

LEIDOS HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Performance-based stock award activity for each of the periods presented was as follows:

	Expected number of shares of stock to be issued under performance-based stock awards (in millions)	Weighted average grant- date fair value
Unvested at December 30, 2016	0.4	\$ 44.44
Awards granted	0.2	57.94
Awards vested	(0.1)	42.85
Unvested at December 29, 2017	0.5	\$ 50.34
Awards granted	0.3	61.43
Awards forfeited	(0.1)	61.81
Awards vested	(0.2)	44.04
Unvested at December 28, 2018	0.5	\$ 57.36
Awards granted	0.2	66.92
Awards forfeited	—	66.72
Awards vested	(0.1)	45.83
Unvested at January 3, 2020	0.6	\$ 63.66

The weighted average grant date fair value for performance-based stock, excluding those with a market condition, during fiscal 2019, 2018 and 2017 was \$62.66, \$63.76 and \$53.58, respectively. The weighted average grant date fair value for performance-based stock with market conditions that were granted during fiscal 2019, 2018 and 2017, was \$72.53, \$71.50 and \$62.30, respectively, and was calculated using the Monte Carlo simulation.

The Monte Carlo simulation assumptions used for the periods presented were as follows:

	Year Ended		
	January 3, 2020	December 28, 2018	December 29, 2017
Expected volatility	22.02%	25.37%	27.19%
Risk free rate of return	2.39%	2.35%	1.53%
Weighted average grant date stock price	\$ 62.66	\$ 65.00	\$ 53.73

As of January 3, 2020, there was \$12 million of unrecognized compensation cost, net of estimated forfeitures, which is expected to be recognized over a weighted average period of 1.7 years. The fair value of performance-based stock awards that vested in fiscal 2019, 2018 and 2017 was \$9 million, \$13 million, and \$4 million, respectively.

Note 21—Income Taxes

In December 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (“Tax Act”). The Tax Act made broad and complex changes to the U.S. tax code. As a result, the Company recorded a preliminary net tax benefit of \$115 million in fiscal 2017, and in accordance with Staff Accounting Bulletin No.118, the company decreased its preliminary net tax benefit estimate by \$4 million during fiscal 2018.