

# leidos

## **2015 Goldman Sachs Industrials Conference**

**November 4, 2015**

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Chief Financial Officer

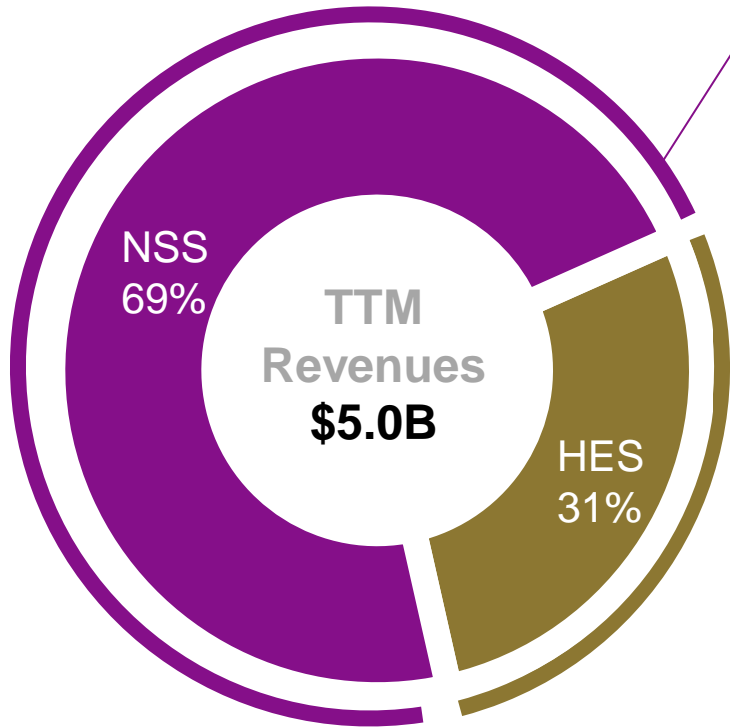
# Forward-Looking Statements

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 release include, among others, estimates of future revenues, operating income, earnings, earnings per share, charges, backlog, outstanding shares and cash flows, as well as statements about future dividends, stock repurchases, and other uses of capital. These statements reflect our belief and assumptions as to future events that may not prove to be accurate.

Actual performance and results may differ materially from the 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 or design build 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, 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 web site at [www.leidos.com](http://www.leidos.com).

All information in this presentation is as of November 4, 2015. The Company 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 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.

# Who We Are



## NATIONAL SECURITY SECTOR

\$3.4B revenue

~10,000\* 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\*  
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

TTM Revenues include Q4'FY15 through Q3'CY15.

\* Employee count as of FY15 end



# National Security Sector



## SNAPSHOT

- ▶ \$3.4B TTM Revenue
- ▶ Data analysis & exploitation
- ▶ Agile software development
- ▶ C4ISR
- ▶ Cyber
- ▶ R&D in air, sea, ground & space
- ▶ Wide range of technical solutions

## PRIMARY CUSTOMERS

- ▶ Intel Community
- ▶ Army
- ▶ Air Force
- ▶ Navy
- ▶ Department of Homeland Security (DHS)

## MARQUEE PROGRAMS

- ▶ LCST
- ▶ Saturn Arch
- ▶ Desert Owl
- ▶ Buckeye
- ▶ ACTUV
- ▶ NATO Ballistic Missile Defense SE&I
- ▶ TSA Integrated Logistics

TTM Revenues include Q4'FY15 through Q3'CY15.

# Health & Engineering Sector



## SNAPSHOT

- ▶ \$1.5B TTM Revenue
- ▶ EHR consulting
- ▶ Engineering
- ▶ Systems design & integration
- ▶ Health research & life sciences
- ▶ Power delivery & Smart grid
- ▶ Border, port, & infrastructure security

## PRIMARY CUSTOMERS

- ▶ Defense Health Agency (DHA)
- ▶ Utilities
- ▶ Commercial Industrial and Manufacturing
- ▶ US Army Corp of Engineers
- ▶ Veterans Administration

## MARQUEE PROGRAMS

- ▶ National Cancer Institute
- ▶ DoD Health Management Systems Modernization (DHMSM)
- ▶ Nurse Advice Line
- ▶ Chevron Enviro. Services
- ▶ State of Hawaii Energy Efficiency
- ▶ United Power Smart Grid as a Service

TTM Revenues include Q4'FY15 through Q3'CY15.

# Historical Financials – Select Items

	4Q'F15	1Q'C15	2Q'C15	3Q'C15	TTM
Revenue (\$M)	1,169	1,246	1,257	1,302	4,974
Operating income from continuing operations (\$M)	37	38	64	94	233
Non-GAAP operating income from continuing operations (\$M)	79	80	93	98	350
Diluted earnings per share from continuing operations	\$0.35	\$ 0.31	\$0.50	\$0.67	NA
Non-GAAP diluted earnings per share from continuing operations	\$0.69	\$0.65	\$0.73	\$0.71	NA
<b>Cash Flow From (used in) Operations (\$M)</b>	102	-42	151	269	480
<b>Cash Returned to Shareholders (\$M)</b> Dividend payments + Repurchases of stock	23	24	124	23	194

Please see our SEC filings for a description of Non-GAAP Operating Income & Non-GAAP diluted earnings per share



# Leidos Core Competencies

1

## C4ISR

Disruptive C4ISR solutions that proactively address our most critical national security needs.

2

## Cyber

Strong national security credentials provide foundation for protecting customers in all markets we serve.

3

## System Engineering

Optimally tailored to customer needs; speed and quality through simulation-based modeling and use of open architectures.

4

## Large-scale Agile Software Development

Geographically distributed, agile environment and experience.

5

## Data Analytics

Tools and expertise built to deliver actionable intelligence from disparate data sources. Designed for the intelligence community, applicable to all markets we serve.

6

## Science

Widespread and deep expertise in scientific phenomena spanning physics, chemistry, and the social and life sciences



# LDOS: A trusted long-term partner

1969 – SAIC/LDOS Founded

40+ year relationships:



30+ year relationships:



MARYLAND  
PROCUREMENT  
OFFICE

20+ year  
relationships:



**CLASSIFIED**

10+ year  
relationships:



**CLASSIFIED**



# Freedom to Think Forward

Leidos is securing the future and helping to make our communities, our nation and our world a better place for generations to come.

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## NATIONAL SECURITY

Delivering innovative solutions that help protect freedom in all domains – air, land, sea, space, and cyberspace.



## HEALTH

Advancing health technology to improve patient care, reduce healthcare costs, and enhance public health.



## ENGINEERING

Passionate about protecting our environment and making energy supply and delivery smarter, cleaner and more reliable.