



**4Q15 Financial Release
CEO/CFO Statements
January 28, 2016**

Niels Christenson, IRO

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

Earlier today, Unisys released its fourth quarter and full-year 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.

From time-to-time Unisys may provide specific guidance regarding its expected future financial performance. Such guidance is effective only on the date given and Unisys generally will not update, reaffirm or otherwise comment on prior guidance except as deemed necessary. And then in manner that complies with Regulation FD.

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. I first spoke with you a year ago and outlined my initial thoughts on refocusing our strategy, developing our software and integrated solutions, realigning our organization and addressing our cost base. We expanded on those plans throughout 2015, implementing a go-to-market vertical orientation, focusing our efforts within the Services segment toward higher-value and higher-margin offerings, taking steps to better leverage Unisys IP and software, enhancing our leadership team, and building a security team to drive our self-solution into the marketplace and expand our presence in the managed security and consulting spaces.

We made significant progress during 2015. In 2016, we will continue to strengthen our go-to-market capabilities and work to deliver increased profitability and cash flow. We will also lay a foundation for renewed growth.

Turning to our financial results, for the fourth quarter and full year, Services revenue grew at 2 percent in constant currency. This is a meaningful accomplishment in a challenging environment. After a strong third quarter, Services order bookings in the fourth quarter were down year-over-year with a tough compare. As we

enter 2016, our sales and client account teams are fully aligned and appropriately incented to support our go-to-market focus and leveraged offerings.

Technology revenue was down year-over-year in the fourth quarter and for 2015 overall. We had communicated that a decline was expected, principally because of fewer ClearPath Forward license renewal opportunities in the year. This business is important to the company and we have made great strides to modernize our ClearPath Forward platform and increase both its functionality and integration with other systems.

For example, it is now plugged into VMware Center and users can monitor and manage ClearPath Forward workload from the vCenter console. In addition, Docker Containers are now supported to increase workload density with industry standard technology.

The progress we have made on improving our cost structure was evident this year. We exited 2015 with \$100 million in net annualized run rate savings from our cost reduction efforts. And we expect to double the run rate of those savings as we exit 2016.

Turning to our industry vertical go-to-market approach, we added new leadership and won new business. Within our government sector, our Public business includes all government clients outside the U.S. federal government and accounted for 22 percent of our revenue for the year.

An important step in 2015 was the creation of our Justice, Law Enforcement and Border Protection initiative, which links both our public and our U.S. Federal business with solutions applicable to clients in both groups. Earlier this month, William Searcy III, joined Unisys to lead this initiative. Bill was most recently the FBI's Deputy Assistant Director for the IT Infrastructure and IT Engineering Divisions and previously FBI Section Chief for the Data Acquisition/Intercept Section, Operational Technology Division at Quantico.

Our Public group was active in the fourth quarter, including closing a two-year contract extension of the IT support services we provide for 100,000 end users of a large Australian federal government agency at 450 locations across that country. And a managed services contract extension with a large U.S. city, through which we help the city maintain a host of important services.

Our U.S. Federal business, the other part of our government sector, represented 19 percent of our 2015 revenue. And had a number of impressive wins and successes in the fourth quarter. We were awarded a contract to provide AWS cloud services for a Law Enforcement Agency. We won a competitive bid to provide IT Service Management implementation services for the U.S. Patent and Trademark Office.

We expanded the scope of services we provide to the Department of Interior to include design and implementation of an SAP HANA capability in a public cloud. This is expected to be one of the first implementations of a SAP HANA solution in the secure public cloud for a U.S. federal government agency.

We won a contract with a Civilian government agency for ClearPath Forward ePortal software and support to develop mobile and web applications. We added Work Force Management and additional CRM functionality as part of our Army Enterprise Service Desk contract.

Our federal leadership has also continued to receive recognition from outside the company. Venkatapathi Puvvada, the President of our U.S. Federal business was selected for the FedScoop 50 Industry Leadership Award for his promotion of government-industry collaboration. This award follows other recognition for Venkat, including the Federal 100 Eagle Award earlier this year. All evidence of Venkat's ongoing leadership and the innovation and excellence we are bringing to the U.S. federal government clients.

Moving on in the Commercial sector, we are very pleased that Kelly Cook joined Unisys in December to lead our global Commercial vertical industry group. Revenue from the company's commercial clients represent a third of our revenue during 2015. Kelly brings 27 years of experience in developing and delivering innovative

IT-based solutions and managing relationships with commercial clients, including clients in the pharmaceutical and healthcare industries, most recently as senior industry executive at Tech Mahindra.

It was an active quarter in our Commercial sector. We signed a six-year contract with one of America's largest automotive retailers, a new Unisys client, for service desk support and ServiceNow ITSM implementation and management. We closed an end user services contract with a leading global food service retailer to support its corporate and regional offices in the U.S. and Canada. Unisys won a contract extension to provide end-user IT services for the 48,000 employees of an EMEA-based global pharmaceutical, chemical and life science company. We won a five-year contract with a new airline client based in EMEA to provide service desk and onsite support for that company's 30,000 global employees.

We expanded a contract with a leading U.S. based provider of equipment to the global energy and chemical industries. Our services include advanced data analytics and personalized service delivery built around our VantagePoint solution to more than 11,000 technology users in over 55 countries.

Within the Financial Services sector, we are pleased that effective February 1, Eric Crabtree will join Unisys as the global leader of our Financial Services vertical industry group, which represents 26 percent of the company's revenue.

Eric, who most recently served as managing director of omni-channel banking at Royal Bank of Scotland, brings more than 20 years of experience in developing and delivering multi-channel financial services solutions. Eric's arrival next week will complete our vertical industry group global leadership team.

Financial Services wins during the fourth quarter included an ePortal implement contract with a major United Kingdom bank to integrate its core banking system, which runs on ClearPath Forward with the bank's internet and digital banking platform. A five-year ClearPath Forward contract extension with a long-standing client that is one of the world's largest outsourcing providers to financial services institutions. And an extension of a contract with a large Latin American financial services client to continue providing mortgage administration and processing services.

Throughout my discussion of our recent wins, I highlighted some end-user services engagements. In addition to our client's recognition of our capabilities, Forrester recently named us as a leader in its most recent Wave reports on Workplace Services globally and in both North America and in EMEA.

In addition to our vertical go-to-market orientation, we have also strengthened our leveraged solutions, including our global security solutions practice. Our security team has been busy. Last week was the global launch of Stealth on the Amazon Web Services cloud platform, providing for easy online purchase to the AWS marketplace of Stealth protection for AWS cloud computing capacity. We believe this is the first time that micro-segmentation has been available to client in a public cloud, and it provides AWS users with the ability to access an unparalleled level of security in the world's largest public cloud.

In addition to Stealth's presence on the AWS marketplace, Stealth was made available on Commercial Cloud Services, also known as C2S, the Amazon cloud region established for the Central Intelligence Agency for classified data that is now open to all U.S. federal intelligence agencies. C2S is an isolated region within AWS that hosts sensitive workloads and ensures that this work meets the U.S. government's regulatory and compliance requirements.

Finally, we also announced an Extended Data Center, or cloudbursting, option for Stealth on AWS, which means our enterprise clients can shift entire workloads, as needed, from their data centers or our data centers to the AWS public cloud, while maintaining enhanced control over security.

We are also seeing progress in our direct sales efforts. During the fourth quarter, new Stealth contracts included PBF Energy, a new client and one of the largest independent petroleum refineries and suppliers in the United States; a global financial services and credit card company; and a UK-based building society.

Certifications are ongoing proof points that also demonstrate Stealth's capabilities and expand the range of clients that can utilize our software, particularly in the government space.

Our latest version of Stealth has now been formally accepted into evaluation by National Information Assurance Partnership's Common Criteria Evaluation and Validation Scheme. In partnership with the National Institute of Standards and Technology, NIAP approves common criteria testing laboratories to conduct security evaluations in private sector operations.

Stealth is also under formal evaluation by the NSA's Commercial Solutions for Classified program, or CSfC. Although the evaluation is ongoing, the NSA has already cleared Stealth as okay to buy, which enables us to engage in additional federal sales activities.

Stealth is an excellent example of leading-edge, IP-driven innovation, but its value is enhanced by the converged security practice we established in 2015. Examples of the work underway in that practice include the following. We recently renewed and expanded an information security and event management contract, under which Unisys provides cyber security services to Empresas Públicas de Medellín, a public utility based in Colombia.

Also, in the fourth quarter, a U.S. port extended a contract with Unisys for the maintenance and support of video surveillance, biometric access control, and other physical security systems, as well as the addition of cyber security assessment services. And earlier this month, after a successful trial at Dallas International Airport, we began implementation of a Unisys-developed facial recognition system at JFK International Airport in New York City.

Throughout 2015, we improved the transparency of our financial reporting to provide more visibility into our performance. Now, for the first time in 10 years, we are sharing our expectations for the coming year. In 2016, we expect revenue of \$2.775 billion to \$2.875 billion. We anticipate a non-GAAP operating profit margin before the impact of our cost reduction charges and pension expense to increase to between 7 percent and 8 percent. Finally, we are forecasting higher adjusted free cash flow of \$160 million to \$200 million. Janet will provide more details and we look forward to discussing our progress against them as we move through 2016.

Thank you again for joining us, I'll now turn the call over to Janet before we open the call for questions.

Janet Haugen, CFO

Thank you, Peter. Hello, everyone, and thank you for joining us on this call. In my comments today, I will first cover a summary of our fourth-quarter and full-year financial performance, followed by a discussion of our revenue composition for the fourth quarter and full year. After the revenue discussion, I will cover segment performance and cash flow performance for the fourth quarter and the year. I will then provide an update on our cost-reduction program and our defined benefit pension plan. And lastly, I'll provide additional comments on our 2016 guidance. I will provide comparisons on a GAAP and non-GAAP basis. The non-GAAP results typically exclude our pension and cost reduction charges. Unless otherwise mentioned, comparisons are on a GAAP basis.

Let me begin with a summary of our fourth quarter and full-year 2015 results. Please turn to slide four. Fourth quarter revenue was \$790 million, which was down 13 percent year-over-year, 6 percent down in constant currency. In the fourth quarter, Services revenue grew 2 percent on a constant-currency basis, our fourth consecutive quarter of Services revenue constant currency growth.

Technology revenue declined in the fourth quarter. Technology revenue can vary significantly based upon the timing of software license renewals. Fourth quarter Technology revenue declined by 30 percent year-over-year in constant currency on lower software license renewals, as well as lower third-party product sales.

Our cost reduction program is showing benefits across all of our cost lines. And I will provide an update on the overall program in a moment. Our fourth quarter non-GAAP operating profit margin of 12.1 percent rose 100

basis points year-over-year, reflecting the benefit of the cost reduction actions taken by the company. We generated \$152 million of adjusted EBITDA in the fourth quarter, which was 6 percent above the prior-year quarter. Our fourth quarter diluted earnings per common share was \$0.02 and on a non-GAAP basis, fourth quarter 2015 diluted earnings per share was \$1.58, roughly flat year-over-year.

For the full year, revenue of \$3 billion was down 10 percent as reported and down 2 percent at constant-currency rates. Services revenue grew 2 percent in constant currency and Technology revenue declined 22 percent year-over-year in constant currency from lower software renewal opportunities in the year and lower third-party sales. The full-year 2015 non-GAAP operating profit margin was 5.8 percent compared to 6.8 percent in 2014.

We generated \$366 million of adjusted EBITDA in the year. For 2015, we reported a diluted loss per common share of \$2.20. On a non-GAAP basis, our 2015 diluted earnings per common share was \$2.26 versus \$2.36 in 2014.

Moving to our fourth quarter revenue profile, please move to slide five. From a segment view, Services represented 82 percent of our fourth quarter 2015 revenue. Within Services, cloud and infrastructure services decreased by 4 percent on a constant-currency basis, principally in the U.S. and Canada.

Application Services was up 17 percent on a constant-currency basis. Our work at U.S. Federal Customs and Border Patrol under the Border Enforcement Management Systems contract, known as BEMS, and other border security project work contributed to the revenue growth.

Moving to a geographic view of our fourth quarter revenue, revenue from the U.S. and Canada declined 5 percent in constant currency, largely reflecting lower Technology sales to the U.S. federal government, which was more than offset by growth in Services.

Our EMEA region reported constant currency revenue growth of 4 percent as a result of higher year-over-year Technology revenue. And lower Technology revenue drove constant currency revenue declines in both our Asia Pacific and Latin America regions.

And lastly, looking at our fourth quarter revenue by industry, within government, Public Sector revenue grew 3 percent in constant currency, fueled by modest growth in both Services and Technology. U.S. Federal, the other component of government, declined 18 percent year-over-year as a result of lower Technology revenue. Services revenue continued to grow in the fourth quarter.

Revenue from Financial Services industry customers increased 10 percent in constant currency, principally reflecting higher Technology revenue, but offset a slight decline in Services revenue. And revenue from Commercial sector declined 16 percent on a constant-currency basis due to lower revenue in both Technology and Services.

Moving now to the full-year 2015 revenue composition, please move to slide six. Services represented 86 percent of revenue. Cloud and Infrastructure Services decreased by 4 percent on a constant-currency basis, principally due to lower revenue in U.S. and Canada. Application Services was up 15 percent on a constant-currency basis, reflecting the benefit of first-year work under the U.S. federal BEMS contract and other border security engagements.

From a geographic perspective of our 2015 revenue, U.S. and Canada grew 5 percent in constant currency, largely reflecting Services revenue growth, particularly within the U.S. federal government. Our other regions reported revenue declines in constant currency, principally due to lower Technology sales.

And turning to our 2015 revenue by industry sectors, within government, Public Sector declined 6 percent in constant currency and U.S. Federal rose by 8 percent year-over-year, reflecting higher Application Services revenue. Revenue from Financial Services clients grew modestly on a constant-currency basis, while revenue

from the Commercial sector clients declined on a constant-currency basis due largely to lower Technology revenue within the Transportation sector.

Moving to our segment results, please turn to slide seven. Services gross profit margin declined 170 basis points year-over-year to 16.2 percent. In addition to currency, the Services gross margin was impacted by lower contract volumes on higher-margin engagements and lower short-term project revenue.

Our Services delivery team is working to improve our gross margin by refining our Services delivery model, solution guidelines, workforce pyramids, the mix of onshore and offshore resources and increasing automation.

We also expect some benefit from our cost-reduction actions in the gross profit margin, although the most significant reductions to the cost of revenue will come from our actions in Europe, the majority of which will not begin to take effect until later this year and into 2017. Our reported Services operating profit margin of 3.6 percent in the fourth quarter of 2015 was up slightly year-over-year.

Technology gross profit margin increased 10.2 percentage points to 68.4 percent on lower revenue. This improvement reflected a richer mix of revenue as a greater proportion of the Technology revenue is from our ClearPath Forward product family and we had lower third-party technology sales.

Our fourth quarter Technology operating profit margins also increased significantly on higher gross profit margins and the benefit of cost reduction actions. The pattern of performance in the fourth quarter is generally consistent with that of the full-year as you will note on slide eight.

For some comments on service bookings please turn to slide nine. After a strong third quarter, our fourth quarter service bookings declined year-over-year and sequentially. From a geographic perspective during the fourth quarter of 2015, we saw year-over-year Services order bookings growth in Asia-Pacific region and declines in our other regions. Services bookings in Cloud and Infrastructure Services increased sequentially, but were down year-over-year. Last year in here we had significant renewals in Cloud and Infrastructure Services and BPO.

We ended the fourth quarter with \$4.3 billion in Services backlog, which was down 10 percent from last year with currency causing a five percentage point negative impact on the year-over-year comparison. Of our \$4.3 billion in Services backlog, we expect approximately \$1.8 billion, or 42 percent, of that Services backlog to convert into 2016 Services revenue. Approximately \$560 million of the December 31, 2015 Services backlog is anticipated to convert into first quarter 2016 Services revenue.

Moving to cash flow, please turn to slide 10 for an overview of our performance in the fourth quarter and full year. We generated \$110 million of cash from operations in the fourth quarter of 2015 compared to \$106 million in the year-ago quarter.

As I mentioned on our third quarter earnings call, our cash flow from operations was adversely affected by slower payments in the second half of 2015 from one of our larger public sector clients in the U.S., a state government that was experiencing budget delays, which affected its ability to pay vendors. This delayed \$48 million in anticipated payments during the fourth quarter. We received this payment in early January 2016, but it had a significant impact on our fourth quarter cash flow and DSO, inflating fourth quarter DSOs by about five days.

The company generated \$1 million in cash from operations during 2015 versus \$121 million during 2014. The \$120 million decline in year-over-year cash generated from operations during 2015 reflects cost reduction payments of \$59 million and the impact of the delayed collection of the \$48 million public sector client receivable I just mentioned.

Capital expenditures were \$46 million in the fourth quarter of 2015 versus \$69 million in the fourth quarter of 2014. Capital expenditures for the full year were \$214 million, essentially flat year-over-year, as higher

investments in outsourcing assets offset lower investment levels in marketable software and property additions. We anticipate slightly lower capital expenditures during 2016 and are working towards a more capital-light model, particularly in our Cloud and Infrastructure segment. The extended data center option for Stealth on AWS that Peter highlighted in his comments is one potential element in facilitating a more capital-light model in the future.

With lower fourth quarter capital expenditures, we generated \$26 million more free cash in the fourth quarter of 2015 than in the same period last year. Our free cash flow increased by 70 percent and the adjusted free cash flow doubled year-over-year to \$117 million in the fourth quarter of 2015.

At the end of 2015, the company had approximately \$365 million in cash and approximately \$312 million in debt.

Beginning on slide 12, we have provided information on our worldwide pension plan, funding position, and expected cash funding levels.

Let me just point out a few key takeaways. As a result of higher year-over-year discount rates, modest asset returns and \$148 million in contribution, the net deficit in our defined benefit pension plans at December 31, 2015 declined about \$270 million from December 31, 2014. And we ended 2015 in an underfunded position of \$1.96 billion.

During 2016, we expect to contribute approximately \$139 million into our defined benefit plans, which is \$9 million less than what's contributed in 2015.

Our pension liability remains very sensitive to changes in discount rates. For 2016, a change of 25 basis points in the U.S. discount rate causes an approximate \$134 million change in the pension obligation. For international plans, a change of 25 basis points in the discount rate causes an approximate \$127 million change in the pension obligation.

Let me take a moment now to give you an update on our cost-reduction program. As we previously discussed on prior earnings calls, our multi-year cost reduction program is estimated to result in a \$300 million charge over time. In the fourth quarter, we recorded \$49 million of these charges and \$119 million for the full year.

We estimated that the cash requirements of this program would be \$280 million over the course of the program. Cash payments of \$21 million were made in the fourth quarter, bringing our total cash payments this year to \$59 million.

We are on track to realize the \$200 million in annualized savings exiting 2016 that we previously announced as our goal. We exited 2015 delivering annualized savings of approximately \$100 million as we had originally targeted. We now anticipate up to an additional \$30 million in net savings by the conclusion of the program in 2017.

As we move forward with the program, we expect to extend a portion of these charges, roughly a third of the \$300 million we've outlined, into 2017. This is consistent with the timetable for actions in Europe under a self-funded process we are currently pursuing.

The anticipated cash requirements remain consistent with our initial expectation, but the timing of the outlay for these items is expected to extend into 2017 based on the timing of our actions in Europe. And lastly, we are increasing our annualized savings estimate to \$230 million by the conclusion of the program in 2017.

Moving to a review of 2016, Peter provided overall guidance. Allow me to provide some additional details as highlighted on slide 14. Our revenue guidance of between \$2.775 billion and \$2.875 billion for 2016 assumes currency will have a negative two percentage point impact on year-over-year comparison.

On a constant-currency basis, we anticipate a decline from 2015 of between 3 percent and 6 percent on anticipated lower Technology revenue, as we discussed on our last earnings call and lower Services revenue.

Services revenue in 2016 is expected to be in the range of \$2.43 billion and \$2.51 billion. We expect a slow start to the first quarter of Services on a year-over-year basis and sequentially as a result of lower anticipated project work in our U.S. Federal business following significant acceleration of projects into 2015, the anniversary of our BEMS contract. However, we do anticipate Services revenue to grow sequentially throughout the year.

Technology revenue is anticipated to be between \$345 million and \$365 million in 2016, as we expect a year of lower ClearPath Forward renewal opportunities. We expect Technology revenue to stabilize in 2017. We anticipate that the first and second half revenue split for Technology will be consistent with 2015 as a percentage of full-year revenue. And the quarterly split within the first half is anticipated to be generally consistent with 2015.

Our view on non-GAAP operating profit margin is for the margin to improve year-over-year and be in the range of 7 percent to 8 percent in 2016. In Services, we anticipate full-year non-GAAP operating profit margin of between 3.75 percent and 4.5 percent, which represents an increase versus 2.3 percent in 2015. We anticipate non-GAAP Services operating profit margin to improve sequentially each quarter throughout the year. The revenue and operating margin ranges we provided corresponds to an adjusted EBITDA range for 2016 of between \$395 million and \$425 million, which is an increase over 2015.

The non-GAAP operating profit and adjusted EBITDA represent our results before the impact of defined benefit pension expense and cost reduction charges. We anticipate approximately \$80 million in pension expense and \$85 million in cost reduction charges during 2016. Our 2016 adjusted free cash flow guidance is between \$160 million and \$200 million, which compares favorably to negative \$6 million in 2015.

Our free cash flow estimates include approximately \$200 million in expected capital expenditures, and estimated depreciation and amortization of \$160 million to \$170 million. The adjusted free cash flow range is the range of our anticipated free cash flow before estimated pension funding of \$139 million and cost reduction payment of \$90 million to \$100 million.

In 2015, we made considerable progress towards our objective of improving the competitiveness of our offerings and improving our cost competitiveness. These efforts will continue in 2016. Our cost-reduction actions will continue to contribute to a more competitive cost structure and together with the improved go-to-market strategy, lay the groundwork for revenue growth in 2017.

With that, let me thank you for your time and turn the call back over to Peter.