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Science Applications International Corp
Form 10-Q
December 02, 2015

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 October 30, 2015

or

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

For the transition period from _____ to _____

| | | | |
|-------------|---|--|------------------------------------|
| Commission | Exact Name of Registrant as Specified in its Charter, | State or other jurisdiction of incorporation or organization | I.R.S. Employer Identification No. |
| File Number | Address of Principal Executive Offices and Telephone Number | Delaware | 46-1932921 |
| 001-35832 | Science Applications International Corporation 1710 SAIC Drive, McLean, Virginia 22102 703-676-6942 | | |

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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 and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
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 20, 2015 was as follows:

45,465,620 shares of common stock (\$.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 AND COMPREHENSIVE INCOME

(UNAUDITED)

| | Three Months Ended | | Nine Months Ended | |
|--|--|----------------|----------------------|----------------|
| | October 30, | October 31, | October 30, | October 31, |
| | 2015 | 2014 | 2015 | 2014 |
| | (in millions, except per share amounts) | | | |
| Revenues | \$1,129 | \$993 | \$3,216 | \$2,894 |
| Revenues performed by former Parent (Note 1) | 7 | 11 | 28 | 39 |
| Total revenues | 1,136 | 1,004 | 3,244 | 2,933 |
| Cost of revenues | 1,023 | 906 | 2,911 | 2,645 |
| Cost of revenues performed by former Parent (Note 1) | 7 | 11 | 28 | 39 |
| Total cost of revenues | 1,030 | 917 | 2,939 | 2,684 |
| Selling, general and administrative expenses | 41 | 24 | 116 | 68 |
| Acquisition and integration costs (Note 3) | 1 | - | 16 | - |
| Operating income | 64 | 63 | 173 | 181 |
| Interest expense | 14 | 4 | 31 | 13 |
| Income before income taxes | 50 | 59 | 142 | 168 |
| Provision for income taxes (Note 6) | (16) | (22) | (53) | (63) |
| Net income | \$34 | \$37 | \$89 | \$105 |
| Other comprehensive loss, net of tax (Note 9) | (2) | (1) | (1) | - |
| Comprehensive income | \$32 | \$36 | \$88 | \$105 |
| Earnings per share (Note 2): | | | | |
| Basic | \$0.74 | \$0.80 | \$1.94 | \$2.22 |
| Diluted | \$0.72 | \$0.77 | \$1.87 | \$2.15 |
| Cash dividends declared and paid per share | \$0.31 | \$0.28 | \$0.90 | \$0.84 |

See accompanying notes to condensed and consolidated financial statements.

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION

CONDENSED AND CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

| | October 30, | January 30, |
|--|----------------|----------------|
| | 2015 | 2015 |
| | (in millions) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 184 | \$ 301 |
| Receivables, net | 674 | 544 |
| Inventory, prepaid expenses and other current assets | 125 | 97 |
| Total current assets | 983 | 942 |
| Goodwill | 860 | 379 |
| Intangible assets, net (Note 4) | 234 | 2 |
| Property, plant, and equipment (net of accumulated depreciation of \$109 million and \$106 million at October 30, 2015 and January 30, 2015, respectively) | 74 | 59 |
| Other assets | 25 | 13 |
| Total assets | \$2,176 | \$ 1,395 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$442 | \$ 365 |
| Accrued payroll and employee benefits | 173 | 155 |
| Long-term debt, current portion (Note 7) | 67 | 31 |
| Other current liabilities | 22 | 25 |
| Total current liabilities | 704 | 576 |
| Long-term debt, net of current portion (Note 7) | 1,045 | 455 |
| Other long-term liabilities | 35 | 19 |
| Commitments and contingencies (Note 11) | | |
| Equity: | | |
| Common stock, \$.0001 par value, 1 billion shares authorized, 46 million shares issued and outstanding as of October 30, 2015 and January 30, 2015 | - | - |
| Additional paid-in capital | 237 | 234 |
| Retained earnings | 161 | 116 |
| Accumulated other comprehensive loss (Note 9) | (6) | (5) |
| Total equity | 392 | 345 |
| Total liabilities and equity | \$2,176 | \$ 1,395 |

See accompanying notes to condensed and consolidated financial statements.

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SCIENCE APPLICATIONS INTERNATIONAL CORPORATION

CONDENSED AND CONSOLIDATED STATEMENT OF EQUITY

(UNAUDITED)

| | Shares of | Additional paid-in stock (in millions) | Retained earnings | Accumulated other comprehensive loss | Total |
|---|--------------|---|----------------------|---|-------|
| Balance at January 30, 2015 | 46 | \$ 234 | \$ 116 | \$ (5) | \$345 |
| Net income | - | - | 89 | - | 89 |
| Issuances of stock | 1 | 6 | - | - | 6 |
| Other comprehensive loss, net of tax (Note 9) | - | - | - | (1) | (1) |
| Cash dividends of \$0.90 per share | - | - | (44) | - | (44) |
| Stock-based compensation | - | - | - | - | - |