

# CACI International Inc Second Quarter Fiscal Year 2015 Conference Call



January 29, 2015

**INFORMATION** DEPLOYED. **SOLUTIONS** ADVANCED. **MISSIONS** ACCOMPLISHED.

**CACI**  
EVER VIGILANT

# Forward-looking Statements

There are statements made herein which do not address historical facts and, therefore, could be interpreted to be forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such statements are subject to factors that could cause actual results to differ materially from anticipated results. The factors that could cause actual results to differ materially from those anticipated include, but are not limited to, the following: actual revenue and earnings realized by Six3 Systems, and the performance of the Six3 Systems business; regional and national economic conditions in the United States and globally; terrorist activities or war; changes in interest rates; currency fluctuations; significant fluctuations in the equity markets; changes in our effective tax rate; failure to achieve contract awards in connection with re-competes for present business and/or competition for new business; the risks and uncertainties associated with client interest in and purchases of new products and/or services; continued funding of U.S. government or other public sector projects, based on a change in spending patterns, implementation of spending cuts (sequestration) under the Budget Control Act of 2011 and the Bipartisan Budget Act of 2013; changes in budgetary priorities or in the event of a priority need for funds, such as homeland security; government contract procurement (such as bid protest, small business set asides, loss of work due to organizational conflicts of interest, etc.) and termination risks; the results of government audits and reviews conducted by the Defense Contract Audit Agency, the Defense Contract Management Agency, or other governmental entities with cognizant oversight; individual business decisions of our clients; paradigm shifts in technology; competitive factors such as pricing pressures and/or competition to hire and retain employees (particularly those with security clearances); market speculation regarding our continued independence; material changes in laws or regulations applicable to our businesses, particularly in connection with (i) government contracts for services, (ii) outsourcing of activities that have been performed by the government, and (iii) competition for task orders under Government Wide Acquisition Contracts (GWACs) and/or schedule contracts with the General Services Administration; the ability to successfully integrate the operations of our recent and any future acquisitions; our own ability to achieve the objectives of near term or long range business plans; and other risks described in our Securities and Exchange Commission filings.



## Our Participants Today

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### **Ken Asbury**

President and Chief Executive Officer

### **Tom Mutryn**

Chief Financial Officer

### **John Mengucci**

Chief Operating Officer and President,  
U.S. Operations

### **Greg Bradford**

Chief Executive Officer, CACI Limited in the UK

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# Highlights

- **Record contract awards in the quarter**
- **Net income in line with expectations**
- **Reiterating Fiscal Year '15 Annual Guidance**

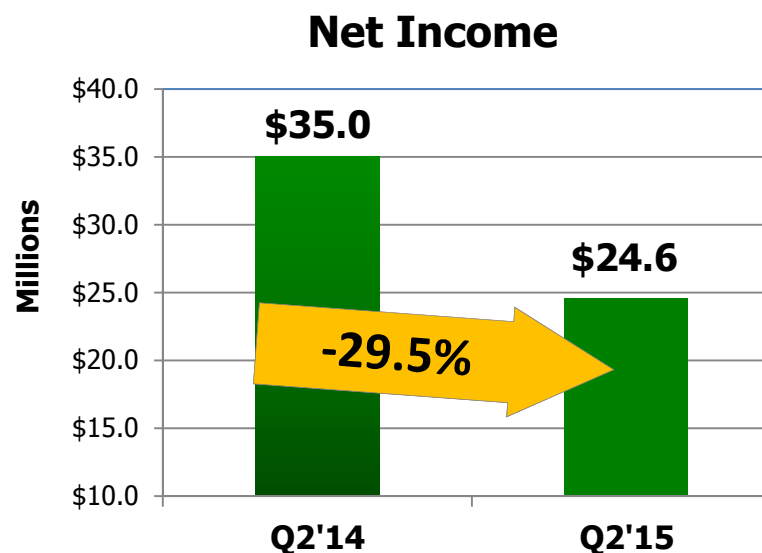
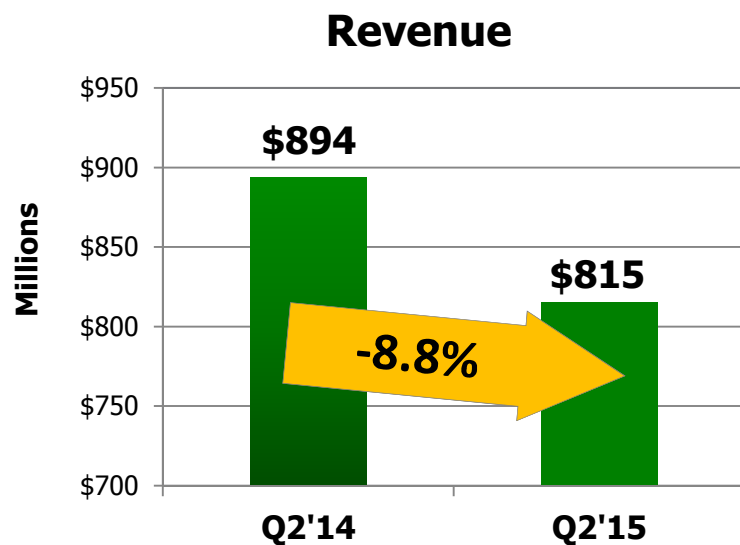
## Dynamics Shaping Our Business

- **Most contract awards occurred at the end of the first and second quarters**
  - At the end of the government's fiscal year (September)
  - After signing of appropriations bill (December)
- **Experiencing protests by unsuccessful incumbents**
- **Transition of Congress and new Secretary of Defense**
- **Global threats continue to shape customers' priorities and requirements**

## CACI's Positioning in the Market

- **Demand for our solutions and services is growing**
- **Customers increasingly choosing CACI**
  - Record amount of first half awards
  - Significant increase in total backlog
- **Will continue to execute our strategy**

# Second Quarter Results



- **Decrease driven primarily by:**
  - Higher direct labor more than offset by decline in ODCs
  - Reductions in sub-contractor labor and material purchases

- Reflects \$11M net income reduction due to OPM ramp-up activity
- Tax rate reflects positive impact of work opportunity job credits
- Diluted EPS of \$1.01, down 26.7%
- Diluted adjusted EPS of \$1.54, 52% higher than GAAP diluted EPS

See Chart 16 for definitions of non-GAAP measures

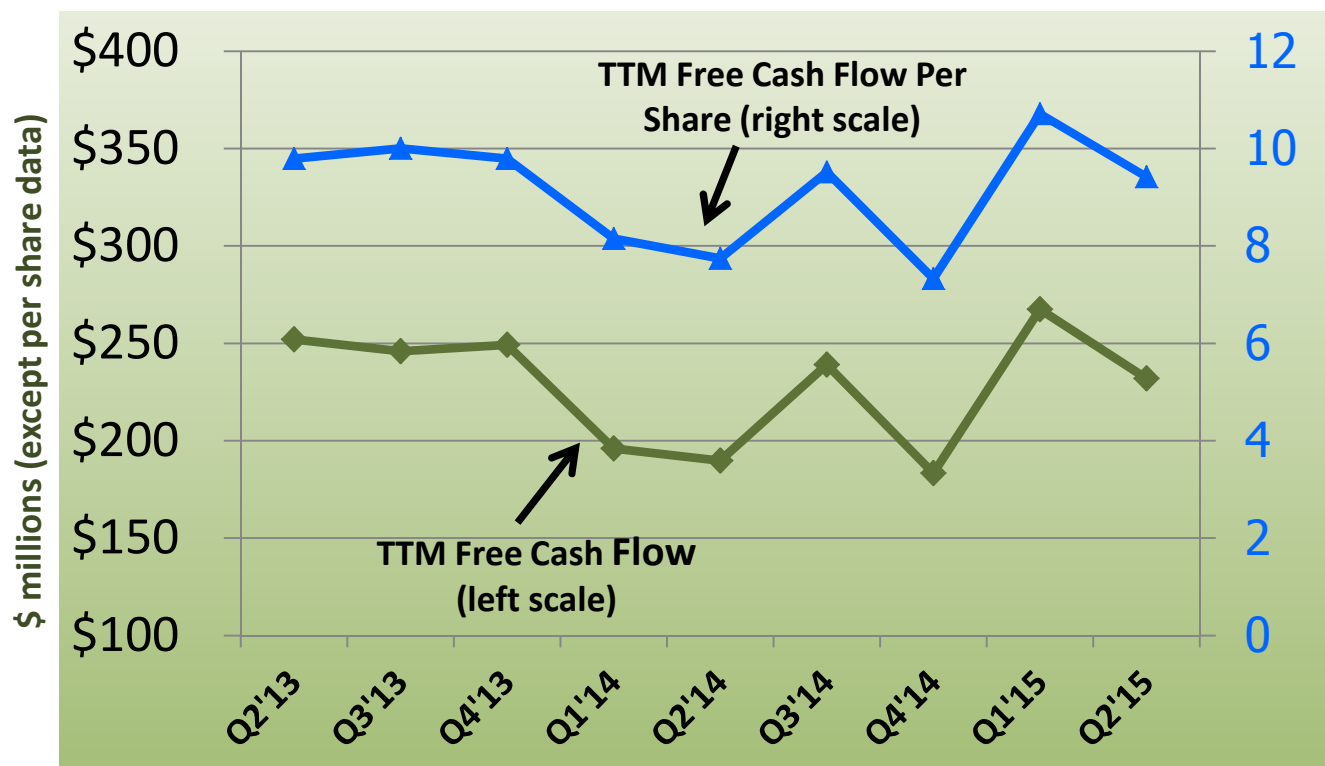
## Six3 Systems, Inc. Acquisition

- **Generated \$91 million in the second quarter**
- **5% accretive to GAAP EPS and 13% accretive to diluted adjusted EPS in CY14**
- **Will be reporting and discussing results on an integrated, combined basis going forward**



# Strong Cash Flow

- Generated \$93 million in operating cash flow in 1<sup>st</sup> half; (\$18) million in operating cash flow in Q2
- Days sales outstanding – 67 days versus 61 days in Q1



- Net debt to TTM EBITDA of 3.7 times

10.7% free cash flow yield per share at \$88 share price

See Chart 16 for definitions of non-GAAP measures



## Reiterating FY15 Guidance

	FY15
	<u>Guidance</u>
Revenue (millions)	\$3,300 – \$3,600
Net income (millions)	\$125 – \$135
Diluted EPS	\$5.14 – \$5.56
Diluted shares (millions)	24.3

**FY15 revenue expected to be -7% to 1% versus FY14**

**FY15 net income expected to be -8% to 0% versus FY14**

**FY15 diluted EPS expected to be -4% to 3% versus FY14**

**This guidance represents our views as of January 29, 2015, Investors are reminded that actual results may differ from these estimates for reasons described in our Safe Harbor Statement and our filings with the SEC.**

# Key Guidance Assumptions

## We expect:

- **Direct labor to be high single digit percent increase over FY14; ODCs to be high teen percent decrease from FY14**
- **Indirect costs and selling expenses 1% to 3% higher than FY14**
- **Depreciation and amortization of ~ \$66 million**
- **Operating margin to be slightly below last year**
- **Net interest expense of ~ \$37 million**
- **Effective tax rate of ~ 38.1%**
- **Diluted share count to be 24.3 million shares**
- **Operating cash flow of ~ \$200 million; cap ex ~ \$15 - \$20 million**

## Contract Awards

- **\$1.9 billion in contract awards in the second quarter, 162% higher than last year**
  - About 50% of the awards are for new business for CACI
- **Delay of contract awards on new work and protests on new work delaying revenue for several months**
- **Offsets to delays, CACI's continued focus on operational excellence and delivering value to our current customers:**
  - Successfully growing existing work, already on-contract
  - Winning a higher percentage of our recompetes
  - Securing extensions and bridging of work at existing run rates

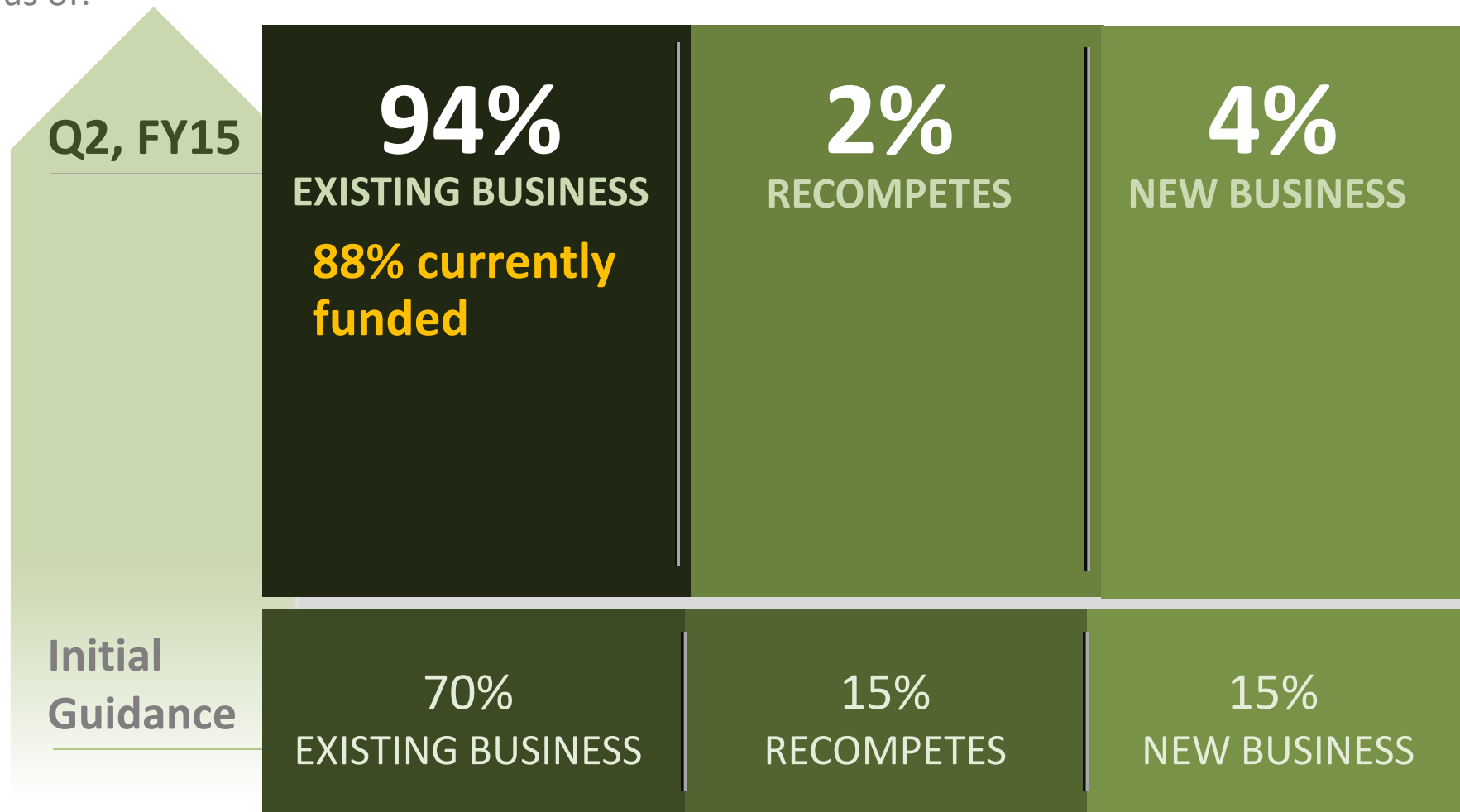
## CACI Well- Positioned

- **Creating synergies from the Six3 acquisition**
- **Added almost 1,300 employees in first half of FY15 for the OPM contract work**
  - Steady progress in ramping up this program
- **\$571 million in contract funding orders**
- **Total Backlog: \$9.8 billion, up 29% over December 2013**
- **Solid leading indicators:**
  - \$9.5 billion in pending awards, 75% for new business
  - \$14 billion in bids to be submitted over next six months, 60% for new business

## Confidence in our FY15 Plan

# FY15 Planned Revenue

as of:



Percentages based on mid-point of annual guidance

## CEO Closing Comments

- **Progress in first half positions us for the next six months**
- **Awards and backlog validate business development investments**
- **Contract funding orders reflect continued delivery of operational excellence**

## Definitions of Non-GAAP Measures

- **Trailing twelve month (TTM) free cash flow is TTM cash flow from operations less TTM capital expenditures.**
- **TTM free cash flow per share is TTM free cash flow divided by TTM diluted share count.**
- **EBITDA is GAAP net income plus net interest expense, income taxes, and depreciation and amortization.**
- **Adjusted net income is GAAP net income plus stock-based compensation expense, depreciation and amortization, amortization of financing costs, and non-cash interest expense, net of related tax effects.**
- **Diluted adjusted earnings per share is adjusted net income divided by diluted weighted-average shares, as reported.**