

The image is a blue-tinted graphic featuring a bar chart with several vertical bars of varying heights, overlaid with a faint grid and a line graph. The text 'SAIC EARNINGS RESULTS' is positioned in the upper left quadrant of the image.

SAIC EARNINGS RESULTS

MANAGEMENT'S PREPARED REMARKS

Toni Townes-Whitley, Chief Executive Officer
Prabu Natarajan, Chief Financial Officer

FOURTH QUARTER FISCAL YEAR 2025 EARNINGS CALL

March 17, 2025

INVESTOR CONTACT
JOSEPH DENARDI
joseph.w.denardi@saic.com

Joseph DeNardi

Good morning and thank you for joining SAIC's fourth quarter Fiscal Year 2025 earnings call. My name is Joe DeNardi, Senior Vice President of Investor Relations and Treasurer, and joining me today to discuss our business and financial results are Toni Townes-Whitley, our Chief Executive Officer, and Prabu Natarajan, our Chief Financial Officer.

Today we will discuss our results for the fourth quarter of Fiscal Year 2025 that ended January 31, 2025. Please note that we may make forward-looking statements on today's call that are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from statements made on this call. I refer you to our SEC filings for a discussion of these risks, including the risk factors section of our annual report on form 10-K. In addition, the statements represent our views as of today and subsequent events may cause our views to change. We may elect to update the forward-looking statements at some point in the future, but we specifically disclaim any obligation to do so.

It is now my pleasure to introduce our CEO, Toni Townes-Whitley.

Toni Townes-Whitley

Thank you, Joe and good morning to everyone on our call.

I want to start with a heartfelt "thank you" to my colleagues at SAIC for their focus, dedication, and empathy amidst a dynamic operating environment for the company and our customers. The strong financial results we delivered to close the year reflect our commitment to driving improved mission outcomes for our customers.

I will now provide an update on current market conditions and our perspective on the risks and opportunities from the administration's focus on accelerating the deployment of technology to drive greater efficiency across the government.

To date, the financial impact to SAIC from recent executive orders and program cancellations across the government has been nominal, and our conversations with the administration to date have been productive. However, given how dynamic the environment has been, we believe it prudent to be prepared should conditions change. Prabu will discuss in greater detail in his remarks some of the actions we have taken to date.

While our base case does not assume a meaningful change in the size of our addressable market in the coming years, we do expect changes to the procurement environment that will place a greater emphasis on mission criticality and the infusion of cutting-edge technology as well as outcome-based contracting. We view this as an acceleration – perhaps a rapid acceleration – of prior trends and one that our strategy and investments are designed to address.

On slide four of our earnings presentation, we have shared several examples of programs which demonstrate our ability to build and integrate technology at the speed of the mission. I would like to call out a few of those examples today.

For Customs and Border Protection, on the TASPDP program, we have rolled out facial and touchless fingerprint technology to over 5,000 ICE agents fully integrated with our cloud, machine learning and AI capabilities to rapidly identify shipments and travelers more efficiently and accurately for additional inspection. We have redesigned the License Plate Recognition (LPR) system to a flexible open architecture system which has relieved the agency from legacy vendor lock and has made 700 of these deployed systems configurable to weather conditions across more than 100 of the busiest land border crossings and U.S. border

checkpoints nationwide.

For the Space Force, on our GMASS program, we have leveraged our digital engineering and on-demand software development solutions to sustain and upgrade various radar systems in the U.S. and around the world at rates quicker and cheaper than the legacy providers. Our performance has contributed to GMASS ramping to full run-rate revenue faster than we had originally anticipated.

In our Commercial Operating Sector, we have a menu of offerings that customers can purchase on commercial terms. Revenue from our Commercial Operating Sector has increased from less than \$1M in FY22 to approximately \$45M in FY25 and a goal of approximately \$100M by FY28 with healthy margins consistent with commercial terms. Our top-selling offering is our DevSecOps sprints which provide a skilled team of software developers ready to deploy, rapidly fix and leave when the project is complete – typically in two-week increments – making them cost-efficient and agile – effectively, Sprints as a Service. What makes our teams uniquely positioned to deliver this value is our role as a mission integrator with intimate and irreplaceable knowledge of customer missions – in other words, gritty tech which underpins our legacy and undergirds our future.

Lastly, we are currently assessing our cost-plus portfolio to determine – with some specificity and appropriate guardrails – how much of this work could transition to fixed-type contracting over time. As we have shared, we have performed quite well within our fixed price portfolio over the years, beginning with our acquisition of Unisys Federal in FY21. Our initial view is that a significant portion could migrate to fixed price over time assuming that the scope of work is well defined and opportunities for cost-plus carve outs still exist. This is an opportunity for our industry and the right thing to do for our customers.

I'll now provide an update on our enterprise growth strategy and business

development trends.

We delivered net bookings in the fourth quarter of \$1.3B and \$6.6B in FY25 for a book-to-bill of 0.9x. Not included in fourth quarter bookings since it was awarded subsequent to quarter close, SAIC won the \$1.8B System Software Lifecycle Engineering (SSLE) contract which is the next iteration of the Software Lifecycle Development program, one of SAIC's largest programs by revenue. I am proud of our team in Huntsville for their efforts in securing this important program and for the continuation of our long-term partnership with the Army Aviation and Missile Command.

As we show on slide five, we submitted bids totaling \$28B in FY25, well ahead of our initial plan of \$22B. Our backlog of submitted bids increased to just over \$20B at year-end, on a trailing twelve months basis, over half of which is currently expected to award over the next two to three quarters.

Our win on SSLE and our strong backlog of submitted bids provide visibility into driving our book-to-bill to our target of 1.2x by the first half of FY26, of course subject to the caveat that timing may be impacted by the ongoing uncertainty facing our customers. While there have been some recent examples of procurement timelines being extended, it has not been broad based. In addition, it is important to remember that procurement delays, while generally a headwind to bookings, also prolong re-compete schedules such that the net effect to revenue and earnings would be far less material.

I will now provide a review of our fourth quarter and full year financial results.

We reported fourth quarter revenue of \$1.84B, an increase of 6% y/y driven mainly by new program wins and on-contract growth which offset program completions.

Full year FY25 revenue of \$7.48B represented 3.1% organic growth which is at the high-end of the guidance we provided at the start of the year.

Fourth quarter adjusted EBITDA of \$177M resulted in a margin of 9.6%. For the full year, adjusted EBITDA of \$710M produced a margin of 9.5% which was 20 bps ahead of guidance due primarily to strong program performance and lower incentive compensation expense compared to the prior year.

Adjusted diluted earnings per share was \$2.57 for the fourth quarter and \$9.13 for the full year, benefiting from the strong operating performance and a lower effective tax rate.

We delivered free cash flow of \$236M in the fourth quarter and \$507M for the year resulting in free cash flow per share of just over \$10. As Prabu will discuss, we expect to achieve our target for free cash flow per share of \$11 in FY26 and \$12 in FY27 and believe we can accomplish this in various revenue scenarios.

Again, I want to thank everyone at SAIC for the dedication they have shown to the company, one another, and our customers.

With that, I will turn the call over to Prabu.

[Prabu Natarajan](#)

Thank you, Toni and good morning to everyone joining our call. I will focus my remarks today on our financial guidance for FY26 and an update on our capital deployment plans.

We are guiding revenues to a range of \$7.6B to \$7.75B representing approximately 3% organic growth at the midpoint. As we detail on slide 8, we expect growth to accelerate from 1% to 3% in the first half to 2% to 4% in the second half. This cadence is driven primarily by the timing of recompetes headwinds which are more pronounced in the first quarter and ease through the year. Our

guidance assumes a roughly two point headwind from recompute losses, primarily related to a NASA program that exited our business in October. In addition, we expect a roughly \$200M headwind related to low margin Air Force Cloud One compute & store revenue which we chose to no-bid that will be spread evenly through the year.

We expect these headwinds to be offset by a fairly even contribution from the continued ramp up on previously won new business including T-Cloud, DTAMM, CBC2 and on-contract growth across a number of programs.

While our guidance assumes no material disruptions resulting from the government's ongoing efficiency initiatives, we are preparing to respond with actions aimed at producing similar EBITDA and free cash flow if we see incremental revenue pressures.

For EBITDA margin we are guiding to a range of 9.4% to 9.6%, an increase of 10 basis points driven by strong program performance, efficiencies from internal process improvements, and incremental scrutiny on investments given the uncertain revenue environment. As shown on slide 10, we expect this trend to continue into FY27 with margins improving an additional 10 basis points to a range of 9.5% to 9.7%.

We are guiding adjusted diluted earnings per share to a range of \$9.10 to \$9.30 largely due to increased earnings and a lower share count offset by a higher effective tax rate of 23%.

Free cash flow of \$510M to \$530M should translate into approximately \$11 per share and continue to have good visibility to \$12 per share in FY27.

We expect to repurchase between \$350M to \$400M in FY26 and FY27 while maintaining sufficient capacity for capability-focused M&A or additional share

repurchases. This is unchanged from our prior framework.

We are further refining our incentive compensation plans to ensure alignment with our investors. For FY26, plans for all eligible employees will be based on enterprise wide performance versus the prior plan which blended enterprise and business group performance. As we focus on our strategy to more efficiently allocate capital across the company and operate as One SAIC, we believe aligning behind a single scorecard will enhance that push.

Finally, as you will see in their upcoming SEC filings, several members of the executive leadership team have indicated an intent to make a discretionary purchase of SAIC shares in the near future to further align our team's interests with those of our shareholders.

I'll now turn the call over to begin Q&A.