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

FORM 8-K

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

Date of Report (date of earliest event reported): November 7, 2018

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

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

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

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

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

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

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

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

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

Item 2.02. Results of Operations and Financial Condition.

On November 7, 2018, Registrant released its third quarter 2018 earnings and is furnishing to the Securities and Exchange Commission a copy of the earnings press release as Exhibit 99.1 to this Report under Item 2.02 of Form 8-K.

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

Item 7.01. Regulation FD Disclosure.

On November 7, 2018, Registrant conducted an earnings call regarding its 2018 third quarter results and is furnishing to the Securities and Exchange Commission a copy of the presentation used during the earnings call as Exhibit 99.2 to this Report under Item 7.01 of Form 8-K.

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

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

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Registrant’s third quarter 2018 earnings press release dated November 7, 2018
99.2	Registrant’s investor presentation dated November 7, 2018

Forward-Looking Statements

This Report and any exhibits to this Report may contain "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “will,” “should” and similar expressions, as they relate to us, are intended to identify forward-looking statements. These statements reflect management's current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially. Such factors include, but are not limited to: termination rights contained in our government contracts; our ability to renew commercial and government contracts awarded through competitive bidding processes; our ability to recover capital and other investments in connection with our contracts; our ability to attract and retain necessary technical personnel and qualified subcontractors; our ability to deliver on our contractual obligations properly and on time; competitive pressures; our significant indebtedness; changes in interest in outsourced business process services; our ability to obtain adequate pricing for our services and to improve our cost structure; claims of infringement of third-party intellectual property rights; the failure to comply with laws relating to individually identifiable information, and personal health information and laws relating to processing certain financial transactions, including payment card transactions and debit or credit card transactions; breaches of our 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 ability to collect our receivables for unbilled services; a decline in revenues from or a loss or failure of significant clients; fluctuations in our non-recurring revenue; our failure to maintain a satisfactory credit rating; our ability to attract and retain key employees; increases in the cost of telephone and data services or significant interruptions in such services; our failure to develop new service offerings; our ability to receive dividends or other payments from our subsidiaries; changes in tax and other laws and regulations; changes in government regulation and economic, strategic, political and social conditions; changes in U.S. GAAP or other applicable accounting policies; and other factors that are set forth in the “Risk Factors” section, the “Legal Proceedings” section, the “Management's Discussion and Analysis of Financial Condition and Results of Operations” section and other sections in our 2017 Annual Report on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission. Any forward-looking statements made by us in this report speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

SIGNATURES

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

Date: November 7, 2018

CONDUENT INCORPORATED

By: ***/s/ ALLAN COHEN***

Allan Cohen

Vice President and Chief Accounting Officer

EXHIBIT 99.1

News from Conduent

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

www.conduent.com

Conduent Reports Third Quarter 2018 Results With Strong Adjusted EPS and EBITDA Growth; Healthier Balance Sheet Driven by Transformation and Divestitures

Key Quarterly Highlights

- Revenue of $1,304 million
- GAAP diluted EPS from continuing operations of $(1.16), down $(1.07); adjusted diluted EPS from continuing operations of $0.28, up 27%
- Net Income of $(237) million; Adjusted net income of $61 million
- Adjusted EBITDA of $157 million, up 10%, excluding impact from ASC 606 and divestitures
- Significant progress on divestiture plan, resulting in a further strengthened balance sheet
- Completed tender offer for 10.5% Senior Notes due 2024 ($476 million tendered)

FLORHAM PARK, NJ, November 7, 2018 - Conduent (NYSE: CNDT), a digital interactions company, today announced its third quarter 2018 financial results.

"We made meaningful progress in our core business this past quarter. We recently signed a definitive agreement to acquire Health Solutions Plus, a leading digital Core Administration Processing System (CAPS) provider in the healthcare space. We also completed three divestitures and signed an agreement to sell a portfolio of non-core standalone customer care contracts," said Ashok Vemuri, CEO of Conduent. “With these portfolio actions, Conduent's transformation over the last two years, our robust pipeline and maturing go-to-market capability, we have created a strong foundation for future growth."

Third Quarter 2018 Results

Third quarter 2018 revenue was $1,304 million, down 11.9% compared to Q3 2017. Adjusting for the impact of the 606 accounting standard and excluding divestitures completed in Q3 2017 and 2018, revenue was down 4.0% compared with Q3 2017.

Pre-tax income was $(252) million compared to $13 million in Q3 2017. GAAP operating margin as reported was (19.3)% compared to 0.9% in Q3 2017. The company reported Q3 2018 GAAP net income of $(237) million compared to $(17) million in Q3 2017. Diluted EPS from continuing operations was ($1.16) versus ($0.09) in the same period last year, driven primarily by an impairment related to the pending stand-alone customer care divestiture, increased litigation reserves and charges associated with the tendering of the 10.5% Senior Notes.

Third quarter adjusted operating income was $104 million, with an adjusted operating margin of 8.0% as compared to adjusted operating income of $111 million, with an adjusted operating margin of 7.5% in Q3 2017. Adjusted EBITDA was $157 million, with an adjusted EBITDA margin of 12.0%, as compared to $174 million, with an adjusted EBITDA margin of 11.8% in Q3 2017. Furthering adjusting for the impact of the 606 accounting standard and excluding divestitures completed in Q3 2017 and 2018, Adjusted EBITDA improved 9.8% compared with Q3 2017.

The company reported adjusted diluted EPS from continuing operations of $0.28 compared to $0.22 in Q3 2017. Further adjusting for the impact of the 606 accounting standard and excluding divestitures completed in Q3 2017 and 2018, Adjusted EPS improved 180% compared with Q3 2017

Conduent had a use of cash flow from operations of $(30) million during the third quarter 2018 and ended the quarter with a cash balance of $586 million. Total debt was $1,577 million as of September 30, 2018.

Excluding funds that are associated with the termination of the deferred compensation plan that have been disbursed to participants in Q4 2018, Conduent ended the quarter with an adjusted cash balance of $509 million.

On July 27, 2018, the Company closed the tender offer for $476 million or 93.3% of the 10.5% Senior Notes due 2024.

Headcount of approximately 84,000 as of September 30, 2018 compared with approximately 90,000 as of December 31, 2017.

Total contract value (TCV) signings of $738 million for the quarter were down (20)% compared with Q3 2017, due to lower new business signings impacted by deal timing and slippage, and lower renewal signings opportunities.

Financial and Strategic Outlook

Conduent provided the following guidance ranges for FY 2018:

(in millions)	Adjusted FY 2017[3]	Prior FY 2018 Guidance	Updated FY 2018 Guidance
Revenue (constant currency)[1]	$5.6B	$5.41 - $5.61B	*$5.34 - $5.40B* Yr/yr flat excluding strategic actions
Adj. EBITDA[2]	$598M	$662 - $688M	*$640 - $650M* *Up 7 - 9%*
Adj. EBITDA Margin[2]	10.6%	11.8 - 12.7%	11.9 - 12.2%
Adj. Free Cash Flow[2] % of Adj. EBITDA	 ~30%	$166 - $241M 25 - 35%	*$160 - $195M* 25 - 30%

(1) Year-over-year revenue comparison at constant currency
(2) Refer to Appendix for Non-GAAP reconciliations of adjusted EBITDA / margin and adjusted FCF and for impact from ASC 606 accounting change and divestitures
(3) Adjusted for accounting 606 and 2017 and 2018 divestitures

"Profitability continued to improve with expanding adjusted margins and strong adjusted EPS this past quarter," said Brian Webb-Walsh, CFO of Conduent. "In addition, the progress we've made on divestitures and debt pay down have led to a stronger balance sheet, which gives us flexibility for acquisitions and investment in our core business. Our updated guidance reflects recent technology and infrastructure performance issues which are being addressed, divestiture impacts, and timing and slippage of new business. However, we remain confident about the core business and expect to see it grow in 2019."

Conference Call

Management will present the results during a conference call and webcast on November 7, 2018 at 10 a.m. ET.

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

The conference call will also be available by calling 877-883-0383 (international dial-in 412-902-6506) at approximately 9:45 a.m. ET. The entry number for this call is 3758954.

A recording of the conference call will be available by calling 877-344-7529, or 412-317-0088 one hour after the conference call concludes on November 7, 2018. The replay ID is 10124576.

For international calls, please select a dial-in number from:
https://services.choruscall.com/ccforms/replay.html

About Conduent

Conduent creates digital platforms and services for businesses and governments to manage millions of interactions every day for those they serve. We are leveraging the power of cloud, mobile and IoT, combined with technologies such as automation, cognitive and blockchain to elevate every constituent interaction, driving modern digital experiences that are more efficient, helpful and satisfying.

Conduent's differentiated offerings touch millions of lives every day, including two-thirds of all insured patients in the U.S. and nearly nine million people who travel through toll systems daily. Whether it's digital payments, claims processing, benefit administration, automated tolling, customer care or distributed learning - Conduent serves a majority of the Fortune 100 companies and more than 500 government entities. Learn more at www.conduent.com.

Non-GAAP Measures

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

EXHIBIT 99.1

Forward-Looking Statements

This Report and any exhibits to this Report may contain "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “will,” “should” and similar expressions, as they relate to us, are intended to identify forward-looking statements. These statements reflect management's current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially. Such factors include, but are not limited to: termination rights contained in our government contracts; our ability to renew commercial and government contracts awarded through competitive bidding processes; our ability to recover capital and other investments in connection with our contracts; our ability to attract and retain necessary technical personnel and qualified subcontractors; our ability to deliver on our contractual obligations properly and on time; competitive pressures; our significant indebtedness; changes in interest in outsourced business process services; our ability to obtain adequate pricing for our services and to improve our cost structure; claims of infringement of third-party intellectual property rights; the failure to comply with laws relating to individually identifiable information, and personal health information and laws relating to processing certain financial transactions, including payment card transactions and debit or credit card transactions; breaches of our 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 ability to collect our receivables for unbilled services; a decline in revenues from or a loss or failure of significant clients; fluctuations in our non-recurring revenue; our failure to maintain a satisfactory credit rating; our ability to attract and retain key employees; increases in the cost of telephone and data services or significant interruptions in such services; our failure to develop new service offerings; our ability to receive dividends or other payments from our subsidiaries; changes in tax and other laws and regulations; changes in government regulation and economic, strategic, political and social conditions; changes in U.S. GAAP or other applicable accounting policies; and other factors that are set forth in the “Risk Factors” section, the “Legal Proceedings” section, the “Management's Discussion and Analysis of Financial Condition and Results of Operations” section and other sections in our 2017 Annual Report on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission. Any forward-looking statements made by us in this report speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except per share data)	2018	2017	2018	2017
Revenue	$ 1,304	$ 1,480	$ 4,111	$ 4,529
Cost of Services	1,054	1,219	3,347	3,766
Gross Margin	250	261	764	763
Operating Costs and Expenses				
Research and development	3	4	8	11
Selling, general and administrative	142	144	436	466
Restructuring and related costs	31	22	68	76
Amortization of acquired intangible assets	60	60	181	182
Interest expense	22	35	92	105
Separation costs	—	2	—	8
(Gain) loss on divestitures and transaction costs	54	(16)	9	(41)
Litigation costs (recoveries), net	78	6	113	(14)
(Gain) loss on extinguishment of debt	108	—	108	—
Other (income) expenses, net	4	(9)	1	(10)
Total Operating Costs and Expenses	502	248	1,016	783
Income (Loss) Before Income Taxes	(252)	13	(252)	(20)
Income tax expense (benefit)	(15)	30	24	11
Income (Loss) From Continuing Operations	(237)	(17)	(276)	(31)
Income (loss) from discontinued operations, net of tax	—	—	—	4
Net Income (Loss)	$ (237)	$ (17)	$ (276)	$ (27)
Basic Earnings (Loss) per Share:				
Continuing operations	$ (1.16)	$ (0.09)	$ (1.38)	$ (0.19)
Discontinued operations	—	—	—	0.02
Total Basic Earnings (Loss) per Share	$ (1.16)	$ (0.09)	$ (1.38)	$ (0.17)
Diluted Earnings (Loss) per Share:				
Continuing operations	$ (1.16)	$ (0.09)	$ (1.38)	$ (0.19)
Discontinued operations	—	—	—	0.02
Total Diluted Earnings (Loss) per Share	$ (1.16)	$ (0.09)	$ (1.38)	$ (0.17)

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

(in millions)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Net Income (Loss)	$ (237)	$ (17)	$ (276)	$ (27)
Other Comprehensive Income (Loss), Net				
Currency translation adjustments, net	(4)	8	(27)	34
Reclassification of currency translation adjustments on divestitures	36	—	41	—
Reclassification of divested benefit plans and other	61	—	64	—
Unrecognized gains (loss), net	—	—	(3)	2
Other Comprehensive Income (Loss), Net	93	8	75	36
Comprehensive Income (Loss), Net	$ (144)	$ (9)	$ (201)	$ 9

EXHIBIT 99.1

CONDUENT INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions, except share data in thousands)	September 30, 2018	December 31, 2017
Assets		
Cash and cash equivalents	$ 586	$ 658
Accounts receivable, net	951	1,114
Assets held for sale	35	757
Contract assets	191	—
Other current assets	230	181
Total current assets	1,993	2,710
Land, buildings and equipment, net	297	257
Intangible assets, net	711	891
Goodwill	3,417	3,366
Other long-term assets	312	324
Total Assets	$ 6,730	$ 7,548
Liabilities and Equity		
Current portion of long-term debt	$ 49	$ 82
Accounts payable	216	138
Accrued compensation and benefits costs	233	335
Unearned income	119	151
Liabilities held for sale	21	169
Other current liabilities	613	493
Total current liabilities	1,251	1,368
Long-term debt	1,528	1,979
Deferred taxes	320	384
Other long-term liabilities	130	146
Total Liabilities	3,229	3,877
Contingencies		
Series A convertible preferred stock	142	142
Common stock	2	2
Additional paid-in capital	3,871	3,850
Retained earnings (deficit)	(90)	171
Accumulated other comprehensive loss	(424)	(494)
Total Equity	3,359	3,529
Total Liabilities and Equity	$ 6,730	$ 7,548
Shares of common stock issued and outstanding	211,277	210,440
Shares of series A convertible preferred stock issued and outstanding	120	120

CONDUENT INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2018	2017	2018	2017
Cash Flows from Operating Activities:				
Net income (loss)	$ (237)	$ (17)	$ (276)	$ (27)
Adjustments required to reconcile net income (loss) to cash flows from operating activities:				
Depreciation and amortization	113	123	347	378
Deferred income taxes	(43)	24	(90)	(7)
(Gain) loss from investments	—	(3)	(1)	(10)
Amortization of debt financing costs	1	3	9	7
(Gain) loss on extinguishment of debt	108	—	108	—
(Gain) loss on divestitures and transaction costs	54	(16)	9	(48)
Stock-based compensation	11	8	30	26
Changes in operating assets and liabilities	(37)	(15)	(102)	(249)
Other operating, net	—	(3)	(4)	(6)
Net cash provided by (used in) operating activities	(30)	104	30	64
Cash Flows from Investing Activities:				
Cost of additions to land, buildings and equipment	(43)	(20)	(119)	(57)
Proceeds from sale of land, buildings and equipment	—	—	12	33
Cost of additions to internal use software	(17)	(11)	(31)	(26)
Proceeds from investments	—	117	—	117
Proceeds from divestitures and sale of assets	272	56	672	56
Other investing, net	—	(1)	—	(1)
Net cash provided by (used in) investing activities	212	141	534	122
Cash Flows from Financing Activities:				
Proceeds on long-term debt	—	—	—	306
Debt issuance fee payments	—	—	(3)	(9)
Payments on debt	(484)	(79)	(513)	(232)
Premium on debt redemption	(95)	—	(95)	—
Net (payments to) transfer from former parent company	—	—	—	(161)
Taxes paid for settlement of stock based compensation	(6)	(3)	(9)	(5)
Dividends paid on preferred stock	(2)	(2)	(7)	(7)
Other financing	—	(2)	—	(3)
Net cash provided by (used in) financing activities	(587)	(86)	(627)	(111)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3)	—	(9)	2
Increase (decrease) in cash, cash equivalents and restricted cash	(408)	159	(72)	77
Cash, Cash Equivalents and Restricted Cash at Beginning of Period[(1)]	1,003	334	667	416
Cash, Cash Equivalents and Restricted Cash at End of period[(2)]	$ 595	$ 493	$ 595	$ 493

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(1) *Includes $10 million and $25 million of restricted cash as of June 30, 2018 and 2017, respectively and $9 million and $26 million as of December 31, 2017 and 2016, respectively, that were included in Other current assets on the Condensed Consolidated Balance Sheets.*

(2) *Includes $9 million and $25 million of restricted cash as of September 30, 2018 and 2017, respectively, that were included in Other current assets on the Condensed Consolidated Balance Sheets.*

Non-GAAP Financial Measures

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

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

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

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

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

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

- Restructuring and related costs. Restructuring and related costs include restructuring and asset impairment charges as well as costs associated with our strategic transformation program.
- 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.
- Separation costs. Separation costs are expenses incurred in connection with separation from Xerox Corporation into a separate, independent, publicly traded company. These costs primarily relate to third-party investment banking, accounting, legal, consulting and other similar types of services related to the separation transaction as well as costs associated with the operational separation of the two companies.
- (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 reserves for certain terminated contracts that are subject to litigation.
- (Gain) loss on extinguishment of debt. Represents premium on debt extinguishment and write down of the associated unamortized discount and issuance costs.
- Other (income) expenses, net. Other (income) expenses, net includes currency (gains) losses, net and all other (income) expenses, net.
- NY MMIS charge (credit). Costs associated with the Company not fully completing the State of New York Health Enterprise Platform project.
- HE charge (credit). Costs associated with not fully completing the Health Enterprise Medical platform projects in California and Montana.

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 may provide added insight into our underlying business results and how effective tax rates impact our ongoing business.

Adjusted Revenue and Operating Income and Adjusted Operating Margin

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

- Restructuring and related costs.
- Amortization of acquired intangible assets.
- Interest expense. Interest expense includes interest on long-term debt and amortization of debt issuance costs.
- Separation costs.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- (Gain) loss on extinguishment of debt.
- Other (income) expenses, net.
- NY MMIS charge (credit).
- HE charge (credit).
- ASC 606 adjustment.
- (Revenue) / (Income) loss from 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.

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 GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, provide a more complete understanding of our on-going business. Adjusted EBITDA represents income (loss) before interest, income taxes, depreciation and amortization adjusted for the following items. Adjusted EBITDA margin is Adjusted EBITDA divided by adjusted revenue.

- Restructuring and related costs.
- Separation costs.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- (Gain) loss on extinguishment of debt.
- Other (income) expenses, net.
- NY MMIS charge (credit).
- HE charge (credit).
- ASC 606 adjustment.
- (Revenue) / (Income) loss from 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 performances. Management cautions that amounts presented in accordance with Conduent's definition of Adjusted EBITDA and Adjusted EBITDA margin may not be comparable to similar measures disclosed by other companies because not all companies calculate Adjusted EBITDA and Adjusted EBITDA margin in the same manner.

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, vendor financed capital lease additions 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, after principal payments on debt, amounts we can reinvest in our core businesses, such as amounts available to make acquisitions, invest in land, buildings and equipment and internal use software. In order to provide a meaningful basis for comparison, we are providing information with respect to our Free Cash Flow reconciled to cash flow provided by operating activities, which we believe to be the most directly comparable measure under U.S. GAAP.

Adjusted Free Cash Flow

Adjusted free cash flow is defined as free cash flow from above plus deferred compensation payments and transaction costs.

Adjusted Cash

Adjusted cash is defined as the cash and cash equivalents less cash from terminated deferred compensation to be paid to plan participants. We believe this provides added insight into cash and cash equivalents taking into account this particular cash obligation.

Constant Currency

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

Non-GAAP Outlook

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

Net Income (Loss) and EPS Reconciliation:

	Three Months Ended			
	September 30, 2018		September 30, 2017	
(in millions, except earnings per share)	Net Income (Loss)	Diluted EPS	Net Income (Loss)	Diluted EPS
GAAP as Reported From Continuing Operations	$ (237)	$ (1.16)	$ (17)	$ (0.09)
Adjustments:				
Restructuring and related costs	31		22	
Amortization of acquired intangible assets	60		60	
Separation costs	—		2	
(Gain) loss on divestitures and transaction costs	54		(16)	
Litigation costs (recoveries), net	78		6	
(Gain) loss on extinguishment of debt	108		—	
Other (income) expenses, net	4		(9)	
NY MMIS charge (credit)	(1)		1	
HE charge (credit)	—		(3)	
Less: Income tax adjustments(1)	(36)		2	
Adjusted Net Income (Loss) and EPS	$ 61	$ 0.28	$ 48	$ 0.22
(GAAP shares)				
Weighted average common shares outstanding		207		204
Restricted stock and performance units / shares		—		—
Adjusted Weighted Average Shares Outstanding(2)		207		204
(Non-GAAP shares)				
Weighted average common shares outstanding		207		204
Restricted stock and performance shares		3		3
Adjusted Weighted Average Shares Outstanding(2)		210		207

(in millions, except earnings per share)	Three Months Ended Adjusted for 606 and Divestitures September 30, 2018 Net Income (Loss)	September 30, 2018 Diluted EPS	September 30, 2017 Net Income (Loss)	September 30, 2017 Diluted EPS
GAAP as Reported From Continuing Operations	$ (237)	$ (1.16)	$ (42)	$ (0.20)
Adjustments:				
Restructuring and related costs	31		22	
Amortization of acquired intangible assets	60		60	
Separation costs	—		2	
(Gain) loss on divestitures and transaction costs	54		(16)	
Litigation costs (recoveries), net	78		6	
(Gain) loss on extinguishment of debt	108		—	
Other (income) expenses, net	4		(9)	
NY MMIS charge (credit)	(1)		1	
HE charge (credit)	—		(3)	
Less: Income tax adjustments[1]	(36)		2	
Adjusted Net Income (Loss) and EPS	$ 61	$ 0.28	$ 23	$ 0.10
(GAAP shares)				
Weighted average common shares outstanding		207		204
Restricted stock and performance units / shares		—		—
Adjusted Weighted Average Shares Outstanding[2]		207		204
(Non-GAAP shares)				
Weighted average common shares outstanding		207		204
Restricted stock and performance shares		3		3
Adjusted Weighted Average Shares Outstanding[2]		210		207

(1) Reflects the income tax (expense) benefit of the adjustments. Refer to Effective Tax Rate reconciliation below for details.
(2) Average shares for the 2018 and 2017 calculation of adjusted EPS excludes 5 million shares associated with our Series A convertible preferred stock and includes the impact of the preferred stock dividend of $2.4 million for both of the three months ended September 30, 2018 and 2017 and $7 million for both of the nine months ended September 30, 2018 and 2017, respectively.

Effective Tax Rate Reconciliation:

(in millions)	Three Months Ended September 30, 2018 Pre-Tax Income (Loss)	Income Tax (Benefit) Expense	Effective Tax Rate	Three Months Ended September 30, 2017 Pre-Tax Income (Loss)	Income Tax (Benefit) Expense	Effective Tax Rate
GAAP as Reported From Continuing Operations	$ (252)	$ (15)	6.0%	$ 13	$ 30	230.8%
Non-GAAP adjustments[1]	334	36		63	(2)	
Adjusted[2]	$ 82	$ 21	25.6%	$ 76	$ 28	36.8%

(1) Refer to Net Income (Loss) reconciliation for details of non-GAAP adjustments.
(2) The tax impact of Adjusted Pre-tax income (loss) from continuing operations was calculated under the same accounting principles applied to the 'As Reported' pre-tax income (loss), which employs an annual effective tax rate method to the results with an adjustment for the accounting of BEAT and without regard to the business divestitures, the State of Texas litigation reserve, loss on extinguishment of debt, charges for amortization of intangible assets, restructuring and divestiture related costs.

Revenue and Operating Income / Margin Reconciliation:

(in millions)	Three Months Ended September 30, 2018 Profit (Loss)	Three Months Ended September 30, 2018 Revenue	Three Months Ended September 30, 2018 Margin	Three Months Ended September 30, 2017 Profit (Loss)	Three Months Ended September 30, 2017 Revenue	Three Months Ended September 30, 2017 Margin
GAAP as Reported[(1)]	$ (252)	$ 1,304	(19.3)%	$ 13	$ 1,480	0.9%
Adjustments:						
Restructuring and related costs	31			22		
Amortization of acquired intangible assets	60			60		
Interest expense	22			35		
Separation costs	—			2		
(Gain) loss on divestitures and transaction costs	54			(16)		
Litigation costs (recoveries), net	78			6		
(Gain) loss on extinguishment of debt	108			—		
Other (income) expenses, net	4			(9)		
NY MMIS charge (credit)	(1)			1		
HE charge (credit)	—			(3)		
Adjusted Operating Income/Margin	$ 104	$ 1,304	8.0 %	$ 111	$ 1,480	7.5%

	Three Months Ended September 30, 2018			Three Months Ended September 30, 2017		
	Adjusted for 606 and Divestitures					
(in millions)	Profit (Loss)	Revenue	Margin	Profit (Loss)	Revenue	Margin
GAAP as Reported[(1)]	$ (252)	$ 1,304	(19.3)%	$ 13	$ 1,480	0.9%
Adjustments:						
Restructuring and related costs	31			22		
Amortization of acquired intangible assets	60			60		
Interest expense	22			35		
Separation costs	—			2		
(Gain) loss on divestitures and transaction costs	54			(16)		
Litigation costs (recoveries), net	78			6		
(Gain) loss on extinguishment of debt	108			—		
Other (income) expenses, net	4			(9)		
NY MMIS charge (credit)	(1)			1		
HE charge (credit)	—			(3)		
ASC 606 adjustment	—	—		(2)	(39)	
2017 divestitures	—	—		(2)	(14)	
Operating Income Adjusted for 606 and 2017 Divestitures	104	1,304	8.0 %	107	1,427	7.5%
2018 divestitures	—	—		(27)	(69)	
Adjusted Operating Income/Margin	$ 104	$ 1,304	8.0 %	$ 80	$ 1,358	5.9%

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

Adjusted EBITDA / Margin Reconciliation:

(in millions)	Three Months Ended September 30, 2018	2017
GAAP Revenue As Reported	$ 1,304	$ 1,480
Reconciliation to Adjusted EBITDA		
GAAP Net Income (Loss) from Continuing Operations	(237)	(17)
Interest expense	22	35
Income tax expense (benefit)	(15)	30
Segment depreciation and amortization	53	63
Amortization of acquired intangible assets	60	60
EBITDA	(117)	171
EBITDA Margin	*(9.0)%*	*11.6%*
EBITDA	$ (117)	$ 171
Adjustments:		
Restructuring and related costs	31	22
Separation costs	—	2
(Gain) loss on divestitures and transaction costs	54	(16)
Litigation costs (recoveries), net	78	6
(Gain) loss on extinguishment of debt	108	—
Other (income) expenses, net	4	(9)
NY MMIS charge (credit)	(1)	1
HE charge (credit)	—	(3)
Adjusted EBITDA	$ 157	$ 174
Adjusted EBITDA Margin	*12.0 %*	*11.8%*

(in millions)	Three Months Ended September 30, 2018	2017
	Adjusted for 606 and Divestitures	
GAAP Revenue As Reported	$ 1,304	$ 1,480
ASC 606 adjustment	—	(39)
2017 divestitures	—	(14)
Revenue Adjusted for 606 and 2017 Divestitures	1,304	1,427
2018 divestitures	—	(69)
Adjusted Revenue	$ 1,304	$ 1,358
Reconciliation to Adjusted EBITDA		
GAAP Net Income (Loss) from Continuing Operations	(237)	(17)
Interest expense	22	35
Income tax expense (benefit)	(15)	30
Segment depreciation and amortization	53	63
Amortization of acquired intangible assets	60	60
ASC 606 adjustment	—	(2)
2017 divestitures	—	(2)
2017 divestitures depreciation and amortization	—	—
EBITDA Adjusted for 606 and 2017 Divestitures	(117)	167
2018 divestitures	—	(27)
2018 divestitures depreciation and amortization	—	—
EBITDA	(117)	140
EBITDA Margin	*(9.0)%*	*10.3%*
EBITDA	$ (117)	$ 140
Adjustments:		
Restructuring and related costs	31	22
Separation costs	—	2
(Gain) loss on divestitures and transaction costs	54	(16)
Litigation costs (recoveries), net	78	6
(Gain) loss on extinguishment of debt	108	—
Other (income) expenses, net	4	(9)
NY MMIS charge (credit)	(1)	1
HE charge (credit)	—	(3)
Adjusted EBITDA	$ 157	$ 143
Adjusted EBITDA Margin	*12.0 %*	*10.5%*

EXHIBIT 99.1

Free Cash Flow Reconciliation:

(in millions)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
Operating Cash Flow	$ (30)	$ 104
Cost of additions to land, buildings and equipment	(43)	(20)
Proceeds from sales of land, buildings and equipment	—	—
Cost of additions to internal use software	(17)	(11)
Tax payment related to divestitures	30	—
Vendor financed capital leases	—	—
Free Cash Flow	**$ (60)**	**$ 73**
Free Cash Flow	**$ (60)**	**$ 73**
Transaction costs	15	—
Deferred compensation payments and adjustments	13	7
Adjusted Free Cash Flow	**$ (32)**	**$ 80**

Cash / Adjusted Cash Reconciliation:

(in millions)	As of September 30, 2018	As of December 31, 2017
Cash and cash equivalents	$ 586	$ 658
Deferred compensation payments and adjustments	22	17
Deferred compensation payable	(99)	(116)
Adjusted cash and cash equivalents	**$ 509**	**$ 559**

November 7, 2018

Conduent
Q3 2018
Earnings Results

Cautionary Statements

Forward-Looking Statements

This report contains "forward-looking statements", as defined in the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. These statements can be identified by the fact that they do not relate strictly to historical or current facts, but rather are based on current expectations, estimates, assumptions and projections about the business process outsourcing industry and our business and financial results. Forward-looking statements often include words such as "anticipates," "estimates," "expects," "projects," "intends," "plans," "believes" and words and terms of similar substance in connection with discussions of future operating or financial performance. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Our actual results may vary materially from those expressed or implied in our forward-looking statements. Accordingly, undue reliance should not be placed on any forward-looking statement made by us or on our behalf. Important factors and uncertainties that could cause our actual results to differ materially from those in our forward-looking statements include, but are not limited to: termination rights contained in our government contracts; our ability to renew commercial and government contracts awarded through competitive bidding processes; our ability to recover capital and other investments in connection with our contracts; our ability to attract and retain necessary technical personnel and qualified subcontractors; our ability to deliver on our contractual obligations properly and on time; competitive pressures; our significant indebtedness; changes in interest in outsourced business process services; our ability to obtain adequate pricing for our services and to improve our cost structure; claims of infringement of third-party intellectual property rights; the failure to comply with laws relating to individually identifiable information, and personal health information and laws relating to processing certain financial transactions, including payment card transactions and debit or credit card transactions; breaches of our 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 ability to collect our receivables for unbilled services; a decline in revenues from or a loss or failure of significant clients; fluctuations in our non-recurring revenue; our failure to maintain a satisfactory credit rating; our ability to attract and retain key employees; increases in the cost of telephone and data services or significant interruptions in such services; our failure to develop new service offerings; our ability to receive dividends or other payments from our subsidiaries; changes in tax and other laws and regulations; changes in government regulation and economic, strategic, political and social conditions; changes in U.S. GAAP or other applicable accounting policies; and other factors that are set forth in the "Risk Factors" section, the "Legal Proceedings" section, the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section and other sections in our 2017 Annual Report on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission. Any forward-looking statements made by us in this presentation speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

Non-GAAP Financial Measures

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

Q3 2018 Overview

CONDUENT

Key Quarterly Highlights

- Q3 2018 adjusted revenue[2] down (3)% yr/yr; up 1% excluding strategic decisions
- GAAP EPS of $(1.16); Adj. diluted EPS[1] of $0.28; up 27% yr/yr; up 180% excluding divestiture impact
- Adj. EBITDA of $157M, up 10% yr/yr; Adj. EBITDA margin of 12.0%, up 150 bps yr/yr[1]
- Well positioned to achieve $700 million transformation initiative
- Completed tender offer for $476M of 10.5% Senior Notes due 2024 in early Q3 2018
- Closed sale of Off-Street Parking, Actuarial and HR Consulting, and Local Government Businesses in Q3 2018
- Signed agreement for sale[3] of Select Customer Care Contracts
- Announced acquisition[3] of Health Solutions Plus (leading digital healthcare Core Administrative Processing System)
    - Purchase Price: ~$98M; FY2019E Revenue: ~$30M; Margin accretive
- Recorded $72 million additional reserve on Texas litigation, bringing total reserve to balance to $110 million

Revenue[1]	Profitability[1]	Adjusted EBITDA[1]
Revenue (GAAP): $1,304M, down (12)% yr/yr Adjusted revenue, excluding strategic decisions: up 1% yr/yr	Adjusted operating margin of 8.0%, up 210 bps yr/yr GAAP diluted EPS $(1.16) Adj. diluted EPS $0.28	$157M, up 10% yr/yr Adj. EBITDA margin of 12.0%, up 150 bps yr/yr

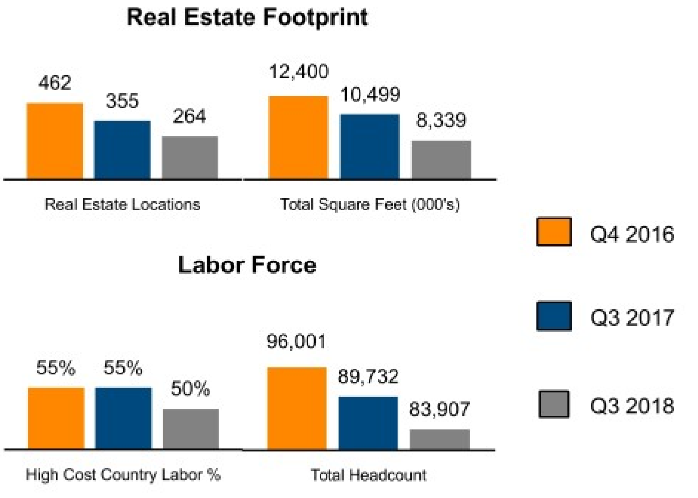
(1) Refer to Appendix for Non-GAAP reconciliations of adjusted revenue, adjusted operating income/margin, adjusted EBITDA/margin and adjusted EPS and for impact from ASC 606 accounting change and divestitures
(2) Adjusted revenue excludes impact from FX, ASC 606, and divestitures
(3) Signed acquisitions and divestitures are subject to regulatory approvals and customary closing conditions

Strategic Transformation

CONDUENT

Progress and Outlook

- Remain on-target for cumulative 2018 transformation goal of ~$700M
- Reduced real estate locations (26)% yr/yr and reduced total square feet (21)% yr/yr
- Reduced percentage of labor in high cost countries to 50%
- Total SG&A down 1.4%[1] vs Q3 2017
- Continued focus on investment in Technology and Platform-offerings. Remediation of legacy infrastructure vendor contract for improved performance



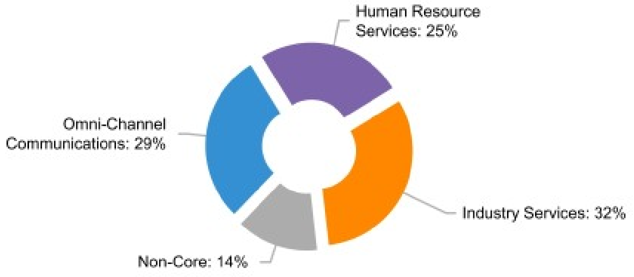
(1) Excludes impact from 2017 and 2018 divestitures

Segment Summary - Q3 2018

Commercial

- Adjusted revenue up 1%[(1)] yr/yr
  - Revenue down (4)% as reported
- Adj. EBITDA margin increased 110 bps[(1)] yr/yr through high-value digital solutions, price increases and operational efficiencies
- Revenue productivity ~$47K per employee[(2)], up 5% with Q3 2017
- European revenue ~11% of Q3 2018 Commercial revenue

Q3 Revenue (% of segment total)



Public Sector

- Adjusted revenue down (0.6)%[(1)] yr/yr
  - Revenue down (1)% as reported
- Adj. EBITDA margin increased 340 bps[(1)] yr/yr driven by digital solutions, operational efficiencies, and price increases
- Revenue productivity ~$214K per employee[(2)], up 2% vs. Q3 2017

Q3 Revenue (% of segment total)

(1) Refer to Appendix for Non-GAAP reconciliations of ASC 606 accounting change, FX impact, and divestitures. Adjusted revenue excludes impact from FX, ASC 606, and divestitures.
(2) Revenue productivity revenue excludes impact from FX, ASC 606, and divestitures. Comparison excludes corporate overhead and divested businesses

Q3 2018 Signings, Pipeline and Renewal Rate

CONDUENT

$738M

Total Contract Value (TCV)[1] Signings

- TCV down (20)% yr/yr
- Renewals of $474M, due to lower renewal opportunities
- In quarter timing / slippage impacting new business TCV
- Europe investment taking longer to yield results
- New business focused on Digital Interactions opportunities

91%

Renewal Rate

- Reflects opportunities in-line with business model, acceptable margin, T&C and risk
- Fifth consecutive quarter of >90% renewal rate

$264M

New Business TCV[1]

- New Business: $264M, declined (24)% yr/yr
- Continued focus on strategic wins with acceptable margin
- Deal timing / slippage and longer sales cycle impacting in quarter signings
- Expect new business TCV signings to turn to positive yr/yr growth in FY 2019

~$12B

Rolling 12-Month Pipeline[1]

- Pipeline stable qtr/qtr with additional opportunities expected as new sales talent ramps
- Strong demand for Digital Interactions (tech-based and platform offerings) and back-office transformation deals in transportation, insurance, healthcare and payments

(1) See Appendix for TCV reconciliation. All TCV and pipeline data excludes impact from divestitures

Financials

Q3 2018 Earnings

CONDUENT

(in millions)	Q3 2018	Q3 2017	B/(W) Yr/Yr	Q3 2017 adjusted for 606, Divestitures (1)	B/(W) Yr/Yr adjusted for 606, Divestitures	Comments Q3 2018 vs Q3 2017
Revenue	$1,304	$1,480	($176)	$1,358	($54)	Up 1% excluding FX, ASC 606, 2017 & 2018 divestitures and strategic decisions
Gross Margin	*19.2%*	*17.6%*	*+160 bps*			
SG&A	142	144	2			
Adjusted operating income(1)	**$104**	**$111**	**($7)**	**$80**	**$24**	
Adjusted operating margin(1)	***8.0%***	***7.5%***	***+50 bps***	***5.9%***	***+210 bps***	Divestiture impact offseting transformation
Adjusted EBITDA[1]	**$157**	**$174**	**$(17)**	**$143**	**$14**	
Adjusted EBITDA margin[1]	***12.0%***	***11.8%***	***+20 bps***	***10.5%***	***+150 bps***	
Restructuring and related costs	31	22	(9)			Increased spend driven by transformation
Amortization of acquired intangible assets	60	60	—			
Interest expense	22	35	13			Interest savings from tender offer and repricing
Separation costs	—	2	2			
(Gain) loss on divestitures and transaction costs	54	(16)	(70)			Stand-alone Call Center impairment
Litigation costs (recoveries), net	78	6	(72)			Increased reserves for litigation
(Gain) loss on extinguishment of debt	108	—	(108)			Tender of Senior 10.5% Notes
Other net expense / (income)	4	(9)	(13)			
Pretax income (loss)	**(252)**	**13**	**(265)**			
GAAP tax (benefit)	($15)	$30	$45			
GAAP net income (loss) from Continuing Operations	**($237)**	**($17)**	**($220)**			Tender offer, loss on divestitures and litigation
GAAP Diluted EPS from Continuing Operations	**($1.16)**	**($0.09)**	**($1.07)**			
Adjusted tax rate(1)	25.6%	36.8%	*+1,120 bps*			
Adjusted net income(1)	$61	$48	$13	$21	$40	
Adjusted Diluted EPS[1] from Continuing Operations	**$0.28**	**$0.22**	**$0.06**	**$0.10**	**$0.18**	Lower tax rate and interest savings

(1) Refer to Appendix for Non-GAAP reconciliations of adjusted revenue, adjusted operating income/margin, adjusted EBITDA/margin and adjusted EPS and for impact from ASC 606 accounting change and divestitures

Commercial Segment

CONDUENT

Adjusted Quarterly Revenue and Profit[1]

	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18	Q3 '18
Segment Profit[1]	$14	$16	$29	$57	$27	$32	$37
Segment Margin[1]	1.8%	2.1%	3.8%	7.2%	3.5%	4.3%	5.1%
AEBITDA[1]	$47	$52	$61	$88	$59	$64	$67
AEBITDA Margin[1]	5.9%	6.8%	8.1%	11.1%	7.5%	8.6%	9.2%

Revenue ($ in M) — **% Segment Margin**

Q3 2018 Segment Highlights

- Excluding strategic decisions, adjusted revenue up 1%[1] yr/yr
  - Adjusted revenue declined (4)% yr/yr, impacted by strategic decisions
- Segment profit grew 28% yr/yr, driven by new business ramp and operational efficiencies

(1) Refer to Appendix for Non-GAAP reconciliations of ASC 606 accounting change, FX impact, and divestitures. Adjusted revenue excludes impact from FX, ASC 606, and divestitures.
NOTE: Revenue and adj. EBITDA from closed divestitures moved to Other segment. Stranded costs remain in segment and expected to be addressed in 2019.

Public Sector Segment

CONDUENT

Adjusted Quarterly Revenue and Profit[1]

	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18	Q3 '18
Segment Profit[1]	$43	$38	$44	$47	$52	$49	$65
Segment Margin[1]	8.0%	7.2%	8.3%	8.9%	10.2%	9.4%	12.5%
AEBITDA[1]	$71	$66	$68	$69	$73	$69	$85
AEBITDA Margin[1]	13.2%	12.6%	12.9%	13.0%	14.4%	13.3%	16.3%

Revenue ($ in M) **% Segment Margin**

Q3 2018 Segment Highlights

- Excluding strategic decisions, adjusted revenue down (0.6)%[1] yr/yr
  - Revenue declined (1)% yr/yr, impacted by lost business and lower volumes
- Transportation down (1)% yr/yr and up 2% sequentially
  - Decline driven by continued operational issues with technology vendors
  - Sequential growth driven by new business ramp
  - Large tolling contract delivery performance improving
- Segment profit improved 48% yr/yr driven by operational efficiencies and price increases

(1) Refer to Appendix for Non-GAAP reconciliations of ASC 606 accounting change, FX impact, and divestitures. Adjusted revenue excludes impact from FX, ASC 606, and divestitures.
NOTE: Revenue and adj. EBITDA from closed divestitures moved to Other segment. Stranded costs remain in segment and expected to be addressed in 2019.

Other Segment

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Reported Quarterly Revenue and Profit

	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18	Q3 '18
Segment Profit (Loss)[1, 2]	$26	$30	$38	$24	$26	$29	$3
AEBITDA[1]	$32	$36	$43	$28	$29	$33	$5

Revenue in $M

Q3 2018 Segment Highlights[1]

- Revenue declined from divestiture impact and accelerated Student Loan business run-off
- Completed exit Student Loan business in Q3 2018
  - Moved operational and wind-down expenses to Other Income and Expense

(1) Adjusted 2017 results for impact from ASC 606 accounting changes, 2017 and 2018 divestitures
(2) Please refer to Appendix for Non-GAAP reconciliations

Cash Flow

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(in millions)

	Q3 2018	YTD 2018
Net income (loss)	**($237)**	**($276)**
Depreciation & amortization	113	347
Stock-based compensation	11	30
Deferred tax benefit	(43)	(90)
(Gain) loss on extinguishment of debt	108	108
Changes in operating assets and liabilities	(37)	(102)
Other[1]	55	13
Operating Cash Flow	**($30)**	**$30**
Purchase of LB&E[2] and other	(60)	(150)
Proceeds from sales of LB&E	—	12
Net proceeds from divestitures	272	672
Investing Cash Flow	**$212**	**$534**
Cash from Financing	**($587)**	**($627)**
Effect of exchange rates on cash and cash equivalents	(3)	(9)
Change in cash, restricted cash and cash equivalents	(408)	(72)
Beginning cash, restricted cash and cash equivalents[3]	1,003	667
Ending Cash, Restricted Cash and Cash Equivalents[4]	**$595**	**$595**
Memo: Adjusted Free Cash Flow[5]	**($32)**	**($41)**
Better / (Worse) vs prior year period	*($112)*	*($50)*

Key Messages:

- Q3 2018 operating cash flow use driven by working capital and net tax payments
- 2018 YTD Adjusted free cash flow[5] down $(50)M driven by Capex (LB&E)
- Capex of ~4.6% of revenue in Q3 2018. Expected to be ~3.75% of Revenue in FY 2018
- 2018 YTD $672M in pre-tax proceeds from sale of divested businesses
- $587M cash outflow related to tender
- Focus on DSO to improve working capital

(1) Includes gain (loss) on investments, amortization of financing costs, net (gain) loss on divestitures and transaction costs, and Other operating, net
(2) Includes cost of additions to land, building and equipment (LB&E) and internal use software
(3) Includes $10 million and $9 million of restricted cash for Q3 2018 and YTD 2018, respectively that were included in Other current assets on the Condensed Consolidated Balance Sheets
(4) Includes approximately $9 million of restricted cash for both Q3 2018 and YTD 2018 that was included in Other current assets on the Condensed Consolidated Balance Sheets
(5) Please refer to slide 35 in Appendix for Non-GAAP reconciliation

Capital Structure Overview

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Debt Structure ($ in millions)

(in millions)	6/30/2018	9/30/2018
Total Cash[1]	**$1,003**	**$595**
Deferred Comp Cash	*(90)*	*(77)*
Restricted Cash	*(10)*	*(9)*
Adjusted Cash	**903**	**509**
Total Debt[2]	**2,044**	**1,577**
Term Loan A[3], [5] due 2022	709	711
Term Loan B[3] due 2023	837	835
10.5% Senior Notes due 2024	510	34
Capital Leases	36	30
Current net leverage ratio [4]	1.7x	1.6x

Credit Metrics

FY 2018E interest expense	**~$115M**
Preferred dividend (annual)	*~$10M*
Target net leverage ratio	~2.0x
Average remaining maturity on outstanding debt	~5 years

Key Messages

- Current leverage ratio: 1.6x
- Revolver remains undrawn[6]
- Expect to end FY 2018 with strong cash balance
- Expect to spend ~$300M cash on signed and future acquisitions
- Completed tender offer to pay down ~$476M of 10.5% Senior Notes in Q3 2018
- Expected interest expense in FY 2019: ~$89M

(1) Total Cash includes restricted cash
(2) Total debt excludes deferred financing costs
(3) Revolving credit facility and Term Loan A interest rate is Libor + 175 bps; Term Loan B is Libor + 250 bps effective June 28, 2018
(4) Net debt (total debt less adjusted cash) divided by TTM Adjusted EBITDA. Adjusted ratio uses Adjusted total Debt
(5) Includes initial EUR 260M borrowing converted at end of quarter exchange rates; Reflects appreciation of the EUR; there was no incremental borrowing on the Term Loan A in Q3 2018
(6) $738M of available capacity under Revolving Credit Facility as of 9/30/2018

Divestiture Update

Signed[1] Divestiture

- Select Customer Care Contracts: ~$500M FY 2017 Revenue

Closed Divestitures

- Commercial Vehicle Operations: closed June 28, 2018; $66M FY 2017 Revenue
- Off-Street Parking: closed July 10, 2018; $42M FY 2017 Revenue
- Actuarial and HR Consulting: closed Aug. 13, 2018; ~$278M FY 2017 Revenue
- Select Local Government Services: Closed Sept. 28, 2018; ~$113M FY Revenue

Expected Financial Impact

- FY 2017 Revenue: ~$1B
- FY 2017 Adjusted EBITDA: ~$145M (expect to address $70M of stranded cost in 1H 2019)
- Expected Total Proceeds[2]: ~$750M (~$650M post-tax)

Total expected divested revenue: ~$1B
Total non-core Adj EBITDA to divest: ~$75M (after stranded cost take-out)

(1)Signed deal subject to regulatory approvals and customary closing conditions
(2) Includes estimated working capital adjustments

FY 2018 Guidance

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(in millions)	Adjusted FY 2017[3]	Prior FY 2018 Guidance	Updated FY 2018 Guidance
Revenue (constant currency)[1]	$5.6B	$5.41 - $5.61B	*$5.34 - $5.40B* Yr/yr flat excluding strategic actions
Adj. EBITDA[2]	$598M	$662 - $688M	*$640 - $650M* *Up 7 - 9%*
Adj. EBITDA Margin[2]	10.6%	11.8 - 12.7%	11.9 - 12.2%
Adj. Free Cash Flow[2]		$166 - $241M	*$160 - $195M*
% of Adj. EBITDA	~30%	25 - 35%	25 - 30%

(1) Year-over-year revenue growth comparison at constant currency
(2) Refer to Appendix for Non-GAAP reconciliations of adjusted EBITDA / margin and adjusted FCF and for impact from ASC 606 accounting change and divestitures
(3) Adjusted for accounting 606 amd 2017 and 2018 divestitures referenced on page 29

Q&A

Appendix

Signings & Renewal Rate[1]

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Excluding Divestiture Impact

($ in millions)	Q1' 17	Q2' 17	Q3' 17	Q4' 17	Q1' 18	Q2' 18	Q3' 18
Total Contract Value	$836	$1,142	$928	$1,422	$1,293	$1,887	$738
New Business	$496	$602	$349	$584	$367	$346	$264
Renewals	$340	$540	$579	$838	$926	$1,541	$474
Annual Recurring Revenue Signings	$135	$115	$84	$137	$81	$79	$65
Non-Recurring Revenue Signings	$80	$89	$70	$87	$53	$61	$63
Renewal rate	92%	89%	98%	96%	94%	99%	91%

Unadjusted

($ in millions)	Q1' 17	Q2' 17	Q3' 17	Q4' 17	Q1' 18	Q2' 18	Q3' 18
Total Contract Value	$931	$1,244	$1,048	$1,730	$1,428	$1,947	$771
New Business	$530	$657	$390	$683	$406	$372	$282
Renewals	$401	$587	$658	$1,047	$1,022	$1,575	$489
Annual Recurring Revenue Signings	$143	$130	$92	$168	$93	$86	$79
Non-Recurring Revenue Signings	$93	$108	$86	$96	$63	$69	$64
Renewal rate	92%	89%	98%	96%	94%	99%	91%

(1) See definitions in Appendix

Definitions

TCV = Total contract value

Annual Recurring Revenue Signings = Includes new business TCV.

New Business TCV = Annual recurring revenue signings multiplied by the contract term plus non-recurring revenue signings.

Pipeline = TCV pipeline of deals in all sell stages over a rolling 12 months

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

Revenue productivity = Calculated as trailing-twelve months (TTM) revenue (excluding impact from divestitures and ASC 606) / average quarter-end headcount for last four quarters. Segment calculation excludes corporate headcount.

Financial Modeling Considerations

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	Outlook Commentary
FY 2018 Commentary	
Restructuring costs	Expected to be ~$85M for the full year
Interest Expense	Expected to be ~$115M for the full year, given TLB repricing, bond tender and interest rate expectations
Cash Flow	Cash flow typically weighted towards Q4, given seasonal items
Capex	Expected to be ~3.75% of Revenue in FY 2018
Other Segment	Exited education business in Q3 2018. Wind-down costs moved to Other Net Income and Expenses
Divestitures and M&A	FY 2018 guidance updated for divestitures closed as of 11/7/2018. Anticipate Stand-Alone Customer Care divestiture closing 12/31/2018. Guidance to be updated as necessary, depending on timing.
Taxes	Full year adjusted tax rate of 25 - 28%
Cash Taxes	~$120M in FY 2018
FY 2018 "Core"	Rev: $4.59 - $4.65B; Adj. EBITDA: $605 - $615M; Adj. EBITDA Margin 13.0 - 13.4%
FY 2019 Outlook Commentary	
FY 2019 Revenue Outlook (vs. FY 2018 "Core")	Rev: Up 2 - 3% (including M&A), weighted towards 2H 2019
FY 2019 Adj EBITDA Outlook (vs. FY 2018 "Core")	Adj. EBITDA: Up 8 - 12% (normalizing for $25M of stranded overhead and including M&A) Implied Adj EBITDA Margin: 13.2% - 14.2%
Stranded Overhead Costs	~$25M of stranded overhead costs to hit in Q1 and Q2 2019, based on timing of divestitures

Non-GAAP Financial Measures

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Non-GAAP Financial Measures

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

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

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

- Restructuring and related costs. Restructuring and related costs include restructuring and asset impairment charges as well as costs associated with our strategic transformation program.
- 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.
- Separation costs. Separation costs are expenses incurred in connection with separation from Xerox Corporation into a separate, independent, publicly traded company. These costs primarily relate to third-party investment banking, accounting, legal, consulting and other similar types of services related to the separation transaction as well as costs associated with the operational separation of the two companies.
- (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 reserves for certain terminated contracts that are subject to litigation.
- (Gain) loss on extinguishment of debt. Represents premium on debt extinguishment and write down of the associated unamortized discount and issuance costs.
- Other (income) expenses, net. Other (income) expenses, net includes currency (gains) losses, net and all other (income) expenses, net.
- NY MMIS charge (credit). Costs associated with the Company not fully completing the State of New York Health Enterprise Platform project.
- HE charge (credit). Costs associated with not fully completing the Health Enterprise Medical platform projects in California and Montana.

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 Operating Income and Adjusted Operating Margin:

- Restructuring and related costs.
- Amortization of acquired intangible assets.
- Interest expense. Interest expense includes interest on long-term debt and amortization of debt issuance costs.
- Separation costs.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- (Gain) loss on extinguishment of debt.
- Other (income) expenses, net.
- NY MMIS charge (credit).
- HE charge (credit).
- ASC 606 adjustment.
- (Revenue) / (Income) loss from 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.

Adjusted Other Segment Profit and Margin

We adjust our Other Segment profit and margin for NY MMIS and HE charge adjustments.

We provide Other segment adjusted loss and Other segment adjusted margin information, as supplemental information, because we believe that the adjustment for NY MMIS wind-down costs and HE charge, which we do not believe are indicative of our ongoing business, supplementally provides investors added insight into underlying Other segment loss and gross margin results and trends, both by itself and in comparison to other periods.

Non-GAAP Financial Measures

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Segment and 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 adjusted for the following items (which are defined above). Adjusted EBITDA margin is Adjusted EBITDA divided by adjusted revenue:

- Restructuring and related costs.
- Separation costs.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- (Gain) loss on extinguishment of debt.
- Other (income) expenses, net.
- NY MMIS charge (credit) / NY MMIS Depreciation.
- HE charge (credit).
- ASC 606 adjustment.
- (Revenue) / (Income) loss from 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.

Adjusted Public Sector Segment Revenue and Profit

We adjusted Public Sector Segment revenue, profit and margin for the NY MMIS and HE charges as we believe it offers added insight, by itself and for comparability between periods, for items which we do not believe are indicative of our ongoing business.

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, vendor financed capital lease 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, invest in land, buildings and equipment and internal use software, make principal payments on debt. In order to provide a meaningful basis for comparison, we are providing information with respect to our Free Cash Flow reconciled to cash flow provided by operating activities, which we believe to be the most directly comparable measure under U.S. GAAP.

Adjusted Free Cash Flow

Adjusted free cash flow is defined as free cash flow from above plus deferred compensation payments and transaction costs.

Adjusted Cash

Adjusted cash is defined as cash and cash equivalents less cash from terminated deferred compensation to be paid to plan participants. We believe this provides added insight into cash and cash equivalent positions.

Constant Currency

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

Non-GAAP Outlook

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

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

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	Three Months Ended September 30,			
	2018		2017	
(in millions, except EPS. Shares in thousands)	Net Income (Loss)	Diluted EPS	Net Income (Loss)	Diluted EPS
GAAP as Reported From Continuing Operations	$ (237)	$ (1.16)	$ (17)	$ (0.09)
Adjustments:				
Restructuring and related costs	31		22	
Amortization of acquired intangible assets	60		60	
Separation costs	—		2	
(Gain) loss on divestitures and transaction costs	54		(16)	
Litigation costs (recoveries), net	78		6	
(Gain) loss on extinguishment of debt	108		—	
Other (income) expenses, net	4		(9)	
NY MMIS charge (credit)	(1)		1	
HE charge (credit)	—		(3)	
Less: Income tax adjustments(1)	(36)		2	
Adjusted Net Income (Loss) and EPS	$ 61	$ 0.28	$ 48	$ 0.22
(GAAP shares in thousands)				
Weighted average common shares outstanding		206,605		204,356
Stock options		—		—
Restricted stock and performance units / shares		—		—
Adjusted Weighted Average Shares Outstanding(2)		206,605		204,356
(Non-GAAP shares in thousands)				
Weighted average common shares outstanding		206,605		204,356
Stock options		122		223
Restricted stock and performance units / shares		3,017		2,508
Adjusted Weighted Average Shares Outstanding(2)		209,744		207,087

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

(2) Average shares for the 2018 and 2017 calculation of adjusted EPS excludes 5 million shares associated with our Series A convertible preferred stock and includes the impact of the preferred stock dividend of $2.4 million for both of the three months ended September 30, 2018 and 2017 and $7 million for both of the nine months ended September 30, 2018 and 2017, respectively.

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(in millions, except EPS. Shares in thousands)	Three Months Ended September 30, Adjusted for 606 and Divestitures[3] 2018 Net Income (Loss)	2018 Diluted EPS	2017 Net Income (Loss)	2017 Diluted EPS
GAAP as Reported From Continuing Operations	$ (237)	$ (1.16)	$ (42)	$ (0.20)
Adjustments:				
Restructuring and related costs	31		22	
Amortization of acquired intangible assets	60		60	
Separation costs	—		2	
(Gain) loss on divestitures and transaction costs	54		(16)	
Litigation costs (recoveries), net	78		6	
(Gain) loss on extinguishment of debt	108		—	
Other (income) expenses, net	4		(9)	
NY MMIS charge (credit)	(1)		1	
HE charge (credit)	—		(3)	
Less: Income tax adjustments[1]	(36)		2	
Adjusted Net Income (Loss) and EPS	$ 61	$ 0.28	$ 23	$ 0.10
(GAAP shares in thousands)				
Weighted average common shares outstanding		206,605		204,356
Stock options		—		—
Restricted stock and performance units / shares		—		—
Adjusted Weighted Average Shares Outstanding[2]		206,605		204,356
(Non-GAAP shares in thousands)				
Weighted average common shares outstanding		206,605		204,356
Stock options		122		223
Restricted stock and performance units / shares		3,017		2,508
Adjusted Weighted Average Shares Outstanding[2]		209,744		207,087

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

(2) Average shares for the 2018 and 2017 calculation of adjusted EPS excludes 5 million shares associated with our Series A convertible preferred stock and includes the impact of the preferred stock dividend of $2.4 million for both of the three months ended September 30, 2018 and 2017 and $7 million for both of the nine months ended September 30, 2018 and 2017, respectively.

(3) Adjusted for the impact from 606 accounting standard change and revenue and (income) loss from divestitures

Non-GAAP Reconciliation: Adj. Effective Tax Rate

(in millions)	Three Months Ended September 30, 2018			Three Months Ended September 30, 2017		
	Pre-Tax Income (Loss)	Income Tax (Benefit) Expense	Effective Tax Rate	Pre-Tax Income (Loss)	Income Tax (Benefit) Expense	Effective Tax Rate
GAAP as Reported From Continuing Operations	$ (252)	$ (15)	6.0%	$ 13	$ 30	230.8%
Non-GAAP adjustments[(1)]	334	36		63	(2)	
Adjusted[(2)]	$ 82	$ 21	25.6%	$ 76	$ 28	36.8%

(1) Refer to Net Income (Loss) reconciliation for details of non-GAAP adjustments.

(2) TThe tax impact of Adjusted Pre-tax income (loss) from continuing operations was calculated under the same accounting principles applied to the 'As Reported' pre-tax income (loss), which employs an annual effective tax rate method to the results with an adjustment for the accounting of BEAT and without regard to the business divestitures, the State of Texas litigation reserve, loss on extinguishment of debt, charges for amortization of intangible assets, restructuring and divestiture related costs.

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Non-GAAP Reconciliation: Adjusted Operating Income / Margin

(As Reported)

(in millions)	Q3 2018	Q2 2018	Q1 2018	Previously Reported FY 2017	Previously Reported Q4 2017	Previously Reported Q3 2017	Previously Reported Q2 2017	Previously Reported Q1 2017
GAAP Revenue From Continuing Operations	$ 1,304	$ 1,387	$ 1,420	$ 6,022	$ 1,493	$ 1,480	$ 1,496	$ 1,553
GAAP Pre-tax Income (Loss) From Continuing Operations	(252)	54	(54)	(16)	4	13	(11)	(22)
GAAP Operating Margin As Reported	*(19.3)%*	*3.9%*	*(3.8)%*	*(0.3)%*	*0.3%*	*0.9%*	*(0.7)%*	*(1.4)%*
GAAP Pre-tax income (Loss) From Continuing Operations	$ (252)	$ 54	$ (54)	$ (16)	$ 4	$ 13	$ (11)	$ (22)
Adjustments:								
Restructuring and related costs	31	17	20	101	25	22	36	18
Amortization of acquired intangible assets	60	60	61	243	61	60	61	61
Interest expense	22	37	33	137	32	35	34	36
Separation costs	—	—	—	12	4	2	1	5
(Gain) loss on divestitures and transaction costs	54	(60)	15	(42)	(1)	(16)	(25)	—
Litigation costs (recoveries), net	78	4	31	(11)	3	6	(9)	(11)
(Gain) loss on extinguishment of debt	108	—	—	—	—	—	—	—
Other (income) expenses, net	4	(2)	(1)	(7)	3	(9)	—	(1)
NY MMIS charge (credit)	(1)	(1)	—	9	(1)	1	1	8
HE charge (credit)	—	—	—	(8)	—	(3)	—	(5)
Adjusted Operating Income/Margin	*$ 104*	*$ 109*	*$ 105*	*$ 418*	*$ 130*	*$ 111*	*$ 88*	*$ 89*
Adjusted Operating Margin	8.0 %	7.9%	7.4 %	6.9 %	8.7%	7.5%	5.9 %	5.7 %

Non-GAAP Reconciliation: Adjusted Revenue and Operating Income / Margin[(1)]

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(Adjusted results: Adjusts 2017 for comparable results to 2018 reported)

	Adjusted for 606 and Divestitures[(1)]							
(in millions)	Q3 2018	Q2 2018	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
GAAP Revenue From Continuing Operations	$ 1,304	$ 1,387	$ 1,420	$ 6,022	$ 1,493	$ 1,480	$ 1,496	$ 1,553
ASC 606 adjustment	—	—	—	(166)	(41)	(39)	(40)	(46)
2017 divestitures	—	—	—	(59)	—	(14)	(22)	(23)
Revenue Adjusted for 606 and 2017 Divestitures	1,304	1,387	1,420	5,797	1,452	1,427	1,434	1,484
2018 divestitures	—	—	—	(190)	(121)	(69)	—	—
Adjusted Revenue	$ 1,304	$ 1,387	$ 1,420	$ 5,607	$ 1,331	$ 1,358	$ 1,434	$ 1,484
Pre-tax Income (Loss) From Continuing Operations	(252)	54	(54)	(16)	4	13	(11)	(22)
ASC 606 adjustment	—	—	—	(11)	(3)	(2)	(3)	(3)
2017 divestitures	—	—	—	(7)	—	(2)	(2)	(3)
Pre-Tax Income (Loss) Adjusted for 606 and 2017 Divestitures	(252)	54	(54)	(34)	1	9	(16)	(28)
2018 divestitures	—	—	—	(56)	(29)	(27)	—	—
Adjusted Pre-Tax Income (Loss)	$ (252)	$ 54	$ (54)	$ (90)	$ (28)	$ (18)	$ (16)	$ (28)
Adjusted Operating Margin	*(19.3)%*	*3.9%*	*(3.8)%*	*(1.6)%*	*(2.1)%*	*(1.3)%*	*(1.1)%*	*(1.9)%*
Adjusted Revenue	$ 1,304	$ 1,387	$ 1,420	$ 5,607	$ 1,331	$ 1,358	$ 1,434	$ 1,484
Pre-tax income (Loss) From Continuing Operations	$ (252)	$ 54	$ (54)	$ (16)	$ 4	$ 13	$ (11)	$ (22)
Adjustments:								
Restructuring and related costs	31	17	20	101	25	22	36	18
Amortization of acquired intangible assets	60	60	61	243	61	60	61	61
Interest expense	22	37	33	137	32	35	34	36
Separation costs	—	—	—	12	4	2	1	5
(Gain) loss on divestitures and transaction costs	54	(60)	15	(42)	(1)	(16)	(25)	—
Litigation costs (recoveries), net	78	4	31	(11)	3	6	(9)	(11)
(Gain) loss on extinguishment of debt	108	—	—	—	—	—	—	—
Other (income) expenses, net	4	(2)	(1)	(7)	3	(9)	—	(1)
NY MMIS charge (credit)	(1)	(1)	—	9	(1)	1	1	8
HE charge (credit)	—	—	—	(8)	—	(3)	—	(5)
ASC 606 adjustment	—	—	—	(11)	(3)	(2)	(3)	(3)
2017 divestitures	—	—	—	(7)	—	(2)	(2)	(3)
Operating Income Adjusted for 606 and 2017 Divestitures	*104*	*109*	*105*	*400*	*127*	*107*	*83*	*83*
2018 divestitures	—	—	—	*(56)*	*(29)*	*(27)*	—	—
Adjusted Operating Income/Margin	*$ 104*	*$ 109*	*$ 105*	*$ 344*	*$ 98*	*$ 80*	*$ 83*	*$ 83*
Adjusted Operating Margin	*8.0 %*	*7.9%*	*7.4 %*	*6.1 %*	*7.4 %*	*5.9 %*	*5.8 %*	*5.6 %*

(1) Adjusted for the impact from 606 accounting standard change and divestiture impact over the same period year over year

Non-GAAP Reconciliation: Adjusted EBITDA

CONDUENT

(in millions)	Q3 2018	Q2 2018	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
				Previously Reported				
Reconciliation to Adjusted Revenue								
GAAP Revenue From Continuing Operations	$ 1,304	$ 1,387	$ 1,420	$ 6,022	$ 1,493	$ 1,480	$ 1,496	$ 1,553
Adjusted Revenue	$ 1,304	$ 1,387	$ 1,420	$ 6,022	$ 1,493	$ 1,480	$ 1,496	$ 1,553
GAAP Net Income (Loss) from Continuing Operations	$ (237)	$ 11	$ (50)	$ 177	$ 208	$ (17)	$ (4)	$ (10)
Interest expense	22	37	33	137	32	35	34	36
Income tax expense (benefit)	(15)	43	(4)	(193)	(204)	30	(7)	(12)
Segment depreciation and amortization	53	57	56	254	58	63	69	64
Amortization of acquired intangible assets	60	60	61	243	61	60	61	61
EBITDA	$ (117)	$ 208	$ 96	$ 618	$ 155	$ 171	$ 153	$ 139
EBITDA Margin	*(9.0)%*	*15.0%*	*6.8%*	*10.3%*	*10.4%*	*11.6%*	*10.2%*	*9.0%*
EBITDA	$ (117)	$ 208	$ 96	$ 618	$ 155	$ 171	$ 153	$ 139
Restructuring and related costs	31	17	20	101	25	22	36	18
Separation costs	—	—	—	12	4	2	1	5
(Gain) loss on divestitures and transaction costs	54	(60)	15	(42)	(1)	(16)	(25)	—
Litigation costs (recoveries), net	78	4	31	(11)	3	6	(9)	(11)
(Gain) loss on extinguishment of debt	108	—	—	—	—	—	—	—
Other (income) expenses, net	4	(2)	(1)	(7)	3	(9)	—	(1)
NY MMIS charge (credit)	(1)	(1)	—	9	(1)	1	1	8
HE charge (credit)	—	—	—	(8)	—	(3)	—	(5)
Adjusted EBITDA	157	166	161	672	188	174	157	153
Adjusted EBITDA Margin	12.0 %	12.0%	11.3%	11.2%	12.6%	11.8%	10.5%	9.9%

Non-GAAP Reconciliation: Adjusted EBITDA[1]

(Adjusted results: Adjusts 2017 for comparable results to 2018 reported)

CONDUENT

				Adjusted for 606 and Divestitures[1]				
(in millions)	Q3 2018	Q2 2018	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Reconciliation to Adjusted Revenue								
GAAP Revenue From Continuing Operations	$ 1,304	$ 1,387	$ 1,420	$ 6,022	$ 1,493	$ 1,480	$ 1,496	$ 1,553
ASC 606 adjustment	—	—	—	(166)	(41)	(39)	(40)	(46)
2017 divestitures	—	—	—	(59)	—	(14)	(22)	(23)
Revenue Adjusted for 606 and 2017 Divestitures	1,304	1,387	1,420	5,797	1,452	1,427	1,434	1,484
2018 divestitures	—	—	—	(190)	(121)	(69)	—	—
Adjusted Revenue	$ 1,304	$ 1,387	$ 1,420	$ 5,607	$ 1,331	$ 1,358	$ 1,434	$ 1,484
GAAP Net Income (Loss) from Continuing Operations	$ (237)	$ 11	$ (50)	$ 177	$ 208	$ (17)	$ (4)	$ (10)
Interest expense	22	37	33	137	32	35	34	36
Income tax expense (benefit)	(15)	43	(4)	(193)	(204)	30	(7)	(12)
Segment depreciation and amortization	53	57	56	254	58	63	69	64
Amortization of acquired intangible assets	60	60	61	243	61	60	61	61
ASC 606 adjustment	—	—	—	(11)	(3)	(2)	(3)	(3)
2017 divestitures	—	—	—	(7)	—	(2)	(2)	(3)
2017 divestitures depreciation and amortization	—	—	—	1	—	—	1	—
EBITDA Adjusted for 606 and 2017 Divestitures	(117)	208	96	601	152	167	149	133
2018 divestitures	—	—	—	(56)	(29)	(27)	—	—
2018 divestitures depreciation and amortization	—	—	—	(1)	(1)	—	—	—
EBITDA	$ (117)	$ 208	$ 96	$ 544	$ 122	$ 140	$ 149	$ 133
EBITDA Margin	*(9.0)%*	*15.0%*	*6.8%*	*9.7%*	*9.2%*	*10.3%*	*10.4%*	*9.0%*
EBITDA	$ (117)	$ 208	$ 96	$ 544	$ 122	$ 140	$ 149	$ 133
Restructuring and related costs	31	17	20	101	25	22	36	18
Separation costs	—	—	—	12	4	2	1	5
(Gain) loss on divestitures and transaction costs	54	(60)	15	(42)	(1)	(16)	(25)	—
Litigation costs (recoveries), net	78	4	31	(11)	3	6	(9)	(11)
(Gain) loss on extinguishment of debt	108	—	—	—	—	—	—	—
Other (income) expenses, net	4	(2)	(1)	(7)	3	(9)	—	(1)
NY MMIS charge (credit)	(1)	(1)	—	9	(1)	1	1	8
HE charge (credit)	—	—	—	(8)	—	(3)	—	(5)
Adjusted EBITDA	157	166	161	598	155	143	153	147
Adjusted EBITDA Margin	12.0 %	12.0%	11.3%	10.7%	11.6%	10.5%	10.7%	9.9%

(1) Adjusted for the estimated impact from the adoption of the 606 accounting standard, had it been applicable in FY 2017 and divestiture impact over the same period year over year

Non-GAAP Reconciliation: Segment Adjusted EBITDA[1]

CONDUENT

				Previously Reported				
(in millions)	Q3 2018	Q2 2018	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Commercial Industries								
Segment GAAP revenue	$ 727	$ 743	$ 782	$ 3,197	$ 813	$ 777	$ 784	$ 823
Segment profit	$ 37	$ 32	$ 27	$ 121	$ 59	$ 29	$ 18	$ 15
Segment depreciation and amortization	30	32	32	132	31	32	36	33
Adjusted Segment EBITDA	$ 67	$ 64	$ 59	$ 253	$ 90	$ 61	$ 54	$ 48
Adjusted EBITDA Margin	*9.2%*	*8.6%*	*7.5%*	*7.9%*	*11.1%*	*7.9%*	*6.9%*	*5.8%*
Public Sector								
Segment GAAP revenue	$ 520	$ 519	$ 508	$ 2,186	$ 547	$ 543	$ 542	$ 554
Segment profit	$ 65	$ 49	$ 52	$ 178	$ 48	$ 46	$ 39	$ 45
Segment depreciation and amortization	21	21	21	101	23	26	27	25
EBITDA	$ 86	$ 70	73	279	71	72	66	70
EBITDA Margin	*16.5%*	*13.5%*	*14.4%*	*12.8%*	*13.0%*	*13.3%*	*12.2%*	*12.6%*
Segment EBITDA	$ 86	$ 70	$ 73	$ 279	$ 71	$ 72	$ 66	$ 70
NY MMIS charge (credit)[2]	(1)	(1)	—	9	(1)	1	1	8
HE charge (credit)[2]	—	—	—	(8)	—	(3)	—	(5)
Adjusted Segment EBITDA	$ 85	$ 69	$ 73	$ 280	$ 70	$ 70	$ 67	$ 73
Adjusted EBITDA Margin	*16.3%*	*13.3%*	*14.4%*	*12.8%*	*12.8%*	*12.9%*	*12.4%*	*13.2%*
Other Segment								
Segment GAAP revenue	$ 57	$ 125	$ 130	$ 639	$ 133	$ 160	$ 170	$ 176
GAAP Segment profit (loss)	$ 3	$ 29	$ 26	$ 118	$ 24	$ 38	$ 30	$ 26
Segment depreciation and amortization	2	4	3	21	4	5	6	6
Adjusted Segment EBITDA	$ 5	$ 33	$ 29	$ 139	$ 28	$ 43	$ 36	$ 32
Adjusted EBITDA Margin	*8.8%*	*26.4%*	*22.3%*	*21.8%*	*21.1%*	*26.9%*	*21.2%*	*18.2%*

(1) Certain reclassifications have been made to prior year information to conform to current year presentation.

(2) HE and NY MMIS business moved from Other segment into Public Sector segment effective Q1 2018.

Non-GAAP Reconciliation: Segment Adjusted EBITDA[1]

CONDUENT

	Adjusted for 606 and Divestitures[1]							
(in millions)	Q3 2018	Q2 2018	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Commercial Industries								
Segment GAAP revenue	$ 727	$ 743	$ 782	$ 3,197	$ 813	$ 777	$ 784	$ 823
ASC 606 adjustment	—	—	—	(93)	(23)	(22)	(22)	(26)
Segment Revenue Adjusted for 606	$ 727	$ 743	$ 782	$ 3,104	$ 790	$ 755	$ 762	$ 797
Segment profit	$ 37	$ 32	$ 27	$ 121	$ 59	$ 29	$ 18	$ 15
Segment depreciation and amortization	31	34	34	141	33	34	38	36
ASC 606 adjustment	—	—	—	(5)	(2)	—	(2)	(1)
Segment EBITDA Adjusted for 606	$ 68	$ 66	$ 61	$ 257	$ 90	$ 63	$ 54	$ 50
Adjusted EBITDA Margin	9.4%	8.9%	7.8%	8.3%	11.4%	8.3%	7.1%	6.3%
Public Sector								
Segment GAAP revenue	$ 520	$ 519	$ 508	$ 2,186	$ 547	$ 543	$ 542	$ 554
ASC 606 adjustment	—	—	—	(68)	(17)	(16)	(17)	(18)
Segment Revenue Adjusted for 606	$ 520	$ 519	$ 508	$ 2,118	$ 530	$ 527	$ 525	$ 536
Segment profit	$ 65	$ 49	$ 52	$ 178	$ 48	$ 46	$ 39	$ 45
Segment depreciation and amortization	22	22	22	108	24	28	29	27
ASC 606 adjustment	—	—	—	(6)	(1)	(2)	(1)	(2)
Segment EBITDA Adjusted for 606	$ 87	$ 71	$ 74	$ 280	$ 71	$ 72	$ 67	$ 70
EBITDA Margin	16.7%	13.7%	14.6%	13.2%	13.4%	13.7%	12.8%	13.1%
Segment EBITDA Adjusted for 606	$ 87	$ 71	$ 74	$ 280	$ 71	$ 72	$ 67	$ 70
NY MMIS charge (credit)[2]	(1)	(1)	—	9	(1)	1	1	8
HE charge (credit)[2]	—	—	—	(8)	—	(3)	—	(5)
Adjusted Segment EBITDA	$ 86	$ 70	$ 74	$ 281	$ 70	$ 70	$ 68	$ 73
Adjusted EBITDA Margin	16.5%	13.5%	14.6%	13.3%	13.2%	13.3%	13.0%	13.6%

(1) Adjusted for the estimated impact from the adoption of the 606 accounting standard, had it been applicable in FY 2017 and revenue and (income) loss from divestitures. Certain reclassifications have been made to prior year information to conform to current year presentation.

(2) HE and NY MMIS business moved from Other segment into Public Sector segment effective Q1 2018.

CONDUENT

Non-GAAP Reconciliation: Segment Adjusted EBITDA[1] Continued

(Adjusts all periods for full divestiture impact)

	Adjusted for 606 and Divestitures[1]							
(in millions)	Q3 2018	Q2 2018	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Other Segment								
Segment GAAP revenue	$ 57	$ 125	$ 130	$ 639	$ 133	$ 160	$ 170	$ 176
ASC 606 adjustment	—	—	—	(5)	(1)	(1)	(1)	(2)
2017 divestitures	—	—	—	(59)	—	(14)	(22)	(23)
Segment Revenue Adjusted for 606 and 2017 Divestitures	57	125	130	575	132	145	147	151
2018 divestitures	(56)	(120)	(122)	(500)	(121)	(124)	(128)	(127)
Adjusted Segment Revenue	$ 1	$ 5	$ 8	$ 75	$ 11	$ 21	$ 19	$ 24
Segment profit (loss)	$ 3	$ 29	$ 26	$ 118	$ 24	$ 38	$ 30	$ 26
Segment depreciation and amortization	—	1	—	5	1	1	2	1
ASC 606 adjustment	—	—	—	—	—	—	—	—
2017 divestitures	—	—	—	(7)	—	(2)	(2)	(3)
2017 divestitures depreciation and amortization	—	—	—	1	—	—	1	—
Segment EBITDA Adjusted for 606 and 2017 Divestitures	3	30	26	117	25	37	31	24
2018 divestitures	(6)	(36)	(30)	(117)	(30)	(35)	(29)	(23)
2018 divestitures depreciation and amortization	—	1	—	3	1	1	1	—
Adjusted Segment EBITDA	$ (3)	$ (5)	$ (4)	$ 3	$ (4)	$ 3	$ 3	$ 1
Adjusted EBITDA Margin	*(300.0)%*	*(100.0)%*	*(50.0)%*	*4.0%*	*(36.4)%*	*14.3%*	*15.8%*	*4.2%*

(1) Adjusted for the estimated impact from the adoption of the 606 accounting standard, had it been applicable in FY 2017 and adjusts all periods for divestiture impact. Certain reclassifications have been made to prior year information to conform to current year presentation.

Non-GAAP Reconciliation: Adj. Free Cash Flow

CONDUENT

(in millions)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Operating Cash Flow	$ (30)	$ 104	$ 30	$ 64
Cost of additions to land, buildings and equipment	(43)	(20)	(119)	(57)
Proceeds from sales of land, buildings and equipment	—	—	12	33
Cost of additions to internal use software	(17)	(11)	(31)	(26)
Tax payment related to divestitures	30	—	40	—
Vendor financed capital leases	—	—	(14)	(16)
Transaction costs	15	—	19	—
Deferred compensation payments and adjustments	13	7	22	11
Adjusted Free Cash Flow	**$ (32)**	**$ 80**	**$ (41)**	**$ 9**

Non-GAAP Reconciliation: Adjusted Cash

(in millions)	As of September 30, 2018		As of December 31, 2017	
Cash and cash equivalents	$	586	$	658
Deferred compensation payments and adjustments		22		17
Deferred compensation payable		(99)		(116)
Adjusted cash and cash equivalents	**$**	**509**	**$**	**559**

CONDUENT