

# CACI INTERNATIONAL INC /DE/

## FORM 8-K/A (Unscheduled Material Events)

Filed 11/18/2003 For Period Ending 11/18/2003

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Telephone	703-841-7800
CIK	0000016058
Industry	Computer Services
Sector	Technology
Fiscal Year	06/30

**Form 8-K/A**

**CURRENT REPORT**

Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

**November 18, 2003**  
*(Date of Report)*

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

**Delaware**  
*(State of other jurisdiction  
of incorporation)*

**0-8401**  
*(Commission File Number)*

**54-1345899**  
*(IRS Employer Identification Number)*

**1100 N. Glebe Road**  
**Arlington, Virginia 22201**  
*(Address of principal executive offices)(ZIP code)*

**(703) 841-7800**  
*(Registrant's telephone number, including area code)*

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**ITEM 9: REGULATION FD DISCLOSURE**

On August 13, 2003 the Registrant released its financial results for the fourth quarter and full fiscal year 2003.

A copy of the Registrant's press release announcing the financial results as well as the schedule for a conference call and "web cast" on August 14, 2003 are attached as Exhibit 99 to this current report on Form 8-K.

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**EXHIBITS**

Exhibit  
Number

- 99.a Press Release dated August 13, 2003, announcing CACI's fourth quarter and fiscal year financial results.
  - 99.b Transcript of August 14, 2003 conference call.
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## SIGNATURE

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 hereunto duly authorized.

CACI International Inc

Registrant

By: /s/ Jeffrey P. Elefante

Jeffrey P. Elefante  
Executive Vice President,  
General Counsel and Secretary

Exhibit 99.a

### CACI Reports Record Fourth Quarter and Full Fiscal Year 2003

- *Income from continuing operations up 43% in the quarter to \$13.3 million; for the year, up 40% to \$44.7 million*
- *Diluted earnings per share of \$0.45 for the quarter, up 41%; \$1.52 diluted earnings per share for the year, up 23%*
- *Operating cash flow of \$34 million in the quarter; \$76 million for the year, up 111% over FY2002*
- *Revenue up 20% for the quarter to \$228.6 million; for the year, up 24% to \$843.1 million*

Arlington, VA, August 13, 2003 - CACI International Inc (NYSE: CAI), a leading information technology and network solutions provider to the federal government, announced today record results for its fourth quarter and fiscal year ending June 30, 2003 (FY03). Income from continuing operations in the quarter increased 43 percent while revenue was up 20 percent compared to the fourth quarter of fiscal year 2002 (FY02). For all of FY03, income from continuing operations was up 40 percent while revenue was up 24 percent versus a year ago. The increase in earnings and revenue in the quarter and for the full year resulted from continuing growth in all of the company's service offerings through its domestic operations.

#### Fourth Quarter Results Reflect Higher Margins and Strong Cash Flow

Net income for the fourth quarter of FY03 was \$13.3 million, or \$0.45 per diluted share, an increase of 43 percent over net income of \$9.3 million, or \$0.32 per diluted share, reported in the fourth quarter of FY02. Revenue for the quarter was \$228.6 million, an increase of 20 percent over fourth quarter FY02 revenue of \$191.0 million. Operating income in the quarter was \$21.1 million, an increase of 43 percent over fourth quarter FY02 operating income of \$14.7 million.

For the fourth quarter the operating margin increased to 9.2 percent from 7.7 percent a year earlier. The higher operating margin was driven primarily by a favorable contract mix, specifically increased professional services revenue on higher margin time and material and fixed price contracts. The growth in net income was primarily attributable to increased sales to the company's federal customers and improved margin performance. Operating cash flow of \$33.9 million was primarily driven by net income and cash collections.

The growth of the company's operations continued to be driven by increased demand for C<sup>4</sup> ISR (command, control, communications, computers, intelligence, surveillance, and reconnaissance) work for intelligence and logistical support for ongoing Department of Defense (DoD) operations and by domestic acquisitions.

## **Fourth Quarter Highlights**

The following highlights occurred during the fourth fiscal quarter:

- Revenue from DoD customers increased 19 percent, driven primarily by higher demand from customers such as the Defense Information Systems Agency (DISA), the U.S. Army's Communications-Electronics Command (CECOM), and the defense intelligence community.
- Federal civilian agency revenue grew 28 percent primarily from higher volumes of work for customers such as the Department of Justice (DoJ), Department of Veterans Affairs (VA), the Securities and Exchange Commission (SEC), the U.S. Customs Service, and the national intelligence community.
- The acquisition of Premier Technology Group, Inc. (PTG), which closed on May 15, 2003, broadened CACI's capabilities in intelligence analysis and security services, information technology, training, program management and logistics for clients in the DoD and the intelligence community.

## **Full Year FY03 Results Reflect Continued Margin Expansion and Strong Revenue Growth**

Income from continuing operations for FY03 was \$44.7 million, or \$1.52 per diluted share, an increase of 40 percent over income from continuing operations of \$31.9 million, or \$1.24 per diluted share, reported for FY02. For all of FY03, revenue increased 24 percent, to \$843.1 million, compared with \$681.9 million reported in FY02. Operating income for FY03 was \$70.4 million, up 33 percent over operating income of \$53.1 million reported a year earlier.

For the full year, the operating margin improved to 8.4 percent from 7.8 percent a year earlier. The higher operating margin was driven primarily by a favorable contract mix, specifically increased professional services revenue on higher margin time and material and fixed price contracts.

Revenue growth was driven primarily by increased demand from federal government customers. Revenue from DoD customers increased 24 percent, driven primarily by higher demand from customers such as the Defense Information Systems Agency (DISA), the U.S. Army's Communications-Electronics Command (CECOM), and the defense intelligence community. Federal civilian agency revenue grew 31 percent primarily from higher volumes of work for customers such as the Department of Justice (DoJ), Department of Veterans Affairs (VA), the Securities and Exchange Commission (SEC), the U.S. Customs Service, and the national intelligence community.

## **FY03 Highlights**

In addition to record revenue and earnings, major highlights and accomplishments during fiscal year 2003 include:

- Operating cash flow of \$75.9 million.
- Revenue from the federal government increased 26 percent, 16 percent organically. Overall, internal revenue growth for the company for the fiscal year was 15 percent.
- Contract awards of up to eight years in length for over \$1.1 billion from federal customers.
- Backlog at year-end of \$2.5 billion, up from \$1.9 billion a year earlier.
- Acquisition and full integration of four domestic businesses--the Government Services Division of Condor, Acton Burnell, Inc., Applied Technology Solutions of Northern VA, Inc., and Premier Technology Group, Inc.
- Common stock listed on the New York Stock Exchange.

## **Commentary**

Commenting on the results, Dr. J.P. London, CACI's Chairman, President, and Chief Executive Officer, said, "Our record year and fourth quarter results are driven by high ongoing demand from those government agencies and spending initiatives that are presently involved with our country's highest national priorities: defense, intelligence, and homeland security. By responding to our customers' needs related to those priorities and delivering to them timely, critical support, we experienced growth in our profitability as well as the overall business. We experienced record cash flow from operations. We received over \$1.1 billion in contract awards and maintained our historically high win rate in

customer retention. And we gained new customers and broadened our capabilities through our acquisition program. All of this combined to produce solid growth of 24 percent for the year and 15 percent internally, exceeding our stated growth objectives."

Dr. London continued, "We have a well-diversified business base between DoD and federal civilian agencies. We continue to experience strong demand across the federal government market. As we begin our new fiscal year, we are actively hiring additional staff in our domestic operations. Our bid backlog of submitted proposals has increased to over \$1 billion, plus we have no additional major contracts being recompleted this fiscal year. And we have recently signed a Letter of Intent for our next potential acquisition. We believe we are well on our way to becoming a \$1 billion in annual revenue company in FY04, reaching our goal a year ahead of schedule. We continue to anticipate strong growth across all areas of our core business, including systems integration, engineering services, knowledge management, and managed network services. As we move forward, CACI remains ever vigilant in helping our country secure its future both domestically and abroad. We are extremely pleased with our results and excited about the prospects of achieving another record year of growth and profitability while continuing to enhance shareholder value."

## Company Outlook

The company reiterated its guidance for FY04 as originally issued on July 8, 2003. For the full year, there is no change to the range of guidance for revenue, net income and diluted earnings per share. The company's guidance excludes results from any additional acquisitions, including that resulting from the above-mentioned Letter of Intent. The company will update its full year guidance upon successful completion of the acquisition, which is anticipated to close in September. The company continues to target its overall growth at a 20 percent or better compound annual growth rate, through a combination of organic growth ranging between 12 and 15 percent and acquired growth of between five and eight percent. The table below summarizes the guidance ranges for the first quarter and full fiscal year 2004:

(In millions except for earnings per share)

	<b>Q1 FY04</b>	<b>Total FY04</b>
Revenue	\$233 - \$240	\$985 - \$1,015
Net Income	\$12.3 - \$12.7	\$53.1 - \$54.7
Diluted earnings per share	\$0.41 - \$0.43	\$1.77 - \$1.82
Diluted weighted average shares	29.7	30.0

Should the company perform in accordance with these estimates, revenue for the first quarter is expected to be up 24 to 28 percent over revenue of \$188 million reported in the first quarter of FY03. Net income is anticipated to be up 31 to 35 percent over net income of \$9.4 million in the corresponding prior year quarter. Diluted earnings per share are expected to be up 29 to 34 percent over \$0.32 reported a year earlier.

Investors are reminded that actual results may differ from these estimates for the reasons described below.

## Conference Call Information

The company has scheduled a conference call for 9 AM Eastern time Thursday, August 14<sup>th</sup>, during which management will be making a brief presentation focusing on fourth quarter and full-year results, operating trends and its expectations. A question-and-answer session will follow to allow further discussion of the results and the company's future expectations. Interested parties can listen to the conference call and view accompanying exhibits over the Internet by logging on to CACI's Internet site at <http://www.caci.com> at the scheduled time. A replay of the call will also be available over the Internet beginning at 1:00 p.m. Eastern Time Thursday, August 14<sup>th</sup>, and can be accessed through CACI's homepage ( [www.caci.com](http://www.caci.com) ) by clicking on the CACI Investor Info button.

## About CACI

CACI International Inc provides the IT and network solutions needed to prevail in today's new era of defense, intelligence, and e-government. From systems integration and managed network solutions to knowledge management, engineering, simulation, and information assurance, we deliver the IT applications and infrastructures our federal customers use to improve communications and collaboration, secure the integrity of information systems and networks,

enhance data collection and analysis, and increase efficiency and mission effectiveness. Our solutions lead the transformation of defense and intelligence, assure homeland security, enhance decision-making, and help government to work smarter, faster, and more responsively. CACI, a member of the Russell 2000 and S&P SmallCap 600 indices, provides dynamic careers for more than 6,400 employees working in 90 offices in the U.S. and Europe. CACI is the IT provider for a networked world. Visit CACI on the web at [www.caci.com](http://www.caci.com).

## Forward Looking Statements

*There are statements made herein which may not address historical facts and, therefore, could be interpreted to be forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such statements are subject to factors that could cause actual results to differ materially from anticipated results. The factors that could cause actual results to differ materially from those anticipated include, but are not limited to, the following: regional and national economic conditions in the United States and United Kingdom, (the UK economy is experiencing a downturn that affects the Registrant's UK operations) including conditions that result from terrorist activities or war; changes in interest rates; currency fluctuations; failure to achieve contract awards in connection with recompetes for present business and/or competition for new business; the risks and uncertainties associated with client interest in and purchases of new products and/or services; continued funding of U.S. Government or other public sector projects, particularly in the event of a priority need for funds, such as homeland security, the war on terrorism or rebuilding Iraq; government contract procurement (such as bid protest, small business set asides, etc.) and termination risks; the results of the amended appeal of CACI International Inc, ASBCA No. 53058; the financial condition of our clients; paradigm shifts in technology; competitive factors such as pricing pressures and competition to hire and retain employees; our ability to complete and successfully integrate acquisitions appropriate to achievement of our strategic plans; our ability to complete performance of fixed price contracts within contract value; material changes in laws or regulations applicable to our businesses, particularly legislation affecting (i) outsourcing of activities that have been performed by the government; and (ii) competition for task orders under Government Wide Acquisition Contracts ("GWACs") and/or schedule contracts with the General Services Administration; our own ability to achieve the objectives of near term or long range business plans; and other risks described in the Company's Securities and Exchange Commission filings.*

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(Financial tables follow)

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## Summary Financial Tables

### CACI International Inc

### Consolidated Statements of Operations

(Amounts in thousands, except per share amounts)

	Quarter Ended		Twelve Months Ended	
	6/30/2003	6/30/2002	6/30/2003	6/30/2002
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Revenue	\$ 228,633	\$ 190,980	\$ 843,138	\$ 681,942
Costs and Expenses				
Direct Costs	137,937	119,341	517,975	421,540
Indirect costs and selling expenses	65,440	53,451	241,838	195,167
Depreciation and amortization	4,189	3,496	12,919	12,131
Operating expenses	207,566	176,288	772,732	628,838
Operating income	21,067	14,692	70,406	53,104
Interest (income) expense	(416)	(317)	(1,374)	1,622

Income from continuing operations before income taxes	21,483	15,009	71,780	51,482
Income taxes on continuing operations	8,206	5,702	27,069	19,558
Income from continuing operations	13,277	9,307	44,711	31,924
Discontinued Operations				
Loss from operations from discontinued Marketing Systems Group (less applicable income tax benefit of \$128)	-	-	-	(209)
Loss on disposal of Marketing Systems Group including provision of \$284 for operating losses during phase-out period (less applicable income tax benefit of \$766)	-	-	-	(1,250)
Net income	\$ 13,277	\$ 9,307	\$ 44,711	\$ 30,465
<u>Basic earnings per share</u>				
Income from continuing operations	\$ 0.46	\$ 0.33	\$ 1.56	\$ 1.28
Loss from discontinued operations	\$ -	\$ -	\$ -	\$ (0.01)
Loss on disposal	\$ -	\$ -	\$ -	\$ (0.05)
Basic earnings per share	\$ 0.46	\$ 0.33	\$ 1.56	\$ 1.22
<u>Diluted earnings per share</u>				
Income from continuing operations	\$ 0.45	\$ 0.32	\$ 1.52	\$ 1.24
Loss from discontinued operations	\$ -	\$ -	\$ -	\$ (0.01)
Loss on disposal	\$ -	\$ -	\$ -	\$ (0.05)
Diluted earnings per share	\$ 0.45	\$ 0.32	\$ 1.52	\$ 1.18
Weighted average shares used in per share computations:				
Basic	28,727	28,417	28,647	24,992
Diluted	29,441	29,265	29,425	25,814

**Summary Financial Tables (continued)**  
**CACI International Inc**  
**Condensed Consolidated Balance Sheets**  
(Amounts in thousands)

	6/30/2003 (Unaudited)	6/30/2002 (Audited)
<b>ASSETS</b>		
Current assets		
Cash and marketable securities	\$ 89,025	\$ 151,068

Accounts receivable		
Billed	179,427	137,296
Unbilled	18,891	10,482
	<hr/>	
Total accounts receivable	198,318	147,778
Other current assets	10,791	7,283
	<hr/>	
Total current assets	298,134	306,129
Property and equipment, net	18,319	14,973
Goodwill & intangible assets	218,178	134,447
Other	27,329	25,115
	<hr/>	
Total assets	\$ 561,960	\$ 480,664
	<hr/>	

## **LIABILITIES & SHAREHOLDERS' EQUITY**

### **Current Liabilities**

Notes Payable	\$ 4,558	\$ 8,667
Accounts payable	20,964	6,482
Accrued compensation & benefits	44,460	33,644
Other current liabilities	45,516	28,572
	<hr/>	
Total current liabilities	115,498	77,365
Notes payable, long-term	-	26,500
Postretirement & other long-term obligations	14,619	7,891
Other long-term liabilities	10,308	1,749
Shareholders' equity	421,535	367,159
	<hr/>	
Total liabilities & shareholders' equity	\$ 561,960	\$ 480,664
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## **Summary Financial Tables (continued)**

### **CACI International Inc**

### **Condensed Consolidated Statements of Cash Flows**

(Amounts in thousands)

	<b>Twelve Months Ended</b>	
	<b>6/30/2003</b>	<b>6/30/2002</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<hr/>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 44,711	\$ 30,465
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	12,919	12,255
Loss on sale of property & equipment	5	5
Provision for deferred income taxes	1,824	(5,410)
Loss from sale of business	-	966

Changes in operating assets and liabilities		
Accounts receivable	(22,820)	(6,226)
Other current assets	(3,592)	4,177
Accounts payable and accrued expenses	19,287	(10,408)
Accrued compensation & benefits	7,335	3,848
Other current liabilities	14,645	6,755
Other	1,573	(444)
Net cash provided by operating activities	75,887	35,983
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net acquisitions of property & equipment	(12,161)	(8,161)
Purchases of businesses, net of cash acquired	(107,202)	(41,945)
Net proceeds from (purchases of) marketable securities	4,728	(20,019)
Other assets	1,391	(898)
Net cash used in investing activities	(113,244)	(71,023 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net payments under line of credit	(25,000)	(23,888)
Proceeds from stock options	3,603	13,173
Proceeds from secondary offering	-	161,475
Other	(105)	(488)
Net cash (used in) provided by financing activities	(21,502)	150,272
Effect of exchange rates on cash and equivalents	1,544	975
Net (decrease) increase in cash and equivalents	(57,315)	116,207
Cash and equivalents, beginning of period	131,049	14,842
Cash and equivalents, end of period	\$ 73,734	\$ 131,049

## Summary Financial Tables (Continued)

### Income From Continuing Operations Margin Data

	Quarter Ended		Twelve Months Ended	
	6/30/2003	6/30/2002	6/30/2003	6/30/2002
Gross profit margin	39.7%	37.5%	38.6%	38.2%
Operating profit margin	9.2%	7.7%	8.4%	7.8%
Continuing operations margin	5.8%	4.9%	5.3%	4.7%
Net margin	5.8%	4.9%	5.3%	4.5%

### Revenue From Continuing Operations by Customer Type

#### Quarter Ended

(dollars in thousands)

	6/30/2003		6/30/2002		\$ Change	% Change
Department of Defense	\$ 144,928	63.4%	\$ 122,167	64.0%	\$ 22,761	18.6%
Federal Civilian Agencies	67,622	29.6%	52,780	27.6%	14,842	28.1%
Commercial	12,028	5.2%	12,356	6.5%	(328)	-2.7%
State and Local Government	4,055	1.8%	3,677	1.9%	378	10.3%
Total	\$ 228,633	100.0%	\$ 190,980	100.0%	\$ 37,653	19.7%

#### Twelve Months Ended

(dollars in thousands)

	6/30/2003		6/30/2002		\$ Change	% Change
Department of Defense	\$ 536,269	63.6%	\$ 433,927	63.7%	\$ 102,342	23.6%
Federal Civilian Agencies	241,490	28.6%	184,392	27.0%	57,098	31.0%
Commercial	51,414	6.1%	49,369	7.2%	2045	4.1%
State and Local Government	13,965	1.7%	14,254	2.1%	(289)	-2.0%
Total	\$ 843,138	100.0%	\$ 681,942	100.0%	\$ 161,196	23.6%

Exhibit 99(b)

CACI INTERNATIONAL  
Moderator: David Dragics  
08-14-03/8:00 a.m. CT  
Confirmation # 742470

**CACI INTERNATIONAL**  
**Moderator: David Dragics**  
**August 14, 2003**  
**8:00 a.m. CT**

#### Operator

Good day everyone and welcome to the CACI International Fourth Quarter and Year-end 2003 Earnings conference call. Today's call is being recorded.

For opening remarks and introductions, I would like to turn the call over to the Vice President of Investor Relations, Mr. David Dragics. Please go ahead, sir.

#### David Dragics

Thank you, David, and good morning, ladies and gentlemen. I'm Dave Dragics, Vice President of Investor Relations of CACI International. And we're pleased that you're able to participate with us today. And for those of you who are with us for the first time either by telephone or via the Internet, we welcome you to this call.

Let's go to the first exhibit. As you know, yesterday after the market closed, we released our fourth quarter and Fiscal Year 2003 results. And we hope that most of you have had the opportunity to review our announcement and the results and they are summarized on this exhibit. Once again, we are including exhibits with our presentation. And I hope that you will find them helpful in reviewing our financial results and trends in the discussion of our operations. And as we progress this morning, we'll make every effort to keep all of you on the same page as we are.

Now, moving to the next exhibit before we begin our discussion this morning, I would like to make our customary but very important statement regarding CACI's written and oral disclosures and commentary. And there will be statements in this call that do not address historical facts and as such, do represent forward-looking statements under current law. These statements are subject to important factors that could cause actual results to differ materially from the statements made today. And the primary factors that could cause actual results to differ materially from

those anticipated are listed at the bottom of this mornings - of yesterday's earnings release as well as in the Company's Securities and Exchange Commission filing. And our full Safe Harbor Statement is on this slide and will also be incorporated as part of the transcript of this call, which we will post on our Web site. I would remind and refer those who might be listening to the replay of this call to review the full Safe Harbor Statement there.

Now, let's turn to the next exhibit and to open up the discussion this morning, here is Jack London, Chairman, President and CEO of CACI International. Jack.

**Jack London**

Thank you, Dave, and good morning, ladies and gentlemen. First, let me welcome many of you who are new to CACI and to our call this morning. We appreciate your interest and hope you'll find this call informative.

We're very pleased to report record fourth quarter and record full year results for CACI in Fiscal Year 2003. By all measures, this past year has been an extremely successful one for the corporation. Our revenue increased 24-percent over Fiscal Year '02, reaching 843 million. Diluted earnings per share were a \$1.52, 23-percent higher than last year. We had record profits of 44.7 million, 40-percent higher than last year. Our margins increased at both the operating and the net income line. Operating cash flow was 76 million, 111-percent above last year's level.

Internal growth for the year was approximately 15-percent, at the upper end of our objective range of 12 to 15-percent per year. We augmented our internal growth by completing four successful acquisitions. They brought us new relationships and customers and expanded our presence in the U.S. intelligence community. All are profitable and have been immediately accretive to our bottom line.

In effect, our continued focus on national defense, homeland security and intelligence community has resulted in our delivering solid growth and record profitable performance.

As we move in to the 2004 fiscal year, CACI's well positioned to continue its rapid growth and profitability, supporting our government clients.

Let's move to the next exhibit please.

With me today to discuss our operating results in more detail and to answer your questions, Ken Johnson, President of CACI's U.S. Operations, and Stephen Waechter, our Chief Financial Officer. Greg Bradford, President of CACI Limited in the United Kingdom, is also on the line ready to answer any questions that you may have about our U.K. operations at that time.

As is our custom on these calls, we will discuss three principal items. First, the - Stephen Waechter will discuss some details of our financial results. Second, Ken Johnson will discuss our domestic operations and their outlook. Finally, I'll have some closing comments. After that, I'll open up the call to your questions.

So, the first item on our agenda is our financial results, so here's Stephen Waechter, our Chief Financial Officer discussing them. Stephen, over to you.

**Stephen Waechter**

Thank you, Jack. And good morning, everyone. Let's go to the next exhibit number six. Last evening, we reported record four-quarter and full fiscal-year revenue and earnings. Revenue for the fourth quarter increased 20-percent to \$228.6 million versus \$191 million a year ago. Net income was 13.3 million or 45 cents per diluted share; up 43-percent over last year's \$9.3 million or 32 cents per diluted share. We had excellent operating leverage this quarter with net income increasing at a rate more than twice the revenue growth rate.

For the year, our diluted earnings per share were \$1.52, 23-percent above diluted earnings per share of \$1.24 last year. Income from continuing operations was \$44.7 million, 40-percent higher than the \$31.9 million reported a year ago. Revenue was \$843 million up 24-percent over Fiscal Year '02 revenue, up \$682 million. Now let me give you more detail on some of these results.

Moving to the next exhibit, our federal government business grew 21-and-a-half-percent during the fourth quarter and represented 93-percent of our total revenue. The internal growth of our federal business was just over nine-percent with approximately 14-percent growth in our higher margin professional services related revenue offset by flat lower margin revenue from sub contractors and other direct costs. For the year, internal growth of our federal business was 16-percent. And as Jack reported, for all of CACI 15-percent well within our goal of 12 to 15-percent per year.

The strong growth in our domestic operations was somewhat offset by our United Kingdom operations. Our international segment reported \$9.6 million of revenue in the quarter down approximately seven-percent from last year. Pre tax margins were approximately nine-and-a-half-percent this quarter. As we've noted in past calls, our operations that are being effected by the lower demand for commercial IT services in the U.K., particularly in the telecommunications industry.

For the year, revenue was virtually the same as last year, \$40.4 million and pre tax margin profits were -profit margins were 11-percent. Moving to exhibit eight, let's take a look at some of the key metrics most of which were included in the expanded financial exhibits in our press release. This was an extremely profitable quarter for us. Our operating margin was 9.2-percent compared to 7.7-percent in the fourth quarter of last year. As we indicated in our release, the growth in our operating margin was driven primarily by contract mix with a significantly higher fixed price and time and materials work during the quarter.

Our acquisitions also contributed favorably to the improvement. We experienced an extremely strong quarter of operating cash flow over \$34 million compared to just over \$23 million a year ago. This cash flow was produced primarily by the increase in net income and timing of cash disbursements. Operating cash flow for Fiscal Year '03 was \$75.9 million compared with \$36 million for Fiscal Year '02 and 111-percent.

Just a couple of other metrics almost 90-percent of the revenue this past quarter was earned as a prime contractor about the same as the fourth quarter of Fiscal Year '02. For the year, we derived 87-percent of our revenue from prime contracts, and also for the year, 64-percent of our revenue came from time and materials work, 17-percent from cost plus works and 19-percent from fix price works. Last year, the mix was 61-percent, 19-percent and 20-percent respectively.

Moving to the next exhibit nine, days sales out standing at June 30th were 78 days compared with 71 days a year ago. The increase in days out standing was driven probably by the acquisition of PTG in May and higher U.K. unbilled receivables. This exhibit also shows our cash and marketable securities and debt at June 30th.

The next exhibit is our guidance for revenue, net income and diluted shares for the first quarter. As you can see, we estimate that our revenue for the quarter will increase 24 to 28-percent over the first quarter of Fiscal Year '03. For the next quarter, we expect operating margins to be in the 8.3 to 8.4 range. This compares favorably to last year's 7.8-percent. Compared to last quarter's margin of 9.2-percent, the rate will be lower primarily as a result of a lower mix of revenue from fixed price contracts in the first quarter relative to last quarter. We anticipate that our net income will be up 31 to 36-percent, higher than a year ago. And we expect diluted earnings per share to be up 29 to 34-percent over the year earlier period. We believe that our internal growth in the next quarter will be in the range of 10 to 12-percent. And finally, we estimate the diluted weighted average shares for the first quarter will be 29.7 million.

For the full year, there is no change to the range of guidance for revenue, net income and diluted EPS as reported on July eighth. The Company's guidance excludes results from any additional acquisitions including that resulting from the announced signed letter of intent. For the year, we anticipate revenues to be between 985 million to over 1,015,000,000. That income will range between 53.1 and \$54.7 million. And dilute earnings per share will range between \$1.77 and a \$1.82. We will update the full year guidance upon successful completion of the acquisition, which is anticipated to close in September. The Company continues to target it's overall growth at a 20-percent or better compound annual growth rate through a combination of organic growth rates ranging between 12 and 15-percent and acquired growth rates between five to eight-percent.

With regard to the target company, it compliments our service offerings and expands our customer relationships. More importantly, it is in line with our previous stated acquisition criteria concerning accretion and valuation. Even though Dave mentioned the Safe Harbor statement at the beginning of this call, I want to again state that these projections are forward-looking. And that listeners on the call and readers of the transcript should be advised that our actual results may differ materially from the statements we are making today.

That completes the financial overview. Now here's Ken Johnson who will cover our domestic operations. Ken.

### **Kenneth Johnson**

Thanks, Stephen, and good morning, everybody. Let's go to exhibit number 11, please. Stephen spoke about how profitable the past quarter was and I'd like to add these remarks by giving you a feel for our operations during the quarter and more importantly talk about what we see ahead. As we've already noted our organic direct labor for the quarter was up an impressive 14-percent. Over and above that growth is the addition of some 200 plus people to our operation staff during just the first six weeks of this fiscal year. The vast majority of that staff is revenue producing, I might point out.

This increase came from not only our core operations but also from the acquisitions we have made over the last 12 months. In particular, our acquisition of PTG has increased our footprint in supporting tactical intelligence needs for many war fighting units throughout the United States army. We continue to be very excited about what this organization has brought the CAPI and the potential opportunities for continued expansion.

There were a couple of other noteworthy areas in our operations for the quarter as well as for the year. Our C4ISR work, much of which we provide to the United States army's communications and electronics command, was up 22-percent in the quarter and 37-percent for the year. Revenue from our intelligence community customers both national and military intelligence agencies was up significantly in the quarter and represents almost 20-percent of our business today.

I'd like to focus on our federal civilian agency business. You might have noted from the information in our release that the revenue growth from those customers increased some 28-percent this quarter. A large part of that increase came from our support of the Department of Justice's litigation support requirements. We generated approximately \$27.4 million in revenue as we continue to perform on a wide variety of tax orders under the Mega2 contract. This work is involved with major tobacco litigation, work for the Securities and Exchange Commission and

support for several other unnamed government agencies.

Most important, however, is the growth in our business from several other federal civilian agencies. A year ago in the fourth quarter, work from our highly valued DOJ customer represented approximately 50-percent of federal civilian agency business. This year while our DOJ work has grown significantly it now only represents approximately 40-percent of our federal civilian agency business. We've been able to not only expand the work we've been doing for years for our current clientele but have added new ones like the Department of Veteran's Affairs, the Drug Enforcement Administration amongst others.

In the next exhibit, let me give you a quick recap of the revenue we generate from our federal, commercial and state and local customers from our services offerings. These percentages are approximately. Systems integration work as you know includes our U.K. operations grew to almost 50-percent of our revenue. Engineering services remains in the 20 to 25-percent range while managed network services now represents approximately 20-percent. Knowledge management was in the 12 to 15-percent range of our revenue. Let's move to the next exhibit.

Let's take a look at what's ahead for our domestic operations. Our pipeline of opportunities today is about \$4.8 billion. That's up from \$4.3 billion when we spoke to you in April. More importantly, as we exited FY '03, proposal activity had increased significantly leaving us with approximately \$950 million in proposals out standing being evaluated by customers.

In the six weeks since that time, that number has grown to in excess of \$1.2 billion. And we anticipate that several of these awards will be decided on or before September 30th, 2003. Overall, we're quite pleased with the current pace of our operations as you might imagine. And we're excited about the prospects ahead for the reasons I have just covered. We continue to experience strong demand from our government customers that support the needs of national defense, intelligence and homeland security. We're also involved with helping many of them folks on transformation initiatives addressing the structural issues of improving the delivery of services by the federal government, information sharing as one as well as many of other initiatives you've heard us talk about for the last several quarters.

We believe this will be reflected in growth. Very profitable growth in not just the coming quarter, but throughout the fiscal year. Jack that concludes my remarks; over to you.

### **Jack London**

Well, thank you, Ken. And thank you Stephen for your updates. Let's please move to the next exhibit. We've concluded another successful year here at CACI of record earnings and increased revenue. CACI has again sustained its positions as a leading provider of information technology services to the United States federal government. While the last year has been marked by world turmoil, the war in Iraq, ongoing terrorist threats and the emergence of hot spots like Liberia and North Korea. What's certain is the gravity of these events and the ongoing emergence of new trends.

National security remains a top priority of this administration. Information technology continues to power the ongoing transformation of our military and federal government and has become the front line for America's homeland security. CACI's advanced IT and network solutions are part of that front line and the forefront of today's new era of defense intelligence and e-government.

As we pointed out in our guidance release for fiscal year '04 in early July, we believe that we can achieve our earnings and growth objectives by leveraging our on ongoing customer relationships. Our basic strategy is to successfully deliver mission critical support to our current clients of many years. And our many new potential federal clients involved with national security and intelligence. As Ken mentioned, we are expecting a significant part of our growth to come from our abilities to support our customers in the transformation of the DODE and civilian federal government operations.

In fact, we're already doing so. As we work to help secure the nation's future both domestically and abroad, CACI is committed to remaining every vigilant in providing innovating technology and solutions that will support our great nation's future.

We believe that commitment will reward our customers and our shareholders. So, at this point, we're ready to open our discussions to your questions. So, David, I'll turn the mike back over to your for our first question if you would please.

### **Operator**

Thank you sir. Today's question-and-answer will be conducted electronically. If you would like to ask a question, please press the star key followed by the digit one on your touch-tone telephone. Today's question-and-answer session will be limited to one question and one follow-up per person after which you may re-queue for any further questions. If you're on a speakerphone, please unmute your line before signaling for your question. Once again, that will be star one for questions.

We'll go first to Laura Lederman at William Blair.

### **Laura Lederman**

Yes, a few questions. One, can you talk about the pricing environment for acquisitions out there and how it's changed over the last several

months? And also, could you talk a little bit about competition and the different segments? Who you're seeing more of? Who you're seeing less of? And the final question is in terms of contracting, are you seeing consolidation of contracts from several to single contracts. Thanks.

**Jack London**

That's a nice question with three important parts. Thank you, Laura. I think I'll just talk to in general here a couple of minutes, and then I think Stephen and Ken will have some thoughts. Certainly, we are still saying an active M&A base. I'd say pricing in that area is pretty much consistent at least at the market segment we're looking at, maybe pushing a little bit above what we've seen over the last year or two.

But outside of perhaps some outliers and some of the larger transaction perhaps we've seen pretty consistent market pricing. There's always a give and take, a little bit of push back and fourth, depending on what particular properties are looking better to certain companies. But that's our general impression of it.

Competition, I think pretty much the ones we've seen in the space. I don't think we've had any new significant major surprises coming in to the sector, but let me turn it over to Stephen to address a couple of items. And then Ken will follow up I'm sure.

**Stephen Waechter**

Yes, Laura, this is Stephen. Just on the acquisition a front, we still are seeing a number of properties out there. I think the valuations will range depending on one if it's a big company say, you know, north of 100 million in revenues. They are getting a premium. If you see an Intel kind of a company with a heavy concentration of intelligence related work, it's also getting somewhat of a premium or step up in valuation.

There's also, you know, a core in that kind of the 35 to \$75 million range that fit very nicely with our management network services within the systems integration kind of work in that - very similar work to what we do. We're finding, you know, good ranges. You know, last year we bought four businesses and paid in kind of the six to eight times trailing 12-months range. And we think that they can still be done in that range.

With that Ken, competition.

**Jack London**

Competition, maybe Ken can address that in more detail.

**Kenneth Johnson**

No, Laura, are you talking about competition in our bid world or competition for acquisitions?

**Jack London**

Bid world.

**Kenneth Johnson**

Really no particular change. We continue to see the usual suspects. I think if there was one change, I consider of consequence and it's not a real time changed based on your question, we're seeing a lot more of IBM. IBM has emerged again now as one of the large-scale systems integrators. And IBM over the course of the last four or years has not been as active with a recent award, recent like two years ago of a big modernization contract down in customers. We're seeing more and more of IBM. And we're partnering with them and competing against them, and they're a real wanted competitor.

But other than that, there really have been no material changes in the space.

**Operator**

And we'll go next to Cindy Shaw at Soundview.

**Cindy Shaw**

Congratulations on a great quarter. One of the things I wanted to ask you, margin expansion, the guidance for next year suggests we're going to see a continuation but fairly modest. I wanted to just get your sense for where you see that going, where you think it could go over time?

**Jack London**

I'd like to say first of all, Cindy, that margin management if you will, margin targets and cash flow are two primary focal points for CACI. And we pay a lot of attention to it. I want Stephen to discuss a bit to the detail here. But I just want you to know that from a strategic and senior management perspective our goals always are shareholder focused on the leverage from margin expansion and meaningful margins in our business space. '

**Stephen Waechter**

Cindy, Stephen here. We did about 8.4-percent this year and would anticipate somewhere in that - hopefully north of that range, maybe as much as 8.6 is kind of what we've targeted at this point in time. The drivers that are going to push that up are going to be the continued use of more time and material types of contracts. And also our acquisitions have also brought us a higher margin mix type of business. So, if the stars and the moon all align here, we could have a, as we did in the fourth quarter, you know, a very nice alignment. Primarily also we had a very strong fixed price contract mix that really helped us in the quarter.

So, you know, we can get upwards of nine-percent here at some point in the future if everything comes together. But the guidance that we've given out again is somewhere in that 8.3 to 8.6-percent range is where we are.

**Cindy Shaw**

Great. Thank you and congratulations.

**Jack London**

Thanks.

**Stephen Waechter**

Thanks, Cindy.

**Operator**

And we'll go to Julie Santoriello at Morgan Stanley.

**Julie Santoriello**

Good morning.

**Jack London**

Hi, Julie.

**Stephen Waechter**

Hi, Julie.

**Julie Santoriello**

Hello. Stephen, I was wondering if you could comment on the expectations for internal growth in the first quarter. It seemed a little bit light compared to what your targets are. And I'm just wondering if it's a seasonal issue or an issue of comparisons versus last year?

**Jack London**

Let me just say to lead off with we have a continuing objective over the long hall to deliver a 10 to 15-percent internal growth performance. And we want to do it obviously at good margins. A lot of the internal growth will ensue after acquisitions as we go along. So, we encourage our investors to conceive and view CACI as an internal growing operation with augmented through acquisitions. In terms of the lumpiness from time-to-time, quarter-to-quarter those are going to be some variations, but let me turn it over to Stephen to - or Ken to amplify who ever would like.

**Kenneth Johnson**

Yes, Julie, a couple of things, I think, that I'd like you to consider. Typically our Q1 over our Q4 for, you know, I'm not the veteran of this crowd here, Jack knows better probably for the last 30 years. But our Q1-over-Q4 typically has a little bit of a dip largely because we're a labor

driven company and there's just an awful lot of vacations being taken. So, our - the direct labor portion of our growth tends to take a couple of weeks off between July first and the end of September.

What you're seeing this year, however, is you're seeing not only a dip, but you're seeing some meaningful growth. So, I believe as you look at our organic growth for the - for Q1 you're going to see a meaningful movement north of that organic growth that we offered in this quarter. And I further believe that one of the things - one of the points that we attempt to make about this difference between organic and acquired growth that needs to be taken in two account and we try as hard as we can to convince each and everyone of your. With our recent acquisition of PTC that we believe is performing behind our original expectation, we're comfortable that a lot of those new positions that we've spoken - that I talked about in my text and on a going forward basis will be added to what was then PTG.

But as we hire these new people we're hiring them as CACI employees. And well we have to report that our as acquired growth because that's the way we count the beans and we report the difference between organic and acquired. They really are new CACI employees. And in my management team I can assure your works equally as hard at hiring new people at an accelerated rate in PTG as much as they do inside of our core operations. So, for us internally, the way we manage our business is - we don't care about the difference because as far as we're concerned they - they're on an equal footing. I hope I'm making myself clear. I'm using an awful lot of words to do it.

We believe you're going to see a continued improvement through the first quarter and throughout the year on the organic growth line.

### **Stephen Waechter**

Julie, it's Stephen. The other consideration if you look at our fourth quarter, and I think it's going to continue into the first. If you look at the professional services revenue segment, we think the mix of that versus ODC types of subcontractor cost that flow through is going to be a little richer, and that's what drives the margins up. Last year, we were at 7.8-percent, and we think we'll do between 8.3 and 8.4 as we go forward.

So, that's - if you break the pieces out the part where we make good money is growing actually at a higher rate than that kind of 10 to 12-percent we indicated earlier.

### **Julie Santoriello**

OK. Great. If I can get one quick follow up on that. Would you be able to provide us with the headcount at the fiscal year end? And also, if you could discuss potential hiring numbers for this fiscal year? Especially knowing that it's an important meeting indicator?

### **Jack London**

Stephen, you have the ...

### **Stephen Waechter**

Yes, we're just a tick under 6,400. I don't have the exact number, Julie, but they're in that order of magnitude. And for next year, we're going to have to add somewhere between seven to 800 additional people to hit the internal kind of targets that we're looking.

### **Julie Santoriello**

OK. Thank you very much.

### **Jack London :**

might add that over the years we've moved more in to a system integration kind of business where you have a sub contract activity and more and more ODC. I think that's a favorable feature of our growth plan and since, we've been able to take on larger jobs. So, these ODCs and subcontractor values are going to have their peaks and valleys like any other outside vendor related or contractually related activity.

But the internal growth in terms of our internal staffing, I think, has been very good on the professional services side. And I think that's our overall trend line that we've to be able to sustain and that's our goal.

### **Operator**

And we'll go to Joseph Vafi at Jefferies & Company.

### **Joseph Vafi**

Hi, good morning and great quarter. Just a few quick questions here. First, I was following up on the previous question; give a little more color on premier and what might be going on there to be driving better than expected performance?

And then secondly, to the extent you can on your LOI, maybe perhaps talk about maybe the size of the transaction you might be considering?

And then third, just a housekeeping item, if we could get funded backlog ending for the year. Thanks.

**Jack London**

Fine. It was Joe was it?

**Male**

Yes, Joe Vafi.

**Jack London**

I would just say that we're continuing, I think, to look and examine a number of these issues that you're related to. But I want to turn it over to Stephen he'll have some comments. And then for PTG, I'm sure that Ken will.

**Stephen Waechter**

With regard to the acquisition, you know, we've given some general comments that we prefer not to give out numbers at this point in time, Joe, only because people start rolling those in to their forecast. And it's not - we're still in a very early phase of due diligence. And I think it would be inappropriate to kind of give numbers because people start rolling them in. And we don't want to get people out ahead of us. So, I think as we get closer and when we sign a final definitive agreement, we'll obviously come out with updated guidance and information regarding that.

With regard to the backlog, the funded piece is about \$485 million here at the end of the year. And Ken if you want to talk about PTG, I think ...

**Kenneth Johnson**

Yes, Joe, thanks for the question on PTG. I was trying to figure out how I was going to get this answer in if nobody asked this question.

Our delight comes in this PTG operation. As you know, when we advertise the closing of this, it provided us a presence inside the intelligence community supporting what we describe as tactical intelligence. And those are the people that support the intelligence function down at the war fighting level whether it's the core, or the vision or a brigade or a battalion.

PTG had a significant presence over in the European theater both western Europe and parts of eastern Europe. What we've been able to do as a result of situations that are occurring in Korea and possibly with what's occurring over in the war zone is we're addressing ourselves to requirements that these customers have in both of those areas. And it appears as though there are some substantive staffing requirements to help provide additional, tactical intelligence support, additional support to the G4 or the logistics/supply function. And while we don't have a create deal of lucidity on those requirements right now, the level of activity given that these folks have only been with us for about a month-and-a-half, two months is peaking for us. And we're looking at a number of different opportunities.

So, we're very, very confident that we're going to see continued top end bottom line expansion emanating primarily out of what we used to know as PTG.

**Operator**

And we'll go next to Bill Loomis at Legg Mason.

**Bill Loomis**

Hi, strong quarter, guys. Looking at the fourth quarter operating margin it was even more particularly strong given the fall off in the U.K., usually higher U.K. margins. What attributed to that? I know you talked about some broader things that were driving that margin improvement. Was there any one time contract true ups, or kind of one time events at the end of your fiscal year?

And then, the second question on the U.K. business is what's the outlook in the first quarter? How should be modeling and thinking about that as far as revenue and profitability sequentially?

**Jack London**

Good morning, Bill. Some good questions. I'm going to ask Greg to discuss the U.K. side of it. But you know, our business is full of interesting

opportunities that pop to us. So, the idea of one off reoccurring, non-reoccurring is part of this business. I think we had some interesting things that happened in the fourth quarter, for example, and some of our work in the justice area, some of the fixed price contract work. I'll let Stephen talk to that. And then, for the overall reflection on where we are in the U.K. and the margin activity and a little bit of the prospects, we'll turn it over to Greg.

So, Stephen.

**Stephen Waechter**

Yes. With regard to the fourth quarter margins, Bill, we did have some tasking under one fixed price contract which was a little bit out of the norm, a little bit heavier than what we would normally see. And it was very good margin kind of business for us. Additionally, we did have a little bit of PTG in the numbers for the quarter. That also was a little bit of a positive for us. But other than that it just a - kind of an alignment of everything coming together very nicely for us. But nothing unusual if you will in terms of any kinds of true-ups or anything like that.

**Jack London**

Greg.

**Greg Bradford**

Hi, Bill. In our first quarter here in the U.K., we see that tracking pretty much in line with what we did in quarter four, revenue and profits remaining roughly the same. Historically, it's a more challenging - it's the most challenging of the four quarters in that summer holidays, clients out and some of our staff out, of course.

We've got a number of proposals on the table with government clients that were part of our efforts over here is to shift more of our business to the public sector including health which is a nationalized health medical system here. And we see awards coming out towards the end of the summer, September-October timeframe. So, looking forward to the balance sheet, we see things picking up there after.

**Operator**

And we'll go next to Mollie Sandusky and Friedman Billings.

**Mollie Sandusky**

Good morning, thanks for taking my question.

**Jack London**

Hi, Mollie.

**Mollie Sandusky**

Hi. I was wondering if you guys could talk a little bit more about your proposal backlog. And maybe some of the specific programs that you might be focusing on? Or some just more specifics on what you're competing for in your backlog?

**Jack London**

Well, I would just say that we've been gaining momentum as we indicated in our statistics. We got a powerhouse of bid opportunities out there anticipating some awards, we believe, by the end of this quarter. But let me turnover to Ken for a little amplifying detail.

**Kenneth Johnson**

Mollie, as I'm sure you can appreciate, we don't discuss individual programs that we're bidding on, to try to give you a little bit more granularity. Basically at the April call and the call after the second quarter - and I can't even remember when we did - probably January, we were whining about the lack of opportunities that in the form of requirements that were being issued out of the federal government largely due to that continuing resolution there was a huge bubble in the line in terms of requirements issuance.

Well that kind of all came together in kind of a perfect storm in the April-May timeframe. And we wound up writing several many hundred million dollar proposals and a variety of opportunities in the 40 to 60-\$70 million range. And so, our backlog grew dramatically in the fourth quarter. And that momentum has carried over in to our first quarter here. I fully expect that we will sustain this proposal writing business through the first quarter in to the second quarter. And the quite possibly, see a little bit of a slow down in that.

But given the bit backlog that's been created, we're very bullish. Now obviously, you get nothing in our business for writing these proposals except tired. We're just quite hopeful that between now and September 30th that - knock wood, and we know you're rooting for us that we'll create a quality win/loss percentage, and that's kind of where we're going.

**Mollie Sandusky**

OK. Would you say that it's fair to say that your backlog of the civilian programs is kind of increasing relative to your DOD business?

**Kenneth Johnson**

DOD continues to grow at a little greater rate. As you know, two out of every three of our dollars are - come out of the Department of Defense. So, we identify a heck of a lot of more with irrespective of how many there are that come out of the federal government, we identify and qualify a heck of a lot more requirements out of the defense space largely because we spend more time there all day every day. We're very conversant with those missions.

We are cautiously optimistic however that a number of these opportunities are emanating out of the federal civil, and that's why we took the time in the text and in the discussion to make you get an appreciation that this growth platform that we've kind of put in place is happening nicely on both sides of that question. We think that there's really nice balance growth going forward both in DOD, the intelligence sector and the federal civilian sector.

**Operator**

And we'll go next to Brett Manderfeld at Piper Jaffray.

**Brett Manderfeld**

My congratulations as well, especially on the free cash flow side. Stephen, can you talk about the main increase in other current liabilities during the year? And then thoughts on free cash flow for next year, will that track EPS growth? Thanks.

**Jack London**

OK. Thank you, Brett. Stephen, take that one, please.

**Stephen Waechter**

Yes, Brett. The increase in the liability side is really just a timing issue related to the payment of, you know, subcontractors and taxes and things like that. So, it's really just a timing issue in terms of an increase that you're seeing there.

As far as next year, we'd anticipate hopefully very similar performance on our cash flow. As far as cap ex, somewhere probably between 10 to \$12 million of cap ex next year. And again, hopefully in the same kind of numbers, 60 to \$70 million of cash flows is what we hope to do.

**Operator**

And we'll go to Tom Meagher, BB&T Capital Markets.

**Tom Meagher**

Yes, good morning. Congratulations on the quarter. Let me just start out - Dave, I see you have a new title here. Did you get a promotion?

**David Dragics**

Yes, I did. Thank you.

**Tom Meagher**

Well congratulations. I just hope - I know that big raise that Jack is going to give you I hope it doesn't take a penny out of the estimates for next year. But ...

**David Dragics**

There goes the quarter.

**Tom Meagher**

Stephen, since you finally anticipated by DOJ question, let me move on to the next one.

**Stephen Waechter**

... by the way.

**Tom Meagher**

What's that?

**Stephen Waechter**

That was Ken that did that.

**Tom Meagher**

Ken that did that. OK. Although we really can't get a specific guidance, now that we're at the end of '03, obviously people are going to put '05 estimates out there. To that end, I was wondering if the organic growth rate of the 12 to 15-percent and some of the incremental margin improvement in FY '04 is generally sustainable through '05 as well.

**Jack London**

I would just say to you on that one Tom that's going to be our mantra, if you will, our set of goals and objectives going forward. It's a market space out there. It's a matter of being - having distinctions and a sharp edge on our delivery philosophy and cultures. And I don't anticipate any reason that we should lower our objectives in the near term, meaning the next couple of years or so. And you were talking about guidance for '05. But generally speaking, I would see those growth objectives sustaining themselves. We would like to think in terms of moving to a \$2 billion platform within a few years.

**Tom Meagher**

OK. And then, Ken, maybe one question for you. Any competitive impact from ACS's impending departure from the sector in Lockheed Martin picking up that operation?

**Kenneth Johnson**

No. I don't think so. As we've spoken in the past, Tom, the big keep getting bigger. And we've indicated to you and to everybody bigger is better in this space. That's just going to make them a bigger, better company, give them a broader footprint. It will make them a bit more competitive. On the real positive note, though, it will make them a lot better partner on a couple of things we're doing - where we're doing business with them, but I don't think it will have any appreciative or material impact on what we do Tom.

**Operator**

And we'll go to Cynthia Houlton at RBC Capital Markets.

**Cynthia Houlton**

Hi, good morning. Congratulations. I've just got a couple of questions. I know you talked a little bit about ODCs, but did we get the percentage of ODCs during the quarter?

**Stephen Waechter**

No. We generally don't give that out Cynthia.

**Cynthia Houlton**

OK. On PTG, for I know that it closed mid quarter. Would you be willing to separate that revenue out just so we have a sense of what for the current quarter, [inaudible] half quarter? Or should we think about the - I know you have last year's revenue. Should we try to back in to that way?

**Jack London**

I think we feel like that PTG has a very robust future. We can talk a little bit, perhaps about some of the attributes when we acquired it. But we're eager to see a significant growth profile from that part of our business as that integrates with the other lines and activities. But Stephen, maybe you could talk a little bit about the financial profile as we saw it when we consummated the transaction.

**Stephen Waechter**

Yes, PTG, we said it did about \$43 million in their last fiscal year. We're anticipating that they're going to be up significantly over there, more on a 50 to \$55 million range. And hopefully, as Ken indicated, certainly there are some signs here that they might even exceed that. And again we'll - as we get better clarity on that, we'll get back to you on it. But right now, again, they're 50 to 55 million. And that's up from their kind of 43 million last year.

**Jack London**

I might just add that we know that some recent reports of their key executives in the field coming back and after some customer visits indicating some perhaps significant staffing up opportunities. And I think Ken mentioned some of those a little bit earlier. So, we're enthusiastic about the opportunities with PTG.

**Operator**

And we'll go to John Mahoney at Raymond James.

**John Mahoney**

Hi. I don't know if you're going to - Stephen mentioned he didn't want to talk about the exact amount of ODCs in the quarter. But could I ask the question a different way? What was the growth year-over-year sequentially in your direct labor costs?

**Stephen Waechter**

If you can hold on a second I'll ...

**John Mahoney**

Or maybe ...

**Stephen Waechter**

Are you looking for the quarter or in the ...

**John Mahoney**

In the quarter, and possibly - maybe if you could break that down organically.

**Jack London**

We may be able to do that.

**Stephen Waechter**

I gave it to you. John, it was - the organic deal was 14-percent.

**John Mahoney**

In the quarter?

**Stephen Waechter**

That was - let me rephrase it a little differently. It's kind of [inaudible]. On the labor side on the direct cost grew about 19-percent year-over-year in the quarter.

**John Mahoney**

And that really speaks to the big margin improvement?

**Stephen Waechter**

Yes.

**John Mahoney**

Could you give us some feel about, you know, historically, I guess there was always - there was a lot of fourth quarter, you know, ODCs going on. Your fourth quarter gross margin was one of your lowest. How - we've been talking on the operating margins. On the gross margin line, what's that going to look like throughout a seasonal basis in '04?

**Stephen Waechter**

Well if you look over the last three year John, we've been doing about in a 38, 37-and-a-half to 38-percent kind of range. And I think it's going to be - it's going to stay there. I don't know of anything that's going to significantly change that. I think we've been fairly consistent. After we acquired Net.com it came down a little bit and that was due to the mix of that business. But I don't think that's going to change dramatically.

**Operator**

And we'll go next to David Garrity at American Technology Research.

**David Garrity**

Yes, hi. Good morning and congratulations on your quarter.

**Jack London**

Thanks, David.

**David Garrity**

Nice job on the mix there. Quick question, can you just review for me what the new order bookings were in your fiscal fourth quarter. I was sort of taking your number of new order wins of about 1.1 billion for the year, kind of backing in to a number of about 164 million?

**Jack London**

I don't know if we mentioned that one, David. Stephen, are you in a position to address that?

**Stephen Waechter**

Yes, it was \$140 million, David.

**David Garrity**

OK. And that was just on kind of down year-over-year and quarter over quarter?

**Stephen Waechter**

We won't be down that road, David. We actually don't have - we don't control the schedule of the issuance of these requirements or the award. Now one of the things, I think, you would take away from the 140 awards and the increase in the bid back log is that there was just a slow down in awards. The fact that all of those opportunities are still out there to be decided upon, the take away for you would be that we haven't lost a huge slug of work in that there's significant opportunity. But on a quarter to quarter basis, year-over-year it's very, very difficult to compare the number of awards, because it's just a very lumpy business.

**Jack London**

Yes, I would emphasize that. A long time in this business looking at the quarterly flow of bookings is always lumpy. It's not even seasonal. I've had people that have tried to correlate it to the seasonality. About the only thing in this business that I've been able to discover over the years in

our business as a reasonably seasonal feature is the first quarter each fiscal year. And it's because of the reason these chaps have just laid out and that is primarily customers taking holidays and a lot of our employees. And we're a revenue generating organization based on our labor basis. So, when labor is off those - that seasonality will be taken down.

The other thing I might mention is that the sub contract and vendor contract and ODC content had steadily risen over the last, I'd say six or eight years because we've moved in to a different business platform. The system integration business is not a significant showcase piece of what we do. And in that market space, you're going to be doing a lot of acquiring of other equipment and materials and so forth and putting them together in these deals. So, you're going to see some continued involvement in that line. And that again is going to be a lump thing because it depends on the flow of the job as when the deliverable is due, when the equipment is delivered and so on.

So, I wouldn't calculate too much correlation on these parameters and the ODC part of this thing. I think it's the overlying, over long trend line, which has been very sustainable which you can look back over the history of the performance quarter-over-quarter, year-over-year. I think those are the kinds of things that seem to me to be more interesting things to keep in review. Stephen, do you want to add...

**Stephen Waechter**

The other thing I'd add is if you look when we had 140 million in new contract awards during the quarter, we also get significant funding on existing contract vehicles. And you don't really see - we don't report that out every quarter. But you can see it from the backlog statistics that's up, and also the funded backlog of the 485 million. If you look at that relative to last year, you'll see significant growth in that. And that's what really drives the overall growth for us.

Again, we don't report that every quarter, but we are getting - and we don't come out with a press release on every tasking order that we get under an existing contract vehicle.

**Jack London**

I have another comment, actually, in this area. And that is that the contract base that we announce is very conservative. And we have been very conservative on our award announcements and values that we put out for the obvious reasons.

The trend line though is that those values have been expanding. Those ceilings have been moving up in a great variety of our contracts. And we don't make it a custom to announce those kinds of things because we never know what those values are going to reach to. So, there's a variety of ways that we're bringing revenue in to the Company that isn't always just simply announceable through our news release process.

**Operator**

And we'll go next to Michael Coady at Sidoti & Company.

**Michael Coady**

Thanks. Very nice quarter guys. All my questions have been answered. Thanks.

**Jack London**

Thank you, Michael.

**Operator**

Just a reminder, that will be star one if you have a question. We'll go to Tim Quillon at Stephens, Inc.

**Tim Quillon**

Good morning.

**Jack London**

Good morning.

**Stephen Waechter**

Good morning.

**Tim Quillon**

A couple of questions here. First, your DOJ business appeared to be up about \$5 million quarter-to-quarter. I'm assuming that's related to this tasking you're talking about that was fixed price. I was wondering if you could just shed a little bit more light on that.

**Jack London**

Yes. Do you want to speak to that a bit Stephen or Ken? Either one. Ken, would you?

**Stephen Waechter**

Well, it certainly had to do some - excuse me - the fixed price tasking just at the overall level of activity on that particular contract that increased significantly. So, it was really across the board with the support that we're providing for that particular customer. There are a couple, as I indicated, unnamed agencies that we provide support for that - who were increasing their requirements, and the - we were responding to those in real time, Tim. So, it was across the entire platform for that very important customer of ours.

**Tim Quillon**

And is that, the most recent quarter is that a sustainable level of revenue?

**Kenneth Johnson**

I think - I don't know that the growth is sustainable, but I think because of the drama of the growth, that I believe that the revenue in the near term is in fact sustainable. We see an increased level of activity. And as we've indicated to all of our shareholders and prospective shareholders. If there's a deal of some consequence where it's a sizeable piece of litigation, we get a very good long hard look by the customer. We're sort of their go to customer. And we value that relationship greatly. And we're very, very responsive. And we'll go that extra mile to make sure that we can help them support the variety of litigation that they're involved in.

**Operator**

And we'll go to Joy Mukherjee at AG Edwards.

**Joy Mukherjee**

Good morning. I'm stepping in here for Mark Jordan. Question on - you mentioned that in the last six weeks you've seen an increased flurry of contract activity going on and you expect that to continue probably, you know, through the first quarter end. It seems reasonable to expect that those would probably translate in to revenue beyond the first quarter.

I was wondering how much of that you've already baked in to your guidance, that you developed, I guess sometime in July.

**Ken Johnson**

I'll take that, Jack, OK. Let me make sure I clarify. The first six weeks, the flurry of activity has been the continued proposal writing that we saw a huge up tick in FYI - in the fourth quarter of FY '03. Basically, our bid backlog in the first six weeks grew from the approximate \$950 million to a little over \$1.2 billion. So, basically we've written more proposals. There are more opportunities out there being evaluated.

As you would expect, if we're writing a proposal, we - we're continually doing the ration kind of forecast on a success profile, many of those, in fact, have been baked in to our requirement. Now, it's very rare for us to write a competitive proposal and put that in to the stylist and say we've got a 100-percent chance. In fact, it's so rare that it's never happened.

What - we have all of those opportunities baked in our forecast at some probability. Now if win a little more than our fair share, life will be extremely good. If we lose a little more than our fair share, I'm the one that has to go tell Jack not you and life will not be very good around here. But we're cautiously optimistic that of that \$1.2 billion that we have evaluated we're going to win more than our fair share.

**Joy Mukherjee**

That's fair. Another housekeeping question. What should we model in terms of D&A and tax rate for 2004?

**Stephen Waechter**

On the tax rate side, 37-and-a-half-percent in line with where we are this year. We're going to be reviewing that. But I think that, for right now,

I think it's a good assumption. And as far as D&A, I would use pretty much the same kind of rate that we had this past year.

**Operator**

And we'll got to David Garrity at American Technology Research.

**David Garrity**

Hi, just a follow up question I had from earlier. Can you give any comment on your run rate in terms of ...

**Kenneth Johnson**

It broke up David.

**Stephen Waechter**

Yes, we're not hearing you.

**David Garrity**

Yes, comment and question I had was the win rate that you've had on your bidding.

**Jack London**

Ken, do you want to go ahead and take that one?

**Kenneth Johnson**

Sure yes. We're - I hate to even give you this number here in front of my boss, but our win rate is north - has been north of 40-percent. And that's on - that doesn't count incumbent contracts. And that's new, new stuff, and so that's kind of what we look to establish on a going forward basis. That's kind of the marker that we've set up for ourselves.

**David Garrity**

OK. Thank you.

**Kenneth Johnson**

I think Jack has a...

**Jack London**

I just wanted to chime in and emphasize what Ken said about the re-compete, the incumbency situation. We have a wonderful track record over the year of being able to sustain and retain our business. In fact, one of the proud records I think [inaudible] certainly north of 95-percent on the rewin on the dollar level. So, I just would amplify that as opposed to the new initiatives, which Ken addressed.

**Operator**

And showing no further questions, I would like to turn call back over to Dr. London for any additional or closing remarks.

**Jack London**

Thank you, David. Thank you very much. Ladies and gentlemen, we certainly appreciate your participation here. And David, we thank you for your help on our call. And certainly thanks to everyone for your questions and your answers. We want to thank you for your participation certain today.

We believe and we hope we've provided you with a clear picture of our results for this last year and our expectations for the coming year. The quarter, obviously, will be participating in at least to more conference out in New York and the Midwest and the West Coast among other places. So, we'll be on the road seeing many of you, I'm sure. On the other hand, if you have the opportunity to be in the Washington area, we certainly invite anyone of our investors or security analysts or organizations so indicated to stop by and give us a call, come by and visit with us. We're always interested with the opportunity to meet people that are interested CACI.

We also know that there may be a few other questions that you had - some of you might have had that you'd like to follow up with. And is our customer and tradition here within about 15 minutes - let's call it a quarter after 10 - we'll open up the lines to Stephen Waechter and David Dragics for any special issues that you would like to call in and check on that you might have missed or otherwise information you'd like to get.

So, again, thank you for your interest. We appreciate you tuning in. And we wish everyone a very fine morning. Thank you very much, ladies and gentlemen.

**Operator**

Thank you for your participation in today's conference, and you may disconnect at this time.

END

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