

Science Applications International Corporation (SAIC)

Fiscal Year 2021 Fourth Quarter and Year End Earnings Call

Supplemental Financial Presentation
March 25, 2021

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 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 25, 2021 along with listening to or reading a transcript of the management comments delivered in an earnings conference call held on March 25, 2021.

All information in these slides are as of March 25, 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

FY2021 Q4 Highlights

Solid Financial Results
Share Repurchases Re-Initiated

Q4 Total Revenue Growth of 11% (1% Internal Growth)
Q4 Adjusted EBITDA Margin* of 9.3%

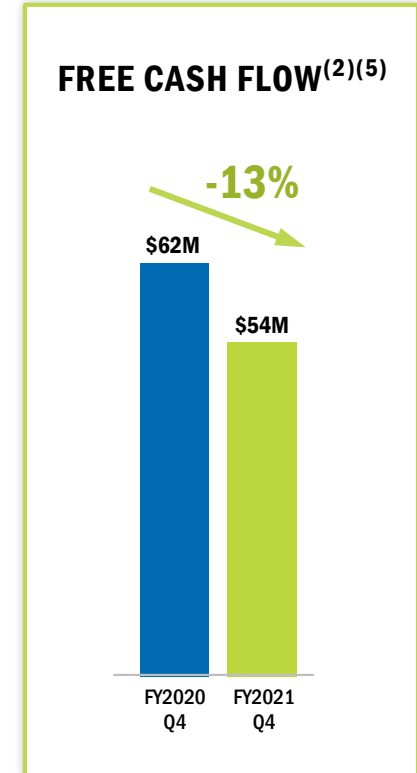
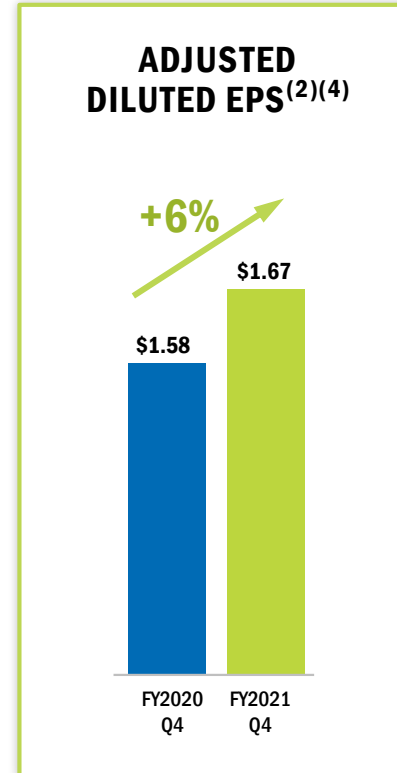
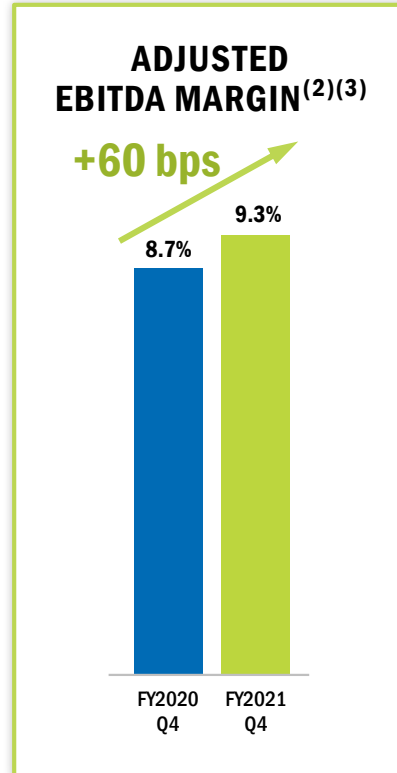
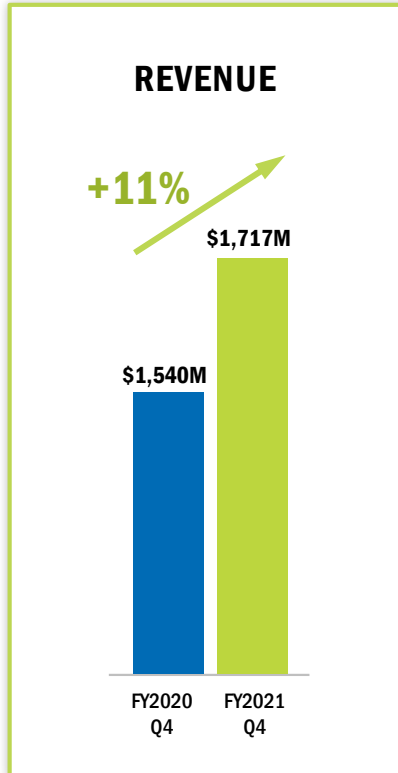
Continued Rapid De-Levering; Net Leverage of 3.7x

Q4 Book-to-Bill of 0.4x
Full Fiscal Year Book-to-Bill of 1.7x

Solid Performance in a Challenging Year

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

SAIC Fourth Quarter FY2021 Results ⁽¹⁾



(1) Results of Science Applications International Corporation and its consolidated subsidiaries for the fourth quarters ended January 31, 2020 and January 29, 2021.

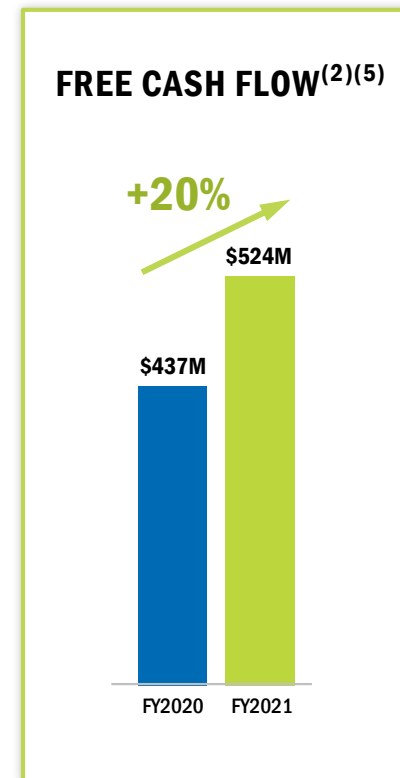
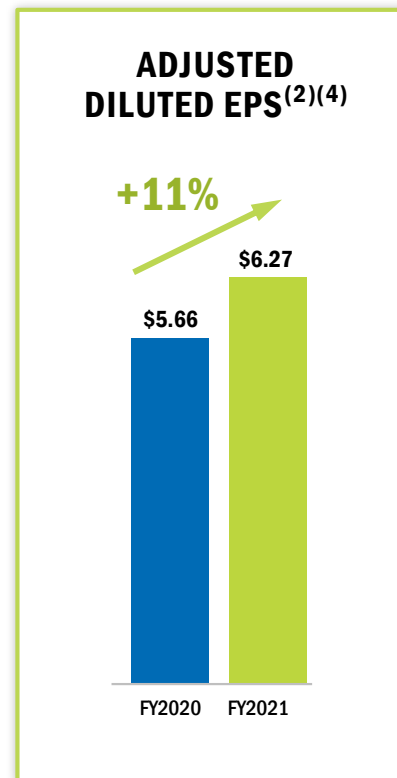
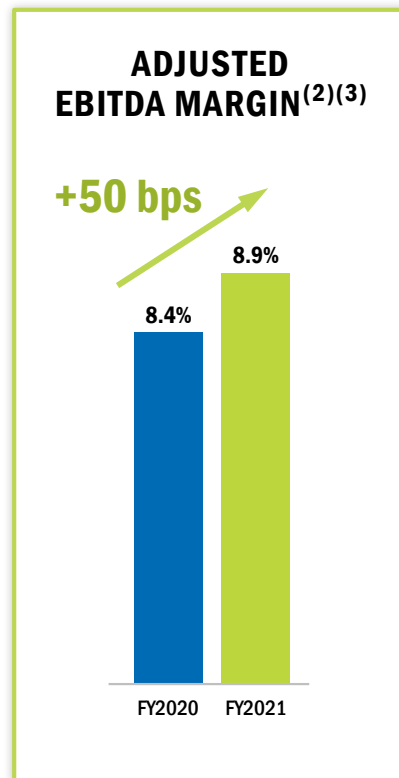
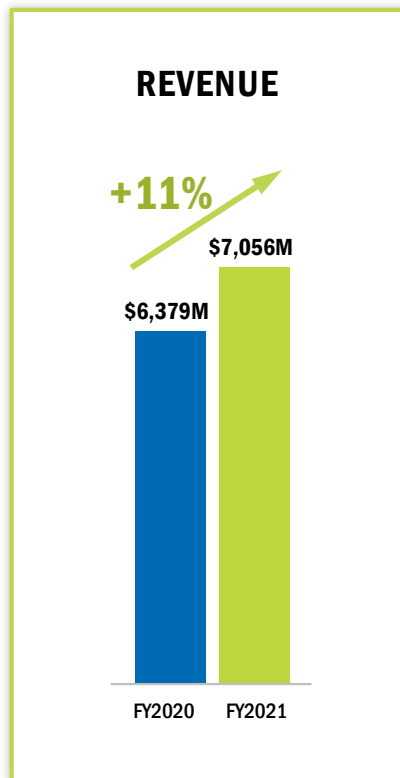
(2) Adjusted EBITDA, adjusted diluted earnings per share and free cash flow are non-GAAP financial measures as defined and reconciled in the appendix of this presentation.

(3) Excludes \$12 million dollars and \$6 million dollars in FY20 Q4 and FY21 Q4, respectively, of acquisition, integration and restructuring costs, net of recovery of acquisition, integration and restructuring costs and depreciation included in acquisition and integration costs.

(4) Excludes \$16 million dollars and \$7 million dollars in FY20 Q4 and FY21 Q4, respectively, of acquisition, integration and restructuring costs, net of recovery of acquisition, integration and restructuring costs.

(5) Excludes impact of sale of receivables through Master Accounts Receivable Purchase Agreement (MARPA).

SAIC FY2021 Results⁽¹⁾



- (1) Results of Science Applications International Corporation and its consolidated subsidiaries fiscal years ended January 31, 2020 and January 29, 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 \$35 million dollars and \$54 million dollars in FY20 and FY21, respectively, of acquisition, integration and restructuring costs, net of recovery of acquisition, integration and restructuring costs and depreciation included in acquisition and integration costs.
- (4) Excludes \$40 million dollars and \$55 million dollars in FY20 and FY21, respectively, of acquisition, integration and restructuring costs, net of recovery of acquisition, integration and restructuring costs.
- (5) Excludes impact of sale of receivables through Master Accounts Receivable Purchase Agreement (MARPA).

Fiscal Year 2022 Guidance

CURRENT

Revenue

\$7.1B – \$7.3B

- \$150M to \$200M of unfavorable impact due to COVID-19

Adjusted EBITDA %^{*}

8.6% to 8.8%

- \$10M to \$15M unfavorable pre-tax impact due to COVID-19

Adjusted Diluted EPS^{*}

\$6.00 – \$6.25

- Effective tax rate of ~24%
- Interest expense of ~\$110M
- Depreciation and amortization of ~\$150M

Free Cash Flow^{*}

\$430M to \$470M

- ~\$50M partial payment of FY21 deferred payroll taxes
- Capital expenditures of \$45M to \$55M

*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.

Fiscal Year 2022 Guidance Walks

	REVENUE
FY21 Actual	\$7,056M
New business (net)	Up to \$150M
COVID-19 recovery (net)	\$50M to \$100M
FY22 Guidance	\$7,100M to \$7,300M

	ADJUSTED EBITDA %
FY21 Actual	8.9%
FY21 Non-recurring program related items	(0.2%)
FY22 Guidance (reconciling to midpoint)	8.6% - 8.8%

	FREE CASH FLOW*
FY21 Actual	\$524M
Payroll tax deferral and payment	(\$155M)
EBITDA Growth	\$20M to \$40M
Cash taxes, interest, capex, working capital, other	\$40M to \$60M
FY22 Guidance	\$430M to \$470M

*excluding Master Accounts Receivable Purchasing Agreement (MARPA)

*Adjusted EBITDA % and free cash flow are non-GAAP financial measures as defined and reconciled in the appendix of this presentation.

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

Pay 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

	Three Months Ended		Year Ended	
	January 29, 2021	January 31, 2020	January 29, 2021	January 31, 2020
	(in millions)			
Net income	\$ 61	\$ 60	\$ 211	\$ 229
Interest expense and loss on sale of receivables	27	21	124	90
Interest income	—	(1)	(1)	(4)
Provision for income taxes	17	9	60	57
Depreciation and amortization	48	33	179	131
EBITDA⁽¹⁾	\$ 153	\$ 122	\$ 573	\$ 503
<i>EBITDA as a percentage of revenues</i>	<i>8.9 %</i>	<i>7.9 %</i>	<i>8.1 %</i>	<i>7.9 %</i>
Acquisition and integration costs	7	18	54	48
Restructuring costs	—	—	4	—
Depreciation included in acquisition and integration costs	(1)	(4)	(1)	(5)
Recovery of acquisition and integration costs and restructuring costs	—	(2)	(3)	(8)
Adjusted EBITDA⁽¹⁾	\$ 159	\$ 134	\$ 627	\$ 538
<i>Adjusted EBITDA as a percentage of revenues</i>	<i>9.3 %</i>	<i>8.7 %</i>	<i>8.9 %</i>	<i>8.4 %</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 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		Year Ended	
	January 29, 2021	January 31, 2020	January 29, 2021	January 31, 2020
Diluted earnings per share	\$ 1.05	\$ 1.01	\$ 3.56	\$ 3.83
Acquisition and integration costs and restructuring costs, divided by diluted 'weighted-average number of shares outstanding' (WASO)	0.12	0.27	0.94	0.67
Tax effect of acquisition and integration costs and restructuring costs, divided by diluted WASO	(0.02)	(0.03)	(0.17)	(0.13)
Net effect of acquisition and integration costs and restructuring costs, divided by diluted WASO	0.10	0.24	0.77	0.54
Amortization of intangible assets, divided by diluted WASO	0.66	0.38	2.50	1.61
Tax effect of amortization of intangible assets, divided by diluted WASO	(0.14)	(0.05)	(0.56)	(0.32)
Net effect of amortization of intangible assets, divided by diluted WASO	0.52	0.33	1.94	1.29
Adjusted diluted earnings per share⁽¹⁾	\$ 1.67	\$ 1.58	\$ 6.27	\$ 5.66

(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 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

Non-GAAP Reconciliation – Free Cash Flow

	Three Months Ended		Year Ended	
	January 29, 2021	January 31, 2020	January 29, 2021	January 31, 2020
	(in millions)			
Net cash provided by operating activities	\$ 53	\$ 69	\$ 755	\$ 458
Expenditures for property, plant, and equipment	(14)	(7)	(46)	(21)
Free cash flow⁽¹⁾	\$ 39	\$ 62	\$ 709	\$ 437
Cash used (provided) by MARPA Facility	15	—	(185)	—
Free cash flow excluding MARPA Facility⁽¹⁾	\$ 54	\$ 62	\$ 524	\$ 437

(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. 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.

Non-GAAP Reconciliation – FY22 Free Cash Flow Guidance

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

- (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. 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.