

DynCorp International



Delta Tucker Holdings, Inc.
Parent of DynCorp International, Inc.
Second Quarter 2014 Earnings Presentation
August 11, 2014

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 August 11, 2014, filed with the SEC on Current Report on Form 8-K and posted on our website.**

2014 Q2 Executive Summary

Interim Chief Executive Officer Introduction – James E. Geisler

Challenging Operating Conditions

- U.S. Spending Remains Conservative
- Awards Continue to Slide (Acquisition Cycle 300 days)
- Afghanistan Drawdown Occurring at an Aggressive Pace

Key Financial Results

- Expected Revenue of \$591.0 Million
- Adjusted EBITDA of \$29.7 Million
- Adjusted EBITDA Margin of 5.0%

Revised 2014 Outlook

- Expected Revenue Decline of 30.0% vs. 2013 Results
- Expected Adjusted EBITDA Margin of Approximately 5.0%

2014 Q2 Executive Summary Continued

Meeting Our Commitments in a New Environment

- Important to Optimize Cost Structure
- \$4.7 Billion of New Business Solicitations Submitted and Awaiting Award; Win Rate Remains Above 40.0%
- Deleveraging Remains a Priority
 - Reduced Net Debt to \$518.9 Million
 - Prepaid \$45.0 Million of the Term Loan in Q2; \$60.0 Million YTD
 - \$30.0 Million Additional Prepayments Expected in 2H 2014; \$90.0 Million FY

Capital Structure

- Plan to Seek Amendments to Credit Facility in Q3
- Strong Track Record of Deleveraging

Operational Highlights

Operational Highlights – DynAviation

Key Wins

- Expanding Commercial Business Opportunities in UAE – Awarded Task Orders Worth \$19.6 Million Per Year
- Awarded First Option Year on M3-MAISR \$43.0 Million
- Corpus Christi Army Depot (CCAD) Task Order \$5.0 Million

New Business In Evaluation

- \$2.0 Billion in Proposals Awaiting Award

Performance Indicators

- Strong Contractor Performance Assessment Reports (CPAR)
 - Highest Contractor Performance Rating in Last 10 years at Sheppard Air Force Base
- Heliworks Merger Integration Complete, Business Generating Profits for the Portfolio
- Continuous Improvement Initiatives, Cost Savings Initiatives and Indirect Expense Management



Operational Highlights – DynLogistics

Key Wins

- Global Information Technology Modernization Services (GITM) Contract – \$165.0 Million
- Awarded Fourth Option Year on LOGCAP Afghanistan Program – \$225.0 Million
- Criminal Justice Program Support (CJPS) – Palestine Task Order – \$10.0 Million Year One of Multi Year Contract

New Business In Evaluation

- \$2.3 Billion in Proposals Awaiting Award

Performance Indicators

- Continued Focus on Margin Expansion – Continuous Improvement Initiatives, Cost Savings Initiatives and Indirect Expense Management
- Strong Award Fee Scores in the Period
- DSO Improved by 9 Days from CY14 Q1



Operational Highlights – DynGlobal

Key Wins

- Project Delivery Services Contract with the Commonwealth of Australia – \$100.0 Million

Focused on Growing the Business

- Well Over 100 Opportunities Identified
- Awaiting Decision on Several Key Awards Valued at over \$400 Million

Commercial Partnerships Expanding

- Signed a Consultancy Contract with IBM to Support a Key Customer in Saudi Arabia
- Partnering with International Services Providers to Bid Oil and Gas Extractives Opportunities

Established a Joint Venture in Iraq to Pursue Commercial Business

- Leveraging Relationships Built Under U.S. Government Contracts, We are a Trusted Provider and Partner



Financial Review

Q2 2014 Results

(Dollars in \$millions)

	Q2 2014	2014 vs. 2013	
Revenue	\$591.0M	(\$285.6M)	(32.6%)
Adjusted EBITDA	\$29.7M	(\$18.9M)	(38.9%)
Adjusted EBITDA Margin	5.0%	(50 bps)	
		vs. Q4 2013	
Total Backlog	\$3,234M	(\$746M)	(18.7%)



Q2 Highlights

Revenue

- ↓ INL-AIRWING
- ↓ CNTPO AF
- ↓ C21 CLS
- ↓ LOGCAP
- ↓ AMDP
- ↓ CFT RASM TASM
- ↑ AFM TASM
- ↑ JPATS T6 COMBS
- ↑ M3-MAISR

Adjusted EBITDA

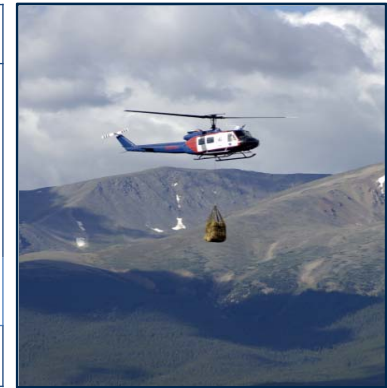
- ↓ INL-AIRWING
- ↓ JPATS T6 COMBS
- ↓ CNTPO AF
- ↓ LOGCAP
- ↓ AMDP
- ↓ GMC
- ↓ CFT RASM TASM
- ↑ Heliworks

DynAviation

(Dollars in \$millions)



	Q2 2014	2014 vs. 2013	
Revenue	\$300.7M	(\$79.7M)	(20.9%)
Adjusted EBITDA	\$14.3M	(\$17.9M)	(55.5%)
Adjusted EBITDA Margin	4.8%	(360 bps)	
		vs. Q4 2013	
Total Backlog	\$1,926M	(\$399M)	(17.2%)



Q2 Highlights

<u>Revenue</u>	
↓	INL-AIRWING
↓	CNTPO AF
↓	C21 CLS
↓	CFT RASM TASM
↑	AFM TASM
↑	JPATS T6 COMBS
↑	M3-MAISR

<u>Adjusted EBITDA</u>	
↓	INL-AIRWING
↓	JPATS T6 COMBS
↓	CNTPO AF
↓	CFT RASM TASM
↑	Heliworks

<u>Total Backlog</u>	
↓	INL-AIRWING
↓	JPATS T6 COMBS
↓	M3-MAISR
↓	AFM TASM
↓	PAX RIVER
↓	ANDREWS

DynLogistics

(Dollars in \$millions)



	Q2 2014	2014 vs. 2013	
Revenue	\$290.3M	(\$210.2)	(42.0%)
Adjusted EBITDA	\$12.8M	(\$2.0M)	(13.3%)
Adjusted EBITDA Margin	4.4%	140 bps	
		vs. Q4 2013	
Total Backlog	\$1,308M	(\$347M)	(21.0%)



Q2 Highlights

Revenue

- ↓ LOGCAP
- ↓ AMDP
- ↑ EAGLE
- ↑ WRM
- ↑ CJPS

Adjusted EBITDA

- ↓ LOGCAP
- ↓ AMDP
- ↓ GMC

Total Backlog

- ↓ Base Ops
- ↓ AMDP
- ↓ LOGCAP
- ↑ Intel Training & Solutions

Financial Review – Q2 Miscellaneous Items

Working Capital⁽¹⁾ of \$263.3 Million

- Down \$64.7 Million from Year End; 9.8% of Revenue
- DSO at 64 Days – Improvement of 5 Days from Year End

Free Cash Flow of \$81.8 Million in Q2; \$46.8 Million YTD

- Favorable Working Capital Levels

Current Net Debt Position of \$518.9 Million

- Cash Position of \$153.4 Million
- Term Loan Pay Down of \$45.0 Million in Q2; \$60.0 Million Total in 2014

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

2014 Financial Guidance

Revised 2014 Outlook

- Expected Revenue Decline of 30.0% vs. 2013 Results
- Expected Adjusted EBITDA Margin of Approximately 5.0%
- \$90.0 Million in Debt Prepayments for 2014 vs. \$50.0 Million from Prior Guidance
 - \$60.0 Million in Prepayments YTD; \$30.0 Million in 2H of the Year

Capital Structure

- Plan to Seek Amendments to Credit Facility in Q3
- Strong Track Record of Deleveraging

Q & A

Appendix

Unaudited Condensed Consolidated Statement of Operations

(Amounts in thousands)	Three Months Ended June 27, 2014	Three Months Ended June 28, 2013	Six Months Ended June 27, 2014	Six Months Ended June 28, 2013
Revenue	\$ 590,966	\$ 876,522	\$ 1,203,725	\$ 1,808,630
Cost of services	(534,589)	(794,573)	(1,095,080)	(1,639,699)
Selling, general and administrative expenses	(32,611)	(34,148)	(66,085)	(69,692)
Depreciation and amortization expense	(12,025)	(12,274)	(23,528)	(24,121)
Earnings from equity method investees	19	927	9,766	3,373
Impairment of goodwill, intangibles and long lived assets	(91,759)	—	(91,759)	—
Operating (loss) income	(79,999)	36,454	(62,961)	78,491
Interest expense	(18,184)	(19,838)	(36,201)	(39,001)
Loss on early extinguishment of debt	(448)	—	(621)	—
Interest income	31	28	84	46
Other income (expense), net	1,469	(2,557)	2,358	(460)
(Loss) income before income taxes	(97,131)	14,087	(97,341)	39,076
Benefit (provision) for income taxes	15,779	(4,588)	15,867	(13,384)
Net (loss) income	(81,352)	9,499	(81,474)	25,692
Noncontrolling interests	(720)	(1,157)	(1,365)	(2,349)
Net (loss) income attributable to DTH, Inc.	\$ (82,072)	\$ 8,342	\$ (82,839)	\$ 23,343
Income tax (benefit) provision	(15,779)	4,588	(15,867)	13,384
Interest expense, net of interest income	18,153	19,810	36,117	38,955
Depreciation and amortization ⁽¹⁾	12,261	12,710	24,002	24,998
EBITDA	\$ (67,437)	\$ 45,450	\$ (38,587)	\$ 100,680
Non-recurring or unusual gains or losses or income or expenses and non-cash impairments ⁽²⁾	94,659	41	98,909	592
Employee non-cash compensation, severance, and retention expense ⁽³⁾	1,062	1,309	2,797	1,397
Management fees ⁽⁴⁾	484	346	719	820
Acquisition accounting and Merger-related items ⁽⁵⁾	548	(1,092)	576	(1,961)
Other ⁽⁶⁾	412	2,570	(123)	395
Adjusted EBITDA	\$ 29,728	\$ 48,624	\$ 64,291	\$ 101,923

(1) Amount includes certain depreciation and amortization amounts which are classified as Cost of services in our Unaudited Condensed Consolidated Statements of Operations.

(2) Includes the impairment of goodwill within the LSS reporting unit 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) Includes Cerberus Operations and Advisory Company management fees.

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

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

Unaudited Adjusted EBITDA by Segment

(Amounts in thousands)	DTH, Inc. CY14 QTD Q2				DTH, Inc. CY13 QTD Q2				DTH, Inc. CY14 YTD Q2				DTH, Inc. CY13 YTD Q2			
	Headquarters/ Others	DynAviation	DynLogistics	Consolidated	Headquarters/ Others	DynAviation	DynLogistics	Consolidated	Headquarters/ Others	DynAviation	DynLogistics	Consolidated	Headquarters/ Others	DynAviation	DynLogistics	Consolidated
Operating (loss) income	(9,809)	10,613	(80,803)	(79,999)	(9,731)	31,857	14,328	36,454	(16,088)	21,900	(68,773)	(62,961)	(18,984)	64,618	32,857	78,491
Depreciation and amortization expense ⁽¹⁾	11,883	367	11	12,261	12,173	316	221	12,710	23,246	733	23	24,002	23,928	621	449	24,998
Loss on early extinguishment of debt	(448)	-	-	(448)	-	-	-	-	(621)	-	-	(621)	-	-	-	-
Noncontrolling interests	(720)	-	-	(720)	(1,157)	-	-	(1,157)	(1,365)	-	-	(1,365)	(2,349)	-	-	(2,349)
Other income (loss), net	641	827	1	1,469	(2,557)	-	-	(2,557)	1,435	939	(16)	2,358	(460)	-	-	(460)
EBITDA ⁽²⁾	1,547	11,807	(80,791)	(67,437)	(1,272)	32,173	14,549	45,450	6,607	23,572	(68,766)	(38,587)	2,135	65,239	33,306	100,680
Non-recurring or unusual gains or losses or income or expenses and non-cash impairments ⁽³⁾	481	1,477	92,701	94,659	-	(4)	45	41	2,994	1,517	94,398	98,909	-	12	580	592
Employee non-cash compensation, severance, and retention expense ⁽⁴⁾	(59)	581	540	1,062	1,071	116	122	1,309	1,129	874	794	2,797	1,072	161	164	1,397
Management fees ⁽⁵⁾	165	174	145	484	131	112	103	346	214	274	231	719	304	267	249	820
Acquisition accounting and Merger-related items ⁽⁶⁾	-	297	251	548	(1,092)	-	-	(1,092)	-	312	264	576	(1,961)	-	-	(1,961)
Other ⁽⁷⁾	419	(7)	-	412	2,753	(183)	-	2,570	(90)	(33)	-	(123)	715	(320)	-	395
Adjusted EBITDA	2,553	14,329	12,846	29,728	1,591	32,214	14,819	48,624	10,854	26,516	26,921	64,291	2,265	65,359	34,299	101,923

(1) Amount includes certain depreciation and amortization amounts which are classified as Cost of services in our Unaudited Condensed Consolidated

(2) We define EBITDA as GAAP net (loss) income 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 reporting unit as well as certain unusual income and expense items, as defined in the Indenture and

(4) Includes postemployment benefit expense related to severance in accordance with ASC 712 - Compensation and relocation expense and share based

(5) Amount represents management fees paid to Cerberus Operations and Advisory Company.

(6) Includes the amortization of intangibles arising 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)

	<u>June 27, 2014</u>	<u>December 31, 2013</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 153,413	\$ 170,845
Restricted cash	1,659	1,659
Accounts receivable, net of allowances of \$2,063 and \$1,621, respectively	483,235	577,136
Other current assets	118,017	124,510
Total current assets	<u>756,324</u>	<u>874,150</u>
Non-current assets	506,859	625,771
Total assets	<u>\$ 1,263,183</u>	<u>\$ 1,499,921</u>
LIABILITIES AND EQUITY		
Current liabilities	463,921	552,998
Total current liabilities	<u>463,921</u>	<u>552,998</u>
Long-term debt	672,272	732,272
Long-term deferred taxes	11,528	17,359
Other long-term liabilities	6,852	7,632
Total equity attributable to Delta Tucker Holdings, Inc.	102,775	183,785
Noncontrolling interests	5,835	5,875
Total equity	<u>108,610</u>	<u>189,660</u>
Total liabilities and equity	<u>\$ 1,263,183</u>	<u>\$ 1,499,921</u>

Unaudited Condensed Statement Cash Flow

(Amounts in thousands)	For the six months ended	
	June 27, 2014	June 28, 2013
Cash Flow Information:		
Net cash provided by operating activities	\$ 54,085	\$ 50,911
Net cash used in investing activities	(4,418)	(2,841)
Net cash used in financing activities	(67,099)	(30,996)
Net cash provided by operating activities	54,085	50,911
Less: Purchase of property and equipment, net	(6,448)	(1,220)
Proceeds from sale of property, plant and equipment	33	167
Less: Purchase of software	(887)	(2,557)
Free cash flow	<u>\$ 46,783</u>	<u>\$ 47,301</u>