



**Federal Retirement
Thrift Investment Board**

QUARTERLY VENDOR FINANCIAL ASSESSMENT

Board Presentation: December 16, 2019

Prepared by:
Office of Enterprise Risk Management (OERM)

Table of Contents

I. Company Information and Analysis	
BlackRock, Inc.	3
Broadridge Financial Solutions	5
Equinix, Inc.	7
MetLife, Inc.	9
Serco Group Plc.	11
Fidelity National Information Services (acquired SunGard)	13
Science Applications International Corp. (SAIC)	15
II. Glossary of Financial Terms	17

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. BlackRock helps clients around the world with a range of products that include mutual funds, iShares® (exchange-traded funds), and other pooled investment vehicles.

Strengths

- Leading market position and reputation across asset management industry with a 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) C, F, S, and I Funds. BlackRock Institutional Trust Company, N.A. (BTC) contracts with JPMorgan Chase Bank, N.A. 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.

Significant Events (July 2019 – September 2019):

- In July, 2019, BlackRock declared a quarterly cash dividend of \$3.30 per share of common stock, payable September 24, 2019.

Subsequent Events (after September 2019):

- In November, 2019, BlackRock declared a quarterly cash dividend of \$3.30 per share of common stock, payable December 23, 2019.
- In December, 2019, Mark Wiseman, Head of Equities, is no longer with BlackRock.

Risk Monitoring: BlackRock third quarter 2019 results that revenues increased to \$3,692 million versus \$3,576 million in the prior year period. EBIT increased to \$1,495 million versus \$1,446 million in the prior year period.

- *Risk Mitigation Strategy:* In the unlikely event that BlackRock is unable to continue to fulfill its contractual duties to the TSP, the FRTIB would re-compete the business currently with them.

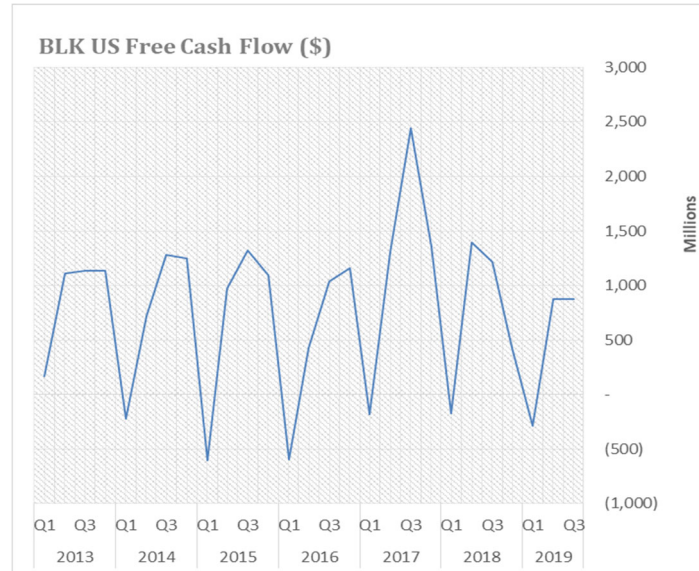
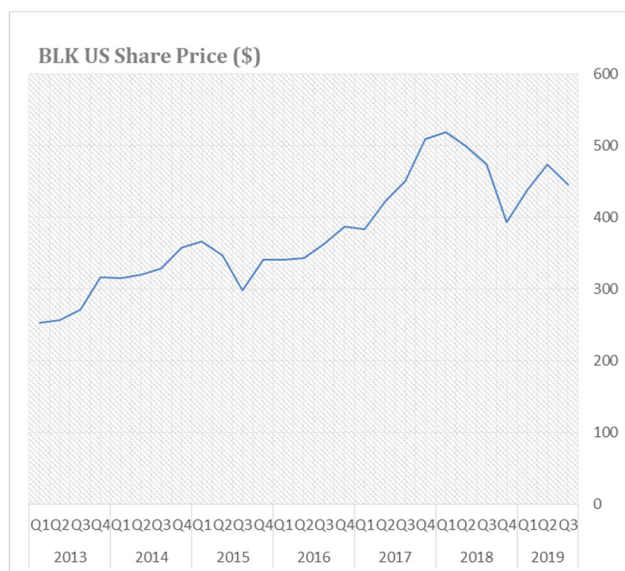
Given the current analysis of the vendor, we find no indication that BlackRock is unable to fulfill its contractual obligations to FRTIB.

BlackRock, Inc. (BLK)

Exchange: NYSE

Sector: Financials

Industry: Asset Management


Key Metrics
Supporting Analysis

	Q3		Q3	
(\$ In Millions, except ratios, yields)	2018	2019	% Change	Direction
Solvency				
Debt to Equity Ratio	15.22	20.36	34%	↓
Debt to Capital Ratio	13.21	16.92	28%	↓
Interest Coverage Ratio	N/A	N/A	-	-
Enterprise Value	\$74,200	\$72,347	-2%	↓
Liquidity				
Cash Ratio	N/A	N/A	-	-
Current Ratio	N/A	N/A	-	-
Quick Ratio	N/A	N/A	-	-
Profitability				
Revenue	\$3,576	\$3,692	3%	↑
EBITDA	\$1,503	\$1,600	6%	↑
EBIT	\$1,446	\$1,495	3%	↑
ROA	2.87	2.42	-16%	↓
ROE	18.17	12.66	-30%	↓
ROIC	13.81	9.75	-29%	↓
Operating Margin	40.44	40.49	0%	↑
Profit Margin	34.00	30.31	-11%	↓
Net Income	\$1,216	\$1,119	-8%	↓
EPS	7.59	7.21	-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 Coppel, Texas, and Edgewood, New York facilities. These services include printing and mailing FRTIB documents, education, and marketing materials to participants, beneficiaries, and third parties.

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.

Significant Events (July – September 2019):

- In July, 2019, Broadridge announced the completion of the acquisition of retirement plan custody and trust assets from TD Ameritrade Trust Company. The acquisition continues the expansion of Broadridge's suite of solutions for the growing qualified and non-qualified retirement plan services market and the support it provides for third-party administrators, financial advisors, record-keepers, banks, and brokers.
- In July, 2019, Broadridge declared a quarterly cash dividend of \$0.54 per share of common stock, payable October 3, 2019.

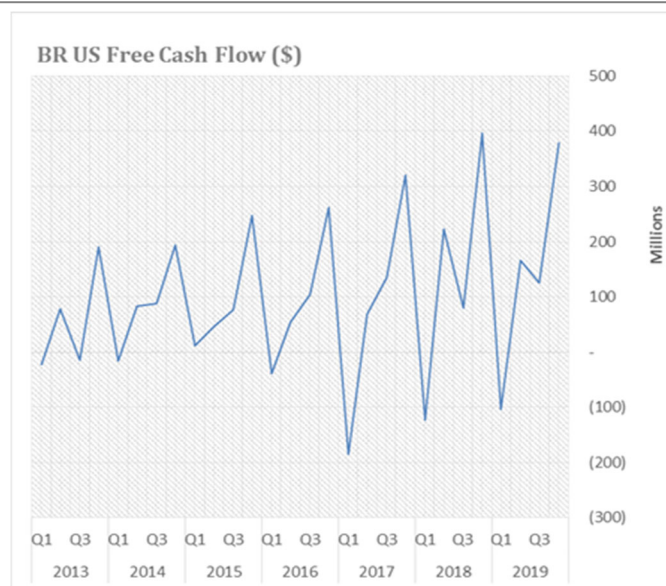
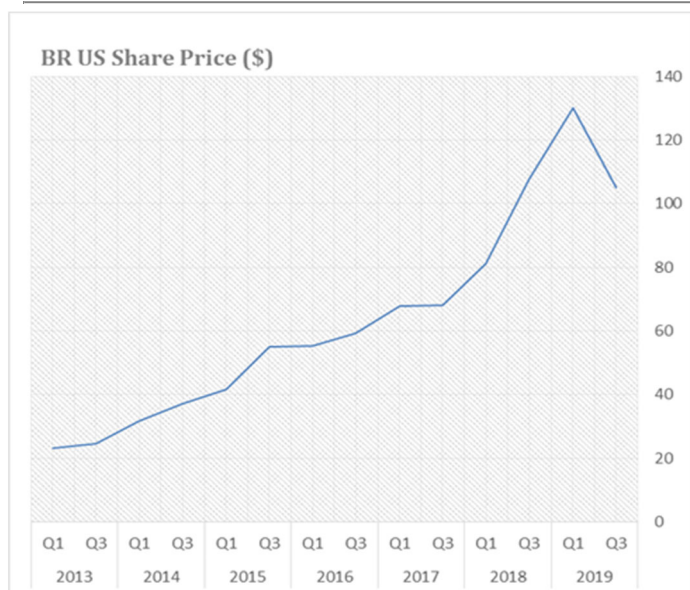
Subsequent Events (after September 2019):

- In November, 2019, Broadridge announced the completion of the acquisition of Fi360, a provider of fiduciary software, data and analytics for financial advisor and intermediaries across the retirement and wealth system.
- In November, 2019, Broadridge declared a quarterly cash dividend of \$0.54 per share of common stock, payable January 3, 2020.

Risk Monitoring: Broadridge third quarter 2019 results revealed that revenues increased to \$1,225 million versus \$1,072 million in the prior year period. EBIT increased to \$234 million versus \$131 million in the prior year period.

- *Risk Mitigation Strategy:* If the current facility that prints notices or statements for the Agency is unavailable, Broadridge will route work to another location. In the event of an immediate going concern that may result in Broadridge going 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**Key Metrics
Supporting
Analysis**

	Q3	Q3		
(\$ In Millions, except ratios, yields)	2018	2019	% Change	Direction
Solvency				
Debt to Equity Ratio	103.55	92.79	-10%	↑
Debt to Capital Ratio	50.87	48.13	-5%	↑
Interest Coverage Ratio	12.46	19.97	60%	↑
Enterprise Value	\$13,718	\$12,890	-6%	↓
Liquidity				
Cash Ratio	0.46	0.41	-10%	↓
Current Ratio	1.57	1.70	8%	↑
Quick Ratio	1.39	1.54	11%	↑
Profitability				
Revenue	\$1,072	\$1,225	14%	↑
EBITDA	\$172	\$276	60%	↑
EBIT	\$131	\$234	79%	↑
ROA	12.14	14.27	18%	↑
ROE	38.80	41.67	7%	↑
ROIC	18.80	22.23	18%	↑
Operating Margin	12.20	19.07	56%	↑
Profit Margin	10.18	14.06	38%	↑
Net Income	\$109	\$172	58%	↑
EPS	0.93	1.49	60%	↑

Sources: Company filings, YCharts, News Articles, and Bloomberg data estimates

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 hosts data center services for the FRTIB that operates out of a Northern Virginia facility.

Credit Ratings:

- Moody's: Ba3** – Speculative grade – Has speculative elements and high credit risk.
- S&P: BBB-** – Investment grade – More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments.

Significant Events (July – September 2019):

- In July, 2019, Equinix declared a quarterly cash dividend of \$2.46 per share of common stock, payable September 18, 2019.

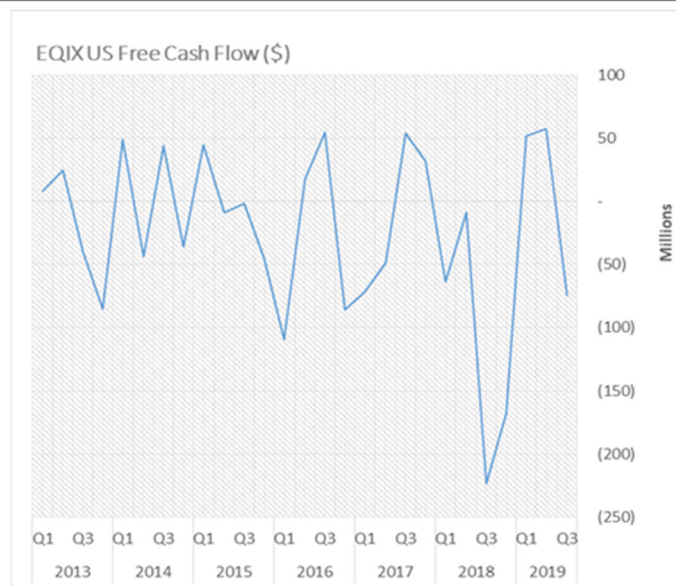
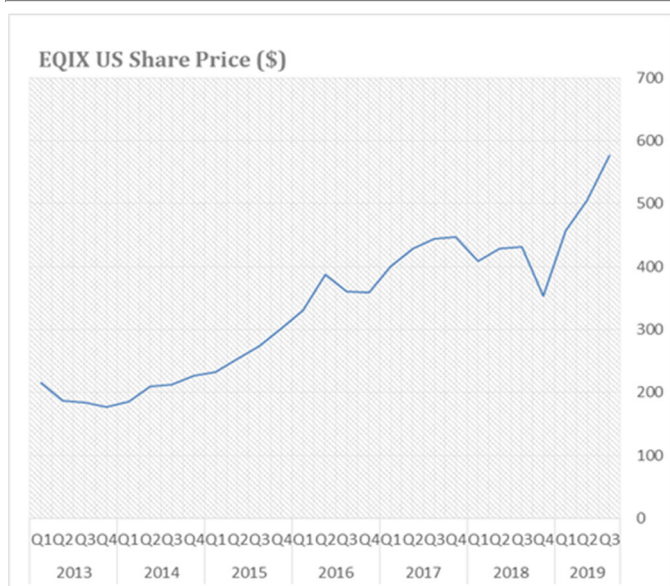
Subsequent Events (after September 2019):

- In October, 2019, Equinix declared a quarterly cash dividend of \$2.46 per share of common stock, payable December 11, 2019.
- In October, 2019, Equinix announced that it has entered into an agreement with Axtel to acquire three data centers in Mexico, in an all-cash transaction for \$175 million.
- In October, 2019, Equinix announced the completion of a \$1.0 billion joint venture with GIC, Singapore's independent wealth fund, to develop and operate data centers in Europe.
- In November, 2019, Equinix announced the development of a new data center in Warsaw, opening in Q1 2020.

Risk Monitoring: Equinix third quarter 2019 results revealed that revenues increased to \$1,397 million versus \$1,284 million in the prior year period. EBIT increased to \$285 million versus \$266 million in the prior year period.

- 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.

Given the current analysis of the vendor, 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
Key Metrics
Supporting Analysis

	Q3	Q3		
(\$ In Millions, except ratios, yields)	2018	2019	% Change	Direction
Solvency				
Debt to Equity Ratio	158.58	139.93	-12%	↑
Debt to Capital Ratio	61.33	58.32	-5%	↑
Interest Coverage Ratio	1.94	2.40	24%	↑
Enterprise Value	\$45,269	\$59,761	32%	↑
Liquidity				
Cash Ratio	0.61	0.77	28%	↑
Current Ratio	1.24	1.55	26%	↑
Quick Ratio	1.06	1.18	11%	↑
Profitability				
Revenue	\$1,284	\$1,397	9%	↑
EBITDA	\$571	\$607	6%	↑
EBIT	\$266	\$285	7%	↑
ROA	1.66	2.28	37%	↑
ROE	4.68	6.19	32%	↑
ROIC	4.37	4.23	-3%	↓
Operating Margin	20.70	20.43	-1%	↓
Profit Margin	9.72	8.65	-11%	↓
Net Income	\$124	\$120	-3%	↓
EPS	1.56	1.42	-9%	↓

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.

Significant Events (July–September 2019):

- In July, 2019, MetLife declared a quarterly cash dividend of \$0.44 per share of common stock, payable September 13, 2019.
- In July, 2019, MetLife announced new \$2 billion authorization for the company to repurchase its common stock. MetLife has approximately \$20 million remaining under the \$2 billion repurchase authorization announced by the company in November 2018.
- In August, 2019, MetLife declared a quarterly cash dividend of \$.0253 per share of non-cumulative preferred stock, Series A, payable September 16, 2019.
- In August, 2019, MetLife declared a semi-annual cash dividend of \$29.375 per share of non-cumulative preferred stock, Series D, payable September 16, 2019.
- In August, 2019, MetLife declared a quarterly cash dividend of \$351.56 per share of non-cumulative preferred stock, Series E, payable September 16, 2019.

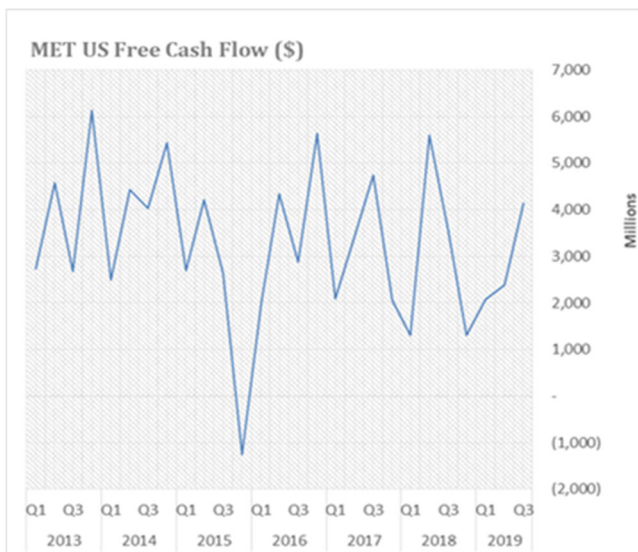
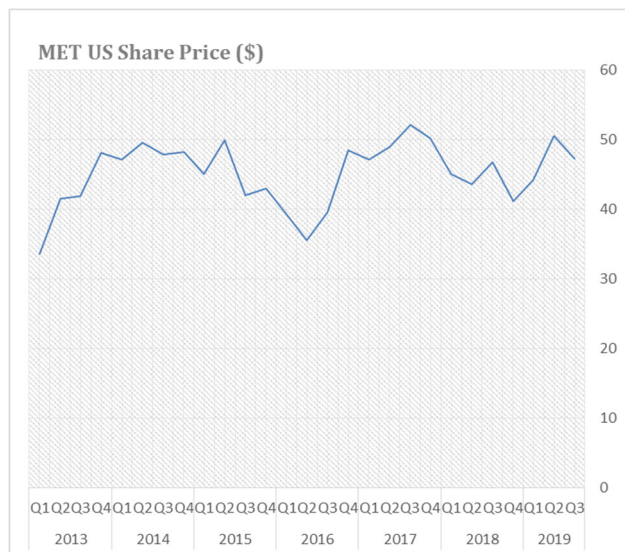
Subsequent Events (after September 2019):

- In October, 2019, MetLife declared a quarterly cash dividend of \$.044 per share of common stock, payable December 13, 2019.
- In November, 2019, MetLife declared a quarterly cash dividend of \$.0253 per share of non-cumulative preferred stock, Series A, payable December 16, 2019.
- In November, 2019, MetLife declared a semi-annual cash dividend of \$26.25 per share of non-cumulative preferred stock, Series C, payable December 16, 2019.
- In November, 2019, MetLife declared a quarterly cash dividend of \$351.56 per share of non-cumulative preferred stock, Series E, payable December 16, 2019.

Risk Monitoring: MetLife third quarter 2019 results revealed that revenues increased to \$18,678 million versus \$16,289 million in the prior year period.

- Risk Mitigation Strategy:* As a contingency measure in the unlikely event MetLife is unable to provide annuities as a distribution option for TSP participants, FRTIB could elect to not exercise options under the existing annuity contract, 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
Key Metrics
Supporting Analysis

	Q3	Q3		
(\$ In Millions, except ratios, yields)	2018	2019	% Change	Direction
Solvency				
Debt to Equity Ratio	34.58	25.86	-25%	↑
Debt to Capital Ratio	25.70	20.55	-20%	↑
Interest Coverage Ratio	N/A	N/A	-	-
Enterprise Value	\$53,807	\$44,014	-18%	↓
Liquidity				
Cash Ratio	-	-	-	-
Current Ratio	-	-	-	-
Quick Ratio	-	-	-	-
Profitability				
Revenue	\$16,289	\$18,678	15%	↑
EBITDA	N/A	N/A	-	-
EBIT	N/A	N/A	-	-
ROA	0.77	1.02	34%	↑
ROE	10.19	12.43	22%	↑
ROIC	-0.18	4.28	-2478%	↑
Operating Margin	8.26	16.14	95%	↑
Profit Margin	5.60	11.69	109%	↑
Net Income	\$912	\$2,184	139%	↑
EPS	0.89	2.30	158%	↑

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 provides Agency Technical Services, Contact Center management (Clintwood Call Center), processing of court order and death benefit cases, incoming mail data entry, imaging and special processing support through its subcontractors.

Credit Ratings:

- Moody's:** NR – N/A
- S&P:** NR – N/A

Significant Events (July – September 2019):

- In August, 2019, Serco announced that it has completed the acquisition of the Naval Systems Business Unit (NSBU) for \$225 million. NSBU is a leading provider of naval design, systems engineering, as well as production and lifecycle support services to the US Navy, US Army and Royal Canadian Navy.
- In August, 2019, Serco was awarded position on a \$608 million Navy C41 Testing, Integration, and Installation (CTII) indefinite-delivery, indefinite quantity multiple award effort.
- In August, 2019, Serco was awarded a position on an \$18 million multiple award contract to continue support for the U.S. Naval Information Warfare Center.
- In August, 2019, Serco was named one of six award winners for an indefinite delivery, indefinite quantity contract (ceiling value of \$2.45 billion) with the Naval Information Warfare Systems Command to support the U.S. Navy in the installation and testing of Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance systems.
- In September, 2019, Serco was awarded \$162 million contract to support the U.S. Navy Amphibious Warfare Program Office with a full range of professional support services including Test & Evaluation Program Support, Technical Management Support, Acquisition & Life Cycle Management, and Integrated Logistics Support.

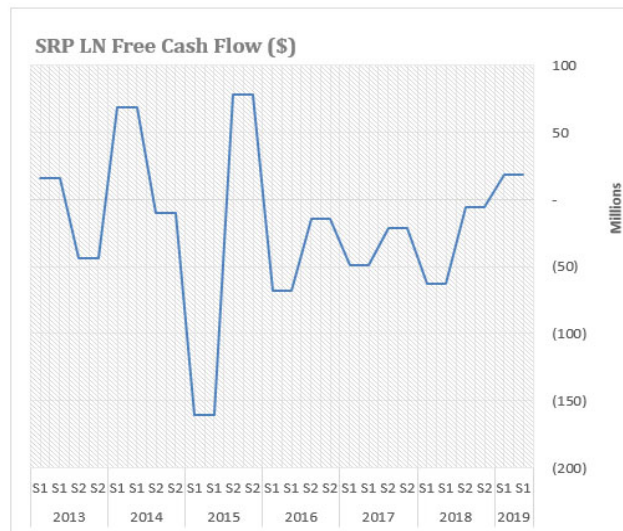
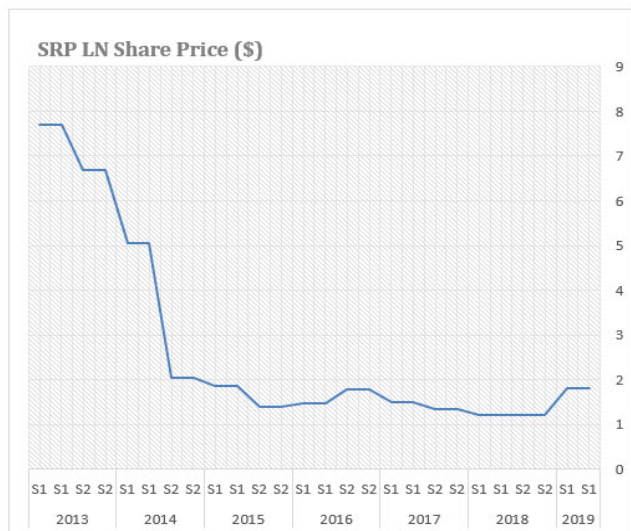
Subsequent Events (after September 2019):

- In October, 2019, Serco was awarded a \$32 million contract to continue its support to the Bureau of Medicine and Surgery (BUMED) Psychological Health Outreach Program.
- In October, 2019, Serco was named as one of the eight awardees for an indefinite delivery indefinite quantity multiple award contract (ceiling value of \$968 million) to support the U.S. Navy with the modernization of shore-based Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance systems.
- In October, 2019, Serco was named the sole awardee for a \$49 million Indefinite Delivery Indefinite Quantity contract to deliver system engineering technical services for the U.S. Navy Submarine High Data Rate program.

Risk Monitoring: Serco half year 2019 results revealed that revenues increased to \$1,909 million versus \$1,880 million in the prior year period. EBIT decreased to \$5 million versus \$23 million in the prior year period.

- 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 contact center operations, FRTIB may be able to temporarily absorb added workload at the other contact centers.

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

Serco Group Plc (SRP LN)**Exchange:** LSE**Sector:** Technology**Industry:** Technology Services
Key Metrics
Supporting Analysis

	S1	S1		
(\$ In Millions, except ratios, yields)	2018	2019	% Change	Direction
Solvency				
Debt to Equity Ratio	107.95	72.42	-33%	↑
Debt to Capital Ratio	51.91	42.00	-19%	↑
Interest Coverage Ratio	2.52	0.41	-84%	↓
Enterprise Value	\$1,766	\$2,508	42%	↑
Liquidity				
Cash Ratio	0.07	0.23	229%	↑
Current Ratio	0.92	1.07	16%	↑
Quick Ratio	0.07	0.23	229%	↑
Profitability				
Revenue	\$1,880	\$1,909	2%	↑
EBITDA	\$54	\$55	2%	↑
EBIT	\$23	\$5	-78%	↓
ROA	1.64	3.06	87%	↑
ROE	9.95	12.69	28%	↑
ROIC	5.16	5.43	5%	↑
Operating Margin	1.24	0.25	-80%	↓
Profit Margin	1.06	-0.12	-111%	↓
Net Income	\$19	\$-2	-111%	↓
EPS	0.02	0.00	-100%	↓

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

Services Provided:

- FRTIB contracts with Fidelity National Information Services for use of their suite of Omni software products that form the core of the FRTIB recordkeeping system.
- Fidelity National Information Services provides incoming mail data entry and imaging support as a subcontractor to Serco.
- Fidelity National Information Services 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: BBB** – Investment grade – More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments.

Significant Events (July – September 2019):

- In July, 2019, Fidelity National Information Services declared a quarterly cash dividend of \$0.35 per share of common stock, payable September 27, 2019.
- In July, 2019, Fidelity National Information Services announced the closing of its acquisition of global payments leader Worldpay, Inc.

Subsequent Events (after September 2019):

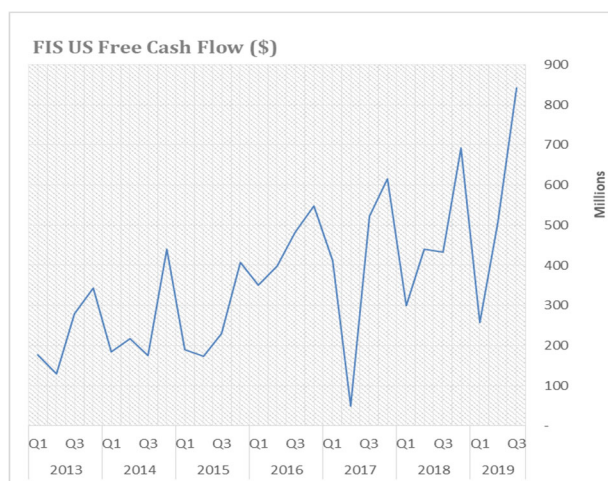
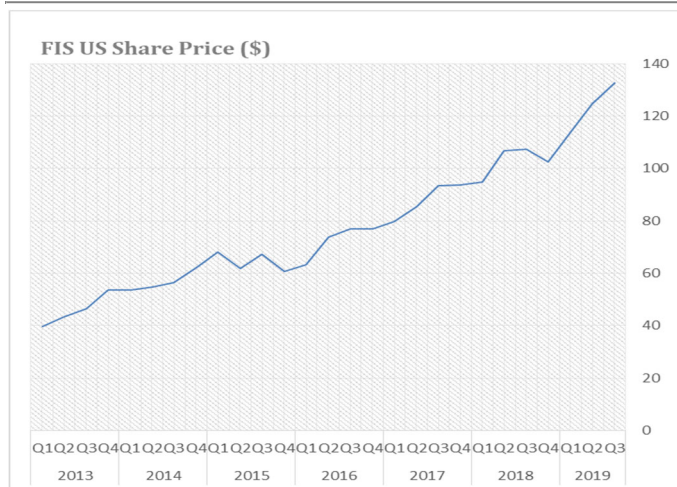
- In October, 2019, Fidelity National Information Services declared a quarterly cash dividend of \$0.35 per share of common stock, payable December 27, 2019.

Risk Monitoring: Fidelity National Information Services third quarter 2019 results revealed that revenues increased to \$2,822 million, versus \$2,084 million in the prior year period. EBIT decreased to \$140 million versus \$342 million in the prior year period.

- Risk Mitigation Strategy:* If Fidelity National Information Services were to become unavailable, the Agency would have two options: 1) migrate to a different 3rd party software provider; or 2) take over our own maintenance and upgrades to the Omni software (possibly in cooperation with other Omni users). Given the potential timeframe to do option #1, the Agency would pursue option #2 in at least the short and medium term. Our license agreement allows for this approach. Also, there are examples of FIS customers deciding on their own to divest from FIS and maintain their own code, so it is technically feasible. We would leverage the TESS contract, and in particular Enterprise Iron to do this work.
- 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.

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



Key Metrics
Supporting Analysis

	Q3	Q3		
(\$ In Millions, except ratios, yields)	2018	2019	% Change	Direction
Solvency				
Debt to Equity Ratio	88.90	42.16	-53%	↑
Debt to Capital Ratio	47.06	29.66	-37%	↑
Interest Coverage Ratio	4.28	1.47	-66%	↓
Enterprise Value	\$44,266	\$101,053	128%	↑
Liquidity				
Cash Ratio	0.23	0.12	-48%	↓
Current Ratio	1.34	0.86	-36%	↓
Quick Ratio	0.75	0.40	-47%	↓
Profitability				
Revenue	\$2,084	\$2,822	35%	↑
EBITDA	\$696	\$931	34%	↑
EBIT	\$342	\$140	-59%	↓
ROA	6.18	1.41	-77%	↓
ROE	14.77	2.55	-83%	↓
ROIC	9.31	2.31	-75%	↓
Operating Margin	16.41	4.96	-70%	↓
Profit Margin	7.39	5.46	-26%	↓
Net Income	\$154	\$154	0%	-
EPS	0.47	0.30	-36%	↓

Science Applications International Corp. (SAIC)**Exchange:** NYSE**Sector:** Technology**Industry:** Information Technology Services**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 1,500 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 a broad range of IT support services 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: BB+** – Adequate grade – Has capacity to meet financial commitments, but more subject to adverse economic conditions.

Significant Events (July – September 2019):

- In August, 2019, SAIC was awarded \$14 million U.S. Marine Corps Cyberspace Operations contract.
- In August, 2019, SAIC was awarded \$812 million National Security and Intelligence contract.
- In September, 2019, SAIC was awarded a \$60 million U.S. Patent and Trademark Office contract.
- In September, 2019, SAIC declared a quarterly cash dividend of \$0.37 per share of common stock, payable October 25, 2019.

Subsequent Events (after September 2019):

- In October, 2019, SAIC was awarded \$68 million contract with National Geospatial-Intelligence Agency to deliver apps and data content.

Risk Monitoring: SAIC third quarter 2019 results revealed that revenues increased to \$1,177 million versus \$1,145 million in the prior year period. EBIT increased to \$73 million versus \$72 million in the prior year period.

- Risk Mitigation Strategy:* If SAIC were to become unavailable, the Agency would shift Government employees to perform critical operational functions in the short term. Concurrently, the agency would move quickly to establish an interim support capability while a longer term support contract was competed and negotiated.

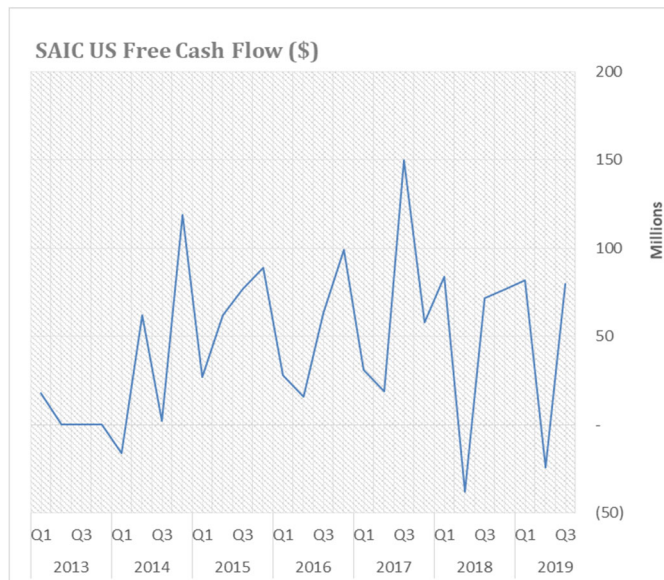
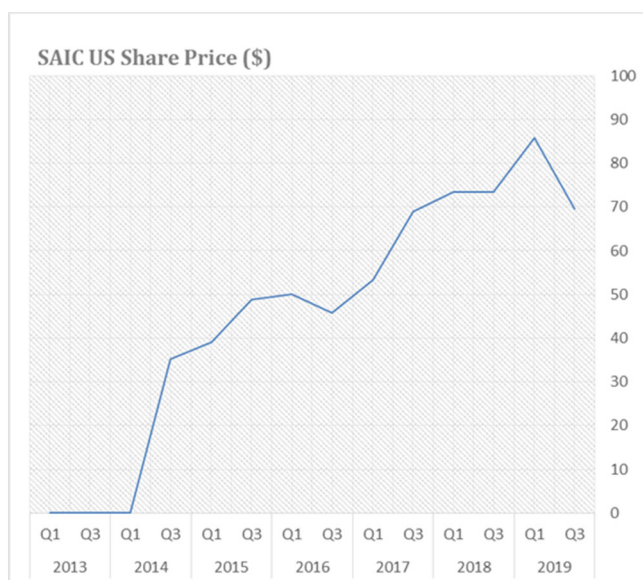
Given the current analysis of the vendor, we find no indication that SAIC is unable to fulfill its contractual obligations to FRTIB.

Science Applications International Corp. (SAIC)

Exchange: NYSE

Sector: Technology

Industry: Information Technology Services


Key Metrics
Supporting Analysis

	Q3		
(\$ In Millions, except ratios, yields)	2018	2019	% Change Direction
Solvency			
Debt to Equity Ratio	320.19	252.31	-21% ↑
Debt to Capital Ratio	76.20	71.62	-6% ↑
Interest Coverage Ratio	6.55	4.56	-30% ↓
Enterprise Value	\$3,945	\$3,828	-3% ↓
Liquidity			
Cash Ratio	0.17	0.28	65% ↑
Current Ratio	1.34	1.57	18% ↑
Quick Ratio	1.15	1.40	22% ↑
Profitability			
Revenue	\$1,145	\$1,177	3% ↑
EBITDA	\$83	\$84	1% ↑
EBIT	\$72	\$73	1% ↑
ROA	7.73	9.16	18% ↑
ROE	48.01	53.75	12% ↑
ROIC	14.14	16.98	20% ↑
Operating Margin	6.29	6.20	-1% ↓
Profit Margin	3.76	4.08	9% ↑
Net Income	\$43	\$48	12% ↑
EPS	0.99	1.13	14% ↑

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.