

Science Applications International Corporation

# Fiscal Year 2023 First Quarter Earnings Call

Supplemental Financial Presentation  
June 6, 2022



**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 June 6, 2022 along with listening to or reading a transcript of the management comments delivered in an earnings conference call held on June 6, 2022.

All information in these slides are as of June 6, 2022. 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*



# Building a Differentiated Employee Experience and Culture



- 1 Developing our Leaders to be the Best in our Industry
- 2 Upskilling our Leaders for the Future of Work and Transforming our Culture
- 3 Differentiated Employee Benefits Focused on Well-being
- 4 Accelerating Diversity Representation in our Leadership
- 5 Connecting and Resonating with our Dispersed Workforce

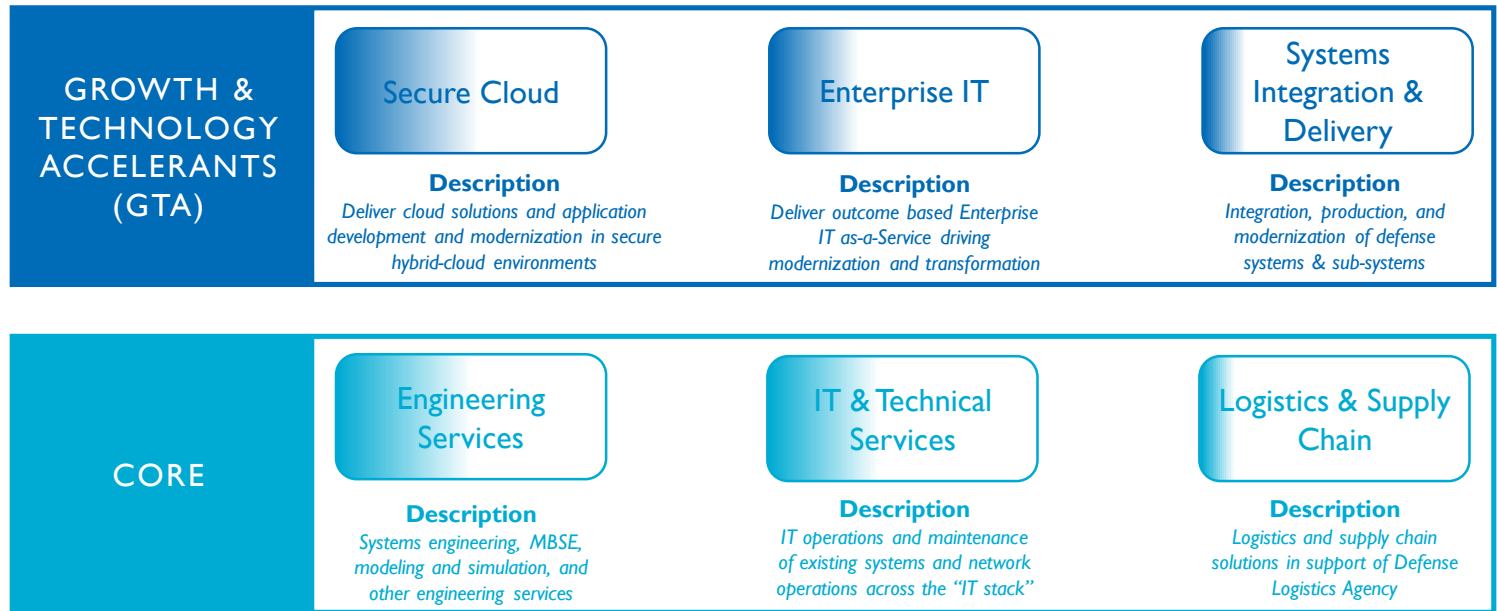


# SAIC's Enterprise Focus Areas

Strategy designed to capture accelerated share across a focused set of market needs

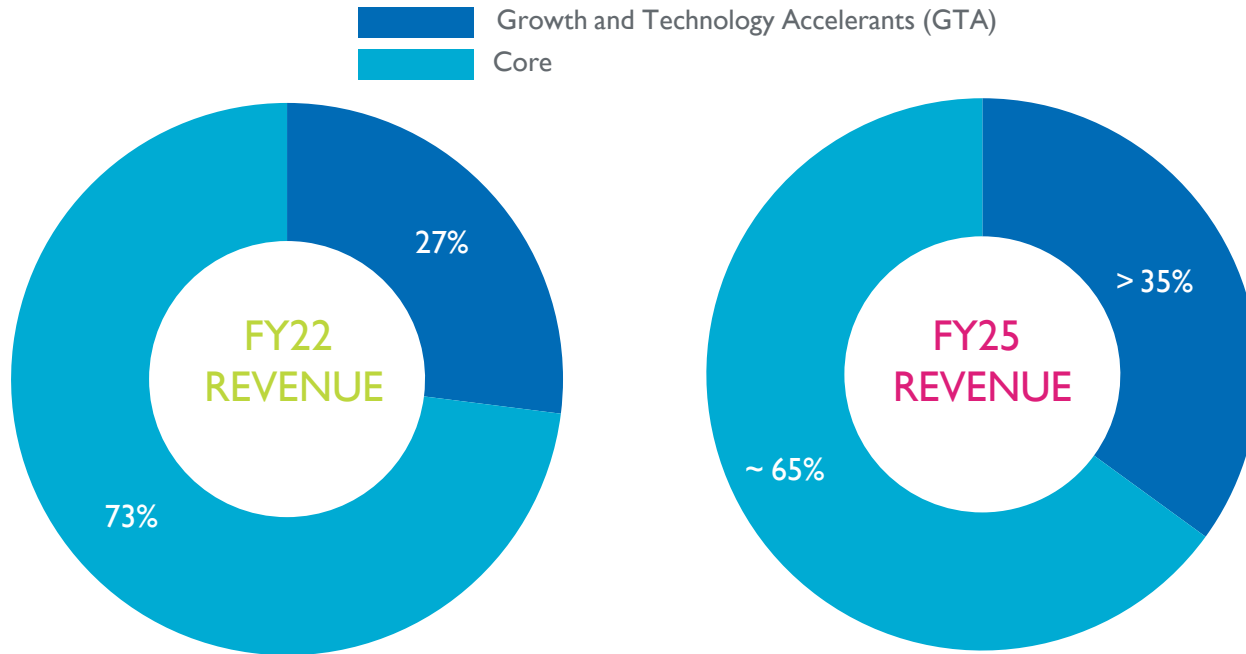
## SAIC MARKET POSITION

- **Engineering and integration leader** accelerating system development, modernization, and sustainment
- Accelerating, securing, and transforming **digital environments** to drive enterprise and mission outcomes



# Overall positioning strong, with focus on solutions and technology

Strategy drives favorable mix shift towards higher margin solutions



Note: Growth & Technology Accelerants (GTA) include Secure Cloud, Enterprise IT, and Systems Integration & Delivery (SI&D);  
Core includes Engineering Services, IT & Technical Services, and Logistics & Supply Chain

New business pipeline supports increased shift towards GTA



# FY2023 Q1 Highlights

Continued, Strong Organic Revenue Growth  
Adj. EBITDA\* Margins Consistent with Expectations

Q1 Total Revenue Growth of ~6%, Organic Growth of ~4%  
Q1 Adjusted EBITDA Margin\* of 8.7%

Increasing FY23 Guidance for Revenue, Adjusted Diluted EPS\*  
Continue to Expect >10% Free Cash Flow\* Growth in FY23

New share repurchase authorization representing ~16% of shares outstanding

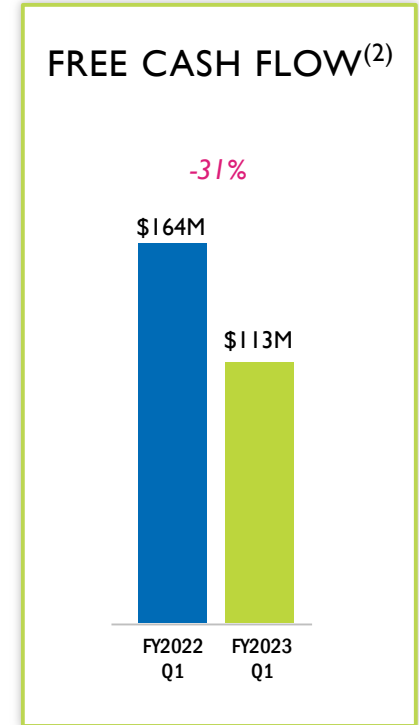
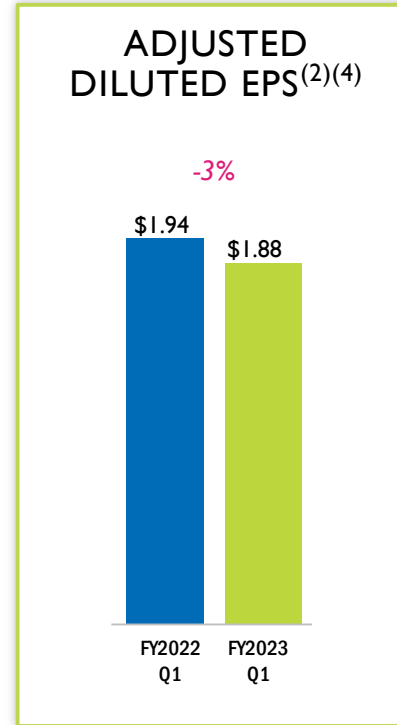
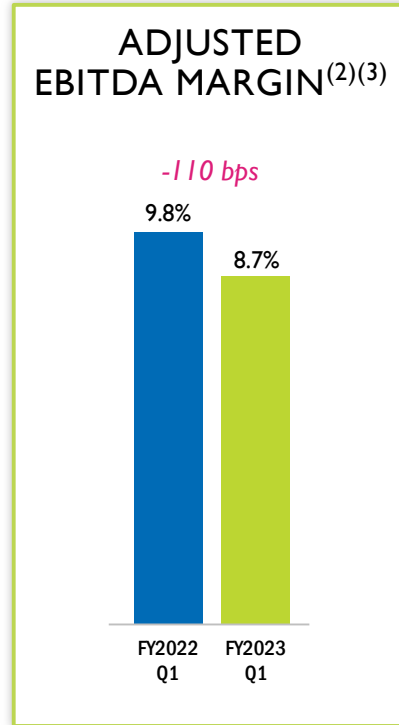
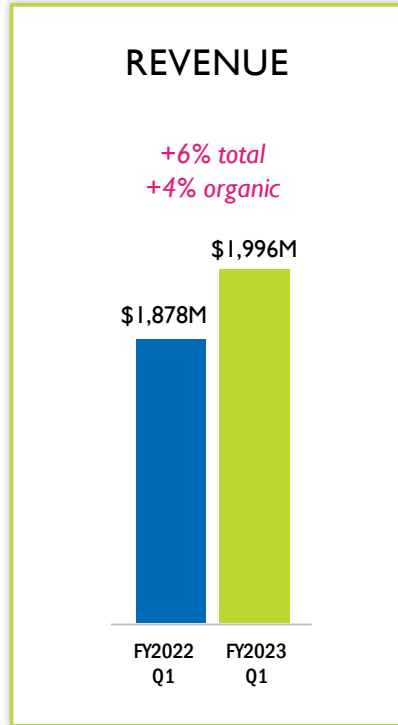
Focus on organic growth, portfolio alignment, and capital allocation

\*Adjusted EBITDA, Adjusted Diluted EPS, and Free Cash Flow are non-GAAP financial measures as defined and reconciled in the appendix of this presentation.





# FY2023 Q1 Results<sup>(1)</sup>



(1) Results of Science Applications International Corporation and its consolidated subsidiaries for the first quarters ended April 30, 2021 and April 29, 2022.

(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 \$9 million dollars and \$9 million dollars in FY22 Q1 and FY23 Q1, respectively, of acquisition and integration costs, net of depreciation included in acquisition and integration costs.

(4) Excludes \$10 million dollars and \$9 million dollars in FY22 Q1 and FY23 Q1, respectively, of acquisition and integration costs.



# Fiscal Year 2023 Guidance

## Current

## Prior

Revenue	<b>\$7.43B - \$7.55B</b>	\$7.35B - \$7.55B	➤ New business, on-contract, and acquired revenue growth offset by contract transitions
Adjusted EBITDA % <sup>*</sup>	<b>~8.9%</b>	~8.9%	➤ Reflects continued, strong operating performance
Adjusted Diluted EPS <sup>*</sup>	<b>\$6.90 - \$7.20</b>	\$6.80 - \$7.10	<ul style="list-style-type: none"> <li>➤ Effective tax rate ~ 24%</li> <li>➤ Interest expense ~\$115M, D&amp;A ~\$165M</li> <li>➤ Share repurchases of ~\$200M-\$250M</li> </ul>
Free Cash Flow <sup>*</sup>	<b>\$500M to \$530M</b>	\$500M to \$530M	<ul style="list-style-type: none"> <li>➤ ~\$50M FY21 deferred payroll taxes payment</li> <li>➤ Capex ~\$35M</li> </ul>

<sup>\*</sup>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 Share Repurchase Authorizations

Authorization Date	Incremental Shares Added to Authorization	Total "Current" Authorization	Repurchase Authorization as % of Diluted Shares	Approximate Months to Complete	Avg. Shares Repurchased per Month	Avg. Price of Repurchased Shares	Avg. Annualized FCF** / Share During Authorization
October 2013	5,000,000	5,000,000	10%	31	160,000	\$43	~\$4.50
September 2015	3,540,847 <sup>+</sup>	5,000,000	11%	19	190,000	\$69	~\$5.00
December 2016	3,287,313 <sup>+</sup>	5,000,000	11%	38	90,000	\$79	~\$6.50
April 2019	4,623,534 <sup>+</sup>	6,500,000	11%	21 <sup>*</sup>	220,000 <sup>*</sup>	\$86 <sup>*</sup>	~\$8.00
June 2022	8,000,000 <sup>+</sup>	~8,800,000	16%	TBD	TBD	TBD	>\$10.00

\* - expected date of completion, average monthly shares repurchased, and average price of repurchased shares based on current trend

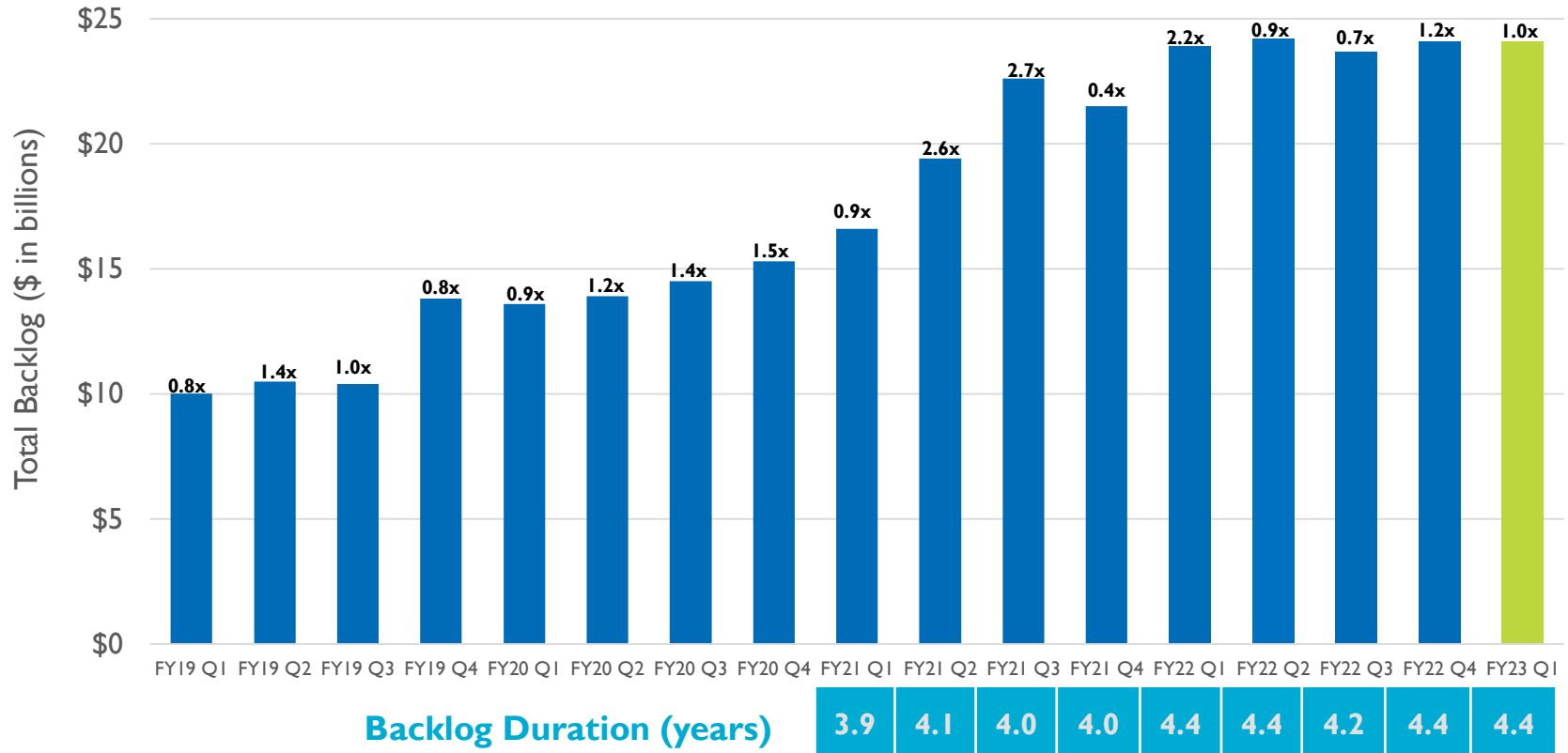
\*\* - excludes impact of MARPA facility

+ - Per SAIC share repurchase program convention, figures represent incremental increases to initial 5,000,000 share authorization

>20% Increase in Free Cash Flow + Fewer Shares = Increased Shareholder Value



# SAIC Historical Backlog and Book-to-Bill



FY23 Q1 BTB of 1.0x and Total Backlog of \$24B



# Appendix

# Working Days Per Quarter

	Q1	Q2	Q3	Q4	Total
FY23	64	62	63	65	254
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
FY23	6	7	6	7	26
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	
	April 29, 2022	April 30, 2021
	(in millions)	
<b>Net income</b>	<b>\$ 74</b>	<b>\$ 82</b>
Interest expense and loss on sale of receivables	28	28
Provision for income taxes	21	23
Depreciation and amortization	41	42
<b>EBITDA<sup>(1)</sup></b>	<b>164</b>	<b>175</b>
<i>EBITDA as a percentage of revenues</i>	8.2 %	9.3 %
Acquisition and integration costs	9	10
Depreciation included in acquisition and integration costs	—	(1)
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$ 173</b>	<b>\$ 184</b>
<i>Adjusted EBITDA as a percentage of revenues</i>	8.7 %	9.8 %
<b>Operating income</b>	<b>\$ 125</b>	<b>\$ 130</b>
<i>Operating income as a percentage of revenues</i>	6.3 %	6.9 %
Acquisition and integration costs	9	10
<b>Adjusted operating income<sup>(1)</sup></b>	<b>\$ 134</b>	<b>\$ 140</b>
<i>Adjusted operating income as a percentage of revenues</i>	6.7 %	7.5 %

(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 Halfaker, Koverse, and Unisys Federal. 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	
	April 29, 2022	April 30, 2021
<b>Diluted earnings per share</b>	<b>\$ 1.29</b>	<b>\$ 1.38</b>
Acquisition and integration costs and restructuring and impairment costs, divided by diluted 'weighted-average number of shares outstanding' (WASO)	0.16	0.17
Tax effect of acquisition and integration costs and restructuring and impairment costs, divided by diluted WASO	(0.03)	(0.03)
Net effect of acquisition and integration costs and restructuring and impairment costs, divided by diluted WASO	0.13	0.14
Amortization of intangible assets, divided by diluted WASO	0.58	0.55
Tax effect of amortization of intangible assets, divided by diluted WASO	(0.12)	(0.13)
Net effect of amortization of intangible assets, divided by diluted WASO	0.46	0.42
<b>Adjusted diluted earnings per share<sup>(1)</sup></b>	<b>\$ 1.88</b>	<b>\$ 1.94</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 Halfaker, Koverse, and Unisys Federal. 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	
	April 29, 2022	April 30, 2021
	(in millions)	
<b>Net cash provided by operating activities</b>	<b>\$ 118</b>	<b>\$ 189</b>
Expenditures for property, plant, and equipment	(5)	(10)
Cash used (provided) by MARPA Facility	—	(15)
<b>Free cash flow<sup>(1)</sup></b>	<b>\$ 113</b>	<b>\$ 164</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 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 – FY23 Free Cash Flow Guidance

	FY23 Guidance (in millions)
<b>Net cash provided by operating activities</b>	<b>\$535 to \$565</b>
Expenditures for property, plant, and equipment	<b>Approximately \$35</b>
<b>Free cash flow<sup>(1)</sup></b>	<b>\$500 to \$530</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 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.



