CACI INTERNATIONAL INC.
Moderator: Ken Asbury
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8:30 a.m. ET

Operator: Welcome to the CACI International fourth quarter and full fiscal year 2014 conference call. Today's call is being recorded. At this time, all lines are in a listen-only mode. Later we will announce the opportunity and instructions will be given at that time. If you should require any assistance during this call, please press star zero and someone will help you. A special reminder to our media guests who are listening in, please remember that during the question and answer portion of this call, we are only taking questions from the analysts.

At this time, I'd like to turn the conference over to Dave Dragics, Senior Vice President of Investor Relations for CACI International. Please go ahead, sir.

INTRODUCTION AND SAFEHARBOR STATEMENT

David Dragics: Thanks, Nicole, and good morning, ladies and gentlemen. I am Dave Dragics, Senior Vice President of Investor Relations at CACI International, and we're very pleased that you're able to participate with us today.

As is our practice, we are providing presentation slides. So let's move to Slide number 2.

Now, about our written and oral disclosures and commentary, 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 anticipated results. Factors that could cause our actual results to differ materially from those we anticipate are listed at the bottom of last evening's earnings release and are also described in the company's Securities and Exchange Commission filings. And our Safe Harbor statement is included on this exhibit and should be incorporated as part of any transcript of this call.

I'd also like to point out that our presentation today will include discussion of non-GAAP financial measures. And these non-GAAP measures should not be considered in isolation or as a substitute for performance measures prepared in accordance with GAAP.

Let's go to Slide 3. And to open up our discussion this morning, here's Ken Asbury, President and Chief Executive Officer of CACI International. Ken?

CEO OVERVIEW

Ken Asbury: Thank you, Dave, and good morning to everyone. Thank you for joining us. With me this morning are John Mengucci, our Chief Operating Officer and President of U.S. Operations; Tom Mutryn, our Chief Financial Officer; and Greg Bradford, Chief Executive of CACI Limited, who is joining us from the U.K.

Let's turn to Slide 4, please. Yesterday evening, we released the results of our fourth quarter and full Fiscal Year 2014. These results are solid and the quarter wraps up a good year for CACI, with strong contract awards, funding orders and cash flow. I'm pleased with our achievements and I am confident reiterating our FY '15 guidance.

Slide 5, please. Looking ahead, we expect that on October 1st the government will operate under a continuing resolution, at least through the midterm elections in November. This means that the market conditions that we've been under for the past 14 or 15 months will continue with contract bridging and delayed contract awards.

That being said, I do want to highlight a couple of positive factors we have seen. First, we are expecting to see a normal seasonal uptick in contract awards as the government prepares to end its fiscal year. Second, we are also seeing an increase in RFIs and RFPs. And, if the increase in volume corresponds to an increase in timely contract awards, that will serve our industry and CACI very well.

The world remains a dangerous place, however, as evidenced by a global security situation that grows more tumultuous every day. In just the last few weeks, we have seen escalating tensions between Russia and NATO, continuing instability in Afghanistan, wars in Syria, Lebanon, Libya and Gaza, and the U.S. military engaged once again in Iraq. This unprecedented global threat array poses a major challenge to our nation and to our customers.

Now, more than ever, our intelligence, C4ISR and cyber customers will count on us to deliver the state-of-the-art solutions they need to maintain situational awareness, anticipate and preempt emerging threats, and accomplish their missions.

In this context, our acquisition of Six3 Systems and the synergies we derive from its full integration into CACI, positions us well to serve our customers in the sophisticated signals intelligence, precision geolocation, and non-traditional cyber areas.

Slide 6, please. Reflecting on Fiscal Year '14, I am pleased with the progress we have already made in adapting to this changing market. We invested in talent, refined our business development processes and delivered operational excellence to our customers.

We successfully completed a transformational acquisition, enhancing our ability to deliver high-end, affordable, well-architected and relevant solutions and services. And we realigned our business to sharpen our focus on all 10 of our market areas. Our FY '14 performance clearly demonstrates that this strategy is working and we are confident that we'll continue to create shareholder value.

Now, here is Tom, to discuss our financials for the quarter. Tom?

FINANCIAL OVERVIEW

Tom Mutryn: Thank you, Ken, and good morning, everyone. Let's go to Slide number 7.

We are pleased with another quarter of solid cash flow, awards, and contract funding. For the quarter, our revenue was slightly below last year's level. As has been the case for earlier quarters, this decline was driven primarily by reduction in run-rates on existing contracts and lower subcontractor labor and low margin material purchases.

Our direct labor, the primary driver of our profitability, was up one-half percent and we saw a 4 percent reduction in lower margin other direct costs.

Indirect costs and selling expenses for the quarter were only slightly higher than last year, despite the addition of Six3 indirect expenses. For the full year, indirect expenses were down $6 million or 0.7 percent, driven by a $24 million reduction in indirect labor, as we work to ensure our cost structure is appropriate for the size and nature of our business. These reductions were partly offset by higher direct labor fringe in Six3 one-time transaction expenses.

Depreciation and amortization expense increased primarily as a result of the amortization associated with the Six3 acquisition.

For the quarter, Six3 generated $5.8 million of net income, which includes $6.7 million of pre-tax intangible amortization and acquisition-related retention expenses. Revenue for Six3, since closing in November, was $268 million, below our earlier estimates, due primarily to reductions in run-rate service business and lower pass-through activities. Revenue for the signals intelligence, precision geolocation, and non-traditional cyber solution areas were at expected levels. We continue to be pleased with Six3's profitability and we are on track to meet our calendar year 2014 goals for the acquisitions, to be at least 5 percent accretive to our GAAP earnings per share and at least 10 percent accretive to diluted earnings per share, excluding transaction expenses.

Slide 8, please. We generated solid cash flow of $199 million for the year. Free cash flow was $183 million or $7.29 per diluted share. This translates to a free cash flow yield of 10.4 percent at a share price of $70.

Our full year diluted adjusted earnings per share, reconciled for certain non-cash items, was $7.58 per share that is $2.20, or 41 percent greater than our GAAP earnings per share of $5.38.

With $1.2 billion of total debt, our net debt to pro forma EBITDA leverage ratio is at 3.5x. Currently, we have about $400 million of unused capacity under our revolver. That coupled with our ability to raise additional capital, provides us the financial capacity to pursue additional acquisitions.

Slide 9, please. And lastly, we are reiterating our fiscal year '15 guidance, which we provided at the end of June.

And with that, I'll turn the call over to John.

OPERATIONS OVERVIEW

John Mengucci: Thanks, Tom. This morning I will provide an overview of operations for our fourth quarter and full Fiscal Year '14, and discuss how our performance supports our Fiscal Year '15 guidance.

Let's go to Slide 10, please. I like the position CACI is in as we leave FY '14 and enter FY '15. CACI has adapted to the market environment with remarkable agility. From operations perspective, the actions we've taken continue to produce solid results. Over the last year, we made investments in our business development organization, adding top talent, refining our shop selection, and focusing on larger more solutions oriented business. We also improved our cost effectiveness, while continuing to deliver excellent program performance to our customers.

Six3 Systems is now fully integrated into CACI. The synergies in the combined organization are opening up opportunities in both new and existing customer areas.

We had strong contract awards in the fourth quarter and for all of Fiscal Year '14, providing us with positive momentum as we enter FY '15. We won $698 million in contract awards in the quarter, 24 percent higher than the same period last year. Our performance on all of our existing business has been outstanding, as evidence by our high customer satisfaction.

We also received $907 million in contract funding orders in the quarter, 26 percent higher than a year ago. That brought our funded backlog to $1.6 billion. Total backlog was $7.1 billion, providing an estimated 24 months of total backlog at the June quarter revenue run rate. This is a comfortable position at this time.

Let's go to Slide 11, please. Our fiscal year revenue guidance in June consisted of 70 percent existing business revenue, 15 percent recompete and 15 percent from business that is new to CACI. I am pleased to report that since the end of June, we have improved that position to 76 percent existing business, 11 percent recompete revenue, and 13 percent new business revenue. This means we are currently executing on nearly 87 percent of our planned revenue for the year.

In addition, as result of the higher amount of contract funding orders we received in the quarter, 52 percent of the existing business revenue is already funded, an increase from 45 percent at the time of our June call. This position is a solid level and comparable to previous years. This is a direct result of the important missions we serve and the levels of funding we continue to receive even throughout this tough budget environment.

As we head into FY '15, our opportunity pipeline remains very strong. Our pending contract awards now total $9.8 billion. 80 percent of those pending awards are for new business for CACI. In addition, we plan to submit another $11.6 billion in qualified opportunities that we will bid over the next six months. 80 percent of those bids will be for new business to CACI.

These forward indicators combined with the actions we have taken to enhance business development and increase our cost effectiveness will, we believe, be key factors in achieving our FY '15 guidance.

With that, I would like to turn the call back over to Ken.

CEO CLOSING REMARKS

Ken Asbury: Thank you for the comments, Tom and John. Let's go to Slide number 12, please.

Before we go to questions, I would like to emphasize, how pleased I am with our results for FY '14. It's is a testament to the vigilant dedication our employees show to our customers' missions, and I would like to thank CACI's people for their hard work.

In a year that has seen CACI change and adapt to circumstances, our people have been unwavering in developing innovative, distinctive solutions, and superior performance on all of our customer programs. I am extremely proud of our team's performance over this past year, and I am confident that together we have positioned our company to deliver shareholder value. Thank you very much for that.

With that, I'd like to open up the call for your questions.

Operator: Ladies and gentlemen, if you have a question at this time, please press star and then the one key on your touchtone telephone. If your question has been answered or you wish to put yourself in the queue, please press the pound key.

Our first question comes from the line of Edward Caso of Wells Fargo Securities.

QUESTION ON THE GOVERNMENT'S CURRENT APPROACH IN MAKING AWARDS

Ed Caso: Good morning. Congrats on a solid quarter. I was wondering if you could differentiate for us the client's approach on, call it, turn the lights on or run the business kind of opportunities, and their willingness to start new efforts, particularly with the potential of sequestration coming back again in '16. Thanks.

Ken Asbury: I'll take the beginning of that question. I think obviously there are some rules around starting new programs. With that being said, we see new work starting in the Veterans Administration, for example, with the influx of funding that has gone there to solve some of the issues. We see it in cyber, as the nation refines its approach to how it's going to deal with this subject, and the policies become sort of broader and thicker, as we understand the nature of the various threats.

We certainly see in the near term some changes. For example, in the past, we have talked about high-growth and high-volume markets. Probably that's not as important to us anymore because in C4ISR we see some very strong threads of growth in elements of the C4ISR business, while some of the tactical things that happen during the wars change.

So despite the fact that we are seeing less funding, we are seeing funding come into some very rich areas that are going to continue to be relevant and important to us. And those are the areas that we're going to be very focused on.

QUESTION ON THE CHANGES IN PLANNED REVENUE SINCE THE END OF JUNE

Operator: Our next question comes from the line of Steven Cahall of Royal Bank of Canada.

Steve Cahall: I was wondering if you could speak a little bit to the change in the planned FY '15 revenue. So if we think about the existing business going up by 600 basis points, and then the delta that comes out of the recompetes and new business, it looked like you had some wins in there that were maybe ahead. Were there any losses as well, or is this just kind of being conservative now, and if some of what you've got in the new business and recompetes comes in as potentially upside to the revenue expectations?

Ken Asbury: Steve, this is Ken. I'll start with this. I think what you're seeing—we try to model everything that we've seen in the marketplace and learned over the last 18 months, as we go and project this. Obviously, our assumption is we're going to see a fairly strong fourth quarter for the government in terms of award activity work before, because frankly that's the seasonal way that they do it.

We have positioned ourselves fairly well for that with increased capture rates, and I think as John spoke of a moment ago, almost $10 billion in pending awards. We would expect that we will see that begin to show up here in this, our first quarter. So I'm not sure as to the rest of your question, but we just planned it on the basis of what we've learned about the business so far.

QUESTION ON THE TREND FOR MARGINS GOING FORWARD

Steve Cahall: And maybe one for Tom on the margin. Last year we had a couple of funny things going on in the first half of the fiscal year with the fixed price contract. Is there anything we should think about for the next few quarters in terms of the way the margin might phase through in the contract mix?

Tom Mutryn: There is nothing noteworthy or material to plan out with regards to margin. Last year we had a unique circumstance, where we had a fixed price contract which had anomalous type of pattern of profitability, which was material to the quarterly distribution. We do not see that type of activity or similar type of activity occurring in FY '15.

QUESTION ON MANAGEMENT'S EXPECTATIONS FOR CONTRACT FUNDING ORDERS IN THE SEPTEMBER QUARTER

Operator: Our next question comes from the line of Cai von Rumohr of Cowen.

Cai von Rumohr: So you sound a little bit more upbeat about the first quarter. If we look back over the years, your funding has averaged about 1.4x funding to sales. Is that a likely bogey for this first quarter or could it be a little bit better? Give us some more color on that.

Tom Mutryn: I'll start out, Cai. Funding is hard to forecast and awards are hard to forecast. Our plan is predicated on the government funding and awards being similar to how it has been in FY '14. And it's also predicated on the premise that, in seasonally, the government funds a lot, in awards a lot, in their fourth quarter, which is our first quarter. There is no reason to think otherwise at this point in time. And as a result of that I think it's reasonable to assume our funding levels will be consistent with historic patterns and our plan is based on that. But we do not have a higher level of precision with regard to exactly how many dollars do we need in those various categories.

QUESTION ON THE EXPECTED PACE OF AWARDS GOING INTO THE NEXT GOVERNMENT FISCAL YEAR

Cai von Rumohr: And if I might, one follow-up. This fourth quarter benefits from the fact that contracting officers really were hit by a government shutdown starting off the fiscal year. They didn't have the budget signed until January. And so I assume from what others that we're starting to see more money flow through toward the end of the year, because they lose it if they don't commit it. But going into next year, are you cautious with everything that happens that will kind of revert back to kind of a very slow pattern?

Ken Asbury: I'll take that one and see if anybody else wants to join. Our plan this year was predicated on the behavior that we have seen. The one significant sign that we have seen is the increase in our buys in RFPs.

I think our business--and and having listened to what is going on in the industry—everybody would benefit if the government would award on a more timely basis, consistent with what they put out in the RFPs.

If we see an increase in awards that correspond to the increase in RFPs, or increase in the pace of awards, I should say, then there is reason to be optimistic, given the actions that we have taken around our new business activities.

QUESTION ON FORECASTED ORGANIC REVENUE GROWTH

Operator: Our next question comes from the line of Robert Spingarn of Credit Suisse.

Rob Spingarn: I wanted to talk about organic growth a little bit and see if we could factor in Six3, and just understand what's embedded in your guidance for organic growth in the core business and for Six3? Obviously, the organic growth continued to decline for the end of year on a collective basis, but what are your assumptions for Fiscal '15 within the revenue range that you've provided?

Tom Mutryn: When we provided our initial guidance in June, we spoke a bit about this. We said and told you that for Six3 we expect our revenue and profitability to increase in the high-single digit range. And we also said that if you took our numbers—the midpoints of our guidance and went through a mathematical exercise of playing out Six3—you'd see CACI organic revenue decline in the 9 percent to 10 percent range.

That being said, we also felt that given the way we built our plan and our expectations for some new awards, it was possible that we would see organic growth in the back half of our FY '15, particularly in the fourth quarter. So we're anticipating a return to organic growth as we get into the latter part of FY '15.

QUESTIONs ON SIX3 SYSTEMS REVENUE GROWTH IN CACI'S FY15

Rob Spingarn: So, Tom, just to put maybe a little bit finer point on that, does that mean that for Fiscal 2015 Six3's revenue will be roughly the run rate we saw here in the fourth quarter, so call it $450 million, $460 million?

Tom Mutryn: I don't have the exact number so I'm going to be hesitant. But I would take our $268 million of 7.5 months, normalize it for a full year, and grow it at a high-single digit as we said. So that would be a general ballpark.

Rob Spingarn: And again, the confidence level on that, because we don't have all of the fidelity on the prior-year comp, but Six3 was shrinking a bit this year. So you're comfortable that it's reverted to a positive direction?

Tom Mutryn: Yes. We are. The bottoms-up planning process can vary, imprecise. Some of the shrinkage, if you will, is not particularly troubling to us. And some of it was related to some low margins. And in fact, some instances of zero margin material in pass-throughs going through Six3 that the government decided to take those pass-throughs and redirect them elsewhere, not a large issue.

And we saw some reductions in their professional services business, some of it from the Harding part of Six3 Systems, similar to some of the reductions we've experienced.

And as John mentioned in his prepared remarks, some of those run rate reductions have leveled off. We're not seeing incremental run rate reductions as they get a new normal there. So we're pretty comfortable, given the portfolio, given the pipeline that Six3 should be able to meet those growth expectations.

QUESTION ON THE FACTORS BEHIND THE IMPROVEMENT OF DAYS SALES OUTSTANDING (DSOS)

Operator: Our next question comes from the line of Joe Nadol of JPMorgan.

Chris Sands: It's actually Chris on for Joe. Tom, I wanted to ask about the cash flow. The DSOs have trended favorably since the spike in Q2. I had heard that the DoD was perhaps moving back toward accelerated payments. Is that what you're seeing or is there any other color to explain the improvement?

Tom Mutryn: Primarily, the driver of our cash flow is DSO. And we've had roller coaster too much, it would be in exaggeration, but we had a significant fluctuation in DSO during the year.

Beginning of the year we were at 58 days, that's where we were 12 months ago, and got as high as 67 days in our second quarter and now we're back to 59 days. And that is driven largely by the government's behavior in their procurement offices, and we're happy to see quicker payments. In terms of our forecast for FY '15, we're assuming that DSO stays about the same as where it is at the end of the time period.

What's important for a time period is not the fluctuation of DSO, but the DSO at the two endpoints. And if we have a similar DSO at the end of '15, that will drive our cash flow expectations of $200 million, which we guided to. And at this point in time, there's no reason to think that we'll have a change in our DSOs as we exit FY '15.

Chris Sands: And so the Fiscal Year '15 guidance contemplates something around to 60 days then?

Tom Mutryn: It contemplates flat DSO, if you will. So we're exiting 59 days. So implicitly we're at 59, 60 days. Each day of DSO is worth approximately $10 million. So it's material when we have four or five days of DSO fluctuation.

QUESTION ON CYBER SPENDING BY THE GOVERNMENT

Operator: Our next question comes from the line of Tobey Sommer of SunTrust.

Tobey Sommer: A question about cyber spending. Is it growing, do you think, at this point? And if so, by how much?

Ken Asbury: I mean cyber is still a developing market. A lot of cyber that we see in the space, where spending around cyber is contained in existing programs and there's probably some add-ons to many programs that could be sustained that are actually—particularly in the IT space, that are making sure that we're doing a good job of protecting.

I know that there is a special $5 billion allocation in the budget this year, specifically for cyber, and I think that went to NSA. So we do see that market beginning to certainly increase in terms of the budget. And I think that's going to continue for the foreseeable future because there's not a really easy answer to that problem.

QUESTION ON THE ORGANIC REVENUE GROWTH IN THE FOURTH QUARTER OF FY14

Tobey Sommer: I think I missed it. What was organic growth in the quarter? And did I hear it correctly that guidance presumes a resumption of positive organic growth in fiscal 4Q of '15?

Tom Mutryn: I'll take that. So organic growth in the fourth quarter was a negative 13 percent to [negative] 13.5 percent, somewhere in that zip code. So full stop.

In FY '15, the question that we've been asked is when will we return to organic growth. And if we're successful in winning the awards we anticipate, having new business awards, we see positive organic growth as we exit FY '15.

QUESTION ON THE STRUCTURE OF INCENTIVE COMPENSATION FOR FY15

Tobey Sommer: And I had a question about incentive compensation at the firm. Several years ago, there was kind of a slight shift and a reemphasis on margin that then yielded results in the P&L in subsequent years. Do you have any tweaks to incentive compensation and what you're trying to drive among the employees for Fiscal '15?

Ken Asbury: I mean a slight change from what we did last year. We had gross margin. Net income was the larger part of compensation and then revenue. We've gone to net income and revenue as the principal ones with net income being the higher part of the compensation scheme.

QUESTION ON MARGIN EXPECTATIONS FOR FY15

Operator: Our next question comes from the line of Jason Kupferberg of Jefferies.

Amit Singh: This is Amit Singh for Jason. Just a quick question. As Six3 integration seems to be now completely finished, I just wanted to get your sense on what are your margin expectations, normalized margin expectations, for Fiscal 2015 versus Fiscal 2014?

Tom Mutryn: When we provided our guidance for FY '15, we said that we expected operating margin to be approximately the same as it was in FY '14. We are not changing our '15 guidance so we are sticking to that statement. We expect flat margin on a year-over-year basis.

QUESTION ON THE CURRENT MERGERS AND ACQUISITION ENVIRONMENT

Amit Singh: Quickly on your capital deployment strategy, in general. It seems like focus now or focus will remain on more acquisitions rather than sort of deleveraging the debt. So I just wanted to get your sense on what areas of M&A are you particularly looking at? And how is the pipeline looking at this point? And when, if there is any sense of how early or how late are you—something could happen?

Ken Asbury: Well, for quite some time M&A has been the first priority for us to grow the business—to use our capital to grow the business. The market has kind of picked up a little bit in some areas. We've looked at a number of deals in the recent past but nothing that's caught our fancy.

We're going to be looking at high-end capabilities in the solutions space, particularly in areas of C4ISR, Intelligence, Cyber, Healthcare—those sorts of areas. But we haven't found the right property or the right additional property. So we'll continue to keep our eye on that for the near future.

QUESTION ON THE REVENUE GROWTH DRIVERS FOR CACI'S FY15

Operator: Our next question comes from the line of Robert Spingarn of Credit Suisse.

Rob Spingarn: I am back with a couple more. First, Tom, just a follow-up for you and then one for Ken and/or John. But Tom, given the negative 9 percent to 10 percent you mentioned earlier, in terms of revenue growth, if we were to bucket the overall business, maybe in four or five large areas, I'm talking about the total company, what would be growing? What's declining? And what's flattish? Is there a way to think about that?

Tom Mutryn: Yes. I'll start off, and then, John, you may want to kind of embellish. We bucket our business in several different ways. One way to look at it is our market areas. Healthcare, for example, is growing faster as a market area; the business is growing faster as a market area.

There's another way to look at it: customers, and either broadly customers—DoD and civilian—or within that various DoD departments, the Army, the Navy—then within that various commands, SOCOM and CENTCOM and the like. And so there is buckets of growth coming throughout the organization.

So I think that where are we growing – and then we can look at it in terms of the types of activities we perform: professional services, staff augmentation versus more solution orientations in the businesses. And I think it's fair to say that the solution orientations business is growing at a faster rate.

The low run staff augmentation is susceptible to low price technically acceptable. We saw reductions in professional services. Run rates, those are leveled-off, but we don't expect a large amount of growth there. And we're focusing our business development activities—the new business pipeline—in the higher-end solution areas. And so, therefore, those areas should grow. So, a long-winded answer to your question. I'm not sure if Ken or John wants to comment further. No? OK.

QUESTION ON THE POTENTIAL IMPACT OF GLOBAL TENSIONS ON CACI'S BUSINESS

Rob Spingarn: And then the other question is about something that was said earlier by everyone, but the tensions globally, continue to rise. And I am wondering – and you talked about the opportunities in the future that you bring to the table to address these. Have you yet seen any kind of inflection or behavioral change in the customer to start to come into for more business, more activity, especially based on what we're seeing in-theater right now, particularly in Iraq?

Ken Asbury: We have seen some small increases in our Intelligence and C4ISR. It is—right now, I would characterize it as anecdotal at the moment. In other words, we have added contracts that were maybe in that space—theatre specific—that were drawing down—as a result of overall plans have now begun to add people back to them as a result of some of the things that are going here. Right now, we wouldn't judge those to be material, and certainly nothing that would change our guidance.

QUESTION ON WHETHER THE DURATION OF CONTRACT FUNDING ORDERS RECEIVED HAS CHANGED

Operator: Our next question comes from the line of Mark Jordan of Noble Financial.

Mark Jordan: First question relative to funding. Obviously, you had a seasonally stronger or a strong quarter in funding. Has there been a change in the duration of the funding period on those funding orders you've received?

John Mengucci: In the last six months, we have actually seen some material movement from week-to-week funding to more month-to-month. I do believe that's what's driving about 52 percent of our current revenue being funded. We are seeing things come in in larger funding chunks. It hasn't really been professional services versus solutions, pretty much been across the board.

QUESTION ON WHETHER PRIVATE CAPITAL IS ACTIVE IN THE MERGERS AND ACQUISITION MARKET SPACE

Mark Jordan: Second question relative to the M&A environment. Do you have a view as to what role private capital is playing now in the marketplace? Are they actively looking at opportunities or are they more dormant?

Ken Asbury: Yes, Mark, periodically we get some of the investment banking houses come in and tell us what they're seeing in this space. And we have had some indications that private equity or private money—private companies are looking at some new deals inside the space. But we haven't seen anything that would be remarkable in that sense. Tom?

Tom Mutryn: Yes. I will comment that our company, or companies like CACI, have some very positive attributes when it comes to private equity investors and also, therefore, public market investors. Again, very strong cash flow, variable cost structures, and an ability to do a transaction with high expected returns.

And so we haven't seen a lot of activity. But I believe there is a larger pot of private equity money, as you know. And companies like CACI are very attractive, because of the strong potential returns.

QUESTION ON THE QUARTERLY REVENUE TREND FOR FY15

Operator: Our next question comes from the line of Cai Von Rumohr of Cowen.

Cai Von Rumohr: So a follow-up. I'm a little bit confused about your quarterly pattern. If I take the midpoint of your revenue guidance, $3.45 billion, and I assume that's what you are using when you are saying possibly modest organic growth in the fourth quarter. Your total organic for the company is down about 7 percent plus. The first quarter, are we going to be down over 13 percent in the first quarter? Because I have trouble making the numbers work. If the fourth quarter is going to be up, we have to have some pretty big declines in the September and December quarters and you've just come off with somewhat better bookings quarter here in the June quarter.

Tom Mutryn: We're not going to provide details on the quarterly guidance, but I will provide some color. Number one is the reductions we've seen—if anything that puts that a lower base. And so have we hit bottom yet? Time will tell. But we're at a lower base. So it's easier to grow from a lower base than it is from a higher base.

And we provided a relatively broad revenue guidance range. And when you do that type of arithmetic, I would suggest that you don't confine yourself to the midpoint of the guidance range but expand it to the upper part of the guidance range.

And when we say we can foresee growth as we exit it, that's assuming that we're winning the awards, the new business, and we move towards the upper end of the revenue guidance range.

Cai Von Rumohr: So what you are saying is to have organic growth by the fourth quarter, you would have to be in the upper part of that guidance range, is that …

Tom Mutryn: I think, that's a fair statement, yes.

Operator: Thank you. And I'm showing no further questions. I'd like to hand the call back over to Mr. Ken Asbury for any closing remarks.

CEO CLOSING REMARKS

Ken Asbury: Well, thanks, Nicole, and thanks for all your help today on the call. We would like to thank everybody who dialed-in or logged onto the webcast for their participation as well. We know that many of you will have follow-up questions, and Tom Mutryn, Dave Dragics and Jeff Christensen are available for calls later this morning and throughout the day. So this concludes our call. Thank you. And have a very good day.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program. You may all disconnect. Have a great day everyone.

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