UNISYS | Securing Your Tomorrow®

# First-Quarter 2019 Financial Results

May 2, 2019

Peter Altabef | Chairman, President & CEO
Mike Thomson | Vice President & CFO

www.unisys.com/investor

# Disclaimer

- Statements made by Unisys during today’s presentation that are not historical facts, including those regarding future performance, are forward-looking statements under the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations and assumptions and involve risks and uncertainties that could cause actual results to differ from expectations. These risks and uncertainties are discussed in the company’s reports filed with the SEC and in today’s earnings release.
- 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.
- 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.
- We will be reporting non-GAAP revenue and related measures as a result of the January 1, 2018 adoption of the new revenue recognition rules under ASC 606 to exclude revenue that had previously been recorded in 2017 under ASC 605. Additionally, 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 and our Form 10-Q.
- 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. Information in this presentation is as of May 2, 2019, and Unisys undertakes no duty to update this information.


# CEO Remarks
# Peter Altabef

# Progress on Key Strategic Initiatives in 1Q19

**Use Industry Go-To-Market Strategy to Drive Revenue**

- Total revenue of $696M versus $708M in prior-year period (required adoption of ASC 606 in 1Q18 resulted in an additional $53M of revenue recorded upon adoption in that period), up 5.9% YoY on non-GAAP adjusted basis
- Services revenue grew 7.7% YoY; non-GAAP Services revenue grew 7.3% YoY
- New business TCV and ACV up year over year

**Leverage Technology Performance to Drive Results**

- Technology revenue was $83.7M vs. $139.9M in the prior-year period (required adoption of ASC 606 in 1Q18 resulted in an additional $53M of revenue recorded upon adoption in that period)
- Non-GAAP adjusted Technology revenue was down a more modest 3.7% YoY; this slight decline was expected due to the ClearPath Forward renewal schedule
- 1.4% YoY increase in non-GAAP adjusted Technology operating profit dollars, despite revenue decline

**Leverage our Security Expertise to Drive Revenue**

- Stealth™ revenue up over 300% YoY

**Profitability**

- GAAP operating profit margin of 6.2% vs. 14.4% in prior-year period (reflective of the non-recurring adjustment required by ASC 606 contributing 700 basis points to operating margin in the prior-year period)
- Non-GAAP operating profit margin of 6.4% vs. 7.2% in prior-year period
  - 80 basis point decline largely driven by the impact of new Services business

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

# Go-To-Market Progress

## 1Q19 TCV

**Total Company**
$989M

30% YoY decline, but the highest level since 1Q18

**New Business**
$662M

3% YoY growth

## 1Q19 ACV

**Total Company**
$315M

25% YoY decline, consistent with light renewal schedule this year

**New Business**
$147M

20% YoY growth

## 1Q19 Pipeline[1]

**Total Company**
>$14B

3% YoY growth

**New Business**
>$12B

5% YoY growth

See definitions beginning on slide 26

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

# CFO Remarks
# Mike Thomson

# 1Q19 Financial Highlights

## Continued Revenue Momentum for Total Company

- Total revenue of $695.8M versus $708.4M in prior-year period, reflective of the required adoption of ASC 606 in 1Q18, which resulted in an additional $53M of revenue recorded upon adoption in that period
  - Even with this benefit in the prior-year period, on a constant-currency basis, total company revenue grew 2.3% YoY
- Non-GAAP adjusted revenue grew 5.9% YoY, the highest quarterly growth since 2014

## Continued Services Momentum

- Services revenue grew 7.7% YoY, or 7.3% on a non-GAAP adjusted basis, the highest quarterly growth since 2003
  - Services revenue grew 11.7% YoY on a constant-currency basis
- Services backlog was stable year over year at $4.7B

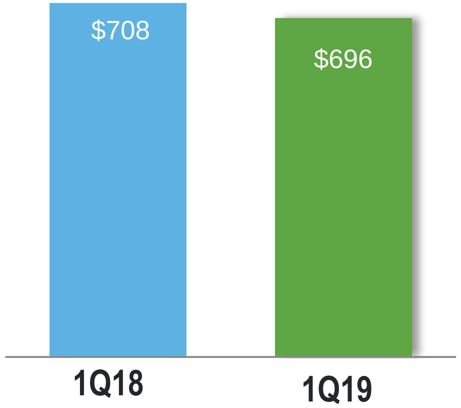
## Better-Than-Expected Technology Performance

- Technology revenue and margins in prior-year period were helped by the required adoption of ASC 606
  - Technology revenue was $83.7M vs. $139.9M in the prior-year period (required adoption of ASC 606 in 1Q18 resulted in an additional $53M of revenue recorded upon adoption in that period)
    - Non-GAAP adjusted Technology revenue saw a much more modest decline YoY (as expected due to the ClearPath Forward renewal schedule) of just 3.7%
  - Technology operating profit margin was 34.1% vs. 54.7% in the prior-year period (required adoption of ASC 606 in 1Q18 resulted in an additional 2480 basis points of operating margin upon adoption in that period)
    - Non-GAAP adjusted Technology operating profit margin was 34.1% vs. 29.9% in the prior-year period
    - Non-GAAP adjusted Technology operating profit dollars increased 1.4% YoY

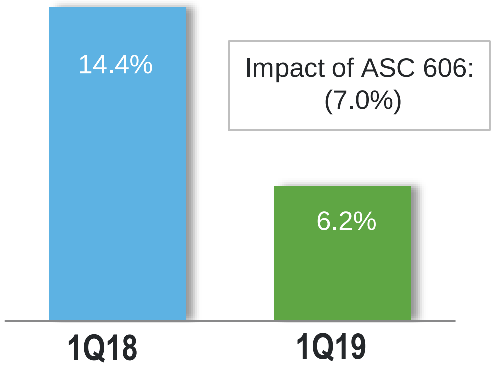
See appendix for a reconciliation of non-GAAP measures to their most comparable GAAP measures.

# 1Q19 Financial Results

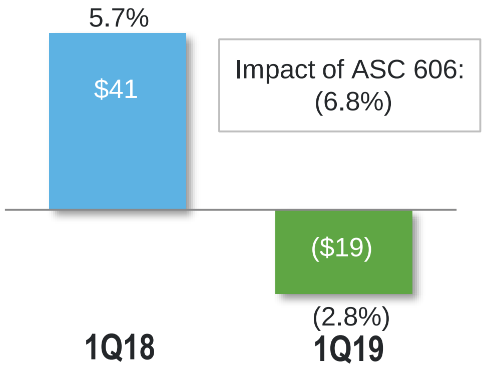
### Revenue ($M)
GAAP



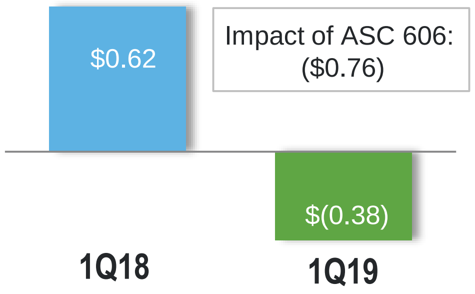

### Operating Profit Margin (%)
GAAP



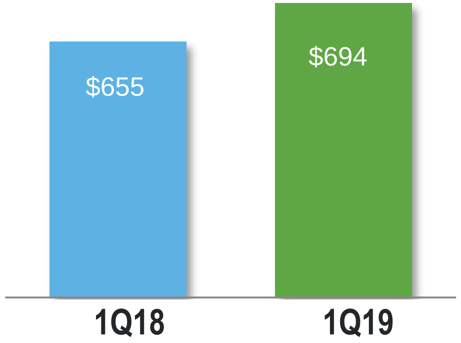

### Net Income/Loss Attributable to Unisys ($M) and Margin (%)
GAAP



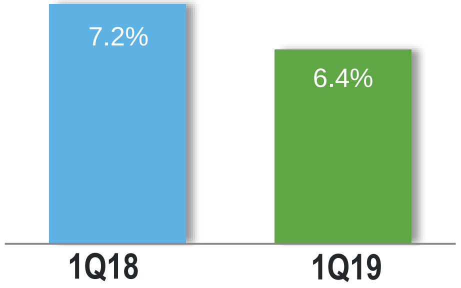

### Diluted Earnings per Share
GAAP



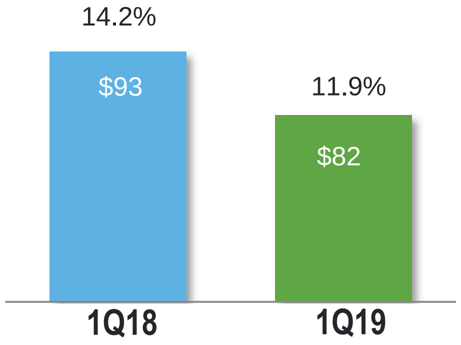

### Adjusted Revenue[1] ($M)
Non-GAAP




### Operating Profit Margin[1] (%)
Non-GAAP




### Adjusted EBITDA[1] ($M) and Margin (%)
Non-GAAP




### Diluted Earnings per Share[1]
Non-GAAP


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

1. Numbers adjusted to exclude revenue previously recorded under ASC 605, which was also included in 2018 under ASC 606, as well as other adjustments (see additional detail starting on slide 26)

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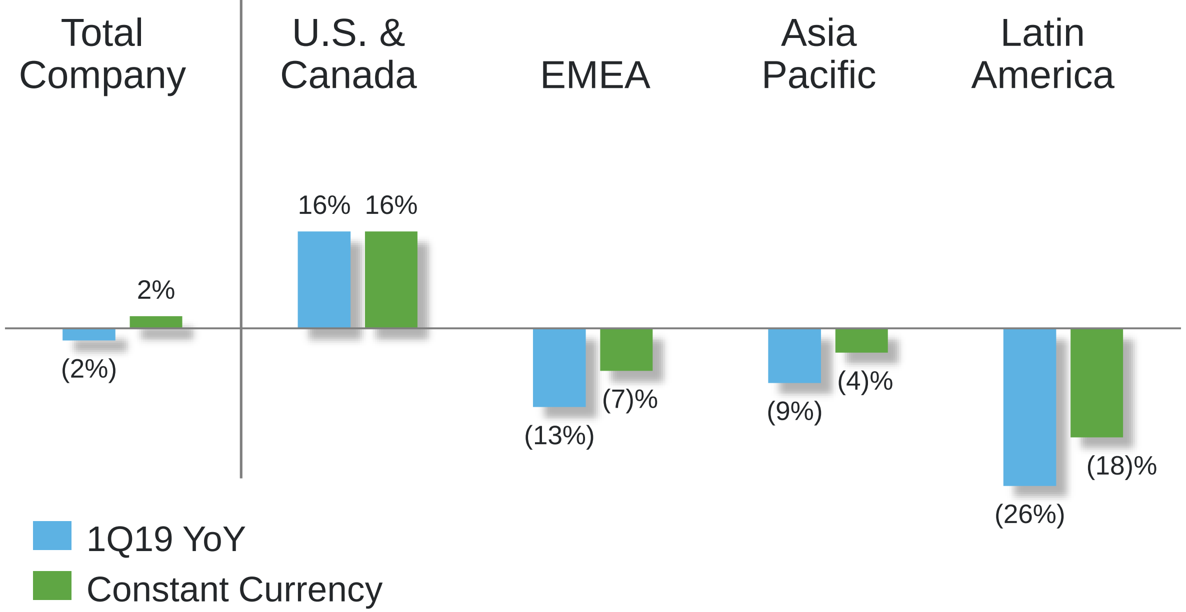
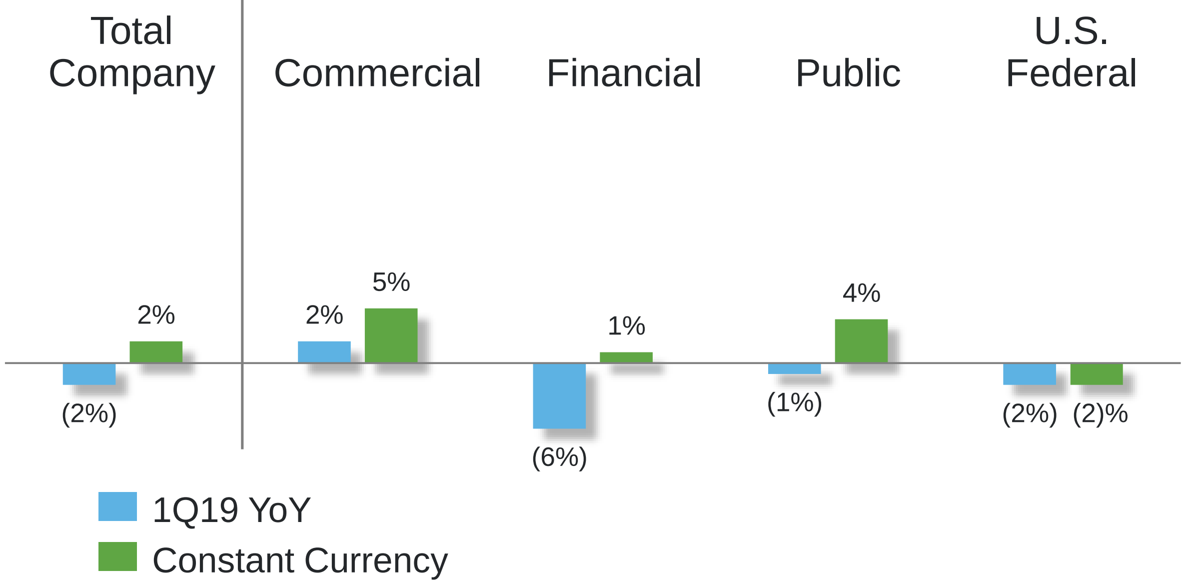
# 1Q19 GAAP Revenue Growth by Region and Sector

## By Region




- Strong growth in US&C supported by strong Services growth
- EMEA, Asia Pacific and Latin America all negatively impacted by the required adoption of ASC 606 in the prior-year period and currency

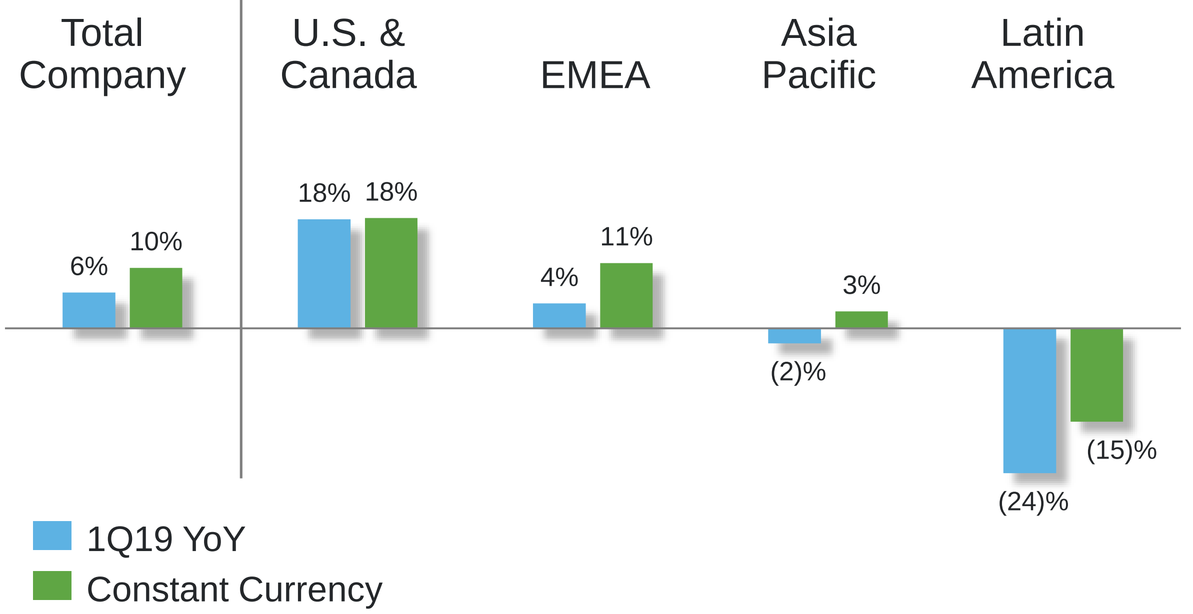
## By Sector




- U.S. Federal sector down 2% YoY, largely due to the impact of the U.S. Federal government shutdown during the quarter
    - Total funded backlog for this sector was up over 40% YoY
    - Strong U.S. Federal signings, with TCV up 23% YoY in the quarter
    - U.S. Federal sector expected to see revenue growth in the mid to high teens for the full year 2019
- Public sector declined 1% due to impact of ASC 606 and currency
- Financial Services declined 6% due to the impact of ASC 606

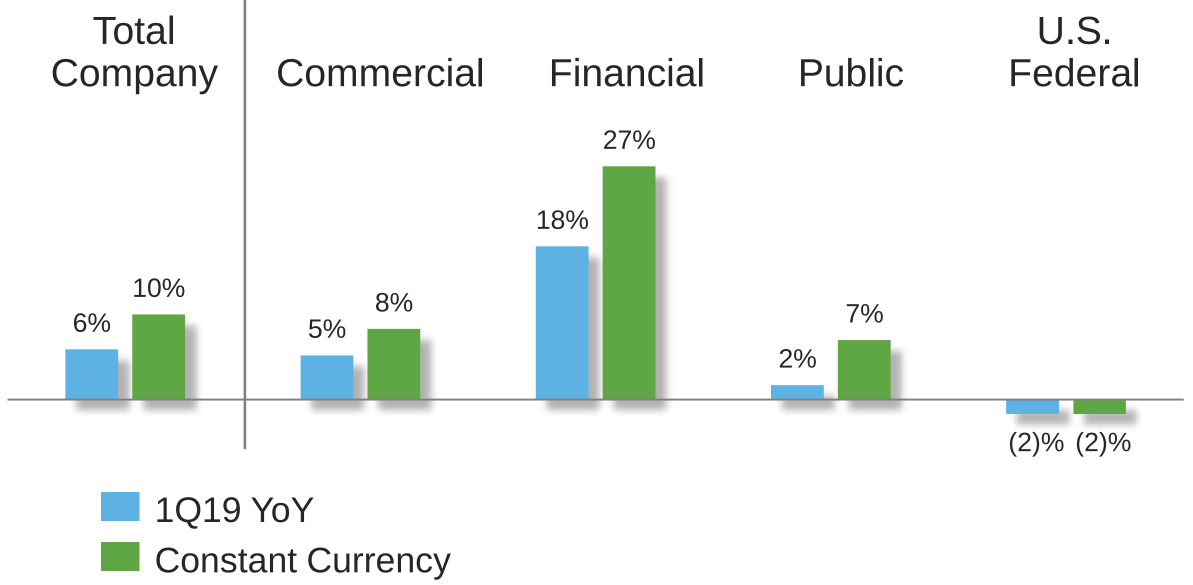
# 1Q19 Non-GAAP Revenue Growth by Region and Sector[1]

## By Region




- Strong growth in US&C supported by strong Services growth
- Latin America was negatively impacted by the ClearPath Forward renewal schedule and currency
  - Region saw growth in Services
- EMEA growth of 4% despite currency impact

## By Sector




- U.S. Federal sector down 2% YoY, largely due to impact of the U.S. Federal government shutdown during the quarter
  - Total funded backlog for this sector was up over 40% YoY
  - Strong Federal signings, with TCV up 23% YoY
  - U.S. Federal sector expected to see revenue growth in the mid to high teens for the full year 2019
- Commercial growth of 5% supported by strong Services growth
- Public Sector up 2% as large deals signed in 2018 begin to generate revenue

1. Numbers adjusted to exclude revenue previously recorded under ASC 605, which was also included in 2018 under ASC 606, as well as other adjustments (see additional detail starting on slide 26)

# 1Q19 Segment Results

| $M | As Reported | | | Non-GAAP Adjusted[1] | | |
|---|---|---|---|---|---|---|
| **Services Segment** | **1Q18** | **1Q19** | **YoY Change** | **1Q18** | **1Q19** | **YoY Change** |
| Services Revenue | $569 | $612 | 7.7% | $569 | $610 | 7.3% |
| Services Gross Profit Margin | 16.6% | 15.4%[2] | (120) bps | 16.6% | 15.2%[2] | (140) bps |
| Services Operating Profit Margin | 3.0% | 2.5% | (50) bps | 3.0% | 2.2% | (80) bps |

| $M | As Reported | | | Initial Adoption of ASC 606 Impact | Non-GAAP Adjusted[1] | | |
|---|---|---|---|---|---|---|---|
| **Technology Segment** | **1Q18** | **1Q19** | **YoY Change** | **1Q18** | **1Q18** | **1Q19** | **YoY Change** |
| Technology Revenue | $140 | $84 | (40.2%) | $53M | $87 | $84 | (3.7%) |
| Technology Gross Profit Margin | 68.9% | 58.1% | (10.8) pts | 1700 bps | 51.9% | 58.1% | 620 bps |
| Technology Operating Profit Margin | 54.7% | 34.1% | (20.6) pts | 2480 bps | 29.9% | 34.1% | 420 bps |

1. Numbers adjusted to exclude revenue previously recorded under ASC 605, which was also included in 2018 under ASC 606, as well as other adjustments (see additional detail starting on slide 26)
2. New business weighed on Services gross profit margin by 180 basis points

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

# 1Q19 EBITDA and Cash Flow Results

| $M | 1Q18 | 1Q19 | YoY Change |
|---|---|---|---|
| Net Income | $40.6 | ($19.4) | |
| Net income (loss) as a percentage of Revenue | 5.7% | (2.8%) | (850) bps |
| EBITDA[1] | $118 | $44 | |
| Adjusted EBITDA[2] | $93 | $82 | |
| Adjusted EBITDA Margin[2] | 14.2% | 11.9% | (230) bps |
| Operating Cash Flow | $(50) | $(70) | |
| Capital Expenditures | $(49) | $(58) | |
| Free Cash Flow | $(99) | $(129) | |
| Adjusted Free Cash Flow | $(51) | $(96) | |

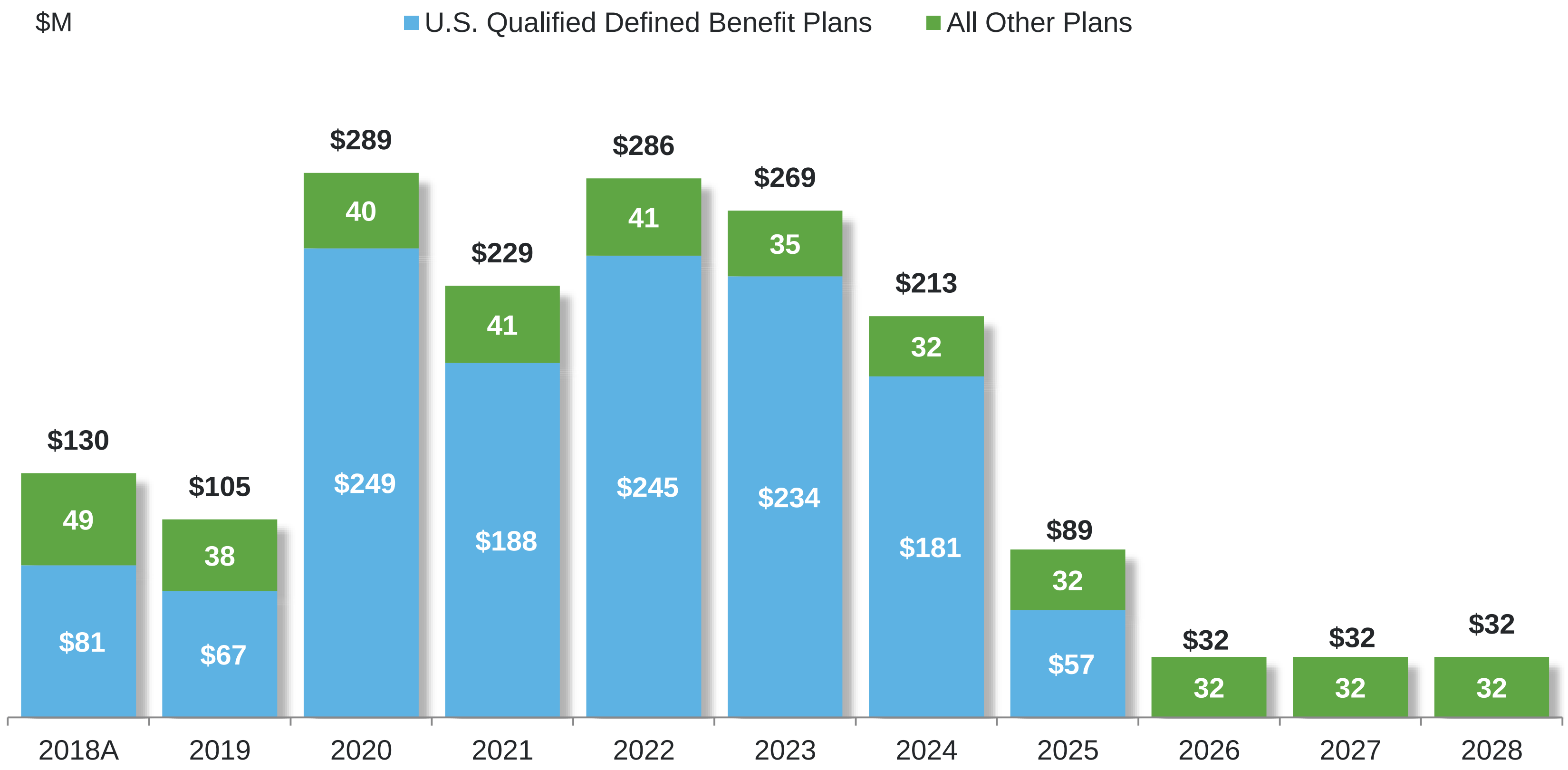
1. The required adoption of ASC 606 impacted EBITDA $53M in 1Q18
2. Down in part due to the impact of new business within Services

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

# Questions & Answers

# Appendix

# Estimated Future Pension Cash Contributions Through 2028




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 2018. 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 2018 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.

# Potential Economic Benefit of Tax Assets

$M

| Description | | Net Deferred Tax Assets[1] | Future Available Reductions in Taxable Income |
|---|---|---|---|
| | ***U.S.*** | | |
| **NOLs and Tax Credits** | Net Operating Loss – Federal & State | $607 | $1,665 |
| | Tax Credits | 250 | 1,192 |
| **Pension and Other** | Pension | 387 | 1,527 |
| | Other Deferred Tax Assets | 49 | 195 |
| | **Total available U.S.** | **$1,293** | **$4,579** |
| | ***Non-U.S.*** | | |
| **Foreign Tax Attributes** | Net Operating Loss – Non-U.S. | $253 | $1,059 |
| | Pension and other – Non-U.S. | 91 | 411 |
| | **Total available non-U.S.** | **$344** | **$1,470** |
| | **Total available** | **$1,637** | **$6,049** |
| | Valuation Allowance [1] | (1,548) | |
| | **Total Net Deferred Tax Asset** [1] | **$89** | |

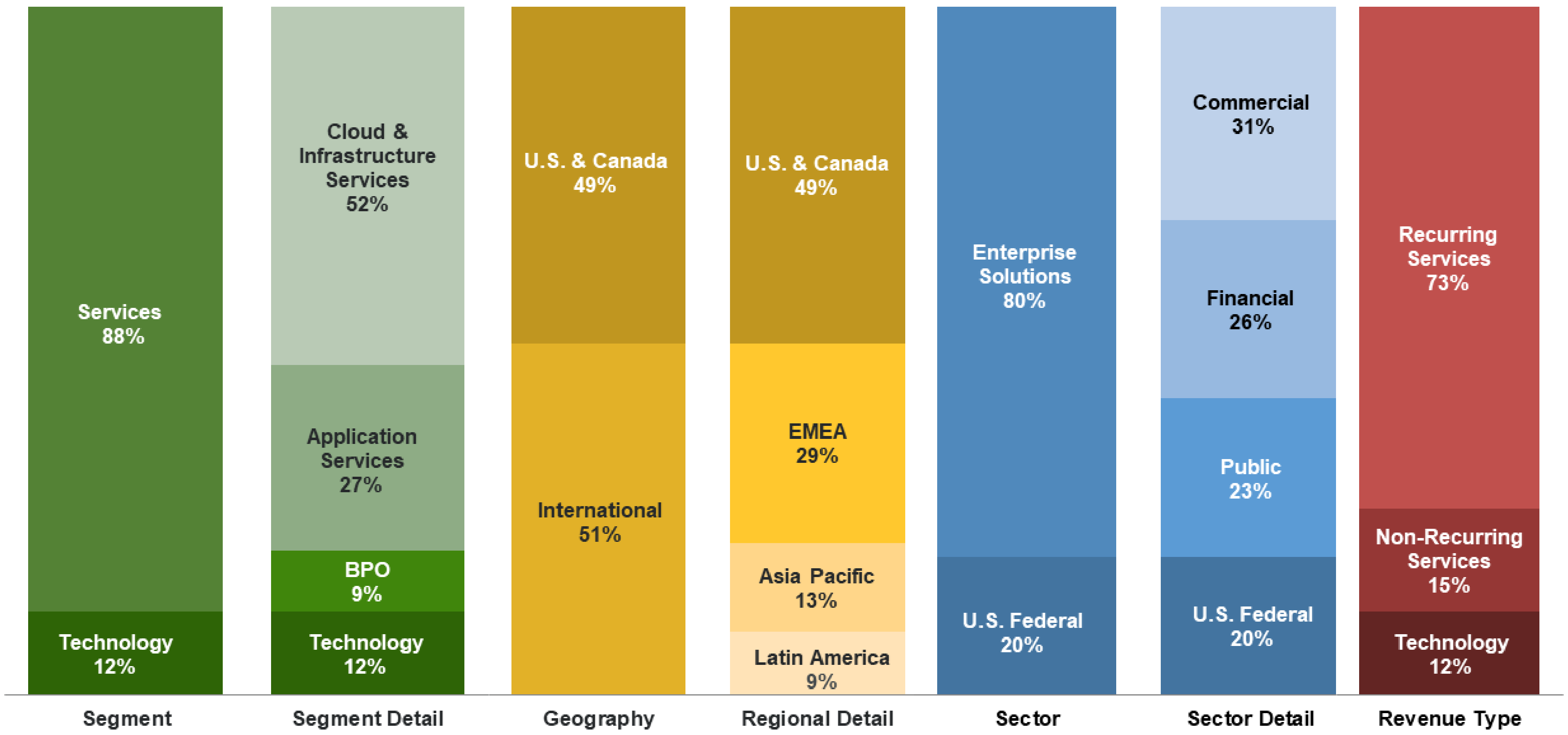
1 The elements listed above are for informational purposes only and are based on expectations and assumptions defined in the Form 10-K filed for December 31, 2018. See Critical Accounting Policies – Income Taxes for the assessment of the realization of company's deferred tax assets and liabilities and Footnote 6 in the 2018 Form 10-K.

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

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

# First Quarter 2019 Unisys Revenue Profile

## Percent of First Quarter 2019 GAAP Revenue

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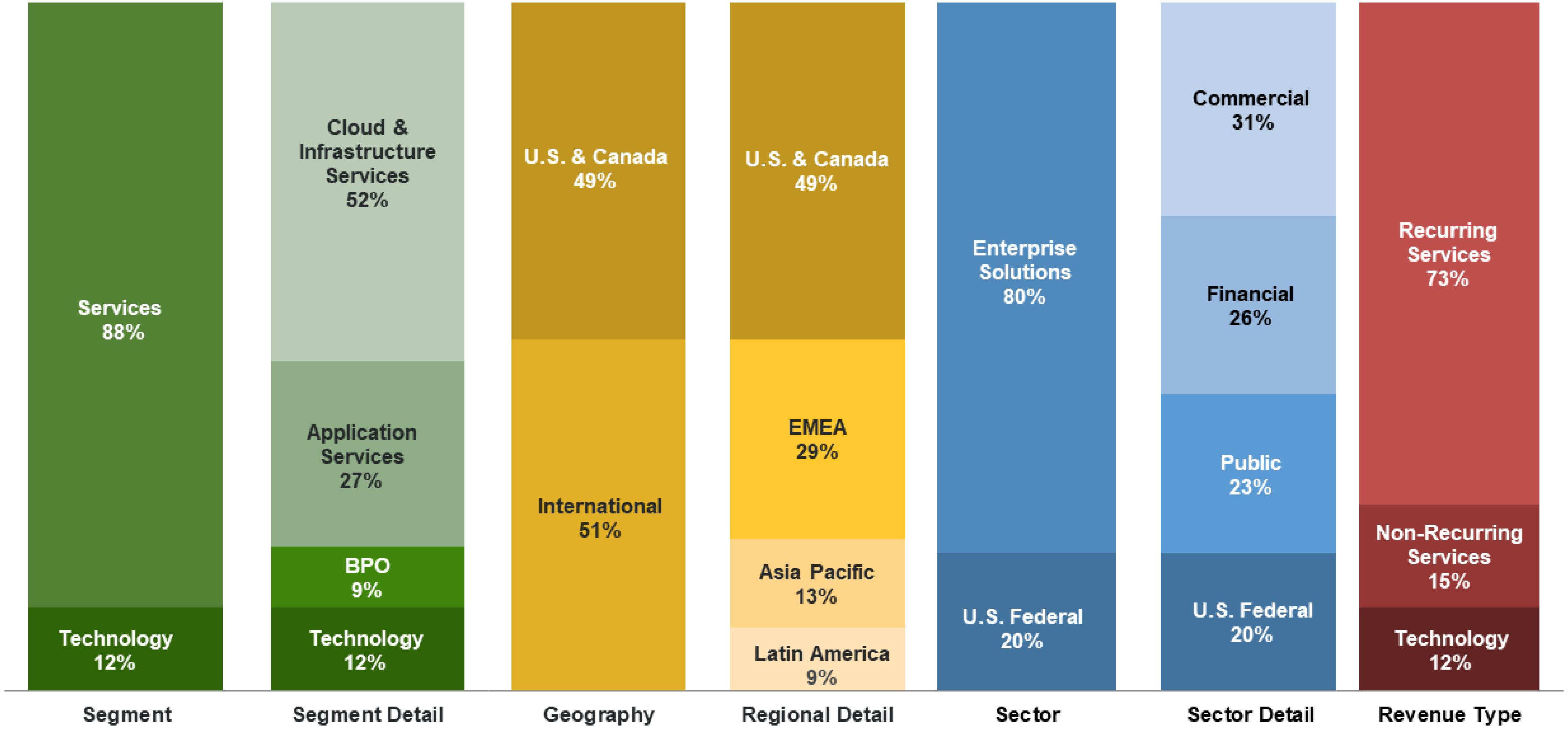
# First Quarter 2019 Unisys Revenue Profile

## Percent of First Quarter 2019 Non-GAAP Adjusted Revenue[1]




1. Numbers adjusted to exclude revenue previously recorded under ASC 605, which was also included in 2018 under ASC 606, as well as other adjustments (see additional detail starting on slide 26)

Schedule A: GAAP to Non-GAAP Reconciliation

# Revenue and Operating Profit

| $M | 1Q18 | 1Q19 |
|---|---|---|
| **Reported revenue** | **$708.4** | **$695.8** |
| Topic 606 adjustment | (53.0) | 0.0 |
| Restructuring reimbursement | 0.0 | (2.0) |
| **Non-GAAP adjusted revenue[1]** | **$655.4** | **$693.8** |
| | | |
| **Operating profit (loss)** | **$101.8** | **$42.9** |
| Topic 606 adjustment | (53.0) | 0.0 |
| Restructuring reimbursement | 0.0 | (2.0) |
| Postretirement expense | 1.0 | 0.8 |
| Cost reduction and other expense | (2.9) | 2.6 |
| **Non-GAAP operating profit (loss)[1]** | **$46.9** | **$44.3** |
| GAAP operating profit (loss) % | 14.4% | 6.2% |
| Non-GAAP operating profit (loss) %[1] | 7.2% | 6.4% |

1. Numbers adjusted to exclude revenue previously recorded under ASC 605, which was also included in 2018 under ASC 606, as well as other adjustments (see additional detail starting on slide 26)

Schedule B: GAAP to Non-GAAP Reconciliation

# EBITDA and Adjusted EBITDA

| $M | 1Q18 | 1Q19 |
|---|---|---|
| **Net income (loss) attributable to Unisys** | **$40.6** | **($19.4)** |
| Net income (loss) attributable to noncontrolling interests | 1.1 | 2.6 |
| Interest expense, net of interest income of $3.2, $2.9 respectively * | 13.4 | 12.6 |
| Provision for income tax | 20.9 | 13.8 |
| Depreciation | 27.3 | 25.0 |
| Amortization | 14.7 | 9.5 |
| **EBITDA** | **$118.0** | **$44.1** |
| Topic 606 adjustment | (53.0) | 0.0 |
| Postretirement expense | 19.3 | 23.5 |
| Cost reduction and other charges*** | (2.9) | 2.5 |
| Non-cash share-based expense | 4.0 | 4.7 |
| Other (income) expense adjustment** | 7.5 | 7.6 |
| **Adjusted EBITDA** | **$92.9** | **$82.4** |

*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

## Schedule C: GAAP to Non-GAAP Reconciliation

# Net Income and EBITDA as a percentage of revenue

| $M | 1Q18 | 1Q19 |
|---|---|---|
| Revenue | $708.4 | $695.8 |
| Non-GAAP revenue | 655.4 | 693.8 |
| Net income (loss) as percentage of revenue | 5.7% | (2.8%) |
| Adjusted EBITDA as a percentage of Non-GAAP revenue | 14.2% | 11.9% |

Schedule D: GAAP to Non-GAAP Reconciliation

# Earnings per Diluted Share

| $M except share and per share data | | 1Q18 | 1Q19 |
|---|---|---|---|
| **Net income (loss) attributable to Unisys Corporation common shareholders** | | **$40.6** | **($19.4)** |
| Topic 606 adjustment: | pretax | (53.0) | 0.0 |
| | tax | (5.3) | 0.0 |
| | net of tax | (47.7) | 0.0 |
| Post-retirement expense: | pretax | 19.3 | 23.5 |
| | tax | 0.3 | 0.1 |
| | net of tax | 19.6 | 23.6 |
| Cost reduction and other expense: | pretax | (2.9) | 3.6 |
| | tax and minority interest | (0.1) | 0.0 |
| | net of tax | (2.8) | 3.6 |
| **Non-GAAP net income (loss) attributable to Unisys Corporation common shareholders** | | **9.7** | **7.8** |
| Add interest expense on convertible notes | | 0.0 | 0.0 |
| **Non-GAAP net income (loss) attributable to Unisys Corporation for diluted earnings per share** | | **$9.7** | **$7.8** |
| Weighted average shares (thousands) | | 50,748 | 51,418 |
| Plus incremental shares from assumed conversion of employee stock plans & convertible notes | | 327 | 516 |
| **Non-GAAP adjusted weighted average shares** | | **51,075** | **51,934** |
| **Diluted earnings (loss) per share** | | | |
| *GAAP basis* | | | |
| GAAP net income (loss) attributable to Unisys Corporation for diluted earnings per share | | $45.4 | ($19.4) |
| Divided by adjusted weighted average shares | | 72,943 | 51,418 |
| **GAAP earnings (loss) per diluted share** | | **$0.62** | **($0.38)** |
| *Non-GAAP basis* | | | |
| Non-GAAP net income (loss) attributable to Unisys Corporation for diluted earnings per share | | $9.7 | $7.8 |
| Divided by non-GAAP adjusted weighted average shares | | 51,075 | 51,934 |
| **Non-GAAP earnings (loss) per diluted share** | | **$0.19** | **$0.15** |

Schedule E: GAAP to Non-GAAP Reconciliation

# Free Cash Flow

| $M | 1Q18 | 1Q19 |
|---|---|---|
| **Cash provided by (used for) operations** | **$(50.2)** | **$(70.4)** |
| Capital expenditures | (48.5) | (58.1) |
| **Free cash flow** | **$(98.7)** | **$(128.5)** |
| Postretirement funding | 30.9 | 23.1 |
| Cost reduction funding | 17.0 | 9.5 |
| **Adjusted free cash flow** | **$(50.8)** | **$(95.9)** |

## Schedule F: GAAP to Non-GAAP Reconciliation

# Reconciliation of Segment Reporting

| $M | 1Q18 | 1Q19 |
|---|---|---|
| **Total Services Revenue** | **$568.5** | **$612.1** |
| Restructuring reimbursement | 0.0 | (2.0) |
| **Total Services non-GAAP adjusted Revenue** | **$568.5** | **$610.1** |
| | | |
| **Services gross profit** | **$94.1** | **$94.5** |
| Restructuring reimbursement | 0.0 | (2.0) |
| **Non-GAAP adjusted Services gross profit** | **$94.1** | **$92.5** |
| | | |
| **Services operating profit** | **$17.1** | **$15.2** |
| Restructuring reimbursement | 0.0 | (2.0) |
| **Non-GAAP adjusted Services operating profit** | **$17.1** | **$13.2** |
| | | |
| Services gross margin | 16.6% | 15.4% |
| Non-GAAP adjusted Services gross margin | 16.6% | 15.2% |
| Services operating margin | 3.0% | 2.5% |
| Non-GAAP adjusted Services operating margin | 3.0% | 2.2% |

Schedule G: GAAP to Non-GAAP Reconciliation

# Reconciliation of Segment Reporting

| $M | 1Q18 | 1Q19 |
|---|---|---|
| **GAAP total revenue** | **$149.9** | **$86.1** |
| Topic 606 adjustment | (53.0) | 0.0 |
| **Total Technology non-GAAP adjusted Revenue** | **$96.9** | **$86.1** |
| | | |
| **Technology gross profit** | **$103.3** | **$50.0** |
| Topic 606 adjustment | (53.0) | 0.0 |
| **Non-GAAP adjusted Technology gross profit** | **$50.3** | **$50.0** |
| | | |
| **Technology operating profit** | **$82.0** | **$29.4** |
| Topic 606 adjustment | (53.0) | 0.0 |
| **Non-GAAP adjusted Technology operating profit** | **$29.0** | **$29.4** |
| | | |
| Technology gross margin | 68.9% | 58.1% |
| Non-GAAP adjusted Technology gross margin | 51.9% | 58.1% |
| Technology operating margin | 54.7% | 34.1% |
| Non-GAAP adjusted Technology operating margin | 29.9% | 34.1% |

# 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 and cost-reduction and other expense. Management believes each of these items can distort the visibility of trends associated with the company’s ongoing performance. Management also believes that the evaluation of the company’s financial performance can be enhanced by use of supplemental presentation of its results that exclude the impact of these items in order to enhance consistency and comparativeness with prior or future period results. The following measures are often provided and utilized by the company’s management, analysts, and investors to enhance comparability of year-over-year results, as well as to compare results to other companies in our industry.

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

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

**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.

**Services Backlog –** Services Backlog is the balance of contracted services revenue not yet recognized, including only the funded portion of services contracts with the U.S. Federal government.

**Non-GAAP adjusted revenue** – In 2018 and 2019, the company’s non-GAAP results reflect adjustments to exclude certain revenue.  In 2018, this includes revenue from software license extensions and renewals which were contracted for in 2017 and properly recorded as revenue at that time under the revenue recognition rules then in effect (ASC 605). Upon adoption of the new revenue recognition rules (ASC 606) on January 1, 2018, and since the company adopted ASC 606 under the modified retrospective method whereby prior periods were not restated, the company was required to include $53 million in the cumulative effect adjustment to retained earnings on January 1, 2018. ASC 606 requires revenue related to software license renewals or extensions to be recorded when the new license term begins, which in the case of the $53 million was January 1, 2018. The company has excluded revenue and related profit for these software licenses in its non-GAAP results since it has been previously reported in 2017. This is a one-time adjustment and it will not reoccur in future periods. Additionally, the company’s non-GAAP results include 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 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 2018 and 2019, the company included the non-GAAP adjustments discussed herein.

**Non-GAAP adjusted Technology gross margin** – In the first quarter of 2018, the company included the ASC 606 adjustment discussed herein.

**Non-GAAP adjusted Technology operating margin** – In the first quarter of 2018, the company included the ASC 606 adjustment discussed herein.

**Non-GAAP adjusted Services gross margin** – During 2018 and 2019, the company included the adjustments discussed herein.

**Non-GAAP adjusted Services operating margin** – During 2018 and 2019, the company included the adjustments discussed herein.

# 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 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.

**EBITDA & adjusted EBITDA** – Earnings before interest, taxes, depreciation and amortization ("EBITDA") is calculated by starting with net income (loss) attributable to Unisys Corporation common shareholders and adding or subtracting the following items: net income attributable to noncontrolling interests, interest expense (net of interest income), provision for income taxes, depreciation and amortization. Adjusted EBITDA further excludes post-retirement expense, cost-reduction and other expense, non-cash share-based expense, and other (income) expense adjustment. In order to provide investors with additional understanding of the company's operating results, these charges are excluded from the adjusted EBITDA calculation. During 2018 and 2019, 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 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 2018 and 2019, the company included the adjustments discussed herein.

**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.

**Industry application productions** – Industry Application products include ActiveInsights™ MedDevice, ActiveInsights™ PharmaTrack, AirCore®, Digistics™, Digital Investigator™, ENFORCE™, Elevate™, FamilyNow™, and LineSight®.

**Focus industries -** include Commercial & Retail Banking, Justice/Law Enforcement/Border Security, Life Sciences & Healthcare, Social Services, and Travel & Transportation.

