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# Conduent, Inc. (CNDT)

Q1 2019 Earnings Call

# CORPORATE PARTICIPANTS

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# MANAGEMENT DISCUSSION SECTION

**Operator**: Good day, everyone, and welcome to the Conduent First Quarter 2019 Earnings Conference Call. All participants will be in a listen-only mode.

After today's presentation, there will be an opportunity to ask questions. In the interest of time, we ask that you please limit yourselves to one question and one follow-up. Please also note today's event is being recorded.

At this time, I'd like to turn the conference call over to Alan Katz, Vice President of Investor Relations. Sir, please go ahead.

Alan Katz
*Vice President-Investor Relations, Conduent, Inc.*

Good evening, ladies and gentlemen, and welcome to Conduent's first quarter 2019 earnings call. Joining me on today's call is Ashok Vemuri, Conduent's CEO; and Brian Walsh, Conduent's CFO. Following our prepared remarks, we will take your questions.

This call is also being webcast. A copy of the slide used during this call was filed with the SEC this afternoon. These slides, as well as the detailed financial metrics sheet, are available for download on the Investor Relations section of the Conduent website. We will also post the transcript later this week.

During this call, Conduent executives may make comments that contain certain forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995, that by their nature address matters that are in the future and are uncertain. These statements reflect management's current beliefs, assumptions, and expectations as of today, May 8, 2019, and are subject to a number of factors that may cause actual results to differ materially from those statements.

Information concerning these factors is included in Conduent's Annual Report on Form 10-K filed with the SEC. We do not intend to update these forward-looking statements as a result of new information or future event or developments, except as required by law.

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

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

## Ashok Vemuri

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

Thank you, Alan, and good evening, everyone. Before we get into the earnings discussion, I want to comment on the announcement we made regarding the leadership transition. As many of you would have seen, we announced that I intend to step down as CEO and as a member of the board of directors once a CEO successor has been made. I am committed to an orderly transition and will continue in my current role until a successor is appointed, which the board expects to occur during the third quarter of 2019.

It has been my privilege to lead as the first CEO of Conduent. We have made enormous progress: standing up a public company, driving a significant transformation program in a relatively short period of time, laying the foundation to become a digital interactions company, and resolving the legacy issues we inherited. I am proud of these achievements.

As Conduent enters its next phase and continues to pivot to growth, this is the right time to begin the transition to the next CEO. It is an honor to lead the best team in the industry. I want to thank the board and all Conduent employees for their support during these transformative changes. They will continue to be the drivers of the company's success going forward. I will continue to work with them and the board during this period to ensure a seamless transition.

In terms of the first quarter, results came in below our expectations, primarily due to an unanticipated and sudden in-quarter volume drop from one of our larger clients, and lower than anticipated new business signings and revenue conversion. This lower revenue in turn impacted adjusted EBITDA. However, this was partly offset by continued productivity improvements, automation, and Accu-shoring, allowing us to achieve year-over-year margin expansion in the quarter. Brian will get into more details on the quarter in his prepared remarks.

The team has made an incredible amount of progress in the last two years. Conduent is in a strong place, having made foundational improvement, such as improving the cost structure of the company, reducing leverage down to 1.7 turns, embarking on product and technology infrastructure modernization, leading to 80% of the business now delivered over technology platforms, improving efficiency and productivity of operation and client deliveries through automation and Accu-shoring, securing an above 90% client deal renewal rate for the seventh straight quarter, achieving a book-to-bill ratio of above 1, and closing our first acquisition.

This foundational improvement, along with the sheer volume of scalable, secure, mission-critical business transactions that we complete every day, positions Conduent to pivot to growth. These are payment interactions, experience interactions, and data interactions.

The demanding and sophisticated clients we work with and their continuing loyalty, the longevity of our relationships, and the deep industry knowledge of our experienced team members, create the market opportunity for us. The team expects to take advantage of this opportunity, but executing on the strategy that was approved by the board last year, and leveraging our core competencies, both existing capabilities and newly developed go-to market solutions. We are utilizing our knowledge base to become a smarter company in the eyes of our clients, leveraging our talent base to maximize our human capital, and investing to enable growth.

With that, Brian will take us through the financials, on operational efficiency initiatives, and the outlook for the business. Brian?

## Brian Webb-Walsh

*Chief Financial Officer & Corporate Vice President, Conduent, Inc.*

Thank you, Ashok. I'll start off going through the financials, and we'll conclude with some thoughts on our market positioning and opportunities for the future. Throughout this presentation and in the exhibits in the appendix, we'll provide both GAAP and adjusted numbers, which provide a clean compare by removing the impact of the divestitures that we completed in 2018 and this past quarter.

Now let's start on slide 3 with an overview of the first quarter financial results. I won't go through the walk of the full P&L, but will instead focus on a few key line items. Revenue was approximately $1.16 billion for the quarter as reported, or $1.12 billion after adjusting for the divestiture of a select portfolio of customer care contracts, down 4.3% year-over-year. On a constant currency basis, revenue was down 3.5% year-over-year, primarily driven by the runoff business we lost in prior quarters and strategic decisions, partially offset by the ramp of new business.

SG&A continued to improve year-over-year, driven by our cost savings initiatives, as well as churn in our sales force. When excluding the impact of divestitures, adjusted EBITDA in the quarter increased 1.7% year-over-year to $122 million, with an adjusted EBITDA margin of 10.9%, or a 70 basis point improvement. While revenue pressure led to adjusted EBITDA being lower than expectations, we made progress in our transformation program, and as a result, continued to show margin improvement. Given the timing of addressing stranded costs, our adjusted EBITDA margin profile is expected to be up meaningfully in the back half of the year.

Our pre-tax loss in the first quarter was $338 million, driven primarily by a goodwill impairment. As I'll discuss in a few slides, we have lowered our outlook for the full year, and as a result, evaluated the goodwill and carrying values of all of our reporting units. As reported in our 10-K, our Transportation business had the least amount of excess carrying value as of December 31, 2018, and due to the loss of customer contracts, lower than expected new business, as well as higher cost of delivery, this segment was found to be below its carrying value as of March 31, 2019, resulting in the impairment. Adjusted net income was $32 million, and adjusted EPS was $0.14, down from $47 million and $0.22 in Q1 2018. The decline was primarily driven by divested businesses.

Turning to slide 4, let's go through our segments. As we did last quarter, we have included a summary slide detailing the financial performance of all the segments and have included the Shared IT and Infrastructure & Corporate Costs line. As reported, our Commercial business revenue declined 6.4%, driven primarily by lower client volume and strategic actions. Adjusted EBITDA was down 2.2%, as a result of lower revenue, while adjusted EBITDA margin grew 96 basis points year-over-year from Q1 2018 due to our transformation.

Our Government business declined 3% for the quarter, and adjusted EBITDA declined 17.4%, driven by pricing pressure, lost business, and higher IT costs. A note on our Government business, in 2018, we were notified that we were not the preferred bidder for the renewal of the legacy California MMIS contract, and in Q1, we decided to no longer protest this decision. While this is one of our larger contracts and will impact revenue, from an adjusted EBITDA perspective, it is a minimally profitable contract. The contract ends at the end of Q3 2019, but the exact wind-down timing is still being determined. Once we have that detail, we'll incorporate this loss into our renewal rate.

Our Transportation segment revenue grew 4.5% for the quarter compared with Q1 2018, driven by new business ramp. However, adjusted EBITDA was down 17.1%, driven primarily by penalties and higher IT and delivery costs. Looking at Other, I'll remind you that revenue in the first quarter from the select standalone customer care contracts has been backed out of these numbers. The remaining revenue and loss is primarily associated with the Student Loan business, which continues to be in the final stages of runoff.

As we discussed last quarter, we have broken out our Shared IT and Infrastructure & Corporate Costs. In the first quarter, these costs were $137 million, 17.5% lower than the prior year, driven by cost transformation and a negotiated settlement with one of our IT infrastructure vendors. We have made meaningful progress on these costs through our transformation initiative, and we'd expect to continue to show year-over-year progress throughout the year, although likely not at the same rate. This improvement in our cost structure offset the adjusted EBITDA decline in the segments, leading to adjusted EBITDA growth in the quarter. Later, I will discuss in more detail the work we have done to improve operational efficiencies and the opportunities we still see in 2019.

Let's move on to our cash flow for the first quarter. Slide 5 provides an overview of the cash flow for the quarter. The operating cash outflow of $49 million in Q1 2019 was primarily driven by the payment associated with the Texas settlement and other working capital. We improved DSO by two days in Q1, and we'll continue to focus on this important metric in 2019.

CapEx was $70 million in the quarter, an increase of $31 million compared with the prior year, largely driven by our IT investments. Adjusted free cash flow was an outflow of $93 million in the quarter, given the timing of CapEx and typical seasonality of our business, we continued to expect to see free cash flow weighted towards the back half of the year, as we saw in both 2017 and 2018.

Turning to slide 6, let's go through the updates in our capital structure. We ended the quarter with a healthy balance sheet. At the end of Q1 2019, our cash balance was $528 million. Our current net leverage ratio is 1.7 turns. As we recently announced, we entered into an amendment to our Texas settlement. Prior to the amendment, we made a payment of $20 million in April and $20 million in Q1. Under the amendment, we expect to make a payment of approximately $78 million this month. Additionally, we plan to make a payment of approximately $118 million in January of 2020, at which point we would have paid the settlement in full.

Turning to slide 7, let's discuss our ongoing transformation program. We showed continued progress in our Accu-shoring initiative, with 52% of our employees now located in low-cost countries. Utilizing lower-cost labor markets is key to improving our delivery model, while being competitive on price. Another area of focus has been third-party spend. Over the past year, we've continued to drive savings through the consolidation of our supplier base, while building strategic partnerships that better serve our internal and external customers. We are leveraging our buying power to pursue pricing negotiations, while our development of strategic supplier relationships drives down the time it takes to engage in services that add value to the customers.

Automation and efficiency programs are being leveraged for both delivery and internal use. We have launched bots to complete certain simple, repeatable tasks, and are investing to make better use of other automation tools and systems to create efficiency in our support function and client-facing delivery. As we invest in improving our tech infrastructure, we should also see increased operational efficiencies, as well as a more stable and secure network.

Lastly, we continue to see meaningful opportunity to address our stranded costs, as a result of the divestitures that were completed over the past year. We are making good progress on this front, and while the majority of the cost takeout will be back-half weighted, we have a plan in place to action these costs. We have already taken some actions for Q2. In response to the revenue challenges that we see for 2019, we've also taken additional actions to improve operational efficiencies.

Turning to slide 8, let's go through our updated 2019 guidance, which is based on our current forecast and plans. As we did in Q4, we have provided a walk from our 2018 reported results to our adjusted 2018 baseline, adjusting for the impact of divestitures, including the select standalone customer care contracts. Given the slower new business signings and increased variability in client volumes, we now expect reported revenue to be down between 3% and 4% on a constant currency basis in 2019. Variability in client volume has been driven primarily by a large account in our Commercial business. We have adjusted our range to account for potential further volume fluctuations.

We expect full-year adjusted EBITDA margins to be between 12% and 13%. While we are addressing revenue, we remain focused on margin improvement. The updated outlook in adjusted EBITDA reflects the impact of the revenue decline and increased investments into the business. This guidance also does not include any contribution from additional acquisitions. Adjusted free cash flow is expected to be around 30% of adjusted EBITDA, which reflects elevated CapEx for the year. Despite the lower guidance, it's important to remember that we are well-positioned in dynamic and growing markets, which create a strong foundation from which we can build.

I'm now on slide 9. We have made meaningful progress in a number of fronts, including consolidating our Commercial group under a single leader, continuing our investment in technology, including both client-facing applications, as well as infrastructure modernization, and increasing our capabilities in automation and analytics.

We are streamlining the company to ensure that we are leveraging a global delivery model and have taken incremental actions to improve efficiency. Sales remains a focus to ensure that we improve our revenue conversion from our stable and diversified pipeline. And lastly, we are addressing our headwinds by working with our large client to address volume variability. We are well-positioned from a market perspective. We believe that our investments are in the right areas, and the entire management team is focused on driving value for all of our stakeholders.

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

# QUESTION AND ANSWER SECTION

**Operator**: Ladies and gentlemen, at this time, we will begin the question-and-answer session. [Operator Instructions] And our first question today comes from Shannon Cross from Cross Research. Please go ahead with your question.

Shannon S. Cross
*Analyst, Cross Research LLC*

Q

Thank you very much. Ashok, I'm not sure how many of these you can or will answer, but I thought I'd throw out some of the most obvious ones here. Can you give us more background on what precipitated your leaving specifically? Was there more disconnect with the board beyond what was sort of laid out in Mike Nevin's letter? How are you going to be sort of working and operating Conduent since you're going to be leaving as soon as the next guy comes in, or a woman comes in, and what should we think about the potential for the company to be up for sale at this point? Thank you.

Ashok Vemuri
*Chief Executive Officer & Director, Conduent, Inc.*

A

Thank you, Shannon. As we have been detailing over the last two years, Conduent has made significant progress since the separation by becoming a public company, driving transformation, laying the foundation to become a digital interactions company, as well as, to a great extent, resolving the legacy issues that we inherited. So clearly the foundation has been built. We've built a strong team. The depth and breadth of the markets we operate in and our loyal client base, built on this strong foundation, gives us the opportunity to leverage more business on the market.

So I feel confident that the foundation is here. The strategy is in place. The strategy was approved by the board last year, and continues to be the strategy that we will follow. There is clearly an opportunity to pivot to growth, and as we enter the next phase of transformation, the board and I both thought that it was a good time to bring in new leadership, new leader, and for the CEO transition to become effective.

I clearly believe in this strategy. I clearly believe in my management team and the opportunities that are available for the company, and I will assist in the transition in order to keep it as seamless as possible for my clients or my employees and definitely for my management team, as well as he or she who succeeds me as the CEO.

**Operator**: Our next question comes from Bryan Bergin from Cowen. Please go ahead with your question.

Bryan C. Bergin
*Analyst, Cowen and Company*

Q

Hi, thank you. I wanted to follow here on bookings. Just can you talk about what really changed quarter-to-quarter, particularly around the new business signings, or are there particular segments that were showing outsized weakness? And can you comment on whether you think this is more a function of sales force productivity, the offering, or anything macro related that you can point to?

Brian Webb-Walsh
*Chief Financial Officer & Corporate Vice President, Conduent, Inc.*

A

Sure. So we had lower signings, pipeline conversion in Q1, and we had some large deals that fell out of the forecast, in one case, a large deal based on some M&A that one of our clients is involved in, in another case, there was other delays. And that transpired late in the quarter. In addition, in my prepared remarks, I mentioned we had some sales force churn, so we're very focused on building up the sales force and keeping it stable, but we did have some churn in Q1.

As we pivot to platform and digital solutions, it's taking longer to convert the pipeline, and some of our legacy issues that have been out in the press have also been causing some delays in a couple of cases. But we believe we're focused on all the right things to turn this around. We're focused on converting the new business pipeline, stabilizing and investing in the sales force. We're continuing all our investments in our technology platforms and infrastructure. We're streamlining our go-to-market and operating model, including consolidating Commercial under one leader, which gives us consistent sales process across Commercial, and we're executing on our strategic accretive acquisitions, such as HSP, which we closed in the first quarter.

So we're confident this will lead to signings growth over time, but obviously in the first quarter, we declined, and we're focused on turning that around. And I would say, in terms of a couple areas that are under more pressure, I would say Government and Transportation were under more pressure in Q1 than Commercial.

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**Bryan C. Bergin** — Q
*Analyst, Cowen and Company*

Okay. Thanks for that, too. Can you clarify what your expectation is now for bookings for 2019 year-on-year?

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**Brian Webb-Walsh** — A
*Chief Financial Officer & Corporate Vice President, Conduent, Inc.*

We're focused on driving new business signings growth. As we've consistently said, to drive top line organic growth, we need double-digit new business signings on a consistent basis. That's what we're driving for, but obviously, in Q1, we didn't see that. In Q2, we'll see how we perform. We're very focused; this is our number one priority is to convert the pipeline and to get new business signings moving in the right direction.

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**Bryan C. Bergin** — Q
*Analyst, Cowen and Company*

Okay. Thank you. And then I have a follow-up here, on cost takeout, you mentioned additional actions being taken. Can you just detail how you're balancing those cuts to make up for the revenue shortfall versus the investments that are required to turn the business around to growth, really, and then how should we be thinking about the margin levels as you walk through 2019?

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**Brian Webb-Walsh** — A
*Chief Financial Officer & Corporate Vice President, Conduent, Inc.*

Yes. So we – when we saw in March the visibility to some of the revenue challenges, we decided to take incremental cost actions, one around suspending our 401(k) match for a subset of our employees. Two, we reduced our salary increase budget for the year. And three, we took some incremental head count actions to make sure we are still focused on improving the EBITDA margin for the company.

As you look at the guidance for the year, we're guiding a 12% to 13% EBITDA margin. That's a pretty wide range. And we're doing that so we can balance making the right investments and improving profitability as we focus on turning around the top line. And so that will be the focus. We're also executing the stranded cost takeout. We took actions in Q2 that will benefit us over the next three quarters. And then by the end of the year, we expect to get all the stranded costs out. So that's a focus. If you look at CapEx, you can also see CapEx was high in Q1 as we make investments in our technology. And so we're maintaining investments and balancing costs with cost takeout with investments, so we can turn the top line around.

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Alan Katz
*Vice President-Investor Relations, Conduent, Inc.*

A

Yeah, Bryan, this is Alan. Just in terms of timing and the quarterly impact, I would just note that the stranded costs, a lot of the action, will benefit the back half of the year, so the year-over-year improvement really picks up in the back half of the year as a result of those stranded costs coming out.

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Bryan C. Bergin
*Analyst, Cowen and Company*

Q

Okay. Thanks, guys.

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**Operator**: Our next question comes from Puneet Jain from JPMorgan. Please go ahead with your question.

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Puneet Jain
*Analyst, JPMorgan Securities LLC*

Q

Hey, guys. Thanks for taking my question. Ashok, could you share your thoughts on Conduent's current portfolio of business, why it makes sense to provide services to both Commercial as well as Government clients, and if there are any assets that could be monetized to unlock shareholder value?

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Ashok Vemuri
*Chief Executive Officer & Director, Conduent, Inc.*

A

Yeah, Puneet. So clearly, I believe that on both the Transportation and the Government business that we do in the public sector, as well as on the Commercial side, there are significant synergies that can be exploited and leveraged. If you look at our HSP acquisition, that is a classic case of capability that can be deployed on a technology platform on both the Commercial as well as on the Government Healthcare side. And we have similar examples in Transportation, where we are increasingly talking about public-private partnership, we are talking about partnership for urban mobility, et cetera, so I do really believe that the fact that we cover such a diverse market gives us the opportunity to cross and upsell and bundle our various capabilities for better efficiency, for better price realization, and for a better competitive advantage.

When we last had said in 2018 that we were bringing our divestitures program to an end, clearly, those were the assets that we believe did not really fit into the broader stable of assets that we have. We're obviously, from a shareholder return perspective, we always look and explore every and – any and every opportunity that can enhance that value.

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Puneet Jain
*Analyst, JPMorgan Securities LLC*

Q

Got it. Thank you.

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**Operator**: Our next question comes from Mayank Tandon from Needham & Company. Please go ahead with your question.

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Mayank Tandon
*Analyst, Needham & Co. LLC*

Q

Thank you. Good evening. Brian, you did give us the insights into the guidance update. But could you provide a walk-through from the 0.5% to 1.5% growth that you were targeting previously for 2019, and now down to negative 3% to negative 4%, how much of that is organic, what are the inorganic contribution, FX impact, et cetera?

Brian Webb-Walsh
*Chief Financial Officer & Corporate Vice President, Conduent, Inc.*

A

Yes. So, first, the guidance that we provided on the Q4 call and now is that constant currency, so there's no currency impact. And we also, on the Q4 call, when we provided guidance, we removed any incremental acquisitions. So this is all an organic change, and it's really driven by two items.

One, we saw pressure in volumes from one of our larger Commercial clients, which was sudden and unexpected, in February and March. We're working with the client to address the volume volatility, but this could impact other quarters. So we reflected that potential volatility in the updated guidance. And second, the new business signings were down 39% in Q1. And again, in order to drive organic growth, we really need double-digit new business signings growth consistently. And so it's really those two items that have led to the revenue guidance change.

Mayank Tandon
*Analyst, Needham & Co. LLC*

Q

Sure. Okay. And then if I can just tag on a question about the revenue trajectory. Could you comment on, one, why the large client decided to reduce volumes, maybe some insights into what is going on with the client? And also you've referenced in your deck that there was a lost business on the Government side as well. Is that the Californian contract you were referencing, or is there another contract that is also impacting the Government side of the business?

Brian Webb-Walsh
*Chief Financial Officer & Corporate Vice President, Conduent, Inc.*

A

Yes. So in my prepared remarks, I talked about the California MMIS contract, where we were notified in 2018 that we were not – we did not win the renewal. And we were protesting that decision, and in Q1, we decided not to protest it further. So that contract currently goes to the end of September. We believe we may get an extension through the end of the year, but we're not sure yet. Once we know the exact timing of when that contract will end, we'll reflect that loss in our renewal rate. It's approximately $140 million in revenue, but it's very low; EBITDA margins, we don't expect much of a profit impact.

Mayank Tandon
*Analyst, Needham & Co. LLC*

Q

And then any insights into why the large client decided to reduce volumes with you, and maybe if you could comment on what type of business you were providing to that client?

Brian Webb-Walsh
*Chief Financial Officer & Corporate Vice President, Conduent, Inc.*

A

So it's end-user support in our Commercial business, and we're working proactively with the client to try to address the volume issue. It wasn't a decision to take volume away. It's volume variability that they're experiencing.

Mayank Tandon
*Analyst, Needham & Co. LLC*

Q

Thank you.

**Operator**: Our next question comes from Brian Essex from Morgan Stanley. Please go ahead with your question.

Brian Essex
*Analyst, Morgan Stanley & Co. LLC*

Q

Hi. Good afternoon. Thank you for taking the question. Brian, I was wondering if I just talk about – if you can just address the renewals for a little bit. It looks like, just quick math, renewals account for about 82% of your revenue run rate at the end of the year, so most of it relying on renewals. Could you maybe address – I understand there's this 92% renewal rate, but does that account for renewals as a percentage of original par value? And maybe if we can – if you can just address like how pricing on renewals is working out, and how we should think about the support that that has behind your revenue expectations for fiscal 2019. And then I have a quick follow-up.

Brian Webb-Walsh
*Chief Financial Officer & Corporate Vice President, Conduent, Inc.*

A

Yeah, so the renewal rate is basically decisions made in the quarter, what did we win and what did we lose, and it's calculated based on the deals we're chasing. So if there's a price down in that deal, it's not reflected in the renewal rate. Last year, pricing was fairly consistent. We had some price increases and some price decreases that, for the most part, offset each other. This year, we have one Government price decrease that was pretty large. That isn't being entirely offset. Other than that, the pricing commentary that we provided last year is consistent with what we are experiencing this year.

Brian Essex
*Analyst, Morgan Stanley & Co. LLC*

Q

Got it. And then maybe just so we could touch real quick on the capital structure, how does the M&A pipeline look? Do you still maintain the same capital structure just looking at where the stock price is kind of aftermarket here, maybe would you change your posture on repurchasing shares? And essentially just want to understand, are there any changes in place where you have the same profile of priorities, and might you be more aggressive on the M&A side to kind of reinvigorate growth here?

Brian Webb-Walsh
*Chief Financial Officer & Corporate Vice President, Conduent, Inc.*

A

So the board along with us we can continuously look at the capital structure, so far up to this point, our priorities have been investing into the business to drive organic growth and doing strategic tuck-in M&A to strengthen our offerings. Our view is that that should still be the focus, but we're obviously always looking at it and open to driving what makes sense for shareholder value – what makes the most sense for shareholder value. And we...

Brian Essex
*Analyst, Morgan Stanley & Co. LLC*

Q

Okay, thank you.

Brian Webb-Walsh
*Chief Financial Officer & Corporate Vice President, Conduent, Inc.*

A

...continue to have a strong pipeline that we're working, obviously some multiples are high and we're staying disciplined, and we're pleased with the first acquisition that we closed in January. It's already making an impact to our pipeline, and we believe it's strengthening our offerings, as Ashok mentioned, both in Commercial healthcare and Government Healthcare. So we want to do more transactions that look like HSP.

Brian Essex
*Analyst, Morgan Stanley & Co. LLC*

Q

Okay, that's helpful. Thanks.

**Operator**: And ladies and gentlemen, with that, we have reached the end of today's question-and-answer session. I'd like to turn the conference back – the conference call back over to Ashok Vemuri for any closing remarks.

Ashok Vemuri
*Chief Executive Officer & Director, Conduent, Inc.*

Thank you. As I have reiterated before, we believe that Conduent, as it enters its next phase and continues to pivot to growth, this is the right time to begin the transition to the next CEO. I am committed to an orderly transition. I will continue in my current role until a successor is appointed. The board is engaged and committed, and we have a sound strategy, and we believe that we have the right management team, as well as a loyal client base that will allow us to realize this next transformation to pivot to growth.

With that, thank you very much.

**Operator**: Ladies and gentlemen, that will conclude today's conference call. We do thank you for attending today's presentation. You may now disconnect your lines.