

# CACI International Inc Third Quarter Fiscal Year 2017 Conference Call



May 4, 2017

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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: legal, regulatory, and political change as a result of transitioning to a new presidential administration that could result in economic uncertainty; changes in U.S. federal agencies, current agreements with other nations, foreign events, or any other events which may affect the global economy; 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, or any legislation that amends or changes discretionary spending levels under that act; 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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## Third Quarter Highlights

- **Record revenue, up 11%; net income up 18%; diluted EPS up 17%**
- **Record third quarter contract awards of \$1.4 billion**
  - 5<sup>th</sup> consecutive quarter of awards greater than \$1 billion
- **Operating cash flow of \$81 million**
  - Investing to support organic and acquired growth
- **Raised FY17 guidance**

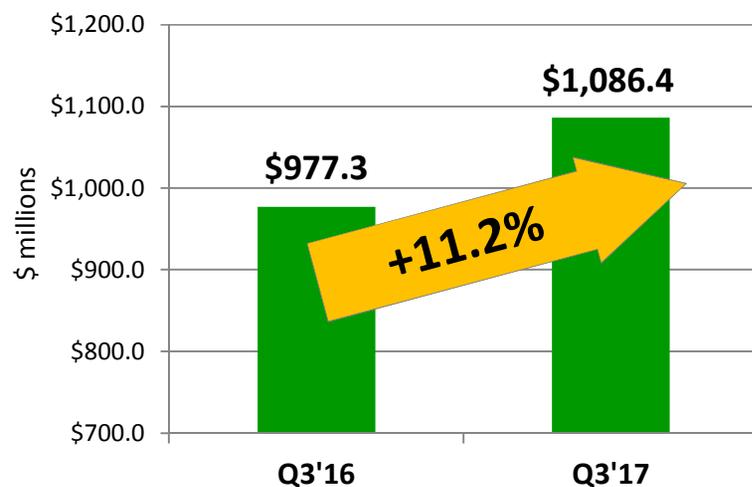
*Reflects higher demand for our solutions and services throughout FY17*

## Current Market Dynamics

- **Omnibus appropriations bill expected to pass by Friday**
- **Stated priorities for government's Fiscal Year 2018 align well with CACI's position in the marketplace**
  - Have minimal exposure to agencies that may be potential bill payers
- **Remain confident in the health of our core market and our ability to deliver on our stated long-term goals**

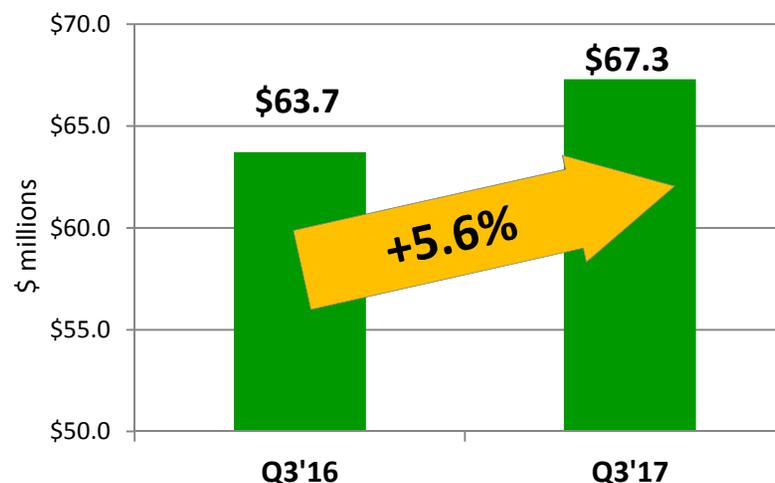
# Third Quarter Revenue and Operating Income

## Revenue



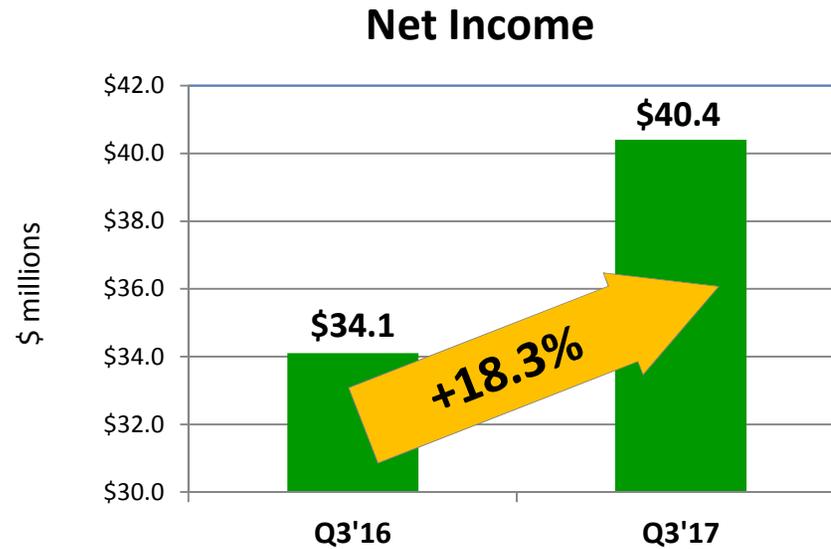
- NSS revenue of \$88 million (January only)
- Organic revenue growth of 1.8%

## Operating Income



- NSS contribution
- Strong program performance
- Offset by \$4.7 million in long-term incentive compensation and \$3.1 million of facilities reduction related expenses

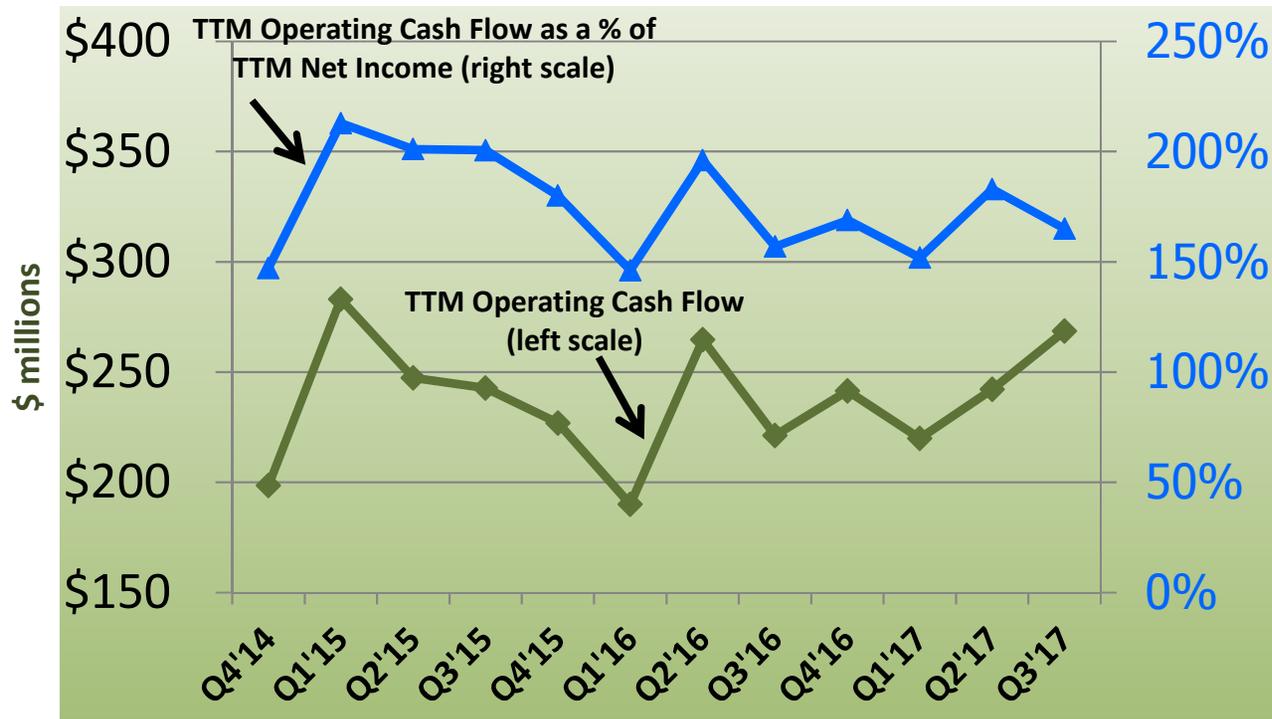
# Third Quarter Net Income



- NSS contribution
- Program performance
- R&D tax credits of \$3.9 million for FY16 and FY17

# Continued Strong Cash Flow

- Generated \$81 million in operating cash flow for the quarter, 200% of net income
- Net debt of ~\$1.2 billion
- Net debt/TTM adjusted EBITDA of ~3.3 times
- Days sales outstanding – 58 days versus 64 days in Q3'16



See Charts 13-15 for definitions of non-GAAP measures

## Raising FY17 Guidance

	Current FY17 Guidance	Previous FY17 Guidance
Revenue (millions)	\$4,275 - \$4,350	\$4,150 - \$4,300
Net Income (millions)	\$157 - \$163	\$155 - \$162
Diluted EPS	\$6.25 - \$6.49	\$6.18 - \$6.45
Diluted shares (millions)	25.1	25.1

**FY17 revenue expected to be 14% to 16% above FY16 revenue**

**FY17 net income expected to be 10% to 14% above FY16 net income**

**FY17 diluted EPS expected to be 8.5% to 12.7% above FY16 diluted EPS**

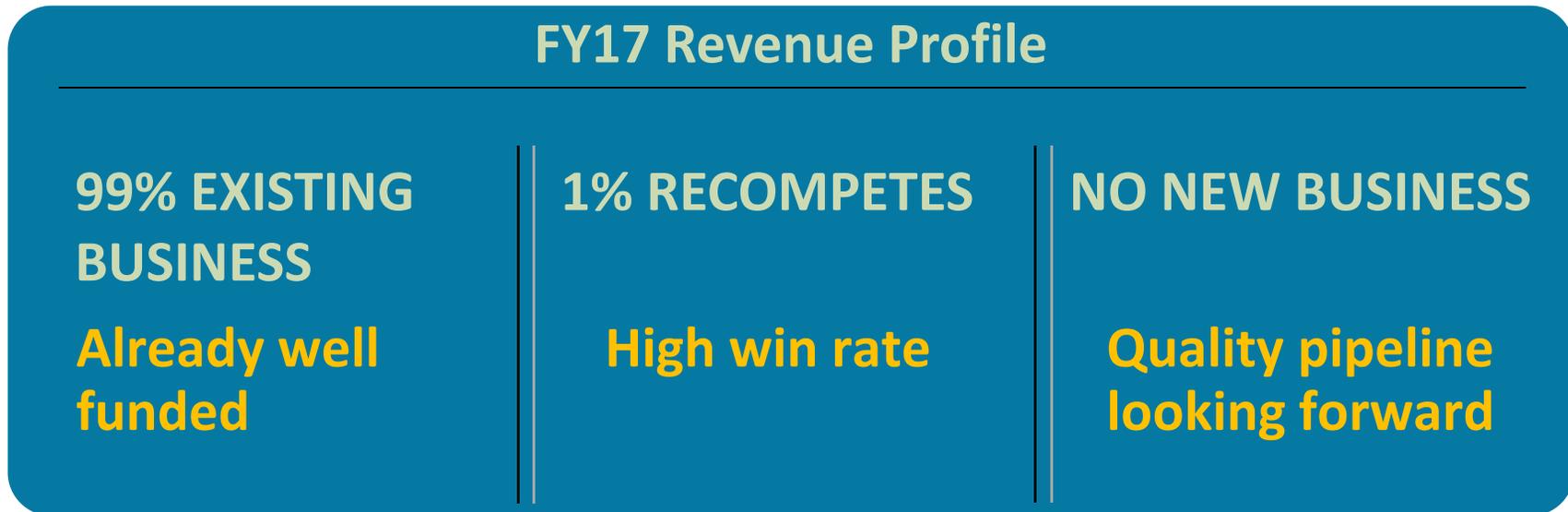
**FY17 operating cash flow expected to be greater than \$260 million**

**This guidance represents our views as of May 3, 2017.** 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.

## Successful Third Quarter of FY17

- **Record \$1.4 billion of contract awards driving a TTM book-to-bill of 1.5 times**
- **Fifth consecutive quarter with awards over \$1 billion**
- **\$1.1 billion of contract funding orders**
- **Backlog now \$11.8 billion, or about 3 years of revenue on a TTM basis**

## Forward Indicators are Strong



**Pipeline of submitted bids totals more than \$14.1 billion**

*~90% for new business to CACI*

**Bids expected to be submitted in the next two quarters totals more than \$10.1 billion**

*~75% for new business to CACI*

## CEO Closing Comments

- **Pleased with performance this fiscal year**
- **Seeing the results of having relevant solutions and capabilities to meet the current and emerging requirements of our customers**
- **Performance coupled with new administration's focus on increasing national security and intelligence posture gives confidence for the return of organic revenue growth in FY18**

## Definitions of Non-GAAP Measures

The Company views Adjusted EBITDA and Adjusted Net Income, all of which are defined as non-GAAP measures, as important indicators of performance, consistent with the manner in which management measures and forecasts the Company's performance. Adjusted EBITDA is a commonly used non-GAAP measure when comparing our results with those of other companies. We define Adjusted EBITDA as GAAP net income plus net interest expense, income taxes, depreciation and amortization, and earnout adjustments. We consider Adjusted EBITDA to be a useful metric for management and investors to evaluate and compare the ongoing operating performance of our business on a consistent basis across reporting periods, as it eliminates the effect of non-cash items such as depreciation of tangible assets, amortization of intangible assets primarily recognized in business combinations, as well as the effect of earnout gains and losses, which we do not believe are indicative of our core operating performance. We define Adjusted Net Income as GAAP net income plus stock-based compensation expense, depreciation and amortization, amortization of financing costs, and earnout adjustments, net of related tax effects. We believe Adjusted Net Income is an important measure of long-term value and is used by investors to measure our performance. This measure assists management and investors in further understanding our results and trends from period-to-period by removing certain non-cash items that do not impact the cash flow performance of our business. Adjusted EBITDA and Adjusted Net Income as defined by us may not be computed in the same manner as similarly titled measures used by other companies. These non-GAAP measures should not be considered in isolation or as a substitute for performance measures prepared in accordance with GAAP.

# Definitions of Non-GAAP Measures

## Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

Adjusted EBITDA is GAAP net income plus interest expense, income taxes, depreciation and amortization, earnout adjustments and other

	Quarter Ended			Nine Months Ended		
	3/31/2017	3/31/2016	% Change	3/31/2017	3/31/2016	% Change
(dollars in thousands)						
Net income	\$ 40,357	\$ 34,116	18.3%	\$ 119,440	\$ 99,200	20.4%
Plus:						
Income taxes	14,790	18,445	-19.8%	60,806	55,989	8.6%
Interest income and expense, net	12,170	11,246	8.2%	37,088	28,706	29.2%
Depreciation and amortization	17,703	16,632	6.4%	53,898	46,113	16.9%
Earnout adjustments	495	161	207.5%	1,315	300	338.3%
Adjusted EBITDA	\$ 85,515	\$ 80,600	6.1%	\$ 272,547	\$ 230,308	18.3%

These non-GAAP measures should not be considered in isolation or as a substitute for performance measures prepared in accordance with GAAP.

# Definitions of Non-GAAP Measures

## Adjusted Net Income

Adjusted net income is GAAP net income plus stock-based compensation expense, depreciation and amortization, amortization of financing costs, and earnout adjustments, net of related tax effects

	Quarter Ended			Nine Months Ended		
	3/31/2017	3/31/2016	% Change	3/31/2017	3/31/2016	% Change
(dollars in thousands)						
Net income	\$ 40,357	\$ 34,116	18.3%	\$ 119,440	\$ 99,200	20.4%
Plus:						
Stock-based compensation	5,557	4,856	14.4%	16,114	13,329	20.9%
Depreciation and amortization	17,703	16,632	6.4%	53,898	46,113	16.9%
Amortization of financing costs	1,119	949	17.9%	3,371	2,101	60.4%
Earnout adjustments	495	161	207.5%	1,315	300	338.3%
Less:						
Related tax effect	(9,789)	(8,893)	10.1%	(29,397)	(24,338)	20.8%
Adjusted net income	\$ 55,442	\$ 47,821	15.9%	\$ 164,741	\$ 136,705	20.5%

These non-GAAP measures should not be considered in isolation or as a substitute for performance measures prepared in accordance with GAAP.

# Adoption of New Accounting Rule Regarding Share-based Payments

(Amounts in thousands, except per share amounts)	Quarter ended			
	<u>9/30/2015</u>	<u>12/31/2015</u>	<u>3/31/2016</u>	<u>6/30/2016</u>
Revenue	\$ 822,442	\$ 830,437	\$ 977,274	\$ 1,113,900
Income from operations	\$ 64,508	\$ 55,482	\$ 63,676	\$ 81,084
Income taxes <sup>1</sup>	\$ 20,693	\$ 16,851	\$ 18,445	\$ 24,824
Net income <sup>1</sup>	\$ 34,632	\$ 30,452	\$ 34,116	\$ 43,599
Basic earnings per share <sup>1</sup>	\$ 1.43	\$ 1.26	\$ 1.41	\$ 1.79
Diluted earnings per share <sup>1</sup>	\$ 1.40	\$ 1.23	\$ 1.38	\$ 1.75

## Weighted average shares used in per share computations:

Basic	24,208	24,246	24,277	24,319
Diluted <sup>1</sup>	24,721	24,786	24,801	24,900

<sup>1</sup>Quarterly FY16 balances have been adjusted to reflect the adoption of ASU 2016-09 in FY16