

# CACI International Inc

## Q2 FY20 Earnings Conference Call

January 30, 2020



# 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 from successive presidential administrations 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-competing 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 potential impact of the announcement or consummation of a proposed transaction and our 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.

# On Today's Call



John Mengucci  
President and Chief  
Executive Officer



Thomas Mutryn  
Chief Financial Officer



Greg Bradford  
President and Chief  
Executive, CACI Limited UK

# Strong Q2 Performance

Q2 revenue growth of **18.1%**, with **8.1% organic** growth

**Strong** profitability

**Robust** cash flow from operations<sup>1</sup>

**Strong** contract awards of \$2.7 billion

~60% new business to CACI

**Raising** FY20 guidance, including **at least 7% organic** growth

<sup>1</sup> See slides at the end of this presentation for definitions and reconciliations of non-GAAP measures.

# Strong Award Activity across Enterprise and Mission

## Five-year, **\$1.1 billion** contract for **Enterprise and Mission Technology**

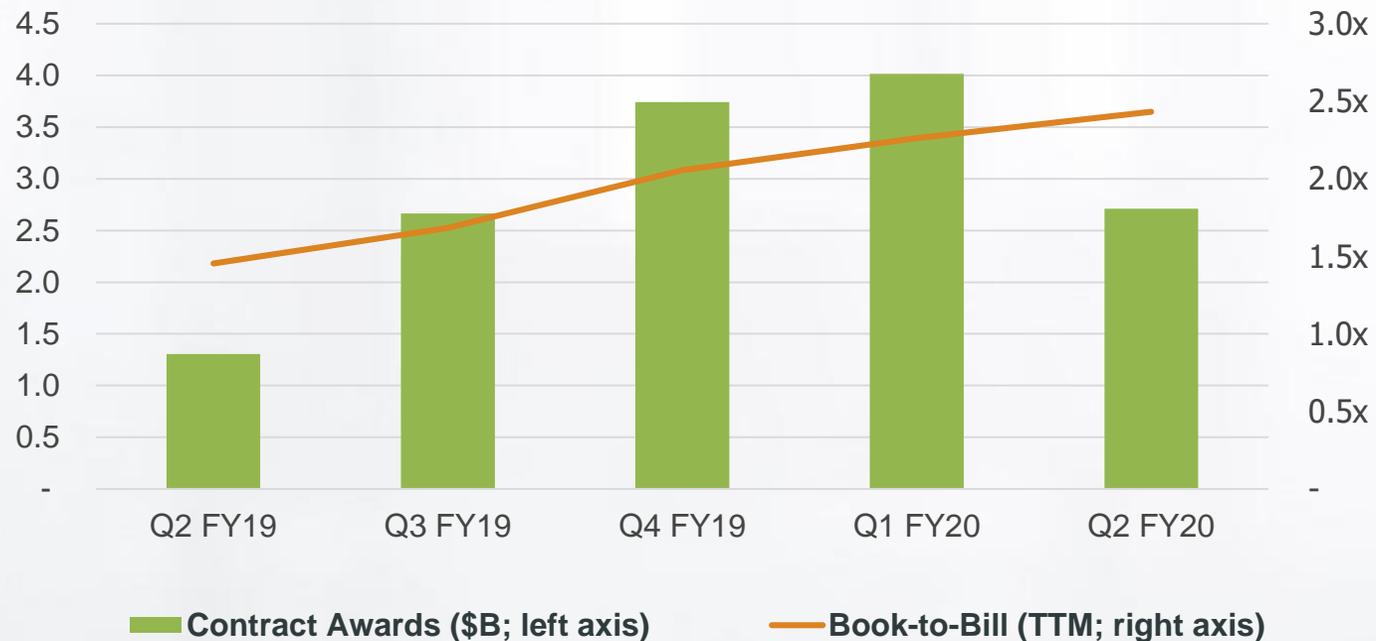
- Agile development and modernization of enterprise systems, including cloud migration
- Illustrates our strong record of past performance with agile development and the industry-leading capabilities of our Agile Solution Factory

## **Mission Technology** contract for **over \$450 million** with intelligence community customer

- Unique intel and communications technologies fueled by LGS R&D
- Work with a long-time LGS customer enabling their critical national security mission

# Strong Awards Driving Accelerating Organic Growth

## Contract Awards and Book-to-Bill



**At least 7% organic growth expected in FY20**

# Positive Market Environment and Budget Trends

## **Positive** budget environment

- Two appropriations bills signed in late December fully fund the government for GFY 2020 at ~4% above GFY 2019 levels
- Continuing resolution (CR) to start GFY 2020 had no material impact on our business

## **Large** and **growing** addressable market

- CACI capabilities well-aligned with critical national security and modernization priorities
- Enterprise and Mission alignment evidenced by continued strength in contract awards

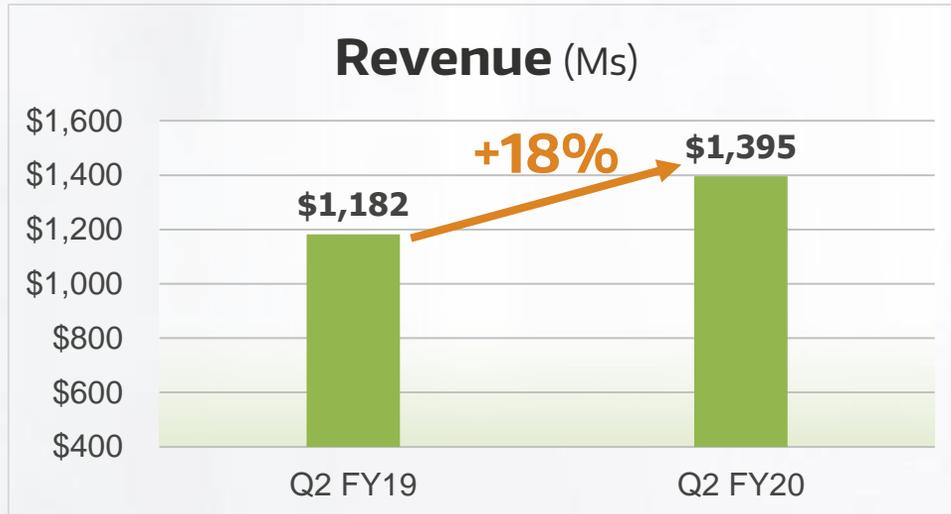
# Investing for Future Growth

**R&D** to develop differentiated technologies and capabilities ahead of customer demand

**Business development** to pursue, shape, and capture the right opportunities

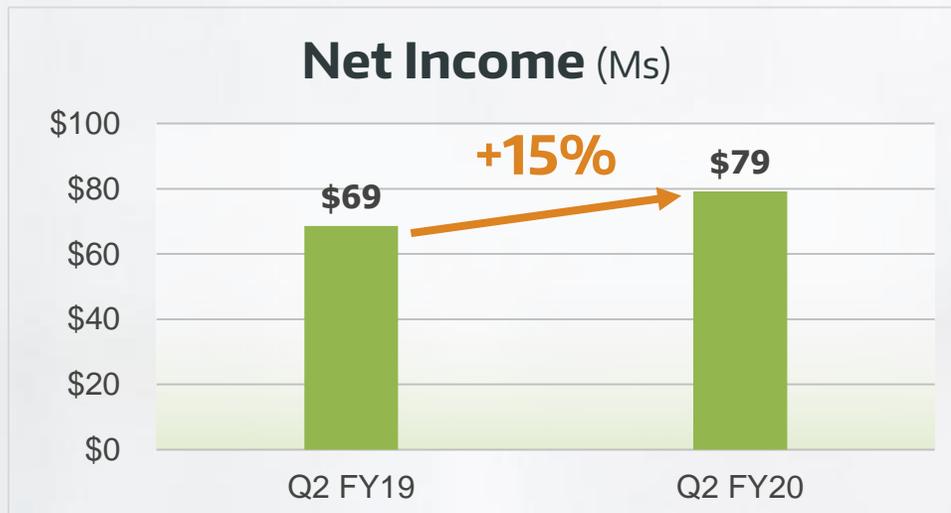
**Our people**, to attract and retain the industry's best talent

# Q2 FY20 Revenue and Net Income



Revenue driven by acquired revenue, new business **wins**, and on-contract **growth**

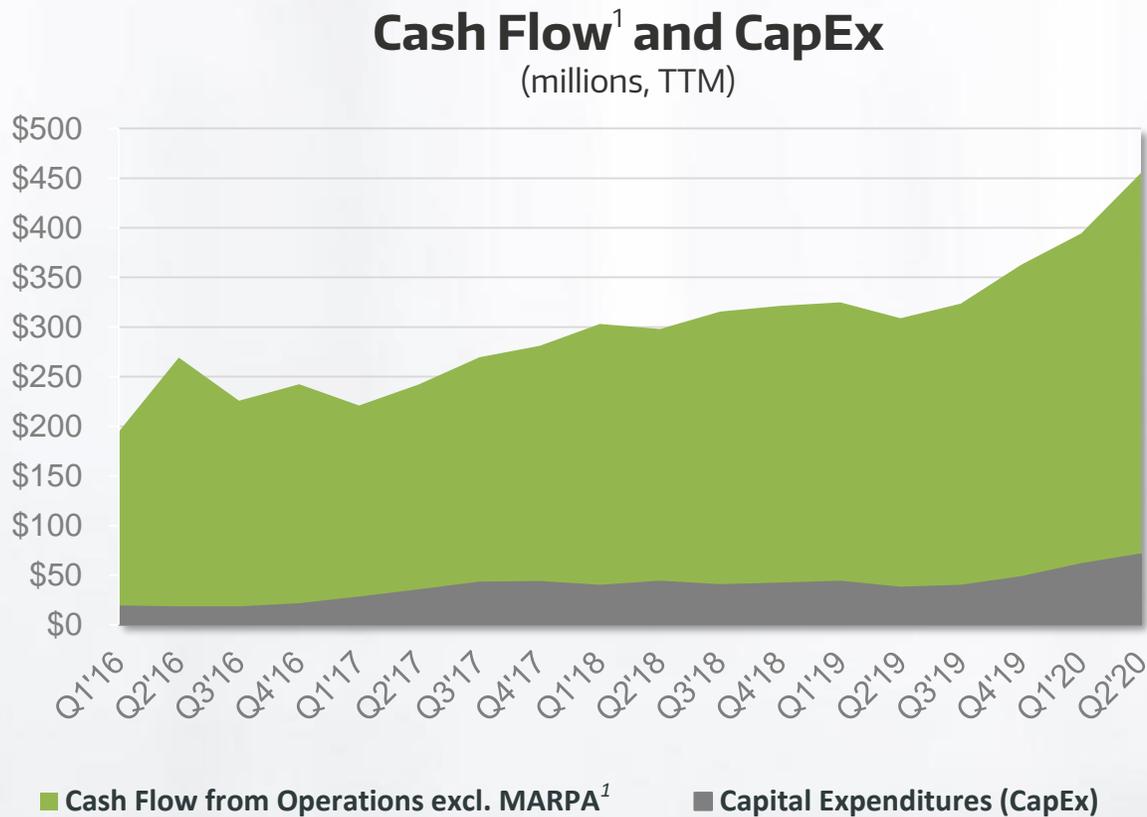
**Organic** growth accelerated to **8.1%** from 5.6% in Q1



**Higher net income** driven by:

- Higher operating profit
- Lower effective tax rate

# Strong Cash Generation and Ample Debt Capacity



- Q2 cash flow from operations of **\$134 million**, up 137% year-over-year
- Days Sales Outstanding of **51 days** (including A/R facility)
- Pro Forma Leverage of **3.0x<sup>2</sup>**
- **~44%** of debt structure with floating interest rates
- Healthy cash flow and borrowing capacity provides ample **capacity** for **continued investment**

<sup>1</sup> See slides at the end of this presentation for definitions and reconciliations of non-GAAP measures.

<sup>2</sup> As of December 31, 2019, assuming full trailing twelve month (TTM) contribution from LGS and Mastodon acquisitions.

# Raising FY20 Guidance

	Prior Guidance	Current Guidance
<b>Organic</b> revenue growth of <b>at least 7%</b>		
<b>Revenue</b> (millions)	\$5,550 – \$5,750	<b>\$5,600 – \$5,800</b>
Tax rate expected to be approximately <b>22%</b>		
<b>Net Income</b> (millions)	\$298 – \$318	<b>\$305 – \$325</b>
Diluted shares outstanding expected to be <b>25.6M</b>		
<b>Diluted EPS</b>	\$11.64 – \$12.42	<b>\$11.91 – \$12.70</b>
Capex expected to be between \$70M and \$75M		
<b>Operating Cash Flow</b> <sup>1</sup> (millions)	At least \$420	<b>At least \$430</b>

***This guidance represents CACI views as of January 29, 2020.** Investors are reminded that actual results may differ from these estimates for reasons described in the Company's Safe Harbor Statement and filings with the SEC.*

*(1) See slides at the end of this presentation for additional information.*

# Positive Forward Indicators

**Strong** Q2 FY20 contract awards of **\$2.7 billion**  
*TTM Book-to-Bill increased to 2.4x*

**Record** backlog of **\$20.3 billion**, +61% YoY

Pipeline of submitted bids totals **\$8.0 billion**  
*>70% for new business to CACI*

Bids expected to be submitted in the next two quarters total **\$13.4 billion**  
*>70% for new business to CACI*

**97%**  
Existing Business

**STRONG**  
Performance

**2%**  
Recompetes

**HIGH**  
Win Rate

**1%**  
New Business

**QUALITY**  
Pipeline

# Continuing to Deliver Results and Meet Commitments

Delivered **strong financial performance** across the board in Q2, including **accelerating organic** revenue growth

Generated **robust** cash flow and have **ample** debt capacity for additional M&A

**Raised** FY20 guidance, expecting **higher organic growth** and continued **margin expansion**

**Talented employees** deliver expertise and innovative technology

**Recognized** by *Fortune* magazine as a World's Most Admired Company and Top 10 Information Technology Services Company worldwide

Confident in our ability to deliver **value** to customers and shareholders

# Definitions of Non-GAAP Measures

The Company defines net cash provided by operating activities excluding CACI's Master Accounts Receivable Purchase Agreement (MARPA) as net cash provided by operating activities calculated in accordance with GAAP, adjusted to exclude net cash received from CACI's MARPA for the sale of certain designated eligible U.S. government receivables. Under the MARPA, the Company can sell eligible receivables, including certain billed and unbilled receivables up to a maximum amount of \$200.0 million. The Company provides net cash provided by operating activities excluding MARPA to allow investors to more easily compare current period results to prior period results and to results of our peers.

The Company views Adjusted EBITDA and Adjusted EBITDA margin, both 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 expense, including depreciation within direct costs, 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. Adjusted EBITDA margin is adjusted EBITDA divided by revenue.

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

# Reconciliation of Net Cash Provided by Operating Activities to Net Cash Provided by Operating Activities Excluding MARPA

(dollars in thousands)

Net cash provided by operating activities

Cash used (provided) by MARPA

Net cash provided by operating activities excluding MARPA

<b>Quarter Ended 12/31/2019</b>	
\$	133,821
	(16,334)
\$	117,487

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

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

	Quarter Ended		
	12/31/2019	12/31/2018	% Change
(dollars in thousands)			
Net income	\$ 79,195	\$ 68,596	15.5%
Plus:			
Income taxes	16,278	24,246	-32.9%
Interest income and expense, net	14,714	9,421	56.2%
Depreciation and amortization expense, including depreciation within direct costs	28,615	19,488	46.8%
Earnout adjustments	2,100	1,200	75.0%
Adjusted EBITDA	\$ 140,902	\$ 122,951	14.6%

	Quarter Ended		
	12/31/2019	12/31/2018	% Change
(dollars in thousands)			
Revenue, as reported	\$ 1,395,469	\$ 1,181,641	18.1%
Adjusted EBITDA	140,902	122,951	14.6%
Adjusted EBITDA margin	10.1%	10.4%	

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