



**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 April 1, 2022

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**

(State or other jurisdiction of incorporation or organization)

**20-3562868**

(I.R.S. Employer Identification No.)

**1750 Presidents Street, Reston, Virginia**

(Address of principal executive offices)

**20190**

(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
<b>Common stock, par value \$.0001 per share</b>	<b>LDOS</b>	<b>New York Stock Exchange</b>

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 April 26, 2022, was 136,662,094 shares of common stock (\$.0001 par value per share).

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

	<b>Page</b>
<b>Part I</b>	
Item 1. <a href="#">Financial Statements (Unaudited)</a>	<a href="#">1</a>
<a href="#">Condensed Consolidated Balance Sheets</a>	<a href="#">1</a>
<a href="#">Condensed Consolidated Statements of Income</a>	<a href="#">2</a>
<a href="#">Condensed Consolidated Statements of Comprehensive Income</a>	<a href="#">3</a>
<a href="#">Condensed Consolidated Statements of Equity</a>	<a href="#">4</a>
<a href="#">Condensed Consolidated Statements of Cash Flows</a>	<a href="#">5</a>
<a href="#">Notes to Condensed Consolidated Financial Statements</a>	<a href="#">6</a>
<a href="#">Note 1–Basis of Presentation and Summary of Significant Accounting Policies</a>	<a href="#">6</a>
<a href="#">Note 2–Revenues from Contracts with Customers</a>	<a href="#">8</a>
<a href="#">Note 3–Acquisitions, Divestitures, Goodwill and Intangible Assets</a>	<a href="#">11</a>
<a href="#">Note 4–Fair Value Measurements</a>	<a href="#">13</a>
<a href="#">Note 5–Derivative Instruments</a>	<a href="#">14</a>
<a href="#">Note 6–Debt</a>	<a href="#">15</a>
<a href="#">Note 7–Accumulated Other Comprehensive Income (Loss)</a>	<a href="#">16</a>
<a href="#">Note 8–Earnings Per Share</a>	<a href="#">17</a>
<a href="#">Note 9–Sale of Accounts Receivable</a>	<a href="#">17</a>
<a href="#">Note 10–Business Segments</a>	<a href="#">18</a>
<a href="#">Note 11–Commitments and Contingencies</a>	<a href="#">19</a>
Item 2. <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">21</a>
<a href="#">Overview</a>	<a href="#">21</a>
<a href="#">Business Environment and Trends</a>	<a href="#">21</a>
<a href="#">Results of Operations</a>	<a href="#">22</a>
<a href="#">Bookings and Backlog</a>	<a href="#">24</a>
<a href="#">Liquidity and Capital Resources</a>	<a href="#">24</a>
<a href="#">Off-Balance Sheet Arrangements</a>	<a href="#">26</a>
<a href="#">Guarantor and Issuer of Guaranteed Securities</a>	<a href="#">26</a>
<a href="#">Contractual Obligations and Commitments</a>	<a href="#">26</a>
<a href="#">Critical Accounting Policies</a>	<a href="#">27</a>
<a href="#">Recently Adopted and Issued Accounting Standards</a>	<a href="#">27</a>
Item 3. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	<a href="#">27</a>
Item 4. <a href="#">Controls and Procedures</a>	<a href="#">27</a>
<b>Part II</b>	
Item 1. <a href="#">Legal Proceedings</a>	<a href="#">28</a>
Item 1A. <a href="#">Risk Factors</a>	<a href="#">28</a>
Item 2. <a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	<a href="#">28</a>
Item 3. <a href="#">Defaults Upon Senior Securities</a>	<a href="#">28</a>
Item 4. <a href="#">Mine Safety Disclosures</a>	<a href="#">28</a>
Item 5. <a href="#">Other Information</a>	<a href="#">28</a>
Item 6. <a href="#">Exhibits</a>	<a href="#">29</a>
<b>Signatures</b>	<a href="#">30</a>

## PART I—FINANCIAL INFORMATION

Item 1. *Financial Statements.*LEIDOS HOLDINGS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	April 1, 2022	December 31, 2021
	(in millions)	
<b>Assets:</b>		
Cash and cash equivalents	\$ 297	\$ 727
Receivables, net	2,419	2,189
Inventory, net	279	274
Other current assets	492	429
Total current assets	3,487	3,619
Property, plant and equipment, net	674	670
Intangible assets, net	1,109	1,177
Goodwill	6,742	6,744
Operating lease right-of-use assets, net	600	612
Other assets	418	439
Total assets	<u>\$ 13,030</u>	<u>\$ 13,261</u>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 2,214	\$ 2,141
Accrued payroll and employee benefits	724	605
Short-term debt and current portion of long-term debt	556	483
Total current liabilities	3,494	3,229
Long-term debt, net of current portion	4,569	4,593
Operating lease liabilities	582	589
Deferred tax liabilities	182	239
Other long-term liabilities	195	267
Total liabilities	<u>9,022</u>	<u>8,917</u>
Commitments and contingencies (Note 11)		
<b>Stockholders' equity:</b>		
Common stock, \$0.0001 par value, 500 million shares authorized, 137 million and 140 million shares issued and outstanding at April 1, 2022, and December 31, 2021, respectively	—	—
Additional paid-in capital	1,928	2,423
Retained earnings	2,007	1,880
Accumulated other comprehensive income (loss)	20	(12)
Total Leidos stockholders' equity	3,955	4,291
Non-controlling interest	53	53
Total stockholders' equity	4,008	4,344
Total liabilities and stockholders' equity	<u>\$ 13,030</u>	<u>\$ 13,261</u>

See accompanying notes to condensed consolidated financial statements.

**LEIDOS HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

	Three Months Ended	
	April 1, 2022	April 2, 2021
	(in millions, except per share amounts)	
Revenues	\$ 3,494	\$ 3,315
Cost of revenues	2,982	2,848
Selling, general and administrative expenses	236	159
Acquisition, integration and restructuring costs	3	5
Equity loss (earnings) of non-consolidated subsidiaries	2	(5)
Operating income	271	308
Non-operating expense:		
Interest expense, net	(48)	(45)
Other expense, net	(1)	(1)
Income before income taxes	222	262
Income tax expense	(45)	(57)
Net income	\$ 177	\$ 205
Less: net income attributable to non-controlling interest	2	—
Net income attributable to Leidos common stockholders	\$ 175	\$ 205
Earnings per share:		
Basic	\$ 1.26	\$ 1.44
Diluted	1.25	1.42

See accompanying notes to condensed consolidated financial statements.

**LEIDOS HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

	Three Months Ended	
	April 1, 2022	April 2, 2021
	(in millions)	
Net income	\$ 177	\$ 205
Foreign currency translation adjustments	2	(4)
Unrecognized gain on derivative instruments	29	13
Pension adjustments	1	—
Total other comprehensive income, net of taxes	32	9
Comprehensive income	209	214
Less: net income attributable to non-controlling interest	2	—
Comprehensive income attributable to Leidos common stockholders	\$ 207	\$ 214

See accompanying notes to condensed consolidated financial statements.

**LEIDOS HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)**

	Shares of common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Leidos Holdings, Inc. stockholders' equity	Non- controlling interest	Total
	(in millions, except for per share amounts)						
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
Capital distributions to non-controlling interests	—	—	—	—	—	(2)	(2)
<b>Balance at April 1, 2022</b>	<b>137</b>	<b>\$ 1,928</b>	<b>\$ 2,007</b>	<b>\$ 20</b>	<b>\$ 3,955</b>	<b>\$ 53</b>	<b>\$ 4,008</b>

	Shares of common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Leidos Holdings, Inc. stockholders' equity	Non- controlling interest	Total
	(in millions, except for per share amounts)						
Balance at January 1, 2021	142	\$ 2,580	\$ 1,328	\$ (46)	\$ 3,862	\$ 9	\$ 3,871
Net income	—	—	205	—	205	—	205
Other comprehensive income, net of taxes	—	—	—	9	9	—	9
Issuances of stock	—	14	—	—	14	—	14
Repurchases of stock and other	(1)	(123)	—	—	(123)	—	(123)
Dividends of \$0.34 per share	—	—	(49)	—	(49)	—	(49)
Stock-based compensation	—	15	—	—	15	—	15
Capital contributions from non- controlling interest	—	—	—	—	—	38	38
<b>Balance at April 2, 2021</b>	<b>141</b>	<b>\$ 2,486</b>	<b>\$ 1,484</b>	<b>\$ (37)</b>	<b>\$ 3,933</b>	<b>\$ 47</b>	<b>\$ 3,980</b>

See accompanying notes to condensed consolidated financial statements.

**LEIDOS HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	Three Months Ended	
	April 1, 2022	April 2, 2021
	(in millions)	
<b>Cash flows from operations:</b>		
Net income	\$ 177	\$ 205
<b>Adjustments to reconcile net income to net cash provided by operations:</b>		
Depreciation and amortization	85	77
Stock-based compensation	16	15
Deferred income taxes	(61)	—
Other	4	(8)
<b>Change in assets and liabilities, net of effects of acquisitions:</b>		
Receivables	(232)	(10)
Other current assets and other long-term assets	(28)	5
Accounts payable and accrued liabilities and other long-term liabilities	(60)	(148)
Accrued payroll and employee benefits	124	50
Income taxes receivable/payable	68	53
<b>Net cash provided by operating activities</b>	<b>93</b>	<b>239</b>
<b>Cash flows from investing activities:</b>		
Acquisition of businesses, net of cash acquired	(2)	(218)
Divestiture of a business	9	—
Payments for property, equipment and software	(28)	(26)
<b>Net cash used in investing activities</b>	<b>(21)</b>	<b>(244)</b>
<b>Cash flows from financing activities:</b>		
Net proceeds from commercial paper	75	—
Payments of long-term debt	(27)	(26)
Dividend payments	(51)	(50)
Repurchases of stock and other	(526)	(123)
Net capital (distribution to) contributions from non-controlling interests	(2)	38
Proceeds from issuances of stock	12	13
<b>Net cash used in financing activities</b>	<b>(519)</b>	<b>(148)</b>
<b>Net decrease in cash, cash equivalents and restricted cash</b>	<b>(447)</b>	<b>(153)</b>
<b>Cash, cash equivalents and restricted cash at beginning of period</b>	<b>875</b>	<b>687</b>
<b>Cash, cash equivalents and restricted cash at end of period</b>	<b>428</b>	<b>534</b>
Less: restricted cash at end of period	131	157
<b>Cash and cash equivalents at end of period</b>	<b>\$ 297</b>	<b>\$ 377</b>
<b>Supplementary cash flow information:</b>		
Cash paid for income taxes, net of refunds	\$ 8	\$ 8
Cash paid for interest	38	35
<b>Non-cash investing activity:</b>		
Property, plant and equipment additions	\$ 2	\$ —
<b>Non-cash financing activity:</b>		
Finance lease obligations	\$ —	\$ 45

See accompanying notes to condensed consolidated financial statements.

**LEIDOS HOLDINGS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**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 financial information 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.

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 15, 2022.

**LEIDOS HOLDINGS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Accounting Standards Updates ("ASU") Adopted**

ASU 2021-08, Business Combinations (Topic 805)

In October 2021, the FASB issued ASU 2021-08, which amends how contract assets and liabilities acquired in a business combination are measured. Current guidance requires contract assets and liabilities to be measured at fair value in accordance with ASC 805, Business Combinations. The amendments in this Update remove the requirement to measure contract assets and liabilities at fair value and instead require that they be recognized in accordance with ASC 606, Revenue from Contracts with Customers. The amendments in this Update are effective for public business entities for the fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, and must be applied prospectively. Early adoption is permitted.

We adopted the requirements of ASU 2021-08 using the prospective method effective the first day of fiscal 2022. For business combinations occurring after adoption, we will measure contract assets and liabilities acquired in accordance with ASC 606.

**Accounting Standards Updates Issued But Not Yet Adopted**

ASU 2020-04 and ASU 2021-01, Reference Rate Reform (Topic 848)

In March 2020, the FASB issued 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 discounting transition through December 31, 2022. 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. We are currently evaluating the impacts of reference rate reform. We currently use the one-month LIBOR for which the rate publication will cease in June 2023.

**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	
	April 1, 2022	April 2, 2021
	(in millions, except per share amounts)	
Favorable impact	\$ 41	\$ 31
Unfavorable impact	(26)	(19)
Net impact to income before income taxes	<u>\$ 15</u>	<u>\$ 12</u>
Impact on diluted EPS attributable to Leidos common stockholders	<u>\$ 0.08</u>	<u>\$ 0.06</u>

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

**LEIDOS HOLDINGS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

*Revenue Recognized from Prior Obligations*

Revenue recognized from performance obligations satisfied in previous periods was \$14 million and \$9 million for the three months ended April 1, 2022, and April 2, 2021, 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 April 1, 2022, and December 31, 2021, \$176 million and \$138 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 and cash collected from the sale of accounts receivable but not yet remitted to the financial institution (see Note 9—Sale of Accounts Receivable). Restricted cash balances are included as "Other current assets" in the condensed consolidated balance sheets. Our restricted cash balances were \$131 million and \$148 million at April 1, 2022, and December 31, 2021, respectively.

**Note 2—Revenues from Contracts with Customers**

***Remaining Performance Obligations***

Remaining performance obligations ("RPO") represent the expected value of exercised contracts, both funded and unfunded, less revenue recognized to date. Remaining performance obligations do 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 April 1, 2022, we had \$15.4 billion of RPO and expect to recognize approximately 55% and 73% 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. These categories represent how the nature, timing and uncertainty of revenues and cash flows are affected.

**LEIDOS HOLDINGS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Disaggregated revenues by customer-type were as follows:

	Three Months Ended April 1, 2022			
	Defense Solutions	Civil	Health	Total
	(in millions)			
DoD and U.S. Intelligence Community	\$ 1,539	\$ 20	\$ 238	\$ 1,797
Other government agencies <sup>(1)</sup>	222	613	385	1,220
Commercial and non-U.S. customers	287	147	27	461
Total	<u>\$ 2,048</u>	<u>\$ 780</u>	<u>\$ 650</u>	<u>\$ 3,478</u>

  

	Three Months Ended April 2, 2021			
	Defense Solutions	Civil	Health	Total
	(in millions)			
DoD and U.S. Intelligence Community	\$ 1,407	\$ 13	\$ 158	\$ 1,578
Other government agencies <sup>(1)</sup>	272	605	407	1,284
Commercial and non-U.S. customers	278	125	26	429
Total	<u>\$ 1,957</u>	<u>\$ 743</u>	<u>\$ 591</u>	<u>\$ 3,291</u>

<sup>(1)</sup> 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 April 1, 2022			
	Defense Solutions	Civil	Health	Total
	(in millions)			
Cost-reimbursement and fixed-price-incentive-fee	\$ 1,183	\$ 408	\$ 167	\$ 1,758
Firm-fixed-price	618	255	417	1,290
Time-and-materials and fixed-price-level-of-effort	247	117	66	430
Total	<u>\$ 2,048</u>	<u>\$ 780</u>	<u>\$ 650</u>	<u>\$ 3,478</u>

  

	Three Months Ended April 2, 2021			
	Defense Solutions	Civil	Health	Total
	(in millions)			
Cost-reimbursement and fixed-price-incentive-fee	\$ 1,163	\$ 374	\$ 99	\$ 1,636
Firm-fixed-price	553	262	392	1,207
Time-and-materials and fixed-price-level-of-effort	241	107	100	448
Total	<u>\$ 1,957</u>	<u>\$ 743</u>	<u>\$ 591</u>	<u>\$ 3,291</u>

**LEIDOS HOLDINGS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Disaggregated revenues by geographic location were as follows:

	Three Months Ended April 1, 2022			
	Defense Solutions	Civil	Health	Total
	(in millions)			
United States	\$ 1,810	\$ 741	\$ 650	\$ 3,201
International	238	39	—	277
<b>Total</b>	<b>\$ 2,048</b>	<b>\$ 780</b>	<b>\$ 650</b>	<b>\$ 3,478</b>

  

	Three Months Ended April 2, 2021			
	Defense Solutions	Civil	Health	Total
	(in millions)			
United States	\$ 1,713	\$ 704	\$ 591	\$ 3,008
International	244	39	—	283
<b>Total</b>	<b>\$ 1,957</b>	<b>\$ 743</b>	<b>\$ 591</b>	<b>\$ 3,291</b>

Revenues by customer-type, contract-type and geographic location exclude lease income of \$16 million and \$24 million for the three months ended April 1, 2022 and April 2, 2021, 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, where right to payment is not solely subject to the passage of time. Unbilled receivables exclude amounts billable where the right to consideration is unconditional. 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	April 1, 2022	December 31, 2021
	(in millions)	
<b>Contract assets - current:</b>		
Unbilled receivables	\$ 1,078	\$ 1,022
<b>Contract liabilities - current:</b>		
Deferred revenue <sup>(1)</sup>	\$ 382	\$ 364
<b>Contract liabilities - non-current:</b>		
Deferred revenue <sup>(1)</sup>	\$ 25	\$ 24

<sup>(1)</sup> Certain contracts record revenue net of cost of revenues, and therefore, the respective deferred revenue balance will not fully convert to revenue.

The increase in unbilled receivables was primarily due to revenue recognized on certain contracts partially offset by the timing of billings.

Revenue recognized for the three months ended April 1, 2022, of \$188 million was included as a contract liability at December 31, 2021.

Revenue recognized for the three months ended April 2, 2021, of \$144 million was included as a contract liability at January 1, 2021.

**LEIDOS HOLDINGS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Note 3—Acquisitions, Divestitures, Goodwill and Intangible Assets**

**Business Acquisitions**

On May 7, 2021 (the "Purchase Date"), we completed the acquisition of Gibbs & Cox for purchase consideration of approximately \$375 million, net of \$1 million of cash acquired. Gibbs & Cox is an independent engineering and design firm specializing in naval architecture, marine engineering, management support and engineering consulting.

As of April 1, 2022, we had completed the determination of fair values of the acquired assets and liabilities assumed. The final goodwill recognized of \$276 million represents intellectual capital and the acquired assembled workforce, neither of which qualify for recognition as a separate intangible asset. All of the goodwill recognized is tax deductible.

The following table summarizes the fair value of intangible assets acquired at the Purchase Date and the related weighted average amortization period:

	Weighted average amortization period (in years)	Fair value (in millions)
Programs	12	\$ 89

For the three months ended April 1, 2022, \$27 million of revenues related to the Gibbs & Cox acquisition were recognized within the Defense Solutions reportable segment.

On September 21, 2021, we completed an immaterial strategic business acquisition for preliminary purchase consideration of approximately \$36 million. In connection with the transaction, we recognized an \$8 million program intangible asset and preliminary goodwill of \$25 million.

**Aviation & Missile Solutions LLC ("AMS") Divestiture**

On November 22, 2021, we signed a definitive agreement within our Defense Solutions segment to dispose of its AMS business in order to focus on leading-edge and technologically advanced services, solutions and products. The net sales price is \$15 million, and the divestiture was completed on April 29, 2022.

**Goodwill**

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

	Defense Solutions	Civil	Health	Total
	(in millions)			
Goodwill at January 1, 2021	\$ 3,300	\$ 2,047	\$ 966	\$ 6,313
Acquisitions of businesses	425	5	—	430
Divestiture of a business	(1)	—	—	(1)
Goodwill re-allocation	(17)	17	—	—
Foreign currency translation adjustments	(26)	28	—	2
Goodwill at December 31, 2021	\$ 3,681	\$ 2,097	\$ 966	\$ 6,744
Acquisition of a business	1	—	—	1
Divestiture of a business	(4)	—	—	(4)
Foreign currency translation adjustments	8	(7)	—	1
<b>Goodwill at April 1, 2022</b>	<b>\$ 3,686</b>	<b>\$ 2,090</b>	<b>\$ 966</b>	<b>\$ 6,742</b>

As previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021, the estimated fair value of the Security Products reporting unit within the Civil reportable segment exceeded the carrying value by approximately 6% as of the most recent assessment date. In the event that there are significant unfavorable changes to the forecasted cash flows of the reporting unit (including if the impact of COVID-19 on passenger travel levels is more prolonged or severe than what is incorporated into our forecast), 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. During the three months ended April 1, 2022, and April 2, 2021, there were no impairments to goodwill.

**LEIDOS HOLDINGS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Intangible Assets**

Intangible assets, net consisted of the following:

	April 1, 2022			December 31, 2021		
	Gross carrying value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value
	(in millions)					
<b>Finite-lived intangible assets:</b>						
Programs	\$ 1,701	\$ (866)	\$ 835	\$ 1,722	\$ (830)	\$ 892
Software and technology	230	(127)	103	230	(121)	109
Customer relationships	91	(16)	75	97	(18)	79
Backlog	6	(6)	—	38	(37)	1
Trade names	1	(1)	—	1	(1)	—
<b>Total finite-lived intangible assets</b>	<b>2,029</b>	<b>(1,016)</b>	<b>1,013</b>	<b>2,088</b>	<b>(1,007)</b>	<b>1,081</b>
<b>Indefinite-lived intangible assets:</b>						
In-process research and development	92	—	92	92	—	92
Trade names	4	—	4	4	—	4
<b>Total indefinite-lived intangible assets</b>	<b>96</b>	<b>—</b>	<b>96</b>	<b>96</b>	<b>—</b>	<b>96</b>
<b>Total intangible assets</b>	<b>\$ 2,125</b>	<b>\$ (1,016)</b>	<b>\$ 1,109</b>	<b>\$ 2,184</b>	<b>\$ (1,007)</b>	<b>\$ 1,177</b>

Amortization expense was \$59 million and \$55 million for the three months ended April 1, 2022 and April 2, 2021, 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 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 April 1, 2022, was as follows:

Fiscal year ending	(in millions)
2022 (remainder of year)	\$ 173
2023	203
2024	150
2025	120
2026	96
2027 and thereafter	271
	<b>\$ 1,013</b>

**LEIDOS HOLDINGS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**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 assumptions about the assumptions that market participants would use in pricing the asset or liability (Level 3).

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

	April 1, 2022		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value
	(in millions)			
<b>Financial liabilities:</b>				
Derivatives	\$ 13	\$ 13	\$ 53	\$ 53

As of April 1, 2022, our derivatives primarily consisted of the cash flow interest rate swaps on \$1.0 billion 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 LIBOR yield curve and the underlying interest rate (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 April 1, 2022, and December 31, 2021, the fair value of debt was \$5.1 billion and \$5.4 billion, respectively, and the carrying amount was \$5.1 billion and \$5.1 billion, respectively (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 May 7, 2021, and January 14, 2021, non-financial instruments measured at fair value on a non-recurring basis were recorded in connection with the acquisitions of Gibbs & Cox and 1901 Group. The fair values of the assets acquired and liabilities assumed were determined using Level 3 inputs. As of April 1, 2022, we did not have any assets or liabilities measured at fair value on a non-recurring basis.

**LEIDOS HOLDINGS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**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:

Balance sheet line item	Liability derivatives	
	April 1, 2022	December 31, 2021
	(in millions)	
Cash flow interest rate swaps	\$ 13	\$ 53

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 \$1.0 billion of the variable rate senior unsecured term loan (the "Variable Rate Loan"). These interest rate swap agreements have a maturity date of August 2025 and a fixed interest rate of 3.00%. The objective of these instruments is to reduce variability in the forecasted interest payments of the Variable Rate Loan, which are based on the LIBOR rate. Under the terms of the interest rate swap agreements, we will receive monthly variable interest payments based on the one-month LIBOR rate and will pay interest at a fixed rate.

The interest rate swap transactions were 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	
	April 1, 2022	April 2, 2021
	(in millions)	
Total interest expense, net presented in the condensed consolidated statements of income in which the effects of cash flow hedges are recorded	\$ 48	\$ 45
Amount recognized in other comprehensive income	\$ 32	\$ 12
Amount reclassified from accumulated other comprehensive income (loss) to interest expense, net	\$ 6	\$ 5

We expect to reclassify net losses of \$15 million from accumulated other comprehensive income into earnings during the next 12 months.

**LEIDOS HOLDINGS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Note 6—Debt**

Our debt consisted of the following:

	Stated interest rate	Effective interest rate	April 1, 2022 <sup>(1)</sup>	December 31, 2021 <sup>(1)</sup>
(in millions)				
<b>Short-term debt:</b>				
Commercial paper	0.52%-1.13%	Various	\$ 75	\$ —
<b>Senior unsecured term loans:</b>				
\$380 million term loan, due May 2022	1.59%	1.69%	380	380
<b>Total short-term debt</b>			<b>\$ 455</b>	<b>\$ 380</b>
<b>Long-term debt:</b>				
<b>Senior unsecured term loans:</b>				
\$1,925 million term loan, due January 2025	1.84%	2.11%	\$ 1,275	\$ 1,298
<b>Senior unsecured notes:</b>				
\$500 million notes, due May 2023	2.95%	3.17%	499	498
\$500 million notes, due May 2025	3.63%	3.76%	497	497
\$750 million notes due May 2030	4.38%	4.50%	738	738
\$1,000 million notes, due February 2031	2.30%	2.38%	990	990
\$250 million notes, due July 2032	7.13%	7.43%	247	247
\$300 million notes, due July 2033	5.50%	5.88%	158	158
\$300 million notes, due December 2040	5.95%	6.03%	216	216
Notes payable and finance leases due on various dates through fiscal 2032	1.56%-4.18%	Various	50	54
<b>Total long-term debt</b>			<b>4,670</b>	4,696
Less current portion			(101)	(103)
<b>Total long-term debt, net of current portion</b>			<b>\$ 4,569</b>	<b>\$ 4,593</b>

<sup>(1)</sup> The carrying amounts of the senior unsecured term loans and notes as of April 1, 2022, and December 31, 2021, include the remaining principal outstanding of \$5,041 million and \$5,065 million, respectively, less total unamortized debt discounts and deferred debt issuances costs of \$41 million and \$43 million, respectively.

**Term Loans and Revolving Credit Facility**

We have 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 \$1.9 billion (the "Term Loan Facility") and a \$750 million senior unsecured revolving facility (the "Revolving Facility" and, together with the Term Loan Facility, the "Credit Facilities"). The Credit Facilities will mature in January 2025. The Revolving Facility permits two additional one-year extensions subject to lender consent.

Borrowings under the Credit Agreement bear interest at a rate determined, at our option, based on either an alternate base rate or a LIBOR rate plus, in each case, an applicable margin that varies depending on our credit rating. The applicable margin range for LIBOR-denominated borrowings is from 1.13% to 1.75%. Based on our current ratings, the applicable margin for LIBOR-denominated borrowings is 1.38%.

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 following a material acquisition, and a ratio of EBITDA to consolidated interest expense of not less than 3.50 to 1.00.

On May 7, 2021, we entered into a Credit Agreement (the "2021 Credit Agreement") with certain financial institutions, which provided for a senior unsecured term loan facility in an aggregate principal amount of \$380 million with maturity 364 days after the 2021 Credit Agreement date. The proceeds were used to fund the acquisition of Gibbs & Cox.

**LEIDOS HOLDINGS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Borrowings under the 2021 Credit Agreement bear interest at a rate determined, at our option, based on either an alternate base rate plus 0.13% or a LIBOR rate plus 1.13%.

The financial covenants in the 2021 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 increases to 4.50 to 1.00 following a material acquisition, and a ratio of EBITDA to consolidated interest expense of not less than 3.50 to 1.00.

**Commercial Paper**

We have a commercial paper program in which the Company may issue short-term unsecured commercial paper notes ("Commercial Paper Notes") not to exceed \$750 million. 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 April 1, 2022, we had \$75 million of Commercial Paper Notes outstanding.

**Principal Payments and Debt Issuance Costs**

We made principal payments on our long-term debt of \$27 million and \$26 million during the three months ended April 1, 2022, and April 2, 2021, respectively. This activity included required principal payments on our term loans of \$24 million for both the three months ended April 1, 2022, and April 2, 2021. As of April 1, 2022, and December 31, 2021, there were no borrowings outstanding under the Revolving Facility.

Amortization of debt discount and debt issuance costs was \$3 million and \$2 million for the three months ended April 1, 2022, and April 2, 2021, respectively.

The Credit Facilities, the 2021 Credit Agreement, 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 April 1, 2022.

**Note 7—Accumulated Other Comprehensive Income (Loss)**

Changes in the components of accumulated other comprehensive income (loss) were as follows:

	Foreign currency translation adjustments	Unrecognized gain (loss) on derivative instruments	Pension adjustments	Total accumulated other comprehensive income (loss)
	(in millions)			
Balance at January 1, 2021	\$ 30	\$ (70)	\$ (6)	\$ (46)
Other comprehensive income (loss)	(3)	18	17	32
Taxes	(5)	(8)	(4)	(17)
Reclassification from accumulated other comprehensive income (loss)	—	19	—	19
Balance at December 31, 2021	22	(41)	7	(12)
Other comprehensive income (loss)	(2)	32	1	31
Taxes	4	(9)	—	(5)
Reclassification from accumulated other comprehensive income (loss)	—	6	—	6
<b>Balance at April 1, 2022</b>	<b>\$ 24</b>	<b>\$ (12)</b>	<b>\$ 8</b>	<b>\$ 20</b>

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

**LEIDOS HOLDINGS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**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	
	April 1, 2022	April 2, 2021
	(in millions)	
Basic weighted average number of shares outstanding	139	142
Dilutive common share equivalents—stock options and other stock awards	1	2
Diluted weighted average number of shares outstanding	<u>140</u>	<u>144</u>

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 1 million for both the three months ended April 1, 2022, and April 2, 2021.

On February 16, 2022, we entered into an Accelerated Share Repurchase ("ASR") agreement with a financial institution to repurchase shares of our outstanding common stock. We paid \$500 million to the financial institution and received an initial delivery of 4.5 million shares at an average price of \$88.72 per share. The purchase was recorded to "Additional paid-in capital" in the condensed consolidated balance sheets. All shares delivered were immediately retired.

The specific number of shares that we will ultimately receive under the ASR agreement will be based on the volume-weighted-average-price during the period February 17, 2022, to May 16, 2022.

**Note 9—Sale of Accounts Receivable**

We have entered into purchase agreements with a financial institution which provide us the election to sell accounts receivable at a discount. The receivables sold are typically collectable from our customers within 30 days of the sale date. During the three months ended April 1, 2022, and April 2, 2021, we sold \$209 million and \$465 million, respectively, of accounts receivable under the agreements and received proceeds of \$209 million and \$464 million, respectively, which were classified as operating activities in the condensed consolidated statements of cash flows.

These transfers have been recognized as a sale, as the receivables have been legally isolated from Leidos, the financial institution has the right to pledge or exchange the assets received and we do not maintain effective control over the transferred accounts receivable. Our only continuing involvement with the transferred financial assets is as the collection and servicing agent. As a result, the accounts receivable balance on the condensed consolidated balance sheets is presented net of the transferred amounts. No servicing asset or liability was recognized for continued servicing of the sold receivables, as the servicing fee approximates fair value. The difference between the carrying amount of the receivables sold and the net cash received was recognized as a loss on sale and was recorded within "Selling, general and administrative expenses" on the condensed consolidated statements of income.

Sold receivables activity for the periods presented was as follows:

	Three Months Ended	
	April 1, 2022	April 2, 2021
	(in millions)	
Sales of accounts receivable	\$ 209	\$ 465
Cash collections on sold receivables remitted to financial institution	(209)	(371)
Outstanding balance sold to financial institution	—	94
Cash collected but not yet remitted to financial institution	—	(19)
Sold receivables due from customers	<u>\$ —</u>	<u>\$ 75</u>

**LEIDOS HOLDINGS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**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 Chairman and 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	
	April 1, 2022	April 2, 2021
	(in millions)	
<b>Revenues:</b>		
Defense Solutions	\$ 2,049	\$ 1,958
Civil	795	766
Health	650	591
<b>Total revenues</b>	<b>\$ 3,494</b>	<b>\$ 3,315</b>
<b>Operating income (loss):</b>		
Defense Solutions	\$ 133	\$ 152
Civil	43	74
Health	118	102
Corporate	(23)	(20)
<b>Total operating income</b>	<b>\$ 271</b>	<b>\$ 308</b>

The income statement performance measures used to evaluate segment performance are revenues and operating income. As a result, "Interest expense, net," "Other expense, 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.

**LEIDOS HOLDINGS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**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 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. Thus, no assurances can be given when or if we will receive any proceeds in connection with these jury awards. 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.

As of April 1, 2022, active indirect cost audits by the Defense Contract Audit Agency remain open for fiscal 2016 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 April 1, 2022, we believe we have adequately reserved for potential adjustments from audits or reviews of contract costs.

**LEIDOS HOLDINGS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

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.

**Commitments**

We have outstanding letters of credit of \$51 million as of April 1, 2022, principally related to performance guarantees on contracts. We also have outstanding surety bonds with a notional amount of \$100 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 April 1, 2022, the future expirations of the outstanding letters of credit and surety bonds were as follows:

Fiscal year ending	(in millions)
2022 (remainder of year)	\$ 38
2023	11
2024	81
2025	5
2026	2
2027 and thereafter	14
	<u>\$ 151</u>

**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. Such statements are not guarantees of future performance and involve risks and uncertainties, including uncertainties relating to the coronavirus pandemic ("COVID-19") and the actions taken by authorities and us to respond, 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.

**COVID-19**

The COVID-19 pandemic is affecting major economic and financial markets, and effectively all industries and governments are facing challenges, which has resulted in a period of business disruption, the length and severity of which cannot be predicted. The pandemic has resulted in travel restrictions, government orders to "shelter-in-place", quarantine restrictions and disruption of the financial markets. We have acted to protect the health and safety of our employees, comply with workplace health and safety regulations and work with our customers to minimize disruptions.

For the three months ended April 1, 2022, the COVID-19 pandemic did not have a material impact to revenues and operating income. The full extent of the impact of the COVID-19 pandemic on our operational and financial performance, including our ability to execute on programs in the expected timeframe, will depend on future developments, including the duration and spread of the pandemic and the distribution of vaccines, all of which are uncertain and cannot be predicted.

On September 9, 2021, President Biden issued a series of executive orders to combat COVID-19, one of which requires us, as a federal contractor, to have our employees fully vaccinated unless the employee is legally entitled to a religious or medical exemption. This vaccine mandate is currently under a nationwide injunction, while courts adjudicate constitutional challenges to the executive order. We are prepared to comply with the executive order in the event the injunction is lifted.

**Business Environment and Trends***U.S. Government Markets*

During the three months ended April 1, 2022, we generated approximately 87% of our total revenues from contracts with the U.S. government. 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.

## LEIDOS HOLDINGS, INC.

On March 15, 2022, President Biden signed the 2022 Consolidated Appropriations Act into law, funding the federal government through the remainder of GFY 2022. The Consolidated Appropriations Act includes \$782 billion in defense spending and \$730 billion in non-defense spending. The legislation also includes the 2022 Ukraine Supplemental Appropriations Act, which provides \$14 billion in humanitarian and military aid for Ukraine. On March 28, 2022, Congress received the GFY 2023 President's Budget Request totaling \$5.8 trillion. The request includes \$813 billion in defense spending and \$769 billion in non-defense spending for GFY 2023 beginning on October 1, 2022.

*International Markets*

Sales to customers in international markets represented approximately 8% of total revenues for the three months ended April 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			
	April 1, 2022	April 2, 2021	Dollar change	Percent change
	(dollars in millions)			
Revenues	\$ 3,494	\$ 3,315	\$ 179	5.4 %
Operating income	271	308	(37)	(12.0)%
Non-operating expense, net	(49)	(46)	(3)	6.5 %
Income before income taxes	222	262	(40)	(15.3)%
Income tax expense	(45)	(57)	12	(21.1)%
Net income	\$ 177	\$ 205	\$ (28)	
Net income attributable to Leidos common stockholders	\$ 175	\$ 205	\$ (30)	(14.6)%
<i>Operating margin</i>	<b>7.8 %</b>	<b>9.3 %</b>		

*Segment and Corporate Results*

<b>Defense Solutions</b>	Three Months Ended			
	April 1, 2022	April 2, 2021	Dollar change	Percent change
	(dollars in millions)			
Revenues	\$ 2,049	\$ 1,958	\$ 91	4.6 %
Operating income	133	152	(19)	(12.5)%
<i>Operating margin</i>	<b>6.5 %</b>	<b>7.8 %</b>		

The increase in revenues for the three months ended April 1, 2022, as compared to the three months ended April 2, 2021, was primarily attributable to program wins and \$27 million of revenues from the Gibbs & Cox acquisition. This was partially offset by the completion of contracts, a net decrease in volumes on certain programs, \$11 million related to unfavorable exchange rate movements and contracts that were reassigned from the Defense Solutions reportable segment to the Civil reportable segment during the third quarter of fiscal 2021.

The decrease in operating income for the three months ended April 1, 2022, as compared to the three months ended April 2, 2021, was primarily attributable to the completion of certain contracts, net profit write-downs on certain programs, a net decrease in volumes and increased amortization expense. The decrease was partially offset by program wins.

**LEIDOS HOLDINGS, INC.**

<b>Civil</b>	Three Months Ended			
	April 1, 2022	April 2, 2021	Dollar change	Percent change
	(dollars in millions)			
Revenues	\$ 795	\$ 766	\$ 29	3.8 %
Operating income	43	74	(31)	(41.9)%
<i>Operating margin</i>	<b>5.4 %</b>	<b>9.7 %</b>		

The increase in revenues for the three months ended April 1, 2022, as compared to the three months ended April 2, 2021, was primarily attributable to a net increase in program volumes and contracts that were reassigned from the Defense Solutions reportable segment to the Civil reportable segment during the third quarter of fiscal 2021.

The decrease in operating income for the three months ended April 1, 2022, as compared to the three months ended April 2, 2021, was primarily due to a \$26 million benefit in the prior year from an adjustment to legal reserves related to the Mission Support Alliance joint venture.

<b>Health</b>	Three Months Ended			
	April 1, 2022	April 2, 2021	Dollar change	Percent change
	(dollars in millions)			
Revenues	\$ 650	\$ 591	\$ 59	10.0 %
Operating income	118	102	16	15.7 %
<i>Operating margin</i>	<b>18.2 %</b>	<b>17.3 %</b>		

The increases in revenue and operating income for the three months ended April 1, 2022, as compared to the three months ended April 2, 2021, was primarily due to a net increase in volumes on higher margin programs and net profit write-ups on certain programs.

<b>Corporate</b>	Three Months Ended			
	April 1, 2022	April 2, 2021	Dollar change	Percent change
	(dollars in millions)			
Operating loss	\$ (23)	\$ (20)	\$ (3)	15.0 %

The increase in operating loss for the three months ended April 1, 2022, as compared to the three months ended April 2, 2021, was primarily attributable to an increase in legal costs.

***Non-Operating Expense, net***

Non-operating expense, net for the three months ended April 1, 2022, was \$49 million as compared to \$46 million for the three months ended April 2, 2021. The increase was primarily due to higher interest expenses driven by changes in interest rates and the short-term senior unsecured term loan incurred in the second quarter of fiscal 2021 to fund the acquisition of Gibbs & Cox.

***Provision for Income Taxes***

For the three months ended April 1, 2022, our effective tax rate was 20.3% compared to 21.8% for the three months ended April 2, 2021. The decrease in the effective tax rate was primarily due to excess tax benefits related to employee stock-based payment transactions and federal research tax credits.

Beginning in 2022, the Tax Cuts and Jobs Act of 2017 eliminated the option to deduct research and development costs for tax purposes and requires taxpayers to capitalize and amortize research costs over five years. Although it is possible that Congress may defer, modify, or repeal this provision, potentially with retroactive effect, we have no assurance that Congress will take any action with respect to this provision. If the 2022 effective date remains in place, based on the law as currently enacted, our initial assessment is that our cash from operations will decrease by approximately \$150 million in fiscal 2022 and our net deferred tax assets will increase by a similar amount. The actual impact on fiscal 2022 cash from operations will depend on the amount of research and development costs we will incur, on whether Congress modifies or repeals this provision and on whether new guidance and interpretive rules are issued by the US Treasury, among other factors.

**Bookings and Backlog**

We recorded net bookings worth an estimated \$5.4 billion during the three months ended April 1, 2022, as compared to \$3.8 billion for the three months ended April 2, 2021.

The estimated value of our total backlog was as follows:

Segment	April 1, 2022			April 2, 2021		
	Funded	Unfunded	Total	Funded	Unfunded	Total
	(in millions)					
Defense Solutions	\$ 3,919	\$ 15,068	\$ 18,987	\$ 4,142	\$ 14,393	\$ 18,535
Civil	1,812	9,516	11,328	1,531	6,857	8,388
Health	1,360	4,670	6,030	1,310	4,348	5,658
Total	\$ 7,091	\$ 29,254	\$ 36,345	\$ 6,983	\$ 25,598	\$ 32,581

The increase in backlog includes \$685 million of backlog acquired through business combinations 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. Total backlog at April 1, 2022, included a negative impact of \$33 million when compared to total backlog at April 2, 2021, primarily due to the exchange rate movements in the British pound and Australian dollar when compared to the U.S. dollar. 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 April 1, 2022, we had \$297 million in cash and cash equivalents. Additionally, we have an unsecured revolving credit facility which can provide up to \$750 million in additional borrowing, if required. As of April 1, 2022, there were no borrowings outstanding under the revolving credit facility.

We had outstanding debt of \$5.1 billion at April 1, 2022, and December 31, 2021.

We have a commercial paper program in which we may issue short-term unsecured commercial paper notes not to exceed \$750 million and have maturities of up to 397 days from the date of issuance. As of April 1, 2022, we had \$75 million of Commercial Paper Notes outstanding.

We made principal payments on our long-term debt of \$27 million and \$26 million during the three months ended April 1, 2022, and April 2, 2021, respectively. This activity included required principal payments on our term loans of \$24 million for both the three months ended April 1, 2022, and April 2, 2021. Our credit facilities, the 2021 credit agreement, commercial paper notes, senior unsecured term loans and notes outstanding as of April 1, 2022, contain financial covenants and customary restrictive covenants. We were in compliance with all covenants as of April 1, 2022.

Interest on our Credit Facilities is calculated based on the London Interbank Offered Rate ("LIBOR"). On July 27, 2017, the U.K.'s Financial Conduct Authority announced that LIBOR would be discontinued or become unavailable as a reference rate by the end of 2021 and LIBOR will be fully discontinued or become unavailable as a benchmark rate by June 2023. Although our Credit Facilities include mechanics to facilitate the adoption by us and our lenders of an alternative benchmark rate for use in place of LIBOR, no assurance can be made that such alternative benchmark rate will perform in a manner similar to LIBOR or result in interest rates that are at least as favorable to us as those that would have resulted had LIBOR remained in effect, which could result in an increase in our interest expense and other debt service obligations. In addition, the overall credit market may be disrupted as a result of the replacement of LIBOR or in the anticipation thereof, which could have an adverse impact on our ability to refinance, reprice, or amend our existing indebtedness or incur additional indebtedness on favorable terms.

## LEIDOS HOLDINGS, INC.

We paid dividends of \$51 million and \$50 million during the three months ended April 1, 2022, and April 2, 2021, respectively.

During the three months ended April 1, 2022, we sold \$209 million of accounts receivable under accounts receivable purchase agreements and received proceeds of \$209 million. During the three months ended April 2, 2021, we sold \$465 million of accounts receivable under accounts receivable purchase agreements and received proceeds of \$464 million (see "Note 9—Sale of Accounts Receivable").

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.

On February 16, 2022, we entered into an Accelerated Share Repurchase ("ASR") agreement with a financial institution to repurchase shares of our outstanding common stock. We paid \$500 million to the financial institution and received an initial delivery of 4.5 million shares at an average price of \$88.72 per share. The specific number of shares that we will ultimately receive under the ASR agreement will be based on the volume-weighted-average-price during the period February 17, 2022, to May 16, 2022.

Beginning in 2022, a provision in the Tax Cuts and Jobs Act of 2017 ("TCJA") which eliminated the option to deduct research and development costs for tax purposes and requires taxpayers to capitalize and amortize the costs over five years became effective. Congress may defer, modify or repeal the provision, but the ultimate outcome is uncertain. The uncertainty surrounding the TCJA provision and the potential for COVID-19 to continue to affect the financial markets may impact our liquidity. If the 2022 effective date of the TCJA research cost capitalization provision remains in place, our initial assessment indicates we will have a negative impact to cash of approximately \$150 million in fiscal 2022 and our net deferred tax assets will increase by a similar amount. We will continue to assess our liquidity needs as the tax legislation and pandemic evolve.

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, sales of accounts receivable and, if needed, borrowings from our revolving credit facility and commercial paper program.

#### Summary of Cash Flows

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

	Three Months Ended	
	April 1, 2022	April 2, 2021
	(in millions)	
Net cash provided by operating activities	\$ 93	\$ 239
Net cash used in investing activities	(21)	(244)
Net cash used in financing activities	(519)	(148)
Net decrease in cash, cash equivalents and restricted cash	\$ (447)	\$ (153)

Net cash provided by operating activities decreased \$146 million for the three months ended April 1, 2022, when compared to the prior year quarter. The decrease was primarily due to lower sale of accounts receivable and timing of customer and vendor payments in the current quarter as compared to the prior year quarter.

Net cash used in investing activities decreased \$223 million for the three months ended April 1, 2022, when compared to the prior year quarter, primarily due to \$214 million of net cash paid related to the acquisition of 1901 Group during the prior year quarter and proceeds received from the sale of Aviation & Missile Solutions LLC in the current quarter (see "Note 3—Acquisitions, Divestitures, Goodwill and Intangible Assets").

Net cash used in financing activities increased \$371 million for the three months ended April 1, 2022, when compared to the prior year quarter. The change was primarily due to the Accelerated Share Repurchase agreement entered into by the Company on February 16, 2022, which resulted in an increase of \$403 million in stock repurchases during the current quarter and \$38 million in capital contributions received from our non-controlling interest in the prior year quarter, partially offset by \$75 million of net proceeds from our commercial paper program in the current quarter.

**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 resources, operations or financial condition.

**Guarantor and Issuer of Guaranteed Securities**

Leidos Holdings, Inc. has fully and unconditionally guaranteed the obligations of its subsidiary, Leidos, Inc., under its \$500 million notes due May 2023, \$500 million notes due May 2025, \$750 million due May 2030 and \$1,000 million notes due February 2031 (collectively, "the Notes"). The underlying subsidiaries of Leidos, Inc. do not guarantee these obligations and have been excluded from the financial information presented below.

We have entered into registration rights agreements, pursuant to which we agreed to use reasonable best efforts to file registration statements to permit the exchange of the Notes and related guarantees for registered notes having terms substantially identical thereto, or in the alternative, the registered resale of the Notes and related guarantees under certain circumstances. Pursuant to these registration rights agreements, we filed a Registration Statement on Form S-4 with the Securities and Exchange Commission on May 6, 2021, which was declared effective on May 19, 2021.

The summarized balance sheet for Leidos Holdings, Inc. and Leidos, Inc., net of eliminations, as of April 1, 2022, was as follows (in millions):

**Balance Sheet**

Total current assets	\$	2,002
Goodwill		4,171
Investments in consolidated subsidiaries		4,916
Other long-term assets		1,317
Total assets	\$	<u>12,406</u>
Total current liabilities	\$	2,665
Long-term debt, net of current portion		4,568
Intercompany payables		1,487
Other long-term liabilities		720
Total liabilities		<u>9,440</u>
Total stockholders' equity		2,966
Total liabilities and stockholders' equity	\$	<u>12,406</u>

The summarized statements of income for Leidos Holdings, Inc. and Leidos, Inc., net of eliminations, for the three months ended April 1, 2022, were as follows (in millions):

**Statements of Income**

Revenues, net	\$	2,374
Operating income		168
Net income attributable to Leidos common stockholders		74

**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 31, 2021.

**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 31, 2021.

**Item 4. Controls and Procedures.****Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our principal executive officer (our Chairman and 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 April 1, 2022. 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 January 14, 2021, and May 7, 2021, we completed the acquisitions of 1901 Group and Gibbs & Cox, respectively. In conducting our evaluation of the effectiveness of our internal control over financial reporting, we excluded Gibbs & Cox from our evaluation for the first quarter of fiscal 2022. We are in the process of integrating Gibbs & Cox into our system of internal control over financial reporting. As of April 1, 2022, we completed the integration of 1901 Group into our controls 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 31, 2021.

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

- (a) None
- (b) None
- (c) Purchases of Equity Securities by the Issuer

In February 2022, our Board of Directors authorized a new 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.

Period	Total Number of Shares (or Units) Purchased <sup>(1)</sup>	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Repurchase Plans or Programs	Maximum Number of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
January 1, 2022 - January 31, 2022	—	\$ —	—	4,554,346
February 1, 2022 - February 28, 2022	4,508,566	88.72	4,508,566	15,491,434
March 1, 2022 - March 31, 2022	719	107.54	—	15,491,434
April 1, 2022	—	—	—	15,491,434
<b>Total</b>	<b>4,509,285</b>	<b>\$ 88.72</b>	<b>4,508,566</b>	

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

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

Exhibit Number	Description of Exhibit
22	<a href="#">List of Guarantors and Subsidiary Issuers of Guaranteed Securities. Incorporated herein by reference from the Company's Registration Statement on Form S-4, filed with the U.S. Securities and Exchange Commission on May 6, 2021.</a>
31.1	<a href="#">Certification of Chairman and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification of Executive Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1	<a href="#">Certification of Chairman and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2	<a href="#">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.</a>
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.

**LEIDOS HOLDINGS, INC.**

**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: May 3, 2022

Leidos Holdings, Inc.

/s/ Christopher R. Cage

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

**LEIDOS HOLDINGS, INC.**  
**CERTIFICATION OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER PURSUANT TO**  
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Roger A. Krone, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended April 1, 2022, 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: May 3, 2022

/s/ Roger A. Krone

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**Roger A. Krone**  
Chairman and Chief Executive Officer

## 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 April 1, 2022, 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: May 3, 2022

/s/ Christopher R. Cage

**Christopher R. Cage**  
Executive Vice President and Chief Financial Officer

**LEIDOS HOLDINGS, INC.**  
**CERTIFICATION OF CHAIRMAN AND 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 April 1, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Roger A. Krone, Chairman and 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: May 3, 2022

/s/ Roger A. Krone

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**Roger A. Krone**  
Chairman and Chief Executive Officer

**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 April 1, 2022, 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: May 3, 2022

/s/ Christopher R. Cage

**Christopher R. Cage**  
**Executive Vice President and Chief Financial Officer**