

CACI INTERNATIONAL INC /DE/
Form 10-Q
January 30, 2015
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-31400

CACI International Inc
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
1100 North Glebe Road, Arlington, VA 22201
(Address of principal executive offices)
(703) 841-7800
(Registrant's telephone number, including area code)

54-1345888
(I.R.S. Employer
Identification No.)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

Indicate the number of shares outstanding of each of the Registrant's classes of Common Stock, as of January 26, 2015: CACI International Inc Common Stock, \$0.10 par value, 24,162,793 shares.

Table of Contents

CACI INTERNATIONAL INC

	PAGE
PART I: FINANCIAL INFORMATION	
Item 1. Financial Statements	
<u>Consolidated Statements of Operations (Unaudited) for the Three Months Ended December 31, 2014 and 2013</u>	3
<u>Consolidated Statements of Operations (Unaudited) for the Six Months Ended December 31, 2014 and 2013</u>	4
<u>Consolidated Statements of Comprehensive Income (Unaudited) for the Three and Six Months Ended December 31, 2014 and 2013</u>	5
<u>Consolidated Balance Sheets (Unaudited) as of December 31, 2014 and June 30, 2014</u>	6
<u>Consolidated Statements of Cash Flows (Unaudited) for the Six Months Ended December 31, 2014 and 2013</u>	7
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	26
Item 4. <u>Controls and Procedures</u>	26
PART II: OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	27
Item 1A. <u>Risk Factors</u>	27
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	27
Item 3. <u>Defaults Upon Senior Securities</u>	28
Item 4. <u>Mine Safety Disclosures</u>	28
Item 5. <u>Exhibits</u>	29
<u>Signatures</u>	30

Table of Contents

PART I

FINANCIAL INFORMATIONItem 1. Financial Statements

CACI INTERNATIONAL INC

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(amounts in thousands, except per share data)

	Three Months Ended December 31,	
	2014	2013
Revenue	\$ 815,423	\$ 894,186
Costs of revenue:		
Direct costs	546,694	606,672
Indirect costs and selling expenses	204,406	204,830
Depreciation and amortization	16,795	16,230
Total costs of revenue	767,895	827,732
Income from operations	47,528	66,454
Interest expense and other, net	8,600	9,456
Income before income taxes	38,928	56,998
Income taxes	14,292	22,088
Net income	24,636	34,910
Noncontrolling interest	6	52
Net income attributable to CACI	\$ 24,642	\$ 34,962
Basic earnings per share	\$ 1.03	\$ 1.49
Diluted earnings per share	\$ 1.01	\$ 1.38
Weighted-average basic shares outstanding	23,890	23,433
Weighted-average diluted shares outstanding	24,314	25,297

See Notes to Unaudited Consolidated Financial Statements

Table of Contents

CACI INTERNATIONAL INC
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(amounts in thousands, except per share data)

	Six Months Ended December 31,	
	2014	2013
Revenue	\$ 1,630,149	\$ 1,758,451
Costs of revenue:		
Direct costs	1,083,298	1,208,094
Indirect costs and selling expenses	405,233	393,540
Depreciation and amortization	34,031	29,181
Total costs of revenue	1,522,562	1,630,815
Income from operations	107,587	127,636
Interest expense and other, net	17,680	16,844
Income before income taxes	89,907	110,792
Income taxes	34,014	42,490
Net income	55,893	68,302
Noncontrolling interest	(121)	(348)
Net income attributable to CACI	\$ 55,772	\$ 67,954
Basic earnings per share	\$ 2.35	\$ 2.91
Diluted earnings per share	\$ 2.30	\$ 2.71
Weighted-average basic shares outstanding	23,728	23,374
Weighted-average diluted shares outstanding	24,210	25,066

See Notes to Unaudited Consolidated Financial Statements

Table of Contents

CACI INTERNATIONAL INC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(amounts in thousands)

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2014	2013	2014	2013
Net income	\$ 24,636	\$ 34,910	\$ 55,893	\$ 68,302
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustment	(5,832)	2,659	(12,615)	9,455
Effects of post-retirement adjustments				208
Change in fair value of interest rate swap agreements	(2,621)	36	(818)	(195)
Other comprehensive (loss) income, net of tax	(8,453)	2,695	(13,433)	9,468
Comprehensive income	16,183	37,605	42,460	77,770
Noncontrolling interest	6	52	(121)	(348)
Comprehensive income attributable to CACI	\$ 16,189	\$ 37,657	\$ 42,339	\$ 77,422

See Notes to Unaudited Consolidated Financial Statements

Table of Contents

CACI INTERNATIONAL INC
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(amounts in thousands, except per share data)

	December 31, 2014	June 30, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 30,874	\$ 64,461
Accounts receivable, net	619,332	615,580
Deferred income taxes	17,053	22,694
Prepaid expenses and other current assets	46,785	33,114
Total current assets	714,044	735,849
Goodwill	2,180,570	2,188,569
Intangible assets, net	209,279	230,410
Property and equipment, net	63,611	68,485
Supplemental retirement savings plan assets	88,473	88,465
Accounts receivable, long-term	7,667	8,714
Other long-term assets	36,731	38,646
Total assets	\$ 3,300,375	\$ 3,359,138
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 41,563	\$ 41,563
Accounts payable	90,628	55,811
Accrued compensation and benefits	172,247	183,361
Other accrued expenses and current liabilities	121,394	141,852
Total current liabilities	425,832	422,587
Long-term debt, net of current portion	1,123,822	1,238,728
Supplemental retirement savings plan obligations, net of current portion	77,201	77,457
Deferred income taxes	206,846	197,847
Other long-term liabilities	62,397	63,353
Total liabilities	1,896,098	1,999,972
COMMITMENTS AND CONTINGENCIES		
Shareholders equity:		
Preferred stock \$0.10 par value, 10,000 shares authorized, no shares issued		
Common stock \$0.10 par value, 80,000 shares authorized, 41,589 shares issued and 24,151 outstanding at December 31, 2014 and 41,441 shares issued and 23,500 outstanding at June 30, 2014	4,159	4,144

Edgar Filing: CACI INTERNATIONAL INC /DE/ - Form 10-Q

Additional paid-in capital	539,650	537,334
Retained earnings	1,448,726	1,392,954
Accumulated other comprehensive loss	(13,815)	(382)
Treasury stock, at cost (17,438 and 17,941 shares, respectively)	(576,193)	(577,167)
Total CACI shareholders' equity	1,402,527	1,356,883
Noncontrolling interest	1,750	2,283
Total shareholders' equity	1,404,277	1,359,166
Total liabilities and shareholders' equity	\$ 3,300,375	\$ 3,359,138

See Notes to Unaudited Consolidated Financial Statements

Table of Contents

CACI INTERNATIONAL INC
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(amounts in thousands)

	Six Months Ended December 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 55,893	\$ 68,302
Reconciliation of net income including portion attributable to noncontrolling interest to net cash provided by operating activities:		
Depreciation and amortization	34,031	29,181
Non-cash interest expense		6,769
Amortization of deferred financing costs	1,378	1,129
Loss on extinguishment of debt		4,116
Stock-based compensation expense	6,194	5,785
Deferred income tax expense	15,355	14,957
Equity in earnings of unconsolidated joint ventures	(407)	(947)
Changes in operating assets and liabilities, net of effect of business acquisitions:		
Accounts receivable, net	(7,443)	(6,178)
Prepaid expenses and other assets	630	(6,504)
Accounts payable and other accrued expenses	16,543	(49,913)
Accrued compensation and benefits	(9,945)	(21,816)
Income taxes payable and receivable	(18,318)	(4,545)
Supplemental retirement savings plan obligations and other long-term liabilities	(635)	4,241
Net cash provided by operating activities	93,276	44,577
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(7,330)	(7,143)
Cash paid for business acquisitions, net of cash acquired		(835,684)
Investment in unconsolidated joint venture	460	
Other	636	(893)
Net cash used in investing activities	(6,234)	(843,720)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings under bank credit facilities	148,222	1,119,000
Principal payments made under bank credit facilities	(263,750)	(269,000)
Payment of financing costs under bank credit facilities		(13,222)
Proceeds from employee stock purchase plans	1,745	1,849
Repurchases of common stock	(1,776)	(1,884)
Payment of taxes for equity transactions	(6,401)	(7,936)
Other	2,600	3,026

Net cash provided by financing activities	(119,360)	831,833
Effect of exchange rate changes on cash and cash equivalents	(1,269)	1,146
Net increase in cash and cash equivalents	(33,587)	33,836
Cash and cash equivalents, beginning of period	64,461	64,337
Cash and cash equivalents, end of period	\$ 30,874	\$ 98,173

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the period for income taxes, net of refunds	\$ 29,001	\$ 29,414
Cash paid during the period for interest	\$ 16,818	\$ 7,817

See Notes to Unaudited Consolidated Financial Statements

Table of Contents

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. **Basis of Presentation**

The accompanying unaudited consolidated financial statements of CACI International Inc and subsidiaries (CACI or the Company) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and include the assets, liabilities, results of operations, comprehensive income and cash flows for the Company, including its subsidiaries and ventures that are more than 50 percent owned or otherwise controlled by the Company. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. All intercompany balances and transactions have been eliminated in consolidation.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and amounts included in other current assets and current liabilities that meet the definition of a financial instrument approximate fair value because of the short-term nature of these amounts. The fair value of the Company's debt outstanding as of December 31, 2014 under its bank credit facility approximates its carrying value. The fair value of the Company's debt under its bank credit facility was estimated using Level 2 inputs based on market data of companies with a corporate rating similar to CACI's that have recently priced credit facilities. See Notes 4 and 10.

In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments and reclassifications (all of which are of a normal, recurring nature) that are necessary for the fair presentation of the periods presented. It is suggested that these unaudited consolidated financial statements be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's latest annual report to the SEC on Form 10-K for the year ended June 30, 2014. The results of operations for the three and six months ended December 31, 2014 are not necessarily indicative of the results to be expected for any subsequent interim period or for the full fiscal year.

2. **Recent Accounting Pronouncements**

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual reporting periods, including interim reporting periods within those periods, beginning after December 15, 2016, using either a full retrospective approach or a modified approach. The Company is currently evaluating the impact that the adoption of ASU 2014-09 may have on the Company's consolidated financial statements and have not yet determined the method by which the Company will adopt the standard in FY2018.

Table of Contents

3. Intangible Assets

Intangible assets consisted of the following (in thousands):

	December 31, 2014	Rule 13a-14(a)/15d-14(a) Certification
(32)	Section 1350 Certification	
(99)	Items 1A, 7 and 7A to the Annual Report on Form 10-K for Cross Timbers Royalty Trust filed with the Securities and Exchange Commission on February 25, 2009 (incorporated herein by reference)	

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

CROSS TIMBERS ROYALTY TRUST

By BANK OF AMERICA, N.A., TRUSTEE

By */s/ NANCY G. WILLIS*
Nancy G. Willis
Vice President

XTO ENERGY INC.

By */s/ LOUIS G. BALDWIN*
Louis G. Baldwin
Executive Vice President
and Chief Financial Officer

Date: April 28, 2009