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

FORM 8-K

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

Date of Report (date of earliest event reported): February 20, 2019

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

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

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

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

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

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

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

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

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

Item 2.02. Results of Operations and Financial Condition.

On February 20, 2019, Registrant released its fourth quarter 2018 earnings and is furnishing to the Securities and Exchange Commission a copy of the earnings press release as Exhibit 99.1 to this Report under Item 2.02 of Form 8-K.

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

Item 7.01. Regulation FD Disclosure.

On February 20, 2019, Registrant conducted an earnings call regarding its 2018 fourth quarter results and is furnishing to the Securities and Exchange Commission a copy of the presentation used during the earnings call as Exhibit 99.2 to this Report under Item 7.01 of Form 8-K.

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

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

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Registrant's fourth quarter 2018 earnings press release dated February 20, 2019
99.2	Registrant's investor presentation dated February 20, 2019

Forward-Looking Statements

This Report and any exhibits to this Report may contain "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “will,” “should” and similar expressions, as they relate to us, are intended to identify forward-looking statements. These statements reflect management's current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially. Such factors include, but are not limited to: government appropriations and 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 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 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 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 2017 Annual Report on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission. Any forward-looking statements made by us in this report speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

SIGNATURES

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

Date: February 20, 2019

CONDUENT INCORPORATED

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

Allan Cohen

Vice President and Chief Accounting Officer

News from Conduent

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

www.conduent.com

Conduent Reports Fourth Quarter and Full Year 2018 Results; Improved New Business Signings, Strong Cash Generation and Overachieved on Transformation Initiative

Q4 2018 Financial and Operational Highlights

- Revenue of $1,282 million
- GAAP diluted EPS from continuing operations of $(0.69), down $(1.67) yr/yr; adjusted diluted EPS from continuing operations of $0.26, down (16.1)%
- Net Income from continuing operations of $(140) million; Adjusted net income of $58 million
- Adjusted EBITDA of $156 million, up 0.6%, excluding impact from ASC 606 and divestitures
- Total signings TCV up 7.4%, driven by new business TCV signings up 6.3% yr/yr

Full Year 2018 Financial and Operational Highlights

- Revenue of $5,393 million
- GAAP diluted EPS from continuing operations of $(2.06), down $(2.87) yr/yr; adjusted diluted EPS from continuing operations of $1.05, up 23.5%
- Net Income from continuing operations of $(416) million; Adjusted net income of $230 million
- Adjusted EBITDA of $640 million, up 7.0%, excluding impact from ASC 606 and divestitures
- Total signings TCV up 25.8% yr/yr
- Exceeded 3-year transformation initiative targets; achieved ~$730M of cumulative savings

FLORHAM PARK, NJ, February 20, 2019 - Conduent (NYSE: CNDT), a digital interactions company, today announced its fourth quarter and full year 2018 financial results.

"We made solid progress on a number of fronts in 2018 and are executing to our strategy," said Ashok Vemuri, CEO of Conduent. "Our new business efforts are gaining traction particularly with our digital platforms and solutions driving signings growth of 6% in the fourth quarter. In addition, we have successfully resolved the Texas litigation, completed our non-core divestitures and exceeded our three-year transformation target, allowing us to now focus solely on growing the core business."

Full Year 2018 Results

Full year 2018 revenue was $5,393 million, down (10.4)% compared to 2017. Adjusting for the impact of the 606 accounting standard and excluding divestitures completed in Q3 2017 and 2018, revenue was down (3.8)% compared with 2017.

Pre-tax income was $(395) million compared to $(16) million in 2017. The company reported full year 2018 GAAP net income of $(416) million compared to $181 million in 2017. Diluted EPS from continuing operations was $(2.06) versus $0.81 in 2017, driven primarily by the Q4 2017 tax reform impact, litigation costs, and an impairment associated with the sale of the portfolio of customer care contracts.

Full year adjusted operating income was $419 million, with an adjusted operating margin of 7.8% as compared to adjusted operating income of $418 million, with an adjusted operating margin of 6.9% in 2017. Adjusted EBITDA was $640 million, with an adjusted EBITDA margin of 11.9%, as compared to $672 million, with an adjusted EBITDA margin of 11.2% in 2017. Further adjusting for the impact of the 606 accounting standard and excluding divestitures completed in Q3 2017 and 2018, Adjusted EBITDA improved 7.0% compared with 2017.

The company reported adjusted diluted EPS from continuing operations in 2018 of $1.05 compared to $0.85 in 2017.

Conduent had cash flow from operations of $283 million during 2018 and ended the year with a cash balance of $756 million. Total debt was $1,567 million as of December 31, 2018.

Headcount of approximately 82,000 as of December 31, 2018 compared with approximately 90,000 as of December 31, 2017.

Total contract value (TCV) signings of $5,445 million for the year were up 26% compared with 2017, driven primarily by a 67% increase in renewal TCV.

Fourth Quarter 2018 Results

Fourth quarter 2018 revenue was $1,282 million, down (14.1)% compared to Q4 2017. Adjusting for the impact of the 606 accounting standard and excluding divestitures completed in Q3 2017 and 2018, revenue was down (3.7)% compared with Q4 2017.

Pre-tax income was $(143) million compared to $4 million in Q4 2017. GAAP operating margin as reported was (11.2)% compared to 0.3% in Q4 2017. The company reported Q4 2018 GAAP net income of $(140) million compared to $208 million in Q4 2017. Diluted EPS from continuing operations was ($0.69) versus $0.98 in the same period last year, driven primarily by the Q4 2017 tax reform impact, divestiture transaction costs, litigation costs, and an impairment associated with the sale of the portfolio of customer care contracts.

Fourth quarter adjusted operating income was $101 million, with an adjusted operating margin of 7.9% as compared to adjusted operating income of $130 million, with an adjusted operating margin of 8.7% in Q4 2017. Adjusted EBITDA was $156 million, with an adjusted EBITDA margin of 12.2%, as compared to $188 million, with an adjusted EBITDA margin of 12.6% in Q4 2017. Further adjusting for the impact of the 606 accounting standard and excluding divestitures completed in Q3 2017 and 2018, Adjusted EBITDA improved 0.6% compared with Q4 2017.

The company reported adjusted diluted EPS from continuing operations of $0.26 compared to $0.31 in Q4 2017.

Conduent had cash flow from operations of $253 million during the fourth quarter of 2018 compared to $236 million in the Q4 2017.

Total contract value (TCV) signings of $1,527 million for the quarter were up 7% compared with Q4 2017, due to a 6% and 8% year-over-year increase in new business and renewal signings respectively. New business TCV growth included contracts with a large insurance carrier to provide end-to-end workers compensation services and a large global transit agency to provide automated ticketing services.

Financial and Strategic Outlook

Conduent provided the following guidance ranges for FY 2019:

(in millions)	FY 2018 Reported	Divestiture Impact	Adjusted FY 2018[3]	*Includes No Additional M&A* FY 2019 Guidance
Revenue (constant currency)[1]	$5.39B	$752M	$4.64B	*Up 0.5 - 1.5%*
Adj. EBITDA[2]	$640M	$105M	$535M	*$590 - $610M* *Up 10 - 14%*
Adj. EBITDA Margin[2]	11.9%		11.5%	12.5 - 13.1%
Adj. Free Cash Flow[2] % of Adj. EBITDA	$218M 34.1%			*~35% of Adj. EBITDA*

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

(1) Year-over-year revenue growth comparison at constant currency
(2) Refer to Appendix for Non-GAAP reconciliations of adjusted EBITDA / margin and adjusted FCF and for impact from ASC 606 accounting change and divestitures. FY 2019 FCF adjusted for Texas-related litigation impact
(3) Adjusted for accounting 606, 2017 and 2018 divestitures, and select Stand Alone Customer Care contracts in run-off

"We ended the year in a strong financial position with a healthy balance sheet, improving margin profile and Free Cash Flow above our most recent guidance range," said Brian Webb-Walsh, CFO of Conduent. "The progress that we have made in paying down debt and improving cash generation positions us to deploy capital to support our growth initiatives and drive shareholder value."

Conference Call

Management will present the results during a conference call and webcast on February 20, 2019 at 10 a.m. ET.

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

The conference call will also be available by calling 1-877-883-0383 (international dial-in 1-412-902-6506) at approximately 9:45 a.m. ET. The entry number for this call is 6287313.

A recording of the conference call will be available by calling 1-877-344-7529, or 1-412-317-0088 one hour after the conference call concludes on February 20, 2019. The replay ID is 10128582.

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

About Conduent
Conduent creates digital platforms and services for businesses and governments to manage millions of interactions every day for those they serve. We are leveraging the power of cloud, mobile and IoT, combined with technologies such as automation, cognitive and blockchain to elevate every constituent interaction, driving modern digital experiences that are more efficient, helpful and satisfying.

Conduent's differentiated offerings touch millions of lives every day, including two-thirds of all insured patients in the U.S. and nearly nine million people who travel through toll systems daily. Whether it's digital payments, claims processing, benefit administration, automated tolling, customer care or distributed learning - Conduent serves a majority of the Fortune 100 companies and more than 500 government entities. Learn more at www.conduent.com.

Non-GAAP Measures

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

Forward-Looking Statements

This Report and any exhibits to this Report may contain "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “will,” “should” and similar expressions, as they relate to us, are intended to identify forward-looking statements. These statements reflect management's current beliefs, assumptions and expectations and are subject to a number of factors that may cause actual results to differ materially. Such factors include, but are not limited to: government appropriations and 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 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 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 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 2017 Annual Report on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission. Any forward-looking statements made by us in this report speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

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

(in millions, except per share data)	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Twelve Months Ended December 31, 2018	Twelve Months Ended December 31, 2017
Revenue	$ 1,282	$ 1,493	$ 5,393	$ 6,022
Cost of Services (excluding depreciation and amortization)	989	1,154	4,182	4,730
Gross Margin	293	339	1,211	1,292
Operating Costs and Expenses				
Research and development (excluding depreciation and amortization)	4	2	11	12
Selling, general and administrative (excluding depreciation and amortization)	133	148	560	611
Restructuring and related costs	13	25	81	101
Depreciation and amortization	115	119	460	495
Interest expense	20	32	112	137
Separation costs	—	4	—	12
(Gain) loss on divestitures and transaction costs	33	(1)	42	(42)
Litigation costs (recoveries), net	114	3	227	(11)
(Gain) loss on extinguishment of debt	—	—	108	—
Other (income) expenses, net	4	3	5	(7)
Total Operating Costs and Expenses	436	335	1,606	1,308
Income (Loss) Before Income Taxes	(143)	4	(395)	(16)
Income tax expense (benefit)	(3)	(204)	21	(193)
Income (Loss) From Continuing Operations	(140)	208	(416)	177
Income (loss) from discontinued operations, net of tax	—	—	—	4
Net Income (Loss)	$ (140)	$ 208	$ (416)	$ 181
Basic Earnings (Loss) per Share:				
Continuing operations	$ (0.69)	$ 1.00	$ (2.06)	$ 0.82
Discontinued operations	—	—	—	0.02
Total Basic Earnings (Loss) per Share	$ (0.69)	$ 1.00	$ (2.06)	$ 0.84
Diluted Earnings (Loss) per Share:				
Continuing operations	$ (0.69)	$ 0.98	$ (2.06)	$ 0.81
Discontinued operations	—	—	—	0.02
Total Diluted Earnings (Loss) per Share	$ (0.69)	$ 0.98	$ (2.06)	$ 0.83

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

(in millions)	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Twelve Months Ended December 31, 2018	Twelve Months Ended December 31, 2017
Net Income (Loss)	$ (140)	$ 208	$ (416)	$ 181
Other Comprehensive Income (Loss), Net				
Currency translation adjustments, net	(4)	1	(31)	35
Reclassification of currency translation adjustments on divestitures	1	—	42	—
Reclassification of divested benefit plans and other	(2)	—	62	—
Unrecognized gains (loss), net	4	—	1	2
Changes in benefit plans, net	—	(5)	—	(5)
Other Comprehensive Income (Loss), Net	(1)	(4)	74	32
Comprehensive Income (Loss), Net	$ (141)	$ 204	$ (342)	$ 213

EXHIBIT 99.1

CONDUENT INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions, except share data in thousands)	December 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents	$ 756	$ 658
Accounts receivable, net	782	1,114
Assets held for sale	15	757
Contract assets	177	—
Other current assets	234	181
Total current assets	1,964	2,710
Land, buildings and equipment, net	328	257
Intangible assets, net	651	891
Goodwill	3,408	3,366
Other long-term assets	329	324
Total Assets	$ 6,680	$ 7,548
Liabilities and Equity		
Current portion of long-term debt	$ 55	$ 82
Accounts payable	230	118
Accrued compensation and benefits costs	193	355
Unearned income	112	151
Liabilities held for sale	40	169
Other current liabilities	567	493
Total current liabilities	1,197	1,368
Long-term debt	1,512	1,979
Deferred taxes	327	384
Other long-term liabilities	280	146
Total Liabilities	3,316	3,877
Contingencies		
Series A convertible preferred stock	142	142
Common stock	2	2
Additional paid-in capital	3,878	3,850
Retained earnings (deficit)	(233)	171
Accumulated other comprehensive loss	(425)	(494)
Total Equity	3,222	3,529
Total Liabilities and Equity	$ 6,680	$ 7,548
Shares of common stock issued and outstanding	211,306	210,440
Shares of series A convertible preferred stock issued and outstanding	120	120

EXHIBIT 99.1

CONDUENT INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in millions)	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Twelve Months Ended December 31, 2018	Twelve Months Ended December 31, 2017
Cash Flows from Operating Activities:				
Net income (loss)	$ (140)	$ 208	$ (416)	$ 181
Adjustments required to reconcile net income (loss) to cash flows from operating activities:				
Depreciation and amortization	115	119	460	495
Contract inducement amortization	1	—	3	2
Deferred income taxes	15	(223)	(75)	(230)
(Gain) loss from investments	(1)	—	(2)	(10)
Amortization of debt financing costs	2	2	11	9
(Gain) loss on extinguishment of debt	—	—	108	—
(Gain) loss on divestitures and transaction costs	33	(1)	42	(42)
Stock-based compensation	8	14	38	40
Changes in operating assets and liabilities	220	119	118	(130)
Other operating, net	—	(2)	(4)	(15)
Net cash provided by (used in) operating activities	253	236	283	300
Cash Flows from Investing Activities:				
Cost of additions to land, buildings and equipment	(60)	(39)	(179)	(96)
Proceeds from sale of land, buildings and equipment	1	—	13	33
Cost of additions to internal use software	(14)	(10)	(45)	(36)
Proceeds from investments	1	—	1	117
Proceeds from divestitures and sale of assets, net of cash	3	—	675	56
Other investing, net	(5)	1	(5)	—
Net cash provided by (used in) investing activities	(74)	(48)	460	74
Cash Flows from Financing Activities:				
Proceeds on long-term debt	—	—	—	306
Debt issuance fee payments	—	1	(3)	(8)
Payments on debt	(6)	(9)	(519)	(241)
Premium on debt redemption	—	—	(95)	—
Net payments to former parent company	—	—	—	(161)
Taxes paid for settlement of stock based compensation	(1)	—	(10)	(5)
Dividends paid on preferred stock	(3)	(3)	(10)	(10)
Other financing	—	(2)	—	(5)
Net cash provided by (used in) financing activities	(10)	(13)	(637)	(124)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1	(1)	(8)	1
Increase (decrease) in cash, cash equivalents and restricted cash	170	174	98	251
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	595	493	667	416
Cash, Cash Equivalents and Restricted Cash at End of period[(1)]	$ 765	$ 667	$ 765	$ 667

(1) *Includes $9 million and $9 million of restricted cash as of December 31, 2018 and 2017, respectively, that were included in Other current assets on the Condensed Consolidated Balance Sheets.*

Non-GAAP Financial Measures

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

We believe these non-GAAP measures allow investors to better understand the trends in our business and to better understand and compare our results. Accordingly, we believe it is necessary to adjust several reported amounts, determined in accordance with GAAP, to exclude the effects of certain items as well as their related tax effects. Management believes that these non-GAAP financial measures provide an additional means of analyzing the 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 certain non-GAAP measures.

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

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

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

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

- Restructuring and related costs. Restructuring and related costs include restructuring and asset impairment charges as well as costs associated with our strategic transformation program.
- Amortization of acquired intangible assets. The amortization of acquired intangible assets is driven by acquisition activity, which can vary in size, nature and timing as compared to other companies within our industry and from period to period.
- Separation costs. Separation costs are expenses incurred in connection with 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.
- (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.
- (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). Costs associated with the Company not fully completing the State of New York Health Enterprise Platform project.
- HE charge (credit). Costs associated with not fully completing the Health Enterprise Medical platform projects in California and Montana.
- ASC 606 adjustment.

- (Revenue) / (Income) loss from divestitures.

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

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

Adjusted Revenue and Operating Income and Adjusted Operating Margin

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

- Restructuring and related costs.
- Amortization of acquired intangible assets.
- Interest expense. Interest expense includes interest on long-term debt and amortization of debt issuance costs.
- Separation costs.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- (Gain) loss on extinguishment of debt.
- Other (income) expenses, net.
- NY MMIS charge (credit).
- HE charge (credit).
- ASC 606 adjustment.
- (Revenue) / (Income) loss from divestitures.

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

Adjusted EBITDA and EBITDA Margin

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

- Restructuring and related costs.
- Separation costs.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- (Gain) loss on extinguishment of debt.
- Other (income) expenses, net.
- NY MMIS charge (credit).
- HE charge (credit).
- ASC 606 adjustment.
- (Revenue) / (Income) loss from divestitures.

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

Free Cash Flow

Free Cash Flow is defined as cash flows from operating activities as reported on the consolidated statement of cash flows, less cost of additions to land, buildings and equipment, cost of additions to internal use software, tax payments related to divestitures, vendor financed capital lease additions 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, after required principal payments on debt, 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. 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 the Texas litigation and other identified items.

Adjusted Cash

Adjusted cash is defined as the cash and cash equivalents less cash from terminated deferred compensation to be paid to plan participants. We believe this provides added insight into cash and cash equivalents taking into account this particular cash obligation.

Constant Currency

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

Non-GAAP Outlook

In providing outlook for adjusted EBITDA we exclude certain items which are otherwise included in determining the comparable GAAP financial measure. A description of the adjustments which historically have been applicable in determining adjusted EBITDA are reflected in the table below. We are providing such outlook only on a non-GAAP basis because the Company is unable to predict with reasonable certainty the totality or ultimate outcome or occurrence of these adjustments for the forward-looking period, such as amortization, restructuring, 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 an outlook for revenue on a constant currency basis due to the inability to accurately predict foreign currency impact on revenues. Outlook for Free Cash Flow and Adjusted Free Cash Flow is provided as a factor of expected adjusted EBITDA, see above.

Net Income (Loss) and EPS Reconciliation:

	Three Months Ended								Years Ended							
	December 31, 2018				December 31, 2017				December 31, 2018				December 31, 2017			
(in millions, except earnings per share)	Net Income (Loss)		Diluted EPS		Net Income (Loss)		Diluted EPS		Net Income (Loss)		Diluted EPS		Net Income (Loss)		Diluted EPS	
GAAP as Reported From Continuing Operations	$	(140)	$	(0.69)	$	208	$	0.98	$	(416)	$	(2.06)	$	177	$	0.81
Adjustments:																
Restructuring and related costs		13				25				81				101		
Amortization of acquired intangible assets		61				61				242				243		
Separation costs		—				4				—				12		
(Gain) loss on divestitures and transaction costs		33				(1)				42				(42)		
Litigation costs (recoveries), net		114				3				227				(11)		
(Gain) loss on extinguishment of debt		—				—				108				—		
Other (income) expenses, net		4				3				5				(7)		
NY MMIS charge (credit)		—				(1)				(2)				9		
HE charge (credit)		(1)				—				(1)				(8)		
Less: Income tax adjustments[1]		(26)				(235)				(56)				(288)		
Adjusted Net Income (Loss) and EPS	$	58	$	0.26	$	67	$	0.31	$	230	$	1.05	$	186	$	0.85
(GAAP shares)																
Weighted average common shares outstanding				207				205				206				204
Restricted stock and performance units / shares				—				3				—				3
Adjusted Weighted Average Shares Outstanding[2]				207				208				206				207
(Non-GAAP shares)																
Weighted average common shares outstanding				207				205				206				204
Restricted stock and performance shares				3				3				3				3
8% Convertible preferred stock				—				5				—				—
Adjusted Weighted Average Shares Outstanding				210				213				209				207

(in millions, except earnings per share)	Three Months Ended — Adjusted for 606 and Divestitures — December 31, 2018 — Net Income (Loss)	Diluted EPS	December 31, 2017 — Net Income (Loss)	Diluted EPS	Years Ended — Adjusted for 606 and Divestitures — December 31, 2018 — Net Income (Loss)	Diluted EPS	December 31, 2017 — Net Income (Loss)	Diluted EPS
GAAP as Reported From Continuing Operations	$ (140)	$ (0.69)	$ 208	$ 0.98	(416)	$ (2.06)	177	$ 0.81
Adjustments:								
Restructuring and related costs	13		25		81		101	
Amortization of acquired intangible assets	61		61		242		243	
Separation costs	—		4		—		12	
(Gain) loss on divestitures and transaction costs	33		(1)		42		(42)	
Litigation costs (recoveries), net	114		3		227		(11)	
(Gain) loss on extinguishment of debt	—		—		108		—	
Other (income) expenses, net	4		3		5		(7)	
NY MMIS charge (credit)	—		(1)		(2)		9	
HE charge (credit)	(1)		—		(1)		(8)	
ASC 606 adjustment	—		(3)		—		(11)	
2017 divestitures	—		—		—		(7)	
2018 divestitures	—		(29)		—		(56)	
Less: Income tax adjustments[1]	(26)		(235)		(56)		(288)	
Adjusted Net Income (Loss) and EPS	$ 58	$ 0.26	$ 35	$ 0.15	$ 230	$ 1.05	$ 112	$ 0.49
(GAAP shares)								
Weighted average common shares outstanding		207		205		206		204
Restricted stock and performance units / shares		—		3		—		3
Adjusted Weighted Average Shares Outstanding[2]		207		208		206		207
(Non-GAAP shares)								
Weighted average common shares outstanding		207		205		206		204
Restricted stock and performance shares		3		3		3		3
8% Convertible preferred stock		—		5		—		—
Adjusted Weighted Average Shares Outstanding		210		213		209		207

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(1) Reflects the income tax (expense) benefit of the adjustments. Refer to Effective Tax Rate reconciliation below for details.
(2) Average shares for the 2018 and 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 dividend of $2.4 million for both of the three months ended December 31, 2018 and 2017 and $10 million for both of the years ended December 31, 2018 and 2017, respectively.

Effective Tax Rate Reconciliation:

(in millions)	Three Months Ended December 31, 2018 — Pre-Tax Income (Loss)	Income Tax (Benefit) Expense	Effective Tax Rate	Three Months Ended December 31, 2017 — Pre-Tax Income (Loss)	Income Tax (Benefit) Expense	Effective Tax Rate
GAAP as Reported From Continuing Operations	$ (143)	$ (3)	2.1%	$ 4	$ (204)	
Benefit from tax law changes	—	—		—	198	
Other Non-GAAP adjustments	224	26		94	37	
Total non-GAAP adjustments[1]	224	26		94	235	
Adjusted[2]	$ 81	$ 23	28.4%	$ 98	$ 31	31.6%

(in millions)	Year Ended December 31, 2018 Pre-Tax Income (Loss)	Income Tax (Benefit) Expense	Effective Tax Rate	Year Ended December 31, 2017 Pre-Tax Income (Loss)	Income Tax (Benefit) Expense	Effective Tax Rate
GAAP as Reported From Continuing Operations	$ (395)	$ 21	(5.3)%	$ (16)	$ (193)	
Benefit from tax law changes	—	—		—	198	
Termination of COLI plan	—	—		—	(19)	
Other Non-GAAP adjustments	702	56		297	109	
Total Non-GAAP adjustments(1)	702	56		297	288	
Adjusted(2)	$ 307	$ 77	25.1 %	$ 281	$ 95	33.8%

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

Revenue and Operating Income / Margin Reconciliation:

(in millions)	Three Months Ended December 31, 2018 Profit (Loss)	Revenue	Margin	Three Months Ended December 31, 2017 Profit (Loss)	Revenue	Margin
GAAP as Reported(1)	$ (143)	$ 1,282	(11.2)%	$ 4	$ 1,493	0.3%
Adjustments:						
Restructuring and related costs	13			25		
Amortization of acquired intangible assets	61			61		
Interest expense	20			32		
Separation costs	—			4		
(Gain) loss on divestitures and transaction costs	33			(1)		
Litigation costs (recoveries), net	114			3		
(Gain) loss on extinguishment of debt	—			—		
Other (income) expenses, net	4			3		
NY MMIS charge (credit)	—			(1)		
HE charge (credit)	(1)			—		
Adjusted Operating Income/Margin	$ 101	$ 1,282	7.9 %	$ 130	$ 1,493	8.7%

(in millions)	Year Ended December 31, 2018 Profit (Loss)	Revenue	Margin	Year Ended December 31, 2017 Profit (Loss)	Revenue	Margin
GAAP as Reported(1)	$ (395)	$ 5,393	(7.3)%	$ (16)	$ 6,022	(0.3)%
Adjustments:						
Restructuring and related costs	81			101		
Amortization of acquired intangible assets	242			243		
Interest expense	112			137		
Separation costs	—			12		
(Gain) loss on divestitures and transaction costs	42			(42)		
Litigation costs (recoveries), net	227			(11)		
(Gain) loss on extinguishment of debt	108			—		
Other (income) expenses, net	5			(7)		
NY MMIS charge (credit)	(2)			9		
HE charge (credit)	(1)			(8)		
Adjusted Operating Income/Margin	$ 419	$ 5,393	7.8 %	$ 418	$ 6,022	6.9 %

(in millions)	Three Months Ended December 31, 2018			Three Months Ended December 31, 2017		
				Adjusted for 606 and Divestitures		
	Profit (Loss)	Revenue	Margin	Profit (Loss)	Revenue	Margin
GAAP as Reported[1]	$ (143)	$ 1,282	(11.2)%	$ 4	$ 1,493	0.3%
Adjustments:						
Restructuring and related costs	13			25		
Amortization of acquired intangible assets	61			61		
Interest expense	20			32		
Separation costs	—			4		
(Gain) loss on divestitures and transaction costs	33			(1)		
Litigation costs (recoveries), net	114			3		
(Gain) loss on extinguishment of debt	—			—		
Other (income) expenses, net	4			3		
NY MMIS charge (credit)	—			(1)		
HE charge (credit)	(1)			—		
ASC 606 adjustment	—	—		(3)	(41)	
2017 divestitures	—	—		—	—	
Operating Income Adjusted for 606 and 2017 Divestitures	101	1,282	7.9 %	127	1,452	8.7%
2018 divestitures	—	—		(29)	(121)	
Adjusted Operating Income/Margin	$ 101	$ 1,282	7.9 %	$ 98	$ 1,331	7.4%

(in millions)	Year Ended December 31, 2018			Year Ended December 31, 2017		
				Adjusted for 606 and Divestitures		
	Profit (Loss)	Revenue	Margin	Profit (Loss)	Revenue	Margin
GAAP as Reported[1]	$ (395)	$ 5,393	(7.3)%	$ (16)	$ 6,022	(0.3)%
Adjustments:						
Restructuring and related costs	81			101		
Amortization of acquired intangible assets	242			243		
Interest expense	112			137		
Separation costs	—			12		
(Gain) loss on divestitures and transaction costs	42			(42)		
Litigation costs (recoveries), net	227			(11)		
(Gain) loss on extinguishment of debt	108			—		
Other (income) expenses, net	5			(7)		
NY MMIS charge (credit)	(2)			9		
HE charge (credit)	(1)			(8)		
ASC 606 adjustment	—	—		(11)	(166)	
2017 divestitures	—	—		(7)	(59)	
Operating Income Adjusted for 606 and 2017 Divestitures	419	5,393	7.8 %	400	5,797	6.9 %
2018 divestitures	—	—		(56)	(190)	
Adjusted Operating Income/Margin	$ 419	$ 5,393	7.8 %	$ 344	$ 5,607	6.1 %

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

Adjusted EBITDA / Margin Reconciliation:

	Three Months Ended December 31,		Years Ended December 31,	
(in millions)	2018	2017	2018	2017
GAAP Revenue As Reported	$ 1,282	$ 1,493	$ 5,393	$ 6,022
Reconciliation to Adjusted EBITDA				
GAAP Net Income (Loss) from Continuing Operations	(140)	208	(416)	177
Interest expense	20	32	112	137
Income tax expense (benefit)	(3)	(204)	21	(193)
Depreciation and amortization	115	119	460	495
Contract inducement amortization	1	—	3	2
EBITDA	(7)	155	180	618
EBITDA Margin	*(0.5)%*	*10.4%*	*3.3%*	*10.3%*
EBITDA	$ (7)	$ 155	$ 180	$ 618
Adjustments:				
Restructuring and related costs	13	25	81	101
Separation costs	—	4	—	12
(Gain) loss on divestitures and transaction costs	33	(1)	42	(42)
Litigation costs (recoveries), net	114	3	227	(11)
(Gain) loss on extinguishment of debt	—	—	108	—
Other (income) expenses, net	4	3	5	(7)
NY MMIS charge (credit)	—	(1)	(2)	9
HE charge (credit)	(1)	—	(1)	(8)
Adjusted EBITDA	$ 156	$ 188	$ 640	$ 672
Adjusted EBITDA Margin	*12.2 %*	*12.6%*	*11.9%*	*11.2%*

(in millions)	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Years Ended December 31, 2018	Years Ended December 31, 2017
	Adjusted for 606 and Divestitures		Adjusted for 606 and Divestitures	
GAAP Revenue As Reported	$ 1,282	$ 1,493	$ 5,393	$ 6,022
ASC 606 adjustment	—	(41)	—	(166)
2017 divestitures	—	—	—	(59)
Revenue Adjusted for 606 and 2017 Divestitures	1,282	1,452	5,393	5,797
2018 divestitures	—	(121)	—	(190)
Adjusted Revenue	$ 1,282	$ 1,331	$ 5,393	$ 5,607
Reconciliation to Adjusted EBITDA				
GAAP Net Income (Loss) from Continuing Operations	(140)	208	(416)	177
Interest expense	20	32	112	137
Income tax expense (benefit)	(3)	(204)	21	(193)
Depreciation and amortization	115	119	460	495
Contract inducement amortization	1	—	3	2
ASC 606 adjustment	—	(3)	—	(11)
2017 divestitures	—	—	—	(7)
2017 divestitures depreciation and amortization	—	—	—	1
EBITDA Adjusted for 606 and 2017 Divestitures	(7)	152	180	601
2018 divestitures	—	(29)	—	(56)
2018 divestitures depreciation and amortization	—	(1)	—	(1)
EBITDA	(7)	122	180	544
EBITDA Margin	*(0.5)%*	*9.2%*	*3.3%*	*9.7%*
EBITDA	$ (7)	$ 122	$ 180	$ 544
Adjustments:				
Restructuring and related costs	13	25	81	101
Separation costs	—	4	—	12
(Gain) loss on divestitures and transaction costs	33	(1)	42	(42)
Litigation costs (recoveries), net	114	3	227	(11)
(Gain) loss on extinguishment of debt	—	—	108	—
Other (income) expenses, net	4	3	5	(7)
NY MMIS charge (credit)	—	(1)	(2)	9
HE charge (credit)	(1)	—	(1)	(8)
Adjusted EBITDA	$ 156	$ 155	$ 640	$ 598
Adjusted EBITDA Margin	*12.2 %*	*11.6%*	*11.9%*	*10.7%*

EXHIBIT 99.1

Free Cash Flow Reconciliation:

(in millions)	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Years Ended December 31, 2018	Years Ended December 31, 2017
Operating Cash Flow	$ 253	$ 236	$ 283	$ 300
Cost of additions to land, buildings and equipment	(60)	(39)	(179)	(96)
Proceeds from sales of land, buildings and equipment	1	—	13	33
Cost of additions to internal use software	(14)	(10)	(45)	(36)
Tax payment related to divestitures	50	—	90	—
Vendor financed capital leases	—	—	(14)	(16)
Free Cash Flow	**$ 230**	**$ 187**	**$ 148**	**$ 185**
Free Cash Flow	**$ 230**	**$ 187**	**$ 148**	**$ 185**
Transaction costs	14	—	33	—
Transaction costs tax benefit	(5)	—	(5)	—
Debt buyback tax benefit	(26)	—	(26)	—
Deferred compensation tax benefit	(31)	—	(31)	—
Deferred compensation payments and adjustments	77	17	99	28
Adjusted Free Cash Flow	**$ 259**	**$ 204**	**$ 218**	**$ 213**

Cash / Adjusted Cash Reconciliation:

(in millions)	As of September 30, 2018	As of December 31, 2018	As of December 31, 2017
Cash and cash equivalents	$ 586	$ 756	$ 658
Deferred compensation payments and adjustments	22	99	17
Deferred compensation payable	(99)	(99)	(116)
Adjusted cash and cash equivalents	**$ 509**	**$ 756**	**$ 559**

February 20, 2019

Conduent
Q4 2018
Earnings Results

Cautionary Statements

Forward-Looking Statements

This report 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: government appropriations and 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 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 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 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 2017 Annual Report on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission. Any forward-looking statements made by us in this 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 certain of these non-GAAP measures. Non-GAAP measures are footnoted, where applicable, in each slide herein.

Key Q4 & FY 2018 Highlights

	Revenue	Adj. EBITDA[1]	Adj. FCF[1]
Q4 2018	$1.28B	$156M	$259M
FY 2018	$5.39B	$640M	$218M

- Revenue and Adjusted EBITDA in-line with guidance; Adjusted Free Cash Flow above guidance
- Divestiture plan fully executed with the close of select stand alone call center contracts
- Completed acquisition: Health Solutions Plus creating incremental opportunities in Healthcare space
- New business efforts gaining traction; Q4 2018 new business TCV up 6% yr/yr
- Improved balance sheet and cash position (net leverage ratio 1.2x)[2]
- Exceeded 3-year transformation initiative targets; achieved ~$730M of cumulative savings
- Further progress on IT modernization with continued investment in client-facing platforms and infrastructure
- Executed agreement to settle Texas litigation

(1) Refer to Appendix for Non-GAAP reconciliations of revenue, adjusted EBITDA/margin and adjusted Free Cash Flow and for impact from ASC 606 accounting change and divestitures
(2) Net debt (total debt less adjusted cash) divided by TTM Adjusted EBITDA. Adjusted ratio uses Adjusted total Debt

Successful Execution of Plan

CONDUENT

Strategic Initiatives Undertaken

- $1 Billion Divestitures Concluded
- $476M Debt Pay Down (10.5% Senior Notes)
- 42% Real Estate sq. ft Reduced
- 51% Accu-shored Low Cost Countries
- 35% Reduction of Workforce
- +210 bps Margin Expansion
- ~10K+ Long-Tail Accounts Exited
- $200M Tech Modernization Investment

Execution of Plan from FY 2016

Adj. EBITDA Margin Expansion	9.8% to 11.9%
Three-year Cumulative Savings	~$730M
Adj. Free Cash Flow	User of Cash to generating >$200M annually
Net Leverage Ratio	From 2.7x to 1.2x

Note: Operational metrics reflect the benefit of divested businesses, including Stand-Alone Customer Care contracts

Q4 / FY 2018 Signings, Pipeline, Renewal Rate

CONDUENT

Q4	2018
$1,527M	**$5,445M**

Total Contract Value (TCV)[1] Signings

- Q4 total signings up 7.4% yr/yr
- Q4 Renewals of $906M with significant contribution from Government clients
- Expanding digital offerings with Commercial client base

Q4	2018
93%	**95%**

Renewal Rate

- Reflects continued strength in client relationships
- Strong execution and account management driving client retention
- Sixth consecutive quarter of >90% renewal rate

Q4	2018
$621M	**$1,598M**

New Business TCV[1]

- Q4 New Business improved 6.3% yr/yr
- Continued discipline on signing strategic wins with target margins and better T&Cs
- Europe Q4 2018 new business signings up meaningfully
- Investment in sales gaining traction; salesforce closing more digital opportunities

~$12B

Rolling 12-Month Pipeline[1]

- Increase of digital opportunities across segments
- Strong interest in platform-based transformation deals
- Healthy mix of new logos and existing clients
- Focus on service line penetration

(1) See Appendix for TCV reconciliation. All TCV and pipeline data excludes impact from divestitures

Progress on Our Digital Experience Focus

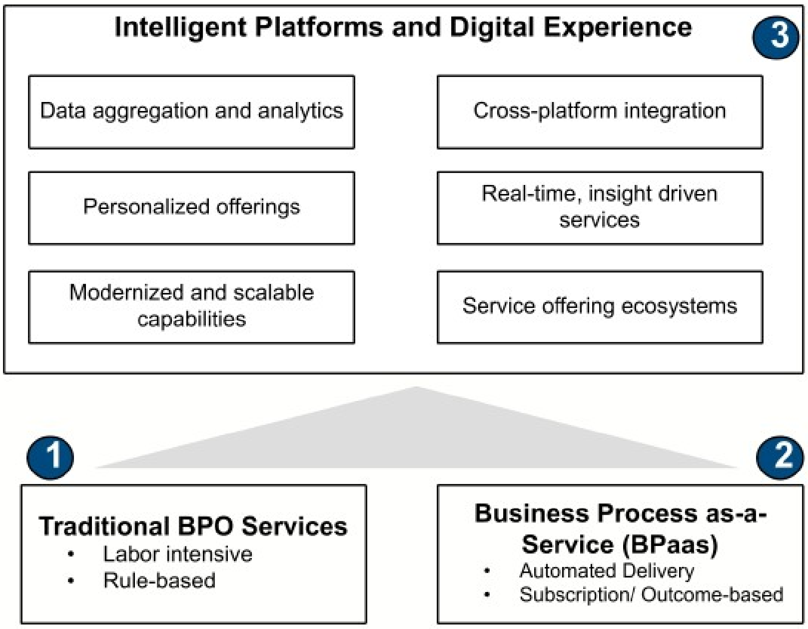
CONDUENT

Digital Interactions

- Conduent sits at the intersection of billions of mission-critical interactions everyday
- Clients want to leverage data and analytics to improve offerings to their end users
- Platform-based offerings allow for a constant feedback loop
- Investing in technology to allow for every interaction to be Immediate, Intelligent and Individualized

1 ***Do Better***
2 ***Do More***
3 ***Do Different***

Evolving BPO Value Chain



Financials

Q4 2018 Earnings

CONDUENT

(in millions)	Q4 2018	Q4 2017	B/(W) Yr/Yr	Q4 2017 adjusted for 606, Divestitures (1)	B/(W) Yr/Yr adjusted for 606, Divestitures	Comments Q4 2018 vs Q4 2017
Revenue	$1,282	$1,493	($211)	$1,331	($49)	Flat excluding FX, ASC 606, 2017 & 2018 divestitures and strategic decisions
Gross Margin	*22.9%*	*22.7%*	*+20 bps*			
SG&A	133	148	15			
Adjusted operating income(1)	**$101**	**$130**	**($29)**	**$98**	**$3**	
Adjusted operating margin(1)	***7.9%***	***8.7%***	***(80 bps)***	***7.4%***	***+50 bps***	Divestiture impact offsetting transformation
Adjusted EBITDA1	**$156**	**$188**	**$(32)**	**$155**	**$1**	
Adjusted EBITDA margin1	***12.2%***	***12.6%***	***(40 bps)***	***11.6%***	***+60 bps***	
Restructuring and related costs	13	25	12			Reduced spend
Depreciation and amortization	115	119	4			
Interest expense	20	32	12			Interest savings from tender offer and repricing
Separation costs	—	4	4			
(Gain) loss on divestitures and transaction costs	33	(1)	(34)			
Litigation costs (recoveries), net	114	3	(111)			Texas litigation
(Gain) loss on extinguishment of debt	—	—	—			
Other net expense / (income)	4	3	(1)			
Pretax income (loss)	**(143)**	**4**	**(147)**			
GAAP tax (benefit)	($3)	($204)	($201)			Q4 2017 tax reform impact on def. tax liability
GAAP net income (loss) from Continuing Operations	**($140)**	**$208**	**($348)**			Q4 2017 tax reform impact and loss on divestitures
GAAP Diluted EPS from Continuing Operations	**($0.69)**	**$0.98**	**($1.67)**			
Adjusted tax rate(1)	28.4%	31.6%	*+320 bps*			
Adjusted net income(1)	$58	$67	($9)			
Adjusted Diluted EPS1 from Continuing Operations	**$0.26**	**$0.31**	**($0.05)**			

(1) Refer to Appendix for Non-GAAP reconciliations of adjusted revenue, adjusted operating income/margin, adjusted EBITDA/margin and adjusted EPS and for impact from ASC 606 accounting change and divestitures

FY 2018 Earnings

CONDUENT

(in millions)	FY 2018	FY 2017	B/(W) Yr/Yr	FY 2017 adjusted for 606, Divestitures (1)	B/(W) Yr/Yr adjusted for 606, Divestitures	Comments FY 2018 vs FY 2017
Revenue	$5,393	$6,022	($629)	$5,607	($214)	Flat excluding FX, ASC 606, 2017 & 2018 divestitures and strategic decisions
Gross Margin	*22.5%*	*21.5%*	*+100 bps*			
SG&A	560	611	51			
Adjusted operating income(1)	**$419**	**$418**	**$1**	**$344**	**$75**	
Adjusted operating margin(1)	***7.8%***	***6.9%***	***+90 bps***	***6.1%***	***+170 bps***	Transformation offset by divestitures
Adjusted EBITDA[1]	**$640**	**$672**	**$(32)**	**$598**	**$42**	
Adjusted EBITDA margin[1]	***11.9%***	***11.2%***	***+70 bps***	***10.7%***	***+120 bps***	
Restructuring and related costs	81	101	20			Reduced yr/yr spend
Depreciation and amortization	460	495	35			
Interest expense	112	137	25			Interest savings from tender offer and repricing
Separation costs	—	12	12			
(Gain) loss on divestitures, sales, and transaction costs	42	(42)	(84)			
Litigation costs (recoveries), net	227	(11)	(238)			Texas litigation
(Gain) loss on extinguishment of debt	108	—	(108)			Tender of senior notes
Other net expense / (income)	5	(7)	(12)			
Pretax income (loss)	**(395)**	**(16)**	**(379)**			
GAAP tax (benefit)	$21	($193)	($214)			
GAAP net income (loss) from Continuing Operations	**($416)**	**$177**	**($593)**			Q4 2017 tax reform impact, litigation costs, loss on divestitures
GAAP Diluted EPS from Continuing Operations	**($2.06)**	**$0.81**	**($2.87)**			
Adjusted tax rate(1)	25.1%	33.8%	*+870 bps*			Tax reform impact
Adjusted net income(1)	$230	$186	$44			
Adjusted Diluted EPS[1] from Continuing Operations	**$1.05**	**$0.85**	**$0.20**			Interest savings, lower restructuring and tax rate

(1) Refer to Appendix for Non-GAAP reconciliations of adjusted revenue, adjusted operating income/margin, adjusted EBITDA/margin and adjusted EPS and for impact from ASC 606 accounting change and divestitures

Q4 and FY 2018 Segment Summary

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(in millions)	Q4				Full Year			
	Revenue[1]		Adj EBITDA[1]		Revenue[1]		Adj EBITDA[1]	
	2017	2018	2017	2018	2017	2018	2017	2018
Commercial	$ 659	$ 649	$ 176	$ 165	$ 2,593	$ 2,547	$ 656	$ 597
Government	$ 345	$ 337	$ 103	$ 116	$ 1,407	$ 1,351	$ 437	$ 451
Transportation	$ 188	$ 189	$ 42	$ 40	$ 725	$ 729	$ 154	$ 149
Other*	$ 139	$ 107	$ 3	$ —	$ 882	$ 766	$ 96	$ 90
Shared IT / Infrastructure & Corporate Costs			$ (169)	$ (165)			$ (745)	$ (647)
Total	*$ 1,331*	*$ 1,282*	*$ 155*	*$ 156*	*$ 5,607*	*$ 5,393*	*$ 598*	*$ 640*

FY 2018 Segment Commentary

Commercial
- Adjusted revenue[1] down (1.8)% yr/yr; FY adj. EBITDA margin 23.4%
- Revenue up 1.8% excluding currency and strategic decisions

Government
- Adjusted revenue[1] down (4.0)% yr/yr; FY adj. EBITDA margin 33.4%
- Revenue down (2.2)% excluding strategic decisions (no currency impact)

Transportation
- Adjusted revenue[1] up 0.6% yr/yr; FY adj. EBITDA margin 20.4%
- Revenue flat excluding currency and strategic decisions

Shared IT / Infrastructure & Corporate Costs
- Meaningful reduction from FY 2017 to FY 2018 (down 13.2%)

*Primarily divested businesses

(1) Refer to Appendix for Non-GAAP reconciliations of ASC 606 accounting change and divestitures. Segment revenue excludes impact from ASC 606.

NOTE: Revenue and adj. EBITDA from closed and pending divestitures moved to Other segment. Majority of stranded costs moved to Unallocated Corporate Costs and expected to be addressed in 2019.

Cash Flow

CONDUENT

(in millions)

	Q4 2018	FY 2018
Net income (loss)	**($140)**	**($416)**
Depreciation & amortization	115	460
Stock-based compensation	8	38
Deferred tax benefit	15	(75)
(Gain) loss on extinguishment of debt	—	108
Changes in operating assets and liabilities	220	118
Other[1]	35	50
Operating Cash Flow	**$253**	**$283**
Purchase of LB&E[2] and other	(74)	(224)
Proceeds from sales of LB&E	1	13
Net proceeds/payments for divestitures/acquisitions	(2)	670
Other investing, net	1	1
Investing Cash Flow	**($74)**	**$460**
Cash from Financing	**($10)**	**($637)**
Effect of exchange rates on cash and cash equivalents	1	(8)
Change in cash, restricted cash and cash equivalents	170	98
Beginning cash, restricted cash and cash equivalents	595	667
Ending Cash, Restricted Cash and Cash Equivalents[3]	**$765**	**$765**
Memo: Adjusted Free Cash Flow[4]	**$259**	**$218**
Better / (Worse) vs prior year period	*$55*	*$5*

FY 2018 Key Messages:

- Operating cash flow improvement primarily driven by working capital
- Capex 4.2% of revenue driven by IT investments
- Adjusted free cash flow[4] up $5M yr/yr driven by working capital partially offset by increased Capex
- $675M in pre-tax proceeds from sale of divested businesses

(1) Includes gain (loss) on investments, amortization of financing costs, net (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 $9 million of restricted cash for 2018 that was included in Other current assets on the Condensed Consolidated Balance Sheets
(4) Please refer to slide 35 in Appendix for Non-GAAP reconciliation

Capital Structure Overview

CONDUENT

Debt Structure ($ in millions)

(in millions)	12/31/2017	9/30/2018	12/31/2018
Total Cash[1]	**$667**	**$595**	**$765**
Deferred Comp Cash	*(99)*	*(77)*	—
Restricted Cash	*(9)*	*(9)*	*(9)*
Adjusted Cash	**559**	**509**	**756**
Total Debt[2]	**2,061**	**1,577**	**1,567**
Term Loan A[3], [5] due 2022	732	711	705
Term Loan B[3] due 2023	842	835	833
10.5% Senior Notes due 2024	510	34	34
Capital Leases	33	30	26
Current net leverage ratio[4]	2.2x	1.6x	1.2x

Credit Metrics

FY 2019E interest expense	**~$90M**
Preferred dividend (annual)	*~$10M*
Target net leverage ratio	~2.0x
Average remaining maturity on outstanding debt	~4 years

Key Messages

- Current leverage ratio: 1.2x
- Revolver remains undrawn[6]
- Ended FY 2018 with a strong cash balance
- Used $90M in Q1 2019 for HSP acquisition
- Sufficient liquidity to address litigation payments
- Balanced capital allocation focused on driving shareholder value

(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 converted at end of quarter exchange rates; Reflects appreciation of the EUR; there was no incremental borrowing on the Term Loan A in Q4 2018
(6) $738M of available capacity under Revolving Credit Facility as of 12/31/2018

FY 2019 Guidance

CONDUENT

(in millions)	FY 2018 Reported	Divestiture Impact [3]	Adjusted FY 2018[4]	*Includes No Additional M&A* FY 2019 Guidance
Revenue (constant currency)[1]	$5.39B	$752M	$4.64B	*Up 0.5 - 1.5%*
Adj. EBITDA[2]	$640M	$105M	$535M	*$590 - $610M* *Up 10 - 14%*
Adj. EBITDA Margin[2]	11.9%		11.5%	12.5 - 13.1%
Adj. Free Cash Flow[2]	$218M			*~35% of Adj. EBITDA*
% of Adj. EBITDA	34.1%			

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

(1) Year-over-year revenue growth comparison at constant currency
(2) Refer to Appendix for Non-GAAP reconciliations of adjusted EBITDA / margin and adjusted FCF and for impact from ASC 606 accounting change and divestitures. FY 2019 FCF adjusted for Texas-related litigation impact
(3) Includes all divestitures and select Stand Alone Customer Care contracts in run-off.
(4) Adjusted for accounting 606 and 2017 and 2018 divestitures referenced on page 33.

Q&A

Appendix

Signings & Renewal Rate[1]

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Excluding Divestiture Impact

($ in millions)	Q1' 17	Q2' 17	Q3' 17	Q4' 17	Q1' 18	Q2' 18	Q3' 18	Q4' 18
Total Contract Value	$836	$1,142	$928	$1,422	$1,293	$1,887	$738	$1,527
New Business	$496	$602	$349	$584	$367	$346	$264	$621
Renewals	$340	$540	$579	$838	$926	$1,541	$474	$906
Annual Recurring Revenue Signings	$135	$115	$84	$137	$81	$79	$65	$140
Non-Recurring Revenue Signings	$80	$89	$70	$87	$53	$61	$63	$57

Unadjusted

($ in millions)	Q1' 17	Q2' 17	Q3' 17	Q4' 17	Q1' 18	Q2' 18	Q3' 18	Q4' 18
Total Contract Value	$931	$1,244	$1,048	$1,730	$1,428	$1,947	$771	$1,571
New Business	$530	$657	$390	$683	$406	$372	$282	$621
Renewals	$401	$587	$658	$1,047	$1,022	$1,575	$489	$950
Annual Recurring Revenue Signings	$143	$130	$92	$168	$93	$86	$79	$140
Non-Recurring Revenue Signings	$93	$108	$86	$96	$63	$69	$64	$57
Renewal rate	92%	89%	99%	96%	94%	99%	91%	93%

(1) See definitions in Appendix

Definitions

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TCV = Total contract value

Annual Recurring Revenue Signings = Includes new business TCV.

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

Pipeline = TCV pipeline of deals in all sell stages over a rolling 12 months

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

Revenue productivity = Calculated as trailing-twelve months (TTM) revenue (excluding impact from divestitures and ASC 606) / average quarter-end headcount for last four quarters. Segment calculation excludes corporate headcount.

TSA = Transition Services Agreement associated with divested businesses

2019 Modeling Considerations

CONDUENT

	Outlook Commentary
FY 2019E Revenue Outlook (vs. FY 2018 "Baseline")	Up 0.5% - 1.5% (including HSP impact), weighted towards 2H 2019
FY 2019E Adjusted EBITDA Seasonality	Expect typical seasonality, excluding stranded cost impacts
Restructuring costs	Expected to be $40 - $45M for the full year
Interest Expense	Expected to be ~$90M for the full year (assumes one mid-year interest rate hike)
FY 2019E Adj Free Cash Flow	Expect to be ~35% of Adj. EBITDA, typically weighted towards Q4 2019, given seasonality. Expect to exclude Texas-related impacts from Adj FCF calculation.
Capex	Expected to be ~4.5% of Revenue in FY 2019
Taxes	Expected full year adjusted tax rate of 28 - 30%
Cash Taxes	Expect ~$85M in FY 2019, excluding impact from Texas-related payments
Stranded Overhead Costs	Expect ~$50M of stranded overhead costs through Q4, based on timing of divestitures and increased TSA requirements. Expected to impact Q2 - Q4 evenly

Non-GAAP Financial Measures

CONDUENT

Non-GAAP Financial Measures

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

- Restructuring and related costs. Restructuring and related costs include restructuring and asset impairment charges as well as costs associated with our strategic transformation program.
- Amortization of acquired intangible assets. The amortization of acquired intangible assets is driven by acquisition activity, which can vary in size, nature and timing as compared to other companies within our industry and from period to period.
- Separation costs. Separation costs are expenses incurred in connection with 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.
- (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.
- (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). Costs associated with the Company not fully completing the State of New York Health Enterprise Platform project.
- HE charge (credit). Costs associated with not fully completing the Health Enterprise Medical platform projects in California and Montana.
- 606 Adjustment
- (Revenue) / (Income) loss from divestitures

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

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

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 Revenue, Adjusted Operating Income and Adjusted Operating Margin:

- Restructuring and related costs.
- Amortization of acquired intangible assets.
- Interest expense. Interest expense includes interest on long-term debt and amortization of debt issuance costs.
- Separation costs.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- (Gain) loss on extinguishment of debt.
- Other (income) expenses, net.
- NY MMIS charge (credit).
- HE charge (credit).
- ASC 606 adjustment.
- (Revenue) / (Income) loss from divestitures.

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

Adjusted Other Profit and Margin

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

We provide Other adjusted loss and Other 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 loss and gross margin results and trends, both by itself and in comparison to other periods.

Non-GAAP Financial Measures

CONDUENT

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

- Restructuring and related costs.
- Separation costs.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- (Gain) loss on extinguishment of debt.
- Other (income) expenses, net.
- NY MMIS charge (credit) / NY MMIS Depreciation.
- HE charge (credit).
- ASC 606 adjustment.
- (Revenue) / (Income) loss from divestitures.

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

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.

Adjusted Cash
Adjusted cash is defined as cash and cash equivalents less cash from terminated deferred compensation to be paid to plan participants. We believe this provides added insight into cash and cash equivalent positions.

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. 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 Reconciliation: Adj. Net Income (Loss) & Adj. EPS

CONDUENT

(in millions, except EPS. Shares in thousands)	Three Months Ended December 31, 2018 Net Income (Loss)	2018 Diluted EPS	2017 Net Income (Loss)	2017 Diluted EPS	Years Ended December 31, 2018 Net Income (Loss)	2018 Diluted EPS	2017 Net Income (Loss)	2017 Diluted EPS
GAAP as Reported From Continuing Operations	$ (140)	$ (0.69)	$ 208	$ 0.98	$ (416)	$ (2.06)	$ 177	$ 0.81
Adjustments:								
Restructuring and related costs	13		25		81		101	
Amortization of acquired intangible assets	61		61		242		243	
Separation costs	—		4		—		12	
(Gain) loss on divestitures and transaction costs	33		(1)		42		(42)	
Litigation costs (recoveries), net	114		3		227		(11)	
(Gain) loss on extinguishment of debt	—		—		108		—	
Other (income) expenses, net	4		3		5		(7)	
NY MMIS charge (credit)	—		(1)		(2)		9	
HE charge (credit)	(1)		—		(1)		(8)	
Less: Income tax adjustments[1]	(26)		(235)		(56)		(288)	
Adjusted Net Income (Loss) and EPS	$ 58	$ 0.26	$ 67	$ 0.31	$ 230	$ 1.05	$ 186	$ 0.85
(GAAP shares in thousands)								
Weighted average common shares outstanding		207,103		204,607		206,056		204,007
Stock options		—		131		—		195
Restricted stock and performance units / shares		—		2,742		—		2,591
Adjusted Weighted Average Shares Outstanding[2]		207,103		207,480		206,056		206,793
(Non-GAAP shares in thousands)								
Weighted average common shares outstanding		207,103		204,607		206,056		204,007
Stock options		65		131		118		195
Restricted stock and performance units / shares		3,480		2,742		3,480		2,491
8% Convertible preferred stock		—		5,393		—		—
Adjusted Weighted Average Shares Outstanding		210,648		212,873		209,654		206,693

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

(2) Average shares for the 2018 and 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 dividend of $2.4 million for both of the three months ended December 31, 2018 and 2017 and $10 million for both of the twelve months ended December 31, 2018 and 2017, respectively.

	Three Months Ended December 31, Adjusted for 606 and Divestitures[3]				Years Ended December 31, Adjusted for 606 and Divestitures[3]			
	2018		2017		2018		2017	
(in millions, except EPS. Shares in thousands)	Net Income (Loss)	Diluted EPS	Net Income (Loss)	Diluted EPS	Net Income (Loss)	Diluted EPS	Net Income (Loss)	Diluted EPS
GAAP as Reported From Continuing Operations	$ (140)	$ (0.69)	$ 208	$ 0.98	$ (416)	$ (2.06)	$ 177	$ 0.81
Adjustments:								
Restructuring and related costs	13		25		81		101	
Amortization of acquired intangible assets	61		61		242		243	
Separation costs	—		4		—		12	
(Gain) loss on divestitures and transaction costs	33		(1)		42		(42)	
Litigation costs (recoveries), net	114		3		227		(11)	
(Gain) loss on extinguishment of debt	—		—		108		—	
Other (income) expenses, net	4		3		5		(7)	
NY MMIS charge (credit)	—		(1)		(2)		9	
HE charge (credit)	(1)		—		(1)		(8)	
ASC 606 adjustment	—		(3)		—		(11)	
2017 divestitures	—		—		—		(7)	
2018 divestitures	—		(29)		—		(56)	
Less: Income tax adjustments[1]	(26)		(235)		(56)		(288)	
Adjusted Net Income (Loss) and EPS	$ 58	$ 0.26	$ 35	$ 0.15	$ 230	$ 1.05	$ 112	$ 0.49
(GAAP shares in thousands)								
Weighted average common shares outstanding		207,103		204,607		206,056		204,007
Stock options		—		131		—		195
Restricted stock and performance units / shares		—		2,742		—		2,591
Adjusted Weighted Average Shares Outstanding[2]		207,103		207,480		206,056		206,793
(Non-GAAP shares in thousands)								
Weighted average common shares outstanding		207,103		204,607		206,056		204,007
Stock options		65		131		118		195
Restricted stock and performance units / shares		3,480		2,742		3,480		2,491
8% Convertible preferred stock		—		5,393		—		—
Adjusted Weighted Average Shares Outstanding		210,648		212,873		209,654		206,693

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

(2) Average shares for the 2018 and 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 dividend of $2.4 million for both of the three months ended December 31, 2018 and 2017 and $10 million for both of the twelve months ended December 31, 2018 and 2017, respectively.

(3) Adjusted for the impact from 606 accounting standard change and revenue and (income) loss from divestitures

CONDUENT

Non-GAAP Reconciliation: Adj. Effective Tax Rate

(in millions)	Three Months Ended December 31, 2018 Pre-Tax Income (Loss)	Three Months Ended December 31, 2018 Income Tax (Benefit) Expense	Three Months Ended December 31, 2018 Effective Tax Rate	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
GAAP as Reported From Continuing Operations	$ (143)	$ (3)	2.1%	$ 4	$ (204)	
Benefit from tax law changes	—	—		—	198	
Other Non-GAAP adjustments	224	26		94	37	
Total non-GAAP adjustments[1]	224	26		94	235	
Adjusted[2]	$ 81	$ 23	28.4%	$ 98	$ 31	31.6%

(in millions)	Year Ended December 31, 2018 Pre-Tax Income (Loss)	Year Ended December 31, 2018 Income Tax (Benefit) Expense	Year Ended December 31, 2018 Effective Tax Rate	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
GAAP as Reported From Continuing Operations	$ (395)	$ 21	(5.3)%	$ (16)	$ (193)	
Benefit from tax law changes	—	—		—	198	
Termination of COLI plan	—	—		—	(19)	
Other Non-GAAP adjustments	702	56		297	109	
Total Non-GAAP adjustments[1]	702	56		297	288	
Adjusted[2]	$ 307	$ 77	25.1 %	$ 281	$ 95	33.8%

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

Non-GAAP Reconciliation: Adjusted Operating Income / Margin

(As Reported)

(in millions)	Previously Reported Q4 2017	Previously Reported Q1 2018	Previously Reported Q2 2018	Previously Reported Q3 2018	Q4 2018	Previously Reported FY 2017	FY 2018
GAAP Revenue From Continuing Operations	$ 1,493	$ 1,420	$ 1,387	$ 1,304	$ 1,282	$ 6,022	$ 5,393
GAAP Pre-tax Income (Loss) From Continuing Operations	4	(54)	54	(252)	(143)	(16)	(395)
GAAP Operating Margin As Reported	*0.3%*	*(3.8)%*	*3.9%*	*(19.3)%*	*(11.2)%*	*(0.3)%*	*(7.3)%*
GAAP Pre-tax income (Loss) From Continuing Operations	$ 4	$ (54)	$ 54	$ (252)	$ (143)	$ (16)	$ (395)
Adjustments:							
Restructuring and related costs	25	20	17	31	13	101	81
Amortization of acquired intangible assets	61	61	60	60	61	243	242
Interest expense	32	33	37	22	20	137	112
Separation costs	4	—	—	—	—	12	—
(Gain) loss on divestitures and transaction costs	(1)	15	(60)	54	33	(42)	42
Litigation costs (recoveries), net	3	31	4	78	114	(11)	227
(Gain) loss on extinguishment of debt	—	—	—	108	—	—	108
Other (income) expenses, net	3	(1)	(2)	4	4	(7)	5
NY MMIS charge (credit)	(1)	—	(1)	(1)	—	9	(2)
HE charge (credit)	—	—	—	—	(1)	(8)	(1)
Adjusted Operating Income/Margin	*$ 130*	*$ 105*	*$ 109*	*$ 104*	*$ 101*	*$ 418*	*$ 419*
Adjusted Operating Margin	8.7%	7.4 %	7.9%	8.0 %	7.9 %	6.9 %	7.8 %

Non-GAAP Reconciliation: Adjusted Revenue and Operating Income / Margin[1]

CONDUENT

(Adjusted results: Adjusts 2017 for comparable results to 2018 reported)

	Adjusted for 606 and Divestitures[1]						
(in millions)	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2017	FY 2018
GAAP Revenue From Continuing Operations	$ 1,493	$ 1,420	$ 1,387	$ 1,304	$ 1,282	$ 6,022	$ 5,393
ASC 606 adjustment	(41)	—	—	—	—	(166)	—
2017 divestitures	—	—	—	—	—	(59)	—
Revenue Adjusted for 606 and 2017 Divestitures	1,452	1,420	1,387	1,304	1,282	5,797	5,393
2018 divestitures	(121)	—	—	—	—	(190)	—
Adjusted Revenue	$ 1,331	$ 1,420	$ 1,387	$ 1,304	$ 1,282	$ 5,607	$ 5,393
Pre-tax Income (Loss) From Continuing Operations	4	(54)	54	(252)	(143)	(16)	(395)
ASC 606 adjustment	(3)	—	—	—	—	(11)	—
2017 divestitures	—	—	—	—	—	(7)	—
Pre-Tax Income (Loss) Adjusted for 606 and 2017 Divestitures	1	(54)	54	(252)	(143)	(34)	(395)
2018 divestitures	(29)	—	—	—	—	(56)	—
Adjusted Pre-Tax Income (Loss)	$ (28)	$ (54)	$ 54	$ (252)	$ (143)	$ (90)	$ (395)
Adjusted Operating Margin	*(2.1)%*	*(3.8)%*	*3.9%*	*(19.3)%*	*(11.2)%*	*(1.6)%*	*(7.3)%*
Adjusted Revenue	$ 1,331	$ 1,420	$ 1,387	$ 1,304	$ 1,282	$ 5,607	$ 5,393
Pre-tax income (Loss) From Continuing Operations	$ 4	$ (54)	$ 54	$ (252)	$ (143)	$ (16)	$ (395)
Adjustments:							
Restructuring and related costs	25	20	17	31	13	101	81
Amortization of acquired intangible assets	61	61	60	60	61	243	242
Interest expense	32	33	37	22	20	137	112
Separation costs	4	—	—	—	—	12	—
(Gain) loss on divestitures and transaction costs	(1)	15	(60)	54	33	(42)	42
Litigation costs (recoveries), net	3	31	4	78	114	(11)	227
(Gain) loss on extinguishment of debt	—	—	—	108	—	—	108
Other (income) expenses, net	3	(1)	(2)	4	4	(7)	5
NY MMIS charge (credit)	(1)	—	(1)	(1)	—	9	(2)
HE charge (credit)	—	—	—	—	(1)	(8)	(1)
ASC 606 adjustment	(3)	—	—	—	—	(11)	—
2017 divestitures	—	—	—	—	—	(7)	—
Operating Income Adjusted for 606 and 2017 Divestitures	*127*	*105*	*109*	*104*	*101*	*400*	*419*
2018 divestitures	*(29)*	—	—	—	—	*(56)*	—
Adjusted Operating Income/Margin	*$ 98*	*$ 105*	*$ 109*	*$ 104*	*$ 101*	*$ 344*	*$ 419*
Adjusted Operating Margin	*7.4 %*	*7.4 %*	*7.9%*	*8.0 %*	*7.9 %*	*6.1 %*	*7.8 %*

Non-GAAP Reconciliation: Adjusted EBITDA

CONDUENT

(in millions)	Previously Reported Q4 2017	Previously Reported Q1 2018	Previously Reported Q2 2018	Previously Reported Q3 2018	Q4 2018	Previously Reported FY 2017	FY 2018
Reconciliation to Adjusted Revenue							
GAAP Revenue From Continuing Operations	$ 1,493	$ 1,420	$ 1,387	$ 1,304	$ 1,282	$ 6,022	$ 5,393
Adjusted Revenue	$ 1,493	$ 1,420	$ 1,387	$ 1,304	$ 1,282	$ 6,022	$ 5,393
GAAP Net Income (Loss) from Continuing Operations	$ 208	$ (50)	$ 11	$ (237)	$ (140)	$ 177	$ (416)
Interest expense	32	33	37	22	20	137	112
Income tax expense (benefit)	(204)	(4)	43	(15)	(3)	(193)	21
Depreciation and amortization	119	116	116	113	115	495	460
Contract inducement amortization	—	1	1	—	1	2	3
EBITDA	$ 155	$ 96	$ 208	$ (117)	$ (7)	$ 618	$ 180
EBITDA Margin	*10.4%*	*6.8%*	*15.0%*	*(9.0)%*	*(0.5)%*	*10.3%*	*3.3%*
EBITDA	$ 155	$ 96	$ 208	$ (117)	$ (7)	$ 618	$ 180
Restructuring and related costs	25	20	17	31	13	101	81
Separation costs	4	—	—	—	—	12	—
(Gain) loss on divestitures and transaction costs	(1)	15	(60)	54	33	(42)	42
Litigation costs (recoveries), net	3	31	4	78	114	(11)	227
(Gain) loss on extinguishment of debt	—	—	—	108	—	—	108
Other (income) expenses, net	3	(1)	(2)	4	4	(7)	5
NY MMIS charge (credit)	(1)	—	(1)	(1)	—	9	(2)
HE charge (credit)	—	—	—	—	(1)	(8)	(1)
Adjusted EBITDA	188	161	166	157	156	672	640
Adjusted EBITDA Margin	12.6%	11.3%	12.0%	12.0 %	12.2%	11.2%	11.9%

Non-GAAP Reconciliation: Adjusted EBITDA[1]

(Adjusted results: Adjusts 2017 for comparable results to 2018 reported)

CONDUENT

	Adjusted for 606 and Divestitures[1]						
(in millions)	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2017	FY 2018
Reconciliation to Adjusted Revenue							
GAAP Revenue From Continuing Operations	$ 1,493	$ 1,420	$ 1,387	$ 1,304	$ 1,282	$ 6,022	$ 5,393
ASC 606 adjustment	(41)	—	—	—	—	(166)	—
2017 divestitures	—	—	—	—	—	(59)	—
Revenue Adjusted for 606 and 2017 Divestitures	1,452	1,420	1,387	1,304	1,282	5,797	5,393
2018 divestitures	(121)	—	—	—	—	(190)	—
Adjusted Revenue	$ 1,331	$ 1,420	$ 1,387	$ 1,304	$ 1,282	$ 5,607	$ 5,393
GAAP Net Income (Loss) from Continuing Operations	$ 208	$ (50)	$ 11	$ (237)	$ (140)	$ 177	$ (416)
Interest expense	32	33	37	22	20	137	112
Income tax expense (benefit)	(204)	(4)	43	(15)	(3)	(193)	21
Depreciation and amortization	119	116	116	113	115	495	460
Contract inducement amortization	—	1	1	—	1	2	3
ASC 606 adjustment	(3)	—	—	—	—	(11)	—
2017 divestitures	—	—	—	—	—	(7)	—
2017 divestitures depreciation and amortization	—	—	—	—	—	1	—
EBITDA Adjusted for 606 and 2017 Divestitures	152	96	208	(117)	(7)	601	180
2018 divestitures	(29)	—	—	—	—	(56)	—
2018 divestitures depreciation and amortization	(1)	—	—	—	—	(1)	—
EBITDA	$ 122	$ 96	$ 208	$ (117)	$ (7)	$ 544	$ 180
EBITDA Margin	*9.2%*	*6.8%*	*15.0%*	*(9.0)%*	*(0.5)%*	*9.7%*	*3.3%*
EBITDA	$ 122	$ 96	$ 208	$ (117)	$ (7)	$ 544	$ 180
Restructuring and related costs	25	20	17	31	13	101	81
Separation costs	4	—	—	—	—	12	—
(Gain) loss on divestitures and transaction costs	(1)	15	(60)	54	33	(42)	42
Litigation costs (recoveries), net	3	31	4	78	114	(11)	227
(Gain) loss on extinguishment of debt	—	—	—	108	—	—	108
Other (income) expenses, net	3	(1)	(2)	4	4	(7)	5
NY MMIS charge (credit)	(1)	—	(1)	(1)	—	9	(2)
HE charge (credit)	—	—	—	—	(1)	(8)	(1)
Adjusted EBITDA	155	161	166	157	156	598	640
Adjusted EBITDA Margin	11.6%	11.3%	12.0%	12.0 %	12.2%	10.7%	11.9%

(1) Adjusted for the estimated impact from the adoption of the 606 accounting standard, had it been applicable in FY 2017 and divestiture impact over the same period year over year

Non-GAAP Reconciliation: Segment Adjusted EBITDA[1]

CONDUENT

(in millions)	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2017	FY 2018
Commercial Industries							
Segment GAAP revenue	$ 682	$ 653	$ 626	$ 619	$ 649	$ 2,685	$ 2,547
Segment profit	$ 154	$ 110	$ 120	$ 127	$ 143	$ 563	$ 500
Segment depreciation and amortization	23	28	25	22	22	98	97
Adjusted Segment EBITDA	$ 177	$ 138	$ 145	$ 149	$ 165	$ 661	$ 597
Adjusted EBITDA Margin	*26.0%*	*21.1%*	*23.2%*	*24.1%*	*25.4%*	*24.6%*	*23.4%*
Government Services							
Segment GAAP revenue	$ 352	$ 335	$ 341	$ 338	$ 337	$ 1,433	$ 1,351
Segment profit	$ 96	$ 108	$ 100	$ 106	$ 110	$ 398	$ 424
Segment depreciation and amortization	9	7	9	7	7	41	30
EBITDA	$ 105	$ 115	$ 109	$ 113	$ 117	$ 439	$ 454
EBITDA Margin	*29.8%*	*34.3%*	*32.0%*	*33.4%*	*34.7%*	*30.6%*	*33.6%*
Segment EBITDA	$ 105	$ 115	$ 109	$ 113	$ 117	$ 439	$ 454
NY MMIS charge (credit)[2]	(1)	—	(1)	(1)	—	9	(2)
HE charge (credit)[2]	—	—	—	—	(1)	(8)	(1)
Adjusted Segment EBITDA	$ 104	$ 115	$ 108	$ 112	$ 116	$ 440	$ 451
Adjusted EBITDA Margin	*29.5%*	*34.3%*	*31.7%*	*33.1%*	*34.4%*	*30.7%*	*33.4%*
Transportation							
Segment GAAP revenue	$ 198	$ 176	$ 180	$ 184	$ 189	$ 767	$ 729
GAAP Segment profit (loss)	$ 34	$ 27	$ 25	$ 30	$ 31	$ 114	$ 113
Segment depreciation and amortization	9	8	10	9	9	43	36
Adjusted Segment EBITDA	$ 43	$ 35	$ 35	$ 39	$ 40	$ 157	$ 149
Adjusted EBITDA Margin	*21.7%*	*19.9%*	*19.4%*	*21.2%*	*21.2%*	*20.5%*	*20.4%*

Non-GAAP Reconciliation: Segment Adjusted EBITDA[1]

CONDUENT

(in millions)	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2017	FY 2018
Other							
Segment GAAP revenue	$ 261	$ 256	$ 240	$ 163	$ 107	$ 1,137	$ 766
GAAP Segment profit (loss)	$ 30	$ 36	$ 37	$ 10	$ (3)	$ 144	$ 80
Segment depreciation and amortization	3	3	3	1	3	15	10
Adjusted Segment EBITDA	$ 33	$ 39	$ 40	$ 11	$ —	$ 159	$ 90
Adjusted EBITDA Margin	12.6%	15.2%	16.7%	6.7%	—%	14.0%	11.7%
Shared IT / Infrastructure & Corporate Costs (Corporate)							
Corporate GAAP revenue	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Corporate profit (loss)	$ (183)	$ (176)	$ (172)	$ (168)	$ (179)	$ (802)	$ (695)
Corporate depreciation and amortization	14	10	10	14	14	57	48
EBITDA	$ (169)	$ (166)	$ (162)	$ (154)	$ (165)	(745)	(647)
EBITDA Margin	—%	—%	—%	—%	—%	—%	—%

(1) Certain reclassifications have been made to prior year information to conform to current year presentation.

(2) HE and NY MMIS business moved from Other segment into the Government Services segment effective Q1 2018.

Non-GAAP Reconciliation: Segment Adjusted EBITDA[1]

CONDUENT

(in millions)	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2017	FY 2018
	Adjusted for 606 and Divestitures[1]						
Commercial Industries							
Segment GAAP revenue	$ 682	$ 653	$ 626	$ 619	$ 649	$ 2,685	$ 2,547
ASC 606 adjustment	(23)	—	—	—	—	(92)	—
Segment Revenue Adjusted for 606	$ 659	$ 653	$ 626	$ 619	$ 649	$ 2,593	$ 2,547
Segment profit	$ 154	$ 110	$ 120	$ 127	$ 143	$ 563	$ 500
Segment depreciation and amortization	23	28	25	22	22	98	97
ASC 606 adjustment	(1)	—	—	—	—	(5)	—
Segment EBITDA Adjusted for 606	$ 176	$ 138	$ 145	$ 149	$ 165	$ 656	$ 597
Adjusted EBITDA Margin	*26.7%*	*21.1%*	*23.2%*	*24.1%*	*25.4%*	*25.3%*	*23.4%*
Government Services							
Segment GAAP revenue	$ 352	$ 335	$ 341	$ 338	$ 337	$ 1,433	$ 1,351
ASC 606 adjustment	(7)	—	—	—	—	(26)	—
Segment Revenue Adjusted for 606	$ 345	$ 335	$ 341	$ 338	$ 337	$ 1,407	$ 1,351
Segment profit	$ 96	$ 108	$ 100	$ 106	$ 110	$ 398	$ 424
Segment depreciation and amortization	9	7	9	7	7	41	30
ASC 606 adjustment	(1)	—	—	—	—	(3)	—
Segment EBITDA Adjusted for 606	$ 104	$ 115	$ 109	$ 113	$ 117	$ 436	$ 454
EBITDA Margin	*30.1%*	*34.3%*	*32.0%*	*33.4%*	*34.7%*	*31.0%*	*33.6%*
Segment EBITDA Adjusted for 606	$ 104	$ 115	$ 109	$ 113	$ 117	$ 436	$ 454
NY MMIS charge (credit)[2]	(1)	—	(1)	(1)	—	9	(2)
HE charge (credit)[2]	—	—	—	—	(1)	(8)	(1)
Adjusted Segment EBITDA	$ 103	$ 115	$ 108	$ 112	$ 116	$ 437	$ 451
Adjusted EBITDA Margin	*29.9%*	*34.3%*	*31.7%*	*33.1%*	*34.4%*	*31.1%*	*33.4%*

(1) Adjusted for the estimated impact from the adoption of the 606 accounting standard, had it been applicable in FY 2017 and revenue and (income) loss from divestitures. Certain reclassifications have been made to prior year information to conform to current year presentation.

(2) HE and NY MMIS business moved from Other segment into the Government Services segment effective Q1 2018.

Non-GAAP Reconciliation: Segment Adjusted EBITDA[1]

CONDUENT

(in millions)	Adjusted for 606 and Divestitures[1] Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2017	FY 2018
Transportation							
Segment GAAP revenue	$ 198	$ 176	$ 180	$ 184	$ 189	$ 767	$ 729
ASC 606 adjustment	(10)	—	—	—	—	(42)	—
Segment Revenue Adjusted for 606	$ 188	$ 176	$ 180	$ 184	$ 189	$ 725	$ 729
Segment profit	$ 34	$ 27	$ 25	$ 30	$ 31	$ 114	$ 113
Segment depreciation and amortization	9	8	10	9	9	43	36
ASC 606 adjustment	(1)	—	—	—	—	(3)	—
Segment EBITDA Adjusted for 606	$ 42	$ 35	$ 35	$ 39	$ 40	$ 154	$ 149
Adjusted EBITDA Margin	*22.3%*	*19.9%*	*19.4%*	*21.2%*	*21.2%*	*21.2%*	*20.4%*

(1) Adjusted for the estimated impact from the adoption of the 606 accounting standard, had it been applicable in FY 2017 and revenue and (income) loss from divestitures. Certain reclassifications have been made to prior year information to conform to current year presentation.

(2) HE and NY MMIS business moved from Other segment into Government Services segment effective Q1 2018.

Non-GAAP Reconciliation: Segment Adjusted EBITDA[1] Continued

(Adjusts all periods for full divestiture impact)

	Adjusted for 606 and Divestitures[1]						
(in millions)	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2017	FY 2018
Other Segment							
Segment GAAP revenue	$ 261	$ 256	$ 240	$ 163	$ 107	$ 1,137	$ 766
ASC 606 adjustment	(1)	—	—	—	—	(6)	—
2017 divestitures	—	—	—	—	—	(59)	—
Segment Revenue Adjusted for 606 and 2017 Divestitures	260	256	240	163	107	1,072	766
2018 divestitures	(249)	(248)	(238)	(162)	(104)	(997)	(752)
Adjusted Segment Revenue	$ 11	$ 8	$ 2	$ 1	$ 3	$ 75	$ 14
Segment profit (loss)	$ 30	$ 36	$ 37	$ 10	$ (3)	$ 144	$ 80
Segment depreciation and amortization	3	3	3	1	3	15	10
ASC 606 adjustment	—	—	—	—	—	—	—
2017 divestitures	—	—	—	—	—	(7)	—
2017 divestitures depreciation and amortization	—	—	—	—	—	1	—
Segment EBITDA Adjusted for 606 and 2017 Divestitures	33	39	40	11	—	153	90
2018 divestitures	(32)	(39)	(41)	(15)	(3)	(121)	(98)
2018 divestitures depreciation and amortization	(3)	(2)	(2)	—	(3)	(14)	(7)
Adjusted Segment EBITDA	$ (2)	$ (2)	$ (3)	$ (4)	$ (6)	$ 18	$ (15)
Adjusted EBITDA Margin	*(18.2)%*	*(25.0)%*	*(150.0)%*	*(400.0)%*	*(200.0)%*	*24.0%*	*(107.1)%*

(1) Adjusted for the estimated impact from the adoption of the 606 accounting standard, had it been applicable in FY 2017 and adjusts all periods for divestiture impact.
Certain reclassifications have been made to prior year information to conform to current year presentation.

Non-GAAP Reconciliation: Segment Adjusted EBITDA[1] Continued

(Adjusts all periods for full divestiture impact)

	Adjusted for 606 and Divestitures[1]						
(in millions)	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2017	FY 2018
Shared IT / Infrastructure & Corporate Costs (Corporate)							
Corporate GAAP revenue	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Adjusted Corporate Revenue	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Corporate profit (loss)	$ (183)	$ (176)	$ (172)	$ (168)	$ (179)	$ (802)	$ (695)
Corporate depreciation and amortization	14	10	10	14	14	57	48
Adjusted Corporate EBITDA	$ (169)	$ (166)	$ (162)	$ (154)	$ (165)	$ (745)	$ (647)
Adjusted EBITDA Margin	—%	—%	—%	—%	—%	—%	—%

Non-GAAP Reconciliation: Adj. Free Cash Flow

CONDUENT

(in millions)	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Years Ended December 31, 2018	Years Ended December 31, 2017
Operating Cash Flow	$ 253	$ 236	$ 283	$ 300
Cost of additions to land, buildings and equipment	(60)	(39)	(179)	(96)
Proceeds from sales of land, buildings and equipment	1	—	13	33
Cost of additions to internal use software	(14)	(10)	(45)	(36)
Tax payment related to divestitures	50	—	90	—
Vendor financed capital leases	—	—	(14)	(16)
Transaction costs	14	—	33	—
Transaction costs tax benefit	(5)	—	(5)	—
Debt buyback tax benefit	(26)	—	(26)	—
Deferred compensation tax benefit	(31)	—	(31)	—
Deferred compensation payments and adjustments	77	17	99	28
Adjusted Free Cash Flow	**$ 259**	**$ 204**	**$ 218**	**$ 213**

Non-GAAP Reconciliation: Adjusted Cash

CONDUENT

(in millions)	As of September 30, 2018	As of December 31, 2018	As of December 31, 2017
Cash and cash equivalents	$ 586	$ 756	$ 658
Deferred compensation payments and adjustments	22	99	17
Deferred compensation payable	(99)	(99)	(116)
Adjusted cash and cash equivalents	**$ 509**	**$ 756**	**$ 559**