FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
77K Street, NE Washington, DC 20002

March 26, 2018

MEMORANDUM FOR THE EXECUTIVE DIRECTOR and BOARD MEMBERS

FROM: Jay Ahuja, Chief Risk Officer

SUBJECT: Quarterly Vendor Financial Assessment – 4th Quarter 2017

The purpose of this memorandum is to provide a summary of the Quarterly Vendor Financial Assessment conducted for the 4th quarter of 2017.

Objective

The objective of the quarterly vendor financial assessment is to identify any key vendor risks, including, but not limited to, financial health, operational, reputational, credit and external risks that may affect the services these vendors provide to the Agency and therefore their capability to fulfill the contractual obligations to FRTIB.

Analysis and Conclusion

The Office of Enterprise Risk Management analyzed available vendor financial data[1] for the following key vendors:

- BlackRock, Inc. (BLK)
- Broadridge Financial Solutions (BR)
- Equinix, Inc. (EQIX)
- MetLife, Inc. (MET)
- Serco Group Plc (SRP)
- Fidelity National Information Services (FIS)
- Science Applications International Corp. (SAIC)
- RA Outdoors/Brand: Aspira Connect (formerly Active Network) (Privately held company)[2]
- DataBank, Ltd. (Privately held company)[2]

Based on our analysis of the above listed vendors, we find no indication that they are unable to fulfill their contractual obligations to FRTIB. We will continue to monitor these vendors on a quarterly basis and inform you of any changes to the vendor risk profile.

[1] Sources: Company filings, Moody's, YCharts, News Articles, Dun & Bradstreet, and Bloomberg data estimates

[2] For privately held companies, there is limited amount of information reported by financial news and data service companies, such as Bloomberg.

Federal Retirement
Thrift Investment Board

QUARTERLY VENDOR FINANCIAL ASSESSMENT

Board Presentation: March 26, 2018

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 with a range of products that include separate accounts, mutual funds, iShares® (exchange-traded funds), and other pooled investment vehicles.

Strengths

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

Challenges

- Ø Increasing price competition in the ETF market
- Ø 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:** Overall Business Risk is **MODERATE** (score range: Low – High).
  - Overall assessment of BlackRock over the next 12 months: Stable condition due to large business size.
  - Based on the predicted risk of business discontinuation: Likelihood of continued operations.
  - Based on the predicted risk of severely delinquent payments: Very low potential for severely delinquent payments.

Significant Events (October – December 2017):

- In November, 2017, BlackRock declared a quarterly cash dividend of $2.50 per share of common stock, payable December 21, 2017.

Subsequent Events (after December 2017):

- In January, 2018, BlackRock declared a quarterly cash dividend of $2.88 per share of common stock, payable March 22, 2018.

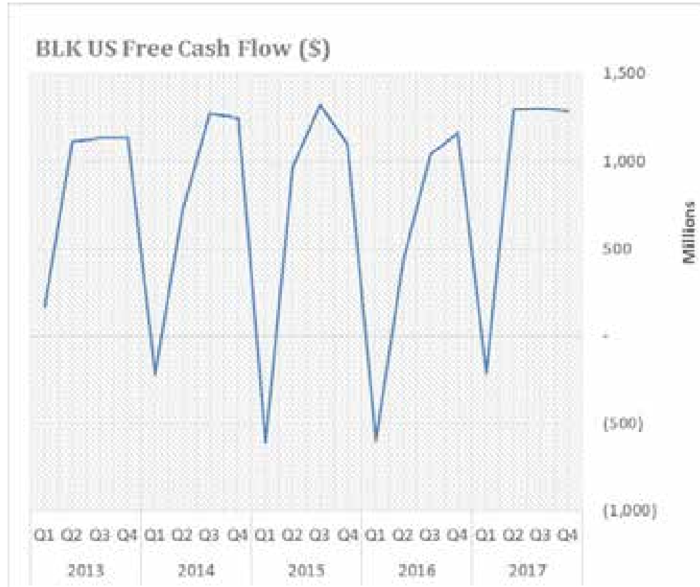
Risk Monitoring: BlackRock fourth quarter 2017 results: reveal that $367 billion of total net inflows in the fourth quarter reflects continued strength of diversified business model. There was a 12% increase in revenue year-over-year driven by growth in base fees, performance fees and technology and risk management revenue. In addition, there was a 15% increase in operating income year-over-year reflects operating margin expansion.

- *Risk Mitigation Strategy:* In the unlikely event that BlackRock is not able 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

($ In Millions, except ratios, yields)	Q4 2016	Q4 2017	% Change	Direction
Solvency				
Debt to Equity Ratio	17.49	16.67	-5%	é
Debt to Capital Ratio	14.88	14.29	-4%	é
Interest Coverage Ratio	-	-	-	
Enterprise Value	$60,756	$81,137	34%	é
Liquidity				
Cash Ratio	-	-	-	
Current Ratio	-	-	-	
Quick Ratio	-	-	-	
Profitability				
Revenue	$2,890	$3,469	20%	é
EBITDA	$1,289	$1,572	22%	é
EBIT	$1,231	$1,522	24%	é
ROA	1.42	2.26	58%	é
ROE	11.01	16.32	48%	é
ROIC	8.02	12.34	54%	é
Operating Margin	41.56	43.12	4%	é
Profit Margin	29.45	66.42	126%	é
Net Income	851.00	2304.00	171%	é
EPS	5.21	14.29	174%	é

Sources: Company filings, Moody's, YCharts, News Articles, Dun & Bradstreet, and Bloomberg data estimates

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

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

Challenges

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

Services Provided:

- Broadridge Financial Solutions provides bulk outgoing mailing services for FRTIB from its 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:** Overall Business Risk is **MODERATE** (score range: Low – High).
  - Overall assessment of Broadridge over the next 12 months: Stable condition due to large business size.
  - Based on the predicted risk of business discontinuation: Likelihood of continued operations.
  - Based on the predicted risk of severely delinquent payments: Moderate potential for severely delinquent payments.

Significant Events (October – December 2017):

- In November, 2017, Broadridge declared a quarterly cash dividend of $0.365 per share of common stock, payable January 3, 2018.

Subsequent Events (after December 2017):

- In February, 2018, Broadridge declared a quarterly cash dividend of $0.365 per share of common stock, payable April 3, 2018.

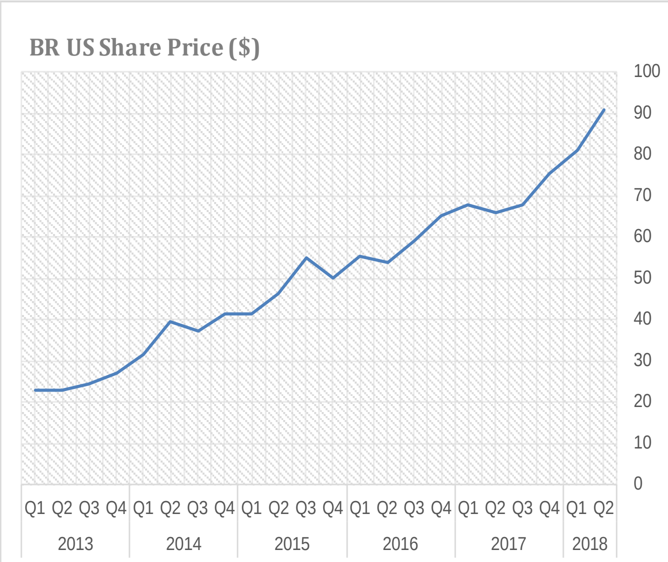
Risk Monitoring: Broadridge fourth quarter of fiscal year 2017 results: reveal that revenues increased 38% to $1,346 million from $975 million for the prior year period. Revenues from acquisitions contributed $258 million of this total increase, with the revenues of the North American Customer Communications business acquired from DST Systems, Inc. ("NACC") contributing $251 million. Total revenue grew 38% to $1,346 million. Distribution revenues rose $188 million, or 65%, to $476 million, largely driven by the acquisition of NACC. Event driven revenues increased 62% to $91 million from $56 million. Changes in foreign currency rates lowered Broadridge's total revenue by $8 million as compared to the prior year period. Operating income was $297 million, an increase of $27 million, or 10%, compared to $270 million for the prior year period. Operating income margin decreased to 22.1% compared to 27.7% for the prior year period.

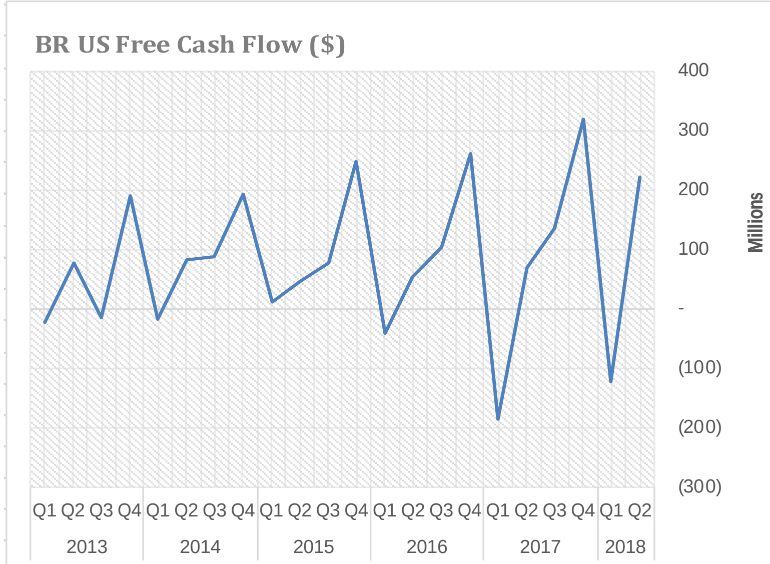
- *Risk Mitigation Strategy:* If the current facility that prints notices or statements for the Agency is unavailable, Broadridge will route work to be completed at another location. In the event of an immediate going concern that may result in Broadridge going out of business, the Agency will work with 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

($ In Millions, except ratios, yields)	Q4 2016	Q4 2017	% Change	Direction
Solvency				
Debt to Equity Ratio	97.13	109.79	13%	ê
Debt to Capital Ratio	49.27	52.33	6%	ê
Interest Coverage Ratio	37.03	26.28	-29%	ê
Enterprise Value	$8,001	$9,634	20%	é
Liquidity				
Cash Ratio	1.05	0.36	-65%	ê
Current Ratio	1.86	1.33	-29%	ê
Quick Ratio	1.70	1.16	-32%	ê
Profitability				
Revenue	$975	$1,346	38%	é
EBITDA	$299	$343	15%	é
EBIT	$270	$297	10%	é
ROA	11.73	10.85	-8%	ê
ROE	31.17	31.89	2%	é
ROIC	16.90	16.00	-5%	ê
Operating Margin	27.74	22.07	-20%	ê
Profit Margin	17.46	13.90	-20%	ê
Net Income	170.10	187.10	10%	é
EPS	1.44	1.60	11%	é

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

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

Challenges

- Ø Debt level is high creating poor financial leverage
- Ø 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: BB+** – Speculative grade – Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions
- **D&B:** Overall Business Risk is **LOW-MODERATE** (score range: Low – High).
  - Overall assessment of Equinix over the next 12 months: Stable condition.
  - Based on the predicted risk of business discontinuation: Likelihood of continued operations.
  - Based on the predicted risk of severely delinquent payments: Moderate potential for severely delinquent payments.

Significant Events (October – December 2017):

- In October, 2017 Equinix closed acquisition of Itconci (leading data center). Equinix purchased the company in an all-cash transaction totaling $259 million.
- In October, 2017, Equinix expanded into the Washington, D.C. market with a new flagship data center. Since its founding, Equinix has invested nearly $1 billion to build and expand its presence in the Washington, D.C. metro area.
- In November, 2017, Equinix declared a quarterly cash dividend of $2.00 per share of common stock, payable December 13, 2017.
- In December 2017, Equinix acquired the equity interests in Metronode group of companies, an Australian data center business, in an all-cash transaction totaling $792 million.

Subsequent Events (after December 2017):

- In February, 2018, Equinix declared a quarterly cash dividend of $2.28 per share of common stock, payable March 21, 2018.

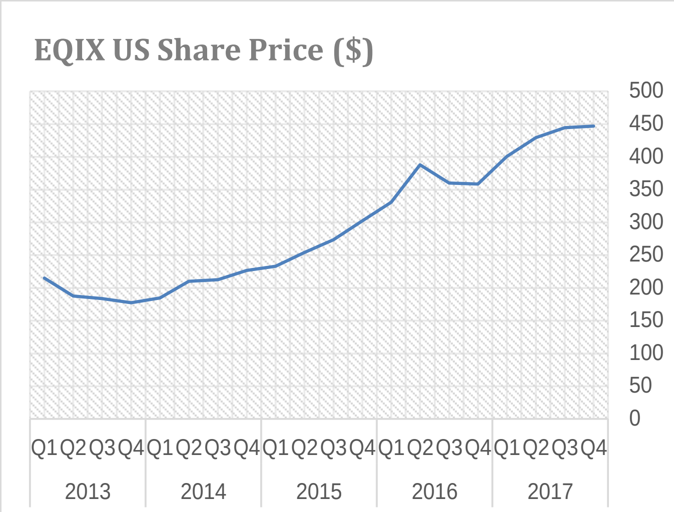
Risk Monitoring: Equinix fourth quarter and full year 2017 results: reveal that revenues were $4,368 million [Q4 17: $1,200 million], a 21% increase over the previous year. $359 million of revenues was from the acquisition of 29 Verizon data centers and $17 million of revenues was from Itconic and Istanbul 2 ("IS2") acquisitions. Adjusted EBITDA was $2,052 million [Q4 17: $565 million], a 47% adjusted EBITDA margin.

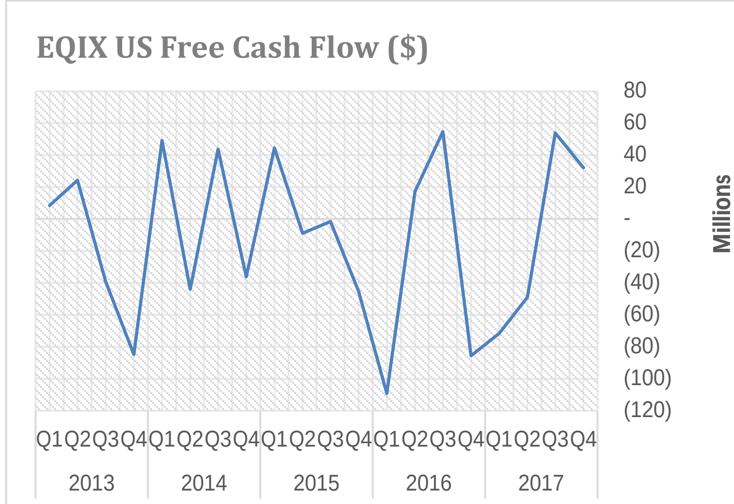
- *Risk Mitigation Strategy:* In the unlikely event Equinix is unable to provide support and services to FRTIB, as a contingency measure, FRTIB processing could be restored at the backup data center.

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

($ In Millions, except, yields)	Q4 2016	Q4 2017	% Change	Direction
Solvency				
Debt to Equity Ratio	154.83	147.16	-5%	é
Debt to Capital Ratio	60.76	59.54	-2%	é
Interest Coverage Ratio	1.80	1.84	2%	é
Enterprise Value	$31,530	$44,461	41%	é
Liquidity				
Cash Ratio	0.73	1.16	59%	é
Current Ratio	1.43	1.81	27%	é
Quick Ratio	1.12	1.62	45%	é
Profitability				
Revenue	$943	$1,200	27%	é
EBITDA	$397	$512	29%	é
EBIT	$184	$232	26%	é
ROA	1.10	1.49	35%	é
ROE	3.57	4.15	16%	é
ROIC	4.61	4.59	0%	ê
Operating Margin	19.57	19.33	-1%	ê
Profit Margin	6.55	5.43	-17%	ê
Net Income	61.75	65.22	6%	é
EPS	0.86	0.83	-3%	ê

Sources: Company filings, Moody's, YCharts, News Articles, Dun & Bradstreet, and Bloomberg data estimates

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:** Overall Business Risk is **LOW-MODERATE** (score range: Low – High).
  - Dun & Bradstreet's overall assessment of MetLife over the next 12 months: Stable condition.
  - Based on the predicted risk of business discontinuation: High likelihood of continued operations.
  - Based on the predicted risk of severely delinquent payments: Low potential for severely delinquent payments.

Significant Events (October – December 2017):

- In October, 2017, MetLife declared a quarterly cash dividend of $0.40 per share of common stock, payable December 13, 2017.
- In November, 2017, MetLife announced plans to divest its remaining Brighthouse Financial Inc. common stock through an exchange offer for MetLife common stock during 2018. The exchange offer would be governed by a separate board authorization, and subject to market conditions and regulatory approval.
- In December, 2017, MetLife reported that the company had lost track of potentially tens of thousands of customers to whom it owed pension and annuity payments, and was trying to track them down. TSP participants were not affected.

Subsequent Events (after December 2017):

- In January, 2018, MetLife declared a quarterly cash dividend of $0.40 per share of common stock, payable March 13, 2018.
- In February, 2018, MetLife scaled back its assessment of the misplaced-pensioner issue, saying that it had inappropriately lost track of 2 percent of the pension clients, or about 13,500 individuals. In December, MetLife said the issue could affect less than 5 percent of pension clients. TSP participants were not affected.
- In March, 2018, MetLife announced a change in leadership, Robin Lenna, EVP and head of Retirement & Income Solutions (RIS) has retired from MetLife effective March 1, 2018.

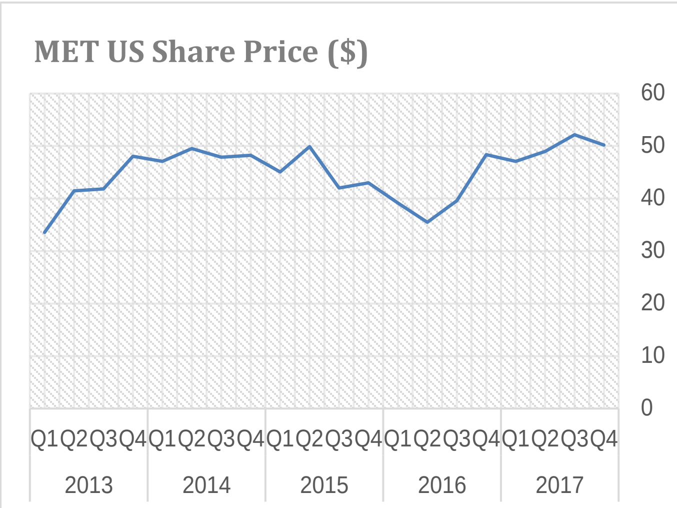
Risk Monitoring: MetLife fourth quarter 2017 results: reveal that net income were $2.1 billion, compared to a loss of $2.2 billion in the fourth quarter of 2016. Adjusted Earnings were $678 million, down 36 percent from the fourth quarter of 2016, and 36 percent on a constant currency basis.

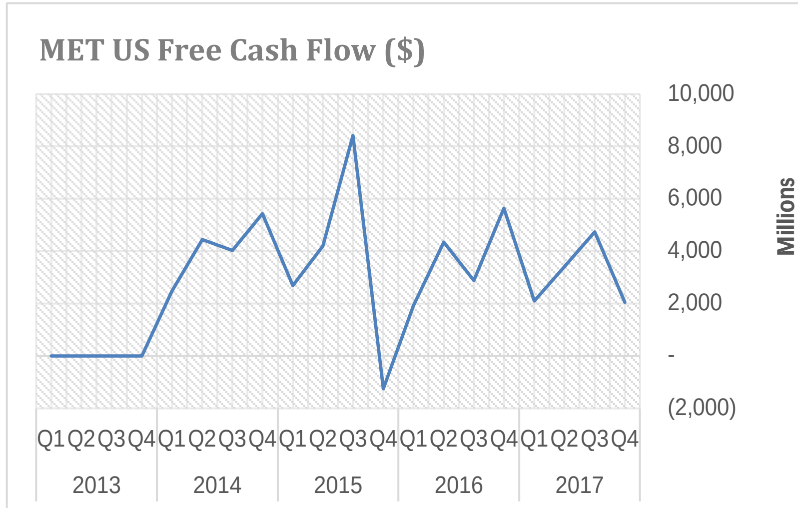
- *Risk Mitigation Strategy:* In the unlikely event MetLife is unable to provide annuities as a distribution option for TSP participants, as a contingency measure, FRTIB could elect to not exercise options under the existing annuity contract or could offer participants monthly payments until a new vendor 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





Key Metrics Supporting Analysis

($ In Millions, except ratios, yields)	Q4 2016	Q4 2017	% Change	Direction
Solvency				
Debt to Equity Ratio	31.2	34.7	11%	ê
Debt to Capital Ratio	23.78	25.76	8%	ê
Interest Coverage Ratio	-	-	-	-
Enterprise Value	$69,784	$62,785	-10%	ê
Liquidity				
Cash Ratio	-	-	-	-
Current Ratio	-	-	-	-
Quick Ratio	-	-	-	-
Profitability				
Revenue	$12,832	$12,690	-1%	ê
EBITDA	-	-	-	-
EBIT	-	-	-	-
ROA	0.10	0.5	418%	é
ROE	1.14	6.4	463%	é
ROIC	-21.65	5.93	127%	é
Operating Margin	-7.47	11.58	255%	é
Profit Margin	-15.88	18.76	218%	é
EPS	-1.88	2.22	218%	é

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

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

Challenges

- Ø Operating Margin decreased when compared to prior year
- Ø 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
- **D&B:** Overall Business Risk is **LOW-MODERATE** (score range: Low – High).
  - Overall assessment of Serco over the next 12 months: Stable condition.
  - Based on the predicted risk of business discontinuation: Likelihood of continued operations.
  - Based on the predicted risk of severely delinquent payments: Low potential for severely delinquent payments.

Significant Events (October – December 2017):

- No significant events.

Subsequent Events (after December 2017):

- In January, 2018, Serco was awarded a $600 million contract to support the Federal Emergency Management Agency's disaster recovery mission.

Risk Monitoring: Serco full year results 2017: reveal that revenues were $2.954 billion versus $3.048 billion a year ago. The organic revenue decline was 7% driven by the phased transfer of contracts such as that for the Defense Science and Technology Laboratory (DSTL), and the end of the contracts for the Virginia Department of transportation (VDDOT), US Army Transition Assistance (SFLTAP). However, there was limited growth from the SPAWAR Anti-Terrorism/Force Protection (ATFP) US Navy Ship and infrastructure support, and other task orders. Serco year end results for 2017: UTP (Underlying Trading Profit) margin of 5.3% for calendar year 2017, in contrast with 6.2% obtained during the same period of 2016.

- *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.

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*

($ In Millions, except ratios, yields)	S2 2016	S2 2017	% Change	Direction
Solvency				
Debt to Equity Ratio	82.27	94.95	15%	↓
Debt to Capital Ratio	45.14	48.71	8%	↓
Interest Coverage Ratio	-4.58	-0.60	-87%	↑
Enterprise Value	$2,113	$1,714	-19%	↓
Liquidity				
Cash Ratio	0.24	0.17	-31%	↓
Current Ratio	1.02	0.97	-5%	↓
Quick Ratio	0.50	0.17	-67%	↓
Profitability				
Revenue	$1,939	$1,905	-2%	↓
EBITDA	$-14	$25	280%	↑
EBIT	$-49	$-6	88%	↑
ROA	-0.07	-0.01	82%	↑
ROE	-0.35	-0.06	84%	↑
ROIC	0.17	1.43	734%	↑
Operating Margin	-2.50	-0.30	88%	↑
Profit Margin	-3.14	1.25	-	↑
Net Income	-60.95	23.85	-	↑
EPS	-0.06	0.02	-	↑

***Serco reports semi-annually.**

Sources: Company filings, Moody's, YCharts, News Articles, Dun & Bradstreet, and Bloomberg data estimates

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
- SunGard has almost tripled FIS 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.
- 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: BBB** – Negative – More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments
- **D&B:** Overall Business Risk is **MODERATE** (score range: Low – High).
  - Overall assessment of FIS over the next 12 months: Heightened payment behavior concerns.
  - Based on the predicted risk of business discontinuation: High likelihood of continued operations.
  - Based on the predicted risk of severely delinquent payments: Very high potential for severely delinquent payments.

Significant Events (October – December 2017):

- In October, 2017, Fidelity National Information Services declared a quarterly cash dividend of $0.29 per share of common stock, payable December 29, 2017.

Subsequent Events (after December 2017):

- In February, 2018, Fidelity National Information Services declared a quarterly cash dividend of $0.32 per share of common stock, payable March 30, 2018.

Risk Monitoring: Fidelity National Information Services fourth quarter 2017 results: reveal that revenues decreased 4.7 percent to $2,329 million from $2,445 million in the prior year quarter. Operating income increased to $485 million from $432 million in the prior year quarter. Adjusted EBITDA increased to $881 million for the quarter, from $846 million in the prior year quarter.

- *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 fork off 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.

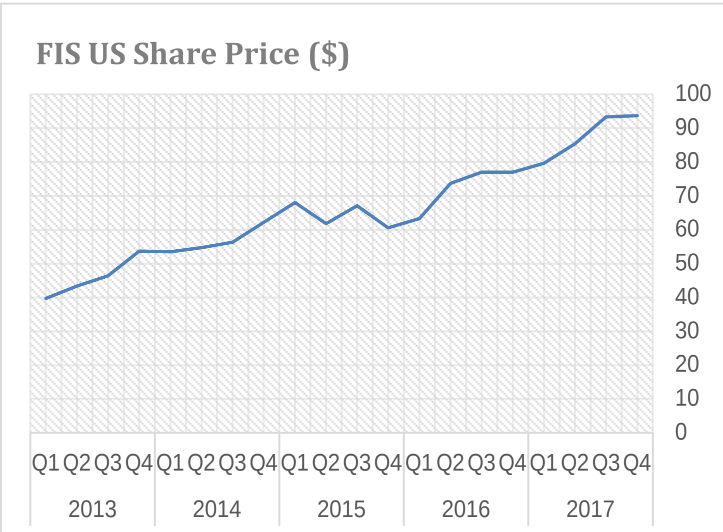
Sources: Company filings, Moody's, YCharts, News Articles, Dun & Bradstreet, and Bloomberg data estimates

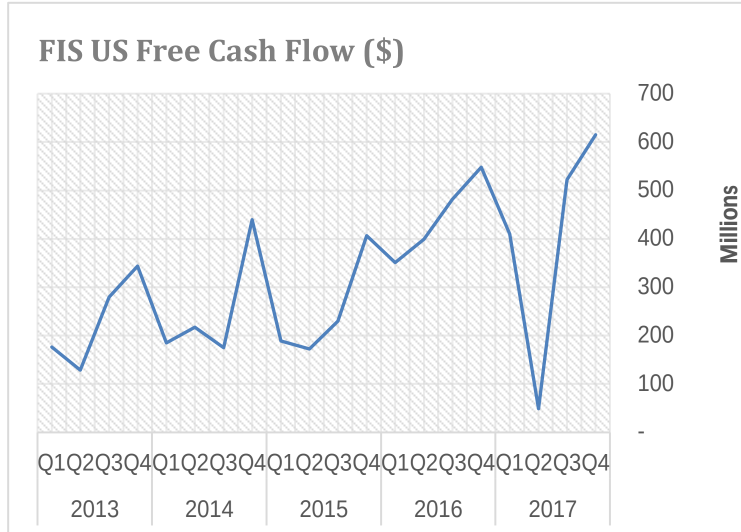
- *Risk of not successfully integrating and executing series of latest mergers and acquisitions* – FIS is focused on successfully integrating its merger and acquisition and expects to increase net sales, drive cost savings from synergies, and provide additional capacity to meet customer needs.

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

($ In Millions, except ratios, yields)	Q4 2016	Q4 2017	% Change	Direction
Solvency				
Debt to Equity Ratio	106.43	80.07	-25%	é
Debt to Capital Ratio	51.56	44.47	-14%	é
Interest Coverage Ratio	-	6.93	-	
Enterprise Value	$34,709	$39,539	14%	é
Liquidity				
Cash Ratio	0.22	0.17	-22%	ê
Current Ratio	1.36	0.92	-32%	ê
Quick Ratio	0.74	0.59	-20%	ê
Profitability				
Revenue	$2,445	$2,329	-5%	ê
EBITDA	$730	$843	15%	é
EBIT	$432	$485	12%	é
ROA	2.17	5.22	140%	é
ROE	5.96	12.82	115%	é
ROIC	3.64	7.35	102%	é
Operating Margin	17.67	20.82	18%	é
Profit Margin	8.47	42.42	401%	é
Net Income	207.00	988.00	377%	é
EPS	0.63	2.98	373%	é

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 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 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.
- **D&B:** Overall Business Risk is **MODERATE** (score range: Low – High).
  - Overall assessment of SAIC over the next 12 months: Stable condition due to large business size.
  - Based on the predicted risk of business discontinuation: Likelihood of continued operations.
  - Based on the predicted risk of severely delinquent payments: Moderate potential for severely delinquent payments.

Significant Events (October – December 2017):

- In October, 2017, SAIC was awarded a $93 Million U.S. Cyber Command (USCYBERCOM) task order to support the Directorate of Operations (J3) Joint Operations Center and Special Programs.
- In November, 2017, SAIC was awarded $980 Million 'Battlefield Systems' Contract by U.S. Army.
- In December, 2017, SAIC declared quarterly cash dividend of $0.31 per common share, payable January 26, 2018.

Subsequent Events (after December 2017):

- No significant events.

Risk Monitoring: SAIC fiscal year 2018 results: reveal that revenues for the quarter decreased $45 million, or 4%, compared to the prior year primarily due to lower subcontractor activity within their contract portfolio, the re-compete loss of an IT integration program for the Department of Homeland Security ($8 million), customer driven delays on a Marine Corp IT services program ($12 million), various other decreases across their contract portfolio and one less productive day in the quarter ($17 million). These decreases were partially offset by revenues on newly awarded programs including the Amphibious Combat Vehicle (ACV) and GSA Enterprise Operations programs ($47 million).

Operating income for the quarter increased $7 million to 5.9% of revenues, up from 5.0% for the prior year quarter. This increase was primarily due to lower acquisition and integration expenses ($10 million), lower intangible asset amortization ($5 million) and cost savings initiatives ($6 million). These increases were partially offset by higher bid and proposal (B&P) activity to address a strong pipeline of opportunities ($6 million), lease exit costs ($5 million) and lower revenue volume ($4 million).

Net income for the quarter increased $8 million from the comparable prior year period primarily due to increased operating income ($5 million, net of tax), lower effective tax rate ($1 million), higher other income ($1 million, net of tax), and lower interest expense primarily due to lower principal outstanding ($1 million, net of tax).

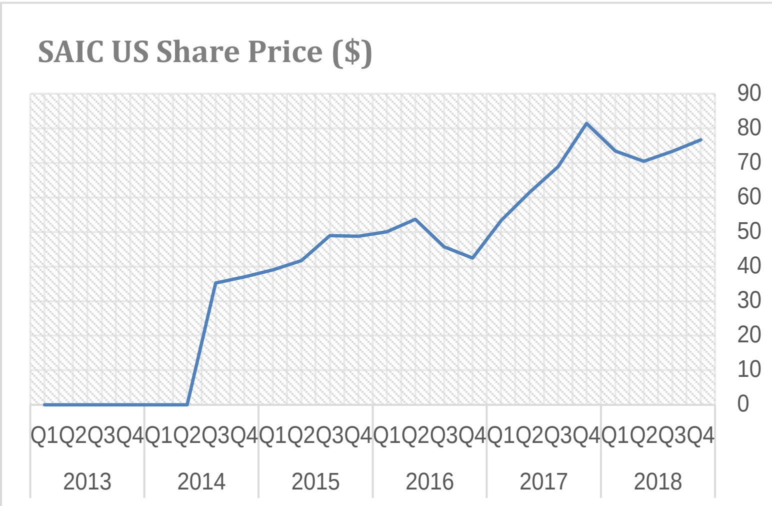
EBITDA for the quarter increased to 7.1% of revenues, compared to EBITDA of 6.8% for the comparable prior year quarter. The increase was primarily due to lower acquisition and integration expenses and cost savings initiatives, partially offset by higher B&P activity and lease exit costs.

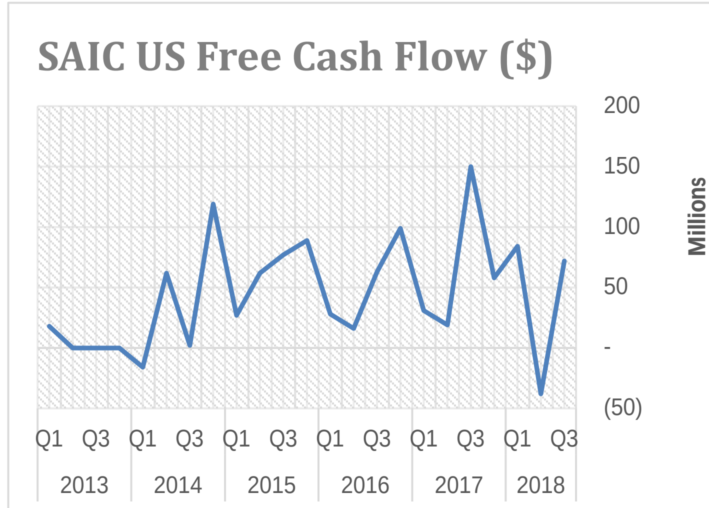
- *Risk Mitigation Strategy:* If SAIC were to become unavailable, the Agency would shift Government employees to perform critical operational functions in the short term. Concurrently, the agency would move quickly to establish an interim support capability while a longer term support contract was competed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

($ In Millions, except ratios, yields)	Q4 2016	Q4 2017	% Change	Direction
Solvency				
Debt to Equity Ratio	281.58	295.76	5%	ê
Debt to Capital Ratio	73.79	74.73	1%	ê
Interest Coverage Ratio	4.15	5.55	34%	é
Enterprise Value	$2,793	$4,476	60%	é
Liquidity				
Cash Ratio	0.28	0.34	20%	é
Current Ratio	1.38	1.47	6%	é
Quick Ratio	1.21	1.22	1%	é
Profitability				
Revenue	$1,071	$1,026	-4%	ê
EBITDA	$74	$73	-1%	ê
EBIT	$54	$61	13%	é
ROA	6.65	7.11	7%	é
ROE	32.28	40.33	25%	é
ROIC	12.54	12.68	1%	é
Operating Margin	5.04	5.95	18%	é
Profit Margin	2.61	3.51	34%	é
Net Income	28.00	36.00	29%	é
EPS	0.61	0.82	34%	é

Sources: Company filings, Moody's, YCharts, News Articles, Dun & Bradstreet, and Bloomberg data estimates

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.