



**Federal Retirement
Thrift Investment Board**

QUARTERLY VENDOR FINANCIAL ASSESSMENT

Board Presentation: June 27, 2016

Prepared by:
Office of Enterprise Risk Management (OERM)

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BlackRock, Inc. (BLK)**Exchange:** NYSE **Sector:** Financials **Industry:** Asset Management**Company Overview:**

- BlackRock, Inc. (BlackRock) is the world's largest publicly traded investment management firm with portfolio managers located around the world. As of March 31, 2016, BlackRock's assets under management (AUM) were \$4.737 trillion. BlackRock helps clients around the world meet their goals and overcome challenges with a range of products that include separate accounts, mutual funds, iShares® (exchange-traded funds), and other pooled investment vehicles.

Strengths

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

Challenges

- Increasing price competition in the ETF market
- Potential regulatory changes in asset management business

Services Provided:

- BlackRock is the investment manager for the Thrift Savings Plan (TSP)'s C, F, S, and I Funds. BlackRock Institutional Trust Company, N.A. (BTC) has selected State Street Corporation to provide custodial services.

Credit Ratings:

- Moody's: A1** – Investment grade – Judged to be upper-medium grade and subject to low credit risk, and has best ability to repay short-term debt
- S&P: AA-** – Investment grade – Very strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances
- D&B: 533** (101–670) – Lower risk – D&B predicts a low likelihood that BlackRock will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (January – March 2016):

- In January, 2016, BlackRock declared a quarterly cash dividend of \$2.29 per share, payable March 23, 2016.

Subsequent Events (after March 2016):

- In May, 2016, BlackRock declared a quarterly cash dividend of \$2.29 per share of common stock, payable June 23, 2016.

Risk Monitoring:

- Risk of increased regulatory and compliance costs, including potential designation as a Systemically Important Financial Institution (SIFI) by the U.S. Treasury's Financial Stability Oversight Council (FSOC) – BlackRock does not view itself as a SIFI for the following reasons: It is not significantly levered, has no wholesale funding, does not sell insured products to the retail market, its balance sheet is not reliant on government bailout, and does not take deposits. No determination has been made by Treasury.*

Given the current analysis of the vendor, we find no indication that BlackRock is unable to fulfill its contractual obligations to FRTIB.

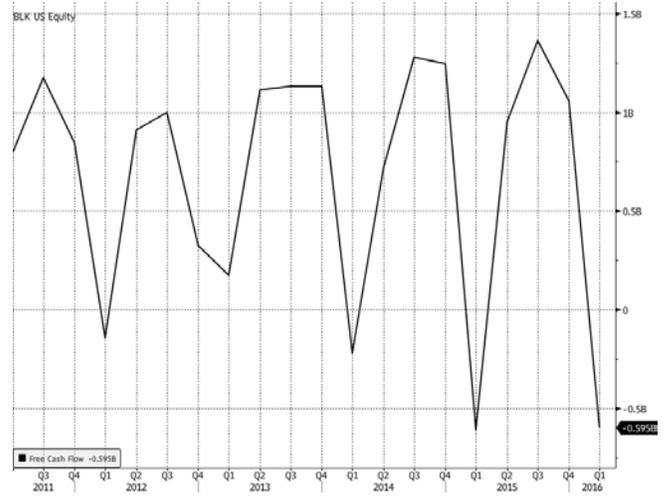
BlackRock, Inc. (BLK)

Exchange: NYSE Sector: Financials Industry: Asset Management

Share Price



Free Cash Flow



Key Metrics Supporting Analysis

(\$ In Millions, except ratios, yields)	Q1 2015	Q1 2016	% Change	Direction
Solvency				
Debt to Equity Ratio	32.4	17.78	-45%	↓
Debt to Capital Ratio	24.47	15.1	-38%	↓
Interest Coverage Ratio	22.86	32.21	41%	↑
Enterprise Value	\$66,003	\$57,122	-13%	↓
Liquidity				
Cash Ratio	1.91	2.47	29%	↑
Current Ratio	3.7	3.09	-16%	↓
Quick Ratio	3.7	3.09	-16%	↓
Profitability				
Revenue	\$2,723	\$2,624	-4%	↓
EBITDA	\$1,193	\$1,017	-15%	↓
EBIT	\$1,130	\$961	-15%	↓
ROA	1.46	1.37	-7%	↓
ROE	12.18	11.46	-6%	↓
ROIC	9.4	9.4	0%	-
Operating Margin	40.38	35.37	-12%	↓
Profit Margin	30.19	25.04	-17%	↓
Revenue Growth	1.99	-3.64	-283%	↓
EPS	4.92	3.97	-19%	↓

Broadridge Financial Solutions (BR)**Exchange:** NYSE **Sector:** Industrials **Industry:** Business Services**Company Overview:**

- Broadridge Financial Solutions, Inc. provides investor communications and technology-driven solutions to banks, broker-dealers, mutual funds and corporate issuers. Its services include investor communication solutions, and securities processing and business process outsourcing. It operates through two business segments: Investor Communication Solutions and Securities Processing Solutions.

Strengths

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

Challenges

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

Services Provided:

- Broadridge Financial Solutions provides bulk outgoing mailing services for FRTIB from its Columbus, Ohio, Coppell, Texas, and Edgewood, New York facilities. These services include printing and mailing FRTIB documents, education, and marketing materials to participants, beneficiaries, and third parties.
- New contract was awarded to Broadridge Financial Solutions (BR) on February 27, 2015. Broadridge Financial Solutions started sending out TSP mail on May 1, 2015.

Credit Ratings:

- **Moody's: Baa1** – Judged to have speculative elements and a moderate credit risk
- **S&P: BBB+** – Adequate capacity to meet its financial commitments but adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments
- **D&B: 534** (101– 670) – Lower risk – D&B predicts a low likelihood that Broadridge Financial Solutions will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (January – March 2016):

- In February, 2016, Broadridge Financial Solutions declared a quarterly cash dividend of \$0.30 per share, payable April 1, 2016.
- Reported financial results for the first quarter 2016: Revenues were \$595 million, an increase of \$39 million. Operating income was \$59 million, an increase of \$2 million.

Subsequent Events (after March 2016):

- In May, 2016, Broadridge Financial Solutions declared a quarterly cash dividend of \$0.30 per share, payable July 1, 2016.

Risk Monitoring:

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

Given the current analysis of the vendor, we find no indication that Broadridge Financial Solutions is unable to fulfill its contractual obligations to FRTIB.

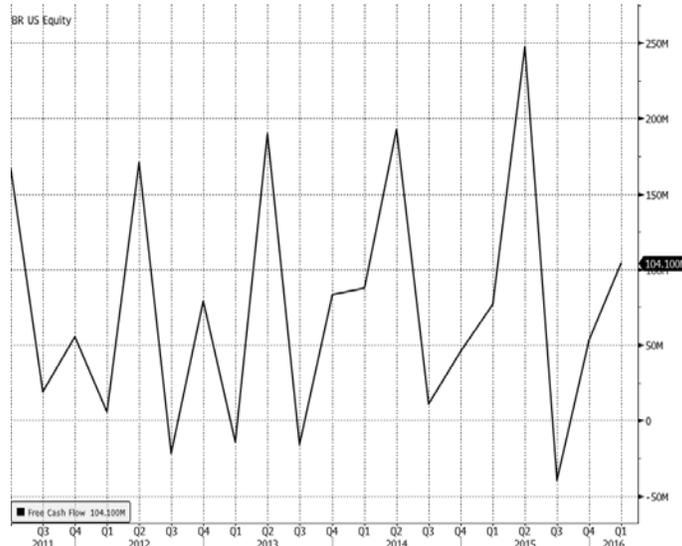
Broadridge Financial Solutions (BR)

Exchange: NYSE Sector: Industrials Industry: Business Services

Share Price



Free Cash Flow



Key Metrics Supporting Analysis

(\$ In Millions, except ratios, yields)	Q1 2015	Q1 2016	% Change	Direction
Solvency				
Debt to Equity Ratio	53.99	79.46	47%	↑
Debt to Capital Ratio	35.06	44.28	26%	↑
Interest Coverage Ratio	8.06	8.68	8%	↑
Enterprise Value	\$5,169.10	\$6,994.50	35%	↑
Liquidity				
Cash Ratio	.91	.69	-24%	↓
Current Ratio	2.13	1.93	-9%	↓
Quick Ratio	1.9	1.69	-11%	↓
Profitability				
Revenue	\$556	\$595	7%	↑
EBITDA	\$75.30	\$86.00	14%	↑
EBIT	\$50.00	\$59.00	18%	↑
ROA	12.60	13.16	4%	↑
ROE	27.76	30.40	10%	↑
ROIC	17.85	18.87	6%	↑
Operating Margin	9.00	9.92	10%	↑
Profit Margin	5.85	5.63	-4%	↓
Revenue Growth	1.94	7.00	261%	↑
EPS	.27	.28	4%	↑

Equinix, Inc. (EQIX)**Exchange:** NASDAQ **Sector:** Technology **Industry:** Computer Services**Company Overview:**

- Equinix, Inc. (Equinix) provides global data center services that protect and connect information assets for its clients. Global enterprises, financial services companies, and content and network service providers rely upon Equinix's data centers in over 30 markets around the world for the safe housing of their critical IT equipment and the ability to directly connect to the networks that enable today's information-driven economy. Equinix has extensive operations in North America, Europe, Asia, United Arab Emirates, and Brazil.

Strengths

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

Challenges

- Debt level is high creating poor financial leverage
- ROA and EBIT margin decreased when compared to prior year

Services Provided:

- Equinix is under contractual obligation to host data center services for the FRTIB. The FRTIB's primary data center operates out of a Northern Virginia facility.

Credit Ratings:

- **Moody's: B1** – Speculative grade – Has speculative elements and high credit risk.
- **S&P: BB** – Speculative grade – Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions
- **D&B: 498** (101–670) – Moderately low risk – D&B predicts a moderately low likelihood that Equinix will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (January – March 2016):

- On January 15, 2016, Equinix completed the acquisition of the entire issued and to be issued share capital of Telicity Group plc ("TelicityGroup").
- In February, Equinix declared a quarterly cash dividend of \$1.75 per share, payable March 23, 2016.

Subsequent Events (after March 2016):

- In May, 2016, Equinix declared a quarterly cash dividend of \$1.75 per share, payable June 15, 2016.

Risk Monitoring:

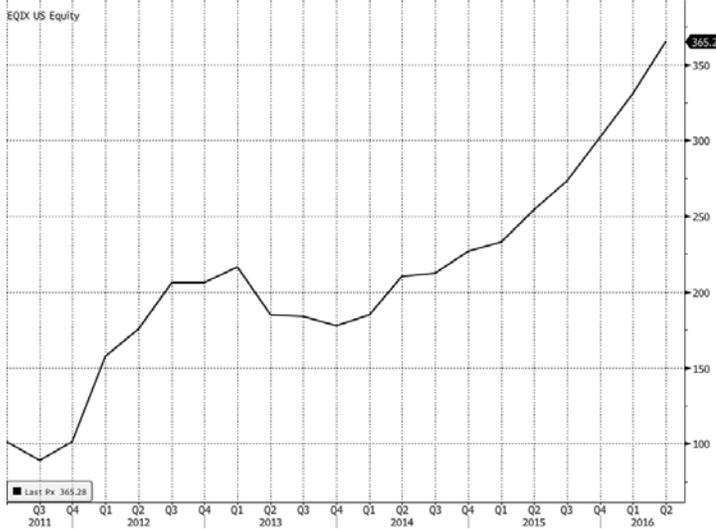
- *Risk of excessive leverage* – Equinix's long-term debt to total assets ratio decline from March 2015 (0.59) to March 2016 (0.48), which may suggest that Equinix is progressively becoming less dependent on debt to grow their business. The company's debt levels are a concern.
- *Risk Mitigation Strategy:* In the unlikely event Equinix is unable to provide support and services to FRTIB, as a contingency measure, FRTIB processing could be restored at the backup data center.

We will continue to monitor Equinix's financial performance. At this point in time, we find no indication that Equinix is unable to fulfill its contractual obligations to FRTIB given the current analysis of the vendor.

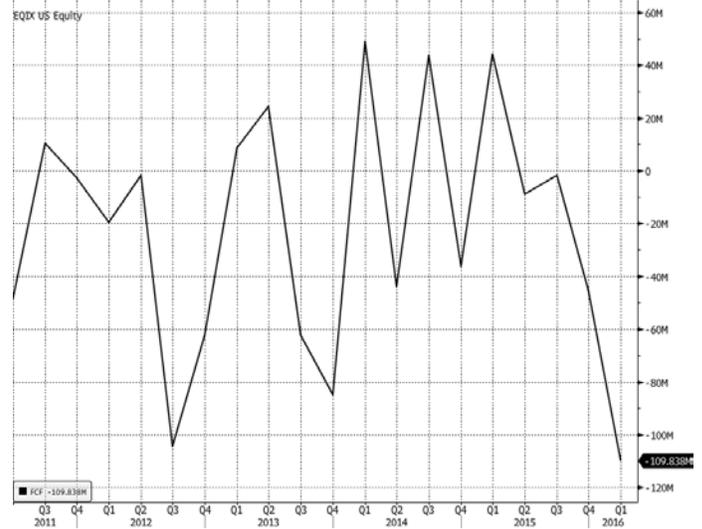
Equinix, Inc. (EQIX)

Exchange: NASDAQ Sector: Technology Industry: Computer Services

Share Price



Free Cash Flow



Key Metrics Supporting Analysis

(\$ In Millions, except ratios, yields)	Q1 2015	Q1 2016	% Change	Direction
Solvency				
Debt to Equity Ratio	215.88	149.03	-31%	↓
Debt to Capital Ratio	68.34	59.84	-12%	↓
Interest Coverage Ratio	2.1	1.09	-48%	↓
Enterprise Value	\$16,758	\$29,363	75%	↑
Liquidity				
Cash Ratio	1.59	.41	-74%	↓
Current Ratio	2.16	1.37	-34%	↓
Quick Ratio	2.01	0.62	-69%	↓
Profitability				
Revenue	\$643	\$844	31%	↑
EBITDA	\$273.09	\$313.22	15%	↑
EBIT	\$151.45	\$112.69	-26%	↓
ROA	-2.9	.76	126%	↑
ROE	8.43	3.46	-59%	↓
ROIC	-8.53	4.97	158%	↑
Operating Margin	23.55	13.35	-43%	↓
Profit Margin	11.89	-3.69	-131%	↓
Revenue Growth	10.88	31.25	187%	↑
EPS	1.35	-.46	-134%	↓

MetLife, Inc. (MET)**Exchange:** NYSE **Sector:** Financials **Industry:** Life Insurance**Company Overview:**

- MetLife, Inc. (MetLife) is a leading global provider of insurance, annuities, and employee benefit programs throughout the United States, Japan, Latin America, Asia, Europe and the Middle East.

Strengths

- Market leader and well diversified in individual and group life insurance as well as commercial mortgage

Challenges

- MetLife business and results of operations are materially affected by conditions in the global capital markets and the overall economy

Services Provided:

- MetLife has been the annuity provider to the TSP since 1987. The Federal Employees Retirement System Act of 1986 (FERSA) requires the FRTIB to offer a participant who has separated from federal service the option of purchasing an annuity, using all or a portion of the participant's account balance.

Credit Ratings:

- **Moody's: A3** – Investment grade – Judged to be upper-medium grade and is subject to low credit risk, and has high ability to repay short-term debt
- **S&P: A-** – Investment grade – Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances
- **D&B: 550 (101–670)** – Lower risk – D&B predicts a low likelihood that MetLife will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (January – March 2016):

- In January, 2016, MetLife declared quarterly cash dividend of \$0.375 per share, payable March 14, 2016.
- In March, 2016, a federal judge rescinded the federal government's labeling of MetLife Inc. as Systemically Important Financial Institution (SIFI).

Subsequent Events (after March 2016):

- In April, MetLife declared quarterly cash dividend of \$0.40 per share, payable June 13, 2016.

Risk Monitoring:

- *Risk of increased regulatory and compliance costs* – In March, 2016, a federal judge rescinded the federal government's labeling of MetLife Inc. as a SIFI. On January 12, 2016, MetLife announced a plan to pursue the separation of its U.S. Retail segment. Even though MetLife was appealing its SIFI designation in court, the risk of increased capital requirements may have contributed to their decision to pursue the separation of the business. The parts of the U.S. Retail segment that would stay with MetLife are: Group, Voluntary and Worksite benefits (GVWB), Corporate Benefit Funding (CBF), Asia, Latin America, and Europe, the Middle East and Africa (EMAE). In the U.S. market, MetLife will remain the leader in employee benefits through its GVWB business and a major provider of pension and retirement products through its CBF business. CBF, MetLife's institutional retirement business, is the group through which MetLife manages the TSP Annuity Program.

MetLife's announcement has no impact on the TSP Annuity Program but we will monitor the situation on a quarterly basis by tracking changes in MetLife's business strategy due to additional regulations.

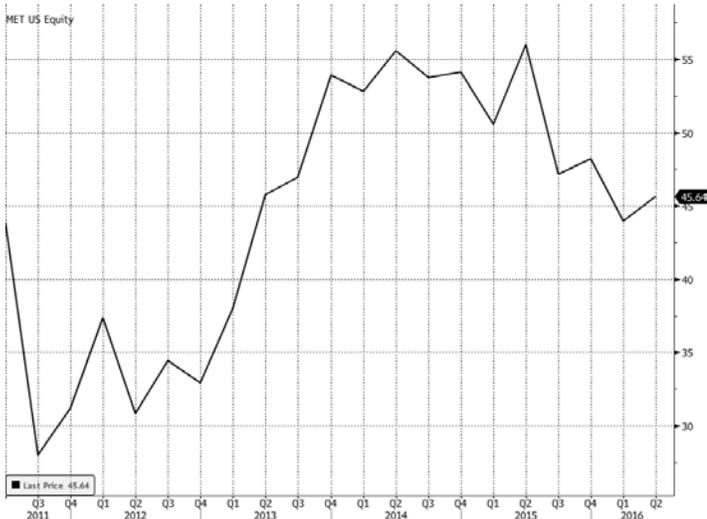
- *Risk Mitigation Strategy:* In the unlikely event MetLife is unable to provide annuities as a distribution option for TSP participants, as a contingency measure, FRTIB could elect to not exercise options under the existing annuity contract (expiring April 30, 2017) or could offer participants monthly payments until a new vendor is identified or identify an interim annuity vendor (via a non-competitive bid process).

Given the current analysis of the vendor, we find no indication that MetLife is unable to fulfill its contractual obligations to FRTIB.

MetLife, Inc. (MET)

Exchange: NYSE Sector: Financials Industry: Life Insurance

Share Price



Free Cash Flow



Key Metrics Supporting Analysis

(\$ In Millions, except ratios, yields)	Q1 2015	Q1 2016	% Change	Direction
Solvency				
Debt to Equity Ratio	33.87	33.32	-2%	↓
Debt to Capital Ratio	25.30	24.99	-1%	↓
Interest Coverage Ratio	-	-	-	-
Enterprise Value	\$76,392.50	\$62,497.50	-18%	↓
Liquidity				
Cash Ratio	1.11	1.19	7%	↑
Current Ratio	1.11	1.19	7%	↑
Quick Ratio	1.11	1.19	7%	↑
Profitability				
Revenue	\$18,710	\$18,433	-1%	↓
EBITDA	-	-	-	-
EBIT	3.36	3.23	-4%	↓
ROA	0.79	0.58	-26%	↓
ROE	9.57	7.61	-20%	↓
ROIC	19.67	-9.18	-147%	↓
Operating Margin	17.94	17.54	-2%	↓
Profit Margin	11.53	11.94	4%	↑
Revenue Growth	9.51	-1.48	-116%	↓
EPS	1.89	1.99	5%	↑

Serco Group Plc (SRP)**Exchange:** LSE **Sector:** Technology **Industry:** Technology Services**Company Overview:**

- Serco Group Plc, (Serco) is a public limited company based in the United Kingdom with its North American headquarters in Reston, VA. Serco N.A. is an independent subsidiary that provides professional, technology, and management services focused on U.S. federal and Canadian governments.

Strengths

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

Challenges

- Operating Margin decreased when compared to prior year
- Spending reductions and uncertainty around federal funding and contracts in the U.S.

Services Provided:

- Serco currently operates a call center, court order, death benefit and agency technical service center, as well as provides incoming mail data entry, imaging, and special processing support through its subcontractor.

Credit Ratings:

- **Moody's:** NR – N/A
- **S&P:** NR – N/A
- **D&B:** 540 (101–670) – Lower risk – D&B predicts a moderately low likelihood that Serco will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (January – March 2016):

- In January, 2016, Serco was awarded an extension on U.S. Navy \$1.4 Billion IDIQ Global Installation Contract.
- In February, 2016, Serco reiterates its expectations for a decline in revenue and trading profit in 2016.
- In February, 2016, Serco was awarded \$47 Million U.S. Navy Hazardous Materials Operations Contract.

Subsequent Events (after March 2016):

- In April, 2016, Serco was awarded \$131 Million C4I Sustainment Contract Supporting the U.S. Navy.

Risk Monitoring:

- *Risk of Serco not meeting its profitability goals* – On December 2015, Serco issued a profit warning centered on lower-than-expected profits for 2016, largely the result of the sale of its UK call center and business outsourcing arm. Revenue for the year ended Dec. 31 fell to 3.5 billion pounds (\$4.87 billion), from nearly 4 billion pounds a year earlier. (\$1 = 0.7181 pounds). Revenue declined as the value of contracts won over the year declined and the value of larger contracts in the bid pipeline declined. Financial performance in the first four months of 2016 has been stronger than anticipated, primarily due to good outcomes on a number of commercial negotiations. The impact of exiting that business may influence ongoing performance, reducing profit flow and overhead recovery in 2016. Revenue from new contracts may increase but with limited progress on new growth in 2016.
- *Risk Mitigation Strategy:* In the unlikely event Serco is unable to provide support and services to FRTIB, as a contingency measure, FRTIB could take steps to directly hire, on a temporary basis (or if needed, permanent basis) key Serco staff to continue processing legal and death cases as well as agency technical services. Also, for services such as special processing and incoming mail data entry, the FRTIB can look at setting up emergency contracts directly with Serco subcontractors. For call center operations, FRTIB may be able to temporarily absorb added workload at the second call center and can work with the second call center to add needed staff.

We will continue to monitor Serco's financial performance. At this point in time, we find no indication that Serco is unable to fulfill its contractual obligations to FRTIB given the current analysis of the vendor.

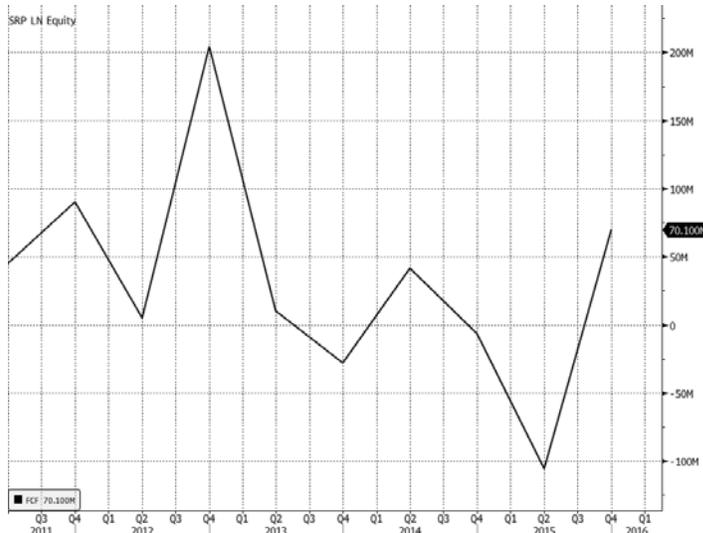
Sercu Group Plc (SRP LN)

Exchange: LSE Sector: Technology Industry: Technology Services

Share Price



Free Cash Flow



Key Metrics Supporting Analysis*

(\$ In Millions, except ratios, yields)	S2 2014	S2 2015	% Change	Direction
Solvency				
Debt to Equity Ratio		150.90	-	-
Debt to Capital Ratio	108.74	60.14	-45%	↓
Interest Coverage Ratio	16.88	1.78	-89%	↓
Enterprise Value	\$1,528.2	\$1,141.7	-25%	↓
Liquidity				
Cash Ratio	0.17	0.35	114%	↑
Current Ratio	1.89	1.01	-46%	↓
Quick Ratio	0.30	0.54	82%	↑
Profitability				
Revenue	\$1,569.4	\$1,388	-12%	↓
EBITDA	-\$926.6	\$51.60	106%	↑
EBIT	-\$965.20	\$19.00	98%	↑
ROA	-53.54	-7.51	85.97%	↑
ROE	-214.7	-47.27	78%	↑
ROIC	-71.52	-6.83	90%	↑
Operating Margin	-61.5	1.37	102%	↑
Profit Margin	-86.42	-4.4	95%	↑
Revenue Growth	-27.71	-11.58	58%	↑
EPS	-1.62	-0.06	96%	↑

*Sercu reports semi-annually.

Fidelity National Information Services (FIS) (acquired SunGard) Exchange: NYSE Sector: Technology
 Industry: Technology Services

Company Overview:

- Fidelity National Information Services is a financial services technology company based in Jacksonville, Florida. The Company offers a range of solutions in retail and enterprise banking, payments, capital markets, asset and wealth management, risk and compliance, treasury and insurance, as well as providing financial consulting and outsourcing services. The Company operates through three segments: Integrated Financial Solutions (IFS), Global Financial Solutions (GFS) and Corporate and Other. FIS provides disaster recovery services, managed IT services, information availability consulting services and business continuity management software to its clients.

Strengths

- Largest global provider dedicated to banking and payments technologies
- Operates on long-term contracts with its clients, generating steady, recurring revenues

Challenges

- SunGard acquisition expected to hit the net profitability of FIS for some time due to the debt load created by this acquisition
- SunGard has almost tripled FIS's debt ratios while its ability to generate cost and revenues synergies still remains to be seen

Services Provided:

- FRTIB contracts with FIS for use of their suite of Omni software products that form the core of the FRTIB recordkeeping system.
- FIS provides incoming mail data entry and imaging support as a subcontractor to Serco.
- FIS provides recordkeeping business process services as a subcontractor on the TESS contract.

Credit Ratings:

- **Moody's: Baa3** – Negative – Judged to have speculative elements and a moderate credit risk
- **S&P: B+** – Negative – More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments
- **D&B: 513** (101–670) – Lower risk – D&B predicts a moderately low likelihood that Fidelity National Information Services will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (January – March 2016):

- In January, 2016, Fidelity National Information Services declared quarterly cash dividends of \$0.26 per common share, payable March 31, 2016

Subsequent Events (after March 2016):

- In April, 2016, Fidelity National Information Services declared quarterly cash dividend of \$0.26 per common share, payable June 30, 2016.

Risk Monitoring:

- *Risk of not successfully integrating and executing series of latest mergers and acquisitions* – FIS is focused on successfully integrating its merger and acquisition and expects to increase net sales, drive cost savings from synergies, and provide additional capacity to meet customer needs. 1Q16 results: Revenues grew by 4.2% year-over-year to \$2.2 billion.

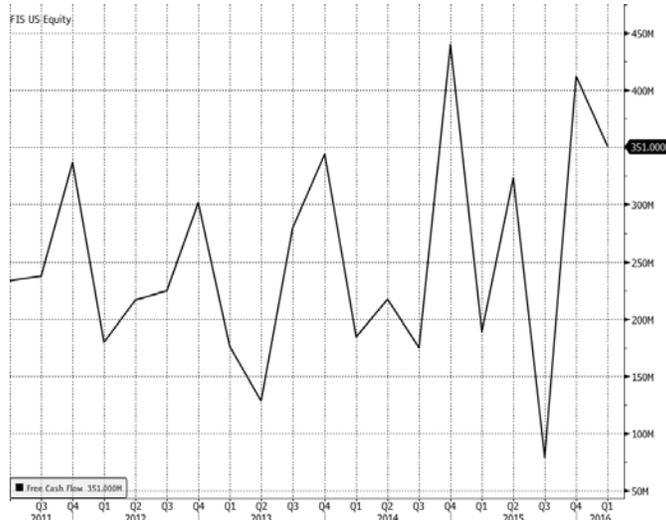
Given the current analysis of the vendor, we find no indication that Fidelity National Information Services is unable to fulfill its contractual obligations to FRTIB.

Fidelity National Information Services (FIS) (acquired SunGard) Exchange: NYSE Sector: Technology
 Industry: Technology Services

Share Price



Free Cash Flow



Key Metrics Supporting Analysis

(\$ In Millions, except ratios, yields)	Q1 2015	Q1 2016	% Change	Direction
Solvency				
Debt to Equity Ratio	80.16	119.05	49%	↑
Debt to Capital Ratio	44.49	54.35	22%	↑
Interest Coverage Ratio	-	-	-	-
Enterprise Value	\$24,230	\$31,255	29%	↑
Liquidity				
Cash Ratio	0.28	0.21	-25%	↓
Current Ratio	1.47	1.09	-26%	↓
Quick Ratio	0.92	0.73	-21%	↓
Profitability				
Revenue	\$1,555	\$2,181	40%	↑
EBITDA	\$371	\$482	30%	↑
EBIT	\$215	\$184	-14%	↓
ROA	\$4.42	\$2.81	-36%	↓
ROE	11.45	10.00	-13%	↓
ROIC	7.07	4.17	-41%	↓
Operating Margin	13.83	8.44	-39%	↓
Profit Margin	7.13	2.52	-65%	↓
Revenue Growth	-2.27	40.28	1,674%	↑
EPS	0.39	0.17	-56%	↓

The Active Network, LLC. (privately held company)

Company Overview:

- The Active Network, LLC. (Active Network), headquartered in Dallas, TX, is a provider of organization-based cloud computing applications serving a range of customer group. It is owned by Vista Equity Partners LLC, a private equity firm that offers portfolio management and advisory services to private investment funds. Vista focuses on investing in software and technology enabled businesses.

Strengths

- Leader in cloud-based Activity & Participant Management (APM) solutions.

Challenges

- Active Network's outdoor segment and marketing businesses continue to face headwinds.

Services Provided:

- Active Network has managed the Maryland FRTIB Call center since July 2004.

Credit Ratings:

- **Moody's: B3** – Speculative grade – Judged to be speculative and is subject to significant credit risk, and does not have prime ability to repay short-term debt
- **S&P: NR** – N/A
- **D&B: 475 (101–670)** – Moderately low risk – D&B predicts a moderately low likelihood that Active Network will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (January – March 2016):

- No significant events were noted.

Subsequent Events (after March 2016):

- No significant events were noted.

Risk Monitoring:

- *Risk of not meeting profitability goals* – Active Network has incurred net losses since its inception and anticipates operating expenses will continue to increase in the coming years as it expands. Private ownership by Vista Equity Partners may allow the company to execute on its strategy without pressure from market investors.
- *Risk Mitigation Strategy:* In the unlikely event that Active Network was unable to operate the Frostburg, Maryland Call Center, the Call Center in Clintwood, Virginia could handle all calls pending establishment of a new call center. Although Clintwood would be able to handle all calls, service quality would be negatively affected temporarily.

Given the current analysis of the vendor, we find no indication that Active Network is unable to fulfill its contractual obligations to FRTIB.

The Active Network, LLC. (privately held company)

Key Metrics Supporting Analysis:

Note: Active Network became a privately held company in 2013 and, therefore, there is limited amount of information available to the general public.

Based on FRTIB's semi-annual discussion with the vendor, Active Network senior management represented the following:

- FRTIB is one of the vendor's top 10 contracts.
- 2015 was the best year ever for growth.
- Active Network continues to focus on growing state and federal services.

Science Applications International Corp. (SAIC) **Exchange:** NYSE **Sector:** Technology **Industry:** Information

Company Overview:

- Science Applications International Corp. (SAIC) is a scientific, engineering, and technology applications company, serving the U.S. and foreign governments, and selected commercial customers.

Strengths

- Balanced distribution of revenue sources with more than 1500 contracts and task orders
- Potential for SAIC to access \$25B in new market opportunities, for a total market of \$185B in government contracts

Challenges

- Decrease in sales and current customer base
- Spending reductions and pricing pressures for federal contracts.

Serviced Provided:

- SAIC provides software development, business process services, data center and operations, under the Technology and Enterprise Support Services (TESS) contract.

Credit Ratings:

- **Moody's: B1** – Speculative grade – Has speculative elements and high credit risk.
- **S&P: S&P: BB** – Adequate grade – Has capacity to meet financial commitments, but more subject to adverse economic conditions.
- **D&B: 522** (101–670) – Lower risk – D&B predicts a low likelihood that SAIC will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (January – March 2016):

- In March, 2016, SAIC awarded \$121.5 Million Engineering, Manufacturing and Development contract by the Marine Corps.
- In March, 2016, SAIC declared quarterly cash dividend of \$0.31 per common share, payable April 29, 2016.

Subsequent Events (after March 2016):

- In April, 2016, SAIC awarded \$93 Million task order by the Software Engineering Directorate (SED).
- In June, 2016, SAIC awarded \$809.5 Million process and data support services contract by U. S. Navy.

Risk Monitoring:

- Risk of not meeting profitability goals* – SAIC profit margins are low but has increased from the same period last year. For SAIC's financial results for fiscal year 2016, SAIC has achieved a 12 percent revenue growth resulting from the \$790 million acquisition of Scitor Corp., which was completed in May 2015.

Given the current analysis of the vendor, we find no indication that SAIC is unable to fulfill its contractual obligations to FRTIB.

Science Applications International Corp. (SAIC)

Exchange: NYSE

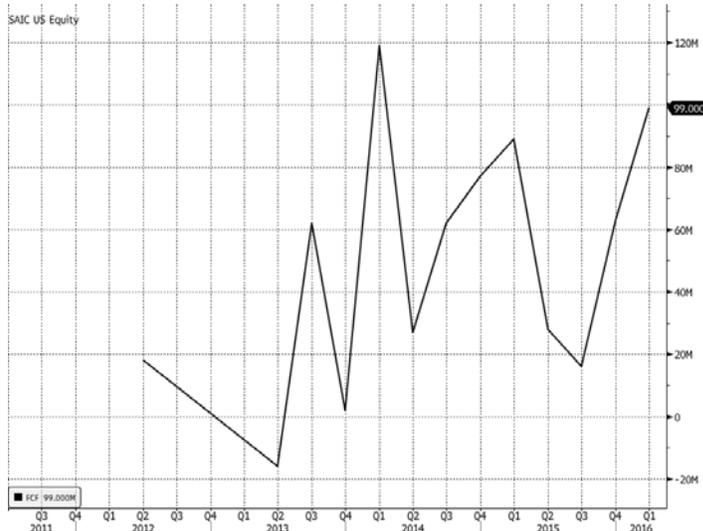
Sector: Technology

Industry: Information

Share Price



Free Cash Flow



Note: This information is reported for first quarter ended April 30, 2016.

Key Metrics Supporting Analysis

(\$ In Millions, except ratios, yields)	Q1 2015	Q1 2016	% Change	Direction
Solvency				
Debt to Equity Ratio	134.22	132.05	-2%	↓
Debt to Capital Ratio	57.31	56.91	-1%	↓
Interest Coverage Ratio	11.8	14.25	21%	↑
Enterprise Value	\$2,113.10	\$2,519.80	19%	↑
Liquidity				
Cash Ratio	0.46	0.52	14%	↑
Current Ratio	1.82	1.68	-8%	↓
Quick Ratio	1.62	1.51	-7%	↓
Profitability				
Revenue	\$977	\$1,009	3%	↑
EBITDA	\$64	\$62	-3%	↓
EBIT	\$59	\$57	-3%	↓
ROA	\$8.54	\$10.02	17%	↑
ROE	27.52	38.42	40%	↑
ROIC	16.45	17.42	6%	↑
Operating Margin	6.04	5.65	-6%	↓
Profit Margin	3.48	3.27	-6%	↓
Revenue Growth	-14.22	3.28	123%	↑
EPS	0.71	0.72	1%	↑

365 Data Centers (privately held company)

Company Overview:

- 365 Data Centers is a privately held company backed by Crosslink Capital and Housatonic Partners. It is based in San Francisco, CA and is a nationwide owner and operator of 17 U.S. based data centers. 365 Data Centers provides facilities optimized for modern data center requirements, featuring 24/7/365 power, cooling, connectivity and security capabilities to ensure mission-critical operations and business continuity.

Strengths

- Industry reputation for high touch customer service, satisfaction, and retention

Challenges

- Capitalizing on geographic demand through the acquisition of additional data centers in key markets

Services Provided:

- 365 Data Centers owns and operates the backup data center for FRTIB in Pittsburgh, PA. As part of the carve-out acquisition of data centers from Equinix in August 2012, Equinix was contractually obligated to oversee data center services for the FRTIB at this site through the second option year, which ended September 30, 2015. Equinix no longer has contractual obligations with relation to this contract. 365 Data Centers remains contractually obligated to oversee the Pennsylvania data center services.

Credit Ratings:

- **Moody's:** NR – N/A
- **S&P:** NR – N/A
- **D&B:** 440 (101–670) – Moderately low risk – D&B predicts a moderately low likelihood that 365 Data Centers will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months

Significant Events (January – March 2016):

- No significant events were noted.

Subsequent Events (after March 2016):

- No significant events were noted.

Risk Monitoring:

- *Risk of not meeting profitability goals* – Given the analysis of 365 Data Centers consolidated financial statements and FRTIB's semi-annual discussion with 365 Data Centers senior management, the company's seemingly high level debts and unprofitable structure are a concern. However, the audit opinion states that consolidated financial statements (December 31, 2015, 2014 and 2013) present fairly, in all material respects, the financial position of vendor.
- *Risk Mitigation Strategy:* In the unlikely event 365 Data Centers is unable to provide support to the Pittsburgh data center, as a contingency measure, FRTIB could issue letter contracts (an agreement to be negotiated at a later point) to another data center hosting company, if it was determined that the transfer to an alternate 365 Data Centers colocation site was not in the FRTIB's best interest.

We will continue to monitor 365 Data Centers' financial performance. At this point in time, we find no indication that 365 Data Centers is unable to fulfill its contractual obligations to FRTIB given the current analysis of the vendor.

365 Data Centers (privately held company)

Key Metrics Supporting Analysis:

Note: 365 Data Centers is a privately held company and, therefore, there is limited amount of information reported by financial news and data service companies, such as Bloomberg. However, due to obligations in connection with bond debt, it is a registrant with the Securities and Exchange Commission (SEC).

Based on FRTIB's semi-annual discussion with the vendor, 365 Data Centers senior management represented the following:

- Focus continues to be on growth and less competitive markets.
- Pittsburgh is one of 365 Data Centers' strongest markets.
- Working on paying down debt.
- Revenues with cash flows are stable.
- Working capital processes are streamlined.
- EBITDA increased with EBIT margin improving.
- Audit Opinion: consolidated financial statements (December 31, 2015, 2014 and 2013) present fairly, in all material respects, the financial position of vendor.

Glossary of Financial Terms

<p>Cash Ratio: A liquidity ratio that measures a company's ability to pay short-term obligations.</p>	<p>Operating margin: A measurement the proportion of revenue left over after paying the variable costs of production. It is an important indicator of efficiency and profitability</p>
<p>Current Ratio: A liquidity ratio that measures a company's ability to pay short-term obligations.</p>	<p>Profit Margin: A ratio of profitability calculated as net income divided by revenues, or net profits divided by sales. It measures how much out of every dollar of sales a company actually keeps in earnings.</p>
<p>Debt/Capital: A measurement of a company's financial leverage, calculated as the company's debt divided by its total capital; Debt includes all short-term and long-term obligations; Total capital includes the company's debt and shareholders' equity, which includes common stock, preferred stock, minority interest and net debt.</p>	<p>Quick Ratio: A solvency metric to determine a firm's ability to pay down current liabilities with its cash, short term equivalents, and accounts receivables.</p>
<p>Debt/Equity: A measure of a company's financial leverage calculated by dividing its total liabilities by stockholders' equity; It indicates what proportion of equity and debt the company is using to finance its assets.</p>	<p>Return on Asset (ROA): An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings.</p>
<p>Earnings per share (EPS): The amount of income that "belongs" to each share of common stock. An important tool for investors, EPS is often used in determining the value of a stock.</p>	<p>Return on Equity: A measurement a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.</p>
<p>EBIT: An indicator of a company's profitability, calculated as revenue minus expenses, excluding tax and interest; EBIT is also referred to as "operating earnings", "operating profit" and "operating income."</p>	<p>Return on Invested Capital (ROIC): A calculation used to assess a company's efficiency at allocating the capital under its control to profitable investments.</p>
<p>EBITDA: An indicator of a company's financial performance; EBITDA is essentially net income with interest, taxes, depreciation, and amortization added back to it, and can be used to analyze and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.</p>	<p>Revenue: The amount of money that a company actually receives during a specific period, including discounts and deductions for returned merchandise; It is the "top line" or "gross income" figure from which costs are subtracted to determine net income.</p>
<p>Enterprise Value: An economic measure reflecting the market value of a whole business; It is a sum of claims of all claimants: creditors (secured and unsecured) and equity holders (preferred and common).</p>	<p>Revenue Growth: An increase of a company's sales when compared to a previous period revenue performance; The current period's sales figure can be compared on a year-over-year basis or sequentially; This helps to give analysts, investors, and participants an idea of how much a company's sales are increasing over time.</p>
<p>Interest Coverage Ratio: A ratio used to determine how easily a company can pay interest on outstanding debt; The interest coverage ratio is calculated by dividing a company's earnings before interest and taxes (EBIT) of one period by the company's interest expenses of the same period.</p>	