

# CACI Performing Admirably In Today's Evolving Federal Market

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At FIA, we are always checking the pulse of the federal contracting marketplace, and keeping track of how various vendors are executing on their strategies to achieve success going forward.

Last week, we listened in on CACI International Inc.'s earnings call to investors, and came away impressed with some of the numbers disclosed on the call, and outlook for the company moving forward. Below we highlight some of the details CACI provided on the call.

FIA Perspective:

**CACI posts solid financials in FY2012 despite challenging market conditions.** For fiscal 2012, CACI's revenues rose 5.5% to \$3.77 billion, compared with \$3.57 billion in fiscal 2011. At the same time, the company saw its net income climb over 16% to \$167.6 million, up from \$144.2 million a year ago.

For fiscal 2013, CACI said it expects revenues to be between \$3.8 billion and \$4 billion and net income to be between \$160 million and \$167 million.

On its earnings call, CACI noted that it has "a large and established client base providing a steady stream of new opportunities." Because the company offers a broad range of capabilities and services, CACI said it maintains a large addressable market, and is "executing on roughly 2,200 ongoing contracts or task orders."

CACI also said its "new business win rate and high re-compete win rate allow it to continuously refresh its current program and add new business across its platform." This large addressable market provides CACI room to maneuver as it sees opportunities, while the diversity of its clients and contracts minimizes the risk associated with any individual program, the company said.

**CACI seems to be clicking on all cylinders in evolving federal market.** Looking ahead, CACI said it has "examined its addressable market of approximately \$235 billion and identified 10 market segments that are high-priority missions for its clients, including Intelligence, Cyber, Business Systems and Healthcare.

In fiscal 2012, CACI noted that it had its "best year yet for funding orders," totaling more than \$3.9 billion, which is up 8.8% over fiscal 2011. Its fiscal 2012 awards also reached record levels and totaled \$4.5 billion, up 40.8% from fiscal 2011. The company's fourth quarter awards, like those throughout the year, represent strong growth in CACI's Cyber, Business Systems, Healthcare and Intelligence markets and continued volume in its C4ISR, Enterprise IT and integrated security solutions markets, the company said.

As its recent contract awards and funding orders illustrate, CACI continues to "see attractive opportunities for growth in its markets and believes it's well positioned to capture those opportunities." CACI closed the year with a total backlog of \$7.2 billion, a 5.9% increase over last year. In addition, its funded backlog grew 7.2% over last year as well.

As CACI looks to fiscal 2013, its opportunity pipeline "remains very strong." Specifically, at the end of the fourth quarter, CACI had more than \$9 billion in supported proposals under evaluation with various agencies, and it expects to submit another \$11.7 billion of proposals over the next 6 months. Over half of this pipeline is for stand-alone contracts and task orders, which will fuel the company's revenue growth, CACI noted.

**M&A remains a key part of CACI's long-term growth strategy.** Layered on top of CACI's organic growth focus is its strategic mergers and acquisitions (M&A) program. Over the past 20 years, CACI highlighted that it has completed more than 57 acquisitions, which has extended the company's client base, solutions and addressable markets.

CACI noted that its recent acquisition of APG and Delta Solutions are examples of how it uses M&A to support its long-term growth objectives. APG boosts CACI's capabilities in the Oracle E-Business Suite, while Delta expands its SAP and Momentum System capabilities. Both acquisitions provide CACI core capabilities that enable the growth of its Business Systems market segment, while supporting its government transformation activities.

In the future, CACI said it expects to continue to use strategic M&A in a "disciplined way" to complement its organic growth, ensuring it will remain aligned with the company's clients' highest priorities, while creating "sustainable, long-term organic growth."

## Analyst's Take

Overall, we believe CACI has done an admirable job in identifying areas that are slated for growth, including Intelligence, Cyber, Business Systems and Healthcare. Going forward, it will be interesting to see if CACI can continue to outperform in the federal

marketplace, while remaining agile and executing in today's challenging and evolving market.