

Updated Impact of Convertible Notes on Earnings Per Share (EPS) Quarterly (Illustrative Example)

	Three Months Ended, 20XX
	(\$M, except per share data)
Basic Earnings per Share	
Net Income	\$14.7
Weighted average shares (000)	62,400
Basic Earnings per Share	\$0.24
Diluted Earnings per Share	
Net income	\$14.7
Add interest expense on convertible notes, net of tax	\$2.1
Net income	\$16.8
Weighted average shares (000)	62,400
Plus incremental shares from assumed conversions:	
Employee stock plans	450
Convertible notes	8,625
Adjusted weighted average shares (000)	71,475
Diluted Earnings per Share	\$0.23

Only dilutive with quarterly income of \$14.7M or greater

- Under generally accepted accounting principles (GAAP) the dilutive effect of the Convertible Senior Notes (notes) on EPS is accounted for by the if-converted method
 - This method requires that the numerator be adjusted by the interest expense on an after-tax basis
 - This method also assumes the notes are converted at the beginning of the period and the resulting common shares should be included in the denominator
- Application of the if-converted method is **only** applicable if impact is dilutive

Note: As a result of the convertible transaction the company undertook in 3Q19, Unisys expects a one-time charge in 3Q19 in GAAP net income of ~\$20M for accelerated interest expense that would have otherwise been incurred over the life of the notes

Updated Impact of Convertible Notes on Earnings Per Share (EPS) Full Year (Illustrative Example)

	Twelve Months Ended, 20XX
	(\$M, except per share data)
Basic Earnings per Share	
Net Income	\$57.8
Weighted average shares (000)	62,400
Basic Earnings per Share	\$0.93
Diluted Earnings per Share	
Net income	\$57.8
Add interest expense on convertible notes, net of tax	\$8.2
Net income	\$66.0
Weighted average shares (000)	62,400
Plus incremental shares from assumed conversions:	
Employee stock plans	450
Convertible notes	8,625
Adjusted weighted average shares (000)	71,475
Diluted Earnings per Share	\$0.92

Only dilutive with full year income of \$57.8M or greater

- Under generally accepted accounting principles (GAAP) the dilutive effect of the Convertible Senior Notes (notes) on EPS is accounted for by the if-converted method
 - This method requires that the numerator be adjusted by the interest expense on an after-tax basis
 - This method also assumes the notes are converted at the beginning of the period and the resulting common shares should be included in the denominator
- Application of the if-converted method is **only** applicable if impact is dilutive

Note: As a result of the convertible transaction the company undertook in 3Q19, Unisys expects a one-time charge in 3Q19 in GAAP net income of ~\$20M for accelerated interest expense that would have otherwise been incurred over the life of the notes