

# CACI International Inc Second Quarter Fiscal Year 2014



January 30, 2014

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**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: the successful integration of our acquisition of Six3 Systems, 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 (including the impact of uncertainty regarding U.S. debt limits and actions taken related thereto); 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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# Second Quarter FY14 Performance

## Progress and Results on Our Strategy

- **Solid quarter for Operations**
- **Significantly higher contract awards, higher net income**
- **Completed Six3 Systems acquisition**
  - Performance and integration on plan
- **Increasing FY14 revenue guidance, reiterating net income guidance**
- **Achieved results in difficult market**

A large, light blue, 3D-style graphic of the letters 'Q2' is positioned on the right side of the slide. The letters have a slight shadow and a gradient, giving them a three-dimensional appearance as if they are floating or resting on a surface.



## Strategy to Improve Long-Term Performance

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- **Winning new business**
  - Optimizing business development
  - Focusing on government's high-priority missions
  - Bidding selectively
  - Strategic campaigns
- **Driving operational excellence**
  - Credentialing value delivery systems
  - Efficient, effective, ethical program management
- **Deploying capital in support of future growth**
  - Acquisition of Six3 Systems

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## Need for Advanced Cyber in Marketplace

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- **Strategic shift to Asia and Pacific**
- **Adversaries technologically sophisticated, economically advanced**
- **Need new methods to conduct ISR and deliver kinetic and non-kinetic effects**

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# CACI's Full Spectrum of Cyberspace

**Six3: Highly specialized and differentiated capabilities in signals processing, precision geo-location, and non-traditional cyber and electronic warfare**



**CACI: Ability to defend or disrupt a computer, server, or network architecture**



**Six3: Focus on signals emitted by weapons systems, satellites, and airborne platforms**



**We cover the full spectrum of cyberspace and help customers build capability to fight through cyber attacks**

## Six3 Contribution in Second Quarter

### **Revenue and Net Income:**

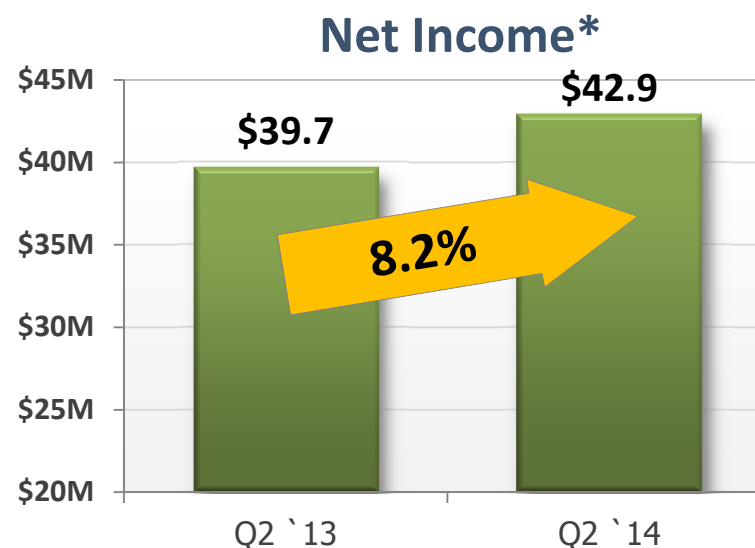
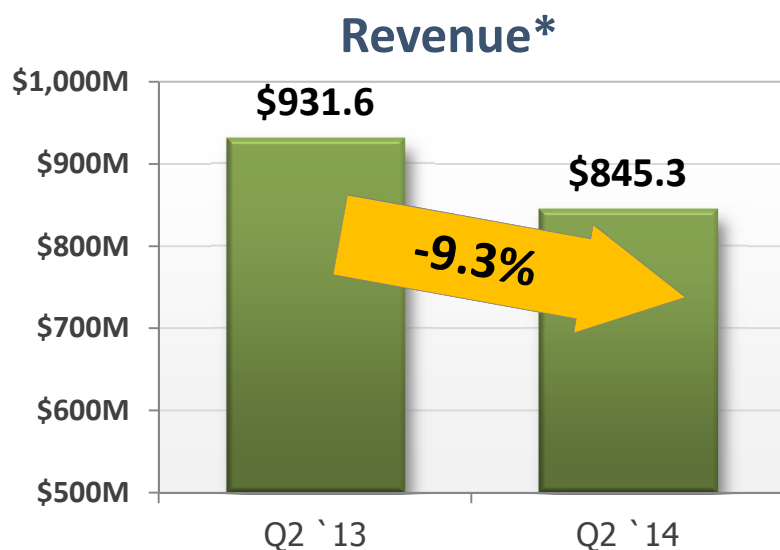
- Generated \$49 million in revenue
- \$2.4 million in net income from ongoing business

### **Six3-Related Expenses:**

- \$2.3 million of after-tax intangible amortization and retention expenses
- Intangible asset ~ \$164 million to be amortized on an accelerated basis over 14 years
- Two-year retention agreements (GAAP pre-tax expense):
  - Year one--\$6.7 million
  - Year two--\$3.3 million
- One-time after-tax transaction costs in the quarter:
  - \$6.0 million of banking, rating agency, audit, legal, debt extinguishment and other miscellaneous
  - \$1.6 million of incremental after-tax interest expense (in first quarter)



## Second Quarter Results



- **Decrease driven primarily by:**

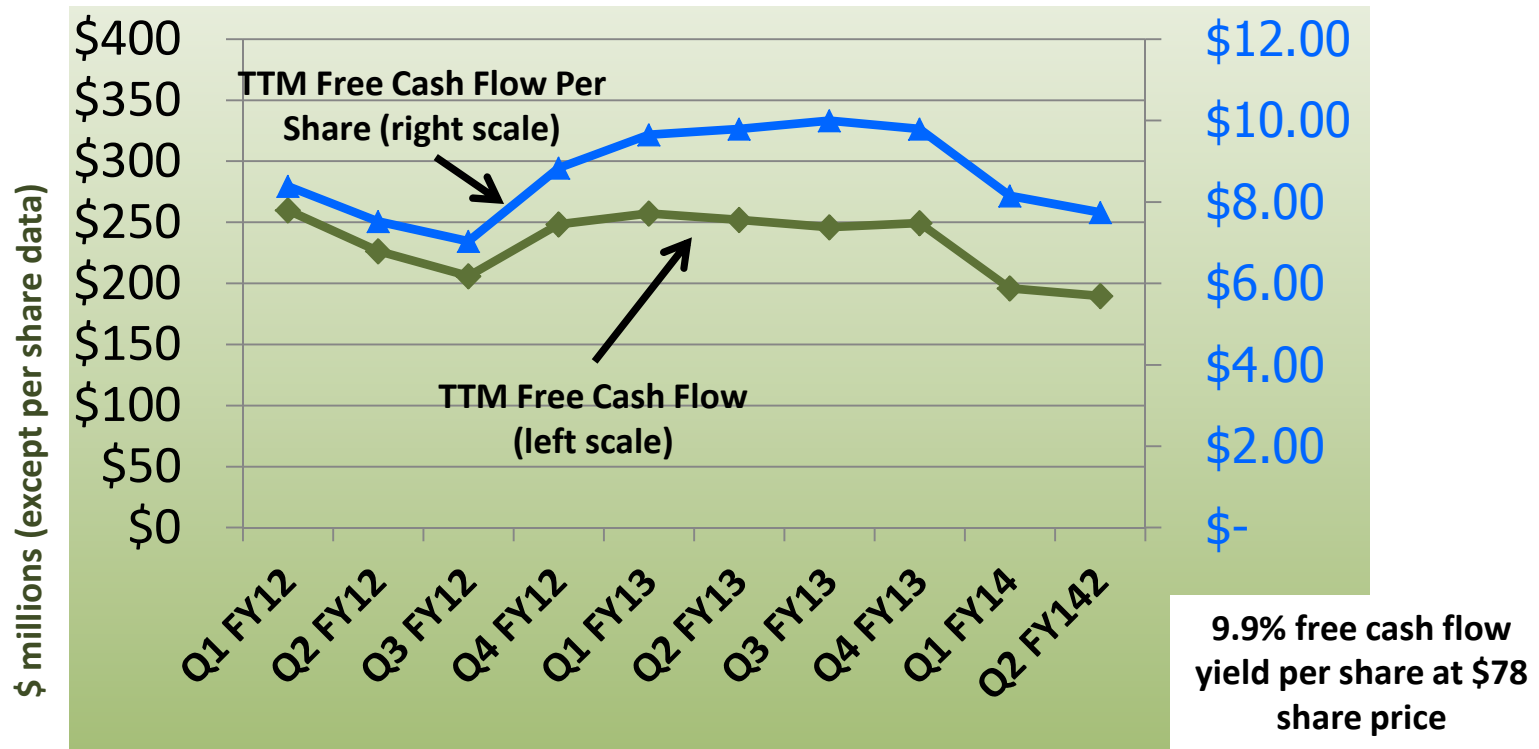
- Reductions on existing contracts
- Delays in contracting activity
- Impact of government shutdown ~ \$20 million

- Indirect expenses\* down as a result of increased efficiencies and cost reduction actions taken in FY13
- Diluted share count and EPS impacted by additional 1.2 million shares associated with convertible debt

\* Excludes Six3 Systems. See Appendix for reconciliation.

## Second Quarter Cash Flow

- Generated \$17 million in operating cash flow
- Days sales outstanding – 67 days



\* TTM Free Cash Flow equals TTM cash flow from operations less TTM capital expenditures  
 TTM Free Cash Flow per share equals TTM Free Cash Flow divided by TTM diluted share count

## Updated FY14 Guidance

	FY14
	<u>Guidance</u>
Revenue (millions)	\$3,650 – \$3,800
Net income (millions)	\$142 – \$152
Diluted EPS	\$5.59 – \$5.98
Diluted shares (millions)	25.4

**FY14 revenue expected to be -1% to 3% versus FY13**

**Six3 FY14 revenue contribution of \$275 million to \$325 million**

**FY14 net income expected to be -6% to 0% versus FY13**

**FY14 diluted EPS expected to be -12% to -6% versus FY13**

**This guidance represents our views as of January 29, 2014** 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.

# Operational Excellence

- **Organization structure sized to our business plan**
- **Drive affordability for our customers, not sacrifice profit**
- **Fulfill customers' enduring core missions**

A large, 3D-rendered graphic of the letters 'Q2' in a light blue color. The letters are thick and have a slight shadow beneath them, giving them a three-dimensional appearance. The 'Q' is on the left and the '2' is on the right, both rendered in a stylized, sans-serif font.

## Operational Performance

- **\$717 million of contract awards, 25% from new business**
- **\$599 million in contract funding orders**
- **Funded backlog of \$1.8 billion;\*  
total backlog of \$7.6 billion\***

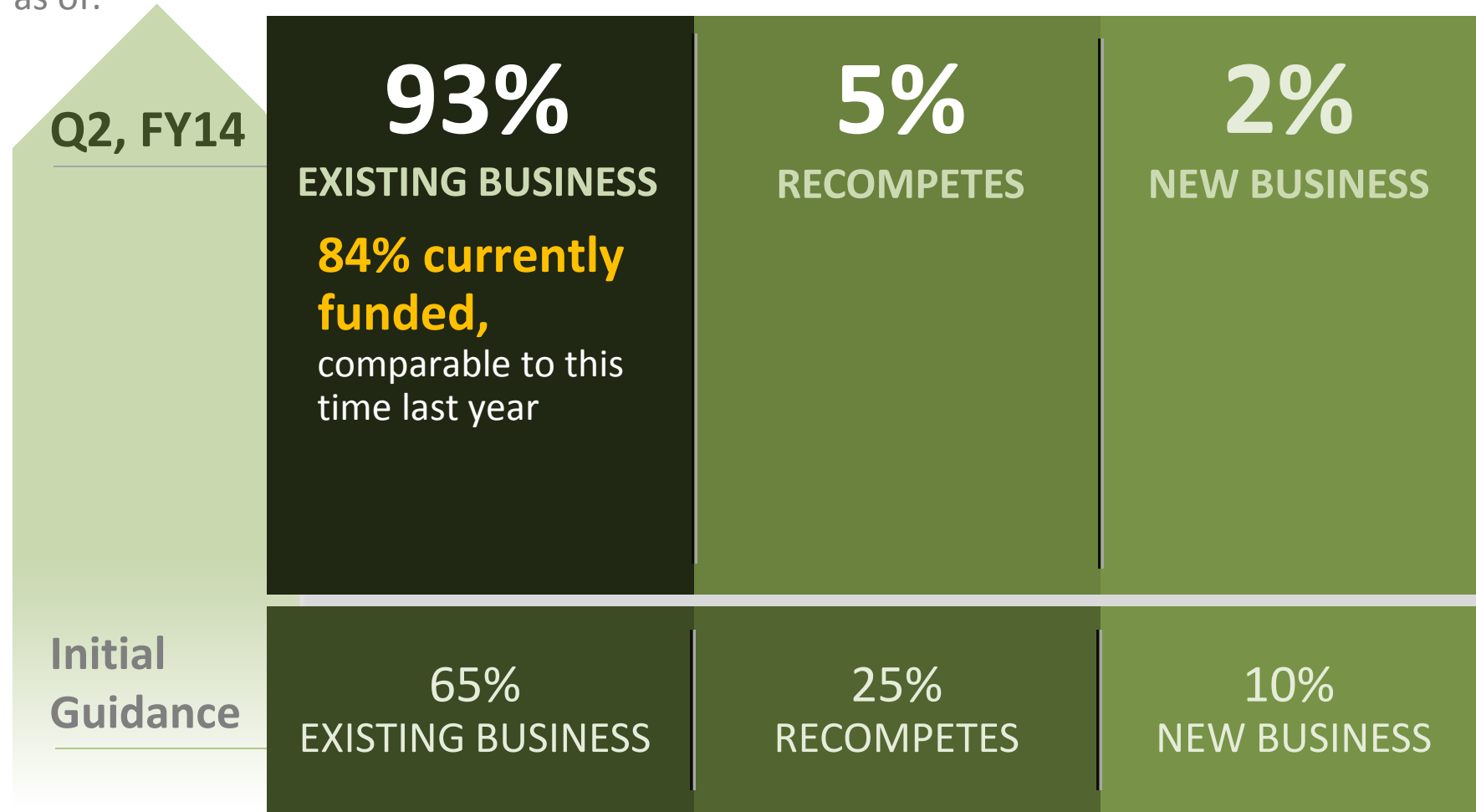
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\* Does not include contribution from Six3 Systems

# Achieving Our FY14 Plan

## FY14 Planned Revenue

as of:





## Forward Indicators

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- \$7.3 billion in pending contract awards\*
  - 75% for new business
  - ~ 30% in high-growth market areas
- \$8.5 billion in bids\* to be submitted by June 30th
  - 80% for new business
  - ~ 30% in high-growth market areas
- Focus on business development remains a priority

\* Does not include Six3 Systems

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## Delivering Shareholder Value

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- Solid progress on our strategy in a difficult market environment
- Will remain focused on:
  - Optimizing business development
  - Driving operational excellence
  - Integrating Six3 and maximizing its value
  - Delivering solid cash flow
  - Deploy capital to acquire new capabilities and customers

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# Appendix

## Key Factors for Updated FY14 Guidance

- **Expect direct labor expense to be up 3% to 6% over FY13**
- **Expect other direct costs to decline 1% to 4% from FY13**
- **Expect indirect costs and selling expenses to be up 1% to 3% over FY13**
- **Expect depreciation and amortization to be ~ \$66 million**
- **Expect net interest expense to be ~ \$38 million**
- **Expect effective tax rate of ~ 38.6%**
- **Expect diluted shares of 25.4 million based on \$78/share**
- **Expect operating cash flow of ~ \$175 million**

# Reconciliation of Revenue and Net Income

## Revenue Reconciliation

	Quarter Ended		
	<u>12/31/13</u>	<u>12/31/12</u>	<u>% Change</u>
CACI revenue, as reported	\$ 894,186	\$ 931,627	-4.0%
Six3 Systems revenue	48,904		
CACI base revenue	\$ 845,282	\$ 931,627	-9.3%

## Net Income Reconciliation

	Quarter Ended		
	<u>12/31/13</u>	<u>12/31/12</u>	<u>% Change</u>
Net income attributable to CACI	\$ 34,962	\$ 39,676	-11.9%
Six3 Systems net income before tax	(127)		
CACI transaction costs	9,734		
Incremental interest expense	2,591		
Related tax effect	(4,233)		
Net income attributable to CACI base business	\$ 42,927	\$ 39,676	8.2%

## Current Debt

- **Current debt structure:**
  - ~ \$330 million of revolver borrowing
  - \$831 million Term A loan
  - \$300 million of convertible debt
  - Will amortize cost of recent financing over 5-year life of loan
    - \$1.6 million/year after-tax
- **Current leverage is 3.4 times trailing twelve months EBITDA**