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DELTA REPORT

10-Q

SAIC - SCIENCE APPLICATIONS INTE

10-Q - MAY 03, 2024 COMPARED TO 10-Q - NOVEMBER 03, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1000

█	CHANGES	147
█	DELETIONS	437
█	ADDITIONS	416

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended November 3, 2023 May 3, 2024

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-35832

Science Applications International Corporation

(Exact name of registrant as specified in its charter)

Delaware

46-1932921

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

12010 Sunset Hills Road, Reston, Virginia

20190

(Address of principal executive offices)

(Zip Code)

(703) 676-4300

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

Common Stock, par value \$.0001 per share

SAIC

New York The Nasdaq Stock Exchange Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares issued and outstanding of the registrant's common stock as of November 24, 2023 May 24, 2024 was as follows:

52,062,546 51,231,156 shares of common stock (\$0.0001 par value per share)

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION

FORM 10-Q

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
CONDENSED AND CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

		Three Months Ended		Nine Months Ended			
		November	October	November	October		
		3, 2023	28, 2022	3, 2023	28, 2022		
(in millions, except per share amounts)						(in millions, except per share amounts)	
Revenues	Revenues	\$ 1,895	\$ 1,909	\$ 5,707	\$ 5,736		
Cost of revenues	Cost of revenues	1,666	1,688	5,027	5,070		
Cost of revenues							
Cost of revenues							

Selling, general and administrative expenses	Selling, general and administrative expenses	87	87	259	272
Acquisition and integration costs		—	1	1	11
Other operating income (includes gain on divestiture, see Note 4)		(1)	—	(242)	—

Selling, general and administrative expenses

Selling, general and administrative expenses

(Gain) loss on divestitures, net of transaction costs

(Gain) loss on divestitures, net of transaction costs

(Gain) loss on divestitures, net of transaction costs

Other operating (income) expense

Other operating (income) expense

Other operating (income) expense

Operating income

Interest expense

Operating income	Operating income	143	133	662	383
Interest expense		31	30	97	87

Operating income

Operating income

Interest expense, net

Interest expense, net

Interest expense, net

Other (income) expense, net

Other (income) expense, net

Other (income) expense, net	Other (income) expense, net	(2)	3	(7)	6
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Income before income taxes	Income before income taxes	114	100	572	290
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Income before income taxes

Income before income taxes						
Provision for income taxes						
Provision for income taxes						
Provision for income taxes	Provision for income taxes	(21)	(20)	(134)	(62)	
Net income	Net income	93	80	438	228	
Net income attributable to non-controlling interest		—	—	—	2	
Net income attributable to common stockholders		\$ 93	\$ 80	\$ 438	\$ 226	
Net income						
Net income						
Earnings per share:						
Earnings per share:						
Earnings per share:	Earnings per share:					
Basic	Basic	\$ 1.79	\$ 1.45	\$ 8.19	\$ 4.06	
Basic						
Basic						
Diluted	Diluted	\$ 1.76	\$ 1.45	\$ 8.11	\$ 4.04	
Diluted						
Diluted						

See accompanying notes to condensed and consolidated financial statements.

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SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
CONDENSED AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	November 3, 2023	October 28, 2022	November 3, 2023	October 28, 2022
	(in millions)			
Net income	\$ 93	\$ 80	\$ 438	\$ 228
Other comprehensive (loss) income, net of tax:				
Net unrealized (loss) gain on derivative instruments	(3)	29	(2)	63
Total other comprehensive (loss) income, net of tax	(3)	29	(2)	63
Comprehensive income	\$ 90	\$ 109	\$ 436	\$ 291
Comprehensive income attributable to non-controlling interest	—	—	—	2
Comprehensive income attributable to common stockholders	\$ 90	\$ 109	\$ 436	\$ 289

	Three Months Ended	
	May 3, 2024	May 5, 2023
	(in millions)	
Net income	\$ 77	\$ 98
Other comprehensive income (loss), net of tax:		
Net unrealized gain (loss) on derivative instruments	3	(6)
Total other comprehensive income (loss), net of tax	3	(6)
Comprehensive income	\$ 80	\$ 92

See accompanying notes to condensed and consolidated financial statements.

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SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
CONDENSED AND CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

November 3, 2023	February 3, 2023	May 3, 2024	February 2, 2024

		(in millions)			
ASSETS		ASSETS		ASSETS	
Current assets:		Current assets:		Current assets:	
Cash and cash equivalents		Cash and cash equivalents	\$ 311	\$ 109	
Receivables, net		Receivables, net	1,010	936	
Inventory, prepaid expenses and other current assets			67	152	
Prepaid expenses and other current assets					
Total current assets		Total current assets	1,388	1,197	
Goodwill		Goodwill	2,851	2,911	
Intangible assets, net		Intangible assets, net	923	1,009	
Property, plant, and equipment (net of accumulated depreciation of \$176 million and \$194 million at November 3, 2023 and February 3, 2024, respectively)			89	92	
Property, plant, and equipment (net of accumulated depreciation of \$188 million and \$184 million at May 3, 2024 and February 2, 2024, respectively)					
Operating lease right of use assets		Operating lease right of use assets	136	158	
Other assets		Other assets	271	176	
Total assets		Total assets	\$ 5,658	\$ 5,543	
LIABILITIES AND EQUITY		LIABILITIES AND EQUITY			
LIABILITIES AND EQUITY					
Current liabilities:	Current liabilities:		Current liabilities:		
Accounts payable and accrued liabilities			\$ 840	\$ 767	

Accounts payable			
Accrued payroll and employee benefits	Accrued payroll and employee benefits	317	328
Other accrued liabilities			
Long-term debt, current portion	Long-term debt, current portion	69	31
Total current liabilities	Total current liabilities	1,226	1,126
Long-term debt, net of current portion	Long-term debt, net of current portion	2,194	2,343
Operating lease liabilities	Operating lease liabilities	132	152
Deferred income taxes			
Other long-term liabilities	Other long-term liabilities	278	218
Commitments and contingencies (Note 11)			
Commitments and contingencies (Note 12)		Commitments and contingencies (Note 12)	
Equity:	Equity:	Equity:	
Common stock, \$0.0001 par value, 1 billion shares authorized, 52 million and 54 million shares issued and outstanding as of November 3, 2023 and February 3, 2023, respectively	—	—	

Common stock, \$0.0001 par value, 1 billion shares authorized, 51 million and 52 million shares issued and outstanding as of May 3, 2024 and February 2, 2024, respectively			
Additional paid-in capital	Additional paid-in capital	395	637
Retained earnings	Retained earnings	1,413	1,035
Accumulated other comprehensive income	Accumulated other comprehensive income	20	22
Total common stockholders' equity		1,828	1,694
Non-controlling interest		—	10
Total stockholders' equity	Total stockholders' equity	1,828	1,704
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$ 5,658	\$ 5,543

See accompanying notes to condensed and consolidated financial statements.

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SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
CONDENSED AND CONSOLIDATED STATEMENTS OF EQUITY
(UNAUDITED)

	Shares						Accumulated						Shares of common stock	Shares						Accumulated other comprehensive income (loss)	Non- controlling interest	Total		
	of common stock			Additional paid-in capital			Retained earnings			other comprehensive income (loss)		Non- controlling interest		of common stock			Additional paid-in capital							
(in millions)																		(in millions)						
Balance at August 4, 2023	53	\$	480	\$	1,340	\$	23	\$	—	\$	1,843													
Balance at February 2, 2024																								
Balance at February 2, 2024																								
Net income	Net income	—	—	93	—	—	—	—	—	—	93													
Issuances of stock	Issuances of stock	—	4	—	—	—	—	—	—	—	4													
Other comprehensive income, net of tax	Other comprehensive income, net of tax	—	—	—	—	—	(3)	—	—	—	(3)													
Cash dividends of \$0.37 per share	Cash dividends of \$0.37 per share	—	—	(20)	—	—	—	—	—	—	(20)													
Stock-based compensation	Stock-based compensation	—	14	—	—	—	—	—	—	—	14													
Stock-based compensation, net of shares withheld for taxes ⁽¹⁾																								
Repurchases of stock	Repurchases of stock	(1)	(103)	—	—	—	—	—	—	—	(103)													
Balance at November 3, 2023	52	\$	395	\$	1,413	\$	20	\$	—	\$	1,828													
Balance at May 3, 2024																								
Balance at February 3, 2023																								
Balance at February 3, 2023																								
Balance at February 3, 2023	Balance at February 3, 2023	54	\$	637	\$	1,035	\$	22	\$	10	\$	1,704												
Net income	Net income	—	—	438	—	—	—	—	—	—	438													
Issuances of stock	Issuances of stock	1	13	—	—	—	—	—	—	—	13													
Other comprehensive income, net of tax	—	—	—	—	—	—	(2)	—	—	—	(2)													
Cash dividends of \$1.11 per share	—	—	(60)	—	—	—	—	—	—	—	(60)													
Stock-based compensation	—	21	—	—	—	—	—	—	—	—	21													

Other comprehensive loss, net of tax							
Cash dividends of \$0.37 per share							
Stock-based compensation, net of shares withheld for taxes ⁽¹⁾							
Repurchases of stock	Repurchases of stock	(3)	(276)	—	—	—	(276)
Deconsolidation of non-controlling interest	Deconsolidation of non-controlling interest	—	—	—	—	(10)	(10)
Balance at November 3, 2023	52	\$ 395	\$ 1,413	\$ 20	\$ —	\$ 1,828	
Balance at July 29, 2022	55	\$ 723	\$ 923	\$ (3)	\$ 10	\$ 1,653	
Net income	—	—	80	—	—	80	
Issuances of stock	—	5	—	—	—	—	5
Other comprehensive loss, net of tax	—	—	—	29	—	—	29
Cash dividends of \$0.37 per share	—	—	(22)	—	—	—	(22)
Stock-based compensation	—	11	—	—	—	—	11
Repurchases of stock	—	(60)	—	—	—	—	(60)
Distributions to non-controlling interest	—	—	—	—	—	—	—
Balance at October 28, 2022	55	\$ 679	\$ 981	\$ 26	\$ 10	\$ 1,696	
Balance at January 28, 2022	56	\$ 838	\$ 818	\$ (37)	\$ 10	\$ 1,629	
Net income	—	—	226	—	2	228	
Issuances of stock	1	13	—	—	—	—	13
Other comprehensive income, net of tax	—	—	—	63	—	—	63
Cash dividends of \$1.11 per share	—	—	(63)	—	—	—	(63)
Stock-based compensation	—	19	—	—	—	—	19
Repurchases of stock	(2)	(191)	—	—	—	—	(191)
Distributions to non-controlling interest	—	—	—	—	(2)	(2)	—
Balance at October 28, 2022	55	\$ 679	\$ 981	\$ 26	\$ 10	\$ 1,696	
Balance at May 5, 2023							

(1) During the three months ended May 3, 2024 and May 5, 2023, shares withheld for taxes related to stock-based compensation arrangements amounted to \$22 million and \$19 million, respectively.

See accompanying notes to condensed and consolidated financial statements.

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SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
CONDENSED AND CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

		Nine Months Ended	
		November 3, 2023	October 28, 2022
		(in millions)	
Cash flows from operating activities:	Cash flows from operating activities:		
Cash flows from operating activities:			
Cash flows from operating activities:			
Net income			
Net income			
Net income	Net income \$	438	\$ 228
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:		
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	Depreciation and amortization	106	118
Amortization of off-market customer contracts		(5)	(12)
Amortization of debt issuance costs		4	8
Depreciation and amortization			
Depreciation and amortization			
Deferred income taxes			
Deferred income taxes			
Deferred income taxes	Deferred income taxes	(33)	(29)
Stock-based compensation expense	Stock-based compensation expense	42	35
Gain on sale of long-lived assets		(3)	—
Gain on divestitures		(247)	—

Stock-based compensation expense			
Stock-based compensation expense			
(Gain) loss on divestitures			
(Gain) loss on divestitures			
(Gain) loss on divestitures			
Other			
Other			
Other			
Increase (decrease) resulting from changes in operating assets and liabilities, net of the effect of divestitures:			
Increase (decrease) resulting from changes in operating assets and liabilities, net of the effect of divestitures:			
Increase (decrease) resulting from changes in operating assets and liabilities, net of the effect of divestitures:	Increase (decrease) resulting from changes in operating assets and liabilities, net of the effect of divestitures:		
Receivables	Receivables	(142)	(44)
Inventory, prepaid expenses and other current assets		13	7
Receivables			
Receivables			
Prepaid expenses and other current assets			
Prepaid expenses and other current assets			
Prepaid expenses and other current assets			
Other assets			
Other assets			
Other assets	Other assets	5	5
Accounts payable and accrued liabilities	Accounts payable and accrued liabilities	120	(21)
Accounts payable and accrued liabilities			
Accounts payable and accrued liabilities			
Accrued payroll and employee benefits	Accrued payroll and employee benefits	(4)	32
Income taxes payable		21	59
Accrued payroll and employee benefits			
Accrued payroll and employee benefits			
Operating lease assets and liabilities, net			
Operating lease assets and liabilities, net			
Operating lease assets and liabilities, net	Operating lease assets and liabilities, net	(3)	(1)
Other long-term liabilities	Other long-term liabilities	21	2
Other long-term liabilities			
Other long-term liabilities			
Net cash provided by operating activities			

Net cash provided by operating activities			
Net cash provided by operating activities	Net cash provided by operating activities	333	387
Cash flows from investing activities:	Cash flows from investing activities:		
Cash flows from investing activities:			
Expenditures for property, plant, and equipment	Expenditures for property, plant, and equipment	(16)	(18)
Expenditures for property, plant, and equipment			
Purchases of marketable securities	Purchases of marketable securities	(6)	(5)
Purchases of marketable securities			
Purchases of marketable securities			
Sales of marketable securities	Sales of marketable securities	5	3
Proceeds from sale of long-lived assets		3	—
Proceeds from divestitures		356	—
Sales of marketable securities			
Sales of marketable securities			
Proceeds from assets held for sale			
Proceeds from assets held for sale			
Proceeds from assets held for sale			
Cash divested upon deconsolidation of joint venture			
Cash divested upon deconsolidation of joint venture			
Cash divested upon deconsolidation of joint venture	Cash divested upon deconsolidation of joint venture	(8)	—
Other	Other	(10)	(3)
Net cash provided by (used in) investing activities		324	(23)
Other			
Other			
Net cash (used in) provided by investing activities			
Net cash (used in) provided by investing activities			
Net cash (used in) provided by investing activities			
Cash flows from financing activities:			
Cash flows from financing activities:			
Cash flows from financing activities:	Cash flows from financing activities:		
Cash flows from financing activities:			
Dividend payments to stockholders	Dividend payments to stockholders	(60)	(63)
Dividend payments to stockholders			
Dividend payments to stockholders			

Principal payments on borrowings			
Principal payments on borrowings			
Principal payments on borrowings	Principal payments on borrowings	(275)	(780)
Issuances of stock	Issuances of stock	13	12
Issuances of stock			
Issuances of stock			
Stock repurchased and retired or withheld for taxes on equity awards			
Stock repurchased and retired or withheld for taxes on equity awards			
Stock repurchased and retired or withheld for taxes on equity awards	Stock repurchased and retired or withheld for taxes on equity awards	(293)	(208)
Proceeds from borrowings	Proceeds from borrowings	160	630
Debt issuance costs		—	(6)
Distributions to non-controlling interest		—	(2)
Proceeds from borrowings			
Proceeds from borrowings			
Net cash used in financing activities	Net cash used in financing activities	(455)	(417)
Net increase (decrease) in cash, cash equivalents and restricted cash		202	(53)
Net cash used in financing activities			
Net cash used in financing activities			
Net (decrease) increase in cash, cash equivalents and restricted cash			
Net (decrease) increase in cash, cash equivalents and restricted cash			
Net (decrease) increase in cash, cash equivalents and restricted cash			
Cash, cash equivalents and restricted cash at beginning of period			
Cash, cash equivalents and restricted cash at beginning of period			
Cash, cash equivalents and restricted cash at beginning of period	Cash, cash equivalents and restricted cash at beginning of period	118	115
Cash, cash equivalents and restricted cash at end of period	Cash, cash equivalents and restricted cash at end of period	\$ 320	\$ 62
Cash, cash equivalents and restricted cash at end of period			
Cash, cash equivalents and restricted cash at end of period			

See accompanying notes to condensed and consolidated financial statements.

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SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1—Business Overview and Summary of Significant Accounting Policies:

Overview

Science Applications International Corporation (collectively, with its consolidated subsidiaries, and herein referred to as "SAIC," the "Company," "we," "us," or "our" "Company") is a leading provider of technical, engineering and enterprise information technology (IT) ("IT") services primarily to the U.S. government. The Company integrates emerging technology securely and in real-time into mission critical operations that modernize and enable national imperatives. The Company provides these services for large, complex projects with a targeted emphasis on higher-end, differentiated technology services and solutions that accelerate and transform secure and resilient digital environments through system development, modernization, integration, and sustainment to drive enterprise and mission outcomes.

The Effective February 3, 2024, the first day of fiscal 2025, the Company is organized as completed a matrix comprised of business reorganization which replaced its previous two customer facing operating sectors with five customer facing business groups supported by an enterprise solutions and operations organization. organizations, including the Innovation Factory. The Company's five business groups, which are also its operating sectors segments, are aggregated into one two reportable segment segments for financial reporting purposes. Each purposes given the similarity in economic and qualitative characteristics, and based on the nature of the customers they serve. The Company's two customer facing operating sectors is focused on providing both (1) growth reportable segments are the Defense and technology accelerating Intelligence segment and the Civilian segment.

The Defense and Intelligence segment provides a diverse portfolio of national security solutions to the defense and (2) core service offerings to one or more intelligence departments and agencies of the U.S. United States Government.

The Civilian segment provides solutions to the civilian markets, encompassing federal, government. Growth state, and technology accelerating local governments, in order to deliver services for citizen well-being and protecting lives. This includes integrating solutions include the delivery into a spectrum of secure cloud modernization, outcome based enterprise IT as-a-service, public service missions that impact travel, trade, health and the economy.

The offerings of both reportable segments entail the integration production of emerging technologies into mission critical operations that modernize and enable national imperatives, including IT modernization, digital engineering, artificial intelligence ("AI"), mission systems support, training and simulation, and ground vehicles support. These services include end-to-end solutions spanning the design, development, integration, deployment, management and operations, sustainment and security of defense systems. Core service the customers' entire IT infrastructure.

The Company's Innovation Factory supports the operating segments by developing enterprise-class solutions which are delivered to the Company's customers as stand-alone solutions or integrated with and aligned to product offerings include systems engineering through the operations of the business to meet complex customer needs and accelerate digital transformation. The Innovation Factory includes designated teams focused on AI, application development, network services, platforms and cloud, and cyber. It uses a highly automated, cloud-hosted tool set to rapidly build, test and deploy solutions quickly and works with customers to enhance solutions going forward.

Costs associated with corporate functions that are not allocable to the operation and maintenance of existing IT systems and networks. reportable segments are presented as Corporate activities. See Note 11—Business Segments Information for additional information.

Within this report, the Company has recast historical financial information to reflect the new reportable segments. The recast historical information has no impact on the Company's previously reported condensed consolidated financial statements.

Principles of Consolidation and Basis of Presentation

The accompanying financial information was prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission for interim reporting purposes. References to "financial statements" refer to the condensed and consolidated financial statements of the Company, which include the statements of income and comprehensive income, balance sheets, statements of equity and statements of cash

flows. These financial statements were prepared in accordance with U.S. generally accepted accounting principles (GAAP) ("GAAP"). All intercompany transactions and account balances within the Company have been eliminated. The

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SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Certain amounts in the prior year financial statements are unaudited, but have been reclassified to conform to the opinion current year presentation. Interest income was reclassified from "Other (income) expense, net" to "Interest expense, net" on the condensed consolidated statements of management include all adjustments necessary for a fair presentation thereof. income, gains on divestitures, net of transaction costs were reclassified from "Other operating (income) expense" to "(Gain) loss on divestitures, net of transaction costs" on the condensed consolidated statements of income, and "Accounts Payable" is now presented separately from "Other accrued liabilities" on the condensed consolidated balance sheets. The results reported in these financial statements are not necessarily indicative of results that may be expected for the entire year and should be read in conjunction with the information contained in the Company's Annual Report on Form 10-K for the year ended February 3, 2023 February 2, 2024.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Significant estimates inherent in the preparation of the financial statements may include, but are not limited to, estimated profitability of long-term contracts, income taxes, fair value measurements, fair value of goodwill and other intangible assets, pension and defined benefit plan obligations, and contingencies. Estimates have been prepared by management on the basis of the most current and best available information at the time of estimation and actual results could differ from those estimates.

Reporting Periods

The Company utilizes a 52/53 week fiscal year ending on the Friday closest to January 31, with fiscal quarters typically consisting of 13 weeks. Fiscal 2025 began on February 3, 2024 and ends on January 31, 2025, while fiscal 2024 began on February 4, 2023 and ends on February 2, 2024, while fiscal 2023 began on January 29, 2022 and ended on February 3, 2023.

Operating Cycle

The Company's operating cycle may be greater than one year and is measured by the average time intervening between the inception and the completion of contracts.

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SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Derivative Instruments Designated as Cash Flow Hedges

Derivative instruments are recorded on the condensed and consolidated balance sheets at fair value. Unrealized gains and losses on derivatives designated as cash flow hedges are reported in other comprehensive income (loss) and reclassified to earnings in a manner that matches the timing of the earnings impact of the hedged transactions. Settlement amounts related to derivatives designated as cash flow hedges are presented within operating activities on the condensed consolidated statement of cash flows.

The Company's fixed interest rate swaps are considered over-the-counter derivatives, and their fair value is calculated using a standard pricing model for interest rate swaps with contractual terms for maturities, amortization and interest rates. Level 2, or market observable inputs (such as

yield and credit curves), are used within the standard pricing models in order to determine fair value. The fair value is an estimate of the amount that the Company would pay or receive as of a measurement date if the agreements were transferred to a third party. See Note 8—Derivative Instruments Designated as Cash Flow Hedges for further discussion on the Company's derivative instruments designated as cash flow hedges.

Marketable Securities

Investments in marketable securities consist of equity securities, which are recorded at fair value using observable inputs such as quoted prices in active markets (Level 1). As of November 3, 2023 May 3, 2024 and February 3, 2023 February 2, 2024, the fair value of the Company's investments totaled \$29 million and \$28 million \$32 million, respectively, and are included in other assets "Other assets" on the condensed and consolidated balance sheets. The Company's investments are primarily held in a custodial account, which includes investments to fund its deferred compensation plan liabilities.

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Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash to amounts reported on the condensed and consolidated balance sheets for the periods presented:

	November 3, 2023	February 3, 2023		May 3, 2024	
	(in millions)			(in millions)	
Cash and cash equivalents	Cash and cash equivalents	\$ 311	\$ 109		
Restricted cash included in inventory, prepaid expenses and other current assets	4	5			
Restricted cash included in prepaid expenses and other current assets					February 2, 2024
Restricted cash included in other assets	5	4			

Cash, cash equivalents and restricted cash	Cash, cash equivalents and restricted cash	\$ 320	\$ 118
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Acquisition and Integration Restructuring Costs

Acquisition-related The Company periodically initiates restructuring activities to support business strategies, realign resources, and enhance its operational efficiency. Restructuring costs that are not part of the purchase price consideration are generally expensed as incurred, except for certain costs that are deferred in connection with the issuance of debt. These costs typically may include transaction-related costs, such as finder's fees, legal, accounting, severance and other professional costs. Integration-related costs represent costs directly related to combining the Company and its acquired businesses. Integration-related costs typically include strategic consulting services, facility consolidations, employee related termination costs, such as retention costs associated with consolidating or closing facilities and severance, costs to integrate information technology infrastructure, enterprise planning systems, processes, and other non-recurring integration-related consulting costs. Acquisition and integration costs are presented together as acquisition and integration costs on the condensed and consolidated statements of income.

Acquisition Restructuring costs for the three and nine months ended November 3, 2023 May 3, 2024 were immaterial. During \$2 million and were primarily related to activities associated with the reorganization of its business sectors into business groups. Restructuring costs for the three and nine months ended October 28, 2022, the Company recognized a benefit of May 5, 2023 were \$1 million and \$2 million, respectively, related to the acquisition of Koverse.

During the nine months ended November 3, 2023, the Company incurred \$1 million of integration costs related to the acquisitions of Halfaker and Koverse. During the three and nine months ended October 28, 2022, the Company incurred \$2 million and \$13 million of integration costs, respectively, related to the acquisitions of Halfaker and Koverse.

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SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
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Restructuring

During the three and nine months ended November 3, 2023, the Company incurred \$2 million and \$8 million of restructuring costs, respectively. During the three and nine months ended October 28, 2022, the Company incurred \$5 million and \$7 million of restructuring costs. These costs are primarily associated with the optimization and consolidation of certain facilities and facilities. Restructuring costs are presented within selling, "Selling, general and administrative expenses" on the condensed and consolidated statements of income.

Investments in Equity Securities

The Company invests in certain companies that advance or develop new technologies applicable to its business. The Company also occasionally forms joint ventures as a part of its investment strategy for the purpose of bidding and executing on specific projects. Each investment is evaluated for consolidation under the variable interest entities (VIEs) ("VIEs") model and/or the voting interest model. The results of these investments are not material to the unaudited condensed and consolidated financial statements for the periods presented.

The Company applies the equity method of accounting to its unconsolidated investments when it has the ability to exercise significant influence over the entity and recognizes its proportionate share of the entities' net income or loss within other "Other operating income (income) expense" on the condensed and consolidated statements of income. Equity investments in entities over which the Company does not have the ability to exercise significant influence and whose securities do not have a readily determinable fair value and do not qualify to be measured at their Net Asset Value per share (or equivalent) are carried at cost or cost net of other-than-temporary impairments.

Accounting Standards Updates

In November December 2023, the Financial Accounting Standards Board (FASB) ("FASB") issued Accounting Standards Update (ASU) ("ASU") No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The standard includes amendments that enhance annual income tax disclosures, primarily through standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. The standard is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments can be applied on a prospective or retrospective basis. The Company plans to adopt this standard in fiscal 2026 and is currently evaluating the impact of adoption of this standard on its condensed consolidated financial statements and related disclosures.

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. Amongst other amendments, the standard requires annual and interim disclosures of significant segment expenses that are regularly provided to the chief operating decision maker (CODM) ("CODM"), and interim disclosures about a reportable segment's profit or loss and assets that are currently required annually. This standard does not change how an entity identifies its operating segments, aggregates those operating segments, or applies the quantitative thresholds to determine its reportable segments. The standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years

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beginning after December 15, 2024. Early adoption is permitted. The Company plans to adopt the annual disclosure in fiscal 2025 and the interim disclosure in fiscal 2026 and is currently evaluating the impact of adoption of this standard on its condensed consolidated financial statements.

In September 2022, the FASB issued ASU No. 2022-04, *Liabilities—Supplier Finance Programs (Subtopic 405-50)*, which requires annual and interim disclosures for entities that use supplier finance programs in connection with the purchase of goods and services. The new standard does not affect the recognition, measurement or financial statement presentation of supplier finance program obligations. These amendments are effective for fiscal years beginning after December 15, 2022, except for the requirement to provide rollforward information, which is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted. The Company adopted the requirements of ASU 2022-04 effective the first day of fiscal 2024.

The Company maintains a supplier finance program through a financial institution in which participating suppliers, at their sole discretion, may enroll with the financial institution to finance at a discounted price one or more payment obligations of the Company prior to their scheduled due dates. Payment obligations outstanding under the Company's supplier finance program are presented within accounts payable and accrued liabilities on the condensed and consolidated balance sheets and were immaterial as of November 3, 2023.

Note 2—Earnings Per Share, Share Repurchases and Dividends:

Earnings Per Share (EPS) ("EPS")

Basic EPS is computed by dividing net income attributable to common stockholders by the basic weighted-average number of shares outstanding. Diluted EPS is computed similarly to basic EPS, except the weighted-average number of shares outstanding is increased to include the dilutive effect of outstanding stock options and other stock-based awards. The dilutive effect of outstanding stock options and other stock-based awards is computed using the treasury stock method.

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The following table provides a reconciliation of the weighted-average number of shares outstanding used to compute basic and diluted EPS for the periods presented:

		Three Months		Nine Months Ended					
		Ended		November October		November October			
		November	October	November	October	3,	28,	3,	28,
		2023	2022	2023	2022				
		(in millions)		(in millions)					
Basic	Basic								
weighted-average number of shares outstanding	weighted-average number of shares outstanding	52.8	55.0	53.5	55.6				
Dilutive common share equivalents - stock options and other stock-based awards	Dilutive common share equivalents - stock options and other stock-based awards	0.5	0.5	0.5	0.4				
Dilutive common share equivalents - stock options and other stock-based awards	Dilutive common share equivalents - stock options and other stock-based awards								
Diluted weighted-average number of shares outstanding	Diluted weighted-average number of shares outstanding	53.3	55.5	54.0	56.0				
Diluted weighted-average number of shares outstanding	Diluted weighted-average number of shares outstanding								

Antidilutive stock awards excluded from the weighted-average number of shares outstanding used to compute diluted EPS for the three and nine months ended November 3, 2023 May 3, 2024 and October 28, 2022 May 5, 2023 were immaterial.

Share Repurchases

The Company may repurchase shares in accordance with established repurchase plans. The Company retires its common stock upon repurchase with the excess over par value allocated to additional paid-in capital. The Company has not made any material purchases of common stock other than in connection with established share repurchase plans. In June 2022, the number of shares of the Company's common stock that may be repurchased under its the Company's existing repurchase plan was increased by 8.0 million shares, bringing the total authorized shares to be repurchased under the plan to approximately 24.4 million shares. As of November 3, 2023 May 3, 2024, the Company has repurchased approximately 19.6 million 20.9 million shares of its common stock under the program plan.

Dividends

The Company declared and paid a quarterly dividend of \$0.37 per share of its common stock during the three months ended November 3, 2023 May 3, 2024. Subsequent to the end of the quarter, on November 30, 2023 May 30, 2024, the Company's Board of Directors declared a quarterly dividend of \$0.37 per share of the Company's common stock payable on January 26, 2024 July 26, 2024 to stockholders of record on January 12, 2024 July 12, 2024.

Note 3—Revenues:

Changes in Estimates on Contracts

Changes in estimates of revenues, cost of revenues or profits related to performance obligations satisfied over time are recognized in operating income in the period in which such changes are made for the inception-to-date effect of the changes. Changes in these estimates can occur routinely over the performance period for a variety of reasons, which include: changes in scope; changes in cost estimates due to unanticipated cost growth or reassessments of risks impacting costs; changes in the estimated transaction price, such as variable amounts for incentive or award fees; and performance being better or worse than previously estimated.

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A significant portion of the Company's contracts recognize revenue on performance obligations using a cost input measure (cost-to-cost), which requires estimates of total costs at completion. In cases when total expected costs exceed total estimated revenues for a performance obligation, the Company recognizes the total estimated loss in the quarter identified. Total estimated losses are inclusive of any unexercised options that are probable of award, only if they increase the amount of the loss.

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Aggregate net changes in estimates on contracts accounted for using the cost-to-cost method of accounting were recognized in operating income as follows:

	Three Months Ended		Nine Months Ended	
	November 3, 2023	October 28, 2022	November 3, 2023	October 28, 2022

	(in millions, except per share amounts)					
Net (unfavorable) favorable adjustments	\$	2	\$	(6)	\$	6
Net (unfavorable) favorable adjustments, after tax		2		(5)		5
Diluted EPS impact	\$	0.04	\$	(0.09)	\$	0.09
					\$	0.05

	Three Months Ended	
	May 3, 2024	May 5, 2023
(in millions, except per share amounts)		
Net favorable adjustments	\$ 1	\$ 5
Net favorable adjustments, after tax	1	4
Diluted EPS impact	\$ 0.02	\$ 0.07

Revenues were \$4 million \$1 million and \$8 \$5 million higher for the three and nine months ended November 3, 2023, respectively, May 3, 2024 and \$2 million lower and \$7 million higher for the three and nine months ended October 28, 2022 May 5, 2023, respectively, due to net revenue recognized from performance obligations satisfied in prior periods.

Disaggregation of Revenues

The Company's revenues are generated primarily from long-term contracts with the U.S. government including subcontracts with other contractors engaged in work for the U.S. government. The Company disaggregates revenues by customer, contract type and prime versus subcontractor to the federal government. government for each of its reportable segments.

Disaggregated revenues by customer were as follows:

	Three Months Ended		Nine Months Ended		(in millions)
	November	October	November	October	
	3,	28,	3,	28,	
	2023	2022	2023	2022	
Three Months Ended May 3, 2024		Three Months Ended May 3, 2024			
Defense and Intelligence		Defense and Intelligence		Civilian	Total
(in millions)		(in millions)			
Department of Defense	Department of Defense	\$ 992	\$ 969	\$ 2,982	\$ 2,799
Other federal government agencies		863	903	2,611	2,827
Commercial, state and local		40	37	114	110
Intelligence and other federal government agencies					

Commercial,
state and
local
governments
and
international

Total Total \$ 1,895 \$1,909 \$ 5,707 \$5,736

Disaggregated revenues by contract type were as follows:

	Three Months Ended May 5, 2023		
	Defense and Intelligence	Civilian	Total
(in millions)			
Department of Defense	\$ 1,069	\$ 2	\$ 1,071
Intelligence and other federal government agencies	524	396	920
Commercial, state and local governments and international	4	33	37
Total	\$ 1,597	\$ 431	\$ 2,028

	Three Months Ended		Nine Months Ended	
	November 3, 2023	October 28, 2022	November 3, 2023	October 28, 2022
	(in millions)			
Cost reimbursement	\$ 1,207	\$ 1,071	\$ 3,424	\$ 3,201
Time and materials (T&M)	382	363	1,107	1,077
Firm-fixed price (FFP)	306	475	1,176	1,458
Total	\$ 1,895	\$ 1,909	\$ 5,707	\$ 5,736

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Disaggregated revenues by contract type were as follows:

	Three Months Ended May 3, 2024		
	Defense and Intelligence	Civilian	Total
(in millions)			
Cost reimbursement	\$ 1,134	\$ 21	\$ 1,155
Time and materials ("T&M")	149	268	417
Firm-fixed price ("FFP")	153	122	275
Total	\$ 1,436	\$ 411	\$ 1,847

	Three Months Ended May 5, 2023		
	Defense and Intelligence	Civilian	Total
(in millions)			
Cost reimbursement	\$ 1,091	\$ 21	\$ 1,112
Time and materials ("T&M")	114	253	367
Firm-fixed price ("FFP")	392	157	549
Total	\$ 1,597	\$ 431	\$ 2,028

Disaggregated revenues by prime versus subcontractor were as follows:

	Three Months Ended		Nine Months Ended								
	November	October	November	October							
	3,	28,	3,	28,							
	2023	2022	2023	2022							
(in millions)											
Three Months Ended May 3, 2024			Three Months Ended May 3, 2024								
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33.33%; text-align: center;">Defense and Intelligence</th> <th style="width: 33.33%; text-align: center;">Civilian</th> <th style="width: 33.33%; text-align: center;">Total</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">(in millions)</td><td style="text-align: center;">(in millions)</td><td style="text-align: center;">(in millions)</td></tr> </tbody> </table>			Defense and Intelligence	Civilian		Total	(in millions)	(in millions)	(in millions)		
Defense and Intelligence	Civilian	Total									
(in millions)	(in millions)	(in millions)									
Prime contractor to federal government	Prime contractor to federal government		Defense and Intelligence	Civilian	Total						
	\$ 1,710	\$1,725	\$ 5,156	\$5,212							
Subcontractor to federal government	Subcontractor to federal government		Defense and Intelligence	Civilian	Total						
	145	147	437	414							
Other	Other		Defense and Intelligence	Civilian	Total						
	40	37	\$ 5,707	\$5,736							
Total	Total	\$ 1,895	\$1,909								
(in millions)											
Three Months Ended May 5, 2023											
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33.33%; text-align: center;">Defense and Intelligence</th> <th style="width: 33.33%; text-align: center;">Civilian</th> <th style="width: 33.33%; text-align: center;">Total</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">(in millions)</td><td style="text-align: center;">(in millions)</td><td style="text-align: center;">(in millions)</td></tr> </tbody> </table>			Defense and Intelligence	Civilian	Total	(in millions)	(in millions)	(in millions)			
Defense and Intelligence	Civilian	Total									
(in millions)	(in millions)	(in millions)									
Prime contractor to federal government		\$ 1,489	\$ 366	\$ 1,855							
Subcontractor to federal government		104	32	136							
Other		4	33	37							
Total		\$ 1,597	\$ 431	\$ 2,028							

Contract Balances

Contract balances for the periods presented were as follows:

	November	February
Balance Sheet	3,	3,
line item	2023	<u>2023</u>
Balance Sheet line item	May 3,	February 2,
	2024	2024

		(in millions)			(in millions)
Billed and billable receivables, net ⁽¹⁾	Billed and billable receivables, Receivables, net ⁽¹⁾	\$ 603	\$ 572		
Contract assets - unbillable receivables	Contract assets - unbillable receivables net	407	364		
Contract assets - contract retentions	Contract assets - contract retentions	15	15		
Contract liabilities - current	Contract payable and accrued liabilities current	48	48		
Contract liabilities - non-current	Contract Other long-term liabilities non-current	\$ 2	\$ 4		

(1) Net of allowance of \$3 million and \$4 million as of November 3, 2023 May 3, 2024 and February 3, 2023, respectively. February 2, 2024.

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During the three and nine months ended November 3, 2023 May 3, 2024 and May 5, 2023, the Company recognized revenues of \$5 \$20 million and \$38 \$21 million respectively, relating to amounts that were included in the opening balance of contract liabilities as of February 3, 2023. During the three February 2, 2024 and nine months ended October 28, 2022 February 3, 2023, the Company recognized revenues of \$4 million and \$39 million, respectively, relating to amounts that were included in the opening balance of contract liabilities as of January 28, 2022, respectively.

Remaining Performance Obligations

Remaining performance obligations ("RPO") represent the transaction price of exercised contracts (both funded and unfunded) less inception to date revenue recognized. RPO does not include unexercised option periods and future task orders expected to be awarded under IDIQ contracts. As of November 3, 2023 May 3, 2024, the Company had approximately \$5.5 billion \$5.4 billion of remaining performance obligations. The Company expects to recognize revenue on approximately 80% 81% of the remaining performance obligations over the next 12 months and approximately 90% 91% over the next 24 months, with the remaining recognized thereafter.

Lessor Revenue

The Company leases IT equipment and hardware to its customers. All of the Company's lessor arrangements are operating leases. Operating lease income is recognized on a straight-line basis over the term of the lease and is reported as revenue on the condensed and consolidated statements of income. During the nine months ended October 28, 2022, the Company recognized revenue of \$23 million from the exercise of purchase options under certain lessor arrangements. Operating lease income was immaterial for the three and nine months ended November 3, 2023 and October 28, 2022.

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Note 4—Divestitures:

FSA Amendment

On February 4, 2023, the Company sold 0.1% of its 50.1% majority ownership interest in Forfeiture Support Associates J.V. (FSA) ("FSA") to its sole joint venture partner for a nominal amount. In conjunction with the sale, the Company remeasured its retained investment in FSA to a fair value of \$14 million. As a result of the sale and amendment to the joint venture operating agreement of FSA, the Company no longer controls the joint venture and will account for its retained interest as an equity method investment as of the date of the transaction.

The Company remeasured its retained investment in FSA to a fair value of \$14 million. The equity method investment is included within other assets "Other assets" on the condensed and consolidated balance sheets. The remeasurement resulted in a gain of \$7 million which is included within other operating income "(Gain) loss on divestitures, net of transaction costs" on the condensed and consolidated statements of income and is reflected within gain "(Gain) loss on divestitures divestitures" on the condensed and consolidated statements of cash flows. The Company estimated the fair value of its retained investment in FSA based on Level 3 inputs of the fair value hierarchy. The Company used the income approach which involves the use of estimates and assumptions, including revenue growth rates, projected operating margins, discount rates and terminal growth rates.

Sale of Logistics and Supply Chain Management Business

On May 6, 2023 March 23, 2023, the Company closed the sale of executed a definitive agreement to sell its logistics and supply chain management business (Supply ("Supply Chain Business") Business) to ASRC Federal Holding Company, LLC (ASRC Federal) ("ASRC Federal"), a subsidiary of Arctic Slope Regional Corporation, for \$356 \$350 million in cash. The sale enables the Company of pre-tax cash proceeds, subject to focus its resources on long-term strategic growth areas. The Company recorded a pre-tax gain of \$233 million, net of \$7 million of transaction costs, which is included within other operating income on the condensed and consolidated statements of income. certain adjustments for working capital.

The disposition does did not represent a strategic shift in operations that will would have a material effect on the Company's operations and financial results, and accordingly has not been presented as discontinued operations.

During the first quarter of fiscal 2024, the Company received a refundable cash deposit of \$355 million which represented the expected proceeds due upon closing of the transaction with ASRC Federal including preliminary adjustments for working capital. The major classes Company recognized the cash as "Proceeds from assets held for sale" on the condensed consolidated statements of assets and liabilities divested were as follows:

			(in millions)
Assets:			
Receivables, net		\$ 46	
Inventory, prepaid expenses and other current assets		73	
Goodwill		60	
Operating lease right of use assets		2	
Total assets divested		\$ 181	
Liabilities:			
Accounts payable and accrued liabilities		\$ 63	
Accrued payroll and employee benefits		1	
Operating lease liabilities		1	
Total liabilities divested		\$ 65	

cash flows.

In connection with the sale, the Company and ASRC Federal entered into certain transition services agreements pursuant to which the Company will provide provided certain services to ASRC Federal through approximately the end first quarter of fiscal 2024 2025 on a cost reimbursable basis. The transition services include included certain IT, finance and other services necessary to support the transition of the sale.

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Note 5—Goodwill and Intangible Assets:

Goodwill

Goodwill had a The following table presents the carrying value of \$2,851 million goodwill by reportable segment:

	May 3, 2024	February 2, 2024
	(in millions)	
Defense and Intelligence	\$ 2,001	\$ 2,001
Civilian	850	850
Total	\$ 2,851	\$ 2,851

Goodwill is not amortized, but rather tested for potential impairment annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The goodwill impairment test is performed at the reporting unit level. As a result of the internal reorganization on February 3, 2024, the Company reallocated its goodwill to its five new goodwill reporting units.

The Company performed a goodwill impairment test immediately before and \$2,911 million after the reorganization, both of which resulted in no impairment. For the goodwill impairment test immediately after the reorganization, the Company performed a quantitative assessment of its goodwill as of November 3, 2023 February 3, 2024 for its five new goodwill reporting units. The Company estimated the fair value of each reporting unit using a 50:50 weighting of fair values derived from an income approach and February 3, 2023, respectively. Goodwill decreased \$60 million compared to February 3, 2023 due to market approach.

Under the **sale income** approach, the Company estimated the fair value of its reporting units using a multi-year discounted cash flow model involving assumptions about projected future revenue growth, operating margins, income tax rates, capital expenditures, discount rate, and terminal value. Under the **Supply Chain Business** (see Note 4). There were no impairments market approach, the Company estimated the fair value of goodwill during the periods presented. its reporting units based on multiples of earnings derived from observable market data of comparable public companies.

Intangible Assets

Intangible assets, all of which were finite-lived, consisted of the following:

		November 3, 2023		February 3, 2023			
		Gross carrying value	Net amortization value	Gross carrying value	Net amortization value	Gross carrying value	Net amortization value
(in millions)							
May 3, 2024							
		Gross carrying value					
		(in millions)		(in millions)		(in millions)	
Customer relationships	Customer relationships	\$1,462	\$ (546)	\$ 916	\$ 1,467	\$ (466)	\$ 1,001
Developed technology	Developed technology	10	(3)	7	10	(2)	8
Trade name	Trade name	1	(1)	—	1	(1)	—
Total intangible assets	Total intangible assets	\$1,473	\$ (550)	\$ 923	\$ 1,478	\$ (469)	\$ 1,009

Amortization expense related to intangible assets was \$28 million and \$86 million for the three and nine months ended November 3, 2023, respectively, May 3, 2024 and \$29 million and \$94 million for the three and nine months ended October 28, 2022, respectively, May 5, 2023. There were no intangible asset impairment losses during the periods presented.

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As of November 3, 2023 May 3, 2024, the estimated future annual amortization expense related to intangible assets is as follows:

Fiscal Year	Fiscal Year	(in millions)	Fiscal Year	(in millions)
Remainder of 2024	\$ 29			
2025	115			
Remainder of 2025				

2026	2026	115
2027	2027	115
2028	2028	98
2029		
Thereafter	Thereafter	451
Total	Total	\$ 923

Actual amortization expense in future periods could differ from these estimates as a result of future acquisitions, divestitures, impairments, and other factors.

Note 6—Income Taxes:

The Company's effective income tax rate was 18.0% 19.0% and 23.4% 20.0% for the three and nine months ended November 3, 2023, respectively, May 3, 2024 and 20.3% and 21.3% for the three and nine months ended October 28, 2022 May 5, 2023, respectively.

The Company's effective tax rate for the three months ended November 3, 2023 May 3, 2024, is lower compared to the effective tax rate from the same period in the prior year primarily due to higher tax benefits from the deduction for foreign-derived intangible income. The Company's effective tax rate for the nine months ended November 3, 2023, is higher compared to the effective tax rate from the same period in the prior year due to the gain from the disposition of the Supply Chain Business and the associated non-deductible goodwill. The increase was partially offset by higher tax benefits from stock-based compensation and the deduction for foreign-derived intangible income.

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Beginning in fiscal 2023, the Tax Cuts and Jobs Act of 2017 (TCJA) removed the ability of taxpayers to immediately deduct specific research and development expenditures in the year incurred and instead requires taxpayers to capitalize and amortize such research expenditures over a period of five years.

As of November 3, 2023, the Company's unrecognized tax benefits were \$225 million, compared to \$156 million as of February 3, 2023. The increase during the nine months ended November 3, 2023 is primarily attributable to research tax credits and capitalized research and development costs in accordance with the TCJA. This increase also resulted in a corresponding \$44 million increase to deferred tax assets. The unrecognized tax benefits are presented within other long-term liabilities on the condensed and consolidated balance sheets.

As of November 3, 2023 and February 3, 2023, the net deferred tax asset balance was \$92 million and \$14 million, respectively, and is presented in other assets on the condensed and consolidated balance sheets.

Note 7—Debt Obligations:

The Company's long-term debt as of the dates presented was as follows:

November 3, 2023						February 3, 2023						May 3, 2024						February 2, 2024					
Stated interest rate			Effective interest rate			Unamortized debt costs			Unamortized debt Net			Stated interest rate			Effective interest rate			Unamortized debt costs			Unamortized debt Net		
Principal	Principal	Net	Principal	Principal	Net	Principal	Principal	Net	Principal	Principal	Net	Principal	Principal	Net	Principal	Principal	Net	Principal	Principal	Net			
(dollars in millions)												(dollars in millions)											

Term Loan A	Term							
Facility due June 2027	Loan A							
2027	2027	6.42 %	6.54 %	\$1,215	\$ (4)	\$1,211	\$1,230	\$ (5)
								\$1,225
Term Loan B	Term							
Facility due October 2025	Loan B							
2025	2025	7.30 %	7.51 %	424	(1)	423	488	(3)
								485
Term Loan B2	Term							
Facility due March 2027	Loan B2							
2027	2027	7.30 %	7.73 %	236	(3)	233	272	(4)
								268
Term Loan B3								
Facility due February 2031								
Senior Notes due April 2028	Senior Notes							
2028	2028	4.88 %	5.11 %	400	(4)	396	400	(4)
								396
Total long-term debt	Total long-term debt			\$2,275	\$ (12)	\$2,263	\$2,390	\$ (16)
Less current portion	Less current portion							\$2,374
Total long-term debt, net of current portion	Total long-term debt, net of current portion			69	—	69	31	—
								31

As of November 3, 2023 May 3, 2024, the Company had a \$2.9 billion \$2.7 billion secured credit facility (the Credit Facility) consisting of a Term Loan A Facility due June 2027, a Term Loan B3 Facility due October 2025, a Term Loan B2 Facility due March 2027 February 2031 (together, the Term Loan Facilities), and a \$1.0 billion Revolving Credit Facility due June 2027 (the Revolving Credit Facility).

On February 8, 2024, the Company executed the Sixth Amendment to the Third Amended and Restated Credit Agreement ("Sixth Amendment"), which established a \$510 million senior secured term loan credit facility ("Term Loan B3 Facility due February 2031"). The entire Term Loan B3 Facility due February 2031 was immediately borrowed by the Company and the proceeds were used to pay in full the outstanding principal balances under the Term Loan B Facility due October 2025 and Term Loan B2 Facility due March 2027. The Tranche B3 Facility is subject to the same covenants and events of default as the Company's existing Term Loan Facilities.

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Borrowings under the Term Loan B3 Facility due February 2031 amortize quarterly beginning on July 31, 2024 at 0.25% of the original borrowed amount with the remaining unamortized balance due in full upon its maturity on February 8, 2031. Borrowings will bear interest based on the Term Secured Overnight Financing Rate ("Term SOFR") or a base rate, plus an applicable margin of 1.875% for Term SOFR loans and 0.875% for base rate loans. In the event any portion of the Term Loan B3 Facility due February 2031 is repaid prior to August 8, 2024 as a result of a repricing event, the Company will be required to repay a 1.00% fee of the amount repaid. After this initial six month period, the Term Loan B3 Facility due February 2031 may be prepaid at any time without penalty and is subject to the same mandatory prepayments, including from excess cash flow, as the Company's existing term loans under the Credit Facility.

During the **nine** three months ended **November 3, 2023** **May 3, 2024**, the Company incurred \$5 million of debt issuance costs associated with the Sixth Amendment, of which \$3 million was recognized in interest expense and the remaining \$2 million deferred and amortized to interest expense through the maturity date of the facility utilizing the effective interest rate method.

During the three months ended May 3, 2024, the Company made a scheduled principal payment of \$15 million on the Term Loan A Facility due June 2027 and principal prepayments of \$64 million and \$36 million on the Term Loan B Facility due October 2025 and the Term Loan B2 Facility due March 2027, respectively. During the **nine** three months ended **November 3, 2023** **May 3, 2024**, the Company borrowed and repaid \$160 **\$190** million under the Revolving Credit Facility. There was no balance outstanding on the Revolving Credit Facility as of **November 3, 2023** **May 3, 2024**. Commitment fees for undrawn amounts under the Revolving Credit Facility range from 0.125% to 0.25% per annum based on the Company's leverage ratio. As of **November 3, 2023** **May 3, 2024**, the Company was in compliance with the covenants under its Credit Facility.

As of **November 3, 2023** **May 3, 2024** and **February 3, 2023** **February 2, 2024**, the carrying value of the Company's outstanding debt obligations approximated its fair value. The fair value of long-term debt is calculated using Level 2 inputs, based on interest rates available for debt with terms and maturities similar to the Company's Term Loan Facilities and Senior Notes.

Maturities of long-term debt as of May 3, 2024 are:

Fiscal Year	Total
(in millions)	
Remainder of 2025	\$ 65
2026	113
2027	128
2028	896
2029	406
Thereafter	486
Total principal payments	\$ 2,094

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Maturities of long-term debt as of November 3, 2023 are:

Fiscal Year	Total
(in millions)	
Remainder of 2024	\$ 15
2025	77
2026	532
2027	123
2028	1,128
Thereafter	400
Total principal payments	\$ 2,275

Note 8—Derivative Instruments Designated as Cash Flow Hedges:

The Company's derivative instruments designated as cash flow hedges consist of:

	Fair Value of Asset ⁽¹⁾ at					
	Notional Amount		Receive		Settlement and Termination	November 3, 2023
	at November 3, 2023	Pay Fixed Rate	Variable Rate	February 3, 2023		
(in millions)						(in millions)
Interest rate swaps #1	\$ 685	2.96 %	Term SOFR	Monthly through October 31, 2025	\$ 22	\$ 16
Interest rate swaps #2	—	2.36 %	Term SOFR	Monthly through October 31, 2023	—	9
Total	\$ 685				\$ 22	\$ 25

	Fair Value of Asset ⁽¹⁾ at					
	Notional Amount		Receive		Settlement and Termination	May 3, 2024
	at May 3, 2024	Pay Fixed Rate	Variable Rate	February 2, 2024		
(in millions)						(in millions)
Interest rate swaps	\$ 685	2.96 %	1-month Term SOFR	Monthly through October 31, 2025	\$ 19	\$ 15

(1) The fair value of the fixed interest rate swap asset is included in other assets "Other assets" on the condensed and consolidated balance sheets.

The Company is party to fixed interest rate swap instruments that are designated and accounted for as cash flow hedges to manage risks associated with interest rate fluctuations on a portion of the Company's floating rate debt, debt within the Credit Facility. The counterparties to all swap agreements are financial institutions.

See Note 9—Changes in Accumulated Other Comprehensive Income (Loss) by Component for the unrealized change in fair values on cash flow hedges recognized in other comprehensive income (loss) and the amounts reclassified from accumulated other comprehensive income (loss) into earnings for the current and comparative periods presented. During the three months ended November 3, 2023, Interest Rate Swaps #2 matured which had a notional value of \$450 million upon maturity. The Company estimates that it will reclassify \$15 million \$14 million of unrealized gains from accumulated other comprehensive income into earnings in the twelve months following November 3, 2023 May 3, 2024.

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Note 9—Changes in Accumulated Other Comprehensive Income (Loss) by Component:

The following table presents the changes in accumulated other comprehensive income (loss) attributable to the Company's fixed interest rate swap cash flow hedges that are discussed in Note 8—Derivative Instruments Designated as Cash Flow Hedges and the Company's defined benefit plans.

	Unrealized Gains (Losses) on Fixed Interest Rate Swap Cash Flow Hedges ⁽¹⁾			Defined Benefit Obligation Adjustment		Unrealized Gains (Losses) on Fixed
				Defined Benefit Obligation	Adjustment	Total
						(in millions)
Three months ended November 3, 2023 May 3, 2024						
Balance at August 4, 2023 February 2, 2024	\$ 19 11	\$ 4 5	\$ 23 16			
Other comprehensive income before reclassifications	4 8	—	4 8			
Amounts reclassified from accumulated other comprehensive income	(8) (4)	—	(8) (4)			
Income tax impact	1 (1)	—	1 (1)			
Net other comprehensive loss	(3)	—	(3)			
Balance at November 3, 2023	\$ 16	\$ 4	\$ 20			
Three months ended October 28, 2022						
Balance at July 29, 2022	\$ (4)	\$ 1	\$ (3)			
Other comprehensive loss before reclassifications	38	—	38			
Amounts reclassified from accumulated other comprehensive loss	1	—	1			
Income tax impact	(10)	—	(10)			
Net other comprehensive income	29 3	—	29 3			
Balance at October 28, 2022 May 3, 2024	\$ 25 14	\$ 15	\$ 26 19			
Nine months ended November 3, 2023 May 5, 2023						
Balance at February 3, 2023	\$ 18	\$ 4	\$ 22			
Other comprehensive income loss before reclassifications	17 (2)	—	17			
Amounts reclassified from accumulated other comprehensive income	(20)	—	(20)			
Income tax impact	1	—	1			
Net other comprehensive loss	(2)	—	(2)			
Balance at November 3, 2023	\$ 16	\$ 4	\$ 20			
Nine months ended October 28, 2022						

Balance at January 28, 2022	\$ (38)	\$ 1	\$ (37)
Other comprehensive income before reclassifications	72	—	72
Amounts reclassified from accumulated other comprehensive loss	13 (6)	—	13 (6)
Income tax impact	(22) 2	—	(22) 2
Net other comprehensive income loss	(6) 63	—	63 (6)
Balance at October 28, 2022 May 5, 2023	\$ 25 12	\$ 14	\$ 26 16

(1) The amount reclassified from accumulated other comprehensive income (loss) is included in interest expense. "Interest expense, net."

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Note 10—Sales of Receivables:

The Company has a Master Accounts Receivable Purchase Agreement (MARPA Facility) ("MARPA Facility") with MUFG Bank, Ltd. (the Purchaser) "Purchaser" for the sale of up to a maximum amount of \$300 million of certain designated eligible receivables with the U.S. government.

During the nine three months ended November 3, 2023 May 3, 2024 and October 28, 2022 May 5, 2023, the Company incurred purchase discount fees of \$7 million and \$4 million \$3 million, respectively, which are presented in other "Other (income) expense, net net" on the condensed and consolidated statements of income and are reflected as cash flows from operating activities on the condensed and consolidated statements of cash flows.

MARPA Facility activity consisted of the following:

		Nine Months Ended			
		November	October		
		3, 2023	28, 2022		
(in millions)					
		Three Months Ended		Three Months Ended	
		May 3, 2024	May 3, 2024	May 5, 2023	
(in millions)					
Beginning balance	Beginning balance	\$ 250	\$ 200		
Sale of receivables	Sale of receivables	1,957	2,776		
Cash collections	Cash collections	(1,957)	(2,716)		

Outstanding balance sold to Purchaser ⁽¹⁾	Outstanding balance sold to Purchaser ⁽¹⁾	250	260
Cash collected, not remitted to Purchaser ⁽²⁾	Cash collected, not remitted to Purchaser ⁽²⁾	(33)	(15)
Remaining sold receivables	Remaining sold receivables	\$ 217	\$ 245

(1) For the **nine** three months ended November 3, 2023 May 3, 2024, the Company recorded a net increase of \$79 million to cash flows from operating activities from sold receivables. For the three months ended May 5, 2023, there was no net impact to cash flows from operating activities from sold receivables. For the nine months ended October 28, 2022, the Company recorded a net increase to cash flows from operating activities of \$60 million from sold receivables.

(2) Primarily represents the cash collected on behalf of but not yet remitted to the Purchaser as of **November 3, 2023** May 3, 2024 and **October 28, 2022** May 5, 2023. This balance is included in accounts payable and accrued liabilities "Accounts payable" on the condensed and consolidated balance sheets.

Note 11—Business Segments Information:

Effective February 3, 2024, the first day of fiscal 2025, the Company completed a business reorganization which replaced its previous two customer facing operating sectors with five customer facing business groups supported by the enterprise organizations, including the Innovation Factory. The five business groups represent the Company's operating segments and have been aggregated into two reportable segments (Defense and Intelligence, and Civilian) given the similarity in economic and qualitative characteristics, and based on the nature of the customers they serve. The Company defines its operating segments based on the way the CODM, currently the Company's CEO, manages the operations for the purpose of allocating resources and assessing performance.

The Defense and Intelligence segment provides a diverse portfolio of national security solutions to the defense and intelligence departments and agencies of the United States Government.

The Civilian segment provides solutions to the civilian markets, encompassing federal, state, and local governments, in order to deliver services for citizen well-being and protecting lives. This includes integrating solutions into a spectrum of public service missions that impact travel, trade, health and the economy.

The offerings of both reportable segments entail the integration of emerging technologies into mission critical operations that modernize and enable national imperatives, including IT modernization, digital engineering, AI, mission systems support, training and simulation, and ground vehicles support. These services include end-to-end solutions spanning the design, development, integration, deployment, management and operations, sustainment and security of the customers' entire IT infrastructure.

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Costs associated with corporate functions that are not allocable to the reportable segments are presented as Corporate.

The segment information for the periods presented was as follows:

	Three Months Ended	
	May 3, 2024	May 5, 2023
	(in millions)	
Revenues:		
Defense and Intelligence	\$ 1,436	\$ 1,597
Civilian	411	431
Total revenues	\$ 1,847	\$ 2,028
Operating income (loss):		
Defense and Intelligence	\$ 107	\$ 124
Civilian	34	42
Corporate	(10)	(9)
Total operating income	\$ 131	\$ 157

The income statement performance measures regularly provided to the CODM are "Revenues" and "Operating income." As a result, "Interest expense, net," "Other (income) expense, net" and "Provision for income taxes" as reported in the condensed consolidated statements of income are not allocated to the Company's segments.

Asset information by segment is not a key measure of performance used by the CODM.

Note 12—Legal Proceedings and Other Commitments and Contingencies:

Legal Proceedings

The Company is involved in various claims and lawsuits arising in the normal conduct of its business, none of which the Company's management believes, based on current information, is expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

In April 2022 and October 2023, the Company received a Federal Grand Jury Subpoena Subpoenas in connection with a criminal investigation being conducted by the U.S. Department of Justice, Antitrust Division (DOJ) ("DOJ"). As required by the subpoena, subpoenas, the Company has provided the DOJ with a broad range of documents related to the investigation, and the Company's collection and production process remains ongoing. The Company is fully cooperating with the investigation. At this time, it is not possible to determine whether the Company will incur, or to reasonably estimate the amount of, any fines, penalties or further liabilities in connection with the investigation pursuant to which the subpoenas were issued.

AAV Termination for Convenience

On August 27, 2018, the Company received a stop-work order from the United States Marine Corps on the Assault Amphibious Vehicle (AAV) ("AAV") contract and on October 3, 2018 the program was terminated for convenience by the customer. The Company is continuing to negotiate with the Marine Corps to recover costs associated with the termination.

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Government Investigations, Audits and Reviews

The Company is routinely subject to investigations and reviews relating to compliance with various laws and regulations with respect, in particular, to its role as a contractor to federal, state and local government customers and in connection with performing services in countries outside of the United States. U.S. government agencies, including the Defense Contract Audit Agency (DCAA) ("DCAA"), the Defense Contract Management Agency and others, routinely audit and review a contractor's performance on government contracts, indirect rates and pricing practices, and compliance with applicable contracting and procurement laws, regulations and standards. They also review the adequacy of the contractor's compliance with government standards for its business systems. Adverse findings in these investigations, audits, or reviews can lead to criminal, civil or administrative proceedings, and the Company could face disallowance of previously billed costs, penalties, fines, compensatory damages and suspension or debarment from doing business with governmental agencies. Due to the Company's reliance on government contracts, adverse findings could also have a material impact on the Company's business, including its financial position, results of operations and cash flows.

The indirect cost audits by the DCAA of the Company's business remain open for certain prior years and the current year. Although the Company has recorded contract revenues based on an estimate of costs that the Company believes will be approved on final audit, the Company does not know the outcome of any ongoing or future audits. If future completed audit adjustments exceed the Company's reserves for potential adjustments, the Company's profitability could be materially adversely affected.

As of **November 3, 2023** **May 3, 2024**, the Company believes it has adequately reserved for estimated net amounts to be refunded to customers for potential adjustments for indirect cost audits and compliance with U.S. government Cost Accounting Standards.

Letters of Credit and Surety Bonds

The Company has outstanding obligations relating to letters of credit of **\$9 million** **\$10 million** as of **November 3, 2023** **May 3, 2024**, principally related to guarantees on insurance policies. The Company also has outstanding obligations relating to surety bonds of \$19 million, principally related to performance and payment bonds on the Company's contracts.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations and quantitative and qualitative disclosures about market risk should be read in conjunction with our unaudited condensed and consolidated financial statements and the related notes. It contains forward-looking statements (which may be identified by words such as those described in "Risk Factors—Forward-Looking Statement Risks" in Part I of the most recently filed Annual Report on Form 10-K), including statements regarding our intent, belief, or current expectations with respect to, among other things, trends affecting our financial condition or results of operations (including our financial targets discussed below under "Management of Operating Performance and Reporting" and "Liquidity and Capital Resources"); backlog; our industry; government budgets and spending; market opportunities; the impact of competition; and the impact of acquisitions and divestitures. Such statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors. Risks, uncertainties and assumptions that could cause or contribute to these differences include those discussed below, in "Risk Factors" in Part II of this report and in Part I of the most recently filed Annual Report on Form 10-K. Due to such risks, uncertainties and assumptions, you are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. We do not undertake any obligation to update these factors or to publicly announce the results of any changes to our forward-looking statements due to future results or developments.

We use the terms "SAIC," the "Company," "we," "us" and "our" to refer to Science Applications International Corporation and its consolidated subsidiaries.

The Company utilizes a 52/53 week fiscal year, ending on the Friday closest to January 31, with fiscal quarters typically consisting of 13 weeks. Fiscal 2025 began on February 3, 2024 and ends on January 31, 2025, while fiscal 2024 began on February 4, 2023 and ends ended on February 2, 2024, while fiscal 2023 began on January 29, 2022 and ended on February 3, 2023.

Business Overview

We are a leading technology integrator providing full life cycle services and solutions in the technical, engineering and enterprise information technology (IT) ("IT") markets. We developed our brand by addressing our customers' mission critical needs and solving their most complex problems for over 50 years. As one of the largest pure-play technology service providers to the U.S. government, we serve markets of significant scale and opportunity. Our primary customers are the departments and agencies of the U.S. government. We serve our customers through approximately 1,900 1,800 active contracts and task orders and employ approximately 24,000 individuals who are led by an experienced executive team of proven industry leaders. Our long history of serving the U.S. government has afforded us the ability to develop strong and longstanding relationships with some of the largest customers in the markets we serve. Substantially all of our revenues and tangible long-lived assets are generated and located in the United States.

Effective February 3, 2024, the first day of fiscal 2025, we completed a business reorganization which replaced our previous two operating sectors with five customer facing business groups supported by the enterprise organizations, including the Innovation Factory. The five business groups represent our operating segments and have been aggregated into two reportable segments (Defense and Intelligence, and Civilian) given the similarity in economic and qualitative characteristics, and based on the nature of the customers they serve.

The Defense and Intelligence segment provides a diverse portfolio of national security solutions to the defense and intelligence departments and agencies of the United States Government.

The Civilian segment provides solutions to the civilian markets, encompassing federal, state, and local governments, in order to deliver services for citizen well-being and protecting lives. This includes integrating solutions into a spectrum of public service missions that impact travel, trade, health and the economy.

The offerings of both reportable segments entail the integration of emerging technologies into mission critical operations that modernize and enable national imperatives, including IT modernization, digital engineering, artificial intelligence ("AI"), mission systems support, training and simulation, and ground vehicles support. These services include end-to-end solutions spanning the design, development, integration, deployment, management and operations, sustainment and security of the customers' entire IT infrastructure.

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Our Innovation Factory supports the operating segments by developing superior enterprise-class solutions which are delivered to the our customers as stand-alone solutions or integrated with and aligned to product offerings through the operations of the business to meet complex customer needs and accelerate digital transformation. The Innovation Factory includes designated teams focused on AI, application development, network services, platforms and cloud, and cyber. It uses a highly automated, cloud-hosted tool set to rapidly build, test and deploy solutions quickly and works with customers to enhance solutions going forward.

Costs associated with corporate functions that are not allocable to the reportable segments are presented as Corporate. See Note 11—Business Segments Information to the condensed consolidated financial statements contained within this report for additional information.

Economic Opportunities, Challenges, and Risks

During the three and nine months ended November 3, 2023 May 3, 2024, we generated 98% of our revenues from contracts with the U.S. government, including subcontracts on which we perform. Our business performance is affected by the overall level of U.S. government spending and the alignment of our offerings and capabilities with the budget priorities of the U.S. government. Appropriations measures passed in December 2022 provided full funding for the federal government through the end of government fiscal year (GFY) ("GFY") 2023. In November 2023, March 2024, the President signed a continuing resolution which will fund appropriation measures that provide funding for GFY 2024 for all of the U.S. government through January 2024. and submitted the GFY 2025 budget request which adheres to the Fiscal Responsibility Act of 2023. The GFY 2025 budget includes 1% growth for defense budgets and an overall 1% growth for non-defense budgets. If Congress is not able to pass appropriations for the GFY 2024 2025 funding measures by January the end of September 2024, it could result in the U.S. government operating on additional a continuing resolutions and/ resolution or could potentially lead to a partial or full government shutdown.

In January 2023, the Federal debt ceiling was reached and the U.S. Department of the Treasury was operating under "extraordinary measures." In June 2023, the President signed the Fiscal Responsibility Act of 2023 which suspends the Federal debt ceiling until January 1, 2025, postponing the threat of a federal government default. If a new debt ceiling agreement is not reached by January 2025, the U.S. Department of the Treasury will return to operating under "extraordinary measures."

Adverse changes in fiscal and economic conditions could materially impact our business. Some changes that could have an adverse impact on our business include adverse regulations, the implementation of future spending reductions (including sequestration), delayed passage of appropriations bills resulting in temporary or full-year continuing resolutions, extreme inflationary increases adversely impacting fixed price contracts, and potential government shutdowns.

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Spending packages, including the infrastructure bill, Inflation Reduction Act, and CHIPS and Science Act, as well as future potential spending packages, may provide additional opportunity in areas of SAIC focus such as digital modernization, cyber, microelectronics support, and climate resiliency.

The U.S. government has increasingly relied on contracts that are subject to a competitive bidding process (including indefinite delivery, indefinite quantity (IDIQ) ("IDIQ"), U.S. General Services Administration (GSA) ("GSA") schedules, and other multi-award contracts), which has resulted in greater competition and increased pricing pressure. Additionally, the U.S. government has put renewed emphasis on increasing the number of small business prime set-aside contracts that further reduce the addressable market in some areas.

Despite the budget and competitive pressures affecting the industry, we believe we are well-positioned to protect and expand existing customer relationships and benefit from opportunities that we have not previously pursued. Our scale, size, and prime contractor leadership position are expected to help differentiate us from our competitors, especially on large contract opportunities. We believe our long-term, trusted customer relationships and deep technical expertise provide us with the sophistication to handle highly complex, mission-critical contracts. Our value proposition is found in the proven ability to serve as a trusted adviser to our customers. In doing so, we leverage our expertise and scale to help them execute their mission.

We succeed as a business based on the solutions we deliver, our past performance, and our ability to compete on price. Our solutions are inspired through innovation based on adoption of best practices and technology integration of the best capabilities available. Our Innovation Factory develops superior enterprise-class solutions which are delivered to our customers as stand-alone solutions or integrated with and aligned to our Growth Technology and CORE product offerings to meet complex customer needs and accelerate the digital transformation. Our past performance was achieved by employees dedicated to supporting our customers' most challenging missions. Our current cost structure and

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ongoing efforts to reduce costs by strategic sourcing and developing repeatable offerings sold "as a service" and as managed services in a more commercial business model are expected to allow us to compete effectively on price in an evolving environment. We believe that our **Our** ability to be competitive in the future will continue to be driven by our reputation for successful program execution, competitive cost structure, development of new pricing and business models, and efficiencies in assigning the right people, at the right time, in support of our contracts.

Management of Operating Performance and Reporting

Our business and program management process is directed by professionals focused on serving our customers by providing high quality services in achieving program requirements. These professionals carefully monitor contract margin performance by constantly evaluating contract risks and opportunities. Throughout each contract's life cycle, program managers review performance and update contract performance estimates to reflect their understanding of the best information available.

We evaluate our results of operations by considering the drivers causing changes in revenues, operating income and operating cash flows. Given that revenues fluctuate on our contract portfolio over time due to contract awards and completions, changes in customer requirements, and increases or decreases in ordering volume of materials, we evaluate significant trends and fluctuations resulting from these factors. Whether performed by our employees or by our subcontractors, we primarily provide services and, as a result, our cost of revenues are predominantly variable. We also analyze our cost mix (labor, subcontractor and materials) in order to understand operating margin because programs with a higher proportion of SAIC labor are generally more profitable. Changes in cost of revenues as a percentage of revenues other than from revenue volume or cost mix are normally driven by fluctuations in shared or corporate costs, or cumulative revenue adjustments due to changes in estimates.

Changes in operating cash flows are described with regard to changes in cash generated through the provision of services, significant drivers of fluctuations in assets or liabilities and the impacts of changes in timing of cash receipts or disbursements.

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Condensed Consolidated Results of Operations

The primary financial performance measures we use to manage our business and monitor results of operations are revenues, operating income, and cash flows from operating activities. The following table summarizes our **condensed consolidated results of operations**:

Three Months Ended		Nine Months Ended	
November	November	November	November
3, Percent 2023 change	October 28, 2022	3, Percent 2023 change	October 28, 2022

		(dollars in millions)				(dollars in millions)		
Revenues	Revenues	\$1,895	(1 %)	\$1,909	\$5,707	(1 %)	\$5,736	
Cost of revenues	Cost of revenues	1,666	(1 %)	1,688	5,027	(1 %)	5,070	
Cost of revenues								
Cost of revenues								
As a percentage of revenues								
As a percentage of revenues								
As a percentage of revenues	As a percentage of revenues	87.9 %		88.4 %	88.1 %		88.4 %	
Selling, general and administrative expenses	Selling, general and administrative expenses	87	— %	87	259	(5 %)	272	
Acquisition and integration costs		—	(100 %)	1	1	(91 %)	11	
Other operating income		(1)	100 %	—	(242)	100 %	—	
Selling, general and administrative expenses								
Selling, general and administrative expenses								
(Gain) loss on divestitures, net of transaction costs								
(Gain) loss on divestitures, net of transaction costs								
(Gain) loss on divestitures, net of transaction costs								
Other operating (income) expense								
Other operating (income) expense								
Other operating (income) expense								
Operating income								
Operating income								
Operating income	Operating income	143	8 %	133	662	73 %	383	
As a percentage of revenues	As a percentage of revenues	7.5 %		7.0 %	11.6 %		6.7 %	
Net income attributable to common stockholders		\$ 93	16 %	\$ 80	\$ 438	94 %	\$ 226	
As a percentage of revenues								
As a percentage of revenues								
Provision for income taxes								

Provision for income taxes	
Provision for income taxes	
Net income	
Net income	
Net income	
Net cash provided by operating activities	Net cash provided by operating activities
	\$ 101 (21 %)
	\$ 128 \$ 333 (14 %)
	\$ 387

Net cash provided by operating activities

Net cash provided by operating activities

Revenues. Revenues decreased \$14 million \$181 million for the three months ended November 3, 2023 May 3, 2024 as compared to the same period in the prior year primarily due to the sale of the Supply Chain Business (\$161 188 million) in the prior year (see Note 4—Divestitures to the condensed consolidated financial statements), and contract completions. This was partially offset by ramp up in volume on existing and new contracts. Adjusting for the impact of the divestiture, revenues grew 0.4%.

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Operating Income. Operating income as a percentage of revenues for the three months ended May 3, 2024 decreased from the comparable prior year period primarily due to sale of the Supply Chain Business in the prior year, a gain recognized from the deconsolidation of FSA (\$35 million) (see Note 4 for additional information), in the prior year period, and contract completions, partially offset by ramp up in volume on existing and new contracts. Adjusting contracts.

Income Taxes. Our effective income tax rate was 19.0% and 20.0% for the impact of three months ended May 3, 2024 and May 5, 2023, respectively. Our effective tax rate for the divestiture of three months ended May 3, 2024, is lower compared to the Supply Chain Business and effective tax rate from the deconsolidation of FSA, revenues grew 10.6%. same period in the prior year primarily due to higher tax benefits from the deduction for foreign-derived intangible income.

Beginning in fiscal 2023, the Tax Cuts and Jobs Act of 2017 eliminated the option to deduct research and development expenditures immediately in the year incurred and requires taxpayers to amortize such expenditures over five years for tax purposes. While the impact to income taxes payable was most significant in fiscal 2023, this impact will decrease over the five-year amortization period and is anticipated to be immaterial in year six. The actual impact will depend on the amount of research and development costs incurred by us, whether Congress modifies or repeals this provision and whether new guidance and interpretive rules are issued by the U.S. Treasury, among other factors.

In December 2021, the Organisation for Economic Co-operation and Development (OECD) enacted model rules for a new 15% global minimum tax framework (“Pillar Two”) which became effective in certain jurisdictions beginning in fiscal 2024. We do not anticipate Pillar Two to have a significant impact on our effective tax rate or our consolidated results of operations, financial position, and cash flows.

Cash Flows Provided by Operating Activities. Cash flows provided by operating activities increased \$16 million for the three months ended May 3, 2024 as compared to the prior year primarily due to the higher cash provided by the Master Accounts

Receivable Purchase Agreement ("MARPA Facility") in the current year (see Note 10—Sales of Receivables to the condensed consolidated financial statements contained within this report for additional information), partially offset by higher incentive-based compensation payments in the current year and other changes in working capital.

Segment and Corporate Results

The primary financial performance measures we use to manage our reportable segments and monitor results of operations are revenues and operating income. The following tables summarize our results of operations by reportable segment:

Defense and Intelligence	Three Months Ended		
	May 3, 2024	Percent change	May 5, 2023
	(dollars in millions)		
Revenues	\$ 1,436	(10 %)	\$ 1,597
Operating income	\$ 107	(14 %)	\$ 124
<i>As a percentage of revenues</i>	<i>7.5 %</i>		<i>7.8 %</i>

Revenues: Revenues decreased \$29 million for the nine months ended November 3, 2023 as compared to the same period in the prior year primarily due to the sale of the Supply Chain Business (\$310 million), in the deconsolidation of FSA (\$106 million), prior year, and contract completions. This was partially offset by ramp up in volume on existing and new contracts. Adjusting for the impact of the divestiture of the Supply Chain Business and the deconsolidation of FSA, revenues grew 7.3%.

Cost of Revenues. Cost of revenues decreased \$22 million for the three months ended November 3, 2023 as compared to the same period in the prior year primarily due to the sale of the Supply Chain Business (\$153 million) and the deconsolidation of FSA (\$32 million), partially offset by ramp up on existing and new contracts. Adjusting for the impact of the divestiture of the Supply Chain Business and the deconsolidation of FSA, cost of revenues increased 10.8%, in line with revenues.

Cost of revenues decreased \$43 million for the nine months ended November 3, 2023 as compared to the same period in the prior year primarily due to the sale of the Supply Chain business (\$291 million) and the deconsolidation of FSA (\$97 million), partially offset by ramp up on existing and new contracts. Adjusting for the impact of the divestiture of the Supply Chain Business and the deconsolidation of FSA, cost of revenues increased 7.4%, in line with revenues.

Selling, General and Administrative Expenses (SG&A). SG&A remained consistent for the three months ended November 3, 2023 as compared to the same period in the prior year.

SG&A decreased \$13 million for the nine months ended November 3, 2023, as compared to the same period in the prior year primarily due to lower indirect costs and intangible asset amortization.

Operating Income. Operating income as a percentage of revenues for the three months ended November 3, 2023 increased from the comparable prior year period primarily due to improved profitability across our contract portfolio. the sale of the Supply Chain Business in the prior year.

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Civilian	Three Months Ended			
	May 3, 2024	Percent change	May 5, 2023	
	(dollars in millions)			
Revenues	\$ 411	(5 %)	\$ 431	
Operating income	\$ 34	(19 %)	\$ 42	
<i>As a percentage of revenues</i>	<i>8.3 %</i>		<i>9.7 %</i>	

Revenues: Revenues decreased \$20 million for the three months ended May 3, 2024 as compared to the same period in the prior year primarily due to reduced volume partially offset by new contracts.

Operating Income. Operating income as a percentage of revenues increased for the nine three months ended November 3, 2023 May 3, 2024 decreased from the comparable prior year period period primarily due to a \$233 million gain recognized from reduced volume.

Corporate	Three Months Ended			
	May 3, 2024	Percent change	May 5, 2023	
	(dollars in millions)			
Operating loss	\$ (10)	11 %	\$ (9)	

Operating Loss. Operating loss increased \$1 million for the sale of three months ended May 3, 2024 as compared to the Supply Chain Business, a \$7 million same period in the prior year primarily due to the gain recognized from the deconsolidation of FSA improved profitability across our contract portfolio, lower indirect costs, and lower intangible asset amortization.

Net Cash Provided by Operating Activities. Net cash provided by operating activities decreased \$54 million for the nine months ended November 3, 2023 as compared to the prior year primarily due to higher tax payments in the current year associated with Section 174 of the Internal Revenue Code, tax payments in the current year associated with the sale of the Supply Chain Business and higher cash provided by the MARPA Facility in the prior year period, partially offset by timing of vendor payments. lower selling, general and administrative expenses.

Non-GAAP Measures

Earnings before interest, taxes, depreciation and amortization (EBITDA) ("EBITDA"), and adjusted EBITDA are non-GAAP financial measures. While we believe that these non-GAAP financial measures are also useful for management and investors in evaluating our financial information, they should be considered as supplemental in nature and not as a substitute for financial information prepared in accordance with GAAP. Reconciliations, definitions, and how we believe these measures are useful to management and investors are provided below. Other companies may define similar measures differently.

EBITDA and Adjusted EBITDA. The performance measure EBITDA 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 is a performance measure that excludes the impact of non-recurring transactions costs that we do not consider to be indicative of our ongoing performance. Adjusted EBITDA is calculated by taking EBITDA and excluding acquisition and integration costs, impairments, restructuring costs, and any other material non-recurring items. costs. Integration costs are costs to integrate acquired companies including costs of strategic consulting services, facility consolidation and employee related costs such as retention and severance costs. The acquisition and integration costs relate to the Company's our acquisitions.

We believe that EBITDA and adjusted EBITDA provide management and investors with useful information in assessing trends in our ongoing operating performance and may provide greater visibility in understanding the our long-term financial

performance of the Company. **performance.**

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EBITDA and adjusted EBITDA for the periods presented were calculated as follows:

		Three Months Ended		Nine Months Ended	
		November 3, 2023	October 28, 2022	November 3, 2023	October 28, 2022
(dollars in millions)					
Net income	Net income	\$ 93	\$ 80	\$ 438	\$ 228
Interest expense and loss on sale of receivables		33	32	104	91
Interest income		(4)	(1)	(9)	(1)
Net income	Net income				
Interest expense, net and loss on sale of receivables					
Interest expense, net and loss on sale of receivables					
Interest expense, net and loss on sale of receivables					
Provision for income taxes					
Provision for income taxes					
Provision for income taxes	Provision for income taxes	21	20	134	62
Depreciation	Depreciation				
and amortization	and amortization	34	37	106	118
Depreciation and amortization					
Depreciation and amortization					
EBITDA	EBITDA				
EBITDA	EBITDA	177	168	773	498
EBITDA as a percentage of revenues	EBITDA as a percentage of revenues	9.3 %	8.8 %	13.5 %	8.7 %
Acquisition and integration costs		—	1	1	11
<i>EBITDA as a percentage of revenues</i>					
<i>EBITDA as a percentage of revenues</i>					

Acquisition and integration costs ⁽¹⁾				
Acquisition and integration costs ⁽¹⁾				
Acquisition and integration costs ⁽¹⁾				
Restructuring costs	Restructuring costs	2	5	8
Depreciation included in acquisition and integration costs and restructuring and impairment costs		—	(1)	—
Recovery of acquisition and integration costs and restructuring and impairment costs ⁽¹⁾		(1)	(3)	(1)
Gain on divestitures, net of transaction costs		—	—	(240)
Restructuring and impairment costs				
Restructuring and impairment costs				
Recovery of acquisition and integration costs and restructuring and impairment costs ⁽²⁾				
Recovery of acquisition and integration costs and restructuring and impairment costs ⁽²⁾				
Recovery of acquisition and integration costs and restructuring and impairment costs ⁽²⁾				
(Gain) loss on divestitures, net of transaction costs				
(Gain) loss on divestitures, net of transaction costs				
(Gain) loss on divestitures, net of transaction costs				
Adjusted EBITDA				
Adjusted EBITDA				
Adjusted EBITDA	Adjusted EBITDA	\$ 178	\$ 170	\$ 541
Adjusted EBITDA as a percentage of revenues	Adjusted EBITDA as a percentage of revenues	9.4 %	8.9 %	9.5 %
Adjusted EBITDA as a percentage of revenues				8.9 %

Adjusted EBITDA as a percentage of revenues

(1) Adjustment consists of a reversal of immaterial costs related to the Koverse acquisition.
(2) Adjustment reflects the portion of acquisition and integration costs and restructuring and impairment costs recovered through the Company's our indirect rates in accordance with U.S. government Cost Accounting Standards.

Adjusted EBITDA as a percentage of revenues for the three and nine months ended November 3, 2023 increased May 3, 2024 decreased to 9.4% 9.0% from 8.9% and increased to 9.5% from 8.9% for the same periods 9.3% in the prior year respectively, period, primarily due to improved profitability across our contract portfolio completions, partially offset by ramp up in volume on existing and lower indirect costs. new contracts.

Other Key Performance Measures

In addition to the financial measures described above, we believe that bookings and backlog are useful measures for management and investors to evaluate our potential future revenues. We also consider measures such as contract types and cost of revenues mix to be useful for management and investors to evaluate our operating income and performance.

Net Bookings and Backlog. Net bookings represent the estimated amount of revenues to be earned in the future from funded and negotiated unfunded contract awards that were received during the period, net of adjustments to estimates on previously awarded contracts. We calculate net bookings as the period's ending backlog plus the period's revenues less the prior period's ending backlog and initial backlog obtained through acquisitions.

Backlog represents the estimated amount of future revenues to be recognized under negotiated contracts as work is performed. We do not include in backlog estimates of revenues to be derived from IDIQ contracts, but rather record backlog and bookings when task orders are awarded on these contracts. Given that much of our revenue is derived from IDIQ contract task orders that renew annually, bookings on these contracts tend to refresh annually as the task orders are renewed. Additionally, we do not include in backlog contract awards that are under protest until the protest is resolved in our favor.

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We segregate our backlog into two categories as follows:

- *Funded Backlog.* Funded backlog for contracts with government agencies primarily represents estimated amounts of revenue to be earned in the future from contracts for which funding is appropriated less revenues previously recognized on these contracts. It does not include the unfunded portion of contracts in which funding is incrementally appropriated or authorized on a quarterly or annual basis by the U.S. government and other customers even though the contract may call for performance over a number of years. Funded backlog for contracts with non-government customers represents the estimated value on contracts, which may cover multiple future years, under which we are obligated to perform, less revenues previously recognized on these contracts.

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- **Negotiated Unfunded Backlog.** Negotiated unfunded backlog represents estimated amounts of revenue to be earned in the future from negotiated contracts for which funding has not been appropriated or otherwise authorized and from unexercised priced contract options. Negotiated unfunded backlog does not include any estimate of future potential task orders expected to be awarded under IDIQ, GSA Schedules or other master agreement contract vehicles, with the exception of certain IDIQ contracts where task orders are not competitively awarded and separately priced but instead are used as a funding mechanism, and where there is a basis for estimating future revenues and funding on future anticipated task orders.

We expect to recognize revenue from a substantial portion of our funded backlog within the next twelve months. However, the U.S. government can adjust the scope of services or cancel contracts at any time. Similarly, certain contracts with commercial customers include provisions that allow the customer to cancel prior to contract completion. Most of our contracts have cancellation terms that would permit us to recover all or a portion of our incurred costs and fees (contract profit) for work performed.

The estimated value of our total backlog as of the dates presented was:

		November 3, 2023	February 3, 2023	May 3, 2024			February 2, 2024		
		Defense and Intelligence		Defense and Intelligence	Civilian	Total SAIC	Defense and Intelligence	Civilian	Total SAIC
		(in millions)		(in millions)					
Funded backlog	Funded backlog	\$ 4,036	\$ 3,554						
Negotiated unfunded backlog	Negotiated unfunded backlog	19,102	20,248						
Total backlog	Total backlog	\$23,138	\$23,802						

We had net bookings worth an estimated \$2.5 billion and \$5.3 billion \$2.6 billion during the three and nine months ended November 3, 2023 May 3, 2024.

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Contract Types. Our earnings and profitability may vary materially depending on changes in the proportionate amount of revenues derived from each type of contract. For a discussion of the types of contracts under which we generate revenues, see "Contract Business - Contract Types" in Part I, Item 1 of the most recently filed Annual Report on Form 10-K. The following table summarizes revenues by contract type as a percentage of each reportable segment and total SAIC revenues for the periods presented:

Nine Months Ended	
November 3, 2023	October 28, 2022

		Three Months Ended May 3, 2024				Three Months Ended May 3, 2024			
		Defense and Intelligence		Civilian		Total SAIC			
		(in millions)				(in millions)			
Cost	Cost	60 %	56 %	Cost reimbursement	79 %	5 %	62 %		
reimbursement reimbursement									
Time and materials (T&M)		19 %	19 %						
Firm-fixed price (FFP)		21 %	25 %						
Time and materials ("T&M")				Time and materials ("T&M")	10 %	65 %	23 %		
Firm-fixed price ("FFP")				Firm-fixed price ("FFP")	11 %	30 %	15 %		
Total	Total	100 %	100 %	Total	100 %	100 %	100 %		
Three Months Ended May 5, 2023									
		Defense and Intelligence		Civilian		Total SAIC			
		(in millions)							
Cost reimbursement						68 %	5 %	55 %	
Time and materials ("T&M")						7 %	59 %	18 %	
Firm-fixed price ("FFP")						25 %	36 %	27 %	
Total						100 %	100 %	100 %	

The change in contract mix for the **nine** three months ended November 3, 2023 reflects **May 3, 2024** is primarily due to a decrease in firm-fixed price type contracts due to the divestiture of the Supply Chain Business in the prior year, which historically had a higher proportion of these contracts.

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Cost of Revenues Mix. We generate revenues by providing a customized mix of services to our customers. The profit generated from our service contracts is affected by the proportion of cost of revenues incurred from the efforts of our employees (which we refer to below as labor-related cost of revenues), the efforts of our subcontractors and the cost of materials used in the performance of our service obligations under our contracts. Contracts performed with a higher proportion of SAIC labor are generally more profitable. The following table presents cost mix as a percentage of each reportable segment and total SAIC revenues for the periods presented:

		Three Months			
		Ended		Nine Months Ended	
		November	October	November	October
		3,	28,	3,	28,
		2023	2022	2023	2022

The change in cost of revenues mix for the three and nine months ended November 3, 2023 reflects May 3, 2024 is primarily due to a decrease in supply chain materials-related costs due to the divestiture of the Supply Chain Business in the prior year.

Liquidity and Capital Resources

As a services provider, our business generally requires minimal infrastructure investment. We expect to fund our ongoing working capital, commitments and any other discretionary investments with cash on hand, future operating cash flows and, if needed, borrowings under our \$1.0 billion Revolving Credit Facility and \$300 million MARPA Facility.

We anticipate that our future cash needs will be for working capital, capital expenditures, and contractual and other commitments. We consider various financial measures when we develop and update our capital deployment strategy, which include evaluating cash provided by operating activities, free cash flow and financial leverage. When our cash generation enables us to exceed our target average minimum cash balance, we intend to deploy excess cash through dividends, share repurchases, debt prepayments or strategic acquisitions.



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Our ability to fund these needs will depend, in part, on our ability to generate cash in the future, which depends on our future financial results. Our future results are subject to general economic, financial, competitive, legislative and regulatory factors that may be outside of our direct control. Although we believe that the financing arrangements in place will permit us to finance our operations on acceptable terms and conditions for at least the next year, our future access to, and the availability of financing on acceptable terms and conditions will be impacted by many factors (including our credit rating, capital market liquidity and overall economic conditions). Therefore, we cannot ensure that such financing will be available to us on acceptable terms or that such financing will be available at all. Nevertheless, we believe that our existing cash on hand, generation of future operating cash flows, and access to bank financing and capital markets will provide adequate resources to meet our short-term liquidity and long-term capital needs.

Beginning in **During the first quarter of fiscal 2023, 2025, we amended our Credit Facility. See Note 7—Debt Obligations to the Tax Cuts and Jobs Act of 2017 requires the capitalization of research and development costs condensed consolidated financial statements contained within this report for tax purposes and requires taxpayers to amortize such expenditures over five years. We estimate that our income taxes payable for fiscal 2024 will increase by approximately \$77 million as a result of this provision, offset by a corresponding deferred tax asset. The actual impact will depend on the amount of research and development costs incurred by the Company, whether the U.S. Congress modifies or repeals this provision and whether new guidance and interpretive rules are issued by the U.S. Treasury, among other factors. additional information.**

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Historical Cash Flow Trends

The following table summarizes our cash flows:

		Nine Months Ended		Three Months Ended	
		November 3, 2023	October 28, 2022	May 3, 2024	May 5, 2023
		(in millions)		(in millions)	
Net cash provided by operating activities	Net cash provided by operating activities	\$ 333	\$ 387		

Net cash provided by (used in) investing activities	324	(23)
Net cash (used in) provided by investing activities		
Net cash used in financing activities	Net cash used in financing activities	(455) (417)
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ 202	\$ (53)
Net (decrease) increase in cash, cash equivalents and restricted cash		

Net Cash Provided by Operating Activities. Refer to "Results of Operations" above for a discussion of the changes in cash provided by operating activities between the **nine** **three** months ended **November 3, 2023** **May 3, 2024** and the comparable prior year period.

Net Cash (Used in) Provided by (Used in) Investing Activities. Cash used investing activities for the three months ended **May 3, 2024** was \$7 million compared to cash provided by investing activities for the nine months ended November 3, 2023 was \$324 million compared to cash used in investing activities of \$23 \$336 million in the prior year period. This change is primarily due to the **\$356** **\$355** million of cash proceeds for the sale of the Supply Chain Business in the prior year period (see Note 4 to the condensed and consolidated financial statements).

Net Cash Used in Financing Activities. Cash used in financing activities for the **nine** **three** months ended **November 3, 2023** **May 3, 2024** increased compared to the prior year period primarily due to higher **principal payments, net of proceeds received from borrowings and higher share repurchases partially offset by lower term loan principal payments.** in the current year.

Critical Accounting Policies and Estimates

There have been no changes to our critical accounting policies and estimates during the **nine** **three** months ended **November 3, 2023** **May 3, 2024** from those disclosed in our most recently filed Annual Report on Form 10-K.

Recently Issued But Not Yet Adopted Accounting Pronouncements

For information on recently issued but not yet adopted accounting pronouncements, see Note 1 to the condensed and consolidated financial statements contained within this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our market risks from those discussed in our most recently filed Annual Report on Form 10-K.

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Item 4. Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) and have concluded that as of November 3, 2023 May 3, 2024 these controls and procedures were operating and effective.

Changes in Internal Control Over Financial Reporting

There have been ~~were~~ no changes in our internal control over financial reporting during the quarterly period covered by this report that ~~which~~ materially affected, or are ~~reasonably~~ likely to materially affect, our internal control over financial reporting.

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PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We have provided information about legal proceedings in which we are involved in our fiscal 2023 2024 Annual Report on Form 10-K, and we have provided an update to this information in Note 11 12—Legal Proceedings and Other Commitments and Contingencies to the condensed and consolidated financial statements contained within this report, which is incorporated herein by reference.

In addition to the described legal proceedings, we are routinely subject to investigations and reviews relating to compliance with various laws and regulations. Additional information regarding such investigations and reviews is included in our fiscal 2023 2024 Annual Report on Form 10-K, and we have also updated this information in Note 11 12—Legal Proceedings and Other Commitments and Contingencies to the condensed and consolidated financial statements contained within this report, under the heading "Government Investigations, Audits and Reviews," which is incorporated herein by reference.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in our most recently filed Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

Purchases of Equity Securities. We may repurchase shares on the open market in accordance with established repurchase plans. Whether repurchases are made and the timing and amount of repurchases depend on a variety of factors including market conditions, our capital position, internal cash generation and other factors. We also repurchase shares in connection with stock option and stock award activities to satisfy tax withholding obligations.

The following table presents repurchases of our common stock during the three months ended November 3, 2023 May 3, 2024:

Period ⁽¹⁾	Total	Average	Total	Maximum Number of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs		
	Number of Shares (or Units)	Price Paid per Share	Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs	
Purchased ⁽²⁾						
August 5, 2023						
February 3, 2024 - September 8, 2023	265,748	224,038	\$117.59	135.86	223,732	3,954,245
March 8, 2024	265,748	183,855		131.86	183,534	3,770,711
April 6, 2024 - May 3, 2024	5,524,480	204,535				
September 9, 2023 - October 6, 2023	324,822	127.22	107.75	204,535	324,822	3,566,176
October 7, 2023 - November 3, 2023	313,654		110.78		313,654	4,886,004
Total	904,224	612,428	\$111.69	131.77	904,224	611,801

(1) Date ranges represent our fiscal periods during the current quarter. Our fiscal quarters typically consist of one five-week period and two four-week periods.

(2) Includes shares purchased on surrender by stockholders of previously owned shares to satisfy minimum statutory tax withholding obligations related to stock option exercises and vesting of stock awards in addition to shares purchased under our publicly announced plans or programs.

(3) In June 2022, the number of shares that may be purchased increased by 8.0 million shares, bringing the total authorized shares to be repurchased under the plan to approximately 24.4 million shares. As of November 3, 2023 May 3, 2024, we have repurchased approximately 19.6 million 20.9 million shares of common stock under the program.

Item 3. Defaults Upon Senior Securities

No information is required in response to this item.

Item 4. Mine Safety Disclosures

No information is required in response to this item.

Item 5. Other Information

During the three months ended November 3, 2023 May 3, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as such terms are defined in Item 408 of Regulation S-K.

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Item 6. *Exhibits*

Exhibit

Number Description of Exhibit

<u>10.1*</u>	<u>First Amendment to the Science Applications International Corporation 2023 Equity Incentive Plan, effective March 5, 2024.</u>
<u>10.2*</u>	<u>First Amendment to the Science Applications International Corporation Amended and Restated 2013 Employee Stock Purchase Plan, effective March 5, 2024.</u>
<u>10.3</u>	<u>Sixth Amendment to the Third Amended and Restated Credit Agreement, dated February 8, 2024, by and among SAIC, Citibank N.A., as administrative agent and collateral agent, and certain other lenders and parties thereto. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 12, 2024.</u>
<u>31.1</u>	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>31.2</u>	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.1</u>	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.2</u>	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>101</u>	Interactive Data File. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
<u>104</u>	The cover page from this Quarterly Report on Form 10-Q, formatted as Inline XBRL.

* Management contract or compensatory plan or agreement.

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: December 4, 2023 June 3, 2024

Science Applications International Corporation

/s/ Prabu Natarajan

Prabu Natarajan
Executive Vice President and
Chief Financial Officer

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Exhibit 10.1

AMENDMENT NO. 1
TO THE
SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
2023 EQUITY INCENTIVE PLAN

WHEREAS, Science Applications International Corporation (the "Company") maintains the Science Applications International Corporation 2023 Equity Incentive Plan (the "Plan"); and

WHEREAS, the Company wishes to amend the Plan to reflect the change in the Company's listing from the New York Stock Exchange to The Nasdaq Stock Market LLC which will be effective March 5, 2024;

NOW, THEREFORE, BE IT RESOLVED, that the Plan be, and it hereby is, amended as follows:

1. Effective March 5, 2024, Subsection 2(b), the definition of "Applicable Law" is hereby deleted and replaced with the following:

(b) "Applicable Law" means any and all laws of whatever jurisdiction, within or without the United States, and the rules of any stock exchange or

quotation system on which Shares are then listed or quoted, applicable to the taking or refraining from taking of any action under the Plan, including the administration of the Plan and the issuance or transfer of Awards or Shares.

2. Effective as of March 5, 2024, the first sentence of Subsection 2(t), the definition of "Fair Market Value" is hereby deleted and replaced with the following:

(t) "Fair Market Value" means, as of any Value Date, the closing sales price as quoted for a Share on the New York Stock Exchange or The Nasdaq Stock Market LLC (as applicable) for the day before the Value Date, as reported in The Wall Street Journal or a similar publication.

Approved by the Human Resources and Compensation Committee on March 26, 2024.

US.362859131.01

Exhibit 10.2

**AMENDMENT NO. 1
TO THE
SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
2013 EMPLOYEE STOCK PURCHASE PLAN**

WHEREAS, Science Applications International Corporation (the "Company") maintains the Science Applications International Corporation 2013 Employee Stock Purchase (the "Plan") which was amended and restated effective June 7, 2023; and

WHEREAS, the Company wishes to amend the Plan to reflect the change in the Company's listing from the New York Stock Exchange to The Nasdaq Stock Market LLC which will be effective March 5, 2024;

NOW, THEREFORE, BE IT RESOLVED, that the Plan be, and it hereby is, amended as follows:

1. Effective March 5, 2024, the first sentence of Subsection 2(j), the definition of "Fair Market Value" is hereby deleted

and replaced with the following:

(i) "Fair Market Value" means, as of any Value Date, the closing sales price as quoted for a Share on the New York Stock Exchange or The Nasdaq Stock Market LLC (as applicable) for the day before the Value Date, as reported in The Wall Street Journal or a similar publication.

Approved by the Human Resources and Compensation Committee on March 26, 2024.

US.362860200.01

Exhibit 31.1

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Toni Townes-Whitley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended **November 3, 2023** **May 3, 2024** of Science Applications International Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

- b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **December 4, 2023** **June 3, 2024**

/s/ Toni Townes-Whitley
Toni Townes-Whitley
Chief Executive Officer

Exhibit 31.2

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Prabu Natarajan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended **November 3, 2023** **May 3, 2024** of Science Applications International

Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 4, 2023 June 3, 2024

/s/ Prabu Natarajan

Prabu Natarajan

Chief Financial Officer

Exhibit 32.1

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Science Applications International Corporation (the "Company") on Form 10-Q for the period ended November 3, 2023 May 3, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Toni Townes-Whitley, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 4, 2023 June 3, 2024

/s/ Toni Townes-Whitley

Toni Townes-Whitley

Chief Executive Officer

Exhibit 32.2

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C SECTION 1350,
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Science Applications International Corporation (the "Company") on Form 10-Q for the period ended **November 3, 2023** **May 3, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Prabu Natarajan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **December 4, 2023** **June 3, 2024**

/s/ Prabu Natarajan

Prabu Natarajan
Chief Financial Officer

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