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): August 8, 2019

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

New York	001-37817	81-2983623
(State or other jurisdiction of incorporation or organization)	(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. ☐

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	**CNDT**	**New York Stock Exchange**

Item 2.02. Results of Operations and Financial Condition.

On August 8, 2019, Registrant released its second quarter 2019 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 August 8, 2019, Registrant conducted an earnings call regarding its 2019 second 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 second quarter 2019 earnings press release dated August 8, 2019
99.2	Registrant's investor presentation dated August 8, 2019
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.
101.SCH	XBRL Taxonomy Extension Schema Linkbase.

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. 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.

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: our ability to successfully manage the leadership transition and the potential for disruptions to our business from the transition; government appropriations and 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 continuing emphasis on and shift toward technology-led digital transactions; customer decision-making cycles and lead time for customer commitments; our ability to collect our receivables 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 modernize our information technology infrastructure and consolidate data centers; our ability to comply with data security standards; our ability to receive dividends or other payments from our subsidiaries; changes in tax and other laws and regulations; changes in government regulation and economic, strategic, political and social conditions; 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 2018 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: August 8, 2019

CONDUENT INCORPORATED

By: ***/s/ MARIO A. POMPEO***

Mario A. Pompeo
Vice President and Chief Accounting Officer

News from Conduent

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

www.conduent.com

Conduent Reports Second Quarter 2019 Results

Key Quarterly Financial and Operational Highlights

- Revenue of $1,112 million
- GAAP diluted EPS from continuing operations of $(4.94), down $(4.98) yr/yr; adjusted diluted EPS from continuing operations of $0.13, down (55.2)%
- Net Income from continuing operations of $(1,029) million; Adjusted net income of $30 million
- Adjusted EBITDA of $114 million, down (7.3)%, excluding the impact from divestitures
- Total signings TCV $813 million, new business TCV signings $328 million
- Second large data center migration and consolidation completed
- Management and the Board to conduct both a strategic and operational review of the company and each line of business; CEO search process suspended in conjunction with the review

FLORHAM PARK, NJ, August 8, 2019 - Conduent (NYSE: CNDT), a digital interactions company, today announced its second quarter 2019 financial results.

Cliff Skelton, interim CEO stated, "Conduent has attractive assets, a loyal and diverse client-base, and dedicated employees. I came to the organization because we have the opportunity to build on the progress that the company has made over the last two and a half years. As a company, we need to drive further change and accelerate our revenue and sales efforts by empowering employees and balancing our focus on cost with improving delivery for our clients and their end-users."

Second Quarter 2019 Results

Second quarter 2019 revenue was $1,112 million, down (19.8)% compared to Q2 2018. Excluding divestitures completed in 2018, revenue was down (3.2)% compared with Q2 2018 or (2.6)% in constant currency.

Pre-tax income was $(1,119) million compared to $54 million in Q2 2018 driven primarily by a $1,067 million goodwill impairment as a result of the loss of customer contracts, lower than expected new business, and higher costs of delivery in each of our reporting units. GAAP operating margin as reported was (100.6)% compared to 3.9% in Q2 2018. The company reported Q2 2019 GAAP net income of $(1,029) million compared to $11 million in Q2 2018. Diluted EPS from continuing operations was ($4.94) versus $0.04 in the same period last year, driven primarily by the goodwill impairment.

Second quarter adjusted operating income was $63 million, with an adjusted operating margin of 5.7% as compared to adjusted operating income of $109 million, with an adjusted operating margin of 7.9% in Q2 2018. Adjusted EBITDA was $114 million, with an adjusted EBITDA margin of 10.3%, as compared to $166 million, with an adjusted EBITDA margin of 12.0% in Q2 2018. Further adjusting for the impact of all divestitures, Adjusted EBITDA declined (7.3)% compared with Q2 2018 while adjusted EBITDA margin decreased (40) bps.

The company reported adjusted diluted EPS from continuing operations of $0.13 compared to $0.29 in Q2 2018.

Conduent had cash outflow from operations of $(185) million during the second quarter of 2019 compared to $98 million in Q2 2018.

Total contract value (TCV) signings of $813 million for the quarter were down (56.9)% compared with Q2 2018, due to a (5.2)% and (68.5)% year-over-year decrease in new business and renewal signings respectively. The year-over-year comparable for signings this quarter was impacted by a multi-year renewal of one of our largest clients in the prior-year quarter.

Financial and Strategic Outlook

Conduent provided the following update to guidance ranges for FY 2019:

(in millions)	FY 2018 Reported	Completed Divestiture Impact (3)	Adjusted FY 2018(4)	Updated FY 2019 Guidance
Revenue (constant currency)(1,2)	$5.39B	$752M	$4.64B	Down (5) - (4)%
Adj. EBITDA Margin(2)	11.9%		11.5%	10.8% - 11.6%
Adj. Free Cash Flow(2)	$218M			
% of Adj. EBITDA	34.1%			*20% - 25%*

Note: Please refer to the "Non-GAAP Outlook" in appendix for certain non-GAAP information regarding outlook

(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 completed divestitures. FY 2019 FCF adjusted for Texas-related litigation impact
(3) Includes all completed divestitures
(4) Adjusted for 2018 and 2019 completed divestitures referenced in appendix.

Brian Webb-Walsh, CFO of Conduent, stated, "Given continued pressure on the top-line and a more balanced approach on expense management initiatives, we've lowered our outlook for the year. We are focused on executing on our strategy to improving the trajectory of our business. As part of that effort, we are undertaking both a strategic and operational review of our company and each of our lines of business with our Board to look for opportunities to maximize shareholder value and we will provide additional information as that review progresses."

Conference Call

Management will present the results during a conference call and webcast on August 8, 2019 at 5 p.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 1-877-883-0383 (international dial-in 1-412-902-6506) at approximately 4:45 p.m. ET. The entry number for this call is 6541992.

A recording of the conference call will be available by calling 1-877-344-7529, or 1-412-317-0088 one hour after the conference call concludes on August 8, 2019. The replay ID is 10130906.

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

About Conduent

As one of the largest business process companies in the world, Conduent manages mission-critical digital interactions at massive scale - helping global businesses and governments stay ahead of rapidly evolving expectations. We leverage the power of cloud, mobile and IoT, combined with innovations in automation, AI and blockchain technologies, to elevate every constituent interaction, and deliver advanced digital experiences that are more efficient, seamless and satisfying. It’s why a majority of Fortune 100 companies and over 500 government entities depend on Conduent to manage essential interactions on their behalf and move their operations forward.

Conduent’s differentiated offerings touch millions of lives every day, including two-thirds of all insured patients in the U.S., 11 million employees who use our HR Services, and nearly nine million people who travel through toll systems daily. Whether it’s digital payments, medical claims administration, eligibility and enrollment, transportation and mobility systems, end-user engagement or benefit administration - Conduent makes every interaction more individualized, immediate and intelligent. 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.

Forward-Looking Statements

This release and any exhibits to this release 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. 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.

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: our ability to successfully manage the leadership transition and the potential for disruptions to our business from the transition; government appropriations and 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 continuing emphasis on and shift toward technology-led digital transactions; customer decision-making cycles and lead time for customer commitments; our ability to collect our receivables 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 modernize our information technology infrastructure and consolidate data centers; our ability to comply with data security standards; our ability to receive dividends or other payments from our subsidiaries; changes in tax and other laws and regulations; changes in government regulation and economic, strategic, political and social conditions; 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 2018 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 release 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.

# # #

Media Contacts:

Sean Collins, Conduent, +1-310-497-9205, sean.collins2@conduent.com

Investor Contacts:

Alan Katz, Conduent, +1-973-526-7173, alan.katz@conduent.com
Rebecca Koar, Conduent, +1-862-308-7105, rebecca.koar@conduent.com

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions, except per share data)	2019	2018	2019	2018
Revenue	$ 1,112	$ 1,387	$ 2,270	$ 2,807
Operating Costs and Expenses				
Cost of Services (excluding depreciation and amortization)	879	1,073	1,785	2,188
Selling, general and administrative (excluding depreciation and amortization)	121	145	248	288
Research and development (excluding depreciation and amortization)	2	3	5	5
Depreciation and amortization	112	116	227	232
Restructuring and related costs	26	17	42	37
Interest expense	20	37	40	70
Goodwill impairment	1,067	—	1,351	—
(Gain) loss on divestitures and transaction costs	2	(60)	16	(45)
Litigation costs (recoveries), net	1	4	13	35
Other (income) expenses, net	1	(2)	—	(3)
Total Operating Costs and Expenses	2,231	1,333	3,727	2,807
Income (Loss) Before Income Taxes	(1,119)	54	(1,457)	—
Income tax expense (benefit)	(90)	43	(120)	39
Net Income (Loss)	$ (1,029)	$ 11	$ (1,337)	$ (39)
Net Income (Loss) per Share:				
Basic	$ (4.94)	$ 0.05	$ (6.44)	$ (0.21)
Diluted	$ (4.94)	$ 0.04	$ (6.44)	$ (0.21)

EXHIBIT 99.1

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

(in millions)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Net Income (Loss)	$ (1,029)	$ 11	$ (1,337)	$ (39)
Other Comprehensive Income (Loss), Net				
Currency translation adjustments, net	(1)	(32)	6	(23)
Reclassification of currency translation adjustments on divestitures	—	—	15	5
Reclassification of divested benefit plans and other	—	—	(1)	—
Unrecognized gains (losses), net	—	(2)	1	(3)
Changes in benefit plans, net	—	3	—	3
Other Comprehensive Income (Loss), Net	(1)	(31)	21	(18)
Comprehensive Income (Loss), Net	$ (1,030)	$ (20)	$ (1,316)	$ (57)

CONDUENT INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions, except share data in thousands)	June 30, 2019	December 31, 2018
Assets		
Cash and cash equivalents	$ 276	$ 756
Accounts receivable, net	824	782
Assets held for sale	—	15
Contract assets	192	177
Other current assets	315	234
Total current assets	1,607	1,964
Land, buildings and equipment, net	333	328
Operating lease right-of-use assets	317	—
Intangible assets, net	566	651
Goodwill	2,105	3,408
Other long-term assets	375	329
Total Assets	$ 5,303	$ 6,680
Liabilities and Equity		
Current portion of long-term debt	$ 52	$ 55
Accounts payable	161	230
Accrued compensation and benefits costs	165	193
Unearned income	92	112
Liabilities held for sale	—	40
Other current liabilities	747	567
Total current liabilities	1,217	1,197
Long-term debt	1,488	1,512
Deferred taxes	186	327
Operating lease liabilities	264	—
Other long-term liabilities	105	280
Total Liabilities	3,260	3,316
Contingencies		
Series A convertible preferred stock	142	142
Common stock	2	2
Additional paid-in capital	3,886	3,878
Retained earnings (deficit)	(1,583)	(233)
Accumulated other comprehensive loss	(404)	(425)
Total Equity	1,901	3,222
Total Liabilities and Equity	$ 5,303	$ 6,680
Shares of common stock issued and outstanding	210,417	211,306
Shares of series A convertible preferred stock issued and outstanding	120	120

EXHIBIT 99.1

CONDUENT INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in millions)	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Cash Flows from Operating Activities:		
Net income (loss)	$ (1,337)	$ (39)
Adjustments required to reconcile net income (loss) to cash flows from operating activities:		
Depreciation and amortization	227	232
Contract inducement amortization	1	2
Deferred income taxes	(140)	(47)
Goodwill impairment	1,351	—
(Gain) loss from investments	(1)	(1)
Amortization of debt financing costs	3	8
(Gain) loss on divestitures and transaction costs	16	(45)
Stock-based compensation	14	19
Changes in operating assets and liabilities	(368)	(65)
Other operating, net	—	(4)
Net cash provided by (used in) operating activities	(234)	60
Cash Flows from Investing Activities:		
Cost of additions to land, buildings and equipment	(76)	(76)
Proceeds from sale of land, buildings and equipment	2	12
Cost of additions to internal use software	(37)	(14)
Payments for acquisitions, net of cash acquired	(90)	—
Proceeds from divestitures and sale of assets, net of cash	—	400
Payments from divestitures, including cash sold	(8)	—
Net cash provided by (used in) investing activities	(209)	322
Cash Flows from Financing Activities:		
Debt issuance fee payments	—	(3)
Payments on debt	(28)	(29)
Taxes paid for settlement of stock based compensation	(6)	(3)
Dividends paid on preferred stock	(5)	(5)
Net cash provided by (used in) financing activities	(39)	(40)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	2	(6)
Increase (decrease) in cash, cash equivalents and restricted cash	(480)	336
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	765	667
Cash, Cash Equivalents and Restricted Cash at End of period[(1)]	$ 285	$ 1,003

(1) Includes $9 million and $10 million of restricted cash as of June 30, 2019 and 2018, 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. The noted income tax effect for our non-GAAP performance measures is effectively the difference in income taxes for reported and adjusted pre-tax income calculated under the annual effective tax rate method. The tax effect of the non-GAAP adjustments was calculated based upon evaluation of the statutory tax treatment and the applicable statutory tax rate in the jurisdictions in which such charges were incurred.

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

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

- Amortization of acquired intangible assets. The amortization of acquired intangible assets is driven by acquisition activity, which can vary in size, nature and timing as compared to other companies within our industry and from period to period.
- Restructuring and related costs. Restructuring and related costs include restructuring and asset impairment charges as well as costs associated with our strategic transformation program.
- Goodwill impairment. This represents Goodwill impairment charge related to the unanticipated losses of certain customer contracts, lower potential future volumes and lower than expected new customer contracts for all reporting units.
- (Gain) loss on divestitures and transaction costs. Represents (gain) loss on divested businesses and transaction costs.
- Litigation costs (recoveries), net. Litigation costs (recoveries), net primarily represents accruals for the State of Texas litigation, Student Loan Service exposures and certain terminated contracts that are subject to litigation.
- Other charge (credit). This comprises other (income) expenses, net, and costs associated with the Company not fully completing the State of New York Health Enterprise Platform project and the Health Enterprise Medical platform projects in California and Montana and other adjustments.
- 2018 Divestitures. Revenue/(Income) loss from divestitures.

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

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

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:

- Amortization of acquired intangible assets.
- Restructuring and related costs.
- Interest expense. Interest expense includes interest on long-term debt and amortization of debt issuance costs.
- Goodwill impairment.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- Other charge (credit).
- 2018 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 and contract inducement amortization adjusted for the following items. Adjusted EBITDA margin is Adjusted EBITDA divided by adjusted revenue.

- Restructuring and related costs.
- Goodwill impairment.
  (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- Other charge (credit).
- 2018 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 required 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, transaction costs, costs related to the Texas litigation and other identified items.

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, 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 an outlook for revenue on a constant currency basis due to the inability to accurately predict foreign currency impact on revenues. Outlook for Free Cash Flow and Adjusted Free Cash Flow is provided as a factor of expected adjusted EBITDA, see above.

EXHIBIT 99.1

Non-GAAP Reconciliations: Adjusted Revenue, Adjusted Net Income (Loss), Adjusted Effective Tax, Adjusted Operating Income (Loss) and Adjusted EBITDA were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2019	2018	2019	2018
ADJUSTED REVENUE				
Revenue	$ 1,112	$ 1,387	$ 2,270	$ 2,807
Adjustment:				
2018 Divestitures[1]	—	(238)	(36)	(486)
Adjusted Revenue	$ 1,112	$ 1,149	$ 2,234	$ 2,321
ADJUSTED NET INCOME (LOSS)				
Income (Loss) From Continuing Operations	$ (1,029)	$ 11	$ (1,337)	$ (39)
Adjustments:				
Amortization of acquired intangible assets[2]	61	60	123	121
Restructuring and related costs	26	17	42	37
Goodwill impairment	1,067	—	1,351	—
(Gain) loss on divestitures and transaction costs	2	(60)	16	(45)
Litigation costs (recoveries), net	1	4	13	35
Other charges (credits)	5	(3)	4	(4)
Total Non-GAAP Adjustments[3]	1,162	18	1,549	144
Income tax adjustments[3]	(103)	35	(150)	6
Adjusted Income (Loss) Before Adjustment for Divestitures	$ 30	$ 64	$ 62	$ 111
ADJUSTED EFFECTIVE TAX				
Income (Loss) Before Income Taxes	$ (1,119)	$ 54	$ (1,457)	$ —
Adjustments:				
Total Non-GAAP Adjustments[3]	1,162	18	1,549	144
Adjusted PBT (Before Adjustment for Divestitures)	43	72	92	144
2018 Divestitures[1]	—	(41)	(1)	(80)
Adjusted PBT	$ 43	$ 31	$ 91	$ 64
Income tax expense (benefit)	$ (90)	$ 43	$ (120)	$ 39
Income tax adjustments[3]	103	(35)	150	(6)
Adjusted Income Tax Expense (Benefit)	13	8	30	33
Adjusted Net Income (Loss) Before Adjustment for Divestitures	$ 30	$ 64	$ 62	$ 111

CONTINUED	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2019	2018	2019	2018
ADJUSTED OPERATING INCOME (LOSS)				
Income (Loss) Before Income Taxes	$ (1,119)	$ 54	$ (1,457)	$ —
Adjustments:				
Total non-GAAP adjustments(3)	1,162	18	1,549	144
Interest expense	20	37	40	70
Adjusted Operating Income (Loss) Before Adjustment for Divestitures	63	109	132	214
2018 divestitures(1)	—	(41)	(1)	(80)
Adjusted Operating Income (Loss)	$ 63	$ 68	$ 131	$ 134
ADJUSTED EBITDA				
Income (Loss) From Continuing Operations	$ (1,029)	$ 11	$ (1,337)	$ (39)
Income tax expense (benefit)	(90)	43	(120)	39
Depreciation and amortization	112	116	227	232
Contract inducement amortization	—	1	1	2
Interest expense	20	37	40	70
EBITDA Before Adjustment for Divestiture	(987)	208	(1,189)	304
2018 divestitures(1)	—	(41)	(1)	(80)
2018 divestitures depreciation and amortization(1)	—	(2)	—	(4)
EBITDA	(987)	165	(1,190)	220
Adjustments:				
Restructuring and related costs	26	17	42	37
Goodwill impairment	1,067	—	1,351	—
(Gain) loss on divestitures and transaction costs	2	(60)	16	(45)
Litigation costs (recoveries), net	1	4	13	35
Other charges (credits)	5	(3)	4	(4)
Adjusted EBITDA Before Adjustment for Divestiture	$ 114	$ 166	$ 237	$ 327
Adjusted EBITDA	$ 114	$ 123	$ 236	$ 243

---

(1) Adjusted for the full impact from revenue and income/loss from divestitures.
(2) Included in Depreciation and amortization on the Condensed Consolidated Statements of Income (Loss).
(3) The tax impact of Adjusted Pre-tax income (loss) from continuing operations was calculated under the same accounting principles applied to the 'As Reported' pre-tax income (loss), which employs an annual effective tax rate method to the results and without regard to the business divestitures, the State of Texas litigation reserve, loss on extinguishment of debt, charges for amortization of intangible assets, restructuring, goodwill impairment and divestiture related costs.

Non-GAAP Reconciliations: Adjusted Weighted Average Shares Outstanding, Diluted EPS, Adjusted Effective Tax, Adjusted Operating Margin and Adjusted EBITDA Margins for the Non-GAAP reconciliations above were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Amounts are in whole dollars, shares are in thousands and margins are in %)	2019	2018	2019	2018
ADJUSTED DILUTED EPS[1]				
Weighted Average Common Shares Outstanding	208,496	205,296	208,207	205,184
Adjustments:				
Stock options	7	146	18	144
Restricted stock and performance units / shares	2,814	3,447	2,742	3,117
Adjusted Weighted Average Common Shares Outstanding	211,317	208,889	210,967	208,445
Diluted EPS from Continuing Operations	$ (4.94)	$ 0.04	$ (6.44)	$ (0.21)
Adjustments:				
Total non-GAAP adjustments[2]	5.56	0.08	7.42	0.69
Income tax adjustments[2]	(0.49)	0.17	(0.71)	0.03
Adjusted Diluted EPS Before Adjustment for Divestitures	$ 0.13	$ 0.29	$ 0.27	$ 0.51
ADJUSTED EFFECTIVE TAX RATE				
Effective tax rate	8.0 %	79.6 %	8.2 %	— %
Adjustments:				
Total non-GAAP adjustments[2]	22.2 %	(68.5)%	24.4 %	22.9 %
Adjusted Effective Tax Rate[2]	30.2 %	11.1 %	32.6 %	22.9 %
ADJUSTED OPERATING MARGIN				
Income (Loss) Before Income Taxes Margin	(100.6)%	3.9 %	(64.2)%	— %
Adjustments:				
Total non-GAAP adjustments	104.5 %	1.3 %	68.2 %	5.1 %
Interest expense	1.8 %	2.7 %	1.8 %	2.5 %
Margin for Adjusted Operating Income Before Adjustment for Divestitures	5.7 %	7.9 %	5.8 %	7.6 %
2018 divestitures[3]	— %	(2.0)%	0.1 %	(1.8)%
Margin for Adjusted Operating Income	5.7 %	5.9 %	5.9 %	5.8 %

CONTINUED (margins are in %)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
ADJUSTED EBITDA MARGIN				
EBITDA margin Before Adjustment for Divestitures	(88.8)%	15.0 %	(52.4)%	10.8 %
Adjustments:				
2018 divestitures(3)	— %	(0.6)%	(0.9)%	(1.3)%
EBITDA Margin	(88.8)%	14.4 %	(53.3)%	9.5 %
Total non-GAAP adjustments	99.1 %	(3.0)%	62.8 %	0.8 %
2018 divestitures(3)	— %	0.6 %	0.9 %	1.3 %
Adjusted EBITDA Margin Before Adjustment for Divestitures	10.3 %	12.0 %	10.4 %	11.6 %
2018 divestitures(3)	— %	(1.3)%	0.2 %	(1.1)%
Adjusted EBITDA Margin	10.3 %	10.7 %	10.6 %	10.5 %

(1) Average shares for the 2019 and 2018 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 June 30, 2019 and 2018, respectively

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

(3) Adjusted for the full impact from revenue and income/loss from divestitures.

Free Cash Flow Reconciliation:

(in millions)	Three Months Ended June 30,		Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Operating Cash Flow	$ (185)	$ 98	$ (234)	$ 60
Cost of additions to land, buildings and equipment	(23)	(43)	(76)	(76)
Proceeds from sales of land, buildings and equipment	1	12	2	12
Cost of additions to internal use software	(20)	(8)	(37)	(14)
Tax payment related to divestitures	7	10	9	10
Vendor financed capital leases	—	(14)	—	(14)
Free Cash Flow	**$ (220)**	**$ 55**	**$ (336)**	**$ (22)**
Free Cash Flow	**$ (220)**	**$ 55**	**$ (336)**	**$ (22)**
Transaction costs	9	3	12	4
Transaction costs tax benefit	(3)	—	(3)	—
Litigation payments	98	—	118	—
Deferred compensation payments and adjustments	—	2	—	9
Adjusted Free Cash Flow	**$ (116)**	**$ 60**	**$ (209)**	**$ (9)**

Cash / Adjusted Cash Reconciliation:

(in millions)	As of June 30, 2019	As of December 31, 2018
Cash and cash equivalents	$ 276	$ 756
Deferred compensation payments and adjustments	—	99
Deferred compensation payable	—	(99)
Adjusted cash and cash equivalents	**$ 276**	**$ 756**

August 8, 2019

Conduent
Q2 2019
Earnings Results

Cautionary Statements

CONDUENT

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 th 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 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 s 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 fo 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, bu not limited to: our ability to successfully manage the leadership transition and the potential for disruptions to our business from the transition; government appropriations and 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 investr 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 tir 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 se interruptions; our ability to estimate the scope of work or the costs of performance in our contracts; our continuing emphasis on and shift toward technology-led digital transactions; customer dec making cycles and lead time for customer commitments; our ability to collect our receivables for unbilled services; a decline in revenues from or a loss or failure of significant clients; fluctuations 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 interru in such services; our failure to develop new service offerings; our ability to modernize our information technology infrastructure and consolidate data centers; our ability to comply with data secur standards; our ability to receive dividends or other payments from our subsidiaries; changes in tax and other laws and regulations; changes in government regulation and economic, strategic, po 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 2018 Annual Report on Form 10-K, as well as in our Quarterly Repor 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 w 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 event 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 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 a 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 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 o 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 certa these non-GAAP measures. Non-GAAP measures are footnoted, where applicable, in each slide herein.

Introduction to Cliff Skelton

CONDUENT

Background and Experience

- Joined June 2019 as President and COO
- Named interim CEO and Board member August 6th 2019
- Seasoned technology and operations executive in both Government and Corporate America
- CIO, COO, and P&L experience for technology, business services and financial services Fortune 500 companies
- Former Naval Officer and Fighter Pilot

Observed Opportunities

- Loyal, expansive, and diverse client-base
- Strong platforms and assets
- Room for improvement in managing people, processes, and technology

Opportunity for Improvement

CONDUENT

Revise Pillars of Approach

Cost

Risk

Quality

- Company focused on and investing in right areas.
- Need to balance expense reduction with quality and customer experience, with risk as a necessary backdrop.

Mechanisms

People

Processes

Technology

- Focus on high quality talent, revamped processes, and enhanced technology.
- Team work and transparency are critical.
- Sales and sales leadership also important.

Stronger Foundation

✓ Improved performanc

✓ Improved stability

✓ Reduced outages

✓ Reduced downtime

✓ Enhanced security

- Improving foundation will enable lower cost of delivery enhanced client relationship and an increased focus on sales enablement.
- Will improve client confidenc and allow for increased penetration.

Q2 2019 Earnings

CONDUENT

(in millions)	As Reported Q2 2019	As Reported Q2 2018	Adjusted (1) Q2 2019	Adjusted (1) Q2 2018	B/(W) Yr/Yr	Comments Adj Q2 2019 vs Adj Q2 2018
Revenue	$1,112	$1,387	$1,112	$1,149	($37)	New business more than offset by lost business and pricing impact
Adjusted operating income(1)	**$63**	**$109**	**$63**	**$68**	**($5)**	
Adjusted operating margin(1)	***5.7%***	***7.9%***	***5.7%***	***5.9%***	***(20 bps)***	
Adjusted EBITDA[1]	**$114**	**$166**	**$114**	**$123**	**$(9)**	Lower revenue partially offset by cost and efficiency actions
Adjusted EBITDA margin[1]	***10.3%***	***12.0%***	***10.3%***	***10.7%***	***(40 bps)***	
Depreciation and amortization	$112	$116	$112	$116	$4	
Restructuring and related costs	$26	$17	$26	$17	$(9)	Increased restructuring spend
Interest expense	$20	$37	$20	$37	$17	Interest savings from tender offer and repricing
Goodwill impairment	$1,067	$—	$1,067	$—	$(1,067)	Goodwill impairment to all reporting units
Other net expense / (income)(2)	$4	$(58)	$4	$(58)	$(62)	
Pretax income (loss)	**$(1,119)**	**$54**	**$(1,119)**	**$13**	**$(1,132)**	
Adjusted PBT(1)	**$43**	**$72**	**$43**	**$31**	**$12**	
Adjusted tax rate(1)	**30.2%**	**11.1%**				
Adjusted Net Income (Loss) Before Adjustment for Divestitures(1)	$30	$64				
Adjusted Diluted EPS[1]	**$0.13**	**$0.29**				

(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 divestitures.

(2) Includes (Gain) loss on divestitures and transactions costs, Litigation costs (recoveries), net and Other (income) expenses, net.

Q2 2019 Segment Summary

CONDUENT

(in millions)

	Revenue[1]						Adj EBITDA[1]				B/(W)
		Q2 19		Q2 18	Yr/Yr		Q2 19		Q2 18		Yr/Yr
Commercial	$	592	$	626	(5.4)%	$	129	$	145		(11.0)%
Government	$	326	$	341	(4.4)%	$	109	$	108		0.9 %
Transportation	$	194	$	180	7.8 %	$	43	$	35		22.9 %
Other	$	—	$	2	— %	$	—	$	(3)		— %
Shared IT / Infrastructure & Corporate Costs	$	—	$	—	— %	$	(167)	$	(162)		(3.1)%
Total	$	1,112	*$*	*1,149*	(3.2)%	$	114	*$*	*123*		(7.3)%

Q2 19 Segment Commentary

Commercial

- Revenue decline driven by lost business, price pressure, and strategic exits
- Adj. EBITDA margin 21.8%, down (140) bps yr/yr, primarily driven down by revenue partially offset by reduced Real Estate and labor spend

Government

- Revenue decline driven by pricing and scope changes associated with a large renewal, lost business, and volume pressure
- Adj. EBITDA margin 33.4%, up 170 bps yr/yr, primarily driven down by revenue and fully offset by reduced IT spend

Transportation

- Revenue increase driven by new business and volume
- Adj. EBITDA margin 22.2%, up 280 bps yr/yr, impacted positively by revenue and reduced IT spend

Shared IT / Infrastructure & Corporate Costs

- Increased Q2 2018 to Q2 2019 by (3.1)%
- Continued progress on costs transformation initiatives not enough to offset increased unallocated IT costs

1) Refer to Appendix for Non-GAAP reconciliations

Signings & Renewal Rate[1]

Excluding Divestiture Impact

($ in millions)	Q1' 18	Q2' 18	Q3' 18	Q4' 18	Q1' 19	Q2' 19
Total Contract Value	$1,293	$1,887	$738	$1,527	$952	$813
New Business	$367	$346	$264	$621	$225	$328
Renewals	$926	$1,541	$474	$906	$727	$485
Annual Recurring Revenue Signings	$81	$79	$65	$140	$52	$84
Non-Recurring Revenue Signings	$53	$61	$63	$57	$32	$49
Renewal Rate[2]	94%	99%	90%	92%	92%	60%
Pipeline at Quarter Close	$12B	$13B	$12B	$12B	$12B	$10B

(1) See definitions in Appendix.

(2) Note a significant portion of the renewal rate decline in Q2'19 is due to the loss of the California MMIS contract. Also note that the dollar amount of renewals for which we competed was particularly low this quarter. If we used the average of renewal dollars competed for from the past 2 quarters, and excluded the CAMMIS loss, the adjusted renewal rate would be approximately 90%.

Cash Flow

CONDUENT

(in millions)

	Q2 2019	Q2 2018
Net income (loss)	**($1,029)**	**$11**
Depreciation and amortization	112	116
Stock-based compensation	7	12
Deferred income taxes	(95)	(39)
Goodwill impairment	1,067	—
Changes in operating assets and liabilities	(251)	54
Other(1)	4	(56)
Operating Cash Flow	**($185)**	**$98**
Purchase of LB&E(2) and other	(43)	(51)
Proceeds from sales of LB&E	1	12
Payments for acquisitions, net proceeds/payments for divestitures	1	400
Investing Cash Flow	**($41)**	**$361**
Cash from Financing	**($17)**	**($13)**
Effect of exchange rates on cash and cash equivalents	—	(6)
Change in cash, restricted cash and cash equivalents	(243)	440
Beginning cash, restricted cash and cash equivalents	528	563
Ending Cash, Restricted Cash and Cash Equivalents	**$285**	**$1,003**
Memo: Adjusted Free Cash Flow(3)	**($116)**	**$60**

Q2 2019 Key Messages:

- Cash outflow primarily driven by Texas settlement payment and other working capital movements
- Capex of 3.9% revenue driven by IT investments
- Adjusted free cash flow(3) down $(176)M yr/yr driven primarily by working capital
- Texas settlement payments of $98M made in Q2

(1) Includes (gain) loss from investments, amortization of debt financing costs, (gain) loss on divestitures and transaction costs, contract inducement amortization and Other operating, net

(2) Includes cost of additions to land, building and equipment (LB&E) and internal use software

(3) Please refer to Appendix for Non-GAAP reconciliation

Capital Structure Overview

CONDUENT

Debt Structure

($ in millions)	12/31/2018	6/30/2019
Total Cash[(1)]	**$765**	**$285**
Total Debt[(2)]	**1,567**	**1,540**
Term Loan A[(3), (5)] due 2022	705	686
Term Loan B[(3)] due 2023	833	829
10.5% Senior Notes due 2024	34	34
Capital Leases	26	19
Current net leverage ratio[(4)]	1.2x	2.3x

Credit Metrics

FY 2019E interest expense	**~$90M**
Preferred dividend (annual)	*~$10M*
Target net leverage ratio	~2.0x
Average remaining maturity on outstanding debt	~3.5 years

Key Messages

- Current leverage ratio: 2.3x
- Revolver remains undrawn[(6)]
- Texas settlement payments of $20M in Q1, $98M in Q2, and $118M to be paid in January 2020

(1) Total Cash includes $9M of 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 (not adjusted for divestitures). Adjusted ratio uses total Debt which excludes deferred financing costs.
(5) Includes initial EUR 260M borrowing (now 282M EUR) converted at end of quarter exchange rates; reflects appreciation of the EUR and amortization.
(6) $669M of available capacity under Revolving Credit Facility as of 6/30/2019

FY 2019 Guidance

(in millions)	FY 2018 Reported	Completed Divestiture Impact [3]	Adjusted FY 2018[4]	Updated FY 2019 Guidance
Revenue (constant currency)[1, 2]	$5.39B	$752M	$4.64B	Down (5) - (4)%
Adj. EBITDA Margin[2]	11.9%		11.5%	10.8% - 11.6%
Adj. Free Cash Flow[2]	$218M			*20% - 25%*
% of Adj. EBITDA	34.1%			

Note: Please refer to the "Non-GAAP Outlook" in appendix for certain non-GAAP information regarding outlook

(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 completed divestitures. FY 2019 FCF adjusted for Texas-related litigation impact
(3) Includes all completed divestitures
(4) Adjusted for 2018 and 2019 completed divestitures referenced in Appendix.

Q&A

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.

TSA = Transition Services Agreement associated with divested businesses.

2019 Modeling Considerations

CONDUENT

	Outlook Commentary
FY 2019E Revenue [1] Outlook (vs. FY 2018 "Baseline")	Down (5) - (4)% in constant currency including HSP impact
FY 2019E Adjusted EBITDA [1] Seasonality	Expect typical seasonality, excluding stranded cost impacts
Restructuring costs	Expected to be ~$60M for the full year
Interest Expense	Expected to be ~$90M for the full year (assumes one rate reduction offset by additional interes expense associated with the new Letters of Credit in support of Texas Litigation).
FY 2019E Adj Free Cash Flow [1]	Expected to be 20% - 25% of Adj. EBITDA. Given the timing of Capex and typical seasonality business, expected to be weighted towards Q4 2019. Texas-related impacts excluded from Ad calculation
Capex	Expected to be ~5.0% of Revenue in FY 2019
Taxes	Expected full year adjusted tax rate of 29 - 32%
Cash Taxes	Expect ~$60M in FY 2019, including tax benefit from Texas-related payments
Stranded Overhead Costs	Expect ~$20M of stranded overhead costs to be removed by end of Q4 2019.

1) Refer to Appendix for Non-GAAP reconciliations

Non-GAAP Financial Measures

Non-GAAP Financial Measures

We have reported our financial results in accordance with U.S. generally accepted accounting principles (GAAP). In addition, we have discussed our financial results using the non-GAAP measures. We believe these n 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 acc 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' re 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 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 Financia 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 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 a 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 applie 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 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 ap 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 Revenue, Adjusted Net Income (Loss), Adjusted Earnings per Share and Adjusted Effective T

- 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 indu from period to period.
- Restructuring and related costs. Restructuring and related costs include restructuring and asset impairment charges as well as costs associated with our strategic transformation program.
- Goodwill impairment. This represents Goodwill impairment charge related to the unanticipated losses of certain customer contracts, lower potential future volumes and lower than expected new customer contracts reporting units.
- (Gain) loss on divestitures and transaction costs. Represents (gain) loss on divested businesses and transaction costs.
- Litigation costs (recoveries), net. Litigation costs (recoveries), net represents reserves for the State of Texas litigation, Student Loan Service exposures and 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 charge (credit). This comprises other (income) expenses, net, costs associated with the Company not fully completing the State of New York Health Enterprise Platform project and the Health Enterprise Me platform projects in California and Montana and other adjustments.
- (Revenue) / (Income) loss from divestitures

The Company provides adjusted net income and adjusted EPS financial measures to assist our investors in evaluating our ongoing operating performance for the current reporting period and, where provided, over diffe 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 ope 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 impa 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

CONDUENT

Adjusted Revenue, Adjusted Operating Income and Adjusted Operating Margin.

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

- Amortization of acquired intangible assets.
- Restructuring and related costs.
- Interest expense. Interest expense includes interest on long-term debt and amortization of debt issuance costs.
- Goodwill impairment.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- (Gain) loss on extinguishment of debt.
- Other charge (credit).
- (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.

Non-GAAP Financial Measures

CONDUENT

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

- Restructuring and related costs.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- Goodwill impairment.
- (Gain) loss on extinguishment of debt.
- Other charge (credit).
- (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 Government Services Segment Revenue and Profit

We adjusted Government Services 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.

Non-GAAP Financial Measures

CONDUENT

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 and invest in land, buildings and equipment and internal use software and make required 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, transaction costs, costs related to Texas litigation, and certain other identified adjustments.

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, 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. Outlook for Free Cash Flow and Adjusted Free Cash Flow is provided as a factor of expected adjusted EBITDA, see above.

Non-GAAP Reconciliations: Adjusted Revenue, Adjusted Net Income (Loss), Adjusted Effective Tax, Adjusted Operating Income (Loss) and Adjusted EBITDA

(in millions)	Q2 2019	Q1 2019	FY 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018
ADJUSTED REVENUE							
Revenue	$ 1,112	$ 1,158	$ 5,393	$ 1,282	$ 1,304	$ 1,387	$ 1,420
Adjustment:							
2018 Divestitures[1]	—	(36)	(752)	(104)	(162)	(238)	(248)
Adjusted Revenue	$ 1,112	$ 1,122	$ 4,641	$ 1,178	$ 1,142	$ 1,149	$ 1,172
ADJUSTED NET INCOME (LOSS)							
Income (Loss) From Continuing Operations	$ (1,029)	$ (308)	$ (416)	$ (140)	$ (237)	$ 11	$ (50)
Adjustments:							
Amortization of acquired intangible assets[2]	61	62	242	61	60	60	61
Restructuring and related costs	26	16	81	13	31	17	20
Goodwill impairment	1,067	284	—	—	—	—	—
(Gain) loss on divestitures and transaction costs	2	14	42	33	54	(60)	15
Litigation costs (recoveries), net	1	12	227	114	78	4	31
(Gain) loss on extinguishment of debt	—	—	108	—	108	—	—
Other charges (credits)	5	(1)	2	3	3	(3)	(1)
Total Non-GAAP Adjustments[3]	1,162	387	702	224	334	18	126
Income tax adjustments[3]	(103)	(47)	(56)	(26)	(36)	35	(29)
Adjusted Income (Loss) Before Adjustment for Divestitures	$ 30	$ 32	$ 230	$ 58	$ 61	$ 64	$ 47

CONTINUED

(in millions)	Q2 2019	Q1 2019	FY 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018
ADJUSTED EFFECTIVE TAX							
Income (Loss) Before Income Taxes	$ (1,119)	$ (338)	$ (395)	$ (143)	$ (252)	$ 54	$ (54)
Adjustment:							
Total Non-GAAP Adjustments[3]	1,162	387	702	224	334	18	126
Adjusted PBT (Before Adjustment for Divestitures)	43	49	307	81	82	72	72
2018 divestitures[1]	—	(1)	(98)	(3)	(15)	(41)	(39)
Adjusted PBT	$ 43	$ 48	$ 209	$ 78	$ 67	$ 31	$ 33
Income tax expense (benefit)	$ (90)	$ (30)	$ 21	$ (3)	$ (15)	$ 43	$ (4)
Income tax adjustments[3]	103	47	56	26	36	(35)	29
Adjusted Income Tax Expense (Benefit)	13	17	77	23	21	8	25
Adjusted Net Income (Loss) Before Adjustment for Divestitures	$ 30	$ 32	$ 230	$ 58	$ 61	$ 64	$ 47
ADJUSTED OPERATING INCOME (LOSS)							
Income (Loss) Before Income Taxes	$ (1,119)	$ (338)	$ (395)	$ (143)	$ (252)	$ 54	$ (54)
Adjustment:							
Total non-GAAP adjustments[3]	1,162	387	702	224	334	18	126
Interest expense	20	20	112	20	22	37	33
Adjusted Operating Income (Loss) Before Adjustment for Divestitures	63	69	419	101	104	109	105
2018 divestitures[1]	—	(1)	(98)	(3)	(15)	(41)	(39)
Adjusted Operating Income (Loss)	$ 63	$ 68	$ 321	$ 98	$ 89	$ 68	$ 66

CONTINUED

(in millions)	Q2 2019	Q1 2019	FY 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018
ADJUSTED EBITDA							
Income (Loss) From Continuing Operations	$ (1,029)	$ (308)	$ (416)	$ (140)	$ (237)	$ 11	$ (50)
Income tax expense (benefit)	(90)	(30)	21	(3)	(15)	43	(4)
Depreciation and amortization	112	115	460	115	113	116	116
Contract inducement amortization	—	1	3	1	—	1	1
Interest expense	20	20	112	20	22	37	33
EBITDA Before Adjustment for Divestiture	(987)	(202)	180	(7)	(117)	208	96
2018 divestitures[1]	—	(1)	(98)	(3)	(15)	(41)	(39)
2018 divestitures depreciation and amortization[1]	—	—	(7)	(3)	—	(2)	(2)
EBITDA	(987)	(203)	75	(13)	(132)	165	55
Adjustments:							
Restructuring and related costs	26	16	81	13	31	17	20
Goodwill impairment	1,067	284	—	—	—	—	—
(Gain) loss on divestitures and transaction costs	2	14	42	33	54	(60)	15
Litigation costs (recoveries), net	1	12	227	114	78	4	31
(Gain) loss on extinguishment of debt	—	—	108	—	108	—	—
Other charges (credits)	5	(1)	2	3	3	(3)	(1)
Adjusted EBITDA Before Adjustment for Divestiture	$ 114	$ 123	$ 640	$ 156	$ 157	$ 166	$ 161
Adjusted EBITDA	$ 114	$ 122	$ 535	$ 150	$ 142	$ 123	$ 120

1. *Adjusted for the full impact from revenue and income/loss from divestitures for all periods presented.*
2. *Included in Depreciation and amortization on the Condensed Consolidated Statements of Income (Loss).*
3. *The tax impact of Adjusted Pre-tax income (loss) from continuing operations was calculated under the same accounting principles applied to the 'As Reported' pre-tax income (loss), which employs an annual effective tax rate method to the results and without regard to the business divestitures, the State of Texas litigation accrual, loss on extinguishment of debt, charges for amortization of intangible assets, restructuring, goodwill impairment and divestiture related costs.*

CONDUENT

Non-GAAP Reconciliations: Adjusted Weighted Average Shares Outstanding, Diluted EPS, Adjusted Effective Tax, Adjusted Operating Margin and Adjusted EBITDA Margins for the Non-GAAP reconciliations

(Amounts are in whole dollars, shares are in thousands and margins are in %)	Q2 2019	Q1 2019	FY 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018
ADJUSTED DILUTED EPS[1]							
Weighted Average Common Shares Outstanding	208,496	207,944	206,056	207,103	206,605	205,296	205,093
Adjustments:							
Stock options	7	27	97	45	122	146	143
Restricted stock and performance units / shares	2,814	2,783	3,481	3,480	3,017	3,447	2,773
Adjusted Weighted Average Common Shares Outstanding	211,317	210,754	209,634	210,628	209,744	208,889	208,009
Diluted EPS from Continuing Operations	$ (4.94)	$ (1.49)	$ (2.06)	$ (0.69)	$ (1.16)	$ 0.04	$ (0.26)
Adjustments:							
Total non-GAAP adjustments[2]	5.56	1.85	3.38	1.07	1.61	0.08	0.62
Income tax adjustments[2]	(0.49)	(0.22)	(0.27)	(0.12)	(0.17)	0.17	(0.14)
Adjusted Diluted EPS Before Adjustment for Divestitures	$ 0.13	$ 0.14	$ 1.05	$ 0.26	$ 0.28	$ 0.29	$ 0.22
ADJUSTED EFFECTIVE TAX RATE							
Effective tax rate	8.0%	8.9%	(5.3)%	2.1%	6.0%	79.6 %	7.4%
Adjustments:							
Total non-GAAP adjustments[2]	22.2%	25.8%	30.4 %	26.3%	19.6%	(68.5)%	27.3%
Adjusted Effective Tax Rate[2]	30.2%	34.7%	25.1 %	28.4%	25.6%	11.1 %	34.7%

CONTINUED

(Margins are in %)	Q2 2019	Q1 2019	FY 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018
ADJUSTED OPERATING MARGIN							
Income (Loss) Before Income Taxes Margin	(100.6)%	(29.2)%	(7.3)%	(11.2)%	(19.3)%	3.9 %	(3.8)%
Adjustments:							
Total non-GAAP adjustments(2)	104.5 %	33.5 %	13.0 %	17.5 %	25.6 %	1.3 %	8.9 %
Interest expense	1.8 %	1.7 %	2.1 %	1.6 %	1.7 %	2.7 %	2.3 %
Margin for Adjusted Operating Income Before Adjustment for Divestitures	5.7 %	6.0 %	7.8 %	7.9 %	8.0 %	7.9 %	7.4 %
2018 divestitures(3)	— %	0.1 %	(0.9)%	0.4 %	(0.2)%	(2.0)%	(1.8)%
Margin for Adjusted Operating Income	5.7 %	6.1 %	6.9 %	8.3 %	7.8 %	5.9 %	5.6 %
ADJUSTED EBITDA MARGIN							
EBITDA margin Before Adjustment for Divestitures	(88.8)%	(17.4)%	3.3 %	(0.5)%	(9.0)%	15.0 %	6.8 %
2018 divestitures(3)	— %	(0.7)%	(1.7)%	(0.6)%	(2.6)%	(0.6)%	(2.1)%
EBITDA Margin	(88.8)%	(18.1)%	1.6 %	(1.1)%	(11.6)%	14.4 %	4.7 %
Total non-GAAP adjustments	99.1 %	28.0 %	8.6 %	12.7 %	21.0 %	(3.0)%	4.5 %
2018 divestitures(3)	— %	0.7 %	1.7 %	0.6 %	2.6 %	0.6 %	2.1 %
Adjusted EBITDA Margin Before Adjustment for Divestitures	10.3 %	10.6 %	11.9 %	12.2 %	12.0 %	12.0 %	11.3 %
2018 divestitures(3)	— %	0.3 %	(0.4)%	0.5 %	0.4 %	(1.3)%	(1.1)%
Adjusted EBITDA Margin	10.3 %	10.9 %	11.5 %	12.7 %	12.4 %	10.7 %	10.2 %

1. *Average shares for the 2019 and 2018 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 per each quarter.*
2. *The tax impact of Adjusted Pre-tax income (loss) from continuing operations was calculated under the same accounting principles applied to the 'As Reported' pre-tax income (loss), which employs an annual effective tax rate method to the results and without regard to the business divestitures, the State of Texas litigation accrual, loss on extinguishment of debt, charges for amortization of intangible assets, restructuring, goodwill impairment and divestiture related costs.*
3. *Adjusted for the full impact from revenue and income/loss from divestitures for all periods presented.*

Non-GAAP Reconciliation: Adj. Free Cash Flow

(in millions)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Operating Cash Flow	$ (185)	$ 98	$ (234)	$ 60
Cost of additions to land, buildings and equipment	(23)	(43)	(76)	(76)
Proceeds from sales of land, buildings and equipment	1	12	2	12
Cost of additions to internal use software	(20)	(8)	(37)	(14)
Tax payment related to divestitures	7	10	9	10
Vendor financed capital leases	—	(14)	—	(14)
Transaction costs	9	3	12	4
Transaction costs tax benefit	(3)	—	(3)	—
Litigation payments	98	—	118	—
Deferred compensation payments and adjustments	—	2	—	9
Adjusted Free Cash Flow	**$ (116)**	**$ 60**	**$ (209)**	**$ (9)**

Non-GAAP Reconciliation: Adjusted Cash

(in millions)	As of June 30, 2019	As of December 31, 2018
Cash and cash equivalents	$ 276	$ 756
Deferred compensation payments and adjustments	—	99
Deferred compensation payable	—	(99)
Adjusted cash and cash equivalents	**$ 276**	**$ 756**
Restricted cash at end of period included in Other current assets	9	9
Total Cash[(1)]	**$ 285**	**$ 765**

(1) Total Cash includes restricted cash