

Leidos Investor Presentation

November 29, 2018

Jim Reagan
Executive Vice President, Chief Financial Officer



FORWARD LOOKING STATEMENTS

Certain statements in this release 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 release include, among others, estimates of future revenues, EBITDA margins (including on a non-GAAP basis), operating income, earnings, earnings per share (including on a non-GAAP basis), charges, backlog, bookings, contract values, outstanding shares and cash flows, as well as statements about future dividends, share repurchases, acquisitions and dispositions. These statements reflect our belief and assumptions as to future events that may not prove to be accurate.

Actual performance and results may differ materially from the guidance and other forward-looking statements made in this release depending on a variety of factors, including: changes to our reputation and relationships with government agencies, developments in the U.S. Government defense budget, including budget reductions, implementation of spending cuts (sequestration) or changes in budgetary priorities; delays in the U.S. Government budget process; delays in the U.S. Government contract procurement process or the award of contracts; delays or loss of contracts as a result of competitor protests; changes in U.S. Government procurement rules, regulations and practices; changes in interest rates and other market factors out of our control; 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 for and win contracts with the U.S. Government and other customers; our ability to attract, train and retain skilled employees, including our management team, and to obtain security clearances for our employees; the mix of our contracts and our ability to accurately estimate costs associated with our firm-fixed-price and other contracts; 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; 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; the failure of our inspection or detection systems to detect threats; the adequacy of our insurance programs designed to protect us from significant product or other liability claims; our ability to manage risks associated with our international business; our ability to declare future dividends based on our earnings, financial condition, capital requirements and other factors, including compliance with applicable laws and contractual agreements; 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. These are only some of the factors that may affect the forward-looking statements contained in this release. 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 release is as of November 29, 2018. The Company expressly disclaims any duty to update the guidance or any other forward-looking statement provided in this release to reflect subsequent events, actual results or changes in the Company's expectations. The Company also disclaims any duty to comment upon or correct information that may be contained in reports published by investment analysts or others.

KEY MESSAGES

Diverse & Growing Revenue Stream

- ▶ Leveraged to multiple markets & geographies
- ▶ Improving win rates across larger pipeline expected to drive growth
- ▶ Countercyclical benefits from exposure to defense & civil markets

Long-Term Cash Flow Growth

- ▶ EBITDA Growth
- ▶ Balance Sheet Optimization
- ▶ Elimination of IS&GS integration & restructuring expenses
- ▶ Long term goal of 100% net income conversion to free cash flow

Balanced Capital Deployment

- ▶ Excess cash deployed in a balanced manner to:
 - ▶ Drive growth – organically and through M&A
 - ▶ Maintain quarterly dividend
 - ▶ Return capital to shareholders through share repurchase



Mission

Leidos makes the world **safer, healthier, and more efficient** through **information technology, engineering, and science**.



Vision

Become the global leader in the integration and application of **information technology, engineering, and science** to solve our customers' most demanding challenges.

We will deliver **innovative solutions** through the efforts of our **diverse and talented people** who are dedicated to our **customers' success**. We will empower our teams, contribute to our communities, and operate sustainably.



Values

Integrity

Innovation

Agility

Collaboration

Commitment

THE LEIDOS TEAM



Bottom Row

from Left to Right

Jim Cantor

Chief Technology Officer

Jerry Howe

General Counsel

Paul Engola

Chief Administrative Officer

Roger Krone

Chairman and Chief Executive Officer

Jim Reagan

Chief Financial Officer

Kamal Dua (Not Pictured)

Chief Audit Executive



Top Row

from Left to Right

George Reiter

Acting Chief Human Resource Officer

Vicki Schmanske

President, Intelligence Group

Jon Scholl

President, Health Group

Gerry Fasano

President, Defense Group

Angie Heise

President, Civil Group

Roy Stevenson

Chief of Business Development & Strategy

Michele Brown

Chief Ethics & Compliance Officer



20%

**MILITARY
VETERANS**



(of cleared employees)

68%

**TOP SECRET
AND ABOVE**

32%

SECRET



6,900

**MASTER'S
DEGREES**

960

PhDs



12K

**CLEARED
EMPLOYEES**

31K

**EMPLOYEES
WORLDWIDE**

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Balanced Capital Deployment

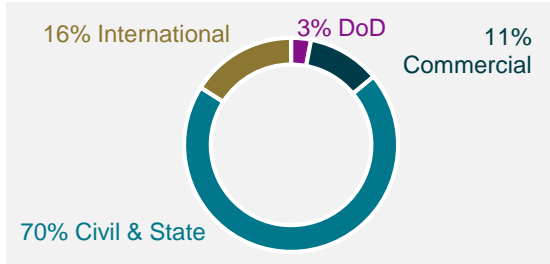
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DIVERSIFIED REVENUES

Leveraged to Multiple Markets & Geographies



CIVIL - \$3.4B

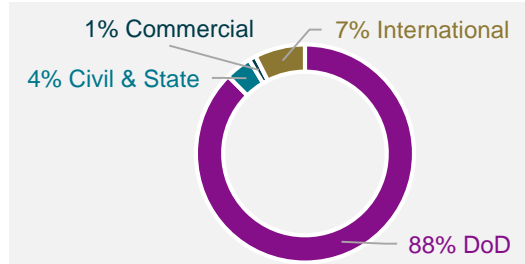


Key Customers

- Federal Aviation Administration
- National Aeronautics and Space Administration
- Department of Energy
- Department of Homeland Security
- United Kingdom MoD



DEFENSE - \$4.9B

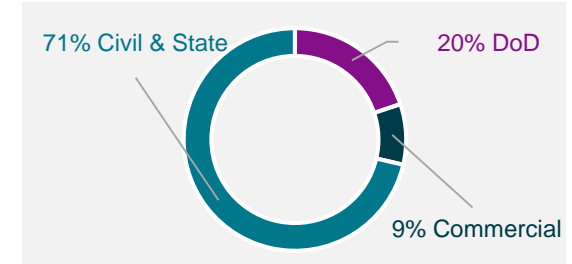


Key Customers

- AFRL
- DARPA
- NAVY
- Army
- Air Force
- Intelligence Community
- Australia MoD



HEALTH \$1.8B



Key Customers

- Navy
- Social Security Administration
- Veterans Affairs
- Defense Health Agency
- Centers for Medicare & Medicaid
- National Institute of Health
- Center for Disease Control
- Food and Drug Administration



Note:

Revenue levels reflect Trailing Twelve Month (TTM) through Sept-2018
Customer mix based on YTD revenue through Sept-2018

LEIDOS TECHNICAL CORE COMPETENCIES



Enterprise IT Modernization

SLA and mission enablement at lowest credible cost

Cyber Operations

Advanced Cyber resilience at Scale

Operations & Logistics

Transformational logistics

Mission Software Systems

Advanced multi-domain systems

Integrated Systems

Mission-effective integrated HW & SW systems

Sensors, Collections, & Phenomenology

Disruptive sensor-based systems using detailed physical modeling

Mission Support

Mission solutions via depth, breadth at competitive costs

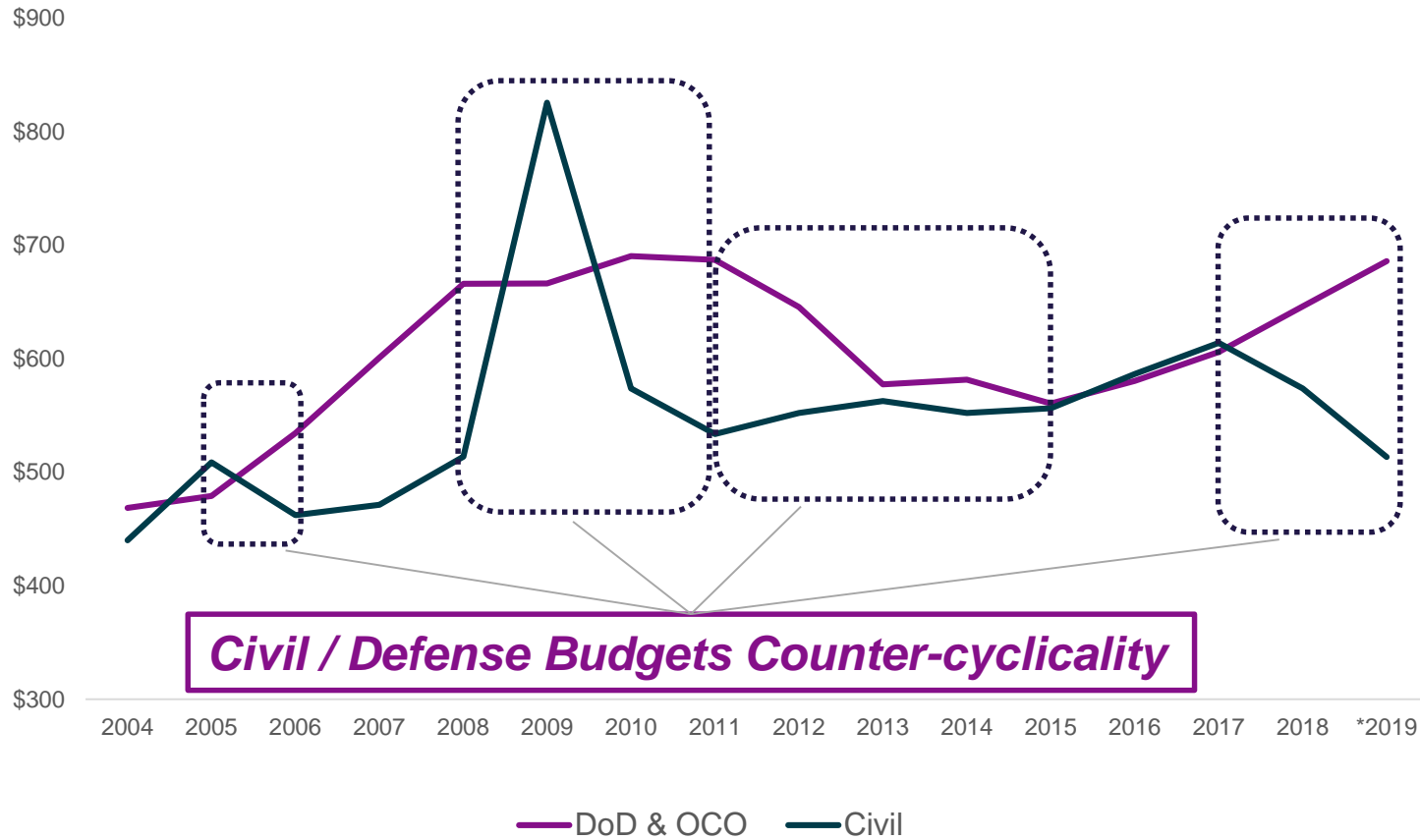
Secure Development and Operations

Data Science and Engineering

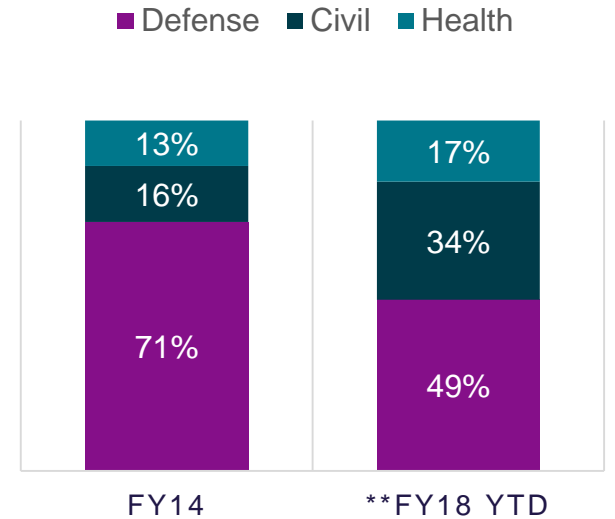
System Engineering and Integration

DEFENSE & CIVIL EXPOSURE PROVIDES COUNTER-CYCLICAL BENEFITS

DISCRETIONARY BUDGET AUTHORITY
(\$ BILLION)



LEIDOS HISTORICAL
REVENUE MIX

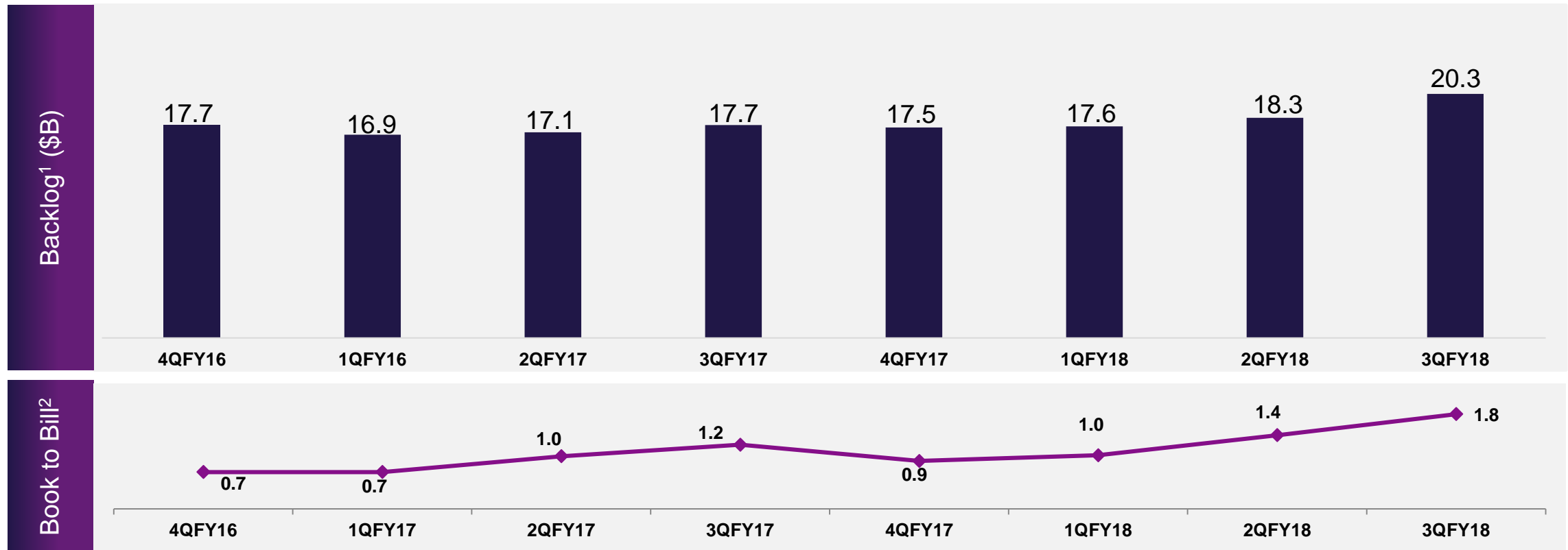


**Year-to-date through Q3 2018

Source: Office of Budget Management
*Represents Discretionary Budget Authority Estimates



INCREASING BACKLOG & BOOK-TO-BILL



(1) Backlog presented at exchange rate in effect at quarter end
(2) Book to bill excludes the impact of currency fluctuations on backlog

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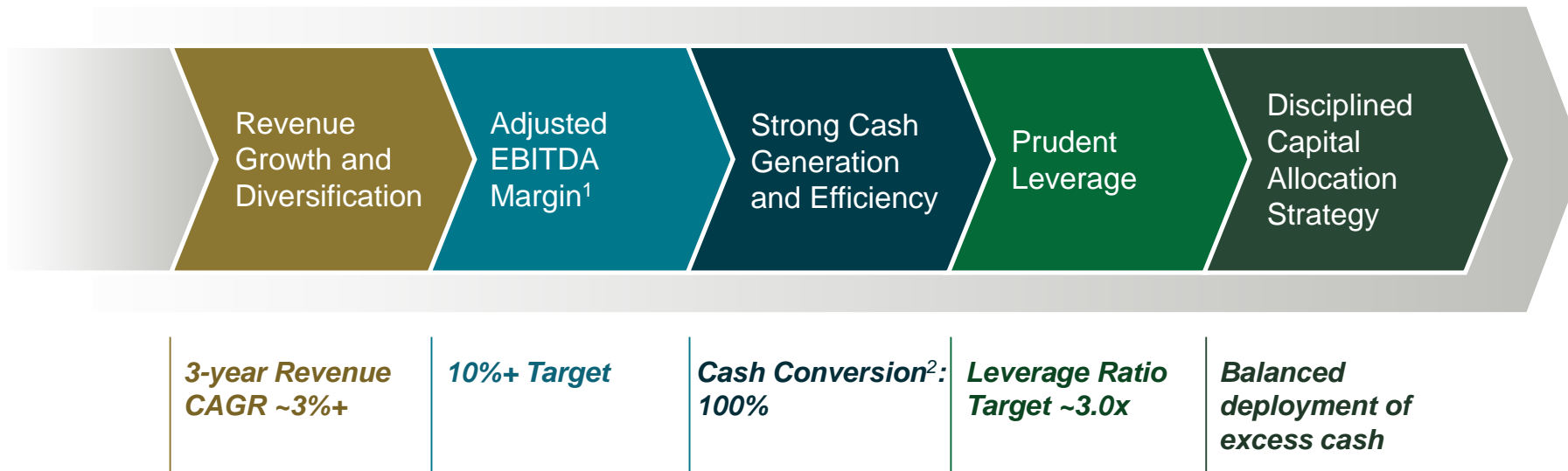
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LONG-TERM TARGETS



(1) See appendix for definition of Non-GAAP Financial Measures

(2) Cash Conversion defined as (Free Cash Flow excluding acquisition/integration/restructuring costs) / Net Income

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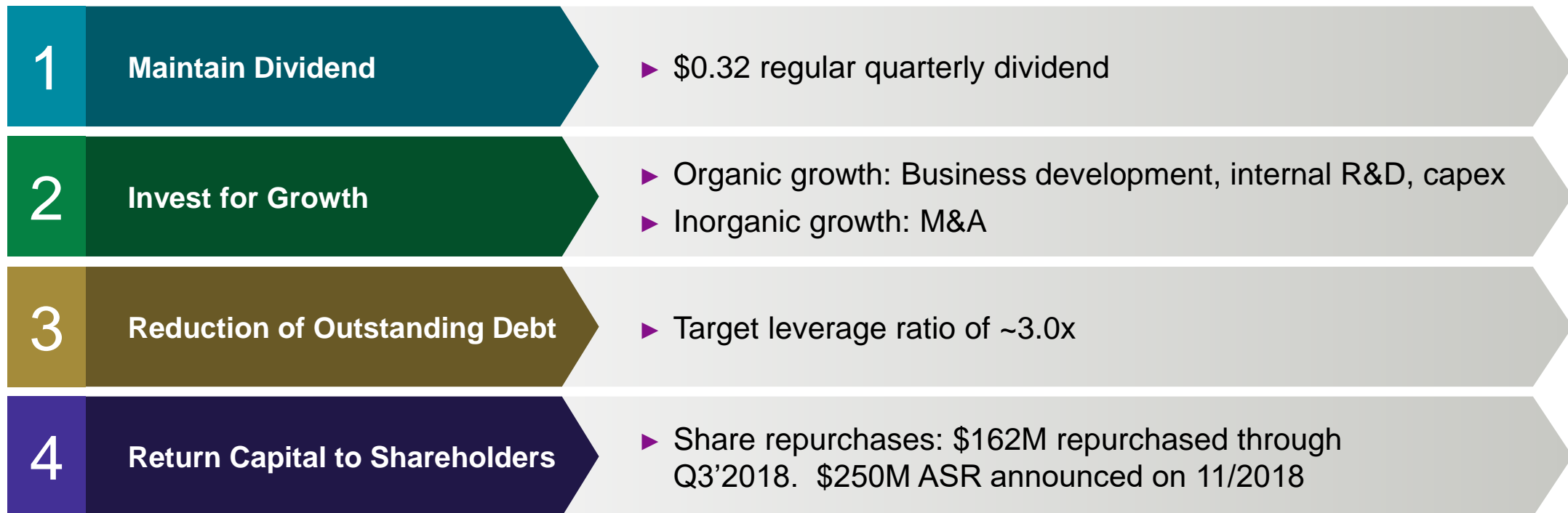
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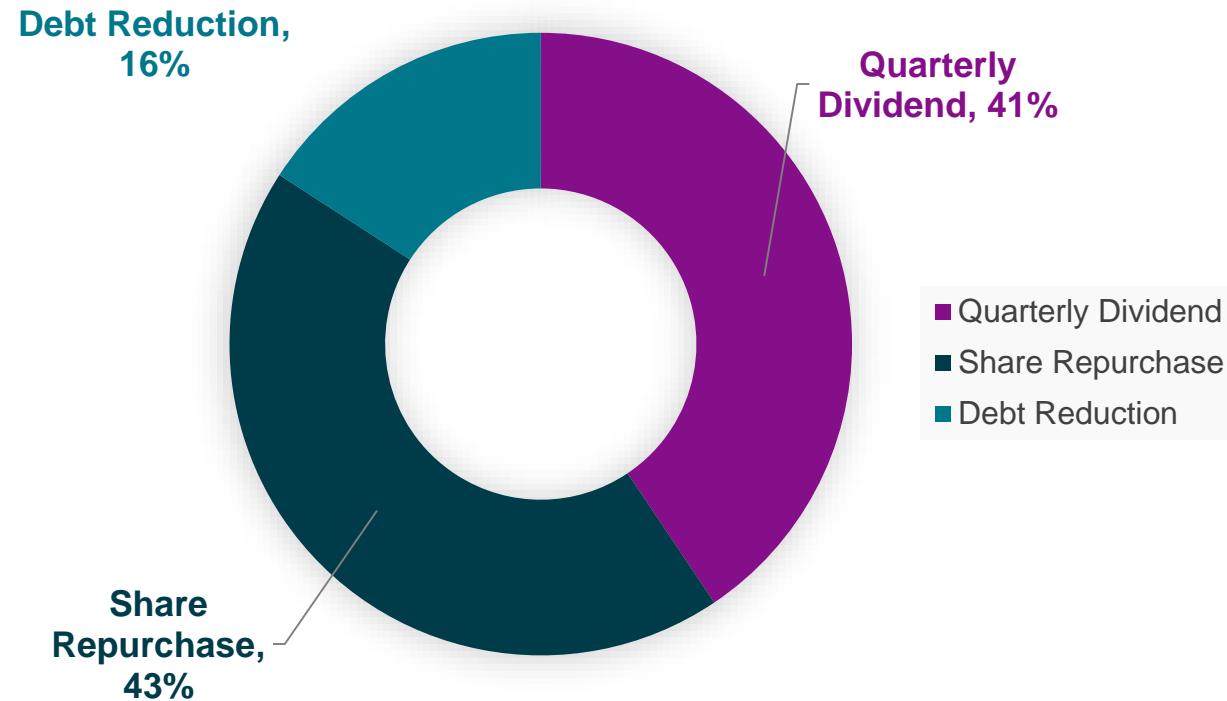
DISCIPLINED CAPITAL DEPLOYMENT PHILOSOPHY

Committed to Returning Excess Cash



Balanced Capital Deployment

Year-To-Date Capital Deployment



Note: Chart Reflects Capital Deployment to Debt Reduction, Quarterly Dividend, and Share Repurchase, through Q3'2018 reported results.

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Thank You



NON-GAAP FINANCIAL MEASURES

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

- ▶ Integration and restructuring costs – Represents integration, lease termination and severance costs related to the Company's acquisitions.
- ▶ Amortization of acquired intangible assets - Represents the amortization of the fair value of the acquired intangible assets.
- ▶ Amortization of equity method investments - Represents the amortization of the fair value of acquired equity method investments.
- ▶ Loss on sale of assets - Represents the losses on certain sales of real estate.
- ▶ Asset impairment charges - Represents impairments of long-lived tangible assets.
- ▶ Tax adjustments on assets held for sale - Represents certain tax benefits related to the anticipated sale of the Company's commercial cybersecurity business.
- ▶ Other tax adjustments – Primarily represents the tax impact of the prior year promissory note impairment and revised cumulative impact of the federal government enacted Tax Cuts and Jobs Act.

Non-GAAP operating margin is computed by dividing non-GAAP operating income by revenue.

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

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

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