

SAIC, Inc.
Form 10-Q
December 10, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended October 31, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number: 001-33072

SAIC, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-3562868
(I.R.S. Employer
Identification No.)

10260 Campus Point Drive, San Diego, California
(Address of principal executive offices)

(858) 826-6000

92121
(Zip Code)

(Registrant's telephone number, including area code)

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N/A

(Former name, former address and
former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 21, 2008, the registrant had 202,726,882 shares of common stock, \$.0001 par value per share, issued and outstanding, and 202,082,718 shares of Class A preferred stock, \$.0001 par value per share, issued and outstanding.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

SAIC, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

	Three Months		Nine Months	
	Ended October 31	2007	Ended October 31	2007
	2008		2008	As Restated
				(see Note 2)
				(in millions, except per share amounts)
Revenues	\$ 2,631	\$ 2,364	\$ 7,552	\$ 6,593
Costs and expenses:				
Cost of revenues	2,277	2,026	6,529	5,676
Selling, general and administrative expenses	149	149	455	416
Operating income	205	189	568	501
Non-operating income (expense):				
Interest income	4	14	18	42
Interest expense	(19)	(22)	(59)	(67)
Minority interest in income of consolidated subsidiaries				(3)
Other expense, net	(16)		(5)	(4)
Income from continuing operations before income taxes	174	181	522	469
Provision for income taxes	(56)	(71)	(194)	(183)
Income from continuing operations	118	110	328	286
Discontinued operations (Note 1):				
Income (loss) from discontinued operations before minority interest in income of consolidated subsidiaries and income taxes	(12)	(6)	(20)	41
Minority interest in income of consolidated subsidiaries				(2)
Benefit (provision) for income taxes	14	1	24	(8)
Income (loss) from discontinued operations	2	(5)	4	31
Net income	\$ 120	\$ 105	\$ 332	\$ 317
Earnings per share:				
Basic:				
Income from continuing operations	\$.30	\$.27	\$.83	\$.71
Income (loss) from discontinued operations	.01	(.01)	.01	.07
	\$.31	\$.26	\$.84	\$.78
Diluted:				
Income from continuing operations	\$.29	\$.27	\$.81	\$.69
Income (loss) from discontinued operations	.01	(.02)	.01	.07
	\$.30	\$.25	\$.82	\$.76
Weighted average shares outstanding:				
Basic	392	402	396	404

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Diluted

See accompanying notes to condensed consolidated financial statements.

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SAIC, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	October 31, 2008	January 31, 2008
	(in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 812	\$ 1,096
Receivables, net	2,010	1,884
Inventory, prepaid expenses and other current assets	299	252
Assets of discontinued operations	4	15
Total current assets	3,125	3,247
Property, plant and equipment (less accumulated depreciation and amortization of \$325 million and \$297 million at October 31, 2008 and January 31, 2008, respectively)	395	392
Intangible assets, net	96	94
Goodwill	1,249	1,076
Deferred income taxes	84	71
Other assets	90	101
	\$ 5,039	\$ 4,981
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,211	\$ 1,109
Accrued payroll and employee benefits	607	562
Income taxes payable		64
Notes payable and long-term debt, current portion	18	130
Liabilities of discontinued operations	1	2
Total current liabilities	1,837	1,867
Notes payable and long-term debt, net of current portion	1,099	1,098
Other long-term liabilities	144	148
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, \$.0001 par value, 1.5 billion shares authorized, 204 million and 234 million shares issued and outstanding at October 31, 2008 and January 31, 2008, respectively		
Common stock, \$.0001 par value, 2 billion shares authorized, 201 million and 179 million shares issued and outstanding at October 31, 2008 and January 31, 2008, respectively		
Additional paid-in capital	1,892	1,804
Retained earnings	96	87
Accumulated other comprehensive loss	(29)	(23)
Total stockholders' equity	1,959	1,868
	\$ 5,039	\$ 4,981

See accompanying notes to condensed consolidated financial statements.

SAIC, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

(UNAUDITED)

	Shares		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
	Common stock	Preferred stock				
Balance at February 1, 2008	179	234	\$ 1,804	\$ 87	\$ (23)	\$ 1,868
Net income				332		332
Other comprehensive loss, net of tax					(6)	(6)
Issuances of stock		20	195			195
Repurchases of stock	(19)	(9)	(228)	(323)		(551)
Conversion of preferred stock to common stock	41	(41)				
Income tax benefit from employee stock transactions			52			52
Stock-based compensation			69			69
Balance at October 31, 2008	201	204	\$ 1,892	\$ 96	\$ (29)	\$ 1,959

See accompanying notes to condensed consolidated financial statements.

SAIC, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Nine Months Ended October 31	
	2008	2007 As Restated
	(see Note 2) (in millions)	
Cash flows from operations:		
Net income	\$ 332	\$ 317
Income from discontinued operations	(4)	(31)
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	65	55
Stock-based compensation	69	68
Excess tax benefits from stock-based compensation	(52)	(51)
Impairment losses	16	7
Other items	(6)	8
Increase (decrease) in cash and cash equivalents, excluding effects of acquisitions and divestitures, resulting from changes in:		
Receivables	(112)	(194)
Inventory, prepaid expenses and other current assets	(59)	(20)
Deferred income taxes		(5)
Other assets	(7)	2
Accounts payable and accrued liabilities	100	51
Accrued payroll and employee benefits		