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# First-Quarter 2020 Financial Results

April 28, 2020

Peter Altabef | Chairman & CEO

Mike Thomson | Senior Vice President & CFO

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

# Disclaimer

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- 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.
- Forward-looking statements include, but are not limited to, any projections of earnings, revenues, annual contract value ("ACV"), total contract value ("TCV"), new business ACV or TCV, backlog, pipeline or other financial items; any statements of the company's plans, strategies or objectives for future operations; statements regarding future economic conditions or performance; and any statements of belief or expectation.
- The impact from the rapidly changing market and economic conditions due to the COVID-19 outbreak is uncertain and is expected to impact our business and consolidated results of operations and could impact our financial condition in the future. At this time, we are unable to accurately predict the full impact that COVID-19 will have due to numerous uncertainties, including the severity of the disease, the duration of the outbreak, actions that may be taken by governmental authorities, the impact to the business of our customers and partners and other factors.
- Beginning January 1, 2020, the historical results of the company's U.S. Federal business have been reflected in the company's consolidated financial statements as discontinued operations. Prior-period financial statements have been reclassified to reflect the company's U.S. Federal business as discontinued operations. Throughout this presentation we will only refer to the company's continuing operations.
- 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 certain revenue adjustments and related profit consisting of post-retirement 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; EBITDA and Adjusted EBITDA, Non-GAAP Diluted Earnings per Share; Free Cash Flow and Adjusted Free Cash Flow; and Constant Currency.
- The company's non-GAAP results include adjustments to exclude certain revenue relating to reimbursements from the company's check-processing JV partners for restructuring expenses included as part of the company's restructuring program. For more information regarding these adjustments, please see our earnings release.
- 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 April 28, 2020, and Unisys undertakes no duty to update this information.

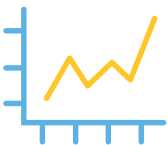
# 1Q20 Highlights



- Closed sale of U.S. Federal business March 13, 2020<sup>1</sup>; \$1.2 billion of proceeds
  - Net Leverage reduced from 4.3x as of December 31, 2019 to 2.7x as of March 31, 2020<sup>2</sup>
- Technology revenue growth of 11.2% YoY, ahead of internal expectations



- Non-GAAP operating profit growth of 7.1% YoY
  - Non-GAAP operating profit margin up 70 basis points YoY to 5.5%
- Adjusted EBITDA growth of 10.4% YoY
  - Adjusted EBITDA margin up 220 basis points YoY to 13.9%
- Non-GAAP EPS of \$0.01 vs. \$(0.11) in prior-year period



- Adjusted free cash flow improvement of \$28M YoY
- Capital expenditures \$30M lower YoY

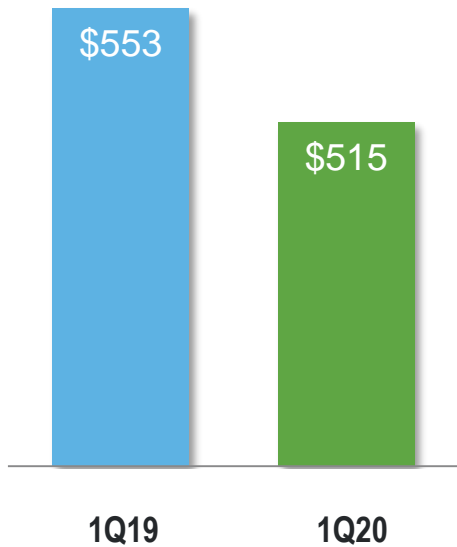
See appendix for a reconciliation of non-GAAP measures to their most comparable GAAP measures.

<sup>1</sup>Beginning January 1, 2020, the historical results of the company's U.S. Federal business have been reflected in the company's consolidated financial statements as discontinued operations. Prior-period financial statements have been reclassified to reflect the company's U.S. Federal business as discontinued operations. The metrics discussed herein will only refer to the company's continuing operations.

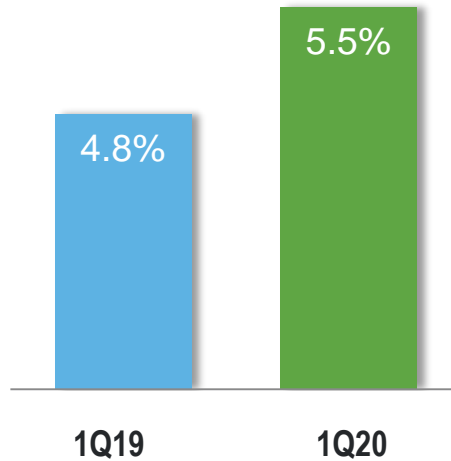
<sup>2</sup>Includes pension deficit based on 12/31/19 valuation, pro forma for approximately \$300 million of voluntary pension contributions made as of 3/31/20. 12/31/19 LTM Adj. EBITDA based on total company reported Adj. EBITDA. 3/31/20 LTM Adj. EBITDA pro forma for sale of U.S. Federal for full LTM period.

# 1Q20 Financial Results

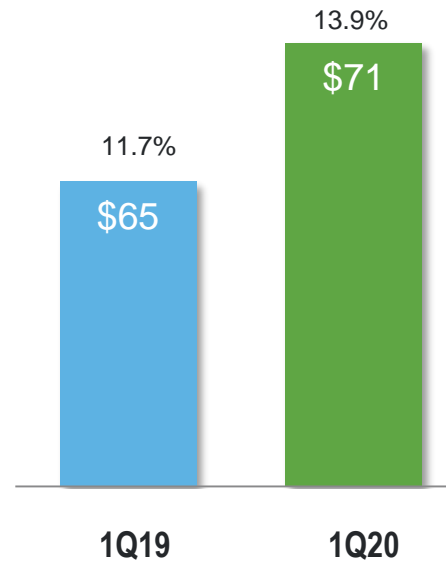
**Adjusted Revenue (\$M)**  
Non-GAAP



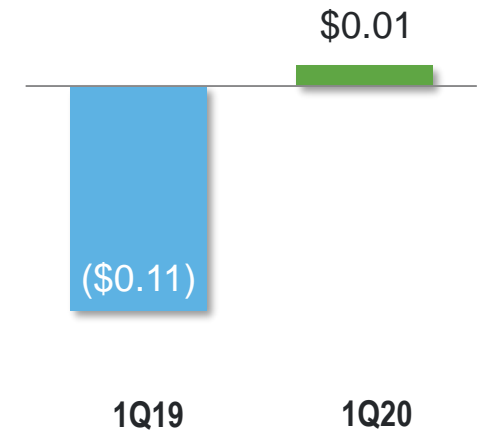
**Operating Profit Margin (%)**  
Non-GAAP



**Adjusted EBITDA (\$M) and Margin (%)**  
Non-GAAP

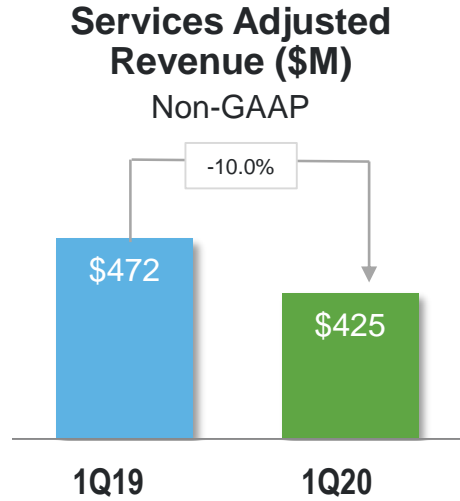


**Diluted Earnings per Share**  
Non-GAAP

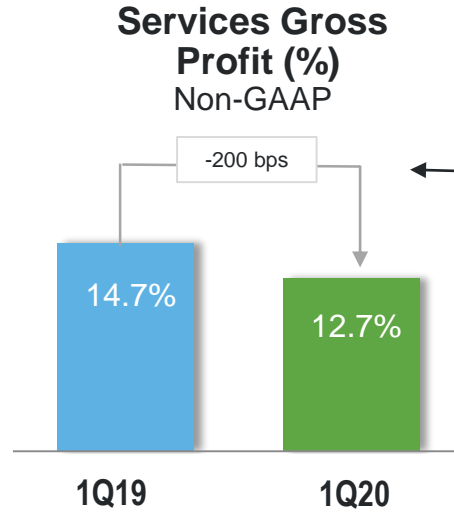


See appendix for a reconciliation of non-GAAP measures to their most comparable GAAP measures

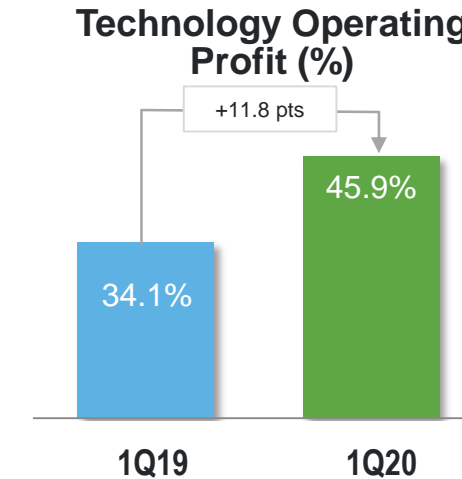
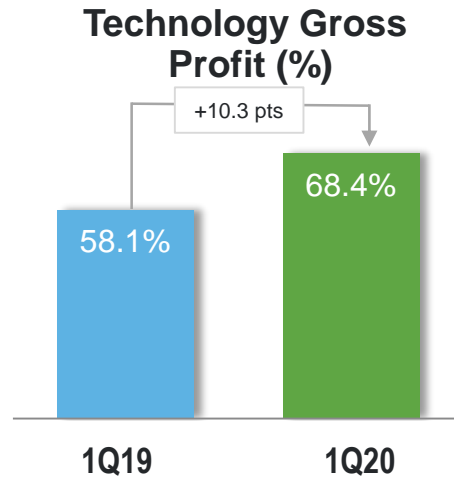
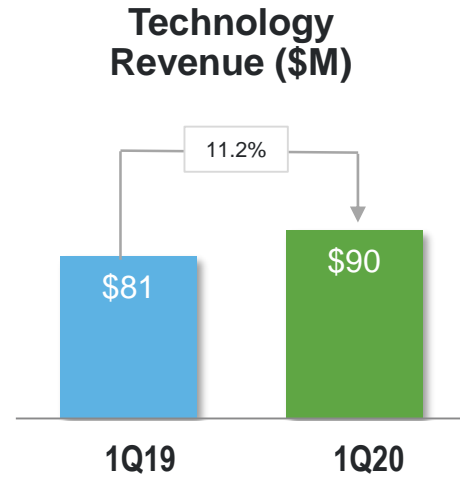
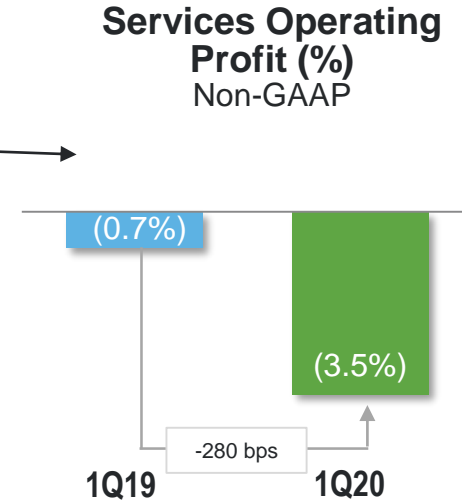
# 1Q20 Segment Results



YoY decline due to declines at check-processing JV (expected), FX and impact from COVID-19



YoY declines largely due to flow-through of COVID-related decline in demand for field services and declines in volume-based contracts, as well as delays in cost-savings initiatives



See appendix for a reconciliation of non-GAAP measures to their most comparable GAAP measures

# 1Q20 EBITDA and Cash Flow Results

\$M	1Q19	1Q20	YoY Change
EBITDA	\$26	\$7	(72.0%)
Adjusted EBITDA	\$65	\$71	10.4%
Adjusted EBITDA Margin	11.7%	13.9%	220 bps
Operating Cash Flow	(\$70)	(\$378)	(\$308)
Capital Expenditures	(\$58)	(\$28)	\$30
Free Cash Flow	(\$129)	(\$406)	(\$277)
Adjusted Free Cash Flow	(\$96)	(\$68)	\$28

Includes \$315 million of contributions to U.S. pension plans

See appendix for a reconciliation of non-GAAP measures to their most comparable GAAP measures.



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## Questions & Answers



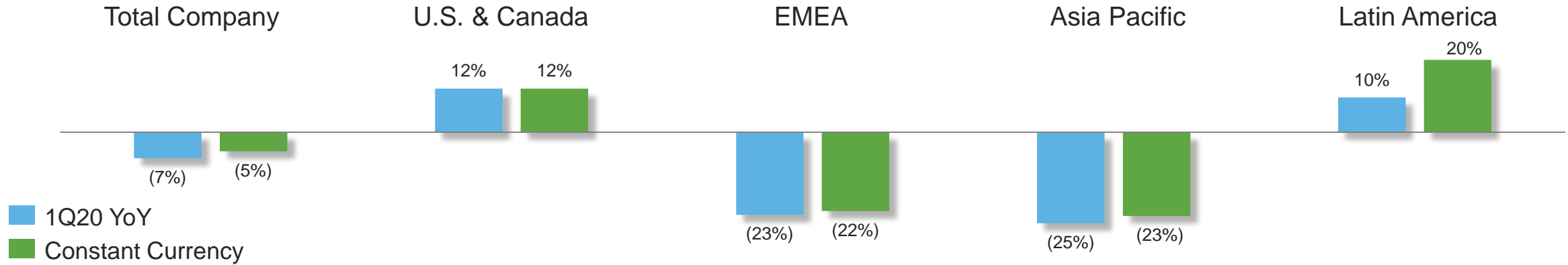
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# Appendix

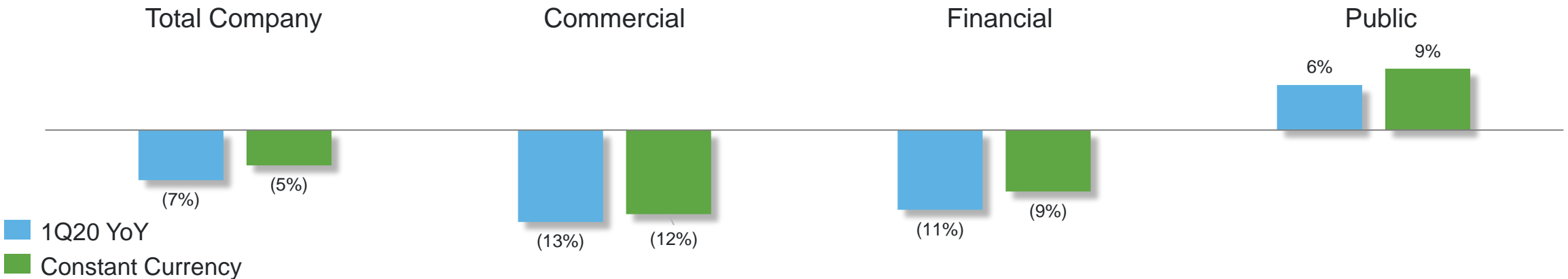


# 1Q20 Non-GAAP Adj. Revenue Growth by Region and Sector

## By Region<sup>1</sup>

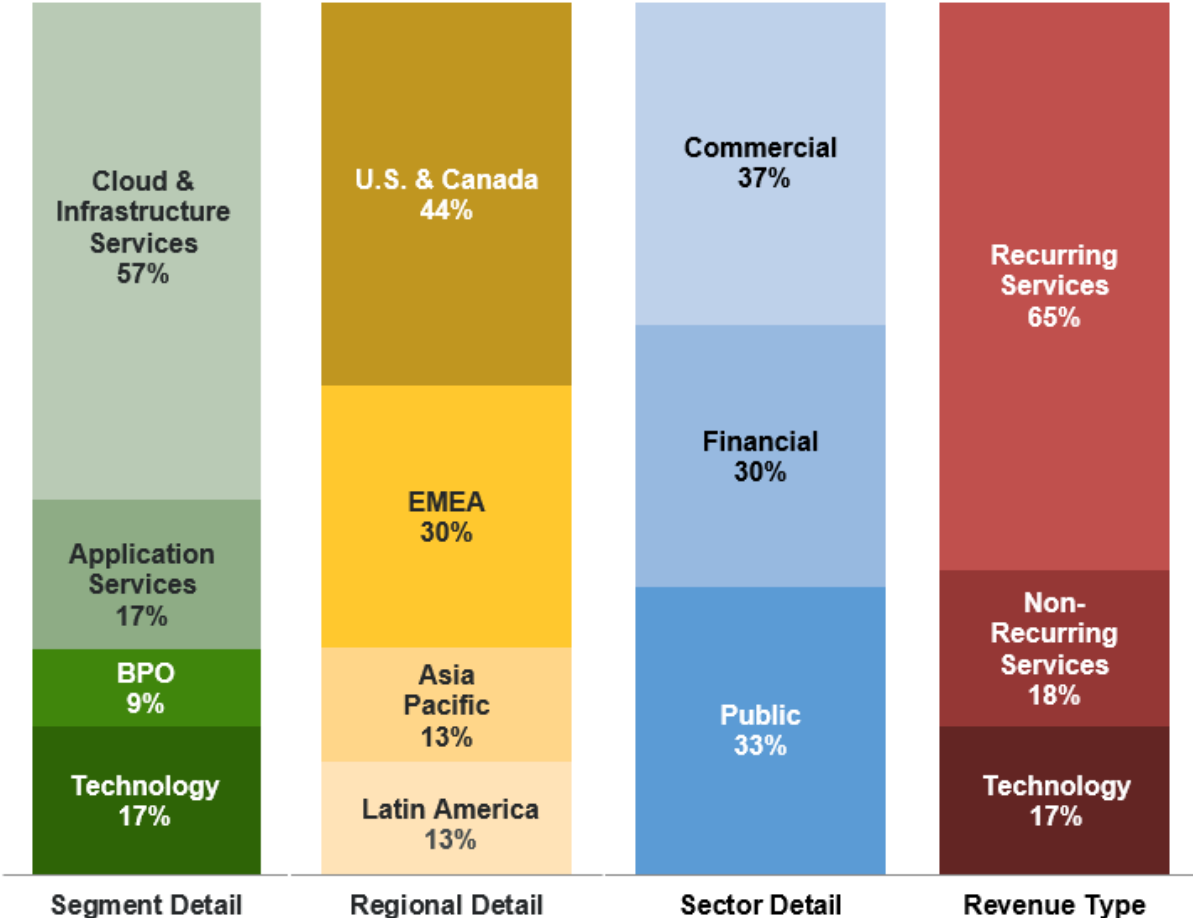


## By Sector<sup>1</sup>



# First Quarter 2020 Unisys Revenue Profile

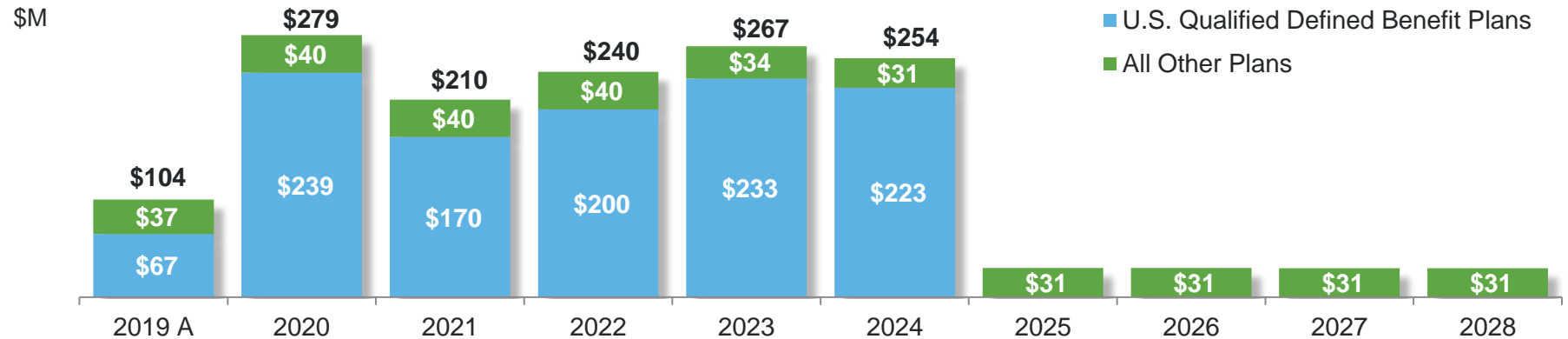
Percent of First Quarter 2020 Non-GAAP Adjusted Revenue<sup>1</sup>



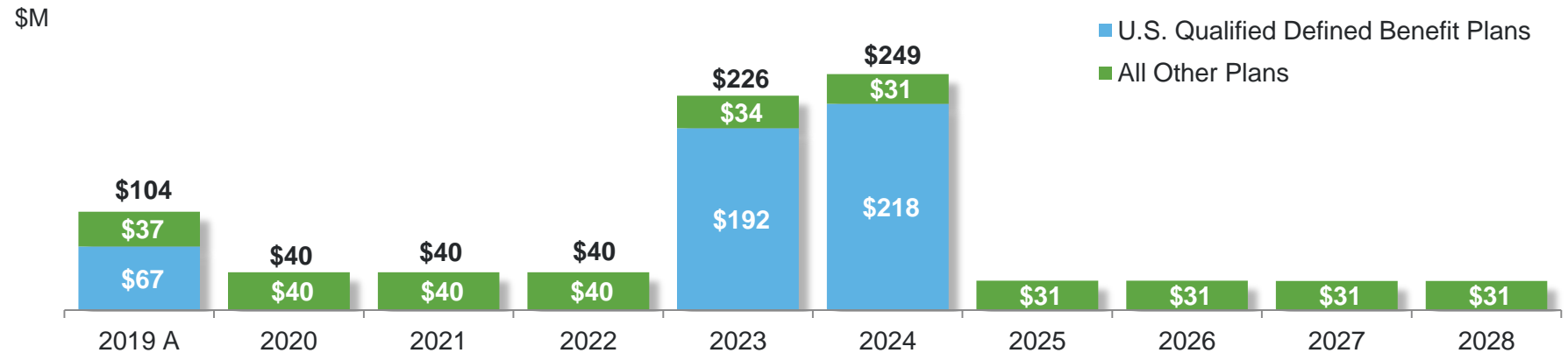
1. Numbers adjusted to exclude certain revenue relating to reimbursement from the company’s check processing JV partners for restructuring expenses (see additional detail starting on slide 20)

# Estimated Future Pension Cash Contributions Through 2028

Estimated Cash Contributions as of 12/31/19



Estimated Cash Contributions as of 12/31/19 Pro Forma for \$600M Contribution from Proceeds of U.S. Federal Business Sale<sup>1</sup>



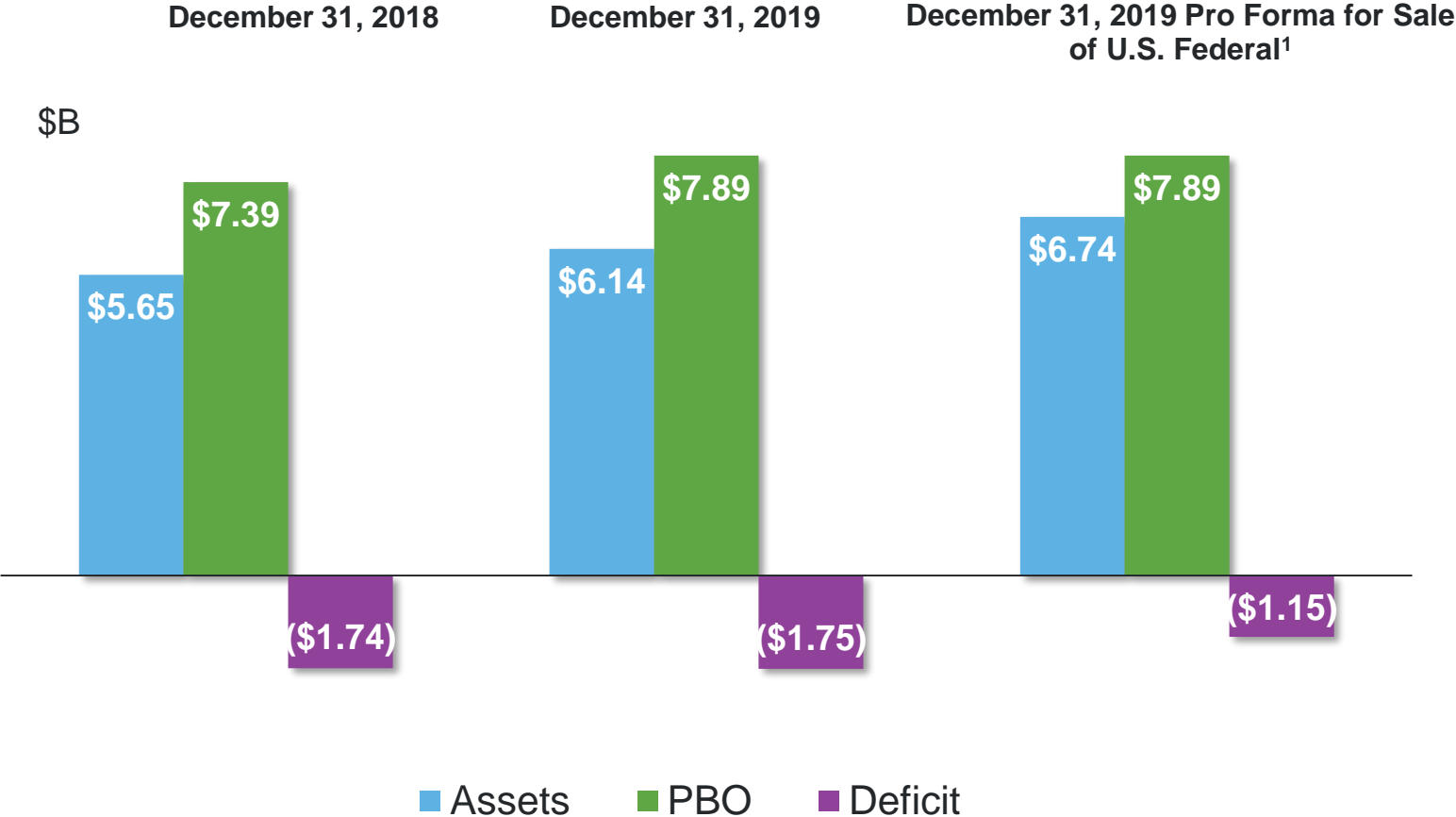
The funding estimates for our U.S. qualified defined benefit pension plans are based on estimated asset returns and the funding discount rates used for the U.S. qualified defined benefit plans as of year-end 2019. The future funding requirements are likely to change based on, among other items, market 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 2019 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.

Expected future pension cash contributions from 2029 to 2038 are approximately \$300M, all of which are to non-U.S. plans.

1. As of March 31<sup>st</sup>, 2020, we have contributed \$315M to the U.S. qualified defined benefit pension plans with an additional \$285M assumed to be contributed during the remainder of 2020.

# Defined Benefit Pension Plans Funded Status



In accordance with U.S. GAAP, discount rates are set annually at December 31.

<sup>1</sup>As of March 31<sup>st</sup>, 2020, we have contributed \$315M to the U.S. qualified defined benefit pension plans with an additional \$285M assumed to be contributed during the remainder of 2020.

# Potential Economic Benefit of Tax Assets

\$M

Description		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	\$596	\$1,657
	Tax Credits	241	1,148
Pension and Other	Pension	376	1,506
	Other Deferred Tax Assets	<u>60</u>	<u>240</u>
	<b>Total available U.S.</b>	<b>\$1,273</b>	<b>\$4,551<sup>2</sup></b>
	<b>Non-U.S.</b>		
Foreign Tax Attributes	Net Operating Loss – Non-U.S.	\$245	\$1,027
	Pension and other – Non-U.S.	<u>100</u>	<u>447</u>
	<b>Total available non-U.S.</b>	<b><u>\$345</u></b>	<b><u>\$1,474</u></b>
	<b>Total available</b>	<b>\$1,618</b>	<b>\$6,025</b>
	Valuation Allowance <sup>1</sup>	<u>(1,525)</u>	
	<b>Total Net Deferred Tax Asset <sup>1</sup></b>	<b>\$93</b>	

<sup>1</sup> 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, 2019. See Critical Accounting Policies – Income Taxes for the assessment of the realization of company's deferred tax assets and liabilities and Footnote 6 in 2019 Form 10-K that was filed on February 28, 2020.

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.

<sup>2</sup> The sale of the U.S. Federal business (closed in March 2020) will reduce future available reductions in U.S. federal taxable income by approximately \$1,036.

## Schedule A: GAAP to Non-GAAP Reconciliation

# Revenue and Operating Profit

\$M	1Q19	1Q20
<b>Reported revenue</b>	<b>\$554.5</b>	<b>\$515.4</b>
Restructuring reimbursement	(2.0)	(0.9)
<b>Non-GAAP adjusted revenue</b>	<b>\$552.5</b>	<b>\$514.5</b>
<b>Operating profit (loss)</b>	<b>\$25.2</b>	<b>\$20.1</b>
Restructuring reimbursement	(2.0)	(0.9)
Postretirement expense	0.8	0.8
Cost reduction expense	2.6	8.5
<b>Non-GAAP operating profit (loss)</b>	<b>\$26.6</b>	<b>\$28.5</b>
GAAP operating profit (loss) %	4.5%	3.9%
Non-GAAP operating profit (loss) %	4.8%	5.5%

## Schedule B: GAAP to Non-GAAP Reconciliation

# EBITDA and Adjusted EBITDA

\$M	1Q19	1Q20
<b>Net income (loss) from continuing operations attributable to Unisys</b>	<b>(\$32.7)</b>	<b>(\$53.2)</b>
Net income (loss) attributable to noncontrolling interests	2.6	0.5
Interest expense, net of interest income of \$2.9, \$2.4 respectively *	12.6	11.5
Provision for income tax	9.4	10.8
Depreciation	25.0	24.2
Amortization	9.5	13.6
<b>EBITDA</b>	<b>\$26.4</b>	<b>\$7.4</b>
Postretirement expense	23.5	23.5
Cost reduction and other charges***	2.5	30.9
Non-cash share-based expense	4.7	5.1
Other (income) expense adjustment**	7.6	4.5
<b>Adjusted EBITDA</b>	<b>\$64.7</b>	<b>\$71.4</b>

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

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

\*\*\* Reduced for depreciation and amortization included above & Disposals in Other Expense

## Schedule C: GAAP to Non-GAAP Reconciliation

# Net Income and EBITDA as a percentage of revenue

\$M	1Q19	1Q20
Revenue	\$554.5	\$515.4
Non-GAAP adjusted revenue	\$552.5	\$514.5
Net income (loss) from continuing operations as percentage of revenue	(5.9%)	(10.3%)
Non-GAAP net income (loss) from continuing operations attributable to Unisys Corporation as a percentage of non-GAAP revenue	(1.0%)	0.1%
Adjusted EBITDA as a percentage of non-GAAP revenue	11.7%	13.9%



## Schedule D: GAAP to Non-GAAP Reconciliation

# Earnings per Diluted Share

\$M except share and per share data		1Q19	1Q20
Net income (loss) from continuing operations attributable to Unisys Corporation common shareholders		(\$32.7)	(\$53.2)
Post-retirement expense:	pretax	23.5	23.5
	tax	(0.1)	0.3
	net of tax	23.6	23.2
Cost reduction and other expense:	pretax	3.6	30.9
	tax and minority interest	0.0	0.2
	net of tax	3.6	30.7
Non-GAAP net income (loss) from continuing operations attributable to Unisys Corporation		(5.5)	0.7
Add interest expense on convertible notes		0.0	0.0
Non-GAAP net income (loss) attributable to Unisys Corporation for diluted earnings per share		(\$5.5)	\$0.7
Weighted average shares (thousands)		51,418	62,650
Plus incremental shares from assumed conversion of employee stock plans & convertible notes		0	522
GAAP adjusted weighted average shares		51,418	63,172
<b>Diluted earnings (loss) per share</b>			
<i>GAAP basis</i>			
GAAP net income (loss) from continuing operations attributable to Unisys Corporation for diluted earnings per share		(\$32.7)	(\$53.2)
Divided by adjusted weighted average shares		51,418	62,650
GAAP earnings (loss) per diluted share		(\$0.64)	(\$0.85)
<i>Non-GAAP basis</i>			
Non-GAAP net income (loss) from continuing operations attributable to Unisys Corporation for diluted earnings per share		(\$5.5)	\$0.7
Divided by non-GAAP adjusted weighted average shares		51,418	63,172
Non-GAAP earnings (loss) per diluted share		(\$0.11)	\$0.01

## Schedule E: GAAP to Non-GAAP Reconciliation

# Free Cash Flow

\$M	1Q19	1Q20
Cash provided by (used for) operations	(\$70.4)	(\$377.9)
Capital expenditures	(58.1)	(27.7)
Free cash flow	(\$128.5)	(\$405.6)
Postretirement funding	23.1	327.7
Cost reduction funding	9.5	9.8
Adjusted free cash flow	(\$95.9)	(\$68.1)

## Schedule F: GAAP to Non-GAAP Reconciliation

# Reconciliation of Segment Reporting

\$M	1Q19	1Q20
<b>Total Services Revenue</b>	<b>\$474.0</b>	<b>\$425.9</b>
Restructuring reimbursement	(2.0)	(0.9)
<b>Total Services non-GAAP adjusted Revenue</b>	<b>\$472.0</b>	<b>\$425.0</b>
<b>Services gross profit</b>	<b>\$71.5</b>	<b>\$54.8</b>
Restructuring reimbursement	(2.0)	(0.9)
<b>Non-GAAP adjusted Services gross profit</b>	<b>\$69.5</b>	<b>\$53.9</b>
<b>Services operating profit</b>	<b>(\$1.4)</b>	<b>(\$14.0)</b>
Restructuring reimbursement	(2.0)	(0.9)
<b>Non-GAAP adjusted Services operating profit</b>	<b>(\$3.4)</b>	<b>(\$14.9)</b>
Services gross margin	15.1%	12.9%
Non-GAAP adjusted Services gross margin	14.7%	12.7%
Services operating margin	(0.3%)	(3.3%)
Non-GAAP adjusted Services operating margin	(0.7%)	(3.5%)

# 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 revenue, post-retirement, debt exchange, cost-reduction, and other expenses. 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.

**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 adjusted revenue** – In 2019 and 2020, the company’s non-GAAP results reflect adjustments to exclude certain revenue and related profit relating to reimbursements from the company’s check-processing JV partners for restructuring expenses included as part of the company’s restructuring program.

**Non-GAAP operating profit** – The company recorded pretax post-retirement expense and pretax charges in connection with cost-reduction activities, debt exchange 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. During 2019 and 2020, the company included the non-GAAP adjustments discussed herein.

**Non-GAAP adjusted Services gross profit** – During 2019 and 2020, the company included the adjustments discussed herein.

**Non-GAAP adjusted Services operating profit** – During 2019 and 2020, the company included the adjustments discussed herein.

**EBITDA & adjusted EBITDA** – Earnings before interest, taxes, depreciation and amortization (“EBITDA”) is calculated by starting with net income (loss) from continuing operations 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 post-retirement, debt exchange, and cost-reduction and other expenses, 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. During 2019 and 2020, the company included the adjustments discussed herein.

**Non-GAAP diluted earnings per share** – The company has recorded post-retirement expense and charges in connection with debt exchange and 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. During 2019 and 2020, the company included the adjustments discussed herein.

# 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 revenue, post-retirement, debt exchange, cost-reduction, and other expenses. 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.

**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 post-retirement contributions and cost-reduction charges/reimbursements 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.