

CACI INTERNATIONAL INC

**FY2019**

SECOND QUARTER EARNINGS & ANNOUNCEMENT OF OUR AGREEMENT TO  
ACQUIRE **LGS INNOVATIONS** AND ACQUISITION OF **MASTODON DESIGN**



January 30, 2019

**INFORMATION** DEPLOYED. **SOLUTIONS** ADVANCED. **MISSIONS** ACCOMPLISHED.

**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 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-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 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.



**Ken Asbury**  
President and  
Chief Executive Officer



**John Mengucci**  
Chief Operating Officer



**DeEtte Gray**  
President, U.S. Operations



**Thomas Mutryn**  
Chief Financial Officer



**Greg Bradford**  
Chief Executive Officer,  
CACI Limited in the UK

CACI

## Second Quarter RESULTS

### Another **Strong Quarter**

Total revenue growth of 8.6% with **2.4% organic**

Very **strong profitability** with EBITDA growth of over 16%

More than **\$1.3 billion** of contract awards, almost 20% higher than last year

**Raising** fiscal 2019 guidance

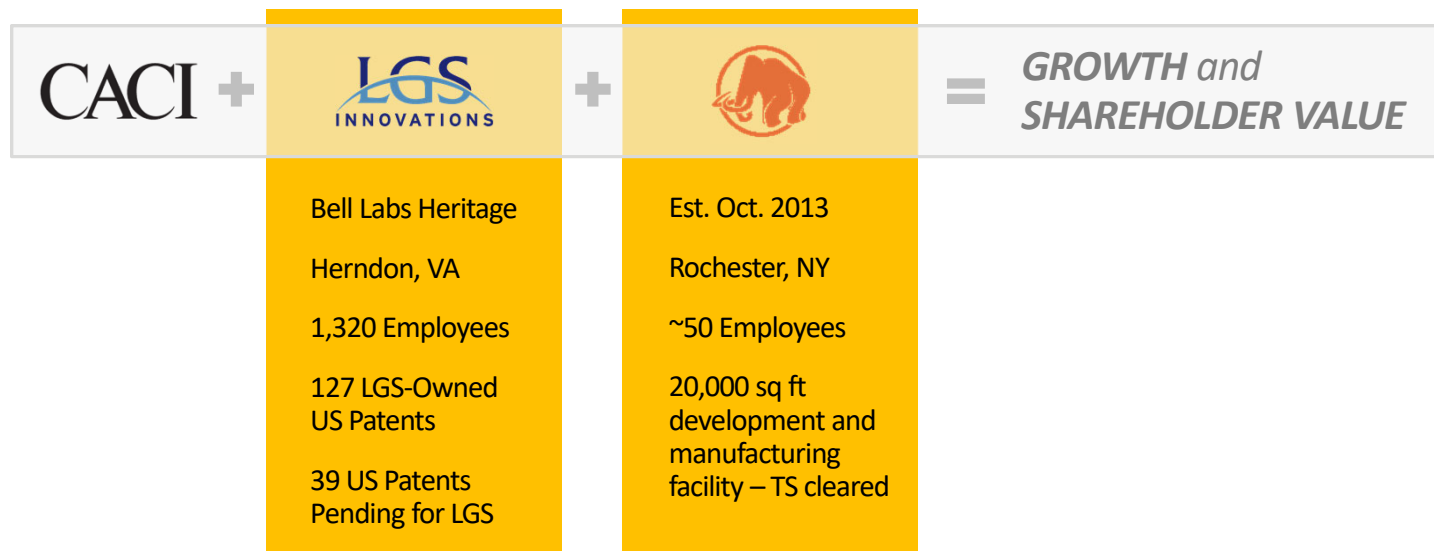
## M&A

### Adding Additional HIGH-VALUE OFFERINGS

- ✓ Meets **all elements** of our M&A strategy
- ✓ Adds **premier capability** set with unique offerings
- ✓ **High-growth** businesses in priority investment areas
- ✓ Financially and **strategically compelling**

## Investment to Drive **Continued Strategic Differentiation**

Adding two **highly-relevant companies**, expanding a differentiated set of product and solution offerings in signals intelligence, electronic warfare, and cyber



## Summary

# Investment to Drive **Continued Differentiation**

Total purchase price of \$975 million; LGS \$750 million, Mastodon \$225 million

Tax asset of ~\$140 million on a net present value basis

Represents adjusted forward EBITDA multiple of ~10 times

All-cash consideration financed through existing credit facility

## Financial Benefits

Accretive to top-line growth, adjusted EBITDA margins, and adjusted net income in the first year, excluding one-time transaction related costs

Meaningful synergies from leveraging capabilities under CACI's ownership

## Timing

Customary regulatory approvals

Mastodon closed January 29; LGS expected to close at the beginning of March

## Combination **Benefits All Stakeholders**

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### Customers

Access to **enhanced capabilities** and technology  
Significant value and adaptability in **software-defined offerings**  
Integrated **Strategic** Operations to **Tactical** Edge capabilities  
Integrated supply chain **secured**

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### Employees

Shared **values** and **culture**, commitment to **customer mission**  
**Access** to broader customer and contract base  
Professional development, training, R&D resources

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### Shareholders

Combination unlocks **value** and **growth** potential  
**Accretive** to earnings, continued strong **cash flow**  
High-growth companies



## Customers Are **Buying Differently**

### **TRADITIONAL SUPPLIERS**

- Long acquisition cycles
- Multi-year development
- Slow to counter new threats
- Hardware-centric
- Space and resource heavy
- Upgrades require platform downtime
- Government funded development
- High production price
- Singular mission

### **VALUE IN OUR AGILITY**

- Quick capability procurement, fielded fast
- Comprehensive SIGINT | EW offerings from strategic level to tactical edge
- Everything software definable
- Ability to counter new threats and add capability: no downtime, just update your app
- Multi-mission (SIGINT | EW | Cyber)
- Small form, low energy consumption
- No large-scale production lines
- Customer driven solutions

*Providing the right solutions, at the right time, in an agile delivery model*



## Differentiated **Products** and **Solutions**

### COMBINED CAPABILITIES



RF Expertise  
Superior Transceivers  
System Design and Development  
Form Factor Manufacturing



**Current SIGINT | EW Programs**  
**Comprehensive Customer Access**  
**Platform Integration**  
**Advanced Cyber Operations**



Signal Processing  
Multi-waveform  
Detection Algorithms  
Advanced R&D and Engineering

### **Transformational SIGINT | EW Products**

Smaller, Lighter, More Efficient

Moves more data quicker

Attack more signals simultaneously

Faster detection, faster response

Increased communications capacity

**Expands our total addressable market**

**Aligns to strategic investments**

**Well-funded, priority budget areas**

**High-growth, high-margin companies,  
purchased at the right time.**

## Differentiated **Products** and **Solutions**

COMBINED CAPABILITIES

**CACI**



**LGS**  
INNOVATIONS

**Integrated capabilities provide a whole new way of performing the mission**

Advanced signals collection and analysis drives faster, more accurate detection, and response



**Battlespace Attack Module – Small Form Factor SIGINT | EW Solution**

SkyTracker® Family of Products

**Form Factor Manufacturing**



**Superior Transceivers**

**Signal Processing**

**Multi-Waveforms**

**Half the Size**

**Twice the Capacity**

**Reduces Mission Weight**

**Quicker and More Efficient Decisions**

**Multi-mission Capable**

**Reduces Load on Soldier**



## Differentiated **Products** and **Solutions**

### COMBINED CAPABILITIES

**CACI**

Secure Handheld  
Intuitive Design  
Ruggedized



Advanced Data Links  
RF Expertise  
Power Management  
Integration

Multi Mission Capable –  
Communications and C2

Reduced Combat Load  
on Solider

Optimized for Contested  
Environments



**CACI**

Ground-based  
Systems Integration  
SIGINT / COMMS  
Expertise



**LGS**  
INNOVATIONS

Aircraft-based  
SIGINT Systems  
Advanced Signals  
Contested Comms  
Expertise



Layered SIGINT and  
Communications Solution

Multi-Domain Operations

Built for Contested  
Environments

Expands growth of Intelligence Solutions, Cyber, Space and Communications markets



## Transaction Terms

Combined purchase price of **\$975 million; LGS at \$750 million, Mastodon at \$225 million**

**Tax asset of ~\$140 million** on a net present value basis

Expected to add \$480 million in revenue and \$82 million of adjusted EBITDA over the next twelve months

Adjusted EBITDA **margins of 17% expected to be accretive** to CACI

**Adjusted EPS accretive** over the next twelve months

Approximately \$17 million of one-time pre-tax transaction related expenses, \$13 million after tax

Expect to incur approximately \$39 million of additional interest expense and \$32 million of D&A over the next twelve months

Net debt to TTM EBITDA expected to be 3.5 times post closing

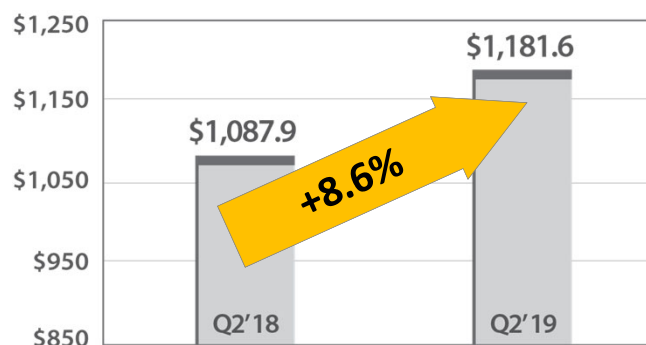
Note: Adjusted EBITDA and EPS references exclude one-time transaction-related expenses

## Results

## Revenue

(millions)

## Second Quarter Revenue and Pre-tax Income

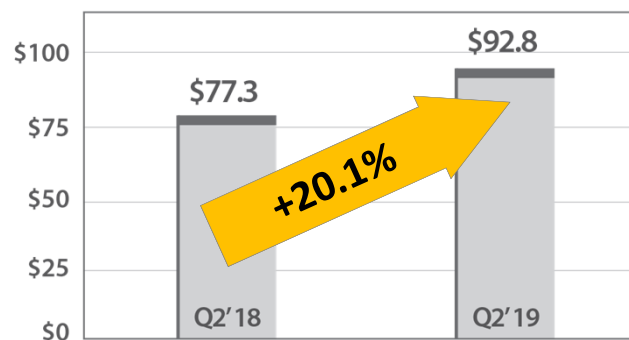


On-contract **growth**  
and new business **wins**

**Organic** revenue growth of 2.4%

## Pre-Tax Income

(millions)



Pre-tax income **up \$16 million** driven by:

*New business wins*

*On-contract and acquired growth*

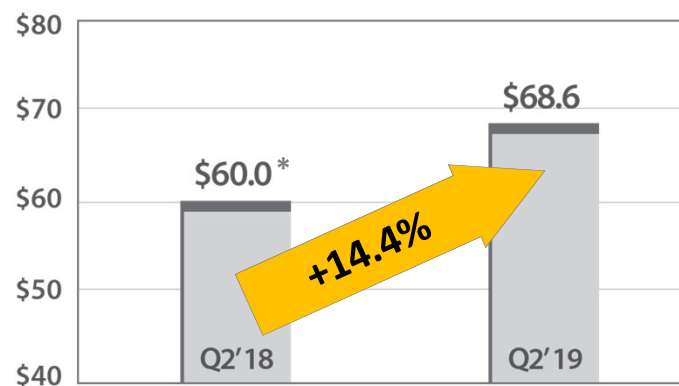
*Continued strong program performance*

*Cost control*

FINANCIAL  
Results

## Second Quarter **Net Income**

### Net Income (millions)



\* Net income including the impact of Tax Reform,  
a non-GAAP measure

Driven by **pre-tax income increase**

**Strong program performance**

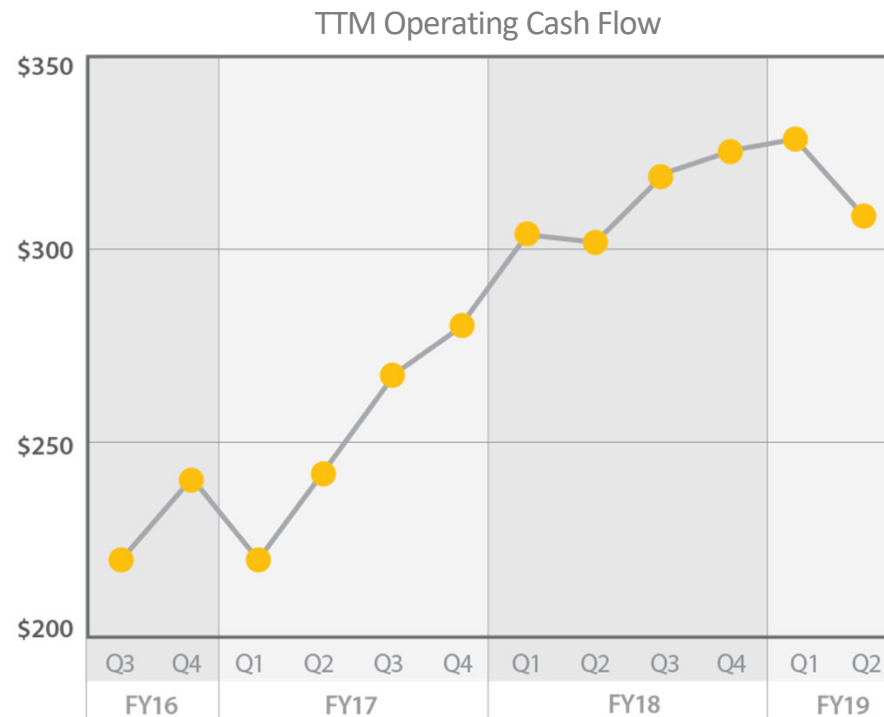
*Continuing to generate margin  
expansion and growth in profitability*

See Charts 19-21 for definitions of non-GAAP measures

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## Strong Cash Flow

# Generating Capital



Generated **\$56 million**  
in operating cash flow

*Impacted by normal fluctuations  
and closures of some government  
payment offices at the end of the  
quarter*

Days sales outstanding of 73 days\*

Net debt/TTM adjusted EBITDA of  
**2.1 times**

\* The calculation of Days Sales Outstanding for Q2 FY19 excludes amounts related to the Navy Systems Engineering business acquired during the first quarter of FY19

*See Charts 19-21 for definitions of non-GAAP measures*



CACI FY19

## Revenue Profile

**97%**

EXISTING BUSINESS

**STRONG**

Performance

**2%**

RECOMPETES

**HIGH**

Win Rate

**1%**

NEW BUSINESS

**QUALITY**

Pipeline

## Forward Indicators **Positive**

**\$1.3 billion** in contract awards

Backlog of **\$12.6 billion**, up 16%

Pipeline of submitted bids totals **\$9.8 billion**

*~78% for new business to CACI*

Bids expected to be submitted in the next two quarters totals **\$14.3 billion**

*~67% for new business to CACI*

## Raising FY19 Guidance and Incorporating LGS and Mastodon



	Prior Guidance	Current Guidance
<b>Revenue</b> (millions)	<b>\$4,700 – \$4,900</b>	<b>\$4,875 – \$5,025</b>
<b>Net Income</b> (GAAP millions)	<b>\$250 – \$260</b>	<b>\$255 – \$265</b>
<b>Diluted EPS</b>	<b>\$9.77 – \$10.16</b>	<b>\$9.96 – \$10.35</b>
<b>Diluted Shares</b> (millions)	<b>25.6</b>	<b>25.6</b>

*Acquisitions expected to add approximately \$125 million of revenue and incur ~\$13 million of one-time transaction costs, net of tax*

*FY19 operating cash flow still expected to be at least \$340 million\**

This guidance represents our views as of January 30, 2019, and assumes the LGS acquisition closes by the beginning of March, 2019. 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.

\*FY19 operating cash flow expectations excludes the potential additional cash contribution from our accounts receivables sales facility

## Key Takeaways

Strong quarter with **organic revenue** growth and **margin expansion**

**Raised guidance** for core CACI performance and incorporated acquisitions

**LGS INNOVATIONS** and **MASTODON DESIGN** continuation of our strategy to invest in high-end capabilities to **drive additional shareholder value**

**High growth** companies, adding **valuable capabilities**, directly in line with **customer priorities** and buying

## DEFINITIONS

### **Non-GAAP Measures**

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 common non-GAAP measure when comparing our results to 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. Adjusted EBITDA margin is adjusted EBITDA divided by revenue.

The Company views FY18 Adjusted Net Income Assuming a Full Year of Tax Reform, a non-GAAP measure, as an important indicator of performance, consistent with the manner in which management measures and forecasts the Company's performance. FY18 Adjusted Net Income Assuming a Full Year of Tax Reform is defined as GAAP net income excluding (1) the one-time net benefit from Tax Reform consisting of the remeasurement of deferred taxes, partially offset by transition tax on cumulative foreign earnings, and including (2) the application of the new lower federal tax rate of 21% to all of FY18 as if the rate was in effect at that time. We believe that FY18 Adjusted Net Income Assuming a Full Year of Tax Reform is useful to investors as it allows investors to more easily compare FY19 results and guidance and results to FY18 results with a normalized tax rate.

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

## DEFINITIONS

### Non-GAAP Measures

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

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

	Quarter Ended			Six Months Ended		
(dollars in thousands)	12/31/2018	12/31/2017	% Change	12/31/2018	12/31/2017	% Change
Net income	\$ 68,596	\$ 142,795	-52.0%	\$ 147,429	\$ 184,841	-20.2%
Plus:						
Income taxes	24,246	(65,489)	-137.0%	36,127	(51,478)	-170.2%
Interest income and expense, net	9,421	10,956	-14.0%	18,307	22,203	-17.5%
Depreciation and amortization	18,852	18,258	3.3%	37,599	35,846	4.9%
Earnout adjustments	1,200	(1,131)	-206.1%	(800)	(2,013)	-60.3%
Adjusted EBITDA	\$ 122,315	\$ 105,389	16.1%	\$ 238,662	\$ 189,399	26.0%

	Quarter Ended			Six Months Ended		
(dollars in thousands)	12/31/2018	12/31/2017	% Change	12/31/2018	12/31/2017	% Change
Revenue, as reported	\$ 1,181,641	\$ 1,087,860	8.6%	\$ 2,347,505	\$ 2,173,674	8.0%
Adjusted EBITDA	122,315	105,389	16.1%	238,662	189,399	26.0%
Adjusted EBITDA margin	10.4%	9.7%		10.2%	8.7%	

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

## DEFINITIONS

### Non-GAAP Measures

## Reconciliation of FY18 Adjusted Net Income **Assuming a Full Year of Tax Reform**

	Q1 9/30/2017		Q2 12/31/2017		Q3 3/31/2018		Q4 6/30/2018	
	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS
(Amounts in thousands, except per share amounts)								
Net income, as reported	\$ 42,046	\$ 1.67	\$ 142,795	\$ 5.66	\$ 64,499	\$ 2.56	\$ 51,831	\$ 2.05
Remeasurement of deferred taxes	-	-	(94,831)	(3.76)	-	-	(1,438)	(0.06)
Transition tax on foreign earnings	-	-	9,676	0.38	-	-	-	-
Impact of tax rate change for full year	4,853	0.19	2,347	0.10	6,737	0.26	3,716	0.15
FY18 Adjusted Net Income Assuming a Full Year of Tax Reform	<u>\$ 46,899</u>	<u>\$ 1.86</u>	<u>\$ 59,987</u>	<u>\$ 2.38</u>	<u>\$ 71,236</u>	<u>\$ 2.82</u>	<u>\$ 54,109</u>	<u>\$ 2.14</u>
	Three Months Ended 9/30/2017		Six Months Ended 12/31/2017		Nine Months Ended 3/31/2018		Twelve Months Ended 6/30/2018	
	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Diluted EPS
(Amounts in thousands, except per share amounts)								
Net income, as reported	\$ 42,046	\$ 1.67	\$ 184,841	\$ 7.33	\$ 249,340	\$ 9.89	\$ 301,171	\$ 11.93
Remeasurement of deferred taxes*	-	-	(94,831)	(3.76)	\$ (94,831)	(3.76)	(96,269)	(3.81)
Transition tax on foreign earnings	-	-	9,676	0.38	9,676	0.38	9,676	0.38
Impact of tax rate change for full year	4,853	0.19	7,200	0.29	13,937	0.55	17,653	0.70
FY18 Adjusted Net Income Assuming a Full Year of Tax Reform	<u>\$ 46,899</u>	<u>\$ 1.86</u>	<u>\$ 106,886</u>	<u>\$ 4.24</u>	<u>\$ 178,122</u>	<u>\$ 7.06</u>	<u>\$ 232,231</u>	<u>\$ 9.20</u>
* Amounts may not add due to rounding								

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