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PRESENTATION

Operator

Greetings and welcome to the Conduent second-quarter 2026 earnings call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Nick Goel, Vice President, Investor Relations. Thank you. You may begin.

Nick Goel - *Conduent Inc - Vice President, Investor Relations*

Good morning, everyone. Welcome to Conduent's second-quarter 2026 earnings call. With me today are Harsha Agadi, our CEO; and Giles Goodburn, our CFO. Harsha will provide an overview of the business, and Giles will cover our financial performance in greater detail.

We hope you have had a chance to review our press release issued earlier this morning. A copy of the press release and slides used during this call were filed with the SEC on Form 8-K. This information is also available on the Investor Relations section of our website.

During this call, we will make forward-looking statements. These statements reflect management's current beliefs, assumptions, and expectations, which may change over time. Actual results could differ materially from those statements due to a number of factors. Information concerning these factors is included in our 10-K and 10-Q filings with the SEC.

Unless otherwise stated, the information presented today reflects our continuing operations. It does not include the divestitures announced during this quarter. It includes non-GAAP financial measures, which should be viewed in addition to and not as a substitute for our GAAP results. For more information regarding the definitions of our non-GAAP measures, how we use them, and the limitations to their usefulness for competitive purposes, please see our press release.

And now, I would like to turn the call over to Harsha.

Harsha V. Agadi - *Conduent Inc - President and Chief Executive Officer*

Good morning, everyone, and thank you for joining us. Six months into my role as CEO, I have a clear view where we stand as a company, where we need to improve, and most importantly, where I believe we have significant opportunity to create value.

Over the past several months, I've spent a lot of time listening to clients, engaging with associates across our business, and reviewing our operations firsthand. My perspective was reinforced this spring at ELEVATE 2026, our client event in Chicago, where we heard directly from nearly 100 clients and partners, representing a diverse range of Fortune 100 companies about what matters most to them: greater speed, simpler operations, continued innovation, and consistent execution.

Those conversations also reinforced that the five priorities we established at the beginning of the year remain the right ones increasing speed and accountability, enforcing financial discipline, reducing our cost structure, optimizing our portfolio, and converting pipeline into growth. Today, I'll provide an update on the progress we're making against each of these priorities.

Before I do, a brief comment on the quarter. Our second-quarter results were in line with our expectations. As a result of the two divestitures we announced during the quarter, we are updating our full-year guidance to reflect the impact of those transactions. Now, let me start with our first priority, increasing speed and accountability.

Over the past several months, we continued simplifying our structure and how we operate, strengthening accountability, and aligning the organization around our highest priorities. We've also strengthened our leadership team to improve operational efficiency and support our transformation. Approximately 80% of our senior leadership team is either new to Conduent or has taken on expanded responsibilities bringing their deep experience and proven leadership across the industries we serve.

We're also beginning a phased return to office approach, starting with locations where we have significant workforce. We believe that greater in-person collaboration will enable faster decision-making, stronger collaboration, and better outcomes for our clients. These actions are creating a simpler, more agile, and more efficient Conduent, one that is better positioned to deliver consistently for our clients and shareholders.

Our second priority is enforcing financial discipline. We continue to strengthen financial discipline across the organization with tighter controls around hiring, discretionary spending, and capital allocation while increasing oversight of cash and liquidity across the business. These actions contributed to a meaningful improvement in our cash performance with cash usage essentially flat compared with the prior quarter. While we have more work to do, this is an important step in improving our cash generation and strengthening our financial flexibility.

Our third priority is reducing our cost structure. Throughout the quarter, we continued simplifying the organization, reducing structural costs and redirecting investments towards the capabilities that will create the greatest long-term value. We continue to make good progress against the approximately $100 million annualized cost savings program we announced in the first quarter and remain on track to implement the majority of this program this year.

The program spans all businesses and corporate functions with a focus on optimizing technology spend, rightsizing certain roles, reducing duplication, eliminating bureaucracy, and simplifying our operating model across the enterprise.

The fourth priority is optimizing our portfolio, we are taking a disciplined approach guided by a simple framework: fix, sell, and grow. We will fix businesses where we see a clear path to improving performance, sell businesses that are no longer aligned with our long-term strategy, and grow the businesses where we have the strongest competitive advantages and the greatest opportunities to create long-term value.

During the quarter, we announced the sale of our Transit business to Modaxo and the sale of our Tolling business to Quarterhill. Together, these transactions complete our exit from the Transportation business, significantly reduce off-balance sheet financial obligations, and further simplify our portfolio. We expect both transactions to close by the end of 2026.

With these transactions, we now expect to generate approximately $234 million in gross proceeds, in addition to retaining a 7% equity interest in Quarterhill, whose current market capitalization is approximately CAD300 million. This exceeds the commitment we made in the first quarter to generate at least $200 million through portfolio actions.

We intend to use the majority of these proceeds to reduce debt, further strengthening our balance sheet and financial profile and providing us with greater optionality to invest in high return growth opportunities. These actions also sharpen our strategic focus, allowing us to concentrate our capital, resources, and management attention on the remaining businesses where we believe we can create the greatest value for our clients and shareholders.

Portfolio optimization is not a one-time event. It is an ongoing discipline that will help us build a simpler, more focused, and high-performing Conduent while maximizing long-term shareholder value.

Our final priority and the fifth priority is converting pipeline into growth. During the quarter, we continued to build momentum through a more focused go-to-market approach. The progress is reflected in the strength of our pipeline. Across our Commercial and Government segments, we have approximately $3 billion in qualified new business opportunities, which has grown sequentially over the past several quarters.

While there is more work to do, the continued growth in our pipeline reinforces our confidence that the actions we've taken to improve execution, sharpen our market focus, and strengthen our client relationships are beginning to deliver. At the same time, it's important to recognize that there is a natural timing difference between winning new business and seeing the full revenue impact.

As we've discussed previously, some contracts continue to roll off and we'll also continue to see volume declines in certain existing client programs. Our focus is not simply replacing revenue but improving the quality of our portfolio by winning business in areas where we have a stronger competitive differentiation and a better long-term growth potential.

This is a natural part of our transformation as we shape the portfolio toward higher value opportunities and differentiated solutions. Those trends are reflected in the client momentum we saw during the quarter.

In Commercial. I'm pleased to let you know we have sold approximately $100 million of new business in the first two quarters. We also continue expanding into adjacent markets with new capabilities that create additional avenues for growth. I'll share a few examples.

We signed a new pension risk transfer administration engagement with Securian, expanding our position in the growing retirement administration market with a differentiated end-to-end solution. Trillium Health Resources selected our Health Services Plus platform to support claims processing, provider data management, and member services, validating the investments we've made in our healthcare platform and reinforcing our ability to deliver integrated solutions for healthcare organizations.

We also expanded our relationship with Avis Budget Group through a new vehicle citation offering, leveraging multiple solutions from across our businesses. Importantly, this establishes a new scalable offering that can be applied across organizations, managing large vehicle fleets, opening an attractive adjacent market for Conduent. We're also seeing continued expansion with several leading US healthcare payers reflecting the strength of our relationships and our ability to deliver additional value across our portfolio of solutions.

Turning to our Government business, we have sold approximately $89 million of new business in the first two quarters, and we continue to demonstrate the value of our expertise in modernizing mission-critical public programs. Let me share some examples.

During the quarter, we implemented a modernized state-of-the-art Medicaid platform for the state of New Mexico, replacing a 24-year-old legacy system with a single integrated platform that enables faster, more efficient claims processing, and improved access to care and continuity of service for approximately 900,000 Medicaid members.

We also secured a multi-year renewal in Virginia to continue operating and modernizing the Commonwealth's Medicaid systems, enabling the transition to a more integrated platform designed to improve access to information, strengthen fraud prevention, and enhance program performance for approximately 1.6 million enrolled Virginians.

And we continued advancing Electronic Benefits Transfer modernization by completing pilot or production deployments of chip-enabled EMV technology in three states with a fourth state scheduled to roll out by the end of the summer. Together, with enhanced fraud prevention capabilities, these technologies are helping states better protect benefits while improving security for program participants.

Beyond the wins we've announced, our qualified pipeline remains extremely strong. While the timing of individual awards can vary, the breadth and the quality of our pipeline reinforces our confidence in our ability to continue converting pipeline into sustainable growth. The client momentum we're seeing is supported by attractive long-term market fundamentals.

Our go-forward portfolio addresses a large and growing market of approximately $200 billion, expanding at an estimated annual rate of about 4%. We believe Conduent is extremely well-positioned to capture this opportunity because organizations increasingly need partners that can modernize complex operations through integrated end-to-end solutions, not isolated point products. That is where Conduent stands apart.

We combine deep operational expertise with technology automation and AI to transform mission-critical business processes for our clients. That differentiation is becoming even more important as organizations look to adopt AI increasingly. Clients recognize that AI is not about deploying standalone tools or running disconnected pilots. The real opportunity lies in embedded AI into the workflows and business processes that power their operations.

Because we manage those processes on behalf of our clients, we bring the domain expertise, operational knowledge, and technology capabilities needed to implement AI in ways that deliver measurable business outcomes. We are methodically embedding AI across the full cycle of our solutions from customer and constituent interactions to core business operations and enterprise productivity, and we're already seeing tangible results.

One sterling example is Conni, our AI-powered digital assistant now embedded within our Life@Work health and wellness platform. Today, Conni resolves approximately 86% of employee inquiries without human intervention while reducing live agent interaction by more than 20%. We're now taking the next step by infusing Conni into agentic AI capabilities and expanding those capabilities into new use cases.

One example is our personalized agentic AI-powered navigator, the next evolution of Conni, which helps simplify complex healthcare interactions by transforming confusing healthcare information into personalized guidance for members and providers. That innovation is already being recognized in the marketplace.

Recently, Conduent was selected as a winner of UnitedHealthcare's 2026 Global Innovation Challenge for its personalized agentic AI-powered navigator. Selected from 40 participating companies, this recognition clearly validates our superior ability to apply AI to solve real customer problems while improving business outcomes for our clients.

Internally, we're also deploying Microsoft Copilot and AI-assisted software development tools to help our engineering teams accelerate development, improve productivity, and bring new capabilities to market more quickly. Together, these investments demonstrate how we're combining deep domain expertise with practical AI innovation to help clients modernize operations, improve outcomes, and create sustainable long-term value.

The bottom line is this, we are executing with greater discipline and we're beginning to see the results. We are redefining what clients and investors should expect from Conduent, a simpler, more focused company with stronger execution, greater financial discipline, and a clear path to sustainable, profitable growth. While there is always more work ahead, I am extremely optimistic about where we're headed and confident we're building a stronger, high-performing company with significant opportunities.

With that, I'll turn the call over to our Chief Financial Officer, Giles Goodburn.

Giles Goodburn - *Conduent Inc - Chief Financial Officer*

Thanks, Harsha. As we've done in the past, we're reporting both GAAP and non-GAAP numbers. The reconciliations are in our filings and in the appendix of the presentation. Firstly, let me start by stating the results we are reporting today reinforce our conviction around our transformation journey Harsha laid out at the beginning of the year.

However, when interpreting our second-quarter GAAP and non-GAAP financial statements, you will see they are influenced by a number of factors related to this transformation, specifically discontinued operations and anticipated stranded costs from divestiture activity, and the early consulting costs incurred to achieve the cost efficiency targets, the benefits of which will become resident in future quarters.

All of these factors are important steps toward our transformation destination. During the quarter, as Harsha mentioned, we announced the sale of both our Transit and Tolling Solutions, which will complete our exit from the Transportation business. The transactions collectively represent a strategic shift that will have a major effect on the company's operations and financial results and hence meet the criteria for discontinued operations presentation.

Unless otherwise indicated, the financial disclosures and related information and commentary provided herein relate to the company's continuing operations, which exclude the Transportation segment. All prior periods have been restated to reflect discontinued operations.

These transactions are a key milestone in our strategic journey that, once closed, will generate gross proceeds of $234 million plus a 7% equity stake in Quarterhill, the acquirer of our Tolling business. 2025 revenue and EBITDA for the Transportation segment was $609 million and $18 million, respectively, thus transacting at an adjusted EBITDA multiple in the mid-teens, significantly higher than where Conduent currently trades.

The transactions will also provide other strategic financial benefits. Our off-balance sheet financial instruments, surety bonds, and letters of credit will be reduced by approximately 80%, leaving roughly $125 million, predominantly supporting the Government segment. The working capital intensity of the company will also be reduced, as will the capital expenditure requirements. And importantly, the proceeds will allow us flexibility to address the capital structure with an emphasis on delevering the organization.

Turning to the quarter, let's discuss our key sales metrics on slides 5 and 6. We signed $99 million of new business ACV in the quarter compared to $111 million in Q2 2025, but a sequential improvement versus Q1 2026. This quarter, the ACV 1 will drive a larger proportion of recurring revenue than we have seen in recent quarters. And our Commercial segment new capability ACV, expanding our relationships with existing clients, is the highest it's been for several years.

The trailing four-quarter ACV metric is up versus this time last year, and we expect to resume a sequential increase next quarter. At the midpoint of the year, we have signed $188 million of new business ACV, equal to the first six months in 2025. However, this year, we have closed 12% more annual recurring revenue signings and 7% more nonrecurring revenue signings than we did in the prior year.

With the changes to our go-to-market strategy taking shape and driving a stronger pipeline, our expectation is that we have a stronger finish to 2026 than in 2025. Our qualified ACV pipeline remains strong at $3 billion, which is up 11% year over year. Both Commercial and Government segments are up year over year with our Commercial segment pipeline growing 48% since the beginning of 2026. Q2 was a strong quarter for renewal activity with $617 million of TCV, including several large healthcare clients in both our Government and Commercial segments.

Let's turn to slide 7 and 8 and review our Q2 P&L metrics. Revenue for the quarter was $531 million, compared to $603 million in Q2 2025, down 11.9%. Adjusted EBITDA for Q2 2026 was $16 million as compared to $23 million in Q2 2025, and our adjusted EBITDA margin of 3% is down 80 basis points year over year.

Included in these adjusted EBITDA numbers is approximately $4 million in 2026 and $6 million in 2025 of stranded costs related to the former Transportation segment, which we will address once the transactions have closed.

Turning the page, Q2 2026 Commercial segment revenue was $316 million, down 13% as compared to Q2 2025. The decline here is driven by contract losses and volume declines, predominantly in our customer experience management offering, including our largest Commercial client whose contract with us will end in the third quarter and is already incorporated in our outlook.

Commercial adjusted EBITDA was $24 million, a decrease of $3 million year over year, and the adjusted EBITDA margin of 7.6% was up 20 basis points year over year. While we incurred a couple of negative discrete items in the quarter, the results from our cost efficiency programs drove a stronger margin performance.

Government segment revenue for the quarter was $215 million. Versus $238 million in Q2 2025. The drivers here were lost business and the timing of implementation activity of our state-of-the-art Medicaid platform in the government healthcare portfolio, creating a temporary dip in revenue.

As Harsha mentioned, we finalized the New Mexico implementation early in the quarter, which completed the revenue recognition for this project. And we are now focused on ramping up the implementation of our new Virginia contract, which will drive new revenue in the second half of this year.

Adjusted EBITDA was $51 million and adjusted EBITDA margin of 23.7%, down 150 basis points year over year. The revenue impacts as well as favorable reserve releases in the prior year were the drivers. Unallocated costs were $59 million for Q2 2026, a reduction of almost 10% versus Q2 2025, reflecting the continued progress with our cost efficiency programs in the corporate functions.

Let's turn to slide 7 (sic - slide 9) and discuss the balance sheet and cash flow. We ended Q2 2026 with approximately $240 million in cash on the balance sheet and negative adjusted free cash flow of $8 million for the quarter. Although adjusted free cash flow remained negative for the first half of the year, it improved by $81 million compared to the same period last year, primarily due to achieving payment milestones in our Government and former Transportation segments.

Our adjusted net leverage ratio of 2.1 turns this quarter excludes EBITDA from discontinued operations, but includes the proportion of cash proceeds we expect to receive from the divestitures at closing. And our capital expenditure for the quarter was 2.6% of revenue in line with our expectations.

Turning to slide 11 (sic - slide 10), you will see we have recalibrated our guide for 2026 to exclude our discontinued operations. Our revenue guide for 2026 is now a range of $2.15 billion to $2.25 billion and our adjusted EBITDA guide is between $140 million and $170 million, which at the midpoint is a 7% adjusted EBITDA margin.

That concludes the financial review of Q2 2026. And I'll now hand it back to Harsha. Harsha?

Harsha V. Agadi - *Conduent Inc - President and Chief Executive Officer*

Thanks, Giles. Before we open the line for questions, I'd like to leave you with one final thought. Transforming a company of Conduent scale takes time, but it's very predictable. While our financial performance this quarter does not yet fully reflect the full impact of the actions we've taken, we're making steady progress on the priorities that will create long-term value.

This quarter marked an important milestone in that journey. The two portfolio transactions we announced further reshape Conduent, strengthen our strategic focus, and demonstrate our commitment to disciplined execution and thoughtful capital allocation.

At Investor Day, later this year, we'll share the next phase of that journey, including a more comprehensive view of our long-term strategy, portfolio priorities, capital allocation framework, and growth opportunities we see across our markets. We look forward to sharing more with you then.

Operator, we're now ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Michael Kupinski, Noble Capital Markets.

Michael Kupinski - *Noble Capital Markets - Analyst*

Thank you for taking my questions and congratulations on executing on your initiatives. A couple of quick questions here regarding margins. Government segment margins improved meaningfully. How much of that improvement is structural because of the healthcare platform scalability versus maybe some temporary efficiencies or one-time items?

And then excluding Transportation, what is the realistic medium-term adjusted EBITDA margins for the remaining business? And I was just wondering if your previous goal of achieving 10% margin is still the appropriate framework or has the portfolio simplification changed that outlook?

Harsha V. Agadi - *Conduent Inc - President and Chief Executive Officer*

So my reaction to your questions are the following. In this space, Commercial and Government, we really need to be -- and I'm looking at the segments individually and I'm keeping Transportation aside just for discussion purposes. We need to be in the mid to higher double-digit margins, then we minus the SG&A, that's the central SG&A, bringing us to a greater than 10% margin. So that goal remains unchanged.

When you look at our benchmarking, our peers, they're able to do this. We need to do this. We need to do even better, even quicker, in my opinion.

On the Government side, there are two things happening. Anna Sever, our leader for the Government business, is rapidly implementing AI in multiple areas. We don't go around talking too much about it, and maybe we should. So I'm just going to give you one small example. We have a new fraud tool designed and owned by us called VeriSight, assisted by Microsoft, in the food stamp eligibility program that incorporates significant AI capabilities to identify patterns of potential fraudulent activity.

The issue we face in the US today is a tremendous amount of fraud. So our focus and investment in AI is to help the governments of the United States, whether it's state local or federal, using AI to trap fraud and save money for the various stakeholders. So I'm actually now receiving calls from state attorney general, secretary of state, the governors of the state thanking us for starting to implement some of this code.

The other thing that Anna is doing for the margins to start changing quite rapidly in the Government is a change in the headcount in how she's organized. And if you remember, six months ago when I came in, we had a different leader, and Anna Sever has been now in this job about four months and she's taking very rapid actions to change the business. So that would be my answer. So the outlook remains unchanged in terms of 10-plus percentage across the entire business.

Michael Kupinski - *Noble Capital Markets - Analyst*

Got you. And I just want to follow up on your AI comments. Do you expect AI to become more of a measurable contributor to revenue growth? Obviously, you concentrated on the cost efficiency initiatives, but I was just wondering if that is a prospect as well factored into your outlook?

Harsha V. Agadi - *Conduent Inc - President and Chief Executive Officer*

Yes, I think it's going to be a very big difference in terms of how we are executing. So I'm going to just give you some examples, again, in the Government side, and I can also go on the Commercial side. Where AI is being used today is internally, porting, taking old code and porting it to new code. Second, we have a lot of requirements that governments ask us to fulfill. The validation of these requirements were using AI tools.

Third, testing scenarios. Fourth, quality code checks. The biggest issue I saw as I walked into Conduent is the speed to implementation. Sometimes when you sign up new business, it was taking 9 months, 10 months, we're compressing the time to go live, and we're using AI to do that, which then means revenue accretion will be faster, accuracy in terms of our operations increases, and I'd say the client's happiness space increases because they're having true added value.

Now what this might result in is reduction of some of our cost structure because of this automation, which might ripple through the entire company. If you look at our number of employees that I began with, we have definitely dropped the number of employees in the company as each month has gone by more rapidly as time is going.

Michael Kupinski - *Noble Capital Markets - Analyst*

Great. Thank you for the color. I appreciate that.

Harsha V. Agadi - *Conduent Inc - President and Chief Executive Officer*

Thank you.

Operator

Gowshi Sriharan, Singular Research.

Gowshi Sriharan - *Singular Research Inc - Equity Analyst*

Good morning, gentlemen. Can you all hear me?

Harsha V. Agadi - *Conduent Inc - President and Chief Executive Officer*

Yes, good morning.

Giles Goodburn - *Conduent Inc - Chief Financial Officer*

We can hear you.

Gowshi Sriharan - *Singular Research Inc - Equity Analyst*

Okay, awesome. Thank you for taking my questions. With the largest Commercial client kind of rolling off, what does the client concentration on the remaining book look like? I know you mentioned this $100 million Commercial wins. What does the client accounts look like and is that improving with the next biggest clients?

Harsha V. Agadi - *Conduent Inc - President and Chief Executive Officer*

Yeah. So first of all, this client rolling off. And if you remember, I was Chairman of the Board before I became CEO. So the previous CEO had mentioned it to the Board about a year ago that this large client had announced that they were wanting to roll off and they have been rolling off. So that continues.

Having said that, we have a reasonably diversified portfolio, but we do have depth, particularly in certain areas like banking and lending, healthcare, so on and so forth. So we don't have the exposure that we've had with this one client. So I think I feel pretty good going forward.

Meanwhile, Kimberly Marshall, who runs our Commercial sales side; and George Wehbe, who runs Commercial operations, they are making sure that they continue to bulk up step by step on the number of services we're offering existing clients. Going back a couple of calls, the number of services we offer clients today is somewhere between 12 and 15, but guess what a client buys from us, 1.4 services.

Our service density to clients is low and we are intending to increase it. That's one side of it. The other side is we're also going to go beyond the US to increase our geography in where we start selling, whether it's Canada, whether it's Western Europe, whether it's Australia, it makes sense. There is a cost differential that we can take advantage of our large back offices in India, Philippines, and Guatemala. So to me, going forward, I don't see the risk that we're experiencing with the one large client.

Gowshi Sriharan - *Singular Research Inc - Equity Analyst*

And just my follow up, on the CapEx side, as you build out this next-generation Medicaid provider enrollment, does that require a CapEx step-up in 2027 or is there anything you're deferring to protect this year's cash?

Giles Goodburn - *Conduent Inc - Chief Financial Officer*

Yes, it's Giles here. So no significant step-up, that's right. It's just part of the normal course and speed of the CapEx that we've allocated to the business and the continual investments that we're making in what we believe is a market-leading technology stacks in the Government space. If anything, I think overall, as you look at the CapEx across the company, we should see a tick down from both the Transportation segment divesting as well as just more prudent allocation of capital across the business.

Gowshi Sriharan - *Singular Research Inc - Equity Analyst*

And if I could sneak in one last question for Harsha. Now that you've had six months to review, what are the buckets that are still in the fix versus sell? Any color on how you're thinking about that?

Harsha V. Agadi - *Conduent Inc - President and Chief Executive Officer*

Sure. So to begin with, as we've announced the sale of the Transportation business, Transit and Tolling -- and just to remind everybody, we had committed to at least $200 million. And it looks like we're going to come out at about $234 million plus 7% in Quarterhill. Meanwhile, and one more thing, the amount of cash we're going to release out of the Transportation sale is close to our market cap.

I think people need to really understand there is so much value inside Conduent. It's not reflecting in the stock price yet. Now on top of that, we have continuous inbounds on various parts of our business. As CEO, my job is to never say no and look at optionality and take a look at businesses for sale. The good news is George and Anna, our leaders in Commercial and Government want to give no excuses for me to sell, so they're moving ahead with changing the margin structure as rapidly as they can.

But having said that, if somebody came to me and said, here's 20 times EBITDA, 15 times EBITDA, I think my CFO is going to press very hard for me to be not wanting to look at the deal. So there are a couple of small pockets for businesses we might look at. One additional thing for investors to know, as an executive team, we're going through a detailed review of our strategy and that includes front and center where AI fits into our strategy.

We're going to be including our entire Board in the exercise, and it will be presented at the end of September at our Investor Day. So to me on the [fix/sell growth], maybe there's another business or two, but I will tell you this, Giles, our CFO has an arm that is focused on looking at every inbound call.

We get inbound calls on a regular basis. So we will continue to look at optionality. But what it just shows me is two small businesses, not very large, selling them, the value realization is close to the market cap of the company. So to me, there's more that we might be able to do to unlever the company.

Gowshi Sriharan - *Singular Research Inc - Equity Analyst*

Awesome. Thank you, guys, and good luck.

Harsha V. Agadi - *Conduent Inc - President and Chief Executive Officer*

Thank you.

Operator

Mark Riddick, Sidoti & Company.

Marc Riddick - *Sidoti & Company LLC - Analyst*

Good morning.

Harsha V. Agadi - *Conduent Inc - President and Chief Executive Officer*

Good morning.

Marc Riddick - *Sidoti & Company LLC - Analyst*

So I wanted to piggyback on the leverage conversation, and maybe you could sort of discuss what your general views are as far as comfort levels of leverage or potential ranges that you might be targeting. So with the prepared commentary and remarks, the post with the proceeds are getting down to about a little over 2 times. Maybe you could talk a little bit how you see or where you'd want to be longer term on leverage levels and then I have a follow up after that?

Giles Goodburn - *Conduent Inc - Chief Financial Officer*

Yeah, Mark, so I think once we've got the transactions done, the leverage comes down to that kind of two-dot range.

I think as well, once we start to see the benefits of some of the activities, the transformation activities we've got going on, reducing the cost, growth in the top line, reduced CapEx, it enables us a little bit more flexibility to drive that leverage down further.

So I think certainly from my perspective, I'd like to be as you look out the next sort of 18 months to two years, I'd like to be in the sort of one-time levered range, but we've got work to do to get there, but we're on the right path to addressing that.

Marc Riddick - *Sidoti & Company LLC - Analyst*

Okay. And then that actually leads to sort of where I was going with the next. Maybe you could talk a little bit about some of the areas you may be targeting as far as the $100 million of cost savings. I mean, I know you've already made commentary around a lower employee count that you're already seeing, but maybe you can sort of talk -- as to, at least, generalities as to where you're looking for those savings to come from?

Harsha V. Agadi - *Conduent Inc - President and Chief Executive Officer*

Yeah, I think 60% to 70% is headcount. 30% to 40% is relooking at our tech stack. So the combination of the two is going to give us that. Of that, we have already identified a little more than half. We've already executed a small chunk and there's more to execute. So to me, and this is all clear in our heads as a team, the biggest move that's happening, if you ask me, is in the Commercial segment.

So you should see margins change in the Commercial segment probably faster than anywhere because Commercial has a lower margin, and a much higher potential, and a much larger business. So we're seeing that the other area that we're looking at is right-shoring. So again, the centralized SG&A has to be reduced and people are working through that as well.

We have two firms, professional firms working with us, one, on the cost side as well as how we approach sales. And then the second firm is focused purely on the technology. And between the two, we're working aggressively. I told my team at the end of this year, my intention is to not have any consultants inside Conduent.

This is my goal that after this year, we're done, we have right-sized, margins are in the right step, and the business starts growing the way we need it to grow.

Marc Riddick - *Sidoti & Company LLC - Analyst*

Okay. Great. And then last one for me, I was wondering if you could, in your prepared remarks, you discussed the meeting with clients and some of the takeaways there. Maybe you could just give us general views and thoughts as to some of the potential upside or maybe some of the things that were maybe new learnings or what have you or anything along those lines that you would be most optimistic about from those meetings?

Harsha V. Agadi - *Conduent Inc - President and Chief Executive Officer*

Sure. The first, I would say, major change that has happened in how we dialogue. And by the way, I did not know this until my team started recognizing it and telling me this is different. I dialogue with many of our CEOs of our clients directly. One, it's not hard to reach them. Two, they actually want to hear from me. Three, they actually at times don't know we have 15 services.

So I'm going to give you small examples. I have spoken to more than one bank CEO in the top 10 banks in the United States. And they're like, oh, you have lockbox services, you do document digitization, et cetera. So they are excited.

The second is they're now inviting us to meetings. And this is not an RFP methodology. So they will invite us to a meeting where I, as CE; our Head of Commercial Sales, Kimberly Marshall; our CFO might be present or our treasurer, including there'll be a number of other folks in line management, meeting a bank starting with the CEO, as well as a number on the other side.

So we're sitting across from each other, trying to figure out how we can partner together. So the bank I'm referring to, I will not take the name, one of the things we're looking at is how do we work together when we have a few hundred billion dollars of payments going on in the government space.

How can we get more efficient for us and more efficient for the client? So there's a fair amount of dialogue. The other is Conduent ELEVATE, which is a mini convention we had in Chicago. We had huge client attendance. What did surprise me, we hadn't had one in a while. And guess what? We have a lot of interaction now.

As we're going through the RFP process, I directly participate with the head of procurement. I'll give you an example. There was a call with the -- I will not name the client, but you can figure it out, the largest health insurer in the country. And they had 60 CEOs. I was the only CEO asking questions. And guess what? Hence, we connected and we're going further and further into the RFP process.

This is the kind of dialogue. I don't shy, I connect. And my team jokingly says, let's not underestimate who Harsha knows, it's better to go ask him and see if we can get us out. So we are being very aggressive in the marketplace. We're not sitting back because we're determined. Until I have revenue growing positive and double-digit margins, job is not done.

Marc Riddick - *Sidoti & Company LLC - Analyst*

Much appreciated. Thank you very much.

Harsha V. Agadi - *Conduent Inc - President and Chief Executive Officer*

Thank you.

Operator

Thank you. Ladies and gentlemen, that concludes our time allowed for questions and will conclude our call today. We thank you for your interest and participation. You may now disconnect your lines.
