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

# FORM 8-K

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

**Date of Report (date of earliest event reported): November 8, 2017**

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

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

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

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

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

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

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

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

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

**Item 2.02. Results of Operations and Financial Condition.**

On November 8, 2017, Registrant released its third quarter 2017 earnings and is furnishing to the Securities and Exchange Commission a copy of the earnings press release as Exhibit 99.1 to this Report under Item 2.02 of Form 8-K.

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

**Item 7.01. Regulation FD Disclosure.**

On November 8, 2017, Registrant conducted an earnings call regarding its 2017 third quarter results and is furnishing to the Securities and Exchange Commission a copy of the presentation used during the earnings call as Exhibit 99.2 to this Report under Item 7.01 of Form 8-K.

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

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

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

| Exhibit No. | Description |
|---|---|
| 99.1 | Registrant’s third quarter 2017 earnings press release dated November 8, 2017 |
| 99.2 | Registrant’s investor presentation dated November 8, 2017 |

**Forward Looking Statements**

This Quarterly Report on Form 10-Q and any exhibits to this Report may contain "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “will,” “should” and similar expressions, as they relate to us, are intended to identify forward-looking statements. These statements reflect Management's current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially. Such factors include, but are not limited to: termination rights contained in our government contracts; our ability to renew commercial and government contracts awarded through competitive bidding processes; our ability to recover capital and other investments in connection with our contracts; our ability to attract and retain necessary technical personnel and qualified subcontractors; our ability to deliver on our contractual obligations properly and on time; competitive pressures; our significant indebtedness; changes in interest in outsourced business process services; our ability to obtain adequate pricing for our services and to improve our cost structure; claims of infringement of third-party intellectual property rights; the failure to comply with laws relating to individually identifiable information, and personal health information and laws relating to processing certain financial transactions, including payment card transactions and debit or credit card transactions; breaches of our security systems and service interruptions; our ability to estimate the scope of work or the costs of performance in our contracts; our ability to collect our receivables for unbilled services; a decline in revenues from or a loss or failure of significant clients; fluctuations in our non-recurring revenue; our failure to maintain a satisfactory credit rating; our ability to attract and retain key employees; increases in the cost of telephone and data services or significant interruptions in such services; our failure to develop new service offerings; our ability to receive dividends or other payments from our subsidiaries; changes in tax and other laws and regulations; changes in government regulation and economic, strategic, political and social conditions; changes in U.S. GAAP or other applicable accounting policies; and other factors that are set forth in the “Risk Factors” section, the “Legal Proceedings” section, the “Management's Discussion and Analysis of Financial Condition and Results of Operations” section and other sections of this Quarterly Report on Form 10-Q, our Quarterly Report on Form 10-Q for the quarters ended March 31, 2017 and June 30, 2017 and our 2016 Annual Report on Form 10-K filed with the Securities and Exchange Commission. Any forward-looking statements made by us in this Quarterly Report on Form 10-Q speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

**SIGNATURES**

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

Date: November 8, 2017

CONDUENT INCORPORATED

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

Allan Cohen

Vice President and Chief Accounting Officer

EXHIBIT 99.1

News from Conduent

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

www.Conduent.com

# Conduent Reports Third Quarter 2017 Results; Operating Income and Adjusted EBITDA Rise; Strong Cash Flow and Adjusted EPS; Healthy Renewal Rate

**Financial and Operational Highlights**

- Revenue of $1,480 million
- Net loss of ($17) million, GAAP EPS ($0.09)
- Adjusted net income of $48 million and Adjusted EPS $0.22
- Adjusted EBITDA of $174 million, up 3% year-over-year
- Strong cash flow from operations of $104 million and free cash flow of $73 million
- Renewal rate of 98% and $657 million of renewal TCV
- Divested five businesses resulting in $56 million of proceeds
- Completed second repricing of Term Loan B, reduced interest rate by 250 bps since beginning of year

FLORHAM PARK, NJ, November 8, 2017 - Conduent (NYSE: CNDT), the world's largest provider of diversified business services, today announced its third quarter 2017 financial results.

“We delivered another solid quarter while rightsizing the company through divestitures and strategic actions, positioning us to amplify our core,” said Ashok Vemuri, CEO of Conduent. “In the third quarter, we made progress on contract remediation and improved our technology-led vertical go-to-market strategy. Profitability in our commercial segment improved and we achieved strong renewal rates, pipeline growth and improved delivery across our portfolio of offerings. We are progressing well on our path to building a sustainable, predictable and profitable enterprise that will be a leader in our industry.”

**Third Quarter 2017 Results**

Third quarter 2017 revenues were $1,480 million, down (7%) compared to Q3 2016. Pre-tax income was $13 million compared to $2 million in Q3 2016. The company reported EPS from continuing operations of ($0.09) versus $0.01 in the same period last year.

Third quarter adjusted operating income was $111 million, with an adjusted operating margin of 7.5% as compared to $97 million, with an adjusted operating margin of 6.1% in Q3 2016. Adjusted EBITDA improved 3.0% to $174 million, with an adjusted EBITDA margin of 11.8%, as compared with $169 million, with an adjusted EBITDA margin of 10.6% in Q3 2016. The company reported adjusted EPS of $0.22 compared to $0.24 in Q3 2016.

Conduent generated $104 million in cash flow from operations during the third quarter 2017 and ended the quarter with a cash balance of $468 million. Total debt was $2,062 million as of September 30, 2017.

Headcount of approximately 90,000 as of September 30, 2017 compared with approximately 96,000 as of December 31, 2016.

Total contract value (TCV) signings of $1,048 million for the quarter were down (32%) compared with Q3 2016, impacted by slower than anticipated decision making and lower overall renewal opportunity.

**Financial and Strategic Outlook**

Conduent provided the following guidance ranges for FY 2017, which includes the impact of businesses divested in Q3 2017:

| (in millions) | FY 2016 | | FY 2017E |
|---|---|---|---|
| Revenue | $ | 6,408 | Down 4.5-6.5% (CC) |
| Adjusted EBITDA | $ | 635 | Up ~5% |
| Free Cash Flow | $ | (81) | 20-30% of Adj. EBITDA |

Note: Please refer to the "Non-GAAP Outlook" in the Non-GAAP section below for certain non-GAAP information concerning outlook

"Our third quarter results demonstrate progress in our strategic transformation initiative and the stabilization of our core business as we grew Adjusted EBITDA by 11% and 3% compared with Q2 2017 and Q3 2016, respectively. As a result, I believe we are well positioned entering the fourth quarter," said

Brian Webb-Walsh, CFO of Conduent. "Our 2017 guidance reflects the fourth quarter impact from divestitures completed year-to-date. We are also targeting an additional $250 to $500 million of revenue for potential divestiture in the near term. Our free cash flow improved again this quarter and we continued to strengthen our balance sheet by repricing our Term Loan B. We have now reduced the interest rate by a total of 250 basis points since the start of the year."

**Conference Call**

Management will present the results during a conference call and webcast on November 8, 2017 at 10 a.m. Eastern.

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

The conference call will also be available by calling 877-883-0383 (international dial-in 412-902-6506) at approximately 9:45 a.m. ET. The conference ID for this call is 8630093.

A recording of the conference call will be available by calling 877-344-7529, or 412-317-0088 one hour after the conference call concludes on November 8, 2017. The replay ID is 10112510.

**About Conduent**

Conduent (NYSE: CNDT) is the world’s largest provider of diversified business services with leading capabilities in transaction processing, automation and analytics. The company’s global workforce is dedicated to helping its large and diverse client base deliver quality services to the people they serve. These clients include 76 of the Fortune 100 companies and over 500 government entities.

Conduent’s differentiated offerings touch millions of lives every day, including two-thirds of all insured patients in the U.S. and nearly nine million people who travel through toll systems daily.  Whether it’s digital payments, claims processing, benefit administration, automated tolling, customer care or distributed learning - Conduent manages and modernizes these interactions to create value for both its clients and their constituents. Learn more at www.conduent.com.

**Non-GAAP Measures**

We have reported our financial results in accordance with U.S. generally accepted accounting principles (GAAP). In addition, we have discussed our financial results using non-GAAP measures. We believe these non-GAAP measures allow investors to better understand the trends in our business and to better understand and compare our results. Accordingly, we believe it is necessary to adjust several reported amounts, determined in accordance with GAAP, to exclude the effects of certain items as well as their related tax effects. Management believes that these non-GAAP financial measures provide an additional means of analyzing the current periods' results against the corresponding prior periods' results. These non-GAAP financial measures should be viewed in addition to, and not as a substitute for, the Company's reported results prepared in accordance with U.S. GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable U.S. GAAP measures and should be read only in conjunction with our Condensed Consolidated Financial Statements prepared in accordance with U.S. GAAP. Our management regularly uses supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions, and providing such non-GAAP financial measures to investors allows for a further level of transparency as to how management reviews and evaluates our business results and trends. These non-GAAP measures are among the primarily 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 these 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 report and any exhibits to this Report may contain "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “will,” “should” and similar expressions, as they relate to us, are intended to identify forward-looking statements. These statements reflect management's current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially. Such factors include, but are not limited to: termination rights contained in our government contracts; our ability to renew commercial and government contracts awarded through competitive bidding processes; our ability to recover capital and other investments in connection with our contracts; our ability to attract and retain necessary technical personnel and qualified subcontractors; our ability to deliver on our contractual obligations properly and on time; competitive pressures; our significant indebtedness; changes in interest in outsourced business process services; our ability to obtain adequate pricing for our services and to improve our cost structure; claims of infringement of third-party intellectual property rights; the failure to comply with laws relating to individually identifiable information, and personal health information and laws relating to processing certain financial transactions, including payment card transactions and debit or credit card transactions; breaches of our security systems and service interruptions; our ability to estimate the scope of work or the costs of performance in our contracts; our ability to collect our receivables for unbilled services; a decline in revenues from or a loss or failure of significant clients; fluctuations in our non-recurring revenue; our failure to maintain a satisfactory credit rating; our ability to attract and retain key employees; increases in the cost of telephone and data services or significant interruptions in such services; our failure to develop new service offerings; our ability to receive dividends or other payments from our subsidiaries; changes in tax and other laws and regulations; changes in government regulation and economic, strategic, political and social conditions; changes in U.S. GAAP or other applicable accounting policies; and other factors that are set forth in the "Risk Factors" section, the "Legal Proceedings" section, the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section and other sections in our 2016 Annual Report on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission. Any forward-looking statements made by us in this report speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

# # #

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

| (in millions, except per-share data) | Three Months Ended September 30, 2017 | Three Months Ended September 30, 2016 | Nine Months Ended September 30, 2017 | Nine Months Ended September 30, 2016 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Revenue | $ 1,470 | $ 1,585 | $ 4,497 | $ 4,856 |
| Related party | 10 | 11 | 32 | 38 |
| **Total Revenues** | 1,480 | 1,596 | 4,529 | 4,894 |
| | | | | |
| Cost of services | 1,210 | 1,319 | 3,742 | 4,079 |
| Related party cost of services | 9 | 9 | 24 | 28 |
| **Gross Margin** | 261 | 268 | 763 | 787 |
| | | | | |
| **Operating Costs and Expenses** | | | | |
| Research and development | 4 | 7 | 11 | 25 |
| Selling, general and administrative | 144 | 164 | 466 | 517 |
| Restructuring and related costs | 22 | 8 | 76 | 57 |
| Amortization of intangible assets | 60 | 63 | 182 | 200 |
| Interest expense | 35 | 1 | 105 | 3 |
| Related party interest | — | 10 | — | 30 |
| Separation costs | 2 | 15 | 8 | 34 |
| (Gain) loss on sale of asset and businesses | (16) | — | (41) | 1 |
| Other (income) expenses, net | (3) | (2) | (24) | 6 |
| **Total Operating Costs and Expenses** | 248 | 266 | 783 | 873 |
| | | | | |
| **Income (Loss) before Income Taxes** | 13 | 2 | (20) | (86) |
| Income tax expense (benefit) | 30 | 1 | 11 | (54) |
| **(Loss) Income from Continuing Operations** | (17) | 1 | (31) | (32) |
| Income from discontinued operations, net of tax | — | — | 4 | — |
| **Net (Loss) Income** | $ (17) | $ 1 | $ (27) | $ (32) |
| | | | | |
| **Basic Earnings (Loss) per Share:** | | | | |
| Continuing operations | $ (0.09) | $ 0.01 | $ (0.19) | $ (0.16) |
| Discontinued operations | — | — | 0.02 | — |
| **Total Basic (Loss) Income per Share** | $ (0.09) | $ 0.01 | $ (0.17) | $ (0.16) |
| | | | | |
| **Diluted Earnings (Loss) per Share:** | | | | |
| Continuing operations | $ (0.09) | $ 0.01 | $ (0.19) | $ (0.16) |
| Discontinued operations | — | — | 0.02 | — |
| **Total Diluted (Loss) Income per Share** | $ (0.09) | $ 0.01 | $ (0.17) | $ (0.16) |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (in millions) | 2017 | 2016 | 2017 | 2016 |
| Net (Loss) Income | $ (17) | $ 1 | $ (27) | $ (32) |
| **Other Comprehensive Income (Loss), Net:** | | | | |
| Translation adjustments, net | 8 | (10) | 34 | (25) |
| Unrealized gains, net | — | — | 2 | 1 |
| Changes in defined benefit plans, net | — | 1 | — | 2 |
| **Other Comprehensive Income (Loss), Net** | 8 | (9) | 36 | (22) |
| **Comprehensive (Loss) Income, Net** | $ (9) | $ (8) | $ 9 | $ (54) |

**EXHIBIT 99.1**

# CONDUENT INCORPORATED
## CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| (in millions, except share data in thousands) | September 30, 2017 | December 31, 2016 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 468 | $ 390 |
| Accounts receivable, net | 1,380 | 1,286 |
| Net receivable from former parent company | 31 | — |
| Other current assets | 233 | 241 |
| **Total Current Assets** | 2,112 | 1,917 |
| Land, buildings and equipment, net | 249 | 283 |
| Intangible assets, net | 959 | 1,144 |
| Goodwill | 3,899 | 3,889 |
| Other long-term assets | 328 | 476 |
| **Total Assets** | $ 7,547 | $ 7,709 |
| **Liabilities and Equity** | | |
| Short-term debt and current portion of long-term debt | $ 71 | $ 28 |
| Accounts payable | 147 | 164 |
| Accrued compensation and benefits costs | 221 | 269 |
| Unearned income | 184 | 206 |
| Net payable to former parent company | — | 124 |
| Other current liabilities | 591 | 611 |
| **Total Current Liabilities** | 1,214 | 1,402 |
| Long-term debt | 1,991 | 1,913 |
| Pension and other benefit liabilities | 151 | 172 |
| Deferred taxes | 605 | 619 |
| Other long-term liabilities | 132 | 173 |
| **Total Liabilities** | 4,093 | 4,279 |
| | | |
| **Series A Convertible Preferred Stock** | 142 | 142 |
| | | |
| Common stock | 2 | 2 |
| Additional paid-in-capital | 3,834 | 3,812 |
| Retained deficit | (34) | — |
| Accumulated other comprehensive loss | (490) | (526) |
| **Net Equity** | 3,312 | 3,288 |
| **Total Liabilities and Equity** | $ 7,547 | $ 7,709 |
| | | |
| Shares of common stock issued & outstanding | 210,372 | 202,875 |
| Shares of Series A convertible preferred stock issued & outstanding | 120 | 120 |

## CONDUENT INCORPORATED
## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (in millions) | 2017 | 2016 | 2017 | 2016 |
| **Cash Flows from Operating Activities:** | | | | |
| Net (loss) income | $ (17) | $ 1 | $ (27) | $ (32) |
| **Adjustments required to reconcile net loss to cash flows from operating activities:** | | | | |
| Depreciation and amortization | 123 | 135 | 378 | 417 |
| Deferred tax expense (benefit) | 24 | (35) | (7) | (11) |
| Gain on investments | (3) | (3) | (10) | (6) |
| Amortization of debt financing costs | 3 | — | 7 | — |
| Net (gain) loss on sale of asset and businesses | (16) | — | (48) | 1 |
| Stock-based compensation | 8 | 8 | 26 | 18 |
| Changes in operating assets and liabilities: | | | | |
| Increase in accounts receivable, net | (6) | (27) | (76) | (137) |
| Decrease (increase) in other current and long-term assets | 12 | 2 | (34) | (64) |
| Decrease in accounts payable and accrued compensation | (1) | (15) | (86) | (154) |
| Increase (decrease) in restructuring liabilities | 1 | (17) | 25 | 8 |
| Decrease in other current and long-term liabilities | (26) | (74) | (80) | (164) |
| Net change in income tax assets and liabilities | 5 | 167 | 3 | 91 |
| Other operating, net | (3) | (2) | (6) | (5) |
| **Net cash provided by (used in) operating activities** | 104 | 140 | 65 | (38) |
| **Cash Flows from Investing Activities** | | | | |
| Cost of additions to land, buildings and equipment | (20) | (31) | (57) | (86) |
| Proceeds from sales of land, buildings and equipment | — | — | 33 | — |
| Cost of additions to internal use software | (11) | (11) | (26) | (31) |
| Proceeds (payments) from sale (purchase) of businesses | 56 | (1) | 56 | (54) |
| Proceeds from investments | 117 | — | 117 | — |
| Net payments on related party notes receivable | — | 43 | — | 43 |
| Other investing, net | (1) | (1) | (1) | (1) |
| **Net cash provided by (used in) investing activities** | 141 | (1) | 122 | (129) |
| **Cash Flows from Financing Activities** | | | | |
| Proceeds on long term debt | — | 2 | 306 | 6 |
| Debt issuance fee payments | — | — | (9) | — |
| Payments on debt | (79) | (6) | (232) | (18) |
| Net (payments to) transfer from former parent | — | (145) | (161) | 190 |
| Employee stock plans (tax) / proceeds, net | (3) | — | (5) | — |
| Dividends paid on preferred stock | (2) | — | (7) | — |
| Other financing | (2) | — | (3) | (1) |
| **Net cash (used in) provided by financing activities** | (86) | (149) | (111) | 177 |
| Effect of exchange rate changes on cash and cash equivalents | — | (2) | 2 | (2) |
| Increase (decrease) in cash and cash equivalents | 159 | (12) | 78 | 8 |
| Cash and cash equivalents at beginning of period | 309 | 160 | 390 | 140 |
| **Cash and Cash Equivalents at End of Period** | $ 468 | $ 148 | $ 468 | $ 148 |

**Non-GAAP Financial Measures**

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

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

- Amortization of intangible assets. The amortization of intangible assets is driven by acquisition activity, which can vary in size, nature and timing as compared to other companies within our industry 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.
- Separation costs. Separation costs are expenses incurred in connection with the separation from Xerox Corporation into a separate, independent, publicly traded company. These costs primarily relate to third-party investment banking, accounting, legal, consulting and other similar types of services related to the separation transaction as well as costs associated with the operational separation of the two companies.
- Other (income) expenses, net. Other (income) expenses, net includes currency (gains) losses, net, litigation matters and all other (income) expenses, net.
- NY Medicaid Management Information System (NY MMIS). Costs associated with the company not fully completing the State of New York Health Enterprise platform project.
- Health Enterprise (HE charge). Cost associated with not fully completing the Health Enterprise Medical platform implementation projects in California and Montana.
- (Gain) loss on sale of asset and businesses.

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

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

**Adjusted Operating Income and Adjusted Operating Margin**

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

- Amortization of intangible assets.
- Restructuring and related costs.
- Separation costs.
- Interest expense. Interest expense includes interest on long-term debt and amortization of debt issuance costs.
- Related Party Interest. Interest payments to former parent.
- Other (income) expenses, net.
- NY MMIS.
- HE charge.
- (Gain) loss of sale of asset and businesses.

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

**Adjusted EBITDA and EBITDA Margin**

We use Adjusted EBITDA as an additional way of assessing certain aspects of our operations that, when viewed with the GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, provide a more complete understanding of our on-going business. Adjusted EBITDA represents income (loss) before interest, income taxes, depreciation and amortization adjusted for the following items:

- Restructuring and related costs.
- Separation costs.
- Other (income) expenses, net.
- NY MMIS.
- HE charge.
- (Gain) loss on sale of asset and businesses.

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 may not be comparable to similar measures disclosed by other companies because not all companies calculate Adjusted EBITDA 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, capital lease additions and the gain on sale of an asset in 2017. We use the non-GAAP measure of Free Cash Flow as a criterion of liquidity and performance-based components of employee compensation. We use Free Cash Flow as a measure of liquidity to determine amounts we can reinvest in our core businesses, such as amounts available to make acquisitions, invest in land, buildings and equipment and internal use software, make principal payments on debt. In order to provide a meaningful basis for comparison, we are providing information with respect to our Free Cash Flow reconciled to cash flow provided by operating activities, which we believe to be the most directly comparable measure under U.S. GAAP.

### 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.

### Non-GAAP Outlook

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

### Net Income (Loss) and EPS Reconciliation:

| | Three Months Ended September 30, 2017 | | Three Months Ended September 30, 2016 | |
|---|---|---|---|---|
| (in millions, except earnings per share) | Net Income (Loss) | EPS | Net Income (Loss) | EPS |
| **GAAP as Reported From Continuing Operations** | $ (17) | $ (0.09) | $ 1 | $ 0.01 |
| **Adjustments:** | | | | |
| Amortization of intangible assets | 60 | | 63 | |
| NY MMIS | 1 | | — | |
| Restructuring and related costs | 22 | | 8 | |
| HE charge | (3) | | — | |
| Separation costs | 2 | | 15 | |
| (Gain) loss on sale of asset and businesses | (16) | | — | |
| Other (income) expenses, net | (3) | | (2) | |
| Less: Income tax adjustments[1] | 2 | | (33) | |
| **Adjusted Net Income (Loss) and EPS** | $ 48 | $ 0.22 | $ 52 | $ 0.24 |
| | | | | |
| (shares) | | | | |
| Weighted average common shares outstanding | | 204 | | 203 |
| Restricted stock and performance shares | | 3 | | 3 |
| 8% Convertible preferred stock | | — | | 5 |
| **Adjusted Weighted Average Shares Outstanding[2]** | | 207 | | 211 |

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

*(2) Average shares for the 2017 calculation of adjusted EPS excludes 5 million shares associated with our Series A convertible preferred stock and includes the impact of the preferred stock quarterly dividend of $2 million for the three months ended September 30, 2017. Average shares for the 2016 calculation of adjusted EPS includes 5 million shares associated with our Series A convertible preferred stock and excludes the impact of the preferred stock quarterly dividend.*

## Effective Tax Rate Reconciliation:

| (in millions) | Three Months Ended September 30, 2017 | | | Three Months Ended September 30, 2016 | | |
|---|---|---|---|---|---|---|
| | Pre-Tax Income (Loss) | Income Tax (Benefit) Expense | Effective Tax Rate | Pre-Tax Income (Loss) | Income Tax (Benefit) Expense | Effective Tax Rate |
| **GAAP as Reported From Continuing Operations** | $ 13 | $ 30 | 230.8% | $ 2 | $ 1 | 50.0% |
| Non-GAAP adjustments[(1)] | 63 | 17 | | 84 | 33 | |
| Termination of COLI plan | — | (19) | | — | — | |
| **Adjusted[(2)]** | $ 76 | $ 28 | 36.8% | $ 86 | $ 34 | 39.5% |

*(1) Refer to Net Income (Loss) reconciliation for details.*

*(2) The tax impact of Adjusted Pre-Tax Income (Loss) from continuing operations is calculated under the same accounting principles applied to the As Reported Pre-Tax Income, which employs an annual effective tax rate method to the results.*

## Operating Income / Margin Reconciliation:

| (in millions) | Three Months Ended September 30, 2017 | | | Three Months Ended September 30, 2016 | | |
|---|---|---|---|---|---|---|
| | Profit (Loss) | Revenue | Margin | Profit (Loss) | Revenue | Margin |
| **GAAP as Reported[(1)]** | $ 13 | $ 1,480 | 0.9% | $ 2 | 1,596 | 0.1% |
| **Adjustments:** | | | | | | |
| Amortization of intangible assets | 60 | | | 63 | | |
| NY MMIS | 1 | | | — | | |
| Restructuring and related costs | 22 | | | 8 | | |
| HE charge | (3) | | | — | | |
| Separation costs | 2 | | | 15 | | |
| Interest expense | 35 | | | 1 | | |
| Related party interest | — | | | 10 | | |
| (Gain) loss on sale of asset and businesses | (16) | | | — | | |
| Other (income) expenses, net | (3) | | | (2) | — | |
| **Adjusted Operating Income/Margin** | $ 111 | $ 1,480 | 7.5% | $ 97 | $ 1,596 | 6.1% |

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

## Adjusted EBITDA / Margin Reconciliation:

| (in millions) | Three Months Ended September 30, 2017 | Three Months Ended September 30, 2016 | Year Ended December 31, 2016 |
|---|---|---|---|
| **GAAP Revenue As Reported** | $ 1,480 | $ 1,596 | $ 6,408 |
| NY MMIS charge | — | — | 83 |
| **Adjusted Revenue** | $ 1,480 | $ 1,596 | $ 6,491 |
| Reconciliation to Adjusted EBITDA | | | |
| **GAAP Net Loss (Income) From Continuing Operations** | $ (17) | $ 1 | $ (983) |
| Interest expense | 35 | 1 | 14 |
| Related party interest | — | 10 | 26 |
| Income tax benefit | 30 | 1 | (244) |
| Depreciation | 31 | 31 | 128 |
| Amortization | 92 | 104 | 485 |
| **EBITDA** | $ 171 | $ 148 | $ (574) |
| *EBITDA Margin* | *11.6%* | *9.3%* | *(8.8)%* |
| **EBITDA** | $ 171 | $ 148 | $ (574) |
| Goodwill impairment | — | — | 935 |
| Restructuring and related costs | 22 | 8 | 101 |
| Separation costs | 2 | 15 | 44 |
| NY MMIS | 1 | — | 161 |
| NY MMIS depreciation | — | — | (52) |
| HE charge adjustment | (3) | — | — |
| (Gain) loss on sale of asset and businesses | (16) | — | (2) |
| Other (income) expenses, net | (3) | (2) | 22 |
| **Adjusted EBITDA** | $ 174 | $ 169 | $ 635 |
| ***Adjusted EBITDA Margin*** | *11.8%* | *10.6%* | *9.8 %* |

## Free Cash Flow Reconciliation:

| (in millions) | Three Months Ended September 30, 2017 | Year Ended December 31, 2016 |
|---|---|---|
| Operating Cash Flow | $ 104 | $ 108 |
| Cost of additions to land, buildings & equipment | (20) | (149) |
| Cost of additions to internal use software | (11) | (39) |
| Vendor financed capital leases | — | (1) |
| **Free Cash Flow** | **$ 73** | **$ (81)** |

CONDUENT

November 8, 2017

# Conduent
# Q3 2017 Earnings Results

# Cautionary Statements

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Forward-Looking Statements

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

- termination rights contained in our government contracts;
- our ability to renew commercial and government contracts awarded through competitive bidding processes;
- our ability to recover capital and other investments in connection with our contracts;
- our ability to attract and retain necessary technical personnel and qualified subcontractors;
- our ability to deliver on our contractual obligations properly and on time;
- competitive pressures;
- our significant indebtedness;
- changes in interest in outsourced business process services;
- our ability to obtain adequate pricing for our services and to improve our cost structure;
- claims of infringement of third-party intellectual property rights;
- the failure to comply with laws relating to individually identifiable information, and personal health information and laws relating to processing certain financial transactions, including payment card transactions and debit or credit card transactions;
- breaches of our security systems and service interruptions;
- our ability to estimate the scope of work or the costs of performance in our contracts;
- our ability to collect our receivables for unbilled services;
- a decline in revenues from or a loss or failure of significant clients;
- fluctuations in our non-recurring revenue;
- our failure to maintain a satisfactory credit rating;
- our ability to attract and retain key employees;
- increases in the cost of telephone and data services or significant interruptions in such services;
- our failure to develop new service offerings;
- our ability to receive dividends or other payments from our subsidiaries;
- changes in tax and other laws and regulations;
- changes in government regulation and economic, strategic, political and social conditions;
- changes in U.S. GAAP or other applicable accounting policies; and
- other factors that are set forth in the "Risk Factors" section, the "Legal Proceedings" section, the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section and other sections of our Annual Report on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission.

We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. Any forward-looking statements made by us in this presentation speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

**Non-GAAP Financial Measures**

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

# Q3 2017 Overview

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## Key Highlights

- Commercial segment profit margin up 150 bps year-over-year and 240 bps sequentially
- Public Sector revenue and profitability consistent qtr/qtr
- Other segment performance continues to improve
- Renewal signings up qtr/qtr and renewal rate of 98%
- Rolling 12-month pipeline ~$13B, up 9% yr/yr
- Initial divestitures completed, resulting in $56 million of proceeds
- Successfully remediated two large customer experience contracts and profitable MMIS extension for large deal

### Revenue

$1,480M, down 1.1% qtr/qtr and down 7.3% yr/yr as reported and down 7.5% yr/yr in constant currency[1]

- *Strategic decisions led to ~40% of the yr/yr decline*

### Profitability

Adjusted operating margin[2] 7.5%, up 140 bps yr/yr

GAAP EPS ($0.09)

Adjusted EPS[2] $0.22

### Adjusted EBITDA[2]

$174M, grew 3% yr/yr

Adjusted EBITDA margin[2] 11.8%, up 120 bps yr/yr

[1] Constant currency based on foreign exchange rates as of the prior-year period. Please refer to Non--GAAP for additional details
[2] Please refer to Appendix for Non-GAAP reconciliations of adjusted operating income/margin, adjusted EBITDA/margin and adjusted EPS

# Strategic Transformation

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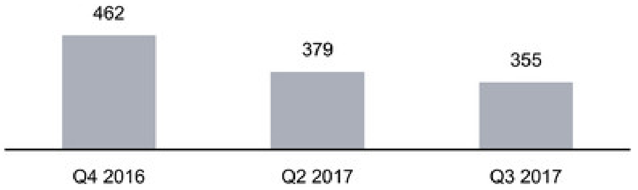
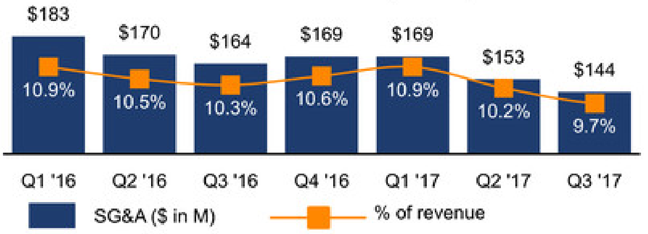
**Progress and Outlook**

- Continued progress in Q3; expect to achieve 2017 target
- Pipeline of cost initiatives provides comfort in expected 2018 savings targets
- Strong real estate performance, expect over achievement in this area
- Progress on Customer Experience with remediation of two large contracts highlighting positive momentum
- IT transformation and simplification remains a focus

**Real Estate Locations**




**Selling, General & Administrative (SG&A) Trends**




Note: Q4 2016 % of adjusted revenue[1]

[1]Please refer to Appendix for Non-GAAP reconciliations of adjusted revenue

# Operational Focus

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Investing in the sales force, pursuing larger deals with shorter duration, driving cross-sell

Modernizing platforms, investing in automation, analytics and digital experiences

Centralizing our technology ecosystem and taking control of our IT infrastructure

Optimizing workforce and utilization of the global delivery network

# Signings, Pipeline and Renewal Rate

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**$1,048M**

**Total Contract Value (TCV) Signings**

- Total TCV declined 16% qtr/qtr and 32% yr/yr, impacted by delays with two large deals*

**98%**

**Renewal Rate**

- Reflects opportunities with acceptable margin and risk
- Renewals: $657M, improved sequentially but still impacted yr/yr by lower overall opportunities
- Key renewals in Government Healthcare, Payment Services and Comms & Media

**$390M**

**New Business Total Contract Value**

- New Business: $390M, declined 41% qtr/qtr and 38% yr/yr
- Decline impacted by delays with two large deals
- Key expansions in Transportation

**~$13B**

**Rolling 12-Month Pipeline**

- Increased 9% yr/yr
- Key opportunities in Public Transit, State & Local, Healthcare Payer and Payments

*Two contracts with TCV of ~$200M were delayed in Q3 but have since been signed in Q4

# Portfolio Review Update

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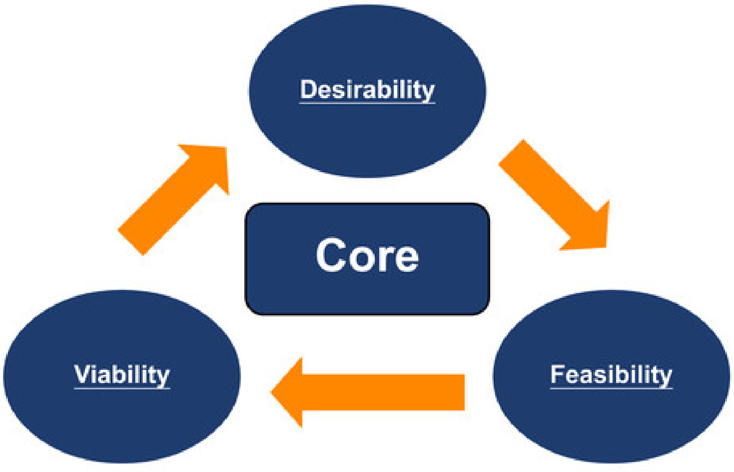
- During Q3, divested five businesses:
  - Global Mobility (Human Resource Services)
  - FIREHOUSE (State & Local)
  - Healthcare consulting (Healthcare Provider)
  - Breakaway Group (Healthcare Provider)
  - Wireless Data Services' mobile device management business (Customer Experience)

- Divested businesses generated the following revenue/ Adjusted EBITDA[1]:
  - YTD 2017: ~$60M / ~$5M

In the near term, targeting $250-500M of revenue for divestiture in addition to completed transactions




[1]Please refer to Appendix for Non-GAAP reconciliations of adjusted EBITDA

# Financials

# Q3 2017 Earnings

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| (in millions) | Q3 2016 | Q3 2017 | B/(W) Yr/Yr | Comments |
|---|---|---|---|---|
| Revenue | $1,596 | $1,480 | ($116) | Impacted by strategic decisions, lost business |
| Gross margin | *16.8%* | *17.6%* | *80 bps* | Continued progress driven by strategic transformation program |
| SG&A | 164 | 144 | $20 | |
| **Adjusted operating income[1]** | **97** | **111** | **$14** | |
| *Adjusted operating margin[1]* | ***6.1%*** | ***7.5%*** | ***140 bps*** | |
| **Adjusted EBITDA[1]** | **$169** | **$174** | **$5** | Includes ~$3M impact from hurricanes |
| *Adjusted EBITDA margin[1]* | ***10.6%*** | ***11.8%*** | ***120 bps*** | |
| Amortization of intangible assets | 63 | 60 | 3 | |
| Restructuring and related costs | 8 | 22 | (14) | Reflects continued progress on real-estate |
| Interest expense[2] | 11 | 35 | (24) | |
| Separation costs | 15 | 2 | 13 | |
| (Gain) on sale of asset and businesses | — | (16) | — | $16M gain on divestitures |
| Other net (income) | (2) | (3) | 1 | |
| **Pretax income** | **2** | **13** | **11** | |
| GAAP tax expense | $1 | $30 | ($29) | Tax impact of $19M from deferred comp action |
| **GAAP net income (loss)** | **$1** | **($17)** | **($18)** | |
| **GAAP EPS (loss)** | **$0.01** | **($0.09)** | **($0.10)** | |
| Adjusted tax rate[1] | 39.5% | 36.8% | *270 bps* | |
| Adjusted net income[1] | $52 | $48 | ($4) | |
| **Adjusted EPS[1]** | **$0.24** | **$0.22** | **($0.02)** | Improved $0.06 qtr/qtr |

[1]Please refer to Appendix for Non-GAAP reconciliations of adjusted operating income/margin, adjusted EBITDA/margin, adjusted tax rate, adjusted net income and adjusted EPS
[2]Q3 2016 Interest expense includes $10M in Related-party interest

# Commercial Segment

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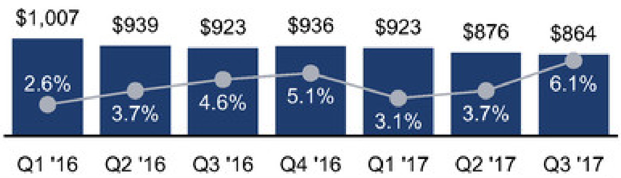
### Segment Highlights

- Revenue declined 6% yr/yr, impacted by lost business, lower volumes and strategic decisions
- Segment profit grew 26% yr/yr, driven by strategic transformation
- Segment adjusted EBITDA[1] grew 9% yr/yr and adjusted EBITDA margin[1] expanded 160 bps
- Revenue productivity[2] ~$50K / employee, down ~3% vs. Q4 2016

**Quarterly Revenue and Profit**

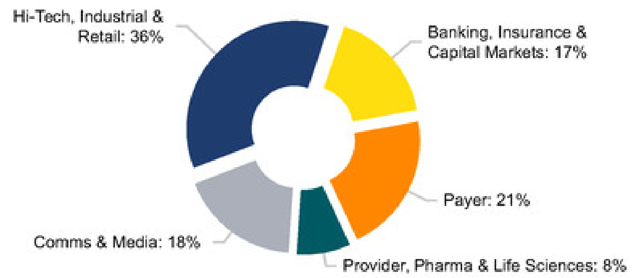



| | Q1 '16 | Q2 '16 | Q3 '16 | Q4 '16 | Q1 '17 | Q2 '17 | Q3 '17 |
|---|---|---|---|---|---|---|---|
| Segment Profit | $26 | $35 | $42 | $48 | $29 | $32 | $53 |
| AEBITDA[1] | $71 | $76 | $85 | $81 | $70 | $75 | $93 |

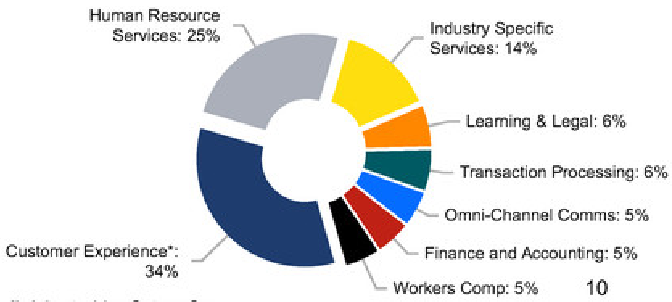
Revenue ($ in M) — % Segment Margin

[1]Please refer to Appendix for Non-GAAP reconciliations of adjusted EBITDA /margin
[2]Revenue productivity excludes corporate overhead

**Revenue By Vertical (% of segment total)**




**Revenue By Service Line (% of segment total)**




*Includes standalone Customer Care

# Public Sector Segment

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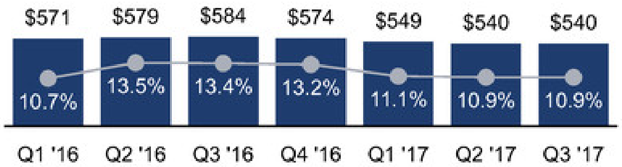
**Segment Highlights**

- Revenue down 8% yr/yr and flat sequentially
- Transportation down 2% yr/yr, but improved 6% sequentially
- Segment profit in-line with expectations as strategic transformation savings offset revenue mix impacts
- Revenue productivity[2] ~$220K / employee, roughly flat vs. Q4 2016

**Quarterly Revenue and Profit**

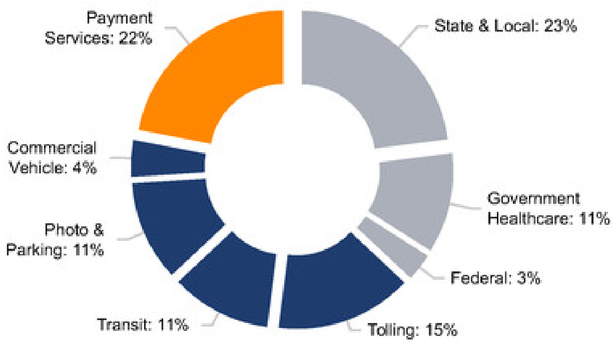



| | Q1 '16 | Q2 '16 | Q3 '16 | Q4 '16 | Q1 '17 | Q2 '17 | Q3 '17 |
|---|---|---|---|---|---|---|---|
| Segment Profit | $61 | $78 | $78 | $76 | $61 | $59 | $59 |
| AEBITDA[1] | $86 | $104 | $103 | $102 | $82 | $83 | $81 |

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

[1]Please refer to Appendix for Non-GAAP reconciliations of adjusted EBITDA /margin
[2]Revenue productivity excludes corporate overhead

**Revenue By Business (% of segment total)**




Transportation (~40% of segment revenue)
Federal, State & Local Government (~40% of segment revenue)
Payments Services (~20% of segment revenue)

# Other Segment

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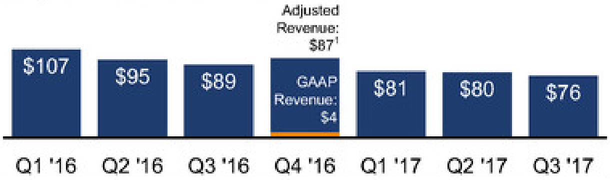
**Segment Highlights**

- Revenue declined yr/yr in-line with expectations
- Profitability improved, driven by both Health Enterprise and Education
- Successful remediation / extension of large MMIS contract expected to improve profitability moving forward

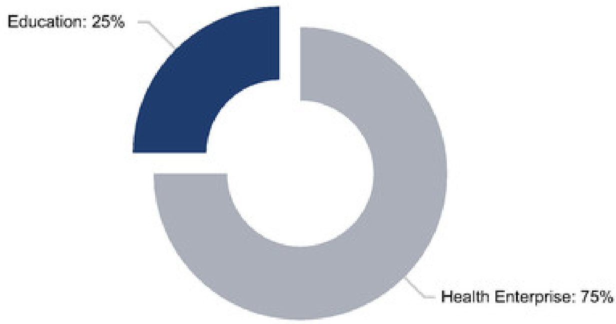
**Quarterly Revenue and Profit**




| | Q1 '16 | Q2 '16 | Q3 '16 | Q4 '16 | Q1 '17 | Q2 '17 | Q3 '17 |
|---|---|---|---|---|---|---|---|
| Segment Loss[1] | ($16) | ($36) | ($23) | ($12) | ($1) | ($3) | ($1) |
| AEBITDA[1] | ($11) | ($32) | ($19) | ($8) | $1 | ($1) | $0 |

Revenue in $M

**Revenue By Vertical (% of segment total)**




[1]Please refer to Appendix for Non-GAAP reconciliations of adjusted revenue, adjusted EBITDA/margin and adjusted operating income/margin

# Cash Flow

CONDUENT

| (in millions) | Q3 2017 | YTD |
|---|---|---|
| **Net loss** | **($17)** | **($27)** |
| Depreciation & amortization | 123 | 378 |
| Stock-based compensation | 8 | 26 |
| Restructuring payments | (21) | (43) |
| Restructuring and related costs | 22 | 68 |
| Change for income tax assets and liabilities | 5 | 3 |
| Change in accounts receivable | (7) | (76) |
| Change in other net working capital | (15) | (200) |
| Other[1] | 6 | (64) |
| **Operating Cash Flow** | **$104** | **$65** |
| Purchase of LB&E[2] and other | (31) | (83) |
| Proceeds from sales of LB&E | — | 33 |
| Net proceeds from divestitures | 56 | 56 |
| Other investing | 116 | 116 |
| **Investing Cash Flow** | **$141** | **$122** |
| **Cash from Financing** | **($86)** | **($111)** |
| Effect of exchange rates on cash and cash equivalents | — | 2 |
| Beginning cash and cash equivalents | 309 | 390 |
| Change in cash and cash equivalents | 159 | 78 |
| **Ending Cash and Cash Equivalents** | **$468** | **$468** |
| | | |
| **Memo: Free Cash Flow[3]** | **$73** | **($1)** |
| Better / (Worse) vs. Prior Year Period | ($25) | $154 |

**Q3 2017 Commentary:**

- Free cash flow[3] of $73M
- Divestitures in Q3 generated ~$56M
- Termination of Deferred Compensation Plan added $116M (Investing Cash Flow), most of which will be used to pay employees in 2018
- Expect full-year free cash flow of 20-30% of AEBITDA

[1] Includes deferred tax expense, gain (loss) investments, amortization of financing costs, contributions to defined benefit pension plans and Other operating, net
[2] Includes cost of additions to land, building and equipment (LB&E) and internal use software
[3] Free cash flow is defined as operating cash flow less cost of net additions to land, building and equipment and internal use software as well as cost of capital lease (Year-to-date includes $16M) . Please refer to Appendix for Non-GAAP reconciliation

# Capital Structure Overview

CONDUENT

## Debt Structure ($ in millions)

| | 6/30/2017 | 9/30/2017 |
|---|---|---|
| **Total Cash** | **$309** | **$468** |
| *Deferred Comp Cash* | *—* | *116* |
| **Adjusted Cash**[1] | **309** | **352** |
| **Total Debt**[2] | **2,130** | **2,062** |
| Term Loan A[3, 6] due 2021 | 719 | 727* |
| Term Loan B[3] due 2023 | 846 | 844 |
| 10.5% Senior Notes due 2024 | 510 | 510 |
| Revolving Credit Facility[4] due 2021 | 70 | — |
| Capital Leases | 46 | 39 |
| **Current net leverage ratio**[5] | 2.8x | 2.6x |

*Reflects appreciation of the EUR; there was no incremental borrowing on the Term Loan A in Q3 2017

## Credit Metrics / Statistics

| | |
|---|---|
| **Expected 2017 interest expense** | **~$140M** |
| *Preferred dividend (annually)* | *~$10M* |
| Target net leverage ratio | <2.5x |
| Average remaining maturity on outstanding debt | ~5.5 years |

## Key Messages

- Successfully repriced Term Loan B; interest rate has been reduced by 250 bps since beginning of year
- Fully repaid revolver ($70M)
- Approaching target leverage ratio

[1] Adjusted Cash excludes cash received from termination of the Deferred Compensation Plan of $116M that will be used to pay participants in Q4 2018
[2] Total debt excludes deferred financing costs
[3] Revolving credit facility and Term Loan A interest rate is Libor + 225 bps; Term Loan B is Libor + 300 bps effective October 7, 2017
[4] $733M of available capacity under Revolving Credit Facility as of 9/30/2017
[5] Net debt (total debt less adjusted cash) divided by TTM adjusted EBITDA
[6] Includes initial EUR 260M borrowing converted at end of quarter exchange rates

# 2017 Guidance

CONDUENT

| | FY 2016 | FY 2017E |
|---|---|---|
| **Revenue** | $6,408M | Down 4.5-6.5% (CC[1]) |
| **Adjusted EBITDA[2]** | $635M | Up ~5% |
| **Free Cash Flow** | ($81M) | 20-30% of Adj. EBITDA[2] |

[1] Constant currency based on foreign exchange rates as of the prior-year period
[2] Please refer to Appendix "Non-GAAP Outlook" for certain non-GAAP information concerning outlook

# CEO Closing Remarks

# The Conduent Value Chain

CONDUENT

**Clients**

76 of the Fortune 100

20 of the top 20 Health Insurers

9 of top 10 Pharma Companies

3 of the top 5 Life Insurers

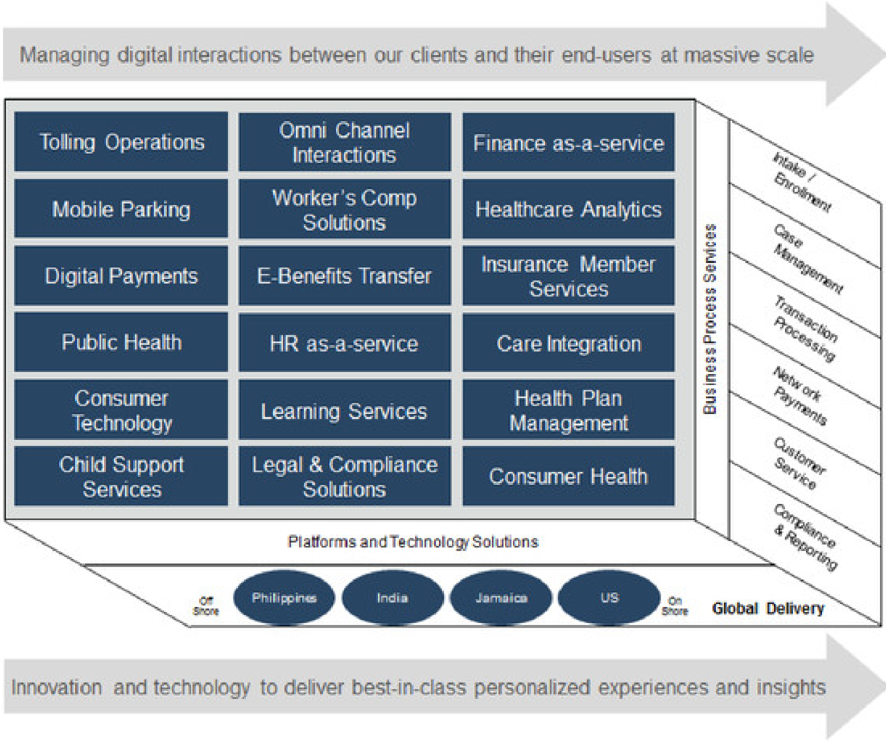
4 of the top 5 Telecommunications

5 of the top 10 banks

6 of the top 10 Auto Manufacturers

4 of the top 5 Aerospace firms

All 50 States




**Our Client's End-User**

Commuters

Pharmacists

Doctors

Patients

Government benefit recipients

Employees

Members (insurance)

Technology Consumers

Banking Customers

Suppliers

# Q&A

# Appendix

# Signings & Renewal Rate

| ($ in millions) | Q1' 16 | Q2' 16 | Q3' 16 | Q4' 16 | Q1' 17 | Q2' 17 | Q3' 17 |
|---|---|---|---|---|---|---|---|
| **Total Contract Value** | $1,488 | $2,158 | $1,546 | $1,660 | $931 | $1,244 | $1,048 |
| New Business | $643 | $527 | $633 | $724 | $530 | $657 | $390 |
| Renewals | $845 | $1,631 | $913 | $936 | $401 | $587 | $657 |
| **Annual Recurring Revenue Signings** | $129 | $112 | $166 | $182 | $143 | $130 | $92 |
| **Non-Recurring Revenue Signings** | $83 | $140 | $104 | $111 | $92 | $109 | $86 |
| **Renewal rate** | 89% | 88% | 89% | 85% | 92% | 89% | 98% |
| Renewal rate (previous methodology) | 89% | 84% | 83% | 82% | 80% | 76% | 95% |

# 2017 Modeling Considerations

CONDUENT

| | Commentary |
|---|---|
| D&A (excl. amortization of intangibles) | Modest sequential increase in Q4 |
| Profitability | Q4 weighted given seasonality and cost initiatives |
| Restructuring costs | Now expecting $90-95M for the full year (~$75M previously) |
| Interest Expense | ~$33M for Q4; ~$140M for the full year |
| Cash Flow | Q4 weighted; 2017 FCF guidance unchanged |
| Capex | ~2.0% for the full year given lower-than-expected spend YTD |
| Other segment | Still expect break-even in 2018; results may be uneven |

# Definitions

CONDUENT

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

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

**Revenue productivity** = Calculated as trailing-twelve months (TTM) revenue / average quarter-end headcount for last four quarters. Segment calculation excludes corporate headcount.

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

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

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

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

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

- Amortization of intangible assets. The amortization of intangible assets is driven by acquisition activity, which can vary in size, nature and timing as compared to other companies within our industry 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.
- Separation costs. Separation costs are expenses incurred in connection with the separation from Xerox Corporation into a separate, independent, publicly traded company. These costs primarily relate to third-party investment banking, accounting, legal, consulting and other similar types of services related to the separation transaction, as well as costs associated with the operational separation of the two companies.
- Other (income) expenses net. Other (income) expenses, net includes currency (gains) losses, net, litigation matters and all other (income) expenses, net.
- NY Medicaid Management Information System (NY MMIS) costs associated with the company not fully completing the State of New York Health Enterprise platform project.
- Health Enterprise (HE charge) associated with not fully completing the Health Enterprise Medical platform implementation projects in California and Montana.
- (Gain) loss on sale of asset and businesses.

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

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

# Non-GAAP Financial Measures

**Adjusted Operating Income and Adjusted Operating Margin.**

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

- Amortization of intangible assets.
- Restructuring and related costs.
- Separation costs.
- Interest expense. Interest expense includes interest on long-term debt and amortization of debt issuance costs.
- Related Party Interest. Interest payments to former parent.
- Other (income) expenses, net.
- NY MMIS.
- HE charge.
- (Gain) loss on sale of asset and businesses.

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

**Adjusted Other Segment Profit and Margin**

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

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

# Non-GAAP Financial Measures

**Adjusted EBITDA and EBITDA Margin**
We use Adjusted EBITDA 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. We also use Adjusted EBITDA to provide additional information that is useful to understand the financial covenants contained in the Company's credit facility and indenture. Adjusted EBITDA represents Income (loss) before Interest, Income Taxes, Depreciation and Amortization adjusted for the following items (which are defined above):

- Goodwill impairment charge. During the fourth quarter 2016, we performed our annual goodwill impairment test which resulted in a non-cash impairment charge of $935 million in our Commercial Industries reporting unit.
- Restructuring and related costs.
- Separation costs.
- Other (income) expenses, net.
- NY MMIS / NY MMIS Depreciation. Costs associated with the company not fully completing the State of New York Health Enterprise platform project.
- HE charge.
- (Gain) loss on sale of asset and businesses.

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 may not be comparable to similar measures disclosed by other companies because not all companies calculate Adjusted EBITDA in the same manner.

**Adjusted Other Segment Revenue and Profit**

We adjusted Other Segment revenue, profit and margin for the NY MMIS and HE charges.

**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, capital lease additions and the gain on sale of an asset in 2017. We use the non-GAAP measure of Free Cash Flow as a criterion of liquidity and performance-based components of employee compensation. We use Free Cash Flow as a measure of liquidity to determine amounts we can reinvest in our core businesses, such as amounts available to make acquisitions, invest in land, buildings and equipment and internal use software, make principal payments on debt. In order to provide a meaningful basis for comparison, we are providing information with respect to our Free Cash Flow reconciled to cash flow provided by operating activities, which we believe to be the most directly comparable measure under U.S. GAAP.

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

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

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

CONDUENT

| (in millions, except EPS) | Three Months Ended September 30, 2017 Net Income (Loss) | Three Months Ended September 30, 2017 EPS | Three Months Ended September 30, 2016 Net Income (Loss) | Three Months Ended September 30, 2016 EPS |
|---|---|---|---|---|
| **GAAP as Reported From Continuing Operations** | $ (17) | $ (0.09) | $ 1 | $ 0.01 |
| **Adjustments:** | | | | |
| Amortization of intangible assets | 60 | | 63 | |
| NY MMIS | 1 | | — | |
| Restructuring and related costs | 22 | | 8 | |
| HE charge | (3) | | — | |
| Separation costs | 2 | | 15 | |
| (Gain) loss on sale of asset and businesses | (16) | | — | |
| Other (income) expenses, net | (3) | | (2) | |
| Less: Income tax adjustments(1) | 2 | | (33) | |
| **Adjusted Net Income (Loss) and EPS** | $ 48 | $ 0.22 | $ 52 | $ 0.24 |
| (shares) | | | | |
| Weighted average common shares outstanding | | 204 | | 203 |
| Restricted stock and performance shares | | 3 | | 3 |
| 8% Convertible preferred stock | | — | | 5 |
| **Adjusted Weighted Average Shares Outstanding(2)** | | 207 | | 211 |

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

*(2) Average shares for the 2017 calculation of adjusted EPS excludes 5 million shares associated with our Series A convertible preferred stock and includes the impact of the preferred stock quarterly dividend of $2 million for the three months ended September 30, 2017. Average shares for the 2016 calculation of adjusted EPS includes 5 million shares associated with our Series A convertible preferred stock and excludes the impact of the preferred stock quarterly dividend.*

# Non-GAAP Reconciliation: Effective Tax Rate

CONDUENT

| | Three Months Ended September 30, 2017 | | | Three Months Ended September 30, 2016 | | |
|---|---|---|---|---|---|---|
| (in millions) | Pre-Tax Income (Loss) | Income Tax (Benefit) Expense | Effective Tax Rate | Pre-Tax Income (Loss) | Income Tax (Benefit) Expense | Effective Tax Rate |
| **GAAP as Reported From Continuing Operations** | $ 13 | $ 30 | 230.8% | $ 2 | $ 1 | 50.0% |
| Non-GAAP adjustments[(1)] | 63 | 17 | | 84 | 33 | |
| Termination of COLI plan | — | (19) | | — | — | |
| **Adjusted**[(2)] | $ 76 | $ 28 | 36.8% | $ 86 | $ 34 | 39.5% |

*(1) Refer to Net Income (Loss) reconciliation for details.*

*(2) The tax impact of Adjusted Pre-Tax Income (Loss) from continuing operations is calculated under the same accounting principles applied to the As Reported Pre-Tax Income, which employs an annual effective tax rate method to the results.*

# Non-GAAP Reconciliation: Operating Income / Margin

CONDUENT

| (in millions) | Q3 2017 | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 |
|---|---|---|---|---|---|---|---|
| GAAP Revenue From Continuing Operations | $ 1,480 | $ 1,496 | $ 1,553 | $ 1,514 | $ 1,596 | $ 1,613 | $ 1,685 |
| GAAP Pre-tax (Loss) Income From Continuing Operations | 13 | (11) | (22) | (1,141) | 2 | (34) | (54) |
| *GAAP Operating Margin As Reported* | *0.5%* | *(0.7)%* | *(1.4)%* | *(75.4)%* | *0.1%* | *(2.1)%* | *(3.2)%* |
| **GAAP Revenue From Continuing Operations** | $ 1,480 | $ 1,496 | $ 1,553 | $ 1,514 | $ 1,596 | $ 1,613 | $ 1,685 |
| NY MMIS adjustment | — | — | — | 83 | — | — | — |
| **Adjusted Revenue** | $ 1,480 | $ 1,496 | $ 1,553 | $ 1,597 | $ 1,596 | $ 1,613 | $ 1,685 |
| **GAAP Pre-tax (Loss) Income From Continuing Operations** | $ 13 | $ (11) | $ (22) | $ (1,141) | $ 2 | $ (34) | $ (54) |
| Adjustments: | | | | | | | |
| Goodwill impairment | — | — | — | 935 | — | — | — |
| Amortization of intangible assets | 60 | 61 | 61 | 80 | 63 | 62 | 75 |
| NY MMIS | 1 | 1 | 8 | 161 | — | — | — |
| Restructuring and related costs | 22 | 36 | 18 | 44 | 8 | 23 | 26 |
| HE charge | (3) | — | (5) | — | — | — | — |
| Separation costs | 2 | 1 | 5 | 10 | 15 | 16 | 3 |
| Interest expense | 35 | 34 | 36 | 11 | 1 | 1 | 1 |
| Related party interest | — | — | — | (4) | 10 | 10 | 10 |
| (Gain) loss on sale of asset and businesses | (16) | (25) | — | (3) | — | (1) | — |
| Other (income) expenses, net | (3) | (9) | (12) | 16 | (2) | — | 10 |
| ***Adjusted Operating Income/Margin*** | *$ 111* | *$ 88* | *$ 89* | *$ 109* | *$ 97* | *$ 77* | *$ 71* |
| *Adjusted Operating Margin* | 7.5% | 5.9 % | 5.7 % | 6.8 % | 6.1% | 4.8 % | 4.2 % |

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

# Non-GAAP Reconciliation: Adjusted EBITDA

CONDUENT

| (in millions) | Q3 2017 | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Full Year 2016 |
|---|---|---|---|---|---|---|---|---|
| Reconciliation to Adjusted Revenue | | | | | | | | |
| **GAAP Revenue From Continuing Operations** | $ 1,480 | $ 1,496 | $ 1,553 | $ 1,514 | $ 1,596 | $ 1,613 | $ 1,685 | $ 6,408 |
| NY MMIS adjustment | — | — | — | 83 | — | — | — | — |
| **Adjusted Revenue** | $ 1,480 | $ 1,496 | $ 1,553 | $ 1,597 | $ 1,596 | $ 1,613 | $ 1,685 | $ 6,491 |
| Reconciliation to Adjusted EBITDA | | | | | | | | |
| **GAAP Net (Loss) Income As Reported From Continuing Operations** | $ (17) | $ (4) | $ (10) | $ (951) | $ 1 | $ (10) | $ (23) | $ (983) |
| Interest expense | 35 | 34 | 36 | 11 | 1 | 1 | 1 | 14 |
| Related party interest | — | — | — | (4) | 10 | 10 | 10 | 26 |
| Income tax (benefit) expense | 30 | (7) | (12) | (190) | 1 | (24) | (31) | (244) |
| Depreciation | 31 | 34 | 31 | 36 | 31 | 29 | 32 | 128 |
| Amortization | 92 | 96 | 94 | 159 | 104 | 104 | 118 | 485 |
| **EBITDA** | $ 171 | $ 153 | $ 139 | $ (939) | $ 148 | $ 110 | $ 107 | $ (574) |
| *EBITDA Margin* | *11.6%* | *10.2%* | *9.0%* | *(62.0)%* | *9.3%* | *6.8%* | *6.4%* | *(8.8)%* |
| **EBITDA** | $ 171 | $ 153 | $ 139 | $ (939) | $ 148 | $ 110 | $ 107 | $ (574) |
| Adjustments: | | | | | | | | |
| Goodwill impairment | — | — | — | 935 | — | — | — | 935 |
| Restructuring and related costs | 22 | 36 | 18 | 44 | 8 | 23 | 26 | 101 |
| Separation costs | 2 | 1 | 5 | 10 | 15 | 16 | 3 | 44 |
| NY MMIS | 1 | 1 | 8 | 161 | — | — | — | 161 |
| NY MMIS depreciation | — | — | — | (52) | — | — | — | (52) |
| HE charge | (3) | — | (5) | — | — | — | — | — |
| (Gain) loss on sale of asset and businesses | (16) | (25) | — | (3) | — | (1) | — | (2) |
| Other (income) expenses, net | (3) | (9) | (12) | 16 | (2) | — | 10 | 22 |
| **Adjusted EBITDA** | $ 174 | $ 157 | $ 153 | $ 172 | $ 169 | $ 148 | $ 146 | $ 635 |
| ***Adjusted EBITDA Margin*** | 11.8% | 10.5% | 9.9% | 10.8 % | 10.6% | 9.2% | 8.7% | 9.8 % |

*(1) Pre-tax loss and Revenue from continuing operations*

# Non-GAAP Reconciliation: Segment Adjusted EBITDA

CONDUENT

| (in millions) | Q3 2017 | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 |
|---|---|---|---|---|---|---|---|
| **Commercial Industries** | | | | | | | |
| Segment GAAP revenue | $ 864 | $ 876 | $ 923 | $ 936 | $ 923 | $ 939 | $ 1,007 |
| Segment profit | $ 53 | $ 32 | $ 29 | $ 48 | $ 42 | $ 35 | $ 26 |
| Depreciation & amortization | 40 | 43 | 41 | 33 | 43 | 41 | 45 |
| **Adjusted Segment EBITDA** | $ 93 | $ 75 | $ 70 | $ 81 | $ 85 | $ 76 | $ 71 |
| ***Adjusted EBITDA Margin*** | *10.8%* | *8.6 %* | *7.6%* | *8.7 %* | *9.2 %* | *8.1 %* | *7.1 %* |
| **Public Sector** | | | | | | | |
| Segment GAAP revenue | $ 540 | $ 540 | $ 549 | $ 574 | $ 584 | $ 579 | $ 571 |
| Segment profit | $ 59 | $ 59 | $ 61 | $ 76 | $ 78 | $ 78 | $ 61 |
| Depreciation & amortization | 22 | 24 | 21 | 26 | 25 | 26 | 25 |
| **Adjusted Segment EBITDA** | $ 81 | $ 83 | $ 82 | $ 102 | $ 103 | $ 104 | $ 86 |
| ***Adjusted EBITDA Margin*** | *15.0%* | *15.4 %* | *14.9%* | *17.8 %* | *17.6 %* | *18.0 %* | *15.1 %* |
| **Other Segment** | | | | | | | |
| Segment GAAP revenue | $ 76 | $ 80 | $ 81 | $ 4 | $ 89 | $ 95 | $ 107 |
| NY MMIS charge | — | — | — | 83 | — | — | — |
| **Adjusted Segment Revenue** | $ 76 | $ 80 | $ 81 | $ 87 | $ 89 | $ 95 | $ 107 |
| GAAP Segment profit (loss) | $ 1 | $ (4) | $ (4) | $ (173) | $ (23) | $ (36) | $ (16) |
| NY MMIS charge | 1 | 1 | 8 | 133 | — | — | — |
| HE charge | (3) | — | (5) | 28 | — | — | — |
| **Adjusted Other Segment Loss** | (1) | (3) | (1) | (12) | (23) | (36) | (16) |
| Depreciation & amortization | 1 | 2 | 2 | 56 | 4 | 4 | 5 |
| NY MMIS depreciation | — | — | — | (24) | — | — | — |
| HE depreciation | — | — | — | (28) | — | — | — |
| **Adjusted Segment EBITDA** | $ — | $ (1) | $ 1 | $ (8) | $ (19) | $ (32) | $ (11) |
| ***Adjusted EBITDA Margin*** | *—%* | *(1.3)%* | *1.2%* | *(9.2)%* | *(21.3)%* | *(33.7)%* | *(10.3)%* |

# Non-GAAP Reconciliation: Other Segment Revenue, Profit (Loss) and Margin

| | Three Months Ended September 30, 2017 | | | Three Months Ended June 30, 2017 | | | Three Months Ended March 31, 2017 | | | Three Months Ended December 31, 2016 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (in millions) | Revenue | Loss | Margin | Revenue | Loss | Margin | Revenue | Loss | Margin | Revenue | Loss | Margin |
| GAAP Other Segment As Reported From Continuing Operations | $ 76 | $ 1 | 1.3 % | $ 80 | $ (4) | (5)% | $ 81 | $ (4) | (4.9)% | $ 4 | $ (173) | n/a |
| Adjustments: | | | | | | | | | | | | |
| NY MMIS | — | 1 | | — | 1 | | — | 8 | | 83 | 161 | |
| HE charge | — | (3) | | — | — | | — | (5) | | — | — | |
| Adjusted Other Segment | $ 76 | $ (1) | (1.3)% | $ 80 | $ (3) | (3.8)% | $ 81 | $ (1) | (1.2)% | $ 87 | $ (12) | (13.8)% |

*Note: The prior year period results has been adjusted to reflect new segment reporting as of Q1 2017.*

# Non-GAAP Reconciliation: Free Cash Flow

CONDUENT

| (in millions) | Three Months Ended September 30, 2017 | Three Months Ended September 30, 2016 | Year Ended December 31, 2016 |
|---|---|---|---|
| Operating Cash Flow | $ 104 | $ 140 | $ 108 |
| Cost of additions to land, buildings & equipment | (20) | (31) | (149) |
| Cost of additions to internal use software | (11) | (11) | (39) |
| Vendor financed capital leases | — | — | (1) |
| **Free Cash Flow** | **$ 73** | **$ 98** | **$ (81)** |

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