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Science Applications International Corp
Form 10-Q
June 13, 2016

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 May 6, 2016

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 703-676-4300		

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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 May 27, 2016 was as follows:

44,825,450 shares of common stock (\$.0001 par value per share)

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION

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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 May 6, May 1,	
	2016	2015
	(in millions, except per share amounts)	
Revenues	\$1,215	\$1,009
Cost of revenues	1,098	923
Selling, general and administrative expenses	44	26
Acquisition and integration costs (Note 3)	7	3
Operating income	66	57
Interest expense	14	4
Income before income taxes	52	53
Provision for income taxes (Note 5)	(19)	(20)
Net income	\$33	\$33
Other comprehensive income, net of tax (Note 8)	-	2
Comprehensive income	\$33	\$35
Earnings per share (Note 2):		
Basic	\$0.73	\$0.72
Diluted	\$0.71	\$0.69
Cash dividends declared and paid per share	\$0.31	\$0.28

See accompanying notes to condensed and consolidated financial statements.

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION

CONDENSED AND CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	January May 6, 29,	
	2016	2016
	(in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 154	\$ 195
Receivables, net	696	635
Inventory, prepaid expenses and other current assets	124	122
Total current assets	974	952
Goodwill	863	860
Intangible assets (net of accumulated amortization of \$30 million and \$23 million at May 6, 2016 and January 29, 2016, respectively)	217	224
Property, plant, and equipment (net of accumulated depreciation of \$117 million and \$112 million at May 6, 2016 and January 29, 2016, respectively)	66	71
Other assets	14	15
Total assets	\$2,134	\$2,122
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$472	\$447
Accrued payroll and employee benefits	201	184
Long-term debt, current portion (Note 6)	57	57
Total current liabilities	730	688
Long-term debt, net of current portion (Note 6)	999	1,013
Deferred income taxes	6	8
Other long-term liabilities	33	33
Commitments and contingencies (Note 9)		
Equity:		
Common stock, \$.0001 par value, 1 billion shares authorized, 45 million shares issued and outstanding as of May 6, 2016 and January 29, 2016	-	-
Additional paid-in capital	182	215
Retained earnings	193	174
Accumulated other comprehensive loss (Note 8)	(9)	(9)
Total equity	366	380
Total liabilities and equity	\$2,134	\$2,122

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 capital (in millions)	Retained earnings	Accumulated other comprehensive loss	Total
Balance at January 29, 2016	45	\$ 215	\$ 174	\$ (9)) \$380
Net income	-	-	33	-	33
Issuances of stock	1	2	-	-	2
Cash dividends of \$0.31 per share	-	-	(14)	-	(14)
Stock-based compensation	-	(5)	-	-	(5)
Income tax benefits from stock-based compensation	-	4	-	-	4
Repurchases of stock	(1)	(34)	-	-	(34)
Balance at May 6, 2016	45	\$ 182	\$ 193	\$ (9)) \$366

See accompanying notes to condensed and consolidated financial statements.

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION

CONDENSED AND CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Three Months Ended	
	May 6,	May 1,
	2016	2015
	(in millions)	
Cash flows from operating activities:		
Net income	\$33	\$33
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16	5
Stock-based compensation expense	10	9
Excess tax benefits from stock-based compensation	(4)	(3)
Increase (decrease) resulting from changes in operating assets and liabilities:		
Receivables	(61)	(17)
Inventory, prepaid expenses and other current assets	(2)	3
Other assets	-	1
Accounts payable and accrued liabilities	10	11
Income taxes payable	16	14
Accrued payroll and employee benefits	17	