



SAIC Announces Third Quarter of Fiscal Year 2022 Results

December 6, 2021

- **Revenues increase to \$1.9 billion; 4.4% total revenue growth, 2.1% growth excluding acquired revenues**
- **Diluted earnings per share increase to \$1.22; Adjusted diluted earnings per share⁽¹⁾ increase to \$1.85**
- **Company raises revenue, adjusted EBITDA margin⁽¹⁾, adjusted diluted EPS⁽¹⁾, and free cash flow⁽¹⁾ guidance for fiscal year 2022**

RESTON, Va.--(BUSINESS WIRE)-- Science Applications International Corporation (NYSE: SAIC), a premier Fortune 500® technology integrator driving our nation's digital transformation across the defense, space, civilian, and intelligence markets, today announced results for the third quarter ended October 29, 2021.

"Our focus remains on positioning our portfolio and empowering our talented workforce to meet the needs of our customer, today and in the future," said SAIC CEO Nazzic Keene. "Our strong results and sustained growth reflect the continued progress we are making in aligning SAIC with areas of increasing customer demand. We continue to see attractive opportunities to profitably grow our business."

Third Quarter of Fiscal Year 2022: Summary Operating Results

	Three Months Ended			Nine Months Ended		
	October 29, 2021	Percent change	October 30, 2020	October 29, 2021	Percent change	October 30, 2020
(in millions, except per share amounts)						
Revenues	\$ 1,898	4%	\$ 1,818	\$ 5,612	5%	\$ 5,339
Operating income	114	4%	110	377	31%	288
Operating income as a percentage of revenues	6.0%	-10bps	6.1%	6.7%	130bps	5.4%
Adjusted operating income ⁽¹⁾	126	10%	115	413	23%	336
Adjusted operating income as a percentage of revenues	6.6%	30bps	6.3%	7.4%	110bps	6.3%
Net income attributable to common stockholders	71	18%	60	234	59%	147
EBITDA ⁽¹⁾	159	—%	159	505	20%	420
EBITDA as a percentage of revenues	8.4%	-30bps	8.7%	9.0%	110bps	7.9%
Adjusted EBITDA ⁽¹⁾	171	4%	164	540	15%	468
Adjusted EBITDA as a percentage of revenues	9.0%	—bps	9.0%	9.6%	80bps	8.8%
Diluted earnings per share	\$ 1.22	20%	\$ 1.02	\$ 4.01	60%	\$ 2.51
Adjusted diluted earnings per share ⁽¹⁾	\$ 1.85	14%	\$ 1.62	\$ 5.76	25%	\$ 4.61
Net cash provided by operating activities	\$ 134	(42)%	\$ 231	\$ 415	(41)%	\$ 702
Free cash flow ⁽¹⁾	\$ 124	(44)%	\$ 222	\$ 373	(21)%	\$ 470

⁽¹⁾ Non-GAAP measure, see Schedule 5 for information about this measure.

Third Quarter Summary Results

Revenues for the quarter increased \$80 million compared to the same period in the prior year primarily due to ramp up on new and existing contracts, the acquisition of Halfaker and the accelerated amortization on certain off-market liability contracts, partially offset by contract completions. Adjusting for the impact of acquired revenues and divested revenues, revenues grew 2.1% primarily due to net increases in program volume and new awards. We estimate the third quarter program impact from the COVID-19 pandemic to be approximately \$30 million, primarily driven by reduced volume in our supply chain business.

Operating income as a percentage of revenues of 6.0%, decreased from 6.1% in the comparable prior year period primarily due to lower employee benefit costs in the prior year period and higher acquisition and integration costs in the current year period, partially offset by net favorable changes in contract estimates and the accelerated amortization on certain off-market liability contracts.

Adjusted EBITDA⁽¹⁾ as a percentage of revenues for the quarter of 9.0% remained consistent with the same period in the prior year. Net favorable changes in contract estimates and revenue resulting from the accelerated amortization on certain off-market liability contracts were offset by lower

employee benefit costs in the prior year period. We estimate the third quarter program impact from the COVID-19 pandemic to be approximately \$1 million of adjusted EBITDA⁽¹⁾.

Diluted earnings per share for the quarter was \$1.22 compared to \$1.02 in the prior year quarter. Adjusted diluted earnings per share⁽¹⁾ for the quarter was \$1.85 compared to \$1.62 in the prior year quarter. The weighted-average diluted shares outstanding during the quarter decreased to 58.0 million from 58.7 million during the prior year quarter.

Cash Generation and Capital Deployment

Cash flows provided by operating activities for the third quarter were \$134 million, a decrease of \$97 million compared to the prior year quarter, primarily due to working capital related to the impact of payroll tax payments associated with the CARES Act.

Free cash flow⁽¹⁾ for the third quarter decreased by \$98 million from the prior year quarter to \$124 million, primarily due to working capital related to the impact of payroll tax payments associated with the CARES Act.

During the quarter, SAIC deployed \$97 million of capital, consisting of \$63 million of plan share repurchases, \$21 million in cash dividends, \$10 million of capital expenditures and \$3 million for acquisitions. In addition, SAIC made \$23 million of mandatory debt repayment in the third quarter.

⁽¹⁾ Non-GAAP measure, see Schedule 5 for information about this measure.

Quarterly Dividend Declared

Subsequent to the end of the quarter, the Company's Board of Directors declared a cash dividend of \$0.37 per share of the Company's common stock payable on January 28, 2022 to stockholders of record on January 14, 2022. SAIC intends to continue paying dividends on a quarterly basis, although the declaration of any future dividends will be determined by the Board of Directors each quarter and will depend on earnings, financial condition, capital requirements and other factors.

Backlog and Contract Awards

Net bookings for the quarter were approximately \$1.4 billion, which reflects a book-to-bill ratio of 0.7 and a trailing twelve months book-to-bill ratio of 1.1. SAIC's estimated backlog at the end of the quarter was approximately \$24 billion. Of the total backlog amount, approximately \$3.4 billion was funded.

Notable Recompete Awards

U.S. Department of State: SAIC was awarded a twelve month contract extension, valued at \$200 million, to continue providing engineering and design services, security, and operation and maintenance services for critical IT infrastructure.

SAIC was awarded the following contracts subsequent to the end of the quarter which are not included in the current quarter net bookings and book-to-bill:

U.S. Naval Sea Systems Command (NAVSEA): SAIC was awarded a contract, valued at \$1.1 billion, to produce, assemble, test and deliver the U.S. Navy's MK 48 MOD 7 torpedo afterbody tailcones (AB/TC) and MK29 Mod 0 Warshot fuel tanks. Under the contract, SAIC will provide all necessary facilities, resources and management necessary to meet the contract's production, test and delivery requirements.

Fiscal Year 2022 Guidance

As a result of the Company's year-to-date performance and future expectations, including expected impacts from the COVID-19 pandemic, the Company is updating previously provided fiscal year 2022 guidance. The guidance assumes expected negative COVID-19 impact of approximately \$125 million in revenue and approximately \$10 million in adjusted EBITDA. The table below summarizes fiscal year 2022 guidance and represents our views as of December 6, 2021.

	Current Fiscal Year 2022 Guidance	Prior Fiscal Year 2022 Guidance
Revenue	\$7.35 billion - \$7.40 billion	\$7.30 billion - \$7.40 billion
Adjusted EBITDA Margin ⁽¹⁾	9.0% to 9.1%	8.9% to 9.0%
Adjusted Diluted EPS ⁽¹⁾	\$6.75 - \$6.95	\$6.50 - \$6.70
Free Cash Flow ⁽¹⁾	\$450 million - \$470 million	\$430 million to \$470 million

Webcast Information

SAIC management will discuss operations and financial results in an earnings conference call beginning at 10:00 a.m. Eastern time on December 6, 2021. The conference call will be webcast simultaneously to the public through a link on the Investor Relations section of the SAIC website (<http://investors.saic.com>). We will be providing webcast access only – “dial-in” access is no longer available. Additionally, a supplemental presentation will be available to the public through links to the Investor Relations section of the SAIC website. After the call concludes, an on-demand audio replay of the webcast can be accessed on the Investor Relations website.

About SAIC

SAIC® is a premier Fortune 500® technology integrator driving our nation's technology transformation. Our robust portfolio of offerings across the defense, space, civilian, and intelligence markets includes secure high-end solutions in engineering, digital, artificial intelligence, and mission solutions. Using our expertise and understanding of existing and emerging technologies, we integrate the best components from our own portfolio and our partner ecosystem to deliver innovative, effective, and efficient solutions that are critical to achieving our customers' missions.

We are more than 26,000 strong; driven by mission, united by purpose, and inspired by opportunities. Headquartered in Reston, Virginia, SAIC has annual revenues of approximately \$7.2 billion. For more information, visit saic.com. For ongoing news, please visit our newsroom.

GAAP to Non-GAAP Guidance Reconciliation

The Company does not provide a reconciliation of forward-looking adjusted diluted EPS to GAAP diluted EPS or adjusted EBITDA margin to GAAP

net income due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation, including, but not limited to, amortization of acquired intangible assets and acquisition, integration and restructuring costs. As a result, the Company is not able to forecast GAAP diluted EPS or GAAP net income with reasonable certainty. The variability of the above charges may have an unpredictable and potentially significant impact on our future GAAP financial results.

(1) Non-GAAP measure, see Schedule 5 for information about this measure.

Forward-Looking Statements

Certain statements in this release contain or are based on “forward-looking” information within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by words such as “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “guidance,” and similar words or phrases. Forward-looking statements in this release may include, among others, estimates of future revenues, operating income, earnings, earnings per share, charges, total contract value, backlog, outstanding shares and cash flows, as well as statements about future dividends, share repurchases and other capital deployment plans. Such statements are not guarantees of future performance and involve risk, uncertainties and assumptions, and actual results may differ materially from the guidance and other forward-looking statements made in this release as a result of various factors. Risks, uncertainties and assumptions that could cause or contribute to these material differences include those discussed in the “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Legal Proceedings” sections of our Annual Report on Form 10-K, as updated in any subsequent Quarterly Reports on Form 10-Q and other filings with the SEC, which may be viewed or obtained through the Investor Relations section of our website at www.saic.com or on the SEC’s website at www.sec.gov. 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. 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.

Schedule 1:

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION CONDENSED AND CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Three Months Ended		Nine Months Ended	
	October 29, 2021	October 30, 2020	October 29, 2021	October 30, 2020
(in millions, except per share amounts)				
Revenues	\$ 1,898	\$ 1,818	\$ 5,612	\$ 5,339
Cost of revenues	1,685	1,609	4,950	4,747
Selling, general and administrative expenses	87	96	252	261
Acquisition and integration costs	12	3	36	47
Other operating income	—	—	(3)	(4)
Operating income	114	110	377	288
Interest expense	26	32	79	95
Other (income) expense, net	—	—	(3)	—
Income before income taxes	88	78	301	193
Provision for income taxes	(17)	(18)	(66)	(43)
Net income	\$ 71	\$ 60	\$ 235	\$ 150
Net income attributable to non-controlling interest	—	—	1	3
Net income attributable to common stockholders	\$ 71	\$ 60	\$ 234	\$ 147
Weighted-average number of shares outstanding:				
Basic	57.5	58.2	57.8	58.1
Diluted	58.0	58.7	58.4	58.6
Earnings per share:				
Basic	\$ 1.24	\$ 1.03	\$ 4.05	\$ 2.53
Diluted	\$ 1.22	\$ 1.02	\$ 4.01	\$ 2.51

Schedule 2:

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION CONDENSED AND CONSOLIDATED BALANCE SHEETS (Unaudited)

	October 29, 2021	January 29, 2021
(in millions)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 148	\$ 171
Receivables, net	1,107	962
Inventory, prepaid expenses and other current assets	128	156
Total current assets	1,383	1,289
Goodwill	2,905	2,787
Intangible assets, net	1,166	1,138
Property, plant, and equipment, net	103	108

Operating lease right of use assets	223	236
Other assets	136	165
Total assets	\$ 5,916	\$ 5,723
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 877	\$ 861
Accrued payroll and employee benefits	399	346
Long-term debt, current portion	119	68
Total current liabilities	1,395	1,275
Long-term debt, net of current portion	2,433	2,447
Operating lease liabilities	202	205
Other long-term liabilities	241	244
Equity:		
Total common stockholders' equity	1,635	1,542
Non-controlling interest	10	10
Total stockholders' equity	1,645	1,552
Total liabilities and stockholders' equity	\$ 5,916	\$ 5,723

Schedule 3:

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
CONDENSED AND CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended		Nine Months Ended	
	October 29, 2021	October 30, 2020	October 29, 2021	October 30, 2020
(in millions)				
Cash flows from operating activities:				
Net income	\$ 71	\$ 60	\$ 235	\$ 150
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	44	48	123	131
Amortization of off-market customer contracts	(13)	(4)	(30)	(11)
Amortization of debt issuance costs	2	7	6	19
Deferred income taxes	10	6	41	17
Stock-based compensation expense	11	11	35	30
(Gain) loss on divestitures	—	—	(2)	10
Impairment of right of use assets	—	—	10	—
Increase (decrease) resulting from changes in operating assets and liabilities, net of the effect of acquisitions:				
Receivables	(43)	(20)	(123)	131
Inventory, prepaid expenses and other current assets	18	24	28	9
Other assets	—	(4)	(8)	(11)
Accounts payable and accrued liabilities	5	13	47	9
Accrued payroll and employee benefits	25	61	45	141
Operating lease assets and liabilities, net	1	(2)	4	(7)
Other long-term liabilities	3	31	4	84
Net cash provided by operating activities	134	231	415	702
Cash flows from investing activities:				
Expenditures for property, plant, and equipment	(10)	(9)	(27)	(32)
Purchases of marketable securities	(2)	(1)	(5)	(5)
Sales of marketable securities	2	1	4	8
Cash paid for acquisitions, net of cash acquired	(3)	—	(247)	(1,202)
Proceeds from divestitures	—	3	8	4
Other	(3)	—	(5)	(2)
Net cash used in investing activities	(16)	(6)	(272)	(1,229)
Cash flows from financing activities:				
Dividend payments to stockholders	(21)	(21)	(65)	(65)
Principal payments on borrowings	(23)	(218)	(84)	(376)
Issuances of stock	4	3	12	9
Stock repurchased and retired or withheld for taxes on equity awards	(63)	(1)	(154)	(13)
Proceeds from borrowings	—	—	116	1,000
Debt issuance costs	—	—	—	(27)
Distributions to non-controlling interest	—	(2)	(1)	(2)
Net cash (used in) provided by financing activities	(103)	(239)	(176)	526
Net increase (decrease) in cash, cash equivalents and restricted cash	15	(14)	(33)	(1)
Cash, cash equivalents and restricted cash at beginning of period	142	215	190	202

Schedule 4:

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
BACKLOG
(Unaudited)

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

	October 29, 2021	July 30, 2021	January 29, 2021
	(in millions)		
Funded backlog	\$ 3,441	\$ 3,299	\$ 3,024
Negotiated unfunded backlog	20,213	20,938	18,524
Total backlog	\$ 23,654	\$ 24,237	\$ 21,548

Backlog represents the estimated amount of future revenues to be recognized under negotiated contracts and task orders as work is performed and excludes contract awards which have been protested by competitors until the protest is resolved in our favor. SAIC segregates backlog into two categories, funded backlog and negotiated unfunded backlog. Funded backlog for contracts with government agencies primarily represents contracts for which funding is appropriated less revenues previously recognized on these contracts, and does not include the unfunded portion of contracts where funding is incrementally appropriated or authorized 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 agencies represents the estimated value of contracts which may cover multiple future years under which SAIC is obligated to perform, less revenues previously recognized on these contracts. Negotiated unfunded backlog represents the estimated future revenues to be earned from negotiated contracts for which funding has not been appropriated or authorized, and unexercised priced contract options. Negotiated unfunded backlog does not include any estimate of future potential task orders expected to be awarded under indefinite-delivery, indefinite-quantity (IDIQ), U.S. General Services Administration (GSA) schedules or other master agreement contract vehicles.

Schedule 5:

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
NON-GAAP FINANCIAL MEASURES
(Unaudited)

This schedule describes the non-GAAP financial measures included in this earnings release. While we believe that these non-GAAP financial measures may be useful 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, Adjusted EBITDA and Adjusted Operating Income

	Three Months Ended		Nine Months Ended	
	October 29, 2021	October 30, 2020	October 29, 2021	October 30, 2020
	(in millions)			
Net income	\$ 71	\$ 60	\$ 235	\$ 150
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
EBITDA⁽¹⁾	159	159	505	420
EBITDA as a percentage of revenues	8.4 %	8.7 %	9.0 %	7.9 %
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)
Adjusted EBITDA⁽¹⁾	\$ 171	\$ 164	\$ 540	\$ 468
Adjusted EBITDA as a percentage of revenues	9.0 %	9.0 %	9.6 %	8.8 %
Operating income	\$ 114	\$ 110	\$ 377	\$ 288
Operating income as a percentage of revenues	6.0 %	6.1 %	6.7 %	5.4 %
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)
Adjusted operating income⁽¹⁾	\$ 126	\$ 115	\$ 413	\$ 336
Adjusted operating income as a percentage of revenues	6.6 %	6.3 %	7.4 %	6.3 %

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.

(1) Non-GAAP measure, see above for definition

Schedule 5 (continued):

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
NON-GAAP FINANCIAL MEASURES
(Unaudited)

Adjusted Diluted Earnings Per Share

	Three Months Ended		Nine Months Ended	
	October 29, 2021	October 30, 2020	October 29, 2021	October 30, 2020
Diluted earnings per share	\$ 1.22	\$ 1.02	\$ 4.01	\$ 2.51
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
Adjusted diluted earnings per share⁽¹⁾	\$ 1.85	\$ 1.62	\$ 5.76	\$ 4.61

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.

(1) Non-GAAP measure, see above for definition

Schedule 5 (continued):

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
NON-GAAP FINANCIAL MEASURES
(Unaudited)

Free Cash Flow

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

FY22 Guidance
(in millions)

Net cash provided by operating activities	\$495 to \$525
Expenditures for property, plant, and equipment	\$45 to \$55
Free cash flow⁽¹⁾	\$450 to \$470

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 Facility, the Company can sell eligible receivables up to a maximum amount of \$300 million. We believe that free cash flow provides management and investors with useful information in assessing trends in our cash flows and in comparing them to other peer companies, many of whom present a similar non-GAAP liquidity measure. This measure should not be considered as a measure of residual cash flow

available for discretionary purposes.

(1) Non-GAAP measure, see above for definition



Investor Relations: Joe DeNardi, +1.703.676.2344, joseph.w.denardi@saic.com
Media: Brad Bass, +1.240.418.0168, brad.h.bass@saic.com

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