



# Leidos Q4 FY25 Earnings Conference Call

**February 17, 2026**

# 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 our 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 (including the acquisition of Entrust), 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, initiatives aimed at improving government efficiency, 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 manage risks associated with our joint ventures, including those in which we are a minority owner and do not operate the assets; 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; our ability to complete the acquisition of Entrust or successfully integrate Entrust to achieve the expected benefits of such acquisition; 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](http://www.leidos.com).

All information in this release is as of February 17, 2026. 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 representation 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

## Strong Q4; Outstanding 2025

- 17% YoY Earnings Growth
- 26% YoY FCF Growth
- Book-to-Bill of 1.3 for Q4; >1.0 for 2025

## Investing for Growth

- Increased investment to match the moment — 3x CapEx in '26
- Negotiating with DoW on exciting co-investment opportunities around defense tech innovations
- Capital allocation tied to rigorous ROIC analysis

## Accelerating Strategy

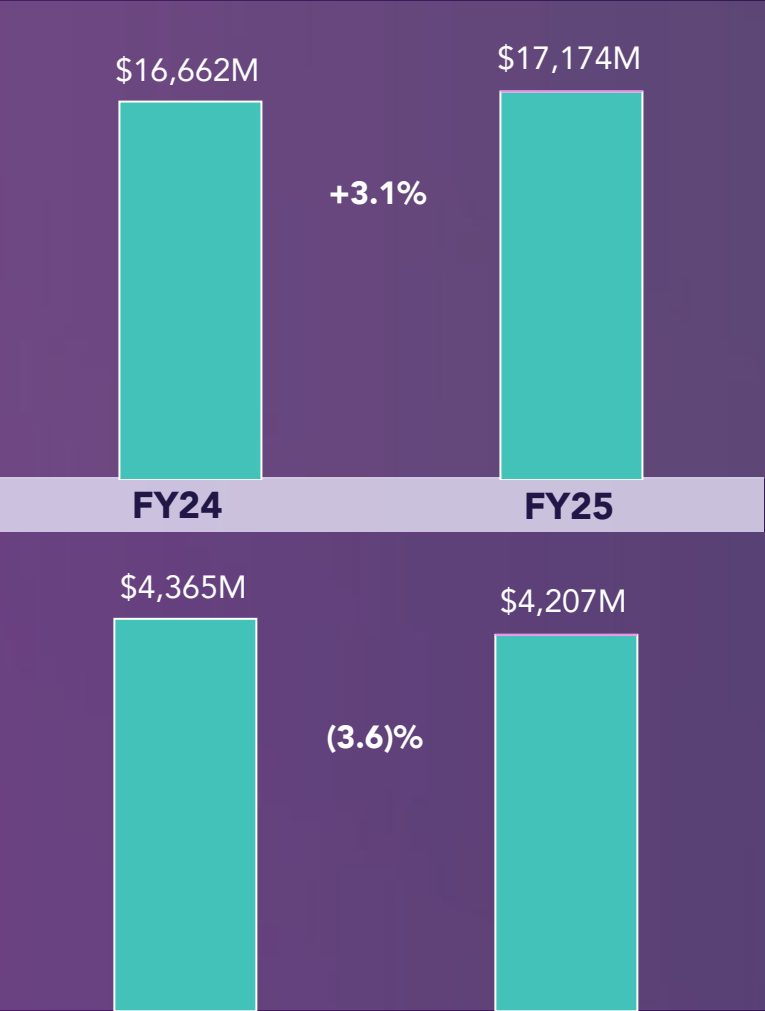
- Cyber Growth Pillar — Kudu acquisition
- Energy Growth Pillar
  - Divested Varec, acquiring ENTRUST

## Aligning Organization to Strategy

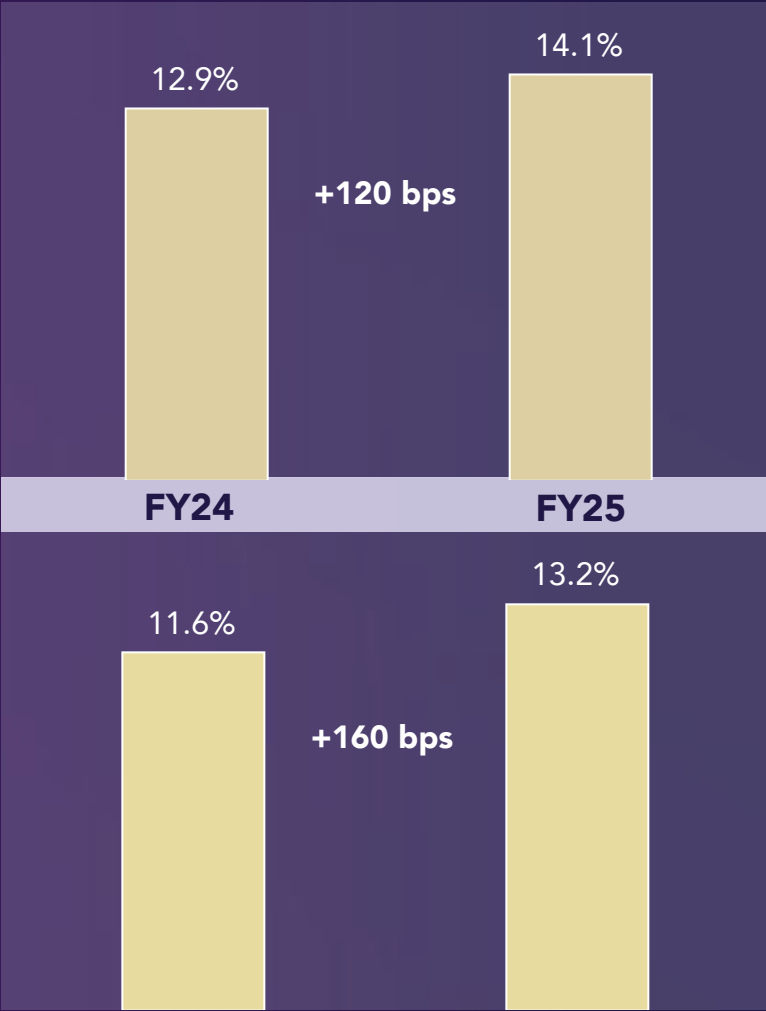
- Organizing around Growth Pillars
- New CTO to accelerate innovation journey
- Enterprise Transformation Office to increase internal efficiency through AI-enabled Business Process Re-engineering

# FY25 AND Q4 RESULTS: INCOME STATEMENT

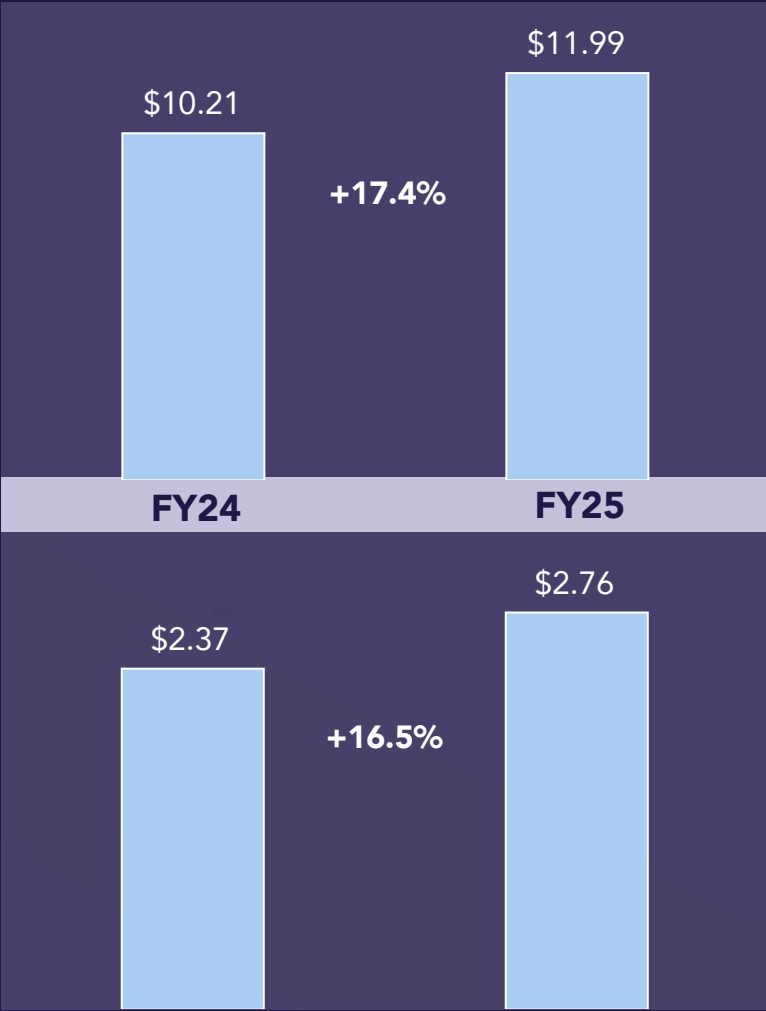
Revenues



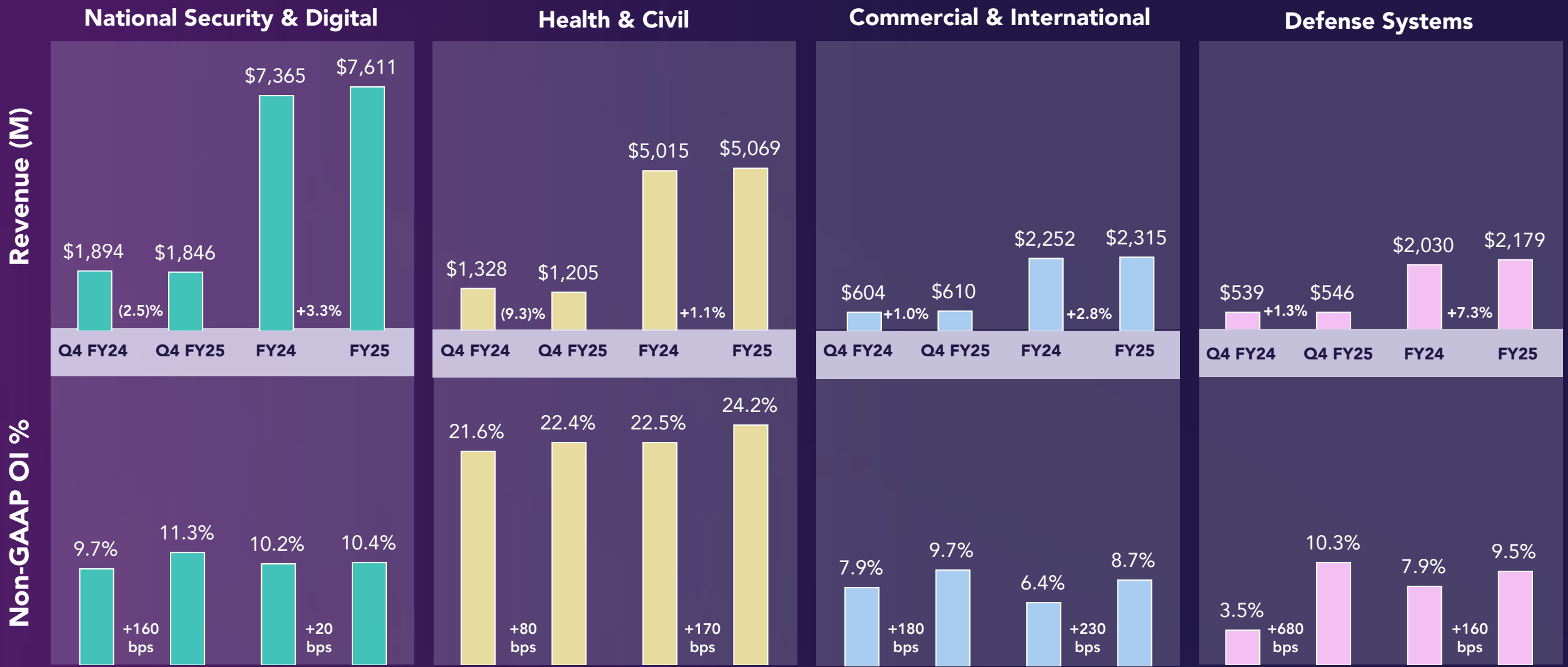
Adjusted EBITDA Margin



Non-GAAP Diluted EPS



# Q4 AND FY25 SEGMENT RESULTS



# FY25 AND Q4 RESULTS: CASH FLOW / BALANCE SHEET

## Cash Flow Generation

Record Q4 and full year cash flows driven by strong EBITDA performance, collections, and working capital management

	<u>Q4</u>	<u>FY25</u>
- Operating cash flow	\$495M	\$1,750M
- Non-GAAP free cash flow	\$452M	\$1,625M
- DSO of 59 days, 1-day sequential improvement		

## Capital Deployment

Entered into an agreement after quarter close to acquire Entrust for an all-cash purchase price of \$2.4B

	<u>Q4</u>	<u>FY25</u>
- Total return to shareholders	\$360M	\$1,155M
- CapEx & net debt repayment	\$48M	\$147M
- Share repurchases	\$305M	\$944M

## Balance Sheet

Strong balance sheet provides significant capacity to capitalize on organic growth and potential future M&A aligned to NS2030

- Strong liquidity	>\$1.5B
- Total debt	\$4.6B
- Leverage ratio (net)	1.5x
- Leverage ratio (gross)	1.9x

# 2026 GUIDANCE

Measure	FY26 Guidance
Revenues (B)	\$17.5 - \$17.9
Adjusted EBITDA Margin	Mid 13%
Non-GAAP Diluted EPS	\$12.05 - \$12.45
Cash Flows Provided by Operating Activities (B)	Approximately \$1.75

## Key Assumptions

- Growth underscored by strategic investments and portfolio shaping aligned to NS2030
- Expect revenue to accelerate throughout the year, approaching double-digit growth
- Margins balance investments and strong program execution & cost management
- 24% Effective Tax Rate
- Weighted average diluted share count of 129M
- Excludes pending ENTRUST Solutions Group acquisition



# APPENDIX

## Non-GAAP Reconciliations

# ORGANIC GROWTH

(in millions, except growth rates)	Q4 FY25	Q4 FY24	% Change	FY25	FY24	% Change
<b>National Security &amp; Digital</b>						
Revenues, as reported	\$ 1,846	\$ 1,894	(3)%	\$ 7,611	\$ 7,365	3%
Acquisition revenues <sup>(1)</sup>	22	—		60	—	
Organic revenues	\$ 1,824	\$ 1,894	(4)%	\$ 7,551	\$ 7,365	3%
<b>Health &amp; Civil</b>						
Revenues, as reported	\$ 1,205	\$ 1,328	(9)%	\$ 5,069	\$ 5,015	1%
<b>Commercial &amp; International</b>						
Revenues, as reported	\$ 610	\$ 604	1%	\$ 2,315	\$ 2,252	3%
Divestiture revenues <sup>(2)</sup>	—	6		—	6	
Organic revenues	\$ 610	\$ 598	2%	\$ 2,315	\$ 2,246	3%
<b>Defense Systems</b>						
Revenues, as reported	\$ 546	\$ 539	1%	\$ 2,179	\$ 2,030	7%
<b>Total Operations</b>						
Revenues, as reported	\$ 4,207	\$ 4,365	(4)%	\$ 17,174	\$ 16,662	3%
Acquisition and divestiture revenues <sup>(1)(2)</sup>	22	6		60	6	
Organic revenues	\$ 4,185	\$ 4,359	(4)%	\$ 17,114	\$ 16,656	3%

## Note:

1. Current period acquisition revenues reflect revenues in the current as reported figures for 12 months from closing of each acquisition. Acquisition revenues for the three months and year ended January 2, 2026, for the National Security & Digital segment include Kudu Dynamics (acquired May 23, 2025).
2. Prior period divestiture revenues reflect revenues from assets subsequently divested. Divestiture revenues for the three months and twelve months ended January 3, 2025, for Commercial and International segment include an immaterial business not aligned to the Company's long term strategy (divested October 31, 2025).

# Q4 NON-GAAP INCOME METRICS

(in millions, except per share amounts)	Three Months Ended January 2, 2026						Three Months Ended January 3, 2025				
	As reported	Acquisition, integration and restructuring costs	Amortization of acquired intangibles	Asset impairment charges	Gain on sale of business	Non-GAAP results	As reported	Acquisition, integration and restructuring costs	Amortization of acquired intangibles	Asset impairment charges	Non-GAAP results
<b>Operating income</b>	\$ 473	\$ 8	\$ 34	\$ 1	\$ —	\$ 516	\$ 421	\$ 2	\$ 37	\$ 5	\$ 465
Non-operating expense, net	(44)	—	—	—	(5)	(49)	(46)	—	—	—	(46)
<b>Income before income taxes</b>	<b>429</b>	<b>8</b>	<b>34</b>	<b>1</b>	<b>(5)</b>	<b>467</b>	<b>375</b>	<b>2</b>	<b>37</b>	<b>5</b>	<b>419</b>
Income tax expense <sup>(1)</sup>	(94)	(2)	(8)	—	1	(103)	(93)	—	(9)	(1)	(103)
<b>Net income</b>	<b>335</b>	<b>6</b>	<b>26</b>	<b>1</b>	<b>(4)</b>	<b>364</b>	<b>282</b>	<b>2</b>	<b>28</b>	<b>4</b>	<b>316</b>
Less: Net income (loss) attributable to non-controlling interest	8	—	—	—	—	8	(2)	—	—	—	(2)
<b>Net income attributable to Leidos common stockholders</b>	<b>\$ 327</b>	<b>\$ 6</b>	<b>\$ 26</b>	<b>\$ 1</b>	<b>\$ (4)</b>	<b>\$ 356</b>	<b>\$ 284</b>	<b>\$ 2</b>	<b>\$ 28</b>	<b>\$ 4</b>	<b>\$ 318</b>
Diluted EPS attributable to Leidos common stockholders <sup>(2)</sup>	\$ 2.53	\$ 0.05	\$ 0.20	\$ 0.01	\$ (0.03)	\$ 2.76	\$ 2.12	\$ 0.01	\$ 0.21	\$ 0.03	\$ 2.37
Diluted shares	129	129	129	129	129	129	134	134	134	134	134
<b>Income before income taxes</b>	<b>429</b>	<b>8</b>	<b>34</b>	<b>1</b>	<b>(5)</b>	<b>467</b>	<b>375</b>	<b>2</b>	<b>37</b>	<b>5</b>	<b>419</b>
Depreciation expense	41	—	—	—	—	41	42	—	—	—	42
Amortization of intangibles	34	—	(34)	—	—	—	37	—	(37)	—	—
Interest expense, net	48	—	—	—	—	48	47	—	—	—	47
<b>EBITDA</b>	<b>\$ 552</b>	<b>\$ 8</b>	<b>\$ —</b>	<b>\$ 1</b>	<b>\$ (5)</b>	<b>\$ 556</b>	<b>\$ 501</b>	<b>\$ 2</b>	<b>\$ —</b>	<b>\$ 5</b>	<b>\$ 508</b>
EBITDA margin <sup>(3)</sup>	13.1 %					13.2 %	11.5 %				11.6 %

## 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 2, 2026						Year Ended January 3, 2025					
	As reported	Acquisition, integration and restructuring costs <sup>(3)</sup>	Amortization of acquired intangibles	Asset impairment charges	Gain on sale of business	Non-GAAP results	As reported	Acquisition, integration and restructuring costs <sup>(3)</sup>	Amortization of acquired intangibles	Asset impairment charges	Gain on sale of intangible assets	Non-GAAP results
<i>(in millions, except per share amounts)</i>												
<b>Operating income</b>	<b>\$ 2,109</b>	<b>\$ 19</b>	<b>\$ 129</b>	<b>\$ 4</b>	<b>\$ —</b>	<b>\$ 2,261</b>	<b>\$ 1,827</b>	<b>\$ 22</b>	<b>\$ 147</b>	<b>\$ 11</b>	<b>\$ —</b>	<b>\$ 2,007</b>
Non-operating expense, net	(200)	—	—	—	(5)	(205)	(188)	—	—	—	(2)	(190)
<b>Income before income taxes</b>	<b>1,909</b>	<b>19</b>	<b>129</b>	<b>4</b>	<b>(5)</b>	<b>2,056</b>	<b>1,639</b>	<b>22</b>	<b>147</b>	<b>11</b>	<b>(2)</b>	<b>1,817</b>
Income tax expense <sup>(1)</sup>	(447)	(4)	(32)	(1)	1	(483)	(388)	(5)	(37)	(3)	1	(432)
<b>Net income</b>	<b>1,462</b>	<b>15</b>	<b>97</b>	<b>3</b>	<b>(4)</b>	<b>1,573</b>	<b>1,251</b>	<b>17</b>	<b>110</b>	<b>8</b>	<b>(1)</b>	<b>1,385</b>
Less: Net income (loss) attributable to non-controlling interest	14	—	—	—	—	14	(3)	—	—	—	—	(3)
<b>Net income attributable to Leidos common stockholders</b>	<b>\$ 1,448</b>	<b>\$ 15</b>	<b>\$ 97</b>	<b>\$ 3</b>	<b>\$ (4)</b>	<b>\$ 1,559</b>	<b>\$ 1,254</b>	<b>\$ 17</b>	<b>\$ 110</b>	<b>\$ 8</b>	<b>\$ (1)</b>	<b>\$ 1,388</b>
Diluted EPS attributable to Leidos common stockholders <sup>(2)</sup>	<b>\$ 11.14</b>	<b>\$ 0.12</b>	<b>\$ 0.75</b>	<b>\$ 0.02</b>	<b>\$ (0.03)</b>	<b>\$ 11.99</b>	<b>\$ 9.22</b>	<b>\$ 0.13</b>	<b>\$ 0.81</b>	<b>\$ 0.06</b>	<b>\$ (0.01)</b>	<b>\$ 10.21</b>
Diluted shares	130	130	130	130	130	130	136	136	136	136	136	136
<b>Income before income taxes</b>	<b>1,909</b>	<b>19</b>	<b>129</b>	<b>4</b>	<b>(5)</b>	<b>2,056</b>	<b>1,639</b>	<b>22</b>	<b>147</b>	<b>11</b>	<b>(2)</b>	<b>1,817</b>
Depreciation expense	160	—	—	—	—	160	143	—	—	—	—	143
Amortization of intangibles	130	—	(129)	—	—	1	147	—	(147)	—	—	—
Interest expense, net	203	—	—	—	—	203	193	—	—	—	—	193
<b>EBITDA</b>	<b>\$ 2,402</b>	<b>\$ 19</b>	<b>\$ —</b>	<b>\$ 4</b>	<b>\$ (5)</b>	<b>\$ 2,420</b>	<b>\$ 2,122</b>	<b>\$ 22</b>	<b>\$ —</b>	<b>\$ 11</b>	<b>\$ (2)</b>	<b>\$ 2,153</b>
EBITDA margin <sup>(4)</sup>	14.0 %					14.1 %	12.7 %					12.9 %

## 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 2, 2026

(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 <sup>(1)</sup>
National Security & Digital	\$ 196	\$ 2	\$ 9	\$ 1	\$ 208	11.3 %
Health & Civil	264	—	6	—	270	22.4 %
Commercial & International	51	1	7	—	59	9.7 %
Defense Systems	44	—	12	—	56	10.3 %
Corporate	(82)	5	—	—	(77)	NM
Total	\$ 473	\$ 8	\$ 34	\$ 1	\$ 516	12.3 %

## 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 <sup>(1)</sup>
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 %

### 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 2, 2026						
(in millions)	Operating income (loss)	Acquisition, integration and restructuring costs <sup>(1)</sup>	Amortization of acquired intangibles	Asset impairment charges	Non-GAAP operating income (loss)	Non-GAAP operating margin <sup>(2)</sup>
National Security & Digital	\$ 760	\$ 4	\$ 29	\$ 1	\$ 794	10.4 %
Health & Civil	1,202	—	24	—	1,226	24.2 %
Commercial & International	166	7	28	—	201	8.7 %
Defense Systems	156	—	48	3	207	9.5 %
Corporate	(175)	8	—	—	(167)	NM
Total	\$ 2,109	\$ 19	\$ 129	\$ 4	\$ 2,261	13.2 %

Year Ended January 3, 2025						
(in millions)	Operating income (loss)	Acquisition, integration and restructuring costs <sup>(1)</sup>	Amortization of acquired intangibles	Asset impairment charges	Non-GAAP operating income (loss)	Non-GAAP operating margin <sup>(2)</sup>
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 %

## Notes:

1. Asset markdowns associated with restructuring activities were recorded to "Cost of revenues" in the consolidated statements of operations.
2. Non-GAAP operating income (loss) divided by revenues (slides 5 and 6)

NM - Not Meaningful

# NON-GAAP FREE CASH FLOW

	Three Months Ended		Year Ended	
	January 2, 2026	January 3, 2025	January 2, 2026	January 3, 2025
<i>(in millions, except conversion ratio)</i>				
Net cash provided by operating activities <sup>(1)</sup>	\$ 495	\$ 294	\$ 1,750	\$ 1,435
Payments for property, equipment and software	(43)	(86)	(125)	(149)
Non-GAAP free cash flow	<u>\$ 452</u>	<u>\$ 208</u>	<u>\$ 1,625</u>	<u>\$ 1,286</u>
Net income attributable to Leidos common stockholders	\$ 327	\$ 284	\$ 1,448	\$ 1,254
Acquisition, integration and restructuring costs <sup>(2)(3)</sup>	6	2	15	17
Amortization of acquired intangibles <sup>(2)</sup>	26	28	97	110
Asset impairment charges <sup>(2)</sup>	1	4	3	8
Gain on sale of intangible assets <sup>(2)</sup>	(4)	—	(4)	(1)
Non-GAAP net income attributable to Leidos common stockholders	<u>\$ 356</u>	<u>\$ 318</u>	<u>\$ 1,559</u>	<u>\$ 1,388</u>
Operating cash flow conversion ratio <sup>(4)</sup>	151 %	104 %	121 %	114 %
Non-GAAP free cash flow conversion ratio <sup>(5)</sup>	127 %	65 %	104 %	93 %

## Notes:

1. Net cash provided by operating activities for the three and twelve months ended January 3, 2025, 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 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.