

**4Q17 Financial Release  
CEO/CFO Statements  
February 8, 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 full year and fourth quarter 2017 financial results. I'm joined this afternoon to discuss those results by Peter Altabef, our 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 full year and fourth quarter 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.

From time to time, Unisys may provide specific items 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 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 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 fourth quarter and full year 2017 financial results. We're pleased with our strong performance for the year. For the second consecutive year since reestablishing the process of issuing it, we have either met or exceeded full year guidance on all metrics. For 2017, we exceeded our guidance for non-GAAP operating profit margin and adjusted free cash flow and achieved the high end of our guidance for revenue. We believe this demonstrates continued progress on our key goals of using our industry go-to-market focus to drive improvement in revenue trajectory, expanding profitability and optimizing cash flow.

We grew revenue 3.5% in the fourth quarter. Non-GAAP operating profit for the period was up 610 basis points year-over-year to 15.8%, supported by 230 basis points of operating margin expansion in Services and a strong Technology quarter where revenue grew 23% year-over-year and operating margins expanded 18 points year-over-year. Non-GAAP operating profit margin was up 80 basis points for the full year to 8.5%, helped by a 90 basis point improvement in Services margins year-over-year.

While quarterly results are more sensitive to renewal schedules, improving the consistency of annual ClearPath Forward revenues has been a key focus for us and we're pleased to see our Technology revenue grow slightly for the second consecutive year. As is typical, our fourth quarter was the strongest for Technology, and this year, it ended up being even stronger than we expected, led by higher ClearPath Forward revenue.

As we've discussed, we have been differentiating our go-to-market efforts in three distinct ways: by targeting our focused industries where we have deep expertise and unique solutions, incorporating security into everything we do, and strengthening our best-in-class leveraged solutions.

We're excited to see that these efforts are showing ongoing progress. In 2017, we saw a 3% year-over-year revenue growth in our focus industries, which accounted for 44% of total revenue, and we launched a number of new or refreshed industry-specific applications as we have discussed previously.

Focus industry revenue grew 11.5% for the fourth quarter, which helped grow the company overall. Regarding security, we continue to sell Stealth on a standalone basis and to build Stealth into our broader set of solutions to differentiate our offerings versus our competitors. We saw Stealth continue to gain traction with TCV, which is total contract value, up over 130%. ACV, which to remind you as annual contract value, was up over 150%. The number of clients for Stealth was up 74% and the total revenue was up 27%, all on a year-over-year basis for the full year 2017. As you know, Stealth is just one component of our security offerings, and we saw a 20% year-over-year growth in pipeline for security overall.

Security also represents one of our leveraged solutions which are sold across multiple industries, and also include offerings such as digital workplace services and digital transformation services. Just as we innovate industry-focused solutions, we continue to evolve these offerings. In digital workplace services, we were recently recognized as a leader by NelsonHall and ISG and received the highest ranking in ability to execute within Gartner's latest study.

To further illustrate our go-to-market progress, please turn to slide 5. In 2017, total TCV was up 8% year-over-year to \$3.2 billion in 2017 and new business TCV grew 89% year-over-year to \$1.2 billion. Total company ACV was \$1.7 billion in 2017, up 22% year-over-year. New business ACV, which includes new scope and new logo, was \$442 million, up 93% year-over-year.

Our total pipeline grew 54% year-over-year to \$13.6 billion at year end, and our new business pipeline grew 66% year-over-year to \$11.2 billion. As stated previously, our security pipeline, which encompasses all of our security offerings, including Stealth, grew by 20% year-over-year to over \$685 million. Of course, not all

opportunities in our pipeline will translate into revenue but we believe pipeline is a leading indicator that we look forward to growth.

In connection with this, we also look to win rate which was up 5 points year-over-year in 2017 for the company overall. Our pipeline for our newly launched or refreshed industry-specific application products, such as Elevate, and related services grew 7% year-over-year to \$746 million as of the end of the year. And as I mentioned, we also saw focus industry revenue at approximately 44% of total 2017 revenue grow 3% year-over-year.

Based on all of this, we believe we are well-positioned entering 2018. We are executing on our plans, with a focus on optimizing the business to continue driving upside over time. As a result, we are providing full year revenue guidance for 2018 of between \$2.7 billion and \$2.825 billion, representing growth of negative 2% to positive 3% as reported. Additionally, we are providing non-GAAP operating profit margin guidance of 7.75% to 8.75%, and adjusted EBITDA margin guidance of 13.7% to 14.9% for 2018. Inder will go through our guidance in more detail shortly.

Let's discuss Services for a moment. At the segment level, we also saw strong progress over the course of the year against key goals. Starting again with Services, we saw a significant improvement in our productivity rates in the second half of the year, which has been a key focus in our margin expansion efforts. In the fourth quarter, we further improved our ratio of dedicated full-time employees or FTEs to manage devices in our Services business, and we believe the FTE device ratio is now in line with industry standards, which was our goal by the end of 2017. Our devices under management continued to increase despite the fact that we reduced Services head count associated with those devices by 45% in the second half of 2017, and we remain focused on further improving our productivity rates over time.

During 2017, we continued to evolve our approach with respect to automation and artificial intelligence and have adopted new software applications in our digital workplace services, including field engineering and service desk solutions. These will be included starting in 2018. We believe this advanced intelligent automation will allow us to improve our clients' experience, our service quality and our competitive position, while also improving our cost to serve. We also believe these improvements around automation, AI and productivity rates are important structural changes that will position us to drive ongoing improvements in profitability within Services in the near-term and create further upside to optimize the business over time.

We saw continued strength in the fourth quarter and 2017 overall in ClearPath Forward Services, which represents application development and modernization work for our clients on this operating system. These offerings accounted for a mid-single digit percent of 2017 Services revenue with low double-digit annual revenue growth, and margins or gross margins roughly double those for Services overall. This represents about half of the total Services revenue associated with ClearPath Forward, the other half being maintenance and warranty work related to ClearPath Forward. We believe that the strength in ClearPath Forward Services indicates ongoing interest from our clients in the ClearPath Forward platform as they expand the scope of related services they are utilizing.

Turning now to Technology, which, as I mentioned, saw strong performance this year, with growth largely driven by ClearPath Forward. We believe that this, as well as the strength I just noted with respect to ClearPath Forward Services, indicates that the work we have done to create a new technology roadmap is having an effect. Earlier in these remarks, I provided color on the progress we made on Stealth, with respect to new client wins, TCW, ACV and revenue. We also had a substantial win with the U.S. government in a civilian agency to provide Stealth licenses, services and maintenance to facilitate the agency's use of physical and behavioral biometrics systems.

As we have mentioned previously, partnerships have become an increasingly important part of our strategy with Stealth. During 2017, Mitel integrated our Stealth product into their secure cloud solution and closed their first

sale of the combined offering to a large European manufacturer. Stealth is being used to add encryption in motion across a high value cloud environment and to provide increased information security by implementing micro-segmentation throughout data centers. We expect to continue utilizing such partnership strategies to broaden the reach of the Stealth platform for 2018. Technology profitability continues to be strong, with operating profit margins for the segment of 180 basis points for 2017.

Turning now to some color on various sectors. Our U.S. federal business continues to demonstrate solid performance. Revenue grew 1.2% overall for 2017, supported by a strong fourth quarter, which saw 7.7% growth year-over-year. Our U.S. federal business also won a Washington Technology Industry Innovators Award for the fourth quarter.

Our public sector saw a strong fourth quarter as well, with revenue growth of 9.5%. In the first half of this year, we expect to launch the last of the industry application products that we have previously highlighted. This solution, known as LineSight, offers intelligent analytics for assessing potential risks presented by travelers and cargo shipments. The solution will apply to our international global clients.

In our commercial sector, we saw a revenue performance in 2017 that was in line with our financial guidance for the company overall.

Financial services saw a very strong end to the year, with year-over-year revenue growth in the fourth quarter of 13.7% and a decline of less than 3% for the full year. We extended our contract with iPSL, our check processing joint venture, by five years and continued the upgrades that we have been making at this unit to digitize check processing. Inder will provide more color on the financial implications of this shortly.

In conclusion, we're very excited about our success during 2017 and are optimistic about the opportunities for 2018. We're executing on our strategy and dedicated to the continued optimization of the business.

With that, I'll turn things over to Inder.

### **Inder Singh, CFO**

Thank you, Peter. Hello, everyone. Thanks for joining us today. In my comments, I'll provide comparisons on a GAAP and non-GAAP basis. Just to remind you, the non-GAAP results exclude pension expense, cost reduction and other charges.

We are very pleased with our 2017 financial performance and about how this positions us entering 2018. I'll start today by covering the key financial highlights on slide 7, and then, we'll provide additional details later. As slide 7 shows, we executed strongly across many fronts. Non-GAAP operating margin was 8.5% for the full year 2017 compared to guidance of 7.25% to 8.25%. And adjusted free cash flow was \$199 million compared to our guidance range of \$130 million to \$170 million.

We also achieved revenues at the top end of our full year guidance range, reporting \$2.74 billion compared to our guidance range of \$2.65 billion to \$2.75 billion. Peter said this marks the second year in a row that we have either met or exceeded guidance on our key financial metrics. We're pleased that we grew total revenue reported in the fourth quarter by 3.5%.

As we look to 2018, we believe we're also well-positioned as we ended the year with 2017 Services backlog reaching \$4.3 billion, up 10.3% year-over-year, the highest percentage growth we have seen in year-end backlog since 2000.

As you know, we have worked very hard over the last several quarters to drive the revenue trajectory towards growth while exercising discipline around costs, and we're pleased to see the progress we made in 2017. And

slide 7 also shows our adjusted EBITDA increased as well, reaching \$400 million for 2017, and adjusted EBITDA margin reached 14.6%, 100 basis points higher than last year.

There's also some encouraging news on the pension front. We're pleased to report that our pension deficit declined by 18% or \$390 million, down to \$1.78 billion at year end. Some good news on the pension cash contribution side as well, our required cash contribution over the coming five years are now projected to be \$300 million lower as compared to our estimates a year ago. And the projections for the next 10 years are also down by \$350 million as compared to the estimates from a year ago.

We continue our active approach to managing our pension obligations. First, we split the U.S. pension plan into two separate plans with effect from January 1, 2018. This plan split provides greater flexibility in managing the obligations and assets going forward, and also lowers the overall PBGC premiums. Importantly, there is no impact to the planned participants. Second, on the international pension side, we continue to proactively manage our liabilities and cash contributions in key foreign locations. As an example, we froze one significant international plan and also have now achieved a full funding status in another significant international plan.

Turning to slide 8, we just discussed the revenue, margin and cash flow trends, so I won't repeat those here. I would just note that currency movements had minimal impact on results this year. We benefited this year from the new U.S. tax legislation that was enacted in December, which provides for us to receive a refund of all alternative minimum tax or AMT credits. This resulted in our recording a P&L tax benefit of \$29 million in Q4. This \$29 million is in addition to the \$21 million credit refund we already recorded earlier in 2017, bringing our total P&L tax benefit to \$50 million for the year. This law also provides a cash benefit of \$50 million, of which we received \$9 million refund in the fourth quarter and the remaining \$41 million is to be received in the next few years between 2018 and 2022.

Our GAAP net loss was \$65 million in 2017 compared to \$48 million in 2016, mainly due to our restructuring plan. And I would note that the charges from that 2015 restructuring plan are now largely complete. Non-GAAP net income in 2017 was up significantly, helping drive our diluted non-GAAP EPS to \$2.42, a 19.2% year-over-year increase despite the higher share count we used in the 2017 calculation versus the 2016 calculation.

Turning to slide 9, we had a particularly strong fourth quarter, including our achieving quarterly revenue growth, and both Services and Technology margin expanded in the fourth quarter, helping lift operating margin, EBITDA margin and EPS. The diluted GAAP EPS increased from a negative \$0.02 in the fourth quarter of 2016 to a positive \$0.77 in the fourth quarter of 2017. Diluted non-GAAP EPS almost tripled year-over-year from \$0.60 to a \$1.75. Lastly, on this slide, we closed the year with very strong operating and adjusted free cash flow generation.

Please turn to slide 10 for our segment results. As we have discussed consistently, improving the profitability of our Services segment has been and remains a key focus. We're pleased that 2017 Services gross margins reached 16.8%, up 60 basis points year-over-year, and Services operating profit margin improved slightly more, up 90 basis points year-over-year to 2.8%, indicating additional progress on cost controls. We continue to maintain a sharp focus on Services margin going into 2018 and we believe there is more upside here as we continue to drive efficiency and invest in automation.

Technology closed the year with Q4 revenue growth of 23% year-over-year and operating profit margin up by over 1,800 basis points. Bulk of technology revenue is still driven by ClearPath Forward, although we saw an increasing contribution from Stealth and our industry application products in the fourth quarter and for the year overall. We are pleased to see our Technology segment benefit from continued support of the ClearPath Forward platform by our installed base.

Due to the upcoming Technology contract renewal schedules for 2018, we're again modeling Technology revenue to be down year-over-year. Within the year, we expect to see a 40/60 split between first half and second

half Technology revenue. We expect Q1 and Q4 to be the stronger quarters of the year, with Q2 and Q3 expected to be down year-over-year. I already noted that our strong Services backlog growth of 10.3% year-over-year ended at \$4.3 billion. Of this amount, we expect approximately \$505 million to convert into revenue in the first quarter of 2018.

Slide 11 highlights that we have executed on cash flow across the spectrum this year, including cost management, our working capital initiative, and we were again helped by Technology. As a result, we ended the year stronger than we anticipated on full year adjusted free cash at \$199 million versus our guidance of \$130 million to \$170 million. Our year-end cash balance of \$734 million was up \$135 million sequentially and up \$363 million year-over-year. Fourth quarter operating cash flow and adjusted free cash flow were up 76% and 77% year-over-year, respectively.

We continue to execute on our CapEx light strategy across Unisys and we'll maintain a sharp focus on the company's CapEx intensity. As you know, from our recent earnings calls, however, we have been implementing a special project in our UK-based JV called iPSL to digitize the check processing business in that country, which will reduce the operational cost for that joint venture over time. When we spend CapEx for that JV, our large banking partners in that venture then reimburse us for the spending.

CapEx spending associated with this project in 2017 was approximately \$50 million and is anticipated to end in early 2018. Excluding amounts associated with this project, which is now winding down, as I noted, Unisys CapEx for 2017 was down year-over-year from \$177 million in 2016 to approximately \$125 million in 2017.

The improvements of the cost structure at iPSL are expected to have a working capital impact for us in 2018. Similar to how our JV partners reimburse us for CapEx, we also received prepayments from them for the operating costs of that venture. Since the digitization project lowers the JV's operating expenses in 2019 after completion of the project, we also expect lower prepayments for those lower expenses, which will impact working capital in 2018 for us. As a result, we expect a decline in working capital from this 2018 of approximately \$60 million to \$70 million, or separately, as we have reported the past few quarters, we've been implementing a Unisys-wide working capital project to drive improved efficiency.

We already saw approximately \$60 million of benefit related to this project in 2017 and expect to see an additional \$40 million benefit in 2018 which will help mitigate some of the iPSL working capital impact that I just discussed. Net-net, we expect this \$40 million improvement to offset some of the iPSL working capital needs, resulting in a net modest working capital consumption in 2018. To help with your cash flow modeling, we expect 2018 CapEx to be in the range of \$140 million to \$150 million. And lastly, related to cash flow, we expect cash interest payments in 2018 to be about \$60 million.

Turning to slide 12, we're pleased to have substantially completed our cost restructuring program. Exiting 2017, we estimate that we have achieved approximately \$270 million of annualized run rate cost savings, \$70 million more than our original target of \$200 million. As we executed the plan, we found additional opportunities for savings, and so, the charges to achieve these savings totaled \$319 million relative to an original estimate of \$300 million. This increase was more than offset by the additional savings. Of the \$319 million in total charges, \$35 million were non-cash. As you see on this slide, there's some remaining cash usage [Technical Difficulty] (00:30:46) given the timing of social plan requirement.

Slide 13 highlights the \$390 million or 18% reduction in our pension deficit that I noted earlier. Approximately \$100 million of this reduction is attributable to the U.S. plans and \$290 million to our international plans. These improvements were driven by strong asset returns, partially offset by discount rates as you can see on the next slide.

Now, please turn to slide 15 which shows our cash contributions over the coming 10 years. As I noted, our required cash contributions over this period are lower by \$350 million, \$300 million of which are in the first

five years. In 2018, we expect to contribute \$150 million into our defined benefit plans. The calculation for the required pension cash contributions depends on a number of factors, including actuarial assumptions and various other items. As we have noted, we are working to be more proactive in managing our pension obligations. A detailed review of our U.S. pension strategy is continuing. While still being finalized, we expect this strategy will be designed to manage variability.

Turning to slide 16 which highlights our tax assets. With the recently enacted U.S. tax legislation, we are still assessing its future impact. However, we have already seen benefits from it in Q4 as I noted. First, as this chart indicates, Unisys has significant U.S. tax assets and we currently do not pay U.S. income taxes. Under the new law, we will continue to have unlimited use for our NOLs carried forward from 2017. Certain of the U.S. assets reflected on the chart have been revalued to reflect the lower 21% corporate tax rate. Note also that we continue to maintain a full valuation allowance against such U.S. tax assets for GAAP reporting. I have already noted the positive impact of the AMT refunds we had seen in 2017.

Unisys does incur taxes in certain foreign jurisdictions. Historically, this foreign tax expense has been between approximately 3% to 5% of international revenues. That revenue has historically been about half of total Unisys revenue. So, the associated cash taxes have been somewhat less, driven primarily by our ability to monetize tax assets in certain jurisdictions. These 3% to 5% international taxes are still expected regardless of changes to the U.S. Tax Code. So, we expect 2018 cash taxes to be consistent with the amount we saw in 2017.

Let me now turn to guidance, which is highlighted on slide 17. For 2018, we will again be providing guidance for revenue and non-GAAP operating profit margin. As you saw in our Analyst Day, we provided a view on our three to five-year business model with a senior leadership team of Unisys providing insight on how we expect to achieve those goals. Consistent with the structure of the metrics we provided there, we are also providing adjusted EBITDA margin guidance to help track progress against that model.

We continue to also focus on cash flow and have provided color throughout my comments today on the key drivers of adjusted free cash flow. As we have previously disclosed, effective January 1, 2018, we must adopt the new FASB revenue recognition accounting standard known as Topic 606. We currently expect that the adoption of this standard will not have a material impact, ongoing impact to our results of operations, although it provides a benefit to us in 2018. My guidance comments exclude this benefit, but the slide shows both sets of numbers.

With respect to revenue, our guidance range is \$2.7 billion to \$2.825 billion. This implies growth of negative 2% to positive 3%, which represents continued progress on improving our revenue trends. For non-GAAP operating margin, we are guiding to a range of 7.75% to 8.75%. As we noted, we expect a slight decline in Technology revenue in 2018 which will impact the margin mix. However, we continue to expect further margin expansion within Services which will partially offset this. Our guidance for adjusted EBITDA margin is 13.7% to 14.9%.

As we think about revenue expectations on a quarterly basis, I've already described the quarterly seasonality we expect for our Technology segment. We would remind you that in Q1 2017, our revenue and non-GAAP operating profit margin results were helped by a particularly profitable Services transaction. So, Q1 of 2018 faces that year-over-year compare.

Overall, we feel good about our 2017 results, which showed strong improvement against 2016, and our backlog build in 2017 positions us well going into 2018. We continue to drive toward our three to five-year business model which we presented at our Analyst Day in November. I would remind you that certain years will be stronger than others for our Technology business, which is a meaningful driver of results. We have been pleasantly surprised by that business in the last two years but we will never take that for granted. Overall, we remain focused on our long-term goals and look forward to continuing to make progress towards this model during 2018.

With that, I will turn the call back to Peter.

### **Question & Answer Section**

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

**Q – Frank Atkins – SunTrust Robinson Humphrey, Inc.:** Thanks for taking my question. I wanted to ask first on the operating margin guidance. What is it kind of baked into that assumption regarding the Services margins and where do you think that progresses throughout the year?

**A – Inder Singh – Unisys Corp.:** Yeah. Thanks very much for the question, Frank, and I appreciate your participating on the call today. We continue to make progress on the Services margin. As you saw this year and the year before that as well, we've been making progress in terms of the restructuring plan that we had. And as you know, for the last few years, we've also been focused on growing that revenue or trending it towards growth. And of course, when you now see what we're guiding for 2018, we're guiding for a range that includes the possibility of growth.

What I would say is that as that growth begins to materialize, we should start to benefit from the \$270 million of cost savings that we've taken out of the business that I talked about. And so, two drivers of Services margins going forward from our assumption standpoint, one is we maintain our very rigorous view of the cost structure of that business and continue to drive further improvements in that business. Both Eric Hutto and PV Puvvada, who together run our business, are singularly focused on ensuring that we maintain the operational discipline. And then, as we think we can now position ourselves to talk about growth, we should begin to see that flow through. That Services business, the fact that the backlog grew 10.3%, it's encouraging but that sets off a good trajectory for us as we enter 2018. So, we don't guide at that Services or the Tech level, but hopefully, that color gives you enough to think about it.

And I'll turn it to Peter for any comments he has.

**A – Peter Altabef – Unisys Corp.:** Yeah. Inder, I think that's very well said. And Frank, I want to join Inder in thanking you for your question. There are a fair number of moving parts in 2018, and as Inder was touching on them, so number one, we do expect that Technology revenue to be down slightly, and obviously, that's higher margin business no matter how you cut it. To make up for that, however, at least in part, we expect that the gross margin of our Services revenue will continue its pattern of increasing and may even increase more than it did last year. And of course, the complexity of that is that we are expecting, if you look at our range of revenue, we're expecting revenue growth.

Revenue growth for a Services company is a bit of a two-edged sword. You do expect that that will come with higher margins over time. But initially, as you're just getting into these new contracts, which we have several significant ones as you can see from our new business signings, there's always a transition period on Services new contracts and that transition period can come with some lower margin work for a while. So, you're balancing some of the savings that we are on track to continue to achieve by the actions we've made in the past that are on trajectory to continue to increase our margins, plus new revenue coming in that will have some effect on dampening that margins just as we do the transition.

So, it's kind of complicated. I, for one, am very happy that we're providing revenue and margin growth at the corporate end and not in Services and Technology because it's complicated. But that's the way we see it for the year.

**Q – Frank Atkins – SunTrust Robinson Humphrey, Inc.:** Okay. Great. Thank you very much. That's helpful. And then, I believe in your prepared remarks, you noted in the quarter financial services showed a little bit more strength. Can you talk about what's driving that? Do you think it's the market, do you think it's share gains, a combination of the two? Any particular areas of strength there?

**A – Peter Altabef – Unisys Corp.:** Yeah. So in the quarter, the majority of that strength was on the Technology side. That tended still to be a ClearPath Forward's strength, and by the way, we're great, we're very proud of that. We have a very good Elevate pipeline and that is kind of the, if you will, the next-generation financial services solutions that will drive not only Technology revenue but also Services revenue. But the pipeline, getting banks to adopt that platform is neither easy nor simple nor short and we really only released it around mid-last year.

So, we're very encouraged by that pipeline. We are beginning to bring new clients onto the Elevate platform. But we think it'll be a little while before that gets substantial headroom. So, I hope that helps on the financial services side.

**Q – Jamie Friedman –Susquehanna Financial Group:** Hi. Clearly a lot of hard work here which is appreciated. I'm going to start with the pension, Inder. I was just comparing, contrasting the 3Q slide that's called Estimated Future Pension Cash Contribution. You don't need to look it up, but if you compare that to the same on slide 15, what jumps out at me is that just in the quarter, you're taking down the 2019 cash contribution, 2019, the \$125 million, and as of the third quarter, that was estimated to be \$224 million, so almost \$100 million reduction. And you can see from there, it's not just that one year and next year, too. So I guess, could you just give us the cliff notes again about why that's happening on the cash component of the pension?

**A – Inder Singh – Unisys Corp.:** Yeah. Jamie, thank you for the question and thanks for being on the call. Yeah, it's been a number of years since we can say that that chart has shown a constructive improvement. And we're pleased to see that over 5 years, it's down \$300 million compared to what you saw previously, and then, again, over 10. 2019 has a couple of variables to it, one is obviously better return on asset performance, as I noted in my comments, and also, there was the option to look at the – a certain amortization table and pushed off that adoption as well for us. So as a company, we benefit over the 10-year period and the 5-year period frankly from the combination of those things.

We continue to look at this chart. Obviously, as you know, as focused as we are on the business, we're also very focused on making sure that we have the capital structure to make all of these pension contributions over time. And it's really nice to see them moving down the way they have, for the all the years, frankly, not just one year.

**A – Peter Altabef – Unisys Corp.:** Okay. Yeah. And Jamie, if I can just follow-up on that for a minute before your second half of your question, and I, again, thank you for the question. Internally, when I walk around the company, I tend to talk about our three big initiatives, but the reality is there are four. So, the three I tend to talk about internally are that we are being very purposeful with respect to our services delivery capacity, and by purposeful, some of the things that I talked about in my notes or in my comments earlier about exactly what services we're providing, how to make those most effective, how to invest in these services, such as on automation and AI, and how really to make sure we're doing what we're doing really, really well.

The second is security in everything we do, and that we really are focused on differentiating ourselves against competitors by making sure, whether it's Stealth or whether it's other proprietary security or third party security, we really want our clients to understand that we're building leading security into everything we provide. And we, by the way, with a higher win rates, with a higher ACV and TCV, with very specific deals where we see that as a distinguishing factor, we think that is an important initiative.

And the third thing I tend to talk about as I go around the company is this idea of a software-led services, right? Those are the solutions we have been rolling out, and again, we have one more to roll out later this quarter, early next quarter with LineSight, but we've made substantial investments in these solutions. Elevate is one of them, FamilyNow, ENFORCE are others, and that not only do we expect Technology revenue from these but we expect Services revenue as well.

Those are the three things I talk about in the company, but there's a fourth, and the fourth is that we have taken a very deliberate, very focused approach on our investment portfolio specifically around pensions. Not something you tend to talk about in the company, though it's been very deliberate bringing in a new Treasurer in October, doing the work on splitting the plans that happen – I guess he came in September – doing the work on splitting the plans that Inder talked about, looking at our investment portfolio in terms of equity versus non-equity investments. We don't control all of that. Some of that is controlled by other fiduciaries. But everybody is really taking this very, very seriously, including even some hedge transactions to try to lock in some of the gains that we saw in 2017 for some period of time.

So, I would say for this audience on this call, we really are doing all four of those things, not just the first three.

**Q – Jamie Friedman –Susquehanna Financial Group:** Okay. And for my follow-up, I just was hoping you could help us map this figure 5 – page 5, rather, which is the pipeline, and maybe I missed the change in disclosures. But when you're saying industry application products and related services, and I apologize again if that's not new but it's new to me, how do we think about that and convert that from pipeline to revenue? In other words, if we were to take that same disclosure, industry application products and services, what is that in revenue on slide 10?

**A – Peter Altabef – Unisys Corp.:** Well, let me tell you what it is. If you want to know what the current revenue is associated with that, I'm looking at Inder as to whether he wants to give it to you. If you look at what we have been doing for the past few – two years, by late 2015, early 2016, we had identified our focused industries. And within those focus industries, we had identified the need to have leading software-enabled solutions in each of those focus industries that while they would not represent the majority of our work, they would show the clients in those industries that we had significant thought, enough thought and enough domain knowledge for their industries that we could create and market leading products and solutions for that industry. So, that has resulted in really nine of those solutions.

One of those, Digital Investigator, was launched in 2016 around October. Seven of those were launched in 2017 and the remaining one is LineSight. I would add that two of those are in what I consider social government services, that's ENFORCE and FamilyNow, not technically one of our four focus areas but you can expect it to become a focus area in 2018. So, those nine bring with them not only software products but also Services revenue, and that is really what we're talking about, so it's another way to cut it.

The goodness there, I will tell you, will go beyond the revenue associated there. It'll go into really highlighting our position as leading providers of an integrated suite of solutions in each of those four focus areas. But that pipeline is new. Those solutions are either new or refreshed and they tend to be earlier in their stage than, let's say, the pipeline on our more traditional digital workplace services.

**Q – Joe Vafi – Loop Capital Markets LLC:** Hey, guys. Good afternoon. Great progress. Congratulations on that. Maybe I'll just start with a couple of more detailed questions and then bring it back out to a higher level. Maybe, Inder, if you could discuss a little bit, looks like the restructuring add back to non-GAAP was pretty big, but SG&A still, even on a GAAP basis, was down, and I was wondering if you could provide some color on just the reconciliation between those two line items. And then, as we're talking about restructuring, as we

model, should we not be thinking at all about restructuring as an add back to non-GAAP next year? And then, I have a follow-up.

**A – Inder Singh – Unisys Corp.:** Yeah. Most of the restructuring charges that were part of our plan, and remember, we've been executing a plan that was launched in April 2015, and that plan called for us to basically generate annualized savings exiting 2017 of \$200 million. And as I noted, we've been focused on driving those savings and then some. So, we've actually ended 2017 with a better annualized run rate than we had expected previously. Those savings, you would only expect to see in the SG&A line but you would also expect them to materialize in the cost of sales, frankly, as our revenues begin to grow. And so, those are taking our fixed cost and basically variablizing the cost base, Joe.

And so, as we think about how they would start to drive gross margin higher, remember, a lot of our costs are in the cost lines. So, you can't quite just map it to SG&A. You're right, we're seeing the benefits in SG&A as well and we will continue to drive SG&A discipline, but really, what we've been focused on is also making sure that we variablize our cost structure for the delivery side of the house. And so, you should start to see those benefits accrue in 2018, 2019 and beyond.

Of the charge that we took, about \$12 million was in the SG&A lines. And so, as I think about where we would begin to see it, you'll start to see the benefits happen on gross margin and also in SG&A on a go-forward basis. And remember, these are exit run rates that I'm talking about. So, it's not numbers necessarily you would have seen materialize into savings in 2017.

**Q – Joe Vafi – Loop Capital Markets LLC:** Yeah. That's helpful. And for modeling purpose, should we be reducing down restructuring in our models at this point to kind of de minimis levels or how should we think about that in 2018?

**A – Peter Altabef – Unisys Corp.:** Yeah. I mean, the way we think about it for the next three, four, five years is frankly this is all about maintaining operational discipline. Most companies in our industry go through ongoing cost efficiency actions. And so, that kind of what you should be seeing is more of that type of smaller things than the major program we've been on for the last almost three years.

**Q – Joe Vafi – Loop Capital Markets LLC:** Great. And then, if we kind of zoom back out to a higher level and I think last quarter, we were in a position where some of the bookings numbers were a little tough and they kind of came in a lot stronger this quarter. I was wondering if there's any big bluebirds out there that drove some of this quarter's performance and if you could kind of talk in a little more detail about the performance of TCV, ACV and the new business numbers that drove a solid Q4 here?

**A – Peter Altabef – Unisys Corp.:** Yeah. Joe, that's a great question. What I would say is we welcome those big bluebirds. There are always some of those in the pipeline and we have some of those in our \$13 billion pipeline that would be very large and we'd love for them to land. Those were not really in the fourth quarter numbers. We had some nice sizable deals but none of them I would categorize as in the mega category. So, the good news is we did this kind of TCV and ACV really without the benefit of a mega, mega deal. So, I consider that pretty good news.

**Q – Joe Vafi – Loop Capital Markets LLC:** That's great. And Peter, not to put you on the spot but I'm going to do it anyway just a little bit, so if that is indeed the case, is this kind of a small inflection point do you think in the business in new signings? Because if you didn't get a lot of benefit from some big bluebirds here, then your

plan is executing well and that it's executing better than it has. And so, if you have a comment on that, I'd appreciate it. Thanks so much.

**A – Peter Altabef – Unisys Corp.:** You're welcome, Joe. Obviously, nobody knows where the future goes. But I would say, we, again, as we have kind of continued to move into execution mode on our strategy, we've increased our value win rate by five points which is significant to us. You're seeing much higher ACV and TCV on new business which is new logos and new scope. The new logos, in particular, have the benefit of they establish a new source of revenue from which you can land and expand. So, this has been something that we've been doing in the making for a while. I'd love to see these trends continue. We're very pleased with the TCV and ACV numbers for 2017. That's not to say that we'll necessarily hit those numbers in 2018 but it's a brand new year, and as I said, the pipeline has been growing.

So, we're pretty pleased with where we're moving on the sales side, I will tell you. We just had our Sales Kickoff event in Orlando earlier this week and I have not seen a team more excited about our offerings and our competitiveness, certainly, in this company or frankly, I cannot remember a team more excited. So, I think that's really frankly good news. So, this is an energized group.

Operator: Thank you. And there looks to be no further questions. So, this will conclude our question-and-answer session. I would like to turn the conference back over to Peter Altabef for any closing remarks.

### **Peter Altabef, CEO**

Thank you, Will. Again, we are pleased with our results for the year. We also remain keenly focused on what we need to continue to do over the coming year. This is a work in progress, but we began the New Year refreshed, focused and the challenge of profitably growing the business over time. The number we have provided you, which has a midpoint of our revenue in a growth mode, would be the first time since 2003 that this company has grown revenues on an absolute basis. And we're very proud that our backlog going into the year is higher than our backlog going into the year last year.

So with that, we look forward to the opportunity to speak with you next quarter, and we continue to be available to you throughout the year. Thanks very much for being on the call.