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): February 20, 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 February 20, 2020, Registrant released its fourth quarter 2019 earnings and is furnishing to the Securities and Exchange Commission a copy of the earnings press release as Exhibit 99.1 to this Report under Item 2.02 of Form 8-K.

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

Item 7.01. Regulation FD Disclosure.

On February 20, 2020, Registrant conducted an earnings call regarding its 2019 fourth 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 fourth quarter 2019 earnings press release dated February 20, 2020
99.2	Registrant's investor presentation dated February 20, 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,” “intend,” “will,” "aim," “should,” "continue to," and similar expressions, as they relate to us, are intended to identify forward-looking statements. These statements reflect management's current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Our actual results may vary materially from those expressed or implied in our forward-looking statements.

Important factors and uncertainties that could cause our actual results to differ materially from those in our forward-looking statements include, but are not limited to: 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; 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; 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 the Securities and Exchange Commission. Any forward-looking statements made by us in this report speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

SIGNATURES

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

Date: February 20, 2020

CONDUENT INCORPORATED

By:	***/s/ MARIO A. POMPEO***
	Mario A. Pompeo
	Vice President and Chief Accounting Officer

News from Conduent

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

Conduent Reports Fourth Quarter and Full Year 2019 Results; Establishes FY 2020 Guidance

Key Highlights

- FY 2019 Adjusted Revenue and Adjusted EBITDA results in-line with guidance
- Concluded strategic and operational review
- Identified go-forward investment plan to drive growth and improve margins
- Continued progress on growth, quality, and efficiency transformational pillars

FLORHAM PARK, NJ, February 20, 2020 - Conduent (NASDAQ: CNDT), a business process services and solutions company, today announced its fourth quarter and full year 2019 financial results and the conclusion of its strategic and operational review.

Cliff Skelton, Conduent CEO, stated, "We finished the year in-line with the outlook that we set when I began as CEO in August. We have continued to make progress on our Company transformation, focusing on the three pillars of growth, quality, and efficiency. We are building a strong team and are attracting top-tier talent to the organization to help drive change and improve our market positioning."

Skelton continued, "Along with our board, we have also completed our strategic and operational review. As a result, we have identified a go-forward investment strategy to drive revenue stabilization and sales growth, efficiency opportunities, and increased quality, leveraging a diversified and prioritized approach. We considered potential divestitures and given the attractiveness of the businesses in our portfolio, we did not find proposals to be sufficiently compelling at this time. We believe our current portfolio coupled with our transformation efforts and improved leadership, will position us well over time to drive both top-line and EBITDA growth."

Performance Commentary and Strategic Update

FY 2019 results were in line with prior Company guidance, with adjusted revenue near the top end of the guidance range and Adjusted EBITDA near the mid-point of the guidance range. Despite signings for the year being weaker than desired, the Company is seeing strong initial signings performance in Q1 2020. While these early signs of increased client confidence are encouraging, it is still only a preliminary indication.

Since August 2019, the Company has been engaged in a strategic and operational review. Conduent concluded the review resulting in a plan to invest in certain businesses for revenue stabilization, margin expansion and efficiency opportunities in certain offerings and to invest for growth opportunities in other high-potential offerings.

The Company has also established a go-forward transformation initiative to drive growth, quality, and efficiency. The Company developed a standard set of key performance metrics to align with these three pillars and is modifying how it measures and rewards. The Company also continued to make progress in operational improvements, including in IT and delivery performance. Conduent has hired additional key employees in senior-level positions, has launched a client retention program, and is re-defining the brand and go-to-market approach.

Key Financial Fourth Quarter 2019 Results

- Revenue of $1,099 million, down (14.3)% year-over-year.
- Adjusted Revenue, excluding divestitures, down (6.7)% year-over-year, or (6.5)% in constant currency.
- Q4 2019 GAAP net loss of $(581) million compared to $(140) million in Q4 2018.
- Adjusted EBITDA, which excludes the impact of divestitures, was $130 million, down (13.3)% year-over-year. Adjusted EBITDA margin also excluding divestitures, was 11.8%, down (90) bps year-over-year.
- Pre-tax income was ($635) million compared to ($143) million in Q4 2018. This includes a goodwill impairment charge of $601 million in Q4 2019.
- Diluted EPS from continuing operations was ($2.76) versus ($0.69) in the same period last year.
- The Company reported adjusted diluted EPS from continuing operations of $0.18 compared to $0.26 in Q4 2018.
- The Company had cash inflow from operations of $348 million during the fourth quarter of 2019 compared to cash inflows of $253 million in Q4 2018.

Key Financial Full Year 2019 Results

- Full year 2019 revenue was $4,467 million down (17.2)% compared to 2018.
- Adjusted revenue, excluding divestitures, was $4,431 million, down (4.5)% compared with 2018 or (4.0)% in constant currency.
- The Company reported 2019 GAAP net loss of ($1,934) million compared to ($416) million in 2018.
- Adjusted EBITDA for full year 2019, which excludes the impact of divestitures, was $493M, down (7.9)% when compared to the prior full year. Adjusted EBITDA margin, which excludes the impact of divestitures, was 11.1%, down (40) bps Y/Y when compared to the prior full year.
- Pre-tax income was ($2,106) million compared to ($395) million in 2018. This includes goodwill impairment charges totaling $1,952 million throughout the year.
- Diluted EPS from continuing operations was ($9.29) versus ($2.06) in 2018.
- The Company reported adjusted diluted EPS from continuing operations of $0.62 compared to $1.05 in 2018.
- The Company had cash inflow from operations of $132 million during the year 2019 compared to cash inflows of $283 million in 2018.

2020 Financial Outlook

Conduent established FY 2020 guidance.

The following guidance ranges do not include incremental growth investment associated with the strategic review:

$ in Millions	FY 2019 Reported	Completed Divestiture Impact(3)	Adjusted FY 2019(4)	FY 2020 Guidance
Revenue (Constant Currency)(1,2)	$4.47B	$(36)M	$4.43B	Down (6) - (8)%
Adj. EBITDA / Adj. EBITDA Margin(2)	$494M	$(1)M	$493M / 11.1%	10.5% - 11.5%
Adj. Free Cash Flow(2) as % of Adj. EBITDA			12%	15 - 20%

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

(1) Year-over-year revenue growth comparison at constant currency.
(2) Refer to Appendix for Non-GAAP reconciliations of revenue, adjusted EBITDA / margin and adjusted FCF and for impact from completed divestitures. FY 2019 adjusted FCF adjusted for Texas-related litigation and other specified items, but does not exclude cash generated from operations of businesses we have since divested.
(3) Includes all completed divestitures.
(4) Adjusted for completed divestitures referenced in Appendix.

Brian Webb-Walsh, CFO of Conduent, stated, "We ended the year with revenue at the top end and Adjusted EBITDA near the mid-point of our guidance ranges. Our balance sheet remains strong and we expect to generate meaningful operating cash flow in 2020, providing adequate liquidity to invest in the business. We will continue to follow a disciplined approach, investing to drive long-term shareholder value."

Conference Call

Management will present the results during a conference call and webcast on February 20, 2020 at 5 p.m. ET.

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

The conference call will also be available by calling 1-877-883-0383 (international dial-in 1-412-902-6506) at approximately 4:45 p.m. ET. The entry number for this call is 7437148.

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 February 20, 2020. The replay ID is 10132433.

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

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 processes, 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 eleven million traveler transactions through toll systems daily. Conduent's solutions deliver exceptional outcomes for its clients including $17 billion in medical bill savings, 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, 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 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,” “intend,” “will,” "aim," “should,” "continue to," and similar expressions, as they relate to us, are intended to identify forward-looking statements. These statements reflect management's current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Our actual results may vary materially from those expressed or implied in our forward-looking statements.

Important factors and uncertainties that could cause our actual results to differ materially from those in our forward-looking statements include, but are not limited to: 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; 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; 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.

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

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

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

(in millions, except per share data)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
Revenue	$ 1,099	$ 1,282	$ 4,467	$ 5,393
Operating Costs and Expenses				
Cost of Services (excluding depreciation and amortization)	850	989	3,494	4,182
Selling, general and administrative (excluding depreciation and amortization)	119	133	479	560
Research and development (excluding depreciation and amortization)	2	4	8	11
Depreciation and amortization	117	115	459	460
Restructuring and related costs	21	13	71	81
Interest expense	18	20	78	112
(Gain) loss on extinguishment of debt	—	—	—	108
Goodwill impairment	601	—	1,952	—
(Gain) loss on divestitures and transaction costs	6	33	25	42
Litigation costs (recoveries), net	2	114	17	227
Other (income) expenses, net	(2)	4	(10)	5
Total Operating Costs and Expenses	1,734	1,425	6,573	5,788
Income (Loss) Before Income Taxes	(635)	(143)	(2,106)	(395)
Income tax expense (benefit)	(54)	(3)	(172)	21
Net Income (Loss)	$ (581)	$ (140)	$ (1,934)	$ (416)
Net Income (Loss) per Share:				
Basic	$ (2.76)	$ (0.69)	$ (9.29)	$ (2.06)
Diluted	$ (2.76)	$ (0.69)	$ (9.29)	$ (2.06)

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

	Three Months Ended December 31,		Year Ended December 31,	
(in millions)	2019	2018	2019	2018
Net Income (Loss)	$ (581)	$ (140)	$ (1,934)	$ (416)
Other Comprehensive Income (Loss), Net				
Currency translation adjustments, net	12	(4)	3	(31)
Reclassification of currency translation adjustments on divestitures	—	1	15	42
Reclassification of divested benefit plans and other	—	(2)	(1)	62
Unrecognized gains (losses), net	—	4	1	1
Other Comprehensive Income (Loss), Net	12	(1)	18	74
Comprehensive Income (Loss), Net	$ (569)	$ (141)	$ (1,916)	$ (342)

CONDUENT INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions, except share data in thousands)	December 31, 2019	December 31, 2018
Assets		
Cash and cash equivalents	$ 496	$ 756
Accounts receivable, net	652	782
Assets held for sale	—	15
Contract assets	155	177
Other current assets	283	234
Total current assets	1,586	1,964
Land, buildings and equipment, net	342	328
Operating lease right-of-use assets	271	—
Intangible assets, net	426	651
Goodwill	1,502	3,408
Other long-term assets	387	329
Total Assets	$ 4,514	$ 6,680
Liabilities and Equity		
Current portion of long-term debt	$ 50	$ 55
Accounts payable	198	230
Accrued compensation and benefits costs	174	193
Unearned income	108	112
Liabilities held for sale	—	40
Other current liabilities	647	567
Total current liabilities	1,177	1,197
Long-term debt	1,464	1,512
Deferred taxes	111	327
Operating lease liabilities	229	—
Other long-term liabilities	91	280
Total Liabilities	3,072	3,316
Series A convertible preferred stock	142	142
Common stock	2	2
Additional paid-in capital	3,890	3,878
Retained earnings (deficit)	(2,185)	(233)
Accumulated other comprehensive loss	(407)	(425)
Total Equity	1,300	3,222
Total Liabilities and Equity	$ 4,514	$ 6,680
Shares of common stock issued and outstanding	211,511	211,306
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 December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
Cash Flows from Operating Activities:				
Net income (loss)	$ (581)	$ (140)	$ (1,934)	$ (416)
Adjustments required to reconcile net income (loss) to cash flows from operating activities:				
Depreciation and amortization	117	115	459	460
Contract inducement amortization	1	1	3	3
Deferred income taxes	(72)	15	(220)	(75)
Goodwill impairment	601	—	1,952	—
(Gain) loss from investments	(1)	(1)	(4)	(2)
Amortization of debt financing costs	2	2	7	11
(Gain) loss on extinguishment of debt	—	—	—	108
(Gain) loss on divestitures and transaction costs	6	33	25	42
Stock-based compensation	5	8	24	38
Allowance for doubtful accounts	3	—	3	—
Changes in operating assets and liabilities	267	220	(183)	118
Other operating, net	—	—	—	(4)
Net cash provided by (used in) operating activities	348	253	132	283
Cash Flows from Investing Activities:				
Cost of additions to land, buildings and equipment	(39)	(60)	(148)	(179)
Proceeds from sale of land, buildings and equipment	—	1	2	13
Cost of additions to internal use software	(18)	(14)	(67)	(45)
Proceeds from investments	—	1	—	1
Payments for acquisitions, net of cash acquired	—	—	(90)	—
Proceeds from divestitures and sale of assets, net of cash	—	3	—	675
Payments from divestitures, including cash sold	—	—	(7)	—
Other investing, net	—	(5)	—	(5)
Net cash provided by (used in) investing activities	(57)	(74)	(310)	460
Cash Flows from Financing Activities:				
Debt issuance fee payments	—	—	—	(3)
Payments on debt	(12)	(6)	(54)	(519)
Premium on debt redemption	—	—	—	(95)
Taxes paid for settlement of stock based compensation	(10)	(1)	(21)	(10)
Dividends paid on preferred stock	(3)	(3)	(10)	(10)
Net cash provided by (used in) financing activities	(25)	(10)	(85)	(637)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	3	1	3	(8)
Increase (decrease) in cash, cash equivalents and restricted cash	269	170	(260)	98
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	236	595	765	667
Cash, Cash Equivalents and Restricted Cash at End of period[(1)]	$ 505	$ 765	$ 505	$ 765

(1) Includes $9 million of restricted cash as of both December 31, 2019 and 2018, that were included in Other current assets on the 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 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 financial measure, for the purpose of calculating Adjusted Net Income (Loss), Adjusted Earnings per Share and Adjusted Effective Tax Rate:

- Amortization of acquired intangible assets. The amortization of acquired intangible assets is driven by acquisition activity, which can vary in size, nature and timing as compared to other companies within our industry and from period to period.
- Restructuring and related costs. Restructuring and related costs include restructuring and asset impairment charges as well as costs associated with our strategic transformation program.
- (Gain) loss on extinguishment of debt. Represents premium on debt extinguishment and the write down of the associated unamortized discount and issuance costs.
- Goodwill impairment. This represents Goodwill impairment charge related to the unanticipated losses of certain customer contracts, lower potential future volumes and lower than expected new customer contracts for all reporting units.
- (Gain) loss on divestitures and transaction costs. Represents (gain) loss on divested businesses and transaction costs.
- Litigation costs (recoveries), net. Litigation costs (recoveries), net primarily represents accruals for the State of Texas litigation, Student Loan Service exposures and certain significant terminated contracts that are subject to litigation.
- Other charge (credit). This comprises other (income) expenses, net, and costs associated with the Company not fully completing the State of New York Health Enterprise Platform project and the Health Enterprise Medical platform projects in California and Montana and other adjustments.
- 2019 and 2018 divestitures. Revenue/(Income) loss from divestitures.

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

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

Adjusted Revenue and Operating Income and Adjusted Operating Margin

We make adjustments to Revenue, Costs and Expenses and Operating Margin, 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.
- (Gain) loss on extinguishment of debt.
- Goodwill impairment.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- Other charge (credit).
- 2019 and 2018 divestitures.

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

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 2018 and 2019 divestitures.

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 extinguishment of debt
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- Other charge (credit).
- 2019 and 2018 divestitures.

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

Free Cash Flow

Free cash flow is defined as cash flows from operating activities as reported on the consolidated statement of cash flows, less cost of additions to land, buildings and equipment, cost of additions to internal use software, tax payments related to divestitures, vendor financed capital lease 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.

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

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

	Three Months Ended December 31,		Year Ended December 31,	
(in millions)	2019	2018	2019	2018
ADJUSTED REVENUE				
Revenue	$ 1,099	$ 1,282	$ 4,467	$ 5,393
Adjustment:				
2019 and 2018 divestitures[1]	—	(104)	(36)	(752)
Adjusted Revenue	$ 1,099	$ 1,178	$ 4,431	$ 4,641
ADJUSTED NET INCOME (LOSS)				
Income (Loss) From Continuing Operations	$ (581)	$ (140)	$ (1,934)	$ (416)
Adjustments:				
Amortization of acquired intangible assets[2]	62	61	246	242
Restructuring and related costs	21	13	71	81
(Gain) loss on extinguishment of debt	—	—	—	108
Goodwill impairment	601	—	1,952	—
(Gain) loss on divestitures and transaction costs	6	33	25	42
Litigation costs (recoveries), net	2	114	17	227
Other charges (credits)	(1)	3	(5)	2
Total Non-GAAP Adjustments	691	224	2,306	702
Income tax adjustments[3]	(69)	(26)	(232)	(56)
Adjusted Net Income (Loss) Before Adjustment for Divestitures	$ 41	$ 58	$ 140	$ 230
ADJUSTED EFFECTIVE TAX				
Income (Loss) Before Income Taxes	$ (635)	$ (143)	$ (2,106)	$ (395)
Adjustments:				
Total Non-GAAP Adjustments	691	224	2,306	702
Adjusted PBT (Before Adjustment for Divestitures)	56	81	200	307
2019 and 2018 divestitures[1]	—	(3)	(1)	(98)
Adjusted PBT	$ 56	$ 78	$ 199	$ 209
Income tax expense (benefit)	$ (54)	$ (3)	$ (172)	$ 21
Income tax adjustments[3]	69	26	232	56
Adjusted Income Tax Expense (Benefit)	15	23	60	77
Adjusted Net Income (Loss) Before Adjustment for Divestitures	$ 41	$ 58	$ 140	$ 230

CONTINUED (in millions)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
ADJUSTED OPERATING INCOME (LOSS)				
Income (Loss) Before Income Taxes	$ (635)	$ (143)	$ (2,106)	$ (395)
Adjustments:				
Total non-GAAP adjustments	691	224	2,306	702
Interest expense	18	20	78	112
Adjusted Operating Income (Loss) Before Adjustment for Divestitures	74	101	278	419
2019 and 2018 divestitures(1)	—	(3)	(1)	(98)
Adjusted Operating Income (Loss)	$ 74	$ 98	$ 277	$ 321
ADJUSTED EBITDA				
Income (Loss) From Continuing Operations	$ (581)	$ (140)	$ (1,934)	$ (416)
Income tax expense (benefit)	(54)	(3)	(172)	21
Depreciation and amortization	117	115	459	460
Contract inducement amortization	1	1	3	3
Interest expense	18	20	78	112
EBITDA Before Adjustment for Divestitures	(499)	(7)	(1,566)	180
2019 and 2018 divestitures(1)	—	(3)	(1)	(98)
2018 divestitures depreciation and amortization(1)	—	(3)	—	(7)
EBITDA	(499)	(13)	(1,567)	75
Adjustments:				
Restructuring and related costs	21	13	71	81
(Gain) loss on extinguishment of debt	—	—	—	108
Goodwill impairment	601	—	1,952	—
(Gain) loss on divestitures and transaction costs	6	33	25	42
Litigation costs (recoveries), net	2	114	17	227
Other charges (credits)	(1)	3	(5)	2
Adjusted EBITDA Before Adjustment for Divestitures	$ 130	$ 156	$ 494	$ 640
Adjusted EBITDA	$ 130	$ 150	$ 493	$ 535

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(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, loss on extinguishment of debt, charges for amortization of intangible assets, restructuring, goodwill impairment and divestiture related costs.

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

(Amounts are in whole dollars, shares are in thousands and margins are in %)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
ADJUSTED DILUTED EPS[1]				
Weighted Average Common Shares Outstanding	211,190	207,103	209,318	206,056
Adjustments:				
Stock options	—	45	—	97
Restricted stock and performance units / shares	2,106	3,480	2,157	3,481
Adjusted Weighted Average Common Shares Outstanding	213,296	210,628	211,475	209,634
Diluted EPS from Continuing Operations	$ (2.76)	$ (0.69)	$ (9.29)	$ (2.06)
Adjustments:				
Total non-GAAP adjustments	3.26	1.07	11.01	3.38
Income tax adjustments[2]	(0.32)	(0.12)	(1.10)	(0.27)
Adjusted Diluted EPS Before Adjustment for Divestitures	$ 0.18	$ 0.26	$ 0.62	$ 1.05
ADJUSTED EFFECTIVE TAX RATE				
Effective tax rate	8.5 %	2.1 %	8.2 %	(5.3) %
Adjustments:				
Total non-GAAP adjustments	18.3 %	26.3 %	21.8 %	30.4 %
Adjusted Effective Tax Rate[2]	26.8 %	28.4 %	30.0 %	25.1 %
ADJUSTED OPERATING MARGIN				
Income (Loss) Before Income Taxes Margin	(57.8) %	(11.2) %	(47.1) %	(7.3) %
Adjustments:				
Total non-GAAP adjustments	62.9 %	17.5 %	51.6 %	13.0 %
Interest expense	1.6 %	1.6 %	1.7 %	2.1 %
Margin for Adjusted Operating Income Before Adjustment for Divestitures	6.7 %	7.9 %	6.2 %	7.8 %
2019 and 2018 divestitures[3]	— %	0.4 %	0.1 %	(0.9) %
Margin for Adjusted Operating Income	6.7 %	8.3 %	6.3 %	6.9 %

CONTINUED	Three Months Ended December 31,		Year Ended December 31,	
(margins are in %)	2019	2018	2019	2018
ADJUSTED EBITDA MARGIN				
EBITDA Margin Before Adjustment for Divestitures	(45.4)%	(0.5)%	(35.1)%	3.3 %
Adjustments:				
2019 and 2018 divestitures(3)	— %	(0.6)%	(0.3)%	(1.7)%
EBITDA Margin	(45.4)%	(1.1)%	(35.4)%	1.6 %
Total non-GAAP adjustments	57.2 %	12.7 %	46.2 %	8.6 %
2019 and 2018 divestitures(3)	— %	0.6 %	0.3 %	1.7 %
Adjusted EBITDA Margin Before Adjustment for Divestitures	11.8 %	12.2 %	11.1 %	11.9 %
2019 and 2018 divestitures(3)	— %	0.5 %	— %	(0.4)%
Adjusted EBITDA Margin	11.8 %	12.7 %	11.1 %	11.5 %

(1) *Average shares for the 2019 and 2018 calculation of adjusted EPS excludes 5 million shares associated with our Series A convertible preferred stock and includes the impact of the preferred stock dividend of $3 million for both of the three months ended December 31, 2019 and 2018, respectively*

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

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

Free Cash Flow Reconciliation:

	Three Months Ended December 31,		Year Ended December 31,	
(in millions)	2019	2018	2019	2018
Operating Cash Flow	$ 348	$ 253	$ 132	$ 283
Cost of additions to land, buildings and equipment	(39)	(60)	(148)	(179)
Proceeds from sales of land, buildings and equipment	—	1	2	13
Cost of additions to internal use software	(18)	(14)	(67)	(45)
Tax payment related to divestitures	1	50	9	90
Vendor financed capital leases	(3)	—	(3)	(14)
Free Cash Flow	**$ 289**	**$ 230**	**$ (75)**	**$ 148**
Free Cash Flow	**$ 289**	**$ 230**	**$ (75)**	**$ 148**
Transaction costs	1	14	14	33
Transaction costs tax benefit	3	(5)	—	(5)
Debt buyback tax benefit	—	(26)	—	(26)
Texas litigation payments	—	—	118	—
Deferred compensation tax benefit	—	(31)	—	(31)
Deferred compensation payments and adjustments	—	77	—	99
Adjusted Free Cash Flow	**$ 293**	**$ 259**	**$ 57**	**$ 218**

February 20, 2020

Conduent
Q4 2019
Earnings Results

Cautionary Statements

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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. These statements can be identifiec the fact that they do not relate strictly to historical or current facts, but rather are based on current expectations, estimates, assumptions and projections about the business process outsourcin industry and our business and financial results. Forward-looking statements often include words such as "anticipates," "estimates," "expects," "projects," "intends," "plans," "believes," "aim," an words and terms of similar substance in connection with discussions of future operating or financial performance. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Our actual results may vary materially from those expressed or implied in our forward-looking statements. Accordingly, undue reliance should not be placed on any forward-looking statement made by us or on our behalf.

Important factors and uncertainties that could cause our actual results to differ materially from those in our forward-looking statements include, but are not limited to: government appropriation 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 necess technical personnel and qualified subcontractors; our ability to deliver on our contractual obligations properly and on time; competitive pressures; our significant indebtedness; changes in inter in outsourced business process services; our ability to obtain adequate pricing for our services and to improve our cost structure; claims of infringement of third-party intellectual property rights the failure to comply with laws relating to individually identifiable information, and personal health information and laws relating to processing certain financial transactions, including payment c 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 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 econon strategic, political and social conditions; and other factors that are set forth in the "Risk Factors" section, the "Legal Proceedings" section, the "Management's Discussion and Analysis of Finan Condition and Results of Operations" section and other sections in our Annual Reports on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with or furnished to the Securities and Exchange Commission. Any forward-looking statements made by us in this presentation speak only as of the date on which they are made. We are unde obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

Non-GAAP Financial Measures

We have reported our financial results in accordance with U.S. generally accepted accounting principles (GAAP). In addition, we have discussed our financial results using non-GAAP measure 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 necessar 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 ir 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. C management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions, and providing such n 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 cer of these non-GAAP measures.

Key Highlights

CONDUENT

Q4 / FY Financials[1]	• **Adj. Revenue: at top end of guidance ranges** ▪ Q4'19 $1,099M; down (6.7)% Y/Y (ex divestitures), down (6.5)% in CC ▪ FY'19 $4,431M; down (4.5)% Y/Y (ex divestitures), down (4.0)% in CC • **Adj. EBITDA: in-line with mid-point of guidance range** ▪ Q4'19 $130M, down (13.3)% Y/Y (ex divestitures) ▪ FY'19 $493M down (7.9)% Y/Y (ex divestitures) • **FY 2020 Guidance:** Establishing FY 2020 Revenue and Adj. EBITDA margin guidance ranges
Strategic & Operational Updates	• **Continued progress on growth, quality, and efficiency transformational pillars** ▪ Continue to see early indications of technology incident rate and duration improvement ▪ Net Promoter Score and anecdotal indicators showing initial improvement in client satisfaction ▪ Additional progress made in attracting strong talent to drive transformation ▪ Q1'20 new business signings expected to grow Q/Q and Y/Y • **Completed Strategic and Operational review** ▪ Differentiated portfolio investments focused on optimization, enhancement and expansion opportunities ▪ Exploring potential divestitures...remaining price disciplined

(1) Refer to Appendix for complete Non-GAAP reconciliations of revenue, adjusted EBITDA. All metrics are adjusted to exclude divestitures.

Strategic & Operational Review Completed

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Next steps to strengthen go-forward Company:

- **Investment Criteria for Business Units:**
  - Optimize / Enhance / Expansion
- **Program management approach:**
  - Disciplined transformation project plan / initiatives:
    - Growth
    - Quality
    - Efficiency
- **Possible Funding Alternatives:**
  - Cash-on-hand
  - Revolver (target long-term net leverage ratio of 2.0x - 2.5x)
  - Possible divestitures or other strategic sources

Conduent Growth Approach

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Optimize

Increase retention and margin through productivity and better client outcomes

- End-user Engagement
- Transaction Processing
- Gov't Services
- Gov't Payments

Enhance

Retain and grow through product enhancements

- Gov't Healthcare
- Human Resources Services[1]

Expand

Expand into current and adjacent ma leveraging new technologies

- Commercial Healthcare
- Transportation

Each business considered important with differing strategies for growth and disciplined investment

Color Key:

- Transportation
- Commercial
- Government

(1) Includes HR Outsourcing, BenefitWallet, and Learning.

Transformational Pillars Next Steps

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GOALS	STRATEGY	SELECT METRICS
Growth *Retain every client, sell new business, market leadership*	• Disciplined offering development • Brand & go-to-market repositioning • Expand salesforce talent • Client retention program	Revenue Retention New Business Signings
Quality *Consistent, high-quality service delivery*	• Standardize service delivery processes • Data center optimization • Command center • Technology modernization	SLA Performance Severity 1 Outages Client Satisfaction
Efficiency *Simplified & standardized operating model*	• Simplified & standardized operating model • Process improvement & governance • Associate engagement	AEBITDA Margin Associate Retention

Financials

FY 2019 P&L Metrics

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Revenue[(1)]

GAAP:	$5,393M	$4,467M

Adj. Operating Income[(1)]

GAAP:	$(395)M	$(2,106)M

Adj. EBITDA[(1)]

As Reported[(2)]:	$640M	$494M

- **Revenue[(1)]:** down due to client attrition, price downs on renewals, volume pressure, and insufficient new business
- **Adj. Operating Income[(1)] and Adj. EBITDA[(1)]:** down due to revenue pressure, increased investment, partially offset by reduced IT, real estate, and corporate function spend
- **Adj. EBITDA Margin[(1)]**: 11.1%, down (40) bps Y

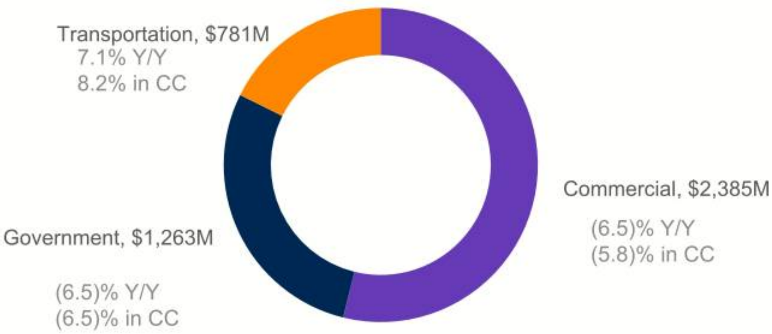
(1) Refer to Appendix for complete Non-GAAP reconciliations of revenue, adjusted operating income, and adjusted EBITDA/margin. These metrics are adjusted to exclude divestitures.

(2) Includes divested businesses.

FY 2019 P&L by Segment

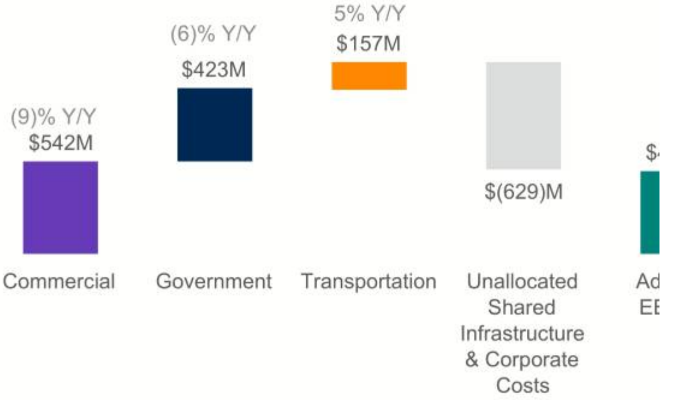
CONDUENT

Revenue(1)



- **Commercial:** decline driven by lost business, volume pressure, and price declines from renewals
- **Government:** decline driven by lost business and price / scope changes associated with large renewal from 1H'19
- **Transportation:** increase driven by new international transit business ramp and domestic tolling volume increases

Adj EBITDA(1) Contributions



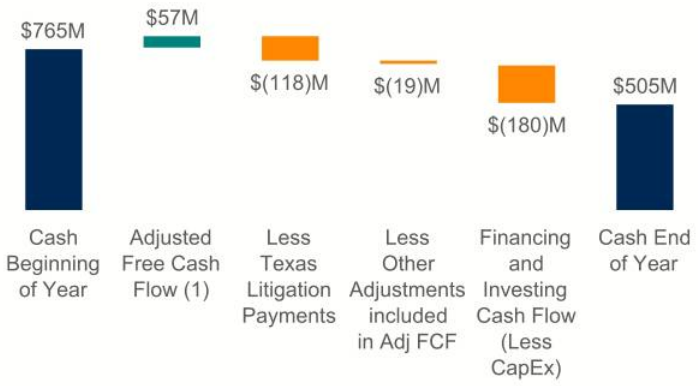
- **Commercial:** margin down (80) bps; AEBITDA decline primarily driven down by revenue, partially offset with reduced IT, labor, and RE
- **Government:** margin up 10 bps; AEBITDA decline prim driven down by revenue and partially offset by reduce
- **Transportation:** margin down (30) bps; AEBITDA grow impacted positively by revenue and reduced IT
- **Unallocated shared costs:** spend decreased 3% Y/Y

(1) Refer to Appendix for complete Non-GAAP reconciliations of revenue and adjusted EBITDA/margin. Revenue and Adjusted EBITDA exclude impact from divested operations.

Q4 / FY 2019 Cash Flow and Balance Sheet

CONDUENT

FY Cash Balance

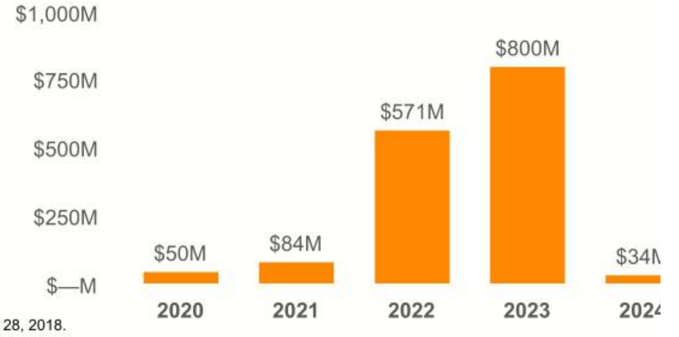


- Q4 / FY Adj. Free Cash Flow[1]: $293M / $57M
- Q4 / FY Capex as % of revenue: 5.2% / 4.8%
- Revolver remains undrawn[2]

Balance Sheet

($ in millions)	**12/31/2018**	**12/31/2**
Total Cash[3]	$765	$50
Total Debt[3]	1,567	1,51
Term Loan A[4,5] due 2022	705	66
Term Loan B[4] due 2023	833	82
10.5% Senior Notes due 2024	34	34
Capital Leases	26	17
Net adjusted leverage ratio[6]	1.2x	2.1

Debt Maturity[5,7]



(1) Refer to Appendix for complete non-GAAP reconciliations of Adjusted Free Cash Flow.
(2) $667M of available capacity under Revolving Credit Facility as of December 31, 2019.
(3) Total Cash includes $9M of restricted cash and Total debt excludes deferred financing costs.
(4) Revolving credit facility and Term Loan A interest rate is LIBOR + 175 bps; Term Loan B is LIBOR + 250 bps effective June 28, 2018.
(5) Term Loan A includes EUR 242M, converted to USD conversion rates on December 31, 2019.
(6) 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.
(7) Debt maturity amounts exclude $17M of finance leases and $(25)M of debt issuance costs and unamortized discounts.

Key Sales Metrics

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TCV Signings and Renewal Rate

New Business (ARR and NRR)

Renewals:

- Q4 2019: 76% (end-user engagement and tolling)
- FY 2019: 81% (impacted by California Medicaid)

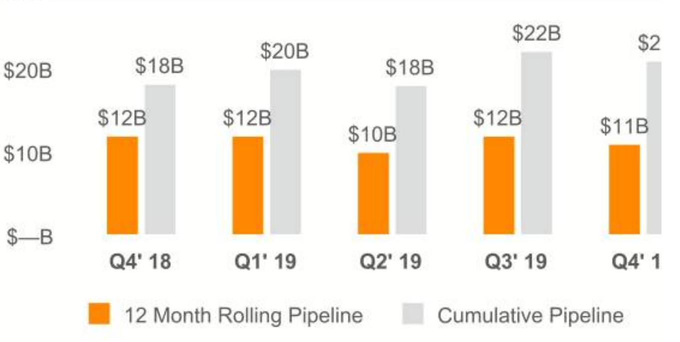
New Business Signings TCV:

- Q4 2019: $209M, down (66)% Y/Y. Difficult compare (signed large customer in Q4 2018)
- Expect Q1'20 new business signings growth Q/Q and Y/Y

Pipeline:

- Both total and 12-month stabilizing

Pipeline



Note: All metrics on page are adjusted to exclude divested operations as required.

FY 2020 Guidance

$ in Millions	FY 2019 Reported	Completed Divestiture Impact[3]	Adjusted FY 2019[4]	FY 2020 Guidance
Revenue (Constant Currency)[1,2]	$4.47B	$(36)M	$4.43B	Down (6) - (8)%
Adj. EBITDA / Adj. EBITDA Margin[2]	$494M	$(1)M	$493M / 11.1%	10.5% - 11.5%
Adj. Free Cash Flow[2] as % of Adj. EBITDA			12%	15 - 20%

Guidance excludes incremental growth investment as a result of strategic review

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

(1) Year-over-year revenue growth comparison at constant currency.
(2) Refer to Appendix for Non-GAAP reconciliations of revenue, adjusted EBITDA / margin and adjusted FCF and for impact from completed divestitures. FY 2019 adjusted FCF adjusted for Texas-related litigation and other specified items, but does not exclude cash generated from operations of businesses we have since divested.
(3) Includes all completed divestitures.
(4) Adjusted for completed divestitures referenced in Appendix.

Q&A

Appendix

Modeling Considerations

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Metric	2020 Guidance
Taxes	Expect \$50M - \$60M in cash taxes for FY 2020 and adjusted tax rate of 29 - 32%
Restructuring	Expect ~\$50M for FY 2020
Interest	Expect \$70M - \$75M for FY 2020 depending on interest rates
Texas Litigation Payments	Final \$118M paid in January 2020

Q4 2019 P&L Metrics

Revenue[1]

GAAP:	$1,282M	$1,099M

Adj. Operating Income[1]

GAAP:	$(143)M	$(635)M

Adj. EBITDA[1]

As Reported[2]:	$156M	$130M

- **Revenue[1]:** down due to client attrition, volume and price pressure, and insufficient new busines
- **Adj. Operating Income[1] and Adj. EBITDA[1]:** down due to revenue pressure and increased investments
- **Adj. EBITDA Margin[1]**: 11.8%, down (90) bps Y

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

(2) Includes divested businesses.

Q4 2019 P&L by Segment

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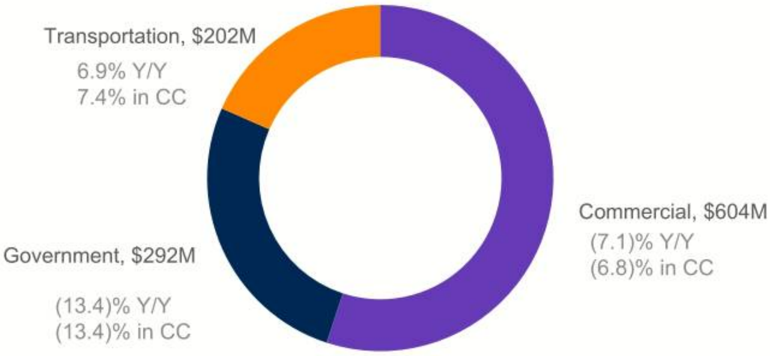
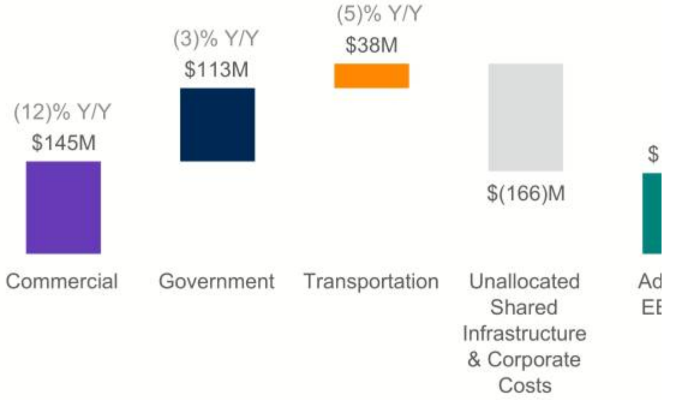
Revenue(1)



- **Commercial:** decline driven by lost business and volume pressure
- **Government:** decline driven by ramp off of lost business and price and scope changes associated with large eligibility renewal that occurred earlier in 2019
- **Transportation:** increase driven by new business ramp in international transit

Adj EBITDA(1) Contributions



- **Commercial:** primarily driven down by revenue
- **Government:** primarily driven down by revenue and partially offset by reduced IT spend
- **Transportation:** impacted positively by revenue and reduced IT spend, offset by increased cost of delivery
- **Unallocated shared costs:** of $(166)M, (1)% increased spend Y/Y

(1) Refer to Appendix for complete Non-GAAP reconciliations of revenue and adjusted EBITDA/margin. Revenue and Adjusted EBITDA exclude impact from divested operations.

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 as required.

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

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

12 Month Rolling New Business Pipeline: New Business TCV pipeline of deals in all sell stages over a rolling 12 months. Excludes the impact of divested business as required.

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.

Non-GAAP Financial Measures

CONDUENT

Non-GAAP Financial Measures

We have reported our financial results in accordance with U.S. generally accepted accounting principles (GAAP). In addition, we have discussed our financial results using the non-GAAP measures. We believe these 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, determir 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 res 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 accordanc 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 Finan 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 operatin 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 m 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-G 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 app 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 i 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 applicable statutory tax rate in the jurisdictions in which such charges were incurred.

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

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

- Amortization of acquired intangible assets. The amortization of acquired intangible assets is driven by acquisition activity, which can vary in size, nature and timing as compared to other companies within our in 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.
- (Gain) loss on extinguishment of debt. Represents premium on debt extinguishment and the write down of the associated unamortized discount and issuance costs.
- 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 contra reporting units.
- (Gain) loss on divestitures and transaction costs. Represents (gain) loss on divested businesses and transaction costs.
- Litigation costs (recoveries), net. Litigation costs (recoveries), net represents reserves for the State of Texas litigation, Student Loan Service exposures and certain significant terminated contracts that are subje litigation.
- Other charge (credit). This comprises other (income) expenses, net, costs associated with the Company not fully completing the State of New York Health Enterprise Platform project and the Health Enterprise M platform projects in California and Montana and other adjustments.
- 2019 and 2018 divestitures. (Revenue) / (Income) loss from divestitures.

The Company provides adjusted net income and adjusted EPS financial measures to assist our investors in evaluating our ongoing operating performance for the current reporting period and, where provided, over d 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 o performance, both absolutely and in comparison to other companies, and in evaluating or making selected compensation decisions.

Management believes that adjusted effective tax rate, provided as supplemental information, facilitates a comparison by investors of our actual effective tax rate with an adjusted effective tax rate which reflects the im 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 bu

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.
- (Gain) loss on extinguishment of debt.
- Goodwill impairment.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- Other charge (credit).
- 2019 and 2018 divestitures.

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

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.
- (Gain) loss on extinguishment of debt.
- Goodwill impairment.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- Other charge (credit).
- 2019 and 2018 divestitures.

Adjusted EBITDA is not intended to represent cash flows from operations, operating income (loss) or net income (loss) as defined by U.S. GAAP as indicators of operating 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

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Free Cash Flow

Free Cash Flow is defined as cash flows from operating activities as reported on the consolidated statement of cash flows, less cost of additions to land, buildings and equipment, cost of additions to internal use software, tax payments related to divestitures, vendor financed capital lease and proceeds from sales of land, buildings and equipment. We use the non-GAAP measure of Free Cash Flow as a criterion of liquidity and performance-based components of employee compensation. We use Free Cash Flow as a measure of liquidity to determine amounts we can reinvest in our core businesses, such as amounts available to make acquisitions and invest in land, buildings and equipment and internal use software, 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.

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 debt buyback tax benefit, 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, such as amortization, restructuring, NY MMIS, HE charge, goodwill impairment, and certain other adjusted items, which can be dependent on future events that may not be reliably predicted. Based on past reported results, where one or more of these items have been applicable, such excluded items could be material, individually or in the aggregate, to reported results. We have provided and outlook for revenue on a constant currency basis due to the inability to accurately predict foreign currency impact on revenues. Outlook for Free Cash Flow and Adjusted Free Cash Flow is provided as a factor of expected adjusted EBITDA, see above. For the same reason, we are unable to provide GAAP expected adjusted tax rate, which adjusts for our non-GAAP adjustments.

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

(in millions)	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	FY 2018
ADJUSTED REVENUE							
Revenue	$ 1,282	$ 1,158	$ 1,112	$ 1,098	$ 1,099	$ 4,467	$ 5,393
Adjustment:							
2019 and 2018 divestitures[1]	(104)	(36)	—	—	—	(36)	(752)
Adjusted Revenue	$ 1,178	$ 1,122	$ 1,112	$ 1,098	$ 1,099	$ 4,431	$ 4,641
ADJUSTED NET INCOME (LOSS)							
Income (Loss) From Continuing Operations	$ (140)	$ (308)	$ (1,029)	$ (16)	$ (581)	$ (1,934)	$ (416)
Adjustments:							
Amortization of acquired intangible assets[2]	61	62	61	61	62	246	242
Restructuring and related costs	13	16	26	8	21	71	81
(Gain) loss on extinguishment of debt	—	—	—	—	—	—	108
Goodwill impairment	—	284	1,067	—	601	1,952	—
(Gain) loss on divestitures and transaction costs	33	14	2	3	6	25	42
Litigation costs (recoveries), net	114	12	1	2	2	17	227
Other charges (credits)	3	(1)	5	(8)	(1)	(5)	2
Total Non-GAAP Adjustments	224	387	1,162	66	691	2,306	702
Income tax adjustments[3]	(26)	(47)	(103)	(13)	(69)	(232)	(56)
Adjusted Net Income (Loss) Before Adjustment for Divestitures	$ 58	$ 32	$ 30	$ 37	$ 41	$ 140	$ 230

CONTINUED

(in millions)	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	FY 2018
ADJUSTED EFFECTIVE TAX							
Income (Loss) Before Income Taxes	$ (143)	$ (338)	$ (1,119)	$ (14)	$ (635)	$ (2,106)	$ (395)
Adjustment:							
Total Non-GAAP Adjustments	224	387	1,162	66	691	2,306	702
Adjusted PBT (Before Adjustment for Divestitures)	81	49	43	52	56	200	307
2019 and 2018 divestitures[1]	(3)	(1)	—	—	—	(1)	(98)
Adjusted PBT	$ 78	$ 48	$ 43	$ 52	$ 56	$ 199	$ 209
Income tax expense (benefit)	$ (3)	$ (30)	$ (90)	$ 2	$ (54)	$ (172)	$ 21
Income tax adjustments[3]	26	47	103	13	69	232	56
Adjusted Income Tax Expense (Benefit)	23	17	13	15	15	60	77
Adjusted Net Income (Loss) Before Adjustment for Divestitures	$ 58	$ 32	$ 30	$ 37	$ 41	$ 140	$ 230
ADJUSTED OPERATING INCOME (LOSS)							
Income (Loss) Before Income Taxes	$ (143)	$ (338)	$ (1,119)	$ (14)	$ (635)	$ (2,106)	$ (395)
Adjustment:							
Total non-GAAP adjustments	224	387	1,162	66	691	2,306	702
Interest expense	20	20	20	20	18	78	112
Adjusted Operating Income (Loss) Before Adjustment for Divestitures	101	69	63	72	74	278	419
2019 and 2018 divestitures[1]	(3)	(1)	—	—	—	(1)	(98)
Adjusted Operating Income (Loss)	$ 98	$ 68	$ 63	$ 72	$ 74	$ 277	$ 321

CONTINUED

(in millions)	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	FY 2018
ADJUSTED EBITDA							
Income (Loss) From Continuing Operations	$ (140)	$ (308)	$ (1,029)	$ (16)	$ (581)	$ (1,934)	$ (416)
Income tax expense (benefit)	(3)	(30)	(90)	2	(54)	(172)	21
Depreciation and amortization	115	115	112	115	117	459	460
Contract inducement amortization	1	1	—	1	1	3	3
Interest expense	20	20	20	20	18	78	112
EBITDA Before Adjustment for Divestitures	(7)	(202)	(987)	122	(499)	(1,566)	180
2019 and 2018 divestitures[1]	(3)	(1)	—	—	—	(1)	(98)
2018 divestitures depreciation and amortization[1]	(3)	—	—	—	—	—	(7)
EBITDA	(13)	(203)	(987)	122	(499)	(1,567)	75
Adjustments:							
Restructuring and related costs	13	16	26	8	21	71	81
(Gain) loss on extinguishment of debt	—	—	—	—	—	—	108
Goodwill impairment	—	284	1,067	—	601	1,952	—
(Gain) loss on divestitures and transaction costs	33	14	2	3	6	25	42
Litigation costs (recoveries), net	114	12	1	2	2	17	227
Other charges (credits)	3	(1)	5	(8)	(1)	(5)	2
Adjusted EBITDA Before Adjustment for Divestitures	$ 156	$ 123	$ 114	$ 127	$ 130	$ 494	$ 640
Adjusted EBITDA	$ 150	$ 122	$ 114	$ 127	$ 130	$ 493	$ 535

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

Non-GAAP Reconciliations: Adjusted Weighted Average Shares Outstanding, 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 %)	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	FY 2018
ADJUSTED DILUTED EPS[(1)]							
Weighted Average Common Shares Outstanding	207,103	207,944	208,496	209,626	211,190	209,318	206,056
Adjustments:							
Stock options	45	27	7	—	—	—	97
Restricted stock and performance units / shares	3,480	2,783	2,814	1,509	2,106	2,157	3,481
Adjusted Weighted Average Common Shares Outstanding	210,628	210,754	211,317	211,135	213,296	211,475	209,634
Diluted EPS from Continuing Operations	$ (0.69)	$ (1.49)	$ (4.94)	$ (0.09)	$ (2.76)	$ (9.29)	$ (2.06)
Adjustments:							
Total non-GAAP adjustments	1.07	1.85	5.56	0.31	3.26	11.01	3.38
Income tax adjustments[(2)]	(0.12)	(0.22)	(0.49)	(0.06)	(0.32)	(1.10)	(0.27)
Adjusted Diluted EPS Before Adjustment for Divestitures	$ 0.26	$ 0.14	$ 0.13	$ 0.16	$ 0.18	$ 0.62	$ 1.05
ADJUSTED EFFECTIVE TAX RATE							
Effective tax rate	2.1 %	8.9 %	8.0 %	(14.3)%	8.5 %	8.2 %	(5.3)%
Adjustments:							
Total non-GAAP adjustments	26.3 %	25.8 %	22.2 %	43.1 %	18.3 %	21.8 %	30.4 %
Adjusted Effective Tax Rate[(2)]	28.4 %	34.7 %	30.2 %	28.8 %	26.8 %	30.0 %	25.1 %

CONTINUED

(Margins are in %)	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	FY 2018
ADJUSTED OPERATING MARGIN							
Income (Loss) Before Income Taxes Margin	(11.2)%	(29.2)%	(100.6)%	(1.3)%	(57.8)%	(47.1)%	(7.3)%
Adjustments:							
Total non-GAAP adjustments	17.5 %	33.5 %	104.5 %	6.1 %	62.9 %	51.6 %	13.0 %
Interest expense	1.6 %	1.7 %	1.8 %	1.8 %	1.6 %	1.7 %	2.1 %
Margin for Adjusted Operating Income Before Adjustment for Divestitures	7.9 %	6.0 %	5.7 %	6.6 %	6.7 %	6.2 %	7.8 %
2019 and 2018 divestitures[3]	0.4 %	0.1 %	— %	— %	— %	0.1 %	(0.9)%
Margin for Adjusted Operating Income	8.3 %	6.1 %	5.7 %	6.6 %	6.7 %	6.3 %	6.9 %
ADJUSTED EBITDA MARGIN							
EBITDA Margin Before Adjustment for Divestitures	(0.5)%	(17.4)%	(88.8)%	11.1 %	(45.4)%	(35.1)%	3.3 %
2019 and 2018 divestitures[3]	(0.6)%	(0.7)%	— %	— %	— %	(0.3)%	(1.7)%
EBITDA Margin	(1.1)%	(18.1)%	(88.8)%	11.1 %	(45.4)%	(35.4)%	1.6 %
Total non-GAAP adjustments	12.7 %	28.0 %	99.1 %	0.5 %	57.2 %	46.2 %	8.6 %
2019 and 2018 divestitures[3]	0.6 %	0.7 %	— %	— %	— %	0.3 %	1.7 %
Adjusted EBITDA Margin Before Adjustment for Divestitures	12.2 %	10.6 %	10.3 %	11.6 %	11.8 %	11.1 %	11.9 %
2019 and 2018 divestitures[3]	0.5 %	0.3 %	— %	— %	— %	— %	(0.4)%
Adjusted EBITDA Margin	12.7 %	10.9 %	10.3 %	11.6 %	11.8 %	11.1 %	11.5 %

1. *Average shares for the 2019 and 2018 calculation of adjusted EPS excludes 5 million shares associated with our Series A convertible preferred stock and includes the impact of the preferred stock dividend of $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, loss on extinguishment of debt, charges for amortization of intangible assets, restructuring, goodwill impairment and divestiture related costs.*
3. *Adjusted for the full impact from revenue and income/loss from divestitures for all periods presented.*

Non-GAAP Reconciliation: Adj. Free Cash Flow

(in millions)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
Operating Cash Flow	$ 348	$ 253	$ 132	$ 283
Cost of additions to land, buildings and equipment	(39)	(60)	(148)	(179)
Proceeds from sales of land, buildings and equipment	—	1	2	13
Cost of additions to internal use software	(18)	(14)	(67)	(45)
Tax payment related to divestitures	1	50	9	90
Vendor financed capital leases	(3)	—	(3)	(14)
Free Cash Flow	**$ 289**	**$ 230**	**$ (75)**	**$ 148**
Free Cash Flow	$ 289	$ 230	$ (75)	$ 148
Transaction costs	1	14	14	33
Transaction costs tax benefit	3	(5)	—	(5)
Debt buyback tax benefit	—	(26)	—	(26)
Texas litigation payments	—	—	118	—
Deferred compensation tax benefit	—	(31)	—	(31)
Deferred compensation payments and adjustments	—	77	—	99
Adjusted Free Cash Flow	**$ 293**	**$ 259**	**$ 57**	**$ 218**