

Jefferies

2018 Industrials Conference

August 7, 2018

Chris Cage
Senior VP of Finance
Leidos



FORWARD LOOKING STATEMENTS

Certain statements in this release contain or are based on "forward-looking" information within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by words such as "expects," "intends," "plans," "anticipates," "believes," "estimates," "guidance" and similar words or phrases. Forward-looking statements in this release include, among others, estimates of future revenues, EBITDA margins (including on a non-GAAP basis), operating income, earnings, earnings per share (including on a non-GAAP basis), charges, backlog, bookings, contract values, outstanding shares and cash flows, as well as statements about future dividends, share repurchases, acquisitions and dispositions. These statements reflect our belief and assumptions as to future events that may not prove to be accurate.

Actual performance and results may differ materially from the guidance and other forward-looking statements made in this release depending on a variety of factors, including: changes to our reputation and relationships with government agencies, developments in the U.S. Government defense budget, including budget reductions, implementation of spending cuts (sequestration) or changes in budgetary priorities; delays in the U.S. Government budget process; delays in the U.S. Government contract procurement process or the award of contracts; delays or loss of contracts as a result of competitor protests; changes in U.S. Government procurement rules, regulations and practices; changes in interest rates and other market factors out of our control; our compliance with various U.S. Government and other government procurement rules and regulations; governmental reviews, audits and investigations of our Company; our ability to effectively compete for and win contracts with the U.S. Government and other customers; our ability to attract, train and retain skilled employees, including our management team, and to obtain security clearances for our employees; the mix of our contracts and our ability to accurately estimate costs associated with our firm-fixed-price and other contracts; our ability to realize as revenues the full amount of our backlog; cybersecurity, data security or other security threats, systems failures or other disruptions of our business; resolution of legal and other disputes with our customers and others or legal or regulatory compliance issues; our ability to effectively acquire businesses and make investments; our ability to maintain relationships with prime contractors, subcontractors and joint venture partners; our ability to manage performance and other risks related to customer contracts, including complex engineering projects; the failure of our inspection or detection systems to detect threats; the adequacy of our insurance programs designed to protect us from significant product or other liability claims; our ability to manage risks associated with our international business; our ability to declare future dividends based on our earnings, financial condition, capital requirements and other factors, including compliance with applicable laws and contractual agreements; and our ability to execute our business plan and long-term management initiatives effectively and to overcome these and other known and unknown risks that we face. These are only some of the factors that may affect the forward-looking statements contained in this release. For further information concerning risks and uncertainties associated with our business, please refer to the filings we make from time to time with the U.S. Securities and Exchange Commission ("SEC"), including the "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Legal Proceedings" sections of our latest Annual report on Form 10-K and quarterly reports on Form 10-Q, all of which may be viewed or obtained through the Investor Relations section of our website at www.leidos.com.

All information in this release is as of August 7, 2018. The Company expressly disclaims any duty to update the guidance or any other forward-looking statement provided in this release to reflect subsequent events, actual results or changes in the Company's expectations. The Company also disclaims any duty to comment upon or correct information that may be contained in reports published by investment analysts or others.

KEY MESSAGES

Industry Leader

- ▶ Largest scale player in Government Services industry
- ▶ Diversified & resilient revenue stream
- ▶ Cost structure flexibility

Driving Growth

- ▶ Guiding for Revenue, Earnings, and Cash Flow growth in 2018
- ▶ \$18.3 billion backlog
- ▶ TTM book:bill 1.12x
- ▶ Improving win rates

Balanced Capital Deployment

- ▶ Investing for growth – organically & through M&A
- ▶ Regular quarterly dividend: YTD \$103M
- ▶ Share repurchase: YTD \$100M
- ▶ Reduction of outstanding debt: YTD \$44M



Mission

Leidos makes the world **safer, healthier, and more efficient** through **information technology, engineering, and science**.



Vision

Become the global leader in the integration and application of **information technology, engineering, and science** to solve our customers' most demanding challenges.

We will deliver **innovative solutions** through the efforts of our **diverse and talented people** who are dedicated to our **customers' success**. We will empower our teams, contribute to our communities, and operate sustainably.



Values

Integrity

Innovation

Agility

Collaboration

Commitment

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Driving Growth

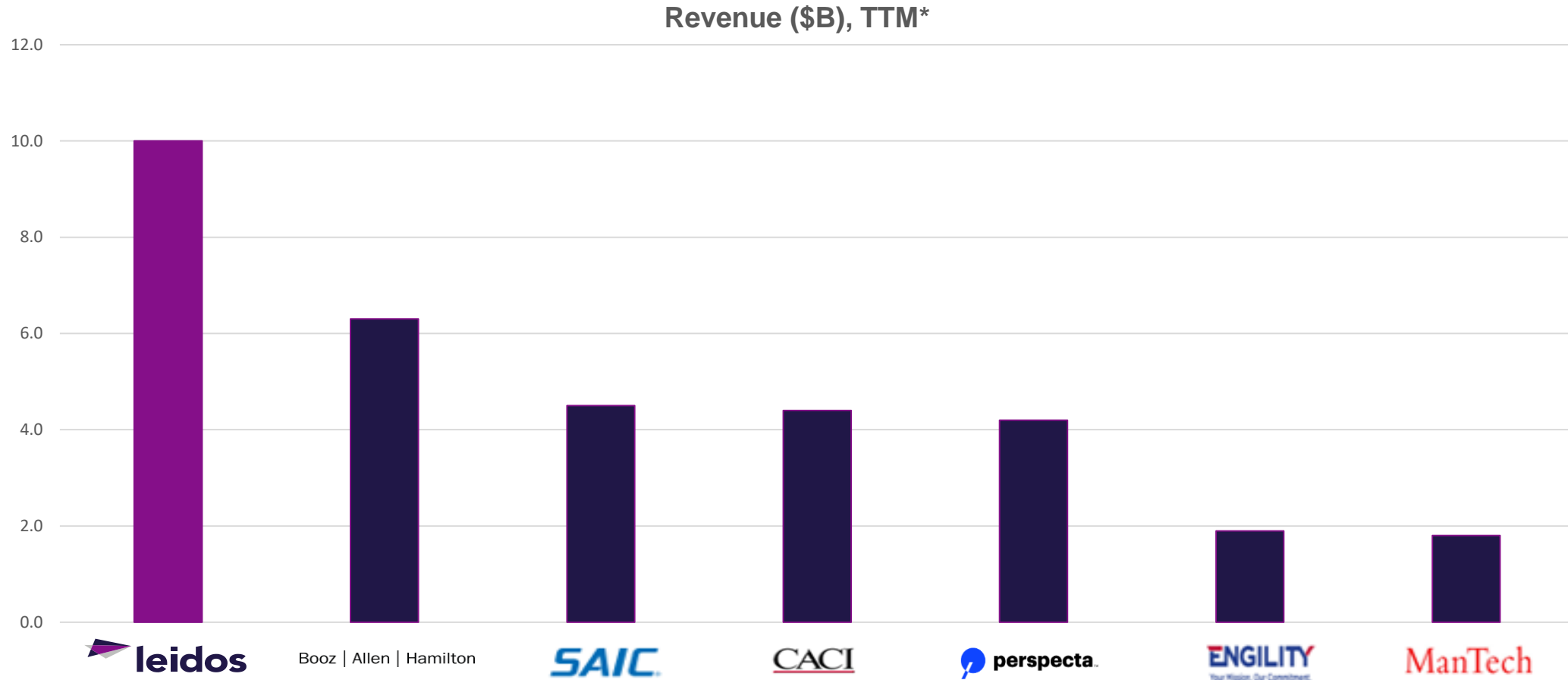
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SCALE

The Leader in Government IT Services



* Data reflects Trailing Twelve Month (TTM) revenue through Jun-2018



DIVERSIFIED REVENUES

Leveraged to Multiple Markets & Geographies



CIVIL



DEFENSE SOLUTIONS



HEALTH



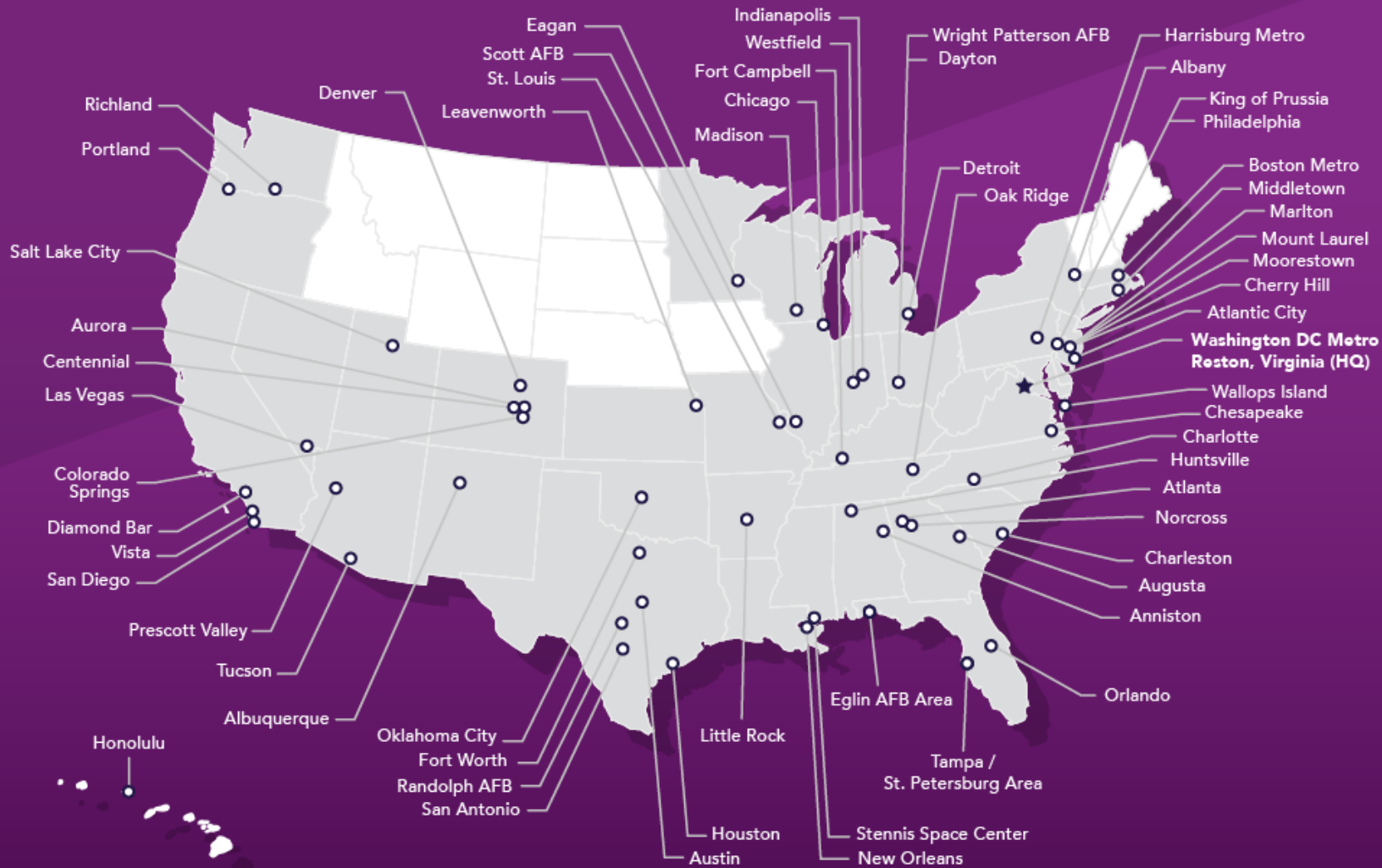
Key International Programs

-  NATO Ballistic Missile Defense
-  UK Ministry of Defence
-  Australian Tax Office
-  Australian Defence Force

* Data reflects Trailing Twelve Month (TTM) revenue through Jun-2018



THROUGHOUT THE U.S.



ACROSS THE GLOBE



LEIDOS TECHNICAL CORE COMPETENCIES



Enterprise IT Modernization

SLA and mission enablement at lowest credible cost

Cyber Operations

Advanced Cyber resilience at Scale

Operations & Logistics

Transformational logistics

Mission Software Systems

Advanced multi-domain systems

Integrated Systems

Mission-effective integrated HW & SW systems

Sensors, Collections, & Phenomenology

Disruptive sensor-based systems using detailed physical modeling

Mission Support

Mission solutions via depth, breadth at competitive costs

Secure Development and Operations

Data Science and Engineering

System Engineering and Integration

THE LEIDOS TEAM



Bottom Row
from Left to Right

Vicki Schmanske
Chief Administrative Officer

John Fratamico
Chief Technology Officer

Ann Addison
Chief Human Resources Officer

Roger Krone
Chairman and Chief Executive Officer

Jim Reagan
Chief Financial Officer

Angie Heise
President, Civil Group



Top Row
from Left to Right

Gerry Fasano
Chief of Business Development & Strategy

Mike Chagnon
President, Advanced Solutions Group

Michele Brown
Chief Ethics & Compliance Officer

Jon Scholl
President, Health Group

Jerry Howe
General Counsel



20%
MILITARY
VETERANS



(of cleared employees)

68% TOP SECRET
AND ABOVE

32% SECRET



6,900 MASTER'S
DEGREES

960 PhDs



12K CLEARED
EMPLOYEES

31K EMPLOYEES
WORLDWIDE

KEY MESSAGES

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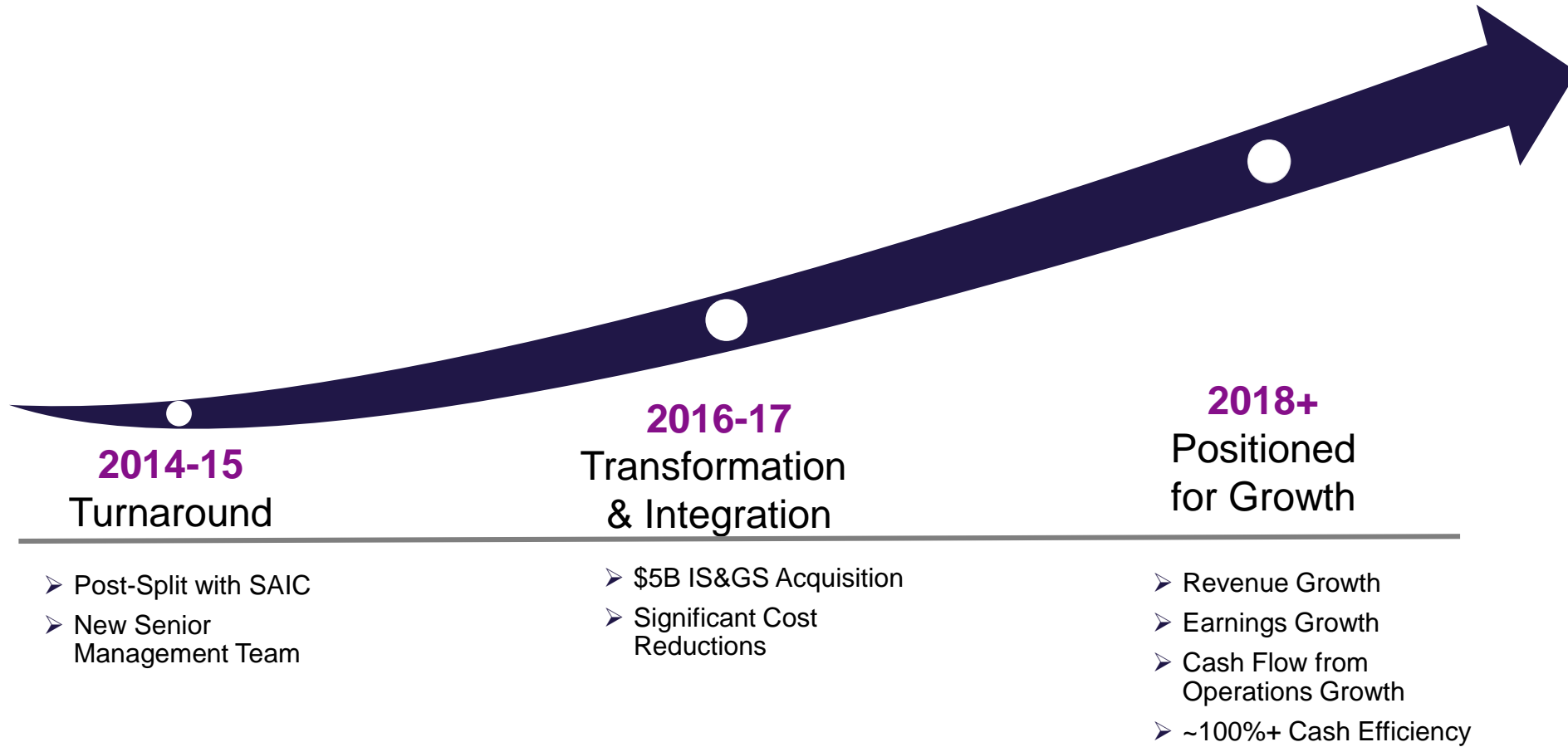
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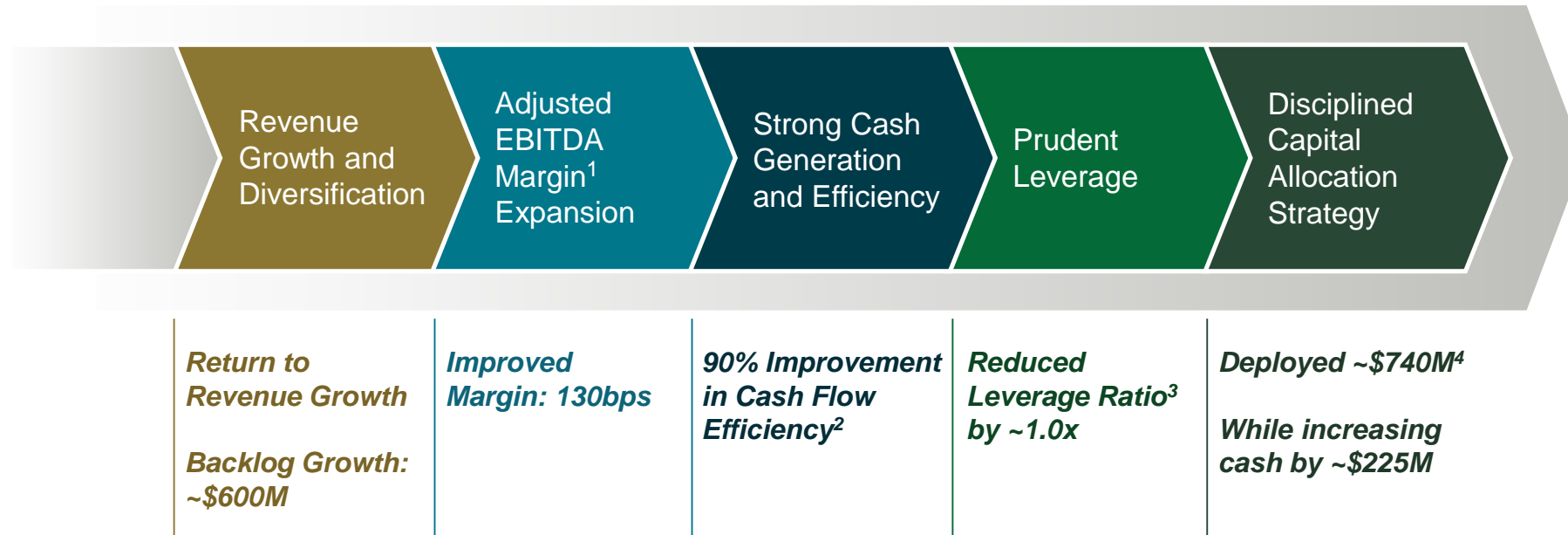
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INFLECTING TO GROWTH



2014-15: SUCCESSFUL TURNAROUND



Shareholder value remains our top priority

- (1) See appendix for definition of Non-GAAP Financial Measures
- (2) Cash Flow Efficiency defined as Operating Cash Flow from Continuing Operations / Non-GAAP Net Income from Continuing Operations
- (3) Leverage ratio defined as Net Debt / Adjusted Bank EBITDA (adds back stock based compensation expense)
- (4) Represents total deployments during the 23 month period from 2/1/2014 to 1/1/2016



2016-17: TRANSFORMATION

Transaction

- ▶ 1/2016: Leidos announced intent to combine with Lockheed Martin's Information Systems & Global Solutions ("IS&GS") business via a Reverse Morris Trust structure
- ▶ 8/2016: Transaction closes successfully

Capital Structure

- ▶ Leidos share count increased to 152M shares through issuance of ~77M shares in Leidos stock and \$1.8 billion in special cash payment to Lockheed Martin
- ▶ Leidos stockholders received a special cash dividend of ~\$1 billion, or \$13.64/share
- ▶ Leverage increased to ~4.8x through issuance of ~\$2.5B in new debt

Expected Changes

- ▶ Nearly doubled annual revenues
- ▶ Employee count increased by >16,000 to ~33,000
- ▶ Expected gross cost synergies of ~\$240M

2016-17: SUCCESSFUL INTEGRATION

Early Achievement of Key Targets

Original Transaction Targets

10%+ Adjusted EBITDA Margin by 2018

\$240M Gross Cost Synergies

3.0x Leverage Ratio by end of 2017

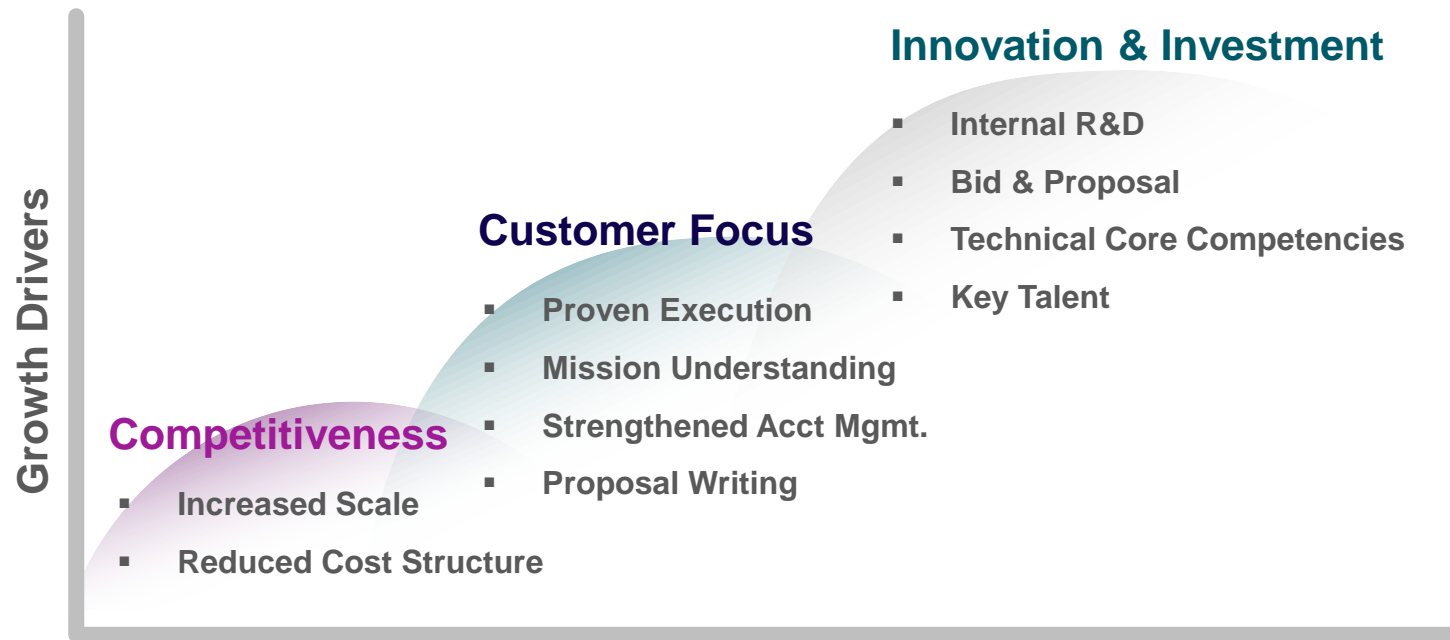
Achievements to Date

2017 Adjusted EBITDA Margin of 10.4%

>\$400M Gross Cost Synergy Target;
Achieved >\$350M in 2017

~3.0x Leverage Ratio as of end of 3Q17

2018+: DRIVING GROWTH

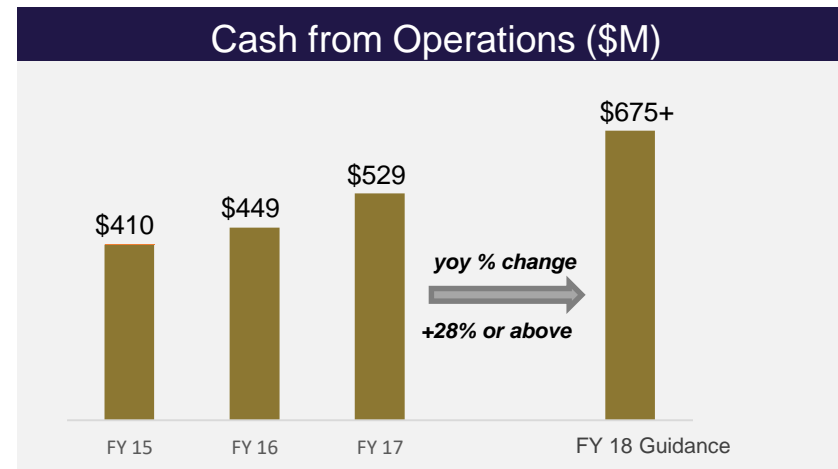
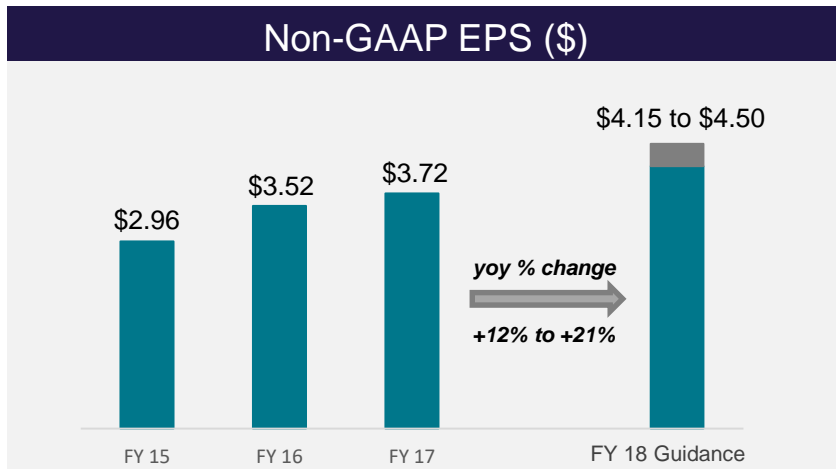
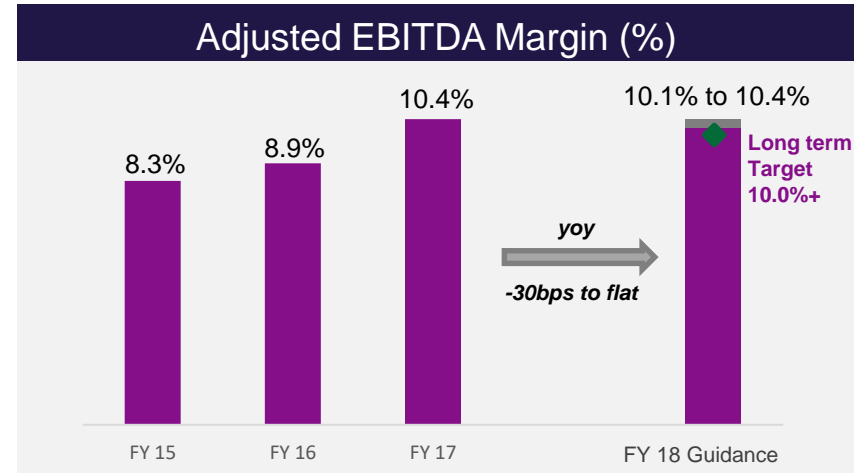
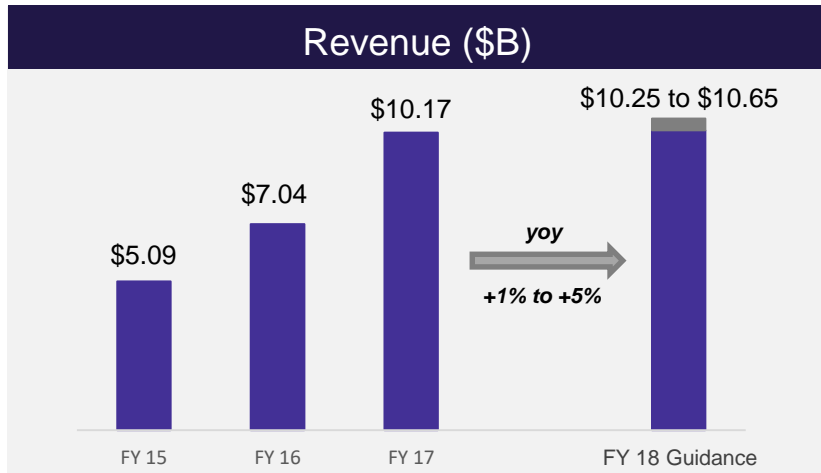


Metrics

- Qualified **Pipeline 10x** Revenue
- Outstanding **Submits \$24.6B**
- **Expanded** IDIQ Portfolio
- Improved **win rates**
- Revenue Synergies by 2019: **~\$325M**
- **Accelerated Growth** beyond 2018



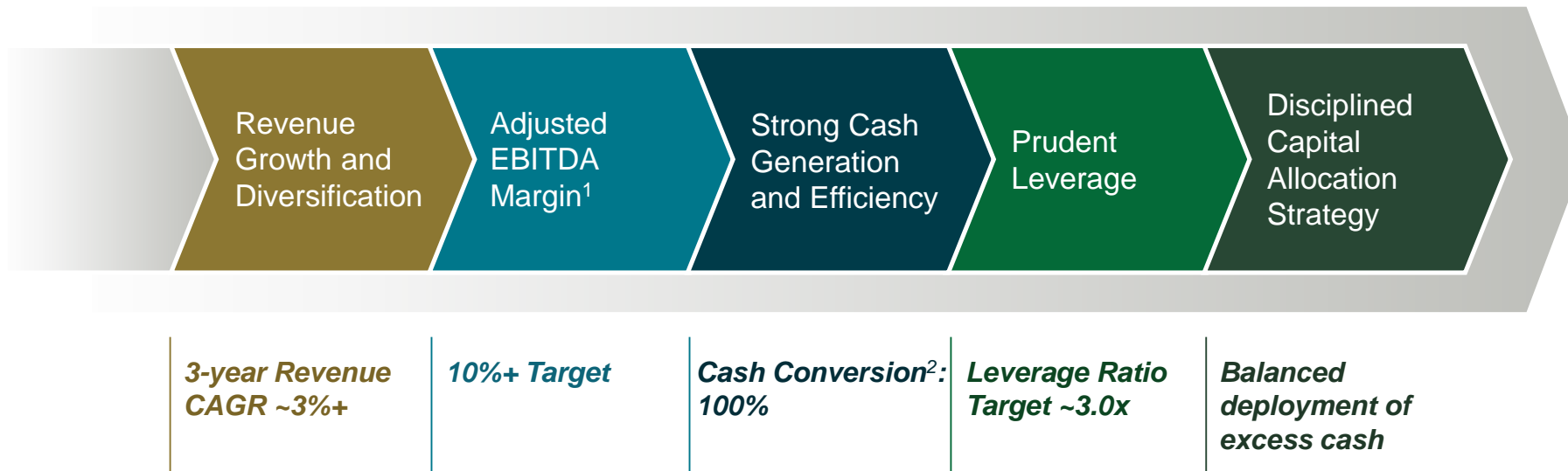
2018+: DRIVING GROWTH



Note: ■ Denotes the High End of Guidance Range



LONG-TERM TARGETS



(1) See appendix for definition of Non-GAAP Financial Measures

(2) Cash Conversion defined as (Free Cash Flow excluding acquisition/integration/restructuring costs) / Net Income

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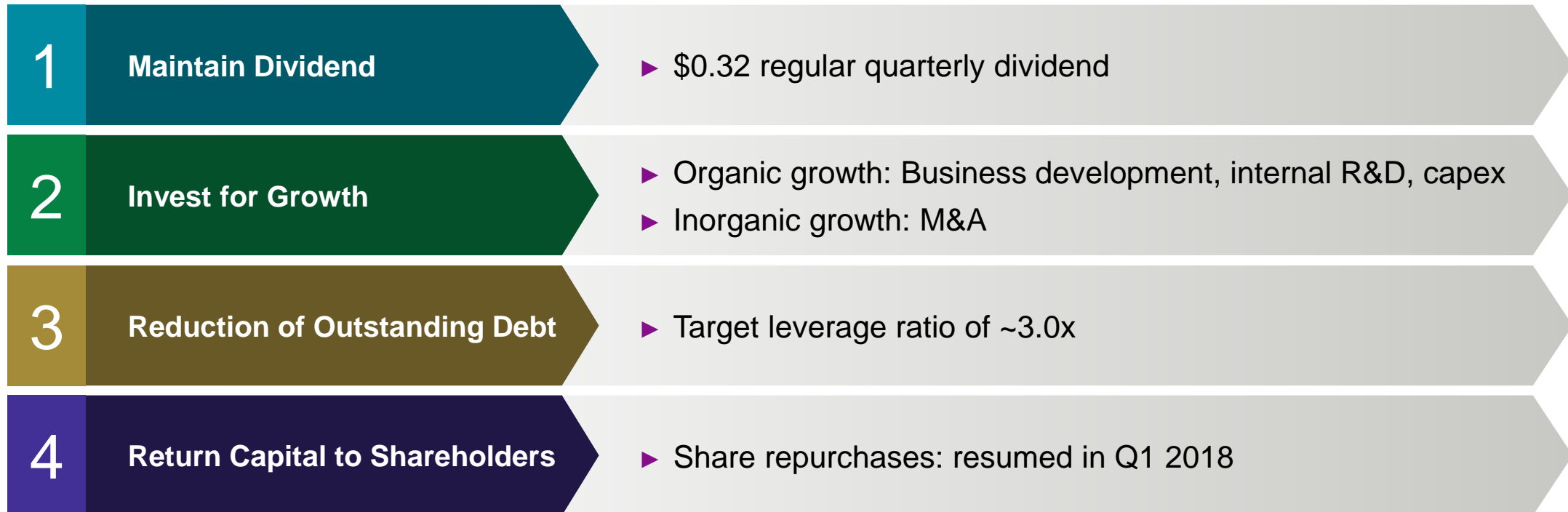
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DISCIPLINED CAPITAL DEPLOYMENT PHILOSOPHY

Committed to Returning Excess Cash



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Thank You



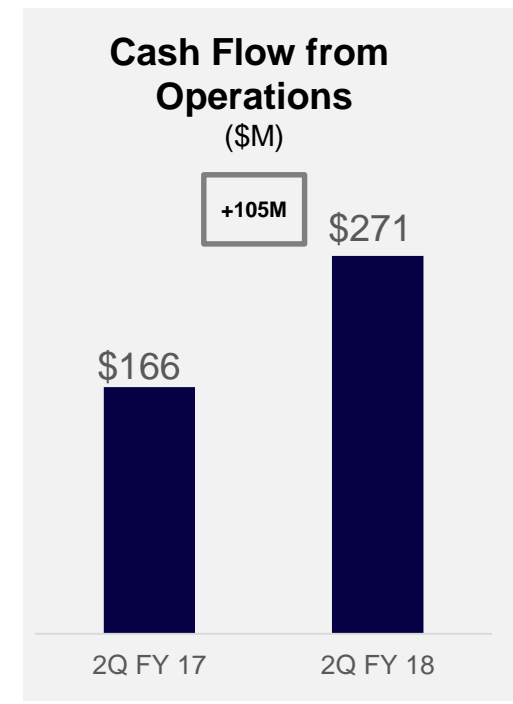
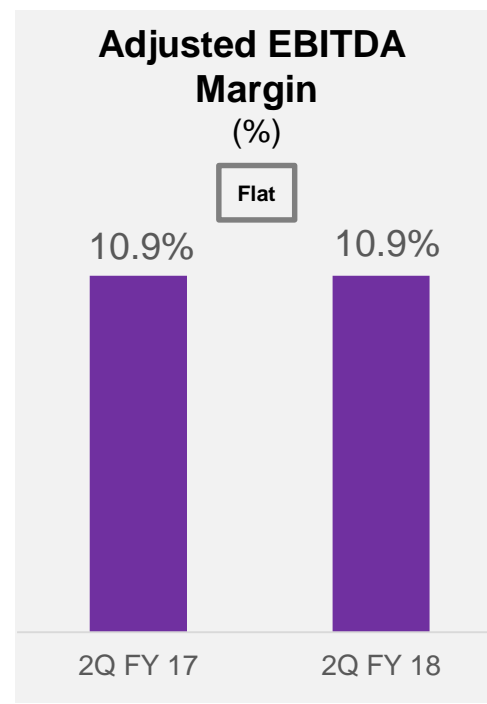
2Q FY 2018 HIGHLIGHTS

Driving Growth	<ul style="list-style-type: none">➤ 3.5% sequential revenue growth➤ 1.4x book-to-bill➤ \$18.3B backlog
Sustaining Profitability	<ul style="list-style-type: none">➤ 10.9% Adjusted EBITDA Margin<ul style="list-style-type: none">➤ 70bps sequential increase➤ Above long-term 10%+ target
Generating Strong Cash Flow	<ul style="list-style-type: none">➤ \$271M cash flow from operations➤ 149% conversion of net income to free cash*➤ 7 day sequential DSO reduction
Balanced Capital Deployment	<ul style="list-style-type: none">➤ \$90M share repurchase; \$100M year-to-date➤ \$27M debt repayment; \$44M year-to-date

Note: See Slide 27 for definition & reconciliation of Non-GAAP Financial Measures

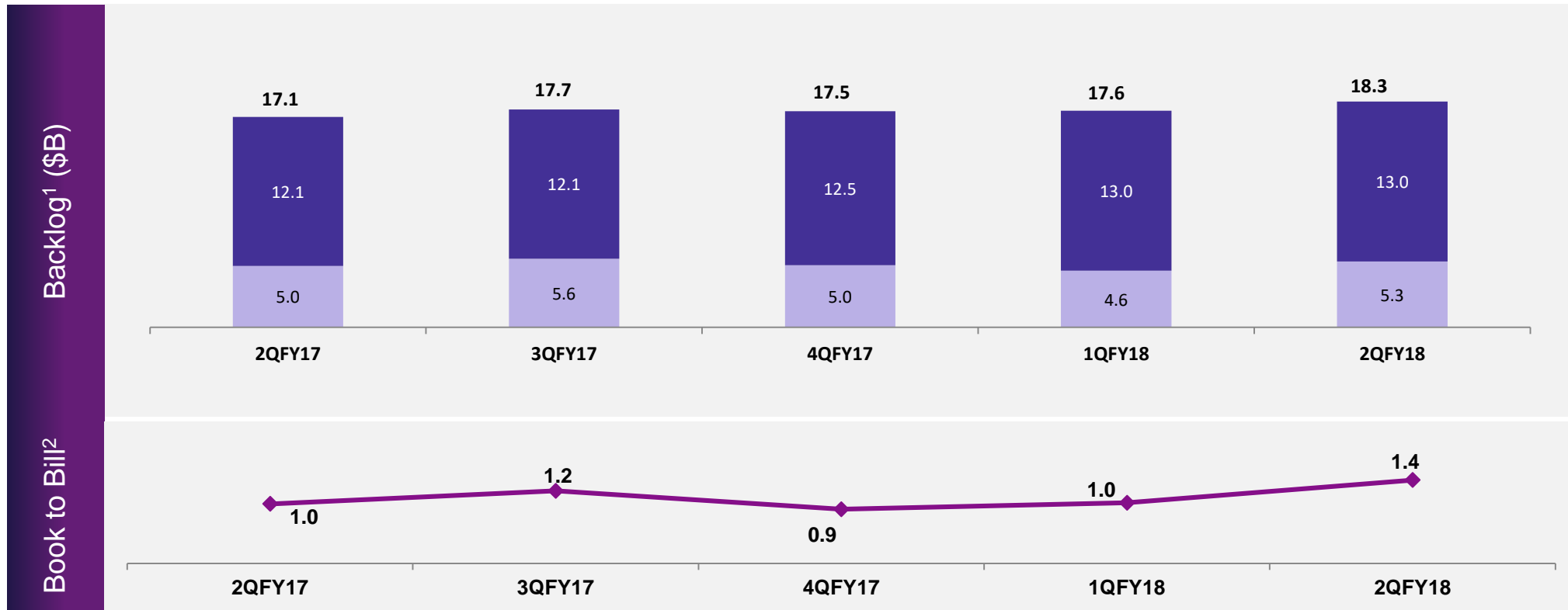
* 149% reflects Q2 'FY18 (Cash Flow from Operations (\$271M) – Capex (\$13M))/ Q2'F18 Non-GAAP Net Income (\$173M)

2Q FY 2018 RESULTS



Note: See Slide 27 for definition & reconciliation of Non-GAAP Financial Measures

Growing Backlog



(1) Backlog presented at exchange rate in effect at quarter end
(2) Book to bill excludes the impact of currency fluctuations on backlog

NON-GAAP FINANCIAL MEASURES

Non-GAAP operating income is computed by excluding the following items from net income: (i) non-operating expense, net; (ii) adjustments to the income tax provision to reflect non-GAAP adjustments; and (iii) the following discrete items:

- ▶ Integration and restructuring costs – Represents integration, lease termination and severance costs related to the Company's acquisition of Lockheed Martin's Information Systems & Global Solutions business ("IS&GS Business").
- ▶ Amortization of acquired intangible assets - Represents the amortization of the fair value of the acquired intangible assets.
- ▶ Amortization of equity method investments - Represents the amortization of the fair value of equity method investments acquired with the IS&GS Business.
- ▶ Loss on sale of assets - Represents the losses on certain sales of real estate.
- ▶ Asset impairment charges - Represents impairments of long-lived tangible assets.
- ▶ Promissory note impairment - Represents an impairment on a promissory note.
- ▶ Held for sale tax adjustment - Represents certain tax benefits related to the anticipated sale of the Company's commercial cybersecurity business.

Non-GAAP operating margin is computed by dividing non-GAAP operating income by revenue.

Non-GAAP EPS is computed by dividing net income, adjusted for the discrete items as identified above and the related tax impacts, by the diluted weighted average number of common shares outstanding.

Adjusted EBITDA is computed by excluding the following items from income before income taxes: (i) discrete items as identified above; (ii) interest expense; (iii) interest income; and (iv) depreciation expense.

Adjusted EBITDA margin is computed by dividing adjusted EBITDA by revenue.

Non-GAAP Effective Tax Rate is Non-GAAP income tax expense divided by Non-GAAP income before taxes.

DEFENSE SOLUTIONS SEGMENT

DEFENSE AND INTELLIGENCE GROUP

Leidos provides solutions and services including enterprise and mission IT, large-scale intelligence systems, command and control, geospatial and data analytics, cybersecurity, logistics, training, and intelligence analysis and operations support.

ADVANCED SOLUTIONS GROUP

Leidos conducts research and development across all markets to unlock potential scientific discoveries or improvements in technology, supporting C4ISR and data analytic requirements for our customers.

\$4.9 BILLION REVENUE

91% GOVERNMENT | 9% NON US GOVERNMENT

* Data reflects Trailing Twelve Month (TTM) revenue through Jun-2018, based on the customer mix for the 6 month period ended June 29, 2018.



DEFENSE AND INTELLIGENCE



PRIMARY CUSTOMERS

- ▶ Intelligence Community
- ▶ Army
- ▶ Air Force
- ▶ Navy
- ▶ DISA



KEY CAPABILITIES

- ▶ Cyber
- ▶ Data analytics
- ▶ Enterprise IT modernization
- ▶ Software development
- ▶ Airborne and maritime systems
- ▶ C4ISR
- ▶ Large-scale software development, cybersecurity, and data analytics
- ▶ Intelligence analysis and operations
- ▶ Command and Control



INTERNATIONAL PRESENCE

- ▶ Australia/Pacific
- ▶ Middle East
- ▶ Canada
- ▶ Israel

ADVANCED SOLUTIONS



AREAS OF EXPERTISE

- ▶ Intelligence
- ▶ Surveillance
- ▶ Reconnaissance
- ▶ Signals intelligence
- ▶ Autonomous vehicles



PRIMARY CUSTOMERS

- ▶ AFRL
- ▶ DARPA
- ▶ Army
- ▶ Navy
- ▶ Intelligence Community



MARQUEE PROGRAMS

- ▶ Sea Hunter – DARPA
- ▶ Buckeye
- ▶ Blue Devil
- ▶ Saturn Arch
- ▶ ARL-E

HEALTH

Leidos offers services and solutions to federal and commercial clients, including IT services, population health risk management, case management, health analytics, life sciences, and public health.

\$1.8 BILLION REVENUE

***91% US GOVERNMENT | 9% NON-US GOVERNMENT | >99% DOMESTIC**

*Data reflects Trailing Twelve Month (TTM) revenue through Jun-2018, based on the customer mix for the 6 month period ended June 29, 2018.



HEALTH



KEY CAPABILITIES

- ▶ Electronic Health Records management
- ▶ Enterprise IT modernization, operations, and maintenance
- ▶ Interoperability solutions at-scale
- ▶ Population health solutions: consulting, analytics, modern case management
- ▶ Software development and systems integration



PRIMARY CUSTOMERS

- ▶ Defense Health Agency (DHA)
- ▶ Commercial, industrial, and manufacturing
- ▶ U.S. Army Corp of Engineers
- ▶ Navy
- ▶ Department of Veterans Affairs



MARQUEE PROGRAMS

- ▶ Defense Health Agency - GENESIS
- ▶ National Cancer Institute
- ▶ DoD Health Records Management (AHLTA)
- ▶ Nurse Advice Line
- ▶ SSA IT Support Services
- ▶ VA Data Center

CIVIL

Our civil business is helping to modernize and manage infrastructure, systems and controls, and cybersecurity for civilian agencies and commercial clients around the globe. With core competencies in information technology, energy and environment, complex logistics, and specialized engineering, we solve technical challenges and implement newfound efficiencies on a number of programs including those that power homes and businesses, guide air traffic, streamline tax returns, protect digital footprints, contain environmental incidents, heighten port security, and enable scientific discovery.



\$3.4 BILLION REVENUE

73% US GOVERNMENT | 27% NON US GOVERNMENT

*Data reflects Trailing Twelve Month (TTM) revenue through Jun-2018, based on the customer mix for the 6 month period ended June 29, 2018.

CIVIL



OVERVIEW

- ▶ Biometrics
- ▶ Complex logistics
- ▶ Commercial Cybersecurity
- ▶ Data Analytics
- ▶ Enterprise IT Modernization
- ▶ Infrastructure management and operation
- ▶ Screening Technology (Reveal® and VACIS®)
- ▶ Software Development
- ▶ Systems Engineering



PRIMARY CUSTOMERS

- ▶ FAA
- ▶ NASA
- ▶ Department of Energy (DOE)
- ▶ Department of Homeland Security (DHS)
- ▶ Utilities



INTERNATIONAL PRESENCE

- ▶ UK
- ▶ Europe