

# CACI International Inc

## Q2 FY22 Earnings Conference Call

January 27, 2022



# Forward-looking Statements

There are statements made herein that do not address historical facts and, therefore, could be interpreted to be forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such statements are subject to risk factors that could cause actual results to be materially different from anticipated results. These risk factors include, but are not limited to, the following: our reliance on U.S. government contracts, which includes general risk around the government contract procurement process (such as bid protest, small business set asides, loss of work due to organizational conflicts of interest, etc.) and termination risks; significant delays or reductions in appropriations for our programs and broader changes in U.S. government funding and spending patterns; legislation that amends or changes discretionary spending levels or budget priorities, such as for homeland security or to address global pandemics like COVID-19; legal, regulatory, and political change from successive presidential administrations that could result in economic uncertainty; changes in U.S. federal agencies, current agreements with other nations, foreign events, or any other events which may affect the global economy, including the impact of global pandemics like COVID-19; the results of government audits and reviews conducted by the Defense Contract Audit Agency, the Defense Contract Management Agency, or other governmental entities with cognizant oversight; competitive factors such as pricing pressures and/or competition to hire and retain employees (particularly those with security clearances); failure to achieve contract awards in connection with re-competes for present business and/or competition for new business; regional and national economic conditions in the United States and globally, including but not limited to: terrorist activities or war, changes in interest rates, currency fluctuations, significant fluctuations in the equity markets, and market speculation regarding our continued independence; our ability to meet contractual performance obligations, including technologically complex obligations dependent on factors not wholly within our control; limited access to certain facilities required for us to perform our work, including during a global pandemic like COVID-19; changes in tax law, the interpretation of associated rules and regulations, or any other events impacting our effective tax rate; changes in technology; the potential impact of the announcement or consummation of a proposed transaction and our ability to successfully integrate the operations of our recent and any future acquisitions; our ability to achieve the objectives of near term or long-term business plans; the effects of health epidemics, pandemics and similar outbreaks may have material adverse effects on our business, financial position, results of operations and/or cash flows; and other risks described in our Securities and Exchange Commission filings.

# On Today's Call



John Mengucci  
President and Chief  
Executive Officer



Thomas Mutryn  
Chief Financial Officer

# Q2 FY22 Performance

Revenue **+1.2%** as reported, **~1%** organic

Technology revenue **+9%**

Adjusted EBITDA Margin **10.6%**<sup>1</sup>

**Robust** free cash flow of **\$117 million**<sup>1</sup>

**Strong** contract awards of **\$2.0 billion**; **~70%** new business to CACI

Trailing twelve months (TTM) book-to-bill **1.6x**

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

# Budget and Market Environment

## Headwinds appeared during Q2

- Increase in COVID cases limiting customer engagement and slowing some ramp-ups
- Slowing pace of task orders, including some Technology
- Supply chain challenges

Modestly reducing FY22 guidance to reflect headwinds continuing in 2H

Headwinds are short-term and not impacting **customer demand or long-term growth opportunities**

# Strong Awards

Contract awards of **\$2.0 billion** include nearly **\$600 million** of unannounced classified contracts

Cyber, Electromagnetic Spectrum, and Software-defined Technology

Enabled by both organic investments and M&A

Classified awards include a **multi-hundred million sole-source** renewal, **new business** wins, and **expansion** of existing work

Continue to see good demand for **network and digital application modernization**

# Capital Deployment

Continue to **invest ahead of need** and deploy capital to drive **long-term shareholder value**

Acquired **two Technology companies** in Q2

## SA Photonics

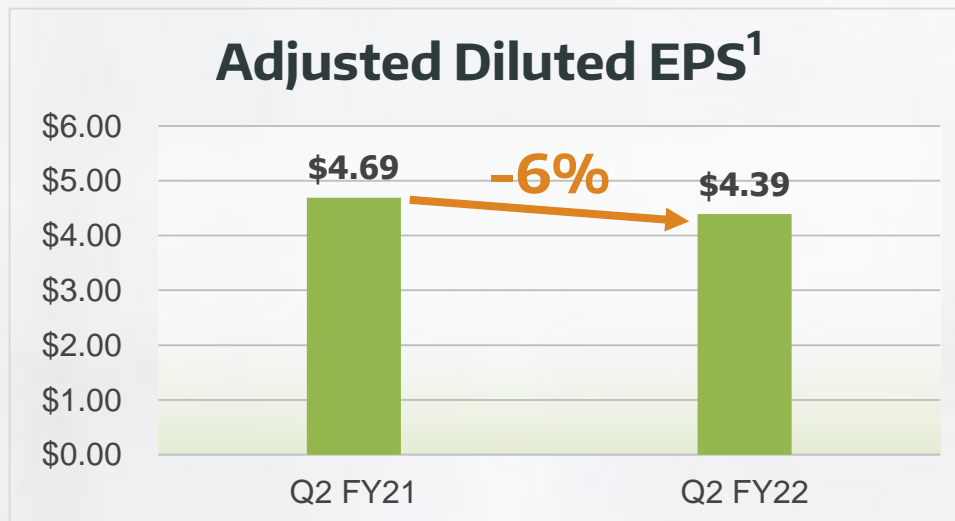
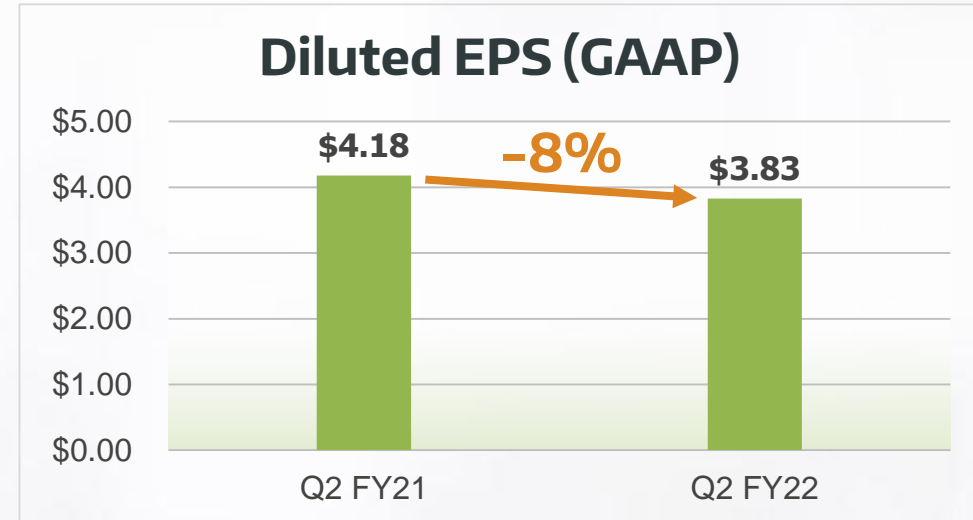
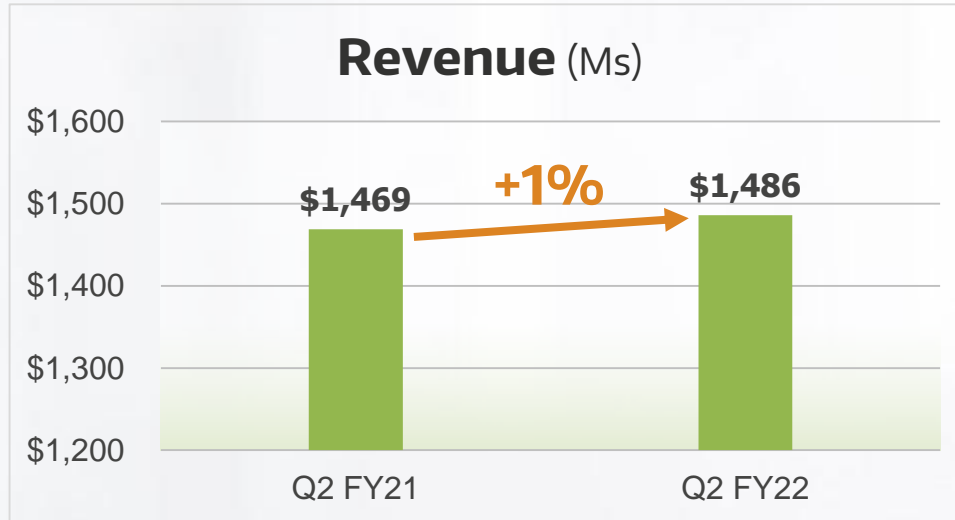
Photonics technologies for free space optical communications (“laser comms”)  
Combination with CACI creates THE leading U.S.-based photonics provider

## ID Technologies

Technology addressing NSA’s Commercial Solutions for Classified (CSfC), enabling networking modernization and secure remote access  
Complements CACI’s existing network modernization capabilities



# Q2 Financial Summary



**Organic** revenue growth of ~1%

**Technology** revenue +9%

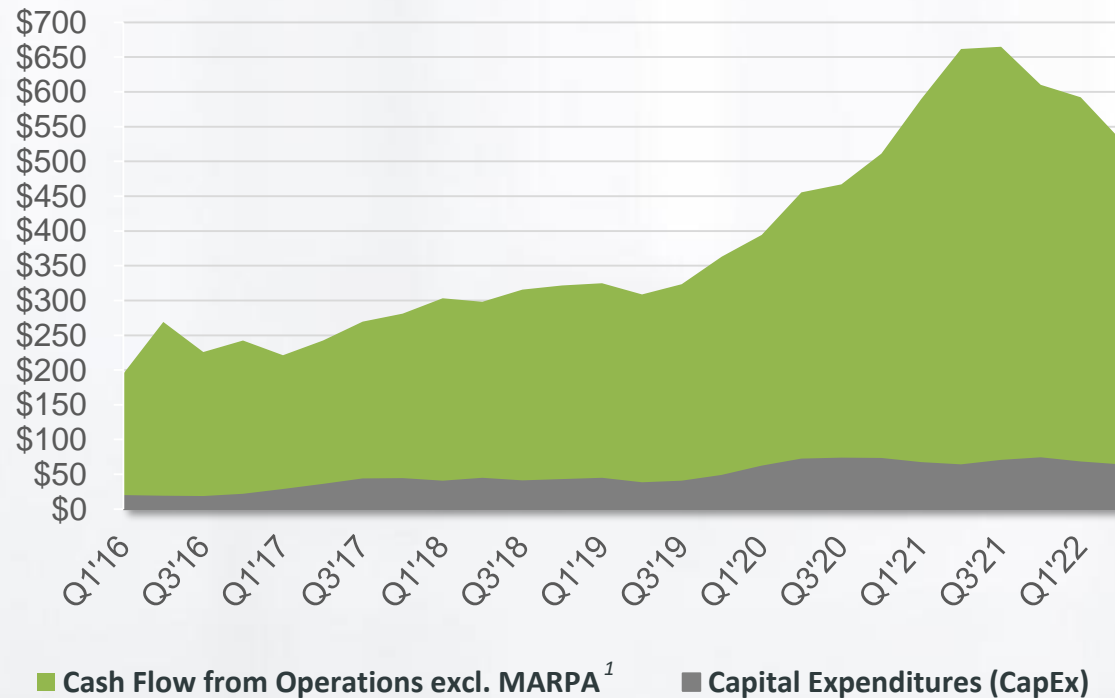
Adjusted EBITDA Margin of **10.6%**<sup>1</sup>

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

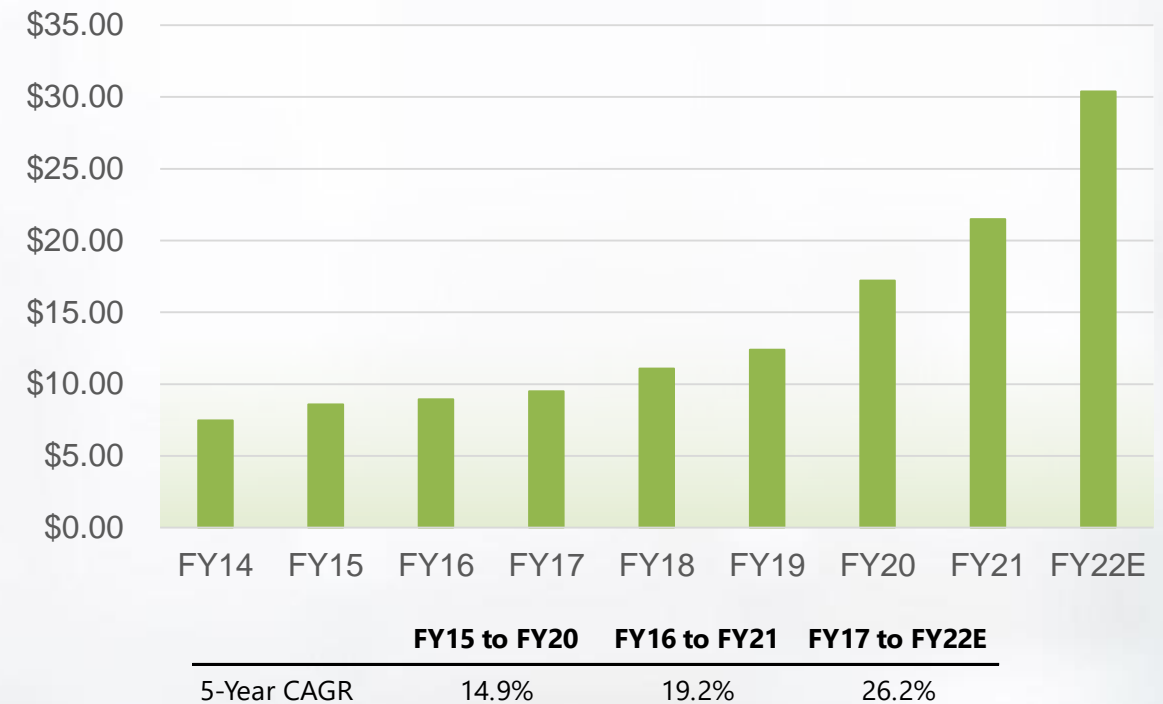


# Strong Cash Flow

**Cash Flow<sup>1</sup> and CapEx**  
(millions, TTM)



**Free Cash Flow (FCF) per Share<sup>1</sup>**



<sup>1</sup> Excludes CACI's Master Accounts Receivable Purchase Agreement (MARPA). FY20 includes CARES Act payroll tax deferral benefit of ~\$41 million. FY21 includes CARES Act payroll tax deferral benefit of ~\$53 million and tax payment of ~\$90 million due to certain tax elections. FY22E includes estimated tax benefits of ~\$230 million and repayment of payroll tax deferral of ~\$47 million. See slides at the end of this presentation for definitions and reconciliations of non-GAAP measures.

**FY22E is based on guidance provided on January 26, 2022.** Investors are reminded that actual results may differ from these estimates for reasons described in the Company's Safe Harbor Statement and filings with the SEC.

# Deploying Capital for Growth – Q2 Acquisitions

Acquired two **Technology** companies

Total consideration ~**\$500 million**

FY22 expected revenue contribution ~**\$120 million**

SA Photonics ~**\$25 million** in revenue

IDT ~**\$95 million** in revenue

Both businesses **investing** to support significant future growth

Investments expected to reduce FY22 Adjusted EBITDA margin by 10 basis points

# Updating FY22 Guidance

	FY22 Guidance
<b>Revenue</b> (millions)	<b>\$6,300 – \$6,400</b>
<b>Adjusted Net Income<sup>1</sup></b> (millions)	<b>\$430 – \$440</b>
<b>Adjusted Diluted EPS<sup>1</sup></b>	<b>\$18.14 – \$18.57</b>
<b>Free Cash Flow<sup>1</sup></b> (millions)	<b>At least \$720</b>

**Organic** revenue growth of **~2.5%** at the midpoint, incl. Afghanistan headwind (2%)

Adj. EBITDA Margin<sup>1</sup> of **~10.7%**  
(incl. 10 bps impact from acquisitions)

Depreciation & amortization of **~\$142 million**

Diluted shares outstanding expected to be **~23.7 million**

Capital expenditures of **~\$90 million**

***This guidance represents CACI views as of January 26, 2022. Investors are reminded that actual results may differ from these estimates for reasons described in the Company's Safe Harbor Statement and filings with the SEC.***

*(1) For additional information regarding non-GAAP measures, please see the related explanation and reconciliation slides at the end of this presentation.*

# Positive Forward Indicators

**93%**

Existing Business

**STRONG**

Performance

**Strong** Q2 FY22 contract awards of **\$2.0 billion**

*TTM Book-to-Bill of 1.6x*

**4%**

Recompetes

**HIGH**

Win Rate

Backlog of **\$24.1 billion**, +8% YoY

Pipeline of submitted bids: **\$7.0 billion**

*~80% for new business to CACI*

**3%**

New Business

**QUALITY**

Pipeline

Bids expected to be submitted in the next two quarters: **\$16.7 billion**

*>80% for new business to CACI*

# Continuing to Execute

Delivering solid **organic growth, healthy** margins, and **robust** cash flow

Near-term headwinds do not change significant **long-term growth** opportunities

**Investing** ahead of customer need drives **strong** awards and **growing** backlog

CACI positioned to generate long-term **growth**, margin **expansion**, **free cash flow** per share, and **shareholder value**

Our **talented, innovative, diverse employees** committed to success

# Definitions of Non-GAAP Measures

Adjusted net income and Adjusted diluted EPS are non-GAAP performance measures. We define Adjusted net income and Adjusted diluted EPS as GAAP net income and GAAP diluted EPS, respectively, excluding intangible amortization expense and the related tax impact as we do not consider intangible amortization expense to be indicative of our core operating performance. We believe that these performance measures provide management and investors with useful information in assessing trends in our ongoing operating performance, provide greater visibility in understanding the long-term financial performance of the Company, and allow investors to more easily compare our results to results of our peers. These non-GAAP measures should not be considered in isolation or as a substitute for performance measures prepared in accordance with GAAP.

The Company views Adjusted EBITDA and Adjusted EBITDA margin, both of which are defined as non-GAAP measures, as important indicators of performance, consistent with the manner in which management measures and forecasts the Company's performance. Adjusted EBITDA is a commonly used non-GAAP measure when comparing our results with those of other companies. We define Adjusted EBITDA as GAAP net income plus net interest expense, income taxes, depreciation and amortization expense (including depreciation within direct costs), and earnout adjustments. We consider Adjusted EBITDA to be a useful metric for management and investors to evaluate and compare the ongoing operating performance of our business on a consistent basis across reporting periods, as it eliminates the effect of non-cash items such as depreciation of tangible assets, amortization of intangible assets primarily recognized in business combinations, as well as the effect of earnout gains and losses, which we do not believe are indicative of our core operating performance. Adjusted EBITDA margin is adjusted EBITDA divided by revenue. These non-GAAP measures should not be considered in isolation or as a substitute for performance measures prepared in accordance with GAAP.

The Company defines Net cash provided by operating activities excluding MARPA, a non-GAAP measure, as net cash provided by operating activities calculated in accordance with GAAP, adjusted to exclude cash flows from CACI's Master Accounts Receivable Purchase Agreement (MARPA) for the sale of certain designated eligible U.S. government receivables up to a maximum amount of \$200.0 million. Free cash flow is a non-GAAP liquidity measure and may not be comparable to similarly titled measures used by other companies. The Company defines Free cash flow as Net cash provided by operating activities excluding MARPA, less payments for capital expenditures. Free cash flow per share is computed by dividing free cash flow, as defined here, by the diluted weighted average number of common shares outstanding. The Company uses these non-GAAP measures to assess our ability to generate cash from our business operations and plan for future operating and capital actions. We believe this measure allows investors to more easily compare current period results to prior period results and to results of our peers. Free cash flow does not represent residual cash flows available for discretionary purposes and should not be used as a substitute for cash flow measures prepared in accordance with GAAP.

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

# Reconciliation of Net Income to Adjusted Net Income and Diluted EPS to Adjusted Diluted EPS (Unaudited)

(in thousands, except per share data)

	Three Months Ended			Six Months Ended		
	12/31/2021	12/31/2020	% Change	12/31/2021	12/31/2020	% Change
Net income, as reported	\$ 90,299	\$ 106,478	-15.2%	\$ 178,408	\$ 200,122	-10.9%
Intangible amortization expense	18,054	17,478	3.3%	35,647	33,612	6.1%
Tax effect of intangible amortization <sup>1</sup>	(4,747)	(4,595)	3.3%	(9,373)	(8,838)	6.1%
Adjusted net income	<u>\$ 103,606</u>	<u>\$ 119,361</u>	<u>-13.2%</u>	<u>\$ 204,682</u>	<u>\$ 224,896</u>	<u>-9.0%</u>

	Three Months Ended			Six Months Ended		
	12/31/2021	12/31/2020	% Change	12/31/2021	12/31/2020	% Change
Diluted EPS, as reported	\$ 3.83	\$ 4.18	-8.4%	\$ 7.52	\$ 7.86	-4.3%
Intangible amortization expense	0.77	0.69	11.6%	1.50	1.32	13.6%
Tax effect of intangible amortization <sup>1</sup>	(0.21)	(0.18)	16.7%	(0.39)	(0.35)	11.4%
Adjusted diluted EPS	<u>\$ 4.39</u>	<u>\$ 4.69</u>	<u>-6.4%</u>	<u>\$ 8.63</u>	<u>\$ 8.83</u>	<u>-2.3%</u>

(in millions, except per share amounts)

	FY22 Guidance Range		
	Low End		High End
Net income, as reported	\$ 375	---	\$ 385
Intangible amortization expense	74	---	74
Tax effect of intangible amortization <sup>1</sup>	(20)	---	(20)
Adjusted net income	<u>\$ 430</u>	---	<u>\$ 440</u>

	FY22 Guidance Range		
	Low End		High End
Diluted EPS, as reported	\$ 15.83	---	\$ 16.26
Intangible amortization expense	3.13	---	3.13
Tax effect of intangible amortization <sup>1</sup>	(0.82)	---	(0.82)
Adjusted diluted EPS	<u>\$ 18.14</u>	---	<u>\$ 18.57</u>

(1) Calculation uses an assumed statutory tax rate of 26.3% on non-GAAP tax deductible adjustments.

Note: Numbers may not sum due to rounding.

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



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

	Three Months Ended			Six Months Ended		
	12/31/2021	12/31/2020	% Change	12/31/2021	12/31/2020	% Change
(in thousands)						
Net income	\$ 90,299	\$ 106,478	-15.2%	\$ 178,408	\$ 200,122	-10.9%
Plus:						
Income taxes	22,799	25,974	-12.2%	51,321	56,774	-9.6%
Interest income and expense, net	11,009	9,087	21.2%	21,407	19,067	12.3%
Depreciation and amortization expense, including amounts within direct costs	33,918	33,041	2.7%	67,829	64,053	5.9%
Adjusted EBITDA	\$ 158,025	\$ 174,580	-9.5%	\$ 318,965	\$ 340,016	-6.2%

	Three Months Ended			Six Months Ended		
	12/31/2021	12/31/2020	% Change	12/31/2021	12/31/2020	% Change
(in thousands)						
Revenues, as reported	\$ 1,485,778	\$ 1,468,711	1.2%	\$ 2,976,676	\$ 2,928,217	1.7%
Adjusted EBITDA	158,025	174,580	-9.5%	318,965	340,016	-6.2%
Adjusted EBITDA margin	10.6%	11.9%		10.7%	11.6%	

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

# Reconciliation of Net Cash Provided by Operating Activities to Net Cash Provided by Operating Activities Excluding MARPA and to Free Cash Flow (Unaudited)

(in thousands)	Three Months Ended		Six Months Ended	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Net cash provided by operating activities	\$ 122,812	\$ 205,387	\$ 308,765	\$ 382,287
Cash used in (provided by) MARPA	6,038	(15,553)	(5,451)	242
Net cash provided by operating activities excluding MARPA	128,850	189,834	303,314	382,529
Capital expenditures	(11,429)	(15,591)	(21,632)	(31,873)
Free cash flow	<u>\$ 117,421</u>	<u>\$ 174,243</u>	<u>\$ 281,682</u>	<u>\$ 350,656</u>

(in millions)	<u>FY22 Guidance</u>
Net cash provided by operating activities <sup>1</sup>	\$ 810
Cash used in (provided by) MARPA	-
Net cash provided by operating activities excluding MARPA	810
Capital expenditures	(90)
Free cash flow	<u>\$ 720</u>

(1) Includes estimated tax benefits of \$230 million related to certain tax elections, as well as payroll tax deferral repayment of approximately \$47 million.

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

# Reconciliation of Net Cash Provided by Operating Activities to Net Cash Provided by Operating Activities Excluding MARPA, to Free Cash Flow, and to Free Cash Flow per share (Unaudited)

	Twelve Months Ended									
(in thousands, except per share data)	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022 (E)	
Net cash provided by operating activities	\$ 203,470	\$ 226,862	\$ 242,577	\$ 281,250	\$ 321,460	\$ 555,297	\$ 518,705	\$ 592,215	\$ 810,000	
Cash used in (provided by) MARPA	-	-	-	-	-	(192,527)	(7,473)	17,973	-	
Net cash provided by operating activities excluding MARP	203,470	226,862	242,577	281,250	321,460	362,770	511,232	610,188	810,000	
Capital expenditures	(15,279)	(17,444)	(20,835)	(43,268)	(41,594)	(47,902)	(72,303)	(73,129)	(90,000)	
Free cash flow	\$ 188,191	\$ 209,418	\$ 221,742	\$ 237,982	\$ 279,866	\$ 314,868	\$ 438,929	\$ 537,059	\$ 720,000	
Diluted weighted average shares outstanding	25,155	24,388	24,802	25,069	25,255	25,395	25,485	24,992	23,700	
Free cash flow per share	\$ 7.48	\$ 8.59	\$ 8.94	\$ 9.49	\$ 11.08	\$ 12.40	\$ 17.22	\$ 21.49	\$ 30.38	
						5-Year CAGR	10.6%	14.9%	19.2%	26.2%

Note: 6/30/2022 (E) reflects estimate for fiscal year 2022 based on financial guidance provided.

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