SAIC
EARNINGS RESULTS

MANAGEMENT'S PREPARED REMARKS

Nazzic Keene, Chief Executive Officer
Prabu Natarajan, Chief Financial Officer

SECOND QUARTER FISCAL YEAR 2024 EARNINGS CALL

SEPTEMBER 7, 2023

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Joseph DeNardi

Good morning and thank you for joining SAIC's second quarter Fiscal Year 2024 earnings call. My name is Joe DeNardi, Vice President of Investor Relations and Strategic Ventures, and joining me today to discuss our business and financial results are Nazzic Keene, our Chief Executive Officer, and Prabu Natarajan, our Chief Financial Officer.

Today we will discuss our results for the second quarter of Fiscal Year 2024 that ended August 4, 2023. Earlier this morning, we issued our earnings release, which can be found at investors.saic.com, where you will also find supplemental financial presentation slides to be utilized in conjunction with today's call and a copy of management's prepared remarks. These documents, in addition to our Form 10-Q to be filed later today, should be utilized in evaluating our results and outlook along with information provided on today's call.

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, Nazzic Keene.

Nazzic Keene

Thank you, Joe and good morning to those joining our call.

Earlier today, we reported another quarter of strong financial results with revenue growth of over 8% and adjusted EBITDA margins of 9.8% - an increase of 70 bps year-over-year - both of which speak to our ability to deliver solid organic growth at improving margins going forward.

Before I discuss our financial results, I would like to once again recognize members of the SAIC team who continue to have an outsized impact on their communities. September is Hunger Action Month at SAIC where we look to do our part to help end hunger through our partnership with Feeding America. This campaign is one of our largest at SAIC having raised over $350,000 in 2022 and $2.2M over the past decade. This translates to providing 22 million meals to those in need. Our goal is to set a new company record in 2023 with employee and SAIC matching contributions resulting in another 3.6 million meals being provided to people facing hunger in the United States. I want to personally thank Maria Bishop, Jeff Raver, and Jennifer Love Bruce for their leadership in this important mission.

Now, onto a review of our financial results and our outlook. SAIC delivered strong financial results in our second quarter reflecting solid program execution, continued progress driving on-contract-growth, and the ramp up of new business.

Looking back over these past few years, I'm incredibly proud of the progress we've shown on better leveraging our talented people, building on our excellent brand, and innovating on our industry-leading solutions to drive profitable organic growth. Our updated FY24 guidance calls for SAIC's best year of organic revenue growth and highest EBITDA margin since the separation – demonstrating our ability to convert a strong pipeline of opportunities into value for shareholders and opportunities for our employees.

Our strong start in FY24 positions us well to deliver on the multi-year targets we outlined at our investor day. Importantly, we will accomplish this while increasing margins and return on invested capital, staying true to our asset-light business model, and returning substantial cash to shareholders. Going forward, we believe that over the long-term, we can sustain and improve upon the gains in relative performance we have shown while adhering to a business model and financial strategy that is working.

Portfolio actions we have taken in recent years including the acquisitions of Unisys Federal, Koverse, and Halfaker and the divestiture of our Logistics & Supply Chain Management business will contribute to our ability to deliver sustained, profitable growth inline with or better than the market.

Following Prabu's discussion on our financial results and increased guidance, I will briefly discuss my upcoming transition. Over to you, Prabu.

Prabu Natarajan

Thank you, Nazzic and good morning everyone.

I am proud of the financial results we delivered in the second quarter as we continue to execute with focus and intent. I'll discuss our results in greater detail and then discuss our improved outlook for the year.

We reported strong fiscal second quarter results with revenue of $1.78B, an increase of 8.3% when excluding revenue related to our Logistics and Supply Chain Management business and FSA joint venture from the prior year. Revenue growth in the quarter was driven primarily by the ramp up of work on new and existing programs, improved labor productivity, and favorable timing of materials sales. We had minimal contribution from our $900M DCSA One IT program in the quarter, whose ramp is expected to begin predominantly in the second half of the year.

Adjusted EBITDA margin in the quarter was 9.8%, an increase of 70 bps year-over-year driven by strong program performance, cost efficiency initiatives, and the timing of certain planned strategic investments shifting to later in the year.

Adjusted diluted EPS of $2.05 represents an increase of 17% year-over-year driven primarily by the strong operating performance in the quarter and a roughly 4% decline in our diluted weighted average share count.

Free cash flow, adjusted for transaction fees and other costs related to the sale of our supply chain business was $143M in the quarter and $219M year-to-date as we continue to see good traction on our working capital improvement efforts.

Net bookings of $700M resulted in a book-to-bill of 0.4x in the quarter and 0.8x on a trailing twelve month basis. Due primarily to the timing of expected awards, our bookings and book-to-bill are below where we had planned to be at the beginning of the year.

As a reminder, our net bookings in the second quarter do not include any value from our $1.3B T-Cloud program which cleared protest in the second quarter. Consistent with our practice, we expect to book awards as we receive task orders under this important program. In fact, over the past three years, we have been awarded approximately $8B in single award IDIQ work of which 40% is new business. This is not reflected in our backlog beyond the task orders funded in any given year. Given that approximately 50% of our annual revenue comes from these IDIQ contracts, our practice tends to understate bookings and backlog versus one which recognizes the full or partial value of an IDIQ at time of award. None of this is to take away from the fact that we need to continue to sequentially build our backlog.

As we show on slide 10 of our earnings presentation, we continue to see a strong and growing pipeline of opportunities and expect the value of both award activity and award submissions to improve materially in the second half of the year. In fact, since the beginning of the third quarter, we have won approximately $1.1B of work, roughly 60% of which is for new business across multiple domains.

Included within these awards are a Hypersonics Advanced Concepts program, the Multi-Vehicle Fielding program in support of the Navy, and the Ground Based Radar Maintenance and Sustainment Service contract, known as GMASS, in support of the Space Force.

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These wins need to clear the customary protest window, but I want to highlight the important role that the solutions developed within our Engineering Innovation Factory played in these captures. Favorable customer feedback related to these programs reinforces our view that the returns we generate from our internal investments drive long-term shareholder value.

I'll now discuss our updated outlook for fiscal year 2024. Please note that we have provided additional directional guidance for our fiscal third and fourth quarters to assist with your modeling.

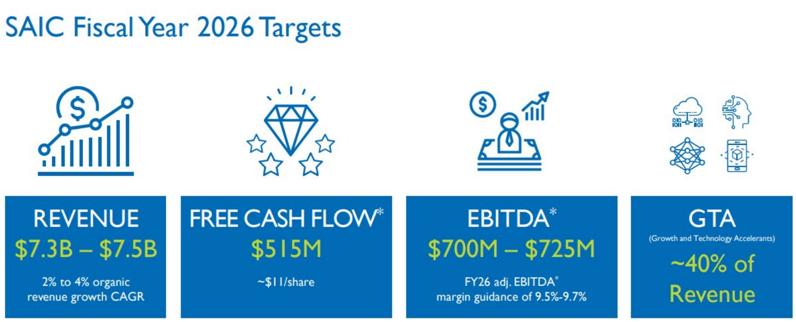
We are increasing our revenue guidance at the midpoint by $50M to a range of $7.2B to $7.25B which represents pro-forma organic growth of approximately 4.5% and our highest growth rate since the separation in 2013.

We are reaffirming our revenue plans for FY25 and FY26 and are encouraged by our strong start thus far against meeting our three-year targets.

While we continue to have strong visibility into our FY25 revenue plan, the impacts from previously discussed contract transitions and assumed delays in award timing are likely to make the cadence of revenue growth weighted to the second half of fiscal year 2025. Currently, we expect 1H FY25 revenues to be roughly flat year-over-year pro-forma for our Logistics & Supply Chain Management divestiture before inflecting to more meaningful growth in the second half of FY25. We have visibility into this growth given recent wins and opportunities in our pipeline. Of course, we will provide a more detailed update on our FY25 outlook during our third quarter earnings call.

As a result of strong performance year-to-date, we are increasing our adjusted EBITDA margin guidance to a range of 9.3% to 9.4%. We have provided additional detail regarding the drivers of first half to second half margins on slide 11 of the presentation. While our plan for FY24 calls for low 9% margins in the second half, our performance to start the year both in terms of program execution and the impact of other margin improvement initiatives drive increased confidence in our ability to reach our FY26 margin target of 9.5% to 9.7%. As we have communicated, our objective is to consistently and profitably grow the company and balance near term margin improvement against our objective to invest and drive long-term value.

We are increasing FY24 adjusted EPS guidance to a range of $7.20 to $7.40 driven mainly by improved operating results and a lower planned effective tax rate.



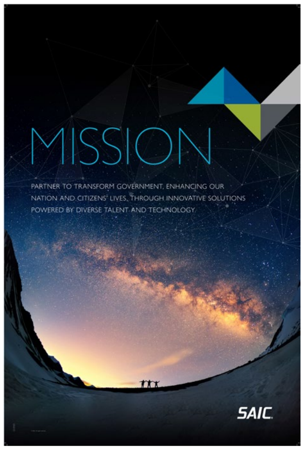
We are maintaining our free cash flow guidance at a range of $460M to $480M and our performance year to date has put us in a good position to grow our transaction adjusted FCF by approximately 10% for a third consecutive year. Finally, we continue to expect share repurchases of $350M to $400M this year with similar levels in FY25 and FY26.

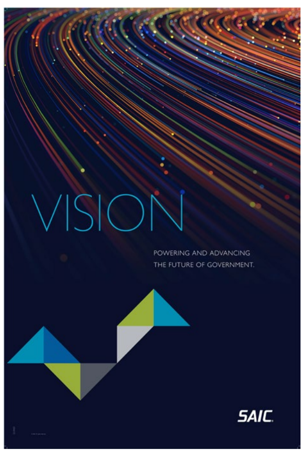
Before turning the call over to Nazzic, I want to thank her for her leadership in recent years. Nazzic's ability to create an inclusive culture and opportunities for all our stakeholders – employees, customers, and shareholders – is unmatched across the industry.

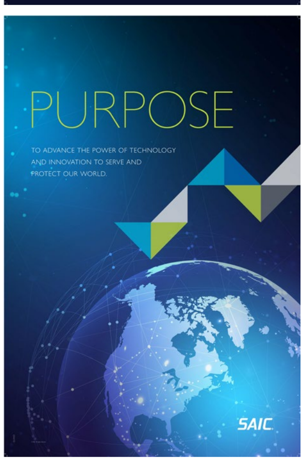
With that, I will turn the call over to Nazzic.

Nazzic Keene

Thank you for the kind words, Prabu.







As we discussed on last quarter's earnings call, I will be stepping down as CEO and transitioning to a special advisor role on October 2 at which time Toni Townes-Whitley will assume the role of CEO.

As I reflect on these past few years, I took a moment to look back at the commitments I made to you on my first earnings call as CEO. I outlined three key priorities then and am proud of our team's ability to deliver on our commitments. I discussed the immediate focus on the effective integration of Engility. SAIC effectively integrated its acquisition of Engility quickly followed by Unisys, Koverse, and Halfaker. All these transactions contributed to a stronger portfolio for SAIC and supported or accelerated our strategy.

I discussed our immediate focus on driving profitable, organic revenue growth. Our team has done exactly that in a consistent and disciplined way providing returns to our shareholders, delivering greater value to our customers and career opportunities for our people.

And last, but certainly not least, our talent strategy was paramount to accomplishing any aspect of our strategy. I feel confident that as I step down, SAIC is in a strong position with an exceptional leadership team. Across the entire enterprise, we have raised the bar and continue to win the war for talent.

I am proud of what SAIC has delivered over these last several years, but I also recognize our work is never done. I am very confident in Toni's ability to lead SAIC. She is committed to advancing on these priorities in the future through innovation and differentiation, ensuring SAIC remains a leader in our industry.

We have worked closely together in recent months and will continue to in order to ensure a smooth transition for all our stakeholders.

I want to close by recognizing and thanking my friends and colleagues at SAIC for their contributions to our company, their communities, to each other and to our nation. It has been an honor to lead a company so focused on our purpose to leverage technology to serve and protect our world. SAIC is clearly driven by mission, united by purpose, and inspired by opportunities.

