

Science Applications International Corporation

Fiscal Year 2022 Fourth Quarter Earnings Call

Supplemental Financial Presentation
March 28, 2022



SAIC



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.](#)

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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 or on the SEC’s website at 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 March 28, 2022 along with listening to or reading a transcript of the management comments delivered in an earnings conference call held on March 28, 2022.

All information in these slides are as of March 28, 2022. 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



Building a Differentiated Employee Experience and Culture



- 1 Developing our Leaders to be the Best in our Industry
- 2 Upskilling our Leaders for the Future of Work and Transforming our Culture
- 3 Differentiated Employee Benefits Focused on Well-being
- 4 Accelerating Diversity Representation in our Leadership
- 5 Connecting and Resonating with our Dispersed Workforce



FY2022 & FY2023 Highlights

Solid Organic Revenue Growth
Strong Profitability

Q4 Total Revenue Growth of ~4%, Organic Growth of 1.4%
Q4 Adjusted EBITDA Margin* of 8.2%

FY22 Total Revenue Growth of ~5%, Organic Growth of 2.5%
FY22 Adjusted EBITDA Margin* of 9.3%

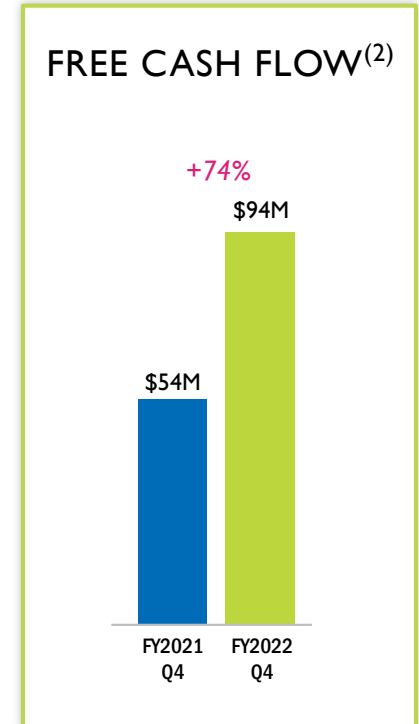
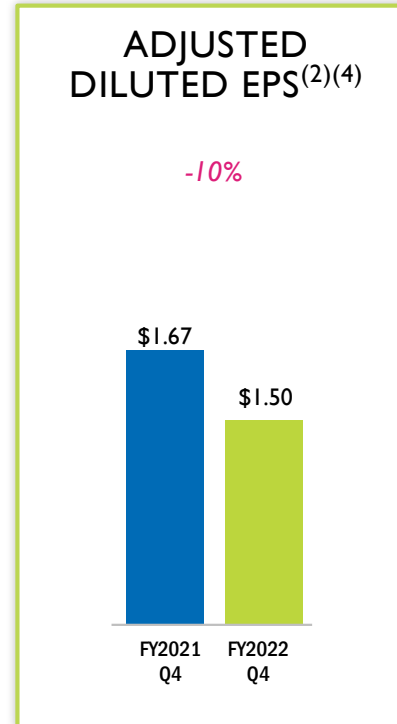
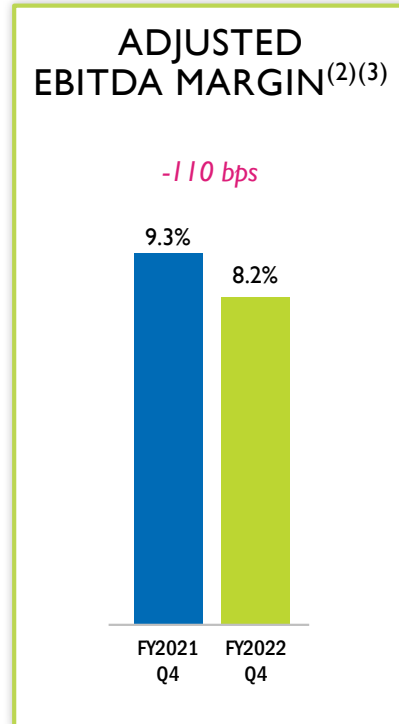
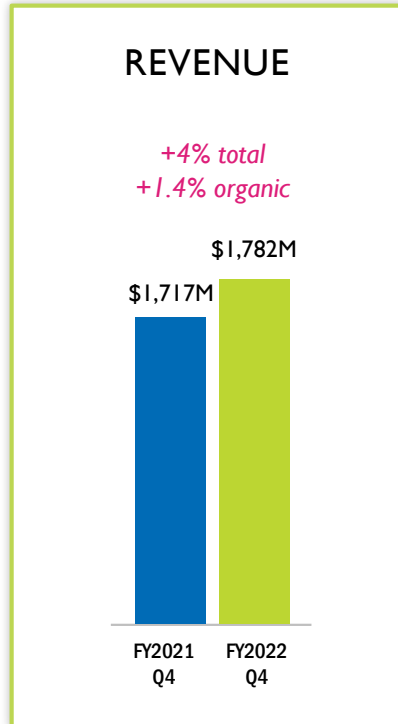
Plan to reduce total share count by ~8%-10% at year-end FY23 vs. FY21

Focus on organic growth, portfolio alignment, and capital allocation

*Adjusted EBITDA is a non-GAAP financial measure as defined and reconciled in the appendix of this presentation.



FY2022 Q4 Results⁽¹⁾



(1) Results of Science Applications International Corporation and its consolidated subsidiaries for the fourth quarters ended January 29, 2021 and January 28, 2022.

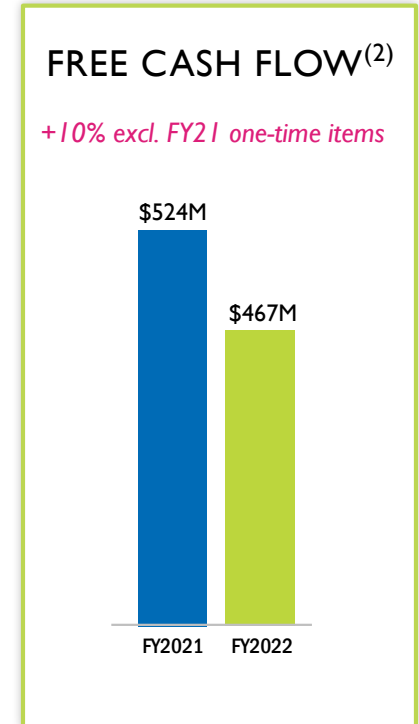
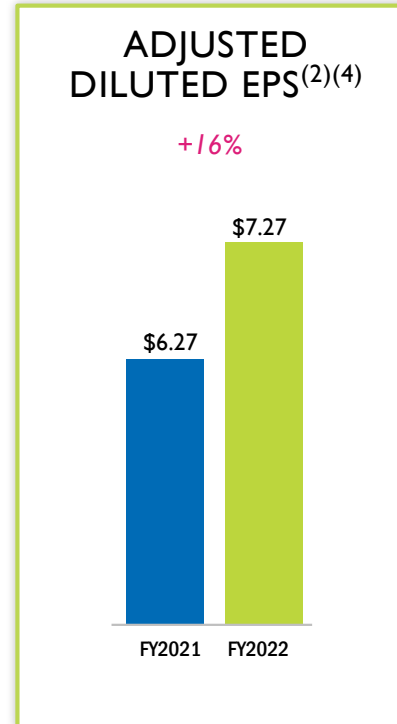
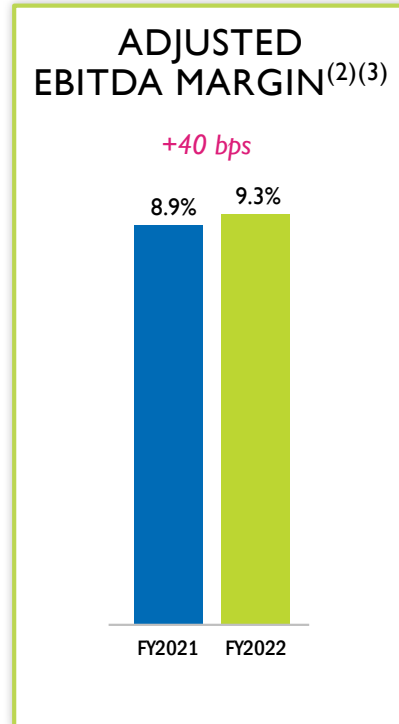
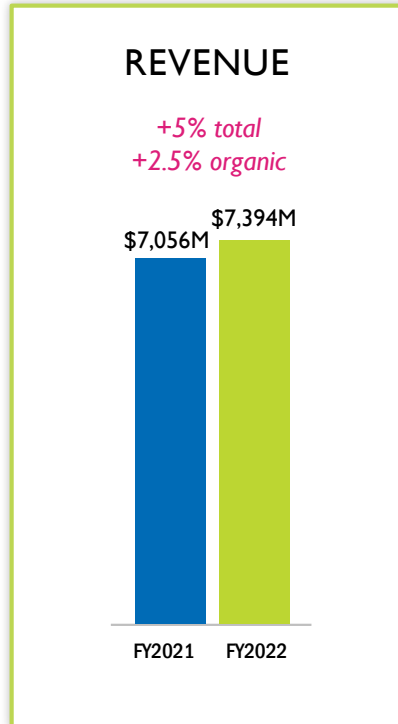
(2) Adjusted EBITDA, adjusted diluted earnings per share and free cash flow are non-GAAP financial measures as defined and reconciled in the appendix of this presentation.

(3) Excludes \$6 million dollars and \$21 million dollars in FY21 Q4 and FY22 Q4, respectively, of acquisition and integration costs and restructuring and impairment costs, net of recovery of acquisition and integration costs and restructuring and impairment costs and depreciation included in acquisition and integration costs.

(4) Excludes \$7 million dollars and \$21 million dollars in FY21 Q4 and FY22 Q4, respectively, of acquisition and integration costs and restructuring and impairment costs, net of recovery of acquisition and integration costs and restructuring and impairment costs.



FY2022 Results ⁽¹⁾



- (1) Results of Science Applications International Corporation and its consolidated subsidiaries for the fiscal years ended January 29, 2021 and January 28, 2022.
- (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 \$54 million dollars and \$56 million dollars through FY21 Q4 and FY22 Q4, respectively, of acquisition and integration costs and restructuring and impairment costs, net of recovery of acquisition and integration costs and restructuring and impairment costs and depreciation included in acquisition and integration costs.
- (4) Excludes \$55 million dollars and \$57 million dollars through FY21 Q4 and FY22 Q4, respectively, of acquisition and integration costs and restructuring and impairment costs, net of recovery of acquisition and integration costs and restructuring and impairment costs.



Fiscal Year 2023 Guidance

Current

Revenue	\$7.35B - \$7.55B	➤ New business, on-contract, and acquired revenue growth offset by contract transitions
Adjusted EBITDA % [*]	~8.9%	➤ Reflects continued, strong operating performance
Adjusted Diluted EPS [*]	\$6.80 - \$7.10	➤ Effective tax rate ~ 24% ➤ Interest expense ~\$115M, D&A ~\$165M ➤ Share repurchases of ~\$200M-\$250M
Free Cash Flow [*]	\$500M to \$530M	➤ ~\$50M FY21 deferred payroll taxes payment ➤ Capex ~\$35M

^{*}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.

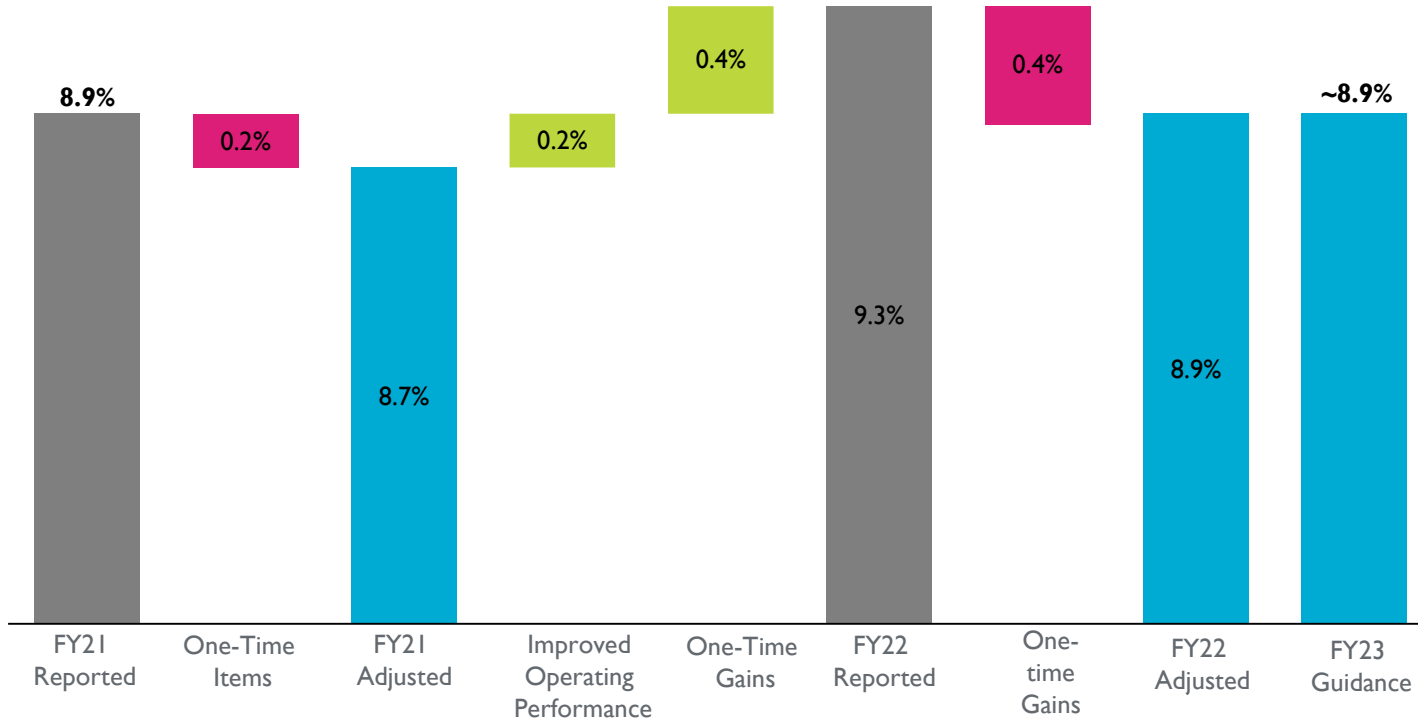
FY22 to FY23 Revenue Bridge



New business, program additions and extra week offset headwinds from recent losses



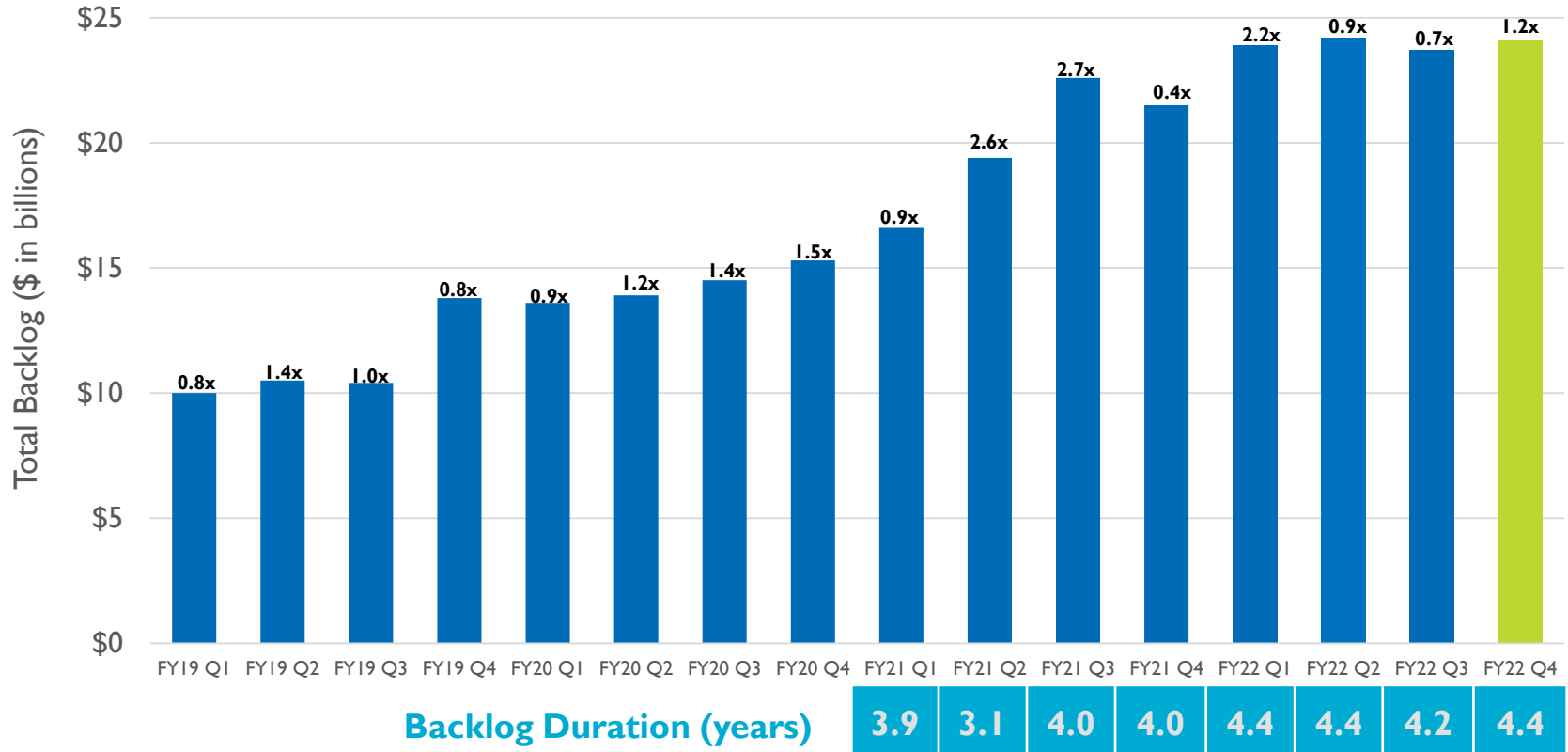
FY21 to FY23 Adjusted EBITDA Margin Bridge



Guidance reflects continued strong operating performance and appropriate internal investments



SAIC Historical Backlog and Book-to-Bill



FY22 Q4 BTB of 1.2x and Total Backlog of \$24.1B



Appendix

Working Days Per Quarter

	Q1	Q2	Q3	Q4	Total
FY23	64	62	63	65	254
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
FY23	6	7	6	7	26
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

	Three Months Ended		Year Ended	
	January 28, 2022	January 29, 2021	January 28, 2022	January 29, 2021
	(in millions)			
Net income	\$ 44	\$ 61	\$ 279	\$ 211
Interest expense and loss on sale of receivables	26	27	107	124
Interest income	—	—	—	(1)
Provision for income taxes	13	17	79	60
Depreciation and amortization	42	48	165	179
EBITDA⁽¹⁾	\$ 125	\$ 153	\$ 630	\$ 573
<i>EBITDA as a percentage of revenues</i>	<i>7.0 %</i>	<i>8.9 %</i>	<i>8.5 %</i>	<i>8.1 %</i>
Acquisition and integration costs	20	7	56	54
Restructuring and impairment costs	1	—	2	4
Depreciation included in acquisition and integration costs	—	(1)	(1)	(1)
Recovery of acquisition and integration costs and restructuring and impairment costs	—	—	(1)	(3)
Adjusted EBITDA⁽¹⁾	\$ 146	\$ 159	\$ 686	\$ 627
<i>Adjusted EBITDA as a percentage of revenues</i>	<i>8.2 %</i>	<i>9.3 %</i>	<i>9.3 %</i>	<i>8.9 %</i>
Operating income	\$ 85	\$ 102	\$ 462	\$ 390
<i>Operating income as a percentage of revenues</i>	<i>4.8 %</i>	<i>5.9 %</i>	<i>6.2 %</i>	<i>5.5 %</i>
Acquisition and integration costs	20	7	56	54
Restructuring and impairment costs	1	—	2	4
Recovery of acquisition and integration costs and restructuring and impairment costs	—	—	(1)	(3)
Adjusted operating income⁽¹⁾	\$ 106	\$ 109	\$ 519	\$ 445
<i>Adjusted operating income as a percentage of revenues</i>	<i>5.9 %</i>	<i>6.3 %</i>	<i>7.0 %</i>	<i>6.3 %</i>

(1) EBITDA is a performance measure that is calculated by taking net income and excluding interest and loss on sale of receivables, provision for income taxes, and depreciation and amortization. Adjusted EBITDA and adjusted operating income are performance measures that exclude acquisition and integration costs, impairments, restructuring costs, and any other material non-recurring costs that we do not consider to be indicative of our ongoing operating performance. The acquisition and integration costs relate to the Company's acquisitions of Engility, Unisys Federal, Halfaker and Associates and Koverse. The recovery of acquisition and integration costs and restructuring and impairment costs relate to costs recovered through the Company's indirect rates in accordance with Cost Accounting Standards. We believe that these performance measures provide management and investors with useful information in assessing trends in our ongoing operating performance and may provide greater visibility in understanding the long-term financial performance of the Company.



Non-GAAP Reconciliation – Adjusted Diluted Earnings per Share

	Three Months Ended		Year Ended	
	January 28, 2022	January 29, 2021	January 28, 2022	January 29, 2021
Diluted earnings per share	\$ 0.76	\$ 1.05	\$ 4.77	\$ 3.56
Acquisition and integration costs and restructuring and impairment costs, divided by diluted 'weighted-average number of shares outstanding' (WASO)	0.36	0.12	0.98	0.94
Tax effect of acquisition and integration costs and restructuring and impairment costs, divided by diluted WASO	(0.07)	(0.02)	(0.19)	(0.17)
Net effect of acquisition and integration costs and restructuring and impairment costs, divided by diluted WASO	0.29	0.10	0.79	0.77
Amortization of intangible assets, divided by diluted WASO	0.59	0.66	2.20	2.50
Tax effect of amortization of intangible assets, divided by diluted WASO	(0.14)	(0.14)	(0.49)	(0.56)
Net effect of amortization of intangible assets, divided by diluted WASO	0.45	0.52	1.71	1.94
Adjusted diluted earnings per share⁽¹⁾	\$ 1.50	\$ 1.67	\$ 7.27	\$ 6.27

- (1) Adjusted diluted earnings per share is a performance measure that excludes acquisition and integration costs, impairments, restructuring costs, and any other material non-recurring costs that we do not consider to be indicative of our ongoing operating performance. The acquisition and integration costs relate to the Company's acquisitions of Engility, Unisys Federal, Halfaker and Associates and Koverse. The acquisition and integration costs and restructuring and impairment costs are net of the portion of costs recovered through the Company's indirect rates in accordance with Cost Accounting Standards. Adjusted diluted earnings per share also excludes amortization of intangible assets because we do not have a history of significant acquisition activity, we do not acquire businesses on a predictable cycle, and the amount of an acquisition's purchase price allocated to intangible assets and the related amortization term are unique to each acquisition. We believe that this performance measure provides management and investors with useful information in assessing trends in our ongoing operating performance and may provide greater visibility in understanding the long-term financial performance of the Company.



Non-GAAP Reconciliation – Free Cash Flow

	Three Months Ended		Year Ended	
	January 28, 2022	January 29, 2021	January 28, 2022	January 29, 2021
	(in millions)			
Net cash provided by operating activities	\$ 103	\$ 53	\$ 518	\$ 755
Expenditures for property, plant, and equipment	(9)	(14)	(36)	(46)
Cash used (provided) by MARPA Facility	—	15	(15)	(185)
Free cash flow⁽¹⁾	\$ 94	\$ 54	\$ 467	\$ 524

(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 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.



Non-GAAP Reconciliation – FY23 Free Cash Flow Guidance

	FY23 Guidance
	(in millions)
Net cash provided by operating activities	\$535 to \$565
Expenditures for property, plant, and equipment	Approximately \$35
Free cash flow⁽¹⁾	\$500 to \$530

(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 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.



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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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