



Leidos Q1 FY25 Earnings Conference Call

MAY 6, 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; deterioration of economic conditions or weakening in credit or capital markets; uncertainty in the consequences of current and future geopolitical events; 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 an epidemic, pandemic, or 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, disposal, and other processing, 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 May 6, 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.

CEO ASSESSMENT AND OUTLOOK

Exceptional Q1 performance builds on momentum from 2024

- Organic revenue growth of 7%
- Standout adjusted EBITDA margin of 14.2%
- Non-GAAP Diluted EPS up 30% YoY
- Realizing value for customers through smarter and more efficient outcomes
- Leveraging technology investments

Reaffirming 2025 Guidance for all metrics

- Strong start to the year
- Proactively implemented targeted cost controls to meet the moment
- Confidence in our alignment to the needs of the Administration



The Digital, Mission, and Solutions Leader

Innovative solutions in the **Space** and **Maritime** domains

Space | Maritime

Efficient engineering and technology solutions for a secure **Energy Infrastructure**

Energy

Scaled **Digital Modernization** and full-spectrum **Cyber** solutions

DigMod | Cyber

Rapid, custom, secure **Mission Software**

Mission Software

Market-leading **Managed Health Services**

Health

Serving customers with smarter, more efficient innovations

EXECUTING NORTHSTAR 2030

Capital Allocation underscores conviction in strategy

- \$500M Accelerated Share Repurchase
- Pending Cyber Acquisition

Cyber is core to Leidos — long-time "Golden Bolt" and now Growth Pillar

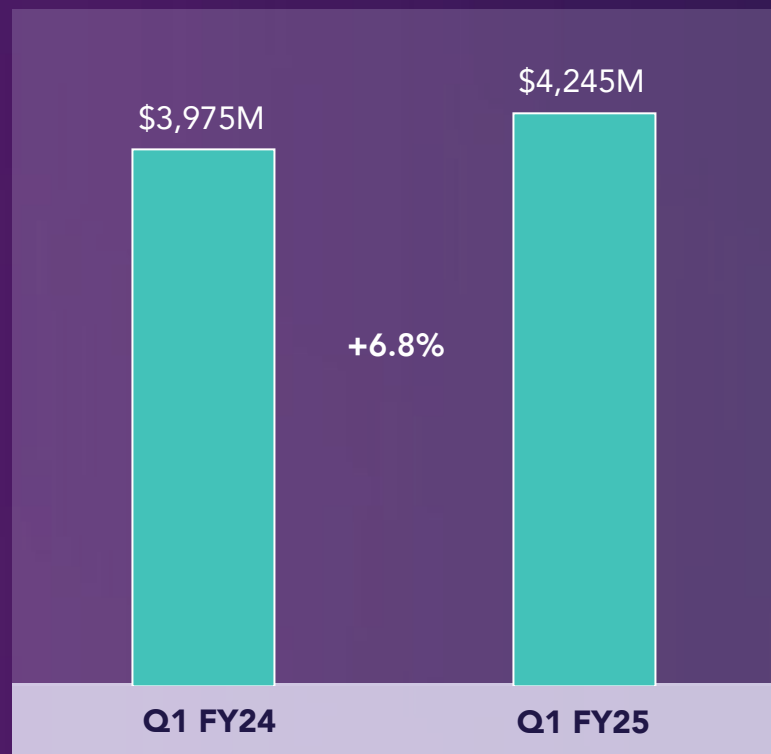
- Largest cyber operation across federal gov't
- Significant investments in cyber will sustain
- Pending acquisition is a leader in cybersecurity R&D for national security

Active engagement on "Big Ideas", including:

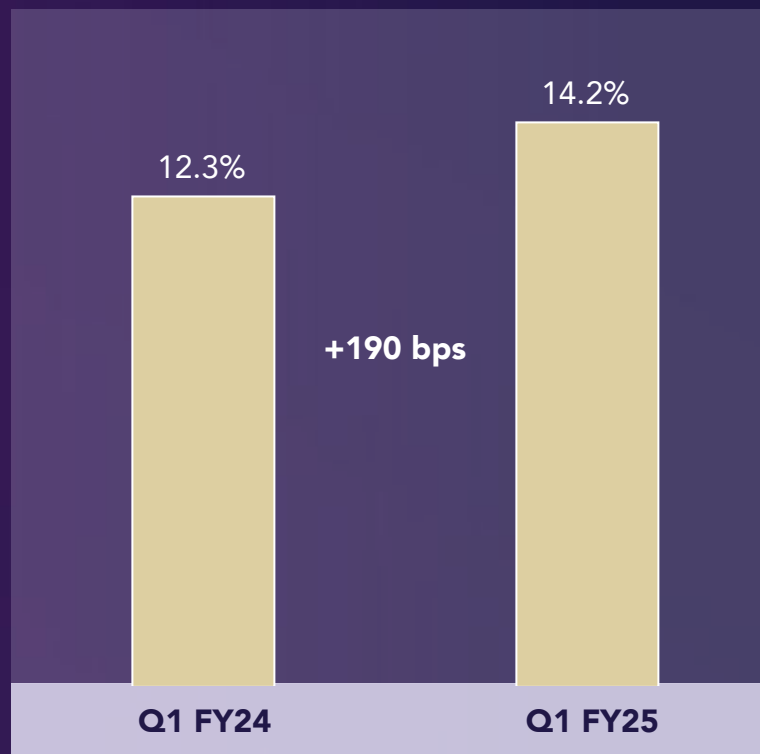
- Next generation Air Traffic Control System
- Golden Dome Missile Defense System

Q1 FY25 RESULTS: INCOME STATEMENT

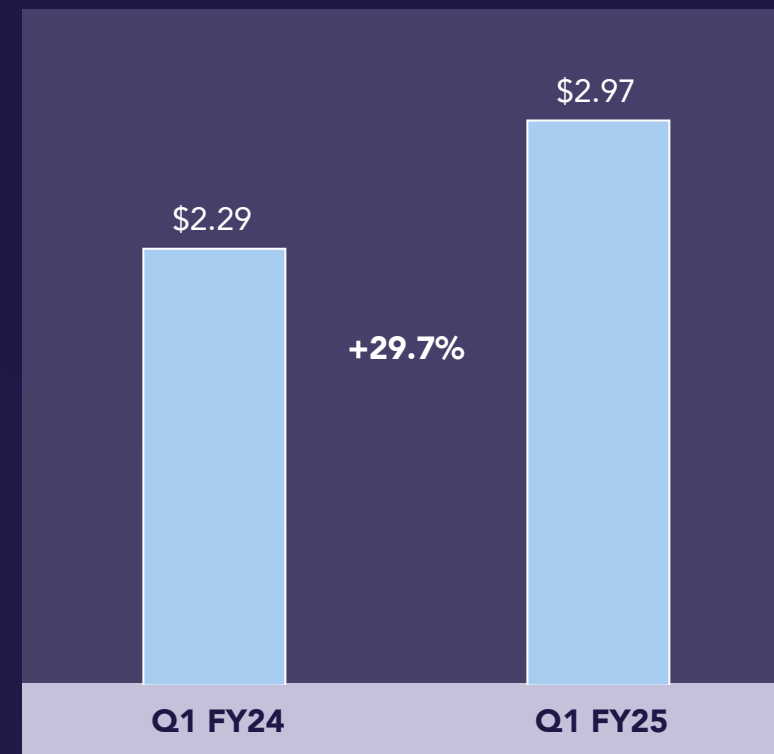
Revenues



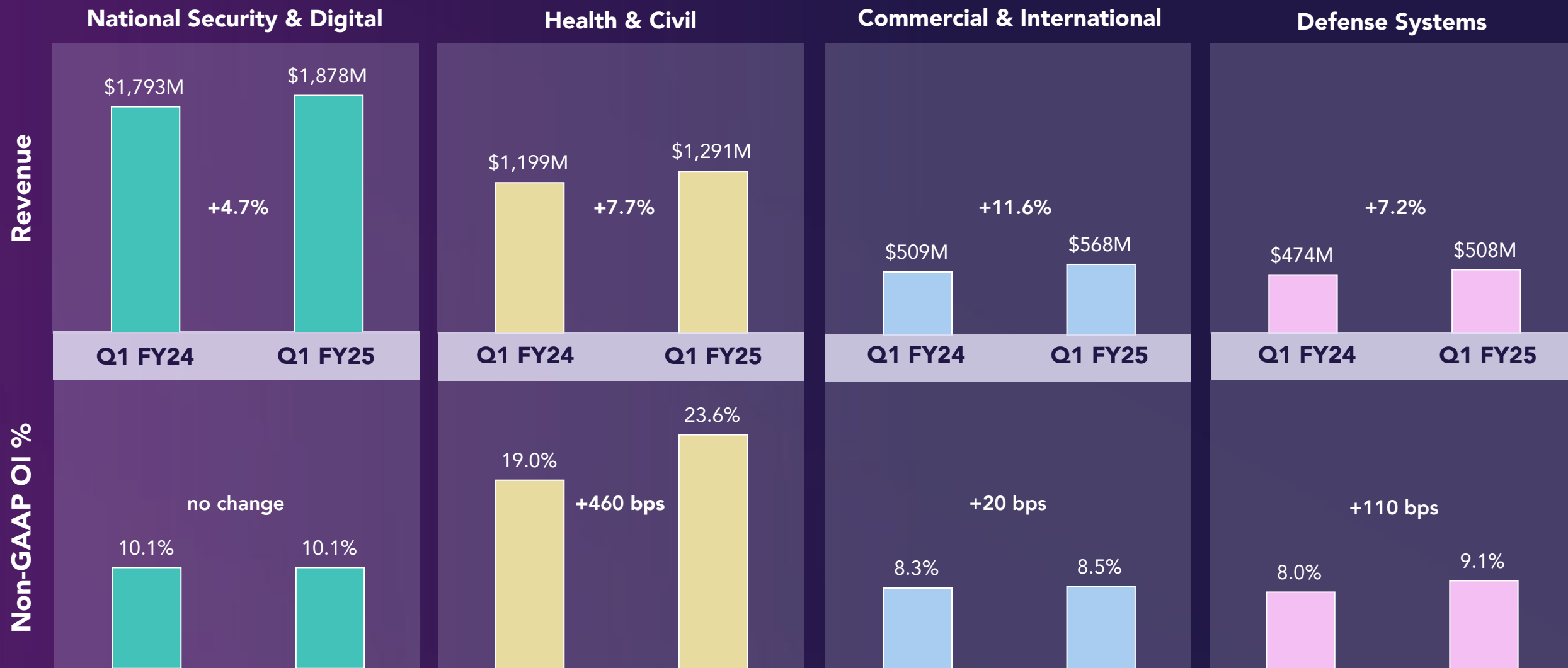
Adjusted EBITDA Margin



Non-GAAP Diluted EPS



Q1 FY25 RESULTS: SEGMENT VIEW



Q1 FY25 RESULTS: CASH FLOW / BALANCE SHEET

Cash Flow Generation

Robust EBITDA and solid collections performance

- Operating cash flow **\$58M**
- Non-GAAP free cash flow **\$36M**
- DSO of 62 in-line w/ prior year

Capital Deployment

Executed a \$500M accelerated share repurchase and signed definitive agreement to acquire a full spectrum cyber leader

- Total return to shareholders **\$581M**
- CapEx & net debt repayment **-\$439M**
- Net share repurchases **\$513M**

Balance Sheet

Strengthened balance sheet and paid off \$500M bond due in May using proceeds from \$1.0B in new bond issuances

- Strong liquidity **>\$1.5B**
- Total debt **\$5.1B**
- Leverage ratio (gross) **2.3x**
- Leverage ratio (net) **1.9x**

2025 GUIDANCE

Reaffirming 2025 Guidance On All Metrics

MEASURE	FY25 GUIDANCE
Revenues (billions)	\$16.90 - \$17.30
Adjusted EBITDA Margin	Mid-High 12%
Non-GAAP Diluted EPS	\$10.35 - \$10.75
Cash Flows Provided by Operating Activities (billions)	Approximately \$1.45

Key Drivers

- Strong Q1 performance de-risks volatile environment
- Confident in robust opportunity pipeline

APPENDIX

Non-GAAP Reconciliations

NON-GAAP INCOME METRICS

	Three Months Ended April 4, 2025				Three Months Ended March 29, 2024			
	As reported	Acquisition, integration and restructuring costs ⁽¹⁾	Amortization of acquired intangibles	Non-GAAP results	As reported	Acquisition, integration and restructuring costs	Amortization of acquired intangibles	Non-GAAP results
<i>(in millions, except per share amounts)</i>								
Operating income	\$ 530	\$ 5	\$ 30	\$ 565	\$ 415	\$ 4	\$ 37	\$ 456
Non-operating expense, net	(52)	—	—	(52)	(47)	—	—	(47)
Income before income taxes	478	5	30	513	368	4	37	409
Income tax expense ⁽²⁾	(113)	(1)	(8)	(122)	(85)	(1)	(10)	(96)
Net income	365	4	22	391	283	3	27	313
Less: Net (loss) income attributable to non-controlling interest	2	—	—	2	(1)	—	—	(1)
Net income (loss) attributable to Leidos common stockholders	\$ 363	\$ 4	\$ 22	\$ 389	\$ 284	\$ 3	\$ 27	\$ 314
Diluted EPS attributable to Leidos common stockholders ⁽³⁾	\$ 2.77	\$ 0.03	\$ 0.17	\$ 2.97	\$ 2.07	\$ 0.02	\$ 0.20	\$ 2.29
Diluted shares	131	131	131	131	137	137	137	137
Income before income taxes	478	5	30	513	368	4	37	409
Depreciation expense	39	—	—	39	32	—	—	32
Amortization of intangibles	30	—	(30)	—	37	—	(37)	—
Interest expense, net	49	—	—	49	49	—	—	49
Adjusted EBITDA	\$ 596	\$ 5	\$ —	\$ 601	\$ 486	\$ 4	\$ —	\$ 490
Adjusted EBITDA margin ⁽⁴⁾	14.0 %			14.2 %	12.2 %			12.3 %

Notes:

1. Asset markdowns associated with restructuring activities were recorded to "Cost of revenues" in the condensed consolidated statements of operations.
2. Calculation uses an estimated statutory tax rate on non-GAAP adjustments.
3. Earnings per share is computed independently for each of the non-GAAP adjustment presented and therefore may not sum to the total non-GAAP earnings per share due to rounding.
4. Adjusted EBITDA divided by revenues (slide 7).

NON-GAAP SEGMENT OPERATING INCOME

Three Months Ended April 4, 2025					
(in millions)	Operating income (loss)	Acquisition, integration and restructuring costs ⁽¹⁾	Amortization of acquired intangibles	Non-GAAP operating income (loss)	Non-GAAP operating margin ⁽²⁾
National Security & Digital	\$ 185	\$ —	\$ 5	\$ 190	10.1 %
Health & Civil	299	—	6	305	23.6 %
Commercial & International	37	4	7	48	8.5 %
Defense Systems	34	—	12	46	9.1 %
Corporate	(25)	1	—	(24)	NM
Total	\$ 530	\$ 5	\$ 30	\$ 565	13.3 %

Three Months Ended March 29, 2024					
(in millions)	Operating income (loss)	Acquisition, integration and restructuring costs	Amortization of acquired intangibles	Non-GAAP operating income (loss)	Non-GAAP operating margin ⁽²⁾
National Security & Digital	\$ 175	\$ —	\$ 6	\$ 181	10.1 %
Health & Civil	222	—	6	228	19.0 %
Commercial & International	34	—	8	42	8.3 %
Defense Systems	21	—	17	38	8.0 %
Corporate	(37)	4	—	(33)	NM
Total	\$ 415	\$ 4	\$ 37	\$ 456	11.5 %

Notes:

1. Asset markdowns associated with restructuring activities were recorded to "Cost of revenues" in the condensed consolidated statements of operations.
 2. Non-GAAP operating income (loss) divided by revenues (slides 7 and 8).
- NM - Not Meaningful

NON-GAAP FREE CASH FLOW

	Three Months Ended	
	April 4, 2025	March 29, 2024
<i>(in millions, except conversion ratio)</i>		
Net cash provided by operating activities ⁽¹⁾	\$ 58	\$ 113
Payments for property, equipment and software	(22)	(17)
Non-GAAP free cash flow	\$ 36	\$ 96
Net income attributable to Leidos common stockholders	\$ 363	\$ 284
Acquisition, integration and restructuring costs ⁽²⁾⁽³⁾	4	3
Amortization of acquired intangibles ⁽²⁾	22	27
Non-GAAP net income attributable to Leidos common stockholders	\$ 389	\$ 314
Operating cash flow conversion ratio ⁽⁴⁾	16 %	40 %
Non-GAAP free cash flow conversion ratio ⁽⁵⁾	9 %	31 %

Notes:

1. Net cash provided by operating activities for the three months ended March 29, 2024, was recast to reflect a change in accounting policy.
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 condensed 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.