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MANAGEMENT'S PREPARED REMARKS

Nazzic Keene, Chief Executive Officer
Prabu Natarajan, Chief Financial Officer

FOURTH QUARTER FISCAL YEAR 2023 EARNINGS CALL

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PROPRIETARY INFORMATION

Joseph DeNardi

Good morning and thank you for joining SAIC's fourth quarter Fiscal Year 2023 earnings call. My name is Joe DeNardi, Vice President of Investor Relations and Strategic Ventures, and joining me today to discuss our business and financial results are Nazzic Keene, our Chief Executive Officer, and Prabu Natarajan, our Chief Financial Officer.

Today we will discuss our results for the fourth quarter of Fiscal Year 2023 that ended February 3, 2023. Earlier this morning, we issued our earnings release, which can be found at investors.saic.com, where you will also find supplemental financial presentation slides to be utilized in conjunction with today's call and a copy of management's prepared remarks. These documents, in addition to our Form 10-K to be filed later

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today, should be utilized in evaluating our results and outlook along with information provided on today's call.

Please note that we may make forward-looking statements on today's call that are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from statements made on this call. I refer you to our SEC filings for a discussion of these risks, including the risk factors section of our annual report on form 10-K and quarterly reports on form 10-Q. In addition, the statements represent our views as of today and subsequent events may cause our views to change. We may elect to update the forward-looking statements at some point in the future, but we specifically disclaim any obligation to do so.

In addition, we will discuss non-GAAP financial measures and other metrics, which we believe provide useful information for investors and

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both our press release and supplemental financial presentation slides include reconciliations to the most comparable GAAP measures. The non-GAAP measures should be considered in addition to, and not a substitute for, financial measures in accordance with GAAP.

It is now my pleasure to introduce our CEO, Nazzic Keene.

Nazzic Keene

Thank you, Joe and good morning to those joining our call.

Earlier today, we reported strong results for the fourth quarter and fiscal year 2023. I am particularly proud of the 10% revenue growth we reported in the quarter which exceeded our expectations due to an intensity and focus across the enterprise that is very encouraging to see.

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As I've done in recent quarters, I want to start by highlighting two SAIC colleagues for their contribution to our inclusive culture and the advancement of values which are the foundation to our success.

As you know, March was Women's History Month which we celebrate at SAIC through our Women's Employee Resource Group, led by April Huynh from our Strategic Planning team and Sandra Dorsey, a cybersecurity specialist here at SAIC. The theme for this year's Women's History Month was "Celebrating Women Who Tell Our Stories" which we embraced at SAIC through several enterprise-wide initiatives. In one of these, the SAIC Women's Employee Resource Group partnered with Girls, Inc. of Greater Washington, D.C. for a book donation drive and collaborative panels in which students and SAIC employees shared their stories about women and efforts that inspire them to be strong, smart, and

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bold. I want to personally thank April and Sandra for their inspiration, their leadership, and their related accomplishments.

Now, onto a review of our financial results and recent portfolio actions. As I mentioned, we reported revenues of $2.0B, representing year-over-year growth of 10%. After adjusting for the benefit of five additional working days in the quarter, we delivered organic growth of roughly 2% while overcoming approximately 4pts of headwind from previously discussed contract transitions.

Our strong close to the year combined with recent business development momentum – both on new business and recompetes - gives me confidence that we can sustain and ultimately improve upon recent organic growth rates.

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It is important to note that our book-to-bill, backlog, and revenue results in FY23 do not include any contribution from two strategically significant new program wins – DCSA which was recently re-awarded and T-Cloud - which remains in protest. Combined, we believe these two programs can ultimately contribute at least 3 points of growth for SAIC once both are fully ramped up. Given the still uncertain timing of these program starts, our FY24 revenue guidance for roughly 3% of pro-forma organic growth does not include any material contribution from either program. We look forward to being able to deliver value to both customers once these programs clear the typical post-award process.

While our margins in the fourth quarter were modestly impacted by dilutive materials-related revenue, I'm pleased with our program execution and we have solid visibility into continued margin expansion

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over the next few years which is reflected in our FY24 margin guidance for 50 bps of year-over-year improvement.

Contributing to this, and as announced, we signed an agreement to sell our Logistics and Supply Chain business to ASRC Federal for $350M in cash which we expect to close in the coming months. While the business was not a significant contributor to our financials, the transaction aligns with our strategy to focus our resources and investment dollars on areas of the market where we have a strong right to win and provide the most attractive long-term returns for shareholders. The sale price represents roughly 11.5x prior year free cash flow which we believe delivers an attractive return for our shareholders.

Although we face a period of somewhat heightened political and budgetary noise over the next few quarters, we are bullish that our

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disciplined investment decisions and strategy position us well to best meet increasing customer demand amidst a very challenging threat environment.

It is only through the dedication and commitment from our employees that we are able to deliver excellence to our customers and value to our shareholders. I want to thank all of my SAIC colleagues for your contribution to our strong performance this past year.

With that, I'll turn the call over to Prabu to discuss our financial results and improved outlook in a bit longer than usual discussion as there is much to cover.

Prabu Natarajan

Thank you, Nazzic and good morning everyone.

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We reported strong fiscal fourth quarter results with revenue of $2 billion, up 10% year-over-year or 2% when adjusting for the five extra working days - again benefiting from strong execution and a continued focus to drive on-contract growth which allowed us to overcome revenue pressure from contract transitions.

While this introduced some modest margin pressure which resulted in our fourth quarter margin of 8.7% being slightly lower than expected, we see a multi-year opportunity to materially improve margins.

We reported adjusted diluted EPS of $2.04 which benefited from a lower tax rate and a roughly 4% year-over-year reduction in our diluted share count as a result of our continued return of capital to shareholders via our share repurchase program.

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Our fourth quarter free cash flow of $148M resulted in full year free cash flow of $457M which included a roughly $90M impact related to Section 174 cash tax payments, partially offset by related cash tax benefits of approximately $2M. As a reminder, this additional $70M of cash tax payments was not included in our prior guidance for free cash flow of $500M to $520M. Adding back the Section 174 and other related cash tax payments, we achieved free cash flow of $525M, $5M ahead of the top end of our prior guidance and represents growth of 12% vs. Fiscal Year 2022.

I am particularly proud of our cash flow performance in the quarter as we were able to overcome payment delays all year with an intensity and focus to deliver on our financial commitments. In the month of January, we achieved the highest level of monthly cash collections in SAIC's

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history. I want to thank all of our finance and business unit leaders who contributed to this and to our Treasury team who led the effort.

On business development, we had $1.3B of net bookings in the fourth quarter which contributed to a trailing twelve month book-to-bill of approximately 1x. Included in this was a $350M extension on our Department of State Vanguard program which provides us with visibility on that contract through our FY24 and partially into our FY25.

While our book-to-bill of approximately 1.0x is generally inline with our average over the prior year, our trailing three year book-to-bill is over 1.2x, and we continue to be confident around our ability to generate stronger rates of organic growth for two reasons: (1) our win rates on new business pursuits is strong, highlighted by the two new wins which Nazzic mentioned and (2) our recompete win rates are returning to

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normalized levels in recent quarters as we annualize recompete loss headwinds in the quarters ahead, partially in our fiscal second quarter and fully in our fiscal third quarter.

Although we have key recompetes to focus on in FY24 and beyond, we are heartened by the ability of our organization to bounce back from these temporary setbacks. Importantly, the Vanguard extension and the supply chain divestiture certainly improve the near term risk profile of the Company.

Prior to discussing our updated FY24 guidance, I want to quickly summarize the financial impact from our two recent portfolio actions – the divestiture of our logistics and supply chain management business and the deconsolidation of our Forfeiture Support Associates Joint Venture.

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Our supply chain business consists of a portfolio of contracts which contributed roughly $645M to revenue in FY23, approximately $35M to $40M of adjusted EBITDA, and $30M of free cash flow.

The second item relates to the deconsolidation of our joint venture, Forfeiture Support Associates (FSA) – which SAIC acquired as part of the Engility transaction. Effective February 4, 2023, we amended the operating agreement such that SAIC no longer controls the joint venture and, accordingly, we have begun accounting for the arrangement as an equity method investment. The deconsolidation will reduce our FY24 revenue by approximately $150M, our adjusted EBITDA by roughly $3M and our free cash flow by approximately $6M.

For clarity, the combined impact from these two transactions on our FY24 financials will be a $650M reduction in revenue and $35M

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reduction in adjusted EBITDA, resulting in a roughly 30 bps benefit to year-over-year margins. For FY25, we expect an additional 10 bps of margin from our L&SCM divestiture. Our updated FY24 guidance assumes approximately one quarter of financial contribution from that business for the year. We will provide updated guidance if needed based on the actual closing date of the transaction.

I would now like to discuss our updated and improved outlook for fiscal year 2024 after adjusting for the two items just mentioned and the impact of Section 174 on cash taxes.

Given the number of changes compared to our prior guidance, we have provided additional detail and disclosures in our slide presentation to assist with modeling and to clarify the underlying strong performance from the go-forward SAIC.

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Our FY24 revenue guidance for a range of $7.05B to $7.20B reflects organic growth of roughly 3% at the midpoint after adjusting for the fewer working days in FY24, our supply chain sale, and the deconsolidation of FSA. On a reported basis, we expect roughly flat revenue in our fiscal first quarter with improving growth rates into F2Q and F3Q as we annualize contract transitions and benefit from new programs ramping up. Our fiscal fourth quarter will be impacted by an estimated $150M headwind from fewer working days which will result in flat or modest growth on a GAAP basis but strong growth rates when adjusting for the working days.

Our FY24 margin guidance of 9.2% to 9.4% compares to our FY23 margin of 8.8% and includes 20 bps from margin improvement initiatives and an estimated 30 bps benefit from our portfolio actions. As Nazzic

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mentioned, we continue to see a multi-year opportunity to drive organic margin improvement.

Our FY24 EPS guidance for a range of $6.80 to $7.00 compares to our FY23 EPS of $7.55. As illustrated on slide 12, the midpoint of our guidance reflects roughly $0.60 of operational improvement offset by the divestiture of our supply chain business and below-the-line items including a higher tax rate assumption and increased interest expense. Note that the dilution associated with our supply chain divestiture is expected to be minimal over time as we actively deploy the proceeds from the sale.

Our FY24 free cash flow guidance of $460M to $480M compares to our prior guidance of $560M and includes a ~$100M impact associated with the net effect of higher Section 174 and other cash tax payments and our

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supply chain divestiture. This is offset by an approximately $10M benefit to free cash flow from expected operational improvements. Note that we have provided an updated multi-year free cash flow walk on slide 13 to reflect the effects of our supply chain sale and Section 174. We continue to see strong opportunities to increase free cash flow in the coming years despite the expected impact from higher cash taxes. Based on our updated intention to repurchase approximately $350M to $400M of shares in FY24 with a continued bias towards repurchases in FY25 and FY26, we have good visibility to strong free cash flow per share for our shareholders. This outlook is supported by our recently announced $1B share repurchase program. Even with this plan for increased repurchases, we will maintain sufficient capacity for capability-focused M&A over the next few years. Importantly, our capital structure and debt maturity

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profile is in good shape with no meaningful maturities until October 2025.

We intend to provide a detailed multi-year financial outlook at our investor day next Tuesday to include revenue, earnings, free cash flow, and capital deployment. I very much look forward to seeing all of you there.

With that, I will turn the call back to Nazzic.

Nazzic Keene

As Prabu mentioned and as you've seen, we will be hosting our investor day next week on April 11. While I won't preview any of the specific financial targets we'll provide then, I do want to quickly highlight three things that we're looking to accomplish during our time with you:

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1. Provide you with an improved understanding of who we are, our key leaders, and the markets and capabilities we're investing in.
2. Provide multi-year financial targets and articulate a compeling investment case for SAIC shareholders.
3. Discuss our commitment to being an asset light, technology integrator with a shareholder focused capital deployment strategy.

We're very excited about seeing all of you next week and thank you, in advance, for joining us. We'll now take your questions.

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