



# Third-Quarter 2017 Financial Results

[www.unisys.com/investor](http://www.unisys.com/investor)

Peter Altabef | President & CEO  
Inder Singh | SVP & CFO

October 30, 2017

# Disclaimer

---

- Statements made by Unisys during today's presentation that are not historical facts, including those regarding future performance, are forward-looking statements under the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations and assumptions and involve risks and uncertainties that could cause actual results to differ from expectations. These risks and uncertainties are discussed in the company's reports filed with the SEC and in today's earnings release.
- Although appropriate under generally accepted accounting principles (GAAP), the company's results reflect charges that the company believes are not indicative of its ongoing operations and that can make its profitability and liquidity results difficult to compare to prior periods, anticipated future periods, or to its competitors' results. These items consist of pension and cost-reduction and other expense. Management believes each of these items can distort the visibility of trends associated with the company's ongoing performance. Management also believes that the evaluation of the company's financial performance can be enhanced by use of supplemental presentation of its results that exclude the impact of these items in order to enhance consistency and comparativeness with prior or future period results. The following measures are often provided and utilized by the company's management, analysts, and investors to enhance comparability of year-over-year results, as well as to compare results to other companies in our industry: Non-GAAP Operating Profit; Non-GAAP Diluted Earnings per Share; Free Cash Flow and Adjusted Free Cash Flow; EBITDA and Adjusted EBITDA; and Constant Currency.
- From time to time Unisys may provide specific guidance regarding its expected future financial performance. Such guidance is effective only on the date given. Unisys generally will not update, reaffirm or otherwise comment on any prior guidance except as Unisys deems necessary, and then only in a manner that complies with Regulation FD.
- These presentation materials can be accessed on the Unisys Investor website at [www.unisys.com/investor](http://www.unisys.com/investor). Information in this presentation is as of October 30, 2017, and Unisys undertakes no duty to update this information.



## **CEO Remarks Peter Altabef**

---

# Progress on Key Strategic Initiatives

## Strategic Initiatives

## Progress in 3Q17

### Use Industry Go-To-Market Strategy to Improve Revenue Trends

- ✓ Revenue decline of 2.5%, an **improvement of 510 basis points** versus rate of decline in prior-year period
  - ✓ Services revenue decline of 4.2%, an **improvement of 420 basis points** versus prior-year period
- ✓ New Business and total company ACV up significantly year over year
- ✓ Pipeline\* for industry application products and related services of >\$800M
- ✓ Growth in focus industry revenue

### Maintain Consistency in Technology Revenue

- ✓ Strong Technology quarter with revenue up 10 percent year over year

### Leverage our Security Expertise to Drive Revenue

- ✓ Stealth progress with deal signings
- ✓ Overall security pipeline grew by 59%

### Improve Services Profitability

- ✓ Services operating margin up year over year and sequentially
- Services gross margins up sequentially, although declined slightly year over year; more progress needed on Services operating margins

# Go-To-Market Progress

## 3Q17 TCV

**Total Company**  
\$624M

44% YoY decline\*

**New Business**  
\$214M

38% YoY growth

## 3Q17 ACV

**Total Company**  
\$400M

14% YoY growth

**New Business**  
\$116M

151% YoY growth

## 3Q17 Pipeline\*\*

**Total Company**  
\$12.3B

22% YoY growth

**New Business**  
\$9.6B

18% YoY growth

**Security**  
>\$790M

59% YoY growth

**Industry Application  
Products & Related Services**  
>\$800M

8% sequential growth\*\*\*

3Q17 Focus Industry Revenue (45% of total revenue) up 7%  
year over year

\* YoY decline largely due to a tough compare against prior-year period in which a large 12-year contract was signed

\*\* Pipeline represents prospective sale opportunities being pursued or for which bids have been submitted. There is no assurance that pipeline will translate into recorded revenue.

\*\*\* Sequential comparison given recent launch of many of the solutions



## **CFO Remarks Inder Singh**

---

# Financial Highlights

## Improvement in Revenue Trends

- 3Q17 revenue of \$666M, flat sequentially and a 2.5% YoY decline, a 510 basis point improvement vs. the rate of decline a year ago

## Improved Services and Technology Performance

- 3Q17 Technology revenue up 10% YoY; significantly higher than expectations
- Services revenue decline of 4.2% YoY, a 420 basis point improvement vs. the rate of decline a year ago

## Improvement in Margins

- 3Q17 Services operating margin improved 480 basis points sequentially and 60 basis points year over year
- Non-GAAP operating margin up 370 basis points sequentially and 60 basis points year over year

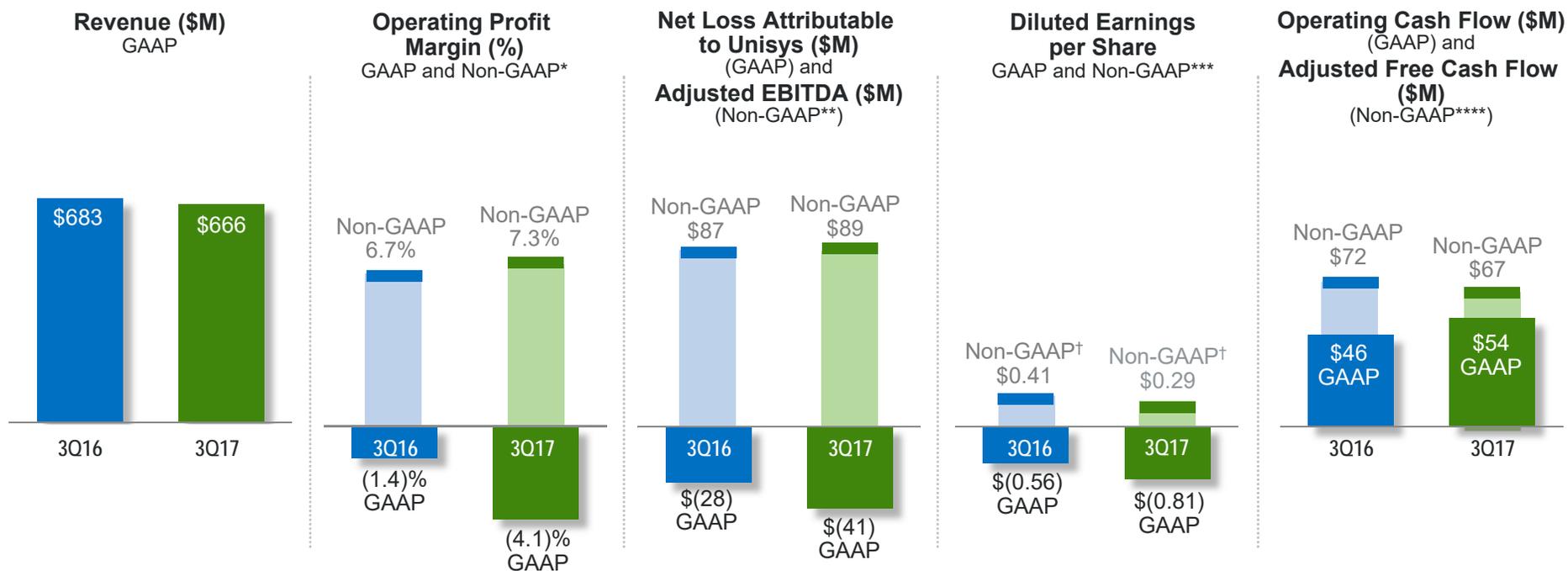
## Working Capital Improvements Implemented

- Increased working capital conversion
  - Expected longer-term benefit: \$30M total in 2017; \$100M-\$125M in total by YE 2018

## Continued Progress with Balance Sheet Management

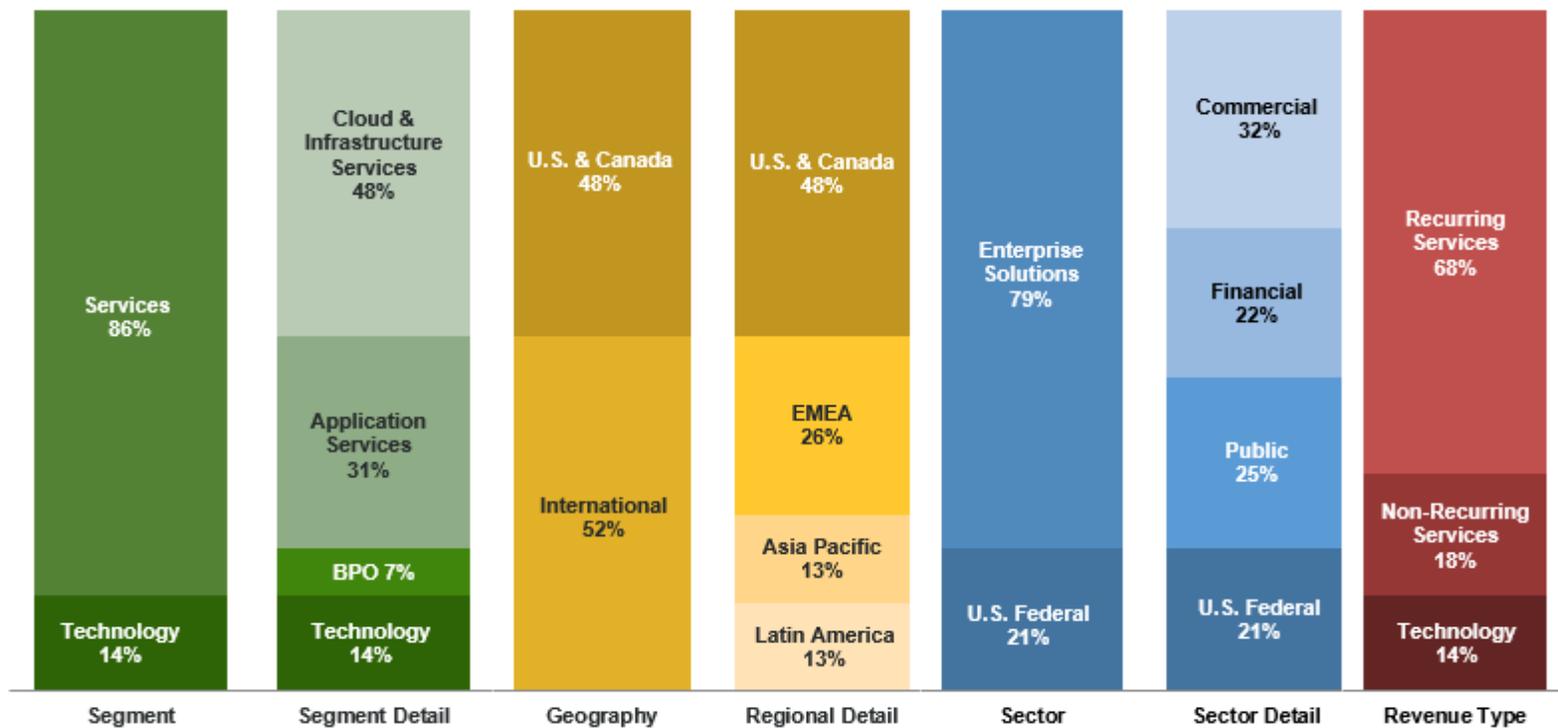
- New 5-year ABL facility signed in October to replace previous facility due June 2018
- Continue to reduce future funding exposure in European defined benefit pension plans

# 3Q17 Financial Results



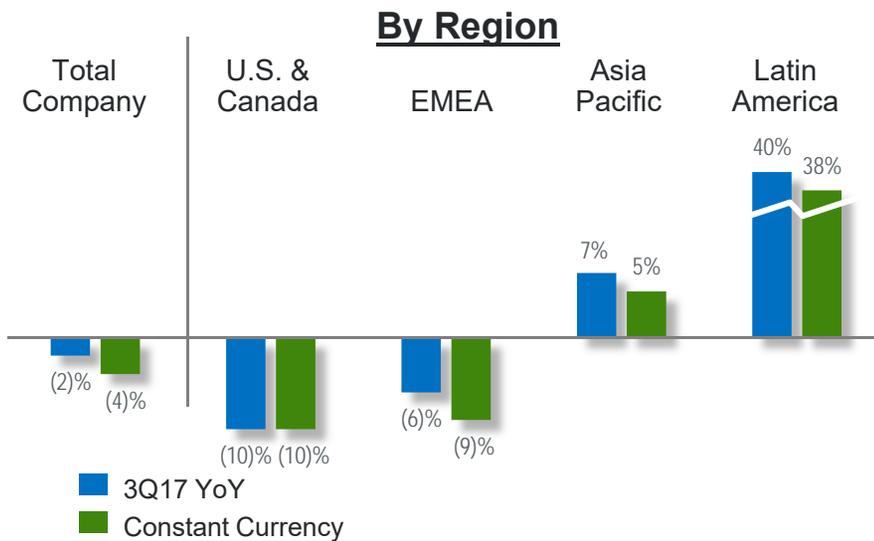
# 3Q17 Unisys Revenue Profile

Percent of Third Quarter 2017 Revenue

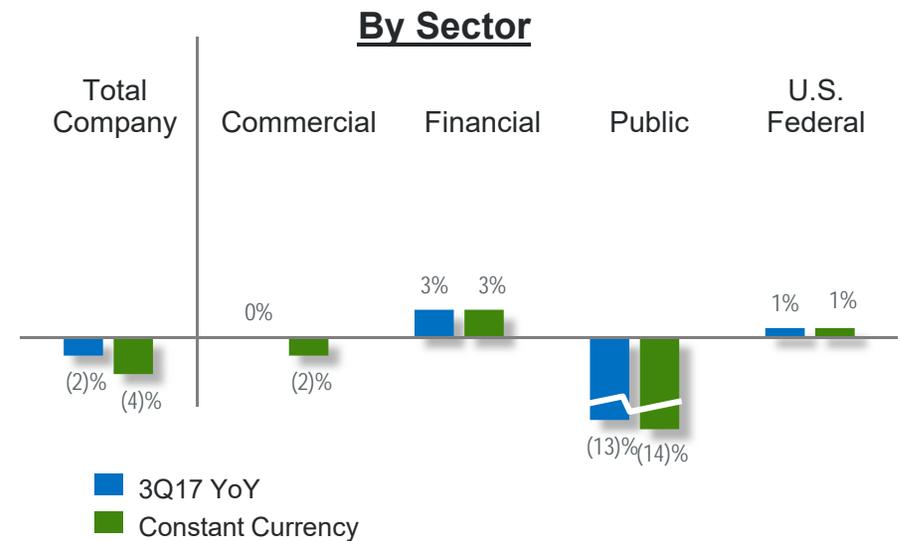


# 3Q17 Revenue Growth Trends

## By Region and Sector



- Strong quarter for Latin America in both Services and Technology
- Strong quarter for Asia Pacific in both Services and Technology
- EMEA saw improvement in revenue trends sequentially, although Technology had a challenging quarter
- U.S. & Canada saw declines in Technology and Services



- Roughly flat to up quarter for all sectors other than Public Sector
  - Public saw encouraging signings with new clients such as VicRoads
- Financial Services helped by strength in commercial and retail banking

# 3Q17 Segment Trends

Segment Results		
\$M	3Q17	YoY Change
<b>Services Segment</b>		
Services Revenue	\$576	(4)%
Services Gross Profit Margin	16.5%	(20) bps
Services Operating Profit Margin	3.2%	60 bps
<b>Technology Segment</b>		
Technology Revenue	\$91	10%
Technology Gross Profit Margin	53.3%	(650) bps
Technology Operating Profit Margin	31.1%	(120) bps

# 3Q17 Cash Flow Comparison

\$M	3Q16	3Q17
Operating Cash Flow	\$46	\$54
Capital Expenditures	\$37	\$47
Free Cash Flow*	\$9	\$7
Adjusted Free Cash Flow*	\$72	\$67
EBITDA**	\$29	\$12
Adjusted EBITDA**(1)	\$87	\$89

See Schedule \*D and \*\*B: GAAP to Non-GAAP Reconciliation

(1): In connection with our previously announced cost reduction program, we recognized cost reduction and other expenses of \$46.1 million of pretax charges (which includes \$5.7 million of net foreign currency translation gains related to exiting foreign countries impacted by the cost reduction plan reducing the Other (income) expense adjustment) impacting Adjusted EBITDA by \$51.8 million for the quarter ended September 30, 2017.



## Questions & Answers

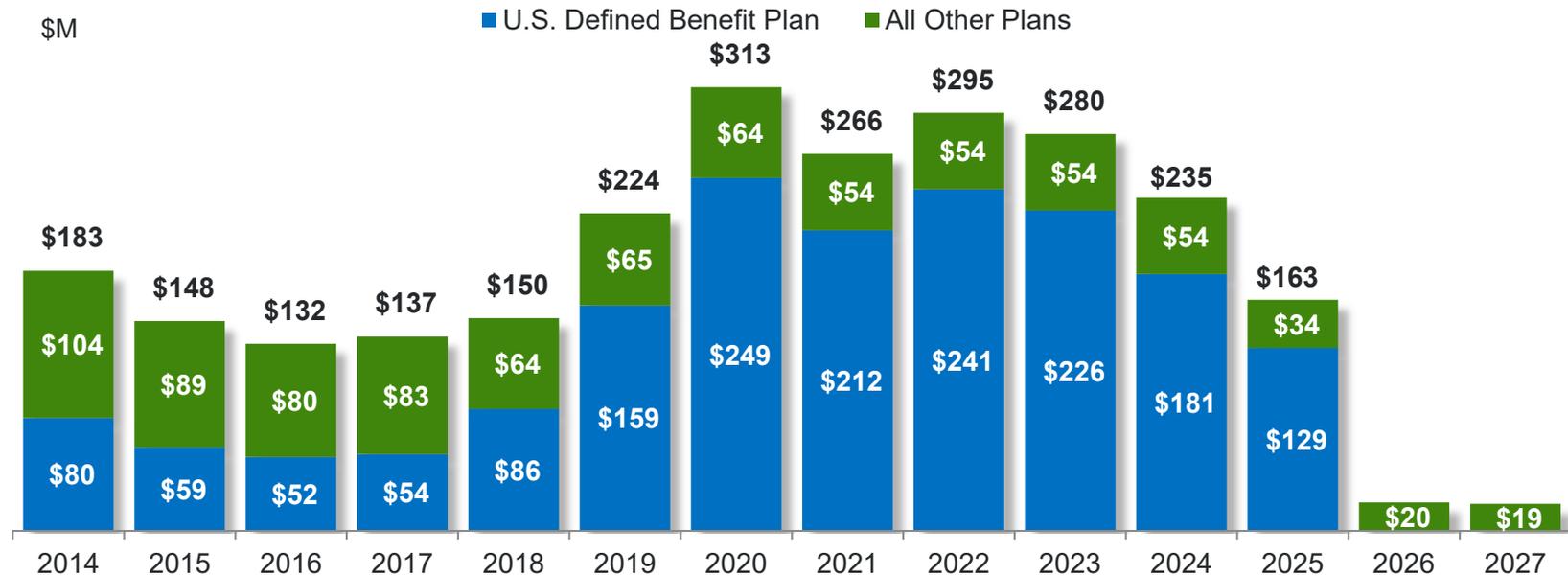
---



# Appendix

---

# Estimated Future Pension Cash Contributions



The funding estimates for our U.S. qualified defined benefit pension plan are based on estimated asset returns and the funding discount rates used for the U.S. qualified defined benefit plan as of year end 2016. These estimates have not been updated to reflect asset performance through September. These also assume adoption of updated mortality table for U.S. funding purposes on January 1, 2018, although preliminary analysis of IRS regulations indicate that this impact may be delayed until January 1, 2019. The future funding requirements are likely to change based on, among other items, market conditions and changes in discount rates.

Current estimates for future contributions to international plans are based on local funding regulations and agreements as of year-end 2016 and are likely to change based on a number of factors including market conditions, changes in funding agreements, changes in discount rates and changes in currency rates.

# Impact of Convertible Notes on Earnings Per Share (EPS) (Illustrative Example)

Illustrative Example

	Three Months Ended, 20XX	
	(\$M, except per share data)	
<b>Basic Earnings per Share</b>		
Net Income	\$	12.0
Weighted average shares (000)		50,500
Basic Earnings per Share	\$	0.24
<b>Diluted Earnings per Share</b>		
Net income	\$	12.0
Add interest expense on convertible notes, net of tax	\$	4.8
Net income	\$	16.8
Weighted average shares (000)		50,500
Plus incremental shares from assumed conversions of Convertible notes		21,900
Adjusted weighted average shares (000)		72,400
Diluted Earnings per Share	\$	0.23

Only dilutive with quarterly income of \$12M or greater

- Under generally accepted accounting principles (GAAP) the dilutive effect of the Convertible Senior Notes (notes) on EPS is accounted for by the if-converted method
  - This method requires that the numerator be adjusted by the interest expense on an after-tax basis
  - This method also assumes the notes are converted at the beginning of the period and the resulting common shares should be included in the denominator
- Application of the if-converted method is **only** applicable if impact is dilutive

# Potential Economic Benefit of Unisys Tax Assets

\$M as of Dec. 31, 2016

Description		Unisys Net Deferred Tax Assets <sup>(1)</sup>	Future Available Reductions in Taxable Income
	<b>U.S.</b>		
NOLs and Tax Credits	Net Operating Loss – Federal & State	\$656	\$1,302
	Tax Credits	408	1,166
Pension and Other	Pension	631	1,657
	Other Deferred Tax Assets	<u>152</u>	<u>400</u>
	<b>Total available U.S.</b>	<b>\$1,847</b>	<b>\$4,525</b>
	<b>Non-U.S.</b>		
Foreign Tax Attributes	Net Operating Loss – Non-U.S.	\$234	\$924
	Pension and other – Non-U.S.	<u>143</u>	<u>650</u>
	<b>Total available Non-U.S.</b>	<b><u>\$377</u></b>	<b><u>\$1,574</u></b>
	<b>Total available</b>	<b>\$2,224</b>	<b>\$6,099</b>
	Valuation Allowance <sup>(1)</sup>	<u>(2,084)</u>	
	<b>Total Net Deferred Tax Asset <sup>(1)</sup></b>	<b>\$140</b>	

(1): The elements listed above are for informational purposes only and are based on expectations and assumptions defined in the Form 10-K filed for December 31, 2016. See Critical Accounting Policies – Income Taxes for the assessment of the realization of company's deferred tax assets and liabilities and Footnote 7 in 2015 Form 10-K.

Net Deferred Tax Assets represent the tax effected difference between the book and tax basis of assets and liabilities. Deferred tax assets represent future deductions against taxable income or a credit against a future income tax liability. Deferred tax liabilities represent taxable amounts in future years when the related asset or liability is recovered.

Valuation Allowance - US GAAP requires net deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or the entire deferred tax asset will not be realized. The factors used to assess the likelihood of realization are the company's historical profitability, forecast of future taxable income and available tax-planning strategies that could be implemented to realize the net deferred tax assets. The company considers tax-planning strategies to realize or renew net deferred tax assets to avoid the potential loss of future tax benefits.

# Non-GAAP and Other Information

Although appropriate under generally accepted accounting principles (GAAP), the company's results reflect charges that the company believes are not indicative of its ongoing operations and that can make its profitability and liquidity results difficult to compare to prior periods, anticipated future periods, or to its competitors' results. These items consist of pension and cost-reduction and other expense. Management believes each of these items can distort the visibility of trends associated with the company's ongoing performance. Management also believes that the evaluation of the company's financial performance can be enhanced by use of supplemental presentation of its results that exclude the impact of these items in order to enhance consistency and comparativeness with prior or future period results. The following measures are often provided and utilized by the company's management, analysts, and investors to enhance comparability of year-over-year results, as well as to compare results to other companies in our industry.

**Total Contract Value** – TCV is the estimated total contractual revenue related to signed contracts including option years and without regard for cancellation terms. New business TCV represents TCV attributable to new scope for existing clients and new logo contracts.

**Annual Contract Value** – ACV represents the amount of revenue expected to be recognized during the first twelve months following the signing of a contract.

**Constant currency** – The company refers to growth rates in constant currency or on a constant currency basis so that the business results can be viewed without the impact of fluctuations in foreign currency exchange rates to facilitate comparisons of the company's business performance from one period to another. Constant currency is calculated by retranslating current and prior period results at a consistent rate.

**Non-GAAP operating profit** The company recorded pretax pension expense and pretax charges in connection with cost-reduction activities and other expenses. For the company, non-GAAP operating profit excluded these items. The company believes that this profitability measure is more indicative of the company's operating results and aligns those results to the company's external guidance which is used by the company's management to allocate resources and may be used by analysts and investors to gauge the company's ongoing performance.

**Non-GAAP diluted earnings per share** – The company has recorded pension expense and charges in connection with cost-reduction activities and other expenses. Management believes that investors may have a better understanding of the company's performance and return to shareholders by excluding these charges from the GAAP diluted earnings/loss per share calculations. The tax amounts presented for these items for the calculation of non-GAAP diluted earnings per share include the current and deferred tax expense and benefits recognized under GAAP for these amounts.

**Free cash flow** – The company defines free cash flow as cash flow from operations less capital expenditures. Management believes this liquidity measure gives investors an additional perspective on cash flow from on-going operating activities in excess of amounts used for reinvestment.

**Adjusted free cash flow** – Because inclusion of the company's pension contributions and cost-reduction and other payments in free cash flow may distort the visibility of the company's ability to generate cash flow from its operations without the impact of these non-operational costs, management believes that investors may be interested in adjusted free cash flow, which provides free cash flow before these payments. This liquidity measure was provided to analysts and investors in the form of external guidance and is used by management to measure operating liquidity.

**EBITDA & adjusted EBITDA** – Earnings before interest, taxes, depreciation and amortization (EBITDA) is calculated by starting with net income (loss) attributable to Unisys Corporation common shareholders and adding or subtracting the following items: net income attributable to noncontrolling interests, interest expense (net of interest income), provision for income taxes, depreciation and amortization. Adjusted EBITDA further excludes pension expense, cost-reduction and other expense, non-cash share-based expense, and other (income) expense adjustment. In order to provide investors with additional understanding of the company's operating results, these charges are excluded from the adjusted EBITDA calculation.

## Schedule A: GAAP to Non-GAAP Reconciliation

# Operating Profit

\$M	3Q16	3Q17
<b>GAAP operating profit (loss)</b>	<b>\$(9.8)</b>	<b>\$(27.0)</b>
Cost-reduction charges and other expense	34.6	51.8
Pension expense	21.2	23.6
<b>Non-GAAP operating profit (loss)</b>	<b>\$46.0</b>	<b>\$48.4</b>
Customer revenue	\$683.3	\$666.3
GAAP operating profit (loss) %	(1.4)%	(4.1)%
Non-GAAP operating profit (loss) %	6.7%	7.3%

## Schedule B: GAAP to Non-GAAP Reconciliation

# EBITDA and Adjusted EBITDA

### Earnings Before Interest, Taxes, Depreciation and Amortization

\$M	3Q16	3Q17
<b>Net income (loss) attributable to Unisys</b>	<b>\$(28.2)</b>	<b>\$(41.1)</b>
Net income (loss) attributable to noncontrolling interests	3.1	(11.8)
Interest expense, net of interest income of \$2.9 & \$2.5, respectively*	4.8	13.9
Provision for (benefit of) income tax	9.9	12.5
Depreciation <sup>(1)</sup>	23.3	22.8
Amortization	15.6	15.3
<b>EBITDA</b>	<b>\$28.5</b>	<b>\$11.6</b>
Pension expense	21.2	23.6
Cost-reduction and other expense** <sup>(1)</sup>	34.6	45.8
Non-cash share-based expense	2.4	2.4
Other (income) expense adjustment***	0.6	5.2
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$87.3</b>	<b>\$88.6</b>

\* Included in Other (income) expense, net on the Consolidated Statements of Income

\*\* Adjusted to exclude duplication of D&A

\*\*\* Other (income) expense, net as reported on the Consolidated Statements of Income less interest income and item included in cost reduction

(1): In connection with our previously announced cost reduction program, we recognized cost reduction and other expenses of \$46.1 million of pretax charges (which includes \$5.7 million of net foreign currency translation gains related to exiting foreign countries impacted by the cost reduction plan reducing the Other (income) expense adjustment) impacting Adjusted EBITDA by \$51.8 million for the quarter ended September 30, 2017.

## Schedule C: GAAP to Non-GAAP Reconciliation

# Earnings per Diluted Share

\$M except share and per share data		3Q16	3Q17
<b>GAAP net income (loss) attributable to Unisys Corporation common shareholders</b>		<b>\$(28.2)</b>	<b>\$(41.1)</b>
Cost-reduction and other expense:	Pretax	34.6	46.1
	tax provision (benefit)	(2.6)	(1.2)
	net of tax	32.0	44.9
	minority interest		(11.1)
	net of minority interest	32.0	33.8
Pension expense:	pretax	21.2	23.6
	tax provision (benefit)	0.3	(0.1)
	net of tax	21.5	23.5
<b>Non-GAAP net income (loss) attributable to Unisys Corporation common shareholders</b>		<b>\$25.3</b>	<b>\$16.2</b>
Add interest expense on convertible notes		4.6	4.8
<b>Non-GAAP net income (loss) attributable to Unisys Corporation for diluted earnings per share</b>		<b>\$29.9</b>	<b>\$21.0</b>
Weighted average shares (thousands)		50,082	50,471
Plus incremental shares from assumed conversion of employee stock plans & convertible notes		22,094	22,109
<b>GAAP adjusted weighted average shares</b>		<b>72,176</b>	<b>72,580</b>
<b>Diluted earnings (loss) per share</b>			
<i>GAAP basis</i>			
GAAP net income (loss) attributable to Unisys Corporation for diluted earnings per share		\$(28.2)	\$(41.1)
Divided by adjusted weighted average shares		50,082	50,471
<b>GAAP earnings (loss) per diluted share</b>		<b>\$(0.56)</b>	<b>\$(0.81)</b>
<i>Non-GAAP basis</i>			
Non-GAAP net income (loss) attributable to Unisys Corporation for diluted earnings per share		\$29.9	\$21.0
Divided by non-GAAP adjusted weighted average shares		72,176	72,580
<b>Non-GAAP earnings (loss) per diluted share</b>		<b>\$0.41</b>	<b>\$0.29</b>

## Schedule D: GAAP to Non-GAAP Reconciliation

# Free Cash Flow

\$M	3Q16	3Q17
Cash provided by (used for) operations	\$46.1	\$53.9
Capital expenditures	(36.8)	(46.9)
<b>Free cash flow</b>	<b>\$9.3</b>	<b>\$7.0</b>
Pension funding	39.9	39.6
Cost-reduction & other funding	23.1	20.2
<b>Adjusted free cash flow</b>	<b>\$72.3</b>	<b>\$66.8</b>