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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT  
Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): January 26, 2016**

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**LEIDOS HOLDINGS, INC.**  
(Exact name of registrant as specified in its charter)

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**DELAWARE**  
(State or other Jurisdiction  
of Incorporation)

**001-33072**  
(Commission  
File Numbers)

**20-3562868**  
(IRS Employer  
Identification Nos.)

**11951 Freedom Drive, Reston, Virginia**  
(Address of Principal Executive Offices)

**20190**  
(Zip Code)

**Registrants' telephone number, including area code: (571) 526-6000**

**N/A**  
(Former names or former addresses if changed since last report.)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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### **Item 1.01 Entry into a Material Definitive Agreement**

On January 26, 2016, Leidos Holdings, Inc. (“Leidos”) announced it entered into a definitive agreement with Lockheed Martin Corporation (“Lockheed Martin”) pursuant to which Leidos will combine with Lockheed Martin’s realigned Information Systems & Global Solutions business (IS&GS) (collectively, the “Business”) in a Reverse Morris Trust transaction, pursuant to the Agreement and Plan of Merger (the “Merger Agreement”) dated January 26, 2016, among Leidos, Lockheed Martin, Abacus Innovations Corporation, a Delaware corporation and a wholly owned subsidiary of Lockheed Martin (“Spinco”), and Lion Merger Co., a Delaware corporation and a wholly owned subsidiary of Leidos (“Merger Sub”). In connection with the Merger Agreement, Lockheed Martin and Spinco entered into a Separation Agreement dated January 26, 2016 (the “Separation Agreement”), pursuant to which Lockheed Martin will separate the Business.

In the transactions contemplated by the Merger Agreement and the Separation Agreement, (i) Lockheed Martin will transfer the Business to Spinco, (ii) Lockheed Martin will distribute Spinco’s stock to Lockheed Martin’s stockholders, at Lockheed Martin’s option, by way of a pro rata dividend or an exchange offer (the “Distribution”), and (iii) Merger Sub will merge with and into Spinco, with Spinco as the surviving corporation (the “Merger”) and a wholly owned subsidiary of Leidos. Upon consummation of the transactions contemplated by the Merger Agreement and the Separation Agreement, Lockheed Martin shareholders will receive approximately 77 million shares of Leidos common stock, which represent approximately 50.5% of the outstanding shares of Leidos common stock. Leidos’ existing stockholders will continue to hold the remaining approximately 49.5% of the outstanding shares of Leidos common stock.

#### ***The Separation Agreement***

The Separation Agreement identifies assets to be transferred to, and liabilities to be assumed by, Spinco and its subsidiaries as part of the separation of the Business from the other businesses of Lockheed Martin (the “Separation”). In particular, the Separation Agreement provides, among other things, that, subject to the terms and conditions contained therein:

- assets related exclusively to the Business, with certain exceptions, will be transferred to Spinco or its subsidiaries (the “Spinco Assets”);
- certain liabilities arising out of, or relating to the Spinco Assets or the Business, with certain exceptions, will be assumed by Spinco or its subsidiaries (the “Spinco Liabilities”); and
- all of the assets and liabilities of Lockheed Martin and its subsidiaries, other than the Spinco Assets and Spinco Liabilities, will be retained by or transferred to Lockheed Martin and its subsidiaries.

The Separation Agreement governs certain of the rights and obligations of Lockheed Martin and Spinco regarding the Distribution. The Separation Agreement also sets forth other covenants and agreements between Lockheed Martin and Spinco related to the Separation, including provisions concerning the

termination and settlement of intercompany accounts, obtaining governmental approvals and third party consents and working capital adjustments. The Separation Agreement also sets forth agreements that govern certain aspects of the relationship between Lockheed Martin and Spinco after the Distribution, including provisions with respect to release of claims and indemnification.

Prior to the Distribution, Spinco will incur third-party debt financing in an aggregate principal amount of approximately \$1.8 billion (the "Spinco Debt") and immediately thereafter, Lockheed Martin will transfer the Spinco Assets to Spinco and Spinco will make a special cash payment to Lockheed Martin of \$1.8 billion, subject to adjustment based on Spinco's cash and working capital at the time of the Distribution (the "Special Cash Payment"). Spinco has entered into commitment letters with certain financial institutions to provide for the Spinco Debt.

The Separation Agreement provides that the Distribution is subject to the satisfaction or waiver of certain conditions set forth in the Merger Agreement.

### ***The Merger Agreement***

The Merger Agreement provides that, immediately following the Distribution, Merger Sub will merge with and into Spinco, with Spinco surviving the Merger as a wholly owned subsidiary of Leidos. The aggregate number of shares of Spinco common stock that will be issued to Lockheed stockholders in connection with the Distribution is determined by multiplying (x) 75,434,980 by (y) 1.020202, subject to adjustment in certain circumstances. At the effective time of the Merger, each share of Spinco common stock will automatically convert into the right to receive one share of Leidos common stock.

The Merger Agreement also provides that, prior to the Merger and subject to applicable law, Leidos shall declare and pay a special dividend of approximately \$1.03 billion to its stockholders, conditioned on completion of the Merger. The special dividend will be funded by a combination of new borrowing and cash on hand.

In addition, the Merger Agreement provides that in connection with the Merger, Leidos will increase the size of its board of directors (the "Leidos Board") and three individuals designated by Lockheed Martin will be appointed to the Leidos Board to fill the vacancies. In accordance with the Merger Agreement, these individuals will also be nominated for election to the Leidos Board at Leidos' next annual meeting of stockholders, subject to the fiduciary duties of the Leidos Board, and the requirements of the NYSE and applicable law.

Consummation of the Merger is subject to customary closing conditions, including, among others, (1) the consummation of the Separation and the Distribution in accordance with the Separation Agreement, (2) the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the receipt of any necessary regulatory approvals in other jurisdictions, (3) the effectiveness of registration statements to be filed with the U.S. Securities and Exchange Commission ("SEC"), (4) the approval by Leidos' stockholders of the issuance of Leidos common stock in the Merger (the "Share Issuance"), (5) the receipt by Lockheed Martin of an opinion of tax counsel as to the tax-free nature of the Distribution to Lockheed Martin and its stockholders and the receipt by Leidos and Lockheed Martin of opinions of their respective tax counsel regarding the treatment of the Merger as a "reorganization" for U.S. federal income tax purposes, and (6) the receipt by Leidos, Lockheed Martin and Spinco of solvency opinions customary in transactions of this type.

The parties have made customary representations and warranties and agreed to various customary covenants in the Merger Agreement, including, among others, covenants to conduct the operations of the Business and Leidos in the ordinary course between the execution of the Merger Agreement and the consummation of the Merger and not to engage in certain actions during such period. Lockheed Martin covenants in the Merger Agreement not to solicit or enter into discussions concerning, or provide confidential information in connection with, alternative transactions with respect to the Business. Leidos also covenants in the Merger Agreement (1) to cause a stockholders meeting to be held to obtain the required stockholder approval, (2) not to solicit alternative transactions, (3) except under limited circumstances, not to enter into discussions concerning, or provide confidential information in connection with, alternative transactions, and (4) with limited exceptions, that the Leidos Board will recommend that the stockholders of Leidos vote to approve the Share Issuance.

The Merger Agreement contains certain termination rights for both Lockheed Martin and Leidos and further provides that Leidos must pay to Lockheed Martin a termination fee of \$150 million upon termination of the Merger Agreement under the following circumstances:

- if the Merger Agreement is terminated by Lockheed Martin due to a failure of Leidos to comply with certain obligations relating to, among other matters, obtaining stockholder approval and not soliciting or participating in alternative transactions, including those obligations summarized in clauses (1) through (4) of the immediately preceding paragraph; or
- if (a) Leidos or Lockheed Martin terminates the Merger Agreement for failure to close before the termination date of January 26, 2017, or Lockheed Martin terminates the Merger Agreement as a result of a breach of a covenant or agreement of Leidos that is not cured in accordance with the terms of the Merger Agreement, (b) prior to such termination, a competing transaction involving Leidos is announced or becomes publicly known and (c) within 15 months after the termination Leidos enters into or consummates a competing transaction.

In addition, if the Merger Agreement is terminated because approval is not obtained at the Leidos stockholder meeting called for such purpose, Leidos has agreed to reimburse Lockheed Martin for its expenses up to a maximum amount of \$37.5 million.

In connection with the transactions contemplated by the Merger Agreement and the Separation Agreement, certain additional agreements have been or will be entered into, including, among others:

- an Employee Matters Agreement, which will govern Lockheed Martin's, Spincos and Leidos' respective obligations with respect to current and former employees of the Business;
- a Tax Matters Agreement, which will govern Lockheed Martin's, Spincos and Leidos' respective rights, responsibilities and obligations with respect to taxes, tax attributes, the preparation and filing of tax returns, tax contests, preservation of the tax-free status of certain transactions contemplated by the Merger Agreement and the Separation Agreement and certain other tax matters; and
- transition services agreements, an intellectual property matters agreement, agreements relating to certain government contracts matters, supply agreements and certain real estate related agreements.

The foregoing descriptions of the Merger Agreement and the Separation Agreement and the transactions contemplated thereby do not purport to be complete and are qualified in their entirety by reference to such agreements, copies of which will be filed in a separate Form 8-K to be filed by Leidos shortly.

The above descriptions of the Separation Agreement and the Merger Agreement have been included to provide investors and security holders with information regarding the terms of the Separation Agreement and the Merger Agreement. They are not intended to provide any other factual information about Lockheed Martin, Spinco, Leidos, Merger Sub, their respective subsidiaries and affiliates, or the Business. The Merger Agreement contains representations and warranties of Lockheed Martin and Spinco solely for the benefit of Leidos and Merger Sub and representations and warranties of Leidos and Merger Sub solely for the benefit of Lockheed Martin and Spinco. The assertions embodied in those representations and warranties are qualified by information in confidential disclosure letters that the parties have exchanged in connection with signing the Merger Agreement as of a specific date. The disclosure letters contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the Merger Agreement. Therefore, investors and security holders should not treat them as categorical statements of fact. Moreover, these representations and warranties may apply standards of materiality in a way that is different from what may be material to investors. They were made only as of the date of the Merger Agreement or such other date or dates as may be specified in the Merger Agreement and they are subject to more recent developments. Accordingly, investors and security holders should read the representations and warranties in the Merger Agreement when filed not in isolation but only in conjunction with the other information about Lockheed Martin and Leidos and their subsidiaries that the respective companies include in reports and statements they file with the SEC.

**Item 8.01 Financial Statements and Exhibits**

On January 26, 2016, Leidos issued a press release announcing the transactions contemplated by the Merger Agreement and the Separation Agreement. A copy of the press release is filed as Exhibit 99.1 to this report and is incorporated herein by reference.

The slide presentation used in connection with Leidos' conference call with industry analysts related to the announcement of the transaction on January 26, 2016 is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

**Item 9.01 Financial Statements and Exhibits**

Leidos hereby files the following exhibits:

<b>Exhibit Number</b>	<b>Description</b>
99.1	Press Release, dated January 26, 2016
99.2	Investor Presentation, dated January 26, 2016

### **Cautionary Statements Regarding Forward-Looking Information**

The forward looking statements contained in this document involve risks and uncertainties that may affect Leidos Holdings, Inc.'s ("Leidos") operations, markets, products, services, prices and other factors as discussed in filings with the Securities and Exchange Commission (the "SEC"). These risks and uncertainties include, but are not limited to, economic, competitive, legal, governmental and technological factors. Accordingly, there is no assurance that the expectations of Leidos will be realized. This document also contains statements about the proposed business combination transaction between Leidos and Lockheed Martin Corporation ("Lockheed Martin"), in which Lockheed Martin will separate a substantial portion of its government information technology infrastructure services business and its technical services business, which have been realigned in the Information Systems & Global Solutions (IS&GS) business segment, and combine this business with Leidos in a Reverse Morris Trust transaction (the "Transaction"). Many factors could cause actual results to differ materially from these forward-looking statements with respect to the Transaction, including risks relating to the completion of the transaction on anticipated terms and timing, including obtaining stockholder and regulatory approvals, anticipated tax treatment, the dependency of any split-off transaction on market conditions and the value to be received in any split-off transaction, unforeseen liabilities, future capital expenditures, revenues, expenses, earnings, synergies, economic performance, indebtedness, financial condition, losses, future prospects, business and management strategies for the management, expansion and growth of the new combined company's operations, Leidos' ability to integrate the businesses successfully and to achieve anticipated synergies, and the risk that disruptions from the Transaction will harm Leidos' business. While the list of factors presented here is considered representative, no such list should be considered to be a complete statement of all potential risks and uncertainties. Unlisted factors may present significant additional obstacles to the realization of forward-looking statements. Consequences of material differences in results as compared with those anticipated in the forward-looking statements could include, among other things, business disruption, operational problems, financial loss, legal liability to third parties and similar risks, any of which could have a material adverse effect on Leidos' consolidated financial condition, results of operations or liquidity. For a discussion identifying additional important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see Leidos' filings with the SEC, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" in Leidos' annual report on Form 10-K for the year ended January 30, 2015, and in its quarterly reports on Form 10-Q which are available at <http://www.Leidos.com> and at the SEC's web site at <http://www.sec.gov>. Leidos assumes no obligation to provide revisions or updates to any forward-looking statements should circumstances change, except as otherwise required by securities and other applicable laws.

### **Additional Information and Where to Find It**

In connection with the proposed transaction, Abacus Innovations Corporation, a wholly-owned subsidiary of Lockheed Martin created for the Transaction ("Spinco"), will file with the SEC a registration statement on Form S-4/S-1 containing a prospectus and Leidos will file with the SEC a proxy statement on Schedule 14A and a registration statement on Form S-4 containing a prospectus. INVESTORS AND SECURITY HOLDERS ARE ADVISED TO READ THE REGISTRATION STATEMENTS/PROSPECTUSES AND PROXY STATEMENT WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PARTIES AND THE PROPOSED TRANSACTION. Investors and security holders may obtain a free copy of the prospectuses and proxy statement (when available) and other documents filed with the SEC by Lockheed Martin, Spinco and Leidos at the SEC's web site at <http://www.sec.gov>. Free copies of these documents, once available, and each of the companies' other filings with the SEC, may also be obtained from Leidos' web site at <http://www.Leidos.com>.

This communication is not a solicitation of a proxy from any investor or security holder. However, Leidos, Lockheed Martin, and certain of their respective directors, executive officers and other members of management and employees, may be deemed to be participants in the solicitation of proxies from stockholders of Leidos in respect of the proposed transaction under the rules of the SEC. Information regarding Leidos' directors and executive officers is available in Leidos' 2014 Annual Report on Form 10-K filed with the SEC on March 25, 2015, and in its definitive proxy statement for its annual meeting of stockholders filed on April 17, 2015. Information regarding Lockheed Martin's directors and executive officers is available in Lockheed Martin's 2014 Annual Report on Form 10-K filed with the SEC on February 9, 2015, and in its definitive proxy statement for its annual meeting of stockholders filed on March 13, 2015. These documents can be obtained free of charge from the sources indicated above. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the registration statements, prospectuses and proxy statement and other relevant materials to be filed with the SEC when they become available.

This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LEIDOS HOLDINGS, INC.

By: /s/ Raymond L. Veldman

Name: Raymond L. Veldman  
Title: Senior Vice President, Deputy General Counsel  
and Corporate Secretary

Dated: January 26, 2016

## Exhibit Index

<b>Exhibit Number</b>	<b>Description</b>
99.1	Press Release, dated January 26, 2016
99.2	Investor Presentation, dated January 26, 2016

**LEIDOS TO COMBINE WITH LOCKHEED MARTIN INFORMATION SYSTEMS &  
GLOBAL SOLUTIONS BUSINESS (IS&GS)**

- ***\$5 Billion Transaction Includes Approximately \$3.2 Billion in Leidos Common Stock and a Special Cash Payment of Approximately \$1.8 Billion to Lockheed Martin***
- ***Transaction also Contemplates a \$1 billion Special Dividend to Leidos Stockholders Conditioned on Completion of the Transaction***
- ***Creates a Leading Government-Services Company with Increased Scale and Opportunities for Long-Term Growth***

RESTON, Va. Jan. 26, 2016 – Leidos Holdings Inc. (NYSE: LDOS) today announced it has entered into a definitive agreement with Lockheed Martin (NYSE: LMT) pursuant to which Leidos will combine with Lockheed Martin’s realigned Information Systems & Global Solutions business (IS&GS) in a Reverse Morris Trust transaction.

With approximately \$5 billion in sales and more than 16,000 employees worldwide, IS&GS has been a leading government services provider for more than 20 years.

“The combination of IS&GS with Leidos creates truly significant value for our shareholders, and brings together a \$10 billion portfolio of solutions, mission IT, and technical services,” said Roger Krone, Leidos chairman and CEO. “The combined company will be a more diversified leader in the markets we serve, giving us the scale and access to markets that enable further growth. The new company will be better able to offer cost-effective solutions to our customers. I look forward to welcoming the talented employees from IS&GS who will join the Leidos team – they will play a critical role in our future success.”

The combination will result in Lockheed Martin shareholders receiving approximately 50.5 percent of the combined company on a fully diluted basis, with pre-transaction Leidos shareholders owning the balance. The transaction, which also includes a special cash payment of approximately \$1.8 billion to Lockheed Martin, is valued at approximately \$5.0 billion based on Leidos’ \$55.22, 5-day volume weighted average stock price.

The transaction also contemplates that Leidos will pay a special dividend to its shareholders of approximately \$1 billion, contingent on closing of the transaction. The special dividend to Leidos shareholders is expected to be funded through new borrowing by Leidos and cash on hand.

This combination is expected to add large, complex IT system implementation and operation experience, and additional federal and international IT solutions and services work to the Leidos portfolio, providing more venues to sell value added services such as cybersecurity and analytics.

#### **Transaction Details**

Upon closing of the merger, Lockheed Martin shareholders will receive approximately 50.5 percent of Leidos shares, on a fully diluted basis, and pre-transaction Leidos shareholders will own the balance of the combined company’s shares.

The value of the transaction is \$5.0 billion, comprising approximately a 50.5% stake in Leidos common stock, valued at \$3.2 billion based on the 5-day volume weighted average stock price of Leidos’ shares on Jan. 25, 2016, and, immediately prior to the distribution of IS&GS, an

approximately \$1.8 billion special cash payment to Lockheed Martin, which will be used by Lockheed Martin after the closing of the transaction to retire debt, pay dividends or repurchase its shares. Upon closing, Leidos will have approximately 152.4 million common shares and common share equivalents outstanding. The transaction, other than the special dividend to Leidos shareholders, is expected to be tax-free for both companies' shareholders.

The transaction is anticipated to close in the second half of 2016. Completion of the transaction is subject to customary closing conditions, including regulatory and Leidos shareholder approvals and receipt of opinions of tax counsel. The businesses will continue to operate separately until the transaction closes.

### **Governance and Management**

Roger Krone will continue as Chairman and CEO of Leidos. Pursuant to the transaction agreement, Lockheed Martin will be entitled to designate three new directors to serve on the Leidos board of directors. Jim Reagan will continue to serve as CFO of Leidos. Leidos headquarters will remain in Reston, Va. and the company will maintain a significant presence in Gaithersburg, Md. It is expected that members of the IS&GS senior staff will join the Leidos leadership team.

Citigroup is acting as exclusive financial advisor to Leidos. Citigroup, Bank of Tokyo Mitsubishi UFJ, Bank of America, JP Morgan and Goldman Sachs are providing committed financing for the transaction. Skadden, Arps, Slate, Meagher & Flom LLP and Fried, Frank, Harris, Shriver & Jacobson LLP are acting as legal advisors to Leidos.

### **Conference Call and Investor Information**

Leidos will host a conference call at 8 am Eastern Time on Jan. 26 to discuss the transaction. The call can be accessed by dialing Toll Free: 877-869-3847; International: +1-201-689-8261. A live audio broadcast of the conference call along with a supplemental presentation will be available to the public through links on the Leidos Investor Relations website (<http://ir.leidos.com>).

After the call concludes, an audio replay can be accessed on the Leidos Investor Relations website or by dialing Toll Free: +1 (877) 660-6853; International: +1-201-612-7415 and entering passcode 13629288.

### **About Leidos**

Leidos is a science and technology solutions leader working to address some of the world's toughest challenges in national security, health and engineering. The Company's 19,000 employees support vital missions for government and the commercial sector, develop innovative solutions to drive better outcomes and defend our digital and physical infrastructure from 'new world' threats. Headquartered in Reston, Virginia, Leidos reported annual revenues of approximately \$5.06 billion for its fiscal year ended January 30, 2015. For more information, visit [www.Leidos.com](http://www.Leidos.com).

### **CONTACTS:**

#### **Media:**

Melissa Koskovich  
571.526.6851  
[koskovichm@leidos.com](mailto:koskovichm@leidos.com)

#### **Investors:**

Kelly P. Hernandez  
571.526.6404  
[Kelly.p.hernandez@leidos.com](mailto:Kelly.p.hernandez@leidos.com)

### **Cautionary Statement Regarding Forward Looking Statements**

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# Leidos + Lockheed Martin's Information Systems & Global Solutions Business

A New Leader in US Government IT Services

January 26, 2016



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# Legal Disclosures

## Cautionary Statement Regarding Forward Looking Statements

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## Additional Information and Where to Find It

In connection with the proposed transaction, Abacus Innovations Corporation, a wholly-owned subsidiary of Lockheed Martin created for the Transaction ("Spinco"), will file with the SEC a registration statement on Form S-4/S-1 containing a prospectus and Leidos will file with the SEC a proxy statement on Schedule 14A and a registration statement on Form S-4 containing a prospectus. INVESTORS AND SECURITY HOLDERS ARE ADVISED TO READ THE REGISTRATION STATEMENTS/PROSPECTUSES AND PROXY STATEMENT WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PARTIES AND THE PROPOSED TRANSACTION. Investors and security holders may obtain a free copy of the prospectuses and proxy statement (when available) and other documents filed with the SEC by Lockheed Martin, Spinco and Leidos at the SEC's web site at <http://www.sec.gov>. Free copies of these documents, once available, and each of the companies' other filings with the SEC, may also be obtained from Leidos' web site at <http://www.Leidos.com>.

This communication is not a solicitation of a proxy from any investor or security holder. However, Leidos, Lockheed Martin, and certain of their respective directors, executive officers and other members of management and employees, may be deemed to be participants in the solicitation of proxies from stockholders of Leidos in respect of the proposed transaction under the rules of the SEC. Information regarding Leidos' directors and executive officers is available in Leidos' 2014 Annual Report on Form 10-K filed with the SEC on March 25, 2015, and in its definitive proxy statement for its annual meeting of stockholders filed on April 17, 2015. Information regarding Lockheed Martin's directors and executive officers is available in Lockheed Martin's 2014 Annual Report on Form 10-K filed with the SEC on February 9, 2015, and in its definitive proxy statement for its annual meeting of stockholders filed on March 13, 2015. These documents can be obtained free of charge from the sources indicated above. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the registration statements, prospectuses and proxy statement and other relevant materials to be filed with the SEC when they become available.

This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.



# Agenda

## Announcement

Leidos has entered into a definitive agreement to combine with Lockheed Martin's Information Systems & Global Solutions ("IS&GS") business

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## Structure

The transaction will be structured as a Reverse Morris Trust and preserve the tax-free nature of Lockheed Martin's split-off of IS&GS

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## Rationale

The combination of Leidos and IS&GS will create the largest pure-play IT services provider to the US federal government with ~\$10 billion in revenue and a diversified customer base

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## Timing

We expect to close the transaction in the 2<sup>nd</sup> half of 2016

# Management Presenters



**Roger Krone**  
Chairman and CEO  
**Leidos**



**Jim Reagan**  
CFO  
**Leidos**



**Marillyn Hewson**  
Chairman, President, and CEO  
**Lockheed Martin**



## Leidos and IS&GS: A Powerful Combination

- ▶ Leidos and Lockheed Martin have entered into an agreement whereby Leidos will combine with Lockheed Martin's IS&GS business, valued at approximately \$5 billion, in a Reverse Morris Trust transaction, expected to be tax-free
- ▶ Key Benefits
  - Creates ~\$10B revenue industry leader in government services
  - Complementary organizations: customers, capabilities, culture
  - Cost & revenue synergies

# Transaction Overview

## Structure and Consideration

- ▶ Leidos to combine with Lockheed Martin's Information Systems & Global Solutions ("IS&GS") business via a Reverse Morris Trust structure
- ▶ Total transaction value of \$5 billion for IS&GS, including \$3.2 billion<sup>(1)</sup> in Leidos stock (~77 million shares) and \$1.8 billion in special cash payment to Lockheed Martin
- ▶ Leidos shareholders will receive a special cash dividend of ~\$1,030 million or ~\$13.50 per share at closing

## Merged Company

- ▶ Company name: Leidos; Listing: NYSE; Ticker: LDOS
- ▶ Headquarters: Reston, VA (current Leidos headquarters)

## Ownership / Capital Structure

- ▶ Lockheed Martin shareholders: 50.5%
- ▶ Leidos shareholders: 49.5%
- ▶ Approximately \$3.4 billion in net debt anticipated at closing

## Board of Directors

- ▶ Roger Krone to continue as Chairman of the Board
- ▶ Lockheed Martin entitled to designate 3 new Directors to the Leidos Board

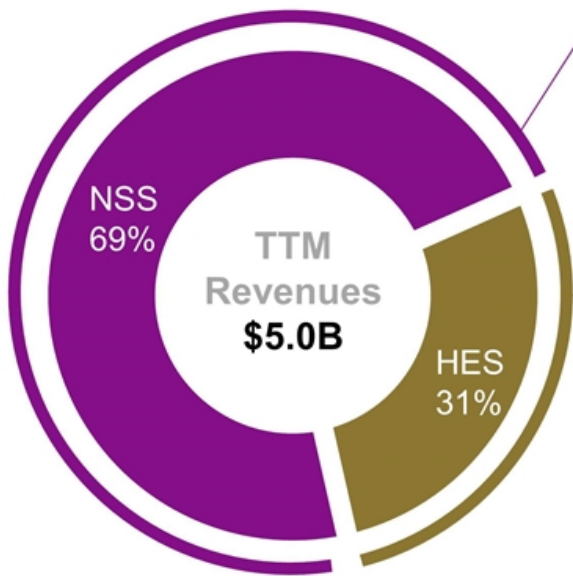
## Management

- ▶ Leidos CEO, CFO, and joint management team to lead the combined entity

## Approvals and Timing

- ▶ Leidos shareholder approval
- ▶ Customary closing conditions, applicable tax opinions, and regulatory authority approvals
- ▶ Expected closing: 2H 2016

# Leidos Overview



## NATIONAL SECURITY SECTOR

\$3.4B revenue

~10,000<sup>(1)</sup> employees with  
>8,500 possessing  
security clearances

97% government  
3% commercial

Critical mission support  
for intelligence community

C4ISR, Cyber, Data Analytics  
solutions

Serves Intel community, DoD,  
UK Ministry of Defence, DHS,  
and other government agencies

## HEALTH & ENGINEERING SECTOR

\$1.5B revenue

~7,000<sup>(1)</sup> employees

~40% government  
~60% commercial

Healthcare IT, electronic health records;  
energy grid and critical infrastructure  
design, and transportation security  
products

Health and life science/ clinical research

Serves hospitals, healthcare networks,  
commercial clients, utility industry, DoD  
and other government agencies

Note: TTM Revenues include Q4'FY15 through Q3'CY15.  
(1) Employee count as of FY15 end.



# IS&GS Overview

- ▶ Provides IT infrastructure, mission and business solutions, facilities M&O and logistics
- ▶ Headquartered in Gaithersburg, MD with 16,000+ employees
- ▶ Revenue of ~\$4.7 billion<sup>(1)</sup>
- ▶ Contract mix: 90% prime; 45% cost-plus, 42% fixed price, 13% time & material
- ▶ Employee clearance: 5,500+ employees hold security clearance; 67% secret / top secret, 33% SCI

## Civil

- ▶ ~60% of business
- ▶ Key end-markets
  - ▶ Aviation
  - ▶ Energy
  - ▶ Space and Science
  - ▶ Civil IT
  - ▶ Health

## Defense & Intel

- ▶ ~40% of business
- ▶ Key end-markets
  - ▶ Defense
  - ▶ Intelligence
  - ▶ Commercial Cyber

Note: (1) Represents estimated 2016 pro forma adjusted revenue, reflecting minority interest and other adjustments.

# Strategic Rationale for Leidos

## Increased Scale and Diversification

- ▶ Largest pure-play IT services provider to the U.S. federal government with ~\$10 billion in revenue and ~33,000 skilled employees
- ▶ Diversified customer base with strengthened relationship and reach in Intelligence, Defense and Civil agencies

## Complementary Market Access & Capabilities

- ▶ Experience in large, complex IT systems design, implementation, & operation
- ▶ Adds federal and international IT solutions and services work in areas that complement Leidos' existing business with minimal overlap

## Synergies

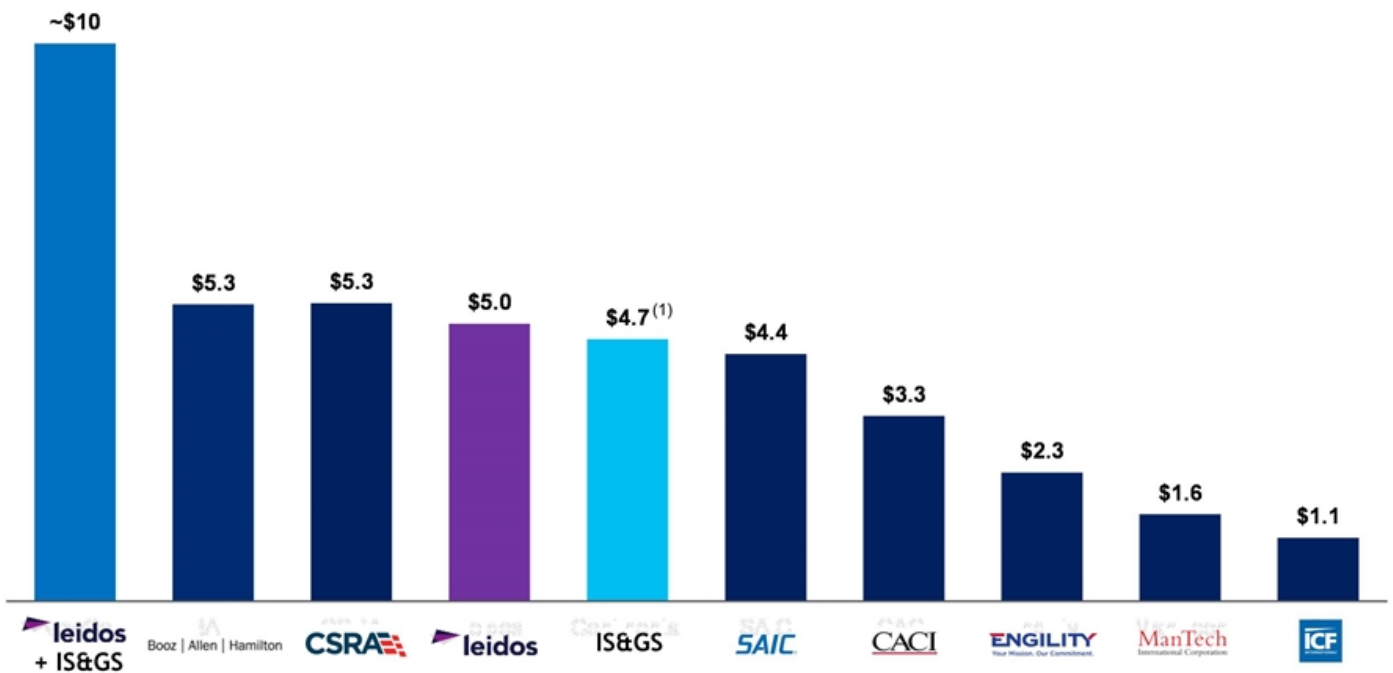
- ▶ Expect annualized net cost synergies of ~\$120 million by late 2018
- ▶ Enhanced competitiveness with cost synergies drive additional growth
- ▶ Longer term revenue synergies enable upside potential

## Improved Financial Profile

- ▶ Enhanced EBITDA margins and revenue growth opportunities with strong free cash flow generation
- ▶ Accretive to adjusted EPS in the second year of operations, neutral in the first year



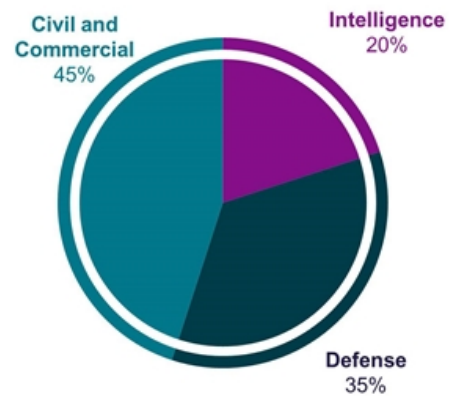
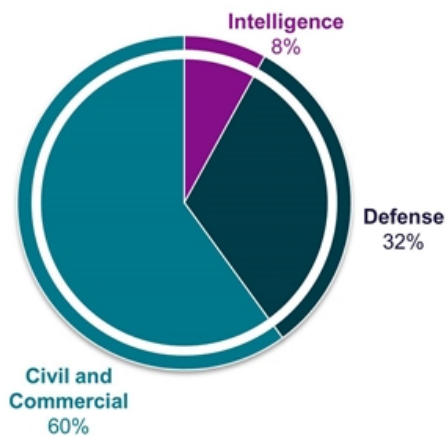
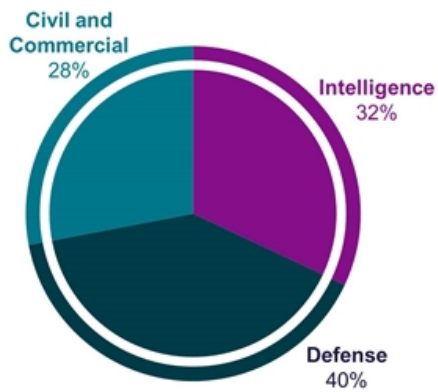
# Creates a Leader in Government Services



Note: Data based on TTM Revenue as of 9/30/2015 (\$ in billions), except IS&GS based on adjusted pro forma revenue. Other large defense contractors such as General Dynamics, Northrop Grumman, and Raytheon also have significant Government Services Businesses. (1) Represents estimated 2016 pro forma adjusted revenue, reflecting minority interest and other adjustments.



# Diversifies Leidos' Business Mix



Source: Leidos and Lockheed Martin.  
Estimated based on TTM revenue through 09/30/2015.



# Complementary Customer Reach

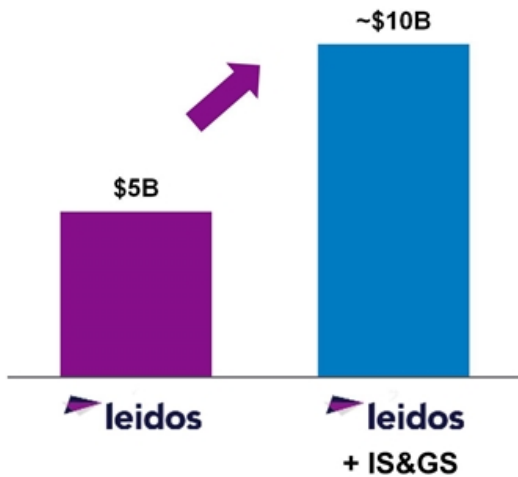


— Key Leidos Customer Relationship    — Key IS&GS Customer Relationship    — Key Dual Customer Relationship



# Attractive Pro Forma Financial Profile

## Revenue



## Adjusted EBITDA Margin



*Creates a ~\$10 billion company with significant scale and improved margin profile*

Note: Leidos based on trailing twelve months through 09/30/2015, IS&GS based on estimated 2016 adjusted pro forma financials.

# Significant Cost Synergies

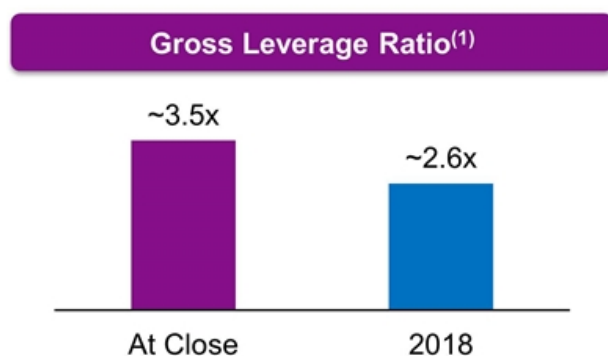
Expect annualized net cost synergies of ~\$120 million by late 2018

Synergies Breakdown		Expected Value
Corporate Home Office	▶ Gains from labor base scale	~\$50M
Line Management & Functional Cost	▶ Merging similar businesses and consolidating operating units	~\$60M
Real Estate and Other	▶ Real estate, supply chain and other synergies	~\$10M
Total annualized net cost synergies to be achieved by late 2018:		~\$120M

## Post-Close Capital Deployment Priorities

- ▶ Leidos will remain committed to paying its quarterly 32c per share dividend to all shareholders
- ▶ Upon close, top priority for deployment of excess cash will be paying down the debt to reduce leverage
- ▶ Strong free cash flow enables rapid delevering
  - Anticipate ~2.6x gross leverage ratio by the end of 2018

*Combined company's strong free cash flow profile will allow for rapid delevering*



Note: (1) Gross leverage ratio defined as Total Debt/PF Adjusted Bank EBITDA.

Pro Forma Capitalization (\$B)	
Cash	\$0.2
Existing Leidos Debt	\$1.1
Incremental Debt	\$2.5
Total Debt	\$3.6
Net Debt	\$3.4
Gross Leverage Ratio	3.5x
Net Leverage Ratio	3.3x



# Significant Value Creation

## For Our Customers

- ▶ Increased scale will enable a more competitive cost model
- ▶ Enhanced and complementary capabilities to meet near and long-term customer needs and requirements
- ▶ Extensive sales, service and support
- ▶ Combined company will be a leader in the government services space with ~\$10B of revenue

## For Our Shareholders

- ▶ More diversified sources of revenue, product, and customer mix
- ▶ Benefits from substantial cost synergies and positioned for revenue upside potential
- ▶ Accretive to adjusted EPS in the second year of operations, neutral in the first year
- ▶ Significant special dividend (~\$13.50 per share)
- ▶ IS&GS will benefit from increased focus under Leidos management

## For Our Employees

- ▶ Experienced combined leadership team and talented work force
- ▶ Compatible technology-driven culture and shared core values
- ▶ Expanded professional growth and development opportunities



## Next Steps

**File Combined Company S-4/S-1, Leidos Form S-4, and  
Leidos preliminary proxy statement**

**Continue transition and integration planning**

**Hold Investor Day prior to transaction closing**