. We have simplified reporting structures and we are top-grading talent across the board. We will continue to remove unnecessary spans and layers in our sales and delivery teams to prevent client confusion and drive accountability. This work remains foundational for our future and top line improvement.

Finally, we have also made significant progress on the strategic and operational review. So, let's turn to slide 4 to discuss that particular effort in more detail. When we last spoke, management and the board had just started the strategic and operational review process. The intention of this exercise is to simplify our value proposition, take
advantage of our market positioning and industry expertise, and position the company to grow revenue and improve profitability over time.

Building a high-performing go-forward company is our ultimate goal. When we think about the businesses that could be suitable candidates for disposition consideration in our review, we will weigh how the business is aligned with our go-forward strategy and/or which businesses complicate our overall value proposition as a company, as well as businesses that are particularly attractive on the outside due to a combination of scale and scarcity.

We believe we can unlock significant value through such potential divestitures and are completing our strategic review to assess go-forward plans. We intend to complete our review in late Q4 2019 or early Q1 2020. Depending on the outcome, we would anticipate taking any potential actions beginning in the first half of 2020. The strategic review will also address our capital allocation strategy. As part of this, we will consider debt leverage ratio expectations, potential stock repurchase, and other internal and external investment opportunities, all or any of which could create value for our shareholders.

Now, let's discuss more on slide 5 relative to current operational tactics inside the company in order to provide more detail. Over the past three months, our team has begun making changes to our processes, people and technology in an effort to boost sales, improve the foundation and enhance our quality, and drive efficiencies. It's too early to see correlated impacts, only directional, but we are confident we are laying the groundwork to move us in the right direction.

Let's review some of these tactics starting with sales. In order to maintain a strong client renewal rate, sell new services to existing clients and improve sales to new logos, we have already begun strengthening our sales organization. First, we hired a proven Chief Sales Officer and have begun to top-grade the next level of sales talent. Second, we have decoupled our sales and delivery organizations to enable new logo and new product sales executives to sell, and general management and account teams to deliver, operate and improve client satisfaction. Our clients are reacting positively to these moves.

Third, we're also simplifying the go-to-market model and removing confusing layers in our organizational structures. Our clients engage with us based on the services and solutions that we offer, and we expect that increased focus and clarity within our org structure will drive both sales and client retention. Again, we're receiving a positive reaction from our client base.

Let's move on to discuss the upgrades we're making to improve our foundation and enhance our quality. We are focused on improving operational quality and reducing SLA penalties. We have already begun top-grading our technology talent. We hired a new CIO, and he's been building out his team and leading the charge and making many process improvements. The first order of business for the team was to build out an improved centralized command center to boost proactive management and monitoring of our infrastructure.

This improved center of excellence and associated processes will leverage automation and machine learning to proactively reduce outages. In fact, we're already beginning to see improvements in our performance metrics based on initial implementation of operational best practices. But again, it's very early and we have a long way to go. The team has also rolled out a set of technology infrastructure protocols. These protocols support consistent responses to service and incident management, and in turn, will reduce the outage duration and improve client communication.

The last area of focus we want to highlight is efficiency, specifically centered on improving our cost structure and making the company more nimble through process improvements. As I mentioned during the key messaging
slide, we have simplified the management organizational model. This simplification should enable more efficient decision-making. Additionally, we're revamping the sales-to-service continuum, which will enhance governance, improve SLA performance and result in better implementation management. This effort will also reduce handoffs, focus on client pain points and ensure mutual commitments are met.

The changes on this slide are a few examples of the changes being made to help the company reach its potential. While some of our metrics are beginning to turn, we still have a long way to go to see consistent quarter-over-quarter improvement. As I mentioned at the outset, this company has untapped potential, and our client relationships, our current pursuit of excellence and our tactical endeavors to free up capital and win new business gives me optimism despite the early stages of our efforts. Our employee base is becoming more and more confident that we will get there.

With that, I will turn it over to Brian to review the financials starting on slide 7.

Brian Webb-Walsh
Chief Financial Officer, Conduent, Inc.

Thank you, Cliff. Before I turn to slide 7, I'll note that throughout this presentation and in the exhibits in the appendix, we provide both GAAP and adjusted numbers, which provide a clean compare by removing the impact of the divestitures that we have completed. Now, let's start on slide 7 with an overview of the third quarter financial results, where I will review a few key financial metrics. As Cliff mentioned, in the quarter, we were pleased that our revenue and adjusted EBITDA results exceeded our internal expectations.

Revenue for the quarter was approximately $1.1 billion, down 3.9% compared with our third quarter results last year adjusted for divestitures. On a constant currency basis, adjusted revenue was down 3.5%. This was driven primarily by client attrition, price downs on renewals and inadequate new business impact. When excluding the impact of divestitures, adjusted EBITDA in the quarter decreased 11% year-over-year to $127 million with an adjusted EBITDA margin of 11.6%, an 80 basis point reduction year-over-year.

Adjusted operating income for the quarter was $72 million, down by 19% year-over-year. While we continue to make progress on cost reductions, these savings were more than offset in the current quarter by revenue pressure, resulting in declines to adjusted EBITDA and to adjusted operating income. Not noted on the page, but an important metric, restructuring spend for the quarter was $8 million. This was driven by both continued head count-related reductions and infrastructure consolidation.

We now anticipate $70 million of full-year restructuring as we continue to transform the organization. As mentioned on our last call, we are taking a more balanced approach between investing for client delivery and cost savings. While we are still taking actions to address unnecessary spend and to streamline our operating model, we are also focused on adding necessary resources in order to improve performance for our clients.

Let's move on to slide 8 to discuss our sales metrics. As Cliff discussed, our renewal rate for the quarter returned to a more normalized level at 93%. TCV signings as a whole for the quarter were $746 million, up 1% compared with the same quarter last year. This $746 million was made up of $234 million of new business signings, down 11% year-over-year, and $512 million of renewal signings, up 8% compared to the same quarter last year.

While renewal signings were strong, we still have work to do on the new business front. Of the $234 million in new business TCV signings, $43 million were non-recurring revenue, which is generally project-based revenue or change orders. Our 12-month rolling new business pipeline improved this past quarter to $12 billion. This increase
is primarily due to the addition of several early stage Government deals. Keep in mind that the timing of Government RFPs in early stages can shift out. So, we will continue to watch this metric.

Let's move on to our segment summary for the quarter on slide 9. Our Commercial business revenue declined 7%, driven primarily by lost business, price and volume pressure. Adjusted EBITDA was down 11%, while adjusted EBITDA margin of 23.1% was down 110 basis points year-over-year. This was primarily driven by revenue pressure. Our Government business revenue declined by 5% for the quarter, driven by pricing and lost business. Government adjusted EBITDA decreased by 5%, making margins flat year-over-year.

Our Transportation segment revenue grew 9% compared to the third quarter results last year. This was primarily driven by new international business and higher volumes. Adjusted EBITDA was up 21% as compared with Q3 2018, impacted positively by increased revenue and reduced IT costs. Adjusted EBITDA margin for the quarter was 23%, up 220 basis points year-over-year. In the third quarter, our shared IT and corporate costs were $159 million, 3% higher than the prior year.

Let me move on to slide 10 to discuss the cash flow and balance sheet. The operating cash inflow of $18 million in Q3 2019 compared to a use of $30 million in the same quarter last year. CapEx was $45 million for the quarter, a decrease of $15 million compared with last year, driven largely by timing of investments. We expect to spend 4.5% to 5% of revenue on CapEx for the full-year. Adjusted free cash flow was an outflow of $27 million in the quarter, $5 million better than the same quarter last year. Given the typical seasonality of our business and our year-end cash tactics, we expect to generate strong free cash flow in Q4. We expect adjusted free cash flow to convert as a percent of adjusted EBITDA at approximately 20% for the full-year.

Our balance sheet continues to be healthy with $236 million of cash at the end of Q3. Our current net leverage ratio is 2.5 turns. Our current guidance ranges suggest we expect to return to approximately 2 turns net leverage by the end of the year. I'll note that our revolver remains undrawn and we have approximately $671 million of capacity available, given the outstanding letters of credit. We have included a debt maturity table to give you a sense of timing for future debt payments. As you can see, we have a few years until we need to address the bulk of our debt. Our Term Loan A and Term Loan B are due in 2022 and 2023, respectively.

Let's turn our attention to 2019 full-year guidance on slide 11. Given our performance this quarter, we are reaffirming our revenue and adjusted EBITDA margin guidance for the year. We have included the previously provided walk, which bridges the 2018 reported results to our adjusted 2018 baseline, normalizing for the impact of divestitures. Our revenue outlook remains a decline of between 4% and 5% excluding divestitures. We also still anticipate our adjusted EBITDA margin to be within the 10.8% to 11.6% range.

We now anticipate adjusted free cash flow conversion will be approximately 20% of adjusted EBITDA for the full-year, which is at the low-end of our prior range. Looking forward to 2020, given year-to-date signings, expectations for signings in Q4 and the loss of the California Medicaid contract, we anticipate revenue to be down between 6% and 8% in constant currency next year, normalizing for the completed divestitures. Excluding 3 points from the California Medicaid contract, at the midpoint, we would be declining 4%, which is consistent with current performance.

Additionally, we still expect margins to be flat in 2020 as compared to 2019, driven by revenue pressure, bringing back certain employee costs, offset by cost actions including the removal of additional stranded costs. I am pleased with the progress this quarter. However, there's still a lot of work to be done. We continue to point to new business signings as the best leading indicator as to when we'll see top line turnaround, and we look forward to
showing progress on this metric in 2020. We have a number of good things going on at the company and we look forward to providing additional updates at the next earnings call.

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

**QUESTION AND ANSWER SECTION**

**Operator:** We will now begin the question-and-answer session. [Operator Instructions] And our first question comes from Shannon Cross of Cross Research. Please go ahead.

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**Shannon S. Cross**  
**Analyst, Cross Research LLC**

Thank you very much. I just had a question on cash flow at the lower end of the guidance. Is there anything specific or – in terms of the investments that we should think about that would carry over into 2020, just kind of thinking about where – and I know the model is fluid at this point, but what we should think? And then, I have a follow-up. Thank you.

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**Brian Webb-Walsh**  
**Chief Financial Officer, Conduent, Inc.**

Yeah. So, Shannon, a couple of points. The cash flow being at the low-end of the guidance from a conversion perspective this year is based on our year-to-date performance and the fact that some of our EBITDA performance is non-cash this year. As we think about going into next year, we’d expect a similar conversion, as EBITDA margins will be flat and then the items like cash taxes, cash interest, CapEx and restructuring, if we look at them collectively, we believe they’ll be roughly the same from a year-over-year perspective. So, we’d expect similar conversion next year.

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**Shannon S. Cross**  
**Analyst, Cross Research LLC**

Okay. Thank you. And then maybe since you’ve been there about – Cliff, since you’ve been there about, what, three months now, can you maybe take a step back and provide a little more context on what you’ve seen within the business, maybe what surprised you on the positive and negative side? And clearly, you’re in the middle of the review, but I’d just be kind of curious as to an update on your thoughts since the last time you addressed everyone. Thank you.

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**Cliff Skelton**  
**Chief Executive Officer & Director, Conduent, Inc.**

Yeah. Thanks, Shannon. As I may have mentioned in the previous call, the company has got some great bones. We’ve got great relationships with clients. We had a bunch of our clients in last week at a forum here at headquarters, and you can tell we’ve got great relationships and great growth opportunity. But some of the foundational efforts that are in place around sales, technology have caused us to just not be able to turn the company around from a pivot to growth as fast as we’d like. And so, we’re putting all those foundational efforts in place.

It’s not surprising to me. I’m not surprised by it. What I am surprised with is and pleasantly surprised is how great these relationships are, which gives us great optimism that once we get some of these foundational efforts, once
we get the right talent in place, once the processes are in place for these sales teams, we can get this very simple equation called new sales and top line growth kind of springboarded up. We're at that foundational rebuild place where the springboard is still down at the bottom and it's got great upward leverage and capabilities as we put these in place. So, I don't think there's any surprises. I read all the press. I knew what I was getting into. No surprises on the negative side, all positive surprises.

Shannon S. Cross
Analyst, Cross Research LLC

Great. Thank you very much.

Cliff Skelton
Chief Executive Officer & Director, Conduent, Inc.

You bet.

Operator: Our next question comes from Mayank Tandon of Needham. Please go ahead.

Mayank Tandon
Analyst, Needham & Company, LLC

Thank you. Good evening. I guess for Brian, Brain, looking at the different horizontal offerings, I just want to get your thoughts in terms of the trend line for next year. You gave us the overall top line growth forecast or the decline in revenue that you're forecasting. Could you just talk about the various offerings within the three core segments, how you expect them to trend? And then, I guess a broader question for Cliff would be, in terms of the review, would you look to sell potentially the underperforming areas that we are seeing today or could it be a mixed bag of the ones that are outperforming and some underperforming as you sort of think about the company standalone once you're done with the review?

Cliff Skelton
Chief Executive Officer & Director, Conduent, Inc.

Go ahead, Brian.

Brian Webb-Walsh
Chief Financial Officer, Conduent, Inc.

Okay, sure. So, if we look at the segments and how they're performing today and how we think it'll change as we get into next year, if we start with Transportation, we have strong growth this quarter from both a top line and profit perspective. As we get into next year, we expect the growth rate will moderate and we'll probably have a low single-digit growth in Transportation as we lap some new business and as we have a couple of projects ramp down.

When it comes to Commercial, we expect that decline to moderate as we get into next year, but it'll still be a decline and that's going to be as we lap some cancels and one price down that we had at the beginning of this year. And then, from a Government perspective, we're going to get – the trend line is going to get worse as the California Medicaid contract starts to impact us, and that'll start partially in Q4, and then fully impact us starting in Q1 of next year. So, that's how we see the segments performing. We're working on efficiencies to drive overall progress on cost. But again, we expect overall flattish margins as we get into next year and we expect that to be pretty consistent across the segments.
Cliff Skelton  
*Chief Executive Officer & Director, Conduent, Inc.*

Yeah. And Mayank, on your question on the strategic review, obviously, I can't get into the details of the review as it's still underway. I can tell you there's a lot of feverish efforts underway with a lot of folks working on this. It would be imprudent for me to give you details on those outcomes. We're just not done, yet, and the board hasn't opined. So, what I can tell you, though, is that we've got some pretty specific guardrails as to what we're putting in place to try and understand the dispositioning details vis-à-vis the strategic review, and that's – as mentioned in the narrative, we're looking for opportunities where there's scarcity value and high value outside of Conduent as a guardrail.

We're looking for opportunities where businesses aren't necessarily aligned with our go-forward investment strategy and what we're trying to accomplish from an investment perspective. And then finally, anything that further complicates our value prop – we want more simplicity. We want a company we can grow, and we don't want to be confused by what that will look like on a go-forward basis. So, it's about as much as I can tell you, at this stage. More to come, obviously, in the next quarter and there's a lot of work underway.

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Mayank Tandon  
*Analyst, Needham & Company, LLC*

Sure. I understand. That's helpful. Thank you.

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Cliff Skelton  
*Chief Executive Officer & Director, Conduent, Inc.*

You bet.

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**Operator:** Our next question comes from Bryan Bergin of Cowen. Please go ahead. Bryan, your line is open.

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Cliff Skelton  
*Chief Executive Officer & Director, Conduent, Inc.*

Hey, Bryan.

[indiscernible] (25:01)

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Bryan C. Bergin  
*Analyst, Cowen and Company, LLC*

Hi, sorry. I was on mute there. I wanted to ask a little bit on the pipeline expansion, the changes you're seeing there. How should we consider the mix of that pipeline today versus the current revenue composition? And then, also any flavor you can give around mature or qualified pipeline to give us a sense on how close you may be toward a new business bookings inflection?

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Brian Webb-Walsh  
*Chief Financial Officer, Conduent, Inc.*

Yeah. So, I would say that if you look at the pipeline and the movement from Q2 to Q3, a lot of it, as I said in my prepared remarks, was driven by Government deals that are in the early stage. And those dates can move around, so we need to continue to watch the metric. And then, if you just look at the overall mix of the pipeline compared to the mix of the business, I would say it's heavier in Transportation and Government versus Commercial, right now, as we look at the mix compared to the current revenue base.
Okay. And then, Brian, as we think about fiscal 2020 margin, can you give us a sense of the expansion sources we should be considering from here within stance of the corporate structure? And how should we be considering the investments that you're making in sales and IT as far – really trying to get to the root of can you self-fund these initiatives or is it really dependent on turning the revenue base?

Yeah. So, when we look at the margin guidance for next year, we'll have a number of efficiencies and cost take-outs that we're already starting and working on, and that will include some further stranded cost take-out related to the prior divestitures. And then, we will be building back in employee costs that we had to reduce this year, which will be an offset. And then, we will have other resources we'll have to add to drive some of the improvements we've been talking about, and we'll have the revenue pressure that we are going to have to deal with from a profit impact. In those things, we believe all offset each other to flat margins as we get into next year.

Okay. Thank you.

Hey. Thanks for taking my question and nice to see revenue upside here. It was also good to see improvement in your renewal rates and you making changes in sales force to stimulate new business signings. How soon should we expect to see stabilization and, eventually, improvement in new business signing metrics?

Yeah. Puneet, that's a great question. And as you know, both the pipeline as well as renewal rates are often moving targets. The renewal rates are in dollars, not events. So, there's – and with respect to pipeline, the contract dates can fluctuate month-to-month. But generally speaking, what I would say the direct answer to your question is the bellwether here, again, is new sales and top line growth. We're seeing a lot of these sales foundational efforts begin to take hold, but Q4 is not going to be any better in terms of new business signings. 2020 is definitely going to be better, it has to be better than 2019, and the monetization of those efforts and that improvement really manifest at the end of 2020 and into 2021. So, I think what we need to start demonstrating to you while Q4 is not going to be great from a new business signings perspective and not any greater than anticipated, you will start seeing it turn in early 2020.

Got it. And how are you going to track progress of all those operational changes internally and ensure that the foot soldiers are motivated for those changes? In other words, how are you going to manage risk of further disruption from your actions announced today?
Cliff Skelton  
**Chief Executive Officer & Director, Conduent, Inc.**

Yeah, a great question. So — and I assume when you say stability in the — when you say foot soldiers, you mean associate engagement, associate satisfaction, how do you measure quality, how does that quality manifest in the reputation in the marketplace. The one — what we measure most distinctly is incident rates and uptime, and we're already starting to see a little bit of improvement there. It's way, way too early to start declaring anything in the way of victory. But we think the efforts that we're putting in place are already starting to see improvement. We're already getting positive feedback from many of our clients, including some of our Government clients that they're feeling the difference.

What we need to start seeing is a much improved incident rate, incident turnaround time, uptime and client retention, all based on — and client reputation in the marketplace, which will manifest in more sales. So, all those things are kind of taking time. What we would say from an employee point of view is, again, it takes time. Our employees are — what we're now calling associates are seeing and feeling the change, but they're waiting and they're waiting to see, they're waiting to see what we do and what the company can do, and they're optimistic. And we'll have a new associate engagement survey that's going to go out in January. The last one was October of last year. We'll measure the difference. But at the end of the day, the measurement is what do our clients think, what are our clients willing to buy from us and how fast can we grow sales and revenue.

Puneet Jain  
**Analyst, JPMorgan Securities LLC**

Got it. Thank you.

**Operator:** Our next question is from Stefan Styk of BMO Capital Markets. Please go ahead.

Stefan A. Styk  
**Analyst, BMO Capital Markets (United States)**

Thank you. Hello. My first question is around your year-over-year revenue decline after divestments. I'm curious, what share is due to lower pricing on renewals versus client attrition this quarter and if you could just talk about any more risk from pricing on renewals going forward? Thanks.

Brian Webb-Walsh  
**Chief Financial Officer, Conduent, Inc.**

Yeah. So, I would say the majority of it will be from lost business. There is an impact from price, but it's smaller than the lost business impact in this quarter and on a year-to-date basis. And then, when we think about price, when we do renewals, sometimes there are price downs, and we try to offset them either by getting additional scope or at least from a margin perspective by taking cost actions to hold the margin stable. But it's something we have to deal with. At the end of a contract when there's an RFP, there will also times be price downs.

Stefan A. Styk  
**Analyst, BMO Capital Markets (United States)**

Okay, great. And my second question is if you could speak more to working capital management. In the first nine months of this year, it was much weaker than the same period last year.
Yeah, sure. So, if you look at the year-to-date cash flow, it’s impacted by lower EBITDA. That is the biggest impact. Working capital has been negative as well through the first nine months, and then we’ve also had higher CapEx. So, those things have depressed the cash flow through the first three quarters. As we think about Q4, we have plans in place to deliver the Q4 in the 20% conversion that we’re calling for. It’s focused on DSO improvements, collection improvements, using some tactics as we’ve historically done in the fourth quarter to drive working capital, plus on a year-over-year basis, we also see lower CapEx compared to last year in Q4 and lower cash taxes year-over-year. So, we’re very focused on Q4 cash. We have plans in place and we have to execute against them, and that will get us to our 20% conversion for the year.

Stefan A. Styk
Analyst, BMO Capital Markets (United States)

Great. Thank you.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Cliff Skelton for any closing remarks.

Cliff Skelton
Chief Executive Officer & Director, Conduent, Inc.

In closing, thank you all for listening today. I really appreciate everybody’s participation, and I also like to additionally recognize our 68,000 teammates here at Conduent, as we appreciate everyone’s perseverance in our pursuit of excellence and our pivot to grow. So, thank you all very much for listening and appreciate your participation today.

Operator: The conference has now concluded. Thank you for attending today’s presentation. You may now disconnect.