



Leidos Q3 FY21 Earnings Conference Call

November 2, 2021



Forward-Looking Statements

Certain statements in this release contain or are based on "forward-looking" information within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by words such as "expects," "intends," "plans," "anticipates," "believes," "estimates," "guidance" and similar words or phrases. Forward-looking statements in this release include, among others, estimates of our future growth and financial and operating performance, including future revenues, adjusted EBITDA margins, diluted EPS (including on a non-GAAP basis), and cash flows provided by operating activities, as well as statements about our business contingency plans, uncertainties in tax due to new tax legislation or other regulatory developments, the impact of COVID-19 and related actions taken to prevent its spread, our contract awards, strategy, planned investments, sustainability goals and our future dividends, share repurchases, capital expenditures, debt repayments, acquisitions, dispositions, and cash flow conversion. These statements reflect our belief and assumptions as to future events that may not prove to be accurate.

Actual performance and results may differ materially from those results anticipated by our guidance and other forward-looking statements made in this presentation depending on a variety of factors, including, but not limited to: the impact of COVID-19 or future epidemics on our business, including the potential for facility closures, re-evaluation of U.S. government spending levels and priorities, delay of new contract awards, supply chain impacts, airline travel levels, our ability to recover costs under contracts and insurance challenges; changes to our reputation and relationships with government agencies, developments in the U.S. government defense budget, including budget reductions, implementation of spending limits or changes in budgetary priorities; delays in the U.S. government budget process or approval of raises to the debt ceiling; delays in the U.S. government contract procurement process or the award of contracts; delays or loss of contracts as a result of competitor protests; changes in U.S. government procurement rules, regulations and practices; changes in interest rates and other market factors out of our control, including general economic and political conditions; our compliance with various U.S. government and other government procurement rules and regulations; governmental reviews, audits and investigations of Leidos; our ability to effectively compete for and win contracts with the U.S. government and other customers; our reliance on information technology spending by hospitals/healthcare organizations; our reliance on infrastructure investments by industrial and natural resources organizations; energy efficiency and alternative energy sourcing investments; investments by the U.S. government and commercial organizations in environmental impact and remediation projects; our ability to attract, train and retain skilled employees, including our management team, and to obtain security clearances for our employees; the mix of our contracts and our ability to accurately estimate costs associated with our firm-fixed-price and other contracts; our ability to realize as revenues the full amount of our backlog; cybersecurity, data security or other security threats, systems failures or other disruptions of our business; resolution of legal and other disputes with our customers and others or legal or regulatory compliance issues; our ability to effectively acquire businesses and make investments; our ability to maintain relationships with prime contractors, subcontractors and joint venture partners; our ability to manage performance and other risks related to customer contracts, including complex engineering projects; our ability to obtain necessary components and materials to perform our contracts, including semiconductors and related equipment, on reasonable terms or at all; the failure of our inspection or detection systems to detect threats; the adequacy of our insurance programs designed to protect us from significant product or other liability claims; our ability to manage risks associated with our international business; exposure to lawsuits and contingencies associated with any acquired businesses; our ability to declare future dividends or repurchase our stock based on our earnings, financial condition, capital requirements and other factors, including compliance with applicable laws and contractual agreements; our ability to grow our commercial health and infrastructure businesses, which could be negatively affected by budgetary constraints faced by hospitals and by developers of energy and infrastructure projects; and our ability to execute our business plan and long-term management initiatives effectively and to overcome these and other known and unknown risks that we face. These are only some of the factors that may affect the forward-looking statements contained in this release. For further information concerning risks and uncertainties associated with our business, please refer to the filings we make from time to time with the U.S. Securities and Exchange Commission ("SEC"), including the "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Legal Proceedings" sections of our latest Annual report on Form 10-K and quarterly reports on Form 10-Q, all of which may be viewed or obtained through the Investor Relations section of our website at www.leidos.com.

All information in this presentation is as of November 2, 2021. Leidos expressly disclaims any duty to update the guidance or any other forward-looking statement provided in this release to reflect subsequent events, actual results or changes in Leidos' expectations. Leidos also disclaims any duty to comment upon or correct information that may be contained in reports published by investment analysts or others.

Non-GAAP Financial Measures

This presentation includes certain non-GAAP financial measures, such as organic growth, non-GAAP operating income, non-GAAP operating margin, non-GAAP effective tax rate, non-GAAP diluted earnings per share (EPS), adjusted earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted EBITDA margin, free cash flow and free cash conversion.

These are not measures of financial performance under generally accepted accounting principles in the U.S. ("GAAP") and, accordingly, these measures should not be considered in isolation or as a substitute for the comparable GAAP measures and should be read in conjunction with the Company's consolidated financial statements prepared in accordance with GAAP.

Management believes that these non-GAAP measures provide another measure of Leidos' results of operations and financial condition, including its ability to comply with financial covenants. These non-GAAP measures are frequently used by financial analysts covering Leidos and its peers. Leidos' computation of its non-GAAP measures may not be comparable to similarly titled measures reported by other companies, thus limiting their use for comparability.

Leidos does not provide a reconciliation of forward-looking adjusted EBITDA margins or non-GAAP diluted EPS to GAAP net income, due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation. Because certain deductions for non-GAAP exclusions used to calculate projected net income may vary significantly based on actual events, Leidos is not able to forecast on a GAAP basis with reasonable certainty all deductions needed in order to provide a GAAP calculation of projected net income at this time. The amounts of these deductions may be material and, therefore, could result in projected GAAP net income and diluted EPS being materially less than projected adjusted EBITDA margins and non-GAAP diluted EPS.

A reconciliation between all non-GAAP measures used in this presentation to the most directly comparable GAAP measure is contained in the appendix.

CEO Key Messages

1

Financial results—record revenues and profits

- 6.0% organic growth—taking market share
- Non-GAAP diluted EPS up 22% YoY; 11.6% adjusted EBITDA margin
- 211% free cash flow conversion—cash generation is a hallmark of Leidos

2

Business Development momentum—quantity and quality of awards

- Net book-to-bill ratio of 1.4x; 15 straight quarters \geq 1.0x
- Record backlog of \$34.7 billion, up 9% YoY
- Important awards in ISR, Intel, force protection, and border security

3

Deploying capital to create shareholder value

- \$137M of open market share repurchases given attractive valuation
- \$3.5B of operating cash flow expected 2022-2024
- Focused on share repurchase and strategic bolt-ons vs. large M&A

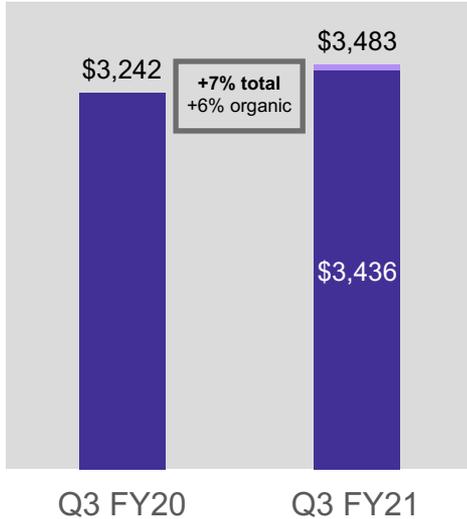
4

Investing in our people and building a market leader

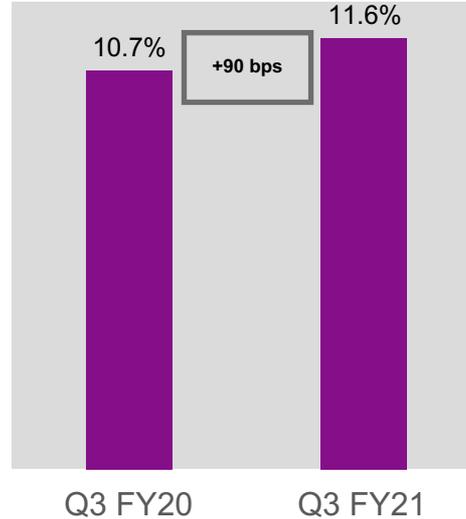
- More than 2,900 hires—2% sequential growth and 12% year-over-year
- Strengthening culture and skills through international technology sharing
- New ESG goals—committed to corporate responsibility and transparency

Q3 FY21 Results: Income Statement

Revenues (M)



Adjusted EBITDA Margin (%)

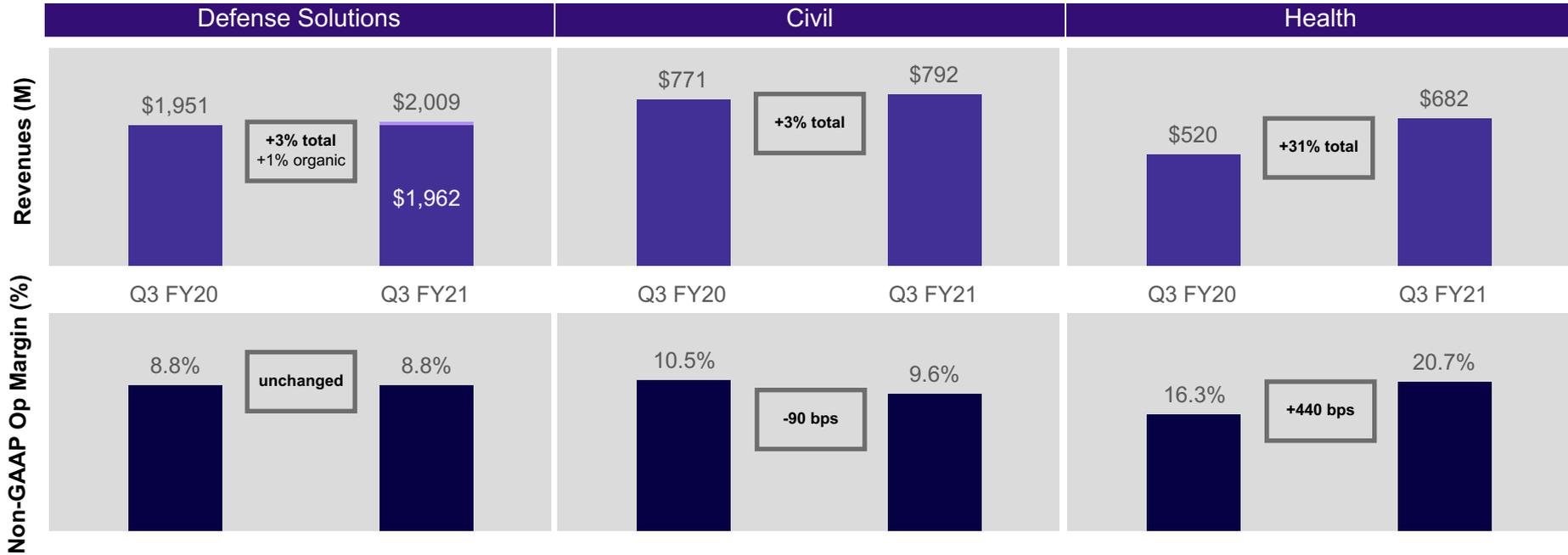


Non-GAAP Diluted EPS (\$)



Note: Shaded upper portion on Q3 FY21 Revenues represents acquired revenue.

Q3 FY21 Results: Reporting Segments



Note: Shaded upper portions on Q3 FY21 Revenues represent acquired revenue.

Q3 FY21 Results: Cash Flow / Balance Sheet

| | |
|-----------------------------|--|
| Cash Flow Generation | <p>Exceptional cash generation—operational excellence, advance payments</p> <ul style="list-style-type: none">Operating cash flow \$565MFree cash flow \$541MCash tax headwind from last year's CARES Act deferral \$(62)M |
| Capital Deployment | <p>Following balanced long-term approach to capital deployment</p> <ul style="list-style-type: none">Repurchases of 1.4 million shares \$137MTotal return to shareholders \$188MCapEx & debt repayment \$51M |
| Balance Sheet | <p>Focused on maintaining and leveraging Investment Grade rating</p> <ul style="list-style-type: none">Strong liquidity >\$1BTotal debt \$5.1BLeverage ratio (net) 2.9xLeverage ratio (gross) 3.3x |

2021 Guidance

| Measure | FY21 Guidance | |
|--|-------------------|-------------------|
| | Current | Prior |
| Revenues (billions) | \$13.7 - \$13.9 | \$13.7 - \$14.1 |
| Adjusted EBITDA Margin | 10.9% - 11.1% | 10.5% - 10.7% |
| Non-GAAP Diluted EPS | \$6.55 - \$6.75 | \$6.35 - \$6.65 |
| Cash Flows Provided by Operating Activities (millions) | at or above \$875 | at or above \$875 |

Note: A quantitative reconciliation of adjusted EBITDA margin and non-GAAP diluted EPS forward-looking guidance to the most directly comparable measure calculated in accordance with GAAP is not available because these non-GAAP measures are intended to exclude items that are either unforeseeable or abnormal and the timing and amount of which is difficult to predict.

2021 Guidance Assumptions

COVID-Related Factors

- Customers may adopt new protocols associated with COVID-19 but do not revert to closed offices or work stoppages
- No major changes in workforce participation due to vaccine mandates
- Supply chain shortages do not worsen, and we are able to meet the majority of customer demands for technology products

Other Customer/ Budget Driven Factors

- The U.S. Federal Government operates under a Continuing Resolution through the remainder of calendar year 2021 with no shutdown
- Customer payment practices remain consistent with historical experience
- Procurement schedules are not further extended or cancelled beyond our present forecast



Appendix: Non-GAAP Reconciliations

Organic Growth

(in millions, except growth rates)

| | Q3 FY21 | Q3 FY20 | Percent Change |
|--|----------|----------|-------------------|
| Defense Solutions | | | |
| Revenues, as reported | \$ 2,009 | \$ 1,951 | 3 % |
| Acquisition revenues | 47 | — | |
| Pro-forma revenues (Organic Growth Rate) | \$ 1,962 | \$ 1,951 | 1 % |
| Civil | | | |
| Revenues, as reported | \$ 792 | \$ 771 | 3 % |
| Health | | | |
| Revenues, as reported | \$ 682 | \$ 520 | 31 % |
| Total Operations | | | |
| Revenues, as reported | \$ 3,483 | \$ 3,242 | 7 % |
| Total acquired revenues | 47 | — | |
| Pro-forma revenues (Organic Growth Rate) | \$ 3,436 | \$ 3,242 | 6 % |

- Acquired revenues reflect revenues in the current as reported figures for 12 months from closing
 - Full quarter revenues for 1901 Group (acquired 1/14/21) and Gibbs & Cox (acquired 5/7/21)
- Organic growth rate: current quarter pro forma revenues divided by year ago as reported revenues

Non-GAAP Income Metrics Reconciliation

| | Three Months Ended October 1, 2021 | | | | | Three Months Ended October 2, 2020 | | | | |
|---|------------------------------------|---|---|---|------------------|------------------------------------|---|---|---|------------------|
| | As reported | Acquisition, integration and restructuring costs ⁽¹⁾ | Amortization of acquired intangibles ⁽²⁾ | Asset impairment charges ⁽³⁾ | Non-GAAP results | As reported | Acquisition, integration and restructuring costs ⁽¹⁾ | Amortization of acquired intangibles ⁽²⁾ | Amortization of equity method investment ⁽⁴⁾ | Non-GAAP results |
| <i>(in millions, except per share amounts)</i> | | | | | | | | | | |
| Operating income | \$ 305 | \$ 6 | \$ 62 | 3 | \$ 376 | \$ 258 | \$ 5 | \$ 59 | \$ 2 | \$ 324 |
| Non-operating expense, net | (45) | — | — | — | (45) | (44) | — | — | — | (44) |
| Income before income taxes | 260 | 6 | 62 | 3 | 331 | 214 | 5 | 59 | 2 | 280 |
| Income tax expense ⁽⁵⁾ | (52) | (2) | (16) | (1) | (71) | (51) | (1) | (15) | (1) | (68) |
| Net income | 208 | 4 | 46 | 2 | 260 | 163 | 4 | 44 | 1 | 212 |
| Less: net income attributable to non-controlling interest | 3 | — | — | — | 3 | — | — | — | — | — |
| Net income attributable to Leidos common stockholders | \$ 205 | \$ 4 | \$ 46 | \$ 2 | \$ 257 | \$ 163 | \$ 4 | \$ 44 | \$ 1 | \$ 212 |
| Diluted EPS attributable to Leidos common stockholders | \$ 1.43 | \$ 0.03 | \$ 0.32 | \$ 0.01 | \$ 1.80 | \$ 1.13 | \$ 0.03 | \$ 0.30 | \$ 0.01 | \$ 1.47 |
| Diluted shares | 143 | 143 | 143 | 143 | 143 | 144 | 144 | 144 | 144 | 144 |
| Net income | \$ 208 | \$ 4 | \$ 46 | \$ 2 | \$ 260 | \$ 163 | \$ 4 | \$ 44 | \$ 1 | \$ 212 |
| Income tax expense ⁽⁵⁾ | 52 | 2 | 16 | 1 | 71 | 51 | 1 | 15 | 1 | 68 |
| Income before income taxes | 260 | 6 | 62 | 3 | 331 | 214 | 5 | 59 | 2 | 280 |
| Depreciation expense | 24 | — | — | — | 24 | 22 | — | — | — | 22 |
| Amortization of intangibles | 63 | — | (62) | — | 1 | 60 | — | (59) | — | 1 |
| Amortization of equity method investment | — | — | — | — | — | 2 | — | — | (2) | — |
| Interest expense, net | 47 | — | — | — | 47 | 44 | — | — | — | 44 |
| EBITDA | \$ 394 | \$ 6 | \$ — | \$ 3 | \$ 403 | \$ 342 | \$ 5 | \$ — | \$ — | \$ 347 |
| EBITDA margin ⁽⁶⁾ | 11.3 % | | | | 11.6 % | 10.5 % | | | | 10.7 % |

Notes:

1. Acquisition, integration, lease termination and severance costs related to the Company's acquisitions
2. Amortization of the fair value of the acquired intangible assets
3. Impairments of long-lived tangible assets
4. Amortization of the fair value of the acquired equity method investment
5. Tax impact of non-GAAP items calculated using estimated statutory tax rate
6. EBITDA divided by revenues (slide 5)

Segment Non-GAAP Income Metrics Reconciliation

Three Months Ended October 1, 2021

| <i>(in millions)</i> | Operating income (loss) | Acquisition, integration and restructuring costs | Amortization of acquired intangibles | Non-GAAP operating income (loss) | Non-GAAP operating margin⁽¹⁾ |
|----------------------|------------------------------------|---|--|---|--|
| Defense Solutions | \$ 140 | \$ — | \$ 36 | \$ 176 | 8.8 % |
| Civil | 58 | — | 18 | 76 | 9.6 % |
| Health | 130 | — | 8 | 141 | 20.7 % |
| Corporate | (23) | 6 | — | (17) | NM ⁽²⁾ |
| Total | \$ 305 | \$ 6 | \$ 62 | \$ 376 | 10.8 % |

Three Months Ended October 2, 2020

| <i>(in millions)</i> | Operating income (loss) | Acquisition, integration and restructuring costs | Amortization of acquired intangibles | Amortization of equity method investment | Non-GAAP operating income (loss) | Non-GAAP operating margin⁽¹⁾ |
|----------------------|------------------------------------|---|--|--|---|--|
| Defense Solutions | \$ 145 | \$ 2 | \$ 24 | \$ — | \$ 171 | 8.8 % |
| Civil | 54 | — | 25 | 2 | 81 | 10.5 % |
| Health | 75 | — | 10 | — | 85 | 16.3 % |
| Corporate | (16) | 3 | — | — | (13) | NM ⁽²⁾ |
| Total | \$ 258 | \$ 5 | \$ 59 | \$ 2 | \$ 324 | 10.0 % |

Notes:

1. Non-GAAP operating income divided by revenues (slides 5 and 6)
2. Not meaningful

Free Cash Flow

| <i>(in millions, except conversion ratio)</i> | Three Months Ended | |
|--|--------------------|---------------|
| | 2021 | 2020 |
| Net cash provided by operating activities | \$ 565 | \$ 592 |
| Payments for property, equipment and software | (24) | (30) |
| Free cash flow | <u>\$ 541</u> | <u>\$ 562</u> |
| Net income attributable to Leidos common stockholders | \$ 205 | \$ 163 |
| Acquisition, integration and restructuring costs | 4 | 4 |
| Amortization of acquired intangibles | 46 | 44 |
| Amortization of equity method investment | — | 1 |
| Non-GAAP net income attributable to Leidos common stockholders | <u>\$ 257</u> | <u>\$ 212</u> |
| <i>Operating cash flow conversion ratio⁽¹⁾</i> | 276 % | 363 % |
| <i>Free cash flow conversion ratio⁽²⁾</i> | 211 % | 265 % |

Notes:

1. Net cash provided by operating activities divided by net income attributable to Leidos common stockholders
2. Free cash flow divided by non-GAAP net income attributable to Leidos common stockholders