



Bernstein 36th Annual Strategic Decisions Conference

Roger Krone, Chairman & CEO
May 28, 2020



Forward-Looking Statements



Certain statements in this presentation 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 presentation include, among others, estimates of future revenues, adjusted EBITDA margins, diluted EPS (including on a non-GAAP basis) and cash flows provided by operating activities, as well as statements about future dividends, share repurchases, capital expenditures, debt repayments, acquisitions, dispositions, addressable markets and cash flow conversion. This presentation also contains statements about the recent acquisitions of Dynetics and the security detection and automation business of L3Harris Technologies, Inc. that are based on assumptions currently believed to be valid but that involve significant risks and uncertainties, many of which are beyond Leidos' control. These statements reflect our belief and assumptions as to future events that may not prove to be accurate.

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

All information in this presentation is as of May 27, 2020. The Company expressly disclaims any duty to update the guidance or any other forward-looking statement provided in this presentation 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.

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

Inclusion

Innovation

Agility

Collaboration

Commitment

Diversified Revenues



LEVERAGED TO MULTIPLE MARKETS & GEOGRAPHIES



HEALTH \$2.1B

18%



DEFENSE \$3.9B

34%



CIVIL \$2.8B

25%



INTELLIGENCE \$2.6B

23%

\$11.4B
TTM
Revenue*

*Reflects trailing twelve months of revenue as of April 3, 2020.



Revenue & EBITDA Growth

Drive market **share gains** and **revenue growth** by meeting customers' emerging needs, while **maintaining margins at or above 10%**.



Diverse & Resilient Business

Cultivate a portfolio which offers **resiliency across the cycles** through presence in **diverse, yet complementary end-markets**.



Strong Cash Generation

Operate an **asset-light business** with a high **Return on Invested Capital** while investing to **improve competitive position**.



Disciplined Capital Deployment

Balance capital deployment to **drive sustained value** for all **stakeholders** (shareholders, employees, and customers), leveraging **inorganic investments to accelerate the strategy**.

Two Recent Acquisitions Closed

Dynetics

(Announced 12/17/2019)

Terms



- Total cash price of \$1.65 billion
- Tax asset of ~\$265 million
- Represents forward EBITDA multiple of ~12.6x times, adjusted for the tax asset

Financing



- Transaction was funded through cash on hand and \$1.25B of incremental debt

Financial Benefits



- Immediately accretive to revenue growth, adjusted EBITDA margins and non-GAAP EPS

Timing & Closing Conditions



- Unanimously approved by the Boards of Directors of both companies
- **Closed 1/31/2020**

L3Harris Security Detection & Automation businesses

(Announced 02/04/2020)

- Total cash price of \$1.0 billion
- Represents forward EBITDA multiple of ~13.3x times CY20, or ~9.4 times CY21

- Transaction was funded through cash on hand and incremental debt
- Net leverage* ratio of ~3.7x at close

- Immediately accretive to revenue growth, adjusted EBITDA margins and non-GAAP EPS
- Expected to generate \$20 million in annualized cost synergies by 2022

- Unanimously approved by the Boards of Directors of both companies
- **Closed 5/4/2020**

Both transactions drive strategic value and are immediately accretive to revenue growth, EBITDA margins and non-GAAP EPS

*Net leverage ratio defined as (Total Debt – Cash & Equivalents)/TTM EBITDA

- ▶ Recently completed placement of \$1.75B of Senior Unsecured Notes to refinance the Dynetics Bridge Loan (\$1.25B) and \$500M of the loan used to purchase the L3Harris Security Detection and Automation businesses.
- ▶ The extensive marketing efforts facilitated Leidos' strong return to the investment grade bond market.
- ▶ The transaction successfully extended debt maturities and simplified our covenant structure.
- ▶ The deal was very well received with an over-subscription of ~12x (~\$14.6B) by 164 final investors, which facilitated lower rates compared to the initial price indications.
- ▶ Transaction reduced our effective borrowing rate and WACC
 - Blended coupon rate of 3.75%
 - \$500M 3 year tranche at 2.95%
 - \$500M 5 year tranche at 3.625%
 - \$750M 10 year tranche at 4.375%

Appendix

Non-GAAP Financial Measures



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

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

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

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

Non-GAAP Financial Measures



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

- Acquisition , integration and restructuring costs – Represents acquisition, integration, lease termination and severance costs related to the Company’s acquisitions.
- Amortization of acquired intangible assets - Represents the amortization of the fair value of the acquired intangible assets.
- Amortization of equity method investment - Represents the amortization of the fair value of the acquired equity method investment.
- Acquisition related financing costs - Represents the amortization of the debt financing commitments in connection with the Company’s entry into a purchase agreement with Dynetics, Inc.
- Loss on debt modification - Represents the write-off of debt discount and debt issuance costs related to the termination of credit agreements entered into in August 2016 as a result of the debt modification.
- Gain on sale of business - Represents the net gain on sale of businesses.

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

Non-GAAP effective tax rate is computed by using the effective GAAP tax rate plus the tax impact of the non-GAAP items calculated using an estimated statutory tax rate.

Non-GAAP diluted 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; (iv) depreciation expense; and (v) amortization of intangibles.

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

Deployable cash is computed by adding operating cash flows and investing cash flows adjusted for CapEx and business acquisitions.