CACI INTERNATIONAL INC /DE/

FORM 10-Q
(Quarterly Report)

Filed 11/14/1997 For Period Ending 9/30/1997

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Industry	Computer Services
Sector	Technology
Fiscal Year	06/30

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended September 30, 1997

Commission File Number 0-8401

CACI International Inc

(Exact name of registrant as
specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

1100 North Glebe Road, Arlington, VA 22201
(Address of principal executive offices)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class Name of each exchange on which registered
None None

Securities registered pursuant to Section 12(g) of the Act:

CACI International Inc Common Stock, $0.10 par value
(Title of each class)

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 X No .

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of September 30, 1997: CACI International Inc Common Stock, $0.10 par value, 10,731,000 shares.

CACI INTERNATIONAL INC AND SUBSIDIARIES

PART 1

FINANCIAL INFORMATION

Item 1. Financial Statements

CACI INTERNATIONAL INC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

ASSETS

	September 30, 1997	June 30, 1997
Current assets	(Unaudited)	
Cash and equivalents	$ 3,484	$ 2,015
Accounts receivable:		
Billed	59,428	59,294
Unbilled	11,959	11,549
Total accounts receivable	71,387	70,843
Income taxes receivable	148	2,984
Deferred income taxes	112	114
Prepaid expenses and other	3,083	3,576
Total current assets	78,214	79,532
Property and equipment, net	10,717	11,605
Accounts receivable, long term	7,207	7,015
Goodwill	15,163	15,459
Other assets	4,368	4,486
Deferred income taxes	672	763
Total assets	$116,341	$118,860
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$ 16,056	$ 19,854
Accrued compensation and benefits	12,481	12,527
Income taxes payable	1,240	-
Deferred income taxes	4,860	5,137
Total current liabilities	34,637	37,518
Note payable, long-term	7,000	8,800
Deferred rent expenses	1,543	1,627
Deferred income taxes	138	141
Shareholders' equity		
Common stock - $.10 par value, 40,000,000 shares authorized, 14,257,000 and 14,215,000 shares issued	1,426	1,422
Capital in excess of par	10,979	10,595
Retained earnings	75,132	72,700
Cumulative currency translation adjustments	(852)	(281)
Treasury stock, at cost (3,526,000 shares)	(13,662)	(13,662)
Total shareholders' equity	73,023	70,774
Total liabilities & shareholders' equity	$116,341	$118,860

See notes to consolidated financial statements (unaudited).

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(dollars in thousands, except per share data)

	Three Months Ended September 30, 1997	1996
Revenues	$70,669	$62,734
Costs and expenses		
Direct costs	38,037	32,084
Indirect costs and selling expenses	26,439	24,520
Depreciation and amortization	2,025	1,412
Total operating expenses	66,501	58,016
Income from operations	4,168	4,718
Interest expense	245	184
Income before income taxes	3,923	4,534
Income taxes	1,491	1,836
Net income	$ 2,432	$ 2,698
Earnings per share	$ 0.22	$ 0.25
Weighted average shares outstanding	11,075	10,891

See notes to consolidated financial statements (unaudited).

CACI INTERNATIONAL INC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(dollars in thousands)

	Three Months Ended September 30, 1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,432	$ 2,698
Reconciliation of net income to net cash provided by (used in)operating activities		
Depreciation and amortization	2,025	1,412
Provision for deferred income taxes	(187)	1,232
Gain on sale of property and equipment	(31)	-
Changes in operating assets and liabilities		
Accounts receivable	(645)	702
Prepaid expenses and other assets	483	(192)
Accounts payable and accrued expenses	(4,131)	(5,025)
Accrued compensation and benefits	(35)	(1,712)
Deferred rent expense	(204)	(146)
Income taxes (receivable) payable	4,112	(18)
Net cash (used in) provided by operating activities	3,819	(1,049)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(988)	(1,155)
Purchase of businesses	-	(118)
Proceeds from sale of property & equipment	402	-
Acquisition deposit	-	(5,336)
Other	(279)	(127)
Net cash used in investing activities	(865)	(6,736)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds under line-of-credit	28,300	31,271
Payments under line-of-credit	(30,100)	(24,258)
Proceeds from stock options	388	1,090
Net cash (used in) provided by financing activities	(1,412)	8,103
Effect of changes in currency rates on cash and equivalents	(73)	14
Net increase in cash and equivalents	1,469	332
Cash and equivalents, beginning of period	2,015	1,778
Cash and equivalents, end of period	$ 3,484	$ 2,110
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash (received) paid during the period for income taxes, net	$(2,832)	$ 111
Interest paid during the period	$ 175	$ 119

See notes to consolidated financial statements (unaudited).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

A. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in the annual financial statements, prepared in accordance with generally accepted accounting principles, 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.

In the opinion of management, the accompanying unaudited consolidated financial statements reflect all necessary adjustments and reclassifications (all of which are of a normal, recurring nature) that are necessary for fair presentation for the periods presented. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's latest annual report to the Securities and Exchange Commission on Form 10-K for the year ended June 30, 1997.

B. Accounts Receivable

Total accounts receivable are net of allowance for doubtful accounts of $3,075,000 and $2,988,000 at September 30, 1997, and June 30, 1997, respectively. Accounts receivable are classified as follows:

(Dollars in thousands)	September 30, 1997	June 30, 1997
Billed and billable receivables		
Billed receivables	$52,003	$52,159
Billable receivables at end of period	7,425	7,135
Total billed receivables	59,428	59,294
Unbilled receivables		
Unbilled pending receipt of contractual documents authorizing billing	11,634	11,374
Unbilled retainages and fee withholds expected to be billed within the next 12 months	325	175
	11,959	11,549
Unbilled retainages and fee withholds expected to be billed beyond the next 12 months	7,207	7,015
Total unbilled receivables	19,166	18,564
Total accounts receivable	$78,594	$77,858

C. Earnings per Share

In March 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (EPS) which simplifies the standards for computing EPS previously found in APB Opinion No. 15 and makes them comparable to international EPS standards. The Statement is effective for financial statements issued for periods ending after December 15, 1997. Had the following statement been effective for the quarter ended September 30, 1997 and 1996, earnings per share would have been presented as follows:

	Three Months Ended September 30,	
	1997	1996
Earnings per common share	$0.23	$0.26
Earnings per common share-assuming dilution	$0.22	$0.25

D. Commitments and Contingencies

The Company is involved in various lawsuits, claims, and administrative proceedings arising in the normal course of business. Management is of the opinion that any liability or loss associated with such matters will not have a material adverse effect on the Company's operations and liquidity.

E. Event Subsequent to September 30, 1997

Effective November 1, 1997, the Company acquired the business and net assets of Government Systems, Inc. (GSI), a subsidiary of Infonet Services Corporation, a multinational communications network provider headquartered in El Segundo, California, for $28 million in cash, plus an additional $5.5 million to pay off existing debt of GSI. GSI delivers international communications and network-related services to meet the data networking needs of the U.S. Government and other organizations. These services include full implementation of dedicated private networks, integrated public and private networks, installation and maintenance, and network management and operations. GSI's major customers include the Department of Defense, the Federal Aviation Administration and Globalstar Limited Partnership. GSI's current annual revenues approximate $36 million. It is currently estimated that approximately $23 million of the purchase consideration will be allocated to goodwill, which will be amortized over 20 years.

In order to meet the financing requirements of the above acquisition, on October 28, 1997, the Company amended its existing credit facility extending its term from July 1, 1999 to July 1, 2000 and increasing the facility from $50 million to $70 million. All other significant terms and conditions remain the same.

As the acquisition took place in November 1997, it had no impact on the Company's results for the first quarter of FY 1998.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1997 AND SEPTEMBER 30, 1996**

Revenues

The table below sets forth the customer mix in revenues with related percentages of total revenues for the three months ended on September 30, 1997 (FY 1998) and September 30, 1996 (FY 1997), respectively:

(dollars in thousands, except as percents)

	First Quarter			
	FY98		FY97	
Department of Defense	$34,898	49.4%	$32,814	52.3%
Federal Civilian Agencies	19,796	28.0%	16,063	25.6%
Commercial	14,263	20.2%	11,779	18.8%
State & Local Governments	1,712	2.4%	2,078	3.3%
Total	$70,669	100.0%	$62,734	100.0%

During the three months ended September 30, 1997, the Company's total revenues increased by 12.6% or $7.9 million over the same period last year. The increase was primarily the result of the acquisition discussed herein, coupled with internal growth in federal civilian agencies and commercial sales.

Department of Defense (DoD) revenues increased 6% to $34.9 million. The increase was due to $5.0 million of revenues added from business acquired in the past year, partially offset by declines on several other DoD contracts.

Revenues from federal civilian agencies increased by 23% to $19.8 million, for the quarter. Federal civilian agencies revenues are primarily derived from Department of Justice (DoJ) litigation support efforts. These services are dependent on the level of DoJ litigation that the Company is supporting at any period of time and have fluctuated from quarter to quarter. For the quarter, DoJ revenues increased sharply to $15.0 million versus $11.9 million for the same period last year.

Commercial revenues increased by 21% or $2.5 million primarily as a result of increased demand for products and services of the Company's Marketing Systems Group in the United Kingdom. The nature of the Company's proprietary software products business, primarily its simulation product line and its market analysis products, is inherently less predictable than the Company's longer-term contract project work and financial results have fluctuated from quarter to quarter.

Results of Operations

The following table sets forth the relative percentage that certain items of expense and earnings bear to revenues for the three months ending September 30, 1997 and September 30, 1996, respectively.

(Dollars in thousands, except as percents)

	Dollar Amount FY98	Dollar Amount FY97	Percentage of Revenues FY98	Percentage of Revenues FY97
Revenues	$70,669	$62,734	100.0%	100.0%
Costs and expenses:				
Direct costs	38,037	32,084	53.8	51.1
Indirect costs	26,439	24,520	37.4	39.1
Depreciation & amortization	2,025	1,412	2.9	2.3
Total operating expenses	66,501	58,016	94.1	92.5
Income from operations	4,168	4,718	5.9	7.5
Interest expense	245	184	0.4	0.3
Earnings before income taxes	3,923	4,534	5.5	7.2
Income taxes	1,491	1,836	2.1	2.9
Net income	$ 2,432	$ 2,698	3.4%	4.3%

Compared with the first quarter of FY 1997, operating income decreased by $0.5 million from $4.7 million to $4.2 million. Higher earnings a year ago were the result of a $0.5 million pretax gain from a favorable settlement of prior indirect cost rates that had been subject to routine audits by the U.S. Government. After adjusting for this item, operating margins were 6.7% in FY 1997. The reduced margins in FY 1998 were also the result of lower license sales in the current year.

For the quarter, direct costs increased by $6.0 million, or 18.6%, largely due to the increases in revenues. Direct costs include direct labor and other direct costs (i.e. non-labor direct cost) which are generally passed to the customer without significant mark-up. Direct labor, the principal driver of profit-bearing revenues, increased by 9.9% in the first quarter of FY 1998 versus the same period last year. Other direct costs, which historically have larger quarter to quarter variances, increased by approximately $3.8 million or 36.5%.

Indirect costs include fringe benefits, indirect labor, marketing and bid & proposal costs, and other discretionary costs. Fringe benefits, representing the largest category of indirect expenses, increased proportionally to the total labor costs. Primarily as a result of increased revenues and related direct labor, total indirect costs increased by $1.9 million or 7.8% for the quarter.

Depreciation and amortization expense increased $0.6 million for the quarter, primarily the result of an increased level of fixed asset purchases made during the last half of FY 1997 (principally computing and network equipment) and from additional goodwill amortization related to acquisitions.

Interest expense of $245,000 reflects a $61,000 increase over the same quarter last year and is largely the result of the $1.5 million increase in average borrowings from $11.0 million to $12.5 million, for the respective quarters in 1997 and 1998.

The effective income tax rate for the quarter and the first six months was 38.0% versus 40.5% for the same period last year. The decrease in the effective tax rate is primarily the result of a lower effective state income tax rate.

Liquidity and Capital Resources

For the first three months of FY 1998, operations provided $3.8 million of cash compared with a use of cash of $1.0 million during the same period last year. The increase is primarily due to current period refund of an overpayment of income taxes in FY 1997.

Investing activities used cash of approximately $0.9 million during the three months ended September 30, 1997, versus $6.7 million for the same period last year. During the three months ended September 30, 1997, $5.3 million was used for the Sunset Resources, Inc. (SRI) acquisition. During both periods, the remainder of the investments were for the purchase of office and computer-related equipment for use in the performance of contracts and for increased efficiency in the Company's administration.

During the three months ended September 30, 1997, the Company's financing activities used cash of approximately $1.4 million as cash flow from operations was used to reduce borrowings. Last year's financing activities provided cash primarily from additional borrowings to fund the above $5.3 million SRI acquisition payment and reduce accrued compensation benefits.

As discussed in Note E, "Event Subsequent to September 30, 1997", to the Notes of the Consolidated Financial Statements, on November 1, 1997, the Company completed its acquisition of the business and most of the assets of Government Systems, Inc., a subsidiary of Infonet Services Corporation, a multinational communications network provider headquartered in El Segundo, California, for approximately $33.5 million. The acquisition was financed with borrowings under the existing line of credit, as amended on October 28, 1997. The amendment increases the U.S. credit facility from a $50 million to a $70 million unsecured facility and extends the term through July 1, 2000. The

Company also maintains a 500,000 pound sterling unsecured line of credit in London, England, which expires in December 1997. At September 30, 1997, the Company had approximately $44 million available for borrowing under its lines of credit. On November 3, 1997, the next business day after the GSI acquisition and after the financing amendment, the Company had approximately $30 million available for borrowing under its lines of credit. Accordingly, the Company believes that the combination of internally generated funds, available credit and cash on hand will provide the required liquidity and capital resources for the foreseeable future.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

Ceridian Corporation v. CACI Systems Integration Inc

Reference is made to Part I, Item 3, Legal Proceedings, in the Registrant's Annual Report on Form 10-K for the period ending June 30, 1997, for the most recently filed information concerning the suit filed on October 6, 1995 by Ceridian Corporation (Ceridian) in the District Court for Hennepin County, Minnesota, against Registrant's wholly-owned subsidiary, CACI Systems Integration Inc. (CACI), alleging breach of contract, breach of warranty, and repudiation by CACI in connection with a contract for the development of a manufacturing system. In January 1996, CACI filed its answer and counterclaims, denying Ceridian's allegations and seeking damages from Ceridian for breach of contract, intentional and negligent misrepresentation, and tortious interference with contract.

Since the filing of the Registrant's report indicated above, the parties have almost completed discovery and the court has ruled on pre-trial motions. A court-ordered mediation is scheduled for November 12-14, 1997. No trial date has been set.

CACI, INC. - FEDERAL v. Arizona Department of Transportation

Reference is made to Part I, Item 3, Legal Proceedings, in the Registrant's Annual Report on Form 10-K for the period ending June 30, 1997, for the most recently filed information concerning the lawsuit filed on June 25, 1996, by CACI, INC.-FEDERAL (CACI), the Registrant's wholly-owned subsidiary, in Superior Court for Maricopa County, Arizona, against the Arizona Department of Transportation (ADOT). This suit seeks the following: (i) a declaratory judgment that the disputes procedure mandated by the Arizona Procurement Code is unconstitutional; (ii) a declaratory judgment that ADOT cannot assert claims against CACI under the mandated disputes procedure; (iii) a declaratory judgment that ADOT is not entitled to recover consequential damages in connection with the dispute; (iv) $2,938,990 plus interest in breach of contract damages; (v) the return of CACI property seized by ADOT in connection with the termination of the contract; and (vi) lawyers' fees.

Since the filing of Registrant's report indicated above, the case has been placed on the inactive calendar pending completion of discovery and case preparation over what is estimated to be a nine (9) month period.

Item 5. Other Information - Forward Looking Statements

This filing may contain "forward-looking" statements, as that term is defined in the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements concerning expectations of the Company's future performance in terms of revenues and earnings. The Company cautions investors that there can be no assurance that actual results will not differ materially from those projected or suggested in such forward-looking statements. Factors which could cause a material difference in results include, but are not limited to, the following: regional and national economic conditions; changes in interest rates; changes in government spending policies and/or decisions concerning specific programs; individual business decisions of customers and clients; developments in technology; competitive factors and pricing pressures; acts of God; changes in government laws or regulations; continued improvements in the productivity of document coding services for the Department of Justice; profitability of our Marketing Systems Group; unusually intense competition for employees with cutting-edge technical skills; and our own ability to manage the business to achieve forecast results.

INDEX TO EXHIBITS

Exhibit Number	Title
11	Computation of Earnings per Common and Common Equivalent Share
27	Financial Data Schedule

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.

CACI International Inc
(Registrant)

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                                   /s/
Date:  November 14, 1997   By: -------------------------------------------
                               Dr. J.P. London
                               Chairman of the Board,
                               President, and Director
                               (Principal Executive Officer)


                                   /s/
Date:  November 14, 1997   By: -------------------------------------------
                               James P. Allen
                               Executive Vice President,
                               Chief Financial Officer, and Treasurer
                               (Principal Financial and Accounting Officer)
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EXHIBIT 11

CACI INTERNATIONAL INC AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE

	Three Months Ended September 30, 1997	Three Months Ended September 30, 1996
Net income	$ 2,432	$ 2,698
Average shares outstanding during the period	10,705	10,298
Dilutive effect of stock options after application of treasury stock method	370	593
Average number of shares outstanding during the period	11,075	10,891
Earnings per common and common equivalent share	$ 0.22	$ 0.25

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FORM 10Q FOR THE PERIOD ENDING SEPTEMBER 30, 1997, AND AS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

PERIOD TYPE	3 MOS
FISCAL YEAR END	JUN 30 1998
PERIOD END	SEP 30 1997
CASH	3,484,000
SECURITIES	0
RECEIVABLES	74,462,000
ALLOWANCES	(3,075,000)
INVENTORY	0
CURRENT ASSETS	78,214,000
PP&E	32,575,649
DEPRECIATION	(21,859,154)
TOTAL ASSETS	116,341,000
CURRENT LIABILITIES	34,637,000
BONDS	7,000,000
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	1,426,000
OTHER SE	71,597,000
TOTAL LIABILITY AND EQUITY	116,341,000
SALES	0
TOTAL REVENUES	70,669,000
CGS	0
TOTAL COSTS	38,037,000
OTHER EXPENSES	28,165,000
LOSS PROVISION	299,000
INTEREST EXPENSE	245,000
INCOME PRETAX	3,923,000
INCOME TAX	1,491,000
INCOME CONTINUING	2,432,000
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	2,432,000
EPS PRIMARY	$0.22
EPS DILUTED	$0.22

End of Filing