

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION

Fiscal Year 2024 Second Quarter Earnings Call

Supplemental Financial Presentation
September 7, 2023

SAIC[®]





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In addition, these slides should be read in conjunction with our earnings press release dated September 7, 2023 along with listening to or reading a transcript of the management comments delivered in an earnings conference call held on September 7, 2023.

All information in these slides are as of September 7, 2023. SAIC expressly disclaims any duty to update any forward-looking statement provided in this release to reflect subsequent events, actual results or changes in SAIC’s expectations. SAIC also disclaims any duty to comment upon or correct information that may be contained in reports published by investment analysts or others.



Building a Differentiated Employee Experience and Culture



- 1 Developing Our Leaders to Be the Best in Our Industry
- 2 Upskilling Our Talent to Build a Sustainable Workforce for the Future
- 3 Fostering a Culture of Growth and Wellbeing
- 4 Increasing Diversity Representation in Our Leadership
- 5 Connecting and Resonating with Our Dispersed Workforce



FY2024 Second Quarter & YTD Highlights

8.3% pro-forma organic growth

Adjusted EBITDA margin* of 9.8%, +70 bps Y/Y

Strong YTD Transaction-Adjusted Free Cash Flow* of \$219M

Reiterating FY24 to FY26 organic revenue growth CAGR of 2% to 4%

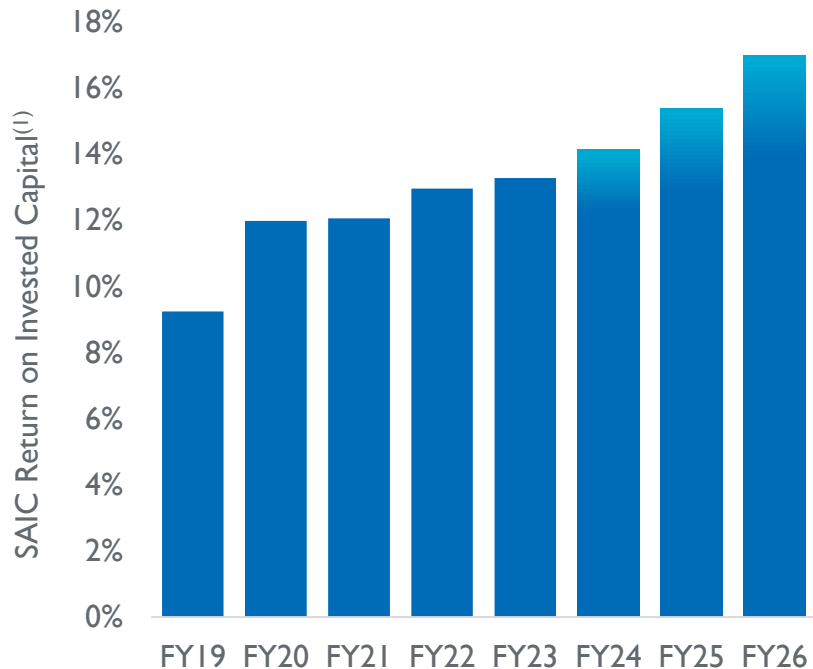
Focus on organic growth, ROIC and capital allocation

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

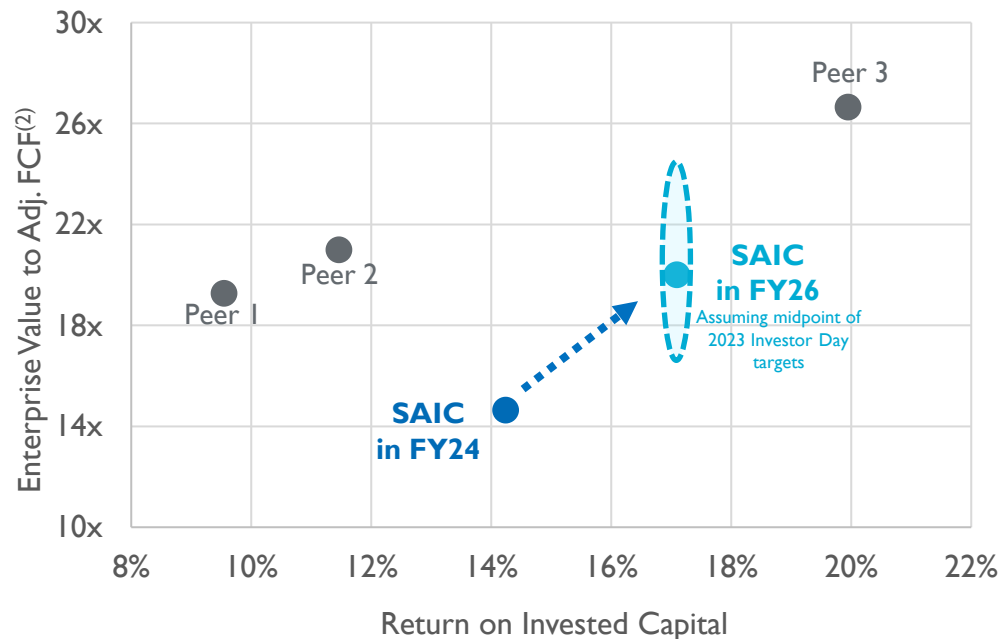


Focused Business Model and Strategy

MARGIN IMPROVEMENT, CAPITAL DEPLOYMENT DRIVE ROIC



INCREASED ROIC REPRESENTS KEY DRIVER OF VALUATION UPSIDE

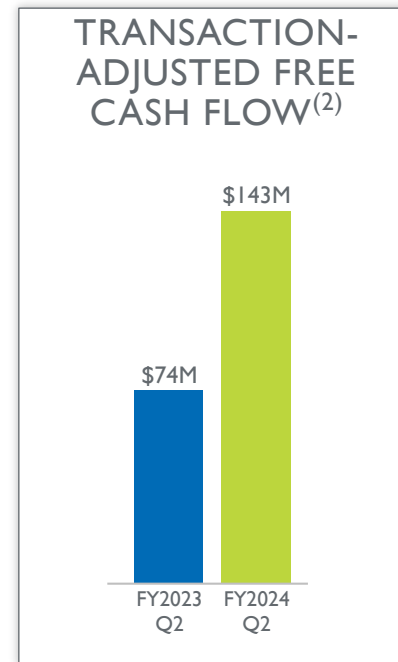
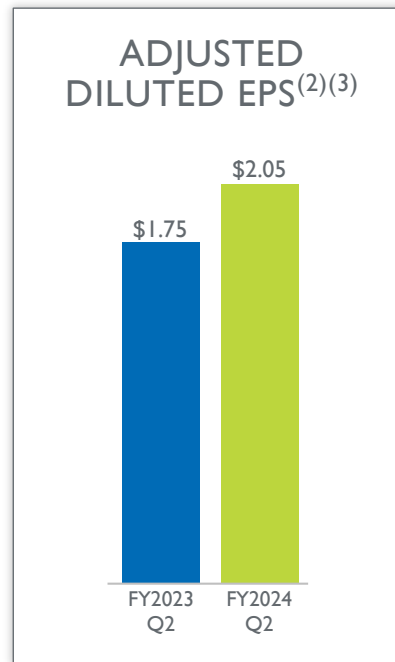
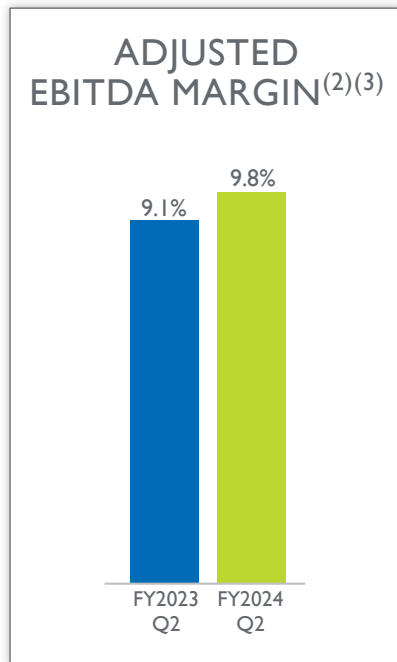
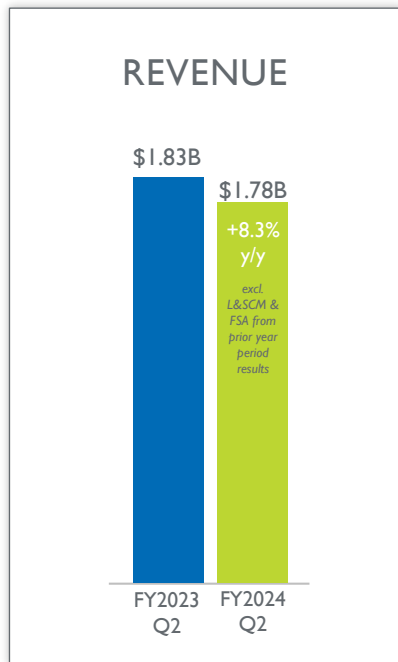


(1) ROIC calculated as adjusted EBITDA less capex and assumes a 21% tax rate divided by invested capital; invested capital is calculated as total assets less cash and non-interest-bearing current liabilities. Prior year periods reflect actual results as reported while future years are based on midpoint on multi-year financial targets.

(2) Adjusted free cash flow normalizes SAIC and peer data for the impact of Section 174 and other non-recurring items to improve comparability.



FY2024 Q2 Results⁽¹⁾



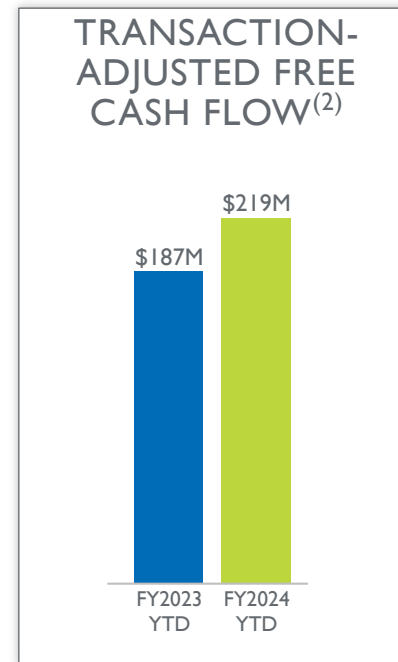
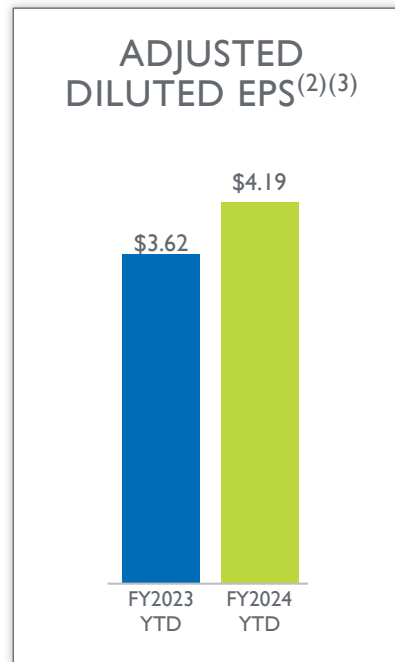
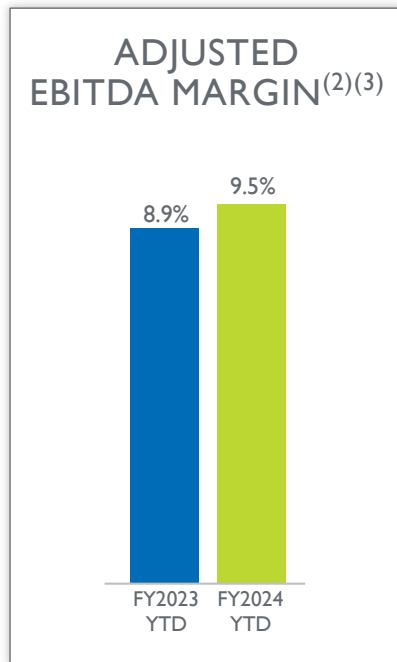
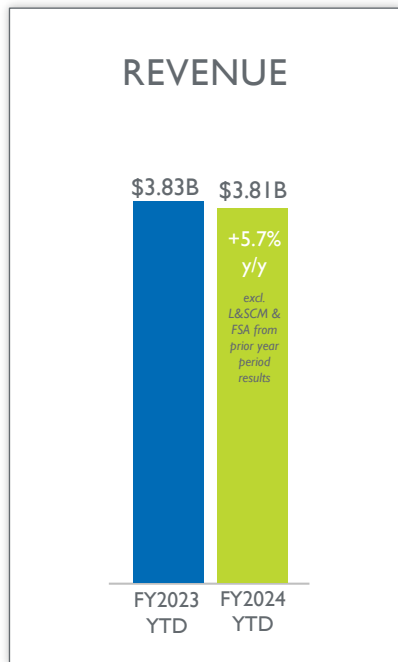
(1) Results of Science Applications International Corporation and its consolidated subsidiaries for the second quarters ended July 29, 2022 and August 4, 2023

(2) Adjusted EBITDA, adjusted diluted earnings per share and transaction-adjusted free cash flow are non-GAAP financial measures as defined and reconciled in the appendix of this presentation

(3) Excludes \$0 million and (\$228) million in FY23 Q2 and FY24 Q2, respectively, of acquisition and integration costs, restructuring costs, and gain on divestitures net of transaction costs



FY2024 Q2 YTD Results⁽¹⁾



(1) Results of Science Applications International Corporation and its consolidated subsidiaries for the six months ended July 29, 2022 and August 4, 2023

(2) Adjusted EBITDA, adjusted diluted earnings per share and transaction-adjusted free cash flow are non-GAAP financial measures as defined and reconciled in the appendix of this presentation

(3) Excludes \$9 million and (\$233) million in FY23 YTD and FY24 YTD, respectively, of acquisition and integration costs, restructuring costs, and gain on divestitures net of transaction costs



Updated Fiscal Year 2024 and Fiscal Year 2025 Guidance

	FISCAL THIRD QUARTER FY24	FISCAL FOURTH QUARTER FY24	PRIOR FISCAL YEAR 2024 GUIDANCE	CURRENT FISCAL YEAR 2024 GUIDANCE
Revenue	\$1.78B - \$1.83B	\$1.59B - \$1.64B	\$7.125B - \$7.225B	\$7.20B - \$7.25B
Pro-Forma Organic Growth	Up Mid Single Digits	~ flat ⁽³⁾	~4%	~4.5%
Adjusted EBITDA Margin ⁽¹⁾	Low 9%	Low 9%	9.2% - 9.4%	9.3% - 9.4%
Adjusted Diluted EPS ⁽¹⁾			\$7.00 - \$7.20	\$7.20 - \$7.40
Transaction-Adjusted Free Cash Flow ⁽¹⁾			\$460M - \$480M ⁽²⁾	\$460M - \$480M ⁽²⁾

KEY ASSUMPTIONS

- ▶ FY24 adjusted diluted EPS guidance assumes the following:
 - 23% effective tax rate
 - Interest expense of \$135M-\$145M
 - Intangible amortization of \$110M-\$120M
- ▶ Transaction-adjusted free cash flow guidance of \$460M - \$480M excludes expected cash tax and other payments of roughly \$82M related to the L&SCM sale, \$7M of which was paid in F2Q with payments of ~\$55M and ~\$20M in F3Q24 and F4Q24, respectively.

⁽¹⁾ Adjusted EBITDA %, adjusted diluted earnings per share and free cash flow are non-GAAP financial measures as defined and reconciled in the appendix of this presentation

⁽²⁾ Transaction-adjusted free cash flow guidance excludes expected cash tax and other payments of roughly \$82M related to the L&SCM sale which will impact cash flow from operations in F2Q24, F3Q24, and F4Q24

⁽³⁾ Adjusted to exclude \$135M in prior year revenue attributable to the five additional working days in F4Q23

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



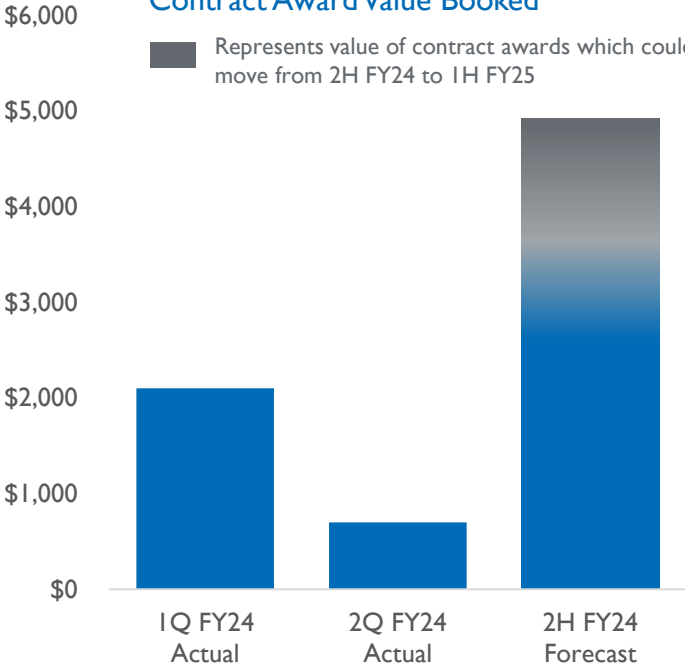
KEY MODELING CONSIDERATIONS

- ▶ F4Q24 y/y revenue growth to be impacted by ~\$135M headwind related to five additional working days in F4Q23. Excluding this, F4Q24 revenue is expected to be approximately flat y/y.
- ▶ F1Q25 y/y revenue growth to be impacted by ~\$185M from revenue in F1Q24 results related to the Logistics & Supply Chain Management business which was subsequently divested on the first working day of F2Q24.
- ▶ Impacts from expected contract transitions and new business award delays likely to result in 1H FY25 revenue y/y to be roughly flat (pro-forma for L&SCM divestiture).

Pipeline Remains Strong though Weighted to 2H FY24

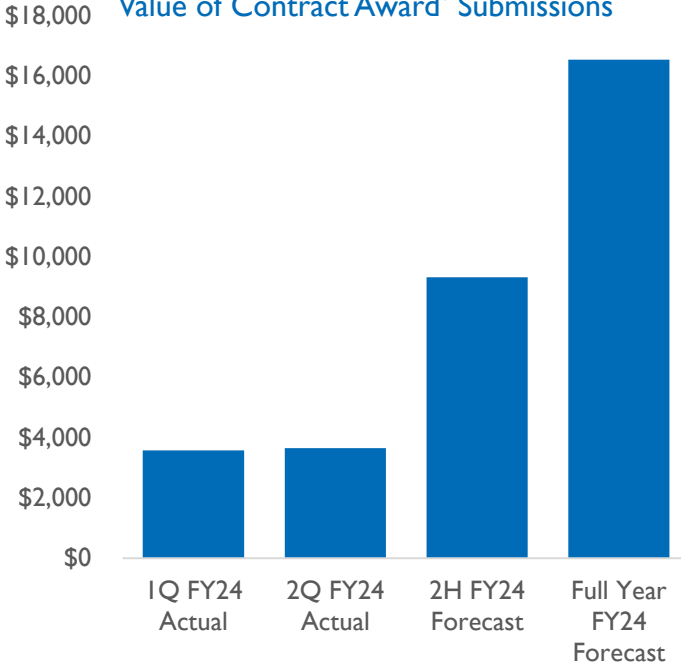
Contract Award Value Booked

■ Represents value of contract awards which could move from 2H FY24 to 1H FY25



While the pipeline of opportunities remains strong, the timing of awards has shifted right and are weighted to the second half of FY24 which may impact near term TTM book-to-bill and the cadence of FY25 revenue growth.

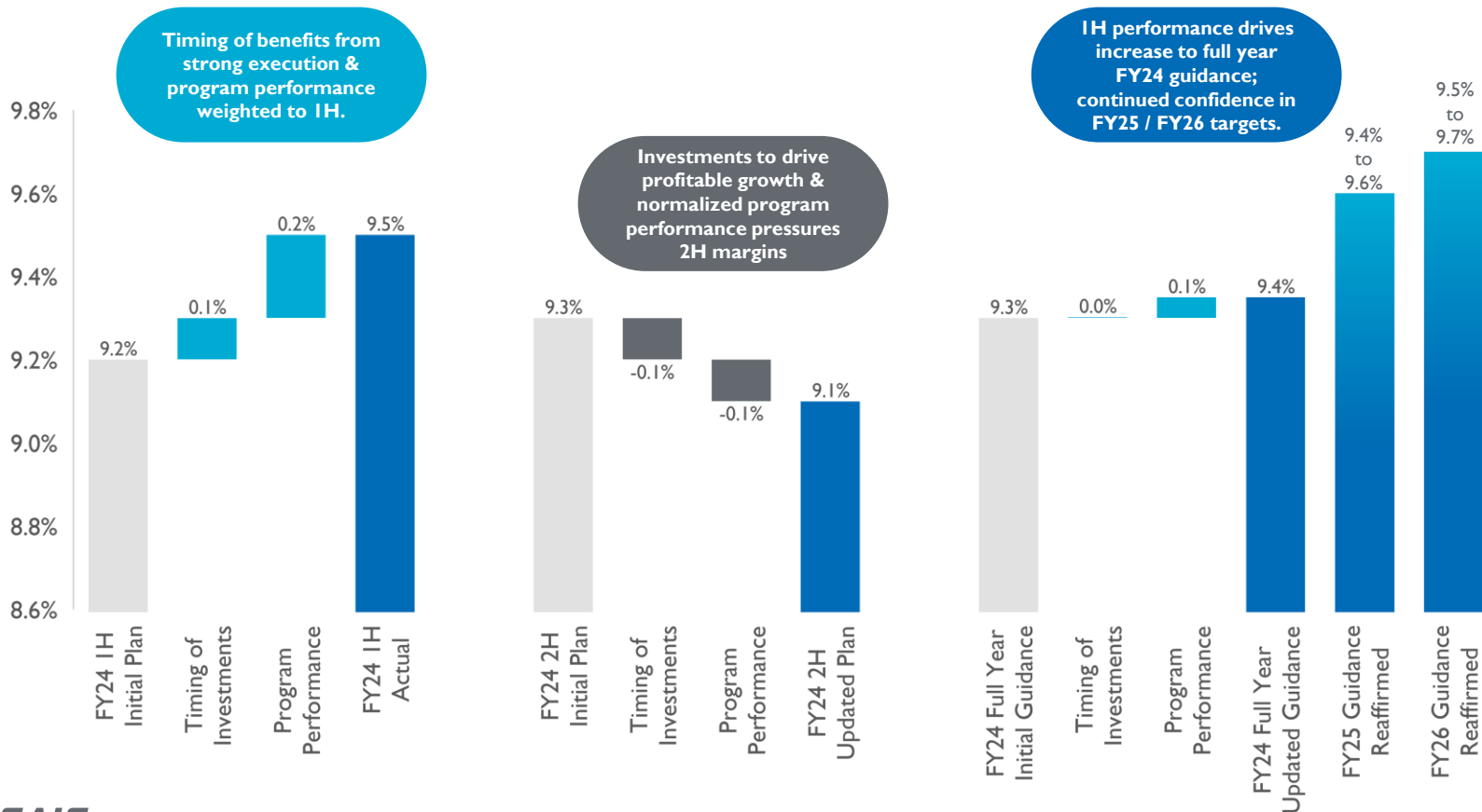
Value of Contract Award* Submissions



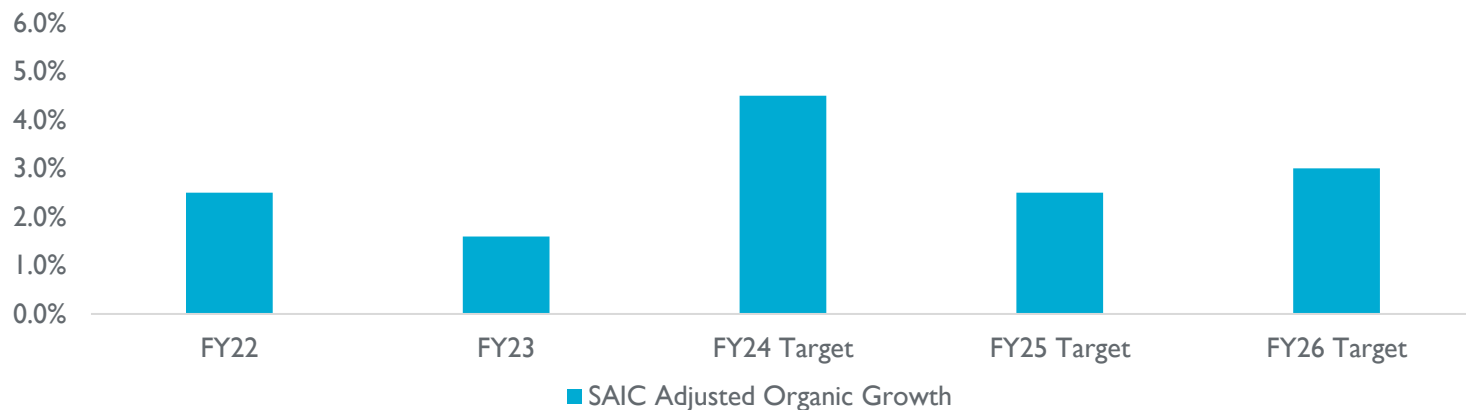
* Excludes value of submissions related to single-award and multiple-award IDIQ contracts



FY24 Margin Improvement Weighted to First Half



Solid Organic Revenue Growth Expected to Continue



	FY21	FY22	FY22	FY23	FY23	FY24	FY24	FY25	FY25	FY26
Revenues, as Reported	\$7,056	\$7,394	\$7,394	\$7,704	\$7,704	\$7,225 ⁺	\$7,225 ⁺	\$7,200 ⁺	\$7,200 ⁺	\$7,400 ⁺
Acquired Revenue		(\$184)		(\$73)						
Divested Revenue		\$25			(\$650)		(\$185)			
Working Days Adjustment**				(\$120)	(\$135)					
Adjusted Pro-forma Revenues	\$7,056	\$7,235	\$7,394	\$7,511	\$6,919	\$7,225 ⁺	\$7,040	\$7,200 ⁺	\$7,200 ⁺	\$7,400 ⁺
Adjusted Organic Revenue y/y*		3%		2%		~4.5%		~2.5%		~3%

* Revenue figures reflect midpoint of target range

** Results reflect four additional working days in FY23 and five fewer working days in FY24

* A non-GAAP financial measure; such non-GAAP measure should be considered in addition to, not a substitute for, the corresponding GAAP financial measure



Multi-Year Financial Targets

	FY24	FY25	FY26
Revenue	\$7.2B - \$7.25B <i>(\$7.0 - \$7.1B excl. L&SCM revenue)</i>	\$7.1B - \$7.3B	\$7.3B - \$7.5B
Adjusted EBITDA Margin*	9.3% - 9.4%	9.4% - 9.6%	9.5% - 9.7%
Adjusted Earnings per Share*	\$7.20 - \$7.40	\$7.60 - \$7.80	\$8.50 - \$8.70
Weighted Average Diluted Shares Outstanding	~54M	~51M	~48M
Free Cash Flow*	\$460M - \$480M	\$480M - \$500M	\$505M - \$525M
Free Cash Flow per Share*	~\$9	~\$10	~\$11
Net Leverage*	~3.0x	~3.0x	~3.0x

* A non-GAAP financial measure. Such non-GAAP measure should be considered in addition to, not a substitute for, the corresponding GAAP financial measure



SAIC Historical Share Repurchase Authorizations

AUTHORIZATION DATE	INCREMENTAL SHARES ADDED TO AUTHORIZATION	TOTAL "CURRENT" AUTHORIZATION	REPURCHASE AUTHORIZATION AS % OF DILUTED SHARES	APPROXIMATE MONTHS TO COMPLETE	AVG. SHARES REPURCHASED PER MONTH	AVG. PRICE OF REPURCHASED SHARES	AVG. ANNUALIZED FCF** / SHARE DURING AUTHORIZATION
October 2013	5,000,000	5,000,000	10%	31	160,000	\$43	~\$4.50
September 2015	3,540,847 ⁺	5,000,000	11%	19	190,000	\$69	~\$5.00
December 2016	3,287,313 ⁺	5,000,000	11%	38	90,000	\$79	~\$6.50
April 2019	4,623,534 ⁺	6,500,000	11%	21*	220,000*	\$86*	~\$8.00
June 2022	8,000,000 ⁺	~8,800,000	16%	TBD	TBD	TBD	~\$10.00

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

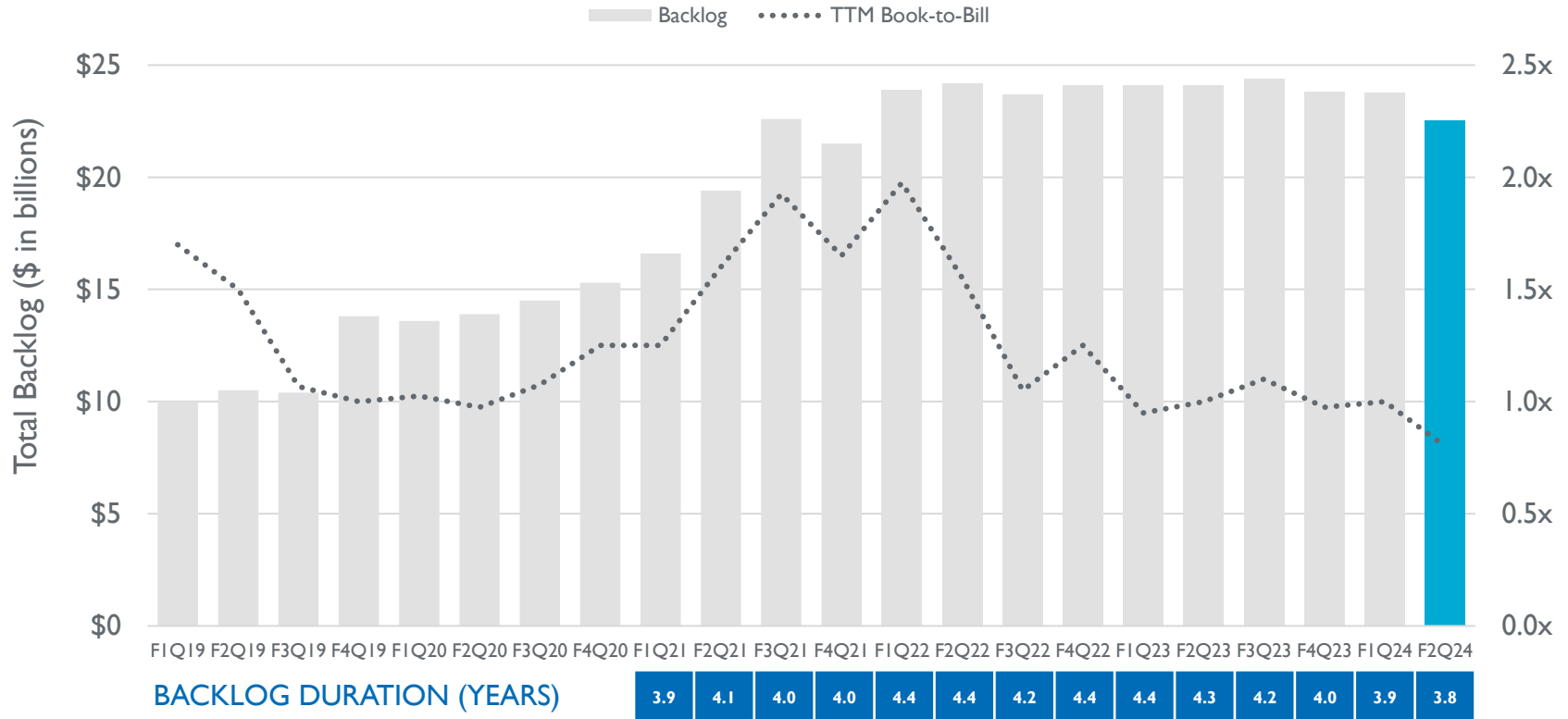
** - excludes impact of MARPA facility

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

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



SAIC Historical Backlog and Book-to-Bill



TTM BTB of 0.8x and Total Backlog of ~\$23B



Appendix

Working Days Per Quarter

	Q1	Q2	Q3	Q4	Total
FY25	64	62	63	60	249
FY24	64	62	63	60	249
FY23	64	62	63	65	254
FY22	64	63	63	60	250
FY21	64	63	63	60	250
FY20	64	63	63	60	250
FY19	64	63	63	60	250



Payroll Cycles per Quarter

	Q1	Q2	Q3	Q4	Total
FY25	7	6	7	6	26
FY24	7	6	7	6	26
FY23	6	7	6	7	26



Non-GAAP Reconciliation – EBITDA and Adjusted EBITDA

EBITDA, Adjusted EBITDA and Adjusted Operating Income

	Three Months Ended		Six Months Ended	
	August 4, 2023	July 29, 2022	August 4, 2023	July 29, 2022
	(in millions)			
Net income	\$ 247	\$ 74	\$ 345	\$ 148
Interest expense and loss on sale of receivables	35	31	71	59
Interest income	(4)	—	(5)	—
Provision for income taxes	88	21	113	42
Depreciation and amortization	36	40	72	81
EBITDA⁽¹⁾	402	166	596	330
<i>EBITDA as a percentage of revenues</i>	<i>22.5 %</i>	<i>9.1 %</i>	<i>15.6 %</i>	<i>8.6 %</i>
Acquisition and integration costs	1	1	1	10
Restructuring and impairment costs	5	2	6	2
Recovery of acquisition and integration costs and restructuring costs	—	(3)	—	(3)
Gain on divestitures, net of transaction costs	(234)	—	(240)	—
Adjusted EBITDA⁽¹⁾	\$ 174	\$ 166	\$ 363	\$ 339
<i>Adjusted EBITDA as a percentage of revenues</i>	<i>9.8 %</i>	<i>9.1 %</i>	<i>9.5 %</i>	<i>8.9 %</i>
Operating income	\$ 362	\$ 125	\$ 519	\$ 250
<i>Operating income as a percentage of revenues</i>	<i>20.3 %</i>	<i>6.8 %</i>	<i>13.6 %</i>	<i>6.5 %</i>
Acquisition and integration costs	1	1	1	10
Restructuring and impairment costs	5	2	6	2
Recovery of acquisition and integration costs and restructuring costs	—	(3)	—	(3)
Gain on divestitures, net of transaction costs	(234)	—	(240)	—
Adjusted operating income⁽¹⁾	\$ 134	\$ 125	\$ 286	\$ 259
<i>Adjusted operating income as a percentage of revenues</i>	<i>7.5 %</i>	<i>6.8 %</i>	<i>7.5 %</i>	<i>6.8 %</i>

(1) EBITDA is a performance measure that is calculated by taking net income and excluding interest and loss on sale of receivables, provision for income taxes, and depreciation and amortization. Adjusted EBITDA and adjusted operating income are performance measures that exclude the impact of non-recurring transactions that we do not consider to be indicative of our ongoing operating performance. The acquisition and integration costs relate to the Company's acquisitions. The gain on divestitures includes gains associated with the deconsolidation of FSA and the sale of the logistics and supply chain management business, net of transaction costs. We believe that these performance measures provide management and investors with useful information in assessing trends in our ongoing operating performance and may provide greater visibility in understanding the long-term financial performance of the Company.



Non-GAAP Reconciliation – Adjusted Diluted Earnings per Share

Adjusted Diluted Earnings Per Share

	Three Months Ended		Six Months Ended	
	August 4, 2023	July 29, 2022	August 4, 2023	July 29, 2022
Diluted earnings per share	\$ 4.56	\$ 1.30	\$ 6.35	\$ 2.59
Acquisition and integration costs and restructuring and impairment costs, divided by diluted 'weighted-average number of shares outstanding' (WASO)	0.11	—	0.13	0.16
Tax effect of acquisition and integration costs and restructuring and impairment costs, divided by diluted WASO	(0.02)	—	(0.03)	(0.03)
Net effect of acquisition and integration costs and restructuring and impairment costs, divided by diluted WASO	0.09	—	0.10	0.13
Amortization of intangible assets, divided by diluted WASO	0.54	0.57	1.07	1.15
Tax effect of amortization of intangible assets, divided by diluted WASO	(0.09)	(0.12)	(0.21)	(0.25)
Net effect of amortization of intangible assets, divided by diluted WASO	0.45	0.45	0.86	0.90
Gain on divestitures, net of transaction costs, divided by diluted WASO	(4.34)	—	(4.42)	—
Tax effect of gain on divestitures, net of transaction costs, divided by diluted WASO	1.29	—	1.30	—
Net effect of gain on divestitures, net of transaction costs, divided by diluted WASO	(3.05)	—	(3.12)	—
Adjusted diluted earnings per share⁽¹⁾	\$ 2.05	\$ 1.75	\$ 4.19	\$ 3.62

(1) Adjusted diluted earnings per share is a performance measure that excludes the impact of non-recurring transactions that we do not consider to be indicative of our ongoing operating performance. The acquisition and integration costs relate to the Company's acquisitions. The gain on divestitures includes gains associated with the deconsolidation of FSA and the sale of the logistics and supply chain management business, net of transaction costs. Adjusted diluted earnings per share also excludes amortization of intangible assets because we do not have a history of significant acquisition activity, we do not acquire businesses on a predictable cycle, and the amount of an acquisition's purchase price allocated to intangible assets and the related amortization term are unique to each acquisition. We believe that this performance measure provides management and investors with useful information in assessing trends in our ongoing operating performance and may provide greater visibility in understanding the long-term financial performance of the Company.



Non-GAAP Reconciliation – Free Cash Flow

Free Cash Flow and Transaction-Adjusted Free Cash Flow

	Three Months Ended		Six Months Ended	
	August 4, 2023	July 29, 2022	August 4, 2023	July 29, 2022
	(in millions)			
Net cash provided by operating activities	\$ 150	\$ 141	\$ 232	\$ 259
Expenditures for property, plant, and equipment	(6)	(7)	(12)	(12)
Cash used (provided) by MARPA Facility	—	(60)	—	(60)
Free cash flow⁽¹⁾	\$ 144	\$ 74	\$ 220	\$ 187
L&SCM divestiture transaction fees	7	—	7	—
L&SCM divestiture cash taxes	—	—	—	—
L&SCM divestiture transition services	(8)	—	(8)	—
Transaction-adjusted free cash flow⁽¹⁾	\$ 143	\$ 74	\$ 219	\$ 187

(1) Free cash flow is calculated by taking cash flows provided by operating activities less expenditures for property, plant, and equipment and less cash flows from our Master Accounts Receivable Purchasing Agreement (MARPA Facility) for the sale of certain designated eligible U.S. government receivables. Under the MARPA Facility, the Company can sell eligible receivables up to a maximum amount of \$300 million. Transaction-adjusted free cash flow excludes cash taxes, transaction fees, and other costs related to the divestiture of the logistics and supply chain management business from free cash flow as previously defined. We believe that free cash flow and transaction-adjusted free cash flow provides management and investors with useful information in assessing trends in our cash flows and in comparing them to other peer companies, many of whom present similar non-GAAP liquidity measures. These measures should not be considered as a measure of residual cash flow available for discretionary purposes.



Non-GAAP Reconciliation – FY24 Free Cash Flow Guidance

	FY24 Guidance (in millions)
Net cash provided by operating activities	\$410 to \$430
Expenditures for property, plant, and equipment	Approximately \$30
Free cash flow⁽¹⁾	\$380 to \$400
L&SCM divestiture transaction fees	Approximately \$7
L&SCM divestiture cash taxes	Approximately \$75
Transaction-adjusted free cash flow⁽¹⁾	\$460 to \$480

(1) Free cash flow is calculated by taking cash flows provided by operating activities less expenditures for property, plant, and equipment and less cash flows from our Master Accounts Receivable Purchasing Agreement (MARPA Facility) for the sale of certain designated eligible U.S. government receivables. Under the MARPA Facility, the Company can sell eligible receivables up to a maximum amount of \$300 million. Transaction-adjusted free cash flow excludes cash taxes, transaction fees, and other costs related to the divestiture of the logistics and supply chain management business from free cash flow as previously defined. We believe that free cash flow and transaction-adjusted free cash flow provides management and investors with useful information in assessing trends in our cash flows and in comparing them to other peer companies, many of whom present similar non-GAAP liquidity measures. These measures should not be considered as a measure of residual cash flow available for discretionary purposes.



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we move you forward.

SAIC

