

---

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 10-Q**

**(Mark One)**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended May 3, 2024

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission File Number 001-35832**

**Science Applications International Corporation**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**46-1932921**

(I.R.S. Employer Identification No.)

**12010 Sunset Hills Road, Reston, Virginia**

(Address of principal executive offices)

**20190**

(Zip Code)

**(703) 676-4300**

(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$.0001 per share	SAIC	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares issued and outstanding of the registrant's common stock as of May 24, 2024 was as follows:

51,231,156 shares of common stock (\$.0001 par value per share)

---

---

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION  
FORM 10-Q  
TABLE OF CONTENTS

---

	<u>Page</u>
<b>Part I</b>	<b><u>Financial Information</u></b>
Item 1	<u>Financial Statements</u> 1
	<u>Condensed Consolidated Statements of Income</u> 1
	<u>Condensed Consolidated Statements of Comprehensive Income</u> 2
	<u>Condensed Consolidated Balance Sheets</u> 3
	<u>Condensed Consolidated Statements of Equity</u> 4
	<u>Condensed Consolidated Statements of Cash Flows</u> 5
	<u>Notes to Condensed Consolidated Financial Statements</u> 6
	<u>Note 1—Business Overview and Summary of Significant Accounting Policies</u> 6
	<u>Note 2—Earnings Per Share, Share Repurchases and Dividends</u> 9
	<u>Note 3—Revenues</u> 9
	<u>Note 4—Divestitures</u> 12
	<u>Note 5—Goodwill and Intangible Assets</u> 13
	<u>Note 6—Income Taxes</u> 14
	<u>Note 7—Debt Obligations</u> 14
	<u>Note 8—Derivative Instruments Designated as Cash Flow Hedges</u> 16
	<u>Note 9—Changes in Accumulated Other Comprehensive Income (Loss) by Component</u> 16
	<u>Note 10—Sales of Receivables</u> 17
	<u>Note 11—Business Segments Information</u> 17
	<u>Note 12—Legal Proceedings and Other Commitments and Contingencies</u> 17
Item 2	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> 20
Item 3	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 28
Item 4	<u>Controls and Procedures</u> 28
<b>Part II</b>	<b><u>Other Information</u></b> 29
Item 1	<u>Legal Proceedings</u> 29
Item 1A	<u>Risk Factors</u> 29
Item 2	<u>Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities</u> 29
Item 3	<u>Defaults Upon Senior Securities</u> 29
Item 4	<u>Mine Safety Disclosures</u> 29
Item 5	<u>Other Information</u> 29
Item 6	<u>Exhibits</u> 30
	<u>Signatures</u> 31

## PART I—FINANCIAL INFORMATION

Item 1. *Financial Statements*SCIENCE APPLICATIONS INTERNATIONAL CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(UNAUDITED)

	Three Months Ended	
	May 3, 2024	May 5, 2023
	(in millions, except per share amounts)	
Revenues	\$ 1,847	\$ 2,028
Cost of revenues	1,634	1,793
Selling, general and administrative expenses	85	84
(Gain) loss on divestitures, net of transaction costs	—	(6)
Other operating (income) expense	(3)	—
Operating income	131	157
Interest expense, net	34	32
Other (income) expense, net	2	2
Income before income taxes	95	123
Provision for income taxes	(18)	(25)
Net income	\$ 77	\$ 98
Earnings per share:		
Basic	\$ 1.49	\$ 1.80
Diluted	\$ 1.48	\$ 1.79

See accompanying notes to condensed consolidated financial statements.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(UNAUDITED)**

	Three Months Ended	
	May 3, 2024	May 5, 2023
	(in millions)	
Net income	\$ 77	\$ 98
Other comprehensive income (loss), net of tax:		
Net unrealized gain (loss) on derivative instruments	3	(6)
Total other comprehensive income (loss), net of tax	3	(6)
Comprehensive income	\$ 80	\$ 92

See accompanying notes to condensed consolidated financial statements.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

	May 3, 2024	February 2, 2024
	(in millions)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 49	\$ 94
Receivables, net	934	914
Prepaid expenses and other current assets	108	123
Total current assets	1,091	1,131
Goodwill	2,851	2,851
Intangible assets, net	865	894
Property, plant, and equipment (net of accumulated depreciation of \$188 million and \$184 million at May 3, 2024 and February 2, 2024, respectively)	93	91
Operating lease right of use assets	148	152
Other assets	202	195
Total assets	\$ 5,250	\$ 5,314
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 648	\$ 567
Accrued payroll and employee benefits	287	370
Other accrued liabilities	129	144
Long-term debt, current portion	90	77
Total current liabilities	1,154	1,158
Long-term debt, net of current portion	1,993	2,022
Operating lease liabilities	136	147
Deferred income taxes	29	28
Other long-term liabilities	179	174
Commitments and contingencies (Note 12)		
Equity:		
Common stock, \$0.0001 par value, 1 billion shares authorized, 51 million and 52 million shares issued and outstanding as of May 3, 2024 and February 2, 2024, respectively	—	—
Additional paid-in capital	251	337
Retained earnings	1,489	1,432
Accumulated other comprehensive income	19	16
Total stockholders' equity	1,759	1,785
Total liabilities and stockholders' equity	\$ 5,250	\$ 5,314

See accompanying notes to condensed consolidated financial statements.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**  
**(UNAUDITED)**

	Shares of common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Non- controlling interest	Total
	(in millions)					
<b>Balance at February 2, 2024</b>	<b>52</b>	<b>\$ 337</b>	<b>\$ 1,432</b>	<b>\$ 16</b>	<b>\$ —</b>	<b>\$ 1,785</b>
Net income	—	—	77	—	—	77
Issuances of stock	—	4	—	—	—	4
Other comprehensive income, net of tax	—	—	—	3	—	3
Cash dividends of \$0.37 per share	—	—	(20)	—	—	(20)
Stock-based compensation, net of shares withheld for taxes <sup>(1)</sup>	—	(9)	—	—	—	(9)
Repurchases of stock	(1)	(81)	—	—	—	(81)
<b>Balance at May 3, 2024</b>	<b>51</b>	<b>\$ 251</b>	<b>\$ 1,489</b>	<b>\$ 19</b>	<b>\$ —</b>	<b>\$ 1,759</b>
<b>Balance at February 3, 2023</b>	<b>54</b>	<b>\$ 637</b>	<b>\$ 1,035</b>	<b>\$ 22</b>	<b>\$ 10</b>	<b>\$ 1,704</b>
Net income	—	—	98	—	—	98
Issuances of stock	1	4	—	—	—	4
Other comprehensive loss, net of tax	—	—	—	(6)	—	(6)
Cash dividends of \$0.37 per share	—	—	(20)	—	—	(20)
Stock-based compensation, net of shares withheld for taxes <sup>(1)</sup>	—	(7)	—	—	—	(7)
Repurchases of stock	(1)	(71)	—	—	—	(71)
Deconsolidation of non-controlling interest	—	—	—	—	(10)	(10)
<b>Balance at May 5, 2023</b>	<b>54</b>	<b>\$ 563</b>	<b>\$ 1,113</b>	<b>\$ 16</b>	<b>\$ —</b>	<b>\$ 1,692</b>

(1) During the three months ended May 3, 2024 and May 5, 2023, shares withheld for taxes related to stock-based compensation arrangements amounted to \$22 million and \$19 million, respectively.

See accompanying notes to condensed consolidated financial statements.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	Three Months Ended	
	May 3, 2024	May 5, 2023
	(in millions)	
Cash flows from operating activities:		
Net income	\$ 77	\$ 98
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	35	36
Deferred income taxes	—	(6)
Stock-based compensation expense	13	12
(Gain) loss on divestitures	—	(7)
Other	(1)	(1)
Increase (decrease) resulting from changes in operating assets and liabilities, net of the effect of divestitures:		
Receivables	(20)	(127)
Prepaid expenses and other current assets	15	4
Other assets	—	4
Accounts payable and accrued liabilities	60	113
Accrued payroll and employee benefits	(83)	(43)
Operating lease assets and liabilities, net	(3)	(3)
Other long-term liabilities	5	2
Net cash provided by operating activities	98	82
Cash flows from investing activities:		
Expenditures for property, plant, and equipment	(6)	(6)
Purchases of marketable securities	(4)	(3)
Sales of marketable securities	4	1
Proceeds from assets held for sale	—	355
Cash divested upon deconsolidation of joint venture	—	(8)
Other	(1)	(3)
Net cash (used in) provided by investing activities	(7)	336
Cash flows from financing activities:		
Dividend payments to stockholders	(20)	(21)
Principal payments on borrowings	(310)	(160)
Issuances of stock	4	4
Stock repurchased and retired or withheld for taxes on equity awards	(103)	(88)
Proceeds from borrowings	293	160
Net cash used in financing activities	(136)	(105)
Net (decrease) increase in cash, cash equivalents and restricted cash	(45)	313
Cash, cash equivalents and restricted cash at beginning of period	103	118
Cash, cash equivalents and restricted cash at end of period	\$ 58	\$ 431

See accompanying notes to condensed consolidated financial statements.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

---

**Note 1—Business Overview and Summary of Significant Accounting Policies:**

***Overview***

Science Applications International Corporation (collectively, with its consolidated subsidiaries, the “Company”) is a leading provider of technical, engineering and enterprise information technology (“IT”) services primarily to the U.S. government. The Company integrates emerging technology securely and in real-time into mission critical operations that modernize and enable national imperatives. The Company provides these services for large, complex projects with a targeted emphasis on higher-end, differentiated technology services and solutions that accelerate and transform secure and resilient digital environments through system development, modernization, integration, and sustainment to drive enterprise and mission outcomes.

Effective February 3, 2024, the first day of fiscal 2025, the Company completed a business reorganization which replaced its previous two customer facing operating sectors with five customer facing business groups supported by the enterprise organizations, including the Innovation Factory. The Company’s five business groups, which are also its operating segments, are aggregated into two reportable segments for financial reporting purposes given the similarity in economic and qualitative characteristics, and based on the nature of the customers they serve. The Company’s two reportable segments are the Defense and Intelligence segment and the Civilian segment.

The Defense and Intelligence segment provides a diverse portfolio of national security solutions to the defense and intelligence departments and agencies of the United States Government.

The Civilian segment provides solutions to the civilian markets, encompassing federal, state, and local governments, in order to deliver services for citizen well-being and protecting lives. This includes integrating solutions into a spectrum of public service missions that impact travel, trade, health and the economy.

The offerings of both reportable segments entail the integration of emerging technologies into mission critical operations that modernize and enable national imperatives, including IT modernization, digital engineering, artificial intelligence (“AI”), mission systems support, training and simulation, and ground vehicles support. These services include end-to-end solutions spanning the design, development, integration, deployment, management and operations, sustainment and security of the customers’ entire IT infrastructure.

The Company’s Innovation Factory supports the operating segments by developing enterprise-class solutions which are delivered to the Company’s customers as stand-alone solutions or integrated with and aligned to product offerings through the operations of the business to meet complex customer needs and accelerate digital transformation. The Innovation Factory includes designated teams focused on AI, application development, network services, platforms and cloud, and cyber. It uses a highly automated, cloud-hosted tool set to rapidly build, test and deploy solutions quickly and works with customers to enhance solutions going forward.

Costs associated with corporate functions that are not allocable to the reportable segments are presented as Corporate activities. See Note 11—Business Segments Information for additional information.

Within this report, the Company has recast historical financial information to reflect the new reportable segments. The recast historical information has no impact on the Company’s previously reported condensed consolidated financial statements.

***Principles of Consolidation and Basis of Presentation***

References to “financial statements” refer to the condensed consolidated financial statements of the Company, which include the statements of income and comprehensive income, balance sheets, statements of equity and statements of cash flows. These financial statements were prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). All intercompany transactions and account balances within the Company have been eliminated.



**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

---

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Interest income was reclassified from "Other (income) expense, net" to "Interest expense, net" on the condensed consolidated statements of income, gains on divestitures, net of transaction costs were reclassified from "Other operating (income) expense" to "(Gain) loss on divestitures, net of transaction costs" on the condensed consolidated statements of income, and "Accounts Payable" is now presented separately from "Other accrued liabilities" on the condensed consolidated balance sheets. The results reported in these financial statements are not necessarily indicative of results that may be expected for the entire year and should be read in conjunction with the information contained in the Company's Annual Report on Form 10-K for the year ended February 2, 2024.

#### ***Use of Estimates***

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Significant estimates inherent in the preparation of the financial statements may include, but are not limited to, estimated profitability of long-term contracts, income taxes, fair value measurements, fair value of goodwill and other intangible assets, pension and defined benefit plan obligations, and contingencies. Estimates have been prepared by management on the basis of the most current and best available information at the time of estimation and actual results could differ from those estimates.

#### ***Reporting Periods***

The Company utilizes a 52/53 week fiscal year ending on the Friday closest to January 31, with fiscal quarters typically consisting of 13 weeks. Fiscal 2025 began on February 3, 2024 and ends on January 31, 2025, while fiscal 2024 began on February 4, 2023 and ended on February 2, 2024.

#### ***Operating Cycle***

The Company's operating cycle may be greater than one year and is measured by the average time intervening between the inception and the completion of contracts.

#### ***Derivative Instruments Designated as Cash Flow Hedges***

Derivative instruments are recorded on the condensed consolidated balance sheets at fair value. Unrealized gains and losses on derivatives designated as cash flow hedges are reported in other comprehensive income (loss) and reclassified to earnings in a manner that matches the timing of the earnings impact of the hedged transactions. Settlement amounts related to derivatives designated as cash flow hedges are presented within operating activities on the condensed consolidated statement of cash flows.

The Company's fixed interest rate swaps are considered over-the-counter derivatives, and their fair value is calculated using a standard pricing model for interest rate swaps with contractual terms for maturities, amortization and interest rates. Level 2, or market observable inputs (such as yield and credit curves), are used within the standard pricing models in order to determine fair value. The fair value is an estimate of the amount that the Company would pay or receive as of a measurement date if the agreements were transferred to a third party. See Note 8—Derivative Instruments Designated as Cash Flow Hedges for further discussion on the Company's derivative instruments designated as cash flow hedges.

#### ***Marketable Securities***

Investments in marketable securities consist of equity securities, which are recorded at fair value using observable inputs such as quoted prices in active markets (Level 1). As of May 3, 2024 and February 2, 2024, the fair value of the Company's investments totaled \$32 million, and are included in "Other assets" on the condensed consolidated balance sheets. The Company's investments are primarily held in a custodial account, which includes investments to fund its deferred compensation plan liabilities.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

### **Cash, Cash Equivalents and Restricted Cash**

The following table provides a reconciliation of cash, cash equivalents and restricted cash to amounts reported on the condensed consolidated balance sheets for the periods presented:

	May 3, 2024	February 2, 2024
	(in millions)	
Cash and cash equivalents	\$ 49	\$ 94
Restricted cash included in prepaid expenses and other current assets	4	4
Restricted cash included in other assets	5	5
Cash, cash equivalents and restricted cash	\$ 58	\$ 103

### **Restructuring Costs**

The Company periodically initiates restructuring activities to support business strategies, realign resources, and enhance its operational efficiency. Restructuring costs may include severance and other employee related termination costs, costs associated with consolidating or closing facilities and consulting costs.

Restructuring costs for the three months ended May 3, 2024 were \$2 million and were primarily related to activities associated with the reorganization of its business sectors into business groups. Restructuring costs for the three months ended May 5, 2023 were \$1 million and were primarily associated with the optimization and consolidation of certain facilities. Restructuring costs are presented within "Selling, general and administrative expenses" on the condensed consolidated statements of income.

### **Investments in Equity Securities**

The Company invests in certain companies that advance or develop new technologies applicable to its business. The Company also occasionally forms joint ventures as a part of its investment strategy for the purpose of bidding and executing on specific projects. Each investment is evaluated for consolidation under the variable interest entities ("VIEs") model and/or the voting interest model. The results of these investments are not material to the condensed consolidated financial statements for the periods presented.

The Company applies the equity method of accounting to its unconsolidated investments when it has the ability to exercise significant influence over the entity and recognizes its proportionate share of the entities' net income or loss within "Other operating (income) expense" on the condensed consolidated statements of income. Equity investments in entities over which the Company does not have the ability to exercise significant influence and whose securities do not have a readily determinable fair value and do not qualify to be measured at their Net Asset Value per share (or equivalent) are carried at cost or cost net of other-than-temporary impairments.

### **Accounting Standards Updates**

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The standard includes amendments that enhance annual income tax disclosures, primarily through standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. The standard is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments can be applied on a prospective or retrospective basis. The Company plans to adopt this standard in fiscal 2026 and is currently evaluating the impact of adoption of this standard on its condensed consolidated financial statements and related disclosures.

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. Amongst other amendments, the standard requires annual and interim disclosures of significant segment expenses that are regularly provided to the chief operating decision maker ("CODM"), and interim disclosures about a reportable segment's profit or loss and assets that are currently required annually. This standard does not change how an entity identifies its operating segments, aggregates those operating segments, or applies the quantitative thresholds to determine its reportable segments. The standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

beginning after December 15, 2024. Early adoption is permitted. The Company plans to adopt the annual disclosure in fiscal 2025 and the interim disclosure in fiscal 2026 and is currently evaluating the impact of adoption of this standard on its condensed consolidated financial statements.

**Note 2—Earnings Per Share, Share Repurchases and Dividends:**

**Earnings Per Share ("EPS")**

Basic EPS is computed by dividing net income by the basic weighted-average number of shares outstanding. Diluted EPS is computed similarly to basic EPS, except the weighted-average number of shares outstanding is increased to include the dilutive effect of outstanding stock-based awards. The dilutive effect of outstanding stock-based awards is computed using the treasury stock method.

The following table provides a reconciliation of the weighted-average number of shares outstanding used to compute basic and diluted EPS for the periods presented:

	Three Months Ended	
	May 3, 2024	May 5, 2023
	(in millions)	
Basic weighted-average number of shares outstanding	51.6	54.3
Dilutive common share equivalents - stock options and other stock-based awards	0.5	0.5
Diluted weighted-average number of shares outstanding	52.1	54.8

Antidilutive stock awards excluded from the weighted-average number of shares outstanding used to compute diluted EPS for the three months ended May 3, 2024 and May 5, 2023 were immaterial.

**Share Repurchases**

The Company may repurchase shares in accordance with established repurchase plans. The Company retires its common stock upon repurchase with the excess over par value allocated to additional paid-in capital. The Company has not made any material purchases of common stock other than in connection with established share repurchase plans. In June 2022, the number of shares of the Company's common stock that may be repurchased under the Company's existing repurchase plan was increased by 8.0 million shares, bringing the total authorized shares to be repurchased under the plan to approximately 24.4 million shares. As of May 3, 2024, the Company has repurchased approximately 20.9 million shares of its common stock under the plan.

**Dividends**

The Company declared and paid a quarterly dividend of \$0.37 per share of its common stock during the three months ended May 3, 2024. Subsequent to the end of the quarter, on May 30, 2024, the Company's Board of Directors declared a quarterly dividend of \$0.37 per share of the Company's common stock payable on July 26, 2024 to stockholders of record on July 12, 2024.

**Note 3—Revenues:**

**Changes in Estimates on Contracts**

Changes in estimates of revenues, cost of revenues or profits related to performance obligations satisfied over time are recognized in operating income in the period in which such changes are made for the inception-to-date effect of the changes. Changes in these estimates can occur routinely over the performance period for a variety of reasons, which include: changes in scope; changes in cost estimates due to unanticipated cost growth or reassessments of risks impacting costs; changes in the estimated transaction price, such as variable amounts for incentive or award fees; and performance being better or worse than previously estimated.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

A significant portion of the Company's contracts recognize revenue on performance obligations using a cost input measure (cost-to-cost), which requires estimates of total costs at completion. In cases when total expected costs exceed total estimated revenues for a performance obligation, the Company recognizes the total estimated loss in the quarter identified. Total estimated losses are inclusive of any unexercised options that are probable of award, only if they increase the amount of the loss.

Aggregate net changes in estimates on contracts accounted for using the cost-to-cost method of accounting were recognized in operating income as follows:

	Three Months Ended	
	May 3, 2024	May 5, 2023
	(in millions, except per share amounts)	
Net favorable adjustments	\$ 1	\$ 5
Net favorable adjustments, after tax	1	4
Diluted EPS impact	\$ 0.02	\$ 0.07

Revenues were \$1 million and \$5 million higher for the three months ended May 3, 2024 and May 5, 2023, respectively, due to net revenue recognized from performance obligations satisfied in prior periods.

### **Disaggregation of Revenues**

The Company's revenues are generated primarily from long-term contracts with the U.S. government including subcontracts with other contractors engaged in work for the U.S. government. The Company disaggregates revenues by customer, contract type and prime versus subcontractor to the federal government for each of its reportable segments.

Disaggregated revenues by customer were as follows:

	Three Months Ended May 3, 2024		
	Defense and Intelligence	Civilian	Total
	(in millions)		
Department of Defense	\$ 974	\$ 2	\$ 976
Intelligence and other federal government agencies	458	376	834
Commercial, state and local governments and international	4	33	37
<b>Total</b>	<b>\$ 1,436</b>	<b>\$ 411</b>	<b>\$ 1,847</b>

	Three Months Ended May 5, 2023		
	Defense and Intelligence	Civilian	Total
	(in millions)		
Department of Defense	\$ 1,069	\$ 2	\$ 1,071
Intelligence and other federal government agencies	524	396	920
Commercial, state and local governments and international	4	33	37
<b>Total</b>	<b>\$ 1,597</b>	<b>\$ 431</b>	<b>\$ 2,028</b>

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

Disaggregated revenues by contract type were as follows:

	Three Months Ended May 3, 2024		
	Defense and Intelligence	Civilian	Total
	(in millions)		
Cost reimbursement	\$ 1,134	\$ 21	\$ 1,155
Time and materials ("T&M")	149	268	417
Firm-fixed price ("FFP")	153	122	275
<b>Total</b>	<b>\$ 1,436</b>	<b>\$ 411</b>	<b>\$ 1,847</b>

	Three Months Ended May 5, 2023		
	Defense and Intelligence	Civilian	Total
	(in millions)		
Cost reimbursement	\$ 1,091	\$ 21	\$ 1,112
Time and materials ("T&M")	114	253	367
Firm-fixed price ("FFP")	392	157	549
<b>Total</b>	<b>\$ 1,597</b>	<b>\$ 431</b>	<b>\$ 2,028</b>

Disaggregated revenues by prime versus subcontractor were as follows:

	Three Months Ended May 3, 2024		
	Defense and Intelligence	Civilian	Total
	(in millions)		
Prime contractor to federal government	\$ 1,309	\$ 342	\$ 1,651
Subcontractor to federal government	123	36	159
Other	4	33	37
<b>Total</b>	<b>\$ 1,436</b>	<b>\$ 411</b>	<b>\$ 1,847</b>

	Three Months Ended May 5, 2023		
	Defense and Intelligence	Civilian	Total
	(in millions)		
Prime contractor to federal government	\$ 1,489	\$ 366	\$ 1,855
Subcontractor to federal government	104	32	136
Other	4	33	37
<b>Total</b>	<b>\$ 1,597</b>	<b>\$ 431</b>	<b>\$ 2,028</b>

### **Contract Balances**

Contract balances for the periods presented were as follows:

	Balance Sheet line item	May 3, 2024	February 2, 2024
		(in millions)	
Billed and billable receivables, net <sup>(1)</sup>	Receivables, net	\$ 567	\$ 555
Contract assets - unbillable receivables	Receivables, net	367	359
Contract assets - contract retentions	Other assets	15	14
Contract liabilities - current	Other accrued liabilities	36	53
Contract liabilities - non-current	Other long-term liabilities	\$ 1	\$ 2

(1) Net of allowance of \$3 million as of May 3, 2024 and February 2, 2024.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

---

During the three months ended May 3, 2024 and May 5, 2023, the Company recognized revenues of \$20 million and \$21 million relating to amounts that were included in the opening balance of contract liabilities as of February 2, 2024 and February 3, 2023, respectively.

#### ***Remaining Performance Obligations***

Remaining performance obligations ("RPO") represent the transaction price of exercised contracts (both funded and unfunded) less inception to date revenue recognized. RPO does not include unexercised option periods and future task orders expected to be awarded under IDIQ contracts. As of May 3, 2024, the Company had approximately \$5.4 billion of remaining performance obligations. The Company expects to recognize revenue on approximately 81% of the remaining performance obligations over the next 12 months and approximately 91% over the next 24 months, with the remaining recognized thereafter.

#### **Note 4—Divestitures:**

##### ***FSA Amendment***

On February 4, 2023, the Company sold 0.1% of its 50.1% majority ownership interest in Forfeiture Support Associates J.V. ("FSA") to its sole joint venture partner for a nominal amount. In conjunction with the sale, the Company remeasured its retained investment in FSA to a fair value of \$14 million. As a result of the sale and amendment to the joint venture operating agreement of FSA, the Company no longer controls the joint venture and will account for its retained interest as an equity method investment as of the date of the transaction.

The equity method investment is included within "Other assets" on the condensed consolidated balance sheets. The remeasurement resulted in a gain of \$7 million which is included within "(Gain) loss on divestitures, net of transaction costs" on the condensed consolidated statements of income and is reflected within "(Gain) loss on divestitures" on the condensed consolidated statements of cash flows. The Company estimated the fair value of its retained investment in FSA based on Level 3 inputs of the fair value hierarchy. The Company used the income approach which involves the use of estimates and assumptions, including revenue growth rates, projected operating margins, discount rates and terminal growth rates.

##### ***Sale of Logistics and Supply Chain Management Business***

On March 23, 2023, the Company executed a definitive agreement to sell its logistics and supply chain management business ("Supply Chain Business") to ASRC Federal Holding Company, LLC ("ASRC Federal"), a subsidiary of Arctic Slope Regional Corporation, for \$350 million of pre-tax cash proceeds, subject to certain adjustments for working capital.

The disposition did not represent a strategic shift in operations that would have a material effect on the Company's operations and financial results, and accordingly has not been presented as discontinued operations.

During the first quarter of fiscal 2024, the Company received a refundable cash deposit of \$355 million which represented the expected proceeds due upon closing of the transaction with ASRC Federal including preliminary adjustments for working capital. The Company recognized the cash as "Proceeds from assets held for sale" on the condensed consolidated statements of cash flows.

In connection with the sale, the Company and ASRC Federal entered into certain transition services agreements pursuant to which the Company provided certain services to ASRC Federal through the first quarter of fiscal 2025 on a cost reimbursable basis. The transition services included certain IT, finance and other services necessary to support the transition of the sale.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**Note 5—Goodwill and Intangible Assets:**

**Goodwill**

The following table presents the carrying value of goodwill by reportable segment:

	May 3, 2024	February 2, 2024
	(in millions)	
Defense and Intelligence	\$ 2,001	\$ 2,001
Civilian	850	850
<b>Total</b>	<b>\$ 2,851</b>	<b>\$ 2,851</b>

Goodwill is not amortized, but rather tested for potential impairment annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The goodwill impairment test is performed at the reporting unit level. As a result of the internal reorganization on February 3, 2024, the Company reallocated its goodwill to its five new goodwill reporting units.

The Company performed a goodwill impairment test immediately before and after the reorganization, both of which resulted in no impairment. For the goodwill impairment test immediately after the reorganization, the Company performed a quantitative assessment of its goodwill as of February 3, 2024 for its five new goodwill reporting units. The Company estimated the fair value of each reporting unit using a 50:50 weighting of fair values derived from an income approach and market approach.

Under the income approach, the Company estimated the fair value of its reporting units using a multi-year discounted cash flow model involving assumptions about projected future revenue growth, operating margins, income tax rates, capital expenditures, discount rate, and terminal value. Under the market approach, the Company estimated the fair value of its reporting units based on multiples of earnings derived from observable market data of comparable public companies.

**Intangible Assets**

Intangible assets, all of which were finite-lived, consisted of the following:

	May 3, 2024			February 2, 2024		
	Gross carrying value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value
	(in millions)					
Customer relationships	\$ 1,462	\$ (603)	\$ 859	\$ 1,462	\$ (574)	\$ 888
Developed technology	10	(4)	6	10	(4)	6
Trade name	1	(1)	—	1	(1)	—
<b>Total intangible assets</b>	<b>\$ 1,473</b>	<b>\$ (608)</b>	<b>\$ 865</b>	<b>\$ 1,473</b>	<b>\$ (579)</b>	<b>\$ 894</b>

Amortization expense related to intangible assets was \$29 million for the three months ended May 3, 2024 and May 5, 2023. There were no intangible asset impairment losses during the periods presented.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

As of May 3, 2024, the estimated future annual amortization expense related to intangible assets is as follows:

Fiscal Year	(in millions)
Remainder of 2025	\$ 86
2026	115
2027	115
2028	98
2029	97
Thereafter	354
<b>Total</b>	<b>\$ 865</b>

Actual amortization expense in future periods could differ from these estimates as a result of future acquisitions, divestitures, impairments, and other factors.

**Note 6—Income Taxes:**

The Company's effective income tax rate was 19.0% and 20.0% for the three months ended May 3, 2024 and May 5, 2023, respectively. The Company's effective tax rate for the three months ended May 3, 2024, is lower compared to the effective tax rate from the same period in the prior year primarily due to higher tax benefits from the deduction for foreign-derived intangible income.

**Note 7—Debt Obligations:**

The Company's long-term debt as of the dates presented was as follows:

	May 3, 2024				February 2, 2024			
	Stated interest rate	Effective interest rate	Principal	Unamortized debt issuance costs	Net	Principal	Unamortized debt issuance costs	Net
	(dollars in millions)							
Term Loan A Facility due June 2027	6.42 %	6.53 %	\$ 1,184	\$ (4)	\$ 1,180	\$ 1,199	\$ (4)	\$ 1,195
Term Loan B Facility due October 2025	— %	— %	—	—	—	328	(1)	327
Term Loan B2 Facility due March 2027	— %	— %	—	—	—	182	(2)	180
Term Loan B3 Facility due February 2031	7.19 %	7.35 %	510	(4)	506	—	—	—
Senior Notes due April 2028	4.88 %	5.11 %	400	(3)	397	400	(3)	397
Total long-term debt			\$ 2,094	\$ (11)	\$ 2,083	\$ 2,109	\$ (10)	\$ 2,099
Less current portion			90	—	90	77	—	77
Total long-term debt, net of current portion			\$ 2,004	\$ (11)	\$ 1,993	\$ 2,032	\$ (10)	\$ 2,022

As of May 3, 2024, the Company had a \$2.7 billion secured credit facility (the Credit Facility) consisting of a Term Loan A Facility due June 2027, a Term Loan B3 Facility due February 2031 (together, the "Term Loan Facilities"), and a \$1.0 billion Revolving Credit Facility due June 2027 (the "Revolving Credit Facility").

On February 8, 2024, the Company executed the Sixth Amendment to the Third Amended and Restated Credit Agreement ("Sixth Amendment"), which established a \$510 million senior secured term loan credit facility ("Term Loan B3 Facility due February 2031"). The entire Term Loan B3 Facility due February 2031 was immediately borrowed by the Company and the proceeds were used to pay in full the outstanding principal balances under the Term Loan B Facility due October 2025 and Term Loan B2 Facility due March 2027. The Tranche B3 Facility is subject to the same covenants and events of default as the Company's existing Term Loan Facilities.



**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

---

Borrowings under the Term Loan B3 Facility due February 2031 amortize quarterly beginning on July 31, 2024 at 0.25% of the original borrowed amount with the remaining unamortized balance due in full upon its maturity on February 8, 2031. Borrowings will bear interest based on the Term Secured Overnight Financing Rate ("Term SOFR") or a base rate, plus an applicable margin of 1.875% for Term SOFR loans and 0.875% for base rate loans. In the event any portion of the Term Loan B3 Facility due February 2031 is repaid prior to August 8, 2024 as a result of a repricing event, the Company will be required to repay a 1.00% fee of the amount repaid. After this initial six month period, the Term Loan B3 Facility due February 2031 may be prepaid at any time without penalty and is subject to the same mandatory prepayments, including from excess cash flow, as the Company's existing term loans under the Credit Facility.

During the three months ended May 3, 2024, the Company incurred \$5 million of debt issuance costs associated with the Sixth Amendment, of which \$3 million was recognized in interest expense and the remaining \$2 million deferred and amortized to interest expense through the maturity date of the facility utilizing the effective interest rate method.

During the three months ended May 3, 2024, the Company made a scheduled principal payment of \$15 million on the Term Loan A Facility due June 2027. During the three months ended May 3, 2024, the Company borrowed and repaid \$190 million under the Revolving Credit Facility. There was no balance outstanding on the Revolving Credit Facility as of May 3, 2024. Commitment fees for undrawn amounts under the Revolving Credit Facility range from 0.125% to 0.25% per annum based on the Company's leverage ratio. As of May 3, 2024, the Company was in compliance with the covenants under its Credit Facility.

As of May 3, 2024 and February 2, 2024, the carrying value of the Company's outstanding debt obligations approximated its fair value. The fair value of long-term debt is calculated using Level 2 inputs, based on interest rates available for debt with terms and maturities similar to the Company's Term Loan Facilities and Senior Notes.

Maturities of long-term debt as of May 3, 2024 are:

Fiscal Year	Total (in millions)
Remainder of 2025	\$ 65
2026	113
2027	128
2028	896
2029	406
Thereafter	486
<b>Total principal payments</b>	<b>\$ 2,094</b>

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**Note 8—Derivative Instruments Designated as Cash Flow Hedges:**

The Company's derivative instruments designated as cash flow hedges consist of:

	Notional Amount at May 3, 2024 (in millions)	Pay Fixed Rate	Receive Variable Rate	Settlement and Termination	Fair Value of Asset <sup>(1)</sup> at	
					May 3, 2024 (in millions)	February 2, 2024 (in millions)
Interest rate swaps	\$ 685	2.96 %	1-month Term SOFR	Monthly through October 31, 2025	\$ 19	\$ 15

(1) The fair value of the fixed interest rate swap asset is included in "Other assets" on the condensed consolidated balance sheets.

The Company is party to fixed interest rate swap instruments that are designated and accounted for as cash flow hedges to manage risks associated with interest rate fluctuations on a portion of the Company's floating rate debt within the Credit Facility. The counterparties to all swap agreements are financial institutions.

See Note 9—Changes in Accumulated Other Comprehensive Income (Loss) by Component for the unrealized change in fair values on cash flow hedges recognized in other comprehensive income (loss) and the amounts reclassified from accumulated other comprehensive income (loss) into earnings for the current and comparative periods presented. The Company estimates that it will reclassify \$14 million of unrealized gains from accumulated other comprehensive income into earnings in the twelve months following May 3, 2024.

**Note 9—Changes in Accumulated Other Comprehensive Income (Loss) by Component:**

The following table presents the changes in accumulated other comprehensive income (loss) attributable to the Company's fixed interest rate swap cash flow hedges that are discussed in Note 8—Derivative Instruments Designated as Cash Flow Hedges and the Company's defined benefit plans.

	Unrealized Gains (Losses) on Fixed Interest Rate Swap Cash Flow Hedges <sup>(1)</sup>		Defined Benefit Obligation Adjustment		Total
	(in millions)				
<b>Three months ended May 3, 2024</b>					
Balance at February 2, 2024	\$	11	\$	5	\$ 16
Other comprehensive income before reclassifications		8		—	8
Amounts reclassified from accumulated other comprehensive income		(4)		—	(4)
Income tax impact		(1)		—	(1)
Net other comprehensive income		3		—	3
<b>Balance at May 3, 2024</b>	<b>\$</b>	<b>14</b>	<b>\$</b>	<b>5</b>	<b>\$ 19</b>
<b>Three months ended May 5, 2023</b>					
Balance at February 3, 2023	\$	18	\$	4	\$ 22
Other comprehensive loss before reclassifications		(2)		—	(2)
Amounts reclassified from accumulated other comprehensive loss		(6)		—	(6)
Income tax impact		2		—	2
Net other comprehensive loss		(6)		—	(6)
<b>Balance at May 5, 2023</b>	<b>\$</b>	<b>12</b>	<b>\$</b>	<b>4</b>	<b>\$ 16</b>

(1) The amount reclassified from accumulated other comprehensive income (loss) is included in "Interest expense, net."

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**Note 10—Sales of Receivables:**

The Company has a Master Accounts Receivable Purchase Agreement ("MARPA Facility") with MUFG Bank, Ltd. (the "Purchaser") for the sale of up to a maximum amount of \$300 million of certain designated eligible receivables with the U.S. government.

During the three months ended May 3, 2024 and May 5, 2023, the Company incurred purchase discount fees of \$3 million, which are presented in "Other (income) expense, net" on the condensed consolidated statements of income and are reflected as cash flows from operating activities on the condensed consolidated statements of cash flows.

MARPA Facility activity consisted of the following:

	Three Months Ended	
	May 3, 2024	May 5, 2023
	(in millions)	
Beginning balance	\$ 205	\$ 250
Sale of receivables	994	866
Cash collections	(915)	(866)
Outstanding balance sold to Purchaser <sup>(1)</sup>	284	250
Cash collected, not remitted to Purchaser <sup>(2)</sup>	(66)	(40)
Remaining sold receivables	\$ 218	\$ 210

- (1) For the three months ended May 3, 2024, the Company recorded a net increase of \$79 million to cash flows from operating activities from sold receivables. For the three months ended May 5, 2023, there was no net impact to cash flows from operating activities from sold receivables.
- (2) Primarily represents the cash collected on behalf of but not yet remitted to the Purchaser as of May 3, 2024 and May 5, 2023. This balance is included in "Accounts payable" on the condensed consolidated balance sheets.

**Note 11—Business Segments Information:**

Effective February 3, 2024, the first day of fiscal 2025, the Company completed a business reorganization which replaced its previous two customer facing operating sectors with five customer facing business groups supported by the enterprise organizations, including the Innovation Factory. The five business groups represent the Company's operating segments and have been aggregated into two reportable segments (Defense and Intelligence, and Civilian) given the similarity in economic and qualitative characteristics, and based on the nature of the customers they serve. The Company defines its operating segments based on the way the CODM, currently the Company's CEO, manages the operations for the purpose of allocating resources and assessing performance.

The Defense and Intelligence segment provides a diverse portfolio of national security solutions to the defense and intelligence departments and agencies of the United States Government.

The Civilian segment provides solutions to the civilian markets, encompassing federal, state, and local governments, in order to deliver services for citizen well-being and protecting lives. This includes integrating solutions into a spectrum of public service missions that impact travel, trade, health and the economy.

The offerings of both reportable segments entail the integration of emerging technologies into mission critical operations that modernize and enable national imperatives, including IT modernization, digital engineering, AI, mission systems support, training and simulation, and ground vehicles support. These services include end-to-end solutions spanning the design, development, integration, deployment, management and operations, sustainment and security of the customers' entire IT infrastructure.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

Costs associated with corporate functions that are not allocable to the reportable segments are presented as Corporate.

The segment information for the periods presented was as follows:

	Three Months Ended	
	May 3, 2024	May 5, 2023
	(in millions)	
<b>Revenues:</b>		
Defense and Intelligence	\$ 1,436	\$ 1,597
Civilian	411	431
<b>Total revenues</b>	<b>\$ 1,847</b>	<b>\$ 2,028</b>
<b>Operating income (loss):</b>		
Defense and Intelligence	\$ 107	\$ 124
Civilian	34	42
Corporate	(10)	(9)
<b>Total operating income</b>	<b>\$ 131</b>	<b>\$ 157</b>

The income statement performance measures regularly provided to the CODM are "Revenues" and "Operating income." As a result, "Interest expense, net," "Other (income) expense, net" and "Provision for income taxes" as reported in the condensed consolidated statements of income are not allocated to the Company's segments.

Asset information by segment is not a key measure of performance used by the CODM.

**Note 12—Legal Proceedings and Other Commitments and Contingencies:**

***Legal Proceedings***

The Company is involved in various claims and lawsuits arising in the normal conduct of its business, none of which the Company's management believes, based on current information, is expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

In April 2022 and October 2023, the Company received Federal Grand Jury Subpoenas in connection with a criminal investigation being conducted by the U.S. Department of Justice, Antitrust Division ("DOJ"). As required by the subpoenas, the Company has provided the DOJ with a broad range of documents related to the investigation, and the Company's collection and production process remains ongoing. The Company is fully cooperating with the investigation. At this time, it is not possible to determine whether the Company will incur, or to reasonably estimate the amount of, any fines, penalties or further liabilities in connection with the investigation pursuant to which the subpoenas were issued.

***AAV Termination for Convenience***

On August 27, 2018, the Company received a stop-work order from the United States Marine Corps on the Assault Amphibious Vehicle ("AAV") contract and on October 3, 2018 the program was terminated for convenience by the customer. The Company is continuing to negotiate with the Marine Corps to recover costs associated with the termination.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

---

***Government Investigations, Audits and Reviews***

The Company is routinely subject to investigations and reviews relating to compliance with various laws and regulations with respect, in particular, to its role as a contractor to federal, state and local government customers and in connection with performing services in countries outside of the United States. U.S. government agencies, including the Defense Contract Audit Agency ("DCAA"), the Defense Contract Management Agency and others, routinely audit and review a contractor's performance on government contracts, indirect rates and pricing practices, and compliance with applicable contracting and procurement laws, regulations and standards. They also review the adequacy of the contractor's compliance with government standards for its business systems. Adverse findings in these investigations, audits, or reviews can lead to criminal, civil or administrative proceedings, and the Company could face disallowance of previously billed costs, penalties, fines, compensatory damages and suspension or debarment from doing business with governmental agencies. Due to the Company's reliance on government contracts, adverse findings could also have a material impact on the Company's business, including its financial position, results of operations and cash flows.

The indirect cost audits by the DCAA of the Company's business remain open for certain prior years and the current year. Although the Company has recorded contract revenues based on an estimate of costs that the Company believes will be approved on final audit, the Company does not know the outcome of any ongoing or future audits. If future completed audit adjustments exceed the Company's reserves for potential adjustments, the Company's profitability could be materially adversely affected.

As of May 3, 2024, the Company believes it has adequately reserved for estimated net amounts to be refunded to customers for potential adjustments for indirect cost audits and compliance with U.S. government Cost Accounting Standards.

***Letters of Credit and Surety Bonds***

The Company has outstanding obligations relating to letters of credit of \$10 million as of May 3, 2024, principally related to guarantees on insurance policies. The Company also has outstanding obligations relating to surety bonds of \$19 million, principally related to performance and payment bonds on the Company's contracts.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis of our financial condition and results of operations and quantitative and qualitative disclosures about market risk should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes. It contains forward-looking statements (which may be identified by words such as those described in "Risk Factors—Forward-Looking Statement Risks" in Part I of the most recently filed Annual Report on Form 10-K), including statements regarding our intent, belief, or current expectations with respect to, among other things, trends affecting our financial condition or results of operations (including our financial targets discussed below under "Management of Operating Performance and Reporting" and "Liquidity and Capital Resources"); backlog; our industry; government budgets and spending; market opportunities; the impact of competition; and the impact of acquisitions and divestitures. Such statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors. Risks, uncertainties and assumptions that could cause or contribute to these differences include those discussed below, in "Risk Factors" in Part II of this report and in Part I of the most recently filed Annual Report on Form 10-K. Due to such risks, uncertainties and assumptions, you are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. We do not undertake any obligation to update these factors or to publicly announce the results of any changes to our forward-looking statements due to future results or developments.*

We use the terms "SAIC," the "Company," "we," "us" and "our" to refer to Science Applications International Corporation and its consolidated subsidiaries.

The Company utilizes a 52/53 week fiscal year, ending on the Friday closest to January 31, with fiscal quarters typically consisting of 13 weeks. Fiscal 2025 began on February 3, 2024 and ends on January 31, 2025, while fiscal 2024 began on February 4, 2023 and ended on February 2, 2024.

**Business Overview**

We are a leading technology integrator providing full life cycle services and solutions in the technical, engineering and enterprise information technology ("IT") markets. We developed our brand by addressing our customers' mission critical needs and solving their most complex problems for over 50 years. As one of the largest pure-play technology service providers to the U.S. government, we serve markets of significant scale and opportunity. Our primary customers are the departments and agencies of the U.S. government. We serve our customers through approximately 1,800 active contracts and task orders and employ approximately 24,000 individuals who are led by an experienced executive team of proven industry leaders. Our long history of serving the U.S. government has afforded us the ability to develop strong and longstanding relationships with some of the largest customers in the markets we serve. Substantially all of our revenues and tangible long-lived assets are generated and located in the United States.

Effective February 3, 2024, the first day of fiscal 2025, we completed a business reorganization which replaced our previous two operating sectors with five customer facing business groups supported by the enterprise organizations, including the Innovation Factory. The five business groups represent our operating segments and have been aggregated into two reportable segments (Defense and Intelligence, and Civilian) given the similarity in economic and qualitative characteristics, and based on the nature of the customers they serve.

The Defense and Intelligence segment provides a diverse portfolio of national security solutions to the defense and intelligence departments and agencies of the United States Government.

The Civilian segment provides solutions to the civilian markets, encompassing federal, state, and local governments, in order to deliver services for citizen well-being and protecting lives. This includes integrating solutions into a spectrum of public service missions that impact travel, trade, health and the economy.

The offerings of both reportable segments entail the integration of emerging technologies into mission critical operations that modernize and enable national imperatives, including IT modernization, digital engineering, artificial intelligence ("AI"), mission systems support, training and simulation, and ground vehicles support. These services include end-to-end solutions spanning the design, development, integration, deployment, management and operations, sustainment and security of the customers' entire IT infrastructure.

Our Innovation Factory supports the operating segments by developing superior enterprise-class solutions which are delivered to the our customers as stand-alone solutions or integrated with and aligned to product offerings through the operations of the business to meet complex customer needs and accelerate digital transformation. The Innovation Factory includes designated teams focused on AI, application development, network services, platforms and cloud, and cyber. It uses a highly automated, cloud-hosted tool set to rapidly build, test and deploy solutions quickly and works with customers to enhance solutions going forward.

Costs associated with corporate functions that are not allocable to the reportable segments are presented as Corporate. See Note 11— Business Segments Information to the condensed consolidated financial statements contained within this report for additional information.

### **Economic Opportunities, Challenges, and Risks**

During the three months ended May 3, 2024, we generated 98% of our revenues from contracts with the U.S. government, including subcontracts on which we perform. Our business performance is affected by the overall level of U.S. government spending and the alignment of our offerings and capabilities with the budget priorities of the U.S. government. Appropriations measures passed in December 2022 provided full funding for the federal government through the end of government fiscal year ("GFY") 2023. In March 2024, the President signed appropriation measures that provide funding for GFY 2024 for all of the U.S. government and submitted the GFY 2025 budget request which adheres to the Fiscal Responsibility Act of 2023. The GFY 2025 budget includes 1% growth for defense budgets and an overall 1% growth for non-defense budgets. If Congress is not able to pass the GFY 2025 funding measures by the end of September 2024, it could result in the U.S. government operating on a continuing resolution or could potentially lead to a partial or full government shutdown.

In January 2023, the Federal debt ceiling was reached and the U.S. Department of the Treasury was operating under "extraordinary measures." In June 2023, the President signed the Fiscal Responsibility Act of 2023 which suspends the Federal debt ceiling until January 1, 2025, postponing the threat of a federal government default. If a new debt ceiling agreement is not reached by January 2025, the U.S. Department of the Treasury will return to operating under "extraordinary measures."

Adverse changes in fiscal and economic conditions could materially impact our business. Some changes that could have an adverse impact on our business include adverse regulations, the implementation of future spending reductions (including sequestration), delayed passage of appropriations bills resulting in temporary or full-year continuing resolutions, extreme inflationary increases adversely impacting fixed price contracts, and potential government shutdowns.

Spending packages, including the infrastructure bill, Inflation Reduction Act, and CHIPS and Science Act, as well as future potential spending packages, may provide additional opportunity in areas of SAIC focus such as digital modernization, cyber, microelectronics support, and climate resiliency.

The U.S. government has increasingly relied on contracts that are subject to a competitive bidding process (including indefinite delivery, indefinite quantity ("IDIQ"), U.S. General Services Administration ("GSA") schedules, and other multi-award contracts), which has resulted in greater competition and increased pricing pressure. Additionally, the U.S. government has put renewed emphasis on increasing the number of small business prime set-aside contracts that further reduce the addressable market in some areas.

Despite the budget and competitive pressures affecting the industry, we believe we are well-positioned to protect and expand existing customer relationships and benefit from opportunities that we have not previously pursued. Our scale, size, and prime contractor leadership position are expected to help differentiate us from our competitors, especially on large contract opportunities. We believe our long-term, trusted customer relationships and deep technical expertise provide us with the sophistication to handle highly complex, mission-critical contracts. Our value proposition is found in the proven ability to serve as a trusted adviser to our customers. In doing so, we leverage our expertise and scale to help them execute their mission.

We succeed as a business based on the solutions we deliver, our past performance, and our ability to compete on price. Our solutions are inspired through innovation based on adoption of best practices and technology integration of the best capabilities available. Our Innovation Factory develops superior enterprise-class solutions which are delivered to our customers as stand-alone solutions or integrated with and aligned to our product offerings to meet complex customer needs and accelerate the digital transformation. Our past performance was achieved by employees dedicated to supporting our customers' most challenging missions. Our current cost structure and

ongoing efforts to reduce costs by strategic sourcing and developing repeatable offerings sold "as a service" and as managed services in a more commercial business model are expected to allow us to compete effectively on price in an evolving environment. Our ability to be competitive in the future will continue to be driven by our reputation for successful program execution, competitive cost structure, development of new pricing and business models, and efficiencies in assigning the right people, at the right time, in support of our contracts.

### Management of Operating Performance and Reporting

Our business and program management process is directed by professionals focused on serving our customers by providing high quality services in achieving program requirements. These professionals carefully monitor contract margin performance by constantly evaluating contract risks and opportunities. Throughout each contract's life cycle, program managers review performance and update contract performance estimates to reflect their understanding of the best information available.

We evaluate our results of operations by considering the drivers causing changes in revenues, operating income and operating cash flows. Given that revenues fluctuate on our contract portfolio over time due to contract awards and completions, changes in customer requirements, and increases or decreases in ordering volume of materials, we evaluate significant trends and fluctuations resulting from these factors. Whether performed by our employees or by our subcontractors, we primarily provide services and, as a result, our cost of revenues are predominantly variable. We also analyze our cost mix (labor, subcontractor and materials) in order to understand operating margin because programs with a higher proportion of SAIC labor are generally more profitable. Changes in cost of revenues as a percentage of revenues other than from revenue volume or cost mix are normally driven by fluctuations in shared or corporate costs, or cumulative revenue adjustments due to changes in estimates.

Changes in operating cash flows are described with regard to changes in cash generated through the provision of services, significant drivers of fluctuations in assets or liabilities and the impacts of changes in timing of cash receipts or disbursements.

### Condensed Consolidated Results of Operations

The primary financial performance measures we use to manage our business and monitor results of operations are revenues, operating income, and cash flows from operating activities. The following table summarizes our condensed consolidated results of operations:

	Three Months Ended		
	May 3, 2024	Percent change	May 5, 2023
	(dollars in millions)		
Revenues	\$ 1,847	(9 %)	\$ 2,028
Cost of revenues	1,634	(9 %)	1,793
<i>As a percentage of revenues</i>	<i>88.5 %</i>		<i>88.4 %</i>
Selling, general and administrative expenses	85	1 %	84
(Gain) loss on divestitures, net of transaction costs	—	(100 %)	(6)
Other operating (income) expense	(3)	100 %	—
Operating income	131	(17 %)	157
<i>As a percentage of revenues</i>	<i>7.1 %</i>		<i>7.7 %</i>
Provision for income taxes	\$ (18)	28 %	\$ (25)
Net income	\$ 77	(21 %)	\$ 98
Net cash provided by operating activities	\$ 98	20 %	\$ 82

**Revenues.** Revenues decreased \$181 million for the three months ended May 3, 2024 as compared to the same period in the prior year primarily due to the sale of the Supply Chain Business (\$188 million) in the prior year (see Note 4—Divestitures to the condensed consolidated financial statements), and contract completions. This was partially offset by ramp up in volume on existing and new contracts. Adjusting for the impact of the divestiture, revenues grew 0.4%.



**Operating Income.** Operating income as a percentage of revenues for the three months ended May 3, 2024 decreased from the comparable prior year period primarily due to sale of the Supply Chain Business in the prior year, a gain recognized from the deconsolidation of FSA in the prior year period, and contract completions, partially offset by ramp up in volume on existing and new contracts.

**Income Taxes.** Our effective income tax rate was 19.0% and 20.0% for the three months ended May 3, 2024 and May 5, 2023, respectively. Our effective tax rate for the three months ended May 3, 2024, is lower compared to the effective tax rate from the same period in the prior year primarily due to higher tax benefits from the deduction for foreign-derived intangible income.

Beginning in fiscal 2023, the Tax Cuts and Jobs Act of 2017 eliminated the option to deduct research and development expenditures immediately in the year incurred and requires taxpayers to amortize such expenditures over five years for tax purposes. While the impact to income taxes payable was most significant in fiscal 2023, this impact will decrease over the five-year amortization period and is anticipated to be immaterial in year six. The actual impact will depend on the amount of research and development costs incurred by us, whether Congress modifies or repeals this provision and whether new guidance and interpretive rules are issued by the U.S. Treasury, among other factors.

In December 2021, the Organisation for Economic Co-operation and Development (OECD) enacted model rules for a new 15% global minimum tax framework ("Pillar Two") which became effective in certain jurisdictions beginning in fiscal 2024. We do not anticipate Pillar Two to have a significant impact on our effective tax rate or our consolidated results of operations, financial position, and cash flows.

**Cash Flows Provided by Operating Activities.** Cash flows provided by operating activities increased \$16 million for the three months ended May 3, 2024 as compared to the prior year primarily due to the higher cash provided by the Master Accounts Receivable Purchase Agreement ("MARPA Facility") in the current year (see Note 10—Sales of Receivables to the condensed consolidated financial statements contained within this report for additional information), partially offset by higher incentive-based compensation payments in the current year and other changes in working capital.

## Segment and Corporate Results

The primary financial performance measures we use to manage our reportable segments and monitor results of operations are revenues and operating income. The following tables summarize our results of operations by reportable segment:

<b>Defense and Intelligence</b>	Three Months Ended		
	May 3, 2024	Percent change	May 5, 2023
	(dollars in millions)		
Revenues	\$ 1,436	(10 %)	\$ 1,597
Operating income	\$ 107	(14 %)	\$ 124
<i>As a percentage of revenues</i>	<i>7.5 %</i>		<i>7.8 %</i>

**Revenues:** Revenues decreased \$161 million for the three months ended May 3, 2024 as compared to the same period in the prior year primarily due to the sale of the Supply Chain Business (\$188 million) in the prior year, and contract completions. This was partially offset by ramp up in volume on existing and new contracts. Adjusting for the impact of the divestiture, revenues grew 1.9%.

**Operating Income.** Operating income as a percentage of revenues for the three months ended May 3, 2024 decreased from the comparable prior year period primarily due to the sale of the Supply Chain Business in the prior year.

<i>Civilian</i>	Three Months Ended		
	May 3, 2024	Percent change	May 5, 2023
	(dollars in millions)		
Revenues	\$ 411	(5 %)	\$ 431
Operating income	\$ 34	(19 %)	\$ 42
<i>As a percentage of revenues</i>	<i>8.3 %</i>		<i>9.7 %</i>

**Revenues:** Revenues decreased \$20 million for the three months ended May 3, 2024 as compared to the same period in the prior year primarily due to reduced volume partially offset by new contracts.

**Operating Income.** Operating income as a percentage of revenues for the three months ended May 3, 2024 decreased from the comparable prior year period primarily due to reduced volume.

<i>Corporate</i>	Three Months Ended		
	May 3, 2024	Percent change	May 5, 2023
	(dollars in millions)		
Operating loss	\$ (10)	11 %	\$ (9)

**Operating Loss.** Operating loss increased \$1 million for the three months ended May 3, 2024 as compared to the same period in the prior year primarily due to the gain recognized from the deconsolidation of FSA in the prior year period, partially offset by lower selling, general and administrative expenses.

### Non-GAAP Measures

Earnings before interest, taxes, depreciation and amortization ("EBITDA"), and adjusted EBITDA are non-GAAP financial measures. While we believe that these non-GAAP financial measures are also useful for management and investors in evaluating our financial information, they should be considered as supplemental in nature and not as a substitute for financial information prepared in accordance with GAAP. Reconciliations, definitions, and how we believe these measures are useful to management and investors are provided below. Other companies may define similar measures differently.

**EBITDA and Adjusted EBITDA.** The performance measure EBITDA 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 is a performance measure that excludes costs that we do not consider to be indicative of our ongoing performance. Adjusted EBITDA is calculated by taking EBITDA and excluding acquisition and integration costs, impairments, restructuring costs, and any other material non-recurring costs. Integration costs are costs to integrate acquired companies including costs of strategic consulting services, facility consolidation and employee related costs such as retention and severance costs. The acquisition and integration costs relate to our acquisitions.

We believe that EBITDA and adjusted EBITDA provide management and investors with useful information in assessing trends in our ongoing operating performance and may provide greater visibility in understanding our long-term financial performance.

EBITDA and adjusted EBITDA for the periods presented were calculated as follows:

	Three Months Ended	
	May 3, 2024	May 5, 2023
	(dollars in millions)	
<b>Net income</b>	<b>\$ 77</b>	<b>\$ 98</b>
Interest expense, net and loss on sale of receivables	37	35
Provision for income taxes	18	25
Depreciation and amortization	35	36
<b>EBITDA</b>	<b>167</b>	<b>194</b>
<i>EBITDA as a percentage of revenues</i>	<i>9.0 %</i>	<i>9.6 %</i>
Acquisition and integration costs <sup>(1)</sup>	(2)	—
Restructuring and impairment costs	2	1
Recovery of acquisition and integration costs and restructuring and impairment costs <sup>(2)</sup>	(1)	—
(Gain) loss on divestitures, net of transaction costs	—	(6)
<b>Adjusted EBITDA</b>	<b>\$ 166</b>	<b>\$ 189</b>
<i>Adjusted EBITDA as a percentage of revenues</i>	<i>9.0 %</i>	<i>9.3 %</i>

(1) Adjustment consists of a reversal of immaterial costs related to the Koverse acquisition.

(2) Adjustment reflects the portion of acquisition and integration costs and restructuring and impairment costs recovered through our indirect rates in accordance with U.S. government Cost Accounting Standards.

Adjusted EBITDA as a percentage of revenues for the three months ended May 3, 2024 decreased to 9.0% from 9.3% in the prior year period, primarily due to contract completions, partially offset by ramp up in volume on existing and new contracts.

### Other Key Performance Measures

In addition to the financial measures described above, we believe that bookings and backlog are useful measures for management and investors to evaluate our potential future revenues. We also consider measures such as contract types and cost of revenues mix to be useful for management and investors to evaluate our operating income and performance.

**Net Bookings and Backlog.** Net bookings represent the estimated amount of revenues to be earned in the future from funded and negotiated unfunded contract awards that were received during the period, net of adjustments to estimates on previously awarded contracts. We calculate net bookings as the period's ending backlog plus the period's revenues less the prior period's ending backlog and initial backlog obtained through acquisitions.

Backlog represents the estimated amount of future revenues to be recognized under negotiated contracts as work is performed. We do not include in backlog estimates of revenues to be derived from IDIQ contracts, but rather record backlog and bookings when task orders are awarded on these contracts. Given that much of our revenue is derived from IDIQ contract task orders that renew annually, bookings on these contracts tend to refresh annually as the task orders are renewed. Additionally, we do not include in backlog contract awards that are under protest until the protest is resolved in our favor.

We segregate our backlog into two categories as follows:

- **Funded Backlog.** Funded backlog for contracts with government agencies primarily represents estimated amounts of revenue to be earned in the future from contracts for which funding is appropriated less revenues previously recognized on these contracts. It does not include the unfunded portion of contracts in which funding is incrementally appropriated or authorized on a quarterly or annual basis by the U.S. government and other customers even though the contract may call for performance over a number of years. Funded backlog for contracts with non-government customers represents the estimated value on contracts, which may cover multiple future years, under which we are obligated to perform, less revenues previously recognized on these contracts.

- **Negotiated Unfunded Backlog.** Negotiated unfunded backlog represents estimated amounts of revenue to be earned in the future from negotiated contracts for which funding has not been appropriated or otherwise authorized and from unexercised priced contract options. Negotiated unfunded backlog does not include any estimate of future potential task orders expected to be awarded under IDIQ, GSA Schedules or other master agreement contract vehicles, with the exception of certain IDIQ contracts where task orders are not competitively awarded and separately priced but instead are used as a funding mechanism, and where there is a basis for estimating future revenues and funding on future anticipated task orders.

We expect to recognize revenue from a substantial portion of our funded backlog within the next twelve months. However, the U.S. government can adjust the scope of services of or cancel contracts at any time. Similarly, certain contracts with commercial customers include provisions that allow the customer to cancel prior to contract completion. Most of our contracts have cancellation terms that would permit us to recover all or a portion of our incurred costs and fees (contract profit) for work performed.

The estimated value of our total backlog as of the dates presented was:

	May 3, 2024			February 2, 2024		
	Defense and Intelligence	Civilian	Total SAIC	Defense and Intelligence	Civilian	Total SAIC
	(in millions)					
Funded backlog	\$ 2,629	\$ 839	\$ 3,468	\$ 2,707	\$ 832	\$ 3,539
Negotiated unfunded backlog	17,226	2,870	20,096	16,316	2,908	19,224
<b>Total backlog</b>	<b>\$ 19,855</b>	<b>\$ 3,709</b>	<b>\$ 23,564</b>	<b>\$ 19,023</b>	<b>\$ 3,740</b>	<b>\$ 22,763</b>

We had net bookings worth an estimated \$2.6 billion during the three months ended May 3, 2024.

**Contract Types.** Our earnings and profitability may vary materially depending on changes in the proportionate amount of revenues derived from each type of contract. For a discussion of the types of contracts under which we generate revenues, see "Business - Contract Types" in Part I, Item 1 of the most recently filed Annual Report on Form 10-K. The following table summarizes revenues by contract type as a percentage of each reportable segment and total SAIC revenues for the periods presented:

	Three Months Ended May 3, 2024		
	Defense and Intelligence	Civilian	Total SAIC
	(in millions)		
Cost reimbursement	79 %	5 %	62 %
Time and materials ("T&M")	10 %	65 %	23 %
Firm-fixed price ("FFP")	11 %	30 %	15 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>

	Three Months Ended May 5, 2023		
	Defense and Intelligence	Civilian	Total SAIC
	(in millions)		
Cost reimbursement	68 %	5 %	55 %
Time and materials ("T&M")	7 %	59 %	18 %
Firm-fixed price ("FFP")	25 %	36 %	27 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>

The change in contract mix for the three months ended May 3, 2024 is primarily due to a decrease in firm-fixed price type contracts due to the divestiture of the Supply Chain Business in the prior year, which historically had a higher proportion of these contracts.

**Cost of Revenues Mix.** We generate revenues by providing a customized mix of services to our customers. The profit generated from our service contracts is affected by the proportion of cost of revenues incurred from the efforts of our employees (which we refer to below as labor-related cost of revenues), the efforts of our subcontractors and the cost of materials used in the performance of our service obligations under our contracts. Contracts performed with a higher proportion of SAIC labor are generally more profitable. The following table presents cost mix as a percentage of each reportable segment and total SAIC revenues for the periods presented:

	Three Months Ended May 3, 2024		
	Defense and Intelligence	Civilian	Total SAIC
	(in millions)		
Labor-related cost of revenues	58 %	59 %	58 %
Subcontractor-related cost of revenues	30 %	30 %	30 %
Other materials-related cost of revenues	12 %	11 %	12 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>

	Three Months Ended May 5, 2023		
	Defense and Intelligence	Civilian	Total SAIC
	(in millions)		
Labor-related cost of revenues	50 %	56 %	52 %
Subcontractor-related cost of revenues	28 %	33 %	29 %
Supply chain materials-related cost of revenues	11 %	— %	8 %
Other materials-related cost of revenues	11 %	11 %	11 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>

The change in cost of revenues mix for the three months ended May 3, 2024 is primarily due to a decrease in supply chain materials-related costs due to the divestiture of the Supply Chain Business in the prior year.

### Liquidity and Capital Resources

As a services provider, our business generally requires minimal infrastructure investment. We expect to fund our ongoing working capital, commitments and any other discretionary investments with cash on hand, future operating cash flows and, if needed, borrowings under our \$1.0 billion Revolving Credit Facility and \$300 million MARPA Facility.

We anticipate that our future cash needs will be for working capital, capital expenditures, and contractual and other commitments. We consider various financial measures when we develop and update our capital deployment strategy, which include evaluating cash provided by operating activities, free cash flow and financial leverage.

Our ability to fund these needs will depend, in part, on our ability to generate cash in the future, which depends on our future financial results. Our future results are subject to general economic, financial, competitive, legislative and regulatory factors that may be outside of our direct control. Although we believe that the financing arrangements in place will permit us to finance our operations on acceptable terms and conditions for at least the next year, our future access to, and the availability of financing on acceptable terms and conditions will be impacted by many factors (including our credit rating, capital market liquidity and overall economic conditions). Therefore, we cannot ensure that such financing will be available to us on acceptable terms or that such financing will be available at all. Nevertheless, we believe that our existing cash on hand, generation of future operating cash flows, and access to bank financing and capital markets will provide adequate resources to meet our short-term liquidity and long-term capital needs.

During the first quarter of fiscal 2025, we amended our Credit Facility. See Note 7—Debt Obligations to the condensed consolidated financial statements contained within this report for additional information.

## Historical Cash Flow Trends

The following table summarizes our cash flows:

	Three Months Ended	
	May 3, 2024	May 5, 2023
	(in millions)	
Net cash provided by operating activities	\$ 98	\$ 82
Net cash (used in) provided by investing activities	(7)	336
Net cash used in financing activities	(136)	(105)
Net (decrease) increase in cash, cash equivalents and restricted cash	\$ (45)	\$ 313

**Net Cash Provided by Operating Activities.** Refer to “Results of Operations” above for a discussion of the changes in cash provided by operating activities between the three months ended May 3, 2024 and the comparable prior year period.

**Net Cash (Used in) Provided by Investing Activities.** Cash used investing activities for the three months ended May 3, 2024 was \$7 million compared to cash provided by investing activities of \$336 million in the prior year period. This change is primarily due to the \$355 million of cash proceeds for the sale of the Supply Chain Business in the prior year period (see Note 4 to the condensed consolidated financial statements).

**Net Cash Used in Financing Activities.** Cash used in financing activities for the three months ended May 3, 2024 increased compared to the prior year period primarily due to higher principal payments, net of proceeds received from borrowings and higher share repurchases in the current year.

## Critical Accounting Policies and Estimates

There have been no changes to our critical accounting policies and estimates during the three months ended May 3, 2024 from those disclosed in our most recently filed Annual Report on Form 10-K.

## Recently Issued But Not Yet Adopted Accounting Pronouncements

For information on recently issued but not yet adopted accounting pronouncements, see Note 1 to the condensed consolidated financial statements contained within this report.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our market risks from those discussed in our most recently filed Annual Report on Form 10-K.

## Item 4. Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) and have concluded that as of May 3, 2024 these controls and procedures were operating and effective.

## Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarterly period covered by this report which materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

**Item 1. Legal Proceedings**

We have provided information about legal proceedings in which we are involved in our fiscal 2024 Annual Report on Form 10-K, and we have provided an update to this information in Note 12—Legal Proceedings and Other Commitments and Contingencies to the condensed consolidated financial statements contained within this report, which is incorporated herein by reference.

In addition to the described legal proceedings, we are routinely subject to investigations and reviews relating to compliance with various laws and regulations. Additional information regarding such investigations and reviews is included in our fiscal 2024 Annual Report on Form 10-K, and we have also updated this information in Note 12—Legal Proceedings and Other Commitments and Contingencies to the condensed consolidated financial statements contained within this report, under the heading “Government Investigations, Audits and Reviews,” which is incorporated herein by reference.

**Item 1A. Risk Factors**

There have been no material changes from the risk factors disclosed in our most recently filed Annual Report on Form 10-K.

**Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities**

**Purchases of Equity Securities.** We may repurchase shares on the open market in accordance with established repurchase plans. Whether repurchases are made and the timing and amount of repurchases depend on a variety of factors including market conditions, our capital position, internal cash generation and other factors. We also repurchase shares in connection with stock option and stock award activities to satisfy tax withholding obligations.

The following table presents repurchases of our common stock during the three months ended May 3, 2024:

Period <sup>(1)</sup>	Total Number of Shares (or Units) Purchased <sup>(2)</sup>	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs <sup>(3)</sup>
February 3, 2024 - March 8, 2024	224,038	\$ 135.86	223,732	3,954,245
March 9, 2024 - April 5, 2024	183,855	131.86	183,534	3,770,711
April 6, 2024 - May 3, 2024	204,535	127.22	204,535	3,566,176
Total	612,428	\$ 131.77	611,801	

- (1) Date ranges represent our fiscal periods during the current quarter. Our fiscal quarters typically consist of one five-week period and two four-week periods.
- (2) Includes shares purchased on surrender by stockholders of previously owned shares to satisfy minimum statutory tax withholding obligations related to stock option exercises and vesting of stock awards in addition to shares purchased under our publicly announced plans or programs.
- (3) In June 2022, the number of shares that may be purchased increased by 8.0 million shares, bringing the total authorized shares to be repurchased under the plan to approximately 24.4 million shares. As of May 3, 2024, we have repurchased approximately 20.9 million shares of common stock under the program.

**Item 3. Defaults Upon Senior Securities**

No information is required in response to this item.

**Item 4. Mine Safety Disclosures**

No information is required in response to this item.

**Item 5. Other Information**

During the three months ended May 3, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as such terms are defined in Item 408 of Regulation S-K.

**Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
<a href="#">10.1*</a>	<a href="#">First Amendment to the Science Applications International Corporation 2023 Equity Incentive Plan, effective March 5, 2024.</a>
<a href="#">10.2*</a>	<a href="#">First Amendment to the Science Applications International Corporation Amended and Restated 2013 Employee Stock Purchase Plan, effective March 5, 2024.</a>
<a href="#">10.3</a>	<a href="#">Sixth Amendment to the Third Amended and Restated Credit Agreement, dated February 8, 2024, by and among SAIC, Citibank N.A., as administrative agent and collateral agent, and certain other lenders and parties thereto. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 12, 2024.</a>
<a href="#">31.1</a>	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">31.2</a>	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">32.1</a>	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">32.2</a>	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101	Interactive Data File. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104	The cover page from this Quarterly Report on Form 10-Q, formatted as Inline XBRL.

\* Management contract or compensatory plan or agreement.



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: June 3, 2024

Science Applications International Corporation

/s/ Prabu Natarajan

**Prabu Natarajan**  
**Executive Vice President and Chief Financial Officer**

**AMENDMENT NO. 1  
TO THE  
SCIENCE APPLICATIONS INTERNATIONAL CORPORATION  
2023 EQUITY INCENTIVE PLAN**

**WHEREAS**, Science Applications International Corporation (the “Company”) maintains the Science Applications International Corporation 2023 Equity Incentive Plan (the “Plan”); and

**WHEREAS**, the Company wishes to amend the Plan to reflect the change in the Company’s listing from the New York Stock Exchange to The Nasdaq Stock Market LLC which will be effective March 5, 2024;

**NOW, THEREFORE, BE IT RESOLVED**, that the Plan be, and it hereby is, amended as follows:

1. Effective March 5, 2024, Subsection 2(b), the definition of “Applicable Law” is hereby deleted and replaced with the following:

**(b) “Applicable Law”** means any and all laws of whatever jurisdiction, within or without the United States, and the rules of any stock exchange or quotation system on which Shares are then listed or quoted, applicable to the taking or refraining from taking of any action under the Plan, including the administration of the Plan and the issuance or transfer of Awards or Shares.

2. Effective as of March 5, 2024, the first sentence of Subsection 2(t), the definition of “Fair Market Value” is hereby deleted and replaced with the following:

**(t) “Fair Market Value”** means, as of any Value Date, the closing sales price as quoted for a Share on the New York Stock Exchange or The Nasdaq Stock Market LLC (as applicable) for the day before the Value Date, as reported in The Wall Street Journal or a similar publication.

Approved by the Human Resources and Compensation Committee on March 26, 2024.

**AMENDMENT NO. 1  
TO THE  
SCIENCE APPLICATIONS INTERNATIONAL CORPORATION  
2013 EMPLOYEE STOCK PURCHASE PLAN**

**WHEREAS**, Science Applications International Corporation (the “Company”) maintains the Science Applications International Corporation 2013 Employee Stock Purchase (the “Plan”) which was amended and restated effective June 7, 2023; and

**WHEREAS**, the Company wishes to amend the Plan to reflect the change in the Company’s listing from the New York Stock Exchange to The Nasdaq Stock Market LLC which will be effective March 5, 2024;

**NOW, THEREFORE, BE IT RESOLVED**, that the Plan be, and it hereby is, amended as follows:

1. Effective March 5, 2024, the first sentence of Subsection 2(j), the definition of “Fair Market Value” is hereby deleted and replaced with the following:

**(j) “Fair Market Value”** means, as of any Value Date, the closing sales price as quoted for a Share on the New York Stock Exchange or The Nasdaq Stock Market LLC (as applicable) for the day before the Value Date, as reported in The Wall Street Journal or a similar publication.

Approved by the Human Resources and Compensation Committee on March 26, 2024.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION  
CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Toni Townes-Whitley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended May 3, 2024 of Science Applications International Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 3, 2024

/s/ Toni Townes-Whitley

\_\_\_\_\_  
Toni Townes-Whitley  
Chief Executive Officer

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION  
CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Prabu Natarajan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended May 3, 2024 of Science Applications International Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 3, 2024

/s/ Prabu Natarajan

\_\_\_\_\_  
Prabu Natarajan  
Chief Financial Officer

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION  
CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO  
18 U.S.C SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Science Applications International Corporation (the "Company") on Form 10-Q for the period ended May 3, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Toni Townes-Whitley, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 3, 2024

/s/ Toni Townes-Whitley

\_\_\_\_\_  
Toni Townes-Whitley  
Chief Executive Officer

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION  
CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO  
18 U.S.C SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Science Applications International Corporation (the "Company") on Form 10-Q for the period ended May 3, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Prabu Natarajan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 3, 2024

/s/ Prabu Natarajan  
\_\_\_\_\_  
Prabu Natarajan  
Chief Financial Officer