

# CONVERGYS



## First Quarter 2017 Earnings Presentation

May 9, 2017

This presentation contains statements, estimates, or projections that constitute "forward-looking statements" as defined under U.S. federal securities laws. Forward looking statements may be identified by words such as "will," "expect," "estimate," "think," "forecast," "guidance," "outlook," "plan," "lead," "project" or other comparable terminology. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. These risks include, but are not limited to: (i) the loss of a significant client or significant business from a client; (ii) the future financial performance of our largest clients and the major industries that we serve; (iii) contractual provisions that may limit our profitability or enable our clients to reduce or terminate services; (iv) our failure to successfully acquire and integrate businesses, including buw; (v) our inability to protect proprietary or personally identifiable data against unauthorized access or unintended release; (vi) the effects of complying with jurisdiction-specific data privacy requirements, including increased expenses, operational and contractual changes, and diversion of resources; (vii) our inability to maintain and upgrade our technology and network equipment in a timely and cost effective manner; (viii) business and political risks related to our global operations, including ongoing political developments in the Philippines, uncertainty regarding the impact of Britain's vote to leave the European Union (Brexit) or other similar actions by European Union member states, and economic weakness and operational disruption as a result of natural events, political unrest, war, terrorist attacks or other civil disruption; (ix) the effects of foreign currency exchange rate fluctuations; (x) the failure to meet expectations regarding our future tax liabilities, changes in tax laws or regulations that increase our future tax liabilities or the unfavorable resolution of tax contingencies; (xi) adverse effects of regulatory requirements or changes thereto, investigative and legal actions, and other commitments and contingencies and (xii) those factors contained in our periodic reports filed with the SEC, including in the "Risk Factors" section of our most recent Annual Report on Form 10-K. The forward-looking information in this document is given as of the date of the particular statement and we assume no duty to update this information. Our filings and other important information are also available on the investor relations page of our web site at [www.convergys.com](http://www.convergys.com). The following presentation includes "non-GAAP financial measures" as defined in Regulation G under the Securities Exchange Act of 1934, as amended. A reconciliation of GAAP to non-GAAP results is available on the investor relations page of our web site at [www.convergys.com](http://www.convergys.com).

Today's presentation is intended to be reviewed in connection with Convergys' First Quarter 2017 earnings call.

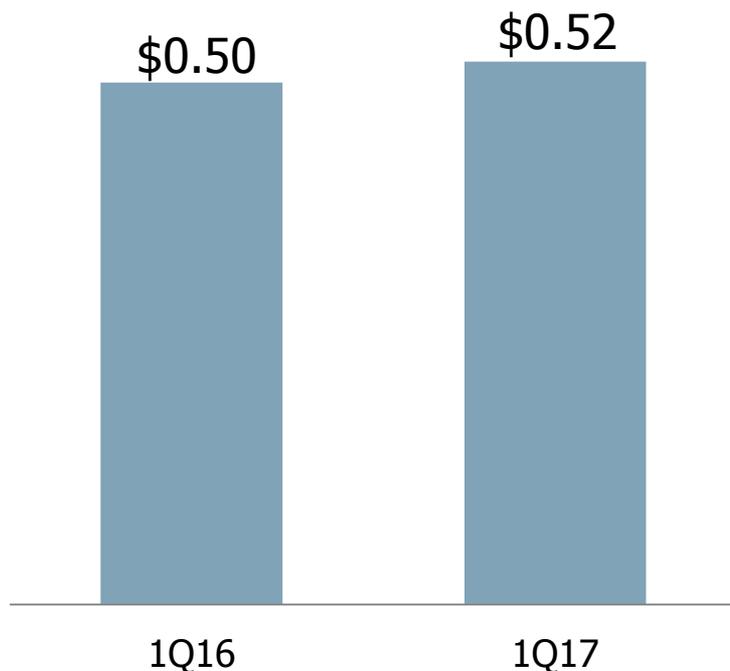
Operating results

Financial review

Business outlook



## Adjusted EPS

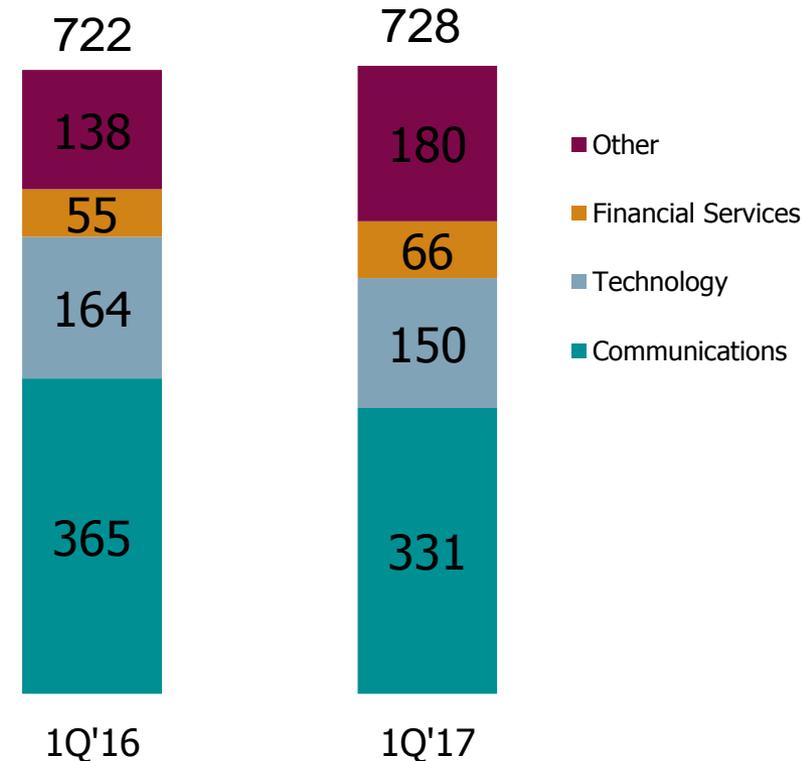


- Solid results
  - + revenue: \$728M, including \$8M FX impact
  - + adjusted EBITDA: \$99M
  - + adjusted EPS: \$0.52; up 4% Y/Y
  - + adjusted FCF: \$26M
- Capital returns: \$31M
  - + dividend: \$9M
  - + share repurchase: \$22M
  - + EOQ repurchase authorization: \$121M

Note: Adjusted EPS from continuing operations in 1Q'17 excludes \$13M discrete severance charges, \$7M intangible amortization, \$1M write-up depreciation expense, \$2M integration costs. Adjusted EPS from continuing operations in 1Q'16 excludes \$7M intangible amortization, and \$3M write-up depreciation expense.

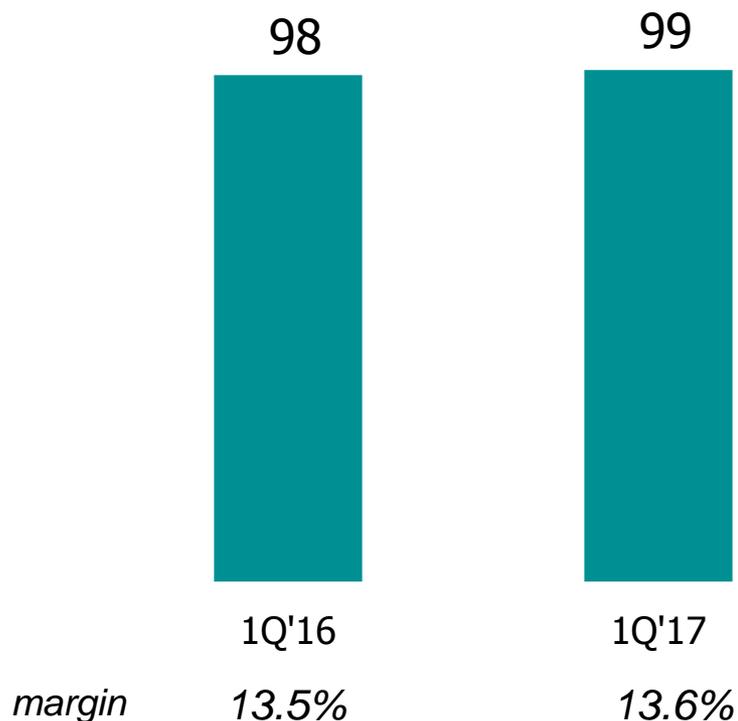
- Investing in innovation, insights, and operational excellence across voice and digital platforms
- Revenue increase with several clients across vertical markets
  - + growth with half of top 20 clients
  - program changes w/some large clients masking underlying stability
- Strong new business signings
  - + \$110M in 2017 revenue

Reported Revenue by Vertical\*  
(\$M)



\* 1Q'17 revenue includes \$8M adverse FX impacts

## Adjusted EBITDA (\$M)



- Adjusted OI: \$71M  
– margin: 9.8%
- Adjusted EBITDA: \$99M  
– margin: 13.6%
- On track to achieve 2017 guidance

Note: Adjusted results exclude \$13M discrete severance charges, \$7M intangible amortization, \$1M write-up depreciation expense, \$2M integration costs in 1Q'17 and \$7M intangible amortization and \$3M write-up depreciation expense in 1Q'16.

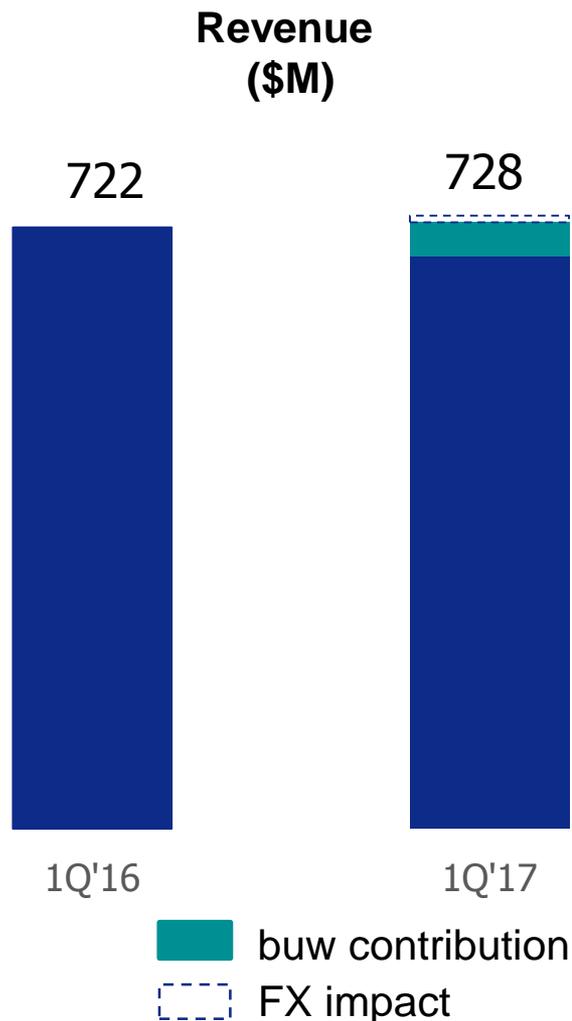
- Solid revenue, profit and cash generation
- Investing for long-term profitable growth, sustained value creation
- Returning capital to shareholders
- Raised quarterly dividend, fifth consecutive year

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## 1Q'17 Update

- Revenue: \$728M
  - constant currency basis up 2%
  - \$8M FX impact (-1%)
  - \$41M *buw* contribution (+6%)
- Y/Y impacts
  - + growth with existing programs, acquisition volume, new clients
  - lower volumes with some clients, program completions, FX impact
- Q/Q expectations
  - 2Q sequential decrease 5% to 6%
  - + 3Q/4Q improvements

<b>\$Millions</b>	<b>1Q'16</b>	<b>1Q'17</b>
Adjusted operating income	71	71
<i>Margin</i>	<i>9.8%</i>	<i>9.8%</i>
Adjusted EBITDA	98	99
<i>Margin</i>	<i>13.5%</i>	<i>13.6%</i>
Adjusted net income	52	52
Adjusted EPS	\$0.50	\$0.52

## 1Q'17 Update

- Y/Y impacts
  - + buw contribution, efficient labor management, mix shift offshore, FX impact
- Q/Q expectations
  - 2Q17 investment for 2H program ramps similar to last year
  - + 3Q/4Q flow through improvements

Note: Adjusted results exclude \$13M discrete severance charges, \$2M integration costs, \$7M intangible amortization and \$1M write-up depreciation in 1Q'17, and \$7M intangible amortization and \$3M write-up depreciation expense in 1Q'16.

<b>\$Millions</b>	<b>1Q'16</b>	<b>1Q'17</b>
Cash provided by operating activities	77	33
Capital expenditures, net	<u>(11)</u>	<u>(9)</u>
Free cash flow	66	24
Acquisition-related payments	<u>1</u>	<u>2</u>
Adjusted free cash flow	67	26

<b>\$Millions</b>	<b>1Q'16</b>	<b>1Q'17</b>
Cash and short term investments	233	189
Debt maturing in one year	3	1
Long-term debt	316	343
Net cash/ST investments (debt)	(86)	(156)

## 1Q'17 Update

- ~30% of cash and short term investments in US
- \$22 million of shares repurchased, \$9 million dividend paid
- Available liquidity: > \$500M

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	<b>2017 Guidance</b>
<b>Constant currency revenue growth</b>	<b>-3% to +1%</b>
<b>Adjusted EBITDA margin</b>	<b>~12.5%</b>
<b>Adjusted effective tax rate</b>	<b>~20%</b>
<b>Diluted shares outstanding (M)</b>	<b>~102.5</b>
<b>Adjusted EPS growth</b>	<b>-3% to +3%</b>
<b>Adjusted free cash flow</b>	<b>~ adjusted NI</b>

For the rest of the year, the company expects seasonal sequential decreases in revenue, EBITDA and EPS in the second quarter, with sequential improvement in quarterly results beginning in the third quarter of 2017.

This guidance does not include severance charges in the first quarter related to discrete actions to streamline the business, acquisition-related impacts such as integration costs, transaction costs, intangible amortization and depreciation related to the fair value write-up of acquired property and equipment, as well as impacts from future currency movements, non-cash pension settlement charges, or any future share repurchase activities. Adjusted effective tax rate reflects the Company's expectations for the effective tax rate, excluding the tax impact of items discussed above, tax expense associated with cash repatriation and significant discrete tax adjustments.