



## **Investor Relations/ IPO Schedule/Q&A**

**First, a Few Important Reminders ...**

***Tom Darcy***  
***EVP, Strategic Projects***

## First, a Few Important Reminders ...

*"... longer-term, our capital structure may not be able to provide the cash required to simultaneously buy back stock and invest sufficiently in our business."*

*(Ken Dahlberg,  
June 6, 2005  
Strategic Plan  
Update)*



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### ■ How Did We get Here: the key factors

- ❖ Management and Board Strategic Planning exercise
- ❖ Commitment to building SAIC through organic growth and strategic acquisitions
- ❖ Reaffirmation of culture of customer focus, high ethics, technical excellence, entrepreneurship and employee ownership
- ❖ Profitable business that generated >\$500M in cash flow in FY05
- ❖ **But ... a capital structure that absorbed \$2.5B of cash for stock repurchases in five years ending FY05 (and another \$500M+ since then)**
- ❖ **Conflict in future years over resources to fulfill growth commitment while also supporting stock repurchase demand**

## First, a Few Important Reminders ...

*"... an IPO can allow us to sustain our culture – but only if all of us preserve, honor, and respect our heritage and hold constant the truly intrinsic values of our culture."*

*(Ken Dahlberg,  
September 1,  
2005 letter to*

*employees)*  
  
*From Science to Solutions™*

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### ■ How Did We Get Here: the conclusion

- ❖ After evaluating alternatives, IPO is best option to execute our strategy
  - Preserves operating cash flow for organic and acquisition investment rather than stock repurchases
  - Provides public currency to pursue strategic acquisitions that otherwise might not be available to us
  - Preserves significant employee ownership culture
  - Raises profile/brand to support hiring and retention of outstanding people

## First, a Few Important Reminders ...

*"Although the IPO has been delayed, we remain committed to completing our IPO."*

*(Ken Dahlberg, CEO Quarterly Update Letter, June 5, 2006)*



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### ■ Now that we're here: what is planned

- ❖ A "merger" creating SAIC, Inc., and preferred shares for current stockholders to facilitate the public offering (the merger does not affect how we do business with our customers)
- ❖ An initial public offering of common shares
- ❖ A proposed dividend to current SAIC shareholders
- ❖ **Execution of our strategy with focus on our customers and people to drive continued growth and success**

**"Execute – Grow – Invest"**



## **Investor Relations Q&A**

**Stuart Davis**  
*SVP, Investor Relations*

## Who are you?

*I have been shaped by a long career at a great company—one that has a tremendous respect for SAIC*



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- **21 years at SRA (NYSE:SRX)**
  - ❖ 13 years in the line (economic/management consulting)
  - ❖ 2 years directing strategic planning and initiatives
  - ❖ 2 years directing compensation
  - ❖ 4 years directing investor relations
- **SRA as a private company ...**
  - ❖ Strong, independent culture
  - ❖ Fortune 100 Best Places to Work in America—3 years
  - ❖ 24 years of growth and profitability—all organic
  - ❖ Internal equity program modeled after SAIC
- **SRA as a public company ...**
  - ❖ Strong, independent culture
  - ❖ Fortune 100 Best Places to Work in America—7 years
  - ❖ Much better financial results and returns

*Being public brings lots of challenges, but can be very rewarding for customers, employees, and shareholders*



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## What's it like to be public?

***Common Misperception: public companies must focus on quarterly results to the detriment of the long-term health of the company and its employees***

***My experience: going public need not change management focus and can strengthen a company***

■ **Accountability for results**

- ❖ Focus on efficient operations
- ❖ Focus on growth (*increase in investment*)

■ **Enhanced professional opportunities**

- ❖ Accelerated organic growth + acquisitive growth

■ **Increased liquidity for long-term holders**

■ **No change to services business value drivers**

- ❖ Delight your customers
- ❖ Take care of your people
- ❖ Operate with excellence
- ❖ If you want short-term upside, focus on the short-term; if you want long-term upside, focus on the long-term

## What Is Investor Relations?

*IR is not an optional activity—we must do it well to compete successfully for capital and create a fair valuation in the public marketplace*



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*Investor relations is a strategic corporate marketing activity, combining the disciplines of finance and communication, which provides present and potential investors with an accurate portrayal of a company's performance and prospects. Conducted effectively, investor relations can have a positive effect on a company's total value relative to that of the overall market and a company's cost of capital.*

### **National Investor Relations Institute**

- **Focus is on full and fair valuation**
  - ❖ Long-term NOT short-term
  - ❖ Accurate portrayal of company NOT stock hyping
- **Regulation Fair Disclosure (RegFD) drives communications approach**
  - ❖ Equal access to material information
  - ❖ Simultaneous public disclosure (e.g., press release)

## OK, but what will you do?

### Coordinate with the management team to:

- **Present our story to external investors**
  - ❖ Target new investors
  - ❖ Comfort existing shareholders
- **Present our story to employee owners**
- **Present our story to sell-side analysts**
  - ❖ Expect ~20 analysts to initiate research coverage within two years of IPO
  - ❖ Provide information to ensure their expectations and forecasts are reasonable
- **Prepare investor communications**
  - ❖ Earnings press releases
  - ❖ Quarterly conference calls (Script and Q&A)

*At its core, IR  
is about  
communication*



## What will people ask you?

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*Most investors  
will have the  
same set of  
questions*



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- What differentiates you from other companies?
- What science? What solutions?
- How can you bid, win, and successfully execute large, complex programs?
- How can you accelerate growth and improve your margins?
- How can you hire and retain enough people?
- What is happening with the Government Services market?
- What is your acquisition strategy?
- How's the quarter going?

## What metrics matter?

*Investors and analysts will measure the health of the company across a number of different dimensions*



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### ■ Income Statement

- ❖ Revenue, esp YoY organic growth rate
- ❖ EPS, esp YoY growth rate
- ❖ Operating Margin

### ■ Balance Sheet/Statement of Cash Flows

- ❖ Free cash flow
- ❖ Days sales outstanding

### ■ Business Development

- ❖ Awards
- ❖ Backlog
- ❖ Pipeline

*Note: Many metrics assessed as:  
♦ actual results vs. forecast  
♦ actual results vs. "consensus"  
♦ actual results vs. peers*

### ■ People Management

- ❖ Voluntary attrition rate
- ❖ Net hires
- ❖ Direct labor utilization (timesold)

## How are we going to run IR?

*Our approach to disclosure must be consistent with who we are as a company*



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- **The best way to reward our shareholders is to run our business as well as possible**
  - ❖ Our focus is the business not the market
- **Maintain proactive, professional dialogue with analysts**
  - ❖ Target compatible investors (regardless of valuation)
  - ❖ Foster sell-side understanding (regardless of banking relationships or research ratings)
- **Deliver what we promise**
  - ❖ Guidance must be reliable
  - ❖ Consistency is cherished by Wall Street
- **Focus on long-term value**
  - ❖ Uphold our motto of "Ethics and Quality: Good Values... Good Business"

## How will we position SAIC to the Street?

*Investors are not buying based on past results but on expectations of the future*



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- **SAIC combines the focus of “pure-plays” with the scale, capability, and credibility of large, diversified integrators**
  - ❖ Established provider in a huge, attractive market
  - ❖ Growing presence in targeted commercial verticals
- **Tremendous potential growth opportunity by taking advantage of our scale**
  - ❖ Retain entrepreneurial spirit
  - ❖ Target larger procurements
  - ❖ Cross-sell capabilities
  - ❖ Streamline corporate operations
  - ❖ Institute discipline processes

## What is the IPO timeline?

*IPO process is both chaotic and efficient*



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### ■ SAIC IPO process is complicated by:

- ❖ Broad employee ownership and need for special meeting
- ❖ Special dividend to create more efficient cash position
- ❖ Employee expectations for liquidity pre-IPO

### ■ Road show (about two weeks):

- ❖ Meet w/ institutional investors—up to 8 meetings per day, either 1-on-1 or in large group lunches
- ❖ Visit 1-2 different cities each day
- ❖ Raise ~\$1.7B capital to create liquid market for SAIC stock and grow the company

## What about Employee Ownership?

*Employee ownership culture is part of our past, present, and future*



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- **A Culture of Ownership is a core value**
  - ❖ Founding principal and cornerstone of the company
  - ❖ Contributing factor to our continued success
  - ❖ Tied to employee satisfaction, commitment, retention
  - ❖ Integral part of our story to investors
- **Even if not “employee owned,” we can:**
  - ❖ Support employee equity participation
  - ❖ Retain a culture of ownership
- **IR and EOR are merging to create “Investor and Employee Owner Relations”**
  - ❖ Ensure consistent information for all investors
  - ❖ Enhance communications to broaden understanding of our markets and how to build shareholder value
  - ❖ Sustain employee ownership culture

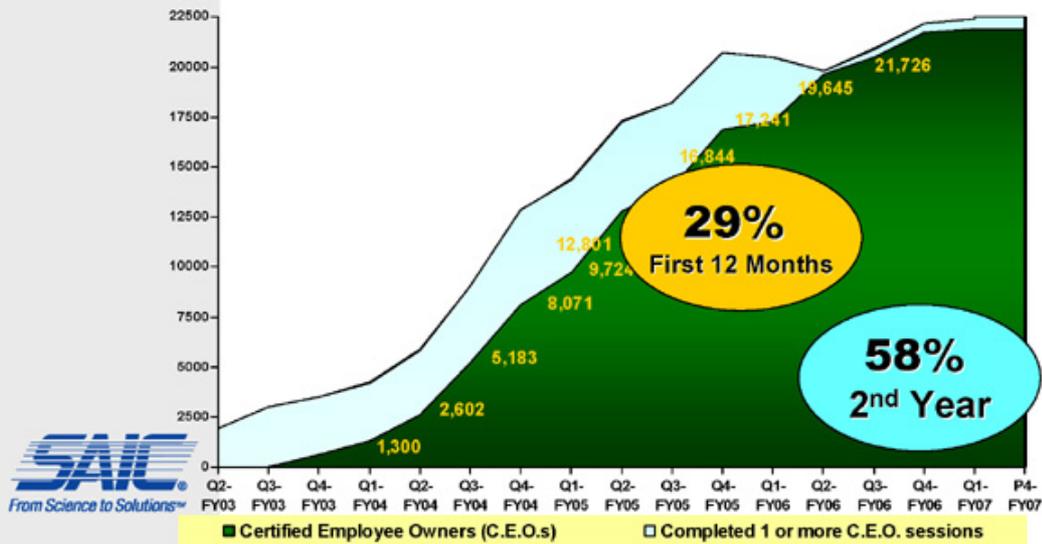


## **Employee Ownership & the C.E.O. Program**

***Lynn Thompson***  
***VP, Employee Owner  
Relations***

## P4FY07 Cumulative Employee Certifications

**51% of SAIC Employees are Certified Employee Owners (C.E.O.s)** **21,878 Total C.E.O.s**



## The Value of the C.E.O. Program

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1. **C.E.O.s have 44% Lower Turnover and Higher Retention than SAIC employees overall.**
  - ❖ Based on HR comparison of voluntary terms in FY06 as of 1/31/06.
2. **C.E.O.s have Greater Participation in All SAIC Stock and Retirement Programs.**
3. **Owning Stock is associated with Higher Employee Satisfaction and Commitment according to HC best practices.**
  - ❖ In our last Employee Opinion Survey SAIC employees had 33% higher satisfaction & 30% higher commitment than our industry peers.



## Strengthening the C.E.O. Program

<b>C.E.O Program</b>	<b>Content Before</b>	<b>Content FY07 FORWARD</b>
OK 1 – Your Opportunity for Success	SAIC History, Org Structure	<ul style="list-style-type: none"> <li>■ Vision, Mission, Values</li> <li>■ History Highlights</li> <li>■ SAIC Values &amp; the Culture of Discipline</li> <li>■ SAIC Strategic Objectives</li> <li>■ SAIC Differentiators &amp; EVP</li> </ul>
OK 2 – Your Opportunity to Own	Bull, Inc. Trade Cycle & Process FTBP, CMOP Options, Option calculator	<ul style="list-style-type: none"> <li>■ ESPP &amp; Accumulation Examples</li> <li>■ Performance Ownership - Bonus Program</li> <li>■ Overview of Mellon Investor Services</li> <li>■ Accessing the MellonOne web portal</li> </ul>
OK 3 – Your Opportunity for a Secure Retirement	Retirement Plans	<ul style="list-style-type: none"> <li>■ SAIC Retirement Plan</li> <li>■ Mutual Fund Choices</li> <li>■ Asset Allocation</li> <li>■ Access Account through Vanguard</li> </ul>
OK 4 – Your Opportunity to Understand SAIC Financial & Performance Metrics	Stock Pricing Process Stock Pricing Formula EBITDA	<ul style="list-style-type: none"> <li>■ Income, Balance &amp; Cash Flow Statements Overviews</li> <li>■ Cash Flow Management</li> <li>■ Performance Metrics</li> <li>■ Balanced Scorecard</li> </ul>



## Gully Task Force: Reestablishing EO in a Post-IPO World

### Answer 3 Questions:

1. **How our EO Culture will be sustained after the IPO?**
2. **What the End State looks like?**
3. **What Programs, Activities & Communications are needed to get there?**

### Progress to Date:

- Affirmed our 6 core values and developed descriptions.
- Streamlined the purpose.
- Obtained employee & leader feedback.
- Aligned SAIC's 11 competencies with values.
- **Now associating programs with each value.**
- **Will develop communication & change management plan to integrate into company post-IPO.**





## **Employee Q&As**

**EVP Tom Darcy**

**SVP Stuart Davis**

**VP Lynn Thompson**



## Forward-looking Statements

This communication may contain forward-looking statements that are based on our management's belief and assumptions and on information currently available to our management. Any such forward-looking statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, achievements or benefits to be materially different from any future results, levels of activity, performance, achievements or benefits expressed or implied by such forward-looking statements. As a result of these risks, uncertainties and other factors, readers are cautioned not to place undue reliance on any forward-looking statements included in this communication. These risks, uncertainties and factors are discussed in the filings of Science Applications International Corporation and SAIC, Inc. with the SEC, which are available without charge at the SEC's internet site at <http://www.sec.gov>. The forward-looking statements speak only as of the date made. Neither Science Applications International Corporation nor SAIC, Inc. assume any obligation to update any forward-looking statements to reflect events or circumstances arising after the date as of which they are made or to conform such statements to actual results.

## Additional Information and Where to Find It

More detailed information pertaining to the merger and related proposals of Science Applications International Corporation will be set forth in appropriate filings that have been and will be made with the SEC, including the proxy statement/prospectus contained in the registration statement on Form S-4 filed by SAIC, Inc. concerning the proposed merger and related proposals. **We urge stockholders to read such documents that are or may be filed with the SEC when they are available because they will contain important information about the proposed merger and related proposals.** Stockholders will be able to obtain a free copy of any filings, containing information about Science Applications International Corporation or SAIC, Inc., without charge, at the SEC's internet site at <http://www.sec.gov>. Copies of any filings by Science Applications International Corporation or SAIC, Inc. can also be obtained, without charge, by directing a request in writing to Science Applications International Corporation, 10260 Campus Point Drive, M/S F-3, San Diego, California 92121, Attention: General Counsel or by email to [SECfilings@saic.com](mailto:SECfilings@saic.com).

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## Participants in the Solicitation

Science Applications International Corporation, SAIC, Inc. and their respective directors and executive officers may be deemed, under the SEC's rules, to be participants in the solicitation of proxies from the stockholders of Science Applications International Corporation in connection with the proposed merger and related proposals. The names of the directors and executive officers of Science Applications International Corporation and SAIC, Inc. and their interests, direct or indirect, by security holdings or otherwise, in the proposed merger and related proposals are contained in the proxy statement/prospectus contained in a registration statement on Form S-4 filed by SAIC, Inc., which may be obtained without charge at the SEC's internet site at <http://www.sec.gov>, or by directing a request in writing to Science Applications International Corporation, 10260 Campus Point Drive, M/S F-3, San Diego, California 92121, Attention: General Counsel or by email to [SECfilings@saic.com](mailto:SECfilings@saic.com).