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**CACI INTERNATIONAL, INC.**  
**Moderator: Paul Cofoni**  
**June 30, 2011**  
**8:30 a.m. ET**

**Operator:** Ladies and gentlemen, thank you for standing by. Welcome to the CACI International Fiscal Year '12 guidance conference call. Today's call is being recorded. At this time, all lines are in a listen-only mode. Later, we will announce the opportunity for questions, and instructions will be given at that time. If you should need any assistance during this call, please press star then zero and someone will help you. A special reminder to our media guest who are listening in, please remember that during the question-and-answer portion of this call, we are only taking questions from the analysts.

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

**INTRODUCTION AND SAFEHARBOR STATEMENT**

**David Dragics:** Thanks, Allie, and good morning, ladies and gentlemen. I'm Dave Dragics, Senior Vice President of Investor Relations of CACI International, and we're very pleased that you're able to participate with us today.

Now, as is our practice on these calls, we are providing presentation slides, and during our presentation, we'll also make every effort to keep all of you on the same page as we are, so let's move to slide number two.

Before we begin our discussion this morning, I'd like to make our customary, but important, statement regarding our written and oral disclosures and commentary. There will be statements in this call that do not address historical fact, and as such, constitute forward-looking statements under current law. These statements reflect our views as of today, and are subject to important factors that could cause our actual results to differ materially from anticipated results. Now, factors that could cause our actual results to differ materially from those we anticipate are listed at the bottom of last evening's release, and are described in the company's Securities and Exchange Commission filings. And our Safe Harbor statement is included on this exhibit, and should be incorporated as part of any transcript of this call.

And I'd also like to point out that our presentation today will include a discussion of non-GAAP financial measures. These non-GAAP measures should not be considered in isolation, or as a substitute for performance measures prepared in accordance with GAAP.

Now let's go to slide three, please. And to open up our discussion this morning, here's Paul Cofoni, President and Chief Executive Officer of CACI International – Paul?

## CEO OVERVIEW

**Paul Cofoni:** Thank you, Dave. Good morning, everyone, and thank you for joining us. We are pleased to announce that we have raised our Fiscal 2011 earnings guidance, and are providing our Fiscal '12 guidance.

With me this morning are Tom Mutryn, our Chief Financial Officer; Bill Fairl, President of U.S. Operations; Dan Allen, Chief Operating Officer of U.S. Operations; and Greg Bradford, Chief Executive of CACI Limited in the United Kingdom.

Let's go to slide four. Today, CACI concludes our Fiscal Year 2011. As our increased Fiscal '11 guidance indicates, we expect it to be another great year of record financial performance. Our continued success, which results from excellent execution of our growth strategy, now sets the stage for our Fiscal 2012 and the start of our 50th year in business, which begins tomorrow. We believe Fiscal '12 will be another solid year of growth for CACI. We remain committed to achieving our financial goals of mid to high single digit organic revenue growth, and double digit earnings growth, as well as continued strong cash flow.

Let's go to slide five, please. CACI continues to perform at record levels, delivering significant increases to shareholder value. The increased pressure on federal agencies to reduce spending presents an opportunity for growth for CACI. We offer modernization and transformation solutions that provide the efficiency and effectiveness our government clients are looking for. And by delivering innovation and service excellence, we can both enhance mission support, and help clients improve productivity while achieving cost reductions.

CACI specializes in high priority market areas where our solutions are vital to the future of the nation. We are in the well-funded markets of defense, intelligence, homeland security, cyber security, IT modernization and government transformation, and healthcare IT. Our clients know we are committed to operational excellence, and our strong execution across the company continually enhances our value to them. For shareholders, our operational excellence enables us to win major contract awards, grow revenues, increase earnings and develop a robust pipeline of opportunity for the future.

We are also agile at capitalizing on opportunities in existing adjacent and new markets; one of the ways we do this is through our mergers and acquisitions program. We continually evaluate potential acquisitions that can strengthen our current capabilities, and add new ones. In key areas of our growth strategy, we leverage these enhanced and new capabilities to increase support for current customers and enter new markets with new customers. These are precisely our goals in our intent to purchase Pangia Technologies, which we announced on June 20th.

Pangia's technical success in solving difficult intelligence problems, combined with our significant presence in the intelligence community, will help us expand into emerging mission areas that are essential to national security. This includes systems vulnerability auditing and threat analysis, intrusion detection engineering, and systems security architecture, design and development. The acquisition will increase cyber security capabilities we offer to both our new and existing clients, thereby providing new growth opportunities for the company. We anticipate a seamless transition to CACI, and I would like to personally welcome Pangia's employees to our team.

Slide six, please. Cyber security is just one area in which we believe the government's proposed Fiscal '12 budget will contain funding for needs that are aligned with our strengths. For example, with rising instability in Southwest Asia and Africa, terrorist threats persist, and global tensions remain high. This drives the need for our defense, intelligence and homeland security solutions and services.

We also know that the pressure on our clients to reduce spending will intensify in Fiscal 2012. This will in turn increase the demand for our modernization and transformation solutions.

Finally, Defense Secretary Panetta has indicated he supports long-term actions to reduce the deficit, while maintaining a strong national defense, continued strong investments in defense, including boosting areas like DOD cyber efforts, where we are growing our capabilities and positioned to win business. Secretary Panetta has had a remarkable career in government, and we look forward to his leadership in his new role.

One more reason why we feel confident in CACI's long-term outlook is that our addressable market is so large that it provides significant room for us to grow. Now to tell you more about our market opportunities, here's CACI's Chief Operating Officer of U.S. Operations, Dan Allen – Dan?

### **CHIEF OPERATING OFFICER OVERVIEW OF CACI'S ADDRESSABLE MARKET**

**Dan Allen:** Thanks, Paul, and good morning to everyone on the call. Let's go to slide seven, please.

As Paul indicated, we believe there is still significant room in our addressable market to support CACI's growth strategy. During our annual planning process, we routinely assessed the overall market conditions to help formulate our strategic plan. This year, because of the dynamic market conditions, we undertook a more detailed and rigorous process to quantify current market conditions and better inform our strategy going forward.

To help us formulate our current and projected addressable market, we augmented our internal team with two external third party organizations who are experts in defense, intelligence and the federal civil markets. The integrated assessment of this team continues to validate the market CACI is targeting remains large, one in which we are approximately – or have approximately a one percent market share. The market assessment also highlighted a key market trend in which it is becoming the norm for our customers to employ fair and open acquisition strategies. This allows CACI to bring our value-added capabilities, innovation and service excellence to a broader set of customers.

These two points indicate there is a large untapped addressable market for CACI. Combined with our aggressive growth culture, this reinforces our confidence that there remains significant opportunity to continue our growth momentum.

CACI maintains a broad customer presence with existing customers across the Department of Defense, Intelligence Community and federal civil marketplaces. With our current customers, we see enduring support for their current mission. We also see new opportunities with adjacent customers and new markets.

Four key growth areas for CACI are:

- Our business transformation services and solutions to help our customers transform their operations and bring improved productivity and cost savings to their enterprises.
- Mission critical solutions in intelligence, surveillance and reconnaissance, with an emphasis on quick reaction capabilities for our customers' difficult intelligence challenge, and a focus on intelligence analytics and knowledge management.
- Full spectrum cyberspace operations that include exploitation, defense and authentic solutions and services.
- Healthcare, IT solutions and services that enable efficient delivery of healthcare services.

We are encouraged and confident that our addressable market provides opportunities to expand our business with current clients, win new clients, and continue building momentum for future

growth. We believe we will continue our strong track record of capturing new business, executing on programs, and grow our share in our core markets in Fiscal Year '12 and beyond.

Now I'd like to turn the call over to Tom, who will provide more insight into our financial performance.

## FINANCIAL OVERVIEW

**Tom Mutryn:** Thank you, Dan, and good morning, everyone. Please go to slide number eight.

First, let me update you on our Fiscal '11 outlook. We are wrapping up the year, and will report our fourth quarter and full year results on August 17th. Based on strength in our operating groups and continued control of indirect expenses, we are increasing our FY '11 earning guidance range, and now expect earnings per share to be between \$4.25 and \$4.40.

Next slide, please. We anticipate that Fiscal Year '12 will be a year of solid growth on both the top and bottom lines. Our revenue guidance of \$3.75 to \$3.95 billion is 6 to 11 percent greater than the midpoint of FY '11 revenue guidance. Our Fiscal '12 earnings per share guidance of \$4.60 to \$4.80 per share is also 6 to 11 percent greater than at midpoint of our 2011 guidance.

The company completed two domestic acquisitions during FY '10, both of which are performing well in generating positive cash flow. Each acquisition has an earn-out provision whereby additional purchase consideration will be paid if certain earnings objectives are met. Earn-outs are common features of acquisition agreements, and represent additional purchase consideration to be paid based on the acquired company's performance post closing. As we are required, we determine fair value of the expected earn-out consideration as of the acquisition date, and record it on the balance sheet. Each quarter, we reevaluate our estimates and reflect any changes in the income statement. As we approach the end of the earn-out periods, we want to remind you that we may have some larger one-time impacts to our fourth quarter '11 and first quarter '12 income statement.

Go to slide number 10, please. Key assumptions implicit in our FY '12 guidance are as follows:

- Both our direct labor and our other indirect costs are – excuse me, our other direct costs are expected to increase in the seven to 12 percent range.
- We expect our effective tax rate to be approximately 39.5 percent, assuming no gains or losses in the assets in our deferred compensation plan.
- We expect capital expenditures will total approximately 15 to \$20 million.
- Interest expense is expected to be approximately \$25 million.
- Diluted share count is expected to be 31.3 million shares, flat with FY '11, as the effect of the convertible debt in equity compensation dilution is offset by additional share repurchases.
- Depreciation and intangible amortization is expected to be \$8 million lower than FY '11 due to reduced amortization expenses from older acquisitions.
- And lastly, this guidance does not include the impact of any acquisitions which have not closed.

We expect another year of solid cash flow, with operating cash flow forecast at approximately \$200 million. Adjusted earnings per share for FY '12, which remove non-cash expenses—stock compensation, depreciation, amortization and non-cash interest expense—is expected to range from \$6.14 to \$6.34 per share.

Similar to prior years, we expect a sequential reduction in earnings from our fiscal FY '11 fourth quarter to our first quarter 2012. And similar to prior years, we expect to see steady increases in earnings as we move from the first quarter to the fourth quarter, with favorable year-over-year comparisons each quarter.

Now here is Bill, who will provide further insight into our domestic operation.

## OPERATIONS OVERVIEW

**Bill Fairl:** Thanks, Tom, and welcome to everyone on the call. This morning, I'll comment on our key U.S. operations forward indicators for Fiscal '12 to show why we're so confident in our ability to deliver another solid year of top and bottom line growth.

Slide 11, please. I'll start with a brief discussion of how we build our plans each year. We build them from the bottom up, person by person and project by project, with work falling into one of four categories: existing funded contracts, existing contracts which are awaiting additional funding, re-competes and new work. As we enter Fiscal '12, nearly 70 percent of our projected Fiscal Year '12 business will come from contracts which we already hold. I want to stress that point, nearly 70 percent of our expected Fiscal Year '12 business will come from contracts which we already have. Moreover, we already have in hand approximately 50 percent of the funding we will need to achieve our Fiscal Year '12 financial goal. These are key reasons why we are so confident in our ability to deliver in Fiscal '12.

Although Fiscal '11 will be a very light year for our re-competes, it's shaping up to be a record year for CACI new business wins. During the course of Fiscal '11, we've told you about our exciting new business wins in such areas as C4ISR, biometrics and healthcare IT. I estimate that when we close the books on Fiscal '11, our new business contracts awards will exceed \$1.6 billion. That's an all time record for us, and a terrific forward growth indicator.

As we look forward into Fiscal '12, we anticipate increased re-compete activity. Now please note that on slide 11, it says 20 percent of our business will be re-competed in Fiscal '12. That number is incorrect, since Fiscal '11 is a light year; we're going to have a catch-up year in Fiscal '12. [We] currently anticipate that more than 25 percent of our business will be re-competed in Fiscal '12.

We take great pride in our ability to win our re-competes, and retain our business base. It goes back to the operational excellence Paul talked about earlier. We never stop innovating and anticipating our client's needs, and we're always ready to deliver new and better solutions. The day we start planning our re-compete is the day we win the award. As a result, our re-compete win rate as a prime contractor continues to be excellent.

You can also see examples of our operational excellence and our ability to win prime positions on major IDIQ programs. In Fiscal '11, we won prime positions on major IDIQ programs with a value of over \$51 billion, including our R23G, OPTARSS, FBI SSS, and DOJ ITSS awards.

Slide 12, please. Moving on to our opportunity pipeline, we are positioned strongly. During our conference call in early May, I noted that we had approximately \$5.3 billion in submitted proposals under evaluation, and we expected to submit more than \$8 billion in new proposals during the next two quarters. That bow wave of business opportunity has continued to grow. We currently have nearly \$5.7 billion in submitted proposals, and we plan on submitting more than \$8-1/2 billion in new proposals during our first two quarters of Fiscal '12. We haven't quite completed Fiscal '11 yet, but I can safely say that our overall win rate will be higher than it's been in at least the past five years. Terrific overall win rate.

Our solid Fiscal Year '11 performance has laid the foundation for a strong Fiscal '12, and gives us great confidence in our long-term outlook. Our strategy is working, and our addressable market offers us substantial growth opportunities. We are winning key new business deals, not only in our focused areas of defense, intelligence, national security and IT modernization and government transformation, but also in the areas of emerging importance to our clients, as

evidenced by our Fiscal Year '11 contract awards for new business in cyber security, biometrics and healthcare IT.

Serving as a foundation for our business development engine is our culture of operational excellence. We have more than 2,500 active task orders and contracts, and we do not have a single troubled program among them. In my opinion, that sums it all up for our operational excellence.

And, Paul, that concludes my remarks.

### **CEO CLOSING COMMENTS**

**Paul Cofoni:** Thank you, Bill, and thank you, Tom and Dan, for the highlights and details and your insights related to our guidance.

Let's go to slide 13. We're enthusiastic and confident about CACI's performance. We believe our Fiscal 2011 financial results create a solid foundation for growth in Fiscal 2012 and beyond. CACI continues to offer clients the services and solutions they need. We provide technology tools and resources that help protect our forces, and counter persistent threats from terror. We offer systems and services that enable government to raise productivity and reduce costs. And in such critical arenas as cyber warfare, we're helping clients counter alarming new threats to our nation.

Tomorrow, we begin CACI's 50th year of proudly serving our clients and shareholders. We owe our longevity to our culture, the strength of our entire leadership team, and the innovation of our talented employees. I thank them for delivering excellence in all they do. Their support enables us to achieve our financial goals and build lasting shareholder value.

With that, Allie, we'll open up the call for questions.

**Operator:** Ladies and gentlemen, if you have a question at this time, please press star then one on your touch-tone telephone. We ask that you please limit yourself to one and one follow-up. Again, if you have a question, please press star then one on your touch-tone telephone.

Our first question comes from Bill Loomis of Stifel Nicolaus. Please go ahead.

### **QUESTION ON THE TOTAL AMOUNT OF NEW AWARDS IN CACI'S FISCAL YEAR 2011**

**Bill Loomis:** Hi, thank you. Thanks for the detail on the call and the guidance. Can you just talk about the \$1.6 billion in new wins in Fiscal '11? I just want to be clear that that wasn't the total wins—that that's just the brand new business to you. And, you know, if you could tell us what the total wins were in Fiscal '11, and then also whether you know you removed the TASC contract from that new win total.

**Paul Cofoni:** Bill, you tailed off there at the end. Could you – I think the front part was – could we tell you a little bit about our \$1.6 billion in fiscal '11 awards. Was there another piece to the question?

**Bill Loomis:** Yes, can you hear me now, Paul?

**Paul Cofoni:** That's better, thank you.

**Bill Loomis:** Yes, so I want to know—I just want to clarify that that's new wins, because what you've announced—if we take TASC out—for the first three quarters, you had \$2.1 billion in total wins. So I'd like that figure updated for Fiscal '11, in addition to the new wins that you mentioned. And then also I just want to be clear that the TASC contract was taken out of these numbers.

**Bill Fairl:** Yes. OK, Bill, this is Bill Fairl. That number I gave you is strictly for new business wins. And the reason I called that to your attention—it is an all time record for us. And to me, that's a great indicator of our forward growth opportunities. So it's just new business wins, not re-competes, just new business.

DHS TASC has been taken out of that award total. We have not finished our Fiscal Year '11 yet. We still have a few more hours to go, and it's our practice to go through our system and develop our contract awards total. So we'll hold off on giving you the Fiscal Year '11 final numbers.

But, again, I'm stressing that the new business awards are \$1.6 billion. And again, we're quite conservative in how we count contract awards here. So I'll just remind everyone that we don't put IDIQs in those numbers. So that really exciting batch of IDIQ awards I talked about, like R23G, OPTARSS, DOJ ITSS, and that FBI SSS, none of that is in this award total that I'm telling you about.

#### QUESTION ON PACE OF AWARDS IN THE FOURTH QUARTER

**Bill Loomis:** And did you see any pickup going into the end of June in the – this last week or two on awards, or is it going to be another, you know, more of an end of September type awards quarter or year?

**Bill Fairl:** You know, I've never been real good at predicting awards in any given quarter. So we always look out over a couple of quarters or so. So I think funding activity will pick up in our first quarter of Fiscal Year '12, but there's less pressure on our clients to make contract awards then. So with the final resolution of the Fiscal Year '11 continuing resolution, we have seen some pickup in activity. But it's still early days; it's only been about eight weeks since that happened, so things are still coming through the pipeline here. So look for, I'd say, marked increase in our funding activity at the end of our Fiscal Year '12, quarter one.

**Operator:** Our next question comes from Michael Lewis of Lazard Capital Markets. Please go ahead.

#### QUESTION ON CACI'S MARKET OPPORTUNITIES

**Michael Lewis:** Good morning, thank you so much for taking my questions. Dan, in your prepared comments, you talked – you discussed some new market opportunities. Can you expand on these possible new areas, and provide us with what we can expect that would be new from CACI during the Fiscal Year '12 period?

**Dan Allen:** Sure. I tried to highlight those in the remarks—the four areas that we've identified in the business solutions area, where we're trying to help our customers primarily in their back office. Modernization transformation is one of the key areas that we're seeing growth opportunities; the needs continuing to grow. And if you look at the – how our government will take on some of these deficit issues, that's an opportunity.

In the ISR area, it really is focused on how do we get new intelligence—ISR capabilities to our customers quickly to solve kind of near term mission needs? We're seeing a lot of opportunities and growth there.

The cyber area and focusing on cyber security operations is a priority for them right now. We are seeing cyber-focused acquisitions coming out, and we have, in fact, won a couple across the full spectrum of defense to offense here in the recent couple of months. So that's a continued growth opportunity, and one that we're focusing on as we go forward.

In healthcare IT, as they continue to modernize particularly one of our big programs, VLER, is expanding and growing around that core base. So those would be the four major areas that, as we look at that addressable space, and do use the analysis that we did, were primarily bottoms up, we see growth opportunities for us.

#### **QUESTION ON EXPECTATIONS FOR GROWTH OF CACI'S MARKET OPPORTUNITIES**

**Michael Lewis:** OK, that's very helpful. And staying on slide seven, where you talk about these key growth areas, can you help us bracket what CACI's growth expectations for these four areas will be over say the next two or three years? My opinion is like ISR's kind of a mid single growth [percent] area. Cyber's probably 8 to 12 [percent], but uncertain about business transformation and healthcare IT. Can you help us with the expectation there?

**Dan Allen:** Yes, I would say that specific percentages are still—we're working that model, and we'll continue to work that model as the budget situation changes. But the trends that you talked about I think are generally good. The cyber area still has high growth opportunities. The ISR still has high growth, probably not to the level of cyber. Business transformation is also an area that we see not quite as high growth rate opportunities, but still in the lower single digits. And healthcare IT is in that category as well. So that would probably be the rough magnitude or rough order of how we see those growth trends.

**Operator:** Our next question comes from Edward Caso, of Wells Fargo. Please go ahead.

#### **QUESTION ON PRICING AS A FACTOR IN THE FY12 GUIDANCE**

**Edward Caso:** Good morning, and congratulations on the solid guidance.

**Bill Fairl:** Thanks, Ed.

**Edward Caso:** I guess—I'm trying – my question's around pricing, and I noticed that the revenue guidance is up six to 11, but the direct labor and ODC is up seven to 12. Are you trying to – what's the difference? And is it – is that pricing? And then maybe more generally talk about pricing.

**Dan Allen:** Yes, well I'll start out, Ed, and then Bill can elaborate. I wouldn't read too much into those. What we did is we had a couple of brackets of revenue and then of ODCs. It depends on where you pick direct labor, and in ODCs, they have different characteristics. Those are expensive as opposed to revenue. And so I would not necessarily infer that there are pricing pressures based on that analysis. But I do understand the question. And, Bill, you may want to elaborate.

**Bill Fairl:** I'll just weave that together with Dan's remarks, and point out that we're investing our bid and proposal dollars in opportunities that have the higher CACI labor content, which drives our bottom line growth. We're quite proud of what we've been able to achieve already, and we'll continue doing that. That's been our practice for a number of years now to look at bids that have higher CACI labor content, taking advantage of the work we've done on vehicles such as S3 where our direct labor is – the greater growth there is twice as large as it is for the ODCs. We use those initial – building those client relationships to get in and grow CACI labor content. So that strategy is working there, and our bottom line results are driven mainly by our direct labor growth.

#### **QUESTION ON MARGIN IMPROVEMENT DURING FY12**

**Edward Caso:** My follow-up question is around margins. I didn't hear anything mentioned about them. The way I back into your margin of your guidance is that maybe it's 7.0 [%], 7.1 [%], up 30 to 40 basis points, but also the reduction in the amortization is 30 of those basis points. So are you

looking on a—sort of on a cash margin improvement basis for flat to slightly better this year? Is that the way to interpret it?

**Paul Cofoni:** Yes, Ed, this is Paul. I think that's fair – that's fair way to think of it. We will continue all of our initiatives on increasing margin. We have had a long-term program working, and we started to see real results from that this year across the – sort of the bedrock of that is our tight control of costs or spending in the business. That we do extremely well.

Our labor growth rate is another key component. Bill just talked about that and performance on contracts. You know, we have about 20 percent fixed price contracts, and our ability to execute those contracts at high margin helps. And also even in the non-fixed price area, we're seeing improvements in award fees, which is reflective of that operational excellence we talked about earlier. So we're seeing some nice help on margin from award – the increases. Also, Bill pointed out, we really have focused our bid and proposal team on those high value opportunities – solicitations out there. We're more focused on that, and that's making a difference.

And, of course, there's no substitute for aligning the management team's incentive compensation to margin, which we did last year. I can't say how much that helped our margin, but I know it helps – it helps some, it puts some energy and focus into that. We'll continue that practice in Fiscal '12 and beyond to make sure the team understands that margin is an important component here for our performance.

We show flat to slightly increased margin after you do your analysis there. You're about right on that analysis. And you know we are looking for upside. I think the one qualification I'd put on all that is the thing we don't have that much control over is ODCs. If we suddenly get a surge of requirements from the client that adds a lot of ODCs into the mix, that has a dilutive effect on margin. It's excellent work with good profit. So that's the one non-controllable element in this, but the focus on margin continues here.

**Operator:** Our next question comes from Brian Gesuale, of Raymond James. Please go ahead.

#### **QUESTION ON THE AMOUNT OF RECOMPETE BUSINESS TO BE AWARDED IN THE NEXT SIX MONTHS**

**Brian Gesuale:** Hey, guys, congratulations on the strong execution.

**Paul Cofoni:** Thanks, Brian.

**Brian Gesuale:** And thanks for taking my questions. [I] wanted to dig into the renewals. I thought I remembered as of last quarter, you had \$6.1 billion in awards awaiting adjudication. I thought I remembered there being close to three billion [dollars] of that coming from renewals. Was that a decent number? And was there, maybe, a nice size renewal that you got in this quarter to kind of even out to the 25 percent renewal number that you talked about in your prepared remarks?

**Bill Fairl:** OK, Brian, this is Bill Fairl. We didn't have any major – or we haven't had any major re-compete awards so far this quarter. I'm trying to remember the numbers you're referring to. You know, I gave you the numbers for submittals last quarter, and my numbers that I had were – let's see, I think it was – let me just get this back up here, just a second here. For my pipeline numbers here, \$5.3 billion in submitted proposals, and most of that was for new business. So I'm not reconciling to that number you just gave us of \$6.1 and \$3 billion for renewals. So that \$5.3 [billion] that we had at the end of the third quarter, most of that was for new business.

#### **QUESTION ON THE ASSUMPTION FOR GROWTH IN DIRECT LABOR AND OTHER DIRECT COSTS IN FY12**

**Brian Gesuale:** OK, that's great. Wanted to also dig in to the revenue split on this direct labor versus ODCs. It seems like you guys are thinking they grow in somewhat parity. Is there something in your funded backlog that suggests that? Or is there something in your pipeline that would suggest that they grow in parity? The ODCs have just been growing much faster, and while we would expect there to be some conversions, we wouldn't expect – I'm not expecting parity in the two numbers. Can you maybe give us a little color on that, Tom?

**Bill Fairl:** Brian, this is Bill Fairl. I'll go ahead and try that and start out, and maybe Tom can join me here. When we build our plans each fiscal year—we did it last year; we did it again this year. We basically built it from the bottom up. So we really do go person by person—people that already work for us, planned new hires—and we go project by project. And I mentioned that 70 percent of our contracts we already have in hand.

So we go out to our management team, and we have conversations with our clients, and we get all our best professional estimates to what things are going to look like in Fiscal Year '12. And those numbers that we're giving you today come as a result of that very, very detailed analysis. So, 2,500 some odd contracts and task orders, going to basically planning every single one of those and what we think we're going to get on it—that's our best professional estimate.

As we've said in the past, and Paul just mentioned here, it certainly is possible that we could get additional ODC growth in Fiscal Year '12. And since that work is profitable and leads to more direct labor growth, we like it. Bottom line is we need to make our direct labor growth goals to really drive our earnings, and we're focused on that again in our current projects, in our operating excellence and our investment in B and P dollars.

So, Tom, do you want to ...

**Tom Mutryn:** No, I think, Bill, that's a good summary.

**Bill Fairl:** OK.

**Operator:** Our next question comes from Mark Jordan of Noble Financial. Please go ahead.

#### **QUESTION ON THE INTEREST EXPENSE ASSUMPTION FOR FY12**

**Mark Jordan:** Thank you very much. First question [is] on interest expense. You've used a \$25 million forecast. If you look at the second and third quarters, the average annualized run rate was about \$23.2 [million]. I'm assuming that you baked into your estimates an increase in interest rates on your bank facility. Could you tell us what the increase is that you're assuming on that was it \$148 million or \$140 million that you've got on your bank line?

**Tom Mutryn:** Yes, Mark, two things which are driving the change in interest rate: one is I told you that we expect our share count to be flat. Any dilution would be offset by additional share repurchase, so the share repurchase will be a use of cash. It alters our debt-to-cash mix, and so that is going to material in terms of the overall calculation. What we are doing is we're forecasting a relatively gradual increase in LIBOR as we go forward--quarters one, two, three and four; obviously hard to project. Interest rates—we're looking at the LIBOR forward curve, and using that as a proxy for rates going forward.

#### **QUESTION ON MANAGEMENT'S PERSPECTIVE ON FUTURE DEPARTMENT OF DEFENSE SPENDING CUTS**

**Mark Jordan:** OK. My second question: the administration has recently outlined that they are going to look for \$400 billion worth of cuts over the next decade. I guess we should assume that that would be detailed in the Fiscal '13 budget request, which will be released in February of '12.

Could you talk about where you think these reductions may come, and do you see them in the areas of force reduction, or more heavily skewed towards the procurement side?

**Paul Cofoni:** This is Paul. I'll start but I'll invite Dan and Bill to join in if they have something to add. We haven't seen a split out of that \$400 billion over 10 years. It is \$400 billion over 10 years. And I haven't really seen the splits on it, but we have heard in the past [that] the focus has been on finding programs, large platform type programs that may be discontinued. There's been a number of those mentioned.

There is, I think, mention of reducing the number of soldiers and marines over time, and I think a lot of the costs that follow that. There's also been a reference to this A and AS [advisory and advisory support] contract support services, which is in the genre of contractors that are sitting side by side with government people doing reports and studies and presentations. That's a very small part of our business. But, you know, we haven't seen a complete split.

Dan, did you have anything else in that market – addressable market study? Did we uncover anything there?

**Dan Allen:** Yes, I think two things that I'd just like to add, Paul. First the other area that they're expecting to see some cost savings is in the reduction in Iraq and Afghanistan as we draw down our troops.

**Paul Cofoni:** Right.

**Dan Allen:** And, in cases as we did our bottoms up, addressable market analysis, our exposure to those theatres, though we do have some people, it's a small number. We don't see that as a significant exposure. And the types of areas that they are highlighting as priorities to help them transform the force structure, as it goes forward into the type of threat we'll be facing, are the types of things that CACI produces, and the services we bring.

So as we look at that \$400 million drawdown, there are some programs that we have that will be impacted. But, as we look across that total addressable space [and] some of the areas we're targeting for growth, we're seeing some progress that we think will overcome that and make up that drawdown, so.

**Paul Cofoni:** Yes, the other thing I would expect—I don't think it's been specifically articulated—but I would expect that as the efforts go forward to take that money out of the budgets over time, initially there's a what-can-we-do-quickly, and that usually looks like let's cut some programs, reduce some numbers of people, et cetera. But over time, that's the easier stuff, the harder stuff. To get to \$400 billion usually has to do with reengineering the way government does government, or DoD does DoD business. And that usually is where the big payoff is in cost reduction—is you take a fresh step back, take fresh look, reengineering approach to processes that can drop a lot of costs out of the structure.

This is an area, as Dan has pointed out, where we have a strong competency, and where we're already doing that kind of work, so that we talked about that. For example, the VIPS work, that is a \$70 million – we're going to get paid \$70 million, we're going to take \$100 million of costs per year out of DOD's spend. So I think we'll see more of those kinds of projects that are reengineering, that virtualize the process for applicants to the military. So, instead of having applicants travel and put them up in hotels to be screened, all of it can be done at the kitchen table using the Internet, and saving all that hoteling and travel cost, which is \$100 million a year.

Similarly, what we're seeing with VLERS is healthcare IT records unification at the VA level, and reaching across to DoD as well, so that we can capture the health information from the time someone enters a service until they pass. And having all that unified means that there won't be all the redundancy associated with every time a veteran goes to a veteran's hospital, having to

enter all that same historic information. We've all had that experience where you sit with a doctor – one doctor and give them all the information, sit with another doctor, give them exactly the same information. Just think about the waste that exists in that process. So the VLERS project is about providing better health records for better healthcare. But it's also about efficiency, and I think we're going to see more and more of these types of programs to really get at cutting excess costs out of DOD spend. So I think it may take us six months or a year to see those kinds of initiatives emerge, but I expect there'll be a lot more of that.

**Operator:** Our next question comes from the Cai von Rumohr of Cowen and Company. Please go ahead.

**QUESTIONS ON THE AMOUNT OF BIDS SUBMITTED FOR EVALUATION AT THE END OF THE THIRD FISCAL QUARTER, THE ASSUMPTION FOR RECOMPETED WORK IN FY12, AND THE POSSIBILITY OF A CONTINUING RESOLUTION**

**Cai von Rumohr:** Yes, and thank you, guys, for all the detail you provided. So on your third quarter call, you'd indicated that bids awaiting decision at the end of the third quarter were \$6.1 billion. It looks like they declined to \$5.7 [billion]. Bill, did you say you thought they were five three [billion dollars] at the end of March, and therefore increased \$400 million in the quarter? Just so I get that right.

**Bill Fairl:** Well, Cai, I did say that. Right now, we have \$5.7 billion. We did win several IDIQs. We don't count those in our awards total so some of that's been taken out already. We still have \$5.7 billion awaiting award here, and planning on submitting another \$8-1/2 billion.

**Cai von Rumohr:** Right, but it looks like – so that would be down. I think, generally, people have said the awards in the fourth quarter were soft. You have 25 percent of your business up for re-compete. I was a little surprised that what looks like pretty good six to 11 percent revenue growth. So I guess my question would be, what are you assuming in terms of the re-compete win rate? And what are the key re-competes? What are you assuming regarding potential for a Fiscal '12 CR? And generally, what are you assuming in terms of are we going to have a huge September quarter in terms of funding to kind of really get us off the map?

**Bill Fairl:** OK, Cai, I'm going to try to make sure I answer all of your questions here. The funding for the first quarter of Fiscal Year '12: yes, we do expect that that's going to be very strong as it has been in years past. So we're planning on that—a very strong Fiscal Year '12 quarter one.

The – let's see, the other questions were about re-compete activity in Fiscal Year '12 ...

**Cai von Rumohr:** Where do we expect for a re-compete win rate, what have we built in?

**Bill Fairl:** Our goal is always 100 percent to win our re-competes. I'd like to tell you that we get 100 percent every year, but we don't always get 100 percent. But our goal is 100 percent, and that's what we drive our team towards. We all take it personally in those rare events where we're not successful on a re-compete. So the goal is 100 percent on that, we don't always get 100 percent.

I think you asked a question about what did we plan for a continuing resolution in Fiscal Year '12? And the answer to that one is that we're not assuming a full year continuing resolution in Fiscal Year '12. We're assuming there will be a continuing resolution, as there is most of the time, and that it will extend into the early part of calendar year '12, but that there will not be a full year continuing resolution.

**Paul Cofoni:** Yes, we've had continuing resolutions pretty much each year. This year, in Fiscal '11, we experienced seven months of continuing resolutions. Notwithstanding that, you've seen the growth rates that we're projecting for – implicit in our guidance—the growth rate's way up there.

And I think it's close to 13 percent growth rate that we're running. And so we don't expect that to be a material impact to our operations.

**Operator:** Our next question comes from Brian Kintslinger of Sidoti & Company. Please go ahead.

#### **QUESTION ON THE IMPACT OF FY11 GOVERNMENT FUNDING ON AWARDS**

**Brian Kinstlinger:** Great, thanks for taking my questions. The first one I had was in last September's quarter, the funding orders and the awards were exceptional. And then when I look at this year, it seems similarly back-end loaded. But I'm wondering, half the government is on a budget, and half of it, I think, is on a sustained continuing resolution for the year. How will that impact year-over-year comparisons do you think? Do you think it'll be slightly less awards than last year? Or is that too tough to tell right now?

**Bill Fairl:** Brian, this is Bill Fairl, and I'll start, and perhaps Paul or Tom can join me here. I think – the first question was a little hard to hear, but I think the first question was about first quarter funding and awards activity. And I'll separate the two. Funding—I believe we'll have a very strong first quarter of Fiscal Year '12. So that's our quarter ended September 30th. Contract awards—harder to predict any given quarter in which the contract awards are going to fall out. So we did have a very strong quarter for Fiscal Year '11, Q1 contract awards—lots of new – exciting new business wins.

The pipeline is there. We've got plenty of submitted proposals; most of them are for new business right now. I mentioned we've got well over \$8 billion in planned proposals for the next two quarters. The exact timing of when those contract awards occur is really hard to predict, so we always look over a couple of quarters.

And I think the – what was the third question there? I think it was ...

#### **QUESTION ON THE ORGANIC REVENUE GROWTH ASSUMPTION FOR FY12**

**Brian Kinstlinger:** The heart of the question really was the funding situation. We're not fully on a budget. Some of it's on a continuing resolution. How would they look year-over-year? But in addition, before—because I know I only have one follow-up—is what organic growth is going to look like. You put revenue numbers out there. You've had a couple of acquisitions throughout the year that, you know, adjust organic growth. Can you – could you tell us what's implied in organic revenue growth?

**Paul Cofoni:** Yes, it's almost all organic growth. I think Tom mentioned maybe 50 basis points of our growth rate is coming from these smaller acquisitions.

**Tom Mutryn:** Yes, and you're correct, Paul. On the ASR and the TechniGraphics acquisition occurred in the beginning of November. So we will have four months of acquisitive growth in FY '12. That equates to approximately \$20 million.

**Paul Cofoni:** And that does not include Pangia because we haven't integrated Pangia in. Until we close Pangia, we don't integrate their numbers in.

**Operator:** Our next question comes from Joe Nadol with JP Morgan. Please go ahead.

#### **QUESTION ON THE SIZE OF ANY IMPACT FROM THE EARN-OUT ADJUSTMENT**

**Seth Seifman:** Hi, good morning. Actually, it's Seth Seifman for Joe this morning. Tom, did you quantify the impact of what those earn-out provision adjustments would be in Q4 and Q1?

**Tom Mutryn:** No, I didn't, because we have yet to do that kind of work ourselves. We will revise those estimates after we close our FY '11 books. So, at the end of July, early August, we will go through that analysis to determine what, if any, changes to those earn-outs will be. The situation is that they may be material, given the potential size of the earn-outs, and that the earn-outs are highly leveraged. We just felt it's good practice to give you the heads up that these one-time events may be flowing through our income statement, both in the fourth quarter FY '11 and the first quarter FY '12.

**Seth Seifman:** Right. Now you had an adjustment in your fiscal third quarter related to the earn-out that was a benefit for you. So I assume we're looking at potentially benefits here going forward, and you know you mentioned that they may be material. What's the cause of that?

**Tom Mutryn:** Well if I go back for the last three quarters—the first, second and third quarter of this year—there has been some quarters where the earn-out adjustments were positive income statement impact. There were some quarters where it was negative. On balance for the first nine months of this year, we added approximately \$2 million to our earnings due to those earn-outs.

The reason why we have this accounting is we need to estimate what the earn-out is at any point in time. The earn-out is typically a function of the company's profitability. And as we adjust those profitability forecasts, we adjust the expected earn-outs and those changes to the expected earn-outs, given the accounting rules which we adopted in FY '09 flow through the income statement. Prior to that, those adjustments would flow through the balance sheet only.

**Paul Cofoni:** And we are not trying to communicate a projected increase or decrease to the earnings, but rather that there will be an adjustment. We don't know what it is. We do the assessment at the end of the quarter. That's when we'll know. And when we know, it will be right around the time that we do our fourth quarter earnings call, and we'll, of course, announce the actuals at that time.

**Seth Seifman:** This is really a heads up – to give you a heads up that some adjustment is coming, or maybe not.

**Tom Mutryn:** It may come – or it may not, we can't be sure of that.

**Operator:** Our next question comes from Alex Hamilton of Early Bird Capital. Please go ahead.

#### QUESTION ON THE VALUATIONS OF CYBER-RELATED ACQUISITIONS

**Alex Hamilton:** Good morning, congratulations on 50 years.

**Paul Cofoni:** Thanks, Alex.

**Alex Hamilton:** Just a quick question. You're not the only ones that talk about cyber. Obviously that's a big focus of the group. Can you just talk a little bit about sort of the pricing that you're seeing in the M&A market there?

**Tom Mutryn:** Yes, Alex, we are seeing some instances where some higher end cyber companies are being transacted at relatively high multiples, in excess of 10 times. Those levels are ones that we typically are not interested in. Where we have been successful looking for companies which have some kind of solid capabilities—Pangia, for example, has a good amount of work in information assurance and a cyber-related computer network operations, which are vital to the customer mission—we're paying multiples less than that. So it's kind of a mixed bag. We do see in the marketplace some relatively high multiples, but that is not universal.

**Alex Hamilton:** Great, thank you.

**Operator:** Our next question comes from Josh Sullivan of Gleacher and Company. Please go ahead.

**QUESTION ON THE FUTURE EFFECT OF THE MOVE TO CLOUD COMPUTING ON CACI'S BUSINESS**

**Josh Sullivan:** Good morning. Thanks for taking my questions here. Just as far as the future opportunities in back office and I suppose healthcare markets—how is the move to the cloud environment affecting you guys? You know, are you well positioned? Is it a good margin opportunity for you guys?

And then secondly, is it a near-term surge, or is going to play out over a longer period of time? Thanks.

**Paul Cofoni:** We just missed the last part of your question, the second part of your question.

**Josh Sullivan:** I mean are you guys seeing a near-term surge in asking for cloud requirements, or is this going to play out over a one or two-year time period?

**Dan Allen:** Yes, so, Josh, this is Dan. As we look at the cloud in the back office, we actually are seeing some interest in not taking and jumping in with both feet into the cloud. But how do the organizations migrate into the cloud, with the priority being on how do they use some of the mobility features that come with the cloud to help their enterprise perform better. That's an area that we, as an organization, have been investing in some organic capability and working with some clients and had some pilots and some programs in the works now. So we see that as an exciting area for us, and some partnerships that we're developing. We think we can grow that capability and extend it into the broader use of the cloud.

So I hope that answered the surge part of it. I don't see people running into the cloud. There are private clouds that are being stood up who are participating in some of those areas, and the mobility being one of the areas that people are really trying to embrace fairly quickly.

**Operator:** Our next question comes from Jason Kupferberg, of Jefferies. Please go ahead.

**QUESTIONS ON THE CHANGE IN THE FY11 REVENUE GUIDANCE RANGE AND ON THE FOURTH QUARTER FY11 BOOK-TO-BILL RATIO**

**Jason Kupferberg:** Thanks, good morning, guys.

**Paul Cofoni:** Good morning.

**Jason Kupferberg:** Just wanted to ask about the June quarter. Two things there. First of all, what's driving the small tweak down in the implied June quarter revenue guidance? And should we expect the book to bill in the June quarter to be greater than one? Because I know that the past two quarters, it was below one, and I think, if I'm not mistaken, that was the first time you've had consecutive quarters below one in that metric since you started giving that metric a long time ago. So any color there would be great.

**Tom Mutryn:** Yes, let me address the revenue guidance range then Bill can talk about the second question. You know, Jason, we have one day left in the quarter. And, as we get closer and closer to the end of our period, we're able to narrow the range of our revenue. As we prepared the guidance, we felt it extremely unlikely that we would get to the upper end of the range. So we shaved \$30 million out of it just as what we think is a good practice to do so.

That being said, as we added 10 cents to the bottom and upper end of our earnings per share range. Operations are performing well across the board. No singular event but some goodness

throughout the organization as well as continued control of indirect expenses. And so that was driving both the revenue and the earnings change to the guidance.

**Bill Fairl:** And, Tom, I – just to that point, I'll add that – this is Bill Fairl – that that's mostly about ODCs. Just as we've mentioned, we have pretty good visibility in our direct labor, which is what drives our bottom line growth, and that's really been strong. The top line growth—a lot of that is ODCs, which we have less visibility into. So, as Tom points out, we're in our last day right now, and it just seems like the prudent thing to do, all about ODCs, not direct labor.

So your second question was book-to-bill ratios in the two quarters. And I believe you're referring to, specifically, contract awards to revenue sorts of numbers.

**Jason Kupferberg:** No, I was looking – sorry; I was looking at funded orders relative to revenues.

**Bill Fairl:** Funding, good. So I think mainly because of the continuing resolution situation, we're beginning to see some pickup in funding activity. But it's only been roughly two months since the continuing resolution was finally put to bed here for government Fiscal Year '11. So it's picking up, but I don't know if they're going to catch all the way up this quarter. I really think that our Fiscal Year '12 quarter one is going to be a very strong quarter.

I would say, again, over the past three quarters that it's very, very strong—the trailing 12 months—even if you go back, it's very strong. So I would look for that pattern to continue itself. I think we've mentioned it's our view that the government really gets serious about this funding sort of thing around September 30<sup>th</sup>. There's just a lot of activity right around those last few days of September. I think this year's going to be the same.

#### QUESTION ON THE TAX RATE IN THE FOURTH QUARTER OF FY11

**Jason Kupferberg:** But June's still below 1.0? Is that what we should infer from that? I'm just trying to get a rough idea because I think on these calls in past years, you guys have given at least a range of where funded orders and/or contract awards for the full fiscal year that's ending might be coming in. So just any color there would be great.

And can you just quickly mention what the Q4 – the June quarter tax rate you're expecting?  
Thanks.

**Bill Fairl:** OK, so, Tom, I'll start with the awards and funding for the fourth quarter. And once we close the fourth quarter, we'll go through all of that. As I'm mentioning, we have more than 2,500 active task orders and contracts, and we've got to do all our math on all those for funding. And then the contract awards—we'll go through all of our systems on that as well, and add all those up. We'll get back to you when we give our fourth quarter and full year Fiscal Year '11 results in August with the final numbers there.

Again, for funding in the fourth quarter, given the late, final disposition of the continuing resolution, it's only been about two months since that happened. The funding activity is picking up. I think it's not going to pick all the way up in the fourth quarter—going to be a very, very strong first quarter of Fiscal Year '12 in terms of funding activity. So, Tom, I think the second question was about tax rate.

**Tom Mutryn:** Yes, Jason, 37 percent.

**Operator:** Our next question comes from Tobey Sommer, of SunTrust. Please go ahead.

#### QUESTION ON THE OPERATING MARGIN GUIDANCE FOR FY12

**Tobey Sommer:** Thanks. I just want to follow up on a question on the implied operating margin for your guidance for Fiscal '12. I think you said it was maybe flattish on the core business. But is that a little bit of a conservative comment? Because if the direct labor's growing even slightly faster than the forecasted revenue, shouldn't that have a positive influence on the core margin, even putting aside the amortization issue?

**Paul Cofoni:** Yes, I think the answer is that I think the question got posed if you were to take out some of the non-operational elements that the margin appeared to be flattish. And we said it's flat to up, and that's what we would say at this point. However, keep in mind that we continually work at cost controls, and we continually work at improving margin on contract performance. And so I feel comfortable saying that we'll be in the same range as we've been in the operations in terms of margin, and maybe a little up.

#### **QUESTION ON INCENTIVE COMPENSATION TIED TO MARGIN IMPROVEMENT**

**Tobey Sommer:** Thanks, Paul. I wanted to kind of ask a question about the change in incentive comp that you've instituted a little bit ago. Do you – does that have – has the impact of that already you know – is it already in the P&L? Or is there some opportunity for people within the organization to more fully grasp that and work slightly differently to maximize their incentive compensation and, therefore, also help boost the margin of the firm?

**Paul Cofoni:** It's the latter. The incentive that will apply to all people in our bonus program, which is over 400 of our senior people, is to improve their margin. And there's 25 percent of their bonus opportunity tied to improvement of their individual margin. So that is the potential upside that I see as people tend to really react and relate to those kinds of incentives. And so there is where I think maybe upside is.

**Operator:** Again, ladies and gentlemen, if you have a question, please press star then one on your touch-tone telephone. We have a follow-up from Edward Caso, of Wells Fargo. Please go ahead.

#### **QUESTION ON THE IMPACT OF ANY SEASONALITY ON REVENUE GROWTH**

**Edward Caso:** All right, thank you for taking my follow-up. Tom, could you talk about seasonality here? We've obviously had two--the back end of your fiscal year was a fairly slow period of the government, given all the issues in the contracting offices. So does that now suggest sort of a slow revenue margin opportunity, here in the beginning of your fiscal year, with the year being more back end loaded?

**Tom Mutryn:** Yes, you know, Ed, no, and that's not the case. As I mentioned, we will see the normal sequential reduction from the fourth quarter to the first quarter as we go in FY '12, and we'll continue to kind of run up. It turns out that most of our businesses – at least in the short run, the next three months, six months—is very predictable and sustainable. And whether we have, in terms of funded backlog, 5-1/2 or 6-1/2 months of funded backlog, that has less impact on the next 90 days. And so we see a normal kind of seasonal pattern as we go through FY '12.

**Paul Cofoni:** Tom, is it fair to say that seasonality is driven in our first quarter by vacations and such?

**Tom Mutryn:** Yes. Absolutely, yes.

#### **QUESTION ON WHETHER THE BOARD WOULD CONSIDER A STOCK SPLIT**

**Edward Caso:** Paul, would the board consider a stock split here with the stock price and the earnings number at fairly high levels?

**Paul Cofoni:** You know, it's not something we've had conversations about. We get varying opinions. Mostly the consensus is that stock splits don't really make a big difference; that the stock is priced reasonably; and that most of our investors are institutional investors. They're not thinking in terms of how many shares they're going to – they don't think in terms of price per share. When they think about investing, it's how many millions of dollars they're going to invest. So there hasn't been a compelling reason to consider a split.

**Operator:** And I am showing no further questions at this time. And I'd like to turn the call back over to Mr. Paul Cofoni for any closing remarks.

#### **CEO CLOSING REMARKS**

**Paul Cofoni:** OK, very good. Well I want to thank everyone for joining us today, and thank you, Allie, for all your help on the call. We know that many of you will have follow-up questions, and as we normally do, Tom and Dave will be available to take any follow-up calls, just give them a few minutes to get ready, and they'll be available to you. So I wish you all a good day and thank you very much.

**Operator:** Ladies and gentlemen, this does conclude today's conference; you may all disconnect, and have a wonderful day.

END

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