



Leidos Q4 FY24 Earnings Conference Call

February 11, 2025

FORWARD-LOOKING STATEMENTS

Certain statements in this release contain or are based on "forward-looking" information within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by words such as "expects," "intends," "plans," "anticipates," "believes," "estimates," "guidance" and similar words or phrases. Forward-looking statements in this release include, among others, estimates of our future growth, strategy 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 renewal of existing contracts upon recompetition, including within our health managed services business, business contingency plans, government budgets and the ongoing Continuing Resolution, uncertainties in tax due to new tax legislation or other regulatory developments, 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 release 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; 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, including its organizational conflict of interest rules; changes in global trade policies, tariffs and other measures that could restrict international trade;

increased preference by the U.S. government for minority-owned, small and small disadvantaged businesses; fluctuations in foreign currency exchange rates; 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 ability to respond rapidly to emerging technology trends, including the use of artificial intelligence; 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 health epidemics, pandemics and similar outbreak 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 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 February 11, 2025. Leidos expressly disclaims any duty to update the guidance or any other forward-looking statement provided in this release to reflect subsequent events, actual results or changes in Leidos' expectations. Leidos also disclaims any duty to comment upon or correct information that may be contained in reports published by investment analysts or others.

NON-GAAP FINANCIAL MEASURES

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

These are not measures of financial performance under generally accepted accounting principles in the U.S. 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.

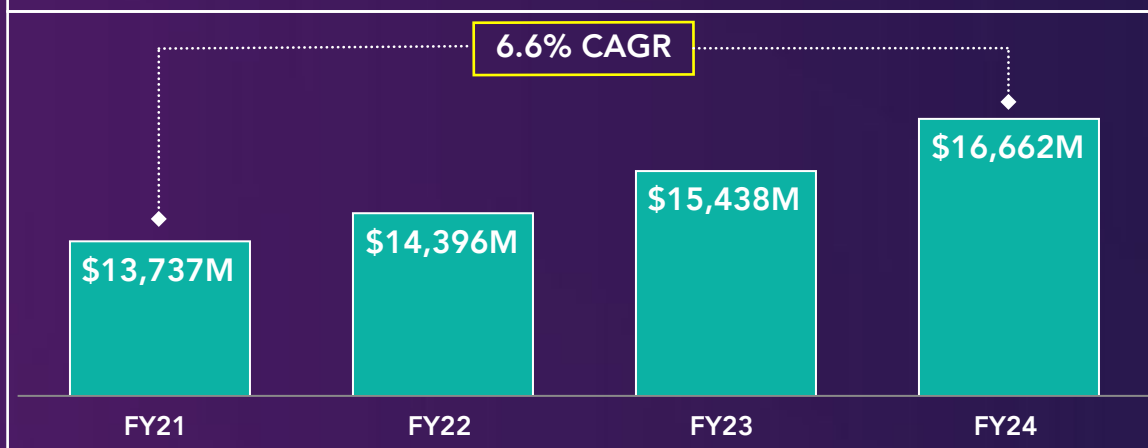
Management believes that these non-GAAP measures provide another measure of Leidos' results of operations and financial condition, including its ability to comply with financial covenants. These non-GAAP measures are frequently used by financial analysts covering Leidos and its peers. Leidos' computation 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.

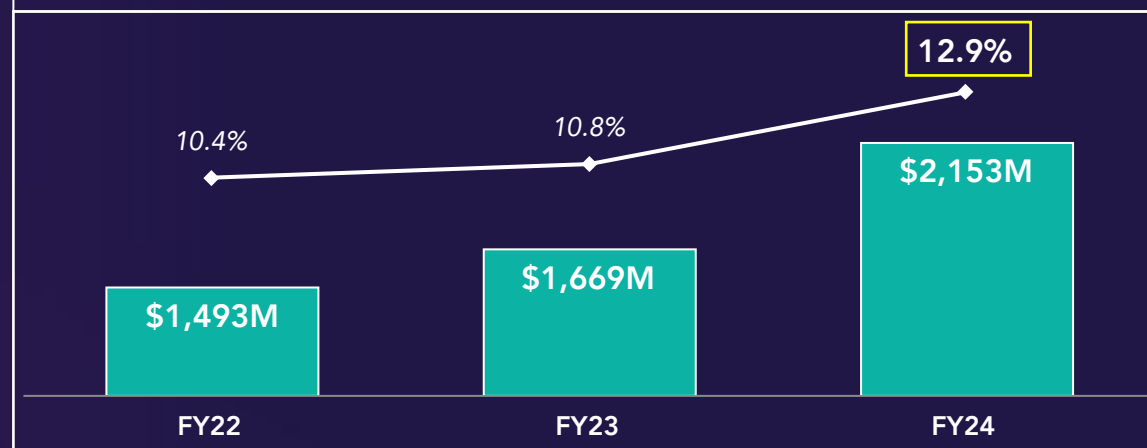
A reconciliation between all non-GAAP measures used in this presentation to the most directly comparable GAAP measure is contained in the appendix.

OUTPERFORMED FY22-24 FINANCIAL TARGETS

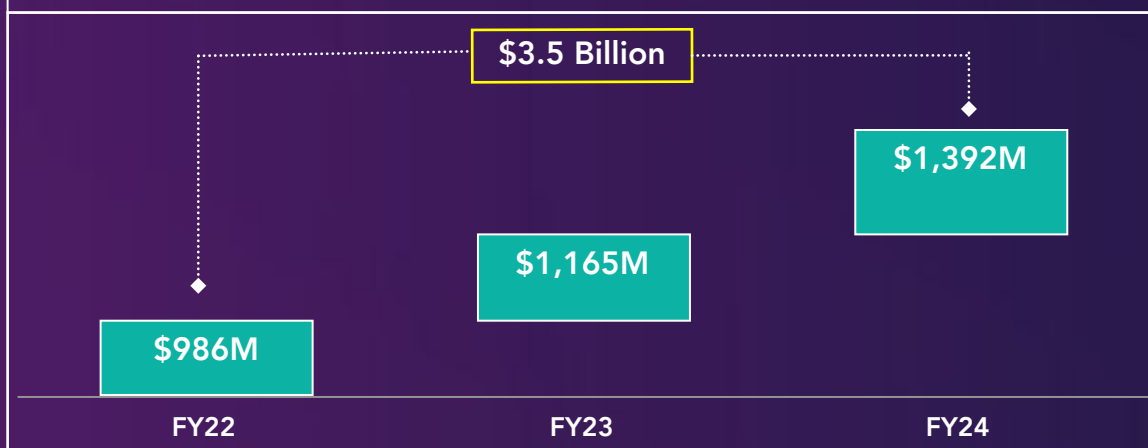
Organic Revenue CAGR (5-6% Target)



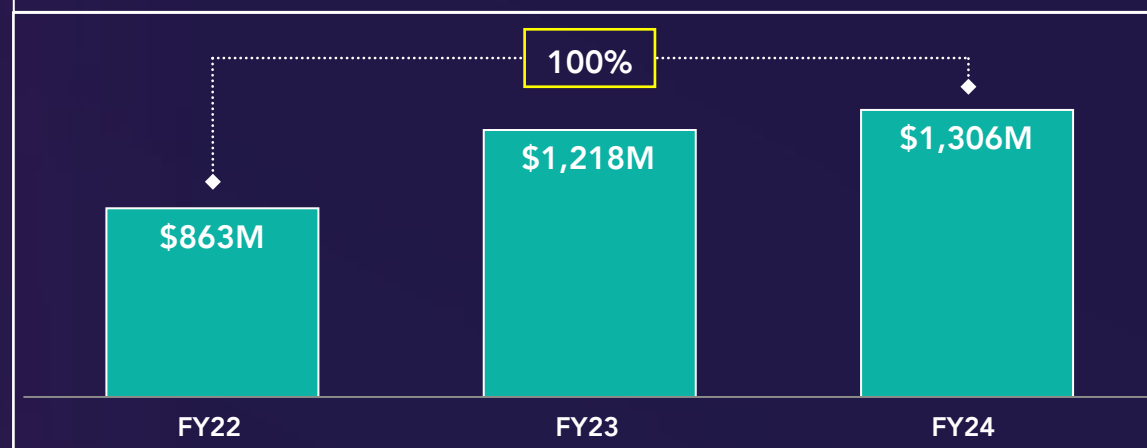
Terminal Adjusted EBITDA Margin (10.5%+ Target)



Cumulative Operating Cash Flow (\$3.5B Target)



Free Cash Flow Conversion* (100% Target)



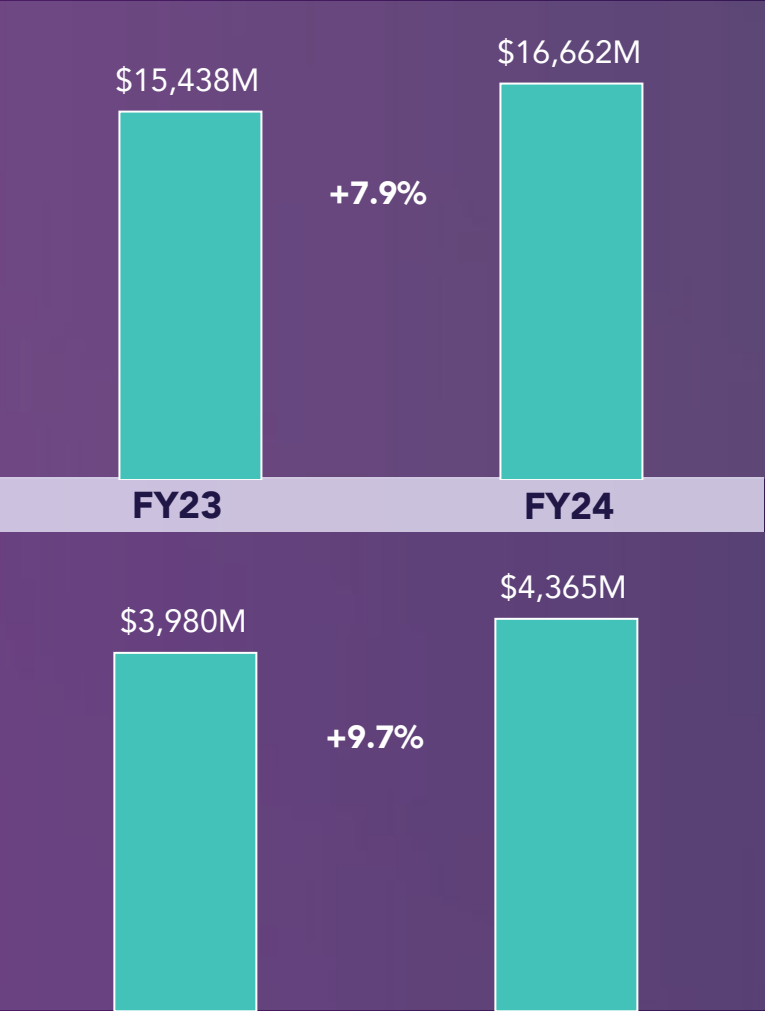
CEO KEY MESSAGES

- **NorthStar 2030**
 - Robust strategy grounded in specific growth pillars with growing customer needs, robust profitability, differentiated Leidos capabilities
- **Leidos Exists to Make Our Customers' Outcomes Smarter and More Efficient**
- **Our Mission and Strategy Align Perfectly with Our New Administration's Priorities**
 - Proven track record of modernizing complex IT environments
 - Positive disruptor in bringing transformational capabilities to the warfighter at pace
 - Demonstrated success delivering outstanding services through public-private partnerships
- **Record-Breaking Q4 Book-to-Bill of 1.7x; 2024 Book-to-Bill of 1.4x; YoY Backlog Increase of 18%**

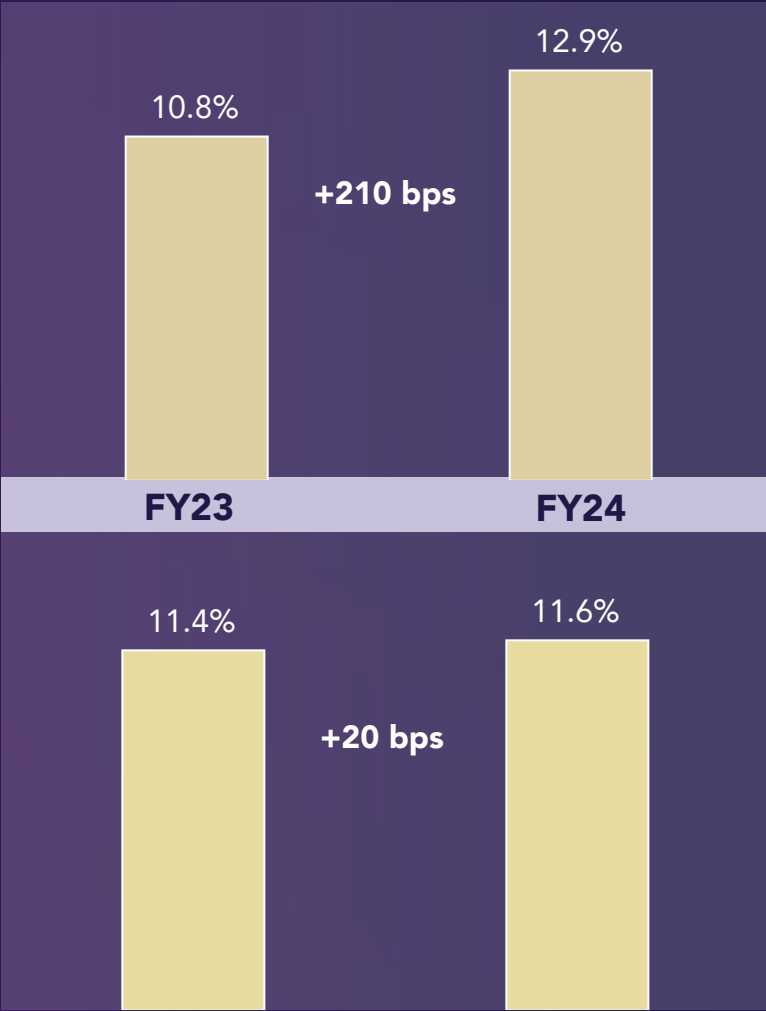
Proven Performance; Strong Foundation; Bold Vision; Outstanding Outlook

FY24 AND Q4 RESULTS: INCOME STATEMENT

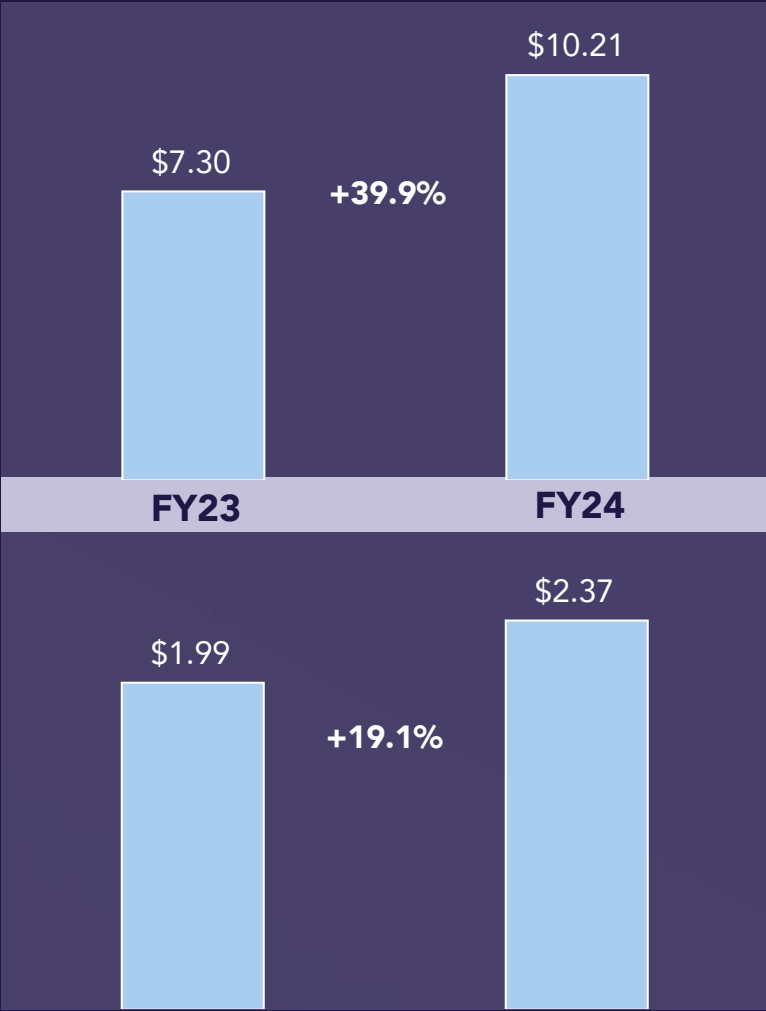
Revenues



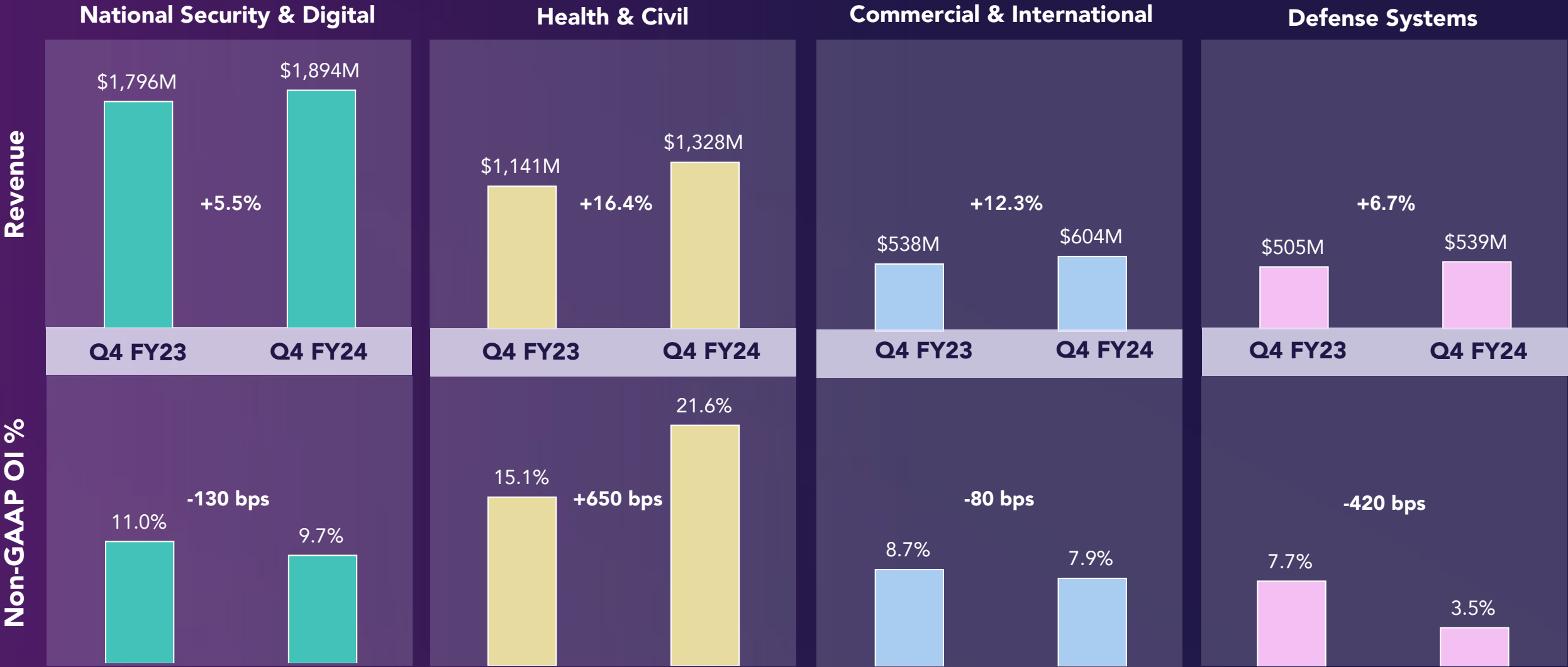
Adjusted EBITDA Margin



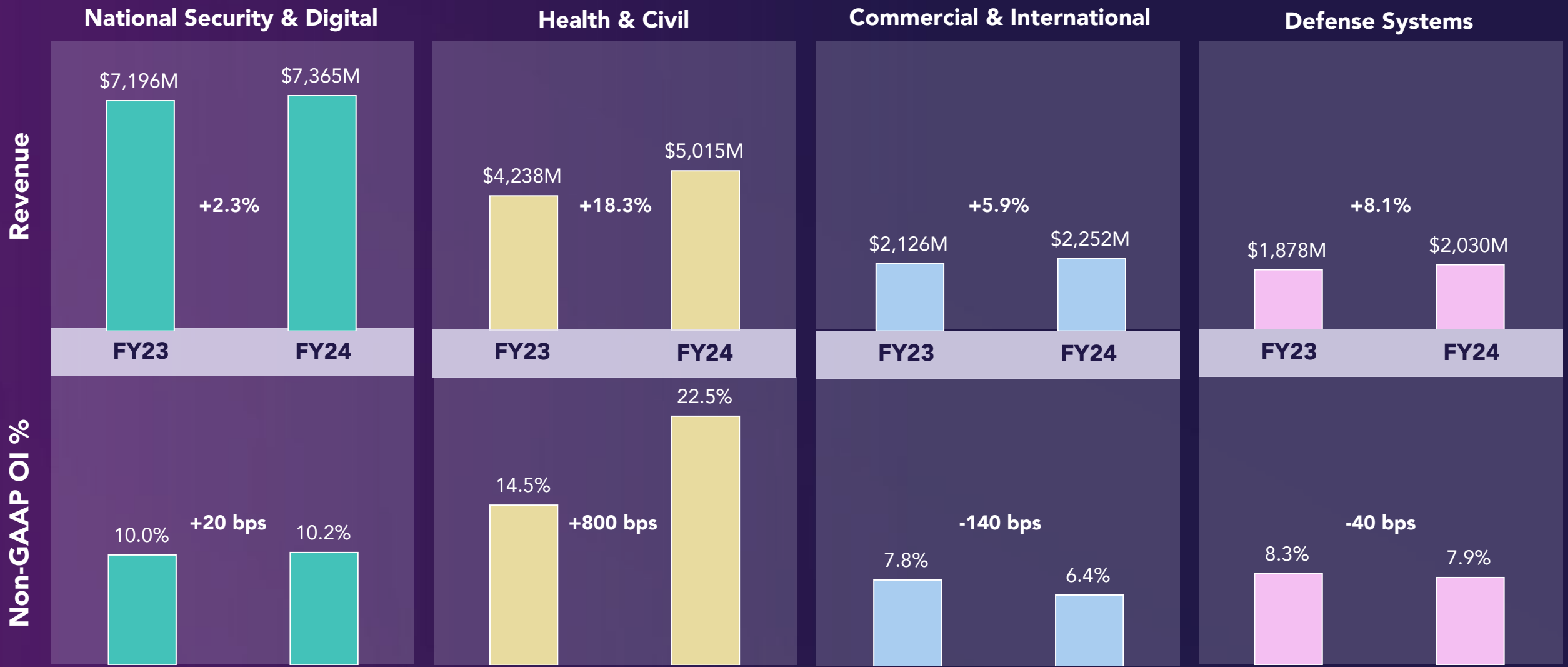
Non-GAAP Diluted EPS



Q4 SEGMENT RESULTS



FY24 SEGMENT RESULTS



FY24 AND Q4 RESULTS: CASH FLOW / BALANCE SHEET

Cash Flow Generation

Strong EBITDA, collections, and working capital management

	<u>Q4</u>	<u>FY24</u>
- Operating cash flow	\$299M	\$1,392M
- Non-GAAP free cash flow	\$213M	\$1,243M
- DSO of 59 days, in-line with the third quarter		

Capital Deployment

Exceeded open market share repurchase commitment by \$350M

	<u>Q4</u>	<u>FY24</u>
- Total return to shareholders	\$459M	\$1,114M
- CapEx & net debt repayment	\$90M	\$167M
- Share repurchases	\$406M	\$906M

Balance Sheet

Strong balance sheet provides significant capacity

- Strong liquidity	>\$1.5B
- Total debt	\$4.7B
- Leverage ratio (net)	1.7x
- Leverage ratio (gross)	2.2x

2025 GUIDANCE

Measure	FY25 Guidance
Revenues (B)	\$16.9 - \$17.3
Adjusted EBITDA Margin	Mid-High 12%
Non-GAAP Diluted EPS	\$10.35 - \$10.75
Cash Flows Provided by Operating Activities (B)	Approximately \$1.45

Key Assumptions

- Accounts for the ongoing continuing resolution and a pivot away from low-margin work
- Growth supported by accelerated award activity and new business starts
- Enduring and robust pipeline aligned to critical mission areas across entire portfolio
- 23.5-24% Effective Tax Rate
- Share repurchase activity roughly consistent with 2024 levels

APPENDIX

Non-GAAP Reconciliations

ORGANIC GROWTH

(in millions, except growth rates)	Q4 FY24	Q4 FY23	% Change	FY24	FY23	% Change
National Security & Digital						
Revenues, as reported	\$ 1,894	\$ 1,796	5%	\$ 7,365	\$ 7,196	2%
Health & Civil						
Revenues, as reported	\$ 1,328	\$ 1,141	16%	\$ 5,015	\$ 4,238	18%
Commercial & International						
Revenues, as reported	\$ 604	\$ 538	12%	\$ 2,252	\$ 2,126	6%
Defense Systems						
Revenues, as reported	\$ 539	\$ 505	7%	\$ 2,030	\$ 1,878	8%
Acquisition and divestiture revenues ⁽¹⁾	—	—	—%	—	7	(100)%
Organic revenues	\$ 539	\$ 505	7%	\$ 2,030	\$ 1,871	8%
Total Operations						
Revenues, as reported	\$ 4,365	\$ 3,980	10%	\$ 16,662	\$ 15,438	8%
Acquisition and divestiture revenues ⁽¹⁾	—	—	—%	—	7	(100)%
Organic revenues	\$ 4,365	\$ 3,980	10%	\$ 16,662	\$ 15,431	8%

Note:

1. Year ago acquisition and divestiture revenues reflect revenues from assets subsequently divested. For the twelve months ended December 29, 2023, Defense Systems segment acquisition and divestiture revenues include the divestiture of an immaterial asset that was completed on October 20, 2023.

Q4 NON-GAAP INCOME METRICS

	Three Months Ended January 3, 2025					Three Months Ended December 29, 2023					
	As reported	Acquisition, integration and restructuring costs	Amortization of acquired intangibles	Asset impairment charges	Non-GAAP results	As reported	Acquisition, integration and restructuring costs	Amortization of acquired intangibles	Asset impairment charges	Goodwill impairment charges	Non-GAAP results
<i>(in millions, except per share amounts)</i>											
Operating income	\$ 421	\$ 2	\$ 37	\$ 5	\$ 465	\$ 361	\$ 10	\$ 49	\$ 3	\$ (3)	\$ 420
Non-operating expense, net	(46)	—	—	—	(46)	(51)	—	—	—	—	(51)
Income before income taxes	375	2	37	5	419	310	10	49	3	(3)	369
Income tax expense ⁽¹⁾	(93)	—	(9)	(1)	(103)	(80)	(2)	(13)	(1)	3	(93)
Net income	282	2	28	4	316	230	8	36	2	—	276
Less: Net (loss) income attributable to non-controlling interest	(2)	—	—	—	(2)	1	—	—	—	—	1
Net income attributable to Leidos common stockholders	\$ 284	\$ 2	\$ 28	\$ 4	\$ 318	\$ 229	\$ 8	\$ 36	\$ 2	\$ —	\$ 275
Diluted EPS attributable to Leidos common stockholders ⁽²⁾	\$ 2.12	\$ 0.01	\$ 0.21	\$ 0.03	\$ 2.37	\$ 1.66	\$ 0.06	\$ 0.26	\$ 0.01	\$ —	\$ 1.99
Diluted shares	134	134	134	134	134	138	138	138	138	138	138
Income before income taxes	375	2	37	5	419	310	10	49	3	(3)	369
Depreciation expense	42	—	—	—	42	34	—	—	—	—	34
Amortization of intangibles	37	—	(37)	—	—	49	—	(49)	—	—	—
Interest expense, net	47	—	—	—	47	49	—	—	—	—	49
EBITDA	\$ 501	\$ 2	\$ —	\$ 5	\$ 508	\$ 442	\$ 10	\$ —	\$ 3	\$ (3)	\$ 452
EBITDA margin ⁽³⁾	11.5 %				11.6 %	11.1 %					11.4 %

Notes:

1. Calculation uses an estimated statutory tax rate on non-GAAP adjustments.
2. Earnings per share is computed independently for each of the non-GAAP adjustments presented and therefore may not sum to the total non-GAAP earnings per share due to rounding.
3. EBITDA divided by revenues (slide 5)

FULL YEAR NON-GAAP INCOME METRICS

	Year Ended January 3, 2025						Year Ended December 29, 2023					
	As reported	Acquisition, integration and restructuring costs ⁽³⁾	Amortization of acquired intangibles	Asset impairment charges	Gain on sale of intangible assets	Non-GAAP results	As reported	Acquisition, integration and restructuring costs ⁽³⁾	Amortization of acquired intangibles	Asset impairment charges	Goodwill impairment charges	Non-GAAP results
(in millions, except per share amounts)												
Operating income	\$ 1,827	\$ 22	\$ 147	\$ 11	\$ —	\$ 2,007	\$ 621	\$ 36	\$ 202	\$ 91	\$ 596	\$ 1,546
Non-operating expense, net	(188)	—	—	—	(2)	(190)	(218)	—	—	—	—	(218)
Income before income taxes	1,639	22	147	11	(2)	1,817	403	36	202	91	596	1,328
Income tax expense ⁽¹⁾	(388)	(5)	(37)	(3)	1	(432)	(195)	(9)	(51)	(31)	(26)	(312)
Net income	1,251	17	110	8	(1)	1,385	208	27	151	60	570	1,016
Less: Net (loss) income attributable to non-controlling interest	(3)	—	—	—	—	(3)	9	—	—	—	—	9
Net income attributable to Leidos common stockholders	\$ 1,254	\$ 17	\$ 110	\$ 8	\$ (1)	\$ 1,388	\$ 199	\$ 27	\$ 151	\$ 60	\$ 570	\$ 1,007
Diluted EPS attributable to Leidos common stockholders ⁽²⁾	\$ 9.22	\$ 0.13	\$ 0.81	\$ 0.06	\$ (0.01)	\$ 10.21	\$ 1.44	\$ 0.20	\$ 1.09	\$ 0.43	\$ 4.13	\$ 7.30
Diluted shares	136	136	136	136	136	136	138	138	138	138	138	138
Income before income taxes	1,639	22	147	11	(2)	1,817	403	36	202	91	596	1,328
Depreciation expense	143	—	—	—	—	143	129	—	—	—	—	129
Amortization of intangibles	147	—	(147)	—	—	—	202	—	(202)	—	—	—
Interest expense, net	193	—	—	—	—	193	212	—	—	—	—	212
EBITDA	\$ 2,122	\$ 22	\$ —	\$ 11	\$ (2)	\$ 2,153	\$ 946	\$ 36	\$ —	\$ 91	\$ 596	\$ 1,669
EBITDA margin ⁽⁴⁾	12.7 %					12.9 %	6.1 %					10.8 %

Notes:

1. Calculation uses an estimated statutory tax rate on non-GAAP adjustments.
2. Earnings per share is computed independently for each of the non-GAAP adjustments presented and therefore may not sum to the total non-GAAP earnings per share due to rounding.
3. Asset markdowns associated with restructuring activities were recorded to "Cost of revenues" in the consolidated statements of operations.
4. EBITDA divided by revenues (slide 5)

Q4 SEGMENT NON-GAAP OPERATING INCOME

	Three Months Ended January 3, 2025					
(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⁾
National Security & Digital	\$ 175	\$ —	\$ 6	\$ 3	\$ 184	9.7 %
Health & Civil	279	—	6	2	287	21.6 %
Commercial & International	40	—	8	—	48	7.9 %
Defense Systems	2	—	17	—	19	3.5 %
Corporate	(75)	2	—	—	(73)	NM
Total	\$ 421	\$ 2	\$ 37	\$ 5	\$ 465	10.7 %

	Three Months Ended December 29, 2023						
(in millions)	Operating income (loss)	Acquisition, integration and restructuring costs	Amortization of acquired intangibles	Asset impairment charges	Goodwill impairment charges	Non-GAAP operating income (loss)	Non-GAAP operating margin ⁽¹⁾
National Security & Digital	\$ 185	\$ —	\$ 12	\$ —	\$ —	\$ 197	11.0 %
Health & Civil	162	—	10	—	—	172	15.1 %
Commercial & International	39	—	8	3	(3)	47	8.7 %
Defense Systems	18	2	19	—	—	39	7.7 %
Corporate	(43)	8	—	—	—	(35)	NM
Total	\$ 361	\$ 10	\$ 49	\$ 3	\$ (3)	\$ 420	10.6 %

Notes:

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

NM - Not Meaningful

FULL YEAR SEGMENT NON-GAAP OPERATING INCOME

Year Ended January 3, 2025

(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⁾
National Security & Digital	\$ 720	\$ —	\$ 23	\$ 5	\$ 748	10.2 %
Health & Civil	1,095	—	27	4	1,126	22.5 %
Commercial & International	104	9	30	2	145	6.4 %
Defense Systems	94	—	67	—	161	7.9 %
Corporate	(186)	13	—	—	(173)	NM
Total	\$ 1,827	\$ 22	\$ 147	\$ 11	\$ 2,007	12.0 %

Year Ended December 29, 2023

(in millions)	Operating income (loss)	Acquisition, integration and restructuring costs	Amortization of acquired intangibles	Asset impairment charges	Goodwill impairment charges	Non-GAAP operating income (loss)	Non-GAAP operating margin ⁽¹⁾
National Security & Digital	\$ 672	\$ —	\$ 47	\$ —	\$ —	\$ 719	10.0 %
Health & Civil	574	—	40	—	—	614	14.5 %
Commercial & International	(560)	10	37	83	596	166	7.8 %
Defense Systems	65	5	78	8	—	156	8.3 %
Corporate	(130)	21	—	—	—	(109)	NM
Total	\$ 621	\$ 36	\$ 202	\$ 91	\$ 596	\$ 1,546	10.0 %

Notes:

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

NM - Not Meaningful

NON-GAAP FREE CASH FLOW

(in millions, except conversion ratio)	Three Months Ended		Year Ended	
	January 3, 2025	December 29, 2023	January 3, 2025	December 29, 2023
Net cash provided by operating activities ⁽¹⁾	\$ 299	\$ 304	\$ 1,392	\$ 1,165
Payments for property, equipment and software	(86)	(78)	(149)	(207)
Non-GAAP free cash flow	\$ 213	\$ 226	\$ 1,243	\$ 958
Net income attributable to Leidos common stockholders	\$ 284	\$ 229	\$ 1,254	\$ 199
Acquisition, integration and restructuring costs ⁽²⁾⁽³⁾	2	8	17	27
Amortization of acquired intangibles ⁽²⁾	28	36	110	151
Goodwill impairment charges ⁽²⁾	—	—	—	570
Asset impairment charges ⁽²⁾	4	2	8	60
Gain on sale of intangible assets ⁽²⁾	—	—	(1)	—
Non-GAAP net income attributable to Leidos common stockholders	\$ 318	\$ 275	\$ 1,388	\$ 1,007
Operating cash flow conversion ratio ⁽⁴⁾	105 %	133 %	111 %	585 %
Non-GAAP free cash flow conversion ratio ⁽⁵⁾	67 %	82 %	90 %	95 %

Notes:

1. Prior year financial information has been reclassified to reflect the effect of foreign exchange rate changes on cash, cash equivalents and restricted cash in net cash provided by operating activities.
2. After-tax expenses excluded from non-GAAP net income.
3. Asset markdowns associated with restructuring activities were recorded to "Cost of revenues" in the consolidated statements of operations.
4. Net cash provided by operating activities divided by net income attributable to Leidos common stockholders.
5. Free cash flow divided by non-GAAP net income attributable to Leidos common stockholders.