



**SAIC, Inc.**  
**FY14 Second Quarter Earnings Call**  
**September 4, 2013**

**Supplemental Financial Information**

NATIONAL SECURITY • ENERGY & ENVIRONMENT • HEALTH • CYBERSECURITY

**SAIC**<sup>®</sup>

# Forward-Looking Statements

Certain statements in these slides contain or are based on “forward-looking” information within the meaning of the Private Securities Litigation Reform Act of 1995. These statements reflect our belief and assumptions as to future events that may not prove to be accurate. Actual performance and results may differ materially from the guidance and other forward-looking statements made in these slides depending on a variety of factors, including: developments in the U.S. Government defense budget, including budget reductions, implementation of spending cuts (sequestration) or changes in budgetary priorities; delays in the U.S. Government budget process or approval to raise the U.S. debt ceiling; delays in the U.S. Government contract procurement process or the award of contracts; delays or loss of contracts as result of competitor protests; changes in U.S. Government procurement rules, regulations and practices; our compliance with various U.S. Government and other government procurement rules and regulations; governmental reviews, audits and investigations of our company; our ability to effectively compete and win contracts with the U.S. Government and other customers; our ability to attract, train and retain skilled employees, including our management team, and to obtain security clearances for our employees; our ability to accurately estimate costs associated with our firm-fixed-price and other contracts; our ability to comply with certain agreements entered into in connection with the CityTime matter; cybersecurity, data security or other security threats, systems failures or other disruptions of our business; resolution of legal and other disputes with our customers and others or legal or regulatory compliance issues; our ability to effectively acquire businesses and make investments; our ability to maintain relationships with prime contractors, subcontractors and joint venture partners; our ability to manage performance and other risks related to customer contracts, including complex engineering or design build projects; the failure of our inspection or detection systems to detect threats; the adequacy of our insurance programs designed to protect us from significant product or other liability claims; our ability to manage risks associated with our international business; our ability to declare future dividends based on our earnings, financial condition, capital requirements and other factors, including compliance with applicable laws and contractual agreements; risks associated with the proposed spin-off of our technical, engineering and enterprise information technology services business, such as disruption to business operations, unanticipated expenses, significant transaction costs and/or liabilities, the timing of the spin-off or a failure to complete the proposed spin-off or realize the expected benefits of the proposed spin-off; and our ability to execute our business plan and long-term management initiatives effectively and to overcome these and other known and unknown risks that we face. These are only some of the factors that may affect the forward-looking statements contained in these slides. For further information concerning risks and uncertainties associated with our business, please refer to the filings we make from time to time with the U.S. Securities and Exchange Commission.

In addition, these slides should be read in conjunction with our earnings press release dated September 4, 2013, along with listening to or reading a transcript of the comments of our management delivered in an earnings conference call held on September 4, 2013.

All information in these slides is as of September 4, 2013. We expressly disclaim any duty to update any forward-looking statement provided in these slides to reflect subsequent events, actual results or changes in expectations.

# Second Quarter Fiscal Year 2014 - Summary

- **Understanding the Numbers**

- Revenues of \$2.47B – ramp down of 2 contracts reduced revenue by about \$150M
- Operating Income of \$75M includes \$35M of separation transaction costs and other items described on slide 7
- Operating Cash Flow of \$217M

- **Revised Guidance for FY14**

- Revenue range: \$9.7B to \$10.2B (previously \$10.0B to \$10.7B)
- \$9.7B guidance floor allows for potential further sequestration impacts
- EPS range: \$0.95 – \$1.03 (previously \$1.16 to \$1.33)
- Cash Flow: Unchanged at >\$450M

- **Moving Forward**

- Laser focused on core business
- Emphasis on year over year growth in profits
- Continuous improvement in operational efficiencies

## Second Quarter Fiscal Year 2014 – Consolidated Results

(\$ in millions; except per share data)	FY14 Q2 <sup>(1)</sup>	FY13 Q2 <sup>(1)</sup>	Change
<b>Revenue</b>	<b>\$2,474</b>	<b>\$2,826</b>	<b>(12%) (15%) internal <sup>(2)</sup></b>
Operating Income	\$75	\$189	(60%)
Operating Income %	3.0%	6.7%	(370 bps)
Effective Tax Rate	29.0%	36.8%	(780 bps)
<b>Diluted EPS from Cont. Ops</b>	<b>\$0.13</b>	<b>\$0.32</b>	<b>(59%)</b>
<b>Operating Cash Flow</b>	<b>\$217</b>	<b>\$200</b>	
Free Cash Flow <sup>(3)</sup>	\$204	\$175	

(1) Results of SAIC, Inc. and its consolidated subsidiaries for the second quarter ended August 2, 2013 and July 31, 2012.

(2) Internal revenue growth is a non-GAAP financial measure as defined and reconciled in the appendix of this presentation.

(3) Free cash flow is a non-GAAP financial measure as defined and reconciled in the appendix of this presentation.

# YTD Fiscal Year 2014 – Consolidated Results

(\$ in millions; except per share data)	FY14 YTD <sup>(1)</sup>	FY13 YTD <sup>(1)</sup>	Change
<b>Revenue</b>	<b>\$5,180</b>	<b>\$5,589</b>	<b>(7%) (10%) internal <sup>(2)</sup></b>
Operating Income	\$218	\$398	(45%)
Operating Income %	4.2%	7.1%	(290 bps)
Effective Tax Rate	33.7%	36.3%	(260 bps)
<b>Diluted EPS from Cont. Ops</b>	<b>\$0.37</b>	<b>\$0.66</b>	<b>(44%)</b>
<b>Operating Cash Flow</b>	<b>\$106</b>	<b>(\$157)</b>	
Free Cash Flow <sup>(3)</sup>	\$74	(\$190)	

(1) Results of SAIC, Inc. and its consolidated subsidiaries for the second quarter ended August 2, 2013 and July 31, 2012.

(2) Internal revenue growth is a non-GAAP financial measure as defined and reconciled in the appendix of this presentation.

(3) Free cash flow is a non-GAAP financial measure as defined and reconciled in the appendix of this presentation.

## Second Quarter Fiscal Year 2014 – Internal Revenue Growth

<b>Internal revenue growth</b> <sup>(1)</sup>	<b>(15%)</b>
Decline attributed to 1 less business day	1%
Contraction due to DGS/MRAP JLI contract reductions	5%
<b>Internal revenue growth excluding 1 less business day and DGS/MRAP JLI contract reductions</b>	<b>(9%)</b>

(1) Compares internal revenue from Q2 FY14 ended August 2, 2013 with Q2 FY13 ended July 31, 2012. Internal revenue growth is a non-GAAP financial measure as defined and reconciled in the appendix to this presentation.

## Second Quarter Fiscal Year 2014 – Operating Income

(\$ in millions)

<b>Operating Income, as reported</b>	<b>\$75</b>
<b>Separation transaction costs</b>	<b>\$35</b>
<u>Other items</u>	
Costs to establish infrastructures of two future companies	\$14
Provision for legal and regulatory matters	10
Intangible asset impairments	30
Net loss on sale and disposals of Property, Plant & Equipment	3
<b>Other items - Total</b>	<b>\$57</b>

## Second Quarter Fiscal Year 2014 – Segment Results

(\$ in millions)	FY14 Q2 Revenue	FY13 Q2 Revenue	Total Growth	Internal Contraction <sup>(1)</sup>
Health & Engineering	\$451	\$417	8%	(8%)
National Security Solutions	1,022	1,209	(15%)	(15%)
Technical Services & Information Technology	1,009	1,202	(16%)	(16%)
Corporate & Other	(8)	(2)		
<b>Total</b>	<b>\$2,474</b>	<b>\$2,826</b>	<b>(12%)</b>	<b>(15%)</b>

(1) Compares internal revenue from Q2 FY14 ended August 2, 2013 with Q2 FY13 ended July 31, 2012. Internal revenue growth is a non-GAAP financial measure as defined and reconciled in the appendix to this presentation.



## Second Quarter Fiscal Year 2014 – Segment Results (cont'd)

(\$ in millions)	FY14 Q2 Operating Income	FY14 Q2 Operating Margin	FY13 Q2 Operating Income	FY13 Q2 Operating Margin	Margin Change
Health & Engineering	\$4	0.9%	\$34	8.2%	(730 bps)
National Security Solutions	79	7.7%	104	8.6%	(90 bps)
Technical Services & Information Technology	68	6.7%	75	6.2%	50 bps
Corporate & Other <sup>(1)</sup>	(76)		(24)		
<b>Total</b>	<b>\$75</b>	<b>3.0%</b>	<b>\$189</b>	<b>6.7%</b>	<b>(370 bps)</b>

(1) Includes expenses incurred in connection with the planned separation transaction, costs to establish infrastructure for the two future companies and provisions for legal matters.

## YTD Fiscal Year 2014 – Segment Results

(\$ in millions)	FY14 YTD Revenue	FY13 YTD Revenue	Total Growth	Internal Contraction <sup>(1)</sup>
Health & Engineering	\$972	\$833	17%	0%
National Security Solutions	2,101	2,393	(12%)	(12%)
Technical Services & Information Technology	2,116	2,365	(11%)	(11%)
Corporate & Other	(9)	(2)		
<b>Total</b>	<b>\$5,180</b>	<b>\$5,589</b>	<b>(7%)</b>	<b>(10%)</b>

(1) Compares internal revenue from Q2 FY14 ended August 2, 2013 with Q2 FY13 ended July 31, 2012. Internal revenue growth is a non-GAAP financial measure as defined and reconciled in the appendix to this presentation.

## YTD Fiscal Year 2014 – Segment Results (cont'd)

(\$ in millions)	FY14 YTD Operating Income	FY14 YTD Operating Margin	FY13 YTD Operating Income	FY13 YTD Operating Margin	Margin Change
Health & Engineering	\$45	4.6%	\$69	8.3%	(370 bps)
National Security Solutions	157	7.5%	200	8.4%	(90 bps)
Technical Services & Information Technology	139	6.6%	160	6.8%	(20 bps)
Corporate & Other <sup>(1)</sup>	(123)		(31)		
<b>Total</b>	<b>\$218</b>	<b>4.2%</b>	<b>\$398</b>	<b>7.1%</b>	<b>(290 bps)</b>

(1) Includes expenses incurred in connection with the planned separation transaction, costs to establish infrastructure for the two future companies and provisions for legal matters.

# Fiscal Year 2014 Consolidated Guidance

(\$ in millions)	FY14 Guidance <sup>(1)</sup>	FY13 Actual
<b>Revenue</b>	<b>\$9.7B to \$10.2B</b> (Previous \$10.0B - 10.7B)	<b>\$11.2B</b>
<b>Diluted EPS from Cont. Ops</b>	<b>\$0.95 to \$1.03</b> (Previous \$1.16 - \$1.33)	<b>\$1.55</b>
<b>Cash Flow from Cont. Ops</b>	<b>at or above \$450M</b>	<b>\$345M</b>

(1) Fiscal year 2014 guidance is based on SAIC, Inc. operating for the full fiscal year as one company, yet includes substantial costs to prepare for the previously announced separation transaction. If the separation occurs during fiscal year 2014 as is currently contemplated, it is expected that guidance policies will be provided for each of the two separate companies at the time of the separation. Fiscal year 2014 guidance excludes the impact of potential future acquisitions and other non-ordinary course items.

# Appendix

## Debt Balances and Maturity

(\$ in millions)	Balance (as of 8/2/13)	Type	Maturity
Credit Facility	\$-	L+200 bps	3/2017
4.45% senior notes	449	Fixed	12/2020
7.13% senior notes	248	Fixed	7/2032
5.50% senior notes	296	Fixed	7/2033
5.95% senior notes	300	Fixed	12/2040
Capital leases and other	42	Fixed	Various through 2021
<b>Total</b>	<b>\$1,335</b>		

## Working Days per Quarter

	Q1	Q2	Q3	Q4	Total
FY14	65	63	64	60	252
FY13	63	64	65	61	253
<b>Increase/(Decrease)</b>	<b>2</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>

# Non-GAAP Reconciliation – Internal Revenue Growth (Contraction)

These slides refer to internal revenue growth (contraction) percentage, which is a non-GAAP financial measure that is reconciled to the most directly comparable GAAP financial measure. The company calculates internal revenue growth (contraction) percentage by comparing reported revenue for the current year period to the revenue for the prior year period adjusted to include the actual revenue of acquired businesses for the comparable prior year period before acquisition. This calculation has the effect of adding revenue for the acquired businesses for the comparable prior year period to the company's prior year period reported revenue.

SAIC, Inc. uses internal revenue growth (contraction) percentage as an indicator of how successful it is at growing its base business and how successful it is at growing the revenues of the businesses that it acquires. The integration of acquired businesses allows our management to leverage business development capabilities, drive internal resource collaboration, utilize access to markets and qualifications, and refine strategies to realize synergies, which benefits both acquired and existing businesses. As a result, the performance of the combined enterprise post-acquisition is an important measurement. In addition, as a means of rewarding the successful integration and growth of acquired businesses, and not acquisitions themselves, incentive compensation for senior management is based, in part, on achievement of revenue targets linked to internal revenue growth.

The limitation of this non-GAAP financial measure as compared to the most directly comparable GAAP financial measure is that internal revenue growth (contraction) percentage is one of two components of the total revenue growth (contraction) percentage, which is the most directly comparable GAAP financial measure. The company addresses this limitation by presenting the total revenue growth percentage next to or near disclosures of internal revenue growth (contraction) percentage. This financial measure is not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with SAIC, Inc.'s consolidated financial statements prepared in accordance with GAAP. The method that the company uses to calculate internal revenue growth (contraction) percentage is not necessarily comparable to similarly titled financial measures presented by other companies.

(\$ in millions)	Three Months Ended August 2, 2013	Six Months Ended August 2, 2013
<b>Health and Engineering:</b>		
Prior year period's revenues, as reported	\$ 417	\$ 833
Revenues of acquired businesses for the comparable prior year period	72	135
Prior year period's revenues, as adjusted	<u>\$ 489</u>	<u>\$ 968</u>
Current year period's revenues, as reported	451	972
Internal revenue growth	<u>\$ (38)</u>	<u>\$ 4</u>
Internal revenue growth percentage	<u>(8%)</u>	<u>0%</u>
<b>National Security Solutions:</b>		
Prior year period's revenues, as reported	\$ 1,209	\$ 2,393
Revenues of acquired businesses for the comparable prior year period	-	-
Prior year period's revenues, as adjusted	<u>\$ 1,209</u>	<u>\$ 2,393</u>
Current year period's revenues, as reported	1,022	2,101
Internal revenue contraction	<u>\$ (187)</u>	<u>\$ (292)</u>
Internal revenue contraction percentage	<u>(15%)</u>	<u>(12%)</u>
<b>Technical Services and Information Technology:</b>		
Prior year period's revenues, as reported	\$ 1,202	\$ 2,365
Revenues of acquired businesses for the comparable prior year period	-	-
Prior year period's revenues, as adjusted	<u>\$ 1,202</u>	<u>\$ 2,365</u>
Current year period's revenues, as reported	1,009	2,116
Internal revenue contraction	<u>\$ (193)</u>	<u>\$ (249)</u>
Internal revenue contraction percentage	<u>(16%)</u>	<u>(11%)</u>
<b>Total*:</b>		
Prior year period's revenues, as reported	\$ 2,826	\$ 5,589
Revenues of acquired businesses for the comparable prior year period	72	135
Prior year period's revenues, as adjusted	<u>\$ 2,898</u>	<u>\$ 5,724</u>
Current year period's revenues, as reported	2,474	5,180
Internal revenue contraction	<u>\$ (424)</u>	<u>\$ (544)</u>
Internal revenue contraction percentage	<u>(15%)</u>	<u>(10%)</u>

\* Total revenues include amounts related to Corporate and Other and intersegment eliminations.



# Non-GAAP Reconciliation – Free Cash Flow

These slides refer to free cash flow, which is a non-GAAP financial measure that is reconciled to the most directly comparable GAAP financial measure, cash flows used in operating activities. The company believes that reporting free cash flow provides investors with greater visibility into how effectively it generates cash. The company calculates free cash flow by subtracting expenditures for property, plant and equipment from total cash flows used in operating activities.

The limitation of this non-GAAP financial measure as compared to the most directly comparable GAAP financial measure is that free cash flow does not represent total cash flows. The company addresses this limitation by presenting free cash flow near disclosures of cash flows used in operating activities. This financial measure is not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with SAIC, Inc.'s consolidated financial statements prepared in accordance with GAAP. The method that the company uses to calculate free cash flow is not necessarily comparable to similarly titled financial measures presented by other companies.

(\$ in millions)	Three Months	Three Months
	Ended	Ended
	August 2, 2013	July 31, 2012
Total cash flows used in operating activities, as reported	\$ 217	\$ 200
Expenditures for property, plant and equipment	(13)	(25)
Free cash flow	<u>\$ 204</u>	<u>\$ 175</u>

(\$ in millions)	Six Months	Six Months
	Ended	Ended
	August 2, 2013	July 31, 2012
Total cash flows used in operating activities, as reported	\$ 106	\$ (157)
Expenditures for property, plant and equipment	(32)	(33)
Free cash flow	<u>\$ 74</u>	<u>\$ (190)</u>