UNISYS | Securing Your Tomorrow®

4Q18 Financial Release
CEO/CFO Statements
February 12, 2019

Courtney Holben, IRO

Thank you, operator. Good afternoon everyone. This is Courtney Holben, Vice President of Investor Relations. Thank you for joining us. Earlier today, Unisys released its full year and fourth quarter 2018 financial results. I'm joined this afternoon to discuss those results by Peter Altabef, our Chairman, President and CEO; and Inder Singh, our CFO.

Before we begin, I'd 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 as well as other information relating to our full year and fourth quarter performance on our Investor website, which we encourage you to visit.

Third, today's presentation which is complementary to the earnings press release includes some non-GAAP financial measures. The non-GAAP measures have been reconciled to the related GAAP measures and we've provided reconciliations within the presentation. Although appropriate under Generally Accepted Accounting Principles, 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 pension 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, non-GAAP diluted earnings per share, free cash flow and adjusted free cash flow, EBITDA and adjusted EBITDA and constant currency. In addition, this year we have been reporting non-GAAP adjusted revenue and related measures as a result of the adoption of the new revenue recognition rules under ASC 606 to exclude revenue that had previously been recorded in 2017 under ASC 605 in addition to other minor adjustments. For more information regarding these adjustments, please see our earnings release and our Form 10-K for the quarter and for the year.

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.

And 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 the actual results to differ materially from our expectations. These factors are discussed more fully in the earnings release and in the company's SEC filings. Copies of those SEC reports are available from the SEC and along with other materials I mentioned earlier on the Unisys' Investor website.

And now, I'd like to turn the call over to Peter.

Peter Altabef, CEO

Thank you, Courtney, and thank you all for joining us to review our fourth quarter and full-year financial results. Over the last few years, our go-to-market strategy has been to target industries where we have deep expertise and leverageable IP and related solutions while also using security to differentiate our offerings.

We are excited that this strategy has resulted in the first full-year of revenue growth for the company since 2003 and for Services since 2006. We achieved or exceeded guidance on all the metrics for the third consecutive year since we reinstituted the process of providing it. Full-year non-GAAP adjusted revenue grew 80 basis points year-over-year. Non-GAAP operating profit margin grew 20 basis points year-over-year to 8.9% and adjusted EBITDA margin grew 50 basis points year-over-year to 15.3%. These results reflect progress against another key element of our strategy which has been to improve profitability.

2018 Total Contract Value or TCV and new business TCV grew 27% and 51% respectively. This growth was supported by our Public sector with a number of large managed Services contracts signed during the year with U.S. state governments. As you may recall, we saw significant growth in ACV metrics in 2017 that we indicated was not necessarily representative of future expectations with ACV growing 22% in 2017, and new business ACV growing 93% in 2017. Even with those difficult compares, 2018 ACV was roughly flat year-over-year and new business ACV was down only 7%. I would remind you that in the first quarter of 2018 we signed a large contract that drove significant year-over-year growth in TCV that we do not expect to repeat in the first quarter of 2019.

Our goal for the year ahead is to capitalize on our momentum by continuing to execute against our strategy. Inder will provide our formal guidance ranges and more color on the financial performance of the company shortly. But first, I'll give some more insight into how our strategy is driving results.

So to start with Services. At the segment level, full year Services revenue was up 2.5% year-over-year supported by growth in our U.S. Federal and Commercial sectors. We also saw an increase in new managed Services contracts including within our Public sector as I said before. We continue to increase the efficiency of our Services delivery engine.

Our ratio of full time equivalents or FTEs, to managed devices in our cloud and infrastructure services business improved by 4% year-over-year for the fourth quarter putting the full year improvement for 2018 at 30%.

During 2018, we further refined our vertical go-to-market strategy by focusing on a second complementary level to our overall approach. As we have done with our technology and security offerings, we are leveraging scalable and repeated solutions within Services that can be sold in any of the industries that we target. Similar to productizing technology solutions such as Stealth, during 2018, we also continued productizing a number of Services offerings including Unisys InteliServe, CloudForte and TrustCheck, to offer new solutions and to streamline the selling process.

Last week, we announced that CloudForte, our comprehensive managed service offering that automates and accelerates secured digital transformation and cloud operations is now available for Microsoft Azure in addition to previously being available for Amazon Web Services. This will allow us to better help our clients digitally transform their business, reduce operational cost and hybrid cloud deployments and create an environment for innovation to scale through secure, reliable technology.

Moving to our Technology segment. Non-GAAP adjusted Technology revenue for the full year of 2018 was $386 million, down 6.7% year-over-year as expected due to the ClearPath Forward renewal cycle. However, due to strong margins, 2018 non-GAAP adjusted Technology operating profit actually increased 8.3% year-over-year.

Technology is a core part of our strategy as we enable digital transformation. For ClearPath Forward, our strategy is to enable our customers to take advantage of its high transaction throughput and security, while also enabling customers to seamlessly integrate ClearPath Forward with other elements of their infrastructure.

Security is a critical element of our strategy in both Services and Technology providing standalone revenue opportunities and helping differentiate our broader offerings. Our Stealth portfolio is expanding, so it can support the entire digital enterprise including desktops, servers, cloud IoT devices and mobile devices. We expect two key new releases for Stealth early this year which will leverage artificial intelligence and biometrics. Two additional examples of our focus on Unisys Security Solutions are TrustCheck which I mentioned earlier that helps clients quantify cyber risk in dollars and cents based on objective breached data and our Zero Trust implementation offering which we will launch at next month's RSA Conference.

We're also continuing our Augusta, Georgia Security Operating Center expansion increasing our analyst capacity in support of our growing Managed Security Services business. At the same time, we announced an apprenticeship program with the U.S. Department of Labor in conjunction with the United States Department of Veterans Affairs providing veterans exiting the military with a means to transition to a civilian career in cybersecurity. With estimates of a shortage of cybersecurity professionals reaching 3 million worldwide by the year 2021 per cybersecurity ventures, these types of programs are essential for building and scaling our diverse delivery team to enable our clients success.

We are also investing in Unisys security integration platform that will integrate our security offerings with those from our partners to enable a full lifecycle approach to security. The first integration is with Stealth, LogRhythm and our own managed services team to enable dynamic isolation that allows enterprises to detect and isolate threats more rapidly.

With respect to Stealth, 2018 revenue grew 94% year-over-year, 2018 Stealth TCV also grew 94% year-over-year.

And in the fourth quarter, a large U.S. Department of Defense Agency granted Stealth product authorization to operate within its production environment. In this production environment, Stealth will provide secure and trusted zones to process and store sensitive government information. Additionally, a large U.S. state government awarded us a contract for Stealth software and comprehensive security services to implement uniform security across its newly integrated data center environment.

We also signed an agreement for a Canadian government agency to implement Unisys Stealth for identity management and credentialing. And importantly, Stealth continues to differentiate our broader offerings and our pipeline of deals that include Stealth as a component grew a 112% year-over-year to over $1.8 billion. We also made significant progress with our marketing efforts during 2018. During the year, we focused on increasing brand awareness and saw a significant improvement with an increase in media coverage and targeted website traffic, driven by our Securing Your Tomorrow advertising campaign.

Global media coverage increased by 30% year-over-year in 2018. This included a 34% increase in business coverage, 16% increase in industry coverage and a 58% increase in security coverage, including a significant increase in TV coverage. Stealth's products and services specifically saw a year-over-year traffic increase of over 1,500%.

During 2018, Unisys was named a Top 10 provider of Infrastructure and Enterprise Cloud Services and the leader in the Blueprint for ServiceNow Services by HfS. Unisys was also named a leader by NelsonHall in Cloud Advisory, Assessment

and Migration Services. And so far in 2019, the company has been named a leader in Gartner's Magic Quadrant for Managed Workplace Services in North America and was ranked highest of all firms profiled for our ability to execute.

ISG also named us as a global leader in Managed Digital Services in 2019. During the fourth quarter, we were awarded Best Supply Chain Architecture for one of the modules within our Digistics cargo logistics solution and Best Software Architecture in IT Products for AirCore at the ICMG Global Enterprise Architecture Excellence Awards.

I'll now provide some color on our various sectors. Our U.S. Federal sector non-GAAP adjusted revenue was up 9% year-over-year in the fourth quarter and 1% in 2018 overall. Momentum is high for us in this sector heading into 2019. With Services backlog up 19% year-over-year and TCV up 117% helped in part by several large renewals.

During the fourth quarter of 2018, Unisys was awarded a contract vehicle by the United States Mint for digital enterprise services, covering a variety of potential services and support including agile application development, moving digitally secure applications to the cloud, service desk and enterprise architecture operations.

Moving to the Public sector, 2018 Public sector non-GAAP adjusted revenue was down 5% year-over-year. However, as we've discussed, we signed a number of large contracts with U.S. state governments during the year, which drove 2018 Public sector TCV up 31% year-over-year. We expect the sector to grow in 2019.

During the fourth quarter, Unisys extended its contract with an Australian state government agency to provide biometric solutions including facial image capture, facial recognition identity authentication and a case management system to verify the identity of citizens to prevent fraud. Unisys is also working with a European government agency to trial the use of real time predictive analytics and machine learning in a mission critical application.

Our Commercial sector saw a non-GAAP adjusted revenue growth of 9% year-over-year in 2018, helped by a large contract with a technology company that we signed early in the year. We also signed a new logo agreement in Latin America in the fourth quarter with a global beverage company to support their digital transformation with a wide range of secure digital workplace services including Unisys InteliServe. This was the largest new logo contract we have signed in Latin America in 10 years.

MASkargo, the cargo division of Malaysia Airlines also signed a contract in the fourth quarter to implement two secure cloud-based Unisys Digistics solutions to drive further digital transformation of its business.

And finally, Financial Services non-GAAP adjusted revenue declined 4% year-over-year due to a lighter Technology renewal schedule than prior year as expected. During the fourth quarter, Unisys renewed its agreement with a major Brazilian bank to provide application services which supports 70% of the total mortgage market in Brazil.

In conclusion, we are excited to have completed our first full year of revenue growth in recent history and to see our strategy bearing fruit. We are focused on strong execution in 2019 to help sustain our momentum including enhancing our services operating efficiency.

I'll now turn the call over to Inder to provide more color.

Inder Singh, CFO

Thank you, Peter. Good afternoon, everyone, and thank you for joining us today. We are excited about our results for 2018 which I'll discuss in detail. In my comments, I'll discuss both GAAP and non-GAAP results and provide color for our key business drivers.

As previously discussed, in 2018 we adopted ASC 606 and 2018 revenue for us benefited from this adoption as well as from the reimbursement of restructuring expenses associated with our check-processing JV as we had discussed previously in the third quarter. These two benefits are excluded from our non-GAAP results that I will discuss today.

Please turn to slide 7, which shows some of the key financial takeaways and I'll provide additional details throughout the rest of the discussion. We achieved or exceeded guidance on all three metrics that we had guided for in 2018 marking the third year in a row that we have either met or exceeded the annual guidance that we provide. Our 2018 total company revenue grew by 3% on a year-over-year basis to $2.83 billion. 2018 non-GAAP adjusted revenue was up by 80 basis points year-over-year, above the midpoint of our revenue guidance range of negative 2% to positive 3% growth. I'm especially pleased to note that this marks the first full year of growth for Unisys in 15 years. Our 2018 results had minimal impact from currency.

Our 2018 operating margin reached 10.1%, up 660 basis points year-over-year. Non-GAAP operating profit margin for the full year 2018 was 8.9% which exceeded the high end of our guidance range of 7.75% to 8.75%. Likewise, 2018 adjusted EBITDA margin of 15.3% exceeded our guidance range of 13.7% to 14.9%.

Our 2018 Services revenue grew 2.5% year-over-year. Non-GAAP adjusted Services revenue grew 2.1% for the full year of 2018 driven by growth in our cloud and infrastructure and BPO businesses. Consistent with the color we provided at the beginning of 2018, non-GAAP adjusted Technology revenue for 2018 was down year-over-year by 6.7%. GAAP Technology revenue grew 6% year-over-year. We were especially pleased that our profitability of the segment exceeded our expectations with non-GAAP adjusted Technology operating profit margin expanding 620 basis points to 45%, and with non-GAAP adjusted Technology operating profit dollars also growing 8.3% year-over-year to $185 million. For the fourth quarter, total company revenue grew by 2.2% year-over-year to $761 million, 4.8% growth on a constant currency basis representing the fifth consecutive quarter of growth.

Fourth quarter Services revenue grew 5.6% year-over-year, and on a constant currency basis, it grew 8.3% year-over-year. Fourth quarter non-GAAP adjusted Services revenue grew 4.5% year-over-year and fourth quarter non-GAAP adjusted total revenue was up 1.3% year-over-year. In addition to the revenue growth in our Services business, we saw continued momentum in our Services backlog with growth of 13% on a year-over-year basis reaching $4.8 billion as of year-end. These results reflect the differentiation of our go-to-market strategy through the focus on industry expertise and cyber, physical, and logical security.

Turning now to slides 8 and 9, I've already covered much of the material that's shown on here, but let me highlight a few items. You can also see that diluted EPS for 2018 was up significantly year-over-year to $1.30 versus the $1.30 loss per share last year. Non-GAAP diluted EPS was $1.95 versus $2.49 in 2017. And we beat the FactSet consensus for this metric as well for this year. I would remind you, that full year 2017 results were helped by a windfall tax benefit of $50.4 million or $0.69 per diluted share, which we had discussed at that time, which was principally from the new tax rules that were put in place. And you can also see again on this chart that we have achieved or exceeded the guidance range on all guided metrics for the third year in a row.

I would also note that we saw limited revenue impact from the U.S. Federal Government shutdown during the fourth quarter with less than a $1 million of revenue being affected. We did see some delayed cash collections caused by the furloughed federal workers who were unable to process payments during that shutdown period, which were owed to us. But I'm happy to report that we have since then collected all those amounts this quarter.

Turning to slide 10. You can see that 2018 marks another year of progress in executing on the transformation of our business and we're pleased that the progress that we have made in improving the revenue trajectory of the business, while also continually improving non-GAAP operating profit margin and adjusted EBITDA margin.

Please turn to slides 11 and 12 for more detail on our segment results. As we noted, GAAP and non-GAAP adjusted Technology operating margins were up year-over-year in the fourth quarter and the year. This was due to an improved mix of higher margin software sales and as expected, we continue to see the impact of new managed services contracts in implementation stages on margins in our services area during the fourth quarter.

As we highlighted in previous quarters, new managed services contracts can impact margins especially in the early stages including, as we incur cost before we're able to recognize the associated revenue. This impacted 2018 Services non-GAAP adjusted gross margin by 130 basis points and fourth quarter Services non-GAAP adjusted gross margin by 210 basis points. We expect this trend to moderate in 2019.

We continue to maintain a sharp focus on expanding our margins over the longer term. Specifically, through improving the cost of delivery in our Services business where there remains a significant opportunity to make improvements. In 2019, we expect to see the continued implementation of automation and continued right shoring of our labor force, for example, with more labor being sourced in areas and hubs such as in Eastern Europe and India.

We also continue to focus on driving further improvements in our real estate portfolio. As you know, we undertook a large restructuring program in 2015. The actions for which were largely complete as of the end of 2017. We do not currently plan to implement another program of that size and scope. But consistent with our broader strategy to improve profitability, we will continue to look for opportunities to make our cost structure more efficient wherever possible.

During this fourth quarter, we identified several such opportunities including the items I just mentioned, which resulted in $28 million of restructuring charges in the quarter and these are expected to yield annualized savings of approximately $30 million. The associated cash expenditures are expected to be principally paid out in 2019 and 2020.

I already noted our backlog growth of 13% year-over-year to $4.8 billion. Of this amount, we expect approximately $568 million to convert into Services revenue in the first quarter of this year. As we look to 2019, we currently expect Technology non-GAAP revenue to be stable on a year-over-year basis, although we are expecting more revenue from our newer software offerings which have not yet reached mature margins.

Our largest scheduled overall renewals this year are expected in the second half of the year including several large Financial Services contracts coming up for renewal at that point and others. So for modeling purposes, we would assume approximately a 30/70 split between the first half of the year and the second half of the year for Technology revenue.

I would also remind you that in prior years, our third quarter is normally the weakest seasonally quarter, but with these planned larger renewals in the third and fourth quarters this year, you should assume that for modeling, our first quarter

would be the weakest of the year, not the third. As our Services business has begun to improve and grow, we still expect to see an in-year distribution of revenue in 2019 that is roughly consistent with what we have seen in the past. Once again, for modeling purposes, you may wish to use a 49%, 51% first half to second half split.

However, given the impact of new business in implementation stage, we expect our newer deals to contribute more to margin as the year unfolds.

Turning now to slide 13, which provides more detail on EBITDA and cash flow. Adjusted EBITDA margin exceeded the guidance range as I mentioned earlier for 2018 coming in at 15.3%. And adjusted EBITDA grew 4.3% from $405 million last year to $423 million in 2018. A $151 million of operating cash flow and $124 million of adjusted free cash flow were generated in our fourth quarter. As a result, operating cash flow for the year was $74 million and adjusted free cash flow was $62 million. As we have mentioned previously, we continued to target a CapEx light model over time, although in 2018 our very large Public sector wins required us to use more capital than our target. Our target for CapEx intensity remains in the 5.5% to 6.5% range as a percent of revenue and our plan for 2019 is to be more in line with that range at approximately $170 million of CapEx.

I already mentioned the delay in the collections which were caused by the U.S. Federal Government shutdown. And we also had higher working capital needs at our U.K. check-processing JV due to some regulatory requirements in implementing the newly upgraded systems. As we transition to these new systems, we expect operating expenses to come down for this JV this year. We expect to see total company working capital usage of approximately $40 million to $60 million in 2019, driven in part by the expected growth of revenue and as the company scales.

Turning now to slide 14. I'll provide an update on the status of our pension obligations as of the end of 2018. Our unfunded liability improved by $40 million year-over-year as compared to 2017, lowering the total unfunded amount to $1.74 billion. This improvement was largely driven by an increase in the discount rate used to value these obligations.

As you know, there are number of drivers that impact the future required cash contributions to the pension plan. In addition to the funding discount rates, asset returns can also have a meaningful impact. Given the market volatility that we all saw in the fourth quarter of last year and the fact that we have to value our pension obligations on December 31, each year, the negative market performance at that point in time impacted our asset return calculations.

As a result, estimated future cash contributions have increased by approximately $75 million from 2019 to 2027, and by $129 million from 2019 to 2023, versus the amount that we showed you at the end of 2017. We continue to look for ways that we can proactively improve our position with respect to the pension both on a GAAP and a cash basis.

Moving to slide 17. We still have $1.6 billion in tax assets as you can see. For modeling purposes in 2019, Unisys does incur some taxes and certain foreign jurisdictions, especially for withholding income taxes. Historically, this foreign tax expense has been between approximately 3% to 5% of international revenues. The associated cash tax has also been somewhat – has been somewhat less driven primarily by our ability to utilize the tax assets I referred to in certain jurisdictions. We expect net cash taxes in 2019 to be in the $25 million to $30 million range due to anticipated U.S. tax refunds. As we look to 2019, we're pleased with the momentum we built in 2018.

Please turn to slide 18 for the comments that I'm making and we expect momentum that we saw in 2018 to continue into 2019. For full year non-GAAP adjusted revenue, we are guiding to a range of $2.8 billion to $2.875 billion, which represents a range of 1% growth to 4% top line growth year-over-year.

For non-GAAP operating profit, our guidance range is 8.25% to 9.25%. We expect GAAP operating profit margin to be relatively consistent with this range. And lastly, our guidance for adjusted EBITDA margin is 14.4% to 16%.We believe achieving revenue growth for the full year 2018 was a great beginning for returning this company to growth. We are pleased that we are guiding for accelerated growth in 2019.

Importantly, we are encouraged by the revenue momentum we have seen in our Services business and continue to focus on improving the efficiency within that business. We look forward to the opportunities we see for the new year, but also remain disciplined about how we will pursue them.

With that, I will turn the call back to Peter.

Question & Answer Section

Q – Frank Atkins – SunTrust Robinson Humphrey, Inc.: Thank you for taking my question. Congrats on the results. I wanted to ask first on the margin side in terms of guidance. Can you talk a little bit about the impact of some of these ramps on the margin side as you think about the guided number on margins? How much of that is coming from SG&A? How much of that is coming from normalization of the Technology margins and Services margins?

A – Peter Altabef – Unisys Corp.: Frank, thanks very much for the question. This is Peter. I'll take a first view of your question and let Inder provide some more details. With respect to the new contracts that are coming online, first of all, as you see from our TCV and ACV numbers, we signed a lot of new business in 2018 and a fair percentage of that was in the Public sector and a fair percentage of that was in U.S. state and local contracts. So there are a couple of implications to that. The first implication is, while we really practice a capital-light approach to the business, the one area that is least capital-light is in U.S. state and local public markets. Those markets still demand a large expenditure of capital for deals.

These are good deals, we're proud of them, but as you see in some of our reported numbers cash flow in particular, they require a significantly enhanced CapEx framework for really about two years. So you see a higher CapEx in 2018. You see a somewhat elevated CapEx in 2019. With those deals to get back to your specific margin question, really come kind of three things.

The first is, while you're in an implementation stage you commonly have expenses outrunning revenue. That just happened. Inder talked a little bit about that. He said it in his comments.

The second is even once you get beyond the implementation stage, the way you typically model these deals is that as you get more effective and efficient over time, your margin goes up over time. And clients typically want more savings faster. So, the way we typically model these deals is to ramp margins over time.

And then, the third element about these deals is especially in the four new states that we sold in 2018. We very much have a land and expand philosophy. So these are new states for us. We got substantive big contracts but we expect to do more over time and we expect to increase revenue and increase margin over time. That of course hasn't been booked yet. So, there's a lot of things going on with those contracts in particular that affect margins both last year and will affect margins to somewhat lesser extent but also affect margins this year.

Finally, just as a comment, Frank. Given the TCV sales and given the fact that we got those substantive sales last year, I would expect a somewhat more modest TCV and ACV year for us in 2019 especially as we focus less on some of those large contracts and more on smaller contracts that will have higher margin faster.

A – Inder Singh – Unisys Corp.: So I'm just going to piggyback on what Peter said, Frank, and thank you for the question. As I noted in the comments and Peter did as well and we also noted it in prior quarters, the new deals that we have signed particularly in the Public sector, and let me say that a lot of our backlog, perhaps the majority of the backlog has

come from two sectors, one is Public and one is Commercial. The Commercial sector for us, every time we get a win there and we're delighted to see the momentum that we're getting in our business is not capital intensive. In fact, sometimes it is head count intensive and sometimes it requires different kinds of investment, but it doesn't require the kind of heavy duty upfront CapEx that the Public sector can require.

So, as a management team, our focus remains on ensuring that we're able to drive the margins higher quickly on the Public sector deals for which we have put cash in terms of CapEx upfront. Now that in total, this basket of new business for us in 2018, weighed on margin as we noted about 130 basis points. I expect that impact in 2019 to moderate as I've said in the comments. We – it's difficult to say how quickly volumes ramp, et cetera, to give you a precise number, but we expect that to improve. We are working in fact to improve it.

The commercial wins that we saw, we are delighted that the volumes are starting to pick up, because really that's the principal driver of the fixed cost base associated with some of those deals that we – that you deal with. So, that combination of momentum in the commercial deals, one in particular comes to mind which we signed relatively early in the year and that was really one deal that was I think we mentioned one of the largest deals signed in recent memory in this company. We are very happy to get that win, it was signed in the first quarter of 2018 and we're really happy with the execution that we're seeing in our delivery organization now on driving the volumes and maintaining the discipline around costs. That is serving almost as a -- remember that the company that hasn't grown in 15 years, right, and we're growing. So, that's serving as a good learning tool frankly for many of our delivery efforts to make sure that as we win more and more of these types of deals, we're able to get them in at the right margin even more quickly.

On the Public sector ones, as Peter noted, those are usually two-year commitments when it comes to the CapEx side of things. So, yeah, 2019, the CapEx guidance was already factored into what I shared with you in terms of the $170-ish million number. But we are now keenly focused on ensuring that we use those wins as a land and expense strategy. And, I don't think that when we started 2018, anyone around our senior leadership team thought we could win four out of four states, and we did. And so we're delighted to have that volume ahead of us, we're delighted to win these states that we didn't have really any meaningful footprint in before. And we're now able to leverage that presence to win additional deals. So, the margin expansion will come not only from executing on these deals that we've won, but more importantly from the opportunity that these deals unlocked for us.

So, yes, it weighs on margin as you would expect. You have to invest to get a return on investment. And that's the part that I think we are in in 2018. Even with that investment, you saw that we delivered 8.9% operating margins, so I'm very pleased with that. But at the end of the day, these are land and expand opportunities that hopefully we'll be able to leverage for many years to come.

Q – Frank Atkins – SunTrust Robinson Humphrey, Inc.: Okay. Great. That's very helpful. And it seems like you're getting some good traction in Stealth. I think you cited some bookings numbers up 94% year-over-year. Can you talk about the win rate impact there? And where exactly are you differentiated in that Stealth project and how do you separate that from the other security options out there for clients?

A – Peter Altabef – Unisys Corp.: Yeah. Well, thank you. And it has been an evolution. When Stealth first came on the scene for us, it was really a solution that was baked in the micro segmentation space, which is a very important space, we were new to – that was a new space for the industry. It is still a new space, so it's in the advanced part of the Gartner hype curve, if you will. But micro segmentation is, while it's a critical element, it's a difficult solution to sell as a one-off. So, it's very important that we have learned that it would be part of a larger ecosystem of solutions.

And so, we really approached this three ways. The first thing we did was we looked at Stealth itself as a solution. And it continues to be one of only a handful, like the number of digits on one hand, of robust solutions in its space. However, we have expanded that space from an initial focus on servers to now covering laptops, desktops, mobile devices, the network. And so, it has a much broader applicability than it did when first imagined.

Secondly, we've gone beyond looking at it as only an infrastructure play and expanded to Stealth identity which is a whole suite of biometrics. So, that is what I would categorize as our first evolution of Stealth. The second evolution of

Stealth was really to say, yes, we can sell it as a one-off licensing opportunity and we do. But it is also, and you can see that revenue for us basically doubled year-on-year, but we can also sell it as part of a larger offering. And we can leverage Stealth in our managed services accounts.

And, literally, hundreds and hundreds of millions of dollars of deals far in excess of Stealth revenue itself has been sold with leveraging Stealth as a distinguishing factor in that solution. And, as you could see from our pipeline, we have broader solutions now to have over a $1 billion of Stealth included in them. So that would be, I would think, the second way we have evolved Stealth.

The third way we have evolved Stealth is saying, why does it only have to be us? And that is a two-parter. Why does it only have to be us in the sense of our solution simply isn't – doesn't have to be the entire breadth of the solution. So, we brought in partners like LogRhythm which I mentioned in my comment. We brought in partners like Cylance and we have other security partners as well that were actually integrating our solution with their ecosystems.

And the second way is not only technically integrating our solutions with their ecosystems, but using those companies as a distribution channel for us, so that it's not just our sales team selling Stealth but Stealth being sold by broader sales teams around the world. So, it really has – over the last five years Frank, it really has been an evolution. Yes, revenues are up, yes TCV numbers are up, they're still relatively small compared to our entire revenue, but you're really seeing Stealth now make a difference company-wide especially in its impact in getting us larger contracts. And I think in the future, now that we are including it in these larger ecosystems, I think its future is very bright.

Q – Frank Atkins – SunTrust Robinson Humphrey, Inc.: Okay, great. And last one from me. It'll be a quick numbers question. Can you give us the year-over-year growth in annual contract value and new business ACV?

A – Courtney Holben – Unisys Corp.: So, for the quarter, Frank, total ACV and keep in mind that these were against pretty tough comparisons from last year, down 36%. New business ACV around 40%, fairly flat for the year though. So – but basically flat on total ACV and 7% down on new business ACV.

And again, if you keep in mind, the comparisons that we had last year for that and we talked about it at that time that we didn't necessarily expect to be able to replicate those levels. So being flat for the year was a pretty positive thing based on those difficult compares.

A – Inder Singh – Unisys Corp.: Yeah. As you know Frank, we've been winning some very, very large deals and the quarter in which you win them, you've got these very large numbers that skew the quarter. I would point you to the metric that I consider even more important perhaps, which is backlog and backlog is what turns into future revenue for us. TCV helps build backlog for us. But, as you know, part of that backlog also has to support any attrition that you have.

So the backlog sort of nets out the new business you sign on and any attrition in the business. That grew 13% for us for the year. All of these metrics face very tough comps as you know. At the end of 2017, we had backlog grow 11% approximately and then in the first and second quarter of this year continued to grow, in fact it peaked at 26% growth and then 33% growth. So we're delighted to see the 13% overall growth for the year. And, that's what gives us confidence for the growth continuing for us in revenue in 2019. And we're looking for a greater proportion of revenue now being able to come from backlog that we have built over the course of the last four or five quarters. So, yes, TCV and ACV are always very important metrics, to me backlog and I guess to you as well should be one that you should really focus on.

A – Courtney Holben – Unisys Corp.: And Frank, the last piece of information I'll give you just so you have the compare at your fingertips. In 2017, ACV grew 22% and new business ACV grew 93%. So just for the sense of comparison.

A – Peter Altabef– Unisys Corp.: Yeah. And, Frank, so similar to the TCV story, given where we have been the last couple of years and the mix that we intend to evolve to this year in 2019, we expect ACV and TCV numbers to be down slightly from last year.

Q – Joe Vafi – Loop Capital Markets LLC: Hey guys, good afternoon. Good to see the continued progress. Just a few different questions here. First on the guide, on the revenue line, is there some more color you might provide on what that may be constant currency? I know you've got a lot of international revenue or at least what you think the FX headwind is built into the guide? And then I'll have a couple of more.

A – Inder Singh – Unisys Corp.: Yeah Joe. Its -- FX prediction is also a very difficult art as you know. However, in 2018, as I noted, we didn't see any material impact from foreign exchange. And you saw currencies sort of waver all over the place over the course of the year. But when you netted it out for the year for us, it was de minimis. In prior years, if it's had an impact, it's been a point or two in recent years in either direction helping or hurting, 2018 was relatively neutral. For planning purposes, we are assuming no impact from foreign exchange for our 1% to 4% growth guidance. If currencies go in our favor, of course, it could be lifted, but we are guiding for a neutral environment at this point in time.

Q – Joe Vafi – Loop Capital Markets LLC: Okay. That's helpful. And then, I know you mentioned that you did a little bit more restructuring here in Q4 and that you expect to see that start to kind of – start to show some material cost benefits. Is that – is this – is that cost benefit going to get plowed back into growth or do you think that we may see that trickle down to the bottom line or a combination I guess?

A – Inder Singh – Unisys Corp.: As I think about that gift that keeps on giving. That's really what that is. I mean, so, yes, it's in our guidance numbers already for 2019, potentially it would help 2020 and beyond as well. I mean, we're not doing this to save money for the short term. When you're putting in things like automation, when you're putting in the – taking advantage of creating hubs and which we have done a couple of years ago and now shifting resources into those even more, those are our recurring savings that pay off over multiple years.

And I would – and you know this, Joe, from following this industry. It's pretty normal for our industry to go and do fine tuning here and there. I would look at this almost in that realm, but I think the good news for us is, there are other ideas that we could also implement. And the numbers that I shared would tell you, we're being very smart about looking for those types of savings opportunities where the payback is quite quick. And that's the way, this one was designed by Katie Ebrahimi, who runs our HR organization, Eric Hutto, who runs our Enterprise Solution business. The two of them really -- and Harvey and others on their team, they looked at where the opportunities were. They sort of did a pareto analysis of which ones to go after first, second, third. And this has for us, the highest return for the least amount of upfront commitment. So we were pleased by getting a plan from them that we could go execute.

A – Peter Altabef– Unisys Corp.: And, Joe, this is Peter. Thanks again for the question. We do expect, as I said – as Inder went through, there was this real focus on this to make it very specific and very long lasting. We will not – Inder gave the full benefit numbers in his talk. We won't achieve those full benefits in the year, but those will be the run rate and we expect to get those quickly.

Q – Joe Vafi – Loop Capital Markets LLC: So would it be fair to say that exiting the – we get to kind of cash neutral on cash restructuring versus the benefits a year into this endeavor? Would that be about the right time that we kind of get to breakeven on the cash?

A – Inder Singh – Unisys Corp.: Yeah. I mean, we're talking about somewhere between a one to two-year sort of breakeven payback period.

But, whether it's a year or a year and a half, I mean, I'm pleased to see those types of restructurings that get – that deliver to the bottom line quickly. It also depends on when you execute it, whether it's in the beginning of the year or the end of the year. So, a number of factors can play into it. For purposes of what I said on the comments and what Peter said as well, these are exit run rate savings that we expect to achieve as we exit the year. The cash contributions will be predominantly in 2018 and 2019, probably more in the first year than the second year, but that's the way I sort of model it out. I think it really depends on the velocity of execution.

Q – Joe Vafi – Loop Capital Markets LLC: Okay. Fair enough. And then, if we could move over back to that slide 14, on the pension, just a couple of questions here, maybe, Inder, could you remind us on the projected obligation that is down

about $800 million from the end of 2017 to the end of 2018? Can you remind us how much of that was a result of discount rate change versus some of the actions that you took during the year kind of more proactively because I know there was some to bring that obligation down?

A – Inder Singh – Unisys Corp.: Look, we've been working on managing these pension obligations for a couple of years and probably even before that. But in the last couple of years, we've done a number of things that have been quite proactive. In 2016, we began with the lump sum buyout, as you know, some of the participants who are willing to cut their lump sums. In 2017, we began to restructure some of the U.S. pension obligations which allowed us to limit some of the administrative costs and in a material way bring down some of the premiums that we were paying just for insuring some of those policies.

And as we went into 2018, we continued the efforts that we could and in 2018 we talked about the fact that some of our international pension obligations we were able to negotiate as well in a favorable way. Now, that said, there are things you can control which are actions you take and things that you can do to structure and so on. And there's things you can't control. Things like what happened with the stock market in the fourth quarter of last year. And, so I just wanted to make sure that you all kept that in mind because when we do these calculations at year-end on 12/31, whatever the markets are doing at that point in time or the few months in the run up to that are going to influence that calculation as well. And that's what we saw.

So, yes, even with that, we did see the deficit come down overall principally because of discount rates beginning to move up. But we were -- we probably had some of the savings we could have had offset by poor performance of equity markets. So, you have to live with that. And especially you walking in your shoes and the shoes of our shareholders, I think that they understand the market performance is a key driver not only of our pensions but frankly of return on assets for all investors.

Q – Joe Vafi – Loop Capital Markets LLC: Sure. So, it sounds like – if I hear that correctly, most of the benefit obligation reduction was discount-related as it looks like we have moved the discount rate about -- on the U.S. plan, is that right? About 70 basis points? Is that – 60 basis points or something like that?

A – Inder Singh – Unisys Corp.: Yeah. As you saw the 10-year treasury start to rise. As you saw the Fed begin to act, that is highly correlated with the basket of corporate bonds that we use to determine our discount rate.

So, yes. Those began to help us. If markets have kept performing then those would helped us all.

Q – Joe Vafi – Loop Capital Markets LLC: Absolutely. And that was the next question, if I look at the basket of assets that you have that's invested in pension assets, how is that? I mean, because obviously that was kind of a down, kind of a trough in the market as we exited 2018, is it fair to say that your asset baskets kind of recovered meaningfully at this point? And if it did, I mean, I know you're not providing it now, but kind of on a real time basis. It sounds like the deficit would be materially lower than where it was exiting 2018. Is that a fair statement?

A – Inder Singh – Unisys Corp.: It's fair to say that both return on assets and interest rates drive that deficits and also the cash contribution as we've been saying in the past as well. I would say that, what hurt us is the return on assets. And remember, we're playing the long ball here, right? We are talking about a 10-year obligation, investing for that 10-year obligation and we disclosed this in our K every year and frankly it's in the earnings materials as well in the footnote. Our average rate of return assumed for asset performance is 6.8% over that 10-year period. So there will be years when they'll be stronger hopefully and years when it could be weaker, but we're playing for the long ball on this and making sure that we're able to retire those obligations over time.

Q – Joe Vafi – Loop Capital Markets LLC: Okay. And then, it sounded like you're a little – it sounds like you're kind of over the peak cash outflows on your large state contracts. Could you just get that final update then on the iPSL joint venture and cash obligations there, is that normalizing out this year now too and that's kind of how we're landing towards getting to your long-term cash flow guidance performance in 2019.

A – Inder Singh – Unisys Corp.: Yeah. Look, I think – so, two things. One, I just want to sort of like put a bow around the comments I just made on the pension. I think you asked me about – the markets are recovered in January and if we have to value that – those same obligations in January...

...but we are in a better position. And I know I didn't directly answer that. So, let me directly answer that.

The stock market returns have recovered off their troughs, I haven't gone out and asked our outside advisors to go to a formal valuation, so I can't tell you exactly what that would be. But, on the heels of stronger market performance in January, let's hope it continues into February and beyond, we would have a smaller deficit and we would have lower cash contribution obligation. So, just to be very direct about it, because we had to calculate around 12/31, it was like almost the worst date to have to calculate it. And we have seen markets recover healthily. So that's one. So I'm pleased with that.

On the iPSL joint venture, yeah, this is the year we're going to be pursuing a couple of things. One, obviously operationalizing and taking advantage of the IT infrastructure that's now in place. What does that mean? That means that lowering frankly the operating costs of that joint venture. And, therefore, the cash required to run that joint venture be more efficient in running it. And, hopefully, we will reap the rewards of that, but so our banking partners, the three banks that are 49% shareholders which are HSBC, Lloyds and Barclays.

So, yeah, the good news is we're doing this for them. They reimburses for it. We're hoping that the cost and therefore the cash need and the CapEx need and all of those things are largely deployed and now it's time to start seeing. I think you called it a normal year but something of more of a normal year this year continuing into next year.

Peter Altabef, CEO

Operator, thank you very much. I know we did run a little longer than expected on the call, but really seriously thank you for some very good questions. We're very excited about what we did in 2018 and we're looking forward to continuing to execute in 2019 from what you can see based off our guidance numbers. So the team is enthusiastic and we enthusiastically welcome the opportunity to meet with you on calls and in roadshows throughout the year. So, Courtney and Dan and team are really at your service as we continue to do investor relations throughout the year. With that, thank you very much.