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 06, 2020

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**	**NASDAQ Global Select Market**

Item 2.02. Results of Operations and Financial Condition.

On August 06, 2020, Registrant released its second quarter 2020 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 06, 2020, Registrant conducted an earnings call regarding its 2020 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 2020 earnings press release dated August 6, 2020
99.2	Registrant’s investor presentation dated August 6, 2020
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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,” “plan,” “intend,” “will,” "aim," “should,” “could”, “may,” “continue to,” “if,” “growing,” “projected,” “potential,” “likely,” and similar expressions, as they relate to us, are intended to identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. All statements other than statements of historical fact included in this press release are forward-looking statements, including, but not limited to, statements regarding our financial results, condition and outlook; changes in our operating results; general market and economic conditions; the strength of our pipeline being greater than it has in a long time; our focus on near-term projects and expectations that such projects will result in improved client performance optimization, client retention programs, enhanced Service Level Agreement monitoring, and contract standardization; our expectations that we will overachieve on our $100M cost transformation program for 2020 (which we also refer to as a cost reduction initiative); and our projected financial performance for Q3 2020 and the strength of our position for the remainder of the year. In addition, all statements regarding the anticipated effects of the novel coronavirus ("COVID-19") pandemic and the responses thereto, including the pandemic's impact on general economic and market conditions, as well as on our business, customers, and markets, results of operations and financial condition and anticipated actions to be taken by management to sustain our business during the economic uncertainty caused by the pandemic and related governmental and business actions, as well as other statements that are not strictly historical in nature, are forward looking. These statements reflect management's current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Our actual results may vary materially from those expressed or implied in our forward-looking statements. These forward-looking statements are also subject to the significant continuing impact of the COVID-19 pandemic on our business, operations, financial results and financial condition, which is dependent on developments which are highly uncertain and cannot be predicted.

Important factors and uncertainties that could cause our actual results to differ materially from those in our forward-looking statements include, but are not limited to: the impact of the ongoing COVID-19 pandemic; government appropriations and termination rights contained in our government contracts; risk and impact of potential goodwill and other asset impairments; our ability to renew commercial and government contracts, including contracts awarded through competitive bidding processes; our ability to recover capital and other investments in connection with our contracts; our ability to attract and retain necessary technical personnel and qualified subcontractors; our ability to deliver on our contractual obligations properly and on time; competitive pressures; our significant indebtedness; changes in interest in outsourced business process services; our ability to obtain adequate pricing for our services and to improve our cost structure; risk and impact of geographical events, natural disasters and other factors (such as pandemics, including COVID-19) in a particular country or region on our workforce, customers, vendors, partners and the global economy; claims of infringement of third-party intellectual property rights; the failure to comply with laws relating to individually identifiable information and personal health information and laws relating to processing certain financial transactions, including payment card transactions and debit or credit card transactions; breaches of our information systems or security systems or any service interruptions; our ability to estimate the scope of work or the costs of performance in our contracts; our continuing emphasis on and shift toward technology-led digital transactions; customer decision-making cycles and lead time for customer commitments; our ability to collect our receivables, including those for unbilled services; a decline in revenues from, or a loss of, or a reduction in business from, or failure of significant clients; fluctuations in our non-recurring revenue; our failure to maintain a satisfactory credit rating; our ability to attract and retain key employees; increases in the cost of telephone and data services or significant interruptions in such services; our failure to develop new service offerings; our ability to modernize our information technology infrastructure and consolidate data centers; our ability to comply with data security standards; our ability to receive dividends or other payments from our subsidiaries; changes in tax and other laws and regulations; changes in government regulation and economic, strategic, political and social conditions; the outcome of litigation to which we are a party from time to time; changes in the volatility of our stock price and the risk of litigation following a decline in the price of our stock; and other factors that are set forth in the “Risk Factors” section, the “Legal Proceedings” section, the “Management's Discussion and Analysis of Financial Condition and Results of Operations” section and other sections in our Annual Reports on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with or furnished to the Securities and Exchange Commission. Any forward-looking statements made by us in this 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.

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 06, 2020

CONDUENT INCORPORATED

By: ***/s/ BRIAN J. WEBB-WALSH***

Brian J. Webb-Walsh
Executive Vice President and Chief Financial Officer

News from Conduent

Conduent Incorporated
100 Campus Drive, Suite 200
Florham Park, NJ 07932
www.conduent.com

Conduent Reports Stronger than Expected Second Quarter 2020 Results with Significantly Increased New Business Signings

Key Highlights

- Revenue and Adjusted EBITDA both well-above expectations
- Strong New Business signings results
  - Total Contract Value of signings: $623M (strongest quarter since spin[1]), up 90% year-over-year and 92% quarter-over-quarter
  - Annual Recurring Revenue of signings: $105M, up 25% year-over-year and 84% quarter-over-quarter
- On track to overachieve FY 2020 $100+ million cost reduction program
- Continued year-over-year improvement in operational and technical performance, strengthening client retention

FLORHAM PARK, NJ, August 6, 2020 - Conduent (NASDAQ: CNDT), a business process services and solutions company, today announced its second quarter 2020 financial results.

Cliff Skelton, Conduent CEO, stated “We continued to make progress in the second quarter as a result of the hard work from our associates and support from our clients. Our Government segment performed particularly well this quarter, driven by larger volumes in the Government payments space and our Transportation business proved to be more resilient than anticipated. New business signings showed significant growth on top of last quarter's strong results and our pipeline is now stronger than it has been in a long time. The business, excluding the headwinds and tailwinds of COVID-19, also performed well and operations improved compared to the prior year period. This progress is the result of deliberate actions to drive improved quality, efficiency and growth, even in light of COVID-19. We remain focused on positioning the company for long-term growth, while taking the time to build a sustainable base of business."

Q2 2020 Performance Commentary

Revenue for the quarter beat expectations due to better than expected results in the Government and Transportation segments. Revenue compared with Q2 2019 was lower driven by prior year lost business and COVID-19 related impacts. Higher than expected activity in our Government business was primarily driven by increased volumes in our Supplemental Nutrition Assistance Program and Pandemic Supplemental Nutrition Assistance Program (SNAP and P-SNAP) and Unemployment Insurance pre-paid cards offerings. Although still below historical pre-COVID-19 levels, the tolling business recovered more quickly and the remainder of the Transportation segment was impacted slightly less than expected. The Commercial business was negatively impacted by COVID-19 in the Transaction Processing, Healthcare, and Human Resource Services offerings.

Additional highlights from Q2 2020 include strong sales performance with $623M in new business signings, a 90% increase over Q2 2019 and a 92% increase over Q1 2020. This represents the strongest signings quarter for the company since its spin-off as a standalone public company(1). Signings included a diverse mix of deals spanning our offerings across the Commercial, Government, and Transportation segments.

The company is also on target to overachieve on the FY 2020 $100M cost reduction program, which includes both temporary actions, such as furloughs, reduced vendor and travel spend, reduced temporary facility operating spend and other permanent actions, such as optimizing spans and layers, reducing real estate spend and leveraging shared services capabilities. The company continues to focus on "Growth," "Quality," and "Efficiency" projects as part of its strategic transformation program, resulting in improved client performance optimization, client retention programs, and enhanced service level agreement (SLA) monitoring.

Key Financial Second Quarter 2020 Results

- Revenue of $1,016 million, down (8.6)% year-over-year, or (8.3)% in constant currency.
- Q2 2020 GAAP net loss of $(51) million compared to $(1,029) million in Q2 2019.
- Adjusted EBITDA of $110 million, down (3.5)% year-over-year. Adjusted EBITDA margin was 10.8%, up 50 bps year-over-year.
- Pre-tax income was ($64) million compared to ($1,119) million in Q2 2019.
- Diluted EPS from continuing operations was ($0.25) versus ($4.94) in the same period last year.
- Adjusted diluted EPS from continuing operations was $0.12 compared to $0.13 in Q2 2019.
- Cash inflow from operations was $74 million during Q2 2020 compared to cash outflows of $(185) million in Q2 2019.
- Adjusted Free Cash Flow, was an inflow of $40 million during Q2 2020 compared to Adjusted Free Cash Flow outflows of $(116) million in Q2 2019.

Brian Webb-Walsh, CFO, stated "Our focus on delivering for clients while managing our costs is clearly showing in our results. We performed well in the second quarter and our business showed resiliency in the face of the COVID-19 pandemic. We also now expect to overachieve on our $100M cost program for 2020. Given current trends, we anticipate Q3 2020 revenue to be $960 million to $1.01 billion and an Adjusted EBITDA margin of between 10.0% and 11.5% in Q3 2020."

(1) Excluding Divestitures

Conference Call

Management will present the results during a conference call and webcast on August 6, 2020 at 5:30 p.m. ET.

The call will be available by live audio webcast along 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 5:15 p.m. ET. The entry number for this call is 8559953.

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 6, 2020. The replay ID is 10144925.

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

The telephone recording will be available until 11:59 p.m. ET. on August 13, 2020.

About Conduent

Conduent delivers mission-critical services and solutions on behalf of businesses and governments – creating exceptional outcomes for its clients and the millions of people who count on them. Through people, process and technology, Conduent solutions and services automate workflows, improve efficiencies, reduce costs and enable revenue growth. It’s why most Fortune 100 companies and over 500 government entities depend on Conduent every day to manage their essential interactions and move their operations forward.

Conduent’s differentiated services and solutions improve experiences for millions of people every day, including two-thirds of all insured patients in the U.S., 11 million employees who use its HR Services, and nearly nine million people who travel through toll systems daily. Conduent’s solutions deliver exceptional outcomes for its clients including $17 billion in savings from medical bill review of workers compensation claims, up to 40% efficiency increase in HR operations, and up to 40% improvement in processing costs, while driving higher end-user satisfaction. 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 results of the current period against the corresponding prior period. These non-GAAP financial measures should be viewed in addition to, and not as a substitute for, our reported results prepared in accordance with U.S. GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable U.S. GAAP measures and should be read only in conjunction with our Consolidated Financial Statements prepared in accordance with U.S. GAAP. Our management regularly uses 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 attachments 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,” “plan,” “intend,” “will,” "aim," “should,” “could”, “may,” “continue to,” “if,” “growing,” “projected,” “potential,” “likely,” and similar expressions, as they relate to us, are intended to identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. All statements other than statements of historical fact included in this press release are forward-looking statements, including, but not limited to, statements regarding our financial results, condition and outlook; changes in our operating results; general market and economic conditions; the strength of our pipeline being greater than it has in a long time; our focus on near-term projects and expectations that such projects will result in improved client performance optimization, client retention programs, enhanced service level agreement monitoring, and contract standardization; our expectations that we will overachieve on our $100M cost transformation program for 2020 (which we also refer to as a cost reduction initiative); and our projected financial performance for Q3 2020 and the strength of our position for the remainder of the year. In addition, all statements regarding the anticipated effects of the novel coronavirus ("COVID-19") pandemic and the responses thereto, including the pandemic’s impact on general economic and market conditions, as well as on our business, customers, and markets, results of operations and financial condition and anticipated actions to be taken by management to sustain our business during the economic uncertainty caused by the pandemic and related governmental and business actions, as well as other statements that are not strictly historical in nature, are forward looking. These statements reflect management's current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Our actual results may vary materially from those expressed or implied in our forward-looking statements. These forward-looking statements are also subject to the significant continuing impact of the COVID-19 pandemic on our business, operations, financial results and financial condition, which is dependent on developments which are highly uncertain and cannot be predicted.

Important factors and uncertainties that could cause our actual results to differ materially from those in our forward-looking statements include, but are not limited to: the impact of the ongoing COVID-19 pandemic; government appropriations and termination rights contained in our government contracts; risk and impact of potential goodwill and other asset impairments; our ability to renew commercial and government contracts, including contracts awarded through competitive bidding processes; our ability to recover capital and other investments in connection with our contracts; our ability to attract and retain necessary technical personnel and qualified subcontractors; our ability to deliver on our contractual obligations properly and on time; competitive pressures; our significant indebtedness; changes in interest in outsourced business process services; our ability to obtain adequate pricing for our services and to improve our cost structure; risk and impact of geographical events, natural disasters and other factors (such as pandemics, including COVID-19) in a particular country or region on our workforce, customers, vendors, partners and the global economy; claims of infringement of third-party intellectual property rights; the failure to comply with laws relating to individually identifiable information and personal health information and laws relating to processing certain financial transactions, including payment card transactions and debit or credit card transactions; breaches of our information systems or security systems or any service interruptions; our ability to estimate the scope of work or the costs of performance in our contracts; our continuing emphasis on and shift toward technology-led digital transactions; customer decision-making cycles and lead time for customer commitments; our ability to collect our receivables, including those for unbilled services; a decline in revenues from, or a loss of, or a reduction in business from, or failure of significant clients; fluctuations in our non-recurring revenue; our failure to maintain a satisfactory credit rating; our ability to attract and retain key employees; increases in the cost of telephone and data services or significant interruptions in such services; our failure to develop new service offerings; our ability to modernize our information technology infrastructure and consolidate data centers; our ability to comply with data security standards; our ability to receive dividends or other payments from our subsidiaries; changes in tax and other laws and regulations; changes in government regulation and economic, strategic, political and social conditions; the outcome of litigation to which we are a party from time to time; changes in the volatility of our stock price and the risk of litigation following a decline in the price of our stock; and other factors that are set forth in the “Risk Factors” section, the “Legal Proceedings” section, the “Management's Discussion and Analysis of Financial Condition and Results of Operations” section and other sections in our Annual Reports on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with or furnished to the Securities and Exchange Commission. Any forward-looking statements made by us in this 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 Conti Koar, Conduent, +1-862-308-7105, rebecca.koar@conduent.com

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

(in millions, except per share data)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Revenue	$ 1,016	$ 1,112	$ 2,067	$ 2,270
Operating Costs and Expenses				
Cost of Services (excluding depreciation and amortization)	795	879	1,627	1,785
Selling, general and administrative (excluding depreciation and amortization)	111	121	227	248
Research and development (excluding depreciation and amortization)	—	2	1	5
Depreciation and amortization	115	112	232	227
Restructuring and related costs	29	26	36	42
Interest expense	15	20	32	40
Goodwill impairment	—	1,067	—	1,351
(Gain) loss on divestitures and transaction costs	2	2	6	16
Litigation costs (recoveries), net	14	1	20	13
Other (income) expenses, net	(1)	1	1	—
Total Operating Costs and Expenses	1,080	2,231	2,182	3,727
Income (Loss) Before Income Taxes	(64)	(1,119)	(115)	(1,457)
Income tax expense (benefit)	(13)	(90)	(15)	(120)
Net Income (Loss)	$ (51)	$ (1,029)	$ (100)	$ (1,337)
Net Income (Loss) per Share:				
Basic	$ (0.25)	$ (4.94)	$ (0.50)	$ (6.44)
Diluted	$ (0.25)	$ (4.94)	$ (0.50)	$ (6.44)

CONDUENT INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)(1)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2020	2019	2020	2019
Net Income (Loss)	$ (51)	$ (1,029)	$ (100)	$ (1,337)
Other Comprehensive Income (Loss), Net				
Currency translation adjustments, net	2	(1)	(26)	6
Reclassification of currency translation adjustments on divestitures	—	—	—	15
Reclassification of divested benefit plans and other	—	—	—	(1)
Unrecognized gains (losses), net	2	—	(1)	1
Changes in benefit plans, net	—	—	1	—
Other Comprehensive Income (Loss), Net	4	(1)	(26)	21
Comprehensive Income (Loss), Net	$ (47)	$ (1,030)	$ (126)	$ (1,316)

(1) All amounts are net of tax. Tax effects were immaterial.

CONDUENT INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions, except share data in thousands)	June 30, 2020	December 31, 2019
Assets		
Cash and cash equivalents	$ 428	$ 496
Accounts receivable, net	693	652
Contract assets	160	155
Other current assets	287	283
Total current assets	1,568	1,586
Land, buildings and equipment, net	309	342
Operating lease right-of-use assets	255	271
Intangible assets, net	306	426
Goodwill	1,491	1,502
Other long-term assets	397	387
Total Assets	$ 4,326	$ 4,514
Liabilities and Equity		
Current portion of long-term debt	$ 68	$ 50
Accounts payable	170	198
Accrued compensation and benefits costs	182	174
Unearned income	106	108
Other current liabilities	496	647
Total current liabilities	1,022	1,177
Long-term debt	1,581	1,464
Deferred taxes	93	111
Operating lease liabilities	218	229
Other long-term liabilities	95	91
Total Liabilities	3,009	3,072
Series A convertible preferred stock	142	142
Common stock	2	2
Additional paid-in capital	3,896	3,890
Retained earnings (deficit)	(2,290)	(2,185)
Accumulated other comprehensive loss	(433)	(407)
Total Equity	1,175	1,300
Total Liabilities and Equity	$ 4,326	$ 4,514
Shares of common stock issued and outstanding	209,225	211,511
Shares of series A convertible preferred stock issued and outstanding	120	120

CONDUENT INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in millions)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Cash Flows from Operating Activities:				
Net income (loss)	$ (51)	$ (1,029)	$ (100)	$ (1,337)
Adjustments required to reconcile net income (loss) to cash flows from operating activities:				
Depreciation and amortization	115	112	232	227
Contract inducement amortization	—	—	1	1
Deferred income taxes	(20)	(95)	(29)	(140)
Goodwill impairment	—	1,067	—	1,351
(Gain) loss from investments	(1)	—	(2)	(1)
Amortization of debt financing costs	1	1	3	3
(Gain) loss on divestitures and transaction costs	2	2	6	16
Stock-based compensation	5	7	9	14
Changes in operating assets and liabilities	23	(251)	(238)	(368)
Other operating, net	—	1	—	—
Net cash provided by (used in) operating activities	74	(185)	(118)	(234)
Cash Flows from Investing Activities:				
Cost of additions to land, buildings and equipment	(19)	(23)	(30)	(76)
Proceeds from sale of land, buildings and equipment	—	1	—	2
Cost of additions to internal use software	(17)	(20)	(30)	(37)
Payments for acquisitions, net of cash acquired	—	—	—	(90)
Proceeds (payments) from divestitures, including cash sold	1	1	2	(8)
Net cash provided by (used in) investing activities	(35)	(41)	(58)	(209)
Cash Flows from Financing Activities:				
Proceeds from revolving credit facility	—	—	150	—
Payments on debt	(13)	(14)	(28)	(28)
Taxes paid for settlement of stock based compensation	—	—	(3)	(6)
Dividends paid on preferred stock	(3)	(3)	(5)	(5)
Net cash provided by (used in) financing activities	(16)	(17)	114	(39)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1	—	(6)	2
Increase (decrease) in cash, cash equivalents and restricted cash	24	(243)	(68)	(480)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	413	528	505	765
Cash, Cash Equivalents and Restricted Cash at End of period[(1)]	$ 437	$ 285	$ 437	$ 285

(1) Includes $9 million restricted cash as of both June 30, 2020 and 2019, respectively, that were included in Other current assets on their respective 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 results of the current period against the corresponding prior period. However, these non-GAAP financial measures should be viewed in addition to, and not as a substitute for, the Company's reported results prepared in accordance with U.S. GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable U.S. GAAP measures and should be read only in conjunction with our Consolidated Financial Statements prepared in accordance with U.S. GAAP. Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions, and providing such non-GAAP financial measures to investors allows for a further level of transparency as to how management reviews and evaluates our business results and trends. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. Compensation of our executives is based in part on the performance of our business based on certain 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 Diluted Earnings per Share, Adjusted Weighted Average Common Shares Outstanding, Adjusted Effective Tax and Adjusted Effective Tax Rate

We make adjustments to Income (Loss) before Income Taxes for the following items, as applicable to the particular financial measure, for the purpose of calculating Adjusted Net Income (Loss), Adjusted Diluted Earnings per Share, Adjusted Weighted Average Common Shares Outstanding, Adjusted Effective Tax 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), represents provisions for various matters 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.
- 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, as applicable, 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).
- Divestitures.

We provide our investors with adjusted revenue, adjusted operating income and adjusted operating margin information, as supplemental information, because we believe it offers added insight, by itself and for comparability between periods, by adjusting for certain non-cash items as well as certain other identified items which we do not believe are indicative of our ongoing business, and may also provide added insight on trends in our ongoing business.

We provide adjusted revenues as supplemental information to our presentation of reported GAAP revenue in order to facilitate additional information to our investors concerning period-to-period comparisons reflecting the impact of our 2019 divestiture.

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 revenue or adjusted revenue, as applicable.

- Restructuring and related costs.
- Goodwill impairment.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- Other charge (credit).
- Divestitures.

Adjusted EBITDA is not intended to represent cash flows from operations, operating income (loss) or net income (loss) as defined by U.S. GAAP as indicators of operating 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 and proceeds from sales of land, buildings and equipment. We use the non-GAAP measure of Free Cash Flow as a criterion of liquidity and performance-based components of employee compensation. We use Free Cash Flow as a measure of liquidity to determine amounts we can reinvest in our core businesses, such as amounts available to make acquisitions and invest in land, buildings and equipment and internal use software, after required payments on debt. In order to provide a meaningful basis for comparison, we are providing information with respect to our Free Cash Flow reconciled to cash flow provided by operating activities, which we believe to be the most directly comparable measure under U.S. GAAP. Note, as of 3/31/2020 the company is no longer backing out vendor financed leases from Free Cash Flow and has updated all historical numbers to reflect the change.

Adjusted Free Cash Flow

Adjusted free cash flow is defined as free cash flow from above plus deferred compensation payments, transaction costs, costs related to Texas litigation, and certain other identified adjustments. We use adjusted free cash flow, in addition to free cash flow, to provide supplemental information to our investors concerning our ability to generate cash from our ongoing operating activities; by excluding certain deferred compensation costs and our one-time Texas settlement costs, as well as transaction costs and transaction cost tax benefit related to acquisitions and divestitures, we believe we provide useful additional information to our investors to help them further understand our ability to generate cash period-over-period as well as added information on comparability to our competitors. Such as with free cash flow information, as so adjusted, is specifically not intended to provide amounts available for discretionary spending. We have added certain adjustments to account for items which we do not believe reflect our core business or operating performance, and we computed all periods with such adjusted costs.

Constant Currency

To better understand trends in our business, we believe that it is helpful to adjust revenue to exclude the impact of changes in the translation of foreign currencies into U.S. Dollars. We refer to this adjusted revenue as “constant currency.” Currency impact 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 margin, we exclude certain items which are otherwise included in determining the comparable GAAP financial measure. A description of the adjustments which historically have been applicable in determining adjusted EBITDA are reflected in the table below. We are providing such outlook only on a non-GAAP basis because the Company is unable to predict with reasonable certainty the totality or ultimate outcome or occurrence of these adjustments for the forward-looking period, which can be dependent on future events that may not be reliably predicted. Based on past reported results, where one or more of these items have been applicable, such excluded items could be material, individually or in the aggregate, to reported results.

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

(in millions)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
ADJUSTED REVENUE				
Revenue	$ 1,016	$ 1,112	$ 2,067	$ 2,270
Adjustment:				
Divestitures(1)	—	—	—	(36)
Adjusted Revenue	1,016	1,112	2,067	2,234
Foreign currency impact	4	7	8	16
Revenue at Constant Currency	$ 1,020	$ 1,119	$ 2,075	$ 2,250
ADJUSTED NET INCOME (LOSS)				
Income (Loss) From Continuing Operations	$ (51)	$ (1,029)	$ (100)	$ (1,337)
Adjustments:				
Amortization of acquired intangible assets(2)	60	61	120	123
Restructuring and related costs	29	26	36	42
Goodwill impairment	—	1,067	—	1,351
(Gain) loss on divestitures and transaction costs	2	2	6	16
Litigation costs (recoveries), net	14	1	20	13
Other charges (credits)	(1)	5	(6)	4
Total Non-GAAP Adjustments	104	1,162	176	1,549
Income tax adjustments(3)	(26)	(103)	(35)	(150)
Adjusted Net Income (Loss) Before Adjustment for Divestitures	$ 27	$ 30	$ 41	$ 62
ADJUSTED EFFECTIVE TAX				
Income (Loss) Before Income Taxes	$ (64)	$ (1,119)	$ (115)	$ (1,457)
Adjustments:				
Total Non-GAAP Adjustments	104	1,162	176	1,549
Adjusted PBT (Before Adjustment for Divestitures)	40	43	61	92
Divestitures(1)	—	—	—	(1)
Adjusted PBT	$ 40	$ 43	$ 61	$ 91
Income tax expense (benefit)	$ (13)	$ (90)	$ (15)	$ (120)
Income tax adjustments(3)	26	103	35	150
Adjusted Income Tax Expense (Benefit)	13	13	20	30
Adjusted Net Income (Loss) Before Adjustment for Divestitures	$ 27	$ 30	$ 41	$ 62

CONTINUED (in millions)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
ADJUSTED OPERATING INCOME (LOSS)				
Income (Loss) Before Income Taxes	$ (64)	$ (1,119)	$ (115)	$ (1,457)
Adjustments:				
Total non-GAAP adjustments	104	1,162	176	1,549
Interest expense	15	20	32	40
Adjusted Operating Income (Loss) Before Adjustment for Divestitures	55	63	93	132
Divestitures(1)	—	—	—	(1)
Adjusted Operating Income (Loss)	$ 55	$ 63	$ 93	$ 131
ADJUSTED EBITDA				
Income (Loss) From Continuing Operations	$ (51)	$ (1,029)	$ (100)	$ (1,337)
Income tax expense (benefit)	(13)	(90)	(15)	(120)
Depreciation and amortization	115	112	232	227
Contract inducement amortization	—	—	1	1
Interest expense	15	20	32	40
EBITDA Before Adjustment for Divestitures	66	(987)	150	(1,189)
Divestitures(1)	—	—	—	(1)
EBITDA	66	(987)	150	(1,190)
Adjustments:				
Restructuring and related costs	29	26	36	42
Goodwill impairment	—	1,067	—	1,351
(Gain) loss on divestitures and transaction costs	2	2	6	16
Litigation costs (recoveries), net	14	1	20	13
Other charges (credits)	(1)	5	(6)	4
Adjusted EBITDA Before Adjustment for Divestitures	$ 110	$ 114	$ 206	$ 237
Adjusted EBITDA	$ 110	$ 114	$ 206	$ 236

____

(1) Adjusted for the full impact from revenue and income/loss from divestitures.
(2) Included in Depreciation and amortization on the 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, charges for amortization of intangible assets, restructuring, goodwill impairment and divestiture related costs.

Non-GAAP Reconciliations: Adjusted Weighted Average Shares Outstanding, Adjusted 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 %)	2020	2019	2020	2019
ADJUSTED DILUTED EPS[(1)]				
Weighted Average Common Shares Outstanding	209,129	208,496	210,261	208,207
Adjustments:				
Stock options	—	7	—	18
Restricted stock and performance units / shares	1,413	2,814	1,561	2,742
Adjusted Weighted Average Common Shares Outstanding	210,542	211,317	211,822	210,967
Diluted EPS from Continuing Operations	$ (0.25)	$ (4.94)	$ (0.50)	$ (6.44)
Adjustments:				
Total non-GAAP adjustments	0.49	5.56	0.84	7.42
Income tax adjustments[(2)]	(0.12)	(0.49)	(0.17)	(0.71)
Adjusted Diluted EPS Before Adjustment for Divestitures	$ 0.12	$ 0.13	$ 0.17	$ 0.27
ADJUSTED EFFECTIVE TAX RATE				
Effective tax rate	20.3 %	8.0 %	13.0 %	8.2 %
Adjustments:				
Total non-GAAP adjustments	12.2 %	22.2 %	19.8 %	24.4 %
Adjusted Effective Tax Rate[(2)]	32.5 %	30.2 %	32.8 %	32.6 %
ADJUSTED OPERATING MARGIN				
Income (Loss) Before Income Taxes Margin	(6.3)%	(100.6)%	(5.6)%	(64.2)%
Adjustments:				
Total non-GAAP adjustments	10.2 %	104.5 %	8.6 %	68.2 %
Interest expense	1.5 %	1.8 %	1.5 %	1.8 %
Margin for Adjusted Operating Income Before Adjustment for Divestitures	5.4 %	5.7 %	4.5 %	5.8 %
Divestitures[(3)]	— %	— %	— %	0.1 %
Margin for Adjusted Operating Income	5.4 %	5.7 %	4.5 %	5.9 %

CONTINUED	Three Months Ended June 30,		Six Months Ended June 30,	
(margins are in %)	2020	2019	2020	2019
ADJUSTED EBITDA MARGIN				
EBITDA Margin Before Adjustment for Divestitures	6.5 %	(88.8) %	7.3 %	(52.4) %
Adjustments:				
Divestitures(3)	— %	— %	— %	(0.9) %
EBITDA Margin	6.5 %	(88.8) %	7.3 %	(53.3) %
Total non-GAAP adjustments	4.3 %	99.1 %	2.7 %	62.8 %
Divestitures(3)	— %	— %	— %	0.9 %
Adjusted EBITDA Margin Before Adjustment for Divestitures	10.8 %	10.3 %	10.0 %	10.4 %
Divestitures(3)	— %	— %	— %	0.2 %
Adjusted EBITDA Margin	10.8 %	10.3 %	10.0 %	10.6 %

---

(1) Average shares for the 2020 and 2019 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 $3 million for both of the three months ended June 30, 2020 and 2019, 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, 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2020	2019	2020	2019
Operating Cash Flow	$ 74	$ (185)	$ (118)	$ (234)
Cost of additions to land, buildings and equipment	(19)	(23)	(30)	(76)
Proceeds from sales of land, buildings and equipment	—	1	—	2
Cost of additions to internal use software	(17)	(20)	(30)	(37)
Tax payment related to divestitures	—	7	—	9
Free Cash Flow	**$ 38**	**$ (220)**	**$ (178)**	**$ (336)**
Free Cash Flow	**$ 38**	**$ (220)**	**$ (178)**	**$ (336)**
Transaction costs	2	9	3	12
Transaction costs tax benefit	—	(3)	—	(3)
Texas litigation payments	—	98	118	118
Adjusted Free Cash Flow	**$ 40**	**$ (116)**	**$ (57)**	**$ (209)**

CONDUENT

August 6, 2020

Conduent
Q2 2020
Earnings Results

Cautionary Statements

CONDUENT

Forward-Looking Statements

This document contains “forward-looking statements”, as defined in the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. The words “anticipate,” “believe,” “estimate,” “expect,” “plan,” “intend,” “will,” "aim," “should,” “could”, “may,” “continue to,” “if,” “growing,” “projected,” “potential,” “likely,” and similar expressions, as they relate to us, are intended to identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-lo All statements other than statements of historical fact included in this press release are forward-looking statements, including, but not limited to, statements regarding financial results, condition and outlook; changes in our operating results; general market and economic conditions; the strength of our pipeline being greater than it has long time; our focus on near-term projects and expectations that such projects will result in improved client performance optimization, client retention programs, enhan service level agreement monitoring, and contract standardization; our expectations that we will overachieve on our $100M cost transformation program for 2020 (which also refer to as a cost reduction initiative); and our projected financial performance for Q3 2020 and the strength of our position for the remainder of the year. In additio statements regarding the anticipated effects of the novel coronavirus ("COVID-19") pandemic and the responses thereto, including the pandemic’s impact on general economic and market conditions, as well as on our business, customers, and markets, results of operations and financial condition and anticipated actions to be taken management to sustain our business during the economic uncertainty caused by the pandemic and related governmental and business actions, as well as other staten that are not strictly historical in nature, are forward looking. These statements reflect management's current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertai and changes in circumstances. Our actual results may vary materially from those expressed or implied in our forward-looking statements. These forward-looking stater are also subject to the significant continuing impact of the COVID-19 pandemic on our business, operations, financial results and financial condition, which is depende developments which are highly uncertain and cannot be predicted.

Important factors and uncertainties that could cause our actual results to differ materially from those in our forward-looking statements include, but are not limited to: th impact of the ongoing COVID-19 pandemic; government appropriations and termination rights contained in our government contracts; risk and impact of potential gooc and other asset impairments; our ability to renew commercial and government contracts, including contracts awarded through competitive bidding processes; our abilit recover capital and other investments in connection with our contracts; our ability to attract and retain necessary technical personnel and qualified subcontractors; our to deliver on our contractual obligations properly and on time; competitive pressures; our significant indebtedness; changes in interest in outsourced business process services; our ability to obtain adequate pricing for our services and to improve our cost structure; risk and impact of geographical events, natural disasters and other fa (such as pandemics, including COVID-19) in a particular country or region on our workforce, customers, vendors, partners and the global economy; claims of infringem 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 sys 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 technol led digital transactions; customer decision-making cycles and lead time for customer commitments; our ability to collect our receivables, including those for unbilled se a decline in revenues from, or a loss of, or a reduction in business from, or failure of significant clients; fluctuations in our non-recurring revenue; our failure to maintain 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 service 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 reg and economic, strategic, political and social conditions; the outcome of litigation to which we are a party from time to time; changes in the volatility of our stock price ar risk of litigation following a decline in the price of our stock; and other factors that are set forth in the “Risk Factors” section, the “Legal Proceedings” section, the “Management's Discussion and Analysis of Financial Condition and Results of Operations” section and other sections in our Annual Reports on Form 10-K, as well as i Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with or furnished to the Securities and Exchange Commission. Any forward-looking statements 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 ou forward-looking statements, whether as a result of new information, subsequent events or otherwise.

Cautionary Statements

Non-GAAP Financial Measures

We have reported our financial results in accordance with U.S. generally accepted accounting principles (GAAP). In addition, we have discussed our financial results u 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 ou 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 their related tax effects. Management believes that these non-GAAP financial measures provide an additional means of analyzing the results of the current period agai corresponding prior period. However, these non-GAAP financial measures should be viewed in addition to, and not as a substitute for, our reported results prepared in accordance with U.S. GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable U.S. GAAP measures an should be read only in conjunction with our Consolidated Financial Statements prepared in accordance with U.S. GAAP. Our management regularly uses our suppleme non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions, and providing such non-GAAP financial mea 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 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 busine based on certain of these non-GAAP measures.

CONDUENT

"I am beyond grateful for your partnership throughout this year's runout! Thank you for working late nights and weekends to ensure that we service our members! Thank you for covering shifts, handling queues and assignments, and most of all for working to meet our service agreements. Job well done!!"
-Insurance Company

"Conduent allowed us to mitigate impacts from the COVID-19 crisis with realization of closure as well as continuity of operations in a difficult context. Please thank all your teams on our behalf"
-Auto Company

"Conduent rose to the occasion of being at the forefront in these troubling and challenging times and came out better. Yes, all these efforts and the rewards that come our way is a step forward to win it together...
-Employee, IT, India

"Thank you for the update, and for caring about our safety. A special thanks to Conduent Guatemala, who is looking after our safety so effectively since the pandemic broke out here in mid March."
-Employee, HRLS, Guatemala

"As a new employee who joined right at the start of COVID lockdown, I really appreciate the transparency and information you update us with! "
--Employee, Sales, United States

Q2 2020 Highlights

CONDUENT

Business Update

- Q2 Revenue and Adj EBITDA above expectations
  - Revenue of $1,016M; Adj. EBITDA(1) of $110M
  - Revenue performance led by Government Services (Payments) volu and lower than anticipated volume pressure on Transportation
  - Adj EBITDA performance led by revenue performance and cost savi
- Q2 Revenue and Adj EBITDA **excluding** COVID-19 impact also above expectations
  - Revenue down ~(5.5)% Y/Y when excluding ~$(35)M COVID impact
  - Adj EBITDA Margin performance ex-COVID at high end of initial expectations
- $623M in TCV new business signings in Q2 2020; up 90% Y/Y
  - Annual Recurring Revenue signings of $105M; up 25% Y/Y

Operational Summary

- Expect to significantly overachieve $100M+ FY 2020 cost savings target dr by temporary and permanent actions
- Y/Y improvement in operational and technology performance
- Focus on strengthening client relationships leading to improved retention
- Currently ~75% of associates working from home. Planning phased and measured return to Conduent locations (depending on COVID-19 conditio

(1) Refer to Appendix for complete Non-GAAP reconciliations of Adjusted EBITDA. This metric is adjusted to exclude divestitures and other items.

Continued Sales Momentum

TCV Signings

New Business (ARR and NRR)

Select Wins

COMMERCIAL

New logo with leading commercial healthcare pa *providing managed care services and leveraging H acquisition*

GOVERNMENT

New logo with Michigan Health & Human Servic *provide $1.3B in annual state disbursements serving & children*

TRANSPORTATION

New Logo with Ohio Transit Authority for Turnpik Infrastructure Commission*, providing E-ZPass Se 216 lanes and 53M vehicles annually*

- Strongest New Business TCV signings since spin[1]; $623M, up 90% Y/Y, up 92% Q/Q
- ARR Signings up 25% Y/Y, up 84% Q/Q
- Pipeline grew to $22B

(1) Normalized for divestitures

COVID-19 Business Update

CONDUENT

Q2 2020 COVID-19 Revenue Impact

Commercial	Government	Transportation
~$(44)M	~$45M	~$(36)M

- **Commercial:** Pressure in Transaction Processing (reduced dental, auto, travel, etc), HRLS (BenefitWallet interest rate declines), and Commercial Healthcare (medical and workers comp claim volume)
- **Government:** Significant volume increases in unemployment and SNAP
- **Transportation:** Declines in tolling volume and project delays for portion of quarter

COVID-19 Related Government Busines Performance

~1.4M

New cards distributed for Unemployment claims

~25%

SNAP Volume Increase(1)

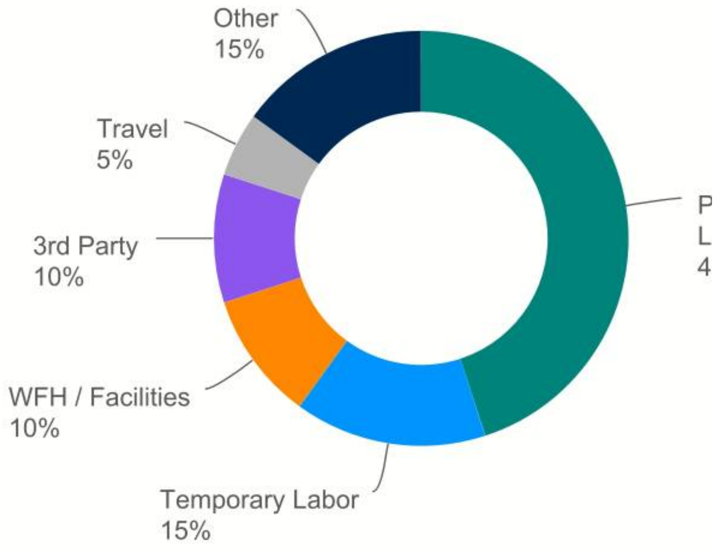
- ~$45M Q2 COVID-19 related benefit in Government business
- Current expectation for COVID-19 related Governme impact for FY 2020 of ~$80M+
- Government services business provides counter cycl offset to Commercial and Transportation declines

(1) Supplemental Nutrition Assistance Program (SNAP). Increase based on active card holders; includes temporary Pandemic SNAP.

Cost Savings Update

- Expect to significantly overachieve FY 2020 annual cost savings target of $100M+ (targeting 60/40 permanent vs temporary)
- Temporary actions include travel, furloughs, reduced vendor spend, etc.
- Permanent actions include operating model improvement (spans and layers), vendor rationalization, shared services, real estate-related efficiency, etc.

% of Total Cost Savings[1]



Delivering on cost savings plan via optimization without sacrificing "Quality"

(1) Represents approximate percentages as a total of targeted program

Transformation Update

CONDUENT

GROWTH

- Segmented business for investment and growth tactics leading to better capital and strategic allocation
- Driving improved win rates… More selective and deliberate approach on decisions to bid
- Investing in top-graded talent, systems and processes to improve forecasting, lead generation, etc.

EFFICIENCY

- Hired operations lead to further consolidate shared services operations and drive efficiency / margin expansion
- Full organization assessment to increase span of control and reduce unnecessary layers resulting in 1500+ permanent role eliminations
- Optimizing Real Estate portfolio leveraging work-from-home; reduced portfolio square footage by ~5% in 1H20

QUALITY

- Command center and proa monitoring continues to red outages and resolution time
- Progress consolidating data centers with minimal incide will create improved perforr consistency, standardizatio security
- Improving governance and process controls to enhanc implementations and SLA performance

Continuing to improve upon "Growth", "Quality", and "Efficiency" pillars of Transformation focus

Financials

Q2 2020 P&L Metrics

CONDUENT

Revenue

GAAP:	$1,112M	$1,016M

Adj. Operating Income[1]

GAAP:	$(1,119)M	$(64)M

Adj. EBITDA[1]

As Reported[2]:	$114M	$110M

- **Revenue:**
  - Decline driven by prior year lost business and COVI pressure from Transportation, HRLS, CHC, and TP partially offset by COVID-19 related Government increases
  - ~(5.5)% BAU decline Y/Y when you exclude ~$(35)M COVID-19 impact
- **Adj. Operating Income[1] and Adj. EBITDA[1]:**
  - Decline driven by lower revenue contribution
  - COVID-19 net impact of ~$(8)M including temporary savings
- **Adj. EBITDA Margin[1]**: 10.8%, up 50 bps Y/Y; margin improvement driven by cost reductions.

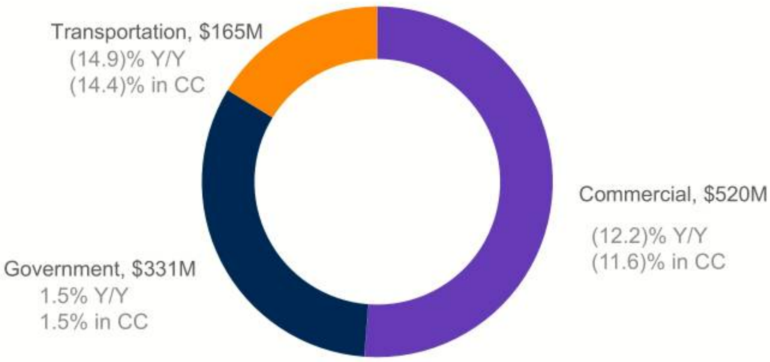
(1) Refer to Appendix for complete Non-GAAP reconciliations of adjusted operating income and adjusted EBITDA/margin. These metrics are adjusted to exclude divestitures and other items.

(2) Includes divested businesses.

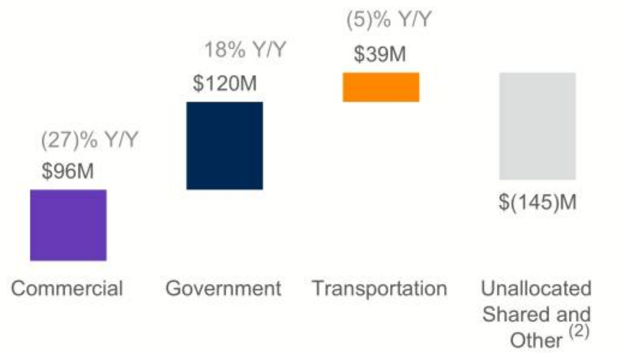
Q2 2020 P&L by Segment

CONDUENT

Revenue



Adj. EBITDA[1] Contributions



- **Commercial:** declines driven by prior year lost business (in Customer Experience and HRLS) and COVID-19 related volume declines and interest rate impact
- **Government:** growth driven by increase in COVID-related volumes and new business partially offset by CAMMIS loss net of transition revenues
- **Transportation:** declines driven by COVID-19 related volume pressure partially offset by new international transit

- **Commercial:** AEBITDA decline driven by revenu pressure and exit costs related to contract loss, p offset by reduced IT, labor, and real estate; margi 18.5% down (380) bps Y/Y
- **Government:** AEBITDA driven by higher revenue reduced IT and labor; margin 36.3% up 500 bps Y
- **Transportation:** AEBITDA down driven by revenu partially offset by reduced labor; margin 23.6% u bps Y/Y; margin improvement driven by transform
- **Unallocated shared costs:** unallocated spend re by (9.9)% driven by cost reduction program

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

(2) Includes $(144) million in Unallocated Shared Infrastructure and Corporate related plus $(1) million of Other adjusted EBITDA.

Q2 2020 Cash Flow and Balance Sheet

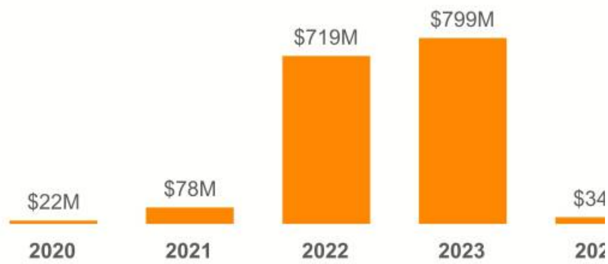
CONDUENT

- Q2 Adj. Free Cash Flow[1]: $40M
- Q2 Capex[6] as % of revenue: 3.5%
- Net leverage ratio[7] of 2.6x
- $437M of cash[2] at end of Q2

Balance Sheet

($ in millions)	**12/31/2019**	**6/30**
Total Cash[2]	$505	$
Total Debt[2]	1,514	1,
Term Loan A[3,4] due 2022	664	6
Term Loan B[3] due 2023	824	8
Revolving Credit Facility due 2022[5]	—	1
10.5% Senior Notes due 2024	34	
Finance Leases	17	
Net adjusted leverage ratio[7]	2.1x	2

Debt Maturity[4,8]



(1) Refer to Appendix for complete non-GAAP reconciliations of Adjusted Free Cash Flow.
(2) Total Cash includes $9M of restricted cash and Total debt excludes deferred financing costs.
(3) Revolving credit facility and Term Loan A interest rate: LIBOR + 175 bps; Term Loan B: LIBOR + 250 bps.
(4) Term Loan A includes EUR 242M, converted to USD conversion rates on June 30, 2020.
(5) $592M of available capacity under Revolving Credit Facility as of June 30, 2020.
(6) Capex refers to Land, Buildings & Equipment plus additions to Internal Use Software.
(7) Net debt (total debt less adjusted cash) divided by TTM Adjusted EBITDA (not adjusted for divestitures). Adjusted ratio uses total Debt which excludes deferred financing costs.
(8) Debt maturity amounts exclude $19M of capital leases and $(22)M of debt issuance costs and unamortized discounts.

Q3 2020 Expectations

CONDUENT

Q3 2020E REVENUE	Q3 2020E Adj. EBITDA MARGIN
$960M - $1,010M	10% - 11.5%

Q&A

Appendix

Modeling Considerations

CONDUENT

Metric	FY2020 Commentary
Taxes	• FY2020 Cash income taxes: reduced to ~$30M in cash income taxes, including ~$6 benefit related to CARES Act • Payroll taxes: ~$55M of estimated payroll tax withholding will be deferred to 2021/2 based on current employment levels
Restructuring	• Expect ~$60M of spend in FY2020
Cash Interest	• Expect cash interest of $55 - 60M
Capex	• Capex of ~$140M for FY2020
Texas Litigation Payments	• Final $118M paid in January 2020

Definitions

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

Total New Business Pipeline: Total New Business TCV pipeline of deals in all sell stages. Extends past next 12 month period to include total pipeline Excludes the impact of divested business as required.

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

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

Non-GAAP Financial Measures

Non-GAAP Financial Measures

We have reported our financial results in accordance with U.S. generally accepted accounting principles (GAAP). In addition, we have discussed our financial results using the non-GAAP measures. We believe th 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, dete 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 period against the corresponding prior period. However, these non-GAAP financial measures should be viewed in addition to, and not as a substitute for, the Company's reported results prepared in accord U.S. GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable U.S. GAAP measures and should be read only in conjunction with our Consolidated Fi 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 oper 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-GAAF 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 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 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 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 treatm applicable statutory tax rate in the jurisdictions in which such charges were incurred.

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

We make adjustments to Income (Loss) before Income Taxes for the following items as applicable to the particular measure, for the purpose of calculating Adjusted Revenue, Adjusted Net Income (Loss), Adjustec 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 ou 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 co reporting units.
- (Gain) loss on divestitures and transaction costs. Represents (gain) loss on divested businesses and transaction costs.
- Litigation costs (recoveries), net. Litigation costs (recoveries), net represents provisions for various matters subject to litigation.
- Other charge (credit). This comprises other (income) expenses, net, costs associated with the Company not fully completing the State of New York Health Enterprise Platform project and the Health Enterpri platform projects in California and Montana and other adjustments.
- Divestitures. (Revenue) / (Income) loss from divestitures.

The Company provides adjusted net income and adjusted EPS financial measures to assist our investors in evaluating our ongoing operating performance for the current reporting period and, where provided, ove 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 ou 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 th 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

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.
- Other charge (credit).
- Divestitures.

We provide our investors with adjusted revenue, adjusted operating income and adjusted operating margin information, as supplemental information, because we believe it offers added insight, by itself and for comparability between periods, by adjusting for certain non-cash items as well as certain other identified items which we do not believe are indicative of our ongoing business, and may also provide added insight on trends in our ongoing business.

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

Non-GAAP Financial Measures

Consolidated Adjusted EBITDA and EBITDA Margin

We use Adjusted EBITDA and Adjusted EBITDA Margin as an additional way of assessing certain aspects of our operations that, when viewed with the U.S. GAAP results and the accompanying reconciliations to corresponding U.S. GAAP financial measures, provide a more complete understanding of our on-going business. Adjusted EBITDA represents Income (loss) before Interest, Income Taxes, Depreciation and Amortization and Contract Inducement Amortization adjusted for the following items (which are defined above). Adjusted EBITDA margin is Adjusted EBITDA divided by revenue or adjusted revenue, as applicable:

- Restructuring and related costs.
- Goodwill impairment.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- Other charge (credit).
- Divestitures.

Adjusted EBITDA is not intended to represent cash flows from operations, operating income (loss) or net income (loss) as defined by U.S. GAAP as indicators of operating performance. Management cautions that amounts presented in accordance with Conduent's definition of Adjusted EBITDA and Adjusted EBITDA Margin may not be comparable to similar measures disclosed by other companies because not all companies calculate Adjusted EBITDA and EBITDA Margin in the same manner.

Non-GAAP Financial Measures

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 and proceeds from sales of land, buildings and equipment. We use the non-GAAP measure of Free Cash Flow as a criterion of liquidity and performance-based components of employee compensation. We use Free Cash Flow as a measure of liquidity to determine amounts we can reinvest in our core businesses, such as amounts available to make acquisitions and invest in land, buildings and equipment and internal use software, after required payments on debt. In order to provide a meaningful basis for comparison, we are providing information with respect to our Free Cash Flow reconciled to cash flow provided by operating activities, which we believe to be the most directly comparable measure under U.S. GAAP. Note, as of 3/31/2020 the company is no longer backing out vendor financed leases from Free Cash Flow and has updated all historical numbers to reflect the change.

Adjusted Free Cash Flow

Adjusted free cash flow is defined as Free Cash Flow from above plus deferred compensation payments, transaction costs, costs related to Texas litigation, and certain other identified adjustments. We use Adjusted Free Cash Flow, in addition to Free Cash Flow, to provide supplemental information to our investors concerning our ability to generate cash from our ongoing operating activities; by excluding certain deferred compensation costs and our one-time Texas settlement costs, as well as transaction costs and transaction cost tax benefit related to acquisitions and divestitures, we believe we provide useful additional information to our investors to help them further understand our ability to generate cash period-over-period as well as added information on comparability to our competitors. Such as with Free Cash Flow information, as so adjusted, is specifically not intended to provide amounts available for discretionary spending. We have added certain adjustments to account for items which we do not believe reflect our core business or operating performance, and we computed all periods with such adjusted costs.

Constant Currency

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

Non-GAAP Outlook

In providing outlook for adjusted EBITDA we exclude certain items which are otherwise included in determining the comparable GAAP financial measure. A description of the adjustments which historically have been applicable in determining adjusted EBITDA are reflected in the table below. We are providing such outlook only on a non-GAAP basis because the Company is unable to predict with reasonable certainty the totality or ultimate outcome or occurrence of these adjustments for the forward-looking period, which can be dependent on future events that may not be reliably predicted. Based on past reported results, where one or more of these items have been applicable, such excluded items could be material, individually or in the aggregate, to reported results. We have provided and outlook for revenue on a constant currency basis due to the inability to accurately predict foreign currency impact on revenues. Outlook for Free Cash Flow and Adjusted Free Cash Flow is provided as a factor of expected adjusted EBITDA, see above. For the same reason, we are unable to provide GAAP expected adjusted tax rate, which adjusts for our non-GAAP adjustments.

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

CONDUENT

(in millions)	Q2 2020	Q1 2020	FY 2019	Q4 2019	Q3 2019	Q2 2019	Q1 2
ADJUSTED REVENUE							
Revenue	$ 1,016	$ 1,051	$ 4,467	$ 1,099	$ 1,098	$ 1,112	$
Adjustment:							
Divestitures[1]	—	—	(36)	—	—	—	
Adjusted Revenue	1,016	1,051	4,431	1,099	1,098	1,112	
Foreign currency impact	4	4	24	4	4	7	
Revenue at Constant Currency	$ 1,020	$ 1,055	$ 4,455	$ 1,103	$ 1,102	$ 1,119	$
ADJUSTED NET INCOME (LOSS)							
Income (Loss) From Continuing Operations	$ (51)	$ (49)	$ (1,934)	$ (581)	$ (16)	$ (1,029)	$
Adjustments:							
Amortization of acquired intangible assets[2]	60	60	246	62	61	61	
Restructuring and related costs	29	7	71	21	8	26	
Goodwill impairment	—	—	1,952	601	—	1,067	
(Gain) loss on divestitures and transaction costs	2	4	25	6	3	2	
Litigation costs (recoveries), net	14	6	17	2	2	1	
Other charges (credits)	(1)	(5)	(5)	(1)	(8)	5	
Total Non-GAAP Adjustments	104	72	2,306	691	66	1,162	
Income tax adjustments[3]	(26)	(9)	(232)	(69)	(13)	(103)	
Adjusted Net Income (Loss) Before Adjustment for Divestitures	$ 27	$ 14	$ 140	$ 41	$ 37	$ 30	$

CONTINUED

CONDUENT

(in millions)	Q2 2020	Q1 2020	FY 2019	Q4 2019	Q3 2019	Q2 2019	Q1 2019
ADJUSTED EFFECTIVE TAX							
Income (Loss) Before Income Taxes	$ (64)	$ (51)	$ (2,106)	$ (635)	$ (14)	$ (1,119)	$ (33
Adjustment:							
Total Non-GAAP Adjustments	104	72	2,306	691	66	1,162	38
Adjusted PBT (Before Adjustment for Divestitures)	40	21	200	56	52	43	4
Divestitures[1]	—	—	(1)	—	—	—	(
Adjusted PBT	$ 40	$ 21	$ 199	$ 56	$ 52	$ 43	$ 4
Income tax expense (benefit)	$ (13)	$ (2)	$ (172)	$ (54)	$ 2	$ (90)	$ (3
Income tax adjustments[3]	26	9	232	69	13	103	4
Adjusted Income Tax Expense (Benefit)	13	7	60	15	15	13	1
Adjusted Net Income (Loss) Before Adjustment for Divestitures	$ 27	$ 14	$ 140	$ 41	$ 37	$ 30	$ 3
ADJUSTED OPERATING INCOME (LOSS)							
Income (Loss) Before Income Taxes	$ (64)	$ (51)	$ (2,106)	$ (635)	$ (14)	$ (1,119)	$ (33
Adjustment:							
Total non-GAAP adjustments	104	72	2,306	691	66	1,162	38
Interest expense	15	17	78	18	20	20	2
Adjusted Operating Income (Loss) Before Adjustment for Divestitures	55	38	278	74	72	63	6
Divestitures[1]	—	—	(1)	—	—	—	(
Adjusted Operating Income (Loss)	$ 55	$ 38	$ 277	$ 74	$ 72	$ 63	$ 6

CONTINUED

(in millions)	Q2 2020	Q1 2020	FY 2019	Q4 2019	Q3 2019	Q2 2019	Q1 201
ADJUSTED EBITDA							
Income (Loss) From Continuing Operations	$ (51)	$ (49)	$ (1,934)	$ (581)	$ (16)	$ (1,029)	$ (
Income tax expense (benefit)	(13)	(2)	(172)	(54)	2	(90)	
Depreciation and amortization	115	117	459	117	115	112	
Contract inducement amortization	—	1	3	1	1	—	
Interest expense	15	17	78	18	20	20	
EBITDA Before Adjustment for Divestitures	66	84	(1,566)	(499)	122	(987)	(
Divestitures[(1)]	—	—	(1)	—	—	—	
EBITDA	66	84	(1,567)	(499)	122	(987)	(
Adjustments:							
Restructuring and related costs	29	7	71	21	8	26	
Goodwill impairment	—	—	1,952	601	—	1,067	
(Gain) loss on divestitures and transaction costs	2	4	25	6	3	2	
Litigation costs (recoveries), net	14	6	17	2	2	1	
Other charges (credits)	(1)	(5)	(5)	(1)	(8)	5	
Adjusted EBITDA Before Adjustment for Divestitures	$ 110	$ 96	$ 494	$ 130	$ 127	$ 114	$
Adjusted EBITDA	$ 110	$ 96	$ 493	$ 130	$ 127	$ 114	$

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 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, charges for amortization of intangible assets, restructuring, goodwill impairment and divestiture related costs.*

Non-GAAP Reconciliations: Adjusted Weighted Average Shares Outstanding, Adjusted 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 2020	Q1 2020	FY 2019	Q4 2019	Q3 2019	Q2 2019	Q1 2019
ADJUSTED DILUTED EPS[1]							
Weighted Average Common Shares Outstanding	209,129	211,093	209,318	211,190	209,626	208,496	207,944
Adjustments:							
Stock options	—	—	—	—	—	7	27
Restricted stock and performance units / shares	1,413	278	2,157	2,106	1,509	2,814	2,783
Adjusted Weighted Average Common Shares Outstanding	210,542	211,371	211,475	213,296	211,135	211,317	210,754
Diluted EPS from Continuing Operations	$ (0.25)	$ (0.24)	$ (9.29)	$ (2.76)	$ (0.09)	$ (4.94)	$ (1.49)
Adjustments:							
Total non-GAAP adjustments	0.49	0.33	11.01	3.26	0.31	5.56	1.85
Income tax adjustments[2]	(0.12)	(0.04)	(1.10)	(0.32)	(0.06)	(0.49)	(0.22)
Adjusted Diluted EPS Before Adjustment for Divestitures	$ 0.12	$ 0.05	$ 0.62	$ 0.18	$ 0.16	$ 0.13	$ 0.14
ADJUSTED EFFECTIVE TAX RATE							
Effective tax rate	20.3 %	3.9 %	8.2 %	8.5 %	(14.3)%	8.0 %	8.9 %
Adjustments:							
Total non-GAAP adjustments	12.2	29.4	21.8	18.3	43.1	22.2	25.8
Adjusted Effective Tax Rate[2]	32.5 %	33.3 %	30.0 %	26.8 %	28.8 %	30.2 %	34.7 %

CONDUENT

CONTINUED

(Margins are in %)	Q2 2020	Q1 2020	FY 2019	Q4 2019	Q3 2019	Q2 2019	Q1 2019
ADJUSTED OPERATING MARGIN							
Income (Loss) Before Income Taxes Margin	(6.3)%	(4.9)%	(47.1)%	(57.8)%	(1.3)%	(100.6)%	(29.2)%
Adjustments:							
Total non-GAAP adjustments	10.2	6.9	51.6	62.9	6.1	104.5	33.5
Interest expense	1.5	1.6	1.7	1.6	1.8	1.8	1.7
Margin for Adjusted Operating Income Before Adjustment for Divestitures	5.4	3.6	6.2	6.7	6.6	5.7	6.0
Divestitures[(3)]	—	—	0.1	—	—	—	0.1
Margin for Adjusted Operating Income	5.4 %	3.6 %	6.3 %	6.7 %	6.6 %	5.7 %	6.1 %
ADJUSTED EBITDA MARGIN							
EBITDA Margin Before Adjustment for Divestitures	6.5 %	8.0 %	(35.1)%	(45.4)%	11.1 %	(88.8)%	(17.4)%
Divestitures[(3)]	—	—	(0.3)	—	—	—	(0.7)
EBITDA Margin	6.5	8.0	(35.4)	(45.4)	11.1	(88.8)	(18.1)
Total non-GAAP adjustments	4.3	1.1	46.2	57.2	0.5	99.1	28.0
Divestitures[(3)]	—	—	0.3	—	—	—	0.7
Adjusted EBITDA Margin Before Adjustment for Divestitures	10.8	9.1	11.1	11.8	11.6	10.3	10.6
Divestitures[(3)]	—	—	—	—	—	—	0.3
Adjusted EBITDA Margin	10.8 %	9.1 %	11.1 %	11.8 %	11.6 %	10.3 %	10.9 %

1. *Average shares for the 2020 and 2019 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 $3 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, 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

CONDUENT

(in millions)	Q2 2020	Q1 2020	FY 2019	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Operating Cash Flow	$ 74	$ (192)	$ 132	$ 348	$ 18	$ (185)	$ (49)
Cost of additions to land, buildings and equipment	(19)	(11)	(148)	(39)	(33)	(23)	(53)
Proceeds from sale of land, buildings and equipment	—	—	2	—	—	1	1
Cost of additions to internal use software	(17)	(13)	(67)	(18)	(12)	(20)	(17)
Tax payment related to divestitures	—	—	9	1	(1)	7	2
Free Cash Flow	**38**	**(216)**	**(72)**	**292**	**(28)**	**(220)**	**(116)**
Transaction costs	2	1	14	1	1	9	3
Transaction costs tax benefit	—	—	—	3	—	(3)	—
Texas litigation payments	—	118	118	—	—	98	20
Adjusted Free Cash Flow	**$ 40**	**$ (97)**	**$ 60**	**$ 296**	**$ (27)**	**$ (116)**	**$ (93)**