



Leidos Q2 FY22 Earnings Conference Call

August 2, 2022



Forward-Looking Statements

Certain statements in this presentation contain or are based on "forward-looking" information within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by words such as "expects," "intends," "plans," "anticipates," "believes," "estimates," "guidance" and similar words or phrases. Forward-looking statements in this presentation include, among others, estimates of our future growth and financial and operating performance, including future revenues, adjusted EBITDA margins, diluted EPS (including on a non-GAAP basis) and cash flows provided by operating activities, as well as statements about our business contingency plans, government budgets and the ongoing Continuing Resolution, uncertainties in tax due to new tax legislation or other regulatory developments, the impact of COVID-19 and related actions taken to prevent its spread, our contract awards, strategy, planned investments, sustainability goals and our future dividends, share repurchases, capital expenditures, debt repayments, acquisitions, dispositions and cash flow conversion. These statements reflect our belief and assumptions as to future events that may not prove to be accurate.

Actual performance and results may differ materially from those results anticipated by our guidance and other forward-looking statements made in this presentation depending on a variety of factors, including, but not limited to: the impact of COVID-19 or future epidemics on our business, including the potential for facility closures, re-evaluation of U.S. government spending levels and priorities, delay of new contract awards, supply chain impacts, airline travel levels, our ability to recover costs under contracts, insurance challenges, uncertainty regarding the efficacy of vaccines against variants, booster vaccinations, or the lack of public acceptance of vaccines and low vaccination rates, and laws and regulations with respect to vaccinations; changes to our reputation and relationships with government agencies, developments in the U.S. government defense budget, including budget reductions, implementation of spending limits or changes in budgetary priorities; delays in the U.S. government budget process or approval of raises to the debt ceiling; delays in the U.S. government contract procurement process or the award of contracts or our ability to win contracts; delays or loss of contracts as a result of competitor protests; changes in U.S. government procurement rules, regulations and practices; changes in interest rates and inflation, and other market factors out of our control, including general economic and political conditions; our compliance with various U.S. government and other government procurement rules and regulations; governmental reviews, audits and investigations of Leidos; our reliance on information technology spending by hospitals/healthcare organizations, infrastructure investments by industrial and natural resources organizations and other customer investments related to our business; our ability to attract, train and retain skilled employees, including our management team, and to obtain security clearances for our employees; the mix of our contracts and our ability to accurately estimate costs associated with our firm-fixed-price and other contracts as well as our ability to realize as revenues the full amount of our backlog; cybersecurity, data security or other security threats, systems failures or other disruptions of our business; resolution of legal and other disputes with our customers and others or legal or regulatory compliance issues; our ability to effectively acquire businesses and make investments and any related contingencies or liabilities to which we may become subject; our ability to maintain relationships with prime contractors, subcontractors and joint venture partners; our ability to manage performance and other risks related to customer contracts, including complex engineering projects; our ability to obtain necessary components and materials to perform our contracts, including semiconductors and related equipment, on reasonable terms or at all; the failure of our inspection or detection systems to detect threats; changes in business conditions that could impact business investments and/or recorded goodwill or the value of other long-lived assets; the adequacy of our insurance programs designed to protect us from significant product or other liability claims; our ability to manage risks associated with our international business; our ability to declare future dividends or repurchase our stock based on our earnings, financial condition, capital requirements and other factors, including compliance with applicable laws and contractual agreements; changes in accounting, U.S. or foreign tax, export or other laws, regulations, and policies and their interpretation or application; 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. This presentation also contains certain forward-looking statements with respect to Leidos' proposed acquisition of Cobham Aviation Services Australia, including benefits of the transaction, the anticipated timing of the transaction and the products and markets of each company. Many factors could cause actual future events to differ materially from the forward-looking statements in this presentation including but not limited to: (i) the risk that the transaction may not be completed in a timely manner or at all, (ii) the failure to satisfy the conditions to the consummation of the transaction, including the receipt of certain governmental and regulatory approvals, (iii) the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement, (iv) the effect of the announcement or pendency of the transaction on Cobham Aviation Services Australia's business relationships, operating results, and business generally, (v) risks that the proposed transaction disrupts current plans and operations of Leidos or Cobham Aviation Services Australia and potential difficulties in Cobham Aviation Services Australia's employee retention as a result of the transaction, (vi) risks related to diverting management's attention from Cobham Aviation Services Australia ongoing business operations, (vii) the outcome of any legal proceedings that may be instituted against Leidos or against Cobham Aviation Services Australia related to the merger agreement or the transaction, (viii) the ability of Leidos to successfully integrate Cobham Aviation Services Australia's operations, product lines, and technology, and (ix) the ability of Leidos to implement its plans, forecasts, and other expectations with respect to Cobham Aviation Services Australia's business after the completion of the proposed acquisition and realize additional opportunities for growth and innovation. These are only some of the factors that may affect the forward-looking statements contained in this presentation. For further information concerning risks and uncertainties associated with our business, please refer to the filings we make from time to time with the U.S. Securities and Exchange Commission ("SEC"), including the "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Legal Proceedings" sections of our latest Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, all of which may be viewed or obtained through the Investor Relations section of our website at www.leidos.com.

All information in this presentation is as of August 2, 2022. Leidos expressly disclaims any duty to update the guidance or any other forward-looking statement provided in this presentation to reflect subsequent events, actual results or changes in Leidos' expectations. Leidos also disclaims any duty to comment upon or correct information that may be contained in reports published by investment analysts or others.

Non-GAAP Financial Measures

This presentation includes certain non-GAAP financial measures, such as organic growth, non-GAAP operating income, non-GAAP operating margin, non-GAAP effective tax rate, non-GAAP diluted earnings per share (EPS), adjusted earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted EBITDA margin, free cash flow and free cash conversion.

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

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

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

A reconciliation between all non-GAAP measures used in this presentation to the most directly comparable GAAP measure is contained in the appendix.

CEO Key Messages

1

Strong, balanced financial results

- Record revenues on YoY growth of 4.3% (4.0% organic)
- Strong core profitability
- On path to deliver at least \$1B of operating cash flow in 2022

2

Business Development momentum sets stage for continued growth

- Net book-to-bill ratio of 0.6x (TTM 1.1x)
- Major new growth drivers include DES and SSA ITSSC II (under protest)
- Backlog of \$34.7B, up 4% YoY (up 5% on a funded basis)

3

Deploying capital to create shareholder value

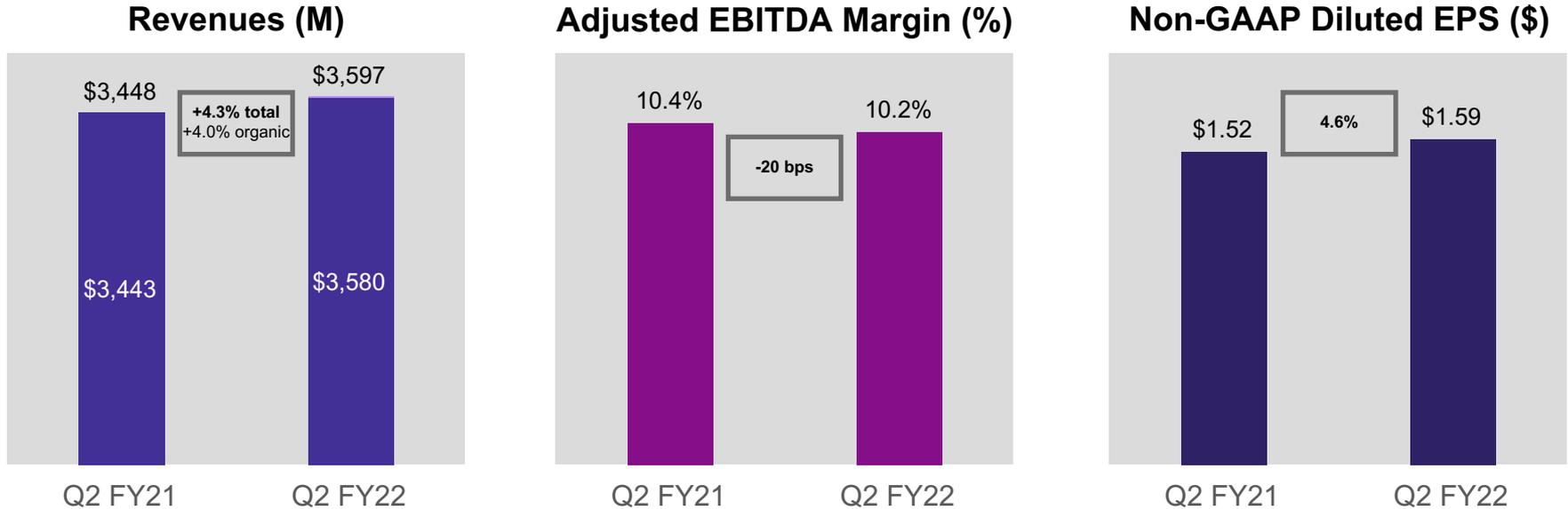
- Balanced, consistent approach to capital allocation
- Settled \$500M ASR
- Signed agreement to expand Australian mission services footprint

4

Investing in our people and building a market leader

- Nearly 3,600 hires—second largest hiring quarter in the last 5 years
- Voluntary attrition has stabilized
- Corporate focus on keeping our people

Q2 FY22 Results: Income Statement



Note: For Revenues, shaded upper portion of Q2 FY22 column represents acquired revenue, and shaded upper portion of Q2 FY21 column represents divested revenues; both are excluded in the organic growth calculation

Q2 FY22 Results: Reporting Segments



Note: For Defense Solutions Revenues, shaded upper portion of Q2 FY22 column represents acquired revenue, and shaded upper portion of Q2 FY21 column represents divested revenues; both are excluded in the organic growth calculation

Q2 FY22 Results: Cash Flow / Balance Sheet

Cash Flow Generation	<p>On path to deliver at least \$1B in operational cash flow</p> <ul style="list-style-type: none"> ▪ Operating cash flow \$40M ▪ Free cash flow \$19M ▪ Consistent with historical pattern, cash generation weighted to H2
Capital Deployment	<p>Following balanced long-term approach to capital deployment</p> <ul style="list-style-type: none"> ▪ Total return to shareholders \$51M ▪ CapEx & net debt repayment -\$27M ▪ Expect to close Cobham Special Mission acquisition in 2022*
Balance Sheet	<p>Focused on maintaining and leveraging Investment Grade rating</p> <ul style="list-style-type: none"> ▪ Strong liquidity >\$1B ▪ Total debt \$5.2B ▪ Leverage ratio (net) 3.3x ▪ Leverage ratio (gross) 3.5x

* Subject to customary closing conditions, including regulatory approvals

2022 Guidance

Measure	FY22 Guidance
Revenues (billions)	\$13.9 - \$14.3
Adjusted EBITDA Margin	10.3% - 10.5%
Non-GAAP Diluted EPS	\$6.10 - \$6.50
Cash Flows Provided by Operating Activities (billions)	at or above \$1.0

Key Assumptions:

Customer/ Budget Driven Factors	<ul style="list-style-type: none">▪ Continuing Resolution for GFY23 in place from 10/1/22-12/31/22 with no Government shutdown▪ Customer payment practices remain consistent with historical experience▪ Procurement schedules are not further extended or cancelled beyond our present forecast▪ Protested awards delays are not excessive in relation to current experience
COVID-Related Factors	<ul style="list-style-type: none">▪ No major disruptions from new COVID variants▪ Supply chain shortages do not worsen, and we are able to meet the majority of customer demands for technology products



Appendix: Non-GAAP Reconciliations

Organic Growth

<i>(in millions, except growth rates)</i>	Q2 FY22	Q2 FY21	Percent Change
Defense Solutions			
Revenues, as reported	\$ 2,052	\$ 2,004	2 %
Acquisition and divestiture revenues ⁽¹⁾	17	5	
Pro-forma revenues (Organic Growth Rate)	\$ 2,035	\$ 1,999	2 %
Civil			
Revenues, as reported	\$ 857	\$ 799	7 %
Health			
Revenues, as reported	\$ 688	\$ 645	7 %
Total Operations			
Revenues, as reported	\$ 3,597	\$ 3,448	4 %
Total acquisition and divestiture revenues ⁽¹⁾	17	5	
Pro-forma revenues (Organic Growth Rate)	\$ 3,580	\$ 3,443	4 %

Note:

1. Current period acquisition and divestiture revenues reflect revenues for 12 months from closing of an acquisition; year-ago acquisition and divestiture revenues reflect revenues from assets subsequently divested.

Non-GAAP Income Metrics Reconciliation

<i>(in millions, except per share amounts)</i>	Three Months Ended July 1, 2022					Three Months Ended July 2, 2021			
	As reported	Acquisition, integration and restructuring costs ⁽¹⁾	Amortization of acquired intangibles ⁽²⁾	Asset impairment charges ⁽³⁾	Non-GAAP results	As reported	Acquisition, integration and restructuring costs ⁽¹⁾	Amortization of acquired intangibles ⁽²⁾	Non-GAAP results
Operating income	\$ 271	\$ 5	\$ 57	3	\$ 336	\$ 269	\$ 10	\$ 55	\$ 334
Non-operating expense, net	(46)	—	—	—	(46)	(46)	—	—	(46)
Income before income taxes	225	5	57	3	290	223	10	55	288
Income tax expense ⁽⁴⁾	(53)	(1)	(15)	(1)	(70)	(53)	(2)	(14)	(69)
Net income	172	4	42	2	220	170	8	41	219
Less: net income attributable to non-controlling interest	1	—	—	—	1	1	—	—	1
Net income attributable to Leidos common stockholders	\$ 171	\$ 4	\$ 42	\$ 2	\$ 219	\$ 169	\$ 8	\$ 41	\$ 218
Diluted EPS attributable to Leidos common stockholders	\$ 1.24	\$ 0.03	\$ 0.31	\$ 0.01	\$ 1.59	\$ 1.18	\$ 0.05	\$ 0.29	\$ 1.52
Diluted shares	138	138	138	138	138	143	143	143	143
Income before income taxes	225	5	57	3	290	223	10	55	288
Depreciation expense	26	—	—	—	26	25	—	—	25
Amortization of intangibles	57	—	(57)	—	—	55	—	(55)	—
Interest expense, net	50	—	—	—	50	46	—	—	46
EBITDA	\$ 358	\$ 5	\$ —	\$ 3	\$ 366	\$ 349	\$ 10	\$ —	\$ 359
EBITDA margin ⁽⁵⁾	10.0 %				10.2 %	10.1 %			10.4 %

Notes:

1. Acquisition, integration, lease termination and severance costs related to the Company's acquisitions
2. Amortization of the fair value of the acquired intangible assets
3. Impairments of long-lived intangible assets
4. Tax impact of non-GAAP items calculated using estimated statutory tax rate
5. EBITDA divided by revenues (slide 5)

Segment Non-GAAP Operating Income Reconciliation

Three Months Ended July 1, 2022

<i>(in millions)</i>	Operating income (loss)	Acquisition, integration and restructuring costs	Amortization of acquired intangibles	Asset impairment charges	Non-GAAP operating income (loss)	Non-GAAP operating margin ⁽¹⁾
Defense Solutions	\$ 139	\$ —	\$ 32	\$ —	\$ 171	8.3 %
Civil	38	—	18	—	56	6.5 %
Health	126	—	7	3	136	19.8 %
Corporate	(32)	5	—	—	(27)	NM ⁽²⁾
Total	\$ 271	\$ 5	\$ 57	\$ 3	\$ 336	9.3 %

Three Months Ended July 2, 2021

<i>(in millions)</i>	Operating income (loss)	Acquisition, integration and restructuring costs	Amortization of acquired intangibles	Non-GAAP operating income (loss)	Non-GAAP operating margin ⁽¹⁾
Defense Solutions	\$ 137	\$ —	\$ 29	\$ 166	8.3 %
Civil	55	—	18	73	9.1 %
Health	107	—	8	115	17.8 %
Corporate	(30)	10	—	(20)	NM ⁽²⁾
Total	\$ 269	\$ 10	\$ 55	\$ 334	9.7 %

Notes:

1. Non-GAAP operating income divided by revenues (slides 5 and 6)
2. Not meaningful

Free Cash Flow

<i>(in millions, except conversion ratio)</i>	Three Months Ended	
	July 1, 2022	July 2, 2021
Net cash provided by operating activities	\$ 40	\$ 17
Payments for property, equipment and software	(21)	(21)
Free cash flow	\$ 19	\$ (4)
Net income attributable to Leidos common stockholders	\$ 171	\$ 169
Acquisition, integration and restructuring costs	4	8
Amortization of acquired intangibles	42	41
Asset impairment charges	2	—
Non-GAAP net income attributable to Leidos common stockholders	\$ 219	\$ 218
<i>Operating cash flow conversion ratio⁽¹⁾</i>	23 %	10 %
<i>Free cash flow conversion ratio⁽²⁾</i>	9 %	(2)%

Notes:

1. Net cash provided by operating activities divided by net income attributable to Leidos common stockholders
2. Free cash flow divided by non-GAAP net income attributable to Leidos common stockholders