



**Federal Retirement
Thrift Investment Board**

QUARTERLY VENDOR FINANCIAL ASSESSMENT

Board Presentation: December 19, 2016

Prepared by:
Office of Enterprise Risk Management (OERM)

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BlackRock, Inc. (BLK)**Exchange:** NYSE**Sector:** Financials**Industry:** Asset Management**Company Overview:**

- BlackRock, Inc. (BlackRock) is the world's largest publicly traded investment management firm with portfolio managers located around the world. As of September 30, 2016, BlackRock's assets under management (AUM) were \$5.1 trillion. BlackRock helps clients around the world meet their goals and overcome challenges with a range of products that include separate accounts, mutual funds, iShares® (exchange-traded funds), and other pooled investment vehicles.

Strengths

- Leading market position and reputation across asset management industry with deep, granular and global customer base
- Strong earnings and cash flow generation capacity

Challenges

- Increasing price competition in the ETF market
- Potential regulatory changes in asset management business

Services Provided:

- BlackRock is the investment manager for the Thrift Savings Plan (TSP)'s C, F, S, and I Funds. BlackRock Institutional Trust Company, N.A. (BTC) has selected State Street Corporation to provide custodial services.

Credit Ratings:

- Moody's: A1** – Investment grade – Judged to be upper-medium grade and subject to low credit risk, and has best ability to repay short-term debt
- S&P: AA-** – Investment grade – Very strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances
- D&B: 533** (101–670) – Lower risk – D&B predicts a low likelihood that BlackRock will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (July – September 2016):

- In July, 2016, BlackRock declared a quarterly cash dividend of \$2.29 per share of common stock, payable September 23, 2016.

Subsequent Events (after September 2016):

- In November, 2016, BlackRock declared a quarterly cash dividend of \$2.29 per share of common stock, payable December 23, 2016.

Risk Monitoring:

- Risk of increased regulatory and compliance costs, including potential designation as a Systemically Important Financial Institution (SIFI) by the U.S. Treasury's Financial Stability Oversight Council (FSOC)* – BlackRock does not view itself as a SIFI for the following reasons: It is not significantly levered, has no wholesale funding, does not sell insured products to the retail market, its balance sheet is not reliant on government bailout, and does not take deposits. No determination has been made by Treasury.

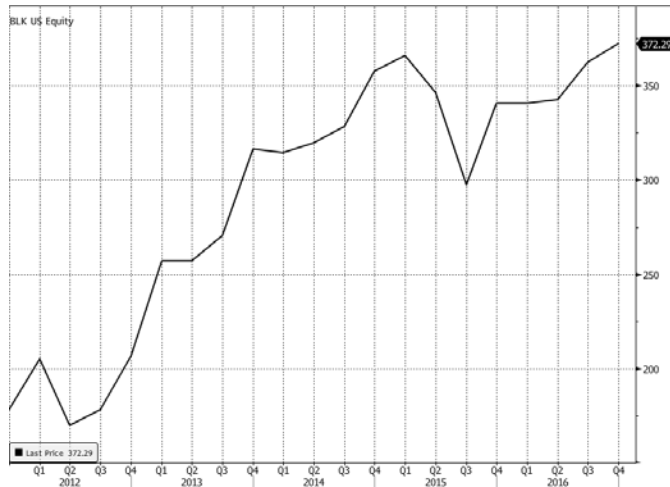
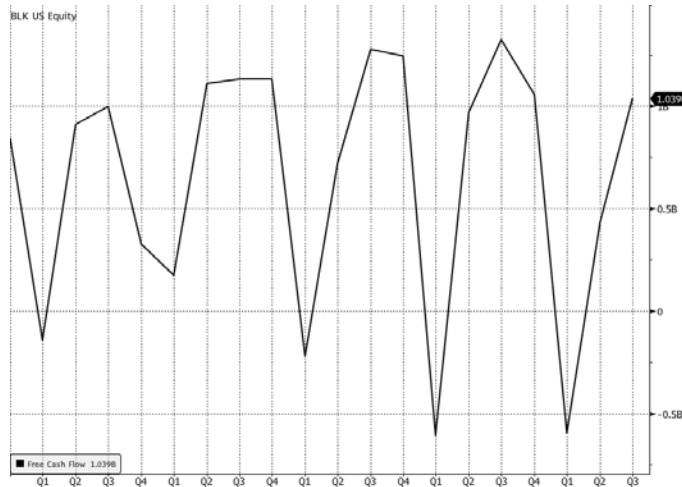
Given the current analysis of the vendor, we find no indication that BlackRock is unable to fulfill its contractual obligations to FRTIB.

BlackRock, Inc. (BLK)

Exchange: NYSE

Sector: Financials

Industry: Asset Management

Share Price**Free Cash Flow****Key Metrics Supporting Analysis**

(\$ In Millions, except ratios, yields)	Q3 2015	Q3 2016	% Change	Direction
Solvency				
Debt to Equity Ratio	17.59	18.10	3%	↓
Debt to Capital Ratio	14.81	15.04	2%	↓
Interest Coverage Ratio	-	-	-	-
Enterprise Value	\$48,934	\$59,941	22%	↑
Liquidity				
Cash Ratio	1.98	1.98	-	-
Current Ratio	2.86	2.90	1%	↑
Quick Ratio	2.86	2.90	1%	↑
Profitability				
Revenue	\$2,910	\$2,837	-3%	↓
EBITDA	\$1,294	1,297	0%	-
EBIT	\$1,226	\$1,240	1%	↑
ROA	1.48	1.42	-4%	↓
ROE	11.93	10.98	-8%	↓
ROIC	9.39	9.39	-	-
Operating Margin	41.12	42.66	4%	↑
Profit Margin	28.97	30.84	6%	↑
EPS	5.08	5.33	5%	↑

Broadridge Financial Solutions (BR)**Exchange:** NYSE**Sector:** Industrials**Industry:** Business Services**Company Overview:**

- Broadridge Financial Solutions, Inc. provides investor communications and technology-driven solutions to banks, broker-dealers, mutual funds and corporate issuers. Its services include investor communication solutions, and securities processing and business process outsourcing. It operates through two business segments: Investor Communication Solutions and Securities Processing Solutions.

Strengths

- Leading share in the proxy distribution market
- Long-term customer contracts and customer relationships

Challenges

- Changing regulations impacting proxy distribution business
- Integration and execution risks with acquisition growth strategy

Services Provided:

- Broadridge Financial Solutions provides bulk outgoing mailing services for FRTIB from its Columbus, Ohio, Coppell, Texas, and Edgewood, New York facilities. These services include printing and mailing FRTIB documents, education, and marketing materials to participants, beneficiaries, and third parties.
- New contract was awarded to Broadridge Financial Solutions (BR) on February 27, 2015. Broadridge Financial Solutions started sending out TSP mail on May 1, 2015.

Credit Ratings:

- Moody's: Baa1** – Judged to have speculative elements and a moderate credit risk
- S&P: BBB+** – Adequate capacity to meet its financial commitments but adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments
- D&B: 534** (101– 670) – Lower risk – D&B predicts a low likelihood that Broadridge Financial Solutions will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (July – September 2016):

- In July, 2016, Broadridge Financial Solution completed the acquisitions of the North America Customer Communications (NACC) business of DTS Systems, Inc.
- In August, 2016, Broadridge Financial Solutions declared a quarterly cash dividend of \$0.33 per share, payable October 01, 2016.

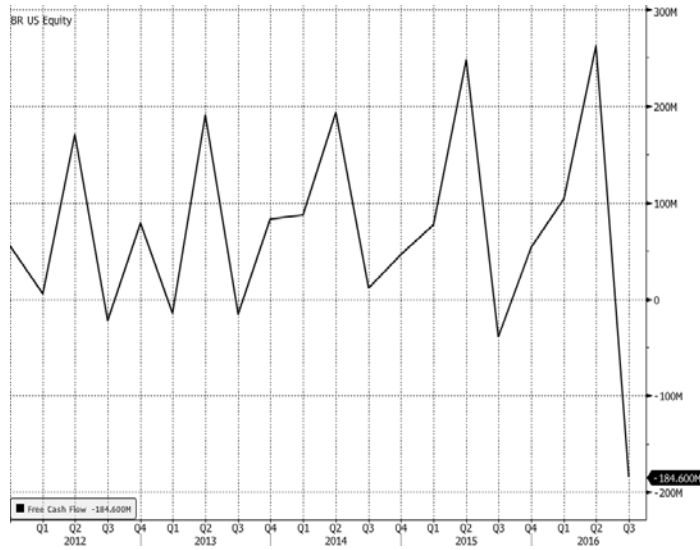
Subsequent Events (after September 2016):

- In November, 2016, Broadridge Financial Solutions declared a quarterly cash dividend of \$0.33 per share, payable January 04, 2017.

Risk Monitoring:

- Risk of not successfully integrating and executing series of latest mergers and acquisitions* – Broadridge Financial Solutions is focused on successfully integrating its mergers and acquisitions and expects to increase net sales, drive cost savings from synergies, and provide additional capacity to meet customer needs. Broadridge Financial Solutions first quarter fiscal year 2017 results: Revenues increased 51% to \$895 million, compared to \$595 million for the prior year period. Revenues from acquisitions contributed \$278 million of this total increase, with the revenues of the North American Customer Communications business acquired from DST Systems, Inc. ("NACC") contributing \$272 million.
- Risk Mitigation Strategy:* If the current facility that prints notices or statements for the Agency is unavailable, Broadridge will route work to be completed at another location. In the event of an immediate going concern and Broadridge goes out of business, the Agency will work with the Contracting office to award an emergency contract to another company for all printing and mailing.

Given the current analysis of the vendor, we find no indication that Broadridge Financial Solutions is unable to fulfill its contractual obligations to FRTIB.

Broadridge Financial Solutions (BR)**Exchange:** NYSE**Sector:** Industrials**Industry:** Business Services**Share Price****Free Cash Flow****Key Metrics Supporting Analysis**

(\$ In Millions, except ratios, yields)	Q3 2015	Q3 2016	% Change	Direction
Solvency				
Debt to Equity Ratio	70.02	90.8	30%	↓
Debt to Capital Ratio	41.18	47.59	16%	↓
Interest Coverage Ratio	14.06	13.51	-4%	↓
Enterprise Value	\$6,968	\$7,513	8%	↑
Liquidity				
Cash Ratio	0.58	0.61	5%	↑
Current Ratio	1.76	1.73	-2%	↓
Quick Ratio	1.50	1.48	-1%	↓
Profitability				
Revenue	\$634	\$689	9%	↑
EBITDA	\$116.20	\$128.80	11%	↑
EBIT	\$89.60	\$100.60	12%	↑
ROA	11.85	12.62	6%	↑
ROE	29.08	33.68	16%	↑
ROIC	17.71	19.52	10%	↑
Operating Margin	14.13	14.61	3%	↑
Profit Margin	6.04	6.29	9%	↑
EPS	0.45	0.54	20%	↑

Equinix, Inc. (EQIX)**Exchange:** NASDAQ **Sector:** Technology **Industry:** Computer Services**Company Overview:**

- Equinix, Inc. (Equinix) provides global data center services that protect and connect information assets for its clients. Global enterprises, financial services companies, and content and network service providers rely upon Equinix's data centers in over 30 markets around the world for the safe housing of their critical IT equipment and the ability to directly connect to the networks that enable today's information-driven economy. Equinix has extensive operations in North America, Europe, Asia, United Arab Emirates, and Brazil.

Strengths

- Diversified and global customer base
- Well positioned to take advantage of the growing cloud market

Challenges

- Debt level is high creating poor financial leverage
- ROA and EBIT margin decreased when compared to prior year

Services Provided:

- Equinix is under contractual obligation to host data center services for the FRTIB. The FRTIB's primary data center operates out of a Northern Virginia facility.

Credit Ratings:

- Moody's: B1** – Speculative grade – Has speculative elements and high credit risk.
- S&P: BB** – Speculative grade – Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions
- D&B: 498** (101–670) – Moderately low risk – D&B predicts a moderately low likelihood that Equinix will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (July – September 2016):

- In August, 2016 Equinix declared a quarterly cash dividend of \$1.75 per share, payable September 14, 2016.

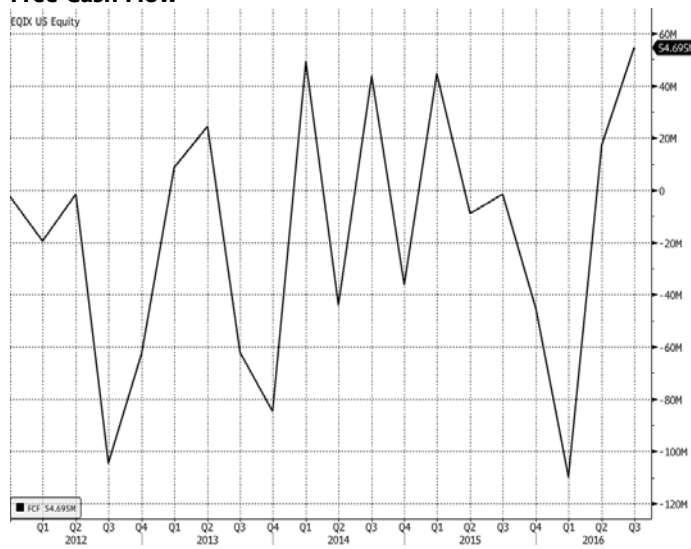
Subsequent Events (after September 2016):

- In November, 2016 Equinix declared a quarterly cash dividend of \$1.75 per share, payable December 14, 2016.
- In December, 2016 Equinix will be purchasing 29 data centers from Verizon for \$3.6 billion. The data centers are located in 15 metro areas in the United States and Latin America.

Risk Monitoring:

- Risk of excessive leverage* – Equinix's long-term debt to total assets ratio declined from September 2015 (0.57) to September 2016 (0.48), which may suggest that Equinix is progressively becoming less dependent on debt to grow their business. The company's total debt levels are a concern as they rose from \$4.64B September 2015 to \$6.93B S. 3Q16 results: Revenues \$924.7 million, a 3% increase over the previous quarter. Of the total revenue, \$39.7 million was generated from Bit-isle, a European data center operator acquired in November of last year, and \$107.3 million from Telecity, a European data center operator acquired in February. Recurring revenue, consisting primarily of colocation, interconnection, and managed services, was \$877.5 million, a 3% increase over the year-ago period. Non-recurring revenue was \$47.2 million.
- Risk Mitigation Strategy:* In the unlikely event Equinix is unable to provide support and services to FRTIB, as a contingency measure, FRTIB processing could be restored at the backup data center.

We will continue to monitor Equinix's financial performance. At this point in time, we find no indication that Equinix is unable to fulfill its contractual obligations to FRTIB given the current analysis of the vendor.

Equinix, Inc. (EQIX)**Exchange:** NASDAQ **Sector:** Technology **Industry:** Computer Services**Share Price****Free Cash Flow****Key Metrics Supporting Analysis**

(\$ In Millions, except ratios, yields)	Q3 2015	Q3 2016	% Change	Direction
Solvency				
Debt to Equity Ratio	311.45	149.78	-52%	↑
Debt to Capital Ratio	75.70	59.96	-21%	↑
Interest Coverage Ratio	1.80	1.78	-1%	↓
Enterprise Value	\$16,758	\$29,363	75%	↑
Liquidity				
Cash Ratio	0.23	0.66	187%	↑
Current Ratio	0.85	1.11	31%	↑
Quick Ratio	0.43	0.91	112%	↑
Profitability				
Revenue	\$687	\$925	35%	↑
EBITDA	\$274	\$385	41%	↑
EBIT	\$141	\$170	21%	↑
ROA	-2.35	0.73	131%	↑
ROE	11.02	3.44	-69%	↓
ROIC	-8.33	-8.53	-2%	↓
Operating Margin	20.52	18.38	-10%	↓
Profit Margin	10.67	34.67	225%	↑
EPS	0.72	0.73	1%	↑

MetLife, Inc. (MET)**Exchange:** NYSE **Sector:** Financials **Industry:** Life Insurance**Company Overview:**

- MetLife, Inc. (MetLife) is a leading global provider of insurance, annuities, and employee benefit programs throughout the United States, Japan, Latin America, Asia, Europe and the Middle East.

Strengths

- Market leader and well diversified in individual and group life insurance as well as commercial mortgage

Challenges

- MetLife business and results of operations are materially affected by conditions in the global capital markets and the overall economy

Services Provided:

- MetLife has been the annuity provider to the TSP since 1987. The Federal Employees Retirement System Act of 1986 (FERSA) requires the FRTIB to offer a participant who has separated from federal service the option of purchasing an annuity, using all or a portion of the participant's account balance.

Credit Ratings:

- Moody's: A3** – Investment grade – Judged to be upper-medium grade and is subject to low credit risk, and has high ability to repay short-term debt
- S&P: A-** – Investment grade – Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances
- D&B: 550** (101–670) – Lower risk – D&B predicts a low likelihood that MetLife will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (July – September 2016):

- In July, MetLife declared quarterly cash dividend of \$0.40 per share, payable September 13, 2016.
- In August, MetLife filed a brief calling on federal appeals court to uphold decision to rescind the federal government's labeling of MetLife Inc. as a SIFI.

Subsequent Events (after September 2016):

- In October, MetLife declared quarterly cash dividend of \$0.40 per share, payable December 13, 2016.

Risk Monitoring:

- Risk of increased regulatory and compliance costs* – In March, 2016, a federal judge rescinded the federal government's labeling of MetLife Inc. as a SIFI (systemically important financial institution). In August, MetLife filed a brief calling on federal appeals court to uphold decision to rescind the federal government's labeling of MetLife Inc. as a SIFI.
- On January 12, 2016, MetLife announced a plan to pursue the separation of its U.S. Retail segment. Even though MetLife was appealing its SIFI designation in court, the risk of increased capital requirements may have contributed to their decision to pursue the separation of the business. The parts of the U.S. Retail segment that would stay with MetLife are: Group, Voluntary and Worksite benefits (GVWB), Corporate Benefit Funding (CBF), Asia, Latin America, and Europe, the Middle East and Africa (EMAE). In the U.S. market, MetLife will remain the leader in employee benefits through its GVWB business and a major provider of pension and retirement products through its CBF business. CBF, MetLife's institutional retirement business, is the group through which MetLife manages the TSP Annuity Program.

MetLife's announcement has no impact on the TSP Annuity Program but we will monitor the situation on a quarterly basis by tracking changes in MetLife's business strategy due to additional regulations.
- Risk Mitigation Strategy:* In the unlikely event MetLife is unable to provide annuities as a distribution option for TSP participants, as a contingency measure, FRTIB could elect to not exercise options under the existing annuity contract or could offer participants monthly payments until a new vendor is identified or identify an interim annuity vendor (via a non-competitive bid process).

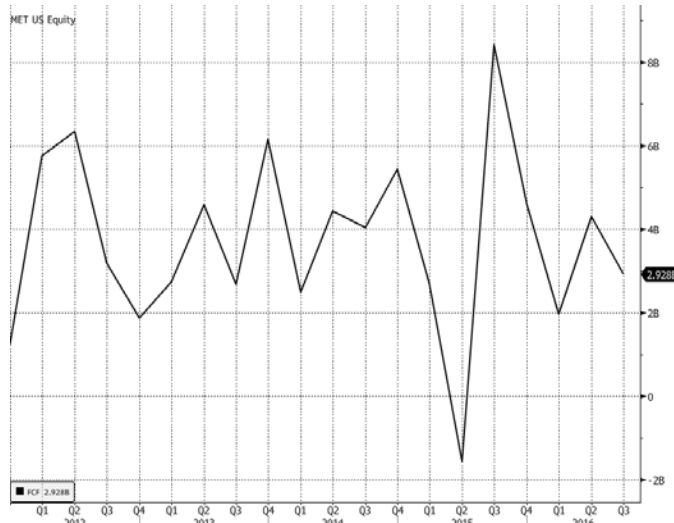
Given the current analysis of the vendor, we find no indication that MetLife is unable to fulfill its contractual obligations to FRTIB.

MetLife, Inc. (MET)

Exchange: NYSE

Sector: Financials

Industry: Life Insurance

Share Price**Free Cash Flow****Key Metrics Supporting Analysis**

(\$ In Millions, except ratios, yields)	Q3 2015	Q3 2016	% Change	Direction
Solvency				
Debt to Equity Ratio	34.05	30.59	-10%	↑
Debt to Capital Ratio	25.40	23.43	-7%	↑
Interest Coverage Ratio	-	-	-	-
Enterprise Value	\$69,310	\$59,226	-15%	↓
Liquidity				
Cash Ratio	.25	.32	28%	↑
Current Ratio	1.24	1.09	-12%	↓
Quick Ratio	1.24	1.09	-12%	↓
Profitability				
Revenue	\$18,031	\$17,723	-2%	↓
EBITDA	-	-	-	-
EBIT	\$3.36	\$3.23	-4%	↓
ROA	0.67	0.41	-39%	↓
ROE	9.26	6.45	-31%	↓
ROIC	-4.54	4.28	194%	↑
Operating Margin	8.54	5.00	-41%	↓
Profit Margin	13.67	4.74	-65%	↓
EPS	1.07	0.52	-51%	↓

Serco Group Plc (SRP)**Exchange:** LSE**Sector:** Technology**Industry:** Technology Services**Company Overview:**

- Serco Group Plc, (Serco) is a public limited company based in the United Kingdom with its North American headquarters in Reston, VA. Serco N.A. is an independent subsidiary that provides professional, technology, and management services focused on U.S. Federal and Canadian governments.

Strengths

- One of the largest entities by revenue in its industry
- Diverse and unique business model

Challenges

- Operating Margin decreased when compared to prior year
- Spending reductions and uncertainty around federal funding and contracts in the U.S.

Services Provided:

- Serco currently operates a call center, court order, death benefit and agency technical service center, as well as provides incoming mail data entry, imaging, and special processing support through its subcontractor.

Credit Ratings:

- Moody's:** NR – N/A
- S&P:** NR – N/A
- D&B:** 540 (101–670) – Lower risk – D&B predicts a moderately low likelihood that Serco will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (July – September 2016):

- In July, 2016, Serco was awarded new \$12 Million C41 contract with U.S. Navy..
- In July, 2016, Serco was awarded \$18.9 Million USS Harry S. Truman Contract.
- In September, 2016, Serco was awarded \$115 Million Canadian Department of National Defense Contract.

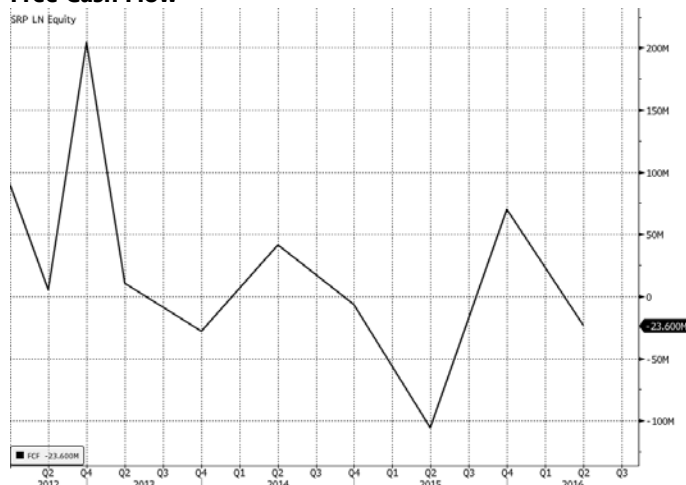
Subsequent Events (after September 2016):

- No significant events were noted.

Risk Monitoring:

- Risk of Serco not meeting its profitability goals* – Revenue in the period was \$1,493m (2015: \$1,612m), a decline of 7%; reported revenue excludes that from Serco joint ventures at Northern Rail and AWE, which represents the vast majority of the Group's activity in joint ventures. The principal driver of the revenue reduction was the phased transfer back of services that Serco had previously been providing to DSTL, together with the end of the Defense Business Services arrangement, the loss of two other small defense support contracts, and the ending of transitional support provided in 2015 regarding the supply of Electronic Monitoring equipment. There was limited growth elsewhere to offset contract attrition.
- Risk Mitigation Strategy:* In the unlikely event Serco is unable to provide support and services to FRTIB, as a contingency measure, FRTIB could take steps to directly hire, on a temporary basis (or if needed, permanent basis) key Serco staff to continue processing legal and death cases as well as agency technical services. Also, for services such as special processing and incoming mail data entry, the FRTIB can look at setting up emergency contracts directly with Serco subcontractors. For call center operations, FRTIB may be able to temporarily absorb added workload at the second call center and can work with the second call center to add needed staff.

We will continue to monitor Serco's financial performance. At this point in time, we find no indication that Serco is unable to fulfill its contractual obligations to FRTIB given the current analysis of the vendor.

Serco Group Plc (SRP LN)**Exchange:** LSE **Sector:** Technology **Industry:** Technology Services**Share Price****Free Cash Flow****Key Metrics Supporting Analysis***

(\$ In Millions, except ratios, yields)	S1 2015	S1 2016	% Change	Direction
Solvency				
Debt to Equity Ratio	119.17	77.22	-35%	↑
Debt to Capital Ratio	54.37	43.57	-16%	↑
Interest Coverage Ratio	16.88	5.34	-68%	↓
Enterprise Value	\$1,528	\$1,141	-25%	↓
Liquidity				
Cash Ratio	0.16	0.22	38%	↑
Current Ratio	1.29	1.06	-18%	↓
Quick Ratio	0.16	0.22	38%	↑
Profitability				
Revenue	\$1,613	\$1,493	-7%	↓
EBITDA	\$48	\$71.50	48%	↑
EBIT	\$22	\$47	107%	↑
ROA	-57.09	-0.75	99%	↑
ROE	-214.70	-47.27	78%	↑
ROIC	-69.04	7.85	111%	↑
Operating Margin	1.42	3.18	124%	↑
Profit Margin	-5.67	3.11	155%	↑
EPS	-0.10	0.04	140%	↑

*Serco reports semi-annually.

Fidelity National Information Services (FIS) (acquired SunGard) Exchange: NYSE Sector: Technology
 Industry: Technology Services

Company Overview:

- Fidelity National Information Services is a financial services technology company based in Jacksonville, Florida. The Company offers a range of solutions in retail and enterprise banking, payments, capital markets, asset and wealth management, risk and compliance, treasury and insurance, as well as providing financial consulting and outsourcing services. The Company operates through three segments: Integrated Financial Solutions (IFS), Global Financial Solutions (GFS) and Corporate and Other. FIS provides disaster recovery services, managed IT services, information availability consulting services and business continuity management software to its clients.

Strengths

- Largest global provider dedicated to banking and payments technologies
- Operates on long-term contracts with its clients, generating steady, recurring revenues

Challenges

- SunGard acquisition expected to hit the net profitability of FIS for some time due to the debt load created by this acquisition
- SunGard has almost tripled FIS's debt ratios while its ability to generate cost and revenues synergies still remains to be seen

Services Provided:

- FRTIB contracts with FIS for use of their suite of Omni software products that form the core of the FRTIB recordkeeping system.
- FIS provides incoming mail data entry and imaging support as a subcontractor to Serco.
- FIS provides recordkeeping business process services as a subcontractor on the TESS contract.

Credit Ratings:

- Moody's: Baa3** – Negative – Judged to have speculative elements and a moderate credit risk
- S&P: B+** – Negative – More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments
- D&B: 513** (101–670) – Lower risk – D&B predicts a moderately low likelihood that Fidelity National Information Services will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (July – September 2016):

- In July, 2016, Fidelity National Information Services declared quarterly cash dividends of \$0.26 per common share, payable September 30, 2016.

Subsequent Events (after September 2016):

- In October, 2016, Fidelity National Information Services declared quarterly cash dividend of \$0.26 per common share, payable December 30, 2016.

Risk Monitoring:

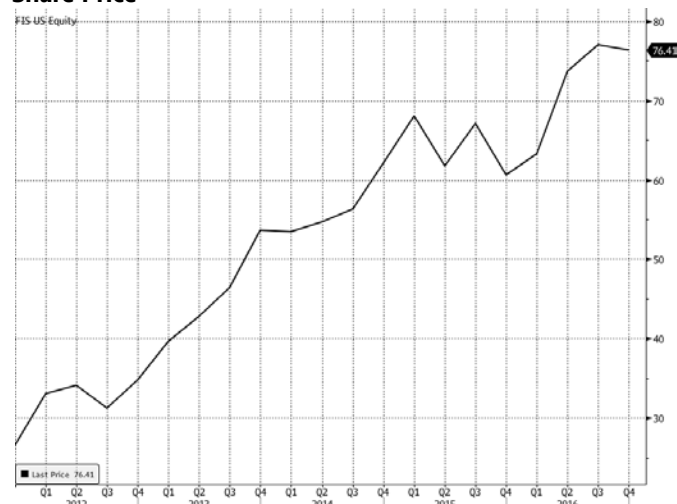
- Risk of not successfully integrating and executing series of latest mergers and acquisitions* – FIS is focused on successfully integrating its merger and acquisition and expects to increase net sales, drive cost savings from synergies, and provide additional capacity to meet customer needs. 3Q16 results: Revenues increased 46.2 percent on a reported basis to \$2.3 billion from \$1.6 billion in the prior year quarter.

Given the current analysis of the vendor, we find no indication that Fidelity National Information Services is unable to fulfill its contractual obligations to FRTIB.

Fidelity National Information Services (FIS) (acquired SunGard) Exchange: NYSE Sector: Technology

Industry: Technology Services

Share Price



Free Cash Flow



Key Metrics Supporting Analysis

(\$ In Millions, except ratios, yields)	Q3 2015	Q3 2016	% Change	Direction
Solvency				
Debt to Equity Ratio	75.26	110.57	47%	↓
Debt to Capital Ratio	42.94	52.51	22%	↓
Interest Coverage Ratio	-	-	-	-
Enterprise Value	\$23,493	\$35,433	51%	↑
Liquidity				
Cash Ratio	0.28	0.24	-14%	↓
Current Ratio	1.56	1.20	-23%	↓
Quick Ratio	1.00	0.80	-20%	↓
Profitability				
Revenue	\$1,578	\$2,309	46%	↑
EBITDA	\$497	\$681	37%	↑
EBIT	\$338	\$398	18%	↑
ROA	5.09	2.31	-54%	↓
ROE	13.18	9.08	-31%	↓
ROIC	6.69	4.52	-32%	↓
Operating Margin	21.43	17.24	-20%	↓
Profit Margin	11.10	8.01	-27%	↓
EPS	0.62	0.57	-8%	↓

Science Applications International Corp. (SAIC) **Exchange:** NYSE **Sector:** Technology **Industry:** Information

Company Overview:

- Science Applications International Corp. (SAIC) is a scientific, engineering, and technology applications company, serving the U.S. and foreign governments, and selected commercial customers.

Strengths

- Balanced distribution of revenue sources with more than 1500 contracts and task orders
- Potential for SAIC to access \$25B in new market opportunities, for a total market of \$185B in government contracts

Challenges

- Decrease in sales and current customer base
- Spending reductions and pricing pressures for federal contracts.

Serviced Provided:

- SAIC provides software development, business process services, data center and operations, under the Technology and Enterprise Support Services (TESS) contract.

Credit Ratings:

- **Moody's: B1** – Speculative grade – Has speculative elements and high credit risk.
- **S&P: S&P: BB** – Adequate grade – Has capacity to meet financial commitments, but more subject to adverse economic conditions.
- **D&B: 522** (101–670) – Lower risk – D&B predicts a low likelihood that SAIC will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (July – September 2016):

- In July, 2016, SAIC awarded \$86 million Strategic Plans and Policy Support Service task order by Air Force.
- In September, 2016, SAIC awarded \$47 Million Space and Naval Warfare Systems Center contract.
- In September, 2016, SAIC declared a quarterly dividend of \$.31 per share, payable on October 28, 2016.

Subsequent Events (after September 2016):

- In October, 2016, SAIC awarded \$575 Million U.S. Army Engineering and Support Center contract.
- In October, 2016, SAIC awarded \$1.4 Billion contract by Defense Logistics Agency.
- In November, 2016, SAIC awarded \$383 Million contract by Naval Sea Systems Command.

Risk Monitoring:

- Risk of not meeting profitability goals* – SAIC profit margins are low but has increased from the same period last year. SAIC financial results for the third quarter of fiscal year 2017: profit of \$42 million up from \$34 million, a year earlier. Revenues were \$1,114 million compared to \$1,136 million during the prior year quarter, which represents a decrease of \$22 million. Newly awarded programs, such as the Amphibious Combat Vehicle and GSA Enterprise Operations, generated revenues of \$47 million during the current quarter. This increase was offset by lower material volume on DoD, federal civilian agency and supply chain programs (\$39 million), the expected decline in activity on the Assault Amphibious Vehicle (AAV) program as SAIC near the completion of the prototyping phase (\$4 million) and various other decreases across their contract portfolio due to programs that have ended or have experienced lower activity.

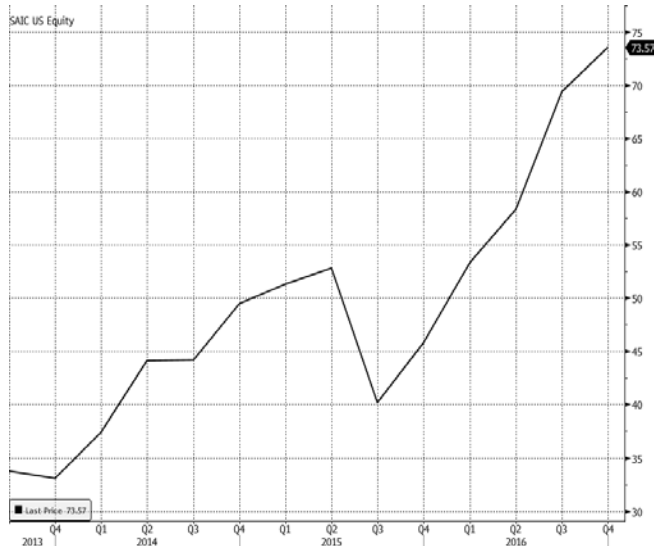
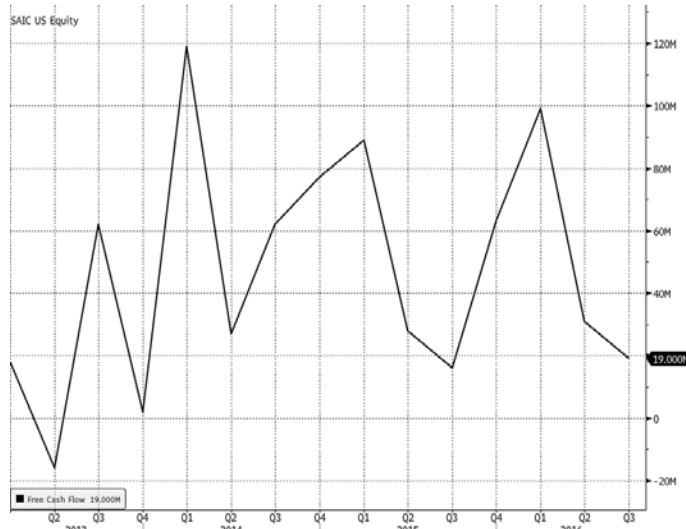
Given the current analysis of the vendor, we find no indication that SAIC is unable to fulfill its contractual obligations to FRTIB.

Science Applications International Corp. (SAIC)

Exchange: NYSE

Sector: Technology

Industry: Information

Share Price**Free Cash Flow**

Note: This information is reported for third quarter ended November 4, 2016.

Key Metrics Supporting Analysis

(\$ In Millions, except ratios, yields)	Q3 2016	Q3 2017	% Change	Direction
Solvency				
Debt to Equity Ratio	283.67	293.00	3%	↓
Debt to Capital Ratio	73.96	74.55	1%	↓
Interest Coverage Ratio	4.57	4.93	8%	↓
Enterprise Value	\$2,113	\$2,519	19%	↑
Liquidity				
Cash Ratio	0.26	0.30	15%	↑
Current Ratio	1.40	1.43	2%	↑
Quick Ratio	1.22	1.22	-	-
Profitability				
Revenue	\$1,136	\$1,114	-2%	↓
EBITDA	\$82	\$115	40%	↑
EBIT	\$64	\$74	16%	↑
ROA	6.96	6.52	-6%	↓
ROE	36.95	40.83	11%	↑
ROIC	16.45	12.12	-26%	↓
Operating Margin	5.63	6.64	18%	↑
Profit Margin	2.99	3.77	26%	↑
EPS	0.74	0.95	28%	↑

Glossary of Financial Terms

Cash Ratio: A liquidity ratio that measures a company's ability to pay short-term obligations.	Operating margin: A measurement the proportion of revenue left over after paying the variable costs of production. It is an important indicator of efficiency and profitability
Current Ratio: A liquidity ratio that measures a company's ability to pay short-term obligations.	Profit Margin: A ratio of profitability calculated as net income divided by revenues, or net profits divided by sales. It measures how much out of every dollar of sales a company actually keeps in earnings.
Debt/Capital: A measurement of a company's financial leverage, calculated as the company's debt divided by its total capital; Debt includes all short-term and long-term obligations; Total capital includes the company's debt and shareholders' equity, which includes common stock, preferred stock, minority interest and net debt.	Quick Ratio: A solvency metric to determine a firm's ability to pay down current liabilities with its cash, short term equivalents, and accounts receivables.
Debt/Equity: A measure of a company's financial leverage calculated by dividing its total liabilities by stockholders' equity; It indicates what proportion of equity and debt the company is using to finance its assets.	Return on Asset (ROA): An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings.
Earnings per share (EPS): The amount of income that "belongs" to each share of common stock. An important tool for investors, EPS is often used in determining the value of a stock.	Return on Equity: A measurement a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.
EBIT: An indicator of a company's profitability, calculated as revenue minus expenses, excluding tax and interest; EBIT is also referred to as "operating earnings", "operating profit" and "operating income."	Return on Invested Capital (ROIC): A calculation used to assess a company's efficiency at allocating the capital under its control to profitable investments.
EBITDA: An indicator of a company's financial performance; EBITDA is essentially net income with interest, taxes, depreciation, and amortization added back to it, and can be used to analyze and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.	Revenue: The amount of money that a company actually receives during a specific period, including discounts and deductions for returned merchandise; It is the "top line" or "gross income" figure from which costs are subtracted to determine net income.
Enterprise Value: An economic measure reflecting the market value of a whole business; It is a sum of claims of all claimants: creditors (secured and unsecured) and equity holders (preferred and common).	Interest Coverage Ratio: A ratio used to determine how easily a company can pay interest on outstanding debt; The interest coverage ratio is calculated by dividing a company's earnings before interest and taxes (EBIT) of one period by the company's interest expenses of the same period.