

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended April 30, 2021

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission  
File Number**

001-35832

**Exact Name of Registrant as Specified in its Charter,  
Address of Principal Executive Offices and Telephone Number**

**Science Applications  
International Corporation**

**State or other  
jurisdiction of  
incorporation or  
organization**

Delaware

**I.R.S. Employer  
Identification  
No.**

46-1932921

12010 Sunset Hills Road, Reston, VA 20190

703-676-4300

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$.0001 per share	SAIC	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares issued and outstanding of the registrant's common stock as of May 21, 2021 was as follows:

57,959,188 shares of common stock (\$.0001 par value per share)

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION  
FORM 10-Q  
TABLE OF CONTENTS

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	<u>Page</u>
<b>Part I</b>	<b><u>Financial Information</u></b>
Item 1	<u>Financial Statements</u> <span style="float:right"><u>1</u></span>
	<u>Condensed and Consolidated Statements of Income</u> <span style="float:right"><u>1</u></span>
	<u>Condensed and Consolidated Statements of Comprehensive Income</u> <span style="float:right"><u>2</u></span>
	<u>Condensed and Consolidated Balance Sheets</u> <span style="float:right"><u>3</u></span>
	<u>Condensed and Consolidated Statements of Equity</u> <span style="float:right"><u>4</u></span>
	<u>Condensed and Consolidated Statements of Cash Flows</u> <span style="float:right"><u>5</u></span>
	<u>Notes to Condensed and Consolidated Financial Statements</u> <span style="float:right"><u>6</u></span>
	<u>Note 1—Business Overview and Summary of Significant Accounting Policies</u> <span style="float:right"><u>6</u></span>
	<u>Note 2—Earnings Per Share and Dividends</u> <span style="float:right"><u>8</u></span>
	<u>Note 3—Revenues</u> <span style="float:right"><u>9</u></span>
	<u>Note 4—Acquisitions</u> <span style="float:right"><u>11</u></span>
	<u>Note 5—Income Taxes</u> <span style="float:right"><u>11</u></span>
	<u>Note 6—Debt Obligations</u> <span style="float:right"><u>12</u></span>
	<u>Note 7—Derivative Instruments Designated as Cash Flow Hedges</u> <span style="float:right"><u>13</u></span>
	<u>Note 8—Changes in Accumulated Other Comprehensive Loss by Component</u> <span style="float:right"><u>14</u></span>
	<u>Note 9—Sales of Receivables</u> <span style="float:right"><u>14</u></span>
	<u>Note 10—Legal Proceedings and Other Commitments and Contingencies</u> <span style="float:right"><u>15</u></span>
	<u>Note 11—Subsequent Events</u> <span style="float:right"><u>16</u></span>
Item 2	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> <span style="float:right"><u>17</u></span>
Item 3	<u>Quantitative and Qualitative Disclosures About Market Risk</u> <span style="float:right"><u>24</u></span>
Item 4	<u>Controls and Procedures</u> <span style="float:right"><u>24</u></span>
<b>Part II</b>	<b><u>Other Information</u></b> <span style="float:right"><u>25</u></span>
Item 1	<u>Legal Proceedings</u> <span style="float:right"><u>25</u></span>
Item 1A	<u>Risk Factors</u> <span style="float:right"><u>25</u></span>
Item 2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> <span style="float:right"><u>25</u></span>
Item 3	<u>Defaults Upon Senior Securities</u> <span style="float:right"><u>25</u></span>
Item 4	<u>Mine Safety Disclosures</u> <span style="float:right"><u>25</u></span>
Item 5	<u>Other Information</u> <span style="float:right"><u>25</u></span>
Item 6	<u>Exhibits</u> <span style="float:right"><u>26</u></span>
	<u>Signatures</u> <span style="float:right"><u>27</u></span>

## PART I—FINANCIAL INFORMATION

Item 1. *Financial Statements*SCIENCE APPLICATIONS INTERNATIONAL CORPORATION  
CONDENSED AND CONSOLIDATED STATEMENTS OF INCOME  
(UNAUDITED)

	Three Months Ended	
	April 30, 2021	May 1, 2020
	(in millions, except per share amounts)	
Revenues	\$ 1,878	\$ 1,757
Cost of revenues	1,661	1,574
Selling, general and administrative expenses	80	76
Acquisition and integration costs	10	29
Other operating income	(3)	—
Operating income	130	78
Interest expense	27	31
Other (income) expense, net	(2)	2
Income before income taxes	105	45
Provision for income taxes	(23)	(8)
Net income	82	37
Net income attributable to non-controlling interest	1	1
Net income attributable to common stockholders	\$ 81	\$ 36
Earnings per share:		
Basic	\$ 1.39	\$ 0.62
Diluted	\$ 1.38	\$ 0.62

See accompanying notes to condensed and consolidated financial statements.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**CONDENSED AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(UNAUDITED)**

	Three Months Ended	
	April 30, 2021	May 1, 2020
	(in millions)	
Net income	\$ 82	\$ 37
Other comprehensive income (loss), net of tax:		
Net unrealized gain (loss) on derivative instruments	14	(36)
Total other comprehensive income (loss), net of tax	14	(36)
Comprehensive income	\$ 96	\$ 1
Comprehensive income attributable to non-controlling interest	1	1
Comprehensive income attributable to common stockholders	\$ 95	\$ —

See accompanying notes to condensed and consolidated financial statements.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**CONDENSED AND CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

	April 30, 2021	January 29, 2021
	(in millions)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 261	171
Receivables, net	1,023	962
Inventory, prepaid expenses and other current assets	156	156
Total current assets	1,440	1,289
Goodwill	2,787	2,787
Intangible assets (net of accumulated amortization of \$267 million and \$289 million at April 30, 2021 and January 29, 2021, respectively)	1,106	1,138
Property, plant, and equipment (net of accumulated depreciation of \$166 million and \$158 million at April 30, 2021 and January 29, 2021, respectively)	107	108
Operating lease right of use assets	226	236
Other assets	146	165
Total assets	\$ 5,812	5,723
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 891	861
Accrued payroll and employee benefits	403	346
Long-term debt, current portion	104	68
Total current liabilities	1,398	1,275
Long-term debt, net of current portion	2,390	2,447
Operating lease liabilities	200	205
Other long-term liabilities	237	244
Commitments and contingencies (Note 10)		
Equity:		
Common stock, \$0.0001 par value, 1 billion shares authorized, 58 million shares issued and outstanding as of April 30, 2021 and January 29, 2021	—	—
Additional paid-in capital	965	1,004
Retained earnings	687	627
Accumulated other comprehensive loss	(75)	(89)
Total common stockholders' equity	1,577	1,542
Non-controlling interest	10	10
Total stockholders' equity	1,587	1,552
Total liabilities and stockholders' equity	\$ 5,812	5,723

See accompanying notes to condensed and consolidated financial statements.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**CONDENSED AND CONSOLIDATED STATEMENTS OF EQUITY**  
**(UNAUDITED)**

	Shares of common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Non- controlling interest	Total
	(in millions)					
<b>Balance at January 29, 2021</b>	<b>58</b>	<b>\$ 1,004</b>	<b>\$ 627</b>	<b>\$ (89)</b>	<b>\$ 10</b>	<b>\$ 1,552</b>
Net income	—	—	81	—	1	82
Issuances of stock	—	4	—	—	—	4
Other comprehensive income, net of tax	—	—	—	14	—	14
Cash dividends of \$0.37 per share	—	—	(21)	—	—	(21)
Stock-based compensation	—	(3)	—	—	—	(3)
Repurchases of stock	—	(40)	—	—	—	(40)
Distributions to non-controlling interest	—	—	—	—	(1)	(1)
<b>Balance at April 30, 2021</b>	<b>58</b>	<b>\$ 965</b>	<b>\$ 687</b>	<b>\$ (75)</b>	<b>\$ 10</b>	<b>\$ 1,587</b>
<b>Balance at January 31, 2020</b>	<b>58</b>	<b>\$ 983</b>	<b>\$ 506</b>	<b>\$ (72)</b>	<b>\$ 10</b>	<b>\$ 1,427</b>
Net income	—	—	36	—	1	37
Issuances of stock	—	3	—	—	—	3
Other comprehensive loss, net of tax	—	—	—	(36)	—	(36)
Cash dividends of \$0.37 per share	—	—	(22)	—	—	(22)
Stock-based compensation	—	(2)	—	—	—	(2)
Repurchases of stock	—	(1)	—	—	—	(1)
Contributions from non-controlling interest	—	—	—	—	2	2
<b>Balance at May 1, 2020</b>	<b>58</b>	<b>\$ 983</b>	<b>\$ 520</b>	<b>\$ (108)</b>	<b>\$ 13</b>	<b>\$ 1,408</b>

See accompanying notes to condensed and consolidated financial statements.

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

	Three Months Ended	
	April 30, 2021	May 1, 2020
	(in millions)	
Cash flows from operating activities:		
Net income	\$ 82	\$ 37
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	42	33
Amortization of off-market customer contracts	(4)	—
Amortization of debt issuance costs	2	6
Deferred income taxes	20	10
Stock-based compensation expense	10	9
Gain on divestitures	(3)	—
Impairment of right of use assets	7	—
Increase (decrease) resulting from changes in operating assets and liabilities, net of the effect of the acquisition:		
Receivables	(61)	143
Inventory, prepaid expenses and other current assets	(5)	(21)
Other assets	(4)	(2)
Accounts payable and accrued liabilities	44	66
Accrued payroll and employee benefits	57	83
Operating lease assets and liabilities, net	5	(2)
Other long-term liabilities	(3)	5
Net cash provided by operating activities	189	367
Cash flows from investing activities:		
Expenditures for property, plant, and equipment	(10)	(9)
Purchases of marketable securities	(2)	(3)
Sales of marketable securities	1	6
Cash paid for acquisition	—	(1,196)
Proceeds from divestitures	8	—
Other	(1)	—
Net cash used in investing activities	(4)	(1,202)
Cash flows from financing activities:		
Dividend payments to stockholders	(22)	(23)
Principal payments on borrowings	(39)	(16)
Issuances of stock	4	3
Stock repurchased and retired or withheld for taxes on equity awards	(53)	(12)
Proceeds from borrowings	16	1,000
Debt issuance costs	—	(27)
(Distributions to) contributions from non-controlling interest	(1)	2
Net cash (used in) provided by financing activities	(95)	927
Net increase in cash, cash equivalents and restricted cash	90	92
Cash, cash equivalents and restricted cash at beginning of period	190	202
Cash, cash equivalents and restricted cash at end of period	\$ 280	\$ 294

See accompanying notes to condensed and consolidated financial statements.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

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**Note 1—Business Overview and Summary of Significant Accounting Policies:**

**Overview**

Science Applications International Corporation (collectively, with its consolidated subsidiaries, the “Company”) is a leading provider of technical, engineering and enterprise information technology (IT) services primarily to the U.S. government. The Company provides engineering and integration services for large, complex projects and offers a broad range of services with a targeted emphasis on higher-end, differentiated technology services. The Company is organized as a matrix comprised of two customer facing operating sectors supported by a strategy, growth and innovation organization. Each of the Company’s two customer facing operating sectors is focused on providing the Company’s comprehensive technical and enterprise IT service offerings to one or more agencies of the U.S. federal government. The Company’s operating sectors are aggregated into one reportable segment for financial reporting purposes.

On March 13, 2020, the Company completed the acquisition of Unisys Federal, a former operating unit of Unisys Corporation, which enhances our capabilities in government priority areas, expands our portfolio of intellectual property and technology-driven offerings, and increases our access to current and new customers.

**Principles of Consolidation and Basis of Presentation**

The accompanying financial information has been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission for interim reporting purposes. References to “financial statements” refer to the condensed and consolidated financial statements of the Company, which include the statements of income and comprehensive income, balance sheets, statements of equity and statements of cash flows. These financial statements were prepared in accordance with U.S. generally accepted accounting principles (GAAP). All intercompany transactions and account balances within the Company have been eliminated. The financial statements are unaudited, but in the opinion of management include all adjustments, which consist of normal recurring adjustments, necessary for a fair presentation thereof. The results reported in these financial statements are not necessarily indicative of results that may be expected for the entire year and should be read in conjunction with the information contained in the Company’s Annual Report on Form 10-K for the year ended January 29, 2021.

**Non-controlling Interest.** The Company holds a 50.1% majority interest in Forfeiture Support Associates J.V. (FSA). The results of operations of FSA are included in the Company’s condensed and consolidated statements of income and comprehensive income. The non-controlling interest reported on the condensed and consolidated balance sheets represents the portion of FSA’s equity that is attributable to the non-controlling interest.

**Use of Estimates**

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Significant estimates inherent in the preparation of the financial statements may include, but are not limited to estimated profitability of long-term contracts, income taxes, fair value measurements, fair value of goodwill and other intangible assets, pension and defined benefit plan obligations, and contingencies. Estimates have been prepared by management on the basis of the most current and best available information at the time of estimation and actual results could differ from those estimates.

**Reporting Periods**

The Company utilizes a 52/53 week fiscal year ending on the Friday closest to January 31, with fiscal quarters typically consisting of 13 weeks. Fiscal 2021 began on February 1, 2020 and ended on January 29, 2021, while fiscal 2022 began on January 30, 2021 and ends on January 28, 2022.

**Operating Cycle**

The Company’s operating cycle may be greater than one year and is measured by the average time intervening between the inception and the completion of contracts.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

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### ***Derivative Instruments Designated as Cash Flow Hedges***

Derivative instruments are recorded on the condensed and consolidated balance sheets at fair value. Unrealized gains and losses on derivatives designated as cash flow hedges are reported in other comprehensive income (loss) and reclassified to earnings in a manner that matches the timing of the earnings impact of the hedged transactions.

The Company's fixed interest rate swaps are considered over-the-counter derivatives, and fair value is calculated using a standard pricing model for interest rate swaps with contractual terms for maturities, amortization and interest rates. Level 2, or market observable inputs (such as yield and credit curves), are used within the standard pricing models in order to determine fair value. The fair value is an estimate of the amount that the Company would pay or receive as of a measurement date if the agreements were transferred to a third party or canceled. See Note 7 for further discussion on the Company's derivative instruments designated as cash flow hedges.

### ***Marketable Securities***

Investments in marketable securities consist of equity securities which are recorded at fair value using observable inputs such as quoted prices in active markets (Level 1). As of April 30, 2021 and January 29, 2021, the fair value of our investments total \$30 million and \$27 million, respectively, and are included in other assets on the condensed and consolidated balance sheets. The Company's investments are primarily held in a custodial account, which includes investments to fund our deferred compensation plan liabilities.

### ***Cash, Cash Equivalents and Restricted Cash***

The following table provides a reconciliation of cash, cash equivalents and restricted cash to amounts reported within the condensed and consolidated balance sheets for the periods presented:

	April 30, 2021		January 29, 2021
		(in millions)	
Cash and cash equivalents	\$ 261	\$	171
Restricted cash included in inventory, prepaid expenses and other current assets	5		5
Restricted cash included in other assets	14		14
Cash, cash equivalents and restricted cash	\$ 280	\$	190

### ***Acquisition and Integration Costs***

Acquisition-related costs that are not part of the purchase price consideration are generally expensed as incurred, except for certain costs that are deferred in connection with the issuance of debt. These costs typically include transaction-related costs, such as finder's fees, legal, accounting, and other professional costs. Integration-related costs represent costs directly related to combining the Company and its acquired businesses. Integration-related costs typically include strategic consulting services, facility consolidation, employee related costs, such as severance and accelerated vesting of assumed stock awards, costs to integrate information technology infrastructure, enterprise planning systems, processes, and other non-recurring integration-related costs. Acquisition and integration costs are presented together as acquisition and integration costs on the condensed and consolidated statements of income.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

The amounts recognized in acquisition and integration costs on the condensed and consolidated statements of income are as follows:

	Three Months Ended	
	April 30, 2021	May 1, 2020
	(in millions)	
Acquisition <sup>(1)</sup>	\$ 1	\$ 20
Integration <sup>(2)</sup>	9	9
<b>Total acquisition and integration costs</b>	<b>\$ 10</b>	<b>\$ 29</b>

(1) Acquisition expenses recognized for the three months ended April 30, 2021 are related to the acquisition of Koverse (see Note 11). Acquisition expenses recognized for the three months ended May 1, 2020 are related to the acquisition of Unisys Federal.

(2) Includes \$7 million of impairment of right of use lease assets for the three months ended April 30, 2021 and \$4 million of restructuring costs for the three months ended May 1, 2020.

### Accounting Standards Updates

Accounting Standards Updates effective after April 30, 2021 are not expected to have a material effect on the Company's financial statements.

### Note 2—Earnings Per Share and Dividends:

Basic earnings per share (EPS) is computed by dividing net income attributable to common stockholders by the basic weighted-average number of shares outstanding. Diluted EPS is computed similarly to basic EPS, except the weighted-average number of shares outstanding is increased to include the dilutive effect of outstanding stock options and other stock-based awards.

A reconciliation of the weighted-average number of shares outstanding used to compute basic and diluted EPS was:

	Three Months Ended	
	April 30, 2021	May 1, 2020
	(in millions)	
Basic weighted-average number of shares outstanding	58.1	57.9
Dilutive common share equivalents - stock options and other stock-based awards	0.6	0.6
<b>Diluted weighted-average number of shares outstanding</b>	<b>58.7</b>	<b>58.5</b>

The following stock-based awards were excluded from the weighted-average number of shares outstanding used to compute diluted EPS:

	Three Months Ended	
	April 30, 2021	May 1, 2020
	(in millions)	
Antidilutive stock options excluded	—	0.4

### Dividends

The Company declared and paid a quarterly dividend of \$0.37 per share of its common stock during the three months ended April 30, 2021. Subsequent to the end of the quarter, on June 1, 2021, the Company's Board of Directors declared a quarterly dividend of \$0.37 per share of the Company's common stock payable on July 30, 2021 to stockholders of record on July 16, 2021.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**Note 3—Revenues:**
**Changes in Estimates**

Changes in estimates of revenues, cost of revenues or profits related to performance obligations satisfied over time are recognized in operating income in the period in which such changes are made for the inception-to-date effect of the changes. Changes in these estimates can occur routinely over the performance period for a variety of reasons, which include: changes in scope; changes in cost estimates due to unanticipated cost growth or reassessments of risks impacting costs; changes in the estimated transaction price, such as variable amounts for incentive or award fees; and performance being better or worse than previously estimated.

Many of the Company's contracts recognize revenue on performance obligations using a cost input measure (cost-to-cost), which requires estimates of total costs at completion. In cases when total expected costs exceed total estimated revenues for a performance obligation, the Company recognizes the total estimated loss in the quarter identified. Total estimated losses are inclusive of any unexercised options that are probable of award only if they increase the amount of the loss.

Aggregate net changes in estimates on contracts accounted for using the cost-to-cost method of accounting were recognized in operating income as follows:

	Three Months Ended	
	April 30, 2021	May 1, 2020
	(in millions, except per share amounts)	
Net favorable adjustments	\$ 3	\$ 3
Net favorable adjustments, after tax	2	2
Diluted EPS impact	\$ 0.03	\$ 0.03

Revenues were \$5 million and \$4 million higher for the three months ended April 30, 2021 and May 1, 2020, respectively, due to net revenue recognized from performance obligations satisfied in prior periods.

**Disaggregation of Revenues**

The Company's revenues are generated primarily from long-term contracts with the U.S. government including subcontracts with other contractors engaged in work for the U.S. government. The Company disaggregates revenues by customer, contract-type and prime vs. subcontractor to the federal government.

Disaggregated revenues by customer were as follows:

	Three Months Ended	
	April 30, 2021	May 1, 2020
	(in millions)	
Department of Defense	\$ 920	\$ 859
Other federal government agencies	923	863
Commercial, state and local	35	35
Total	\$ 1,878	\$ 1,757

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

Disaggregated revenues by contract-type were as follows:

	Three Months Ended	
	April 30, 2021	May 1, 2020
	(in millions)	
Cost reimbursement	\$ 990	\$ 970
Time and materials (T&M)	411	374
Firm-fixed price (FFP)	477	413
<b>Total</b>	<b>\$ 1,878</b>	<b>\$ 1,757</b>

Disaggregated revenues by prime vs. subcontractor were as follows:

	Three Months Ended	
	April 30, 2021	May 1, 2020
	(in millions)	
Prime contractor to federal government	\$ 1,690	\$ 1,588
Subcontractor to federal government	153	134
Other	35	35
<b>Total</b>	<b>\$ 1,878</b>	<b>\$ 1,757</b>

### **Contract Balances**

Contract balances for the periods presented were as follows:

		Balance Sheet line item		April 30, 2021	January 29, 2021
				(in millions)	
Billed and billable receivables, net <sup>(1)</sup>	Receivables, net	\$ 638	\$ 600		
Contract assets - unbillable receivables	Receivables, net	385	362		
Contract assets - contract retentions	Other assets	17	18		
Contract liabilities - current	Accounts payable and accrued liabilities	48	82		
Contract liabilities - non-current	Other long-term liabilities	\$ 11	\$ 17		

(1) Net of allowance of \$3 million as of April 30, 2021 and January 29, 2021.

During the three months ended April 30, 2021 and May 1, 2020, the Company recognized revenues of \$50 million and \$17 million relating to amounts that were included in the opening balance of contract liabilities as of January 29, 2021 and January 31, 2020, respectively.

### **Remaining Performance Obligations**

As of April 30, 2021, the Company had \$4.6 billion of remaining performance obligations. Remaining performance obligations exclude any variable consideration that is allocated entirely to unsatisfied performance obligations on our supply chain contracts. The Company expects to recognize revenue on approximately 85% of the remaining performance obligations over the next 12 months and approximately 95% over the next 24 months, with the remaining recognized thereafter.

### **Lessor revenue**

The Company leases IT equipment and hardware to its customers. All of the Company's lessor arrangements are operating leases. Operating lease revenue is recognized on a straight-line basis over the term of the lease. Operating lease income is reported as revenue on the condensed and consolidated statements of income. During the three months ended April 30, 2021, operating lease income was \$9 million. Operating lease income for the three months ended May 1, 2020 was immaterial.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

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**Note 4—Acquisitions:**

On March 13, 2020, the Company completed the acquisition of Unisys Federal, a former operating unit of Unisys Corporation. Unisys Federal provides infrastructure modernization, cloud migration, managed services, and enterprise IT-as-a-service solutions to U.S. federal civilian agencies and the Department of Defense. The Company purchased substantially all of the assets and liabilities of Unisys Federal for an aggregate purchase price of \$1.2 billion. The Company used the net proceeds from its offering of Senior Notes and borrowings under the Term Loan B2 Facility, proceeds from the sale of receivables under its MARPA Facility, and cash on its balance sheet to finance the acquisition and pay related fees and expenses.

The amount of Unisys Federal's revenue included in the condensed and consolidated statements of income for the three months ended May 1, 2020, was \$104 million and the amount of net income attributable to common stockholders included in the condensed and consolidated statements of income for the three months ended May 1, 2020, was \$11 million.

The following unaudited pro forma financial information presents the combined results of operations for Unisys Federal and the Company for the three months ended May 1, 2020:

	Three months ended	
	May 1, 2020	
	(in millions)	
Revenues	\$	1,847
Net income attributable to common stockholders	\$	53

The unaudited pro forma combined financial information presented above has been prepared from historical financial statements that have been adjusted to give effect to the acquisition of Unisys Federal as though it had occurred on February 2, 2019. They include adjustments for intangible asset amortization; interest expense and debt issuance costs on long-term debt; acquisition and other transaction costs; and certain costs allocated from the former parent. The unaudited pro forma financial information is not intended to reflect the actual results of operations that would have occurred if the acquisition had occurred on February 2, 2019, nor is it indicative of future operating results.

**Note 5—Income Taxes:**

The Company's effective income tax rate was 22.5% and 17.5% for the three months ended April 30, 2021 and May 1, 2020, respectively. The Company's effective tax rate was higher for the three months ended April 30, 2021 compared to the prior year period because the prior period included the benefits from a reversal of foreign tax reserves and a favorable adjustment to research and development tax credits. Tax rates for the three months ended April 30, 2021 were lower than the combined federal and state statutory rates due principally to excess tax benefits related to employee share-based compensation, research and development tax credits, and other permanent book tax differences.

As of April 30, 2021, the Company's total liability for unrecognized tax benefits was \$65 million, which is classified as other long-term liabilities on the condensed and consolidated balance sheets, and if recognized, would positively impact the effective tax rate.

While the Company believes it has adequate accruals for uncertainty in income taxes, the tax authorities, on review of the Company's tax filings, may determine that the Company owes taxes in excess of recorded accruals, or the recorded accruals may be in excess of the final settlement amounts agreed to by the tax authorities. Although the timing of such reviews is not certain, over the next 12 months the Company does not expect a significant increase or decrease in the unrecognized tax benefits recorded at April 30, 2021.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**Note 6—Debt Obligations:**

The Company's long-term debt as of the dates presented was as follows:

	April 30, 2021				January 29, 2021			
	Stated interest rate	Effective interest rate	Principal	Unamortized debt issuance costs	Net	Principal	Unamortized debt issuance costs	Net
	(in millions)							
Term Loan A Facility due October 2023	1.86 %	2.19 %	\$ 824	\$ (6)	\$ 818	\$ 844	\$ (6)	\$ 838
Term Loan B Facility due October 2025	1.99 %	2.18 %	1,024	(9)	1,015	1,026	(9)	1,017
Term Loan B2 Facility due March 2027	1.99 %	2.38 %	272	(6)	266	272	(6)	266
Senior Notes due April 2028	4.88 %	5.04 %	400	(5)	395	400	(6)	394
<b>Total long-term debt</b>			<b>\$ 2,520</b>	<b>\$ (26)</b>	<b>\$ 2,494</b>	<b>\$ 2,542</b>	<b>\$ (27)</b>	<b>\$ 2,515</b>
Less current portion			104	—	104	68	—	68
<b>Total long-term debt, net of current portion</b>			<b>\$ 2,416</b>	<b>\$ (26)</b>	<b>\$ 2,390</b>	<b>\$ 2,474</b>	<b>\$ (27)</b>	<b>\$ 2,447</b>

As of April 30, 2021, the Company has a \$2.5 billion credit facility (the Credit Facility) consisting of a \$400 million secured Revolving Credit Facility due October 2023, an \$824 million secured Term Loan A Facility due October 2023, a \$1,024 million secured Term Loan B Facility due October 2025, and a \$272 million secured Term Loan B2 Facility due March 2027 (together, the Term Loan Facilities). There is no balance outstanding on the Revolving Credit Facility as of April 30, 2021. As of April 30, 2021, the Company was in compliance with the covenants under its Credit Facility.

On March 1, 2021, the Company executed the Third Amendment to the Third Amended and Restated Credit Agreement, which reduces the applicable margin for the Term Loan B2 Facility due March 2027 for LIBOR loans from 2.25% to 1.875% and for base rate loans from 1.25% to 0.875%.

As of April 30, 2021 and January 29, 2021, the carrying value of the Company's outstanding debt obligations approximated its fair value. The fair value of long-term debt is calculated using Level 2 inputs, based on interest rates available for debt with terms and maturities similar to the Company's Term Loan Facilities and Senior Notes.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**Note 7—Derivative Instruments Designated as Cash Flow Hedges:**

The Company's derivative instruments designated as cash flow hedges consist of:

	Notional Amount at April 30, 2021	Pay Fixed Rate	Receive Variable Rate	Settlement and Termination	Liability Fair Value <sup>(1)</sup> at	
					April 30, 2021	January 29, 2021
	(in millions)				(in millions)	
Interest rate swaps #1	\$ 212	2.78 %	1-month LIBOR	Monthly through July 30, 2021	\$ (2)	\$ (3)
Interest rate swaps #2	500	3.07 %	1-month LIBOR	Monthly through October 31, 2025	(68)	(81)
Interest rate swaps #3	563	2.49 %	1-month LIBOR	Monthly through October 31, 2023	(28)	(33)
<b>Total</b>	<b>\$ 1,275</b>				<b>\$ (98)</b>	<b>\$ (117)</b>

<sup>(1)</sup> The fair value of the fixed interest rate swaps liability is included in accounts payable and accrued liabilities on the condensed and consolidated balance sheets.

The Company is party to fixed interest rate swap instruments that are designated and accounted for as cash flow hedges to manage risks associated with interest rate fluctuations on a portion of the Company's floating rate debt. The counterparties to all swap agreements are financial institutions. See Note 8 for the unrealized change in fair values on cash flow hedges recognized in other comprehensive income (loss) and the amounts reclassified from accumulated other comprehensive loss into earnings for the current and comparative periods presented. The Company estimates that it will reclassify \$33 million of unrealized losses from accumulated other comprehensive loss into earnings in the twelve months following April 30, 2021.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**Note 8—Changes in Accumulated Other Comprehensive Loss by Component:**

The following table presents the changes in accumulated other comprehensive loss attributable to the Company's fixed interest rate swap cash flow hedges that are discussed in Note 7 and the Company's defined benefit plans.

	Unrealized Gains (Losses) on Fixed Interest Rate Swap Cash Flow Hedges <sup>(1)</sup>	Defined Benefit Obligation Adjustment	Total
	(in millions)		
<b>Three months ended April 30, 2021</b>			
Balance at January 29, 2021	\$ (86)	\$ (3)	\$ (89)
Other comprehensive income before reclassifications	10	—	10
Amounts reclassified from accumulated other comprehensive loss	9	—	9
Income tax impact	(5)	—	(5)
Net other comprehensive income	14	—	14
<b>Balance at April 30, 2021</b>	<b>\$ (72)</b>	<b>\$ (3)</b>	<b>\$ (75)</b>
<b>Three months ended May 1, 2020</b>			
Balance at January 31, 2020	\$ (67)	\$ (5)	\$ (72)
Other comprehensive loss before reclassifications	(52)	—	(52)
Amounts reclassified from accumulated other comprehensive loss	4	—	4
Income tax impact	12	—	12
Net other comprehensive loss	(36)	—	(36)
<b>Balance at May 1, 2020</b>	<b>\$ (103)</b>	<b>\$ (5)</b>	<b>\$ (108)</b>

<sup>(1)</sup> The amount reclassified from accumulated other comprehensive loss is included in interest expense.

**Note 9—Sales of Receivables:**

The Company has a Master Accounts Receivable Purchase Agreement (MARPA Facility) with MUFG Bank, Ltd. (the Purchaser) for the sale of up to a maximum amount \$300 million of certain designated eligible receivables with the U.S. government.

During the three months ended April 30, 2021 and May 1, 2020, the Company incurred purchase discount fees of \$1 million, which are presented in Other (income) expense, net on the condensed and consolidated statements of income.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

MARPA Facility activity consisted of the following:

	Three Months Ended	
	April 30, 2021	May 1, 2020
	(in millions)	
Beginning balance	\$ 185	\$ —
Sale of receivables	836	806
Cash collections	(821)	(606)
Outstanding balance sold to Purchaser <sup>(1)</sup>	200	200
Cash collected, not remitted to Purchaser <sup>(2)</sup>	(42)	(59)
Remaining sold receivables	\$ 158	\$ 141

(1) For the three months ended April 30, 2021 and May 1, 2020, the Company recorded a net increase to cash flows from operating activities of \$15 million and \$200 million, respectively, from sold receivables.

(2) Represents primarily the cash collected on behalf of but not yet remitted to the Purchaser as of April 30, 2021 and May 1, 2020. This balance is included in accounts payable and accrued liabilities on the condensed and consolidated balance sheets.

**Note 10—Legal Proceedings and Other Commitments and Contingencies:**

**Legal Proceedings**

The Company is involved in various claims and lawsuits arising in the normal conduct of its business, none of which the Company's management believes, based on current information, is expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

**AAV Termination for Convenience**

On August 27, 2018, the Company received a stop-work order from the United States Marine Corps on the Assault Amphibious Vehicle (AAV) contract and on October 3, 2018 the program was terminated for convenience by the customer. The Company is continuing to negotiate with the Marine Corps to recover costs associated with the termination.

Beginning in fiscal 2018, the Company entered into contracts with various vendors for long-lead time materials that would be necessary to complete the low-rate initial production (LRIP) phase of the program, including portions of the LRIP phase that had not yet been awarded. As a result of the program termination, the Company recognized an inventory provision for long-lead items during fiscal 2019.

**Government Investigations, Audits and Reviews**

The Company is routinely subject to investigations and reviews relating to compliance with various laws and regulations with respect, in particular, to its role as a contractor to federal, state and local government customers and in connection with performing services in countries outside of the United States. U.S. government agencies, including the Defense Contract Audit Agency (DCAA), the Defense Contract Management Agency and others, routinely audit and review a contractor's performance on government contracts, indirect rates and pricing practices, and compliance with applicable contracting and procurement laws, regulations and standards. They also review the adequacy of the contractor's compliance with government standards for its business systems. Adverse findings in these investigations, audits, or reviews can lead to criminal, civil or administrative proceedings, and the Company could face disallowance of previously billed costs, penalties, fines, compensatory damages and suspension or debarment from doing business with governmental agencies. Due to the Company's reliance on government contracts, adverse findings could also have a material impact on the Company's business, including its financial position, results of operations and cash flows.

The indirect cost audits by the DCAA of the Company's business remain open for certain prior years and the current year. Although the Company has recorded contract revenues based on an estimate of costs that the Company believes will be approved on final audit, the Company does not know the outcome of any ongoing or future audits. If future completed audit adjustments exceed the Company's reserves for potential adjustments, the Company's profitability could be materially adversely affected.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

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The Company has recorded reserves for estimated net amounts to be refunded to customers for potential adjustments for indirect cost audits and compliance with Cost Accounting Standards. As of April 30, 2021, the Company has recorded a total liability of \$26 million which is presented in accounts payable and accrued liabilities on the condensed and consolidated balance sheets.

***Letters of Credit and Surety Bonds***

The Company has outstanding obligations relating to letters of credit of \$10 million as of April 30, 2021, principally related to guarantees on insurance policies. The Company also has outstanding obligations relating to surety bonds in the amount of \$19 million, principally related to performance and payment bonds on the Company's contracts.

**Note 11—Subsequent Events:**

***Koverse Acquisition***

On May 3, 2021, the Company purchased substantially all of the assets of Koverse, a software company that provides a data management platform enabling artificial intelligence and machine learning on complex sensitive data, for \$28 million in cash, subject to working capital adjustments, plus (i) potential future earnout payments of up to \$27 million based on the achievement of certain revenue targets over the next four years, and (ii) deferred payments of up to \$13 million over the next two years related to employee retention agreements. The acquisition represents a business combination, and management is currently evaluating the accounting for the transaction, including the purchase price allocation and related matters.

***Agreement to Acquire Halfaker and Associates, LLC***

On June 3, 2021, the Company entered into a definitive agreement to acquire Halfaker and Associates, LLC, a mission focused, pure-play health IT company for \$250 million, and growing the Company's digital transformation portfolio. The transaction is subject to customary working capital adjustments. The Company intends to fund the transaction from increased borrowings and cash on hand. The transaction is expected to close during the second quarter of fiscal 2022.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations and quantitative and qualitative disclosures about market risk should be read in conjunction with our unaudited condensed and consolidated financial statements and the related notes. It contains forward-looking statements (which may be identified by words such as those described in "Risk Factors—Forward-Looking Statement Risks" in Part I of the most recently filed Annual Report on Form 10-K), including statements regarding our intent, belief, or current expectations with respect to, among other things, trends affecting our financial condition or results of operations (including our financial targets discussed below under "Management of Operating Performance and Reporting" and "Liquidity and Capital Resources"); backlog; our industry; government budgets and spending; market opportunities; the impact of competition; and the impact of the Unisys Federal and Engility acquisitions. Such statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors. Risks, uncertainties and assumptions that could cause or contribute to these differences include those discussed below, in "Risk Factors" in Part II of this report and in Part I of the most recently filed Annual Report on Form 10-K. 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. We do not undertake any obligation to update these factors or to publicly announce the results of any changes to our forward-looking statements due to future results or developments.

We use the terms "SAIC," the "Company," "we," "us" and "our" to refer to Science Applications International Corporation and its consolidated subsidiaries.

The Company utilizes a 52/53 week fiscal year, ending on the Friday closest to January 31, with fiscal quarters typically consisting of 13 weeks. Fiscal 2021 began on February 1, 2020 and ended on January 29, 2021, while fiscal 2022 began on January 30, 2021 and ends on January 28, 2022.

### Business Overview

We are a leading technology integrator providing full life cycle services and solutions in the technical, engineering and enterprise information technology (IT) markets. We developed our brand by addressing our customers' mission critical needs and solving their most complex problems for over 50 years. As one of the largest pure-play technical service providers to the U.S. government, we serve markets of significant scale and opportunity. Our primary customers are the departments and agencies of the U.S. government. We serve our customers through approximately 2,100 active contracts and task orders and employ approximately 26,000 individuals who are led by an experienced executive team of proven industry leaders. Our long history of serving the U.S. government has afforded us the ability to develop strong and longstanding relationships with some of the largest customers in the markets we serve. Substantially all of our revenues and tangible long-lived assets are generated by or owned by entities located in the United States.

### Economic Opportunities, Challenges, and Risks

During the three months ended April 30, 2021, we generated greater than 95% of our revenues from contracts with the U.S. government, including subcontracts on which we perform. Our business performance is affected by the overall level of U.S. government spending and the alignment of our offerings and capabilities with the budget priorities of the U.S. government. Appropriations measures passed in December 2020 provided full funding for the federal government through the end of government fiscal year (GFY) 2021. These bills are funded at levels for defense and non-defense spending based on the August 2019 Bipartisan Budget Act agreement that raises the Budget Control Act spending caps enacted in August 2011 and suspends the Federal debt ceiling until July 31, 2021.

Adverse changes in fiscal and economic conditions could materially impact our business. Some changes that could have an adverse impact on our business include the implementation of future spending reductions (including sequestration) and government shutdowns. Currently, the government is operating under full funding as part of the December 2020 budget deal.

The U.S. government has increasingly relied on contracts that are subject to a competitive bidding process (including indefinite delivery, indefinite quantity (IDIQ), U.S. General Services Administration (GSA) schedules, and other multi-award contracts), which has resulted in greater competition and increased pricing pressure. We expect that a majority of the business that we seek in the foreseeable future will be awarded through a competitive bidding process.

Despite the budget and competitive pressures affecting the industry, we believe we are well-positioned to protect and expand existing customer relationships and benefit from opportunities that we have not previously pursued. Our scale, size, and prime contractor leadership position are expected to help differentiate us from our competitors, especially on large contract opportunities. We believe our long-term, trusted customer relationships and deep technical expertise provide us with the sophistication to handle highly complex, mission-critical contracts. SAIC's value proposition is found in the proven ability to serve as a trusted adviser to our customers. In doing so, we leverage our expertise and scale to help them execute their mission.

We succeed as a business based on the solutions we deliver, our past performance, and our ability to compete on price. Our solutions are inspired through innovation based on adoption of best practices and technology integration of the best capabilities available. Our past performance was achieved by employees dedicated to supporting our customers' most challenging missions. Our current cost structure and ongoing efforts to reduce costs by strategic sourcing and developing repeatable offerings sold "as a service" and as managed services in a more commercial business model are expected to allow us to compete effectively on price in an evolving environment. Our ability to be competitive in the future will continue to be driven by our reputation for successful program execution, competitive cost structure, development of new pricing and business models, and efficiencies in assigning the right people, at the right time, in support of our contracts.

On March 13, 2020, we completed the acquisition of Unisys Federal, a former operating unit of Unisys Corporation. The acquisition of Unisys Federal, in alignment with our long-term strategy, positions SAIC as a leading government services technology integrator in digital transformation. The acquisition of Unisys Federal: (1) enhances SAIC's capabilities in government priority areas, including IT modernization, cloud migration, managed services, and development, security and operations; (2) expands SAIC's portfolio of intellectual property and technology-driven offerings that enable government-tailored, commercial-based solutions; (3) increases SAIC's access to current and new customers with a strong pipeline of new business opportunities; and (4) is highly accretive across all key financial metrics.

### **Impacts of the COVID-19 Pandemic**

We are continuing to monitor the ongoing outbreak of the coronavirus disease 2019 ("COVID-19") and we continue to work with our stakeholders to assess further possible implications to our business, supply chain and customers, and to take actions in an effort to mitigate adverse consequences.

The Coronavirus Aid, Relief, and Economic Security ("CARES") Act, which was passed by Congress and signed by the President on March 27, 2020, provides a mechanism to recover our labor costs where our employees are ready and able to work but unable to access required facilities due to COVID-19. Under the American Rescue Plan Act of 2021, this support from the CARES Act has been extended through September 30, 2021. Reduced activity on contracts, including travel and other direct costs, caused revenues to be approximately \$33 million lower for the three months ended April 30, 2021 (net of \$39 million of labor recovered under the provisions of the CARES Act described above to maintain our workforce in a stand-ready state).

We are generally not able to bill profit on those costs and, in some cases, funding limitations and the necessity for contract modifications may cause us not to be able to recover all of the labor costs. As a result, operating income for the three months ended April 30, 2021 was reduced by approximately \$4 million.

In addition, the CARES Act allows for the deferral of certain payroll tax payments and we have deferred payments totaling approximately \$103 million as of April 30, 2021. We must begin repaying these deferred taxes in the fourth quarter of fiscal 2022.

We have not experienced a significant impact to our liquidity or access to capital as a result of the COVID-19 pandemic.

We continue to work with our customers to implement the related provisions of the CARES Act. We cannot currently estimate the overall impact of the COVID-19 pandemic. The longer the duration of the event, the more likely that there may be an adverse impact on our business, financial position, results of operations and/or cash flows.

## Management of Operating Performance and Reporting

Our business and program management process is directed by professional managers focused on serving our customers by providing high quality services in achieving program requirements. These managers carefully monitor contract margin performance by constantly evaluating contract risks and opportunities. Throughout each contract's life cycle, program managers review performance and update contract performance estimates to reflect their understanding of the best information available. For performance obligations satisfied over time, updates to estimates are recognized on inception-to-date activity, during the period of adjustment, resulting in either a favorable or unfavorable impact to operating income.

We evaluate our results of operations by considering the drivers causing changes in revenues, operating income and operating cash flows. Given that revenues fluctuate on our contract portfolio over time due to contract awards and completions, changes in customer requirements, and increases or decreases in ordering volume of materials, we evaluate significant trends and fluctuations in these terms. Whether performed by our employees or by our subcontractors, we primarily provide services and, as a result, our cost of revenues are predominantly variable. We also analyze our cost mix (labor, subcontractor or materials) in order to understand operating margin because programs with a higher proportion of SAIC labor are generally more profitable. Changes in costs of revenues as a percentage of revenue other than from revenue volume or cost mix are normally driven by fluctuations in shared or corporate costs, or cumulative revenue adjustments due to changes in estimates.

Changes in operating cash flows are described with regard to changes in cash generated through the delivery of services, significant drivers of fluctuations in assets or liabilities and the impacts of changes in timing of cash receipts or disbursements.

## Results of Operations

The primary financial performance measures we use to manage our business and monitor results of operations are revenues, operating income, and cash flows from operating activities. The following table summarizes our results of operations:

	Three Months Ended		
	April 30, 2021	Percent change	May 1, 2020
	(dollars in millions)		
Revenues	\$ 1,878	7 %	\$ 1,757
Cost of revenues	1,661	6 %	1,574
<i>As a percentage of revenues</i>	88.4 %		89.6 %
Selling, general and administrative expenses	80	5 %	76
Acquisition and integration costs	10	(66 %)	29
Other operating income	(3)	100 %	—
Operating income	130	67 %	78
<i>As a percentage of revenues</i>	6.9 %		4.4 %
Net income attributable to common stockholders	\$ 81	125 %	\$ 36
Net cash provided by operating activities	\$ 189	(49 %)	\$ 367

**Revenues.** Revenues increased \$121 million or 6.9% for the three months ended April 30, 2021 as compared to the same period in the prior year primarily due to the acquisition of Unisys Federal (which occurred in the middle of the first quarter of the prior year period), increased volume on existing programs, and revenue on new contracts primarily supporting the U.S. Air Force, partially offset by the completion of certain contracts. Adjusting for the impact of acquired revenues and divested revenues, revenues grew 2.6% primarily due to net increases in program volume and new awards.

**Cost of Revenues.** Cost of revenues increased \$87 million for the three months ended April 30, 2021 as compared to the same period in the prior year primarily due to the inclusion of a full quarter of Unisys Federal contracts in the current year period. Cost of revenues as a percentage of revenues decreased from the prior year quarter, primarily due to improved profitability across our contract portfolio and the acquisition of Unisys Federal.

*Selling, General and Administrative Expenses.* SG&A increased \$4 million for the three months ended April 30, 2021 as compared to the same period in the prior year primarily due to increased intangible asset amortization related to the acquisition of Unisys Federal.

*Operating Income.* Operating income as a percentage of revenues of 6.9% for the three months ended April 30, 2021 increased from 4.4% in the comparable prior year period primarily due to lower acquisition and integration costs, improved profitability across our contract portfolio, the acquisition of Unisys Federal (which occurred in the middle of the first quarter of the prior year period), lower indirect costs due to timing, and benefit from a net favorable settlement of prior indirect rate years, partially offset by increased intangible asset amortization.

*Net Cash Provided by Operating Activities.* Net cash provided by operating activities was \$189 million for the three months ended April 30, 2021, a decrease of \$178 million compared to the prior year, primarily due to a net decrease in cash received under the MARPA Facility (\$185 million).

#### **Non-GAAP Measures**

Earnings before interest, taxes, depreciation and amortization (EBITDA), and adjusted EBITDA are non-GAAP financial measures. 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 and Adjusted EBITDA.* The performance measure EBITDA 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 is calculated by taking EBITDA and excluding acquisition and integration costs and restructuring costs. Integration costs excluded are costs to integrate acquired companies and include costs of strategic consulting services, facility consolidation and employee related costs such as retention and severance costs. The acquisition and integration costs relate to the Company's significant acquisitions of Engility, Unisys Federal, and Koverse. Adjusted EBITDA is a performance measure that excludes costs that we do not consider to be indicative of our ongoing performance.

We believe that EBITDA and adjusted EBITDA 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.

EBITDA and adjusted EBITDA for the periods presented were calculated as follows:

	Three Months Ended	
	April 30, 2021	May 1, 2020
	(in millions)	
<b>Net income</b>	\$ 82	\$ 37
Interest expense and loss on sale of receivables	28	32
Interest income	—	(1)
Provision for income taxes	23	8
Depreciation and amortization	42	33
<b>EBITDA</b>	<b>175</b>	<b>109</b>
<i>EBITDA as a percentage of revenues</i>	<i>9.3 %</i>	<i>6.2 %</i>
Acquisition and integration costs	10	29
Depreciation included in acquisition and integration costs	(1)	—
Recovery of acquisition and integration costs <sup>(1)</sup>	—	(1)
<b>Adjusted EBITDA</b>	<b>\$ 184</b>	<b>\$ 137</b>
<i>Adjusted EBITDA as a percentage of revenues</i>	<i>9.8 %</i>	<i>7.8 %</i>

<sup>(1)</sup> Adjustment to reflect the portion of acquisition and integration costs and recovered through the Company's indirect rates in accordance with Cost Accounting Standards.

Adjusted EBITDA as a percentage of revenues for the three months ended April 30, 2021 increased to 9.8% of revenues from 7.8% of revenues for the prior year quarter primarily due to a net increase in profitability across our existing contract portfolio, the acquisition of Unisys Federal (which occurred in the middle of the first quarter of the prior year period), lower indirect costs due to timing, and benefit from a net favorable settlement of prior indirect rate years.

### Other Key Performance Measures

In addition to the financial measures described above, we believe that bookings and backlog are useful measures for management and investors to evaluate our potential future revenues. We also consider measures such as contract types and cost of revenues mix to be useful for management and investors to evaluate our operating income and performance.

**Net Bookings and Backlog.** Net bookings represent the estimated amount of revenues to be earned in the future from funded and negotiated unfunded contract awards that were received during the period, net of adjustments to estimates on previously awarded contracts. We calculate net bookings as the period's ending backlog plus the period's revenues less the prior period's ending backlog and initial backlog obtained through acquisitions.

Backlog represents the estimated amount of future revenues to be recognized under negotiated contracts as work is performed. We do not include in backlog estimates of revenues to be derived from IDIQ contracts, but rather record backlog and bookings when task orders are awarded on these contracts. Given that much of our revenue is derived from IDIQ contract task orders that renew annually, bookings on these contracts tend to refresh annually as the task orders are renewed. Additionally, we do not include in backlog contract awards that are under protest until the protest is resolved in our favor.

We segregate our backlog into two categories as follows:

- **Funded Backlog.** Funded backlog for contracts with government agencies primarily represents estimated amounts of revenue to be earned in the future from contracts for which funding is appropriated less revenues previously recognized on these contracts. It does not include the unfunded portion of contracts in which funding is incrementally appropriated or authorized on a quarterly or annual basis 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 customers represents the estimated value on contracts, which may cover multiple future years, under which we are obligated to perform, less revenues previously recognized on these contracts.

- **Negotiated Unfunded Backlog.** Negotiated unfunded backlog represents estimated amounts of revenue to be earned in the future from negotiated contracts for which funding has not been appropriated or otherwise authorized and from unexercised priced contract options. Negotiated unfunded backlog does not include any estimate of future potential task orders expected to be awarded under IDIQ, GSA Schedules or other master agreement contract vehicles.

We expect to recognize revenue from a substantial portion of our funded backlog within the next twelve months. However, the U.S. government can adjust the scope of services of or cancel contracts at any time. Similarly, certain contracts with commercial customers include provisions that allow the customer to cancel prior to contract completion. Most of our contracts have cancellation terms that would permit us to recover all or a portion of our incurred costs and fees (contract profit) for work performed.

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

	April 30, 2021	January 29, 2021
	(in millions)	
Funded backlog	\$ 3,319	\$ 3,024
Negotiated unfunded backlog	20,543	18,524
<b>Total backlog</b>	<b>\$ 23,862</b>	<b>\$ 21,548</b>

We had net bookings worth an estimated \$4.2 billion during the three months ended April 30, 2021. Total backlog at the end of the first quarter has increased compared to total backlog at prior year end primarily due to several large awards received during the period from the U.S. Army.

**Contract Types.** Our earnings and profitability may vary materially depending on changes in the proportionate amount of revenues derived from each type of contract. For a discussion of the types of contracts under which we generate revenues, see “Contract Types” in Part I of the most recently filed Annual Report on Form 10-K. The following table summarizes revenues by contract type as a percentage of revenues for the periods presented:

	Three Months Ended	
	April 30, 2021	May 1, 2020
Cost reimbursement	53 %	55 %
Time and materials (T&M)	22 %	21 %
Firm-fixed price (FFP)	25 %	24 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>

Our contract mix for the three months ended April 30, 2021 reflects an increase in firm-fixed price and time and materials type contracts due to the acquisition of Unisys Federal (which occurred in the middle of the first quarter of the prior year period and historically had a higher proportion of these contracts).

**Cost of Revenues Mix.** We generate revenues by providing a customized mix of services to our customers. The profit generated from our service contracts is affected by the proportion of cost of revenues incurred from the efforts of our employees (which we refer to below as labor-related cost of revenues), the efforts of our subcontractors and the cost of materials used in the performance of our service obligations under our contracts. Contracts performed with a higher proportion of SAIC labor are generally more profitable. The following table presents changes in cost mix for the periods presented:

	Three Months Ended	
	April 30, 2021	May 1, 2020
Labor-related cost of revenues	54 %	55 %
Subcontractor-related cost of revenues	29 %	30 %
Supply chain materials-related cost of revenues	8 %	9 %
Other materials-related cost of revenues	9 %	6 %

Cost of revenues mix for the three months ended April 30, 2021 reflects an increase in other materials-related content due in part to the acquisition of Unisys Federal (which occurred in the middle of the first quarter of the prior year period and historically had a higher proportion of such costs).

### Liquidity and Capital Resources

As a services provider, our business generally requires minimal infrastructure investment. We expect to fund our ongoing working capital, commitments and any other discretionary investments with cash on hand, future operating cash flows and, if needed, borrowings under our \$400 million Revolving Credit Facility and \$300 million receivable factoring facility.

We anticipate that our future cash needs will be for working capital, capital expenditures, and contractual and other commitments. We consider various financial measures when we develop and update our capital deployment strategy, which includes evaluating cash provided by operating activities, free cash flow and financial leverage. When our cash generation enables us to exceed our target average minimum cash balance, we intend to deploy excess cash through dividends, share repurchases, debt prepayments or strategic acquisitions.

Our ability to fund these needs will depend, in part, on our ability to generate cash in the future, which depends on our future financial results. Our future results are subject to general economic, financial, competitive, legislative and regulatory factors that may be outside of our direct control. Although we believe that the financing arrangements in place will permit us to finance our operations on acceptable terms and conditions for at least the next year, our future access to, and the availability of financing on acceptable terms and conditions will be impacted by many factors (including our credit rating, capital market liquidity and overall economic conditions). Therefore, we cannot ensure that such financing will be available to us on acceptable terms or that such financing will be available at all. Nevertheless, we believe that our existing cash on hand, generation of future operating cash flows, and access to bank financing and capital markets will provide adequate resources to meet our short-term liquidity and long-term capital needs.

### Historical Cash Flow Trends

The following table summarizes our cash flows:

	Three Months Ended	
	April 30, 2021	May 1, 2020
	(in millions)	
Net cash provided by operating activities	\$ 189	\$ 367
Net cash used in investing activities	(4)	(1,202)
Net cash (used in) provided by financing activities	(95)	927
Net increase in cash, cash equivalents and restricted cash	\$ 90	\$ 92

**Net Cash Provided by Operating Activities.** Refer to "Results of Operations" above for a discussion of the changes in cash provided by operating activities between the three months ended April 30, 2021 and the comparable prior year period.

**Net Cash Used in Investing Activities.** Cash used in investing activities for the three months ended April 30, 2021 decreased compared to the prior year period primarily due to cash paid for the acquisition of Unisys Federal in the prior year period.

**Net Cash Used in / Provided by Financing Activities.** Cash used in financing activities for the three months ended April 30, 2021 was \$95 million compared to cash provided by financing activities of \$927 million in the prior year period. This change is primarily due to proceeds from borrowings obtained to finance the Unisys Federal acquisition in the prior year period.

### **Critical Accounting Policies**

Our discussion and analysis of our financial condition and results of operations are based on our condensed and consolidated financial statements, which are prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies, as well as the reported amounts of revenues, expenses, gains and losses during the reporting periods. Management evaluates these estimates and assumptions on an ongoing basis. Our estimates and assumptions have been prepared on the basis of the most current reasonably available information and, in some cases, are our basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and assumptions may change in the future as more current information is available.

Management believes that our critical accounting policies are those that are both material to the presentation of our financial condition and results of operations and require management's most difficult, subjective and complex judgments. Typically, the circumstances that make these judgments difficult, subjective and complex have to do with making estimates about the effect of matters that are inherently uncertain. There have been no changes to our existing critical accounting policies during the three months ended April 30, 2021 from those disclosed in our most recently filed Annual Report on Form 10-K.

### **Recently Issued But Not Yet Adopted Accounting Pronouncements**

For information on recently issued but not yet adopted accounting pronouncements, see Note 1 of the notes to the condensed and consolidated financial statements contained within this report.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes to our Market Risks from those discussed in our most recently filed Annual Report on Form 10-K.

### **Item 4. Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) and have concluded that as of April 30, 2021 these controls and procedures were operating and effective.

### **Changes in Internal Control Over Financial Reporting**

As part of our integration of Unisys Federal into the Company, we have integrated controls and related procedures with respect to the acquired operations. Other than incorporating the legacy Unisys Federal operations into the Company's controls and related procedures, there have been no changes in our internal control over financial reporting during the quarterly period covered by this report that materially affected, or are likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

**Item 1. Legal Proceedings**

We have provided information about legal proceedings in which we are involved in our fiscal 2021 Annual Report on Form 10-K, and we have provided an update to this information in Note 10 of the notes to the condensed and consolidated financial statements contained within this report.

In addition to the described legal proceedings, we are routinely subject to investigations and reviews relating to compliance with various laws and regulations. Additional information regarding such investigations and reviews is included in our fiscal 2021 Annual Report on Form 10-K, and we have also updated this information in Note 10 of the notes to the condensed and consolidated financial statements contained within this report, under the heading “Government Investigations, Audits and Reviews.”

**Item 1A. Risk Factors**

There have been no material changes from the risk factors disclosed in our most recently filed Annual Report on Form 10-K.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

**Purchases of Equity Securities.** We may repurchase shares on the open market in accordance with established repurchase plans. Whether repurchases are made and the timing and amount of repurchases depend on a variety of factors including market conditions, our capital position, internal cash generation and other factors. We also repurchase shares in connection with stock option and stock award activities to satisfy tax withholding obligations.

The following table presents repurchases of our common stock during the three months ended April 30, 2021:

Period <sup>(1)</sup>	Total Number of Shares (or Units) Purchased <sup>(2)</sup>	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs <sup>(3)</sup>
January 30, 2021 - March 5, 2021	156,513	\$ 92.43	155,799	4,298,174
March 6, 2021 - April 2, 2021	141,780	90.50	133,008	4,165,166
April 3, 2021 - April 30, 2021	141,692	86.86	141,120	4,024,046
<b>Total</b>	<b>439,985</b>	<b>\$ 90.02</b>	<b>429,927</b>	

- (1) Date ranges represent our fiscal periods during the current quarter. Our fiscal quarters typically consist of one five-week period and two four-week periods.
- (2) Includes shares purchased on surrender by stockholders of previously owned shares to satisfy minimum statutory tax withholding obligations related to stock option exercises and vesting of stock awards in addition to shares purchased under our publicly announced plans or programs.
- (3) On March 27, 2019, the number of shares that may be purchased increased by approximately 4.6 million shares, bringing the total authorized shares to be repurchased under the plan to approximately 16.4 million shares. As of April 30, 2021, we have repurchased approximately 12.4 million shares of common stock under the program.

**Item 3. Defaults Upon Senior Securities**

No information is required in response to this item.

**Item 4. Mine Safety Disclosures**

No information is required in response to this item.

**Item 5. Other Information**

No information is required in response to this item.

**Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
<a href="#"><u>31.1</u></a>	<a href="#"><u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
<a href="#"><u>31.2</u></a>	<a href="#"><u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
<a href="#"><u>32.1</u></a>	<a href="#"><u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
<a href="#"><u>32.2</u></a>	<a href="#"><u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101	Interactive Data File. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104	The cover page from this Quarterly Report on Form 10-Q, formatted as Inline XBRL.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: June 3, 2021

Science Applications International Corporation

/s/ Prabu Natarajan

**Prabu Natarajan**  
Executive Vice President and Chief Financial Officer

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO**  
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Nazzic S. Keene, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended April 30, 2021 of Science Applications International Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 3, 2021

/s/ Nazzic S. Keene

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**Nazzic S. Keene**  
**Chief Executive Officer**

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO**  
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Prabu Natarajan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended April 30, 2021 of Science Applications International Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 3, 2021

/s/ Prabu Natarajan

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**Prabu Natarajan**  
**Chief Financial Officer**

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION  
CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO  
18 U.S.C SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Science Applications International Corporation (the "Company") on Form 10-Q for the period ended April 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nazzic S. Keene, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 3, 2021

/s/ Nazzic S. Keene

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**Nazzic S. Keene**  
Chief Executive Officer

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION  
CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO  
18 U.S.C SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Science Applications International Corporation (the "Company") on Form 10-Q for the period ended April 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Prabu Natarajan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 3, 2021

/s/ Prabu Natarajan

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**Prabu Natarajan**  
**Chief Financial Officer**