



Conduent Investor Deck

May 2021

Cautionary Statements

Forward-Looking Statements

This document contains “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. The words “anticipate,” “believe,” “estimate,” “expect,” “plan,” “intend,” “will,” “aim,” “should,” “could,” “forecast,” “target,” “may,” “continue to,” “if,” “growing,” “projected,” “potential,” “likely,” and similar expressions, as they relate to us, are intended to identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. All statements other than statements of historical fact included in this press release are forward-looking statements, including, but not limited to, statements regarding our financial results, condition and outlook; changes in our operating results; general market and economic conditions; our transformation progress; future Net ARR Impact indicating future potential annualized revenue impact; our continued focus on improving growth, quality and efficiency across our people, processes and technology; our strategy of continuing to drive value for clients and shareholders and positioning us for long-term success; expectations regarding the benefits of our permanent cost savings actions in 2021; our solid game plan for 2021; our belief that we are well positioned to continue our progress towards growth; and our projected financial performance for the full year 2021, including all statements made under the section captioned “Updated FY 2021 Outlook” within this release. In addition, all statements regarding the anticipated effects of the novel coronavirus, or COVID-19, pandemic and the responses thereto, including the pandemic’s impact on general economic and market conditions, as well as on our business, customers, and markets, results of operations and financial condition and anticipated actions to be taken by management to sustain our business during the economic uncertainty caused by the pandemic and related governmental and business actions, as well as other statements that are not strictly historical in nature, are forward looking. These statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those expressed or implied herein as anticipated, believed, estimated, expected or intended or using other similar expressions.

In accordance with the provisions of the Litigation Reform Act, we are making investors aware that such forward-looking statements, because they relate to future events, are by their very nature subject to many important factors and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements contained in this press release, any exhibits to this press release and other public statements we make.

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: the significant continuing effects of the ongoing COVID-19 pandemic on our business, operations, financial results and financial condition, which is dependent on developments which are highly uncertain and cannot be predicted; government appropriations and termination rights contained in our government contracts; our ability to renew commercial and government contracts, including contracts awarded through competitive bidding processes; our ability to recover capital and other investments in connection with our contracts; our reliance on third-party providers; our ability to deliver on our contractual obligations properly and on time; changes in interest in outsourced business process services; risk and impact of geopolitical events, natural disasters and other factors (such as pandemics, including coronavirus) in a particular country or region on our workforce, customers and vendors; claims of infringement of third-party intellectual property rights; our ability to estimate the scope of work or the costs of performance in our contracts; the loss of key senior management and our ability to attract and retain necessary technical personnel and qualified subcontractors; increases in the cost of telephone and data services or significant interruptions in such services; our failure to develop new service offerings and protect our intellectual property rights; our ability to modernize our information technology infrastructure and consolidate data centers; the failure to comply with laws relating to individually identifiable information and personal health information; the failure to comply with 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 comply with data security standards; changes in tax and other laws and regulations; risk and impact of potential goodwill and other asset impairments; our significant indebtedness; our ability to obtain adequate pricing for our services and to improve our cost structure; our ability to collect our receivables, including those for unbilled services; a decline in revenues from, or a loss of, or a reduction in business from or failure of significant clients; fluctuations in our non-recurring revenue; our failure to maintain a satisfactory credit rating; our ability to receive dividends or other payments from our subsidiaries; developments in various contingent liabilities that are not reflected on our balance sheet, including those arising as a result of being involved in a variety of claims, lawsuits, investigations and proceedings; conditions abroad, including local economics, political environments, fluctuating foreign currencies and shifting regulatory schemes; changes in government regulation and economic, strategic, political and social conditions; changes in the volatility of our stock price and the risk of litigation following a decline in the price of our stock; the impact of the ongoing COVID-19 pandemic; 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 Annual Report on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with or furnished to the Securities and Exchange Commission. Any forward-looking statements made by us in this release 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.

Cautionary Statements

Non-GAAP Financial Measures

We have reported our financial results in accordance with U.S. generally accepted accounting principles (U.S. 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 results of the current period against the corresponding prior period. However, these non-GAAP financial measures should be viewed in addition to, and not as a substitute for, our reported results prepared in accordance with U.S. GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable U.S. GAAP measures and should be read only in conjunction with our Consolidated Financial Statements prepared in accordance with U.S. GAAP. Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions, and providing such non-GAAP financial measures to investors allows for a further level of transparency as to how management reviews and evaluates our business results and trends. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. Compensation of our executives is based in part on the performance of our business based on certain of these non-GAAP measures.

A Bit About Our Company...



“We are a diversified Business Process Services, Customer Experience and Transportation Company offering products, services and solutions across thousands of clients in the commercial and government space. We have clients in virtually every industry from Healthcare to Travel to Aerospace. We bring these offerings to our clients and their end-users through state-of-the-art technologies and 62,000 professional associates – both domestic and international. Over the course of the last two years, we’ve made tremendous progress in improving top-line revenue, new business signings, quality and efficiency... and we are clearly on a growth trajectory.”

- Cliff Skelton, President & CEO

 **75%**

of insured patients in the U.S.
are touched by our healthcare
and other BPS services

 **8.7 million**

tolling transactions processed daily
in our Transportation business,
representing >40% of US tolling

 **50 million**

invoices processed annually in
our F, A & P Business⁽¹⁾

 **45%**

of U.S. SNAP payments
processed by Conduent

 **200 million**

contact center
interactions per year
across multiple industries

 **100 million**

employee interactions handled
each year in our HR offerings

(1) Finance, Accounting and Procurement.

A Resilient Company on a Path to Growth

INDUSTRY LEADER	IMPROVED FUNDAMENTALS	RESILIENT BUSINESS	ATTRACTIVE BUSINESS MODEL
<ul style="list-style-type: none"> ✓ Leading provider in various commercial, government and transportation services ✓ Scale and marquee customers across industries ✓ Relationships with majority of Fortune 100 companies 	<ul style="list-style-type: none"> ✓ Improved client retention, client delivery and associate engagement ✓ Improved new business signings and account management ✓ Standardization, process improvement and efficiency programs established ✓ Significant improvement in technology uptime and operational effectiveness 	<ul style="list-style-type: none"> ✓ Strong balance sheet, 2.2x net leverage, \$458M cash⁽¹⁾ ✓ Diverse portfolio allowing for stability in varying market conditions ✓ Nimble and responsive business continuity and risk team 	<ul style="list-style-type: none"> ✓ Mission-critical services and solutions in support of millions of end-users ✓ Significant portion of contracted and recurring revenue ✓ Long, multi-year client relationships with high switching costs ✓ Expected increase in FCF conversion over time

(1) Leverage and cash figure as of 12/31/20.

A Company With Momentum

A collaborative, teamwork-oriented culture laser focused on driving valuable outcomes for clients

A Great Place to Work

Comparably Best Global Company Culture #29 of 50

+8 Points Increase YoY on Employee Engagement Index

Comparably Best Places to Work in NYC Region

Forbes Magazine Top 500 Company for Diversity

↑8%
Overall Engagement Index
All categories improved over 2018



Industry Accolades

ISG Top 15 Sourcing Index Standout

Business Services: NelsonHall, Everest Group, ISG

Healthcare: HfS Research, Everest

HR Services: NelsonHall, Everest Group, Brandon Hall Group

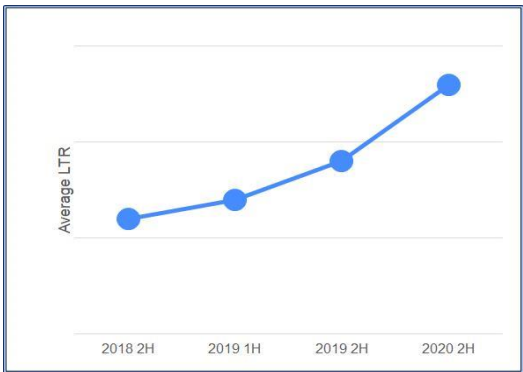
Customer Experience: ISG, Everest Group, Gartner



Client Satisfaction

Significantly improved **client satisfaction** 2 years in a row

Received a **ISG Service Operations Supplier Excellence Award** by Toyota Financial Services



Commitment to ESG

Disclosed ESG data aligned with **SASB Framework** and **CDP**

Formation of **Corporate Social Responsibility and Public Policy Committee** on Board of Directors

Pledge to **CEO Action for Diversity and Inclusion**

CEO ACTION FOR DIVERSITY & INCLUSION





What We Do

Moving Client Operations Forward

With people, process and technology, we are an essential partner to most of the Fortune 100 and over 500 government entities – **moving their operations forward every day:**



Automating workflows



Driving continuity



Improving efficiency



Enabling growth



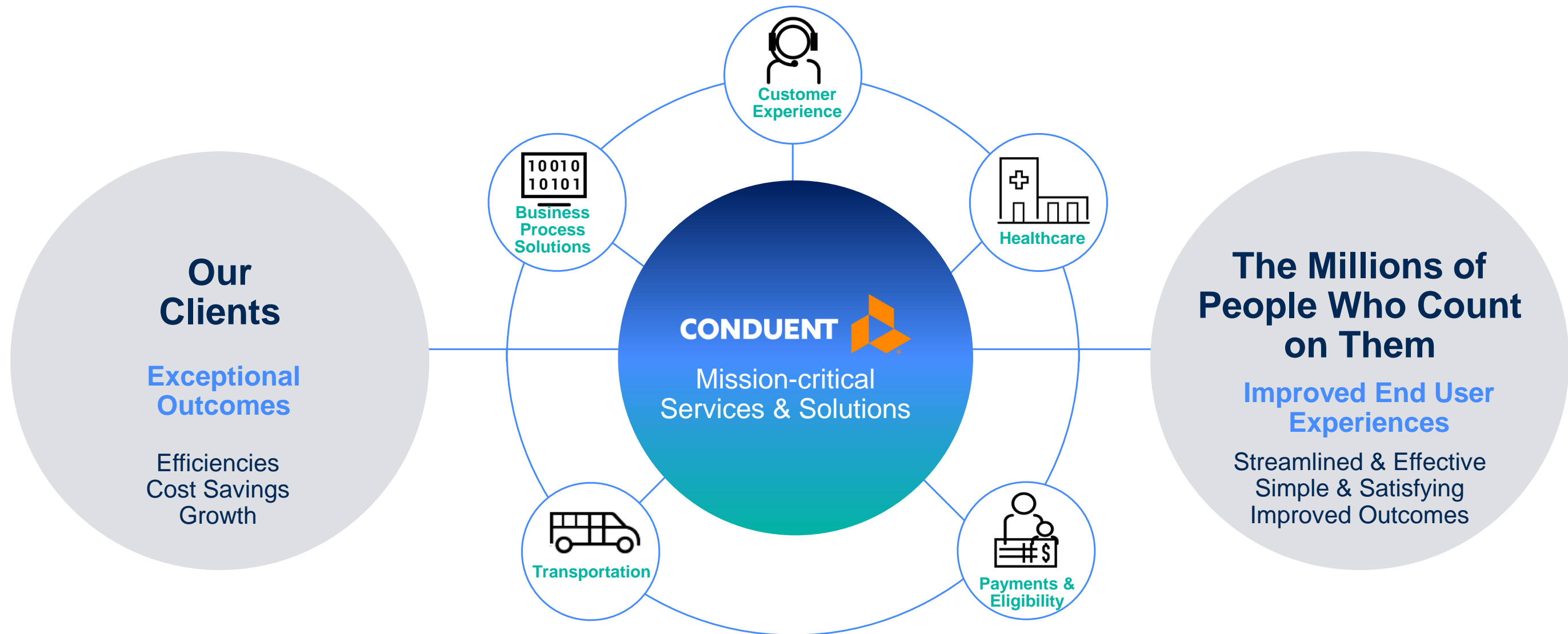
Reducing costs



Enhancing end-user outcomes, satisfaction and loyalty

Process-Driven Business Outcomes

An Essential Partner to our Clients



Diversified Business Process Services & Solutions

Global Business Process Solutions

Customer Experience Management



Customer
Contact
Services



Multichannel
Communications



Customer
Engagement
Platform



CX
Analytics

Business Process Solutions



Legal, Compliance
& Analytics



HR & Learning
Solutions



Casualty Claims
Solutions



Document
Management



Finance, Accounting
& Procurement

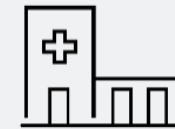


Financial Industry
Solutions

Healthcare



Payer



Provider

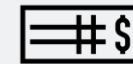


Pharma &
Life Sciences



Government
Health Services

Payments & Eligibility



Payments



Child
Support



Eligibility and
Enrollment



Federal and
State Services

Transportation



Road Usage
Charging



Transit



Curbside
Management



Public
Safety

Strong Positioning for Profitable Growth

Commercial	Government	Transportation
<div>TAM</div> <div>\$146B</div> <div>TAM Growth⁽¹⁾: 3.2%</div>	<div>TAM</div> <div>\$29B</div> <div>TAM Growth⁽¹⁾: 5.6%</div>	<div>TAM</div> <div>\$11B</div> <div>TAM Growth⁽¹⁾: 5.5%</div>
<div>Drivers of opportunity</div> <ul style="list-style-type: none"> • CXM automation and digitization should drive margins and self-service solutions • Growing demand for secure Business Operations Solution offerings adapted to cloud-based tools /software (particularly in financial services) • Potential to increase addressable Commercial HRLS market with ancillary products and service expansion • Strong positioning in growing Healthcare Solutions and claims processing markets 	<div>Drivers of opportunity</div> <ul style="list-style-type: none"> • Opportunity for expanding addressable market through products & service expansion and cross selling • Fraud tools and innovation driving client satisfaction and opportunity • Payment capabilities and technology can be leveraged across future commercial opportunities 	<div>Drivers of opportunity</div> <ul style="list-style-type: none"> • Focus on geographic expansion into less saturated markets • Secular tailwinds increasing electronic tolling transactions, contactless services and digitalized ticketing systems • Addressable market expansion and positioning driven by technology-led partnerships • Diverse product suite allows for pursuit of untapped markets
EV/EBITDA Multiple ² : ~16x	EV/EBITDA Multiple ² : ~13x	EV/EBITDA Multiple ² : ~9x
<div>Total Addressable Market (TAM) of >\$186B across categories</div> <div>Significant room for growth via investment in new technologies and geographies</div>		

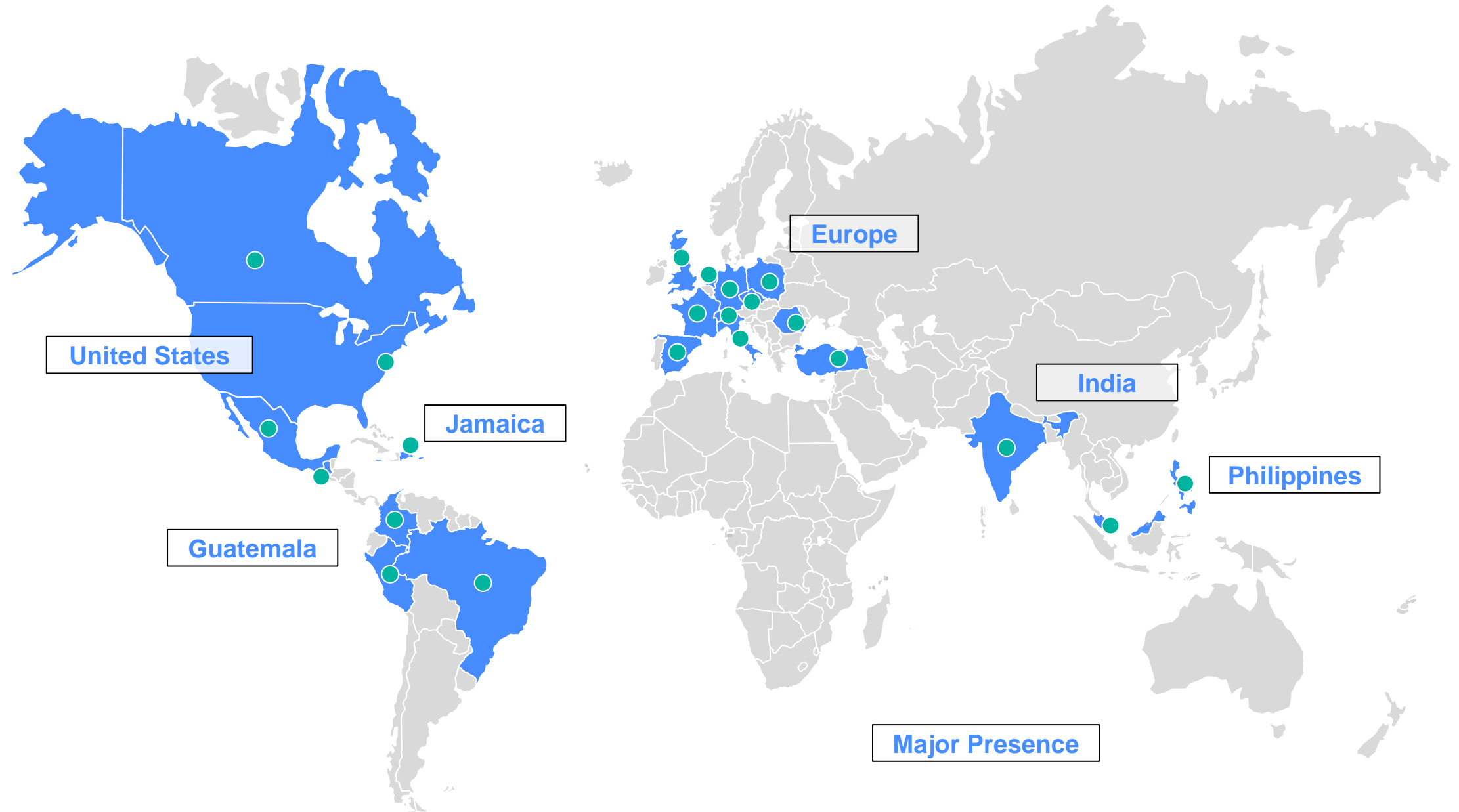
Source: Nelson Hall, Conduent Analysis; Frost and Sullivan; Devenir; Aite Group.
 Note: Revenue represents FY 2020 figures.
 (1) 2021 – 2023 CAGR.

Global Delivery Footprint Provides Efficiency and Scale

60K+
Employees

22
Countries

200
Delivery Centers





Q1 2021 Earnings Slides

Q1 2021 Highlights

Q1 Results / Metrics

- Revenue: \$1,028M; down (2.2)% Yr/Yr
- Adj. EBITDA⁽¹⁾: \$115M; up 19.8% Yr/Yr
- Adj. EBITDA margin⁽¹⁾: 11.2%; up 210 bps Yr/Yr
- TCV new business signings: \$356M; up 10% Yr/Yr
- New business ARR signings: \$95M; up 67% Yr/Yr
- Net ARR Activity Impact (TTM)⁽²⁾: \$87M

Q1 Highlights

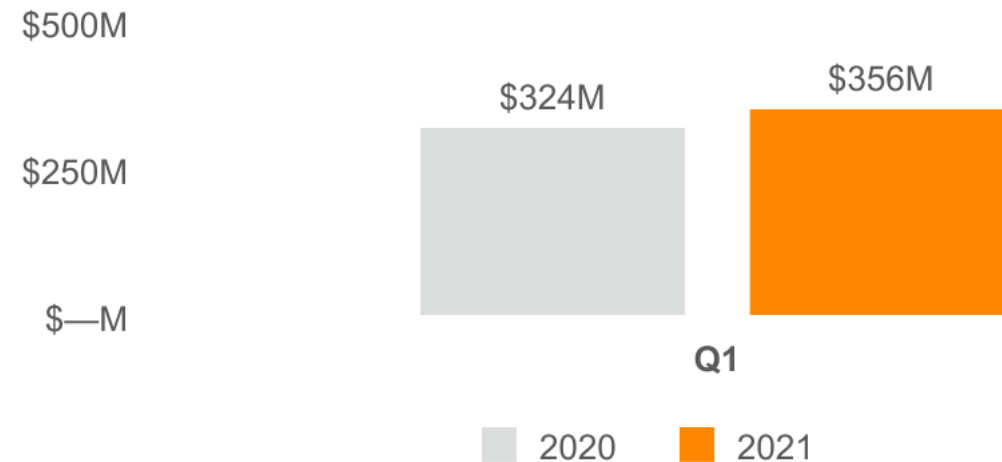
- Strong financial performance driven by government payments, new business ramp and efficiency progress
- Operating performance improvement, technology delivery, and shared service center utilization leading to increased client confidence
- Improvements in service delivery leading to higher client engagement, exemplified by award of GM "Supplier of the Year"
- Increasingly improving associate engagement - named to list of "Best Global Company Cultures" by Comparably and Forbes "Top 500 Best Employers for Diversity in the U.S."

(1) Refer to Appendix for complete Non-GAAP reconciliations of Adjusted EBITDA/Margin.

(2) Full definition in the appendix.

Growth and Retention

New Business TCV Signings (incl. ARR + NRR)

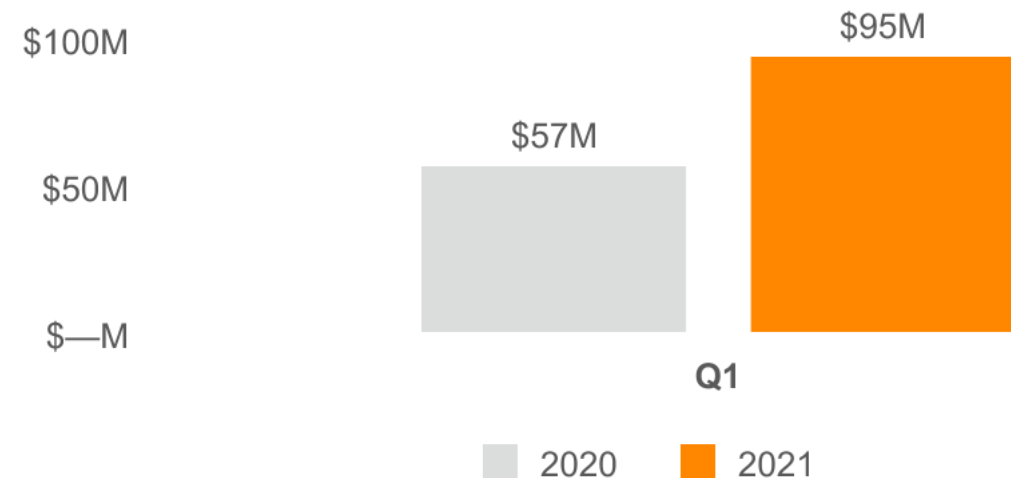


Net ARR Activity⁽¹⁾

**Q1 2021 TTM⁽²⁾
Net ARR Activity: \$87M**

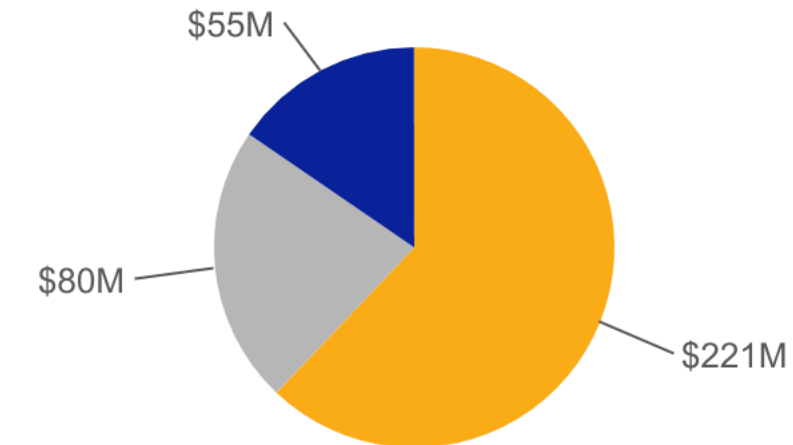
Net ARR Activity excludes Non-Recurring Revenue (NRR) and un-contracted volume changes ⁽¹⁾

New Business ARR



Sales Update

New Business TCV Signing by Segment



⁽¹⁾ Full definition in the appendix.

⁽²⁾ Trailing Twelve Months.

Positioned for Growth

Levers

People

- Continue to top-grade talent
- Driving "One-Conduent" culture and increased associate engagement
- Investment in Diversity & Inclusion initiatives
- Account management leadership and development
- New client engagement and selling system / process

Process

- Leveraging operational excellence through LEAN process improvements
- Finding efficiency through best practices, shared service centers and consistent metrics
- Increased focus on client engagement and account management
- Enabling cross-sells and "enterprise first" routines

Technology

- Operational and delivery efforts driving improved platform uptime
- Command center provides oversight, coordination and better monitoring
- Continued focus on security
- Leveraging partnerships
- Progress on tech infrastructure investment / data center consolidation

Outcomes

A solid foundation is giving rise to Growth, Efficiency and Quality

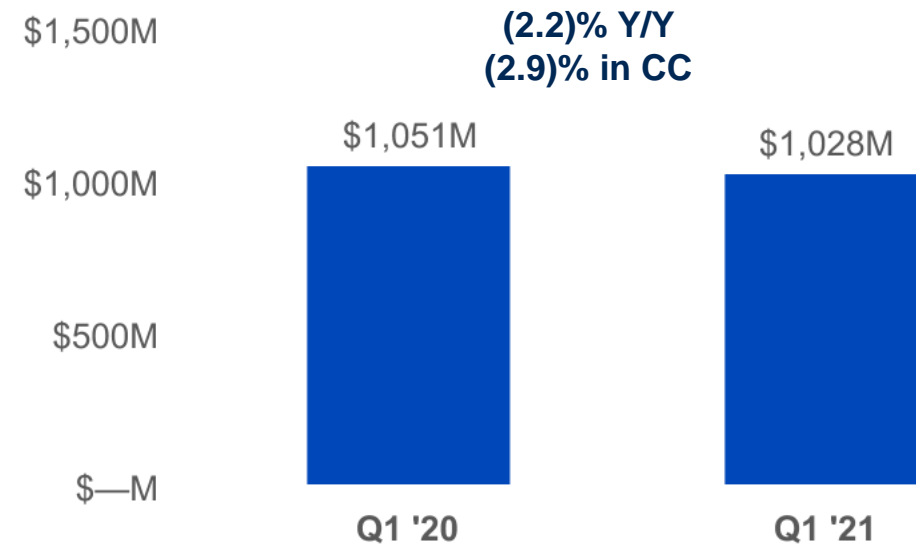
- **Operational improvements** in technology, security and risk management enabling better delivery and service
- **Improved quality** across every dimension of business with focus on driving client success
- **More robust** enterprise systems and protocols
- **Scalable** capabilities and technology can be leveraged across multiple segments
- **Shared service centers** established and technology infrastructure footprint optimized
- **Able to focus** on continued improvement and growth
- **Positive feedback** from clients with higher client retention and loyalty
- **Expanding relationships** with existing clients and winning new clients

Progress continues and the growth pivot is in our sights with opportunity ahead of us.

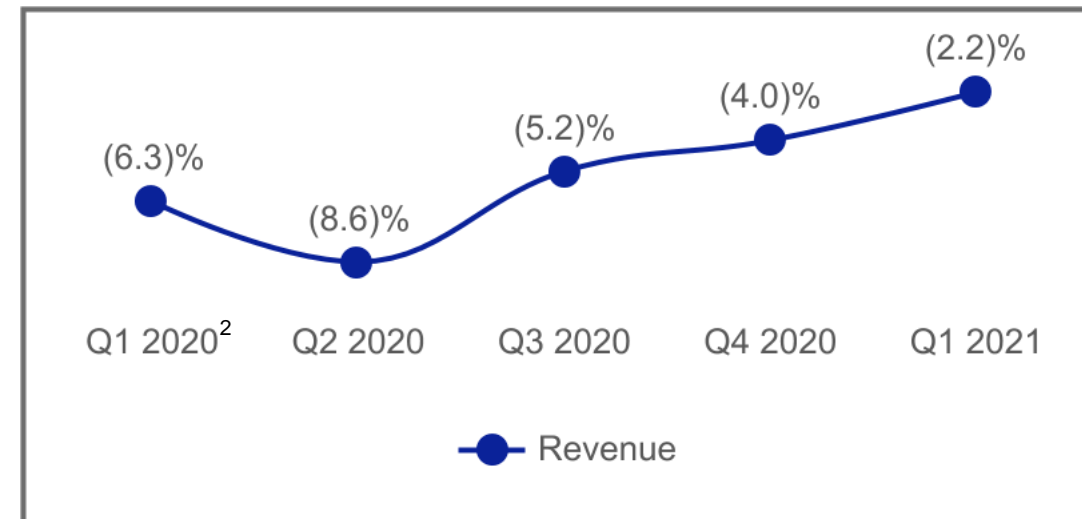
Financials

Q1 2021 P&L Metrics

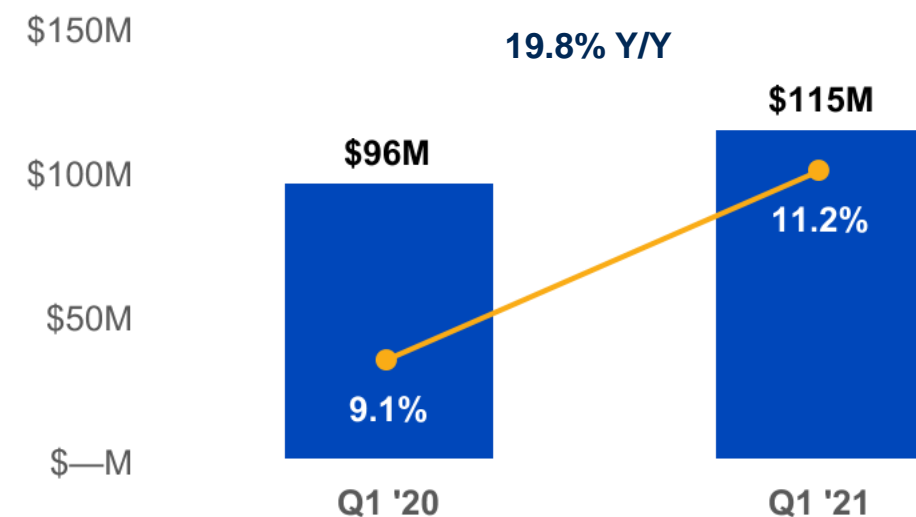
Revenue



Revenue Trend (Y/Y Compare)



Adj. EBITDA⁽¹⁾

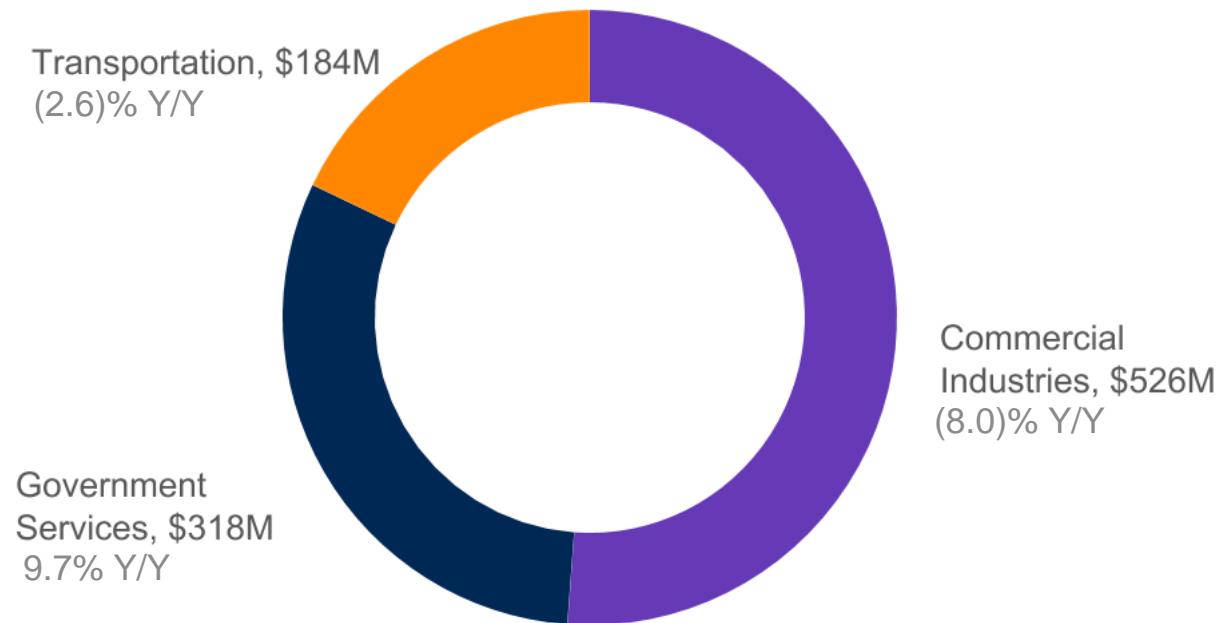


- **Revenue:**
 - Decline driven by lost business from prior years, partially offset by increased volumes and new business ramp
 - Y/Y revenue trend improving
- **Adj. EBITDA⁽¹⁾:**
 - Increase driven by revenue mix and overall efficiency progress
- **Adj. EBITDA Margin⁽¹⁾:**
 - 11.2%, up 210 bps Y/Y

(1) Refer to Appendix for complete Non-GAAP reconciliations of adjusted operating income and adjusted EBITDA/margin. (2) Q1 2019 Revenue adjusted for divestitures in Y/Y comparison

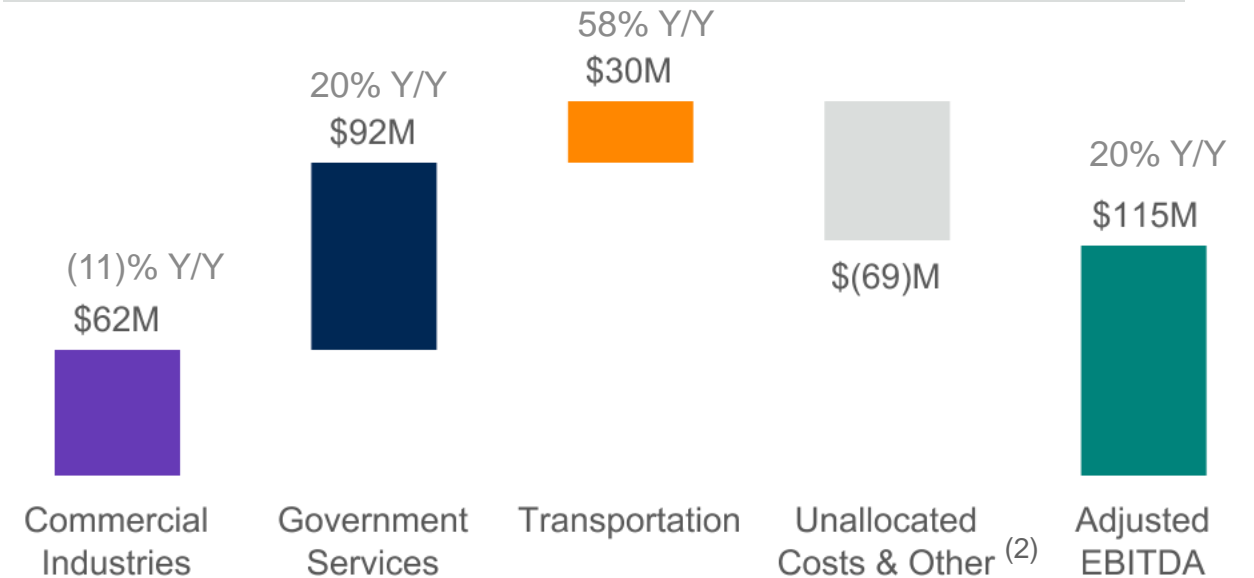
Q1 2021 P&L by Segment

Revenue



- **Commercial:** Decline driven by lost business from prior years and lower volumes (COVID-19 impact)
- **Government:** Growth driven by payments activity (COVID-19) and new business ramp
- **Transportation:** Decline driven by lost business from prior years, partially offset by new business

Adj. EBITDA⁽¹⁾ Contributions



- **Commercial:** Adj. EBITDA decline driven by lower revenue, partially offset by efficiency progress; margin 11.8%, down slightly vs Q1 2020
- **Government:** Adj. EBITDA driven by revenue mix and efficiency progress; margin 28.9% up 230 bps Y/Y
- **Transportation:** Adj. EBITDA increase driven by efficiency progress and revenue mix; margin 16.3% up 620 bps Y/Y
- **Unallocated costs:** Increase driven by certain employee costs partially offset by lower IT and Real Estate spend

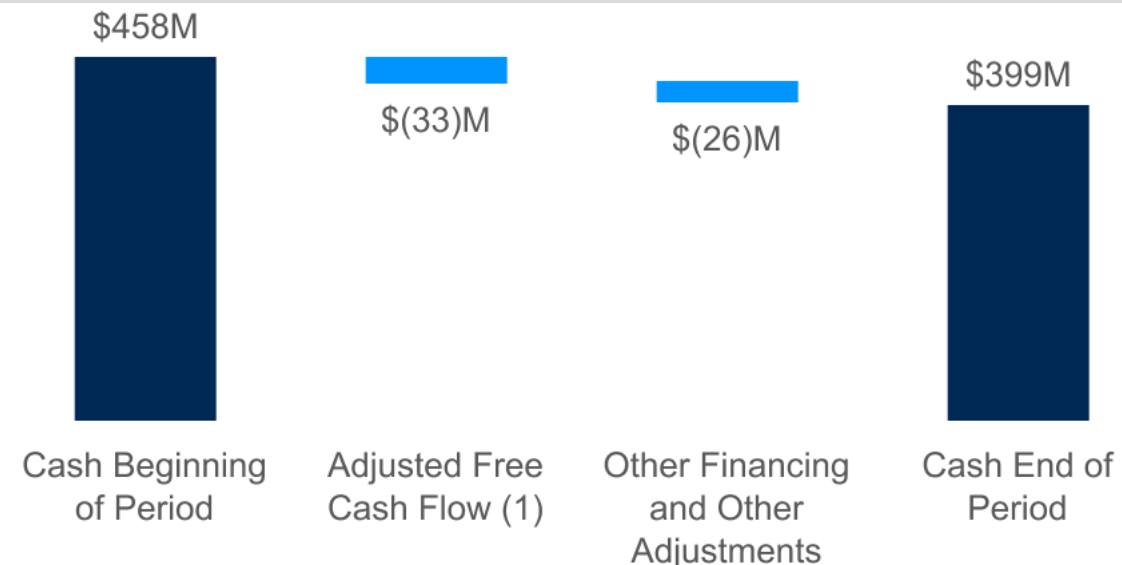
(1) Refer to Appendix for complete Non-GAAP reconciliations of adjusted EBITDA/margin.

(2) Chart includes \$0 million of Other adjusted EBITDA.

Q1 2021 Cash Flow and Balance Sheet

- Q1 2021 Adj. Free Cash Flow⁽¹⁾: \$(33)M
- Q1 2021 Capex⁽⁶⁾ as % of revenue: 2.9%
- Net adjusted leverage ratio⁽⁷⁾ of 2.2x
- \$399M of cash⁽²⁾ at end of Q1 2021

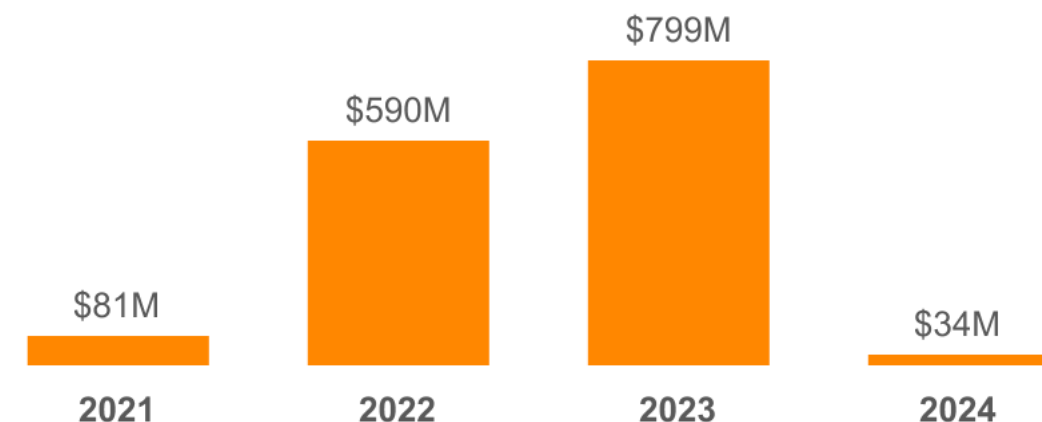
Q1 2021 Cash Balance Changes



Balance Sheet

(\$ in millions)	12/31/2020	3/31/2021
Total Cash ⁽²⁾	\$458	\$399
Total Debt ⁽²⁾	1,510	1,477
Term Loan A ^(3,4) due 2022	654	624
Term Loan B ⁽³⁾ due 2023	816	814
Revolving Credit Facility due 2022 ⁽⁵⁾	—	—
10.5% Senior Notes due 2024	34	34
Finance leases and Other loans	24	21
Net adjusted leverage ratio ⁽⁷⁾	2.1x	2.2x

Debt Maturity^(4,8)



Updated FY 2021 Guidance

	FY 2020 Actuals	Updated FY 2021 Guidance
Revenue	\$4,163M	\$4,050M - \$4,150M
Adj. EBITDA / Adj. EBITDA Margin ⁽¹⁾	\$480M / 11.5%	11.0% - 11.5%
Adj. Free Cash Flow ⁽²⁾ as % of Adj. EBITDA ⁽¹⁾	28%	Approx. 20%
Restructuring	\$67M	\$40M - \$45M
CapEx	\$139M	Approx. \$170M

(1) Refer to Appendix for complete Non-GAAP reconciliations of Adjusted EBITDA/Margin.

(2) Refer to Appendix for definition and complete non-GAAP reconciliation of Adjusted Free Cash Flow.



Appendix

Competitive Position in Large, Addressable and Growing Markets

Commercial	Government	Transportation
FY'20 Revenue: \$2.2B FY'20 Adj. EBITDA: \$258M	FY'20 Revenue: \$1.3B FY'20 Adj. EBITDA: \$397M	FY'20 Revenue: \$719M FY'20 Adj. EBITDA: \$117M
Competitive Environment: <div> </div>	Competitive Environment: <div> </div>	Competitive Environment: <div> </div>
TAM / TAM Growth ⁽¹⁾ : \$146B / 3.2%	TAM / TAM Growth ⁽¹⁾ : \$29B / 5.6%	TAM / TAM Growth ⁽¹⁾ : \$11B / 5.5%

Total Addressable Market of \$186B across categories, with significant room for growth

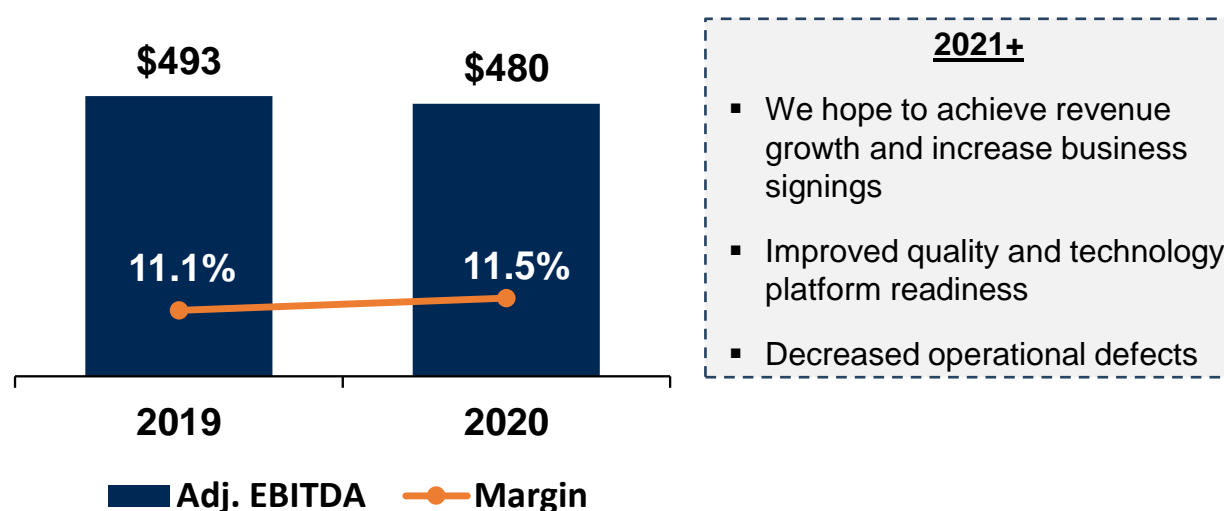
Source: Nelson Hall, Conduent Analysis; Frost and Sullivan; Devenir; Aite Group.
 Note: Revenue and Adj. EBITDA represent FY 2020 figures. Segment Adj. EBITDA excludes Unallocated Cost and Other.
 (1) 2020 – 2023 CAGR.

Strong Free Cash Flow Generation

- Over time, margins improve through operating leverage from revenue growth, shared services utilization, real estate optimization, process improvement and other efficiency efforts
- FCF conversion expected to improve over time as margins expand, restructuring spend declines and as CARES Act repayment is completed

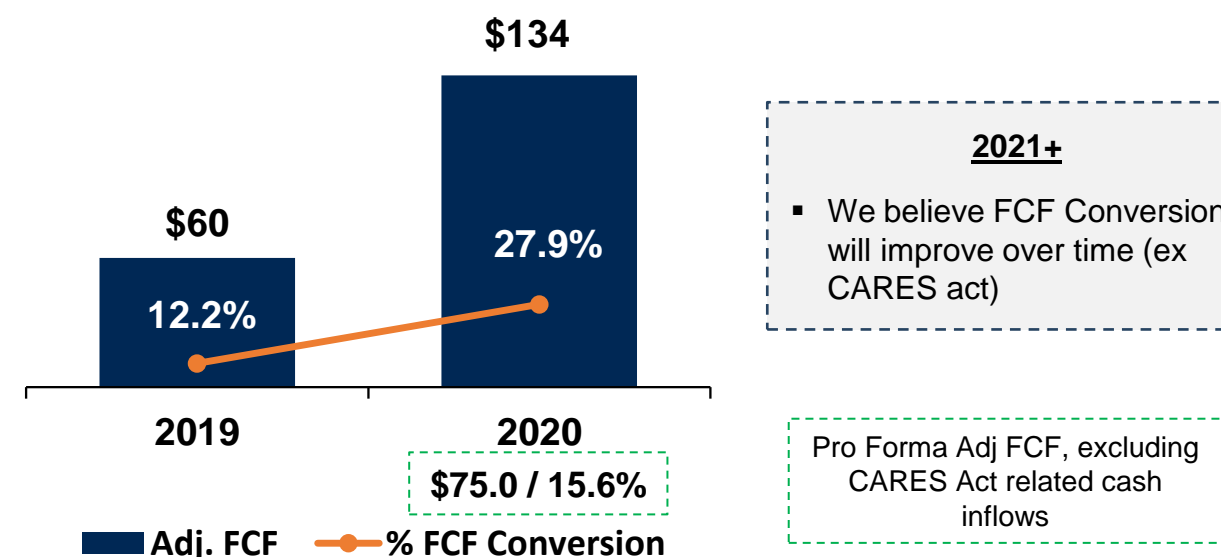
Historical Adj. EBITDA & Adj. EBITDA Margin

For Fiscal Year ending December 31
\$ in millions



Historical Adj. Free Cash Flow Detail⁽¹⁾⁽²⁾

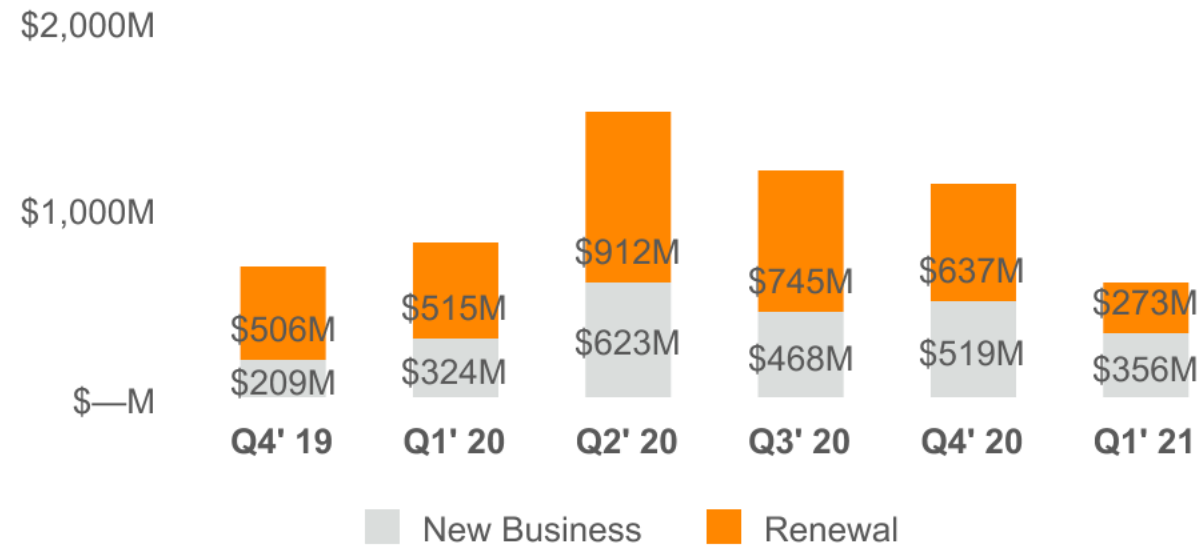
For Fiscal Year ending December 31
\$ in millions



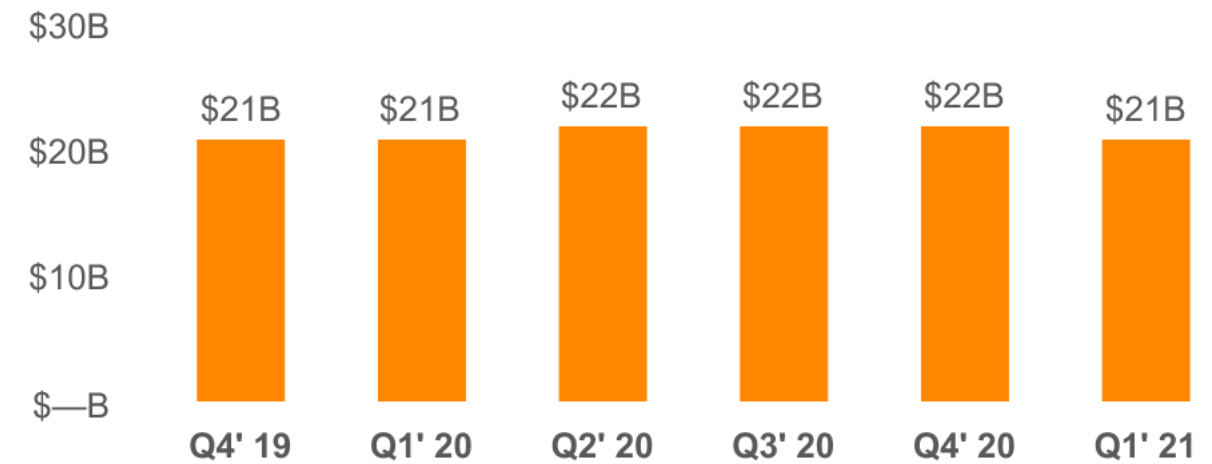
(1) Adj. Free Cash Flow is defined as free cash flow plus transaction costs, costs related to the Texas litigation, and certain other identified adjustments.
(2) FCF Conversion is defined as Adj. Free Cash Flow / Adj. EBITDA.

Sales Metrics

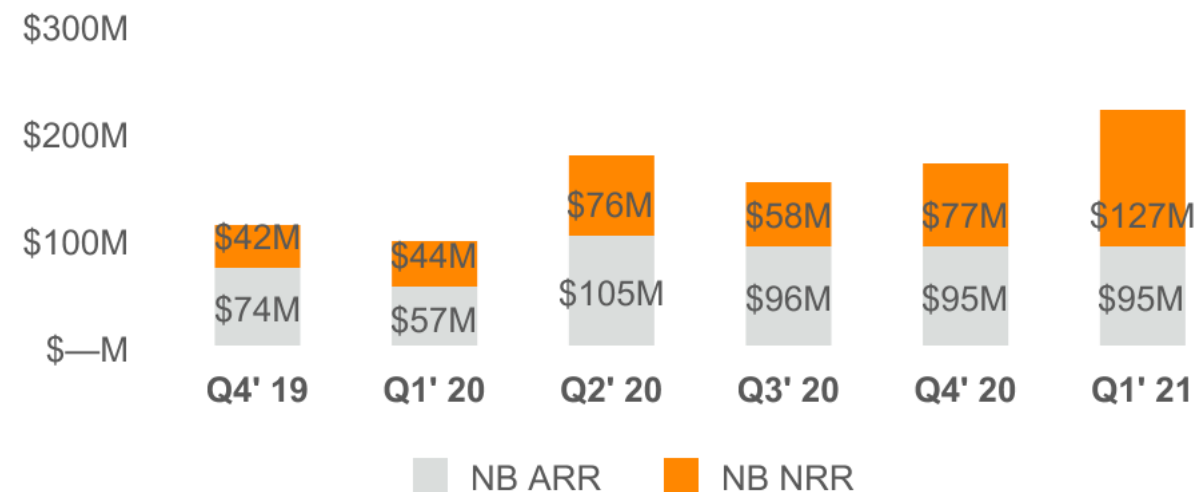
TCV Signings (incl. ARR + NRR)



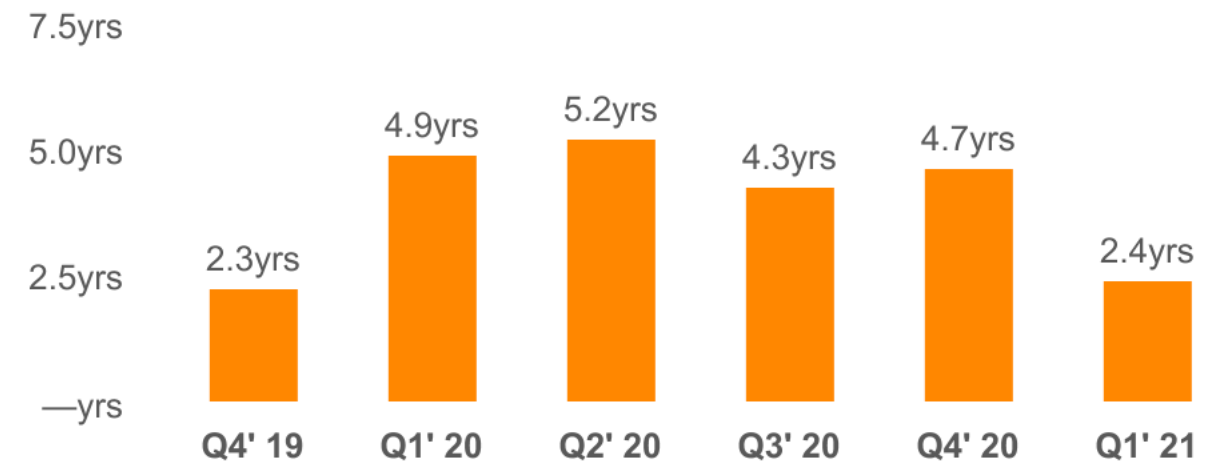
Cumulative Pipeline



New Business (ARR + NRR Breakdown)

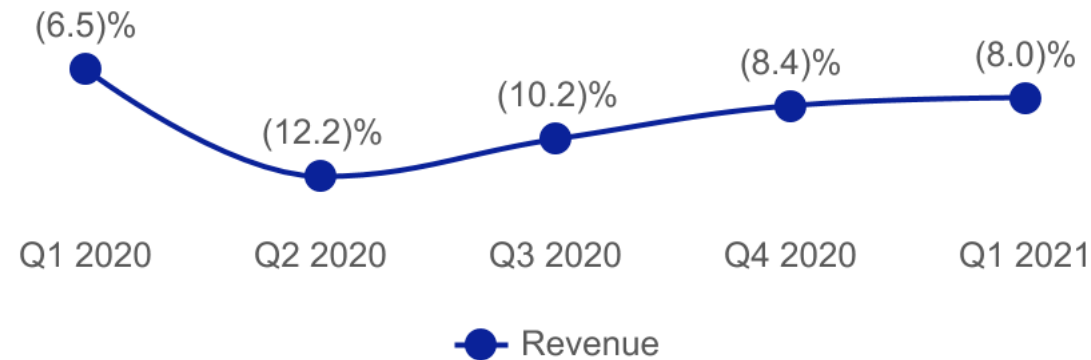


Implied New Business Avg. Contract Length

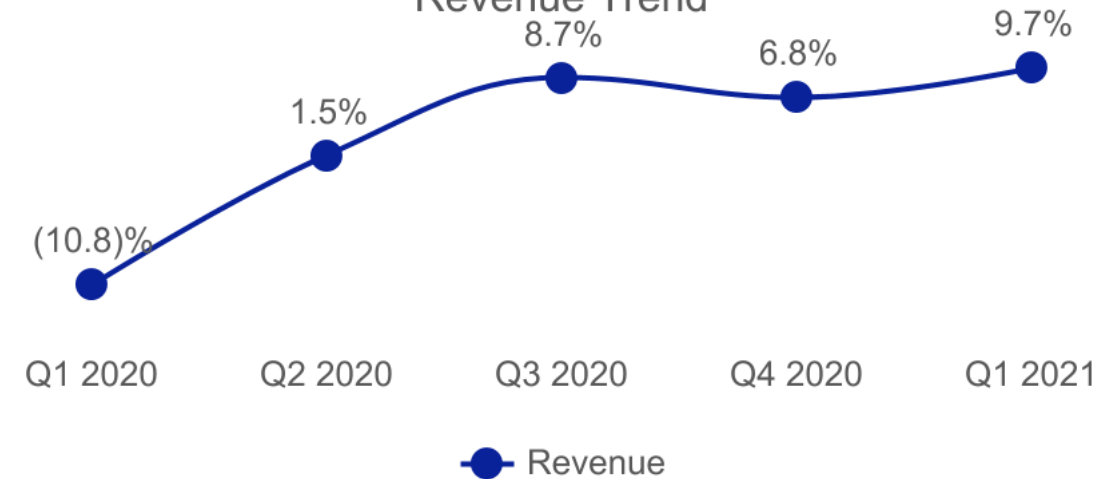


Segment Revenue Trend

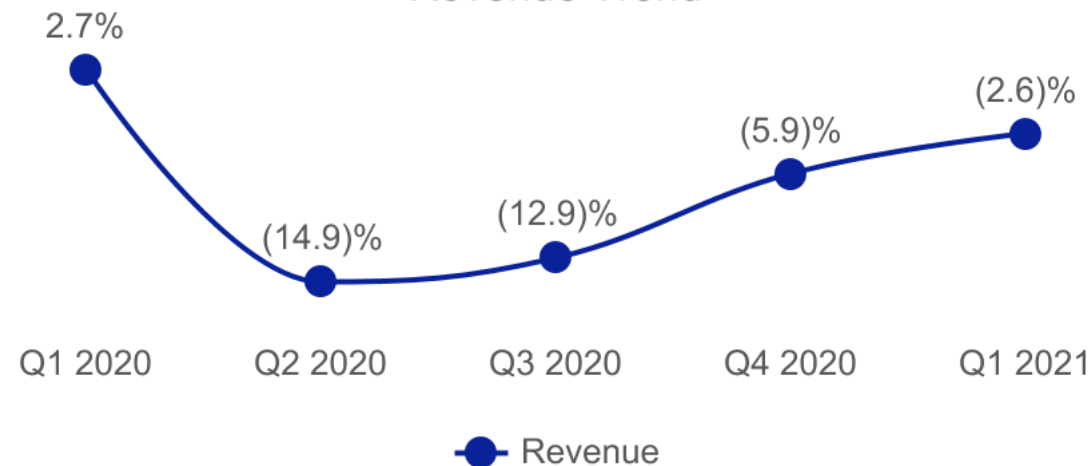
Commercial Revenue Trend



Government Revenue Trend



Transportation Revenue Trend



Improving trends and opportunity across segments

- **Commercial:**
 - As COVID-19 impacts in Business Operations Solutions and Healthcare offerings lap and lessen, segment positioned well for recovery
 - Rising interest rates should drive revenue expansion in BenefitWallet offering (longer-term opportunity)
- **Transportation:**
 - As COVID-19 impacts lap and lessen, segment positioned well for recovery
- **Government:**
 - COVID-19 volumes expected to decline beginning in Sept 2021

Definitions

New Business Total Contract Value (TCV): Estimated total future revenues from contracts signed during the year related to new logo, new service line or expansion with existing customers.

New Business Non-Recurring Revenue (NRR) metric measures the non-recurring revenue for any new business signing, includes:

- i. Signing value of any contract with term less than 12 months
- ii. Signing value of project based revenue, not expected to continue long term

New Business Annual Recurring Revenue (ARR) metric measures the revenue from recurring services provided to the client for any new business signing. ARR represents the recurring services provided to a customer with the opportunity for renewal at the end of the contract term. The calculation of ARR is (Total Contract Value less Non-Recurring Revenue) divided by the Contract Term.

Renewal TCV Signings: Estimated total future revenues from contracts signed during the year related to renewals.

Renewal Signings Annual Recurring Revenue (ARR): metric measures the revenue from recurring services provided to the client for any renewal signing. ARR represents the recurring services provided to a customer with the opportunity for renewal at the end of the contract term. The calculation of ARR is (Total Contract Value less Non-Recurring Revenue) divided by the Contract Term.

Net ARR Activity: Projected Annual Recurring Revenue for contracts signed in the prior 12 months, less the annualized impact of any client losses, contractual volume and price changes, and other known impacts for which the company was notified in that same time period, which could positively or negatively impact results. The metric annualizes the net impact to revenue. Timing of revenue impact varies and may not be realized within the forward 12-month timeframe. The metric is for indicative purposes only. This metric excludes COVID-related volume impacts and non-recurring revenue signings. This metric is not indicative of any specific 12 month timeframe.

Total New Business Pipeline (Cumulative Pipeline): TCV pipeline of deals in all sell stages. Extends past next 12 month period to include total pipeline. Excludes the impact of divested business as required.

Implied New Business Average Contract Length: $(\text{New business TCV} - \text{New business NRR}) / \text{New business ARR} = \text{Implied New Business Average Contract Length}$.

Non-GAAP Financial Measures

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 results of the current period against the corresponding prior period. However, these non-GAAP financial measures should be viewed in addition to, and not as a substitute for, the Company's reported results prepared in accordance with U.S. GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable U.S. GAAP measures and should be read only in conjunction with our Consolidated Financial Statements prepared in accordance with U.S. GAAP. Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions, and providing such non-GAAP financial measures to investors allows for a further level of transparency as to how management reviews and evaluates our business results and trends. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. Compensation of our executives is based in part on the performance of our business based on certain of these non-GAAP measures.

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 as applicable to the particular measure, for the purpose of calculating Adjusted Revenue, Adjusted Net Income (Loss), Adjusted Earnings per Share and Adjusted Effective Tax Rate:

- 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.
- Restructuring and related costs. Restructuring and related costs include restructuring and asset impairment charges as well as costs associated with our strategic transformation program.
- Goodwill impairment. This represents Goodwill impairment charges related to the unanticipated losses of certain customer contracts, lower potential future volumes and lower than expected new customer contracts for all reporting units.
- (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 provisions for various matters subject to litigation.
- Other charges (credits). This comprises other insignificant (income) expense associated with providing transition services on the California Medicaid contract loss and other adjustments.

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:

- Amortization of acquired intangible assets.
- Restructuring and related costs.
- Interest expense. Interest expense includes interest on long-term debt and amortization of debt issuance costs.
- Goodwill impairment.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- Other charges (credits).

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.

Non-GAAP Financial Measures

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 and Contract Inducement Amortization adjusted for the following items (which are defined above). Adjusted EBITDA Margin is Adjusted EBITDA divided by revenue or adjusted revenue, as applicable:

- Restructuring and related costs.
- Goodwill impairment.
- (Gain) loss on divestitures and transaction costs.
- Litigation costs (recoveries), net.
- Other charges (credits).

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.

Non-GAAP Financial Measures

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, and proceeds from sales of land, buildings and equipment. We use the non-GAAP measure of Free Cash Flow as a criterion of liquidity. 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, after required 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 the Texas litigation, and certain other identified adjustments. We use Adjusted Free Cash Flow, in addition to Free Cash Flow, to provide supplemental information to our investors concerning our ability to generate cash from our ongoing operating activities and for performance based components of employee compensation; by excluding certain deferred compensation costs and our one-time Texas settlement costs, as well as transaction costs and transaction cost tax benefits related to acquisitions or divestitures, we believe we provide useful additional information to our investors to help them further understand our ability to generate cash period-over-period as well as added information on comparability to our competitors. Such as with Free Cash Flow information, as so adjusted, it is specifically not intended to provide amounts available for discretionary spending. We have added certain adjustments to account for items which we do not believe reflect our core business or operating performance, and we computed all periods with such adjusted costs.

Revenue at 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 the 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, 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. For the same reason, we are unable to provide GAAP expected adjusted tax rate, which adjusts for our non-GAAP adjustments.

Non-GAAP Reconciliations

Revenue at Constant Currency, Adjusted Net Income (Loss), Adjusted Effective Tax Rate, Adjusted Operating Income (Loss) and Adjusted EBITDA

(in millions)

	Q1 2021	FY 2020	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Revenue	\$ 1,028	\$ 4,163	\$ 1,055	\$ 1,041	\$ 1,016	\$ 1,051
Foreign currency impact	(7)	1	(5)	(2)	4	4
Revenue at Constant Currency	<u>\$ 1,021</u>	<u>\$ 4,164</u>	<u>\$ 1,050</u>	<u>\$ 1,039</u>	<u>\$ 1,020</u>	<u>\$ 1,055</u>

ADJUSTED NET INCOME (LOSS)

Loss From Continuing Operations	\$ (11)	\$ (118)	\$ (11)	\$ (7)	\$ (51)	\$ (49)
<u>Adjustments:</u>						
Amortization of acquired intangible assets ⁽¹⁾	40	239	59	60	60	60
Restructuring and related costs	13	67	11	20	29	7
Loss on divestitures and transaction costs	2	17	3	8	2	4
Litigation costs	1	20	—	—	14	6
Other charges (credits)	—	(6)	1	(1)	(1)	(5)
Total Non-GAAP Adjustments	<u>56</u>	<u>337</u>	<u>74</u>	<u>87</u>	<u>104</u>	<u>72</u>
Income tax adjustments ⁽²⁾	<u>(9)</u>	<u>(75)</u>	<u>(17)</u>	<u>(23)</u>	<u>(26)</u>	<u>(9)</u>
Adjusted Net Income (Loss)	<u>\$ 36</u>	<u>\$ 144</u>	<u>\$ 46</u>	<u>\$ 57</u>	<u>\$ 27</u>	<u>\$ 14</u>

CONTINUED

(in millions)

ADJUSTED EFFECTIVE TAX

Loss Before Income Taxes

Adjustment:

Total Non-GAAP Adjustments

Adjusted PBT

Income tax expense (benefit)

Income tax adjustments⁽²⁾

Adjusted Income Tax Expense (Benefit)

Adjusted Net Income (Loss)

ADJUSTED OPERATING INCOME (LOSS)

Loss Before Income Taxes

Adjustment:

Total non-GAAP adjustments

Interest expense

Adjusted Operating Income (Loss)

	Q1 2021	FY 2020	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Loss Before Income Taxes	\$ (9)	\$ (139)	\$ (11)	\$ (13)	\$ (64)	\$ (51)
Adjustment:						
Total Non-GAAP Adjustments	56	337	74	87	104	72
Adjusted PBT	\$ 47	\$ 198	\$ 63	\$ 74	\$ 40	\$ 21
Income tax expense (benefit)	\$ 2	\$ (21)	\$ —	\$ (6)	\$ (13)	\$ (2)
Income tax adjustments ⁽²⁾	9	75	17	23	26	9
Adjusted Income Tax Expense (Benefit)	11	54	17	17	13	7
Adjusted Net Income (Loss)	\$ 36	\$ 144	\$ 46	\$ 57	\$ 27	\$ 14
Adjusted Operating Income (Loss)	\$ (9)	\$ (139)	\$ (11)	\$ (13)	\$ (64)	\$ (51)
Adjustment:						
Total non-GAAP adjustments	56	337	74	87	104	72
Interest expense	13	60	14	14	15	17
Adjusted Operating Income (Loss)	\$ 60	\$ 258	\$ 77	\$ 88	\$ 55	\$ 38

CONTINUED

(in millions)

ADJUSTED EBITDA

	Q1 2021	FY 2020	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Loss From Continuing Operations	\$ (11)	\$ (118)	\$ (11)	\$ (7)	\$ (51)	\$ (49)
Income tax expense (benefit)	2	(21)	—	(6)	(13)	(2)
Depreciation and amortization	95	459	115	112	115	117
Contract inducement amortization	—	2	—	1	—	1
Interest expense	13	60	14	14	15	17
EBITDA	99	382	118	114	66	84
<u>Adjustments:</u>						
Restructuring and related costs	13	67	11	20	29	7
Loss on divestitures and transaction costs	2	17	3	8	2	4
Litigation costs	1	20	—	—	14	6
Other charges (credits)	—	(6)	1	(1)	(1)	(5)
Adjusted EBITDA	\$ 115	\$ 480	\$ 133	\$ 141	\$ 110	\$ 96

1. Included in Depreciation and amortization on the Consolidated Statements of Income (Loss).
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 accrual, charges for amortization of intangible assets, restructuring, goodwill impairment and divestiture related costs.

Non-GAAP Reconciliations

Adjusted Weighted Average Shares Outstanding, Adjusted Diluted EPS, Adjusted Effective Tax Rate, Adjusted Operating Margin, and Adjusted EBITDA Margin

(Amounts are in whole dollars, shares are in thousands and margins are in %)

ADJUSTED DILUTED EPS⁽¹⁾

Weighted Average Common Shares Outstanding

Adjustments:

Restricted stock and performance units / shares

Adjusted Weighted Average Common Shares Outstanding

Diluted EPS from Continuing Operations

Adjustments:

Total non-GAAP adjustments

Income tax adjustments⁽²⁾

Adjusted Diluted EPS

ADJUSTED EFFECTIVE TAX RATE

Effective tax rate

Adjustments:

Total non-GAAP adjustments

Adjusted Effective Tax Rate⁽²⁾

	<u>Q1 2021</u>	<u>FY 2020</u>	<u>Q4 2020</u>	<u>Q3 2020</u>	<u>Q2 2020</u>	<u>Q1 2020</u>
Weighted Average Common Shares Outstanding	212,250	210,018	209,981	209,244	209,129	211,093
Adjustments:						
Restricted stock and performance units / shares	6,952	4,969	8,483	4,592	1,413	278
Adjusted Weighted Average Common Shares Outstanding	219,202	214,987	218,464	213,836	210,542	211,371
Diluted EPS from Continuing Operations	\$ (0.06)	\$ (0.61)	\$ (0.07)	\$ (0.04)	\$ (0.25)	\$ (0.24)
Adjustments:						
Total non-GAAP adjustments	0.25	1.58	0.35	0.41	0.49	0.33
Income tax adjustments ⁽²⁾	(0.04)	(0.35)	(0.08)	(0.11)	(0.12)	(0.04)
Adjusted Diluted EPS	\$ 0.15	\$ 0.62	\$ 0.20	\$ 0.26	\$ 0.12	\$ 0.05
ADJUSTED EFFECTIVE TAX RATE						
Effective tax rate	(23.4%)	15.1 %	— %	46.2 %	20.3 %	3.9 %
Adjustments:						
Total non-GAAP adjustments	46.8	12.2	27.0	(23.2)	12.2	29.4
Adjusted Effective Tax Rate ⁽²⁾	23.4 %	27.3 %	27.0 %	23.0 %	32.5 %	33.3 %

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(Margins are in %)

ADJUSTED OPERATING MARGIN

Income (Loss) Before Income Taxes Margin

Adjustments:

Total non-GAAP adjustments

Interest expense

Margin for Adjusted Operating Income

Q1 2021	FY 2020	Q4 2020	Q3 2020	Q2 2020	Q1 2020
(0.9%)	(3.3%)	(1.0%)	(1.2%)	(6.3%)	(4.9%)
5.4	8.1	7.0	8.4	10.2	6.9
1.3	1.4	1.3	1.3	1.5	1.6
5.8 %	6.2 %	7.3 %	8.5 %	5.4 %	3.6 %

ADJUSTED EBITDA MARGIN

EBITDA Margin

Total non-GAAP adjustments

Adjusted EBITDA Margin

9.6	9.2	11.2	11.0	6.5	8.0
1.6	2.3	1.4	2.5	4.3	1.1
11.2 %	11.5 %	12.6 %	13.5 %	10.8 %	9.1 %

1. Average shares for the 2021 and 2020 calculation of adjusted EPS excludes 5.4 million shares associated with our Series A convertible preferred stock and includes the impact of the preferred stock dividend of approximately \$2 million per each quarter.
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 accrual, charges for amortization of intangible assets and restructuring.

Non-GAAP Reconciliation: Free Cash Flow and Adj. Free Cash Flow

(in millions)

	Q1 2021	FY 2020	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Operating Cash Flow	\$ (2)	\$ 161	\$ 172	\$ 107	\$ 74	\$ (192)
Cost of additions to land, buildings and equipment	(14)	(76)	(28)	(18)	(19)	(11)
Proceeds from sale of land, buildings and equipment	—	—	—	—	—	—
Cost of additions to internal use software	(16)	(63)	(16)	(17)	(17)	(13)
Tax payment related to divestitures	—	—	—	—	—	—
Free Cash Flow	(32)	22	128	72	38	(216)
Transaction costs	1	5	2	—	2	1
Transaction costs tax benefit	—	—	—	—	—	—
Vendor financed lease payments	(2)	(11)	(2)	(3)	(2)	(4)
Texas litigation payments	—	118	—	—	—	118
Adjusted Free Cash Flow	\$ (33)	\$ 134	\$ 128	\$ 69	\$ 38	\$ (101)

The below footnotes correspond to the Cash Flow and Balance Sheet slide

(1) Refer to Appendix for complete non-GAAP reconciliations of Adjusted Free Cash Flow.

(2) Total Cash includes \$10M and \$18M of restricted cash as of March 31, 2021 and 2020, respectively, and Total debt excludes deferred financing costs.

(3) Revolving credit facility and Term Loan A interest rate: LIBOR + 175 bps; Term Loan B: LIBOR + 250 bps.

(4) Term Loan A includes EUR 230M, converted to USD using conversion rates on March 31, 2021.

(5) \$743M of available capacity under Revolving Credit Facility as of March 31, 2021.

(6) Capex refers to Land, Buildings & Equipment plus additions to Internal Use Software.

(7) Net debt (total debt less adjusted cash) divided by TTM Adjusted EBITDA (not adjusted for divestitures). Adjusted ratio uses total Debt which excludes deferred financing costs.

(8) Debt maturity amounts exclude \$17M of capital leases and \$(16)M of debt issuance costs and unamortized discounts. In addition, as previously announced on May 1, 2021, we redeemed the remaining \$34M of Senior Notes due 2024.

