



SAIC EARNINGS RESULTS

MANAGEMENT'S PREPARED REMARKS

Toni Townes-Whitley, Chief Executive Officer
Prabu Natarajan, Chief Financial Officer

FIRST QUARTER FISCAL YEAR 2026 EARNINGS CALL
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JOSEPH DENARDI

Good morning and thank you for joining SAIC's first quarter Fiscal Year 2026 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 first quarter of Fiscal Year 2026 that ended May 2, 2025. 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. We may elect to update the forward-looking statements at some point in the future, but we specifically disclaim any obligation to do so.

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.

I will focus my remarks on an update of our current operating environment followed by a review of our business development and financial results in the quarter.

As I did last quarter, I want to start by thanking our employees for their dedication to our mission and their support of our customers.

While the operating environment has stabilized in recent months and recent budget developments provide improved clarity around future spending, we continue to see higher rates



of turnover among our customers contributing to procurement delays and award timelines moving to the right.

The year-to-date net impact to our financial results from the government's efficiency initiatives remain nominal with an estimated annualized revenue impact of less than 1%. We expect conditions to remain very fluid over the next few months as budget negotiations play out and agencies continue to implement the strategic priorities of this administration.

Our initial assessment of the President's GFY26 budget request is that the overall funding levels and strategic priorities create both opportunities and potential challenges but, on balance, are supportive of our growth strategy. We were encouraged to see a solid request for Defense spending with a proposed increase of 13% including reconciliation and political support to provide additional funding in excess of that requested. As the administration prioritizes spending with a focus on readiness, we do expect certain branches of the DoD to see stronger budget support than others with a particular emphasis on the Navy, Air Force, and Space Force. While the Army may face a more challenging budget outlook, we believe the balance we have across the Department of Defense with roughly comparable levels of revenue from these four branches positions us well to navigate these uncertain times.

The mission criticality of our work is evidenced by the durability of our portfolio throughout DOGE-related scrutiny in recent months and our ability to support many of the Department of Defense's 17 top priorities as detailed by Secretary Hegseth. We have key programs and demonstrated technical leadership in a number of these most notably: Southwest Border Activities, Homeland Missile Defense, Virginia-class Submarines, Priority Critical Cybersecurity, Core Readiness, and Combatant Command support agency funding. The strategy we began implementing roughly eighteen months ago to pivot our portfolio to mission and enterprise IT



aligns with the priorities of the new administration and the acceleration of technology adoption to increase lethality and efficiency.

The Space Development Agency's recent decision to include a mission integrator role for Tranche 3 after having not done so for Tranches 1 and 2 highlights the importance of integration to achieving complex outcomes on schedule. SAIC was awarded this new cost-plus program role in Q1 as part of a \$55M contract where we will leverage our proven expertise in mission integration and digital engineering to drive program success at speed.

Regarding non-defense budgets, the areas of focus for SAIC at our five largest civilian agency customers were well supported including:

1. Over \$1B of additional budget for the Department of Transportation to fund improvements at the FAA
2. Over \$40B to the Department of Homeland Security focused in part on procuring "advanced border security technology"
3. Stable funding for our Department of State IT operations as evidenced by the recent two-year extension awarded for our Vanguard program
4. Specific support for "technology improvements" to drive greater efficiency at the Department of Treasury
5. Over \$1B for the Department of Veterans Affairs to accelerate the modernization of health records and simplification of legacy IT systems

As a reminder, annual revenue from these top five agencies represents over 70% of total revenue for our Civilian segment.

I will now provide a review of our first quarter business development and financial results.



We delivered net bookings of \$2.4B for a book-to-bill of 1.3x which included securing a key recompetes – the five-year System Software Lifecycle Engineering contract for the Army and an eight year IT services program for the Pension Benefit Guaranty Corporation. In addition, subsequent to quarter close, we have received awards with a total contract value exceeding \$2B including a two year extension on our Department of State Vanguard program and a large new business win with the Air Force. While certain of the quarter to date awards remain in the protest window and may not be reflected in second quarter bookings as a result, we are pleased with the progress we are seeing in our business development efforts.

In the first quarter, we submitted proposals with a total contract value of \$7B, and we are seeing continued strong momentum in submit volume in the second quarter and expect to reach approximately \$28B-\$30B for the full year.

Our backlog of pending awards remains steady at approximately \$20B and provides us with good line of sight into continued improvement in bookings as we target 1.2x trailing twelve-month book-to-bill in the coming quarters. While our pipeline and backlog of submissions continues to support reaching this target by the second quarter, it is reasonable to assume that procurement delays could lead to this moving to the right by one to two quarters. We do not expect these potential award delays to materially impact our revenue performance in FY26 or FY27 assuming the broader operating environment remains stable.

I will now review our first quarter financial results.

We reported revenue of \$1.877B representing growth of approximately 2% due to the continued ramp on new and existing programs including T-Cloud, IMDC2, and GMASS which offset lower revenue from contract completions and transitions.

Adjusted EBITDA in the first quarter was \$157M, resulting in an adjusted EBITDA margin of 8.4%. Margin performance was impacted by the typical seasonality of investments including our



healthy submit volumes and higher costs on a fixed price program in our space business. Subsequent to quarter close, we received favorable option period extensions on this program and moved into the sustainment phase of this program which we expect will contribute to improved financial performance going forward.

Adjusted diluted earnings per share of \$1.92 was flat year-over-year as a lower share count offset a higher tax rate and lower adjusted EBITDA in the quarter.

Free cash flow was negative \$44M and was impacted by the timing of receivables on two programs which resulted in approximately \$75M shifting out of the first quarter. Shortly after quarter close, we caught up on one of those two programs, are making progress on the second, and do not expect this to impact full year guidance. The delays experienced are not related to program performance but rather to new personnel and processes in place at certain customers as we navigate these uncertain times with them.

Overall, we are off to a solid start in FY26 with palpable enthusiasm for the momentum we are building across the company. We expect to make further demonstrable progress against our strategy to position SAIC for sustained, profitable growth in the coming quarters and look forward to sharing our results with you.

I'll now turn the call over to Prabu.

PRABU NATARAJAN

Thank you Toni and good morning to those joining our call. My remarks today will focus on our outlook for FY26 and an update on our capital deployment plans.

Our guidance for revenue in a range of \$7.6B to \$7.75B represents organic growth of approximately 2.5% at the midpoint. We continue to expect growth of 1% to 3% in the first half of the year and 2% to 4% in the second half with the improving growth driven by new



business ramping up and a more modest headwind from contract transitions in the fourth quarter. Should the ramp on new business move to the right as a result of the macro environment, more of our growth in FY26 will need to come from on contract growth. This outlook is consistent with our prior framework.

We are reiterating our guidance for adjusted EBITDA and adjusted EBITDA margin. First quarter margins were impacted by the timing of investments that we typically see, higher bid and proposal costs related to procurement delays, and an unfavorable profit adjustment on a fixed-price program in our space business.

As Toni mentioned, subsequent to quarter close, we received an award exercising option periods for this fixed price program as it transitions into the sustainment phase over the coming weeks which along with the execution initiatives we have implemented should help improve margins going forward.

While we have some work to do to offset the first quarter headwind from these items, we remain focused on executing and delivering on our full-year margin guidance of 9.4% to 9.6%. As we have signaled before, our flexible cost structure permits us to calibrate our spend in line with the macro environment.

We are reiterating our full year adjusted diluted earnings per share guidance of \$9.10 to \$9.30 which assumes an effective tax rate of 23% and a weighted average share count of approximately 47 million.

Our free cash flow guidance of \$510M to \$530M equates to approximately \$11 per share of free cash flow. Despite 1Q free cash flow being impacted by slower collections on two programs, we expect trends to improve in 2Q. As a reminder, consistent with FY25, the timing of free cash flow in FY26 will be impacted by one additional payroll cycle in our first and third quarters which results in approximately \$125M of cash outflow in each quarter.



With regard to capital deployment, we repurchased approximately \$125M of shares in the first quarter. We continue to target annual repurchases in a range of \$350M to \$400M with additional capacity of \$150M to \$200M for either capability-focused, tuck-in M&A or incremental share repurchase. We remain well ahead of our 3 year capital deployment commitment on repurchases and have ample capacity for capability based tuck-ins.

With that, I will turn the call over to the operator to begin Q&A.