CONDUENT

Conduent Investor Presentation

Q3 2019

FORWARD-LOOKING STATEMENTS

This document contains “forward-looking statements”, as defined in the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. These statements can be 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 and uncertainties that could cause our actual results to differ materially from those in our forward-looking statements include, but are not limited to: our ability to successfully manage the leadership transition and strategic and operational review, and the potential for disruptions to our business from the transition and strategic and operational review; government appropriations and termination rights contained in our government contracts; our ability to renew commercial and government contracts, including contracts awarded through competitive bidding processes; our ability to recover capital and other investments in connection with our contracts; our ability to attract and retain necessary technical personnel and qualified subcontractors; our ability to deliver on our contractual obligations properly and on time; competitive pressures; our significant indebtedness; changes in interest in outsourced business process services; our ability to obtain adequate pricing for our services and to improve our cost structure; claims of infringement of third-party intellectual property rights; the failure to comply with laws relating to individually identifiable information, and personal health information and laws relating to processing certain financial transactions, including payment card transactions and debit or credit card transactions; breaches of our information systems or security systems or any service interruptions; our ability to estimate the scope of work or the costs of performance in our contracts; our continuing emphasis on and shift toward technology-led digital transactions; customer decision-making cycles and lead time for customer commitments; our ability to collect our receivables, including those for unbilled services; a decline in revenues from, or a loss of, or a reduction in business from, or failure of significant clients; fluctuations in our non-recurring revenue; our failure to maintain a satisfactory credit rating; our ability to attract and retain key employees; increases in the cost of telephone and data services or significant interruptions in such services; our failure to develop new service offerings; our ability to modernize our information technology infrastructure and consolidate data centers; our ability to comply with data security standards; our ability to receive dividends or other payments from our subsidiaries; changes in tax and other laws and regulations; changes in government regulation and economic, strategic, political and social conditions; changes in U.S. GAAP or other applicable accounting policies; and other factors that are set forth in the “Risk Factors” section, the “Legal Proceedings” section, the “Management's Discussion and Analysis of Financial Condition and Results of Operations” section and other sections in our 2018 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 or furnished to the Securities and Exchange Commission. Any forward-looking statements made by us in this presentation speak only as of the date on which they are made. We are 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 Consolidated Financial Statements prepared in accordance with U.S. GAAP. Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions, and providing such non-GAAP financial measures to investors allows for a further level of transparency as to how management reviews and evaluates our business results and trends. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. Compensation of our executives is based in part on the performance of our business based on certain of these non-GAAP measures.

Moving Customer Operations Forward

"We deliver mission-critical services and solutions on behalf of businesses and governments – creating exceptional outcomes for our clients and the millions of people who count on them."

- Automating processes
- Improving efficiencies
- Enabling growth
- Reducing costs
- Improving end-user outcomes, satisfaction and loyalty

Who We Are

Among the Largest Business Services Company in the Market

COMMERCIAL

Delivering end-to-end business-to-business and business-to-consumer solutions that transform the way our clients operate and facilitate interactions for our clients end users.

Core Offerings

- End-User Engagement
- HR Services
- Workers Comp Management
- Healthcare Solutions
- Digital Payments
- Document Management
- Transaction Processing
- Banking Operations
- Finance, Accounting, & Procurement

~54%
of revenue (1)

GOVERNMENT

Providing business process services to U.S. federal, state and local and foreign governments and agencies to streamline operations and improve the citizen experience.

Core Offerings

- Child Support Solutions
- Payment Solutions
- Government Healthcare Solutions
- Case Management Solutions
- Eligibility and Enrollment Solutions

~29%
of revenue (1)

TRANSPORTATION

Integrating innovative technologies, advanced analytics and end-user-focused solutions to deliver safer and more efficient experiences for travelers and real-time revenue management for governments and agencies.

Core Platform Offerings

- Roadway Charging & Management
- Transit
- Curbside Management
- Public Safety

~17%
of revenue (1)

(1) 9 months as of 9/30/2019. Revenue adjusted to exclude divestitures.

Three Business Segments Poised for Long-term Growth

COMMERCIAL

Our Clients

Majority of the Fortune 100

19 of top 20 Health Insurers

9 of top 10 Pharma Companies

6 of top 10 Automakers

7 of top 10 U.S. Banks

Scale

70% U.S. Insured Patients touched by CNDT

$775B B2B Payments

50%+ of U.S. Workers Comp Transactions

Leading Provider of Health Spending Accounts with **1.1M** BenefitWallet HSAs

10M+ employees with CNDT HR Services

GOVERNMENT

Our Clients

Partners in **41 States**

150+ Payment Service Programs in **30+ States**

54+ million registered government payment cards

Scale

$40B in Gov't Healthcare Provider Payments Processed per Year

$3.6B Gov't Payment Transactions

43% U.S. Child Support Payments

55% SNAP Payments

TRANSPORTATION

Our Clients

1 out of 4 US public safety systems are implemented

44% of US parking systems are managed

Scale

48% U.S. Toll Transactions

$2.4B toll transactions processed per year

11 Million traveler transactions through toll systems daily

Conduent by the Numbers

Enterprise Snapshot

FINANCIAL SNAPSHOT: FY 2019 GUIDANCE MID POINT[(1)]	$4.4B Revenue	~$495M Adj. EBITDA	~$100M Adj. FCF
STRONG OPERATIONAL FOUNDATION[(2)]	68k Employees	>1k Patents	35 Business Areas
ATTRACTIVE BALANCE SHEET & CASH GENERATION	~20% Adj. EBITDA to FCF Conversion[(3)]	~6.3% FCF Yield[(4)]	2.5x Net Leverage Ratio[(5)]

(1) Revenue and EBITDA mid-point of guidance ranges exclude Divestitures.
(2) As of 9/30/19.
(3) FY2019 Guidance projects Adj EBITDA conversion of ~20%.
(4) FY2019 Guidance midpoint cashflow (~100M) divided by basic market cap per FactSet ($1.6B) as of 11/8/19.
(5) Leverage as of 9/30/19.

Undergoing a Strategic & Operational Review

Expect to complete comprehensive Strategic and Operational review in late Q4'19 or early Q1'20

Any potential divestitures would be determined upon the completion of the review and would expect to be executed throughout FY 2020

Use of potential proceeds and capital allocation plan is part of the comprehensive review

Focus of strategic review:

- Key theme is simplification
- Among the potential outcomes could be monetizing assets that fit one or more of these criteria:
  1. Have scarcity value and could potentially command higher value outside of CNDT, or
  2. Are under-performing and not aligned with go-forward investment strategy, or
  3. Complicate Conduent's value proposition
- Intention of the exercise is to create a go-forward company that contains businesses which are capable of growing top- and bottom-line results

Complementary Portfolio of Segments and Platforms

Conduent Services & Solutions

Commercial Healthcare

Payer

Provider

Pharma & Life Sciences

Medical Claims Management

Contact Center

Phone

Email

Chat

Self-service

HR Services

Health & Wellness

Wealth & Retirement

HR Management

Learning & Development

Transaction Processing

Customer Communications

Document & Data Management

Payments Processing

Finance, Accounting & Procurement

Transportation

Roadway Usage

Transit

Curbside Management

Public Safety

Government

Payments

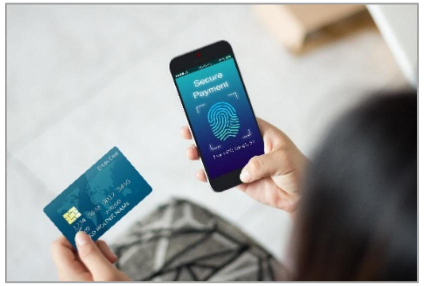
Child Support

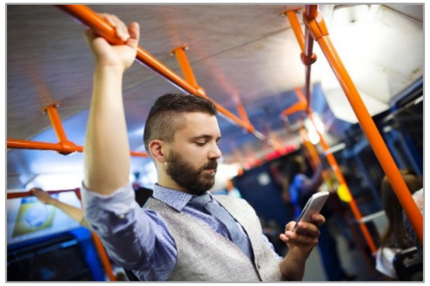
Case Management

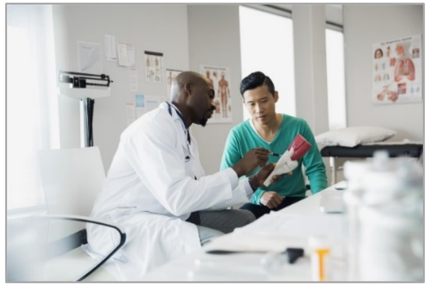
Eligibility & Enrollment

Government Healthcare

Millions of People Count on CNDT







25M
cardholders with modern digital payment solutions

2.5M
contact center interactions every day

10M
global employees and participants supported

11M
Traveler transactions through electronic tolling per day

185M
insured patients in the U.S. (2/3 of all insured)

Significant Opportunity to Unlock Value Across Business Segments

	CONDUENT[1]	PEER GROUP	
COMMERCIAL	**Key performance metrics** Revenue: $2.6B Adj. EBITDA: $598M	MERCER, Willis Towers Watson, Excela Health, WNS, alight, genpact, Broadridge, accenture EV/EBITDA Multiple[2]: ~15x	$729B Addressable Market [3, 4, 5, 6]
GOVERNMENT	**Key performance metrics** Revenue: $1.4B Adj. EBITDA: $451M	DXC.technology, FIS, leidos, MAXIMUS, MOLINA HEALTHCARE EV/EBITDA Multiple[2]: ~12x	$155B Addressable Market [3, 4, 5, 6]
TRANSPORTATION	**Key performance metrics** Revenue: $729M Adj. EBITDA: $149M	CUBIC, THALES, kapsch, ROPER, ATS EV/EBITDA Multiple[2]: ~13x	$20B Addressable Market [3, 6]

1. Conduent FY 2018 Results, excludes corporate costs
2. Next Full Year EV/EBITDA for public companies as of 11/19/19.
3. 2020 Addressable Market. Source Gartner, IDC, Conduent Internal and Nelson Hall
4. (i) Commercial includes - Healthcare (payer, provider, PLS), C&I, Financial Services, Europe, Payments (Cross border, KYC and Reg-Tech) and Digitization
5. (ii) Government includes - GHS, State Services and Federal, Payments (Healthcare)
6. Geos considered (i) Commercial – as per respective segments (ii) Government – US (iii) Transportation – Global

Path to Growth

Path to Growth

Well positioned to **capitalize on macro-trend outlook**

Investment in **transformation** to enhance margins

Expansion of **service offerings among existing customer base** in each business unit

Opportunistic approach to **growing innovative technology & service** capabilities

Continue Investing into the Business

Continued investments and modernization efforts underway to maintain and grow leadership position in $150B market growing 5% annually

CLIENT FACING PLATFORMS

~$200M investment over 3 years to modernize client facing digital platforms in Healthcare, payments, transportation, human resource, and other industry specific services. Will have invested $110M by 2019 EOY.

BACK OFFICE IT INFRASTRUCTURE

Continued progress in upgrading IT infrastructure to improve performance, security, and service delivery for our clients. Focus on innovating via:

- Centralized Command Center
- Advanced Monitoring
- Advanced Automation & Machine Learning

Market size and growth rate source: Conduent Internal Data; 2015 Nelson Hall BPO market forecast

Roadmap to Enhanced Client Delivery

	2019	2020	2021
People	• Command center	• Enterprise architecture	• Continued optimizations
Process	• Change management	• Incident management • Release management • Problem management	• Process refinement
Technology	• Advanced monitoring • Technology investments	• Network modernization • Datacenter migrations • Expanding public cloud	• Datacenter migrations • Expanding public cloud

While continuing our product and platform innovation showcased in our innovation center

Upgrading Operating Model to Position for Growth

SALES

Levers for improved top-line:
1. *Client renewals,*
2. *New service & solution sales to existing clients, and*
3. *Sales to new logos.*

- Hired Chief Sales Officer and top-grading talent
- De-coupled sales and delivery organizations
- Simplified sales org model, value proposition, and go-to-market approach

QUALITY

An improved foundation to drive client satisfaction, reduce SLA penalties, and enable new service sales to existing clients.

- Top-graded technology talent, including our Chief Information Officer
- Improving command center with state-of-the-art monitoring tools and processes
- Instituted improved technology infrastructure process routines
- Revitalized enterprise program management governance routines

EFFICIENCY

Efficiencies to improve our cost structure and make us more nimble.

- Transformation programs being established to "lean-out" important processes
- Simplified management organizational model
- Enhancing "Sales-to-Service" continuum to prevent cost and scope creep
- Improving employee morale to reduce attrition

Leveraging people, processes, and technology to enhance sales, quality, and efficiency

Attractive Financial Profile and Disciplined Capital Allocation

CONDUENT

Q3 2019 and FY 2018 Segment Summary[1]

	Q3				FY			
	REVENUE		ADJ. EBITDA		REVENUE		ADJ. EBITDA	
($M)	**2019**	**2018**	**2019**	**2018**	**2018**	**2017**	**2018**	**2017**
Commercial	577	620	133	150	$2,550	$2,593	$598	$656
Government	320	338	106	112	1,351	1,407	451	437
Transportation	201	184	47	39	729	725	149	154
Other[2]	-	-	-	(5)	11	75	(16)	18
Shared IT / Infrastructure & Corporate Costs[3]	-	-	(159)	(154)	-	-	(647)	(745)
Total	**$1,098**	**$1,142**	**$127**	**$142**	**$4,641**	**$4,800**	**$535**	**$520**

Q3 2019 SEGMENT COMMENTARY

Commercial

- Adjusted revenue down (7)% yr/yr; FY adj. EBITDA margin 23.1%.
- Revenue decline driven by lost business, price pressure, and volume pressure.

Government

- Adjusted revenue down (5)% yr/yr; FY adj. EBITDA margin 33.1%.
- Revenue decline driven by price and scope changes associated with large renewal that occurred earlier in 2019 and lost business

Transportation

- Adjusted revenue up 9% yr/yr; FY adj. EBITDA margin 23.4%.
- Revenue increase driven by new international business and volume.

Shared IT / Infrastructure & Corporate Costs

- Increased 3.2% yr/yr. Continued progress on cost transformation initiatives not enough to offset increased unallocated IT costs.

(1) Segment revenue excludes impact from ASC 606 and divestitures.
(2) Revenue and adj. EBITDA from divestitures moved to Other segment.
(3) Majority of stranded costs moved to Unallocated Corporate Costs and expected to be addressed in 2019 and 2020.

Strong Cash Flow Generation Amid Digital Investment

(in millions)	Q3 2019	FY 2018
Net income (loss)	**($16)**	**($416)**
Depreciation & amortization	115	460
Stock-based compensation	5	38
Deferred tax benefit	(8)	(75)
Goodwill impairment	-	-
(Gain) loss on extinguishment of debt	-	108
Changes in operating assets and liabilities	(82)	118
Other[1]	4	50
Operating Cash Flow	**$18**	**$283**
Purchase of LB&E[2] and other	(45)	(224)
Proceeds from sales of LB&E	-	13
Net proceeds/payments for divestitures/acquisitions	1	670
Other investing, net	-	1
Investing Cash Flow	**($44)**	**$460**
Cash from Financing	**($21)**	**($637)**
Effect of exchange rates on cash and cash equivalents	(2)	(8)
Change in cash, restricted cash and cash equivalents	(49)	98
Beginning cash, restricted cash and cash equivalents	285	667
Ending Cash, Restricted Cash and Cash Equivalents[3]	**$236**	**$765**
Memo: Adjusted Free Cash Flow[4]	**($27)**	**$218**
Better / (Worse) vs prior year period	*$5*	*$5*

Q3 2019 KEY MESSAGES

- Q3 Adj. Free Cash Flow $(27)M; better $5M Y/Y
- Q3 Capex of 4.1% revenue

(1) Includes (gain) loss from investments, amortization of debt financing costs, (gain) loss on divestitures and transaction costs, contract inducement amortization and Other operating, net
(2) Includes cost of additions to land, building and equipment (LB&E) and internal use software
(3) Includes restricted cash that is included in Other current assets on the Condensed Consolidated Balance Sheets of the Q3 2019 10-Q and the FY 2018 10-K, respectively.
(4) Refer to Appendix for Non-GAAP reconciliations.

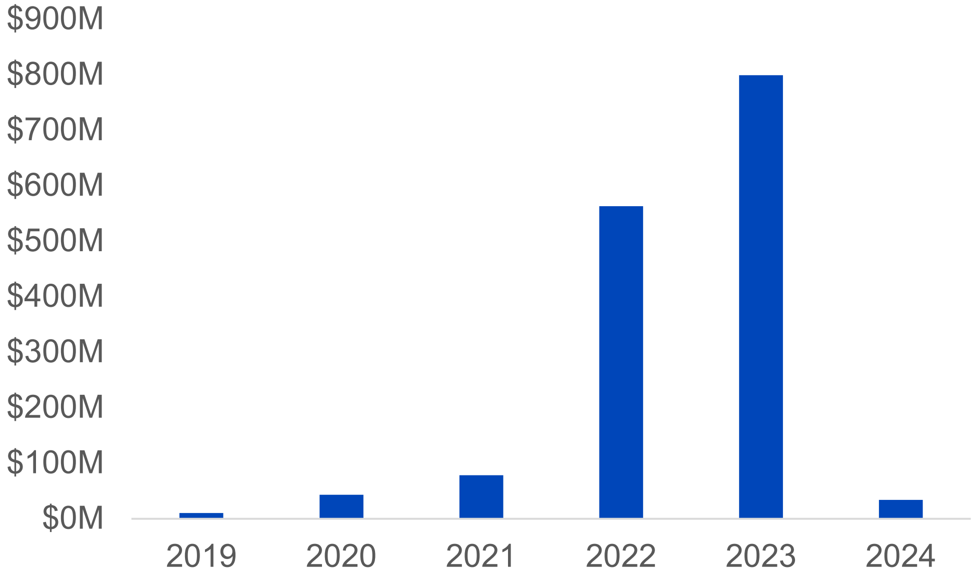
Strong, Flexible Balance Sheet

DEBT STRUCTURE ($M)	12/31/2017	12/31/2018	9/30/19
Total Cash[1]	**$667**	**$765**	**$236**
Deferred Comp Cash	(99)	-	-
Restricted Cash	(9)	(9)	(8)
Adjusted Cash	**$559**	**$756**	**$228**
Total Debt[2]	**$2,061**	**$1,567**	**$1,518**
Term Loan A[3],[5] due 2022	732	705	667
Term Loan B[3] due 2023	842	833	827
10.5% Senior Notes due 2024	510	34	34
Capital Lease	33	26	17
Current Net Leverage Ratio[4]	2.2x	1.2x	2.5x

CREDIT METRICS HEALTH CHECK

- Net leverage target: ~2.0x by YE
- Revolver remains undrawn[6]
- Texas settlement payments of $20M in Q1, $98M in Q2, and $118M to be paid in January 2020

DEBT MATURITY



(1) Total cash includes restricted cash
(2) Total debt excludes deferred financing costs
(3) Revolving credit facility and Term Loan A interest rate is Libor + 175 bps; Term Loan B is Libor + 250 bps effective June 28, 2018
(4) Net debt (total debt less adjusted cash) divided by TTM Adjusted EBITDA. Adjusted ratio uses Adjusted total Debt.
(5) Includes initial EUR 260M borrowing (now 282M EUR) converted at end of quarter exchange rates; reflects appreciation of the EUR and amortization.
(6) $671M of available capacity under Revolving Credit Facility as of 9/30/2019.

FY 2019 Guidance

	FY 2018 REPORTED	ADJ FY 2018[1]	FY 2019 GUIDANCE[4]
Revenue Constant Currency[2]	$5.39B	$4.64B	Down (5) – (4)%
Adj. EBITDA Margin	11.9%	11.5%	10.8 – 11.6%
Adj. Free Cash Flow[3]	$218M		
FCF % of Adj. EBITDA[3]	34.1%		~20%

1. Adjusted to remove impacts of completed divestitures. Refer to Appendix for Non-GAAP reconciliations.
2. Year-over-year revenue growth comparison at constant currency implies $4.39B to $4.43B
3. FY 2019 FCF adjusted for Texas-related litigation impact
4. Includes no additional M&A or divestitures

Appendix

1- Example Solution Set Deep Dives
2- Non GAAP Reconciliations

CONDUENT

Commercial Healthcare Services & Solutions

Services & Solutions

On behalf of the healthcare industry, we deliver mission-critical administration, clinical support and medical management solutions across the health ecosystem to reduce costs, increase compliance and enhance utilization, while improving health outcomes and experience for members and patients.

Payer

- Member Engagement
- Eligibility & Authorizations
- Core Administration Processing
- Audit & Compliance
- Payment Integrity

Provider

- Midas Health Analytics
- Clinical & Quality Management
- Community Health Solutions

Pharma & Life Sciences

- Patient Access Solutions
- Patient & Provider Engagement Solutions
- Clinical Trial Support

Medical Claims Management

- Medical Bill Review
- Injury & Loss Reporting
- 24/7/365 Nurse Triage
- Utilization Review

Conduent Analytics

- Infection Surveillance
- Comparative Analytics
- Case Management
- Patient Safety
- Data Curation & Dashboards

Enabling Technology

- End User Experience
- Mobility
- Artificial Intelligence
- Automation

Contact Center Services & Solutions

Contact Center

Phone

Email

Chat

Self-service

On behalf of businesses and governments, we deliver mission-critical contact center services ensuring personalized, empathetic end-user experiences in the channel of choice, to reduce costs, enable scale, and revenue growth, while driving speed to resolution and customer satisfaction.

Inquiry Types

- Sales
- Retention
- Tech Support
- Customer Service
- Claims
- Product Inquiries
- Billing Inquires
- Loyalty Management
- Insurance Claims
- Reservations & Modifications
- Workforce Management
- Social Media Monitoring

Enabling Technology

Digital Process Optimization

Mobile

Artificial Intelligence

Analytics

Automation

HR Services & Solutions

Services & Solutions

Health & Wellness

- RightOpt
- BenefitWallet
- Health & Welfare Administration
- Compliance Management
- Annual Enrollment Management

Wealth & Retirement

- Defined Benefit Administration
- Defined Contribution Administration
- Financial Wellness
- Non-Qualified Plan Administration
- Total Rewards
- BenefitWallet

HR Management

- Recruitment & Onboarding Administration
- Workforce & Talent Management
- Payroll Administration
- Separation & Severance Solution

Learning & Development

- Learning Administration & Delivery
- Learning Content Design & Curation
- Employee Engagement & Communications

On behalf of global organizations and governments, we deliver mission-critical, technology-enabled HR services and solutions that improve business processes across the employee journey to maximize business performance, while increasing employee satisfaction, engagement and overall wellbeing.

Employee Experience

Enabling Technology

- Life@Work
- Conduent Access Point
- Artificial Intelligence
- Analytics
- Automation
- AR/VR
- Case Management

Transaction Processing Services & Solutions

Services & Solutions

On behalf of businesses and governments, we transform business processes by automating and streamlining mission-critical operations through the latest technology solutions, to drive efficiencies, improve security and enable revenue growth, while creating a seamless end user experience.

Customer Communications

- Multichannel Communications
- Interactive Engagement Technologies
- Customer Experience Management

Document & Data Management

- Digital Mailroom
- Workflow Automation
- Content Management

Payments Processing

- Lock Box
- Consumer Mortgage Services
- Consumer Finance Services

Finance, Accounting & Procurement

- Source-to-Pay
- Order-to-Cash
- Record-to-Report

Enabling Technology

- Digital Process Automation
- Transaction-Intensive Processing
- Artificial Intelligence
- Analytics
- Automation
- Blockchain

Transportation Solutions

Solutions

On behalf of government agencies and authorities in the transportation industry, we deliver mission-critical mobility and payment solutions that improve automation, interoperability, and decision-making to streamline operations, increase revenue, and reduce congestion while creating safer communities and seamless travel experiences for consumers.

Curbside Management

- Citation & Permit Administration
- Enforcement
- Asset & Resource Management
- Business Intelligence & Data Analytics
- Curbside Demand Management

Public Safety

- Photo Enforcement
- Data Analytics
- Violations Processing

Roadway Charging & Management

- Tolling
- Congestion Management

Transit

- Fare Collection
- Intelligent Mobility
- CAD/AVL

Enabling Technology

- Digital Process Optimization
- Mobility
- Artificial Intelligence
- Analytics
- AR/VR
- Automation

Government Services

Services & Solutions

On behalf of federal, state and local governments, we deliver mission-critical services and solutions that reduce costs, increase program participation, and improve compliance for agencies while providing intuitive, easy-to-use tools for the people and communities they serve.

Government Healthcare Solutions

- Medicaid Management Modules
- Provider Management Services
- Medical Business Intelligence
- Pharmacy Benefits Management
- Maven Disease Tracking
- Eligibility, Enrollment and Verification Solutions
- Case Management

Payments Solutions

- Electronic Benefits Transfer (EBT) solutions (payment cards, analytics, mobile apps)
- Intelligent Analytics Portal
- Electronic Payment Solutions
- e-Childcare
- Federal programs-Direct Express Card

Child Support Services

- Child Support Enforcement Systems (CSES)
- Child Support Payment Cards
- State Disbursement Unit (SDU) Solutions
- ExpertPay™ Portal
- Print and Mail Services
- Child Care Credentialing and Case Management

Labor, Workforce and General Government Solutions

- Information Technology Solutions (cloud, hosting, maintenance and operations)
- Parks and Recreation Solutions
- Utilities Solutions
- Human Resource, Benefits and Learning Solutions
- End user experience services

Enabling Technology

Portals

Mobile apps

Artificial Intelligence

Cognitive Analytics

Automation

Digital Process Optimization

End User Experience

Non-GAAP Financial Measures

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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 Revenue

We make adjustments to Revenue for the following items:

- ASC 606 adjustment.
- Divestitures completed in 2019, 2018, and 2017.

We provide our investors with adjusted revenue 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.

Non-GAAP Financial Measures

Adjusted EBITDA and EBITDA Margin- We use Adjusted EBITDA and Adjusted EBITDA Margin as an additional way of assessing certain aspects of our operations that, when viewed with the U.S. GAAP results and the accompanying reconciliations to corresponding U.S. GAAP financial measures, provide a more complete understanding of our on-going business. Adjusted EBITDA represents Income (loss) before Interest, Income Taxes, Depreciation and Amortization and Contract Inducement Amortization adjusted for the following items (which are defined above). Adjusted EBITDA margin is Adjusted EBITDA divided by adjusted revenue (as defined below):

- Restructuring and related costs. Restructuring and related costs include restructuring and asset impairment charges as well as costs associated with our strategic transformation program.
- (Gain) loss on divestitures and transaction costs. Represents (gain) loss on divested businesses and transaction costs.
- Litigation costs (recoveries), net. Litigation costs (recoveries), net represents reserves for the State of Texas litigation, Student Loan Service exposures and certain terminated contracts that are subject to litigation.
- Goodwill impairment. This represents Goodwill impairment charge related to the loss of certain Transportation segment customer contracts, lower expected new Transportation segment customer contracts and higher costs
- of delivery.
- (Gain) loss on extinguishment of debt. Represents premium on debt extinguishment and write down of the associated unamortized discount and issuance costs.
- Other (income) expenses, net. Other (income) expenses, net includes currency (gains) losses, net and all other (income) expenses, net.
- NY MMIS charge (credit) / HE charge (credit). Costs associated with the Company not fully completing the State of New York Health Enterprise Platform project and the Health Enterprise Medical Platform projects in California and Montana
- Other charge (credit). This comprises other (income) expenses, net, costs associated with the Company not fully completing the State of New York Health Enterprise Platform project and the Health Enterprise Medical platform projects in California and Montana and other adjustments.
- ASC 606 adjustment.
- Divestitures completed in 2019, 2018, and 2017.

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

Adjusted Government Services Segment Revenue and Profit- We adjusted Government Services Segment revenue, profit and margin for the NY MMIS and HE charges as we believe it offers added insight, by itself and for comparability between periods, for items which we do not believe are indicative of our ongoing business.

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

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. We have provided and outlook for revenue on a constant currency basis due to the inability to accurately predict foreign currency impact on revenues. Outlook for Free Cash Flow and Adjusted Free Cash Flow is provided as a factor of expected adjusted EBITDA, see above.

Non-GAAP Reconciliations: Adjusted Revenue and Adjusted EBITDA

($ IN MILLIONS)	Q3 2017	FY 2017	Q3 2018	FY 2018	Q3 2019
Reconciliation to Adjusted Revenue					
Revenue	**$ 1,480**	**$ 6,022**	**$ 1,304**	**$ 5,393**	**$ 1,098**
Adjustments:					
ASC 606 adjustment	(39)	(166)	-	-	-
2017 divestitures(1)	(14)	(59)	-	-	-
2018 divestitures(1)	(246)	(997)	(162)	(752)	-
Adjusted Revenue	**$ 1,181**	**$ 4,800**	**$ 1,142**	**$ 4,641**	**$ 1,098**
Reconciliation to Adjusted EBITDA					
Income (Loss) from Continuing Operations	**$ (17)**	**$ 177**	**$ (237)**	**$ (416)**	**$ (16)**
Adjustments:					
Interest expense	35	137	22	112	20
Income tax expense (benefit)	30	(193)	(15)	21	2
Depreciation and amortization	122	495	113	460	115
Contract inducement amortization	1	2	-	3	1
Restructuring and related costs	27	101	31	81	8
Goodwill impairment	-	-	-	-	-
(Gain) loss on divestitures and transaction costs	(16)	(42)	54	42	3
Litigation costs (recoveries), net	6	(11)	78	227	2
(Gain) loss on extinguishment of debt	-	-	108	108	-
Separation costs	2	12	-	-	-
Other (income) expenses, net	(9)	(7)	4	5	(8)
NY MMIS charge (credit)	1	9	(1)	(2)	-
HE charge (credit)	(3)	(8)	-	(1)	-
ASC 606 adjustment	(2)	(11)	-	-	-
2017 divestitures(1)	(2)	(7)	-	-	-
2017 divestitures depreciation and amortization	-	1	-	-	-
2018 divestitures(1)	(38)	(121)	(15)	(98)	-
2018 divestitures depreciation and amortization	(2)	(14)	-	(7)	-
Adjusted EBITDA	**$ 130**	**$ 520**	**$ 142**	**$ 535**	**$ 127**
Adjusted EBITDA Margin	*11.0%*	*10.8%*	*12.4%*	*11.5%*	*11.6%*

(1) Adjusted for the full impact from revenue and income/loss from divestitures for all periods presented.

Non-GAAP Reconciliations: Adjusted Free Cash Flow

($ IN MILLIONS)	Q3 2017	FY 2017	Q3 2018	FY 2018	Q3 2019
Operating Cash Flow	**$ 104**	**$ 300**	**$ (30)**	**$ 283**	**$ 18**
Cost of additions to land, buildings and equipment	(20)	(96)	(43)	(179)	(33)
Proceeds from sales of land, buildings and equipment	-	33	-	13	-
Cost of additions to internal use software	(11)	(36)	(17)	(45)	(12)
Tax payment related to divestitures	-	-	30	90	(1)
Vendor financed capital leases	-	(16)	-	(14)	-
Free Cash Flow	**$ 73**	**$ 185**	**$ (60)**	**$ 148**	**$ (28)**
Transaction costs	-	-	15	33	1
Transaction costs tax benefit	-	-	-	(5)	-
Debt buyback tax benefit	-	-	-	(26)	-
Deferred compensation tax benefit	-	-	-	(31)	-
Deferred compensation payments and adjustments	7	28	13	99	-
Adjusted Free Cash Flow	**$ 80**	**$ 213**	**$ (32)**	**$ 218**	**$ (27)**