

Science Applications International Corporation

# Fiscal Year 2022 Third Quarter Earnings Call

Supplemental Financial Presentation  
December 6, 2021



**SAIC**



# BRING ON TOMORROW.

We're not just another company that solves problems. No, we're a company that never stops reaching. Never stops pushing beyond our limits. To rethink engineering in a digital world, we reached. To redefine space training through virtual reality, we reached. To redesign new combat vehicles for our troops, we reached.

And what's the one thing we haven't reached?

Our limits.

From the digital space to outer space and everything between, to build a piece of tomorrow, today.

No reach is too far.

Bring on tomorrow.

**SAIC**

# Forward Looking Statement

Certain statements in this presentation are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “may,” “will,” “should,” “expects,” “intends,” “projects,” “plans,” “believes,” “estimates,” “targets,” “anticipates,” and similar expressions identify forward-looking statements in this presentation. Such statements include, but are not limited to, statements about future financial and operating results, plans, objectives, expectations and intentions, and other statements that are not historical facts. These statements are subject to numerous assumptions, risks, and uncertainties, and other factors, many of which are outside the control of SAIC. These factors could cause actual results to differ materially from such forward-looking statements. Risks, uncertainties and assumptions that could cause SAIC’s actual results to differ materially from those discussed in the forward-looking statements include, but are not limited to, those described in the “Risk Factors” section of SAIC’s most recent Form 10-K filed with the Securities and Exchange Commission (“SEC”) and updated in any subsequent Quarterly Reports on Form 10-Q and other filings with the SEC. The reports referenced above are available on SAIC’s website at [www.saic.com](http://www.saic.com) or on the SEC’s website at [www.sec.gov](http://www.sec.gov). No assurance can be given that the results of events described in forward-looking statements will be achieved and actual results may differ materially from these statements. SAIC disclaims any obligation to update any forward-looking statements provided in this presentation to reflect subsequent events, actual results, or changes in SAIC’s expectations.

In addition, these slides should be read in conjunction with our earnings press release dated December 6, 2021 along with listening to or reading a transcript of the management comments delivered in an earnings conference call held on December 6, 2021.

All information in these slides are as of December 6, 2021. SAIC expressly disclaims any duty to update any forward-looking statement provided in this release to reflect subsequent events, actual results or changes in SAIC’s expectations. SAIC also disclaims any duty to comment upon or correct information that may be contained in reports published by investment analysts or others.



# Today's Presenters



**Nazzic Keene**  
*Chief Executive Officer*



**Prabu Natarajan**  
*Chief Financial Officer*



# FY2022 Q3 Highlights

Continued Organic Revenue Growth  
Strong Profitability

Q3 Total Revenue Growth of ~4%, Organic Growth of 2.1%  
Q3 Adjusted EBITDA Margin\* of 9.0%

Increasing FY22 Guidance for Revenue, Adj. EBITDA Margin\*, Adj. Diluted EPS\*, and  
Free Cash Flow\*

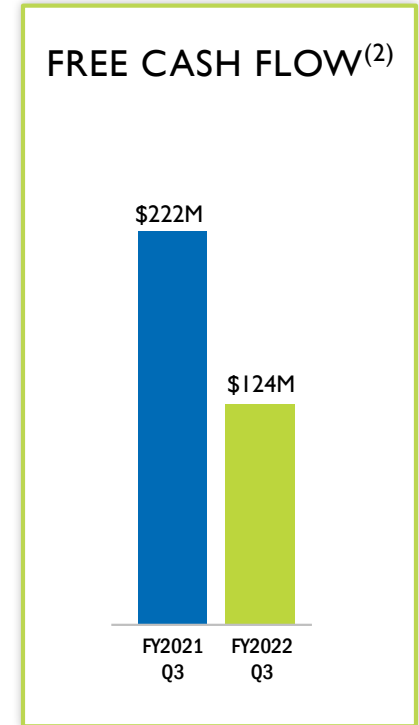
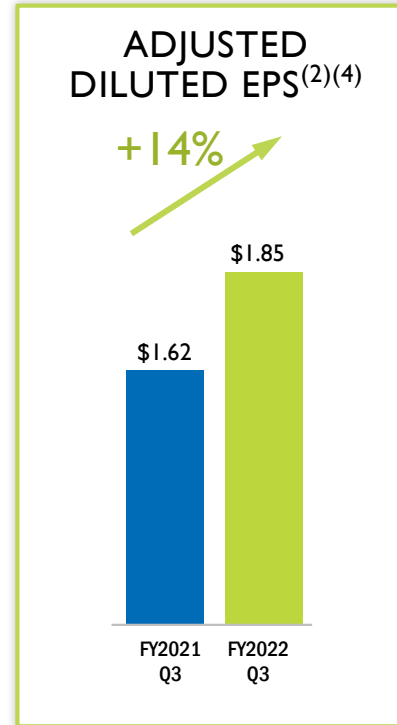
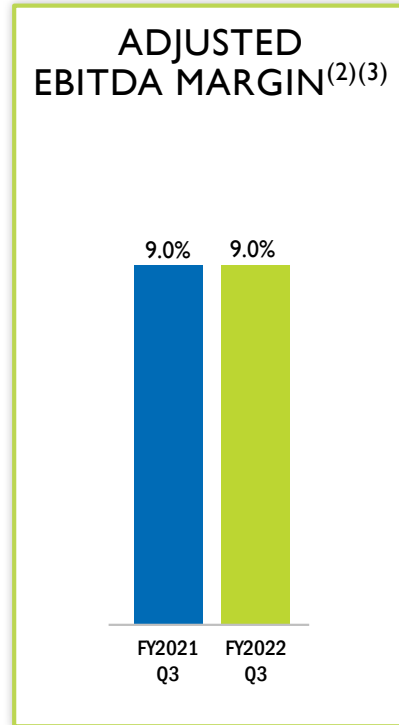
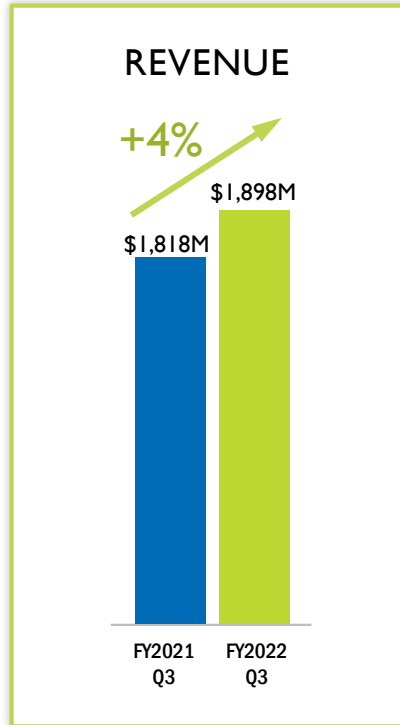
Repurchased \$63M of Company Stock

Solid Financial Results, Improved Outlook

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



# FY2022 Q3 Results<sup>(1)</sup>



(1) Results of Science Applications International Corporation and its consolidated subsidiaries for the third quarters ended October 30, 2020 and October 29, 2021.

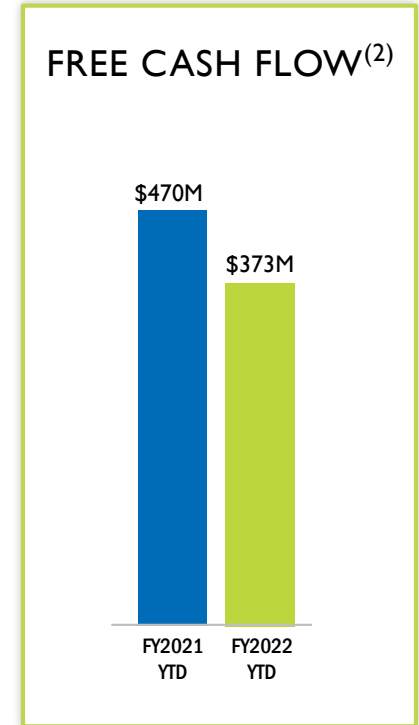
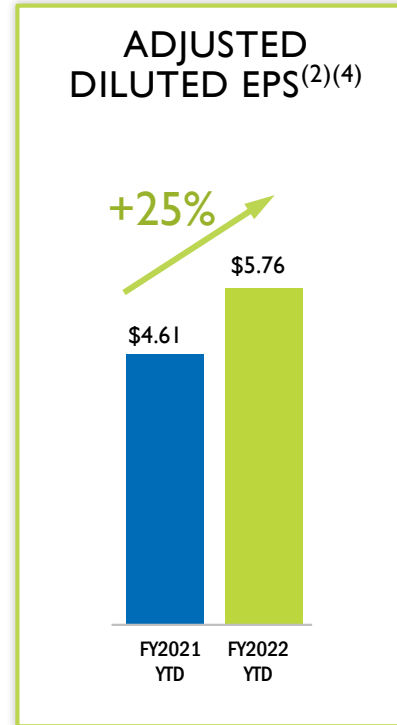
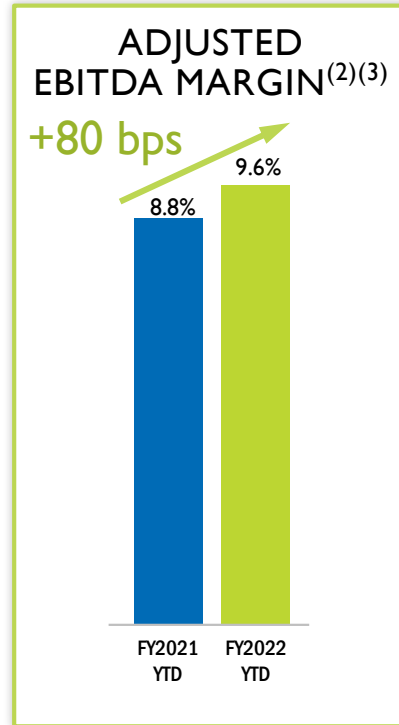
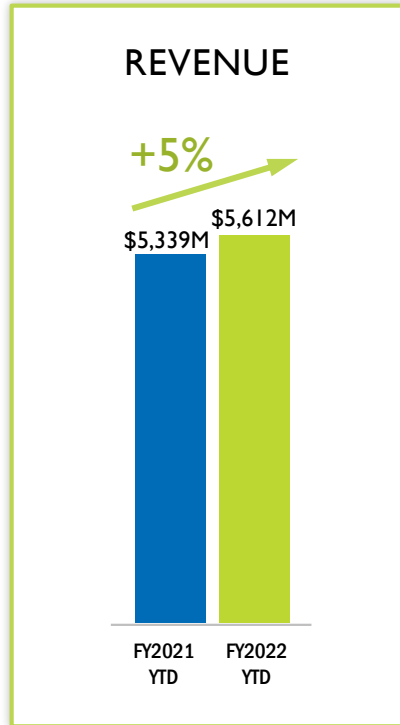
(2) Adjusted EBITDA, adjusted diluted earnings per share and free cash flow are non-GAAP financial measures as defined and reconciled in the appendix of this presentation.

(3) Excludes \$5 million dollars and \$12 million dollars in FY21 Q3 and FY22 Q3, respectively, of acquisition and integration costs and restructuring and impairment costs, net of recovery of acquisition and integration costs, restructuring and impairment costs, and depreciation included in acquisition and integration costs.

(4) Excludes \$5 million dollars and \$12 million dollars in FY21 Q3 and FY22 Q3, respectively, of acquisition and integration costs and restructuring and impairment costs, net of recovery of acquisition and integration costs and restructuring and impairment costs.



# FY2022 YTD Results <sup>(1)</sup>



- (1) Results of Science Applications International Corporation and its consolidated subsidiaries through the third quarters ended October 30, 2020 and October 29, 2021.
- (2) Adjusted EBITDA, adjusted diluted earnings per share and free cash flow are non-GAAP financial measures as defined and reconciled in the appendix of this presentation.
- (3) Excludes \$48 million dollars and \$35 million dollars through FY21 Q3 and FY22 Q3, respectively, of acquisition and integration costs and restructuring and impairment costs, net of recovery of acquisition and integration costs, restructuring and impairment costs, and depreciation included in acquisition and integration costs.
- (4) Excludes \$48 million dollars and \$36 million dollars through FY21 Q3 and FY22 Q3, respectively, of acquisition and integration costs and restructuring and impairment costs, net of recovery of acquisition and integration costs and restructuring and impairment costs.



# Fiscal Year 2022 Guidance

## Current Prior

Revenue **\$7.35B - \$7.40B** **\$7.30B - \$7.40B** ➤ Increased to reflect YTD outperformance

Adjusted EBITDA %\* **9.0% to 9.1%** **8.9% to 9.0%** ➤ Increased to reflect higher profitability across the portfolio

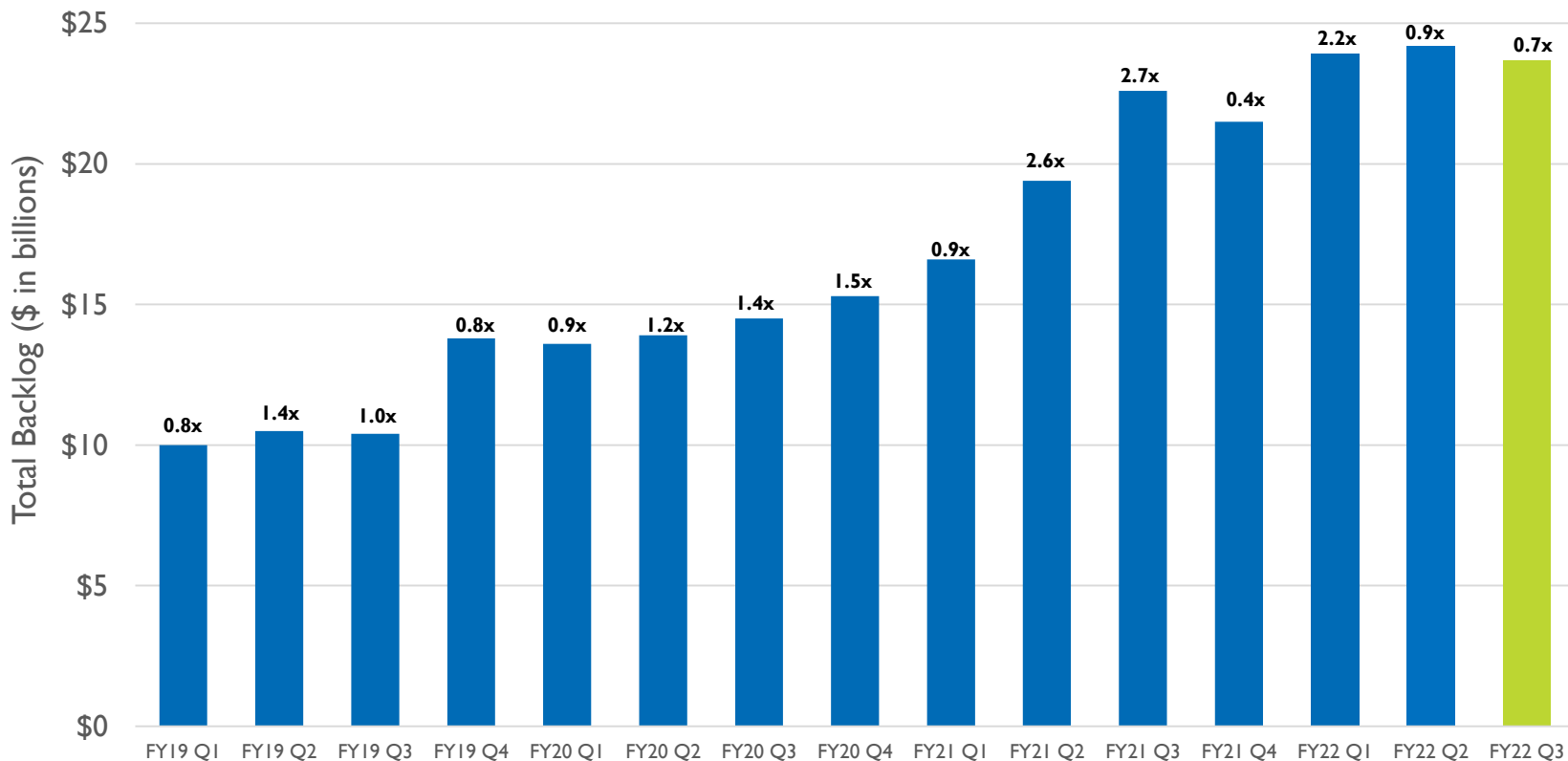
Adjusted Diluted EPS\* **\$6.75 - \$6.95** **\$6.50 - \$6.70** ➤ Effective tax rate of approximately 23%  
➤ Interest expense ~\$110M, D&A ~\$170M

Free Cash Flow\* **\$450M to \$470M** **\$430M to \$470M** ➤ ~\$50M FY21 deferred payroll taxes payment  
➤ CapEx \$45M to \$55M

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



# SAIC Historical Backlog and Book-to-Bill



FY22 Q3 Book-to-Bill of 0.7x, Backlog of ~\$24B



# Appendix

# Working Days Per Quarter

	Q1	Q2	Q3	Q4	Total
FY22	64	63	63	60	250
FY21	64	63	63	60	250
FY20	64	63	63	60	250
FY19	64	63	63	60	250



# Payroll Periods Per Quarter

	Q1	Q2	Q3	Q4	Total
FY22	6	7	6	7	26
FY21	6	7	6	7	26
FY20	6	7	6.5*	7	26
FY19	6	7	6	7	26

\*During the third quarter of fiscal year 2020 and as a result of a systems conversion due to the Engility acquisition, legacy Engility employees were paid a one week payroll cycle in order to synchronize their payroll cycle with SAIC payroll cycles.



# Non-GAAP Reconciliation – EBITDA and Adjusted EBITDA

	Three Months Ended		Nine Months Ended	
	October 29, 2021	October 30, 2020	October 29, 2021	October 30, 2020
	(in millions)			
<b>Net income</b>	<b>\$ 71</b>	<b>\$ 60</b>	<b>\$ 235</b>	<b>\$ 150</b>
Interest expense and loss on sale of receivables	27	33	81	97
Interest income	—	—	—	(1)
Provision for income taxes	17	18	66	43
Depreciation and amortization	44	48	123	131
<b>EBITDA<sup>(1)</sup></b>	<b>159</b>	<b>159</b>	<b>505</b>	<b>420</b>
<i>EBITDA as a percentage of revenues</i>	<i>8.4 %</i>	<i>8.7 %</i>	<i>9.0 %</i>	<i>7.9 %</i>
Acquisition and integration costs	12	3	36	47
Restructuring and impairment costs	1	4	1	4
Depreciation included in acquisition and integration costs	—	—	(1)	—
Recovery of acquisition and integration costs and restructuring and impairment costs	(1)	(2)	(1)	(3)
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$ 171</b>	<b>\$ 164</b>	<b>\$ 540</b>	<b>\$ 468</b>
<i>Adjusted EBITDA as a percentage of revenues</i>	<i>9.0 %</i>	<i>9.0 %</i>	<i>9.6 %</i>	<i>8.8 %</i>
<b>Operating income</b>	<b>\$ 114</b>	<b>\$ 110</b>	<b>\$ 377</b>	<b>\$ 288</b>
<i>Operating income as a percentage of revenues</i>	<i>6.0 %</i>	<i>6.1 %</i>	<i>6.7 %</i>	<i>5.4 %</i>
Acquisition and integration costs	12	3	36	47
Restructuring and impairment costs	1	4	1	4
Recovery of acquisition and integration costs and restructuring and impairment costs	(1)	(2)	(1)	(3)
<b>Adjusted operating income<sup>(1)</sup></b>	<b>\$ 126</b>	<b>\$ 115</b>	<b>\$ 413</b>	<b>\$ 336</b>
<i>Adjusted operating income as a percentage of revenues</i>	<i>6.6 %</i>	<i>6.3 %</i>	<i>7.4 %</i>	<i>6.3 %</i>

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



# Non-GAAP Reconciliation – Adjusted Diluted Earnings per Share

	Three Months Ended		Nine Months Ended	
	October 29, 2021	October 30, 2020	October 29, 2021	October 30, 2020
<b>Diluted earnings per share</b>	<b>\$ 1.22</b>	<b>\$ 1.02</b>	<b>\$ 4.01</b>	<b>\$ 2.51</b>
Acquisition and integration costs and restructuring and impairment costs, divided by diluted 'weighted-average number of shares outstanding' (WASO)	0.21	0.09	0.62	0.82
Tax effect of acquisition and integration costs and restructuring and impairment costs, divided by diluted WASO	(0.04)	(0.02)	(0.12)	(0.15)
Net effect of acquisition and integration costs and restructuring and impairment costs, divided by diluted WASO	0.17	0.07	0.50	0.67
Amortization of intangible assets, divided by diluted WASO	0.57	0.68	1.61	1.84
Tax effect of amortization of intangible assets, divided by diluted WASO	(0.11)	(0.15)	(0.36)	(0.41)
Net effect of amortization of intangible assets, divided by diluted WASO	0.46	0.53	1.25	1.43
<b>Adjusted diluted earnings per share<sup>(1)</sup></b>	<b>\$ 1.85</b>	<b>\$ 1.62</b>	<b>\$ 5.76</b>	<b>\$ 4.61</b>

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



# Non-GAAP Reconciliation – Free Cash Flow

	Three Months Ended		Nine Months Ended	
	October 29, 2021	October 30, 2020	October 29, 2021	October 30, 2020
	(in millions)			
<b>Net cash provided by operating activities</b>	<b>\$ 134</b>	<b>\$ 231</b>	<b>\$ 415</b>	<b>\$ 702</b>
Expenditures for property, plant, and equipment	(10)	(9)	(27)	(32)
Cash used (provided) by MARPA Facility	—	—	(15)	(200)
<b>Free cash flow<sup>(1)</sup></b>	<b>\$ 124</b>	<b>\$ 222</b>	<b>\$ 373</b>	<b>\$ 470</b>

(1) "Free cash flow" is a non-GAAP financial measure that is reconciled in this schedule to the most directly comparable GAAP financial measures. This non-GAAP financial measure provides investors with greater visibility into cash flows provided by operating activities, but is not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with SAIC's condensed and consolidated financial statements prepared in accordance with GAAP. The methods used to calculate this non-GAAP financial measure may differ from the methods used by other companies and so similarly titled non-GAAP financial measures presented by other companies may not be comparable to those provided in this schedule. Free cash flow is calculated by taking cash flows provided by operating activities less expenditures for property, plant, and equipment and less cash flows from our Master Accounts Receivable Purchasing Agreement (MARPA Facility) for the sale of certain designated eligible U.S. government receivables. Under the MARPA, the Company can sell eligible receivables up to a maximum amount of \$300 million.



# Non-GAAP Reconciliation – FY22 Free Cash Flow Guidance

	FY22 Guidance (in millions)
<b>Net cash provided by operating activities</b>	<b>\$495 to \$525</b>
Expenditures for property, plant, and equipment	<b>\$45 to \$55</b>
<b>Free cash flow<sup>(1)</sup></b>	<b>\$450 to \$470</b>

(1) “Free cash flow” is a non-GAAP financial measure that is reconciled in this schedule to the most directly comparable GAAP financial measures. This non-GAAP financial measure provides investors with greater visibility into cash flows provided by operating activities, but is not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with SAIC’s condensed and consolidated financial statements prepared in accordance with GAAP. The methods used to calculate this non-GAAP financial measure may differ from the methods used by other companies and so similarly titled non-GAAP financial measures presented by other companies may not be comparable to those provided in this schedule. Additionally, the Company provides free cash flow excluding the Master Accounts Receivable Purchasing Agreement (MARPA) for the sale of certain designated eligible U.S. government receivables. Under the MARPA, the Company can sell eligible receivables up to a maximum amount of \$300 million. The Company provides free cash flow excluding MARPA to allow investors to more easily compare current period results to prior period results and to results of our peers.





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TAKING THE WORLD WHERE  
IT'S NEVER BEEN BEFORE.

From the digital space to space defense,  
we move you forward.

**SAIC**

