Conduent Investor Deck

November 2020

Cautionary Statements

CONDUENT

Forward-Looking Statements

This document contains “forward-looking statements”, as defined in the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. The words “anticipate,” “believe,” “estimate,” “expect,” “plan,” “intend,” “will,” "aim," “should,” “could”, “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 press release 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 continuing; expectations that we are on track to deliver at or above the top end of our updated full year targets and to exceed the high end of the previous cost savings target range of $140 million; our belief that Conduent is on the right track and making progress on our transformation initiative; our focus on "Growth," "Quality," and "Efficiency" projects as key pillars of our strategic transformation program, which is expected to result in improved client service delivery, client retention and enhanced Service Level Agreement (SLA) performance; and our projected financial performance for the full year 2020 and the strength of our position for the remainder of the year. In addition, all statements regarding the anticipated effects of the novel coronavirus ("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 management's current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Our actual results may vary materially from those expressed or implied in our forward-looking statements. These forward-looking statements are also subject to the significant continuing impact of the COVID-19 pandemic on our business, operations, financial results and financial condition, which is dependent on developments which are highly uncertain and cannot be predicted.

Important factors and uncertainties that could cause our actual results to differ materially from those in our forward-looking statements include, but are not limited to: the impact of the ongoing COVID-19 pandemic; government appropriations and termination rights contained in our government contracts; risk and impact of potential goodwill and other asset impairments; our ability to renew commercial and government contracts, including contracts awarded through competitive bidding processes; our ability to recover capital and other investments in connection with our contracts; our ability to attract and retain necessary technical personnel and qualified subcontractors; our ability to deliver on our contractual obligations properly and on time; competitive pressures; our significant indebtedness; changes in interest in outsourced business process services; our ability to obtain adequate pricing for our services and to improve our cost structure; risk and impact of geographical events, natural disasters and other factors (such as pandemics, including COVID-19) in a particular country or region on our workforce, customers, vendors, partners and the global economy; claims of infringement of third-party intellectual property rights; the failure to comply with laws relating to individually identifiable information, and personal health information and laws relating to processing certain financial transactions, including payment card transactions and debit or credit card transactions; breaches of our information systems or security systems or any service interruptions; our ability to estimate the scope of work or the costs of performance in our contracts; our continuing emphasis on and shift toward technology-led digital transactions; customer decision-making cycles and lead time for customer commitments; our ability to collect our receivables, including those for unbilled services; a decline in revenues from, or a loss of, or a reduction in business from, or failure of significant clients; fluctuations in our non-recurring revenue; our failure to maintain a satisfactory credit rating; our ability to attract and retain key employees; increases in the cost of telephone and data services or significant interruptions in such services; our failure to develop new service offerings; our ability to modernize our information technology infrastructure and consolidate data centers; our ability to comply with data security standards; our ability to receive dividends or other payments from our subsidiaries; changes in tax and other laws and regulations; changes in government regulation and economic, strategic, political and social conditions; the outcome of litigation to which we are a party from time to time; changes in the volatility of our stock price and the risk of litigation following a decline in the price of our stock; and other factors that are set forth in the “Risk Factors” section, the “Legal Proceedings” section, the “Management's Discussion and Analysis of Financial Condition and Results of Operations” section and other sections in our Annual Reports on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with or furnished to the Securities and Exchange Commission. Any forward-looking statements made by us in this presentation speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

Cautionary Statements

Non-GAAP Financial Measures

We have reported our financial results in accordance with U.S. generally accepted accounting principles (GAAP). In addition, we have discussed our financial results using non-GAAP measures. We believe these non-GAAP measures allow investors to better understand the trends in our business and to better understand and compare our results. Accordingly, we believe it is necessary to adjust several reported amounts, determined in accordance with GAAP, to exclude the effects of certain items as well as their related tax effects. Management believes that these non-GAAP financial measures provide an additional means of analyzing the 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, our 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.

Investment Thesis

CONDUENT

INDUSTRY LEADER

- ✓ Leading provider in various commercial and government services
- ✓ Scale and marquee customers across industries
- ✓ Relationships with majority of Fortune 100

IMPROVING FUNDAMENTALS

- ✓ Turnaround taking hold: improving client retention and client delivery
- ✓ Improving sales leading to stronger backlog
- ✓ Effective cost take-out & efficiency programs

RESILIENT BUSINESS

- ✓ Strong balance sheet, 2.4x net leverage, $496M cash(1)
- ✓ Diverse portfolio with counter-cyclical businesses
- ✓ Nimble and Responsive Business Continuity Team

ATTRACTIVE VALUATION

- ✓ Discounted valuation compared to peer set
- ✓ Peers trade an average of 11-17x EV/EBITDA(2)
- ✓ CNDT currently trading at 4.9x EV/EBITDA(3); FCF yield(4) of 47%

"“Conduent is a leading BPO competitor with ~$4B in revenue, operating in attractive growing markets and we have just taken some major steps in our turnaround. We have solid client relationships, a strong balance sheet with access to capital and a good backlog and pipeline. Our sales team is on track to increase new business signings by approximately 60% in 2020. We currently trade at a discount to peers given historical performance, but with a new management team leading the company’s transformation, strong new business signings and increased client retention, we are positioned to turn the company around.”

(1) Leverage and cash figure as of 9/30/20. See slide Cash Flow and Balance Sheet slide for details.
(2) See notes on slide 11.
(3) EV on 6/30/20 of $2.3B based on stock price of $3.18/sh divided by TTM Adjusted EBITDA on 9/30/20 of $477M.
(4) TTM adjusted Free Cash Flow on 9/30/20 of $311M divided by Market Cap of $665M on 9/30/20.

What We Do

Purpose

We deliver mission-critical services and solutions on behalf of businesses and governments – ***creating exceptional outcomes for our clients and the millions of people who count on them.***

- **Automating processes**
- **Improving efficiencies**
- **Enabling growth**
- **Reducing costs**
- **Improving end-user outcomes, satisfaction and loyalty**

An Essential Partner to our Clients

Who We Are

CONDUENT

Among the Largest Business Services Companies in the Market

COMMERCIAL

On behalf of global enterprises, we transform business processes by automating and streamlining mission-critical operations through our deep industry experience and the latest technology solutions, to drive efficiencies, reduce costs, increase compliance and enable revenue growth, while enhancing the end user experience.

Core Offerings

- HR Services
- Medical Claims Management
- Healthcare Solutions
- Customer Experience Management
- Document Management
- Business Operations Solutions
- Financial Industry Solutions
- Finance, Accounting, & Procurement

~54% of revenue (1)

GOVERNMENT

On behalf of federal, state and local governments, we deliver mission-critical services and solutions that reduce costs, increase program participation, and improve compliance for agencies while providing intuitive, easy-to-use tools for the people and communities they serve.

Core Offerings

- Child Support Solutions
- Payment Solutions
- Government Healthcare Solutions
- Labor, Workforce & General Government

~29% of revenue (1)

TRANSPORTATION

On behalf of government agencies and authorities in the transportation industry, we deliver mission-critical 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
- Public Safety
- Transit
- Curbside Management

~17% of revenue (1)

(1) FY 2019. Revenue adjusted to exclude divestitures.

Driving Exceptional Outcomes for Clients

CONDUENT

Over
$11B
In child support payments processed more efficiently each year

50%
cost savings by
Transforming traditional communications into digital interactions

$17B
in savings
From more precise analysis of 25 million medical bills

Over
40%
client savings
From streamlining services and collections

Over
$9.5B
In tolling revenue processed each year getting travelers to their destinations faster

Up to
40%
Efficiency increase in HR operations

Conduent Services & Solutions

CONDUENT

Commercial Healthcare

Payer

Provider

Pharma & Life Sciences

Medical Claims Management

Commercial Contact Center

Phone

Email

Chat

Self-service

Commercial HR Services

Health & Wellness

Wealth & Retirement

HR Management

Learning & Development

Commercial Transaction Processing

Customer Communications

Document & Data Management

Payments Processing

Finance, Accounting & Procurement

Transportation

Roadway Usage

Transit

Curbside Management

Public Safety

Government

Payments

Child Support

Case Management

Eligibility & Enrollment

Government Healthcare

Significant Opportunity to Unlock Value

CONDUENT

	CONDUENT[1]	PEER GROUP
COMMERCIAL	**Key performance metrics** Revenue: $2.4B Adj. EBITDA: $376M	EV/EBITDA Multiple[2]: ~15x
GOVERNMENT	**Key performance metrics** Revenue: $1.3B Adj. EBITDA: $311M	EV/EBITDA Multiple[2]: ~11x
TRANSPORTATION	**Key performance metrics** Revenue: $782M Adj. EBITDA: $108M	EV/EBITDA Multiple[2]: ~14x

1. Conduent FY 2019.
2. Next Full Year EV/EBITDA for public companies as of 11/2/20.

Q3 2020 Highlights

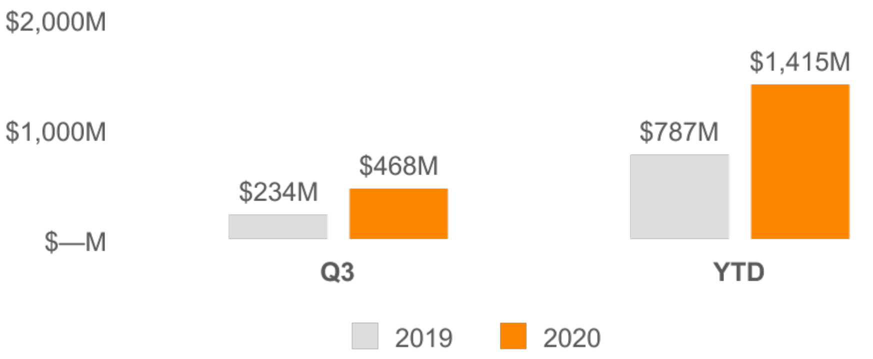
CONDUENT

Business Update	• Q3 Revenue and Adj. EBITDA above expectations ◦ Revenue of $1,041M; down (5.2)% Y/Y ◦ Adj. EBITDA(1) of $141M, up 11.0% Y/Y ◦ Adj. EBITDA margin(1) of 13.5%, up 190 bps Y/Y • $468M in TCV new business signings in Q3 2020; 2x Q3 2019 signings ◦ Annual Recurring Revenue signings of $96M; up 35% Y/Y
Operational Summary	• Expect to exceed high end of previous range ($120-$140M) of cost savings for FY 2020 • Improving associate satisfaction — engagement up 8% compared to last survey in 2018 • Operational and technology platform performance resulted in improved stability • With 75% of associates working from home, continue to largely meet client performance expectations

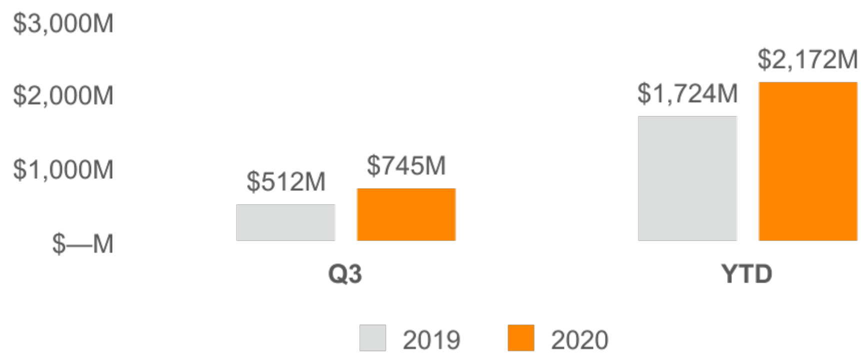
(1) Refer to Appendix for complete Non-GAAP reconciliations of Adjusted EBITDA/Margin.

Strong Sales Quarter

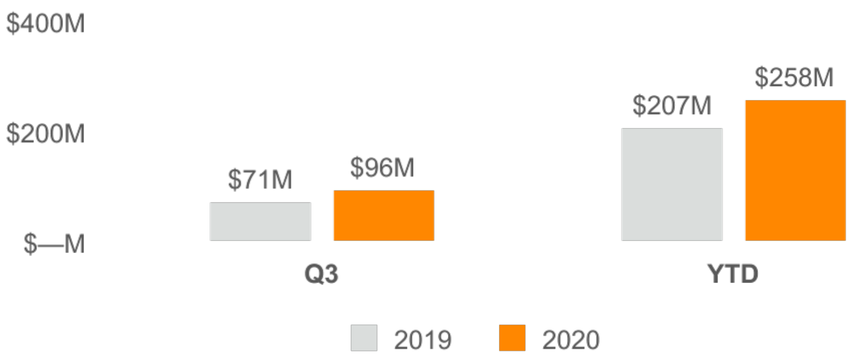
New Business TCV Signings (incl ARR + NRR)



Renewal Signings



New Business (ARR)



Select Wins

COMMERCIAL

New capability with global aircraft and defense manufacturer*, providing learning services*

GOVERNMENT

New logo with Kansas Department of Health and Environment, *providing Family Medicaid & CHIP eligibility and administrative services*

TRANSPORTATION

New capability with City of Memphis, *providing payment services where we already provide Curbside Management and Public Safety Solutions*

Positioning Conduent for the Future

CONDUENT

Driving Growth, Quality, and Efficiency through transformation

Enabling Client Success

- *Improving quality of service delivery to clients*
- *Expanding enterprise account team to enhance relationships and service*
- *Standardizing governance and processes for client implementations / contract ramp, account management, and incident response*

Talent Focus

- *Continuing to augment existing team with senior level talent that has domain and operations expertise to drive our strategy around growth, quality, and efficiency*
- *Increasing employee engagement and transforming corporate culture*

Improving Operating Model

- *Enhancing shared services model for operations and service delivery*
- *Organizational realignment to drive customer engagement and efficiencies*

Investing in Technology

- *Continue investment into data center consolidation and infrastructure modernization*
- *Uptime improvements continued vs 2019*

Cost Savings / Efficiencies

- *Expect to exceed high end of previous cost savings program range*
- *Focusing on expense management and cost actions*
- *New overhead allocations allows for increased visibility on segment performance*

Financials

COVID-19 Top-Line Impact Overview

CONDUENT

Q3 2020 COVID-19 Consolidated Revenue Impact

Total Company

(5.2)% Y/Y as reported
(5.5)% Y/Y ex COVID-19

~$3M

YTD COVID-19 Consolidated Revenue Impact

Total Company

(6.7)% Y/Y as reported[(1)]
(5.3)% Y/Y ex COVID-19

~$(46)M

Q3 2020 COVID-19 Revenue Segment Impact

Commercial	Government	Transportation
~$(48)M	~+$68M	~$(17)M

YTD COVID-19 Revenue Segment Impact

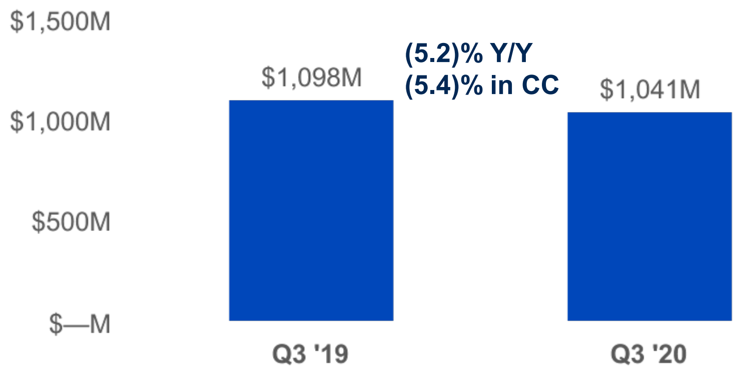
Commercial	Government	Transportation
~$(99)M	~+$114M	~$(61)M

(1) Refer to Appendix for complete Non-GAAP revenue. This reported number was adjusted to exclude divestitures in 2019.

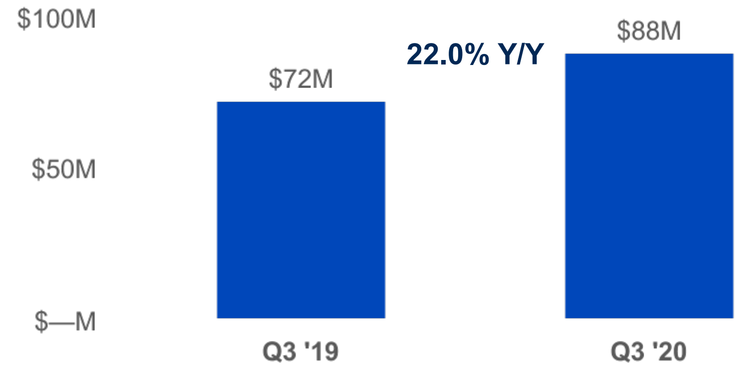
Q3 2020 P&L Metrics

CONDUENT

Revenue



Adj. Operating Income[1]



GAAP:	**$(14)M**	**$(13)M**

Adj. EBITDA[1]

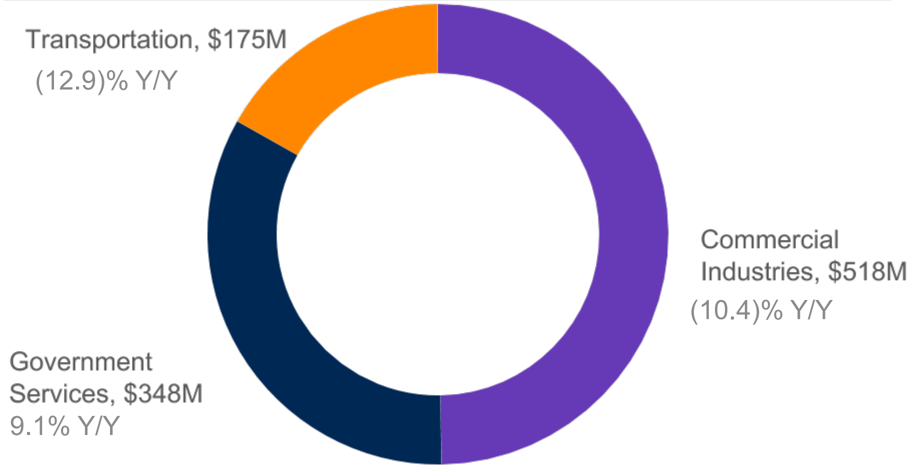
- **Revenue:**
  - Decline driven by prior year lost business, partially offset by new business ramp
  - ~(5.5)% BAU decline Y/Y when excluding ~$3M COVID-19 impact
- **Adj. Operating Income[1] and Adj. EBITDA[1]:**
  - Increase driven by cost savings program and higher Government revenue
  - Performance includes positive temporary cost savings of ~$14M taken largely as a result of COVID-19.
- **Adj. EBITDA Margin[1]:**
  - 13.5%, up 190 bps Y/Y

(1) Refer to Appendix for complete Non-GAAP reconciliations of adjusted operating income and adjusted EBITDA/margin.

Q3 2020 P&L by Segment

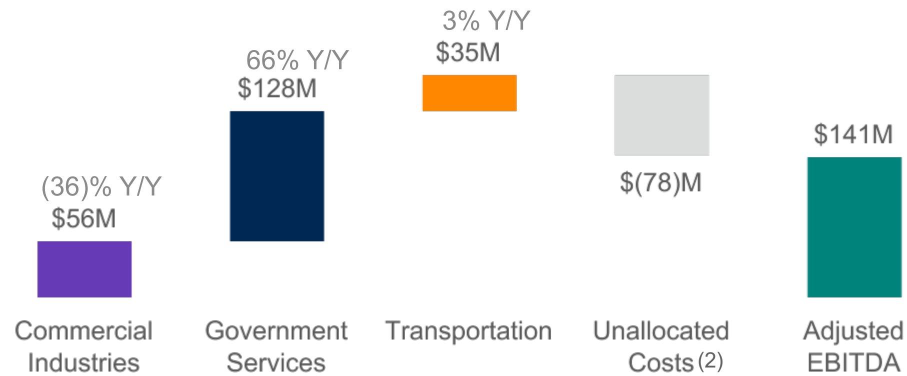
CONDUENT

Revenue



- **Commercial:** declines driven by COVID-19 related volume declines and interest rate impact, and prior year lost business
- **Government:** growth driven by increase in COVID-19 related volumes and new business, partially offset by CA Medicaid loss
- **Transportation:** declines driven by COVID-19 related volume pressure and lower international transit equipment installations vs Q3 2019

Adj. EBITDA[1] Contributions



- **Commercial:** Adj. EBITDA decline driven by lower revenue and a non-recurring client item, partially offset by cost savings program; margin 10.8% down (430) bps Y/Y
- **Government:** Adj. EBITDA driven by higher revenue and cost savings program; margin 36.8% up 1,270 bps Y/Y
- **Transportation:** Adj. EBITDA modestly increased driven by cost savings program, partially offset by revenue decline; margin 20.0% up 310 bps Y/Y
- **Unallocated costs:** increase driven by accrual for employee bonus and one-time COVID related item

(1) Refer to Appendix for complete Non-GAAP reconciliations of adjusted EBITDA/margin.
(2) Chart includes $6 million of Other adjusted EBITDA.

Q3 2020 Cash Flow and Balance Sheet

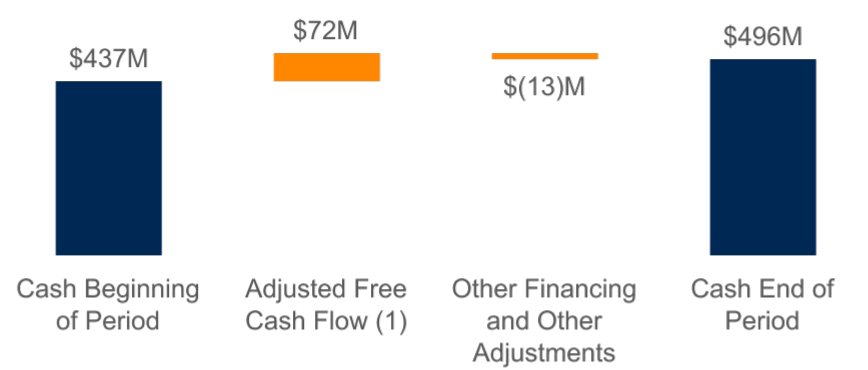
CONDUENT

- Q3 Adj. Free Cash Flow[1]: $72M
- Q3 Capex[6] as % of revenue: 3.4%
- Net adjusted leverage ratio[7] of 2.4x
- $496M of cash[2] at end of Q3

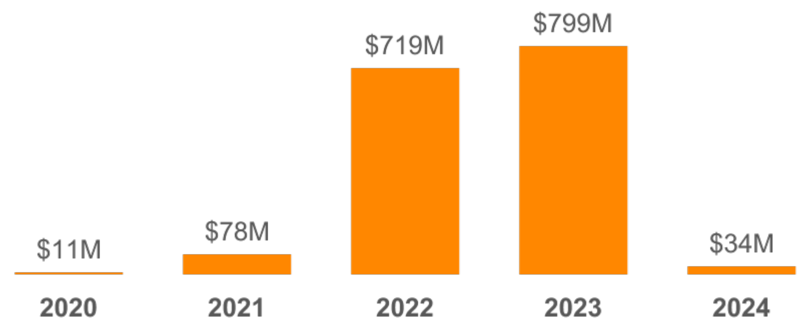
Balance Sheet

($ in millions)	**12/31/2019**	**9/30/2020**
Total Cash[2]	$505	$496
Total Debt[2]	1,514	1,652
Term Loan A[3,4] due 2022	664	651
Term Loan B[3] due 2023	824	818
Revolving Credit Facility due 2022[5]	—	150
10.5% Senior Notes due 2024	34	34
Finance Leases	17	18
Other loans	—	2
Net adjusted leverage ratio[7]	2.1x	2.4x

Cash Balance



Debt Maturity[4,8]



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

FY 2020 Outlook (as of 11/5/2020)

CONDUENT

$ in Millions	FY 2020 Initial Guidance (Provided on Q4 2019 Earnings Call)[3]	Current FY 2020 Outlook
Adj. Revenue[(1)]	Down (6.0) - (8.0)%	Down (6.4) - (7.4)%
Adj. EBITDA / Adj. EBITDA Margin[(1,2)]	10.5 - 11.5%	11.25 - 11.75%
Adj. Free Cash Flow[(2)] as % of Adj. EBITDA	15 - 20%	~20%

(1) Refer to Appendix for complete Non-GAAP reconciliations of Adjusted Revenue and Adjusted EBITDA/Margin. Compare excludes revenue from divested business in 2019.

(2) Refer to Appendix for definition and complete non-GAAP reconciliation of Adjusted Free Cash Flow.

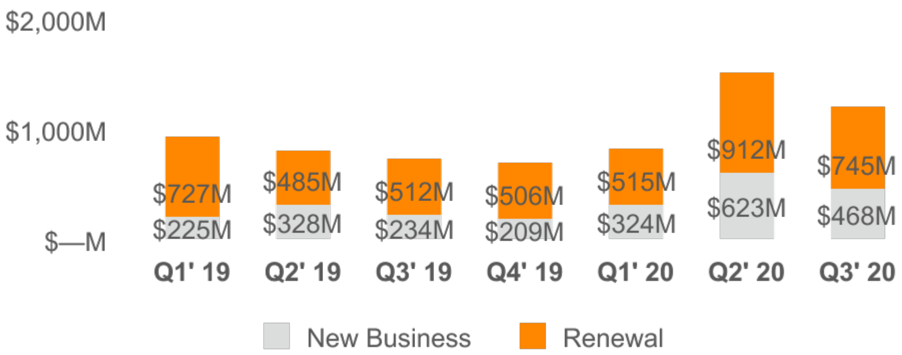
(3) Initial guidance withdrawn as of 04/14/2020. Initial revenue guidance provided in constant currency.

Q&A

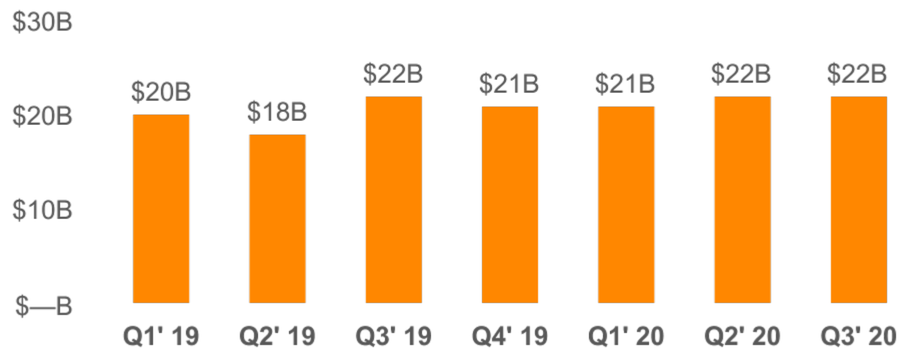
Appendix

Historical Sales Details

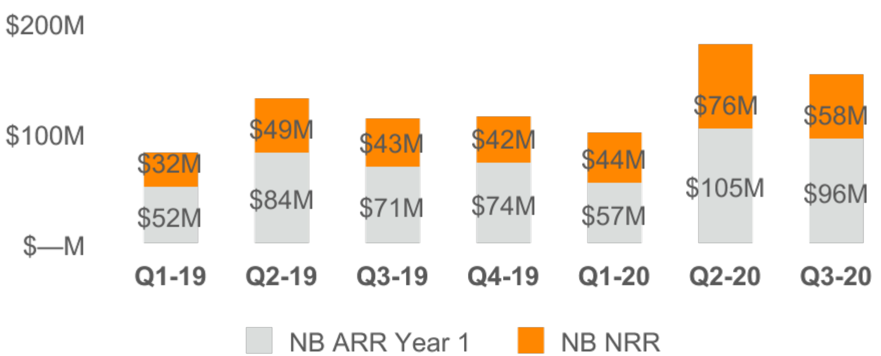
TCV Signings (incl. ARR + NRR)



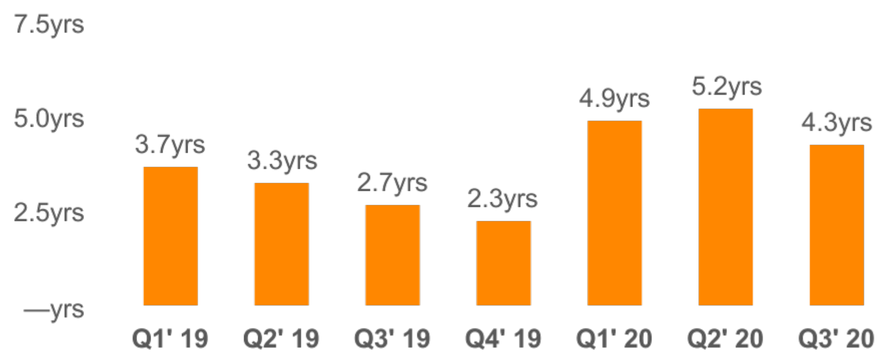
Cumulative Pipeline



New Business (ARR + NRR Breakdown)



Implied New Business Avg. Contract Length



Modeling Considerations (as of 11/5/2020)

Metric	FY 2020 Commentary
Taxes	• FY 2020 Cash income taxes: reduced to ~$12M • Payroll taxes: ~$55M of estimated payroll tax withholding will be deferred to 2021/2022 based on current employment levels
Restructuring	• Expect ~$65M of spend in FY 2020
Cash Interest	• Expect FY 2020 cash interest of $55 - 60M
Capex	• Capex of ~$140M for FY 2020
2021 Considerations	• ~$35M of Y/Y revenue decline due to CA Medicaid contract end (impacting Q1-Q3) • FCF Consideration: 2020 Payroll tax deferral pushed to 2021/2022 ◦ ~$30M payments expected in Q4 2021 and Q4 2022

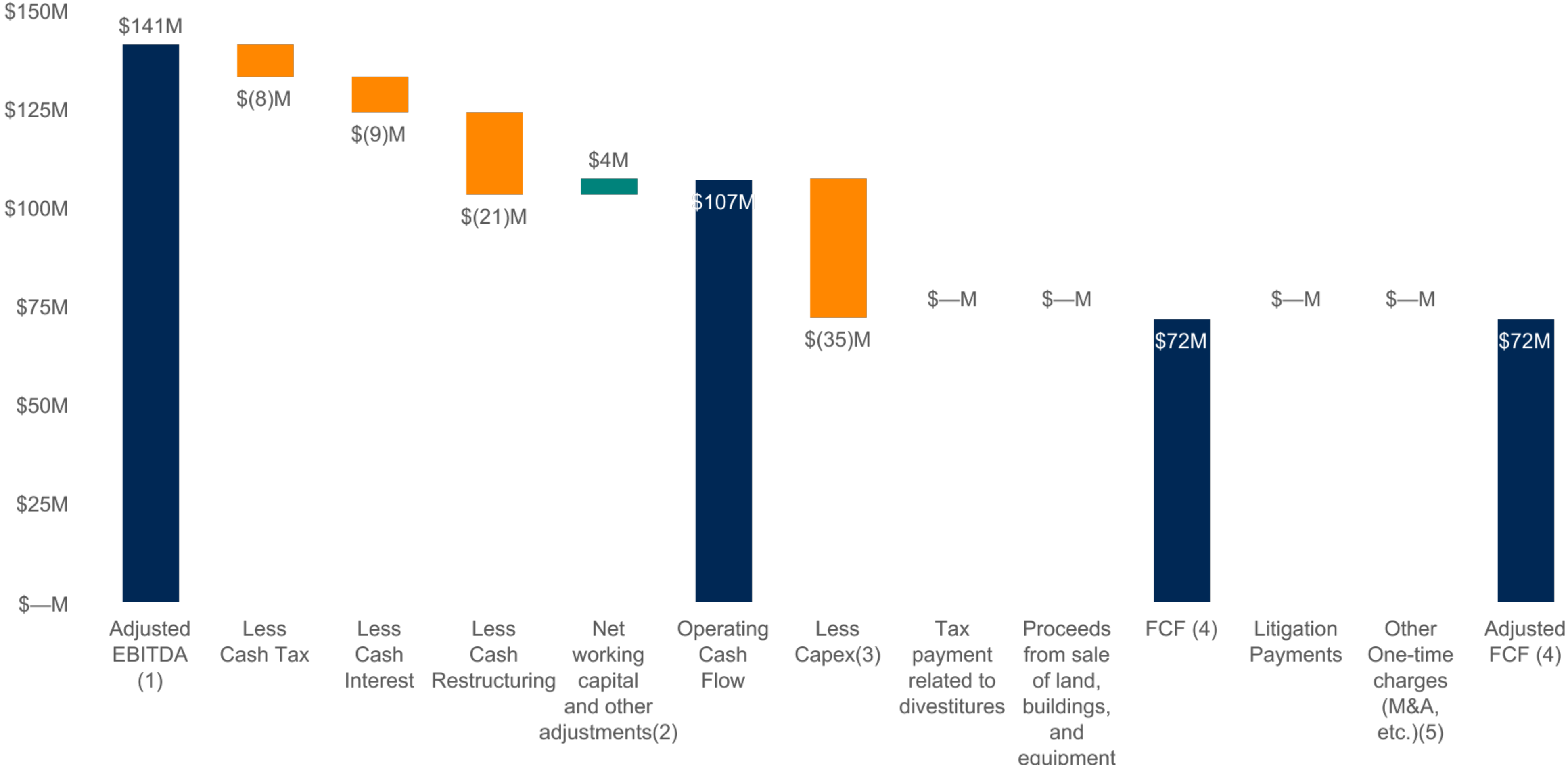
Allocations Update

	FROM FY 2019	TO FY 2019
Total Corporate Costs Unallocated[1]	$659M	$345M
Total Corporate Costs Unallocated as % of Revenue	14.8%	7.7%
Company Adj. EBITDA Margin[1]	11.1%	11.1%
Commercial Adj. EBITDA Margin[1]	22.8%	15.8%
Government Adj. EBITDA Margin[1]	31.3%	24.7%
Transportation Adj. EBITDA Margin[1]	19.4%	13.8%

- Updated Corporate Costs allocation method to improve visibility of costs associated with each business segment.
- Directly matched costs in support of a particular business unit, where possible.
- Where directly matching costs was not possible, allocations made based on % of revenue or % of headcount depending on situation. For example, Microsoft licenses allocated based on headcount.
- Certain costs remain unallocated, for example, IT FTEs that provide enterprise wide support.

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

AEBITDA to AFCF Bridge Q3 2020



(1) Refer to Appendix for complete Non-GAAP reconciliations of adjusted EBITDA.

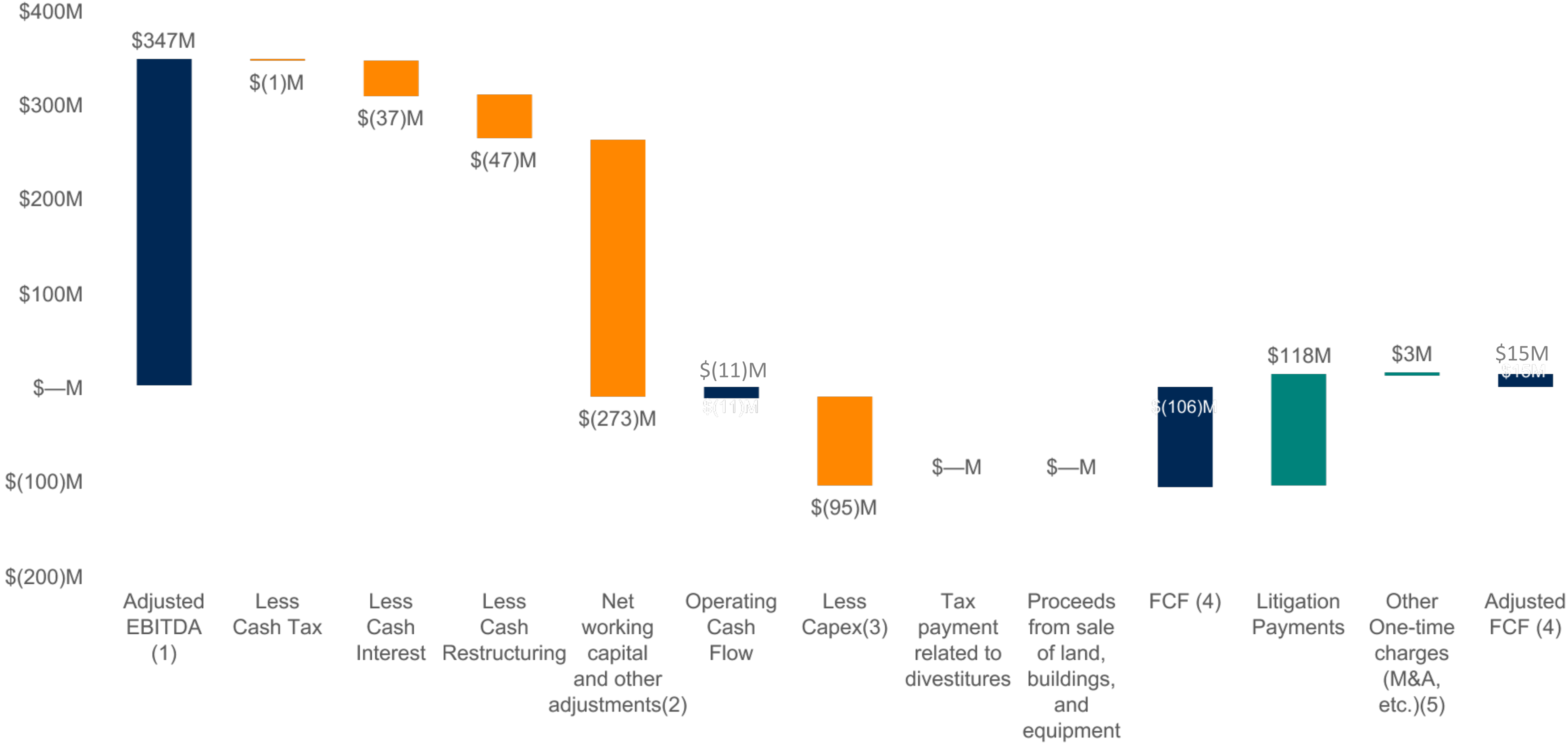
(2) May include changes in operating assets and liabilities, NY MMIS/HE charge, CA MMIS charge, and other adjustments.

(3) Includes cost of additions to internal use software and cost of additions to land, buildings, and equipment.

(4) Refer to Appendix for complete non-GAAP reconciliations of Free Cash Flow and Adjusted Free Cash Flow.

(5) May include transaction costs, transaction costs tax benefit, debt buyback tax benefit, litigation payments, deferred compensation tax benefit, and deferred compensation payments and adjustments.

AEBITDA to AFCF Bridge YTD



(1) Refer to Appendix for complete Non-GAAP reconciliations of adjusted EBITDA.

(2) May include changes in operating assets and liabilities, NY MMIS/HE charge, CA MMIS charge, and other adjustments.

(3) Includes cost of additions to internal use software and cost of additions to land, buildings, and equipment.

(4) Refer to Appendix for complete non-GAAP reconciliations of Free Cash Flow and Adjusted Free Cash Flow.

(5) May include transaction costs, transaction costs tax benefit, debt buyback tax benefit, litigation payments, deferred compensation tax benefit, and deferred compensation payments and adjustments.

Definitions

TCV: Total contract value. Signings are defined as estimated future revenues from contracts signed during the period, including renewals of existing contracts. Total Contract Value (TCV) is the estimated total contractual revenue related to signed contracts. Excludes the impact of divested business when applicable.

Total New Business Pipeline: Total New Business 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.

New Business Annual Recurring Revenue Year 1: Single year revenue amount of ARR for New Business. Excludes the impact of divested business when applicable.

New Business Non-Recurring Revenue: Total non-recurring revenue for New Business. Excludes the impact of divested business when applicable.

Non-GAAP Financial Measures

Non-GAAP Financial Measures

We have reported our financial results in accordance with U.S. generally accepted accounting principles (GAAP). In addition, we have discussed our financial results using the non-GAAP measures. We believe these non-GAAP measures allow investors to better understand the trends in our business and to better understand and compare our results. Accordingly, we believe it is necessary to adjust several reported amounts, determined in accordance with U.S. GAAP, to exclude the effects of certain items as well as their related tax effects. Management believes that these non-GAAP financial measures provide an additional means of analyzing the 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 Earnings per Share and Adjusted Effective Tax Rate.

We make adjustments to Income (Loss) before Income Taxes for the following items as applicable to the particular measure, for the purpose of calculating Adjusted Revenue, Adjusted Net Income (Loss), Adjusted Earnings per Share 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 charge 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 charge (credit). This comprises other (income) expenses, net, costs associated with the Company not fully completing the State of New York Health Enterprise Platform project and the Health Enterprise Medical platform projects in California and Montana and other adjustments.
- Divestitures. (Revenue) / (Income) loss from divestitures.

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 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 Margin for the following items (as defined above), 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 charge (credit).
- 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.

We provide adjusted revenues as supplemental information to our presentation of reported GAAP revenue in order to facilitate additional information to our investors concerning period-to-period comparisons reflecting the impact of our divestitures.

Non-GAAP Financial Measures

Consolidated 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 (which are defined above). 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.
- Other charge (credit).
- Divestitures.

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 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, tax payments related to divestitures and proceeds from sales of land, buildings and equipment. We use the non-GAAP measure of Free Cash Flow as a criterion of liquidity and performance-based components of employee compensation. We use Free Cash Flow as a measure of liquidity to determine amounts we can reinvest in our core businesses, such as amounts available to make acquisitions 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. As of March 31, 2020 the company is no longer backing out vendor financed leases from Free Cash Flow and has updated all historical numbers to reflect the change.

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; by excluding certain deferred compensation costs and our one-time Texas settlement costs, as well as transaction costs and transaction cost tax benefit related to acquisitions and 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, 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.

Constant Currency

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

Non-GAAP Outlook

In providing outlook for adjusted Revenue and adjusted EBITDA we exclude certain items which are otherwise included in determining the comparable GAAP financial measure. A description of the adjustments which historically have been applicable in determining adjusted EBITDA are reflected in the table below. We are providing such outlook only on a non-GAAP basis because the Company is unable to predict with reasonable certainty the totality or ultimate outcome or occurrence of these adjustments for the forward-looking period, 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 and outlook for revenue on a constant currency basis due to the inability to accurately predict foreign currency impact on revenues. Outlook for Free Cash Flow and 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.

For detailed reconciliations of all non-GAAP measurements, please reference the Q3 2020 Earnings Presentation, filed with the SEC on Form 8-k on November 5, 2020.

Footnotes

The below footnotes correspond to the Cash Flow and Balance Sheet slide of the main deck.

(1) Refer to Appendix for complete non-GAAP reconciliations of Adjusted Free Cash Flow.

(2) Total Cash includes $8M of restricted cash 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) Term Loan A includes EUR 230M, converted to USD conversion rates on September 30, 2020.

(5) $592M of available capacity under Revolving Credit Facility as of September 30, 2020.

(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 $18M of capital leases and $(21)M of debt issuance costs and unamortized discounts.