# NYSE:UIS Q2 2026 Earnings Call Transcript

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## Operator | Conference Operator:

Good morning and welcome to the Unisys Corporation second quarter 2026 financial results conference call. All participants will be in listen-only mode. If you need assistance, please signal a conference specialist by pressing star then zero on your telephone keypad. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on your telephone keypad. To withdraw your question, please press star then two. 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 Pewarski | Vice President of Investor Relations:

Thank you, Operator. Good morning, everyone. Thank you for joining us. Yesterday afternoon, Unisys released its second quarter 2026 financial results. Joining me to discuss these results are Mike Thomson, our CEO and President, and Deb McCann, our Chief Financial Officer. As a reminder, today's call contains estimates and other forward-looking statements within the meaning of the securities laws. We caution listeners that these statements are subject to risks and uncertainties that could cause actual results to differ materially. These items can be found in our forward-looking statements section of yesterday's earnings release furnished on Form 8K and in our most recent Form 10K and 10Q filed with the SEC. We do not assume any obligation to review or revise any forward-looking statements in light of future events. We will also refer to certain non-GAAP financial measures such as non-GAAP operating profit and adjusted EBITDA. These measures exclude certain unusual or non-recurring items such as post-retirement expense, cost reduction activities, and other expenses the company believes are not indicative of ongoing operations. We believe these measures provide a more complete understanding of our financial performance, but they are not intended to be a substitute for GAAP. Reconciliations for non-GAAP measures are provided in the slides for today's call, available on our investor website. With that, I'd like to turn the call over to Mike.

## Mike Thomson | Chief Executive Officer and President:

Thank you, Michaela. Good morning, everyone, and thank you for joining us to discuss the company's second quarter 2026 results. The year is progressing well with the second quarter building on a good start to the year. As announced at our June investor day, we have increased our full year revenue guidance and second quarter came in ahead of the expectations we shared on our last earnings call. New business signings are again a bright spot up more than 50% year over year in the second quarter and improved sequentially over the first quarter, which had been our strongest since 2024. We continue investing to deploy our AI-infused solutions to our existing client base, enhancing AI fluency and proficiency and extending our platforms by building out our portfolio of agentic assets to accelerate AI adoption in complex IT environments. That includes within our ClearPath ecosystem, where we are evolving both our core platforms to support AI capabilities and increasing the flexibility in using ClearPath data for connecting and powering enterprise AI workloads. Our investments are focused on converting today's demand into durable, high value relationships that strengthen our conviction and our long term value. We believe that value will become increasingly evident over time. especially as pension contributions translate to lower pension deficit which will continue to improve our leveraged position. Looking more closely at the second quarter performance, our revenue year-over-year decline of 2% was better than we anticipated last quarter due to a 2% growth in technology solutions and services or TSNS. As a reminder, TSNS represents the entire company excluding ClearPath and it reflects the renaming of XLNS to more accurately represent the businesses included within that grouping. Upside in our digital workplace solutions and cloud applications and infrastructure segments span field services volumes, shorter cycle project work and increased hardware. We again saw some sequential improvement in clients undertaking project work and moving forward on their enterprise AI roadmap. Revenue was up across key solutions and applications, cybersecurity and data center field services both sequentially and year over year. Demand accelerated for devices and services as clients contend with rising hardware costs stemming from memory shortages. We believe this supports the continued growth of our device subscription services or DSS offering as it is geared towards better asset management and reporting as well as better financial outcomes for our clients over time. We expanded technology solutions and services gross margin by 170 basis points year over year, reflecting the results of ongoing investments in our technology workforce and higher value solutions. Looking at client signings during the quarter, new business TCV increased 57% year over year and 22% sequential. Our sustained new business strength primarily reflects the generation of project work with our existing clients. Our win rates on new business with existing clients are up meaningfully for the first half of the year on both a TCV and a deal count basis. We have improved conversion on large and mid sized opportunities, which we believe reflects our strengthening competitive position and acknowledgement of our portfolio and delivery capabilities. Follow on opportunities are coming in Shorter succession than in the past and many of our notable wins were with newer clients where our relationships are expanding more quickly. For example, we recently expanded our relationship with the leading UK based construction company with two wins in the second quarter. The client relationship is currently in its second year and will now provide our DSS offering including intelligent refresh and lifecycle services for their 10,000 devices and take on an Azure service and cloud governance as their Microsoft cloud solution provider. As another example, a community college system that became a Unisys client just last quarter signed a multi-year infrastructure services new scope based on the initial success of our agentic modernization work. These cloud and infrastructure services solidify a recurring relationship with a top higher education institution offering us significant white space opportunities. We continue to expand our presence in the rapidly growing need for AI infrastructure data center field services, which requires unique expertise in servers, liquid cooling and other equipment. In the quarter, a large OEM engaged us to provide full time dedicated resident technicians to support an AI data center build out and ongoing maintenance. Importantly, the client is funding advanced on-site trainings for the dedicated team as well as Unisys technicians rotating ahead of future anticipated volumes. This engagement is meaningful for our profile in the space where we were also recently recognized by Dell as their 2026 American Data Center Partner of the Year. We also signed a small expansion in high-value field services with a leading global telecommunications company to provide end-to-end deployment and support for StarLeak antennas. Our field engineers will conduct site surveys, installation planning, cable routing assessments, testing, and lifecycle management beginning in Germany with plans to expand within Europe and beyond. Building on recent momentum in Australia, we signed a six-year new scope contract with a global travel systems integrator to provide dedicated on-site engineers to maintain check-in kiosks, bag tag printers, and passenger boarding systems in airports across the region. While 2026 has fewer large contract renewals scheduled, our AI-first approach is resonating, and many clients are considering new scope opportunities into their renewals, which helps us maintain the relationship economics for us and allows our clients to share in a more efficient delivery profile. Looking at pipeline and demand trends, we saw double-digit sequential growth in new business pipeline with both existing and prospective clients. In digital workplace, we saw a broad-based influx in demand for our device subscription services as IT executives focused more urgently on offsetting the cost pressures that device price increases are putting on their budgets. Our DSS solution is purpose-built for this objective, and transition clients from traditional capital purchases to flexible lifecycle models. Using persona mapping, device telemetry and predictive analytics, we optimize across planning, procurement, warehousing, deployment and support. In cloud applications and infrastructure, we saw a pickup in application services requiring our central engineering capabilities and expertise in developing, modernizing and managing applications. The majority of this work now involves the creation and orchestration of AI agents where we have allocated highly skilled specialists. Several of our new application opportunities, including some large scale transformations, come from our ongoing initiative to cross sell modernization services into our ECS base of ClearPath clients. In ECS, we went live with our first endurance advisory engagement at a large financial institution and added several opportunities to the pipeline at other ClearPath clients. Endurance consulting projects involved developing initiatives for AI knowledge management, upskilling, and skill sustainability that we use to enrich our own internal experience and where we see several key benefits. These engagements support retention and longevity by reinforcing skills at clients that manage ClearPath systems in-house. while giving us a better understanding of their needs to inform our own product roadmap. We believe these initiatives will generate ancillary services revenues by identifying modernization opportunities within the ClearPath estate. The momentum in our pipeline is a function not only of demand trends and losing budgets, but also a balance of consistency and agility in our go to market. Last quarter, I discussed how we adapted to the disruption AI was having on client decisions by rolling out rapid value assessments to create repeatable frameworks for understanding time to value and return on investment for key solutions. These frameworks are engaging more new logos and reaching out to them earlier in their AI journey, and we continue expanding our catalog. A consistent focus on existing initiatives like our alliance partnerships is also yielding results. And our partner linked opportunities are generating a larger portion of the pipeline than they did a year ago. We're collaborating more closely with key partners on solution development, where we can deliver outcomes for specific industry use cases relevant to both Unisys and our partners clients. A vivid example is our deepening relationship with a key hyperscale in higher education. Working alongside our client, one of the largest university systems in the United States, we designated a bespoke application built with our partner's AI stack to assist overextended guidance counselors and improve student retention. Our partner is now training its own pre-sales architects on the solution and making new introductions that open doors to apply a repeatable framework for co-developing and commercializing solutions and use cases with one of the largest global technology companies. In addition to client wins, our solutions are continuing to garner industry recognition. This quarter, we maintained our leader rankings in the market reports for data center services, cybersecurity, and AI-enabled cloud infrastructure management published by analysts from ISG and Nelson Hall. I want to shift to discuss how we're investing in the foundations of future growth and as a diversified play on enterprises and mid-market AI orchestration. This encompasses developing solutions, delivery frameworks, partnerships and workforce skills to offer a standardized point of view while remaining platform agnostic Optimizing for use cases or leveraging clients' existing technology investments. In the enterprise computing segment, we're continuing to deliver incremental modernization without disruption for clients that depend on ClearPath for mission-critical workloads. During the second quarter, we had a major release of a core operating system, which eases integration of data with third-party AI applications and new capabilities such as our AI developer toolkits. As with all major platform upgrades, we strengthen security, including the latest advancement in post-quantum cryptography. Quantum computing more broadly is an area where we've established expertise and a growing track record. In the second quarter, we moved into production a quantum fraud detection solution at Baysafe, an online payment platform based in the UK. This solution pushes the bounds with its use of AI and machine learning and was developed through an ongoing partnership with the National Quantum Computing Center, or NQCC, and was partially funded by the UK government. We're seeking third-party validation from NQCC, which would establish Unisys as having one of a very few validated quantum production instances and lends its credibility in a highly regulated market. In digital workplace, our agentic service desk is our solution for orchestrating an elevated and more automated IT support experience. We're currently in the deployment phase with a second group of clients, and these capabilities remain a key differentiator in client conversations. The agentic service desk embeds agentic workflows and intelligent automation directly into delivery, and it's deployed directly to the client's environment to maintain data sovereignty. This solution is a powerful example of our ability to operationalize AI at enterprise scale, providing more value at a lower cost. Our teams are working on new integrations for NextThink and TeamViewer platforms, so our AI agents can directly access telemetry and analytic data to lead to better outcomes by leveraging our clients' existing technology. We're also working on new voice capabilities using conversational AI, further enhancing the end user experience. Longer term service experience accelerator is designed to address a broader market beyond IT, orchestrating unified knowledge management for global capability centers, delivering centralized HR, finance and facility services. While early, we're now moving into production with a client on our first non IT use case, for Human Resources following a successful pilot during the quarter. On the field services side, as we invest in training and talent for high valued hybrid infrastructure and IoT devices, we're exploring partnerships with certain system integrators to scale faster. The system integrators were working with design and manage data center build outs for clients directly, but also use an array of subcontractors for execution. Our global footprint offers them the ability to consolidate field service capabilities with a single provider, making us a particularly attractive partner. In CA&I, we continue to enhance delivery of our intelligent operations platform and have established a new partnership with Antenna to improve AI operations governance and observability across AI agents and workflows and help optimize token use for clients. We are experiencing a broader architectural shift as clients weigh the question, where should I run my AI workloads? Determining which AI workload belongs in the cloud at the edge or on prem, and whether you're solving for cost, latency, security or data solventry reasons are all part of the equation that we help clients solve. Our combined expertise across devices, applications and hybrid infrastructure makes us a natural orchestration partner for adopting AI and increasingly complex IT estates, especially as intelligent edge compute proliferates. Converting portfolio investments into client outcomes ultimately relies on the quality of our people and making the deliberate investments required for true AI workforce transformation. We continue to enrich our company-wide AI fluency and proficiency training programs with structured learning pathways, certification cohorts and role based standards for major AI tools. This is being complemented by skills first AI driven talent architecture, a closed loop system to capture skills and credentials, curated learning journeys, and matching the right talent to the right work using AI at every step and continually learning from the outcomes. Our commitment to development is fundamental to our culture. and we are proud to share that Unisys has again been named one of Time Magazine's American's Best Companies for 2026 and moved up 42 rankings to number 32 on the Economist 2026 Top 100 Most Loved Workplaces. This recognition coupled with our low trailing 12-month attrition rate of 11.2% reflects our continued commitment to fostering a highly engaged and empowered workforce. With that, I'll turn the call over to Deb to discuss our financial performance in more detail.

## Deb McCann | Chief Financial Officer:

Thank you, Mike, and good morning, everyone. My discussion today will reference slides from the supplemental slides 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 on technology solutions and services, or TSNS, to allow investors to assess the progress we are making outside of ClearPath. Where software license revenue and profit recognition are tied to renewal timing and can be uneven between quarters. As a reminder, ClearPath revenue constitutes about two-thirds of the enterprise computing segment. As Mike discussed, second quarter revenue exceeded our expectations and was accompanied by a strong new business total contract value and pipeline momentum that supports the increase we made for our full-year growth outlook in June. AI continues to be an important enabler across the business, strengthening our solution portfolio while also improving delivery efficiency, sales productivity, and process automation. Investments in workforce technology and high-value solution development have yielded stronger quarterly growth margin in technology solutions and services, keeping us on pace for our 2026 profitability and free cash flow expectations. Our liquidity remains solid and our pension contributions are translating to improvement in our global pension deficit, reducing debt and moving us toward our goal of fully removing our U.S. pensions. Looking at our results in more detail, you can see on slide 7, the second quarter revenue was $474 million, a decrease of 2% year-over-year, or negative 5.2% in constant currency, primarily due to the timing of ClearPass software license renewals. This was about $20 million above the outlook we provided last quarter, fully attributable to our technology solutions and services, which generated $404 million of revenue, an increase of 2% compared to the prior year, or a 1.3% decline in constant currency. Staying on slide seven, I will now discuss second quarter revenue by segment and in constant currency terms. Digital workplace solutions revenue of $142 million Declined 1.1% compared to the prior year, but better than expected. Revenue generated from recent new business findings and high-end storage field services was partially offset by declines from known attrition and lower PC field services volumes, which were anticipated. Incremental revenue had a higher mix of hardware, including components associated with device subscription services, or DSS. DSS services have attractive margins, increased stickiness of client relationships and provide an attractive entry point for landing with new logos, though may have large components of lower margin hardware revenue if Unisys procures the devices. Second quarter revenue in the cloud applications and infrastructure solutions segment was $184 million, a year-on-year decline of 3.2%, slightly better than we had anticipated last quarter. While project completions and prior year attrition were headwinds, Delays on some ramp downs provided incremental revenue upside. We are also seeing good growth in higher value security and application services. Enterprise computing solutions revenue was $126 million in the second quarter, down 13.2% from the prior year period. ClearPath revenue of $70 million was in line with our expectations, down 22.9% year over year due to license renewal timing, fully accounting for the overall decline in the segments. As I mentioned earlier, ClearPath license revenue is recognized based on renewal timing, which can be uneven between quarters. In June, we increased our full-year outlook for ClearPath revenue from $415 million to $425 million and have a high level of visibility into a strong second half of ClearPath revenue and profit. Specialized services and next-generation compute solutions, which make up the remainder of the ECS segment, Thank you for joining us today. including $350 million of new business PCB, an increase of 52% compared to the first half of 2025. Trailing 12 months book to bill is 1.2 times for both total company and TSS, relatively flat sequentially. We exited the quarter with a backlog of $2.8 billion and a greater portion of in-year revenue assumed in our guidance is contracted and in backlog relative to this time last year. Moving to slide 9, second quarter gross profit was $117 million, a 24.8% gross margin compared to 26.9% last year, driven by timing of ClearPath renewals. The S&S gross profit was $78 million, and gross margin was 19.3%, up 170 basis points on a year-over-year basis. The quarter included $3 million of non-segment revenue with 100% profit flow-through, which benefited total company and TS&S gross margin by 60 and 60 basis points respectively. As we disclosed last quarter, we will see the same size benefit in the third and fourth quarters resulting from a first quarter transaction within our UK business process solutions joint venture. Staying on slide nine, I will now touch briefly on segment gross profit. DWS gross margin was 10.8% in the second quarter compared to 16.9% in the prior year. The decline reflects several factors, including the hardware mix and reduced volumes that I covered in my revenue discussion. But the larger impact was elevated near-term transition costs and upfront workforce investment on the highly complex transition of a first quarter win. This transition requires maintaining continuity of existing services while also deploying agentic service desks and transforming delivery across thousands of restaurant locations without causing disruptions. We view these investments as foundational to both the future margin expansion of the account and the successful execution of a flagship commercial deployment that can further differentiate Unisys in the market and illustrate our ability to deliver agentic service desk at scale. The A&I gross margin was 25% in the second quarter, up 420 basis points year over year. Margin expanded due to delivery efficiencies and labor cost savings. but is expected to be lower in the second half in part due to the timing of compensation and client transitions. ECS growth margin was 44.8% in the second quarter, down from 53.5% in the prior year, primarily due to the timing of ClearPath license renewals. Within the segment, ClearPath's growth margin was 56.7% and we continue to expect an approximate 70% growth margin For the full year, as increased license revenue in the second half will have high profit flow through over a relatively fixed cost base. Moving to slide 10, second quarter gap operating loss of $33 million included a non-cash goodwill impairment charge of $47.2 million. This is the remainder of the goodwill balance allocated to the DWS segment and reflects the slower pace of profitability improvements. Due to competitive pressures, pricing dynamics, and near-term investments in delivery, this does not change our view of the margin potential in this segment. Non-GAAP operating profit margin was 5.3%, in line with the outlook we provided last quarter. On a year-to-date basis, SG&A of $187 million is down $3 million from prior year, and we are on track to achieve full-year cost savings of $10 to $20 million Through technology-driven productivity gains and streamlining of our corporate functions. Second quarter net income was negative $95 million, translating to diluted loss of $1.31 per share. And on an adjusted basis, net income was negative $6 million, or diluted loss per share of $0.08. Turning to slide 11, adjusted EBITDA was $54 million in the second quarter, an 11.3% margin. Cash from operations was negative $26 billion, and capital expenditures in the second quarter totaled $23 million, bringing year-to-date CapEx to $44 million. As a reminder, about half of our annual capital expenditures are relatively fixed levels of solution development for our ClearPath ecosystem. Free cash flow was negative $49 million in the second quarter, compared to negative $337 million in the prior year period, which had included a $250 million discretionary contribution to our U.S. qualified defined benefit pension plans. In the second quarter, we made $29.2 million of a cash pension and $.5 million of post-retirement contributions. Moving to slide 12, our cash balance is $324 million as of June 30th compared to $414 million at year end. We continue to maintain a strong liquidity position underpinned by substantial cash on hand, an undrawn $125 million ABL facility, and no meaningful debt maturities before 2031. At year end, our global pension deficit was approximately $450 million. Based on market conditions and our year-to-date pension contributions, we estimate that as of June 30th, Our global pension deficit has improved by approximately $30 million from year end. Net leverage including year end pension deficit is approximately 3.1 times. Each year end we provide more detailed estimated projections for our deficit and expected global cash pension contributions relative to our quarterly updates. These projections change based on factors including funding regulations and actuarial assumptions. We expect $40 million of global pension contributions in the second half of 2026 and estimate that our aggregate expected cash contributions in 2027 through 2029 remain essentially unchanged from our year-end projections. As a reminder, in 2025, we reallocated plan assets to remove substantially all volatility from our U.S. pension contributions, which increased certainty of future cash needs. With continued operational and financial execution, we expect cash contributions to translate into levered reductions that will position us to fully remove our U.S. pensions by 2030. Turning to slide 14, I will now discuss full-year financial guidance and additional full-year color. We are reaffirming the full-year guidance range for revenue that we increased at our June Investor Day, which is a decline of 5% to 3.5%. Based on June 30th foreign exchange rates, this equates to a reported revenue decline of negative 2.6% to negative 1.1%. Guidance assumes TSNS revenue constant currency decline between 6% and 4% and full-year clear path revenue of $425 million, which is consistent with the upward revisions made in June. We also continue to expect average annual clear path revenue of approximately $400 million for 2027 and 2028. We are reaffirming guidance for a full-year non-GAAP operating profit margin of 9% to 11%, which assumes a slight year-over-year increase in clear path growth margin, targeted TS&S growth margin improvement of 100 to 200 basis points, and a $10 to $20 million reduction in operating expense. Looking specifically at the third quarter, we expect approximately $450 million of total company revenue on a reported basis at FX rates as of June 30th. This assumes approximately $370 million of technology solutions and services revenue and approximately $80 million of ClearPath revenue. This implies ClearPath revenue will exceed $200 million in the fourth quarter to achieve full year revenue of $425 million. And we expect, with a high degree of confidence, key large deals will close by year end. We anticipate third quarter non-GAAP operating margin will be approximately 4%. We expect third-quarter non-operating items impacting GAAP net income of approximately $200 million, which primarily includes an estimate for the incremental non-cash pension expense associated with a likely third-quarter annuity purchase. We are contemplating a transaction that would remove approximately $200 million of pension liabilities from our U.S.-qualified defined benefit plans, which would be funded by plan assets of a similar amount for the liabilities being removed. The non-cash pension expense associated with the annuity would depend on the final size and structure of the transaction. Annuity purchases are part of our ongoing pension management strategy and are an avenue for transferring liabilities to third-party insurance companies at a lower cost relative to a full transfer. Our base case expectation for full-year free cash flow is unchanged at approximately negative $25 million, which translates to approximately $75 million are pre-pension and post-retirement free cash flow. This assumes approximate payments of $85 million in capital expenditures, $70 million of cash taxes, $70 million of net interest payments, $30 million in aggregate environmental, legal, and restructuring payments, and $100 million of pension and post-retirement contributions, approximately $25 million of which is expected in the third quarter. Before we open the line for questions, Mike has a few additional remarks.

### Mike Thomson | Chief Executive Officer and President:

Thank you, Deb. We've covered a lot today, but I hope the three messages came through pretty clearly. First, performance of the business including continual favorable trends in our ClearPath ecosystem are advancing us towards our key financial objectives, higher profit and free cash flow for investing in the business and funding ongoing pension contributions that will translate to leverage reduction and position us for future removal of our US pensions by 2030. Second, we have a strong momentum in our go to market. Our solutions are aligned with key AI driven demand trends, receiving more and more recognition with clients and industry analysts. And we're winning work that moves us into higher value areas of the market. And third, we're making the right investments today in people, technology and innovation to inflect, sustain, and Accelerate Growth in the Future. Operator, you may open up the line for questions.

## Operator | Conference Operator:

Thank you. We will now begin the question and answer session. To ask a question, you may press star then 1 on your telephone keypad. If you're using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star then 2. At this time, we will pause momentarily to assemble our roster. The first question comes from Rod Bourgeois with Deep Dive Equity Research. Please go ahead.

## Rod Bourgeois | Analyst, Deep Dive Equity Research:

Great. Thank you. Hey, I want to start by asking about the client spending environment with all of the shifting priorities that have occurred. Clearly, IBM encountered some client spending issues in its recent quarter. with heightened client costs on AI infrastructure, crowding out some of their larger deals. So the question here is, to what extent are you seeing that dynamic across your businesses? And if that has been a dynamic, is it subsiding at this point or continuing effect? Thanks.

## Mike Thomson | Chief Executive Officer and President:

Hey Rod, it's Mike. Thanks for the question and great question. Obviously very topical with the recent news from IBM. Look, I think we had mentioned even in some of my prepared remarks that we are seeing that dynamic. There clearly is a focus in the industry in regards to infrastructure, specifically RAM and the cost of RAM. And I think at least from my read of what we saw from IBM and clearly Thank you for joining us. which was the positive consumption in their base right so I think they kind of reiterated that you've seen that with our clear path as well continued consumption increase you saw you know again in the investor day we bumped up our range from a guidance perspective due to that so I think positive from that point of view certainly from a market facing perspective that that shift into infrastructure spend and maybe deferring some of the discretionary spend I think is a consistent trend we saw in the macros at the tail end of last year and we mentioned at that time we expected that trend to continue through at least the first half of this year which we've seen and maybe extend a little more than that but that's kind of baked into our thought process already and then lastly I would say for us at least we see that as as a little bit of an advantage We talked and Deb mentioned the DSS pipeline and the growth in that DSS pipeline. Well, we think a lot of that is because we've got essentially IT executives that are, you know, prioritizing that spend, trying to lock in pricing before they see these continual price increases. And our DSS offering is really geared towards how we can have some economic value come back to those clients and give them, you know, kind of more lifecycle view that's really geared on what their needs are, persona mapping, data telemetry, et cetera. So although the shift is to hardware spend and clearly that's having some impact on the macros as it pertains to AI and or project work, it is shifting to something where we think we've got a really strong offering to present to the market. So it's kind of a double-edged sword. But I would say that those are more temporary in nature as far as the deferral is concerned. And you saw by our strong new business postings that, you know, we're getting our share for sure of that work. And it is starting to loosen a bit.

## Rod Bourgeois | Analyst, Deep Dive Equity Research:

Okay, great. And another timely topic in the AI world is the private AI with open weight models versus the adoption of frontier models. What adoption and client behavior patterns are you seeing and expecting on that front between open weight versus frontiers? Thanks.

## Mike Thomson | Chief Executive Officer and President:

Yeah, great question, Rod. Certainly, again, very timely. Look, I'll start with we almost don't care what side of the coin wins that battle. The fact of the matter is we're agnostic to the platform and it's very specific to You know, kind of client needs, right? If you're concerned around solventry and transparency of the model or data leakage or kind of IP protection or protecting your alpha, you're likely going to lean towards open source, open weight and do it in a private manner, right? So you can essentially token max and be able to run that and keep control of it. If you've got really complex problems, that you need the larger frontier models for, well then clearly you're going to do that in a different manner. So, look, I think in general it is, you know, us helping our clients find the right model and the right infrastructure at the right time to fill a specific need and consistent with how we treat and how we've treated whether it's hyperscalers or OEM providers, we're kind of agnostic to who they use in that stack and much more attuned to management of that hybrid infrastructure, understanding what it is they're trying to accomplish, and understanding what's most important to them to help kind of shift their focus to the pros and cons of those various models. And again, it's really, you know, if you're really in a highly regulated, highly secure, you're going to want kind of that on prem calculation, mostly to protect your IP, and maintain AI and data sovereignty. So, you know, it's really an interesting dynamic as it plays out in the market. But I do think regardless of kind of which option you select, there are a lot of things to be wary of. And I think it really helps our kind of go-to-market, I'll say, advisory and consultancy because we have deep understanding, both industry vertical as well as clients, understanding of the hybrid infrastructure that exists. So, who better to really know how to steer that conversation?

## Rod Bourgeois | Analyst, Deep Dive Equity Research:

And is that activity showing up in your new business wins or is it mostly in the pipeline right now? Thanks.

## Mike Thomson | Chief Executive Officer and President:

Yeah, great follow-up. I would say yes in the new business wins where we're seeing, you know, the most of the new business wins in CA&I, an example, is kind of the apps modernization and cybersecurity you know components of that which are really based on you know this development and where that computes going to happen but the pipeline is strong as well in that space so my comment around you know a little bit of the loosening of that discretionary kind of comes in those areas in particular and and so you know we're seeing a nice balance of that and you know clearly tying that into the training that we're doing with our associates and our go-to-market strategy with the rapid value assessments to really have that discussion, kind of pull that out from normal day to day. And if nothing else, becomes a point of sphere to get in and have that dialogue with clients, show our innovation and then, you know, move on to the larger discussions on managed services on a more, I'll say, macro view. Thank you, guys. Great. Thanks, Rod.

## Operator | Conference Operator:

Thank you. The next question comes from Mayank Tandon with Needham. Please go ahead.

## Mayank Tandon | Analyst, Needham & Company:

Thank you. Good morning. Mike, could you talk about pricing trends across your solution set just given the flux in the market and some of the comments from some of the larger IT services companies would love to get your thoughts on overall pricing trends and if the contracts are being structured in a different way than in the past given some of the AI focus. So, More like just a broad question around the overall pricing trends that you're seeing across your solution set.

## Mike Thomson | Chief Executive Officer and President:

Yeah, great. Thanks, Michael. Good to talk to you again. Yeah, look, it's clearly been an issue over the course of the last year where we've had discussions on pricing. You know, the terminology used is AI deflation and kind of what it means. Clearly, for some of our solutions, there is price pressure on the top line. The nice thing, at least about us personally, is last year we did roughly $1.7 billion of renewals, so we got through a big chunk of that pricing pressure. By the time we exit this year, we'll be probably about three-fourths of the way through all our renewal cycles, so that's kind of behind us as far as the pricing pressure is concerned. We have actually been... Pleasantly surprised that we've been able to bring some new scope opportunities into the economics of those deals. So although the I'll say the traditional pricing has been pressured and down, we've been able to augment that with kind of new scope opportunities to maintain the economics of that relationship. and, you know, gives us an opportunity to illustrate our skills in other areas. So, the pricing pressure is real. I think we've kind of baked it into our BAU at this point. It's clearly baked into kind of our modeling and our numbers. And, again, we have been pretty good. I would say, you know, 85% is good in being able to increase some scope to augment that price pressure and actually give us another entry point for growing the client relationship. So, yes, it's real. We're about through it on our side and we're seeing it as opportunity to expand our relationship with clients.

## Mayank Tandon | Analyst, Needham & Company:

Cool, Mike. And then just a quick one for Deb on the guide. Deb, for 3Q, given the downtick in revenue relative to 2Q and also, Non-GAAP operating margin. Is that just a seasonal impact or are there more drivers behind that? That does mean that fourth quarter would obviously see a big step up to get to the full year guide. So just curious on some of the nuances around the quarterly guidance.

## Deb McCann | Chief Financial Officer:

Yeah, so you're right. It is really just seasonal. And so Q3 will be a lighter quarter, you know, particularly in ClearPath, right? So for ClearPath, with Q4 you know Q3 only being about 80 million that means that Q4 would be close to 200 to hit that 425 million so this will have you know impact on the revenue in Q3 and also from a cash perspective you'll see an impact because we do you know a fair amount of cash would come in from that Q4 clear path revenue so you'll see kind of a big dip in free cash flow as well but it'll come in in Q4.

## Mike Thomson | Chief Executive Officer and President:

I would say, Bianca, on that, very consistent to last year. We had a pretty strong back half last year, really good visibility into that. That's not unusual for us in general, you know, so that we have a really strong quarter throughout the year. So I do think, again, really good line of sight to that. I know there was some consternation last year in regards to the same thing, like things were back half weighted. and all of that came in and we expect all of this to come in as well. So, you know, again, it's primarily ClearPath related and of all the areas where we're bullish, that's the place where we're most bullish. Perfect.

## Mayank Tandon | Analyst, Needham & Company:

Thank you for taking my questions. Appreciate it.

## Operator | Conference Operator:

Great.

## Deb McCann | Chief Financial Officer:

Thanks, Matt.

## Operator | Conference Operator:

Thank you. The next question comes from Matt Desort with William Blair. Please go ahead.

## Matt Desort | Analyst, William Blair & Company:

Hi team, this is Matt on for Maggie Nolan. Congrats on the quarter. Mike, can I ask you about the data center opportunity? I know you were really excited about that at the investor day. You talked about a win on your prepared remarks and just wondering if you can give us any more color on your opportunity there. What percent of your field services footprint is already up to speed on those skill sets and how the pipeline is building for the data center opportunity?

## Mike Thomson | Chief Executive Officer and President:

Yeah, thanks, Matt, for the question. Yeah, I am excited about the data center opportunity for our company in general. I think there are essentially, you know, kind of three elements to that that are pretty interesting to us. I'll address them in, you know, you talked specifically about field services, I'll hit that one first. Clearly, we have done a lot of work to Thank you for joining us. partner for the year of 26. So there's a big influx of work we get from that line of business. We do have some very interesting pipeline opportunities there. I talked a little bit about some of the Starlink opportunities. So I feel like between, you know, one of our core tenants of our strategy has been to continue to uplift the field services skills that we have. Historically, if I go back five years, it was predominantly PC break you know, fixed type work. Now we're well into data centers. We're moving into fast service restaurants. We're moving into other areas of the build. Again, mentioning the Starlink opportunity here and moving up stack in the airports and things like that. So really like the way that's progressing and some really nice opportunities pipeline oriented to position us for growth in that space. And every one of those ends up being stronger margin and better utilization. So I am still bullish on that and do think that's on a path to really helping DWS become, you know, much more profit oriented than they have been historically. The other two areas of data center opportunities is clearly data center service management, right? And the ability to orchestrate AI. You know, Rod asked a question about private AI. You know, that's really about a little bit about repatriation into the data center and managing kind of hybrid data center opportunities. And we're and we're positioned well for that, as well. And especially, especially when you think about most of our clients are hybrid infrastructure oriented. So that brings in kind of the application layer and the alignment to the data at the data center level. So lots of really interesting opportunities that are data center oriented. And as you know, there are billions of dollars being spent in that space, not only for the new build, but retrofitting, you know, other areas. So we feel like we're really well positioned that way. And, you know, very few field service oriented data service center providers are global in nature, right? So we've already got people in essentially every country that's going to be seeing this growth. So we feel like if you're looking for a global partner instead of, you know, hundreds of local partners, there's very few phones you can pick up and call, and we're one of those few.

## Matt Desort | Analyst, William Blair & Company:

That makes sense. Thank you. And then can I ask about DSS and hardware? I guess, are you able to quantify how much of the upside in the quarter was driven by hardware device support services versus obviously CA and I outperformed too? And then how do you expect those two pieces to perform through the balance of the year? Thanks.

## Mike Thomson | Chief Executive Officer and President:

Yeah, thanks, Matt. Look, we haven't quantified the hardware component of that. But I would say we mention it because when you see pressure on the margin, a lot of times it's because we're doing DSS deals that may have a larger hardware component in that deal, which has pressure or puts pressure on the margin percentage. But just if you keep in mind, part of our view here is margin dollars or profit dollars. They're coming with incremental profit dollars, but detrimental margin percentage. and it's really deal specific and Deb mentioned in her prepared remarks that you know it's really determined on whether or not the client wants us to procure the devices for them. So many of the DSS deals we have in the pipeline is just our services component on it and we're getting you know good margin on the DSS services piece of the business. So it's very much I'll say contract specific and very much geared towards whether or not we're playing the procurement role in the DSS offering, which is really geared to a client. So what we'll do is if there is any anomaly in any given quarter for a certain contract, well, we'll certainly call that out and make sure you guys are aware of it. But it's not like that's our target business plan that we want to go out and be the procurement partner there. In fact, we prefer clients buy it themselves and that we just handle the services component of it. So right now, it's relatively small and probably has an outweighed portion of the margin movement than it does actual dollars. Deb, anything you want to add?

## Deb McCann | Chief Financial Officer:

No, I think you covered it. Great, thanks.

## Matt Desort | Analyst, William Blair & Company:

That makes a lot of sense. Thank you, guys, and congrats again. Thank you.

## Operator | Conference Operator:

Thank you. Again, if you have a question, please press star then 1. The next question comes from Anya Soderstrom with Sudoti. Please go ahead.

## Anya Soderstrom | Analyst, Sudoti:

Thank you for taking my question. So, I'm just curious with the license renewals, have you seen any changes there in the duration of those?

## Mike Thomson | Chief Executive Officer and President:

Hey, Anya. How you doing? No, we haven't actually. The duration's been very steady. Again, I think the trend, if anything, that we have seen in the past would be extension. I assume you're talking ClearPath as to that question. And if anything, what we're seeing is extension. But in this particular case, this is, you know, it's not extension oriented. It's primarily increased volumes, right, or consumptions.

### Anya Soderstrom | Analyst, Sudoti:

Okay, thank you. And have you also seen any sort of changes to the competitive environment given the changes, the directions?

### Mike Thomson | Chief Executive Officer and President:

Are you talking specific to ClearPath or just in the business in general?

### Anya Soderstrom | Analyst, Sudoti:

The business in general and the AI drive.

### Mike Thomson | Chief Executive Officer and President:

Yeah, look, I think there are plenty of new entrants into the space, you know, based on, you know, whether it's deploy co-orientation or it's You know, kind of AI boutiques coming into the space. I think that that's bringing a lot of, I'll call it noise or confusion. I think the bottom line, however, is for those folks to be successful, they actually have to know how to run the hybrid infrastructure, because they're really talking about kind of bespoke technology for point solutions that have to sit in a full ecosystem. So if I said in any place we'd see them, it's probably in the apps modernization at the top end of the stack, but they have no managed services full stack capabilities. So for the bulk of our work, which is really managed service contracts, not too big an impact to us other than the confusion it causes on the front end. and then where we would see increased competition would be in kind of bespoke application modernization or bespoke solutions that, you know, might replace a piece of SAS software or a COTS software, something in that vein. And there are, you know, literally hundreds of players in that space.

### Anya Soderstrom | Analyst, Sudoti:

Okay. Thank you. That was all for me.

### Mike Thomson | Chief Executive Officer and President:

Great. Thanks, Anya.

### Operator | Conference Operator:

Thank you. This concludes our question and answer session and the Unisys Corporation second quarter 2026 financial results conference call. Thank you for attending today's presentation. You may now disconnect.