Carter Fozard

Leidos Operating Model

Leidos Holdings

March 25, 2026

Case Toggle	2
Share Price Output	$ 268.76

Leidos Holdings

Inputs and Assumptions

		1	2	3
Step	0.0%	2.0%	0.0%	0.0%
Step	0.3%	0.5%	0.3%	0.0%
Step	0.0%	2.0%	0.0%	0.0%
Step	0.3%	0.5%	0.3%	0.0%
Step	0.0%	(1.0%)	0.0%	0.0%
Step	0.3%	0.5%	0.3%	0.0%
Step	0.0%	1.0%	0.0%	0.0%
Step	0.3%	0.5%	0.3%	0.0%

REVENUE SCHEDULE						
National Security & Digital	2025E	2026E	2027E	2028E	2029E	2030E
Revenue Growth	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Operating Margin	9.4%	9.6%	9.9%	10.1%	10.4%	10.6%
Health & Civil						
Revenue Growth	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
Operating Margin	15.6%	15.8%	16.1%	16.3%	16.6%	16.8%
Commercial & International						
Revenue Growth	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Operating Margin	5.8%	6.0%	6.3%	6.5%	6.8%	7.0%
Defense Systems						
Revenue Growth	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Operating Margin	2.9%	3.2%	3.4%	3.7%	3.9%	4.2%

INCOME STATEMENT	
Gross Profit Margin	15.66%
Effective Tax Rate	24.00%

BALANCE SHEET ASSUMPTIONS	
Working Capital Days	
Receivables	59
Inventory	9
Accounts payable and accrued liabilities	66
CapEx % of previous years fixed assets	1.1%
Interest Rate	6.75%

VALUATION ASSUMPTIONS	
CAPM	
Beta	0.59
Risk-Free Rate	4.187%
Equity Risk Premium	8%
Cost of Equity	8.91%
WACC	
Total Equity	4,460
Total Debt	4,670
% Equity	48.8%
% Debt	51.2%
Cost of Equity	8.91%
Cost of Debt	6.75%
WACC	6.98%
Terminal Growth Rate	2.00%
Fully Diluted Shares Outstanding	130

Leidos Holdings

Revenue Schedule

($'s in millions)

	Historical					*Projected*					
	2020A	**2021A**	**2022A**	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**
Revenue by Segment (in millions)											
National Security & Digital											
Revenue			6,745	7,196	7,365	7,531	7,700	7,873	8,051	8,232	8,417
Revenue Growth			-	*6.69%*	*2.35%*	*2.25%*	*2.25%*	*2.25%*	*2.25%*	*2.25%*	*2.25%*
Operating Profit			606	672	720	705	740	777	814	853	894
Operating Margin			*8.98%*	*9.34%*	*9.78%*	*9.37%*	*9.62%*	*9.87%*	*10.12%*	*10.37%*	*10.62%*
Health & Civil											
Revenue			3,945	4,238	5,015	5,203	5,398	5,601	5,811	6,029	6,255
Revenue Growth			-	*7.43%*	*18.33%*	*3.75%*	*3.75%*	*3.75%*	*3.75%*	*3.75%*	*3.75%*
Operating Profit			448	574	1,095	811	854	900	949	999	1,053
Operating Margin			*11.36%*	*13.54%*	*21.83%*	*15.58%*	*15.83%*	*16.08%*	*16.33%*	*16.58%*	*16.83%*
Commercial & International											
Revenue			1,900	2,126	2,252	2,314	2,378	2,443	2,510	2,579	2,650
Revenue Growth			-	*11.89%*	*5.93%*	*2.75%*	*2.75%*	*2.75%*	*2.75%*	*2.75%*	*2.75%*
Operating Profit			131	-560	104	133	143	153	163	174	186
Operating Margin			*6.89%*	*-26.34%*	*4.62%*	*5.76%*	*6.01%*	*6.26%*	*6.51%*	*6.76%*	*7.01%*
Defense Systems											
Revenue			1,806	1,878	2,030	2,076	2,122	2,170	2,219	2,269	2,320
Revenue Growth			-	*3.99%*	*8.09%*	*2.25%*	*2.25%*	*2.25%*	*2.25%*	*2.25%*	*2.25%*
Operating Profit			11	65	94	60	67	74	81	88	96
Operating Margin			*0.61%*	*3.46%*	*4.63%*	*2.90%*	*3.15%*	*3.40%*	*3.65%*	*3.90%*	*4.15%*
Net Revenue											
Revenue	12,297	13,737	14,396	15,438	16,662	17,123	17,598	18,087	18,590	19,108	19,642
Operating Profit						1,709	1,805	1,904	2,008	2,115	2,228

Leidos Holdings

Working Capital Schedule

($'s in millions)

						Projected					
	2020A	**2021A**	**2022A**	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**
Days Per Year	365	365	365	365	365	365	365	365	365	365	365
Income Statement Items											
Revenues	12,297	13,737	14,396	15,438	16,662	17,123	17,598	18,087	18,590	19,108	19,642
Cost of Revenues	10,560	11,723	12,312	13,194	13,864	14,441	14,842	15,254	15,678	16,115	16,565
Days in											
Receivables	63	58	60	57	58	59	59	59	59	59	59
Inventory	10	9	9	9	8	9	9	9	9	9	9
Accounts payable and accrued liabilities	75	67	67	63	59	66	66	66	66	66	66
Account Balances											
Receivables	2,137	2,189	2,350	2,429	2,645	2782	2860	2939	3021	3105	3192
Inventory	276	274	287	310	315	344	353	363	373	384	394
Accounts payable and accrued liabilities	2,175	2,141	2,254	2,277	2,225	2613	2686	2760	2837	2916	2997
Net Working Capital	8	146	172	256	449	349	364	378	393	409	425
Changes in Net Working Capital		138	26	84	193	(100)	14	15	15	16	16

Leidos Holdings
Fixed Asset Schedule

($'s in millions)			*Projected*					
			2025E	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**
Years remaining on existing assets	5							
Depreciation years on new assets	7							
Depreciation to existing assets			198	198	198	198	198	198
CAPEX								
2025	185		26	26	26	26	26	26
2026	190			27	27	27	27	27
2027	195				28	28	28	28
2028	201					29	29	29
2029	206						29	29
2030	212							30
Total Depreciation			225	252	280	308	338	368
Total Amortization			119	98	72	62	53	109
Total Depreciation & Amortization			344	350	352	370	391	477

Leidos Holdings
Debt Schedule

($'s in millions)	*Projected*					
	2025E	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**
Beginning Debt	4,670	4,052	3,932	3,818	3,113	3,108
New Borrowings	-	-	-	-	-	-
Principal Repayments	618	120	114	705	5	-
Ending Debt	4,052	3,932	3,818	3,113	3,108	3,108
Interest Expense	274	265	258	210	210	210

Leidos Holdings

Income Statement

($'s in millions)

						Projected					
	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E
Revenues	12,297	13,737	14,396	15,438	16,662	17,123	17,598	18,087	18,590	19,108	19,642
Cost of Revenues	(10,560)	(11,723)	(12,312)	(13,194)	(13,864)	(14,441)	(14,842)	(15,254)	(15,678)	(16,115)	(16,565)
Gross Profit	1,737	2,014	2,084	2,244	2,798	2,682	2,757	2,833	2,912	2,993	3,077
Selling, General, & Administrative Expenses	(770)	(860)	(951)	(942)	(983)	(973)	(952)	(929)	(904)	(878)	(849)
Goodwill Impairment Charges	-	-	-	(596)	-	-	-	-	-	-	-
Other operating expenses	31	(2)	(45)	(84)	12	-	-	-	-	-	-
Operating Income	998	1,152	1,088	621	1,827	1,709	1,805	1,904	2,008	2,115	2,228
Interest Income	3	1	-	-	-	-	-	-	-	-	-
Interest Expense	(182)	(185)	(199)	(212)	(193)	(274)	(265)	(258)	(210)	(210)	(210)
Other income (expense), net	(38)	(1)	(3)	(6)	5	-	-	-	-	-	-
Income before income taxes	781	967	886	403	1,639	1,436	1,539	1,646	1,797	1,906	2,018
Income tax expense	152	208	193	195	388	345	369	395	431	457	484
Net income	629	759	693	208	1,251	1,091	1,170	1,251	1,366	1,448	1,534

Leidos Holdings

Cash Flow Statement

($'s in millions)

						Projected					
	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E
Net income	629	759	693	208	1,251	1,091	1,170	1,251	1,366	1,448	1,534
Cash flow from operating activities											
Depreciation and amortization	282	325	333	331	290	344	350	352	370	391	477
Stock-based compensation	62	67	73	77	85	79	77	75	73	71	69
Goodwill impairment charges	-	-	-	596	-	-	-	-	-	-	-
Deferred income taxes	(4)	(26)	(211)	(109)	(98)	-	-	-	-	-	-
Other	62	(3)	66	119	55	-	-	-	-	-	-
Changes in operating assets and liabilities											
Receivables	(127)	(5)	(174)	(65)	(220)	(137)	(77)	(79)	(82)	(84)	(87)
Other current assets and other long-term assets	104	143	160	140	96	(29)	(10)	(10)	(10)	(10)	(11)
Accounts payable and accrued liabilities	151	(212)	(143)	31	(160)	388	72	75	77	79	81
Accrued payroll and employee benefits	161	(32)	98	(5)	121	(122)	-	-	-	-	-
Income taxes receivable/payable	14	15	97	(158)	(28)	-	-	-	-	-	-
Cash flow from operating activities	1,334	1,031	992	1,165	1,392	1,613	1,582	1,663	1,794	1,895	2,064
Cash flow from investing activities											
Acquisitions of businesses, net of cash acquired	(2,655)	(622)	(192)	(6)	-	-	-	-	-	-	-
Payments for property, equipment and software	(183)	(104)	(129)	(207)	(149)	(185)	(190)	(195)	(201)	(206)	(212)
Other	23	(4)	8	2	7	-	-	-	-	-	-
Cash flow from investing activities	(2,815)	(730)	(313)	(211)	(142)	(185)	(190)	(195)	(201)	(206)	(212)
Cash flows from financing activities											
Proceeds from debt issuance	7,225	380	380	1,743	-	-	-	-	-	-	-
Repayments of borrowings	(5,456)	(106)	(545)	(2,045)	(18)	(618)	(120)	(114)	(705)	(5)	-
Payments for debt issuance and modification costs	(51)	-	-	(7)	-	-	-	-	-	-	-
Dividend payments	(196)	(199)	(199)	(201)	(208)	(201)	(202)	(202)	(203)	(203)	(202)
Repurchases of stock and other	(105)	(270)	(542)	(246)	(906)	(414)	(476)	(517)	(512)	(565)	(496)
Proceeds from issuances of stock	35	44	48	50	55	-	-	-	-	-	-
Net capital distributions to non-controlling interests	4	38	(7)	(9)	(6)	-	-	-	-	-	-
Other	(5)	-	-	-	(1)	-	-	-	-	-	-
Cash flow from financing activities	1,451	(113)	(865)	(715)	(1,084)	(1,232)	(797)	(833)	(1,419)	(773)	(698)
Effect of exchange rates	-	-	(6)	6	(10)	-	-	-	-	-	-
Net change in cash	(30)	188	(186)	239	166	196	595	635	174	916	1,153
Restricted cash	163	148	167	151	141	141	141	141	141	141	141
Cash - beginning of year	717	687	875	683	928	1,084	1,280	1,875	2,510	2,684	3,600
Cash- end of year	524	727	516	777	943	1,139	1,734	2,369	2,543	3,459	4,612

Leidos Holdings

Balance Sheet

($'s in millions)

						Projected					
	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E
Current assets											
Cash and cash equivalents	524	727	516	777	943	1,139	1,734	2,369	2,543	3,459	4,612
Receivables	2,137	2,189	2,350	2,429	2,645	2,782	2,860	2,939	3,021	3,105	3,192
Inventory	276	274	287	310	315	344	353	363	373	384	394
Other current assets	402	429	490	489	525	525	525	525	525	525	525
Total current assets	3,339	3,619	3,643	4,005	4,428	4,790	5,472	6,196	6,462	7,472	8,723
Property, plant and equipment, net	604	670	847	961	991	951	890	805	698	566	410
Intangible assets, net	1,216	1,177	952	667	517	398	300	228	166	113	4
Goodwill	6,313	6,744	6,696	6,112	6,084	6,084	6,084	6,084	6,084	6,084	6,084
Operating lease right-of-use assets, net	581	612	545	512	560	560	560	560	560	560	560
Other long-term assets	458	439	388	438	524	524	524	524	524	524	524
Total assets	12,511	13,261	13,071	12,695	13,104	13,307	13,829	14,397	14,494	15,320	16,305
Current liabilities											
Accounts payable and accrued liabilities	2,175	2,141	2,254	2,277	2,225	2,613	2,686	2,760	2,837	2,916	2,997
Accrued payroll and employee benefits	632	605	701	695	811	689	689	689	689	689	689
Total current liabilities	2,807	2,746	2,955	2,972	3,036	3,302	3,374	3,449	3,526	3,605	3,686
Total Debt	4,744	5,076	4,920	4,682	4,670	4,052	3,932	3,818	3,113	3,108	3,108
Operating lease liabilities	564	589	570	516	621	621	621	621	621	621	621
Deferred tax liabilities	234	239	40	-	-	-	-	-	-	-	-
Other long-term liabilities	291	267	233	267	317	317	317	317	317	317	317
Total liabilities	8,640	8,917	8,718	8,437	8,644	8,292	8,244	8,205	7,577	7,651	7,732
Stockholders' equity											
Preferred stock, par value $.001 per share	-	-	-	-	-	-	-	-	-	-	-
Common stock, par value $.001 per share	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	2,580	2,423	2,005	1,885	1,112	777	378	(63)	(502)	(996)	(1,424)
Retained earnings	1,328	1,880	2,367	2,364	3,410	4,301	5,269	6,318	7,481	8,727	10,059
Accumulated other comprehensive loss	(46)	(12)	(73)	(48)	(110)	(110)	(110)	(110)	(110)	(110)	(110)
Non-controlling interest	9	53	54	57	48	48	48	48	48	48	48
Total stockholders' equity	3,871	4,344	4,353	4,258	4,460	5,015	5,585	6,192	6,917	7,669	8,573
Total liabilities and stockholders' equity	12,511	13,261	13,071	12,695	13,104	13,307	13,829	14,397	14,494	15,320	16,305

Leidos Holdings

Cash Flow Statement

($'s in millions)

						Projected					
	2020A	**2021A**	**2022A**	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**
Net income	629	759	693	208	1,251	1,091	1,170	1,251	1,366	1,448	1,534
Cash flow from operating activities											
Depreciation and amortization	282	325	333	331	290	344	350	352	370	391	477
Stock-based compensation	62	67	73	77	85	79	77	75	73	71	69
Goodwill impairment charges	-	-	-	596	-	-	-	-	-	-	-
Deferred income taxes	(4)	(26)	(211)	(109)	(98)	-	-	-	-	-	-
Other	62	(3)	66	119	55	-	-	-	-	-	-
Changes in operating assets and liabilities											
Receivables	(122)	169	(109)	155	(83)	(60)	2	2	2	2	(87)
Other current assets and other long-term assets	(39)	(17)	20	44	125	(19)	0	0	0	0	(11)
Accounts payable and accrued liabilities	(363)	69	174	(191)	548	(316)	2	2	2	2	(81)
Accrued payroll and employee benefits	(193)	130	(103)	126	(243)	122	-	-	-	-	-
Income taxes receivable/payable	1	82	(255)	130	28	-	-	-	-	-	-
Cash flow from operating activities	315	1,555	681	1,486	1,958	1,240	1,601	1,683	1,814	1,915	1,901
Cash flow from investing activities											
Acquisitions of businesses, net of cash acquired	(2,033)	(430)	(186)	(6)	-	-	-	-	-	-	-
Payments for property, equipment and software	(79)	25	78	(58)	36	5	5	5	6	6	(212)
Other	27	(12)	6	(5)	7	-	-	-	-	-	-
Cash flow from investing activities	(2,085)	(417)	(102)	(69)	43	5	5	5	6	6	(212)
Cash flows from financing activities											
Proceeds from debt issuance	7,225	380	380	1,743	-	-	-	-	-	-	-
Repayments of borrowings	(5,456)	(106)	(545)	(2,045)	(18)	(618)	(120)	(114)	(705)	(5)	-
Payments for debt issuance and modification costs	(51)	-	7	(7)	-	-	-	-	-	-	-
Dividend payments	(3)	-	(2)	(7)	7	(1)	(1)	(1)	(0)	1	202
Repurchases of stock and other	(165)	(272)	296	(660)	492	(62)	(41)	5	(53)	68	496
Proceeds from issuances of stock	9	4	2	5	(55)	-	-	-	-	-	-
Net capital distributions to non-controlling interests	34	(45)	(2)	3	6	-	-	-	-	-	-
Other	(5)	-	-	-	(1)	-	-	-	-	-	-
Cash flow from financing activities	1,588	(39)	136	(968)	432	(681)	(162)	(110)	(758)	64	698
Effect of exchange rates	-	-	(6)	6	(10)	-	-	-	-	-	-
Net change in cash	(182)	1,099	715	449	2,433	565	1,445	1,579	1,062	1,985	2,387
Restricted cash	163	148	167	151	141	141	141	141	141	141	141
Cash - beginning of year	717	687	875	683	928	1,084	1,280	1,875	2,510	2,684	3,600
Cash- end of year	698	1,934	1,757	1,283	3,502	1,790	2,866	3,594	3,713	4,811	6,128

Leidos Holdings

Discounted Cash Flow Analysis

($'s in millions)	1	2	3	4	5	6
			Projected			
	2025E	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**
Revenues	17,123	17,598	18,087	18,590	19,108	19,642
Cost of revenues	(14,441)	(14,842)	(15,254)	(15,678)	(16,115)	(16,565)
Gross profit	2,682	2,757	2,833	2,912	2,993	3,077
Selling, general, & administrative expenses	(973)	(952)	(929)	(904)	(878)	(849)
Goodwill impairment charges	-	-	-	-	-	-
Other operating expenses	-	-	-	-	-	-
Operating income	1,709	1,805	1,904	2,008	2,115	2,228
Taxes	(345)	(369)	(395)	(431)	(457)	(484)
Net operating profit after taxes	1,365	1,435	1,509	1,576	1,658	1,744
(+) Depreciation & amortization	344	350	352	370	391	477
(-) Change in net working capital	100	(14)	(15)	(15)	(16)	(16)
(-) Capital expenditures	-	-	-	-	-	-
Unlevered Free Cash Flow	1,808	1,771	1,846	1,931	2,033	2,205
Discount Factor	0.967	0.904	0.845	0.790	0.738	0.690
Discounted Cash Flows	1,748	1,600	1,560	1,525	1,501	1,522
Terminal Value					41,690	45,204
Discounted Terminal Value					30,780	31,198

Implied Enterprise Value		38,714
(+) Cash		943
(-) Debt		(4,670)
(-) Preferred Stock		-
(-) Noncontrolling Interest		(48)
Implied Equity Value		34,939
(/) Fully Diluted Shares Outstanding		130
Implied Share Price	**$**	**268.76**

		Market Data					Financials			Valuation		
Company	Ticker	Share Price	Shares Outstanding	Equity Value	Net Debt	Enterprise Value	Revenue	EBITDA	Net Income	EV/Revenue	EV/EBITDA	P/E
($'s in millions TTM)												
Leidos		183.47	127.86	23,458	3,727	27,185	17,332	2,351	1,405	1.6	11.6	16.7
Booze Allen Hamilton	BAH	84.89	121.30	10,297	3,113	13,410	11,706	1,302	821	1.1	10.3	12.5
CACI	CACI	537.41	22.08	11,866	2,811	14,677	8,858	1,011	504	1.7	14.5	23.5
Parsons Corp	PSN	62.21	106.49	6,625	793	7,418	6,494	538	239	1.1	13.8	27.7
High										1.7	14.5	27.7
75th Percentile										1.6	14.3	26.7
Average										**1.4**	**12.5**	**20.1**
Median										**1.4**	**12.7**	**20.1**
25th Percentile										1.1	10.6	13.6
Low										1.1	10.3	12.5

Leidos Valuation	EV/Revenue	EV/EBITDA	P/E
Implied Enterprise Value	23,520	29,800	31,996
Net Debt	3,727	3,727	3,727
Implied Market Value	19,793	26,073	28,269
Shares Outstanding	128	128	128
Implied Share Price	**$ 154.80**	**$ 203.92**	**$ 221.09**