

# First-Quarter 2017 Financial Results

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April 24, 2017

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## **CEO Remarks Peter Altabef**

# 1Q17 Highlights

- Improving margins
- Traction with vertical strategy
- Relatively flat revenue, with positive trends in leading indicators
- Launched vertically-focused software offerings
- Active balance sheet management

Revenue from Unisys' focus industries comprised 43% of 1Q17 revenue and saw growth of 5.9% year over year.



**TCV<sup>1</sup>**  
up 26% YoY



**Overall Win Rate<sup>2</sup>**  
up YoY



**Focus Industry Pipeline**  
up 24% YoY



**Focus Industry Win Rate<sup>2</sup>**  
up YoY



**New Business TCV<sup>1</sup>**  
up 62% YoY



**New Business Win Rate<sup>2</sup>**  
up YoY

<sup>1</sup> TCV is the estimated total contractual revenue related to signed contracts  
<sup>2</sup> Win Rates are calculated on a \$ value basis



## **CFO Remarks Inder Singh**

# 1Q17 Financial Highlights

## Financial Initiatives

Improve **margins** of business overall



- Operating margins up 370 bps YoY
- Non-GAAP operating margins\* up 340 bps YoY
- Adjusted EBITDA margin\*\* up 370 bps YoY

Improve **profitability of Services** segment



- Services gross margins up 400 bps YoY
- Services operating margins up 400 bps YoY

**Improve** performance of **Technology** segment



- Technology revenue up 10% YoY

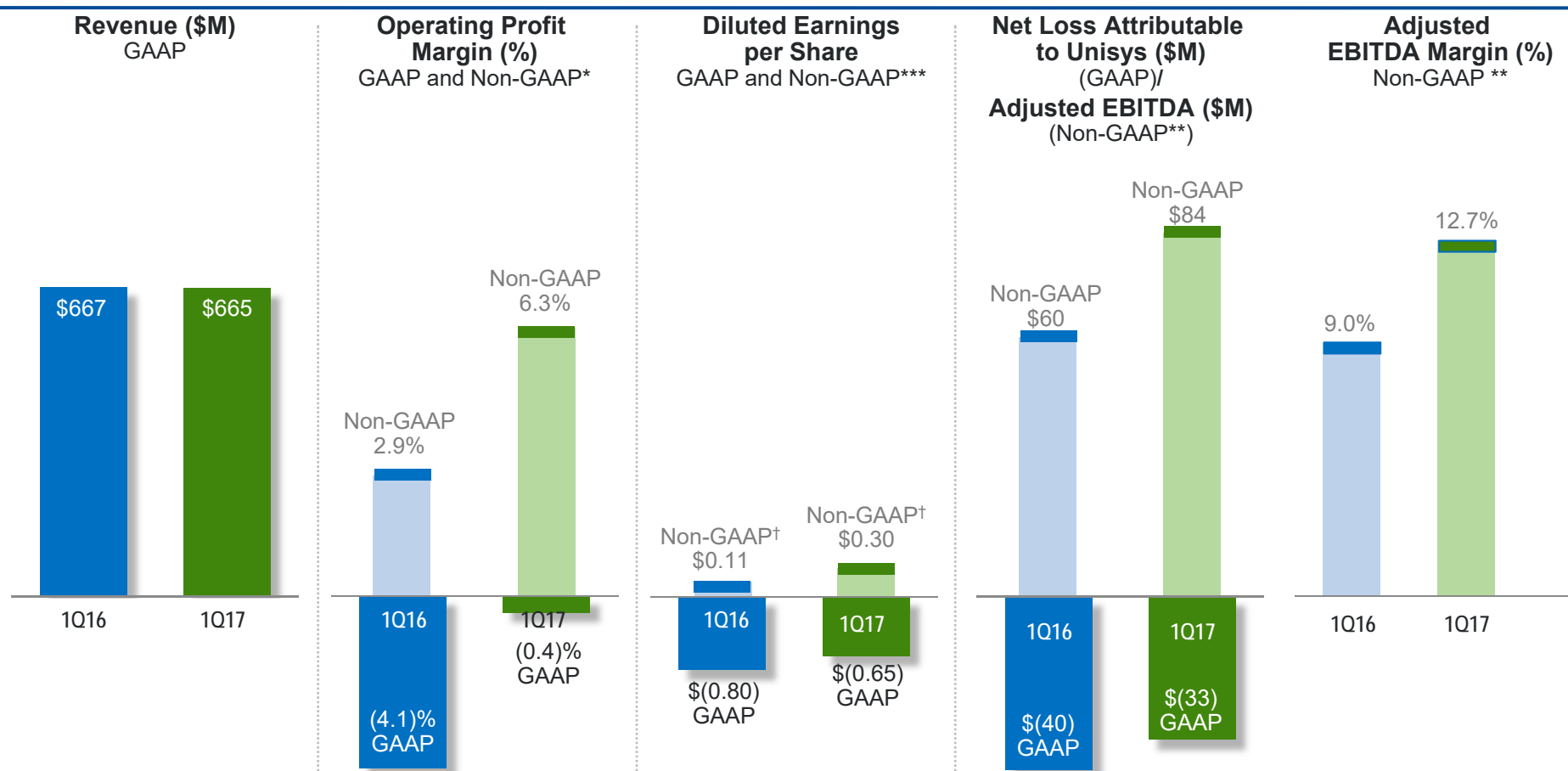
Actively manage **balance sheet**



- Successfully completed \$440M senior secured notes offering in April 2017
- DSOs improved by 2 days YoY

\* See Schedule \*A and \*\*B: GAAP to non-GAAP Reconciliation

# 1Q17 Financial Results



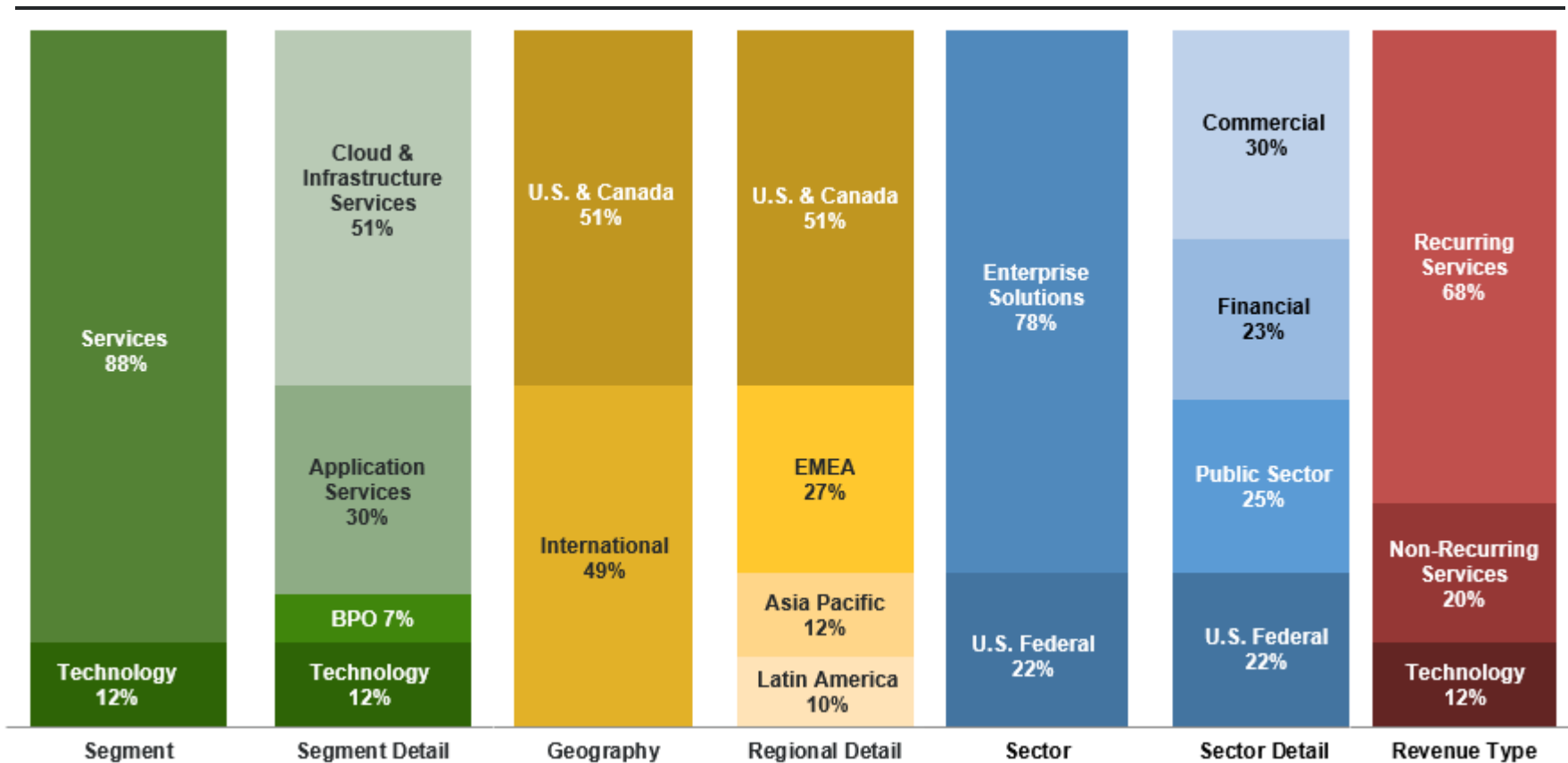
See Schedule \*A, \*\*B and \*\*\*C: GAAP to non-GAAP Reconciliation

† Non-GAAP adjusted weighted average shares were 72,511 in 1Q17 versus 50,138 in 1Q16 due to issuance of convertible notes and associated accounting treatment

1Q17 saw increased margins and relatively flat revenue, marking progress against the company's strategy

# 1Q17 Unisys Revenue Profile

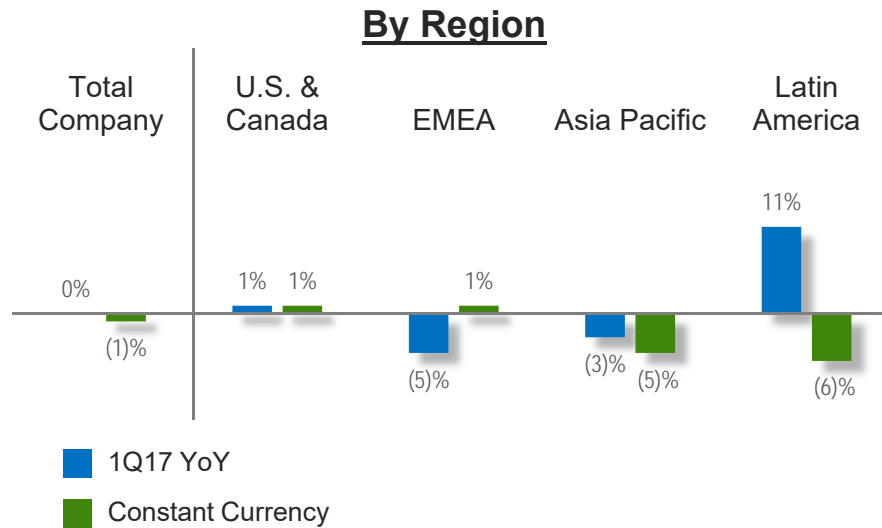
Percent of 1Q17 Revenue



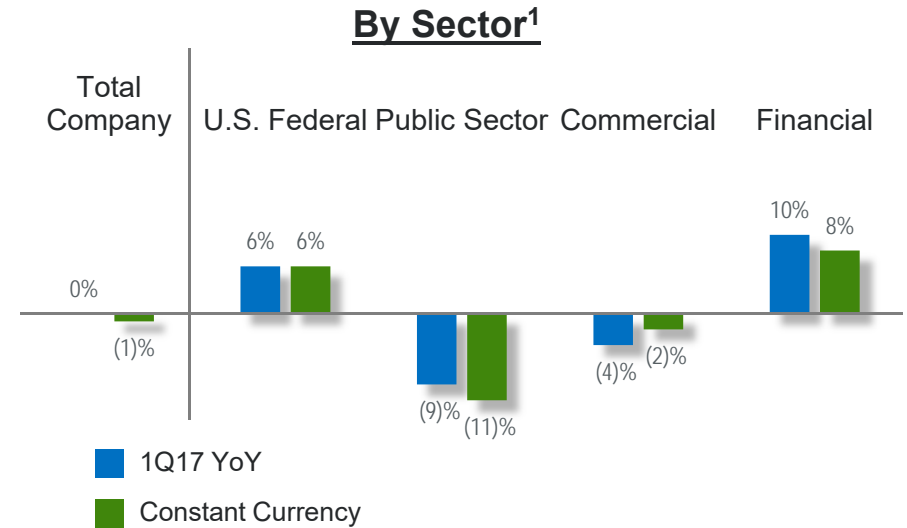


# 1Q17 Revenue Growth Trends

## By Region and Sector



- US & Canada revenue roughly flat YoY, as growth in Technology (including in US Federal) helped offset declines in Services revenue
- EMEA negatively impacted by currency, but relatively flat YoY on a constant-currency basis
- Asia Pacific helped by currency; saw strong Technology quarter, which helped offset modest weakness in Services
- Latin America helped by currency; saw strong growth in Services but was impacted by a lighter Technology quarter



- US Federal Services revenue was roughly flat YoY and saw a strong Technology quarter
- Public business also saw growth in Services but was impacted by a tough YoY compare in Technology
- Weakness in Commercial Services revenue, somewhat offset by strong Technology quarter
- Financial Services saw growth in both Services and Technology helped by growth in Commercial and Retail Banking focus industry, despite ongoing declines in check-processing business

<sup>1</sup> Prior year sector information has been conformed to current year presentation.

# 1Q17 Segment Trends

Segment Results			
\$M	1Q17	YoY Change	YoY Change in CC
<b>Services Segment</b>			
Services Revenue	\$585	(2)%	(2)%
Services Gross Profit Margin	18.2%	400 bps	
Services Operating Profit Margin	4.7%	400 bps	
<b>Technology Segment</b>			
Technology Revenue	\$79	10%	7%
Technology Gross Profit Margin	46.6%	(200) bps	
Technology Operating Profit Margin	15.4%	(270) bps	

# 1Q17 Cash Flow Comparison

\$M	1Q16	1Q17
Operating Cash Flow	\$26	\$(41)
Capital Expenditures	\$36	\$35
Free Cash Flow*	\$(10)	\$(76)
Adjusted Free Cash Flow*	\$40	\$(26)

- YoY change in cash flow metrics largely attributable to timing of receivables related to government clients
  - As previously disclosed, \$40M payment received in 1Q16 that had been due in 4Q15
  - Timing of collection of receivables from a few other government clients
- Capex improved slightly YoY, reflecting shift to asset-lite model
- 2 day improvement in DSOs YoY

\* See Schedule D: GAAP to non-GAAP Reconciliation

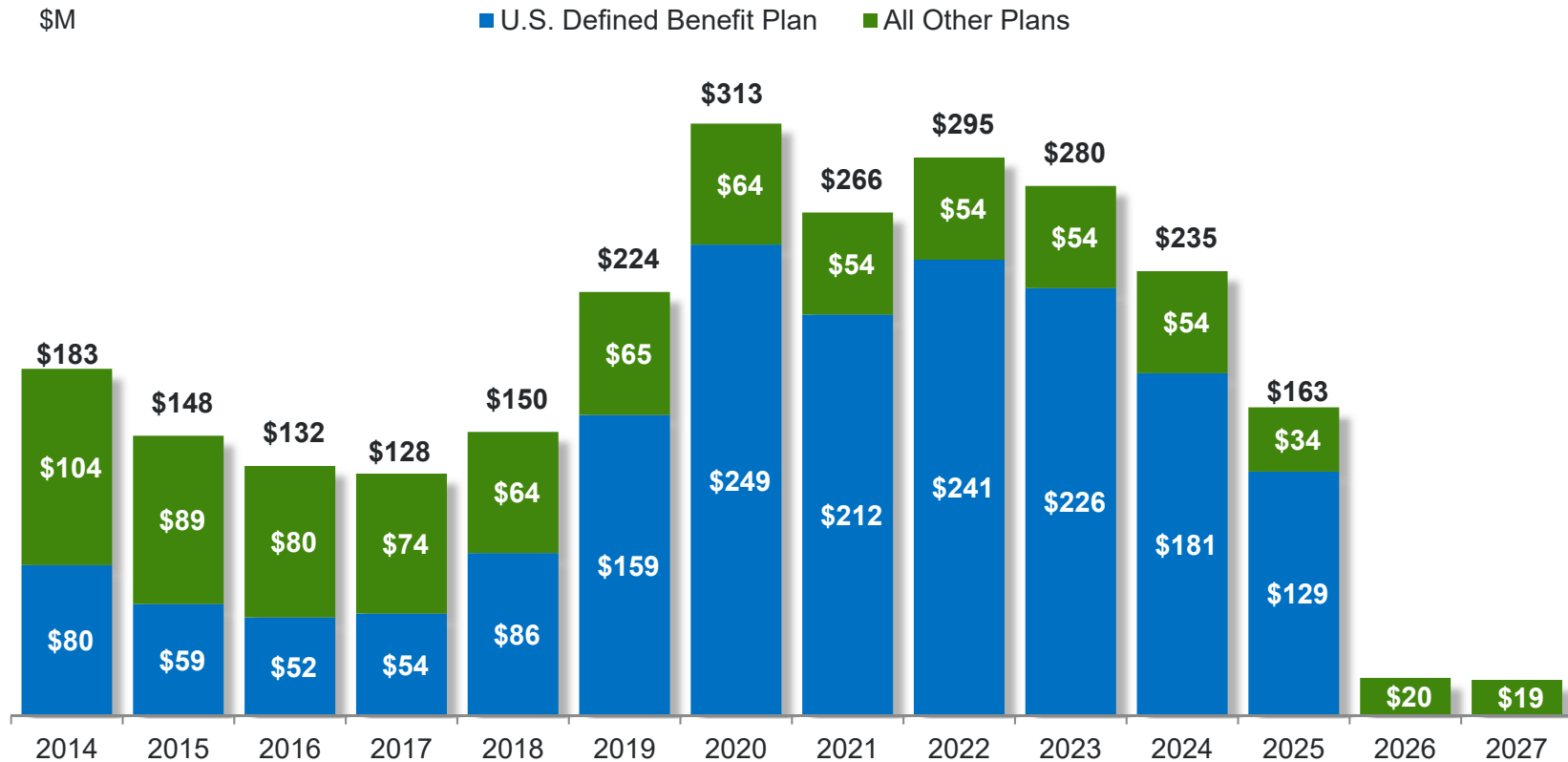


## Questions & Answers



# Appendix

# Estimated Future Pension Cash Contributions



The funding estimates for our U.S. qualified defined benefit pension plan are based on current estimated asset returns and the funding discount rates used for the U.S. qualified defined benefit plan which have been updated to reflect the year end 2016 discount rates. 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 and are likely to change in 2018 and beyond based on a number of factors including market conditions, changes in funding agreements, changes in discount rates and changes in currency rates.

Assumes adoption of updated mortality table for funding purposes on January 1, 2018.

# 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>		
<b>NOLs and Tax Credits</b>	Net Operating Loss – Federal & State	\$656	\$1,302
	Tax Credits	408	1,166
<b>Pension and Other</b>	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>		
<b>Foreign Tax Attributes</b>	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>\$377</b>	<b>\$1,574</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 2016 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

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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.

**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 required for reinvestment.

**Adjusted free cash flow** – Because inclusion of the company's pension contributions and cost-reduction 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 and is more indicative of its on-going operations. 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** – For the company, 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 expenses, non-cash share-based expense, and adjusted other (income) expense. In order to provide investors with additional understanding of the company's operating results, these charges are excluded from the adjusted EBITDA calculation. The company has also provided external guidance to investors and analysts that it thinks will aid any interested party in understanding and measuring the company's ongoing operations and profitability.



## Schedule A: GAAP to Non-GAAP Reconciliation

# Operating Profit

\$M	1Q16	1Q17
<b>Operating profit (loss)</b>	<b>\$(27.6)</b>	<b>\$(2.7)</b>
Cost-reduction charges and other expense	26.9	20.1
Pension expense	20.3	24.5
<b>Non-GAAP operating profit (loss)</b>	<b>\$19.6</b>	<b>\$41.9</b>
Customer revenue	\$666.8	\$664.5
GAAP operating profit (loss) %	(4.1)%	(0.4)%
Non-GAAP operating profit (loss) %	2.9%	6.3%

## Schedule B: GAAP to Non-GAAP Reconciliation

# EBITDA and Adjusted EBITDA

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

\$M6	1Q16	1Q17
<b>Net income (loss) attributable to Unisys</b>	<b>\$(39.9)</b>	<b>\$(32.7)</b>
Net income (loss) attributable to noncontrolling interests	1.2	3.0
Interest expense, net of interest income of \$2.4, \$2.5, respectively*	1.9	3.3
Income tax provision	5.5	12.9
Depreciation <sup>(1)</sup>	20.7	23.0
Amortization	16.4	15.7
<b>EBITDA</b>	<b>\$5.8</b>	<b>\$25.2</b>
Pension expense	20.3	24.5
Cost-reduction and other expense <sup>**</sup> (1)	26.9	25.4
Non-cash share-based expense	3.2	3.7
Other (income) expense adjustment <sup>***</sup> (1)	3.7	5.5
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$59.9</b>	<b>\$84.3</b>
Customer Revenue	\$666.8	\$664.5
<b>Adjusted EBITDA Margin %</b>	<b>9.0%</b>	<b>12.7%</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

(1) During the quarter ended March 31, 2017, the company recognized cost reduction and other expense of \$25.4 million of pretax charges which includes \$5.3 million of foreign currency translation losses related to exiting a foreign country impacted by the cost reduction plan that reduces the Other (income) expense adjustment.

## Schedule C: GAAP to Non-GAAP Reconciliation

# Earnings per Diluted Share

\$M except share and per share data		1Q16	1Q17
<b>Net income (loss) attributable to Unisys Corporation common shareholders</b>		<b>\$(39.9)</b>	<b>\$(32.7)</b>
Cost-reduction and other expense:	Pretax	26.9	25.4
	tax provision (benefit)	(2.2)	(0.5)
	net of tax	24.7	24.9
Pension expense:	pretax	20.3	24.5
	tax provision (benefit)	0.3	0.2
	net of tax	20.6	24.7
<b>Non-GAAP net income (loss) attributable to Unisys Corporation common shareholders</b>		<b>\$5.4</b>	<b>\$16.9</b>
Add interest expense on convertible notes		0.0	4.7
<b>Non-GAAP net income (loss) attributable to Unisys Corporation for diluted earnings per share</b>		<b>\$5.4</b>	<b>\$21.6</b>
Weighted average shares (thousands)		50,004	50,256
Plus incremental shares from assumed conversion of employee stock plans & convertible notes		134	22,256
<b>GAAP adjusted weighted average shares</b>		<b>50,138</b>	<b>72,511</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		\$(39.9)	\$(32.7)
Divided by adjusted weighted average shares		50,004	50,256
<b>GAAP earnings (loss) per diluted share</b>		<b>\$(0.80)</b>	<b>\$(0.65)</b>
<i>Non-GAAP basis</i>			
Non-GAAP net income (loss) attributable to Unisys Corporation for diluted earnings per share		\$5.4	\$21.6
Divided by non-GAAP adjusted weighted average shares		50,138	72,511
<b>Non-GAAP earnings (loss) per diluted share</b>		<b>\$0.11</b>	<b>\$0.30</b>

## Schedule D: GAAP to Non-GAAP Reconciliation

# Free Cash Flow

\$M	1Q16	1Q17
<b>Cash provided by (used for) operations</b>	<b>\$25.9</b>	<b>\$(41.0)</b>
Capital expenditures	(36.0)	(35.2)
<b>Free cash flow</b>	<b>(\$10.1)</b>	<b>(\$76.2)</b>
Pension funding	31.6	28.9
Cost-reduction and other payments	18.0	21.2
<b>Adjusted free cash flow</b>	<b>\$39.5</b>	<b>\$(26.1)</b>