

# Updated Impact of Convertible Notes on Earnings Per Share (EPS) Quarterly (Illustrative Example)

|   | Three Months Ended,<br>20XX  |
|---|------------------------------|
|   | (\$M, except per share data) |
| <b>Basic Earnings per Share</b>                       |                              |
| Net Income  | \$14.7                       |
| Weighted average shares (000)                         | 62,400                       |
| <b>Basic Earnings per Share</b>                       | <b>\$0.24</b>                |
| <b>Diluted Earnings per Share</b>                     |                              |
| Net income  | \$14.7                       |
| Add interest expense on convertible notes, net of tax | \$2.1                        |
| Net income  | \$16.8                       |
| Weighted average shares (000)                         | 62,400                       |
| Plus incremental shares from assumed conversions:     |                              |
| Employee stock plans                                  | 450                          |
| Convertible notes                                     | 8,625                        |
| Adjusted weighted average shares (000)                | 71,475                       |
| <b>Diluted Earnings per Share</b>                     | <b>\$0.23</b>                |

Only dilutive with quarterly income of \$14.7M or greater

- Under generally accepted accounting principles (GAAP) the dilutive effect of the Convertible Senior Notes (notes) on EPS is accounted for by the if-converted method
  - This method requires that the numerator be adjusted by the interest expense on an after-tax basis
  - This method also assumes the notes are converted at the beginning of the period and the resulting common shares should be included in the denominator
- Application of the if-converted method is **only** applicable if impact is dilutive

Note: As a result of the convertible transaction the company undertook in 3Q19, Unisys expects a one-time charge in 3Q19 in GAAP net income of ~\$20M for accelerated interest expense that would have otherwise been incurred over the life of the notes

# Updated Impact of Convertible Notes on Earnings Per Share (EPS) Full Year (Illustrative Example)

|   | Twelve Months Ended,<br>20XX |
|---|------------------------------|
|   | (\$M, except per share data) |
| <b>Basic Earnings per Share</b>                       |                              |
| Net Income  | \$57.8                       |
| Weighted average shares (000)                         | 62,400                       |
| <b>Basic Earnings per Share</b>                       | <b>\$0.93</b>                |
| <b>Diluted Earnings per Share</b>                     |                              |
| Net income  | \$57.8                       |
| Add interest expense on convertible notes, net of tax | \$8.2                        |
| Net income  | \$66.0                       |
| Weighted average shares (000)                         | 62,400                       |
| Plus incremental shares from assumed conversions:     |                              |
| Employee stock plans                                  | 450                          |
| Convertible notes                                     | 8,625                        |
| Adjusted weighted average shares (000)                | 71,475                       |
| <b>Diluted Earnings per Share</b>                     | <b>\$0.92</b>                |

Only dilutive with full year income of \$57.8M or greater

- Under generally accepted accounting principles (GAAP) the dilutive effect of the Convertible Senior Notes (notes) on EPS is accounted for by the if-converted method
  - This method requires that the numerator be adjusted by the interest expense on an after-tax basis
  - This method also assumes the notes are converted at the beginning of the period and the resulting common shares should be included in the denominator
- Application of the if-converted method is **only** applicable if impact is dilutive

Note: As a result of the convertible transaction the company undertook in 3Q19, Unisys expects a one-time charge in 3Q19 in GAAP net income of ~\$20M for accelerated interest expense that would have otherwise been incurred over the life of the notes