Mar 14, 2024

Healthcare

CNDT

NGS

Rating

Outperform

Initiation

Current Price

$3.18

Target Price

$9.00

Market Capitalization

667.72m

Shares Outstanding

209.97m

Float

197070

Institutional Holdings

77.46%

12-Month Low/High

$2.40/$3.81

Average 90-Day Volume

1070000

Fiscal Year End

2024-12-31

Revenues ($ MIL)

Period	2023A	2024E	2025E
Q1	922.0	896.0E	
Q2	914.0	827.0E	
Q3	932.0	837.0E	
Q4	953.0	870.0E	
	3722.0	3430.0E	3469.0E

EPS ($)

Period	2023A	2024E	2025E
Q1	(0.04)	(0.15)E	
Q2	(0.04)	1.34E	
Q3	(1.34)	(0.10)E	
Q4	0.03	(0.03)E	
	(1.41)	1.06E	(0.02)E

Conduent Inc

Peering Through The Fog Of Its Transition

Initiating Coverage. We are initiating coverage with an Outperform rating and a $9 price target. While our initial recommendation is based on a sum of the parts analysis, we believe that the shares will eventually reflect its attractive ongoing businesses following its current rationalization and streamlining of its portfolio.

A transitional story. Since spinning off from Xerox in 2017, the company has sold several businesses, changed key members of the management team and simplified the business. Importantly, in the second half of 2023, the company announced the divestitures of three businesses that are expected to close in the first half of 2024. While the transitional story is not complete, there appears to be light at the end of the tunnel.

What is expected to be left? Once the dust settles, management believes the remaining company will generate $3.3 billion to $3.5 billion in revenues, and adj. EBITDA margins in the high single digit range. In addition to the divestitures that have already been announced, we believe there could be additional divestiture activity in the second half of the year.

Debt reduction strategy. As of December 31, 2023, the company had $498.0 million in cash and cash equivalents and $1.2 billion in long term debt, or 5.4 times estimated 2024 adj. EBITDA. Notably, we anticipate the lion's share of proceeds from divestitures expected to close in the first half of 2024 will be used to pare down debt.

Compelling stock valuation. We look at a sum of the parts analysis as a basis of our Outperform recommendation. Near current levels, the shares trade at a substantial 65% discount to our sum of the parts valuation of $9 per share, which takes into account valuations of its peer group in its various business verticals.

Equity Research

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Refer to the last two pages for Analyst Certification & Disclosures

Investment Appraisal

Conduent is a conglomerate, which operates in various industry verticals, such business process outsourcing, customer experience management, healthcare solutions, government services, public transit solutions, among others. The company was spun-off from Xerox (XRX) in 2017 and trades on the NASDAQ under the symbol “CNDT.” It is headquartered in Florham Park, New Jersey. Following the spin in 2017, the company indicated to the "Street" its plans to streamline its businesses, making it more efficient, and position it for growth. That plan really did not take shape until recently. To that end, the company has become more aggressive in divesting businesses, with more divestitures likely in the second half of this year.

Consequently, Conduent is in transition, which, we believe, has created some disruption in its traditional shareholder base. Its strategy is to streamline into a leaner, more efficient business model that generates significant free cash flow, not burdened with a lot of debt. A strategy that, we believe, should improve the stock valuation. It appears that some investors have become disillusioned over the lack of clarity of the businesses that the company plans to rationalize and/or the length of time that it has taken the management to accomplish this. As a result, the CNDT shares have drifted from highs in February 2019 of $15.20 to lows in July 2021 of $8.15 to near current levels of $3.18. Importantly, the company appears to be on its way to rationalize some of its businesses, with recently announced sales expected to close in the first half of this year. While more assets are likely to be sold, we believe that the company is closer to the end of its rationalization process than when it began.

Management has not identified all of the assets it plans to sell, but gave general parameters of the what the company should look like upon the completion of its streamlining strategy. The goal is to generate $600 million to $800 million in proceeds from asset sales in 2024. Combined with the current cash on hand of $498 million as of December 31, 2023, the company is expected to have roughly $1 billion in deployable cash, the vast majority of which is expected to be used for debt reduction. Total debt was roughly $1.3 billion, as of December 31. We believe that using its divestiture proceeds primarily to reduce debt should assuage investor concerns over the company's debt leverage. Currently, total net debt is roughly 3.5 times our 2024 adj. EBITDA estimate.

We believe that investors also await a clear view of what the company will look like following the divestitures. Not surprisingly, management did not identify the businesses it plans to sell to protect its business and to avoid client defections. We anticipate that the company will generate $3.43 billion in revenues in 2024 with 6.7% adj. EBITDA margins. In 2025, we estimate that the company will generate revenue slightly above our 2024 forecast, at $3.47 billion, after having divested several businesses during 2024. After the company eliminates various cost redundancies associated with the divested businesses, we expect 2025 adj. EBITDA margins to improve to 8.6%.

We believe that the current and planned divestitures have created a valuation gap from its public market peers. Near current levels, the CNDT shares trade at 4.7 times enterprise value to our 2025 adj. EBITDA forecast, well below peers. We are initiating coverage with an Outperform rating and a $9 price target. Our price target is based on a sum of parts analysis using our adj. EBITDA forecasts by segment. We value each of the company’s segments individually, using industry comparables. Notably, we apply a 20% conglomerate discount to arrive at our target enterprise value of roughly $2.6 billion or $9 per CNDT share. We believe that tangible progress in the company’s plans to divest certain businesses, pare down debt, and reduce costs, will serve as a catalyst for higher stock valuations. Risks to achieving our price target include the risk of the company’s divestitures not moving forward as planned with favorable terms, the company’s reliance on government contracts and maintaining those contracts, the proliferation of competition in any of the company’s diverse business environments, and others.

Investment Highlights

- Large scale transportation business, with operations in 23 countries and a sizeable presence in Europe
- Strong federal, state and agency relationships within its tolling business, with 11.8 million daily transactions
- Attractive revenue growth opportunities in all of its business categories
- Favorable government agency relationships, illustrative by the fact that it processes 43% of all Food Stamp payments in the U.S in 2023 and processed 60% of Workers Compensation in the U.S in 2023.
- Largely hidden value of some of its underlying businesses as the company executes its plans to monetize some of its businesses, which should aid in debt reduction and improve profitability over time.
- The company has a position of strength from a hefty cash position, $498 million as of December 31, 2023, with an influx expected from divestitures in the first half of 2024.
- The Government segment has sticky relationships.
- Robust Customer Experience Management business with 1.3 billion customer service interactions in 2023.

Investment Risks

- The possibility that the company will be unable to find buyers for planned divestitures on favorable terms or that the business would be negatively impacted by a prospective sale.
- Government contracts are subject to appropriation of funds, which reserves the right of the government to change the scope or cancel a contracts. Changes in the contract or cancelation would negatively impact the business.
- A large portion of company contracts rely on competitive bidding. If the company underestimates the costs of a contract, and is awarded the contract, the business could be negatively impacted.
- A return of COVID-19 pandemic restrictions, resulting in work-from-home mandates would negatively impact operating results.
- The company handles sensitive information in the Public and Private sectors. A data security breach would negatively impact the business.
- The company's multinational operations are subject to foreign exchange risk and the risk of political uncertainty, if either were to worsen, operating results would be negatively impacted.

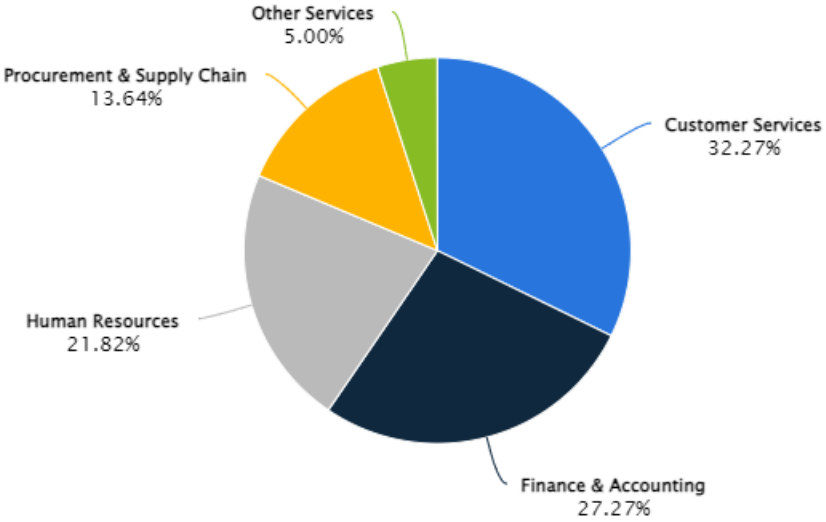
Industry Overview

Business process outsourcing (BPO) is the outsourcing of specific tasks and functions to a third party and is typically utilized for non-core business operations. BPO has grown in popularity over the past several decades and can serve a variety of front office and back-office needs. Traditionally, BPO was utilized for accounting and manufacturing, however, the increased need for technology in business operations has allowed BPO companies to expand offerings to more technologically focused solutions. Notable expanded offerings such as data processing, cloud computing and customer relationship management (CRM) platforms have helped drive the industry.

Businesses and governments have been faced with a constantly evolving environment that places a greater importance on technology to reduce costs and increase efficiencies. Overhauling the technological capabilities of a government or business is a time consuming and capital-intensive process, as such, digitally enabled BPO has become a fast-growing segment of the industry.

The most common sectors BPO's operate in are customer services, finance & accounting and human resources, together these segments account for approximately 80% of the BPO Industry. The remaining market share of the BPO industry is comprised of procurement & supply chain and other services. Illustrated in Figure #1 BPO Services. Importantly, digital platforms and technology have enabled each of these sectors to grow and lower the costs of its services.

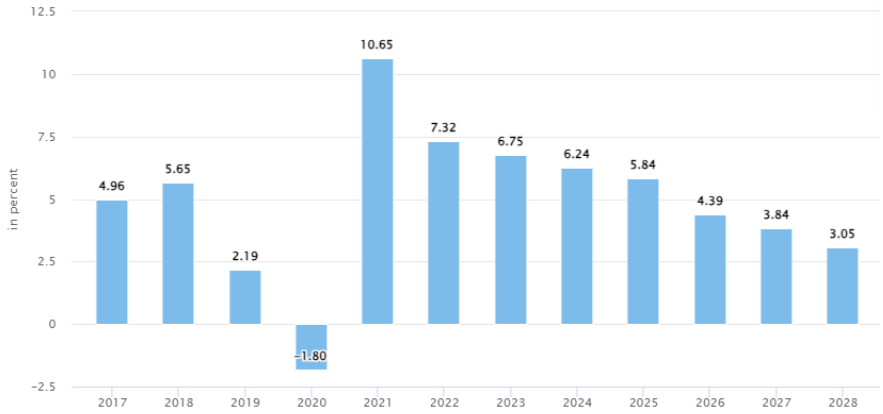
Figure #1 BPO Sectors



Source: Statista Market Insights

From 2024 to 2028 the BPO industry as a whole is expected to grow at a CAGR of 4.4%, Illustrated in Figure #2 Global BPO Revenue Growth. While the industry as a whole is expected to experience modest growth, sectors within the industry are expected to grow faster than the industry. We anticipate much of this growth will be driven by a growing need for digitally enabled solutions.

Figure #2 Global BPO Revenue Growth



Source: Statista Market Insights

The Customer Experience Management industry for example is expected to grow at a CAGR of 15.4% from 2023 to 2030, according to Grand View Research. We anticipate that much of this growth will be enabled by increased usage and capabilities of technology. The rapid growth and surprising capabilities of Chat Bots, most notably ChatGPT, has led many companies to utilize the new technology. We anticipate an increasing amount of industry growth will be a product of technology improving its ability to interact with people. In a survey conducted by ResumeBuilder.com of 1000 business leaders in February 2023, 49% of respondents use ChatGPT, and 30% plan to use it in the future. In the labor-intensive customer service industry, we believe companies will utilize AI and ML technology at a growing degree to reduce costs.

According to a 2022 article from HealthAffairs.org, Administrative costs account for 15% to 30% of healthcare spending in the U.S, which is substantially higher than other developed countries. Administrative costs include Billing, claims management, clinical documentation and coding, and insurance related expenses. With administrative costs being so high, governments, healthcare providers and insurance companies alike are looking for ways to reduce costs. Digital platforms that utilize AI and machine learning have been suggested as a way to simplify the process and reduce costs. While the technology may need to develop further, public and private entities have been utilizing digital platforms for claims management, documentation and coding which are more cost effective than traditional methods.

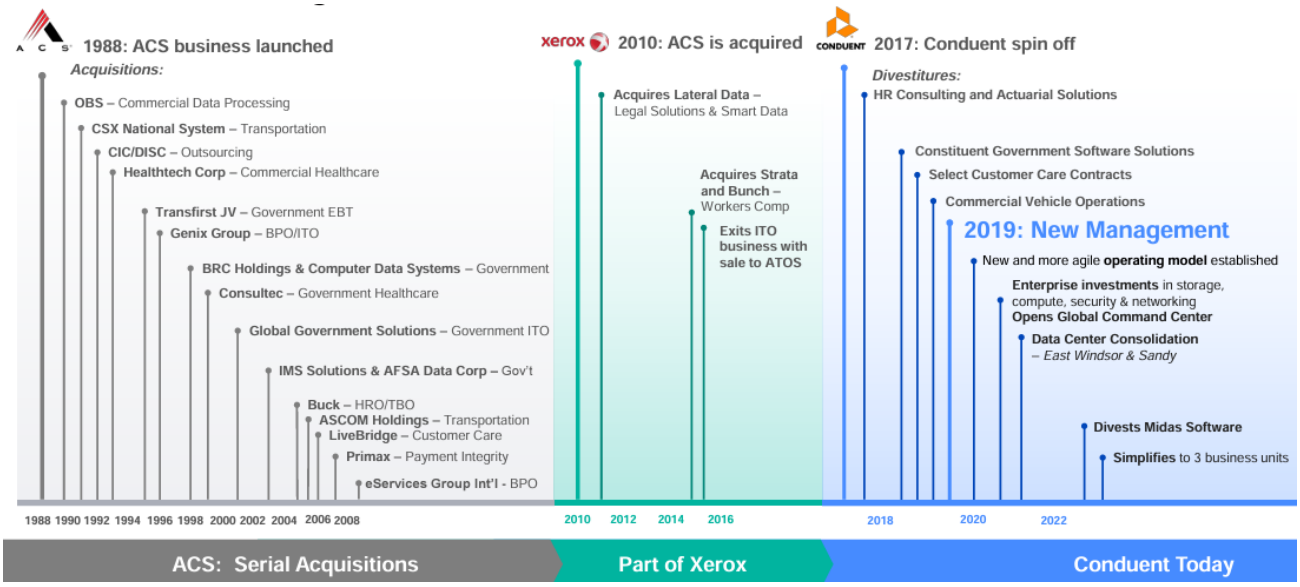
Company Overview

Conduent Inc., headquartered in Florham Park, New Jersey, became public through the spin-off from Xerox (XRX) in 2017. While initially the shares traded on the New York Stock Exchange, the shares now currently trade on the NASDAQ under the symbol CNDT. Upon its spin-off, management announced plans to streamline its portfolio of businesses, become more efficient and focus on its growth areas, with several divestitures taking place from 2018 through 2019. Notably, in February 2019, the company sold its customer care contracts to Skyview Capital, which became Continuum Global Solutions. Terms of the transaction were not disclosed. There was not much activity on the divesture front until January 2022, when the agreement to sell its Midas Suite of Solutions business to Symplr for $340 million was announced. A brief history of notable events in the company's past is illustrated in Figure #3 Company History.

Prior to the announcements of its agreements to sell its Benefit Wallet and Curbside Management and Public Safety Solutions business, there had been little in terms of asset sales recently. The lack of sales was a source of frustration for investors anticipating a streamlined, focused company with a healthier balance sheet. However, with the announcements of the recent sale agreements and plans to monetize assets in the future, the company appears to be on track.

The company has many disparate portfolios of businesses that loosely are focused on applying automation and analytics to assist organizations. Its expertise is to assist businesses and governments to modernize and improve services to its constituents and customers. Put simply, the mainstay of its services is to provide Business Process Outsourcing (BPO) to help businesses drive efficiencies, through the use of technology, to improve margins and enhance revenue growth. Currently, the company operates three business segments including Commercial Industries, Government Services and Transportation. Each of the operating segments has several business lines, which are discussed in more detail later in this report.

Figure #3 Company History



Source: Company presentation

Segment Overview

The company is organized into three segments including Commercial Industries, Government Services, and Transportation. Each of the segments are outlined below. Each of the segments have different growth characteristics and margin profile, which is discussed in this report. In addition, the company has announced some asset sales which will affect revenues and cash flow in the coming year.

Commercial Industries

The Commercial Industries segment is comprised of four business lines including Customer Experience Management (CXM), Business Operation Solutions (BOS), Healthcare Claims and Administration Solutions (HCAS), and Human Capital Solutions (HCS). In 2023, the Commercial Industries business segment generated $1.932 billion, or roughly 52% of total company revenues, and contributed $274 million in adj. EBITDA. Revenues for this segment have declined modestly in each of the last several years, largely due to declines in Business Operations Solutions, described later in this report. Furthermore, this segment will be impacted by recently announced divestiture of its high margin benefit wallet business.

Customer Experience

The CXM business offers a full suite of customer support services, including customer care, technical support, loyalty management, and outbound and inbound sales. CXM offers a variety of communication methods, such as social media, chat, email, voice and virtual agent. Importantly, CXM utilizes automation and analytics to remain cost effective and support scalable growth. Revenue generation varies from contract to contract, but generally is based on income per call, per agent, or as a percentage of sales made. In 2022, the division had approximately 1.3 billion customer interactions.

In 2023, this business did $619 million in revenue, which makes it the largest source of revenue in the Commercial division. This business line has stronger quarters in Q1 and Q4, which correlates to open enrollment for healthcare services. The company lost a few business clients over the course of the past year and new business is off to a slow start. It is estimated that 60% of the deterioration in revenues is due to macro economic factors, with the remaining 40% to self inflicted decisions made 15 months earlier. At that time, management determined to decentralize sales functions. As business revenues declined, the company shifted back to a centralized sales structure. As those efforts ramp up, we expect that sales will recover in 2024. We estimate Customer Experience revenue to be down slightly in the first half and to swing favorable in the second half, leading to a 1% full year 2024 revenue growth.

Business Operation Solutions

The BOS business offers solutions that are applicable for nearly every industry, including automated document and data management, payments processing, finance, accounting and procurement. Given the variety of services offered, revenue generation depends on the service provided, which typically varies between per item handled, time and materials, per service such as postage, web portal hosting or data storage. Revenue generation can also be based on achieving specific outcomes for services rendered. This business line is similar to Customer Experience with stronger quarters in Q1 and Q4, which correlates to open enrollment for healthcare services. The BOS segment generated $516 million in revenue in 2023, making it the second largest segment in terms of revenue. This line item is expected to be roughly flat to slightly down in revenues in 2024, similar to 2023.

Healthcare Claims and Administration Solutions

The Healthcare Claims and Administration Solutions (HCAS) business delivers administration, clinical support, bill review and medical management solutions on behalf of the healthcare and casualty insurance industries. HCAS offerings include trials, sales, access and adherence for pharmaceutical clients. Additionally, the company offers medical bill review, claims processing, care integration, subrogation and payment solutions for managed care companies, workers compensation medical bill review, intake mailroom/data capture and medical management services for claims payers and third-party administrators. Notably, the company’s platform enabled approximately 60% of worker compensation bill review in the U.S. in 2022.

The solutions provided to pharmaceutical clients generate revenue based on a per employee, per transaction basis or a per resource per hour basis, depending on the contract. For worker compensation and medical bill review services, revenue is generated on a per click and defined outcome basis. For medical bill review, claims processing, and payment integrity solutions, which is provided to managed care companies, revenue is based on monthly platform members, or as a percentage of collected funds for the provider, or a monthly or annual fee. In 2023 the HCAS business generated $357 million in revenue. This business line is expected to be roughly flat in revenue in the first quarter and for the full year 2024.

Human Capital Solutions

The Human Capital Solutions (HCS) business offers Benefits Administration Solutions, Human Resources (HR) and Payroll Solutions, Health Savings Accounts Solutions and Learning Solutions. Notably, Revenue is generated in a variety of ways, depending on the solution provided.

In Benefits Solutions, revenue is based on the number of employees and retirees enrolled and the number of transactions generated by client life events. Notably, the Consolidated Omnibus Budget Reconciliation Act (COBRA) and Affordable Care Act (ACA) administration are charged on a per transaction basis. For HR and Payroll Solutions, revenue is based on the number of employees per period, and for Learning Solutions revenue is based on fixed monthly fees and per unit of education provided.

This business line generated $440 million in revenue in 2023. Notably, the company has agreed to sell its benefit wallet, a health savings account business which manages roughly $2 billion in its portfolio. This business had been a big driver of the company's increase in margins over the past year, given the positive impact from rising interest rates. Annualized revenues from the benefit wallet business were $125 million, which is evenly spread among the quarters. Importantly, the sale is expected to bring $425 million and is expected to close in the first half of 2024. We estimate that the sale of the business will adversely impact first quarter revenues by roughly $5 million, with all of the revenue from this line item eliminated by the end of the second quarter. As such, we expect that revenues will be down between $20 million to $25 million in Q2 with the full impact of the absence of $30 million in revenue beginning in the third quarter 2024. This was a very high margin business for the company. As such, the sale of the business will have a meaningful impact on segment profit going forward. Additionally, we anticipate the company will use a considerable amount of the sale proceeds to reduce debt.

Commercial Industries Segment Profit

Figure #4 Commercial Industries Outlook illustrates our revenue and segment contributions for this segment by business line. We estimate that of the $134 million in segment profit in 2023, roughly $80 million was derived from HCS. As such, the sale of the HCS business will have a material impact on the Commercial Industries segment profit. Management anticipates taking out a significant $15 million of "stranded costs," but it will likely take 3 to 6 months for those efforts to materialize. For 2024 we estimate the commercial division will generate $1.823 billion in revenue, down 5.6% from the prior year, and $87 million in segment profit.

Figure #4 Commercial Industries Outlook

Commercial Industries ($ in millions)	FY 2023	Q1 2024E	Q2 2024E	Q3 2024E	Q4 2024E	FY 2024E
Customer experience mgmt	619.00	175.00	144.00	146.00	159.00	624.00
% Change	*-2.7%*	*-1.1%*	*1.4%*	*1.4%*	*1.9%*	*0.8%*
% of Segment Revenue	*32.0%*	*35.1%*	*33.0%*	*33.6%*	*35.1%*	*34.2%*
Business ops solutions	516.00	133.00	126.00	125.00	128.00	512.00
% Change	*-6.7%*	*-1.5%*	*-0.8%*	*-0.8%*	*0.0%*	*-0.8%*
% of Segment Revenue	*26.7%*	*26.7%*	*28.8%*	*28.8%*	*28.3%*	*28.1%*
Healthcare solutions	357.00	90.00	88.00	87.00	90.00	355.00
% Change	*-3.0%*	*0.0%*	*-1.1%*	*0.0%*	*-1.1%*	*-0.6%*
% of Segment Revenue	*18.5%*	*18.0%*	*20.1%*	*20.0%*	*19.9%*	*19.5%*
Human capital solutions	440.00	101.00	79.00	76.00	76.00	332.00
% Change	*1.1%*	*-4.7%*	*-30.1%*	*-29.6%*	*-32.7%*	*-24.5%*
% of Segment Revenue	*22.8%*	*20.2%*	*18.1%*	*17.5%*	*16.8%*	*18.2%*
Commercial Ind. Revenue	**1932.00**	**499.00**	**437.00**	**434.00**	**453.00**	**1823.00**
% Change	*-3.0%*	*-1.8%*	*-7.2%*	*-6.7%*	*-7.2%*	*-5.6%*
Operating Expenses	1798.00	475.00	415.00	416.00	430.00	1736.00
% Change	*-3.7%*	*0.4%*	*-2.4%*	*-9.4%*	*-2.5%*	*-3.4%*
% of Segment Revenue	*93.1%*	*95.2%*	*95.0%*	*95.9%*	*94.9%*	*95.2%*
Operating Expenses Exluding D&A	**1658.00**	**450.00**	**390.00**	**391.00**	**405.00**	**1636.00**
Segment Profit	**134.00**	**24.00**	**22.00**	**18.00**	**23.00**	**87.00**
% Change	*8.1%*	*-31.4%*	*-52.2%*	*200.0%*	*-51.1%*	*-35.1%*
Segment Margin	*6.9%*	*4.8%*	*5.0%*	*4.1%*	*5.1%*	*4.8%*
Deprec. & Amort.	140.00	25.00	25.00	25.00	25.00	**100.00**
% Change	*37.3%*	*-16.7%*	*-3.8%*	*-51.0%*	*-24.2%*	*-28.6%*
% of Segment Revenue	*7.2%*	*5.0%*	*5.7%*	*5.8%*	*5.5%*	*5.5%*
Segment Adj. EBITDA	**274.00**	**49.00**	**47.00**	**43.00**	**48.00**	**187.00**
% Change	*21.2%*	*-24.6%*	*-34.7%*	*-24.6%*	*-40.0%*	*-31.8%*
Adj. EBITDA Margin	*14.2%*	*9.8%*	*10.8%*	*9.9%*	*10.6%*	*10.3%*

Source: Company filings & Noble estimates.

Government Services

The company's Government Services business provides business process outsourcing to federal, state, local and foreign governments. Business processing outsourcing for governments can take many different forms, such as public assistance, healthcare program administration, processing transactions and payment services. The Government services segment is broken down into two subcategories with distinct operations and services, Government Healthcare Solutions and Government Service Solutions. In 2023, the Government segment as a whole generated $1.094 billion in revenue and $325 million in Adj. EBITDA. Importantly, the Government segment carries gross margins in the range of 25% - 30%, making it the company's most profitable division.

Government Healthcare Solutions

Government Healthcare Solutions provides digitally enabled administration platforms for government healthcare programs. Notably, this business offers solutions in Medicaid management, provider services, Medicaid business intelligence, pharmacy benefits management, eligibility and enrollment support, customer contact services, application processing, premium billing, and case management solutions. In 2023 Government Healthcare Solutions processed 562 million claims, which is made possible by its digitally enabled platforms. In 2023, Government Healthcare Solutions recorded $605 million in revenue. For 2024 we have have forecasted $580 million in revenue, or roughly a 4% decrease from the previous year.

Importantly, its cloud enabled Medicaid Suite, which is offered as software as a service (SaaS) for state Medicaid agencies and

assists in the transition from a legacy Medicaid Management System to a digital system. The transition to a digital cloud based system with a SaaS provides flexibility for the government client and allows for flexibility as its Medicaid Enterprise System scales.

Case Management Solutions (CMS) offers disease surveillance and outbreak management, which has become an increasingly important issue since the COVID-19 pandemic. CMS provides the ability to monitor, track, and potentially avoid another widespread pandemic. Additionally, CMS improves access to care and response time, which could result in better health outcomes in the event of an outbreak.

We anticipate the company will not recognize the revenue associated with the contract for the state of Texas. The issues surrounding the contract are due to Texas's unique medical codes. Notably, every other state follows a uniform coding system for medical issues, while Texas has their own unique codes that do not conform to the widely used system. The difference in medical codes was not disclosed to the company initially, which caused issues during implementation and led to Texas's hasty decision to cancel the contract. While the company is trying to retain the contract in court, and the state is under pressure to update its legacy system, we assume no revenues will be realized from the contract.

Government Service Solutions

Government Service Solutions is primarily focused on delivering electronic payment disbursements from government entities to the intended recipient. The company is a leader in payment disbursements for federally sponsored programs, with approximately $99 billion disbursed annually. The company sends disbursements for the Supplemental Nutrition Assistance Program (SNAP), Women, Infant and Children (WIC) as well as child support and Unemployment Insurance (UI). Notably, the Government Service Solutions business handles electronic payments in 37 states and recorded $489 million in revenue during 2023.

Government Service Solutions revenue is generated from either closed-loop payments, or open-loop payments, and is dependent on the type of disbursement. In closed-loop payment systems, the company generates revenue based on the number of cases processed or number of card holders. For open-loop payments solutions, revenue is generated from fees and spending on cards as a percentage of transactions.

Additionally, Government Service Solutions provides payment distributions for various child support services programs, which are utilized by State Disbursement Units (SDU). SDUs consist of processing payments and distributions for child support payment cards, childcare credentialing, case management and various other programs, that help states comply with federal standards. The method in which Child Support Solutions generates revenue varies state by state, but generally it is either a variable contract based on per financial transaction or a fixed price.

We anticipate modest declines in Government Service Solutions revenues in 2024 due to lower participation in public assistance programs. Notably, during the COVID-19 pandemic, legislation was passed to increase federal assistance for public assistance programs, and the programs were at no cost to the states. However, in 2024 administrative costs for the programs are being split evenly between the states and federal government, which could lead to lower participation, particularly in conservative states. For 2024 we have have forecasted $429 million in revenue, or a decrease of approximately 12% from the prior year.

Government Services Segment profit

Figure #5 Government Services Outlook illustrates our revenue and segment contributions for this segment by business line. We estimate the situation with the Texas contract and the changes to administrative fees for federal programs will negatively impact segment operating results in 2024. As such, we estimate the Government division will generate $1.009 billion in revenue, down 7.8% from the prior year, and $215 million in segment profit, down 24.3% from the prior year.

Figure #5 Government Services Outlook

Government Services ($ in millions)	FY 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	FY 2024
Gov. Healthcare Solutions	605.00	138.00	145.00	150.00	147.00	580.00
% Change	*2.7%*	*-3.5%*	*-4.0%*	*-5.7%*	*-3.3%*	*-4.1%*
% of Segment Revenue	*55.3%*	*56.6%*	*58.0%*	*57.7%*	*57.6%*	*57.5%*
Gov Services Solutions	489.00	106.00	105.00	110.00	108.00	429.00
% Change	*-12.8%*	*-12.4%*	*-11.8%*	*-16.0%*	*-8.5%*	*-12.3%*
% of Segment Revenue	*44.7%*	*43.4%*	*42.0%*	*42.3%*	*42.4%*	*42.5%*
Govermnment Services Revenue	**1094.00**	**244.00**	**250.00**	**260.00**	**255.00**	**1009.00**
% Change	*-4.9%*	*-7.6%*	*-7.4%*	*-10.3%*	*-5.6%*	*-7.8%*
Operating Expenses	810.00	188.00	200.00	210.00	196.00	794.00
% Change	*-5.4%*	*-1.6%*	*-1.5%*	*1.9%*	*-6.7%*	*-2.0%*
% of Segment Revenue	*74.0%*	*77.0%*	*80.0%*	*80.8%*	*76.9%*	*78.7%*
Operating Expenses Exluding D&A	**769.00**	**178.00**	**190.00**	**199.00**	**185.00**	**752.00**
Segment Profit	**284.00**	**56.00**	**50.00**	**50.00**	**59.00**	**215.00**
% Change	*-3.4%*	*-23.3%*	*-25.4%*	*-40.5%*	*-1.7%*	*-24.3%*
Segment Margin	*26.0%*	*23.0%*	*20.0%*	*19.2%*	*23.1%*	*21.3%*
Deprec. & Amort.	41.00	10.00	10.00	11.00	11.00	42.00
% Change	*10.8%*	*0.0%*	*0.0%*	*0.0%*	*10.0%*	*2.4%*
% of Segment Revenue	3.7%	4.1%	4.0%	4.2%	4.3%	4.2%
Segment Adj. EBITDA	325.00	66.00	60.00	61.00	70.00	257.00
% Change	*-1.8%*	*-20.5%*	*-22.1%*	*-35.8%*	*0.0%*	*-20.9%*
Adj. EBITDA Margin	*29.7%*	*27.0%*	*24.0%*	*23.5%*	*27.5%*	*25.5%*

Source: Company filings & Noble estimates

Transportation

The company's transportation segment provides systems, support and revenue generating solutions to government agency clients. Its solutions aim to reduce costs, improve efficiencies, and increase revenue for its clients and reduce congestion by streamlining operations. Notably, a few key services that the company's transportation division provides are serving toll and fare collection, mobility and digital payments, violation and citation management, and photo enforcement. Additionally, the division has increased its focus on sustainability by helping to reduce congestion and greenhouse emissions, enhance public safety, and improve the transportation experience.

The Transportation segment is comprised of several different businesses that offer various services, including Road Usage Charging and Management solutions, Transit Solutions, Curbside Management Solutions, Public Safety Solutions and Commercial Vehicles. A detailed description of each business and its respective services offered are listed below.

Road Usage Charging and Management Solutions

The company offers electronic tolling, urban congestion management and mileage-based user solutions which help get travelers to their destinations while producing revenue for infrastructure improvements. Solutions include vehicle passenger detection systems, electronic toll collection, automated license plate recognition and congestion management solutions. This business generates revenue based on a combination of fixed fee and transaction-based pricing, which can be based on various factors. In 2023, the Road Usage Charging and Management Solutions business generated $317 million in revenue.

Transit Solutions

The company combines fare collection and intelligent mobility to provide train, bus, subway, metro and other transit clients with the efficiency of a single point of management for transit solutions. Transit Solutions revenues are primarily generated from the implementation of end projects (hardware and software, maintenance services, repair and sale of spare parts), and the construction and operation of fare collection systems. In 2023, the Transit Solutions business generated $237 million in revenue.

Curbside Management Solutions

Curbside Management Solutions provides management systems that aim to streamline parking programs and improve driver experience. The Curbside Solutions business consists of citation and permit administration, parking enforcement, and curbside demand management. This business segment generates revenue from issuing violations, processing payment transactions, collections activities or through a fixed rate for services. In 2023, the Curbside Management Solutions business generated $76 million in revenue.

Public Safety Solutions

The company's Public Safety Solutions businesses aims to provide cost effective solutions to improve community safety in times of shrinking safety budgets. The company's Public Safety Solutions business offers data analytics, automated photo enforcement and other public safety solutions to improve community safety. The company's automated photo enforcement includes red light, fixed and mobile speed, school buses, work zone, school zone, bus lane, and high occupancy areas. Notably, the majority of contracts are based on the number of enforced locations, not the number of violations enforced. In 2023, the Public Safety Solutions business generated $58 million in revenue.

Commercial Vehicles

The company's Commercial Vehicles business provides dispatch/automatic vehicle location technology that assists with fleet management and operations. In 2023, the Commercial Vehicles business generated $8 million in revenue. In 2024 the commercial vehicles division will be discontinued starting in Q2.

In 2023 the company's transportation division reported revenue of $696 million, a modest decline from 2022 revenue of $709 million. Adj. EBITDA for the year was $41 million, significantly lower than 2022 adj. EBITDA of $84 million. A disproportionate amount of the segment's revenue and adj. EBITDA came in Q4, with $195 million in revenue and $18 million in adj. EBITDA. Notably, the transportation division extended completion timelines for large implementation projects in 2023, which impacted operating results. Figure #6 Transportation Services Outlook illustrates our revenue and segment contributions for this segment by business line. Q1 2024 is largely unaffected by divestitures expected to have an impact in the second half of the year. We estimate the Transportation division will generate $598 million in revenue in 2024 and negative $22 million in segment profit in 2024.

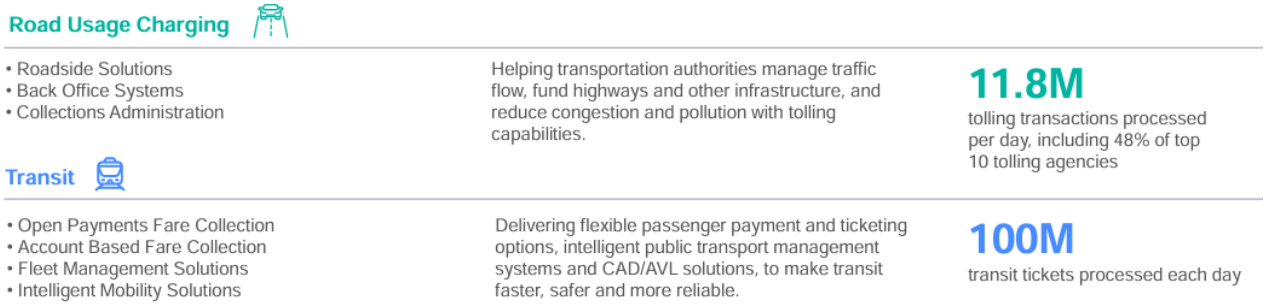
Figure #6 Transportation Services Outlook

Transportation ($ in millions)	FY 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	FY 2024
Road usage charging & management solutions	317.00	76.00	82.00	81.00	80.00	319.00
% Change	*-3.4%*	*1.3%*	*1.2%*	*0.0%*	*0.0%*	*0.6%*
% of Segment Revenue	*45.5%*	*49.7%*	*58.6%*	*56.6%*	*49.4%*	*53.3%*
Transit solutions	237.00	42.00	58.00	62.00	82.00	244.00
% Change	*4.9%*	*5.0%*	*3.6%*	*1.6%*	*2.5%*	*3.0%*
% of Segment Revenue	*34.1%*	*27.5%*	*41.4%*	*43.4%*	*50.6%*	*40.8%*
Curbside mgmt solutions	76.00	19.00	0.00	0.00	0.00	19.00
% Change	*-10.6%*	*0.0%*	*-100.0%*	*-100.0%*	*-100.0%*	*-75.0%*
% of Segment Revenue	*10.9%*	*12.4%*	*0.0%*	*0.0%*	*0.0%*	*3.2%*
Public safety solutions	58.00	14.00	0.00	0.00	0.00	14.00
% Change	*-6.5%*	*0.0%*	*-100.0%*	*-100.0%*	*-100.0%*	*-75.9%*
% of Segment Revenue	*8.3%*	*9.2%*	*0.0%*	*0.0%*	*0.0%*	*2.3%*
Commercial vehicles	8.00	2.00	0.00	0.00	0.00	2.00
% Change	*0.0%*	*0.0%*	*-100.0%*	*-100.0%*	*-100.0%*	*-75.0%*
% of Segment Revenue	*1.1%*	*1.3%*	*0.0%*	*0.0%*	*0.0%*	*0.3%*
Transportation Revenue	**696.00**	**153.00**	**140.00**	**143.00**	**162.00**	**598.00**
% Change	*-1.8%*	*2.0%*	*-19.5%*	*-19.2%*	*-16.9%*	*-14.1%*
Operating Expenses	698.00	162.00	147.00	147.00	164.00	620.00
% Change	*5.8%*	*2.5%*	*-14.0%*	*-18.8%*	*-12.8%*	*-11.2%*
% of Segment Revenue	*100.3%*	*105.9%*	*105.0%*	*102.8%*	*101.2%*	*103.7%*
Operating Expenses Exluding D&A	**655.00**	**151.00**	**137.00**	**136.00**	**153.00**	**577.00**
Segment Profit	**-2.00**	**-9.00**	**-7.00**	**-4.00**	**-2.00**	**-22.00**
% Change	*-104.1%*	*12.5%*	*-333.3%*	*0.0%*	*-128.6%*	*1000.0%*
Segment Margin	*-0.3%*	*-5.9%*	*-5.0%*	*-2.8%*	*-1.2%*	*-3.7%*
Deprec. & Amort.	43.00	11.00	10.00	11.00	11.00	43.00
% Change	*22.9%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
% of Segment Revenue	6.2%	7.2%	7.1%	7.7%	6.8%	7.2%
Segment Adj. EBITDA	41.00	2.00	3.00	7.00	9.00	21.00
% Change	*-51.2%*	*-33.3%*	*-76.9%*	*0.0%*	*-50.0%*	*-48.8%*
Adj. EBITDA Margin	*5.9%*	*1.3%*	*2.1%*	*4.9%*	*5.6%*	*3.5%*

Source: Company filings & Noble estimates.

The Transportation division's 2023 results include the performance of its Curbside Management and Public Safety business, which was recently sold for approximately $230 million. We expect the sale to close in the first half of 2024. Notably, we anticipate the proceeds will be used to pare down debt and make opportunistic share repurchases. After the sale is finalized, the company's transportation segment will consist of Road Usage Charging and Transit services, illustrated in Figure #7 Transportation Services. Additionally, the company's commercial vehicles business is not expected to continue operations past the first quarter of 2024.

Figure #7 Transportation Services



Source: Company Presentation

Importantly, the company has a number of large implementation projects underway in its Transportation division. Chiefly, its project in the State of Victoria, Australia is the largest contract in the company's history, valued at $1 billion over 15 years. The State of Victoria contract was signed in May 2023, and is currently in the implementation stage, which management expects to last 3 or 4 years. Once implementation is completed, the project will provide and maintain the state of Victoria's public transportation ticketing system. Additionally, the Transportation segment had $204 million in New Business Annual Contract Value (ACV) in 2023, second only to the company's Commercial division.

The implementation stage of a contract is the process of delivering the initial performance obligations of the project, which often represents the highest cost inputs of the project. Revenue recognition methods can vary depending on the size and scope of a project. Typically, revenue is recognized as performance obligations are met, or as goods and services are delivered. Although, in limited situations such as implementations or development deals, revenue may be recognized under a Cost-to-Cost model. A Cost-to-Cost model recognizes revenue equal to the percentage of total estimated costs incurred. Notably, the implementation stage of the contract may offer higher revenue but lower margins, and the remaining portion of the contract may offer lower revenue but higher margins.

Notably, once the Victoria contract was signed the company entered into a shareholder agreement with Convergint Australia Pty Ltd to form Conduent Victoria Ticketing System Pty Ltd, which the company holds an 80% equity investment in. The remaining 20% of equity in Conduent Victoria is owned by Convergint Australia.

Recent Results and Outlook

On February 14, 2023, the company reported Q4 2023 revenue of $953 million, down 3.3% from $986 million, in the prior year period. Adj. EBITDA in the quarter was $103 million, representing 10.8% margins, better than the 9.6% margins ($95 million) in the prior year period. Figure #8 Q4 2023 Results illustrates the recent results. Importantly, the company concluded 2023 by announcing two divestitures during the Q4, both of which are expected to be completed in early 2024. The segments which the company is divesting are its Curbside Management and Public Safety Solutions businesses.

Figure #8 Q4 2023 Results

CONDUENT

Total Revenue	**$ 986**	**$ 953**	-3.3%
Operating Costs			
Cost of services	782	740	-5.4%
% Change	*-3%*	*-5%*	
% of Total Revenue	*79%*	*78%*	
administrative	108	114	5.6%
% Change	*-33%*	*6%*	
% of Total Revenue	*11%*	*12%*	
Research and development	2	2	0.0%
% Change	*100%*	*0%*	
% of Total Revenue	*0%*	*0%*	
Total Operating Costs	**892**	**856**	-4.0%
% Change	*-8%*	*-4%*	
% of Total Revenue	*90%*	*90%*	
EBITDA	**94**	**97**	**3%**
% Change	*15%*	*3%*	
% of Total Revenue	*10%*	*10%*	
Stock-based Compensation	6	6	
Adj. EBITDA	**100**	**103**	**3%**
% Change	*12%*	*3%*	
% of Total Revenue	*10%*	*11%*	
Depreciation and amortization	62	65	4.8%
% Change	*-29%*	*5%*	
% of Total Revenue	*6%*	*7%*	
Restructuring and related costs	15		
Interest expense	25	29	16.0%
Loss on extinguishment of debt	—		
Goodwill impairment	358		
(Gain) loss on divestitures and transaction costs, net	1		
Litigation settlements (recoveries), net	(1)		
Other (income) expenses, net	(1)		
Total Operating Costs and Expenses	**1,351**	**957**	-29.2%
Income (Loss) Before Income Taxes	(365)	(4)	
	(32)	(10)	
Income (Loss) from Continuing Operations	(333)		
Income (loss) from discontinued operations, net of tax	—		
Net Income (Loss)	**$ (333)**	**$ 6**	-101.8%

According to the definitive agreement that the company entered, it will sell the Curbside Management and Public Safety Solutions businesses for $230 million as well as the assumption of certain liabilities. Previously, the company announced an agreement to sell its BenefitWallet Portfolio, which is an HSA management platform, for $425 million. The BenefitWallet divestiture is also expected to be completed during the first half of 2024. In total, the company has indicated that it expects to receive $600 million - $800 million in total net proceeds from upcoming divestitures, which we believe will include additional asset sales that have not yet been announced.

The divestitures are part of the company's plan to streamline its operations, drive sustainable future revenue growth, and improve cash flow generation. We anticipate that the company will complete most of its divestitures in 2024 but may still have steps to take in 2025 to realign its remaining businesses and eliminate cost redundancies.

In 2024, we anticipate total company revenue to be down nearly 8% to $3.430 billion with 6.7% adj. EBITDA margins, or $231 million. Much of the anticipated revenue decline is due to the company's impending divestitures. As such, we expect year-over-year revenue decline to be greatest in the third and fourth quarters, at which point we expect the majority of the divestitures to be complete. Notably, while revenue declines associated with the divested businesses will be immediate, it will likely take time to eliminate all of the associated corporate costs. As a result, we expect adj. EBITDA margins to decline in 2024 and begin to rebound in 2025. In the upcoming Q1, we estimate revenue will decline only modestly to $896 million with $52 million in adj. EBITDA. We do not expect the first divestiture to be complete until near the end of Q1. Figure #9 Financial Forecast illustrates our estimates for 2024 and 2025.

Looking ahead to 2025, we expect revenue of $3.469 billion, roughly flat compared with our 2024 forecast. We expect year-over-year growth in the latter part 2025, as revenue from the divested businesses falls out of the prior year comps. We estimate adj. EBITDA margins to improve to 8.6% ($298 million) in 2025, because of cost eliminations associated with the divested businesses.

Figure #9 Financial Forecast

Income Statement ($ in millions except per share data)	Q1 2024E	Q2 2024E	Q3 2024E	Q4 2024E	FY 2024E	FY 2025E
Commercial Industries	499.00	437.00	434.00	453.00	1823.00	1853.00
% Change	-1.8%	-7.2%	-6.7%	-7.2%	-5.6%	1.6%
Government Services Revenue	244.00	250.00	260.00	255.00	1009.00	1036.00
% Change	-7.6%	-7.4%	-10.3%	-5.6%	-7.8%	2.7%
Transportation Revenue	153.00	140.00	143.00	162.00	598.00	580.00
% Change	2.0%	-19.5%	-19.2%	-16.9%	-14.1%	-3.0%
Total Revenue	**896.00**	**827.00**	**837.00**	**870.00**	**3430.00**	**3469.00**
% Change	-2.8%	-9.6%	-10.2%	-8.7%	-7.8%	1.1%
Operating Costs						
Cost of services	729.51	665.51	673.21	687.27	2755.49	2731.27
% Change	1.3%	-5.5%	-7.0%	-7.1%	-4.6%	-0.9%
% of Total Revenue	81.4%	80.5%	80.4%	79.0%	80.3%	78.7%
Selling, general and administrative	112.47	111.55	106.93	105.88	436.82	433.11
% Change	1.3%	-5.5%	-7.0%	-7.1%	-4.6%	-0.8%
% of Total Revenue	12.6%	13.5%	12.8%	12.2%	12.7%	12.5%
Research and development	1.17	0.53	1.21	1.55	4.46	5.68
% Change	-41.6%	-46.7%	-39.6%	-22.7%	-36.3%	27.5%
% of Total Revenue	0.1%	0.1%	0.1%	0.2%	0.1%	0.2%
Total Operating Costs	**844.00**	**778.00**	**782.00**	**795.00**	**3199.00**	**3171.00**
% Change	1.3%	-5.5%	-7.0%	-7.1%	-4.6%	-0.9%
% of Total Revenue	94.2%	94.1%	93.4%	91.4%	93.3%	91.4%
EBITDA	**52.00**	**49.00**	**55.00**	**75.00**	**231.00**	**298.00**
% Change	-41.6%	-46.7%	-39.6%	-22.7%	-37.4%	29.0%
% of Total Revenue	5.8%	5.9%	6.6%	8.6%	6.7%	8.6%
Stock-based Compensation	2.00	6.00	5.00	8.00	21.00	21.00
Adj. EBITDA	**52.00**	**49.00**	**55.00**	**75.00**	**231.00**	**298.00**
% Change	-42.2%	-47.3%	-40.2%	-27.2%	-38.9%	29.0%
% of Total Revenue	5.8%	5.9%	6.6%	8.6%	6.7%	8.6%

Source: Noble estimates

Commercial Segment 2024 Outlook

We expect Commercial segment revenue to be down 5.6% for the full year, due primarily to the absence of revenue from BenefitWallet, which falls under the Human Capital Solutions sub-segment. In Q1, we anticipate a modest 1.8% revenue decline for the segment, followed by a roughly 6%-7% revenue drop-off in the subsequent quarters after the BenefitWallet sale is complete.

Government Segment 2024 Outlook

Although no divestitures have been announced within the Government Services segment, we expect segment revenue to be down 7.8% in 2024. This is primarily due to headwinds facing two of the company's businesses within the segment. A recent amendment to the Summer SNAP (food stamps) program, which was created during the pandemic, changed how the program's administrative costs are handled. Previously the federal government covered the costs, but beginning in 2024, those administrative costs will be split 50/50 with the participating states. Consequently, we expect that some states may de-emphasize the use of the program, which, in turn could adversely affect Conduent's Government Services Solutions business.

Additionally, we believe the Government Healthcare Solutions business will be adversely affected by the likely loss of a contract

with the State of Texas. Texas' medical coding standards differ from the more broadly adopted coding standards. As a result, during the implementation stage of the contract, the state's coding standards were found to be incompatible with the company's Medicaid Claims Solutions technology. We expect the likely loss of the relationship to contribute to lower revenues in the Government Services segment in 2024.

Transportation Segment 2024 Outlook

As for the Transportation segment, we anticipate a 14.1% revenue decline in 2024 due primarily to the divestiture of the Curbside Management and Public Safety Solutions businesses (expected in Q1). Additionally, the Commercial Vehicles business currently has one client contract, which is not expected to be renewed and we anticipate that the business will be discontinued after Q1. Therefore, for quarters 2-4, we expect a significant revenue reduction of roughly 16%-20%.

Financial Overview and Outlook

As of December 31, 2023, the company had $498 million in cash and $1.3 billion in total debt. Long-term debt, net of current maturities, issuance costs, and unamortized discounts equaled $1.248 billion. We estimate that the effective interest rate on the company's total debt is 8.05%. Figure #10 Balance Sheet provides a snapshot of the company's financial position as of December 31.

Notably, the first tranche of the asset transfer associated with the company's sale of it BenefitWallet business to HealthEquity was completed on March 7, 2024. The pro-rata amount received by the company for the first tranche was $164 million (out of a total sale price of $425 million). Figure #11 Pro Forma Balance Sheet illustrates the effect of the recent transfer if it had occurred on December 31, 2023. The remaining two tranches of the sale are expected to be completed by May 9, 2024. On March 13, 2024, the company announced that it plans to use the $164 million of tranche 1 proceeds to repay a portion of its outstanding Term Loan B. Importantly, Term Loan B has the highest effective interest rate of the company's debt instruments.

Term Loans and Revolving Credit Facility

The company entered into the Senior Secured Term Loan A (Term Loan A) as well as the Senior Secured Term Loan B (Term Loan B) and the Senior Revolving Credit Facility on October 15, 2021, as part of a refinance. A portion of the loans associated with the agreements bear interest at SOFR plus a margin and some bear interest at a base rate plus a margin. In some cases, the margin changes based on the company's leverage ratios. The company has drawn $2 million from the Senior Revolving Credit Facility leaving an available amount of $548 million. It matures in 2026.

Term Loan A

As of December 31, 2023, Term Loan A had a principal amount of $238 million and an effective interest rate of 8.58%. It matures in 2026.

Term Loan B

As of December 31, 2023, Term Loan B had a principal amount of $505 million and an effective interest rate of 9.78%. It matures in 2029.

Senior Notes

Also on October 15, 2021, the company issued 6%, fixed rate Senior Notes which are secured by the company and its subsidiaries. As of December 31, 2023, the Senior Notes' outstanding principal was $520 million. The Senior Notes mature in 2029, however, they can be redeemed early (in whole or in part). If the company redeems the Senior Notes prior to November 1, 2024, it must pay a make-whole premium, in addition to any accrued and unpaid interest. If the company redeems the notes on or after November 1, 2024, it must do so at the redemption prices specified in the indenture, which governs the notes.

Figure #10 Balance Sheet

CONSOLIDATED BALANCE SHEETS

(in millions, except share data in thousands)	December 31, 2023	2022
Assets		
Cash and cash equivalents	$ 498	$ 582
Accounts receivable, net	559	630
Assets held for sale	180	—
Contract assets	178	171
Other current assets	240	242
Total current assets	1,655	1,625
Land, buildings and equipment, net	197	266
Operating lease right-of-use assets	191	197
Intangible assets, net	32	39
Goodwill	651	955
Other long-term assets	436	489
Total Assets	$ 3,162	$ 3,571
Liabilities and Equity		
Current portion of long-term debt	$ 34	$ 35
Accounts payable	174	228
Accrued compensation and benefits costs	183	197
Unearned income	91	81
Liabilities held for sale	58	—
Other current liabilities	328	382
Total current liabilities	868	923
Long-term debt	1,248	1,277
Deferred taxes	30	83
Operating lease liabilities	157	160
Other long-term liabilities	84	69
Total Liabilities	2,387	2,512
Contingencies (See Note 16)		
Series A convertible preferred stock	142	142
Common stock	2	2
Treasury stock, at cost	(27)	—
Additional paid-in capital	3,938	3,924
Retained earnings (deficit)	(2,849)	(2,543)
Accumulated other comprehensive loss	(435)	(466)
Total Conduent Inc. Equity	629	917
Non-controlling Interest	4	—
Total Equity	633	917
Total Liabilities and Equity	$ 3,162	$ 3,571
Shares of common stock issued and outstanding	211,509	218,348
Shares of series A convertible preferred stock issued and outstanding	120	120
Shares of common stock held in treasury	8,841	—

Source: Company filings

Figure #11 Pro Forma Balance Sheet

(in millions)	Conduent Historical	Transaction Accounting Adjustments	Notes	Unaudited Pro Forma
Assets				
Cash and cash equivalents	$ 498	$ 340	(a)	$ 838
Accounts receivable, net	559	—		559
Assets held for sale	180	—		180
Contract assets	178	—		178
Other current assets	240	—		240
Total current assets	1,655	340		1,995
Land, buildings and equipment, net	197	—		197
Operating lease right-of-use assets	191	—		191
Intangible assets, net	32	—		32
Goodwill	651	—		651
Other long-term assets	436	—		436
Total Assets	$ 3,162	$ 340		$ 3,502
Liabilities and Equity				
Current portion of long-term debt	$ 34	$ —		$ 34
Accounts payable	174	—		174
Accrued compensation and benefits costs	183	—		183
Unearned income	91	—		91
Liabilities held for sale	58	—		58
Other current liabilities	328	13	(b)	341
Total current liabilities	868	13		881
Long-term debt	1,248	—		1,248
Deferred taxes	30	23	(c)	53
Operating lease liabilities	157	—		157
Other long-term liabilities	84	—		84
Total Liabilities	2,387	36		2,423
Series A convertible preferred stock	142	—		142
Common stock	2	—		2
Treasury stock, at cost	(27)	—		(27)
Additional paid-in capital	3,938	—		3,938
Retained earnings (deficit)	(2,849)	304	(d)	(2,545)
Accumulated other comprehensive loss	(435)	—		(435)
Total Conduent Inc. Equity	629	304		933
Non-controlling Interest	4			4
Total Equity	633	304		937
Total Liabilities and Equity	$ 3,162	$ 340		$ 3,502

Source: Company filings

Capital Uses

We expect the company to prioritize debt reduction as it divests of certain businesses. In 2024, we anticipate that the company will pay down in excess of $400 million in debt, using a significant portion of the proceeds from its divestitures to do so. Only the Senior Notes have a prepayment penalty, but the notes currently carry the lowest interest rate and are therefore not the first priority for debt reduction. The company has already indicated that Term Loan B, which has the highest effective interest rate, is earmarked as the first debt instrument to be paid down. As such, we believe the company's interest expense will be meaningfully lower in the second half of the year. We estimate that interest expense will be $19 million in Q4 compared with our estimate of $29 million in Q1. In addition to debt reduction, the company could repurchase shares through its repurchase program, which currently has a remaining authorization of roughly $47 million.

Management Overview

Cliff Skelton, President & CEO. Mr. Skelton joined Conduent from Fiserv Corporation, where he served as President of Fiserv Output Solutions. Prior to that, he was the Group President and Chief Information Officer at Fiserv. During his tenure at companies such as Ally Financial and Bank of America, he held positions as Global Head of Technology and Operations, Transition Executive, and other positions as part of both companies' Management Operating Committees. Cliff formerly served for over 20 years as a naval officer and fighter pilot. He commanded a Navy F/A-18 squadron, flew as a pilot with the United States Navy Flight Demonstration Squadron (The Blue Angels), and served in the Class of 1997-98 White House Fellows program. Mr. Skelton holds a Master in Public Administration (MPA) degree from Harvard University's John F. Kennedy School of Government and a Bachelor of Arts degree from the University of Southern California.

Steve Wood, CFO. In addition to his current role as CFO, Mr. Wood has served as Corporate Controller since August 2020 and was designated as Principal Accounting Officer in December 2020. Prior to his start at Conduent, Mr. Wood served for 15 years at Fiserv. During his time at Fiserv, Mr. Wood held the positions of Chief Financial Officer of Fiserv Output Solutions, Controller of multiple different operating groups and led International Finance and Accounting operations. Mr. Wood is a Chartered Global Management Accountant with an MBA with distinction from Warwick Business School.

Mark Prout, Chief Technology and Information Officer. Prior to his start at the company, Mr. Prout served as Chief Technology Officer at Fiserv, where he held several IT leadership positions during a 14-year span. Prior to that, Mr. Prout served as CIO of Cendian Corporation, a venture fund startup focused on bringing technology to the chemical logistics industry. Mr. Prout began his career at United Parcel Service and held several engineering and innovation leadership positions over his 13 years there. Mr. Prout obtained his Bachelor's degree in business management and programming from Southern Illinois University, Carbondale.

Chris Kujawa, Chief Human Resources Officer. Prior to joining Conduent, Mr. Kujawa served as HR Vice President at American Express. Prior to that, Mr. Kujawa held senior HR positions at Ally Financial, Target Corporation, and Accenture, including head of HR in the UK for Ally. Mr. Kujawa is co-president and a board member of New York HR People & Strategy, an organization of senior HR executives and thought leaders. Additionally, he serves as an Advisory Council Board Member for the Labor Market Advisory Board – Conference Board. Mr. Kujawa earned his BA in Economics from South Dakota State University and an MA in Industrial Relations from the University of Minnesota.

Mark McGinn, Chief Administrative Officer. Prior to his start at Conduent, Mr. McGinn served as VP of Project Management and Governance at Hertz, and served as a senior consultant for Fiserv. Additionally, Mr. McGinn has held senior leadership positions with YP (The Real Yellow Pages), Ally Financial, and Bank of America. Mr. McGinn earned a Bachelor of Arts degree in Economics from Wake Forest and an MBA from Brenau University.

Lou Keyes, Chief Revenue Officer. Prior to Conduent, Mr. Keyes was at York Risk Services, where he was Executive Vice President and Chief Sales Officer. Under his leadership, York implemented new sales tools, processes, and methodologies, leading to two consecutive years of record sales performance. Prior to his time at York, Mr. Keyes was Senior Vice President, Enterprise Accounts, at Fiserv Inc. Additionally, he has held senior sales and general management roles at Electronic Data Systems Corporation clients. Mr. Keyes obtained his BA degree from the University of Texas at Dallas.

Randall King, President, Commercial Solutions. Prior to joining Conduent, Mr. King served as Chief Operating Officer for Bank of America's Consumer and Wealth Management Operations and Global Business Services organizations.Mr. King earned his Bachelor of Science degree in Economics at North Carolina State University and completed the Operations Leadership Program at the University of Michigan's Stephen M. Ross School of Business. He is also a certified Lean/Six Sigma Master Black Belt.

Adam Appleby, President, Transportation Solutions. Prior to holding the position of Chief Operating Officer within the Transportation Solutions business, Mr. Appleby served as Chief Operations Officer, General Manager and SVP Business Transformation and Process Improvement at Fiserv. Prior to that, Mr. Appleby served as Chief Operating Officer at Altisource Asset Management, and numerous leadership roles including Mortgage Operations Executive and Enterprise Risk Officer at

Ally Bank. Mr. Appleby earned his Bachelor of Science degree in Environmental Science and Systems Engineering from the U.S. Military Academy at West Point and he completed Leadership Development Programs at GE, Bank of America, Ally Financial and Fiserv.

Remy Kaul, VP, Diversity, Equity & Inclusion and Internal Communications. Ms. Kaul brings two decades of experience leading strategic communications at global organizations. Ms. Kaul joined Conduent after seven years at Deloitte where she headed communications for the company's Consulting and Strategy and Operations practices. Ms. Kaul earned a bachelor's degree in business administration and a master's degree in communication, both from the University of Southern California.

Michael Krawitz, General Counsel and Secretary. Mr. Krawitz has more than 20 years of experience serving large-scale multinational companies. He joined Conduent from York Risk Services, where he served as General Counsel and Corporate Secretary. Prior to his time at York, he served as general counsel for companies across several industries, including finance and technology. Additionally, Mr. Krawitz served on the board for Positive ID Corporation, a leading biological detection and diagnostic solutions firm serving the defense and healthcare market. Mr. Krawitz earned his bachelor's in economics and in Government from Cornell and a J.D. from Harvard Law School. Additionally, Mr. Krawitz earned a certification in Cybersecurity Oversight Management from Carnegie Mellon University.

Jeff Weiner, VP / GM, Human Capital, Legal and Casualty Business Solutions. Prior to Mr. Weiner's start at Conduent, he served as Chief Information Officer for Gateway First Bank. Prior to that, Mr. Weiner held numerous leadership positions at Fannie Mae, Ally Financial, Bank of America, Fiserv, and Wachovia / Wells Fargo. Mr. Weiner earned his MBA from Wake Forest University and a BS in Business Administration from UNC Charlotte, Belk College of Business.

Tracy Yelencsics, Chief Communications Officer / Office of CEO. Prior to her start as Chief Communications Officer, Ms. Yelencsics served as Chief Marketing Officer for the company. Prior to joining the company, Ms. Yelencsics held numerous marketing leadership roles at Xerox, including leading the Xerox global brand, division marketing and communications, and product portfolio marketing. Additionally, during her time at Xerox, Ms. Yelencsics held positions in engineering, product delivery, and operational roles. Ms. Yelencsics earned an MBA in marketing from the William E. Simon School of the University of Rochester and a BS degree in electrical engineering from the Rochester Institute of Technology. Additionally, Ms. Yelencsics is a Lean Six Sigma Black Belt.

Board Of Directors

Scott Letier, Chair of the Board. Mr. Letier is a director with over 20 years of leadership experience and service on other company boards and committees. Since July 2014, Mr. Letier has been Managing Director of Deason Capital Services, LLC, ("DCS") the family office for Darwin Deason. From September 2006 to July 2014, Mr. Letier was the Managing Director of JFO Group, LLC, the family office for the Jensen family. Additionally, Mr. Letier serves as Treasurer, board member, executive committee member, and is Chairman of the audit and finance committees of the Dallas College Foundation. Mr. Letier is a CPA and has a BBA with an accounting concentration from the Southern Methodist University – Cox School of Business.

Cliff Skelton, President & CEO. In addition to serving as President & CEO, Mr. Skelton also serves on the Board of Directors.

Hunter Gary, Director. Mr. Gary has served as a Director for the company since 2020, and has served as Senior Managing Director of Icahn Enterprises L.P. (IEP) since November 2010. Prior to which, Mr. Gary had been employed by Icahn Associates Corporation, an affiliate of IEP, in various roles since June 2003, most recently as the Chief Operating Officer of Icahn Sourcing LLC. Mr. Gary has served on the board of directors of CVR Energy, Inc. since September 2018. He has previously served on the boards of directors of Herc Holdings Inc., CVR Refining, LP, CVP Partners LP, Herbalife Ltd., Cadus Corporation and Tropicana Entertainment Inc. Mr. Gary earned his B.S. with senior honors from Georgetown University as well as a certificate of executive development from Columbia Graduate School of Business.

Kathy Higgins Victor, Director. Ms. Higgins Victor has served as a Director for the company since 2019. She is the President and CEO of Centera Corporation, where she advises CEOs and C-suite executives on leadership effectiveness, executive and CEO succession, and corporate governance. Prior to founding Centera in 1995, she had broad experience in senior executive and officer level positions, including director and senior vice president roles with Northwest Airlines, Grand Metropolitan PLC, The Pillsbury Company, and Burger King Corporation. Ms. Higgins Victor graduated cum laude from the University of Avila with a B.A. in Public Administration.

Jesse Lynn, Director. Mr. Lynn has served a Director for the company since 2019. He has been general counsel of Icahn Enterprises L.P. (IEP) since 2014. Prior to that, Mr. Lynn was Assistant General Counsel of IEP from 2004 to 2014. Mr. Lynn was previously a director of: Crown Holdings Inc., from December 2022 to November 2023; Xerox Holdings Corporation, from November 2021 to September 2023; FirstEnergy Corp., from March 2021 to May 2023; Cloudera, Inc., from August 2019 to October 2021; Herbalife Nutrition Ltd., from 2014 to January 2021; and The Manitowoc Company, Inc., from April 2015 to February 2018. Prior to joining Icahn Enterprises, Mr. Lynn worked as an associate in the New York office of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. in its business and finance department from 2000 until 2004. From 1996 until 2000, Mr. Lynn was an associate in the corporate group at Gordon Altman Butowsky Weitzen Shalov & Wein. Mr. Lynn earned a Bachelor of Arts degree from the University of Michigan and a Juris Doctor from the Boston University School of Law.

Steven Miller, Director. Mr. Miller has served as a Director for the company since 2021. He has been a Portfolio Manager of Icahn Capital LP (Icahn Capital) since October 2020. Mr. Miller was previously a director of Xerox Holdings Corporation, from June 2021 to September 2023, and Herc Holdings Inc., from May 2022 to March 2023. Prior to joining Icahn Capital, Mr. Miller was an Analyst in the Distressed and Special Situations investment group in the New York office of BlueMountain Capital Management, LLC from 2013 to 2019. Mr. Miller represented BlueMountain on the Ad Hoc Group of Puerto Rico Electric Power Authority Bondholders from 2014 to 2019. From 2011 to 2013, Mr. Miller was an Analyst in the Distressed Products Group in the New York office of Goldman, Sachs & Co. Mr. Miller earned a B.S. summa cum laude from Duke University in 2011.

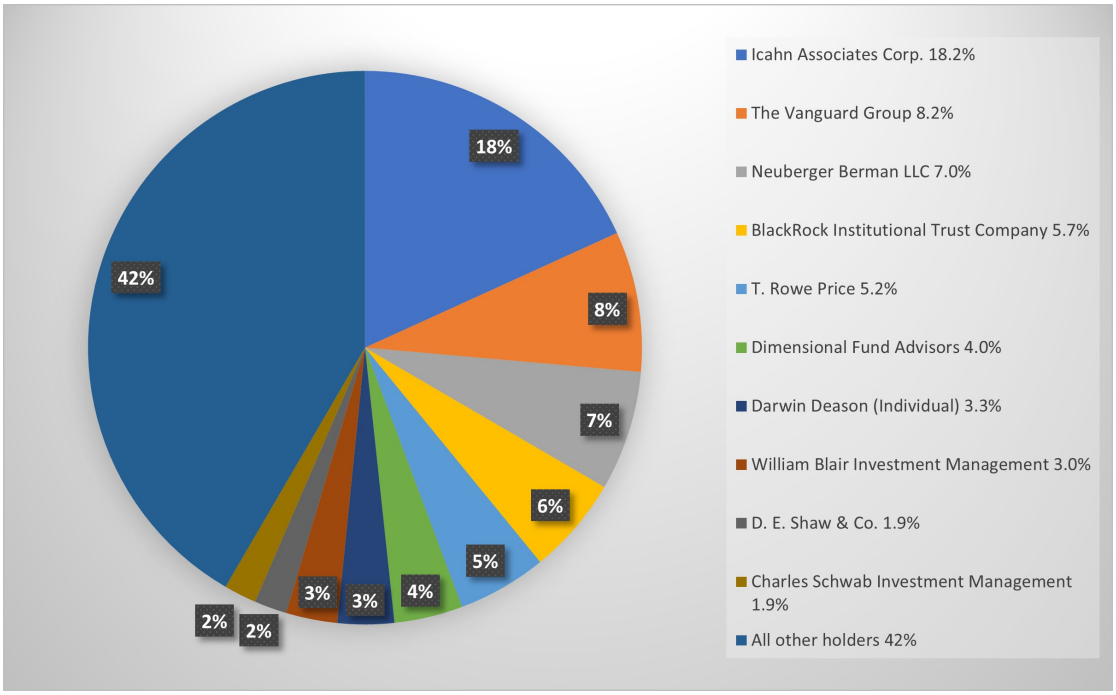
Michael Montelongo, Director. Mr. Montelongo has served as a Director for the company since 2020. He is the President and Chief Executive Officer of GRC Advisory Services, LLC. Additionally, Mr. Montelongo has served as President and CEO of GRC Advisory Services, LLC, since July 2016. From January 2008 to July 2016, he served as Chief Administrative Officer and Senior Vice President, Public Policy and Corporate Affairs for Sodexo, Inc. Mr. Montelongo is a former George W. Bush White House appointee, he served as Assistant Secretary for Financial Management and Chief Financial Officer of the U.S. Air Force from August 2001 to March 2005. He concluded his tenure at the Pentagon as acting Secretary of the Air Force, and is a lifetime member of the Council on Foreign Relations. Mr. Montelongo serves on the boards of Civeo Corporation (NYSE: CVEO), and privately-held Palmex I LTD,. Mr. Montelongo earned his B.S. from West Point and an M.B.A. from Harvard Business School.

Margarita Palau-Hernandez, Director. Ms. Paláu-Hernández has served as a Director for the company since 2019. She is Founded and has served as CEO of Hernández Ventures, since November 1988. In September of 2018, Ms. Paláu-Hernández was nominated to serve as a Representative of the United States of America to the Seventy-third Session of the General Assembly of the United Nations, with the personal Rank of Ambassador. Prior to founding Hernandez Ventures, Ms. Paláu-Hernández was an attorney with the law firm of McCutcheon, Black, Verleger & Shea from 1985 to 1988. Ms. Paláu-Hernández earned a bachelor’s degree, magna cum laude, from the University of San Diego and a Juris Doctor degree from UCLA School of Law.

Stock Overview and Valuation

Conduent trades on the NASDAQ under the symbol “CNDT.” The company had 216.8 million common shares outstanding as of December 31, 2023. Roughly 1.4% of the CNDT shares are controlled by directors and executive management. Figure #12 CNDT Top 10 Ownership highlights the largest shareholders. Icahn Associates Corporation own 18% of the shares and controls 3 of the 8 board seats. Darwin Deason, who founded the company (originally Affiliated Computer Services before it was sold to Xerox) owns 3% of the outstanding shares and controls one board seat.

Figure #12 CNDT Top 10 Ownership



Source: Eikon

In the past year, the CNDT shares are down roughly 8%, illustrated in Figure #13 CNDT 1-Year Stock Performance. Over the past 5 years, the share price has steadily declined, down roughly 77%. We believe the decline in the share price is due to poor operating performance and uncertainty in recent years surrounding the company’s plan for the future. In our view, investors may look favorably upon the company’s transformation plans, but are likely waiting for those plans to take shape more concretely. As the planned divestitures close and the company cuts costs and reduces debt, we expect investor sentiment to improve. That is, we believe the execution of the company’s transformation plan could serve as a catalyst in the stock.

Figure #13 CNDT 1-Year Stock Performance



Source: Google Finance

The company's peers are illustrated in Figure #14 Conduent Comparable Companies. The peers are divided into three categories, which correlate to the company's three segments: Commercial, Government, and Transportation. Near current levels, the CNDT shares trade at 4.7 times enterprise value to our 2025 adj. EBITDA forecast, below peers. Based on EV/EBITDA (2025 estimates), the Commercial segment peers trade near 6.6 times, the Government segment peers trade near 13.2 times, and the Transportation segment peers trade near 9.7 times. We are initiating coverage with an Outperform rating and a $9 price target.

Our price target is based on a sum of parts analysis using our adj. EBITDA forecasts by segment. We are valuing the individual segments using the average multiples from their respective comp groups and applying those multiples to our 2025 adj. EBITDA forecasts for each of the segments. This gives us an implied enterprise value for each segment. Furthermore, we are applying a roughly 10 times multiple to shared corporate costs and subtracting it from the aggregate implied enterprise value of the segments. This gives us an implied EV of $3.24 billion, which we view as the gross target EV. Finally, we are applying a 20% conglomerate discount to the gross target EV, which results in a target enterprise value of roughly $2.6 billion or $9 per CNDT share. We believe that tangible progress in the company's plans to divest certain business, pare down debt, and reduce costs could serve as a catalyst in the stock valuation. Risks to achieving our price target include the risk of the company's divestitures not moving forward as planned with favorable terms, the company's reliance on government contracts and maintaining those contracts, the proliferation of competition in any of the company's diverse business environments, and others.

Figure #14 Conduent Comparable Companies

	COMPANY	52-Week High	52-Week Low	Latest Close	Shares Out	Market Cap ($M)	Long-Term Debt	Cash	Net Debt ($M)	Ent. Value ($M)	Ent. Value / Revenues				Ent. Value / EBITDA			
											2022	2023E	2024E	2025E	2022	2023E	2024E	2025E
	CONDUENT INCORPORATED (XNAS:CNDT)	$3.81	$2.40	$3.18	209.9749	$667.72	$1,248.00	$498.00	$750.00	$1,417.72	0.4x	0.4x	0.4x	0.4x	3.6x	3.8x	6.1x	4.8x
Commercial Segment Peers	GENPACT LIMITED (XNYS:G)	$46.25	$29.41	$33.79	180.73	$6,106.95	$824.72	$583.70	$241.02	$6,347.97	1.5x	1.4x	1.4x	1.3x	7.5x	7.4x	7.6x	7.1x
	WNS (HOLDINGS) LIMITED (XNYS:WNS)	$94.96	$51.84	$56.55	46.81	$2,647.10	$137.29	$80.16	$57.13	$2,704.23	2.4x	2.2x	2.0x	1.8x	11.0x	8.5x	7.8x	6.9x
	ALIGHT, INC. (XNYS:ALIT)	$10.10	$6.33	$9.00	562.98	$5,064.03	$2,769.00	$358.00	$2,411.00	$7,475.03	2.4x	2.2x	2.1x	2.0x	11.3x	10.1x	9.3x	8.3x
	TTEC Holdings, Inc. (XNAS:TTEC)	$38.09	$10.84	$10.87	47.43	$515.54	$995.00	$172.75	$822.25	$1,337.79	0.5x	0.5x	0.6x	0.6x	4.1x	4.9x	5.8x	5.2x
	TELUS Corporation (XNYS:TU)	$21.34	$15.47	$16.93	1,476.11	$24,983.18	$17,633.00	$652.30	$16,980.70	$41,963.88	3.1x	2.8x	2.7x	2.6x	8.5x	7.9x	7.4x	7.0x
	CONCENTRIX CORPORATION (XNAS:CNXC)	$128.69	$62.84	$63.32	66.22	$4,193.30	$4,939.70	$295.33	$4,644.37	$8,837.67	1.4x	1.2x	0.9x	0.9x	8.5x	7.2x	5.3x	5.0x
	MEAN										**1.9x**	**1.7x**	**1.6x**	**1.5x**	**8.5x**	**7.7x**	**7.2x**	**6.6x**
	MEDIAN										**1.9x**	**1.8x**	**1.7x**	**1.6x**	**8.5x**	**7.7x**	**7.5x**	**7.0x**
Govt. Segment Peers	MAXIMUS, INC. (XNYS:MMS)	$89.69	$72.39	$84.04	61.03	$5,129.08	$1,222.24	$104.19	$1,118.05	$6,247.14	1.3x	1.3x	1.2x	N/A	13.7x	13.1x	10.7x	N/A
	FIDELITY NATIONAL INFORMATION SERVICES, INC. (XNYS:FIS)	$70.52	$46.91	$68.88	576.47	$39,706.96	$12,970.00	$440.00	$12,530.00	$52,236.96	3.6x	5.3x	5.2x	5.0x	8.4x	13.2x	12.7x	12.1x
	BOOZ ALLEN HAMILTON HOLDING CORPORATION (XNYS:BAH)	$150.59	$87.99	$146.06	129.75	$18,950.69	$3,369.50	$601.80	$2,767.70	$21,718.39	2.4x	2.1x	1.9x	1.8x	21.8x	19.3x	17.6x	16.5x
	FISERV, INC. (XNYS:FI)	$152.19	$103.99	$151.06	590.40	$89,186.20	$21,933.00	$2,960.00	$18,973.00	$108,159.20	6.4x	6.0x	5.6x	5.1x	15.0x	13.1x	12.1x	11.0x
	MEAN										**3.4x**	**3.7x**	**3.5x**	**4.0x**	**14.8x**	**14.7x**	**13.3x**	**13.2x**
	MEDIAN										**3.0x**	**3.7x**	**3.5x**	**5.0x**	**14.4x**	**13.1x**	**12.4x**	**12.1x**
Transportation Segment Peers	VERRA MOBILITY CORPORATION (XNAS:VRRM)	$24.35	$16.22	$23.05	166.02	$3,826.77	$1,029.00	$136.30	$892.70	$4,719.47	6.4x	5.8x	5.4x	5.1x	13.9x	12.7x	11.7x	10.8x
	Thales SA (OTCM:THLLY)	$32.94	$26.61	$31.07	1,051.05	$32,656.15	$4,287.80	$4,588.70	-$300.90	$32,355.25	1.7x	1.6x	1.5x	1.4x	9.9x	9.3x	9.3x	8.5x
	MEAN										**4.0x**	**3.7x**	**3.4x**	**3.2x**	**11.9x**	**11.0x**	**10.5x**	**9.7x**
	MEDIAN										**4.0x**	**3.7x**	**3.4x**	**3.2x**	**11.9x**	**11.0x**	**10.5x**	**9.7x**

Mean	3.1x	3.0x	2.8x	2.9x	11.7x	11.1x	10.3x	9.8x
Median	3.0x	3.7x	3.4x	3.2x	11.9x	11.0x	10.5x	9.7x

Source: Eikon and Noble estimates

Company Profile

Conduent Inc., headquartered in Florham Park, New Jersey, became public through the spin-off from Xerox (XRX) in 2017. While initially the shares traded on the New York Stock Exchange, the shares now currently trade on the NASDAQ under the symbol CNDT. The company has a portfolio of many disparate businesses that loosely are focused on applying automation and analytics to assist organizations. Its expertise is to assist businesses and governments to modernize and improve services to its constituents and customers. Put simply, the mainstay of its services is to provide Business Process Outsourcing (BPO) to help businesses drive efficiencies, through the use of technology, to improve margins and enhance revenue growth. Currently, the company operates three business segments including Commercial Industries, Government Services and Transportation. Upon its spin-off, management announced plans to streamline its portfolio of businesses, become more efficient and focused on its growth areas, with several divestitures taking place from 2018 through 2019.

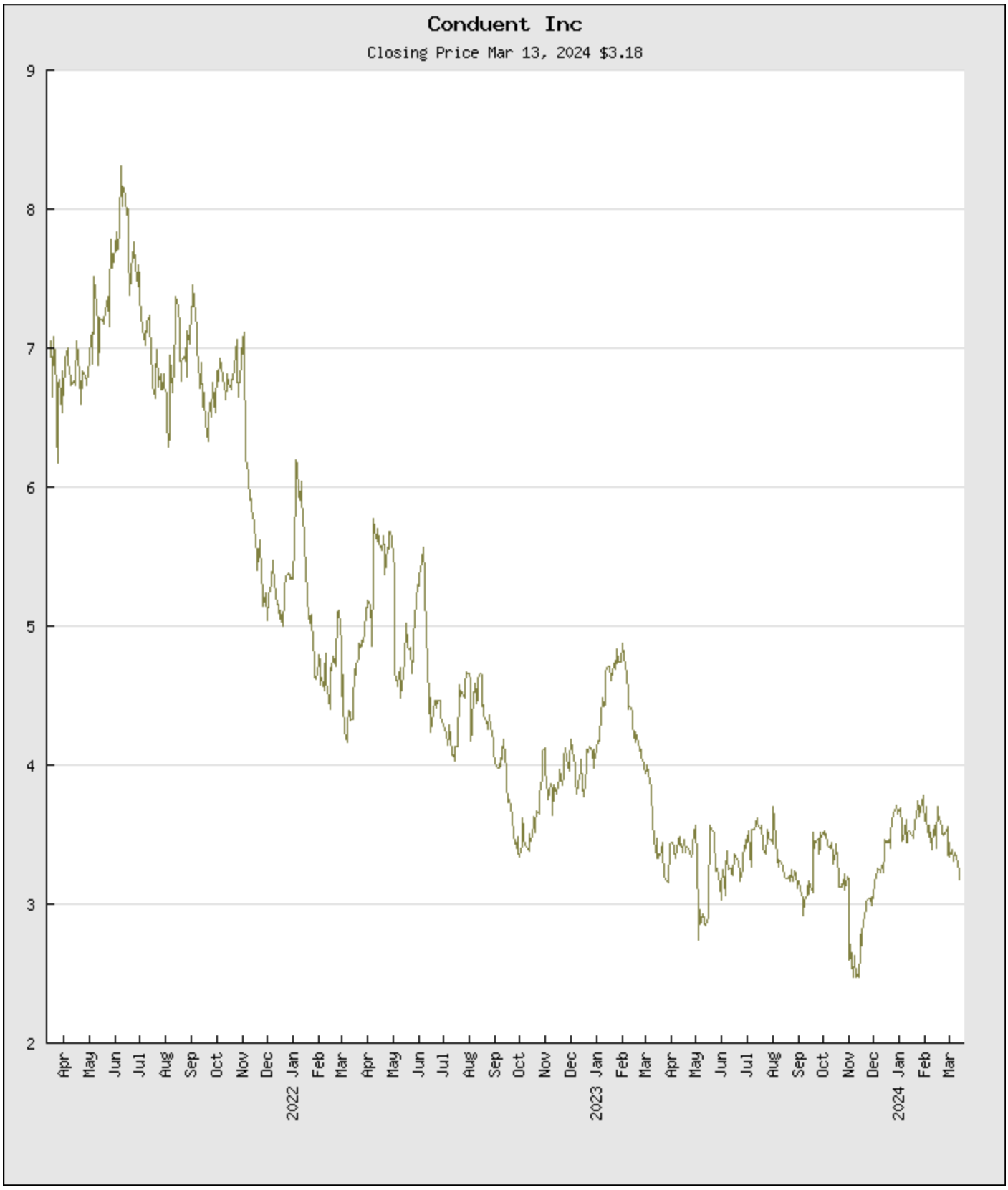
Fundamental Analysis 2.5/5.0 Checks

In our assessment, we gave the company 2.5 checks, which implies that the company is average. This analysis takes into account the company's corporate governance / management, market opportunity analysis, competitive position, operating leverage and financial leverage. The company scored high on its operating leverage, given its scale and ability to economize on corporate costs and deploy resources across a wide variety of businesses. The fundamental score could improve should the company reduce its debt leverage position.

Valuation Summary

Near current levels, the CNDT shares trade at 4.7 times enterprise value to our 2025 adj. EBITDA forecast, below peers. Based on EV/EBITDA (2025 estimates), the company's Commercial segment peers trade near 6.6 times, the Government segment peers trade near 13.2 times, and the Transportation segment peers trade near 9.7 times. We are initiating coverage with an Outperform rating and a $9 price target. Our price target is based on a sum of parts analysis using our adj. EBITDA forecasts by segment. We are valuing the individual segments using the average multiples from their respective comp groups and applying those multiples to our 2025 adj. EBITDA forecasts for each of the segments. This gives us an implied enterprise value for each segment. Furthermore, we are applying a roughly 10 times multiple to shared corporate costs and subtracting it from the aggregate implied enterprise value of the segments. This gives us an implied EV of $3.24 billion, which we view as the gross target EV. Finally, we are applying a 20% conglomerate discount to the gross target EV, which results in a target enterprise value of roughly $2.6 billion or $9 per CNDT share. We believe that tangible progress in the company's plans to divest certain business, pare down debt, and reduce costs could serve as a catalyst in the stock valuation. Risks to achieving our price target include the risk of the company's divestitures not moving forward as planned with favorable terms, the company's reliance on government contracts and maintaining those contracts, the proliferation of competition in any of the company's diverse business environments, and others.

Income Statement ($ in millions except per share data)	FY 2023	Q1 2024E	Q2 2024E	Q3 2024E	Q4 2024E	FY 2024E	FY 2025E
Commercial Industries	1932.00	499.00	437.00	434.00	453.00	1823.00	1853.00
% Change	*-3.0%*	*-1.8%*	*-7.2%*	*-6.7%*	*-7.2%*	*-5.6%*	*1.6%*
Government Services Revenue	1094.00	244.00	250.00	260.00	255.00	1009.00	1036.00
% Change	*-4.9%*	*-7.6%*	*-7.4%*	*-10.3%*	*-5.6%*	*-7.8%*	*2.7%*
Transportation Revenue	696.00	153.00	140.00	143.00	162.00	598.00	580.00
% Change	*-1.8%*	*2.0%*	*-19.5%*	*-19.2%*	*-16.9%*	*-14.1%*	*-3.0%*
Total Revenue	**3722.00**	**896.00**	**827.00**	**837.00**	**870.00**	**3430.00**	**3469.00**
% Change	*-3.5%*	*-2.8%*	*-9.6%*	*-10.2%*	*-8.7%*	*-7.8%*	*1.1%*
Operating Costs							
Cost of services	2888.00	729.51	665.51	673.21	687.27	2755.49	2731.27
% Change	*-4.3%*	*1.3%*	*-5.5%*	*-7.0%*	*-7.1%*	*-4.6%*	*-0.9%*
% of Total Revenue	*77.6%*	*81.4%*	*80.5%*	*80.4%*	*79.0%*	*80.3%*	*78.7%*
Selling, general and administrative	458.00	112.47	111.55	106.93	105.88	436.82	433.11
% Change	*4.1%*	*1.3%*	*-5.5%*	*-7.0%*	*-7.1%*	*-4.6%*	*-0.8%*
% of Total Revenue	*12.3%*	*12.6%*	*13.5%*	*12.8%*	*12.2%*	*12.7%*	*12.5%*
Research and development	7.00	1.17	0.53	1.21	1.55	4.46	5.68
% Change	*0.0%*	*-41.6%*	*-46.7%*	*-39.6%*	*-22.7%*	*-36.3%*	*27.5%*
% of Total Revenue	*0.2%*	*0.1%*	*0.1%*	*0.1%*	*0.2%*	*0.1%*	*0.2%*
Total Operating Costs	**3353.00**	**844.00**	**778.00**	**782.00**	**795.00**	**3199.00**	**3171.00**
% Change	*-3.2%*	*1.3%*	*-5.5%*	*-7.0%*	*-7.1%*	*-4.6%*	*-0.9%*
% of Total Revenue	*90.1%*	*94.2%*	*94.1%*	*93.4%*	*91.4%*	*93.3%*	*91.4%*
EBITDA	**369.00**	**52.00**	**49.00**	**55.00**	**75.00**	**231.00**	**298.00**
% Change	*-6.1%*	*-41.6%*	*-46.7%*	*-39.6%*	*-22.7%*	*-37.4%*	*29.0%*
% of Total Revenue	*9.9%*	*5.8%*	*5.9%*	*6.6%*	*8.6%*	*6.7%*	*8.6%*
Stock-based Compensation	19.00	2.00	6.00	5.00	8.00	21.00	21.00
Adj. EBITDA	**378.00**	**52.00**	**49.00**	**55.00**	**75.00**	**231.00**	**298.00**
% Change	*-4.5%*	*-42.2%*	*-47.3%*	*-40.2%*	*-27.2%*	*-38.9%*	*29.0%*
% of Total Revenue	*10.2%*	*5.8%*	*5.9%*	*6.6%*	*8.6%*	*6.7%*	*8.6%*
Depreciation and amortization	264.00	56.00	54.00	56.00	57.00	223.00	223.00
% Change	*14.8%*	*-8.2%*	*-5.3%*	*-30.9%*	*-12.3%*	*-15.5%*	*0.0%*
% of Total Revenue	*7.1%*	*6.3%*	*6.5%*	*6.7%*	*6.6%*	*6.5%*	*6.4%*
Restructuring and related costs	62.00	7.50	7.50	7.50	7.50	30.00	20.00
Interest expense	111.00	29.00	24.00	19.00	19.00	91.00	60.00
Loss on extinguishment of debt							
Goodwill impairment	287.00						
(Gain) loss on divestitures and transaction costs, net	10.00		-400.00			-400.00	
Litigation settlements (recoveries), net	-30.00						
Other (income) expenses, net	-3.00						
Total Operating Costs and Expenses	**3769.00**	**936.50**	**463.50**	**864.50**	**878.50**	**3143.00**	**3474.00**
Income (Loss) Before Income Taxes	-332.00	-40.50	363.50	-27.50	-8.50	287.00	-5.00
Income tax expense (benefit)	-36.00	-8.10	72.70	-5.50	-1.70	57.40	-1.00
Income (Loss) from Continuing Operations	-296.00	-32.40	290.80	-22.00	-6.80	229.60	-4.00
Income (loss) from discontinued operations, net of tax							0.00
Net Income (Loss)	**-296.00**	**-32.40**	**290.80**	**-22.00**	**-6.80**	**229.60**	**-4.00**
Earnings (Loss) per Share - Diluted	-1.41	-0.15	1.34	-0.10	-0.03	1.06	-0.02
Weighted Average Shares - Diluted(1)	216.78	217.35	217.35	217.35	217.35	217.35	218.50


Conduent Inc
Closing Price Mar 13, 2024 $3.18
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The fundamental assessment rating system is designed to provide insights on the company's fundamentals both on a macro level, which incorporates a company's market opportunity and competitive position, and on a micro/company specific level. The micro/company specific attributes include operating & financial leverage, and corporate governance/management. The number of check marks that a company receives is designed to provide a quick reference and easy determination of the company's fundamentals based upon the following five attributes of the company (weighting reflects the importance of each attribute in the overall scoring of company's fundamental analysis):

Attribute	Weighting
Corporate Governance/Management	20%
Market Opportunity Analysis	20%
Competitive Position	20%
Operating Leverage	20%
Financial Leverage	20%

For each attribute, the analysts score the company from a low of zero to a high of ten based upon the analysis described below. The final rating and resulting check marks is a result of dividing the overall score (out of 100%) by ten.

Rating	Score	Checks
Superior	9.1 to 10	Five Checks
Superior	8.1 to 9	Four & A Half Checks
Above Average	7.1 to 8	Four Checks
Above Average	6.1 to 7	Three & A Half Checks
Average	5.1 to 6	Three Checks
Average	4 to 5	Two & A Half Checks
Below Average	3 to 3.9	Two Checks
Below Average	2 to 2.9	One & A Half Checks
Low Quality	0 to 1.9	One Check

While these are the attributes currently used for the analyst's fundamental analysis, the attributes and weighting may be reviewed, updated with additional attributes, and/or changed in the future based on discussions with the analysts and recommendations from the Director of Research.

Following is the description of each attribute in the fundamental analysis.

Corporate Governance/Management

We believe that a review of corporate governance and assessment of the senior management are important tools to determine investment merit. Good corporate governance aligns management with the interests of stakeholders. As such, analysts are to rank the company on the basis of good corporate governance principles that may include rules and procedures, board composition and staggered term limits, rights and responsibilities, corporate objectives, monitoring of actions and policies, and accountability. In addition, analysts will assess issues with controlling shareholders and whether decisions have been made in the past that were in the interests of all shareholders. In addition, management will be assessed based on industry experience, expertise, and/or track record.

High ranking example: Board and management that is aligned with the interests of shareholders with incentives based on stock price appreciation and with an experienced management team known for exceptional shareholder returns.

Low ranking example: Concentrated ownership without independent directors that do not necessarily align with all shareholders' interests.

The Market Opportunity Analysis

In this review, the analyst assesses the company's macro environment as a measure of understanding the industry. Factors considered include the size and growth potential of the industry under various economic conditions, the emerging demands in the market, technological benefits/disruptions, competition, geographical opportunities, and customer demands/needs, and an assessment of supply and distribution channels. In addition, the analyst will review legal and regulatory trends, as well as potential shifts in consumer or social behavior and natural environment changes.

High rank example: A company in an industry that is growing revenues well above GDP rates (which are on average 2% plus) and/or may have unmet or under-served needs in a rapidly growing market opportunity.

Low rank example: A mature industry that is in secular decline and likely to grow below GDP rates.

Competitive Position

The evaluation of the company's competitive position is another macro environment attribute designed to measure the relevance, market share, position and value proposition, and sustainable differentiations of the company and its products/services within its industry. Ease of entry into the industry and the ability of other well-funded players to potentially enter the market would be determined. As such, the assessment would consider the company's strengths and advantages of its products/services against weaknesses and limitations. This may include the company's current brand awareness, pricing and cost structure, current market strategies and geographic penetration that may affect demand for its products/services. In addition, the company's competitors would be evaluated.

High rank example: An analyst would consider the company's product to be superior to its competitors and that should allow the company to gain market share.

Low rank example: A company with a "me-too" product that does not have any significant technology advantages in an industry that has low barriers to entry.

Operating Leverage

Simplistically, operating leverage is determined by the operating income relative to changes in revenue. The analyst will calculate the impact on sensitivity on gross margins and variable costs to determine operating leverage. The analyst will take into account the ability of the company to cut fixed and variable costs in a challenged revenue environment and technological changes that may impact operating expenses. In addition, the analyst is to assess corporate strategies that include capital investment, which may be required for sustainable revenue growth, marketing expenses, and the company's ability to attract and retain talent and/or employees. The analyst should focus on the revenue opportunity and determine the price elasticity of demand for the company's products or services. In other words, the analyst is to rank the company based on improved operating margins going forward on an absolute and relative basis.

High rank example: A company that has improving margins for the foreseeable future, with significant price elasticity.

Low rank example: A company that is in a challenged revenue environment with a fixed cost structure and limited ability to cut costs, indicating an outlook for declining margins.

Financial Leverage

A strict definition of financial leverage is total debt divided by total shareholder's equity. Financial leverage analysis is to determine the company's ability to improve shareholder value by means of utilizing its balance sheet to grow organically or to acquire assets. Analysts may look at the company's debt to cash flow leverage ratio, interest coverage ratios, or debt to equity ratios. In addition, the interest rate environment and the outlook for interest rates are a factor in determining the company's ability to manage financial leverage. Finally, the analyst is expected to determine the ability to service the debt given the industry and/or company profile, such as cyclicality, barriers to entry, history of bankruptcy, consistency in revenue and profit growth, or predictability in sales and profits and large cash reserves. The analyst is expected to take into account capital intensity of the company and the anticipated of capital allocation decisions.

High rank example: A company with predictable and growing revenue and cash flow with modest debt levels. This may indicate that the company could improve shareholder value through growth investments, including acquisitions, using debt financing.

Low rank example: A company in a cyclical industry in a late stage economic cycle that has above average debt leverage and is in an industry that has a history of financial challenges, including bankruptcies.

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Outperform: potential return is >15% above the current price	90%	21%
Market Perform: potential return is -15% to 15% of the current price	10%	3%
Underperform: potential return is >15% below the current price	0%	0%

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