SAIC, Inc.
Form 424B4
October 13, 2006
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Filed Pursuant to Rule 424(b)(4)
Registration No. 333-128021

PROSPECTUS

75,000,000 Shares

COMMON STOCK

SAIC, Inc. is offering 75,000,000 shares of its common stock. Although our principal operating subsidiary has previously sponsored a limited market in its common stock, no public market currently exists for our common stock. The initial public offering price is $15.00 per share. A special dividend estimated to be $2.45 billion in the aggregate was declared prior to this offering by our principal operating subsidiary and, following completion of this offering, will be paid to its stockholders of record, including our directors and officers. We will not pay this special dividend on shares sold in this offering. After the payment of this special dividend and the completion of this offering, and after deducting estimated underwriting discounts and commissions and offering expenses, our consolidated cash reserves will be reduced by a net amount of approximately $1.4 billion, or $1.2 billion if the underwriters exercise their over-allotment option in full.

We have been approved for listing of our common stock on the New York Stock Exchange under the symbol SAI.

Investing in our common stock involves risks. See Risk Factors beginning on page 10.

PRICE $15.00 A SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to SAIC
Per Share	*$15.00*	*$.5625*	*$14.4375*
Total	*$1,125,000,000*	*$42,187,500*	*$1,082,812,500*

We have granted the underwriters the right to purchase up to an additional 11,250,000 shares of common stock to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on October 17, 2006.

MORGAN STANLEY *BEAR, STEARNS & CO. INC.*

CITIGROUP *WACHOVIA SECURITIES*

BANC OF AMERICA SECURITIES LLC *COWEN AND COMPANY*
JEFFERIES QUARTERDECK *STIFEL NICOLAUS*

WILLIAM BLAIR & COMPANY *KEYBANC CAPITAL MARKETS*
MELLON FINANCIAL MARKETS, LLC *STEPHENS INC.*

October 12, 2006

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PROSPECTUS SUMMARY

You should read the following summary together with the entire prospectus, including the more detailed information in our financial statements and related notes appearing in the back of this prospectus. You should also carefully consider, among other things, the matters discussed in Risk Factors.

In this prospectus, we use the terms SAIC, we, us and our to refer to Science Applications International Corporation or SAIC, Inc. when the distinction between the two companies is not important. When the distinction is important to the discussion, we use the term Old SAIC to refer to Science Applications International Corporation and New SAIC to refer to SAIC, Inc. Unless otherwise noted, references to years are to fiscal years ended January 31, not calendar years. For example, we refer to the fiscal year ended January 31, 2006 as fiscal 2006. We are currently in fiscal 2007. References to government fiscal years are to fiscal years ended September 30.

SAIC, INC.

Overview

We are a leading provider of scientific, engineering, systems integration and technical services and solutions to all branches of the U.S. military, agencies of the U.S. Department of Defense, the intelligence community, the U.S. Department of Homeland Security and other U.S. Government civil agencies, as well as to customers in selected commercial markets. Our customers seek our domain expertise to solve complex technical challenges requiring innovative solutions for mission-critical functions in such areas as national security, intelligence and homeland defense. The increase in demand for our services and solutions has been driven by priorities including the ongoing global war on terror and the transformation of the U.S. military.

From fiscal 2002 to fiscal 2006, our consolidated revenues increased at a compound annual growth rate of 15.5% to a company record of $7.8 billion, inclusive of acquisitions and exclusive of Telcordia Technologies, Inc., our commercial telecommunications subsidiary, which we divested in March 2005. Through the first half of fiscal 2007, our consolidated revenues increased by 6% over the same period in the prior year. As of July 31, 2006, we had a portfolio of approximately 9,000 active contracts. Our total consolidated negotiated backlog as of July 31, 2006 was approximately $16.0 billion, which included funded backlog of approximately $4.0 billion, compared to approximately $15.1 billion and $3.9 billion, respectively, as of January 31, 2006. In May 2006, Washington Technology, a leading industry publication, ranked us number three in its list of Top Federal Prime Contractors in the United States based on information technology (IT), telecommunications and systems integration revenues.

The U.S. Government is our largest customer, in the aggregate representing 89% of our total consolidated revenues in fiscal 2006. According to Congressional Budget Office estimates, U.S. Government total discretionary outlays in government fiscal 2006 will be approximately $1,035 billion, and we estimate that more than $200 billion of this amount will be spent in areas in which we compete. We believe that U.S. Government spending in these areas will continue to grow over the next several years as a result of homeland security and intelligence needs arising from the global war on terror, the ongoing transformation of the U.S. military and the increased reliance on outsourcing by the U.S. Government.

Competitive Strengths

To maximize our ability to consistently deliver innovative solutions to help meet our customers most challenging needs, and to grow our business and increase stockholder value, we rely on the following key strengths:

- Skilled Personnel and Experienced Management;
- Employee Ownership and Core Values;

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- Knowledge of Customers   Needs;
- Technical Expertise;
- Trusted Services and Solutions Provider;
- Proven Marketing and Business Development Organization; and
- Ability to Complete and Integrate Acquisitions.

Growth Strategy

We are focused on continuing to grow our business as a leading scientific, engineering, systems integration and technical services and solutions company. In our Government segment, we seek to become the leading provider of systems engineering, systems integration and technical services and solutions by focusing on the U.S. Government s increased emphasis on defense transformation, intelligence and homeland defense. In addition, we plan to continue to pursue strategic acquisitions in areas such as these, where we anticipate higher growth. In our Commercial segment, we seek to grow our business in our existing targeted markets, in addition to becoming a leader in new selected vertical markets in which we can leverage our specialized experience and skill sets.

Our Services and Solutions

We offer a broad range of services and solutions to address our customers   most complex and critical technology-related needs. These services and solutions include the following:

Defense Transformation. We develop leading-edge concepts, technologies and systems to solve complex challenges facing the U.S. military and its allies, helping them transform the way they fight.

Intelligence. We develop solutions to help the U.S. defense, intelligence and homeland security communities build an integrated intelligence picture, allowing them to be more agile and dynamic in challenging environments and produce actionable intelligence.

Homeland Security and Defense. We develop technical solutions and provide systems integration and mission-critical support services to help federal, state, local and foreign governments and private-sector customers protect the United States and allied homelands.

Logistics and Product Support. We provide logistics and product support solutions to enhance the readiness and operational capability of U.S. military personnel and weapon and support systems.

Systems Engineering and Integration. We provide systems engineering and integration solutions to help our customers design, manage and protect complex IT networks and infrastructure.

Research and Development. As one of the largest science and technology contractors to the U.S. Government, we conduct leading-edge research and development of new technologies with applications in areas such as national security, intelligence and life sciences.

Commercial Services. We help our customers become more competitive, offering technology-driven consulting, systems integration and outsourcing services and solutions in selected commercial markets, currently IT support for oil and gas exploration and production, applications and IT infrastructure management for utilities and data lifecycle management for pharmaceuticals.

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On September 27, 2006, the stockholders of Old SAIC adopted and approved a merger agreement providing for the merger of Old SAIC with New SAIC s wholly-owned subsidiary, SAIC Merger Sub, Inc. The purpose of the merger is to effect a capital restructuring, which is a necessary step in order to complete this offering. We refer to this merger in this prospectus as the reorganization merger. After the reorganization merger, Old SAIC will be a wholly-owned subsidiary of New SAIC and Old SAIC stockholders will become New SAIC stockholders. We expect to complete the reorganization merger before the completion of this offering, and the completion of the reorganization merger is a condition to the completion of this offering. After the reorganization merger and upon the completion of this offering, our current stockholders will hold approximately 81% of our total outstanding capital stock and 98% of our total voting power. Unless we indicate otherwise, the information in this prospectus assumes that we complete the reorganization merger.

We are headquartered in San Diego, California. Our address is 10260 Campus Point Drive, San Diego, California 92121, and our telephone number is (858) 826-6000. Our website can be found on the Internet at *www.saic.com*. The website contains information about us and our operations. The contents of our website are not incorporated by reference into this prospectus.

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THE OFFERING

Common stock offered by us	75,000,000 shares	
Stock to be outstanding immediately after completion of this offering:		
Common stock		75,000,000 shares
Class A preferred stock, divided into four series:		
Series A-1 preferred stock	65,214,563 shares	
Series A-2 preferred stock	65,214,563 shares	
Series A-3 preferred stock	97,821,845 shares	
Series A-4 preferred stock	97,821,845 shares	
Total class A preferred stock		326,072,816 shares
Total capital stock		401,072,816 shares
Voting rights:		
Common stock	One vote per share	
Class A preferred stock	10 votes per share	
NYSE symbol	SAI	

Net proceeds from this offering will be approximately $1.1 billion, or $1.2 billion if the underwriters exercise their over-allotment option in full, based on the initial public offering price of $15 per share, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. A special dividend was declared prior to this offering by our principal operating subsidiary, Old SAIC, and, following completion of this offering, will be paid from cash held by the subsidiary to its former stockholders of record as of October 12, 2006. The aggregate amount of the special dividend is estimated to be $2.45 billion, based on the total shares of Old SAIC common stock outstanding as of September 30, 2006. We will not pay this special dividend on shares sold in this offering. The special dividend will exceed the net proceeds from this offering by approximately $1.4 billion. See Use of Proceeds and The Merger and the Special Dividend.

The principal purpose of this offering is to better enable us to use our cash and cash flows generated from operations to fund internal growth and growth through acquisitions as well as provide us with publicly traded stock that can be used for future acquisitions. Creating a public market for our common stock will ultimately eliminate our use of cash to provide liquidity to our stockholders by repurchasing their shares in the limited market or in other transactions.

The payment of the special dividend is conditioned upon the completion of this offering. We do not expect to pay any other dividends on our capital stock in the foreseeable future and we currently intend to retain any future earnings to finance our operations and growth. Any future determination to pay cash dividends will be at the discretion of our board of directors and will depend on available cash, estimated cash needs, earnings, financial condition, operating results, capital requirements, applicable contractual restrictions and other factors our board of directors deems relevant. See Use of Proceeds, Dividend Policy and The Merger and the Special Dividend.

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Shares of our class A preferred stock are convertible on a one-for-one basis into our common stock, subject to certain restrictions on the timing of conversion, which we refer to as restriction periods. The four series of class A preferred stock will be identical, except for the restriction periods applicable to each series. See Description of Capital Stock.

The number of shares of class A preferred stock that will be outstanding immediately after the completion of this offering is based on 159,002,268 shares of Old SAIC class A common stock and 201,707 shares of Old SAIC class B common stock outstanding as of July 31, 2006 (which will convert into shares of New SAIC class A preferred stock pursuant to the reorganization merger described below), and excludes the following:

- 55,191,326 shares of New SAIC class A preferred stock issuable upon exercise of options to purchase 27,595,663 shares of Old SAIC class A common stock, which will be assumed by New SAIC in the reorganization merger, with a weighted-average exercise price of $18.10 per share (such number of shares and price being adjusted for the reorganization merger, but not for the anticipated increase in the number of shares and decrease in weighted-average exercise price resulting from payment of the special dividend); and

- 84,000,000 shares of New SAIC stock (which can be issued as class A preferred stock or common stock) initially reserved for future grants under our 2006 Equity Incentive Plan and 2006 Employee Stock Purchase Plan.

Except as otherwise indicated, all information in this prospectus relating to New SAIC (1) assumes that the underwriters over-allotment option will not be exercised and (2) gives effect to the reorganization merger of Old SAIC with a wholly-owned subsidiary of New SAIC, pursuant to which:

- each share of Old SAIC class A common stock will convert into the right to receive two shares of New SAIC class A preferred stock, which will be allocated among four series, A-1, A-2, A-3 and A-4, as described under The Merger and the Special Dividend; and

- each share of Old SAIC class B common stock will convert into the right to receive 40 shares of New SAIC class A preferred stock, which will be allocated among four series, A-1, A-2, A-3 and A-4, as described under The Merger and the Special Dividend.

Old SAIC financial statements have not been adjusted to give effect to the reorganization merger.

Please read Risk Factors and other information included in this prospectus for a discussion of the factors you should consider carefully before deciding to invest in our common stock.

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SUMMARY CONSOLIDATED FINANCIAL DATA

You should read the summary consolidated financial data presented below in conjunction with Selected Consolidated Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations and our audited consolidated financial statements, unaudited condensed consolidated financial statements and the related notes included elsewhere in this prospectus. The summary consolidated financial data presented below under Consolidated Statement of Income Data for the years ended January 31, 2006, 2005 and 2004 have been derived from our audited consolidated financial statements included elsewhere in this prospectus.

The summary consolidated financial data presented below under Consolidated Statement of Income Data for the six months ended July 31, 2006 and 2005 and Consolidated Balance Sheet Data as of July 31, 2006 have been derived from our unaudited condensed consolidated financial statements that are included elsewhere in this prospectus and have been prepared on the same basis as our audited consolidated financial statements. In the opinion of management, the unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal and recurring adjustments, necessary to state fairly our results of operations for and as of the periods presented. Historical results are not necessarily indicative of the results of operations to be expected for future periods.

The special dividend of $15 per share of Old SAIC class A common stock and $300 per share of Old SAIC class B common stock is equivalent to a dividend of $7.50 per share of New SAIC class A preferred stock. The pro forma earnings per share and pro forma equivalent share data reflect the dilutive effect of the completion of the reorganization merger for the periods presented. The pro forma as adjusted earnings per share and the pro forma as adjusted equivalent share data reflect the dilutive effect of the special dividend that exceeds earnings for the year ended January 31, 2006 and the completion of the reorganization merger. For purposes of computing pro forma earnings per share, New SAIC class A preferred stock has been treated as if it is common stock since the holders of New SAIC class A preferred stock will have the same rights and privileges, except for voting rights, as holders of New SAIC common stock. The pro forma consolidated balance sheet data reflect the balance sheet data as of July 31, 2006, after giving effect to Old SAIC s special dividend and the completion of this offering. The pro forma as adjusted consolidated balance sheet data reflect the balance sheet data as of July 31, 2006, after giving effect to the special dividend, the completion of the reorganization merger and the completion of the sale of common stock by us in this offering at the initial public offering price of $15 per share ($14.40 per share after deducting estimated underwriting discounts and commissions and offering expenses). Pro forma and pro forma as adjusted cash and cash equivalents and total assets do not reflect the payment of a special dividend estimated to be $2.45 billion in the aggregate, which amount has been reflected as a dividend payable for purposes of this presentation.

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	Year Ended January 31			Six Months Ended July 31	
	2006	2005	2004	2006	2005
	(in millions, except per share data)				
Consolidated Statement of Income Data:					
Revenues	$ 7,792	$ 7,187	$ 5,833	$ 4,013	$ 3,798
Cost of revenues	6,801	6,283	5,053	3,452	3,303
Selling, general and administrative expenses	494	418	378	261	239
Goodwill impairment			7		
Gain on sale of business units, net		(2)			
Operating income	497	488	395	300	256
Net (loss) gain on marketable securities and other investments, including impairment losses	(15)	(16)	5		(5)
Interest income	97	45	49	63	43
Interest expense	(89)	(88)	(80)	(46)	(44)
Other income (expense), net	7	(12)	5	3	2
Minority interest in income of consolidated subsidiaries	(13)	(14)	(10)	(7)	(6)
Income from continuing operations before income taxes	484	403	364	313	246
Provision for income taxes	139	131	140	116	106
Income from continuing operations	345	272	224	197	140
Income from discontinued operations, net of tax	582	137	127	12	542
Net income	$ 927	$ 409	$ 351	$ 209	$ 682
Earnings per share:					
Basic:					
Income from continuing operations	$ 1.98	$ 1.49	$ 1.22	$ 1.18	$ .79
Income from discontinued operations	3.35	.74	.68	.07	3.06
	$ 5.33	$ 2.23	$ 1.90	$ 1.25	$ 3.85
Diluted:					
Income from continuing operations	$ 1.92	$ 1.45	$ 1.19	$ 1.15	$ .77
Income from discontinued operations	3.23	.73	.67	.07	2.98
	$ 5.15	$ 2.18	$ 1.86	$ 1.22	$ 3.75
Common equivalent shares:					
Basic	174	183	185	167	177
Diluted	180	188	189	172	182
Pro forma earnings per share:					
Basic: (1)					
Income from continuing operations	$ .99	$ .75	$ .61	$ .59	$ .40
Income from discontinued operations	1.67	.37	.34	.04	1.53
	$ 2.66	$ 1.12	$ .95	$ .63	$ 1.93
Diluted: (1)(2)					
Income from continuing operations	$ .96	$ .73	$ .59	$ .57	$ .39
Income from discontinued operations	1.62	.36	.34	.04	1.49

	$ 2.58	$ 1.09	$ .93	$ .61	$ 1.88
Pro forma equivalent shares:					
Basic: (1)	348	365	370	334	354
Diluted: (1)(2)	359	375	377	345	363
Pro forma as adjusted earnings per share:					
Basic: (3)(4)					
Income from continuing operations	$ .76			$ .45	
Income from discontinued operations	1.29			.03	
	$ 2.05			$ .48	
Diluted: (3)(4)					
Income from continuing operations	$ .74			$ .44	
Income from discontinued operations	1.25			.02	
	$ 1.99			$ .46	
Pro forma as adjusted equivalent shares:					
Basic (3)(4)	453			439	
Diluted (3)(4)	465			450	

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	As of July 31, 2006		
	Actual	Pro Forma	Pro Forma as Adjusted
		(in millions)	
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 2,372	$ 2,372	$ 3,455
Working capital	2,667	221	1,301
Total assets	5,339	5,339	6,419
Long-term debt, net of current portion	1,192	1,192	1,192
Stockholders equity	2,587	141	1,221

	Year Ended January 31			Six Months Ended July 31	
	2006	2005	2004	2006	2005
			(dollars in millions)		
Other Data:					
EBITDA (5)	$ 1,421	$ 687	$ 622	$ 329	$ 1,148
Adjusted EBITDA (6)	563	519	438	330	284
Number of contracts generating more than $10 million in annual revenues (7)	106	91	66	N/A	N/A

	As of January 31			As of July 31
	2006	2005	2004	2006
		(dollars in millions)		
Total consolidated negotiated backlog (8)	$ 15,062	$ 13,416	$ 10,901	$ 16,000
Total consolidated funded backlog (8)	3,888	3,646	3,355	3,998
Total number of employees (9)	43,600	42,400	39,300	43,100

(1) Pro forma earnings per share and pro forma equivalent shares reflect the conversion of each outstanding share of Old SAIC class A common stock into two shares of New SAIC class A preferred stock and each outstanding share of Old SAIC class B common stock into 40 shares of New SAIC class A preferred stock and has been shown for all periods presented as a recapitalization of Old SAIC with New SAIC.

(2) Pro forma diluted earnings per share and pro forma diluted equivalent shares include the effect of converting dilutive securities on the same basis as the Old SAIC class A common stock. The pro forma dilutive equivalent shares are comprised of stock options and other stock awards granted under stock-based compensation plans that were outstanding during the periods noted. These securities have been converted to New SAIC class A preferred stock for the pro forma earnings per share calculation.

(3) Pro forma as adjusted earnings per share and pro forma as adjusted equivalent shares reflect the completion of the reorganization merger and the effect of the payment of the special dividend that exceeds earnings for the period presented and that Old SAIC intends to pay to its stockholders following completion of this offering. See Use of Proceeds, Capitalization and The Merger and the Special Dividend.

(4) Pro forma as adjusted earnings per share and pro forma as adjusted equivalent shares for both basic and diluted computations assume the sale of 105 million shares of our common stock and net proceeds of $14.40 per share. Such shares represent the assumed number of shares of our common stock necessary to be sold in this offering to replace the capital in excess of earnings for the year ended January 31, 2006 being withdrawn for the special dividend to be paid by

Old SAIC. Pro forma as adjusted earnings per share and pro forma as adjusted equivalent shares for both basic and diluted computations also reflect the conversion of each outstanding share of Old SAIC class A common stock into two shares of New SAIC class A preferred stock and each outstanding share of Old SAIC class B common stock into 40 shares of New SAIC class A preferred stock.

(5) EBITDA is defined as net income plus income tax expense, net interest expense, and depreciation and amortization expense. EBITDA is considered a non-GAAP financial measure. We believe that EBITDA is an important measure of our performance and is a useful supplement to net income and other income statement data. We believe EBITDA is useful to management and investors in comparing our performance to that of other companies in our industry, since it removes the impact of (a) differences in capital structure, including the effects of interest income and expense, (b) differences among the tax regimes to which we and comparable companies are subject and

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(c) differences in the age, method of acquisition and approach to depreciation and amortization of productive assets. However, because other companies may calculate EBITDA differently than we do, it may be of limited usefulness as a comparative measure. EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are: (a) EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments, (b) EBITDA does not reflect changes in, or cash requirements for, our working capital needs, (c) EBITDA does not reflect the interest expense, or the cash requirements necessary to service our principal payments, on our debt, (d) EBITDA does not reflect income taxes or the cash requirements for any tax payments, and (e) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements.

The following is a reconciliation of EBITDA to net income.

	Year Ended January 31			Six Months Ended July 31	
	2006	2005	2004	2006	2005
	(in millions)				
Net income	$ 927	$ 409	$ 351	$ 209	$ 682
Interest income	(97)	(45)	(49)	(63)	(43)
Interest expense	89	88	80	46	44
Provision for income taxes	432	149	159	103	434
Depreciation and amortization	70	86	81	34	31
EBITDA	$ 1,421	$ 687	$ 622	$ 329	$ 1,148

(6) Adjusted EBITDA equals EBITDA minus income from discontinued operations before income taxes and gain on sale of business units and subsidiary common stock, plus goodwill impairment, net gain or (loss) on marketable securities and other investments including impairment losses and investment activities by our venture capital subsidiary. We utilize and present Adjusted EBITDA as a further supplemental measure of our performance. We prepare Adjusted EBITDA to eliminate the impact of items we do not consider indicative of ongoing operating performance. You are encouraged to evaluate each adjustment and the reasons we consider them appropriate for supplemental analysis. As an analytical tool, Adjusted EBITDA is subject to all of the limitations applicable to EBITDA.

The following is a reconciliation of Adjusted EBITDA to EBITDA.

	Year Ended January 31			Six Months Ended July 31	
	2006	2005	2004	2006	2005
	(in millions)				
EBITDA	$ 1,421	$ 687	$ 622	$ 329	$ 1,148
Income from discontinued operations, net of tax	(582)	(137)	(127)	(12)	(542)
Depreciation and amortization of discontinued operations		(30)	(44)		
Provision for income taxes of discontinued operations	(293)	(18)	(19)	13	(328)
Gain on sale of business units and subsidiary common stock		(2)			
Goodwill impairment			7		
Net loss (gain) on marketable securities and other investments, including impairment losses	15	16	(5)		5
Investment activities by venture capital subsidiary	2	3	4		1
Adjusted EBITDA	$ 563	$ 519	$ 438	$ 330	$ 284