UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2023

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-33072

Leidos Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-3562868**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1750 Presidents Street, Reston, Virginia	**20190**
(Address of principal executive offices)	(Zip Code)

(571) 526-6000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, par value $.0001 per share	**LDOS**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares issued and outstanding of each of the issuer’s classes of common stock as of July 25, 2023, was 137,351,127 shares of common stock ($.0001 par value per share).

LEIDOS HOLDINGS, INC.
FORM 10-Q
TABLE OF CONTENTS

PART I—FINANCIAL INFORMATION

Item 1. ***Financial Statements.***

LEIDOS HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (in millions, except par value)

	June 30, 2023	December 30, 2022
	(unaudited)	
Assets:		
Cash and cash equivalents	$ 329	$ 516
Receivables, net	2,478	2,350
Inventory, net	310	287
Other current assets	459	490
Total current assets	3,576	3,643
Property, plant and equipment, net	928	847
Intangible assets, net	851	952
Goodwill	6,701	6,696
Operating lease right-of-use assets, net	534	545
Other long-term assets	436	388
Total assets	$ 13,026	$ 13,071
Liabilities:		
Accounts payable and accrued liabilities	$ 1,970	$ 2,254
Accrued payroll and employee benefits	666	701
Short-term debt and current portion of long-term debt	219	992
Total current liabilities	2,855	3,947
Long-term debt, net of current portion	4,670	3,928
Operating lease liabilities	553	570
Deferred tax liabilities	16	40
Other long-term liabilities	279	233
Total liabilities	8,373	8,718
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Common stock, $0.0001 par value, 500 million shares authorized, 137 million and 137 million shares issued and outstanding at June 30, 2023, and December 30, 2022, respectively	—	—
Additional paid-in capital	2,024	2,005
Retained earnings	2,636	2,367
Accumulated other comprehensive loss	(63)	(73)
Total Leidos stockholders' equity	4,597	4,299
Non-controlling interest	56	54
Total stockholders' equity	4,653	4,353
Total liabilities and stockholders' equity	$ 13,026	$ 13,071

See accompanying notes to condensed consolidated financial statements.

LEIDOS HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended		Six Months Ended	
	June 30, 2023	July 1, 2022	**June 30, 2023**	July 1, 2022
	(unaudited; in millions, except per share amounts)			
Revenues	**$ 3,838**	$ 3,597	**$ 7,537**	$ 7,091
Cost of revenues	**3,271**	3,059	**6,475**	6,041
Selling, general and administrative expenses	**237**	262	**470**	498
Acquisition, integration and restructuring costs	**6**	5	**9**	8
Asset impairment charges	**—**	3	**—**	3
Equity earnings of non-consolidated subsidiaries	**(7)**	(3)	**(13)**	(1)
Operating income	**331**	271	**596**	542
Non-operating expense:				
Interest expense, net	**(56)**	(50)	**(110)**	(98)
Other (expense) income, net	**(1)**	4	**(5)**	3
Income before income taxes	**274**	225	**481**	447
Income tax expense	**(64)**	(53)	**(107)**	(98)
Net income	**$ 210**	$ 172	**$ 374**	$ 349
Less: net income attributable to non-controlling interest	**3**	1	**5**	3
Net income attributable to Leidos common stockholders	**$ 207**	$ 171	**$ 369**	$ 346
Earnings per share:				
Basic	**$ 1.51**	$ 1.25	**$ 2.69**	$ 2.51
Diluted	**1.50**	1.24	**2.67**	2.49

See accompanying notes to condensed consolidated financial statements.

LEIDOS HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended		Six Months Ended	
	June 30, 2023	July 1, 2022	**June 30, 2023**	July 1, 2022
	(unaudited; in millions)			
Net income	**$ 210**	$ 172	**$ 374**	$ 349
Foreign currency translation adjustments	**(3)**	(85)	**12**	(83)
Unrecognized gain (loss) on derivative instruments	**4**	7	**(1)**	36
Pension adjustments	**—**	(21)	**(1)**	(20)
Total other comprehensive income (loss), net of taxes	**1**	(99)	**10**	(67)
Comprehensive income	**211**	73	**384**	282
Less: net income attributable to non-controlling interest	**3**	1	**5**	3
Comprehensive income attributable to Leidos common stockholders	**$ 208**	$ 72	**$ 379**	$ 279

See accompanying notes to condensed consolidated financial statements.

LEIDOS HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(unaudited; in millions, except for per share amounts)

	Shares of common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Leidos stockholders' equity	Non-controlling interest	Total stockholders' equity
Balance at December 30, 2022	137	$ 2,005	$ 2,367	$ (73)	$ 4,299	$ 54	$ 4,353
Net income	—	—	162	—	162	2	164
Other comprehensive income, net of taxes	—	—	—	9	9	—	9
Issuances of stock	—	14	—	—	14	—	14
Repurchases of stock and other	—	(43)	—	—	(43)	—	(43)
Dividends of $0.36 per share	—	—	(50)	—	(50)	—	(50)
Stock-based compensation	—	18	—	—	18	—	18
Net capital distributions to non-controlling interest	—	—	—	—	—	(1)	(1)
Balance at March 31, 2023	137	$ 1,994	$ 2,479	$ (64)	$ 4,409	$ 55	$ 4,464
Net income	—	—	207	—	207	3	210
Other comprehensive loss, net of taxes	—	—	—	1	1	—	1
Issuances of stock	—	14	—	—	14	—	14
Dividends of $0.36 per share	—	—	(50)	—	(50)	—	(50)
Stock-based compensation	—	19	—	—	19	—	19
Net capital distributions to non-controlling interest	—	(3)	—	—	(3)	(2)	(5)
Balance at June 30, 2023	**137**	**$ 2,024**	**$ 2,636**	**$ (63)**	**$ 4,597**	**$ 56**	**$ 4,653**

See accompanying notes to condensed consolidated financial statements.

LEIDOS HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(unaudited; in millions, except for per share amounts)

	Shares of common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Leidos stockholders' equity	Non-controlling interest	Total stockholders' equity
Balance at December 31, 2021	140	$ 2,423	$ 1,880	$ (12)	$ 4,291	$ 53	$ 4,344
Net income	—	—	175	—	175	2	177
Other comprehensive income, net of taxes	—	—	—	32	32	—	32
Issuances of stock	1	15	—	—	15	—	15
Repurchases of stock and other	(4)	(526)	—	—	(526)	—	(526)
Dividends of $0.36 per share	—	—	(48)	—	(48)	—	(48)
Stock-based compensation	—	16	—	—	16	—	16
Net capital distributions to non-controlling interest	—	—	—	—	—	(2)	(2)
Balance at April 1, 2022	137	$ 1,928	$ 2,007	$ 20	$ 3,955	$ 53	$ 4,008
Net income	—	—	171	—	171	1	172
Other comprehensive income, net of taxes	—	—	—	(99)	(99)	—	(99)
Issuances of stock	—	10	—	—	10	—	10
Repurchases of stock and other	—	(2)	—	—	(2)	—	(2)
Dividends of $0.36 per share	—	—	(50)	—	(50)	—	(50)
Stock-based compensation	—	19	—	—	19	—	19
Net capital distributions to non-controlling interest	—	—	—	—	—	(1)	(1)
Balance at July 1, 2022	137	$ 1,955	$ 2,128	$ (79)	$ 4,004	$ 53	$ 4,057

See accompanying notes to condensed consolidated financial statements.

LEIDOS HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	June 30, 2023	July 1, 2022
	(unaudited; in millions)	
Cash flows from operations:		
Net income	**$ 374**	$ 349
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	**166**	168
Stock-based compensation	**37**	35
Deferred income taxes	**(88)**	(136)
Other	**6**	7
Change in assets and liabilities, net of effects of acquisitions and dispositions:		
Receivables	**(123)**	(238)
Other current assets and other long-term assets	**49**	73
Accounts payable and accrued liabilities and other long-term liabilities	**(198)**	(266)
Accrued payroll and employee benefits	**(32)**	101
Income taxes receivable/payable	**(125)**	45
Net cash provided by operating activities	**66**	138
Cash flows from investing activities:		
Acquisition of a business, net of cash acquired	**(4)**	(2)
Divestiture of a business	**—**	15
Payments for property, equipment and software	**(79)**	(49)
Net proceeds from sale of assets	**—**	6
Other	**—**	1
Net cash used in investing activities	**(83)**	(29)
Cash flows from financing activities:		
Proceeds from debt issuance	**1,743**	380
Net proceeds from commercial paper	**200**	150
Repayments of borrowings	**(2,036)**	(434)
Payments for debt issuance costs	**(7)**	—
Dividend payments	**(100)**	(100)
Repurchases of stock and other	**(43)**	(528)
Proceeds from issuances of stock	**25**	22
Net capital distributions to non-controlling interests	**(3)**	(3)
Net cash used in financing activities	**(221)**	(513)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	**3**	(5)
Net decrease in cash, cash equivalents and restricted cash	**(235)**	(409)
Cash, cash equivalents and restricted cash at beginning of period	**683**	875
Cash, cash equivalents and restricted cash at end of period	**448**	466
Less: restricted cash at end of period	**119**	127
Cash and cash equivalents at end of period	**$ 329**	$ 339

See accompanying notes to condensed consolidated financial statements.

LEIDOS HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	June 30, 2023	July 1, 2022
	(unaudited; in millions)	
Supplementary cash flow information:		
Cash paid for income taxes, net of refunds	**$ 279**	$ 127
Cash paid for interest	**96**	107
Non-cash investing activity:		
Property, plant and equipment additions	**$ 1**	$ 5
Non-cash financing activity:		
Finance lease obligations	**$ 65**	$ 1

See accompanying notes to condensed consolidated financial statements.

Note 1–Basis of Presentation and Summary of Significant Accounting Policies

Nature of Operations and Basis of Presentation

Leidos Holdings, Inc. ("Leidos"), a Delaware corporation, is a holding company whose direct 100%-owned subsidiary and principal operating company is Leidos, Inc. Leidos is a FORTUNE 500® technology, engineering, and science company that provides services and solutions in the defense, intelligence, civil and health markets, both domestically and internationally. Leidos' customers include the U.S. Department of Defense ("DoD"), the U.S. Intelligence Community, the U.S. Department of Homeland Security, the Federal Aviation Administration, the Department of Veterans Affairs and many other U.S. civilian, state and local government agencies, foreign government agencies and commercial businesses. Unless indicated otherwise, references to "we," "us" and "our" refer collectively to Leidos Holdings, Inc. and its consolidated subsidiaries. We operate in three reportable segments: Defense Solutions, Civil and Health. Additionally, we separately present the unallocable costs associated with corporate functions as Corporate.

We have a controlling interest in Mission Support Alliance, LLC ("MSA"), a joint venture with Centerra Group, LLC. We also have a controlling interest in Hanford Mission Integration Solutions, LLC ("HMIS"), the legal entity for the follow-on contract to MSA's contract and a joint venture with Centerra Group, LLC and Parsons Government Services, Inc. The financial results for MSA and HMIS are consolidated into our unaudited condensed consolidated financial statements. The unaudited condensed consolidated financial statements also include the balances of all voting interest entities in which Leidos has a controlling voting interest ("subsidiaries") and a variable interest entity ("VIE") in which Leidos is the primary beneficiary. The consolidated balances of the VIE are not material to the unaudited condensed consolidated financial statements for the periods presented. Intercompany accounts and transactions between consolidated companies have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements has been prepared in accordance with the rules of the U.S. Securities and Exchange Commission and accounting principles generally accepted in the United States of America ("GAAP"). Certain disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Management evaluates these estimates and assumptions on an ongoing basis, including those relating to estimated profitability of long-term contracts, indirect billing rates, allowances for doubtful accounts, inventories, right-of-use assets and lease liabilities, fair value and impairment of intangible assets and goodwill, income taxes, stock-based compensation expense and contingencies. These estimates have been prepared by management on the basis of the most current and best available information; however, actual results could differ materially from those estimates.

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. We combined "Bad debt expense and recoveries" into "Selling, general and administrative expenses" on the condensed consolidated statements of income. We have certain entities where the functional currency is not the U.S. dollar and have separately presented the effect of exchange rate changes on cash, cash equivalents and restricted cash held in foreign currencies as a separate line in the condensed consolidated statements of cash flows.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, which consist of normal recurring adjustments, necessary for a fair presentation thereof. The results reported in these unaudited condensed consolidated financial statements are not necessarily indicative of the results that may be expected for the entire year. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Annual Report on Form 10-K filed on February 14, 2023.

Accounting Standards Updates Issued and Adopted

ASU 2020-04, ASU 2021-01 and ASU 2022-06, *Reference Rate Reform (ASC 848)*

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, which provides companies with optional expedients and exceptions to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. This update provides optional expedients for applying accounting guidance to contracts, hedging relationships and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of the reference rate reform. The amendments in this update are effective for all entities as of March 2020 and can be adopted using a prospective approach no later than December 31, 2022.

In January 2021, the FASB issued ASU 2021-01 which amends the scope of ASU 2020-04. The amendments in this update are elective and provide optional relief for entities with hedge accounting and contract modifications affected by the transition from LIBOR through December 31, 2022. In December 2022, the FASB issued ASU 2022-06 which extends the deadline for application of ASU 2021-01 through December 31, 2024. Under this relief, entities may continue to account for contract modifications as a continuation of the existing contract and the continuation of the hedge accounting arrangement. In the first half of fiscal 2023, we adopted certain practical expedients available under ASC 848. Our term loans are based on a Secured Overnight Financing Rate (“SOFR”) rate (see "Note 6–Debt"). Additionally, during the three months ended June 30, 2023, we modified our interest rate swap agreements to reference SOFR (see "Note 5–Derivative Instruments") in conformity with the relief available under ASC 848. The standard did not have a material impact on our financial position, results of operations or earnings per share.

Changes in Estimates on Contracts

Changes in estimates related to contracts accounted for using the cost-to-cost method of accounting are recognized in the period in which such changes are made for the inception-to-date effect of the changes, with the exception of contracts acquired through a business combination, where the adjustment is made for the period commencing from the date of acquisition.

Changes in estimates on contracts were as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2023	July 1, 2022	**June 30, 2023**	July 1, 2022
	(in millions, except per share amounts)			
Favorable impact	**$ 40**	$ 39	**$ 62**	$ 80
Unfavorable impact	**(22)**	(20)	**(38)**	(46)
Net impact to income before income taxes	**$ 18**	$ 19	**$ 24**	$ 34
Impact on diluted EPS attributable to Leidos common stockholders	**$ 0.10**	$ 0.10	**$ 0.13**	$ 0.18

The impact on diluted earnings per share ("EPS") attributable to Leidos common stockholders is calculated using the statutory tax rate.

Revenue Recognized from Prior Obligations

Revenue recognized from performance obligations satisfied in previous periods was $16 million and $15 million for the three and six months ended June 30, 2023, respectively, and $17 million and $34 million for the three and six months ended July 1, 2022, respectively. The changes primarily related to revisions of variable consideration including award and incentive fees, and revisions to estimates at completion resulting from changes in contract scope, mitigation of contract risks or true-ups of contract estimates at the end of contract performance.

Cash and Cash Equivalents

Our cash equivalents are primarily comprised of investments in several large institutional money market accounts, with original maturity of three months or less. At June 30, 2023, and December 30, 2022, $144 million and $158 million, respectively, of outstanding payments were included within "Cash and cash equivalents" and "Accounts payable and accrued liabilities" correspondingly on the condensed consolidated balance sheets.

Restricted Cash

We have restricted cash balances, primarily representing advances from customers that are restricted for use on certain expenditures related to that customer's contract. Restricted cash balances are included as "Other current assets" in the condensed consolidated balance sheets. Our restricted cash balances were $119 million and $167 million at June 30, 2023, and December 30, 2022, respectively.

Note 2–Revenues

Remaining Performance Obligations

Remaining performance obligations ("RPO") represent the expected value of exercised contracts, both funded and unfunded, less revenue recognized to date. RPO does not include unexercised option periods and future potential task orders expected to be awarded under indefinite delivery/indefinite quantity ("IDIQ") contracts, General Services Administration Schedule or other master agreement contract vehicles, with the exception of certain IDIQ contracts where task orders are not competitively awarded and separately priced but instead are used as a funding mechanism, and where there is a basis for estimating future revenues and funding on future anticipated task orders.

As of June 30, 2023, we had $13.9 billion of RPO and expect to recognize approximately 63% and 78% over the next 12 months and 24 months, respectively, with the remainder to be recognized thereafter.

Disaggregation of Revenues

We disaggregate revenues by customer-type, contract-type and geographic location for each of our reportable segments.

Disaggregated revenues by customer-type were as follows:

	Three Months Ended June 30, 2023				Six Months Ended June 30, 2023			
	Defense Solutions	Civil	Health	Total	Defense Solutions	Civil	Health	Total
	(in millions)							
DoD and U.S. Intelligence Community	$ 1,578	$ 22	$ 253	$ 1,853	$ 3,121	$ 43	$ 513	$ 3,677
Other U.S. government agencies(1)	253	680	473	1,406	511	1,359	901	2,771
Commercial and non-U.S. customers	355	177	22	554	665	335	44	1,044
Total	$ 2,186	$ 879	$ 748	$ 3,813	$ 4,297	$ 1,737	$ 1,458	$ 7,492

	Three Months Ended July 1, 2022				Six Months Ended July 1, 2022			
	Defense Solutions	Civil	Health	Total	Defense Solutions	Civil	Health	Total
	(in millions)							
DoD and U.S. Intelligence Community	$ 1,522	$ 20	$ 239	$ 1,781	$ 3,061	$ 40	$ 477	$ 3,578
Other U.S. government agencies(1)	228	660	420	1,308	450	1,273	805	2,528
Commercial and non-U.S. customers	302	148	28	478	589	295	55	939
Total	$ 2,052	$ 828	$ 687	$ 3,567	$ 4,100	$ 1,608	$ 1,337	$ 7,045

(1) Includes federal government agencies other than the DoD and U.S. Intelligence Community, as well as state and local government agencies.

Disaggregated revenues by contract-type were as follows:

	Three Months Ended June 30, 2023				**Six Months Ended June 30, 2023**			
	Defense Solutions	Civil	Health	Total	Defense Solutions	Civil	Health	Total
	(in millions)							
Cost-reimbursement and fixed-price-incentive-fee	**$ 1,167**	**$ 458**	**$ 202**	**$ 1,827**	**$ 2,331**	**$ 929**	**$ 411**	**$ 3,671**
Firm-fixed-price	**734**	**276**	**447**	**1,457**	**1,410**	**527**	**853**	**2,790**
Time-and-materials and fixed-price-level-of-effort	**285**	**145**	**99**	**529**	**556**	**281**	**194**	**1,031**
Total	**$ 2,186**	**$ 879**	**$ 748**	**$ 3,813**	**$ 4,297**	**$ 1,737**	**$ 1,458**	**$ 7,492**

	Three Months Ended July 1, 2022				Six Months Ended July 1, 2022			
	Defense Solutions	Civil	Health	Total	Defense Solutions	Civil	Health	Total
	(in millions)							
Cost-reimbursement and fixed-price-incentive-fee	$ 1,144	$ 443	$ 167	$ 1,754	$ 2,327	$ 851	$ 334	$ 3,512
Firm-fixed-price	664	258	454	1,376	1,282	513	871	2,666
Time-and-materials and fixed-price-level-of-effort	244	127	66	437	491	244	132	867
Total	$ 2,052	$ 828	$ 687	$ 3,567	$ 4,100	$ 1,608	$ 1,337	$ 7,045

Disaggregated revenues by geographic location were as follows:

	Three Months Ended June 30, 2023				**Six Months Ended June 30, 2023**			
	Defense Solutions	Civil	Health	Total	Defense Solutions	Civil	Health	Total
	(in millions)							
United States	**$ 1,890**	**$ 836**	**$ 748**	**$ 3,474**	**$ 3,723**	**$ 1,659**	**$ 1,458**	**$ 6,840**
International	**296**	**43**	**—**	**339**	**574**	**78**	**—**	**652**
Total	**$ 2,186**	**$ 879**	**$ 748**	**$ 3,813**	**$ 4,297**	**$ 1,737**	**$ 1,458**	**$ 7,492**

	Three Months Ended July 1, 2022				Six Months Ended July 1, 2022			
	Defense Solutions	Civil	Health	Total	Defense Solutions	Civil	Health	Total
	(in millions)							
United States	$ 1,789	$ 789	$ 687	$ 3,265	$ 3,599	$ 1,530	$ 1,337	$ 6,466
International	263	39	—	302	501	78	—	579
Total	$ 2,052	$ 828	$ 687	$ 3,567	$ 4,100	$ 1,608	$ 1,337	$ 7,045

Revenues by customer-type, contract-type and geographic location exclude lease income of $25 million and $45 million for the three and six months ended June 30, 2023, respectively, and $30 million and $46 million for the three and six months ended July 1, 2022, respectively.

Contract Assets and Liabilities

Performance obligations are satisfied either over time as work progresses or at a point in time. Firm-fixed-price contracts are typically billed to the customer using milestone payments while cost-reimbursable and time and materials contracts are typically billed to the customer on a monthly or bi-weekly basis as indicated by the negotiated billing terms and conditions of the contract. As a result, the timing of revenue recognition, customer billings and cash collections for each contract results in a net contract asset or liability at the end of each reporting period.

Contract assets consist of unbilled receivables, which is the amount of revenue recognized that exceeds the amount billed to the customer. Unbilled receivables exclude amounts billable where the right to consideration is solely subject to the passage of time. Contract liabilities consist of deferred revenue, which represents cash advances received prior to performance for programs and billings in excess of revenue recognized.

The components of contract assets and contract liabilities consisted of the following:

	Balance sheet line item	June 30, 2023	December 30, 2022
		(in millions)	
Contract assets - current:			
Unbilled receivables	Receivables, net	**$ 984**	$ 1,010
Contract liabilities - current:			
Deferred revenue[1]	Accounts payable and accrued liabilities	**$ 305**	$ 380
Contract liabilities - non-current:			
Deferred revenue[1]	Other long-term liabilities	**$ 26**	$ 29

[1] Certain contracts record revenue net of cost of revenues, and therefore, the respective deferred revenue balance will not fully convert to revenue.

The decrease in deferred revenue was primarily due to the timing of revenue recognized during the period offset by advanced payments.

Revenue recognized for the three and six months ended June 30, 2023, of $32 million and $187 million, respectively, was included as a contract liability at December 30, 2022. Revenue recognized for the three and six months ended July 1, 2022, of $52 million and $240 million, respectively, was included as a contract liability at December 31, 2021.

Note 3–Acquisitions, Divestitures, Goodwill and Intangible Assets

Business Acquisition

On October 30, 2022 (the "Agreement Date"), we completed the acquisition of Cobham Special Mission for purchase consideration of $298 million Australian dollars, net of $10 million of Australian dollars acquired, or $192 million United States dollars, net of $6 million of cash acquired. Cobham Special Mission provides airborne border surveillance and search and rescue services to the Australian Federal Government.

The preliminary goodwill recognized of $25 million represents intellectual capital and the acquired assembled workforce, neither of which qualify for recognition as a separate intangible asset. None of the goodwill recognized is tax deductible.

In connection with this acquisition, we acquired property, plant and equipment with a fair value of $148 million at the Agreement Date. The following table summarizes the fair value of intangible assets acquired at the Agreement Date and the related weighted average amortization period:

	Weighted average amortization period	Fair value
	(in years)	(in millions)
Programs	11	$ 19
Technology	10	5
Total	11	$ 24

As of June 30, 2023, we had not finalized the determination of fair values allocated to assets and liabilities, including, but not limited to accounts receivables, accounts payable and accrued liabilities.

For the three and six months ended June 30, 2023, $28 million and $58 million of revenues related to the Cobham Special Mission acquisition were recognized within the Defense Solutions reportable segment.

Goodwill

The following table presents changes in the carrying amount of goodwill by reportable segment:

	Defense Solutions	Civil	Health	Total
		(in millions)		
Goodwill at December 31, 2021	$ 3,681	$ 2,097	$ 966	$ 6,744
Acquisition of businesses	26	—	—	26
Divestiture of a business	(6)	—	—	(6)
Foreign currency translation adjustments	(37)	(31)	—	(68)
Goodwill at December 30, 2022	$ 3,664	$ 2,066	$ 966	$ 6,696
Acquisition of a business[1]	(1)	—	—	(1)
Foreign currency translation adjustments	(4)	10	—	6
Goodwill at June 30, 2023	**$ 3,659**	**$ 2,076**	**$ 966**	**$ 6,701**

[1] Adjustment to goodwill resulting from a measurement period purchase accounting adjustment.

We evaluate qualitative factors that could cause us to believe the estimated fair value of each of our reporting units may be lower than the carrying value and trigger a quantitative assessment, including, but not limited to (i) macroeconomic conditions, (ii) industry and market considerations, (iii) our overall financial performance, including an analysis of our current and projected cash flows, revenues and earnings, (iv) a sustained decrease in share price and (v) other relevant entity-specific events including changes in management, strategy, partners or litigation.

As previously disclosed in our Annual Report on Form 10-K for the year ended December 30, 2022, the quantitative analysis for the Security Enterprise Solutions reporting unit showed that the fair value exceeded the carrying value by approximately 13% as of the most recent assessment date. Operations of the reporting unit rely heavily on the sales and servicing of security and detection products, which continue to be negatively impacted due to delays in airline travel infrastructure projects, particularly in international markets, as customer budgetary restraints recover from reduced travel activity post-pandemic. The forecasts utilized to estimate the fair value of the Security Enterprise Solutions reporting unit assume continued global operations in all of our existing markets and a gradual improvement in the global aviation security product and related service sales, reaching pre-COVID-19 levels by fiscal 2025. In the event that there are significant unfavorable changes to forecasted cash flows of the reporting unit, terminal growth rates or the cost of capital used in the fair value estimates, we may be required to record a material impairment of goodwill at a future date. We did not identify any qualitative factors that would trigger a quantitative goodwill impairment test during the six months ended June 30, 2023. During the six months ended June 30, 2023, and July 1, 2022, there were no impairments to goodwill.

Intangible Assets

Intangible assets, net consisted of the following:

	June 30, 2023			December 30, 2022		
	Gross carrying value	**Accumulated amortization**	**Net carrying value**	Gross carrying value	Accumulated amortization	Net carrying value
			(in millions)			
Finite-lived intangible assets:						
Programs	**$ 1,715**	**$ (1,096)**	**$ 619**	$ 1,721	$ (1,016)	$ 705
Software and technology	**226**	**(147)**	**79**	225	(136)	89
Customer relationships	**89**	**(32)**	**57**	87	(25)	62
Trade names	**1**	**(1)**	**—**	1	(1)	—
Total finite-lived intangible assets	**2,031**	**(1,276)**	**755**	2,034	(1,178)	856
Indefinite-lived intangible assets:						
In-process research and development ("IPR&D")[(1)]	**92**	**—**	**92**	92	—	92
Trade names	**4**	**—**	**4**	4	—	4
Total indefinite-lived intangible assets	**96**	**—**	**96**	96	—	96
Total intangible assets	**$ 2,127**	**$ (1,276)**	**$ 851**	$ 2,130	$ (1,178)	$ 952

[(1)] IPR&D assets are indefinite-lived at the acquisition date until placed into service, at which time such assets will be reclassified to a finite-lived amortizable intangible asset.

Amortization expense was $51 million and $103 million for the three and six months ended June 30, 2023, respectively and $57 million and $116 million for the three and six months ended July 1, 2022, respectively.

Program intangible assets are amortized over their respective estimated useful lives in proportion to the pattern of economic benefit based on expected future discounted cash flows. Backlog and finite-lived trade name intangible assets are amortized on a straight-line basis over their estimated useful lives. Customer relationships and software and technology intangible assets are amortized either on a straight-line basis over their estimated useful lives or over their respective estimated useful lives in proportion to the pattern of economic benefit based on expected future discounted cash flows, as deemed appropriate.

The estimated annual amortization expense as of June 30, 2023, was as follows:

Fiscal year ending	
	(in millions)
2023 (remainder of year)	$ 103
2024	152
2025	124
2026	99
2027	72
2028 and thereafter	205
	$ 755

Note 4–Fair Value Measurements

The accounting standard for fair value measurements establishes a three-level fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: observable inputs such as quoted prices in active markets (Level 1); inputs other than quoted prices in active markets that are observable, either directly or indirectly, or quoted prices that are not active (Level 2); and unobservable inputs in which there is little or no market data (e.g., discounted cash flow and other similar pricing models), which requires us to develop our own market participant assumptions used in pricing the asset or liability (Level 3).

The financial instruments measured at fair value on a recurring basis primarily consisted of the following:

	June 30, 2023		December 30, 2022	
	Carrying value	**Fair value**	Carrying value	Fair value
	(in millions)			
Financial assets:				
Derivatives	**$ 19**	**$ 19**	$ 20	$ 20

As of June 30, 2023, and December 30, 2022, our derivatives primarily consisted of the cash flow interest rate swaps on $900 million and $1.0 billion, respectively, of the variable rate senior unsecured term loan (see "Note 5–Derivative Instruments"). The fair value of the cash flow interest rate swaps is determined based on observed values for underlying interest rates on the one-month SOFR rate as of June 30, 2023 and LIBOR yield curve as of December 30, 2022 (Level 2 inputs).

The carrying amounts of our financial instruments, other than derivatives, which include cash equivalents, accounts receivable, accounts payable and accrued expenses, are reasonable estimates of their related fair values.

As of June 30, 2023, and December 30, 2022, the fair value of debt for both periods was $4.6 billion, and the carrying amount for both periods was $4.9 billion (see "Note 6–Debt"). The fair value of long-term debt is determined based on current interest rates available for debt with terms and maturities similar to our existing debt arrangements (Level 2 inputs).

On October 30, 2022, non-financial instruments measured at fair value on a non-recurring basis were recorded in connection with the completed acquisitions of Cobham Special Mission. The fair values of the assets acquired and liabilities assumed were determined using Level 3 inputs. As of June 30, 2023, we did not have any assets or liabilities measured at fair value on a non-recurring basis.

Note 5–Derivative Instruments

We manage our risk to changes in interest rates through the use of derivative instruments. We do not hold derivative instruments for trading or speculative purposes. For variable rate borrowings, we use fixed interest rate swaps, effectively converting a portion of the variable interest rate payments to fixed interest rate payments. These swaps are designated as cash flow hedges.

The fair value of the interest rate swaps was as follows:

	Asset derivatives		
	Balance sheet line item	**June 30, 2023**	December 30, 2022
		(in millions)	
Cash flow interest rate swaps	Other long-term assets	**$ 19**	$ 20

The cash flows associated with the interest rate swaps are classified as operating activities in the condensed consolidated statements of cash flows.

Cash Flow Hedges

We have interest rate swap agreements to hedge the cash flows of $900 million of the variable rate senior unsecured term loan (the "Variable Rate Loan"). These interest rate swap agreements reduce to $500 million in August 2023 and have a maturity date of August 2025 and a fixed interest rate of 2.96%. The objective of these instruments is to reduce variability in the forecasted interest payments of the Variable Rate Loan. During the three months ended June 30, 2023, we modified our interest rate swap agreements in accordance with ASC 848, which permits the continuation of hedge accounting for modifications required as a result of LIBOR being discontinued. Under the revised terms, we will receive monthly variable interest payments based on the one-month SOFR rate and will pay interest at a fixed rate.

The interest rate swap transactions are accounted for as cash flow hedges. The gain/loss on the swaps is reported as a component of other comprehensive income (loss) and is reclassified into earnings when the interest payments on the underlying hedged items impact earnings. A qualitative assessment of hedge effectiveness is performed on a quarterly basis, unless facts and circumstances indicate the hedge may no longer be highly effective.

The effect of the cash flow hedges on other comprehensive income (loss) and earnings for the periods presented was as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2023	July 1, 2022	**June 30, 2023**	July 1, 2022
	(in millions)			
Total interest expense, net presented in the condensed consolidated statements of income in which the effects of cash flow hedges are recorded	**$ 56**	$ 50	**$ 110**	$ 98
Amount recognized in other comprehensive income (loss)	**$ 10**	$ 4	**$ 8**	$ 36
Amount reclassified from accumulated other comprehensive income (loss) to interest expense, net	**$ (5)**	$ 5	**$ (9)**	$ 11

We expect to reclassify net gains of $14 million from accumulated other comprehensive loss into earnings during the next 12 months.

Note 6–Debt

Our debt consisted of the following:

	Stated interest rate	Effective interest rate	June 30, 2023	December 30, 2022
			(in millions)	
Short-term debt and current portion of long-term debt:				
Commercial paper	5.95%	Various	$ 200	$ —
Senior unsecured term loans:				
$380 million term loan, due May 2023	6.08%	6.17%	—	320
Current portion of long-term debt			19	672
Total short-term debt and current portion of long-term debt			$ 219	$ 992
Long-term debt:				
Senior unsecured term loans:				
$1,925 million term loan, due January 2025	5.77%	6.09%	$ —	$ 1,211
$1,000 million term loan, due March 2028	6.50%	6.67%	1,000	—
Senior unsecured notes:				
$500 million notes, due May 2023	2.95%	3.17%	—	500
$500 million notes, due May 2025	3.63%	3.76%	500	500
$750 million notes due May 2030	4.38%	4.50%	750	750
$750 million notes due March 2033	5.75%	5.81%	750	—
$1,000 million notes, due February 2031	2.30%	2.38%	1,000	1,000
$250 million notes, due July 2032	7.13%	7.43%	250	250
$300 million notes, due July 2033	5.50%	5.88%	161	161
$300 million notes, due December 2040	5.95%	6.03%	218	218
Notes payable and finance leases due on various dates through fiscal 2032	Various	1.84%-6.31%	101	44
Less: unamortized debt discounts and deferred debt issuance costs			(41)	(34)
Total long-term debt			4,689	4,600
Less current portion			(19)	(672)
Total long-term debt, net of current portion			$ 4,670	$ 3,928

Term Loans and Revolving Credit Facility

On March 10, 2023 (the “Closing Date”), we entered into a Credit Agreement (the “Credit Agreement”) with certain financial institutions, which provided for a senior unsecured term loan facility in an aggregate principal amount of $1.0 billion (the “Term Loan Facility”) and a $1.0 billion senior unsecured revolving facility (the “Revolving Facility” and, together with the Term Loan Facility, the “Credit Facilities”). The Credit Facilities will mature in March 2028. The Revolving Facility permits two additional one-year extensions subject to lender consent. As of June 30, 2023, there were no borrowings outstanding under the Revolving Facility.

The proceeds of the Term Loan Facility and cash on hand on the Closing Date were used to repay in full all indebtedness, terminate all commitments and discharge all guarantees existing in connection with the credit agreement related to the $1.9 billion senior unsecured term loan facility and $750 million senior unsecured revolving facility.

Borrowings under the Credit Agreement bear interest at a rate determined, at our option, based on either an alternate base rate or a Term SOFR rate with a 0.10% per annum Term SOFR adjustment, plus, in each case, an applicable margin that varies depending on our credit rating. The applicable margin range for Term SOFR-denominated borrowings is from 1.00% to 1.50%. Based on our current ratings, the applicable margin for Term SOFR-denominated borrowings is 1.25%. Principal payments are made quarterly on the Term Loan Facility beginning in March 2025, with the majority of the principal due at maturity. Interest on the Term Loan Facility for Term SOFR-denominated borrowings is payable on a periodic basis, which must be at least quarterly.

The financial covenants in the Credit Agreement require that we maintain, as of the last day of each fiscal quarter, a ratio of adjusted consolidated total debt to consolidated EBITDA of not more than 3.75 to 1.00, subject to two increases to 4.50 to 1.00 for four fiscal quarters following a material acquisition, and a ratio of EBITDA to consolidated interest expense of not less than 3.50 to 1.00.

Senior Notes

On February 28, 2023, we issued and sold $750 million aggregate principal amount of fixed-rate senior notes (the “Notes”) maturing in March 2033. The Notes are senior unsecured obligations issued by Leidos, Inc. and guaranteed by Leidos Holdings, Inc. The annual interest rate for the Notes is 5.75% and is payable on a semi-annual basis. In connection with the issuance of the Notes, $11 million of debt issuance costs and discount were recognized, which were recorded as an offset against the carrying value of debt. The proceeds from the Notes were used to repay all of the outstanding obligations in respect of principal, interest and fees on the $500 million 2.95% notes, due May 2023, the majority of which were retired on February 28, 2023. The remaining proceeds from the Notes were used to repay $210 million of the outstanding balance on the $1.9 billion senior unsecured term loan facility, due January 2025, and fund general corporate purposes.

Commercial Paper

We have a commercial paper program in which the Company may issue short-term unsecured commercial paper notes ("Commercial Paper Notes"). On May 26, 2023, we increased the size of the commercial paper program by $250 million, or not to exceed $1.0 billion. The proceeds will be used for general corporate purposes, including working capital, capital expenditures, acquisitions and share repurchases.

The Commercial Paper Notes are issued in minimum denominations of $0.25 million and have maturities of up to 397 days from the date of issuance. The Commercial Paper Notes either bear a stated or floating interest rate, if interest bearing, or will be sold at a discount from the face amount. As of June 30, 2023, we had $200 million Commercial Paper Notes outstanding.

The Credit Facilities, Commercial Paper Notes, senior unsecured term loans and notes are fully and unconditionally guaranteed and contain certain customary restrictive covenants, including among other things, restrictions on our ability to create liens and enter into sale and leaseback transactions under certain circumstances. We were in compliance with all covenants as of June 30, 2023.

Finance Leases

In fiscal 2022, the Company entered into a Master Lease Agreement whereby we agreed to lease two aircraft from the time each aircraft is accepted through June 30, 2027. In March 2023, we took possession of both aircraft at which time we recognized a $64 million finance lease obligation and a corresponding property, plant and equipment asset.

Principal Payments

Future minimum payments of debt are as follows:

Fiscal year ending	(in millions)
2023 (remainder of year)	$ 210
2024	18
2025	619
2026	120
2027	114
2028 and thereafter	3,849
Total principal payments	4,930
Less: unamortized debt discounts and deferred debt issuance costs	(41)
Total short-term and long-term debt	$ 4,889

Note 7–Accumulated Other Comprehensive Income (Loss)

Changes in the components of Accumulated Other Comprehensive Income (Loss) ("AOCI") were as follows:

	Foreign currency translation adjustments	Unrecognized gain (loss) on derivative instruments	Pension adjustments	Total AOCI
		(in millions)		
Balance at December 31, 2021	$ 22	$ (41)	$ 7	$ (12)
Other comprehensive income (loss)	(108)	59	(27)	(76)
Taxes	13	(16)	7	4
Reclassification from AOCI	—	11	—	11
Balance at December 30, 2022	(73)	13	(13)	(73)
Other comprehensive income (loss)	13	8	(1)	20
Taxes	(1)	—	—	(1)
Reclassification from AOCI	—	(9)	—	(9)
Balance at June 30, 2023	**$ (61)**	**$ 12**	**$ (14)**	**$ (63)**

Reclassifications from unrecognized gain (loss) on derivative instruments are recorded in "Interest expense, net" in the condensed consolidated statements of income.

Note 8–Earnings Per Share

The following table provides a reconciliation of the weighted average number of shares outstanding used to compute basic and diluted EPS for the periods presented:

	Three Months Ended		Six Months Ended	
	June 30, 2023	July 1, 2022	**June 30, 2023**	July 1, 2022
		(in millions)		
Basic weighted average number of shares outstanding	**137**	137	**137**	138
Dilutive common share equivalents—stock options and other stock awards	**1**	1	**1**	1
Diluted weighted average number of shares outstanding	**138**	138	**138**	139

Anti-dilutive stock-based awards are excluded from the weighted average number of shares outstanding used to compute diluted EPS. The total outstanding stock options and vesting stock awards that were anti-dilutive were 2 million for both the three and six months ended June 30, 2023, and 1 million for both the three and six months ended July 1, 2022.

During the six months ended June 30, 2023, we made open market repurchases of our common stock for an aggregate purchase price of $25 million. All shares repurchased were immediately retired. No share repurchases were made under the Company's share repurchase program during the three months ended June 30, 2023.

Note 9–Income Taxes

For the three months ended June 30, 2023, the effective tax rate was 23.4% compared to 23.6% for the three months ended July 1, 2022. The decrease to the effective tax rate was primarily due to a decrease in underpayment penalties, offset by a decrease in excess tax benefits related to stock-based payment transactions and an increase in unrecognized tax benefits.

For the six months ended June 30, 2023, the effective tax rate was 22.2% compared to 21.9% for the six months ended July 1, 2022. The increase to the effective tax rate was primarily due to a decrease in excess tax benefits related to stock-based payment transactions offset by a decrease in underpayment penalties.

Beginning in 2022, the Tax Cuts and Jobs Act of 2017 ("TCJA") eliminated the option to currently deduct certain research and development costs for tax purposes and requires taxpayers to capitalize and amortize research costs over five years. Based upon our interpretation of the law as currently enacted, we estimate that the fiscal 2023 impact will result in increases of $110 million to both our income taxes payable and net deferred tax assets.

We also estimate an increase to our unrecognized tax benefits of $75 million with a corresponding increase to net deferred tax assets. The actual impact will depend on the amount of research and development costs the Company will incur, whether Congress modifies or repeals this provision and whether new guidance and interpretive rules are issued by the U.S. Treasury, among other factors.

For the six months ended June 30, 2023, unrecognized tax benefits increased $37 million with a corresponding increase to net deferred tax assets as a result of uncertain tax positions arising from capitalizing research and development costs.

Note 10–Business Segments

Our operations and reportable segments are organized around the customers and markets we serve. We define our reportable segments based on the way the chief operating decision maker ("CODM"), currently our Chief Executive Officer, manages operations for the purposes of allocating resources and assessing performance.

The segment information for the periods presented was as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2023	July 1, 2022	**June 30, 2023**	July 1, 2022
	(in millions)			
Revenues:				
Defense Solutions	**$ 2,187**	$ 2,052	**$ 4,299**	$ 4,101
Civil	**902**	857	**1,779**	1,652
Health	**749**	688	**1,459**	1,338
Total revenues	**$ 3,838**	$ 3,597	**$ 7,537**	$ 7,091
Operating income (loss):				
Defense Solutions	**$ 175**	$ 139	**$ 322**	$ 272
Civil	**64**	38	**104**	81
Health	**122**	126	**229**	244
Corporate	**(30)**	(32)	**(59)**	(55)
Total operating income	**$ 331**	$ 271	**$ 596**	$ 542

The income statement performance measures used to evaluate segment performance are revenues and operating income. As a result, "Interest expense, net," "Other (expense) income, net" and "Income tax expense" as reported in the condensed consolidated statements of income are not allocated to our segments. Under U.S. Government Cost Accounting Standards, indirect costs including depreciation expense are collected in indirect cost pools, which are then collectively allocated to the reportable segments based on a representative causal or beneficial relationship of the costs in the pool to the costs in the base. As such, depreciation expense is not separately disclosed on the condensed consolidated statements of income.

Asset information by segment is not a key measure of performance used by the CODM.

Note 11–Commitments and Contingencies

Contingencies

VirnetX, Inc. ("VirnetX")

On April 10, 2018, a jury trial concluded in an additional patent infringement case brought by VirnetX against Apple, referred to as the Apple II case, in which the jury returned a verdict against Apple for infringement and awarded VirnetX damages in the amount of over $502 million. On April 11, 2018, in a second phase of the Apple II trial, the jury found Apple's infringement to be willful. On August 30, 2018, the federal trial court in the Eastern District of Texas entered a final judgment and rulings on post-trial motions in the Apple II case. The court affirmed the jury's verdict of over $502 million and granted VirnetX's motions for supplemental damages, a sunset royalty and royalty rate of $1.20 per infringing device, along with pre-judgment and post-judgment interest and costs. The court denied VirnetX's motions for enhanced damages, attorneys' fees and an injunction. The court also denied Apple's motions for judgment as a matter of law and for a new trial. An additional sum of over $93 million for costs and pre-judgment interest was subsequently agreed upon pursuant to a court order, bringing the total award to VirnetX in the Apple II case to over $595 million. Apple filed an appeal of the judgment in the Apple II case with the U.S. Court of Appeals for the Federal Circuit, and on November 22, 2019, the Federal Circuit affirmed in part, reversed in part and remanded the Apple II case back to the District Court. The Federal Circuit affirmed that Apple infringed two of the patents at issue in the case, and ruled that Apple is precluded from making certain patent invalidity arguments. However, the Federal Circuit reversed the judgment that Apple infringed two other patents at issue, vacated the prior damages awarded in the Apple II case, and remanded the Apple II case back to the District Court for further proceedings regarding damages. On April 23, 2020, the District Court ordered a new trial on damages in the Apple II case, which was delayed by the coronavirus pandemic and started on October 26, 2020. On October 30, 2020, the jury awarded VirnetX $503 million in damages and specified a royalty rate of $0.84 per infringing device. In January 2021, the District Court entered final judgment affirming the jury award and the parties separately agreed on additional costs and interest of over $75 million, subject to Apple's appeal. On February 4, 2021, Apple filed a notice of appeal with the U.S. Court of Appeals for the Federal Circuit in the Apple II case.

Under our agreements with VirnetX, Leidos would receive 25% of the proceeds obtained by VirnetX after reduction for attorneys' fees and costs. However, the verdict in the Apple II case remains subject to the ongoing and potential future proceedings and appeals. In addition, the patents at issue in these cases are subject to U.S. Patent and Trademark Office ("USPTO") post-grant inter partes review and/or reexamination proceedings and related appeals, which may result in all or part of these patents being invalidated or the claims of the patents being limited. On March 30, 2023, the U.S. Court of Appeals for the Federal Circuit issued a ruling affirming prior decisions of the USPTO's Patent Trial and Appeal Board finding certain claims of the patents at issue in the Apple II case to be unpatentable. On March 31, 2023, the Federal Circuit issued a decision vacating the District Court's judgment in the Apple II case and remanding it back to the District Court with instructions to dismiss the case as moot. These Federal Circuit decisions remain subject to potential motions and/or appeals by VirnetX, including potentially seeking rehearing or certiorari review. On May 1, 2023, VirnetX filed a petition for panel rehearing on the Apple II litigation decision at the Federal Circuit, but this petition was denied by the Federal Circuit on June 27, 2023. On June 5, 2023, VirnetX filed a petition for panel rehearing on the Federal Circuit's decision finding the patents at issue in the Apple II case to be unpatentable, but this petition was denied by the Federal Circuit on June 22, 2023.

Thus, no assurances can be given when or if we will receive any proceeds in connection with the Apple II case. In addition, if Leidos receives any proceeds, we are required to pay a royalty to the customer who paid for the development of the technology.

Government Investigations and Reviews

We are routinely subject to investigations and reviews relating to compliance with various laws and regulations with respect to our role as a contractor to federal, state and local government customers and in connection with performing services in countries outside of the United States. Adverse findings could have a material effect on our business, financial position, results of operations and cash flows due to our reliance on government contracts.

Defense Contract Audit Agency

As of June 30, 2023, active indirect cost audits by the Defense Contract Audit Agency remain open for fiscal 2021 and subsequent fiscal years. Although we have recorded contract revenues based upon an estimate of costs that we believe will be approved upon final audit or review, we cannot predict the outcome of any ongoing or future audits or reviews and adjustments, and if future adjustments exceed estimates, our profitability may be adversely affected. As of June 30, 2023, we believe we have adequately reserved for potential adjustments from audits or reviews of contract costs.

Other Government Investigations and Reviews

Through its internal processes, the Company discovered, in late 2021, activities by its employees, third party representatives and subcontractors, raising concerns related to a portion of our business that conducts international operations. The Company is conducting an internal investigation, overseen by an independent committee of the Board of Directors, with the assistance of external legal counsel, to determine whether the identified conduct may have violated the Company's Code of Conduct and potentially applicable laws, including the U.S. Foreign Corrupt Practices Act ("FCPA"). The Company has voluntarily self-reported this investigation to the Department of Justice and the Securities and Exchange Commission and is cooperating with both agencies. Because the investigation is ongoing, the Company cannot anticipate the timing, outcome or possible impact of the investigation, although violations of the FCPA and other applicable laws may result in criminal and civil sanctions, including monetary penalties, and reputational damage. In September 2022, the Company received a Federal Grand Jury Subpoena related to the criminal investigation by the U.S. Attorney's Office for the Southern District of California, in conjunction with the U.S. Department of Justice's Fraud Division. The subpoena requests documents relating to the conduct that is the subject of the Company's internal investigation. The Company has responded to the subpoena. In February 2023, a former employee of the Company who was terminated at the outset of the investigation was indicted on wire fraud and other charges by a Federal Grand Jury in the U.S. District Court in the Southern District of California.

In August 2022, the Company received a Federal Grand Jury Subpoena in connection with a criminal investigation being conducted by the U.S. Department of Justice Antitrust Division. The subpoena requests that the Company produce a broad range of documents related to three U.S. Government procurements associated with the Company's Intelligence Group in 2021 and 2022. We intend to fully cooperate with the investigation, and we are conducting our own internal investigation with the assistance of outside counsel. It is not possible at this time to determine whether we will incur, or to reasonably estimate the amount of, any fines, penalties, or further liabilities in connection with the investigation pursuant to which the subpoena was issued.

Commitments

As of June 30, 2023, we have outstanding letters of credit of $70 million, principally related to performance guarantees on contracts and outstanding surety bonds with a notional amount of $102 million, principally related to performance and subcontractor payment bonds on contracts. The value of the surety bonds may vary due to changes in the underlying project status and/or contractual modifications.

As of June 30, 2023, the future expirations of the outstanding letters of credit and surety bonds were as follows:

Fiscal year ending	(in millions)
2023 (remainder of year)	$ 41
2024	10
2025	100
2026	2
2027	14
2028 and thereafter	5
	$ 172

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

The following discussion and analysis of Leidos Holdings, Inc.'s ("Leidos") financial condition, results of operations, and quantitative and qualitative discussion about business environment and trends should be read in conjunction with Leidos' condensed consolidated financial statements and related notes.

The following discussion contains forward-looking statements, including statements regarding our intent, belief or current expectations with respect to, among other things, trends affecting our financial condition or results of operations, backlog, our industry, the impact of our merger and acquisition activity, government budgets and spending, our business contingency plans, interest rates and uncertainties in tax due to new tax legislation or other regulatory developments. In some cases, forward-looking statements can be identified by words such as "will," "expect," "estimate," "plan," "potential," "continue" or similar expressions. Such statements are not guarantees of future performance and involve risks and uncertainties and actual results may differ materially from those in the forward-looking statements as a result of various factors. Some of these factors include, but are not limited to, the risk factors set forth in our Annual Report on Form 10-K, as updated by the risk factor in this report under Part II, Item 1A. "Risk Factors" and as may be further updated in subsequent filings with the U.S. Securities and Exchange Commission. Due to such uncertainties and risks, you are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. We do not undertake any obligation to update these factors or to publicly announce the results of any changes to our forward-looking statements due to future events or developments.

Unless indicated otherwise, references in this report to "we," "us" and "our" refer collectively to Leidos and its consolidated subsidiaries.

Overview

We are a FORTUNE 500® technology, engineering, and science company that provides services and solutions in the defense, intelligence, civil and health markets, both domestically and internationally. We bring domain-specific capability and cross-market innovations to customers in each of these markets by leveraging five technical core competencies: digital modernization, cyber operations, mission software systems, integrated systems and mission operations. Our customers include the U.S. Department of Defense ("DoD"), the U.S. Intelligence Community, the U.S. Department of Homeland Security, the Federal Aviation Administration, the Department of Veterans Affairs and many other U.S. civilian, state and local government agencies, foreign government agencies and commercial businesses. We operate in three reportable segments: Defense Solutions, Civil and Health. Additionally, we separately present the unallocable costs associated with corporate functions as Corporate.

Business Environment and Trends

U.S. Government Markets

During the three and six months ended June 30, 2023, we generated approximately 85% and 86%, respectively, of total revenues from contracts with the U.S. government, as compared to 86% during both of the three and six months ended July 1, 2022. Accordingly, our business performance is affected by the overall level of U.S. government spending, especially on national security, homeland security and intelligence, and the alignment of our service and product offerings and capabilities with current and future budget priorities of the U.S. government.

Congress is currently working on the 12 appropriations bills that will fund the federal government in government fiscal year ("GFY") 2024. The bills must presumably be within the agreed upon spending caps set by the debt ceiling bill that was signed by President Biden on June 3, 2023. For GFY 2024, the total federal discretionary spending request is $1.59 trillion with $886 billion for defense spending and $703 billion for non-defense discretionary spending programs. Failure to pass the appropriations bills or a continuing resolution by September 30, 2023, results in a partial or complete federal government shutdown.

International Markets

Sales to customers in international markets represented approximately 9% of total revenues for both the three and six months ended June 30, 2023, as compared to 8% of total revenues for both the three and six months ended July 1, 2022. Our international customers include foreign governments and their agencies. Our international business increases our exposure to international markets and the associated international regulatory and geopolitical risks.

Changes in international trade policies, including higher tariffs on imported goods and materials, may increase our procurement costs of certain IT hardware used both on our contracts and for internal use. However, we expect to recover certain portions of these higher tariffs through our cost-plus contracts. While we evaluate the impact of higher tariffs, currently, we do not expect tariffs to have a significant impact to our business.

Results of Operations

The following table summarizes our condensed consolidated results of operations for the periods presented:

	Three Months Ended				Six Months Ended			
	June 30, 2023	July 1, 2022	Dollar change	Percent change	**June 30, 2023**	July 1, 2022	Dollar change	Percent change
	(dollars in millions)							
Revenues	**$ 3,838**	$ 3,597	$ 241	6.7 %	**$ 7,537**	$ 7,091	$ 446	6.3 %
Operating income	**331**	271	60	22.1 %	**596**	542	54	10.0 %
Non-operating expense, net	**(57)**	(46)	(11)	23.9 %	**(115)**	(95)	(20)	21.1 %
Income before income taxes	**274**	225	49	21.8 %	**481**	447	34	7.6 %
Income tax expense	**(64)**	(53)	(11)	20.8 %	**(107)**	(98)	(9)	9.2 %
Net income	**$ 210**	$ 172	$ 38	22.1 %	**$ 374**	$ 349	$ 25	7.2 %
Net income attributable to Leidos common stockholders	**$ 207**	$ 171	$ 36	21.1 %	**$ 369**	$ 346	$ 23	6.6 %
Operating margin	***8.6 %***	*7.5 %*			***7.9 %***	*7.6 %*		

Segment and Corporate Results

	Three Months Ended				Six Months Ended			
Defense Solutions	**June 30, 2023**	July 1, 2022	Dollar change	Percent change	**June 30, 2023**	July 1, 2022	Dollar change	Percent change
	(dollars in millions)							
Revenues	**$ 2,187**	$ 2,052	$ 135	6.6 %	**$ 4,299**	$ 4,101	$ 198	4.8 %
Operating income	**175**	139	36	25.9 %	**322**	272	50	18.4 %
Operating margin	***8.0 %***	*6.8 %*			***7.5 %***	*6.6 %*		

The increase in revenues for the three months ended June 30, 2023, as compared to the three months ended July 1, 2022, was primarily attributable to programs wins, a net increase in volumes on certain programs and a $28 million increase in revenues related to our Cobham Special Mission acquisition made in the last quarter of fiscal 2022. The increase was partially offset by completion of certain contracts and a $11 million unfavorable impact from exchange rate movements.

The increase in revenues for the six months ended June 30, 2023, as compared to the six months ended July 1, 2022, was primarily attributable to program wins, a net increase in volumes on certain programs, net write-ups and a $58 million increase in revenues related to our Cobham Special Mission acquisition made in the last quarter of fiscal 2022. The increase was partially offset by completion of certain contracts and a $33 million unfavorable impact from exchange rate movements.

The increase in operating income for the three months ended June 30, 2023, as compared to the three months ended July 1, 2022, was primarily attributable to program wins and a net increase in volumes on certain programs, partially offset by the completion of certain contracts.

The increase in operating income for the six months ended June 30, 2023, as compared to the six months ended July 1, 2022, was primarily attributable to program wins, net write-ups and a net increase in volumes on certain programs. The increase was partially offset by the completion of certain contracts.

	Three Months Ended				Six Months Ended			
Civil	**June 30, 2023**	July 1, 2022	Dollar change	Percent change	**June 30, 2023**	July 1, 2022	Dollar change	Percent change
	(dollars in millions)							
Revenues	**$ 902**	$ 857	$ 45	5.3 %	**$ 1,779**	$ 1,652	$ 127	7.7 %
Operating income	**64**	38	26	68.4 %	**104**	81	23	28.4 %
Operating margin	***7.1 %***	*4.4 %*			***5.8 %***	*4.9 %*		

The increase in revenues for the three and six months ended June 30, 2023, as compared to the three and six months ended July 1, 2022, were primarily attributable to a net increase in program volumes on certain programs and programs wins, partially offset by the completion of certain contracts.

The increase in operating income for the three and six months ended June 30, 2023, as compared to the three and six months ended July 1, 2022, were primarily driven by a net increase in program volumes on certain programs and $17 million and $19 million in legal reserves and fees, respectively, resulting from an adverse arbitration ruling related to the 2016 acquisition of the Information Systems & Global Solutions business from Lockheed Martin in the prior year periods.

	Three Months Ended				Six Months Ended			
Health	**June 30, 2023**	July 1, 2022	Dollar change	Percent change	**June 30, 2023**	July 1, 2022	Dollar change	Percent change
	(dollars in millions)							
Revenues	**$ 749**	$ 688	$ 61	8.9 %	**$ 1,459**	$ 1,338	$ 121	9.0 %
Operating income	**122**	126	(4)	(3.2)%	**229**	244	(15)	(6.1)%
Operating margin	***16.3 %***	*18.3 %*			***15.7 %***	*18.2 %*		

The increase in revenues for the three months ended June 30, 2023, as compared to the three months ended July 1, 2022, was primarily attributable to a net increase in volumes on certain programs, program wins and net write-ups, partially offset by the completion of certain contracts. The three months ended July 1, 2022, included $28 million in recoveries related to stop work orders on certain programs as a result of COVID-19.

The increase in revenues for the six months ended June 30, 2023, as compared to the six months ended July 1, 2022, was primarily attributable to a net increase in volumes on certain programs and program wins. The increase was partially offset by the completion of certain contracts, higher volume of net write-ups in the prior year and $28 million in recoveries in the prior year related to stop work orders on certain programs as a result of COVID-19.

The decrease in operating income for the three months ended June 30, 2023, as compared to the three months ended July 1, 2022, was primarily attributable to $28 million in recoveries related to stop work orders on certain programs as a result of COVID-19 in the prior year quarter, partially offset by net write-ups on certain programs and program wins.

The decrease in operating income for the six months ended June 30, 2023, as compared to the six months ended July 1, 2022, was primarily attributable to $28 million in recoveries related to stop work orders on certain programs as a result of COVID-19 in the prior year, higher volume of net write-ups in the prior year and increased labor costs, partially offset by programs wins.

	Three Months Ended				Six Months Ended			
Corporate	**June 30, 2023**	July 1, 2022	Dollar change	Percent change	**June 30, 2023**	July 1, 2022	Dollar change	Percent change
	(dollars in millions)							
Operating loss	**$ (30)**	$ (32)	$ 2	(6.3)%	**$ (59)**	$ (55)	$ (4)	7.3 %

The decrease in operating loss for the three months ended June 30, 2023, as compared to the three months ended July 1, 2022, was primarily attributable to reduced foreign payroll tax reserves in the current period.

The increase in operating loss for the six months ended June 30, 2023, as compared to the six months ended July 1, 2022, was primarily attributable to increased administrative costs and transaction fees in connection with the issuance of the senior unsecured notes and Credit Agreement entered into during the first quarter of fiscal 2023, see "Note 6–Debt" for further information. The increase was partially offset by reduced foreign payroll tax reserves in the current year.

Non-Operating Expense, net

Non-operating expense, net for the three months ended June 30, 2023, was $57 million as compared to $46 million for the three months ended July 1, 2022. Non-operating expense, net for the six months ended June 30, 2023, was $115 million as compared to $95 million for the six months ended July 1, 2022. The increases in non-operating expense for both periods was primarily due to higher net interest expense driven by increased interest rates and refinancing activities, and unfavorable exchange rate movements.

Provision for Income Taxes

For the three months ended June 30, 2023, our effective tax rate was 23.4% compared to 23.6% for the three months ended July 1, 2022. The decrease to the effective tax rate was primarily due to a decrease in underpayment penalties, offset by a decrease in excess tax benefits related to stock-based payment transactions and an increase in unrecognized tax benefits.

For the six months ended June 30, 2023, our effective tax rate was 22.2% compared to 21.9% for the six months ended July 1, 2022. The increase to the effective tax rate was primarily due to a decrease in excess tax benefits related to stock-based payment transactions offset by a decrease in underpayment penalties.

Beginning in 2022, the Tax Cuts and Jobs Act of 2017 ("TCJA") eliminated the option to currently deduct certain research and development costs for tax purposes and requires taxpayers to capitalize and amortize research costs over five years. Based upon our interpretation of the law as currently enacted, we estimate that the fiscal 2023 impact will result in increases of $110 million to both our income taxes payable and net deferred tax assets. We also estimate an increase to our unrecognized tax benefits of $75 million with a corresponding increase to net deferred tax assets. The actual impact will depend on the amount of research and development costs the Company will incur, whether Congress modifies or repeals this provision and whether new guidance and interpretive rules are issued by the U.S. Treasury, among other factors.

Bookings and Backlog

We recorded net bookings worth an estimated $2.9 billion and $5.9 billion during the three and six months ended June 30, 2023, as compared to $2.2 billion and $7.6 billion for the three and six months ended July 1, 2022.

The estimated value of our total backlog was as follows:

	June 30, 2023			July 1, 2022		
Segment	Funded	Unfunded	Total	Funded	Unfunded	Total
			(in millions)			
Defense Solutions	**$ 4,904**	**$ 13,500**	**$ 18,404**	$ 4,351	$ 13,668	$ 18,019
Civil	**2,134**	**7,710**	**9,844**	2,051	8,846	10,897
Health	**1,233**	**4,671**	**5,904**	1,139	4,667	5,806
Total	**$ 8,271**	**$ 25,881**	**$ 34,152**	$ 7,541	$ 27,181	$ 34,722

Total backlog as of June 30, 2023, as compared to July 1, 2022, included $610 million of backlog acquired through a business combination in our Defense Solutions reportable segment.

Backlog represents the estimated amount of future revenues to be recognized under negotiated contracts, both funded and unfunded. Backlog does not include unexercised option periods and future potential task orders expected to be awarded under indefinite delivery/indefinite quantity ("IDIQ") contracts, General Services Administration Schedule or other master agreement contract vehicles, with the exception of certain IDIQ contracts where task orders are not competitively awarded and separately priced but instead are used as a funding mechanism, and where there is a basis for estimating future revenues and funding on future anticipated task orders.

Backlog estimates are subject to change and may be affected by factors including modifications of contracts and foreign currency movements.

Liquidity and Capital Resources

Overview

As of June 30, 2023, we had $329 million in cash and cash equivalents. In March 2023, we entered into a senior unsecured revolving credit facility which can provide up to $1 billion in additional borrowing, if required. This new credit facility replaced the previous senior unsecured revolving credit facility. As of June 30, 2023, there were no borrowings outstanding under the revolving credit facility.

We had outstanding debt of $4.9 billion at both June 30, 2023, and December 30, 2022. In February 2023, we entered into $750 million 5.75% fixed-rate senior notes. The annual interest rate is payable on a semi-annual basis. In March 2023, we entered into a Credit Agreement with certain financial institutions, which provided for a senior unsecured term loan facility in an aggregate principal amount of $1.0 billion (the “Term Loan Facility”). The proceeds of the Term Loan Facility and cash on hand were used to repay in full all indebtedness, terminate all commitments and discharge all existing guarantees related to the $1.9 billion senior unsecured term loan facility and $750 million senior unsecured revolving facility, due January 2025.

As of June 30, 2023, borrowings under our Credit Agreement were based on a Term Secured Overnight Financing Rate (“SOFR”) with a 0.10% Term SOFR adjustment and an applicable margin range from 1.00% to 1.50%. At June 30, 2023, the applicable margin for SOFR-denominated borrowings was 1.25%.

We have a commercial paper program in which we may issue short-term unsecured commercial paper notes and have maturities of up to 397 days from the date of issuance. On May 26, 2023, we increased the size of the commercial paper program by $250 million, or not to exceed $1.0 billion. As of June 30, 2023, we had $200 million Commercial Paper Notes outstanding.

We made principal payments on our debt of $325 million and $2,036 million during the three and six months ended June 30, 2023, respectively, and $407 million and $434 million during the three and six months ended July 1, 2022, respectively. This activity included a required principal repayment of $320 million to discharge the 364-day term loan credit agreement ("Term Loan Agreement") for the three months ended June 30, 2023, as compared to required principal payments on our term loans of $404 million for the three months ended July 1, 2022. The activity for the six months ended June 30, 2023, included a $1,210 million payment to discharge the existing Term Loan Facility, a $498 million payment to discharge the $500 million 2.95% notes, due May 2023, and a principal repayment of $320 million to discharge the Term Loan Agreement, as compared to $428 million required principal payments on our Term Loan Facility for the six months ended July 1, 2022.

Our credit facilities, commercial paper notes, senior unsecured term loans and notes outstanding as of June 30, 2023, contain financial covenants and customary restrictive covenants. We were in compliance with all covenants as of June 30, 2023.

During the three months ended June 30, 2023, we modified our interest rate swap agreements to reference SOFR prior to the discontinuation of LIBOR. Under the revised interest rate swap agreement, we will receive monthly variable interest payments based on the one-month SOFR rate and we will continue to pay interest at a fixed rate. Under the ASC 848 relief, we will continue to apply hedge accounting for the interest rate swap arrangement.

We paid dividends of $50 million and $100 million during the three and six months ended June 30, 2023, respectively, and $49 million and $100 million during the three and six months ended July 1, 2022, respectively.

Stock repurchases of Leidos common stock may be made on the open market or in privately negotiated transactions with third parties including through accelerated share repurchase agreements. Whether repurchases are made and the timing and actual number of shares repurchased depends on a variety of factors including price, corporate capital requirements, other market conditions and regulatory requirements. The repurchase program may be accelerated, suspended, delayed or discontinued at any time.

During the six months ended June 30, 2023, we made open market repurchases of our common stock for aggregate purchase price of $25 million. No share repurchases were made during the three months ended June 30, 2023.

Beginning in 2022, a provision in the TCJA which eliminated the option to currently deduct research and development costs for tax purposes and requires taxpayers to capitalize and amortize the costs over five years became effective. We anticipate our tax cash payments to increase by approximately $300 million in 2023, primarily to cover both the 2022 and 2023 tax obligations related to this provision. The actual impact will depend on the amount of research and development costs the Company incurs, whether Congress modifies or repeals this provision and whether new guidance and interpretive rules are issued by the U.S. Treasury, among other factors.

For the next 12 months, we anticipate that we will be able to meet our liquidity needs, including servicing our debt, through cash generated from operations, available cash balances, borrowings from our commercial paper program and, if needed, sales of accounts receivable and borrowings from our revolving credit facility.

Summary of Cash Flows

The following table summarizes cash flow information for the periods presented:

	Three Months Ended		Six Months Ended	
	June 30, 2023	July 1, 2022	**June 30, 2023**	July 1, 2022
	(in millions)			
Net cash provided by operating activities[1]	**$ 164**	$ 45	**$ 66**	$ 138
Net cash used in investing activities	**(44)**	(8)	**(83)**	(29)
Net cash (used in) provided by financing activities	**(164)**	6	**(221)**	(513)

[1] Net cash provided by operating activities during the three and six months ended July 1, 2022, were recast to present the effect of foreign exchange rate changes on cash, cash equivalents and restricted cash as a separate line in the condensed consolidated statements of cash flows.

Net cash provided by operating activities increased $119 million during the three months ended June 30, 2023, when compared to the prior year quarter. The changes were primarily due to strong collections on trade accounts receivable and favorable timing of customer advance payments, partially offset by higher tax payments.

Net cash provided by operating activities decreased $72 million during the six months ended June 30, 2023, when compared to the prior year. The changes were primarily due to higher tax payments of $152 million mainly in connection to the TCJA provision and a $62 million payment for payroll taxes related to the CARES Act, partially offset by strong collections on trade accounts receivable and favorable timing of customer advance payments.

Net cash used in investing activities increased $36 million and $54 million, respectively, for the three and six months ended June 30, 2023, when compared to the prior year periods, primarily due to higher capital expenditures of $19 million and $30 million, respectively, and proceeds received from the sale of Aviation & Missile Solutions LLC in the prior year periods.

Net cash used in financing activities increased $170 million for the three months ended June 30, 2023, when compared to the prior year quarter primarily due to a decrease of $173 million in net proceeds received from debt activities.

Net cash used in financing activities decreased $292 million for the six months ended June 30, 2023, when compared to the prior year primarily due to a net decrease of $485 million used in stock repurchases primarily attributable to the accelerated share repurchase activities from prior year, partially offset by a decrease of $189 million in net proceeds received from debt activities.

Off-Balance Sheet Arrangements

We have outstanding performance guarantees and cross-indemnity agreements in connection with certain aspects of our business. We also have letters of credit outstanding principally related to performance guarantees on contracts and surety bonds outstanding principally related to performance and subcontractor payment bonds as described in "Note 11–Commitments and Contingencies" of the notes to the condensed consolidated financial statements contained within this Quarterly Report on Form 10-Q. These arrangements have not had, and management does not believe it is likely that they will in the future have, a material effect on our liquidity, capital expenditures or capital resources, operations or financial condition.

Guarantor and Issuer of Guaranteed Securities

Leidos Holdings, Inc. ("Guarantor") has fully and unconditionally guaranteed the debt securities of its subsidiary, Leidos, Inc. ("Issuer"), that were issued pursuant to transactions that were registered under the Securities Act of 1933, as amended (collectively, the "Registered Notes"). The following is a list of the Registered Notes guaranteed by Leidos Holdings, Inc.

Senior unsecured Registered Notes:
$500 million 3.625% notes, due May 2025
$750 million 4.375% notes, due May 2030
$1,000 million 2.300% notes, due February 2031
$750 million 5.750% notes, due May 2033

Leidos Holdings, Inc. has also fully and unconditionally guaranteed debt securities of Leidos, Inc. that were issued pursuant to transactions that were not registered under the Securities Act of 1933, as amended. The following is a list of unregistered debt securities guaranteed by Leidos Holdings, Inc.

Senior unsecured unregistered debt securities issued by Leidos, Inc.:
$250 million 7.125% notes, due July 2032
$300 million 5.500% notes, due July 2033

Additionally, Leidos, Inc. has fully and unconditionally guaranteed debt securities of Leidos Holding, Inc. that were issued pursuant to transactions that were not registered under the Securities Act of 1933, as amended. The following is a list of unregistered debt securities guaranteed by Leidos, Inc.

Senior unsecured unregistered debt securities issued by Leidos Holdings, Inc.:
$300 million 5.950% notes, due December 2040

The following summarized financial information includes the assets, liabilities and results of operations for the Guarantor and Issuer of the Registered Notes described above. Intercompany balances and transactions between the Issuer and Guarantor have been eliminated from the financial information below. Investments in the consolidated subsidiaries of the Issuer and Guarantor that do not guarantee the senior unsecured notes have been excluded from the financial information. Intercompany payables represent amounts due to non-guarantor subsidiaries of the Issuer.

Balance Sheet Information for the Guarantor and Issuer of Registered Notes

	June 30, 2023	December 30, 2022
	(in millions)	
Total current assets	**$ 2,017**	$ 2,115
Goodwill	**5,811**	5,810
Other long-term assets	**1,283**	1,188
Total assets	**$ 9,111**	$ 9,113
Total current liabilities	**$ 1,992**	$ 2,922
Long-term debt, net of current portion	**4,669**	3,925
Intercompany payables	**2,037**	1,695
Other long-term liabilities	**624**	699
Total liabilities	**$ 9,322**	$ 9,241

Statements of Income Information for the Guarantor and Issuer of Registered Notes

	Six Months Ended **June 30, 2023**
	(in millions)
Revenues, net	**$ 5,125**
Operating income	**382**
Net income attributable to Leidos common stockholders	**117**

Contractual Obligations and Commitments

We are subject to a number of reviews, investigations, claims, lawsuits, other uncertainties and future obligations related to our business. For a discussion of these items, see "Note 11–Commitments and Contingencies" of the notes to the condensed consolidated financial statements contained within this Quarterly Report on Form 10-Q.

Critical Accounting Policies

There were no material changes to our critical accounting policies, estimates or judgments during the period covered by this report from those discussed in our Annual Report on Form 10-K for the year ended December 30, 2022.

Recently Adopted and Issued Accounting Standards

For a discussion of these items, see "Note 1–Basis of Presentation and Summary of Significant Accounting Policies" of the notes to the condensed consolidated financial statements contained within this Quarterly Report on Form 10-Q.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk.*

There were no material changes in our market risk exposure from those discussed in our Annual Report on Form 10-K for the year ended December 30, 2022.

Item 4. *Controls and Procedures.*

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer (our Chief Executive Officer) and principal financial officer (our Executive Vice President and Chief Financial Officer), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934) as of June 30, 2023. Based upon that evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the U.S. Securities and Exchange Commission. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

On October 30, 2022, we completed the acquisition of Cobham Special Mission. In conducting our evaluation of the effectiveness of our internal control over financial reporting, we excluded Cobham Special Mission from our evaluation for the second quarter of fiscal 2023. We are in the process of integrating Cobham Special Mission into our system of internal control over financial reporting.

Other than the foregoing, there have been no changes in our internal control over financial reporting that occurred in the quarterly period covered by this report that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. *Legal Proceedings.*

We have furnished information relating to legal proceedings, and any investigations and reviews that we are involved with in "Note 11–Commitments and Contingencies" of the notes to the condensed consolidated financial statements contained within this Quarterly Report on Form 10-Q.

Item 1A. *Risk Factors.*

There were no material changes to the risks described in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 30, 2022.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds.*

(a) None

(b) None

(c) Purchases of Equity Securities by the Issuer

The following table presents information related to the repurchases of shares of our common stock for each calendar month in the second quarter of 2023:

Period	Total Number of Shares[(1)] (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Repurchase Plans or Programs[(2)]	Maximum Number of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs[(2)]
April 1, 2023 - April 30, 2023	—	$ —	—	14,934,512
May 1, 2023 - May 31, 2023	—	—	—	14,934,512
June 1, 2023 - June 30, 2023	843	85.78	—	14,934,512
Total	843	$ 85.78	—	

(1) The total number of shares purchased includes shares surrendered to satisfy statutory tax withholdings obligations related to vesting of restricted stock units.

(2) In February 2022, our Board of Directors authorized a share repurchase program of up to 20 million shares of our outstanding common stock. The shares may be repurchased from time to time in one or more open market repurchases or privately negotiated transactions, including accelerated share repurchase transactions. The actual timing, number and value of shares repurchased under the program will depend on a number of factors, including the market price of our common stock, general market and economic conditions, applicable legal requirements, compliance with the terms of our outstanding indebtedness and other considerations. There is no assurance as to the number of shares that will be repurchased, and the repurchase program may be suspended or discontinued at any time at our Board of Directors' discretion. This share repurchase authorization replaces the previous share repurchase authorization announced in February 2018.

Item 3. *Defaults Upon Senior Securities.*

None.

Item 4. *Mine Safety Disclosures.*

Not applicable.

Item 5. *Other Information.*

Rule 10b5-1 trading arrangement

During the three months ended June 30, 2023, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

Severance Plan for Executive Officers

On July 27, 2023, the Human Resources and Compensation Committee of the Board of Directors of Leidos Holdings, Inc. (the “Company”) approved an amendment and restatement of the Company’s Severance Plan for Executive Officers (the “Severance Plan”, which was formerly known as the Executive Severance Plan). In general, as amended, Severance Plan coverage is limited to officers subject to Section 16 of the Securities Exchange Act of 1934 and other individuals designated as eligible by the Human Resources and Compensation Committee of the Board of Directors. The Company most recently amended the Severance Plan effective as of July 25, 2019, as disclosed in the Form 10-Q filed on October 29, 2019. The Chief Executive Officer does not participate in the Severance Plan.

The benefits under the Severance Plan generally are unchanged. The amendment and restatement of the Severance Plan clarifies that a pro rata bonus is owed for the year of termination only if the participant was employed for at least 90 days during the year and that financial planning benefits are provided to eligible participants during their year of termination. It also narrowed the “change in control” definition that applies for purposes of determining whether enhanced severance benefits may be payable by increasing the trigger amount from 25% to 50% of the outstanding voting power of the Company, and made a number of other conforming and clarifying changes.

The foregoing summary is qualified in its entirety by the Severance Plan, which is filed as Exhibit 10.2 to this Form 10-Q and incorporated herein by reference.

Item 6. *Exhibits.*

Exhibit Number	Description of Exhibit
10.1	Form of Commercial Paper Dealer Agreement between Leidos, Inc., as issuer, Leidos Holdings, Inc., as guarantor, and the applicable Dealer party thereto. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on July 12, 2021.
10.2	Amended and Restated Leidos Holdings, Inc. Severance Plan for Executive Officers, effective July 27, 2023.
22	List of Guarantors and Subsidiary Issuers of Guaranteed Securities. Incorporated herein by reference to Exhibit 22 to our Quarterly Report on Form 10-Q filed with the SEC on May 2, 2023.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Executive Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive Data File. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104	Cover Page Interactive Data File. The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

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 thereunto duly authorized.

Date: August 1, 2023

Leidos Holdings, Inc.

/s/ Christopher R. Cage

Christopher R. Cage
Executive Vice President and Chief Financial Officer and
as a duly authorized officer

Exhibit 10.2

LEIDOS HOLDINGS, INC.
Severance Plan for Executive Officers

Effective July 27, 2023

Establishment of Plan and Purpose.
The Company has established the Leidos Holdings, Inc. Severance Plan for Executive Officers (the "Plan", which previously was known as the Leidos Holdings, Inc. Executive Severance Plan) to provide benefits to Eligible Officers who leave the employment of the Company as the result of an Executive Layoff Event and otherwise satisfy the various eligibility requirements of the Plan as stated herein. This Plan document sets forth the material terms and provisions of the Plan, including rules pertaining to the administration and payment of benefits under the Plan.

SECTION 1. ***Definitions.*** The following terms when capitalized shall have the meaning set forth below:

"Accrued Compensation" means an amount which includes all amounts earned or accrued by the Eligible Officer through and including the Termination Date but not paid to the Eligible Officer on or prior to such date, including (a) all base salary, (b) reimbursement for all reasonable and necessary expenses incurred by the Eligible Officer on behalf of the Company during the period ending on the Termination Date, (c) all accrued but unused paid time-off (PTO), (d) any annual cash bonus earned by the Eligible Officer for a prior year but not paid as of the Termination Date, and (e) any other vested incentive compensation or employee benefits to which the Participant is entitled as of the Termination Date under the Company's plans and programs.

"Administrator" means the Compensation Committee. Notwithstanding the foregoing, the Administrator may delegate any portion of, including the entirety of, its authority to any officer or employee of the Company. The Administrator shall have the duties, powers and authority to act as described in Section 2 of the Plan.

"Cause" for the termination of the Eligible Officer's employment with the Company will be deemed to exist if:

(a) the Eligible Officer has been convicted, or entered a plea of *nolo contendere*, for committing an act of fraud, embezzlement, theft or other act constituting a felony (other than traffic related offenses or as a result of vicarious liability),

(b) the Eligible Officer willfully engages in illegal conduct or gross misconduct that is significantly injurious to the Company, including an Eligible Officer's material breach of his or her obligations under any written Company policy, including any code of ethics or conduct or anti-harassment policy, which is not cured, if curable, within ten (10) days after the Company notifies Eligible Officer of such breach; however, no act or failure to act on the Eligible Officer's part shall be considered "willful" unless done or omitted to be done by the Eligible Officer not in good faith and without reasonable belief that his or her action or omission was in the best interest of the Company, or

(c) failure to perform his or her duties in a reasonably satisfactory manner after the receipt of a notice from the Company detailing such failure if the failure is incapable of cure, and if the failure is capable of cure, upon the failure to cure such failure within 30 days of such notice or upon its recurrence; provided that this clause (c) shall not apply during the portion of the CIC Protection Period that follows the consummation of a Change in Control).

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" means Leidos Holdings, Inc., a Delaware corporation, provided that in recognition of the fact that the Eligible Officer may be employed by Leidos, Inc., a Delaware corporation and wholly-owned subsidiary of the Company ("Leidos"), or by another direct or indirect Subsidiary of Leidos, Inc., the term "Company" when referring to the employment relationship and the compensation or benefits related thereto shall include the employer of the Eligible Officer as the context requires.

"Compensation Committee" means the Human Resources and Compensation Committee of the Board of Directors of the Company or any successor Committee.

"Disability" means the eligibility of the Eligible Employee for long-term disability benefits under the Company's long-term disability plan or program or certification of disability by the Social Security Administration.

"Eligible Officer" means an individual who meets the criteria set forth in both subsections (a) and (b) below:

(a) Is an active, full-time employee of the Company; and

(b) Either:

(i) is an individual meeting the definition of an "officer" under Section 16 of the Securities Exchange Act; or

(ii) is specifically designated by the Compensation Committee as eligible for benefits under Appendix A and/or B of the Plan

"Executive Layoff Event" means the termination of Employment of an Eligible Officer that is (i) initiated by the Company (including under a separation window program offered by the Company that incorporates the terms of this Plan or a portion thereof and that meets the applicable exception from Code section 409A and the accompanying Treasury Regulations) for reasons other than for Cause, or (ii) is initiated by an Eligible Officer for Good Reason.

Notwithstanding the foregoing, an Executive Layoff Event can only be initiated by an Eligible Officer for Good Reason under Appendix B of this Plan (benefits for Eligible Officers after a Change in Control of the Company).

"Full Release" means the written Release of All Claims and Potential Claims set forth in Appendix C of the Plan. The Company must have obtained a Full Release, timely executed so that it is fully effective as of the date of payment pursuant to the relevant Plan Appendix, as a condition to payment of benefits under the Plan.

"Notice of Termination" means a written notice from the Company to the Eligible Officer of the termination of the Eligible Officer's employment which indicates the specific termination provision in this Plan relied upon and which sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Eligible Officer's employment under the provision so indicated. For purposes of this Plan, no such purported termination will be effective without a Notice of Termination.

"Person" has the meaning as defined in Section 3(a)(9) of the Securities Exchange Act and used in Section 13(d) or 14(d) of the Securities Exchange Act, and will include any "group" as such term is used in such sections.

"Pro Rata Bonus" means the following an Eligible Officer who is employed by the Company for at least 90 days during the applicable performance period:

(a) For Eligible Officers eligible for benefits described in Appendix A, the bonus based on the target annual cash incentive established by the Compensation Committee for the year in which the Termination Date occurs (or the target annual bonus established by the Compensation Committee for the most recently completed fiscal year if the Termination Date occurs prior to the establishment of an annual target bonus for the fiscal year in which the Termination Date occurs) with the payout amount calculated based only on the financial performance results (no personal performance) multiplied by a fraction, the numerator of which is the number of days elapsed in the then fiscal year through and including the Termination Date and the denominator of which is the number of days in the Company's fiscal year.

(b) For Eligible Officers eligible for benefits described in Appendix B, the bonus based on the target annual cash incentive established by the Compensation Committee for the year in which the Termination Date occurs (or the target annual bonus established by the Compensation Committee for the most recently completed fiscal year if the Termination Date occurs prior to the establishment of an annual target bonus for the fiscal year in which the Termination Date occurs) (no financial or personal performance) multiplied by a fraction, the numerator of which is the number of days elapsed in the then fiscal year through and including the Termination Date and the denominator of which is the number of days in the Company's fiscal year.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Subsidiary" means any corporation with respect to which another specified corporation has the power under ordinary circumstances to vote or direct the voting of sufficient securities to elect a majority of the directors.

"Successor" means a corporation or other entity acquiring all or substantially all the assets and business of the Company, whether by operation of law, by assignment or otherwise.

"Termination Date" means:

(a) in the case of the Eligible Officer's death, the Eligible Officer's date of death,

(b) in the case of the termination of the Eligible Officer's employment with the Company by the Eligible Officer for Good Reason, the date the Company's 30-day cure period expires if the Company has failed to cure the applicable Good Reason event, or

(c) in all other cases, the date specified in the Notice of Termination.

Notwithstanding anything to the contrary herein, to the extent necessary to comply with Code Section 409A, an Eligible Officer's employment shall be considered to have terminated if the Eligible Officer has experienced a "separation from service," as defined in Code Section 409A and the regulations thereunder.

SECTION 2. ***Administration of Plan; Amendment and Termination***

2.1. This Plan shall be administered by the Administrator.

2.2. The Administrator has the power and authority to amend and/or terminate the Plan, and to interpret Plan provisions and develop administrative procedures, policies and guidance to aid it in the operation of the Plan. However, the Administrator is required to provide one hundred and eighty (180) days advance written notice to Eligible Officers before terminating the Plan, and is required to provide ninety (90) days written notice to Eligible Officers before amending the Plan in a way which would materially and adversely impact their rights or benefits under the Plan. The Administrator may at any time "freeze" the Plan and not allow new Eligible Officers to participate after a particular date. Notwithstanding the foregoing, the Administrator may not terminate the Plan or take any adverse action that would take effect during the period of time beginning 3 months prior to the Change in Control, and ending 24 months following a Change in Control, as that term is defined in Appendix B (The "***CIC Protection Period***").

2.3. With respect to responsibilities for (a) amending or terminating the Plan, (b) or interpreting the provisions in Appendices A and B relating to Eligible Officers, or prescribing, revising or rescinding any rules or guidance relating to the benefits under Appendices A and B, the Administrator shall be the Compensation Committee or its delegate.

2.4 All decisions of the Administrator shall be final and binding upon all Participants.

SECTION 3. ***Benefits***

3.1 Executive Layoff Events. If the Eligible Officer's termination of employment with the Company meets the definition of an Executive Layoff Event as defined in this Plan, the Eligible Officer shall be entitled to the benefits described in either Appendix A or Appendix B of this Plan, provided they meet the additional eligibility criteria set forth in the applicable Appendix.

3.2 Other Terminations. If the Eligible Officer's employment with the Company is terminated (i) by the Company for Cause or due to the Eligible Officer's Disability, (ii) by reason of the Eligible Officer's death or (iii) by an Eligible Officer other than for Good Reason, the Company will pay to the Eligible Officer the Accrued Compensation only. If such termination is by the Company for Disability, or by reason of the Eligible Officer's death, the Company will also pay a Pro Rata Bonus (provided that the Pro Rata Bonus shall only be paid if the Eligible Officer is employed by the Company for at least 90 days during the applicable performance period).

3.3 No Duty to Mitigate. The Eligible Officer will not be required to mitigate the amount of any payment provided for in this Plan by seeking other employment or otherwise, and no such payment will be offset or reduced by the amount of any compensation or benefits provided to the Eligible Officer in any subsequent employment, except as specifically provided in the applicable Appendix.

3.4 Exclusivity of Benefits. Except as otherwise noted herein, the compensation to be paid to the Eligible Officer in accordance with this Section 3 and pursuant to the applicable Appendix will be in lieu of any similar severance or termination compensation (i.e., compensation based directly on the Eligible Officer's annual or weekly rate of salary or annual salary and bonus or statutory severance to which the Eligible Officer is entitled but, for the avoidance of doubt, excluding any equity awards and any change in control, retention or similar bonuses) to which the Eligible Officer may be entitled under any other Company severance or termination Plan, plan, program, policy, practice or arrangement. The Eligible Officer's entitlement to any compensation or benefits of a type not provided in this Plan will be determined in accordance with the Company's employee benefit plans and other applicable programs, policies and practices as in effect from time to time.

SECTION 4. ***Excise Tax Adjustments***.

4.1 In the event that an Eligible Officer who is an Eligible Officer becomes entitled to receive the benefits provided in Appendix B (Executive Layoff Event after a Change in Control of the Company), and the Company determines that such benefits (the "Total Payments") will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code, or any similar tax that may hereafter be imposed, the Company shall compute the "Net After-Tax Amount," and the "Reduced Amount," and shall adjust the Total Payments as described below. The Net After-Tax Amount shall mean the present value of all amounts payable to the Eligible Officer hereunder, net of all federal income, excise and employment taxes imposed on the Eligible Officer by reason of such payments. The Reduced Amount shall mean the largest aggregate amount of the Total Payments that if paid to the Eligible Officer would result in the Eligible Officer receiving a Net After-Tax Amount that is equal to or greater than the Net After-Tax Amount that the Eligible Officer would have received if the Total Payments had been made. If the Company determines that there is a Reduced Amount, the Total Payments will be reduced to the Reduced Amount. Such reduction to the Total Payments shall be made by first reducing or eliminating any cash severance benefits, then by reducing or eliminating any accelerated vesting of stock options where the value of the underlying share of Leidos Holding, Inc. common stock is less than the exercise or strike price of the option ("underwater options"), then by reducing or eliminating any accelerated vesting of options that are not underwater options, then by reducing or eliminating any accelerated vesting of other equity awards, then by reducing or eliminating any other remaining Total Payments, in each case in reverse order beginning with the payments which are to be paid the farthest in time from the date of the transaction triggering the Excise Tax.

4.2 For purposes of determining whether the Total Payments will be subject to the Excise Tax and the amounts of such Excise Tax and for purposes of determining the Reduced Amount and the Net After-Tax Amount:

(a) Any other payments or benefits received or to be received by the Eligible Officer that are contingent (as determined pursuant to the regulations under Section 280G of the Code) upon the Change in Control of the Company or the Eligible Officer's termination of employment (whether pursuant to the terms of this Plan or any other plan, arrangement, or Plan with the Company, or with any individual, entity, or group of individuals or entities (individually and collectively referred to in this subsection (a) as "Persons") whose actions result in a change in control of the Company or any Person affiliated with the Company or such Persons) shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code shall be treated as subject to the Excise Tax, unless in the opinion of a tax advisor selected by the Company that is a nationally-recognized accounting firm ("Tax Counsel"), such other payments or benefits (in whole or in part) should be treated by the courts as representing reasonable compensation for services actually rendered (within the meaning of Section 280G(b)(4)(B) of the Code), or otherwise not subject to the Excise Tax;

(b) The amount of the Total Payments that shall be treated as subject to the Excise Tax shall be equal to the lesser of (i) the total amount of the Total Payments; or (ii) the amount of excess parachute payments within the meaning of Section 280G(b)(1) of the Code (after applying clause (a) above);

(c) In the event that the Eligible Officer disputes any calculation or determination made by the Company, the matter shall be determined by Tax Counsel, the fees and expenses of which shall be borne solely by the Company; and

(d) The Eligible Officer shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Change in Control of the Company occurs, and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Eligible Officer's residence on the effective date of the Change in Control of the Company, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes, taking into account the reduction in itemized deduction under Section 68 of the Code.

SECTION 5. ***Covenants of the Eligible Officer***. As a condition to receiving the benefits described in Appendices A and B (as applicable), the Eligible Officer must sign and comply with a form of Post-Employment Conduct Agreement attached to this Plan as Appendix D.

SECTION 6. ***Successors; Binding Plan***.

This Plan will be binding upon and will inure to the benefit of the Company and its Successors, and the Company will require any Successors to expressly assume and agree to perform this Plan in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. Neither this Plan nor any right or interest hereunder will be assignable or transferable by the Eligible Officer or by the Eligible Officer's beneficiaries or legal representatives, except by will or by the laws of descent and distribution.

SECTION 7. ***Fees and Expenses of Eligible Officers***.

The Company will pay as promptly as practicable all reasonable legal fees and related expenses (including the reasonable costs of experts) incurred by Eligible Officers, as defined in the Plan, who in good faith, seek to obtain or enforce any right or benefit provided by this Plan, provided that the Eligible Officer prevails on a least one material claim. If the dispute is resolved by a final decision of an arbitrator pursuant to Section 13 in the favor of the Company and the applicable termination did not occur during the CIC Protection Period, the Eligible Officer shall reimburse the Company for all such legal fees and related expenses (including costs of experts) paid by the Company on behalf of the Eligible Officer. To the extent necessary to comply with Code Section 409A, any reimbursements pursuant to this Section 7 shall be paid to the Eligible Officer on or before the last day of the Eligible Officer's taxable year following the taxable year in which the related expense was incurred. Such reimbursements are not subject to liquidation or exchange for another benefit and the amount of such benefits and reimbursements that the Eligible Officer receives in one taxable year shall not affect the amount of such benefits or reimbursements that the Eligible Officer receives in any other taxable year.

SECTION 8. ***Notice***.

For the purposes of this Plan, notices and all other communications provided for in the Plan (including the Notice of Termination) will be in writing and will be deemed to have been duly given (i) when personally delivered, (ii) upon acknowledgment of receipt when sent by e-mail or other electronic transmission (excluding acknowledgements generated automatically without an affirmative act by the recipient), or (iii) when sent by certified mail, return receipt requested, postage prepaid, addressed to the respective addresses last given by each party to the other, provided that all notices to the Company will be directed to the attention of the Board with a copy to the Chief Human Resources Officer of the Company. All notices and communications will be deemed to have been received on the date of delivery thereof or on the third business day after the mailing thereof, except that notice of change of address will be effective only upon receipt.

SECTION 9. ***Nonexclusivity of Rights***.

Nothing in this Plan will prevent or limit the Eligible Officer's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company for which the Eligible Officer may qualify, nor will anything herein limit or reduce such rights as the Eligible Officer may have under any other Plans with the Company (except for any severance or termination Plan). Amounts which are vested benefits or which the Eligible Officer is otherwise entitled to receive under any plan or program of the Company will be payable in accordance with such plan or program, except as specifically modified by this Plan.

SECTION 10. ***No Set-Off***.

The Company's obligation to make the payments provided for in this Plan and otherwise to perform its obligations hereunder will not be affected by any circumstances, including any right of set-off, counterclaim, recoupment, defense or other right which the Company may have against the Eligible Officer or others. Notwithstanding the foregoing, the Company has the unilateral right to offset the payment of benefits under this Plan against amounts due from the Eligible Officer under the Company's clawback/recoupment policy as in effect from time to time; provided that this sentence shall not apply to payments made pursuant to Appendix B unless otherwise required by law or stock exchange listing requirements.

SECTION 11. ***Miscellaneous***.

No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Plan to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representation, oral or otherwise, express or implied, with respect to the subject matter hereof has been made by either party which is not expressly set forth in this Plan.

SECTION 12. ***Governing Law and Binding Arbitration***.

The Plan shall be governed by the substantive laws (excluding the conflict of laws rules) of the Commonwealth of Virginia. All disputes relating to this Plan and attached restrictive covenants, including its enforceability, shall be resolved by final and binding arbitration before an arbitrator appointed by, and in accordance with the rules and procedures of arbitration of, the Judicial Arbitration and Mediation Service (JAMS), with the arbitration to be held in Fairfax County, Virginia. Judgment upon the award may be entered in any court having jurisdiction thereof.

SECTION 13. ***Code Section 409A***.

It is intended that any amounts payable under this Plan shall either be exempt from or comply with Section 409A of the Code (including the Treasury regulations and other published guidance relating thereto) ("**Code Section 409A**") so as not to subject the Eligible Officer to payment of any interest or additional tax imposed under Code Section 409A. To the extent that any amount payable under this Plan would trigger the additional tax, penalty or interest imposed by Code Section 409A, this Plan shall be modified to avoid such additional tax, penalty or interest yet preserve (to the nearest extent reasonably possible) the intended benefit payable to the Eligible Officer. If the Eligible Officer is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) as of the Termination Date, the Eligible Officer shall not be entitled to any payment or benefit pursuant to the applicable Plan Appendix until the earlier of (i) the date which is six months after the Termination Date, or (ii) the date of the Eligible Officer's death. The provisions of this Section 13 shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Code Section 409A. Any amounts otherwise payable to the Eligible Officer upon or in the six month period following the Eligible Officer's Termination Date that are not so paid by reason of this Section 13 shall be paid (without interest) as soon as practicable (and in all events within five days) after the date that is six months after the Eligible Officer's Termination Date (or, if earlier, as soon as practicable, and in all events within five days, after the date of the Eligible Officer's death).

Appendix A

Schedule of Benefits for Eligible Officers
Executive Layoff Event

A.I. Eligibility. Only Eligible Officers who meet each of the additional eligibility requirements set forth in subsections A.I.1 to A.I.6 below are eligible to receive the benefits described in Section A.II:

A.I.1. The Eligible Officer is not classified as "part-time", a "consulting employee", or an "unscheduled professional". Part-time and consulting employees and unscheduled professionals are not eligible for benefits under the Plan.

A.I.2. The Eligible Officer is not covered by another plan, program, agreement, contract or arrangement providing severance or similar benefits on account of termination of employment.

A.I.3. The Eligible Officer has not waived coverage under the Plan.

A.I.4. The Company has communicated by a Notice of Termination its intention to terminate the Eligible Officer's employment.

A.I.5. The Notice of Termination referenced in Section A.I.4 must specify that the termination has been determined to be an Executive Layoff Event.

A.I.6. The Eligible Officer must execute a Full Release and a Post-Employment Conduct Agreement or "PECA" (by which the Eligible Officer agrees to comply with certain restrictive covenants for a period of 12 months) as a condition to receiving all benefits described in Section A.II of the Plan except "Accrued Compensation" under Section A.II.1 below. The language of the PECA may vary by state and other applicable standards and requirements and may be modified with the approval of the General Counsel or his/her designee

A.II. Severance Benefits. Eligible Officers who meet the eligibility requirements set forth in the subsections of A.I. above are eligible to receive the following benefits from the Company:

A.II.1. all Accrued Compensation (which shall be paid whether or not the Eligible Officer executed a Full Release and/or a PECA);

A.II.2 a Pro Rata Bonus (provided that the Pro Rata Bonus shall only be paid if the Eligible Officer is employed by the Company for at least 90 days during the applicable performance period), payable no later than two and one-half months following the end of the fiscal year in which the Termination Date occurs;

A.II.3. a single lump sum cash payment in an amount equal to one (1) times the Eligible Officer's Base Salary Amount. The "Base Salary Amount" means the Eligible Officer's annual base salary at the rate in effect on the Notice of Termination date;

A.II.4. a single lump sum cash payment equal to the cost of employee premiums for twelve (12) months of continuation coverage under the medical, dental and vision plans sponsored by the Company that the Eligible Officer and the Eligible Officer's dependents are enrolled in as of the Termination Date. The employee premiums shall be calculated as the cost of continuation coverage under the Consolidated Omnibus Budget Reconciliation Act ("COBRA");

Other than continuation coverage under COBRA (with the cost to be paid by the Eligible Officer), no other insurance type benefits or continuation of coverage shall be offered to the Eligible Officer, in lieu of or in addition to these benefits. The Eligible Officer will be responsible for the payment of any taxes related to the single lump sum cash payment under this Section A.II.4, and the Company will provide no amount to the Eligible Officer for the gross-up of any such taxes;

A.II.5 continued financial planning services for the year in which the Termination Date occurs if the Eligible Officer is participating in such program prior to the Termination Date;

A.II.6. outplacement services suitable to the Eligible Officer's position for a period of twelve months or, if earlier, until the first acceptance by the Eligible Officer of an offer of employment; and

A.II.7. any such other acceleration of vesting and other benefits as provided in other Company plans or Plans regarding options to purchase Company stock, restricted stock, deferral of stock or other equity compensation awards granted to or otherwise applicable to the Eligible Officer.

The payments calculated under Sections A.II.3 and A.II.4 shall be made within 55 days after the Termination Date, provided that such payment will be made no later than the last date to be considered a short-term deferral of compensation within the meaning of Treasury Regulation Section 1.409A-1(a)(4). No right to in-kind benefits, such as the outplacement services in section A.II.5 and A.II.6, may be subject to liquidation or exchange for any other benefit.

Appendix B

Schedule of Benefits for Eligible Officers
Executive Layoff Event after a Change in Control

The Company recognizes that the possibility of a Change in Control of the Company exists and that the threat of or occurrence of a Change in Control may result in the distraction of its Eligible Officers because of the uncertainties inherent in such a situation relating to the Eligible Officers employment. Furthermore, the Company seeks to retain the services of its Eligible Officers in the event of the threat or occurrence of a Change in Control and to ensure the continued dedication and efforts of such Officers without undue concern for their personal financial and employment security.

Therefore, the Company has determined that it is essential and in the best interests of the Company and its stockholders to approve a separate set of benefits, as set forth in Appendix B, to be paid in the case of an Executive Layoff Event for an Eligible Officer that occurs within three months prior to or within 24 months following a Change in Control.

Such benefits as described in Appendix B of the Plan shall be paid in lieu of and not in addition to the benefits set forth in Appendix A of the Plan.

Definitions. For purposes of this Appendix B, the following terms when capitalized shall have the meaning set forth below:

"Beneficial Owner" has the meaning as used in Rule 13d-3 promulgated under the Securities Exchange Act. The terms "Beneficially Owned" and "Beneficial Ownership" each have a correlative meaning.

"Change in Control" of the Company means, and shall be deemed to have occurred upon, any of the following events:

(a) The acquisition by any Person of Beneficial Ownership of fifty percent (50%) or more of the outstanding voting power; provided, however, that the following acquisitions shall not constitute a Change in Control for purposes of this subparagraph (a): (A) any acquisition directly from the Company; (B) any acquisition by the Company or any of its Subsidiaries; (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its Subsidiaries; or (D) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subparagraph (c) below; or

(b) Individuals who at the beginning of any two year period constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual who becomes a director of the Company during such two year period and whose election, or whose nomination for election by the Company's stockholders, to the Board was either (i) approved by a vote of at least a majority of the directors then comprising the Incumbent Board or (ii) recommended by a nominating committee comprised entirely of directors who are then Incumbent Board members shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Securities Exchange Act), other actual or threatened solicitation of proxies or consents or an actual or threatened tender offer; or

(c) Consummation of a reorganization, merger, or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case unless following such Business Combination, (i) all or substantially all of the Persons who were the Beneficial Owners, respectively, of the outstanding shares and outstanding voting securities immediately prior to such Business Combination own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the Company, as the case may be, of the entity resulting from the Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the outstanding voting securities (provided, however, that for purposes of this clause (i) any shares of common stock or voting securities of such resulting entity received by such Beneficial Owners in such Business Combination other than as the result of such Beneficial Owners' ownership of outstanding shares or outstanding voting securities immediately prior to such Business Combination shall not be considered to be owned by such Beneficial Owners for the purposes of calculating their percentage of ownership of the outstanding common stock and voting power of the resulting entity); (ii) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such entity resulting from the Business Combination) beneficially owns, directly or indirectly, twenty-five percent (25%) or more of the combined voting power of the then outstanding voting securities of such entity resulting from the Business Combination unless such Person owned twenty-five percent (25%) or more of the outstanding shares or outstanding voting securities immediately prior to the Business Combination; and (iii) at least a majority of the members of the Board of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial Plan, or the action of the Board, providing for such Business Combination; or

(d) Consummation of a complete liquidation or dissolution of the Company.

For purposes of clause (c), any Person who acquires outstanding voting securities of the entity resulting from the Business Combination by virtue of ownership, prior to such Business Combination, of outstanding voting securities of both the Company and the entity or entities with which the Company is combined shall be treated as two Persons after the Business Combination, who shall be treated as owning outstanding voting securities of the entity resulting from the Business Combination by virtue of ownership, prior to such Business Combination of, respectively, outstanding voting securities of the Company, and of the entity or entities with which the Company is combined.

"Good Reason" means the occurrence of any of the events or conditions described in clauses (a) through (f) hereof, without the Eligible Officer's prior written consent:

(a) any material adverse change in the Eligible Officer's authority, duties or responsibilities (including reporting responsibilities) from the Eligible Officer's authority, duties or responsibilities as in effect at any time within 90 days preceding the date of the Change in Control or at any time thereafter, or (ii) in the case of an Eligible Officer who is an Eligible Officer of the Company a significant portion of whose responsibilities relate to the Company's status as a public company, the failure of such Eligible Officer to continue to serve as an officer of a public company, in each case except in connection with the termination of the Eligible Officer's employment for Disability, Cause, as a result of the Eligible Officer's death or by the Eligible Officer other than for Good Reason;

(b) a material reduction in Eligible Officer's base salary or target annual cash incentive amount, or any failure to pay the Eligible Officer any cash compensation to which the Eligible Officer is entitled within 15 days after the date when due;

(c) the imposition of a requirement (other than for reasonably required travel on Company business which is not materially greater in frequency or duration than prior to the Change in Control) that the Eligible Officer be based (i) at any place outside a 50-mile radius from the Eligible Officer's principal place of employment immediately prior to the Change in Control and which has a material adverse effect on the Eligible Officer's commuting requirements, or (ii) at any location other than the Company's corporate headquarters or, if applicable, the headquarters of the business unit by which he or she was employed immediately prior to the Change in Control, and which has a material adverse effect on the Eligible Officer's commuting requirements;

(d) any material breach by the Company of any provision of this Plan;

(e) any purported termination of the Eligible Officer's employment for Cause by the Company which does not comply with the definition in this Plan; or

(f) the failure of the Company to obtain, as contemplated in Section 6, agreement from any Successor to assume the obligations and liabilities under this Plan.

Notwithstanding anything to the contrary in this Plan, no termination will be deemed to be for Good Reason hereunder unless (i) the Eligible Officer provides written notice to the Company identifying the applicable event or condition within 60 days of the occurrence of the event or the initial existence of the condition, (ii) the Company fails to remedy the event or condition within a period of 30 days following such notice (the "***Cure Period***"), and (iii) the Eligible Officer resigns no later than 30 days following the end of the Cure Period.

"Target Bonus Amount" means the target annual cash incentive amount established for the Eligible Officer by the Compensation Committee with respect to the fiscal year in which the Termination Date occurs (or the actual annual cash incentive paid or payable in respect of the most recently completed fiscal year occurring prior to the consummation of the Change in Control if the Termination Date occurs prior to the establishment of an annual target incentive for the fiscal year in which the Termination Date occurs);provided that, if the Termination Date is in the CIC Protection Period, the Target Bonus Amount shall be no less than the target annual cash incentive amount for the fiscal year immediately preceding the fiscal year in which the Change in Control occurs. The Target Bonus Amount refers specifically to the annual cash incentive at target (no personal or financial performance factors shall be applied) and excludes equity incentives such as restricted stock awards, performance shares, stock options or other long-term incentive compensation awarded to the Eligible Officer.

B.I. Eligibility. Only Eligible Officers who meet each of the additional eligibility requirements set forth in subsections B.I.1 to B.I.6 below are eligible to receive the benefits described in Section B.II:

B.I.1. The Eligible Officer is not classified as "part-time", a "consulting employee" or an "unscheduled professional" immediately prior to the consummation of the Change in Control.

Part-time and consulting employees and unscheduled professionals are not eligible for benefits under the Plan.

B.I.2. The Eligible Officer is not covered by another plan, program, agreement, contract or arrangement providing severance or similar benefits on account of termination of employment.

B.I.3. The Eligible Officer has not waived coverage under the Plan in writing.

B.I.4. The Company has communicated by a Notice of Termination its intention to terminate the Eligible Officer's employment, or the Eligible Officer terminates for Good Reason.

B.I.5. If applicable, the Notice of Termination referenced in Section A.I.4 must specify that the termination has been determined to be an Executive Layoff Event.

B.I.6. The Eligible Officer must execute a Full Release and a Post-Employment Conduct Agreement or "PECA" (by which the Eligible Officer agrees to comply with certain restrictive covenants for a period of 18 months) as a condition to receiving all benefits described in Section B.II of the Plan, except for "Accrued Compensation" under Section B.II.1 below. The language of the PECA may vary by state and other applicable standards and requirements and may be modified with the approval of the General Counsel or his/her designee.

B.II. Severance Benefits. Eligible Officers who meet the eligibility requirements set forth in the subsections of B.I. above are eligible to receive the following benefits from the Company:

B.II.1. all Accrued Compensation (which shall be paid whether or not the Eligible Officer executed a Full Release and/or a PECA);

B.II.2 a Pro Rata Bonus (provided that the Pro Rata Bonus shall only be paid if the Eligible Officer is employed by the Company for at least 90 days during the applicable performance period), payable no later than two and one-half months following the end of the fiscal year in which the Termination Date occurs;

B.II.3. a single lump sum cash payment in an amount equal to one and one-half (1 ½) times the sum of (A) the Base Salary Amount and (B) the Target Bonus Amount. The Base Salary Amount means the greater of the Eligible Officer's annual base salary (a) at the rate in effect on the Termination Date, or (b) at the highest rate in effect at any time during the 180-day period prior to a Change in Control, and will include all amounts of the Eligible Officer's base salary that are deferred under any qualified or non-qualified employee benefit plan of the Company or any other Plan or arrangement;

B.II.4. a single lump sum cash payment equal to the cost of employee premiums for eighteen (18) months of continuation coverage under the medical, dental and vision plans sponsored by the Company that the Eligible Officer and the Eligible Officer's dependents are enrolled in as of the date of Termination. The employee premiums shall be calculated as the cost of continuation coverage under the Consolidated Omnibus Budget Reconciliation Act ("COBRA"). Other than continuation coverage under COBRA (with the cost to be paid by the Eligible Officer), no other insurance type benefits or continuation of coverage shall be offered to the Eligible Officer, in lieu of or in addition to these benefits. The Eligible Officer will be responsible for the payment of any taxes related to the single lump sum cash payment under this Section A.II.3, and the Company will provide no amount to the Eligible Officer for the gross-up of any such taxes;

B.II.5. outplacement services suitable to the Eligible Officer's position for a period of 12 months or, if earlier, until the first acceptance by the Eligible Officer of an offer of employment;

B.II.6. any such other acceleration of vesting and other benefits as provided in other Company plans or Plans regarding options to purchase Company stock, restricted stock, deferral of stock or other equity compensation awards granted to or otherwise applicable to the Eligible Officer; and

B.II.7 continued financial planning services for the year in which the Termination Date occurs if the Eligible Officer is participating in such program prior to the Termination Date.

The payments calculated under Sections B.II.3 and B.II.4 shall be made within 55 days after the Termination Date, provided that such payment will be made no later than the last date to be considered a short-term deferral of compensation within the meaning of Treasury Regulation Section 1.409A-1(a)(4). No right to in-kind benefits, such as the outplacement services in section B.II.5, may be subject to liquidation or exchange for any other benefit.

Appendix C

Release of all Claims and Potential Claims

1. This Release of All Claims and Potential Claims ("Release") is entered into by and between ______________________ (the "Employee") and Leidos Holdings, Inc. (the "Company"). In consideration of the promises made herein and the consideration due Employee under Leidos Holdings, Inc. Severance Plan for Executive Officers (the "Plan"), this Release is entered into between the parties.

2. (a) The purposes of this Release is to settle completely and release the Company, its individual and/or collective officers, directors, stockholders, agents, parent companies, subsidiaries, affiliates, predecessors, successors, assigns, employees (including all former employees, officers, directors, stockholders and/or agents), attorneys, representatives and employee benefit programs (including the trustees, administrators, fiduciaries and insurers of such programs) (referred to collectively as "Releasees") in a final and binding manner from every claim and potential claim for relief, cause of action and liability of any and every kind, nature and character whatsoever, known or unknown, that Employee has or may have against Releasees arising out of, relating to or resulting from any events occurring prior to the execution of this Release, including but not limited to any claims and potential claims for relief, causes of action and liabilities arising out of, relating to or resulting from the employment relationship between Employee and the Company and its subsidiaries, affiliates and predecessors, and/or the termination of that relationship including any and all claims and rights under the Age Discrimination in Employment Act, and any personal gain with respect to any claim arising under the qui tam provisions of the False Claims Act, 31 U.S.C. 3730, but excluding any rights or benefits to which Employee is entitled under the Plan.

(b) This is a compromise settlement of all such claims and potential claims, known or unknown, and therefore this Release does not constitute either an admission of liability on the part of Employee and the Company or an admission, directly or by implication, that Employee and/or the Company, its subsidiaries, affiliates or predecessors, have violated any law, rule, regulation, contractual right or any other duty or obligation. The parties hereto specifically deny that they have violated any law, rule, regulation, contractual right or any other duty or obligation.

(c) This Release is entered into freely and voluntarily by Employee and the Company solely to avoid further costs, risks and hazards of litigation and to settle all claims and potential claims and disputes, known or unknown, in a final and binding manner.

3. For and in consideration of the promises and covenants made by Employee to the Company and the Company to Employee, contained herein, Employee and the Company have agreed and do agree as follows:

(a) Employee waives, releases and forever discharges Releasees from any claims and potential claims for relief, causes of action and liabilities, known or unknown, that [he/she] has or may have against Releasees arising out of, relating to or resulting from any events occurring prior to the execution of this Release, including but not limited to any claims and potential claims for relief, causes of action and liabilities of any and every kind, nature and character whatsoever, known or unknown, arising out of, relating to or resulting from the employment relationship between Employee and the Company and its subsidiaries, affiliates and predecessors, and the termination of that relationship including any and all claims and rights under the Age Discrimination in Employment Act, and any personal gain with respect to any claim arising under the qui tam provisions of the False Claims Act, 31 U.S.C. 3730 but excluding any rights or benefits to which is entitled under the Plan. In addition, this Release does not cover, and nothing in this Release shall be construed to cover, any claim that cannot be so released as a matter of applicable law.

(b) Employee agrees that [he/she] will not directly or indirectly institute any legal proceedings against Releasees before any court, administrative agency, arbitrator or any other tribunal or forum whatsoever by reason of any claims and potential claims for relief, causes of action and liabilities of any and every kind, nature and character whatsoever, known or unknown, arising out of, relating to or resulting from any events occurring prior to the execution of this Release, including but not limited to any claims and potential claims for relief, causes of action and liabilities arising out of, relating to or resulting from the employment relationship between Employee and the Company and its subsidiaries, affiliates and predecessors, and/or the termination of that relationship including any and all claims and rights under the Age Discrimination in Employment Act.

(c) Employee is presently unaware of any injuries that [he/she] may have suffered as a result of working at the Company or its subsidiaries, affiliates or predecessors, and has no present intention of filing a workers' compensation claim. Should any such claim arise in the future, Employee waives and releases any right to proceed against the Company or its subsidiaries, affiliates or predecessors, for such a claim. Employee also waives any right to bring any disability claim against the Company or its subsidiaries, affiliates or predecessors, or its or their carriers.

4. As a material part of the consideration for this Plan, Employee and [his/her] agents and attorneys, agree to keep completely confidential and not disclose to any person or entity, except immediate family, attorney, accountant, or tax preparers, or in response to a court order or subpoena, the terms and/or conditions of this Release and/or any understandings, Plans, provisions and/or information contained herein or with regard to the employment relationship between Employee and the Company and its subsidiaries, affiliates and predecessors.

5. Any dispute, claim or controversy of any kind or nature, including but not limited to the issue of arbitrability, arising out of or relating to this Release, or the breach thereof, or any disputes which may arise in the future, shall be settled in a final and binding before an arbitrator appointed by the Judicial Arbitration and Mediation Service in accordance with the rules and procedures of arbitration under the Company's Dispute Resolution Program, attached hereto as Exhibit A. The prevailing party shall be entitled to recover all reasonable attorneys' fees, costs and necessary disbursements incurred in connection with the arbitration proceeding. Judgment upon the award may be entered in any court having jurisdiction thereof.

6. It is further understood and agreed that Employee has not relied upon any advice whatsoever from the Company and/or its attorneys individually and/or collectively as to the taxability, whether pursuant to Federal, State or local income tax statutes or regulations, or otherwise, of the consideration transferred hereunder and that [he/she] will be solely liable for all of [his/her] tax obligations. Employee understands and agrees that the Company or its subsidiaries, affiliates or predecessors, may be required by law to report all or a portion of the amounts paid to [him/her] and/or [his/her] attorney in connection with this Release to federal and state taxing authorities. Employee waives, releases, forever discharges and agrees to indemnify, defend and hold the Company harmless with respect to any actual or potential tax obligations imposed by law.

7. Employee acknowledges that [he/she] has read, understood and truthfully completed the Business Ethics and Conduct Disclosure Statement attached hereto as Appendix E.

8. It is further understood and agreed that Releasees and/or their attorneys shall not be further liable either jointly and/or severally to Employee and/or [his/her] attorneys individually or collectively for costs and/or attorneys' fees, including any provided for by statute, nor shall Employee and/or [his/her] attorneys be liable either jointly and/or severally to the Company and/or its attorneys individually and/or collectively for costs and/or attorneys' fees, including any provided for by statute.

9. Employee understands and agrees that if the facts with respect to which this Release are based are found hereafter to be other than or different from the facts now believed by [him/her] to be true, [he/she] expressly accepts and assumes the risk of such possible difference in facts and agrees that this Release shall be and remain effective notwithstanding such difference in facts.

10. Employee understands and agrees that there is a risk that the damage and/or injury suffered by Employee may become more serious than [he/she] now expects or anticipates. Employee expressly accepts and assumes this risk, and agrees that this Release shall be and remains effective notwithstanding any such misunderstanding as to the seriousness of said injuries or damage.

11. Employee understands and agrees that if [he/she] hereafter commences any suit arising out of, based upon or relating to any of the claims and potential claims for relief, cause of action and liability of any and every kind, nature and character whatsoever, known or unknown, [he/she] has released herein, Employee agrees to pay Releasees, and each of them, in addition to any other damages caused to Releasees thereby, all attorneys' fees incurred by Releasees in defending or otherwise responding to said suit.

12. It is further understood and agreed that this Release shall be binding upon and will inure to the benefit of Employee's spouse, heirs, successors, assigns, agents, employees, representatives, executors and administrators and shall be binding upon and will inure to the benefit of the individual and/or collective successors and assigns of Releasees and their successors, assigns, agents and/or representatives.

13. This Release shall be construed in accordance with and governed for all purposes by the laws of the Commonwealth of Virginia.

14. Employee agrees that [he/she] will not seek future employment with, nor need to be considered for any future openings with the Company, any division thereof, or any subsidiary or related corporation or entity.

15. ________ and Releasees waive all rights under Section 1542 of the California Civil Code, which section has been fully explained to them by their respective legal counsel and which they fully understand, and any other similar provision or the law of any other state or jurisdiction. Section 1542 provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in [his/her] favor at the time of executing the release, which if known by [him/her] must have materially affected [his/her] settlement with the debtor.

16. Notwithstanding anything in this Plan to the contrary, ________ does not waive, release or discharge any rights to indemnification for actions occurring through [his/her] affiliation with the Company or its subsidiaries, affiliates or predecessors, whether those rights arise from statute, corporate charter documents or any other source nor does __________ waive, release or discharge any right ________ may have pursuant to any insurance policy or coverage provided or maintained by the Company or its subsidiaries, affiliates or predecessors.

17. If any part of this Plan is found to be either invalid or unenforceable, the remaining portions of this Plan will still be valid.

18. This Plan is intended to release and discharge any claims of __________ under the Age Discrimination and Employment Act. To satisfy the requirements of the Older Workers' Benefit Protection Act, 29 U.S.C. section 626(f), the parties agree as follows:

A. _________ acknowledges that [he/she] has read and understands the terms of this Plan.

B. __________ acknowledges that [he/she] has been advised in writing to consult with an attorney, if desired, concerning this Plan and has received all advice [he/she] deems necessary concerning this Plan.

C. __________ acknowledges that [he/she] has been given twenty-one (21) days to consider whether or not to enter into this Plan, has taken as much of this time as necessary to consider whether to enter into this Plan, and has chosen to enter into this Plan freely, knowingly and voluntarily.

D. For a seven day period following the execution of this Plan, _________ may revoke this Plan by delivering a written revocation to at the Company. This Plan shall not become effective and enforceable until the revocation period has expired.

19. ________ acknowledges that [he/she] has been encouraged to seek the advice of an attorney of [his/her] choice with regard to this Release. Having read the foregoing, having understood and agreed to the terms of this Release, and having had the opportunity to and having been advised by independent legal counsel, the parties hereby voluntarily affix their signatures.

20. This Plan is to be interpreted without regard to the draftsperson. The terms and intent of the Plan shall be interpreted and construed on the express assumption that all parties participated equally in its drafting.

21. This Release constitutes a single integrated contract expressing the entire Plan of the parties hereto. Except for the Plan, which defines certain obligations on the part of both parties, and this Release, there are no Plans, written or oral, express or implied, between the parties hereto, concerning the subject matter herein.

Dated: ____________________, 20__

____
[Signature]

____
[Print Name]

Leidos Holdings, Inc.

By:
Name:
Its: Chief Human Resources Officer

Appendix D

Post-Employment Conduct Agreement

This Post Employment Conduct Plan dated ___, (this "PECA"), together with the Release of All Claims and Potential Claims in Appendix C being entered into contemporaneous with this PECA, is entered into in consideration of the payments and other benefits ("Severance Benefit") to be made to me under the Leidos Holdings, Inc. Eligible Officer Severance Plan (the "Plan").

By signing below, I agree as follows:

(1) Restrictions Following Termination of Employment.

(a) Covenant Not to Compete – Without the express written consent of the Chief Executive Officer of the Company or his/her designee, during the [18/12/6]- month period following the termination of my employment ("Termination Date"), I will not, directly or indirectly, be employed by, or provided services to, a "Competitive Company", whether as an employee, advisor, director, officer, partner or consultant, or in any other position, function or role that, in any such case, (i) oversees, controls or affects the design, operation, research, manufacture, marketing, sale or distribution of "Competitive Products or Services" (as defined herein) of or by the Competitive Company, or (ii) would involve a substantial risk that the "Confidential or Proprietary Information" could be used to the disadvantage of the Company.

Capitalized terms not defined in this PECA have the meaning given to them in the Plan, as applicable. For purposes of this PECA, the following terms have the meanings given below:

i. "Competitive Company" means those entities listed as principal competitors of the Company in the most recent 10k filed by the Company with the SEC immediately prior to the Termination Date.

ii. "Competitive Products or Services" means products or services that compete with, or are an alternative or potential alternative to, products sold or services provided by a subsidiary, business area, division or operating unit or business of the Company as of the Termination Date and at any time within the two-year period ending on the Termination Date; provided, that, (a) if I had direct responsibility for the business of, or function with respect to, a subsidiary, or for a business area, division or operating unit or business of the Company at any time within the two- year period ending on the Termination Date, Competitive Products or Services includes the products so sold or the services so provided during that two-year period by the subsidiary, business area, division or operating unit of the Company for which I had responsibility, and (b) if I did not have direct responsibility for the business of, or function with respect to, a subsidiary, or for a business area, division or operating unit or business of the Company at any time within the two-year period ending on the Termination Date, Competitive Products or Services includes the products so sold or the services so provided by a subsidiary, business area, division or operating unit of the Company for which

I had access (or was required or permitted such access in the performance of my duties or responsibilities with the Company) to Confidential or Proprietary Information of the Company at any time during the two-year period ending on the Termination Date.

(b) Non-Solicit- Without the express written consent of the Chief Executive Officer or the Chief Human Resources Officer of the Company/or the Compensation Committee with respect to Eligible Officers of the Company, during the [18/12/6]-month period following the Termination Date, I will not directly or indirectly (i) interfere with any contractual relationship between the Company and any customer, supplier, distributor or manufacturer of or to the Company to the detriment of the Company or (ii) hire directly or indirectly by inducing or attempting to induce any person who is an employee of the Company to perform work or services for any entity other than the Company.

(c) Protection of Proprietary Information- Except to the extent required by law, following my Termination Date, I will have a continuing obligation to comply with the terms of any non-disclosure or similar Plans that I signed while employed by the Company committing to hold confidential the "Confidential or Proprietary Information" (as defined below) of the Company or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such Plans. I will not use or disclose or allow the use or disclosure by others to any person or entity of Confidential or Proprietary Information of the Company or others to which I had access or that I was responsible for creating or overseeing during my employment with the Company. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Company's Executive Vice President and General Counsel as to the existence of the obligation and will cooperate with any reasonable request by the Company for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Company shall be and remain the property of the Company. For purposes of this PECA, "Confidential or Proprietary Information" means any and all confidential and/or proprietary knowledge, data or information of the Company, its affiliates, parents and subsidiaries, which has economic value as a result of its remaining confidential, whether having existed, now existing, or to be developed during my employment, including information developed by me. Confidential or Proprietary Information may include, but is not limited to:

(i) existing and contemplated business, marketing and financial business information such as business plans and methods, marketing information, cost estimates, forecasts, financial data, cost or pricing data, bid and proposal information, customer identification, sources of supply, contemplated product lines, proposed business alliances, and information about customers or competitors, or

(ii) existing or contemplated technical information and documentation pertaining to technology, know how, equipment, machines, devices and systems, computer hardware and software, compositions, formulas, products, processes, methods, designs, specifications, mask works, testing or evaluation procedures, manufacturing processes, or production processes.

Notwithstanding the foregoing, you shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that: (1) is made in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; (2) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal, or (3) is made in a lawsuit alleging retaliation for reporting a suspected violation of law, if such filing is made under seal.

(d) No disparagement- Following the Termination Date, I will not make any statements, whether verbal or written, that disparage or reasonably may be interpreted to disparage the Company or its stockholders, directors, officers, employees, agents, attorneys, representatives, technology, products or services with respect to any matter whatsoever.

(e) Cooperation in Litigation and Investigations- Following the Termination Date, I will, to the extent reasonably requested, cooperate with the Company in any pending or future litigation (including alternative dispute resolution proceedings) or investigations in which the Company or any of its subsidiaries or affiliates is a party or is required or requested to provide testimony and regarding which, as a result of my employment with the Company, I reasonably could be expected to have knowledge or information relevant to the litigation or investigation. Notwithstanding any other provision of this PECA, nothing in this PECA shall affect my obligation to cooperate with any governmental inquiry or investigation or to give truthful testimony in court.

(2) Consideration and Release of Claims. I acknowledge and agree that the Severance Benefit being made to me is in addition to the payments or benefits that otherwise are or would be owed to me by the Company and that the Severance Benefit being provided to me is in consideration for my entering into this PECA and the Release of Claims attached to this PECA. I acknowledge that the scope and duration of the restrictions in Section 1 are necessary to be effective and are fair and reasonable in light of the value of the payments being made to me. I further acknowledge and agree that as a result of the high level Eligible Officer and management positions I have held within the Company and the access to and extensive knowledge of the Company's Confidential or Proprietary Information, employees, suppliers and customers, these restrictions are reasonably required for the protection of the Company's legitimate business interests.

(3) Remedies for Breach of Section 1; Additional Remedies of Clawback and Recoupment.

(a) I agree, upon demand by the Company, to repay the Severance Benefit to the Company in the event any of the following occur:

(i) I breach any of the covenants in Section 1;

(ii) The Company determines that either (a) my intentional misconduct or gross negligence, or (b) my failure to report another person's intentional misconduct or gross negligence of which I had knowledge during the period I was employed by the Company, or breach of the Company’s clawback/recoupment policy in effect from time to time, contributed to the Company having to restate all or a portion of its financial statements filed for any period with the Securities and Exchange Commission (provided that this clause (ii) shall not apply to payments made pursuant to Appendix B of the Plan unless otherwise required by law or stock exchange listing requirements); or

(iii)The Company determines that I engaged in fraud, bribery or any other illegal act or that my intentional misconduct or gross negligence (including the failure to report the acts of another person of which I had knowledge during the period I was employed by the Company) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Company's financial position or reputation.

(b) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Company for any of the conduct described in Section 3(a) and shall not limit the Company from seeking damages or injunctive relief.

(4) Injunctive Relief. I acknowledge that the Company's remedies at law may be inadequate to protect the Company against any actual or threatened breach of the provisions of Section 1 or the conduct described in Section 3(a), and, therefore, without prejudice to any other rights and remedies otherwise available to the Company at law or in equity (including but not limited to, an action under Section 3(a)), the Company shall be entitled to the granting of injunctive relief in its favor and to specific performance without proof of actual damages and without the requirement of the posting of any bond or similar security.

(5) Invalidity; Unenforceability. It is the desire and intent of the parties that the provisions of this PECA shall be enforced to the fullest extent permissible. Accordingly, if any particular provision of this PECA is adjudicated to be invalid or unenforceable, this PECA shall be deemed amended to delete the portion adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of this provision in the particular jurisdiction in which such adjudication is made.

(6) Miscellaneous

(a) The Severance Plan, and this PECA along with the attached Release of All Claims and Potential Claims in Appendix C, constitutes the entire Plan governing the terms of the Severance Benefit and supersedes all other prior Plans and understandings, both written and oral, between me and the Company or any employee, officer or director of the Company concerning payments on account of my termination of employment.

(b) This PECA shall be governed by the laws of the Commonwealth of Virginia, without regard to its provisions governing conflicts of law.

(c) This PECA shall inure to the benefit of the Company's successors and assigns and may be assigned by the Company without my consent.

SIGNED this __day of __, 2____.

____
(Signature)

____
(Printed Name)

____
(Title)

FOR LEIDOS HOLDINGS, INC.

____
(Signature)

____
(Printed Name)

____
(Title)

____
(Date)

Appendix E
Business Ethics and Conduct Disclosure Statement

Are you aware of any illegal or unethical practices or conduct anywhere within Leidos Holdings, Inc. or its subsidiaries, affiliates or predecessors (the "Company") (including, but not limited to, improper charging practices, or any violations of the Company's Code of Conduct)?

Yes ☐ No ☐

(Your answer to all questions on this form will not have any bearing on the fact or terms of your Release with the Company.)

If the answer to the preceding question is "yes," list here, in full and complete detail, all such practices or conduct. (Use additional pages if necessary.)

Have any threats or promises been made to you in connection with your answers to the questions on this form?

Yes ☐ No ☐

If "yes," please identify them in full and complete detail. Also, notify the Company's General Counsel at (571) 526-6300 immediately.

I declare under penalty of perjury, under the laws of the State of Virginia and of the United States, that the foregoing is true and correct.

Executed this ____ of ___________________, 20__, at ___________________.

____

[Signature]

Exhibit 31.1

LEIDOS HOLDINGS, INC.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas A. Bell, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2023, of Leidos Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including the registrant's consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2023

/s/ Thomas A. Bell

Thomas A. Bell
Chief Executive Officer

Exhibit 31.2

LEIDOS HOLDINGS, INC.

CERTIFICATION OF EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher R. Cage, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2023, of Leidos Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including the registrant's consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2023

/s/ Christopher R. Cage

Christopher R. Cage
Executive Vice President and Chief Financial Officer

Exhibit 32.1

LEIDOS HOLDINGS, INC.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Leidos Holdings, Inc. ("Leidos") on Form 10-Q for the period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas A. Bell, Chief Executive Officer of Leidos Holdings, Inc., certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 1, 2023

/s/ Thomas A. Bell

Thomas A. Bell
Chief Executive Officer

Exhibit 32.2

LEIDOS HOLDINGS, INC.

**CERTIFICATION OF EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Leidos Holdings, Inc. ("Leidos") on Form 10-Q for the period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher R. Cage, Executive Vice President and Chief Financial Officer of Leidos Holdings, Inc., certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 1, 2023

/s/ Christopher R. Cage

Christopher R. Cage
Executive Vice President and Chief Financial Officer