Corrected Transcript

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# Unisys Corp. (UIS)

## Q1 2025 Earnings Call

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# MANAGEMENT DISCUSSION SECTION

**Operator**: Good morning and welcome to the Unisys Corporation First Quarter 2025 Financial Results Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Michaela Pewarski, Vice President of Investor Relations. Please go ahead.

## Michaela M. Pewarski
*Vice President-Investor Relations, Unisys Corp.*

Thank you, operator. Good morning, everyone. Thank you for joining us. Yesterday afternoon, Unisys released its first quarter 2025 financial results. I'm joined this morning to discuss those results by Mike Thomson, our CEO and President; and Deb McCann, our Chief Financial Officer.

As a reminder, certain statements in today's conference call contain estimates and other forward-looking statements within the meanings of the securities laws. We caution listeners that the current expectations, assumptions and beliefs forming the basis for forward-looking statements include many factors that are beyond our ability to control or estimate precisely. This could cause results to differ materially from our expectations. These items can also be found in the forward-looking statements section of today's earnings release, furnished on Form 8-K and in our most recent Forms 10-K and 10-Q as filed with the SEC. We do not, by including this statement, assume any obligation to review or revise any particular forward-looking statement referenced herein in light of future events.

We will also be referring to certain non-GAAP financial measures such as non-GAAP operating profit or adjusted EBITDA that excludes certain items such as post-retirement expense, cost reduction activities and other expenses the company believes are not indicative of its ongoing operations, as they may be unusual or nonrecurring. We believe these measures provide a more complete understanding of our financial performance. However, they are not intended to be a substitute for GAAP. The non-GAAP measures have been reconciled to the related GAAP measures and we have provided reconciliations within the presentation. The slides accompanying today's call are available on our investor website.

With that, I'd like to turn the call over to Mike.

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## Michael M. Thomson

*President & Chief Executive Officer, Unisys Corp.*

Thank you, Michaela. And good morning, everyone, and thank you for joining us to discuss the company's first quarter 2025 results. Our performance reflects consistent execution against our strategy to enhance free cash flow by optimizing delivery, improving cash conversion efficiency, and expanding our solutions within our client base and prospective clients as we continue to build upon the go-to-market momentum we've achieved in 2024. We're pleased to reiterate our full year guidance ranges for both total company, constant currency revenue growth and non-GAAP operating profit margin. We also expect enhanced delivery, operational efficiencies and upside in our License and Support or L&S solutions to provide a path above the midpoint for our profitability guidance range. I'll discuss a number of factors to support our expectations for solid sequential improvement as we move through the year.

We've achieved another quarter of strong growth in new business TCV driven by sustained momentum in new logos. We also saw an increase in field service volumes during the course of the quarter, driven by higher margin infrastructure volumes. We're expecting a growing PC refresh cycle to support field service volumes as we move through the year. PC demand has been pent up as clients have deferred refreshes while evaluating future device compatibility with AI and Windows 11 upgrades as we approach the Windows 10 end of life in the fall. We expect more clients to begin undertaking upgrades which should drive product work as well as additional signings for our device subscription services or DSS while supporting field service volumes for distribution and imaging services, reclaim and disposal services, as well as restoration of expired warranties.

We also expect to benefit from a further rise in infrastructure field services and in particular high-end enterprise storage, which began during the first quarter. At the same time, new business signings from the back half of 2024 are continuing to ramp in all three segments, which were primarily multi-year contracts with longer transition periods. These tailwinds give us visibility into sequential revenue improvement through the remainder of the year, especially given the back half weighting of L&S revenue for which we have also increased our outlook.

In terms of profitability, our first quarter non-GAAP operating margin of 2.8% is in line with our low-single digit expectations keeping us on track for our full year profitability guidance range and for our pre-pension free cash flow expectations of approximately $100 million. Looking more closely at client signings, first quarter new business TCV was $337 million, up more than 50% sequentially and more than 80% year-over-year. New logo TCV was the primary driver of this growth and we increased the number of new logos added to our base. Our go-to-market results demonstrate that we are delivering solution innovation aligned with business outcomes that are required for clients and prospects, which include cost optimization, data integration and security, improved asset and employee productivity and AI enablement.

In DWS, our device subscription service with intelligent refresh based on user personas and device performance offers tangible value by reducing cost, increasing the efficiency of procurement, provisioning and deployment, all while improving employee experience, asset allocation and overall security posture. We built a significant pipeline of DSS opportunities during 2024 and we're beginning to see the clients and prospects move forward with investments. These engagements provide an entry point for expansion into higher margin device managed services, as well as opportunities to cross penetrate into service desk and endpoint management, hybrid infrastructure, application modernization, security services and experience management.

DSS signings in the quarter included a large new logo win with a leading global technology supplier. Under this contract, we will provide quarterly procurement and services for 380,000 devices across 14 countries, ramping up to full revenue run rate over two years. We also signed a DSS new scope contract with a biotech client that now benefits from the full suite of our Digital Workplace Services. We'll be rolling out these services globally and providing modern device management as part of this agreement to support more than 21,000 devices across multiple geographic regions.

We also added two key technology partners to our DWS alliance ecosystem, EasyVista and Freshworks. These partnerships expand our IT service management platform capabilities, accelerate deployment, and increase flexibility we can offer clients seeking to accelerate time to value and reduce cost without sacrificing functionality and high quality technology support. In CA&I, clients remain focused on modernizing applications and bolstering their security posture to protect critical assets from growing threats to data and the increased frequency of ransomware attacks. During the quarter, we signed a new scope contract to provide a range of application services for a leading self-regulatory organization in the financial services sector. At this client, we'll work on applications and projects to support our clients' market regulation and surveillance operations, and provide engineering capabilities to help transform their data and data processing capabilities.

We also signed a new scope contract in CA&I for managed security services with a leading power distributor in Latin America. We'll provide this client with continuous threat exposure management and extended detection and response solutions, overseeing critical data operations and protecting approximately 3,000 of our clients' employees, 600 servers and 150 internal networks. We expect security to remain an area of outsized growth within the market, and we continue to enhance our security portfolio. We launched our first post-quantum cryptography or PQC solution in the first quarter, a cryptographic posture assessment, which takes inventory and analyzes an organization's cryptographic environment and identifies potential vulnerabilities. We expect to expand upon this advisory offering to build out a comprehensive set of consulting and technology capabilities to help organizations prepare for and defend against future quantum threats.

Clients remain focused on adopting AI to accelerate their business objectives, and we continue to advance our solutions to make that adoption as turnkey as possible. An example of that is our service experience accelerator, which is gaining market awareness with clients as we are rolling out our second proof-of-concept. Service Experience Accelerator is our technology framework for ServiceDesk, harnessing generative AI, service data, analytics and intelligent workflow automation and can be deployed within a client's trusted network. For many clients, a bottleneck to AI adoption is the high cost of structuring and leveraging high value data siloed within various hybrid environments. Our data abstraction techniques and use of agentic AI reduce that barrier.

For example, in the first quarter, we rolled out our Intelligence Accelerator, an application framework that connects disparate datasets across environments and disseminates outputs to required destinations with embedded security. We're also working on several agentic AI proof-of-concepts, leveraging AI agents to cleanse low quality data and structure it for AI consumption. Our logistics optimization offering is another example of a solution developed to create value from client data by bringing together our engineering, industry and computing expertise.

During the quarter, we rolled out multi-modal routing capabilities to our platform and Cargo Portal, providing an end-to-end framework for executing shipments, encompassing bookings, analytics and dynamic remediation. Bookings through the portal increased in the first quarter and we remain optimistic that its use will continue to grow as we onboard new airlines elevating our presence and increasing awareness of our broader travel and transportation portfolio. In financial services, we launched a new version of our branch banking solution and expanded our partnership with Thought Machine, who we will collaborate with to deliver end-to-end digital retail banking capabilities, primarily in the international markets.

The enhancements we're making to our Industry Solutions portfolio have the added benefit of increasing the value proposition for our clients using ClearPath Forward platforms, delivering innovative capabilities through our proprietary platforms and industry solutions is one of the three key pillars of our ClearPath Forward 2050 strategy to expand and enhance our ecosystem and ultimately drive increased consumption, retention and revenue growth. The second pillar is unlocking and protecting data through secured data exchange across hybrid infrastructure environments with our platforms serving as a home for centralization and analysis for our client's most valuable data.

The third pillar is delivering specialized services and support to bridge client skill gaps and modernize the infrastructure and application layer around our platforms. We believe the investments we're making in technology, talent and innovation embedded in our ClearPath Forward 2050 strategy solidifies our operating systems at the core of our clients' mission critical IT operations. The solutions we are developing and our marketing efforts are driving increased brand awareness and recognition for our solutions from both the industry analysts and the advisors who influence client decisions.

In the first quarter, Avasant elevated us to disruptor in their AI services RadarView and we were named a leader in attack surface management in a new report from NelsonHall. These acknowledgments add to the numerous new and improved rankings received in multi-cloud, digital workplace, security, analytics, AI and generative AI services in 2024. This recognition helps us get invited to more deals supporting our new logo momentum. During the quarter, we attained Titanium partner status at Dell, the highest designation and having over 4,000 Dell certified engineers. This designation signifies the strength of our strategic relationship, commitment to excellence, and the depth of our expertise across Dell's portfolio. It also brings enhanced growth incentives and access resources from Dell to support our growth.

As we discussed last quarter, our workflow optimization efforts are primarily focused on optimizing delivery and increasing associate utilization. During the quarter, we nearly doubled the pace of our campus hiring and are increasing internal fulfillment on new business engagements by upskilling our workforce in frontline workers, leverage support services and within our industry solutions. Our trailing 12-month voluntary attrition remains low at 11.8% and supports our workforce optimization efforts.

Before turning the call over to Deb, I want to take a moment to share why we believe we're well-positioned to achieve our guidance despite the ongoing macroeconomic and geopolitical uncertainty, including tariffs and trade restrictions. Our diverse solution portfolio is anchored in non-discretionary spend and deployed across a wide geography and industry mix with no material client concentration. Most of our work comes in the form of longer term contracts with recurring revenue streams, which help limit the impact from macroeconomic or geopolitical fluctuations in any given period. Less than 1% of our revenue on average is generated from China, and we have a relatively low exposure to higher risk client sectors such as automotive and retail.

While we have no direct revenue exposure to US federal government and a low component of project consulting revenue, we're seeing some trickle down effects of increased scrutiny on federal government spending, which has caused some delayed decision making at the state, local and higher education clients. While the macro environment is having some impact on timing of new business signings and the in-year revenue they will generate, this is a marginal impact given most of the full-year revenue in our guidance is generated from solutions and services already contracted and in backlog.

We believe the combination of all of these characteristics provides us relative stability and resilience in periods of uncertain market conditions. We also believe our progress against long-term financial and operational objectives and the strength of our balance sheet provide us increased flexibility as we continue to construct our desired capital structure. Although we don't have any maturities occurring before November 2027, we're actively reviewing our outstanding debt to consider whether opportunistically refinancing or expanding our debt structure and furthering our pension mitigation strategy make sense provided market conditions are favorable.

Over the past several quarters, we've spent a significant amount of time educating a broad base of investors on our transformation, strategy and progress. In light of this and the performance of the business, we believe we're well-positioned to access the capital markets, and I'm excited to be at the helm during this pivotal time of our company's history.

With that, I'll turn the call over to Deb to discuss our financial results in more detail.

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## Debra McCann

*Executive Vice President & Chief Financial Officer, Unisys Corp.*

Thank you, Mike, and good morning, everyone. As a reminder, my discussion today will reference the supplemental slides posted on our website. I will discuss total revenue growth, both as reported and in constant currency and segment growth in constant currency only. I will also provide information excluding License and Support revenue or Ex-L&S to allow investors to assess the progress we are making outside the portion of ECS where revenue and profit recognition is tied to license renewal timing which can be uneven between quarters and years.

As Mike discussed, our performance reflects consistent execution of our strategy and sustained improvement in brand awareness, industry recognition and new business signings. We are gaining traction in the market for our solutions and see large growth opportunities in applications, security, data, device subscription services, endpoint management and experience management. We also continue to enhance our solutions to include emerging technology that supports our clients' future analytic, operational, data and security needs, and allows for continual operational improvement of our delivery. Our solution investment extends our ClearPath Forward 2050 strategy, which continues to drive favorable trends in our L&S business.

Looking at our results, you can see on slide 4, first quarter revenue was $432 million, down 11.4% year-over-year as reported, and 8.5% in constant currency, primarily due to L&S renewal timing. Excluding License and Support, first quarter revenue was $361 million, down 8.5% year-over-year and down 5.5% in constant currency due to lower discretionary volumes in the DWS and CA&I segments. This directionally aligned to the color we provided at year end as the sequential ramp is expected to begin in the second quarter of this year. Additionally, a one-time benefit in the prior year first quarter related to a favorable settlement of a previously exited contract, negatively affected the Ex-L&S growth rate by 160 basis points on a reported basis.

I will now discuss our segment revenue, which you can find on slide 4, in constant currency terms. As a reminder, in January 2025, the company changed its organizational structure to streamline our operations and centralize all application capabilities within CA&I and shifted our business process solutions into ECS. Our Form 8-K, filed on March 14 contains two years of reclassified quarterly segment results. Revenue in our Digital Workplace Solutions segment declined 7.5% year-over-year to $119 million in the first quarter. These declines were primarily driven by field service volumes, which declined throughout last year, but stabilized in the first quarter and picked up in March. The quarter was also impacted by lower levels of discretionary project work and declines in third-party volume, which will pick up as our DSS signings ramp starting in the second half of this year. We expect further increases in enterprise storage volumes and easing year-over-year growth comparisons to support improving sequential and year-over-year growth and profitability in each of the remaining quarters this year.

Cloud Applications and Infrastructure Solutions revenue declined 3.3% year-over-year to $177 million in the first quarter. The decline in the first quarter was driven by lower volumes, with existing clients due to the timing of project work and some expected scope reductions in traditional infrastructure, primarily with clients in the public sector. Among the state and local governments and higher education organizations that we work with, we are seeing some concern related to federal funding levels, which is translating into delayed decision making. We believe these impacts will be temporary and that US public sector clients may be incentivized to move more quickly to modernize, reduce costs and achieve more sustainable IT operations.

Enterprise Computing Solutions revenue was down 11.2% year-over-year to $119 million in the first quarter due to L&S renewal timing as expected. Within the segment, L&S revenue was $71 million in the first quarter. Specialized Services and Next Generation Compute Solutions within ECS grew 9.2% in the first quarter, with growth driven by increased volumes in business process solutions in Asia Pacific. First quarter total contract value was $434 million, including $337 million from new business signings. Trailing 12-month book-to-bill was 1.0 times for the total company, relatively flat sequentially. Book-to-bill in our Ex-L&S Solutions was also 1.0 times, up from 0.9 times last quarter.

We exited the year with backlog of $2.9 billion, up 2% sequentially and 4% year-over-year. In the first quarter, we had double-digit year-over-year backlog growth in DWS, driven primarily by DSS signings, the largest of which will roll out region by region over a two-year period. As we mentioned last quarter, we expect 2025 to be a higher renewal TCV year benefiting backlog and book-to-bill throughout the year, though the bulk of those renewals are expected in the back half of the year.

Moving to Slide 6, first quarter gross profit was $108 million, a 24.9% gross margin compared to 27.9% in the prior year period, reflecting low L&S revenue due to the scheduled timing of client contract renewals. First quarter Ex-L&S gross margin was 17.8%, down 20 basis points year-over-year. Adjusting for the one-time benefit in the prior year period, Ex-L&S gross margin improved by 120 basis points, reflecting our ongoing delivery and labor optimization and some accretion from new business signed in 2024, which was partially offset by investments in hiring and training ahead of revenue generation.

I will now touch briefly on segment gross profit. DWS segment gross margin was 14.2% in the first quarter, down 20 basis points year-over-year. We made investments in advance of new business in DWS where we are ramping up labor and training related to enterprise storage field services and to support our capabilities such as liquid cooling for AI factory. Looking ahead, the DSS wins we had in the first quarter include a sizable portion of hardware revenue, which is accretive to profit dollars and a tailwind to top line growth, though, has a lower margin profile and may result in a more gradual slope to the improvement in DWS segment gross margin.

CA&I segment gross margin was 19.5% in the first quarter, up 10 basis points year-over-year, a solid result given there was softness in first quarter public sector discretionary revenue. ECS segment gross margin was 47.7% in the first quarter, down 690 basis points year-over-year due to timing of renewals in our highly profitable L&S solutions and a higher hardware component partially offset by improvement in our SS&C solutions.

Moving to slide 7, first quarter non-GAAP operating profit margin was 2.8% compared to 7.1% in the prior period. This was in line with the low-single digit color provided last quarter, which was expected due to the timing of L&S

renewals in the quarter. First quarter adjusted EBITDA was $40 million, a margin of 9.3%. Our operating expenses declined approximately $16 million year-over-year, and we continue to diligently execute against our plan to bring down SG&A expenses. SG&A was down nearly 14% from a year ago. First quarter net income was negative $30 million, translating to diluted loss of $0.42 per share. Adjusted net loss was $3 million for the quarter, a diluted loss per share of $0.05.

Turning to Slide 8, first quarter capital expenditures totaled approximately $20 million, relatively flat on a year-over-year basis. As a reminder, a significant portion of capital expenditure relates to relatively steady levels of solution development for our L&S platform, while we maintain a capital light strategy in our Ex-L&S solutions. Pre-pension free cash flow in the quarter, which is free cash flow prior to pension and post-retirement contributions was $23 million, up $11 million year-over-year while free cash flow was $13 million, more than doubling in the quarter compared to $4 million a year earlier. Enhanced cash flow derived from improved working capital dynamics, partially offset by slightly higher levels of post-retirement funding and cost reduction payments.

Moving to Slide 9, cash balances increased to $393 million as of March 31, compared to $377 million at year-end. Including all defined benefit pension plans, our net leverage ratio is 3.2 times relatively stable on a year-over-year basis. Our liquidity position is strong with significant cash balances and our $125 million ABL facility, which has an accordion of up to $155 million remains undrawn.

I'll now provide an update on our global pension plans. Each year end, we provide more detailed estimated projections for expected global cash pension contributions and GAAP deficit relative to our quarterly updates. These projections change based on factors such as financial market conditions, funding regulations and actuarial assumptions. Based on asset returns and market conditions, we estimate that as of March 31, 2025, both our GAAP deficit and expected cash contributions for the five year period beginning in 2025 through 2029 are essentially unchanged from year-end 2024. Pension contributions begin in our US plans in the second quarter, and we expect contributions to all global pension plans to total approximately $27 million in each of the remaining three quarters of the year.

Turning to Slide 10, I will now discuss our financial guidance for the full year. We are reiterating our total company revenue growth guidance range of positive 0.5% to positive 2.5% in constant currency, which based on foreign exchange rates as of the end of the first quarter, equates to reported revenue growth of negative 1.1% to positive 0.9%. As Mike mentioned, while macroeconomic factors are fluctuating, our base is resilient with relatively low direct exposure to tariffs and trade barriers we know of today. However, we do expect delayed client decision making that occurred in the first quarter to have some marginal impact on the trajectory of Ex-L&S revenue, which may bring constant currency Ex-L&S revenue growth below the midpoint of the 1% to 5% range we assumed in our original guidance.

For License and Support, we are now assuming revenue of approximately $410 million, which offsets the first quarter Ex-L&S delays that I just mentioned, allowing us to maintain the total company revenue growth guidance. Roughly half of the $20 million increase in our L&S revenue assumption is related to longer terms expected on certain fourth quarter renewals, with the remainder from incremental hardware at a more modest gross margin. This change will have minimal impact on future years, and given the overall favorable consumption trends across our installed base, we continue to expect approximately $400 million of L&S revenue in 2026. As a reminder, the timing and exact amount of L&S revenue can be difficult to forecast with precision, given it is dependent on renewal timing and size, which can change based on client budgeting decisions, consumption levels and duration preferences, among other factors.

For full year non-GAAP operating profit margin, we continue to expect a range of 6.5% to 8.5% and see a path to come in above the midpoint given the improved outlook in our L&S solutions and improvement in delivery and operational efficiency. The upside of L&S is expected in the fourth quarter generating incremental cash in 2026, keeping us on track to achieve our cash flow objectives. For 2025, we continue to expect approximately $100 million of pre-pension free cash flow and a slightly positive free cash flow after funding our pension contributions, allowing us to preserve our strong cash balances. Our pre-pension free cash flow outlook reflects improvement in cash conversion, as environmental, legal restructuring and other payments are expected to be a net positive $10 million inclusive of a one-time collection of the remaining $25 million owed to us as part of the favorable legal settlement we negotiated in the fourth quarter of 2024.

Our cash outlook assumes capital expenditures of approximately $95 million, cash taxes of approximately $70 million, and net interest payments of about $15 million. Cash interest does not include any assumption of refinancing, however, as mentioned earlier, we are actively monitoring market conditions to opportunistically expand our debt structure and further advance our pension mitigation strategy. Looking specifically at the second quarter, we expect approximately $375 million of Ex-L&S revenue representing sequential growth in the mid-single digits.

Based on renewal timing, second quarter L&S revenue is expected to be similar to the first quarter, with approximately 35% of L&S revenue in the first half and approximately 65% in the back half. Given the cadence of L&S renewal timing and the impact of foreign exchange, this translates to a total company reported revenue decline of approximately 7% to 8% and a slightly positive non-GAAP operating margin. As Ex-L&S revenue improved sequentially over the next three quarters and L&S revenue and profit takes a meaningful step up in the third and fourth quarters, we expect growth and profitability to significantly increase in the back half of the year, bringing us to our full year ranges.

Operator, you may now open the line for questions.

# QUESTION AND ANSWER SECTION

**Operator**: We will now begin the question-and-answer session. [Operator Instructions] At this time, we will pause momentarily to assemble our roster. The first question comes from Rod Bourgeois with DeepDive Equity Research. Please go ahead.

**Rod Bourgeois**
*Managing Partner and Head of Research, DeepDive Equity Research LLC*

Q

Hi, guys. Thank you for the commentary. A lot of helpful details in there. I want to start by asking about the interesting turn of events here with the L&S outlook increasing to offset some discretionary weakness that has occurred in Ex-L&S. So can you talk further about what's enabling the L&S upside in revenues and to what extent is that improved volumes, which has been a trend we've seen, I guess, over the last almost two years now versus how much of it maybe is also related to earlier than expected renewals. So more color on that would be very helpful.

**Michael M. Thomson**
*President & Chief Executive Officer, Unisys Corp.*

A

Sure. Hey, Rod. Thanks for the question. Really appreciate it and appreciate you joining the call here. Yeah. The two components you raised are pretty interesting. You're exactly right in that the L&S volume we've seen increasing consistently over the course of the last several years. Clearly, we've raised that outlook multiple times. If you recall, we raised it again in this quarter. Consistently, what we're seeing is some increased consumption. We're attributing that Rod to essentially use of data, right. When you look at a little bit of repatriation in the market, the cleansing of data, all of the effort from an AI perspective that need more data, that particular platform in particular is a source of data, right. And so in general, we've seen consistent consumption use.

And I would also say we've seen several deals over the course of the last couple of years extend. And so to us, that is entrenching even further a very sticky platform in a longer term point of view into that client portfolio. So example, clients looking originally we were renewing for three years or five years, they're looking for five years or seven years and really doubling down on that effort. So we've been very pleased with that. I mentioned our 2050 strategy and the multiple tiers to that 2050 strategy for ClearPath Forward really about unlocking that data. As I mentioned earlier, fixed on, I'll say the specialized services support, which is the application layer and the modernization layer of that. And then there's the continued use of that platform as we continue to add functionality. So really helpful in that regard.

And I guess the other side of your question on the Ex-L&S side, we're pretty confident and you heard Deb and I both indicate that confidence that that ramp is pretty solid for the rest of the year. We're expecting Q2, Q3 and Q4 to continue to increase from a growth perspective as well as from a margin improvement perspective. I mean, we've got really good line of sight into that as most of that revenue in our guidance is embedded in our backlog. And when you think about the deals that we signed in the back half of last year and what we're signing in the front half of this year, those things are coming to revenue recognition. And so that gives us a good degree of confidence in the ability for that business to continue to ramp as we had expected.

**Rod Bourgeois**
*Managing Partner and Head of Research, DeepDive Equity Research LLC*

Q

All right. And so the natural follow-up to that is so the guidance update for 2025, it's overall encouraging. On a sequential basis, what types of sequential growth assumptions are needed in Ex-L&S and also in L&S? Can you give us some expectations on how the sequential growth progression should play out in each side of the business?

**Michael M. Thomson**
*President & Chief Executive Officer, Unisys Corp.*

A

Yeah. Look, I'll give it to you at a kind of a macro level here. We're expecting increasing growth assumptions essentially every quarter-on-quarter. So it'll pick up a little bit in Q2. We're expecting more in Q3 and more again in Q4. Again, I look at that through the lens, Rod, of the backlog and the pipeline. And when these deals are coming online, we clearly know when that's going to happen. We've seen an uptick in volumes in field services as we've talked about in our prepared remarks both on the PC side and on the infrastructure side and the infrastructure side of that work is obviously higher margin work. So that's kind of a knock on impact to the margin profile.

Again, I think fairly well aligned to our expectations because most of that again is in backlog and in contracts that we're already working. The L&S component of that, we knew the back half of this year was going to be higher due on the renewal timing schedule. We're calling for a 35%-65% split front half, back half. And so there are some significant contracts to be signed in Q3 and Q4 and some of those in Q4 where the cash will actually come in 2026. So again, as you know, we've got really strong visibility into those contracts. And in general, those contracts end up, as we talked earlier, with some additional consumption as well as either at the same timing or longer extension on those contracts. So, we feel pretty strong about our ability to execute against that.

**Rod Bourgeois**
*Managing Partner and Head of Research, DeepDive Equity Research LLC*

Q

All right. And I've got to slip one more in. You mentioned the enterprise storage work commencing in Q1. Given your DWS capabilities and the relationships you have in that market, are you in a position to derive some growth from AI related data center build-outs and the maintenance of the data centers?

**Michael M. Thomson**
*President & Chief Executive Officer, Unisys Corp.*

A

Yeah, absolutely. I mean, that's obviously been part of our strategy. Deb mentioned that we were spending some more money kind of in advance of that revenue. That's really about training that team, hiring that team in advance of the revenue that we have good line of sight that is coming through some of the OEM contracts that we signed at the tail end of last year. We've seen that activity start. It started a little later in the quarter than we were originally anticipating, but it did start in March. We're seeing that continue through April and we expect that that will continue to ramp.

**Rod Bourgeois**
*Managing Partner and Head of Research, DeepDive Equity Research LLC*

Q

All right. Thanks, guys.

**Michael M. Thomson**
*President & Chief Executive Officer, Unisys Corp.*

A

Thanks, Rod.

**Operator**: The next question comes from Anja Soderstrom with Sidoti. Please go ahead.

**Anja Soderstrom**
*Analyst, Sidoti & Co. LLC*

Q

Hi. And thank you for taking my questions. So you laid out the confidence you have in your 2025 guidance, but how confident are you in your 2026 targets at this point?

**Michael M. Thomson**
*President & Chief Executive Officer, Unisys Corp.*

A

Yeah. Look, I think Deb mentioned briefly in her prepared remarks that we're still on track to meet our cash flow expectations as we've talked about in our 2023 Investor Day. So really, nothing's changed in our trajectory for that. Deb talked a little bit about the slope of the Ex-L&S and probably specifically the DWS component of that over the course of that two-year period. But really no change in our confidence level of exceeding the plan that we laid out in 2023.

**Anja Soderstrom**
*Analyst, Sidoti & Co. LLC*

Q

Okay. Thank you. And you haven't seen any sort of latency or hesitation among your customers based on the macro uncertainties going on?

**Michael M. Thomson**
*President & Chief Executive Officer, Unisys Corp.*

A

Yeah. No, of course, we have as has everyone, right, I mean, we know what we know at this point in time and I think we laid out the areas, why we think we are not as exposed as perhaps some others may be. It may be the areas of risk in automotive or retail. We have very little exposure to China. We have very little direct exposure to the US federal government. But clearly, volatility in the market gives people pause and pause ends up delaying the signing of contracts and as you know, Anja, as we get into contract signing for things that we sign in the front half of the current year, we expect some level of revenue recognition even in year for those signing. So even if they push a quarter, that may push the timing of some of that revenue recognition. But what we have not seen and frankly, we've seen a little bit of the opposite, the pipeline is growing. Our backlog is growing as we've indicated. And so even though there is pause, let's say, in pulling the trigger on signing of some contracts, it's not affecting the front end of the pipeline. We're seeing that grow just fine. And it's growing in the areas that we think is aligned to our business.

**Anja Soderstrom**
*Analyst, Sidoti & Co. LLC*

Q

Okay. Thank you. I'll get back in the queue.

**Michael M. Thomson**
*President & Chief Executive Officer, Unisys Corp.*

A

Great. Thanks.

**Debra McCann**
*Executive Vice President & Chief Financial Officer, Unisys Corp.*

A

Thanks, Anja.

**Operator**: [Operator Instructions] The next question comes from Arun Seshadri with BNP Paribas. Please go ahead.

**Arun Seshadri**
*Analyst, BNP Paribas Securities Corp.*

Q

Hi, guys. Thanks for taking my questions. Sorry, I signed on a little bit late. Just wanted to see Mike if you had any thoughts, obviously you've -- since you've taken over leadership of the company, any sort of broader strategic things you're thinking about that might be different from the prior strategies, it would be great to hear. And then also, just in terms of the quality of the pipeline and the backlog, can you talk a little bit about I guess, given the macro uncertainty, have you -- how are you sort of assessing the quality of your backlog? And when you go back and look at some of that backlog, is there any natural paring that you would do in order to make it a little bit safer, just given what we're hearing from other companies as well? Thank you.

**Michael M. Thomson**
*President & Chief Executive Officer, Unisys Corp.*

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Great Thanks, Arun, for the questions. There's a lot in there, so I'll try to unpack some of that. Maybe just trying to do it in the order in which you asked it. Thinking about the strategy or my leadership here, that's been pretty consistent. As you know, I've been with the company just about a decade now and have been the owner of the strategy for the last couple of years. And so, I don't expect that we're going to see a whole lot from a strategic point of view, different than what we've been executing. And we're really focused on the execution of our strategy versus the change of our strategy. But the main component is that I'm going to continue to spend my time on and will continue to kind of steer the company is around expansion of our market awareness. I think we've done a really nice job of that over the course of the last couple of years. But it's -- there's continual effort to get deeper and deeper into the client base and make sure that not only our existing clients, but our prospective clients know Unisys know what we do, know what our capabilities are, et cetera. So the work we do with the industry analyst and advisors is really important in that particular area.

The other area of focus is to continue solution distinction. I think we've done a really nice job of illustrating that. You see that in the leader quadrant profiles that we're getting from various industry analysts. So we'll continue to make sure we're staying at the front edge of technology and that we continue to bring our clients what they need to advance their businesses, as well as maintain their overall cost profile, et cetera. And then the other area of continued focus is, is the enhanced development and success of our associate base. That's a really important element. Just tying back into Rod's question, keeping ahead of the needs in field services and the agentic AI comportion -- compartment of knowledge management and ServiceDesk. The work we're doing apps modernization and AI Ops embedded in CA&I, it's really important that our staff development allows us to continue to make that differentiation.

So, from a strategy perspective, I think those are consistent themes that we've been applying over the course of the last couple of years and you should expect that we'll continue down that path and hopefully weigh in even more deeply in all three of those areas. The other half of your question really relating to pipeline and backlog. Look, I think we've done a really nice job over the last couple of years, so there's really no culling of the pipeline needed. I think we do a good job of ensuring that that happens at the front end of our process. We have a pretty rigid process for qualification of deals. I think the whole point about the expansion of market awareness and alignment to our solution really helps drive that at the front end of the process. And we really spend a lot of time looking at the wind shaping of that early on. So the expectation is not really seeing the pipeline decline. In fact, we're seeing pipeline increases specifically in new business and as a total company. And I think the quality of that pipeline since we're qualifying it earlier on is better and more aligned to solutions that we think we can win, which ultimately should increase our win rates.

I would give you just a little color too. Not only are we adding to the top end of the funnel from a pipeline perspective, but the pipeline that we have right now is actually a little more mature. So what that means is that those deals are in later stages in the pipeline, which means we've got a little bit more insight to our ability to actually close and win and qualify those. So feeling pretty good about that from a strategy perspective, we could always use more. Clearly, the macros are causing pause on signing contracts, but certainly not causing pause in our ability to have discussions with clients and further qualified deals.

**Operator**: This concludes our question-and-answer session. I would like to turn the conference back over to Mike Thomson for any closing remarks.

## Michael M. Thomson

*President & Chief Executive Officer, Unisys Corp.*

Before you go, I'd like to echo three key messages that we hope you took away from today's remarks. First, we have a clear line of sight to achieve our full year revenue growth guidance and believe we will be above the midpoint of our full year profitability guidance, which is a testament to our continued focus on driving more efficiency through delivery and operations and the resilience of our diverse stream of revenues across solutions, clients, sectors and geographies. Second, our ClearPath Forward 2050 strategy continues enhancing the ecosystem of Unisys software and industry solutions, providing opportunities to expand some of our deepest and longest client relationships. And third, we believe we have substantially de-risked our pension exposure through consistent execution of our strategy, keeping us on track to fund our contributions. In addition, we're actively monitoring market conditions to opportunistically expand our debt structure and further advance our pension mitigation strategy. Thank you all for joining us today. Operator, you may end the call.

**Operator**: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.