

Filed by Leidos Holdings, Inc.  
Pursuant to Rule 425 under the Securities Act of 1933, as amended  
and deemed filed pursuant to Rule 14a-12  
under the Securities Exchange Act of 1934, as amended

Subject Company: Leidos Holdings, Inc.  
(Commission File No. 001-33072)



# leidos

## **J.P. Morgan Aviation, Transportation and Industrials Conference**

**March 8, 2016**

James C. Reagan  
Chief Financial Officer

# Forward-Looking Statements

## Cautionary Statement Regarding Forward Looking Statements

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-KT for the 11-month period ended January 1, 2016 which is 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

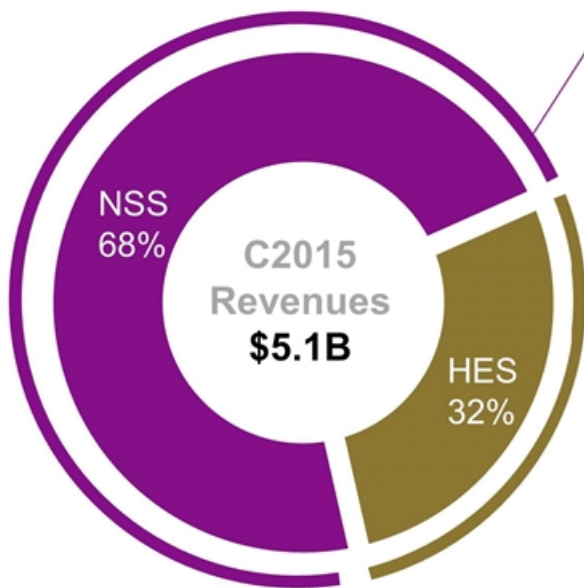
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This communication is not a solicitation of a proxy from any investor or security holder. However, Leidos, Lockheed Martin, and certain of their respective directors, executive officers and other members of management and employees, may be deemed to 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' Annual Report on Form 10-KT for the 11-month period ended January 1, 2016, filed with the SEC on March 4, 2016, 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 2015 Annual Report on Form 10-K filed with the SEC on February 24, 2016, 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.



# Who We Are



## NATIONAL SECURITY SECTOR

\$3.5B revenue	Critical mission support for intelligence community
~10,000* employees with ~7,800 possessing security clearances	C4ISR, Cyber, Data Analytics solutions
96% government 4% commercial	Serves Intel community, DoD, UK Ministry of Defence, DHS, and other government agencies

## HEALTH & ENGINEERING SECTOR

\$1.6B revenue	Healthcare IT, electronic health records; energy grid and critical infrastructure design, and transportation security products
~7,000* employees	Health and life science/ clinical research
~40% government ~60% commercial	Serves hospitals, healthcare networks, commercial clients, utility industry, DoD and other government agencies

\* Employee count as of 12/31/2015

# National Security Sector



## SNAPSHOT

- ▶ \$3.5B CY15 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

# Health & Engineering Sector



## SNAPSHOT

- ▶ \$1.6B CY15 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

## Historical Financials – Select Items

	1Q'C15	2Q'C15	3Q'C15	4Q'C15	C2015
Revenue (\$M)	1,246	1,257	1,302	1,281	5,086
Operating income from continuing operations (\$M)	38	64	94	102	298
Non-GAAP operating income from continuing operations (\$M)	80	93	99	105	377
Diluted earnings per share from continuing operations	\$ 0.31	\$0.50	\$0.67	\$1.72	\$3.19
Non-GAAP diluted earnings per share from continuing operations	\$0.65	\$0.73	\$0.73	\$0.78	\$2.89
Cash Flow From (used in) Operations (\$M)	-42	151	269	32	410
<b>Cash Flow Efficiency<sup>1</sup></b>	<b>NA</b>	<b>280%</b>	<b>507%</b>	<b>60%</b>	<b>192%</b>

<sup>1</sup>Cash Flow Efficiency is measured as Cash From Operations / Non-GAAP income from continuing operations.

Note: Please see Appendix for a definition and reconciliation of Non-GAAP Operating Income & Non-GAAP diluted earnings per share.



# LDOS: A trusted long-term partner

**40+ year**  
RELATIONSHIPS



**30+ year**  
RELATIONSHIPS



**20+ year**  
RELATIONSHIPS



**10+ year**  
RELATIONSHIPS



1969 – SAIC/LDOS Founded



# Transaction Summary

## 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 stockholders 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 stockholders: 50.5%
- ▶ Leidos stockholders: 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

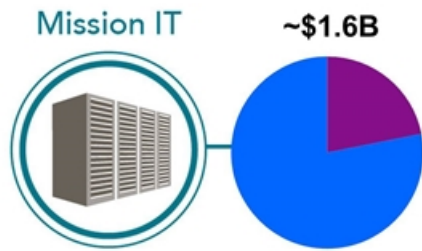
## Approvals and Timing

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

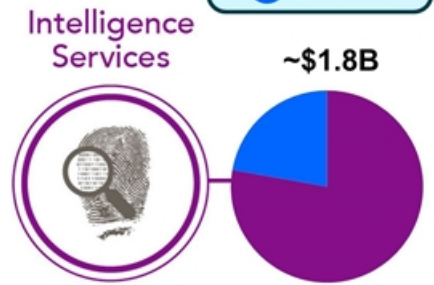
# Combined Company Market Alignment



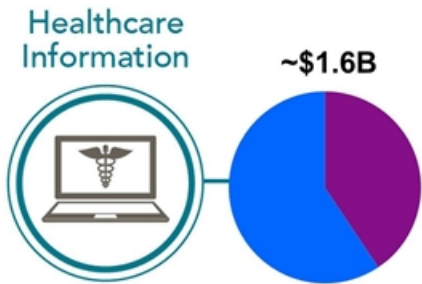
*Design, Develop, Maintain NextGen C4ISR Component Systems*



*Manage and Modernize Large-Scale Critical IT Systems*



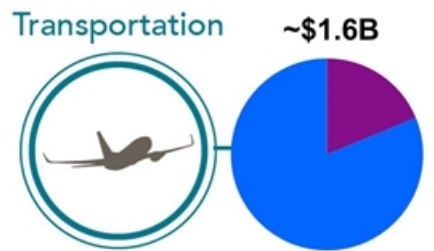
*Provide World-Class Analytic Services Leanly and Efficiently*



*Engineering Secure, Productive Healthcare Solutions*




*Efficiently Integrating and Managing Large, Diverse Plants and Infra.*



*Secure Transportation and Facilitate Commerce*

## Strategic Rationale – Complementary Capabilities

	 leidos	IS&GS	Pro forma Leidos
Logistics	●	●	●
Facilities Management	●	●	●
Data Center Consolidation	●	●	●
Financial and HR ERP Outsourcing	●	●	●
IT Operations	●	●	●
C4ISR	●	●	●
Application Development	●	●	●
Cybersecurity	●	●	●
Systems Engineering	●	●	●

*Pro forma Leidos will have broader capability set and no material OCI exposure*

# Strategic Transaction + Significant Value to Stockholders

## Strategic Rationale

- ▶ Creates a **leading Government & IT Services player** with **mission-critical domain expertise** and high-technical competencies
- ▶ **Highly complementary** market offerings, capability, and customer reach

## Synergies

- ▶ **Identifiable run-rate synergies of \$120mm**, with significant portion captured in 2017
- ▶ **Enhanced competitiveness with cost synergies** drive additional growth
- ▶ **Longer term revenue synergies** enable upside potential
- ▶ Integration planning already underway

## Improved Financial Profile

- ▶ Transaction adds **~\$500mm of incremental EBITDA**, with improved growth prospects in 2017 and beyond
- ▶ Enhances Leidos financial profile with **structurally higher margins, earnings growth and significant cash flow generation**

*Leidos stockholders receive ~\$13.50 in cash PLUS EPS accretion*

# 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.



## 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.

# Appendix

## Non-GAAP Definitions

The Company's computation of non-GAAP operating income and non-GAAP diluted earnings per share from continuing operations, which may not be comparable to a similarly titled measure reported by other companies, uses GAAP operating income (loss) and income (loss) from continuing operations, respectively, adjusted to exclude the impact of discrete events such as separation transaction expenses, restructuring expenses, business acquisition and integration costs, gains and losses on disposal of assets and businesses, and impairments.

Non-GAAP operating income and non-GAAP diluted earnings per share are adjusted for the following discrete items:

- ▶ **Asset impairment charges** – This adjustment represents impairments of goodwill and long-lived intangible and tangible assets.
- ▶ **Restructuring expenses** – This adjustment represents costs for lease termination and facility consolidation including costs associated with the Company's September 2013 spin-off of its former technical services and enterprise IT business.
- ▶ **Gain on a real estate sale** – This adjustment represents the gain on the sale of the remaining building and land associated with the Company's former headquarters.

# Non-GAAP Operating Income Reconciliation

	1QCY15	2QCY15	3QCY15	4QCY15	CY15
	(in millions)				
<b>GAAP operating income (loss) from continuing operations</b>	<b>\$ 38</b>	<b>\$ 64</b>	<b>\$ 94</b>	<b>\$ 102</b>	<b>\$ 298</b>
Asset impairment charges	40	29	4	-	73
Restructuring expenses	2	-	1	3	6
<b>Non-GAAP operating income from continuing operations</b>	<b>\$ 80</b>	<b>\$ 93</b>	<b>\$ 99</b>	<b>\$ 105</b>	<b>\$ 377</b>
<i>Non-GAAP operating income margin</i>	6.4%	7.4%	7.6%	8.2%	7.4%

Note: Please see description of non-GAAP operating income on slide 14.



# Non-GAAP EPS Reconciliation

1QCY15 2QCY15 3QCY15 4QCY15 CY15

(in millions, except for per share amounts)

<b>GAAP income (loss) from continuing operations</b>	\$ 23	\$ 37	\$ 49	\$ 127	\$ 236
Asset impairment charges	40	29	4	-	73
Restructuring expenses	2	-	1	3	6
Gain on a real estate sale	-	-	-	(82)	(82)
<b>Total non-GAAP adjustments</b>	<b>\$ 42</b>	<b>\$ 29</b>	<b>\$ 5</b>	<b>\$ (79)</b>	<b>\$ (3)</b>
Adjustment to the income tax provision to reflect non-GAAP adjustments <sup>1</sup>	(16)	(12)	(1)	10	(19)
<b>Non-GAAP income from continuing operations</b>	<b>\$ 49</b>	<b>\$ 54</b>	<b>\$ 53</b>	<b>\$ 58</b>	<b>\$ 214</b>
<b>GAAP diluted earnings (loss) per share from continuing operations<sup>2</sup></b>	<b>\$ 0.31</b>	<b>\$ 0.50</b>	<b>\$ 0.67</b>	<b>\$ 1.72</b>	<b>\$ 3.19</b>
Total adjustments from non-GAAP income from continuing operations, above <sup>2</sup>	\$ 0.34	\$ 0.23	\$ 0.06	(0.94)	(0.30)
<b>Non-GAAP diluted earnings per share from continuing operations<sup>2</sup></b>	<b>\$ 0.65</b>	<b>\$ 0.73</b>	<b>\$ 0.73</b>	<b>\$ 0.78</b>	<b>\$ 2.89</b>
<b>Diluted Shares (for computing Non-GAAP EPS)</b>	<b>75</b>	<b>74</b>	<b>73</b>	<b>74</b>	<b>74</b>

<sup>1</sup> Calculation uses an estimated statutory tax rate on non-GAAP tax deductible adjustments.

<sup>2</sup> Earnings per share are computed independently for each of the quarters presented and therefore may not sum to the total for the fiscal year.

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