

**Acquisition of Unisys Federal by Science Applications International Corp Call  
CEO/CFO Statements  
February 6, 2020**

**Courtney Holben, IRO**

Thank you, Alison. Good morning, everyone, and thank you for joining us this morning to discuss our announced sale of our US Federal business to SAIC. I am joined this morning by Peter Altabef, Chairman and CEO of Unisys; as well as Mike Thomson, Senior Vice President and CFO of Unisys. I will turn the call over momentarily to both of them, but first I will cover some disclaimers and logistics.

First, today's conference call and the Q&A session are being webcast via the Unisys Investor website. Second, you can find the presentation slides that we will be using today to guide our discussion on the same Investor website which we encourage you to visit. For more information regarding our financials and non-GAAP information referenced in these materials, please see the press release associated with this transaction, our earnings releases and our Form 10-Qs and 10-Ks. I would also like to refer you to the press release associated with this transaction for details on the tax asset protection plan that was adopted in conjunction with the deal.

I would also 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 company's earnings releases and 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.

In terms of logistics for today's discussion, we will spend the first portion of the call going through the presentation with some prepared remarks. Following this, we will allow time for Q&A. As Alison mentioned, in order to submit a question, you will need to be logged into the webcast and you can type your question into the appropriate box. We will monitor incoming questions and we'll take as many as we can from the web, as well as from our analysts participating in the call.

With that, I will ask you all to turn to slide 3 in the presentation, and I will turn it over to Peter to begin our prepared remarks.

**Peter Altabef, CEO**

Good morning, everyone, and thank you for joining us to discuss what we view to be a very exciting development for our company. This morning, we announced that we had entered into a definitive agreement to sell our US Federal business to SAIC for \$1.2 billion, which represents a 13 times last 12 months from 9/30/2019 adjusted EBITDA multiple. This is a significant premium to the Unisys trading multiple and is a tribute to the unique and attractive business that our US Federal colleagues, led by Venkatapathi PV Puvvada, have built over many years. Unisys' performance in recent periods has benefited from the strength of our US Federal business, and we believe this transaction creates another exciting opportunity for the company to continue its evolution. We intend to use the proceeds from the transaction, which is targeted to close in the first half of 2020, largely to pay down debt and reduce US pension obligations. This will allow us to significantly improve our balance sheet and effectively remove the requirements to make any cash contributions to the US pension plans out of operating cash in 2020, 2021 and 2022.

Before providing additional detail on the transaction, I would note that in our press release, we also provided some commentary regarding Unisys' preliminary financial results for 2019, which indicate that the company is expected to achieve guidance for all provided metrics. Specifically, we expect full year 2019 non-GAAP adjusted revenue growth and non-GAAP operating profit margins to be towards the upper end of the full 2019 guidance ranges of 3% to 7% and 8.25% and 9.25%, respectively. We expect full year 2019 adjusted EBITDA to be at the low end of guidance of 14.4% to 16%.

We intend to provide full detail on our fourth quarter and full year results in conjunction with our earnings release scheduled for February 25.

I'll now turn back to focus on the rest of my comments regarding the sale of US Federal. Pro forma for the transaction, we expect much of what we have discussed regarding strategy, opportunities and financial goals to remain largely consistent, but with a sharpened focus on the portion of the business that today represents Enterprise Solutions from a P&L perspective.

The company will maintain significant scale as Enterprise Solutions generated \$2.3 billion in revenue on a non-GAAP adjusted basis, on an LTM basis through September 30. We will continue to serve non-US Federal government clients along with clients in the Commercial and Financial Services sectors in over 90 countries with a team of approximately 19,300 associates around the globe.

I would also note that in contemplation of this transaction, we have adopted a tax asset protection plan, designed to protect Unisys' tax assets by reducing the likelihood of an ownership change through actions involving Unisys securities. As Courtney noted, we would refer you to the press release associated with this transaction for further detail on this.

We believe this transaction benefits all of our stakeholders, as you can see as you turn to slide 4. First, our goal is to use our increased financial flexibility pro forma for the transaction to position ourselves to better serve our clients. We expect to be able to invest more in new solutions that address our clients' needs both independently and with our partners, and to have more ability to pursue larger deals as a result of the improvements to our capital structure and cash flow requirements. We will continue to balance these efforts with a sharp focus on profitability and cash flow, with the goal of continuing to optimize financial performance.

Secondly, we believe that both current US Federal and Enterprise Solutions associates have the potential to benefit from this transaction. With respect to the associates remaining with Unisys, we believe that they will see increased opportunity associated with improved operational flexibility. For the US Federal associates moving to SAIC, we believe that they stand to benefit from being associated with a company with a larger US Federal footprint.

We also believe that our investors should benefit from the transaction. We were able to capitalize on the recent strength of the US Federal business, as well as strong market conditions, to achieve a multiple well above the trading multiple for Unisys. We believe that the deleveraging, reduction of required pension contributions, and improvement to the US pension funded status meaningfully de-risk the balance sheet which should remove a significant element of overhang with respect to how our stock currently trades. Additionally, all of these improvements accelerate the company's path to becoming free cash flow positive. Reflecting on all of that, as we look forward to what Unisys will look like pro forma for the transaction, you can see an overview of our perspective on slide 5 and on subsequent slides.

Moving to slide 6, the pro forma business has a solid foundation built on strong recent performance and innovative solutions. The company overall has seen a significant improvement in its financial results over recent quarters and years. US Federal has had extremely strong results recently and Enterprise Solutions has also made significant contributions to our improved financial performance. On a year-to-date basis, as of September 30, 2019, Enterprise Solutions has seen over 4% year-on-year growth in non-GAAP adjusted revenue.

As we have discussed, those recent improvements to financial performance have been driven in part by security as a differentiator in our go-to-market efforts, as well as our IP-led solutions, both of which are used to serve clients across all of our sectors. This will be the case going forward as well as we will continue to leverage offerings such as Stealth, IntelliServe, CloudForte, and ClearPath Forward. Next generation technologies such as artificial intelligence and IoT represent key opportunities for us in the future, both in terms of improving profitability and developing new solutions. We believe this transaction will position us to better accelerate our integration of these technologies into our offerings based on the increased financial flexibility this transaction will create.

In addition to solid financial performance, Enterprise Solutions is also built on strong client relationships which you can see on slide 7. Some of these relationships date back many decades, while others represent recent wins. This indicates

both a solid foundation with longstanding clients, as well as the ability to broaden our reach to new clients. We believe this transaction will position us to further expand the list of Enterprise Solutions clients that we can serve.

Turning to slide 8, we believe that the markets that we will continue to serve remain very attractive with solid growth potential that we can leverage to continue driving the business forward on a pro forma basis. As you can see, Gartner estimates the global IT services market to be approximately \$1.268 trillion in size, with a projected growth rate of about 5% between 2018 and 2024. This provides ample opportunity for us to cultivate the levels of growth we have been targeting for the company in the medium-term.

In addition, the key market drivers are generally consistent across all sectors that we serve today. So, we don't foresee a meaningful change in macro dynamics going forward. For instance, clients across all sectors we serve have increasing digital and cloud transformation needs and a heightened focus on security, and in these transactions and in all of their IT requirements. Likewise, increased regulatory and compliance requirements are impacting most sectors and creating the need for increasingly sophisticated analytics. Emerging technologies, some of which we have already discussed, also create demand across the market. The tight labor market and the increasing importance of contract labor drive further opportunities for IT services firms.

To provide some more color on the financial benefits of the transaction, which help create the opportunities I have been discussing, I'll now turn the call over to Mike.

### **Mike Thomson, CFO**

Thank you, Peter, and thank you, all, for joining us today. As Peter has noted, we're very excited about the transaction and how it positions us for the future. If you turn to slide 9, I'll spend a few minutes discussing the capital structure benefits in a bit more detail. As Peter stated, it's our intention that the net proceeds from the transaction will largely be used to reduce debt and pension obligations. This will effectively be done in two ways.

First, we intend to fully redeem the \$440 million of senior secured notes that we have outstanding in accordance with the terms of those notes. Second, we intend to contribute the bulk of the remaining proceeds, which will be approximately \$600 million, to our US-defined benefit pension plans and to apply this amount towards the required contributions in 2020, 2021 and 2022. Doing so will reduce our aggregate unfunded pension deficit to approximately \$1.14 billion relative to \$1.74 billion as of the year-end 2019. Our net debt, inclusive of pension deficit, is expected to be approximately \$860 million relative to \$1.9 billion pre-transaction, which will result in a net leverage decrease to approximately 2.4 times on a pro forma basis relative to 4.2 times as of September 30, 2019.

Our intended contribution of the net proceeds to the US pension plans will also effectively eliminate requirements to make cash contributions out of ongoing operations to those plans for the next three years and significantly accelerates our path to being free cash flow positive. Overall, cumulative required contributions to worldwide pension plans from 2020 through 2025 are expected to reduce to \$775 million relative to \$1.375 billion prior to the transaction, and the US plans are still targeted to be fully funded by 2025.

Given our improved cash position, we may choose to opportunistically make discretionary contributions during the coming years to help smooth the future funding requirements beyond 2022. We've spoken recently about the fact that due to our current funded status being below 80%, there were barriers to opportunistically remove liability. This transaction removes those barriers and gives us the ability to pursue bulk lump sum and annuity programs where they make economic sense.

As Peter noted, while this transaction enables increased solution innovation and broader deals pursued, we will retain our sharp focus on profitability and cash flow to continue optimizing financial results where possible and making additional working capital improvements. I would also note that even though we expect the proceeds of the deal to effectively prefund our pension contribution requirements for the next three years, we've asked the IRS and the PBGC to continue their efforts on granting our waiver request as a backstop in case the sale does not close or the closing is

delayed. We're appreciative of all the good efforts made with the service and the PBGC on this front over the last few months, and we'd like to bring that process to a favorable conclusion.

Lastly, as a clarification, throughout this discussion and the materials that we've posted in connection with the transaction, we've made numerous references to reducing pension obligations. We mean this in the way I've just described relating to the unfunded pension deficit and demands on operational cash flow. Nothing that we've said discussed in any way changes our commitment to the pension beneficiaries nor has any impact on the benefits they're entitled to receive.

Stepping back now to consider everything we've discussed this morning, while this transaction creates a number of opportunities for us, it does not fundamentally change our approach to running the business. Turning to slide 10, as we think about strategy going forward, we envision continuity of what you have seen in recent periods. Importantly, we'll continue our IP-led industry go-to-market approach with an intense focus on our security offerings; and over time, we'll have more potential to pursue both organic and inorganic growth.

One of the key areas of upside for us recently has been improving margins in the Enterprise Solutions business. This will continue to be one of our top priorities going forward as well cash flow generation. We're pleased that the transaction allows us to reduce our pension obligations, but cash flow is a critical element to running the business successfully in the long-term, so we do not intend to reduce our focus on this effort as we consider additional investments both organic and inorganic.

One area where our strategy will change, to potentially state the obvious, will be in the US Federal market. As part of the transaction, we've agreed not to enter the US Federal market over the two years post-closing. Further, we'll refrain for five years post-closing from soliciting business from US Federal clients who were clients of Unisys at closing or who were in the pipeline with bid submission deadlines through December 2021. Given the consistency in strategy and market dynamics going forward, our financial performance goals remain largely consistent with what we've stated in the past. As you can see when you turn to slide 11, we believe on a pro forma basis, significant upside still remains in the financial results that we've seen in recent periods.

I will note that we intend to host an Investor Day following the closing of the transaction to provide more insight into what the company will look like going forward including with respect to financial performance. However, we wanted to provide some perspective ahead of that. In November 2017, we hosted an Investor Day during which we laid out our targets for the near and medium term. These included a three- to five-year business model that called for 2% to 4% revenue growth and a non-GAAP operating profit margin of 9% to 12%. Pro forma for the transaction, our goals for the remaining portion of this time horizon remain in line with what we stated in 2017. Market growth for the sectors we will continue to serve remains in a similar range to what we've seen in recent years. Additionally, US Federal has largely been operating at or above its target margins and Enterprise Solutions has always represented the biggest opportunity for margin improvement in recent years. The team has made progress on this in recent periods and there is still significant room to build on this with further margin expansion over time. So, at a high level, we believe these are still good working assumptions to use for the remaining portion of the highlighted timeframe.

With respect to cash flows, as we have noted, we expect the transaction to significantly accelerate our path to being free cash flow positive. As with most sales of a business, there will be some stranded costs that remain with Unisys post-transaction, and we intend to work to eliminate or mitigate those costs over the course of the coming months, though there's likely to be some modest impact to profitability in the short term. There may be minor additional disruptions in the year following closing as we make the necessary adjustments which means we may slightly vary from the medium-term targets laid out here. We will likely take a modest restructuring charge in conjunction with these efforts, however, that does not impact our broader expectations over time.

Regarding our near-term expectations, Peter noted a preliminary view on 2019 results relative to guidance ranges that we've provided previously. I also want to give some preliminary color on a few one-time items that are expected to impact 2019 net income, as I believe most of these are not currently reflected in analyst consensus numbers. As we've discussed, we were anticipating a limited restructuring charge in the fourth quarter of 2019. The amount of this charge

is expected to be approximately \$24 million based on preliminary indications which brings the total restructuring charges for the full year 2019 to approximately \$30 million. Additionally, our pension expense for 2019 is expected to be approximately \$13 million higher year-over-year which would put us at approximately \$94 million. We expect a few additional one-time charges that aggregate to approximately \$14 million. The majority of these relate to some cost closeouts or the remediation of a site the company no longer operates. Lastly, we had a charge of approximately \$10 million related to unfavorable FX for the fourth quarter of 2019. As a result of these charges, we expect net loss of approximately \$20 million for the full year 2019. Though on a non-GAAP basis, these charges would be added back. To confirm, none of these charges that I've noted relate to the transaction we announced today, they're reflective of the business through the year ended 2019.

So, with that, I'll turn the call back over to Peter.

### **Peter Altabef, CEO**

Thank you, Mike. I would just like to say again that we're extremely positive about the transaction and the path that puts Unisys on going forward. We believe the significant premium to the Unisys' trading multiple that we were able to obtain is a fair value to our investors. The increased financial flexibility that comes as a result of the transaction positions us better to be able to continue driving increased value for investors over time while also improving our ability to serve our clients. We look forward to discussing all of this with you in more detail over the coming months.

And now, we'll open the call for questions.

### **Question & Answer Section**

**Q – Joseph Vafi – Canaccord Genuity LLC:** Hey, guys. Good morning. Big news and congratulations to all the new and existing stakeholders here in this transaction. I think that the key question, I think I may have for Mike and for Peter here is, obviously, I mean there's some information in some of those slides on the pro forma business, obviously – or probably a very strong free cash flow generator in the Federal business. And I know what you do here is then reduce cash obligations and so, I think you're looking at it as potentially accretive to the trajectory of cash flow. Just like to dig into that a little bit more on some of those cash flow levers over the next couple of years with this sale and a little more thought on where those levers are, and how we get to kind of that sustainable free cash flow.

**A – Mike Thomson– Unisys Corp:** Hey, Joe. It's Mike. Thanks for the question. As I indicated in the prepared remarks, we are intending to have an Investor Day right after close, and we will get into the specifics of the business, the modeling of those cash flows. We'll look at a five-year projection and where we're at, at that point in time, and obviously, we have earnings in a couple weeks. So, we'll give it additional guidance at that point as to what the 2020 looks like and maybe a little bit of insight into how it shifts based on this sale. I don't think at this point, we want to get into that level of specifics on this, but certainly, coming up shortly we will.

You're exactly right that de-levering the balance sheet and the position it puts us in from an obligations perspective is significantly curtailed. Our balance sheet strengthening in the context of what would be left on a pro forma basis will be just the convertible notes, which sit at about \$85 million, which is relatively nothing out there. So, I think we'll be positioned pretty strongly from a cash perspective.

Also, as I've noted, most of the expected growth from a margin perspective was coming out of the Enterprise Solutions business anyway. The Federal business, as we've talked about for quite a while now, has been operating at the target margin already. So, we expect to see that operating profit improvement come out of the ES business and obviously, that's going to generate free cash flow for us as well. So – but a lot more to come on that in the very near future.

**Q – Joseph Vafi – Canaccord Genuity LLC:** Okay, that's helpful. And then on just the IRS deferral request, with this sale, does it just kind of mean that you're really no longer eligible for that deferral request? Would that be the way to look at it or do you think you could still potentially get the deferral with the sale?

**A – Mike Thomson– Unisys Corp:** Yeah. Again, thanks, Joe for the question. It's not necessarily that we're not eligible, right? We have spoken with the service and the PBGC, and we are going to push forward with the waiver process. You're

right that it's kind of a moot point after you prepay the proceeds to have the waiver, but we think it's a good backstop just in case there is a delay in close or anything like that. So, it's kind of a belt and suspender type thing. We've done a lot of work with those parties, as you know, and we've made some great progress. I think we're kind of at the end of that cycle and we'd like to bring it to a favorable resolution. Worst-case scenario, we have a nice backstop for the proceeds from the sale.

**Q – Joseph Vafi – Canaccord Genuity LLC:** Okay, great. Thanks a lot, guys.

**A – Peter Altabef – Unisys Corp:** Thank you, Joe.

**Q – Rod Bourgeois – DeepDive Equity Research:** Hey, guys, congratulations on this deal. I wanted to focus on your intellectual property, particularly in the area of Stealth. I'm wondering, do you see any encumbrances being added to Stealth or other IP other than the non-compete that you now have in the US Federal market? I guess more specifically, I'm wondering how will your IP work in cases where you own IP that's now attached to deals that will be taken over by SAIC?

**A – Peter Altabef – Unisys Corp:** Yeah. Rod, this is Peter. Thanks for the question, and thank you for being on the call. With respect to IP, we see this as only positive. Obviously, we are not going to be active in the US Federal business, so, we won't be directly selling into the federal market, but we expect SAIC to be selling into that federal market. Given that they have a larger footprint than we do in US Federal, it will include our prior US Federal and their new stuff, we actually expect in the US Federal marketplace an expansion of use of Stealth. And that we'll continue to get licensing fees from that expanded use of Stealth. So, we see this as really only positive. Outside of the US market, we're retaining full control of Stealth and CloudForte and IntelliServe and, obviously, ClearPath Forward. We really see this from an IP standpoint as only a positive.

**Q – Rod Bourgeois – DeepDive Equity Research:** Got it, great. And then you alluded to this a little bit, I'm assuming there would be some level of SG&A impact because you'll have a smaller business to allocate your overhead onto, but it sounds like you've got a plan to address that. Can you just give a little more color, do you feel like you'll be able to essentially inoculate all of the impact of the overhead impact of this deal as your revenue base get smaller?

**A – Peter Altabef – Unisys Corp:** That's also a great question. Obviously, this is a sale of a division as opposed to the sale of an entire company. So, there has to be an allocation of associates, which is the term we use for the people who work at Unisys, and we have done that allocation with SAIC. People in SG&A saw slots that were directly and primarily supporting the federal team are moving over as part of this transaction. So, some of that, if you will, SG&A overhead will be moving over with SAIC, where we expect them to be very, very important for SAIC.

That leaves a team here that, as Mike indicated, probably is still, from a percentage basis, slightly larger than we need. We will continue over the course of the next 12 months to really look carefully over those costs. One advantage is we've turned the corner and the company has been growing, but we will still look at how do we make sure that we're operating at a very, very specific and tight way. Now, we did refer to a potential future one-time charge and that may be associated with some of those activities. But at this point, we don't expect that to be overwhelming because of the way we set up this deal.

**Q – Rod Bourgeois – DeepDive Equity Research:** Got it. With the increased financial flexibility and a business that's now streamlined to focus on Enterprise Solutions, are there investments and initiatives that you will now likely apply in the Enterprise Solutions business that you were not planning to do before selling off the Federal business?

**A – Peter Altabef – Unisys Corp:** Yeah, Rod, that's also a good question. The answer is yes, and they're really across a range of different parts affecting our business. With respect to IP, we will have more cash to invest in some of our next generation solutions, such as CloudForte and such as IntelliServe, both of which use AI pretty significantly. With respect to IntelliServe, which really covers the gamut of global workspace, we can now take some of this financial flexibility and accelerate the process that is already under way to say there is a world of IoT out there for especially large, expensive

IoT devices that we can be supporting through IntelliServe and our global workspace capabilities that we just didn't have reach to before. So, we expect to actually expand into service of large scale IoT devices because of this transaction.

And then, finally, when we get to Stealth, this gives us the ability to really enhance the marketing of Stealth. We have been working to enhance certainly our third-party providers, if you will, our partners to get market share in Stealth. It's one thing to do deals with those third-party partners; another to really support them with the kind of support they need to be successful. This transaction is going to give us the ability to provide that support, and we think we'll accelerate Stealth revenues as well.

**Q – Rod Bourgeois – DeepDive Equity Research:** Excellent. Very helpful color. Thanks, guys.

**A – Peter Altabef – Unisys Corp:** Thank you, Rod.

**A – Mike Thomson– Unisys Corp:** Thanks, Rod.

**Q – Jon Tanwanteng – CJS Securities:** Good morning, gentlemen. Thank you for taking my questions and congratulations. Really, really great news.

**A – Peter Altabef – Unisys Corp:** Thank you, Jon.

**A – Mike Thomson– Unisys Corp:** Thanks, Jon.

**Q – Jon Tanwanteng – CJS Securities:** If you could start, could you talk about the remaining cash flow or free cash flow conversion from EBITDA pro forma for the sale? What do you expect to be given, one, the Federal business has a very nice cash flow and lower CapEx intensity; and two, you do have that flexibility to go after more investments and more cash intensive deals. Is there a number that we can look to a ballpark as a percentage just how are you thinking about that pro forma for the close?

**A – Mike Thomson– Unisys Corp:** Yeah. Thanks, Jon. As I mentioned to Joe, I think as we get a little deeper into this and get through our regular earnings cycle, we'll have some more color at that point, and certainly post close and Investor Day will have even a deeper dive into what that looks like. Peter gave you some good color here on some of the investments in IP, and how that ultimately will convert to cash. I mean clearly, it opens up opportunities as well for additional deal pursuit, going after some things that we probably would have had to pass on in the future, so that's helpful. And from just perspective of being unencumbered here gives us an opportunity both from organic and an inorganic perspective. We've been growing this business in an organic way, as you know, really since 2015. Not only growing top line, growing bottom line, all of that being organic. This really gives us I think a wealth of opportunities both in investing in our partners, investing in our IP, going after larger deals, and potentially looking at some other opportunities out there. All of which should generate additional cash flow. I think we're pretty excited about the transaction right now.

**A – Peter Altabef – Unisys Corp:** Yeah, Jon, let me just take a step back from Mike's answer. I 100% agree with him and just kind of look at where we have been over the last couple of years. If we look at 2017 and 2018, we used some cash in those years to accelerate our growth, and we think we did that wisely. We think that was a good move, but the consequence of that was when we got to 2019 and we saw the cash requirements of 2020, 2021, and 2022 in particular, we no longer had the freedom to do that. So, while we made some investments in some deals in 2017 and 2018 that we consider really good deals, we were hamstrung in 2019 to make those deals. As a result, we didn't make those deals, so, you saw some of our TCV, you saw some of our sales, our new sales go down in 2019 largely because of not making those large deals would tend to be more cash intensive. One of the other problems with us historically and my challenge to overcome has been our cost of capital. When we are running on a net leverage basis including debt at 4.2 times and the industry is at 3.5 times, our cost of capital simply has been higher than the industry. So, even where we can use capital in deals, it's more expensive.

The result of that is over the past 15 months, the team has done an extraordinary job of developing relationships with third-party capital providers, so that we can kind of do some of this capital directly with third-party providers. That's a good solution, but it's not a complete solution. We'll continue to use that solution. But we will now, as Mike said, on a post transaction basis, our net leverage including pension has gone from 4.2 times to 2.4 times, substantially below the industry average. So, we're not going to walk back into a world of high debt or high cash deal, but there is a world of medium capital deals that we really were restricted from doing that we can go back into, which we think are really good deals for this company.

**Q – Jon Tanwanteng – CJS Securities:** Great, Peter. That's great color. Thank you. Maybe approaching it from a different angle, how much free cash was associated with the Federal business in the last 12 months?

**A – Mike Thomson– Unisys Corp:** Yeah. That's not something, Jon, as you know, that we've disclosed in the past. And again, I think we're really focused on the cash flow of the future and really talking about in our Investor Day, we'll give you a lot of color on that, so you'll be able to model it appropriately.

**A – Peter Altabef – Unisys Corp:** Yeah, I would add, the biggest cash flow generator we have in the company is really the ClearPath Forward business, and the ClearPath Forward business is predominantly in Enterprise Solutions and not in US Federal.

**Q – Jon Tanwanteng – CJS Securities:** Got it. Okay, one more on the cash, just how much of the cash pension expense will you have leftover in 2021 and 2022 in the non-US plans?

**A – Mike Thomson– Unisys Corp:** That runs about \$40 million a year, Jon, pretty flat across the board. That would be the contributions for all international plans.

**Q – Jon Tanwanteng – CJS Securities:** Great. Okay, and Peter, does the attractiveness of the remaining businesses to a bigger player out there increase now that a big chunk of the overhang is gone and you kept all your IP?

**A – Peter Altabef – Unisys Corp:** Well, look, I think I was quoted in a Bloomberg article earlier this morning and saying the shackles had come off the company. We are more normal and we're more normal now because of lowering that rate to 2.4 times. We expect that will allow us to have a lower cost of capital as we do our revised capital planning. We expect that to allow us to start thinking about inorganic plays and inorganic acquisitions where it makes sense to do. Those of you who followed me know that I have never done those with abandon, but we have certainly done those carefully and selectively and successfully.

On the flip side of that, does that make us more attractive for other people in the market? Certainly, it takes away the pension as this large boulder in the face of doing that, but that's not our choice. We're a public company that's going to have to be decisions of other companies. From our perspective, we are now ready to grow this company, and we're ready to build a great company that we think we're capable of building.

**Q – Jon Tanwanteng – CJS Securities:** Great, thanks and congratulations again.

**A – Mike Thomson– Unisys Corp:** Thanks, Jon.

**Q – Frank Jarman – Goldman Sachs:** Great. Thanks for taking my questions, guys. Congrats on the transaction. I just wanted to follow up on some of your comments about the cost of capital and accessing new markets to fund some of your growth initiatives on an inorganic basis as well as the pension contributions that you guys still have to make over the next few years. Can you just help us understand how you'll be thinking about the optimal capital structure? And since you're taking out the senior secured notes, is that part of your future going forward as you think about the capital structure?

**A – Mike Thomson – Unisys Corp:** Sure. Thanks, Frank. It's Mike. Yeah, good question. Clearly, yes, would probably be the answer to that. You made a comment about our cash contributions over the next couple of years, well, there will be

none over the next couple of years, right. For the next three years, we're covered. 2023 and beyond, we still have some cash contributions to make. But clearly, with our net leverage ratio being where it is at post transaction at 2.4 times, it would be attractive from our perspective to get back into the public market. We've talked over the last couple earnings calls about doing that in the April timeframe anyway. And so, obviously, with this transaction it'll perhaps shift that slightly, but it's definitely in line with what we're planning to do for remaining capital structure basis. Our intention at this point is to probably be out there in the April/May timeframe having some discussions with folks like yourself.

**A – Peter Altabef – Unisys Corp:** Yeah. This is Peter. As Mike alluded to in his comments, we have a lot more degrees of freedom, and frankly, degrees of freedom to become even more normal. So, although we'll have some pension obligations even in the near-term, the next few years overseas, those obligations are modest and stable. They're kind of set, so that they don't have wide variability one way or the other.

One of the issues for us has not only been the size of the pension obligations, but kind of the variability particularly in the US. So, there are ways we can now take our disposition to look at any remaining pension variability and begin to really drive the variability down. Mike mentioned that we will now be above 80% funded in these plans. That will allow us whole degrees of freedom that we have not currently had to go back to the pensioners and kind of restructure those deals to allow us to have even less variability.

Obviously, the fact that we will have no debt on our books with the exception of the remaining convertibles, which is very small, will allow us to look into that capital structure and say do we want to take the pension down even further? And can we do that at a very modest cost to us and eliminate any remaining variability? So, we just think this puts us in a position to really be normal in terms of capital structure and we think that normal is all we need to really kind of build this business.

**Q – Frank Jarman – Goldman Sachs:** Excellent. Thanks so much for the color. Congrats again.

**A – Peter Altabef – Unisys Corp:** Thanks.

**A – Mike Thomson – Unisys Corp:** Thanks, Frank.

**Q –Ishfaque Faruk – Sidoti & Co LLC:** Hi. Good morning, guys. Congrats on a wonderful deal. It's very good news for you guys. A couple of questions from me, and please excuse me if these have already been addressed, I joined the call a little late. Mike, you previously mentioned the pension cash contributions to be deferred slightly because of the IRS waiver you were seeking, but the press release says that you guys will be paying that. Has there been a change on that situation or not really?

**A – Mike Thomson – Unisys Corp:** Yeah. So, I did address that in my comments, Ishfaque. And so, the IRS deferral we're still pushing forward with that. We'd like to bring that to a favorable conclusion, but the reality is with this level of prepayment, the IRS deferral, obviously, would not be needed. So, we'll essentially perhaps get the deferral and then make the full payment and remove the need for the deferral.

**Q –Ishfaque Faruk – Sidoti & Co LLC:** Okay, and on the Federal business, Peter, a lot of your Federal deals have like Stealth and some of your other solutions embedded on the same contract. How are you guys going to treat that going forward with the Federal business being a separate entity right now?

**A – Peter Altabef – Unisys Corp:** Yeah, that's a great question. SAIC will get access to all of the IP that the Federal team is using now. There'll be no limitations on that team's ability to continue its really extraordinary growth and it has a very full pipeline. With respect to some of that IP, such as CloudForte, we're actually giving SAIC ownership, if you will, or joint ownership of those rights, so that it will be able to service the Federal government with CloudForte without further payments to us. As many of you know, CloudForte was really jointly developed with that Federal team.

For other things such as Stealth, such as ClearPath Forward, and such as InteliServe, they will continue to have access to all of those technologies and the Federal government as well, but under an agreement that would provide licensing

revenue to us in the future. So, what I was referring earlier to a win-win for us, we really believe that this is because we're going to continue to get licensing revenue on those other technologies. We think SAIC's larger footprint in the Federal marketplace and the fact that they will still have the footprint from our team in the Federal marketplace means that we may be able to enhance our license revenues for those technologies.

**Q –Ishfaqe Faruk – Sidoti & Co LLC:** That's great. And lastly, on the debt – I think on the press release, it says the senior secured debt. Is that going to have any impact on the convertible outstanding debt or not really, or it's going to – it's a separate batch of debt?

**A – Mike Thomson – Unisys Corp:** Yeah. That is separate, and there's no outstanding impact to that. Our intention is to ultimately settle that in cash over time.

**Q –Ishfaqe Faruk – Sidoti & Co LLC:** All right.

**A – Mike Thomson – Unisys Corp:** Very small. As you know, it's down to \$80 million, \$85 million-ish.

**Q –Ishfaqe Faruk – Sidoti & Co LLC:** Yes. All right. Thank you, guys. Congrats once again. It's a wonderful news for you, guys.

**A – Peter Altabef – Unisys Corp:** Thanks, operator, very much. I do want to thank everyone for joining this call. As Courtney mentioned at the beginning of this session, we will be having our normal earnings call on the 25th of February. We hope all of you will be able to attend that call. As Mike alluded to, we'll be giving much more detail about all of the full-year numbers. We'll give detail about our guidance for next year's numbers and some color beyond that. And then we do intend following the closing to have an Investor Day and a full Investor Day where we'll kind of roll out the next multi-year strategy for the company.

As we have always done, we intend to be very transparent with our investor community and that transparency given this transaction gets a little more lively now because, frankly, a lot more optionality for the company. I do want to thank our associates, many of whom were listening to this call. The US Federal team has been an important part of this organization. It has been a brilliant part of this organization, and we think they will be a brilliant part of SAIC. This is an opportunity for them to work in an organization with a larger US Federal footprint, and frankly, we think that they will thrive.

For the Enterprise Solutions associates and for the support team that we have here doing the Enterprise Solutions work, we also think it's an opportunity to thrive. We think for the first time, certainly since I have joined the company in 2015, we have achieved normalcy in terms of our larger picture capital structure. And with people like Mike and Shalabh, our Treasurer, Shalabh Gupta, they are kind of itching at the bit to look at that capital structure and really kind of maximize the efficiency and value for our investors and for our operations. So, there's a lot of momentum here. There is a lot of excitement here, but I want to genuinely thank all of our associates, those moving to SAIC, as well as those that will continue the journey at Unisys. With that, we look forward to having this call again on the 25th of February. And as always, we are open to having continued discussions with our investor community. Thank you very much.