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# CACI INTERNATIONAL INC
# Fourth Quarter FY20 Conference Call

## PRESENTATION

**Operator**
Ladies and gentlemen, thank you for standing by and welcome to the CACI International Fourth Quarter and Full-Year Fiscal Year 2020 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 for questions and instructions will be given at that time. Should you need assistance during this call, please press *, then 0 and an operator will help you.

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

## INTRODUCTION AND SAFEHARBOR STATEMENT

**Daniel Leckburg**
Thank you, Cole, and good morning, everyone. I'm Dan Leckburg and thank you for joining us this morning. We are providing presentation slides, so let's move to Slide number 2, please.

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. 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 discussion this morning, here's John Mengucci, President and Chief Executive Officer of CACI International. John?

## CEO OVERVIEW

**John S. Mengucci**
Thanks, Dan, and good morning, everyone. Thank you for joining us to discuss our fourth quarter and Fiscal Year 2020 results, as well as our Fiscal Year 2021 guidance. With me this

morning are Tom Mutryn, our Chief Financial Officer; and Greg Bradford, President of CACI Limited, who's joining us from the UK.

Before we get started, Tom and I want to again express our hope that you and your families are healthy and safe during these unprecedented times. We also want to reiterate how proud we are of our employees, their resilience as we all confront COVID-19 and their unwavering commitment to delivering critical expertise and technology to our customers.

Slide 4, please. Last night, we released our fourth quarter and full-year results for Fiscal 2020 as well as our guidance for Fiscal 2021, and I am very pleased with our performance. Our fourth quarter, with year-over-year growth of 9% in revenue and nearly 90% in net income, 10.9% adjusted EBITDA margin, and over $150 million in cash from operations, was a strong finish to a great year, a year in which we met or exceeded our financial commitments, even as we navigated the COVID-19 pandemic.

For the full Fiscal Year 2020:

- We saw revenue growth of 15%, with organic revenue growth accelerating from our initial 5.5% expectation.
- We expanded our adjusted EBITDA margin to 10%.
- Grew earnings per share by 21%.
- And delivered robust operating cash flow of over $500 million dollars.
- In addition, we booked a record $11.6 billion of contract awards, with $6.5 billion representing new work to CACI.
- Our award successes included the single largest contract in CACI's history, our $1.5 billion dollar 10-year TCS (Transport and Cybersecurity Services) award with the National Geospatial-Intelligence Agency. Half of that award is new work to CACI, demonstrating our leading network and cybersecurity technology capabilities as well as our strong track record of delivery.
- We also won the five-year $1.1 billion dollar BEAGLE award with DHS Customs and Border Protection, leveraging our differentiated technology capabilities and Agile software development.
- And we won significant new C5ISR work within the Army Futures Command to provide expertise enhancing the cybersecurity and resiliency of our Army networks, including next generation 5G networks.
- Notably, the NGA TCS and Army C5ISR awards leverage the capabilities and past performance of prior acquisitions, a key objective of our strategic M&A program.

Slide 5, please. You've heard us discuss the three pillars of our strategy: win new business, drive operational excellence, and deploy capital for growth. Our record contract awards demonstrate success in winning new business, and our margin expansion and strong cash flow are indicative of driving operational excellence.

In terms of capital deployment, M&A remains our top priority. Through our strategic M&A program, we pursue high-quality, innovative companies that enhance our differentiation in critical areas of national security, fill capability gaps, and expand our customer set. Yesterday afternoon, we announced the acquisition of Ascent Vision Technologies, or AVT, a company that exemplifies what we're looking for with our M&A program.

- AVT is a high-growth, high-margin company that brings a strong culture of innovation and best-in-class talent, with over 70 engineers, technicians, and operational staff. AVT expands our mission technology capabilities by adding best-in-class Electro-Optical and Infra-Red, or EO/IR, imaging technologies.
- AVT's differentiated offerings include onboard digital video processing using artificial intelligence and machine learning algorithms, which is significantly more advanced than current analog capabilities in the market today.
- AVT's EO/IR imaging technology opens up two large ISR growth opportunities for CACI, first, the growth expected from the increasing use of precision sensors to automate current platform capabilities and, second, the technology refresh market of existing ISR technology across multiple domains.
- In addition, the combination of AVT's EO/IR technology and CACI's industry-leading RF detection and non-kinetic mitigation technology creates a best-in-class counter-UAS set of offerings. In fact, as we announced earlier this week, the Army's Joint Counter UAS Office selected CACI's CORIAN system as one of three fixed, semi-fixed counter-UAS systems for use by the DoD. The same office also selected the L-MADIS system, which utilizes AVT's EO/IR technology and command and control software as one of DoD's approved mounted mobile counter-UAS systems. The combination of AVT's and CACI's technology will result in further enhanced products to serve the counter-UAS national security market.
- I'm also pleased to announce that AVT's Founder and CEO, Tim Sheehy, who is a decorated veteran of 10 years in the military, both as a Navy SEAL and Army Ranger, will continue forward with CACI, leading the business. Tim brings an unwavering commitment to customer missions and strong business skills that are crucial to leading a company accustomed to delivering cutting-edge technology directly to the war fighter.

Slide 6, please. Our performance in FY20 positions CACI for continued success in Fiscal 2021. At the midpoint of our FY21 guidance, we expect:

- Total revenue growth of about 7%.
- Continued adjusted EBITDA margin expansion of 40 basis points.
- Double-digit EPS growth, and
- Robust cash flow generation.

Tom will provide details on those financials shortly.

Our Fiscal Year 2021 financial outlook is consistent with our established performance goals of growth above our addressable market and continued margin expansion.

Slide 7, please. Despite increased attention recently to deficits and budget outlooks, we remain optimistic about our near and longer-term prospects. First, the Budget Control Act of 2019 established a budget framework for Government Fiscal Year ‘21 and, thus far, Congress is following that framework. While it's difficult to predict whether Government Fiscal Year ‘21 appropriations bills will be passed and signed on time, or if we start the year under a continuing resolution, we continue to see bipartisan Congressional support for defense and national security missions.

Second, while authorization under Section 3610 of the CARES Act is currently set to expire on September 30$^{th}$, it's clear that the COVID-19 pandemic will not be over by then. As a result, our industry is actively working to advocate for an extension of Section 3610 to ensure that critical national security programs and jobs are protected. In fact, the Senate's draft of a second round of COVID-19 legislation called the HEALS Act, included a Section 3610 extension for one year. The House passed their own version called the HEROES Act, which was also supported by the defense industrial base. All indications from our interactions with lawmakers and staff on the Hill point to a bipartisan extension of Section 3610.

Third, as we think about future budgets, the ongoing reality of the global threat environment looms large. Adversaries and bad actors have not let up because of COVID-19—in fact, just the opposite. We believe both sides of the political aisle recognize this threat environment and the need to continue to support national security priorities.

Finally, we have a large and growing addressable market of over $230 billion dollars. Given our market share is a little over 2.5%, we have significant potential to grow. The national security and modernization priorities of our customers are enduring, well-funded and procured under long-term contracts. We remain confident that our alignment to national security priorities, and cost-saving IT modernization, as well as our investments in differentiated capabilities, will continue to position CACI well in almost any budget environment.

In closing, I'm extremely pleased with our fourth quarter and full-year performance. We continue to successfully execute our strategy driving growth, margin expansion, and strong cashflow. We manage our business to stay ahead of emerging, high-valued customer requirements and to continue generating long-term shareholder value.

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

**FINANCIAL OVERVIEW**

**Thomas A. Mutryn**
Yes. Thank you, John, and good morning, everyone.

Please turn to Slide number 8. Our fourth quarter was an excellent close to a successful fiscal year. We generated revenue of $1.5 billion dollars, representing overall growth of 9% and organic growth of 8%. Net income of $94 million dollars increased significantly from a year ago, driven by increased revenue and market expansion. Adjusted EBITDA margin in the quarter was 10.9%.

Slide 9, please. For the full year, we generated more than $5.7 billion dollars of revenue, representing growth of 15% with 8% organic growth, despite the COVID-19 impacts. We continue to deliver market expansion with an adjusted EBIT margin of 10.0%, up from last year's 9.4% margin. Net income of over $321 million dollars represents growth of 21%. The direct COVID-19 impact on our Fiscal Year 2020 revenue was around $68 million dollars, with an $18 million dollar impact to net income, in line with our prior results.

Slide 10, please. Fourth quarter operating cash flow was $154 million dollars, excluding our accounts receivable purchase facility, reflecting continued strong cash collections and the positive impact of the deferral of the employer payroll tax payments. DSO was at 57 days compared to 64 days at the end of Fiscal Year ‘19. And we generated operating cashflow of $511 million dollars for the full year, both excluding the AR purchase facility. The 41% increase in cash flow was driven by overall growth, margin expansion, efficient collections, as well as $40 million dollars associated with the payroll tax deferral. We ended the year with net debt to trailing 12-month adjusted EBITDA of 2.3 times.

Turn to Slide 11, please. As John noted, yesterday, we announced the acquisition of Ascent Vision Technology, a successful and innovative company in well-funded priority areas of Mission Technology. For the remainder of our Fiscal Year ‘21, about 10.5 months, we expect AVT to generate around $50 million dollars of revenue and $20 million dollars of adjusted EBITDA, excluding certain one-time expenses. AVT will provide modest GAAP accretion and generate about $0.45 of accretion, excluding noncash intangible amortization and one-time expenses. The purchase price of AVT was $350 million dollars, which we funded with our revolving credit facility. We expect to realize a tax asset valued at $40 million dollars related to the acquisition. On a net basis, this equates to a multiple of less than 12 times next month's adjusted EBITDA. Post-transaction, our adjusted leverage is 2.8 times, and we have over $700 million dollars of unused capacity on our credit facility. Bottom line, we acquired a differentiated, high-growth, high-margin company at what we consider an attractive price, and we continue to have ample capacity for additional acquisitions.

Slide 12. Now, let's turn to our Fiscal Year ‘21 guidance. As in prior years, our guidance is based on a program-by-program, bottoms-up planning process. This process provides significant visibility and confidence in our outlook. For Fiscal Year ‘21, we expect revenue to be between $6.0 billion and $6.2 billion dollars and net income to be between $347 million and $367 million. This implies organic revenue expectations of around 5.5% at the midpoint, including expected COVID-19 impacts. We expect adjusted EBITDA margins of around 10.4%, up 40 basis points, driven by both core margin expansion and the contribution from AVT. Our healthy growth and margin expansion are driven by our new business wins in high-valued areas of our addressable market, on-contract growth, excellent program execution, and efficiencies and enhancements in our infrastructure.

We are expecting operating cash flows of at least $580 million dollars in Fiscal Year ‘21. This includes $55 million dollars from continued deferrals of the employer portion of the payroll tax, which currently runs through calendar year-end. Capital expenditures are expected to be in line with last year at around $70 million dollars, which includes growth-focused investments for Mission Technologies and specialized facilities for a number of direct programs.

Slide 13, please. To help with modeling, here are some additional expectations for Fiscal Year ‘21, which include the AVT acquisition.

- Depreciation and amortization are expected to be approximately $130 million dollars.
- Interest expense should be around $44 million dollars.
- We are expecting a full-year effective tax rate of 22%, with a materially lower tax rate in the second quarter, due to the impact of vesting the stock awards which were granted in prior years.
- We are expecting a typical quarterly sequential increase in revenue and profitability, with year-over-year comparisons in our first half impacted by COVID-19-related revenue and profit reductions.
- And our Fiscal Year 2021 guidance assumes a revenue impact from COVID-19 in the range of $100 million to $150 million dollars and a net income impact of around $20 million to $30 million dollars. This assumes the impact of COVID-19 continues through

December and support under Section 3610 of the CARES Act is extended for at least that period.

Slide 14. Turning to our forward indicators, prospects remain strong. For Fiscal Year '21, we expect 83% of our revenue to come from existing programs, 11% from recompetes, and around 6% from new business. We have $9 billion of submitted bids under evaluation, with 80% of that for new business to CACI. We expect to submit another $13.7 billion dollars through calendar year-end, with over 70% of that for new business to CACI.

In summary, we are expecting another year of strong financial performance, with healthy top and bottom line growth, continued margin expansion, and robust cash flow.

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

## CEO CLOSING COMMENTS

**John S. Mengucci**
Thank you, Tom. Let's go to Slide 15.

To reiterate, CACI performed exceptionally well in Fiscal Year 2020, and we remain confident in our prospects going forward. We delivered record financial results for the year, including increased organic revenue growth, continued margin expansion, and robust cash flow. We won a record amount of contract awards, and we expect healthy revenue growth, continued margin expansion, and robust cash flow, again, in Fiscal 2021.

None of this is possible without our employees' talent, innovation, and commitment to our customers' missions. These are truly unprecedented times, and I am proud of how our entire team—everyone—is stepping up, each and every day. Critical national security and modernization challenges remain, and CACI will be there to help our country to meet these challenges.

And with that call, Cole, let's open the call up for questions.

## QUESTIONS AND ANSWERS

**Operator**
And we will now begin the question-and-answer session. [Operator instructions]

And our first question today will come from Robert Spingarn with Credit Suisse. Please go ahead.

## QUESTION ON HOW THE AVT ACQUISITION IS DIFFERENT FROM OTHER EO/IR SUPPLIERS

**Robert Spingarn**
Hi. Good morning. Nice numbers.

**John S. Mengucci**
Morning, Rob. Thank you.

**Robert Spingarn**
I wanted to ask you a couple of product questions. First, you did discuss AVT in the prepared remarks. But how do their products differ from other EO/IR suppliers out there, like an L-3Harris, in terms of capability, target markets, type of contracts that you'll be going after?

**John S. Mengucci**
Yes. Rob, thanks. So, a couple of pieces there. I guess, first one, you know what differentiates us. I mean, I'm never going to comment specifically on what our competitors do or the way they see the market, but the differentiation is vast. And it's so important enough that I don't want to go into too much detail here. But what we see in AVT, going forward: very advanced digital EO/IR imaging technology that's based on proprietary software that processes imaging data on the platform itself. So, it doesn't have to come down to the ground to get processed. It's actually processed within the EO/IR system itself. That's a large differentiator. It also has advanced artificial intelligence, intuitive command and control, and exquisite machine-learning algorithms in it as well. So, very much like what we've been talking about as we've built this Mission Technology quadrant out, really looking at how do we find innovative technology that we can do software on any device we have.

So, an EO/IR gimbal-based SIGINT imagery collection system is nothing different than a Beast and Crack, which are two products delivered by Mastodon and many of the other hardware-type products that we have out there. So, what we saw there is there's a broad trend to automate platform capability. So, think automated vehicles, automated weapon systems, expanding precision. It has to be digital in nature. It has to have onboard processing. It has to be able to find smaller things at faster rates and be able to tip into other mission packages.

What I like most about it--and the folks who have done some work looking up AVT—you really read a lot about counter-UAS. But I'm trying to get people's focus back on EO/IR. Counter-UAS is a user of the AVT EO/IR technology that they have today. What we we're looking to do was combine that with the CACI complementary technology in RF and SIGINT and marry that with the EO/IR and radar sensing. So, in an investor mindset, looking at what we do in fixed systems and what AVT does in mobile systems, combining the technology.

So, it's all about the algorithms and the software delivering lower size weight power products out there. And that, in a nutshell, is how we differentiate far beyond what a typical EO/IR supplier does today.

**QUESTION ON THE POTENTIAL FOR THE STEELBOX PRODUCT**

**Robert Spingarn**
Okay. Well, thank you for that color. And then, on a separate note, but maybe also about differentiation, could you delve in the SteelBox a little bit, and give us a sense of how big that opportunity is?

**John S. Mengucci**
Yes, Rob. Thanks. So, we are looking--the capabilities that SteelBox provides, which is secure mobile voice and mobile text as well as sending emails—we're seeing very strong interest in

expanding user base, but it's not to the size, Rob, that we're actually talking about number of agencies and number of users yet. Capabilities are in very high demand. COVID has slowed the contracting process down some, as many priorities do exist on those agencies. But make no mistake, they have a high need and a high use for this type of Mission Tech.

We've got a number of agencies across DoD and the federal civilian market. All of those customers have expressed interest in scaling up over the next six months. We've got about 1,000 users now, Rob. We're actually working on various subscription models with additional users that will better inform and support our growth. We've be looking at something just under 20,000 subscribers by the time we get to the end of calendar year 2021.

So, another product-based Mission Tech. It's another unique solution where we invested ahead of need. We partnered with BlackBerry, who had some of the intellectual property. We combined some of our intellectual property with that and went out there far ahead of RFPs. And I'll never say “as luck would have it” when we talk about COVID, but we are a nation at times that doesn't buy something until something happens. So, we would look for the next six to nine months driving even increased, more demand. And, of course, if it's a subscription base, it's going to come with much earlier higher margins than what the normal CACI-type of contract garners.

**Operator**
And our next question will come from Joseph DeNardi with Stifel. Go ahead.

**QUESTION ON THE PERFORMANCE OF OPERATING CASH FLOW IN FY20 AND IF IT CAN BE SUSTAINED IN FY21**

**Joseph William DeNardi**
Yes. Hi. Good morning.

**John S. Mengucci**
Good morning.

**Joseph William DeNardi**
Tom, can you provide a little bit more, I guess, clarity around the cash flow outperformance for this year, and then the sustainability of the cash flow guidance for next year? Is that the new run rate for the business going forward? Thank you.

**Thomas A. Mutryn**
Yes. Sure.

So, if I turn to FY20 first, first and foremost, the strong net income, driven by 50% revenue growth and 40 to 60 basis points more EBITDA margin is contributing. DSO with that 57 days at the end of this year versus 64 days at the end of last year, so a significant reduction in DSO. Each day of DSO is worth around $15 million, $16 million dollars. So that's material in terms of operating cash flow. And the payroll tax deferral helped quite a bit.

When we last gave guidance, we were concerned that there could possibly be a slowdown in various payment offices related to COVID, or invoices associated with the CARES Act would be delayed or held up. And it turns out, collections have remained robust during this time period.

Our team is performing admirably, focused on aged receivables, getting invoices out the door, and the government is paying those.

And so, we finished FY20 quite strong. FY21 is a continuation of that, starting with strong net income, some relatively large non-cash items—depreciation and amortization, stock comp, the value of the payroll tax—is driving a stronger cash flow. We're assuming that DSO will be comparable to the exit levels of this year. And so that will continue to remain at a somewhat stable level. And that gets us to the cash flow guidance of FY21. Hope that helps that.

**QUESTION ON WHETHER CASH FLOW CAN GROW BEYOND FY21**

**Joseph William DeNardi**
Tom, can you grow cash in ‘22 off of FY21, or does the tax relief make that more challenging?

**Thomas A. Mutryn**
Yes. So, the payroll tax relief—approximately $100 million dollars—view this as a loan from the government, showing up in operating cash flow. In a way, it should be a source of financing from a practical perspective. So, we're able to defer close to $100 million dollars. We'll have to pay the government back in FY22 and in FY23. So, that will be a headwind. And that's why we're trying to be transparent highlighting this, so it'll set the right framework and basis of underlying cash flow for ‘20, ‘21, ‘22, and ‘23. So, we'll be talking about this for the next few years.

**Operator**
And our next question will come from Edward Caso, with Wells Fargo. Please go ahead.

**QUESTION ON HOW MANAGEMENT WILL BE ABLE TO MANAGE OFFERINGS AND OPERATIONS THAT ARE EXPANDING MORE INTERNATIONALLY**

**Edward S. Caso**
Hi. Good morning. Congrats on the results.

**John S. Mengucci**
Thank you.

**Edward S. Caso**
Just curious about your ability to control an offering set now that is going into different areas: services, products, and one that appears to be becoming more international. Our AVT searching last night says there's an office opening in Australia. There are sales into Thailand. I mean, how do you, one, manage a product business and a service company? And two, how do you manage what appears to be an expanding international footprint?

**John S. Mengucci**
Ed, thanks. It's John. Yes. So, let me try to frame this with the four quadrants that we deliver in, right? We have Enterprise and Mission, and we deliver Expertise and Technology into both.

On the Technology side, that's where we're seeing the majority of our growth. It doesn't mean that we still do not perform Expertise business. It doesn't mean we don't go out there and win large-scale Expertise programs. But the lion's share of our growth that we saw in ‘20 and continuing into ‘21 is going to be in that Tech area.

So, most specifically, we think about Mission Tech. It's really a focus on, what technology do our military, intelligence, and fed civil customers need? And how do we invest in a new way to deliver it? How do we use the agility of a company our size? How do we amass software and algorithms that we can use across multiple mission needs? So, then we get down to how do we manage it. To us, it's a portfolio of technology. We like to talk about products, but at the end of the day, it's everything which is foundational to that product. So, we can talk about Mastodon, Beast, and Crack and we can talk about LGS. We can talk about our SkyTracker and CORIAN. At the end of the day, we're managing Mission Tech.

So, all that intellectual property, how do we look at multiple missions, multiple form factors out there, and then how do I deliver ahead of need without a multiyear, multibillion-dollar development program, which the government is screaming for right now? How can I get something that's close enough to what I need, where I need it, when I need it now?

So, specifically to AVT, they bring world-class digital EO/IR tech. They bring a great set of artificial intelligence algorithms and machine learning. So, you can imagine on the imagery side, how can I look at things that I've seen in the past? How do I quickly assess is that a good or a bad asset? Is that a campfire? Is that a major fire? How do I take the individual out of that loop so I can cut down mission time?

It's true AVT is not creating an office. They have an office in Australia. There are about 30 top-notch engineering folks there. We work with the Australians and deliver to the Australian Defense Forces. Having an indigenous set of workers there should be looked at no differently than what we have over in the U.K. underneath Greg Bradford.

So, you've heard me talk in the past around taking our Mission Technology portfolio, and sometimes that translates to products across the Five Eyes countries. So, we've been talking a lot about the U.K. We now have a sufficient presence in Australia, which translates to New Zealand as well, where we can do high, leading-end algorithm development, and take that software and put that into other products and other offerings out there.

So, long answer, Ed, but love that question. So, we're not out there trying to manage multiple products. We're actually trying to build synergies with all of that technology. And, again, Mission Tech is where our growth is. And every time we grow $1 dollar of revenue there, we are growing a multiple of earnings.

## QUESTION ON AWARD ACTIVITY IN THE SEPTEMBER QUARTER

**Edward S. Caso**
My other question is with the election upcoming and the key government fourth quarter, September, for awards, and what we're hearing is that there is no lack of RFPs, but we're also starting to hear some slowness in decision-making. So, can you talk about what you're seeing in the key September quarter, particularly in the context of the upcoming election? Thank you.

**John S. Mengucci**

Yes, thanks, Ed. So, on what we expect for the September quarter—we have not seen a slowdown, to your comments, in RFPs or in awards. Where we have already seen a slowdown--and frankly, Ed, it's more COVID-related, it's not election-related, at least I'll say yet. It's the task orders from single-award IDIQs. It's a smaller number of acquisition folks coming into the office each day. So that's slowing those kinds of taskings down. And that's picked up in our COVID impact that we see materially subsiding by the time we get to the end of this calendar year.

With the election coming up, I mean, both sides support defense—both President Trump and Candidate Biden. Both have been supportive of defense and national security. Both have been recipients of the President's Daily Brief before, and they clearly know what the threat dynamics are at home and across the globe.

So, from an RFP and a pace of awards--although I always say awards are lumpy—we have not experienced a change in those types of awards. Again, what we've seen, because of COVID, is a slowing of task orders, and that we continue to work with our government customer to pick that pace up.

**Operator**
And our next question will come from Matt Akers, with Barclays. Please go ahead.

**QUESTION ON THE SUSTAINABILITY OF MARGIN GROWTH**

**Matt Akers**
Hi. Good morning, guys. Thanks for the question.

**John S. Mengucci**
Sure.

**Matt Akers**
I wonder if you could touch just briefly on your latest long-term thoughts on margins, where they could get to. It looks like you're expecting pretty good pickup in Fiscal '21, even though there are some COVID impact in there. I guess, can you continue to get that 10 to 30 basis points up-tick from there that you've talked about in the past?

**John S. Mengucci**
Great. Thanks, Matt. I'll start and Tom may want to add something around margins. So, Matt, we are on a path, and we have been on a path, to deliver revenue growth at a faster rate than our addressable market is growing, and then, second, ever-increasing margins. We used to talk about 10% to 30%. And thanks to you all--you guys have always asked me how did I come up to 10% to 30%, so I just settled at ever-increasing margins.

What is our plan going forward? It's exactly the same thing. For Tom and I to get on these calls and talk with our investors and talk about us having a resilient business, we have to prove that in what we deliver. Even with COVID, we are driving top line growth and we're driving margins.

What gives us that confidence that we can continue to grow is, even in our Expertise area, we see margins moving slightly north. But in the Technology area, that is where we always believed that there was far more margin. And as well as margin, there's far less risk, because we can find longer-term contracts in those areas. We can step and repeat if we build a good arsenal with an intellectual property and a way to get all of those, all of the software, into any type of device. So, as long as we continue to grow on our Technology side, that is what fuels our bottom-line growth.

I'll also add in there, that as the government is moving more towards Agile and getting solutions to the field faster, we are a world leader. And I rarely say that, but we truly are a world leader in Agile software development. And how do we develop and deliver software quicker with less defects, which at the end of the day, in an EW, RF, SIGINT world, where our war fighters need solutions quickly, the ability to do proven software development in a much more agile fashion allows us to bid work, and allows us to request slightly higher margins, because we're lowering the risk on our customer. And in any market on the planet, okay, lower risk to the buyer traditionally results in higher and higher margins to the seller. Tom?

**Thomas A. Mutryn**
Yes. So, in 2017—four years ago—our EBITDA margins were 8.5%. This year, we're guiding to 10.4%, including that COVID impact. Excluding it, it would be north of 10.5%. So, a 200-basis point shift in margin over a four-year time period—pretty significant in our minds to turn the battleship relatively quickly to do that. As John indicated, some things on a more tactical level, making sure that we're filling positions quickly and driving efficiencies in our cost structure.

But fundamentally, our Technology business is coming at significantly higher margins than our Enterprise business. And we are growing our Technology business at a faster rate, both through acquisitions and organically, than our Expertise business. Both businesses are important to us, but a disproportional growth in higher margin Technology business. And that is an underlying trend that we expect to continue. And if we continue to drive higher technology growth, both Mission Technology and Enterprise Technology, that will allow us to increase margins in the foreseeable future. So, that is the underlying dynamic at play.

## QUESTIONS ON NEW CONTRACT WINS RAMPING UP IN FY21 AND THE POTENTIAL IMPACT OF OPERATING UNDER A CONTINUING RESOLUTION

**Matt Akers**
Got it. Thanks. That's really helpful. Thanks, guys. And then, I guess, one other one on just some of these new wins like TCS and BEAGLE, how should we think about sort of the pacing as we go through the year? Can you give any color on how those programs ramp up? And then, I guess, if we do start the fiscal year under a CR, is there anything from a unique program start standpoint that potentially could be at risk or, how do you feel about your ability to kind of manage through a CR again?

**John S. Mengucci**
Yes. Matt, thanks. So, I think the first program you asked about TCS, and then it was around BEAGLE. So, TCS, a $1.5 billion dollar award, about half was recompete work and half is new work, and additional taskings. So, it's an overall 10-year program. Thank you. I was--thank you, Tom. Yes, 10-year program. So, if I were to split that up, of course, the recompete work continues on at the same pace, and let's just use $75 million per year. It will be incumbent upon us to see the other half of the $1.5 billion dollar award.

I would expect in the next six to nine months, to see additional taskings coming. Again, it's the National Geospatial Agency's network. The customers on the intelligence side are rethinking how they do network buildouts and what kind of capabilities those need to have. I expect during COVID, and then post-COVID, those requirements to grow. So, I would see a ramp-up gradually each and every year, Matt, for the new portion.

BEAGLE: BEAGLE has already ramped. And I would say that we would expect BEAGLE, again, to hit their year-out run rate by the end of this year. And that's a five-year award. So very, very good work there. That team worked judiciously to get all of the staffing for that job. We're just about 100% staffed. Happy customer, great program relationship there. So, off to a really, really good start.

I think the last part was around operating under a CR. I mean, we don't see any impact to our business in the short-term from the CR. I mean, we've seen many CRs over many, many years. And at the end of the day, they haven't materially impacted CACI's business. Our strategy is going to still be to focus on areas where U.S. Government needs to spend money. And those usually come out of a CR perfectly well. So, we're going to continue to deploy capital to support growth there. And I don't really see a material impact. whether we start under CR or whether we don't. Thanks, Matt.

**Operator**
And our next question will come from Gavin Parsons, with Goldman Sachs. Please go ahead.

**QUESTION ON THE DRIVERS OF ORGANIC GROWTH IN THE FY21 GUIDANCE**

**Gavin Parsons**
Hi. Good morning.

**John S. Mengucci**
Morning, Gavin.

**Gavin Parsons**
I just wanted to ask about the drivers of the 5.5% organic growth in guidance, and just how you get there, given fourth quarter organic was 8%; third quarter was 10%, the implied COVID headwind in the first half of your Fiscal ‘21 is about the same impact as it was in the fourth quarter, and that headwind goes away in the second half of Fiscal ‘21. You've won a ton of new work, some of which you just talked about the ramp-up on. So, was just hoping you can help bridge to the 5.5% from the 8% you just reported and what drives the implied slowdown. Thanks.

**John Mengucci**
Yes. Gavin, thanks. Great question.

So, look, let me start off by first saying I'm very happy to see healthy, improvable growth, margin expansion, and strong cash flow in a really difficult year. So, I tend to look at where we're headed with a full picture view.

So, first off, we delayed our guidance to today to get a better handle on all the COVID impacts so we could provide our most accurate guide. I'm very happy that we did, because as we're seeing changes in both impacts and improvements that we've experienced, could have materially moved our guide around. And there's nothing like guiding in June to come back to you all after the first quarter explaining what we just learned. So, I made that decision, and said I wanted to wait and see how COVID played out first.

So, let me answer your 5.5% versus what we came out of last year as in a couple of different ways. First of all, the initial impact that we saw with COVID was what we call internally direct impacts. Those are where we utilized 3610 for reserve hours for our folks and our subcontractors. And that's in a revenue and a net income reduction. We've had lower travel cost, discretionary ODC purchases, again, larger revenue impact, smaller net income hit.

Now, it's good to note that these reserve hours, when Tom spoke to you all in our third quarter call, he explained that about 10% of our billable hours were being covered by 3610. And today, we've gotten that down to 5%. That's a material difference. So, if you were to ask me, without the knowledge of some of the other COVID impacts that we've seen since May, June, and July, we would have said that we're on a very, very good path. So, on direct impacts, continues to improve.

What we have seen in the June-July timeframe is our customers returning to work at a slower pace, which has started to have other impacts that we call indirect impacts. So, clearance adjudication, not all the Intelligence Community clearance offices are open at full staff each and every week. So that delays us to be able to get people cleared to be able to get them on some of those new wins that we've had; delays in tasking on some of the IDIQs that we have; temporary deferrals of training classes, every international program, every program we've wanted to have an international deployment component to not get milled in, and they can't get their clearances moved, and we can't get final in-country training set up. So, although COVID is very transitory, for now, those indirect factors are going to have a real impact on organic revenue. At the end of the day, I can't generate revenue on a new award when I can't get people cleared and the clearances are delayed, and they can't travel. Now, I'm confident those are going to rebound, Gavin, before the end of the calendar year. But, thus far, progress has been slower over there.

So, that, in a qualitative way, sort of connects us 5.5% to 8%. There's various number of elements there. And I'll have Tom provide some additional data, but I don't want to leave this without talking about what we can't--although we can't control every factor related to COVID pretty much impacting what our organic revenue growth is, there's a lot we can, like margin expansion, cash flow, and awards, that's going very, very well.

We remain focused on both on growing revenue and margin expansion. We're very pleased with our ‘21 outlook. It's consistent with these goals. Business mix is evolving exactly as we've wanted it to—been talking about this over the last three-to-five years. We're changing the risk profile of our portfolio—less Expertise, more Tech, which means we're more immune to something like COVID.

I look at COVID like an extended government shutdown period from how our business looks at growth. We've been doing everything we can to be more immune to that. Our strategy is resilient, and we continue to work throughout COVID. So, with that, Tom, do you want to work some on additional bridging?

**Thomas A. Mutryn**
Yes. So, Gavin, what I would add to what John said is that we provided a range of impact of COVID in FY21—a relatively broad range, $100 million to $150 million dollars of revenue. There are some aspects of COVID where we know with a high degree of certainty what the impact is--lost fee on CARES Act hours. And some have a higher degree of uncertainty—a few of the items that John mentioned.

As part of the forecast process, we have a base forecast. And then, we have a set of risks and opportunities. And those risks with COVID represented distribution of outcome for both revenue with net income. And we're trying to provide you with what we see today as bookends of those impacts of--our likely results will be in this range of revenue and the range of net income, based on what we know now, based on our judgment. You know, as John said, the situation continues to evolve, and that provides some details on COVID. In terms of the overall effect on organic growth, a large amount of wins as book-to-bill on a trailing 12-month basis is over two times, performing quite well.

As in every year, we have a certain amount of work that goes away. We complete tasks. We complete work. That's around $600 million dollars this year. So, there's a hole to fill in. Again, not different than other years. The new business wins, on-contract growth, and the wins that we expect to win this year will fill in those. We provide a range of guidance. The midpoint we talk about is 5.5% organic growth. But again, there's a range within that. And so our goal is to exceed that to the extent that we can, and perhaps I'll leave it at that.

**Gavin Parsons**
Okay. Great. That's helpful. And just a quick clarification, the indirect COVID impact you talked about, is that encompassed in the $100 million to $150 million, or is that on top of that?

**Thomas A. Mutryn**
Correct. It's all encompassing.

**John S. Mengucci**
Right.

## QUESTION ON THE DIFFERENCES OF CACI BETWEEN THE LAST TIME THE US GOVERNMENT BUDGET DECLINED AND NOW

**Gavin Parsons**
Okay. Great. And then, obviously, it's really difficult to predict the longer-term trajectory of the budget, especially given the fiscal deficit today. But John, I was hoping you could talk a little bit about maybe the factors that contributed to the--or decline in organic growth that you saw last time the budget declined, and how maybe your positioning or exposures have changed today, and especially how you could sustain your 100 to 400 basis points of out-growth target, no matter what the budget environment is.

**John S. Mengucci**
Yes, Gavin. So, from a how this looks in the 2011 timeframe, right, versus where we sit today, I mean, a lot of things are different.

I guess, to answer the last part of your question first, as a company, we're a very different company. We have added a technology dimension on the Mission side, and we've expanded our Enterprise Technology to be a larger proportion of our business. CACI has been doing Expertise and Technology for decades. What you've seen in recent years is a focus all around EW and SIGINT and RF, and into this model where we, in fact, had a need, where we own the intellectual property, we're able to go forward. In the 2011 timeframe and every government shutdown, we were consistently talking about 12% to 13% revenue impacts, with our employees cannot get to the government office where they have to perform their work. We're not having that discussion today. So, a major material difference that I see is how we're differently positioned today than we might have been back in 2011.

If I look at 2011 timeframe and talk about the government and the Budget Control Act, as a nation, we under-invested in defense and national security. The superior gap we had in the context of Great Power conflict shrank or nearly went away completely. It's not acceptable. And I believe that many on both sides of the aisle believe that it's not an acceptable solution. And I think even our lawmakers realize that that was a material mistake. So, I believe the spending environment we see today was a direct response to address that issue. I know we have a lot of other bills to pay but I do believe that we'll see continued investment in the national security space. It also gives me great confidence that our customers are going to continue to invest in defense and national security, at the same time where they have to modernize. And I think with the additional funds that were put into the CARES Act, there is some material dollars that are being spent to even further improve what we have, and we've talked about that in the past.

Today in 2020, 2021, we're the kind of company that's done $20 million of awards in new funds around what was in the CARES Act and have another $100 million that we're out there pursuing. That hasn't turned to revenue yet, but it's all areas where customers are looking for good enough solutions right now, because they're trying to face some very difficult technology needs. So, a little different budget environment coming out of COVID than what we had in 2011. And, frankly, we're a very different company, driving both top- and bottom-line growth. Thanks, Gavin.

**Operator**
And our next question will come from Cai von Rumohr, with Cowen. Please go ahead.

**QUESTION ON WHAT PART OF THE YEAR IN WHICH THE COVID IMPACT IS**

**Cai von Rumohr**
Super. Thank you very much. A quick follow-up on the COVID. Your COVID assumption is that COVID impact will be greater in the first half than the fourth quarter rate. And yet, you've talked of if the Section 3610 comes down, indirect is basically, you'll see improvement by year-end. So, why is that number so big? And secondly, is it all lumped in to the third quarter, because most of the other companies we've talked to, talk about Q2 as the biggest impact of COVID. Thank you.

**Tom Mutryn**
Yes. So, I'll start out, Cai. As I mentioned, there's certain things in our forecast process which we know with a high degree of certainty. There are other ones where we're trying to risk assess the impact. And we work very closely throughout the enterprise, understanding what those

indirect, second order effects of COVID are. And we're trying to provide a range of outcomes. In the information that we've provided for FY20—the $68 million and the $18 million—those were those direct impacts that we spoke about. And there's probably some indirect impacts associated with our FY20 numbers, which we did not articulate or enumerate. And so, the results would have been even higher if we went through that adjustment process.

And so, based on a desire to provide a range of outcomes, we've provided a relatively broader range of outcomes to, you know, help, given the unique set of circumstances that we're in, given the ever-evolving situation.

## QUESTION ON THE PAYROLL TAX DEFERRAL

**Cai von Rumohr**
Thank you. And then, a quick follow-up on the cashflow. I think you mentioned payroll tax deferral--$40 million in the fourth quarter and $100 million this year. My understanding, and it may be incorrect, is that basically, that this calendar year you defer and then you pay back the next two years. But given that your fiscal year spans both ‘20 and ‘21, is $100 million the net benefit of payroll tax deferral this year, or is that the gross? And then you have to pay some of that back in the second half?

**Thomas A. Mutryn**
Yes. So, no, I'm sorry. You may have missed this. I could have misstated it. For Fiscal Year ‘20, the payroll tax deferral was $40 million dollars. For Fiscal Year ‘21, which is really the time period from July 1st to December 31st, the payroll tax benefit is $55 million dollars. So, in total, over the time period, it's close to $100 million dollars that we will need to pay back in future periods, FY22 and FY23.

**Cai von Rumohr**
To pay it back in the second half of Fiscal ‘21?

**Thomas A. Mutryn**
Fiscal ‘22, in ‘22, the first half of fiscal ‘22. December ‘22 and December ‘23.

**Cai von Rumohr**
Got it.

**Operator**
And our next question will come from Jon Raviv, with Citi. Please go ahead.

## QUESTION ON FUTURE GROWTH POST-PANDEMIC AND HOW CACI IS ADDRESSING CUSTOMER NEEDS

**Jonathan Raviv**
Thank you. On the organic growth—just sort of following up on what Gavin was talking about—so the organic growth would be better if not for COVID in FY21. So, it's reasonable to expect some kind of acceleration in ’22. And then maybe just weave into there the longer-term thoughts around growth and really around what a post-coronavirus world looks like. How are customer needs shifting or even accelerating in light of the pandemic? And what is CACI doing to address those specific challenges?

**John S. Mengucci**
Jon, thanks. I'm going to try to make it to the second month of Fiscal '21 first, but I will--I do appreciate that question.

**Jonathan Raviv**
No problem. Thank you.

**John S. Mengucci**
Look, so this is how we see it. We've been through a lot of different budgets and a lot of different budget cycles since we've been on this drive to drive top and bottom line growth, two areas that I think investors watch as well as cash. For us to guide to the same level we guided to last year, in spite of COVID, says that the awards that we have are beginning to deliver. Now, we do have some indirect impacts that are slowing that ramp up. But make no mistake, we have revenue growth behind those awards.

Over the last two years, how those ramp up are all different. We talked about TCS and BEAGLE earlier. Those both have different ramp-up points. Some of the programs that we have in the Mission Tech space result in a product delivery. So, we'll get the request. We'll get the award, and within 60 days we're out there delivering product. And since products come at such a differentiated margin than the rest of our business, it does have a material impact for a $6 billion dollar business.

What's our ability to continue to ramp? It's very, very strong. We see a few things here. We've got one open protest out there that's probably worth another percent, just on its own, worth of organic growth that has slipped into this fiscal year. So, there's a lot of moving parts. We're very confident at the 5.5% organic and 7% overall at the midpoint being one month into our fiscal year.

Things that we're going to do and things that we have done, we're investing ahead of need. We're filling the right gaps. We're a judicious and very experienced acquirer of capabilities and customer relationships where we need to fill those gaps. We've done over 80 acquisitions. It's not something that we look at, it's something that we consistently do. It's in the ethos of CACI to go look at how do we look at acquisitions or investments or use partnerships?

So, we're very confident in our M&A strategy. We're very confident in the parts of the federal government where we're doing our Technology work. We're very confident with the kind of margins that the operations team is actually bringing in. And as we continue to roll folks out and we continue to ramp some of these larger programs up when we get further outside of COVID, that will portend greater growth rates as we go forward.

## QUESTIONS ON UPDATING CACI SALES BY QUADRANT AND FUTURE ENTERPRISE ACTIVITY

**Jonathan Raviv**
Thanks for that non-FY22 guidance, John. And then, just going back to the quadrants, I mean, in September, almost a year ago at this point, I mean, you guys did talk about growing in interest in each quadrant. But, of course, on this call, and what we've seen recently is a lot of growth is coming from Technology and maybe the Mission Technology. Could you update us

on almost where sales stand by quadrant at this point? And then also, thinking about the Enterprise side for a moment, how might activity there matter if the future is more marked with larger deals? You know, asking that question in the context of you guys not being noticeably involved in things like Gizmo or NGEN, which are very big deals—just didn't see CACI there.

**John Mengucci**
Yes Jon, I'll take the last part first and I'll have Tom talk you through sort of how we look in that quadrant map. I mean, NGEN and Gizmo are, you know, two out of a hundred large scale Enterprise IT programs. I would much rather have something like BEAGLE that has a long-term Agile software development kind of look to it. I'm not buying hundreds of millions of dollars of assets and putting those on my balance sheet and looking to sell those back, you know, a unit at a time.

We're actually doing cutting edge software development in a completely new fashion, which is not only directly relatable to our Enterprise customers, it's very related to our Mission customers as well. We can do distributed software development in an Agile manner, where customers don't have to be side-by-side. We don't need large paper specs. We can work on six-to-eight-week spirals. And we've got two of the largest Agile software development programs out there.

So, I'm very confident in the portfolio we have in the Enterprise IT area, because it's also more automated as well. You know, we have 23,000 phenomenal folks here. But as software development methods change, those are going to go more towards Agile. That will then be more machine generated. And like any other technology out there, you know, it doesn't take 22 people in a production line to build a yo-yo today, right? It takes one.

So, same with software development. Less risks and exposure to things like COVID, work that we can do at home in a telework manner. So, very excited about the Enterprise Tech skills we have which very much complement what we do on the Mission side.

Tom, back on the quadrant.

**Thomas Mutryn**
Yes, I'll just mention a few facts about the quadrant. For FY21 we're expecting the Expertise area to grow in the low single digits and the Technology in the double digits, that considered combined growth that we've been talking about. So, with materially disproportionate growth in Technology. And the Technology, coming at margins anywhere between 300 and 400 basis points higher than the Expertise margins. Makes a lot of sense.

Some of the Expertise--not all of it but some of it's more commodity-like work, lower margin level. And, you know, the technology is kind of differentiated and we can command higher margins. And so that strategic focus on Technology at higher margins is helping to drive that margin expansion which I mentioned earlier in the call.

**Operator**
And our next question will come from Greg Konrad with Jefferies. Please go ahead.

**QUESTION ON WHAT OPPORTUNITIES CACI MANAGEMENT SEES IN THE COMMAND AND CONTROL AND PLATFORM INTEGRATION AREA**

**Greg Konrad**
Good morning.

**John Mengucci**
Good morning, Greg.

**Greg Konrad**
Just a broad question. I mean, you were awarded this contract for JDC2 around open system design and software algorithm development in the quarter. I mean, what are you seeing in the boarder opportunities set around command and control and platform integration, which maybe historically has been a little bit more defense-prime based?

**John Mengucci**
Yes thanks, Greg. So yes, I, you know, JDC2 and ABMS—both multi-domain ops, multi-domain awareness programs. We have a respectable seat at the table, where we see command and control going next and how do we use predictive analytics and AI, even beyond what we're picking up with AVT. We've been doing a lot of AI and machine learning for long before people called it AI and machine learning.

In our quest to provide satellite ground world, we do a material amount of command and control work, which has been continuously growing. But the newest area on the command and control front would be in the counter-UAS area. I mean, if we look at what AVT's done on taking multiple sensors and building a mobile, non-fixed solution on behalf of the Marine Corps, which will be in the United States Air Force inventory as well, how do you become that single GUI, that single interaction with the user. And how do you build a C2 system that allows other people to deliver applications and other technology, and blend all of those different sources of information to give the warfighter multiple courses of action.

So, I would say beyond what we're doing on JDC2, and what we believe we'll be doing on ABMS, there's test flight satellite ground command and control. There is counter-UAS and the like. And the more we can do that in an Agile manner, where our customers can take disparate systems and sort of combine those and allow our command and control framework to be able to do that, then we benefit from being part of many, many programs, whether we provide the end technology or not.

**QUESTION ON WHEN MANAGEMENT EXPECTS TO RECAPTURE REVENUE LOST FROM PROGRAM COMPLETIONS AND THE COVID IMPACT**

**Greg Konrad**
And then just one clarification question. I won't ask about Fiscal Year 22 revenues, but you talked about some program roll-offs. When you think about, at the midpoint the $125 million of revenue pressure from COVID in H1, I mean, should we expect all those revenues to be recaptured in Fiscal Year 22?

**Thomas Mutryn**
I'm not sure if--I would use the term recaptured but we will get to the normal steady-state run model. Envision a trajectory of CACI over the next five years. Seriously, what would you normally be? What we're seeing is a dip in that trend line due to COVID, but COVID is a

temporary phenomenon. Now I'm not sure how I can define temporary how many months or quadrants associated with it, but at some point, in time we're going to get back to that trend line trajectory and the COVID impacts are generally one time in nature, not long term systemic.

**John Mengucci**
Yes Greg, so think about ramp up. If I've got to get 20 people overseas and I want to get them overseas in June, if I can get two over there in August and eight over there in September, I've lost June and July, right? If it's getting some other folks cleared, I can use overtime hours to, you know, get that revenue back. But also, I can sort of catch up on, you know, the contract with deliverables that we weren't able to do when we were in COVID. So, some of it is recoverable made up and then some of it isn't.

**Operator**
And our next question will come from Tobey Sommer with Truist. Please go ahead.

**QUESTION ON CONDUCTING DUE DILIGENCE FOR ACQUISITIONS DURING THE COVID ENVIRONMENT**

**Tobey Sommer**
Thanks. Could you comment on the due diligence process of an extensive acquisition amid COVID? I don't know when you started the engagement but curious about how that went with remote due diligence, and maybe you could kind of push a larger deal across the finish line amid this environment.

**John Mengucci**
Yes Tobey, thanks. So, yes, what I think we talked about it right when COVID started that we were going to take a short "hiatus"—right?—from executing acquisitions what I think I might have jokingly said. But, you know, good news is phones still work. So, you know, we did take a little time off so we can focus on some of the operational challenges of COVID, and really to allow some time for COVID implications to be better understood.

And what that really means for us is better informed due diligence, right? Because it was--what a company could experience pre-COVID, then during COVID in trying to guesstimate whether they were going to be out of it is something different. Right? So, but we had already identified them in working with AVT back last year, late summer in the fall timeframe.

So, we were able to quickly pick up on the transaction where we had left off. We worked with the senior leadership team at AVT to conduct due diligence remotely. And, you know, we limited travel to what was absolutely needed. We did take our management brief, pre-COVID. So, knock on wood that went well. Took a couple of trips out there as well to meet Tim and his senior leaders. So, we were able to work through that well. And frankly, it speaks really well, Tobey, to the experience that I mentioned earlier.

We've got a streamlined process across every functional area and across every technical competency to make certain that, when we're talking about our eightieth and eighty-first and eighty-second acquisition, we've been able to do things very, very well. Very, very streamlined data room still worked and the like.

So, if we look forward, you know, can we do a large acquisition? Certainly. I mean, it's about understanding where our gaps are first, right? Strategy is a place where we come from. So, if we have gaps, you know, let's say in the Enterprise area both in Expertise in the Tech side, there's a company out there that can fill those—yes, we will absolutely move forward.

It's a little more complicated, based on the gaps that we're looking to fill. So, it's more about what we're looking to fill, not the actual revenue and net income values. It's more about how do they, you know, more fulsomely fill the gaps? And then also, are they going to be growing beyond COVID? And we like the laid-out growth rates for AVT. We like what the ISR EO/IR market looks like to us. And we would see great things coming from AVT or any other acquisition that we do during this timeframe.

**QUESTION ON CACI'S PROJECTED ORGANIC GROWTH RATE VERSUS THAT OF ITS MARKETS**

**Tobey Sommer**
Thanks. Give the evolving portfolio of the business, what do you peg the organic rate of growth of your markets to be? And how does the 5.5% organic revenue growth guidance for this fiscal year stack up?

**John Mengucci**
Yes. So, 5.5% stack up in the year of COVID and, you know, one of the--a generational pandemic, I like where we're sitting. I like where we're sitting on our organic revenue growth. I like we're sitting on our seven percent revenue growth. As Tom mentioned, we have a lower range, we have an upper range. You know, should COVID clear out sooner, should we win more awards that we're expecting, that takes some of that opportunity risk model and makes it different. Allows us to sort of move this company forward.

I think 5.5 [percent] from where we sit today is--it was slightly below where we would like to have been, but I'd like to not be experiencing COVID also. So, you know, to the extent that we can continue to work through this--I've got 65% of my workforce teleworking today. We have the 3610 out there covering us on the cost side. My absolute focus is making certain that we get into FY21 and then through FY21. Very confident with the guide that we put out there.

So, no excuses and no shame in a 5.5% organic growth world with two years of great awards. And I would fully expect us to continue to not only drive revenue growth but be driving net income, earnings, cash, and the like.

**Operator**
And our next question will come from Seth Seifman with J.P. Morgan. Please go ahead.

**QUESTION ON WHETHER IT MAKES SENSE TO PURSUE LARGE ENTERPRISE IT AWARDS**

**Seth Seifman**
Thanks very good. Good morning.

**John Mengucci**
Good morning, Seth.

**Seth Seifman**
Good morning. So, just wanted to follow up on one of the--some of the earlier commentary you made about the different quadrants and Enterprise IT. And I wonder just, given the structure of that market right now, the return structure and the competitive structure, if it even makes sense to be pursuing big awards in that space, given your goal of growing margin at the pace that you'd like to grow it. I think is it--you can correct me if I'm wrong—but I think it's probably fair to assume that, had you won NGEN, we wouldn't be talking about margin expansion this year. And so, whether those—whether, in general, those big contracts are not really consistent anymore with, you know, where you're looking to go.

**John Mengucci**
Yes, thanks. Thanks, Seth. You know, I mean contracts--there are a multitude of different Enterprise-type contracts. There's a lot of different ways for customers to buy. There are some where it's more of a managed service, and those will start with lower margins, and then you would hope, over time, grow.

Yes, you know, we see our business as four quadrants and that builds the portfolio of work that this company has. And some allow us to grow revenue, some allow us to use our rates and our direct labor growth to be able to sustain higher levels of IR&D and bid and proposal funding. So, I sort of look at it as folks who are doing business in each of these four quadrants all deliver something to this company that as a sum is greater than the individual parts that allow us to go grow our other areas.

So, we are going to consistently use a structured business development approach which is, you know, have we shaped this program to the point that favors us in a probability of win? Have we tested solutions out with the customer and with the folks who are going to make the decision? And did we establish a preference for what we are going to deliver versus someone else? So, our judicious look starts long before the RFP comes out.

So, we're going to continue to bid on larger programs. We're going to continue to bid on strategic programs. And if it happens to be if there's a managed services program out there that is the right fit and we've got the right technological solution and we are balancing revenue growth with margin growth, then those are all, you know, fair game programs for us.

Again, I'm, you know, we're about long term growth. So, managing each quarter and which one's going to hurt revenue versus help margin and all, it's not how we're really running the ship. We're really looking at how we go after long-term growth business, whether that's on the Enterprise or on the Mission side.

**QUESTION ON THE HIRING ENVIRONMENT AND POTENTIAL HEADCOUNT GROWTH**

**Seth Seifman**
Great. That was helpful, thanks. And then just maybe if you could touch on the hiring front, you know, how that's been going with the pandemic going on and how you're thinking about net head count growth in Fiscal ‘21.

**John Mengucci**

Yes, thanks. So yes, I mean our portfolio is part Expertise and part Tech. So, there are some elements that are less or more dependent on hiring levels. Our hiring and onboarding has come out pretty much as expected. A little bit dulled, as you would expect, but definitely in line to support how we finished ‘20 and how we expect to grow throughout FY2021.

And again, it's not so much today a folks issue of talent acquisition. It's just more about getting people cleared and getting them into the right facility or into the right country. So, we continue to work through things. We are one of the only companies that actually saw ahead of need and built temporary SCIF space in our Chantilly facility that helped two Intel customers allow us to bring more folks back. So, we continue to work on more missions.

So, we're going to look at more and more ways for us to get folks off of reserve hours. But at the end of the day, our hiring and our headcount growth has hit what we're looking for. Again, it's not so much on the Technology area, much more important on the Expertise area. Thank you.

**Operator**
And our next question will come from Louie DiPalma with William Blair. Please go ahead.

**QUESTION ON THE CONTENT OF PIPELINE OF SUBMITTED BIDS**

**Louie DiPalma**
John, Tom, and Dan, good morning. Thanks for squeezing me in.

**John Mengucci**
Good morning, Louie. You bet.

**Louie DiPalma**
Of your $9 billion in pipeline submitted bids, is there a skew towards ISR and signals intelligence? And are there many $100 million plus, you know, opportunities available here? And have you seen the pipeline significantly expand for these types of AVT, Mastodon Design, like Six3 Systems services? Following the Saudi Aramco drone attacks last September has—you know—was that a watershed moment that led to more robust demand that we've seen?

**John Mengucci**
Yes, Louie, so on the first part of the question around what we see in our $9 billion, I'll start off by saying awards are lumpy. But a nice mix between new and re-compete, which is what we like to continue to see. And a larger amount of bids outstanding to be submitted in the Technology area versus the Expertise area. So, how does that drive growth in the future? It says that we'll continue to have more growth on the Technology side versus the Expertise side.

Onto the counter-UAS side, sure, I mean every action gets a reaction. Right? And not just that kind of counter-UAS incident. You know, we have a number of folks who are stationed overseas in our Mission Expertise area that are, what most of us would say, they're on the wrong side of the wire from those forward operating bases each and every day in really dangerous places around the globe. We get SITREP reports weekly from what bad actors are out there doing. And UASs are starting to play a more and more major role there.

You know, we do just south of a couple hundred million dollars' worth of counter-UAS to date work, and that's across the entire federal government. We expect to continue to do more when we bring additional technologies in from LGS, when we get size, weight, and power improvements from our folks out at Mastodon, and when we integrate all of the EO/IR capabilities and other technological work that Tim and his team are out there working. We would see our counter-UAS business continue to grow at respectable margins. So, a nice mix of RFPs that are coming in now and bids we're going to submit. And also, I really like what we're seeing on the counter-UAS front.

I mean, combining what DoD has selected, one of three mobile providers, and DoD has selected one of three fixed site providers, I'm hungry to get into next week where we can sit down with the AVT folks, combine them with the other technologists, understand how do we make one plus one equal, you know, three if not greater.

**Louie DiPalma**
Sounds good. Thanks, John.

**John Mengucci**
Thanks, Louie.

**Operator**
And our next question will come from Mariana Perez Mora with Bank of America. Please go ahead.

**QUESTION ON THE PERCENTAGE OF FY21 BUSINESS THAT WILL BE RECOMPETED**

**Mariana Perez Mora**
Good morning, everyone.

**John Mengucci**
Good morning.

**Thomas Mutryn**
Good morning.

**Mariana Perez Mora**
So, my question is about--do you mind reminding us what is the re-compete risk for FY21?

**John Mengucci**
For essential work--

**Thomas Mutryn**
Yes, re-compete risk for FY21 is very similar to prior years and the amount of work coming up for re-compete is the 15 to 20 percentage range—somewhere around there in terms of awards. Now, in terms of composition of revenue, for FY21 and, earlier on, I said that 83% of our revenue is under existing programs, 11% re-compete and six percent for new business. So, there are some re-competes that we'll need to win.

Our re-compete win rate has been running in the 90% range for the last several years. We expect it to continue at those levels as well with a relatively stable portfolio.

## QUESTION ON THE IMPACT ON THE FY 2021 GUIDANCE IF SECTION 3610 IS NOT EXTENDED

**Mariana Perez Mora**
Thank you. The next one is related to Section 3610. You have in your guidance an assumption that that will be extended through December. How large would delay by if we don't see that extension?

**John Mengucci**
Yes, so question around if we get to December, we don't see 3610 extended. So, how we see that is, you know, if we find that we get to October 1st, frankly, and 3610 hasn't been extended, then we'll have to work through how we handle those employees of ours that are not going to be covered on the reserve act.

Again, Tom mentioned that about five percent of our hours today--billable hours—are covered by 3610. So, it's why we're working very, very hard across the industry looking to have 3610 extended. So, as a number--and we talked about $100 to $150 million worth of COVID impacts—you look at five percent of our revenue base being under the reserve status, it's probably in the $50 to $60 million range per quarter. But again, we are all across the industry feeling very confident that we will see 3610 extended.

Across the industry that CACI is in, what we need is the ability to use FY appropriations to cover those costs to be extended. We're not looking for additional funding. It's just the ability to use already-appropriated GFY21 funds to be used for this purpose. So, all in all, I believe across FY21 we have the risk bounded.

**Operator**
And this will conclude our question-and-answer session.

I'd like to turn the conference back over to John Mengucci for any closing remarks.

## CEO CLOSING REMARKS

**John Mengucci**
Thanks, Cole. And thank you for your help on today's call. We'd like to thank everyone who dialed in or listened to the webcast for their participation. We know that many of you will have follow up questions. Tom Mutryn, Dan Leckburg, and George Price are all available after today's call.

Stay healthy and all my best to you and your families. This concludes our call. Thank you all and have a very good day.

**Operator**
The conference is now concluded. Thank you for attending today's presentation. Participants may now disconnect their lines at this time.

END