



# DynCorp International

The Responsibilities are Great



DynAviation | DynGlobal | DynLogistics

## Bank of America Merrill Lynch 2013 Leveraged Finance Conference

December 3, 2013

# Forward-Looking Statements and Non-GAAP Measures

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- This presentation includes forward-looking statements about 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 November 12, 2013, filed with the SEC on Current Report on Form 8-K and posted on our website.

A leading global services provider offering unique, tailored solutions for an ever-changing world. Providing sophisticated aviation, logistics, training, intelligence and operational solutions for more than six decades.

# Delta Tucker Holdings, Inc

## DynCorp International, Inc.

- CY 2012 Revenue: \$4.0B
- CY 2012 Adjusted EBITDA: \$196.3M
- Personnel: ~25,000 in 36 countries

### DynAviation

#### Service Offerings:

- ▶ Aviation
  - ✓ CFT
  - ✓ Andrews Air Force Base
  - ✓ JPATS T6 COMBS
  - ✓ Patuxent River Naval Test Wing
  - ✓ CNTPO
  - ✓ NASA AMOS
  - ✓ C-21 Contractor Logistics
- ▶ Air Operations
  - ✓ INL Air Wing

### DynGlobal

#### Service Offerings:

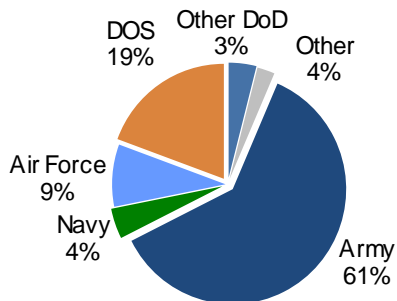
- ▶ Bringing the Full Breadth of DynCorp International's Capabilities to Commercial and International Customers Around the World

### DynLogistics

#### Service Offerings:

- ▶ Contingency Operations
  - ✓ AFCAP
  - ✓ LOGCAP
- ▶ Operations & Maintenance
  - ✓ Casals
  - ✓ War Reserve Materiel
  - ✓ Egypt PSS
  - ✓ Philippines Operations Support
  - ✓ Oshkosh Defense
- ▶ Intel & Security
  - ✓ Phoenix Training
  - ✓ Bondsteel
  - ✓ Chemonics
  - ✓ WPS
- ▶ Training
  - ✓ AFRICAP
  - ✓ AMDP
  - ✓ CivPol
  - ✓ CJPS
  - ✓ CSTC-A

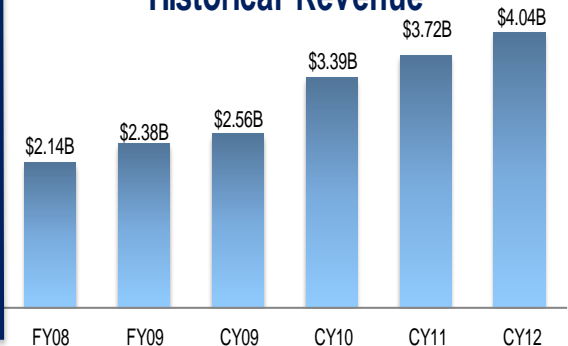
### Revenue By Customer (CY12)



### • DI Facts:

- 97% of Revenue Generated as Prime Contractor
- Contract Mix:
  - 68% - Cost Reimbursement
  - 22% - Fixed Price
  - 10% - Time & Material
- 97% of Revenue Generated from U.S. Government

### Historical Revenue



# Global Environment

## The Deal

*"There are no winners here!"*  
– President Obama

### Deal Facts

- **CR to January 15, 2014**
  - FY13 post-sequester level of \$986B
- **Debt Limit Extension to February 7, 2014**
- **House/Senate Conference**
  - Enables Cuts from Mandatory or Entitlement Programs
  - Report Due December 13
  - Committee Led by Senate and House Budget Chairs (Sen. Murray and Rep. Ryan)
  - Success = Sequester Relief
- **Retroactive Pay for Federal Workers**

### Analysis

- **Good: Got a Deal**
  - No Default
  - CR at \$986B
- **Bad: No Sequester Fix**
  - No Sequester Flexibility
  - Defense Funding Unclear
- **Ugly: Fiscal Issues Unresolved**

## Budget Confusion

*"We don't know how much money we're going to have. We don't know when we will know how much money we're going to have. And we don't know what the rules are going to be when we know."* – VJCS Winnefeld

### Top Line

- **Senate Budget Resolution \$1.058T**
- **House Budget Resolution \$967B**
- **FY14 CR \$986B**
- **FY14 BCA Cap \$967B**

### DOD Budget

- **FY14 Request \$526.6B Base**
- **FY14 CR \$494B Base**
- **FY14 w/Sequester \$475B Base**
  - Sequester = Minus \$19B from CR
  - Comptroller Hale: DOD to Operate at CR Level "or maybe a little lower."
- **FY13 OCO \$88B**
- **FY14 OCO \$79.4B**

### DOS Budget

- **FY14 Request \$52B**
  - \$48B Base/\$3.8B OCO
- **FY14 CR \$55B**
  - \$44B Base
  - \$11B OCO

## Challenges Abroad

*"Our allies are asking questions like, 'Can we rely on our partnership with America? Will America fulfill its commitments and promises?'"*  
– Secretary Hagel

### Asia

- **"China enjoys Obama's absence in Asia"** – USA Today

### Afghanistan

- **Bilateral Security Agreement**

### Egypt

- **Crackdown Continues**
- **Obama Halts Equipment Delivery**
  - Services and Spare Parts Continue

### Syria

- **Foreign Fighters**
  - Over 10,000 Extremist Fighters
- **Crisis Strains Neighbors**
  - Over 6,000 killed in Iraq
  - Over 500,000 Refugees in Jordan
- **Chemical Weapons Destruction**

### Saudi Arabia

- **Frustration with U.S.:**
  - Syria, Egypt and Iran
  - Rejects Seat on U.N. Security Council

# Impact of Uncertainty

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## ➤ Procurement Delays

- Awards Slide an Average of 218 Days
- Increase in Incumbent Protests
- DynAviation \$1.5 Billion Submitted and Awaiting Award
- DynLogistics \$1.1 Billion Submitted and Awaiting Award

## ➤ Readiness Rates Decline

- Contract Utilization Impacted

## ➤ Way Forward / Footprint in Afghanistan and Iraq Unclear

## ➤ International Opportunities Up

- DynGlobal: In First Six Months, \$1.9 Billion Submitted & Awaiting Award

# Countering Uncertainty, Creating Stability

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- **Win Rate Continues Above Industry Average at 40%**
  - DynLogistics
    - » \$122.5 Million EAGLE Task Order
    - » \$42.4 Million AFRICAP Task Order In Mali
    - » \$20.4 Million AFCAP Task Order Al Udeid Air Base, Qatar
  - DynAviation
    - » \$86.9 Million M3-MAISR Task Order
- **DynGlobal**
  - Investments Made in Commercial Expertise – Strong, Global Team
  - \$7.1B Pipeline
  - Anticipated Growth in UK, Middle East, Australia

# Q3 2013 Results

Dollars in millions



	Q3 2013	2013 vs. 2012	
	Revenue	\$766.8	(\$243.5)
Adjusted EBITDA	\$29.7	(\$22.1)	(42.7%)
Adjusted EBITDA Margin	3.9%	(120) Bps	
		vs. 4Q 2012	
Total Backlog	\$5,096.9	(\$181.1)	(3.4%)



## Q3 Highlights

### Revenue

- ↓ DynAviation
  - INL Air Wing
  - CFT Task Orders
- ↓ DynLogistics
  - LOGCAP IV – Operational Tempo
  - AMDP – Operational Tempo
  - WPS
- ↑ DynAviation
  - AFM
  - Andrews

### Adjusted EBITDA

- ↓ DynAviation
  - INL Air Wing Volume
  - Charge for Contract Dispute
- ↓ DynLogistics
  - LOGCAP IV – Operational Tempo
  - WPS
  - Vehicle Maintenance
- ↑ DynAviation
  - CFT Task Orders

## Financial Review – Q3 CY13 Miscellaneous Items

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- **Working Capital of \$457.4M – Up \$63.6M from YE – 12.7% of Revenue**
  - A/R Accounts Down \$51M – Volume Offset by Timing of LOGCAP Collections
  - W/C Liabilities Down (\$111M) – Volume & Timing of Foreign Payrolls
  - DSO of 83.0 – Up 15.1 from Year End
- **Free Cash Flow of (\$34.4M) – Driven by Investment in Working Capital**
- **Net Debt Position at Q3 – \$725.5M**
  - Cash Position of \$41.8M



# 2013 Q3 Summary

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## ➤ Q3 YTD Financial Results

- Revenue Decline Driven by Optempo, De-Scoping Actions and New Business Delays
- Adj. EBITDA Margins Effected by One-Time Charge for Contract Dispute

## ➤ Win Rate Remains High - Above Industry Average at 40%

- DynLogistics
  - \$122.5 Million EAGLE Task Order
  - \$42.4 Million AFRICAP Task Order In Mali
  - \$20.4 Million AFCAP Task Order Al Udeid Air Base, Qatar
- DynAviation
  - \$86.9 Million M3-MAISR Task Order

## ➤ Investing in the Future through DynGlobal

- Investments Made in Commercial Expertise – Strong, Global Team
- \$1.9B Proposals Submitted and Awaiting Award; \$7.1B Pipeline
- Anticipated Growth in UK, Middle East, Australia

## ➤ New Business Funnel Remains Full – \$22B

## ➤ Keeping Our Commitments

- Term Loan Pay Down of \$15M

# Q & A

# Appendix

# Unaudited Condensed Consolidated Statement of Operations

(Amounts in thousands)

	Three Months Ended September 27, 2013 (unaudited)	Three Months Ended September 28, 2012 (unaudited)	Nine Months Ended September 27, 2013 (unaudited)	Nine Months Ended September 28, 2012 (unaudited)
Revenue	\$ 766,785	\$ 1,010,314	\$ 2,575,415	\$ 3,018,469
Cost of services	(706,308)	(917,138)	(2,346,007)	(2,756,839)
Selling, general and administrative expenses	(34,179)	(40,347)	(103,871)	(116,822)
Depreciation and amortization expense	(12,046)	(12,375)	(36,167)	(37,594)
Earnings from equity method investees	295	315	3,668	538
Impairment of goodwill	(28,824)	(30,859)	(28,824)	(30,859)
Operating income	(14,277)	9,910	64,214	76,893
Interest expense	(19,720)	(22,011)	(58,721)	(65,438)
Loss on early extinguishment of debt	(230)	(696)	(230)	(1,479)
Interest income	31	21	77	94
Other income, net	337	68	(124)	4,768
Income before income taxes	(33,859)	(12,708)	5,216	14,838
Provision for income taxes	1,991	(1,393)	(11,393)	(11,744)
Net income	(31,868)	(14,101)	(6,177)	3,094
Noncontrolling interests	(1,197)	(1,693)	(3,546)	(4,322)
Net income attributable to DTH, Inc.	\$ (33,065)	\$ (15,794)	\$ (9,723)	\$ (1,228)
Income tax provision	(1,991)	1,393	11,393	11,744
Interest expense, net of interest income	19,689	21,990	58,644	65,344
Depreciation and amortization <sup>(1)</sup>	12,473	12,745	37,470	38,785
EBITDA <sup>(2)</sup>	\$ (2,894)	\$ 20,334	\$ 97,784	\$ 114,645
Non-recurring or unusual gains or losses or income or expenses and non-cash impairments <sup>(3)</sup>	29,173	31,920	29,765	33,681
Changes due to fluctuation in foreign exchange rates	36	22	(284)	(77)
Earnings from affiliates not received in cash <sup>(4)</sup>	545	138	1,395	(969)
Employee non-cash compensation, severance, and retention expense <sup>(5)</sup>	3,206	165	4,603	1,475
Management fees <sup>(6)</sup>	671	419	1,490	864
Acquisition accounting and Merger-related items <sup>(7)</sup>	(1,092)	(1,262)	(3,054)	(4,571)
Other	7	9	(128)	(83)
Adjusted EBITDA	\$ 29,652	\$ 51,745	\$ 131,571	\$ 144,965

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

(2) We define EBITDA as GAAP net income (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 of the IS and TM reporting units, as well as certain unusual income and expense items, as defined in the Indenture and Senior Credit Facility.

(4) Represents the difference between trailing twelve months of income booked from unconsolidated affiliates and the cash received from the affiliates during the same period.

(5) Includes postemployment benefit expense related to severance in accordance with ASC 712 - Compensation and relocation expense related to restructure costs.

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

(7) Includes the amortization of intangibles arising pursuant to ASC 805 - Business Combination.

# Unaudited Adjusted EBITDA by Segment

	DTH, Inc. CY13 QTD Q3 <sup>(1)</sup>				DTH, Inc. CY12 QTD Q3 <sup>(1)</sup>				DTH, Inc. CY13 YTD Q3				DTH, Inc. CY12 YTD Q3			
	Headquarters/ Others	DynAviation	DynLogistics	Consolidated	Headquarters/ Others	DynAviation	DynLogistics	Consolidated	Headquarters/ Others	DynAviation	DynLogistics	Consolidated	Headquarters/ Others	DynAviation	DynLogistics	Consolidated
Operating (loss) income	(12,767)	11,231	(12,741)	(14,277)	(19,664)	30,027	(453)	9,910	(31,752)	75,850	20,116	64,214	(43,553)	80,714	39,732	76,893
Depreciation and amortization expense <sup>(2)</sup>	11,932	459	82	12,473	12,337	138	270	12,745	35,859	1,080	531	37,470	37,489	495	801	38,785
Loss on early extinguishment of debt	(230)	-	-	(230)	(696)	-	-	(696)	(230)	-	-	(230)	(1,479)	-	-	(1,479)
Noncontrolling interests	(1,197)	-	-	(1,197)	(1,693)	-	-	(1,693)	(3,546)	-	-	(3,546)	(4,322)	-	-	(4,322)
Other income (loss), net	337	-	-	337	573	(498)	(7)	68	(124)	-	-	(124)	4,687	85	(4)	4,768
EBITDA <sup>(3)</sup>	(1,925)	11,690	(12,659)	(2,894)	(9,143)	29,667	(190)	20,334	207	76,930	20,647	97,784	(7,178)	81,294	40,529	114,645
Non-recurring or unusual gains or losses or income or expenses and non-cash impairments <sup>(4)</sup>	230	18	28,925	29,173	697	111	31,112	31,920	230	30	29,505	29,765	1,480	651	31,550	33,681
Changes due to fluctuation in foreign exchange rates	-	36	-	36	-	22	-	22	-	(284)	-	(284)	-	(77)	-	(77)
Earnings from affiliates not received in cash <sup>(5)</sup>	545	-	-	545	138	-	-	138	1,395	-	-	1,395	(969)	-	-	(969)
Employee non-cash compensation, severance, and retention expense <sup>(8)</sup>	1,736	781	689	3,206	-	51	114	165	2,808	942	853	4,603	-	309	1,166	1,475
Management fees <sup>(6)</sup>	211	251	209	671	167	83	169	419	514	518	458	1,490	277	217	370	864
Acquisition accounting and Merger-related items <sup>(7)</sup>	(1,092)	-	-	(1,092)	(1,262)	-	-	(1,262)	(3,054)	-	-	(3,054)	(4,571)	-	-	(4,571)
Other	7	-	-	7	9	-	-	9	(128)	-	-	(128)	(83)	-	-	(83)
Adjusted EBITDA	(288)	12,776	17,164	29,652	(9,394)	29,934	31,205	51,745	1,972	78,136	51,463	131,571	(11,044)	82,394	73,615	144,965

(1) In April 2013, we re-aligned our organizational structure into three operating segments.

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

(3) We define EBITDA as GAAP net income (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.

(4) Includes the goodwill impairments of the Intelligence & Security and the Training & Mentoring reporting units, as well as certain unusual income and expense items, as defined in the Indenture and Senior Credit Facility.

(5) Represents the difference between trailing twelve months of income booked from unconsolidated affiliates and the cash received from the affiliates during the same period.

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

(7) Includes the amortization of intangibles arising pursuant to ASC 805-Business Combination.

(8) Includes post employment benefit expense related to severance in accordance with ASC 712- Compensation and relocation expense related to restructure costs.

# Unaudited Condensed Consolidated Balance Sheets

(Amounts in thousands)

	<u>September 27, 2013</u>	<u>December 31, 2012</u>
	(unaudited)	(unaudited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 41,762	\$ 118,775
Restricted cash	1,659	1,659
Accounts receivable, net of allowances of \$2,425 and \$1,481, respectively	729,944	780,613
Other current assets	<u>71,682</u>	<u>79,223</u>
Total current assets	845,047	980,270
Non-current assets	<u>919,336</u>	<u>990,446</u>
Total assets	<u><u>\$1,764,383</u></u>	<u><u>\$1,970,716</u></u>
<b>LIABILITIES AND EQUITY</b>		
Current portion of long-term debt	-	637
Current liabilities	<u>496,086</u>	<u>680,727</u>
Total current liabilities	496,086	681,364
Long-term debt, less current portion	767,272	782,272
Long-term deferred taxes, net	60,935	50,303
Other long-term liabilities	5,918	11,023
Total equity attributable to Delta Tucker Holdings, Inc.	427,789	437,542
Noncontrolling interests	<u>6,383</u>	<u>8,212</u>
Total equity	<u>434,172</u>	<u>445,754</u>
Total liabilities and equity	<u><u>\$ 1,764,383</u></u>	<u><u>\$ 1,970,716</u></u>

# Unaudited Condensed Statement Cash Flow

(Amounts in thousands)

	For the nine months ended	
	September 27, 2013 (unaudited)	September 28, 2012 (unaudited)
Cash Flow Information:		
Net cash (used in) provided by operating activities	\$ (30,245)	\$ 65,248
Net cash used in investing activities	(2,639)	(9,983)
Net cash used in financing activities	(44,129)	(38,079)
Net cash (used in) provided by operating activities	(30,245)	65,248
Less: Purchase of property and equipment, net	(1,654)	(4,543)
Proceeds from sale of property, plant and equipment	177	7
Less: Purchase of software	(2,681)	(2,066)
Free cash flow	\$ (34,403)	\$ 58,646