Leidos Holdings, Inc. (LDOS)

Updated February 19th, 2026, by Kody Kester

Key Metrics

Current Price:	$171	**5 Year CAGR Estimate:**	10.4%	**Market Cap:**	$21.6B
Fair Value Price:	$184	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	03/16/26
% Fair Value:	93%	**5 Year Valuation Multiple Estimate:**	1.4%	**Dividend Payment Date:**	03/31/26
Dividend Yield:	1.0%	**5 Year Price Target**	$270	**Years Of Dividend Growth:**	7
Dividend Risk Score:	B	**Sector:**	Industrials	**Rating:**	Buy

Overview & Current Events

Founded in 1969, Leidos Holdings, Inc. provides services and solutions to clients in the defense, intelligence, civil, and health markets in the U.S. and around the world. In 2016, the company merged with Lockheed Martin's Information Systems & Global Solutions segment to form one of the leading IT service providers to the U.S. government. Approximately 87% of LDOS's $17.17 billion in total revenue in 2025 was derived from the U.S. government. The remaining 13% came from commercial and non-U.S. customers. The company is organized into the following four operating segments:

1. National Security & Digital: This segment offers technology-enabled services and mission software capabilities. These are used by defense and intelligence customers in the cyber, logistics, and security operations areas.
2. Health & Civil: The segment provides services and solutions to federal and commercial customers in public health, care coordination, and life and environmental sciences. These include health information management services, managed health services, and life sciences research and development.
3. Commercial & International: The segment offers technologically advanced services, solutions, and products to commercial and international customers. Offerings include IT modernization, software solutions, mission support and logistics, and surveillance and reconnaissance technologies and services.
4. Defense Systems: This segment develops and produces advanced space, aerial, surface, and sub-surface manned and unmanned defense systems for various U.S. agencies. Solutions provided include systems engineering, integration and testing, software development, and intelligence analysis.

On February 17th, LDOS released its financial results for the fourth quarter ended January 2nd, 2026. The company's total revenue decreased by 3.6% over the year-ago period to $4.21 billion in the quarter. Slight growth in the Defense Systems and Commercial & International segments (+1.3% to $546 million and +1.0% to $610 million) was more than offset by decreased revenue in the Health & Civil and National Security & Digital segments (-9.3% to $1.21 billion and -2.5% to $1.85 billion) during the quarter. An extra workweek in Q4 2024 and the six-week government shutdown in Q4 2025 both contributed to this modest topline decline for the quarter. LDOS's non-GAAP diluted EPS climbed 16.5% year-over-year to $2.76 in the quarter. For more perspective, that surpassed the analyst consensus during the quarter by $0.15.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$3.51	$3.72	$4.38	$5.17	$5.83	$6.62	$6.60	$7.30	$10.21	$11.99	***$12.27***	***$18.03***
DPS	$1.28	$1.28	$1.28	$1.32	$1.36	$1.40	$1.44	$1.46	$1.54	$1.63	***$1.72***	***$2.41***
Shares[1]	150.0	151.0	146.0	141.0	142.3	140.0	137.0	135.8	131.2	126.4	***126.4***	***114.1***

Over the past decade, LDOS's non-GAAP diluted EPS has compounded at a double-digit rate annually. We think that 8% annual non-GAAP diluted EPS growth through 2031, off an anticipated 2026 base of $12.27, is achievable. The firm's backlog remained strong at $49.0 billion. This should enable mid-single-digit revenue growth over the medium term. Incremental margin expansion and share repurchases are the other levers that can be pulled to achieve this growth.

[1] Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Avg. P/E	14.6	17.4	12.0	19.2	18.0	13.4	15.9	14.8	14.1	15.1	***14.0***	***15.0***
Avg. Yld.	2.5%	2.0%	2.4%	1.3%	1.3%	1.6%	1.4%	1.3%	1.1%	0.9%	***1.0%***	***0.9%***

Since 2016, LDOS's P/E ratio has varied from as low as the low double-digits to as much as the upper teens. That works out to an average P/E ratio of 15.5. Overall, we continue to believe that a multiple of around 15 represents fair value. This is because improving margins could mostly compensate for the larger earnings base and lower earnings growth rate. Compared to the current P/E ratio of 14.0, that implies shares are back to being slightly discounted.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	36%	34%	29%	26%	23%	21%	22%	20%	15%	14%	***14%***	***13%***

LDOS's competitive advantage lies in its long-standing relationships with customers and its top-tier talent. The company's ability to deliver for its customers has allowed non-GAAP diluted EPS to consistently rise in recent years.

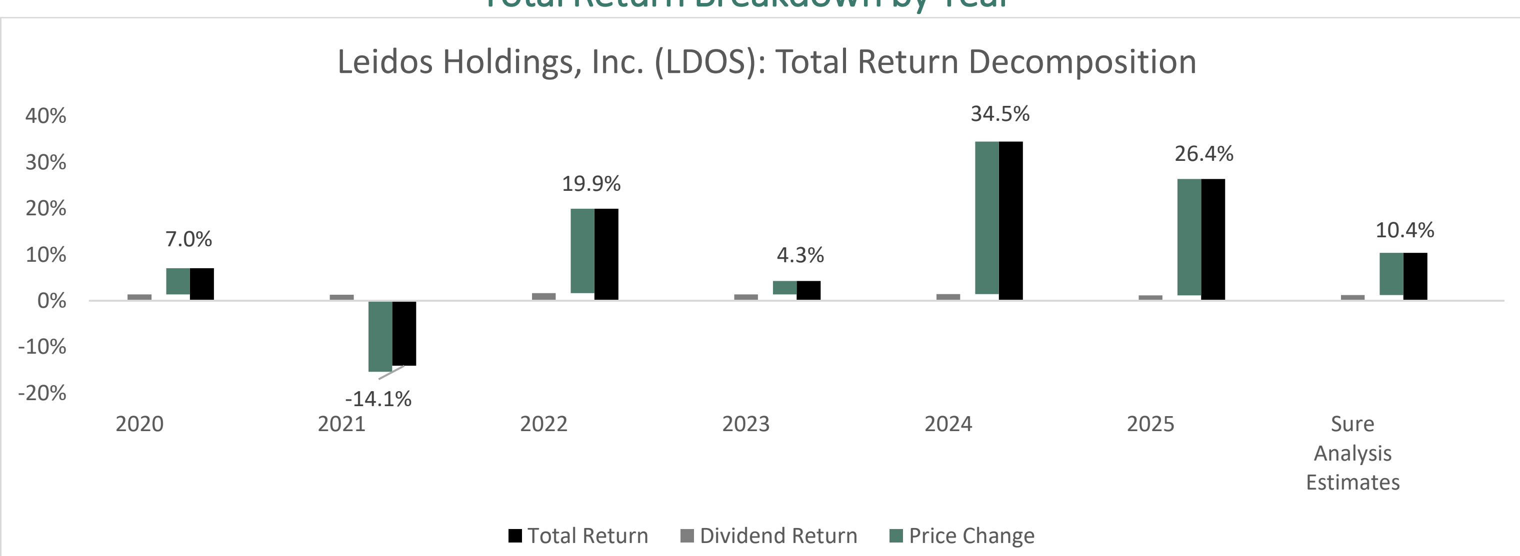
LDOS is also financially healthy. This is supported by an interest coverage ratio that was 10.4x in FY 2025. That provides a buffer for the company to endure a temporary downturn in its earnings and still be able to service its debt. This earns LDOS an investment-grade, BBB credit rating from S&P on a stable outlook. That provided the company with the flexibility to announce the acquisition of power design firm, Entrust Solutions Group, for $2.4 billion last month. This deal lets LDOS pick up a business with a low 20% margin, growing revenue at a double-digit clip. Upon the deal closing in Q2 2026, the company's pro-forma gross leverage ratio will be around 2.6x.

Additionally, LDOS's dividend payout ratio is also quite low, providing strong security. The company's dividend payout ratio is set to be in the low- to mid-teens for 2026. We believe these elements at least partially offset LDOS's reliance on the U.S. government for most of its revenue and set it up to build on its seven-year dividend growth streak.

Final Thoughts & Recommendation

LDOS's 1.0% dividend yield, 8.0% annual non-GAAP diluted EPS growth prospects, and 1.4% annual valuation multiple upside potential could produce 10.4% annual total returns through 2031. Thanks to the 13% selloff in recent months, we're upgrading it back to a Buy rating for the first time since last February.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	4,712	7,043	10,170	10,194	11,094	12,297	13,737	14,396	15,438	16,662
Gross Profit	566	940	1,432	1,504	1,548	1,737	2,014	2,084	2,244	2,798
Gross Margin	12.0%	13.3%	14.1%	14.8%	14.0%	14.1%	14.7%	14.5%	14.5%	16.8%
SG&A Exp.	201	422	737	729	689	770	851	951	942	983
D&A Exp.	41	122	336	257	234	282	325	333	331	290
Operating Profit	365	518	695	775	859	967	1,163	1,133	1,302	1,815
Operating Margin	7.7%	7.4%	6.8%	7.6%	7.7%	7.9%	8.5%	7.9%	8.4%	10.9%
Net Profit	242	244	366	581	667	628	753	685	199	1,254
Net Margin	5.1%	3.5%	3.6%	5.7%	6.0%	5.1%	5.5%	4.8%	1.3%	7.5%
Free Cash Flow	355	420	445	695	871	1,151	929	863	958	1,243
Income Tax	112	72	29	28	196	152	208	193	195	388

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	3,370	9,132	8,990	8,770	9,367	12,511	13,261	13,071	12,695	13,104
Cash & Equivalents	656	376	390	327	668	524	727	516	777	943
Accounts Receivable	715	847	771	1,067	1,023	1,270	1,194	1,368	1,416	2,645
Inventories	70	67			72	276	274	287	310	315
Goodwill & Int.	1,232	6,211	5,830	5,512	5,442	7,529	7,921	7,648	6,779	6,601
Total Liabilities	2,302	5,985	5,607	5,459	5,950	8,640	8,917	8,718	8,437	8,644
Accounts Payable	306	591	557	547	592	731	692	733	736	705
Long-Term Debt	1,081	3,287	3,111	3,124	2,986	4,744	5,076	4,920	4,682	4,052
Shareholder's Equity	1,068	3,135	3,370	3,308	3,413	3,862	4,291	4,299	4,201	4,460
D/E Ratio	1.01	1.05	0.92	0.94	0.87	1.23	1.18	1.14	1.11	0.91

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	7.3%	3.9%	4.0%	6.5%	7.4%	5.7%	5.8%	5.2%	1.5%	9.7%
Return on Equity	23.4%	11.6%	11.2%	17.4%	19.8%	17.2%	18.3%	15.8%	4.6%	29.1%
ROIC	11.2%	5.7%	5.7%	9.0%	10.4%	8.4%	8.4%	7.3%	2.2%	13.0%
Shares Out.	72.0	150.0	151.0	146.0	141.0	142.3	140.0	137.0	135.8	134.0
Revenue/Share	63.68	67.72	66.04	66.63	76.51	85.40	96.06	104.32	111.87	124.34
FCF/Share	4.80	4.04	2.89	4.54	6.01	7.99	6.50	6.25	6.94	9.28

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.