

# CONVERGYS



## 2nd Quarter 2017 Earnings Presentation

August 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 or outsourcing trends 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; (xii) costs associated with conversions of our convertible debentures that may occur from time to time; and (xiii) 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).

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

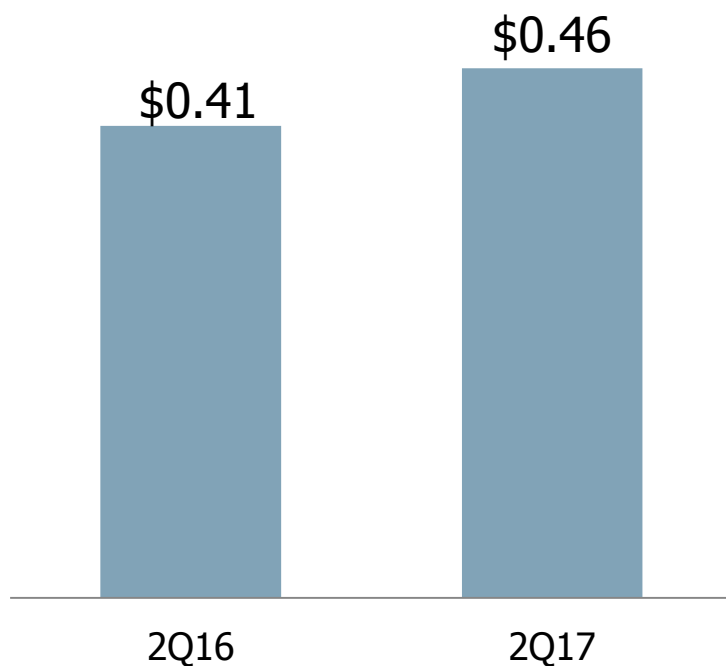
Operating results

Financial review

Business outlook



## Adjusted EPS

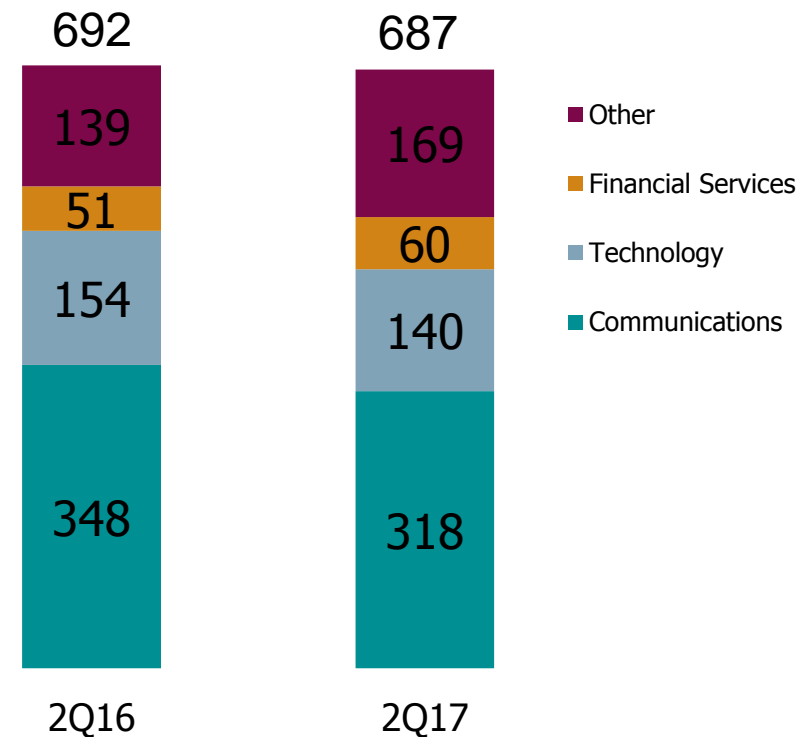


- 2Q results consistent with expectations
  - + revenue: \$687M, including \$7M FX impact
  - + adjusted EBITDA: \$86M
  - + adjusted EPS: \$0.46; up 12% Y/Y
  - + adjusted FCF: \$72M
- Capital returns: \$31M
  - + dividend: \$9M
  - + share repurchase: \$22M
  - + EOQ repurchase authorization: \$99M

Note: Adjusted EPS in 2Q'17 excludes \$7M intangible amortization, \$1M write-up depreciation expense, \$1M integration costs. Adjusted EPS in 2Q'16 excludes \$7M intangible amortization, \$2M write-up depreciation expense, \$2M integration and transaction costs.

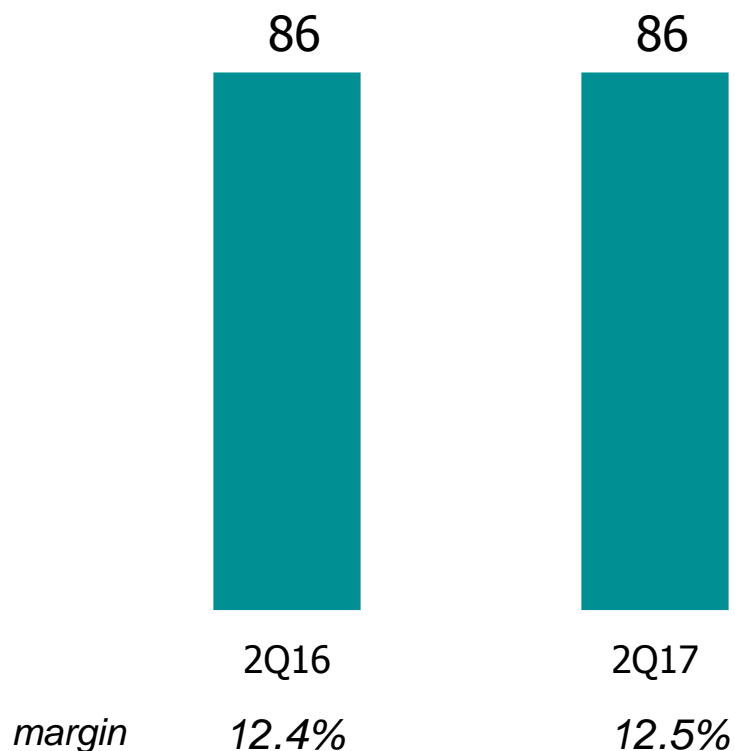
## Reported Revenue by Vertical\* (\$M)

- Growth with existing, new clients across vertical markets
  - + growth with 9 of top 20 clients
  - program changes with largest clients
- Revising FY revenue expectations
  - anticipate 2H call volume fluctuations
- Upward trend in digital engagement
  - + investing in voice/digital platforms
- Solid new business signings
  - + \$157M in 2018 revenue
  - + \$82M in 2017 revenue



\* 2Q'17 revenue includes \$7M adverse FX impacts

## Adjusted EBITDA (\$M)



- Adjusted OI: \$58M  
+ margin: 8.5%, +20 bps
- Adjusted EBITDA: \$86M  
+ margin: 12.5%, +10 bps
- Improved FY profit expectations  
+ higher adjusted EBITDA margin  
+ EPS at upper end of prior range

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

- 2Q results consistent with expectations
- Solid new business signings across verticals
- Investing for long-term profitable growth
- Returning capital to investors

Operating results

Financial review

Business outlook







## 2Q'17 Update

- Revenue: \$687M
  - similar to prior year on constant currency basis
  - \$7M FX impact (-1%)
  - \$42M *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
  - 3Q similar to 2Q
  - + 4Q improvement

<b>\$Millions</b>	<b>2Q'16</b>	<b>2Q'17</b>
Adjusted operating income	58	58
<i>Margin</i>	<i>8.3%</i>	<i>8.5%</i>
Adjusted EBITDA	86	86
<i>Margin</i>	<i>12.4%</i>	<i>12.5%</i>
Adjusted net income	42	46
Adjusted EPS	\$0.41	\$0.46

## 2Q'17 Update

- Y/Y impacts
  - + buw contribution, efficient labor management, mix shift offshore, FX impact
  - lower organic volume
- Q/Q expectations
  - 3Q investment, volume softness, currency translation adjustments
  - + 4Q flow through improvements

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

<b>\$Millions</b>	<b>2Q'16</b>	<b>2Q'17</b>
Cash provided by operating activities	80	90
Capital expenditures, net	<u>(23)</u>	<u>(19)</u>
Free cash flow	57	71
Acquisition-related payments	<u>1</u>	<u>1</u>
Adjusted free cash flow	58	72

<b>\$Millions</b>	<b>2Q'16</b>	<b>2Q'17</b>
Cash and short term investments	254	175
Debt maturing in one year	2	1
Long-term debt	307	289
Net cash/ST investments (debt)	(55)	(115)

## **2Q'17 Update**

- ~20% of cash and short term investments in US
- \$22 million of shares repurchased, \$9 million dividend paid
- Available liquidity: > \$500M

Operating results

Financial review

Business outlook



	Previous Guidance	Updated 2017 Guidance
Constant currency revenue change	-3% to +1%	<b>-4% to -2%</b>
Adjusted EBITDA margin	~12.5%	<b>~12.6%</b>
Adjusted effective tax rate	~20%	<b>~20%</b>
Diluted shares outstanding (M)	~102.5	<b>~100.5</b>
Adjusted EPS growth	-3% to +3%	<b>+1% to +3%</b>
Adjusted free cash flow	~ adjusted NI	<b>~ adjusted NI</b>

The Company also now expects third-quarter results to be approximately the same as second-quarter results with sequential improvements in the fourth quarter.

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.