



MANAGEMENT'S PREPARED REMARKS

Third Quarter Fiscal Year 2026 Earnings Call

Jim Reagan, Interim Chief Executive Officer
Prabu Natarajan, Chief Financial Officer

December 4, 2025

INVESTOR CONTACT

JOSEPH DENARDI
joseph.w.denardi@saic.com

SAIC[®]

Joseph DeNardi

Good morning and thank you for joining SAIC's third quarter Fiscal Year 2026 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 Jim Reagan, our Interim Chief Executive Officer, and Prabu Natarajan, our Chief Financial Officer.

Today we will discuss our results for the third quarter of Fiscal Year 2026 that ended October 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 and our quarterly reports on Form 10-Q. We may elect to update the forward-looking statements at some point in the future, but we specifically disclaim any obligation to do so.

In addition, we will discuss non-GAAP financial measures and other metrics, which we believe provide useful information for investors and both our press release and supplemental financial presentation slides include reconciliations to the most comparable GAAP measures. The non-GAAP measures should be considered in addition to, and not a substitute for, financial measures in accordance with GAAP.

It is now my pleasure to introduce our interim CEO, Jim Reagan.

Jim Reagan

Thank you, Joe and thank you to everyone joining for our call.

Before I begin, I want to take a moment to welcome Silveredge to SAIC. Having personally spent time with leaders at Silveredge, I am excited about the value we can create by combining their differentiated technology and commercial go-to-market approach with the breadth of SAIC. Building upon their success at bringing sought-after AI capabilities to life for the intelligence community, I expect strong continued growth as we deploy their incredibly talented people and solutions across the broader SAIC portfolio. This acquisition represents a good example of our ability to invest in differentiated IP capable of solving customer problems.

I will begin with a brief review of our third quarter results and updated outlook but will leave the more detailed walk through to Prabu. I will then discuss my top priorities as interim CEO and the compelling potential to create value for our shareholders while investing to better serve our customers and create opportunities for our employees.

Third quarter revenue of \$1.87B declined 5.6% y/y and included a roughly 1pt headwind related to the government shutdown. Adjusting for this impact, revenue results were modestly ahead of our prior guidance as we have seen encouraging signs of stability across the market in recent months.

Adjusted EBITDA of \$185M for a margin of 9.9% was driven by strong program execution. As I highlighted in the earnings release and as I will discuss in more detail, I see meaningful opportunities to further improve margins in the coming years while increasing internal investments to drive profitable growth.

Adjusted diluted EPS was \$2.58 reflecting our strong margin performance and a favorable tax rate in the quarter.

Third quarter free cash flow of \$135M was strong despite being impacted by the government shutdown which resulted in certain collections moving into our fourth fiscal quarter.



Overall, the financial results we reported in the quarter were ahead of our prior guidance, but I firmly believe that we can deliver stronger revenue performance over the long-term.

Since being appointed interim CEO by our Board on October 23rd, my top priority has been to drive increased focus across the company and take decisive action that will position SAIC for long-term shareholder value creation. My prior industry experience and time on the Board have allowed me to hit the ground running, and I believe the actions we are taking will produce demonstrable results in the coming quarters. Let me provide greater detail and examples around what we are doing and how we are measuring impact.

SAIC's legacy of innovation and commitment to U.S. national security is undeniable and represents an incredibly valuable asset for the company. However, in recent years, we have struggled to convert this into revenue and EBITDA growth in line with the market due primarily to below average business development and capture performance. The changes we have implemented over the past 24 months across BD are steps in the right direction and have contributed to our improved book-to-bill year-to-date.

We are committed to building on this progress in three ways:

First: sharpening our focus on execution to increase capacity for investment in the business

Second: more efficiently deploying our financial resources to drive growth and

Third: prioritizing yield and bid quality across our business development function.

We have discussed in the past that SAIC spends several hundred million dollars annually on indirect functions including shared services, finance, human resources, marketing, communications, and others. We are implementing efficiencies across this category of spending, including our recent organizational restructuring, and will redeploy savings to fuel growth and improve profitability. We have identified over \$100M in annual spend that we are actively working to re-invest into higher ROI areas across our business and increase margins. This should result in a more efficient SAIC with increased investment directly driving growth and margins approaching 10% in the near-term with additional potential upside in FY27 as we drive further efficiency across the business.

In addition, I see opportunities to re-focus our attention on nearer-term execution and the aspects of our performance which we control. While there is value in aligning to a long-term corporate strategy, this needs to be balanced with a keen focus on executing to and delivering on our near-term commitments. My impression during my first several weeks as interim CEO is that our leaders want and will embrace this shift in priorities. I am challenging leaders across SAIC to focus on execution, make an impact on the business, and deliver results, and I am confident in their ability to step up.

Lastly, we have shared with you our focus on increasing business development throughput and have shown strong progress against this having increased submit volumes from \$17B in FY24 to \$28B in FY25. While I believe this is an appropriate level for a business our size, we must now focus our shift from targeting throughput to prioritizing quality and alignment with the markets where we have the strongest right to win. This will drive improved decision making, more efficient resource allocation, and a stronger SAIC in the long run. As I look at some of the larger business development pursuits that have not gone our way in recent years and the lessons learned, there is substantial value to be created from turning up the focus and attention on the core fundamentals of this business

Before turning the call over to Prabu, I want to take a moment to thank Toni Townes-Whitley, David Ray, Josh Jackson, and Lauren Knausenberger for their contributions and service to SAIC. The recent changes we made were



necessary to position the company for longer-term success but required difficult decisions impacting some very high-quality individuals.

I also want to acknowledge the tremendous honor it is to lead SAIC, a company with a deep legacy of supporting our country. I look forward to serving in this interim capacity, working with the leadership team to implement the priorities I just outlined, and assisting the Board in its search for a permanent CEO. We have begun that process which is being led by a search committee comprised of Board members working in conjunction with a leading external search firm. Our ideal candidate will be someone who shares this company's commitment to serving our nation and our customers and has a proven track record of operating excellence and value creation.

I can speak for our Board in saying that we see significant opportunity to drive value for our shareholders, greater opportunities for our employees, and improved outcomes for our customers, our nation and its allies.

With that, I'll now turn the call over to Prabu.

Prabu Natarajan

Thank you, Jim, and good morning to those joining our call.

I will discuss our business development results in the quarter followed by a review of our updated outlook including some additional detail regarding the margin improvement efforts that Jim discussed.

As you can see on slide 4, we delivered 3Q net bookings of \$2.2B resulting in a book-to-bill in the quarter and on a trailing-twelve months basis of 1.2x. Our 3Q awards included a five-year recompetes with the Air Force with a total contract value of \$1.4B and, on the new business side, a five-year \$413 million contract with the U.S. Army for its Open Source Intelligence Enterprise, or OSINT, program.

In the third quarter, we submitted proposals with a total contract value of approximately \$3B bringing our year-to-date submissions to approximately \$21B. While the government shutdown has slowed our pace of proposal submissions, we expect this to normalize in the near-term and continue to target submitting bids totaling over \$30B in FY27. The incremental investments we expect to fund out of our cost efficiency efforts will go towards strengthening our solutions and overall bid quality.

I'll now turn to our updated outlook for FY26 and FY27.

We are increasing our FY26 total revenue guidance to reflect the acquisition of Silveredge and reaffirming our organic revenue growth guidance despite the roughly 1pt impact to 3Q revenues from the government shutdown. Our guidance continues to assume a roughly 4pt contraction in organic revenue growth in the fourth quarter.

We are increasing our guidance for FY26 adjusted EBITDA margin by 10bps due primarily to our strong program performance YTD.

We are increasing our FY26 adjusted diluted EPS guidance by \$0.40 largely due to the increased earnings and a lower tax rate as we now assume a roughly 10% effective tax rate for the year.

We are maintaining our FY26 free cash flow guidance of greater than \$550M.

For FY27, we are increasing our revenue guidance by approximately 1pt to include the acquisition of Silveredge and are reaffirming our organic revenue growth guidance of 0% to 3%. This outlook reflects an assumed contribution from recent new business wins including TENCAP-HOPE and OSINT partially offset by known recompetes headwinds of



approximately 1% to 2%. As we have discussed, we are in the recompete phase for one of our largest programs which represents just over 3% of annual revenue with an expected award in the next few months. A favorable outcome on this would position us well in the 0% to 3% range while a loss would likely make the lower end of the range more likely, based on what we know today.

We are increasing FY27 margin guidance by 20bps at the midpoint to a range of 9.7% to 9.9%. The key drivers behind this are the acquisition of Silveredge which adds roughly 10bps and the initial 10bps impact from cost actions taken to date. Our bias for adjusted EBITDA margins in FY27 and beyond remains to the upside as we see meaningful opportunities to drive efficiency and improved performance which are not reflected in our updated guidance.

As we return to revenue growth in the coming quarters, we anticipate that the efficiency efforts being implemented now will strengthen our ability to increase EBITDA faster than revenue.

We are increasing our FY27 adjusted EPS guidance by \$0.50 reflecting the addition of Silveredge, increased operating margins, and a lower share count.

We are maintaining our guidance for FY27 free cash flow of greater than \$600M, or approximately \$13.50 per share. As a reminder, FY26 and FY27 free cash flow benefits from changes related to Section 174 under the One Big Beautiful Bill Act which results in minimal cash taxes this year and next.

Given our strong free cash flow, clear visibility into margin improvement, and a return to revenue growth, we see returning cash to shareholders via our repurchase program as a compelling investment and now expect to repurchase approximately \$500M in each of FY26 and FY27. This \$1B of total share repurchases represents approximately 25% of our market value.

As Jim indicated, we see opportunities to create significant value for shareholders and are acting decisively to execute on our plans. While we appreciate the market's wariness with some of the uncertainty facing our end-market, our FY26 revenue performance, and our leadership transition, we have conviction in our ability to further improve execution, deliver sustained profitable growth, and create long-term shareholder value.

Realizing the potential of SAIC requires focus and a commitment to delivering on what we say. I am confident that we can accomplish this and demonstrate clear progress against this in the coming quarters.

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

