perspecta

Q1 FY2019 earnings presentation

August 14, 2018

Cautionary note regarding forward-looking statements

All statements in this press release that do not directly and exclusively relate to historical facts constitute “forward-looking statements.” These statements represent current intentions, expectations, beliefs or projections, and no assurance can be given that the results described in such statements will be achieved. These statements are subject to numerous assumptions, risks, uncertainties and other factors that could cause actual results to differ materially from those described in such statements. Please refer to the “Cautionary Statement Regarding Forward-Looking Statements” and “Risk Factors” sections of Perspecta’s Annual Report on Form 10-K for the year ended March 31, 2018, as may be updated or supplemented in our Quarterly Reports on Form 10-Q and our other filings with the Securities and Exchange Commission, which discuss these and other factors that could adversely affect our results. Readers are cautioned not to place undue reliance on such statements which speak only as of the date they are made. We do not undertake any obligation to update or release any revisions to any forward-looking statement or to report any events or circumstances after the date of this presentation or to reflect the occurrence of unanticipated events except as required by law.

Non-GAAP reconciliations

To aid investors and analysts with year-over-year comparability for the combined businesses of USPS and Vencore and KeyPoint, Perspecta is including certain pro forma financial information that combines the stand-alone USPS and Vencore and KeyPoint financial information as if the acquisition had taken place on April 1, 2017. Adjusted results exclude costs directly associated with the spin-off and merger and the ongoing integration process.

The tables in the Appendix of this presentation provide all appropriate reconciliations from pro forma and adjusted results to GAAP. For additional information, please refer to the press release issued on August 14, 2018, entitled *Perspecta Announces Financial Results for First Quarter of Fiscal Year 2019* available on the Investor Relations portions of the Perspecta web site.

Perspecta management believes that these non-GAAP financial measures provide useful additional information to investors regarding Perspecta’s results of operations as they provide another measure of the Company’s profitability and ability to service its debt and are considered important to financial analysts covering Perspecta’s industry.

Perspecta's non-GAAP measures may be calculated differently than similarly named measures reported by other companies. In addition, using non-GAAP measures may have limited value as they exclude certain items that may have a material impact on reported financial results and cash flows. When analyzing Perspecta’s performance, it is important to evaluate each adjustment in the reconciliation and use adjusted measures in addition to, and not as an alternative to, GAAP measures.

CEO key messages

Strong quarter—above consensus on all metrics

1

Financial performance is on track

- Revenue up 2% year-over-year; expect sequential growth throughout the year
- Adjusted EBITDA up 37% year-over-year (20% excluding OCI divestiture)
- Adjusted diluted EPS up 50% year-over-year (22% excluding OCI divestiture)
- Robust adjusted free cash flow generation

2

Integration proceeding well

- Conducted town halls at all major sites; completed customer call plan
- Building culture built around mission and core values--VETS recognition
- Creating Strategic and Integration Execution Plans to maximize merger benefits
- Planning systems migrations and realizing cost synergies

3

Focus on Business Development

- Book-to-bill of 1.3x demonstrates market competitiveness
- Q1 recompete wins eliminate revenue risk; ready for NGEN-R
- Robust pipeline, investing in bidding machine
- Emerging revenue synergies--NBIS, ATIS, Perspecta Labs

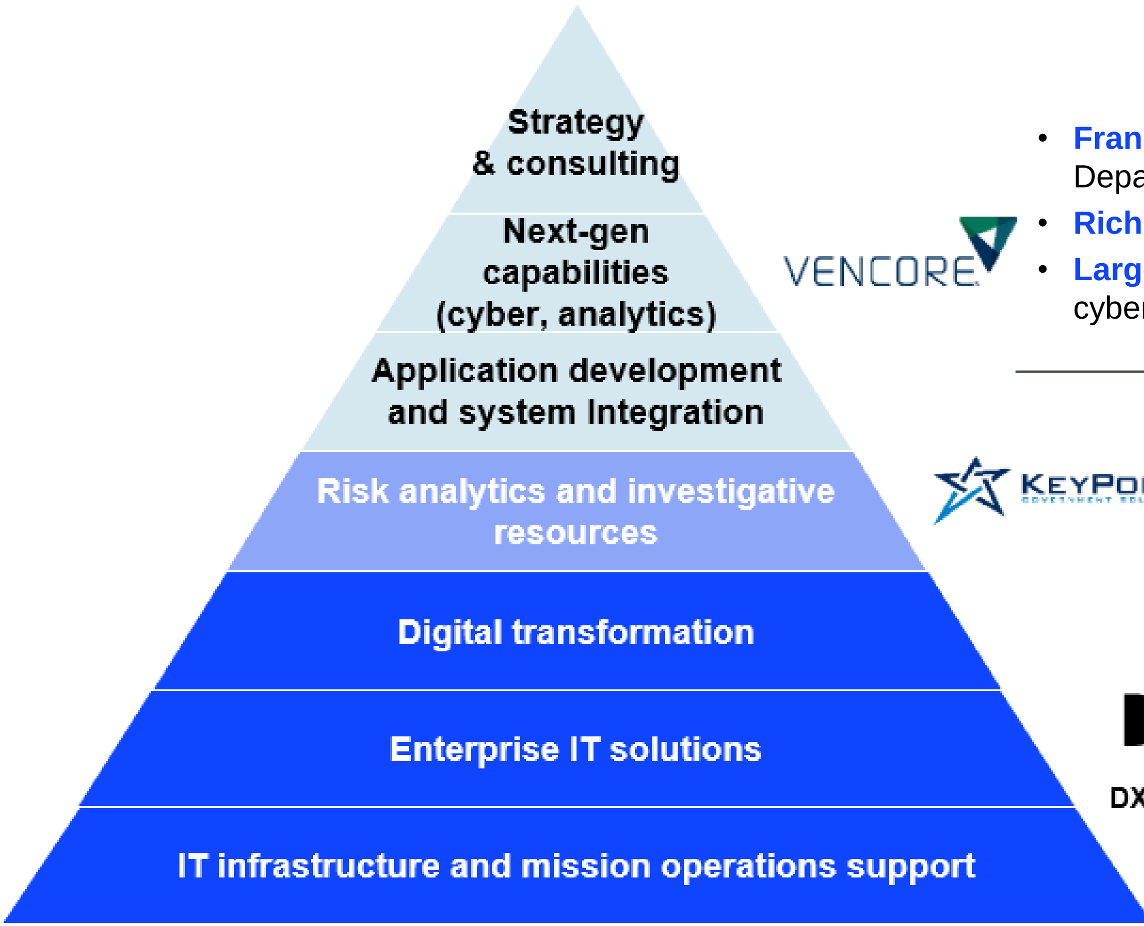
4

High confidence in fiscal year 2019 targets

- Establish performance baseline
- Lay foundation for longer-term growth targets

Complementary capabilities to enable government client missions

Ability to deliver complete set of services to all customers



VENCORE

- **Franchise position** in Intel community and Department of Defense
- **Rich IP and innovation** portfolio
- **Largest recipient** of DARPA grants for cybersecurity applied research

KEYPOINT GOVERNMENT SOLUTIONS

- **Leading provider** of background investigation services for federal government
- **Proprietary platform** to deliver high volume complex investigations

DXC USPS

- **Strong position** across federal, state, and local markets
- **Compelling offerings** in cloud, applications, IT operations, workplace and mobility
- **Digital transformation** partner of choice for the U.S. government

Select results for Q1 2019

Income statement

Measure	Q1 FY19	Q1 FY18	Growth
Pro Forma Revenue (millions)	$1,038	$1,019	2%
Pro Forma Adjusted EBITDA (millions)	$195	$142	37%
Pro Forma Adjusted EBITDA Margin	18.8%	13.9%	490 bps
Pro Forma Adjusted Diluted EPS	$0.54	$0.36	50%

Revenue

- Revenue ahead of plan--ramp of new programs, on-contract growth
- Defense and Intell increased 11%: Intelligence Community and background investigations
- Civilian and Health Care decreased 11%: end of large engineering support contract for the Kennedy Space Center

Income

- Strong earnings performance
- $24 million gain on contract divestiture anticipated in original guidance
- 16.5% pro forma adjusted EBITDA margin excluding gain consistent with long-term model
- On track to deliver cost synergies and operational efficiencies

Select results for Q1 2019

Balance sheet and cash flow statement

Cash flow performance	• Adjusted Free Cash Flow	$145M
	• Cap Ex – Including Capital Leases	$50M
	• Cap Ex as a % of Revenue	5%
Capital deployment	• Debt Repayment	$50M
	• Cash Dividends (declared $8M to be paid in 2Q)	$0M
	• Share Repurchases ($400M authorization)	$0M
Capital structure	• Liquidity ($201M cash, available revolver)	$801M
	• Debt, including Capital Leases	$2.8B
	• Net Debt-to-Total Capitalization	52%

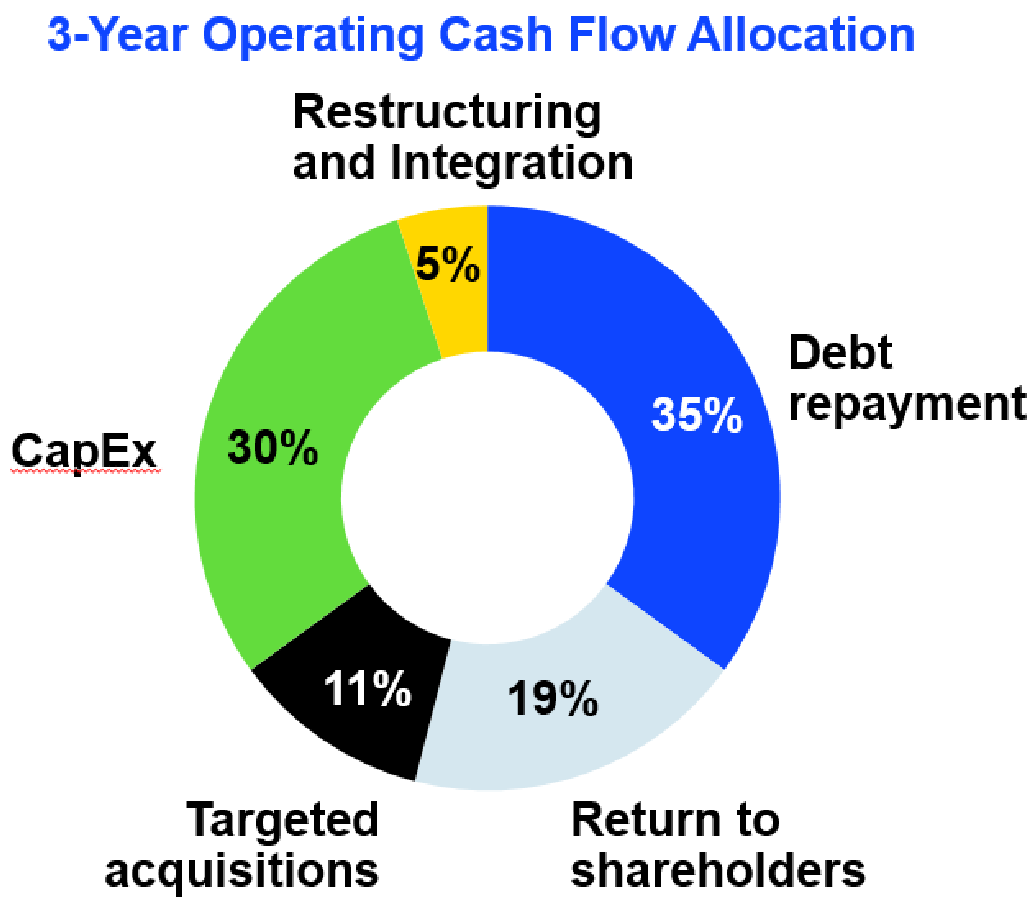
Fiscal year 2019 guidance

Measure	Fiscal Year 2019
Pro Forma Revenue (millions)	$4,150 - $4,250
Pro Forma Adjusted EBITDA Margin	16% - 17%
Pro Forma Adjusted Diluted EPS	$1.80 - $1.95
Pro Forma Adjusted Free Cash Flow Conversion	90%+

- Reaffirming guidance given at our Investor Day
- Guidance supported by:
  - $9B backlog
  - $4.2B in pending new business bids
  - positive market backdrop
- Expecting sequential revenue growth throughout the year with relatively constant adjusted EBITDA margin despite headwind from contract divestiture

Perspecta's long-term financial model

	FY20- FY22
Revenue	3-5% CAGR
Adjusted EBITDA Margin	16-17%
Free Cash Flow	90-100%+ of adjusted net income
Adjusted Diluted EPS	8-12%+ CAGR



Appendix

Non-GAAP reconciliation: Pro Forma Revenue

PERSPECTA INC.

PRO FORMA REVENUE (Unaudited)

(In millions)	**Three Months Ended June 30, 2018**		**Three Months Ended June 30, 2017**	
Revenue[(a)]	$	793	$	676
Historical Vencore revenue[(b)]		245		343
Pro forma adjusted revenue	$	1,038		1,019

Notes:

(a) For the three months ended June 30, 2017, GAAP results reflect the operations of USPS.

(b) Revenue prior to the May 31, 2018 mergers is from the most closely corresponding reporting period, which is April 1, 2018 to May 31, 2018 and April 1, 2017 to June 30, 2017, for the three months ended June 30, 2018 and June 30, 2017, respectively.

Non-GAAP reconciliation: Pro Forma Adjusted EBITDA / Diluted EPS

First Quarter of Fiscal Year 2019

PERSPECTA INC.
UNAUDITED PRO FORMA COMBINED ADJUSTED EBITDA AND DILUTED EPS
FOR THE THREE MONTHS ENDED JUNE 30, 2018

(In millions)	Perspecta for the Three Months Ended June 30, 2018	Effect of Spin-Off	Historical Vencore Two Months Ended May 31, 2018	Effect of Mergers	Pro Forma Combined
Net income (loss)	$ 29	$ (7)	$ (57)	$ 12	$ (23)
Income tax expense (benefit)	12	(2)	1	5	16
Interest expense	10	9	39	(25)	33
Depreciation and amortization	64	—	5	13	82
EBITDA	**115**	**—**	**(12)**	**5**	**108**
Separation and integration costs	44	—	41	—	85
Stock-based compensation	2	—	—	—	2
Adjusted EBITDA	**$ 161**	**$ —**	**$ 29**	**$ 5**	**195**
Depreciation and amortization					(82)
Amortization of acquired intangibles					40
Interest expense, net [a]					(30)
Earnings before taxes					**123**
Income tax expense (benefit) [b]					33
Adjusted net income					$ 90
Adjusted diluted EPS [c]					**$ 0.54**

Notes:

(a) Pro forma interest expense is the sum of the GAAP interest expense for the month of June 2018 plus a derived interest expense for the months of April and May 2018, based on the average of the applicable one-month LIBOR rates for the three-month period ended June 30, 2018, which better represents Perspecta's interest rate experience.

(b) Represents the income tax impact of the adjustments to net income using an estimated effective tax rate of approximately 27%.

(c) Represents adjusted net income divided by the weighted-average common shares on a diluted basis of 165.93 million.

Non-GAAP reconciliation: Pro Forma Adjusted EBITDA / Diluted EPS excluding contract divestiture

First Quarter of Fiscal Year 2019

PERSPECTA INC.

UNAUDITED PRO FORMA COMBINED ADJUSTED EBITDA AND DILUTED EPS EXCLUDING CONTRACT DIVESTITURE

FOR THE THREE MONTHS ENDED JUNE 30, 2018

(In millions)		**Pro Forma Combined**
Adjusted EBITDA	$	195
Gain on contract divestiture		(24)
Adjusted EBITDA excluding contract divestiture		**171**
Depreciation and amortization		(82)
Amortization of acquired intangibles		40
Interest expense[a]		(30)
Earnings before taxes excluding contract divestiture		99
Income tax expense (benefit) excluding contract divestiture [b]		27
Adjusted net income excluding contract divestiture		72
Adjusted diluted EPS excluding contract divestiture [c]	$	0.44

(a) Pro forma interest expense is the sum of the GAAP interest expense for the month of June 2018 plus a derived interest expense for the months of April and May 2018, based on the average of the applicable one-month LIBOR rates for the three-month period ended June 30, 2018, which better represents Perspecta's interest rate experience.

(b) Represents the income tax impact of the adjustments to net income using an estimated effective tax rate of approximately 27%.

(c) Represents adjusted net income divided by the weighted-average common shares on a diluted basis of 165.93 million.

Non-GAAP reconciliation: Pro Forma Adjusted EBITDA / Diluted EPS

First Quarter of Fiscal Year 2019

PERSPECTA INC.

UNAUDITED PRO FORMA COMBINED ADJUSTED EBITDA AND DILUTED EPS

FOR THE THREE MONTHS ENDED JUNE 30, 2017

(In millions)	Historical USPS for the Three Months Ended June 30, 2017	Effect of Spin-Off	Historical Vencore Three Months Ended June 30, 2017	Effect of Mergers	Pro Forma Combined
Net income (loss)	$ 32	$ (9)	$ (3)	$ (20)	$ —
Income tax expense (benefit)	20	(4)	4	(6)	14
Interest expense	2	14	21	(2)	35
Depreciation and amortization	37	—	8	16	61
EBITDA	**91**	**1**	**30**	**(12)**	**110**
Restructuring	3	—	—	2	5
Debt extinguishment costs	—	—	4	—	4
Separation and integration costs	11	(1)	—	1	11
Pension and OPEB actuarial and settlement losses	—	—	(2)	2	—
Stock-based compensation	1	—	(2)	2	1
NBIB adjustment	—	—	11	—	11
Adjusted EBITDA	**$ 106**	**$ —**	**$ 41**	**$ (5)**	**142**
Depreciation and amortization					(61)
Amortization of acquired intangibles					40
Interest expense, net [(a)]					(32)
Earnings before taxes					**89**
Income tax expense (benefit) [(b)]					33
Adjusted net income					$ 59
Adjusted diluted EPS [(c)]					**$ 0.36**

Notes:

(a) Pro Forma interest expense is derived based on the average of the applicable one-month LIBOR rates for the three month period ended June 30, 2018 to enhance comparability to the period during which the debt was established.

(b) Represents the income tax impact of the adjustments to net income using an estimated effective tax rate of approximately 34%.

(c) Represents adjusted net income divided by the weighted-average common shares on a diluted basis of 165.70 million.

Non-GAAP reconciliation: Pro Forma Adjusted Free Cash Flow

First Quarter of Fiscal Year 2019

PERSPECTA INC.

PRO FORMA ADJUSTED FREE CASH FLOW (Unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2018

(Dollars in millions)	Perspecta for the three months ended June 30, 2018	Historical Vencore for the two months ended May 31, 2018	Pro Forma Combined for the three months ended June 30, 2018
Net cash provided by operating activities	160	16	176
Net cash used in investing activities	(1,290)	(3)	(1,293)
Acquisitions net of cash acquired, and other [(a)]	1,284	—	1,284
Payments on lease liability [(b)]	(41)	—	(41)
Free cash flow	113	13	126
Payments on restructuring, transaction and integration-related costs	18	1	19
Adjusted free cash flow	131	14	145

Notes:

(a) Includes outflow of: $312 million of acquisition net of cash acquired, $994 million of costs related to the extinguishment of Vencore debt and related costs and $2 million of outsourcing contract costs. Additionally, includes inflow of cash proceeds from sale of assets of $24 million.

(b) Represents payments on capital leases.

Non-GAAP reconciliation: Pro Forma Adjusted Free Cash Flow

First Quarter of Fiscal Year 2019

PERSPECTA INC.

PRO FORMA ADJUSTED FREE CASH FLOW (Unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2017

(Dollars in millions)	Perspecta for the three months ended June 30, 2017	Historical Vencore for the three months ended June 30, 2017	Pro Forma Combined for the three months ended June 30, 2017
Net cash provided by operating activities	124	24	148
Net cash used in investing activities[a]	(3)	(2)	(5)
Payments on capital leases and other long-term asset financings	(39)	—	(39)
Acquisitions net of cash acquired, and other [a]	3	—	3
Free cash flows	85	22	107
Payments on transaction and integration-related payments	3	2	5
Payments on restructuring costs	—	—	—
Adjusted free cash flows	88	24	112

Notes:

(a) Consists of $3M of outsourcing contract costs.