Risk Factors Comparison 2024-03-20 to 2023-04-03 Form: 10-K

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In your evaluation of our Company and business, you should carefully consider the risks and uncertainties described below, together with information included elsewhere within this report and other documents we file with the SEC. These risks, as well as additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may materially harm our business, financial condition or operating results and result in a decline in the price of our stock. Industry and Economic Risks We depend on U. S. government agencies as our primary customer and, if our reputation or relationships with these agencies were harmed, our future revenues and cash flows would be adversely affected. We generated ~~either as a prime contractor or a subcontractor to other contractors engaged in work for the U. S. government~~ 98 % of our total revenues during each of the last three fiscal years from contracts with **the U. S. government either as a prime contractor or a subcontractor to other contractors engaged in work for** the U. S. government. We expect to continue to derive substantially all of our revenues from work performed under U. S. government contracts. Our reputation and relationship with the U. S. government, and in particular with the agencies of the DoD, are key factors in maintaining and growing these revenues. Negative press reports or publicity, regardless of accuracy, could harm our reputation. If our reputation is negatively affected, or if we are suspended or debarred from contracting with government agencies for any reason, the amount of business with government and other customers would decrease and our future revenues, cash flows, and financial results would be adversely affected. A decline in the U. S. government defense budget, changes in spending or budgetary priorities, the failure to approve U. S. government budgets on a timely basis or delays in contract awards and other procurement activity may significantly and adversely affect our future revenues, cash flow and financial results. Because we generate substantially all of our revenues from contracts with U. S. government agencies, our operating results could be adversely affected by spending caps or changes in budgetary priorities, as well as by delays in the government budget process, program starts or the award of contracts or task orders under contracts. Current U. S. government spending levels for defense- related and other programs may not be sustained ~~beyond~~ **through** government fiscal year (**"** GFY **"**) ~~2023~~ **2024** . Future spending and program authorizations may not increase or may decrease or shift to programs in areas in which we do not provide services or are less likely to be awarded contracts. Such changes in spending authorizations and budgetary priorities may occur as a result of shifts in spending priorities. A ~~reprioritization~~ **change in administrations or changing national priorities** may reduce defense- related and other programs as a result of competing demands for federal funds and the number and intensity of military conflicts or other factors. When the U. S. Congress does not complete a budget before the end of the fiscal year, government operations typically are funded through one or more continuing resolutions that authorize agencies of the U. S. government to continue to operate, but do not authorize new spending initiatives. When the U. S. government operates under a continuing resolution, contract awards may be delayed, canceled, or funded at lower levels, which could adversely impact our operations, cash flows and financial results ~~. While the federal government is currently funded in full through the end of GFY 2023, there is a strong possibility that GFY 2024 will begin under a continuing resolution lasting several weeks or months~~ . In addition, it is possible that an impasse on policy issues could threaten continuous government funding ~~past~~ **through** September 30, ~~2023~~ **2024** or result in another federal government shutdown, which could cause us to incur labor or other costs without reimbursement under customer contracts or the delay or cancellation of key programs, and could adversely affect our operations, cash flows and financial results. The U. S. government also conducts periodic reviews of U. S. defense strategies and priorities, which may shift DoD budgetary priorities, reduce overall spending or delay contract or task order awards for defense- related programs from which we would otherwise expect to derive a significant portion of our future revenues. A significant decline in overall U. S. government spending, a significant shift in spending priorities, the substantial reduction or elimination of particular defense- related programs or significant budget- related delays in contract or task order awards for large programs could adversely affect our future revenues and limit our growth prospects. SCIENCE APPLICATIONS INTERNATIONAL CORPORATION We face aggressive competition that can impact our ability to obtain contracts and may affect our future revenues, profitability and growth prospects. We expect that a majority of the business that we seek in the foreseeable future will be awarded through a competitive bidding process as the U. S. government increasingly relies on IDIQ, GSA Schedule and other multi- award contracts, which has resulted in greater competition and increased pricing pressure. The competitive bidding process involves substantial costs and a number of risks, including significant cost and managerial time to prepare bids and proposals for contracts that may not be awarded to us, or that may be awarded but for which we do not receive meaningful task orders. Following contract award, we may encounter significant expense, delay, contract modifications or even contract loss as a result of our competitors protesting the award of contracts to us in competitive bidding. Any resulting loss or delay of startup and funding of work under protested contract awards may adversely affect our revenues and / or profitability. In addition, multi- award contracts require that we make sustained post- award efforts to obtain task orders under the contract. As a result, we may not be able to obtain these task orders or recognize revenues under these multi- award contracts. Our failure to compete effectively in this procurement environment would adversely affect our revenues and profitability. We compete with larger companies that have greater name recognition, financial resources and larger technical staffs and with smaller, more specialized companies that are able to concentrate their resources on particular areas. Additionally, we may compete with the U. S. government' s own capabilities. To remain competitive, we must consistently provide superior service, technology and performance on a cost- effective basis to our customers and there is no assurance that we will do so. Our earnings and profitability may vary based on the mix of our contracts and may be adversely affected by our failure to accurately estimate and manage costs, time and resources. We generate revenues under various types of contracts, which include cost- reimbursement, T & M and FFP contracts. Our earnings and profitability may vary materially depending on changes in the proportionate amount of revenues derived from each type of contract, the nature of services or solutions provided, as well as the achievement of performance objectives and the stage of performance at which the right to receive fees, particularly under incentive and award fee contracts, is finally determined. Cost- reimbursement and T & M contracts generally have lower profitability than FFP contracts. To varying degrees, each of our contract types involves some risk that we could underestimate the costs and resources necessary to fulfill the contract. Our profitability is adversely affected when we incur costs on cost- reimbursement and T & M contracts that we cannot bill to our customers. While FFP contracts allow us to benefit from cost savings, these contracts also increase our exposure to the risk of cost overruns. Revenues derived from FFP contracts represented approximately ~~25~~ **19** % of our total revenues for fiscal ~~2023~~ **2024** . When making proposals on FFP contracts, we rely heavily on our estimates of costs and timing for completing the associated projects, as well as assumptions regarding technical issues. In each case, our failure to accurately estimate costs or the resources and technology needed to perform our contracts or to effectively manage and control our costs during the performance of work could result, and in some instances has resulted, in reduced profits or in losses. More generally, any increased or unexpected costs or unanticipated delays in connection with the performance of our contracts, including costs and delays caused by contractual disputes or other factors outside of our control (such as performance failures of our subcontractors, rising inflation, natural disasters or other force majeure events including the outbreak of the coronavirus disease 2019 (**"** COVID- 19 **"**)) could make our contracts less profitable than expected or unprofitable. We use estimates in recognizing revenues and, if we make changes to estimates used in recognizing revenues, our profitability may be adversely affected. A significant portion of our revenues are recognized on **contracts** ~~performance obligations~~ using a cost input measure, which requires estimates of total costs at completion, fees earned, or both. Particularly due to the technical nature of the services being performed and the length of certain **contracts** ~~performance obligations~~ , this estimation process is complex and involves significant judgment. Adjustments to original estimates are often required as work progresses, experience is gained and additional information becomes known, even though the scope of the work required under the performance obligation may not change. Any adjustment as a result of a change in estimate is recognized immediately. Changes in the underlying assumptions, circumstances or estimates could result in adjustments that may adversely affect future financial results. Legal and Regulatory Risks Our failure to comply with a variety of complex procurement rules and regulations could result in our being liable for penalties, including termination of our U. S. government contracts, disqualification from bidding on future U. S. government contracts and suspension or debarment from U. S. government contracting. We must comply with various laws and regulations relating to the formation, administration and performance of U. S. government contracts, which affect how we do business with our customers and may impose added costs on our business. Many of our U. S. government contracts contain organizational conflict of interest (**"** OCI **"**) clauses that may limit our ability to compete for or perform certain other contracts or other types of services for particular customers. OCI arises when we engage in activities that may make us unable to render impartial assistance or advice to the U. S. government, impair our objectivity in performing contract work or provide us with an unfair competitive advantage. Existing OCI, and any OCI that may develop, could preclude our competition for or performance on a significant project or contract, which could limit our opportunities. The U. S. government may adopt new contract rules and regulations or revise its procurement practices in a manner adverse to us at any time. Our industry continues to experience significant changes to business practices as a result of an increased focus on affordability, efficiencies and recovery of costs, among other items. U. S. government agencies may face restrictions or pressure regarding the type and amount of services that they may obtain from private contractors. Legislation, regulations and initiatives dealing with procurement reform, mitigation of potential OCI' s, deterrence of fraud, and environmental responsibility or sustainability could have an adverse effect on us. Federal and state laws, regulations and mandates that require significant progress to reduce the impact of climate change through carbon pollution- free electricity, net- zero emissions in vehicles, buildings, procurement and operations, and similar actions could diminish or weaken our ability to attain new contracts or garner renewals. As a government services provider, we anticipate that requirements around supply chain management and specific procurement strategies to reduce contractor emissions and emissions in products used or acquired could impair the Company from effectively competing. Further, requirements around the disclosure of greenhouse gas emissions, particularly Scope 3 emissions, emission reduction targets, climate risk, and other climate sustainability actions could potentially have a negative impact to our business and the ability to secure certain contracts or contract renewals. The risk of more rapidly shifting or changing government policies could have an equally adverse effect on government contractors such as ourselves. Moreover, shifts in the buying practices of U. S. government agencies (such as increased usage of fixed- price contracts, multiple award contracts and small business set- aside contracts) could have adverse effects on government contractors, including us. Any of these changes could impair our ability to obtain new contracts or contract renewals. Any new contracting requirements or procurement methods, including those related to climate change, could be costly or administratively difficult for us to implement and could adversely affect our future revenues, profitability and prospects. Our business is subject to reviews, audits and cost adjustments by the U. S. government, which, if resolved unfavorably to us, could adversely affect our profitability, cash flows or growth prospects. The DCAA, DCMA and others routinely audit and review a contractor' s performance on government contracts, indirect cost rates and pricing practices, and compliance with applicable contracting and procurement laws, regulations and standards. They also review the adequacy of the contractor' s compliance with government standards for its business systems, which are defined as the contractor' s accounting, earned value management, estimating, materials management, property management and purchasing systems. A finding of significant control deficiencies in a contractor' s business systems or a finding of noncompliance with CAS can result in decremented billing rates to U. S. government customers until the control deficiencies are corrected and their remediation is accepted by the DCMA. The agencies conducting these audits and reviews have come under increased scrutiny. As a result, audits and reviews have become more rigorous and the standards to which we are held are being more strictly interpreted, which has increased the likelihood of an audit or review resulting in an adverse outcome. Government audits and reviews may conclude that our practices are not consistent with applicable laws and regulations and result in adjustments to contract costs and mandatory customer refunds. Such adjustments can be applied retroactively, which could result in significant customer refunds. Receipt of adverse audit findings or the failure to obtain an “ approved ” determination on our various business systems could significantly and adversely affect our business by, among other things, restricting our ability to bid on new contracts and, for those proposals under evaluation, diminishing our competitive position. A determination of noncompliance could also result in the U. S. government imposing penalties and sanctions against us, including withholding of payments, suspension of payments and increased government scrutiny. Increased scrutiny could adversely impact our ability to perform on contracts, affect our ability to invoice for work performed, delay the receipt of timely payment on contracts, and weaken our ability to compete for new contracts with the U. S. government. The indirect cost audits by the DCAA of the Company’ s business remain open for certain prior years and the current year. We have recorded contract revenues based on an estimate of costs that we believe will be approved on final audit. However, we do not know the outcome of any ongoing or future audits or whether future adjustments will exceed our reserves for potential adjustments. Our business is subject to governmental review and investigation, which could adversely affect our profitability, cash position and growth prospects. We are routinely subject to governmental investigations relating to **all aspects of our business including** our contracts and operations. If a review or investigation identifies improper or illegal activities, we may be subject to civil or criminal penalties or administrative sanctions, which could include the termination of contracts, forfeiture of profits, the triggering of price reduction clauses, suspension of payments, fines, and suspension or debarment from doing business with governmental agencies. We may suffer harm to our reputation if allegations of impropriety are made against us, which would impair our ability to win new contract awards or receive contract renewals. Penalties and sanctions are not uncommon in our industry. If we incur a material penalty or administrative sanction or otherwise suffer harm to our reputation, our profitability, cash position and future prospects could be adversely affected. The U. S. government may terminate, cancel, modify or curtail our contracts at any time and, if we do not replace them, we may be unable to achieve or sustain revenue growth and may suffer a decline in revenues and profitability. Many of the U. S. government programs in which we participate as a contractor or subcontractor may extend for several years and include one or more base years and one or more option years. Under our contracts, the U. S. government generally has the right not to exercise options to extend or expand our contracts and may otherwise terminate, cancel, modify or curtail our contracts at its convenience. Any decision by the U. S. government not to exercise contract options or to terminate, cancel, modify or curtail our major programs or contracts would adversely affect our revenues, revenue growth and profitability. We have experienced and continue to experience periodic performance issues under certain of our contracts. If a government customer terminates a contract for default, we may be exposed to liability, including for excess costs incurred by the customer in procuring undelivered services and solutions from another source. Depending on the nature and value of the contract, a performance issue or termination for default could cause our actual results to differ from those anticipated and could harm our reputation. Our use of net operating loss carryforwards and other tax attributes to offset future taxable income may become limited in the event that we or the IRS determines that we have experienced an ownership change. As of February ~~3~~ **2** , ~~2023~~ **2024** , we have estimated $ ~~296~~ **251** million of gross net operating loss carryforwards and tax basis in our acquired amortizable goodwill and other intangible assets of approximately $ 1. ~~4~~ **2** billion. Net operating loss carryforwards and other tax attributes are subject to various annual limitations under Sections 382 and 383 of the Internal Revenue Code, which restricts a corporation’ s ability to use such carryforwards and attributes following an ownership change. Changes in tax laws and regulations or exposure to additional tax liabilities could adversely affect our financial results. Changes in U. S. (federal or state) regulations, or their interpretation and application, including those with retroactive effect, could result in increases in our tax expense and affect profitability and cash flows. For example, beginning in fiscal 2023, the Tax Cuts and Jobs Act of 2017 eliminated the option to deduct research and development expenditures immediately in the year incurred and requires taxpayers to amortize such expenditures over five years for tax purposes. While the impact to income taxes payable ~~is~~ **was** most significant in fiscal 2023, this impact will decrease over the five- year amortization period and is anticipated to be immaterial in year six. The actual impact will depend on the amount of research and development costs incurred by the Company, whether Congress modifies, or repeals this provision and whether new guidance and interpretive rules are issued by the U. S. Treasury, among other factors. Legal disputes could require us to pay potentially large damage awards and could be costly to defend, which would adversely affect our cash balances and profitability, and could damage our reputation. We are subject to a number of lawsuits and claims described under “ Legal Proceedings ” in Part I, Item 3 of this report. We are also subject to, and may become a party to, a variety of other litigation or claims and suits that arise from time to time in the ordinary course of our business. The Department of Justice and other enforcement agencies of the U. S. government may bring claims or lawsuits against us in connection with our performance of government contracts or our billing or record- keeping relating to those contracts. The Department of Justice has considerably more resources at its disposal than we do, and can bring suspension and debarment proceedings against us that would prevent us from working for some or all U. S. government customers. In addition, certain statutes under which the Department of Justice may bring claims (like the False Claims Act) provide for treble damages and penalties on a per invoice basis against government contractors. These circumstances generally give the Department of Justice significantly more leverage in any legal dispute with us than if we were defending ourselves against claims brought by a commercial enterprise. Adverse judgments or settlements in some or all of these legal disputes may result in significant monetary damages or injunctive relief against us. Any claims or litigation could be costly to defend, and even if we are successful or if fully indemnified or insured, could damage our reputation and make it more difficult to compete effectively or obtain adequate insurance in the future. Litigation and other claims, including those described under “ Legal Proceedings ” in Part I, Item 3 of this report, are subject to inherent uncertainties and management’ s view of these matters may change in the future. Our business is subject to numerous legal and regulatory requirements and any violation of these requirements or any misconduct by our employees, subcontractors, agents or business partners could harm our business and reputation. In addition to government contract procurement laws and regulations, we are subject to numerous other federal, state and foreign legal requirements on matters as diverse as data privacy and protection, employment and labor relations, immigration, taxation, anti- corruption, import / export controls, trade restrictions, internal and disclosure control obligations, securities regulation and anti- competition. Compliance with diverse and changing legal requirements is costly, time- consuming and requires significant resources. Violations of one or more of these requirements in the conduct of our business could result in significant fines and other damages, criminal sanctions against us or our officers, prohibitions on doing business and damage to our reputation. Violations of these regulations or contractual obligations related to regulatory compliance in connection with the performance of customer contracts could also result in liability for significant monetary damages, fines and / or criminal prosecution, unfavorable publicity and other reputational damage, restrictions on our ability to compete for certain work and allegations by our customers that we have not performed our contractual obligations. Misconduct by our employees, subcontractors, agents or business partners could subject us to fines and penalties, restitution or other damages, loss of security clearance, loss of current and future customer contracts and suspension or debarment from contracting with federal, state or local government agencies, any of which would adversely affect our business and our future results. Such misconduct could include fraud or other improper activities such as falsifying time or other records, failure to comply with our policies and procedures or violations of applicable laws and regulations. Business and Operational Risks A failure to attract, train, retain and utilize skilled employees and our senior management team would adversely affect our ability to execute our strategy and may disrupt our operations. Our business relies heavily upon the expertise and services of our employees. Our continued success depends on our ability to recruit and retain highly trained and skilled engineering, technical and professional personnel. Competition for skilled personnel is intense and competitors aggressively recruit key employees. In addition, many U. S. government programs require contractors to have security clearances. Depending on the level of required clearance, security clearances can be difficult and time- consuming to obtain and personnel with security clearances are in great demand. Particularly in highly specialized areas, it has become more difficult to retain employees and meet all of our needs for employees in a timely manner, which may affect our growth in the current and future fiscal years. Although we intend to continue to devote significant resources to recruit, train and retain qualified employees, we may not be able to attract, effectively train and retain these employees. Any failure to do so could impair our ability to efficiently perform our contractual obligations, timely meet our customers' needs and ultimately win new business, all of which could adversely affect our future results. In addition, salaries and related costs are a significant portion of the cost of providing our services and, accordingly, our ability to efficiently utilize our workforce impacts our profitability. If our employees are under- utilized, our profitability could suffer. We believe that our success also depends on the continued employment of a highly qualified and experienced senior management team and that team' s ability to retain existing business and generate new business. The loss of key personnel in critical functions could lead to lack of business continuity or disruptions in our business until we are able to hire and train replacement personnel. We may make acquisitions, investments, joint ventures and divestitures in the future that involve numerous risks, which if realized, may adversely affect our business and our future results. We may make strategic acquisitions, engage in joint ventures or divest existing businesses, which could cause us to incur unforeseen expenses and have disruptive effects on our business and may not yield the benefits we expect. Our Credit Facility also imposes limitations on our ability to make other acquisitions. Subject to those limitations, we may selectively pursue additional strategic acquisitions, investments and joint ventures in the future. Any future acquisitions, investments and joint ventures may pose many risks that could adversely affect our reputation, operations or financial results, including: • we may not retain key employees (including those with needed security clearances), customers and business partners of an acquired business in the future; • we may fail to successfully integrate acquired businesses, such as failing to successfully implement IT and other control systems relating to the operations of any acquired business; • we may not generate sufficient earnings to meet the required Leverage Ratio under the Credit Facility, which would give lenders the right to, among other things, foreclose on our assets; • acquisitions normally require a significant investment of time and resources, which may disrupt our business and distract our management from other important responsibilities; • we may not be able to accurately estimate the financial effect of any acquisitions and investments on our business and we may not realize anticipated revenue opportunities, cost savings, or other synergies or benefits, or acquisitions may not result in improved operating performance; and • we may assume known as well as unknown material liabilities, legal or regulatory risks that were not identified as part of our due diligence or for which we are unable to receive a purchase price adjustment or reimbursement through indemnification; If any acquisitions, investments or joint ventures fail, perform poorly or their value is otherwise impaired for any reason, including contractions in credit markets and global economic conditions, our business and financial results could be adversely affected. In addition, we may periodically divest businesses, including businesses that are no longer a part of our ongoing strategic plan. These divestitures similarly require significant investment of time and resources and may disrupt our business, distract management from other responsibilities and may result in losses on disposal or continued financial involvement in the divested business, including through indemnification, guarantee or other financial arrangements, for a period of time following the transaction, which could adversely affect our financial results. We **use** ~~will incur direct~~ and ~~indirect costs~~ **deploy AI solutions for our customers which may result in harm to our reputation or liability if they do not function** as ~~a~~ **predicted. We deploy and integrate AI solutions for our business operations and for customers, including AI solutions that assist with the design, deployment, and management of AI applications and allow customers to work with their complex and sensitive data to power the most demanding analytics, data science, and AI use cases. These AI solutions may be vulnerable to misuse, or cyberattack and because this technology is developing so rapidly we may be unable to keep up with new AI developments. The AI solutions we use are developed by us and obtained from third parties. The development methods and algorithms of these solutions could be flawed, and the datasets could contain incorrect or biased information. Content or code generated by AI systems may be vulnerable to cyber attack, require human review, be unreliable, illegal, or offensive, and could** result ~~of the acquisitions of Unisys Federal, Halfaker, and Koverse. We will incur substantial~~

~~expenses~~ in ~~connection with and~~ **the AI solution not working** as **intended** ~~a result of the acquisitions and, over a period of time following the completion of the acquisitions, we expect to incur substantial expenses in connection with coordinating our businesses, operations, policies and procedures~~ . ~~While~~ **If** we **deploy AI solutions that** have **unintended consequences** ~~assumed that a certain level of transaction expenses will be incurred, factors beyond our~~ - **or** ~~control~~ **are more controversial than we anticipate, our customers may seek redress and we may experience reputational harm which** could affect ~~the total amount or~~ **our** ~~the timing of these expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately. Our~~ business ~~and~~ **or** financial results **. Our use of AI solutions** could be **limited** ~~negatively affected by cyber~~ or **subject to regulatory action or legal liability under proposed rules or legislation regarding privacy, intellectual property and** other ~~security threats. As a U. S. government contractor and a provider of IT services operating in multiple regulated industries and geographies, we handle a variety of sensitive information including personally identifiable information, personnel information, protected health information, classified information and controlled unclassified information, and financial information, concerning our business and employees and those of our customers. We are continuously exposed to cyber and other security threats, including malware / computer viruses, ransomware, phishing attacks, insider threats and physical break-ins. Any unauthorized electronic or physical intrusion or other security threat may jeopardize the protection of sensitive or other information stored or transmitted through our IT systems and networks. This could lead to disruptions in mission- critical systems, unauthorized release of sensitive information and the theft or corruption of data. Although we have implemented and regularly update and improve policies, procedures and other controls to monitor, protect against, detect and mitigate cyber and other security threats, attempts to gain unauthorized access to our IT systems and networks are becoming more prevalent and sophisticated. We, however, proactively seek to detect, investigate, mitigate and remediate all security events. In addition, we work with the defense industrial base industry and the U. S. government to gather and share threat intelligence and promote increased awareness and enhanced protections against cybersecurity threats. However, because of the evolving nature of these security threats, there can be no assurance that our policies, procedures and other controls will detect or prevent them, and we cannot predict their full impact. We may experience similar security threats to the IT systems that we develop, install or maintain under customer contracts, including customer contracts under which we may have access to or management responsibility for customer databases or networks that contain sensitive information relating to our customers, their employees or related third parties. Although we work cooperatively with our customers to seek to minimize the impacts of cyber and other security threats, we must usually rely on the safeguards used or required by those customers. In the event of unauthorized access to sensitive information for which we are responsible under customer contracts, our customers, their employees, or third parties may seek to hold us liable for any costs or other damages associated with the unauthorized access. In addition, government agencies may bring legal actions against us for violation of or noncompliance with regulatory requirements relating to any unauthorized access to sensitive information including failure to make adequate and timely disclosure to the public, regulators or law~~ **laws** ~~enforcement agencies. Occurrence of any unauthorized access caused by these security threats could adversely affect our reputation, business operations including contract terminations, ability to win work on future contracts, and impact our financial results. Any remediation costs, damages or other liabilities related to unauthorized access of sensitive information of ours or our customers caused by cyber or other security threats may not be fully insured or indemnified by other means or our insurers~~ . We face various risks related to health epidemics, pandemics and similar outbreaks, which may have material adverse effects on our business, financial position, results of operations and / or cash flows. We face various risks related to health epidemics, pandemics and similar outbreaks **like** ~~, including~~ the global outbreak of COVID- 19. If significant portions of our workforce are unable to work effectively due to illness, quarantines, government actions, facility closures or other reasons in connection with **an epidemic** ~~COVID- 19 or similar outbreaks~~ , our operations will likely be impacted. We may be unable to perform fully on our contracts and some of our costs may not be fully recoverable or adequately covered by insurance. **Re** ~~It is also possible that the continued spread of COVID~~ - ~~19~~ **occurrence of an epidemic** may also cause disruption in our supply chain; cause delay, or limit the ability of, the U. S. government and other customers to perform, including making timely payments to us; impact investment performance; and cause other unpredictable events. In addition, the resulting volatility in the global capital markets could restrict our access to capital and / or increase our cost of capital ~~. We continue to monitor the ongoing situation relating to COVID- 19, to assess further possible implications to our business, supply chain and customers, and to take actions in an effort to mitigate adverse consequences. At this time, we cannot predict the overall impact of COVID- 19, but it could have a material adverse effect on our business, financial position, results of operations and / or cash flows~~ . Customer systems failures could damage our reputation and adversely affect our revenues and profitability. Many of the systems and networks that we develop, install and maintain for our customers involve managing and protecting personal information and information relating to national security and other sensitive government functions. While we have programs designed to comply with relevant privacy and security laws and restrictions, if a system or network that we develop, install or maintain were to fail or experience a security breach or service interruption, whether caused by us, third- party service providers, cybersecurity threats or other events, we may experience loss of revenue, remediation costs or face claims for damages or contract termination. Any such event could cause serious harm to our reputation and prevent us from having access to or being eligible for further work on such systems and networks. Our errors and omissions liability insurance may be inadequate to compensate us for all of the damages that we may incur and, as a result, our future results could be adversely affected. We depend on our teaming arrangements and relationships with other contractors and subcontractors. If we are not able to maintain these relationships, or if these parties fail to satisfy their obligations to us or the customer, our revenues, profitability and growth prospects could be adversely affected. We rely on teaming relationships with other prime contractors and subcontractors in order to submit bids for large procurements or other opportunities where we believe the combination of services, products and solutions provided by us and our teammates will help us to win and perform the contract. Our future revenues and growth prospects could be adversely affected if other contractors eliminate or reduce their contract relationships with us, or if the U. S.

government terminates or reduces these other contractors' programs, does not award them new contracts or refuses to pay under a contract. Companies that do not have access to U. S. government contracts or experience with our customers may perform services as our subcontractor that we cannot otherwise provide ourselves, and that exposure could enhance such companies' prospect of securing a future position as a prime U. S. government contractor, which could increase competition for future contracts and impair our ability to win these contracts. Whenever our subcontractors fail to timely meet their contractual obligations, have regulatory compliance or other problems, our ability to fulfill our obligations as a prime contractor or higher tier subcontractor may be jeopardized. We have only a limited ability to protect our intellectual property rights, which are important to our success. Our failure to adequately protect our proprietary information and intellectual property rights could adversely affect our competitive position. We rely principally on trade secrets to protect much of our intellectual property in cases where we do not believe that patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. Although our employees are subject to confidentiality obligations, this protection may be inadequate to deter or prevent misappropriation of our confidential information. We may be unable to detect unauthorized use of our intellectual property or otherwise take appropriate steps to enforce our rights. Failure to obtain or maintain trade secret protection could adversely affect our competitive business position. If we are unable to prevent third parties from infringing or misappropriating our copyrights, trademarks or other proprietary information, our competitive position could be adversely affected. In addition, in connection with the performance of services, the U. S. government has certain rights to inventions, data, software codes and related material that we develop under government- funded contracts and subcontracts, which may permit the U. S. government to disclose or license this information to third parties, including, in some instances, our competitors. In the course of conducting our business, we may inadvertently infringe the intellectual property rights of others, resulting in claims against us or our customers. Our contracts generally indemnify our customers for third- party claims for intellectual property infringement by the services and solutions we provide. The expense of defending these claims may adversely affect our financial results. We face risks related to climate change if associated increases in extreme weather events prohibit or adversely affect our employees' ability to work. Severe storms, increased precipitation and flooding, heat waves and other weather- related obstacles due to climate change could adversely affect our ability to execute our strategy and may disrupt our operations. Any failure of our employees' ability to work could potentially impair our capability to efficiently perform and meet our contractual obligations, timely address our customers' needs and ultimately win new business, all of which could adversely affect our business, financial position, results of operations, and / or cash flows. While we have a distributed workforce with employees working remotely across the U. S., we do have employees who, because of client requirements or contractual obligations, must work at specified locations. In these instances, if there was a severe weather event that impacted such a location we may not be able to meet the client' s requirements or our contractual obligations. In the shorter term, a climate- related event could temporarily suspend our ability to do the required work in person, produce operational or other unforeseen challenges, and in the longer term, threaten our ability to perform contracts in a timely manner or meet other requirements of the contract, any of which could harm our business and its results. Although SAIC has business continuity plans and other safeguards in place, there is no assurance that such plans and safeguards will be effective or that such measures will not adversely affect our operations or long- term plans. In addition, local conditions and regulations may delay the return of employees to business sites, which could impede our ability to meet the client' s requirements or our contractual obligations. The ability of individual employees, based on how severely the climate- related event has impacted them, may also impede our ability to meet the client' s requirements or our contractual obligations. Our customers, both government and civil, may shift priorities, requirements and business processes in response to climate change, which could affect our business and revenues. Customers could change priorities and approaches due to their operations experiencing a direct climate- change impact, have future concerns about their long- term sustainability, face external legislative or regulatory pressure, or other external market factors such as investor, consumer or societal requests or demands that a customer may feel obliged to respond to. Such changes and responses by our customers have the potential to adversely impact our future revenues, profitability and prospects. We could incur significant liabilities and suffer negative publicity if our detection systems fail to operate as intended or our assessment reports prove to be inaccurate. We have developed and sold tsunami buoys and related services that are designed to assist in the detection of tsunamis or large waves that may have catastrophic consequences to coastal communities. Our buoys have been deployed by the U. S. National Oceanic and Atmospheric Administration and non- U. S. governments in other areas around the world. There are many factors, some of which are beyond our control, which could result in the failure of these buoys. We may develop other products or provide services for the detection of natural or man- made threats that could have catastrophic consequences if the threats are realized. In addition, we prepare reports for various government customers in the evaluation or assessment of the consequences of certain threats or natural disasters. The failure of our products and services to help detect the threats for which they were designed or the failure of our reports to accurately assess the consequences of certain threats could contribute to injury, death and extensive property damage and may lead to product liability, professional liability, or other claims against us. Further, if our products, services or reports fail to, or are perceived to have failed to help detect or adequately assess a threat, the negative publicity from such incident could have a material adverse effect on our business. Our services and operations sometimes involve using, handling or disposing of hazardous substances or dangerous materials, which could expose us to potentially significant liabilities. Some of our services and operations involve the use, handling or disposal of hazardous substances or dangerous materials, including explosive, chemical, biological, radiological or nuclear materials. These activities generally subject us to extensive foreign, federal, state and local environmental protection and health and safety laws and regulations, which, among other things, require us to incur costs to comply with these regulations and could impose liability on us for handling or disposing of hazardous substances or dangerous materials. Furthermore, failure to comply with these environmental protection and health and safety laws and regulations could result in civil, criminal, regulatory, administrative or contractual sanctions, including fines, penalties or suspension or debarment from contracting with the U. S. government or could cause us to incur costs to change, upgrade, remediate and / or close some of our operations or properties. Although we do not have extensive real estate holdings, our ownership and operation of real property also subjects us to environmental protection laws, some of which hold current or previous owners or operators of businesses and real property liable for hazardous substance releases, even if they did not know of and were not responsible for the releases. If we have any violations of, or incur liabilities pursuant to, these laws or regulations, our financial condition and operating results could be adversely affected. We face risks associated with our international business. Our international business operations may be subject to additional and different risks than our U. S. business. Failure to comply with U. S. government laws and regulations applicable to international business such as the Foreign Corrupt Practices Act or U. S. export control regulations could have an adverse impact on our business with the U. S. government and could expose us to administrative, civil or criminal penalties and may expose us to potentially significant contract losses. In addition, we provide services and solutions in support of U. S. government customers in countries with governments that may be or may become unstable or are in areas of active military or intelligence operations. Operating in such environments may increase the risk of an incident resulting in injury or loss of life, or damage or destruction of property, or inability to meet our contractual obligations. Although our international operations have historically generated a small proportion of our revenues, we do not know the impact that these regulatory, geopolitical and other factors may have on our business in the future and any of these factors could adversely affect our business. Pension funding and costs are dependent upon several economic assumptions, which if changed may cause our future earnings and cash flow to fluctuate significantly. As a result of the acquisition of Engility Holdings, Inc. (**"** Engility **"**) in fiscal 2019, we assumed the obligations under Engility' s defined benefit pension plan (the **"** Pension Plan **"**). The impact of the Pension Plan on our U. S. generally accepted accounting principles (**"** GAAP **"**) earnings may be volatile in that the amount of expense we record for the Pension Plan may materially change from year to year because those calculations are sensitive to funding levels as well as changes in several key economic assumptions, including interest rates, rates of return on plan assets, and other actuarial assumptions including participant mortality estimates. Changes in these factors also affect our plan funding, cash flow, and stockholders' equity. In addition, the funding of the Pension Plan may be subject to changes caused by legislative or regulatory actions. We will make contributions to fund the Pension Plan when considered necessary or advantageous to do so. The macro- economic factors discussed above, including the return on assets and the minimum funding requirements established by government funding or taxing authorities, or established by other agreement, may influence future funding requirements. A significant decline in the fair value of the assets in the Pension Plan, or other adverse changes to the Pension Plan could require us to make significant funding contributions and affect cash flows in future periods. As a result of the acquisition of Engility, we also assumed the obligations under a Retiree Health Reimbursement Account plan (**"** RHRA **"**). The impact of Engility' s RHRA on our GAAP earnings may be volatile in that the amount of expense we record for the plan may materially change from year to year because those calculations are sensitive to several key economic assumptions including interest rates and actuarial assumptions related to participant mortality, retirement and termination. CAS govern the extent to which postretirement costs and plan contributions are allocable to and recoverable under contracts with the U. S. government. On December 27, 2011 the U. S. government' s Cost Accounting Standards Board published a final rule that harmonizes CAS pension cost reimbursement rules with the Pension Protection Act of 2006 (**"** PPA **"**) funding requirements. The rule is expected to eventually mitigate the mismatch between CAS costs and PPA- amended Employee Retirement Income Security Act of 1974 (**"** ERISA **"**) minimum funding requirements, and result in an acceleration of allowable CAS pension costs as compared to the prior rules. We anticipate that government contractors will be entitled to an equitable adjustment for any additional CAS contract costs resulting from the final rule. As a result, we have sought and expect to continue to seek reimbursement from the U. S. government for a portion of our postretirement costs and plan contributions. For additional information related to our pension funding and costs, see Note ~~9~~ **10 — Retirement Plans** to the consolidated financial statements contained within this report. Goodwill and intangible assets represent a significant amount of our total assets and any impairment of these assets would negatively impact our results of operations. Goodwill **is** ~~and intangible assets are~~ tested for impairment annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Examples of events or changes in circumstances indicating that the carrying value of goodwill may not be recoverable could include a significant adverse change in legal factors or in the business climate, an adverse action or assessment by a regulator, unanticipated competition, loss of key contracts, **significant decrease in the Company' s stock price,** customer relationships, or personnel that affect current and future operating cash flows of the reporting unit **. Intangible assets with finite lives are assessed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable at the asset group level** . Any future impairment of goodwill or other intangible assets would have a negative impact on our profitability and financial results. We maintain our cash at financial institutions, often in balances that exceed federally insured limits. The majority of our cash is held in accounts at U. S. banking institutions that we believe are of high quality. Cash held in depository accounts may exceed the $ 250, 000 Federal Deposit Insurance Corporation (**"** FDIC **"**) insurance limits. If such banking institutions were to fail, we could lose all or a portion of those amounts held in excess of such insurance limitations. Any material loss that we may experience in the future could have a material adverse effect on our financial position and could materially impact our ability to pay our operational expenses or make other payments. Banking institution failures, or changes in legislation and regulation, may adversely impact other entities that would, in turn, impact us. If our customers, suppliers, insurers, joint venture partners, sureties, or other parties with whom we do business with are affected by issues in the banking industry it may have an adverse impact on our operational and financial performance **. Cybersecurity Risks Our business and financial results could be negatively affected by cyber or other security threats. We encounter cybersecurity and physical security threats as part of the work we do for our customers and our internal business. Our IT systems contain a variety of sensitive and classified information which attract adversaries including nation- state threat actors and we face cybersecurity threats including attempts to disrupt our critical systems, gain unauthorized access to data, release or corrupt sensitive information, and interfere with**

operations. Adversaries that acquire unauthorized access to customer accounts can use that information to compromise data and inadequate account security practices which could potentially result in malicious activity effecting customer use of our solutions. We work cooperatively with our customers to seek to address cybersecurity threats and often must rely on the safeguards used or required by those customers. Our solutions include custom software code we develop and may include open source or AI- generated code which may make our products susceptible to cyberattacks. Actual or perceived vulnerabilities may lead to claims against us and in the event of unauthorized access to sensitive information for which we are responsible under customer contracts, our customers, their employees, or third parties may seek to hold us liable for any costs or other damages associated with the unauthorized access. We also face cybersecurity threats from our supply chain through threat actors who may seek and gain access to our systems through our business partners and suppliers. Our information security staff manage cybersecurity risks by implementing security controls in accordance with industry standards and conducting regular employee cybersecurity training. Our cybersecurity policies, procedures and maturity are subject to review and audit by third parties. Although we have implemented and regularly update cybersecurity controls, there can be no assurance that these measures will successfully prevent or mitigate cybersecurity incidents. Cybersecurity incidents, disruptions and data loss have occurred including attacks targeting customer data and our systems and data. We report cybersecurity incidents to involved customers and applicable regulatory authorities including the DOD and the FBI to support national security initiatives. Such incidents did not have a material adverse impact on our financial condition or the results of our operations. However, future cybersecurity incidents could damage our reputation, exposing us to liability, or prevent us from winning future work from government customers and could have a material adverse impact on our business. Because of the rapidly evolving nature of these threats, there can be no assurance that our policies, procedures and security controls will detect or prevent them, mitigate their affects and we cannot predict their full impact. In addition, government agencies have investigated and may bring legal actions against us for violation of or noncompliance with regulatory requirements relating to any unauthorized access to and theft of sensitive information including failure to make adequate and timely disclosure to the public, regulators or law enforcement agencies. Any remediation costs, damages or other liabilities related to cybersecurity incidents may not be fully insured or indemnified by other means . Forward- Looking Statement Risks You may not be able to rely on forward- looking statements. This report contains forward- looking statements that are based on our management' s belief and assumptions about the future in light of information currently available to our management. In some cases, you can identify forward- looking statements by words such as " may, " " will, " " should, " " expects, " " projects, " " intends, " " plans, " " anticipates, " " believes, " " estimates, " " predicts, " " potential, " " continue, " " outlook, " and similar words or phrases or the negative of these words or phrases. These statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward- looking statements. Although we believe that the expectations reflected in the forward- looking statements are reasonable when made, we cannot guarantee future results, levels of activity, performance or achievements. There are a number of important factors that could cause our actual results to differ materially from those results anticipated by our forward- looking statements, which include, but are not limited to, the risk factors discussed above. We do not undertake any obligation to update or revise any of the forward- looking statements to reflect events, circumstances, changes in expectations, or the occurrence of unanticipated events after the date of those statements or to conform these statements to actual results.