

Leidos Holdings, Inc.
 Form 10-Q/A
 August 07, 2015

UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

Form 10-Q/A
 (Amendment No. 1)

(Mark One)

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

For the quarterly period ended July 3, 2015

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 Number	Exact Name of Registrant as Specified in its Charter, Address of Principal Executive Offices and Telephone Number	State or other jurisdiction of incorporation or organization	I.R.S. Employer Identification No.
001-33072	Leidos Holdings, Inc. 11951 Freedom Drive, Reston, Virginia 20190 (571) 526-6000	Delaware	20-3562868
000-12771	Leidos, Inc. 11951 Freedom Drive, Reston, Virginia 20190 (571) 526-6000	Delaware	95-3630868

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

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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

The number of shares issued and outstanding of each issuer’s classes of common stock as of July 24, 2015 was as follows:

Leidos Holdings, Inc. 72,063,425 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.

Explanatory Note to Amendment No. 1

The sole purpose of this Amendment No. 1 on Form 10-Q/A is to amend the certification filed as Exhibit 32.1 to our Form 10-Q for the quarter ended July 3, 2015, filed on August 5, 2015 (the “Original Filing”) to correct the inadvertent omission of the conformed signature of the Chief Executive Officer on the certification. The certification was fully executed on August 5, 2015 and was in our possession at the time of the Original Filing. Other than as set forth above, this Amendment No. 1 does not modify or update disclosures in the Original Filing. Accordingly, this Amendment No. 1 does not reflect events that may have occurred after the Original Filing or modify or update any related or other disclosures.

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. Unless indicated otherwise, references in this report to the "Company," "we," "us," and "our" refer collectively to Leidos Holdings, Inc., Leidos, Inc., and its consolidated subsidiaries.

In March 2015, the Company announced a change to its fiscal year end from the Friday nearest the end of January to the Friday nearest the end of December. The year-to-date results are for the six months ended July 3, 2015, which includes the last month of the previous fiscal year ended January 30, 2015, whereas the results for the prior period are for the six months ended August 1, 2014. The quarterly results are for the three months ended July 3, 2015, whereas the results for the prior period are for the three months ended August 1, 2014.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

LEIDOS HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	July 3, 2015 (in millions)	January 30, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$365	\$443
Receivables, net	929	896
Inventory, prepaid expenses and other current assets	299	273
Assets held for sale	99	—
Assets of discontinued operations	—	6
Total current assets	1,692	1,618
Property, plant and equipment (less accumulated depreciation and amortization of \$315 million and \$313 million at July 3, 2015 and January 30, 2015, respectively)	178	308
Goodwill and intangible assets, net	1,239	1,244
Deferred income taxes	14	14
Other assets	88	97
	\$3,211	\$3,281
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$716	\$675
Accrued payroll and employee benefits	273	264
Notes payable and long-term debt, current portion	2	2
Liabilities held for sale	2	—
Liabilities of discontinued operations	3	10
Total current liabilities	996	951
Notes payable and long-term debt, net of current portion	1,127	1,164
Other long-term liabilities	169	168
Commitments and contingencies (Notes 10 and 11)		
Stockholders' equity:		
Preferred stock, \$.0001 par value, 10 million shares authorized and no shares issued and outstanding at July 3, 2015 and January 30, 2015	—	—
Common stock, \$.0001 par value, 500 million shares authorized, 72 million and 74 million shares issued and outstanding at July 3, 2015 and January 30, 2015, respectively	—	—
Additional paid-in capital	1,336	1,433
Accumulated deficit	(406	) (424
Accumulated other comprehensive loss	(11	) (11
Total stockholders' equity	919	998
	\$3,211	\$3,281

See accompanying combined notes to condensed consolidated financial statements.

LEIDOS HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Three Months Ended		Six Months Ended	
	July 3,	August 1,	July 3,	August 1,
	2015	2014	2015	2014
	(in millions, except per share amounts)			
Revenues	\$1,257	\$1,306	\$2,503	\$2,618
Costs and expenses:				
Cost of revenues	1,113	1,119	2,206	2,260
Selling, general and administrative expenses	51	87	126	171
Goodwill impairment charges	—	486	—	486
Asset impairment charges	29	24	69	24
Operating income (loss)	64	(410)	102	(323)
Non-operating income (expense):				
Interest expense, net	(14)	(19)	(28)	(39)
Other income (expense), net	2	(1)	1	1
Income (loss) from continuing operations before income taxes	52	(430)	75	(361)
Income tax expense	(15)	(9)	(15)	(33)
Income (loss) from continuing operations	37	(439)	60	(394)
Discontinued operations:				
Income (loss) from discontinued operations before income taxes	—	2	—	(11)
Income tax (expense) benefit	—	(1)	18	4
Income (loss) from discontinued operations	—	1	18	(7)
Net income (loss)	\$37	\$(438)	\$78	\$(401)
Earnings (loss) per share:				
Basic:				
Income (loss) from continuing operations	\$0.51	\$(5.93)	\$0.82	\$(5.25)
Income (loss) from discontinued operations	—	0.01	0.25	(0.10)
	\$0.51	\$(5.92)	\$1.07	\$(5.35)
Diluted:				
Income (loss) from continuing operations	\$0.50	\$(5.93)	\$0.80	\$(5.25)
Income (loss) from discontinued operations	—	0.01	0.24	(0.10)
	\$0.50	\$(5.92)	\$1.04	\$(5.35)
Weighted average number of common shares outstanding:				
Basic	73	74	73	75
Diluted	74	74	75	75
Cash dividends declared per share	\$0.32	\$0.32	\$0.64	\$0.64

See accompanying combined notes to condensed consolidated financial statements.

LEIDOS HOLDINGS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (UNAUDITED)

	Three Months Ended		Six Months Ended	
	July 3, 2015	August 1, 2014	July 3, 2015	August 1, 2014
	(in millions)			
Net income (loss)	\$37	\$(438)	\$78	\$(401)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	—	—	(2)	—
Deferred taxes	—	—	1	—
Foreign currency translation adjustments, net of tax	—	—	(1)	—
Pension liability adjustments	—	—	(1)	—
Deferred taxes	1	—	1	—
Pension liability adjustments, net of tax	1	—	—	—
Total other comprehensive income (loss), net of tax	1	—	(1)	—
Comprehensive income (loss)	\$38	\$(438)	\$77	\$(401)

See accompanying combined notes to condensed consolidated financial statements.

LEIDOS HOLDINGS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (UNAUDITED)

	Six Months Ended	
	July 3, 2015	August 1, 2014
	(in millions)	
Cash flows from operations:		
Net income (loss)	\$78	\$(401)
(Income) loss from discontinued operations	(18)	) 7
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	24	34
Stock-based compensation	14	23
Goodwill impairment charges	—	486
Asset impairment charges	69	24
Other	(1)	) 5
Change in assets and liabilities, net of effects of acquisitions and dispositions:		
Receivables	63	(56)
Inventory, prepaid expenses and other current assets	(10)	) 9
Deferred income taxes	23	—
Accounts payable and accrued liabilities	14	(35)
Accrued payroll and employee benefits	(20)	) 12
Income taxes receivable/payable	(111)	) 11
Other long-term assets/liabilities	(16)	) (4)
Total cash flows provided by operating activities of continuing operations	109	115
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(8)	) (22)
Payments on accrued purchase price related to prior acquisition	(13)) —
Proceeds from sale of assets	5	—
Proceeds from U.S. Treasury cash grant	—	80
Total cash flows (used in) provided by investing activities of continuing operations	(16)	) 58
Cash flows from financing activities:		
Payments of notes payable and long-term debt	(47)	) (1)
Sales of stock and exercises of stock options	3	4
Repurchases of stock and stock received for tax withholdings	(115)	) (212)
Dividend payments	(48)	) (48)
Other	1	1
Total cash flows used in financing activities of continuing operations	(206)	) (256)

See accompanying combined notes to condensed consolidated financial statements.

LEIDOS HOLDINGS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS [CONTINUED]
 (UNAUDITED)

	Six Months Ended	
	July 3, 2015	August 1, 2014
	(in millions)	
Decrease in cash and cash equivalents from continuing operations	(113	) (83
Cash flows from discontinued operations:)