SAIC EARNINGS RESULTS

MANAGEMENT'S PREPARED REMARKS

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Prabu Natarajan, Chief Financial Officer

SECOND QUARTER FISCAL YEAR 2023 EARNINGS CALL

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Joseph DeNardi

Good morning and thank you for joining SAIC's second 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 second quarter of fiscal year 2023 that ended July 29, 2022. 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-Q to be filed later 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 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 us today.

As we look for new and differentiated ways to tell our story and articulate what makes SAIC unique, I want to start a new earnings call practice and highlight a member of the SAIC team whose performance and contributions exemplify our culture to give you a deeper understanding of who we are. Our purpose-driven culture is part of what underpins our success, and in a month in which we honor our first responders, military members, and so many civil servants who protect us day in and day out, we believe it's even more important to celebrate our own leaders who serve our government.

In prior calls, we have discussed SAIC's leadership as a top employer for veterans as evidenced by our #5 ranking in Forbes' most recent list of top employers for veterans. In addition to this, we were recently notified that the National Veteran Small Business Coalition named SAIC as contractor of the year.

Just as impressively, Rita Brooks, the leader of our small business organization, was named the Veteran Small Business Advocate of the Year for 2022. These recognitions reflect Rita's efforts, that of her team, and SAIC's commitment as advocates for the veteran small business community, and we are very proud of this acknowledgment. Working effectively with the small business community, and, in particular, those led by Veterans, is an important part of our teaming strategy. A heartfelt congratulations to Rita and the small business outreach team at SAIC.

Shifting from some of our recent cultural successes to our financial results, I'm pleased with our performance in the quarter as we delivered revenue, adjusted EBITDA margins, and earnings consistent with or better than our plan.

As a result of our performance to date, we are increasing guidance for fiscal year 2023 revenue and earnings per share, which we detail on slide 13 of our earnings presentation.

We continue to invest strategically for our future and remain confident in our ability to deliver organic revenue growth, expand margins, and increase free cash flow in the coming years.

Following our discussion last quarter around our Growth and Technology Accelerants, or GTAs, and Core areas of focus, I want to provide three recent events that illustrate our leadership position as a technology integrator. This role positions us well to best meet evolving customer requirements, particularly in markets with rapidly advancing, commercially-available capabilities.

The first example falls within our Systems Integration & Delivery – or SID – capability within GTA. In April, the Joint Capabilities Office held flight tests in Arizona to assess counter UAS solutions across a variety of platforms and operating scenarios. SAIC performed extremely well and delivered a technology-agnostic, scalable, and modular solution capable of detecting, tracking, identifying, and defeating UAS threats in various environments. Our solution performed as well as it did for two reasons: first, we integrate best-available technologies in the area of directed energy, radars, optics and power management and second, Valkyrie, which is our internally developed software solution and which allows us to be technology agnostic and deliver a single pane-of-glass, single-operator solution – both discriminators in this market. Our success at this event served as a catalyst for an encouraging rate of adoption in recent months with greater potential upside going forward. As you'll see on slide 7 of our earnings presentation, our recent progress in counter UAS builds upon our strong legacy in this market.

The second example sits in Secure Cloud within GTA. In fiscal year 2022, Secure Cloud accounted for roughly $1 billion in revenue for SAIC at accretive margins. Over the last twelve months, we have won new programs centered on cloud migration and cloud management with a total contract value of roughly $500 million. We have other large pursuits in our pipeline which lay the groundwork for sustained, profitable growth within Secure Cloud in the coming years. A common thread we have seen in customer feedback has been the technical quality of our offering which gives us confidence in the differentiation of our solution – known as CloudScend, which we illustrate on slide 8.

According to Gartner, SAIC is the #1 vendor for Infrastructure Implementation and Managed Services, by revenue, in the United States Government.

The third example relates to the recent successes we've had winning programs to help several customers implement their JADC2 strategy which we show on slide 9. While many of you on the call will appreciate the breadth of this effort across the Department of Defense, we are confident that our role as a technology integrator positions us as a leader in the market.

Last quarter, we indicated that we had roughly $1.1 billion in award value under protest. One of those wins, known as AOC Falconer, with an award value of roughly $300 million was resolved in our favor. Through this key program, we will help the Air Force modernize and advance a premier command and control system using SAIC's expertise in JADC2 critical technologies, including cloud migration and modernization and big data integration. Importantly, we won this competitive pursuit in large part because of our superior technical solution, fueled by CloudScend.

We believe our success in these three areas provides great proof-points of our strategy to leverage our legacy as a technology integrator to deliver higher value solutions, in fast growing markets, while maintaining our capital-light business model.

I'll now turn the call over to Prabu to discuss our financial results and improved outlook.

Prabu Natarajan

Thank you, Nazzic and good morning everyone.

I'm pleased with the financial results we delivered in our fiscal second quarter and the continued progress I see in the areas of business development and the execution of our strategy despite the impact on organic growth in the quarter from recompete losses. Our performance in the quarter and year to date contributed to our improved outlook for the full year.

In the quarter, we reported revenue of $1.83 billion, roughly flat with the prior year. Organic revenue declined approximately 1.5% year-over-year primarily due to one fewer working day in the quarter as we were able to largely overcome year-over-year revenue pressure from recompete losses with improved on-contract growth. I'll discuss our revenue expectations through the remainder of the year shortly.

We reported adjusted EBITDA of $166 million resulting in a margin rate of 9.1%. The decline in margin year-over-year is largely due to greater one-time gains in the prior year period, which we have previously discussed. I am encouraged by our margin performance year-to-date, and we have good line of sight to reaching our full year guidance of approximately 8.9%.

Adjusted EPS in the quarter was $1.75, slightly ahead of our plan primarily due to good operational performance and strong execution from our tax team.

Free cash flow of $74 million was negatively impacted by roughly $25 million due to temporary payment delays associated with a government agency which affected much of the defense contracting industry. Subsequent to the end of the quarter, the delayed payments were received, and we remain on track to meet our full year free cash flow guidance.

Bookings were roughly $2.1 billion, representing a book-to-bill in the quarter of 1.1x and 1.0x on a trailing twelve month basis. Our second quarter bookings include the AOC Falconer award. The customer on our previously awarded DCSA One IT program is taking corrective action in response to a protest, and we are awaiting the outcome of that process.

Based on results to date, we are increasing our guidance for revenue and earnings per share for fiscal year 2023. Our updated revenue guidance provides for a range of $7.50 billion to $7.55 billion, and represents year-over-year growth of roughly 2% at the midpoint. We continue to expect a low single digit decline in third quarter revenue and low single digit growth in the fourth quarter. As previously communicated, the primary driver of the anticipated change in growth from third to fourth quarter are five additional working days in the fourth quarter. We expect the extra days to add roughly $110 million to our fiscal fourth quarter. When adjusted for these additional working days, we expect a fourth quarter revenue decline in the low-to-mid single digits.

Despite the revenue pressure expected in the second half of the year, our new business win rate year-to-date is nicely ahead of our plan. In the past six months, we have won new business with a total value of over $1.2 billion which provides us visibility into returning to growth in early fiscal year 2024.

We note that the timing of protest resolution and our ability to ramp up will influence whether we see this inflection in the first quarter or second quarter of fiscal year 2024. Regardless of this uncertainty, we have confidence in our ability to consistently grow the business and return value to shareholders as we have demonstrated over the past 24 months.

Consistent with our performance through the first two quarters of this year, we will continue to aggressively pursue incremental new revenue opportunities – with particular emphasis on on-contract growth. As we indicated on our fiscal year 2022 fourth quarter earnings call, in order for our executive officers to earn target payout on the revenue component of our incentive compensation plan, we have to drive revenue above the high end of our current revenue guidance.

We are maintaining our full-year adjusted margin guidance of approximately 8.9%. We note, however, that the potential timing of certain material sales later in the year could push total revenues to the high-end of our revised guidance while putting modest pressure on margins.

We are also increasing fiscal year 2023 adjusted EPS guidance by $0.10 at the low end, which reflects the strong operating performance to date and a lower expected tax rate, partially offset by increased interest expense.

We are reaffirming our full year free cash flow guidance of $500 million to $530 million for fiscal year 2023. We expect the roughly $325 million in free cash flow needed to reach the midpoint of our guidance to be slightly weighted to the fourth quarter.

Through the second quarter, we deployed approximately $130 million for the repurchase of 1.5 million shares and are on track for full year repurchases at the high end of our prior expectation of $200 million to $250 million. This, of course, is market conditions permitting and assumes a deferral of Section 174 legislation. As of quarter end, we have approximately 8.5 million shares remaining under our current authorization which we intend to execute over the next few years.

To close, our focus remains on driving profitable growth and we are committed to strong execution and delivering value for shareholders.

I'll now turn the call back over to Nazzic.

Nazzic Keene

Thank you, Prabu. I mentioned earlier in the call the importance of our strong culture. Continuing on that theme, I wanted to close our discussion by highlighting our recently published

Corporate Responsibility Report which reflects our ongoing commitment to ESG and sustainability.

A few notable highlights from this year's report and progress include:

- In our environmental efforts, for calendar year 2021, our greenhouse emissions reflect a 30% decrease over our 2019 base year.

- For our social efforts – we received recognition from Forbes for being a Best Employer for Diversity and the Human Rights Campaign for Best Places To Work For LGBTQ+ Equality.

- From a governance perspective, we are immensely proud to report that 64% of SAIC'S Board of Directors are women or people of color, reflecting our commitment to providing diversity of thought at all levels of the company.

I encourage you to visit the Corporate Responsibility page on our website to view the full report.

