2Q19 Financial Release
CEO/CFO Statements
July 30, 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 second quarter 2019 financial results. I'm joined this afternoon to discuss those results by Peter Altabef, our Chairman, President and CEO; and Mike Thomson, 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 second 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 quarter, we will be continuing to report non-GAAP adjusted revenue and related measures as a result of certain revenue and related measures related to reimbursement from the company's check processing JV partners for restructuring expenses included as part of the company's restructuring program. For more information regarding these adjustments, please see our earnings release and our Form 10-Q for the quarter.

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 second quarter financial results. The second quarter represents one of our strongest recent quarters. Many of our key metrics improved year-over-year or ahead of internal expectations and we beat consensus where estimates were available. As we've discussed on previous calls, our focus on security has resulted in numerous large contract signings in recent years, including notable wins in our U.S. Federal sector.

These new contracts continue to drive revenue growth for us and our focus on cost management helped drive improved profitability and cash flow. More specifically, revenue grew at the highest quarterly rate in over 20 years. This was supported by continued strength in our U.S. Federal sector, which was a key driver of results in the second quarter. We expect this sector to continue to contribute to the success of the company among the coming quarters and I'll spend more time on this shortly.

We also saw the highest non-GAAP adjusted services revenue growth rate since 2003. This marks the fifth consecutive quarter of revenue growth for the Services segment. Services' non-GAAP adjusted operating profit margin was the highest it has been since 2014. Again, this was supported by our U.S. Federal sector were Services operating margins remain above the company average. Total company non-GAAP adjusted operating profit margin expanded as did adjusted EBITDA margin. Mike will provide more detail on our financial results shortly but first, I'll provide some more insight into the business.

At the segment level, as I noted, we saw a strong continued growth in Services revenue. Much of Stealth and Security have been differentiating our offerings in the market. Our new Services offerings such as InteliServe and CloudForte continue to complement our industry go-to-market efforts.

As we discussed on the last call, during the second quarter, we launched Unisys CloudForte for hybrid cloud environments and in the second quarter, Unisys won a contract to provide support to a U.S. defense agency to maintain shared, mission critical IT services for select Department of Defense agencies. Under this contract, Unisys will leverage its CloudForte solutions for a number of enterprise services.

We also signed an expanded contract with a major global bank headquartered in the Middle East. The bank's digital banking system has been supported by Unisys applications and the Elevate ecosystem and they have used Stealth to provide extra security around the critical area of payments. We are now using CloudForte to help them transmission their systems to the cloud. InteliServe is still in early stages of adoption with clients but it is already allowing us to bid contracts at more attractive margin profiles than otherwise would be possible.

We're also very pleased to see our Services operating profit margin reach the level that it did this quarter. Increasing the efficiency of our Services delivery engine remains a top priority for us and we're working to further integrate intelligent operations, automation, and emerging technologies to help with those efforts. Our land and expand strategy within Services also aims to enhance margins. We saw a number of example this quarter of newer clients enter into contracts with us for additional or expanded application services or project-based work.

Moving to our Technology segment, second quarter revenue was higher than we expected as we signed a number of ClearPath Forward renewals earlier than anticipated. ClearPath Forward revenue occurs in both our Technology and Services segments, and we have the opportunity to increase the revenue from our ClearPath Forward install base through expanding the services we provide to these clients.

As an example of this, a leading Central American financial institution has been a client of ClearPath Forward and in the second quarter, signed a contract to expand the ClearPath Forward services we provide to help modernize their infrastructure capabilities in support of their core applications. We're now providing on demand services, supporting the bank's core modernization designed to provide greater flexibility, speed and services to the bank's customers. And finally, during the second quarter, we hosted our first CIO Forum which offered a view into many of our offerings. We found this forum to be successful and expect to continue hosting these in the future.

Security continues to be a critical element in our strategy. Security for Unisys does not just mean our stand-alone solutions such as Stealth or TrustCheck. Rather, security is an inherent part of much of the work we do across the company, including in our border security work and in Services, like identification processing for countries around the world.

We're also working to incorporate our specific security solutions such as Stealth more broadly into our Services offerings. As we have done so, we have seen it become one of our differentiating factors relative to competitors and it had helped drive a number of recent contract wins.

With respect to Stealth specifically, we continue to evolve our offerings now including Stealth dynamic isolation. We recently hosted a webinar on security, which included a demonstration of this new Stealth capability. We would encourage you to view the replay of this which you can find on our Investor Relations website. The key highlight of the demo is that Stealth can now isolate a suspected rogue user or compromised endpoint in seconds from the point suspicious behavior is identified.

In the second quarter, Unisys won a strategic opportunity for a U.S. defense agency's virtual data center. This significant win will see worldwide deployment of Unisys Stealth across several U.S. Department of Defense organizations. Stealth was selected due to increased operational readiness requirements for the rapid provisioning and hosting of multiple discrete mission on plays and networks. Stealth will provide U.S. and coalition war fighters necessary cybersecurity capabilities as outlined in the U.S. National Defense Strategy.

I'll now provide some color on the various sectors and starting with U.S. Federal, which continues to be one of the key drivers of strong financial results. Non-GAAP adjusted revenue for this sector was up 33% year-over-year to $184 million. As with our growth for the company overall, the growth for our U.S. Federal sector was all organic.

The revenue growth we saw in this sector in the second quarter was driven largely by new business transitions. Total funded backlog for this sector was up 36% year-over-year in the quarter and we expect U.S. Federal to see revenue growth approximately in the high teens for the full year of 2019.

In our Public sector, our recent large wins with state governments continue to contribute to the revenue growth for the company. In the second quarter, non-GAAP adjusted revenue for our Public sector was up 5.8% year-over-year and we expect these contracts with state governments to continue to transition towards their run rate profitability.

In our Commercial sector, non-GAAP adjusted revenue was stable year-over-year, with Services revenue up but a difficult year-over-year compare within Technology. In the second quarter, Unisys signed an agreement with India's flag carrier, Air India, for the Unisys Digistics integrated logistics software suite. Unisys is helping Air India create a connected and automated cargo ecosystem for consistent and accurate data management to help improve cash flow for the airline while creating greater transparency around shipment status for the airline's cargo clients. The solutions we are providing are expanded under the new contract to feature three additional Digistics modules on a software-as-a-service basis to streamline freight management and improve operational efficiencies.

Financial Services had a strong quarter. Non-GAAP adjusted revenue grew 16% year-over-year. A significant portion of this growth was attributable to Technology and a large ClearPath Forward contract that was renewed in the quarter. We also saw a growth in Services revenue, including from new business contracts that have been ramping up.

In conclusion, we're excited about our revenue momentum that it continues and that our profitability has strengthened in the quarter. Driving efficiency and maintaining cost discipline remain top priorities for us, especially in light of the impact on cash flow, which is a critical area of focus for us.

Mike will now provide more detail on our financial performance. Mike?

Mike Thomson, CFO

Thank you, Peter. Good afternoon, everyone, and thank you for joining us today to discuss our second quarter results. In my comments, I'll discuss both GAAP and non-GAAP results and provide color for our key business drivers. Reconciliations of GAAP to non-GAAP measures can be found within our earnings presentation.

We're very pleased with the progress we have made in our financial results during the second quarter. Please turn to slide 4, which shows some of the key metrics, each of which exceeded consensus estimates where they were available. You can see the improvements that Peter mentioned earlier.

As we've discussed on recent calls, our focus on security continues to differentiate us in the market and along with our new cloud offerings and digital workspace services has driven increased contract signings in recent periods. This helped to continue drive revenue growth and strong results overall for the quarter.

We have also discussed our sharp focus on reducing our cost of delivery. We've implemented additional cost cutting actions during recent periods as we've discussed and we have worked hard to manage expenses. As a result of these efforts, we are starting to see improvements in profitability which flow through the cash flow, resulting in the company being free cash flow positive for the quarter.

With respect to specific results, non-GAAP revenue grew 12% year-over-year to $747.3 million in the second quarter or 15.5% on a constant currency basis. We have seen levels of growth in recent quarters that the company has not experienced in many years and the second quarter represents the highest quarterly growth rate we've seen in over 20 years.

Non-GAAP operating profit margin expanded 370 basis points year-over-year to 12%, reflecting a solid growth quarter for both Services and Technology businesses, with strong margins coming out of our U.S. Federal sector as well. Although there were no consensus estimates for non-GAAP operating profit margin available this quarter, the metric exceeded our internal expectations.

Adjusted EBITDA was up 29.8% year-over-year and adjusted EBITDA margin expanded 240 basis points year-over-year to 17.2%. Non-GAAP EPS was up 123% year-over-year to $0.87. Please turn to slide 5 for more detail on our segment results.

As we've discussed, it was a strong quarter for both Services and Technology segments. Second quarter Services non-GAAP adjusted revenue growth of 10.3% year-over-year was the strongest we've seen since 2003. While we continue to see the transactional impact of new business signings, we saw improved Services margins overall in the second quarter. The Services GAAP adjusted gross profit margin was up 40 basis points year-over-year at 16.9% and Services non-GAAP adjusted operating profit margin was 5.1%, the highest we've seen since 2014. This represented year-over-year expansion of 190 basis points. We maintain our focus on continuing to expand our margins over the longer term, including through the use of third-party labor where efficient, further implementing automation, exiting operations in countries where there are structural impediments to profitability and continued right-shoring of labor. Some of these actions may require restructuring charges but would roughly be consistent with the size and scope of the restructuring we announced in Q4 of last year.

Services backlog ended the quarter at $4.3 billion, which we view as a solid level that supports our near-term revenue growth expectations. Although we've seen significant growth in this metric in recent periods, we have consistently noted that such growth or backlog levels were not necessarily sustainable nor were they expected or necessary to meet our growth goals.

Our Services renewal schedule in the second quarter was lighter than it was in the prior year period and as a result, Services backlog was down 6.8% year-over-year. However, based on our visibility into the rest of the year at this point, including a renewal schedule that is more weighted to the second half of 2019, this does not impact our near-term expectations for revenue. Of the $4.3 billion of Services backlog, we expect approximately $600 million to convert to Services revenue in the third quarter of this year.

With respect to Technology, we had a strong renewal quarter for ClearPath Forward, with several contracts being signed sooner than expected. This resulted in higher revenue for the segment than we had anticipated going into the quarter. As we have frequently discussed, while we have good visibility into renewals coming into the year, there can be variability in terms of the exact timing of the renewal within the year.

Profitability for the Technology segment was up year-over-year, in part as a result of higher software revenue. Technology gross profit margin was up 640 basis points year-over-year to 73.5%. Technology operating profit margin was up 870 basis points year-over-year to 53.8%. As we look at the rest of the year, we're still expecting 2019 Technology revenue to be consistent with last year's non-GAAP adjusted Technology revenue.

Given our first half results, this would imply a first half second half revenue split of approximately 48% and 52%. We expect the second half Technology revenue split to be approximately 55% and 45% between the third and fourth quarters based on anticipated timing of scheduled renewals.

With respect to our current expectations around Technology and considering our performance in the second quarter, Street estimates look a bit high for the third quarter margin so we wanted to provide some additional color.

Given the timing and mix of technology revenue for the rest of the year, we expect total company non-GAAP adjusted gross profit margin for the third quarter to be approximately 300 basis points to 325 basis points lower in the third quarter than it was in the second quarter and we expect total company adjusted EBITDA margin for the third quarter to be approximately 350 basis points to 375 basis points lower than it was in the second quarter. I'll now turn to slide 6, which provides more detail on EBITDA and cash flow.

We've already discussed adjusted EBITDA, which benefited from the same trends that drove non-GAAP operating profit this quarter. We're very pleased to see the company produce positive free cash flow in the second quarter. The positive profitability results achieved this quarter helped drive operating cash flow to $50.9 million, up $62.6 million year-over-year relative to a use of cash of $11.7 million in the prior year period. This was also supported by the timing of collections on Technology contracts.

Free cash flow for the quarter was $11.3 million, up $67.9 million year-over-year from a use of cash of $56.6 million in the prior year period. Adjusted free cash flow was up $52.9 million year-over-year to $48.3 million versus the use of cash of $4.6 million in the prior year period.

Lower year-over-year CapEx helped drive improvements in free cash flow and adjusted free cash flow. CapEx for the quarter was $39.6 million versus $44.9 million in the prior year period. As we previously discussed, our CapEx target is between 5.5% and 6.5% of revenue. Our current expectation is to be at the high end of that range for 2019 as we expect our full year CapEx to be approximately $180 million as a result of slightly higher spending than initially anticipated on certain new contracts.

Additionally, we've sought out opportunities for third-party financing of CapEx where available to help mitigate the impact on cash. As a result of this, we expect full year cash usage for CapEx to be lower than our original expectations of $170 million despite the higher CapEx expectation overall.

Question & Answer Section

Q – Joe Vafi – Loop Capital Markets LLC: Hey, guys, good afternoon. Nice to see the Services business momentum. Peter, can you go back to that Brazil deal you were talking about on a ClearPath and that renewal. And how are ClearPath renewals looking in terms of convincing these banks, especially these banks to step up again and maybe a little more color on the thought process of the Brazilian client? And then, I have a follow-up.

A – Peter Altabef – Unisys Corp.: Sure. Well, as Mike indicated, we think that the ClearPath business as a whole is relatively stable from 2019 compared to 2018. Renewal cycles vary from year to year and they vary from quarter to quarter because these are dependent on when they come in.

With respect to the Brazilian bank, in particular, we did mention that also in the press release, Joe, so you can get the specific name there, it's really a good example of the way we're approaching the business. So that is a bank that historically has used ClearPath Forward as an operating system for some of its applications, but not for all of its applications. And so what we've done there is, in addition to extending and renewing the license there, we're expanding it, because there are applications that can be put onto ClearPath Forward or ClearPath Forward related applications, they weren't taking advantage of.

So specifically, with respect to loan processing, we've got a bevy of things that banks can do with their core processing. And so we're actually expanding our footprint in that Brazilian bank. That's a little different from, let's say, using Elevate. So most of the ClearPath Forward – what we're talking about in that Brazilian situation is what I call a back-end core banking system. The promise of Elevate, which we just announced a major new release this quarter, is really on the front-end. It's that omnichannel, which really faces the customer.

And the idea behind open banking system, which is our omnichannel approach to banking, is at this point banks really want best of breed. And there are a ton of FinTechs out there that are really putting in some really interesting innovative way. There is an article in the paper this morning, I think you saw that FinTechs are finally striking the core banks.

Well, by using Elevate, we're allowing banks to take advantage of these FinTech innovations by actually kind of a plug-and-play approach. So that's kind of a Yin and Yang, if you will, of our financial sector, which is strengthening the core banking, the kind of behind-the-scenes large processing approach, while also being pretty innovative at allowing people to start doing customer-facing banking, which Unisys historically has not been engaged in.

Q – Joe Vafi – Loop Capital Markets LLC: Sure. That's helpful, Peter. And if you kind of – if you looked at that banking and that ClearPath installed base, say, versus a year ago and susceptibility to replacement by, let's call them, other platforms, banks are moving away from ClearPath. How are you thinking of doing on protecting that installed base?

A – Peter Altabef – Unisys Corp.: Yeah, Joe, that's a great question. I think we've been pretty consistent for – I joined the company in 2015. And I think we did an evaluation even by the end of 2015. We have a very strong customer base in ClearPath Forward. There is always pricing pressure. In that, we have a very strong renewal rate. That said, we do expect ClearPath Forward licensing revenue to go down marginally year-after-year. The rate of decline has diminished substantially in the several years that I've been here and then Mike has been. But we do still expect that ClearPath Forward licensing revenue to decline somewhat year-over-year.

Now, that is offset in our Technology sector by other licensing revenues such as Stealth licensing revenue, which we expect to increase. If we take a step back and look at ClearPath Forward in its totality, not just the licensing part, but the warranty work and especially the services work we do on top of ClearPath Forward, over the past several years, the entirety of ClearPath Forward revenue has actually been increasing.

When we look at the entirety of ClearPath Forward revenue, we expect that to be relatively stable for certainly the midterm. So it's very strong part of the company. It's an important part of the company. It's not a part of the company we count on as a growth driver.

Q – Joe Vafi – Loop Capital Markets LLC: Fair enough. That's good color, Peter. And then, just on Stealth. Is there any updates there in terms of reaching out that product into perhaps larger distribution? It doesn't really seem to be that competitive with firewall, it's kind of complementary. And just wonder if there is any updates that you can potentially provide us there?

A – Peter Altabef – Unisys Corp.: Absolutely, Joe. And in fact, I alluded to a few of those in my remarks. Historically, as we think about Stealth, we've thought of it kind of with two legs of the stool. And what you're seeing now is us very assertively adding the third leg. And I'll explain why we're doing it now as well. So the first leg has really been Stealth as a standalone offer either from a license standpoint, or as built into services as a SaaS offering. We have Stealth as kind of a core as well as Stealth identity.

The second leg of the stool is really the way that adding Stealth differentiates our overall offerings. So we have been able to sign a much larger deals. Part of the momentum you're seeing in our TCV and ACV sales is that in addition to an ordinary course world, we're putting Stealth into those bigger deals and it is being a very, very positive differentiator for us. So that's the second leg of the stool.

The third leg of the school is really starting – I want to say last quarter of 2018 on the promise of Stealth 4.0. So Stealth 4.0, which was launched only in the first quarter, actually provides Stealth a much closer to a plug-and play environment. It now plays very well with third parties. So you saw me actually refer to three efforts – more than efforts, I mean, wins for us to expand what I call the distribution type of stuffs.

So we now actively have Stealth engaged in the LogRhythm environment, in the Palo Alto Networks environment, and as of yesterday, in the Dell EMC environment. So these are big deals for us. And we think over time this will really expand that distribution pipe for Stealth. So the question might be why now? And it really is because with Stealth 4.0, we've achieved that close to plug-and-play environment we never had before, it's come an incredible way over the last several years. And in addition to that plug-and-play aspect, or the easier to configure aspect, we've added something called Dynamic Isolation, which is almost taking the idea of Stealth and turning it on its head.

When the product was imagined, it was really imagined as a very defensive product. So that we would compartmentalize data, we would compartmentalize assets, we'd really prevent people from getting to assets and really protect crown jewels. So in addition to relying on firewalls, if somebody got through your firewall or if they were already inside your firewall, they could still have access only to bits of data and not all the data that would be of import to that. That's been the premise of Stealth really since day one.

What we've done now is, say, well, that's an interesting premise, but most important to companies is how do they kick people out? How do they stop people from doing damage or rummaging around the network? So the idea behind Dynamic Isolation is to take this community of interest idea, which has always been part of Stealth, was to limit the access to the specific communities that need access to the data to as soon as we identify a bad actor that identification is done through LogRhythm, it's done through Palo Alto. That's what those folks do.

But as soon as they identify a bad actor or now through Dell EMC, we can use Stealth to basically close the door on them and create a community of one. So they [ph] itself (00:45:02) get isolated inside their own little world. So we can lapse the world on them. And the promise of this what makes this so exciting to all these third parties and why people are jumping at this and this distribution pipe is increasing is because this allows the non-affected part of the network to continue to remain operational.

So the idea would be rather than have an incident where you then have to throw away every bit of hardware you have, you can really isolate the damage as soon as you identify the bad, either device or the bad identity of the player, you use Dynamic Isolation to collapse it. That's really a change in the way we've thought about Stealth, and it too becomes effective with the new Version 4.0.

Q – Joe Vafi – Loop Capital Markets LLC: That's great. Sounds very, very promising, Peter. That's great. And then maybe, Mike, welcome on-board. Maybe just one quick one. I know you're not doing cash flow guidance at this point. And I know you're continuing to see good strength and new contract awards that probably have upfront capital requirements. Is this kind of run rate on capital additions and CapEx? Do we kind of expect this cadence for the rest of the year? I know you've got longer term goals, but just trying to get a sense of CapEx over the next few quarters. Thanks.

A – Mike Thomson – Unisys Corp.: Thanks, Joe, for the kind words upfront. And I guess, I would say to you that in my remarks we talked about CapEx for the year, and we know we've given that color at year end and we are giving it again that we think the full-year value of CapEx should be in the $170 million. The CapEx that you saw in Q1 was a little higher, not unexpectedly higher just really due to the kind of cadence in which the revenue or the seasonality of the revenue came into play versus the need on the CapEx.

I did note too that we had some additional spend in Q1 related to some prepaids. So we prepaid some CapEx on a large public deal, so we can get it at a discount, which should further help our margin expansion efforts. And we would expect again with the full-year being at the $170 million range and our total CapEx to be between 5.5% and 6.5% of total revenue.

A – Peter Altabef– Unisys Corp.: And, Joe, if I could just add a little more color to that as well. And Mike has been in the middle of this effort even before he moved into his new role. There is the accounting side of CapEx, there is also the cash implications. And as we saw last year that we were becoming much more successful in signing new business and some of that business was more cash-intensive, in particular the public sector business.

We began to revisit really hard how we were financing some of this CapEx. So again, there is a difference to what goes on your books and what doesn't go on your books. But from a cash standpoint, one of the efforts that we have underway for new deals is to bring in third-party cash financing much earlier in the process, in a much, we think, more energetic way of working with select partners to bring cost of that cash down, and actually going back into some of those existing deals and refinancing some of the deals we sold last year also to increase cash flow.

So in addition to CapEx, we're working really hard on the cash side of that.

Q – Jon Tanwanteng – CJS Securities, Inc.: Hi, Peter. Nice quarter. And Mike, congrats on your first one in the CFO seat. My first question is, when can we see the margins of the large products that you've taken on start to normalize and start to be accretive and start to be dilutive to your Services margin profile?

A – Peter Altabef – Unisys Corp.: It's a great question. I would say, one, these are staggering, right? So these new contracts are coming in over time. The first ones really came in very, very late in 2017. They came in throughout 2018. As you could see from our contracts, this quarter, we signed almost $990 million of new stuff this quarter. So one way to look at this, and I think a more effective way is actually looking at it in a staggered way based of when the contracts signed.

Often, you will have contracts that in the first 12 months are frankly dilutive. They don't add anything to profitability. And then sometime in the 12 to 15 to 24 months they get more and more profitable, you would expect to close to profitable run rate by 24 months. And that's not scientific for every one of these, but you'd expect two years into this to be operating close to what you would expect to see, at least as an average profitability over the term.

And then towards the end of the term, it would go above average. But that would counterbalance the below average in the beginning. So it's really more of a contract-by-contract approach rather than it is for – to look at the whole thing [indiscernible] (00:50:58). Now that is ameliorated in the U.S. Federal market, where you don't have as much of a negative in the front or as much of a positive in the back. The U.S. Federal profitability has some variability but not nearly the amount we see in the non-U.S. world.

Mike?

A – Mike Thomson– Unisys Corp.: Yeah, no. I think you hit it spot on, Peter. It's really a matter of time and it's contract-specific and some implementations are more complex than others. And the size of each deal has impact on that as well. So as we noted in our prepared remarks that we think that we'll see some modest recovery throughout the year in expansion into our margin. But I think the timeframes that Peter alluded to are spot on.

Q – Jon Tanwanteng – CJS Securities, Inc.: Great. Thanks so much for the color. And just regarding your comments on mid-teens growth in the Federal market for this year, is that all with projects in hand and in the backlog? And are you really seeing that in Q2? Or do you expect to actually win to more projects to get to that rate?

A – Peter Altabef – Unisys Corp.: Jon, that's a great question, too. So all of our sectors, whether it's federal, public, commercial or U.S. Federal all have a blend of long-term work and short-term work. And if you go to the Investor Relations snapshot that we show, you can see again I would suggest non-GAAP, because it's the cleanest. But if you go over there, you'll see that of our total revenues 73% of what we call recurring, 15% are non-recurring Services and 12% are Technology, which is really at this point the vast majority that is software licensing.

But that 15% non-recurring is really short-term project. And that short-term project work appears throughout our business, including U.S. Federal. So it'd be wrong to say we have all of that locked and signed, because we do expect and rely on that level of project work. But based off what we've already seen, we would not have given out that mid to upper-teens numbers, if we didn't have confidence in it. The real fly in that ointment would be, if there's some government shutdown before the end of the year or whether there's issues with respect to the federal budget, that's not foreseen and it's not in our estimate. But other than that, we feel good about that range of revenue in U.S. Federal. And again, and that is all organic.
A – Mike Thomson– Unisys Corp.: Maybe one thing there, Jon, we're expecting to see that Federal growth start in Q2. So that's how confident we are in those backlog and those signings.

Q – Jon Tanwanteng – CJS Securities, Inc.: Great. Appreciate that color. And then finally, just given your 6% growth in Q1 and your 2% to 5% guidance for the year, are you expecting any slowdowns or just difficult comps coming up, is there any reason why you're a little bit more conservative given the run rate you've achieved in Q1 even with the Federal slowdown?

A – Mike Thomson– Unisys Corp.: Yeah. Well, I think consistent with the discussions that we've had today, it's really about the new business and the time it takes to ramp that new business up. So the take-up on the revenue side is going to have a little bit of drag on the margins. So from our perspective, it's very consistent to what we've seen over 2018 and moving into 2019. So nothing in particular outside of that.

Peter Altabef, CEO

Okay. I'd like to thank everybody for joining. As I alluded to in the question that Jon just gave, we do have a bevy of materials available on the Web for you in the Investor Relations site including the snapshot. And I'd offer all of that to you as well as our Investor Relations team, Courtney and Dan are ready to have conversations with you and Mike and I do as well.

One of the items we have done over the past quarter and I think you've seen some of them as we've also had a series of blogs that highlight different parts of the business, we think would be of interest to investors to really understand what we're doing at a deeper level. Those blogs are available. And I call them blogs, but technically they're webinars. And so those webinars are available from our Investor Relations site. There is now a basically a library of them and we really encourage you if you want to deeper dive into parts of the business to take a look at that as well.

With that, we look forward to continuing dialog.