

CACI INTERNATIONAL INC

FY 2019

FOURTH QUARTER EARNINGS CONFERENCE CALL



August 15, 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.

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

Executing our Strategy to Grow and Differentiate

Record revenue for the quarter and the year

+**17.4%** in Q4 and +**11.6%** for the year, both with **2.8% organic growth**

Strong profitability for the year

Robust cash flow from operations of \$363 million¹ for the year

Record contract awards of **\$3.7 billion** in Q4, **up 143%** year-over-year

Contract awards of **\$10.3 billion** for the year, nearly **double** last year

¹ Excludes impact from CACI's Master Accounts Receivable Purchase Agreement (MARPA facility). See slides at the end of this presentation for definitions and reconciliations of non-GAAP measures.

Strong Award Activity

A seven-year, \$880 million task order to provide **IT and engineering services** to the U.S. Army

- Validates CACI's Agile Solution Factory credentials for software development
- First win by an incumbent in the past five recompetes

An \$810 million contract with the U.S. Air Force to develop, modernize, deliver, and sustain mobile and transportable **command and control systems**

- Awarded to CACI on a sole source basis given our differentiated offerings

Two awards to design and deploy new technologies to enhance capabilities in **signals intelligence, electronic warfare, and cyber security**

- Five-year, \$415 million contract, and a five-year \$318 million contract
- Illustrates investments customers are making and CACI's differentiated technology

Investing for Long-Term Growth

Investing in **Capabilities**

- Signals intelligence, electronic warfare, cyber, communications
- Artificial intelligence and machine learning to enable intelligence collection
- Optical laser communications

Investing in our **People**

- Benefits, training and certifications, workforce flexibility
- CACI named a 2019 Top Workplace in Washington, DC, following other similar recognition from across the country
- Growing our leadership

M&A Remains Top Priority for Capital Deployment

Closed four **strategic acquisitions** in FY19 to enhance CACI's **enterprise** and **mission** capabilities, and align with key spending priorities

Systems Engineering and Acquisition Support Services

- Highly specialized engineering services for the U.S. Navy
- Expertise, customer relationships, and past performance to support future growth

Mood Enterprises

- U.K. provider of proprietary data analytics software and managed services to defense, national security, and commercial organizations

LGS and Mastodon

- High-growth, high-margin companies expand CACI's addressable market
- Expect sequentially expanding EBITDA margins through fiscal 2020 driven primarily by Mastodon product delivery schedule
- Combined full-year EBITDA expectations of 17%

Positive Budget Trends and Visibility

Positive budget environment

- Two-year budget signed
- Spending priorities align well to CACI capabilities
- Consecutive two-year agreements provide **visibility** for customers
- Eliminates sequester mechanism, suspends debt ceiling for two years

CACI addressable **market** large and **growing**

- Estimated at **~\$220B**

Record contract awards demonstrate alignment of capabilities and positive return on bid & proposal investments

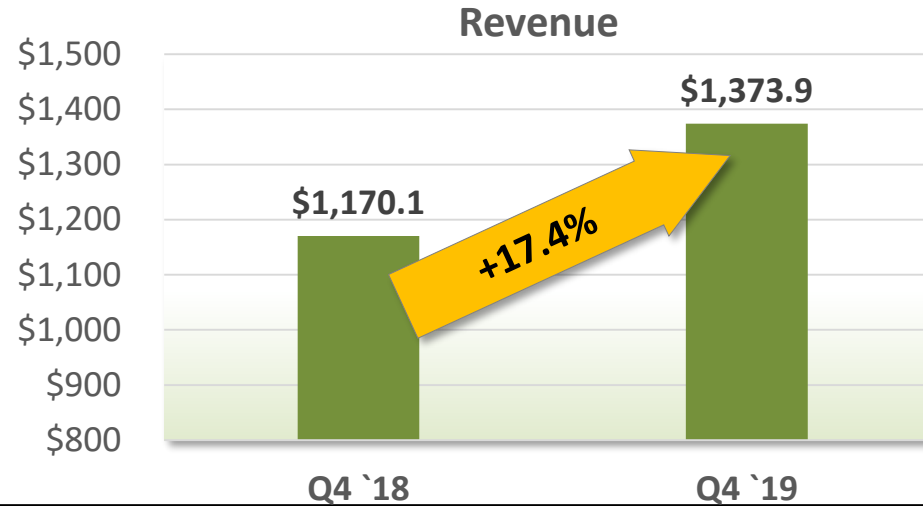
Revenue

(millions)

Net Income

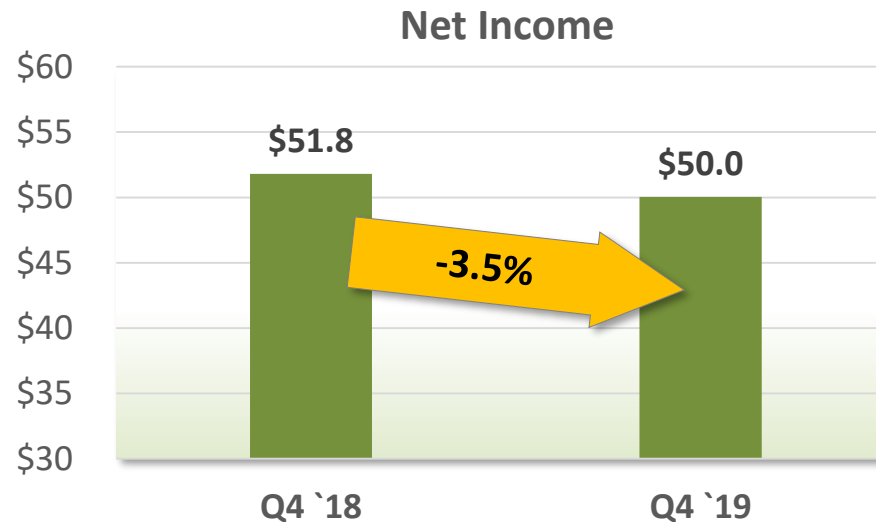
(millions)

Fourth Quarter Revenue and Net Income



Driven by acquisitions, new business **wins**, and on-contract **growth**

Organic revenue growth of **2.8%**



In-line with implied Q4 2019 guidance

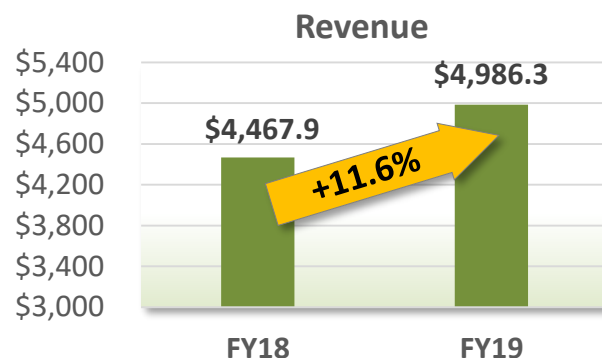
As discussed in Q3, reflects ASC 606 adoption and **higher investments**

Full-year profit goal still **exceeded** normalizing for the above factors

Revenue

(millions)

Full Year Revenue and Net Income

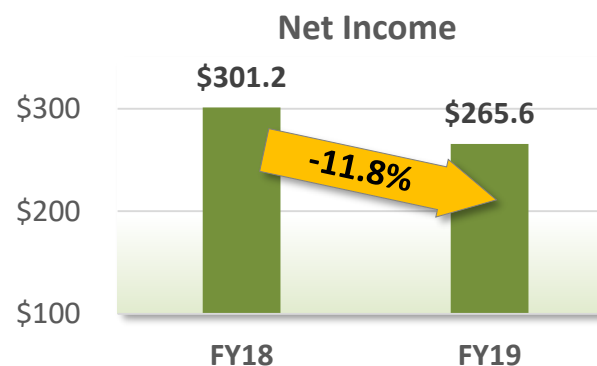


Driven by acquisitions, new business **wins**, and on-contract **growth**

Organic revenue growth of **2.8%**

Net Income

(millions)

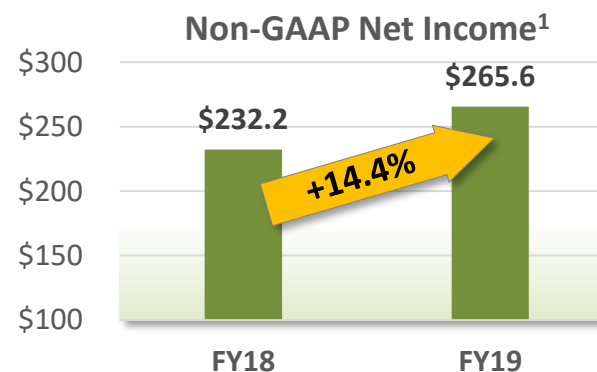


Driven by lower tax expense in FY18 as a result of Tax Reform¹

Also reflects **\$14 million** of transaction-related expenses in FY19, as well as one-time benefits in FY18

Non-GAAP Net Income¹

(millions)



Assumes a full year impact of Tax Reform in FY18¹

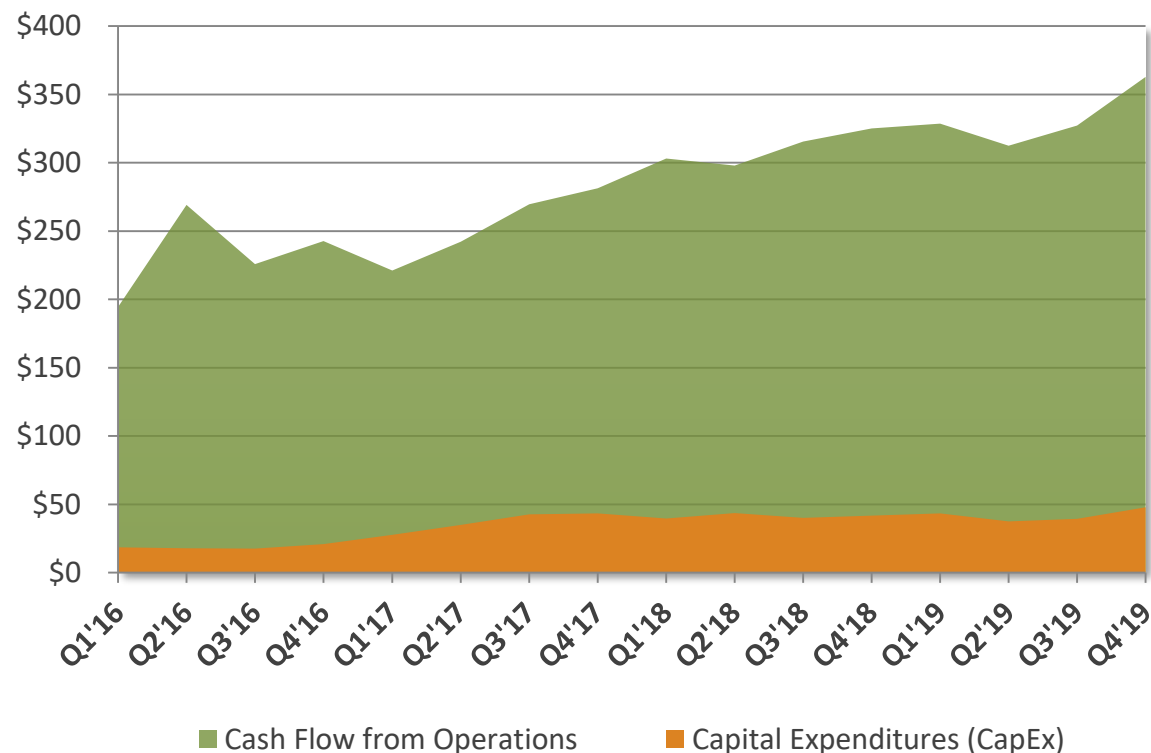
Driven by **strong program performance** and acquisition contributions

Adjusted EBITDA margin expansion **exceeded** stated 10-30 bp goal, normalizing for above factors

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

Generating Strong Cash Flow

Operating Cash Flow¹ and CapEx (millions, TTM)



Generated **\$363 million** of operating cash flow in **FY19**, excluding impact of A/R purchase facility¹

Days sales outstanding of **64 days** in Q4, excluding impact of A/R purchase facility

Net debt/TTM Adjusted EBITDA of **3.2x**

54% of total debt structure with fixed interest rates²

¹ Q4 2019 and FY 2019 net cash flow from operations excludes a usage of \$7.5 million and a benefit of \$192.5 million, respectively, from CACI's Master Accounts Receivable Purchase Agreement (MARPA facility). See slides at the end of this presentation for definitions and reconciliations of non-GAAP measures.

² As of 7/1/19.

Reiterating FY20 Guidance

FY20 Guidance

Revenue
(millions)

\$5,500 – \$5,700

Net Income
(GAAP millions)

\$295 – \$315

Diluted EPS

\$11.52 – \$12.30

Operating Cash Flow*
(millions)

At least \$400

At the midpoint:

Organic revenue growth of 5%

Adjusted EBITDA margin ~10.3%
*20 bps of organic margin **expansion***

Tax rate approximately 23%

Diluted shares outstanding 25.6 million

This guidance represents CACI views as of August 14, 2019.
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.

*Operating cash flow expectations exclude the impact of the Company's MARPA facility. See slides at the end of this presentation for definitions and reconciliations of non-GAAP measures.

CACI FY20

Revenue Profile

85%

EXISTING BUSINESS

Positive Forward Indicators

STRONG

Performance

Record FY19 contract awards of **\$10.3 billion**

TTM Book-to-Bill increased to 2.1x

Record backlog of **\$16.9 billion**, +50% YoY

11%

RECOMPETES

HIGH

Win Rate

Pipeline of submitted bids totals **\$9.3 billion**

~65% for new business to CACI

4%

NEW BUSINESS

QUALITY

Pipeline

Bids expected to be submitted in the next

two quarters total **\$16.8 billion**

~80% for new business to CACI

Delivering Results, Meeting Commitments

Successfully **executing** our strategy

Delivered **record results** in FY19

Reiterating FY20 guidance for accelerating **organic growth** and further **margin expansion**

Robust cash generation to pursue M&A or pay down debt

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

Join us! For our Investor Day in NYC on September 17, 2019

For more information contact Dan Leckburg at dleckburg@caci.com

DEFINITIONS

Non-GAAP Measures

The Company defines net cash provided by operating activities excluding CACI's Master Accounts Receivable Purchase Agreement (MARPA facility) as net cash provided by operating activities calculated in accordance with GAAP, adjusted to exclude net cash received from CACI's MARPA facility for the sale of certain designated eligible U.S. government receivables. Under the MARPA facility, the Company can sell eligible receivables, including certain billed and unbilled receivables up to a maximum amount of \$200.0 million. The Company uses net cash provided by operating activities excluding MARPA facility 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 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 Non-GAAP 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 Non-GAAP 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 Non-GAAP 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 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

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

(dollars in thousands)

Net cash provided by operating activities

Less:

Cash used (provided) by MARPA facility

Net cash provided by operating activities excluding MARPA facility

Quarter Ended 6/30/2019	Twelve Months Ended 6/30/2019
\$ 102,456	\$ 555,297
7,473	(192,527)
\$ 109,929	\$ 362,770

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, and earnout adjustments

	Quarter Ended			Twelve Months Ended		
	6/30/2019	6/30/2018	% Change	6/30/2019	6/30/2018	% Change
(dollars in thousands)						
Net income	\$ 50,030	\$ 51,831	-3.5%	\$ 265,604	\$ 301,171	-11.8%
Plus:						
Income taxes	12,881	19,242	-33.1%	62,305	(2,507)	-2585.2%
Interest income and expense, net	18,185	9,267	96.2%	49,958	42,036	18.8%
Depreciation and amortization	27,080	18,633	45.3%	85,877	72,196	18.9%
Earnout adjustments	700	1,607	-56.4%	1,000	10	9900.0%
Adjusted EBITDA	\$ 108,876	\$ 100,580	8.2%	\$ 464,744	\$ 412,906	12.6%

	Quarter Ended			Twelve Months Ended		
	6/30/2019	6/30/2018	% Change	6/30/2019	6/30/2018	% Change
(dollars in thousands)						
Revenue, as reported	\$ 1,373,878	\$ 1,170,086	17.4%	\$ 4,986,341	\$ 4,467,860	11.6%
Adjusted EBITDA	108,876	100,580	8.2%	464,744	412,906	12.6%
Adjusted EBITDA margin	7.9%	8.6%		9.3%	9.2%	

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 Non-GAAP 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	\$ 9.88	\$ 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>

Note: 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.