

Science Applications International Corporation (SAIC)
**Fiscal Year 2021 First Quarter
Earnings Call**

Supplemental Financial Information
June 4, 2020

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 June 4, 2020 along with listening to or reading a transcript of the management comments delivered in an earnings conference call held on June 4, 2020.

All information in these slides are as of June 4, 2020. 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 S. Keene
Chief Executive Officer



Charles A. Mathis
Chief Financial Officer

FY2021 Q1 Highlights

Modest Impact from COVID-19, Resilient Business and Market Completed Acquisition of Unisys Federal, Integration on Track

Q1 Total Revenue Growth of 9%
(3% Internal Revenue Growth, 5% After Adjusting for COVID-19 impact)
Q1 Adjusted EBITDA Margin* of 7.8%, 30 bps impact from COVID-19

Strong Q1 Free Cash Flow* Generation of \$158M**
\$125M of Voluntary Debt Repayments After Quarter-End

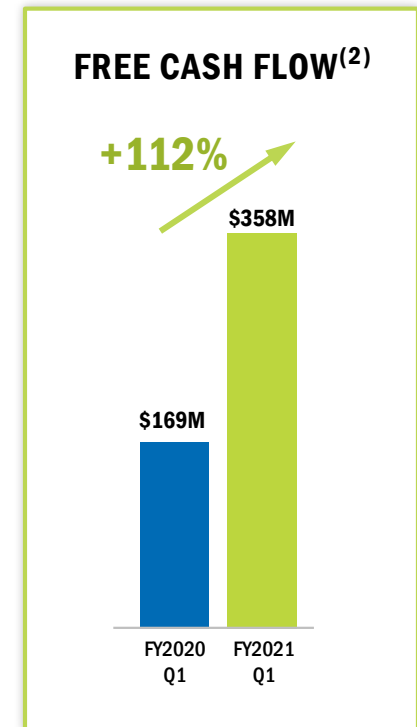
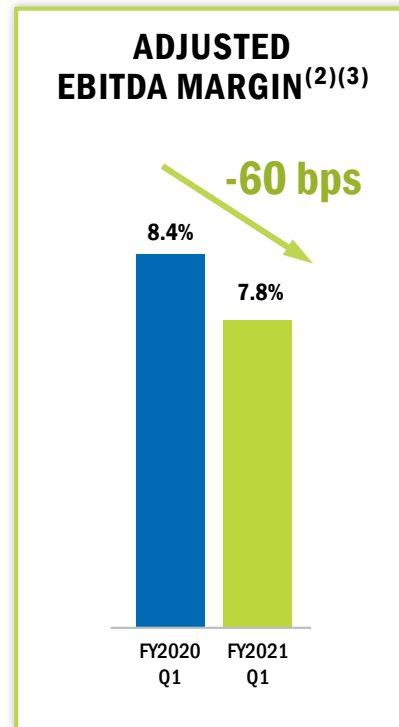
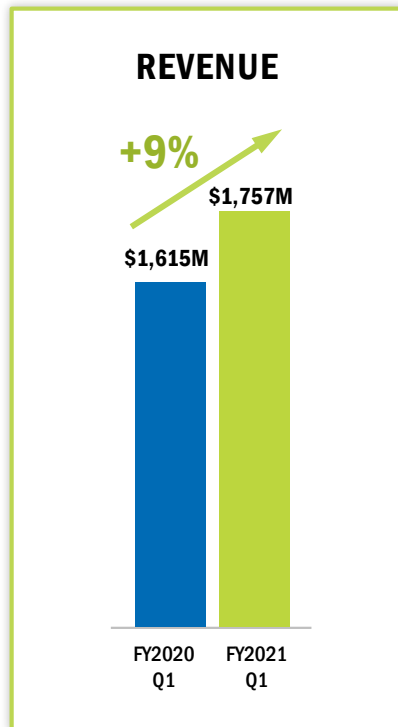
Q1 Book to Bill of 0.9
\$4.6B of Single-Award IDIQ Value, Not Included in Q1 Bookings

Resilient Business with Organic Revenue Growth

*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.

**Excludes first quarter cash flow impact of \$200 million as a result of sale of receivables through the Master Accounts Receivable Purchasing Agreement

SAIC First Quarter FY2021 Results ⁽¹⁾



- (1) Results of Science Applications International Corporation and its consolidated subsidiaries for the first quarter ended May 3, 2019 and May 1, 2020.
- (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 \$8 million dollars and \$28 million dollars in FY20 Q1 and FY21 Q1, respectively, of acquisition and integration costs, net of recovery of acquisition and integration costs.

Fiscal Year 2021 Guidance

Current

Revenue

\$7.1B - \$7.3B

- 10.5 months of Unisys Federal
- ~\$150M of unfavorable impact due to COVID-19
- Guided range reflects 1% - 4% organic growth

Adjusted Diluted EPS^{*}

\$5.80 - \$6.10

- ~\$25M unfavorable pre-tax impact due to COVID-19
- Effective tax rate of 23% - 25%

Free Cash Flow^{*}

meet or exceed \$500M

- ~\$70M of positive impact from deferred payroll taxes as afforded by the CARES Act
- ~\$20M of negative impact due to COVID-19 reduced profitability
- Excludes \$200M impact from Q1 sale of receivables**

*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.

**Master Accounts Receivable Purchase Agreement entered into in the first quarter of fiscal year 2021 as part of the acquisition of Unisys Federal.

Appendix

Working Days Per Quarter

	Q1	Q2	Q3	Q4	Total
FY21	64	63	63	60	250
FY20	64	63	63	60	250
FY19	64	63	63	60	250
FY18	64	63	64	59	250

Pay Periods Per Quarter

	Q1	Q2	Q3	Q4	Total
FY21	6	7	6	7	26
FY20	6	7	6.5*	7	26
FY19	6	7	6	7	26
FY18	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	
	May 1, 2020	May 3, 2019
	(in millions)	
Net income	\$ 37	\$ 56
Interest expense and loss on sale of receivables	32	25
Interest income	(1)	(1)
Provision for income taxes	8	14
Depreciation and amortization	33	33
EBITDA⁽¹⁾	109	127
<i>EBITDA as a percentage of revenues</i>	<i>6.2%</i>	<i>7.9%</i>
Acquisition and integration costs	29	10
Recovery of acquisition and integration costs	(1)	(2)
Adjusted EBITDA⁽¹⁾	\$ 137	\$ 135
<i>Adjusted EBITDA as a percentage of revenues</i>	<i>7.8%</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 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	
	May 1, 2020	May 3, 2019
Diluted earnings per share	\$ 0.62	\$ 0.92
Acquisition and integration costs, divided by diluted 'weighted-average number of shares outstanding' (WASO)	0.48	0.13
Tax effect of acquisition and integration costs, divided by diluted WASO	(0.08)	(0.03)
Net effect of acquisition and integration costs, divided by diluted WASO	0.40	0.10
Amortization of intangible assets, divided by diluted WASO	0.44	0.42
Tax effect of amortization of intangible assets, divided by diluted WASO	(0.08)	(0.08)
Net effect of amortization of intangible assets, divided by diluted WASO	0.36	0.34
Adjusted diluted earnings per share⁽¹⁾	\$ 1.38	\$ 1.36

(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

Non-GAAP Reconciliation - Free Cash Flow

	Three Months Ended	
	May 1, 2020	May 3, 2019
	(in millions)	
Net cash provided by operating activities	\$ 367	\$ 178
Expenditures for property, plant, and equipment	(9)	(9)
Free cash flow⁽¹⁾	\$ 358	\$ 169
Cash used (provided) by MARPA Facility	(200)	—
Free cash flow excluding MARPA Facility⁽¹⁾	\$ 158	\$ 169

(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.