

DHMSM Investor Call

Sep 2, 2015

Roger Krone, Chairman & CEO
Jim Reagan, CFO
Jon Scholl, President, Health & Engineering Sector



Forward-Looking Statements

Certain statements in this presentation contain or are based on "forward-looking" information within the meaning of the Private Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by words such as "expects," "intends," "plans," "anticipates," "believes," "estimates" and similar words or phrases. Forward-looking statements in this presentation include, among others: estimates of future revenues, operating income, earnings per share, cash flow, growth and profitability as well as statements about future regular or special dividends, stock repurchases and other anticipated uses of capital. These statements reflect our belief and assumptions as to future events that may not prove to be accurate.

Actual performance and results may differ materially from the forward-looking statements made in these slides depending on a variety of factors, including: changes to our reputation and relationships with government agencies, developments in the U.S. Government defense budget, including budget reductions, implementation of spending cuts (sequestration) or changes in budgetary priorities; delays in the U.S. Government budget process; delays in the U.S. Government contract procurement process or the award of contracts; delays or loss of contracts as a result of competitor protests; changes in U.S. Government procurement rules, regulations and practices; our compliance with various U.S. Government and other government procurement rules and regulations; governmental reviews, audits and investigations of our company; our ability to effectively compete and win contracts with the U.S. Government and other customers; our ability to attract, train and retain skilled employees, including our management team, and to obtain security clearances for our employees; our ability to accurately estimate costs associated with our firm-fixed-price and other contracts; our ability to comply with certain agreements entered into in connection with the CityTime matter; cybersecurity, data security or other security threats, systems failures or other disruptions of our business; resolution of legal and other disputes with our customers and others or legal or regulatory compliance issues; our ability to effectively acquire businesses and make investments; our ability to maintain relationships with prime contractors, subcontractors and joint venture partners; our ability to manage performance and other risks related to customer contracts, including complex engineering or design build projects; our ability to profitably operate and recover our investment in the Plainfield Renewable Energy Project; the failure of our inspection or detection systems to detect threats; the adequacy of our insurance programs designed to protect us from significant product or other liability claims; our ability to manage risks associated with our international business; our ability to declare future dividends based on our earnings, financial condition, capital requirements and other factors, including compliance with applicable laws and contractual agreements; risks associated with our 2013 spin-off of our technical, engineering and enterprise information technology services business, such as disruption to business operations or a failure to realize the expected benefits of the spin-off; our ability to execute our business plan and long-term management initiatives effectively; and to overcome these and other known and unknown risks that we face. These are only some of the factors that may affect the forward-looking statements contained in these slides. For further information concerning risks and uncertainties associated with our business, please refer to the filings we make from time to time with the U.S. Securities and Exchange Commission.

All information in this presentation is as of September 2, 2015. The Company expressly disclaims any duty to update the forward-looking statements provided in this presentation to reflect subsequent events, actual results or changes in the Company's expectations. The Company also disclaims any duty to comment upon or correct information that may be contained in reports published by investment analysts or others.

DHMSM | FEDERAL HEALTH

Defense Health Management System Modernization

Bringing evidence based medicine to the point of care through open systems architecture



\$4.3B IDIQ Ceiling Value

9.6M Beneficiaries

▶ **Mission Need:**

- Improve the health and medical readiness of the US Military

▶ **Leidos Response:**

- Assemble team of leaders in military health, health IT, EHR implementations, & consulting
- Design a highly interoperable system based on commercially available solutions
- Ensure smooth transition from legacy system both technically and operationally
- Enable a data platform that can leverage high volume of patient data to improve health outcomes and military readiness

Leidos Partnership for Defense Health



Program Scale

9.6 million

BENEFICIARIES

153,000+

SYSTEM USERS

1,230+

WORLDWIDE
LOCATIONS

16

COUNTRIES

750+

EXPEDITIONARY
UNITS

55

INPATIENT HOSPITALS
& MEDICAL CENTERS

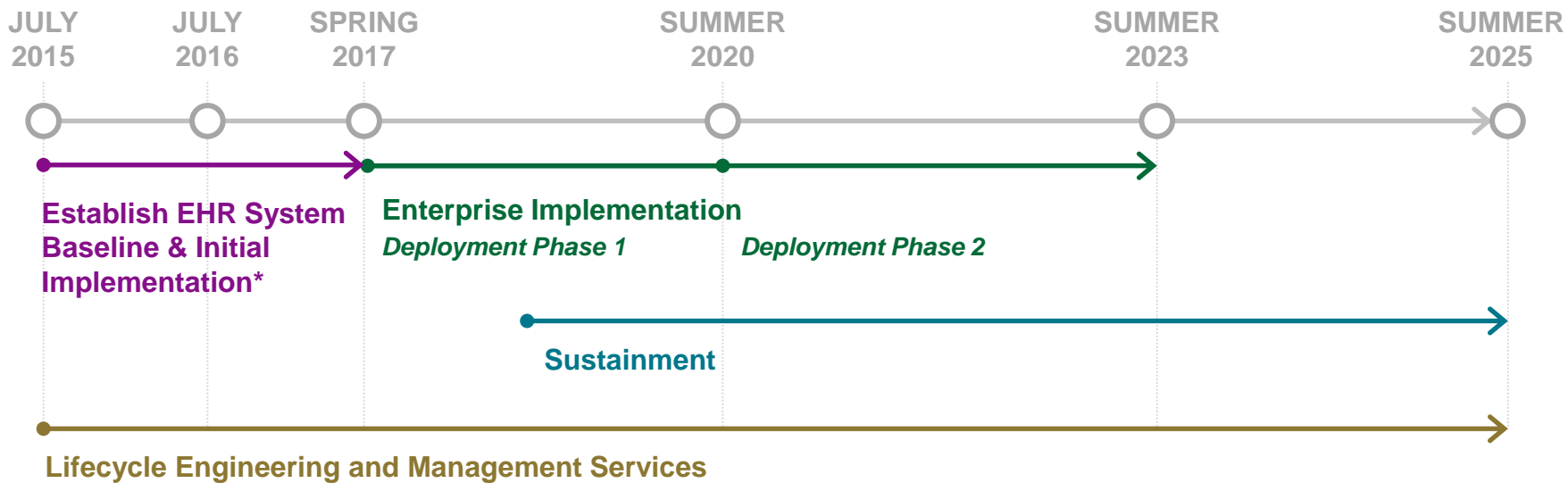
352

AMBULATORY
CARE CLINICS

282

DENTAL
CLINICS

Program Scope & Timeline



*FY2014 NDAA requirement to achieve IOC is completed during this phase.

The Leidos Team

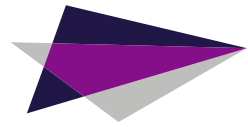


Overview of IDIQ Award

- ▶ IDIQ with a 2-year base, (2) 3-year options, and up to 24 months of earned period of performance (years 9 and 10)
- ▶ Task Orders will be issued under the IDIQ, potentially up to the ceiling value of the award ~\$4.3B
- ▶ The revenue ramp is not uniform and will be dictated by the task orders – scope and timing, which may change based upon kick-off meeting scheduled for September 2015.
- ▶ Contract type is IDIQ and includes portions of:
 - Cost Plus Fixed Fee (CPFF),
 - Cost Plus Incentive Fee (CPIF),
 - Firm Fixed Price (FFP), and
 - Fixed Plus Incentive (FPI)
- ▶ Primary contract type has been listed as CPFF

Overview of Task Order #1

- ▶ Task Order #1 issued on July 29, 2015 for \$98M
- ▶ Period of Performance: July 29, 2015 – July 28, 2016
- ▶ Contract Type: CPFF (primary), CPIF, FFP
- ▶ Statement Of Work summary:
 - Deliver an Electronic Health Record (EHR) System for testing in Government Approved Labs (GALs)
 - Provide the associated management, engineering, testing, deployment, and GAL/test lab sustainment services
 - Conduct site visits to analyze operations, infrastructure, and detailed information required for the EHR System design and testing.
 - Rigorous testing of the EHR System by contractor, customer, and independent teams.
 - Verify all DHMSM requirements have been satisfied.
- ▶ Conclusion:
 - Contractor performance under Task Order 0001 concludes when developmental testing and evaluation is successfully completed, all contractor deliverables have been received and accepted, and DHMSM has received the go-ahead for Initial Operational Capability (IOC) implementation.



leidos

PARTNERSHIP FOR
DEFENSE HEALTH