

Science Applications International Corporation

# Fiscal Year 2022 First Quarter Earnings Call

Supplemental Financial Presentation  
June 3, 2021



**SAIC**<sup>®</sup>



# BRING ON TOMORROW.

We're not just another company that solves problems. No, we're a company that never stops reaching. Never stops pushing beyond our limits. To rethink engineering in a digital world, we reached. To redefine space training through virtual reality, we reached. To redesign new combat vehicles for our troops, we reached.

And what's the one thing we haven't reached?

Our limits.

From the digital space to outer space and everything between, to build a piece of tomorrow, today.

No reach is too far.

[Bring on tomorrow.](#)

**SAIC.**

# Forward Looking Statement

Certain statements in this presentation are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “may,” “will,” “should,” “expects,” “intends,” “projects,” “plans,” “believes,” “estimates,” “targets,” “anticipates,” and similar expressions identify forward-looking statements in this presentation. Such statements include, but are not limited to, statements about future financial and operating results, plans, objectives, expectations and intentions, and other statements that are not historical facts. These statements are subject to numerous assumptions, risks, and uncertainties, and other factors, many of which are outside the control of SAIC. These factors could cause actual results to differ materially from such forward-looking statements. Risks, uncertainties and assumptions that could cause SAIC’s actual results to differ materially from those discussed in the forward-looking statements include, but are not limited to, those described in the “Risk Factors” section of SAIC’s most recent Form 10-K filed with the Securities and Exchange Commission (“SEC”) and updated in any subsequent Quarterly Reports on Form 10-Q and other filings with the SEC. The reports referenced above are available on SAIC’s website at [www.saic.com](http://www.saic.com) or on the SEC’s website at [www.sec.gov](http://www.sec.gov). No assurance can be given that the results of events described in forward-looking statements will be achieved and actual results may differ materially from these statements. SAIC disclaims any obligation to update any forward-looking statements provided in this presentation to reflect subsequent events, actual results, or changes in SAIC’s expectations.

In addition, these slides should be read in conjunction with our earnings press release dated June 3, 2021 along with listening to or reading a transcript of the management comments delivered in an earnings conference call held on June 3, 2021.

All information in these slides are as of June 3, 2021. SAIC expressly disclaims any duty to update any forward-looking statement provided in this release to reflect subsequent events, actual results or changes in SAIC’s expectations. SAIC also disclaims any duty to comment upon or correct information that may be contained in reports published by investment analysts or others.



## Today's Presenters



Nazzic Keene  
*Chief Executive Officer*



Prabu Natarajan  
*Chief Financial Officer*



# SAIC to Acquire Halfaker & Associates

## STRATEGIC FIT AND RATIONALE

- 1 Mission focused, pure-play health IT company that expands SAIC's health portfolio and accelerates long-term strategy
- 2 Direct alignment to digital transformation strategic focus
- 3 Aligned to customer priorities in IT modernization, technology and cloud transformation, and data accountability & analytics
- 4 Growth rate and adjusted EBITDA margin accretive to SAIC financial profile; strong revenue visibility through FY2024

The SAIC logo is a large blue circle with the word "SAIC" in a bold, blue, sans-serif font inside it. The logo is positioned on the right side of the slide, with four blue arrows pointing towards it from the left, corresponding to the four points in the list above.

**SAIC**<sup>®</sup>



# Halfaker & Associates Overview



## BUSINESS OVERVIEW

- ▶ Founded in 2006; Headquartered in Arlington, VA with an Agile Delivery Center in Clearwater, FL
- ▶ Talent pool of 550+ skilled professionals with 260+ certifications
- ▶ Holds a prime position on the \$22 billion Veterans Administration T4NG vehicle; top 5 IT provider on a critical contract vehicle to pursue VA opportunities



## CAPABILITIES

### DIGITAL SERVICES

Delivering intuitive, efficient enterprise systems driving rapid development of customer applications

### DATA ANALYTICS

Empowering insightful, impactful decisions designed to enhance interoperability and promote evidence-based decision-making

### CYBER SECURITY

Delivering intel-driven risk reduction leading-edge automation and machine learning techniques to reduce enterprise risk

### CLOUD SOLUTIONS

Providing scalable, reliable infrastructure strategies to optimize application and mission performance



## KEY CUSTOMERS



## FINANCIAL PROFILE

- ▶ Mid to high single-digit revenue growth; CY2020 revenue of ~\$166 million
- ▶ Low double-digit adjusted EBITDA margins; 100% FFP and T&M contracts
- ▶ Attractive cash generation
- ▶ Healthy backlog enabling future growth, ~4x CY2020 revenue

# Transaction Overview



## TERMS

- ▶ Cash purchase price of \$250 million
- ▶ Represents under 10x CY2021 EBITDA, adjusted for the net present value of tax asset of approximately \$30 to \$35 million



## FINANCIAL IMPACT

- ▶ Accretive to fiscal year 2022 revenue growth rate, adjusted EPS, and free cash flow
- ▶ No cost synergy assumption in model
- ▶ No impact to capital deployment flexibility



## FINANCING AND CLOSING

- ▶ Transaction funded through cash on hand and incremental debt
- ▶ Net debt leverage increases 0.2x at close
- ▶ Expected to close Q2 FY2022
- ▶ Subject to customary closing conditions, including regulatory approvals



## FY2022 Q1 Highlights

Strong Business Development Results  
Robust Financial Performance

Q1 Total Revenue Growth of ~7%, Organic Growth of 2.6%  
Q1 Adjusted EBITDA Margin\* of 9.8%

Q1 Book-to-Bill 2.2x  
Trailing Twelve Months Book-to-Bill 2.0x

Repurchased \$39M of Company Stock  
Koverse Acquisition Strengthens AI and Data Analytics Capabilities

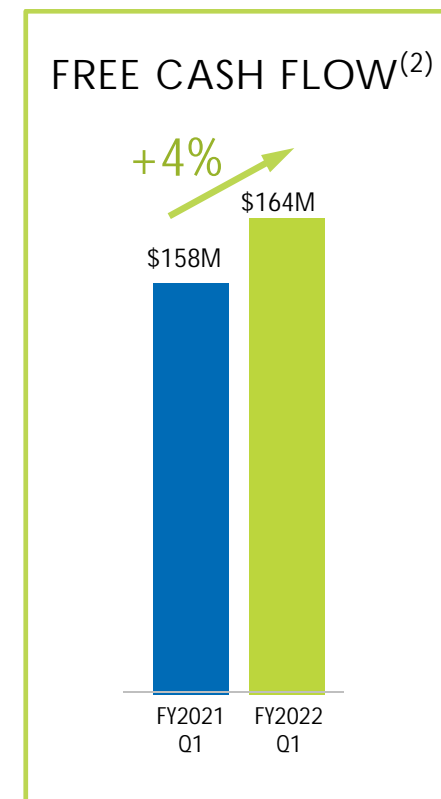
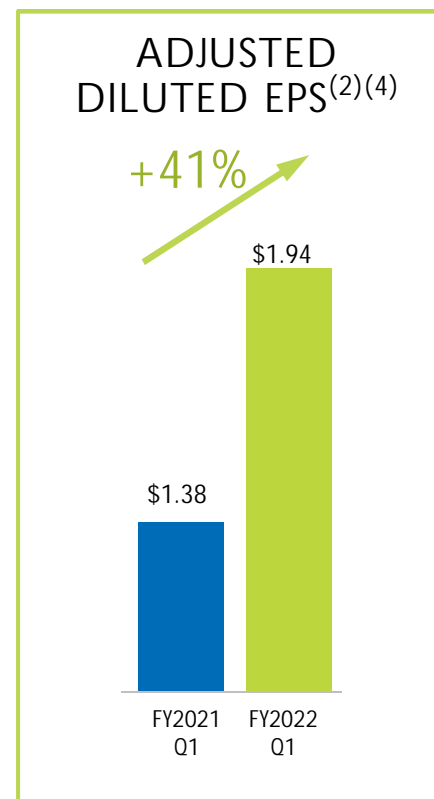
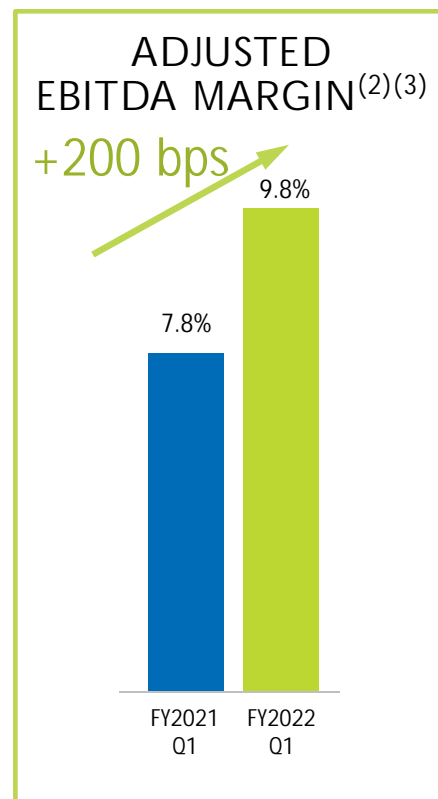
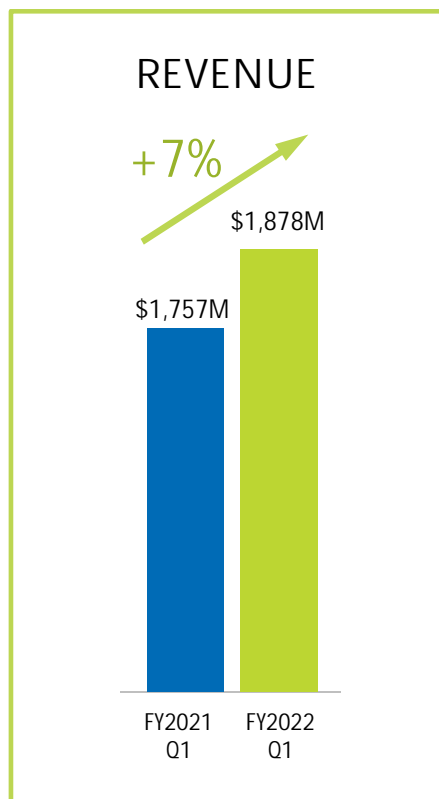
# Strong Start to Fiscal Year 2022

\*Adjusted EBITDA, adjusted diluted earnings per share and free cash flow are non-GAAP financial measures as defined and reconciled in the appendix of this presentation.





# FY2022 Q1 Results<sup>(1)</sup>



(1) Results of Science Applications International Corporation and its consolidated subsidiaries for the first quarters ended May 1, 2020 and April 30, 2021.

(2) Adjusted EBITDA, adjusted diluted earnings per share and free cash flow are non-GAAP financial measures as defined and reconciled in the appendix of this presentation.

(3) Excludes \$28 million dollars and \$9 million dollars in FY21 Q1 and FY22 Q1, respectively, of acquisition, integration and restructuring costs, net of recovery of acquisition and integration costs and depreciation included in acquisition and integration costs.

(4) Excludes \$28 million dollars and \$10 million dollars in FY21 Q1 and FY22 Q1, respectively, of acquisition and integration costs, net of recovery of acquisition, integration and other restructuring costs.

\*Adjusted EBITDA, adjusted diluted earnings per share and free cash flow are non-GAAP financial measures as defined and reconciled in the appendix of this presentation.



# Fiscal Year 2022 Guidance

Current Prior

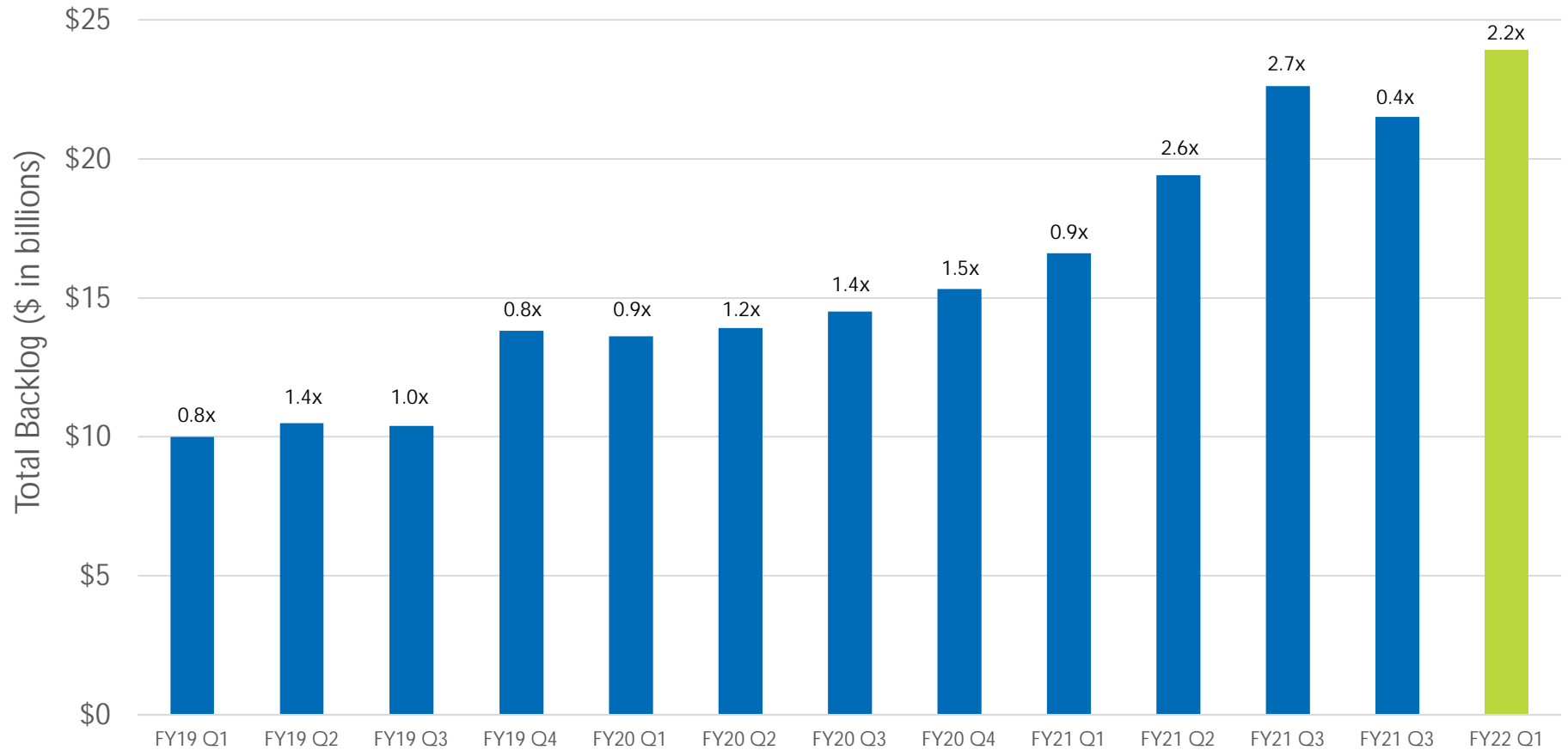
Revenue	\$7.15B - \$7.30B	\$7.1B - \$7.3B	➤ \$150M unfavorable impact due to COVID-19, lower than prior guidance
Adjusted EBITDA % <sup>*</sup>	8.7% to 8.8%	8.6% to 8.8%	➤ \$10M unfavorable pre-tax impact due to COVID-19, lower than prior guidance
Adjusted Diluted EPS <sup>*</sup>	\$6.15 - \$6.40	\$6.00 - \$6.25	➤ Effective tax rate of approximately 24% ➤ Interest expense ~\$110M, D&A ~\$150M
Free Cash Flow <sup>*</sup>	\$430M to \$470M	\$430M to \$470M	➤ ~\$50M FY21 deferred payroll taxes payment ➤ CapEx\$40M to \$50M

<sup>\*</sup>Adjusted EBITDA %, adjusted diluted earnings per share and free cash flow are non-GAAP financial measures as defined and reconciled in the appendix of this presentation.

The Company does not provide a reconciliation of forward-looking adjusted diluted EPS to GAAP diluted EPS or adjusted EBITDA margin to GAAP net income due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation, including, but not limited to, amortization of acquired intangible assets and acquisition, integration and restructuring costs. As a result, the Company is not able to forecast GAAP diluted EPS or GAAP net income with reasonable certainty. The variability of the above charges may have an unpredictable and potentially significant impact on our future GAAP financial results.



# SAIC Historical Backlog and Book-to-Bill



FY22 Q1 Book-to-Bill of 2.2x, Backlog of ~\$24B



# Appendix

## Working Days Per Quarter

	Q1	Q2	Q3	Q4	Total
FY22	64	63	63	60	250
FY21	64	63	63	60	250
FY20	64	63	63	60	250
FY19	64	63	63	60	250



# Payroll Periods Per Quarter

	Q1	Q2	Q3	Q4	Total
FY22	6	7	6	7	26
FY21	6	7	6	7	26
FY20	6	7	6.5*	7	26
FY19	6	7	6	7	26

\*During the third quarter of fiscal year 2020 and as a result of a systems conversion due to the Engility acquisition, legacy Engility employees were paid a one week payroll cycle in order to synchronize their payroll cycle with SAIC payroll cycles.



# Non-GAAP Reconciliation – EBITDA and Adjusted EBITDA

	<b>Three Months Ended</b>	
	<b>April 30, 2021</b>	<b>May 1, 2020</b>
	(in millions)	
<b>Net income</b>	<b>\$ 82</b>	<b>\$ 37</b>
Interest expense and loss on sale of receivables	28	32
Interest income	—	(1)
Provision for income taxes	23	8
Depreciation and amortization	42	33
<b>EBITDA<sup>(1)</sup></b>	<b>175</b>	<b>109</b>
<i>EBITDA as a percentage of revenues</i>	<i>9.3 %</i>	<i>6.2 %</i>
Acquisition and integration costs	10	29
Depreciation included in acquisition and integration costs	(1)	—
Recovery of acquisition and integration costs	—	(1)
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$ 184</b>	<b>\$ 137</b>
<i>Adjusted EBITDA as a percentage of revenues</i>	<i>9.8 %</i>	<i>7.8 %</i>

(1) "EBITDA" and "Adjusted EBITDA" are non-GAAP financial measures that are reconciled in this schedule to the most directly comparable GAAP financial measures. These non-GAAP financial measures help investors better understand profitability trends of our business from period to period and provide useful information on how successfully we operate in our markets but are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with SAIC's condensed and consolidated financial statements prepared in accordance with GAAP. The methods used to calculate these non-GAAP financial measures may differ from the methods used by other companies and so similarly titled non-GAAP financial measures presented by other companies may not be comparable to those provided in this schedule.



# Non-GAAP Reconciliation – Adjusted Diluted Earnings per Share

	Three Months Ended	
	April 30, 2021	May 1, 2020
<b>Diluted earnings per share</b>	<b>\$ 1.38</b>	<b>\$ 0.62</b>
Acquisition and integration costs and restructuring costs, divided by diluted 'weighted-average number of shares outstanding' (WASO)	<b>0.17</b>	<b>0.48</b>
Tax effect of acquisition and integration costs, divided by diluted WASO	<b>(0.03)</b>	<b>(0.08)</b>
Net effect of acquisition and integration costs, divided by diluted WASO	<b>0.14</b>	<b>0.40</b>
Amortization of intangible assets, divided by diluted WASO	<b>0.55</b>	<b>0.44</b>
Tax effect of amortization of intangible assets, divided by diluted WASO	<b>(0.13)</b>	<b>(0.08)</b>
Net effect of amortization of intangible assets, divided by diluted WASO	<b>0.42</b>	<b>0.36</b>
<b>Adjusted diluted earnings per share<sup>(1)</sup></b>	<b>\$ 1.94</b>	<b>\$ 1.38</b>

(1) "Adjusted diluted earnings per share" is a non-GAAP financial measure that is reconciled in this schedule to the most directly comparable GAAP financial measures. This non-GAAP financial measure provides investors with greater visibility into operating income but is not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with SAIC's condensed and consolidated financial statements prepared in accordance with GAAP. The methods used to calculate this non-GAAP financial measure may differ from the methods used by other companies and so similarly titled non-GAAP financial measures presented by other companies may not be comparable to those provided in this schedule.

The Company does not provide a reconciliation of forward-looking Adjusted diluted EPS to GAAP diluted EPS due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation including amortization of acquired intangible assets and acquisition integration and restructuring costs. As a result, the Company is not able to forecast GAAP diluted EPS with reasonable certainty. The variability of the above charges may have an unpredictable and potentially significant impact on our future GAAP financial results.





# Non-GAAP Reconciliation – Free Cash Flow

	<b>Three Months Ended</b>	
	<b>April 30, 2021</b>	<b>May 1, 2020</b>
	(in millions)	
<b>Net cash provided by operating activities</b>	<b>\$ 189</b>	<b>\$ 367</b>
Expenditures for property, plant, and equipment	(10)	(9)
Cash used (provided) by MARPA Facility	(15)	(200)
<b>Free cash flow<sup>(1)</sup></b>	<b>\$ 164</b>	<b>\$ 158</b>

(1) "Free cash flow" is a non-GAAP financial measure that is reconciled in this schedule to the most directly comparable GAAP financial measures. This non-GAAP financial measure provides investors with greater visibility into cash flows provided by operating activities, but is not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with SAIC's condensed and consolidated financial statements prepared in accordance with GAAP. The methods used to calculate this non-GAAP financial measure may differ from the methods used by other companies and so similarly titled non-GAAP financial measures presented by other companies may not be comparable to those provided in this schedule. Free cash flow is calculated by taking cash flows provided by operating activities less expenditures for property, plant, and equipment and less cash flows from our Master Accounts Receivable Purchasing Agreement (MARPA Facility) for the sale of certain designated eligible U.S. government receivables. Under the MARPA, the Company can sell eligible receivables up to a maximum amount of \$300 million. The Company provides free cash flow excluding MARPA to allow investors to more easily compare current period results to prior period results and to results of our peers.



# Non-GAAP Reconciliation – FY22 Free Cash Flow Guidance

	<b>FY22 Guidance</b> (in millions)
<b>Net cash provided by operating activities</b>	<b>\$475 to \$525</b>
<b>Expenditures for property, plant, and equipment</b>	<b>\$45 to \$55</b>
<b>Free cash flow<sup>(1)</sup></b>	<b>\$430 to \$470</b>

(1) "Free cash flow" is a non-GAAP financial measure that is reconciled in this schedule to the most directly comparable GAAP financial measures. This non-GAAP financial measure provides investors with greater visibility into cash flows provided by operating activities, but is not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with SAIC's condensed and consolidated financial statements prepared in accordance with GAAP. The methods used to calculate this non-GAAP financial measure may differ from the methods used by other companies and so similarly titled non-GAAP financial measures presented by other companies may not be comparable to those provided in this schedule. Additionally, the Company provides free cash flow excluding the Master Accounts Receivable Purchasing Agreement (MARPA) for the sale of certain designated eligible U.S. government receivables. Under the MARPA, the Company can sell eligible receivables up to a maximum amount of \$300 million. The Company provides free cash flow excluding MARPA to allow investors to more easily compare current period results to prior period results and to results of our peers.



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TAKING THE WORLD WHERE  
IT'S NEVER BEEN BEFORE.

From the digital space to space defense,  
we move you forward.

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