



# 41<sup>st</sup> Cowen Aerospace & Industrials Conference

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CHAIRMAN AND CEO

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# Cautionary Statement Regarding Forward-Looking Statements

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The forward-looking statements contained in this presentation involve risks and uncertainties that may affect Leidos' operations, markets, products, services, prices and other factors as discussed in filings with the Securities and Exchange Commission (the "SEC"). Without limiting the foregoing, forward-looking statements often use words such as "believe," "anticipate," "plan," "expect," "estimate," "intend," "seek," "project," "target," "goal," "may," "will," "would," "could," "should," "can," "continue" and other words of similar meaning in connection with a discussion of recent or pending acquisitions, or future operating or financial performance or events. These risks and uncertainties include, but are not limited to, economic, competitive, legal, governmental and technological factors. Accordingly, there is no assurance that the expectations of Leidos will be realized. This presentation also contains statements about the recent acquisition of Dynetics and the proposed acquisition of the security detection, and automation business of L3Harris Technologies, Inc. (the "Transactions") that are based on assumptions currently believed to be valid but involve significant risks and uncertainties, many of which are beyond Leidos' control, which could cause Leidos' actual results to differ materially from these forward-looking statements with respect to the Transactions, including risks relating to the completion of the Transactions on anticipated terms and timing, including regulatory approvals, anticipated tax treatment, ability to retain key personnel, the dependency of the Transactions on market conditions and the impact of a change in market conditions on the value to be received in the Transactions, unforeseen liabilities, future capital expenditures, uncertainty as to the expected financial condition and economic performance of the company following the closing, including future revenues, expenses, earnings, indebtedness, losses, prospects, business strategies for the management, expansion and growth of the company following the closing, Leidos' ability to integrate the businesses successfully and to achieve anticipated synergies, and the risk that disruptions from the Transactions will harm Leidos' business. While the list of factors presented here is considered representative, no such list should be considered to be a complete statement of all potential risks and uncertainties. Unlisted factors may present significant additional obstacles to the realization of forward-looking statements. Consequences of material differences in results as compared with those anticipated in the forward-looking statements could include, among other things, business disruption, operational problems, financial loss, legal liability to third parties and similar risks, any of which could have a material adverse effect on Leidos' consolidated financial condition, results of operations or liquidity. For a discussion identifying additional important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see Leidos' filings with the SEC, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" in Leidos' annual report on Form 10-K for the year ended December 2018, and in its quarterly reports on Form 10-Q which are available at <http://www.Leidos.com> and at the SEC's web site at <http://www.sec.gov>. The forward-looking statements contained in this presentation are made only as of the date of this presentation. Readers are cautioned not to put undue reliance on forward-looking statements. Leidos assumes no obligation to provide revisions or updates to any forward-looking statements should circumstances change, except as otherwise required by securities and other applicable laws.

# Leidos Overview

DIVERSIFIED REVENUES – LEVERAGED TO MULTIPLE MARKETS & GEOGRAPHIES



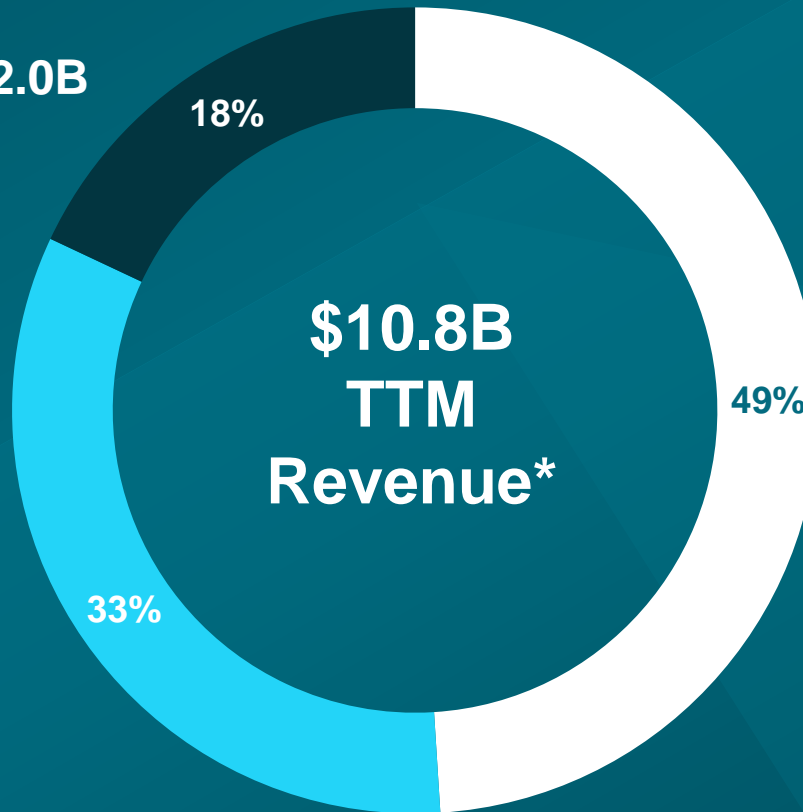
**HEALTH \$2.0B**

18%



**CIVIL \$3.6B**

33%



**\$10.8B  
TTM  
Revenue\***



**DEFENSE  
SOLUTIONS \$5.2B**



\*Reflects trailing twelve months of revenue as of September 27, 2019.

# Leidos Investment Thesis

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## Revenue & EBITDA Growth

Drive market **share gains** and **revenue growth** by meeting customers' emerging needs, while **maintaining Adjusted EBITDA margins at or above 10%**.



## Diverse & Resilient Business

Cultivate a portfolio which offers **resiliency across the cycles** through presence in **diverse, yet complementary end-markets**.



## Strong Cash Generation

Operate an **asset-light business** with a high **Return on Invested Capital** while investing to **improve competitive position**.



## Disciplined Capital Deployment

Balance capital deployment to **drive sustained value** for **all stakeholders** (shareholders, employees, and customers), leveraging **inorganic investments to accelerate the strategy**.

# Two Recent Acquisitions Announced

## Dynetics

(Announced 12/17/2019)

### Terms



- Total cash price of \$1.65 billion
- Tax asset of ~\$265 million
- Represents forward EBITDA multiple of ~12.6x times, adjusted for the tax asset

### Financing



- Transaction was funded through cash on hand and \$1.25B of incremental debt

### Financial Benefits



- Immediately accretive to revenue growth, adjusted EBITDA margins and non-GAAP EPS

### Timing & Closing Conditions



- Unanimously approved by the Boards of Directors of both companies
- Closed 1/31/2020

## L3Harris Security Detection & Automation businesses

(Announced 2/4/2020)

- Total cash price of \$1.0 billion
- Represents forward EBITDA multiple of ~13.3x times CY20, or ~9.4 times CY21

- Transaction will be funded through cash on hand and incremental debt
- Net leverage\* ratio of ~3.7x expected at close

- Immediately accretive to revenue growth, adjusted EBITDA margins and non-GAAP EPS
- Expected to generate \$20 million in annualized cost synergies by 2022

- Unanimously approved by the Boards of Directors of both companies
- Closing expected by end of Q2 2020
- Subject to customary closing conditions, including regulatory approvals

Both transactions drive strategic value and are immediately accretive to revenue growth, EBITDA margins and non-GAAP EPS

\*Net leverage ratio defined as (Total Debt – Cash & Equivalents)/TTM EBITDA

# Dynetics

An Industry-Leading  
Applied Research & National  
Security Solutions Company

## 3 Key Compelling Strategic Benefits

Provides Innovative Capabilities in  
High-Growth Areas

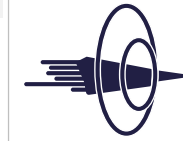
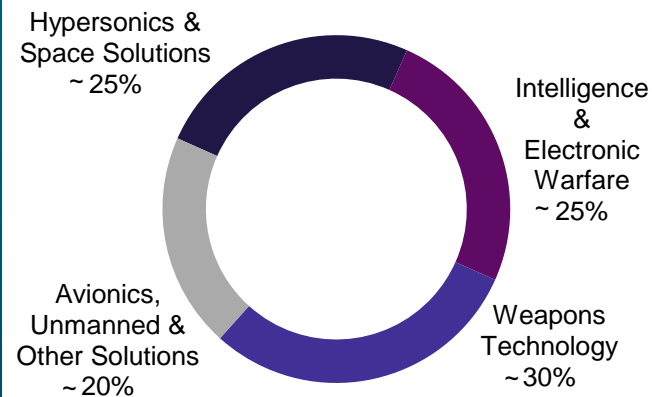
Rapidly Expands Secure Agile  
Production Capability

Increases Penetration with Key  
Customers

### Highlights

- Leading provider of high-technology, mission-critical services and solutions to U.S. Government customers
- Capabilities in Rapid Prototyping, Agile System Integration/Production, Threat System Analysis/Emulation, Contract R&D
- Proven history addressing the nation's most challenging and technologically advanced missions

### Revenue by Capability (CY20E)



### Hypersonics & Space Solutions

Common Hypersonic Glide Body Prime, Long Range Hypersonic Weapon Subcontractor, Universal Stage Adapter Developer



### Intelligence & EW

Unrivaled Threat Knowledge & Weapon System Emulators



### Avionics, Unmanned & Advanced Engr. Solutions

Radar Expertise with Prototype and Test Bed Assets



### Weapons Technology

Unmanned & Counter Unmanned System Technologies, Small Glide Munitions

# L3Harris Security Detection & Automation Businesses

## 3 Key Compelling Strategic Benefits

Expands Product Portfolio in High-Growth Global Security Market

Diversifies Revenue Through Increased International Presence

Enhanced Scale Accelerates Growth & Innovation

### Highlights



Security Detection: Leading provider of **airport** and **critical infrastructure screening** products and services



Automation: Provider of **automated tray return systems (ATRS)** and other **industrial automation** products



Global sales and services operations with **>20,000 systems** deployed **world-wide**

### Key Products



#### Checkpoint Security Products

Checkpoint CT scanners, people scanners, and comprehensive explosives trace detectors



#### Checked Baggage Products

Checked baggage screeners designed to meet high levels of explosives detection performance with a very high level of reliability



#### Automation Products

ATRS and other industrial automation products



#### Product Services

Maintenance services associated with security & detection product sales

Annualized 2020E Revenues of ~\$500 million & EBITDA of ~\$75 million

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# Non-GAAP Financial Measures

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This presentation includes certain non-GAAP financial measures, such as non-GAAP operating income, non-GAAP diluted earnings per share (EPS), adjusted earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted EBITDA margin.

These are not measures of financial performance under generally accepted accounting principles in the U.S. ("GAAP") and, accordingly, these measures should not be considered in isolation or as a substitute for the comparable GAAP measures and should be read in conjunction with the Company's consolidated financial statements prepared in accordance with GAAP.

Management believes that these non-GAAP measures provide another measure of the Company's results of operations and financial condition, including its ability to comply with financial covenants. These non-GAAP measures are frequently used by financial analysts covering Leidos and its peers. The Company's computation of its non-GAAP measures may not be comparable to similarly titled measures reported by other companies, thus limiting their use for comparability.

Leidos does not provide a reconciliation of forward-looking adjusted EBITDA margins (non-GAAP) or non-GAAP diluted EPS to GAAP net income, due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation. Because certain deductions for non-GAAP exclusions used to calculate projected net income may vary significantly based on actual events, Leidos is not able to forecast on a GAAP basis with reasonable certainty all deductions needed in order to provide a GAAP calculation of projected net income at this time. The amounts of these deductions may be material and, therefore, could result in projected GAAP net income and diluted EPS being materially less than projected adjusted EBITDA margins (non-GAAP) and non-GAAP diluted EPS.

# Definition of Non-GAAP Financial Measures

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Non-GAAP operating income is computed by excluding the following items from net income: (i) non-operating expense, net; (ii) income tax expense, and (iii) the following discrete items:

- Integration and restructuring costs — Represents integration, lease termination and severance costs related to the Company's acquisitions.
- Amortization of acquired intangible assets — Represents the amortization of the fair value of the acquired intangible assets.
- Amortization of equity method investment — Represents the amortization of the fair value of the acquired equity method investment.
- Gain on sale of business — Represents the net gain on sale of businesses.
- Asset impairment charges — Represents impairments of long-lived tangible assets.
- Other tax adjustments — Represents discrete tax items.

Non-GAAP EPS is computed by dividing net income, adjusted for the discrete items as identified above and the related tax impacts, by the diluted weighted average number of common shares outstanding.

Adjusted EBITDA is computed by excluding the following items from income before income taxes: (i) discrete items as identified above; (ii) interest expense; (iii) interest income; (iv) depreciation expense; and (v) amortization of intangibles.

Adjusted EBITDA margin is computed by dividing adjusted EBITDA by revenue.