



**1Q15 Financial Release  
CEO/CFO Statements  
April 23, 2015**

**Niels Christensen, IRO**

Thank you operator. Good afternoon everyone, and thank you for joining us.

Earlier today, Unisys released its first-quarter 2015 financial results. With us this afternoon to discuss our results are Peter Altabef, our President and CEO, and Janet Haugen, our CFO. Before we begin, I would 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 on our Investor Website.

Third, today's presentation, which is complementary to the earnings press release, includes some non-GAAP financial measures. These have been provided in an effort to give investors additional information. The non-GAAP measures have been reconciled to the related GAAP measures and we have provided reconciliations within the presentation.

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 actual results to differ materially from expectations. These factors are discussed more fully in the earnings release and in the company's SEC filings. Copies of these SEC reports are available from the SEC and from the Unisys Investor Website.

Now I'd like to turn the call over to Peter.

**Peter Altabef, CEO**

Thank you, Niels, and thank you all for joining us today.

When I spoke with you in January shortly after joining Unisys, I shared with you my initial impressions of the company and our priorities for the business going forward. Since that time, I've been working with our leadership team and associates, meeting with clients, and developing an actionable program to drive improved performance and deliver greater shareholder value.

I am confident in Unisys' capabilities and potential but we must move aggressively to accomplish our goals of achieving competitive margins, enhanced cash flow, and revenue growth.

Our actions include: an organizational redesign to better address our clients' needs, optimization of our cost structure, and implementation of a go-to-market approach with greater focus on vertical markets and integrated solutions.

In the first quarter, our overall revenue grew slightly on a constant-currency basis, driven by growth in our U.S. Federal business and an increase in Technology sales. Our Services revenue declined 6% but was flat in constant currency.

The company's overall gross profit margin declined from 17.5% to 16.2%. Profitability in our Technology business improved with increases in revenue. However, our Services profitability decreased. Services gross margins declined from 15.8% in the first quarter of 2014 to 14.1% this year. This decline was principally the result of start-up costs on new multi-year engagements and lower project work.

We are taking actions to improve our profitability and competitive positioning and I will discuss those in detail shortly. First, let me highlight the steps we have already taken.

We have realigned Unisys over the past several months. We have moved to an organization with two core client relationship focused teams (Enterprise Solutions and U.S. Federal) and two core, globally integrated, delivery teams (Services and Technology), all supported by our Sales and corporate support teams. This will sharpen roles and increase accountability.

Leadership decisions for the two client relationship focused organizations were made in the first quarter. Ron Frankenfield, who previously led our Enterprise Services organization, leads Enterprise Solutions and Venkatapathi Puvvada, who previously served as interim leader of our U.S. Federal business, assumed the position on a permanent basis.

We have been actively recruiting leaders for both core delivery organizations and, as we announced earlier this month, Neil Gissler, formerly of Accenture, has joined the company to lead our global Services team. Neil has an outstanding record of driving growth and cost efficiencies, with deep experience in solution architecting, client IT strategy, enterprise architecture, infrastructure, applications and consulting services. Neil's organization will also manage Unisys' worldwide network of client service centers, software development centers, and data centers, as well as our work with third-party partners, including large cloud providers.

Unisys has tremendous strengths to build on -- our solutions portfolio, our global capabilities, our deep capabilities in mission-critical IT -- and is well positioned to serve a "consumerized" business and government mindset. But to succeed, we must bring innovative, differentiated solutions to our clients' most pressing business and technology problems.

The first step in this journey was the reorganization we completed early in the second quarter to align ourselves more closely with our clients and better meet their needs.

We are also taking actions to simplify and streamline our sales processes to pursue opportunities more quickly and efficiently. In addition, we are strengthening our client executive function, with better tools, training, and more accountability.

The next steps include changes in our cost base, our global delivery processes, our go-to-market approach, and our solution offerings.

As I communicated in January, we have taken a hard look at every element in our cost base with a view to improving our cost structure and ensuring that we deploy our capital in a targeted manner in order to successfully fund our future.

We have begun an initiative to remove management layers in order to make us more nimble, while driving cost efficiencies across all our operations. This effort is critical for us to achieve market levels of profitability and to allow us to fund future initiatives. We are committed to driving these cost reductions while we deliver best-in-class services and technology to our clients.

We are reducing the cost of labor and SG&A expenses throughout the company. In addition to headcount rationalization, cost reduction opportunities include an improved labor model - both onshore and offshore, aggressive cost management, improvements in how we execute through greater accountability, and reduced redundancy.

In connection with these initiatives, Unisys expects to recognize a pretax restructuring charge currently estimated at approximately \$300 million over the next several quarters. The company expects to reduce worldwide headcount by approximately 8%. As a result of these actions, the company expects to generate annualized savings of approximately \$200 million exiting 2016.

A more competitive cost structure is a critical element for our growth initiatives but we must also develop integrated solutions for vertical industry market segments. We will leverage Unisys' intellectual property and talent to deliver more innovative, differentiated solutions for our clients.

We will increasingly focus on vertical markets and integrated offering solutions that build on our strengths, offer attractive growth and margin potential, and are a good fit for our capabilities and offerings. As we look to our verticals, it is worth noting some of the successes in the last quarter across a range of industries.

Within the Public Sector, which includes work for local and national governments around the world other than the U.S. Federal government, our team expanded the scope of an existing contract with a U.S. state for cloud and infrastructure support services with the inclusion of special purpose cloud platforms.

Unisys also renewed a Cloud & Infrastructure services engagement with a large European state authority that is responsible for that state's courts and law enforcement processes.

In our U.S. Federal business, the Civilian agency group was selected to compete for task orders to provide a range of information technology products and services under the new Solutions for Enterprise-Wide Procurement (SEWP) V contract. This SEWP V contract has a ceiling value of \$20 billion over the next 10 years. And this will be a key contract vehicle through which Unisys can offer civilian agencies solutions such as Stealth, ClearPath/*Forward!* and EDGE.

Within Homeland Security, our Land Border Integration program for Customs and Border Protection is expanding License Plate Reader deployments for outbound crossings at 16 new locations across the border between the U.S. and Mexico.

Also, in our U.S. Federal business, the Defense and Intelligence group won a pilot to integrate Stealth with other technologies to protect critical infrastructure with a robust, flexible and extendable integrated solution. This pilot is an important step toward obtaining the government certifications required to sell Stealth to other Defense clients.

Turning to our other industry groups -- in Financial Services, Unisys extended our service desk, data center outsourcing, and technology support services with a large Latin American bank.

We also had a number of wins in our Commercial group. A leading global consumer packaged goods provider expanded our existing agreement to provide Cloud & Infrastructure services across multiple new countries.

A global pharmaceutical company expanded the scope of its Cloud and Infrastructure services with Unisys. And a large U.S.-based high tech company awarded Unisys a contract renewal for global Cloud and Infrastructure services and expanded the scope to include support for that customer's application environment.

As I mentioned earlier, we are also focused on bringing our clients integrated solutions. For example, as we announced in February, we added industry veteran Tom Patterson to lead our integrated security solutions business. We are combining our security services expertise with our engineering capabilities to offer integrated security solutions, including Stealth, to clients worldwide.

Our operating model – to be a more nimble, focused and responsive company – is well positioned to serve our business and government clients. Growing our profits and then revenue will come from successful execution of our strategy.

Thank you again for joining us. I look forward to sharing our progress with you throughout the year and will now turn over the call to Janet to discuss our first-quarter results and the financial implications of our cost reduction initiatives. We will then open the call to questions.

## Janet Haugen, CFO

Thanks, Peter. Hello everyone and thank you for joining us this afternoon.

Before discussing the first-quarter results, I want to cover some reporting changes we made this quarter. These changes are consistent with changes we have made in how we manage the business.

Within our Services segment, we have new sub-segments that align more closely with our current business focus and are consistent with our new organizational structure. The new categories are:

- Cloud & Infrastructure Services -- which is revenue from work we do in the data center and cloud area, technology consulting and technology-based systems integration projects, as well as global service desks and our global field services.
- Application Services -- which is revenue from application managed services and application development, maintenance and support work.
- Business Process Outsourcing -- which is revenue from the management of clients' specific business processes.

We have also made a change in certain revenue classifications between Services and Technology. Historical information has been reclassified to these new categories and is included in the Appendix to the presentation accompanying this call. Additionally, these schedules will be available through the Investor Relations section of our website. All of my comments today are based on the new reporting classifications.

Please turn to Slide 3 for a discussion of our first-quarter 2015 financial results.

We reported revenue of \$721 million in the quarter, which was down 5% year-over-year; but up 1% on a constant-currency basis. I will discuss revenue trends by segment, geography and industry later in my comments.

The major currency fluctuations impacting the year-over-year comparisons are the euro, sterling, Brazilian real and the Australian dollar. Based on today's rates, we anticipate currency will have a 10 to 11-percentage-point unfavorable impact on revenue comparisons for the second quarter of 2015 compared to the second quarter of 2014, and an unfavorable impact of 7 to 8 percentage points for the full year.

Our overall gross profit margin declined from 17.5% in the first quarter of 2014 to 16.2% in the first quarter of 2015. Of the 130-basis-point reduction, increased pension expense was responsible for 110 basis points while the remaining 20-basis-point reduction reflected lower Services gross margins, partially offset by higher Technology gross margins.

Operating expenses declined by approximately 4% year-over-year in the first quarter of 2015.

Included in the results was an increase of pension expense from \$19 million in the first quarter of 2014 to \$27 million in the first quarter of 2015 as a result of lower discount rates and changed mortality tables as we discussed in our year-end earnings call.

Excluding the impact of pension expense in both years, we reported break-even non-GAAP pretax results for the first-quarter 2015 compared to a non-GAAP pretax loss of \$12 million in the prior-year period. We reported a net loss of \$43 million in the quarter, versus a net loss of \$54 million in the year-ago quarter.

Our first-quarter 2015 diluted loss per common share was 87 cents compared to \$1.15 in the year-ago quarter. On a non-GAAP basis, first-quarter 2015 diluted loss per common share was 32 cents compared to 74 cents in the year-ago quarter.

Slide 4 shows our first-quarter 2015 revenue by segment, geography and industry. From a segment view, Services represented 89% of our first-quarter 2015 revenue. Services declined 6% year-over-year but was flat on a constant-currency basis.

Technology represented 11% of our first-quarter 2015 revenue and was up 3% YOY. However, as we mentioned on prior calls, quarterly seasonality can vary from year to year so Technology revenue is best measured on an annual basis. And as I said last quarter, we have some strong headwinds on the Technology business in 2015. Negative currency pressures continue and we have lower licenses up for renewal than in a typical year.

Looking at the Services segment in more detail, Cloud & Infrastructure is our largest services sub-segment and represented 53% of our overall first-quarter 2015 revenue. Currency was the most significant driver behind the 10% year-over-year decline.

Our next largest sub-segment is Application Services which was 28% of our overall first-quarter 2015 revenue. Our new work at U.S. Federal Customs and Border Patrol under the BEMS contract was the major contributor to the 3% growth in Application Services.

Business Process Outsourcing was 8% of our overall first-quarter 2015 revenue. BPO revenue declined 12% year-over-year. All of the operations are outside of U.S. & Canada and currency movements caused most of the decline.

Moving to geography, U.S. & Canada represented 49% of our overall revenue and grew 9% on the strength of our U.S. Federal services revenue. Revenue outside U.S. & Canada represented 51% of our overall first-quarter 2015 revenue. All of these regions declined on both a reported and constant-currency basis. On a constant-currency basis, the largest decline was in Latin America, particularly Brazil which had significant revenue last year for the work we performed in support of the World Cup.

From an industry perspective, we break out our revenue into four groups: Commercial, Financial Services, and two industry groups within Government: U.S. Federal and Public Sector, which includes work for local and national governments around the world other than the U.S. Federal government.

Based on first-quarter 2015 revenue, Commercial is our largest industry group representing 35% of our overall revenue. Revenue from our Commercial industry customers declined 7% but was up slightly on a constant-currency basis. Financial Services represented 21% of our overall revenue. Revenue from Financial Services industry customers declined 10%, down 2% in constant currency.

Public Sector represented 26% of our overall first-quarter 2015 revenue and declined 10%, down 3% in constant currency. And U.S. Federal was 18% of our first-quarter 2015 revenue and grew by 13% year-over-year.

Moving to discuss our first-quarter segment results in more detail, please turn to Slide 5.

Services gross profit margin decreased year-over-year to 14.1% from 15.8% in the first quarter of 2014. The Services operating margin declined 280 basis points to negative 1.3% in the first quarter of 2015. Our first-quarter 2015 Services margins were impacted by start-up costs on new multi-year engagements as well as lower project work in our existing services accounts.

Technology revenue, which accounted for 11% of our total revenue, rose 3% year-over-year, 13% on a constant-currency basis, principally reflecting higher sales of our proprietary software and servers. Technology gross and operating margins improved year-over-year due to higher sales of our proprietary Software and Servers.

For some comments on Services orders, please turn to Slide 6.

In the first quarter of 2015, our Services orders rose year-over-year, driven by Cloud & Infrastructure orders, particularly in the U.S. and Canada.

We ended the first quarter with \$4.5 billion in Services backlog. This level of backlog was flat year-over-year as reported but represented an 11% increase on a constant-currency basis. Of the Services backlog at March 31,

2015, approximately \$590 million is expected to convert into second-quarter 2015 services revenue. The amount of revenue in backlog at the start of the quarter is estimated to be between 90 and 95% of our quarterly Services revenue for the full quarter.

Moving to cash flow, please turn to Slide 7 for an overview of our cash flow performance in the quarter.

We used \$43 million of cash from operations in the first quarter of 2015 compared to \$20 million generated in the year-ago quarter. The decline in cash from operations is largely due to lower accounts receivable at the start of the quarter and lower revenue in the quarter, higher net inventory, and higher cash tax payments.

Capital expenditures were \$58 million in the first quarter of 2015, versus \$45 million in the first quarter of 2014. The increase in capital expenditures reflected higher investments in outsourcing assets. For the full year, we anticipate cap ex of \$175-\$200 million which will be down versus last year's cap ex of \$213 million. Excluding the impact of pension, Unisys generated adjusted EBITDA of \$41 million in the first quarter of 2015 versus \$27 million in the prior-year period.

We had free cash usage of \$101 million in the first quarter of 2015 versus free cash usage of \$25 million for the same period last year. The increased usage reflected the combined impact of lower operating cash flow and higher capital expenditures. Our free cash usage before the pension cash contributions was \$62 million for the first quarter of 2015 versus free cash flow of \$31 million in the first quarter of 2014.

On our last earnings call, Peter discussed the need to look at all elements of our cost base to create a more competitive cost structure and rebalance the company's global skill set to take advantage of growth opportunities. We have done so and, as we announced in our earnings release earlier today, we expect to take a pretax charge of approximately \$300 million over the next several quarters.

We currently expect a reduction in our worldwide headcount of approximately 8%. And we will also be reducing our facilities footprint. These actions are expected to generate annualized savings of approximately \$200 million exiting 2016.

The cash outlay for these items is expected to occur over the rest of 2015 and 2016 so we do not have an immediate need to fund the full amount of the charge. In addition, some of the costs are self-funding within a quarter or relatively short period of time. To the extent we find that the charges we must fund require it, we will avail ourselves of financing available to us in the capital markets.

Thank you for your time.