

Edgar Filing: Leidos Holdings, Inc. - Form 10-Q

Leidos Holdings, Inc.  
Form 10-Q  
July 29, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the quarterly period ended July 1, 2016

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file numbers 001-33072 and 000-12771

Leidos Holdings, Inc.

Leidos, Inc.

(Exact names of registrants as specified in their charters)

Delaware

(State or other jurisdiction of incorporation or organization)

20-3562868 and 95-3630868

(I.R.S. Employer Identification Nos.)

11951 Freedom Drive, Reston, Virginia

(Address of principal executive offices)

20190

(Zip Code)

(571) 526-6000

(Registrants' telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Leidos Holdings, Inc. Yes  No

Leidos, Inc. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Leidos Holdings, Inc. Yes  No

Leidos, Inc. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Leidos Holdings, Inc. Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Leidos, Inc. Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Leidos Holdings, Inc. Yes  No

Leidos, Inc. Yes  No

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The number of shares issued and outstanding of each issuer's classes of common stock as of July 19, 2016, was as follows:

Leidos Holdings, Inc. 72,800,585 shares of common stock (\$.0001 par value per share)

Leidos, Inc. 5,000 shares of common stock (\$.01 par value per share) held by Leidos Holdings, Inc.

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LEIDOS HOLDINGS, INC.  
 LEIDOS, INC.  
 FORM 10-Q  
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#### Explanatory Note

This Quarterly Report on Form 10-Q is a combined report being filed by Leidos Holdings, Inc. ("Leidos") and Leidos, Inc. Leidos is a holding company and Leidos, Inc. is a direct, 100%-owned subsidiary of Leidos. Each of Leidos and Leidos, Inc. is filing on its own behalf all of the information contained in this report that relates to such company.

Where information or an explanation is provided that is substantially the same for each company, such information or explanation has been combined in this report. Where information or an explanation is not substantially the same for each company, separate information and explanation has been provided. In addition, separate condensed consolidated financial statements for each company, along with combined notes to the condensed consolidated financial statements, are included in this report.

## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements.

## LEIDOS HOLDINGS, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	July 1, 2016	January 1, 2016
	(in millions)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$670	\$ 656
Receivables, net	924	921
Inventory, prepaid expenses and other current assets	223	216
Total current assets	1,817	1,793
Property, plant and equipment (less accumulated depreciation and amortization of \$266 million and \$272 million at July 1, 2016, and January 1, 2016, respectively)	131	142
Goodwill and intangible assets, net	1,228	1,232
Deferred income taxes	7	8
Other assets	218	195
	<b>\$3,401</b>	<b>\$ 3,370</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$720	\$ 769
Accrued payroll and employee benefits	269	268
Notes payable and long-term debt, current portion	1	2
Liabilities of discontinued operations	—	1
Total current liabilities	990	1,040
Notes payable and long-term debt, net of current portion	1,092	1,079
Other long-term liabilities	195	183
Commitments and contingencies (Notes 11 and 12)		
Stockholders' equity:		
Preferred stock, \$.0001 par value, 10 million shares authorized and no shares issued and outstanding at July 1, 2016 and January 1, 2016	—	—
Common stock, \$.0001 par value, 500 million shares authorized, 73 million and 72 million shares issued and outstanding at July 1, 2016 and January 1, 2016, respectively	—	—
Additional paid-in capital	1,358	1,353
Accumulated deficit	(230 )	(277 )
Accumulated other comprehensive loss	(4 )	(8 )
Total stockholders' equity	1,124	1,068
	<b>\$3,401</b>	<b>\$ 3,370</b>

See accompanying combined notes to condensed consolidated financial statements.

LEIDOS HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three		Six Months	
	Months Ended		Ended	
	July 1,	July 3,	July 1,	July 3,
	2016	2015	2016	2015
	(in millions, except per share amounts)			
Revenues	\$1,288	\$1,257	\$2,600	\$2,503
Costs and expenses:				
Cost of revenues	1,141	1,113	2,295	2,206
Selling, general and administrative expenses	57	51	117	126
Acquisition and integration costs	15	—	24	—
Asset impairment charges	—	29	—	69
Operating income	75	64	164	102
Non-operating expense:				
Interest expense, net	(13 )	(14 )	(24 )	(28 )
Other (expense) income, net	(2 )	2	(2 )	1
Income from continuing operations before income taxes	60	52	138	75
Income tax expense	(19 )			