

CACI International Inc

Q2 FY23 Earnings Conference Call

January 26, 2023



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



Jeffrey MacLauchlan
Chief Financial Officer

Q2 FY23 Financial Highlights

Revenue **+11%**, organic growth **+6%**

Growth in both Expertise **+8%** and Technology **+14%**

Adjusted EBITDA Margin **10.2%**¹

Awards of **\$3.5 billion**, 70% new business to CACI

Q2 book-to-bill of **2.1x**, trailing twelve months book-to-bill **1.5x**

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

Constructive Macro Environment

Strong market demand

GFY23 budget enacted

Budgets includes healthy **addressable increases**

CACI **well-aligned** to critical national security priorities

Positioned to deliver **innovation to customers** and **value to shareholders**

Winning in the Marketplace

USAF **Enterprise IT as-a-Service** (EITaaS) Wave 1

Air Force **reaffirms** award to **CACI** – subsequent re-protest still to resolve

Large **cyber-related** Mission Expertise contract

Network and exploitation analysis supporting foreign intel and cyber missions – protested

Seeing **increasing space demand**

Received **additional orders** for photonics technology from defense prime

Investing ahead of need in photonics and other space-related technologies

Flexible and Opportunistic Capital Deployment



Strategic M&A



**Internal
Investments**



**Capital Returns
to Shareholders**

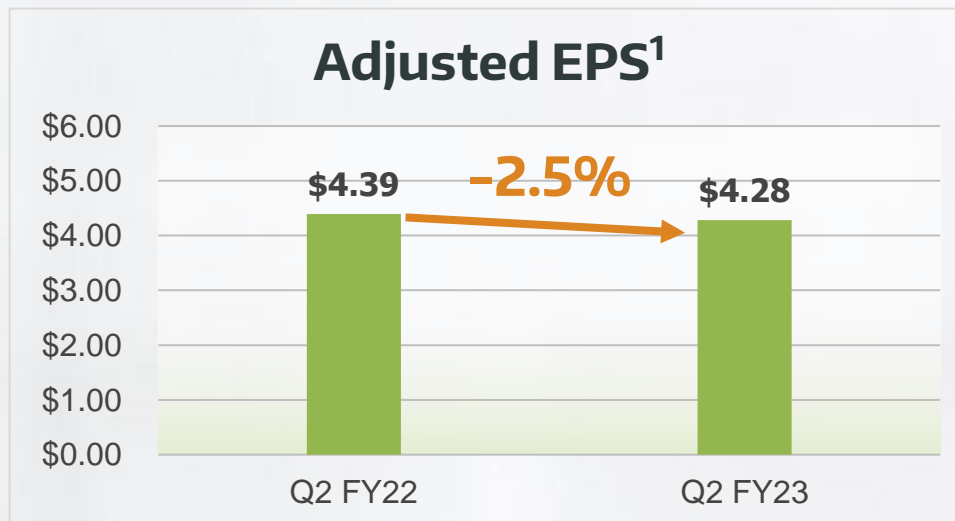
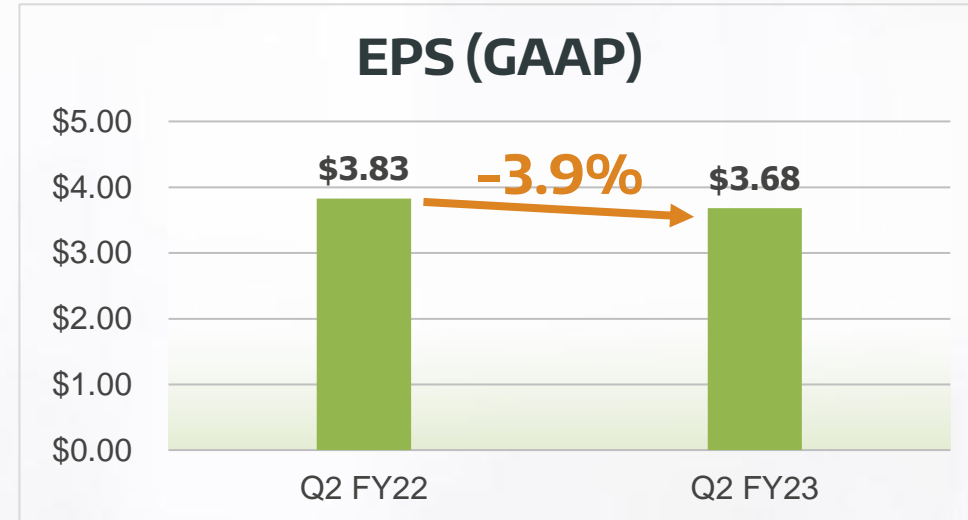
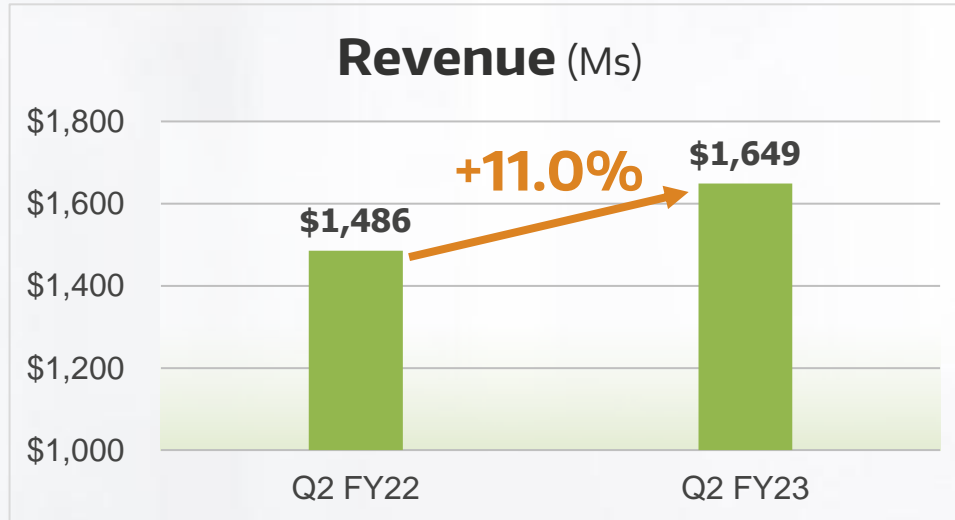
Latest Action:

- ☒ **\$750 million** share repurchase program authorization
- ☒ Expect to imminently execute **\$250 million** accelerated share repurchase (ASR)



Healthy long-term cash flow, strong balance sheet, and overall financial strength provide flexibility to continue to deliver long term shareholder value

Q2 Financial Summary



Organic revenue growth **+6.2%**, driven by new wins and on-contract growth

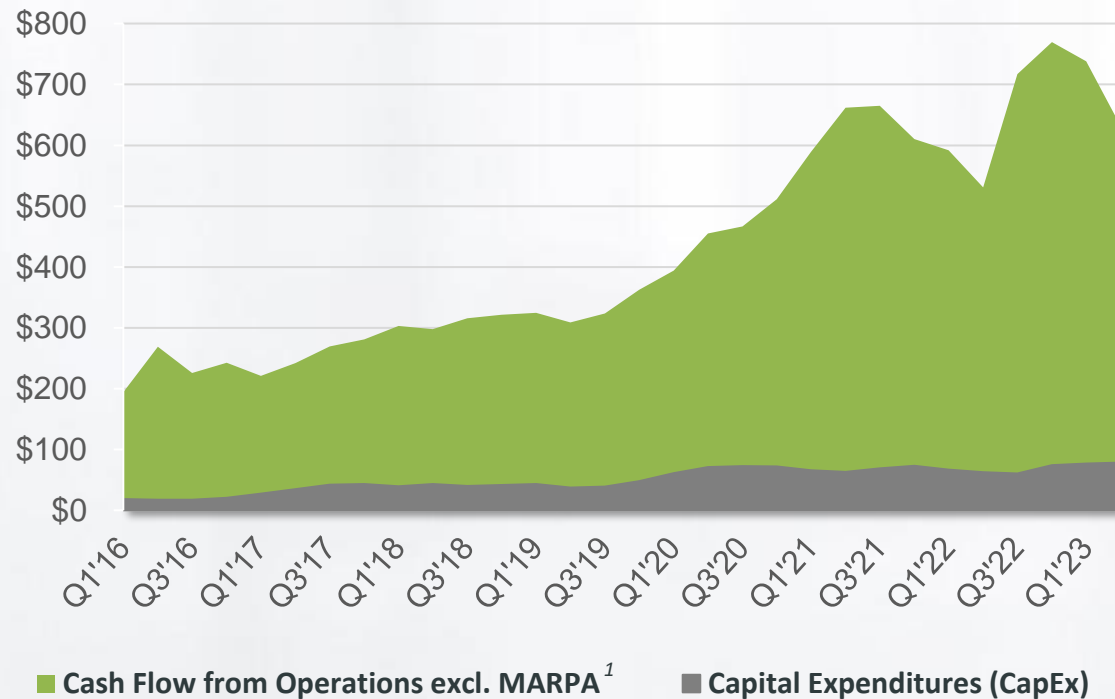
Adjusted EBITDA Margin of **10.2%**
(1H FY23 10.4%)¹

GAAP EPS and Adjusted EPS down YoY on higher interest expense and tax rate, partially offset by higher operating income

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

Cash Flow and Capital Deployment

Cash Flow¹ and CapEx
(millions, TTM)



- **Q2 FY23** cash flow includes **\$47 million** payment of deferred payroll taxes (CARES Act) and **\$46 million** payment related to Section 174 of the Tax Cuts and Jobs Act of 2017
- Days Sales Outstanding of **51 days**¹
- Leverage of **2.2x**²
- **\$750 million share repurchase authorization**
 - Expect to imminently execute **\$250 million ASR**

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

² Net debt to trailing-twelve-months (TTM) Adjusted EBITDA as of December 31, 2022. Does not include the impact of the \$750 million share repurchase authorization announced on January 26, 2023.

FY23 Guidance

	FY23 Guidance
Revenue (millions)	\$6,475 – \$6,675
Adjusted Net Income ¹ (millions)	\$420 – \$440
Adjusted Diluted EPS ¹	\$17.65 – \$18.49
Free Cash Flow ^{1,2} (millions)	At least \$320

Revenue growth of **~4.5%** to **~7.5%**

Adjusted EBITDA Margin¹ in the **mid-to-high 10%** range

Free Cash Flow now includes **\$95 million** tax payment due to Section 174

Guidance does not reflect recently announced share repurchase authorization

This guidance represents CACI views as of January 25, 2023. 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 See slides at the end of this presentation for definitions and reconciliations of non-GAAP measures.

² FY23 free cash flow guidance now assumes \$95 million in tax payments related to Section 174 of the Tax Cuts and Jobs Act of 2017.

Positive Forward Indicators

95%

Existing Business

STRONG

Performance

Q2 FY23 contract awards of **\$3.5 billion**

TTM Book-to-Bill of 1.5x

<3%

Recompetes

HIGH

Win Rate

Backlog of **\$26.5 billion, +10% YoY**

Pipeline of submitted bids: **\$6.6 billion**

~65% for new business

<3%

New Business

QUALITY

Pipeline

Bids expected to be submitted in the next two quarters: **\$15.2 billion**

~75% for new business

Good 1H FY23 Performance

Strong growth, profitability, and cash flow

Healthy awards, **growing** backlog, and **robust** pipeline of opportunities

On track to achieve full-year guidance

Revenue and margin growth, driving **free cash flow per share growth**

Flexible and opportunistic capital deployment

Talented, innovative, committed employees driving customer and CACI 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.

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. A reconciliation of Adjusted EBITDA Margin to the closest corresponding GAAP measure is not available without unreasonable efforts on a forward-looking basis due to our inability to predict specific quantifications of the amounts that would be required to reconcile such measures. Consequently, any attempt to disclose such reconciliation would imply a degree of precision that could be confusing or misleading to investors.

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. 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 these measures allow 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		
	12/31/2022	12/31/2021	% Change	12/31/2022	12/31/2021	% Change
Net income, as reported	\$ 87,101	\$ 90,299	-3.5%	\$ 176,226	\$ 178,408	-1.2%
Intangible amortization expense	19,109	18,054	5.8%	38,223	35,647	7.2%
Tax effect of intangible amortization ¹	(4,949)	(4,747)	4.3%	(9,899)	(9,373)	5.6%
Adjusted net income	\$ 101,261	\$ 103,606	-2.3%	\$ 204,550	\$ 204,682	-0.1%

	Three Months Ended			Six Months Ended		
	12/31/2022	12/31/2021	% Change	12/31/2022	12/31/2021	% Change
Diluted EPS, as reported	\$ 3.68	\$ 3.83	-3.9%	\$ 7.44	\$ 7.52	-1.1%
Intangible amortization expense	0.81	0.77	5.2%	1.61	1.50	7.3%
Tax effect of intangible amortization ¹	(0.21)	(0.21)	0.0%	(0.41)	(0.39)	5.1%
Adjusted diluted EPS	\$ 4.28	\$ 4.39	-2.5%	\$ 8.64	\$ 8.63	0.1%

(in millions, except per share data)

	FY23 Guidance Range		
	Low End		High End
Net income, as reported	\$ 364	---	\$ 384
Intangible amortization expense	75	---	75
Tax effect of intangible amortization ¹	(19)	---	(19)
Adjusted net income	\$ 420	---	\$ 440

	FY23 Guidance Range		
	Low End		High End
Diluted EPS, as reported	\$ 15.29	---	\$ 16.13
Intangible amortization expense	3.15	---	3.15
Tax effect of intangible amortization ¹	(0.80)	---	(0.80)
Adjusted diluted EPS	\$ 17.65	---	\$ 18.49

(1) Calculation uses an assumed full year statutory tax rate of 25.9% and 26.3% on non-GAAP tax deductible adjustments for December 30, 2022 and 2021, respectively.

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.

Reconciliation of Net Income to Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA) (Unaudited)

(in thousands)	Three Months Ended			Six Months Ended		
	12/31/2022	12/31/2021	% Change	12/31/2022	12/31/2021	% Change
Net income	\$ 87,101	\$ 90,299	-3.5%	\$ 176,226	\$ 178,408	-1.2%
Plus:						
Income taxes	23,824	22,799	4.5%	51,309	51,321	0.0%
Interest income and expense, net	19,942	11,009	81.1%	36,135	21,407	68.8%
Depreciation and amortization expense, including amounts within direct costs	37,582	33,918	10.8%	74,813	67,829	10.3%
Adjusted EBITDA	<u>\$ 168,449</u>	<u>\$ 158,025</u>	<u>6.6%</u>	<u>\$ 338,483</u>	<u>\$ 318,965</u>	<u>6.1%</u>

(in thousands)	Three Months Ended			Six Months Ended		
	12/31/2022	12/31/2021	% Change	12/31/2022	12/31/2021	% Change
Revenues, as reported	\$ 1,649,416	\$ 1,485,778	11.0%	\$ 3,255,175	\$ 2,976,676	9.4%
Adjusted EBITDA	168,449	158,025	6.6%	338,483	318,965	6.1%
Adjusted EBITDA margin	10.2%	10.6%		10.4%	10.7%	

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	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Net cash provided by operating activities	\$ 62,247	\$ 122,812	\$ 207,090	\$ 308,765
Cash used in (provided by) MARPA	(40,273)	6,038	(42,177)	(5,451)
Net cash provided by operating activities excluding MARPA	21,974	128,850	164,913	303,314
Capital expenditures	(12,899)	(11,429)	(25,670)	(21,632)
Free cash flow	\$ 9,075	\$ 117,421	\$ 139,243	\$ 281,682

(in millions)	FY23 Guidance	
	Current	Prior
Net cash provided by operating activities	\$ 400	\$ 495
Cash used in (provided by) MARPA	-	-
Net cash provided by operating activities excluding MARPA	400	495
Capital expenditures	(80)	(80)
Free cash flow	\$ 320	\$ 415

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