Niels Christensen, IRO

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

Earlier today, Unisys released its third quarter 2013 financial results. With us this afternoon to discuss our results are Ed Coleman, our CEO, and Janet Haugen, our CFO.

Before we begin, I want to cover a few housekeeping details.

First, today’s conference call and the Q&A session are being webcast via the Unisys investor website.

Second, you can find the earnings press release and the presentation slides that we will be using this afternoon to guide our discussion on our investor website.

Third, today’s presentation, which is complementary to the earnings press release, includes some non-GAAP financial measures. These have been provided in an effort to give investors additional information. The non-GAAP measures have been reconciled to the related GAAP measures and we have provided reconciliation charts at the end of the presentation.

Finally, I’d like to remind you that all forward-looking statements made during this conference call are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. These factors are discussed more fully in the earnings release and in the company’s SEC filings. Copies of these SEC reports are available from the SEC and from the Unisys investor website.

Now I’d like to turn the call over to Ed.

Ed Coleman, CEO

Thanks, Niels. Hello, everyone, and thank you for joining us today to discuss our third-quarter 2013 financial results.

Please turn to Slide 4 to begin our discussion.

Despite margin improvement in our Services business during the third quarter, we were unable to offset significantly lower Technology revenue. As a result, while profitable on a pre-tax basis, we had a net loss in the quarter.

As we have previously said, our Technology revenue can vary significantly from quarter to quarter depending on the timing of deal closures, which is why this business is best measured on an annual rather than a quarterly basis.

We look for a strong fourth quarter in our Technology business and have already closed a number of key deals. We remain focused on achieving our goal of maintaining stable Technology revenue for the full year of 2013 compared with 2012 levels.

In our Services business, revenue was down 4% in the quarter, mostly driven by weakness in the public sector market in our Asia-Pacific region.

However, we saw improvement in our Services operating profit margins in the quarter as we focus on higher-margin services and work to lower our cost of services delivery.

We were also encouraged by improvement in our Services orders – our second consecutive quarter of year-over-year services order growth.

As we look ahead to 2014 and beyond, we are excited about our growth opportunities in the solution areas where we are investing.

Slide 5 shows these investment areas. In our Technology business, we are investing in software and server products that take advantage of our engineering strengths and intellectual property to help organizations address mission-critical computing challenges.

Earlier this month we announced two exciting new technology offerings: Stealth for Mobile, which is the newest member of our growing family of Stealth cybersecurity products … and Forward! by Unisys, which is our new Intel-based “fabric” computing platform.

Stealth is a disruptive technology that goes beyond traditional perimeter-based security approaches, which are proving to be increasingly ineffective in protecting against cyber attacks in an age of proliferating consumer devices and exploding
data usage in the workplace. Our Stealth products use advanced cloaking technology to protect critical assets by making
data and endpoints effectively invisible to hackers and intruders.

Our new Forward! server platform combines our secure partitioning technology – originally developed for our ClearPath
systems – with the power of industry-standard Intel Xeon processors to offer organizations an alternative to expensive,
proprietary Unix systems for running their mission-critical applications.

Forward! offers a secure and predictable platform for handling Linux and Microsoft workloads, high-volume cloud
applications, and ERP applications in a mission-critical environment. The Forward! platform is also ideal for server
consolidation.

It gives organizations the opportunity to standardize entire datacenters, including their mission critical workloads, on a
flexible and secure implementation of the Intel x86 architecture.

Stealth and Forward! move Unisys into large, growing Technology market segments. Along with continued investments in
our core ClearPath systems and technologies, we believe Stealth and Forward! provide us with opportunities to shift our
Technology business into growth mode.

In our Services business, we continue to invest in growth opportunities in our strategic businesses of IT outsourcing and
systems integration.

In both of these areas, we are leveraging our ITIL-based global services delivery model, along with our capabilities in
cybersecurity, cloud computing, mobile computing, and other disruptive technologies, to provide organizations with more
cost-effective ways of delivering IT services and solving mission-critical problems.

For instance, we now offer an as-a-service version of our IT Service Management solution that dramatically speeds
implementation and reduces capital costs for our clients. We currently have about 150 clients using our cloud-based
ITSM solution and we see growth opportunities for this solution moving forward.

We also continue to broaden the market for our industry software solutions by offering them via a software-as-a-service
model. Some examples include our cloud-based air cargo solution, the SaaS version of our InfoImage enterprise content
management software, and our currently available cloud-based mortgage solution in the U.K., where we continue to add
new clients.

In addition, while the market for project-based services work continues to be challenging, we are pursuing targeted
opportunities for mission-critical systems integration projects that leverage our strengths.

In Europe, for instance, a Unisys-led consortium was selected in the third quarter for a framework contract to modernize
the mission-critical communications network used by European Union member states to share vital customs and tax
information and protect against fraud.

And in Brazil, Unisys is part of a consortium that won a contract in the third quarter to provide IT infrastructure support for
the 2014 World Cup.

In the area of end user outsourcing, where Unisys is recognized as a market leader by Gartner, we continue to add new
clients and have a significant pipeline of opportunities … and in the data center outsourcing market, we are pleased to
have been recently selected as the winner of two large, cloud-centric public sector bids that we expect to close in the near
future.

Complementing these outsourcing businesses, we continue to pursue adjacent market opportunities in application
managed services, where we are encouraged by the activity and pipeline we’re seeing.

To increase market awareness of our offerings and drive growth, we are increasing our marketing and sales initiatives.
We continue to build out our network of value-added reseller partners to augment our direct sales force in representing
our solutions in the market.

As you may recall, our goal is to increase the percentage of our revenue that comes from resellers and distributors, which
currently is low relative to our competition. We now have about 50 VARs who are initially focused on selling our suite of
Stealth cybersecurity products to businesses and government agencies in North America and Europe.

These channel partners are opening up new sales opportunities for Stealth in new accounts. We are excited about the
potential of our channel program as we move into 2014 and beyond.

Moving to Slide 6 … in recent months we have showcased our portfolio at high-profile events around the world and we are
pleased by the level of interest we are seeing in Unisys and the innovations we are bringing to market.

Most recently, we took part in the Gartner Symposium event in Florida, where we announced both Stealth for Mobile and
Forward!

This slide highlights some of the positive market response we are receiving.
In summary, turning to Slide 7, while this was a tough Technology quarter for us, we were pleased with the Services operating profit margin improvement and the progress we made in developing new, innovative products and solutions. We look to close out the year with a strong fourth quarter and continue to invest in our growth programs to position the company for revenue growth in the future.

I look forward to updating you on our progress in our next call. Now, here’s Janet to take you through our results in more detail, and then we will take your questions.

Janet Haugen, CFO

Thanks, Ed. Hello, everyone.

Let me start with our overall third-quarter 2013 financial results. Please turn to Slide 9.

At the top line, we reported revenue of $792 million in the quarter, which was down 10 percent year-over-year.

Currency had a 1-percentage point negative impact on our revenue in the quarter.

Following a strong second quarter, our Technology revenue declined 44 percent year-over-year in the third quarter principally due to lower ClearPath sales. We remain focused on achieving our goal of flat Technology revenue for the full year. We closed a number of technology deals early in the fourth quarter and are working many fourth quarter technology opportunities.

Services revenue declined 4 percent year-over-year; down 2 percent on a constant currency basis.

Based on today’s rates, we anticipate currency will have a minimal impact on revenue comparisons in the fourth quarter of 2013 when compared to the fourth quarter of 2012.

As a result of the lower year-over-year Technology revenue, our gross profit margin declined from 24.9 percent in the third quarter of 2012 to 21.7 percent in the third quarter of 2013.

Operating expenses fell by 6 percent year-over-year in the third quarter of 2013. Our operating expense reductions in the quarter more than offset the incremental investments we continued to make in our growth initiatives including Stealth, Forward!, Application Managed Services and ITSM.

Interest expense decreased by more than two-thirds from $7.8 million in the third quarter of 2012 to $2.4 million in the third quarter of 2013 reflecting the impact of our debt reductions and the refinancing in the third quarter of 2012.

Other income/expense for the third quarter of 2013 was $1.9 million of other income.

This compares to $25.8 million of other expense in the year-ago quarter which was primarily related to debt reduction charges of $23.1 million.

Third-quarter 2013 pre-tax pension expense was $23.4 million compared to $29.9 million in the third quarter of 2012. We expect approximately $94 million in pension expense in 2013, compared with pension expense of about $108 million in 2012.

At the tax line, we had a $27.0 million tax provision in the quarter; of which $11.4 million related to the UK enacted tax rate change, which I will discuss in a moment. The $27.0 million tax provision on pre-tax income of $23.5 million compared with a $32.7 million tax provision in the year-ago quarter on pre-tax income of $27.6 million. As I have said previously, our effective tax rate varies significantly from quarter to quarter based on the geographic distribution of our income.

The third-quarter 2013 tax provision was impacted by the July 2013 passage of the UK Finance Act that we discussed last quarter. The UK corporate tax rate was reduced to 21 percent effective April 1, 2014 and to 20 percent effective April 1, 2015. These rate reductions reduced the future value of our UK net deferred tax assets and increased our third-quarter 2013 income tax provision by approximately $11.4 million. We saw similar impacts to our income tax provisions when UK rate reductions were enacted in both 2011 and 2012.

We reported a net loss of $11.6 million in the quarter, versus a net loss of $12.4 million in the year-ago quarter. Excluding the impact of pension expense in both years and the debt reduction charge in the third quarter of 2012, we reported non-GAAP net income of $11.0 million for the third quarter of 2013 compared with non-GAAP net income of $39.6 million in the prior-year period.

Our third-quarter 2013 diluted loss per common share was 26 cents compared to a loss of 28 cents in the year-ago quarter.

Excluding the impact of last year’s debt reduction charge and pension expense in both quarters, our third-quarter 2013 non-GAAP diluted earnings per common share was 25 cents compared to 85 cents in the third quarter of 2012.

Moving on to discuss our third-quarter revenue in more detail, please turn to Slide 10. As noted earlier, Services revenue, which represented 91 percent of our revenue in the third quarter of 2013, declined 4 percent year-over-year.

Technology revenue, which accounted for 9 percent of our total revenue, declined 44 percent year-over-year.
On Slide 11, you can see our overall Services margins and our Services revenue by portfolio.

Year-over-year IT Outsourcing revenue declined 7 percent in the third quarter of 2013, principally due to lower volume within the Public Sector in Australia as well as the impact of currency.

Systems Integration revenue declined slightly in the third quarter of 2013 compared to the prior year.

Services gross profit rose by about $3 million despite the $28 million decrease in Services revenue and our Services gross margin increased 120 basis points year-over-year to 21.1 percent from 19.9 percent in the third quarter of 2012. This increase reflected our focus on both a more profitable mix of Services revenue and improved efficiency in our Services delivery organizations. The Services operating margin improved 170 basis points year-over-year to 7.7 percent in the third quarter of 2013. Excluding our U.S. Federal government business, our Services operating margin was within the targeted range of 8 to 10 percent.

While we were pleased with the year-over-year and sequential improvement in our Services operating margin, we still have work to do to achieve our goal of consistent operating margins in the targeted range.

Moving on to Technology revenue and margins on Slide 12, Enterprise Class Software and Server revenue decreased 56 percent year-over-year largely due to lower ClearPath sales. Sales of Other Technology, all of which is third-party product, rose by about $12 million.

As we have said previously, the Technology business performance is best measured on an annual basis and our goal remains to keep 2013 Technology revenue stable with 2012 levels.

The lower Technology revenue in the third quarter led to a decline in the gross margin from 59.9 percent in the third quarter of 2012 to 35.3 percent in the third quarter of 2013. Our Technology operating margin declined from 29.1 percent in the year-ago quarter to a negative 11.0 percent for the third quarter of 2013.

Slide 13 shows our third-quarter revenue by geography and industry.

Our North American revenue, which represented 44 percent of revenue in the quarter, declined 2 percent. Revenue from the U.S. Federal government represented 16 percent of total Unisys revenue in the third quarter.

International revenue declined 15 percent in the quarter and was down 13 percent on a constant currency basis.

Revenue in our European region was down 2 percent in the third quarter on an as-reported basis and declined 4 percent in constant currency. The decrease was principally related to a decrease in Technology revenue.

The Asia Pacific Region revenue decreased by 34 percent on an as-reported basis and was down 30 percent in constant currency. This decline largely reflected lower Public Sector revenue in Australia and New Zealand.

Our Latin America region saw revenue decline by 19 percent on an as-reported basis and 12 percent in constant currency. This decrease was again principally driven by lower Technology revenue.

From an industry perspective, Public Sector, which reported an 11 percent year-over-year decline in revenue, remained our largest single industry revenue source, representing 40 percent of total revenue. This decline was largely due to reductions in the Public Sector business in Australia and New Zealand.

Revenue from Commercial industry customers represented 37 percent of our third quarter revenue while the Financial Sector was 23 percent. Both declined in the quarter primarily attributable to lower Technology business.

Slide 14 provides more detail on our U.S. Federal government revenue over the past seven quarters.

In the third quarter of 2013 revenue from Civilian agencies represented about 45 percent of our overall U.S. Federal government revenue.

Revenue from Homeland Security agencies represented 31 percent of our overall U.S. Federal government revenue while the U.S. Department of Defense and various Intelligence agencies represented about 24 percent of our overall U.S. Federal government revenue.

Compared to the year-ago quarter, our U.S. Federal revenue declined approximately 1 percent to $128 million. We were pleased to see that revenue increased sequentially for the second consecutive quarter.

We ended the third quarter of 2013 with about $356 million of U.S. Federal services backlog, which was up 8 percent versus the third quarter of 2012 and about 37 percent sequentially.

During the recent partial shutdown of the U.S. Federal Government approximately 80 percent of our workforce was deemed essential and continued to work. As a result of the 17-day shutdown we lost approximately $5 million in revenue. Additionally, there may be revenue delayed into 2014 as a result of procurement delays caused by the shutdown.

For some comments on Services orders, please turn to Slide 15.
In the third quarter, our Services orders rose slightly year-over-year with order growth in IT Outsourcing and Systems Integration.

From a geographic perspective, we saw year-over-year Services order growth in our European region and our U.S. Federal government business during the third quarter. Orders in our North American, Latin American and Asia Pacific regions declined in comparison to the third quarter of 2012.

We ended the third quarter with $4.8 billion in Services backlog, consistent with the June 30, 2013 levels but down versus $5.1 billion at September 30, 2012. The year-over-year decline principally reflected reductions in our ITO and BPO backlog.

Of the $4.8 billion in Services backlog at September 30, 2013, approximately $630 million is anticipated to convert into fourth-quarter 2013 Services revenue. During the past eleven quarters the amount of revenue in backlog at the start of the quarter has ranged between 85 and 90 percent of our quarterly Services revenue for the full quarter and the sell-and-bill revenue has accounted for the remainder.

Moving to cash, please turn to Slide 16 for an overview of our cash flow performance in the quarter.

We generated $16.0 million of cash from operations in the third quarter of 2013 compared to $16.9 million in the year-ago quarter.

We contributed $40.3 million in cash to our defined benefit pension plans in the third quarter of 2013 versus $56.3 million in the third quarter of 2012. The pension funding contributions are reflected in the cash flow from operations.

Excluding the impact of the debt reduction charge in the third quarter of 2012 and pension expense in both periods, Unisys generated adjusted EBITDA of $85.9 million in the third quarter of 2013 versus $125.2 million in the prior-year period.

Capital expenditures were $38.9 million in the third quarter of 2013, versus $31.5 million in the third quarter of 2012. We expect full year capital expenditures of about $150 million.

We had free cash flow usage of $22.9 million in the third quarter of 2013 versus free cash flow usage of $14.6 million for the same period last year. Our free cash flow generation before the pension cash contributions was $17.4 million for the third quarter of 2013 versus $41.7 million in the third quarter of 2012.

Depreciation and amortization was $40.7 million in the quarter, versus $40.1 million in the third quarter of 2012.

Our debt balance was $210 million at September 30, 2013, consistent with the September 30, 2012 level.

Our cash balance of $556 million at September 30, 2013 was more than two and a half times our debt and our net cash position of $346 million was slightly higher than at September 30, 2012.

As we have discussed previously, in December 2012 our Board of Directors authorized the purchase of up to $50 million of the Company’s common and preferred stock through December 2014. There were no repurchases during the third quarter of 2013 and $38.5 million remains available for share repurchases under the board authorization.

Let me conclude by saying that we are pleased with the third quarter improvement in Services operating margin but we know we have more work to do to achieve our goal there and sustain that level of performance. We are focused on delivering a strong fourth quarter in our Technology business to achieve our goal of stable year-over-year revenue. And, as always, we remain committed to aggressive expense management and intend to fully leverage our cost base to optimize profitability now and support improved profitability as we work to grow revenue in the future.

Thank you for your time.