MANAGEMENT'S PREPARED REMARKS

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THIRD QUARTER FISCAL YEAR 2025 EARNINGS CALL

December 5, 2024

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Joseph DeNardi

Good morning and thank you for joining SAIC's third quarter Fiscal Year 2025 earnings call. My name is Joe DeNardi, Senior Vice President of Investor Relations and Treasurer, and joining me today to discuss our business and financial results are Toni Townes-Whitley, our Chief Executive Officer, and Prabu Natarajan, our Chief Financial Officer.

Today we will discuss our results for the third quarter of Fiscal Year 2025 that ended November 1, 2024. Please note that we may make forward-looking statements on today's call that are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from statements made on this call. I refer you to our SEC filings for a discussion of these risks, including the risk factors section of our annual report on form 10-K. In addition, the statements represent our views as of today and subsequent events may cause our views to change. We may elect to update the forward-looking statements at some point in the future, but we specifically disclaim any obligation to do so.

In addition, we will discuss non-GAAP financial measures and other metrics, which we believe provide useful information for investors and both our press release and supplemental financial presentation slides include reconciliations to the most comparable GAAP measures. The non- GAAP measures should be considered in addition to, and not a substitute for, financial measures in accordance with GAAP.

It is now my pleasure to introduce our CEO, Toni Townes-Whitley.

Toni Townes-Whitley

Thank you, Joe and good morning to everyone on our call. My remarks will focus on three areas: (1) a review of our operating performance in the third quarter, (2) an update on the execution of our enterprise growth strategy, and (3) our perspective on the potential risks and opportunities from the incoming administration's focus on driving greater efficiency across the federal government.

Our third quarter results reflect solid performance across the business and continued progress against our long-term strategy.

We reported third quarter organic revenue growth of 4.3% as increases from new business and on contract growth offset an approximately 5 pt headwind from contract transitions.

Adjusted EBITDA of $197 million and margin of 10.0% reflect solid program performance across our portfolio.

Adjusted diluted earnings per share of $2.61 benefited from strong profitability and an approximately 16% effective tax rate in the quarter.

Free cash flow of $9 million was somewhat softer than what we typically produce in third quarter due in part to an additional payroll cycle and very strong collections in our second quarter.

Overall, I am pleased with the financial performance we delivered in the quarter which allowed us to de-risk the revenue challenge we highlighted last quarter, and we now expect full year revenue growth of 3% which is slightly ahead of the midpoint of our prior guidance. Prabu will discuss our updated guidance in greater detail in his prepared remarks.

On our enterprise growth strategy to "Bid More, Bid Better, Win More," we are seeing improving progress on the first phase. With $22B in submitted bids through the third quarter, we now expect to submit more than $25B for the full year compared to our prior target of $22B. We expect this momentum to continue in FY26 and FY27 and are increasing our targets for submits in both years. We now in fact see a pipeline to over $30B of submits in FY27.

Our backlog of submitted bids increased to nearly $19B on a trailing twelve month basis in 3Q, an increase from $17B in 2Q. While our bookings in the quarter of $1.5B resulted in our trailing twelve months book-to-bill moderating to 0.9x, we continue to have good visibility into reaching our target of 1.2x by the first half of FY26. Importantly, as you can see on slide 9, the quality of our pipeline and planned submits is improving as well and becoming more aligned with our growth vectors, most notably, Mission IT and Enterprise IT.

Now, regarding the recent emergence of plans from the incoming administration and the Department of Government Efficiency – let me first acknowledge the uncertainty this has created within the investment community.

Given recent commentary from the incoming administration, we expect a renewed emphasis on increasing government efficiency focused on deregulation, privatization of governmental functions, emphasizing fixed and incentive-based contracts over cost-plus, and certain program eliminations. While our current revenue with agencies under particular scrutiny by D.O.G.E. is immaterial, we are preparing for a broader push for efficiency across the government which could result in lower funding in certain of our markets.

However, we believe that it is important to differentiate this environment from prior downturns in spending such as those caused by the Budget Control Act and sequestration which resulted in arbitrary across-the-board cuts to agency budgets.

We expect the incoming administration's focus to be on driving efficiency through the deployment of technology, a very different approach than what drove sequestration. We believe we are well positioned for the government transition because we have invested in technology differentiation and commercial offerings that are deployed currently, and available to our customers at scale via a wide variety of channels and commercial marketplaces.

As I mentioned previously, our current strategy and pipeline will drive an acceleration in this portfolio shift, and we expect Mission IT and Enterprise IT to represent a greater portion of our revenue in the coming years. We believe this is relevant from a financial standpoint given the improved margin profile of Mission and Enterprise IT but also from a strategic perspective. In an environment where "doing more with less" is a priority, having scale and capabilities in Mission and Enterprise IT position us well to better weather potential budgetary pressures while enabling efficiency with "as a service" and fixed price solutions.

As shown on slide 6, we believe our strategy and business model position us well to respond with agility to new priorities from the incoming administration and a potentially softer revenue environment. The enterprise operating model we have implemented over the past year will allow us to adjust and reallocate our investment budget to key focus areas and respond more quickly to changes in the market. We intend to manage our cost structure and investments to maximize long-term value while delivering earnings and cash flow durability which our business model affords.

We absolutely believe that our capabilities, expertise, and value proposition position us well to partner with our government customers to drive transformation through the adoption of technology. Our strategy and the investments we are making this year are focused on capabilities and solutions that enable our customers to perform their missions better, faster, and more efficiently.

For example, SAIC is the prime mission integrator for the Air Force on a program called Cloud Based Command and Control, or CBC2, where we partner with commercial companies and cloud services providers to deliver the best possible technology to our customers. The CBC2 system distills data from over 750 sensors into a single user interface to drive a more efficient and effective C2 kill chain. This program is viewed as one of the Air Force's most successful C2 modernization program in decades.

Similarly, SAIC is partnered with the Office of the Secretary of Defense as the lead integrator on the Joint Fires Network program which is transitioning from a rapid development program as INDOPAC's long range kill chain command and control capability to a formal program of record based on its proven field success. This program is also an example where SAIC leverages the best available commercial technology and quickly integrates that technology into an effective mission solution. Most recently, this capability was integrated in record time to support Valiant Shield, an annual multi-national, multi-domain war game exercise conducted this past June.

We have many other examples such as this across the enterprise where our value proposition to the customer is clear and the capability we enable is impactful. This is particularly so in our Civilian business where, as you can see on slide 7, the majority of our revenue comes from five agencies which support some of our country's most essential functions including secure borders, safe airspace, support for our veterans, financial operations, and diplomacy. As a result, under an administration prioritizing efficiency, we would expect customer adoption of these types of programs to accelerate and help offset potential funding pressures elsewhere.

Prabu will provide some details on how we are scenario planning from a cost standpoint, but I want to be very clear that SAIC's purpose is to enable our customers to operate more efficiently and effectively through the use of technology. We believe that demand for this value proposition is significant and enduring.

In closing, I want to thank the team at SAIC for their dedication and commitment to executing our strategy and delivering for our customers. The work we have done this year positions us well to both navigate the nearer-term uncertainty and strengthen our place in the market longer-term.

I'll now turn the call over to Prabu.

Prabu Natarajan

Thank you, Toni and good morning to everyone on our call.

I'll focus my remarks today on an updated view of our Fiscal Year 2025 guidance. I'll then discuss some illustrative scenario planning to highlight the earnings and cash flow durability of this business. I'll conclude with our approach to capital deployment including the new $1.2B share repurchase authorization approved by our Board.

On guidance, we are increasing revenue to a range of $7.425B to $7.475B representing organic growth of approximately 3% for the year. The improvement versus our prior guidance is largely due to improved on contract revenue trends and a focus to deliver on our commitments. As we have said previously, we continue to see FY26 revenue growth in a range of 2% to 4% and our expectation is for slower growth in the first half of the year improving to the 5% range by the end of the year as new business pursuits which are being submitted this year convert into revenue next year. Our focus will be to continue driving on contract growth on our existing programs even as we anticipate growth from new business to inflect next year.

We are reiterating our prior guidance for adjusted EBITDA and free cash flow and increasing our adjusted diluted EPS guidance by approximately $0.40 largely due to a lower effective tax rate and modestly lower share count.

I would now like to discuss slide 6 and our preparations for a renewed focus on efficiency from the incoming administration. We are preparing for potential changes to the market because it is the prudent thing to do for shareholders and better positions the company to capitalize on opportunities as they materialize.

As we illustrate on slide 8, we have a highly variable cost structure, a discretionary and flexible budget of indirect investments, and very low capital intensity – all of which contribute to our ability to remain agile and produce durable earnings and cash flow through various cycles.

The scenarios on slide 8 are designed to only be illustrative and provide investors with a perspective on how we could adapt to different revenue environments.

To be clear, at this point, we have seen no indication from our customers or the broader market that these scenarios will occur, and we believe our current level of investment is appropriate for the opportunities we have in front of us.

Additionally, if an element of the administration's efficiency efforts is increasing the usage of fixed-price contracts and a transition away from cost plus work, we believe our track record of delivering healthy margins on this contract type indicates our ability to deliver savings for the customer and strong returns for shareholders. In fact, more than two thirds of the $25B to $30B we plan to submit next year is in Enterprise and Mission IT – work which produces higher margins than our Engineering and Professional Services portfolios.

Finally, delivering on our free cash flow and free cash flow per share commitment is a top priority for the company. Our ability to adapt our cost structure to the revenue environment without impacting our ability to respond on the upside and deploying our balance sheet prudently but more aggressively, are two key levers we have to hit our free cash flow per share target of $11.00 and $12.00 in FY26 and FY27, respectively, even with softer revenue trends.

This durability of cash flows gives us confidence that focusing our capital deployment efforts on our share repurchase program is the right strategy to maximize long-term shareholder value. We now expect to repurchase approximately $500M of shares this year and will begin executing against our new $1.2B authorization in our fiscal fourth quarter representing approximately 20% of our diluted shares outstanding. We continue to target repurchases of $350M to $400M annually in the coming years, with the option of being opportunistic based on market conditions, while maintaining capacity for capability focused M&A and holding leverage at around 3.0x.

Lastly, as you all know, aligning incentive compensation with long-term shareholder value is an area of focus at SAIC. We will continue to evaluate our compensation strategy to ensure that the targets we establish are metrics which maximize our team's focus on creating long term value for our shareholders.

As Toni indicated, we are preparing to navigate the uncertainty in front of us while remaining focused on executing for our customers, investing in our employees, and delivering for our shareholders. I'll now turn the call over for Q&A.