

Now as this is my first quarterly call with you, I thought I'd share some of my initial observations of Leidos. Over these first months, I've met with customers, employees and analysts and I've conducted detailed operating and strategic reviews with all our business groups and each of our functional organizations. The headline from this work so far is clear.

Our business foundations are impressive. I've come to think of these foundations in three distinct pillars: one, an incredible team; two, compelling technology creation; and three, the ability to act with pace, while leveraging scale. These three elements in combination enable us to uniquely solve our customers' most vexing problems in differentiated ways.

Let me unpack that a bit. First, we're a company of exceptionally talented and dedicated individuals. Their breadth and depth of expertise is remarkable and they are palpably connected to our customers' missions. That translates into a truly differentiated culture with deep customer insights.

Also, the esprit de corps and genuine care for each other at Leidos creates an environment that embraces collaboration and entrepreneurship, critical to our continuing success.

Our ability to effectively attract and motivate top talent is a distinct competitive advantage for us. And in this regard, Forbes recently named us as one of the best employers for diversity for new graduates and for veterans and Ethisphere recognized us as one of the world's most ethical companies for the sixth consecutive year.

Second, technological innovation at Leidos is impressive, broad and deep. The advances we are pursuing across Leidos are world-class. We leverage these key technology differentiators, what I refer to as golden bolts across our entire portfolio. And we deploy these golden bolts in disciplines ranging from secure software, to cybersecurity, to signal processing, so as to bring extraordinary capabilities to our customers.

A couple of recent examples of delivering complex mission capabilities to our customer includes the successful hypersonic test launch under our MACH TB program and the last major deployment wave in the continental U.S. of MHS Genesis, the military electronic health record system. This was done on time and on schedule, also significantly enhancing system capability.

We've also been at the forefront of unlocking the power of artificial intelligence for our customers for decades. We've developed and deployed trusted AI to tackle some of our nation's most challenging missions. Our debut in Applied

AI was in 2004 when we built a self-driving vehicle as part of DARPA's Grand Challenge.

By 2016, we launched the first unmanned autonomous ship. And now we're deploying next-generation computer vision for automated passenger scanning in our ProVision 2 platform.

Also recently, we've deployed large language models in our Health Group, designing a trusted AI solution where humans and AI work as partners to more rapidly align resources and improve our support to beneficiaries.

Differentiated technology, including AI, created, unlocked and responsibly controlled by our amazing people is and will continue to be a unique attribute of Leidos.

Now to continue to accelerate our technical innovation, we are investing to broaden and deepen our workforce capabilities. So far this year, we've upskilled well over 3,000 of our people in fields ranging from AI, to cyber, to software, to digital engineering. And it's open to all our employees, not just our technical wizards, so that all can be conversant in our golden bolts.

The third pillar I found here is equally important, scale and agility. Every customer I've met with is feeling the stress about the pace of change. Hard vexing problems are coming at them at speeds they've never experienced.

And they're looking for partners with speed and scale to address these holistic problems. They need us to operate with a clock speed that matches their urgency. At Leidos, we lean into this environment by challenging ourselves to operate with a strong bias for velocity.

For example, within the U.S. space force, the Space Development Agency is focused on rapid delivery of space-based capabilities to the joint warfighter. This is an ideal fit for Leidos, an essential technically challenging mission where standard procurement cycles aren't acceptable.

To that end, today, our satellite payload remains the only tranche 1 tracking layer asset in space. And we're on track to launch tranche 1 assets soon that will serve as the foundation for the defense of our nation from hypersonic missiles.

All these findings have strengthened my conviction in the potential of Leidos. However, also in my first month, I've identified some areas we must improve.

First, some recent acquisitions have fallen short of plan. While I believe those acquisitions offer us significant strategic benefits, we will redouble our efforts to achieve the value envisioned in our acquisition business cases.

Second, all on this call recognize the fact that our financial performance has not always lived up to our investors' expectations. The team and I have had a series of candid conversations in this regard.

And as a result, we have agreed that together, when we make a commitment, whether to each other, our customers or the Street, Leidos will meet that commitment. I call this simply a promises made, promises kept philosophy.

Third, recent business development metrics have not been up to par. While we have a healthy backlog, currently \$34 billion, built over the last 5 years via a book-to-bill ratio of 1.3x, we can and must do better. I believe that for a business like us, total backlog is a more relevant measure of future revenue growth than quarterly book-to-bill ratios.

We will be determined to grow our total backlog over time with quality wins. As such, we will be candid with ourselves about where we have a differentiated capability that the market recognizes and resource it appropriately. And where perhaps we find we do not enjoy true differentiation, we will ask ourselves some honest probing questions courageously acting on their answers.

Finally, I believe Leidos can benefit from a certain strategic sharpening. To propel this and to optimize our success going forward, we are now in the process of crafting a clear new North Star for Leidos.

As we crystallize this new North Star, we will use it to guide all our strategic decisions. And over time, this will improve our win rates, drive margin enhancement and better enable us to most successfully serve our customers' most important needs.

While this North Star is currently a work in progress, I can give you a few initial indications of where we'll be going. We will take steps to simplify our organizational structure to promote operational excellence, allow for faster decision-making and more tightly align our business across our key technology differentiators.

We will focus more on the bottom line via greater cost discipline and by refining our investment strategy towards those areas of best opportunity, best overall value to the enterprise.

And we'll be very thoughtful and disciplined on capital allocation, both internally and externally. In the near term, I will be laser-focused on improving execution. So I don't expect much in the way of additional inorganic growth.

But after we complete our next strategic plan and reach our targeted leverage ratio, select M&A will likely make sense for us again. At that time, though, we'll

be crisp in our approach to ensure there is a clear opportunity to create value for Leidos and our investors.

Lastly, I believe that a regular and predictable program to return capital to shareholders drives better investment decisions across any enterprise. So we'll be looking forward to that as well. As we progress this work, I look forward to updating you on how we plan to accelerate growth here at Leidos, especially on earnings and cash.