

CACI INTERNATIONAL INC /DE/

Form 10-Q

May 06, 2011

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2011

OR

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

Commission File Number 001-31400

CACI International Inc

(Exact name of registrant as specified in its charter)

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

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)

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

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

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

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

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

Indicate the number of shares outstanding of each of the Registrant's classes of Common Stock, as of May 2, 2011: CACI International Inc Common Stock, \$0.10 par value, 30,112,880 shares.

Table of Contents

CACI INTERNATIONAL INC

| | PAGE |
|--------------------------------------------------------------------------------------------------------------------------------|-------------|
| PART I: <u>FINANCIAL INFORMATION</u> | |
| Item 1. <u>Financial Statements</u> | |
| <u>Condensed Consolidated Statements of Operations (Unaudited) for the Three Months Ended March 31, 2011 and 2010</u> | 3 |
| <u>Condensed Consolidated Statements of Operations (Unaudited) for the Nine Months Ended March 31, 2011 and 2010</u> | 4 |
| <u>Condensed Consolidated Balance Sheets (Unaudited) as of March 31, 2011 and June 30, 2010</u> | 5 |
| <u>Condensed Consolidated Statements of Cash Flows (Unaudited) for the Nine Months Ended March 31, 2011 and 2010</u> | 6 |
| <u>Consolidated Statements of Comprehensive Income (Unaudited) for the Three and Nine Months Ended March 31, 2011 and 2010</u> | 7 |
| <u>Notes to Unaudited Condensed Consolidated Financial Statements</u> | 8 |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 19 |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 27 |
| Item 4. <u>Controls and Procedures</u> | 27 |
| PART II: <u>OTHER INFORMATION</u> | |
| Item 1. <u>Legal Proceedings</u> | 29 |
| Item 1A. <u>Risk Factors</u> | 30 |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 30 |
| Item 3. <u>Defaults Upon Senior Securities</u> | 30 |
| Item 4. <u>[Removed and Reserved]</u> | 30 |
| Item 5. <u>Other Information</u> | 30 |
| Item 6. <u>Exhibits</u> | 31 |
| <u>Signatures</u> | 32 |

Table of Contents**PART I****FINANCIAL INFORMATION****Item 1. Financial Statements****CACI INTERNATIONAL INC****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)****(amounts in thousands, except per share data)**

| | Three Months Ended March 31, | |
|------------------------------------------------------------------------|-----------------------------------------|-------------|
| | 2011 | 2010 |
| Revenue | \$ 913,369 | \$ 784,169 |
| Costs of revenue: | | |
| Direct costs | 645,404 | 551,191 |
| Indirect costs and selling expenses | 191,403 | 171,451 |
| Depreciation and amortization | 14,777 | 14,205 |
| Total costs of revenue | 851,584 | 736,847 |
| Income from operations | 61,785 | 47,322 |
| Interest expense and other, net | 5,674 | 6,488 |
| Income before income taxes | 56,111 | 40,834 |
| Income taxes | 19,397 | 14,055 |
| Net income before noncontrolling interest in earnings of joint venture | 36,714 | 26,779 |
| Noncontrolling interest in earnings of joint venture | (287) | (71) |
| Net income attributable to CACI | \$ 36,427 | \$ 26,708 |
| Basic earnings per share | \$ 1.20 | \$ 0.89 |
| Diluted earnings per share | \$ 1.16 | \$ 0.87 |
| Weighted-average basic shares outstanding | 30,373 | 30,171 |
| Weighted-average diluted shares outstanding | 31,300 | 30,641 |

See Notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents**CACI INTERNATIONAL INC****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

(amounts in thousands, except per share data)

| | Nine Months Ended March 31, | |
|------------------------------------------------------------------------|--------------------------------|--------------|
| | 2011 | 2010 |
| Revenue | \$ 2,614,618 | \$ 2,300,414 |
| Costs of revenue: | | |
| Direct costs | 1,843,410 | 1,604,848 |
| Indirect costs and selling expenses | 555,972 | 515,849 |
| Depreciation and amortization | 41,919 | 38,906 |
| Total costs of revenue | 2,441,301 | 2,159,603 |
| Income from operations | 173,317 | 140,811 |
| Interest expense and other, net | 17,498 | 20,874 |
| Income before income taxes | 155,819 | 119,937 |
| Income taxes | 56,781 | 42,973 |
| Net income before noncontrolling interest in earnings of joint venture | 99,038 | 76,964 |
| Noncontrolling interest in earnings of joint venture | (721) | (349) |
| Net income attributable to CACI | \$ 98,317 | \$ 76,615 |
| Basic earnings per share | \$ 3.24 | \$ 2.55 |
| Diluted earnings per share | \$ 3.16 | \$ 2.51 |
| Weighted-average basic shares outstanding | 30,321 | 30,104 |
| Weighted-average diluted shares outstanding | 31,102 | 30,561 |

See Notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents**CACI INTERNATIONAL INC****CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

(amounts in thousands, except per share data)

| | March 31, 2011 | June 30, 2010 |
|--------------------------------------------------------------------------------------------------------|-------------------|------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 98,348 | \$ 254,543 |
| Accounts receivable, net | 573,112 | 531,033 |
| Prepaid expenses and other current assets | 55,935 | 55,170 |
| Total current assets | 727,395 | 840,746 |
| Goodwill | 1,266,074 | 1,161,861 |
| Intangible assets, net | 117,540 | 108,298 |
| Property and equipment, net | 60,549 | 58,666 |
| Other long-term assets | 98,855 | 75,195 |
| Total assets | \$ 2,270,413 | \$ 2,244,766 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 7,500 | \$ 278,653 |
| Accounts payable | 101,081 | 98,421 |
| Accrued compensation and benefits | 166,701 | 152,790 |
| Other accrued expenses and current liabilities | 167,909 | 128,559 |
| Total current liabilities | 443,191 | 658,423 |
| Long-term debt, net of current portion | 401,435 | 252,451 |
| Deferred income taxes | 66,168 | 42,990 |
| Other long-term liabilities | 98,920 | 117,747 |
| Total liabilities | 1,009,714 | 1,071,611 |
| COMMITMENTS AND CONTINGENCIES | | |
| Shareholders' equity: | | |
| Preferred stock \$0.10 par value, 10,000 shares authorized, no shares issued | | |
| Common stock \$0.10 par value, 80,000 shares authorized, 40,167 and 39,366 shares issued, respectively | 4,017 | 3,937 |
| Additional paid-in capital | 495,824 | 468,959 |
| Retained earnings | 892,594 | 794,277 |
| Accumulated other comprehensive loss | (3,259) | (9,807) |
| Noncontrolling interest in joint venture | 2,471 | 2,442 |
| Treasury stock, at cost (9,981 and 9,117 shares, respectively) | (130,948) | (86,653) |
| Total shareholders' equity | 1,260,699 | 1,173,155 |
| Total liabilities and shareholders' equity | \$ 2,270,413 | \$ 2,244,766 |

See Notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents**CACI INTERNATIONAL INC****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(amounts in thousands)

| | Nine Months Ended March 31, | |
|-----------------------------------------------------------------------------------------------------------|----------------------------------------|-------------|
| | 2011 | 2010 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income before noncontrolling interest in earnings of joint venture | \$ 99,038 | \$ 76,964 |
| Reconciliation of net income before noncontrolling interest to net cash provided by operating activities: | | |
| Depreciation and amortization | 41,919 | 38,906 |
| Non-cash interest expense | 8,359 | 7,811 |
| Amortization of deferred financing costs | 2,274 | 1,819 |
| Stock-based compensation expense | 13,109 | 17,950 |
| Deferred income tax expense (benefit) | 7,805 | (2,076) |
| Changes in operating assets and liabilities, net of effect of business acquisitions: | | |
| Accounts receivable, net | (24,787) | (41,737) |
| Prepaid expenses and other assets | (15,314) | (11,517) |
| Accounts payable and other accrued expenses | 5,615 | 19,672 |
| Accrued compensation and benefits | 6,392 | 4,888 |
| Income taxes payable and receivable | (9,079) | (2,245) |
| Other liabilities | 11,508 | 12,512 |
| Net cash provided by operating activities | 146,839 | 122,947 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (9,170) | (20,519) |
| Cash paid for business acquisitions, net of cash acquired | (129,621) | (88,059) |
| Investment in unconsolidated joint venture, net | (5,451) | |
| Other | 749 | 945 |
| Net cash used in investing activities | (143,493) | (107,633) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from borrowings under bank credit facilities, net of financing costs | 193,978 | |
| Principal payments made under bank credit facilities | (330,528) | (52,857) |
| Proceeds from employee stock purchase plans | 3,264 | 3,658 |
| Proceeds from exercise of stock options | 18,136 | 5,455 |
| Repurchases of common stock | (47,040) | (2,610) |
| Other | 1,291 | (56) |
| Net cash used in financing activities | (160,899) | (46,410) |
| Effect of exchange rate changes on cash and cash equivalents | 1,358 | (2,645) |
| Net decrease in cash and cash equivalents | (156,195) | (33,741) |
| Cash and cash equivalents, beginning of period | 254,543 | 208,488 |
| Cash and cash equivalents, end of period | \$ 98,348 | \$ 174,747 |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

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

| | | |
|--------------------------------------------------------------|-----------|-----------|
| Cash paid during the period for income taxes, net of refunds | \$ 57,338 | \$ 50,948 |
| Cash paid during the period for interest | \$ 6,486 | \$ 9,143 |
| Non-cash financing and investing activities: | | |
| Landlord-financed leasehold improvements | \$ 2,554 | \$ 16,545 |

See Notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents**CACI INTERNATIONAL INC****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)****(amounts in thousands)**

| | Three Months Ended | | Nine Months Ended | |
|----------------------------------------------------------------------------------|---------------------------|------------------|--------------------------|------------------|
| | March 31, | | March 31, | |
| | 2011 | 2010 | 2011 | 2010 |
| Net income before noncontrolling interest in earnings of joint venture | \$ 36,714 | \$ 26,779 | \$ 99,038 | \$ 76,964 |
| Change in foreign currency translation adjustment | 3,692 | (4,871) | 6,547 | (7,101) |
| Effect of changes in actuarial assumptions and recognition of prior service cost | 1 | | 1 | (47) |
| Change in fair value of interest rate swap agreements, net | | | | 1,045 |
| Comprehensive income | \$ 40,407 | \$ 21,908 | \$ 105,586 | \$ 70,861 |

See Notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents

CACI INTERNATIONAL INC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

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

Under ASC 855, *Subsequent Events*, the Company is required to assess the existence or occurrence of any events occurring after March 31, 2011 that may require recognition or disclosure in the financial statements as of and for the three and nine months ended March 31, 2011. The Company has evaluated all events and transactions that occurred after March 31, 2011, and found that during this period it did not have any subsequent events requiring financial statement recognition.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and amounts included in other current assets and current liabilities that meet the definition of a financial instrument approximate fair value because of the short-term nature of these amounts. The fair value of the Company's debt outstanding as of March 31, 2011 under its bank credit facility approximates its carrying value. The fair value of the Company's debt under its bank credit facility was estimated using market data on companies with a corporate rating similar to CACI's that have recently priced credit facilities. The fair value of the Company's \$300.0 million of 2.125 percent convertible senior subordinated notes issued May 16, 2007 and that mature on May 16, 2014 (the Notes) is based on quoted market prices. See Note 5.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all 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 unaudited condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's latest annual report to the SEC on Form 10-K for the year ended June 30, 2010. The results of operations for the three and nine months ended March 31, 2011 are not necessarily indicative of the results to be expected for any subsequent interim period or for the full fiscal year.

2. New Accounting Pronouncements

In June 2009, the FASB issued updates to ASC 810, *Consolidation* (ASC 810). These updates amended the accounting standards pertaining to the consolidation of certain variable interest entities, and when and how to determine, or re-determine, whether an entity is a variable interest entity. In addition, the updates modified the approach for determining who has a controlling financial interest in a variable interest entity with a qualitative approach, and requires ongoing assessments of whether an entity is the primary beneficiary of a variable interest entity. The adoption of the updates to ASC 810, which were effective for the Company beginning July 1, 2010, did not affect the Company's financial position or results of operations.

In October 2009, the FASB issued ASU No. 2009-13, *Multiple-Deliverable Revenue Arrangements* (ASU 2009-13) which amends ASC Topic 605, *Revenue Recognition*. This accounting update establishes a hierarchy for determining the value of each element within a multiple deliverable arrangement. ASU 2009-13 was effective for the Company beginning July 1, 2010 and applies to arrangements entered into on or after that date. The adoption of ASU 2009-13 did not have a material impact on the Company's financial position or results of operations.

In October 2009, the FASB issued ASU No. 2009-14, *Certain Revenue Arrangements That Include Software Elements* (ASU 2009-14), which updates ASC Topic 985, *Software*. ASU 2009-14 clarifies which accounting guidance should be used for purposes of measuring and allocating revenue for arrangements that contain both tangible products and software, and where the software is more than incidental to the tangible product as a whole. ASU 2009-14 was effective for the Company's fiscal year beginning July 1, 2010 and applies to arrangements entered into on or after that date. The adoption of ASU 2009-14 did not have a material impact on the Company's financial position or results of operations.

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

In January 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements* (ASU 2010-06). This update requires new disclosures around transfers into and out of Levels 1 and 2 in the fair value hierarchy, and separate disclosures about purchases, sales, issuances, and settlements related to Level 3 measurements. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009 with early adoption permitted, except for the disclosures about purchases, sales, issuances, and settlements in the rollforward of Level 3 activity. Those disclosures are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years with early adoption permitted. The Company has provided the required disclosures regarding the valuation techniques utilized in measuring its Level 3 assets and liabilities and will adopt the provisions of ASU 2010-06 pertaining to transfers into and out of the Level 3 category effective July 1, 2011. See Note 11 for definitions of Levels 1, 2, and 3, and for additional information about the Company's financial assets and liabilities measured at fair value on a recurring basis.

In December 2010, the FASB issued ASU No. 2010-29, *Disclosure of Supplementary Pro Forma Information for Business Combinations* (ASU 2010-29) which amends ASC Topic 805, *Business Combinations*. This accounting update specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. ASU 2010-29 is effective for the Company beginning July 1, 2011 and applies to acquisitions entered into on or after this date. The adoption of ASU 2010-29 will not have a material impact on the Company's financial position or results of operations.

3. Acquisitions

On November 1, 2010, the Company completed two acquisitions: (1) 100 percent of the outstanding stock of TechniGraphics, Inc, a provider of imaging and geospatial services to the U.S. government and (2) 100 percent of the outstanding stock of Applied Systems Research, Inc, a provider of technical services and products to the U.S. government. The combined purchase consideration to acquire these two companies was \$127.5 million. The Company has completed its valuation of the businesses acquired and has recognized fair values of the assets acquired and liabilities assumed. The Company has allocated \$95.4 million to goodwill and \$36.8 million to other intangible assets, primarily customer contracts. On February 10, 2011, the Company completed the acquisition of 100 percent of the outstanding stock of Chronotech b.v., a Dutch company specializing in advanced on-line applications for government and commercial organizations, primarily within the education market, for approximately \$4.9 million. The three acquired businesses generated an aggregate of \$23.2 million of revenue from their dates of acquisition through March 31, 2011.

4. Intangible Assets

Intangible assets consisted of the following (in thousands):

| | March 31, 2011 | June 30, 2010 |
|-------------------------------------------------------|-------------------|-------------------|
| Customer contracts and related customer relationships | \$ 291,129 | \$ 253,031 |
| Acquired technologies | 27,177 | 27,177 |
| Covenants not to compete | 3,069 | 2,373 |
| Other | 1,637 | 1,631 |
| Intangible assets | 323,012 | 284,212 |
| Less accumulated amortization | (205,472) | (175,914) |
| Total intangible assets, net | \$ 117,540 | \$ 108,298 |

Intangible assets are primarily amortized on an accelerated basis over periods ranging from 12 to 120 months. The weighted-average period of amortization for all customer contracts and related customer relationships as of March 31, 2011 is 8.5 years, and the weighted-average remaining period of amortization is 6.9 years. The weighted-average period of amortization for acquired technologies as of March 31, 2011 is 6.7 years, and the weighted-average remaining period of amortization is 6.0 years. See Note 3 for information on acquisitions since July 1, 2010.

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

Expected amortization expense for the remainder of the fiscal year ending June 30, 2011, and for each of the fiscal years thereafter, is as follows (in thousands):

| Fiscal year ending June 30, | Amount |
|-------------------------------------|-------------------|
| 2011 (three months) | \$ 9,507 |
| 2012 | 29,220 |
| 2013 | 21,664 |
| 2014 | 17,854 |
| 2015 | 13,300 |
| Thereafter | 25,995 |
| Total intangible assets, net | \$ 117,540 |

5. **Long-term Debt**

Long-term debt consisted of the following (in thousands):

| | March 31, 2011 | June 30, 2010 |
|-----------------------------------------------|---------------------------|--------------------------|
| Convertible notes payable | \$ 300,000 | \$ 300,000 |
| Bank credit facility term loans | 148,125 | 278,653 |
| Principal amount of long-term debt | 448,125 | 578,653 |
| Less unamortized discount | (39,190) | (47,549) |
| Total long-term debt | 408,935 | 531,104 |
| Less current portion | (7,500) | (278,653) |
| Long-term debt, net of current portion | \$ 401,435 | \$ 252,451 |

Bank Credit Facility

As of March 31, 2011, the Company had a \$750.0 million credit facility (the Credit Facility), which consisted of a \$600.0 million revolving credit facility (the Revolving Facility) and a \$150.0 million term loan (the Term Loan). The Revolving Facility has subfacilities of \$50.0 million for same-day swing line loan borrowings and \$25.0 million for stand-by letters of credit. The Credit Facility was entered into on October 21, 2010 and replaced the Company's then outstanding term loan and revolving credit facility.

The Revolving Facility is a secured facility that permits continuously renewable borrowings of up to \$600.0 million, with an expiration date of October 21, 2015. As of March 31, 2011, the Company had no borrowings outstanding under the Revolving Facility and no outstanding letters of credit. On April 8, 2011, in preparation for the possible shutdown of the United States government, the Company borrowed \$150.0 million under the Revolving Facility. The entire amount was repaid on April 11, 2011, after the United States Congress agreed on a budget for its fiscal year ending September 30, 2011. The Company pays a quarterly facility fee for the unused portion of the Revolving Facility.

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

The Term Loan is a five-year secured facility under which principal payments are due in quarterly installments of \$1.9 million through December 31, 2013 and \$3.8 million from January 1, 2014 through September 30, 2015, with the balance due in full on October 21, 2015.

At any time and so long as no default has occurred, the Company has the right to increase the Term Loan or Revolving Facility in an aggregate principal amount of up to \$200.0 million with applicable lender approvals. The Credit Facility is available to refinance existing indebtedness and for general corporate purposes, including working capital expenses and capital expenditures.

The interest rates applicable to loans under the Credit Facility are floating interest rates that, at the Company's option, equal a base rate or a Eurodollar rate plus, in each case, an applicable margin based upon the Company's consolidated total leverage ratio. As of March 31, 2011, the effective interest rate, excluding the effect of amortization of debt financing costs, for the outstanding borrowings under the Credit Facility was 2.29 percent.

Table of Contents

CACI INTERNATIONAL INC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

The Credit Facility requires the Company to comply with certain financial covenants, including a maximum senior secured leverage ratio, a maximum total leverage ratio and a minimum fixed charge coverage ratio. The Credit Facility also includes customary negative covenants restricting or limiting the Company's ability to guarantee or incur additional indebtedness, grant liens or other security interests to third parties, make loans or investments, transfer assets, declare dividends or redeem or repurchase capital stock or make other distributions, prepay subordinated indebtedness and engage in mergers, acquisitions or other business combinations, in each case except as expressly permitted under the Credit Facility. Since the inception of the Credit Facility, the Company has been in compliance with all of the financial covenants. A majority of the Company's assets serve as collateral under the Credit Facility.

The Company capitalized \$6.0 million of debt issuance costs associated with the origination of the Credit Facility. All debt issuance costs are being amortized from the date incurred to the expiration date of the Credit Facility. The unamortized balance of \$5.5 million at March 31, 2011 is included in other assets. Unamortized debt issuance costs of \$0.5 million associated with the Company's former credit facility were expensed in full upon the October 21, 2010 termination of such facility.

Convertible Notes Payable

Effective May 16, 2007, the Company issued the Notes in a private placement. The Notes were issued at par value and are subordinate to the Company's senior secured debt. Interest on the Notes is payable on May 1 and November 1 of each year.

Holders may convert their notes at a conversion rate of 18.2989 shares of CACI common stock for each \$1,000 of note principal (an initial conversion price of \$54.65 per share) under the following circumstances: 1) if the last reported sale price of CACI stock is greater than or equal to 130 percent of the applicable conversion price for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter; 2) during the five consecutive business day period immediately after any ten consecutive trading day period (the note measurement period) in which the average of the trading price per \$1,000 principal amount of convertible note was equal to or less than 97 percent of the average product of the closing price of a share of the Company's common stock and the conversion rate of each date during the note measurement period; 3) upon the occurrence of certain corporate events constituting a fundamental change, as defined in the indenture governing the Notes; or 4) during the last three-month period prior to maturity. CACI is required to satisfy 100 percent of the principal amount of the Notes solely in cash, with any amounts above the principal amount to be satisfied in common stock. As of March 31, 2011, none of the conditions permitting conversion of the Notes had been satisfied.

In the event of a fundamental change, as defined in the indenture governing the Notes, holders may require the Company to repurchase the Notes at a price equal to the principal amount plus any accrued interest. Also, if certain fundamental changes occur prior to maturity, the Company will in certain circumstances increase the conversion rate by a number of additional shares of common stock or, in lieu thereof, the Company may in certain circumstances elect to adjust the conversion rate and related conversion obligation so that these notes are convertible into shares of the acquiring or surviving company. The Company is not permitted to redeem the Notes.

The Company separately accounts for the liability and the equity (conversion option) components of the Notes and recognizes interest expense on the Notes using an interest rate in effect for comparable debt instruments that do not contain conversion features. The effective interest rate for the Notes excluding the conversion option was determined to be 6.9 percent.

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

The fair value of the liability component of the Notes was calculated to be \$221.9 million at May 16, 2007, the date of issuance. The excess of the \$300.0 million of gross proceeds over the \$221.9 million fair value of the liability component, or \$78.1 million, represents the fair value of the equity component, which has been recorded, net of income tax effect, as additional paid-in capital within shareholders' equity. This \$78.1 million difference represents a debt discount that is amortized over the seven-year term of the Notes as a non-cash component of interest expense. For the three and nine months ended March 31, 2011 and 2010, the components of interest expense related to the Notes were as follows (in thousands):

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|-----------------------------------|---------------------------------|----------|--------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Coupon interest | \$ 1,594 | \$ 1,594 | \$ 4,781 | \$ 4,781 |
| Non-cash amortization of discount | 2,837 | 2,651 | 8,359 | 7,811 |
| Amortization of issuance costs | 205 | 205 | 615 | 615 |
| Total | \$ 4,636 | \$ 4,450 | \$ 13,755 | \$ 13,207 |

The balance of the unamortized discount as of March 31, 2011 and June 30, 2010, was \$39.2 million and \$47.5 million, respectively. The discount will continue to be amortized as additional, non-cash interest expense over the remaining term of the Notes (through May 1, 2014) using the effective interest method as follows (in thousands):

| Fiscal year ending June 30, | Amount Amortized During Period |
|-----------------------------|-----------------------------------|
| 2011 (three months) | \$ 2,877 |
| 2012 | 12,024 |
| 2013 | 12,868 |
| 2014 | 11,421 |
| | \$ 39,190 |

The fair value of the Notes as of March 31, 2011 was \$375.0 million based on quoted market values.

On a weighted average basis, the contingently issuable shares that may result from the conversion of the Notes were included in CACI's diluted share count for the three and nine months ended March 31, 2011 because CACI's \$56.88 average stock price during the three months ended March 31, 2011 was above the conversion price of \$54.65 per share. The contingently issuable shares were not included in CACI's diluted share count for the three or nine months ended March 31, 2010 because CACI's average stock price during those periods was below the conversion price. Of total debt issuance costs of \$7.8 million, \$5.8 million is being amortized to interest expense over seven years. The remaining \$2.0 million of debt issuance costs attributable to the embedded conversion option was recorded in additional paid-in capital. Upon closing of the sale of the Notes, \$45.5 million of the net proceeds was used to concurrently repurchase one million shares of CACI's common stock.

In connection with the issuance of the Notes, the Company purchased in a private transaction at a cost of \$84.4 million call options (the Call Options) to purchase approximately 5.5 million shares of its common stock at a price equal to the conversion price of \$54.65 per share. The cost of the Call Options was recorded as a reduction of additional paid-in capital. The Call Options allow CACI to receive shares of its common stock from the counterparties equal to the amount of common stock related to the excess conversion value that CACI would pay the holders of the Notes upon conversion.

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

For income tax reporting purposes, the Notes and the Call Options are integrated. This created an original issue discount for income tax reporting purposes, and therefore the cost of the Call Options is being accounted for as interest expense over the term of the Notes for income tax reporting purposes. The associated income tax benefit of \$32.8 million to be realized for income tax reporting purposes over the term of the Notes was recorded as an increase in additional paid-in capital and a long-term deferred tax asset. The majority of this deferred tax asset is offset in the Company's balance sheet by the \$30.7 million deferred tax liability associated with the non-cash interest expense to be recorded for financial reporting purposes.

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

In addition, the Company sold warrants (the Warrants) to issue approximately 5.5 million shares of CACI common stock at an exercise price of \$68.31 per share. The proceeds from the sale of the Warrants totaled \$56.5 million and were recorded as an increase to additional paid-in capital.

On a combined basis, the Call Options and the Warrants are intended to reduce the potential dilution of CACI's common stock in the event that the Notes are converted by effectively increasing the conversion price of these notes from \$54.65 to \$68.31. The Call Options are anti-dilutive and are therefore excluded from the calculation of diluted shares outstanding. The Warrants will result in additional diluted shares outstanding if CACI's average common stock price exceeds \$68.31. The Call Options and the Warrants are separate and legally distinct instruments that bind CACI and the counterparties and have no binding effect on the holders of the Notes.

JV Bank Credit Facility

eVenture Technologies LLC (eVentures), a joint venture between the Company and ActioNet, Inc., entered into a \$1.5 million revolving credit facility (the JV Facility). The JV Facility is a four-year, guaranteed facility that permits continuously renewable borrowings of up to \$1.5 million with an expiration date of the earliest of September 14, 2011; the date of any restatement, refinancing, or replacement of the Credit Facility without the lender acting as the sole and exclusive administrative agent; or termination of the Credit Facility. Borrowings under the JV Facility bear interest at the lender's prime rate plus 1.0 percent. eVentures pays a fee of 0.25 percent on the unused portion of the JV Facility. As of March 31, 2011, eVentures had no borrowings outstanding under the JV Facility.

Cash Flow Hedges

The Company periodically uses derivative financial instruments as part of a strategy to manage exposure to market risks associated with interest rate fluctuations. In 2007, the Company entered into two interest rate swap agreements and in 2008, the Company entered into an interest rate cap agreement. Both agreements qualified as effective hedges and both expired during the Company's fiscal year ended June 30, 2010. The Company does not hold or issue derivative financial instruments for trading purposes.

The effects of derivative instruments in the condensed consolidated statements of operations and accumulated other comprehensive loss for the three and nine months ended March 31, 2011 and 2010 is as follows (in thousands):

| | Derivatives in ASC 815 cash flow hedging relationships Interest Rate Swaps | | | |
|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|-------------|--------------------------|-------------|
| | Three Months Ended | | Nine Months Ended | |
| | March 31, | | March 31, | |
| | 2011 | 2010 | 2011 | 2010 |
| Gain recognized in comprehensive income (effective portion) | \$ | \$ | \$ | \$ 1,045 |
| Loss reclassified to earnings from accumulated other comprehensive loss (effective portion) | \$ | \$ | \$ | \$ (1,817) |
| Gain recognized in earnings (ineffective portion) | | | | |
| | \$ | \$ | \$ | \$ (1,817) |

As of March 31, 2011, the Company had no outstanding derivative instruments.

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

The aggregate maturities of long-term debt at March 31, 2011 are as follows (in thousands):

| | |
|--------------------------------|-------------------|
| Twelve months ending March 31, | |
| 2012 | \$ 7,500 |
| 2013 | 7,500 |
| 2014 | 9,375 |
| 2015 | 315,000 |
| 2016 | 108,750 |
| | 448,125 |
| Less unamortized discount | (39,190) |
| Total long-term debt | \$ 408,935 |

6. Commitments and Contingencies***General Legal Matters***

The Company is involved in various legal matters including 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, either individually or in the aggregate, will not have a material adverse effect on the Company's operations and liquidity.

Iraq Investigations

On April 26, 2004, the Company received information indicating that one of its employees was identified in a report authored by U.S. Army Major General Antonio M. Taguba as being connected to allegations of abuse of Iraqi detainees at the Abu Ghraib prison facility. To date, despite the Taguba Report and the subsequently-issued Fay Report addressing alleged inappropriate conduct at Abu Ghraib, no present or former employee of the Company has been officially charged with any offense in connection with the Abu Ghraib allegations.

The Company does not believe the outcome of this matter will have a material adverse effect on its financial statements.

Government Contracting

Payments to the Company on cost-plus-fee and time-and-materials contracts are subject to adjustment upon audit by the Defense Contract Audit Agency (DCAA). The DCAA is currently in the process of auditing the Company's incurred cost submissions for the year ended June 30, 2006. In the opinion of management, audit adjustments that may result from audits not yet completed or started are not expected to have a material effect on the Company's financial position, results of operations, or cash flows as the Company has accrued its best estimate of potential disallowances. Additionally, the DCAA continually reviews the cost accounting and other practices of government contractors, including the Company. In the course of those reviews, cost accounting and other issues are identified, discussed and settled.

In April 2007, the DCAA conducted a contract review and questioned certain costs on a contract in which the Company is a subcontractor. The Company believes that all costs allocated to this contract were appropriately allocated, but has accrued its current best estimate of the potential outcome within its estimated range of zero to \$3.4 million.

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

In December 2010, the Defense Contract Management Agency (DCMA) issued a letter to the Company with its determination that the Company improperly allocated certain legal costs incurred in connection with the Iraq investigations described above. The Company does not agree with the DCMA's findings and filed a notice of appeal to the Armed Services Board of Contract Appeals on March 9, 2011. The Company has accrued its current best estimate of the potential outcome within its estimated range of zero to \$2.9 million.

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****7. Stock-Based Compensation**

Stock-based compensation expense recognized, together with the income tax benefits recognized, is as follows (in thousands):

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|--------------------------------------------------------------------------------------|---------------------------------|----------|--------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Stock-based compensation included in indirect costs and selling expenses: | | | | |
| Non-qualified stock option and stock settled stock appreciation right (SSAR) expense | \$ 959 | \$ 1,907 | \$ 2,759 | \$ 6,526 |
| Restricted stock and restricted stock unit (RSU) expense | 3,737 | 3,298 | 10,350 | 11,424 |
| Total stock-based compensation expense | \$ 4,696 | \$ 5,205 | \$ 13,109 | \$ 17,950 |
| Income tax benefit recognized for stock-based compensation expense | \$ 1,631 | \$ 1,773 | \$ 4,799 | \$ 6,449 |

Under the terms of its 2006 Stock Incentive Plan (the 2006 Plan), the Company may issue, among others, non-qualified stock options, restricted stock, RSUs, SSARs, and performance awards, collectively referred to herein as equity instruments. The 2006 Plan was approved by the Company's stockholders in November 2006 and replaced the 1996 Stock Incentive Plan (the 1996 Plan) which was due to expire at the end of a ten-year period. During the periods presented, the exercise price of all SSAR and non-qualified stock option grants and the value of restricted stock and RSU grants that do not contain market conditions were set at the closing price of a share of the Company's common stock on the date of grant, as reported by the New York Stock Exchange. RSU grants which contain market conditions were valued using a Monte Carlo simulation method that takes into account all possible outcomes. Annual grants under the 2006 Plan (and previous grants under the 1996 Plan) are generally made to the Company's key employees during the first quarter of the Company's fiscal year and to members of the Company's Board of Directors during the second quarter of the Company's fiscal year. With the approval of its Chief Executive Officer, the Company also issues equity instruments to strategic new hires and to employees who have demonstrated superior performance.

In September 2010, the Company made its annual grant to its key employees consisting of 727,880 Performance Restricted Stock Units (PRSUs), representing the maximum amount which could be earned. The PRSUs are subject to both performance and market conditions. No PRSUs will be earned if the Net After Tax Profit for the fiscal year ending June 30, 2011 is less than the Net After Tax Profit for the fiscal year ended June 30, 2010. The number of PRSUs earned by the grantee is dependent on the increase or decrease of the 90 calendar day average price per share of common stock of the Company for the period ended September 1, 2010 compared to the 90 calendar day average price per share of common stock of the Company for the period ending September 1, 2011. In addition to the performance and market conditions, there is a service vesting condition which stipulates that 50 percent of the award will vest on the third anniversary of the grant date and 50 percent of the award will vest on the fourth anniversary of the grant date, in both cases dependent upon continuing service by the grantee as an employee of the Company, unless the grantee is eligible for earlier vesting upon retirement, as defined.

The total number of shares authorized by shareholders for grants under the 1996 and 2006 Plans is 10,950,000 as of March 31, 2011. The aggregate number of grants that may be made may exceed this approved amount as forfeited SSARs, stock options, restricted stock and RSUs, and vested but unexercised SSARs and stock options that expire, become available for future grants. As of March 31, 2011, cumulative grants of 11,483,486 equity instruments underlying the shares authorized have been awarded, and 2,258,994 of these instruments have been forfeited.

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

Activity related to SSARs/non-qualified stock options and RSUs/restricted shares issued under the 1996 and 2006 Plans during the nine months ended March 31, 2011 is as follows:

| | SSARs/ Non-qualified Stock Options | RSUs/ Restricted Shares |
|-------------------------------------------------------------------|------------------------------------------|-------------------------------|
| Outstanding, June 30, 2010 | 3,086,428 | 949,630 |
| Granted | | 795,107 |
| Exercised/Issued | (672,205) | (345,914) |
| Forfeited/Lapsed | (157,102) | (69,687) |
| Outstanding, March 31, 2011 | 2,257,121 | 1,329,136 |
| Weighted average grant date fair value for RSUs/restricted shares | | \$ 43.73 |

As of March 31, 2011, there was \$4.4 million of total unrecognized compensation cost related to SSARs and stock options scheduled to be recognized over a weighted average period of 1.6 years, and \$22.3 million of total unrecognized compensation cost related to restricted shares and RSUs scheduled to be recognized over a weighted-average period of 2.6 years.

8. Earnings Per Share

ASC 260, *Earnings Per Share* (ASC 260), requires dual presentation of basic and diluted earnings per share on the face of the income statement. Basic earnings per share exclude dilution and are computed by dividing income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Using the treasury stock method, diluted earnings per share include the incremental effect of SSARs, stock options, restricted shares, those RSUs that are no longer subject to a market or performance condition and shares of common stock issuable upon conversion of the Notes. The PRSUs granted in September 2010 are excluded from the calculation of diluted earnings per share as the underlying contingency has not yet been satisfied. These shares will be included in the calculation of diluted earnings per share beginning in the first reporting period in which the performance metric is achieved. During the nine months ended March 31, 2011, the Company purchased 0.9 million shares of its common stock for \$44.3 million, pursuant to a plan approved by the Company's Board of Directors in June 2010. The chart below shows the calculation of basic and diluted earnings per share (in thousands, except per share amounts):

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|--------------------------------------------------------------------------------------------------------------|---------------------------------|-----------|--------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Net income attributable to CACI | \$ 36,427 | \$ 26,708 | \$ 98,317 | \$ 76,615 |
| Weighted average number of basic shares outstanding during the period | 30,373 | 30,171 | 30,321 | 30,104 |
| Dilutive effect of SSARs/stock options and RSUs/restricted shares after application of treasury stock method | 712 | 470 | 709 | 457 |
| Dilutive effect of the Notes | 215 | | 72 | |

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

| | | | | |
|-------------------------------------------------------------------------|---------|---------|---------|---------|
| Weighted average number of diluted shares outstanding during the period | 31,300 | 30,641 | 31,102 | 30,561 |
| Basic earnings per share | \$ 1.20 | \$ 0.89 | \$ 3.24 | \$ 2.55 |
| Diluted earnings per share | \$ 1.16 | \$ 0.87 | \$ 3.16 | \$ 2.51 |

9. Income Taxes

The Company is subject to income taxes in the U.S. and various state and foreign jurisdictions. Tax statutes and regulations within each jurisdiction are subject to interpretation and require the application of significant judgment. During the Company's year ended June 30, 2010, the Internal Revenue Service completed its field audit of the Company's consolidated federal income tax returns for the years ended June 30, 2005 through 2007 and earlier years in

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

connection with amended returns and carryback claims filed by the Company. The Company received the refunds reflected on its amended returns and carryback claims, as adjusted for the results of the field audit, during the three month period ended September 30, 2010. During the three month period ended March 31, 2011, the Internal Revenue Service concluded its examination of the Company's year ended June 30, 2008 with no significant audit adjustments to a previously recorded refund receivable. The Company expects to collect this receivable by June 30, 2011. The Company is currently under examination by three state jurisdictions and one foreign jurisdiction for years ended June 30, 2003 through June 30, 2009. The Company does not expect the resolution of these examinations to have a material impact on its results of operations, financial condition or cash flows.

The Company's total liability for unrecognized tax benefits as of March 31, 2011 and June 30, 2010 was \$5.9 million and \$5.2 million, respectively. Of the \$5.9 million unrecognized tax benefit at March 31, 2011, \$2.6 million, if recognized, would impact the Company's effective tax rate.

10. Business Segment Information

The Company reports operating results and financial data in two segments: domestic operations and international operations. Domestic operations provide professional services and information technology solutions to its customers. Its customers are primarily U.S. federal government agencies. The Company does not measure revenue or profit by its major service offerings, either for internal management or external financial reporting purposes, as it would be impractical to do so. In many cases more than one offering is provided under a single contract, to a single customer, or by a single employee or group of employees, and segregating the costs of the service offerings in situations for which it is not required would be difficult and costly. The Company also serves customers in the commercial and state and local government sectors and, from time to time, serves a number of agencies of foreign governments. The Company places employees in locations around the world in support of its clients. International operations offer services to both commercial and non-U.S. government customers primarily through the Company's data information and knowledge management services, business systems solutions, and enterprise IT and network services lines of business. The Company evaluates the performance of its operating segments based on net income. Summarized financial information concerning the Company's reportable segments is as follows (in thousands):

| | Domestic | International | Total |
|------------------------------------------|--------------|---------------|--------------|
| Three Months Ended March 31, 2011 | | | |
| Revenue from external customers | \$ 881,075 | \$ 32,294 | \$ 913,369 |
| Net income attributable to CACI | 33,585 | 2,842 | 36,427 |
| Three Months Ended March 31, 2010 | | | |
| Revenue from external customers | \$ 754,206 | \$ 29,963 | \$ 784,169 |
| Net income attributable to CACI | 24,643 | 2,065 | 26,708 |
| Nine Months Ended March 31, 2011 | | | |
| Revenue from external customers | \$ 2,525,505 | \$ 89,113 | \$ 2,614,618 |
| Net income attributable to CACI | 92,133 | 6,184 | 98,317 |
| Nine Months Ended March 31, 2010 | | | |
| Revenue from external customers | \$ 2,211,829 | \$ 88,585 | \$ 2,300,414 |
| Net income attributable to CACI | 70,469 | 6,146 | 76,615 |

11. Fair Value of Financial Instruments

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants in an orderly transaction. The market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability is known as the principal market. When no principal market exists, the most

advantageous market is used. This is the market in which the reporting entity would sell the asset or transfer the liability with the price that maximizes the amount that would be received or minimizes the amount that would be paid. Fair value is based on assumptions market participants would make in pricing the asset or liability. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the reporting entity should use valuation models.

Table of Contents**CACI INTERNATIONAL INC****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**

The Company's financial assets and liabilities recorded at fair value on a recurring basis are categorized based on the priority of the inputs used to measure fair value. The inputs used in measuring fair value are categorized into three levels, as follows:

Level 1 Inputs unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3 Inputs amounts derived from valuation models in which unobservable inputs reflect the reporting entity's own assumptions about the assumptions of market participants that would be used in pricing the asset or liability.

As of March 31, 2011, the Company's financial instruments measured at fair value included non-corporate owned life insurance (COLI) money market investments and mutual funds held in the Company's supplemental retirement savings plan (the Supplemental Savings Plan), the obligations to participants under the same plan, and contingent consideration in connection with business combinations completed during the year ended June 30, 2010. The following table summarizes the financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2011, and the level they fall within the fair value hierarchy (in thousands):

| Description of Financial Instrument | Financial Statement | | Fair Value Hierarchy | Fair Value |
|-----------------------------------------------------------------------|---------------------|--|----------------------|------------|
| | Classification | | | |
| Non-COLI assets held in connection with the Supplemental Savings Plan | Long-term asset | | Level 1 | \$ 5,357 |
| Obligations under the Supplemental Savings Plan | Current liability | | Level 2 | \$ 4,036 |
| Obligations under the Supplemental Savings Plan | Long-term liability | | Level 2 | \$ 61,843 |
| Contingent consideration | Current liability | | Level 3 | \$ 32,336 |

Changes in the fair value of the assets held in connection with the Supplemental Savings Plan, as well as changes in the related deferred compensation obligation, are recorded in indirect costs and selling expenses.

During the year ended June 30, 2010, the Company completed three acquisitions, all of which contained provisions requiring that the Company pay contingent consideration in the event the acquired businesses achieved certain specified earnings results during the two year periods subsequent to each acquisition. The Company determined the fair value of the contingent consideration as of each acquisition date using a valuation model which included the evaluation of all possible outcomes and the application of an appropriate discount rate. At the end of each reporting period, the fair value of the contingent consideration is remeasured and any changes are recorded in indirect costs and selling expenses. During the three months ended March 31, 2011, this remeasurement resulted in a \$2.6 million decrease in the liability recorded. For the nine months ended March 31, 2011 this remeasurement resulted in a \$1.9 million decrease in the liability recorded.

12. Subsequent Event

On May 2, 2011, the Company announced that its Board of Directors had authorized the expenditure of up to \$175.0 million for the purchase of the Company's common stock. The timing and actual number of shares repurchased will depend on a variety of factors, including price, corporate and regulatory requirements, and other market conditions.

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

There are statements made herein which do 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 the United Kingdom, including conditions that result from prolonged weakness; terrorist activities or war; changes in interest rates; currency fluctuations; significant fluctuations in the equity markets; changes in our effective tax rate; valuation of contingent consideration in connection with business combinations; failure to achieve contract awards in connection with re-competes 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, based on a change in spending patterns, or in the event of a priority need for funds, such as homeland security, the war on terrorism, or an economic stimulus package; government contract procurement (such as bid protest, small business set asides, loss of work due to organizational conflicts of interest, etc.) and termination risks; the results of government investigations into allegations of improper actions related to the provision of services in support of U.S. military operations in Iraq; the results of government audits and reviews conducted by the Defense Contract Audit Agency, the Defense Contract Management Agency, or other governmental entities with cognizant oversight; individual business decisions of our clients; paradigm shifts in technology; competitive factors such as pricing pressures and/or competition to hire and retain employees (particularly those with security clearances); market speculation regarding our continued independence; material changes in laws or regulations applicable to our businesses, particularly in connection with (i) government contracts for services, (ii) outsourcing of activities that have been performed by the government, and (iii) competition for task orders under Government Wide Acquisition Contracts (GWACs) and/or schedule contracts with the General Services Administration; the ability to successfully integrate the operations of our recent and any future acquisitions; our own ability to achieve the objectives of near term or long range business plans; and other risks described in our Securities and Exchange Commission filings.

Overview

The following discussion and analysis of our financial condition and results of operations is provided to enhance the understanding of, and should be read together with, our unaudited condensed consolidated financial statements and the notes to those statements that appear elsewhere in this Quarterly Report on Form 10-Q.

We are a leading provider of professional services and information technology solutions to the U.S. government. We derived 94.8 percent of our revenue during each of the nine months ended March 31, 2011 and 2010 from contracts with U.S. government agencies. These were derived through both prime and subcontractor relationships. We also provide services to state and local governments and commercial customers. Our major service offerings are as follows:

Enterprise IT and network services We support our clients' critical networked operational missions by providing tailored end-to-end enterprise information technology services for the design, establishment, management, security and operations of client infrastructure. Our operational, analytic, consultancy and transformational services effectively use industry best practices and standards to enable and optimize the full life cycle of the networked environment, improve customer service, improve efficiency, and reduce total cost and complexity of large, geographically dispersed operations.

Data, information and knowledge management services We deliver a full spectrum of solutions and services that automate the knowledge management life cycle from data capture through information analysis and understanding. We provide commercially-based products, custom solutions development, and operations and maintenance services that facilitate information sharing. Our information technology solutions are complemented by a suite of analytical expertise support offerings for our U.S. government Intelligence Community, Department of Defense (DoD), Department of Justice (DoJ), and Homeland Security customers.

Business system solutions We provide solutions that address the full spectrum of requirements in the financial, procurement, human resources, supply chain and other business domains. Our solutions employ an integrated cross-functional approach to maximize investments in existing systems, while leveraging the potential of advanced technologies to implement new, high payback solutions. Our offerings include services, consulting and software development/integration that support the full life cycle of commercial technology

implementation from blueprint through application sustainment.

Table of Contents

Logistics and material readiness services We offer a full suite of solutions and service offerings that plan for, implement, and control the efficient and effective flow and storage of goods, services, and information in support of U.S. government agencies. We develop and manage logistics information systems, specialized simulation and modeling toolsets, and provide logistics engineering services. Our operational capabilities span the supply chain, including advance logistics planning, demand forecasting, total asset visibility (including the use of Radio Frequency Identification technology), and life cycle support for weapons systems. Our logistics services are a critical enabler in support of defense readiness and combat sustainability objectives.

C4ISR solutions and services We provide rapid response services in support of military missions in a coordinated and controlled operational setting. We support the military efforts to ensure delivery and sustainment of integrated, enterprise-wide, Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) programs. We integrate sensors, mission applications, and systems that connect with DoD data networks.

Cyber security Our solutions and services support the full life cycle of preparing for, protecting against, detecting, reacting to and actively responding to the full range of cyber threats. We achieve this through comprehensive and consistently managed risk-based, cost-effective controls and measures to protect information and systems operated by the U.S. government. We proactively support the operational use and availability/reliability of information.

Integrated security and intelligence solutions The United States, its partners and its allies around the world face state, non-state, and transnational adversaries that do not recognize political boundaries; do not recognize international law; and will seek, through asymmetric and irregular means, ways to strike at seams in our national security. We assist clients in developing integrated solutions that close gaps between security, intelligence, and law enforcement in order to address complex threats to our national security.

Program management and system engineering and technical assistance (SETA) services We support U.S. government Program Executive Offices and Program Management Offices via subject matter experts and comprehensive technical management processes that optimize program resources. This includes translating operational requirements into configured systems, integrating technical inputs, characterizing and managing risk, transitioning technology into program efforts, and verifying that designs meet operational needs, through the application of internationally recognized and accepted standards. Additionally, we provide SETA and advisory and assistance services that include contract and acquisition management, operations support, architecture and system engineering services, project and portfolio management, strategy and policy support, and complex trade analyses.

We face some uncertainties due to the current business environment and we continue to experience a number of protests of major contract awards. In addition, many of our federal government contracts require us to have varying levels and types of security clearances and employ personnel with specific levels of education and work experience. Depending on the level of clearance, security clearances can be difficult and time-consuming to obtain and competition for skilled personnel in the information technology services industry is intense. In addition, a shift of expenditures away from programs that we support could cause federal government agencies to reduce their purchases under contracts, to exercise their right to terminate contracts at any time without penalty, or to decide not to exercise options to renew contracts. Among the factors that could affect our federal government contracting business are the continued demand and priority of funding for combat operations in Afghanistan, an increase in set-asides for small businesses, and budgetary priorities limiting or delaying federal government spending in general.

Our operations are also affected by local, national and worldwide economic conditions. The consequences of a prolonged global economic downturn or a continued weak U.S. economy and large federal budget deficits may include a lower level of government spending in the areas in which we provide our services. In addition, future gains or losses on assets invested in corporate-owned life insurance policies could cause fluctuations in our income tax expense.

Table of Contents**Results of Operations for the Three Months Ended March 31, 2011 and 2010**

Revenue. The table below sets forth revenue by customer type with related percentages of total revenue for the three months ended March 31, 2011 and 2010, respectively:

| (dollars in thousands) | Three Months Ended March 31, | | | | Change | |
|-----------------------------|------------------------------|---------------|-------------------|---------------|-------------------|--------------|
| | 2011 | | 2010 | | \$ | % |
| Department of Defense | \$ 735,639 | 80.5% | \$ 611,884 | 78.0% | \$ 123,755 | 20.2% |
| Federal civilian agencies | 129,349 | 14.2 | 130,661 | 16.7 | (1,312) | (1.0) |
| Commercial and other | 44,917 | 4.9 | 37,867 | 4.8 | 7,050 | 18.6 |
| State and local governments | 3,464 | 0.4 | 3,757 | 0.5 | (293) | (7.8) |
| Total | \$ 913,369 | 100.0% | \$ 784,169 | 100.0% | \$ 129,200 | 16.5% |

For the three months ended March 31, 2011, total revenue increased by 16.5 percent, or \$129.2 million, over the same period a year ago. This growth in revenue resulted primarily from the higher volume of work from DoD and was generated both from organic growth and from acquisitions completed since December 31, 2009. Revenue generated from the date a business is acquired through the first anniversary of that date is considered acquired revenue. Our acquired revenue in the three months ended March 31, 2011 was \$17.0 million.

Revenue from existing operations increased by 14.3 percent, or \$112.2 million, for the three months ended March 31, 2011. This organic growth was driven by both an increase in our direct labor and an increase in other direct costs (ODCs). ODCs include work which we subcontract to third parties to meet customer needs.

DoD revenue increased 20.2 percent, or \$123.8 million, for the three months ended March 31, 2011, as compared to the same period a year ago. \$11.7 million of the increase was attributable to acquired DoD revenue and the remaining \$112.1 million of the increase was attributable to revenue from existing operations. DoD revenue includes services provided to the U.S. Army, our largest customer, where our services focus on supporting readiness, tactical military intelligence, and communications of the commands in Iraq and Afghanistan. DoD revenue also includes work with the U.S. Navy and other DoD agencies across all of our major service offerings.

Revenue from federal civilian agencies decreased 1.0 percent, or \$1.3 million, for the three months ended March 31, 2011, as compared to the same period a year ago. The decrease is attributable in part to material purchases during the three months ended March 31, 2010 in the start-up phase of one project. Approximately 16.7 percent of the federal civilian agency revenue for the quarter was derived from DoJ, for whom we provide litigation support services. Revenue from DoJ was \$21.6 million and \$19.7 million for the three months ended March 31, 2011 and 2010, respectively. Federal civilian agency revenue also includes services provided to non-DoD national intelligence agencies.

Commercial and other revenue increased 18.6 percent, or \$7.1 million, during the three months ended March 31, 2011, as compared to the same period a year ago. Commercial revenue is derived from both international and domestic operations. International operations accounted for 71.9 percent, or \$32.3 million, of total commercial revenue, while domestic operations accounted for 28.1 percent, or \$12.6 million. The increase in commercial revenue is attributable to both international and domestic operations.

Revenue from state and local governments decreased by 7.8 percent, or \$0.3 million, for the three months ended March 31, 2011, as compared to the same period a year ago. Revenue from state and local governments represented less than one percent of our total revenue for both the three months ended March 31, 2011 and 2010. Our continued focus on federal government opportunities has resulted in a relatively reduced emphasis on state and local government business.

Table of Contents

Income from Operations. The following table sets forth the relative percentage that certain items of expense and earnings bore to revenue for the three months ended March 31, 2011 and 2010, respectively.

| (dollars in thousands) | Dollar Amount | | Percentage of Revenue | | Change | |
|------------------------------------------------------------------------|---------------------------------|------------|---------------------------------|--------|------------|--------|
| | Three Months Ended March 31, | | Three Months Ended March 31, | | \$ | % |
| | 2011 | 2010 | 2011 | 2010 | | |
| Revenue | \$ 913,369 | \$ 784,169 | 100.0% | 100.0% | \$ 129,200 | 16.5% |
| Costs of revenue | | | | | | |
| Direct costs | 645,404 | 551,191 | 70.6 | 70.3 | 94,213 | 17.1 |
| Indirect costs and selling expenses | 191,403 | 171,451 | 21.0 | 21.9 | 19,952 | 11.6 |
| Depreciation and amortization | 14,777 | 14,205 | 1.6 | 1.8 | 572 | 4.0 |
| Total costs of revenue | 851,584 | 736,847 | 93.2 | 94.0 | 114,737 | 15.6 |
| Income from operations | 61,785 | 47,322 | 6.8 | 6.0 | 14,463 | 30.6 |
| Interest expense and other, net | 5,674 | 6,488 | 0.6 | 0.8 | (814) | (12.5) |
| Income before income taxes | 56,111 | 40,834 | 6.2 | 5.2 | 15,277 | 37.4 |
| Income taxes | 19,397 | 14,055 | 2.2 | 1.8 | 5,342 | 38.0 |
| Net income before noncontrolling interest in earnings of joint venture | 36,714 | 26,779 | 4.0 | 3.4 | 9,935 | 37.1 |
| Noncontrolling interest in earnings of joint venture | (287) | (71) | | | (216) | 304.2 |
| Net income attributable to CACI | \$ 36,427 | \$ 26,708 | 4.0% | 3.4% | \$ 9,719 | 36.4% |

Income from operations for the three months ended March 31, 2011 was \$61.8 million. This was an increase of \$14.5 million, or 30.6 percent, from income from operations of \$47.3 million for the three months ended March 31, 2010. Our operating margin was 6.8 percent and 6.0 percent for the three months ended March 31, 2011 and 2010, respectively. This increase in operating margin was primarily the result of strong direct labor growth and ongoing cost control.

As a percentage of revenue, direct costs were 70.6 percent and 70.3 percent for the three months ended March 31, 2011 and 2010, respectively. Direct costs include direct labor and ODCs, which include, among other costs, subcontractor labor and materials along with equipment purchases and travel expenses. ODCs, which are common in our industry, typically are incurred in response to specific client tasks and may vary from period to period. Direct labor was \$233.3 million and \$206.1 million for the three months ended March 31, 2011 and 2010, respectively. This increase in direct labor was attributable primarily to organic growth. ODCs were \$412.1 million and \$345.1 million during the three months ended March 31, 2011 and 2010, respectively. This increase was primarily driven by an increased volume of tasking across C4ISR solutions and services within our Strategic Services Sourcing (S3) contract.

Indirect costs and selling expenses include fringe benefits, marketing expenses, bid and proposal costs, indirect labor, and other discretionary expenses. As a percentage of revenue, indirect costs and selling expenses were 21.0 percent and 21.9 percent for the three months ended March 31, 2011 and 2010, respectively. The decrease in indirect costs and selling expenses as a percentage of revenue was primarily a result of controlling our various indirect and general and administrative expenses and the aforementioned higher ODC content which require less indirect costs and selling expenses. In addition, indirect costs and selling expenses in the three months ended March 31, 2011 were reduced by a \$2.6 million decrease in our contingent consideration liability related to acquisitions made during the year ended June 30, 2010. Total stock-based compensation expense, a component of indirect costs, was \$4.7 million and \$5.2 million for the three months ended March 31, 2011 and 2010, respectively. Stock-based compensation expense for the three months ended March 31, 2011 was favorably impacted by higher than expected forfeitures.

Depreciation and amortization expense was \$14.8 million and \$14.2 million for the three months ended March 31, 2011 and 2010, respectively. The increase of \$0.6 million, or 4.0 percent, was primarily the result of amortization and depreciation expense attributable to intangibles and fixed assets acquired in the Company's recent acquisitions, offset in part by a decrease in amortization on externally marketed software.

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

Interest expense and other, net decreased \$0.8 million, or 12.5 percent, during the three months ended March 31, 2011 as compared to the same period a year ago. The decrease was primarily due to lower debt outstanding during the three months ended March 31, 2011.

Table of Contents

The effective tax rate was 34.7 percent and 34.5 percent during the three months ended March 31, 2011 and 2010, respectively. The tax rates reported in the third quarter of both FY2011 and FY2010 were favorably impacted by non-taxable gains on assets invested in corporate-owned life insurance policies to date. If gains or losses on these investments throughout the rest of the current fiscal year vary from our estimates, our effective tax rate will fluctuate in the fourth quarter of the year ending June 30, 2011.

Results of Operations for the Nine Months Ended March 31, 2011 and 2010

Revenue. The table below sets forth revenue by customer type with related percentages of total revenue for the nine months ended March 31, 2011 and 2010, respectively:

| (amounts in thousands) | Nine Months Ended March 31, | | | | Change | |
|-----------------------------|-----------------------------|---------------|---------------------|---------------|-------------------|--------------|
| | 2011 | | 2010 | | \$ | % |
| Department of Defense | \$ 2,078,870 | 79.5% | \$ 1,786,846 | 77.7% | \$ 292,024 | 16.3% |
| Federal civilian agencies | 399,251 | 15.3 | 393,408 | 17.1 | 5,843 | 1.5 |
| Commercial and other | 126,179 | 4.8 | 107,087 | 4.6 | 19,092 | 17.8 |
| State and local governments | 10,318 | 0.4 | 13,073 | 0.6 | (2,755) | (21.1) |
| Total | \$ 2,614,618 | 100.0% | \$ 2,300,414 | 100.0% | \$ 314,204 | 13.7% |

For the nine months ended March 31, 2011, total revenue increased by 13.7 percent, or \$314.2 million, over the same period a year ago. This growth in revenue resulted primarily from the higher volume of work from DoD customers and was generated from both organic growth and acquired revenue. Revenue generated from the date a business is acquired through the first anniversary of that date is considered acquired revenue. Our acquired revenue in the nine months ended March 31, 2011 was \$47.4 million.

Revenue from existing operations increased by 11.6 percent or \$266.8 million, for the nine months ended March 31, 2011. This organic growth was driven by both an increase in our direct labor and a significant increase in ODCs. ODCs include work which we subcontract to third parties to meet customer needs.

DoD revenue increased 16.3 percent, or \$292.0 million, for the nine months ended March 31, 2011, as compared to the same period a year ago. \$27.1 million of the increase was attributable to acquired DoD revenue and the remaining \$264.9 million of the increase was attributable to revenue from existing operations. DoD revenue includes services provided to the U.S. Army, our largest customer, where our services focus on supporting readiness, tactical military intelligence, and communications of the commands in Iraq and Afghanistan. DoD revenue also includes work with the U.S. Navy and other DoD agencies across all of our major service offerings.

Revenue from federal civilian agencies increased 1.5 percent, or \$5.8 million, for the nine months ended March 31, 2011, as compared to the same period a year ago. Of the federal civilian agency revenue growth, \$4.2 million was attributable to existing operations and \$1.6 million was attributable to acquisitions. Approximately 17.1 percent of the federal civilian agency revenue for the year was derived from DoJ, for whom we provide litigation support services. Revenue from DoJ was \$68.2 million and \$57.0 million for the nine months ended March 31, 2011 and 2010, respectively. Federal civilian agency revenue also includes services provided to non-DoD national intelligence agencies.

Commercial revenue increased 17.8 percent, or \$19.1 million, during the nine months ended March 31, 2011, as compared to the same period a year ago. This increase is primarily attributable to recent acquisitions. Commercial revenue is derived from both international and domestic operations. International operations accounted for 70.6 percent, or \$89.1 million, of total commercial revenue, while domestic operations accounted for 29.4 percent, or \$37.1 million.

Revenue from state and local governments decreased by 21.1 percent, or \$2.8 million, for the nine months ended March 31, 2011, as compared to the same period a year ago. Revenue from state and local governments represented less than one percent of our total revenue for both the nine months ended March 31, 2011 and 2010. Our continued focus on federal government opportunities has resulted in a relatively reduced emphasis on state and local government business.

Table of Contents

Income from Operations. The following table sets forth the relative percentage that certain items of expense and earnings bore to revenue for the nine months ended March 31, 2011 and 2010, respectively.

| (dollars in thousands) | Dollar Amount | | Percentage of Revenue | | Change | |
|------------------------------------------------------------------------|--------------------------------|--------------|--------------------------------|--------|------------|--------|
| | Nine Months Ended March 31, | | Nine Months Ended March 31, | | \$ | % |
| | 2011 | 2010 | 2011 | 2010 | | |
| Revenue | \$ 2,614,618 | \$ 2,300,414 | 100.0% | 100.0% | \$ 314,204 | 13.7% |
| Costs of revenue | | | | | | |
| Direct costs | 1,843,410 | 1,604,848 | 70.5 | 69.8 | 238,562 | 14.9 |
| Indirect costs and selling expenses | 555,972 | 515,849 | 21.3 | 22.4 | 40,123 | 7.8 |
| Depreciation and amortization | 41,919 | 38,906 | 1.6 | 1.7 | 3,013 | 7.7 |
| Total costs of revenue | 2,441,301 | 2,159,603 | 93.4 | 93.9 | 281,698 | 13.0 |
| Income from operations | 173,317 | 140,811 | 6.6 | 6.1 | 32,506 | 23.1 |
| Interest expense and other, net | 17,498 | 20,874 | 0.6 | 0.9 | (3,376) | (16.2) |
| Income before income taxes | 155,819 | 119,937 | 6.0 | 5.2 | 35,882 | 29.9 |
| Income taxes | 56,781 | 42,973 | 2.2 | 1.9 | 13,808 | 32.1 |
| Net income before noncontrolling interest in earnings of joint venture | 99,038 | 76,964 | 3.8 | 3.3 | 22,074 | 28.7 |
| Noncontrolling interest in earnings of joint venture | (721) | (349) | | | (372) | 106.6 |
| Net income attributable to CACI | \$ 98,317 | \$ 76,615 | 3.8% | 3.3% | \$ 21,702 | 28.3% |

Income from operations for the nine months ended March 31, 2011 was \$173.3 million. This is an increase of \$32.5 million, or 23.1 percent, from income from operations of \$140.8 million for the nine months ended March 31, 2010. Our operating margin was 6.6 percent, up from 6.1 percent, during the same period a year ago. This increase in operating margin was primarily the result of strong direct labor growth and ongoing cost control.

As a percentage of revenue, direct costs were 70.5 percent and 69.8 percent for the nine months ended March 31, 2011 and 2010, respectively. Direct costs include direct labor and ODCs, which include, among other costs, subcontractor labor and materials along with equipment purchases and travel expenses. ODCs, which are common in our industry, typically are incurred in response to specific client tasks and may vary from period to period. Direct labor was \$656.1 million and \$598.9 million for the nine months ended March 31, 2011 and 2010, respectively. This increase in direct labor was attributable to both organic growth and acquisitions. ODCs were \$1.2 billion and \$1.0 billion during the nine months ended March 31, 2011 and 2010, respectively. This increase was primarily driven by an increased volume of tasking across C4ISR solutions and services within our S3 contract along with the impact of our recent acquisitions.

Indirect costs and selling expenses include fringe benefits, marketing and bid and proposal costs, indirect labor, and other discretionary expenses. As a percentage of revenue, indirect costs and selling expenses were 21.3 percent and 22.4 percent for the nine months ended March 31, 2011 and 2010, respectively. This decrease was primarily the result of integrating acquired businesses, controlling our various indirect and general and administrative expenses and the aforementioned higher ODC content which require less indirect cost and selling expenses. In addition, indirect costs and selling expenses in the nine months ended March 31, 2011 were reduced by a \$1.9 million decrease in our contingent consideration liability related to acquisitions made during the year ended June 30, 2010. A component of indirect costs and selling expenses is stock-based compensation expense. Total stock-based compensation expense was \$13.1 million and \$18.0 million for the nine months ended March 31, 2011 and 2010, respectively, and decreased primarily due to higher forfeitures in the nine months ended March 31, 2011, the timing of the annual grant of equity instruments, and increased stock-based compensation expense during the nine months ended March 31, 2010 as a result of the then-current estimate of performance during the performance measurement period for the August 2008 performance-based RSU grant.

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

Depreciation and amortization expense was \$41.9 million and \$38.9 million for the nine months ended March 31, 2011 and 2010, respectively. This increase of \$3.0 million, or 7.7 percent, is primarily the result of amortization and depreciation expense attributable to acquired intangibles and fixed assets offset by a decrease in amortization on externally marketed software.

Table of Contents

Interest expense and other, net decreased \$3.4 million, or 16.2 percent, during the nine months ended March 31, 2011 as compared to the same period a year ago. The decrease was primarily due to lower debt outstanding.

The effective tax rate was 36.6 percent and 35.9 percent during the nine months ended March 31, 2011 and 2010, respectively. The effective tax rate for both the nine months ended March 31, 2011 and 2010 was favorably impacted by non-taxable gains on assets invested in corporate-owned life insurance policies year-to-date. If gains or losses on those investments throughout the rest of the current fiscal year vary from our estimates, our effective tax rate will fluctuate in the fourth quarter of the year ending June 30, 2011.

Liquidity and Capital Resources

Historically, our positive cash flow from operations and our available credit facilities have provided adequate liquidity and working capital to fund our operational needs.

At March 31, 2011, we had a \$750.0 million credit facility (the Credit Facility), which included a \$600.0 million revolving credit facility (the Revolving Facility) and a \$150.0 million term loan (the Term Loan). At March 31, 2011, \$148.1 million was outstanding under the Term Loan, no amounts were outstanding under the Revolving Facility and we had no outstanding letters of credits. On April 8, 2011, in preparation for the possible shutdown of the United States government, the Company borrowed \$150.0 million under the Revolving Facility. The entire amount was repaid on April 11, 2011, after the United States Congress agreed on a budget for its fiscal year ending September 30, 2011.

The Credit Facility was entered into on October 21, 2010 and replaced the Company's previous credit facility which was terminated on such date. The Credit Facility has an accordion feature that will allow the facility to be expanded by an additional \$200 million with applicable lender approvals. The interest rates applicable to loans under the Credit Facility are floating interest rates that, at the Company's option, equal a base rate or a Eurodollar rate plus, in each case, an applicable margin based upon the Company's consolidated total leverage ratio. The Credit Facility is subject to affirmative, negative, and financial covenants that are customary for this type of credit agreement.

Effective May 16, 2007, we issued \$300.0 million of 2.125 percent convertible senior subordinated notes (the Notes) which mature on May 1, 2014, in a private placement pursuant to Rule 144A of the Securities Act of 1933. The Notes are subordinate to our senior secured debt, and interest on the Notes is payable on May 1 and November 1 of each year.

Holder may convert their notes at a conversion rate of 18.2989 shares of CACI common stock for each \$1,000 of note principal (an initial conversion price of \$54.65 per share) under the following circumstances: 1) if the last reported sale price of CACI stock is greater than or equal to 130 percent of the conversion price for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter; 2) during the five consecutive business day period immediately after any ten consecutive trading day period (the note measurement period) in which the average of the trading price per \$1,000 principal amount of convertible note was equal to or less than 97 percent of the average product of the closing price of a share of our common stock and the conversion rate of each date during the note measurement period; 3) upon the occurrence of certain corporate events constituting a fundamental change, as defined; or 4) during the last three-month period prior to maturity. We are required to satisfy 100 percent of the principal amount of the Notes solely in cash, with any amounts above the principal amount to be satisfied in common stock. As of March 31, 2011, none of the conditions permitting conversion of the Notes had been satisfied.

In the event of a fundamental change, as defined, holders may require us to repurchase the Notes at a price equal to the principal amount plus any accrued interest. Also, if certain fundamental changes occur prior to maturity, we will in certain circumstances increase the conversion rate by a number of additional shares of common stock or, in lieu thereof, we may in certain circumstances elect to adjust the conversion rate and related conversion obligation so that these notes are convertible into shares of the acquiring or surviving company. We are not permitted to redeem the Notes.

The contingently issuable shares that may result from the conversion of the Notes were included in our diluted share count for the three and nine month periods ended March 31, 2011 because our \$56.88 average stock price during the three months ended March 31, 2011 was above the conversion price of \$54.65 per share. The contingently issuable shares that may result from the conversion of the Notes were not included in our diluted share count for the three or nine month periods ended March 31, 2010 because our average stock price during those periods was below the conversion price.

Of total debt issuance costs of \$7.8 million, \$5.8 million is being amortized to interest expense over seven years. The remaining \$2.0 million of debt issuance costs have been reclassified to shareholders' equity. Upon closing of the sale of the Notes, \$45.5 million of the net proceeds was used to concurrently repurchase one million shares of our common stock.

Table of Contents

In connection with the issuance of the Notes, we purchased in a private transaction at a cost of \$84.4 million call options (the Call Options) to purchase approximately 5.5 million shares of our common stock at a price equal to the conversion price of \$54.65 per share. The Call Options allow us to receive shares of our common stock from the counterparties equal to the amount of common stock related to the excess conversion value that we would pay the holders of the Notes upon conversion. In addition, we sold warrants (the Warrants) to issue approximately 5.5 million shares of CACI common stock at an exercise price of \$68.31 per share. The proceeds from the sale of the Warrants totaled \$56.5 million.

For income tax reporting purposes, the Notes and the Call Options are integrated. This created an original issue discount for income tax reporting purposes, and therefore the cost of the Call Options is being accounted for as interest expense over the term of the Notes for income tax reporting purposes. The associated income tax benefit of \$32.8 million to be realized for income tax reporting purposes over the term of the Notes was recorded as an increase in additional paid-in capital and a long-term deferred tax asset. The majority of this deferred tax asset is offset in our balance sheet by the \$30.7 million deferred tax liability associated with the non-cash interest expense to be recorded for financial reporting purposes.

On a combined basis, the Call Options and the Warrants are intended to reduce the potential dilution of our common stock in the event that the Notes are converted by effectively increasing the conversion price of these notes from \$54.65 to \$68.31. The Call Options are anti-dilutive and are therefore excluded from the calculation of diluted shares outstanding. The Warrants will result in additional diluted shares outstanding if our average common stock price exceeds \$68.31. The Call Options and the Warrants are separate and legally distinct instruments that bind us and the counterparties and have no binding effect on the holders of the Notes.

We account for the liability and the equity (conversion option) components of the Notes, and recognize expense on the Notes, using an interest rate in effect for comparable debt instruments that do not contain conversion features. The effective interest rate for the Notes excluding its conversion option was determined to be 6.9 percent.

The fair value of the liability component of the Notes was calculated to be \$221.9 million at May 16, 2007, the date of issuance. The excess of the \$300.0 million of gross proceeds over the \$221.9 million fair value of the liability component, or \$78.1 million, represents the fair value of the equity component, which has been recorded, net of income tax effect, as additional paid-in capital within shareholders' equity. This \$78.1 million difference represents a debt discount that is amortized over the seven-year term of the Notes as a non-cash component of interest expense.

We also maintain two additional lines of credit, one in the U.K., and one under a joint venture that we consolidate. The total amount available under the line-of-credit facility in the U.K., which is cancelable at any time upon notice from the bank, is 0.5 million pounds sterling. The amount available under the joint venture's line of credit is \$1.5 million. This line of credit is scheduled to expire in September 2011. As of March 31, 2011, the Company had no outstanding borrowings under either of these lines of credit.

Cash and cash equivalents were \$98.3 million and \$254.5 million at March 31, 2011 and June 30, 2010, respectively. Our operating cash flow was \$146.8 million for the nine months ended March 31, 2011 as compared to \$122.9 million in the same period a year ago. This increase in operating cash flows during the nine months ended March 31, 2011 as compared to the year earlier is due primarily to profits earned during the current year and our strong operational processes. Days-sales-outstanding were 54 at March 31, 2011, and 59 at March 31, 2010.

We used cash in investing activities of \$143.5 million and \$107.6 million for the nine months ended March 31, 2011 and 2010, respectively. This increase was primarily the result of acquisitions completed during the nine months ended March 31, 2011. This was partially offset by lower capital expenditures incurred in connection with our consolidation of office space in a new building in Northern Virginia during the prior year.

Cash used in financing activities was \$160.9 million in the nine months ended March 31, 2011 as compared to \$46.4 million in the nine months ended March 31, 2010. During the nine months ended March 31, 2011, we prepaid our then-outstanding term loan in connection with entering into the Credit Facility and used \$44.3 million to repurchase 0.9 million shares of our common stock pursuant to a plan approved by our Board of Directors in June 2010. Cash flows from financing activities include proceeds received from the exercise of stock options and purchases of stock under our Employee Stock Purchase Plan (ESPP) totaling \$21.4 million and \$9.1 million during the nine months ended March 31, 2011 and 2010, respectively. These amounts were offset by cash used to purchase stock to fulfill obligations under the ESPP. Cash used to acquire stock under the ESPP was \$2.7 million and \$2.6 million during the nine month periods ended March 31, 2011 and 2010, respectively.

Table of Contents

We believe that the combination of internally generated funds, available bank borrowings and cash and cash equivalents on hand will provide the required liquidity and capital resources necessary to fund on-going operations, customary capital expenditures, debt service obligations, and other working capital requirements over the next twelve months. Over the longer term, our ability to generate sufficient cash flows from operations necessary to fulfill the obligations under the Credit Facility and the Notes will depend on our future financial performance which will be affected by many factors outside of our control, including worldwide economic and financial market conditions.

Off-Balance Sheet Arrangements and Contractual Obligations

We use off-balance sheet arrangements to finance the lease of operating facilities. We have financed the use of all of our current office and warehouse facilities through operating leases. Operating leases are also used to finance the use of computers, servers, phone systems, and to a lesser extent, other fixed assets, such as furnishings, that are obtained in connection with business acquisitions. We generally assume the lease rights and obligations of companies acquired in business combinations and continue financing equipment under operating leases until the end of the lease term following the acquisition date. We generally do not finance capital expenditures with operating leases, but instead finance such purchases with available cash balances. For additional information regarding our operating lease commitments, see Note 15 in the Notes to Consolidated Financial Statements contained in our Annual Report on Form 10-K for the year ended June 30, 2010. The Credit Facility provides for stand-by letters of credit aggregating up to \$25.0 million that reduce the funds available under the revolving facility component of the Credit Facility when issued. We currently have no outstanding letters of credit. We have no other material off-balance sheet financing arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The interest rates on the Credit Facility are affected by changes in market interest rates. We have the ability to manage these fluctuations in part through interest rate hedging alternatives in the form of interest rate swaps and caps. We have maintained hedging relationships with various counterparties in recent years, including two interest rate swap agreements that expired in December 2009. These agreements allowed us to exchange a portion of our variable rate debt for fixed rate debt. We have not entered into new interest rate swaps at this time due to the relatively favorable interest rate environment. Our interest expense on our variable rate debt would have fluctuated by approximately \$1.3 million for the nine months ended March 31, 2011 with every one percent fluctuation in the applicable interest rates.

Approximately 3.4 percent and 3.9 percent of our total revenue in the nine months ended March 31, 2011 and 2010, respectively, was derived from our international operations in the U.K. Our practice in the U.K. is to negotiate contracts in the same currency in which the predominant expenses are incurred, thereby mitigating the exposure to foreign currency exchange fluctuations. It is not possible to accomplish this in all cases; thus, there is some risk that profits will be affected by foreign currency exchange fluctuations. As of March 31, 2011 we held a combination of euros and pounds sterling in the U.K. equivalent to approximately \$23.5 million. This allows us to better utilize our cash resources on behalf of our foreign subsidiaries, thereby mitigating foreign currency conversion risks.

Item 4. Controls and Procedures

As of the end of the three month period covered by this report, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer.

The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. The effectiveness of a system of disclosure controls and procedures is subject to various inherent limitations, including cost limitation, judgments used in decision making, assumptions about the likelihood of future events, the soundness of internal controls, and fraud. Due to such inherent limitations, there can be only reasonable, and not absolute, assurance that any system of disclosure controls and procedures will be successful in preventing all errors or fraud, or in making all material information known in a timely manner to appropriate levels of management.

Table of Contents

Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level at March 31, 2011.

The Company reports that no changes in its internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended March 31, 2011.

Table of Contents

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

Saleh, et al. v. Titan Corp., et al.

Reference is made to Part I, Item 3, Legal Proceedings, in the Registrant's Annual Report on Form 10-K for the year ended June 30, 2010 for the most recently filed information concerning the suit filed in the United States District Court for the Southern District of California, and transferred to the United States District Court for the District of Columbia, against CACI International Inc, CACI, INC. FEDERAL, CACI N.V., and former CACI employee Stephen A. Stefanowicz, among other defendants, seeking a permanent injunction, declaratory relief, compensatory and punitive damages, treble damages and attorney's fees arising out of defendants' alleged acts against plaintiffs, who were detainees at Abu Ghraib prison and elsewhere in Iraq.

Since the filing of Registrant's report described above, on October 4, 2010, the Supreme Court of the United States invited the United States Solicitor General to file a brief expressing the views of the United States on the plaintiffs' petition for certiorari. The plaintiffs' certiorari petition remains pending.

Ibrahim, et al. v. Titan Corp., et al.

Reference is made to Part I, Item 3, Legal Proceedings, in the Registrant's Annual Report on Form 10-K for the year ended June 30, 2010 for the most recently filed information concerning the suit filed in the United States District Court for the District of Columbia against CACI International Inc, CACI, INC. FEDERAL, CACI N.V. and Titan Corporation, seeking compensatory and punitive damages for physical injury, emotional distress, and/or wrongful death allegedly suffered as a result of defendants' wrongful acts against plaintiffs, who were detainees at Abu Ghraib prison and elsewhere in Iraq.

Since the filing of Registrant's report described above, on October 4, 2010, the Supreme Court of the United States invited the United States Solicitor General to file a brief expressing the views of the United States on the plaintiffs' petition for certiorari. The plaintiffs' certiorari petition remains pending.

Al Shimari v. L-3 Services, Inc. et al.

Reference is made to Part I, Item 3, Legal Proceeding in the Registrant's Annual Report on Form 10-K for the year ended June 30, 2010 for the most recently filed information concerning the suit filed in the United States District Court for the Southern District of Ohio. The lawsuit names CACI International Inc, CACI Premier Technology, Inc. and former CACI employee Timothy Dugan as Defendants, along with L-3 Services, Inc. Plaintiff seeks, inter alia, compensatory damages, punitive damages, and attorney's fees.

Since the filing of Registrant's report described above, the United States Court of Appeals for the Fourth Circuit heard oral argument in the appeal and has determined to hold the matter in abeyance pending a decision by the U.S. Supreme Court on the plaintiffs' certiorari petitions in the *Saleh* and *Ibrahim* cases described above.

Abbas, et al. v. L-3 Services, Inc. et al.

Reference is made to Part I, Item 3, Legal Proceeding in the Registrant's Annual Report on Form 10-K for the year ended June 30, 2010 for the most recently filed information concerning the suit filed in the United States District Court for the District of Columbia. The lawsuit names CACI Premier Technology, Inc. and L-3 Services, Inc. as defendants. Plaintiff seeks, inter alia, compensatory damages, punitive damages and costs.

Since the filing of the Registrant's report described above, the case remains stayed pending final resolution of the *Saleh* and *Ibrahim* cases described above.

We are vigorously defending the above-described legal proceedings, and, based on our present knowledge of the facts, believe the lawsuits are completely without merit.

Table of Contents**Item 1A. Risk Factors**

Reference is made to Part I, Item 1A, Risk Factors, in the Registrant's Annual Report on Form 10-K for the year ended June 30, 2010. There have been no material changes from the risk factors described in that report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides certain information with respect to our purchases of shares of CACI International Inc's common stock:

| Period | Total Number of Shares Purchased⁽¹⁾ | Average Price Paid Per Share | Total Number of Shares Purchased As Part of Publicly Announced Programs | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs⁽²⁾ |
|---------------|-------------------------------------------------------|-------------------------------------|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| January 2011 | 17,093 | \$ 52.17 | | 575,189 |
| February 2011 | 24,475 | 58.08 | 24,475 | 550,714 |
| March 2011 | 420,865 | 58.71 | 420,865 | 129,849 |
| Total | 462,433 | \$ 58.44 | 445,340 | |

⁽¹⁾ Shares purchased in January 2011 were purchased in order to satisfy our obligations under the 2002 Employee Stock Purchase Plan (ESPP). Shares purchased in February and March 2011 were made in accordance with our stock repurchase program described in Note 2 below.

The ESPP was adopted by the Company in 2002. There are 1.0 million shares authorized for grant under the ESPP. Through March 31, 2011, we have purchased a total of 0.8 million shares under the ESPP and there are 0.2 million shares available for purchase by our employees through payroll withholding.

⁽²⁾ In June 2010, our Board of Directors authorized a stock repurchase program under which we could repurchase up to 1.0 million shares of our common stock, where the total expenditure for the purchase of the shares under this repurchase program did not exceed \$50.0 million. The repurchase program was announced on June 29, 2010. Through March 31, 2011, we repurchased a total of 0.9 million shares under the stock repurchase program. As of March 31, 2011, there were 0.1 million shares remaining authorized for repurchase under the stock repurchase program. Stock repurchases may be made on the open market or in privately negotiated transactions with third parties. Whether repurchases are made and the timing and actual number of shares repurchased depends on a variety of factors including price, corporate capital requirements, other market conditions and regulatory requirements.

Item 3. Defaults Upon Senior Securities

None

Item 4. [Removed and Reserved]

None

Item 5. Other Information

None

Table of Contents**Item 6. Exhibits**

| Exhibit No. | Description | Filed with this Form 10-Q | Incorporated by Reference | | Exhibit No. |
|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|--------------------|-------------|
| | | | Form | Filing Date | |
| 3.1 | Certificate of Incorporation of CACI International Inc, as amended to date | | 10-K | September 13, 2006 | 3.1 |
| 3.2 | Amended and Restated By-laws of CACI International Inc, amended as of March 5, 2008 | | 8-K | March 7, 2008 | 3.1 |
| 4.1 | Clause FOURTH of CACI International Inc s Certificate of Incorporation incorporated above as Exhibit 3.1 | | 10-K | September 13, 2006 | 4.1 |
| 4.2 | The Rights Agreement dated July 11, 2003 between CACI International Inc and American Stock Transfer & Trust Company | | 8-K | July 11, 2003 | 4.1 |
| 10.1 | Form of CACI International Inc 2006 Stock Incentive Plan Restricted Stock Unit (RSU) Grant Agreement | X | | | |
| 31.1 | Section 302 Certification Paul M. Cofoni | X | | | |
| 31.2 | Section 302 Certification Thomas A. Mutryn | X | | | |
| 32.1 | Section 906 Certification Paul M. Cofoni | X | | | |
| 32.2 | Section 906 Certification Thomas A. Mutryn | X | | | |
| 101 | The following materials from the CACI International Inc Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 formatted in eXtensible Business Reporting Language (XBRL): (i) Condensed Consolidated Statements of Operations, (ii) Condensed Consolidated Balance Sheets, (iii) Condensed Consolidated Statements of Cash Flows (iv) Consolidated Statements of Comprehensive Income, and (v) Notes to Condensed Consolidated Financial Statements* | | | | |

* Submitted electronically herewith.

Table of Contents

SIGNATURES

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

CACI International Inc
Registrant

Date: May 6, 2011

By: /s/ Paul M. Cofoni
Paul M. Cofoni
President,
Chief Executive Officer and Director
(Principal Executive Officer)

Date: May 6, 2011

By: /s/ Thomas A. Mutryn
Thomas A. Mutryn
Executive Vice President,
Chief Financial Officer and Treasurer
(Principal Financial Officer)

Date: May 6, 2011

By: /s/ Carol P. Hanna
Carol P. Hanna
Senior Vice President, Corporate Controller
and Chief Accounting Officer
(Principal Accounting Officer)