

**2Q18 Financial Release  
CEO/CFO Statements  
July 31, 2018**

**Courtney Holben, IRO**

Thank you, operator. Good afternoon, everyone. This is Courtney Holben, Vice President of Investor Relations. Thank you for joining us. Earlier today, Unisys released its second quarter 2018 financial results. I'm joined this afternoon to discuss those results by Peter Altabef, our Chairman, President and CEO; and Inder Singh, our CFO.

Before we begin, I'd like to cover a few details. First, today's conference call and the Q&A session are being webcast via the Unisys Investor website. Second, you can find the earnings press release and the presentation slides that we will be using this afternoon to guide our discussion, as well as other information relating to our second quarter and year-to-date performance on our Investor website, which we encourage you to visit. Third, today's presentation, which is complementary to the earnings press release, includes some non-GAAP financial measures. The non-GAAP measures have been reconciled to the related GAAP measures and we've provided reconciliations within the presentation.

Although appropriate, under Generally Accepted Accounting Principles, 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.

In addition, this year we will be reporting non-GAAP adjusted revenue and related measures as a result of the adoption of the new revenue recognition rules under ASC 606 to exclude revenue that had previously been recorded in 2017 under ASC 605. For more information regarding these adjustments, please see our earnings release and our Form 10-Q for the quarter.

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.

And finally, I'd like to remind you that all forward-looking statements made during this conference call are subject to various risks and uncertainties that could cause the actual results to differ materially from our expectations. These factors are discussed more fully in the earnings release and in the company's SEC filings. Copies of those SEC reports are available from the SEC and, along with other materials I mentioned earlier, on the Unisys Investor website.

And now, I'd like to turn the call over to Peter.

**Peter Altabef, CEO**

Thank you, Courtney. And thank you all for joining us today to discuss our second quarter financial results. We're pleased that our strong start to the year has continued in the second quarter. We saw progress from our go-to-market efforts. Total second quarter revenue of \$667 million reflected services revenue growth of 2.1% year-over-year. Focus industry revenue grew 10.5% year-over-year. TCV or total contract value grew 70% year-over-year in the quarter at 120% for the first half. New business TCV for the second quarter and first half was up 102% and 126% respectively.

ACV or annual contract value, which is the contracted revenue in the first 12 months of a contract, was roughly flat in the quarter. However, it is still up 47% year-over-year. New business ACV was down 21% year-over-year in the quarter, driven largely by the fact that we saw a more significant portion of sales coming from large, complex, multi-year managed services contracts for new logo clients, which have longer transition or implementation time, which in turn reduces the opportunity for ACV. However, this metric was still up 22% year-over-year for the first half.

Technology revenue was in line with our expectations indicated in our last call, largely driven by the schedule of ClearPath Forward contract renewals. We also saw progress in our ongoing efforts to improve profitability, with non-GAAP operating profit margin, adjusted EBITDAS margin, services margins and technology margins, all expanding year-over-year. Based on all of this, we are reaffirming our full-year guidance. Inder will provide more color on this as well as our broader financial results shortly.

At the segment level, we saw Services revenue growth and margin expansion in the second quarter, although there are still opportunities for improvement. We continue working to increase the efficiency of our Services delivery engine. Our ratio of full-time equivalents, or FTEs, to manage devices in our cloud and infrastructure services business improved by 36% year-over-year for the quarter. As we discussed, we are focused on further improving efficiency through increased automation and artificial intelligence. We're continuing this process and deploying additional technologies. We expect to see continued improvements over the coming quarters.

During the second quarter, we launched Unisys IntelliServe, enhancing our intelligent user-centric service desk experience for our digital workplace solution. The IntelliServe platform allows users to access support services securely and in a simple and personalized manner across all channels.

Moving to our Technology segment, as I mentioned earlier, Technology revenues in the second quarter were roughly in line with company expectations discussed on the last call at \$81 million. For the first half of the year, TCV in our industry application products and for Stealth, each of which have elements of Technology and Services, grew over 200% year-over-year. Stealth revenue was also up over 200% in the second quarter.

During the second quarter, we successfully implemented a Stealth solution for a United States federal national security agency to provide enhanced biometric identity management capabilities. Our Stealth solution was chosen due to its scalable architecture, allowing for the use of dozens of biometric capture systems to be integrated with existing law enforcement, national security and other government credentialing systems. And as we've previously discussed, we're also seeing Stealth act as a differentiator in our broader set of offerings, as we integrate Stealth into our solutions.

I'll now provide some color on our various sectors. Our U.S. Federal sector grew revenue 1% in the second quarter. We believe this is indicative of continuing momentum and feel good about accelerating the growth of

revenue in this business this year. Digital government transformation continues to be an important trend in the U.S. federal government and the public sector overall. The President's management agenda published in March 2018 identifies cloud adoption as a key driver for federal IT modernization and a critical enabler for improving the ability of agencies to work on behalf of the American people.

During the second quarter, we launched Unisys CloudForte, which is our new cloud – which is our new brand for cloud solutions to enable accelerated digital transformation for our clients. CloudForte provides a comprehensive set of consulting and managed services offerings to help accelerate and secure movement and management of data and applications to and in public and hybrid clouds. It's available now for federal agencies and will be rolled out more broadly to public and commercial sector clients by early next year.

We have already had some early wins with this offering, and it is also helping differentiate us on broader deals. For instance, we signed a contract with the General Services Administration's Public Buildings Services to provide IT support such as agile application development, SecDevOps, and mobile and cloud platforms. And we believe CloudForte was one of the key reasons why we won.

Our Public sector revenue was down 9% year-over-year for the quarter, but services revenue in public grew year-over-year, and the sector was impacted overall by technology renewal timing. This is a quarterly timing issue though, and we expect the sector to grow overall for the full year supported by growth in both services and technology. This full-year growth is expected in part due to the same trend I just noted with respect to federal.

We've recently signed a large number of modernization work contracts with state governments, including Kansas in the fourth quarter of last year and the states of Georgia and Hawaii in the second quarter of this year. These contract awards demonstrate that our digital government transformation offering is resonating with state governments.

The State of Kansas contract also highlights the value of our partnerships, as we worked with Amazon Web Services, Microsoft Azure and Dell EMC to provide IT services in a hybrid cloud environment. As expected, security is a key element in our digital government transformation offering.

Our Commercial sector had a strong second quarter with year-on-year revenue growth of 12%. The infrastructure modernization theme also carries to this sector. During the second quarter, we announced a contract with Nexa Resources in Latin America to modernize the global mining company's information technology architecture. Unisys is helping Nexa to find new agile business processes and enable creation of digital infrastructure that uses the public cloud to connect both existing and new mines for increased operational efficiency and lower operating costs.

In Financial Services, revenue was down 6% year-over-year driven mostly by the timing of technology renewals. We have been focused on expanding the scope of our business in this sector to see better balance between services and technology revenue. And during the quarter, we signed a number of new logo and new scope services contracts. The largest of these was with a leading U.S. financial services holding company for a range of infrastructure and IT services, including desktop support, service desk, data center and network management design to improve the efficiency of their day-to-day operations and service management expertise.

Finally, again, we feel good about our continued progress in the second quarter, and we believe we're on track for our full-year 2018 guidance, which Inder will provide more color shortly.

On a more personal note, I'd like to thank Tarek El-Sadany, our Senior Vice President of Technology and Chief Technology Officer, for his service to the company. As we recently announced, Tarek will be leaving at the end of August to pursue CEO opportunities. Tarek has been tireless in his efforts to advance our company, and his influence has helped strengthen the role of software and software-led services in growing our revenue and

margins. We are excited to welcome Vishal Gupta, who will succeed Tarek in his role. Vishal and Tarek will work together over the month of August to transition responsibilities.

And with that, I'll turn things over to Inder.

### **Inder Singh, CFO**

Thank you, Peter. Hello, everyone, and thank you all for joining us today. We are very pleased with our strong results for the second quarter, which I'll discuss in more detail. In my comments, I'll discuss both GAAP and non-GAAP results and provide color for our key business drivers.

Let me begin by covering some key financial takeaways and then provide additional detail. As Slide 7 shows, we saw strong performance across the spectrum for the company overall, and we continue to make progress against our goals, including within our Services segment during the quarter.

For Unisys overall, Q2 marked the third consecutive quarter of reported revenue growth. Total company revenue for the second quarter was \$667 million, up slightly year-over-year, helped by 2.1% year-over-year growth in our Services segment, while Technology performed in line with our expectations.

The company's GAAP operating profit margin was 8.1%, an expansion of 860 basis points compared to the same quarter last year. Non-GAAP operating profit margin was 8.3%, which expanded by 440 basis points year-over-year. Adjusted EBITDA margin was also up in Q2, reaching 14.8%, which is 470 basis points higher than last year.

In our Services business, as I noted earlier, we saw revenues grow by 2.1% year-over-year. This marks the first quarterly growth in the Services segment since 2014. Our Services backlog grew 27% year-over-year to \$4.6 billion, marking the third consecutive quarter that we have seen year-over-year growth in this important metric.

Additionally, Services gross margin expanded by 240 basis points year-over-year to 16.5%. We also saw expansion in our Services operating profit margin of 480 basis points, which was partly helped by a gain on the sale of our property in the UK. Additionally, our Technology revenue in the second quarter performed in line with our expectations, which we had discussed last quarter, with revenues coming in at \$81 million.

Importantly, as we have said previously, our pension liability benefits from rising discount rates and we are encouraged by the movement we have been seeing on this front and the positive impact we are starting to see on our internal calculations. While we only formally report our pension estimates on a year-end basis, we are pleased that our deficit would have improved if measured as of June 30 according to our actuarial advisor's estimates.

Turning now to Slide 8, I have already covered the revenue and margin trends. So I won't repeat those here. Our GAAP net income was a positive \$3.8 million in the second quarter compared to a negative \$42 million in the second quarter of last year. Our Q2 earnings per share on a diluted basis was a positive \$0.07 compared to a negative \$0.83 in the same quarter last year.

You can also see on the slide that non-GAAP EPS was positive \$0.39 compared to \$0.06 in the prior-year period. We have completed our restructuring program that had been announced back in 2015. So we did not record any material restructuring charges against that program this quarter.

Turning now to Slide 9. This shows trends by geography and sector. I will start on the left hand side of the page, which shows revenue by geography, and I will note that as you can see, our total revenue was helped by currency this quarter. As the slide shows, all regions were up or flat on a year-over-year basis, except EMEA.

While EMEA did see mid-single-digit growth in services, the Tech segment faced a tough year-over-year compare in the geography.

We are particularly pleased to see the U.S. and Canada region be stable on a year-over-year basis, as this has been in the market in which we have seen the most competition, but we have recently recorded some notable contract wins. We also grew in both the Latin America and Asia Pacific regions. Latin America revenue grew 2.5% year-over-year and Asia Pacific grew 9.3%, supported by double-digit growth in Services. On the right hand side of the page, you see the sector performance, which Peter has already discussed, so I won't repeat that.

Please turn to Slide 10 for our segment results. As we have said, we saw year-over-year improvement this quarter with respect to Services revenue, margin and backlog. We saw significant expansion at the gross margin level for Services, since we have been focused on improving the efficiency of the delivery engine within that business. I already noted our Services backlog growth of 27% year-over-year to \$4.6 billion. Of this amount, we expect approximately \$600 million to convert into revenue in the third quarter of 2018.

On last quarter's earnings call, we said that we expected to see our Technology revenue be approximately \$5 million lower sequentially in Q2 due to renewal schedules. Our results for the second quarter were approximately in line with the expectations we laid out on that call, with revenue for this segment coming in at \$81 million.

In Q2, Technology operating profit margin expanded by 960 basis points year-over-year to 45.1%. As we look to the second half of the year, we expect to again see the typical trend of the fourth quarter being the strongest for the Technology business.

Turning now to Slide 11, which provides more detail on cash flow. As you can see on the slide, operating cash flow improved this quarter by \$37.5 million on a year-over-year basis. Adjusted free cash flow for the quarter also improved by \$39 million compared to the second quarter of last year. These improvements were driven in part by the significant increase in the year-over-year adjusted EBITDA. Additionally, CapEx was largely consistent with the prior year's quarter.

Our working capital initiative, which we launched in 2017, continues to help us keep a sharp focus on operational efficiencies. As an example, we saw our DSOs improve by eight days year-over-year. This initiative is ongoing, and we expect to see an additional improvement of approximately \$40 million by the conclusion of this initiative between now and 2019.

With respect to our full-year guidance for 2018, we are reaffirming the financial guidance that we provided at the beginning of this year. For a full-year non-GAAP adjusted revenue, we are reaffirming our guidance range of \$2.7 billion to \$2.825 billion and our range for GAAP revenue remains \$2.75 billion to \$2.875 billion, representing flat to 5% growth.

As we noted last quarter, although we cannot predict macro factors or even operational items such as tech deal slipping by a few weeks, we believe that there is a strong chance our non-GAAP adjusted revenue should grow for the full year of 2018. We are also reaffirming our guidance of 7.75% to 8.75% for non-GAAP operating profit margin. On a GAAP basis, this range would be 9.5% to 10.5%. And lastly, we are reaffirming our guidance for adjusted EBITDA margin of 13.7% to 14.9%.

To help you with your modeling for the second half of 2018 with respect to the third quarter, we would remind you that this is usually our seasonally lower quarter for Tech revenue and the fourth quarter is the stronger quarter. We expect a similar second half seasonality this year. In addition, a few of our new Services contracts will be in ramp-up mode during the third quarter. So we expect company non-GAAP operating profit margin for the third quarter to be approximately 6%. Of course, as I already noted, we are reaffirming all full-year guidance, including operating profit margin.

We are pleased with our financial performance for the second quarter, which marks yet another important step in our continuing transformation of the company. This quarter, we saw our Services revenues grow and margins expand, and we also saw our Tech margins improve year-over-year. We believe that the progress we have made in our business in the first two quarters of this year positions us to achieve our full-year goals, and we are continuing to maintain our sharp focus on delivering results over the second half of the year.

With that, I'll turn the call back to Peter.

### **Question & Answer Section**

**Operator:** Thank you. And we will now begin the question-and-answer session. And our first questioner today will be Frank Atkins of SunTrust. Please go ahead with your question

**Q – Frank Atkins – SunTrust Robinson Humphrey, Inc.:** Thanks for taking my questions, and congrats on the quarter. Wanted to ask around technology solutions. As we look at margins for the quarter were very strong, can you talk about some of the reasons for that in the quarter? And as we look at the back half of the year, can we expect some of the margin strength in that segment to continue?

**A – Inder Singh – Unisys Corp.:** So I can begin. We had a strong quarter in this quarter. We had a strong software mix in the quarter. As you know, we have a continuing shift of our business into more and more software. We believe that as we go into the next few quarters and beyond, we'll continue that focus. And what we did see in this quarter was a higher mix of software than we had anticipated frankly. So we're pleased to see the improvement.

The other thing that drives our Technology margins, as you know, Frank, is volumes. So, as you know, we have fixed costs associated with that business. And we would expect that as those Tech revenues show in at the higher volumes, we end up seeing a higher margin as well. So two things contributed. Number one, mix; and then number two, volume.

As we go into the second half of the year, to answer your – the other part of your question, Frank, we do see this year Q4 being a strong quarter for us as well, as a percent of the total year, as it has been in other years as well. We're actually pleased that in the first half of this year, we did quite well with respect to our goals for Technology, and we do expect that the momentum will continue. I would expect that the comments around Q3 that I made would probably mean that we might see the Q3 Technology revenues be a bit lower, as I mentioned, and Q4 be stronger. So you'd expect margins to track to that as well, again driven more by volumes than anything else.

Does that answer your question, Frank?

**Q – Frank Atkins – SunTrust Robinson Humphrey, Inc.:** Yeah. That's very helpful. Thank you. Second question, I wanted to ask around the pension. You said you took a look at it at midyear here. Could you comment on kind of the status as we look at the pension, given some of the interest rate ups and downs? And what is the anticipated cash outflow for the year?

**A – Inder Singh – Unisys Corp.:** So, as you're aware, just to take the first part of your question, the discount rate that we use to value our pension liability in our GAAP financials are set once a year on December 31. And we're going to continue that practice. Based on current market conditions and updating both the discount rate and asset valuation performance, the company conducted what I'll call a what-if analysis, Frank, just to see if we had valued it as of June 30 what it might look like. Again, it's a what-if. This is not something we plan on

doing every quarter. But because of the rate movement that I think investors have been asking about and seeing, we thought it might be helpful to just see where we would be if we were to look at it as of June 30.

Although it would not be appropriate to update our financial statements at this time, we were pleased to observe that based on the current valuations, the estimated unfunded – or under-funded GAAP liability would have improved by approximately \$325 million compared to what we reported at year-end 2017. That's about a 19% improvement relative to where it would have been at the end of last year. This favorability, Frank, was really primarily driven by discount rates. I would point out that at the end of 2017, we already reported an improvement of about \$390 million to the deficit. We will do the calculation at the end of this year and that really will be what we will show in our financial results.

So take this for what it is, which is a what-if at midyear. But sort of 18% improvement at the end of last year and at least as a valuation on June 30, our GAAP unfunded liability position would have improved another 19% or so.

**Q – Frank Atkins – SunTrust Robinson Humphrey, Inc.:** Okay. Great. That's helpful. And then last one for me, very nice performance in business process outsourcing. Can you talk about some of the demand drivers there and what you see going forward?

**A – Peter Altabef– Unisys Corp.:** Yeah, Frank, I would. And thanks again for the question. By the way, you asked a second question, which I want to make sure that Inder touches on. So I think, Frank, going back to your last question, you had asked about the pension liability expense for this year. Is that right?

**Q – Frank Atkins – SunTrust Robinson Humphrey, Inc.:** That's correct, yes.

**A – Inder Singh – Unisys Corp.:** Yeah. So the number for this year is actually on the slides, on slide 14, Frank, for 2018. It's \$147 million. That's the cash contribution.

**Q – Frank Atkins – SunTrust Robinson Humphrey, Inc.:** Okay. Great. Thank you.

**A – Peter Altabef– Unisys Corp.:** Okay. So, on the BPO question, Frank, BPO will vary as a percent of revenue between 7% and 9% of our business. It was up at the 9% for this quarter. And we have never actually said that the BPO team was – if you will, it's not in that strategic mix, but that doesn't make it unimportant. It's actually quite a nice niche business for us. And niche is the operative word.

We do BPO in select geographies and really in where we think we can add value. So it's a good margin business for us and it's a solid business for us. But it's a niche business. So that includes financial services in the UK, in the Netherlands, in government in the Philippines as well as the financial services in the Philippines, as well as work in Malaysia.

So that's kind of where we do that work. We do have some opportunities to grow that work, particularly in the Philippines. One of the contracts we signed last year is an extension and expansion of the work we do in the Philippines in the government sector. So I tell you – as I said, it does vary between 7% and 9%. It was

**Q – Joe Vafi – Loop Capital Markets LLC:** Hey, guys. Good afternoon, and good progress. I was wondering just – first on the top-line guide, just kind of looking at the dollar appreciating here over some of the other currencies out there and a reiteration of the guide against that stronger dollar, I was wondering if there's an implication to what the constant currency revenue growth rate for the second half is going to be if it's actually going to be a little higher than the previous guide given the reiteration of the kind of as-reported guide. And then I have a follow-up.



**A – Inder Singh – Unisys Corp.:** We are – I'll start, Joe. Thanks for the question. We continue to moderate currencies. They tend to be pretty volatile, as you know, especially with Brexit and things like that. Our planning assumption for the year is that it would remain a 0% to 1% type of a headwind for the year. It could turn into a favorable situation, of course, depending on which way currencies go.

As you saw in this quarter, Latin America currencies moved in the opposite direction of EMEA currencies. Really hard to predict. But it's sort of in the 0% to 1% range. But it could go either way frankly, plus or minus. So we are assuming for conservative purposes that it's basically a flattish contribution for the full year.

**Q – Joe Vafi – Loop Capital Markets LLC:** Okay. And then I know, Peter, you were talking about some continued efforts on ClearPath renewals. And I was wondering if I can get a little more update there. I mean, clearly that's a key part of the Technology revenue line still and there's a lot of good margins there. And it would be interesting to get an update on maintaining the base there.

**A – Peter Altabef – Unisys Corp.:** Joe, I would say the work on maintaining the base is going along very well. We have a very high renewal percentage. The work done in terms of the roadmap for ClearPath Forward over the last several years, I think, has given a lot of encouragement to the ClearPath customers that we are growing and evolving with them if not ahead of them in some cases.

So the work done to create multiple languages, adding Python as a development language, which will occur by the end of this year. We've already released additional modules of our software series for ClearPath, which allows ClearPath to be used in a cloud environment. It's interesting I will tell you. I've been at some client meetings where the clients have said, look, we love that cloud stuff, we love the virtualization for other people, but please tell us that you're still going to offer ClearPath in a dedicated stack with hardware associated with it.

And so the answer is, yes, of course, we will. But we do think that there's a lot of interest and we're seeing a lot of interest by clients in the virtualized cloud-enabled version of ClearPath. So that development is ongoing.

And then finally, while we have traditionally had very good margins in our warranty and maintenance work for ClearPath, that effort we really focused on starting about a year-and-a-half ago in ClearPath Forward services has been one of the fastest-growing services lines we have in the company. It comes with higher margins than typical because it is related to our software. And it continues to grow.

We expect the growth this year to be in the high-single digits. And that not only helps our top and bottom line, but it has proven to be a key enabler in keeping ClearPath sticky because we are basically offering to do them the services work around our clients applications for them. So we really haven't hit this with one silver bullet. We've really hit this with a whole kind of slew of efforts to make sure that we're satisfying our clients. And I would tell you the results are encouraging.

**Q – Joe Vafi – Loop Capital Markets LLC:** That's great. And then, maybe just one final one. Maybe this one's for Inder a little bit. Just on the CapEx and what is – what's going on there. Anymore color as to where those CapEx items or where that money is exactly is going to? I know there were some larger items in the first Q related to your JV in the UK, but just kind of looking at overall capital intensity of the business and is it going down and just some more color on the CapEx overall. Thanks.

**A – Inder Singh – Unisys Corp.:** Sure. So let me address the JV first because I think that's a great question. And I appreciate the opportunity to address it, Joe. As you know, the JV is called iPSL. And as we've talked about in prior quarters that JV was doing a systems upgrade to its operations. It was doing a reconfiguration of the way it handled operations, reducing the number of facilities in the UK, et cetera.



And so that was causing us to spend on CapEx to do some of those upgrades. And the first quarter, for example, was around \$14 million, and the second quarter is about \$11 million. And as you know, we get reimbursed for these. It just happens on a one-month lag basis. It doesn't happen sometimes in the same quarter. But the back end of this year, we expect those volumes to drop substantially. So we're thinking low-single digits may be in that range and in terms of millions of dollars. So, much less spend going forward.

As far as our very sharp focus on PP&E as a CapEx item, we continue to maintain that. Peter and the operations teams continue to look at facilities consolidation. We expect there's more opportunity there over the coming quarters. And so we do think that there's some room for that to move down. On the R&D side, which is the capitalized software that you see, and you know that we have been spending more on capitalized software as a company over the last few years principally because we've been launching new products, we've been upgrading Stealth, introducing new features in Stealth. Same thing in terms of cloud enabling our ClearPath Forward business.

So we did spend a little bit more on capitalized software, which as you know gets capitalized until revenue recognition begins and the product is [indiscernible] (38:45). So we do expect that that to have a future ROI, but that is an investment we have chosen to make at this point in time.

We manage the business from a CapEx standpoint, from a working capital standpoint, from an EBITDA standpoint. So read that to mean from a cash flow standpoint. And as we look at a little more spend on CapEx, we're looking at a little more opportunity on working capital. So our cash flow outlook, as we think about it although we've not guided to that, we do manage that very closely and we do not see changes in that from where we started the year.

**Q – Doug Thomas – GAMCO Investors, Inc.:** Inder, I want to ask you, it seems like you have a pretty good handle on or – at least are being much more able consistently to sort of be predictive in a consistent fashion so that, for example, I mean, I noticed this quarter you pointed out some pluses and some minuses, and the minus in Financial Services and the minus in the Public sector non-federal business is the – are you feeling pretty good about the structure of the business in terms of your ability to provide guidance, which actually is for several quarters in a row now has come – has kind of been on the mark?

**A – Inder Singh – Unisys Corp.:** Thanks for your kind comments, Doug. As you noted, this is the third year of giving financial guidance in a row now. The last two years we provided guidance. We reiterated it over the course of the year. And then the – really the business teams were very good in executing to their business plan. And so we were able to deliver on the financial guidance. This year, we provided guidance in – now two quarters in a row, we've sort of reconfirmed that guidance for the year.

So we feel pretty good. I think that the credit really goes to Peter and the entire senior leadership team. I would tell you that everyone is very focused on execution. And this is now all about execution. Right? The restructuring plan that was begun in 2015 is behind us. So what we needed to do by way of sharpening our focus on the business, sharpening our focus on the cost structure, and as well as being able to now predict the business in some way as we think about the back end of this year, I'm very proud that the team, including the finance team, has really stepped up.

We do think that there are always things that can go against you and things that can go in your favor. So we are managing a portfolio. And our job is to make sure that we continue executing that overall portfolio. Something may go in our favor, something may go against us as long as we keep to that overall focus of what we are trying to drive to in terms of growth of the top line, expansion of operating profit margin, expansion of EBITDA than – I feel pretty good about where we've come so far. We've come a long way. There's more to do.

I won't tell you that there's no more operating efficiency opportunity. There is. We think we can keep driving operating efficiency in the coming quarters and years. But that is the journey we have been on. And we feel

good that we are starting to see growth in our Services business, margin expansion in that Services business, and then the Tech engine continues to fire. So I'll pass the phone to Peter in case he wants to add to those comments, but that's how I see it from my vantage point.

**A – Peter Altabef – Unisys Corp.:** Well, I agree with everything that Inder said, the reference to me notwithstanding. Our finance team and the business teams that work with the finance team, have gotten I think much more better at analytics over the last couple of years. But just a couple of additional color to that. Regardless of how good we get in the analytic side, there is – there is particularly in our business an element of lumpiness.

The Technology revenue is inherently – or the software revenue is inherently more profitable with higher margins than most of the Services revenue. And those contracts are – can be sizeable and can be lumpy. They can be signed in one quarter versus another quarter. Usually all of that happens inside a year. Sometimes the quarter is at the end of the quarter, and so it could be on either time. So, Doug, I appreciate your comment. You're exactly right, and Inder is right. But no amount of analytics is necessarily going to be able to decide what happens if a contractor too gets moved from one quarter to another. It just kind of the luck of the draw.

I do want to go back to a comment that Joe made or a question that Joe made because, Doug, you mentioned the Public business and our analysis of the Public business. And Joe mentioned capital intensity. There is a relationship between those two. Our Public business revenue did decline year-over-year this quarter. I mentioned that that was really on the Tech side.

On the Services side, it actually expanded. We see the Services revenue in Public expanding over time very nicely. I mentioned contracts that we had recently won in the State of Kansas, in the State of Georgia, and in the State of Hawaii. We're very engaged in terms of our deal pursuits in other U.S. states. We have very active opportunities in other parts of the world in our Public sector.

And then speaking more broadly about the government sector, we feel very good about our Federal business and the contract wins we have in the Federal sector. So that's – depending on the quarter, that's 43% to 45% of our revenue, and it is very good revenue but it's different. So from an analysis standpoint, the Federal revenue is relatively low on capital because the federal government doesn't really ask you to spend a lot of money on capital.

In the Public sector of all of our sectors between Financial Services, financial – excuse me – Commercial and Public, the Public sector is probably the most capital intense because you're still working with state and local governments and with other governments that actually want you to spend more capital so that they can spend less on capital. So depending on exactly where that growth comes from, if it's in Public, it's going to be more capital intense. If it's in Federal, it's going to be less capital intense. And the truth is both areas are growing for us now. And we expect that to happen in the future. So there is an interplay between CapEx and exactly where we get that growth.

**Q – Doug Thomas – GAMCO Investors, Inc.:** And that's great. I appreciate that. Just a follow-up of my – the natural follow-up question from my vantage point is, on the state side, it seems to me that the states are woefully behind. I mean, I'm happy to see you guys – I was happy to see you guys stand up CloudForte. I just feel like there's so much opportunity on the state side. They're woefully behind in terms of migrating to the web. And I just – so moving forward, I'm wondering you have to have sort of received a really good response to some of what you do in terms of marketing that modernization pitch to particularly the state governments.

**A – Peter Altabef – Unisys Corp.:** Doug, I agree with you. It's hard to say when you have a quarter where your Public revenue, which is our state as well as our international, did not increase overall although the Services did. But we are very well positioned in that space, particularly in the U.S. and Canada. I mentioned three of the

states that we have recently won business where we have a good amount of business in other states as well; State of Pennsylvania, the State of New York. I could go on and on.

And we do believe that our message about digital transformation is effective, and it is being effective. And as I mentioned, the pipeline for that business is very robust and our win rates are very good. So, yeah, we think that that is really becoming a source of strength for the company. And as I said, Federal has been a source of strength for several years now. So it's really a need to see the two of them working in concert.

**Q – Doug Thomas– GAMCO Investors, Inc.:** And Peter, just to finish the thought, you speak with obviously a lot of customers, lot of CEO customers I'm sure, and a lot of partners. Can you – would you give sort of a state of the union in terms of from your vantage point what the environment looks like for business spending and the sort of the psychology of the markets your customers are in right now? I don't want to prejudice your view, but I just kind of want to hear from you, what are you hearing from people in terms of their willingness to spend over the course of the next year or so?

**A – Peter Altabef – Unisys Corp.:** Well, obviously, it's mixed. But I would say it's more positive than it has been in a couple of years. Because we have such dramatic tax assets on the books, the tax legislation in the U.S. doesn't directly affect us because of our U.S. NOLs to a significant degree, although Inder can speak to that. It has affected some of our customers. And it has released some more budget spending that is available by our customers. And so that is an indirect positive.

If you break it down by sectors and by focus areas, I think we're in the right places. We just talked about the Public sector. A lot of the work we are doing for governments now is in that hybrid cloud environment. It is working with the Amazons and the Microsoft Azures. But it's also fundamentally transforming state government and digitizing state government, what we're doing in Hawaii around some of our social services sector, for instance.

Financial Services is still the single largest source of IT spend in the world. And those folks are very engaged when it comes to things like block chain. They're very engaged when it comes to things like security. And they are looking now really not only to protect their back office, but they're now looking at next generation, how do they really reach out to customers in a digital way.

In the U.S., we say, well – banks have been doing this for a long time in the U.S. But the majority of our Financial Services customers by number are outside the U.S. And for them, in some countries, that digital revolution is now only kicking in, especially on the customer facing side. So we are in those locations. So I think that bodes well for us.

So in general, I would tell you I think the market is stronger than it has been in a little while. In the U.S. and Canada, I think there is a concern among some users as to how do the immigration changes affect their ability to access labor. I think we're well positioned for that. We've historically had a relatively high percentage of our labor in the U.S. market – in the U.S. Sometimes that's been a disadvantage. Right now it's probably an advantage.

In Europe, and you see – you see Europe as the geography that has been least effective for us in the quarter. And I will tell you that my sense of the market is those providers that are more concerned about immigration in the U.S. are more focused in Europe right now. And that's putting a lot of pricing pressure on European deals. There are a lot of providers chasing those deals.

And we have instituted pricing discipline. I think we're more aware of our pricing than we have before. And I think we have more discipline about what deals we're willing to sign and what deals we're not willing to sign. And I think that that is going to put a little pressure on our European business for a while as long as people are in that market for share.

So, Doug, I don't know if that helps you at all. I'm happy to follow it up with questions if you want more background on that.

**Operator:** Okay. And there looks to be no further questioners at this time. So, I would like to turn the conference back over to Peter Altabef for any closing remarks.

**Peter Altabef, CEO**

I'd like to thank everybody for your questions. Again, we're excited with the momentum we're seeing throughout the business and we look forward to speaking with you next quarter. In the interim, our Investor Relations team stands by and is happy to engage in conversations with you, as are our executive leadership team members. But thank you again for attending the call.