CACI INTERNATIONAL INC
FY20 Annual Guidance Conference Call

PRESENTATION

Operator
Ladies and gentlemen, thank you for standing by. Welcome to the CACI international Fiscal Year '20 Guidance Call. Today's call is being recorded. At this time, all lines are in a listen-only mode. Later, we will announce the opportunity for questions, and instructions will be given at that time. If you should need any assistance during this call, please press star then zero and someone will help you.

At this time, I would like to turn the conference call over to Dan Leckburg, Senior Vice President of Investor Relations for CACI International. Please go ahead.

INTRODUCTION AND SAFEHARBOR STATEMENT

Dan Leckburg
Thanks, Andrea. Good morning, everyone. I'm Dan Leckburg, Senior Vice President of Investor Relations for CACI International. Thank you for joining us this morning. We are providing presentation slides, so let's move to slide 2.

There will be statements in this call that do not address historical fact, and as such constitute forward-looking statements under current law. These statements reflect our views as of today and are subject to important factors that could cause our actual results to differ materially from those that are anticipated. Those factors are listed at the bottom of last night's press release and are described in the company's SEC filings. Our Safe Harbor statement is included on this exhibit and should be incorporated as part of any transcript of this call.

I would also like to point out that our presentation will include discussion of non-GAAP financial measures. These should not be considered in isolation or as a substitute for performance measures prepared in accordance with GAAP. Let's turn to slide 3, please.

To open our call this morning, here's Ken Asbury, President and Chief Executive Officer of CACI International. Ken?

CEO OVERVIEW

Ken Asbury
Thank you, Dan. Good morning to everyone. I appreciate you joining us to discuss our Fiscal Year 2020 guidance. With me this morning are John Mengucci, our newly appointed President and CEO of CACI; Tom Mutryn, our Chief Financial Officer; DeEtte Gray, President of US Operations; and Greg Bradford, President of CACI Limited, who is joining us from the UK.

I'll turn to slide 4, please. As I'm sure you're already aware, I recently announced my intent to retire as CEO of CACI at the end of this month. I leave this wonderful company in the highly capable hands of my esteemed partner and colleague, John Mengucci, CACI's incoming President and Chief Executive Officer.

A little over six years ago, John and I put a strategy in place to position CACI for consistent top and bottom-line growth by delivering innovative solutions to address our country's most critical needs. As we wrap up Fiscal 2019, CACI is delivering strong financial performance, including organic revenue growth, significant margin expansion, and record contract awards. We have successfully executed the growth strategy we put in place those six years ago, and the person most responsible for that delivery has been John Mengucci. I could not be prouder to know that he will be leading this great organization and our people into continued growth and success.

My own experience at CACI has been extraordinary—the most personally and professionally fulfilling assignment of my life. I am extremely grateful to Jack London and the Board of Directors for the opportunity they afforded me, and the unwavering confidence they placed in me. I also want to thank the members of the CACI leadership team and all CACI employees for their hard work, support and dedication to the company and our customers' missions. Finally, I'd like to thank our shareholders and other members of the investment community for the trust that you have placed in CACI. I know John and the team will continue to work hard to earn that same trust each and every day.

With that, I'm going to turn the call over to John for what will be, for me, the easiest conference call of my CEO career. John, best of luck to you, although I'm certain that you will not need it. Over to you, John.

John Mengucci
Thanks, Ken, and good morning to everyone. Let's turn to slide 5, please.

As we close Fiscal 2019, I am so proud of the many things CACI has accomplished. We are on track to report solid organic growth, margin expansion in excess of our 10 to 30 basis point commitment, robust cash flow, and we are reiterating our full year guidance. In addition, we closed four acquisitions during the year, with the most notable being LGS and Mastodon, two high growth, high margin companies that advanced CACI's capabilities and differentiation in the key areas of signals intelligence, electronic warfare, communications, and cyber security. We can also report the contract awards in the fourth quarter continue to be strong, in line with our prior quarter results. It goes without saying that I'm very pleased with our performance, which is a testament to the talent of our team, the successful execution of our strategy and our continued focus on operational excellence. Slide 6, please.

Turning to the external environment, we remain optimistic, given ongoing bipartisan support for investments in defense and national security, specifically in the areas relevant to CACI capabilities and offerings. Looking to government Fiscal Year 2020, we're already seeing positive signs. The House of Representatives version of the defense appropriations bill calls for a budget of $733 billion, and the Senate's version is in line with the President's request for $750 billion. Both represent material growth above government Fiscal '19's $716 billion level. This spending has a positive impact on our addressable market, which we estimate to be over $220 billion, and growing at a compound annual growth rate of 3.5%.

Within this growing market, CACI remains focused on providing high value expertise in technology for our customers, as well as predictable, profitable growth and value for our shareholders. We continue to align the company and our capabilities to well-funded budget priorities as well as invest in new capabilities and bid and proposal activities, and we're certainly seeing a return on these investments.

As in prior years, our guidance for Fiscal year '20 is based on a program-by-program, bottoms-up planning process, and is consistent with our established performance goals of organic growth above our adjustable market and margin expansion. In fact, the acceleration in organic growth we previously discussed is playing out as we expected. The mid-point of our FY20 revenue guidance represents 12.8% total growth, with 5.5% organic, about double what we expect to deliver in FY19 and a full two points above our adjustable market growth rate. We expect to deliver 10.3% EBITDA margins at the mid-point. This expansion includes the step up from LGS and Mastodon plus core expansion—well in line with our 10 to 30 basis point commitment. Tom will provide additional details shortly. Slide 8, please.

Our focus on FY20 remains the successful execution of the three-part strategy that has served us well for many years: win new business, deliver with excellence in all we do, and deploy capital for growth through our M&A program. In terms of winning new business, our strong business development performance and accelerated organic growth are only possible with innovative and differentiated capabilities that address our customers' most pressing needs.

In FY20 we plan to increase our investments in new technologies, including cyber, signals intelligence, electronic warfare, as well as emerging areas like communications and photonic sensing. We will continue to make investments in artificial intelligence, enterprise IT and machine learning to further enhance our intelligence enterprise related offerings. We will also continue to invest in every aspect of our business to ensure quality and efficiency.

We are tracking and retaining top talent through improved benefits, enhanced professional development, expanded training and certification opportunities and greater work flexibility. We're modernizing our internal systems, and we continue to invest in future offerings through IR&D.

Finally, M&A will remain a top priority for capital deployment. As we have stated many times, M&A supports the future growth of the company by adding capabilities and/or expanding our customer relationships in key areas of our market. With our track record of successful execution and financial discipline, this strategy has proven very effective, generating long term revenue and profit growth, and significant shareholder value.

Before I turn the call over to Tom, I'd like to talk a little bit about my priorities looking forward.

- Priority one is to continue successfully executing the strategy we put in place several years ago. I want to keep our foot on the accelerator.

- Priority two, a focus on continued growth in a broad sense—growth of our capability set; staying ahead of customer demand and technology trends; growth of our talent base, ensuring we have the talent to deliver value for our customers; and growth of our leadership to take this company to new levels.

If we accomplish all of that, we will continue delivering customer and shareholder value.

With that, let me turn the call over to Tom to provide insight into our Fiscal 2020 financials. Tom?

FINANCIAL OVERVIEW

Tom Mutryn
Thank you, John, and good morning, everyone.

First, let me thank Ken for his support, confidence and friendship over these many years, and for the positive and lasting impact he has had on CACI. It has truly been a pleasure. And, John, I look forward to continuing to work with you and to support your vision, strategy and undertakings. Slide 6, please.

Turning to the guidance, we expect Fiscal Year 2020 revenue to be between $5.5 [billion] and $5.7 billion, representing at the guidance mid-point 12.8% total and 5.5% organic growth. We expect Fiscal Year 2020 net income to be between $295 [million] and $315 million, an increase of 14.7% from Fiscal Year 2018, based on the guidance mid-points. We expect Fiscal Year 2020 operating cash flow to be at least $400 million. Slide 10, please.

Here are some additional guidance details.

- We are expecting gross profit to grow 20%, materially higher than revenue, reflective of the growth in our higher value businesses.
- Indirect costs and selling expense, which includes fringe on direct labor, are expected to increase by approximately 18%, driven by the growth of the business, the full year impact of LGS and Mastodon, and further investments in IR&D, business development and employee related initiatives. We are able to make these investments while maintaining competitive rates and cost structure and increasing our margins.
- Depreciation and amortization is expected to be approximately $108 million.
- Capital spending is expected to be approximately $55 million, which now includes LGS and Mastodon capital spend.
- Net interest should be around $70 million.
- We are expecting a full year effective tax rate of 23%, with the effective tax rate in the first and second halves of Fiscal 2020 to be 19.5% and 25%, respectively. This is due to tax benefits associated with the vesting of equity grants in the first half driven by our stock price being materially higher than when the grants were issued.
- We are expecting a typical quarterly sequential revenue and profitability increase during the year.
- Lastly, we expect EBITDA margin at the mid-point to be 10.3%, 90 basis points higher than our Fiscal Year 2019, and up 110 basis points from Fiscal Year 2018. LGS and Mastodon are driving 70 basis points year-over-year growth, and core CACI is expected to deliver the remaining 20 basis points, excluding the one-time acquisition related

expenses. This is a testament to the strength of our many programs across our markets, which is propelling this organic margin expansion.

And note, we are reiterating the Fiscal Year 2019 guidance which we presented during our third quarter earnings call in May. Slide 11, please.

Let's take a minute to walk through our Fiscal '19 to 2020 revenue bridge. The mid-point of our 2019 revenue guidance is $4.96 billion. We expect around $560 million of revenue in Fiscal 2020 to come from growth on existing contracts in new business which we had already won in FY19. We also expect to add another $200 million from new business we plan to win in FY20.

As is the case each year, we have revenue reductions which occur as our solutions are delivered, programs move from development to maintenance spaces, or programs simply come to natural end of life. In FY20, this runoff is expected to be around $490 million, consistent with the rate we have seen in the last few years. In addition, we are expecting around $365 million of acquired revenue, primarily from LGS and Mastodon. This totals Fiscal Year 2020 revenue of $5.6 billion at the mid-point. Slide 12, please.

Our forward indicators are healthy. At the mid-point of our guidance we expect 83% of our revenue will come from existing contracts, 12% from recompetes, and 5% from new business. Our pipeline metrics are strong, with submitted business pending award at $7.4 billion, about 60% of that for new business to CACI. We expect to submit another $23 billion worth of bids during the September and December quarters, with around 80% of that for new business at CACI. This represents an increase of $7 billion in expected submissions from last quarter, indicative of the growth potential of our end markets.

With that, I'll turn the call back over to John.

CEO CLOSING COMMENTS

John Mengucci
Thank you, Tom. Let's turn to slide 13, please.

In closing, the outlook for CACI is very positive. We're delivering strong performance in FY19 and expect to continue to do so in FY20. With our outlook of accelerating organic growth, further margin expansion, and continued strong cash flow, we remain confident in our ability to generate long term shareholder value.

Before we open the call up for questions, I'd like to say how much I've enjoyed the true partnership Ken and I have had over the past nearly seven years. I am proud to have worked with him, to build the great company we have today, supporting our customers' most important missions. I thank Ken for his leadership, guidance, support, and trust. The positive impact he has had on me personally, and on the company as a whole, will serve all of us well as we prepare for CACI's next chapter. I, too, want to thank Jack and the entire board for their confidence in me. I'm incredibly honored to lead this great company going forward.

With that, Andrea, let's open up the line for questions.

QUESTIONS AND ANSWERS

Operator
We will now begin the question and answer session. [Operator instructions]

Our first question will come from Edward Caso of Wells Fargo. Please go ahead.

QUESTION ON HOW MANAGEMENT CAN CONTROL INTELLECTUAL PROPERTY ON THE SOFTWARE PART OF THE BUSINESS

Edward Caso
Good morning, and all the best, Ken.

My question is around the growing importance of intellectual property, mostly on the software side, I presume. Obviously, you're doing some of that through acquisitions, some of that through IR&D. But I guess my question is, how can you control this because this is really a different model—an evolving model for both CACI and some of your competitors. And should we expect a little bit more volatility in both revenue and margins going forward? Thank you.

John Mengucci
Ed, thanks. This is John. Intellectual property is just one area that we're going to be materially increasing our investment dollars in our FY20 budget. I most likely will not talk about the actual dollar value, but would like to provide a little bit of color around what we are investing in.

We're going to continue to invest in our enterprise technology around cloud migration and Agile software. Of note, on those enterprise IT investments is our recent $800 million recompete award for the Army RCAS program, where our investments in Agile, and a buildout of an Agile software factory that I know Ken has mentioned numerous times, were both very critical to that win.

As you mention, another part of our investment strategy is going to be driven by the addition of LGS and Mastodon. They both have models that rely on independent R&D. So part of our investment strategy this year is to split our R&D investment into cost reimbursable R&D, as well as independent R&D, where we will own the intellectual property. That's very important for those two companies and it will be increasingly more important to the larger CACI, in that we are beginning to design and create technology-based intellectual property that's immediately used in the solutions that they provide.

It's also very crucial to the LGS growth strategy as that intellectual property supports many sole-source positions in many areas, based on those investments. And basically it allows customers to bypass a lot of preliminary design work and going immediately to fielding. So those investments are going to be very, very closely watched, and it's in line with the strategy that we've had in place.

As for the risk around intellectual property, we have an LGS business that creates a patent—one in every ten days. And they've been successful at both protecting that intellectual property and using that to grow their business. And I would firmly expect that CACI will continue to do that in the future.

Tom Mutryn
You also asked about volatility in earnings because of these phenomena. The spend in terms of IR&D and R&D are relatively stable. So that will not create any volatility. And while we mentioned, in the past, some volatility increase in margins probability due to some product solution types of sales, as that becomes a bigger portion of our portfolio, I expect things to even out. We had several different strings of these sales. And given the law of larger numbers, it should become less volatile than it has been, so hopefully predictable and stable.

QUESTION ON THE WILLINGNESS OF CLIENTS TO MOVE SOLUTIONS WORK FROM COST PLUS TO FIXED PRICE WORK

Edward Caso
My other question is—somewhat tied in here—is are you seeing clients willing to move from cost plus to fixed price, particularly as you're bringing more IP into the solutions? And is some of your uptick in margin expansion in the core sort of reflect this willingness of clients to do more fixed price work?

John Mengucci
Yes, Ed. Thanks. For both of your questions, yes, we have seen customers across our portfolio move from cost plus to fixed price. And oddly, they're also looking at doing that where we sell expertise to our enterprise customers. Some of that work we used to call professional services. This leadership team has been very successful at moving where customers used to buy individual and labor hours, to actually buying outcomes. And that is a source—one of many sources—of driving our margin growth over the last few years.

As we look at customers willing to buy things more on a fixed price level—clearly starting with our acquisition of Six3—that really put us in the forefront of being willing to take our technology solutions in those types of programs where we're doing software development, and accepting firm fixed price models. Frankly, one could say that adds additional risk on the company's side. But with the acquisitions that we've done and the additional training programs that we've put in place, we have the utmost confidence in our engineering talent here to make certain that as we move to firm fixed price jobs, it differentiates us, one, to win the business, and two, to actually performance. And we have seen those firm fixed price—clearly those programs driving margins. So, yes, on both fronts.

Operator
Our next question comes from Cai von Rumohr of Cowen & Co. Please go ahead.

QUESTION ON THE QUARTERLY TREND LINE OF ORGANIC REVENUE GROWTH

Dan Flick
Hi. This is Dan Flick on for Cai. Good morning. Your revenue guidance assumes 5.5% organic growth. What does that quarterly cadence look like throughout Fiscal '20? I'm assuming it starts lower in Q1 and gradually moves over to 5.5. But just any sense for the magnitude?

Tom Mutryn
What we have is for the first eight months we have LGS and Mastodon contributing inorganically. And as we get to the last quarter of the year, everything is organic. Definitionally, our definition of organic is 12 months of acquired revenue and then it flips to organic. In terms of overall revenue

growth, that's 14% revenue growth successively increases by quarter-over-quarter. As the company grows, we see again each quarter successive increases in both revenue and profitability.

Dan Flick
So that acquired revenue number of $365 million occurs during just the first three quarters?

Tom Mutryn
That is right. The first eight months, that's correct. By the way we define it, correct.

QUESTION ON EXPECTED AWARDS

Dan Flick
Okay, great. Then just what are you seeing for near term demand and book-to-bill prospects?

John Mengucci
Dan, I believe that Tom shared some of those numbers in our script—a little over $7 billion of awards that we're looking to be decided upon, and another $20 [billion], $22 billion going forward. Across the federal government, given the fact that we're coming to the end of a two-year budget cycle, we've seen very sufficient demand to grow—the growth that we not only guided to in FY19 but we're guiding to for FY20. Now, clearly part of our guidance planning is around where the future budgets go. So we had to take that into account. But if we get a successful budget, something that is either under a CR, then we'll most likely end FY20 closer to the right goal. I can tell you, coming out of FY19 and given the strong Q4 awards that we think we're going to see, we believe we're very well positioned. That's further evidenced by the fact that we have 5% new business revenue in our FY20 plan.

Operator
Our next question comes from Tobey Sommer of SunTrust. Please go ahead.

QUESTION ON WHETHER THE COMPETITORS FOR ACQUISITION TARGETS WITH MORE INTELLECTUAL PROPERTY ARE DIFFERENT

Tobey Sommer
Thanks. I was wondering if you could talk about your acquisition process and landscape. I'm curious if the competitors are different, or the process is different, now that you're honing in on targets that bring more significant IP.

John Mengucci
Tobey, thanks. This is John. As you all know, our M&A program over the last many, many years is driven by our market-based strategy, which really identifies gaps within those markets. Then within those gaps, we decide whether we're going to invest, whether we're going to partner, or whether we're going to pursue an M&A target. When we decide to pursue those targets, it's really for just that. It's to fill a capability gap or a customer relationship gap. Never to find scale. Never to just solely drive revenue growth.

So, as we mentioned, our focus is going to continue to be in areas of where we deliver technology to support either enterprise IT and business systems customers as well as the SIGINT, EW, cyber and communication needs.

Our M&A program, frankly, is a discriminator, and it is what drove the strategy. That, and a lot of retooling of our business development processes and the like. As our M&A process gives us a great ability to identify, not only high-quality targets, but also provide the seller certainty of closure and then the integration ability of the leadership team here has been outstanding. And that's important to us because it absolutely ensures that both sides remain focused externally on growth, and that's very differentiating to us. Tom?

Tom Mutryn
Yes, right now, Tobey, it appears to be a pretty healthy market. There's a good number of companies for sale. Some are owned by private owners and some, private equity. Valuations across the board, the public companies as well as the target companies, are higher than they had been in the past. So it's a good time for, I believe, some people to try to monetize their investments. The competition for good transactions is high as well, again, private equity is playing an increasing role.

So, within that context, as I mentioned, we do discriminate. There's a large number of companies that we see and relatively quickly dismiss, because it's inconsistent with the strategy that we've laid out. It's a relatively smooth process for us. Since we've already defined what we're looking for, we can very quickly compare that target to that prior definition and make a go- or no-go decision. So right now, we have significant capital available; relatively easy to do at least a $1 billion acquisition, financed with cash and debt. So a decent amount of dry powder.

QUESTION ON THE UPSIDE AND DOWNSIDE RISKS TO ACHIEVING THE MID-POINT OF THE FY20 ANNUAL GUIDANCE

Tobey Sommer
Thank you very much for the expansive answer. I'd like to ask another question. On slide 11 you have the bridge that formulates the 5.5% organic growth with four buckets, three positive contributors and then the natural lifecycle as a drag. When you look at those, what are the elements that you see as the most likely upside versus downside risks to achieving the Fiscal '20 mid-point?

Tom Mutryn
I'll start off. I will underscore that while we provide a guidance range, each of these numbers should be viewed as a range, a normal distribution. This is the mid-point of that distribution. So those numbers are a plus or minus of a reasonable amount.

The biggest variable of those is new business in 2020. The existing business is highly predictable. There's always fluctuations but it's highly predictable. The business that we won in 2019 is won, and now we need to begin executing it. And sometimes there's a ramp up on programs. We're trying to map those out. So there is some variability there but not much. Programs ending is somewhat predictable. So a combination of the expected growth of the acquisitions as well as the new business to be won in 2020.

Operator
Our next question comes from Robert Spingarn of Credit Suisse. Please go ahead.

QUESTION THE GOVERNMENT BUDGET ASSUMPTION IN CACI'S FY20 ANNUAL GUIDANCE

Scott Dueschle
Good morning. It's actually Scott on for Rob. Just to clarify, what's the embedded 2020 budget expectation in your organic growth guidance?

John Mengucci
The embedded is that we get a solid budget for FY20. There is not a material amount of new, new business, Scott, in our FY20 plan. So even if we were to see FY20 play out in a CR model, that would more than support what our FY20 guidance looks like today.

Scott
Got it. Thank you. So if you did get an actual budget that showed growth consistent with what we've seen, either in the president's requests or some of the marks, then that would be upside either towards the high end of your range or maybe beyond, depending on the mark?

John Mengucci
Yes. Correct, Scott.

QUESTIONS ON HOW MUCH OF THE INCREASE IN DIRECT AND INDIRECT COSTS IS BEING DRIVEN BY THE LGS AND MASTODON ACQUISITIONS AND THE LAG ON THE RECOVERY OF BID AND PROPOSAL COSTS

Scott
Then, just on the increase in direct and indirect costs, any way you can quantify how much that is driven by LGS and Mastodon? And then just to follow up on that, is there any lag in what you spend on things like bid and proposal costs, for instance, in your recovery of those costs, such that you maybe get a bit of a natural margin uplift in 2021 as you slot those cost increases into your future billing rates?

John Mengucci
Yes, Scott. Thanks. I guess at a higher level, there's not a lot of lag. But the part I'll focus on—I think is—it's clear that what LGS and Mastodon bring to us is a desire. And it's our desire to support a higher level of R&D spend. They are generating technology solutions at such a pace, given that it's in the electromagnetic spectrum—some outstanding and eye-watering capabilities in 5G as you look at what LGS brings to us. So we're going to continue to spend in those areas. That's driven the indirect cost numbers up. But as Tom mentioned, very consistent with our already extremely competitive bid rates.

On the direct labor side, our HR team and our Line Ops group have done an outstanding job at bringing talent on board. Clearly, when we'll be finishing FY19 at a record new business and recompete rate wins, that needs talent. And so we'll see those increases as well.

Tom Mutryn
The only other thing I would add—this is Tom—is capital spending, which will be up on a year-over-year basis. And a good portion of that increase is driven by some of the programs and activities that John mentioned. As we have a higher level of security and classified programs, we need to expand our SCIFs[indiscernible] across our enterprise, and LGS and Mastodon have

some like manufacturing facilities, rooms to assemble various devices, as well as more sophisticated testing, equipment and laboratory space, which is driving that higher capital spending. So, we're actually excited about being able to spend money in such interesting and highly relevant areas.

Operator
Our next question comes from Joe DeNardi of Stifel. Please go ahead.

QUESTION ON THE PORTFOLIO SHAPING AND RECOMPETE RISK FOR FY20 AND BEYOND

Jon Ladewig
Hi, guys. This is Jon on for Joe. The first thing—I just was hoping you guys could give us some color. Considering that your past portfolio reshaping efforts are specifically moving to the longer duration, longer contracts, how should we think about your portfolio shaping and recompete risk going forward in FY20 and beyond?

John Mengucci
Jon, thanks. It's true that we've done a lot of portfolio shaping. I guess over the prior six years I'd like to look at that as adding an element to what CACI delivers. When we got into this about six years back, we were predominantly delivering expertise in the enterprise area, as well as some enterprise IT and business systems technology. What the last six years has got us was introducing delivery and expertise in technology on the mission side. Clearly those bring different elements and different exciting times for us.

Does it change the landscape of what we deliver in our revenue profile? Certainly. As we move from labor hour contracts, where we're winning work and delivering on a monthly basis, those are rather level revenue plans. As you look to deliver product-based solutions, you're getting longer term programs. You're getting the need for investment. But we're also—as I think we've shown in the last two years—we have been able to not only grow top line but also grow bottom line as well. That's not an easy feat. It becomes easier as we continue to build out what we're doing in the solutions space.

So, we're actually hopeful, Jon, over time that our mix of business continues to change, potentially more towards fixed price and longer duration contracts that weather budget changes much better than purely delivering labor hours.

QUESTION ON WHAT HEADWINDS AND TAILWINDS FROM MARKET GROWTH WERE FACTORED INTO THE FY20 GUIDANCE

Jon Ladewig
Okay. Can you talk about the headwinds and tailwinds that factored into your FY20 guidance from market growth, and just how we should think of these for FY21?

Tom Mutryn
This is Tom. It is consistent with what we've been talking about in the past, a few with the budget process, a more robust, functional Washington, money flowing predictably is very helpful. And continued resolutions or government shutdowns are not as positive for us.

I don't think it's going to materially hurt our plan. We have a range and a lot of the business is already set. But certainly, that is one of the major external environments. We're relatively insensitive to interest rate changes. We have a good amount of fixed and floating rate debt. That should not be a major determinant. The labor market is also another external factor—the ability for us to hire the appropriate people quickly. I think we're making good progress there.

Then in terms of more specific to CACI, the big variable, as you mentioned, in the past is the new business wins in 2020. We'll continue a very, very high rate of wins. Certainly, we have the submitted business and business to be submitted to support very strong growth. And your question spoke about both 2020 and 2021, and those comments apply to that two, three-year time period.

Operator
Again, if you have a question, please press star then one. Our next question will come from Josh Sullivan of Seaport Global. Please go ahead.

QUESTION ON WHAT STRATEGY EVOLUTIONS NEED TO BE PUT IN PLACE IN ORDER MAINTAIN CACI'S STRATEGIC DIRECTION

Josh Sullivan
Good morning. Congratulatory comments for Ken. But a question for John. When you look at the strategy that was put in six years ago, and now as you look at the next six years with some different dynamics here on the budget side, where are the necessary evolutions that you think you might put in place and where do you keep the course?

John Mengucci
Josh, thanks. If I were to reflect six years back when we started with a vision, frankly, of becoming a more focused bidder and becoming a company that can move into solutions space at the same time working through some pretty major challenges around sequestration and LPTA that were both going to impact the next growth cycle. If I were to look forward my vision for the company going forward is that we not look to become something. But now we're in a great position to extend and grow our position as a differentiated provider of expertise and technology. It's something that we want to be known as a leader in technology-based offerings. We want to continue to be recognized as a leader in enterprise IT and business systems. We want to be the place where talent comes to drive the future path of where national security goes. And we're going to continue to look at our discriminating M&A program.

As we move forward, we're always going to have budget challenges. We're always going to have change of administrations. But what the strategy of this company going forward is, is, frankly, very much foundationally based on where we've come from over the last six years. But also continuing to invest in things that we believe will survive budget turns and administration changes. Things like signals intel and electronic warfare and cyber and AI—those are real dollar investments this company has been making. We've done it in our internal investments. We're going to change our R&D model to do more as independent R&D so we own the intellectual property that we have going forward. Those are slight tweaks moving forward that, frankly, we believe is what our customers need.

Our customers are continually asking us, "Can we move from concept to fielded system faster?" And those kinds of goals only get met by innovative and very agile companies, frankly, that are willing to invest ahead of need to make certain that we're able to go from concept to the field in a much more rapid manner. So that's where the vision is going to be focused over the next X number of years.

QUESTION ON HOW CACI'S PACE OF INVESTMENT IN NEW TECHNOLOGIES FOR ITS CUSTOMERS MATCHES THE PACE OF AWARDS FROM THE DEPARTMENT OF DEFENSE

Josh Sullivan
Appreciate that. Just to follow up on that concept of the solutions product, the cycle times for the contracts, expanding the SCIFs, capex, how does that line up with the pace of what the Pentagon is actually adjudicating these awards for? Will that match really closely with that investment that you're making? Or do you see any timing disconnect through what you're doing and maybe when they give out the money?

John Mengucci
Josh, thanks. Mentioning products, it's clear that in FY19 and it will be true in FY20, that product-based solutions are going to continue to drive growth. Back on where our customer set is, both on the defense area and in the intelligence area, we see the pace of awards very much supportive to the level of investments that we're making. I'm going to be very clear to point out, we're making investments to a level that, one, supports growth, and two, stays within the rate boundaries that we have. We've always been focused the last six years on being a very cost-conscious team and making certain that we're "living within our means," and also making certain that as we're out there chasing work, that we're delivering bottom line growth as well as shareholder value.

So, back on where our customers are, they are looking at new creative ways to contract with us. We have a material number of OTA efforts that are ongoing, where these are other new acquisition models where the government can rely more on the industrial base to being ahead of need, to do some quick prototypes and quick demos and then moving directly to award. This product-based, solutions-based concept, one, gets us, in some cases, longer term programs. On the product-based solutions, they're actually shorter-term programs where we're going much quicker from award to revenue and profit. So, all in all a very nice mix. And as we've seen up to this point, very much in line with where our customer set is heading.

Operator
Our next question comes from Matt Sharp of Morgan Stanley. Please go ahead.

QUESTION ON CACI'S LONG-TERM MARGIN IMPROVEMENT GOALS

Matt Sharp
Good morning, gentlemen, and thanks for taking my question. On margins, it appears the company is going to break through the 10% EBITDA mark this coming year. Obviously, that's towards the high end of the peer group at this point. How should we think about that longer term, now that you've met that mark? Is the goal still 10 to 30 basis points of expansion from here, or what's the potential?

Tom Mutryn
Thanks, Matt. So we set some commitments: to grow organically greater than the marketplace

and increase margins. And as we look forward beyond 2021, we believe we're on the right track as we continue improvement—the evolutionary process. Given the work that we're doing and the relevancy to the customers and the mission-centric nature of that, we should be able to continue with both those commitments and see no reason not to be able to continue to expand margin while growing organically.

John Mengucci
Matt, I'd also add that the vision of Ken's over the last six years very much ties with my vision going forward. The main phrase around both those visions: they're both long-term focused. So, we've never put a strategy or anything in place that was on a quarter mark. It was really more about understanding better where our customer set is heading and make certain that we're getting slightly ahead of them. So long-term growth, and as Tom mentioned, that continued commitment to top and bottom-line growth.

QUESTION ON THE GROWTH OF LGS AND MASTODON RELATIVE TO THE REST OF CACI'S PORTFOLIO

Matt Sharp
Got it. That helps. Thanks. Then on LGS and Mastodon—how should we think about those businesses growing relative to the remainder of the portfolio? I suppose the same for their addressable markets, I suppose, they're growing notably higher than the 3.5% CAGR you've outlined for the broader business.

John Mengucci
Yes, Matt. Thanks. We would like you to think those are exciting acquisitions because they truly excite us. We've been, frankly, focused on making one plus one far more than three over the last four months, if you would imagine. We've had the opportunity to really get our CACI, LGS and Mastodon teams together, holding many meetings, looking strategically at the absolute wealth of intellectual property, and patents, looking at how do we, again, modify and add to the list of technology solutions.

Where we see us headed in the future is, they clearly are a material portion of both our top and our bottom-line growth, as Tom's remarks mentioned. I think it's 70 out of the 90 basis points. But not too far behind is core CACI at 20 basis points—provides us a fantastic foundation upon for us to grow from. As Tom also mentioned, they are responsible. They do commit at higher EBITDA margins. You would expect that from a product-based set of companies.

We're very excited about the commitment that both Kevin Kelly and Mark Benoit made—those are both the previous CEOs of those companies and still with us today—that they've made to continue that growth. We actually bought on that growth. And we would expect them to contribute materially to where we head over the next X number of years.

Operator
This concludes our question-and-answer session. I would like to turn the conference back over to John Mengucci for any closing remarks.

CEO CLOSING REMARKS

John Mengucci

Thanks, Andrea. Thank you for your help today on the call. We would like to thank everybody who dialed in or listened to the webcast for their participation. We know that many of you will have follow up questions, so Tom Mutryn, Dan Leckburg and George Price are available after today's call.

I also want to thank CACI's employees for their expertise, innovation, excellence and vigilance in supporting our customers' missions. The foundation of CACI's success is our talent and dedication, backed by an outstanding culture.

Before we hang up, I would like to announce CACI's next Investor Day, which we will hold on Tuesday, September 17th in New York City. We will present to you some of our innovative capabilities that are aligned with our customers' most critical mission. This is the perfect opportunity to see what differentiates CACI. We'll also be discussing our plans to drive additional growth and profitability over the long term, and how we expect to continue to deliver shareholder value. We look forward to spending much time with you all in September.

This concludes our call. Thank you all and have a very good day.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

END