



Leidos Q4 FY22 Earnings Conference Call

February 14, 2023



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 our future growth and financial and operating performance, including future revenues, adjusted EBITDA margins, diluted EPS (including on a non-GAAP basis) and cash flows provided by operating activities, as well as statements about our business contingency plans, government budgets and the ongoing Continuing Resolution, uncertainties in tax due to new tax legislation or other regulatory developments, the impact of COVID-19 and related actions taken to prevent its spread, our contract awards, strategy, planned investments, sustainability goals and our future dividends, share repurchases, capital expenditures, debt repayments, acquisitions, dispositions and cash flow conversion. These statements reflect our belief and assumptions as to future events that may not prove to be accurate.

Actual performance and results may differ materially from those results anticipated by our guidance and other forward-looking statements made in this presentation depending on a variety of factors, including, but not limited to: developments in the U.S. government defense and non-defense budgets, including budget reductions, sequestration, implementation of spending limits or changes in budgetary priorities, delays in the U.S. government budget process or a government shutdown, or the U.S. government's failure to raise the debt ceiling, which increases the possibility of a default by the U.S. government on its debt obligations, related credit-rating downgrades, or an economic recession; uncertainties in tax due to new tax legislation or other regulatory developments; rising inflationary pressures and fluctuations in interest rates; delays in the U.S. government contract procurement process or the award of contracts and delays or loss of contracts as a result of competitor protests; changes in U.S. government procurement rules, regulations and practices; 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 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 U.S. government and commercial organizations in environmental impact and remediation projects; the effects of COVID-19 or other health epidemics, pandemics and similar outbreaks may have on our business, financial position, results of operations and/or cash flows; our ability to attract, train and retain skilled employees, including our management team, and to obtain security clearances for our employees; our ability to accurately estimate costs, including cost increases due to inflation, associated with our firm-fixed-price contracts and other contracts; resolution of legal and other disputes with our customers and others or legal or regulatory compliance issues; cybersecurity, data security or other security threats, system failures or other disruptions of our business; our compliance with international, federal, state and local laws and regulations regarding privacy, data security, protection, storage, retention, transfer and disposal, technology protection and personal information; the damage and disruption to our business resulting from natural disasters and the effects of climate change; 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; the failure of our inspection or detection systems to detect threats; the adequacy of our insurance programs, customer indemnifications or other liability protections designed to protect us from significant product or other liability claims, including cybersecurity attacks; our ability to manage risks associated with our international business; our ability to comply with the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act of 2010 and similar worldwide anti-corruption and anti-bribery laws and regulations; our ability to protect our intellectual property and other proprietary rights by third parties of infringement, misappropriation or other violations by us of their intellectual property rights; our ability to prevail in litigation brought by third parties of infringement, misappropriation or other violations by us of their intellectual property rights; our ability to declare or increase future dividends based on our earnings, financial condition, capital requirements and other factors, including compliance with applicable law and our 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; our ability to successfully integrate acquired businesses; 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 February 14, 2023. Leidos 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 Leidos' expectations. Leidos also disclaims any duty to comment upon or correct information that may be contained in reports published by investment analysts or others.

Non-GAAP Financial Measures

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

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

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

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

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

CEO Key Messages

1

Delivering on financial commitments

- Record Q4 revenue and non-GAAP diluted EPS
- Success against FY22 guidance; momentum on key financial metrics
- Scale and agility enabled us to overcome industry headwinds

2

Deploying capital to create shareholder value

- Weighted towards shareholder returns in 2022, bolstered by \$500M ASR
- Strategic acquisition of Australian airborne ISR business
- Within asset-light framework, investing CapEx/IR&D to grow core business

3

Driving growth through franchise program wins

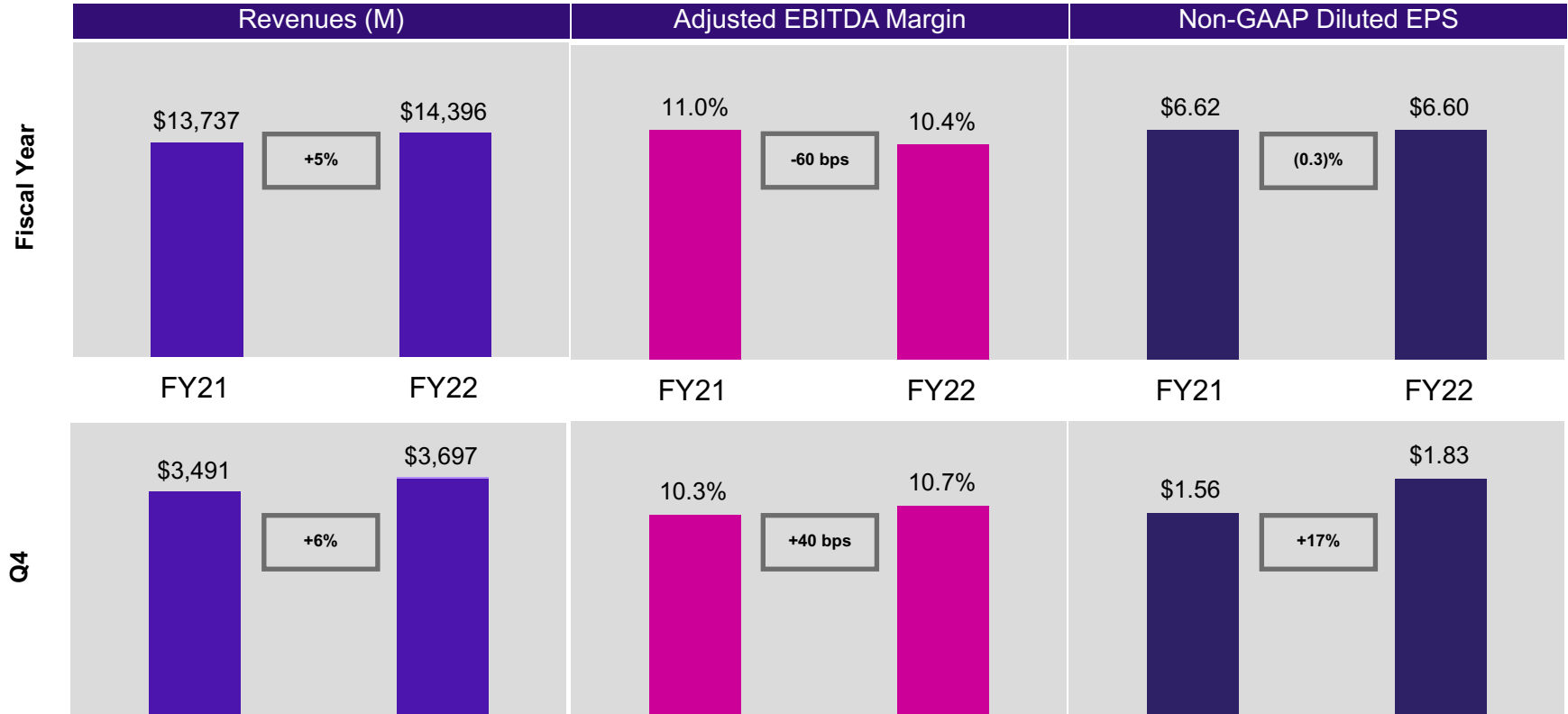
- Net book-to-bill ratio of 1.0x in seasonally weak quarter, 1.1x in 2022
- \$35.8B backlog w/ record \$8.4B funded; high activity—\$23B of Q4 submits
- IR&D and product partnerships driving competitive advantage

4

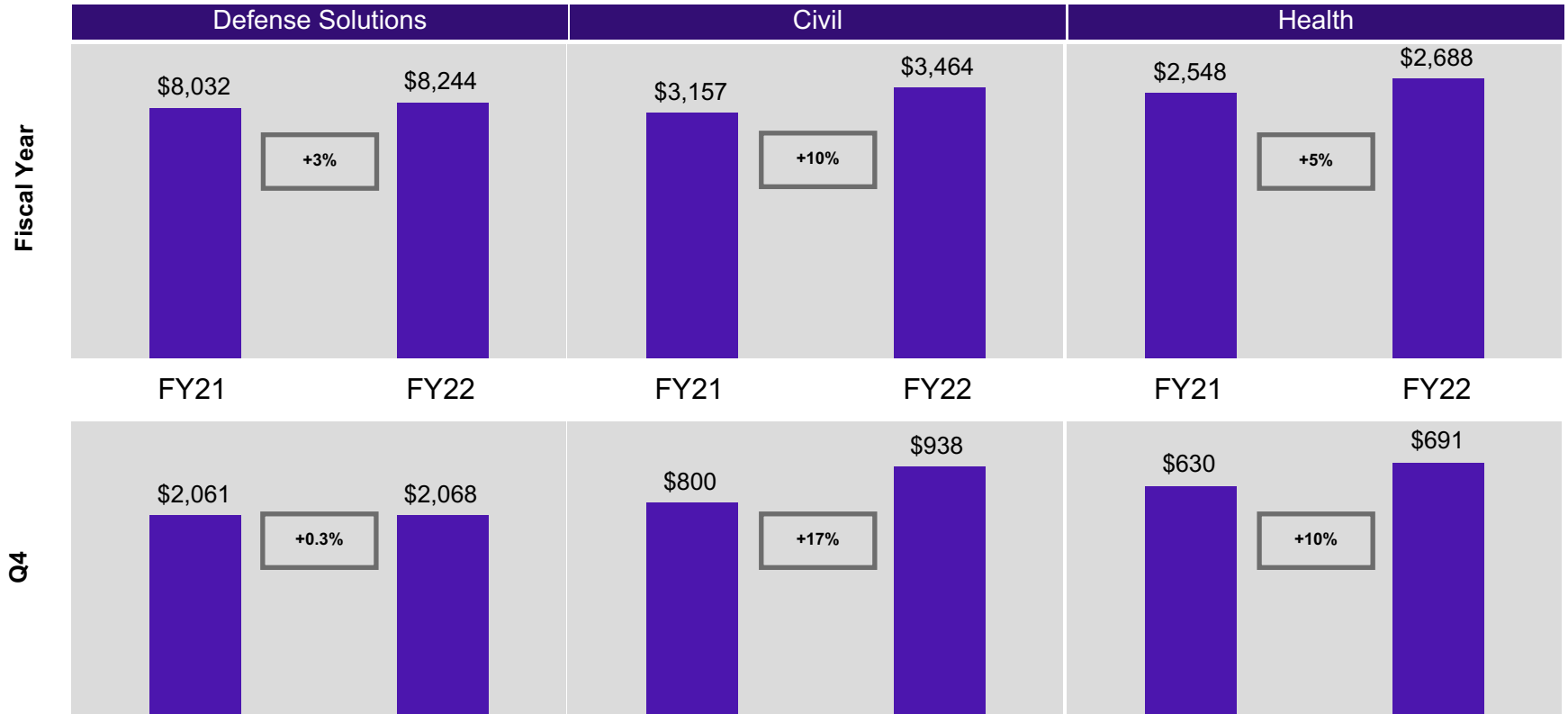
Growing our talent base

- Headcount up 6% in 2022; more than 11,000 new hires, attrition subsiding
- Technical upskilling driving better engagement and retention—aligned with tech strategy with focus on AI/ML, software, cyber, cloud, and digital

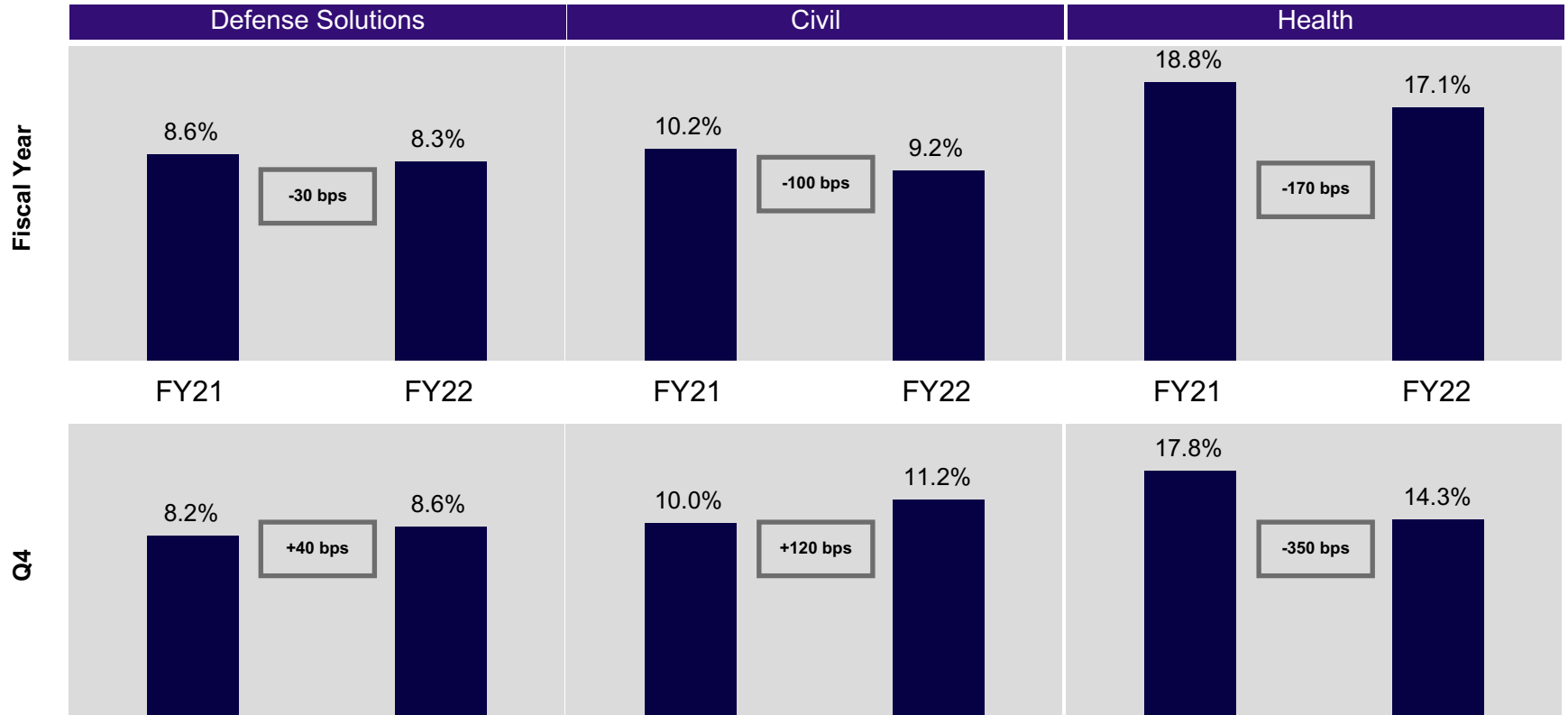
FY22 and Q4 Results: Income Statement



FY22 and Q4 Results: Segment Revenues (M)



FY22 and Q4 Results: Segment Non-GAAP Margin



FY22 and Q4 Results: Cash Flow/Balance Sheet

Cash Flow Generation	Solid cash generation—maintaining operational focus	<u>Q4</u>	<u>FY22</u>
	▪ Operating cash flow	\$105M	\$986M
	▪ Free cash flow	\$52M	\$857M
	▪ DSO of 58 days for second straight quarter		
Capital Deployment	Following balanced long-term capital deployment approach	<u>Q4</u>	<u>FY22</u>
	▪ Share repurchases	\$10M	\$542M
	▪ Total return to shareholders	\$60M	\$741M
	▪ CapEx & debt repayment (net of issuance)	\$139M	\$294M
	▪ M&A (net of divestitures)	\$190M	\$177M
Balance Sheet	Leveraging Investment Grade rating—Moody's upgrade to Baa2		
	▪ Strong liquidity		>\$1B
	▪ Total debt		\$4.9B
	▪ Leverage ratio (net)		2.9x
	▪ Leverage ratio (gross)		3.3x

2023 Guidance

Measure	FY23 Guidance
Revenues (billions)	\$14.7 - \$15.1
Adjusted EBITDA Margin	10.3% - 10.5%
Non-GAAP Diluted EPS	\$6.40 - \$6.80
Cash Flows Provided by Operating Activities (millions)	at or above \$700

KEY ASSUMPTIONS

- Continuing Resolution for 10/1/23 - 12/31/23 with no Government shutdown
- Customer payment and outlay practices remain consistent with historical experience
- Procurement schedules are not further extended or cancelled beyond present forecast
- Protest delays are not excessive in relation to current experience
- No major disruptions from new COVID variants
- Supply chain shortages do not worsen, and we are able to meet the majority of customer demands for technology products

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



Appendix: Non-GAAP Reconciliations

Organic Growth

<i>(in millions, except growth rates)</i>	Q4 FY22	Q4 FY21	Percent Change	FY22	FY21	Percent Change
Defense Solutions						
Revenues, as reported	\$ 2,068	\$ 2,061	NM	\$ 8,244	\$ 8,032	3 %
Acquisition and divestiture revenues ⁽¹⁾	21	5		80	17	
Organic revenues	\$ 2,047	\$ 2,056	NM	\$ 8,164	\$ 8,015	2 %
Civil						
Revenues, as reported	\$ 938	\$ 800	17 %	\$ 3,464	\$ 3,157	10 %
Health						
Revenues, as reported	\$ 691	\$ 630	10 %	\$ 2,688	\$ 2,548	5 %
Total Operations						
Revenues, as reported	\$ 3,697	\$ 3,491	6 %	\$ 14,396	\$ 13,737	5 %
Acquisition and divestiture revenues ⁽¹⁾	21	5		80	17	
Organic revenues	\$ 3,676	\$ 3,486	5 %	\$ 14,316	\$ 13,720	4 %

Notes:

1. Acquisition and divestiture revenues includes acquisitions within the last 12 months and divestitures within the current and year-ago periods.

NM - Not Meaningful

Non-GAAP Income Metrics Reconciliation (Quarter)

<i>(in millions, except per share amounts)</i>	Three Months Ended December 30, 2022						Three Months Ended December 31, 2021					
	As reported	Acquisition, integration and restructuring costs	Amortization of acquired intangibles	Asset impairment charges	Derivative loss	Non-GAAP results	As reported	Acquisition, integration and restructuring costs	Amortization of acquired intangibles	Asset impairment charges	Loss on sale of business	Non-GAAP results
Operating income	\$ 265	\$ 5	\$ 57	\$ 37	\$ —	\$ 364	\$ 270	\$ 6	\$ 55	\$ 1	\$ —	\$ 332
Non-operating expense, net	(47)	—	—	—	2	(45)	(48)	—	—	—	3	(45)
Income before income taxes	218	5	57	37	2	319	222	6	55	1	3	287
Income tax expense ⁽¹⁾	(38)	(1)	(15)	(9)	(1)	(64)	(46)	(2)	(14)	—	(1)	(63)
Net income	180	4	42	28	1	255	176	4	41	1	2	224
Less: net income attributable to non-controlling interest	3	—	—	—	—	3	2	—	—	—	—	2
Net income attributable to Leidos common stockholders	\$ 177	\$ 4	\$ 42	\$ 28	\$ 1	\$ 252	\$ 174	\$ 4	\$ 41	\$ 1	\$ 2	\$ 222
Diluted EPS attributable to Leidos common stockholders	\$ 1.28	\$ 0.03	\$ 0.30	\$ 0.20	\$ 0.01	\$ 1.83	\$ 1.23	\$ 0.03	\$ 0.29	\$ 0.01	\$ 0.01	\$ 1.56
Diluted shares	138	138	138	138	138	138	142	142	142	142	142	142
Net income	\$ 180	\$ 4	\$ 42	\$ 28	\$ 1	\$ 255	\$ 174	\$ 4	\$ 41	\$ 1	\$ 2	\$ 222
Income tax expense ⁽¹⁾	38	1	15	9	1	64	46	2	14	—	1	63
Income before income taxes	218	5	57	37	2	319	222	6	55	1	3	287
Depreciation expense	27	—	—	—	—	27	26	—	—	—	—	26
Amortization of intangibles	57	—	(57)	—	—	—	55	—	(55)	—	—	—
Interest expense, net	51	—	—	—	—	51	46	—	—	—	—	46
EBITDA	\$ 353	\$ 5	\$ —	\$ 37	\$ 2	\$ 397	\$ 349	\$ 6	\$ —	\$ 1	\$ 3	\$ 359
EBITDA margin ⁽²⁾	9.5 %					10.7 %	10.0 %					10.3 %

Notes:

1. Tax impact of non-GAAP items calculated using estimated statutory tax rate
2. EBITDA divided by revenues (slide 5)

Non-GAAP Income Metrics Reconciliation (FY)

(in millions, except per share amounts)	Year Ended December 30, 2022						Year Ended December 31, 2021					
	As reported	Acquisition, integration and restructuring costs	Amortization of acquired intangibles	Asset impairment charges	Derivative loss	Non-GAAP results	As reported	Acquisition, integration and restructuring costs	Amortization of acquired intangibles	Asset impairment charges	Loss on sale of business	Non-GAAP results
Operating income	\$ 1,088	\$ 17	\$ 229	\$ 40	\$ —	\$ 1,374	\$ 1,152	\$ 27	\$ 226	\$ 4	\$ —	\$ 1,409
Non-operating expense, net	(202)	—	—	—	18	(184)	(185)	—	—	—	3	(182)
Income before income taxes	886	17	229	40	18	1,190	967	27	226	4	3	1,227
Income tax expense ⁽¹⁾	(193)	(4)	(59)	(10)	(5)	(271)	(208)	(7)	(58)	(1)	(1)	(275)
Net income	693	13	170	30	13	919	759	20	168	3	2	952
Less: net income attributable to non-controlling interest	8	—	—	—	—	8	6	—	—	—	—	6
Net income attributable to Leidos common stockholders	\$ 685	\$ 13	\$ 170	\$ 30	\$ 13	\$ 911	\$ 753	\$ 20	\$ 168	\$ 3	\$ 2	\$ 946
Diluted EPS attributable to Leidos common stockholders	\$ 4.96	\$ 0.09	\$ 1.23	\$ 0.22	\$ 0.09	\$ 6.60	\$ 5.27	\$ 0.14	\$ 1.17	\$ 0.02	\$ 0.01	\$ 6.62
Diluted shares	138	138	138	138	138	138	143	143	143	143	143	143
Net income	\$ 693	\$ 13	\$ 170	\$ 30	\$ 13	\$ 919	\$ 759	\$ 20	\$ 168	\$ 3	\$ 2	\$ 952
Income tax expense ⁽¹⁾	193	4	59	10	5	271	208	7	58	1	1	275
Income before income taxes	886	17	229	40	18	1,190	967	27	226	4	3	1,227
Depreciation expense	103	—	—	—	—	103	97	—	—	—	—	97
Amortization of intangibles	230	—	(229)	—	—	1	228	—	(226)	—	—	2
Interest expense, net	199	—	—	—	—	199	184	—	—	—	—	184
EBITDA	\$ 1,418	\$ 17	\$ —	\$ 40	\$ 18	\$ 1,493	\$ 1,476	\$ 27	\$ —	\$ 4	\$ 3	\$ 1,510
EBITDA margin ⁽²⁾	9.8 %					10.4 %	10.7 %					11.0 %

Notes:

1. Tax impact of non-GAAP items calculated using estimated statutory tax rate
2. EBITDA divided by revenues (slide 5)

Segment Non-GAAP OI Reconciliation (Quarter)

Three Months Ended December 30, 2022

<i>(in millions)</i>	Operating income (loss)	Acquisition, integration and restructuring costs	Amortization of acquired intangibles	Asset impairment charges	Non-GAAP operating income (loss)	Non-GAAP operating margin⁽¹⁾
Defense Solutions	\$ 132	\$ —	\$ 33	\$ 12	\$ 177	8.6 %
Civil	74	—	17	14	105	11.2 %
Health	86	—	7	6	99	14.3 %
Corporate	(27)	5	—	5	(17)	NM
Total	\$ 265	\$ 5	\$ 57	\$ 37	\$ 364	9.8 %

Three Months Ended December 31, 2021

<i>(in millions)</i>	Operating income (loss)	Acquisition, integration and restructuring costs	Amortization of acquired intangibles	Asset impairment charges	Non-GAAP operating income (loss)	Non-GAAP operating margin ⁽¹⁾
Defense Solutions	\$ 140	\$ —	\$ 28	\$ —	\$ 168	8.2 %
Civil	61	—	19	—	80	10.0 %
Health	103	—	8	1	112	17.8 %
Corporate	(34)	6	—	—	(28)	NM
Total	\$ 270	\$ 6	\$ 55	\$ 1	\$ 332	9.5 %

Notes:

1. Non-GAAP operating income divided by revenues (slide 5 and 6)

NM - Not Meaningful

Segment Non-GAAP OI Reconciliation (FY)

Year Ended December 30, 2022						
(in millions)	Operating income (loss)	Acquisition, integration and restructuring costs	Amortization of acquired intangibles	Asset impairment charges	Non-GAAP operating income (loss)	Non-GAAP operating margin ⁽¹⁾
Defense Solutions	\$ 541	\$ —	\$ 130	\$ 12	\$ 683	8.3 %
Civil	234	—	70	14	318	9.2 %
Health	421	—	29	9	459	17.1 %
Corporate	(108)	17	—	5	(86)	NM
Total	\$ 1,088	\$ 17	\$ 229	\$ 40	\$ 1,374	9.5 %

Year Ended December 31, 2021						
(in millions)	Operating income (loss)	Acquisition, integration and restructuring costs	Amortization of acquired intangibles	Asset impairment charges	Non-GAAP operating income (loss)	Non-GAAP operating margin ⁽¹⁾
Defense Solutions	\$ 569	\$ —	\$ 121	\$ —	\$ 690	8.6 %
Civil	248	—	73	—	321	10.2 %
Health	442	—	32	4	478	18.8 %
Corporate	(107)	27	—	—	(80)	NM
Total	\$ 1,152	\$ 27	\$ 226	\$ 4	\$ 1,409	10.3 %

Notes:

1. Non-GAAP operating income divided by revenues (slides 5 and 6)

NM - Not Meaningful

Free Cash Flow

	Three Months Ended		Year Ended	
	December 30, 2022	December 31, 2021	December 30, 2022	December 31, 2021
<i>(in millions, except conversion ratio)</i>				
Net cash provided by operating activities	\$ 105	\$ 210	\$ 986	\$ 1,031
Payments for property, equipment and software	(53)	(33)	(129)	(104)
Free cash flow	\$ 52	\$ 177	\$ 857	\$ 927
Net income attributable to Leidos common stockholders	\$ 177	\$ 174	\$ 685	\$ 753
Acquisition, integration and restructuring costs ⁽¹⁾	4	4	13	20
Amortization of acquired intangibles ⁽¹⁾	42	41	170	168
Asset impairment charges ⁽¹⁾	28	1	30	3
Loss on sale of business ⁽¹⁾	—	2	—	2
Derivative loss ⁽¹⁾	1	—	13	—
Non-GAAP net income attributable to Leidos common stockholders	\$ 252	\$ 222	\$ 911	\$ 946
Operating cash flow conversion ratio ⁽²⁾	59 %	121 %	144 %	137 %
Free cash flow conversion ratio ⁽³⁾	21 %	80 %	94 %	98 %

Notes:

1. After-tax expenses excluded from non-GAAP net income
2. Net cash provided by operating activities divided by net income attributable to Leidos common stockholders
3. Free cash flow divided by non-GAAP net income attributable to Leidos common stockholders