UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended January 2, 2026
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission file number 001-33072

Leidos Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-3562868**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1750 Presidents Street, Reston, Virginia	**20190**
(Address of principal executive offices)	(Zip Code)

(571) 526-6000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, par value $.0001 per share	**LDOS**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of July 4, 2025, which was the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of Leidos Holdings, Inc. common stock (based upon the closing price of the stock on the New York Stock Exchange) held by non-affiliates of the registrant was $21,002,965,945.

The number of shares issued and outstanding of the registrant's class of common stock as of February 10, 2026, was 126,392,684 shares ($.0001 par value per share).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Leidos Holdings, Inc.'s definitive Proxy Statement for the 2025 Annual Meeting of Stockholders ("2026 Proxy Statement") are incorporated by reference in Part III of this Annual Report on Form 10-K.

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Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that are based on our management's belief and assumptions about the future in light of information currently available to our management. In some cases, you can identify forward-looking statements by words such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue," and similar words or phrases or the negative of these words or phrases. These statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable when made, we cannot guarantee future results, levels of activity, performance or achievements. There are a number of important factors that could cause our actual results to differ materially from those results anticipated by our forward-looking statements, which include, but are not limited to:

- developments in the U.S. government defense and non-defense budgets, including budget reductions, sequestration, implementation of spending limits or changes in budgetary priorities, initiatives aimed at improving governmental efficiency, delays in the U.S. government budget process or a government shutdown, or the U.S. government's failure to raise the debt ceiling, which increases the possibility of a default by the U.S. government on its debt obligations, related credit-rating downgrades, or an economic recession;
- uncertainties in tax due to new tax legislation or other regulatory developments;
- deterioration of economic conditions or weakening in credit or capital markets;
- uncertainty in the consequences of current and future geopolitical events;
- inflationary pressures and fluctuations in interest rates;
- delays in the U.S. government contract procurement process or the award of contracts and delays or loss of contracts as a result of competitor protests;
- changes in U.S. government procurement rules, regulations and practices, including its organizational conflict of interest rules;
- changes in global trade policies, tariffs and other measures that could restrict international trade;
- increased preference by the U.S. government for minority-owned, small and small disadvantaged businesses;
- fluctuations in foreign currency exchange rates;
- 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 respond rapidly to emerging technology trends, including the use of artificial intelligence;
- our reliance on information technology spending by hospitals/healthcare organizations;
- our reliance on infrastructure investments by industrial and natural resources organizations;
- energy efficiency and alternative energy sourcing investments;
- investments by U.S. government and commercial organizations in environmental impact and remediation projects;
- the effects of an epidemic, pandemic or similar outbreak may have on our business, financial position, results of operations and/or cash flows;
- 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, including cost increases due to inflation, associated with our firm-fixed-price contracts and other contracts;
- resolution of legal and other disputes with our customers and others or legal or regulatory compliance issues;
- cybersecurity, data security or other security threats, system failures or other disruptions of our business;

- our compliance with international, federal, state and local laws and regulations regarding privacy, data security, protection, storage, retention, transfer, disposal and other processing, technology protection and personal information;
- the damage and disruption to our business resulting from natural disasters and the effects of climate change;
- our ability to effectively acquire businesses and make investments;
- our ability to manage risks associated with our joint ventures, including those in which we are a minority owner and do not operate the assets;
- 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;
- the failure of our inspection or detection systems to detect threats;
- the adequacy of our insurance programs, customer indemnifications or other liability protections designed to protect us from significant product or other liability claims, including cybersecurity attacks;
- our ability to manage risks associated with our international business;
- our ability to comply with the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act of 2010 and similar worldwide anti-corruption and anti-bribery laws and regulations;
- our ability to protect our intellectual property and other proprietary rights by third parties of infringement, misappropriation or other violations by us of their intellectual property rights;
- our ability to prevail in litigation brought by third parties of infringement, misappropriation or other violations by us of their intellectual property rights;
- our ability to declare or increase future dividends based on our earnings, financial condition, capital requirements and other factors, including compliance with applicable law and our agreements;
- our ability to grow our commercial health and infrastructure businesses, which could be negatively affected by budgetary constraints faced by hospitals and by developers of energy and infrastructure projects;
- our ability to successfully integrate acquired businesses;
- our ability to complete the acquisition of KENE Parent, Inc. (“Entrust”) or successfully integrate Entrust to achieve the expected benefits of such acquisition; and
- 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.

We do not undertake any obligation to update or revise any of the forward-looking statements to reflect events, circumstances, changes in expectations, or the occurrence of unanticipated events after the date of those statements or to conform these statements to actual results.

Part I

Item 1. Business

OUR COMPANY

Leidos Holdings, Inc. (“Leidos”), a Delaware corporation, is a holding company whose direct 100%-owned subsidiary and principal operating company is Leidos, Inc. Leidos was founded in 1969 by physicist Dr. Robert Beyster. Since our founding 57 years ago, we have applied our expertise in science, research and engineering in rapidly-evolving technologies and markets to solve complex problems of global concern.

We use the terms “we,” “us” and “our” to refer collectively to Leidos Holdings, Inc. and its consolidated subsidiaries. Leidos is an industry and technology leader serving government and commercial customers with smarter, more efficient digital and mission innovations. Headquartered in Reston, Virginia, with 47,000, global employees, we pursue strategic growth across five pillars: space and maritime; energy infrastructure; digital modernization and cyber; mission software; and managed health services. Our customers include the U.S. Department of War (“DoW”), the U.S. Intelligence Community, the U.S. Department of Homeland Security (“DHS”), the Federal Aviation Administration (“FAA”), the Department of Veterans Affairs (“VA”) and many other U.S. civilian, state and local government agencies, foreign government agencies and commercial businesses. With a focus on delivering mission-critical solutions, Leidos generated 87% of revenues for the fiscal year ended January 2, 2026, (“fiscal 2025”) from U.S. government contracts, either as a prime contractor or a subcontractor to others. Approximately 8% of our revenues are generated by entities located outside of the United States.

By leveraging expertise in multiple disciplines, tailoring our services and solutions to the particular needs of our targeted markets and using advanced analytics, we work to securely deliver services and solutions that not only meet customers’ current goals, but also support their future missions.

For additional discussion and analysis related to recent business developments, see “Business Environment and Trends” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II of this Annual Report on Form 10-K.

OUR BUSINESS SEGMENTS

As of January 2, 2026, our business is aligned into four reportable segments: National Security & Digital, Health & Civil, Commercial & International and Defense Systems. Additionally, we separately present the unallocated costs associated with corporate functions as Corporate. We provide a wide array of scientific, engineering and technical services and solutions across these reportable segments.

NATIONAL SECURITY & DIGITAL

Our National Security & Digital business provides leading-edge and technologically advanced services, solutions and products across substantially all U.S. federal government customers. Our advanced capabilities allow us to provide technology-enabled services, software capabilities and IT modernization, including:

- Digital Modernization and Transformation – We provide worldwide digital support for our nation’s largest and most critical infrastructure. We design, develop, implement, protect and maintain IT environments to provide stability, security and flexibility to mission needs. We also deliver secure, user-centric IT solutions in cloud computing, mobility, application modernization, data center and network modernization, asset management, support desk operations and digital workplace enablement. We accelerate enterprise transformation using customizable roadmaps and repeatable processes in both classified and unclassified environments for our customers.
- Mission Software – We deliver trusted national security software leveraging artificial intelligence tools for defense, intelligence, and homeland security customers.
- Multi-Domain Solutions – We provide services by using artificial intelligence and machine learning to coordinate sea, ground, air and space rapidly and securely to provide warfighters the right information at the right time for mission advantage.
- Cyber Operations – We offer full-spectrum cyber solutions to include offensive, defensive, and physical cyber operations delivering global-scale cryptographic management solutions to protect our customers’ most critical information and assets.

- Intelligence Analysis, Mission Support, and Global Logistics Services – We provide intelligence analysis, operational support, logistics operations, security, linguistics, force production, biometrics, Chemical, Biological, Radiological, Nuclear, and Explosives, energetics, training and other services to Intelligence Community customers.

National Security & Digital represented 44% of total revenues for both fiscal 2025 and the fiscal year ended January 3, 2025 (“fiscal 2024”) and 47% of total revenues for the fiscal year ended December 29, 2023 (“fiscal 2023”).

HEALTH & CIVIL

Our Health & Civil business provides services and solutions to federal and commercial customers in the areas of public health, care coordination, life and environmental sciences and transportation. We are dedicated to delivering effective and affordable solutions that are responsible for the health and well-being of people, including service members and veterans. Our core capabilities include:

- Managed Health Services – We deploy a national footprint of health clinics and health providers to support care delivery services, including medical disability and behavioral health examinations for the VA, as well as serving other independent medical exam markets. We have developed unique capabilities in behavioral health management through many decades of experience with a special emphasis on substance abuse services and non-medical counseling. Our managed health services activities leverage our IT and mission enablement capabilities, which underpin solutions we offer to our customers across all of our served markets.
- Transportation Solutions – Leidos is a trusted systems developer, service provider and integrator for air navigation service providers around the world, including the FAA. We provide air traffic control systems that help manage the world’s most complex airspace. We also deliver crucial automation and capability development services to customers responsible for ensuring the safety and efficiency of air travel.
- Health Mission Software – Leidos employs holistic-systems used for fielding applied technology solutions across the entire continuum of healthcare. We deliver a single, common electronic health record to both DoW and VA hospitals and treatment facilities worldwide. Our offerings range from integrating software for the electronic healthcare record vendor and dental record vendors to integrating picture archiving and communications software and more.
- Energy and Environment – We support the critical missions of the Department of Energy (“DoE”), National Nuclear Security Administration, and National Science Foundation, providing infrastructure management and operation, logistical operations, information technology support, applied research efforts, as well as education and outreach support.
- Life Sciences Research & Development – We provide life science research and development support to the NIH, Center for Disease Control, Army Medical Research community and commercial biotech companies. Our professionals operate a wide range of leading-edge research and development laboratories in the areas of genetics and genomics, proteins and proteomics, advanced biomedical computing and information technology, biopharmaceutical development and manufacturing, nanotechnology characterization and clinical trials management.

Health & Civil represented 30% for both fiscal 2025 and 2024 and 27% of total revenues for fiscal 2023.

COMMERCIAL & INTERNATIONAL

Commercial & International delivers a portfolio of products, services, and solutions aimed at securing national assets, modernizing energy and critical infrastructure, and enhancing mission outcomes. Our key customers include Investor-Owned Utilities, government agencies in the United Kingdom and Australia, the Transportation Security Administration, U.S. Customs & Border Protection ("CBP"), as well as airports and ports and borders authorities.

- Energy Infrastructure – Leidos partners with utilities seeking reliable energy modernization solutions. Our project portfolio spans large-scale energy initiatives across the United States, serving electric utilities, generation owners, and industrial clients. We support utilities and industrial customers in modernizing power delivery systems for enhanced reliability, implementing energy management strategies, advancing vehicle electrification, transforming digital infrastructure, and optimizing operational efficiency to meet evolving energy demands and market expectations. Our expertise spans power grid engineering and design, grid modernization, utility planning and consulting, energy management and efficiency, and technology-driven innovation, including software and application development.
- Global Security Products and Services – Leidos is a global leader in fully integrated security detection solutions, enhancing the safety of screening and checkpoints for aviation, ports, borders, and critical infrastructure worldwide. With over 30,000 products deployed across more than 120 countries, including people scanners, computed tomography carry-on baggage scanners, checked baggage scanners, and explosive trace detectors. We are also the primary supplier to CBP and other

international customers of mobile, non-intrusive ports and borders inspection systems that secure the flow of travel and trade by effectively detecting and mitigating threats across cargo, vehicles, and individuals. Our digital solutions feature a secure and scalable open-architecture platform that transforms airport security by integrating disparate devices and technologies into a unified management system.

- International – Leidos delivers a wide range of mission-focused services across multiple domains to address critical threats and provide innovative solutions to government agencies in the UK and Australia. Our core areas of expertise include Digital Modernization, Mission Software, Logistics, and Airborne Solutions.

Commercial & International represented 13% of total revenues for fiscal 2025, and 14% of total revenues for both fiscal 2024 and 2023.

DEFENSE SYSTEMS

Defense Systems addresses threats facing our nation by rapidly prototyping and delivering advanced hardware, software, and integrated systems solutions for the DoW, Army, Navy, Air Force, Space Force, Marine Corps, United States Special Operations Command, Defense Advanced Research Projects Agency and intelligence agencies. We are heavily engaged in the top defense Research Development Test and Evaluation priorities that are driven by evolving global threats. This business is dedicated to delivering cost-effective solutions and services in the space, airborne, land and maritime domains and supporting critical missions worldwide.

- Maritime Systems – On and under the sea, we offer a wide range of innovative capabilities. We continue to enhance our surface and subsurface autonomous and unmanned technologies to make maritime operations safer and more efficient. We provide innovative platforms, software solutions for vessel control and common core autonomous behaviors, enhanced sensor systems, advanced signal processing, secure communications hardware and software to fully support these vital missions. Our naval architecture and marine engineering services span an entire ship’s lifetime, from early-stage concept designs through service life extensions.
- Aerospace Systems – We provide expertise in the design, manufacturing, and integration of space-based electro-optic infrared systems, multi/hyperspectral, electronic warfare and signals intelligence, and communications payloads. We also manufacture structures and thermal protection systems for hypersonic boost-glide missiles, and we provide testing services for hypersonic vehicles.
- Land Systems – We develop Integrated Air and Missile Defense systems, including the US Army Enduring Indirect Fire Protection Capability, Army Long Range Persistent Surveillance radar capability and AirShield systems. We design and manufacture other persistent surveillance radar systems, advanced sensors, and radio frequency seekers, including the associated advanced algorithms that accompany them. We use this expertise to provide military sensor and electronic system R&D services for our customers.
- Airborne Systems – Leidos develops and integrates mission-enhancing airborne solutions. We execute airborne training, intelligence, surveillance, and reconnaissance missions as a service for the DoW, the U.S. Intelligence Community, and military services worldwide. Our key served markets include aircraft integration and operations, sensor and autonomous systems, and Multi-Domain Operation enablers, addressing diverse missions such as target identification, border security, and counter-narcotics operations.

Defense Systems represented 13% of total revenues for fiscal 2025, and 12% of total revenues for both fiscal 2024 and 2023.

CORPORATE

Corporate includes the operations of various corporate activities, certain expense items that are not reimbursed by our U.S. government customers and certain other expense items excluded from a reportable segment’s performance.

ACQUISITIONS AND DIVESTITURES

During fiscal 2025, we completed the acquisition of Savanna Industries, Inc. ("Kudu Dynamics"). See “Note 5—Acquisitions and Divestitures” in Part II of this Annual Report on Form 10-K for further information.

During fiscal 2025, we completed an immaterial disposition of a business within our Commercial & International segment. Additionally, during fiscal 2023, we completed an immaterial disposition of a business within our Defense Systems segment. For further information, see “Note 5—Acquisitions and Divestitures” in Part II of this Annual Report on Form 10-K.

KEY CUSTOMERS

The majority of our revenues are generated in the United States. Our consolidated revenues are largely attributable to prime contracts or to subcontracts with other contractors engaged in work for the U.S. government, with the remaining attributable to international customers, including the UK Ministry of Defence, the Australian Department of Defence, NATO and customers across a variety of commercial markets. Within the U.S. government, our revenues are diversified across many agencies, including various intelligence agencies, the U.S. Army, Navy and Air Force, U.S. Space Force, DHS, Defense Information Systems Agency, FAA, Transportation Security Administration, CBP, Defense Health Agency, VA, Department of Health and Human Services, National Science Foundation, DoE, the Environmental Protection Agency and research agencies such as Defense Advanced Research Projects Agency and the Intelligence Advanced Research Projects Agency.

These customers have a number of subsidiary agencies that have separate budgets and procurement functions. Our contracts may be with the highest level of these agencies or with the subsidiary agencies of these customers.

HUMAN CAPITAL

As of January 2, 2026, we employed approximately 47,000 full and part-time employees of whom approximately 41,900 are located in the United States and the remainder of which are located in approximately 45 countries worldwide. Approximately 38% of our employees have degrees in science, technology, engineering or mathematics fields, approximately 24% of our employees have advanced degrees, 53% of our employees possess U.S. security clearances and approximately 19% of our employees are military veterans.

CULTURE AND WORKFORCE

Leidos has adopted six values that help define its culture: integrity, inclusion, innovation, agility, collaboration and commitment. These values provide a roadmap for our workplace behavior and help guide our business decisions. They are a key component of our corporate culture and are part of our employees’ performance assessments. Our values are based on our commitment to do the right thing for our customers, our employees and our communities. Our values are demonstrated by our employees as they help our customers execute important missions in the world’s most complex markets.

Our policies, procedures, training and communications form a comprehensive program that promotes a culture of integrity as a foundation for employee conduct. For the eighth consecutive year, the Ethisphere Institute named Leidos one of the World’s Most Ethical Companies in 2025.

Our approach to workplace culture and employee development focuses on education and best practices for leaders and employees. Leidos has programs designed to promote our corporate values throughout the enterprise and with our senior leadership. Leaders, managers and employees of the Company are required to take annual training to reinforce our corporate values.

We continue to grow and expand our learning and upskilling tools to develop and enhance our employees' technical and leadership skills to actively maintain our workplace culture. Company councils continue to champion and integrate Leidos values across the enterprise and are comprised of employees across our business areas and functions with oversight and guidance from executive leadership. We continue to invest in our employees through the continuous improvement of our Total Rewards plans and programs. Our Total Rewards philosophy is built on providing competitive, market-based compensation; comprehensive and flexible benefits; and programs that support employees’ overall well-being, financial security, and career growth. These offerings are designed to attract, retain, and motivate a highly skilled workforce.

TALENT ACQUISITION PRACTICES

Leidos is committed to promoting hiring practices that are designed and executed to recruit, hire, train and retain best-in-class talent, including building a deep and broad pipeline of candidates. We leverage college campuses, military veteran resources, industry associations, and other sources to expand our outreach. Each year we also attend and sponsor national conferences and local career fairs that target our key market segments and talent.

Our military veteran outreach program attracts, retains and supports current veterans, transitioning service members and military spouses. Our college campus outreach engages talent from multiple university sources.

CAREER MOBILITY AND GROWTH

We have a strong focus on our employees' career, flexibility and well-being. We embrace what makes Leidos great by advancing a culture that helps every employee achieve personal and professional success. This is part of our broader Employee Value Proposition to 'break limits' and a commitment to make Leidos an even better place to work. Leidos empowers and challenges employees to continuously seek, share and apply new knowledge, skills and behaviors. We recognize the value of a high-performing workforce where every member of the team has an opportunity to feel motivated, valued and fulfilled, resulting in a purposeful and long career at Leidos. We provide resources, development, and experiential learning to enable employees to grow, including a talent marketplace where employees can fill temporary roles to develop skills and broaden their network. We provide leaders with the knowledge, skills and resources needed to coach employees and enable employees' career development.

We value and develop a future-ready workforce to meet customer needs and stay ahead of emerging technologies. We have a strong technical upskilling and reskilling program to develop, mobilize and retain talent. We offer formal programs to help employees earn many industry-standard professional and technical certifications. Additionally, we offer tuition reimbursement and certification exam reimbursement to full-time employees at accredited universities.

Our Internal Mobility Program has a dedicated team that proactively focuses on the mobilization of our employees. We teach employees how to use the tools and resources available to them and help them gain visibility to hiring managers and recruiters across the enterprise. We have career advisors that meet one-on-one with employees in key talent segments to provide career coaching and mobility counseling.

We conduct formal employee engagement surveys to listen to employees and develop customized strategies to drive engagement, inclusion and retention across the organization.

We invest in our current and future leaders in several ways. We provide a variety of leadership development offerings, comprised of formal training programs, live leader labs and self-paced e-learning. Annually, we host a two-day Leadership Summit for approximately 350 of our most senior leaders to align our growth strategy and transformation initiatives.

Through our ongoing talent planning processes, we identify and develop high-potential employees for future roles. We create succession plans for all executive-level positions as well as for other roles throughout the organization considered vital to our success. In addition, we establish development and engagement plans for top talent that may include formal training, mentoring, coaching, sponsorship and experiential learning opportunities.

HEALTH AND WORKPLACE SAFETY

Our primary focus is on the health and safety of our employees, with the physical and mental well-being of our employees being top priority. To support the physical and mental well-being of our employees, we provide many well-being and mental health benefits to all employees, including access to our Employee Assistance Program, Headspace, Personify Health and meQuilibrium resources. These partners provide a multitude of free resources to assist employees with their mental, financial, and physical health.

We are a leader in the field of occupational health and safety ("OH&S") and place a strong emphasis on these activities, both internally and on behalf of our customers. Internally, we emphasize direct management responsibility, comprehensive corporate policies and procedures, OH&S program implementation, employee training and compliance assessments. Our corporate policies and procedures support compliance with OH&S regulations at work locations. We have a proactive compliance program of employee education, training, auditing and reporting that, through employee awareness and integration into our business operations, supports our commitment to a safe and healthy work environment.

ENVIRONMENTAL MATTERS

Our operations are subject to various foreign, federal, state and local environmental protection and health and safety laws and regulations. In addition, our operations may become subject to future laws and regulations, including those related to climate change and environmental sustainability. See “Risk Factors” in this Annual Report on Form 10-K for further details. Although we do not currently anticipate that the costs of complying with, or the liabilities associated with, environmental laws will materially and adversely affect us, we cannot ensure that we will not incur material costs or liabilities in the future.

RESEARCH AND DEVELOPMENT

We conduct research and development activities under customer-funded contracts and with company-funded research and development funds. Company-funded research and development includes independent research and development (“IR&D”) and commercial and international research and development. Company-funded research and development expenses are included in selling, general and administrative expenses. Our company-funded research and development expense was $187 million, $150 million and $128 million for fiscal 2025, 2024 and 2023, respectively, which as a percentage of consolidated revenues was 1.1%, 0.9% and 0.8% for fiscal 2025, 2024 and 2023, respectively. We charge expenses for research and development activities performed under customer contracts directly to those contracts.

INTELLECTUAL PROPERTY RIGHTS

Our technical services and products are not generally dependent upon patent protection, although we do selectively seek patent protection. We claim a proprietary interest in certain of our products, software programs, methodologies and know-how. This proprietary information is protected in confidence as trade secrets, using non-disclosure and other definitive agreements. We selectively pursue opportunities to license or transfer our technologies to third parties.

In connection with the performance of services and solutions, the U.S. government has certain rights to inventions, data, software code and related material that we develop under U.S. government-funded contracts and subcontracts. Generally, the U.S. government may disclose or license such information to third parties, including, in some instances, our competitors. In the case of some subcontracts that we perform, the prime contractor generally obtains rights to use the programs and products that we deliver under the subcontract to perform its prime contract obligations.

COMPETITION

Competition for contracts is significant, and we often compete against many well-established corporations with strong name and brand recognition. We also compete against smaller, more specialized companies that concentrate their resources in particular areas, the U.S. government’s own capabilities and federal non-profit contract research centers. Due to the diverse requirements of the U.S. government and our commercial customers, we frequently collaborate with other companies to compete for large contracts and bid against these same companies in other situations.

Our principal competitors currently include the following companies: Accenture Federal Services LLC, Amentum Services Inc., KBR, Inc., BAE Systems, Booz Allen Hamilton Inc., CACI International Inc., Deloitte, General Dynamics Corporation, GovCIO, IBM, KBR Inc., L3Harris Technologies, Inc., Lockheed Martin Corporation, ManTech, Northrop Grumman Corporation, Optum, Parsons Corporation, Peraton Inc., RTX Corporation and SAIC. These companies span across sectors that include systems development and integration, engineering and technical services divisions of large defense contractors, diversified U.S. and international IT providers and contractors focused solely on technical services, supply chain management, other logistics services and major systems operations and maintenance, homeland security and health solutions. We compete domestically and internationally against products and services of the companies listed above, numerous smaller competitors and startups, and increasingly, non-traditional and non-U.S. defense contractors. Technological advances, including artificial intelligence, autonomy and robotics, changing customer requirements, as well as the ongoing significant reform of the Federal Acquisition Regulation ("FAR") are enabling expanded competition from both traditional and non-traditional competitors.

We compete by offering strong technical expertise, mission understanding, and retaining qualified staff, including those with security clearances. We focus on fair pricing and program execution. Our competitive edge also comes from our proven track record, strong cybersecurity and compliance, reliable supply chain, effective data management, and our ability to use commercial technologies and AI integration at scale.

CONTRACT PROCUREMENT

Our business is heavily regulated, and we must comply with and are affected by laws and regulations relating to the formation, administration and performance of U.S. government and other contracts. The U.S. government procurement environment has evolved due to statutory and regulatory procurement reform initiatives. Today, U.S. government customers employ several contracting methods to purchase services and products. Budgetary pressures and reforms in the procurement process have caused many U.S. government customers to increasingly purchase services and products using contracting methods that give them the ability to select multiple contract winners or pre-qualify certain contractors to provide services or products on established general terms and conditions rather than through single-award contracts. The predominant contracting methods through which U.S. government agencies procure services and products include the following:

- Definitive Award Contracts. U.S. government agencies may procure services and products through single definitive award contracts which specify the scope of services or products purchased and identify the contractor that will provide the specified services or products. When an agency has a requirement, the agency will issue a solicitation or request for proposal to which interested contractors can submit a proposal. The bidding and selection process can take a year or more to complete. For the contractor, this method of contracting may provide greater certainty of the timing and amounts to be received at the time of contract award because it generally results in the customer contracting for a specific scope of services or products from the single definitive successful awardee.
- Indefinite Delivery/Indefinite Quantity ("IDIQ") Contracts. The U.S. government uses IDIQ contracts to obtain commitments from contractors to provide certain services or products on pre-established terms and conditions. The U.S. government then issues task orders under the IDIQ contracts to purchase specific services or products. IDIQ contracts are awarded to one or more contractors following a competitive procurement process. Under a single-award IDIQ contract, all task orders under that contract are issued to the one contractor awarded the IDIQ. Under a multiple-award IDIQ contract, task orders are competitively bid by the contractors awarded the IDIQ. Multiple-award IDIQ contracts that are open for any government agency to use for procurement are commonly referred to as "government-wide acquisition contracts." IDIQ contracts often have multi-year terms and unfunded ceiling amounts, therefore enabling, but not committing, the U.S. government to purchase substantial amounts of services or products from one or more contractors. At the time an IDIQ contract is awarded (prior to the award of any task orders), a contractor may have limited or no visibility as to the ultimate amount of services or products that the U.S. government will purchase under the contract, and in the case of a multiple-award IDIQ contracts, the contractor from which such purchases may be made.
- U.S. General Services Administration ("GSA") Schedule Contracts. The GSA maintains listings of approved suppliers of services and products with agreed-upon prices for use throughout the U.S. government. In order for a company to provide services under a GSA Schedule contract, a company must be pre-qualified and awarded a contract by the GSA. When an agency uses a GSA Schedule contract to meet its requirements, the agency, or the GSA on behalf of the agency, conducts the procurement. The user agency, or the GSA on its behalf, evaluates the user agency's requirements and initiates a competition limited to GSA Schedule qualified contractors. GSA Schedule contracts are designed to provide the user agency with reduced procurement time and lower procurement costs. Similar to IDIQ contracts, at the time a GSA Schedule contract is awarded, a contractor may have limited or no visibility as to the ultimate amount of services or products that the U.S. government will purchase under the contract.
- Other Transaction Authority ("OTA") agreements. Under certain circumstances, U.S. government agencies can enter into OTA agreements instead of traditional contracts. Agencies are explicitly authorized by Congress for specific uses, limitations or restrictions in the use of OTAs. In the case of DoW, the department is authorized to use OTAs to carry out basic, applied or advanced research projects, prototype development projects or follow-on production to initial prototype projects. OTA agreements are generally exempt from federal procurement regulations. These exemptions grant the U.S. government the flexibility to include, amend or exclude contract clauses and requirements that are mandatory in traditional procurements. OTA agreements also grant more flexibility to structure agreements in numerous ways, including joint ventures, partnerships or multiple agencies joining together to fund an agreement encompassing multiple providers.

We often team together with other companies to submit bids for large U.S. government procurements or other opportunities where we believe that the combination of services and products that we can provide as a team will help us win and perform the contract. Our relationships with our teammates, including whether we serve as the prime contractor or as a subcontractor, vary with each contract opportunity and typically depend on the program, contract or customer requirements, as well as the relative size, qualifications, capabilities, customer relationships and experience of our company and our teammates.

Contracting with the U.S. government also subjects us to substantial regulation and unique risks, including the U.S. government's ability to cancel any contract at any time through a termination for the convenience. Most of our contracts have cancellation terms that would permit us to recover all or a portion of our incurred costs and fees for work performed prior to U.S. government termination for convenience. These regulations and risks are described in more detail below under "Business–Regulation" and "Risk Factors" in this Annual Report on Form 10-K.

CONTRACT PAYMENT TYPES

Generally, the type of contract for our services and products is determined by or negotiated with the U.S. government and may depend on certain factors, including the type and complexity of the work to be performed, degree and timing of the responsibility to be assumed by the contractor for the costs of performance, the extent of price competition and the amount and nature of the profit incentive offered to the contractor for achieving or exceeding specified standards or goals. We generate revenues under several types of contracts, including the following:

- Cost-reimbursement contracts include cost-plus-fixed-fee, award-fee and incentive-fee contracts. These contracts provide for reimbursement of our direct contract costs and allocable indirect costs, plus a fee. These contracts are typically used when uncertainties involved in contract performance do not permit costs to be estimated with sufficient accuracy to use a fixed-price contract. Cost-reimbursement contracts generally subject us to lower risk but require us to use our best efforts to accomplish the scope of the work within a specified time and budget. Award and incentive fees are generally based on performance criteria such as cost, schedule, quality and/or technical performance. Award fees are determined and earned based on customer evaluation of the Company's performance against contractual criteria. Incentive fees that are based on cost provide for an initially negotiated fee to be adjusted later, typically using a formula to measure performance against the associated criteria, based on the relationship of total allowable costs to total target costs.
- Fixed-price-incentive-fee ("FPIF") contracts are substantially similar to cost-plus-incentive-fee contracts except they establish specified targets for cost and profit, a price ceiling (but not a profit ceiling or floor) and a profit adjustment formula. Under an FPIF contract, the allowable costs incurred are eligible for reimbursement but are subject to a cost-share arrangement, which affects profitability. Generally, if our costs exceed the contract target cost or are not allowable under the applicable regulations, we may not be able to obtain reimbursement for all costs and may have our fees reduced or eliminated.
- Time-and-materials ("T&M") contracts typically provide for negotiated fixed hourly rates for specified categories of direct labor plus reimbursement of other direct costs. This type of contract is generally used when there is uncertainty about the extent or duration of the work to be performed by the contractor at the time of contract award or it is not possible to anticipate costs with any reasonable degree of confidence. On T&M contracts, we assume the risk of providing appropriately qualified staff to perform these contracts at the hourly rates set forth in the contracts over the period of performance of the contracts.
- Fixed-price-level-of-effort ("FPLOE") contracts are substantially similar to T&M contracts except they require a specified level of effort over a stated period of time on work that can be stated only in general terms. This type of contract is generally used when the contractor is required to perform an investigation or study in a specific research and development area and to provide a report showing the results achieved based on the level of effort. Payment is based on the effort expended rather than the results achieved.
- Firm-Fixed-Price ("FFP") contracts provide for a fixed price for specified products, systems and/or services. This type of contract is typically used when the customer acquires products and services on the basis of reasonably definitive specifications that allow parties to develop an estimate of the costs to complete the work. The price for a FFP contract is often determined through competitive bidding by multiple contractors vying for award of the contract, but the price may also be determined through price negotiations with the customer. These contracts offer us potential increased profits if we can complete the work at lower costs than planned, but FFP contracts increase our exposure to the risk of cost overruns.

Our earnings and profitability may vary materially depending on changes in the proportionate amount of revenues derived from each type of contract, the nature of services or products provided, as well as the achievement of performance objectives, and the stage of performance at which the right to receive fees, particularly under incentive-fee and award-fee contracts, is finally determined. Cost-reimbursement and T&M contracts generally have lower profitability than FFP contracts.

SEASONALITY

The U.S. government's fiscal year ends on September 30 of each year. While not certain, it is not uncommon for U.S. government agencies to award extra tasks or complete other contract actions in the timeframe leading up to the end of its fiscal year in order to avoid the loss of unexpended fiscal year funds, which may favorably impact our third fiscal quarter. In addition, our quarterly results may be impacted by the number of working days in a given quarter. We tend to generate less revenue from our labor services during the fourth quarter as a result of the holiday season.

REGULATION

We are heavily regulated in most of the fields in which we operate. We provide services and products to numerous U.S. government agencies and entities, including to the DoW, the U.S. Intelligence Community and the DHS. When working with these and other U.S. government agencies and entities, we must comply with various laws and regulations relating to the formation, administration and performance of contracts. Some significant laws and regulations that affect us include:

- the FAR and supplements, including the DoW Federal Acquisition Regulation Supplement ("DFARS"), which regulate the formation, administration and performance of U.S. government contracts;
- the Truthful Cost or Pricing Data Act, which requires certification and disclosure of cost and pricing data in connection with certain contract negotiations;
- the Procurement Integrity Act, which regulates access to competitor bid and proposal information and government source selection information and our ability to provide compensation to certain former government officials;
- the Civil False Claims Act, which provides for substantial civil penalties for violations, including for submission of a false or fraudulent claim to the U.S. government for payment or approval;
- the False Statements Act, which imposes civil and criminal liability for making false statements to the U.S. government;
- the U.S. government Cost Accounting Standards ("CAS"), which imposes accounting requirements that govern our right to reimbursement under certain cost-based U.S. government contracts;
- The International Trade in Arms Regulation ("ITAR"), which governs the manufacture, export, and temporary import of defense articles, the furnishing of defense services, and brokering activities involving items described on the U.S. munitions list;
- the DoW Cybersecurity Maturity Model Certification ("CMMC"), which is phasing-in between November 2025 and November 2028 and requires us to meet or exceed certain specified cybersecurity standards to be eligible for new contract awards with the DoW; and
- the recent executive order titled "Prioritizing the Warfighter in Defense Contracting,"

These regulations impose a broad range of requirements, many of which are unique to government contracting, including various procurement, import and export, security, contract pricing and cost, contract termination, adjustment and audit requirements and potential restrictions on stock buybacks, dividends and executive compensation. Among other things, these laws and regulations:

- require certification and disclosure of all cost and pricing data in connection with certain contract negotiations;
- define allowable and unallowable costs and otherwise govern our right to reimbursement under various cost-type U.S. government contracts;
- require compliance with U.S. government CAS;
- require reviews by the Defense Contract Audit Agency ("DCAA"), Defense Contract Management Agency ("DCMA") and other U.S. government agencies of compliance with government requirements for a contractor's business systems;
- require compliance with federal agency- specific cybersecurity standards in agency acquisition supplements such as DFARS;
- restrict the use and dissemination of and require the protection of unclassified contract-related information and information classified for national security purposes and the export of certain products and technical data;
- require us not to compete for work if an actual or potential organizational conflict of interest, as defined by these laws and regulations, related to such work exists and/or cannot be appropriately mitigated, neutralized or avoided.

- restrict the conduct of stock buybacks or issuance of dividends during the continuation of any period in which the Secretary of War determines that we are underperforming on our government contracts or have insufficient prioritization, investment, or production speed; and
- require that future government contracts (including renewals) restrict executive incentive compensation in a manner that is contingent on certain specified criteria, including on-time delivery of projects, increased production, and the facilitation of certain domestic investments and operating improvements.

The U.S. government may revise its procurement practices or adopt new contract rules and regulations at any time. In particular, pursuant to Executive Order 14275, "Restoring Common Sense to Federal Procurement," issued on April 15, 2025, the U.S. government is undertaking the first-ever comprehensive overhaul of the FAR which is expected to return the FAR to its statutory roots, rewrite it in plain language, and remove most non-statutory rules. In order to help ensure compliance with these complex laws and regulations, all of our employees are required to complete ethics and other compliance trainings relevant to their position.

DATA PRIVACY, CYBERSECURITY AND ARTIFICIAL INTELLIGENCE LAWS

Some of our operations and service offerings involve access to and use by us of personal information and/or protected health information. These activities are regulated by extensive federal, state and international data privacy and security laws requiring organizations to, among other things, provide certain privacy protections and security safeguards for such information. For example, among others:

- the European Union's ("EU's") General Data Protection Regulation ("GDPR"), which imposes compliance obligations for companies that process personal data of EU data subjects, necessitating investment into ongoing data protection activities and documentation requirements, and creates the potential for significant fines for noncompliance;
- the United Kingdom's ("UK's") General Data Protection Regulation, ("U.K. GDPR"), which creates similar compliance obligations for companies that process personal data of UK data subjects as are imposed by the GDPR;
- the California Consumer Privacy Act, as amended by the California Privacy Rights Act (collectively, "CCPA"), which broadly defines personal information and provides expanded consumer privacy rights to natural persons residing in California, such as affording them the right to access and request deletion of their information and to opt out of certain sharing and sales of personal information;
- the Health Insurance Portability and Accountability Act, as amended by the Health Information Technology for Economic and Clinical Health Act, which establishes privacy and security compliance obligations with respect to the processing of protected health information by covered entities and business associates, necessitating investment in technical and organizational compliance measures and creates the potential for substantial fines for noncompliance; and
- federal data privacy laws pursuant to contract, such as the Privacy Act, when applicable.

Moreover, regulation of artificial intelligence, including generative artificial intelligence, machine learning, and similar data-driven technologies (collectively, "AI") is rapidly evolving and legislators and regulators worldwide are increasingly focused on these powerful emerging technologies. The technologies underlying AI and its uses are subject to a variety of laws and regulations, including intellectual property, data privacy (including automated decision making), cybersecurity, consumer protection, competition and equal opportunity laws and regulations, and are expected to be subject to additional regulation, new legal frameworks or new application of existing frameworks. In particular, several states, including Colorado and California, have passed or proposed laws and regulations that specifically address various facets and uses of AI. In Europe, the EU's Artificial Intelligence Act (the "AI Act"), which began phasing-in in 2025, establishes, among other things, a risk-based governance framework for regulating AI systems operating in the EU.

These regulations and related risks are described in more detail below under "Risk Factors" in this Annual Report on Form 10-K.

COMPANY WEBSITE AND INFORMATION

Our corporate headquarters is located at 1750 Presidents Street, Reston, VA 20190 and our telephone number is (571) 526-6000. Our website can be accessed at www.leidos.com. The website contains information about our company and operations. Through a link on the Investor Relations section of our website, copies of each of our filings with the U.S. Securities and Exchange Commission ("SEC") on Form 10-K, Form 10-Q and Form 8-K, and all amendments to those reports, can be viewed and downloaded free of charge as soon as reasonably practicable after the reports and amendments are electronically filed with or furnished to the SEC. The SEC also maintains a website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including Leidos. The information on our website is not incorporated by reference into and is not a part of this Annual Report on Form 10-K.

Item 1A. Risk Factors

In your evaluation of our company and business, you should carefully consider the risks and uncertainties described below, together with information disclosed elsewhere in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of this Annual Report, and other documents we file with the SEC. The risks and uncertainties described below are those that we have identified as material but are not the only risks and uncertainties facing us. If any of these risks or uncertainties actually occurs, our business, financial condition or operating results could be materially harmed, and our stock price could decline. Our business is also subject to general risks and uncertainties that affect many other companies, such as our ability to collect receivables, overall U.S. and global economic and industry conditions, geopolitical events, changes in laws or accounting rules, fluctuations in interest, exchange rates and inflation, terrorism, international conflicts, major health concerns, climate change or other disruptions of expected economic and business conditions. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may materially harm our business, financial condition or operating results. In that event, the trading price of our stock could decline, and you could lose part or all of your investment.

SUMMARY OF RISK FACTORS

This risk factor summary contains a high-level summary of risks associated with our business. It does not contain all of the information that may be important to you, and you should read this risk factor summary together with the more detailed discussion of risks and uncertainties set forth following this summary. A summary of our risks includes, but is not limited to, the following:

- We depend on government agencies as our primary customers and if our reputation or relationships with these agencies were harmed, our future revenues and growth prospects could be adversely affected.
- A decline in the U.S. government budget, changes in spending or budgetary priorities or delays in contract awards may significantly and adversely affect our future revenues and limit our growth prospects.
- Because we depend on U.S. government contracts, a delay in the completion of the U.S. government's budget and appropriations process could delay procurement of the products, services and solutions we provide and adversely affect our future revenues.
- Due to the competitive process to obtain contracts and the likelihood of bid protests, we may be unable to achieve or sustain revenue growth and profitability.
- The U.S. government may terminate, cancel, modify, renew on less favorable terms or curtail our contracts at any time prior to their completion and, if we do not replace them, this may adversely affect our future revenues and profitability.
- We face intense competition that can impact our ability to obtain contracts and therefore affect our future revenues and growth prospects.
- Deterioration of economic conditions or weakening in credit or capital markets may have a material adverse effect on our business, results of operations and financial condition.
- We cannot predict the consequences of current or future geopolitical events, but they may adversely affect the markets in which we operate and our results of operations.
- Global supply chain issues and inflationary pressures have disrupted supply and increased the prices of goods and services, which could raise the costs associated with providing our services, diminish our ability to compete for new contracts or task orders and reduce customer buying power.

- Our failure to comply with various complex procurement rules and regulations could result in us being liable for penalties, including termination of our U.S. government contracts, disqualification from bidding on future U.S. government contracts and suspension or debarment from U.S. government contracting.
- The U.S. government may adopt new contract rules and regulations or revise its procurement practices in a manner adverse to us at any time.
- Application of the U.S. government's organizational conflict of interest (OCI) rules could limit our ability to successfully compete for new contracts or task orders, which would adversely affect our results of operations.
- As a U.S. government contractor, our partners and we are subject to reviews, audits and cost adjustments by the U.S. government, which could adversely affect our profitability, cash position or growth prospects if resolved unfavorably to us.
- Our business is subject to governmental review and investigation, which could adversely affect our financial position, operating results and growth prospects.
- Investigations, audits, claims, disputes, enforcement actions, litigation, arbitration or other legal proceedings could require us to pay potentially large damage awards or penalties and could be costly to defend, which would adversely affect our cash balances and profitability, and could damage our reputation.
- Our business and operations expose us to numerous legal and regulatory requirements, and any violation of these requirements could harm our business.
- Our business is subject to complex and evolving laws and regulations regarding data privacy and security which could subject us to investigations, claims or monetary penalties against us, require us to change our business practices or otherwise adversely affect our revenues and profitability.
- Misconduct of employees, subcontractors, agents, suppliers, business partners or joint ventures and others working on our behalf could cause us to lose existing contracts or customers and adversely affect our ability to obtain new contracts and could have a material adverse impact on our business, reputation and future results.
- A failure to attract, retain, and develop talent with critical skills, including our leadership team, would adversely affect our ability to execute our strategy and may disrupt our operations.
- We may not realize the full amounts reflected in our backlog as revenues, which could adversely affect our expected future revenues and growth prospects.
- Our earnings and profitability may vary based on the mix of our contracts and may be adversely affected by our failure to estimate and manage costs, time and resources accurately.
- We use estimates in recognizing revenues, and if we make changes to estimates used in recognizing revenues, our profitability may be adversely affected.
- Cybersecurity breaches and other information security incidents could negatively impact our business and financial results, impair our ability to effectively provide our services to our customers and cause harm to our reputation or competitive position.
- Internal system or service failures, or failures in the systems or services of third parties on which we rely, could disrupt our business and impair our ability to effectively provide our services and products to our customers, which could damage our reputation and adversely affect our revenues and profitability.
- Customer systems failures could damage our reputation and adversely affect our revenues and profitability.
- Our success depends, in part, on our ability to work with complex and rapidly changing technologies to meet the needs of our customers.
- We utilize artificial intelligence, which could expose us to liability or adversely affect our business, especially if we are unable to compete effectively with others in adopting artificial intelligence.
- We have classified contracts with the U.S. government, which may limit investor insight into portions of our business.
- We have made and continue to make acquisitions, investments, joint ventures and divestitures that involve numerous risks and uncertainties.
- Joint ventures, other strategic alliances, and strategic business transactions may not achieve intended results. We may experience operational challenges in integrating or segregating assets for such a venture or transaction.

- Goodwill represents a significant asset on our balance sheet and any impairment of this asset could negatively impact our results of operations, and shareholders' equity.
- We depend on our teaming arrangements and relationships with other contractors and subcontractors. If we are not able to maintain these relationships, or if these parties fail to satisfy their obligations to us or the customer, our revenues, profitability and growth prospects could be adversely affected.
- We could incur significant liabilities and suffer negative publicity if our inspection or detection systems fail to detect bombs, explosives, weapons, contraband or other threats.
- We face risks associated with our international business.
- Changes in tax laws and regulations or exposure to additional tax liabilities could adversely affect our financial results.

INDUSTRY AND ECONOMIC RISKS

We depend on government agencies as our primary customers and if our reputation or relationships with these agencies were harmed, our future revenues and growth prospects could be adversely affected.

Our revenues from contracts with the U.S. government (including all branches of the U.S. military), either as a prime contractor or a subcontractor to other contractors engaged in work for the U.S. government, generated approximately 87% of our total revenue in fiscal 2025, 2024 and 2023. We expect to continue to derive most of our revenues from work performed under U.S. government contracts. Our reputation and relationships with the U.S. government, particularly with the agencies of the DoW and the U.S. Intelligence Community, are key factors in maintaining and growing our revenues, and enable us to provide informal input and advice to government entities and agencies prior to the development of a formal bid. In addition, negative publicity, including sustained or recurring media coverage, social media commentary, or other public communications that criticize our business practices, the nature of our products or services, or the defense industry more broadly, regardless of accuracy or completeness, and which could pertain to employee or subcontractor misconduct, conflicts of interest, poor contract performance, deficiencies in investment, prioritization, and production, deficiencies in services, reports, products or other deliverables, security breaches or other security incidents or other aspects of our business, could harm our reputation with these agencies and with certain non-U.S. customers. Due to the sensitive nature of our work and our confidentiality obligations to our customers, and despite our ongoing efforts to provide transparency, we may be unable to or limited in our ability to respond to such negative publicity, which could also harm our reputation and our business. If our reputation is negatively affected or if we are unable to successfully maintain our relationships with government entities and agencies, certain customers could cease to do business with us and our ability to bid successfully for new business may be adversely affected, which could cause our actual results to differ materially and adversely from those anticipated. In addition, our ability to hire or retain employees and our standing in professional communities, to which we contribute and receive expert knowledge, could be diminished. If any of the foregoing occurs, the amount of business with the U.S. government and other customers could decrease, and our business, future revenues, financial condition, and growth prospects could be adversely affected.

A decline in the U.S. government budget, changes in spending or budgetary priorities or delays in contract awards may significantly and adversely affect our future revenues and limit our growth prospects.

Revenues under contracts with the DoW and U.S. Intelligence Community, either as a prime contractor or subcontractor to other contractors, represented approximately 49% of our total revenues for fiscal 2025 and 2023, and 48% of our total revenues for fiscal 2024. U.S. government and DoW spending levels are difficult to predict and subject to significant risk. Laws and plans adopted by the U.S. government relating to, along with pressures on and uncertainty surrounding the U.S. federal budget, potential changes in budgetary priorities, including initiatives aimed at improving governmental efficiency, and defense spending levels, the appropriations process and the permissible federal debt limit, could adversely affect the funding for individual programs and delay purchasing or payment decisions by our customers. Considerable uncertainty exists regarding how future budget and program decisions will unfold, including the defense spending priorities of the U.S. Presidential Administration and Congress and what challenges potential budget reductions will present for us and our industry generally.

In particular, the federal budget and debt ceiling are expected to continue to be the subject of considerable debate, which could have a significant impact on defense spending broadly and our programs in particular. The budget environment, including budget caps mandated by the Budget Control Act of 2011 (the “BCA”) for fiscal years 2022 and 2023, which were reinstituted with established budget caps for 2024 and 2025 under The Fiscal Responsibility Act of 2023, and uncertainty surrounding the debt ceiling and the appropriations process, remain significant short and long-term risks for the Company. Considerable uncertainty exists regarding how future budget and program decisions will unfold, including the defense spending priorities of the current administration and Congress, what challenges budget reductions (required by the BCA and otherwise) will present for the defense industry and whether annual appropriations bills for all agencies will be enacted in a timely manner.

Current U.S. government spending levels for defense-related or other programs may not be sustained. Future spending and program authorizations may not increase or may decrease or shift to programs in areas where we do not provide services or are less likely to be awarded contracts. Such changes in spending authorizations and budgetary priorities may occur as a result of uncertainty surrounding the federal budget and the federal government’s ability to meet its debt obligations, changes in the priorities of the U.S. Presidential Administration, increasing political pressure and legislation, shifts in spending priorities from defense-related or other programs as a result of competing demands for federal funds, the number and intensity of military conflicts or other factors. For example, the conflicts between Russia and Ukraine and in the Middle East have resulted in increased security assistance to each of Ukraine and Israel to help preserve their territorial integrity, secure their borders, and with respect to the Russia/Ukraine conflict, improve interoperability with NATO. Changes in the priorities of the U.S. Presidential Administration in respect thereto could have an adverse impact on our results. In addition, if government funding relating to our contracts with the U.S. government or DoW becomes unavailable, or is reduced or delayed, or planned orders are reduced, our contracts or subcontracts under such programs may be terminated or adjusted by the U.S. government or the prime contractor. Our operating results could also be adversely affected by spending caps or changes in the U.S. government or the DoW's budgetary priorities, as well as delays in program starts or the award of contracts or task orders under contracts.

The U.S. government also conducts periodic reviews of U.S. defense strategies and priorities, which may shift DoW or other budgetary priorities, reduce overall U.S. government spending, or delay contract or task order awards for defense-related or other programs from which we would otherwise expect to derive a significant portion of our future revenues. In addition, changes to the federal or DoW acquisition system and contracting models could affect whether and how we pursue certain opportunities and the terms under which we are able to do so. A significant decline in overall U.S. government spending, including in the areas of national security, intelligence, homeland security, and health and civilian services, a significant shift in its spending priorities, the substantial reduction or elimination of particular defense-related programs or significant delays in contract or task order awards for large programs could adversely affect our future revenues and results of operations and limit our growth prospects. In addition, our ability to grow in advanced technology areas, such as hypersonics programs, space systems, maritime and undersea systems, and classified programs, will also be affected by the overall budget environment, whether development programs transition to production and the timing of such transition, all of which are dependent on U.S. Government authorization and funding.

Because we depend on U.S. government contracts, a delay in the completion of the U.S. government's budget and appropriations process could delay procurement of the products, services, and solutions we provide and adversely affect our future revenues.

The funding of U.S. government programs is subject to an annual congressional budget authorization and appropriations process. In years when the U.S. government does not complete its appropriations before the beginning of the new fiscal year on October 1, government operations are typically funded pursuant to a "continuing resolution," which allows federal government agencies to operate at spending levels approved in the previous appropriations cycle but does not authorize new spending initiatives.

To the extent the U.S. Congress is unable to approve the annual federal budget before the expiration of a continuing resolution, funding for new projects may not be available and funding on contracts we are already performing may be delayed. If Congressional efforts to approve such funding fail, and Congress is unable to craft a long-term agreement on the U.S. government's ability to incur indebtedness in excess of its current limits, the U.S. government may not be able to fulfill its current funding obligations and there could be significant disruption to all discretionary programs, which would have corresponding impacts on us and our industry. The use of a continuing resolution at prior-year funding levels may limit new contract starts, cancellation of planned new initiatives, constrain production rate increases, delay awards or extensions, and introduce funding uncertainty that could affect bidding, scheduling and profitability. In addition, a failure to complete the budget process and fund government operations pursuant to a continuing resolution may result in a U.S. government shutdown, which could result in us incurring substantial costs without reimbursement under our contracts. If a prolonged government shutdown were to occur, it could result in program cancellations, disruptions and/or stop work orders and could limit the U.S. government's ability to effectively progress programs and to make timely payments, and our ability to perform on our U.S. government contracts and successfully compete for new work. The delay or cancellation of key programs or the delay of contract payments may have a material adverse effect on our revenue and operating results. In addition, when supplemental appropriations are required to operate the U.S. government or fund specific programs and the passage of legislation needed to approve any supplemental appropriation bill is delayed, the overall funding environment for our business could be adversely affected. We continuously review our operations in an attempt to identify programs potentially at risk from continuing resolutions or failure by the U.S. government to complete its appropriations process so that we can consider appropriate contingency plans.

From time to time, we have experienced a decline in revenues in our fourth quarter as a result of this annual appropriations cycle, and we could experience similar declines in revenues from future delays in the appropriations process. When the U.S. government fails to complete its appropriations process or provide for a continuing resolution, a full or partial federal government shutdown may result. A federal government shutdown could, in turn, result in our incurrence of substantial labor or other costs without reimbursement under customer contracts, the delay or cancellation of key programs, or the delay, or cancellation of contract payments, which could have a negative effect on our cash flows and adversely affect our future results of operations. Congress appropriates funds on an annual fiscal year basis for many programs, even though the program performance period may extend over several years. Consequently, programs are often partially funded initially, and additional funds are committed only as Congress makes further appropriations. If we incur costs in excess of funds obligated on a contract, we may be at risk for reimbursement of those costs unless or until additional funds are obligated to the contract. In addition, if and when supplemental appropriations are required to operate the U.S. government or fund specific programs and passage of legislation needed to approve any supplemental appropriations bill is delayed, the overall funding environment for our business could be adversely affected.

Due to the competitive process to obtain contracts and the likelihood of bid protests, we may be unable to achieve or sustain revenue growth and profitability.

We expect that a majority of the business that we seek in the foreseeable future will be awarded through a competitive bidding process. The U.S. government has increasingly relied on contracts that are subject to a continuing competitive bidding process, including GSA Schedule and other multi-award contracts, which has resulted in greater competition and increased pricing pressure. The competitive bidding process involves substantial costs, including labor cost and managerial time to prepare bids and proposals for contracts that may not be awarded to us, may be split among competitors, or that may be awarded but for which we do not receive meaningful task orders, and several risks, including the risk of inaccurately estimating the resources and costs that will be required to fulfill any contract we win. Following contract award, we may encounter significant expense, delay, contract modifications, or even cancellation of the contract award as a result of our competitors protesting the award of contracts to us. Any resulting loss or delay of start-up and funding of work under protested contract awards may adversely affect our revenues and profitability. In addition, multiple-award contracts require that we make sustained post-award efforts to obtain task orders under the contract. As a result, we may not be able to obtain these task orders or recognize revenues under these multiple-award contracts. We are also experiencing increased competition, which impacts our ability to obtain contracts; see the risk factor “We face intense competition that can impact our ability to obtain contracts and, therefore, affect our future revenues and growth prospects.” Our failure to compete effectively in this procurement environment would adversely affect our revenues and profitability.

The U.S. government may terminate, cancel, modify, renew on less favorable terms or curtail our contracts at any time prior to their completion, and if we do not replace them, this may adversely affect our future revenues and profitability.

Many of the U.S. government programs in which we participate as a contractor or subcontractor extend for several years and include one or more base years and one or more option years. These programs are typically funded on an annual basis. Under our contracts, the U.S. government generally has the right not to exercise options to extend or expand our contracts and may otherwise terminate, cancel, modify or curtail our contracts at its convenience. Any decisions by the U.S. government to not exercise contract options or to terminate, cancel, modify, renew on less favorable terms or curtail our major programs or contracts would adversely affect our revenues, revenue growth and profitability. For example, as a result of the executive order titled "Prioritizing the Warfighter in Defense Contracting,” future contracts (including renewals) are expected to include provisions restricting stock buybacks and dividends during any period of underperformance, and restricting executive incentive compensation in a manner that is contingent on certain specified criteria, including on-time delivery of projects, increased production, and the facilitation of certain domestic investments and operating improvements.

In addition, we have experienced performance issues under certain of our contracts. Some of our contracts involve developing complex systems and products to achieve challenging customer goals in a competitive procurement environment. As a result, we sometimes experience technological, schedule or other performance difficulties, which have in the past and may in the future result in delays, cost overruns and failures in our performance of these contracts. If a government customer terminates a contract for default, we may be exposed to liability, including for excess costs incurred by the customer in procuring undelivered services and products from another source. In addition, if the Secretary of War were to determine that any such delays, cost overruns or failures in our performance constitutes underperformance on our contract, we would be required to submit a remediation plan approved by our board within 15 days of such determination, and if such plan is determined to be insufficient or we are not otherwise able to remediate any such underperformance we could be subject to remedies from the Secretary of War including certain enforcement actions. Depending on the nature and value of the contract, a performance issue or termination for default could cause our actual results to differ from those anticipated and could harm our reputation.

We face intense competition that can impact our ability to obtain contracts and, therefore, affect our future revenues and growth prospects.

Our business is highly competitive, and we compete with larger companies with greater name recognition, financial resources, and a larger technical staff. We also compete with smaller, more specialized companies that can concentrate their resources on particular areas. Additionally, we compete with the U.S. government’s own capabilities and federal non-profit contract research centers. For example, some customers, including the DoW, are turning to commercial contractors, rather than traditional defense contractors, for some products and services, and may utilize small business contractors or source work internally rather than hiring a contractor. The markets in which we operate are characterized by rapidly changing customer needs and technology and our success depends on our ability to invest in and develop products and services that address such needs. To remain competitive, we must consistently provide high value differentiated solutions to our customers that incorporate technology, superior service, and performance to our customers on a cost-effective basis while understanding customer priorities and maintaining customer relationships. Our competitors may be able to provide our customers with different or greater capabilities or technologies or better contract terms than we can provide, including technical qualifications, past contract experience, geographic presence, price and the availability of qualified professional personnel, or be willing to accept more risk or lower profitability in competing for contracts.

Some of our competitors have made or could make acquisitions of businesses or establish teaming or other agreements among themselves or third parties, which could allow them to offer more competitive and comprehensive solutions. As a result of such acquisitions or arrangements, our current or potential competitors may be able to accelerate the adoption of new technologies that better address customer needs, devote more significant resources to bring these products and services to market, initiate or withstand substantial price competition, develop and expand their product and service offerings more quickly than we do or limit our access to certain suppliers. These competitive pressures in our market or our failure to compete effectively may result in fewer orders, reduced revenue and margins, and loss of market share. Further industry consolidation may also impact customers' perceptions of the viability of smaller or even mid-size software firms and, consequently, customers' willingness to purchase from such firms.

Deterioration of economic conditions or weakening in credit or capital markets may have a material adverse effect on our business, results of operations and financial condition.

Volatile, negative, or uncertain economic conditions, an increase in the likelihood of a recession, or concerns about these or other similar risks may negatively impact our customers' ability and willingness to fund their projects. For example, declines in state and local tax revenues, as well as other economic declines, may result in lower government spending. Our customers reducing, postponing, or canceling spending on projects in respect of which we provide services may reduce demand for our services quickly and with little warning, which could have a material adverse effect on our business, results of operations, and financial condition.

Moreover, instability in the credit or capital markets in the U.S. and related market-wide reduction in liquidity, or concerns or rumors about events of these kinds or similar risks, could affect the availability of credit or our credit ratings, making it relatively difficult or expensive to obtain additional capital at competitive rates, on commercially reasonable terms or in sufficient amounts, or at all, thus making it more difficult or expensive for us to access funds or refinance our existing indebtedness, or obtain financing for strategic projects and acquisitions. Such instability could also cause counterparties, including vendors, suppliers, and subcontractors, to be unable to perform their obligations or to breach their obligations to us under our contracts with them. In addition, instability in the credit or capital markets could negatively impact our customers' ability to fund their projects and, therefore, utilize our services, which could have a material adverse effect on our business, results of operations, and financial condition.

We cannot predict the consequences of current or future geopolitical events, but they may adversely affect the markets in which we operate and our results of operations.

Ongoing instability and current conflicts in global markets, including in Eastern Europe, the Middle East, and Asia, and the potential for other conflicts and future terrorist activities and other recent geopolitical events throughout the world, including the ongoing conflict between Russia and Ukraine, the ongoing conflict in the Middle East, which continues to expand, and increased tensions in Asia, have created and may continue to create economic and political uncertainties and impacts that could have a material adverse effect on our business, operations, and profitability. These types of matters cause uncertainty in financial markets and may significantly increase the political, economic and social instability in the geographic areas in which we operate.

In addition, in connection with the current status of international relations with Russia, particularly in light of the conflict between Russia and Ukraine, the U.S. government has imposed enhanced export controls on certain products and sanctions on certain industry sectors and parties in Russia. The governments of other jurisdictions in which we operate, such as the European Union and Canada, may also implement sanctions or other restrictive measures. These potential sanctions and export controls, as well as any responses from Russia, could adversely affect us and/or our supply chain, business partners, or customers.

Global supply chain issues and inflationary pressures have disrupted supply and increased the prices of goods and services, which could raise the costs associated with providing our services, diminish our ability to compete for new contracts or task orders and reduce customer buying power.

For a variety of reasons, the global economy in which we operate has faced, and may continue to face, heightened inflationary pressure, impacting the cost of doing business in both supply and labor markets. Although inflation has moderated somewhat in 2025, these inflationary pressures have been and could continue to be exacerbated by geopolitical turmoil and economic policy actions. We generate revenue through various fixed-price and multi-year government contracts, our primary customer being the U.S. government, which has traditionally been viewed as less affected by inflationary pressures. However, our approach to include modest annual price escalations in our bids for multi-year work may be insufficient to account for and mitigate inflationary cost pressures, which may result in cost overruns on contracts. This could result in reduced profits or even losses if inflation increases, particularly for fixed-priced contracts and our longer-term multi-year contracts as contractual prices become less favorable to us over time. In the competitive environment in which we operate as a government contractor, the lack of pricing leverage and power to renegotiate long-term, multi-year contracts, coupled with reduced customer buying power as a result of inflation, could reduce our profits, disrupt our business or otherwise materially adversely affect our results of operations.

LEGAL AND REGULATORY RISKS

Our failure to comply with various complex procurement rules and regulations could result in us being liable for penalties, including termination of our U.S. government contracts, disqualification from bidding on future U.S. government contracts and suspension or debarment from U.S. government contracting.

We must comply with laws and regulations relating to the formation, administration and performance of U.S. government contracts, which affect how we do business with our customers. Such laws and regulations may impose added costs on our business and our failure to comply with them may lead to civil or criminal penalties, termination of our U.S. government contracts, or suspension or debarment from contracting with federal agencies. For additional background on the regulations that apply to our business and the related compliance risks, see “Regulation” within Item 1 of this Annual Report on Form 10-K and the risk factor “Our business is subject to governmental review and investigation, which could adversely affect our financial position, operating results and growth prospects.”

Government contract laws and regulations can impose terms or obligations that are different than those typically found in commercial transactions. One of the significant differences is that the U.S. Government may terminate any of our government contracts, not only for default based on our performance but also at its convenience. Generally, prime contractors have a similar right under subcontracts related to government contracts. If a contract is terminated for convenience, we typically would be entitled to receive payments for our allowable costs incurred and the proportionate share of fees or earnings for the work performed, but we would receive no payment or other consideration for the loss of revenue or profit associated with the future work that was cancelled. If a contract is terminated for default, the U.S. Government could seek the return of any amounts previously paid to us under the contract and also seek to recover from us any added costs for having another contractor complete the work, exposing us to liability and adversely affecting our ability to compete for future contracts and orders. In addition, the U.S. Government could terminate a prime contract under which we are a subcontractor, notwithstanding the fact that our performance and the quality of the products or services we delivered were consistent with our contractual obligations as a subcontractor. Similarly, the U.S. Government could indirectly terminate a program or contract by not funding it, or by reducing the amount of funding previously obligated to the program or contract. The decision to terminate programs or contracts for convenience or default could adversely affect our business and future financial performance.

In addition, proposed comprehensive reforms to the Federal Acquisition Regulations, including those contemplated under Executive Order 14275, “Restoring Common Sense to Federal Procurement,” issued on April 15, 2025, could create uncertainty in our contracting environment and impact our business. These reforms may result in changes to procurement processes, evaluation criteria, cost allowability, compliance obligations, or reporting requirements that could increase our administrative burden and operating costs. Transition period or inconsistencies in the implementation of new rules may delay contract awards, complicate bid strategies, or require modifications to existing contracting practices. In addition, to the extent the proposed reforms ultimately expand the ability of commercial firms to compete for defense and other federal contracts, we may face heightened competition from new market entrants with different cost structures, procurement models, or technological approach, which could pressure our pricing, reduce our win rates, or erode our market share. If we are unable to adapt efficiently to revised federal procurement requirements, our competitiveness, performance under existing contracts, and financial results could be adversely affected. The Company continues to evaluate the potential impact for any proposed or contemplated reforms.

The U.S. government may adopt new contract rules and regulations or revise its procurement practices in a manner adverse to us at any time.

Our industry has experienced, and we expect it will continue to experience, significant changes to business practices as a result of an increased focus on affordability, efficiencies, and recovery of costs, among other items. From time to time, new laws and regulations are enacted, and government agencies adopt new interpretations and enforcement priorities relative to laws and regulations already in effect. U.S. government agencies may face restrictions or pressure regarding the type and amount of services that they may obtain from private contractors. Legislation, regulations and initiatives dealing with procurement reform, mitigation of potential conflicts of interest and environmental responsibility or sustainability as well as any resulting shifts in the buying practices of U.S. government agencies (such as increased usage of fixed-price contracts, multiple-award contracts and small business set-aside contracts) could have adverse effects on government contractors, including us. Any of these changes could impair our ability to obtain new contracts or renew our existing contracts when customers recompete those contracts. Any new contracting requirements or procurement methods could be costly or administratively difficult to implement and could adversely affect our future revenues, profitability, and prospects.

Additionally, the DoW and other customers are increasingly pursuing rapid acquisition pathways and procedures for new technologies, including through so-called “other transaction authority” agreements ("OTAs"). OTAs are exempt from many traditional procurement laws, including the FAR, and an OTA award may be subject, in certain cases, to the condition that a significant portion of the work under the OTA is performed by a non-traditional defense contractor or that a portion of the cost of the prototype project is funded by non-governmental sources. If we cannot successfully adapt to our customers’ rapid acquisition processes, then we may lose strategic new business opportunities in high-growth areas, and our future performance and results could be adversely affected.

Application of the U.S. government's organizational conflict of interest (OCI) rules could limit our ability to successfully compete for new contracts or task orders, which would adversely affect our results of operations.

The U.S. government has adopted rules and practices that are designed to avoid or mitigate organizational conflicts of interest ("OCIs"). OCIs may arise from circumstances in which a contractor has:

- impaired objectivity during performance;
- unequal access to non-public information; or
- the ability to set the “ground rules” for another procurement for which the contractor intends to compete.

U.S. federal contacting rules require that government contracting officers identify, analyze and address potential OCIs for each acquisition they conduct. The rules specify a number of methods contracting officers may use to address OCIs, and each contracting officer has significant discretion in deciding whether an OCI exists, and if so, how it should be addressed. As a result, it may be difficult for us to predict whether a given contracting opportunity will be found to pose an actual or potential OCI, whether such an OCI will be determined to be disqualifying, and if not disqualifying what steps we would be required to take in order to be found eligible to compete for and perform the work.

Similarly, OCIs remain an active area of bid protest litigation, increasing the likelihood that competitors may leverage such arguments in an attempt to overturn agency award decisions. To the extent that the U.S. government's OCI laws, regulations, and rules or interpretations thereof limit our ability to successfully compete for new contracts or task orders with the U.S. government, either because of OCI issues arising from our business, or because companies with which we are affiliated, or with which we otherwise conduct business, create OCI interest issues for us, our financial metrics and results of operations could be materially and adversely affected.

As a U.S. government contractor, our partners and we are subject to reviews, audits and cost adjustments by the U.S. government, which could adversely affect our profitability, cash position or growth prospects if resolved unfavorably to us.

U.S. government contractors (including their subcontractors and others with whom they do business) operate in a highly regulated environment and are routinely audited and reviewed by the U.S. government and its agencies, including the DCAA, DCMA, the DoW Inspector General, and others. These agencies review a contractor’s performance on government contracts, cost structure, indirect rates and pricing practices, compliance with applicable contracting and procurement laws, regulations, terms, and standards, and the adequacy of our systems and processes in meeting government requirements. They also review the adequacy of the contractor’s compliance with government standards for its business systems, including a contractor’s accounting system, earned value management system, estimating system, materials management and accounting system, property management system, and purchasing system.

As a result of increased scrutiny on contractors and U.S. government agencies, audits and reviews are conducted rigorously and the applicable standards are strictly interpreted, increasing the likelihood of an audit or review resulting in an adverse outcome. A finding of material weakness in our business system audits or other reviews can result in the suspension of payments or lower billing rates to our U.S. government customers until the material weakness is corrected and the DCMA accepts our remediations. Government audits and reviews may conclude that our practices are not consistent with applicable laws and regulations and result in adjustments to contract costs and mandatory customer refunds. Such adjustments can be applied retroactively, which could result in significant customer refunds. Our receipt of adverse audit findings or the failure to obtain an “approved” determination of our various business systems from the responsible U.S. government agency could significantly and adversely affect our business, including our ability to bid on new contracts and our competitive position in the bidding process. A determination of noncompliance could also result in the U.S. government imposing penalties and sanctions against us, including reductions of the value of contracts, contract modifications reflecting less favorable terms or termination, withholding of payments, the loss of export/import privileges, administrative or civil judgments and liabilities, criminal judgments or convictions, liabilities and consent or other voluntary decrees or agreements, other sanctions, the assessment of penalties, fines or compensatory, treble or other damages or non-monetary relief or actions, suspension or debarment, suspension of payments and increased government scrutiny that could negatively impact our reputation, delay or adversely affect our ability to invoice and receive timely payment on contracts, perform contracts or compete for contracts with the U.S. government. As of January 2, 2026, indirect cost audits by the DCAA remain open for fiscal 2023 and subsequent fiscal years. Although we have recorded contract revenues based upon our estimate of costs that we believe will be approved upon final audit or review, we cannot predict the outcome of any ongoing or future audits or reviews and adjustments and, if future adjustments exceed our estimates, our profitability may be adversely affected.

Our business is subject to governmental review and investigation, which could adversely affect our financial position, operating results and growth prospects.

We are routinely subject to governmental investigations relating to compliance with various laws and regulations with respect to our role as a contractor to federal, state and local government customers and in connection with performing services in countries outside the United States. If a review or investigation identifies improper or unlawful activities, we may be subject to disgorgement of profits, fines, damages, litigation, civil or criminal penalties, exclusion from sales channels or sales opportunities, injunctions, or administrative sanctions, including the termination of contracts, the triggering of price reduction clauses, suspension of payments, suspension or debarment from doing business with governmental agencies or other consequences. We may suffer harm to our reputation if allegations of impropriety are made against us, which would impair our ability to win new contract awards or receive contract renewals. Penalties and sanctions are not uncommon in our industry. If we incur a material penalty or administrative sanction or otherwise suffer harm to our reputation, our revenues, profitability, cash position and future prospects could be adversely affected. More generally, increases in scrutiny and investigations into business practices and major programs supported by contractors from government organizations, legislative bodies, or agencies may lead to increased legal costs and may harm our reputation, revenues, profitability and growth prospects. For a description of our current legal proceedings, see “Item 3. Legal Proceedings” along with “Note 21—Commitments and Contingencies” of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

Investigations, audits, claims, disputes, enforcement actions, litigation, arbitration, or other legal proceedings could require us to pay potentially large damage awards or penalties and could be costly to defend, which would adversely affect our cash balances and profitability, and could damage our reputation.

We are subject to and may become a party to various other litigation, claims, investigations, audits, enforcement actions, arbitrations, or other legal proceedings that arise from time to time in the ordinary course of our business. Adverse judgments or settlements in some or all of these legal disputes may result in significant monetary damages, penalties, or injunctive relief against us. Any claims or litigation could be costly to defend, and even if we are successful or fully indemnified or insured, they could damage our reputation and make it more difficult to compete effectively or obtain adequate insurance in the future, and responding to any action may result in a significant diversion of management’s attention and resources. Litigation and other claims are subject to inherent uncertainties and management’s view of these matters may change in the future. For a description of our current legal proceedings, see “Item 3. Legal Proceedings” along with “Note 21—Commitments and Contingencies” of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

Our business and operations expose us to numerous legal and regulatory requirements, and any violation of these requirements could harm our business.

We are subject to numerous state, federal and international laws and directives and regulations in the U.S. and abroad that involve matters central to our business, including but not limited to, data privacy and security, employment and labor relations, immigration, taxation, anti-corruption, anti-bribery, import-export controls, trade restrictions, internal and disclosure control obligations, securities regulation and anti-competition restrictions. Compliance with legal requirements is costly, time-consuming and requires significant resources. We also conduct business in certain identified growth areas, such as health information technology, energy and environmental services, which are highly regulated and may expose us to increased compliance risk. Violations of one or more of these legal requirements in the conduct of our business could result in significant fines and other damages, criminal sanctions against us or our officers, prohibitions on doing business and damage to our reputation. Violations of these regulations or contractual obligations related to regulatory compliance in connection with the performance of customer contracts could also result in liability for significant monetary damages, fines and criminal prosecution, unfavorable publicity, and other reputational damage, restrictions on our ability to compete for certain work and allegations by our customers that we have not performed our contractual obligations.

Our business is subject to complex and evolving laws and regulations regarding data privacy and security, which could subject us to investigations, claims, or monetary penalties against us, require us to change our business practices, or otherwise adversely affect our revenues and profitability.

We are subject to various laws and regulations in the U.S. and globally relating to data privacy and security. These laws and regulations are complex, constantly evolving, and may be subject to significant change in the future. In addition, the application, interpretation and enforcement of these laws and regulations are often uncertain, particularly in new and rapidly evolving areas of technology, and may differ in material respects among jurisdictions, interpreted and applied inconsistently among jurisdictions or in a manner that is inconsistent with our current policies and practices, all of which can make compliance challenging and costly, and expose us to related risks and liabilities.

In the U.S., numerous federal, state, and local data privacy and security laws and regulations govern the collection, sharing, use, retention, disclosure, security, storage, sale, transfer, and other processing of personal information, including protected health information. Numerous other states also are enacting or considering, comprehensive state-level data privacy and security laws. The U.S. Congress has considered, and will likely in the future consider, additional data privacy and security legislation, to which we may become subject if passed.

As a contractor supporting defense, health care, and national security customers, we are also subject to additional, specific regulatory compliance requirements relating to data privacy and security. Under DFARS and other federal regulations, we are required to implement the security and privacy controls in National Institute of Standards and Technology Special Publications on certain of our networks and information technology systems. To the extent that we do not comply with applicable security and control requirements, and there is unauthorized access or disclosure of sensitive information (including personal information), this could potentially result in a contract termination or loss of intellectual property, which could materially and adversely affect our business and financial results and lead to reputational harm. We are also subject to the CMMC requirements, which require successful assessment by a third party against specified cyber controls in order to be eligible for contract awards. To the extent we are unable to achieve or maintain certification at the level required for a particular contract award, we will be unable to bid on such contract awards or follow-on awards for existing work with the DoW, which could adversely impact our revenue and our profitability. We may also be subject to additional emerging and as yet unspecified cybersecurity requirements under the FAR and other federal regulations. Should we or our supply chain fail to implement these new requirements, this may adversely affect our ability to receive awards or execute on relevant government programs.

The overarching complexity of data privacy and security laws and regulations around the world poses a compliance challenge that could manifest in costs, damages, or liability in other forms as a result of failure to implement proper programmatic controls, failure to adhere to those controls, or the breach of applicable data privacy and security requirements by us, our employees, our business partners (including our service providers, suppliers or subcontractors) or our customers. We also expect that there will continue to be new proposed laws, regulations, and industry standards concerning data privacy and security, and we cannot yet determine the impact such future laws, regulations and standards, or amendments to or re-interpretations of existing laws, regulations or standards, may have on our business. Any failure or perceived failure by us, our service providers, suppliers, subcontractors, or other business partners to comply with applicable laws, regulations, our public privacy policies and other public statements about data privacy and security and other obligations in these areas could result in regulatory or government actions lawsuits against us (including civil claims, such as representative actions and other class action-type litigation), legal liability, monetary penalties, fines, sanctions, damages and other costs, orders to cease or change our processing of data, changes to our business practices, diversion of internal resources, and harm to our reputation, all of which could adversely affect our business, financial condition and results of operations. We may also incur substantial expenses in implementing and maintaining compliance with such laws, regulations, and other obligations. For additional background on the data privacy and security laws that apply to our business and the related compliance risks, see “Regulation” within Item 1 of this Annual Report on Form 10-K.

Environmental matters, including unforeseen costs associated with compliance and remediation efforts and government and third-party claims, could have a material adverse effect on our reputation and our financial position, results of operations, and cash flows.

Our operations are subject to and affected by various federal, state, local, and foreign environmental laws and regulations, as they may be expanded, changed, or enforced differently over time. Compliance with these existing and evolving environmental laws and regulations requires and is expected to continue to require significant operating and capital costs. We may be subject to substantial administrative, civil, or criminal fines, penalties, or other sanctions (including suspension and debarment) for violations. If we are found to be in violation of the Federal Clean Air Act or the Clean Water Act, the facility or facilities involved in the violation could be placed by the Environmental Protection Agency on a list of facilities that generally cannot be used in performing on U.S. government contracts until the violation is corrected.

Stricter or different remediation standards or enforcement of existing laws and regulations; new requirements, including regulation of new substances; discovery of previously unknown contamination or new contaminants; imposition of fines, penalties, or damages (including natural resource damages); a determination that certain remediation or other costs are unallowable; rulings on allocation or insurance coverage; and/or the insolvency, inability or unwillingness of other parties to pay their share, could require us to incur material additional costs in excess of those anticipated.

We may become a party to legal proceedings and disputes involving government and private parties (including individual and class actions) relating to alleged impacts from pollutants released into the environment, including bodily injury and property damage. These matters could result in material compensatory or other damages, remediation costs, penalties, non-monetary relief, and adverse allowability or insurance coverage determinations.

The impact of these factors is difficult to predict, but one or more of them could harm our reputation and business and have a material adverse effect on our financial position, results of operations and cash flows.

Increasing attention and changing expectations from governmental authorities, customers, and our employees with respect to our ESG-related practices may impose additional costs on us or expose us to new or additional risks.

There is increased attention from governmental organizations, customers, employees, and other stakeholders globally on companies’ environmental, social, and governance (“ESG”) practices and disclosures such as diversity, equity and inclusion, workplace culture, community investment, environmental management, climate impact, and information security. We may be expected to expend resources to monitor, report on, and adopt policies and practices that we believe will improve alignment with our evolving ESG strategy and goals, as well as ESG-related standards and expectations of legal regimes and stakeholders such as customers, investors, stockholders, raters, employees, and business partners.

If our practices and disclosures do not meet evolving rules and regulations or our stakeholder expectations and standards (or if we are viewed negatively based on positions we do or do not take or work we do or do not perform or cannot publicly disclose for certain customers and industries), then our reputation, our ability to attract or retain leading experts, employees and other professionals and our ability to attract new business and customers could be negatively impacted, as could our attractiveness as an investment, service provider, employer, or business partner. Similarly, our failure or perceived failure in our efforts to execute our ESG strategy, or to satisfy various reporting standards within the timelines expected by us and stakeholders or at all, could also result in similar negative impacts. Organizations that provide information to investors on corporate governance and related matters have developed rating processes for evaluating companies on their approach to ESG matters, and unfavorable ratings of our ESG efforts may lead to negative investor sentiment, diversion of investment to other companies, and difficulty in hiring skilled employees. In addition, complying or failing to comply with existing or future federal, state, local, and foreign ESG legislation and regulations applicable to our business and operations, which may conflict with one another, including those related to greenhouse gas emissions, climate change, or other matters could cause us to incur additional compliance and operational costs or actions and suffer reputational harm, which could adversely affect our business. In addition, our share price and demand for our securities could be adversely affected.

BUSINESS AND OPERATIONAL RISKS

Misconduct of employees, subcontractors, agents, suppliers, business partners or joint ventures and others working on our behalf could cause us to lose existing contracts or customers and adversely affect our ability to obtain new contracts and could have a material adverse impact on our business, reputation and future results.

Misconduct encompasses a wide range of improper activities that could pose risks to our business. This includes fraud, falsifying time records or other documentation, and violations of laws such as the Anti-Kickback Act. Non-compliance with our internal policies and procedures, as well as failure to adhere to federal, state, or local government procurement regulations—including those related to the use and protection of classified or sensitive information—also constitute misconduct. Examples include failure to comply with legislation on labor pricing and costs in government contracts, violating environmental, health, or safety laws, engaging in bribery of foreign government officials, breaching import-export controls, and participating in improper lobbying or similar activities.

Any incidents of data loss or information security lapses that compromise personal information or lead to the improper use or disclosure of sensitive or classified data could negatively impact us. We could face legal claims, incur remediation costs, and be subjected to regulatory investigations or sanctions. Such events might corrupt or disrupt our systems or those of our customers, impair our ability to provide services, result in the loss of existing and future contracts, and impose indemnity obligations. The damage to our reputation could be significant, leading to other potential liabilities. See also the risk factor: "Cybersecurity breaches and other information security incidents could negatively impact our business and financial results, impair our ability to effectively provide our services to our customers and cause harm to our reputation or competitive position."

While we have established policies, procedures, training programs, and other compliance controls designed to prevent and detect misconduct, individuals may circumvent these measures and we may be unable to prevent our employees, subcontractors, agents, suppliers, business partners or joint ventures and others working on our behalf from engaging in misconduct, fraud or other improper activities, exposing us to unforeseen risks or losses. This risk may increase as we continue to grow and engage with new partners. In our regular business operations, we form and participate in joint ventures—joint efforts or business arrangements of various types—which can introduce additional compliance complexities. Failure to comply with applicable laws or regulations could damage our reputation and subject us to administrative, civil, or criminal investigations and enforcement actions. Potential repercussions include fines and penalties, restitution or other damages, and the loss of security clearances. We might also face the loss of current and future customer contracts, revocation of privileges, and other sanctions such as suspension or debarment from contracting with federal, state, or local government agencies. Any of these outcomes would adversely affect our business, reputation, and future results.

A failure to attract, retain, and develop talent with critical skills, including our leadership team, would adversely affect our ability to execute our strategy and may disrupt our operations.

Our continued success and ability to compete in a highly competitive environment depends on our ability to attract, retain and develop highly trained and skilled technical and professional talent. Competition for skilled talent is intense, and the costs associated with attracting and retaining them are high and made even more competitive as a result of the external environment, including increasing rates of job transition and low unemployment. Shifts in public attitudes and policies toward immigration, as well as actual and proposed restrictions on employment-based visas, could impact our ability to attract, retain and develop skilled talent. In addition, many U.S. government programs require contractors to have security clearances, some of which can be difficult and time-consuming to obtain and talent with such security clearances are in great demand. Further, as a result of the executive order titled "Prioritizing the Warfighter in Defense Contracting," future contracts (including renewals) are expected to include provisions restricting executive incentive compensation in a manner that is contingent on certain specified criteria, including on-time delivery of projects, increased production, and the facilitation of certain domestic investments and operating improvements, which may result in employment by us not being as attractive to key employees than alternatives in businesses not impacted by this executive order. As a result, it is difficult to retain employees and meet all of our needs for employees in a timely manner, which may affect our growth. Although we intend to continue to devote significant resources to attracting, retaining and developing qualified employees, we may not be able to attract, retain, and effectively develop these employees. Any failure to do so could impair our ability to perform our contractual obligations efficiently and on schedule to meet our customers' needs and win new business, which could adversely affect our future results. We believe our success will also depend on the continued employment of a highly qualified and experienced senior leadership team and its ability to retain existing business, generate new business, execute our business plans in an efficient and effective manner, and our ability to adequately plan for the succession of our senior leadership team and continually develop new members of senior leadership. An inability to retain appropriately qualified and experienced senior executives, our failure to do adequately succession planning, or our failure to continue to develop new leaders could cause us to lose customers or new business.

We may not realize the full amounts reflected in our backlog as revenues, which could adversely affect our expected future revenues and growth prospects.

As of January 2, 2026, our total backlog was $49.0 billion, including $9.7 billion in funded backlog. Due to the U.S. government's ability to not exercise contract options or to terminate, modify, or curtail our programs or contracts and the rights of our non-U.S. government customers to terminate contracts and purchase orders in certain circumstances, we may realize less than expected revenues or may never realize revenues from some of the contracts that are included in our backlog. Our unfunded backlog, in particular, contains management's estimate of amounts expected to be realized on unfunded contract work that may never be realized as revenues. If we fail to realize as revenues amounts included in our backlog, our future revenues, profitability and growth prospects could be adversely affected.

Our earnings and profitability may vary based on the mix of our contracts and may be adversely affected by our failure to estimate and manage costs, time, and resources accurately.

We generate revenues under various types of contracts, including cost-reimbursement, FPIF, T&M, FPLOE and FFP contracts. Our earnings and profitability may vary materially depending on changes in the proportionate amount of revenues derived from each type of contract, the nature of services or products provided, the achievement of performance objectives, and the stage of performance at which the right to receive fees, particularly under incentive-fee and award-fee contracts, is finally determined. Cost-reimbursement and T&M contracts are generally less profitable than FFP contracts. Our operating results in any period may also be affected, positively or negatively, by customers' variable purchasing patterns of our more profitable proprietary products.

Our profitability is adversely affected when we incur contract costs that we cannot bill to our customers. To varying degrees, each of our contract types involves some risk of underestimating the costs and resources necessary to fulfill the contract. While FFP contracts allow us to benefit from cost savings, these contracts also increase our exposure to the risk of cost overruns. Revenues from FFP contracts represented approximately 43% of our total revenues for fiscal 2025. When making proposals on these types of contracts, we rely heavily on our estimates of costs and timing to complete the associated projects, as well as assumptions regarding technical issues. In each case, our failure to accurately estimate costs or the resources and technology needed to perform our contracts or to effectively manage and control our costs during performance could result, and in some instances has resulted, in reduced profits or losses. More generally, any increased or unexpected costs or unanticipated delays in the performance of our contracts, including costs and delays caused by contractual disputes or other factors outside of our control, such as performance failures of our subcontractors, rising inflationary pressures, and fluctuations in interest rates, natural disasters or other force majeure events, could make our contracts less profitable than expected or unprofitable.

We use estimates in recognizing revenues, and if we make changes to estimates used in recognizing revenues, our profitability may be adversely affected.

We recognize revenue on our service-based contracts primarily over time as there is a continuous transfer of control to the customer throughout the contract as we perform the promised services, which could require estimates of total costs at completion, fees earned on the contract, or both. This estimation process, particularly due to the technical nature of the services performed, and the long-term nature of certain contracts, is complex and involves significant judgment. Adjustments to original estimates are often required as work progresses, experience is gained and additional information becomes known, even though the scope of the work required under the contract may not change. Any adjustment as a result of a change in estimate is recognized as events become known. Changes in the underlying assumptions, circumstances or estimates could result in adjustments that may adversely affect our future financial results. For a discussion of our use of estimates in the preparation of our consolidated financial statements, see "Critical Accounting Estimates" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K, and "Note 3—Summary of Significant Accounting Policies" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

Cybersecurity breaches and other information security incidents could negatively impact our business and financial results, impair our ability to effectively provide our services to our customers and cause harm to our reputation or competitive position.

As a government contractor and a provider of information technology services operating in multiple regulated industries and geographies, we and our service providers, suppliers and subcontractors collect, store, transmit, and otherwise process personal, confidential, proprietary, and sensitive information, including protected health information, personnel information, personal information, classified information, controlled unclassified information, intellectual property and financial information, concerning our business, employees, and customers. Therefore, we are continuously exposed to unauthorized attempts to compromise access, release or otherwise compromise such information through cyber-attacks and other information security threats, including, among other things, physical break-ins, theft, denial-of-service attacks, worms, computer viruses, software bugs, malicious or destructive code, social engineering, phishing attacks and impersonating authorized users, credential stuffing, account takeovers, insider threats, malfeasance or improper access by employees or service providers, human error, fraud, use of AI, “bots” or other automation software, or other similar disruptions. We are also exposed to hackers who have requested “ransom” in exchange for not disclosing information or restoring access to information or systems. These techniques may be perpetrated by internal bad actors, such as employees or contractors, or by third parties (including traditional computer hackers, persons involved with well-funded organized crime or state-sponsored actors). Any electronic or physical break-in or other security breach or compromise of our information technology systems and networks or facilities, or those of our service providers, suppliers, joint ventures or subcontractors, may jeopardize the confidentiality, integrity or availability of information, including personal, confidential, proprietary or sensitive information, stored or transmitted through these systems and networks or stored in those facilities. This could lead to disruptions in mission-critical systems, unauthorized access to or release of personal, confidential, proprietary, sensitive or otherwise protected information and corruption of data or systems. We could also be subject to operational downtimes, delays and other detrimental impacts on our operations or ability to provide products and services to our customers. We are also increasingly subject to customer-driven cybersecurity certification requirements, including but not limited to CMMC, which are expected to be necessary to win future contracts. Security incidents could also result in liability, trigger other obligations under such contracts, or increase the difficulty of winning future contracts. Many statutory requirements, both in the U.S. and abroad, also include different obligations for companies to provide notice of information security incidents involving certain types of information (including obligations to notify affected individuals and regulators in the event of cybersecurity breaches involving certain personal information), which could result from breaches of our service providers, our suppliers or subcontractors.

Although we have implemented policies, procedures and controls designed to protect against, detect and mitigate these threats and attacks, we and our service providers, suppliers, joint ventures, and subcontractors have faced and continue to face advanced and persistent attacks on our and their information systems. We cannot guarantee that future incidents will not occur, and if an incident does occur, our incident response planning may not prove fully adequate. We may also not be able to mitigate its impacts successfully. Techniques used by others to gain unauthorized access to personal, confidential, proprietary, or sensitive information or disrupt systems and networks for economic or strategic gain are constantly evolving, increasingly sophisticated, increasingly difficult to detect and successfully defend against and may see their frequency increased, and effectiveness enhanced, by the use of AI. Further, cybersecurity risks may be heightened as a result of ongoing global conflicts such as the military conflict between Russia and Ukraine and the related sanctions imposed by the United States and other countries, or the ongoing conflict in the Middle East, which continues to expand.

We do not control our service providers and our ability to monitor their cybersecurity is limited, so we cannot ensure the cybersecurity measures they take will be sufficient to protect any information we share with them. Due to applicable laws and regulations or contractual obligations, we may be held accountable for cybersecurity breaches or other information security incidents attributed to our service providers as they relate to the information we share with them.

We seek to detect and investigate all information security incidents and to prevent their occurrence, prolongation, or recurrence. We continue to invest in and improve our threat protection, detection and mitigation policies, procedures and controls. In addition, we work with other companies in the industry and government participants on increased awareness and enhanced protections against information security and malicious insider threats. However, because of the evolving nature and sophistication of these security threats, which can be difficult to detect, there can be no assurance that our policies, procedures and controls, or those of our service providers, suppliers, or subcontractors, have protected against, detected, mitigated or will detect, prevent or mitigate, any of these threats and we cannot predict the full impact of any such past or future incident. We may be currently unaware of certain vulnerabilities or lack the capability to detect them, which may allow them to persist in our information technology environment over long periods, and, even if discovered, it could take considerable time for us to obtain full and reliable information about the extent, amount and type of information compromised, and our remediation efforts may not be completely successful. As cybersecurity threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate or remediate any information security vulnerabilities, cybersecurity breaches or other information security incidents.

We may also experience similar security threats to the information technology systems we develop, install, or maintain under customer contracts. Although we work cooperatively with our customers and other business partners, including our service providers, suppliers, and subcontractors, to seek to minimize the potential for and impact of cyber-attacks and other security threats, we must rely on the safeguards put in place by those entities. See also the risk factor “Internal system or service failures, or failures in the systems or services of third parties on which we rely, could disrupt our business and impair our ability to effectively provide our services and products to our customers, which could damage our reputation and adversely affect our revenues and profitability."

The occurrence of any unauthorized access to, attacks on cybersecurity breaches of other information security threats to our or our service providers', suppliers' or subcontractors' information technology infrastructure, systems or networks or data, or our failure to make adequate or timely disclosure to the public, regulators, or law enforcement agencies following any such event, could disrupt our infrastructure, systems, or networks or those of our customers, impair our ability to provide services to our customers and may jeopardize the security of data collected, stored, transmitted or otherwise processed through our information technology infrastructure, systems and networks. As a result, we could be exposed to claims, fines, penalties, loss of revenues, product development delays, compromise, corruption, or loss of confidential, proprietary, or sensitive information (including personal information or technical business information), contract terminations and damages, remediation costs and other costs and expenses, regulatory investigations or sanctions, indemnity obligations, and other potential liabilities. Any of the foregoing could adversely affect our reputation, ability to win work on sensitive contracts or loss of current and future contracts (including sensitive U.S. government contracts), business operations and financial results. While we have insurance against some cyber-risks and attacks, our insurer may deny coverage as to any future claim, our insurance coverage may not be sufficient to offset the impact of a material loss event, and such insurance may increase in cost or cease to be available on commercial terms in the future.

Internal system or service failures, or failures in the systems or services of third parties on which we rely, could disrupt our business and impair our ability to effectively provide our services and products to our customers, which could damage our reputation and adversely affect our revenues and profitability.

Any system or service disruptions, including those caused by ongoing projects to improve our information technology systems and networks and the delivery of services, whether through our shared services organization or outsourced services, if not anticipated and appropriately mitigated, could materially and adversely affect our business including, among other things, an adverse effect on our ability to perform on contracts, bill our customers for work performed on our contracts, collect the amounts that have been billed and produce accurate financial statements in a timely manner. We, and the service providers, suppliers and subcontractors on which we rely, are also subject to systems failures, including network, software or hardware failures, whether caused by us, third-party service providers, cybersecurity threats, malicious insiders, software bugs or errors, natural disasters, power shortages, terrorist attacks, pandemics or other events, which could cause loss of data and interruptions or delays in our business, cause us to incur remediation costs, subject us to claims and damage our reputation. In addition, the failure or disruption of our communications, or those of our service providers, suppliers or subcontractors, could cause us to interrupt or suspend our operations or otherwise adversely affect our business. Our property and business interruption insurance may be inadequate to compensate us for all losses resulting from any system or operational failure or disruption.

Our business is subject to disruption caused by physical or transition risks that could adversely affect our operations, profitability and overall financial position.

We have significant operations, including infrastructure, information technology systems, research facilities, and centers of excellence, located in regions that may be exposed to physical risks, such as hurricanes, earthquakes, other damaging storms, water levels, wildfires and other natural disasters, including places such as Alabama, Florida, California, and Texas. Our subcontractors and suppliers are also subject to physical risks that could affect their ability to deliver or perform under a contract, including as a result of disruptions to their workforce and critical industrial infrastructure needed for normal business operations. Although we maintain crisis management and disaster response plans, such events could make it difficult or impossible for us to deliver our services to our customers, could decrease demand for our services, could make existing customers unable or unwilling to fulfill their contractual requirements to us, including their payment obligations, and could cause us to incur substantial expense, including expenses or liabilities arising from potential litigation. If insurance or other risk transfer mechanisms are unavailable or insufficient to recover all costs or if we experience a significant disruption to our business due to a natural disaster, it could adversely affect our financial position, results of operations, and cash flows.

There are also concerns over the risks of climate change and related environmental sustainability matters. In addition to physical risks, climate change risks include longer-term shifts in climate patterns, such as extreme heat, rising sea levels, and more frequent and prolonged drought. Increased frequency and severity of extreme weather events, which are widely associated with long-term climate change, could disrupt our operations, facilities and supply chain. Such events could disrupt certain of our operations or those of our customers or third parties on which we rely, including direct damage to assets and indirect impacts from supply chain disruption and market volatility. In addition, current and future reduction in government weather-monitoring or satellite data programs may diminish the predictability of extreme weather events and impair our ability to plan for and mitigation related operational risks. We could also incur significant costs to improve the climate resiliency of our infrastructure and supply chain and otherwise prepare for, respond to, and mitigate the effects of climate change. Additionally, transitioning to a low-carbon economy may entail extensive policy, legal, technology and market initiatives. Such changes could result in laws, regulations or policies that significantly increase our direct and indirect operational and compliance burdens, which could adversely affect our financial condition and results of operations. We monitor developments in climate change-related laws, regulations and policies for their potential effect on us. However, we currently are not able to accurately predict the materiality of any potential costs associated with such developments.

In addition, our reputation and customer relationships may be negatively impacted as a result of our practices and policies, actual or perceived, related to climate change, including our involvement, or our customers' involvement, in certain industries or projects associated with causing or exacerbating climate change, as well as any decisions we make to continue to conduct or change our activities in response to considerations relating to climate change.

Customer systems failures could damage our reputation and adversely affect our revenues and profitability.

Many of the systems and networks that we develop, install and maintain for our customers involve managing and protecting personal information and information relating to national security and other sensitive government functions. While we have programs designed to comply with relevant data privacy and security laws and restrictions, if a system or network that we develop, install, or maintain were to fail or experience a security breach or service interruption, whether caused by us, third-party service providers, cybersecurity threats or other events, we may experience loss of revenue, remediation costs or face claims for damages or contract termination. Any such event could cause serious harm to our reputation and prevent us from having access to or being eligible for further work on such systems and networks. Our errors and omissions liability insurance may be inadequate to compensate us for all of the damages that we may incur, and, as a result, our future results could be adversely affected.

Our success depends, in part, on our ability to work with complex and rapidly changing technologies to meet the needs of our customers.

We design and develop technologically advanced and innovative products and services applied by our customers in various environments. The needs of our customers change and evolve regularly, particularly driven by complex and rapidly evolving technologies. Our success depends upon our ability to identify emerging technological trends, develop technologically advanced, innovative, and cost-effective products and services, and market these products and services to our customers. Our success also depends on our continued access to suppliers of important technologies and components. Many of our contracts contain performance obligations that require innovative design capabilities, are technologically complex, or depend on factors not wholly within our control. Problems and delays in development or delivery as a result of issues with respect to design, technology, licensing and patent rights, labor, learning curve assumptions, or materials and components could prevent us from achieving such contractual requirements. Failure to meet these obligations could adversely affect our profitability and future prospects. In addition, our offerings cannot be tested and proven in all situations and are otherwise subject to unforeseen problems that could negatively affect revenue and profitability, such as problems with quality and workmanship, country of origin, delivery of subcontractor components or services, unplanned degradation of product performance, and unauthorized use or modifications of our products and services. Among the factors that may affect revenue and profits could be unforeseen costs and expenses not covered by insurance or indemnification from the customer, diversion of management focus in responding to unforeseen problems, loss of follow-on work, and, in the case of certain contracts, repayment to the government customer of contract costs and fee payments we previously received.

We utilize artificial intelligence, which could expose us to liability or adversely affect our business, especially if we are unable to compete effectively with others in adopting artificial intelligence.

We utilize AI in connection with our business. There are significant risks involved in using AI and no assurance can be provided that our use of AI will enhance our products or services, produce the intended results, or keep pace with our competitors. For example, AI algorithms may be flawed, insufficient, of poor quality, rely upon incorrect or inaccurate data, reflect unwanted forms of bias, or contain other errors or inadequacies, any of which may not be easily detectable; AI has been known to produce false or "hallucinatory" inferences or outputs; our use of AI can present ethical issues and may subject us to new or heightened legal, regulatory, ethical, or other challenges; and inappropriate or controversial data practices by developers and end-users, or other factors adversely affecting public opinion of AI, could impair the acceptance of AI solutions, including those incorporated in our products and services. If the AI tools that we use are deficient, inaccurate, or controversial, we could incur operational inefficiencies, competitive harm, legal liability, brand or reputational harm, or other adverse impacts on our business and financial results.

Additionally, if any of our employees, contractors, consultants, vendors or service providers use any third-party AI-powered software in connection with our business or the services they provide to us, it may lead to the inadvertent disclosure or incorporation of our confidential information into publicly available training sets, which may impact our ability to realize the benefit of, or adequately maintain, protect and enforce our intellectual property or confidential information, harming our competitive position and business. Further, any output created by us using AI tools may not be subject to copyright protection, which may adversely affect our intellectual property rights in, or ability to commercialize or use, any such content. In the U.S., a number of civil lawsuits have been initiated related to the foregoing and other concerns, any one of which may, among other things, require us to limit the ways in which our AI systems are trained and may affect our ability to develop our AI-powered products and solutions. If we do not have sufficient rights to use the data or other material or content on which the AI tools we use rely, we also may incur liability through the violation of applicable laws and regulations, third-party intellectual property, data privacy, or other rights, or contracts to which we are a party.

In addition, AI regulation is rapidly evolving worldwide as legislators and regulators increasingly focus on these powerful emerging technologies. The technologies underlying AI and its uses are subject to a variety of laws and regulations, including intellectual property, data privacy and security, consumer protection, competition, and equal opportunity laws, and are expected to be subject to increased regulation and new laws or new applications of existing laws and regulations. AI is the subject of ongoing review by various U.S. governmental and regulatory agencies, and various U.S. states and other foreign jurisdictions are applying, or are considering applying, their platform moderation, data privacy, and security laws and regulations to AI or are considering general legal frameworks for AI. In particular, several states, including Colorado and California, have passed or proposed laws and regulations that specifically address various facets and uses of AI. In Europe, the AI Act, which began phasing-in 2025, establishes, among other things, a risk-based governance framework for regulating AI systems operating in the EU. We may not be able to anticipate how to respond to these rapidly evolving frameworks, and we may need to expend resources to adjust our operations or offerings in certain jurisdictions if the legal frameworks are inconsistent across jurisdictions. Furthermore, because AI technology itself is highly complex and rapidly developing, it is not possible to predict all of the legal, operational, or technological risks that may arise relating to the use of AI.

As the utilization of AI becomes more prevalent, we anticipate that it will continue to present new or unanticipated ethical, reputational, technical, operational, legal, competitive and regulatory issues, among others. We expect that our incorporation of AI in our business will require additional resources, including the incurrence of additional costs, to develop and maintain our products and solutions and features to minimize potentially harmful or unintended consequences, to comply with applicable and emerging laws and regulations, to maintain or extend our competitive position, and to address any ethical, reputational, technical, operational, legal, competitive or regulatory issues which may arise as a result of any of the foregoing. As a result, the challenges presented with our use of AI could adversely affect our business, financial condition and results of operations.

We have classified contracts with the U.S. government, which may limit investor insight into portions of our business.

We derive a portion of our revenues from programs with the U.S. government and its agencies that are subject to security restrictions (e.g., contracts involving classified information and classified programs), which preclude the dissemination of information and technology that is classified for national security purposes under applicable law and regulation. In general, access to classified information, technology, facilities, or programs requires appropriate personnel security clearances, is subject to additional contract oversight and potential liability, and may also require appropriate facility clearances and other specialized infrastructure. In the event of a security incident involving classified information, technology, facilities, programs, or personnel holding clearances, we may be subject to legal, financial, operational and reputational harm. We are limited in our ability to provide information about these classified programs, their risks or any disputes or claims relating to such programs. As a result, investors have less insight into our classified business or our business overall. However, historically the business risks associated with our work on classified programs have not differed materially from those of our other government contracts.

We have made and continue to make acquisitions, investments, joint ventures and divestitures that involve numerous risks and uncertainties.

From time to time, we pursue strategic acquisitions, investments and joint ventures. We also may enter into relationships with other businesses to expand our products or our ability to provide services. Any such transactions will depend in part upon the continued availability of targets or potential partners on favorable terms. These transactions require a significant investment of time and resources and may disrupt our business and distract our management from other responsibilities. Even if successful, these transactions could result in unfavorable public perception or reduce earnings for a number of reasons, including the amortization of intangible assets, impairment charges, adverse tax consequences, acquired operations that are not yet profitable, or the payment of additional consideration under earn-out arrangements if an acquisition performs better than expected. In addition, significant acquisitions, investments and joint ventures can be complex, costly and time-consuming. Acquisitions, investments and joint ventures pose many other risks that could adversely affect our reputation, operations, or financial results, including that:

- we may not be able to identify, compete effectively for or complete suitable acquisitions and investments at prices we consider attractive;
- we may not be able to accurately estimate the financial effect of acquisitions and investments on our business or realize anticipated synergies, business growth, or profitability and may be unable to recover investments in any such acquisitions and investments;
- we may not be able to manage the integration process for acquisitions successfully, and the integration process may divert management time and focus from operating our business, including as a result of incompatible accounting, information management, or other control systems;
- acquired technologies, capabilities, products, and service offerings, particularly those that are still in development when acquired, may not perform as expected, may have defects or may not be integrated into our business as expected;
- we may have trouble retaining key employees and customers of an acquired business;
- we may need to implement or improve controls, procedures and policies at a business that prior to the acquisition may have lacked sufficiently effective controls, procedures and policies, including those relating to financial reporting, revenue recognition or other financial or control deficiencies;
- we may assume legal or regulatory risks, particularly with respect to smaller businesses that have immature business processes and compliance programs, or may be required to comply with additional laws and regulations or to engage in remediation efforts to cause the acquired company to comply with applicable laws and regulations, or result in liabilities resulting from the acquired company's failure to comply with applicable laws or regulations;
- we may face litigation or material liabilities that were not identified or were underestimated as part of our due diligence or for which we are unable to receive a purchase price adjustment or reimbursement through indemnification, including intellectual property claims and disputes or claims from terminated employees, customers, former stockholders or other third parties, or there may be other unanticipated write-offs or charges;
- we may be required to spend a significant amount of cash or to incur debt, resulting in limitations on other potential uses for cash, increased fixed payment obligations or covenants or other restrictions on us, or issue shares of our common stock or convertible debt, resulting in dilution of ownership;
- we may not be able to influence the operations of our joint ventures effectively, or we may be exposed to certain liabilities if our joint venture partners do not fulfill their obligations; and
- if our acquisitions, investments, or joint ventures fail, perform poorly, or their value is otherwise impaired for any reason, including contractions in credit markets and global economic conditions, our business and financial results could be adversely affected.

In addition, we periodically divest businesses, including businesses that are no longer a part of our ongoing strategic plan. These divestitures similarly require a significant investment of time and resources, may disrupt our business, distract management from other responsibilities and may result in losses on disposal or continued financial involvement in the divested business, including through indemnification, guarantee or other financial arrangements, for a period of time following the transaction, which would adversely affect our financial results.

Joint ventures, other strategic alliances, and strategic business transactions may not achieve intended results. We may experience operational challenges in integrating or segregating assets for such a venture or transaction.

We participate in joint ventures, including some instances where we are a minority owner and do not operate the assets, and may enter into other similar arrangements in the future. Although we have sought to protect our interests, joint ventures and strategic alliances inherently involve special risks and may not achieve the intended results. Whether or not we hold majority interests or maintain operational control in such arrangements, our joint venture and other business partners may take certain actions and positions, or experience difficulties, that may negatively impact us and/or our reputation, such as:

- Advancing economic, political, social, or business interests or goals that are inconsistent with, or opposed to ours and our stakeholders';
- Exercising veto rights to block actions that we believe to be in our or the joint venture's or strategic alliance's best interests;
- Taking action contrary to our policies or objectives with respect to our investments; and,
- As a result of financial or other difficulties, being unable or unwilling to fulfill their obligations under the joint venture, strategic alliance, or other agreements, such as contributing capital to expansion or maintenance projects.

We continuously evaluate and may in the future enter into additional strategic business transactions. Any such transactions could happen at any time, could be material to our business, and could take any number of forms, including, for example, an acquisition, merger, sale or distribution of certain assets, refinancing, or other recapitalization or material strategic transaction. There can be no assurance that our joint ventures, strategic alliances, or additional strategic business transactions will be beneficial to us, whether due to the above-described risks, unfavorable global economic conditions, increases in costs, foreign currency fluctuations, political risks, government interventions, retained liabilities, indemnification obligations, or other factors. Evaluating potential transactions and integrating completed ones may divert the attention of our management from ordinary operating matters. In addition, to the extent we consummate an agreement for the sale and disposition of an asset or asset group we may experience operational difficulties segregating them from our retained assets and operations, which could impact the execution or timing of such dispositions and could result in disruptions to our operations and/or claims for damages, among other things.

Goodwill represents a significant asset on our balance sheet and any impairment of this asset could negatively impact our results of operations, and shareholders' equity.

As of January 2, 2026, goodwill was 47% of our total assets. The amount of our goodwill may substantially increase in the future as a result of any acquisitions that we make. Goodwill is tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable and at least annually. The impairment test is based on several factors requiring judgment. Examples of events could include a significant adverse change in legal factors or in the business climate, an adverse action or assessment by a regulator, unanticipated competition, adverse contract acquisition performance, loss of key personnel, or a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed. Adverse changes in fiscal and economic conditions, such as those related to federal budget cuts and the nation's debt ceiling, deteriorating market conditions for companies in our industry and unfavorable changes in discount rates could also result in an impairment of goodwill. For example, during fiscal 2023, the SES reporting unit refined its portfolio and made strategic business decisions to exit certain product offerings, and cease operations in certain countries in order to align the operations of the reporting unit with its strategic business plan. These decisions, along with the delays in airline travel infrastructure projects and higher than anticipated costs of servicing, contributed to a significant reduction in the reporting unit's forecasted revenue and cash flows. As a result, we conducted a quantitative goodwill impairment analysis, and our estimates led us to determine that the carrying value of the SES reporting unit exceeded its estimated fair value. Accordingly, we recognized a non-cash goodwill impairment charge of $596 million in fiscal 2023. Any future impairment of goodwill could have a negative impact on our results of operations and shareholders' equity in the period in which they are recognized. For additional information on our accounting policies related to impairment of goodwill, see our discussion under "Critical Accounting Estimates" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K, "Note 3—Summary of Significant Accounting Policies" and "Note 8—Goodwill and Intangible Assets" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

We depend on our teaming arrangements and relationships with other contractors and subcontractors. If we are not able to maintain these relationships, or if these parties fail to satisfy their obligations to us or the customer, our revenues, profitability and growth prospects could be adversely affected.

We rely on our teaming relationships with other prime contractors and subcontractors, who are also often our competitors in other contexts, to submit bids for large procurements or other opportunities where we believe the combination of services and products provided by us and other companies will help us to win and perform the contract. Our future revenues and growth prospects could be adversely affected if other contractors eliminate or reduce their contract relationships with us or if the U.S. government terminates or reduces these other contractors' programs, does not award them new contracts, or refuses to pay under a contract. Companies that do not have access to U.S. government contracts may perform services as our subcontractor, and that experience could enhance such companies' prospect of securing a future position as a prime U.S. government contractor, which could increase competition for future contracts and impair our ability to perform on contracts. We may have disputes with our subcontractors arising from, among other things, the quality and timeliness of work performed by the subcontractor, customer concerns about the subcontractor, our failure to extend existing task orders or issue new task orders under a subcontract, our hiring of a subcontractor's personnel or the subcontractor's failure to comply with applicable law. If any of our subcontractors fail to meet their contractual obligations in a timely manner or have regulatory compliance or other problems, our ability to fulfill our obligations as a prime contractor or higher tier subcontractor may be jeopardized. Compliance with the requirements of the recent executive order titled "Prioritizing the Warfighter in Defense Contracting" may be complex, costly and time-consuming, and our subcontractors may not have the necessary resources to ensure compliance. Significant losses could arise in future periods and subcontractor performance deficiencies could result in our termination for default. A termination for default could eliminate a revenue source, expose us to liability and have an adverse effect on our ability to compete for future contracts and task orders, especially if the customer is an agency of the U.S. government.

Our services and operations, which sometimes involve using, handling, or disposing of hazardous substances, are subject to numerous environmental, health and safety laws and regulations, pursuant to which we could face potentially significant liabilities, costs or obligations.

Our services are subject to numerous environmental, health, and safety laws and regulations. Some of our services and operations involve using, handling, or disposing of hazardous substances, including explosive, chemical, biological, or radioactive materials. These activities and our operations generally subject us to complex and stringent foreign, federal, state, and local environmental, health, and safety laws and regulations, which have tended to become more stringent over time. Among other things, these laws and regulations require us to incur costs to comply and could impose liability on us for handling or disposing of hazardous substances. For example, we provide infrastructure and site services necessary to accomplish critical waste management and the continued environmental cleanup of the Hanford Site in southeastern Washington. In addition, some of our work sites put our employees and others in close proximity with mechanized equipment, moving vehicles, chemical and manufacturing processes, and highly regulated materials. On some work sites, we may be responsible for safety and have an obligation to implement effective safety procedures. If we fail to implement these procedures, or if the procedures we implement are ineffective, we may suffer the loss of or injury to our employees, as well as expose ourselves to possible litigation.

Failure to comply with these environmental, health and safety laws and regulations could result in civil, criminal, regulatory, administrative, or contractual sanctions, including fines, penalties, suspension or debarment from contracting with the U.S. government, or reputational harm. In addition, our failure to maintain adequate safety standards and equipment could result in reduced profitability and loss of work or customers. Our current and previous ownership, leasing and operation of real property, and disposal of hazardous substances also subject us to environmental laws and regulations, some of which hold current or previous owners or operators of businesses and real property jointly and severally liable for hazardous substance releases, even if they did not know of and were not responsible for the releases. Past business practices at companies that we have acquired may also expose us to future unknown environmental liabilities. Liabilities related to environmental contamination, human exposure to hazardous substances, or violations of these laws or regulations, could result in substantial costs to us, including cleanup costs, fines, civil or criminal sanctions, and third-party claims for property loss or damage or personal injury. Our continuing work in the areas governed by these laws and regulations exposes us to the risk of substantial liability and may adversely affect our financial condition and operating results.

We could incur significant liabilities and suffer negative publicity if our inspection or detection systems fail to detect bombs, explosives, weapons, contraband or other threats.

We design, develop, manufacture, sell, service, and maintain various inspection systems and related integration and automation systems designed to assist in detecting bombs, explosives, weapons, contraband, or other threats. In some instances, we also train operators of such systems. Such systems utilize detection technology and software algorithms to interpret data produced by the system and signal to the operator when a dangerous object or substance may be present. Such algorithms are probabilistic in nature and are generally designed to meet requirements established by regulatory agencies. Many of these systems require that an operator interpret an image of suspicious items within a bag, parcel, container, vehicle, or other vessel. Others signal to the operator that further investigation is required, and the training, reliability, and competence of the customer’s operator are crucial to the detection of suspicious items. Nevertheless, if such a system were to fail to signal to an operator when an explosive or other contraband was, in fact, present, resulting in significant damage, we could become the subject of significant product liability claims. There are many factors, some of which are beyond our control, that could result in the failure of our products to help detect the presence of bombs, explosives, weapons, contraband, or other threats. Some of these factors could include inherent limitations in our systems and misuse or malfunction of our systems. The failure of our systems to help detect the presence of any of these dangerous materials could lead to injury, death, and extensive property damage and may lead to product liability, professional liability, or other claims against us. Further, if our security and inspection systems fail to, or are perceived to have failed to, help detect a threat, we could experience negative publicity and reputational harm, which could reduce demand for our inspection or detection systems and adversely affect our business.

Our insurance, customer indemnifications or other liability protections may be insufficient to protect us from product and other liability claims or losses.

Not every risk or liability we face is or can be protected by insurance, and for those risks we insure, the limits of coverage that are reasonably obtainable may not be sufficient to cover all actual losses or liabilities incurred. We are limited in the amount of insurance we can obtain to cover certain risks, such as cybersecurity risks and natural hazards, including earthquakes, fires, and extreme weather conditions, some of which can be worsened by climate change and pandemics. If any of our third-party insurers fail, become insolvent, cancel our coverage or otherwise are unable to provide us with adequate insurance coverage or renew our insurance coverage on favorable terms, then our overall risk exposure and our operational expenses would increase, and the management of our business operations would be disrupted. Our insurance may be insufficient to protect us from significant product and other liability claims or losses. Moreover, there is a risk that commercially available liability insurance will not continue to be available to us at a reasonable cost, if at all. In some circumstances, we are entitled to certain legal protections or indemnifications from our customers through contractual provisions, laws, regulations, or otherwise. However, these protections are not always available, can be difficult to obtain, are typically subject to certain terms or limitations, including the availability of funds, and may not be sufficient to cover all losses or liabilities incurred. If liability claims or losses exceed our current or available insurance coverage, customer indemnifications, or other legal protections, our business, financial position, operating results and prospects may be harmed. Any significant claim may have an adverse effect on our industry and market reputation, leading to a substantial decrease in demand for our products and services and reduced revenues, making it more difficult for us to compete effectively, and could affect the cost and availability of insurance coverage at adequate levels in the future.

We face risks associated with our international business.

During fiscal 2025, revenue attributable to our services provided outside of the United States to non-U.S. customers was approximately 8% of our total revenue. Our international business operations may be subject to additional and different risks than our U.S. business. These risks and challenges include:

- failure to comply with U.S. government and foreign laws and regulations applicable to international business, including, without limitation, those related to employment, data privacy and security, taxes, technology transfer, information security, environment, data transfer, import and export controls (including the International Traffic in Arms Regulations (“ITAR”) administered by the U.S. Department of State and the anti-boycott provisions of the Export Administration Regulations (“EAR”) administered by the U.S. Department of Commerce’s Bureau of Industry and Security), sanctions, and other administrative, legislative or regulatory actions that could materially interfere with our ability to offer our products or services in certain countries or have an adverse impact on our business with the U.S. government, and expose us to risks and costs of noncompliance with such laws and regulations, in addition to administrative, civil or criminal penalties;
- increased financial and legal risks arising, for example, from foreign exchange rate variability, imposition of tariffs or additional taxes, inflation, restrictive trade policies, longer payment cycles, delays or failures to collect amounts due to us and differing legal systems, and which may adversely affect the performance of our services, sale of our products or repatriation of our profits;
- political or economic instability, international security concerns and geopolitical conflict in countries where we provide services and products in support of the U.S. government and other customers in countries, which increases the risk that our employees may suffer injury or bodily harm, or be killed or kidnapped while providing such services or products, or risk of an incident resulting in damage or destruction of property, inability to meet our contractual obligations or retaliatory measures taken in respect thereof;
- the ongoing conflict between Russia and Ukraine, which has resulted in the imposition by the U.S. and other nations of restrictive actions against Russia, Belarus and certain banks, companies and individuals; and
- the ongoing conflict in the Middle East.

We are also subject to the U.S. Foreign Corrupt Practices Act (“FCPA”), the U.K. Bribery Act of 2010 (the “U.K. Bribery Act”) and other anti-corruption and anti-bribery laws and regulations in jurisdictions where we do business. These laws and regulations generally prohibit improper payments or offers of improper payments to government officials, political parties, or commercial partners to obtain or retain business or secure an improper business advantage. We have operations, and deal with and make sales to governmental or quasi-governmental entities in non-U.S. countries, including those known to experience corruption, and further expansion of our non-U.S. sales efforts may involve additional regions. In many countries, particularly countries with developing economies, it may be common for businesses to engage in practices prohibited by the FCPA or other applicable laws and regulations. Our activities in these countries pose a heightened risk of unauthorized payments or offers of payments by one of our employees or third-party business partners, representatives, and agents that could violate various laws, including the FCPA. The FCPA, U.K. Bribery Act and other applicable anti-bribery and anti-corruption laws may also hold us liable for acts of corruption and bribery committed by our third-party business partners, representatives, and agents. We and our third-party business partners, representatives, and agents may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities, and we may be held liable for the corrupt or other illegal activities of our employees or such third parties even if we do not explicitly authorize such activities. The FCPA or other applicable laws and regulations also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. While we have implemented policies and procedures to address compliance with such laws, we cannot assure you that our employees or other third parties working on our behalf have not engaged or will not engage in conduct in violation of our policies or applicable law for which we might ultimately be held responsible.

Violations of any of these laws or regulations, including the FCPA and the U.K. Bribery Act, may result in whistleblower complaints, negative media coverage, investigations, imposition of significant legal fees, loss of export privileges, as well as severe criminal or civil sanctions, including suspension or debarment from U.S. government contracting. We may also be subject to other liabilities and adverse effects on our reputation, which could negatively affect our business, results of operations, financial condition, and growth prospects. In addition, responding to any enforcement action may result in a significant diversion of management's attention and resources and significant defense costs and other professional fees. Although our international operations have historically generated a small proportion of our revenues, we are seeking to grow our international business. Our exposure for violating these laws will increase as our non-U.S. presence expands and as we increase sales and operations in foreign jurisdictions.

For additional information regarding government investigations and reviews we are subject to, see "Government Investigations and Reviews" in "Note 21—Commitments and Contingencies" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

We have only a limited ability to protect or exploit intellectual property rights, which are important to our success. Our failure to adequately obtain, maintain, protect, defend and enforce our proprietary information and intellectual property rights could adversely affect our competitive position.

We rely on a combination of confidentiality, intellectual property, and other contractual arrangements, including licenses and copyright, trademark, and trade secret law, to protect much of our proprietary information and intellectual property in cases where we do not believe patent protection is appropriate or obtainable. Despite our efforts to protect our intellectual property and other proprietary rights, third parties may attempt to obtain, copy, use, or disclose our intellectual property or other proprietary information or technology without our authorization. In addition to protection under the law and contractual arrangements with our corporate and joint venture partners, employees, consultants, advisors, service providers, suppliers, subcontractors, and customers, we generally attempt to limit access to and distribution of our proprietary information. Although our employees and contractors are subject to confidentiality obligations and use restrictions, this protection may be inadequate to deter or prevent them or other third parties from infringing, misappropriating, or otherwise violating our confidential information, technology, or other intellectual property or proprietary rights, and can be difficult to enforce. In addition, trade secrets are generally difficult to protect or enforce, and some courts inside and outside the United States may be less willing or unwilling to protect or enforce trade secrets.

We may be unable to detect unauthorized use of our intellectual property or otherwise take appropriate steps to enforce our rights. Our intellectual property rights may be challenged by others, invalidated, narrowed in scope, or held unenforceable through administrative process or litigation in the United States or foreign jurisdictions. We may be required to expend significant resources and efforts to monitor and protect our intellectual property and other proprietary rights, and we may conclude that, in at least some instances, the benefits of protecting our intellectual property or other proprietary rights may be outweighed by the expense or distraction to our management. We may initiate claims or litigation against third parties for infringement, misappropriation, or other violations of our intellectual property or other proprietary rights or to establish the validity of our intellectual property or other proprietary rights, but outcomes in any such claims or litigation can be difficult to predict and could be time-consuming, result in significant expense to us and divert the efforts of our technical and management personnel. Additionally, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. If we are unable to detect or prevent third parties from infringing, misappropriating, or otherwise violating our rights in our patents, copyrights, trademarks, trade secrets or other proprietary rights or information, our competitive position could be adversely affected. Also, in connection with our performance of services for the U.S. government, the U.S. government has certain rights to inventions, data, software codes and related material and intellectual property that we develop under government-funded contracts and subcontracts, which means that the U.S. government may disclose or license our information and intellectual property to third parties, including, in some instances, our competitors. Any exercise of such rights by the U.S. government could adversely affect our competitive position, business, financial condition, results of operations and prospects. We also may be limited in our ability to disclose or license such information and intellectual property to third parties and the U.S. government may also decline to make the intellectual property of others available to us under acceptable terms.

Third parties may also, from time to time, claim that we have infringed or misappropriated their intellectual property rights or the intellectual property rights of others, resulting in claims against our customers or us, or we may face allegations that we or our service providers, suppliers, subcontractors, or customers have violated the intellectual property rights of others. Even if we believe that intellectual property-related claims are without merit, litigation may be necessary to determine the scope and validity of intellectual property or proprietary rights of others or to protect or enforce our intellectual property rights. If, with respect to any claim against us for violation of third-party intellectual property rights, we are unable to prevail in the litigation, retain or obtain sufficient rights, develop non-infringing solutions or otherwise alter our business practices on a timely or cost-efficient basis, our business and competitive position may be adversely affected. Such claims could also subject us to injunctions and significant liability for damages, potentially including treble damages if we are found to have willfully infringed a third party's intellectual property rights. In addition, our contracts typically indemnify our customers for third-party claims for intellectual property infringement by our services and products. Besides the expense and time to defend such claims and the cost of any large indemnity payments, any dispute with a customer with respect to such obligations could also have adverse effects on our relationship with that customer and other existing and new customers, require us to pay substantial royalty or licensing fees, and divert management's attention, any of which could harm our business, financial condition and results of operations.

Changes in tax laws and regulations or exposure to additional tax liabilities could adversely affect our financial results.

We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Changes in U.S. (federal or state) or foreign tax laws and regulations, or their interpretation and application, including those with retroactive effect, could result in increases to our tax expense and adversely affect our financial results.

On July 4, 2025, H.R.1 Reconciliation Act, commonly referred to as the One Big Beautiful Bill Act ("OBBBA") was enacted. The OBBBA includes significant provisions, such as the permanent extension of certain expiring provisions of the Tax Cuts and Jobs Act, modifications to the international tax framework and the restoration of favorable tax treatment for certain business deductions. The legislation has multiple effective dates, with certain provisions effective in 2025 and others implemented through 2027. The OBBBA had a material impact on our consolidated financial statements for fiscal 2025. See "Liquidity and Capital Resources" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" contained within this Annual Report on Form 10-K for additional information on the impact of this change.

Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are regularly under audit by tax authorities. Although we believe that our tax estimates and tax positions are reasonable, they could be materially affected by many factors, including the final outcome of tax audits and related litigation, the introduction of new tax accounting standards, legislation, regulations, and related interpretations, our global mix of earnings, the realizability of deferred tax assets and changes in uncertain tax positions. An increase or decrease in our effective tax rate, or an ultimate determination that we owe more taxes than the amounts previously accrued, could have a material adverse impact on our financial condition and results of operations.

The U.S. government may prefer minority-owned, small and small disadvantaged businesses; therefore, we may have fewer opportunities to bid on certain contracts.

As a result of the Small Business Administration set-aside program, the U.S. government may decide to restrict certain procurements only to bidders that qualify as minority-owned, small, or small disadvantaged businesses. As a result, we would not be eligible to perform as a prime contractor on those programs and would be restricted to a maximum of 49% of the work as a subcontractor on those programs. An increase in the number of procurements under the Small Business Administration set-aside program may impact our ability to bid on new procurements as a prime contractor or restrict our ability to re-compete on incumbent work that is placed in the set-aside program.

We might be adversely impacted by fluctuations in foreign currency exchange rates.

We conduct our business in various currencies, including the U.S. dollar, the British pound and the Australian dollar. Changes in foreign currency exchange rates could reduce our revenues, increase our costs or otherwise adversely affect our financial results reported in U.S. dollars. We may from time to time enter into foreign currency contracts, foreign currency borrowings or other techniques intended to hedge a portion of our foreign currency exchange rate risks. These hedging activities may not completely offset the adverse financial effects of unfavorable movements in foreign currency exchange rates during the time hedges are in place. Any of these risks might have an adverse impact on our business operations and our financial position, results of operations or cash flows.

The effects of an epidemic, pandemic, or similar outbreak have negatively impacted and could negatively impact, our business and financial results.

Any epidemics, pandemics, or similar outbreaks have in the past created (as in the case of COVID-19 and its variants) and could again create economic uncertainty and disruptions to the global economy that could adversely affect our businesses, or could lead to operational difficulties, including travel limitations, that could impair our ability to manage or conduct our business. Any future epidemic, pandemic, or similar outbreak may have similar impacts, and we cannot currently anticipate the potential impact on our business and results of operations.

RISKS RELATING TO OUR STOCK

We cannot assure you that we will continue to pay or increase dividends on our common stock or to repurchase shares of our common stock.

The timing, declaration, amount, and payment of any future dividends fall within the discretion of our Board and depend on many factors, including our available cash, estimated cash needs, cash deployment alternatives, earnings, financial condition, operating results, and capital requirements, as well as limitations in our contractual agreements, applicable law, regulatory constraints, industry practice and other business considerations that our Board considers relevant. Decreases in asset values or increases in liabilities, including liabilities associated with employee benefit plans and assets and liabilities associated with taxes, can reduce cash, net earnings, and stockholders' equity. In addition, the timing and amount of share repurchases under Board-approved share repurchase plans are within the discretion of management and will depend on many factors, including our ability to generate sufficient cash flows from operations in the future or to borrow money from available financing sources, results of operations, capital requirements, general business conditions, and applicable law. In addition, as a result of the recent executive order titled "Prioritizing the Warfighter in Defense Contracting," future contracts (including renewals) are expected to include provisions restricting stock buybacks and dividends during any period of underperformance. Our payment of dividends and share repurchases could vary from historical practices or our stated expectations. A change in our dividend or share repurchase programs could have an adverse effect on the market price of our common stock.

Provisions in our charter documents and under Delaware law could delay or prevent transactions that many stockholders may favor.

Some provisions of our certificate of incorporation and bylaws may delay, discourage, or prevent a merger or acquisition that our stockholders may consider favorable, including transactions in which stockholders might receive a premium for their shares. These restrictions, which may also make it more difficult for our stockholders to elect directors not endorsed by our current directors and management, include mergers and certain other business combinations between a related person and us requiring approval by the holders of a majority of the voting power of such securities that are not owned by the related person unless approved by a majority of continuing directors or certain other exceptions; our stockholders may not act by written consent; our Board may issue, without stockholder approval, shares of undesignated preferred stock, the terms of which may be determined by the Board; and we are also subject to certain restrictions on business combinations under Section 203 of the Delaware General Corporation Law, which imposes additional requirements for business combinations, and may prevent our stockholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

RISK MANAGEMENT AND STRATEGY

Cybersecurity risk management is an integral part of our digital posture and enterprise risk management strategy. Cybersecurity is critical to maintaining the trust of our customers and business partners, and we are committed to protecting our and their confidential and sensitive information, including personal information, and mitigating cybersecurity risks that impact our systems and networks. We maintain technologies, programs and processes designed to assess, identify, manage and mitigate cybersecurity risks. Our efforts include regular monitoring of Leidos-managed systems and networks for internal and external cybersecurity threats, providing cybersecurity training to our employees during the onboarding process and annually, and continually reviewing and refining formal policies and procedures designed to deter, identify and remediate cybersecurity incidents. We regularly perform evaluations of our cybersecurity program and continue to invest in our capabilities to keep our customers, partners, suppliers and information assets in our possession safe. Although we employ service provider due diligence and onboarding procedures to identify potential cybersecurity risk, our ability to monitor the cybersecurity practices of our service providers is limited and there can be no assurance that we can prevent or mitigate the risk of any compromise or failure in the information system, software, networks and other assets owned or controlled by our vendors.

Our Chief Information Security Officer leads our Cybersecurity Intelligence and Response Team (“CSIRT”) whose function is to stay apprised of existing and emerging cyber threats and monitor our global enterprise and proactively identify and protect against cybersecurity risk. The CSIRT uses intelligence collected from various sources, fused with intelligence collected from analysis and response actions, to proactively search for, and address adversary activity against the Leidos network. The CSIRT possesses in-depth knowledge of network, endpoint, perimeter security systems, identity, data protection, threat intelligence, forensics, penetration testing and malware reverse engineering, as well as the functioning of specific applications or underlying information technology infrastructure.

Leidos CSIRT owns the incident response process and provides direction and guidance to users of Leidos computing resources when responding to cybersecurity incidents. Leidos CSIRT also provides intrusion monitoring of networks and information systems and continuously monitors the Leidos computing environments and performs triage and analysis of events to identify potential incidents.

We employ multiple security and monitoring systems and applications throughout the Company to identify, alert, report and log authorized and unauthorized access to the Leidos systems and networks. We use an application that collects, correlates, and notifies CSIRT analysts regarding any item meeting an electronic intrusion event. We categorize anomalous cyber events into discrete levels in which cybersecurity matters are escalated to certain levels of management, as well as our Board, based on the severity of the incident, as appropriate. Sharing cyber threat information at these levels supports the Company’s ability to integrate cybersecurity considerations into its overarching risk management system and processes.

We also conduct periodic internal and third-party assessments to test our cybersecurity controls, perform cyber simulations and exercises, and continually evaluate our internal governing policies and procedures to help detect and respond to cybersecurity events in order to reduce harms or impacts from breaches and other information security incidents.

GOVERNANCE

MANAGEMENT’S RESPONSIBILITIES

Our global information security program is led by our corporate Chief Information Security Officer, who works closely with key corporate functional and line of business stakeholders. The Chief Information Security Officer partners with these functions for the purpose of identifying, considering and assessing material cybersecurity risks on an ongoing basis, establishing processes to ensure that such potential cybersecurity risks are monitored, implementing appropriate mitigation measures, reporting cybersecurity breaches and other information security incidents, and maintaining our cybersecurity program. The team of senior management officers, who support our information security program, have expertise with cybersecurity, as demonstrated qualifications such as by prior work experience, possession of a cybersecurity certification, degree, or other cybersecurity experience. Our management team receives regular updates on our cybersecurity posture and reviews detailed information about our cybersecurity preparedness. Additionally, we have a Leidos Security Council that is co-chaired by the Chief Information Security Officer and the Chief Security Officer to address “all security hazards” across our global enterprise to ensure cohesion and effectiveness of our combined security governance and risk mitigations.

BOARD’S ROLES AND RESPONSIBILITIES

We have a Technology and Information Security Committee, comprised of six board members, with relevant backgrounds and experience, that oversees and advises the Board and management on matters involving the Company’s overall strategic direction and significant business risks and opportunities in the areas of technology and information security.

At least quarterly, management provides our Board and the Technology and Information Security Committee with updates about our cybersecurity and related risk exposures, our policies and procedures to mitigate such exposures and the status of projects to strengthen our information security infrastructure and program maturity and defend against and respond to cybersecurity threats. In addition, we use a risk-based escalation process to notify the Board and the Technology and Information Security Committee outside of the regular reporting cycle should we identify a significant emerging risk or potentially material issue that should be brought to their attention.

CYBERSECURITY THREATS

To date, we have not identified any cybersecurity threats that have materially affected or are reasonably likely to materially affect our business strategy, results of our operations, or our financial condition. However, despite our efforts to identify and respond to cybersecurity threats, we cannot eliminate all risks from cybersecurity threats, or provide assurances that we have not experienced an undetected cybersecurity incident. For more information about these risks, please see “Risk Factors – Cybersecurity breaches and other information security incidents could negatively impact our business and financial results, impair our ability to effectively provide our services to our customers and cause harm to our reputation or competitive position” in this Annual Report on Form 10-K.

Item 2. Properties

As of January 2, 2026, we conducted our operations in 361 locations in 43 states, the District of Columbia and various foreign countries. We occupy approximately 8.8 million square feet of floor space. Of this amount, we own approximately 1.1 million square feet, and the remaining balance is leased. Our major locations are in the Washington, D.C., metropolitan area, where we occupy a combination of leased and owned floor space of approximately 1.9 million square feet. We also have employees working at customer sites throughout the United States and in other countries.

As of January 2, 2026, we owned the following properties:

Location	Number of buildings	Square footage	Acreage
Huntsville, Alabama	7	801,000	90.7
Columbia, Maryland	1	95,000	7.3
Orlando, Florida	1	85,000	8.5
Oak Ridge, Tennessee	1	83,000	8.4
Decatur, Alabama	1	50,000	5.0

The nature of our business is such that there is no practicable way to relate occupied space to our reportable segments.

Item 3. Legal Proceedings

We have provided information about legal proceedings in which we are involved in “Note 21—Commitments and Contingencies” of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

In addition, we are routinely subject to investigations and reviews relating to compliance with various laws and regulations. Additional information regarding such investigations and reviews is set forth in “Note 21—Commitments and Contingencies” of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

Item 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant

The following is a list of the names and ages (as of February 17, 2026) of our executive officers, indicating all positions and offices held by each such person and each such person's business experience during at least the past five years. All such persons have been elected to serve until their successors are elected and qualified or until their earlier resignation or removal.

Name of Officer	Age	Position(s) with the company and prior business experience
Thomas A. Bell	65	Mr. Bell serves as the Chief Executive Officer of Leidos. He joined Leidos as CEO on May 3, 2023. Mr. Bell has held leadership roles as President – Defense Rolls-Royce plc; Chairman and CEO – Rolls-Royce North America (Rolls-Royce) since February 2018. Prior to that, Mr. Bell was Senior Vice President of global sales and marketing for defense, space and security at The Boeing Company (Boeing) from 2015. Before joining Boeing in 2015, Mr. Bell was President of Rolls-Royce Defense Aerospace, having joined as President, Customer Business, North America in mid-2012.
Christopher R. Cage	54	Mr. Cage has served as Executive Vice President and Chief Financial Officer since July 2021. He has served in several capacities throughout his 26-year tenure with Leidos, including Senior Vice President, Chief Accounting Officer and Corporate Controller, Senior Vice President for Financial Planning and Analysis and Chief Financial Officer for the Health Group.
Daniel Atkinson	47	Mr. Atkinson has served as the Senior Vice President, Chief Accounting Officer and Corporate Controller since 2024. Previously, he served as the Company's Assistant Corporate Controller since June 2021. Prior to joining Leidos, Mr. Atkinson was Director of Technical Accounting and Revenue Recognition at Booz Allen Hamilton from April 2018 until June 2021. He also held key leadership roles within the controller's organization at CSRA, Inc. from October 2016 to April 2018.
Daniel J. Antal	54	Mr. Antal has served as Executive Vice President and General Counsel since April 2024. He rejoined Leidos in April 2024 after serving as General Counsel for Rolls-Royce Defense and North America since January 2021. Prior to joining Leidos, Mr. Antal served as U.S. senior counsel for a Canadian based A&E firm, and previously spent 10 years with MWH Global. He held a variety of leadership roles at MWH, including as Associate General Counsel, Director of Risk Management for the Middle East, and completed a two-year assignment in the UK in operational capacity, where he led the integration of a strategic acquisition and assumed the role of International Managing Director.
Elizabeth M. Porter	55	Ms. Porter has served as President for the Health and Civil Sector since January 2024. Previously, she served as President for our Health Group since August 2020 and, before that, as Acting Group President for the Health Group since March 2020. Ms. Porter also served as Senior Vice President and Operation Manager for Leidos' Federal Energy and Environment business. Prior to that role, Ms. Porter served as the Department of Defense Information Networks & Mission Partner Program Director. Prior to joining Leidos, Ms. Porter served Lockheed Martin Corporation in several capacities, most recently as Director of Energy Initiatives, Corporate Engineering and Technology.
Roy Stevens	58	Mr. Stevens has served as President for the National Security Sector since January 2024. Mr. Stevens has been a Leidos corporate officer since 2018 serving in a variety of executive roles prior to this including Chief Growth Officer and Intelligence Group President. Before joining Leidos, Mr. Stevens served in several senior leadership positions at Lockheed Martin Corporation over 20 years. He currently serves on the Board of Directors for Cornerstones and the Intelligence and National Security Alliance, as well as the Board of Advisors for the Center for a New American Security.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name of Officer	Age	Position(s) with the company and prior business experience
Thomas C. Sanglier	65	Mr. Sanglier has served as Senior Vice President and Chief Audit Executive since July 2022. Prior to joining Leidos, Mr. Sanglier served as Senior Director, Internal Audit with Raytheon Technologies from November 2016 to June 2022 and as a Partner with Ernst & Young's Advisory practice serving private and public organizations in the technology, manufacturing and professional services industries during June 2008 to December 2010. He previously served as Chair of the North American Board and a member of the Global Board of the Institute of Internal Auditors ("IIA") from April 2022 to March 2023. He has been involved as a volunteer leader with the IIA since becoming a member in 2011. Mr. Sanglier has also served as a member of The IIA's Audit Committee, Guidance Development Committee, North American Publications Advisory Committee and multiple task forces.
Leslie Fautsch	53	Ms. Fautsch has served as Chief Human Resources Officer of Leidos since October 2024. Ms. Fautsch has held several key leadership roles at Leidos, including Senior Vice President for Human Resources Operations and Total Rewards, Vice President of Human Resources Strategic Operations, and Vice President of Human Resources for corporate and enterprise functions. Prior to joining Leidos in 2011, she held senior leadership roles in Human Resources management, employee relations, and ethics at Northrop Grumman.
Jason O'Connor	56	Mr. O'Connor has served as Senior Vice President for our Cyber and Analytics business area since January 2024, and before that, led numerous business areas including National Solutions, Homeland Security, and served as Deputy President for our Advanced Solutions Group. Prior to joining Leidos, Mr. O'Connor served Lockheed Martin Corporation in a variety of executive level positions for over 25 years, including Vice President of National Solutions and Vice President of Engineering & Chief Technology Officer for Intelligence under the Information Systems & Global Solutions business.
Cindy Gruensfelder	60	Ms. Gruensfelder has served as the President of the Defense Systems Sector since January 2024. Ms. Gruensfelder has extensive Aerospace and Defense leadership expertise, serving for more than 30 years in a variety of leadership roles at Boeing, and its heritage company, McDonnell Douglas. She served as Vice President and General Manager of the Missile and Weapon Systems ("MWS"), division of Boeing Defense, Space & Security, from April 2021 to November 2022, and prior to that role, as Vice President of Weapons for the MWS division from October 2018 to April 2021.
Steve Hull	56	Mr. Hull has served as the President for the Digital Modernization Sector since January 2024. Previously, he served as Executive Vice President and Operations Manager for Enterprise and Cyber Solutions at Leidos from March 2022 through December 2023, and Chief Information Officer ("CIO") at Leidos from August 2016 through March 2022. Prior to joining Leidos, Mr. Hull served as the CIO of the Lockheed Martin Corporation's Information Systems & Global Solutions business area from January 2013 through August 2016, ensuring operations and security of IT systems for over 20,000 employees. Mr. Hull has over 30 years of experience in the IT field.

Part II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on the New York Stock Exchange (“NYSE”) under the ticker symbol “LDOS.”

HOLDERS OF COMMON STOCK

As of February 10, 2026, there were approximately 15,268 holders of record of Leidos common stock. The number of stockholders of record of our common stock is not representative of the number of beneficial owners due to the fact that many shares are held by depositories, brokers or nominees.

DIVIDEND POLICY

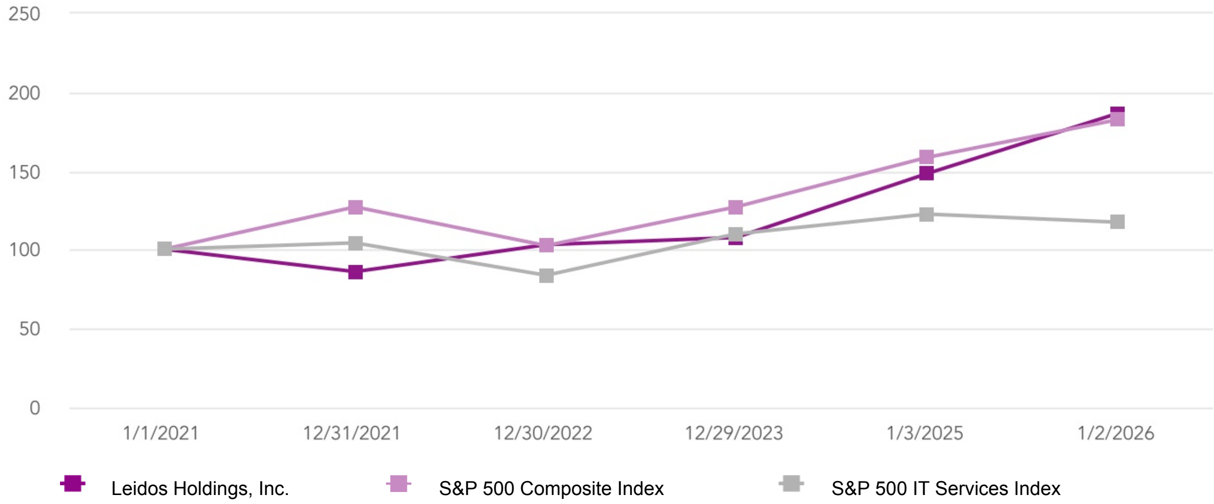
During fiscal 2025 and 2024, we declared and paid quarterly dividends totaling $1.63 and $1.54 per share, respectively, of Leidos common stock. We currently intend to continue paying dividends on a quarterly basis, although the declaration of any future dividends will be determined by our Board of Directors and will depend on many factors, including available cash, estimated cash needs, earnings, financial condition, operating results and capital requirements, as well as limitations in our contractual agreements, applicable law, regulatory constraints, industry practice and other business considerations that the Board of Directors considers relevant. Our ability to declare and pay future dividends on Leidos stock may be restricted by the provisions of Delaware law and covenants in our then-existing indebtedness arrangements.

STOCK PERFORMANCE GRAPH

This stock performance graph shall not be deemed “soliciting material” or to be “filed” with the SEC for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Leidos under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

The following graph compares the total cumulative five-year return on Leidos common stock through January 2, 2026, to two indices: (i) the Standard & Poor’s 500 Composite index and (ii) the Standard & Poor’s 500 IT Services Industry index. The graph assumes an initial investment of $100 on January 1, 2021, and that dividends, if any, have been reinvested. The comparisons in the graph are required by the SEC, based upon historical data and are not intended to forecast or be indicative of possible future performance of Leidos common stock.

COMPARISON OF CUMULATIVE TOTAL RETURN



Company/Market/Peer Group	1/1/2021	12/31/2021	12/30/2022	12/29/2023	1/3/2025	1/2/2026
Leidos Holdings, Inc.	$ 100.00	$ 85.80	$ 103.00	$ 107.64	$ 147.91	$ 186.30
S&P 500 Composite Index	$ 100.00	$ 126.89	$ 102.22	$ 126.99	$ 158.21	$ 182.60
S&P 500 IT Services Index	$ 100.00	$ 103.89	$ 83.62	$ 109.91	$ 122.42	$ 117.44

PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

The following table presents information related to the repurchases of our common stock during the quarter ended January 2, 2026:

Period	Total Number of Shares Purchased[1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Repurchase Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs[2]
October 4, 2025 - October 31, 2025	—	—	—	3,234,632
November 1, 2025 - November 30, 2025	830,800	190.99	830,800	2,403,832
December 1, 2025 - December 31, 2025	760,116	188.84	748,138	1,655,694
January 1, 2026 - January 2, 2026	—	—	—	1,655,694
Total	1,590,916	$ 189.96	1,578,938	

(1) The total number of shares purchased includes shares surrendered to satisfy statutory tax withholding obligations related to vesting of restricted stock units.

(2) In February 2022, our Board of Directors authorized a share repurchase program of up to 20 million shares of our outstanding common stock. The shares may be repurchased from time to time in one or more open market repurchases or privately negotiated transactions, including accelerated share repurchase transactions. The actual timing, number and value of shares repurchased under the program will depend on a number of factors, including the market price of our common stock, general market and economic conditions, applicable legal requirements, compliance with the terms of our outstanding indebtedness and other considerations. There is no assurance as to the number of shares that will be repurchased, and the repurchase program may be suspended or discontinued at any time at our Board of Directors' discretion. This share repurchase authorization replaces the previous share repurchase authorization announced in February 2018.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of Leidos Holdings, Inc.'s ("Leidos") financial condition, results of operations and quantitative and qualitative disclosures about business environment and trends and market risk should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. Some of the information contained in this discussion and analysis or set forth elsewhere in this Annual Report on Form 10-K, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties, including those described under the heading "Forward-Looking Statements." You should also review the disclosure under Part I, Item 1A, "Risk Factors" in this Annual Report on Form 10-K for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Unless indicated otherwise, references in this report to "we," "us" and "our" refer collectively to Leidos and its consolidated subsidiaries.

In this section, we discuss our financial condition, changes in financial condition and results of our operations for the year ended January 2, 2026, compared to the year ended January 3, 2025. For a discussion and analysis comparing our results for the year ended January 3, 2025, to the year ended December 29, 2023, see our Annual Report on Form 10-K for the year ended January 3, 2025, filed with the SEC on February 11, 2025, under Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

OVERVIEW

Leidos is an industry and technology leader serving government and commercial customers with smarter, more efficient digital and mission innovations. Headquartered in Reston, Virginia, with 47,000 global employees, we pursue strategic growth across five pillars: space and maritime; energy infrastructure; digital modernization and cyber; mission software; and managed health services. Our customers include the U.S. Department of War ("DoW"), the U.S. Intelligence Community, the U.S. Department of Homeland Security, the Federal Aviation Administration, the Department of Veterans Affairs and many other U.S. civilian, state and local government agencies, foreign government agencies and commercial businesses. Approximately 8% of our revenues are generated by entities located outside of the United States.

Our business is aligned into four reportable segments that are focused on specific, defined capability sets we bring to our customers. We operate in the following reportable segments: National Security & Digital, Health & Civil, Commercial & International and Defense Systems. We also separately present the unallocated costs associated with corporate functions as Corporate.

For additional information regarding our reportable segments, see "Business" in Part I and "Note 20—Business Segments" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

Our significant initiatives include the following:

- achieving annual revenue growth guided by our NorthStar 2030 strategy focusing on the growth pillars aligned with our customers' priorities;
- continual improvements in the effectiveness and efficiency of our business processes driven by our enterprise transformation office leveraging artificial intelligence and automation; and
- disciplined deployment of our cash resources and use of our capital structure to enhance shareholder value while retaining an appropriate amount of financial leverage.

Sales Trend. For fiscal 2025, revenues increased $0.5 billion, or 3%, compared to fiscal 2024, the increase was primarily due to program wins and a net increase in volumes, partially offset by the completion of certain contracts.

Operating Expenses and Income Trend. For fiscal 2025, operating expenses increased by $223 million, or 1%, compared to fiscal 2024. Operating margin for fiscal 2025 was 12% compared to 11% for fiscal 2024. Operating income was $2,109 million, a $282 million increase compared to fiscal 2024. The increase in operating income was primarily attributable to a program wins and a net increase in volumes on certain programs, partially offset by an increase in general & administrative expenses and the completion of programs.

From a macroeconomic perspective, our industry is under general competitive pressures associated with spending from our largest customer, the U.S. government, and requires a high level of cost management focus to allow us to remain competitive. Although the U.S. Presidential Administration has not indicated a desire to reduce spending in the defense and homeland security sectors, the likelihood, extent and duration of current spending levels in these areas remains unclear. We continue to review our cost structure against our anticipated sales and undertake cost management actions and efficiency initiatives where necessary.

BUSINESS ENVIRONMENT AND TRENDS

U.S. GOVERNMENT MARKETS

We generated approximately 87% of our total revenues from contracts with the U.S. government in both fiscal 2025 and 2024, either as a prime contractor or a subcontractor to other contractors engaged in work for the U.S. government. Revenues under contracts with the DoW and U.S. Intelligence Community, including subcontracts under which the DoW or the U.S. Intelligence Community is the ultimate purchaser, represented approximately 49% and 48% of our total revenues for fiscal 2025 and 2024, respectively. Accordingly, our business performance is affected by the overall level of U.S. government spending, especially national security, homeland security and intelligence spending, and the alignment of our service and product offerings and capabilities with current and future budget priorities of the U.S. government.

On February 3, 2026, the House of Representatives passed five of the six remaining appropriations bills to fund the federal government for fiscal year 2026. On February 13, 2026, the Homeland Security bill was not passed and DHS was shutdown until another continuing resolution is agreed upon.

Trends in the U.S. government contracting process, including a shift towards multiple-awards contracts, in which certain contractors are preapproved using IDIQ and U.S. General Services Administration (“GSA”) contract vehicles, have increased competition for U.S. government contracts, reduced backlogs by shortening periods of performance on contracts and increased pricing pressure. We expect that a majority of the business that we seek in the foreseeable future will be awarded through a competitive bidding process. For more information on these risks and uncertainties, see “Risk Factors” in Part I of this Annual Report on Form 10-K.

INTERNATIONAL MARKETS

Sales to customers in international markets represented approximately 8% of total revenues for fiscal 2025 and 2024. Our international customers include foreign governments and their agencies. Our international business increases our exposure to international markets and the associated international regulatory, foreign currency exchange rate and geopolitical risks.

Changes in international trade policies, including higher tariffs on imported goods and materials, may increase our procurement costs of certain IT hardware used both on our contracts and for internal use. However, we expect to recover certain portions of these higher tariffs through our cost-plus contracts. While we evaluate the impact of higher tariffs, currently, we do not expect tariffs to have a significant impact to our business.

KEY PERFORMANCE MEASURES

The primary financial performance measures we use to manage our business and monitor results of operations are revenue, operating income, cash flows from operations and diluted earnings per share. Bookings and backlog are also useful measures for management and investors to evaluate our performance and potential future revenues. In addition, we consider business performance by contract type to be useful to management and investors when evaluating our operating income and margin performance.

RESULTS OF OPERATIONS

Our results of operations for the periods presented were as follows:

	Year Ended		
(dollars in millions)	**January 2, 2026**	January 3, 2025	Percent change
Revenues	**$ 17,174**	$ 16,662	3 %
Cost of revenues	**14,075**	13,864	2 %
Selling, general and administrative expenses	**999**	983	2 %
Acquisition, integration and restructuring costs	**18**	16	13 %
Asset impairment charges	**5**	11	(55)%
Equity earnings of non-consolidated subsidiaries	**(32)**	(39)	(18)%
Operating income	**2,109**	1,827	15 %
Non-operating expense, net	**(200)**	(188)	(6)%
Income before income taxes	**1,909**	1,639	16 %
Income tax expense	**(447)**	(388)	15 %
Net income	**1,462**	1,251	*17 %*
Less: net income (loss) attributable to non-controlling interest	**14**	(3)	(567)%
Net income attributable to Leidos common stockholders	**$ 1,448**	$ 1,254	15 %
Operating margin	***12.3 %***	*11.0 %*	

SEGMENT AND CORPORATE RESULTS

	Year Ended		
National Security & Digital (dollars in millions)	**January 2, 2026**	January 3, 2025	Percent change
Revenues	**$ 7,611**	$ 7,365	3 %
Operating income	**760**	720	6 %
Operating margin	***10.0 %***	*9.8 %*	

The increase in revenues for fiscal 2025 as compared to fiscal 2024, was primarily attributable to program wins, a net increase in volumes and $60 million recognized from the acquisition of Kudu Dynamics, partially offset by program completions and a net decrease in contract write-ups in the current year.

The increase in operating income for fiscal 2025 as compared to fiscal 2024, was primarily attributable to program wins and a net increase in volumes, partially offset by program completions and a net decrease in contract write-ups in the current year.

	Year Ended		
Health & Civil (dollars in millions)	**January 2, 2026**	January 3, 2025	Percent change
Revenues	**$ 5,069**	$ 5,015	1 %
Operating income	**1,202**	1,095	10 %
Operating margin	***23.7 %***	*21.8 %*	

The increase in revenues for fiscal 2025 as compared to fiscal 2024, was primarily attributable to a net increase in write-ups on certain programs primarily within the managed health services business, partially offset by a net decrease in volumes.

The increase in operating income for fiscal 2025 as compared to fiscal 2024, was primarily due to operational efficiencies on certain programs and a net increase in write-ups primarily within the managed health services business, partially offset by increased general and administrative expenses.

Commercial & International (dollars in millions)	Year Ended **January 3, 2025**		January 3, 2025	Percent change
Revenues	**$**	**2,315**	$ 2,252	3 %
Operating income		**166**	104	60 %
Operating margin		***7.2 %***	*4.6 %*	

The increase in revenues for fiscal 2025 as compared to fiscal 2024, was primarily attributable to program wins, prior year write-downs on certain programs within our UK operations and a $13 million favorable impact from exchange rate movements, partially offset by completion of programs.

The increase in operating income for fiscal 2025 as compared to fiscal 2024, was primarily driven by prior year write-downs on certain programs within our UK operations, program wins and a net increase in volumes, partially offset by the completion of programs and increased in indirect expenses.

Defense Systems (dollars in millions)	Year Ended **January 2, 2026**		January 3, 2025	Percent change
Revenues	**$**	**2,179**	$ 2,030	7 %
Operating income		**156**	94	66 %
Operating margin		***7.2 %***	*4.6 %*	

The increase in revenues for fiscal 2025 as compared to fiscal 2024, was primarily attributable to program wins and a net increase in volumes, partially offset by the completion of programs.

The increase in operating income for fiscal 2025 as compared to fiscal 2024, was primarily attributable to a net increase in volumes, a prior year one-time write-down related to program assets, program wins and lower amortization expense. The increase was partially offset by the completion of programs.

Corporate (dollars in millions)	Year Ended **January 2, 2026**		January 3, 2025	Percent change
Operating loss	**$**	**(175)**	$ (186)	6 %

The decrease in operating loss for fiscal 2025 as compared to fiscal 2024, was primarily attributable to a decrease in legal costs, partially offset by an increase in research and development activities.

NON-OPERATING EXPENSE, NET

Non-operating expense, net increased by $12 million for fiscal 2025 as compared to fiscal 2024, primarily driven by a net increase in interest expense on borrowings, partially offset by a gain on an immaterial divested business that was not aligned to the Company's long term strategy.

PROVISION FOR INCOME TAXES

Our effective tax rate was 23.4% in fiscal 2025 compared to 23.7% in fiscal 2024. The decrease to the effective tax rate was primarily due to a decrease in unrecognized tax benefits, partially offset by the impacts from cross-border taxes resulting from the H.R.1 Reconciliation Act, commonly referred to as the One Big Beautiful Bill Act (the “OBBBA”).

BOOKINGS AND BACKLOG

Effective fiscal 2025, we changed our backlog policy to include estimated future revenue on task orders expected to be awarded under sole source indefinite delivery/indefinite quantity ("IDIQ") contracts in our reported backlog. We believe this presentation provides enhanced visibility for investors and more accurately reflects the future revenues we expect to generate from our business.

We had net bookings of $17.5 billion and $23.2 billion during fiscal 2025 and 2024, respectively. Net bookings represent the estimated amount of revenue to be earned in the future from funded and unfunded contract awards and modifications and unissued task orders on sole source IDIQ contracts that were received during the year, net of any adjustments to previously awarded backlog amounts. We calculate net bookings as the year's ending backlog, plus the year's revenues, less the prior year's ending backlog and any impacts from foreign currency or acquisitions and divestitures.

Backlog represents the revenues we expect to recognize under negotiated contracts and unissued task orders on sole source IDIQ contracts, to the extent we believe their execution and funding to be probable. Backlog does not include potential task orders expected to be awarded under multiple award IDIQ contracts.

We segregate our backlog into two categories as follows:

- Funded Backlog. Funded backlog for contracts with the U.S. government represents the value on contracts for which funding is appropriated less revenues previously recognized on these contracts. Funded backlog for contracts with non-U.S. government entities and commercial customers represents the estimated value on contracts, which may cover multiple future years, under which we are obligated to perform, less revenues previously recognized on the contracts.
- Negotiated Unfunded Backlog. Negotiated unfunded backlog represents all remaining value on task orders that is not funded, including options, that we expect to recognize as well as expected future task orders under sole source IDIQ contracts.

The estimated value of our segment backlog for the periods presented was as follows:

	January 2, 2026			January 3, 2025[1]		
(in millions)	**Funded**	**Unfunded**	**Total**	Funded	Unfunded	Total
National Security & Digital	**$ 2,749**	**$ 23,891**	**$ 26,640**	$ 2,881	$ 23,404	$ 26,285
Health & Civil	**2,745**	**7,690**	**10,435**	1,456	10,735	12,191
Commercial & International	**2,588**	**2,659**	**5,247**	2,456	1,901	4,357
Defense Systems	**1,603**	**5,107**	**6,710**	1,616	3,941	5,557
Total	**$ 9,685**	**$ 39,347**	**$ 49,032**	$ 8,409	$ 39,981	$ 48,390

(1) Amounts have been recast to include estimated future revenue on task orders expected to be awarded under sole source IDIQ contracts. As a result, unfunded backlog increased $4,836 million from our prior year annual report amounts.

Backlog at January 2, 2026, includes $149 million acquired through the acquisition of Kudu Dynamics within our National Security & Digital reportable segment.

Bookings and backlog fluctuate from period to period depending on our success rate in winning contracts and the timing of contract awards, renewals, modifications and cancellations, as well as foreign currency movements. Contract awards may be negatively impacted by ongoing industry-wide delays in procurement decisions and budget cuts by the U.S. government as discussed in "Business Environment and Trends" in this Annual Report on Form 10-K.

We expect to recognize a substantial portion of our funded backlog as revenues within the next 12 months. However, the U.S. government may cancel any contract at any time through a termination for the convenience of the U.S. government. In addition, certain contracts with commercial or non-U.S. government customers may include provisions that allow the customer to cancel at any time. Most of our contracts have cancellation terms that would permit us to recover all or a portion of our incurred costs and fees for work performed.

CONTRACT TYPES

Our earnings and profitability may vary materially depending on changes in the proportionate amount of revenues derived from each type of contract. For a discussion of the types of contracts under which we generate revenues, see "Business—Contract Payment Types" in Part I of this Annual Report on Form 10-K. Revenues by contract type as a percentage of our total revenues for the periods presented were as follows:

	Year Ended	
	January 2, 2026	January 3, 2025
Cost-reimbursement and fixed-price-incentive-fee	**44 %**	44 %
Firm-fixed-price	**43 %**	43 %
Time-and-materials and fixed-price-level-of-effort	**13 %**	13 %
Total	**100 %**	100 %

LIQUIDITY AND CAPITAL RESOURCES

OVERVIEW OF LIQUIDITY

As of January 2, 2026, we had $1,108 million in cash and cash equivalents. We have a senior unsecured revolving credit facility which can provide up to $1.0 billion in additional borrowing, if required. As of January 2, 2026, and January 3, 2025, there were no borrowings outstanding under any revolving credit facility.

We had outstanding debt of $4.6 billion and $4.7 billion at January 2, 2026, and January 3, 2025, respectively. In fiscal 2025, we issued and sold $500 million 5.40% and $500 million 5.50% senior unsecured notes maturing in March 2032 and March 2035, respectively. The annual interest rate is payable on a semi-annual basis. The proceeds from the issuance of the notes were used to retire the $500 million senior unsecured notes due May 2025 and repurchase $500 million outstanding shares of common stock in an accelerated share repurchase ("ASR") agreement as discussed below.

We have a commercial paper program in which we may issue short-term unsecured commercial paper notes ("Commercial Paper Notes") that have maturities of up to 397 days from the date of issuance (see "Note 13—Debt" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K). As of January 2, 2026, and January 3, 2025, we did not have any commercial paper notes outstanding.

We made principal payments, excluding the impacts of our Commercial Paper Notes, on our debt of $1,019 million, $18 million and $2,045 million during fiscal 2025, 2024 and 2023, respectively. The activity for fiscal 2025 included a prepayment on our senior unsecured term loan of $450 million and a $500 million payment to discharge the $500 million notes due May 2025. The activity for fiscal 2023 included a $1,210 million payment to discharge the $1.9 billion 5.77% senior unsecured term loan facility, a $498 million payment to discharge the $500 million 2.95% notes, due May 2023, and a principal repayment of $320 million to discharge the 364-day term loan credit agreement.

Our credit facility, term loan facility, commercial paper notes and notes outstanding as of January 2, 2026, contain financial covenants and customary restrictive covenants. We were in compliance with all covenants as of January 2, 2026.

We paid dividends of $211 million, $208 million and $201 million for fiscal 2025, 2024 and 2023, respectively.

We may from time to time seek to retire or purchase our outstanding debt through cash purchases in the open market, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Stock repurchases of Leidos common stock may be made on the open market or in privately negotiated transactions with third parties including through ASR agreements. Whether repurchases are made and the timing and actual number of shares repurchased depends on a variety of factors including price, corporate capital requirements, other market conditions and regulatory requirements. The repurchase program may be accelerated, suspended, delayed or discontinued at any time.

During fiscal 2025, 2024, and 2023, we made open market repurchases of our common stock for an aggregate purchase price of $400 million, $850 million and $225 million, respectively.

In fiscal 2025, we entered into an ASR agreement with a financial institution to repurchase shares of our outstanding common stock. We paid $500 million to the financial institution and received 3.6 million shares. (see “Note 16—Earnings Per Share” of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K). All shares delivered were immediately retired.

On July 4, 2025, tax legislation was enacted as part of the OBBBA, implementing several corporate tax law changes as described above within Results of Operations. We anticipate our income tax payments will decrease by approximately $91 million in fiscal 2026, as compared to our estimates prior to the OBBBA enactment, due to the decrease in our estimated 2025 taxable income related to these changes. The actual decrease may be impacted by future guidance or interpretive rules issued by the U.S. Treasury, among other factors. We will continue to assess the effects on our liquidity as tax legislation evolves.

On January 23, 2026, Leidos, Inc. entered into a stock purchase agreement to acquire all of the shares of Entrust for a purchase price of $2.4 billion in cash, subject to customary adjustments for Entrust’s cash, debt, transaction expenses and net working capital. In connection with the stock purchase agreement, we entered into an agreement with Citigroup Global Markets Inc., which provides for a senior unsecured 364-day bridge loan facility in an aggregate principal amount of $1.4 billion. (See "Note 22—Subsequent Events" of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K).

On February 12, 2026 (the “Closing Date”), we amended and restated our existing senior unsecured revolving credit facility to increase the borrowing capacity from $1.0 billion to $1.5 billion. The amended revolving credit facility will mature five years from the Closing Date and permits two additional one-year extensions subject to lender consent. Borrowings under the revolving credit facility will bear interest at a rate determined, at the Company's option, based on either an alternate base rate or term SOFR rate, plus an applicable margin.

For the next 12 months, we anticipate that we will be able to meet our liquidity needs, including servicing our debt, through cash generated from operations, available cash balances, borrowings from our commercial paper program and, if needed, sales of accounts receivable and borrowings from our revolving credit facility.

SUMMARY OF CASH FLOWS

The following table summarizes cash flow information for the periods presented:

	Year Ended		
(in millions)	**January 2, 2026**	January 3, 2025	December 29, 2023
Net cash provided by operating activities[1]	**$ 1,750**	$ 1,435	$ 1,187
Net cash used in investing activities	**(405)**	(142)	(211)
Net cash used in financing activities	**(1,145)**	(1,084)	(715)

(1) Net cash provided by operating activities during the year ended January 3, 2025, and December 29, 2023, was recast to reflect a change in the accounting policy, see "Note 3—Summary of Significant Accounting Policies."

Net cash provided by operating activities increased $315 million for fiscal 2025 as compared to fiscal 2024. The increase was primarily due to an increase in tax benefits from the impacts of the OBBBA legislation and favorable changes in net working capital, partially offset by the timing of payroll and employee benefit payments.

Net cash provided by operating activities increased $248 million for fiscal 2024 as compared to fiscal 2023. The increase was primarily due to higher earnings and favorable timing of payroll and employee benefit accruals.

Net cash used in investing activities increased $263 million for fiscal 2025 as compared to fiscal 2024. The increase was primarily due to $293 million of net cash paid in connection with the acquisition of Kudu Dynamics, partially offset by a $24 million decrease in capital expenditures and $9 million of proceeds received from sale of an immaterial business within the Commercial and International segment.

Net cash used in investing activities decreased $69 million for fiscal 2024 as compared to fiscal 2023. The decrease was primarily due to lower capital expenditures of $58 million in the current year.

Net cash used in financing activities increased $61 million for fiscal 2025 as compared to fiscal 2024. The increase was primarily due to a $50 million increase in stock repurchases, a $11 million increase in net payments made on debt activities, a $10 million increase in net capital distributions to our non-controlling interest, partially offset by a $12 million decrease in shares withheld for tax obligations.

Net cash used in financing activities increased $369 million for fiscal 2024 as compared to fiscal 2023. The increase was primarily due to a $625 million increase in stock repurchases, a $35 million increase in shares withheld for tax obligations, partially offset by a decrease of $291 million in net payments made on debt activities.

OFF-BALANCE SHEET ARRANGEMENTS

We have outstanding performance guarantees and cross-indemnity agreements in connection with certain aspects of our business. We have letters of credit outstanding principally related to performance guarantees on contracts and surety bonds outstanding principally related to performance and subcontractor payment bonds as described in “Note 21—Commitments and Contingencies” of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K. These arrangements have not had, and management does not believe it is likely that they will in the future have, a material effect on our liquidity, capital resources, operations or financial condition.

CONTRACTUAL OBLIGATIONS

Our future contractual obligations are related to debt, finance and operating leases, long-term liabilities under deferred compensation arrangements, purchase obligations for long-term purchases and service agreements and other liabilities. For more information, see “Note 10—Leases”, “Note 13—Debt”, “Note 19—Retirement Plans” and “Note 21—Commitments and Contingencies” of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

We have interest payments related to our outstanding debt and finance leases. As of January 2, 2026, future scheduled interest payments on our outstanding debt and finance leases were $208 million, expected to be paid in fiscal 2026 and $1.3 billion expected to be paid thereafter.

As of January 2, 2026, future payments on our deferred compensation arrangements and purchase obligations for long-term purchases and service agreements were $101 million, expected to be paid in fiscal 2026, and $429 million expected to be paid thereafter. Our future payments do not include $104 million of income tax liabilities, primarily as a result of uncertain tax positions, and the timing of such payments, if any, cannot be reasonably estimated. For additional information, see “Note 18—Income Taxes” of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

GUARANTORS AND ISSUERS OF GUARANTEED SECURITIES

Leidos Holdings, Inc. (“Guarantor”) has fully and unconditionally guaranteed the debt securities of its subsidiary, Leidos, Inc. (“Issuer”), that were issued pursuant to transactions that were registered under the Securities Act of 1933, as amended (collectively, the “Registered Notes”). The following is a list of the Registered Notes guaranteed by Leidos Holdings, Inc.

Senior unsecured Registered Notes issued by Leidos, Inc.:
$750 million 4.375% notes, due May 2030
$1,000 million 2.300% notes, due February 2031
$500 million 5.400% notes, due March 2032
$750 million 5.750% notes, due March 2033
$500 million 5.500% notes, due March 2035

Leidos Holdings, Inc. has also fully and unconditionally guaranteed debt securities of Leidos, Inc. that were issued pursuant to transactions that were not registered under the Securities Act of 1933, as amended. The following is a list of unregistered debt securities guaranteed by Leidos Holdings, Inc.

Senior unsecured unregistered debt securities issued by Leidos, Inc.:
$250 million 7.125% notes, due July 2032
$300 million 5.500% notes, due July 2033

Additionally, Leidos, Inc. has fully and unconditionally guaranteed debt securities of Leidos Holding, Inc. that were issued pursuant to transactions that were not registered under the Securities Act of 1933, as amended. The following is a list of unregistered debt securities guaranteed by Leidos, Inc.

Senior unsecured unregistered debt securities issued by Leidos Holdings, Inc.:
$300 million 5.950% notes, due December 2040

The following summarized financial information includes the assets, liabilities and results of operations for the Guarantor and Issuer of the Registered Notes described above. Intercompany balances and transactions between the Issuer and Guarantor have been eliminated from the financial information below. Investments in the consolidated subsidiaries of the Issuer and Guarantor that do not guarantee the senior unsecured notes have been excluded from the financial information. Intercompany payables represent amounts due to non-guarantor subsidiaries of the Issuer.

BALANCE SHEET INFORMATION FOR THE GUARANTOR AND ISSUER OF REGISTERED NOTES

(in millions)		**January 2, 2026**
Total current assets	**$**	**3,036**
Goodwill		**5,666**
Other long-term assets		**1,250**
Total assets	**$**	**9,952**
Total current liabilities	**$**	**1,954**
Long-term debt, net of current portion		**4,628**
Intercompany payables		**4,706**
Other long-term liabilities		**942**
Total liabilities	**$**	**12,230**

STATEMENT OF OPERATIONS INFORMATION FOR THE GUARANTOR AND ISSUER OF REGISTERED NOTES

(in millions)		**January 2, 2026**
Revenues, net	**$**	**10,696**
Operating income		**836**
Net income attributable to Leidos common stockholders		**5**

CRITICAL ACCOUNTING ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The preparation of these financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Management evaluates these estimates and assumptions on an ongoing basis. Our estimates and assumptions have been prepared by management on the basis of the most current and best available information. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates under different assumptions and conditions.

We have identified the following accounting policies as critical because they require significant judgments and assumptions about highly complex and inherently uncertain matters and the use of reasonably different estimates and assumptions could have a material impact on our results of operations or financial condition.

- Revenues
- Goodwill

REVENUES

We perform work under various types of contracts, which include firm-fixed-price ("FFP"), time-and-materials ("T&M"), fixed- price-level-of-effort ("FPLOE"), cost-plus-fixed-fee ("CPFF"), cost-plus-award-fee ("CPAF"), cost-plus-incentive-fee ("CPIF") and fixed-price-incentive-fee ("FPIF").

For contracts which involve complex deliverables, such as system integration, we usually recognize revenue over time as the work is completed. For contracts with an FFP component or variable fees, we measure progress using an input method, whereby revenue is recognized based on the percentage of costs incurred to date compared to total costs we anticipate by the end of the contract. Commonly referred to as the “cost-to-cost” method. To do this, we must estimate both the total revenue and total costs needed to design, build, and deliver our products and services. These cost estimates include all direct costs, such as materials, labor, subcontractors, overhead and a ratable portion of general and administrative expenses. If we determine that the total expected cost of completing a contract will be more than the total revenue we expect to receive, we record the entire expected loss when identified.

Some of our cost-plus and fixed-price contracts include award fees, incentive fees, or other terms that can either increase or decrease the total contract price. These amounts are usually earned by meeting specific performance goals, reaching key milestones, staying within cost targets or based on customer judgment. We estimate these variable amounts by determining the most likely amount we expect to earn. This estimate is based on factors such as the contract-specific fee achievement metrics, the complexity and risk of the work, the level of customer discretion involved, our past experience with similar contracts and the risk that recognized revenue could later be reversed.

We allocate the total contract price to each of the performance obligations within the contract proportionally based upon their individual standalone selling prices. We generally determine the standalone price by estimating the cost to perform the work and adding an expected profit margin. For some product sales, we may instead use the standalone prices of similar products or apply a residual value method. Nearly all of our contracts do not include a significant financing element, so we typically do not adjust the contract price for the timing of payments.

For the impacts of changes in estimates on our contracts, see “Note 3—Summary of Significant Accounting Policies” of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

GOODWILL

Goodwill is recognized when the transaction price for an acquired business is higher than the fair value of identifiable assets and liabilities acquired at the time of purchase. Goodwill is an indefinite-lived asset which is tested for impairment once a year or more frequently if a triggering event occurs which indicates an impairment may exist. The annual goodwill impairment test is performed at the start of the fourth quarter and includes an evaluation of whether the fair values of any of our reporting units are lower than their carrying values. As of January 2, 2026, and January 3, 2025, goodwill represented 47% and 46% of our total assets, respectively.

When testing goodwill for impairment, we use either a qualitative or quantitative analysis. The qualitative analysis considers factors such as overall economic conditions, industry and market trends, the financial performance of the business, and legal or other significant events that could affect the reporting unit.

When we perform a quantitative analysis, we estimate the fair value of a reporting unit using discounted future cash flows and market multiple models. These models require us to make significant assumptions about future cash flows, discount rates, long-term growth, profit margins and in the identification of comparable public companies. These assumptions take into account expected future sales and earnings after considering market conditions, customer spending, existing and expected orders, working capital needs, long-term business plans and recent performance.

Operations of the Security Enterprise Solutions (“SES”) reporting unit within the Commercial & International reportable segment rely heavily on the sales and servicing of security and detection products. In fiscal 2023, SES restructured its portfolio by discontinuing select product offerings and ceasing operations in certain countries to better align with its strategic plan. These changes, along with delays in airline travel infrastructure projects and higher than anticipated servicing costs, contributed to a significant reduction in the reporting unit’s forecasted revenue and cash flows.

In fiscal 2025 and 2024, we performed a quantitative analysis of our SES reporting unit, which holds goodwill in the amount of $311 million and $306 million as of January 2, 2026, and January 3, 2025, respectively. The analysis resulted in the fair value of the reporting unit exceeding the carrying value for both periods.

In fiscal 2025 and 2024, we performed our annual test for impairment as of October 4, 2025, and September 28, 2024, respectively, which resulted in no impairments being identified.

COMMITMENTS AND CONTINGENCIES

We are subject to a number of reviews, investigations, claims, lawsuits, other uncertainties and future obligations related to our business. For a discussion of these items, see “Note 10—Leases” and “Note 21—Commitments and Contingencies” of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

RECENTLY ADOPTED AND ISSUED ACCOUNTING PRONOUNCEMENTS

For a discussion of these items, see “Note 2—Accounting Standards” of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain market risks in the normal course of business. Our current market risk exposures are primarily related to interest rates and foreign currency fluctuations. The following information about our market sensitive financial instruments contains forward-looking statements.

INTEREST RATE RISK

Our exposure to market risk for changes in interest rates relates primarily to long-term debt obligations and derivatives. Our policy authorizes, with Board of Directors’ approval, the limited use of derivative instruments to hedge specific interest rate risks.

DEBT AND DERIVATIVES

As of January 2, 2026, and January 3, 2025, we had $4.6 billion and $4.7 billion of debt, respectively, which included $500 million related to our senior unsecured term loans that have a variable stated interest rate that is determined based on the Secured Overnight Financing Rate (“SOFR”) plus a margin. As a result, we may experience fluctuations in interest expense.

We had interest rate swap agreements to hedge the cash flows of a portion of our variable rate senior unsecured term loan (“Variable Rate Loan”). Under the terms of the interest rate swap agreements, we received monthly variable interest payments based on the one-month SOFR rate and paid interest at a fixed rate. As of January 3, 2025, the notional value of the interest rate swap agreements was $500 million. The interest rate swap agreements effectively converted a portion of our variable rate borrowing to a fixed rate borrowing. The fair value of our interest rate swap agreements with respect to our Variable Rate Loan was an asset of $4 million as of January 3, 2025. The interest rate swap agreements matured in August 2025. The counterparties to these agreements were financial institutions. We did not hold or issue derivative financial instruments for trading or speculative purposes.

We cannot predict future market fluctuations in interest rates. A net hypothetical 10% movement in the one-month SOFR rate would not have a significant impact on our annual interest expense. For additional information related to our interest rate swap agreements and debt, see “Note 12—Derivative Instruments” and “Note 13—Debt,” respectively, of the notes to the consolidated financial statements contained within this Annual Report on Form 10-K.

CASH AND CASH EQUIVALENTS

As of January 2, 2026, and January 3, 2025, our cash and cash equivalents included investments in several large institutional money market accounts. For fiscal 2025 and fiscal 2024, a hypothetical 10% interest rate movement would not have a significant impact on the value of our holdings or on interest income.

FOREIGN CURRENCY RISK

Although the majority of our transactions are denominated in U.S. dollars, some of our transactions are denominated in foreign currencies. Our foreign currency exchange rate risk relates to receipts from customers, payments to suppliers and certain intercompany transactions denominated in currencies other than our (or one of our subsidiaries') functional currency. Our foreign operations represented 8% of total revenues for both fiscal 2025 and 2024, and 9% for fiscal 2023.

Item 8. Financial Statements and Supplementary Data

LEIDOS HOLDINGS, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Financial statement schedules are omitted because they are not applicable or the required information is presented in the consolidated financial statements or the notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Leidos Holdings, Inc.
Reston, Virginia

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Leidos Holdings, Inc. and subsidiaries (the "Company") as of January 2, 2026 and January 3, 2025, the related consolidated statements of operations, comprehensive income, equity, and cash flows, for each of the fiscal years ended January 2, 2026, January 3, 2025, and December 29, 2023 and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 2, 2026 and January 3, 2025, and the results of its operations and its cash flows for each of the fiscal years ended January 2, 2026, January 3, 2025, and December 29, 2023 in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 2, 2026, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 17, 2026, expressed an unqualified opinion on the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, the Company has elected to change its method of accounting for cash in fiscal 2025.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which it relates.

Revenues – Refer to Notes 3 and 4 to the Financial Statements

Critical Audit Matter Description

The Company recognizes revenue on certain contracts with customers over time using a method that measures the extent of progress towards completion of a performance obligation, principally using a cost-input method (referred to as the cost-to-cost method). Under the cost-to-cost method, revenue is recognized based on the proportion of total costs incurred to estimated total costs-at-completion (EAC). A performance obligation's EAC includes all direct costs such as materials, labor, subcontract costs, overhead and a ratable portion of general and administrative costs. In addition, an EAC of a performance obligation includes future losses estimated to be incurred on onerous contracts, as and when known. The accounting for these contracts involves judgment, particularly as it relates to the process of estimating total revenues and costs for the performance obligation.

Given the judgments necessary to determine whether multiple promises within a single contract represent a single performance obligation, whether or not the Company is acting as principal in the fulfillment of the identified performance obligations on certain contracts, and estimates of total revenues and costs for the performance obligations that recognize revenue using the cost-to-cost method, auditing such accounting conclusions and estimates required extensive audit effort due to the volume and complexity of these contracts and a high degree of auditor judgment when performing audit procedures and evaluating the results of those procedures.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's conclusions regarding the number of performance obligations within a single contract, the Company's position as an agent or principal for a performance obligation, and estimates of total revenues and costs for the performance obligations that recognize revenue using the cost-to-cost method included the following, among others:

- We tested the effectiveness of controls over contract revenue, including management's controls over evaluating the revenue recognition methodology, initial setup of new contract arrangements, and estimates of total costs and revenues for identified performance obligations.
- We developed an expectation of revenue based on the Company's historical margin performance and costs incurred in the current year, then compared it to the recorded balance.
- For a selection of contracts, we performed audit procedures based on certain characteristics of audit interest, which included some of the following:
    - Evaluated the terms and conditions of selected contracts and the appropriateness of the accounting treatment in accordance with accounting principles generally accepted in the United States of America, by:
        - Inspection of the executed contract to assess that the facts on which management's conclusions were reached were consistent with the actual terms and conditions of the contract.
        - Evaluation of the contract within the context of the revenue recognition model to assess whether management's conclusions were appropriate. We evaluated the nature of the promises within the contract, the interrelationship of the promised services and/or products provided, the pattern by which obligations are fulfilled, the number of performance obligations identified, and whether or not the Company is acting as principal in the fulfillment of the identified performance obligations.
        - Evaluation of the appropriateness and consistency of the methods and assumptions used by management to develop estimates of future revenues that will be recognized and costs that will be incurred.
        - Evaluate the mathematical accuracy of management's calculation of revenue for the performance obligation.
- We analyzed impacts to income before income tax recorded during the year as a result of changes in estimates on contracts and tested those with characteristics of audit interest to determine that the adjustments were the result of changes in facts and circumstances and not estimates that were previously inaccurate.

/s/ Deloitte & Touche LLP

McLean, Virginia

February 17, 2026

We have served as the Company's auditor since fiscal 2000.

LEIDOS HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

(in millions, except share and par value data)	January 2, 2026	January 3, 2025
Assets:		
Cash and cash equivalents	**$ 1,108**	$ 849
Receivables, net	**2,708**	2,645
Inventory, net	**342**	315
Other current assets	**656**	525
Total current assets	**4,814**	4,334
Property, plant and equipment, net	**961**	991
Intangible assets, net	**458**	517
Goodwill	**6,342**	6,084
Operating lease right-of-use assets, net	**526**	560
Deferred tax assets	**48**	203
Other long-term assets	**344**	321
Total assets	**$ 13,493**	$ 13,010
Liabilities:		
Accounts payable and accrued liabilities	**$ 1,988**	$ 2,131
Accrued payroll and employee benefits	**819**	811
Current portion of long-term debt	**20**	618
Total current liabilities	**2,827**	3,560
Long-term debt, net of current portion	**4,628**	4,052
Operating lease liabilities	**587**	621
Deferred tax liabilities	**221**	2
Other long-term liabilities	**268**	315
Total liabilities	**$ 8,531**	$ 8,550
Commitments and contingencies (Note 21)		
Stockholders' equity:		
Preferred stock, $0.0001 par value, 10,000,000 shares authorized and no shares issued and outstanding at January 2, 2026 and January 3, 2025	**—**	—
Common stock, $0.0001 par value, 500,000,000 shares authorized, 126,380,657 and 131,163,899 shares issued and outstanding at January 2, 2026, and January 3, 2025, respectively	**—**	—
Additional paid-in capital	**319**	1,112
Retained earnings	**4,647**	3,410
Accumulated other comprehensive loss	**(50)**	(110)
Total Leidos stockholders' equity	**4,916**	4,412
Non-controlling interest	**46**	48
Total stockholders' equity	**4,962**	4,460
Total liabilities and stockholders' equity	**$ 13,493**	$ 13,010

See accompanying notes to consolidated financial statements.

LEIDOS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share data)	Year Ended January 2, 2026	January 3, 2025	December 29, 2023
Revenues	**$ 17,174**	$ 16,662	$ 15,438
Cost of revenues	**14,075**	13,864	13,194
Selling, general and administrative expenses	**999**	983	942
Acquisition, integration and restructuring costs	**18**	16	24
Goodwill impairment charges	**—**	—	596
Asset impairment charges	**5**	11	91
Equity earnings of non-consolidated subsidiaries	**(32)**	(39)	(30)
Operating income	**2,109**	1,827	621
Non-operating income (expense):			
Interest expense, net	**(203)**	(193)	(212)
Other income (expense), net	**3**	5	(6)
Income before income taxes	**1,909**	1,639	403
Income tax expense	**(447)**	(388)	(195)
Net income	**1,462**	1,251	208
Less: net income (loss) attributable to non-controlling interest	**14**	(3)	9
Net income attributable to Leidos common stockholders	**$ 1,448**	$ 1,254	$ 199
Earnings per share:			
Basic	**$ 11.31**	$ 9.36	$ 1.45
Diluted	**11.14**	9.22	1.44

See accompanying notes to consolidated financial statements.

LEIDOS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended		
(in millions)	**January 2, 2026**	January 3, 2025	December 29, 2023
Net income	**$ 1,462**	$ 1,251	$ 208
Foreign currency translation adjustments	**66**	(59)	34
Unrecognized loss on derivative instruments	**(4)**	(4)	(8)
Pension adjustments	**(2)**	1	(1)
Total other comprehensive income (loss), net of taxes	**60**	(62)	25
Comprehensive income	**1,522**	1,189	233
Less: net income (loss) attributable to non-controlling interest	**14**	(3)	9
Comprehensive income attributable to Leidos common stockholders	**$ 1,508**	$ 1,192	$ 224

See accompanying notes to consolidated financial statements.

LEIDOS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF EQUITY

(in millions, except for per share data)	Shares of common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Leidos stockholders' equity	Non-controlling interest	Total stockholders' equity
Balance at December 30, 2022	137	$ 2,005	$ 2,367	$ (73)	$ 4,299	$ 54	$ 4,353
Net income	—	—	199	—	199	9	208
Other comprehensive income, net of taxes	—	—	—	25	25	—	25
Issuances of stock	1	53	—	—	53	—	53
Repurchases of stock and other	(2)	(247)	—	—	(247)	—	(247)
Dividends of $1.46 per share	—	—	(202)	—	(202)	—	(202)
Stock-based compensation	—	77	—	—	77	—	77
Net capital distributions to non-controlling interest	—	(3)	—	—	(3)	(6)	(9)
Balance at December 29, 2023	136	1,885	2,364	(48)	4,201	57	4,258
Net income (loss)	—	—	1,254	—	1,254	(3)	1,251
Other comprehensive loss, net of taxes	—	—	—	(62)	(62)	—	(62)
Issuances of stock	1	55	—	—	55	—	55
Repurchases of stock and other	(6)	(913)	—	—	(913)	—	(913)
Dividends of $1.54 per share	—	—	(208)	—	(208)	—	(208)
Stock-based compensation	—	85	—	—	85	—	85
Net capital distributions to non-controlling interest	—	—	—	—	—	(6)	(6)
Balance at January 3, 2025	131	1,112	3,410	(110)	4,412	48	4,460
Net income	—	—	1,448	—	1,448	14	1,462
Other comprehensive income, net of taxes	—	—	—	60	60	—	60
Issuances of stock	1	63	—	—	63	—	63
Repurchases of stock and other	(6)	(951)	—	—	(951)	—	(951)
Dividends of $1.63 per share	—	—	(211)	—	(211)	—	(211)
Stock-based compensation	—	95	—	—	95	—	95
Net capital distributions to non-controlling interest	—	—	—	—	—	(16)	(16)
Balance at January 2, 2026	**126**	**$ 319**	**$ 4,647**	**$ (50)**	**$ 4,916**	**$ 46**	**$ 4,962**

See accompanying notes to consolidated financial statements.

LEIDOS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended		
(in millions)	**January 2, 2026**	January 3, 2025	December 29, 2023
Cash flows from operations:			
Net income	**$ 1,462**	$ 1,251	$ 208
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	**290**	290	331
Stock-based compensation	**95**	85	77
Goodwill impairment charges	**—**	—	596
Asset impairment charges	**5**	11	91
Deferred income taxes	**369**	(98)	(109)
Other	**9**	44	28
Change in assets and liabilities, net of effects of acquisitions and dispositions:			
Receivables	**(46)**	(220)	(65)
Other current assets and other long-term assets	**19**	96	140
Accounts payable and accrued liabilities and other long-term liabilities	**(308)**	(117)	53
Accrued payroll and employee benefits	**1**	121	(5)
Income taxes receivable/payable	**(146)**	(28)	(158)
Net cash provided by operating activities	**1,750**	1,435	1,187
Cash flows from investing activities:			
Acquisitions of businesses, net of cash acquired	**(293)**	—	(6)
Payments for property, equipment and software	**(125)**	(149)	(207)
Proceeds from disposition of businesses	**9**	—	2
Other	**4**	7	—
Net cash used in investing activities	**(405)**	(142)	(211)
Cash flows from financing activities:			
Proceeds from debt issuance	**997**	—	1,743
Repayments of borrowings	**(1,019)**	(18)	(2,045)
Payments for debt issuance and modification costs	**(7)**	—	(7)
Dividend payments	**(211)**	(208)	(201)
Repurchases of stock and other	**(944)**	(906)	(246)
Proceeds from issuances of stock	**62**	55	50
Net capital distributions to non-controlling interests	**(16)**	(6)	(9)
Other	**(7)**	(1)	—
Net cash used in financing activities	**(1,145)**	(1,084)	(715)
Effect of foreign exchange rate changes on cash and cash equivalents	**13**	(10)	6
Net increase in cash, cash equivalents and restricted cash	**213**	199	267
Cash, cash equivalents and restricted cash at beginning of year	**991**	792	525
Cash, cash equivalents and restricted cash at end of year	**1,204**	991	792
Less: restricted cash at end of year	**96**	142	151
Cash and cash equivalents at end of year	**$ 1,108**	$ 849	$ 641

LEIDOS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Year Ended		
(in millions)	**January 2, 2026**	January 3, 2025	December 29, 2023
Supplementary cash flow information:			
Cash paid for interest	**$ 220**	$ 226	$ 207
Cash paid for income taxes, net of refunds	**276**	460	435
Non-cash investing activity:			
Property, plant and equipment additions	**$ 5**	$ 72	$ 2
Non-cash financing activity:			
Finance lease obligations	**$ —**	$ —	$ 65

See accompanying notes to consolidated financial statements.

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Nature of Operations and Basis of Presentation

NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Leidos Holdings, Inc. (“Leidos”), a Delaware corporation, is a holding company whose direct 100%-owned subsidiary and principal operating company is Leidos, Inc. Leidos is an industry and technology leader serving government and commercial customers with smarter, more efficient digital and mission innovations. Headquartered in Reston, Virginia, with 47,000 global employees, Leidos’ customers include the U.S. Department of War (“DoW”), the U.S. Intelligence Community, the U.S. Department of Homeland Security, the Federal Aviation Administration, the Department of Veterans Affairs and many other U.S. civilian, state and local government agencies, foreign government agencies and commercial businesses. Unless indicated otherwise, references to “we,” “us” and “our” refer collectively to Leidos Holdings, Inc. and its consolidated subsidiaries.

Our business is aligned into four reportable segments: National Security & Digital, Health & Civil, Commercial & International and Defense Systems. Additionally, we separately present the unallocated costs associated with corporate functions as Corporate.

We have a 53% controlling interest in Hanford Mission Integration Solutions, LLC (“HMIS”), the legal entity for the follow-on contract to Mission Support Alliance, LLC's ("MSA") contract and a joint venture with Centerra Group, LLC and Parsons Government Services, Inc. In fiscal 2025, we dissolved our controlling interest in MSA. We consolidate the financial results for HMIS into our consolidated financial statements.

The consolidated financial statements also include the balances of all voting interest entities in which Leidos has a controlling voting interest (“subsidiaries”) and a variable interest entity (“VIE”) in which Leidos is the primary beneficiary. The consolidated balances of the VIE are not material to the consolidated financial statements for the periods presented. Intercompany accounts and transactions between consolidated companies have been eliminated in consolidation.

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. We disaggregated "Deferred tax assets" from "Other long-term assets" and "Deferred tax liabilities" from "Other long-term liabilities" on the consolidated balance sheets. Additionally, we combined "Net proceeds from sale of assets" into "Other" within net cash used in investing activities on the consolidated statements of cash flows.

We changed our Cash and Cash Equivalents policy to exclude outstanding payments from “Cash and cash equivalents” on the consolidated balance sheets. Prior year financial information has been updated to conform to our current presentation on the consolidated balance sheet and consolidated statement of cash flows (See "Note 3—Summary of Significant Accounting Policies").

Note 2—Accounting Standards

ACCOUNTING STANDARDS UPDATES ADOPTED

ASU 2023-09 Income Taxes

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09, to enhance the transparency and usefulness of income tax disclosures. The update requires enhancements to the annual rate reconciliation, including disclosure of specific categories and additional information for reconciling items meeting a quantitative threshold. The update also requires disclosure of income taxes paid disaggregated by federal, state and foreign taxes, and individual jurisdictions meeting a quantitative threshold.

The amendments in this update are effective for public business entities for annual periods beginning after December 15, 2024, and may be adopted on a prospective or retrospective basis. Effective fiscal 2025, we adopted the requirements of ASU 2023-09, using the prospective method (See "Note 18—Income Taxes"). The adoption did not have a material impact on our consolidated financial statements and related disclosures.

ACCOUNTING STANDARDS UPDATES ISSUED BUT NOT YET ADOPTED

ASU 2024-03 Disaggregation of Income Statement Expenses

In November 2024, the FASB issued ASU 2024-03, to enhance the transparency of certain expense disclosures. The update requires disclosure of specific expense categories in the notes to the financial statements at interim and annual reporting periods. The update requires disaggregated information about certain prescribed expense categories underlying any relevant income statement expense caption.

The amendments in this update are effective for public entities for annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027. The amendments may be adopted either prospectively or retrospectively. Early adoption is permitted. We are currently evaluating the impacts of this update and plan to adopt these amendments for annual disclosures in fiscal 2027 and interim disclosures in fiscal 2028.

ASU 2025-06 Intangibles - Goodwill and Other-Internal-Use Software

In September 2025, the FASB issued ASU 2025-06, which amends certain aspects of the accounting and disclosure of Internal use software costs. Current guidance requires capitalization of internal-use software development costs depending on the nature of the costs and the project stage during which they occur. The amendments in this update remove references to prescriptive and sequential software development stages and require entities to start capitalizing software development costs when a) management authorizes and commits to funding the software project, and b) it is probable that the project will be completed, and the software will be used to perform the intended function.

The amendments in this update are effective for public business entities for annual periods beginning after December 15, 2027, including interim periods within those annual reporting periods, and may be adopted on a prospective, modified or retrospective basis. Early adoption is permitted. We are currently evaluating the impacts of this update and plan to adopt these amendments using the prospective approach in fiscal 2026. We do not expect them to have a material impact on our consolidated financial statements and related disclosures.

Note 3—Summary of Significant Accounting Policies

REPORTING PERIODS

Our fiscal year ends on the Friday nearest the end of December. Fiscal 2025 ended January 2, 2026, fiscal 2024 ended January 3, 2025, and fiscal 2023 ended December 29, 2023. Fiscal 2025 and 2023 both included 52 weeks and fiscal 2024 included 53 weeks.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Management evaluates these estimates and assumptions on an ongoing basis, including those relating to estimated profitability of long-term contracts, indirect billing rates, allowances for credit losses, inventories, right-of-use (“ROU”) assets and lease liabilities, fair value and impairment of intangible assets and goodwill, income taxes, pension benefits, stock-based compensation expense and contingencies. These estimates have been prepared by management on the basis of the most current and best available information; however, actual results could differ materially from those estimates.

OPERATING CYCLE

Our operating cycle for long-term contracts may be greater than one year and is measured by the average time intervening between the inception and the completion of those contracts.

BUSINESS COMBINATIONS, INVESTMENTS AND VARIABLE INTEREST ENTITIES

Business Combinations

The accounting for business combinations requires management to make judgments and estimates related to the fair value of assets acquired, including the identification and valuation of intangible assets, as well as liabilities and contingencies assumed. Such judgments and estimates directly impact the amount of goodwill recognized in connection with an acquisition. Estimating the fair value of acquired assets and assumed liabilities, including intangibles, requires judgments about expected future cash flows, weighted-average cost of capital, discount rates and expected long-term growth rates.

Investments

Investments in entities and corporate joint ventures where we have a non-controlling ownership interest but over which we have the ability to exercise significant influence, are accounted for under the equity method of accounting. We recognize our proportionate share of the entities' net income or loss and do not consolidate the entities' assets and liabilities.

Equity investments in entities over which we do not have the ability to exercise significant influence and whose securities do not have a readily determinable fair value are carried at cost or cost net of other-than-temporary impairments.

Investments are assessed for impairment whenever events or change in circumstances indicate that the carrying value may not be recoverable.

Variable Interest Entities

We occasionally form joint ventures and/or enter into arrangements with special purpose limited liability companies for the purpose of bidding and executing on specific projects. We analyze each such arrangement to determine whether it represents a VIE. If the arrangement is determined to be a VIE, we assess whether we are the primary beneficiary of the VIE and are consequently required to consolidate the VIE.

DIVESTITURES

From time-to-time, we may dispose (or management may commit to plans to dispose) of strategic or non-strategic components of the business. Divestitures representing a strategic shift that has (or will have) a major effect in operations and financial results are classified as discontinued operations, whereas non-strategic divestitures remain in continuing operations.

RESTRUCTURING EXPENSES

Restructuring expenses represent costs associated with an exit or disposal activity which no longer provide on-going economic benefits to the Company. Restructuring costs may include employee severance benefits, costs to terminate contracts and other permanent exit costs to consolidate or close facilities directly related to the restructuring program.

One-time involuntary termination benefits with a required service period of less than 60 days are recognized when the benefits have been communicated to employees and one-time termination benefits with a required service period in excess of 60 days are recognized over the requisite period. Ongoing termination benefit arrangements are recognized at estimated fair value when it is probable that they will be incurred and are reasonably estimable. Costs associated with exit or disposal activities, including the related one-time and ongoing involuntary termination benefits, are included as “Acquisition, integration and restructuring costs” on the consolidated statements of operations.

REVENUES

Our revenues from contracts with customers are from offerings including space and maritime; energy infrastructure; digital modernization and cyber; mission software; and managed health services, primarily with the U.S. government and its agencies. We also serve various state and local governments, foreign governments and commercial customers.

We perform under various types of contracts, which include firm-fixed-price (“FFP”), time-and-materials (“T&M”), fixed-price-level-of-effort (“FPLOE”), cost-plus-fixed-fee (“CPFF”), cost-plus-award-fee, cost-plus-incentive-fee ("CPIF") and fixed-price-incentive-fee (“FPIF”) contracts.

To determine the proper revenue recognition, we first evaluate whether we have a duly approved and enforceable contract with a customer, in which the rights of the parties and payment terms are identified, and collectability is probable. We also evaluate whether two or more contracts should be combined and accounted for as a single contract, including the task orders issued under an indefinite delivery/indefinite quantity (“IDIQ”) award. In addition, we assess contract modifications to determine whether changes to existing contracts should be accounted for as part of the original performance obligation or as a separate performance obligation. Contract modifications generally relate to changes in contract specifications and requirements and do not add distinct services, and therefore are accounted for as part of the original performance obligation.

If contract modifications add distinct goods or services and increase the contract value by an amount that reflects the standalone selling price, those modifications are accounted for as separate performance obligations.

Most of our contracts contain multiple promises including the design and build of software-based systems, integration of hardware and software solutions, running and maintaining of IT infrastructure and procurement services. In all cases, we assess if the multiple promises should be accounted for as separate performance obligations or combined into a single performance obligation. We generally separate multiple promises in a contract as separate performance obligations if those promises are distinct, both individually and in the context of the contract. If multiple promises in a contract are highly interrelated or require significant integration or customization within a group, they are combined and accounted for as a single performance obligation.

Our contracts with the U.S. government often contain options to renew existing contracts for an additional period of time (generally a year at a time) under the same terms and conditions as the original contract, and generally do not provide the customer any material rights under the contract. We account for renewal options as separate performance obligations when they include distinct goods or services at standalone selling prices.

Certain cost-plus and fixed-price contracts contain award fees, incentive fees or other provisions that may either increase or decrease the transaction price. These variable amounts generally are awarded upon achievement of certain performance metrics, program milestones or cost targets and can be based upon customer discretion. We estimate variable consideration at the most likely amount that we expect to be entitled to, based on the assessment of the contract specific variable fee criteria, complexity of work and related risks, extent of customer discretion, amount of variable consideration received historically and the potential of significant reversal of revenue.

Contracts with the U.S. government are subject to the Federal Acquisition Regulation (“FAR”) and priced on estimated or actual costs of providing the goods or services. The FAR provides guidance on types of costs that are allowable in establishing prices for goods and services provided to the U.S. government and its agencies. Each contract is competitively priced and bid separately. Pricing for non-U.S. government agencies and commercial customers is based on specific negotiations with each customer. We allocate the transaction price of a contract to its performance obligations primarily based upon the proportional individual selling prices. The performance obligation’s standalone selling price is generally based on an expected cost-plus margin approach. For certain product sales, performance obligations may be allocated to a contract's transaction price based on prices from other standalone sales or the residual value method. Substantially all of our contracts do not contain a significant financing component, which would require an adjustment to the transaction price of the contract. Any taxes collected or imposed when determining the transaction price are excluded.

We recognize revenue on our service-based contracts primarily over time as there is continuous transfer of control to the customer over the duration of the performance period as the work is performed. For U.S. government contracts, continuous transfer of control to the customer is evidenced by clauses in the contract that allow the customer to unilaterally terminate the contract for convenience, pay for costs incurred plus a reasonable profit and take control of any work-in-process. Similarly, for non-U.S. government contracts, the customer typically controls the work-in-process as evidenced by rights to payment for work performed to date plus a reasonable profit to deliver products or services for which we do not have an alternate use. Anticipated losses on service-based revenue contracts are recognized when incurred over the period of performance while the full amount of anticipated losses on other contracts are recognized during the period in which the losses are determined. In certain product sales, where the products have an alternate use, revenue is recognized at a point in time when the customer takes control of the asset usually denoted by possession, transfer of legal title and acceptance by the customer.

On performance obligations that require system integration and capability development efforts or contain variable consideration, revenue is recognized over time generally using a method that measures the extent of progress towards completion of a performance obligation, principally using a cost-input method (referred to as the cost-to-cost method). Under the cost-to-cost method, revenue is recognized based on the proportion of total costs incurred to estimated total costs-at-completion (“EAC”). A performance obligation’s EAC includes all direct costs such as materials, labor, subcontract costs, overhead and a ratable portion of general and administrative costs. In addition, an EAC of a performance obligation includes future losses estimated to be incurred on onerous contracts, as and when known.

On certain other performance obligations, principally associated with T&M, FPLOE and CPFF contracts, revenue is generally recognized using the right-to-invoice practical expedient as we are contractually able to invoice the customer based on the control transferred to the customer. Additionally, on maintenance (generally FFP) performance obligations, revenue is recognized over time using a straight-line method as the control of the services is provided to the customer evenly over the period of performance.

For certain performance obligations where we are not primarily responsible for fulfilling the promise to provide the goods or service to the customer, do not have inventory risk and do not have discretion in establishing the price for the goods or service, we recognize revenue on a net basis.

CONTRACT COSTS

Contract costs generally include direct costs such as labor, materials, subcontract costs and indirect costs identifiable with or allocable to a specific contract. Costs are expensed as incurred unless they qualify for deferral and capitalization. Contract costs incurred for U.S. government contracts, including indirect costs, are subject to audit and adjustment by the Defense Contract Audit Agency ("DCAA") (see "Note 21—Commitments and Contingencies").

Fulfillment Costs

Contract fulfillment costs include costs incurred prior to the commencement of service to transition services, employees, and equipment to or from the customer or from a prior contractor. Eligible contract fulfillment costs are deferred and recognized on a straight-line basis over the anticipated term of the contract or specified period of performance.

Project Assets

Purchases of assets used to fulfill a specific contract with a customer that do not constitute other specific asset classes are capitalized as project assets when the costs are generally expected to be recovered, we maintain ownership of the asset and the benefit is received over a period of time. Project assets include prepaid services and maintenance agreements, certain material purchases and other costs incurred on contracts. Project assets are generally amortized using the straight-line method over the shorter of the estimated useful life of the asset or the expected contract period of performance.

CHANGES IN ESTIMATES ON CONTRACTS

Changes in estimates related to contracts accounted for using the cost-to-cost method of accounting are recognized in the period in which such changes are made for the inception-to-date effect of the changes, with the exception of contracts acquired through a business combination, where the adjustment is made for the period commencing from the date of acquisition.

Changes in estimates on contracts for the periods presented were as follows:

	Year Ended		
(in millions, except for per share amounts)	**January 2, 2026**	January 3, 2025	December 29, 2023
Favorable impact	**$ 198**	$ 184	$ 140
Unfavorable impact	**(114)**	(153)	(100)
Net favorable impact to income before income taxes	**$ 84**	$ 31	$ 40
Impact on diluted EPS attributable to Leidos common stockholders	**$ 0.49**	$ 0.17	$ 0.22

The impact on diluted earnings per share ("EPS") attributable to Leidos common stockholders is calculated using our statutory tax rate.

Revenue Recognized from Prior Obligations

During fiscal 2025, 2024 and 2023, revenue recognized from performance obligations satisfied in previous periods was $41 million, $13 million and $8 million, respectively. The changes primarily relate to revisions of variable consideration, including award and incentive fees, and revisions to estimates at completion resulting from changes in contract scope, mitigation of contract risks or true-ups of contract estimates at the end of contract performance.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

We classify indirect costs incurred within or allocated to our U.S. government customer contracts as overhead (included in "Cost of revenues") or general and administrative expenses in the same manner as such costs are defined in our disclosure statements under U.S. government Cost Accounting Standards.

Selling, general and administrative expenses include general and administrative, bid and proposal, company-funded research and development expenses, and legal fees and settlements.

We conduct research and development activities under customer-funded contracts and with company-funded research and development funds. Company-funded research and development expense was $187 million, $150 million and $128 million for fiscal 2025, 2024 and 2023, respectively. Expenses for research and development activities performed under customer contracts are charged directly to cost of revenues for those contracts.

INCOME TAXES

We account for income taxes under the asset and liability method in accordance with the accounting standard for income taxes. The asset and liability method requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities. Under this method, changes in tax rates and laws are recognized in income in the period such changes are enacted.

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent results of operations. If we were to determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount or would no longer be able to realize our deferred income tax assets in the future as currently recorded, we would make an adjustment to the valuation allowance which would decrease or increase the provision for income taxes.

The provision for federal, state, foreign and local income taxes is calculated on income before income taxes based on current tax law and includes the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Such provision differs from the amounts currently payable because certain items of income and expense are recognized in different reporting periods for financial reporting purposes than for income tax purposes.

We record liabilities for uncertain tax positions in accordance with Accounting Standards Codification ("ASC") 740, Accounting for Income Taxes, on the basis of a two-step process in which we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. We recognize interest and penalties related to uncertain tax positions in our income tax expense.

CASH AND CASH EQUIVALENTS

Our cash equivalents are primarily comprised of investments in several large institutional money market accounts, with original maturity of three months or less. Effective fiscal 2025, we changed our policy to exclude outstanding payments from “Cash and cash equivalents” on the consolidated balance sheets. To reflect the change in accounting policy, we recast "Cash and cash equivalents" and "Accounts payable and accrued liabilities" on the consolidated balance sheet as of January 3, 2025, reducing both balances by $94 million from the previously reported amounts. The recast of the consolidated statement of cash flows for the year ended January 3, 2025, and December 29, 2023, resulted in an increase of $43 million and $22 million, respectively, to net cash provided by operations.

We believe this presentation enhances the usefulness of financial reporting and enhances comparability to align with industry practice. There was no impact to our consolidated statements of operations, including EPS, consolidated statements of comprehensive income, or consolidated statements of equity. All periods presented have been adjusted.

RESTRICTED CASH

We have restricted cash balances, primarily representing advances from customers that are restricted as to use for certain expenditures related to that customer’s contract. Restricted cash balances are included within “Other current assets” on the consolidated balance sheets. Our restricted cash balances were $96 million and $142 million at January 2, 2026, and January 3, 2025, respectively.

RECEIVABLES

Receivables include amounts billed and currently due from customers, amounts billable where the right to consideration is unconditional and amounts unbilled. Billable and unbilled amounts are recognized at estimated realizable value and consist of costs and fees, most of which are expected to be billed and collected generally within one year. Unbilled amounts also include rate variances that are billable upon negotiation of final indirect rates with the Defense Contract Management Agency.

Cost-reimbursable and T&M contracts are generally billed as costs are incurred. FFP contracts are billed either based on milestones, which are the achievement of specific events as defined in the contract, or based on progress payments, which are interim payments up to a designated amount of costs incurred as work progresses. On certain contracts, the customer withholds a certain percentage of the contract price (retainage). These withheld amounts are included within unbilled receivables and are billed upon contract completion or the occurrence of a specified event, typically after negotiation of final indirect rates with the U.S. government. Based on our historical experience, the write-offs of retention balances have not been significant.

When events or conditions indicate that amounts outstanding from customers may become uncollectible, an allowance is estimated and recorded. This estimate is based on the age of outstanding receivables or specific identification of balances at risk of becoming uncollectible.

Amounts billed and collected on contracts but not yet recorded as revenue because we have not performed our obligation under the arrangement with a customer are deferred and included within “Accounts payable and accrued liabilities” or “Other long-term liabilities” on the consolidated balance sheets.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject us to concentrations of credit risk primarily consist of accounts receivable and derivatives. Since our receivables are primarily with the U.S. government, we do not have exposure to material credit risk. We managed our credit risk related to derivatives through the use of multiple counterparties with high credit standards.

INVENTORIES

Inventories are valued at the lower of cost or estimated net realizable value. Generally, raw material inventory is valued using the moving average cost method. Work-in-process inventory may include material costs, labor and allocable overhead costs. The majority of finished goods inventory consists of technology and security products, inspection systems and baggage scanning equipment. Inventory is evaluated against historical or planned usage to determine appropriate provisions for obsolete inventory.

GOODWILL

Goodwill represents the excess of the fair value of consideration transferred, plus the fair value of any non-controlling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill is not amortized, but is tested for impairment at the reporting unit level on an annual basis and more frequently if events or circumstances indicate that the carrying value of the reporting unit may not be recoverable. Our policy is to perform our annual goodwill impairment evaluation as of the first day of the fourth quarter of our fiscal year. During fiscal 2025 and 2024, we had eight reporting units for the purpose of testing goodwill for impairment.

Goodwill is evaluated for impairment either under a qualitative or a quantitative approach, depending on the facts and circumstances of a reporting unit, consideration of the excess of a reporting unit’s fair value over its carrying amount in previous assessments and changes in business environment.

When performing a qualitative assessment, we consider factors including, but not limited to, current macroeconomic conditions, industry and market conditions, cost factors, financial performance and other relevant events to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If we determine that it is more likely than not that a reporting unit’s fair value is less than its carrying value, a quantitative goodwill impairment test is performed.

When performing a quantitative goodwill impairment test, the reporting unit carrying value is compared to its fair value. Goodwill is deemed impaired if the reporting unit carrying value exceeds its fair value. The impairment loss is recognized for the amount by which the carrying value exceeds its fair value.

We estimate the fair value of each reporting unit using Level 3 inputs when a quantitative analysis is performed. These analyses rely on significant judgments and assumptions including, but not limited to expected future cash flows, weighted-average cost of capital, discount rates, expected long-term growth rates, operating margins and selection of guideline public companies.

INTANGIBLE ASSETS

Acquired intangible assets with finite lives and internally developed software are amortized using the method that best reflects how their economic benefits are utilized or, if a pattern of economic benefits cannot be reliably determined, on a straight-line basis over their estimated useful lives. Program intangible assets are amortized over their respective estimated useful lives in proportion to the pattern of economic benefit based on expected future discounted cash flows.

Customer relationships and software and technology intangible assets are amortized either on a straight-line basis over their estimated useful lives or over their respective estimated useful lives in proportion to the pattern of economic benefit based on expected future discounted cash flows, as deemed appropriate. Backlog intangible assets are amortized on a straight-line basis over their estimated useful lives. Intangible assets with finite lives are amortized over the following periods:

	Estimated useful lives (in years)
Software and technology	3-15
Programs	6-13
Customer relationships	10
Backlog	1

Intangible assets with finite lives are assessed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets with indefinite lives are not amortized but are assessed for impairment at the beginning of the fourth quarter and whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

PROPERTY, PLANT AND EQUIPMENT

Purchases of property, plant and equipment, including purchases of software and software licenses, as well as costs associated with major renewals and improvements are capitalized. Maintenance, repairs and minor renewals and improvements are expensed as incurred.

Construction-in-progress ("CIP") is used to accumulate all costs for projects that are not yet complete. CIP balances are transferred to the appropriate asset account when the asset is ready for its intended use.

When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization is removed from the accounts and any resulting gain or loss is recognized. Depreciation is recognized using the methods and estimated useful lives as follows:

	Depreciation method	**Estimated useful lives** (in years)
Computers and other equipment	Straight-line or declining-balance	2-15
Buildings	Straight-line	Not to exceed 40
Building improvements and leasehold improvements	Straight-line	Shorter of useful life of asset or remaining lease term
Vehicles and transportation equipment	Straight-line	3-15
Office furniture and fixtures	Straight-line or declining-balance	6-9

We evaluate our long-lived assets for potential impairment whenever there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable and the carrying value of the asset exceeds its estimated fair value.

LEASES

Lessee

We have facilities and equipment lease arrangements. An arrangement is determined to be a lease at inception if it conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. ROU assets represent the right to use an underlying asset over the lease term and lease liabilities represent the obligation to make lease payments arising from the lease.

ROU assets and lease liabilities are recorded on the consolidated balance sheet at the lease commencement date based on the present value of the future minimum lease payments over the lease term. We generally do not know the discount rate implicit in our leases; therefore, the discount rate used is our incremental borrowing rate which is determined based on the rate of interest that we would have to pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term. An ROU asset is initially measured by the present value of the remaining lease payments, plus initial direct costs and prepaid lease payments, less any lease incentives received before commencement. The remaining lease cost is allocated over the remaining lease term on a straight-line basis unless another systematic or rational basis is more representative of the pattern in which the underlying asset is expected to be used.

Certain facility leases contain options to renew or extend the terms of the lease which are included in the determination of the ROU assets and lease liabilities when it is reasonably certain that we will exercise the option. Leases may also include variable lease payments such as an escalation clause based on consumer price index rates, maintenance costs and utilities. Variable lease payments that depend on an index or a rate are included in the determination of ROU assets and lease liabilities using the index or rate at the lease commencement date, whereas variable lease payments that do not depend on an index or rate are recorded as lease expense in the period incurred. At January 2, 2026, some of the Company's equipment leases include residual value guarantees.

We use the practical expedient to account for lease and non-lease components together as a single lease. The practical expedient is applied to all material classes of leased assets except for aircraft, for which we account for the lease component and non-lease component separately.

The related lease payments on short-term facility and equipment leases are recognized as expense on a straight-line basis over the lease term.

ROU assets are evaluated for impairment in a manner consistent with the treatment of other long-lived assets. ROU assets are assessed for potential impairment whenever there is evidence that events or changes in circumstances indicate that the carrying value of the asset may not be recoverable and the carrying amount of the asset exceeds its estimated fair value. This includes an establishment of a plan of abandonment, which occurs when we have committed to a plan to abandon the lease before the end of its previously estimated useful life and there is no expectation that we will re-enter or re-purpose the space.

Lessor

We are a lessor on certain equipment sales-type and operating lease arrangements with our customers. To be considered lease revenue, the contract must contain a specified asset, we must not have a substantive substitution right, the customer must have the right to direct the use of the specified asset during the period of use and the customer must have the right to obtain substantially all of the economic benefit of the specified asset.

Certain arrangements may contain variable payments that depend on an index or rate and are measured using the index or rate on the commencement date. Variable payments that are not included in the net investments are recorded as revenue as incurred. Arrangements may also contain options to renew or extend the performance period. Option periods are included in the lease term if we determine that it is reasonably certain the customer will exercise an option.

We have arrangements that contain both lease and non-lease components. We account for them as one unit of account if the timing and pattern of transfer is identical for both the lease and the non-lease components and the lease component would be classified as an operating lease if accounted for separately. If both criteria are met and the predominant component is a lease, then the entire arrangement will be accounted for in accordance with ASC 842, Leases. If we account for an arrangement both as a lease and non-lease component, then the allocation of consideration for each component will be based on the relative standalone sales price.

FAIR VALUE MEASUREMENTS

The accounting standard for fair value measurements establishes a three-level fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: observable inputs such as quoted prices in active markets (Level 1); inputs other than quoted prices in active markets for identical or similar assets or liabilities that are observable either directly or indirectly or quoted prices that are not active (Level 2); and unobservable inputs in which there is little or no market data (e.g., discounted cash flow and other similar pricing models), which requires us to develop our own assumptions about the assumptions that market participants would use in pricing the asset or liability (Level 3).

The accounting guidance for fair value measurements requires that we maximize the use of observable inputs and minimize the use of unobservable inputs in determining fair value. The accounting guidance provides for the irrevocable option to elect, on a contract-by-contract basis, to measure certain financial assets and liabilities at fair value at inception of the contract and record any subsequent changes in fair value in earnings. We have not made fair value option elections on any of our financial assets and liabilities.

The fair value of financial instruments is determined based on quoted market prices, if available, or management's best estimate (see "Financial Instruments" below).

Management evaluates its investments for impairment at each balance sheet date. If management determines that an other-than-temporary decline in the fair value of an investment has occurred, an impairment loss is recognized to reduce the investment to its estimated fair value. The income approach, which generally includes Level 2 or Level 3 inputs, is applied to measure the fair value of financial instruments for which there is not an observable market.

Our non-financial instruments measured at fair value on a non-recurring basis include goodwill, indefinite-lived intangible assets and long-lived tangible assets. The valuation methods used to determine fair value require a significant degree of management judgment to determine the key assumptions. As such, we generally classify non-financial instruments as either Level 2 or Level 3 fair value measurements.

FINANCIAL INSTRUMENTS

We are exposed to certain market risks which are inherent in certain transactions entered into during the normal course of business. These transactions include sales or purchase contracts denominated in foreign currencies and exposure to changing interest rates. We may elect to manage our risk to changes in interest rates and foreign currency exchange rates through the use of derivative instruments.

For variable rate borrowings, we used fixed interest rate swaps, effectively converting a portion of the variable interest rate payments to fixed interest rate payments. These swaps were designated as cash flow hedges. The fair value of these interest rate swaps was determined based on observed values for the underlying interest rates (Level 2).

Our defined benefit plan assets consist of investments in pooled funds that contain investments with values based on quoted market prices, but for which the pools are not valued on a daily quoted market basis (Level 2).

STOCK-BASED COMPENSATION

We account for stock-based compensation at the grant date based on the fair value of the award and recognize expense over the requisite service period, which is generally the vesting period, net of an estimated forfeiture rate.

The fair value of restricted stock awards and performance-based stock awards is based on the closing price of Leidos common stock on the last business day prior to the grant date. The fair value of performance-based stock awards with market conditions is based on using a Monte Carlo simulation.

The Black-Scholes-Merton option pricing model is used to estimate the fair value of stock option awards. The model requires management to make estimates about, among other things, employee exercise behavior, forfeiture rates and the expected volatility of Leidos common stock over the expected option term. These judgments directly affect the amount of compensation expense that will ultimately be recognized.

FOREIGN CURRENCY

The financial statements of consolidated international subsidiaries, for which the functional currency is not the U.S. dollar, are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities and a weighted average exchange rate over the reporting period for revenues, expenses, gains and losses. Translation adjustments are recorded as accumulated other comprehensive loss in stockholders' equity. Gains and losses due to movements in foreign currency exchange rates are recognized as "Other income (expense), net" on the consolidated statements of operations.

Note 4—Revenues

REMAINING PERFORMANCE OBLIGATIONS

Remaining performance obligations ("RPO") represent the expected value of exercised contracts, both funded and unfunded, less revenue recognized to date. RPO does not include unexercised option periods and future potential task orders expected to be awarded under IDIQ contracts, General Services Administration Schedule or other master agreement contract vehicles, with the exception of certain IDIQ contracts where task orders are not competitively awarded and separately priced but instead are used as a funding mechanism, and where there is a basis for estimating future revenues and funding on future anticipated task orders.

As of January 2, 2026, we had $18.5 billion of RPO and expect to recognize approximately 65% and 82% over the next 12 months and 24 months, respectively, with the remaining to be recognized thereafter.

DISAGGREGATION OF REVENUES

We disaggregate revenues by customer-type, contract-type and geographic location for each of our reportable segments. These categories represent how the nature, timing and uncertainty of revenues and cash flows are affected.

Disaggregated revenues by customer-type were as follows:

	Year Ended January 2, 2026				
(in millions)	National Security & Digital	Health & Civil	Commercial & International	Defense Systems	Total
DoW and U.S. Intelligence Community	$ 5,457	$ 970	$ 27	$ 1,972	$ 8,426
Other U.S. government agencies[1]	1,985	4,003	388	82	6,458
Commercial and non-U.S. customers	121	80	1,897	125	2,223
Total	**$ 7,563**	**$ 5,053**	**$ 2,312**	**$ 2,179**	**$ 17,107**

	Year Ended January 3, 2025				
(in millions)	National Security & Digital	Health & Civil	Commercial & International	Defense Systems	Total
DoW and U.S. Intelligence Community	$ 5,074	$ 1,032	$ 44	$ 1,812	$ 7,962
Other U.S. government agencies[1]	2,115	3,899	379	95	6,488
Commercial and non-U.S. customers	115	63	1,825	123	2,126
Total	$ 7,304	$ 4,994	$ 2,248	$ 2,030	$ 16,576

	Year Ended December 29, 2023				
(in millions)	National Security & Digital	Health & Civil	Commercial & International	Defense Systems	Total
DoW and U.S. Intelligence Community	$ 4,799	$ 1,059	$ 35	$ 1,684	$ 7,577
Other U.S. government agencies[1]	2,212	3,082	319	121	5,734
Commercial and non-U.S. customers	131	61	1,762	74	2,028
Total	$ 7,142	$ 4,202	$ 2,116	$ 1,879	$ 15,339

[1] Includes federal government agencies other than the DoW and U.S. Intelligence Community, as well as state and local government agencies.

The majority of our revenues are generated from U.S. government contracts, either as a prime contractor or as a subcontractor to other contractors. Revenues from the U.S. government can be adversely impacted by spending caps or changes in budgetary priorities of the U.S. government, as well as delays in program start dates or the award of a contract.

Disaggregated revenues by contract-type were as follows:

	Year Ended January 2, 2026				
(in millions)	National Security & Digital	Health & Civil	Commercial & International	Defense Systems	Total
Cost-reimbursement and fixed-price-incentive-fee	$ 4,127	$ 1,807	$ 380	$ 1,292	$ 7,606
Firm-fixed-price	2,109	3,057	1,442	739	7,347
Time-and-materials and fixed-price-level-of-effort	1,327	189	490	148	2,154
Total	**$ 7,563**	**$ 5,053**	**$ 2,312**	**$ 2,179**	**$ 17,107**

	Year Ended January 3, 2025				
(in millions)	National Security & Digital	Health & Civil	Commercial & International	Defense Systems	Total
Cost-reimbursement and fixed-price-incentive-fee	$ 3,870	$ 1,787	$ 358	$ 1,290	$ 7,305
Firm-fixed-price	2,023	2,990	1,454	587	7,054
Time-and-materials and fixed-price-level-of-effort	1,411	217	436	153	2,217
Total	$ 7,304	$ 4,994	$ 2,248	$ 2,030	$ 16,576

	Year Ended December 29, 2023				
(in millions)	National Security & Digital	Health & Civil	Commercial & International	Defense Systems	Total
Cost-reimbursement and fixed-price-incentive-fee	$ 3,808	$ 2,015	$ 345	$ 1,173	$ 7,341
Firm-fixed-price	2,040	2,006	1,351	567	5,964
Time-and-materials and fixed-price-level-of-effort	1,294	181	420	139	2,034
Total	$ 7,142	$ 4,202	$ 2,116	$ 1,879	$ 15,339

Cost-reimbursement and FPIF contracts are generally lower risk and have lower profits. T&M and FPLOE contracts are also lower risk, but profits may vary depending on actual labor costs compared to negotiated contract billing rates. FFP contracts offer the potential for higher profits while increasing the exposure to risk of cost overruns.

Disaggregated revenues by geographic location were as follows:

	Year Ended January 2, 2026				
(in millions)	National Security & Digital	Health & Civil	Commercial & International	Defense Systems	Total
United States	$ 7,520	$ 5,044	$ 993	$ 2,146	$ 15,703
International	43	9	1,319	33	1,404
Total	**$ 7,563**	**$ 5,053**	**$ 2,312**	**$ 2,179**	**$ 17,107**

	Year Ended January 3, 2025				
(in millions)	National Security & Digital	Health & Civil	Commercial & International	Defense Systems	Total
United States	$ 7,274	$ 4,989	$ 961	$ 1,982	$ 15,206
International	30	5	1,287	48	1,370
Total	$ 7,304	$ 4,994	$ 2,248	$ 2,030	$ 16,576

	Year Ended December 29, 2023				
(in millions)	National Security & Digital	Health & Civil	Commercial & International	Defense Systems	Total
United States	$ 7,105	$ 4,197	$ 852	$ 1,861	$ 14,015
International	37	5	1,264	18	1,324
Total	$ 7,142	$ 4,202	$ 2,116	$ 1,879	$ 15,339

Our international business operations, primarily located in Australia and the UK, are subject to additional and different risks than our U.S. business. Failure to comply with U.S. government laws and regulations applicable to international business, such as the Foreign Corrupt Practices Act or U.S. export control regulations, could have an adverse impact on our business with the U.S. government.

In some countries, there is an increased chance for economic, legal or political changes that may adversely affect the performance of our services, sales of products or repatriation of profits. International transactions can also involve increased financial and legal risks arising from foreign exchange variability, imposition of tariffs or additional taxes and restrictive trade policies and delays or failure to collect amounts due to differing legal systems.

Revenues by contract-type, customer-type and geographic location exclude lease income of $67 million, $86 million and $99 million for fiscal 2025, 2024 and 2023, respectively (see “Note 10—Leases”).

CONTRACT ASSETS AND LIABILITIES

Performance obligations are satisfied either over time as work progresses or at a point in time. Firm-fixed-price contracts are typically billed to the customer using milestone payments while cost-reimbursable and time and materials contracts are typically billed to the customer on a monthly or bi-weekly basis as indicated by the negotiated billing terms and conditions of the contract. As a result, the timing of revenue recognition, customer billings and cash collections for each contract results in a net contract asset or liability at the end of each reporting period.

Contract assets consist of unbilled receivables, which is the amount of revenue recognized that exceeds the amount billed to the customer. Unbilled receivables exclude amounts billable where the right to consideration is unconditional and not billed. Contract liabilities consist of deferred revenue, which represents cash advances received prior to performance for programs and billings in excess of revenue recognized.

The components of contract assets and contract liabilities consisted of the following:

(in millions)	**Balance sheet line item**	**January 2, 2026**	January 3, 2025
Contract assets - current:			
Unbilled receivables	Receivables, net	**$ 894**	$ 842
Contract liabilities - current:			
Deferred revenue(1)	Accounts payable and accrued liabilities	**$ 348**	$ 333
Contract liabilities - non-current:			
Deferred revenue(1)	Other long-term liabilities	**$ 6**	$ 10

(1) Certain contracts record revenue on a net contract basis, and therefore, the respective deferred revenue balance will not fully convert to revenue.

The increase in unbilled receivables was primarily due to revenue recognized on certain contracts, partially offset by the timing of billings on certain contracts. The increase in deferred revenue was primarily due to the timing of advanced payments from customers, offset by revenue recognized during the period.

Revenue recognized during fiscal 2025 and 2024 of $233 million and $278 million, respectively, was included as a contract liability at January 3, 2025, and December 29, 2023, respectively.

There were no impairment losses recognized on contract assets during fiscal 2025, 2024 and 2023.

Note 5—Acquisitions and Divestitures

ACQUISITIONS

We may acquire businesses as part of our growth strategy to provide new or enhance existing capabilities and offerings to customers. During fiscal 2025, we completed the acquisition of Savanna Industries, Inc. ("Kudu Dynamics").

Kudu Dynamics Acquisition

On May 23, 2025 (the "Purchase Date"), we completed the acquisition of Kudu Dynamics for a final purchase consideration of $293 million, net of $29 million of cash acquired. The Kudu Dynamics business provides artificial intelligence enabled cyber capabilities for defense, intelligence and homeland security customers.

The preliminary goodwill recognized of $231 million represents intellectual capital and the acquired assembled workforce, neither of which qualify for recognition as a separate intangible asset. All of the goodwill recognized is tax deductible.

The following table summarizes the final fair value of intangible assets acquired at the Purchase Date and the related weighted average amortization period:

	Weighted Amortization Period (in years)	Fair Value (in millions)
Programs	7	$ 60
Backlog	1	12
Total		**$ 72**

As of January 2, 2026 we had not finalized the determination of fair values allocated to assets and liabilities, including, but not limited to, accounts receivables, accounts payable and accrued liabilities and other long-term liabilities.

For fiscal 2025, $60 million of revenues related to Kudu Dynamics were recognized within the National Security & Digital reportable segment.

Integration Costs

The following expenses were incurred related to the Company's acquisitions:

	Year Ended		
(in millions)	**January 2, 2026**	January 3, 2025	December 29, 2023
Integration costs	**$ 4**	$ 10	$ 19

These integration costs have been recorded across our reportable segments and to Corporate and presented in "Acquisition, integration and restructuring costs" on the consolidated statement of operations.

DIVESTITURES

On October 31, 2025, the Company completed the divestiture of an immaterial business not aligned to the Company's long term strategy within the Commercial & International reportable segment. The final sales price was approximately $14 million and net assets of $9 million were divested as a result of the transaction.

On October 20, 2023, we disposed of an immaterial business within our Defense Systems reportable segment. The final sales price was approximately $2 million and net assets of $7 million were divested as a result of the transaction.

Note 6—Receivables

The components of receivables, net consisted of the following:

(in millions)	**January 2, 2026**	January 3, 2025
Billed and billable receivables	**$ 1,828**	$ 1,820
Unbilled receivables	**894**	842
Allowance for credit losses	**(14)**	(17)
	$ 2,708	$ 2,645

Note 7—Inventory

The components of inventory, net consisted of the following:

(in millions)	January 2, 2026	January 3, 2025
Raw materials	**$ 253**	$ 217
Work-in-process	**40**	36
Finished goods	**49**	62
	$ 342	$ 315

Note 8—Goodwill and Intangible Assets

GOODWILL

The following table presents changes in the carrying amount of goodwill by reportable segment:

(in millions)	National Security & Digital	Health & Civil	Commercial & International	Defense Systems	Total
Goodwill at December 29, 2023[(1)]	$ 2,758	$ 1,366	$ 800	$ 1,188	$ 6,112
Foreign currency translation adjustments	—	—	(28)	—	(28)
Goodwill at January 3, 2025[(1)]	2,758	1,366	772	1,188	6,084
Acquisition of a business	231	—	—	—	231
Divestiture of a business	—	—	(7)	—	(7)
Foreign currency translation adjustments	—	—	34	—	34
Goodwill at January 2, 2026[(1)]	**$ 2,989**	**$ 1,366**	**$ 799**	**$ 1,188**	**$ 6,342**

(1) Carrying amount includes accumulated impairment loss of $596 million within the Commercial & International segment.

Operations of the Security Enterprise Solutions (“SES”) reporting unit rely heavily on the sales and servicing of security and detection products. In fiscal 2023, SES restructured its portfolio by discontinuing select product offerings and ceasing operations in certain countries to better align with its strategic plan. These changes, along with delays in airline travel infrastructure projects and higher than anticipated servicing costs, contributed to a significant reduction in the reporting unit’s forecasted revenue and cash flows. As a result, in fiscal 2023, we conducted a quantitative goodwill impairment analysis and our estimates led us to determine that the carrying value of the SES reporting unit exceeded its estimated fair value (see “Note 11—Fair Value Measurements”). We recorded a non-cash goodwill impairment charge of $596 million for the SES reporting unit as of fiscal 2023, within the Commercial & International reportable segment.

In the fourth quarter of fiscal 2025 and 2024, we performed a quantitative analysis for the SES reporting unit and concluded that no further impairment was necessary as the fair value of the reporting unit exceeded the carrying value.

In the fourth quarter of fiscal 2025, 2024 and 2023, we performed a qualitative analysis for certain reporting units which determined that it was more likely than not that the fair values of these reporting units were in excess of the individual reporting units’ carrying values. In the event that there are significant unfavorable changes to the forecasted cash flows, forecasted revenue, terminal growth rates or the cost of capital used in the fair value estimates, we may be required to record an additional impairment of goodwill at a future date.

INTANGIBLE ASSETS

Intangible assets, net consisted of the following:

	January 2, 2026			January 3, 2025		
(in millions)	Gross carrying value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value
Finite-lived intangible assets:						
Programs	$ 1,748	$ (1,391)	$ 357	$ 1,686	$ (1,293)	$ 393
Software and technology	264	(187)	77	261	(165)	96
Customer relationships	53	(34)	19	52	(28)	24
Backlog	12	(7)	5	—	—	—
Total finite-lived intangible assets	2,077	(1,619)	458	1,999	(1,486)	513
Indefinite-lived intangible assets:						
Trade names	—	—	—	4	—	4
Total intangible assets	$ 2,077	$ (1,619)	$ 458	$ 2,003	$ (1,486)	$ 517

Our strategic decisions regarding SES' product offerings and operating regions (see the goodwill discussion above) caused certain technology, customer relationships and in-process research and development ("IPR&D") intangible assets to be abandoned and the carrying values of certain program intangible assets to become unrecoverable. As a result, we recognized intangible asset impairment charges of $79 million for fiscal 2023, which included $33 million for IPR&D intangible assets. The impairment was recorded to “Asset impairment charges” in the consolidated statements of operations within the Commercial & International reportable segment. In the event that we are required to make an additional impairment of goodwill at a future date or if other events occur that negatively impact these intangible assets, we may also be required to record an additional impairment of intangible assets at that time.

Amortization expense related to intangible assets was $130 million, $147 million and $202 million for fiscal 2025, 2024 and 2023, respectively.

The estimated annual amortization expense related to finite-lived intangible assets as of January 2, 2026, is as follows:

Fiscal year ending (in millions)	
2026	$ 111
2027	85
2028	76
2029	63
2030	50
2031 and thereafter	73
	$ 458

Actual amortization expense in future periods could differ from these estimates as a result of future acquisitions, divestitures, impairments and other factors.

Note 9—Property, Plant and Equipment

Property, plant and equipment, net consisted of the following:

(in millions)	January 2, 2026	January 3, 2025
Computers and other equipment	$ 474	$ 473
Leasehold improvements	590	567
Vehicles and transportation equipment	400	321
Buildings and improvements	137	137
Office furniture and fixtures	79	78
Land	17	17
Construction-in-progress	84	107
	1,781	1,700
Less: accumulated depreciation and amortization	(820)	(709)
	$ 961	$ 991

Depreciation expense was $160 million, $143 million and $129 million for fiscal 2025, 2024 and 2023, respectively.

Note 10—Leases

LESSEE

ROU assets and lease liabilities consisted of the following:

(in millions)	Balance sheet line item	January 2, 2026	January 3, 2025
ROU assets:			
Finance leases	Property, plant and equipment, net	$ 50	$ 69
Operating leases	Operating lease right-of-use assets, net	526	560
		$ 576	$ 629
Current lease liabilities:			
Finance leases	Short-term debt and current portion of long-term debt	$ 20	$ 19
Operating leases	Accounts payable and accrued liabilities	107	123
		$ 127	$ 142
Non-current lease liabilities:			
Finance leases	Long-term debt, net of current portion	$ 34	$ 54
Operating leases	Operating lease liabilities	587	621
		$ 621	$ 675

During fiscal 2025 and 2024, we reduced our leased space by exiting and consolidating underutilized buildings as part of an ongoing facility rationalization effort. We used discounted cash flow models to estimate the fair values of the affected assets and as a result, we recorded impairments of ROU and other assets in the amount of $5 million and $11 million for fiscal 2025 and 2024, respectively. The impairment charges were recorded across our reportable segments.

In fiscal 2024, we took occupancy of our newly constructed facility in San Diego, CA. As a result we recorded $117 million of ROU assets and $169 million of lease liabilities.

Total lease cost for the periods presented consisted of the following:

	Year Ended		
(in millions)	**January 2, 2026**	January 3, 2025	December 29, 2023
Finance lease cost:			
Amortization of ROU assets	**$ 20**	$ 20	$ 18
Interest on lease liabilities	**3**	4	4
	23	24	22
Operating lease cost[1]	**145**	143	148
Variable lease cost	**35**	35	35
Short-term lease cost	**2**	4	2
Less: Sublease income	**(3)**	—	—
Total lease cost	**$ 202**	$ 206	$ 207

[1] Includes ROU lease expense of $115 million, $119 million and $124 million for fiscal 2025, 2024 and 2023, respectively.

Lease costs and sublease income are included in “Cost of revenues” and “Selling, general and administrative expenses” within the consolidated statements of operations.

Lease terms and discount rates related to leases were as follows:

	Year Ended		
	January 2, 2026	January 3, 2025	December 29, 2023
Weighted-average remaining lease term (in years):			
Finance leases	**3.9**	4.4	5.2
Operating leases	**9.5**	9.9	7.3
Weighted-average discount rate:			
Finance leases	**4.3 %**	4.7 %	4.8 %
Operating leases	**4.6 %**	4.5 %	3.7 %

Other information related to leases was as follows:

	Year Ended		
(in millions)	**January 2, 2026**	January 3, 2025	December 29, 2023
Cash paid for amounts included in measurement of lease liabilities:			
Operating cash related to finance leases	**$ 3**	$ 4	$ 4
Operating cash related to operating leases	**165**	163	167
Financing cash flows related to finance leases	**19**	18	17
ROU assets obtained in exchange for lease liabilities:			
Finance lease liabilities	**$ —**	$ —	$ 63
Operating lease liabilities	**69**	236	97

Future minimum lease commitments of our finance and operating leases on an undiscounted basis, reconciled to the respective lease liability at January 2, 2026, were as follows:

Fiscal Year Ending (in millions)	**Finance lease commitments**	**Operating lease commitments**
2026	$ 22	$ 134
2027	15	106
2028	5	102
2029	5	88
2030	5	80
2031 and thereafter	6	376
Total undiscounted cash flows	58	886
Less: imputed interest	(4)	(192)
Lease liability as of January 2, 2026	**$ 54**	**$ 694**

LESSOR

As of January 2, 2026, and January 3, 2025, we had a total net investment in sales-type leases, which relates to lease payment receivables, of $79 million and $94 million, respectively. The current and non-current portions of net investment in sales-type leases are included within “Other current assets” and “Other long-term assets”, respectively, on the consolidated balance sheets.

The components of lease income were as follows:

		Year Ended		
(in millions)	**Statement of operations line item**	**January 2, 2026**	January 3, 2025	December 29, 2023
Sales-type leases:				
Selling price at lease commencement	Revenues	**$ 44**	$ 55	$ 51
Cost of underlying asset	Cost of revenues	**(33)**	(40)	(41)
Operating income		**11**	15	10
Interest income on lease receivables	Revenues	**2**	5	9
		13	20	19
Operating lease income	Revenues	**21**	26	39
Total lease income		**$ 34**	$ 46	$ 58

As of January 2, 2026, undiscounted cash flows for sales-type and operating leases for the next five years are as follows:

Fiscal Year Ending (in millions)	**Sales-type leases**	**Operating-type leases**
2026	$ 43	$ 2
2027	27	1
2028	10	1
2029	1	—
Total undiscounted cash flows	$ 81	$ 4
Present value of lease payments as lease receivables	79	
Difference between undiscounted cash flows and discounted cash flows	$ 2	

Note 11—Fair Value Measurements

As of January 3, 2025, our derivatives primarily consisted of the cash flow interest rate swaps on $500 million of the variable rate senior unsecured term loan (see “Note 12—Derivative Instruments”). The carrying value and fair value of our cash flow interest rate swap was $4 million. The fair value of the cash flow interest rate swaps was determined based on observed values for underlying interest rates on the one-month Secured Overnight Financing Rate ("SOFR") rate as of January 3, 2025 (Level 2 inputs). The $500 million interest rate swaps matured in August 2025.

Financial instruments measured on a recurring basis at fair value also include our defined benefit plan assets (Level 2 inputs). See “Note 19—Retirement Plans” for further details on these investments.

The carrying amounts of our financial instruments, other than derivatives, which include cash equivalents, accounts receivable, accounts payable and accrued expenses, are reasonable estimates of their related fair values. The carrying value of our notes receivable of $15 million and $16 million as of January 2, 2026, and January 3, 2025, respectively, approximates fair value as the stated interest rates within the agreements are consistent with the current market rates used in notes with similar terms in the market (Level 2 inputs). Our notes receivable are included within “Other current assets” and "Other long-term assets" on the consolidated balance sheets.

As of January 2, 2026, and January 3, 2025, the fair value of debt was $4.7 billion and $4.5 billion, respectively, and the carrying amount was $4.6 billion and $4.7 billion, respectively (see “Note 13—Debt”). The fair value of debt is determined based on current interest rates available for debt with terms and maturities similar to our existing debt arrangements (Level 2 inputs).

In fiscal 2023, we recorded impairment charges of SES’ goodwill (see “Note 8—Goodwill and Intangible Assets”). The fair values of the assets and liabilities of the SES reporting unit were determined using a blended approach, including discounted cash flow models and market earnings multiples. The market approach estimates fair value based on profitability and valuation metrics for peer companies and applies a multiple to the reporting unit’s operating performance. The income approach estimates fair value by discounting the reporting unit’s estimated future cash flows using a weighted-average cost of capital reflecting current market conditions as well as the risk profile of the reporting unit. Future cash flows are based on estimates of economic and market assumptions made using the best judgment of management, including growth rates in revenue and margins, and future changes in tax rates and cash expenditures. Other significant assumptions and estimates include estimates of future capital expenditures, terminal value growth rates, and changes in future working capital requirements. The fair value of the SES reporting unit was determined using Level 3 inputs.

On May 23, 2025, the assets and liabilities acquired in connection with the Kudu Dynamics acquisition were measured at fair value on a non-recurring basis using Level 3 inputs (see "Note 5—Acquisitions and Divestitures").

Note 12—Derivative Instruments

The fair value of the interest rate swaps was as follows:

(in millions)	**Balance sheet line item**	**January 2, 2026**	January 3, 2025
Cash flow interest rate swaps	Other current assets	**$ —**	$ 4

The cash flows associated with the interest rate swaps are classified as operating activities in the consolidated statements of cash flows.

CASH FLOW HEDGES

As of January 3, 2025, we had 2.96% fixed interest rate swap agreements to hedge the cash flows of $500 million of the variable rate senior unsecured term loan (the “Variable Rate Loan”). The objective of these instruments was to reduce variability in the forecasted interest payments of the Variable Rate Loan. Under the terms of the interest rate swap agreements, we received monthly variable interest payments based on the one-month SOFR and paid interest at a fixed rate. These interest rate swap agreements matured in August 2025.

The interest rate swap transactions were accounted for as cash flow hedges. The gain/loss on the swaps was reported as a component of other comprehensive income (loss) and was reclassified into earnings when the interest payments on the underlying hedged items impacted earnings. A qualitative assessment of hedge effectiveness was performed on a quarterly basis.

The effect of the cash flow hedges on other comprehensive income (loss) and earnings for the periods presented was as follows:

	Year Ended		
(in millions)	**January 2, 2026**	January 3, 2025	December 29, 2023
Total interest expense, net presented in the consolidated statements of operations in which the effects of cash flow hedges are recorded	**$ 203**	$ 193	$ 212
Amount recognized in other comprehensive income	**1**	5	6
Amount reclassified from accumulated other comprehensive loss to interest expense, net	**(4)**	(11)	(15)

Note 13—Debt

Debt consisted of the following:

(in millions)	Stated interest rate	Effective interest rate	**January 2, 2026**	January 3, 2025
Senior unsecured term loan:				
$1,000 million term loan, due March 2028	5.12 %	5.27 %	**$ 500**	$ 1,000
Senior unsecured notes:				
$500 million notes, due May 2025	3.63 %	3.76 %	**—**	500
$750 million notes, due May 2030	4.38 %	4.50 %	**750**	750
$1,000 million notes, due February 2031	2.30 %	2.38 %	**1,000**	1,000
$500 million notes, due March 2032	5.40 %	5.42 %	**500**	—
$250 million notes, due July 2032	7.13 %	7.43 %	**250**	250
$750 million notes, due March 2033	5.75 %	5.81 %	**750**	750
$300 million notes, due July 2033	5.50 %	5.88 %	**161**	161
$500 million notes, due March 2035	5.50 %	5.55 %	**500**	—
$300 million notes, due December 2040	5.95 %	6.03 %	**218**	218
Finance leases due on various dates through fiscal 2032	Various	2.28%-6.31%	**54**	73
Less: unamortized debt discounts and deferred debt issuance costs			**(35)**	(32)
Total long-term debt			**4,648**	4,670
Less current portion			**(20)**	(618)
Total long-term debt, net of current portion			**$ 4,628**	$ 4,052

REVOLVING CREDIT FACILITY

We have a $1.0 billion senior unsecured revolving facility (the “Revolving Facility”). The Revolving Facility will mature in March 2028 and is subject to an annual commitment fee rate of 0.125% on the unused credit availability and permits two additional one-year extensions subject to lender consent. Principal payments are made quarterly, with the majority of the principal due at maturity. As of January 2, 2026, and January 3, 2025, there were no borrowings outstanding under the Revolving Facility.

SENIOR NOTES

On February 20, 2025, we issued and sold $500 million senior notes maturing in March 2032 (the "2032 Notes") and $500 million senior notes maturing in March 2035 (the "2035 Notes", and together with the 2032 Notes, the "Notes"). The Notes are senior unsecured obligations issued by Leidos, Inc. and guaranteed by Leidos Holdings, Inc. The annual interest rates for the 2032 Notes and the 2035 Notes are 5.40% and 5.50%, respectively, and the interest is payable on a semi-annual basis. In connection with the issuance of the Notes, $10 million of debt issuance costs and discount were recognized, which were recorded as an offset against the carrying value of debt. The proceeds from the Notes were used to retire the $500 million senior unsecured notes due May 2025 and repurchase $500 million outstanding shares of common stock in connection with the Accelerated Share Repurchase ("ASR") agreement (see "Note 16—Earnings Per Share").

COMMERCIAL PAPER

We have a commercial paper program in which the Company may issue short-term unsecured commercial paper notes (“Commercial Paper Notes”). The proceeds will be used for general corporate purposes, including working capital, capital expenditures, acquisitions and share repurchases.

The Commercial Paper Notes are issued in minimum denominations of $0.25 million and have maturities of up to 397 days from the date of issuance. The Commercial Paper Notes will bear either a stated or floating interest rate, if interest bearing, or will be sold at a discount from the face amount. As of January 2, 2026, and January 3, 2025, we did not have any Commercial Paper Notes outstanding.

COVENANTS

The senior unsecured term loan, senior unsecured notes and Revolving Facility are fully and unconditionally guaranteed and contain certain customary restrictive covenants, including among other things, restrictions on our ability to create liens and enter into sale and leaseback transactions under certain circumstances.

The financial covenants in the Credit Agreement require that we maintain, as of the last day of each fiscal quarter, a ratio of adjusted consolidated total debt to consolidated EBITDA of not more than 3.75 to 1.00, subject to increases to 4.50 to 1.00 for four fiscal quarters following a material acquisition, and a ratio of EBITDA to consolidated interest expense of not less than 3.50 to 1.00.

We were in compliance with all covenants as of January 2, 2026.

PRINCIPAL PAYMENTS

Future minimum payments of debt are as follows:

Fiscal Year Ending (in millions)		
2026	$	20
2027		14
2028		504
2029		5
2030		755
2031 and thereafter		3,385
Total principal payments		4,683
Less: unamortized debt discount and issuance costs		(35)
Total long-term debt	**$**	**4,648**

Note 14—Accumulated Other Comprehensive Income (Loss)

Changes in the components of Accumulated Other Comprehensive Income (Loss) ("AOCI") were as follows:

(in millions)	Foreign currency translation adjustments	Unrecognized gain (loss) on derivative instruments	Pension adjustments	Total AOCI
Balance at December 30, 2022	$ (73)	$ 13	$ (13)	$ (73)
Other comprehensive income (loss)	36	6	(1)	41
Taxes	(2)	1	—	(1)
Reclassification from AOCI	—	(15)	—	(15)
Balance at December 29, 2023	(39)	5	(14)	(48)
Other comprehensive income (loss)	(64)	5	2	(57)
Taxes	5	2	(1)	6
Reclassification from AOCI	—	(11)	—	(11)
Balance at January 3, 2025	(98)	1	(13)	(110)
Other comprehensive income (loss)	74	1	(3)	72
Taxes	(8)	(1)	1	(8)
Reclassification from AOCI	—	(4)	—	(4)
Balance at January 2, 2026	**$ (32)**	**$ (3)**	**$ (15)**	**$ (50)**

Reclassifications for unrecognized gain (loss) on derivative instruments associated with outstanding debt are recorded in "Interest expense, net" on the consolidated statements of operations. See "Note 12—Derivative Instruments" for more information on our interest rate swap agreements.

Note 15—Composition of Certain Financial Statement Captions

Balance Sheets (in millions)	**January 2, 2026**	January 3, 2025
Other current assets:		
Fulfillment costs and project assets[1]	**$ 83**	$ 93
Other[2]	**573**	432
	$ 656	$ 525
Other long-term assets:[3]		
Fulfillment costs and project assets[1]	**$ 30**	$ 16
Other[2]	**314**	305
	$ 344	$ 321
Accounts payable and accrued liabilities:[4]		
Accrued liabilities	**$ 734**	$ 883
Accounts payable	**627**	611
Deferred revenue	**348**	333
Other[2]	**279**	304
	$ 1,988	$ 2,131
Accrued payroll and employee benefits:		
Accrued vacation	**$ 358**	$ 366
Accrued bonuses	**177**	164
Salaries and amounts withheld from employees' compensation	**284**	281
	$ 819	$ 811

(1) For the year ended January 2, 2026, and January 3, 2025, $346 million and $328 million, respectively, of amortization was recognized related to fulfillment costs and project assets.

(2) Balance represents items that are not individually significant to disclose separately.

(3) For the year ended January 2, 2026, we disaggregated "Deferred tax assets" from "Other long-term assets" on the consolidated balance sheets. As a result, the prior year activity has been reclassified to conform with the current year presentation.

(4) For the year ended January 3, 2025, we recast "Accounts payable and accrued liabilities" on the consolidated balance sheets to reflect a change in accounting policy (see "Note 3—Summary of Significant Accounting Policies").

Note 16—Earnings Per Share

Basic EPS is computed by dividing net income attributable to Leidos common stockholders by the basic weighted average number of shares outstanding. Diluted EPS is calculated to give effect to all potentially dilutive common shares that were outstanding during the reporting period. The dilutive effect of outstanding equity-based compensation awards is reflected in diluted EPS by application of the treasury stock method, only in periods in which such effect would have been dilutive for the period.

We issue unvested stock awards that have forfeitable rights to dividends or dividend equivalents. These stock awards are dilutive common share equivalents subject to the treasury stock method.

The weighted average number of shares used to compute basic and diluted EPS attributable to Leidos stockholders were:

	Year Ended		
(in millions)	**January 2, 2026**	January 3, 2025	December 29, 2023
Basic weighted average number of shares outstanding	**128**	134	137
Dilutive common share equivalents—stock options and other stock awards	**2**	2	1
Diluted weighted average number of shares outstanding	**130**	136	138

Anti-dilutive stock-based awards are excluded from the weighted average number of shares outstanding used to compute diluted EPS. The total number of outstanding stock options and vesting stock awards that were anti-dilutive was less than 0.5 million for both fiscal 2025 and 2024, and was 1 million for fiscal 2023.

SHARE REPURCHASES

During fiscal 2025, 2024 and 2023, we made open market repurchases of our common stock for an aggregate purchase price of $400 million, $850 million, and $225 million, respectively. All repurchased shares were immediately retired.

In fiscal 2025, we entered into an ASR agreement with a financial institution to repurchase shares of our outstanding common stock. We paid $500 million to the financial institution and received 3.6 million shares.

The repurchases were recorded to “Additional paid-in capital” in the consolidated balance sheets. All shares delivered were immediately retired.

Note 17—Stock-Based Compensation

PLAN SUMMARIES

As of January 2, 2026, we had stock-based compensation awards outstanding under the following plans: the 2017 Omnibus Incentive Plan and the 2006 Employee Stock Purchase Plan, as amended (“ESPP”). We issue new shares upon the vesting of stock units or exercising of stock options under these plans.

The 2017 Omnibus Incentive Plan provides Leidos and its affiliates’ employees, directors and consultants the opportunity to receive various types of stock-based compensation awards, such as stock options, restricted stock units and performance-based awards, as well as cash awards. We grant service-based awards that generally vest or become exercisable 33% a year over three years, 25% a year over four years or cliff vest in three years. As of January 2, 2026, 2.7 million shares of Leidos’ stock were reserved for future issuance under the 2017 Omnibus Incentive Plan.

We offer eligible employees the opportunity to defer restricted stock units into an equity-based deferred equity compensation plan, the Key Executive Stock Deferral Plan (“KESDP”). Prior to 2013, we offered an additional opportunity for deferrals into the Management Stock Compensation Plan (“MSCP”). Benefits from these plans are payable in shares of Leidos’ stock that are held in a trust for the purpose of funding shares to the plans’ participants. Restricted stock units deferred under the KESDP are counted against the total shares available for future issuance under the 2017 Omnibus Incentive Plan. All awards under the MSCP are fully vested and the plan does not provide for a maximum number of shares available for future issuance.

Our ESPP allows eligible employees to purchase shares of Leidos’ stock at a discount on the date of purchase. During fiscal 2025, 2024 and 2023, the discount was 10% of the fair market value on the date of purchase. During fiscal 2025, 2024 and 2023, $57 million, $52 million and $48 million, respectively, was received from ESPP plan participants for the issuance of Leidos’ stock. A total of 1.5 million shares remain available for future issuance under the ESPP.

Stock-based compensation and related tax benefits recognized under all plans were as follows:

	Year Ended		
(in millions)	**January 2, 2026**	January 3, 2025	December 29, 2023
Total stock-based compensation expense	**$ 95**	$ 85	$ 77
Tax benefits recognized from stock-based compensation	**18**	17	17

STOCK OPTIONS

Stock options are granted with exercise prices equal to the fair market value of Leidos' common stock using the closing price on the business day prior to the grant date and for terms not greater than ten years. Stock options have a term of seven years and a vesting period of three or four years, except for stock options granted to our outside directors, which have a vesting period of the earlier of one year from grant date or the next annual meeting of stockholders following grant date.

The fair value of the stock option awards is estimated on the date of grant using the Black-Scholes-Merton option-pricing model. The fair value of the stock option awards to employees are expensed on a straight-line basis over the vesting period of three or four years, except for stock options granted to our outside directors, which is recognized over the vesting period of one year or less.

During fiscal 2025, 2024 and 2023, we used a blended approach to measure expected volatility that is based on our weighted average historical and implied volatility.

The risk-free rate is derived using the yield curve of a zero-coupon U.S. Treasury bond with a maturity equal to the expected term of the stock option on the grant date. To determine the expected term, we use the midpoint scenario with a one-year grant date filter assumption for outstanding options and we use historical data to estimate forfeitures. The weighted average grant-date fair value and assumptions used to determine fair value of stock options granted for the periods presented were as follows:

	Year Ended		
	January 2, 2026	January 3, 2025	December 29, 2023
Weighted average grant-date fair value	**$ 34.99**	$ 35.45	$ 25.21
Expected term (in years)	**4.3**	4.5	4.7
Expected volatility	**27.5%**	28.7%	28.6%
Risk-free interest rate	**4.0%**	4.1%	4.0%
Dividend yield	**1.1%**	1.3%	1.4%

Stock option activity for each of the periods presented was as follows:

	Shares of stock under stock options		Weighted average exercise price	Weighted average remaining contractual term		Aggregate intrinsic value
	(in millions)			(in years)		(in millions)
Outstanding at December 30, 2022	1.8	$	81.45	3.9	$	42
Options granted	0.3		92.71			
Options forfeited or expired	—		95.05			
Options exercised	(0.2)		53.78			9
Outstanding at December 29, 2023	1.9	$	86.22	3.7	$	41
Options granted	0.2		130.81			
Options forfeited or expired	(0.1)		106.09			
Options exercised	(0.8)		80.93			43
Outstanding at January 3, 2025	1.2	$	97.53	3.9	$	58
Options granted	0.3		134.00			
Options forfeited or expired	—		127.52			
Options exercised	(0.4)		85.97			23
Outstanding at January 2, 2026	**1.1**	**$**	**110.10**	**4.1**	**$**	**77**
Exercisable at January 2, 2026	**0.5**	**$**	**97.21**	**2.9**	**$**	**46**
Vested and expected to vest in the future as of January 2, 2026	**1.0**	**$**	**109.90**	**4**	**$**	**77**

As of January 2, 2026, there was $7 million of unrecognized compensation cost, net of estimated forfeitures, related to stock options, which is expected to be recognized over a weighted-average period of 1.5 years. Tax benefits from stock options exercised for fiscal 2025, 2024 and 2023 were $4 million, $7 million and $2 million, respectively.

RESTRICTED STOCK UNITS AND AWARDS

Compensation expense is measured at the grant date fair value and generally recognized over the vesting period of three or four years based upon required service conditions and in some cases revenue or EPS-based performance conditions.

Restricted stock units and awards activity for each of the periods presented was as follows:

	Shares of stock under stock awards	Weighted average grant-date fair value
	(in millions)	
Unvested stock awards at December 30, 2022	1.3	$ 98.52
Awards granted	0.6	95.82
Awards forfeited	(0.1)	97.18
Awards vested	(0.4)	97.65
Unvested stock awards at December 29, 2023	1.4	$ 97.71
Awards granted	0.5	133.06
Awards forfeited	(0.1)	107.67
Awards vested	(0.6)	94.94
Unvested stock awards at January 3, 2025	1.2	$ 111.43
Awards granted	0.6	139.50
Awards forfeited	—	122.77
Awards vested	(0.5)	106.56
Unvested stock awards at January 2, 2026	**1.3**	**$ 126.60**

As of January 2, 2026, there was $70 million of unrecognized compensation cost, net of estimated forfeitures, related to restricted stock units, which is expected to be recognized over a weighted average period of 1.7 years. The fair value of restricted stock units that vested in fiscal 2025, 2024 and 2023 was $72 million, $74 million and $40 million, respectively.

PERFORMANCE-BASED STOCK AWARDS

Performance-based stock awards vest and the stock is issued at the end of a three-year period based upon the achievement of specific performance criteria, with the number of shares ultimately awarded, if any, ranging up to 200% of the specified target awards. If performance is below the threshold level of performance, no shares will be issued.

For awards granted during fiscal 2025, 2024 and 2023, the target number of shares of stock granted under the awards will vest and the stock will be issued at the end of a three-year period based on a three-year cycle performance period and the actual number of shares to be issued will be based upon the achievement of the three-year cycle's performance criteria. Also, during fiscal 2025, 2024 and 2023, we granted performance-based awards with market conditions. These market condition awards provide for a target number of shares, with the actual number of shares issued upon vesting determined based on the achievement of applicable market conditions. The awards vest at the end of a three-year performance period based on specified total shareholder return performance measures and the employees continued service through the vesting date.

Performance-based stock award activity for each of the periods presented was as follows:

	Expected number of shares of stock to be issued under performance-based stock awards	Weighted average grant-date fair value
	(in millions)	
Unvested at December 30, 2022	0.5	$ 106.70
Awards granted	0.2	99.34
Awards forfeited	—	104.90
Awards vested	(0.1)	116.37
Unvested at December 29, 2023	0.6	$ 102.22
Awards granted	0.1	176.69
Awards forfeited	(0.1)	117.15
Awards vested	(0.2)	88.81
Unvested at January 3, 2025	0.4	$ 123.89
Awards granted	0.2	146.36
Awards forfeited	—	141.83
Awards vested	(0.2)	119.17
Unvested at January 2, 2026	**0.4**	**$ 134.87**

The weighted average grant date fair value for performance-based stock, excluding those with a market condition, during fiscal 2025, 2024 and 2023 was $133.06, $130.15 and $93.90, respectively. The weighted average grant date fair value for performance-based stock with market conditions that were granted during fiscal 2025, 2024 and 2023 was $166.24, $186.81 and $108.38, respectively, and was calculated using the Monte Carlo simulation.

The Monte Carlo simulation assumptions used for the periods presented were as follows:

	Year Ended		
	January 2, 2026	January 3, 2025	December 29, 2023
Expected volatility	**26.08 %**	24.86 %	26.35 %
Risk free rate of return	**3.93 %**	4.20 %	4.33 %
Weighted average grant date stock price	**$ 133.06**	$ 130.15	$ 93.90

As of January 2, 2026, there was $27 million of unrecognized compensation cost, net of estimated forfeitures, which is expected to be recognized over a weighted average period of 1.7 years. The fair value of performance-based stock awards that vested in fiscal 2025, 2024 and 2023 was $24 million, $16 million, and $12 million, respectively.

Note 18—Income Taxes

The provision for income taxes for the periods presented included the following:

(in millions)	Year Ended January 2, 2026	January 3, 2025	December 29, 2023
Current:			
U.S. federal	**$ 5**	$ 381	$ 212
State	**53**	84	68
Foreign	**21**	22	23
Deferred:			
U.S. federal	**341**	(77)	(75)
State	**27**	(13)	(20)
Foreign	**—**	(9)	(13)
Total	**$ 447**	$ 388	$ 195

Below is the rate reconciliation pursuant to the disclosure requirements of ASU 2023-09, which represents the reconciliation of the provision for income taxes to the amount computed by applying the statutory federal income tax rate to income before income taxes for the periods presented:

(dollars in millions)	Year Ended January 2, 2026	
U.S. federal statutory tax rate	**$ 401**	**21.0 %**
State and local income taxes, net of federal income tax effect[1]	**39**	**1.9**
Foreign tax effects	**5**	**0.3**
Effect of cross-border tax laws	**2**	**0.1**
Tax credits:		
Research and development tax credits	**(22)**	**(1.2)**
Other	**(1)**	**—**
Changes in valuation allowances	**3**	**0.2**
Nontaxable or nondeductible items	**(2)**	**(0.1)**
Changes in unrecognized tax benefits	**25**	**1.3**
Other adjustments	**(3)**	**(0.1)**
Effective tax rate	**$ 447**	**23.4 %**

[1] State taxes in VA and MD made up the majority (greater than 50 percent) of the tax effect in this category.

The company has elected to adopt the provisions of ASU 2023-09 on a prospective basis beginning fiscal 2025 as shown above, the rate reconciliation for the periods prior to the adoption of ASU 2023-09, were as follows:

(dollars in millions)	January 3, 2025	December 29, 2023
Amount computed at the statutory federal income tax rate	$ 344	$ 85
State income taxes, net of federal tax benefit	28	26
Goodwill	—	104
Research and development credits	(25)	(19)
Excess tax benefits from stock-based compensation	(15)	(2)
Change in valuation allowance for deferred tax assets	4	3
Impact of foreign operations	(5)	(13)
Dividends paid to employee stock ownership plan	(2)	(2)
Change in accruals for uncertain tax positions	39	14
Other	20	(1)
Total	$ 388	$ 195
Effective income tax rate	23.7 %	48.4 %

The decrease to the effective tax rate for fiscal 2025 compared to fiscal 2024 was primarily due to a decrease in unrecognized tax benefits, partially offset by the impacts from cross-border taxes resulting from the H.R.1 Reconciliation Act, commonly referred to as the One Big Beautiful Bill Act ("OBBBA"). The decrease in the effective tax rate for fiscal 2024 compared to fiscal 2023 was due to non tax deductible goodwill impairments unfavorably impacting fiscal 2023.

Deferred income taxes are recorded for differences in the basis of assets and liabilities for financial reporting purposes and tax reporting purposes. Deferred tax assets (liabilities) were comprised of the following:

(in millions)	January 2, 2026	January 3, 2025
Capitalized research and development	$ 39	$ 370
Operating lease liabilities	167	179
Accrued vacation and bonuses	72	85
Reserves	39	39
Deferred compensation	42	42
Credits and net operating losses carryovers	40	46
Vesting stock awards	34	30
Deferred revenue	5	9
Accumulated other comprehensive loss	3	6
Other	28	30
Total deferred tax assets	469	836
Valuation allowance	(34)	(31)
Deferred tax assets, net of valuation allowance	$ 435	$ 805
Purchased intangible assets	$ (380)	$ (361)
Operating lease right-of-use assets	(132)	(138)
Property, plant and equipment	(84)	(98)
Other	(12)	(7)
Total deferred tax liabilities	(608)	(604)
Net deferred tax assets	$ (173)	$ 201

On July 4, 2025, the OBBBA implemented several corporate tax law changes, including but not limited to, (1) restoring the ability to immediately expense U.S. research and development costs; (2) allowing certain taxpayers an election to deduct the unamortized balance of U.S. research and development costs capitalized in prior years; and (3) reinstating one hundred percent bonus depreciation for eligible property. Based upon our interpretation of the law as currently enacted, income taxes payable and net deferred taxes were $265 million and $230 million, respectively, lower at fiscal 2025, than our estimates prior to the OBBBA enactment.

As of fiscal 2025, we had state net operating losses of $95 million, which we expect to utilize. The losses will begin to expire in fiscal 2034. We had foreign tax credits of $26 million that will begin to expire in fiscal 2030. We expect to utilize $3 million of the foreign tax credits. We also had foreign net operating losses of $32 million, which will not expire and expect to utilize $8 million of the foreign net operating losses.

The income tax payments, net of refunds, by jurisdiction as of January 2, 2026 were as follows:

(in millions)	Income Tax Payments	Income Tax Refunds	Total
U.S. federal	$ 181	$ (2)	$ 179
U.S. state & local:			
Virginia	32	—	32
Other state & local	59	(10)	49
Foreign:			
Australia	16	(1)	15
Other foreign	13	(12)	1
Total	$ 301	$ (25)	$ 276

The changes in the unrecognized tax benefits were as follows:

	Year Ended		
(in millions)	**January 2, 2026**	January 3, 2025	December 29, 2023
Unrecognized tax benefits at beginning of year	**$ 173**	$ 110	$ 92
Additions for tax positions related to current year	**20**	81	58
Additions for tax positions related to prior years	**26**	46	15
Reductions for tax positions related to current year	**(2)**	(1)	(1)
Reductions for tax positions related to prior years	**(116)**	(59)	(54)
Settlements with taxing authorities	**—**	(3)	—
Lapse of statute of limitations	**(2)**	(1)	—
Unrecognized tax benefits at end of year	**$ 99**	$ 173	$ 110
Unrecognized tax benefits that, if recognized, would affect the effective income tax rate	**$ 90**	$ 57	$ 15

As of fiscal 2025 and 2023, unrecognized tax benefits were included within "Other long-term liabilities" on the consolidated balance sheets. As of fiscal 2024, $17 million of unrecognized tax benefits were included within "Accounts payable and accrued liabilities," and $156 million was included within "Other long-term liabilities" on the consolidated balance sheets.

For fiscal 2025, unrecognized tax benefits decreased $92 million for tax positions related to prior years, primarily as a result of uncertainty regarding capitalized research and development costs for the tax years ended fiscal 2023 and fiscal 2024, partially offset by an increase in uncertain state tax positions. In addition, unrecognized tax benefits increased $18 million for tax positions related to the current year, primarily as a result of uncertain state tax positions.

We file income tax returns in the United States and various state and foreign jurisdictions. For the years ended fiscal 2025, 2024 and 2023, we are participating in the Internal Revenue Service (“IRS”) Compliance Assurance Process (“CAP”), a real-time audit of our consolidated federal corporate income tax returns. The IRS has completed their examination of our consolidated federal income tax returns through the year ended fiscal 2022. We believe that participation in CAP should reduce tax-related uncertainties, if any. As of fiscal 2025, we were no longer subject to state, local, or foreign examinations by the tax authorities for fiscal years ended on or before December 30, 2021, except in certain limited cases.

While we believe we have adequate accruals for uncertain tax positions, the tax authorities may determine that we owe taxes in excess of recorded accruals or the recorded accruals may be in excess of the final settlement amounts agreed to by tax authorities.

Note 19—Retirement Plans

DEFINED CONTRIBUTION PLANS

We sponsor various defined contribution plans in which most employees are eligible to participate. These plans allow eligible participants to contribute a portion of their income through payroll deductions and Leidos may also make discretionary contributions. Company contributions were $197 million, $159 million and $148 million for fiscal 2025, 2024 and 2023, respectively.

DEFERRED COMPENSATION PLANS

We maintain three deferred compensation plans, the Keystaff Deferral Plan (“KDP”), the KESDP and the MSCP (the “Deferred Compensation Plans”), for the benefit of certain management or highly compensated employees or members of the Board of Directors. The Deferred Compensation Plans allow eligible participants to elect to defer a portion of their salary, and all or a portion of certain bonuses, including restricted stock unit awards. Directors may also elect to defer their cash compensation in addition to their restricted stock unit awards. Balances in the Deferred Compensation Plans are paid in lump sum or installments upon retirement, termination or the elected specified date.

We do not make any contributions to the KDP but maintain participant accounts for deferred amounts and investments. We maintain a rabbi trust for the purpose of funding benefit payments to the KDP participants. Participants may allocate deferred salary and cash bonus amounts into a variety of designated investment options, with gains and losses based on the elected investment option performance with the participant assuming all risks related to future returns of their contributions.

Under the KESDP, eligible participants may elect to defer in share units all or a portion of certain cash bonuses and restricted stock unit awards granted under the current 2017 Omnibus Incentive Plan (see “Note 17—Stock-Based Compensation”). Under the MSCP, restricted stock share units are fully vested and no further deferrals into the plan are made. We do not make any contributions to the accounts of KESDP or MSCP participants. Benefits from the KESDP and MSCP are payable in shares of Leidos common stock held in a rabbi trust for the purpose of funding benefit payments to KESDP and MSCP participants.

DEFINED BENEFIT PLANS

We sponsor two frozen defined benefit pension plans (“the Defined Benefit Plans”), one in the United Kingdom (“UK”) and another in the United States ("U.S.").

On May 20, 2022, the trustee of our UK defined benefit pension plan (the “Plan”) invested the assets of the Plan in a bulk purchase annuity policy to fully insure the benefits payable to the members of the Plan. As the buy-in transaction insured the defined benefit obligation, we do not anticipate material future contributions. The bulk purchase annuity policy is structured to enable the Plan to move to a full buy-out, at which time the insurer would become directly responsible for all pension payments and we would be relieved of our obligations under the Plan. As of January 2, 2026, and January 3, 2025, the unamortized loss within AOCI related to the Plan was $22 million and $20 million, respectively. As of January 2, 2026, and January 3, 2025, the Plan had net assets of $6 million and $7 million, respectively. On February 11, 2026, the Plan completed a full buy-out and recognized a settlement loss related to the unamortized loss previously recorded within AOCI. Any remaining net plan assets of the Plan will be remitted to the Company upon completion of the settlement process.

The projected benefit obligation of the Defined Benefit Plans as of January 2, 2026, and January 3, 2025, was $89 million and $88 million, respectively.

The fair value of the Defined Benefit Plans assets as of January 2, 2026, and January 3, 2025, was $94 million. The UK Plan funding status was overfunded by $6 million and $7 million as of January 2, 2026, and January 3, 2025, respectively, and the U.S. benefit pension plan was underfunded by $1 million as of January 2, 2026, and January 3, 2025. The underfunded and overfunded positions of the Defined Benefit Plans' assets have been included within “Other long-term liabilities” and "Other long-term assets," respectively, on the consolidated balance sheets.

OTHER

We also sponsor multiemployer defined benefit pension plans and defined contribution plans (401(k) plans) (the “Sponsored Plans”) for employees working on two U.S. government contracts. As part of the contractual agreements, the customers reimburse Leidos for contributions made to these Sponsored Plans as these costs are allowable under government contract cost accounting requirements. If we were to cease being the contractor as a result of a recompetition process, the defined benefit pension plans and related plan assets and liabilities would transfer to the new contractor. If the contract expires or is terminated with no transfer of the pension plan to a successor contractor, any amount by which the plan liabilities exceed plan assets, as of that date, will be reimbursed by the U.S. government customer. Since we are not responsible for the current or future funded status of the pension plans, no assets or liabilities arising from their funded status are recorded in the consolidated financial statements and no amounts associated with these pension plans are included in the defined benefit plan disclosures above.

Note 20—Business Segments

Our operations and reportable segments are organized around the customers and markets we serve. We define our reportable segments based on the way the chief operating decision maker ("CODM"), currently the Chief Executive Officer, manages the operations for purposes of allocating resources and assessing performance. The CODM considers segment revenue and operating income to assist with the evaluation of strategic business decisions, including potential acquisitions or divestitures, whether to invest in certain products or services, share repurchases and the declaration of dividends.

Our business is aligned into six operating segments, which are aggregated into four reportable segments in accordance with the criteria established under ASC 280, Segment Reporting: National Security & Digital, Health & Civil, Commercial & International and Defense Systems. Our reportable segments are focused on specific, defined capability sets that we bring to our customers. Additionally, we separately present the unallocated costs associated with corporate functions as Corporate.

Our National Security & Digital business provides leading-edge and technologically advanced services, solutions and products across substantially all U.S. federal government customers. Our advanced capabilities allow us to provide technology-enabled services, software capabilities and IT modernization.

Our Health & Civil business provides services and solutions to federal and commercial customers in the areas of public health, care coordination, life and environmental sciences and transportation. We are dedicated to delivering effective and affordable solutions that are responsible for the health and well-being of people, including service members and veterans.

Our Commercial & International business delivers a portfolio of products, services, and solutions aimed at securing national assets, modernizing energy and critical infrastructure, and enhancing mission outcomes. Our key customers include Investor-Owned Utilities, government agencies in the United Kingdom and Australia, the Transportation Security Administration, U.S. Customs & Border Protection ("CBP"), as well as airports and ports and borders authorities.

Our Defense Systems business addresses threats facing our nation by rapidly prototyping and delivering advanced hardware, software, and integrated systems solutions for the DoW, Army, Navy, Air Force, Space Force, Marine Corps, United States Special Operations Command, Defense Advanced Research Projects Agency and intelligence agencies. We are heavily engaged in the top defense Research Development Test and Evaluation priorities that are driven by evolving global threats. This business is dedicated to delivering cost-effective solutions and services in the space, airborne, land and maritime domains and supporting critical missions worldwide.

Corporate includes the operations of various corporate activities, certain corporate expense items that are not reimbursed by our U.S. government customers and certain other expense items excluded from a reportable segment's performance. The following table summarizes business segment information for the periods presented:

	Year Ended January 2, 2026				
(in millions)	National Security & Digital	Health & Civil	Commercial & International	Defense Systems	Total
Revenues	$ 7,611	$ 5,069	$ 2,315	$ 2,179	**$ 17,174**
Less:					
Direct labor	1,955	930	414	427	**3,726**
Amortization of intangible assets	29	24	28	49	**130**
Other segment expense	4,867	2,913	1,707	1,547	**11,034**
Segment operating income	$ 760	$ 1,202	$ 166	$ 156	**$ 2,284**
Corporate expense					**175**
Total operating income					**$ 2,109**

	Year Ended January 3, 2025				
(in millions)	National Security & Digital	Health & Civil	Commercial & International	Defense Systems	Total
Revenues	$ 7,365	$ 5,015	$ 2,252	$ 2,030	$ 16,662
Less:					
Direct labor	1,934	951	407	407	3,699
Amortization of intangible assets	23	27	30	67	147
Other segment expense	4,688	2,942	1,711	1,462	10,803
Segment operating income	$ 720	$ 1,095	$ 104	$ 94	$ 2,013
Corporate expense					186
Total operating income					$ 1,827

	Year Ended December 29, 2023				
(in millions)	National Security & Digital	Health & Civil	Commercial & International	Defense Systems	Total
Revenues	$ 7,196	$ 4,238	$ 2,126	$ 1,878	$ 15,438
Less:					
Direct labor	1,838	894	386	378	3,496
Amortization of intangible assets	47	40	37	78	202
Other segment expense	4,639	2,730	2,263	1,357	10,989
Segment operating income (loss)	$ 672	$ 574	$ (560)	$ 65	$ 751
Corporate expense					130
Total operating income					$ 621

The statement of operations performance measures used to evaluate segment performance are revenues and operating income. As a result, “Interest expense, net,” “Other income (expense), net,” and “Income tax expense,” as reported in the consolidated financial statements are not allocated to our segments.

Other segment expenses include direct program costs such as materials and subcontractor expenses, as well as allocable indirect costs such as depreciation and Corporate compensation expenses, but excludes direct labor which is separately presented above. The Health & Civil and Defense Systems segments also include equity earnings of non-consolidated subsidiaries within operating income.

Under U.S. government Cost Accounting Standards, indirect costs including depreciation expense are collected in indirect cost pools, which are then collectively allocated out to the reportable segments based on a representative causal or beneficial relationship of the costs in the pool to the costs in the base. While depreciation expense is a component of the allocated costs, the allocation process precludes depreciation expense from being specifically identified by the individual reportable segments. For this reason, depreciation expense by reportable segment has not been reported above.

Asset information by segment is not a key measure of performance used by the CODM.

We generated approximately 87% of our total revenues in fiscal 2025, 2024 and 2023 from contracts with the U.S. government, either as a prime contractor or a subcontractor to other contractors engaged in work for the U.S. government. Revenues under contracts with the DoW and U.S. Intelligence Community, including subcontracts under which the DoW or the U.S. Intelligence Community is the ultimate purchaser, represented approximately 49% of our total revenues for both fiscal 2025 and 2023, and 48% for fiscal 2024.

Revenues generated by entities outside of the United States were approximately 8% in both fiscal 2025 and 2024, and 9% in fiscal 2023. As such, additional financial information by geographic location is not presented.

Note 21—Commitments and Contingencies

LEGAL PROCEEDINGS

We are involved in various claims and lawsuits arising in the normal conduct of our business, none of which, in the opinion of management, based upon current information, will likely have a material adverse effect on our financial position, results of operations or cash flows.

CONTINGENCIES

Government Investigations and Reviews

We are routinely subject to investigations and reviews relating to compliance with various laws and regulations with respect to our role as a contractor to federal, state and local government customers and in connection with performing services in countries outside of the United States. Adverse findings could have a material effect on our business, financial position, results of operations and cash flows due to our reliance on government contracts.

Defense Contract Audit Agency

As of January 2, 2026, active indirect cost audits by the DCAA remain open for fiscal 2023 and subsequent fiscal years. Although we have recorded contract revenues based upon an estimate of costs that we believe will be approved upon final audit or review, we cannot predict the outcome of any ongoing or future audits or reviews and adjustments and, if future adjustments exceed estimates, our profitability may be adversely affected. As of January 2, 2026, we believe we have adequately reserved for potential adjustments from audits or reviews of contract costs.

Other Government Investigations and Reviews

In August 2022, the Company received a Federal Grand Jury Subpoena in connection with a criminal investigation being conducted by the U.S. Department of Justice Antitrust Division. The subpoena requests that the Company produce a broad range of documents related to three U.S. Government procurements associated with the Company’s Intelligence Group in 2021 and 2022. We are fully cooperating with the investigation, and we are conducting our own internal investigation with the assistance of outside counsel. It is not possible at this time to determine whether we will incur, or to reasonably estimate the amount of, any fines, penalties, or further liabilities in connection with the investigation pursuant to which the subpoena was issued.

Commitments

As of January 2, 2026, we have outstanding letters of credit of $114 million, principally related to performance guarantees on contracts and outstanding surety bonds with a notional amount of $151 million, principally related to performance and subcontractor payment bonds on contracts. The value of the surety bonds may vary due to changes in the underlying project status and/or contractual modifications.

As of January 2, 2026, the future expirations of the outstanding letters of credit and surety bonds were as follows:

Fiscal year ending (in millions)	
2026	$ 133
2027	46
2028	73
2029	8
2030	—
2031 and thereafter	5
	$ 265

Note 22—Subsequent Events

ACQUISITION

On January 23, 2026, ("Signing Date"), Leidos, Inc. entered into a stock purchase agreement with KENE Holdings, L.P. and KENE Parent Inc. ("Entrust") to acquire all of the shares of Entrust for a purchase price of $2.4 billion in cash, subject to customary adjustments for Entrust’s cash, debt, transaction expenses and net working capital. Entrust is a professional engineering company providing professional engineering and design, consulting, data analytics, project management and automation services. We believe this acquisition will strengthen our core competencies within the Commercial & International business segment. The transaction is expected to close in the first half of fiscal 2026, subject to the satisfaction or waiver of customary closing conditions.

DEBT FINANCING

In connection with the acquisition of Entrust, we entered into an agreement with Citigroup Global Markets Inc. ("Citi"), which provides for a senior unsecured 364-day bridge loan facility in an aggregate principal amount of $1.4 billion (the "Bridge Facility"). The Bridge Facility will mature 364 days after the Signing Date. Borrowings under the Bridge Facility bear interest at a rate determined, at the Company's option, based on either an alternate base rate or an adjusted term SOFR rate, plus an applicable margin.

REVOLVING CREDIT FACILITY

On February 12, 2026 (the “Closing Date”), we amended and restated our existing senior unsecured revolving credit facility to increase the borrowing capacity from $1.0 billion to $1.5 billion. The amended revolving credit facility will mature five years from the Closing Date and permits two additional one-year extensions subject to lender consent. Borrowings under the revolving credit facility will bear interest at a rate determined, at the Company's option, based on either an alternate base rate or term SOFR rate, plus an applicable margin.

SEGMENT REALIGNMENT

Beginning in fiscal 2026, we will operate in four reportable segments that are focused on specific, defined capability sets we bring to our customers. The four reportable segments will be Intelligence & Digital, Health, Homeland and Defense. We will also separately present the unallocable costs associated with corporate functions as Corporate. All historical segment financial information will be recast to conform to the new reportable segment structure in our financial statements and accompanying notes, beginning in the first quarter of fiscal 2026.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our management, with the participation of our principal executive officer (our Chief Executive Officer) and principal financial officer (our Executive Vice President and Chief Financial Officer), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of January 2, 2026. Based upon that evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the U.S. Securities and Exchange Commission ("SEC"). These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal control over financial reporting that occurred in the fourth quarter of the period ended January 2, 2026, covered by this Annual Report that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

As permitted by the SEC rules, management's assessment and conclusion on the effectiveness of our internal control over financial reporting as of January 2, 2026, excludes an assessment of the internal control over financial reporting of Kudu Dynamics, acquired on May 23, 2025. Kudu Dynamics represents approximately 0.2% of our consolidated total assets, excluding the preliminary value of goodwill and intangible assets related to Kudu Dynamics, at January 2, 2026, and 0.4% and 0.1% of our consolidated revenues and operating income, respectively, for the fiscal year ended January 2, 2026.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our internal control over financial reporting as of January 2, 2026, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our management has assessed the effectiveness of our internal control over financial reporting as of January 2, 2026, and has concluded that our internal control over financial reporting as of that date was effective.

Deloitte & Touche LLP, an independent registered public accounting firm, audited our consolidated financial statements included in this Annual Report on Form 10-K and our internal control over financial reporting, and that firm's report on our internal control over financial reporting is set forth below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Leidos Holdings, Inc.

Reston, Virginia

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Leidos Holdings, Inc. and subsidiaries (the "Company") as of January 2, 2026, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 2, 2026, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

As described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Kudu Dynamics, which was acquired on May 23, 2025. Kudu Dynamics represents approximately 0.2% of consolidated total assets, excluding the preliminary value of goodwill and intangible assets related to Kudu Dynamics at January 2, 2026, and 0.4% and 0.1% of consolidated revenues and operating income, respectively, for the fiscal year ended January 2, 2026. Accordingly, our audit did not include the internal control over financial reporting at Kudu Dynamics.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended January 2, 2026, of the Company and our report dated February 17, 2026, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company's change in its method of accounting for cash.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

McLean, Virginia

February 17, 2026

Item 9B. Other Information

RULE 10B5-1 TRADING ARRANGEMENT

During the three months ended January 2, 2026, no director or officer of the Company adopted, modified or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

For certain information required by Item 10 with respect to executive officers, see “Executive Officers of the Registrant” at the end of Part I of this Annual Report on Form 10-K. For additional information required by Item 10 with respect to executive officers and directors, including audit committee and audit committee financial experts, procedures by which stockholders may recommend nominees to the Board of Directors and compliance with Section 16(a) of the Securities Exchange Act of 1934, see the information set forth under the captions “Proposal 1–Election of Directors,” “Corporate Governance” and “Ownership of Voting Securities” appearing in the 2026 Proxy Statement to be filed with the SEC within 120 days of the fiscal year ended January 2, 2026, which required information is incorporated by reference into this Annual Report on Form 10-K.

We have a code of conduct that applies to our principal executive officer and our senior financial officers. A copy of our code of conduct is available on the Investor Relations section of our website free of charge at **www.leidos.com** by clicking on the links entitled “Investors” then “Governance” then "Documents & Charters" and then “Code of Conduct.” Documents available under “Governance” in the Investor Relations section of our website also include our Certificate of Incorporation, Bylaws, Corporate Governance Guidelines, and charters for the Audit and Finance Committee, Human Resources and Compensation Committee, Corporate Governance and Ethics Committee, and Technology and Information Security Committee of the Board of Directors.

We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of our code of business ethics by posting such information on our website. The information on our website is not incorporated by reference into and is not a part of this Annual Report on Form 10-K.

Our Insider Trading Policy (the “Insider Trading Policy”) sets forth the general rules that our directors, executive officers and employees must follow with respect to transactions in our securities to promote compliance with insider trading laws, rules and regulations. This description of the Insider Trading Policy is qualified in its entirety by reference to the full text of the Insider Trading Policy, which is filed hereto as Exhibit 19.

Item 11. Executive Compensation

For information required by Item 11 with respect to executive compensation and director compensation, see the information set forth under the captions “Compensation Discussion and Analysis,” “Executive Compensation” and “Corporate Governance” in the 2026 Proxy Statement, to be filed with the SEC within 120 days of the fiscal year ended January 2, 2026, which required information is incorporated by reference into this Annual Report on Form 10-K.

For information required by Item 11 with respect to compensation committee interlocks and insider participation, see the information set forth under the caption “Corporate Governance” in the 2026 Proxy Statement, to be filed with the SEC within 120 days of the fiscal year ended January 2, 2026, which required information is incorporated by reference into this Annual Report on Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

For information required by Item 12 with respect to the security ownership of certain beneficial owners and management, see the information set forth under the caption "Ownership of Voting Securities" in the 2026 Proxy Statement, to be filed with the SEC within 120 days of the fiscal year ended January 2, 2026, which required information is incorporated by reference into this Annual Report on Form 10-K.

Information with respect to our equity compensation plans as of January 2, 2026, is set forth below:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders [(1)]	2,750,416 [(2)]	$ 110.10 [(3)]	6,645,459 [(4)]
Equity compensation plans not approved by security holders [(5)]	—	—	—
Total	2,750,416 [(2)]	$ 110.10 [(3)]	6,645,459

(1) The following equity compensation plans approved by security holders are included in this plan category: the 2017 Omnibus Incentive Plan and the 2006 Employee Stock Purchase Plan, as amended.

(2) Represents (i) 1,691,254 shares of Leidos common stock reserved for future issuance for service-based awards and performance and market-based awards assuming achievement of the target level of performance for unearned performance and market-based awards (does not include an additional 444,758 shares if the maximum level of performance is achieved) and other stock awards under the 2017 Omnibus Incentive Plan, (ii) 3,138 shares of Leidos common stock issuable pursuant to dividend equivalent rights and (iii) 1,056,024 shares of Leidos common stock reserved for future issuance upon the exercise of outstanding options awarded under the 2017 Omnibus Incentive Plan. Does not include shares to be issued pursuant to purchase rights under the 2006 Employee Stock Purchase Plan.

(3) Does not include shares to be issued for performance-based and other stock awards and shares of stock issuable pursuant to dividend equivalent rights.

(4) Represents 5,104,853 and 1,540,606 shares of Leidos common stock under the 2017 Omnibus Incentive Plan and 2006 Employee Stock Purchase Plan, respectively. The maximum number of shares initially available for issuance under the 2017 Omnibus Incentive Plan was 7.5 million. The 2006 Employee Stock Purchase Plan was amended in September 2016 to provide that the maximum number of shares available for issuance thereunder is 5.0 million. Those shares that are issued under the 2017 Omnibus Incentive Plan that are forfeited or repurchased at the original purchase price or less or that are issuable upon exercise of awards granted under the plan that expire or become unexercisable for any reason after their grant date without having been exercised in full.

(5) The Management Stock Compensation Plan has not been approved by security holders and is included in this plan category. This plan does not provide for a maximum number of shares available for future issuance. For further information on this plan, see "Note 17—Stock-Based Compensation" of the notes to the consolidated financial statements contained within Part II of this Annual Report on Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

For information required by Item 13 with respect to certain relationships and related transactions and the independence of directors and nominees, see the information set forth under the caption "Corporate Governance" in the 2026 Proxy Statement, to be filed with the SEC within 120 days of the fiscal year ended January 2, 2026, which required information is incorporated by reference into this Annual Report on Form 10-K.

Item 14. Principal Accounting Fees and Services

For information required by Item 14 with respect to principal accounting fees and services, see the information set forth under the caption "Audit and Non-Audit Fees" in the 2026 Proxy Statement, to be filed with the SEC within 120 days of the fiscal year ended January 2, 2026, which required information is incorporated by reference into this Annual Report on Form 10-K.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents filed as part of the report:

1. Financial Statements

2. Financial Statement Schedules

   Financial statement schedules are omitted because they are not applicable or the required information is shown in our consolidated financial statements or the notes thereto.

3. Exhibits

Exhibit Number	Description of Exhibit
3.1	Restated Certificate of Incorporation of Leidos Holdings, Inc., dated as of August 1, 2025. Incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q, filed with the SEC on August 5, 2025.
3.2	Amended and Restated Bylaws of Leidos Holdings, Inc. Incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K filed with the SEC on October 25, 2024.
4.1**	Indenture dated June 28, 2002, between Leidos, Inc. and JPMorgan Chase Bank, as trustee. Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on July 3, 2002. (SEC File No. 000-12771)
4.2	First Supplemental Indenture, dated October 13, 2006, by and among Leidos, Inc., Leidos Holdings, Inc. and The Bank of New York Trust Company, N.A., as successor trustee to JPMorgan Chase Bank, N.A. Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on October 17, 2006. (SEC File No. 001-33072)
4.3	Indenture dated as of December 20, 2010, among Leidos Holdings, Inc., Leidos, Inc., and The Bank of New York Mellon Trust Company, N.A. as Trustee. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K with the SEC on December 22, 2010.
4.4	Indenture relating to the 2.950% Senior Notes due 2023, 3.625% Senior Notes due 2025 and the 4.375% Senior Notes due 2030, dated as of May 12, 2020, by and among Leidos, Inc., as issuer, Leidos Holdings, Inc., as guarantor, and Citibank, N.A., as trustee. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on May 12, 2020.
4.6	Form of 4.375% Senior Notes due 2030. Incorporated by reference to Exhibit 4.4 to our Current Report on Form 8-K filed with the SEC on May 12, 2020.
4.7	Indenture relating to the 2.300% Senior Notes due 2031, dated as of October 8, 2020 among Leidos, Inc., Leidos Holdings, Inc, as guarantor, and Citibank, N.A., as trustee. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on October 9, 2020.
4.8	Form of 2.300% Senior Notes due 2031. Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on October 9, 2020.

Exhibit Number	Description of Exhibit
4.9	Officers' Certificate of Leidos, Inc., dated as of February 28, 2023. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on February 28, 2023.
4.10	Form of Global Note representing Leidos, Inc.'s 5.750% Notes due 2033. Included in Exhibit 4.9 and incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on February 28, 2023.
4.11	Officers' Certificate of Leidos, Inc., dated as of February 13, 2025. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on February 20, 2025.
4.12	Form of Global Note representing Leidos, Inc.'s 5.400% Notes due 2032. Included in Exhibit 4.11 and incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on February 20, 2025.
4.13	Form of Global Note representing Leidos, Inc.'s 5.500% Notes due 2035. Included in Exhibit 4.11 and incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on February 20, 2025.
4.14	Description of Common Stock. Incorporated by reference to Exhibit 4.13 to our Annual Report on Form 10-K filed with the SEC on February 23, 2021.
10.2 *	Leidos Holdings, Inc. Amended and Restated 2017 Omnibus Incentive Plan. Incorporated by reference to Exhibit 10.2 to our Annual Report on Form 10-K filed with the SEC on February 14, 2023.
10.3*	Leidos, Inc.'s Management Stock Compensation Plan. Incorporated by reference to Exhibit 10.3 to our Annual Report on Form 10-K filed with the SEC on March 27, 2014.
10.4*	Amended and Restated Leidos, Inc.'s Keystaff Deferral Plan. Incorporated by reference to Exhibit 10.4 to our Transition Report on Form 10-K filed with the SEC on February 26, 2016.
10.5*	Amended and Restated Leidos, Inc.'s Key Executive Stock Deferral Plan. Incorporated by reference to Exhibit 10.5 to our Transition Report on Form 10-K filed with the SEC on February 26, 2016.
10.6*	Amended and Restated Leidos Holdings, Inc.'s 2006 Employee Stock Purchase Plan. Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed with the SEC on August 4, 2017.
10.7*	Form of Indemnification Agreement. Incorporated by reference to Exhibit 10.19 to our Annual Report on Form 10-K filed with the SEC on March 25, 2015.
10.8*	Amended and Restated Executive Severance Plan. Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed with the SEC on October 29, 2019.
10.9*	Executive Employment Agreement, dated February 23, 2023, between Leidos Holdings, Inc. and Thomas A. Bell. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on February 27, 2023.
10.10*	Form of Notice of Grant of Options for Non-Employee Directors under the Leidos Holdings, Inc. Amended and Restated 2017 Omnibus Incentive Plan. Incorporated by reference to Exhibit 10.22 to our Annual Report on Form 10-K filed with the SEC on February 23, 2018.
10.11*	Form of Notice of Grant of Options for Employees under the Leidos Holdings, Inc. Amended and Restated 2017 Omnibus Incentive Plan. Incorporated by reference to Exhibit 10.19 to our Annual Report on Form 10-K filed with the SEC on February 13, 2024.
10.12*	Form of Notice of Grant of Restricted Stock Unit Awards (Performance-Vesting) for Employees under the Leidos Holdings, Inc. Amended and Restated 2017 Omnibus Incentive Plan. Incorporated by reference to Exhibit 10.20 to our Annual Report on Form 10-K filed with the SEC on February 13, 2024.

Exhibit Number	Description of Exhibit
10.13*	Form of Notice of Grant of Performance Share Awards for Employees under the Leidos Holdings, Inc. Amended and Restated 2017 Omnibus Incentive Plan. Incorporated by reference to Exhibit 10.21 to our Annual Report on Form 10-K filed with the SEC on February 13, 2024.
10.14*	Form of Notice of Grant of Restricted Stock Unit Awards (Time-Vesting) for Employees under the Leidos Holdings, Inc. Amended and Restated 2017 Omnibus Incentive Plan. Incorporated by reference to Exhibit 10.22 to our Annual Report on Form 10-K filed with the SEC on February 13, 2024.
10.15*	Form of Notice of Grant of Restricted Stock Unit Awards for Non-Employee Directors under the Leidos Holdings, Inc. Amended and Restated 2017 Omnibus Incentive Plan. Incorporated by reference to Exhibit 10.27 to our Annual Report on Form 10-K filed with the SEC on February 23, 2018.
10.16	Intellectual Property Matters Agreement, dated August 16, 2016, between Lockheed Martin Corporation and Abacus Innovations Corporation. Incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q filed with the SEC on November 4, 2016.
10.17	Credit Agreement dated as of March 10, 2023, by and among Leidos Holdings, Inc., Leidos, Inc., the guarantors party thereto, the lenders party thereto and Citibank, N.A., as administrative agent. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on March 14, 2023.
10.18	Form of Commercial Paper Dealer Agreement, dated July 12, 2021, between Leidos, Inc., as issuer, the Company, as guarantor, and the applicable Dealer party thereto. Incorporated by reference to Exhibit 10.1 to our Form 8-K filed with the U.S. Securities and Exchange Commission on July 12, 2021.
10.19	Amended and Restated Leidos Holdings, Inc. Severance Plan for Executive Officers, effective July 27, 2023. Incorporated by reference to Exhibit 10.2 to our Form 10-Q filed with the SEC on August 1, 2023.
19	Insider Trading Policy. Incorporated by reference to Exhibit 19 to our Annual Report on Form 10-K filed with the SEC on February 11, 2025.
21	Subsidiaries of the Registrant.
22	List of Guarantors and Subsidiary Issuers of Guaranteed Securities.
23.1	Consent of Independent Registered Public Accounting Firm, Deloitte & Touche LLP.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97.1	Leidos Holdings, Inc.'s Financial Restatement Compensation Clawback Policy. Incorporated by reference to Exhibit 97.1 to our Annual Report on Form 10-K filed with the SEC on February 13, 2024.
101	Interactive Data File.
104	Cover Page Interactive Data File. The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

* Executive Compensation Plans and Arrangements

** Paper filing

† Confidential treatment has been granted with respect to certain portions of these exhibits

Item 16. Form 10-K Summary

None.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Leidos Holdings, Inc.

By /s/ Christopher R. Cage

Christopher R. Cage
Executive Vice President and Chief Financial Officer

Dated: February 17, 2026

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Leidos Holdings, Inc., in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Thomas A. Bell	Principal Executive Officer	February 17, 2026
Thomas A. Bell		
/s/ Christopher R. Cage	Principal Financial Officer	February 17, 2026
Christopher R. Cage		
/s/ Daniel A. Atkinson	Principal Accounting Officer	February 17, 2026
Daniel A. Atkinson		
/s/ Gregory R. Dahlberg	Director	February 17, 2026
Gregory R. Dahlberg		
/s/ David G. Fubini	Director	February 17, 2026
David G. Fubini		
/s/ Noel B. Geer	Director	February 17, 2026
Noel B. Geer		
/s/ Tina W. Jonas	Director	February 17, 2026
Tina W. Jonas		
/s/ Harry M. J. Kraemer, Jr.	Director	February 17, 2026
Harry M. J. Kraemer, Jr.		
/s/ Gary S. May	Director	February 17, 2026
Gary S. May		
/s/ Nancy A. Norton	Director	February 17, 2026
Nancy A. Norton		
/s/ Patrick M. Shanahan	Director	February 17, 2026
Patrick M. Shanahan		
/s/ Robert S. Shapard	Director	February 17, 2026
Robert S. Shapard		

Exhibit 21

SUBSIDIARIES

In accordance with SEC rules, the following is a list of Leidos Holdings, Inc.'s subsidiaries as of January 2, 2026, other than those subsidiaries, considered in the aggregate as a single subsidiary, that would not constitute a “significant subsidiary” as of January 2, 2026.

This list of subsidiaries will change from year-to-year as a result of changes in Leidos' and its subsidiaries’ results of operations and financial condition, legal entity consolidations and any sales and other dispositions of Leidos Holdings, Inc.'s subsidiaries. Accordingly, this list is not representative of the total number of subsidiaries that Leidos Holdings, Inc. may have at any given time.

Name	Jurisdiction of Formation
Leidos, Inc.	Delaware
Leidos Biomedical Research, Inc.	Delaware
Leidos Consulting Engineers, Inc.	California
Leidos Engineering, LLC	Delaware
Leidos Global Technology Corporation	Delaware
Leidos Services, Inc.	Delaware
Leidos Intermediate Holdings, Inc.	Delaware
Leidos Government Services, Inc.	Maryland
Leidos Integrated Technology, LLC	Delaware
Hanford Mission Integration Solutions, LLC	Delaware
QTC Holdings, Inc.	Delaware
QTC Management, Inc.	California
QTC Medical Services, Inc.	California
Leidos Digital Solutions, Inc.	Virginia
Leidos New Zealand Limited	New Zealand
Dynetics, Inc.	Alabama
Dynetics Technical Solutions, Inc.	Alabama
SPIRE Manufacturing Solutions, LLC	Colorado
Leidos Security Detection & Automation, Inc.	Delaware
1901 Group, LLC	Virginia
Gibbs & Cox, Inc.	New York
Savanna Industries, Inc.	Virginia
Kudu Dynamics LLC	Virginia

Exhibit 22

LIST OF GUARANTORS AND SUBSIDIARY ISSUERS OF GUARANTEED SECURITIES

Leidos Holdings, Inc. ("Guarantor") has fully and unconditionally guaranteed the debt securities of its subsidiary, Leidos, Inc. ("Issuer"), that were issued pursuant to transactions that were registered under the Securities Act of 1933, as amended (collectively, the “Registered Notes”). The following is a list of the Registered Notes guaranteed by Leidos Holdings, Inc.

Senior unsecured Registered Notes:
$750 million 4.375% notes, due May 2030
$1,000 million 2.300% notes, due February 2031
$500 million 5.400% notes, due March 2032
$750 million 5.750% notes, due March 2033
$500 million 5.500% notes, due March 2035

Leidos Holdings, Inc. has also fully and unconditionally guaranteed debt securities of Leidos, Inc. that were issued pursuant to transactions that were not registered under the Securities Act of 1933, as amended. The following is a list of unregistered debt securities guaranteed by Leidos Holdings, Inc.

Senior unsecured unregistered debt securities issued by Leidos, Inc.:

$250 million 7.125% notes, due July 2032
$300 million 5.500% notes, due July 2033

Additionally, Leidos, Inc. has fully and unconditionally guaranteed debt securities of Leidos Holding, Inc. that were issued pursuant to transactions that were not registered under the Securities Act of 1933, as amended. The following is a list of unregistered debt securities guaranteed by Leidos, Inc.

Senior unsecured unregistered debt securities issued by Leidos Holdings, Inc.:

$300 million 5.950% notes, due December 2040

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-255849 on Form S-4 and Registration Statement Nos. 333-138095, 333-153360, 333-169693 and 333-218435 on Forms S-8, of our reports dated February 17, 2026, relating to the financial statements of Leidos Holdings, Inc., and the effectiveness of the Leidos Holdings, Inc.'s internal control over financial reporting, appearing in this Annual Report on Form 10-K for the fiscal year ended January 2, 2026.

/s/ Deloitte & Touche LLP

McLean, Virginia
February 17, 2026

Exhibit 31.1

LEIDOS HOLDINGS, INC.

CERTIFICATION OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas A. Bell, certify that:

1. I have reviewed this Annual Report on Form 10-K of Leidos Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrants and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including the registrant's consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2026

/s/ Thomas A. Bell

Thomas A. Bell
Chief Executive Officer

Exhibit 31.2

LEIDOS HOLDINGS, INC.

CERTIFICATION OF EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher R. Cage, certify that:

1. I have reviewed this Annual Report on Form 10-K of Leidos Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrants and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including the registrant's consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2026

/s/ Christopher R. Cage

Christopher R. Cage
Executive Vice President and Chief Financial Officer

Exhibit 32.1

LEIDOS HOLDINGS, INC.

CERTIFICATION OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Leidos Holdings, Inc. (the "Company") on Form 10-K for the year ended January 2, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas A. Bell, Chief Executive Officer of Leidos Holdings, Inc., certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 17, 2026

/s/ Thomas A. Bell

Thomas A. Bell
Chief Executive Officer

Exhibit 32.2

LEIDOS HOLDINGS, INC.

CERTIFICATION OF EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Leidos Holdings, Inc. (the "Company") on Form 10-K for the year ended January 2, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher R. Cage, Executive Vice President and Chief Financial Officer of Leidos Holdings, Inc., certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 17, 2026

/s/ Christopher R. Cage

Christopher R. Cage
Executive Vice President and Chief Financial Officer