

Convergys Corp. (CVG) - 13D

Friday, July 25, 2008

5:03 PM (EST)

13D Filing

Filer/Purchaser	Date of Filing	Transactions in Past 60 Days			Total Holdings		
		Dates of Purchase/Sale	Shares Purchased/(Sold)	Share Price/Range	Shares	Average Price	% of TSO
JANA Partners, LLC	7/25/2008	05/30/08 - 07/15/08	5,244,181	\$14.10 - \$16.04	12,221,975	\$15.98	9.90%

Item 4 Summary
 JANA initially reported its investment on a Schedule 13G filed on April 10, 2008. JANA initially acquired the shares for investment in the ordinary course of business because it believed the shares were undervalued and represented an attractive investment opportunity. Based on its evaluation of the Company's July 23, 2008 second quarter earnings announcement, which included a reduction in guidance for 2008 and which was followed by a significant decrease in the Company's closing share price, JANA determined to file this Schedule 13D to reserve its right to take steps to bring about changes to increase shareholder value which may include changes in the board composition, strategy and future plans of the Company. JANA has engaged in constructive dialogues with the members of the Company's Board and management and hopes to engage in future constructive dialogues including regarding such potential changes to increase shareholder value.

About the Filer
 The Filer manages approximately \$5.63 billion in 13F reportable holdings and has a total of 120 positions as of its most recent 13F filing. The Filer has made 18 significant 13D filings in its recent history and has taken Item 4 action in 10 of those filings.

Similar Activist History
 In its 2004 13D filing on Intercept, Inc., JANA nominated directors who would comprise a majority of the Board who would, if elected, seek to cause the Company to engage an investment banking firm to conduct a full and fair review of the best value-maximizing options for shareholders. JANA and the Company ultimately entered into a settlement that provided, among other things that (i) the Company will hire an investment banking firm to explore strategic alternatives to creating shareholder value, and (ii) the Board will be expanded to nine, and two of JANA's nominees will join the Board. The Company was sold just seven months after JANA's 13D filing, reaping JANA a 56.3% return on its investment over that time.

13D Comment
 JANA has a value-oriented and research-intensive approach to special situation public securities, capitalizing on the transactional legal and finance backgrounds of its principals. JANA has extensive activist experience but does not use activism as the primary strategy in its portfolio. However, when they do use activism, they are very effective. They are experienced in using letters, proxy fights, shareholder communications and lawsuits to achieve their activist goals. They do not use activism to agitate boards and management, but to implement sound, well-conceived business strategies that they strongly believe in. In the 13 historical 13D filings that they have exited, they have averaged a 49.0% rate of return (versus an average of 15.9% for the S&P 500 during the same time periods). Moreover, eight of those 13 filings were exited when the company ultimately merged with, or was acquired by, another company or private equity firm.

Relative Size of Investment: 2.6% of the Filer's total 13F holdings; 310.2% of the size of its average investment; and 38.6% of the size of its largest investment.

Proxy Timeline

Last Annual Meeting: April 22, 2008

Next Annual Meeting: tbd

Shareholder Proposal Notification Deadlines: For proposals to be included in the Company's proxy statement at the 2009 Annual Meeting: November 10, 2008; For proposals not to be included in the Company's proxy statement: January 25, 2009 (or else the Company will have the right to exercise discretionary voting authority with respect to the proposal without including information regarding such proposal in its proxy materials); For director nominations: November 15, 2008.

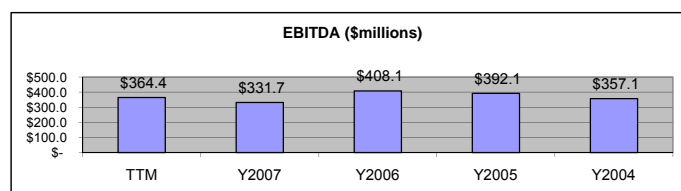
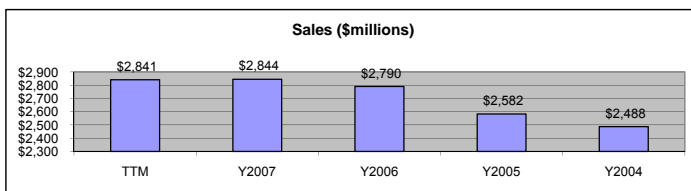
Business Overview

- Convergys provides solutions that drive more value from the relationships clients have with their customers and employees. It turns the everyday interactions into a source of profit and advantage for their clients. Its combination of domain expertise, operational excellence and innovative technologies has delivered process improvement and actionable business insight to clients that span more than 70 countries and 35 languages. It operates through three segments: (i) Customer Management: provides outsourced customer care solutions as well as professional and consulting services to in-house customer care operations; (ii) Information Management: provides convergent rating, charging and billing solutions for the global communications industry; and (iii) HR Management: provides human resource business process outsourcing solutions and learning solutions. Its facilities are located in the United States, Canada, Latin America, Europe, the Middle East and Asia.
- State of Incorporation: OH; Principal Place of Business: Cincinnati, Ohio.

Material Factors

- Board Composition:** The Company has an eleven person, three class, staggered Board with four directors up for election in 2009 and 2010 and three directors up for election in 2011. The Board and executive officers own 2.56% of the outstanding common stock of the Company, 79.8% of which are subject to stock options.
- Material Change in Control Agreements:** The Company has change of control agreements with certain employees providing for, among other things, the accelerated vesting of stock options and payments of up to three times their annual cash compensation if the employee is terminated (other than for cause) or resigns with good reason in connection with a change of control.
- Shareholder Rights Plan:** The Company has a shareholder rights plan ("poison pill") that triggers upon the acquisition of 15% of the outstanding common stock of the Company and expires on December 1, 2008.
- Top Ten Institutional Holders:** JANA Partners, LLC: 12,221,975 shares (9.90%); Fort Washington Investment Advisors, Inc.: 7,445,910 shares (6.03%); RS Investments: 7,238,390 shares (5.86%); Vanguard Group, Inc.: 5,364,766 shares (4.34%); Barclays Global Investors, N.A.: 4,057,207 shares (3.28%); State Street Global Advisors (US): 3,768,875 shares (3.05%); BlackRock Investment Management, LLC: 3,349,394 shares (2.71%); Wells Capital Management Inc.: 2,688,709 shares (2.18%); Fidelity Management & Research: 2,608,157 shares (2.11%); Kenmare Capital Partners, L.L.C.: 2,473,040 shares (2%).

Sales and EBITDA

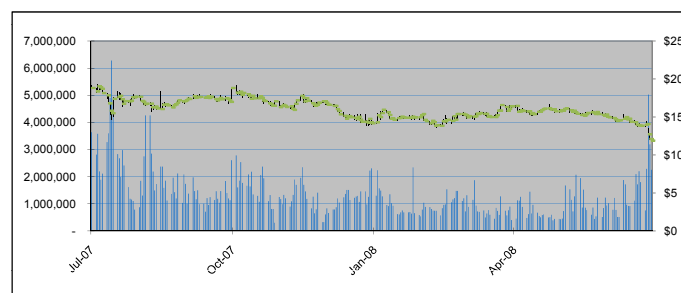


Summary Financial Information

Equity Market Cap	\$1.47B
Enterprise Value	\$1.68B
EBITDA (LTM Ending 03/31/2008)	\$364.40M
EV/EBITDA	4.61 x

Stock Price Performance

Stock Price	\$11.90
52 Week High (Date)	\$19.22 (07/31/07)
52 Week Low (Date)	\$11.77 (07/25/08)
Average Trading Volume	2,238,526
Average Trading Value	\$27,108,550



Stock Price @ 07-26-07	\$18.75	Stock Price @ 07-26-05	\$14.59	Stock Price @ 07-26-03	\$16.70
One Year Return	-35.41%	Three Year Return	-17.00%	Five Year Return	-27.49%