The information contained in this transcript, by its nature, reflects facts known to the company and its management at the time of the earnings release and conference call. All information contained in this transcript, including references to other press releases or public filings, should be read in the context of the latest available information in the company's releases or filings.

CACI INTERNATIONAL INC
First Quarter FY21 Conference Call

PRESENTATION

Operator
Ladies and gentlemen, thank you for standing by. Welcome to the CACI International First Quarter FY '21 Conference Call. Today's call is being recorded. At this time, all lines are in the listening mode. Later, we will announce the opportunity for questions, and instructions will be given at that time. If you should need any assistance during this call, please press star, then zero, and an operator will assist 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 SAFE HARBOR STATEMENT

Daniel Leckburg
Well, thank you, Chad, and good morning, everyone. I'm Dan Leckburg, Senior Vice President of Investor Relations for CACI International. Thank you for joining us this morning. We are providing presentation slides, so let's move to Slide number two, please.

There will be statements in this call that do not address historical facts 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 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 Mengucci
Thanks, Dan, and good morning, everyone. Thank you for joining us to discuss our first quarter Fiscal 2021 results and 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 U.K.

As we all continue to address the COVID-19 pandemic, I'd like to take a moment to thank our employees for their dedication. You all have risen above expectations to continue supporting the important missions of our customers and this company, and you've done so in a safe manner. You've also supported community programs, delivering food to hospitals, first responders, and food banks. Your commitment to fulfilling customer missions while supporting our communities and neighbors during this time is beyond admirable. I couldn't be more humbled by the positive impacts we have collectively delivered, and I thank each of you for your efforts.

Slide 4, please. Now turning to our first quarter Fiscal 2001 results, we delivered significant growth, profitability, and cash flow. We grew revenue by 7% and net income and earnings per share by almost 40% compared to a year ago. Profitability was higher than expected, primarily as a result of favorable contract performance, as well as enhanced cost controls in the COVID environment.

We continue to mitigate the impacts of COVID-19, working closely with our customers to safely return employees to work. This includes creative alternatives such as temporary SCIFs, redesigning work plans so more work is done outside of classified facilities and utilizing teleworking to the extent possible. We are fortunate that our business has been less impacted by COVID compared to other parts of the economy, both by the nature of our work and the specific actions we have been taking. We have less—we have had less than one percent of our 23,000-employee population contract COVID. This is a testament to the hard work being done throughout our company to ensure work continues in a safe manner for everyone involved. These efforts have been quite successful, mitigating the overall COVID headwinds below our initial estimates. As a result of this progress and strong operational performance, we are raising our Fiscal '21 guidance to reflect higher revenue and net income growth, increased margin expansion, and even more robust cash flow. Tom will discuss all of this in more detail shortly.

Slide 5, please. About a year ago, we held an Investor Day during which we introduced our four-quadrant framework to describe our business. The framework depicts what and to whom we deliver. We deliver Expertise and Technology to Enterprise and Mission customers. What's most important in that split is what we deliver: Expertise and Technology. When we provide Expertise, we provide talent with specific, technical, functional, and domain knowledge. When we provide Technology, we provide software and hardware capabilities enabled by innovative R&D. Expertise delivers respectable margins with low capital requirements and the opportunity to build past performance and deep customer relationships. Technology is more differentiated with a higher growth addressable market and higher average margins.

In order to enhance transparency into our business, we are now disclosing revenue by Expertise and Technology. You'll notice that, in the first quarter of Fiscal 2021, we reported growth in both revenue streams and drove faster growth in the higher margin Technology stream. This is consistent with our strategy and supports our financial objectives to outgrow our addressable market and expand margins.

Slide six, please. We had solid contract awards in the first quarter, representing a book-to-bill of 1.3 times, with wins across all four quadrants, and more than half of the awards representing Technology work. We also continue to execute against our large and growing backlog of $22 billion, which is up 13% from a year ago.

Within Expertise, we won new work with the Department of Veterans Affairs to provide talent that will assist the VA in its financial management system modernization efforts. We also won work with the Department of Homeland Security to apply our data analytics experts to help them detect criminal activities.

Within Technology, we significantly expanded our work with DHS to provide Enterprise IT, utilizing an innovative service model to enhance productivity and efficiencies for both CACI and our customer. And we won new cybersecurity work within the United States Army, DARPA, and the Intelligence Community.

In addition, we are continuing to ramp recent large Technology awards like BEAGLE and TCS, leveraging our differentiated capabilities and strong past performance to expand these programs. For example, Agile software development is increasingly being recognized for its benefits, and being utilized on larger programs, sometimes consolidations of multiple contracts. Our industry leading-edge solutions factory and past performance are competitive differentiators that allow us to bring new work onto large marquee programs such as these, which will continue to drive growth beyond Fiscal 2021.

Slide 7, please. To ensure CACI remains ready to address our customers' most critical priorities, we continue to invest ahead of customer demand. In addition to the higher value our customers receive, this investment allows us to generate intellectual property, enhance competitive differentiation, and drive future growth--all of which drive shareholder value.

In cyber, we are investing in both offensive and defensive technologies, as well as modeling the simulation environments to enhance training and effectiveness. Around 5G, we are investing the capabilities and technologies to collect and process new 5G signals and frequencies, adding 5G capabilities to our expanding number of sensors, and developing tools to ensure the resiliency of 5G networks.

More broadly, we are addressing the convergence of signals intelligence, electronic warfare, cyber, and communications to enable the U.S. to dominate the electromagnetic spectrum. And around artificial intelligence, we have over 100 projects developing AI capabilities across many areas of our business. All of these investments are targeted at well-funded areas of the federal budget, supporting solutions necessary to combat both counterterrorism and near peer threats.

While on the topic of investment, I'm very pleased with the performance of our recent acquisition of Ascent Vision Technologies, or AVT. The bottom line is they're delivering in line with expectations, enhancing their EO/IR product offerings, and providing value creating synergy solutions. We have had several joint meetings with representatives from the DoD Joint Counter-UAS office, or JCO, discussing their desired enhancements to both the AVT mobile and CACI fixed site offerings. Internally, we are already working on ways to leverage AVT's technology into CACI's large fixed-site, counter-UAS installed base, and vice versa.

Slide eight, please. CACI has been in business for nearly six decades, and during that time, we have prospered through many election cycles. One thing we've seen is that investment in Defense is bipartisan, especially in times of an elevated threat environment like we see now. Our addressable market remains healthy. With all indications, we will continue to see sustained technology investment to support national security and IT modernization priorities. When we look at the CACI's capabilities against these priorities, we see tremendous opportunity within our $230 billion and growing addressable market. Our awards and backlog are a testament to CACI's ability to enable our customers to modernize its infrastructure and business applications, secure networks, and communications, and enhance offensive and defensive capabilities to enable the warfighter to dominate across all demands. Our alignment to these critical areas makes our business resilient, allows us to take market share, and gives us confidence in ongoing growth prospects.

Now over to Tom to provide even more insights into our financial performance and increased guidance. Tom?

FINANCIAL OVERVIEW

Tom Mutryn
Thank you, John, and good morning, everyone. Let's turn to Slide number nine.

Our first quarter was an excellent start to the year. We generated revenue of $1.5 billion, representing overall growth of 7% and organic growth at 6% with the simultaneous increase in margins.

As John mentioned, we have begun to disclose revenue by Expertise and Technology. Compared with the first quarter last year, Expertise revenue grew 2.5% and Technology revenue grew over 12%. Technology programs on average are delivering margins about 300 to 500 basis points higher than Expertise. Both Expertise and Technology activities are important to our Enterprise and Mission customers, and we see growth opportunities across all four quadrants. That said, the higher growth in Technology is helping us drive our margin expansion.

Adjusted EBITDA margin in the quarter was 11.3%, an increase of 190 basis points from a year ago. The majority of this improvement was our ability to drive favorable contract performance on several programs, including our creative efforts to materially reduce costs on certain fixed price contracts while operating under COVID. In addition, we were successful in navigating in the new environment and minimize the direct and indirect impact of the pandemic. We continue to drive strong program execution and to control costs.

We were able to keep our indirect costs in line with last year, indicative of our ability to realize efficiencies and control costs while investing for growth. Net income of $94 million increased 38% from the first quarter of last year as did diluted earnings per share.

Slide 10, please. First quarter operating cash flow, excluding our AR facility, was $193 million, an increase of $78 million from a year ago, reflective of our revenue growth, margin expansion, and effective cash collection in working capital management. We successfully invoiced and collected revenue associated with Section 3610 work, even with a complex requirement. The deferral of the employee payroll tax payments under the CARES Act contributed around $30 million to the quarter's cash flow. DSO was at 54 days, excluding our AR facility, down from 59 days from last year. We closed the first quarter with the net debt to trailing 12 month adjusted EBITDA at 2.4 times, nearly unchanged versus last quarter, even with the acquisition of ABT.

Slide 11, please. We are increasing our Fiscal '21 revenue guidance range by $50 million, which implies higher organic growth of around 6.3% at the midpoint. As we continue to successfully and safely return people to work, we expect the COVID-19 impact through calendar year end to be about $50 million less than initially anticipated, a credit to our team. We also are raising our Fiscal '21 net income and cash flow guidance. The $25 million net income range increase consists of around $10 million from the lower COVID impact, while the remaining is due to the first quarter one-time favorable contract performance.

We now expect Fiscal '21 operating cash flow to be at least $600 million, driven by higher revenue, margin expansion, and continued strong working capital management. With expected FY '21 capex of around $70 million, free cash flow is expected to be approximately $530 million. Free cash flow margin, that is free cash flow divided by revenue, adjusting for the $55 million annual payroll tax deferral, is very healthy at about 8%. And full year free cash flow conversion, after adjusting for the payroll tax deferral, is expected to be 125% range as a percentage of net income at the midpoint.

The midpoint of our FY '21 adjusted guidance also implies adjusted EBITDA margins of about 10.8%, up from 10% from last year. Excluding the items I already mentioned, the underlying margin of the business is unchanged from our initial guidance. We continue to demonstrate our ability to grow revenue organically while increasing margins. Given this strong performance, we now expect diluted earnings per share growth of around 18% at the midpoint. Lastly, our full year effective tax rate is expected to be about 22.5%, with a lower tax rate in the second quarter due to the impact of vesting of the stock awards, which were granted in prior years.

Slide 12, please. Turning to forward indicators, our prospects remain strong. For Fiscal Year '21, we now expect 90% of our revenue to come from existing programs, 6% from recompetes, and 4% from new business. We have $9.5 billion of submitted bids under evaluation, with over 70% of that for new business to CACI, and 60% of the submitted bids representing Technology work. We expect to submit another $16.4 billion over the next two quarters, with over 70% of that for new business to CACI, and around 50% of expected submittals representing Technology endeavors. With that, I'll turn the call back over to John.

CEO CLOSING COMMENTS

John Mengucci
Thank you, Tom. Let's go to Slide 13, please.

We delivered a very nice first quarter, growing revenue, expanding margins, and generating robust levels of cash. We are positioned well, performing well, and producing strong results. We are effectively dealing with the impacts of COVID and delivering organic revenue growth with margin expansion.

Before I turn the call over to questions, I'd like to address a concern that I believe is weighing on our sector broadly—and that is the potential for budget pressure over the next few years. Whether that turns out to be true or not, what I can confidently say is the CACI that entered the era of sequestration and budget downturns is very different than the CACI of today.

We were primarily a company delivering Enterprise Expertise, Mission Expertise under OCO funding, and also had a significant element of our revenue coming from pass-through material buys for efforts in Iraq and Afghanistan. So, we had a book of business susceptible to budget pressures and directly impacted by the drawdown in Southwest Asia.

Today, our business is remarkably different. We executed a purposeful strategy over the last eight years to add significant elements of Technology to our portfolio, an area that is more resilient and differentiated in any budget environment. We provide Mission Expertise in areas like intelligence analysis, cyber, and engineering services, but we have moved from Enterprise Expertise engagements to Enterprise Technology engagements, delivering capabilities and cloud migration, Agile software development, artificial intelligence, and machine learning. In addition, since that shift, we have built a $22 billion backlog, almost four years of revenue of larger and longer duration contracts that gives us a higher level of growth visibility than ever before.

The bottom line is, we remain confident in our ability to create value for our customers and our shareholders. Our employees' talent, innovation, and commitment to our customers missions is at the heart of CACI's strong performance and our success in executing this strategy. CACI's culture of character and innovation is the driving force of our success, not the result of it. I am proud of how our people continue to perform in these unprecedented times, and I am honored each day to work alongside each of you. With that, Chad, let's open the call for questions.

Operator
Thank you, sir. We will now begin the question-and-answer session. [Operator instructions]

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

QUESTION ON THE DISCONNECT BETWEEN CACI'S STOCK PRICE AND THE GOVERNMENT SERVICES MARKET FOCUS

Robert Spingarn
Hi. Good morning and thanks for taking my question.

John, you actually just hit on what I wanted to ask about, which is this disconnect, I think, in the stock and the backdrop. And it seems to us that the stock's discounting almost a 30% decline in free cash flow over the next presidential administration. And you did talk about how you're positioned. It would seem to us that even if there's budget pressure, there'll be a lot of focus on cyber and unmanned and on near-peer adversaries. Could you talk a little bit more, again, about your portfolio and how you address those, and whether that 30% type number is even remotely possible?

John Mengucci
Yes, Rob, thanks. I guess first off, you mentioned cash, which is an absolute focus of everybody throughout this company. I'm very, very proud of what the entire team has done driving DSO down with an absolute focus. We are in a much better position today than we were even one year back, and I'll let Tom talk a little bit about that.

Yes, Rob, we're all watching what happens with our stock, and we're looking at are we positioned to the best of our ability as we move forward within this—some people are saying—within this next era? Absolutely so. We are invested in things like artificial intelligence and machine learning and electromagnetic spectrum. You know, things around investments placed very wisely and over a long period of time, because we are a strategy-driven company. Strategy is a place where we come from. We have always watched the electromagnetic spectrum. We firmly believe that whether a counterterror attack or a near-peer threat, we're going to be best served by quick-to-field technology.

So, we have invested heavily in EW. We've invested heavily in A.I. and machine learning and in 5G, both offensive and defensive measures, as well as within cyber. So, as for where the government will continue to spend money, whether we're talking about reduced budgets or not, those are five to seven areas that both parties, both candidates have been very specific upon. Both want a strong national security. And where CACI is focused and where we deliver more times than not—Technology versus talent—we are absolutely focused on those areas. And we believe that is the key for our continued growth.

If I look at the intellectual property that we've picked up in the patents from our acquisition of LGS, from the capabilities of actually building devices and products from both AVT and Mastodon, those are all very well thought out strategic M&As to ensure we had the right capability and the right customer gaps for us to persevere in any budget environment.

Tom, you want to talk a little bit about cash?

Tom Mutryn
Yes, cash, as John mentioned, is a focus of us. We believe in strong cash flow, in all of our best interests, to drive value to our shareholders. Again, very proud of the efforts to reduce DSO. And I will note that, under the COVID CARES Act regime, we've been successful in navigating some complex invoicing requirements and collecting very effectively and efficiently with very, very low invoice reject or rework rates. So, happy with that cash flow conversions by any metric: free cash flow or free cash flow as a percentage of revenue or net income, et cetera. We've stacked up quite well. I'm very proud of that.

QUESTION ON AT WHAT POINT MY CACI BUY BACK ITS STOCK

Robert Spingarn
So, as a follow up to what you both said, given that you're growing EBITDA 29% this quarter, the stock is trading at 10% free cash yield—at least the way we do the math—and based on the comments you both just made, is there a point where you say that your business is a better value than one you might acquire, and you start to buy back stock?

John Mengucci
Yes, Rob, thanks. Clearly, our capital deployment is something that Tom and I look at, and we review with the Board on a quarterly basis. We've always been focused. M&A is our number one priority for capital deployment.

I'd also say that it wasn't more than seven or eight years back when we looked at that capital deployment strategy, and we looked at the ability for us to find any other properties out there that would quickly grow our capabilities and our customer relationships. And we bought back, I believe, 25% of our stock. So, given where stock prices are today, as the CEO of this company, I always believe that it's undervalued. But we will continue to do those looks, continue to run our models, and always evaluate other investment options.

Operator
Thank you. Our next question will come from Tobey Sommer with Truist. Please go ahead.

QUESTION ON THE HIRING ENVIRONMENT FOR NEWLY WON WORK

Jasper Bibb
Hi. Good morning, this is Jasper Bibb filling in for Tobey. So in the quarter you're ramping on BEAGLE and TCS. I was curious what your experience has been there with hiring and working around some of the kind of COVID related challenges with starting new projects.

John Mengucci
Yeah, Jasper, thanks. So, talk about BEAGLE and TCS, both two of our larger, more recent awards. I think we won BEAGLE second quarter last year, and then we picked up TCS fourth quarter of last year. On the BEAGLE side, we've completed all of our initial transition milestones. So, that's pretty much the work that we do when it's takeaway work from someone else. So, all those transition milestones that have taken place are complete. And I'll also state the majority of those were during COVID. We continue to ramp up staff. We're continuing to bring new work on this program.

And BEAGLE is a great example of what I shared during my prepared remarks. Our Agile solutions factory is proving, more and more each and every day, how resilient it is and what a valuable asset it is and capability that we can bring to many customers. We're not into full swing there. But, from what we've seen, we've been able to generate the applications and do the software development that our customer desires in a very small amount of time.

On TCS, if you remember, about 50% of that was new. About 20% of that was a competitive take away. All of those transitions are over. We expect to see even more growth on that over the longer term. TCS is a catalog-type program where we deliver hundreds of different catalog services to our NGA customer set, and that ramp up will pick up over time. So, one very Agile-based, one more of a catalog-based contract. That's been going well.

Staffing in general—our portfolio is part Expertise, part Tech. So, some of our elements are less dependent on hiring levels. If I looked at our hiring and our onboarding, it's pretty much on pace to what we expected. Clearly with COVID, our attrition is down. But I think that would be a metric that I'd be hard pressed to say that we were unique there. But it's not so much of talent acquisition, Jasper. In our in our Intel work, as we mentioned, we still need to get people cleared and get them to the right facility or into the right country. And we're still struggling there, but we made great strides.

QUESTION ON HOW MANAGEMENT THINKS ABOUT FILLING TECHNOLOGY GAPS

Jasper Bibb
So, then—you mentioned speed to market as a priority earlier. So just, with respect to opportunities in the Mission Tech vertical and the AVT deal completed last quarter, I was hoping you could speak to how you think about buying technologies to fill those gaps in your portfolio versus developing a solution in-house.

John Mengucci
Yes. So, when we when we look at our investment strategy, we look at it in three different areas, right? We either provide internal investment. We acquire or we partner. For things that are more commodity based, you will see us partner—AWS, Microsoft, and others. Those are

well-established, very well-run commodity type offerings that we're able to partner with those companies for us to deliver both our Enterprise and our Mission Tech.

When you talk about speed to market, what we were really looking for there over the last three years—if you go back that far on some of the selective M&As that we've done—we continually hear our customers, whether it's Army, whether it's Navy, whether it's Air Force, around speed to the field. So, speed to fleet. And, since so much of the current counterterrorism battle and the up and rising near-peer battles are going to be around the electromagnetic spectrum, we really wanted to find a way that we could build software-definable anything products that could be delivered to either Special Operations forces or across the larger green Army or across every Navy airplane and Navy ship to make sure that they had the best signals protection that they could ever ask for.

And the way we deliver that is through filling some of the capability gaps with LGS and Mastodon—LGS understanding the commercial electromagnetic spectrum better than anybody out there on the planet. So, anything operating over 2G, 3G, 4G, and now 5G networks are well understood and well characterized by the folks within that business. And the more often we can take signal changes and threats that are in the electromagnetic spectrum, when we can get those out to the field quickly via software change versus a whole new device, that's what speed to fleet means, and that's why we need to have absolute speed to market.

So, I like where we are on AVT, where we are on Mastodon. We've done some great things within LGS. We've expanded even deeper into 5G. And I would see many of those products and those services and offerings find their way into a broader set of customers over the next three to five years.

Operator
The next question will come from Ben Arnstein with JP Morgan. Please go ahead.

QUESTION ON MAINTAINING A MID-SINGLE DIGIT GROWTH RATE BASED ON BACKLOG BEYOND FY2021

Ben Arnstein
Hi. Good morning, everyone.

John Mengucci
Good morning, Ben.

Ben Arnstein
So, I wanted to follow up on Rob's question. Maybe he's asking this a different way. How do you think about your top line growth profile against a backlog and against some of the total addressable market growth rates that you outlined in the slides? And, I mean, is it reasonable or unreasonable to think about you being able to maintain mid-single digit growth beyond this year?

John Mengucci
Yes, Ben, thanks.

I'm going to come at my answer differently. Ben, we watch top line organic revenue growth just like everybody else does. But I think we do it a little bit differently than most. We're also combining that with bottom line growth, as well.

So, can we maintain a mid-single digit revenue growth rate based on our backlog? Absolutely so. Can we achieve a higher single digit? Could we get into the double digits? Perhaps. But what I would ask is that every time we look at the growth that's most important to shareholders and to our customer sets, because increased margin, increased profit allows us to invest ahead of need to drive customer capabilities they want to see faster, better, and cheaper. So, when I look at our growth model and our strategy that we put in place about eight years back, it was let's get a deeper technology focus that will not only grow topline, but will grow bottom line.

So, that combination of top and bottom line, I think, is very unique in our sector. I think it's even more unique during the times that we see ourselves in. It's why we're so focused on this year's performance. Because if we can generate top and bottom line growth during the environment that we sit in today with a generational pandemic, and one would have to say a quite unique election coming up, then we're very confident that we can sustain our top and bottom line growth with a $22 billion war chest worth of backlog in very key investment areas across this federal government space.

QUESTION ON EXPECTED COVID-19 IMPACT COSTS IN THE SECOND QUARTER

Ben Arnstein
Got it. Thank you. And then, just quickly, how much of a COVID-19 impact do you have baked in for Q2?

Tom Mutryn
Yes, so are we—this is Tom—spoke about a COVID impact initially of between $100 million and $150 million for the first half of the year. Based on recent performance, we reduced that to—by $50 million. And so, we're expecting $50 million to $100 million revenue impact for the first half of the year. I would say that's heavily weighted in the first quarter and less so in the second quarter.

And this is really a testament, as I mentioned in the prepared remarks—the team's efforts of trying to navigate the COVID situation; getting people back to work very—working very closely with customers, program managers, contract organizations; trying to find creative ways to minimize that COVID impact. At the peak, sometime in the April-May time period, around 10% of our hours were associated with CARES Act hours in Section 3610 of the CARES Act. Last time we spoke, it was down to about 5%. Now, it’s approximately 1%. So, a relatively reduced the impact to some of those direct COVID impacts.

And I also will say that there's some indirect COVID impacts, as well. Harder to quantify, but there is a sense that sometimes task order modifications are delayed, or the ability to get clearances are delayed, or approved overseas travel is delayed. And that is having an impact, as well. But to answer your question, out of the first half impact, most of it is in the first quarter versus the second quarter.

Operator
Thank you. The next question is from Gavin Parsons with Goldman Sachs. Please go ahead.

QUESTION ON THE ORGANIC GROWTH TREND FOR FY2021

Gavin Parsons
Hi. Good morning.

John Mengucci
Morning, Gavin.

Gavin Parsons
Guys, on the organic growth bridge, or guidance for the year, the 6.3% full-year guidance implies pretty much the same rate of growth throughout the rest of the year as you had in the first quarter, even though, Tom, per comments, the COVID headwind goes away. And then in the back half of the year you lap some of the COVID headwinds that you had in the second half of Fiscal '20. So, I think last quarter you indicated growth would improve throughout the year. So, did anything change there, or could you still see some sequential improvement if the pieces fall into place?

Tom Mutryn
Yes, so, Gavin—this is Tom. As you know, we guide for the full year. Oftentimes there's some shifts between quarters. And so, we're comfortable with that full year guidance.

The first quarter turned out better than we thought. It had a really nice performance in a number of areas. I highlighted one or two. But, for modeling purposes, I would assume that organic growth is somewhat flattish, plus or minus 100 basis points, quarters two, three, and four. Seems like a reasonable way to look at the models.

That being said, we're providing a revenue guidance range, plus or minus $200 million. And so, within that guidance range we could be at the upper end if things go our way. We're able to accelerate some activities and the like. So, there's upside to that midpoint by definition.

QUESTION ON WHETHER COVID-19 IS HAVING EITHER A STRUCTURAL OF PERMANENT IMPACT ON HOW WORK IS DONE

Gavin Parsons
That's helpful. Thanks. And then, obviously still early and things are probably still evolving, but any initial thoughts on whether or not COVID is having a structural or more permanent impact on how work is done, or how contracts are awarded, or focus areas of investment, or anything along those lines would be great.

John Mengucci
Yes, Gavin, thanks. Yes and no. We—this is—I continually tell my own team: this is generational in nature. So, a lot of us don't have that playbook. I honestly think we're sort of in inning six or seven of nine innings.

But what I can tell you is this is that I believe that ourselves and our customers have worked very well together to make certain that, one, people stay safe; two—and I'll say a close two—is that we have a mission to protect this nation. And just like folks who enter war time battles, you'd like to keep them safe, but they're going into battle. It's why our entire workforce was deemed essential as soon as the nation went into this COVID realm.

So, as long as we're in it, we believe we've taken the right measures. I like the way we have entered this phase. I like the way that we've been executing during this phase of building temporary SCIFs.

Literally, when we say that term, it sounds so, so easy. But taking a floor of 200 people, boxing all their information up, clearing their cubes out, redoing an entire floor, bringing secure comms in, and having the government approve that in a span of about three weeks, that's incredible measure.

So, what I start to think about is COVID is an impact; COVID is an opportunity, as well. And that's not meant to disrespect anybody who has suffered during this. But from a pure company customer standpoint, I don't expect COVID to be gone by December 31st. I think our mitigation efforts have been quite successful. But we're looking at picking up additional work. We're doing a remote work capability set up for the Army and the National Guard. We brought in about a $20 million award to quickly put tele-health support in place for NIH and CDC. From a business standpoint, post-COVID, I think Enterprise Technology, building more resilient networks, delivering even more Mission Tech faster is going to be the wave of the future.

Often these things like COVID, they don't set a trend. They actually accelerate it. And we were already in many places working out how do we do more software development work that's classified in nature in unclassified manners in a way that we can build code outside of a SCIF but bring it together in a SCIF. So, how do we do what we like to call unclassified classified work? I think that is getting a very positive and a very honorable look by the Intelligence Community out there. I think we'll see forward changes there.

So, all in all, against those changes and how they come out of COVID: very happy with how we are positioned. And it's nice to say that we've already been working many of those items with our customers.

Tom Mutryn
Yes, this is Tom. I'm going to add, in terms of our indirect workforce, what we have learned is what Corporate America has learned is that we can accomplish the activities to facilitate supporting the organization while working remotely. And so, certainly ourselves and, again, most every other company are looking at ways to work going forward in terms of facility footprint technology, video conferencing, workforce flexibility, and the like.

And it opens up a whole slew of possibilities. Instead of looking for employees within the greater Washington, D.C. area or pockets where we have in folks, we can look broadly for talent to support CACI. And that should be powerful both in supporting our customers, as well as indirect activities.

Operator
Thank you. The next question will be from Cai von Rumohr with Cowen. Please go ahead.

QUESTION ON THE PACE OF AWARDS IN THE SEPTEMBER AND DECEMBER QUARTERS

Cai von Rumohr
Yes, thank you very much. So, I'm joining a little bit late. But your bookings were good but the book to bill, 1.3, is a little below your normal average. And I think, Tom, you alluded to some task order delays. Maybe give us a little bit more color, if you could, in terms of what did you see in delays in this quarter? And maybe looking to the second quarter, do you expect any catch up, or maybe some color in terms of what we should look for in the second quarter? Thank you.

John Mengucci
Yes, sure. Cai, Thanks. Look first off, I'm very pleased with our Q1 backlog of $22 billion—about 13% growth, year-over-year, as you mentioned, 1.3 times book-to-bill. And what I like to watch is 1.6 times, trailing 12 months.

Look, you all have heard me say many, many times, awards are lumpy. It's why I didn't shout from the mountain tops on a $4 billion order. It's why I don't get overly worried based on where we are today. There's a lot of trends that are out there changing, right?

Traditionally, I'd say we're in a mode of anything but being traditional. Our first quarter is sort of our largest quarter. I don't think that's going to be how this year plays out. We saw a few opportunities slide to the right, pretty much COVID related. But also keep in mind, we always see slippage. We just have a finer point on—that was the point that Tom made earlier.

On some of our larger task order work and some of our classified customer areas, since they're so directly impacted by COVID, because they're in SCIFs and the like, some of those classified task orders have not come out at the pace that we would have expected them. Will we see those in the second and the third quarter? Absolutely so. We also had a couple of bids that just didn't break our way, and that happens every quarter.

As for what we could see in the second, third, and fourth quarter, some of the slips that came out of first quarter will most likely show up second. We've got—I think we only have three jobs, Cai, that are out on protest, and we just had two of them solved this past quarter that both resolved in our favor.

So, I don't have a crystal ball quarter-to-quarter. What I can tell you is that I would expect CACI to have another very strong awards year. And clearly the awards we have in the first quarter, joined with our $22 billion in our backlog, has been more than sufficient for us to raise guidance in the first quarter. And we believe that kind of mix will support both top and bottom-line growth as we get towards the end of the year. And we start looking forward to FY ‘22.

QUESTION ON WHETHER THERE WERE ANY ADDITIONAL LOWER INDIRECT COSTS AS A RESULT OF COVID-19

Cai von Rumohr
Terrific. Thanks very much. So, you mentioned some of the COVID opportunities in terms of the new business picture. But when we think in terms of the cost side, were there any other pluses, near-term pluses, from COVID to your P and L? What I'm thinking specifically of—less travel than you budgeted because of COVID. And as a result, there's less cost. And if it's a fixed price contract, you can pick that up. Has that been a net plus to any extent?

Thomas Mutryn
Cai, this Tom. Yes, it is. I mentioned our indirect cost control. Indirect costs are flat versus last year: the fact that employees are not traveling; I'm not going to many investor conferences in person and staying at New York and Chicago hotels. All of those add up. It helped to drive profitability of less conference expense. And so, those are some short-term positive cost impacts.

We also saw a bit of a reduced medical spending. We saw that pronounced in the fourth quarter of last year, where people were reluctant to go to doctors or hospitals because of certain fears of going into areas which were potentially higher infection rates. And we continue to see some of that trend.

So, we're seeing some reduced medical expenses. Now, there could be some pent-up demand for those services, and they could rebound in the next few quarters. But that had some positive impact on the first quarter.

Operator
And the next question will be from Joseph DeNardi with Stifel. Please go ahead.

QUESTION ON THE MARGIN PROFILES OF THE EXPERTISE AND TECHNOLOGY REVENUE STREAMS

Joseph DeNardi
Yes. Good morning. John or Tom, can you provide a little bit of commentary around the margin profile of the two new revenue buckets—between Expertise and Technology? And if you could include some numbers in your answer, that would be helpful. Thank you.

Tom Mutryn
Yes. So, in the prepared remarks, I did mention that Technology is coming in at higher margins on average than Expertise, approximately 300 to 500 basis points. A relatively wide range I'm giving there for a couple of reasons. Every quarter it may fluctuate. And so, I want to have a range which is long-term sustainable. I don't have to adjust those numbers. But if you look at the midpoint of that, that's 400 basis points improved margin between the two.

And the question is why? And I think John in his remarks explained the why. Expertise is often more commodity-like. We're providing very capable individuals, but we don't have a lot of intellectual property concepts behind those. Technology—both Expertise Technology and Mission Technology—you have barriers to entry in terms of more sophisticated solutions. And as a result of that, they command higher margins.

QUESTION ON THE TOP CAPABILITIES THAT MANAGEMENT IS INTERESTED IN ACQUIRING

Joseph DeNardi
That's helpful. And then, can you just remind us, just from an M&A standpoint, what maybe the top two or three capabilities you're interested in acquiring would be? Thank you.

John Mengucci

Yes, Joe. We are based on strategy. We look at each of our markets twice each year. And when we look at that, we are going to focus on the Technology side first, whether it's on the Enterprise side or on the Mission side. So, anything within that area.

And I'd also say that, as we look at our portfolio, we always look to bring in new customers. In some areas, it's tough to break into customer sets. So, we may look at companies out there that have a different customer set than what we have, where we could move our Enterprise and our Mission Technology to them. So, I would say in a short, very much on the Technology front, very, very—not very deep looking at companies that can give us more of the same that we have in our Expertise side, especially on the Enterprise Expertise.

Operator
Thank you. And the next question comes from Matt Akers with Barclays. Please go ahead.

QUESTION ON THE INVESTMENT PARAMETERS OF CYBER, 5G, ELECTROMAGNETIC SPECTRUM, ARTIFICIAL INTELLIGENCE, AND AVT

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

John Mengucci
Morning, Matt.

Matt Akers
I wanted to touch on the kind of key investment areas you guys mentioned on Slide 7. Is it possible to kind of size those and maybe talk about how fast they're growing relative to this whole addressable market, either as standalone like products in themselves or, to the extent that they kind of touch some portion of the $230 billion addressable market?

John Mengucci
Yes, sure, Matt. So, let's see. I've chart seven up now. Let me talk about them. I'm not sure I've got growth rates and how each one grows, but I'll focus on the things that I'm focused on. First off, if they're on the chart, they're extremely important. Second, they garner the majority of my time and attention as well as the majority of our investment dollars.

Cyber is going to be out there. I don't think any of us can turn news on one night without hearing something about cyber. And really understanding what the news is talking about is—there's a lot of battles going on today that are in the electromagnetic spectrum. When I think about cyber for us, it's just as much offensive as it is defensive. We are keeping networks resilient, up and running. We're keeping inboxes clean of spam. But we're also looking at mission data links. So, think about command and control of satellites and munitions aboard flying aircraft. We understand how to—where to drop those munitions and how to prosecute war, because we understand GPS. We understand nav and timing. So, a lot of the cyber work is out there focused on driving more resilient networks. And I would tell you that, post COVID, we expect to see a material amount of growth within that area. Because I honestly believe that, across our customer set and across industry, we're going to need more secure networks for more of our folks to be home teleworking, more days than they are in one of my facilities or in one of our customer facilities.

On the 5G side, I mean, that's a technology explosion. We're working with our federal government customers as to how do they operationalize 5G. But having brought in the deep domain knowledge and multiple patents around how we connect devices wirelessly, we see quite a lot of growth there.

Electromagnetic spectrum is an area, frankly, that's a broad item. And I shared some of those examples earlier.

Artificial intel, we've been doing, as I've said, artificial intelligence long before we actually called it that. I throw machine learning in there, as well, Matt. All up, we are spending a little north of $100 million a year in both IR&D and bid and proposal funds focused on these four areas here.

So, it is very important—it's very important to us, because it's very important to our customers. And it's very important that they continue to fund those areas, which they are. And if it's important to our customers and they fund them well, it's important to us as a publicly traded company that it's absolutely important to our shareholders. We're doing all we absolutely can to change the game as to how companies deliver to the federal government to get back to that speed to field and make absolutely certain that our investments are in the right area. And thus far, we've been right more times than we've been wrong.

QUESTION ON THE PACE OF SECURITY CLEARANCES

Matt Akers
Got it. Thank you. That's helpful. I guess just one more on security clearances. In that process, I think there were maybe some delays earlier in the year. Can you just give us an update on how that's going?

John Mengucci
Yes, sure, Matt. We are starting to see that pick up. Just as we're returning to work and our customer facilities—our customers' employees are returning, as well. I don't think we're near full up pace. But if we were at 10% when we last talked, we're probably in a 50% to 60% realm now, which is about what we should expect through the months of November and December. And I'd like to hope that, by that point, many, many more in the government security clearing offices are fully back to where we can get back to a more sense of "normal".

Operator
Thank you. And the next question will be from Sheila Kahyaoglu with Jefferies. Please go ahead.

QUESTIONS ON DIFFERENCES BETWEEN TECHNOLOGY AND EXPERTISE IN FUNDING AND GROWTH, IN MARGIN AND MARGIN GROWTH POTENTIAL, AND IN MARKET GROWTH IN EACH

Sheila Kahyaoglu
Hi. Good morning, guys. Thanks for taking the time and just the disclosure around Technology and Expertise, I thought was pretty neat. So, I have three questions on that topic. First, if you could talk about the differences in the book-to-bill and the growth that you're seeing in those businesses. Second, Tom, I know you gave a few comments a little earlier on the margin differential, but maybe if you could talk about the margin difference thus far and the potential

looking forward, given it already represents 50% of sales. And then last one, I think this is just a clean-up item. But at the Analyst Day in 2019, you guys provided TAMs for these markets, a little differently with quadrants. You said Mission with a $90 billion TAM at 6% CAGR versus Technology today presented as $90 billion TAM, growing at 3%. So, just—I think it continues different quadrant wording. But if you could provide some clarity on those three items. Thanks.

John Mengucci
Okay, Well, Sheila, thanks. Well, we just start providing Expertise and Tech, and you are all over this, which is good for us.

Sheila Kahyaoglu
I like it!

John Mengucci
Great. Thank you.

Look, let me give you some broad comments, and we'll do our best between Tom and me. If I look at growth and the growth that we expect, we honestly haven't split out our backlog yet, by Expertise and Tech. That would be going back four to five years. We've been trying to be very, very careful about allowing people to follow new backlog along with us in the way that we put press announcements out there. The fact that Tom is sharing that three to five hundred bps, it's really to show why we're confident on growing margins year-over-year. Now, that gives you what it looked like in FY '20. I wouldn't be able to go back any further than that. But we would expect similar margins for similar work delivered.

So, if I look at a book-to-bill in each, when we had our Investor Day and were looking at the amount of work that we've bid, we're sort of around the 50/50 mark of Expertise and Technology in our recent bookings. And I would expect that to continue for the near future.

Margins—we do believe Tech is always going to be higher than Expertise. I'd also say that Expertise isn't bad work. So, I want to make absolutely certain that, when we talk about one being better than the other, if they weren't good for long term shareholder value, we wouldn't be in those markets at all.

Total addressable market, I think it's $145ish [billion] and the Expertise area, $90 billion in the TAM. And we're showing that compound growth rate of about 3%. That's looking at where the government's spending money, what their future flows are, and how we expect those things to grow. This is an outside piece of information that we get each and every year. We're very happy with a $90 billion addressable market when we're barely doing $3 billion worth of work there.

So, I would see us to continue to grow faster in Tech than in Expertise. I would expect us to continue to see higher margins in Tech than in Expertise. That's because there's a higher risk model when we do Technology work than when we do our Expertise work. It's not that the work is less valued, it's just that there are more folks providing expertise. It's tougher, as Tom mentioned earlier, to differentiate. And the risk model is I'm delivering talent. I'm not creating hardware and software and the like. Tom, anything you could add to those?

Thomas Mutryn

Shelia, in the prepared remarks, I did say that for the submitted bids, 60% of those are for Technology. And the bids to be submitted over the next six months, around 50% are Technology. So, I think 50/50ish. Very similar to the current breakout of Expertise and Technology. And as John mentioned, both areas have growth opportunities and pursuing those.

Now, we're not providing win rates, which we'll give future book-to-bill on those. But if you assume we're going after programs which we think we have a good probability to win, otherwise we would go after them, that there would be similar characteristics in book-to-bill would be a fair way to look at that.

And John didn't mention our press releases. Every time you put a new word out in your press release, we're very careful in the last a year or so to specify which quadrant that work is in. And so, that should be helpful to you trying to understand relative growth to those two areas.

John Mengucci
Shelia, let me just follow up, also. In the spirit of your question, we continually look at what information can we push out there when, one, we always have to balance that between you-all, who actually follow us and model, versus competitors, who are out there listening to what margins do we expect within these quadrants. So, it's, as I know you know, it's always—it's a dance, and it's a balance.

But we did make some guarantees at our last Investor Day that, once we could confidently track these quadrants, just like it was a GAAP measure, to make certain that as we did comparisons, we were treating it just as if it was GAAP. We're, right now, showing what we can show today. It doesn't say that we're not going to look for other ways to share more. So, we very much appreciate in the spirit of your question.

Operator
Thank you for the next question will come from Louie DiPalma with William Blair. Please go ahead.

QUESTION ON WHETHER CACI'S COUNTER-UAS EXPERTISE GIVES MANAGEMENT CONFIDENCE THAT THE COMPANY CAN WIN NEW AWARDS AND RECOMPETES IN THIS AREA

Louie DiPalma
John, Tom, Dan, and George, good morning.

John Mengucci
Good morning, Louie.

Louie DiPalma
Different reports suggest that unmanned systems will continue to be a focus area under a potential new presidential administration. In June, the Army named your SkyTracker and the Ascent Vision X-MADIS as two of its preferred counter-UAS solutions. Does your expertise, I mean track record, in this area give you high confidence that you can win like larger new awards in this space and also renew your $1.7 billion FS/DE task order when it comes up for renewal next year?

John Mengucci
Yes, Louis, thanks. I'll take your last question first. I won't provide too many comments. But we have provided outstanding support to both the counter-UAS offices and the like on our FS/DE contract, I think, that was initially awarded around $800 million or $900 million. And the team's done an outstanding job of growing that one by adding additional scope. So, all I'll say there is that we're well-positioned, and we have performed extremely well.

As to where the current administration or a new administration goes, yes, on the unmanned side we're more on the counter side, which is tracking unmanned assets. And as you mentioned, our fix—our mobile ones, we have quite an installed base today on the fixed side. We really can't talk a lot about customers who have bought it and where they are. All I can tell you is that we like what the installation rate is of our fixed systems as well as mobile. And the more quickly we can take modalities such as EO/IR that are very prevalent in an AVT solution and get those EO/IR assets onto our fixed-site solutions—every time we have a new modality, meaning a new way we can look for counter-UAS is you can do that in the RF spectrum. You can do that EO/IR. You can do that with binoculars. I mean, there's a plethora of ways. But the more we can bring all that information in, it actually presents a much clearer picture.

Now, where I look at unmanned systems, that to me, my mind moves to payloads that are on unmanned vehicles out there. And that brings to light what AVT does on EO/IR side. We would expect a portion of their growth to be supporting vendors who build those types of platforms. Both here in the U.S. and across our Five Eyes country partners, when we did the AVT acquisition, they have a small group in Australia. They are developing software and the like, which is exportable back here to the US. We also have a group of folks who are indigenous to Australia, which means we are allowed to go after that work as well. So, all in all, every dollar they can spend, either in the unmanned vehicle world or countering those is a dollar of absolute perfect addressable market dollars for CACI.

QUESTION ON WHETHER CACI CAN PLAY A ROLE IN UNMANNED PROGRAMS

Louie DiPalma
Great, John. So, are you saying with that payload commentary that you think that you could play a role in the Skyborg program that they've been trying to develop over the past month or so?

John Mengucci
Yes, Louis, as far as outreaches that we believe we will be a partner player as unmanned systems continue to get, not only developed, but continue to expand. I've been reading on where the U.S. Air Force is looking at man plus unmanned.

What I like about what we have on AVT, it's a full digital device. It does all onboard processing. It has AI and machine learning. And when you're looking at EO/IR returns, an analyst would much rather have the EO/IR gimbal and that system pre-process and learn as much about the terrain that the EO/IR ball is actually flying over, because that's less burden on intel analysts to take all that information, sort through it, and look for areas of change.

So, I won't single out Skyborg, but I will tell you anything that is flying on unmanned as well as manned is a great potential new customer for what AVT delivers.

Louie DiPalma

Thanks.

Operator
The next question is from Mariana Perez Mora with Bank of America. Please go ahead.

QUESTION ON WHAT CACI MANAGEMENT BELIEVES ARE THE CHANGES IN GROWTH RATES IN EXPERTISE AND TECHNOLOGY

Mariana Perez Mora
Good morning, everyone. So, if I may first, I'm going to do a follow up to Shelia's question and then on the M&A front. So, first one, I understand it (indiscernible) you receive from third party, but what do you think is the main driver for an average outlook on the next five years growth on addressable markets to be about half it was a year ago?

John Mengucci
Okay, I think the question was around five-year growth rates, Mariana?

Mariana Perez Mora
Yes, around five years growth rates, because the one you shared today is 1% growth was Expertise, 2% was Technology. And that is about half in a different place than a year ago. On Investor Day, you shared 2% growth of Enterprise and 6% growth expected at Mission market.

John Mengucci
Yes. Gotcha. Thank you. Yes, so, when I look at these numbers, and as I think we might have mentioned around Sheila's area as well, we're looking at compound annual growth rates over a five-year period. What I'm focused on is, last year as a company, we were about $230 billion addressable market. Now we're at about $235 billion total addressable market. We end up picking up more in both of those areas, because of some of the acquisitions that we've done, and that actually allows us to go after more and more work.

Those compound annual growth rates, when we look out five years, we have federal government budgets for about three. So, some of these are estimates. And when you get out to years four and five, the actual shape of that curve is more like a turtle shell, right? It humps up and then it gradually comes down. So, we're actually looking at the full five-year growth when we disclose five-year CAGR.

What's very relevant to us is over the next 2 to 2.5 year, what does that growth rate looks like? Because our fees come out about two years ahead of when we're looking to bid on this work. So, all in all, $235 billion addressable market, $6 billion company. I won't say it doesn't matter what that CAGR is, because it does, but we've got plenty of new business we can go out there and chase.

QUESTION ON WHETHER CACI WOULD POTENTIALLY ACQUIRE A TECHNOLOGY SERVICES BUSINESS THAT MAY BE DIVESTED

Mariana Perez Mora
Thank you. And then, on the M&A front, I wonder if you could speak about M&A pipeline related to this: yesterday, there were some remarks about a defense prime willing to divest its

Technology Services business. Would you be interested in pursuing such a large acquisition? What are the lessons you learned from the CSRA experience?

John Mengucci
Yes, I mean, it's not our policy to comment on specific M&A items, and I believe the question was around Amazon looking to divest some of their things.

I mean, at the end of the day, M&A is our number one priority. Our M&As are very strategically driven. We use them to fill gaps to enhance existing capabilities. We use them to expand our customer base for everything, which is out there for any deal that we end up doing. It's got to fill gaps. It's got to expand our customer base. It's got to meet our strategic criteria. It's got to—is it financially compelling? If I had those capabilities and those customer sets, would that drive long term shareholder value?

So, there's so many things that we assess, and we continue to assess with on a daily basis. But at the end of the day, they all have to pass some very stringent measures and things that we're interested in. The fact that it's the number one use of our capital means it's an extremely important feature and focus by both Tom and I and the rest of the team here. So—and whether they're large or small, they have to meet all these criteria. And we're very confident in our ability to execute and integrate. Tom, anything to add?

Tom Mutryn
Yes, I will add on to what John said. Simply put, when we look at an acquisition, the key question is: is this going to drive shareholder value. Here is CACI in the absence of the acquisition with a theoretical price trajectory over time. With the acquisition, will we drive value to our shareholders? And we use that same criteria whether we're looking at small opportunities or large opportunities, and that is something that we take very seriously.

And there was an earlier question with regards on possible share repurchases. Within that context, there's always alternatives. How do we drive that value? And that is what the team and the Board of Directors are primarily focused on.

Operator
Thank you. Our next question will come from Jon Raviv with Citi. Please go ahead.

QUESTION ON HOW MANAGEMENT SEES INVESTING IN CUSTOMERS' NEEDS NOW VERSUS FIVE OR MORE YEARS AGO

Jon Raviv
Thanks for fitting me in. So, just for me, on talking about the (inaudible), just give us a sense of how that's different from 5 or even 10 or 15 years ago. I'm thinking about IR and D or capex, (inaudible) could that approach take some of the linearity out of your preference (inaudible).

John Mengucci
Hey, Jon, I hate to have to do this, but your question was breaking up. Do you mind giving it to us one more one more time so I'm answering the right thing?

Jon Raviv
That's my fault. I apologize for that. Can you hear me alright?

John Mengucci
Yes. Yes, perfect.

Jon Raviv
We've got some big storms coming through the area here. So, the question was about the investing ahead of customer need. How is that different from five, ten, even 15 years ago thinking about IR and D as a percentage of sales, capex as a percentage of sales? And importantly, could that approach take some of the linearity out of your growth—for instance, a big competition or a win in a given year, potentially setting margin, or cash flow back on year-on-year basis?

John Mengucci
Okay, Jon, thank you, and sorry to have you repeat that.

Look—yeah, yeah. So, we—this focus on investing ahead of the—clearly the percent of IR and D spend over the last five to ten years, you could draw quite a highly sloped curve as well as capex, right? But we've tried to do that in a balanced manner, right? We didn't triple capex and double IR and D. What we really are doing is we're always looking out two to three years and saying where's the threat? Where are the threats? How will we play within those threats? Are we prime or a sub? Are we a technology provider to someone larger, or do we go at these things on our own?

Linearity is tough, right? I mean, I don't, today, look at a situation where we would come in and fall prey to I have to invest so much money to grow that I've got to take my margins down. Okay? Now, if we win a multi-billion-dollar device production job, we have to do some near-term investments, perhaps. But in the normal course of business, all things being equal, we're going to continue to invest ahead of need in a very responsible manner, because our focus is to grow top and bottom line and never sacrifice one for the other. I think I've said many, many times, I could grow top line pretty quickly, but I wouldn't have very happy shareholders, because to us it's a balance.

At the end of the day, margins on work and quality of earnings matters, and that drives cash. So, nothing that I see in the foreseeable future that would cause us to do anything different than what we have done.

Tom Mutryn
This is Tom. I will add that what we're able to do is both control indirect costs and invest simultaneously. And some of the cost improvement initiatives—the shared service center, other types of activities—provide some flexibility for us to simultaneously make various investments. And so, and as we get larger in terms of an organization, it gives us more optionality to make those types of technology investments, while delivering margin enhancements, which we are committed to. So, that's one of the differences today than where we were a few years ago. We didn't have that luxury or the wherewithal to make those larger investments. John mentioned over $100 million in B and P and IR and D. And again, we're able to do that in the context of increasing market.

John Mengucci
Great. Thank you so much, everyone.

John Mengucci
Thanks, John.

Operator
Ladies and gentlemen, this concludes our question-and-answer session. I would like to turn the conference back over to John Mengucci for any closing remarks.

CEO CLOSING REMARKS

John Mengucci
Thanks, Chad, and thank you for your help on today's call. We would like to thank everyone who dialed in or listen 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 available after today's call. Please stay healthy and all my best to you and your families. This concludes our call. Thank you and have a great day.

Operator
And thank you, sir. The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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