

DynCorp International



Delta Tucker Holdings, Inc.

Parent of DynCorp International, Inc.

Fourth Quarter and Full Year 2014 Earnings Presentation

March 31, 2015

Forward-Looking Statements and Non-GAAP Measures

- **This presentation includes forward-looking statements about the Company’s future business and financial performance, plans, goals, beliefs, or expectations. All of these forward-looking statements are based on estimates and assumptions made by the Company’s management that, although believed by the Company to be reasonable, are inherently uncertain. Forward-looking statements involve risks and uncertainties, including, but not limited to, our substantial level of indebtedness; the outcome of any litigation, government investigation, audit or other regulatory matters; award fee determination; termination or modification of key contracts; changes in the demand for services; acts of war or terrorist activities; changes in significant operating expenses; and other economic, competitive, governmental, political and technological factors outside of the Company’s control. These risks and uncertainties may cause the Company’s business, strategy or actual results or events to differ materially from the statements made herein.**
- **All forward looking statements included in this presentation are based upon information presently available. The Company undertakes no obligation to update or revise any forward-looking statement it makes to reflect events or circumstances after the date of this presentation or to reflect the occurrence of unanticipated events. The risks and uncertainties relating to the forward-looking statements in this presentation include those described under the caption “Risk Factors” and “Forward-Looking Statements” detailed from time to time in our reports filed with the SEC.**
- **This presentation includes non-GAAP financial measures, including Adjusted EBITDA, that are different from financial measures calculated in accordance with GAAP and may be different from non-GAAP calculations made by other companies. Management believes these non-GAAP financial measures are useful in evaluating operating performance and are regularly used by investors, lenders and other interested parties in reviewing the Company. For a reconciliation of these non-GAAP financial measures to the most comparable GAAP financial measures, see the earnings press release dated March 31, 2015, filed with the SEC on Current Report on Form 8-K and posted on our website.**

CEO's 2014 Retrospective

“A tough year ended”

2014 Financial Results

- \$2.252 Billion Revenue
- \$109.0 Million EBITDA – 4.8% Margin
- \$548.3 Million Net Debt, reduced 45% Reduction Since Inception

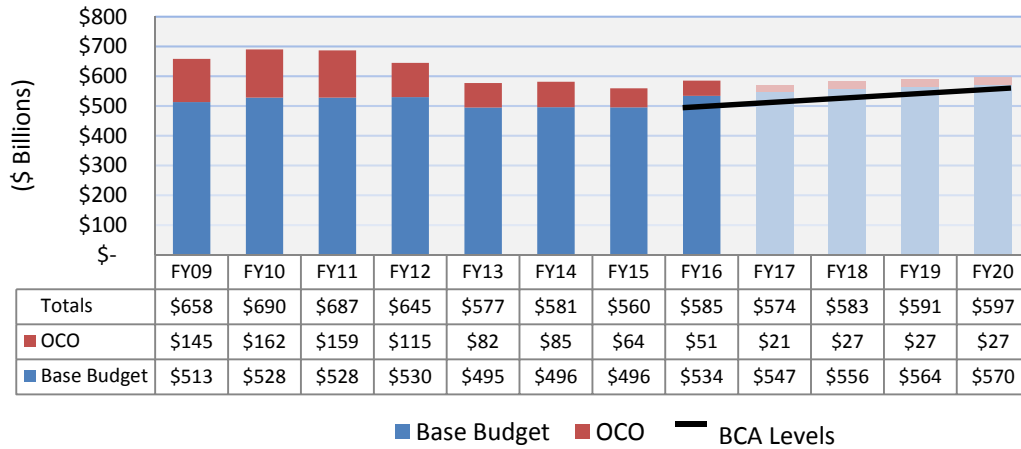
Strategic Actions Taken to Position Company

- Solidified Management Team – Legal and Compliance; Business Development
- Streamlined Organizational Structure
- Identified Cost Savings Yielded \$28.8 Million

Focused Strategy Resulted in New Programs

Budget Outlook and Policy Implications

DEPARTMENT OF DEFENSE



\$585B – FY16 Defense Request
 \$534B Base & \$51B OCO

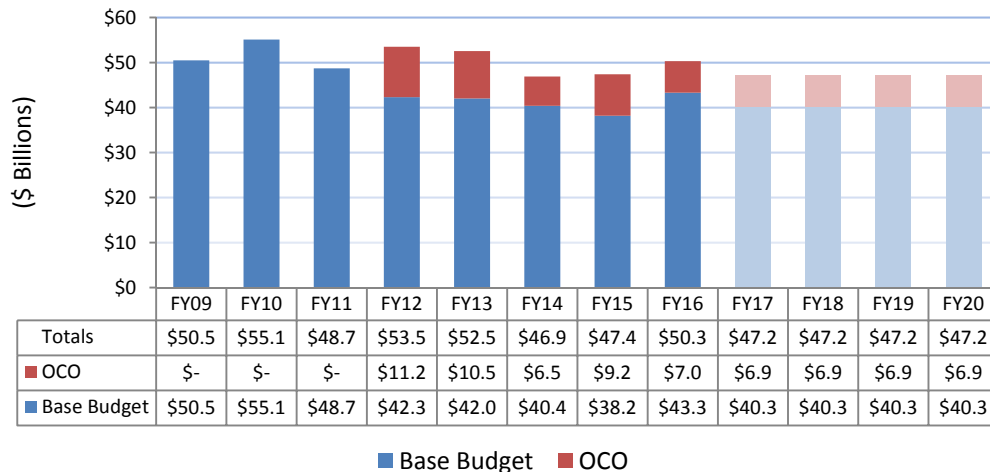
\$210B – O&M Base Request
Reflects Demand for Readiness
 O&M Up – \$15B Above FY15

\$50B – FY16 State Request
Continued Investment
 \$43B Base – 13% Increase
 \$7B OCO

Congressional Action Needed
DOD Base – \$35B Above BCA

FY15 was Defense Budget Floor

DEPARTMENT OF STATE



Operational Highlights

Highlights – DynAviation

Key Wins

- T-34/44/6 – \$443.3M
- Naval Strike and Air Warfare Center – \$73M
- Saudi Arabian National Guard – \$127.2M
- Non-Standard Rotary Wing – \$73M
- AFM – \$56M
- CALFIRE 1-Year Extension of Services – \$27.8M
- Kuwait PMEL Extension – \$20M
- Organic Growth on Middle East Programs
- Sierra Nevada JV Agreement to Expand Footprint into ISR

New Business In Evaluation

- \$3+ Billion in Proposals Awaiting Award

Performance Indicators

- Continuous Improvement/Cost Savings/Controllable Costs
- AFM Vehicle Opening FMS Opportunities
- Contractor Performance Assessment Reports (CPAR)



Highlights – DynLogistics

Key Wins

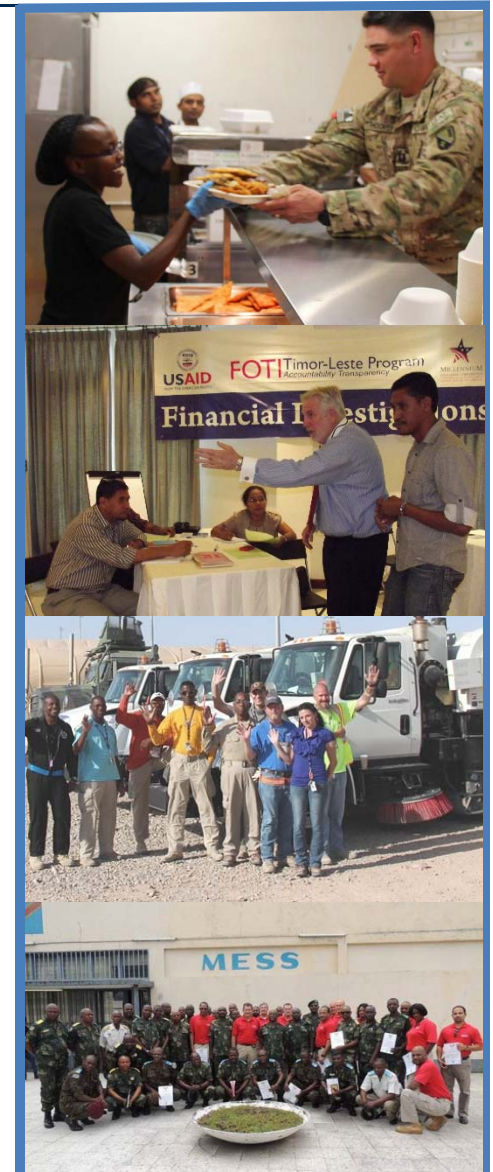
- Global Intelligence Support Services IDIQ – \$5.0B
- Afghanistan National Army and Police – \$100M
- Afghanistan Life Support Services – \$81M
- Camp Gibson and Camp Falcon Security Services – \$72M
- LOGCAP Afghanistan 6 Month Extension – \$60M
- LOGCAP Kuwait/Oman 6 Month Extensions – \$25M

New Business In Evaluation

- \$773M in Proposals Awaiting Award


Performance Indicators


- Continuous Improvement/Cost Savings/Controllable Costs
- Contractor Performance Assessment Reports (CPAR)
- Award Fees High – Strong WRMII Award Fee



Financial Review

2014 Results


	<i>\$ millions</i>	Q4 2014	CY 2014	CY 2014 vs. CY 2013	
	Revenue	\$508.3	\$2,252.3	(\$1,034.9)	(31.5%)
	Adjusted EBITDA	\$7.1	\$109.0	(\$71.5)	(39.6%)
	Adjusted EBITDA Margin	1.4%	4.8%	(70 bps)	
	Total Backlog	\$3,331		(\$649)	(16.3%)




Full Year Highlights

Revenue	Adjusted EBITDA
<ul style="list-style-type: none"> ↑ AFM RASM ↑ AFM TASM ↑ AFRICAP ↑ MAISER ↓ LOGCAP IV ↓ AMDP ↓ WPS ↓ INL ↓ CNTPO 	<ul style="list-style-type: none"> ↑ INL ↑ WPS ↑ AFRICAP ↑ MAISER ↑ GLS ↓ LOGCAP IV ↓ AMDP ↓ CSTC-A ↓ CNTPO ↓ C20/C21/Columbus ↓ CFT to AFM transition

DynAviation

	<i>\$ millions</i>	Q4 2014	CY 2014	CY 2014 vs. CY 2013	
	Revenue	\$314.7	\$1,204.4	(\$169.2)	(12.3%)
	Adjusted EBITDA	\$7.5	\$60.3	(\$38.2)	(38.8%)
	Adjusted EBITDA Margin	2.4%	5.0%	(220 bps)	
	Total Backlog	\$2,285		(\$41)	(1.7%)



Q4 Highlights

Revenue

- ↓ INL AIRWING
- ↓ T-6
- ↓ CFT TASM
- ↓ CNTPO
- ↑ AFM TASM
- ↑ CFT Solomons
- ↑ MAISER
- ↑ UAE AMMROC

Adjusted EBITDA

- ↓ CFT TASM
- ↓ T-6
- ↓ SHEPPARD
- ↓ CNTPO
- ↑ CFT 160th
- ↑ HELIWORKS

Total Backlog

- ↑ T34/44/6 CLS
- ↑ F2AST
- ↑ CAL FIRE
- ↓ INL AIRWING
- ↓ AFM TASM
- ↓ T-6
- ↓ Pax River

DynLogistics

	\$ millions		CY 2014 vs. CY 2013	
	Q4 2014	CY 2014		
Revenue	\$189.9	\$1,045.2	(\$875.5)	(45.6%)
Adjusted EBITDA	\$0.6	\$30.8	(\$38.6)	(55.6%)
Adjusted EBITDA Margin	0.3%	2.9%	(70 bps)	
Total Backlog	\$1,046		(\$609)	(36.8%)



Q4 Highlights

Revenue		Adjusted EBITDA	
<ul style="list-style-type: none"> ↓ LOGCAP IV ↓ EGYPT PSS ↓ CSTC-A ↓ AMDP ↑ GMC ↑ AFRICAP ↑ GITM 		<ul style="list-style-type: none"> ↓ LOGCAP IV ↓ CSTC-A ↓ AMDP ↑ AMDP ↑ GMC ↑ CIVPOL 	
Total Backlog			
<ul style="list-style-type: none"> ↓ LOGCAP IV ↓ Operations Support ↑ GITM ↑ NSP 			

Financial Review – Q4 Miscellaneous Items

Working Capital⁽¹⁾ of \$241.5 Million

- Down \$86 Million from Prior Year-End; 10.7% of Revenue
- DSO at 80 Days – an Increase of 11 Days from Prior Year-End

2014 Free Cash Flow of \$15.1 Million

- Q4 Cash Flow \$41 Million

Current Net Debt Position of \$548.3 Million

- Term Loan Pay Down of \$90.0 Million YTD
- Balance Sheet Cash Position of \$94.0 Million

Q4 Goodwill Write-Down and Other Impairments – \$71.3 Million

- Impairments Primarily Related to Department of State INL Re compete

(1) Working Capital = Accounts Receivable + Inventory + Work in Progress – Accounts Payable – Accrued Payroll and Employee Cost

2014 Guidance Reconciliation

	2014 Financial Guidance			2014 Actual
	Low	Mid	High	
Revenue	\$2,250.0	\$2,300.0	\$2,350.0	\$2,252.3
ADJ EBITDA	\$112.5	\$115.0	\$117.5	\$100.2
Margin	5.0%	5.0%	5.0%	4.4%
Operational Efficiencies	\$8.0	\$8.0	\$8.0	\$8.8
ADJ EBITDA w/ Operational Efficiencies	\$120.5	\$123.0	\$125.5	\$109.0
Margin w/ Operational Efficiencies	5.3%	5.3%	5.3%	4.8%

(\$ millions)

Revenue Off \$47.7 Million from Guidance Mid-Point

- Driven by the Timing of New Business

Adj. EBITDA Off \$14.0 Million from Guidance Mid-Point – \$15.6 Million of One-Time Charges

- Unfavorable Performance on a Fixed Price Aviation Contract – \$2.8M
- Reserve for a Completed Aviation Contract – \$5.0M
- Reserve on Fee for Undefined Work – \$7.8M on the LogCap Program

2015 Financial Guidance

2015 Financial Guidance Unchanged

Revenue \$1.7 Billion to \$1.9 Billion

Adjusted EBITDA Margins ~ 5.0%

Expect to Pay Down \$50 Million of Debt in 2015

- Expect Higher Y/Y Free Cash Flow

Closing Remarks

Focused Strategy to Meet Commitments and Grow Our Business

Program Excellence

Grow the Core

Commercial and International Opportunities

Manage Cost Structure

Deleverage the Enterprise

Q & A

Appendix

Unaudited Consolidated Statement of Operations

(Amounts in thousands)	<u>Year Ended December 31, 2014</u>	<u>Year Ended December 31, 2013</u>
Revenue	\$ 2,252,309	\$ 3,287,184
Cost of services	(2,072,865)	(2,987,253)
Selling, general and administrative expenses	(146,881)	(149,925)
Depreciation and amortization expense	(48,582)	(48,628)
Earnings from equity method investees	10,077	4,570
Impairment of goodwill, intangibles and long lived assets	(214,004)	(312,728)
Operating loss	(219,946)	(206,780)
Interest expense	(70,783)	(78,826)
Loss on early extinguishment of debt	(1,362)	(703)
Interest income	221	157
Other income (expense), net	3,680	(810)
Loss before income taxes	(288,190)	(286,962)
Benefit for income taxes	20,570	37,461
Net loss	(267,620)	(249,501)
Noncontrolling interests	(2,160)	(4,235)
Net loss attributable to DTH, Inc.	\$ (269,780)	\$ (253,736)
Benefit for income taxes	(20,570)	(37,461)
Interest expense, net of interest income	70,562	78,669
Depreciation and amortization ⁽¹⁾	49,707	50,279
EBITDA	\$ (170,081)	\$ (162,249)
Non-recurring or unusual gains or losses or income or expenses and non-cash impairments ⁽²⁾	255,613	323,930
Employee non-cash compensation, severance, and retention expense ⁽³⁾	9,531	6,444
Management fees ⁽⁴⁾	2,415	1,899
Acquisition accounting and Merger-related items ⁽⁵⁾	2,263	(4,146)
Annualized operational efficiencies ⁽⁶⁾	8,828	11,798
Other ⁽⁷⁾	447	2,779
Adjusted EBITDA	\$ 109,016	\$ 180,455

(1) Amount includes certain depreciation and amortization amounts which are classified as Cost of services in the consolidated statements of operations of Delta Tucker Holdings, Inc. included in the Annual Report on Form 10-K.

(2) Includes the impairment of goodwill within the LSS, Aviation and Air Wing reporting units, the impairment of customer-relationship intangibles and indefinite-lived tradename, a one-time charge related to a certain contract of \$35 million as defined in the Fourth Amendment to the Senior Credit Facility, as well as certain unusual income and expense items, as defined in the Indenture and Senior Credit Facility.

(3) Includes post-employment benefit expense related to severance in accordance with ASC 712 - *Compensation*, relocation expenses and share based compensation expense.

(4) Amount includes Cerberus Operations and Advisory Company management fees.

(5) Includes costs incurred pursuant to ASC 805 - *Business Combination*.

(6) Represents a defined EBITDA adjustment under our debt agreements for the amount of cost savings, operating expense reductions and synergies projected as a result of specified actions taken or with respect to which substantial steps have been taken during the period.

(7) Includes changes due to fluctuations in foreign exchange rates, earnings from affiliates not received in cash and other immaterial items.

2014 Unaudited Adjusted EBITDA by Segment

(Amounts in thousands)	DTH, Inc. CY14 YTD				DTH, Inc. CY13 YTD			
	Headquarters/ Others	DynAviation	DynLogistics	Consolidated	Headquarters/ Others	DynAviation	DynLogistics	Consolidated
Operating (loss) income	\$ (91,348)	\$ (61,501)	\$ (67,097)	\$ (219,946)	\$ (48,322)	\$ (194,701)	\$ 36,243	\$ (206,780)
Depreciation and amortization expense ⁽¹⁾	47,987	1,665	55	49,707	48,108	1,628	542	50,279
Loss on early extinguishment of debt	(1,362)	—	—	(1,362)	(703)	—	—	(703)
Noncontrolling interests	(2,160)	—	—	(2,160)	(4,235)	—	—	(4,235)
Other income (loss), net	2,825	816	39	3,680	(1,658)	618	230	(810)
EBITDA ⁽²⁾	<u>\$ (44,058)</u>	<u>\$ (59,020)</u>	<u>\$ (67,003)</u>	<u>\$ (170,081)</u>	<u>\$ (6,809)</u>	<u>\$ (192,455)</u>	<u>\$ 37,015</u>	<u>\$ (162,249)</u>
Non-recurring or unusual gains or losses or income or expenses and non-cash impairments ⁽³⁾	50,649	111,056	93,908	255,613	4,142	289,442	30,346	323,930
Employee non-cash compensation, severance, and retention expense ⁽⁴⁾	1,414	5,770	2,347	9,531	2,996	1,809	1,639	6,444
Management fees ⁽⁵⁾	641	1,088	686	2,415	646	665	588	1,899
Acquisition accounting and Merger-related items ⁽⁶⁾	—	1,388	875	2,263	(4,146)	—	—	(4,146)
Annualized operational efficiencies ⁽⁷⁾	8,828	—	—	8,828	11,798	—	—	11,798
Other ⁽⁸⁾	381	66	—	447	3,901	(925)	(197)	2,779
Adjusted EBITDA	<u>\$ 17,855</u>	<u>\$ 60,348</u>	<u>\$ 30,813</u>	<u>\$ 109,016</u>	<u>\$ 12,528</u>	<u>\$ 98,536</u>	<u>\$ 69,391</u>	<u>\$ 180,455</u>

- (1) Amount includes certain depreciation and amortization amounts which are classified as Cost of services in the consolidated statements of operations of Delta Tucker Holdings, Inc. included in the Annual Report on Form 10-K.
- (2) We define EBITDA as GAAP net loss attributable to DTH, Inc. adjusted for interest, taxes, depreciation and amortization. We believe these non-GAAP financial measures are useful in evaluating operating performance and are regularly used by security analysts, institutional investors and other interested parties in reviewing the Company. Non-GAAP financial measures are not intended to be a substitute for any GAAP financial measure and, as calculated, may not be comparable to other similarly titled measures of the performance of other companies.
- (3) Includes the impairment of goodwill within the LSS, Aviation and Air Wing reporting units, the impairment of customer-relationship intangibles and indefinite-lived tradename, a one-time charge related to a certain contract of \$35 million as defined in the Fourth Amendment to the Senior Credit Facility, as well as certain unusual income and expense items, as defined in the Indenture and Senior Credit Facility.
- (4) Includes post-employment benefit expense related to severance in accordance with ASC 712 - *Compensation*, relocation expenses and share based compensation expense.
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- (7) Represents a defined EBITDA adjustment under our debt agreements for the amount of cost savings, operating expense reductions and synergies projected as a result of specified actions taken or with respect to which substantial steps have been taken during the period.
- (8) Includes changes due to fluctuations in foreign exchange rates, earnings from affiliates not received in cash and other immaterial items.

Q4 Unaudited Adjusted EBITDA by Segment

(Amounts in thousands)	DTH, Inc. CY14 QTD Q4				DTH, Inc. CY13 QTD Q4			
	Headquarters/ Others	DynAviation	DynLogistics	Consolidated	Headquarters/ Others	DynAviation	DynLogistics	Consolidated
Operating (loss) income	\$ (61,016)	\$ (18,119)	\$ (124)	\$ (79,259)	\$ (16,368)	\$ (270,754)	\$ 16,128	\$ (270,994)
Depreciation and amortization expense ⁽¹⁾	12,793	561	24	13,378	12,249	548	12	12,809
Loss on early extinguishment of debt	(499)	—	—	(499)	(474)	—	—	(474)
Noncontrolling interests	(303)	—	—	(303)	(689)	—	—	(689)
Other income (loss), net	623	(257)	—	366	(1,426)	739	—	(686)
EBITDA ⁽²⁾	<u>\$ (48,402)</u>	<u>\$ (17,815)</u>	<u>\$ (100)</u>	<u>\$ (66,317)</u>	<u>\$ (6,708)</u>	<u>\$ (269,467)</u>	<u>\$ 16,141</u>	<u>\$ (260,034)</u>
Non-recurring or unusual gains or losses or income or expenses and non-cash impairments ⁽³⁾	46,955	23,474	(726)	69,703	3,797	289,528	840	294,165
Employee non-cash compensation, severance, and retention expense ⁽⁴⁾	24	635	938	1,597	188	867	786	1,841
Management fees ⁽⁵⁾	216	517	257	990	131	147	130	408
Acquisition accounting and Merger-related items ⁽⁶⁾	—	504	211	715	(1,092)	—	—	(1,092)
Other ⁽⁷⁾	272	159	—	431	2,841	(803)	(242)	1,796
Adjusted EBITDA	<u>\$ (935)</u>	<u>\$ 7,474</u>	<u>\$ 580</u>	<u>\$ 7,119</u>	<u>\$ (843)</u>	<u>\$ 20,272</u>	<u>\$ 17,655</u>	<u>\$ 37,084</u>

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- (2) We define EBITDA as GAAP net loss attributable to DTH, Inc. adjusted for interest, taxes, depreciation and amortization. We believe these non-GAAP financial measures are useful in evaluating operating performance and are regularly used by security analysts, institutional investors and other interested parties in reviewing the Company. Non-GAAP financial measures are not intended to be a substitute for any GAAP financial measure and, as calculated, may not be comparable to other similarly titled measures of the performance of other companies.
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- (4) Includes post-employment benefit expense related to severance in accordance with ASC 712 - *Compensation*, relocation expenses and share based compensation expense.
- (5) Amount includes Cerberus Operations and Advisory Company management fees.
- (6) Includes costs incurred pursuant to ASC 805 - *Business Combination*.
- (7) Includes changes due to fluctuations in foreign exchange rates, earnings from affiliates not received in cash and other immaterial items.

Unaudited Condensed Consolidated Balance Sheets

(Amounts in thousands)	ASSETS	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Current assets:			
Cash and cash equivalents		\$ 94,004	\$ 170,845
Restricted cash		707	1,659
Accounts receivable, net of allowances of \$4,736 and \$1,621, respectively		448,496	577,136
Other current assets		74,200	124,510
Total current assets		617,407	874,150
Non-current assets		365,080	625,771
Total assets		<u>\$ 982,487</u>	<u>\$ 1,499,921</u>
	LIABILITIES AND EQUITY		
Total current liabilities		406,180	552,998
Long-term debt		642,272	732,272
Long-term deferred taxes		—	17,359
Other long-term liabilities		11,312	7,632
Total (deficit) equity attributable to Delta Tucker Holdings, Inc.		(82,766)	183,785
Noncontrolling interests		5,489	5,875
Total (deficit) equity		(77,277)	189,660
Total liabilities and equity		<u>\$ 982,487</u>	<u>\$ 1,499,921</u>

Unaudited Other Contract Data

(Amounts in millions)	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Backlog ⁽¹⁾ :		
Funded backlog	\$ 1,171	\$ 1,541
Unfunded backlog	<u>2,160</u>	<u>2,439</u>
Total Backlog	<u>\$ 3,331</u>	<u>\$ 3,980</u>

- (1) Backlog consists of funded and unfunded amounts under contracts. Funded backlog is equal to the amounts appropriated by a customer for payment of goods and services less actual revenue recognized as of the measurement date under that appropriation. Unfunded backlog is the dollar value of unexercised, priced contract options, and the unfunded portion of exercised contract options. Most of our U.S. government contracts allow the customer the option to extend the period of performance of a contract for a period of one or more years.

Unaudited Condensed Statements Cash Flows

(Amounts in thousands)

	For the year ended	
	December 31, 2014	December 31, 2013
Cash Flow Information:		
Net cash provided by operating activities	\$ 25,377	\$ 137,502
Net cash used in investing activities	(4,674)	(7,971)
Net cash used in financing activities	(97,544)	(77,461)
Net cash provided by operating activities	25,377	137,502
Less: Purchase of property and equipment, net	(8,712)	(7,628)
Proceeds from sale of property, plant and equipment	44	182
Less: Purchase of software	(1,631)	(2,718)
Free cash flow	<u>\$ 15,078</u>	<u>\$ 127,338</u>

