

# Full-Year and Fourth-Quarter 2020 Financial Results

February 23<sup>rd</sup>, 2021

Peter Altabef, Chairman & CEO

Mike Thomson, Senior Vice President & CFO

# 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 this quarter's earnings release.
- Forward-looking statements include, but are not limited to, any projections or expectations of earnings, revenues, annual contract value ("ACV"), total contract value ("TCV"), new business ACV or TCV, backlog, pipeline or other financial items; any statements of the company's plans, strategies or objectives for future operations; statements regarding future economic conditions or performance; and any statements of belief or expectation.
- The impact from the rapidly changing market and economic conditions due to the COVID-19 outbreak is uncertain and is expected to impact our business and consolidated results of operations and could impact our financial condition in the future. At this time, we are unable to accurately predict the full impact that COVID-19 will have due to numerous uncertainties, including the severity of the disease, the duration of the outbreak, actions that may be taken by governmental authorities, the impact to the business of our customers and partners and other factors.
- Beginning January 1, 2020, the historical results of the company's U.S. Federal business have been reflected in the company's consolidated financial statements as discontinued operations. Prior-period financial statements have been reclassified to reflect the company's U.S. Federal business as discontinued operations. Throughout this presentation we will only refer to the company's continuing operations.
- Although appropriate under generally accepted accounting principles ("GAAP"), the company's results reflect charges that the company believes are not indicative of its ongoing operations and that can make its profitability and liquidity results difficult to compare to prior periods, anticipated future periods, or to its competitors' results. These items consist of certain revenue adjustments and related profit consisting of post-retirement and cost-reduction and other expense. Management believes each of these items can distort the visibility of trends associated with the company's ongoing performance. Management also believes that the evaluation of the company's financial performance can be enhanced by use of supplemental presentation of its results that exclude the impact of these items in order to enhance consistency and comparativeness with prior or future period results. The following measures are often provided and utilized by the company's management, analysts, and investors to enhance comparability of year-over-year results, as well as to compare results to other companies in our industry: Non-GAAP Operating Profit; EBITDA and Adjusted EBITDA, Non-GAAP Diluted Earnings per Share; Free Cash Flow and Adjusted Free Cash Flow; Constant Currency, Pipeline, ACV and TCV.
- The company's non-GAAP results include adjustments to exclude certain revenue relating to reimbursements from the company's check-processing JV partners for restructuring expenses included as part of the company's restructuring program. For more information regarding these adjustments, please see our earnings release.
- From time to time Unisys may provide specific guidance regarding its expected future financial performance. Such guidance is effective only on the date given. Unisys generally will not update, reaffirm or otherwise comment on any prior guidance except as Unisys deems necessary, and then only in a manner that complies with Regulation FD.
- These presentation materials can be accessed on the Unisys Investor website at [www.unisys.com/investor](http://www.unisys.com/investor). Information in this presentation is as of February 23, 2021, and Unisys undertakes no duty to update this information.



# Company Insights

*Significant improvements to capital structure and liquidity during 4Q20; FY20 revenue and non-GAAP operating profit margin exceeded company expectations. New business unit structure in place as of 1/1/21, with an enhanced focus on higher-growth, higher-margin markets and solutions.*

## Revenue & profitability

- YoY revenue growth and non-GAAP operating profit margin expansion in 4Q20
- Results were ahead of FactSet consensus estimates on all key metrics<sup>1</sup>

## Capital structure and liquidity

- Sr. Sec. notes offering further reduced pension deficit & required cash contributions
- Over \$275 million reduction in gross pension liabilities during 4Q20
- FY20 ending cash balance of \$898.5M vs. \$538.8M at YE 2019
- Adjusted free cash flow up 60% YoY in FY20

## Growth opportunities

- Revenue growth: 0-2% revenue expected in 2021, with acceleration expected in subsequent years
- Margin expansion: expected to be relatively consistent over coming years, with ~200 bps non-GAAP operating profit margin expansion expected in 2021 at the midpoint of the guidance range

# Company Insights

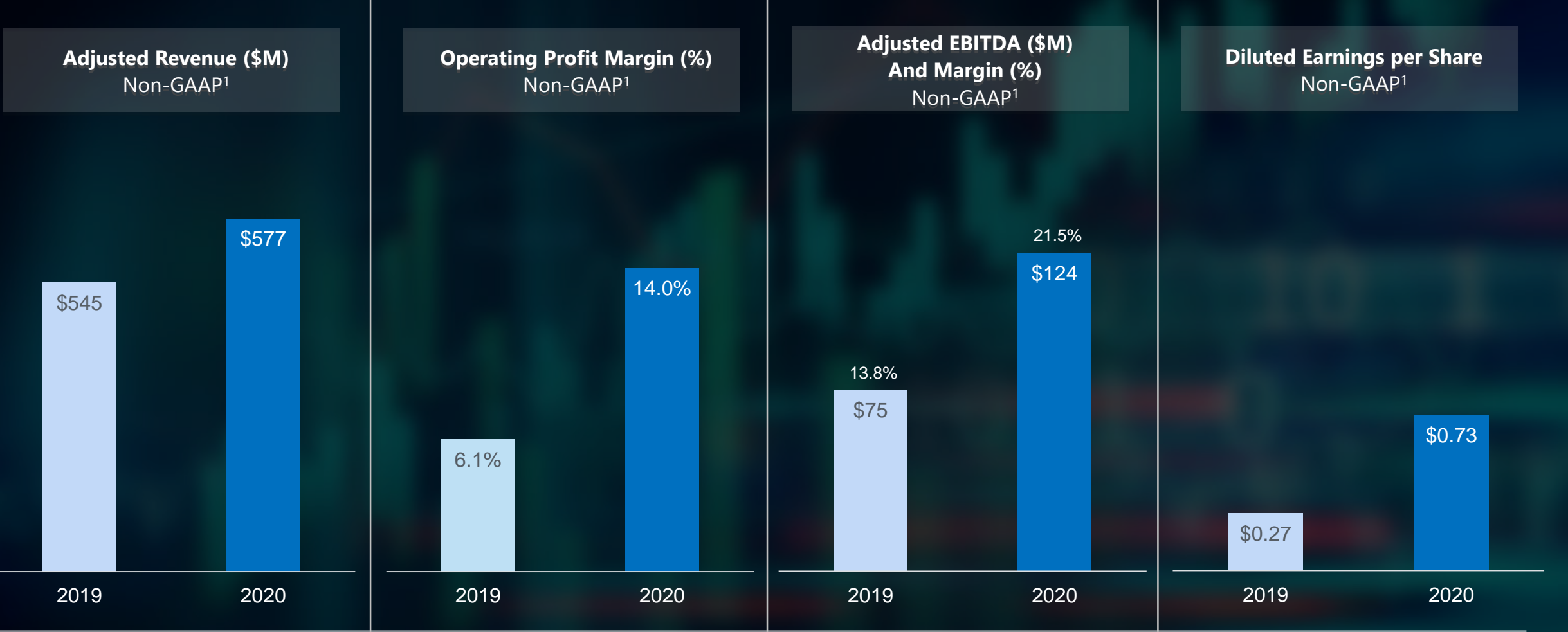
## Key Revenue Insights

- 4Q20 non-GAAP adj. revenue increased YoY & sequentially, driving better FY20 revenue than expected
- COVID-impacted businesses within Services were still down YoY, but stabilized or improved in the fourth quarter, and Services non-GAAP adj. revenue grew 4.5% sequentially in 4Q20
- FY20 Technology revenue grew 1.0% YoY to \$333.4M
  - 4Q20 Technology revenue increased 50.1% YoY to \$131.9M due to higher volumes on CPF renewals than anticipated

## Key Profitability Insights

- 4Q20 non-GAAP operating profit margin improved 790 bps YoY, driving FY20 non-GAAP operating profit margin 30 bps higher YoY to 7.5%
- FY 2020 adj. EBITDA margin increased 140 bps YoY to 15.8%
- FY20 Services non-GAAP adj. gross and operating profit margins expanded 90 bps and 50 bps, respectively, YoY
- FY20 Technology non-GAAP gross and operating profit margins declined 400 bps and 530 bps, respectively, YoY, largely driven by increased amortization costs, as well as higher third-party hardware sales

# Fourth-Quarter Financial Results

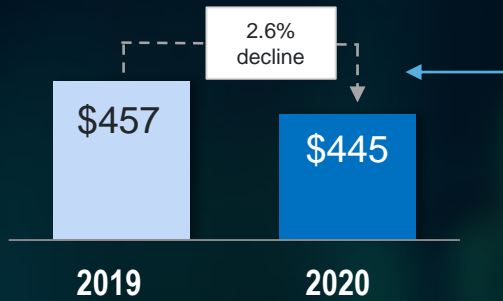


<sup>1</sup>See appendix for reconciliation of non-GAAP measures.

# Fourth-Quarter Segment Results

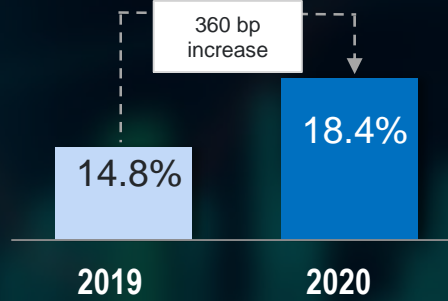
Services

**Services Adjusted Revenue (\$M)**  
Non-GAAP<sup>1</sup>

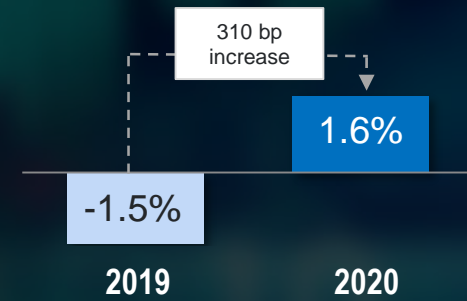


- COVID impact + expected declines in check-processing JV
- Up 4.5% sequentially

**Services Gross Profit (%)**  
Non-GAAP<sup>1</sup>

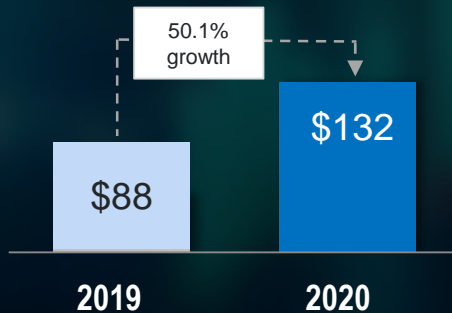


**Services Operating Profit (%)**  
Non-GAAP<sup>1</sup>

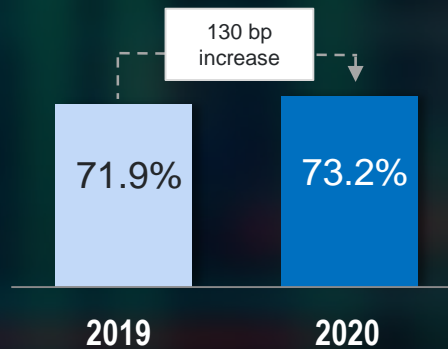


Technology

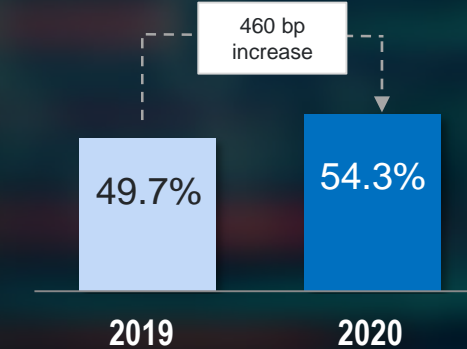
**Technology Revenue (\$M)**



**Technology Gross Profit (%)**



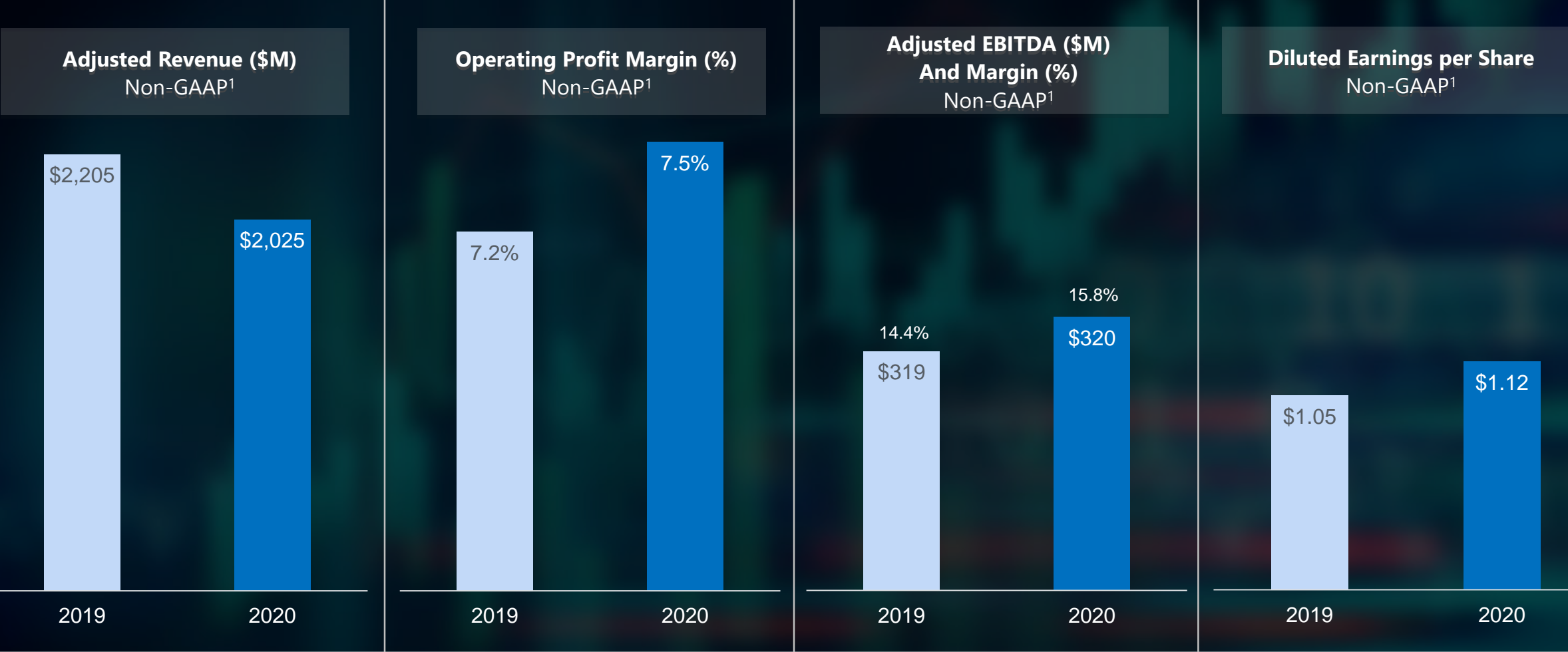
**Technology Operating Profit (%)**



<sup>1</sup>See appendix for reconciliation of non-GAAP measures.



# Full-Year Financial Results

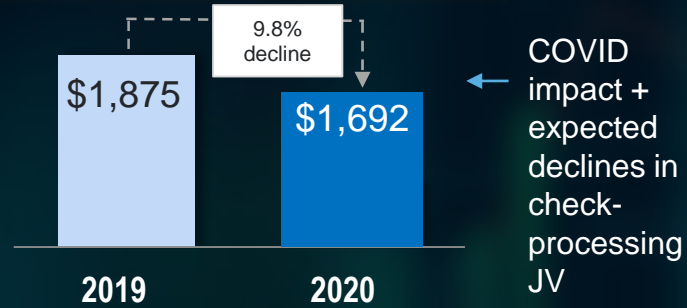


<sup>1</sup>See appendix for reconciliation of non-GAAP measures.

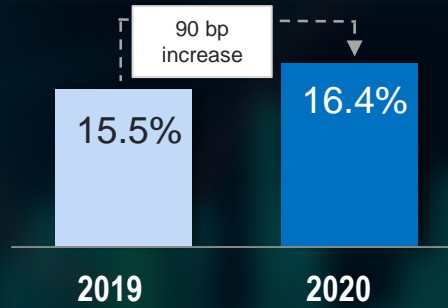
# Full-Year Segment Results

Services

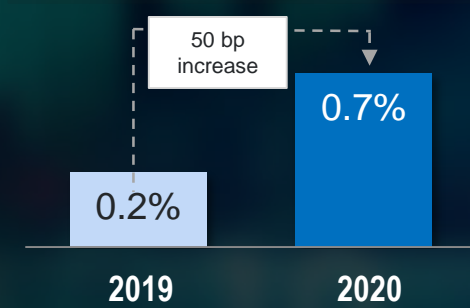
**Services Adjusted Revenue (\$M)**  
Non-GAAP<sup>1</sup>



**Services Gross Profit (%)**  
Non-GAAP<sup>1</sup>

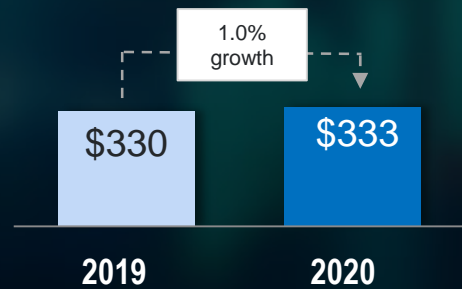


**Services Operating Profit (%)**  
Non-GAAP<sup>1</sup>

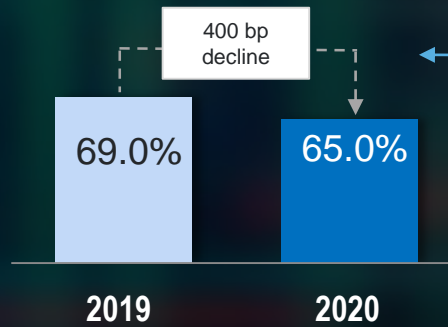


Technology

**Technology Revenue (\$M)**

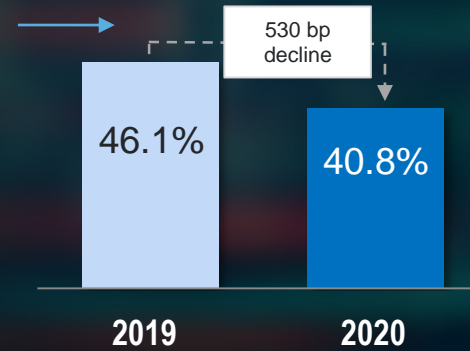


**Technology Gross Profit (%)**



**Technology Operating Profit (%)**

Higher amortization costs + higher third-party hardware sales



<sup>1</sup>See appendix for reconciliation of non-GAAP measures.



# 4Q20 and FY2020 Cash Flow and EBITDA Results

\$M	4Q19	4Q20	FY19	FY20
<b>EBITDA</b>	\$19	\$(109)	\$138	\$(89)
<b>Adjusted EBITDA<sup>1</sup></b>	\$75	\$124	\$318	\$320
<b>Adjusted EBITDA Margin<sup>1</sup></b>	13.8%	21.5%	14.4%	15.8%
<b>Operating Cash Flow</b>	\$126	\$(355)	\$124	\$(681)
<b>Capital Expenditures</b>	\$(30)	\$(35)	\$(160)	\$(130)
<b>Free Cash Flow</b>	\$96	\$(390)	\$(36)	\$(811)
<b>Adjusted Free Cash Flow<sup>1</sup></b>	\$112	\$105	\$27	\$43

<sup>1</sup>See appendix for reconciliation of non-GAAP measures.

# 2021 Financial Guidance

Revenue Growth: 0 - 2%

Non-GAAP Operating Profit Margin: 9 - 10%

Adj. EBITDA Margin: 17.25 - 18.25%



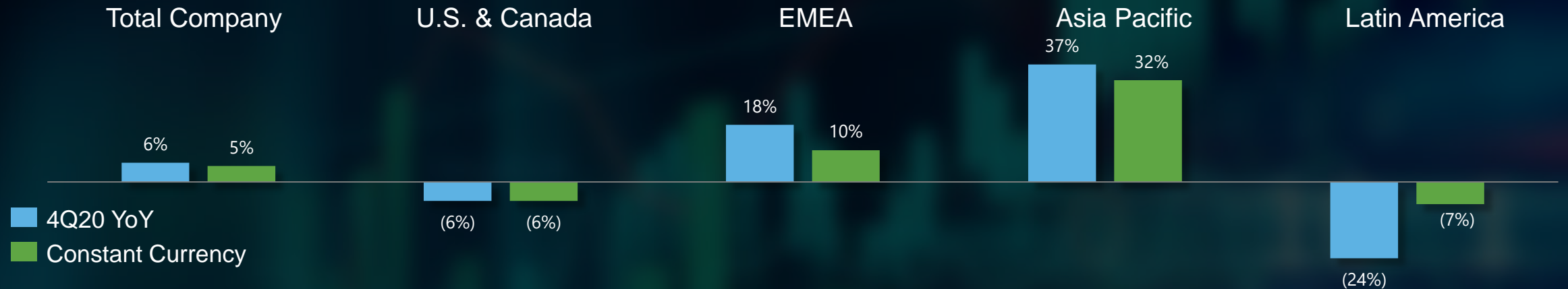
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# Appendix

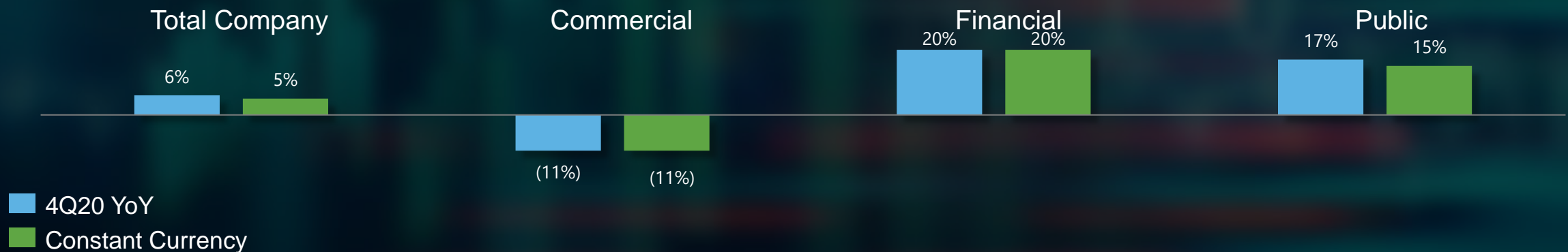


# 4Q20 Non-GAAP Adj. Revenue Growth by Region and Sector

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



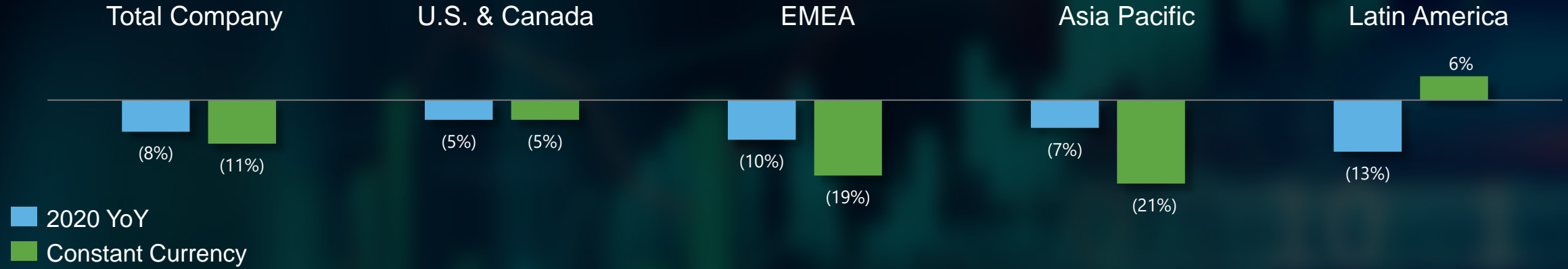
## By Sector<sup>1</sup>



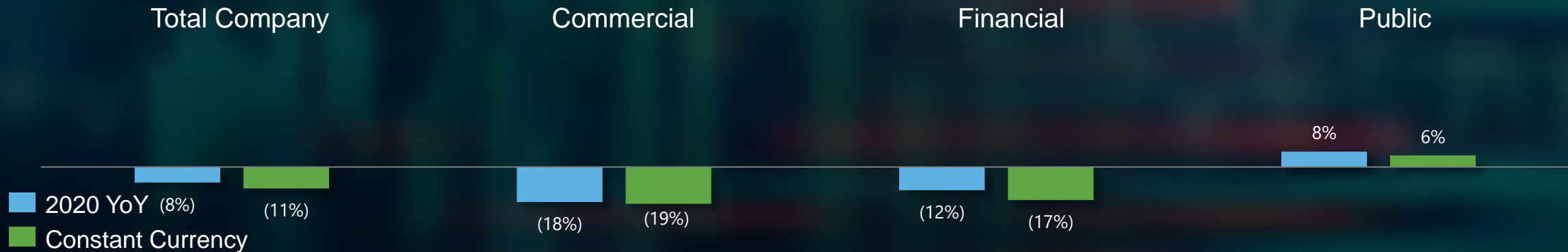
<sup>1</sup>Numbers adjusted to exclude certain revenue (see appendix for details).

# Full-Year 2020 Non-GAAP Adj. Revenue Growth by Region and Sector

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



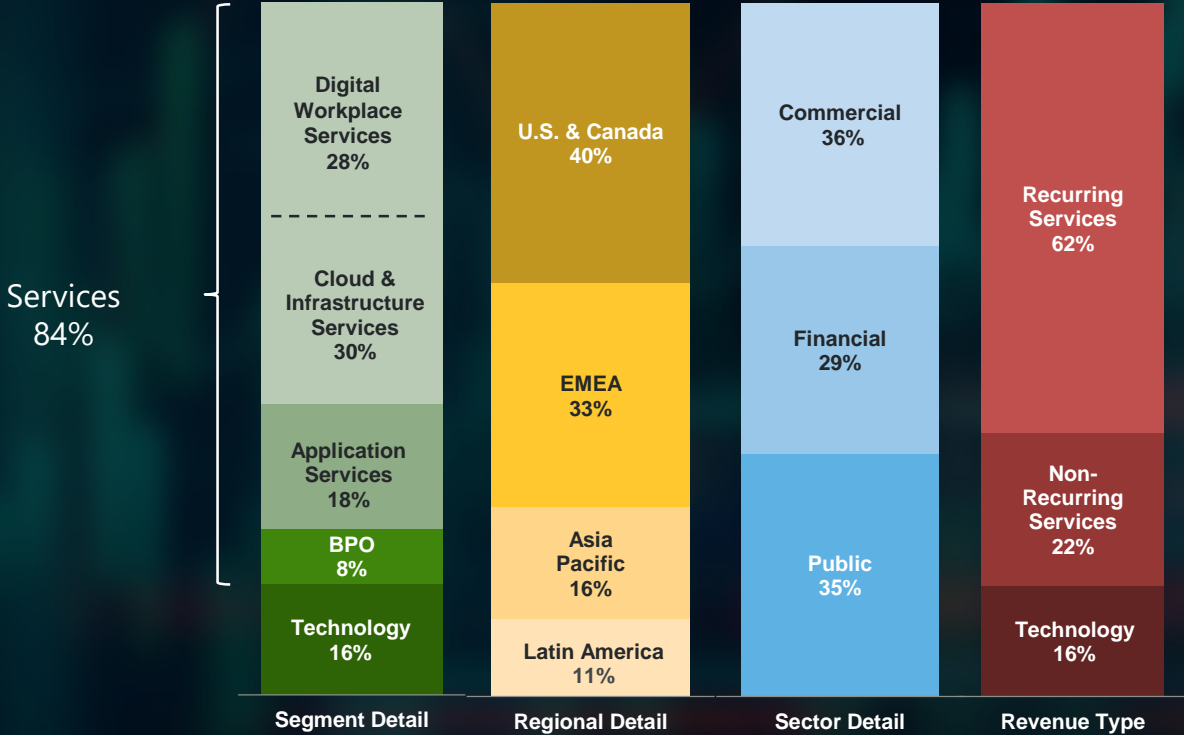
## By Sector<sup>1</sup>



<sup>1</sup>Numbers adjusted to exclude certain revenue (see appendix for details).

# Full-Year 2020 Unisys Revenue Profile

## Percent of Full-Year 2020 Non-GAAP Adjusted Revenue<sup>1</sup>



<sup>1</sup>Numbers adjusted to exclude certain revenue (see appendix for details).



# Potential Economic Benefit of Tax Assets

\$ in M	Description	Net Deferred Tax Assets <sup>1</sup>	Future Available Reductions in Taxable Income
	<b>U.S.</b>		
NOLs and Tax Credits	Net Operating Loss – Federal & State	\$518	\$1,514
	Tax Credits	230	1,095
Pension and Other	Pension	192	767
	Other Deferred Tax Assets	<u>48</u>	<u>192</u>
	<b>Total available U.S.</b>	<b>\$988</b>	<b>\$3,568</b>
	<b>Non-U.S.</b>		
Foreign Tax Attributes	Net Operating Loss – Non-U.S.	\$277	\$1,137
	Pension and other – Non-U.S.	<u>116</u>	<u>447</u>
	<b>Total available non-U.S.</b>	<b>\$393</b>	<b>\$1,584</b>
	<b>Total available</b>	<b>\$1,381</b>	<b>\$5,152</b>
	Valuation Allowance <sup>1</sup>	<u>(1,272)</u>	
	<b>Total Net Deferred Tax Asset <sup>1</sup></b>	<b>\$109</b>	

<sup>1</sup> The elements listed above are for informational purposes only and are based on expectations and assumptions defined in the Form 10-K filed for December 31, 2020. See Critical Accounting Policies – Income Taxes for the assessment of the realization of company's deferred tax assets and liabilities and Footnote 7 in 2020 Form 10-K that will be filed in February 2021.

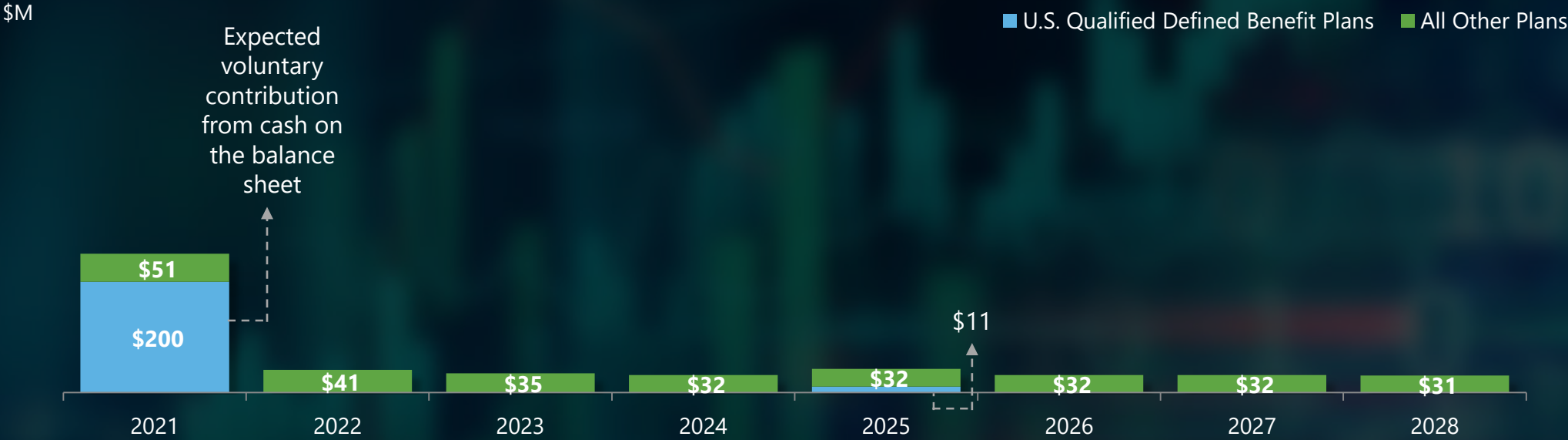
Net Deferred Tax Assets represent the tax effected difference between the book and tax basis of assets and liabilities. Deferred tax assets represent future deductions against taxable income or a credit against a future income tax liability. Deferred tax liabilities represent taxable amounts in future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

# Capital Structure as of 12/31/2020

(\$ in M)	<u>4Q20</u>
Pension Deficit	\$1,036
Senior Secured Notes	\$485
Converts	\$84
Finance Leases	\$5
Other Debt	\$64
Revolver Debt	\$0
<b>Total Debt</b>	<b>\$1,674</b>
Cash	\$899
<b>Net Debt</b>	<b>\$775</b>
TTM Adj. EBITDA	\$320
<b>Net Leverage Ratio</b>	<b>2.4x</b>

# Estimated Remaining Future Pension Cash Contributions Through 2028



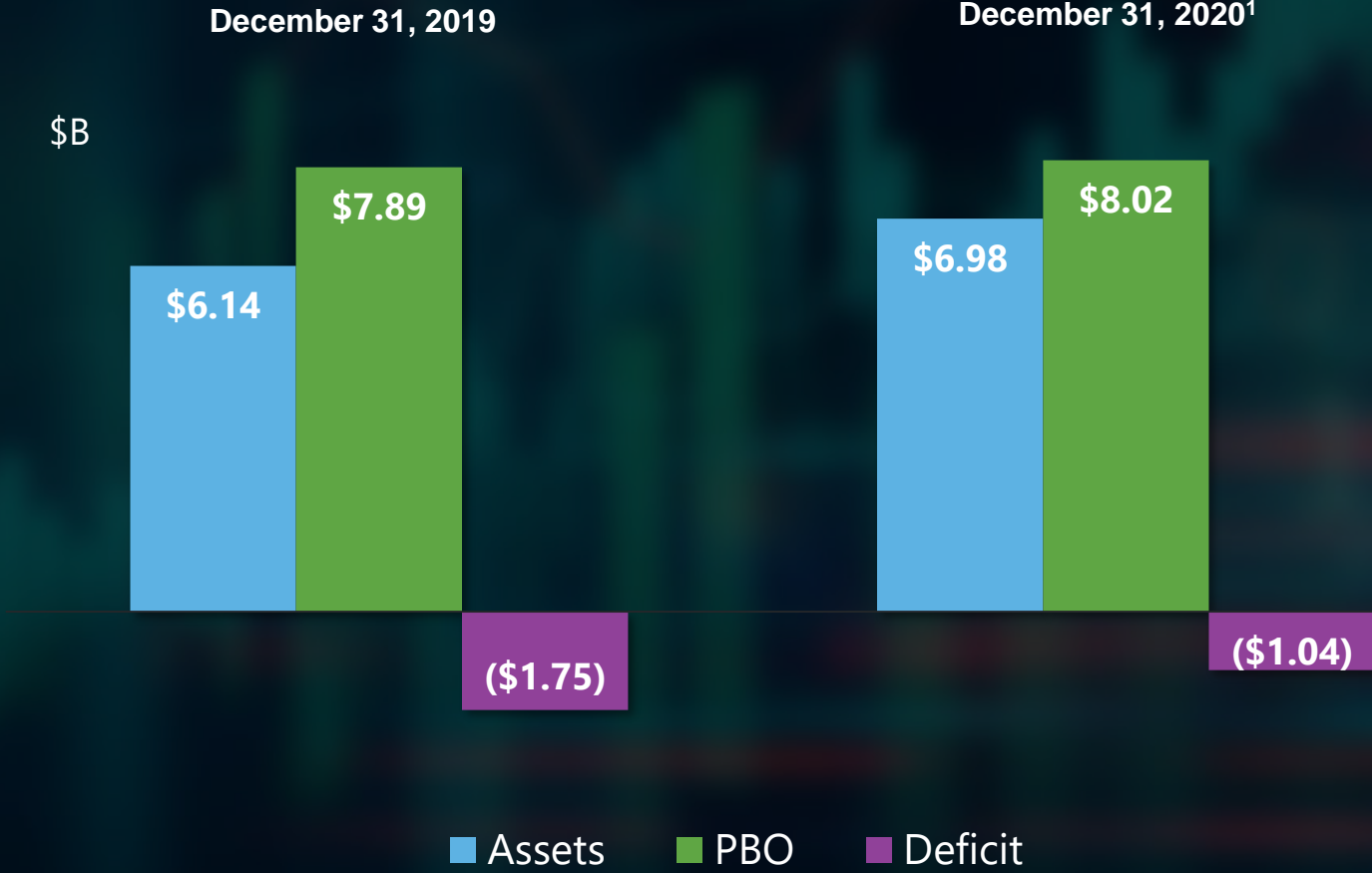
The funding estimates for our U.S. qualified defined benefit pension plans are based on estimated asset returns and the funding discount rates used for the U.S. qualified defined benefit plans as of year-end 2020. The future funding requirements are likely to change based on, among other items, market 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 2020 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, which are primarily to non-U.S. plans.



# Defined Benefit Pension Plans Funded Status



<sup>1</sup>YE 2020 does not reflect an additional \$200M of cash contributions. Pro Forma for this contribution, the deficit would be \$840M.

# Update on Defined Benefit Pension Plans

<b>Worldwide P&amp;L Impact (\$M)</b>	<b>2020</b>	<b>2021E</b>
One-time Settlement Charges	\$142.1	\$372.6
Other Pension Expense <sup>1</sup>	\$93.2	\$46.0
<b>U.S. Qualified Defined Benefit Pension Plans</b>		
Expected Return on Assets	6.50%	6.07%
Actual Return	10.2%	
U.S. GAAP Discount Rate	at 12/31/19 3.53%	at 12/31/20 2.85%
<b>International Defined Benefit Pension Plans</b>		
Expected Return on Assets	3.50%	3.30%
Weighted Average GAAP Discount Rate	at 12/31/19 1.82%	at 12/31/20 1.23%

<sup>1</sup>All estimates are based on expected asset returns and discount rate assumptions as calculated at December 31, 2020. Reflects non-cash pre-tax settlement charges of approximately \$140M in 2020 and \$375M in 2021 as well as \$200M of cash contributions to the U.S. qualified defined benefit pension plans expected in 2021.

# Revenue and Operating Profit

\$M	4Q19	4Q20	FY19	FY20
<b>Reported revenue</b>	<b>546.8</b>	<b>576.9</b>	<b>2,222.8</b>	<b>2,026.3</b>
Restructuring reimbursement	(2.2)	-	(17.5)	(1.0)
<b>Non-GAAP adjusted revenue</b>	<b>544.6</b>	<b>576.9</b>	<b>2,205.3</b>	<b>2,025.3</b>
<b>Operating profit (loss)</b>	<b>10.3</b>	<b>47.7</b>	<b>137.9</b>	<b>87.0</b>
Restructuring reimbursement	(2.2)	-	(17.5)	(1.0)
Postretirement expense	0.8	0.8	3.3	3.3
Cost reduction expense and other charges	24.4	32.4	35.2	63.2
<b>Non-GAAP operating profit (loss)</b>	<b>33.3</b>	<b>80.9</b>	<b>158.9</b>	<b>152.5</b>
GAAP operating profit (loss) %	1.9%	8.3%	6.2%	4.3%
Non-GAAP operating profit (loss) %	6.1%	14.0%	7.2%	7.5%

# EBITDA and Adjusted EBITDA

\$M	4Q19	4Q20	FY19	FY20
<b>Net income (loss) from continuing operations attributable to Unisys</b>	<b>(31.0)</b>	<b>(174.7)</b>	<b>(92.2)</b>	<b>(317.7)</b>
Net income (loss) attributable to noncontrolling interests	(6.1)	-	3.9	0.5
Interest expense, net of interest income*	13.2	7.0	51.5	21.9
Provision for income tax	4.3	18.8	27.7	45.4
Depreciation	25.1	24.6	99.1	95.5
Amortization	13.3	15.3	48.3	65.5
<b>EBITDA</b>	<b>18.8</b>	<b>(109.0)</b>	<b>138.3</b>	<b>(88.9)</b>
Postretirement expense	25.1	166.4	96.6	239.2
Cost reduction and other charges***	22.7	58.6	50.3	147.8
Non-cash share-based expense	3.1	3.4	13.2	14.5
Other (income) expense adjustment**	5.2	4.8	20.1	7.2
<b>Adjusted EBITDA</b>	<b>74.9</b>	<b>124.2</b>	<b>318.5</b>	<b>319.8</b>

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

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

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



# Net Income and EBITDA as a Percentage of Revenue

\$M	4Q19	4Q20	FY19	FY20
Revenue	546.8	576.9	2,222.8	2,026.3
Non-GAAP adjusted revenue	544.6	576.9	2,205.3	2,025.3
Net income (loss) from continuing operations as percentage of revenue	(5.7%)	(30.3%)	(4.1%)	(15.7%)
Non-GAAP net income (loss) from continuing operations attributable to Unisys Corporation as a percentage of non-GAAP revenue	3.2%	8.5%	2.8%	3.7%
Adjusted EBITDA as a percentage of non-GAAP revenue	13.8%	21.5%	14.4%	15.8%

# Earnings per Diluted Share

\$M except share and per share data		4Q19	4Q20	FY19	FY20
<b>Net income (loss) from continuing operations attributable to Unisys Corporation common shareholders</b>		<b>(31.0)</b>	<b>(174.7)</b>	<b>(92.2)</b>	<b>(317.7)</b>
Post-retirement expense:	pretax	25.1	166.4	96.6	239.2
	tax	0.2	0.4	---	1.5
	net of tax	24.9	166.0	96.6	237.7
Cost reduction and other expense:	pretax	22.7	58.6	51.4	156.0
	tax and minority interest	(0.6)	0.7	(5.4)	1.2
	net of tax	23.3	57.9	56.8	154.8
<b>Non-GAAP net income (loss) from continuing operations attributable to Unisys Corporation</b>		<b>17.2</b>	<b>49.2</b>	<b>61.2</b>	<b>74.8</b>
Add interest expense on convertible notes		2.1	0.0	15.3	0.0
<b>Non-GAAP net income (loss) attributable to Unisys Corporation for diluted earnings per share</b>		<b>19.3</b>	<b>49.2</b>	<b>76.5</b>	<b>74.8</b>
Weighted average shares (thousands)		62,397	63,038	55,961	62,932
Plus incremental shares from assumed conversion of employee stock plans & convertible notes		9,082	4,205	16,988	3,980
<b>GAAP adjusted weighted average shares</b>		<b>71,479</b>	<b>67,243</b>	<b>72,949</b>	<b>66,912</b>
<b>Diluted earnings (loss) per share</b>					
<i>GAAP basis</i>					
GAAP net income (loss) from continuing operations attributable to Unisys Corporation for diluted earnings per share		(31.0)	(174.7)	(92.2)	(317.7)
Divided by adjusted weighted average shares		62,397	63,038	55,961	62,932
<b>GAAP earnings (loss) per diluted share</b>		<b>(0.50)</b>	<b>(2.77)</b>	<b>(1.65)</b>	<b>(5.05)</b>
<i>Non-GAAP basis</i>					
Non-GAAP net income (loss) from continuing operations attributable to Unisys Corporation for diluted earnings per share		19.3	49.2	76.5	74.8
Divided by non-GAAP adjusted weighted average shares		71,479	67,243	72,949	66,912
<b>Non-GAAP earnings (loss) per diluted share</b>		<b>0.27</b>	<b>0.73</b>	<b>1.05</b>	<b>1.12</b>

# Free Cash Flow

\$M	4Q19	4Q20	FY19	FY20
Cash provided by (used for) operations	125.7	(355.4)	123.9	(681.2)
Capital expenditures	(30.1)	(35.0)	(159.8)	(130.1)
Free cash flow	95.6	(390.4)	(35.9)	(811.3)
Postretirement funding	27.1	487.7	109.4	832.2
Discontinued operations	(27.1)	0.7	(100.3)	(8.4)
Cost reduction funding	16.4	6.6	53.5	30.1
Adjusted free cash flow	112.0	104.6	26.7	42.6

# Reconciliation of Services Segment Reporting

\$M	4Q19	4Q20	FY19	FY20
Total Services Revenue	458.9	445.0	1,892.7	1,692.9
Restructuring reimbursement	(2.2)	0.0	(17.5)	(1.0)
Total Services non-GAAP adjusted Revenue	456.7	445.0	1,875.2	1,691.9
Services gross profit	69.6	81.9	307.4	279.3
Restructuring reimbursement	(2.2)	0.0	(17.5)	(1.0)
Non-GAAP adjusted Services gross profit	67.4	81.9	289.9	278.3
Services operating profit	(4.6)	7.1	20.8	12.2
Restructuring reimbursement	(2.2)	0.0	(17.5)	(1.0)
Non-GAAP adjusted Services operating profit	(6.8)	7.1	3.3	11.2
Services gross margin	15.2%	18.4%	16.2%	16.5%
Non-GAAP adjusted Services gross margin	14.8%	18.4%	15.5%	16.4%
Services operating margin	(1.0%)	1.6%	1.1%	0.7%
Non-GAAP adjusted Services operating margin	(1.5%)	1.6%	0.2%	0.7%



# Non-GAAP and Other Information

Although appropriate under generally accepted accounting principles (“GAAP”), the company’s results reflect charges that the company believes are not indicative of its ongoing operations and that can make its profitability and liquidity results difficult to compare to prior periods, anticipated future periods, or to its competitors’ results. These items consist of revenue, post-retirement, debt exchange/extinguishment, cost-reduction, and other expenses. Management believes each of these items can distort the visibility of trends associated with the company’s ongoing performance. Management also believes that the evaluation of the company’s financial performance can be enhanced by use of supplemental presentation of its results that exclude the impact of these items in order to enhance consistency and comparativeness with prior or future period results. The following measures are often provided and utilized by the company’s management, analysts, and investors to enhance comparability of year-over-year results, as well as to compare results to other companies in our industry.

**Constant currency** – The company refers to growth rates in constant currency or on a constant currency basis so that the business results can be viewed without the impact of fluctuations in foreign currency exchange rates to facilitate comparisons of the company’s business performance from one period to another. Constant currency is calculated by retranslating current and prior period results at a consistent rate

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

**Non-GAAP operating profit** – The company recorded pretax post-retirement expense and pretax charges in connection with cost-reduction activities, debt exchange/extinguishment and other expenses. For the company, non-GAAP operating profit excluded these items. The company believes that this profitability measure is more indicative of the company’s operating results and aligns those results to the company’s external guidance, which is used by the company’s management to allocate resources and may be used by analysts and investors to gauge the company’s ongoing performance. During 2019 and 2020, the company included the non-GAAP adjustments discussed herein.

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

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

**EBITDA & adjusted EBITDA** – Earnings before interest, taxes, depreciation and amortization (“EBITDA”) is calculated by starting with net income (loss) from continuing operations attributable to Unisys Corporation common shareholders and adding or subtracting the following items: net income attributable to noncontrolling interests, interest expense (net of interest income), provision for income taxes, depreciation and amortization. Adjusted EBITDA further excludes post-retirement, debt exchange/extinguishment, and cost-reduction and other expenses, non-cash share-based expense, and other (income) expense adjustment. In order to provide investors with additional understanding of the company’s operating results, these charges are excluded from the adjusted EBITDA calculation. During 2019 and 2020, the company included the adjustments discussed herein.

**Non-GAAP diluted earnings per share** – The company has recorded post-retirement expense and charges in connection with debt exchange/extinguishment and cost-reduction activities and other expenses. Management believes that investors may have a better understanding of the company’s performance and return to shareholders by excluding these charges from the GAAP diluted earnings/loss per share calculations. The tax amounts presented for these items for the calculation of non-GAAP diluted earnings per share include the current and deferred tax expense and benefits recognized under GAAP for these amounts. During 2019 and 2020, the company included the adjustments discussed herein.

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**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, discontinued operations 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.