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SAIC F1Q10 (Qtr End 4/30/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) You have a question from the line of Joseph Vafi of Jefferies & Company.

Joseph A. Vafi - Jefferies & Company

Good afternoon. Good results here. Maybe we could start on the security products business. You know, last quarter it sounded like there wasn't a tremendous amount of visibility to the year in terms of security product sales. I was wondering if you could give us a little update on your visibility to those product sales here in the second half of the year and the kind of strength in the products business say versus your performance in the last fiscal year.

Mark W. Sopp

Thanks for the question. Our visibility is very good for this business area. The pattern, as I said in my remarks, is very consistent with [last]. However, the business is growing roughly 10%, profitability is growing as well, and you know it's already quite profitable, and so we are pleased with the plan we have this year. I would say there's a little bit of delivery risk in the second half. We are counting on some inputs in order to get our outputs out the door, but we have managed those problems in the past and done quite well, so we have an optimistic view toward our outlook this year on the revenue and profit side for that business, and in addition a pretty good pipeline for the year after already in place.

Kenneth C. Dahlberg

Most of our revenue for this year is already in the backlog so now it's just performing to the contracts that we have.

Joseph A. Vafi - Jefferies & Company

Okay, that's very helpful. Thanks. And then secondly, maybe you could talk a little bit about the supplemental and how that at this point is kind of playing into your outlook. It seems like supplemental has probably been delayed just a little bit longer than people have been hoping for. Obviously you have some exposure there. Is there really -- I guess if a supplemental gets delayed, maybe passed being signed before the summit recesses, is that something that we should be worried about?

Lawrence B. Prior III

As we talked about in the last call, our expectations were the supplemental to not be signed before the Memorial Day recess. We do expect it will be signed before the July 4th recess. They are actually making pretty good progress on the hill. You will see a couple of things happening where they are in conference and it looks like they will have a formal session tomorrow. Both the House and the Senate are looking to schedule a vote for Friday. Part of the drama is there's more dollars added to it, so the President asked for an additional \$2.2 billion over the last 24 hours, so now the dynamic range has increased to almost \$99 billion, so it looks fairly positive. There's a couple of outstanding issues that really don't affect SAIC, so we think they will get resolution.

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