

## LATEST FINANCIAL ANNOUNCEMENT

**LEIDOS Holdings**

**NYSE: LDOS**

**Q1 2023**

**2 May 2023**

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### Leidos Holdings, Inc. Reports First Quarter Fiscal Year 2023 Results

MAY 02, 2023

- Revenues of \$3.7 billion, up 6% year-over-year
- Net Income of \$164 million; Adjusted EBITDA of \$346 million
- Diluted Earnings per Share of \$1.17, or \$1.47 on a non-GAAP basis
- Net Bookings of \$3.0 billion (book-to-bill ratio of 0.8)

RESTON, Va., May 2, 2023 /PRNewswire/ -- Leidos Holdings, Inc. (NYSE: LDOS), a FORTUNE 500® science and technology leader, today reported financial results for the first quarter of fiscal year 2023.

Roger Krone, Leidos Chairman and Chief Executive Officer, commented, "Our first quarter results demonstrate our ability to drive strong organic growth, as record revenue performance was consistent with our long-term target. We expect earnings and cash performance to build momentum as we progress through the year and are fully committed to achieving our 2023 guidance. As I step down as CEO, I am confident that Leidos is truly the leader in our industry, with unmatched talent, technical depth and market-facing solutions. Our dedicated team is at the forefront of our customers' most challenging missions as we make the world safer, healthier and more efficient."

#### Summary Operating Results

(in millions, except margin and per share amounts)	Three Months Ended	
	March 31, 2023	April 1, 2022
Revenues	\$ 3,699	\$ 3,494
Net income	\$ 164	\$ 177
Net income margin	4.4 %	5.1 %
Diluted earnings per share (EPS)	\$ 1.17	\$ 1.25
<i>Non-GAAP Measures*:</i>		
Adjusted EBITDA	\$ 346	\$ 358
Adjusted EBITDA margin	9.4 %	10.2 %
Non-GAAP diluted EPS	\$ 1.47	\$ 1.58

*\* Non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information provided 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. See Non-GAAP Financial Measures at the end of this press release for more information and a reconciliation of our selected reported results to these non-GAAP measures.*

Revenues for the quarter were \$3.70 billion, up 6% compared to the first quarter of 2022. Revenues grew year-over-year in all segments, led by broad-based strength across the Civil and Health segments.

Net income was \$164 million and diluted EPS was \$1.17. Net income and diluted EPS were down 7% and 6% year-over-year, respectively. Adjusted EBITDA was \$346 million for the first quarter, down 3% year-over-year, and adjusted EBITDA margin decreased from 10.2% to 9.4% over the same period. Non-GAAP net income was \$205

million for the first quarter, down 8% year-over-year, and non-GAAP diluted EPS for the quarter was \$1.47, down 7% year-over-year.

The primary drivers of lower earnings were expected reductions in certain disability examinations as the result of additional competition and increased expenses in the security products business. In addition, net interest expense increased to \$54 million from \$48 million in the first quarter of 2022.

#### Cash Flow Summary

In the first quarter Leidos used \$98 million of net cash in operating activities and \$39 million in property, equipment and software. Net cash flow from operating activities include \$191 million in tax payments for prior year activities, primarily related to the Tax Cuts and Jobs Act of 2017 provision requiring the capitalization and amortization of research and development costs that went into effect on January 1, 2022. In addition, Leidos used \$57 million for financing activities.

Leidos returned \$93 million to shareholders in the first quarter, including \$43 million in share repurchases and \$50 million as part of its regular quarterly cash dividend program. As of March 31, 2023, Leidos had \$379 million in cash and cash equivalents and \$5.0 billion of debt.

Leidos also took two primary actions to strengthen its balance sheet in the quarter. First, Leidos issued and sold \$750 million aggregate principal amount of senior notes with a fixed rate of 5.75% that will mature in March 2033. Second, Leidos entered into a senior unsecured term loan facility in an aggregate principal amount of \$1.0 billion and a \$1.0 billion senior unsecured revolving facility that will mature in March 2028. Leidos used the proceeds from these actions to repay all of the outstanding obligations on the \$500 million 2.95% note, due May 2023, and the \$1.9 billion term loan facility, due January 2025.

On April 28, 2023, the Leidos Board of Directors declared a cash dividend of \$0.36 per share to be paid on June 30, 2023, to stockholders of record at the close of business on June 15, 2023.

#### New Business Awards

Net bookings totaled \$3.0 billion in the quarter, representing a book-to-bill ratio of 0.8 and a trailing twelve month book-to-bill ratio of 0.9. As a result, backlog at the end of the quarter was \$35.1 billion, of which \$8.3 billion was funded. Included in the quarterly bookings were several notable awards:

- **Signals and Cybersecurity intelligence Services.** An Intelligence Community agency awarded Leidos and its team of Large and Small Business prime contractors five-year, single award contracts with a combined ceiling value of approximately \$1.25 billion to provide expertise to maximize the effectiveness and efficiency of its missions, products and systems. Leidos, as the Lead Prime contractor, provides both technical and Program Management to enable the expansion and modernization of mission capabilities utilizing a consistent architecture for the sponsor agency and its partners. Included in the scope are requirements analysis, design, systems security, development, integration and test, procurement, deployment, modernization, sustainment, and decommissioning of large and complex SIGINT and Cybersecurity intelligence system capabilities.
- **Office of the Director of National Intelligence (ODNI) Support.** ODNI awarded Leidos a seven-year, \$375 million prime contract to provide intelligence, technical, financial and management services. Through this contract Leidos will provide analytic, intelligence management, and systems analysis support covering a wide range of regional and functional topics. Technical services include systems integration, cybersecurity, science and technology, counterintelligence, IT project management, security and risk management.
- **Centers for Medicare and Medicaid Services (CMS) Support.** CMS awarded Leidos a five-year, \$79 million prime contract that will provide onboarding, migration planning, modernization support and maintenance for current and future applications hosted in the enterprise's hybrid cloud environments. Leidos was also awarded three subcontract positions totaling approximately \$23 million to support enterprise portals within

the CMS Office of Information Technology, as well as services for CMS' Center for Clinical Standards and Quality and the Center for Consumer Information and Insurance Oversight.

- **Unmanned Surface Vessel (USV) Operations and Maintenance.** Leidos was recently awarded a new task order by Naval Sea Systems Command to manage, operate and maintain the U.S. Navy's Overlord and medium USVs. Leidos will support active-duty personnel under an increased operational tempo as they begin fully transitioning the USVs to the fleet. The single award task order has a one-year base period of performance and two one-year options and a maximum value of approximately \$95 million. Leidos has delivered four of the five operational medium-sized USVs currently in the Navy's fleet: Ranger, Mariner, Sea Hunter and Seahawk.
- **Airport Security Products.** Leidos was recently awarded contracts by the Transportation Security Administration (TSA), Germany's Frankfurt Airport (FRA), and London's Luton Airport (LLA) to strengthen airport security. The TSA will upgrade its full fleet of Pro:Vision® Advanced Imaging Technology (AIT) systems used at airport security checkpoints with a new artificial intelligence-based algorithm meant to improve threat detection methodology and significantly reduce false alarms. Leidos is deploying its ClearScan™ computed tomography (CT) scanner at FRA and LLA. In addition, LLA is deploying the ProPassage™ automated tray return systems and Mosaic™, Leidos' open-architecture software platform that integrates all security components into a single management system to provide actionable business intelligence across the entire security screening operation.

#### Forward Guidance

Leidos is maintaining its fiscal year 2023 guidance as follows:

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
For information regarding adjusted EBITDA margin and non-GAAP diluted EPS, see the related explanations and reconciliations to GAAP measures included elsewhere in this release.	

Leidos does not provide a reconciliation of forward-looking adjusted EBITDA margins or non-GAAP diluted EPS to 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 net income and diluted EPS being materially less than what may be implied by projected adjusted EBITDA margins and non-GAAP diluted EPS.

<https://investors.leidos.com/news-and-events/news-releases/press-release-details/2023/Leidos-Holdings-Inc.-Reports-First-Quarter-Fiscal-Year-2023-Results/default.aspx>

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## COMPANY PROFILE

### LEIDOS Holdings (NYSE: LDOS)

Leidos is a Fortune 500® technology, engineering, and science solutions and services leader working to solve the world's toughest challenges in the defense, intelligence, civil and health markets. Leidos' 45,000 employees support vital missions for government and commercial customers. Headquartered in Reston, Va., Leidos reported annual revenues of approximately \$14.4 billion for the fiscal year ended December 30, 2022.

<https://www.leidos.com/company/our-business>

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## COMPETITORS

### Cubic Corporation (NYSE: CUB)

Cubic is a technology-driven, market-leading provider of integrated solutions that increase situational understanding for transportation, defense C4ISR and training customers worldwide to decrease urban congestion and improve the militaries' effectiveness and operational readiness. Our teams innovate to make a positive difference in people's lives. We simplify their daily journeys. We promote mission success and safety for those who serve their nation.

<https://www.cubic.com/>

### DXC Technology (NYSE: DXC)

DXC Technology (DXC: NYSE) is the world's leading independent, end-to-end IT services company, serving nearly 6,000 private and public-sector clients from a diverse array of industries across 70 countries. The company's technology independence, global talent and extensive partner network deliver transformative digital offerings and solutions that help clients harness the power of innovation to thrive on change. DXC Technology is recognized among the best corporate citizens globally.

[https://www.dxc.technology/about\\_us](https://www.dxc.technology/about_us)

### General Atomics; General Dynamics (NYSE: GD)

Innovation Spanning Every Sector

General Dynamics is a global aerospace and defense company. From Gulfstream business jets and combat vehicles to nuclear-powered submarines and communications systems, people around the world depend on our products and services for their safety and security.

<https://www.gd.com/>

### L-3Harris Technologies (NYSE: LHX)

L3Harris Technologies is a Trusted Disruptor for the global aerospace and defense industry. With customers' mission-critical needs always in mind, our 46,000 employees deliver end-to-end technology solutions connecting the space, air, land, sea and cyber domains.

<https://www.l3harris.com/about-us>

### Huntington Ingalls Industries (NYSE: HII)

HII is a global engineering and defense technologies provider. With a 135-year history of trusted partnerships in advancing U.S. national security, HII delivers critical capabilities ranging from the most powerful and survivable naval ships ever built, to unmanned systems, ISR and AI/ML analytics. HII leads the industry in mission-driven solutions that support and enable a networked, all-domain force. Headquartered in Virginia, HII's skilled workforce is 44,000 strong.

<https://huntingtoningalls.com/who-we-are/>

**Lockheed Martin (NYSE: LMT)**

Headquartered in Bethesda, Maryland, Lockheed Martin is a global security and aerospace company that employs approximately 116,000 people worldwide and is principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and service

[https://www.lockheedmartin.com/en-us/who-we-are.html?\\_ga=2.176101474.1712358706.1676786940-332323175.1624190056](https://www.lockheedmartin.com/en-us/who-we-are.html?_ga=2.176101474.1712358706.1676786940-332323175.1624190056)

**Northrop Grumman (NYSE: NOC)**

Northrop Grumman is a leading global aerospace and defense technology company. Our pioneering solutions equip our customers with the capabilities they need to connect and protect the world and push the boundaries of human exploration across the universe. Driven by a shared purpose to solve our customers' toughest problems, our 95,000 employees define possible every day.

<https://www.northropgrumman.com/>

**Oshkosh (NYSE: OSK)**

At Oshkosh Defense, we stand behind those who dedicate their lives to protecting others. As a tactical vehicle manufacturer, every day we strive to meet or exceed our customers' ever-changing needs with next-generation defense technologies and advanced systems. We operate with unparalleled commitment to those who depend on our products and services worldwide to perform their missions and return home safely.

Since 1917, Oshkosh Corporation has been a pioneer in military vehicles, systems and technologies. In that time, we have delivered and sustained more than 190,000 tactical wheeled vehicles to our customers in more than 20 countries. Every Oshkosh Defense vehicle is designed to support and protect the men and women who depend on it. Our team is comprised of approximately 5,000 team members, including hundreds who have served or are currently serving in the military, and more with family members and friends currently serving. We are inspired by those who serve, committed to them and driven to provide them with our very best.

<http://oshkoshdefense.com/about/>

**Raytheon Company (NYSE: RTN)**

Raytheon Technologies is the world's largest aerospace and defense company. Our global team of 180,000 employees pushes the limits of known science and redefines how we connect and protect our world. We are advancing aviation, building smarter defense systems and creating innovations to take us deeper into space. The company, with 2022 sales of \$67 billion, is headquartered in Arlington, Virginia.

<https://www.rtx.com/who-we-are/what-we-do>

**SAIC (NYSE: SAIC)**

SAIC is a premier Fortune 500® technology integrator driving our nation's digital transformation. Our robust portfolio of offerings across the defense, space, civilian and intelligence markets includes secure high-end solutions in engineering, IT modernization and mission solutions. Using our expertise and understanding of existing and emerging technologies, we integrate the best components from our own portfolio and our partner ecosystem to deliver innovative, effective and efficient solutions that are critical to achieving our customers' missions.



We are approximately 26,000 strong; driven by mission, united by purpose, and inspired by opportunities. SAIC is an Equal Opportunity Employer, fostering a culture of diversity, equity and inclusion, which is core to our values and important to attract and retain exceptional talent. Headquartered in Reston, Virginia, SAIC has annual revenues of approximately \$7.4 billion. For more information, visit [saic.com](http://saic.com). For ongoing news, please visit our newsroom.

<http://www.saic.com/who-we-are/about-saic>

### **The Boeing Company (NYSE: BA)**

As a leading global aerospace company, Boeing develops, manufactures and services commercial airplanes, defense products and space systems for customers in more than 150 countries. As a top U.S. exporter, the company leverages the talents of a global supplier base to advance economic opportunity, sustainability and community impact. Boeing's diverse team is committed to innovating for the future, leading with sustainability, and cultivating a culture based on the company's core values of safety, quality and integrity.

Boeing is organized into three business units: Commercial Airplanes; Defense, Space & Security; and Boeing Global Services. Supporting these units is Boeing Capital Corporation, a global provider of financing solutions.

<https://www.boeing.com/company/general-info/>

### **Thomas Global Systems**

Thomas Global Systems is an industry leader in the design, production and support of innovative electronic systems solutions for commercial aviation and defense applications.

Since its 1956 inception, Thomas Global has consistently earned international recognition for practical innovation and dependability. Thomas Global leverages unparalleled expertise in the design, manufacture, and maintenance of aviation flight deck displays and instruments, specialized mission-critical defense electronics and training solutions, all supported by dedicated global service and support teams.

We build trusted, lasting relationships with commercial and business aviation operators, MROs, defense agencies, prime contractors and government entities, leveraging our collective strengths to create the most innovative and dependable avionics and defense electronics available. Thomas Global solutions combine advanced technology innovation with decades of efficient manufacturing experience to deliver high-integrity functionality with proven reliability and value.

Our facilities are located in Sydney, Australia and Irvine, California.

<https://www.thomas-global.com/about-us/>

### **United Technologies Corporation: (NYSE: UTX)**

United Technologies (UTC) United Technologies Corp., based in Farmington, Connecticut, provides high-technology systems to the building and aerospace industries. By combining a passion for science with precision engineering, the company is creating smart, sustainable solutions the world needs.

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## THE INDUSTRY

### Military expenditure reaches record level in the second year of the pandemic

World military spending continued to grow in 2021, reaching an all-time high of \$2.1 trillion. This was the seventh consecutive year that spending increased.

'Even amid the economic fallout of the Covid-19 pandemic, world military spending hit record levels,' said Dr Diego Lopes da Silva, Senior Researcher with SIPRI's Military Expenditure and Arms Production Programme. 'There was a slowdown in the rate of real-terms growth due to inflation. In nominal terms, however, military spending grew by 6.1 per cent.'

As a result of a sharp economic recovery in 2021, the global military burden—world military expenditure as a share of world gross domestic product (GDP)—fell by 0.1 percentage points, from 2.3 per cent in 2020 to 2.2 per cent in 2021.

### United States focuses on military research and development

US military spending amounted to \$801 billion in 2021, a drop of 1.4 per cent from 2020. The US military burden decreased slightly from 3.7 per cent of GDP in 2020 to 3.5 per cent in 2021.

US funding for military research and development (R&D) rose by 24 per cent between 2012 and 2021, while arms procurement funding fell by 6.4 per cent over the same period. In 2021 spending on both decreased. However, the drop in R&D spending (–1.2 per cent) was smaller than that in arms procurement spending (–5.4 per cent).

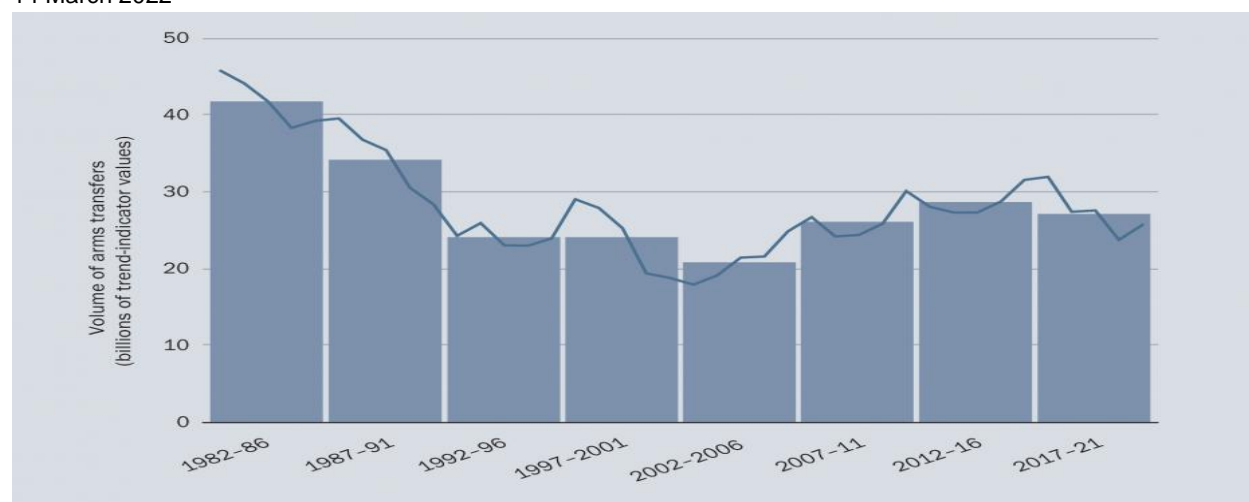
'The increase in R&D spending over the decade 2012–21 suggests that the United States is focusing more on next-generation technologies,' said Alexandra Marksteiner, Researcher with SIPRI's Military Expenditure and Arms Production Programme. 'The US Government has repeatedly stressed the need to preserve the US military's technological edge over strategic competitors.'

Source: SIPRI

<https://www.sipri.org/media/press-release/2022/world-military-expenditure-passes-2-trillion-first-time>

### Global arms trade falls slightly, but imports to Europe, East Asia and Oceania rise

14 March 2022







## The trend in international transfers of major arms, 1982–2021

(Stockholm, 14 March 2022) International transfers of major arms saw a slight drop between 2012–16 and 2017–21 (–4.6 per cent). Nevertheless, exports by the United States and France increased substantially, as did imports to states in Europe (+19 per cent), East Asia (+20 per cent) and Oceania (+59 per cent). Transfers to the Middle East remained high, while those to Africa and the Americas decreased, according to new data on global arms transfers published today by the Stockholm International Peace Research Institute (SIPRI).

‘The small decrease in global arms transfers masks large variations between regional trends,’ said Pieter D. Wezeman, Senior Researcher with the SIPRI Arms Transfers Programme. ‘Whereas there were some positive developments, including South American arms imports reaching their lowest level in 50 years, increasing or continuing high rates of weapons imports to places like Europe, East Asia, Oceania and the Middle East contributed to worrying arms build-ups.’

### Europe sees biggest growth in arms imports

The biggest growth in arms imports among world regions occurred in **Europe**. In 2017–21 imports of major arms by European states were 19 per cent higher than in 2012–16 and accounted for 13 per cent of global arms transfers. The largest arms importers in Europe were the United Kingdom, Norway and the Netherlands. Other European states are also expected to increase their arms imports significantly over the coming decade, having recently placed large orders for major arms, in particular combat aircraft from the USA. Despite armed conflict in eastern Ukraine throughout 2017–21, the country’s imports of major arms in the period were very limited.

‘The severe deterioration in relations between most European states and Russia was an important driver of growth in European arms imports, especially for states that cannot meet all their requirements through their national arms industries,’ said Pieter D. Wezeman, Senior Researcher with the SIPRI Arms Transfers Programme. ‘Arms transfers also play an important role in transatlantic security relationships.’

Source: SIPRI

<https://www.sipri.org/media/press-release/2022/global-arms-trade-falls-slightly-imports-europe-east-asia-and-oceania-rise>

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