# Conduent

## NYSE: CNDT

Investor Presentation

Q1 2018

# Cautionary Statements

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.

# Conduent Overview

CONDUENT

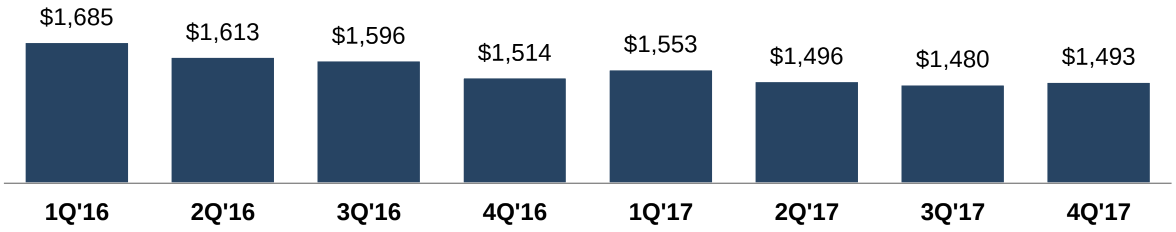
***Leader in business process services delivering seamless, mission-critical interactions for businesses, governments and their constituents globally***

| | |
|---|---|
| ~$6.0B<br>Revenue driven by long-term annuity contracts | $672M[1]<br>Adjusted EBITDA |
| 94%<br>Annual contract renewal rate | ~90K<br>Teammates globally |
| ~$260B<br>Market opportunity | ~6%<br>Annual market growth |

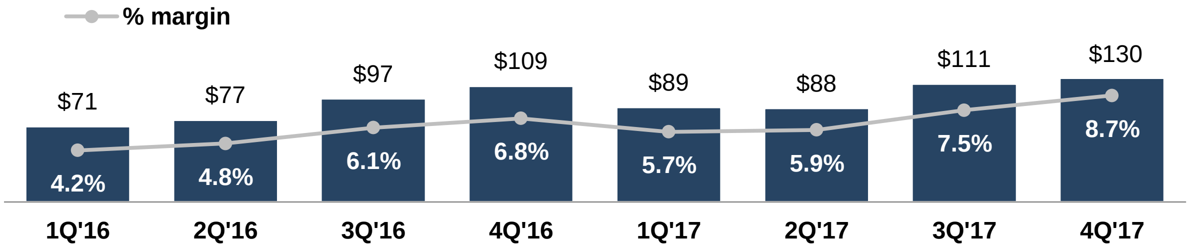
[1]Please refer to Appendix for Non-GAAP reconciliations of adjusted EBITDA
Revenue, Adjusted EBITDA reflect trailing 12-month data; renewal and teammate count as of December 31, 2017.
Market size and growth rate source: Conduent Internal Data; 2015 Nelson Hall BPO market forecast

# Financial Summary

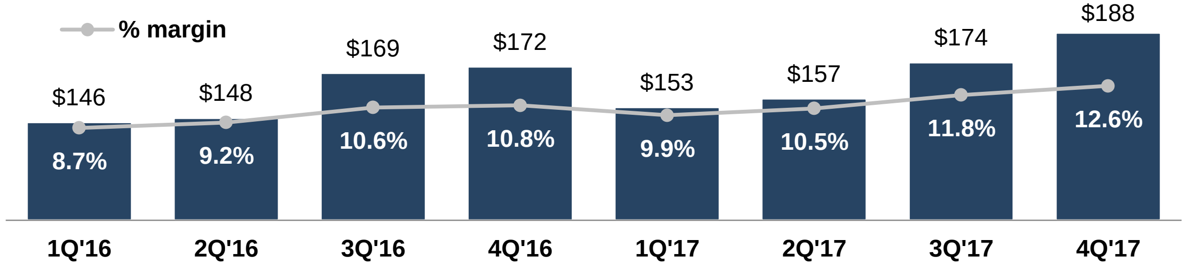
Revenue




Adjusted Operating Income[1]




Adjusted EBITDA[1]




All results represent continuing operations. Dollar values for graphs are in millions.
[1]Please refer to Appendix for Non-GAAP reconciliations of adjusted operating income/margin and adjusted EBITDA/margin

# The Conduent Value Chain

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### 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

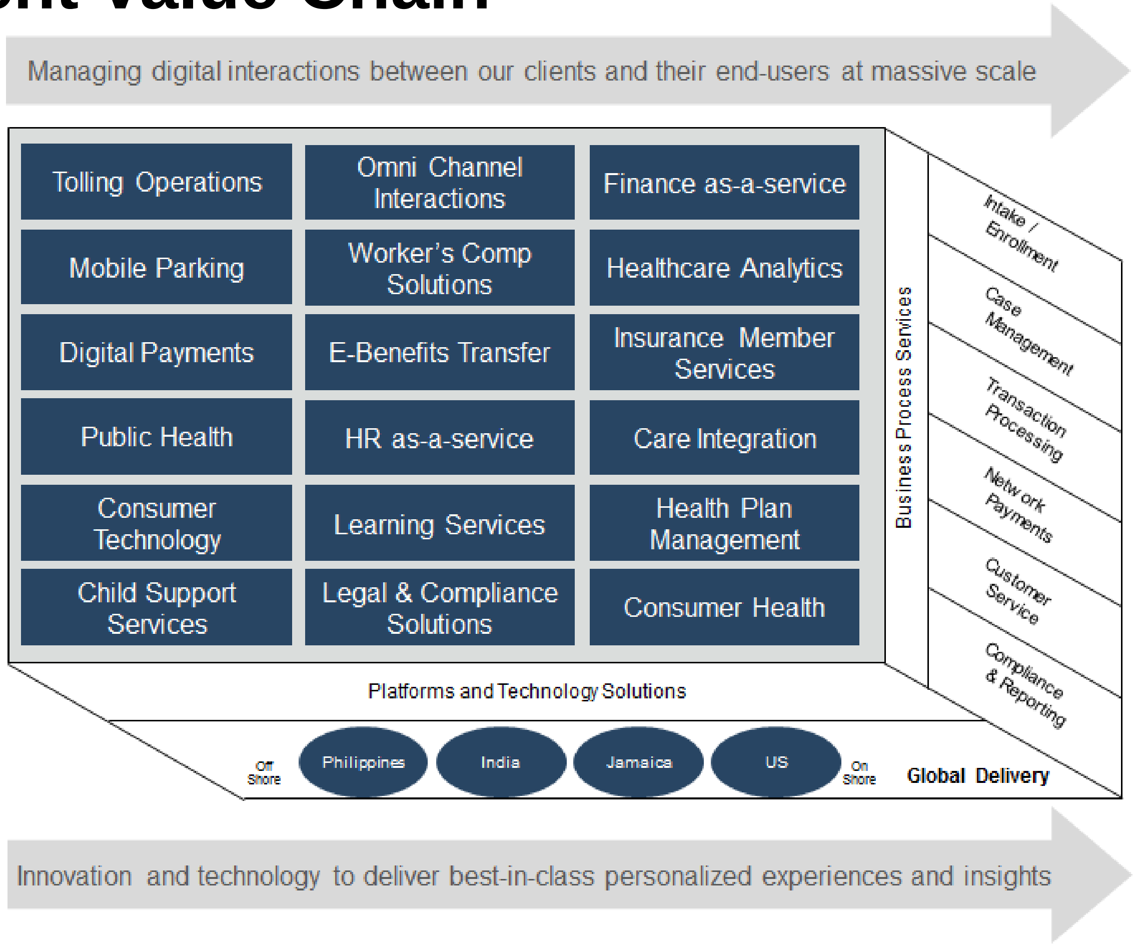
4 of the top 5 Telecommunications

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

# Segments Overview: Q4 2017

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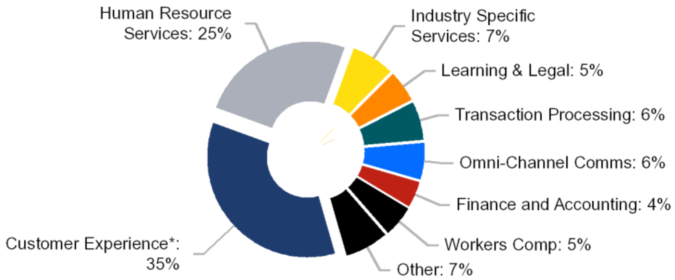
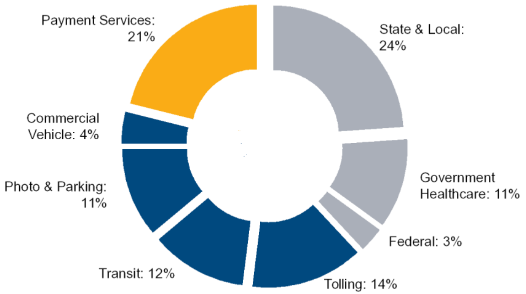
## Commercial Industries




***~$3.5B Trailing 12-Month Revenue (~59% of total)***

- Segment margin of 7.7% in Q4 2017 improved ~260 bps year-over-year
- Progress on contract remediation
- Embedded technology, dynamic pricing, vertical go-to-market
- Focusing on high-value, strategic offerings with large clients

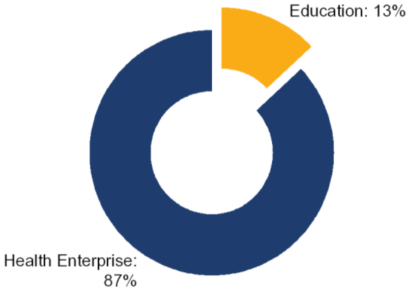
## Public Sector




***~$2.2B Trailing 12-Month Revenue (~36% of total)***

- Segment margin of 12.4% in Q4 2017
- Platform-based business
- Leader in transportation and payments markets
- Margins in line with long-term corporate goal

## Other




***~$310M Trailing 12-Month Adjusted Revenue[1] (~5% of total)***

- Profitability continues to improve
- Running off Education/SLS business
- Profitable renewal/extension with large MMIS client

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

# Commercial Business

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## Industries

High-Tech, Industrial & Retail

Communications & Media

Banking, Insurance & Capital Markets

Healthcare Payer

Healthcare Provider & Pharma

## Offerings


Customer Care

Digital Processing

Human Resources

Workers Comp

Digital Payments

Legal & Compliance

Procurement

Learning

Industry Specific Solutions

# Public Sector Business

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## Clients and Constituents

Federal Government

State Government

Local Government

## Who we serve

Government Agencies

Citizens

## Business Units and Offerings

### Transportation

- Electronic Tolling
- Public Transit
- Parking
- Public Safety
- Commercial Trucking

### Federal, State & Local

- Case Management
- Eligibility Management
- Customer Care
- Claims Processing

### Healthcare

- Medical Administration Fiscal Agent
- Pharmacy Administration
- Care Management & Long Term Care

### Payments

- Child Support
- Citizen Entitlement Benefits
- Gov't Payments
- Card Services

# Strategic Transformation

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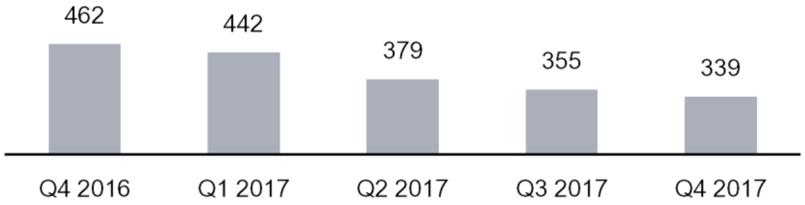
## Progress and Outlook

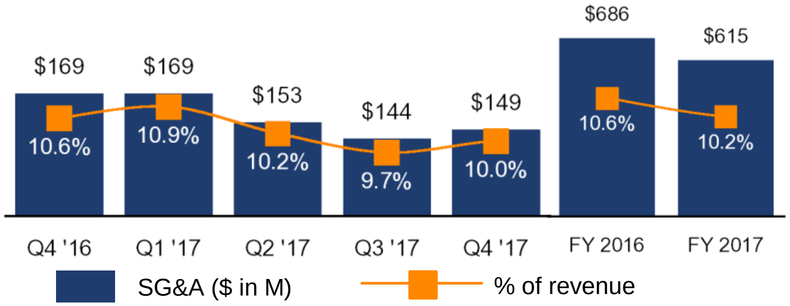
- Over-achieved cumulative 2017 savings target
  - Overperformance in real estate and overhead costs
- Pipeline of cost initiatives provides comfort in expected 2018 savings targets
- Progress on Customer Experience with remediation of 5/6 large contracts and 1/6 in process, highlighting positive momentum
- IT transformation, standardization and simplification remains a focus

| Cumulative Gross Savings | Target | Actuals / Current Outlook |
|---|---|---|
| FY 2017 | ~$430M | ~$475M |
| FY 2018E | ~$700M | On track |

## Real Estate Locations




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




Note: Q4 and FY 2016 % of adjusted revenue[1]

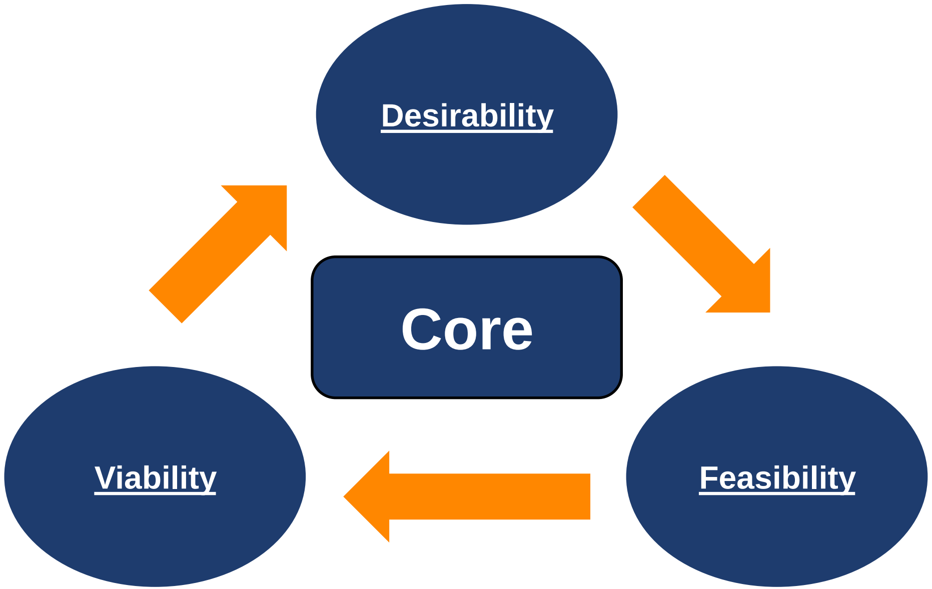
[1]Please refer to Appendix for Non-GAAP reconciliations of adjusted revenue

# Portfolio Review Update

- 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

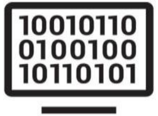



[1]Please refer to Appendix for Non-GAAP reconciliations of adjusted EBITDA

# Operational Focus

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

# Conduent Investment Proposition

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1. **Leadership position** in a ~$260B market growing ~6% annually
2. **Diverse, marquee client base** with strong market share
3. **Stable, recurring revenue model** and 96% renewal rate
4. **Strong margin expansion opportunity** driven by portfolio focus, improved productivity and strategic cost transformation
5. **Amplifying the core** through divesting non-core businesses to focus management bandwidth and free up investment dollars
6. **Disciplined capital allocation** to drive sustainable profitable growth

***Scale, Market Opportunity and Industry Reputation to Drive Adjusted EBITDA[1] and Free Cash Flow[1] Growth***

Note: Renewal rate reflects Q4 2017
Market size and growth rate source: Conduent Internal Data; 2015 Nelson Hall BPO market forecast
[1] Please refer to Appendix for Adjusted EBITDA and Free Cash Flow reconciliation

# Appendix

# Q4 2017 Earnings

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| *(in millions)* | Q4 2016 | Q4 2017 | B/(W) Yr/Yr | Comments |
|---|---|---|---|---|
| Revenue | $1,514 | $1,493 | ($21) | Strategic actions, lost business, divestitures, partially offset by Q4 2016 impact of NY MMIS |
| Gross margin | *8.1%* | *18.9%* | *1,080 bps* | NY MMIS charge in Q4 2016. Continued progress on transformation initiatives |
| SG&A | 169 | 149 | 20 | |
| **Adjusted operating income[1]** | **109** | **130** | **21** | |
| *Adjusted operating margin[1]* | ***6.8%*** | ***8.7%*** | ***190 bps*** | |
| **Adjusted EBITDA[1]** | **$172** | **$188** | **$16** | Growth driven by transformation savings |
| *Adjusted EBITDA margin[1]* | ***10.8%*** | ***12.6%*** | ***180 bps*** | |
| Amortization of intangible assets | 80 | 61 | 19 | Brand write offs in Q4 2016 |
| Restructuring and related costs | 44 | 25 | 19 | |
| Interest expense[2] | 7 | 32 | (25) | Increased debt resulting from spin |
| Separation costs | 10 | 4 | 6 | |
| Loss (gain) on sale of asset and businesses | 1 | (1) | 2 | |
| Other net loss | 12 | 6 | 6 | |
| **Pretax income (loss)** | **(1,141)** | **4** | **1,145** | Q4 2016 Goodwill Impairment and NY MMIS charge |
| GAAP tax (benefit) | ($190) | ($204) | $14 | Tax reform impact on def. tax liability valuation |
| **GAAP net income (loss) from Continuing Operations** | **($951)** | **$208** | **$1,159** | Impacted by Q4 2016 goodwill impairment and NY MMIS charge / Q4 2017 tax benefit |
| **GAAP Diluted EPS from Continuing Operations** | **($4.69)** | **$0.98** | **$5.67** | |
| Adjusted tax rate[1] | 40.2% | 31.6% | *860 bps* | |
| Adjusted net income[1] | $61 | $67 | $6 | |
| **Adjusted Diluted EPS[1] from Continuing Operations** | **$0.29** | **$0.31** | **$0.02** | |

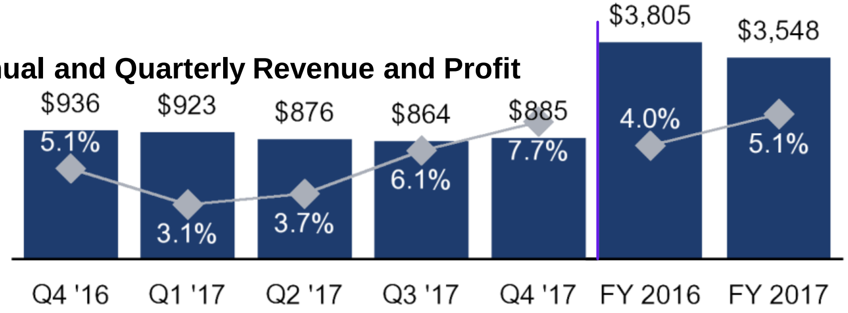
[1]Please refer to Appendix for Non-GAAP reconciliations of adjusted operating income/margin, adjusted EBITDA/margin, adjusted tax rate, adjusted net income and adjusted EPS
[2]Q4 2016 Interest expense includes $4M Related-party interest benefit

# Commercial Segment

## Q4 2017 Segment Highlights

- Revenue grew 2% sequentially and declined 5% yr/yr, impacted by strategic decisions and lost business
- Segment profit grew 42% yr/yr, driven by strategic transformation / contract remediation / delivery efficiency
- Segment adjusted EBITDA[1] grew 31% yr/yr and adjusted EBITDA margin[1] expanded 330 bps

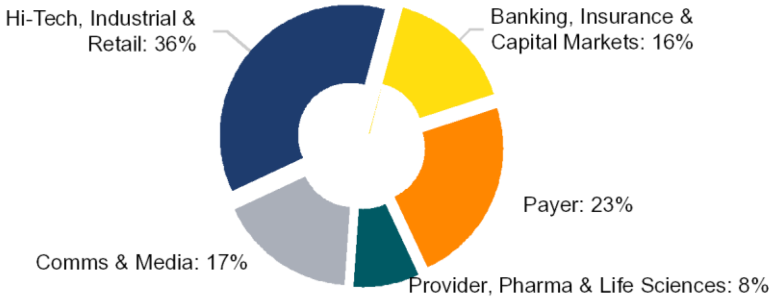
### Annual and Quarterly Revenue and Profit



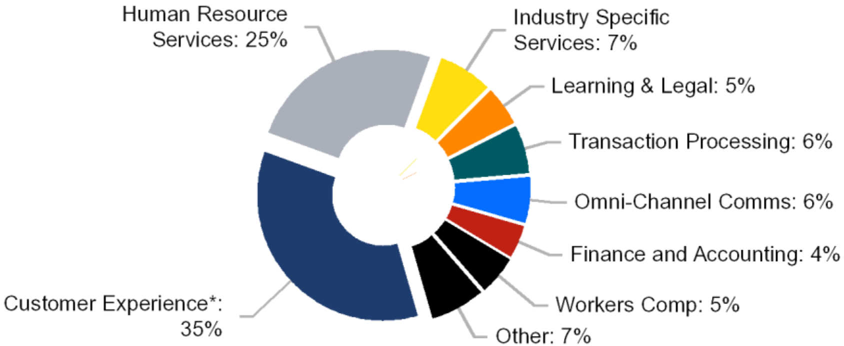

| | Q4 '16 | Q1 '17 | Q2 '17 | Q3 '17 | Q4 '17 | FY 2016 | FY 2017 |
|---|---|---|---|---|---|---|---|
| Segment Profit | $48 | $29 | $32 | $53 | $68 | $151 | $182 |
| AEBITDA[1] | $81 | $70 | $75 | $93 | $106 | $313 | $344 |

Revenue ($ in M) — % Segment Margin

### Q4 Revenue By Vertical (% of segment total)




### Q4 Revenue By Service Line (% of segment total)




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

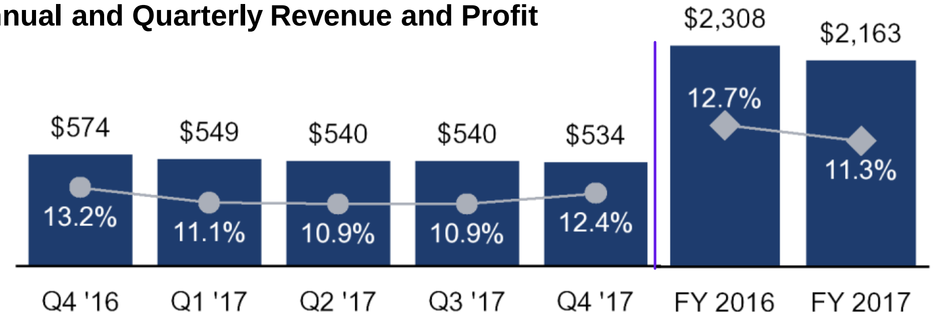
*Includes standalone Customer Care

# Public Sector Segment

### Q4 2017 Segment Highlights

- Revenue down 7% yr/yr and 1% sequentially, impacted by strategic actions and contract losses
- Transportation down 4% yr/yr and flat sequentially
- Segment profit improved sequentially driven by strategic transformation savings and revenue mix

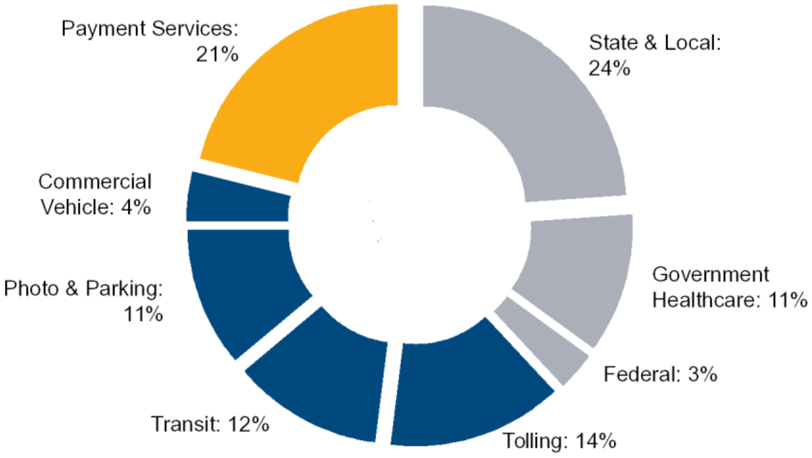
**Annual and Quarterly Revenue and Profit**




| | Q4 '16 | Q1 '17 | Q2 '17 | Q3 '17 | Q4 '17 | FY 2016 | FY 2017 |
|---|---|---|---|---|---|---|---|
| **Segment Profit** | $76 | $61 | $59 | $59 | $66 | $293 | $245 |
| **AEBITDA[1]** | $102 | $82 | $83 | $81 | $84 | $395 | $330 |

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

**Q4 Revenue By Business (% of segment total)**




Transportation (~41% of segment revenue)

Federal, State & Local Government (~38% of segment revenue)

Payments Services (~21% of segment revenue)

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

# Other Segment

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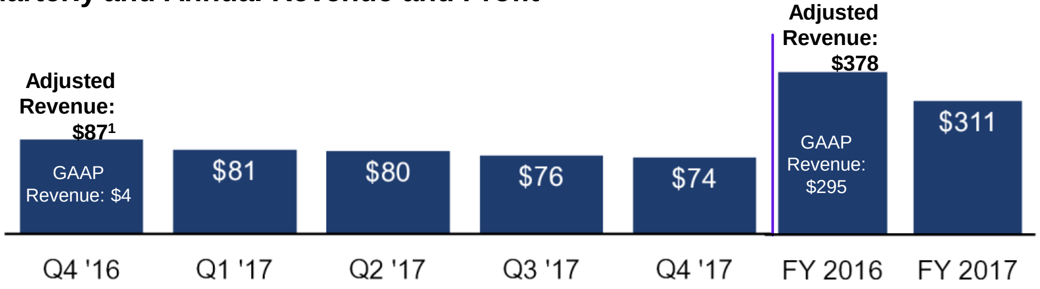
## Q4 2017 Segment Highlights

- Revenue declined yr/yr and sequentially as education business run-off accelerated, partially offset by MMIS contract remediation
- Adjusted EBITDA improved yr/yr, primarily driven by positive impact of MMIS contract remediation, offset by impact of education business run off
- HE segment profit of $1M; Education segment loss of $4M

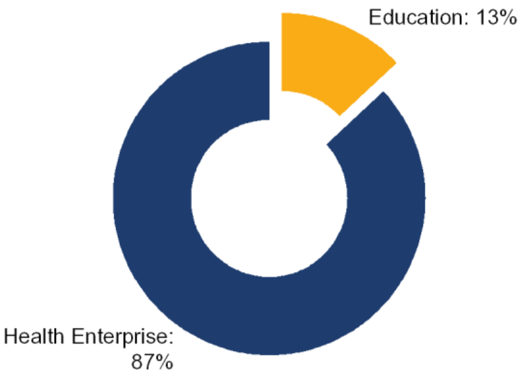
### Quarterly and Annual Revenue and Profit




| | Q4 '16 | Q1 '17 | Q2 '17 | Q3 '17 | Q4 '17 | FY 2016 | FY 2017 |
|---|---|---|---|---|---|---|---|
| **Adjusted Segment Loss[1]** | ($12) | ($1) | ($3) | ($1) | ($4) | ($87) | ($9) |
| **AEBITDA[1]** | ($11) | $1 | ($1) | $— | ($2) | ($73) | ($2) |

**Revenue in $M**

### Q4 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

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| *(in millions)* | Q4 2017 | FY 2017 |
|---|---|---|
| **Net income** | **$208** | **$181** |
| Depreciation & amortization | 119 | 497 |
| Stock-based compensation | 14 | 40 |
| Deferred tax benefit | (223) | (230) |
| Restructuring payments | (15) | (58) |
| Restructuring and related costs | 24 | 92 |
| Change for income tax assets and liabilities | 8 | 11 |
| Change in accounts receivable | 107 | 31 |
| Change in other net working capital | (4) | (204) |
| Other[1] | (1) | (58) |
| **Operating Cash Flow** | **$237** | **$302** |
| Purchase of LB&E[2] and other | (49) | (132) |
| Proceeds from sales of LB&E | — | 33 |
| Net proceeds from divestiture | — | 56 |
| Other investing & Deferred compensation cash | 1 | 117 |
| **Investing Cash Flow** | **($48)** | **$74** |
| **Cash from Financing** | **$2** | **($109)** |
| Effect of exchange rates on cash and cash equivalents | (1) | 1 |
| Change in cash and cash equivalents | 190 | 268 |
| Beginning cash and cash equivalents | 468 | 390 |
| **Ending Cash and Cash Equivalents** | **$658** | **$658** |
| **Memo: Adjusted Free Cash Flow[3]** | **$205** | **$204** |
| Better / (Worse) vs. Prior Year Period | $131 | $285 |

- **2017 Commentary:**
- Free cash flow[3] of $204M
- Divestiture proceeds generated ~$56M
- Termination of Deferred Compensation Plan added $116M (Investing Cash Flow), most of which will be used to pay participants in 2018
- Full-year adjusted free cash flow of ~30% AEBITDA
- Capex ~2.2% of Revenue in FY 2017

1 Includes 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. Adjusted free cash flow also excludes impact from payments related to termination of deferred compensation plan ($17M YTD).

# Capital Structure Overview

## Debt Structure ($ in millions)

| | 12/31/2016 | 9/30/2017 | 12/31/2017 |
|---|---|---|---|
| **Total Cash** | **$390** | **$468** | **$658** |
| *Deferred Comp Cash* | *0* | *(116)* | *(99)* |
| **Adjusted Cash[1]** | **390** | **352** | **559** |
| **Total Debt[2]** | **1,941** | **2,062** | **2,061** |
| Term Loan A[3, 6] due 2021 | 694 | 727 | 732* |
| Term Loan B[3] due 2023 | 750 | 844 | 842 |
| 10.5% Senior Notes due 2024 | 510 | 510 | 510 |
| Capital Leases | 43 | 39 | 33 |
| **Current net leverage ratio[5]** | 2.4x | 2.6x | 2.2x |

*Reflects appreciation of the EUR; there was no incremental borrowing on the Term Loan A in Q4 2017

## Credit Metrics / Statistics

| | |
|---|---|
| **Actual 2017 interest expense** | **$137M** |
| *Preferred dividend (annually)* | *~$10M* |
| Target net leverage ratio | <2.5x |
| Average remaining maturity on outstanding debt | ~5.3 years |

## Key Messages

- Current leverage ratio 2.2x
- Revolver remains undrawn[4]
- ~$300M cash expected to be used for future acquisitions
- Future divestiture proceeds to potentially be used for debt repayments or acquisitions

[1] Adjusted Cash excludes cash received from termination of the Deferred Compensation Plan (current net balance of $99M) that will be used to pay participants through 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 12/31/2017
[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

# Q4 2017 Signings, Pipeline and Renewal Rate

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## $1,730M

### Total Contract Value (TCV) Signings

- TCV improved 65% qtr/qtr and 4% yr/yr, impacted by greater renewal activity and sequential new business growth

## 96%

### Renewal Rate

- Reflects opportunities with acceptable margin and risk, in-line with business model
- Renewals: $1,047M, improved sequentially driven by several large commercial clients
- Large renewals with Healthcare payer, Comms & Media and Industrial clients

## $683M

### New Business TCV

- New Business: $683M, improved 75% qtr/qtr and declined 6% yr/yr
- New business wins driven by expansion and increased cross-sell with existing Healthcare Payer, State & Local and Pharma clients
- Continued focus on strategic wins with acceptable margin

## ~$13B

### Rolling 12-Month Pipeline

- Flat yr/yr and qtr/qtr driven with new deal closures offset by new business opportunities
- Key opportunities in Public Transit, State & Local, Healthcare Payer and Payments

# Signings & Renewal Rate

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| *($ in millions)* | Q1' 16 | Q2' 16 | Q3' 16 | Q4' 16 | Q1' 17 | Q2' 17 | Q3' 17 | Q4' 17 | FY ' 16 | FY' 17 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Contract Value** | **$1,488** | **$2,158** | **$1,546** | **$1,660** | **$931** | **$1,244** | **$1,047** | **$1,730** | **$6,852** | **$4,952** |
| **New Business** | **$643** | **$527** | **$633** | **$724** | **$530** | **$657** | **$390** | **$683** | **$2,527** | **$2,260** |
| **Renewals** | **$845** | **$1,631** | **$913** | **$936** | **$401** | **$587** | **$657** | **$1,047** | **$4,325** | **$2,692** |
| **Annual Recurring Revenue Signings** | **$129** | **$112** | **$166** | **$182** | **$143** | **$130** | **$92** | **$168** | **$589** | **$533** |
| **Non-Recurring Revenue Signings** | **$83** | **$140** | **$104** | **$111** | **$92** | **$109** | **$86** | **$96** | **$438** | **$383** |
| **Renewal rate** | **89%** | **88%** | **89%** | **85%** | **92%** | **89%** | **98%** | **96%** | **88%** | **94%** |
| Renewal rate (previous methodology) | 89% | 84% | 83% | 82% | 80% | 76% | 95% | 93% | 86% | 87% |

# FY 2018 Guidance

| (in millions) | FY 2017 | Impact from Adjustments to FY 2017 | Adjusted FY 2017 | FY 2018E (vs Adjusted FY 2017) |
|---|---|---|---|---|
| **Revenue** **(constant currency)** | $6,022 | ~($225) | $5,797 | Down 3% - flat (CC[1]) |
| **Adjusted EBITDA[2]** | $672 | ~($20) | $652 | Up 8% - 12% |
| **Adjusted Free Cash Flow** | $204 | ~($1) | $203 | 25 - 35% of Adj. EBITDA[2] |

| Adjustments impacting FY 2017 | Revenue | Adj. EBITDA | Free Cash Flow |
|---|---|---|---|
| Divestitures (completed in Q3 2017) | ~($60) | ~($5) | ~($1) |
| Estimated impact from adoption of the new accounting standard for revenue recognition[3] | ~($165) | ~($15) | $0 |
| **Total** | **~($225)** | **~($20)** | **~($1)** |

[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
[3] Estimated impact from the adoption of the new accounting standard for revenue recognition, had it been applicable in FY 2017.

# 2018 Modeling Considerations

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| | Outlook Commentary |
|---|---|
| **Profitability** | Typical seasonality tends to be weighted toward 2H (as seen in FY 2017) |
| **Restructuring costs** | Expected to be \$50M - \$75M for the full year |
| **Interest Expense** | Expected to be ~\$135M for the full year, given TLB repricings and interest rate expectations |
| **Cash Flow** | Business typically cash flow negative in Q1, given seasonal items |
| **Capex** | Expected to be 2.5% - 3.0% of Revenue in FY 2018 |
| **Other segment** | Expect break-even in 2018 in current construct |
| **Divestitures and M&A** | No impact in guidance for future divestitures and acquisitions. Will be added as deals close. |

# Definitions

**TCV** = Total contract value
**Annual Recurring Revenue Signings** = Only includes new business TCV
**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).

**Renewal Rate (previous methodology)** = 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 (includes all contracts).

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

**Updated accounting standard for revenue recognition** = Estimated impact from adoption of new accounting standard for revenue recognition would impact Conduent FY 2017 revenues by ~$165 million and FY 2017 Adjusted EBITDA by ~$15 million. There is no impact to Free Cash Flow from this accounting standard adoption.

# Non-GAAP Financial Measures

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**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:

- Goodwill Impairment. Represents Goodwill Impairment charge of $935 million.
- 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.

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 Revenue, Adjusted Operating Income and Adjusted Operating Margin**.

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

Goodwill Impairment.

- Goodwill Impairment.
- 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 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.

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# Non-GAAP Financial Measures

**Segment and Consolidated 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 / HE charge Depreciation.
- (Gain) loss on sale of asset and businesses.
- Business transformation costs (Segment only)

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, vendor financed capital lease and proceeds from sales of land, buildings and equipment. We use the non-GAAP measure of Free Cash Flow as a criterion of liquidity and performance-based components of employee compensation. We use Free Cash Flow as a measure of liquidity to determine amounts we can reinvest in our core businesses, such as amounts available to make acquisitions, 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.

**Adjusted Free Cash Flow**

Adjusted free cash flow is defined as free cash flow from above plus deferred compensation payments.

**Adjusted Cash**

Adjusted cash is defined as cash and cash equivalents less cash from terminated deferred compensation to be paid to plan participants.

**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 December 31, 2017 Net Income (Loss) | 2017 Diluted EPS | 2016 Net Income (Loss) | 2016 Diluted EPS | Years Ended December 31, 2017 Net Income (Loss) | 2017 Diluted EPS | 2016 Net Income (Loss) | 2016 Diluted EPS |
|---|---|---|---|---|---|---|---|---|
| **GAAP as Reported From Continuing Operations** | $ 208 | $ 0.98 | $ (951) | $ (4.69) | $ 177 | $ 0.81 | $ (983) | $ (4.85) |
| **Adjustments:** | | | | | | | | |
| Goodwill impairment | — | | 935 | | — | | 935 | |
| Amortization of intangible assets | 61 | | 80 | | 243 | | 280 | |
| NY MMIS | (1) | | 161 | | 9 | | 161 | |
| Restructuring and related costs | 25 | | 44 | | 101 | | 101 | |
| HE charge | — | | — | | (8) | | — | |
| Separation costs | 4 | | 10 | | 12 | | 44 | |
| (Gain) loss on sale of asset and businesses | (1) | | 1 | | (42) | | 2 | |
| Other (income) expenses, net | 6 | | 12 | | (18) | | 18 | |
| Less: Income tax adjustments(1) | (235) | | (231) | | (288) | | (335) | |
| **Adjusted Net Income (Loss) and EPS** | $ 67 | $ 0.31 | $ 61 | $ 0.29 | $ 186 | $ 0.85 | $ 223 | $ 1.06 |
| (GAAP shares in thousands) | | | | | | | | |
| Weighted average common shares outstanding | | 204,607 | | 202,875 | | 204,007 | | 202,875 |
| Stock options | | 131 | | — | | 195 | | — |
| Restricted stock and performance shares | | 3,133 | | — | | 2,491 | | — |
| 8% Convertible preferred stock | | 5,393 | | — | | — | | — |
| **Adjusted Weighted Average Shares Outstanding[2]** | | 213,264 | | 202,875 | | 206,693 | | 202,875 |
| (GAAP shares in thousands) | | | | | | | | |
| Weighted average common shares outstanding | | 204,607 | | 202,875 | | 204,007 | | 202,875 |
| Stock options | | 131 | | 288 | | 195 | | 374 |
| Restricted stock and performance shares | | 2,742 | | 2,691 | | 2,491 | | 2,132 |
| 8% Convertible preferred stock | | 5,393 | | 5,393 | | — | | 5,393 |
| **Adjusted Weighted Average Shares Outstanding(2)** | | 212,873 | | 211,247 | | 206,693 | | 210,774 |

*(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 approximately $2.4 million and $10 million for the three months and year ended December 31, 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

| (in millions) | Three Months Ended December 31, 2017 Pre-Tax Income (Loss) | Three Months Ended December 31, 2017 Income Tax (Benefit) Expense | Three Months Ended December 31, 2017 Effective Tax Rate | Three Months Ended December 31, 2016 Pre-Tax Income (Loss) | Three Months Ended December 31, 2016 Income Tax (Benefit) Expense | Three Months Ended December 31, 2016 Effective Tax Rate |
|---|---|---|---|---|---|---|
| **GAAP as Reported From Continuing Operations** | $ 4 | $ (204) | (5,100.0)% | $ (1,141) | $ (190) | 16.7% |
| Non-GAAP adjustments | | | | | | |
| Benefit from tax law changes | — | 198 | | — | — | |
| Other non-GAAP adjustments | 94 | 37 | | 1,243 | 231 | |
| Total non-GAAP adjustments(1) | 94 | 235 | | 1,243 | 231 | |
| **Adjusted(2)** | $ 98 | $ 31 | 31.6% | $ 102 | $ 41 | 40.2% |

| | Year Ended December 31, 2017 Pre-Tax Income (Loss) | Year Ended December 31, 2017 Income Tax (Benefit) Expense | Year Ended December 31, 2017 Effective Tax Rate | Year Ended December 31, 2016 Pre-Tax Income (Loss) | Year Ended December 31, 2016 Income Tax (Benefit) Expense | Year Ended December 31, 2016 Effective Tax Rate |
|---|---|---|---|---|---|---|
| **GAAP as Reported From Continuing Operations** | $ (16) | $ (193) | 1,206.3% | $ (1,227) | $ (244) | 19.9% |
| Non-GAAP adjustments | | | | | | |
| Benefit from tax law changes | — | 198 | | — | — | |
| Termination of COLI plan | — | (19) | | — | — | |
| Other non-GAAP adjustments | 297 | 109 | | 1,541 | 335 | |
| Total non-GAAP adjustments(1) | 297 | 288 | | 1,541 | 335 | |
| **Adjusted(2)** | $ 281 | $ 95 | 33.8% | $ 314 | $ 91 | 29.0% |

*(1) Refer to Net Income (Loss) reconciliation for details of non-GAAP adjustments.*

*(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 (Loss), which employs an annual effective tax rate method to the results.*

# Non-GAAP Reconciliation: Revenue and Operating Income / Margin

CONDUENT

| (in millions) | Q4 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | Full Year 2016 | Full Year 2017 |
|---|---|---|---|---|---|---|---|
| GAAP Revenue From Continuing Operations | $ 1,514 | $ 1,553 | $ 1,496 | $ 1,480 | $ 1,493 | $ 6,408 | $ 6,022 |
| GAAP Pre-tax (Loss) Income From Continuing Operations | (1,141) | (22) | (11) | 13 | 4 | (1,227) | (16) |
| *GAAP Operating Margin As Reported* | *(75.4)%* | *(1.4)%* | *(0.7)%* | *0.9%* | *0.3%* | *(19.1)%* | *(0.3)%* |
| | | | | | | | |
| **GAAP Revenue From Continuing Operations** | $ 1,514 | $ 1,553 | $ 1,496 | $ 1,480 | $ 1,493 | $ 6,408 | $ 6,022 |
| NY MMIS adjustment | 83 | — | — | — | — | 83 | — |
| **Adjusted Revenue** | $ 1,597 | $ 1,553 | $ 1,496 | $ 1,480 | $ 1,493 | $ 6,491 | $ 6,022 |
| | | | | | | | |
| **GAAP Pre-tax (Loss) Income From Continuing Operations** | $ (1,141) | $ (22) | $ (11) | $ 13 | $ 4 | $ (1,227) | $ (16) |
| Adjustments: | | | | | | | |
| Goodwill impairment | 935 | — | — | — | — | 935 | — |
| Amortization of intangible assets | 80 | 61 | 61 | 60 | 61 | 280 | 243 |
| NY MMIS | 161 | 8 | 1 | 1 | (1) | 161 | 9 |
| Restructuring and related costs | 44 | 18 | 36 | 22 | 25 | 101 | 101 |
| HE charge | — | (5) | — | (3) | — | — | (8) |
| Separation costs | 10 | 5 | 1 | 2 | 4 | 44 | 12 |
| Interest expense | 11 | 36 | 34 | 35 | 32 | 14 | 137 |
| Related party interest | (4) | — | — | — | — | 26 | — |
| (Gain) loss on sale of asset and businesses | 1 | — | (25) | (16) | (1) | 2 | (42) |
| Other (income) expenses, net | 12 | (12) | (9) | (3) | 6 | 18 | (18) |
| ***Adjusted Operating Income/Margin*** | *$ 109* | *$ 89* | *$ 88* | *$ 111* | *$ 130* | *$ 354* | *$ 418* |
| *Adjusted Operating Margin* | 6.8% | 5.7% | 5.9% | 7.5% | 8.7% | 5.5% | 6.9% |

# Non-GAAP Reconciliation: Adjusted EBITDA

CONDUENT

| (in millions) | Q4 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | **Full Year 2016** | **Full Year 2017** |
|---|---|---|---|---|---|---|---|
| Reconciliation to Adjusted Revenue | | | | | | | |
| **GAAP Revenue From Continuing Operations** | $ 1,514 | $ 1,553 | $ 1,496 | $ 1,480 | $ 1,493 | $ 6,408 | $ 6,022 |
| NY MMIS adjustment | 83 | — | — | — | — | 83 | — |
| **Adjusted Revenue** | $ 1,597 | $ 1,553 | $ 1,496 | $ 1,480 | $ 1,493 | $ 6,491 | $ 6,022 |
| Reconciliation to Adjusted EBITDA | | | | | | | |
| **GAAP Net Income (Loss) from Continuing Operations** | $ (951) | $ (10) | $ (4) | $ (17) | $ 208 | $ (983) | $ 177 |
| Interest Expense | 11 | 36 | 34 | 35 | 32 | 14 | 137 |
| Related Party Interest | (4) | — | — | — | — | 26 | — |
| Income tax benefits | (190) | (12) | (7) | 30 | (204) | (244) | (193) |
| Depreciation | 36 | 31 | 34 | 31 | 29 | 128 | 125 |
| Amortization | 159 | 94 | 96 | 92 | 90 | 485 | 372 |
| **EBITDA** | $ (939) | $ 139 | $ 153 | $ 171 | $ 155 | $ (574) | $ 618 |
| *EBITDA Margin* | *(62.0)%* | *9.0%* | *10.2%* | *11.6%* | *10.4%* | *(9.0)%* | *10.3%* |
| **EBITDA** | $ (939) | $ 139 | $ 153 | $ 171 | $ 155 | $ (574) | $ 618 |
| Adjustments: | | | | | | | |
| Goodwill impairment | 935 | — | — | — | — | 935 | — |
| Restructuring and related costs | 44 | 18 | 36 | 22 | 25 | 101 | 101 |
| Separation costs | 10 | 5 | 1 | 2 | 4 | 44 | 12 |
| NY MMIS | 161 | 8 | 1 | 1 | (1) | 161 | 9 |
| NY MMIS depreciation | (52) | — | — | — | — | (52) | — |
| HE charge | — | (5) | — | (3) | — | — | (8) |
| (Gain) Loss on sale of assets and business | 1 | — | (25) | (16) | (1) | 2 | (42) |
| Other (income) expenses, net | 12 | (12) | (9) | (3) | 6 | 18 | (18) |
| **Adjusted EBITDA** | 172 | 153 | 157 | 174 | 188 | 635 | 672 |
| ***Adjusted EBITDA Margin*** | 10.8% | 9.9% | 10.5% | 11.8% | 12.6% | 9.8% | 11.2% |

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

# Non-GAAP Reconciliation: Segment Adjusted EBITDA

CONDUENT

| (in millions) | Q4 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | FY 2016 | FY 2017 |
|---|---|---|---|---|---|---|---|
| **Commercial Industries** | | | | | | | |
| Segment GAAP revenue | $ 936 | $ 923 | $ 876 | $ 864 | $ 885 | $ 3,805 | $ 3,548 |
| Segment profit | $ 48 | $ 29 | $ 32 | $ 53 | $ 68 | $ 151 | $ 182 |
| Depreciation & amortization | 33 | 41 | 43 | 40 | 38 | 162 | 162 |
| **Adjusted Segment EBITDA** | 81 | 70 | 75 | 93 | 106 | 313 | 344 |
| ***Adjusted EBITDA Margin*** | *8.7%* | *7.6%* | *8.6%* | *10.8%* | *12.0%* | *8.2%* | *9.7%* |
| **Public Sector** | | | | | | | |
| Segment GAAP revenue | $ 574 | $ 549 | $ 540 | $ 540 | $ 534 | $ 2,308 | $ 2,163 |
| Segment profit | $ 76 | $ 61 | $ 59 | $ 59 | $ 66 | $ 293 | $ 245 |
| Depreciation & amortization | 26 | 21 | 24 | 22 | 18 | 102 | 85 |
| **Adjusted Segment EBITDA** | 102 | 82 | 83 | 81 | 84 | 395 | 330 |
| ***Adjusted EBITDA Margin*** | 17.8% | 14.9% | 15.4% | 15.0% | 15.7% | 17.1% | 15.3% |
| **Other Segment** | | | | | | | |
| Segment GAAP revenue | $ 4 | $ 81 | $ 80 | $ 76 | $ 74 | $ 295 | $ 311 |
| NY MMIS charge | 83 | — | — | — | — | 83 | — |
| **Adjusted Segment Revenue** | $ 87 | $ 81 | $ 80 | $ 76 | $ 74 | $ 378 | $ 311 |
| GAAP Segment profit (loss) | $ (173) | $ (4) | $ (4) | $ 1 | $ (3) | $ (248) | $ (10) |
| NY MMIS charge | 133 | 8 | 1 | 1 | (1) | 133 | 9 |
| HE charge | 28 | (5) | — | (3) | — | 28 | (8) |
| **Adjusted Other Segment Loss** | (12) | (1) | (3) | (1) | (4) | (87) | (9) |
| Depreciation & amortization | 56 | 2 | 2 | 1 | 2 | 69 | 7 |
| NY MMIS depreciation | (24) | — | — | — | — | (24) | — |
| HE depreciation | (28) | — | — | — | — | (28) | — |
| Business transformation costs | (3) | — | — | — | — | (3) | — |
| **Adjusted Segment EBITDA** | $ (11) | $ 1 | $ (1) | $ — | $ (2) | $ (73) | $ (2) |
| ***Adjusted EBITDA Margin*** | (12.6)% | 1.2% | (1.3)% | —% | *(2.7)%* | (19.3)% | (0.6)% |

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

| (in millions) | Q4 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | FY 2016 | FY 2017 |
|---|---|---|---|---|---|---|---|
| Reconciliation to Other Segment Adjusted Revenue | | | | | | | |
| Segment revenue as reported | $ 4 | $ 81 | $ 80 | $ 76 | $ 74 | $ 295 | $ 311 |
| Adjustments: | | | | | | | |
| NY MMIS | 83 | — | — | — | — | 83 | — |
| **Adjusted Other Segment Revenue** | $ 87 | $ 81 | $ 80 | $ 76 | $ 74 | $ 378 | $ 311 |
| Reconciliation to Other Segment Adjusted Profit | | | | | | | |
| Segment profit (loss) as reported | $ (173) | $ (4) | $ (4) | $ 1 | $ (3) | $ (248) | $ (10) |
| Adjustments: | | | | | | | |
| NY MMIS | 161 | 8 | 1 | 1 | (1) | 161 | 9 |
| HE Charge | — | (5) | — | (3) | — | — | (8) |
| **Adjusted Other Segment Profit (Loss)** | $ (12) | $ (1) | $ (3) | $ (1) | $ (4) | $ (87) | $ (9) |

# Non-GAAP Reconciliation: Adjusted Free Cash Flow

| | Three Months Ended December 31, | | Years Ended December 31, | |
|---|---|---|---|---|
| (in millions) | 2017 | 2016 | 2017 | 2016 |
| Operating Cash Flow | $ 237 | $ 146 | $ 302 | $ 108 |
| Cost of additions to land, buildings & equipment | (39) | (63) | (96) | (149) |
| Cost of additions to internal use software | (10) | (8) | (36) | (39) |
| Proceeds from sales of land, buildings and equipment | — | — | 33 | — |
| Vendor financed capital leases | — | (1) | (16) | (1) |
| Deferred compensation payments | 17 | — | 17 | — |
| **Adjusted Free Cash Flow** | **$ 205** | **$ 74** | **$ 204** | **$ (81)** |

# Non-GAAP Reconciliation: Adjusted Cash

| (in millions) | As of September 30, 2017 | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|---|
| Cash and cash equivalents | $ 468 | $ 658 | $ 390 |
| Deferred compensation paid in 2017 | — | 17 | — |
| Deferred compensation payable | (116) | (116) | — |
| **Adjusted cash and cash equivalents** | **$ 352** | **$ 559** | **$ 390** |