



Q3 FY2020 earnings presentation

February 12, 2020



Cautionary note regarding forward-looking statements

All statements and assumptions in this presentation that do not directly and exclusively relate to historical facts could be deemed “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, 2019, 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

The tables in the Appendix of this presentation provide all appropriate reconciliations from pro forma and adjusted results to the most directly comparable GAAP measure. For additional information, please refer to the press release issued on February 12, 2020, entitled *Perspecta announces Financial Results for Third Quarter of Fiscal Year 2020* available on the investor relations portion 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 tables and use adjusted measures in addition to, and not as an alternative to, GAAP measures.

CEO key messages

1

NGEN update

- Process time line
- Financial impacts

2

Strong operational performance

- Exceeded consensus estimates on all of our key financial metrics
- Revenue up 5% year-over-year
- Adjusted EBITDA up 7% and adjusted diluted EPS up 17% year-over-year
- Adjusted free cash flow conversion above full year target at 109% of adjusted net income

3

Excellent business development results

- Book-to-bill ratio of 1.4x, 77% of bookings are new business; TTM book-to-bill ratio of 1.4x;
- Key bookings: DOS CAEIO, other civilian agencies; strong federal civilian momentum
- Classified and non-classified recompetes and new awards; reinforce our defense and intelligence position
- Qualified pipeline of \$80B, including \$17B awaiting decision

4

Delivering on our commitments

- Expanding customer base and maintaining deep long-standing relationships
- Leveraging our strengths while moving forward as "One Perspecta"
- Focused on revenue growth

5

Fine tuning a company we are proud of

- Focused on critical missions
- Employee and leadership engagement

Selected results for Q3 FY2020

Income statement

Measure	Q3 FY20	Q3 FY19	Growth
Revenue (millions)	\$1,126	\$1,075	5%
Adjusted EBITDA (millions)	\$195	\$182	7%
Adjusted EBITDA margin	17.3%	16.9%	40 bps
Adjusted diluted EPS	\$0.55	\$0.47	17%

Revenue

- Revenue growth for 7th straight quarter of year-on-year growth
Defense and Intel increased 15% - ramp of recent wins, increased NGEN demand
- Civilian and Health Care decreased 14% - NASA and other program run-offs

Earnings

- Strong earnings performance
 - SG&A efficiency
 - High award fees
 - Contract portfolio heavily weighted to fixed price

Select results for Q3 FY2020

Balance sheet and cash flow statement

Cash flow performance

• Adjusted free cash flow	\$98M
• Cap Ex, including finance leases	\$40M
• Cap Ex as a % of revenue	4%

Capital deployment

• Debt repayment	\$149M
• Cash dividends	\$10M
• Share repurchases (\$295M authorization remaining)	\$13M*

Capital structure

• Liquidity (\$69M cash, \$700M available revolver)	\$769M
• Debt, including finance lease obligations	\$2.7B
• Net debt-to-total capitalization	53%

* Excluding <\$1M of cash paid for shares purchased in the second quarter but settled in cash in the third quarter.

Fiscal year 2020 guidance

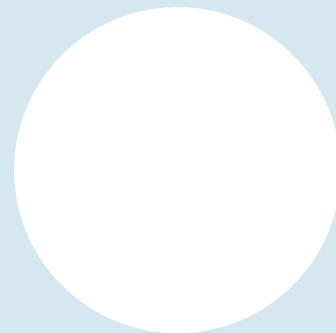
Measure	Current FY20 guidance	Prior FY20 guidance
Revenue (millions)	\$4,450 - \$4,500	\$4,425 - \$4,500
Adjusted EBITDA margin	17.0% - 18.0%	17.0% - 18.0%
Adjusted diluted EPS	\$2.12 - \$2.18	\$2.10 - \$2.18
Adjusted free cash flow conversion	110%+	105%+

- Raising low end of guidance for revenue and adjusted diluted EPS
- Raising adjusted free cash flow conversion percent guidance

Note: All forward-looking non-GAAP measures exclude estimates for amortization of intangible assets; stock-based compensation expenses; restructuring, separation, transaction, and integration-related costs; mark-to-market changes associated with pension and other post-retirement benefit plans; and other non-recurring items. Perspecta is unable to provide a reconciliation of non-GAAP guidance measures to corresponding GAAP measures on a forward-looking basis without unreasonable effort due to the overall high variability and low visibility of most of the excluded items. Material changes to any one of these items could have a significant effect on future GAAP results.



Appendix



Summary operating results (unaudited)

Third quarters of fiscal year 2020 and fiscal year 2019

(in millions, except margin and per share amounts)	Three Months Ended	
	December 31, 2019	December 31, 2018
Revenue	\$ 1,126	\$ 1,075
Income before taxes	75	48
Operating margin	6.7%	4.5%
Net income	53	38
Diluted earnings per share (EPS)	0.33	0.23
Non-GAAP Measures*:		
Adjusted Net Income	90	77
Adjusted EBITDA	195	182
Adjusted EBITDA Margin	17.3%	16.9%
Adjusted Diluted EPS	0.55	0.47

* Adjusted Net Income, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted Diluted EPS are non-GAAP financial measures. Non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information provided in accordance with GAAP.

Non-GAAP reconciliation: Adjusted EBITDA, net income and diluted EPS

Third quarters of fiscal year 2020 and fiscal year 2019

(in millions)	Three Months Ended	
	December 31, 2019	December 31, 2018
Net income	\$ 53	\$ 38
Income tax expense	22	10
Interest expense, net	34	37
Depreciation and amortization	92	76
EBITDA	201	161
Restructuring costs	—	1
Separation, transaction and integration-related costs	20	19
Stock-based compensation	6	4
Gain on sale of assets	(33)	—
Separation related cost	1	(3)
Adjusted EBITDA	195	182
Adjusted EBITDA margin ^(a)	17.3%	16.9%
Depreciation and amortization	(92)	(76)
Amortization of acquired intangibles	54	37
Interest expense, net	(34)	(37)
Adjusted earnings before taxes	123	106
Income tax expense ^(b)	33	29
Adjusted net income	\$ 90	\$ 77
Adjusted diluted EPS ^(c)	\$ 0.55	\$ 0.47

Notes:

- (a) Adjusted EBITDA margin is calculated as the ratio of adjusted EBITDA to revenue for both quarters ended December 31, 2019 and 2018.
- (b) Represents income tax expense utilizing an adjusted effective tax rate that adjusts for non-GAAP measures including: transaction costs, integration costs, and tax add backs for non-deductible prior-merger goodwill amortization. Adjusted effective tax rates are 27% for both quarters ended December 31, 2019 and 2018.
- (c) Represents adjusted net income divided by the weighted average common shares on a diluted basis of 162.47 million and 164.54 million for the quarters ended December 31, 2019 and 2018, respectively.

Non-GAAP reconciliation: Adjusted free cash flow

Third quarters of fiscal year 2020 and fiscal year 2019

(in millions)	Three Months Ended	
	December 31, 2019	December 31, 2018
Net cash provided by operating activities	\$ 120	\$ 57
Purchases of property, equipment and software	(7)	(1)
Payments on finance lease obligations	(33)	(42)
Payments on restructuring, separation, transaction and integration-related costs	35	19
Initial sale of qualifying receivables ^(a)	(17)	—
Adjusted free cash flow	\$ 98	\$ 33

Notes:

- (a) Represents the impact arising from the initial sale of accounts receivables under the Master Accounts Receivable Purchase Agreement during the quarter ended December 31, 2019.

Selected segment measures and reconciliation of reportable segment profit to income before taxes (unaudited)

Third quarters of fiscal year 2020 and fiscal year 2019

(in millions)	December 31, 2019			December 31, 2018		
	Defense and Intelligence	Civilian and Health Care	Total	Defense and Intelligence	Civilian and Health Care	Total
Revenue	\$ 813	\$ 313	\$ 1,126	\$ 709	\$ 366	\$ 1,075
Segment profit	\$ 115	\$ 39	\$ 154	\$ 102	\$ 46	\$ 148
Non-GAAP adjustments ^(a)	2	1	3	(4)	(2)	(6)
Adjusted segment profit	\$ 117	\$ 40	\$ 157	\$ 98	\$ 44	\$ 142
Segment profit margin	14.1%	12.5%	13.7%	14.4%	12.6%	13.8%
Adjusted segment profit margin	14.4%	12.8%	13.9%	13.8%	12.0%	13.2%
Total segment profit			\$ 154			\$ 148
Not allocated to segments:						
Stock-based compensation			(6)			(4)
Amortization of acquired intangible assets			(54)			(37)
Restructuring costs			—			(1)
Separation, transaction and integration-related costs			(20)			(19)
Interest expense, net			(34)			(37)
Other unallocated, net			35			(2)
Income before taxes			\$ 75			\$ 48

Notes:

^(a) Non-GAAP adjustments include non-operating net periodic pension benefit, and certain separation-related and other costs.