

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 001-31400

CACI International Inc

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

54-1345888
(I.R.S. Employer
Identification No.)

12021 Sunset Hills Road, Reston, VA 20190
(Address of principal executive offices)

(703) 841-7800
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	CACI	New York Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 12, 2022, there were 23,496,936 shares outstanding of CACI International Inc's common stock, par value \$0.10 per share.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

CACI INTERNATIONAL INC

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Three Months Ended September 30,	
	2022	2021
Revenues	\$ 1,605,759	\$ 1,490,898
Costs of revenues:		
Direct costs	1,055,772	974,171
Indirect costs and selling expenses	382,081	357,106
Depreciation and amortization	35,103	32,592
Total costs of revenues	1,472,956	1,363,869
Income from operations	132,803	127,029
Interest expense and other, net	16,193	10,398
Income before income taxes	116,610	116,631
Income taxes	27,485	28,522
Net income	\$ 89,125	\$ 88,109
Basic earnings per share	\$ 3.81	\$ 3.74
Diluted earnings per share	\$ 3.76	\$ 3.70
Weighted-average basic shares outstanding	23,420	23,560
Weighted-average diluted shares outstanding	23,678	23,844

See Notes to Unaudited Condensed Consolidated Financial Statements

CACI INTERNATIONAL INC

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Three Months Ended September 30,	
	2022	2021
Net income	\$ 89,125	\$ 88,109
Other comprehensive (loss) income:		
Foreign currency translation adjustment	(17,489)	(6,762)
Change in fair value of interest rate swap agreements, net of tax	15,529	2,214
Other comprehensive loss, net of tax	(1,960)	(4,548)
Comprehensive income	<u>\$ 87,165</u>	<u>\$ 83,561</u>

See Notes to Unaudited Condensed Consolidated Financial Statements

CACI INTERNATIONAL INC
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	September 30, 2022	June 30, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 136,636	\$ 114,804
Accounts receivable, net	794,777	926,144
Prepaid expenses and other current assets	194,579	168,690
Total current assets	1,125,992	1,209,638
Goodwill	4,052,778	4,058,291
Intangible assets, net	561,564	581,385
Property, plant and equipment, net	199,817	205,622
Operating lease right-of-use assets	309,474	317,359
Supplemental retirement savings plan assets	94,156	96,114
Accounts receivable, long-term	10,623	10,199
Other long-term assets	170,478	150,823
Total assets	\$ 6,524,882	\$ 6,629,431
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 30,625	\$ 30,625
Accounts payable	229,366	303,443
Accrued compensation and benefits	373,860	405,722
Other accrued expenses and current liabilities	331,980	287,571
Total current liabilities	965,831	1,027,361
Long-term debt, net of current portion	1,597,055	1,702,148
Supplemental retirement savings plan obligations, net of current portion	102,580	102,127
Deferred income taxes	311,283	356,841
Operating lease liabilities, noncurrent	307,391	315,315
Other long-term liabilities	92,172	72,096
Total liabilities	\$ 3,376,312	\$ 3,575,888
COMMITMENTS AND CONTINGENCIES		
Shareholders' equity:		
Preferred stock \$0.10 par value, 10,000 shares authorized, no shares issued or outstanding	—	—
Common stock \$0.10 par value, 80,000 shares authorized; 42,826 shares issued and 23,422 outstanding at September 30, 2022 and 42,820 shares issued and 23,416 outstanding at June 30, 2022	4,283	4,282
Additional paid-in capital	579,511	571,650
Retained earnings	3,645,006	3,555,881
Accumulated other comprehensive loss	(33,036)	(31,076)
Treasury stock, at cost (19,404 and 19,404 shares, respectively)	(1,047,329)	(1,047,329)
Total CACI shareholders' equity	3,148,435	3,053,408
Noncontrolling interest	135	135
Total shareholders' equity	3,148,570	3,053,543
Total liabilities and shareholders' equity	\$ 6,524,882	\$ 6,629,431

See Notes to Unaudited Condensed Consolidated Financial Statements

CACI INTERNATIONAL INC

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 89,125	\$ 88,109
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	35,103	32,592
Amortization of deferred financing costs	564	576
Non-cash lease expense	17,319	16,960
Stock-based compensation expense	8,439	6,669
Deferred income taxes	(31,177)	(4,461)
Changes in operating assets and liabilities, net of effect of business acquisitions:		
Accounts receivable, net	126,859	108,236
Prepaid expenses and other assets	(34,438)	(24,085)
Accounts payable and other accrued expenses	(52,598)	(16,235)
Accrued compensation and benefits	(31,048)	(40,521)
Income taxes payable and receivable	35,514	31,444
Operating lease liabilities	(19,903)	(16,076)
Long-term liabilities	1,084	2,745
Net cash provided by operating activities	144,843	185,953
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(12,771)	(10,203)
Acquisition of businesses, net of cash acquired	—	(116,273)
Net cash used in investing activities	(12,771)	(126,476)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings under bank credit facilities	378,000	548,000
Principal payments made under bank credit facilities	(483,656)	(589,730)
Proceeds from employee stock purchase plans	2,791	2,911
Repurchases of common stock	(2,647)	(2,472)
Payment of taxes for equity transactions	(584)	(426)
Net cash used in financing activities	(106,096)	(41,717)
Effect of exchange rate changes on cash and cash equivalents	(4,144)	(1,361)
Net change in cash and cash equivalents	21,832	16,399
Cash and cash equivalents at beginning of period	114,804	88,031
Cash and cash equivalents at end of period	\$ 136,636	\$ 104,430
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for income taxes	\$ 20,786	\$ 518
Cash paid during the period for interest	\$ 13,485	\$ 9,383
Non-cash financing and investing activities:		
Landlord sponsored tenant incentives	\$ 1,443	\$ 724
Accrued capital expenditures	\$ 401	\$ 227

See Notes to Unaudited Condensed Consolidated Financial Statements

CACI INTERNATIONAL INC

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands)

	Common Stock		Additional	Retained	Accumulated	Treasury Stock		Total CACI	Noncontrolling	Total
	Shares	Amount	Paid-in Capital	Earnings	Other Comprehensive Income (Loss)	Shares	Amount	Shareholders' Equity	Interest	Shareholders' Equity
Balance at June 30, 2022	42,820	\$ 4,282	\$ 571,650	\$ 3,555,881	\$ (31,076)	19,404	\$ (1,047,329)	\$ 3,053,408	\$ 135	\$ 3,053,543
Net income	—	—	—	89,125	—	—	—	89,125	—	89,125
Stock-based compensation expense	—	—	8,439	—	—	—	—	8,439	—	8,439
Tax withholdings on restricted share vestings	6	1	(436)	—	—	—	—	(435)	—	(435)
Other comprehensive loss, net of tax	—	—	—	—	(1,960)	—	—	(1,960)	—	(1,960)
Repurchases of common stock	—	—	(182)	—	—	9	(2,465)	(2,647)	—	(2,647)
Treasury stock issued under stock purchase plans	—	—	40	—	—	(9)	2,465	2,505	—	2,505
Balance at September 30, 2022	<u>42,826</u>	<u>\$ 4,283</u>	<u>\$ 579,511</u>	<u>\$ 3,645,006</u>	<u>\$ (33,036)</u>	<u>19,404</u>	<u>\$ (1,047,329)</u>	<u>\$ 3,148,435</u>	<u>\$ 135</u>	<u>\$ 3,148,570</u>
Balance at June 30, 2021	42,676	\$ 4,268	\$ 484,260	\$ 3,189,087	\$ (36,291)	19,122	\$ (976,181)	\$ 2,665,143	\$ 135	\$ 2,665,278
Net income	—	—	—	88,109	—	—	—	88,109	—	88,109
Stock-based compensation expense	—	—	6,669	—	—	—	—	6,669	—	6,669
Tax withholdings on restricted share vestings	34	3	(276)	—	—	—	—	(273)	—	(273)
Other comprehensive loss, net of tax	—	—	—	—	(4,548)	—	—	(4,548)	—	(4,548)
Repurchases of common stock	—	—	70,974	—	—	292	(73,446)	(2,472)	—	(2,472)
Treasury stock issued under stock purchase plans	—	—	61	—	—	(10)	2,298	2,359	—	2,359
Balance at September 30, 2021	<u>42,710</u>	<u>\$ 4,271</u>	<u>\$ 561,688</u>	<u>\$ 3,277,196</u>	<u>\$ (40,839)</u>	<u>19,404</u>	<u>\$ (1,047,329)</u>	<u>\$ 2,754,987</u>	<u>\$ 135</u>	<u>\$ 2,755,122</u>

See Notes to Unaudited Condensed Consolidated Financial Statements

CACI INTERNATIONAL INC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1 – Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of CACI International Inc and subsidiaries (CACI or the Company) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and include the assets, liabilities, results of operations, comprehensive income and cash flows for the Company, including its subsidiaries and ventures that are majority-owned or otherwise controlled by the Company. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. All intercompany balances and transactions have been eliminated in consolidation.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and amounts included in other current assets and current liabilities that meet the definition of a financial instrument approximate fair value because of the short-term nature of these amounts. The fair value of the Company's debt outstanding as of September 30, 2022 under its bank credit facility approximates its carrying value. The fair value of the Company's debt under its bank credit facility was estimated using Level 2 inputs based on market data of companies with a corporate rating similar to CACI's that have recently priced credit facilities.

In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments and reclassifications (all of which are of a normal, recurring nature) that are necessary for the fair presentation of the periods presented. It is suggested that these unaudited consolidated financial statements be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's latest annual report to the SEC on Form 10-K for the year ended June 30, 2022. The results of operations for the three months ended September 30, 2022 are not necessarily indicative of the results to be expected for any subsequent interim period or for the full fiscal year.

Note 2 – Recent Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. This ASU provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions that reference the London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of reference rate reform. The guidance in this ASU is optional and expedients may be elected over time, as reference rate reform activities occur through December 31, 2022. However, in April 2022, the FASB proposed extending the sunset date under Topic 848 from December 31, 2022 to December 31, 2024. The change is to align the temporary accounting relief guidance with the expected cessation date of LIBOR, which was postponed by administrators earlier this year to June 2023, a year after the current sunset date of ASU 2020-04. During the year ended June 30, 2020, CACI elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives consistent with past presentation. Application of these expedients assisted in preserving the Company's presentation of derivatives as qualifying cash flow hedges. The Company continues to evaluate this guidance and may apply other elections as relevant contract and hedge accounting relationship modifications are made during the course of the reference rate reform transition period.

Note 3 – Goodwill and Intangible Assets

Goodwill

The changes in the carrying amount of goodwill for the three months ended September 30, 2022 are as follows (in thousands):

	Domestic	International	Total
Balance at June 30, 2022	\$ 3,934,625	\$ 123,666	\$ 4,058,291
Goodwill acquired (1)	5,742	—	5,742
Foreign currency translation	(1,082)	(10,173)	(11,255)
Balance at September 30, 2022	<u>\$ 3,939,285</u>	<u>\$ 113,493</u>	<u>\$ 4,052,778</u>

- (1) Includes goodwill initially allocated to new business combinations as well as measurement period adjustments, when applicable. Final purchase price allocations for two of the fiscal year 2022 acquisitions were completed during the three months ended September 30, 2022 and two remain open for the finalization of net working capital and income taxes.

There were no impairments of goodwill during the periods presented.

Intangible Assets

Intangible assets consisted of the following (in thousands):

	September 30, 2022			June 30, 2022		
	Gross carrying value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value
Customer contracts and related customer relationships	\$ 655,342	\$ (285,545)	\$ 369,797	\$ 656,353	\$ (275,538)	\$ 380,815
Acquired technologies	280,029	(88,262)	191,767	280,196	(79,626)	200,570
Total intangible assets	<u>\$ 935,371</u>	<u>\$ (373,807)</u>	<u>\$ 561,564</u>	<u>\$ 936,549</u>	<u>\$ (355,164)</u>	<u>\$ 581,385</u>

Amortization expense related to intangible assets was \$19.1 million and \$17.6 million for the three months ended September 30, 2022 and 2021, respectively.

Note 4 – Revenues and Contract Balances

Disaggregation of Revenues

The Company disaggregates revenues by contract type, customer type, prime vs. subcontractor, and whether the solution provided is primarily Expertise or Technology. These categories represent how the nature, amount, timing, and uncertainty of revenues and cash flows are affected.

Disaggregated revenues by contract type were as follows (in thousands):

	Three Months Ended September 30, 2022			Three Months Ended September 30, 2021		
	Domestic	International	Total	Domestic	International	Total
Cost-plus-fee	\$ 934,746	\$ —	\$ 934,746	\$ 893,713	\$ —	\$ 893,713
Fixed-price	448,562	33,211	481,773	374,474	33,231	407,705
Time-and-materials	175,587	13,653	189,240	175,535	13,945	189,480
Total	<u>\$ 1,558,895</u>	<u>\$ 46,864</u>	<u>\$ 1,605,759</u>	<u>\$ 1,443,722</u>	<u>\$ 47,176</u>	<u>\$ 1,490,898</u>

Disaggregated revenues by customer type were as follows (in thousands):

	Three Months Ended September 30, 2022			Three Months Ended September 30, 2021		
	Domestic	International	Total	Domestic	International	Total
Department of Defense	\$ 1,095,320	\$ —	\$ 1,095,320	\$ 1,000,127	\$ —	\$ 1,000,127
Federal Civilian agencies	424,087	—	424,087	413,664	—	413,664
Commercial and other	39,488	46,864	86,352	29,931	47,176	77,107
Total	<u>\$ 1,558,895</u>	<u>\$ 46,864</u>	<u>\$ 1,605,759</u>	<u>\$ 1,443,722</u>	<u>\$ 47,176</u>	<u>\$ 1,490,898</u>

Disaggregated revenues by prime vs. subcontractor were as follows (in thousands):

	Three Months Ended September 30, 2022			Three Months Ended September 30, 2021		
	Domestic	International	Total	Domestic	International	Total
Prime contractor	\$ 1,407,454	\$ 42,856	\$ 1,450,310	\$ 1,298,653	\$ 42,906	\$ 1,341,559
Subcontractor	151,441	4,008	155,449	145,069	4,270	149,339
Total	<u>\$ 1,558,895</u>	<u>\$ 46,864</u>	<u>\$ 1,605,759</u>	<u>\$ 1,443,722</u>	<u>\$ 47,176</u>	<u>\$ 1,490,898</u>

Disaggregated revenues by expertise or technology were as follows (in thousands):

	Three Months Ended September 30, 2022			Three Months Ended September 30, 2021		
	Domestic	International	Total	Domestic	International	Total
Expertise	\$ 717,650	\$ 16,553	\$ 734,203	\$ 683,624	\$ 19,422	\$ 703,046
Technology	841,245	30,311	871,556	760,098	27,754	787,852
Total	<u>\$ 1,558,895</u>	<u>\$ 46,864</u>	<u>\$ 1,605,759</u>	<u>\$ 1,443,722</u>	<u>\$ 47,176</u>	<u>\$ 1,490,898</u>

Changes in Estimates

Aggregate net changes in estimates for the three months ended September 30, 2022 reflected an increase to income before income taxes of \$5.7 million (\$0.18 per diluted share), compared with \$2.8 million (\$0.09 per diluted share) for the three months ended September 30, 2021. The Company uses its statutory tax rate when calculating the impact to diluted earnings per share.

Revenues recognized from previously satisfied performance obligations were not material for the three months ended September 30, 2022 and 2021, respectively. The change in revenues generally relates to final true-up adjustments for estimated award or incentive fees in the period in which the customer's final performance score was received or when it can be determined that more objective, contractually-defined criteria have been fully satisfied.

Remaining Performance Obligations

As of September 30, 2022, the Company had \$9.2 billion of remaining performance obligations and expects to recognize approximately 44% and 62% over the next 12 and 24 months, respectively, with the remainder to be recognized thereafter.

Contract Balances

Contract balances consisted of the following (in thousands):

Description of Contract Related Balance	Financial Statement Classification	September 30, 2022	June 30, 2022
Billed and billable receivables	Accounts receivable, net	\$ 656,253	\$ 800,597
Contract assets – current unbilled receivables	Accounts receivable, net	138,524	125,547
Contract assets – current costs to obtain	Prepaid expenses and other current assets	5,270	5,167
Contract assets – noncurrent unbilled receivables	Accounts receivable, long-term	10,623	10,199
Contract assets – noncurrent costs to obtain	Other long-term assets	10,307	10,703
Contract liabilities – current deferred revenue and other contract liabilities	Other accrued expenses and current liabilities	(104,519)	(84,810)
Contract liabilities – noncurrent deferred revenue and other contract liabilities	Other long-term liabilities	(5,775)	(7,552)

During the three months ended September 30, 2022, we recognized \$50.5 million of revenues, compared with \$54.7 of revenues for the three months ended September 30, 2021, that was included in a previously recorded contract liability as of the beginning of the period.

Note 5 – Inventories

Inventories consisted of the following (in thousands):

	September 30, 2022	June 30, 2022
Materials, purchased parts and supplies	\$ 62,458	\$ 57,407
Work in process	15,333	28,748
Finished goods	32,411	13,207
Total	<u>\$ 110,202</u>	<u>\$ 99,362</u>

Inventories are stated at the lower of cost (average cost or first-in, first-out) or net realizable value and are included in prepaid expenses and other current assets on the accompanying consolidated balance sheets.

Note 6 – Sales of Receivables

On December 23, 2021, the Company amended its Master Accounts Receivable Purchase Agreement (MARPA) with MUFG Bank, Ltd. (Purchaser), for the sale of certain designated eligible U.S. government receivables. The amendment extended the term of the MARPA to December 22, 2022. Under the MARPA, the Company can sell eligible receivables, including certain billed and unbilled receivables up to a maximum amount of \$200.0 million. The Company's receivables are sold under the MARPA without recourse for any U.S. government credit risk.

The Company accounts for receivable transfers under the MARPA as sales under ASC 860, *Transfers and Servicing*, and derecognizes the sold receivables from its balance sheets. The fair value of the sold receivables approximated their book value due to their short-term nature.

The Company does not retain an ongoing financial interest in the transferred receivables other than cash collection and administrative services. The Company estimated that its servicing fee was at fair value and therefore no servicing asset or liability related to these receivables was recognized as of September 30, 2022. Proceeds from the sold receivables are reflected in operating cash flows on the statement of cash flows.

MARPA activity consisted of the following (in thousands):

	As of and for the Three Months Ended September 30,	
	2022	2021
Beginning balance:	\$ 157,785	\$ 182,027
Sales of receivables	737,873	690,132
Cash collections	(735,969)	(678,643)
Outstanding balance sold to Purchaser: (1)	159,689	193,516
Cash collected, not remitted to Purchaser (2)	(24,550)	(51,034)
Remaining sold receivables	\$ 135,139	\$ 142,482

- (1) For the three months ended September 30, 2022 and 2021, the Company recorded net cash inflows of \$1.9 million and \$11.5 million in its cash flows from operating activities, respectively, from sold receivables. MARPA cash flows are calculated as the change in the outstanding balance during the fiscal year.
- (2) Includes the cash collected on behalf of but not yet remitted to Purchaser as of September 30, 2022 and 2021. This balance is included in other accrued expenses and current liabilities as of the balance sheet date.

Note 7 – Debt

Long-term debt consisted of the following (in thousands):

	September 30, 2022	June 30, 2022
Bank credit facility – term loans	\$ 1,202,031	\$ 1,209,688
Bank credit facility – revolver loans	435,000	533,000
Principal amount of long-term debt	1,637,031	1,742,688
Less unamortized discounts and debt issuance costs	(9,351)	(9,915)
Total long-term debt	1,627,680	1,732,773
Less current portion	(30,625)	(30,625)
Long-term debt, net of current portion	\$ 1,597,055	\$ 1,702,148

Bank Credit Facility

On December 13, 2021, the Company amended its credit facility (the Credit Facility) primarily to extend the maturity date, increase borrowing capacity, and improve pricing. As amended, the Company's \$3,200.0 million Credit Facility consists of a \$1,975.0 million revolving credit facility (the Revolving Facility) and a \$1,225.0 million term loan (the Term Loan). The Revolving Facility has subfacilities of \$100.0 million for same-day swing line loan borrowings and \$25.0 million for stand-by letters of credit.

The Revolving Facility is a secured facility that permits continuously renewable borrowings of up to \$1,975.0 million. As of September 30, 2022, the Company had \$435.0 million outstanding under the Revolving Facility and no borrowings on the swing line. The Company pays a quarterly facility fee for the unused portion of the Revolving Facility.

The Term Loan is a five-year secured facility under which principal payments are due in quarterly installments of \$7.7 million through December 31, 2023 and \$15.3 million thereafter until the balance is due in full on December 13, 2026. As of September 30, 2022, the Company had \$1,202.0 million outstanding under the Term Loan.

The interest rates applicable to loans under the Credit Facility are floating interest rates that, at the Company's option, equal a base rate or a Eurodollar rate plus, in each case, an applicable rate based upon the Company's consolidated total net leverage ratio. As of September 30, 2022, the effective interest rate, including the impact of the Company's floating-to-fixed interest rate swap agreements and excluding the effect of amortization of debt financing costs, for the outstanding borrowings under the Credit Facility was 3.57%.

The Credit Facility requires the Company to comply with certain financial covenants, including a maximum total leverage ratio and a minimum interest coverage ratio. The Credit Facility also includes customary negative covenants restricting or limiting the Company's ability to guarantee or incur additional indebtedness, grant liens or other security interests to third parties, make loans or investments, transfer assets, declare dividends or redeem or repurchase capital stock or make other distributions, prepay subordinated indebtedness and engage in mergers, acquisitions or other business combinations, in each case except as expressly permitted under the Credit Facility. As of September 30, 2022, the Company was in compliance with all of the financial covenants. A majority of the Company's assets serve as collateral under the Credit Facility.

All debt issuance costs are being amortized from the date incurred to the expiration date of the Credit Facility.

Cash Flow Hedges

The Company periodically uses derivative financial instruments as part of a strategy to manage exposure to market risks associated with interest rate fluctuations. The Company has entered into several floating-to-fixed interest rate swap agreements for an aggregate notional amount of \$800.0 million which hedge a portion of the Company's floating rate indebtedness. The swaps mature at various dates through 2028. The Company has designated the swaps as cash flow hedges. Unrealized gains are recognized as assets while unrealized losses are recognized as liabilities. The interest rate swap agreements are highly correlated to the changes in interest rates to which the Company is exposed. Realized gains and losses in connection with each required interest payment are reclassified from accumulated other comprehensive income or loss to interest expense. The Company does not hold or issue derivative financial instruments for trading purposes.

The effect of derivative instruments in the consolidated statements of operations and accumulated other comprehensive loss for the three months ended September 30, 2022 and 2021 is as follows (in thousands):

	Three Months Ended September 30,	
	2022	2021
Gain (loss) recognized in other comprehensive income	\$ 15,586	\$ (1,008)
Amounts reclassified to earnings from accumulated other comprehensive loss	(57)	3,222
Net current period other comprehensive income	\$ 15,529	\$ 2,214

Note 8 – Legal Proceedings and Other Commitments and Contingencies

Legal Proceedings

The Company is involved in various claims, lawsuits, and administrative proceedings arising in the normal course of business, none of which, based on current information, are expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Government Contracting

Payments to the Company on cost-plus-fee and time-and-materials contracts are subject to adjustment upon audit by the Defense Contract Audit Agency (DCAA) and other government agencies that do not utilize DCAA's services. The DCAA has completed audits of the Company's annual incurred cost proposals through fiscal year 2020. The Company is still negotiating the results of prior years' audits with the respective cognizant contracting officers and believes its reserves for such are adequate. Adjustments that may result from these audits and the audits not yet started are not expected to have a material effect on the Company's financial position, results of operations, or cash flows and the Company has accrued its best estimate of potential disallowances. Additionally, the DCAA continually reviews the cost accounting and other practices of government contractors, including the Company. In the course of those reviews, cost accounting and other issues may be identified, discussed and settled.

Note 9 – Earnings Per Share

Earnings per share and the weighted-average number of diluted shares are computed as follows (in thousands, except per share data):

	Three Months Ended September 30,	
	2022	2021
Net income	\$ 89,125	\$ 88,109
Weighted-average number of basic shares outstanding during the period	23,420	23,560
Dilutive effect of RSUs after application of treasury stock method	258	284
Weighted-average number of diluted shares outstanding during the period	23,678	23,844
Basic earnings per share	\$ 3.81	\$ 3.74
Diluted earnings per share	\$ 3.76	\$ 3.70

Note 10 – Income Taxes

The Company is subject to income taxes in the U.S. and various state and foreign jurisdictions. Tax statutes and regulations within each jurisdiction are subject to interpretation and require the application of significant judgment. The Company is currently under examination by the Internal Revenue Service for fiscal years 2017 through 2021. The Company does not expect resolution of the examination to have a material impact on its results of operations, financial condition, or cash flows.

During fiscal year 2023, a provision of the Tax Cuts and Jobs Act of 2017 (TCJA) went into effect which eliminated the option to deduct domestic research and development costs in the year incurred and instead requires taxpayers to amortize such costs over five years. Although it is possible that Congress amends this provision of the TCJA, potentially with retroactive effect, we have no assurance that Congress will take any action with respect to this provision. During the quarter, the Company recognized a liability for unrecognized tax benefits and a corresponding deferred tax asset of \$19.8 million related to the capitalization and amortization of research costs related to provisions of the TCJA becoming effective.

The Company's effective income tax rate for the three months ended September 30, 2022 and 2021 was 23.6% and 24.5%, respectively. The effective tax rates for the three months ended September 30, 2022 and 2021 both benefited from the favorable impact of research and development credits, partially offset by the unfavorable impacts of certain executive compensation.

Note 11 – Business Segments

The Company reports operating results and financial data in two segments: domestic operations and international operations. Domestic operations provide Expertise and Technology primarily to U.S. federal government agencies. International operations provide Expertise and Technology primarily to international government and commercial customers.

The Company evaluates the performance of its operating segments based on net income. Summarized financial information for the Company's reportable segments is as follows (in thousands):

	Three Months Ended September 30,	
	2022	2021
Revenues:		
Domestic	\$ 1,558,895	\$ 1,443,722
International	46,864	47,176
Total revenues	<u>\$ 1,605,759</u>	<u>\$ 1,490,898</u>
Net income:		
Domestic	\$ 80,553	\$ 81,697
International	8,572	6,412
Total net income	<u>\$ 89,125</u>	<u>\$ 88,109</u>

Note 12 – Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value and categorizes the inputs used in measuring fair value as follows: observable inputs such as quoted prices in active markets (Level 1); inputs other than quoted prices in active markets that are observable, either directly or indirectly, or quoted prices that are not active (Level 2); and unobservable inputs in which there is little or no market data which requires development of assumptions that market participants would use in pricing the asset or liability (Level 3).

The financial instruments measured at fair value on a recurring basis consist of the following (in thousands):

Description of Financial Instrument	Financial Statement Classification	Fair Value Hierarchy	September 30, 2022	June 30, 2022
			Fair Value	
Interest rate swap agreements	Prepaid expenses and other current assets	Level 2	\$ 1,952	\$ 337
Interest rate swap agreements	Other long-term assets	Level 2	\$ 38,526	\$ 19,184

The Company uses interest rate swap agreements to manage its interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations is provided to enhance the understanding of, and should be read together with, our unaudited condensed consolidated financial statements and the notes to those statements that appear elsewhere in this Quarterly Report on Form 10-Q.

Information Relating to 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; and
- 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.

The above non-inclusive list of risk factors may impact the forward-looking statements contained in this Quarterly Report on Form 10-Q. In addition, other risk factors include, but are not limited to, those described in "Item 1A. Risk Factors" within our Annual Report on Form 10-K. The forward-looking statements contained in this Quarterly Report on Form 10-Q are as of the date of its filing.

Overview

The Company provides Expertise and Technology to Enterprise and Mission customers in support of national security and government modernization.

- Enterprise – CACI provides capabilities that enable the internal operations of a government agency.
- Mission – CACI provides capabilities that enable the execution of a government agency's primary function, or "mission".

- **Expertise** – CACI provides Expertise to both Enterprise and Mission customers. For Enterprise customers, we deliver talent with the specific technical and functional knowledge to support internal agency operations. Examples include functional software development expertise, data and business analysis, and IT operations support. For Mission customers, we deliver talent with technical and domain knowledge to support the execution of an agency's mission. Examples include engineering expertise such as naval architecture, marine engineering, and life cycle support; and mission support expertise such as intelligence and special operations support.
- **Technology** – CACI delivers Technology to both Enterprise and Mission customers. For both Enterprise and Mission, CACI provides: Software development at scale using open modern architectures, DevSecOps, and agile methodologies; and advanced data platforms, data operations and analyst-centric analytics including application of Artificial Intelligence and multi-source analysis. Additional examples of Enterprise technology include: Network and IT modernization; The customization, implementation, and maintenance of commercial-off-the-shelf (COTS) and enterprise resource planning (ERP) systems including financial, human capital, and supply chain management systems; and cyber security active defense and zero trust architectures. Additional examples of Mission technology include: Developing and deploying multi-domain offerings for signals intelligence, resilient communications, free space optical communications, electronic warfare including Counter-UAS, cyber operations, and Radio Frequency (RF) and 5G spectrum awareness, agility and usage. CACI invests ahead of customer need with research and development to generate unique intellectual property and differentiated technology addressing critical national security and government modernization needs.

Budgetary Environment

We carefully follow federal budget, legislative and contracting trends and activities and evolve our strategies to take these into consideration. On March 15, 2022, the President signed into law the omnibus appropriations bill that provided full-year funding for the government fiscal year ending September 30, 2022 (GFY22). Of the total approximately \$1.5 trillion in discretionary funding, approximately \$782 billion was for national defense and approximately \$730 billion was for nondefense. These defense and nondefense funding levels represent increases of 5.6% and 6.7%, respectively, over GFY21 enacted levels. GFY22 defense spending in fact increased both over the President's GFY22 budget request and the National Defense Authorization Act (NDAA) passed by Congress on December 27, 2021. Defense spending has generally increased over the last several years, and given the current global threat environment, including the conflict in Ukraine, this trend is likely to continue in GFY23. In fact, the President's initial GFY23 budget proposal calls for an increase in aggregate defense spending of approximately 4% from GFY22 levels, and current deliberations in Congress suggest that the enacted GFY23 budget could see an even larger increase. In addition, funding for intelligence programs, including Military Intelligence Programs (MIP) and National Intelligence Programs (NIP), as well as cybersecurity-related programs, is also projected to increase in both GFY22 and GFY23.

While we view the budget environment as constructive and believe there is bipartisan support for continued investment in the areas of defense and national security, it is uncertain when in any particular GFY that appropriations bills will be passed. During those periods of time when appropriations bills have not been passed and signed into law, government agencies operate under a continuing resolution (CR). On September 30, 2022, the President signed a CR, a temporary measure allowing the government to continue operations through December 16, 2022 at prior year funding levels.

Depending on their scope, duration, and other factors, CRs can negatively impact our business due to delays in new program starts, delays in contract award decisions, and other factors. When a CR expires, unless appropriations bills have been passed by Congress and signed by the President, or a new CR is passed and signed into law, the government must cease operations, or shutdown, except in certain emergency situations or when the law authorizes continued activity. We continuously review our operations in an attempt to identify programs potentially at risk from CRs so that we can consider appropriate contingency plans.

Impact of COVID-19

We continue to take steps to mitigate the impact of COVID-19 on our employees and our business. The impact of COVID-19 on our business will depend on future developments, which are uncertain and cannot be predicted, as well as other known factors outside our control. The surge of the Omicron variant of COVID-19, for example, resulted in increased positive cases broadly, including within the employee base of some of our government customers. As a result, some of our government customers limited in-person meetings, reduced access to customer facilities, and experienced disruptions to the normal operation of their business. We continue to work with our customers to implement appropriate risk mitigation efforts and alternative work arrangements, as necessary. Omicron and other COVID-19 variants, both in and outside the U.S., also continue to be one of several reasons for continued supply chain shortages.

Market Environment

We provide Expertise and Technology to government enterprise and mission customers. Based on the analysis of an independent market consultant retained by the Company, we believe that the total addressable market for our offerings is approximately \$260 billion. Our addressable market is expected to continue to grow over the next several years. Approximately 70% of our revenue comes from defense-related customers, including those in the Intelligence Community (IC), with additional revenue coming from non-defense IC, homeland security, and other federal civilian customers.

We continue to align the Company's capabilities with well-funded budget priorities and took steps to maintain a competitive cost structure in line with our expectations of future business opportunities. In light of these actions, as well as the budgetary environment discussed above, we believe we are well positioned to continue to win new business in our large addressable market. We believe that the following trends will influence the USG's spending in our addressable market:

- A stable-to-higher USG budget environment, particularly in defense and intelligence-related areas;
- Increased focus on cyber, space, and the electromagnetic spectrum as key domains for National Security;
- Increased spend on network and application modernization and enhancements to cyber security posture;
- Increased investments in advanced technologies (e.g., Artificial Intelligence, 5G), particularly software-based technologies;
- Increasing focus on near-peer competitors and other nation state threats;
- Continued focus on counterterrorism, counterintelligence, and counter proliferation as key U.S. security concerns; and
- Increased demand for innovation and speed of delivery.

We believe that our customers' use of lowest price/technically acceptable (LPTA) procurements, which contributed to pricing pressures in past years, has moderated, though price still remains an important factor in procurements. We also continue to see protests of major contract awards and delays in USG procurement activities. In addition, many of our federal government contracts require us to employ personnel with security clearances, specific levels of education and specific past work experience. Depending on the level of clearance, security clearances can be difficult and time-consuming to obtain and competition for skilled personnel in the information technology services industry is intense. Additional factors that could affect USG spending in our addressable market include changes in set-asides for small businesses, changes in budget priorities as a result of the COVID-19 pandemic, and budgetary priorities limiting or delaying federal government spending in general.

Results of Operations for the Three Months Ended September 30, 2022 and 2021

The following table provides our results of operations (in thousands):

	Dollar Amount			
	Three Months Ended			
	September 30,			
	2022	2021	Dollar	Percent
Revenues	\$ 1,605,759	\$ 1,490,898	\$ 114,861	7.7%
Costs of revenues:				
Direct costs	1,055,772	974,171	81,601	8.4%
Indirect costs and selling expenses	382,081	357,106	24,975	7.0%
Depreciation and amortization	35,103	32,592	2,511	7.7%
Total costs of revenues	1,472,956	1,363,869	109,087	8.0%
Income from operations	132,803	127,029	5,774	4.5%
Interest expense and other, net	16,193	10,398	5,795	55.7%
Income before income taxes	116,610	116,631	(21)	(0.0)%
Income taxes	27,485	28,522	(1,037)	(3.6)%
Net income	\$ 89,125	\$ 88,109	\$ 1,016	1.2%

Revenues. The increase in revenues for the three months ended September 30, 2022, as compared to the three months ended September 2021, was primarily attributable to growth on existing programs, new contract awards, and revenues from the acquisitions completed in fiscal year 2022.

The following table summarizes revenues by customer type with related percentages of revenues for the three months ended September 2022 and 2021, respectively (in thousands):

	Dollar Amount		Change	
	Three Months Ended September 30,			
	2022	2021	Dollar	Percent
Department of Defense	\$ 1,095,320	\$ 1,000,127	\$ 95,193	9.5%
Federal Civilian Agencies	424,087	413,664	10,423	2.5%
Commercial and other	86,352	77,107	9,245	12.0%
Total	\$ 1,605,759	\$ 1,490,898	\$ 114,861	7.7%

- DoD revenues include Expertise and Technology provided to various Department of Defense customers.
- Federal civilian agencies' revenues primarily include Expertise and Technology provided to non-DoD agencies and departments of the U.S. federal government, including intelligence agencies and Departments of Homeland Security, Justice, Agriculture, Health and Human Services, and State.
- Commercial and other revenues primarily include Expertise and Technology provided to U.S. state and local governments, commercial customers, and certain foreign governments and agencies through our International reportable segment.

Direct Costs. The increase in direct costs for the three months ended September 30, 2022, as compared to the prior year quarter, was primarily attributable to the increased revenues and a higher volume of materials and other direct costs. As a percentage of revenue, direct costs were 65.7% and 65.3% for the three months ended September 30, 2022 and 2021, respectively. Direct costs include direct labor, subcontractor costs, materials, and other direct costs.

Indirect Costs and Selling Expenses. The increase in indirect costs and selling expenses for the three months ended September 30, 2022, as compared to the prior year quarter, was primarily attributable to the acquisitions completed in fiscal year 2022 and an increase in fringe benefit expenses. As a percentage of revenue, indirect costs and selling expenses were 23.8% and 24.0% for the three months ended September 30, 2022 and 2021, respectively.

Depreciation and Amortization. The increase in depreciation and amortization for the three months ended September 30, 2022, as compared to the prior year quarter, was primarily attributable to intangible amortization from the acquisitions in fiscal year 2022.

Interest Expense and Other, Net. The increase in interest expense and other, net for the three months ended September 30, 2022, as compared to the prior year quarter, was primarily attributable to higher interest rates on outstanding debt.

Income Tax Expense. The income tax provision for the three months ended September 30, 2022 and 2021 represents an effective tax rate of 23.6% and 24.5%, respectively. The effective tax rates for the three months ended September 30, 2022 and 2021 both benefited from the favorable impact of research and development credits, partially offset by the unfavorable impacts of certain executive compensation.

Contract Backlog

The Company's backlog represents value on existing contracts that has the potential to be recognized into revenues as work is performed. The Company includes unexercised option years in its backlog and excludes the value of task orders that may be awarded under multiple award indefinite delivery/indefinite quantity ("IDIQ") vehicles until such task orders are issued.

The Company's backlog as of period end is either funded or unfunded:

- Funded backlog represents contract value for which funding has been appropriated less revenues previously recognized on these contracts.
- Unfunded backlog represents estimated values that have the potential to be recognized into revenue from executed contracts for which funding has not been appropriated and unexercised priced contract options.

As of September 30, 2022, the Company had total backlog of \$24.9 billion, compared with \$23.9 billion a year ago, an increase of 4.2%. Funded backlog as of September 30, 2022 was \$3.7 billion. The total backlog consists of remaining performance obligations (see Note 4) plus unexercised options.

There is no assurance that all funded or potential contract value will result in revenues being recognized. The Company continues to monitor backlog as it is subject to change from execution of new contracts, contract modifications or extensions, government deobligations, early terminations, or other factors. Based on this analysis, an adjustment to the period end balance may be required.

Liquidity and Capital Resources

To date, COVID-19 has not had a significant impact on our liquidity, cash flows or capital resources. However, the continued spread of COVID-19 has led to disruption and volatility in the global capital markets, which, depending on future developments, could impact our capital resources and liquidity in the future.

Existing cash and cash equivalents and cash generated by operations are our primary sources of liquidity, as well as sales of receivables under our MARPA (as defined and discussed in Note 6) and available borrowings under our Credit Facility (as defined in Note 7) described below.

The Company has a \$3,200.0 million Credit Facility, which consists of a \$1,975.0 million Revolving Facility and a \$1,225.0 million Term Loan. The Revolving Facility is a secured facility that permits continuously renewable borrowings and has subfacilities of \$100.0 million for same-day swing line borrowings and \$25.0 million for stand-by letters of credit. As of September 30, 2022, we had \$435.0 million outstanding under the Revolving Facility and no borrowings on the swing line.

The Term Loan is a five-year secured facility under which principal payments are due in quarterly installments of \$7.7 million through December 31, 2023 and \$15.3 million thereafter until the balance is due in full on December 13, 2026. As of September 30, 2022, \$1,202.0 million was outstanding under the Term Loan.

The interest rates applicable to loans under the Credit Facility are floating interest rates that, at our option, equal a base rate or a Eurodollar rate plus, in each case, an applicable margin based upon our consolidated total net leverage ratio.

The Credit Facility requires us to comply with certain financial covenants, including a maximum total leverage ratio and a minimum interest coverage ratio. The Credit Facility also includes customary negative covenants restricting or limiting our ability to guarantee or incur additional indebtedness, grant liens or other security interests to third parties, make loans or investments, transfer assets, declare dividends or redeem or repurchase capital stock or make other distributions, prepay subordinated indebtedness and engage in mergers, acquisitions or other business combinations, in each case except as expressly permitted under the Credit Facility. Since the inception of the Credit Facility, we have been in compliance with all of the financial covenants. A majority of our assets serve as collateral under the Credit Facility.

During fiscal year 2023, a provision of the TCJA went into effect which eliminated the option to deduct domestic research and development costs in the year incurred and instead requires taxpayers to amortize such costs over five years. Although it is possible that Congress amends this provision, potentially with retroactive effect, we have no assurance that Congress will take any action with respect to this provision. Based on the law as currently enacted, the provision is expected to decrease fiscal year 2023 cash flows from operations by \$95.0 million and increase net deferred tax assets by a similar amount.

A summary of the change in cash and cash equivalents is presented below (in thousands):

	Three Months Ended September 30,	
	2022	2021
Net cash provided by operating activities	\$ 144,843	\$ 185,953
Net cash used in investing activities	(12,771)	(126,476)
Net cash used in financing activities	(106,096)	(41,717)
Effect of exchange rate changes on cash and cash equivalents	(4,144)	(1,361)
Net change in cash and cash equivalents	\$ 21,832	\$ 16,399

Net cash provided by operating activities decreased \$41.1 million for the three months ended September 30, 2022, when compared to the three months ended September 30, 2021, as a result of a \$20.3 million increase in cash paid for income taxes, \$10.5 million in net unfavorable changes in operating assets and liabilities driven by the timing of vendor payments partially offset by strong cash collections, and a \$9.6 million decrease in cash received from the Company's MARPA.

Net cash used in investing activities decreased \$113.7 million for the three months ended September 30, 2022, when compared to the three months ended September 30, 2021, primarily as a result of a \$116.3 million decrease in cash used in acquisitions of businesses partially offset by a \$2.6 million increase in capital expenditures.

Net cash used in financing activities increased \$64.4 million for the three months ended September 30, 2022, when compared to the three months ended September 30, 2021, primarily as a result of a \$63.9 million increase in net repayments under our Credit Facility.

We believe that the combination of internally generated funds, available bank borrowings, and cash and cash equivalents on hand will provide the required liquidity and capital resources necessary to fund on-going operations, customary capital expenditures, debt service obligations, share repurchases, and other working capital requirements over the next twelve months. In the future we may seek to borrow additional amounts under a long-term debt security. Over the longer term, our ability to generate sufficient cash flows from operations necessary to fulfill the obligations under the Credit Facility and any other indebtedness we may incur will depend on our future financial performance which will be affected by many factors outside of our control, including worldwide economic and financial market conditions.

Critical Accounting Policies

There have been no significant changes to the Company's critical accounting policies as disclosed in our Annual Report on Form 10-K for the year ended June 30, 2022.

Off-Balance Sheet Arrangements and Contractual Obligations

We have no material off-balance sheet financing arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The interest rates on both the Term Loan and the Revolving Facility are affected by changes in market interest rates. We have the ability to manage these fluctuations in part through interest rate hedging alternatives in the form of interest rate swaps. We have entered into floating-to-fixed interest rate swap agreements for an aggregate notional amount of \$800.0 million related to a portion of our floating rate indebtedness. All remaining balances under our Term Loan, and any additional amounts that may be borrowed under our Revolving Facility, are currently subject to interest rate fluctuations. With every one percent fluctuation in the applicable interest rates, interest expense on our variable rate debt for the three months ended September 30, 2022 would have fluctuated by approximately \$3.0 million.

Approximately 3.2% and 3.2% of our total revenues during the three months ended September 30, 2022 and 2021, respectively, were derived from our international operations headquartered in the U.K. Our practice in our international operations is to negotiate contracts in the same currency in which the predominant expenses are incurred, thereby mitigating the exposure to foreign currency exchange fluctuations. It is not possible to accomplish this in all cases; thus, there is some risk that profits will be affected by foreign currency exchange fluctuations. As of September 30, 2022, we held a combination of euros and pounds sterling in the U.K. and the Netherlands equivalent to approximately \$48.2 million. This allows us to better utilize our cash resources on behalf of our foreign subsidiaries, thereby mitigating foreign currency conversion risks.

Item 4. Controls and Procedures

As of the end of the three-month period covered by this report, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer.

The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. The effectiveness of a system of disclosure controls and procedures is subject to various inherent limitations, including cost limitation, judgments used in decision making, assumptions about the likelihood of future events, the soundness of internal controls, and fraud. Due to such inherent limitations, there can be only reasonable, and not absolute, assurance that any system of disclosure controls and procedures will be successful in preventing all errors or fraud, or in making all material information known in a timely manner to appropriate levels of management.

Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were operating and effective at September 30, 2022.

The Company reports that no changes in its internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended September 30, 2022.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

Al Shimari, et al. v. L-3 Services, Inc. et al.

Reference is made to Part I, Item 3, Legal Proceedings in the Registrant's Annual Report on Form 10-K for the year ended June 30, 2022 for the most recently filed information concerning the suit filed in the United States District Court for the Southern District of Ohio. The lawsuit names CACI International Inc, CACI Premier Technology, Inc. and former CACI employee Timothy Dugan as Defendants, along with L-3 Services, Inc. Plaintiffs seek, inter alia, compensatory damages, punitive damages, and attorney's fees.

In 2015, Defendant CACI Premier Technology, Inc. moved to dismiss Plaintiffs' claims based upon the political question doctrine. On June 18, 2015, the Court issued an Order granting Defendant CACI Premier Technology, Inc.'s motion to dismiss, and on June 26, 2015 entered a final judgment in favor of Defendant CACI Premier Technology, Inc.

On July 23, 2015, Plaintiffs filed a Notice of Appeal of the district court's June 2015 decision. On October 21, 2016, the Court of Appeals vacated and remanded the District Court's judgment with instructions for the District Court to make further determinations regarding the political question doctrine. The District Court conducted an initial status conference on December 16, 2016. On June 9, 2017, the District Court dismissed Plaintiff Rashid without prejudice from the action based upon his inability to participate. On July 19, 2017, CACI Premier Technology, Inc. filed a motion to dismiss the action on numerous legal grounds. The Court held a hearing on that motion on September 22, 2017, and denied the motion pending issuance of a written decision. On January 17, 2018, CACI filed a third-party complaint naming the United States and John Does 1-60, asserting claims for contribution, indemnification, exoneration and breach of contract in the event that CACI Premier Technology, Inc. is held liable to Plaintiffs, as Plaintiffs are seeking to hold CACI Premier Technology, Inc. liable on a co-conspirator theory and a theory of aiding and abetting. On February 21, 2018, the District Court issued a Memorandum Opinion and Order dismissing with prejudice the claims of direct abuse of the Plaintiffs by CACI personnel (Counts 1, 4 and 7 of the Third Amended Complaint) in response to the motion to dismiss filed by CACI on July 19, 2017, and denying the balance of the motion to dismiss. On March 14, 2018, the United States filed a motion to dismiss the third party complaint or, in the alternative, for summary judgment. On April 13, 2018, the Court held a hearing on the United States' motion to dismiss and took the matter under advisement. The Court subsequently stayed the part of the action against John Does 1-60.

On April 13, 2018, the Plaintiffs filed a motion to reinstate Plaintiff Rashid, which CACI opposed. On April 20, 2018, the District Court granted that motion subject to Plaintiff Rashid appearing for a deposition. On May 21, 2018, CACI filed a motion to dismiss for lack of subject matter jurisdiction based on a recent Supreme Court decision. On June 25, 2018, the District Court denied that motion. On October 25, 2018, the District Court conducted a pre-trial conference at which the District Court addressed remaining discovery matters, the scheduling for dispositive motions that CACI intends to file, and set a date of April 23, 2019 for trial, if needed, to start. On December 20, 2018, CACI filed a motion for summary judgment and a motion to dismiss based on the state secrets privilege. On January 3, 2019, CACI filed a motion to dismiss for lack of subject matter jurisdiction. On February 15, 2019, the United States filed a motion for summary judgment with respect to CACI's third-party complaint. On February 27, 2019, the District Court denied CACI's motion for summary judgment and motions to dismiss for lack of subject matter jurisdiction and on the state secrets privilege. On February 28, 2019, CACI filed a motion seeking dismissal on grounds of derivative sovereign immunity.

On March 22, 2019, the District Court denied the United States’ motion to dismiss on grounds of sovereign immunity and CACI’s motion to dismiss on grounds of derivative sovereign immunity. The District Court also granted the United States’ motion for summary judgment with respect to CACI’s third-party complaint. On March 26, 2019, CACI filed a Notice of Appeal of the District Court’s March 22, 2019 decision. On April 2, 2019, the U.S. Court of Appeals for the Fourth Circuit issued an Accelerated Briefing Order for the appeal. On April 3, 2019, the District Court issued an Order cancelling the trial schedule and holding matters in abeyance pending disposition of the appeal. On July 10, 2019, the U.S. Court of Appeals for the Fourth Circuit heard oral argument in Spartanburg, South Carolina on CACI’s appeal. On August 23, 2019, the Court of Appeals issued an unpublished opinion dismissing the appeal. A majority of the panel that heard the appeal held that rulings denying derivative sovereign immunity are not immediately appealable even where they present pure questions of law. The panel also ruled, in the alternative, that even if such a ruling was immediately appealable, review was barred because there remained disputes of material fact with respect to CACI’s derivative sovereign immunity defenses. The Court of Appeals subsequently denied CACI’s request for rehearing *en banc*. CACI then filed a motion to stay issuance of the mandate pending the filing of a petition for a writ of *certiorari*. On October 11, 2019, the Court of Appeals, by a 2-1 vote, denied the motion to stay issuance of the mandate. CACI then filed an application to stay issuance of the mandate with Chief Justice Roberts in his capacity as Circuit Justice for the U.S. Court of Appeals for the Fourth Circuit. After CACI filed that application, the Court of Appeals issued the mandate on October 21, 2019, returning jurisdiction to the district court. On October 23, Chief Justice Roberts denied the stay application “without prejudice to applicants filing a new application after seeking relief in the district court.” CACI then filed a motion in the district court to stay the action pending filing and disposition of a petition for a writ of *certiorari*. On November 1, 2019, the district court granted CACI’s motion and issued an Order staying the action until further order of the court. On November 15, 2019, CACI filed a petition for a writ of *certiorari* in the U.S. Supreme Court. On January 27, 2020, the U.S. Supreme Court issued an Order inviting the Solicitor General to file a brief in the case expressing the views of the United States. On August 26, 2020, the Solicitor General filed a brief recommending that CACI’s petition for a writ of *certiorari* be held pending the Supreme Court’s disposition of *Nestle USA, Inc. v. Doe*, cert. granted, No. 19-416 (July 2, 2020), and *Cargill, Inc. v. Doe*, cert. granted, No. 19-453 (July 2, 2020). The United States’ brief recommended that if the Supreme Court’s decisions in *Nestle* and *Cargill* did not effectively eliminate the claims in *Al Shimari*, then the Supreme Court should grant CACI’s petition for a writ of *certiorari*. On June 17, 2021, the Supreme Court issued its decision in the *Nestle* and *Cargill* cases, holding that the allegations of domestic conduct in the cases were general corporate activity insufficient to establish subject matter jurisdiction. As a result, the Supreme Court remanded the cases for dismissal. On June 28, 2021, the Supreme Court denied CACI’s petition for a writ of *certiorari*.

On July 16, 2021, the District Court granted CACI’s consent motion to lift the stay of the action, and ordered the parties to submit status reports to the District Court by August 4, 2021. On July 23, 2021, CACI filed a motion to dismiss the action for lack of subject matter jurisdiction based on, among other things, the recent Supreme Court decision in the *Nestle* and *Cargill* cases. On August 4, 2021, the parties submitted status reports to the District Court.

On September 10, 2021, the Court conducted a hearing on CACI’s motion to dismiss for lack of subject matter jurisdiction and took the motion under advisement. The Court issued an Order directing the plaintiffs to provide the Court with a calculation of specific damages sought by each plaintiff. In response, plaintiffs advised the Court that, if the case is tried, they do not intend to request a specific amount of damages.

On October 1, 2021, the plaintiffs filed an estimate of compensatory damages between \$6.0 million and \$9.0 million (\$2.0 million to \$3.0 million per plaintiff) and an estimate of punitive damages between \$23.5 million and \$64.0 million.

On July 18, 2022, CACI filed a second motion to dismiss for lack of subject matter jurisdiction based on recent decisions by the Supreme Court. On September 16, 2022, the District Court conducted a hearing on that motion and took the matter under advisement.

Abbass, et al v. CACI Premier Technology, Inc. and CACI International Inc, Case No. 1:13CV1186-LMB/JFA (EDVA)

Reference is made to Part I, Item 3, Legal Proceedings in the Registrant’s Annual Report on Form 10-K for the year ended June 30, 2022 for the most recently filed information concerning the suit filed in the United States District Court for the Eastern District of Virginia. The lawsuit names CACI International Inc and CACI Premier Technology, Inc. as Defendants. Plaintiffs seeks, inter alia, compensatory damages, punitive damages, and attorney’s fees.

Since the filing of Registrant’s report described above, the case remains stayed pending the outcome in the *Al Shimari* appeal.

We are vigorously defending the above-described legal proceedings, and based on our present knowledge of the facts, believe the lawsuits are completely without merit.

On September 13, 2021, the Court issued an Order directing plaintiffs’ counsel to file a report advising the Court of the status of each plaintiff, and indicating that any plaintiff whom counsel is unable to contact may be dismissed from the action. On October 4, 2021, plaintiffs’ counsel filed a memorandum stating that the action was brought by forty-six plaintiffs, and that plaintiffs’ counsel was in contact with many of the plaintiffs but needed additional time to provide the Court with a final report. On October 4, 2021, the Court entered an Order extending plaintiffs’ response to October 25, 2021. On October 25, 2021, plaintiffs’ counsel filed a memorandum stating that he was in communication with 46 plaintiffs or their representatives.

Item 1A. Risk Factors

Reference is made to Part I, Item 1A, Risk Factors, in the Registrant's Annual Report on Form 10-K for the year ended June 30, 2022. There have been no material changes from the risk factors described in that report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides certain information with respect to our purchases of shares of CACI International Inc's common stock:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased As Part of Publicly Announced Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July 2022	9,208	\$ 287.45	1,302,674	197,326
August 2022	—	—	—	—
September 2022	—	\$ —	—	—
Total	<u>9,208</u>		<u>1,302,674</u>	

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None

Item 6. Exhibits

Exhibit No.	Description	Filed with this Form 10-Q	Incorporated by Reference		
			Form	Filing Date	Exhibit No.
10.1	<u>Severance Compensation Agreement with Jeffrey D. MacLauchlan dated October 3, 2022.</u>		8-K	October 3, 2022	10.1
31.1	<u>Section 302 Certification John S. Mengucci</u>	X			
31.2	<u>Section 302 Certification Thomas A. Mutryn</u>	X			
32.1	<u>Section 906 Certification John S. Mengucci</u>	X			
32.2	<u>Section 906 Certification Thomas A. Mutryn</u>	X			
101.INS	XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)				
101.SCH	Inline XBRL Taxonomy Extension Schema Document				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101)				

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CACI International Inc

Registrant

Date: October 27, 2022

By: /s/ John S. Mengucci

John S. Mengucci
President,
Chief Executive Officer and Director
(Principal Executive Officer)

Date: October 27, 2022

By: /s/ Thomas A. Mutryn

Thomas A. Mutryn
Executive Vice President,
Chief Financial Officer and Treasurer
(Principal Financial Officer)

Date: October 27, 2022

By: /s/ Travis B. Johnson

Travis B. Johnson
Senior Vice President, Corporate Controller
and Chief Accounting Officer
(Principal Accounting Officer)

Section 302 Certification

I, John S. Mengucci, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CACI International Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to affect the Registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: October 27, 2022

/s/ JOHN S. MENGUCCI

John S. Mengucci
 President,
 Chief Executive Officer and Director
 (Principal Executive Officer)

Section 302 Certification

I, Thomas A. Mutryn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CACI International Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to affect the Registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls over financial reporting.

Date: October 27, 2022

/s/ THOMAS A. MUTRYN

Thomas A. Mutryn
 Executive Vice President, Chief Financial Officer
 and Treasurer
 (Principal Financial Officer)

Section 906 Certification

In connection with the quarterly report on Form 10-Q of CACI International Inc (the Company) for the three months ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned President and Chief Executive Officer of the Company certifies, to the best of his knowledge and belief pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 27, 2022

/s/ **JOHN S. MENGUCCI**

John S. Mengucci
President,
Chief Executive Officer and Director
(Principal Executive Officer)

Section 906 Certification

In connection with the quarterly report on Form 10-Q of CACI International Inc (the Company) for the three months ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned Executive Vice President, Chief Financial Officer and Treasurer of the Company certifies, to the best of his knowledge and belief pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 27, 2022

/s/ THOMAS A. MUTRYN

Thomas A. Mutryn
Executive Vice President, Chief Financial Officer
and Treasurer
(Principal Financial Officer)