



MANAGEMENT'S PREPARED REMARKS

First Quarter Fiscal Year 2027 Earnings Call

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

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Jon Raviv

Good morning and thank you for joining SAIC's first quarter Fiscal Year 2027 earnings call. My name is Jon Raviv, Vice President of Investor Relations, and joining me today to discuss our business and financial results are Jim Reagan, our Chief Executive Officer, and Prabu Natarajan, our Chief Financial Officer and EVP, Enterprise Operations.

Today we will discuss our results for the quarter ended May 1, 2026. 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. In addition, we will discuss non-GAAP financial measures and other metrics, which we believe provide useful information for investors. These non-GAAP measures should be considered in addition to, and not a substitute for, financial measures in accordance with GAAP. A more fulsome explanation of these measures can also be found in our SEC filings.

It is now my pleasure to turn the call over to our CEO, Jim Reagan.

Jim Reagan

Thank you, Jon, and good morning to everyone joining our call.

I'm pleased to say that the year is off to a good start.

I want to recognize our 23,000 employees whose relentless commitment to execution excellence made these results possible. Sustaining strong margins and industry-leading cash flow reflects the team's discipline and focus in a dynamic environment. This is operational excellence in action with our strong underlying results highlighting our potential to deliver double-digit margins on a sustainable basis.

Since I accepted the permanent CEO job earlier this year, my focus has broadened beyond execution to include spending time with all of our stakeholders – our shareholders, customers, and employees.

My shareholder meetings made it clear that we have work to do to regain trust by proving that we can grow organically on a sustained basis. This quarter's result is a step in the right direction, but I know this is a multi-quarter journey.

My customer meetings focused on the value that we continue to bring to enable a wide variety of missions that are increasing in their complexity and velocity. It is also clear that our industry has to invest to keep pace in a fast-moving environment. Our flexible business model is well suited to these tasks, and we are excited to deliver on these commitments.

And my employee meetings highlighted the distinct privilege I have to lead an exceptional group of people working to solve the nation's most critical challenges. I am grateful to our team for their patience and determination in taking on new roles, responsibilities, and mindsets to address enduring customer demands and to create value for all of our stakeholders.



Please turn to slide 3 for our key messages.

First, we are built on a strong foundation and operate with an enduring purpose. We deliver critical capabilities to our customers to help them address their most complex challenges. We do this by developing solutions that enable speed, capacity, and decision-making dominance. For decades, we have evolved with our customers as we anticipate their needs and operate at the speed of mission.

This evolution requires us to continuously evaluate and refine the portfolio. Now, there is some natural portfolio realignment this year as we digest recompute losses, primarily in the Large Enterprise IT market.

We are also actively controlling our future as we build a premier portfolio of integrated mission-critical capabilities more aligned to budget priorities and more insulated against the commoditization we have seen in certain parts of the market. We have initiated a portfolio review and look forward to sharing more information on our December earnings call. You should expect to see a more agile SAIC built for the future underpinned by our mission depth and capability.

And as we have shared previously, we initiated a pipeline review to refine our bidding strategy to more closely align with our differentiators and where we enjoy a higher probability of winning. Our qualified pipeline sits at about \$85B and is more focused with Enterprise IT now comprising a smaller share compared to last quarter. This reflects our selectivity in this part of the market.

We are also pursuing opportunities earlier and more deliberately, leaning into key areas where we know we can deliver better and faster. This includes our Mission and Engineering businesses, which comprise a greater share of our pipeline, and are outgrowing the rest of the portfolio due to recent wins and on-going investments. These dynamics support further organic portfolio realignment.

And we continue to evaluate potential additions and subtractions to the portfolio to accelerate growth, enhance margins, and further develop high-value areas where we're able to bring our investments to bear.

As I said last quarter, I am excited by what made SAIC great to begin with: delivering innovative science, technology and engineering solutions in support of the security of the United States and its allies. And there is a lot going on in the world demanding our support.

Elevated operational tempo is driving faster decision-making in a variety of hardware and software platforms where we currently play a role. We continue to engage with customers to enhance capability and capacity.

And we continue to leverage new tools that help us deliver more effectively and efficiently. In recent years, we have helped defense, intelligence, and civilian agencies establish data and knowledge standards, develop multimodal AI, and build secure data layers that underpin some of the nation's most sensitive missions. Today, we're applying AI to modernize legacy code, generate operational tasking orders, enhance human-machine teaming, strengthen data fusion, and harden cyber defenses. The opportunity ahead isn't about delivering an AI product; it's about how quickly we can integrate and operationalize these capabilities in real-world missions.

I appreciate that we can only say so much about the opportunities, and in some cases the risks, that accompany rapid technological shifts. At the end of the day, it comes down to our ability to put up continued performance as AI adoption increases. I look forward to delivering those results.



That brings me to top-line improvement.

Appropriations are starting to flow from last year's legislation, albeit unevenly. And we expect another large appropriation for FY27. While our growth does not depend on a trillion-dollar plus defense budget, it certainly helps.

RFPs and submissions are still slowed by environmental factors, although we are on track for awards. Recompete win rates are stabilizing as we expect them to return to the 90% range. And new business win rates continue to perform well above 30%.

And I am encouraged by the modest organic growth we saw this quarter despite our recompetes headwinds from last year.

We also continue to build on our margin and cash momentum

Fiscal first quarter margin was a company record driven by strong program execution. While we could see this margin level offset through year-end by key investments to support growth, these results demonstrate what we're capable of and support our full year guidance. And we saw another good quarter for cash, reflecting our strong execution.

Maintaining this momentum relies partly on the enterprise transformation process we announced in February. Project ORBIT will increase our agility and create more capacity for investments to support growth and margin expansion over time. We have sourced >3,500 ideas from across the company, which our dedicated team is now analyzing and prioritizing for execution. We will have more information on these efforts on our next earnings call in September.

Taken together, these results and our continued efforts reflect our focus on execution, controlling what we can control, and rebuilding our growth momentum.

We have raised our guidance to account for some of this quarter's upside, although we are mindful of remaining investments, recompetes roll-offs, and uncertainties that could impact the remaining quarters. As I have said before, FY27 is a year of commitment. We are setting targets we are confident we can achieve.

In closing, we see significant opportunity to drive value for our shareholders, create greater opportunities for our employees, and most importantly continue the mission of supporting our customers and our country.

Before turning the call over, I do want to address this morning's announcement that Srinu Attili is leaving SAIC as we make a leadership change in our Civilian Business Group to support our positive momentum. We thank Srinu for his contributions and we wish him well.

Our CFO and EVP of Enterprise Operations, Prabu Natarajan, will serve as interim head of the Civilian business while we identify a permanent replacement. Prabu's experience running complex businesses and driving execution excellence makes him well-suited for this expanded role. He has my and the Board's full confidence.

Our Civilian business delivers industry-leading capabilities to critical clients and is a strong performer in our portfolio. We are strongly committed to our efforts in this market and focused on keeping the momentum going. With that, I'll turn the call over to Prabu.



Prabu Natarajan

Thank you, Jim.

I appreciate the opportunity to support the Civilian segment during this transition period while continuing my other responsibilities. There are strong teams in place in our Civilian segment, in Finance, and in Enterprise Operations. I'm grateful for their dedication to the mission and to SAIC, and I am confident in our ability to continue delivering for all stakeholders.

As our Q1 performance reflects, the Civil segment is operating from a position of strength, delivering leading technology solutions supporting a variety of critical missions. This includes our Enterprise IT capabilities where we operate largely under outcome-based contracts that are creating value for SAIC and for our customers. I am excited about our opportunities in this business and for continued margin strength.

One key opportunity is the Vanguard recompetes, which we have been closely engaged in for years. As we previously shared, Vanguard supports the State Department's global IT infrastructure and generates roughly \$250M of annual sales at above-average margins. The new program – EVOLVE – is a multi-award contract vehicle with a \$10B ceiling over 7 years. It is bigger and broader than Vanguard as it consolidates work beyond our current scope. We look forward to competing on the task orders as we incrementally de-risk this recompetes over the course of the next several quarters. We have delivered excellence for 15 years, and we look forward to many more with EVOLVE supporting this highly critical mission and customer.

Now let's get into the results.

Turning to slide 4.

We reported first quarter revenue of \$1.9B representing organic growth of 50 basis points, better than expected due to timing of materials and the RITS extension.

We are encouraged by this result as we see the growth environment improving, although it's still uneven. As a result, we remain cautious around the unknown unknowns that could still impact the year as they did in FY26.

We reported robust adjusted EBITDA of \$222M in the quarter. Adjusted EBITDA margin reflects strong program execution, some benefit from our ongoing cost efficiency efforts, and a \$12M gain associated with the IPO of a Venture investment. Our Venture strategy is to back early-stage innovators that accelerate our long-term growth. Although we have divested our ownership position, we continue the commercial relationship with the company in line with our objective of bringing enhanced capability to the government market. The sale added 60 basis points to our EBITDA margin in the quarter and approximately 20 cents to EPS.

Adjusted diluted EPS was \$3.23 in the quarter, benefiting from better margins, and a lower share count.

Free cash flow was \$118M in the quarter, a strong result as we remain focused on maintaining our peer-best cash conversion and deploying that capital to maximize long-term value for all stakeholders.

Net leverage is within our target range, down to 3.1x this quarter. We expect to continue to naturally de-lever as EBITDA improves in the years ahead.



Please turn to slide 5 to review our forward indicators.

As Jim mentioned, our pipeline is now more focused on our differentiators. And while customer disruptions continue to pressure submissions, as was the case in FY26, the environment is now improving and our BD teams are on target for the year as we plan to accelerate submissions.

We are encouraged to see submits and awards recovering even with a smaller pipeline, highlighting the benefits of our enhanced focus.

Net bookings of \$2.1B reflected a mix of new and recompetes, including an important \$200M recompetes win in our DHS business where we integrate our software expertise with purpose-built hardware to support safer and more efficient ports of entry.

This resulted in a quarterly book-to-bill of 1.1x, or 1.0x on a trailing twelve-month basis. We are encouraged by the momentum we're already seeing in the current quarter, and we expect to achieve our annual targets.

Please turn to slide 6.

This quarter's organic growth of 0.5% was better than expected. While we acknowledge that our comps get easier as the year progresses, we are maintaining our sales guidance as we continue to take a measured approach to the year, appreciating that there were timing benefits this quarter and that there are still uncertainties in a dynamic environment.

A key driver of our sales trajectory this year is the unsuccessful RITS recompetes which we expected would be a \$200M headwind in FY27 as it rolled off in F2Q. However, our protest was only recently adjudicated, so RITS will likely now roll off in F3Q.

Partially offsetting our recompetes headwinds this year is on-contract growth, or OCG, which we expect will remain at 2% to 3% in FY27. This is in line with what we saw in FY26 and is below the 6% to 8% we saw in FY24 and FY25. We are encouraged by the improved OCG we saw in F1Q, although some of this was timing.

Roughly half of this year's planned OCG comes from a handful of programs we won over the last two years that ramped slower than expected last year. As I said last quarter, those programs generated \$350M last year and we are planning for \$500M this year. We are on track as these programs are currently running at an annualized rate of about \$400M through F1Q.

And as we continue to position the company for long-term growth, we are making targeted investments in several high priority mission areas where customer demand and strategic relevance continue to accelerate. This includes advancing next generation command and control capabilities to enable faster, data-driven multi-domain decision making, modernizing legacy radar capabilities to support evolving needs, and expanding our work with loitering munitions and other autonomous systems by establishing domestic production lines to broaden industrial base capacity. We continue to take a disciplined approach to these efforts focused on where we can earn the most appropriate returns.



Please turn to slide 7.

We are maintaining our sales guidance since it is still early in the year. We also want to account for re-compete headwinds and environmental uncertainties. However, we expect to finish at or slightly above the midpoint of our sales guidance due to the RITS extension. We will revisit our sales guidance on our next call, but we are well positioned to meet our sales commitments.

We are increasing our EBITDA guidance to account for the Venture investment gain and other performance items that benefitted FIQ, which adds 20 bps to the full-year margin guidance which we now see at 10.1% to 10.3%. As previously mentioned, we continue to see meaningful opportunities to improve margins in the future while also investing in growth.

We also see upside on tax rate as a few outstanding issues resolve in our favor.

As a result, our Adjusted EPS guidance increases by approximately 4% to a range of \$9.90 to \$10.10.

Our FCF outlook of greater than \$600M is unchanged, even as we plan to invest in discrete opportunities in support of growth. We continue to see at least \$14 FCF per share this year and at least \$13 FCF per share next year in FY28 as historical tax assets roll off.

We know that an increasingly favorable budget backdrop is only relevant if we can improve enterprise-wide performance. We are off to a good start, but there is more work to do. I am confident that our efforts will continue to translate into significant value creation for our stakeholders in the coming years.

With that, I'll turn the call over for Q&A.

