CACI INTERNATIONAL INC /DE/
Form 10-K
August 20, 2018

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended June 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 001-31400

CACI International Inc

(Exact name of registrant as specified in its charter)

Delaware	54-1345888
(State or other jurisdiction of incorporation or organization)	(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 is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes . No .

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes . No .

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Annual Report on Form 10-K or any amendment to this Annual Report on Form 10-K.

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. .

The aggregate market value of common shares held by non-affiliates of the registrant on December 31, 2017 was $3,198,962,896, based upon the closing price of the registrant's common shares as quoted on the New York Stock Exchange composite tape on such date.

As of August 7, 2018, the registrant had 24,705,478 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates by reference certain information from the registrant's proxy statement for its 2018 annual meeting of stockholders. With the exception of the sections of the 2018 Proxy Statement specifically incorporated herein by reference, the 2018 Proxy Statement is not deemed to be filed as part of this Annual Report on Form 10-K.

INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

Certain information included or incorporated by reference in this document and in press releases, written statements or other documents filed with the United States (U.S.) Securities and Exchange Commission (SEC), or in the Company's communications and discussions through webcasts, telephone calls and conference calls, may not address historical facts and, therefore, could be interpreted to be "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995 and other federal securities laws. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including projections of financial performance; statements of plans, strategies and objectives of management for future operations; any statement concerning developments, performance or industry rankings relating to products or services; any statements regarding future economic conditions or performance; any statements of assumptions underlying any of the foregoing; and any other statements that address activities, events or developments that the Company intends, expects, projects, believes or anticipates will or may occur in the future. Forward-looking statements may be characterized by terminology such as "believe," "anticipate," "expect," "should," "intend," "plan," "will," "estimates," "projects," "strategy" and similar expressio statements are based on assumptions and assessments made by the Company's management in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes to be appropriate. These forward-looking statements are subject to a number of risks and uncertainties that include but are not limited to the factors set forth under Item 1A, Risk Factors in this Annual Report on Form 10-K.

Any such forward-looking statements are not guarantees of future performance, and actual results, developments and business decisions may differ materially from those envisaged by such forward-looking statements. The forward-looking statements included herein speak only as of the date of this Annual Report on Form 10-K. The Company disclaims any duty to update such forward-looking statements, all of which are expressly qualified by the foregoing.

CACI International Inc

FORM 10-K

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PART I

Item 1. Business

Background

CACI International Inc was founded in 1962 as a simulation technology company and has grown into an international information solutions and services provider. CACI serves 12 markets for which we provide domain expertise, solutions and services to meet mission needs. The 12th market, Space Operations and Resilience, was recently added and reflects the growing importance of this domain to national security and the expansion of CACI in this market with the Consolidated Air Force Satellite Control Network Modifications, Maintenance and Operations contract win.

CACI International Inc was organized in Delaware on October 8, 1985 and is a holding company whose operations are conducted through subsidiaries, which are located in the U.S. and Europe.

With revenue for the year ended June 30, 2018 (FY2018) of $4.5 billion, we serve customers in the U.S. federal government and commercial markets, primarily throughout North America and internationally on behalf of U.S. customers, as well as in the United Kingdom (U.K.) and the Netherlands. As a result of our diverse capabilities and customer mission understanding, many of our customer relationships have existed for over 20 years.

Our proven solutions and services and strong record of program delivery have enabled us to compete for and secure new customers and new contracts, win repeat business, and build and maintain long-term customer relationships. We seek competitive business opportunities and have built our operations to support major programs through a market-focused business development organization.

Our primary customers are agencies and departments of the U.S. government. Our information solutions and services support national security missions and government modernization/transformation for intelligence, defense, and federal civilian customers. The demand for our solutions and services, in large measure, is created by the increasingly complex network, systems, and information environments in which governments and businesses operate, and by the need to stay current with emerging technology while increasing productivity, enhancing security, and, ultimately, improving performance.

Unless the context indicates otherwise, the terms “we”, “our”, “the Company” and “CACI” as used in Parts I, II and III include CACI International Inc and its subsidiaries and ventures that are majority-owned or otherwise controlled by it. The term “the registrant” as used in Parts I, II and III refers to CACI International Inc only.

Available Information

Our telephone number is (703) 841-7800 and our Internet page can be accessed at www.caci.com. We make our web site content available for information purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this Annual Report on Form 10-K.

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are made available free of charge on our Internet website at www.caci.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Documents filed by us with the SEC can also be viewed at www.sec.gov.

Overview

At June 30, 2018, we had approximately 18,800 employees.

Domestic Operations

Our domestic operations account for 100 percent of our U.S. government revenue and 44.0 percent of our commercial and other revenue. Some of the contracts performed by our domestic operations involve assignment of employees to international locations in support of our federal government customers. We provide our services and solutions to our domestic customers in the following market areas:

Business Systems – CACI's business systems solutions enable efficiency, innovation, and compliance by applying focused federal domain expertise, combined with best-fit technology solutions, all integrated, implemented, and operated to improve the organizational performance of our customers. Our solutions in financial management, human capital management, asset and materials management, and administrative management help customers improve their efficiency. CACI is a full-service federal systems integrator, implementing the foundational system solutions for both mission and business support, and providing the consulting assistance and business intelligence/analytics that convert data into actionable information to support smart decisions for over 100 federal military, intelligence, and federal civilian organizations.

Command and Control (C2) – CACI develops, integrates, sustains, and operates agile and flexible C2 solutions, consisting of hardware, software, and interfaces that enhance our customers' situational awareness, planning, execution, and assessment. CACI's solutions enable network-centric operations to generate decision advantage in the most demanding environments.

Communications – CACI's broad-based solutions offer communications capabilities for soldier systems, mobile platforms, fixed facilities, and the enterprise. We leverage our expertise to design, develop, integrate, and provide field support to deliver rapidly deployable communications solutions when they are required anywhere in the world. CACI develops and integrates solutions that deliver secure multi-level unified communications from the enterprise directly to and from the tactical edge. We rapidly tailor and implement our products, services, and solutions to fit the specific missions and operating contexts of our customers.

Cyber Security – CACI's cyber security solutions combine years of cyber and electronic warfare experience with cutting-edge signals intelligence and radio frequency (RF) expertise. We help protect vulnerable platforms – including airplanes, cell phones, weapons systems, and unmanned aerial vehicles – from cyber attacks, and we provide comprehensive cyber support to a number of federal customers and the Intelligence Community (IC). We also have a world-class cyber team that provides tailored support to the IC and Department of Defense (DoD). CACI's full-spectrum cyber security capabilities span platform defense and exploitation, advanced network operations, and cyber engineering of resilient systems. Our rapid research and development, prototyping, and integration capabilities enable us to combat shifting and emerging threats.

Enterprise Information Technology (IT) – CACI's Enterprise IT solutions support our customers' missions. Our experts secure operational IT environments in the defense, intelligence, homeland security, and civilian communities. We provide tailored, end-to-end, enterprise-wide information solutions and services for the design, development, integration, deployment, operations and management, sustainment, and security of our customers' IT solutions. An Amazon Web Services (AWS) Premier Consulting Partner, we deliver cloud-powered solutions, performance-based service management, development operations and mobility, defensive cyber, end-user services, and infrastructure services. We support customers in the adoption of virtualized cloud services and mobile solutions that are revolutionizing the efficiency, reliability, and cost-effectiveness of IT services. We provide managed services and technical services that enhance efficiency, improve mission uptime, and reduce costs. Our operational, analytic, consulting, and transformational services use industry leading-edge practices, standards, and innovations to enable and optimize the full lifecycle of the enterprise IT environment.

Health – CACI supports federal civilian and military health missions to improve healthcare delivery systems, integrate electronic health records, improve health outcomes for communities, and enhance the speed and efficiency of emergency responsiveness. To improve cost efficiencies in healthcare, we use data analytics to better predict clinical, financial, and operational needs to reduce financial waste and fraud. We solve challenges in bio-surveillance, outbreak detection, disease prevention systems, health systems security, medical supply logistics and rapid disaster/emergency

response. We provide capabilities that address evolving healthcare regulations and establish more efficient and interoperable healthcare delivery systems through program management, strategic planning, software engineering, operation and maintenance, and IT facility support.

Intelligence Services – CACI's intelligence specialists support our customers' mission to convert data collected from all information sources into knowledge that enables event forecasting and empowers decisions. Our support is provided at the strategic and tactical levels, and consists of intelligence analysis, operations and planning, policy, doctrine, and security support. We work within the United States and internationally, providing analysis of data received from a variety of sources, and we provide direct support such as ground truth and intelligence gathering internationally.

Intelligence Systems and Support – CACI designs, develops, integrates, deploys, and rapidly prototypes hardware- and software-enabled tools and applications in support of data collection, processing, and analysis for our IC and DoD customers. An industry leader in signals intelligence (SIGINT) collection, processing, and dissemination systems, we deliver end-to-end SIGINT capabilities, including virtualized signal processing. We also provide significant support to the federal government in foreign instrumentation signals intelligence. We employ multi-intelligence fusion analysis of vast data from multiple intelligence sources, displayed using robust visualization techniques, to support a wide range of intelligence products and services for our customers to deliver actionable information in near real-time. We embed advanced artificial intelligence techniques within production-ready, cost-effective architectures to meet customers' evolving strategic and tactical needs. Our deep neural network frameworks have yielded proven solutions for large-scale automation of object detection and classification for classified customers. We design and develop software-defined radio systems capable of hosting a range of SIGINT capabilities. The capabilities include the SkyTracker™ product suite of counter-unmanned aerial systems (C-UAS) solutions, which accurately and reliably detects, identifies, and tracks UAS threats against valuable assets and national airspace. We also deliver quick reaction capabilities for integrating SIGINT and RF systems into platforms to deliver precision electronic warfare solutions to meet the rising tempo of missions.

Investigation and Litigation Support – CACI assists the U.S. government in investigating and litigating cases. We continually monitor and develop new document and data capture methodologies that increase efficiency and lower costs for our customers in high-stakes situations such as trials, investigations, hearings, and regulatory and enforcement activities. We are a proven provider with decades of experience delivering start-to-finish investigation and litigation support, leveraging technology to help customers manage documents and acquire and present evidence from pre-filing investigation through complaint, discovery, and trial; then post-trial and appeals. With our American Society of Crime Laboratory Directors/Laboratory Accreditation Board (ASCLD/LAB) International-accredited computer and audio/video forensics lab, we analyze digital evidence to support criminal and civil investigations, litigations, and security inquiries. We offer scalable cloud hosting solutions that are stable, secure, and fast, with access to industry-leading e-Discovery tools. As the premier contractor for delivering background investigations to the U.S. federal government, our fully trained and cleared investigators provide cost-efficient, high-quality personnel security investigations.

Logistics Systems and Services – CACI provides a full suite of logistics and material readiness solutions and professional service offerings that ensure the efficient, effective, and secure global flow and storage of materials, services, and information in support of U.S. government agencies. We provide complete product lifecycle management to make certain that provisions, equipment, and systems are ready anytime, anywhere. We deploy comprehensive supply chain solutions to enhance visibility, facilitate readiness-based sparing, and analyze readiness in near-real time. To advance the secure flow of supplies, we optimize efficiency while minimizing the time and cost of meeting readiness requirements across the enterprise. We provide our customers with workforce readiness by tailoring solutions to achieve the optimal capability of the organization and individual. We develop and manage logistics information systems as well as specialized simulation and modeling toolsets, and provide logistics engineering services.

Space Operations and Resiliency – CACI provides the advanced technology and mission support capabilities required to launch, operate, and exploit systems in the space domain. Our unique solutions predict outcomes, allowing decision-makers more time and better options for executing the mission. Our advanced analytics capabilities are used across the mission space and range from the execution of launch operations planning to the mission management of complex on-orbit systems. We use advanced big data and deep learning solutions to enhance the ability of our mission partners to solve their most complex problems. We also provide engineering, logistics, and modification solutions to globally deployed ground systems used to provide critical mission capabilities to ongoing missions as well as launch and early orbit events.

Surveillance and Reconnaissance – CACI integrates surveillance and reconnaissance technologies into platforms that support identification of potential targets and enhance troop safety. We develop and integrate state-of-the-art surveillance and reconnaissance sensors into air and ground systems, leveraging our mission-customized software and electronics. We provide integration, development, quick-reaction solutions and technical support services in support

of military, intelligence, and homeland security missions throughout the U.S. and around the world.

International Operations

Our international operations are conducted primarily through our operating subsidiaries in Europe, CACI Limited and CACI BV, and account for substantially all revenue generated from international customers and 56.0 percent of our commercial and other revenue. Headquartered in London, our international operations provide a diverse mix of IT services and proprietary data and software products, serving commercial and government customers throughout the U.K., continental Europe and around the world.

Competition

We operate in a highly competitive industry that includes many firms, some of which are larger in size and have greater financial resources than we do. We obtain much of our business on the basis of proposals submitted in response to requests from potential and current customers, who may also receive proposals from other firms. Additionally, we face indirect competition from certain government agencies that perform services for themselves similar to those marketed by us. We know of no single competitor that is dominant in our fields of technology. We have a relatively small share of the available worldwide market for our solutions and services and intend to achieve growth and increase market share both organically and through strategic acquisitions.

Strengths and Strategy

We offer substantially our entire range of solutions and services and proprietary products to defense, intelligence and civilian agencies of the U.S. government. Our work for U.S. government agencies may combine a wide range of skills drawn from our solutions, services and product offerings. We also contract through our international operations to supply solutions, services and/or products to governments of other nations. As with other government contractors, our business is subject to government customer funding decisions and actions that are beyond our control.

Although we are a supplier of proprietary computer-based technology products and marketing systems products, we are not primarily focused on being a software product developer-distributor (see discussion following under “Patents, Trademarks, Trade Secrets and Licenses”).

Our international commercial customer base consists primarily of large enterprises in the U.K. This market is the primary target of our proprietary marketing systems software, and database products and consultancy services. Commercial bids are frequently negotiated as to terms and conditions for schedule, specifications, delivery and payment.

In order to effectively perform on our existing customer contracts and secure new customer contracts within the U.S. government, we must maintain expert knowledge of agency policies, operations and challenges. We combine this comprehensive knowledge with significant expertise in the design, integration, development and implementation of advanced information solutions and services. This capability provides us with opportunities either to compete directly for, or to support other bidders in competition for multi-million dollar and multi-year award contracts from the U.S. government.

We have strategic business relationships with a number of companies associated with the information technology industry. These strategic partners have business objectives compatible with ours and offer products and services that complement ours. We intend to continue development of these kinds of relationships wherever they support our growth objectives.

Our marketing and new business development is conducted by many of our officers and managers including the Chief Executive Officer, executive officers, vice presidents and division managers. We employ marketing professionals who identify and qualify major contract opportunities, primarily in the federal government market.

Much of our business is won through submission of formal competitive bids. Government and commercial customers typically base their decisions regarding contract awards on their assessment of the quality of past performance, responsiveness to proposal requirements, price, and other factors. The terms, conditions and form of contract of government bids, however, are in most cases specified by the customer. In situations in which the customer-imposed contract type and/or terms appear to expose us to inappropriate risk or do not offer us a sufficient financial return, we may seek alternate arrangements or opt not to bid for the work. Essentially all contracts with the U.S. government, and

many contracts with other government entities, permit the government customer to terminate the contract at any time for the convenience of the government or for default by the contractor. Although we operate under the risk that such terminations may occur and have a material impact on operations, such terminations have been rare and, generally, have not materially affected operations.

Our contracts and subcontracts are composed of a wide range of contract types, including firm fixed-price, cost reimbursement, time-and-materials, indefinite delivery/indefinite quantity (IDIQ) and government wide acquisition contracts (known as GWACS) such as General Services Administration (GSA) schedule contracts. By company policy, significant fixed-price contracts require the approval of at least two of our senior officers.

At any one time, we may have over 1,700 separate active contracts and/or task orders. In FY2018, the top ten revenue-producing contracts, many of which consist of many task orders, accounted for 30.9 percent of our revenue, or $1.4 billion.

In FY2018, 93.5 percent of our revenue came from U.S. government prime contracts or subcontracts consisting of 66.6 percent from DoD contracts and 26.9 percent from U.S. government civilian agency customers.

Industry Trends

The federal government is a large and sophisticated user of information technology. The nation's expenditures on military, homeland security, and intelligence operations are substantially larger than those of any of its allies or adversaries.

The Budget Control Act of 2011 (the BCA) established limits on discretionary spending, reducing planned defense spending by a minimum of $487 billion over a 10 year period that began at the end of the government's Fiscal Year (FY) 2012. In addition, the BCA included a sequester mechanism that imposed additional defense cuts of $500 billion, or approximately 9 percent over nine years starting in the government's FY2013 if the Congress did not identify a means to reduce the U.S. deficit by $1.2 trillion. Because these means were not identified, the sequester mechanism took effect in March 2013.

Since the beginning of sequestration in March 2013, there have been three laws enacted that have extended the automatic direct spending reductions beyond the government's FY2021. As a result of the agreement to end a shutdown of the U.S. Government in October 2013, the Bipartisan Budget Act of 2013 (BBA 2013), signed into law in December 2013, revised the amount of discretionary spending to be sequestered for the government's FY2014 and FY2015, and included an extension of the sequestration process applied by the BCA to non-exempt mandatory spending for the government's FY2022 and FY2023. In February 2014, as part of an act to exempt from the BCA the retirement pay of members and former members of the Armed Forces under the age of 62 before the start of 2014, the sequestration process was extended for non-exempt mandatory spending to the government's FY2024. At the end of October 2015, the Bipartisan Budget Act of 2015 (BBA 2015) was signed into law, increasing the defense and non-defense discretionary spending caps as enacted by the BCA in the government's FY2016 and FY2017. This law further extended automatic direct spending reductions to non-exempt mandatory spending for the government's FY2024 and FY2025. In February 2018, the Bipartisan Budget Act of 2018 (BBA 2018) was signed into law. This law established a framework and increased the caps on defense and non-defense discretionary spending for the government's FY2018 and FY2019. Defense caps were increased by $80 billion for FY2018 and $85 billion for FY2019, while non-defense caps were increased by $63 billion and $68 billion, respectively. If there are no changes to at least the discretionary spending levels set by the BCA for the government's FY2020 full sequestration of defense and non-defense spending will resume on October 1, 2019.

From October 1, 2017 until March 23, 2018, except for January 20th to the 22nd, the U.S. Government operated under a series of continuing resolutions (CRs). During those months while the government operated under CRs, we continuously reviewed our operations in an attempt to identify those programs that were potentially at risk from the consequences of uncertain or delayed appropriations so that we could make appropriate contingency plans, should they have been necessary. We experienced reduced funding on some of our programs but did not have any of our major programs cancelled.

In light of the BCA and deficit reduction pressures offset by the provisions of the BBA 2018, discretionary and non-exempt mandatory spending by the federal government is expected to be higher in the government's FY2018 and FY2019 and to be constrained thereafter at least through the government's FY2025. Even with the reduced amount of sequestration for the government's FY2018, we experienced the impact of uncertain and delayed appropriations on contracts and task orders we hold and delays in the awarding of contracts on which we have bid. We expect this trend to continue into the government's FY2019, beginning on October 1, 2018.

The sequester mechanism, if left unmodified beyond the government's FY2019, along with other pressures on government spending, can negatively impact our business and could have further negative impacts on us in the future. We may experience disruption of existing programs, delays in contract awards, and other actions, including partial or complete contract terminations.

During our FY2018, we continued to take steps to make sure our cost structure is in line with our expectations of future business opportunities, given the challenging environment for companies in our industry. No single contract or task order was more than 5.0 percent of our revenue during FY2018. We believe we are well positioned to win new business in the market areas we focus on, where the government is expected to continue to spend while constrained by sequestration.

We believe that the following trends will impact the federal government's future spending on the types of services we provide:

Market Opportunities

- Government Wide Market Opportunities – As federal government agencies seek to make spending reductions, opportunities to achieve cost reductions through improved operational efficiency will receive higher priority. Many IT initiatives emerging in both DoD and Office of Management and Budget (OMB) directed programs for civilian agencies are based on infrastructure consolidation and cost effective upgrades. These initiatives include infrastructure modernization, adoption of innovative commercial applications, and increased use of commercially provided infrastructure.

We continue to expect to see a steady stream of funding for transformational activities that yield results in a shorter timeframe to maximize investments with more stable and predictable information system outcomes. As the amount of data and information grows, and persistent threats to our national security continue, the demands for applications will grow as well, putting a higher value on faster and more efficient/effective technologies. We expect this demand to result in an increasing need for rapid deployment of cyber solutions, cloud computing, mobile applications, and data analytics. An additional area of cyber emphasis is the security of the supply chain. While technology provides part of the answer, the integration of processes and personnel using forward-looking systems and sound architectures is more likely to provide cost savings and performance efficiencies.

- National Security Market Opportunities

Counterterrorism, counter proliferation, cyber security, and counterintelligence are at the immediate forefront of U.S. security concerns and they are all inextricably linked. Additionally, man-made and natural disasters are routinely addressed by applying the military and civilian resources of the U.S.

The world is increasingly interconnected and interdependent. Instability can arise quickly and spread rapidly beyond borders. This phenomenon is readily apparent in events in the Pacific Rim, the Middle East and North Africa. As the U.S. reduces its conventional defense forces, as expected, the need for intelligence and surveillance of potential adversaries of all types will continue or grow.

It is likely that the Middle East will continue to be unstable for the foreseeable future. In addition to this, a strategic shift toward Asia-Pacific is being executed to address rising issues in this area of the globe. This shift will create opportunities as well as threats as the contractor community adapts to the changing needs of Defense, Intelligence, Homeland Security, State, and U.S. partners.

Funding to support the use of military and intelligence assets, particularly special operating forces, to combat these threats is expected to remain stable or increase as result of the BBA 2018.

Logistics and force protection operations will continue. We anticipate a continuing need to re-set and modernize equipment and infrastructure.

- Non-Security Market Opportunities

The intersection of law enforcement and intelligence is expected to continue to create opportunities supporting the Departments of Homeland Security, Justice, and State.

As budgets are revised to better support system upgrades and enhanced services for the non-combat warfighter, increasing competitive pressures from large, platform-centric aerospace firms and traditional original equipment manufacturing companies are anticipated. Non-traditional players have entered the market and have established positions related to such areas as cloud computing, cyber, satellite operations, business systems and healthcare IT.

As companies strive to expand by increasing market share, there is increasing competition for acquisition candidates. Players in cyber, electronic warfare, healthcare and data analytics are in particularly high demand.

The government has mandated changes to the manner in which it purchases goods and services. The aspects of this mandate that are most relevant to us are as follows:

- The use of time and material and sole-source contracts is now greatly reduced. The use of award fees is diminishing. In addition, more scrutiny is being placed on the amount of fee bid on cost reimbursable type contracts.
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Multiple award contract vehicles are being used at an increasing rate. Bidding and winning these types of contracts does not assure that revenue will follow since task-order based work solicited under the vehicle is also competed. The increased engagement by competition advocates maximizes the use of multiple-source, continuously competitive contracts.

- Fees for subcontract management are being limited to reflect actual value provided, i.e., risk assumed by prime and continuous subcontractor risk reduction.
- The government's management of cash may slow the timing of payment of our invoices.

Recent Acquisitions

During the past three fiscal years, we completed a total of ten acquisitions, including:

- On May 31, 2018, CACI acquired certain assets of an entity in the United States which constituted a business, providing Enterprise IT solutions.
- On November 22, 2017, CACI acquired 100 percent of the outstanding membership interests of a business in the United States which provides cyber solutions.
- On November 1, 2017, CACI Limited acquired 100 percent of the outstanding shares of a London-based software and mapping data company. The company provides geographical information systems, logistics and route optimization software and related map data.
- On October 1, 2017, CACI Limited acquired 100 percent of the outstanding shares of a United Kingdom IT consulting services and software engineering company.
- On October 1, 2016, CACI Limited acquired a business in the United Kingdom that provides outsourced database managed services and associated database segmentation and analytics for large corporate customers.
- On March 1, 2016, CACI Limited acquired 100 percent of the outstanding shares of Stream:20 Limited and was integrated into the international operating segment. Stream:20 Limited provides digital marketing and digital transformation consultancy services to commercial companies working in a variety of sectors.
- On March 1, 2016, CACI Limited acquired 100 percent of the outstanding shares of Purple Secure Systems Limited and was integrated into the international operating segment. Purple Secure Systems Limited is a provider of agile systems and software for national security, defense and government organizations.
- On February 1, 2016, the Company acquired 100 percent of the outstanding shares of L-3 National Security Solutions, Inc. and L-3 Data Tactics Corporation (together, "NSS"). NSS is a prime mission partner to the U.S. Department of Defense (DoD), U.S. government intelligence agencies, and U.S. federal civilian agencies. The acquisition will expand CACI's opportunities in many of our key market areas and expand our current customer base.
- On December 4, 2015, the Company acquired 100 percent of the outstanding shares of a business in the United States which provides security technology services and was integrated into the domestic operating segment.
- On July 1, 2015, CACI Limited acquired 100 percent of the outstanding shares of Rockshore Group Ltd (Rockshore) and was integrated into the international operating segment. Rockshore uses its expertise in data aggregation, event processing, and business logic integration to provide real-time event processing and situational awareness to the telecom, aviation, and rail sectors.

Seasonal Nature of Business

Our business in general is not seasonal, although the summer and holiday seasons affect our revenue because of the impact of holidays and vacations on our labor and on product and service sales by our international operations. Variations in our business also may occur at the expiration of major contracts until such contracts are renewed or new business is obtained.

The U.S. government's fiscal year ends on September 30 of each year. It is not uncommon for government agencies to award extra tasks or complete other contract actions in the weeks before the end of a fiscal year in order to avoid the loss of unexpended funds. Moreover, in years when the U.S. government does not complete the budget process for the next fiscal year before the end of September, government operations whose appropriations legislation has not been signed into law are funded under a continuing resolution that authorizes them to continue to operate but traditionally does not authorize new spending initiatives.

CACI Employment and Benefits

Our employees are our most valuable resource. We are in continuing competition for highly skilled professionals in virtually all of our business areas. The success and growth of our business is significantly correlated with our ability to recruit, train, promote and retain high quality people at all levels of the organization. For these reasons, we endeavor to maintain competitive salary structures, incentive compensation programs, fringe benefits, opportunities for growth, and individual recognition and award programs. Fringe benefits are generally consistent across our subsidiaries, and include paid vacations, sick leave and holidays; medical, dental, disability and life insurance; tuition reimbursement for job-related education and training; and other benefits under various retirement savings and stock purchase plans.

We have published policies that set high standards for the conduct of our business. We require all of our employees, independent contractors working on customer engagements, officers, and directors annually to execute and affirm to the code of ethics applicable to their activities. In addition, we require annual ethics and compliance training for all of our employees to provide them with the knowledge necessary to maintain our high standards of ethics and compliance.

Patents, Trademarks, Trade Secrets and Licenses

Generally, our solutions and services are not substantially dependent upon obtaining or maintaining intellectual property protections, although our operations make use of such protections and benefit from them as discriminators in competition. We own a limited number of patents and claim copyright, trademark and other proprietary rights in a variety of intellectual property, including each of our proprietary computer software and data products and the related documentation. We also maintain a number of trade secrets that contribute to our success and competitive distinction and endeavor to accord such trade secrets protection adequate to ensure their continuing availability to us.

Our proprietary information is protected through a combination of contractual arrangements with our employees and third parties and intellectual property laws. From time to time, we are required to assert our rights against former employees or other third parties who attempt to misappropriate our proprietary and confidential information. Although we are not materially dependent on the protection of our intellectual property, we take such matters seriously and pursue claims against such individuals to the extent necessary to adequately protect our rights.

As a systems integrator, it is important that we maintain access to software, data and other products supplied by third parties and we continue to enter into agreements that give us the right to distribute and receive income from third party software, data and other products that serve our customers. The durations of such agreements are negotiated and vary according to the terms of the agreements.

Backlog

Our total backlog as of June 30, 2018, which consists primarily of contracts with the U.S. government was $11.3 billion of which $2.1 billion was for funded orders. We presently anticipate, based on current revenue projections, that the majority of the funded backlog as of June 30, 2018 will result in revenue during the fiscal year ending June 30, 2019.

Our backlog represents the aggregate contract revenue we have the potential to earn over the remaining life of our contracts. Funded backlog is based upon amounts appropriated by a customer for payment for goods and services and as the U.S. government operates under annual appropriations, agencies of the U.S. government generally fund contracts on an incremental basis. As a result, the majority of our estimated remaining contract value is not funded backlog. The process used to compile remaining contract values are based on the underlying contract documents. There is no assurance that all funded or potential contract value will result in realized revenue. Funded and unfunded

backlog is subject to change from execution of new contracts, contract modifications or extensions, associated purchase orders not being placed, government deobligations, contract completions as periods of performance expire, or early terminations.

Business Segments, Foreign Operations, and Major Customers

Additional business segment, foreign operations and major customer information is provided in our Consolidated Financial Statements contained in this report. In particular, see Note 16, Business Segment, Customer and Geographic Information in the Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K.

Revenue by Contract Type

The following information is provided on the amounts of our revenue attributable to cost reimbursable, firm fixed-price (including proprietary software product sales) and time-and-materials contracts during each of the last three fiscal years:

	Years ended June 30,					
	2018		2017		2016	
	(dollars in thousands)					
Cost reimbursable	$2,276,589	51.0 %	$2,128,063	48.9 %	$1,817,923	48.5 %
Firm fixed-price	1,457,494	32.6	1,407,409	32.3	1,245,269	33.3
Time and materials	733,777	16.4	819,145	18.8	680,861	18.2
Total	$4,467,860	100.0%	$4,354,617	100.0%	$3,744,053	100.0%

Item 1A. Risk Factors

You should carefully consider the risks and uncertainties described below, together with the information included elsewhere in this Annual Report on Form 10-K and other documents we file with the SEC. The risks and uncertainties described below are those that we have identified as material, but are not the only risks and uncertainties facing us. Our business is also subject to general risks and uncertainties that affect many other companies, such as overall U.S. and non-U.S. economic and industry conditions including a global economic slowdown, geopolitical events, changes in laws or accounting rules, fluctuations in interest and exchange rates, terrorism, international conflicts, major health concerns, natural disasters or other disruptions of expected economic and business conditions. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business operations and liquidity.

We depend on contracts with the federal government for substantially all of our revenue. If the government significantly decreased or ceased doing business with us, our business, prospects, financial condition and operating results would be materially and adversely affected.

The federal government is our primary customer, with revenue from federal government contracts, either as a prime contractor or a subcontractor, accounting for 93.5 percent of our total revenue in FY2018 and 93.9 percent of our total revenue in FY2017. Specifically, we generated 66.6 percent of our total revenue in FY2018 and 65.0 percent of our total revenue in FY2017 from contracts with agencies of the DoD. We expect that federal government contracts will continue to be the primary source of our revenue for the foreseeable future. If we were suspended or debarred from contracting with the federal government or any significant agency in the intelligence community or the DoD, if our reputation or relationship with government agencies were to be impaired, or if the government otherwise ceased doing business with us or significantly decreased the amount of business it does with us, our business, prospects, financial condition and operating results would be materially and adversely affected.

Our business could be adversely affected by delays caused by our competitors protesting major contract awards received by us, resulting in the delay of the initiation of work.

The number of bid protests of contract awards by unsuccessful bidders is increasing and the U.S. government is taking longer to resolve such protests. Bid protests may result in an increase in expenses related to obtaining contract awards or an unfavorable modification or loss of an award. In the event a bid protest is unsuccessful, the resulting delay in the startup and funding of the work under these contracts may cause our actual results to differ materially and adversely from those anticipated.

Our business could be adversely affected by changes in budgetary priorities of the federal government.

Because we derive substantially all of our revenue from contracts with the federal government, we believe that the success and development of our business will continue to depend on our successful participation in federal government contract programs. Changes in federal government budgetary priorities could directly affect our financial performance. A significant decline in government expenditures, a shift of expenditures away from programs that we support or a change in federal government contracting policies could cause federal government agencies to reduce their purchases under contracts, to exercise their right to terminate contracts at any time without penalty or not to exercise options to renew contracts.

Subsequent to the enactment of the BCA in 2011, the Congress and the Administration were unable to reach agreement on budget reduction measures required by the legislation. The BCA required total projected defense spending to decline by $487 billion from the government's FY2012 through FY2021. It also included a sequester mechanism that imposed additional defense cuts of $500 billion over nine years starting in the government's FY2013 if the Congress did not identify a means to reduce the U.S. deficit by $1.2 trillion. The effects of sequestration on spending discretionary and non-exempt mandatory have been mitigated by three pieces of legislation: BBA 2013, signed into law in late December of 2013, revising the amount of discretionary spending to be reduced for the government's FY2014 and FY2015, as originally allowed under the BCA; as part of an act to exempt from the BCA the retirement pay of members and former members of the Armed Forces under the age of 62 before the start of 2014; and by the Bipartisan Budget Act of 2015 (BBA 2015), signed into law at the end of October 2015, increasing the defense and non-defense FY2016 and FY2017 discretionary spending caps. These laws extended the automatic direct spending reductions to the government's FY2025. In February 2018, the Bipartisan Budget Act of 2018 (BBA 2018) was signed into law. This law established a framework and increased the caps on defense and non-defense discretionary spending for the government's FY2018 and FY2019. If there are no changes to at least the discretionary spending levels set by the BCA for the government's FY2020, full sequestration of defense and non-defense spending will return on October 1, 2019.

In light of the BCA and deficit reduction pressures offset by the BBA 2018, discretionary spending by the federal government is expected to be higher in the government's FY2018 and FY2019, and constrained thereafter at least through the government's FY2021. The sequester mechanism, if left unmodified beyond the government's FY2019, along with other pressures on government spending, could negatively impact our business and could have further negative impacts on us in the future. We may experience disruption of existing programs, delays in contract awards, and other actions, including partial or complete contract terminations.

In years when Congress does not complete its budget process before the end of its fiscal year (September 30), government operations are funded through a continuing resolution (CR) that temporarily funds federal agencies. Recent CRs have generally provided funding at the levels provided in the previous fiscal year and have not authorized new spending initiatives. When the federal government operates under a CR, delays can occur in the procurement of products and services. Historically, such delays have not had a material effect on our business; however, should funding of the federal government continue to be provided through CRs during its fiscal year beginning on October 1, 2018 and extended through the entire government 2019 fiscal year, it could have significant consequences to our business and our industry. If Congress cannot complete its budget process or does not pass a CR by the end of September, a shutdown of the federal government will result on October 1, 2018, as happened in October 2013 and again, briefly, in January 2018. Were a shutdown to occur, it could result in our incurring substantial labor or other costs without being reimbursed under our contracts or the delaying or cancelling of certain programs. This could also have an adverse effect on our business and our industry.

At times, we may continue to work without funding, and use our funds in order to meet our customer's desired delivery dates for products or services. It is uncertain at this time which of our programs' funding could be reduced in future years or whether new legislation will be passed by Congress in the next fiscal year that could result in additional or alternative funding cuts.

Additionally, our business could be affected if we experience an increase in set-asides for small businesses which could result in our inability to compete directly for prime contracts.

Our federal government contracts may be terminated by the government at any time and may contain other provisions permitting the government not to continue with contract performance, and if lost contracts are not replaced, our operating results may differ materially and adversely from those anticipated.

We derive substantially all of our revenue from federal government contracts that typically span one or more base years and one or more option years. The option periods typically cover more than half of the contract's potential duration. Federal government agencies generally have the right not to exercise these option periods. In addition, our contracts typically also contain provisions permitting a government customer to terminate the contract for its convenience. A decision not to exercise option periods or to terminate contracts for convenience could result in significant revenue shortfalls from those anticipated.

Federal government contracts contain numerous provisions that are unfavorable to us.

Federal government contracts contain provisions and are subject to laws and regulations that give the government rights and remedies, some of which are not typically found in commercial contracts, including allowing the government to:

- cancel multi-year contracts and related orders if funds for contract performance for any subsequent year become unavailable;
- claim rights in systems and software developed by us;

suspend or debar us from doing business with the federal government or with a governmental agency;
- impose fines and penalties and subject us to criminal prosecution; and
- control or prohibit the export of our data and technology.

If the government terminates a contract for convenience, we may recover only our incurred or committed costs, settlement expenses and profit on work completed prior to the termination. If the government terminates a contract for default, we may be unable to recover even those amounts and instead may be liable for excess costs incurred by the government in procuring undelivered items and services from another source. Depending on the value of a contract, such termination could cause our actual results to differ materially and adversely from those anticipated. Certain contracts also contain organizational conflict of interest (OCI) clauses that limit our ability to compete for or perform certain other contracts. OCIs arise any time we engage in activities that (i) make us unable or potentially unable to render impartial assistance or advice to the government; (ii) impair or might impair our objectivity in performing contract work; or (iii) provide us with an unfair competitive advantage. For example, when we work on the design of a particular system, we may be precluded from competing for the contract to develop and install that system. Depending upon the value of the matters affected, an OCI issue that precludes our participation in or performance of a program or contract could cause our actual results to differ materially and adversely from those anticipated.

As is common with government contractors, we have experienced and continue to experience occasional performance issues under certain of our contracts. Depending upon the value of the matters affected, a performance problem that impacts our performance of a program or contract could cause our actual results to differ materially and adversely from those anticipated.

If we fail to establish and maintain important relationships with government entities and agencies, our ability to successfully bid for new business may be adversely affected.

To facilitate our ability to prepare bids for new business, we rely in part on establishing and maintaining relationships with officials of various government entities and agencies. These relationships enable us to provide informal input and advice to government entities and agencies prior to the development of a formal bid. We may be unable to successfully maintain our relationships with government entities and agencies, and any failure to do so may adversely affect our ability to bid successfully for new business and could cause our actual results to differ materially and adversely from those anticipated.

We derive significant revenue from contracts and task orders awarded through a competitive bidding process. If we are unable to consistently win new awards over any extended period, our business and prospects will be adversely affected.

Our contracts and task orders with the federal government are typically awarded through a competitive bidding process. We expect that much of the business that we will seek in the foreseeable future will continue to be awarded through competitive bidding. Budgetary pressures and changes in the procurement process have caused many government customers to increasingly purchase goods and services through IDIQ contracts, GSA schedule contracts and other government-wide acquisition contracts. These contracts, some of which are awarded to multiple contractors, have increased competition and pricing pressure, requiring that we make sustained post-award efforts to realize revenue under each such contract. In addition, in consideration of the practice of agencies awarding work under such contracts that is arguably outside the intended scope of the contracts, both the GSA and the DoD have initiated programs aimed to ensure that all work fits properly within the scope of the contract under which it is awarded. The net effect of such programs may reduce the number of bidding opportunities available to us. Moreover, even if we are highly qualified to work on a particular new contract, we might not be awarded business because of the federal government’s policy and practice of maintaining a diverse contracting base.

This competitive bidding process presents a number of risks, including the following:

- we bid on programs before the completion of their design, which may result in unforeseen technological difficulties and cost overruns;
- we expend substantial cost and managerial time and effort to prepare bids and proposals for contracts that we may not win;
- we may be unable to estimate accurately the resources and cost structure that will be required to service any contract we win; and
- we may encounter expense and delay if our competitors protest or challenge awards of contracts to us in competitive bidding, and any such protest or challenge could result in the resubmission of bids on modified specifications, or in the termination, reduction or modification of the awarded contract.

If we are unable to win particular contracts, we may be prevented from providing to customers services that are purchased under those contracts for a number of years. If we are unable to consistently win new contract awards over any extended period, our business and prospects will be adversely affected and that could cause our actual results to differ materially and adversely from those anticipated. In addition, upon the expiration of a contract, if the customer requires further services of the type provided by the contract, there is frequently a competitive rebidding process. There can be no assurance that we will win any particular bid, or that we will be able to replace business lost upon expiration or completion of a contract, and the termination or non-renewal of any of our significant contracts could cause our actual results to differ materially and adversely from those anticipated.

Our business may suffer if we or our employees are unable to obtain the security clearances or other qualifications we and they need to perform services for our customers.

Many of our federal government contracts require us to have security clearances and employ personnel with specified levels of education, work experience and security clearances. Depending on the level of clearance, security clearances can be difficult and time-consuming to obtain. If we or our employees lose or are unable to obtain necessary security clearances, we may not be able to win new business and our existing customers could terminate their contracts with us or decide not to renew them. To the extent we cannot obtain or maintain the required security clearances for our employees working on a particular contract, we may not derive the revenue anticipated from the contract which could cause our results to differ materially and adversely from those anticipated.

We must comply with a variety of laws and regulations, and our failure to comply could cause our actual results to differ materially from those anticipated.

We must observe laws and regulations relating to the formation, administration and performance of federal government contracts which affect how we do business with our customers and may impose added costs on our business. For example, the Federal Acquisition Regulation and the industrial security regulations of the DoD and related laws include provisions that:

- allow our federal government customers to terminate or not renew our contracts if we come under foreign ownership, control or influence;
- require us to divest work if an OCI related to such work cannot be mitigated to the government's satisfaction;
- require us to disclose and certify cost and pricing data in connection with contract negotiations; and
- require us to prevent unauthorized access to classified information, covered defense information, and controlled unclassified information.

Our failure to comply with these or other laws and regulations could result in contract termination, loss of security clearances, suspension or debarment from contracting with the federal government, civil fines and damages and criminal prosecution and penalties, any of which could cause our actual results to differ materially and adversely from those anticipated.

The federal government may change its procurement or other practices in a manner adverse to us.

The federal government may change its procurement practices, or adopt new contracting rules and regulations, such as those related to cost accounting standards. It could also adopt new contracting methods relating to GSA contracts or other government-wide contracts, adopt new socio-economic requirements, or change the basis upon which it reimburses our compensation and other expenses or otherwise limit such reimbursements. In all such cases, there is uncertainty surrounding the changes and what actual impacts they may have on contractors. These changes could impair our ability to obtain new contracts or win re-competed contracts or adversely affect our future profit margin. Any new contracting methods could be costly or administratively difficult for us to satisfy and, as a result, could cause actual results to differ materially and adversely from those anticipated.

Restrictions on or other changes to the federal government's use of service contracts may harm our operating results.

We derive a significant amount of revenue from service contracts with the federal government. The government may face restrictions from new legislation, regulations or government union pressures, on the nature and amount of services the government may obtain from private contractors (i.e., insourcing versus outsourcing). Any reduction in the government's use of private contractors to provide federal services could cause our actual results to differ materially and adversely from those anticipated.

Our contracts and administrative processes and systems are subject to audits and cost adjustments by the federal government, which could reduce our revenue, disrupt our business, or otherwise adversely affect our results of operations.

Federal government agencies, including the Defense Contract Audit Agency (DCAA) and the Defense Contract Management Agency (DCMA), routinely audit and investigate government contracts and government contractors' administrative processes and systems. These agencies review our performance on contracts, pricing practices, cost structure and compliance with applicable laws, regulations and standards. They also evaluate the adequacy of internal controls over our business systems, including our purchasing, accounting, estimating, earned value management, and government property systems. Any costs found to be improperly allocated or assigned to contracts will not be reimbursed, and any such costs already reimbursed must be refunded and certain penalties may be imposed. Moreover, if any of the administrative processes and systems are found not to comply with requirements, we may be subjected to increased government scrutiny and approval that could delay or otherwise adversely affect our ability to compete for or perform contracts or collect our revenue in a timely manner. Therefore, an unfavorable outcome of an audit by the DCAA or another government agency could cause actual results to differ materially and adversely from those anticipated. If a government investigation uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeitures of profits, suspension of payments, fines and suspension or debarment from doing business with the federal government. In addition, we could suffer serious reputational harm if allegations of impropriety were made against us. Each of these results could cause actual results to differ materially and adversely from those anticipated.

Failure to maintain strong relationships with other contractors could result in a decline in our revenue.

We derive substantial revenue from contracts in which we act as a subcontractor or from teaming arrangements in which we and other contractors bid on particular contracts or programs. As a subcontractor or teammate, we often lack control over fulfillment of a contract, and poor performance on the contract could impact our customer relationship, even when we perform as required. We expect to continue to depend on relationships with other contractors for a portion of our revenue in the foreseeable future. Moreover, our revenue and operating results could differ materially and adversely from those anticipated if any prime contractor or teammate chose to offer directly to the customer services of the type that we provide or if they team with other companies to provide those services.

We may not receive the full amounts authorized under the contracts included in our backlog, which could reduce our revenue in future periods below the levels anticipated.

Our backlog consists of funded backlog, which is based on amounts actually committed by a customer for payment for goods and services, and unfunded backlog, which is based upon contract revenue we have the potential to earn over the remaining life of the contracts. Our backlog may not result in actual revenue in any particular period, or at all, which could cause our actual results to differ materially and adversely from those anticipated.

The maximum contract value specified under a government contract or task order awarded to us is not necessarily indicative of the revenue that we will realize under that contract. For example, we derive a substantial portion of our revenue from government contracts in which we are not the sole provider, meaning that the government could turn to other companies to fulfill the contract. We also derive revenue from IDIQ contracts, which do not require the government to purchase a pre-determined amount of goods or services under the contract. Action by the government to obtain support from other contractors or failure of the government to order the quantity of work anticipated could cause our actual results to differ materially and adversely from those anticipated.

Without additional Congressional appropriations, some of the contracts included in our backlog will remain unfunded, which could materially and adversely affect our future operating results.

Although many of our federal government contracts include multi-year performance periods, Congress often appropriates funds for these contracts on an annual basis. As a result, a majority of our contracts are only partially funded at any point during their term and unfunded contract work is subject to future appropriations by Congress. As a result of a lack of appropriated funds or efforts to reduce federal government spending, the receipt of revenues included in our backlog may never occur or may be delayed. We calculate our unfunded backlog based on the aggregate contract revenue we have the potential to realize. On unfunded contract work, including amounts based on the assumed exercise of options under such contracts. If our backlog is inaccurate and we fail to realize those amounts as revenue, our future operating results could be materially and adversely affected.

Employee misconduct, including security breaches, could result in the loss of customers and our suspension or debarment from contracting with the federal government.

We may be unable to prevent our employees from engaging in misconduct, fraud or other improper activities that could adversely affect our business and reputation. Misconduct could include the failure to comply with federal government procurement regulations, regulations regarding the protection of classified information and legislation regarding the pricing of labor and other costs in government contracts. Many of the systems we develop involve managing and protecting information involved in national security and other sensitive government functions. A security breach in one of these systems could prevent us from having access to such critically sensitive systems. Other examples of employee misconduct could include time card fraud and violations of the Anti-Kickback Act. The precautions we take to prevent and detect this activity may not be effective, and we could face unknown risks or losses. As a result of employee misconduct, we could face fines and penalties, loss of security clearance and suspension or debarment from contracting with the federal government, which could cause our actual results to differ materially and adversely from those anticipated.

Our failure to attract and retain qualified employees, including our senior management team, could adversely affect our business.

Our continued success depends to a substantial degree on our ability to recruit and retain the technically skilled personnel we need to serve our customers effectively. Our business involves the development of tailored solutions for our customers, a process that relies heavily upon the expertise and services of our employees. Accordingly, our employees are our most valuable resource. Competition for skilled personnel in the information technology services industry is intense, and technology service companies often experience high attrition among their skilled employees. There is a shortage of people capable of filling these positions and they are likely to remain a limited resource for the foreseeable future. Recruiting and training these personnel require substantial resources. Our failure to attract and retain technical personnel could increase our costs of performing our contractual obligations, reduce our ability to efficiently satisfy our customers' needs, limit our ability to win new business and cause our actual results to differ materially and adversely from those anticipated.

In addition to attracting and retaining qualified technical personnel, we believe that our success will depend on the continued employment of our senior management team and its ability to generate new business and execute projects successfully. Our senior management team is very important to our business because personal reputations and individual business relationships are a critical element of obtaining and maintaining customer engagements in our industry, particularly with agencies performing classified operations. The loss of any of our senior executives could cause us to lose customer relationships or new business opportunities, which could cause actual results to differ materially and adversely from those anticipated.

Our markets are highly competitive, and many of the companies we compete against have substantially greater resources.

The markets in which we operate include a large number of participants and are highly competitive. Many of our competitors may compete more effectively than we can because they are larger, better financed and better known companies than we are. In order to stay competitive in our industry, we must also keep pace with changing technologies and customer preferences. If we are unable to differentiate our services from those of our competitors, our revenue may decline. In addition, our competitors have established relationships among themselves or with third parties to increase their ability to address customer needs. As a result, new competitors or alliances among competitors may emerge and compete more effectively than we can. There is also a significant industry trend towards consolidation, which may result in the emergence of companies which are better able to compete against us. The results of these competitive pressures could cause our actual results to differ materially and adversely from those

anticipated.

Our quarterly revenue and operating results could be volatile due to the unpredictability of the federal government's budgeting process and policy priorities.

Our quarterly revenue and operating results may fluctuate significantly and unpredictably in the future. In particular, if the federal government does not adopt, or delays adoption of, a budget for each fiscal year beginning on October 1, or fails to pass a continuing resolution, federal agencies may be forced to suspend our contracts and delay the award of new and follow-on contracts and orders due to a lack of funding. Further, the rate at which the federal government procures technology may be negatively affected following changes in presidential administrations and senior government officials. Therefore, period-to-period comparisons of our operating results may not be a good indication of our future performance.

Our quarterly operating results may not meet the expectations of securities analysts or investors, which in turn may have an adverse effect on the market price of our common stock.

We may lose money or generate less than anticipated profits if we do not accurately estimate the cost of an engagement which is conducted on a fixed-price basis.

We perform a portion of our engagements on a variety of fixed-price contract vehicles. We derived 32.6 percent of our total revenue in FY2018 and 32.3 percent of our total revenue in FY2017 from fixed-price contracts. Fixed-price contracts require us to price our contracts by predicting our expenditures in advance. In addition, some of our engagements obligate us to provide ongoing maintenance and other supporting or ancillary services on a fixed-price basis or with limitations on our ability to increase prices. Many of our engagements are also on a time-and-materials basis. While these types of contracts are generally subject to less uncertainty than fixed-price contracts, to the extent that our actual labor costs are higher than the contract rates, our actual results could differ materially and adversely from those anticipated.

When making proposals for engagements on a fixed-price basis, we rely on our estimates of costs and timing for completing the projects. These estimates reflect our best judgment regarding our capability to complete the task efficiently. Any increased or unexpected costs or unanticipated delays in connection with the performance of fixed-price contracts, including delays caused by factors outside our control, could make these contracts less profitable or unprofitable. From time to time, unexpected costs and unanticipated delays have caused us to incur losses on fixed-price contracts, primarily in connection with state government customers. On rare occasions, these losses have been significant. In the event that we encounter such problems in the future, our actual results could differ materially and adversely from those anticipated.

Our earnings and margins may vary based on the mix of our contracts and programs.

At June 30, 2018, our backlog included cost reimbursable, time-and-materials and fixed-price contracts. Cost reimbursable and time-and-materials contracts generally have lower profit margins than fixed-price contracts. Our earnings and margins may vary materially and adversely depending on the types of long-term government contracts undertaken, the costs incurred in their performance, the achievement of other performance objectives and the stage of performance at which the right to receive fees, particularly under incentive and award fee contracts, is finally determined.

Systems failures may disrupt our business and have an adverse effect on our results of operations.

Any systems failures, including network, software or hardware failures, whether caused by us, a third party service provider, unauthorized intruders and hackers, computer viruses, natural disasters, power shortages or terrorist attacks, could cause loss of data or interruptions or delays in our business or that of our customers. Like other global companies, we have experienced cyber security threats to our data and systems, our company sensitive information, and our information technology infrastructure, including malware and computer virus attacks, unauthorized access, systems failures and temporary disruptions. Prior cyber attacks directed at us have not had a material adverse impact on our business or our financial results, and we believe that our continuing commitment toward threat detection and mitigation processes and procedures will reduce such impact in the future. Due to the evolving nature of these security threats, however, the impact of any future incident cannot be predicted. In addition, the failure or disruption of our mail, communications or utilities could cause us to interrupt or suspend our operations or otherwise harm our business. Our property and business interruption insurance may be inadequate to compensate us for all losses that may occur as a result of any system or operational failure or disruption and, as a result, our actual results could differ materially and adversely from those anticipated.

The systems and networks that we maintain for our customers, although highly redundant in their design, could also fail. If a system or network we maintain were to fail or experience service interruptions, we might experience loss of revenue or face claims for damages or contract termination. Our errors and omissions liability insurance may be

inadequate to compensate us for all the damages that we might incur and, as a result, our actual results could differ materially and adversely from those anticipated.

Customer systems failures could damage our reputation and adversely affect our results of operations.

Many of the systems that we develop, integrate, maintain, otherwise support or use involve managing and protecting intelligence, national security, and other sensitive government information. While we have programs designed to protect such information and comply with all relevant privacy and security requirements, the threats that our clients face have grown more frequent and sophisticated. A security breach or system failure in a system that we develop, integrate, maintain or otherwise support could result in a loss of revenue, remediation costs, claims for damages or contract termination and our errors and omissions liability insurance may be inadequate to compensate us for all the damages that we might incur. Any such event could also cause serious damage to our reputation and prevent us from having access to or being eligible for further work on such sensitive systems for U.S. government customers.

In addition, in order to provide services to our customers, we often depend upon or use customer systems that are supported by the customer or third parties. Any security breach or system failure in such systems could result in an interruption of our customer's operations, significant delays under a contract, and a material adverse effect on our results of operations.

We may have difficulty identifying and executing acquisitions on favorable terms and therefore may grow at slower than anticipated rates.

One of our key growth strategies has been to selectively pursue acquisitions. Through acquisitions, we have expanded our base of federal government customers, increased the range of solutions we offer to our customers and deepened our penetration of existing markets and customers. We may encounter difficulty identifying and executing suitable acquisitions. To the extent that management is involved in identifying acquisition opportunities or integrating new acquisitions into our business, our management may be diverted from operating our core business. Without acquisitions, we may not grow as rapidly as the market expects, which could cause our actual results to differ materially and adversely from those anticipated. We may encounter other risks in executing our acquisition strategy, including:

- increased competition for acquisitions may increase the costs of our acquisitions;
- our failure to discover material liabilities during the due diligence process, including the failure of prior owners of any acquired businesses or their employees to comply with applicable laws or regulations, such as the Federal Acquisition Regulation and health, safety and environmental laws, or their failure to fulfill their contractual obligations to the federal government or other customers; and
- acquisition financing may not be available on reasonable terms or at all.

Each of these types of risks could cause our actual results to differ materially and adversely from those anticipated.

We may have difficulty integrating the operations of any companies we acquire, which could cause actual results to differ materially and adversely from those anticipated.

The success of our acquisition strategy will depend upon our ability to continue to successfully integrate any businesses we may acquire in the future. The integration of these businesses into our operations may result in unforeseen operating difficulties, absorb significant management attention and require significant financial resources that would otherwise be available for the ongoing development of our business. These integration difficulties include the integration of personnel with disparate business backgrounds, the transition to new information systems, coordination of geographically dispersed organizations, loss of key employees of acquired companies, and reconciliation of different corporate cultures. For these or other reasons, we may be unable to retain key customers of acquired companies. Moreover, any acquired business may fail to generate the revenue or net income we expected or produce the efficiencies or cost-savings we anticipated. Any of these outcomes could cause our actual results to differ materially and adversely from those anticipated.

If our subcontractors fail to perform their contractual obligations, our performance as a prime contractor and our ability to obtain future business could be materially and adversely impacted and our actual results could differ materially and adversely from those anticipated.

Our performance of government contracts may involve the issuance of subcontracts to other companies upon which we rely to perform all or a portion of the work we are obligated to deliver to our customers. A failure by one or more of our subcontractors to satisfactorily deliver on a timely basis the agreed-upon supplies, perform the agreed-upon services, or appropriately manage their vendors may materially and adversely impact our ability to perform our obligations as a prime contractor.

A subcontractor's performance deficiency could result in the government terminating our contract for default. A default termination could expose us to liability for excess costs of reprocurement by the government and have a material adverse effect on our ability to compete for future contracts and task orders. Depending upon the level of problem experienced, such problems with subcontractors could cause our actual results to differ materially and adversely from those anticipated.

The federal government's appropriation process and other factors may delay the collection of our receivables, and our business may be adversely affected if we cannot collect our receivables in a timely manner.

We depend on the collection of our receivables to generate cash flow, provide working capital, pay debt and continue our business operations. If the federal government, any of our other customers or any prime contractor for whom we are a subcontractor fails to pay or delays the payment of their outstanding invoices for any reason, our business and financial condition may be materially and adversely affected. The government may fail to pay outstanding invoices for a number of reasons, including lack of appropriated funds or lack of an approved budget. In addition, the DCAA may revoke our direct billing privileges, which would adversely affect our ability to collect our receivables in a timely manner. Contracting officers have the authority to impose contractual withholdings, which can also adversely affect our ability to collect timely. The Defense Federal Acquisition Regulations require DoD contracting officers to impose contractual withholdings at no less than certain minimum levels if a contracting officer determines that one or more of a contractor's business systems have one or more significant deficiencies. Some prime contractors for whom we are a subcontractor have significantly less financial resources than we do, which may increase the risk that we may not be paid in full or payment may be delayed. If we experience difficulties collecting receivables, it could cause our actual results to differ materially and adversely from those anticipated.

We have substantial investments in recorded goodwill as a result of prior acquisitions, and changes in future business conditions could cause these investments to become impaired, requiring substantial write-downs that would reduce our operating income.

Goodwill accounts for $2.6 billion of our recorded total assets. We evaluate the recoverability of recorded goodwill amounts annually or when evidence of potential impairment exists. The annual impairment test is based on several factors requiring judgment. Principally, a decrease in expected reporting unit cash flows or changes in market conditions may indicate potential impairment of recorded goodwill. If there is an impairment, we would be required to write down the recorded amount of goodwill, which would be reflected as a charge against operating income.

Our operations involve several risks and hazards, including potential dangers to our employees and to third parties that are inherent in aspects of our federal business (e.g., counterterrorism training services). If these risks and hazards are not adequately insured, it could adversely affect our operating results.

Our federal business includes the maintenance of global networks and the provision of special operations services (e.g., counterterrorism training) that require us to dispatch employees to various countries around the world. These countries may be experiencing political upheaval or unrest, and in some cases war or terrorism. It is possible that certain of our employees or executives will suffer injury or bodily harm, or be killed or kidnapped in the course of these deployments. We could also encounter unexpected costs for reasons beyond our control in connection with the repatriation of our employees or executives. Any of these types of accidents or other incidents could involve significant potential claims of employees, executives and/or third parties who are injured or killed or who may have wrongful death or similar claims against us.

We maintain insurance policies that mitigate against risk and potential liabilities related to our operations. This insurance is maintained in amounts that we believe are reasonable. However, our insurance coverage may not be adequate to cover those claims or liabilities, and we may be forced to bear significant costs from an accident or incident. Substantial claims in excess of our related insurance coverage could cause our actual results to differ materially and adversely from those anticipated.

Our failure to adequately protect our confidential information and proprietary rights may harm our competitive position.

Our success depends, in part, upon our ability to protect our proprietary information. Although our employees are subject to confidentiality obligations, this protection may be inadequate to deter misappropriation of our proprietary information. In addition, we may be unable to detect unauthorized use of our proprietary information in order to take appropriate steps to enforce our rights. If we are unable to prevent third parties from infringing or misappropriating our proprietary information, our competitive position could be harmed and our actual results could differ materially and adversely from those anticipated.

We face additional risks which could harm our business because we have international operations.

We conduct the majority of our international operations in the United Kingdom and the Netherlands. Our international operations comprised 3.7 percent of our revenue in FY2018 and 3.1 percent of our revenue in FY2017. Our international operations are subject to risks associated with operating in a foreign country. These risks include fluctuations in the value of the British pound and the Euro, longer payment cycles, changes in foreign tax laws and regulations and unexpected legislative, regulatory, economic or political changes.

In May 2018, the Data Protection Act 2018 (DPA) and the General Data Protection Regulation 2016 (GDPR) came into force in the U.K. This new legislation imposes more stringent data protection obligations on companies such as CACI that process personal data. The maximum fine which can be levied by the U.K. data protection regulator has increased to 4.0 percent of revenue. CACI has been preparing for this legislation since mid-2017 and has implemented a number of risk-mitigating strategies, however, it is not possible to eliminate all risk associated with the new legislation. Possible risks include violations of the DPA and/or GDPR arising from human error or external threats to CACI's IT systems or process omissions.

Approximately 74.0 percent of the revenue generated by our international operations are also subject to risks associated with operating a commercial as opposed to a government contracting business, including the effects of general economic conditions in Europe on the telecommunications, computer software and computer services sectors and the impact of more concentrated and intense competition for the reduced volume of work available in those sectors. We are marketing our services to customers in industries that are new to us and our efforts in that regard may be unsuccessful. Other factors that may adversely affect our international operations are difficulties relating to managing our business internationally, integrating recent acquisitions, multiple tax structures and adverse changes in foreign exchange rates. Any of these factors could cause our actual results to differ materially and adversely from those anticipated.

Our senior secured credit facility (the Credit Facility) imposes certain restrictions on our ability to take certain actions which may have an impact on our business, operating results and financial condition.

The Credit Facility imposes certain operating and financial restrictions on us and requires us to meet certain financial tests. These restrictions may significantly limit or prohibit us from engaging in certain transactions, including the following:

- incurring or guaranteeing certain amounts of additional debt;
- paying dividends or other distributions to our stockholders or redeeming, repurchasing or retiring our capital stock in excess of specific limits;
- making certain investments, loans and advances;
- exceeding specific levels of liens on our assets;
- issuing or selling equity in our subsidiaries;
- transforming or selling certain assets currently held by us, including certain sale and lease-back transactions;
- amending or modifying certain agreements, including those related to indebtedness; and
- engaging in certain mergers, consolidations or acquisitions.

The failure to comply with any of these covenants would cause a default under the Credit Facility. A default, if not waived, could cause our debt to become immediately due and payable. In such situations, we may not be able to repay our debt or borrow sufficient funds to refinance it, and even if new financing is available, it may not contain terms that are acceptable to us.

Despite our outstanding debt, we may incur additional indebtedness.

The Credit Facility consists of a $1,100.0 million revolving credit facility (the Revolving Facility) and a $938.4 million term loan facility (the Term Loan). The Revolving Facility has sub-facilities of $100.0 million for same-day swing line loan borrowings and $25.0 million for stand-by letters of credit. At any time and so long as no default has occurred, the Company has the right to increase the Revolving Facility or the Term Loan in an aggregate principal amount of up to the greater of $400.0 million or an amount subject to 2.75 times senior secured leverage, calculated assuming the revolving Facility is fully drawn, with applicable lender approvals. At June 30, 2018, $135.0 million was outstanding under the revolving credit facility and $938.4 million was outstanding under the term loan. In addition, the terms of the Credit Facility allow us to incur additional indebtedness from other sources so long as we

satisfy the covenants in the agreement governing the Credit Facility. If new debt is added to our current debt levels, the risks related to our ability to service that debt could increase.

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

The Credit Facility matures on June 30, 2023. Principal payments under the term loan are due in quarterly installments. Our business may not generate cash flow from operations sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive.

A change in control or fundamental change may adversely affect us.

The Credit Facility provides that certain change in control events with respect to us will constitute a default.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of June 30, 2018, we leased office space at 109 U.S. locations containing an aggregate of approximately 2.6 million square feet located in 22 states and the District of Columbia. In three countries outside the U.S., we leased office space at 14 locations containing an aggregate of approximately 72,000 square feet. Our leases expire primarily within the next five years, with the exception of seven leases in the Washington, DC metropolitan area and five leases outside of the metro area, which will expire within the next five to 12 years. We anticipate that most of these leases will be renewed or replaced by other leases. All of our offices are in reasonably modern and well-maintained buildings. The facilities are substantially utilized and adequate for present operations.

We maintain our corporate headquarters in approximately 99,000 square feet of space at 1100 North Glebe Road, Arlington, Virginia. See Note 14, Leases, in the Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K for additional information regarding our lease commitments.

Item 3. Legal Proceedings

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

On June 30, 2008, Plaintiff Al Shimari filed a twenty-count complaint in the United States District Court for the Southern District of Ohio. Plaintiff Al Shimari is an Iraqi who claimed that he suffered significant physical injury and emotional distress while held at Abu Ghraib prison in Iraq. The lawsuit named CACI International Inc, CACI Premier Technology, Inc. and former CACI employee Timothy Dugan as Defendants, along with L-3 Services, Inc. The complaint alleged that the Defendants conspired with U.S. military personnel to engage in illegal treatment of Iraqi detainees. The complaint did not allege any interaction between Plaintiff Al Shimari and any CACI employee. Plaintiff Al Shimari sought, inter alia, compensatory damages, punitive damages, and attorney's fees. On August 8, 2008, the court granted CACI's motion to transfer the action to the United States District Court for the Eastern District of Virginia. Thereafter, an amended complaint was filed adding three plaintiffs. On September 12, 2008, Mr. Dugan was dismissed from the case without prejudice. On October 2, 2008, CACI filed a motion to dismiss the case. CACI also moved to stay discovery pending further proceedings. The court granted CACI's motion to stay discovery. On March 18, 2009, the court granted in part and denied in part CACI's motion to dismiss. On March 23, 2009, CACI filed a notice of appeal with respect to the March 18, 2009 decision. Plaintiffs filed a motion to strike CACI's notice of appeal and a motion to lift the stay on discovery. The United States District Court for the Eastern District of Virginia denied both motions. On April 27, 2009, Plaintiffs filed a motion to dismiss the appeal in the United States Court of Appeals for the Fourth Circuit. The United States Court of Appeals for the Fourth Circuit deferred any ruling on Plaintiffs' motion and issued a briefing schedule. Plaintiffs filed a notice of cross-appeal, which CACI moved to dismiss. The Court of Appeals dismissed the Plaintiffs' cross-appeal. On October 26, 2010, the United States Court of Appeals for the Fourth Circuit heard oral argument in the appeal and took the matter under advisement. On September 21, 2011, the United States Court of Appeals for the Fourth Circuit reversed the decision of the United States District Court for the Eastern District of Virginia and remanded the action with instructions to dismiss the action. On October 5, 2011, Plaintiffs filed a petition for a rehearing en banc, which the Court of Appeals granted. The Court of Appeals also invited the United States to participate in the en banc rehearing of the appeal as

amicus curiae. The United States participated in that capacity in the en banc rehearing. On January 27, 2012, the Court of Appeals, sitting en banc, heard oral argument. On May 11, 2012, the Court of Appeals, in an 11-3 decision, held that it lacked jurisdiction over the appeal and dismissed the appeal. The action returned to the district court for further proceedings.

On October 12, 2012, the district court conducted a status conference at which the court asked the parties to prepare and submit a plan for discovery in the action. The parties subsequently filed a joint discovery plan, which the court approved. The Court also lifted the stay of discovery, and reinstated the claims arising under the Alien Tort Statute (ATS) that the Court had previously dismissed. On December 26, 2012, Plaintiffs filed a Second Amended Complaint. Defendants moved to dismiss several counts of the Second Amended Complaint. On March 8, 2013, the Court dismissed the conspiracy claims in the Second Amended Complaint, and dismissed CACI International Inc from the action. Subsequently, the Court allowed Plaintiffs to file a Third Amended Complaint for the purpose of repleading the conspiracy claims. On March 28, 2013, Plaintiffs filed a Third Amended Complaint, and on April 15, 2013, Defendant CACI Premier Technology, Inc. moved to dismiss the conspiracy claims in the Third Amended Complaint.

On March 19, 2013, the Court granted a motion for reconsideration filed by Defendants with respect to the statute of limitations applicable to the common law tort claims of three of the four Plaintiffs, and dismissed those claims. Defendant CACI Premier Technology, Inc. also filed a motion for sanctions with respect to the failure of three of the four Plaintiffs to appear for depositions and medical examinations as ordered by the court. On April 12, 2013, the Court denied that motion but entered an order requiring the three Plaintiffs to appear for depositions and medical examinations no later than April 26, 2013 and stating that if the three Plaintiffs did not comply with the order their claims were subject to dismissal. Plaintiffs did not appear for depositions in the United States as of April 26, 2013. Defendant CACI Premier Technology, Inc. then renewed its motion for sanctions, seeking dismissal, for the three Plaintiffs' violation of the Court order to appear for depositions and medical examinations. Defendant CACI Premier Technology, Inc. also filed a motion to dismiss the ATS claims of all four Plaintiffs for lack of jurisdiction in light of the U.S. Supreme Court's April 17, 2013 decision in Kiobel v. Royal Dutch Petroleum, and a motion to dismiss the common law claims of the single Plaintiff with those claims on various grounds.

On June 26, 2013, the Court issued a Memorandum Opinion and Order granting Defendant CACI Premier Technology, Inc.'s motions with respect to Plaintiffs' ATS claims and Plaintiffs' common law claims, and dismissing the Third Amended Complaint without prejudice. The Court also denied all other pending motions, including Defendant CACI Premier Technology, Inc.'s motions for sanctions and to dismiss the conspiracy claims, as moot.

On July 24, 2013, Plaintiffs filed a Notice of Appeal of the district court's June 26 decision.

On March 18, 2014, a three judge panel of the United States Court of Appeals for the Fourth Circuit held a hearing on Plaintiffs' appeal and took the matters under advisement. On June 30, 2014, the three judge panel vacated the district court's June 26, 2013 Order and remanded Plaintiffs' claims for further proceeding.

On remand, Defendant CACI Premier Technology, Inc. moved to dismiss Plaintiffs' claims based upon the political question doctrine. On June 18, 2015, the Court issued an Order granting Defendant CACI Premier Technology, Inc.'s motion to dismiss, and on June 26, 2015 entered a final judgment in favor of Defendant CACI Premier Technology, Inc.

On July 23, 2015, Plaintiffs filed a Notice of Appeal of the district court's June 2015 decision. On October 21, 2016, the Court of Appeals vacated and remanded the District Court's judgment with instructions for the District Court to make further determinations regarding the political question doctrine. The District Court conducted an initial status conference on December 16, 2016. On June 9, 2017, the District Court dismissed Plaintiff Rashid without prejudice from the action based upon his inability to participate. On July 19, 2017, CACI Premier Technology, Inc. filed a motion to dismiss the action on numerous legal grounds. The Court held a hearing on that motion on September 22, 2017, and denied the motion pending issuance of a written decision. On January 17, 2018, CACI filed a third-party complaint naming the United States and John Does 1-60, asserting claims for contribution, indemnification, exoneration and breach of contract in the event that CACI Premier Technology, Inc. is held liable to Plaintiffs, as Plaintiffs are seeking to hold CACI Premier Technology, Inc. liable on a co-conspirator theory and a theory of aiding and abetting. On April 13, 2018, the Court held a hearing on the United States' motion to dismiss and took the matter under advisement.

On April 13, 2018, the Plaintiffs filed a motion to reinstate Plaintiff Rashid, which CACI opposed. On April 20, 2018, the Court granted that motion subject to Plaintiff Rashid appearing for a deposition. On May 21, 2018, CACI filed a motion to dismiss for lack of subject matter jurisdiction based on a recent Supreme Court decision. On June 25, 2018, the Court denied that motion.

Abbass, et al v. CACI Premier Technology, Inc. and CACI International Inc, Case No. 1:13CV1186-LMB/JFA (EDVA)

On September 20, 2013, fifty-five Plaintiffs filed a nine-count complaint in the United States District Court for the Eastern District of Virginia styled Abbass, et al. v. CACI Premier Technology, Inc., et al. Plaintiffs are Iraqi nationals who assert that their allegations are essentially the same as those of the plaintiffs in Al Shimari. Plaintiffs claim that they suffered significant physical injury and emotional distress while in U.S. custody in Iraq. The lawsuit names CACI International Inc and CACI Premier Technology, Inc. as Defendants. The complaint alleges that Defendants conspired with U.S. military personnel to engage in illegal treatment of Iraqi detainees. The complaint does not allege any interaction between Plaintiffs and any CACI employee. Plaintiffs' claims are brought pursuant to the Alien Tort Statute and the Torture Victims Protection Act. Plaintiffs seek, inter alia, compensatory damages, punitive damages, and attorney's fees.

Plaintiffs' action was originally filed in 2009 in U.S. District Court for the District of Columbia, but was voluntarily dismissed without prejudice in September 2011 after the Supreme Court denied certiorari in Saleh v. Titan Corp. and Ibrahim v. Titan Corp., 580 F.3d 1 (D.C. Cir. 2009).

The CACI Defendants have moved to dismiss the complaint. Before deciding the motion to dismiss, the district court stayed the action pending a decision from the Court of Appeals in Al Shimari v. L-3 Services, Inc.

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.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on the New York Stock Exchange under the ticker symbol "CACI".

The ranges of high and low sales prices of our common stock quoted on the New York Stock Exchange for each quarter during the fiscal years ended June 30, 2018 and 2017 were as follows:

	2018		2017	
Quarter	High	Low	High	Low
1st	$142.85	$118.10	$103.21	$87.67
2nd	$147.31	$121.60	$133.70	$96.05
3rd	$159.40	$133.00	$135.35	$117.25
4th	$174.80	$147.15	$132.45	$112.10

We have never paid a cash dividend. Our present policy is to retain earnings to provide funds for the operation and expansion of our business. We do not intend to pay any cash dividends at this time. The Board of Directors will determine whether to pay dividends in the future based on conditions then existing, including our earnings, financial condition and capital requirements, as well as economic and other conditions as the board may deem relevant.

As of August 7, 2018, the number of stockholders of record of our common stock was approximately 229. The number of stockholders of record is not representative of the number of beneficial stockholders due to the fact that many shares are held by depositories, brokers, or nominees.

The following table provides certain information with respect to our purchases of shares of CACI International Inc's common stock during the three months ended June 30, 2018:

Period	Total Number of Shares Purchased	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
April 2018	8,740	$ 152.99	1,149,324	100,676
May 2018	—	—	—	—
June 2018	—	—	—	—
Total	8,740	$ 152.99	1,149,324	

The following graph compares the cumulative 5-year total return to shareholders on CACI International Inc's common stock relative to the cumulative total returns of the Russell 1000 index and the Dow Jones U.S. Computer Services Total Stock Market index. The graph assumes that the value of the investment in our common stock and in each of the indexes (including reinvestment of dividends) was $100 on June 30, 2013 and tracks it through June 30, 2018.

Comparison of Five Year Cumulative Total Returns

Performance Graph for

CACI International Inc

$100 invested on 6/30/13 in stock or index—including reinvestment of dividends. Fiscal year ending June 30.

	June 30, 2013	2014	2015	2016	2017	2018
CACI International Inc	$100.00	$110.58	$127.41	$142.40	$196.96	$265.47
Russell 1000	$100.00	$125.35	$134.59	$138.54	$163.52	$187.29
Dow Jones U.S. Computer Services Total Stock Market	$100.00	$104.97	$106.49	$105.88	$120.66	$131.64

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Item 6. Selected Financial Data

The selected financial data set forth below is derived from our audited financial statements for each of the fiscal years in the five year period ended June 30, 2018. This information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the Notes thereto, included in Part II in this Annual Report on Form 10-K.

Income Statement Data

	Years ended June 30,				
	2018 (1)	2017	2016	2015	2014
	(amounts in thousands, except per share data)				
Revenue	$4,467,860	$4,354,617	$3,744,053	$3,313,452	$3,564,562
Costs of revenue	4,127,160	4,057,356	3,479,303	3,077,071	3,307,159
Net income attributable to CACI	301,171	163,671	142,799	126,195	135,316
Earnings per common share and common share equivalent:					
Basic:					
Weighted-average shares outstanding	24,616	24,401	24,262	23,948	23,429
Earnings per share	$12.23	$6.71	$5.89	$5.27	$5.78
Diluted:					
Weighted-average shares and equivalent shares outstanding	25,255	25,069	24,802	24,388	25,155
Earnings per share	$11.93	$6.53	$5.76	$5.17	$5.38

(1) Net income for FY2018 includes $103.3 million or $4.09 per diluted share of estimated tax benefits related to enactment of the Tax Cuts and Jobs Act on December 22, 2017. See Note 19.

Balance Sheet Data

	As of June 30,				
	2018	2017	2016	2015	2014
	(amounts in thousands)				
Total assets	$4,034,206	$3,911,082	$3,987,341	$3,242,030	$3,330,257
Long-term obligations	1,187,458	1,317,297	1,566,394	1,161,840	1,373,351
Working capital	392,210	353,158	356,662	266,429	290,568
Shareholders' equity	2,106,887	1,793,721	1,607,313	1,480,272	1,359,166

Item 7. Management's Discussion and Analysis of Financial Condition & Results of Operations

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 consolidated financial statements and the Notes to those statements that appear elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Unless otherwise specifically noted, all years refer to our fiscal year which ends on June 30.

Overview

We are a leading provider of information solutions and services to the U.S. government. We derived 93.5 percent of our revenue during the year ended June 30, 2018 from contracts with U.S. government agencies, including 66.6 percent from DoD customers and 26.9 percent from U.S. federal civilian agency customers including the Department of Homeland Security. We also provide services commercial customers and agencies of foreign governments.

Budgetary pressures and sequestration have created a challenging environment for us and other companies in our industry. For further information on the trends currently impacting us, please see Item 1, Business – Industry Trends.

For the year ended June 30, 2018, 93.5 percent of our revenue was from contracts where we were the lead, or "prime," contractor. Our contract base has approximately 597 active contracts and 1,700 active task orders. We have a diverse mix of contract revenue types, with 51.0 percent cost reimbursable, 32.6 percent fixed-price, and 16.4 percent time-and-materials for the year ended June 30, 2018.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires us to make estimates and judgments that affect the amounts reported in those financial statements and accompanying notes. We consider the accounting policies and estimates addressed below to be the most important to our financial position and results of operations, either because of the significance of the financial statement item or because they require the exercise of significant judgment and/or use of significant estimates. Although we believe that the estimates we use are reasonable, due to the inherent uncertainty involved in making those estimates, actual results reported in future periods could differ from those estimates.

Revenue Recognition/Contract Accounting

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the fee is fixed or determinable, and collectability is reasonably assured.

The Company generates almost all of its revenue from three different contract types: cost-plus-fee, time-and-materials, and fixed price.

Revenue on cost-plus-fixed fee contracts is recognized in an amount equal to allowable costs incurred plus the proportionate amount of the applicable fee earned. For cost-plus-fee contracts with either award or incentive fee amounts, which are accounted for within the scope of ASC 605-10-S99, the Company recognizes revenue in an amount equal to the allowable costs incurred plus the variable portion of the fee upon customer notification of the fee amount earned.

Revenue on time-and-materials contracts is recognized in an amount equal to direct labor hours expended multiplied by the contractual billable rate per hour plus the costs of material and other direct costs incurred on behalf of the customer.

Revenue on fixed price contracts within the scope of ASC 605-35 is recognized using the percentage-of-completion (POC) method. For these arrangements, substantially all revenue is recognized using a cost-to-cost input method based on the ratio of contractual costs incurred to date in proportion to total estimated costs at completion. When estimates of total costs to be incurred on a contract exceed estimates of total revenue to be earned, a provision for the entire loss on the contract is recorded in the period in which the loss is determined.

For fixed price service and maintenance type contracts within the scope of ASC 605-10-S99, revenue is generally recognized over the period in which services are performed. The Company uses straight-line revenue recognition when value is being transferred evenly throughout the performance period or when there is not a clearly defined pattern of service. An efforts-expended method, primarily using labor hours, may be used in a proportional performance calculation when it more closely approximates the transfer of value to the customer. Revenue on fixed unit price contracts is recognized in an amount equal to units delivered multiplied by the specified price per unit. Revenue on manufactured products is recognized upon passage of title to the customer. Revenue on fixed price/level of effort contracts is similar to time-and-materials arrangements and is recognized based upon the direct labor hours expended multiplied by the contractual billable rate per hour plus the costs of material and other direct costs incurred on behalf of the customer.

Contract accounting requires judgment relative to assessing risks, estimating contract revenue and costs, and making assumptions for schedule and technical issues. Due to the size and nature of many of our contracts, the estimation of total revenue and cost at completion is complicated and subject to many variables. Contract costs include material, labor, subcontracting costs, and other direct costs, as well as an allocation of allowable indirect costs. Assumptions have to be made regarding the length of time to complete the contract because costs also include expected increases in wages and prices for materials. For contract change orders, claims or similar items, we apply judgment in estimating the amounts and assessing the potential for realization. These amounts are only included in contract value when they can be reliably estimated and realization is considered probable. Incentives or penalties related to performance on contracts are considered in estimating sales and profit rates, and are recorded when there is sufficient information for us to assess anticipated performance. Estimates of award fees for certain contracts may also be a factor in estimating revenue and profit rates based on actual and anticipated awards.

From time to time, we may proceed with work based on customer direction prior to the completion and signing of formal contract documents. We have a formal review process for approving any such work. Revenue associated with such work is recognized only when it can be reliably estimated and realization is probable. We base our estimates on previous experiences with the customer, communications with the customer regarding funding status, and our knowledge of available funding for the contract or program.

The Company's U.S. government contracts comprise 93.5 and 93.9 percent of total revenue in the year ended June 30, 2018 and 2017, respectively and are subject to subsequent government audit of direct and indirect costs. Incurred cost audits have been completed through June 30, 2009. Management does not anticipate any material adjustment to the consolidated financial statements in subsequent periods for audits not yet started or completed.

Costs of Revenue

Costs of revenue include all direct contract costs including subcontractor costs as well as indirect overhead costs and selling, general and administrative expenses that are allowable and allocable to contracts under federal procurement standards. Costs of revenue also include costs and expenses that are unallowable under applicable procurement standards, and thus are not allocable to contracts for billing purposes. Such costs and expenses do not directly generate revenue, but are necessary for business operations.

Accounting for Business Combinations, Goodwill and Acquired Intangible Assets

The purchase price of an acquired business is allocated to the tangible assets and separately identifiable intangible assets acquired less liabilities assumed based upon their respective fair values, with the excess recorded as goodwill.

The fair values of the assets acquired and liabilities assumed were preliminarily determined using income, market and cost valuation methodologies. The fair value measurements were estimated using significant inputs that are not observable in the market and thus represent a Level 3 measurement as defined in ASC 820. The income approach was primarily used to value the customer relationships intangible assets. The income approach indicates value for an asset or liability based on the present value of cash flow projected to be generated over the remaining economic life of the asset or liability being measured. Both the amount and the duration of the cash flows are considered from a market participant perspective. Our estimates of market participant net cash flows considered historical and projected pricing, operational performance including company specific synergies, material and labor pricing, and other relevant customer, contractual and market factors. Where appropriate, the net cash flows are adjusted to reflect the uncertainties associated with the underlying assumptions, as well as the risk profile of the net cash flows utilized in the valuation. The adjusted future cash flows are then discounted to present value using an appropriate discount rate. Projected cash flow is discounted at a required rate of return that reflects the relative risk of achieving the cash flow and the time value of money. The fair values of the tangible assets and acquired liabilities assumed, were determined using a combination of market and cost valuation methodologies. The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. Valuation techniques consistent with the market approach often use market multiples derived from a set of comparables. The cost approach, which estimates value by determining the current cost of replacing an asset with another of equivalent economic utility.

We evaluate goodwill at least annually for impairment, or whenever events or circumstances indicate that the carrying value may not be recoverable. The evaluation includes comparing the fair value of the relevant reporting unit to the carrying value, including goodwill, of such unit. The level at which we test goodwill for impairment requires us to determine whether the operations below our operating segments constitute a self-sustaining business for which discrete financial information is available and segment management regularly reviews the operating results. If the fair value exceeds the carrying value, no impairment loss is recognized. However, if the carrying value of the reporting

unit exceeds its fair value, the goodwill of the reporting unit may be impaired. Impairment is measured by comparing the derived fair value of the goodwill to its carrying value. Separately identifiable intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment if impairment indicators are present.

We estimate the fair value of our reporting units using both an income approach and a market approach. The valuation process considers our estimates of the future operating performance of each reporting unit. Companies in similar industries are researched and analyzed and we consider the domestic and international economic and financial market conditions, both in general and specific to the industry in which we operate, prevailing as of the valuation date. The income approach utilizes discounted cash flows.

We evaluate goodwill as of the first day of the fourth quarter. In addition, we will perform interim impairment testing should circumstances requiring it arise. We completed our annual goodwill assessment as of April 1, 2018 and no impairment charge was necessary as a result of this assessment. We have concluded that none of our reporting units are at risk of a goodwill impairment in the near term as their fair values are considerably greater than their carrying values.

Determining the fair values of the reporting units inherently involves management judgments regarding assumptions such as future sales, profits and cash flows, determination of the discount rate, weighting of the income and market approaches, and the effect of the market conditions on those assumptions. Due to the variables inherent in the estimation of a reporting unit's fair value and the relative size of our goodwill, differences in assumptions could have a material effect on one or more of our reporting units and could result in a goodwill impairment charge in a future period.

Recent Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-01, Clarifying the Definition of a Business, which revises the definition of a business and provides guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The guidance is effective for the fiscal year, and interim periods within that fiscal year, beginning after December 15, 2017. The Company believes that the evaluation of whether transactions should be accounted for as acquisitions (or dispositions) of assets or businesses will be simplified under the new standard.

In February 2016, the FASB issued ASU No. 2016-02, Leases, which amends the existing guidance on accounting for leases. The new standard requires lessees to put virtually all leases on the balance sheet by recognizing lease assets and lease liabilities. Lessor accounting is largely unchanged from that applied under previous guidance. The amended guidance is effective for the fiscal year, and interim periods within that fiscal year, beginning after December 15, 2018, and requires a modified retrospective approach. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, as amended (ASC 606), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. In addition, ASU 2014-09 added ASC 340-40 to codify guidance on other assets and deferred costs for contracts with customers. On July 9, 2015, the FASB approved a one-year deferral of the effective date of ASU 2014-09 to annual reporting periods, including interim reporting periods within those periods, beginning after December 15, 2017, using either a full retrospective approach or a modified approach.

The Company plan adopted the standard on July 1, 2018 on a modified retrospective basis, whereby the cumulative effect of applying the standard was recognized through shareholders' equity on the date of adoption. In addition, for our fiscal year ending June 30, 2019 and the interim reporting periods therein, the Company is required to disclose the amount by which each financial statement line item was affected by the new standard.

As part of our implementation process, the Company performed the following: designed and implemented transition controls; reviewed representative contracts within each of our revenue streams; updated our current accounting policies and procedures, information systems, and internal controls over financial reporting; calculated the cumulative equity adjustment; and updated certain financial reports and footnote disclosures to comply with the new standard. We have substantially completed our implementation process in 2018.

We expect ASC 606 will impact the pattern of revenue recognition for some of our contracts with customers. For our award and incentive fee contracts, we will recognize a constrained amount of variable consideration throughout the performance period rather than defer recognition of the relevant portion of fee until customer notification of the amount earned. Some of our fixed price services-type contracts in which revenue is currently recognized on a

straight-line basis over the performance period will be converted to recognition of revenue over time using a cost-to-cost input method to measure our progress towards the complete satisfaction of the performance obligation. We do not anticipate a material impact to our cost-plus-fixed fee, fixed price/level-of-effort, time-and-materials, fixed price product sales, or fixed price contracts that currently use percentage-of-completion accounting.

ASC 340-40 will require the Company to capitalize certain costs to fulfill and obtain a contract. These capitalized costs will be amortized over the period of contract performance as revenue is recognized from the transfer of goods or services and the underlying performance obligations are satisfied.

On July 1, 2018, upon adoption, the Company expects to record a net increase to shareholders' equity ranging from $15.0 million to $25.0 million. This amount primarily relates to: revenue on award and incentive fee contracts that is currently required to be deferred under ASC 605; the costs to obtain a contract that are required to be capitalized upon adoption; and revenue for software license renewals that must be deferred under ASC 606 until the beginning of the renewal period.

Results of Operations

The following table sets forth the relative percentages that certain items of expense and earnings bear to revenue.

Consolidated Statements of Operations

Years ended June 30,

	2018	2017	2016	2018	2017	2016	Year to Year Change 2017 to 2018		2016 to 2017	
	Dollars (dollar amounts in thousands)			Percentages			Dollars	Percent	Dollars	Percent
Revenue	$4,467,860	$4,354,617	$3,744,053	100.0%	100.0%	100.0%	$113,243	2.6 %	$610,564	16.3%
Costs of revenue										
Direct costs	2,978,608	2,934,804	2,487,633	66.7	67.4	66.4	43,804	1.5	447,171	18.0
Indirect costs and selling expenses	1,076,356	1,050,792	926,918	24.1	24.1	24.8	25,564	2.4	123,874	13.4
Depreciation and amortization	72,196	71,760	64,752	1.6	1.7	1.7	436	0.6	7,008	10.8
Total costs of revenue	4,127,160	4,057,356	3,479,303	92.4	93.2	92.9	69,804	1.7	578,053	16.6
Income from operations	340,700	297,261	264,750	7.6	6.8	7.1	43,439	14.6	32,511	12.3
Interest expense and other, net	42,036	48,642	41,138	0.9	1.1	1.1	(6,606)	(13.6)	7,504	18.2
Income before income taxes	298,664	248,619	223,612	6.7	5.7	6.0	50,045	20.1	25,007	11.2
Income tax (benefit) expense	(2,507)	84,948	80,813	-	1.9	2.2	(87,455)	(103.0)	4,135	5.1
Net income	$301,171	$163,671	$142,799	6.7 %	3.8 %	3.8 %	$137,500	84.0 %	$20,872	14.6%

Revenue

For FY2018, our total revenue increased from FY2017 by $113.2 million or 2.6 percent. This growth in revenue resulted primary from increases in intelligence services, systems and support fixed price and fixed unit price contracts, higher award and one-time incentive fees and increased cyber security product sales.

For FY2017, our total revenue increased from FY2016 by $610.6 million, or 16.3 percent. This growth in revenue resulted from the NSS acquisition and other FY2016 acquisitions.

The following table summarizes revenue earned by each of the customer groups for the three most recent fiscal years:

	Years ended June 30,					
	2018		2017		2016	
	(dollar amounts in thousands)					
Department of Defense	$2,974,578	66.6 %	$2,829,305	65.0 %	$2,439,329	65.1 %
Federal civilian agencies	1,201,874	26.9	1,259,212	28.9	1,062,508	28.4
Commercial and other	291,408	6.5	266,100	6.1	242,216	6.5
Total	$4,467,860	100.0%	$4,354,617	100.0%	$3,744,053	100.0%

DoD revenue increased 5.1 percent, or $145.3 million in FY2018 as compared to FY2017. The increase was primarily from increases in fixed price and fixed unit price contracts, higher award and incentive fees. 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 systems. DoD revenue includes work with the U.S. Navy and other DoD agencies across all of our major service offerings.

Revenue from DoD customers increased 16.0 percent, or $390.0 million in FY2017 as compared to FY2016. This increase was attributable primarily to acquired revenue. Excluding acquired revenue, DoD revenue decreased by $69.8 million or 3.1 percent, primarily due to lower subcontractor costs and ODCs resulting from the drawdown in Afghanistan, federal budget-related reduction activities and reduced customer requirements.

Federal civilian agencies revenue decreased 4.6 percent, or $57.3 million for FY2018 as compared to FY2017. This decrease was primarily attributable to reduced material sales and customer requirements partially offset by growth in investigation and litigation support services. Federal civilian agency revenue also includes services provided to non-DoD national intelligence agencies.

Revenue from federal civilian agencies increased 18.5 percent, or $196.7 million in FY2017 as compared to FY2016. The acquisition of NSS accounted for $190.1 million of the increase in federal civilian agency revenue. NSS contracts consist mainly of contracts in our Enterprise IT market. Excluding NSS, federal civilian agency revenue increased $6.6 million or 1.0 percent. This increase was primarily attributable to our intelligence systems and services, investigations and litigation support, and business systems contracts.

Commercial and other revenue increased 9.5 percent, or $25.3 million in FY2018 as compared to FY2017 primarily from our international and domestic technology services and cyber security products. This increase was attributable to increased product orders and managed services revenue from acquisitions within our international operations. Commercial and other revenue is derived from both international and domestic operations. Of the total commercial and other revenue, international operations accounted for 56.0 percent or $163.3 million for the year ended June 30, 2018 as compared to 51.5 percent or $137.1 million over the same period a year ago. Domestic operations accounted for 44.0 percent or $128.1 million as compared to 48.5 percent or $129.0 million over the same period a year ago.

Commercial and other revenue increased 9.9 percent, or $23.9 million, to $291.4 million in FY2017 as compared to FY2016. The increase came from both our international and domestic technology services and cyber security products. Of the total commercial and other revenue international operations accounted for 51.5 percent, or $137.1 million, of the total commercial revenue, while domestic operations accounted for 48.5 percent, or $129.0 million.

Income from Operations

During the fiscal years ended June 30, 2018, 2017, and 2016, as a percentage of revenue, total direct costs were 66.7 percent, 67.4 percent, and 66.4 percent, respectively. Direct costs include direct labor and ODCs, which include, among other costs, subcontracted labor and materials along with equipment purchases and travel expenses. ODCs, which are common in our industry, typically are incurred in response to specific customer tasks and may vary from period to period.

The single largest component of direct costs, direct labor, was $1.3 billion, $1.3 billion and $1.2 billion in FY2018, FY2017, and FY2016, respectively. ODCs were $1.6 billion, $1.6 billion, and $1.3 billion in FY2018, FY2017, and FY2016, respectively. Direct labor and ODCs from FY2017 to FY2018 remained primarily the same. The direct labor and ODC increase from FY2016 to FY2017 were primarily the result of the acquisition of NSS.

Indirect costs and selling expenses which include fringe benefits (attributable to both direct and indirect labor), marketing and bid and proposal costs, indirect labor and other discretionary expenses, increased $25.6 million or 2.4 percent in FY2018 as compared to FY2017. Indirect expenses increased mainly from merger and acquisition costs, costs associated with starting up our shared service center, and long-term incentive plan costs. Indirect costs and selling expense increased $123.9 million or 13.4 percent in FY2017 as compared to FY2016. This increase in indirect costs and selling expenses was primarily due to the NSS acquisition, facility lease termination costs, long term incentive and other compensation costs offset by the absence of acquisition related expenses that occurred during the twelve months ended June 30, 2016. As a percentage of revenue indirect costs and selling expenses were 24.1 percent, 24.1 percent and 24.8 percent for FY2018, FY2017 and FY2016, respectively.

Depreciation and amortization expense increased $0.4 million, or 0.6 percent, in FY2018 as compared to FY2017. This increase was the result of increased depreciation expense due to amortization of acquired intangible assets related to acquisitions offset by the runoff of amortization expense related to prior acquisitions. In FY2017 depreciation and amortization expense decreased $7.0 million or 10.8 percent as compared to FY2016. The decrease was primarily attributable to lower amortization of intangible assets from runoff amortization expense related to prior acquisitions partially offset by additional intangible amortization expense related to the NSS acquisition.

Interest expense and other net decreased $6.6 million, or 13.6 percent, in FY2018 as compared to FY2017. This decrease primarily relates to lower outstanding debt balances. Interest expense and other net increased $7.5 million, or 18.2 percent in FY2017 as compared in FY2016. This increase primarily relates to interest on $550.0 million of additional indebtness incurred to fund the acquisition of NSS.

The effective income tax rates in FY2018, FY2017, and FY2016, were (0.8) percent, 34.2 percent, and 36.1 percent, respectively. The effective income tax rate for FY2018 is lower than FY2017 and FY2016 primarily due to estimated benefits related to the Tax Cuts and Jobs Act (TCJA) (see Note 19). The tax rate in each year was also favorably affected by excess tax benefits from employee share-based payment awards under ASU 2016-09, a benefit from the research and development tax credit, and gains from the change in value of assets invested in corporate-owned life insurance (COLI) policies.

Effects of Inflation

During FY2018, 51.0 percent of our business was conducted under cost-reimbursable contracts which automatically adjust revenue to cover costs that are affected by inflation. 16.4 percent of our revenue was earned under time-and-materials contracts, where labor rates for many of the services provided are often fixed for several years. Under certain time-and-materials contracts containing IDIQ procurement arrangements, we adjust labor rates annually as permitted. The remaining portion of our business is fixed-price and may span multiple years. We generally have been able to price our time-and-materials and fixed-price contracts in a manner that accommodates the rates of inflation experienced in recent years.

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. Cash flows from operations totaled $325.1 million, $281.3 million and $242.6 million for the years ended June 30, 2018, 2017 and 2016, respectively.

The Credit Facility is a $2,038.4 million credit facility, which includes a $1,100.0 million revolving credit facility (the Revolving Facility), and a $938.4 million term loan (the Term Loan). The Revolving Facility has sub-facilities of $100.0 million for same-day swing line borrowings and $25.0 million for stand-by letters of credit. At June 30, 2018, $938.4 million was outstanding under the Term Loan, $135.0 million was outstanding under the Revolving Facility and we had no borrowings on the swing line. As of June 30, 2018, the Credit Facility had an accordion feature that would allow the facility to be expanded in an aggregate amount of up to the sum of $400.0 million plus an amount such that the Consolidated Senior Secured Leverage Ratio would not be greater than 2.75:1.0.

The Term Loan is a five-year secured facility under which principal payments are due in quarterly installments of $11.7 million through June 30, 2021 and $23.5 million thereafter until the balance is due in full on June 30, 2023.

The interest rates applicable to loans under the Credit Facility are floating interest rates that, at our option, equal a base rate or a Eurodollar rate plus, in each case, an applicable margin based upon our consolidated total leverage ratio.

The Credit Facility requires us to comply with certain financial covenants, including a maximum total leverage ratio and a minimum fixed charge coverage ratio. The Credit Facility also includes customary negative covenants restricting or limiting our 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, we have been in compliance with all of the financial covenants. A majority of our assets serve as collateral under the Credit Facility.

Cash and cash equivalents were $66.2 million and $65.5 million as of June 30, 2018 and 2017, respectively. Our operating cash flow was $325.1 million for FY2018, compared to $281.3 million for the same period a year ago. Days-sales outstanding were 60 and 59 at June 30, 2018 and 2017, respectively. The increase in DSO is due to timing

of cash collections.

We used $118.3 million and $24.8 million of cash in investing activities during FY2018 and FY2017, respectively. During FY2018 we paid $76.9 million for business acquisitions, as compared to $7.3 million during FY2017. Additionally, during FY2017 we received $19.3 million of working capital and other refunds from our NSS acquisition, with no similar proceeds in FY2018. In FY2017, we also received $4.7 million return of capital relating to our joint ventures. Purchases of office and computer related equipment of $41.6 million and $43.3 million in FY2018 and FY2017, respectively, accounted for a majority of the remaining funds used in investing activities. Generally, we have relatively low capital expenditure requirements for our business, and expect these expenditures in the coming years to remain consistent with or be below the levels reported in FY2018.

Cash flows used in financing activities were $206.5 million and $240.0 million during FY2018 and FY2017, respectively. During FY2018, we had net repayments of $173.4 million under our Credit Facility compared to $229.0 million in FY2017. During FY2018 we paid $11.6 million in settlement of contingent consideration for acquisitions completed in prior years. During FY2018 and FY2017 we also paid taxes on the settlement of employees equity transactions of $21.4 million and $11.0 million, respectively.

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 will depend on our future financial performance which will be affected by many factors outside of our control, including current worldwide economic conditions.

Off-Balance Sheet Arrangements and Contractual Obligations

We use off-balance sheet arrangements related to the lease of all of our current office and warehouse facilities. 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 leasing 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 14 in the Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K. 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 when issued. We have no other material off-balance sheet financing arrangements.

The following table summarizes our contractual obligations as of June 30, 2018 that require us to make future cash payments:

	Payments Due By Period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
	(amounts in thousands)				
Contractual obligations (1):					
Bank credit facility-term loan (2)	$938,394	$46,920	$93,840	$797,634	$—
Interest Payments (5)	140,266	30,950	58,341	50,975	—
Bank credit facility-revolver loan (2)	135,000	—	—	135,000	—
Operating leases (3)	268,840	62,931	91,447	55,736	58,726
Deferred consideration (6)	5,867	5,867	—	—	—
Other long-term liabilities reflected on our balance sheet under generally accepted accounting principles (GAAP)					
Deferred compensation (4)	93,836	6,973	9,580	5,901	71,382
Transition tax (7)	8,902	774	1,548	2,225	4,355
Total	$1,591,105	$154,415	$254,756	$1,047,471	$134,463

(1) The liability related to unrecognized tax benefits has been excluded from the contractual obligations table because a reasonable estimate of the timing and amount of cash out flows from future tax settlements cannot be

determined. See Note 19 in the Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K for additional information regarding taxes and related matters.

(2) See Note 13 to our consolidated financial statements for additional information regarding debt and related matters.

(3) See Note 14 to our consolidated financial statements for additional information regarding operating lease commitments.

(4) This liability is substantially offset by COLI held by the Company to fund the payment of the liability to the plan participant. See Note 20 to our consolidated financial statements.

(5) Interest payments are estimated through the maturity date of the Term Loan. Variable rate interest obligations are estimated based on rates as of June 30, 2018. Interest payments under the Revolving Facility have been excluded because a reasonable estimate of the timing and amount of cash out flows cannot be determined.

(6) Consists of deferred payment obligations related to acquisitions. See Note 4 for additional information.

(7) Represents the estimated transition tax related to the TCJA (see Note 19). The transition tax will be paid over an eight-year period.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

The interest rates on both the Term Loan and the Revolving 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. We have entered into floating-to-fixed interest rate swap agreements for an aggregate notional amount of $800.0 million related to a portion of our floating rate indebtedness. All remaining balances under our Term Loan, and any additional amounts that may be borrowed under our Revolving Facility, are currently subject to interest rate fluctuations. With every one percent fluctuation in the applicable interest rates, interest expense on our variable rate debt for the twelve months ended June 30, 2018 would have fluctuated by approximately $3.6 million.

Approximately 3.7 percent and 3.1 percent of our total revenue in FY2018 and FY2017, respectively, was derived from our international operations headquartered in the U.K. Our practice in our international operations 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 June 30, 2018, we held a combination of euros and pounds sterling in the U.K. and in the Netherlands equivalent to approximately $26.3 million. Although these balances are generally available to fund ordinary business operations without legal or other restrictions, a significant portion is not immediately available to fund U.S. operations unless repatriated. Our intention is to reinvest earnings from our foreign subsidiaries. This allows us to better utilize our cash resources on behalf of our foreign subsidiaries, thereby mitigating foreign currency conversion risks.

Item 8. Financial Statements and Supplementary Data

The Consolidated Financial Statements of CACI International Inc and subsidiaries are provided in Part IV in this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

A. Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in the Exchange Act Ruling 13a-15(e) and 15d-15(e), that are designed to ensure that information required to be disclosed in our periodic filings with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), 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 limitations, 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 detecting or preventing all errors or fraud, or in making all material information known in a timely manner to the appropriate levels of management.

We performed an evaluation of the effectiveness of our disclosure controls and procedures under the supervision of the CEO and CFO, as of June 30, 2018. Based on the evaluation procedures, our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2018.

B. Internal Control Over Financial Reporting

The management of CACI International Inc is responsible for establishing and maintaining effective internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f), and for its assessment of the effectiveness of internal control over financial reporting.

We maintain internal controls over financial reporting that are designed to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of financial statements. CACI International Inc's internal control over financial reporting includes those policies and procedures that 1) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles; 2) ensure the maintenance of records that accurately and fairly reflect our transactions; 3) ensure that our receipts, expenditures and asset dispositions are made in accordance with director and management authorizations; and 4) provide reasonable assurance that our assets are properly safeguarded.

With the participation of our CEO and CFO, we performed an evaluation of the effectiveness of the internal control over financial reporting to comply with the rules on internal control over financial reporting issued pursuant to the Sarbanes-Oxley Act of 2002. In making this evaluation, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013 Framework). Based on the evaluation procedures, our management, including the CEO and CFO, concluded that, as of June 30, 2018, our internal control over financial reporting was effective based on those criteria. In addition, our independent registered public accounting firm evaluated the effectiveness of our internal control over financial reporting. Management's report on the effectiveness of internal control over financial reporting, and the independent auditors' report on internal control over financial reporting, are included in Part IV of this report.

C. Changes in Internal Control Over Financial Reporting

Under the supervision and with the participation of our management, an evaluation was also performed of any changes in our internal control procedures over financial reporting that occurred during our last fiscal quarter. Based on this evaluation, management determined there were no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART III

The Information required by Items 10, 11, 12, 13 and 14 of Part III of Form 10-K has been omitted in reliance on General Instruction G(3) and is incorporated herein by reference to our proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended, as set forth below:

Item 10. Directors, Executive Officers and Corporate Governance

Except for the specific disclosures below, the information required by this Item 10 is included under the headings "Executive Officers" and "Corporate Governance" in our 2018 Proxy Statement for the annual meeting to be held with respect to the fiscal year ended June 30, 2018 (2018 Proxy Statement) and is incorporated by reference.

Code of Ethics

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions. That code, our Standards of Ethics and Business Conduct, is posted in the "Investors Relations/Corporate Governance" section of our website at www.caci.com and a printed copy of such code will be furnished free of charge to any shareholder who requests a copy.

We intend to disclose any amendment to the Standards of Ethics and Business Conduct that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K, and any waiver from a provision of the Standards of Ethics and Business Conduct granted to any director, principal executive officer, principal financial officer, principal accounting officer, or any other executive officer of the Company, in the "Investors" section of our website at www.caci.com within four business days following the date of such amendment or waiver.

Corporate Governance Guidelines

We have adopted a set of corporate governance guidelines in accordance with the requirements of Section 303A of the New York Stock Exchange Listed Company Manual. Those guidelines can be found posted on our website at www.caci.com and a printed copy will be furnished free of charge to any shareholder who requests a copy.

Item 11. Executive Compensation

The information required by this Item 11 will be incorporated herein by reference to the Proxy Statement for the 2018 Annual Meeting of Shareholders to be filed within 120 days after the end of the company's fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this Item 12 will be incorporated herein by reference to the Proxy Statement for the 2018 Annual Meeting of Shareholders to be filed within 120 days after the end of the company's fiscal year.

Item 13. Certain Relationships and Related Transactions

The information required by this Item 13 will be incorporated herein by reference to the Proxy Statement for the 2018 Annual Meeting of Shareholders to be filed within 120 days after the end of the company's fiscal year.

Item 14. Principal Accountant Fees and Services

The information required by this Item 14 will be incorporated herein by reference to the Proxy Statement for the 2018 Annual Meeting of Shareholders to be filed within 120 days after the end of the company's fiscal year.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this Report

1. Financial Statements

A. Consolidated Statements of Operations for the fiscal years ended June 30, 2018, 2017 and 2016

B. Consolidated Statements of Comprehensive Income for the fiscal years ended June 30, 2018, 2017 and 2016

C. Consolidated Balance Sheets as of June 30, 2018 and 2017

D. Consolidated Statements of Cash Flows for the fiscal years ended June 30, 2018, 2017 and 2016

E. Consolidated Statements of Shareholders' Equity for the fiscal years ended June 30, 2018, 2017 and 2016

F. Notes to Consolidated Financial Statements

2. Supplementary Financial Data

Schedule II—Valuation and Qualifying Accounts for the fiscal years ended June 30, 2018, 2017 and 2016

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

(b) Exhibits

		Filed with this	Incorporated by Reference		
Exhibit No.	Description	Form 10-K	Form	Filing Date	Exhibit No.
2.1	Stock Purchase Agreement, dated as of December 7, 2015, by and among CACI International Inc, CACI, Inc.-Federal and L-3 Communications Corporation.		8-K	December 8, 2015	2.1
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 16, 2017.		8-K	March 21, 2017	3.1
10.1	The 2002 Employee Stock Purchase Plan of CACI International Inc, as amended. *		Def 14A	October 3, 2013	Appendix A
10.2	Amended and Restated Management Stock Purchase Plan of CACI International Inc. *		10-K	August 27, 2008	10.5
10.3	Amended and Restated Employment Agreement dated July 1, 2007 between J.P. London and CACI International Inc. *		10-K	August 29, 2007	10.21

10.4	Severance Compensation Agreement dated October 1, 2007 between Thomas A. Mutryn and CACI International Inc. *	S-1/A	October 9, 2007	10.25
10.5	Severance Compensation Agreement dated June 16, 2008 between Gregory R. Bradford and CACI International Inc. *	10-K	August 27, 2008	10.23
10.6	CACI International Inc 2006 Stock Incentive Plan, as amended and restated. *	Def 14A	October 6, 2011	Appendix A
10.7	CACI International Inc 2016 Amended and Restated Incentive Compensation Plan. *	Def 14A	October 6, 2016	Appendix A
10.8	Amendment to the CACI International Inc Management Stock Purchase Plan dated June 23, 2010. *	10-K	August 25, 2010	10.34

Exhibit No.	Description	Filed with this Form 10-K	Incorporated by Reference Form	Filing Date	Exhibit No.
10.9	Credit Agreement by and among CACI International Inc as borrower; Bank of America, N.A. as administrative agent, swing line lender and L/C issuer; JP Morgan Chase Bank, N.A., as syndication agent; and each of the lenders named therein.		8-K	October 27, 2010	10.1
10.10	Form of CACI International Inc 2006 Stock Incentive Plan Performance Restricted Stock Unit Grant Agreement. *		10-Q	February 4, 2011	10.2
10.11	Form of CACI International Inc 2006 Stock Incentive Plan Restricted Stock Unit (RSU) Grant Agreement. *		10-Q	May 6, 2011	10.1
10.12	Amendment dated May 17, 2011 to the Credit Agreement dated October 21, 2010, between CACI International Inc, Bank of America, N.A. and a consortium of participating banks.		8-K	May 19, 2011	10.2
10.13	Form of Non-Employee Director Restricted Stock Unit Grant Agreement. *		10-K	August 29, 2011	10.30
10.14	Amendment dated November 18, 2011 to the Credit Agreement dated October 21, 2010, between CACI International Inc, Bank of America, N.A. and a consortium of participating banks.		8-K	November 22, 2011	10.3
10.15	Form of Restricted Stock Unit (RSU) Agreement under CACI International Inc Management Stock Purchase Plan. *		S-8	February 6, 2012	10.13
10.16	Form of Stock Grant Agreement under CACI International Inc Director Stock Purchase Plan. *		S-8	February 6, 2012	10.15
10.17	Amended and Restated Director Stock Purchase Plan of CACI International Inc. *		10-Q	May 4, 2012	10.1
10.18	Severance Compensation Agreement dated July 1, 2012 between John S. Mengucci and CACI International Inc. *		10-K	August 28, 2012	10.38
10.19	Lender Joinder and Increase Agreement dated as of October 26, 2012 between CACI International Inc, Bank of America, N.A. and a consortium of participating banks.		8-K	October 31, 2012	10.4
10.20	Amendment dated August 6, 2013 to the Credit Agreement dated October 21, 2010, between CACI International Inc, Bank of America, N.A. and a consortium of participating banks.		8-K	August 12, 2013	10.4

10.21	Employment Agreement dated February 20, 2013 between Kenneth Asbury and CACI International Inc. *	10-K	August 27, 2013	10.40
10.22	Amendment dated October 31, 2013 to the Credit Agreement dated October 21, 2010, between CACI International Inc, Bank of America, N.A. and a consortium of participating banks.	8-K	November 5, 2013	10.5

Exhibit No.	Description	Filed with this Form 10-K	Incorporated by Reference Form	Filing Date	Exhibit No.
10.23	Amendment dated November 15, 2013 to the Credit Agreement dated October 21, 2010, between CACI International Inc, Bank of America, N.A. and a consortium of participating banks.		8-K	November 18, 2013	10.6
10.24	Amendment dated April 22, 2015 to the Credit Agreement dated October 21, 2010, between CACI International Inc, Bank of America, N.A. and a consortium of participating banks.		8-K	April 28, 2015	10.7
10.25	Amendment dated May 21, 2015 to the Credit Agreement dated October 21, 2010, between CACI International Inc, Bank of America, N.A. and a consortium of participating banks.		8-K	May 27, 2015	10.8
10.26	Eighth Amendment dated January 29, 2016 to the Credit Agreement dated October 21, 2010, between CACI International Inc, Bank of America, N.A. and a consortium of participating banks.		8-K	February 3, 2016	10.9
10.27	First Incremental Facility Amendment dated February 1, 2016 to the Credit Agreement dated October 21, 2010, between CACI International Inc, Bank of America, N.A. and a consortium of participating banks.		8-K	February 3, 2016	10.10
10.28	Form of Performance RSU Grant Agreement pursuant to the CACI International Inc 2006 Stock Incentive Plan. *		8-K	December 1, 2017	10.1
10.29	Ninth Amendment dated May 3, 2018 to the Credit Agreement, dated October 21, 2010, between CACI International Inc, Bank of America, N.A. and a consortium of participating banks.		8-K	May 9, 2018	10.1
10.30	Form of Non-Employee Director Restricted Stock Unit Grant Agreement issued pursuant to the 2016 Incentive Compensation Plan. *		10-K	August 21, 2017	10.30
10.31	Form of RSU Grant Agreement pursuant to the CACI International Inc 2016 Incentive Compensation Plan. *		10-K	August 21, 2017	10.31
21.1	Significant Subsidiaries of the Registrant.	X			
23.1	Consent of Independent Registered Public Accounting Firm.	X			
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities and Exchange Commission.	X			

31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities and Exchange Commission.	X
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.	X
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.	X

Exhibit No.	Description	Filed with this 10-K	Incorporated by Reference Form	Filing Date	Exhibit No.
101	The following materials from the CACI International Inc Annual Report on Form 10-K for the year ended June 30, 2018 formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Statements of Operations for the years ended June 30, 2018, 2017 and 2016, (ii) Consolidated Statements of Comprehensive Income for the years ended June 30, 2018, 2017 and 2016, (iii) Consolidated Balance Sheets as of June 30, 2018 and 2017, (iv) Consolidated Statements of Cash Flows for the years ended June 30, 2018, 2017 and 2016, (v) Consolidated Statements of Shareholders' Equity for the years ended June 30, 2018, 2017 and 2016, and (vi) Notes to Consolidated Financial Statements. **				

* Denotes a management contract, compensatory plan, or arrangement.
** Submitted electronically herewith.

Report of Management on Internal Control Over Financial Reporting

August 20, 2018

The management of CACI International Inc is responsible for establishing and maintaining effective internal control over financial reporting, and for assessing the effectiveness of internal control over financial reporting. Management maintains a comprehensive system of internal controls intended to ensure that transactions are executed in accordance with management's authorization, that assets are safeguarded, and that financial records are reliable. CACI International Inc's internal control system is designed to provide reasonable assurance to Company management and its Board of Directors regarding the preparation and fair presentation of consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Due to inherent limitations, internal control systems can provide only reasonable assurance with respect to financial statement preparation and presentation, and may not prevent or detect financial statement misstatements. Also, projections of any evaluation of internal control effectiveness to future periods are subject to the risk that existing controls may become inadequate because of changing conditions, or that the degree of compliance with existing policies and procedures may deteriorate.

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of CACI International Inc's internal control over financial reporting based on the framework and criteria established in Internal Control-Integrated Framework (2013 Framework), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, our management has concluded that CACI International Inc's internal control over financial reporting was effective as of June 30, 2018.

Ernst & Young LLP, an independent registered public accounting firm, has audited the Company's consolidated financial statements included herein and has reported on the Company's internal control over financial reporting as of June 30, 2018.

/s/ Kenneth Asbury	/s/ Thomas A. Mutryn
Kenneth Asbury	Thomas A. Mutryn
President and	Executive Vice President and
Chief Executive Officer and Director	Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of CACI International Inc

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of CACI International Inc (the “Company”) as of June 30, 2018 and 2017, the related consolidated statements of operations, comprehensive income, shareholders’ equity and cash flows for each of the three years in the period ended June 30, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated August 20, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2002.

Tysons, Virginia

August 20, 2018

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of CACI International Inc

Opinion on Internal Control over Financial Reporting

We have audited CACI International Inc's internal control over financial reporting as of June 30, 2018, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, CACI International Inc (the Company) maintained, in all material respects, effective internal control over financial reporting as of June 30, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2018 consolidated financial statements of the Company and our report dated August 20, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Tysons, Virginia

August 20, 2018

CACI INTERNATIONAL INC

CONSOLIDATED STATEMENTS OF OPERATIONS

(amounts in thousands, except per share data)

	Fiscal year ended June 30,		
	2018	2017	2016
Revenue	$4,467,860	$4,354,617	$3,744,053
Costs of revenue:			
Direct costs	2,978,608	2,934,804	2,487,633
Indirect costs and selling expenses	1,076,356	1,050,792	926,918
Depreciation and amortization	72,196	71,760	64,752
Total costs of revenue	4,127,160	4,057,356	3,479,303
Income from operations	340,700	297,261	264,750
Interest expense and other, net	42,036	48,642	41,138
Income before income taxes	298,664	248,619	223,612
Income tax (benefit) expense	(2,507)	84,948	80,813
Net income	$301,171	$163,671	$142,799
Basic earnings per share	$12.23	$6.71	$5.89
Diluted earnings per share	$11.93	$6.53	$5.76
Weighted-average basic shares outstanding	24,616	24,401	24,262
Weighted-average diluted shares outstanding	25,255	25,069	24,802

See Notes to Consolidated Financial Statements.

CACI INTERNATIONAL INC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(amounts in thousands)

	Fiscal year ended June 30,		
	2018	2017	2016
Net income	$301,171	$163,671	$142,799
Other comprehensive income (loss):			
Foreign currency translation adjustment	1,986	(2,804)	(19,961)
Effects of post-retirement adjustments, net of tax	627	184	(170)
Change in fair value of interest rate swap agreements, net of tax	7,473	14,587	(5,992)
Other comprehensive income (loss), net of tax	10,086	11,967	(26,123)
Comprehensive income	$311,257	$175,638	$116,676

See Notes to Consolidated Financial Statements.

CACI INTERNATIONAL INC

CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except per share data)

	June 30, 2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	$66,194	$65,539
Accounts receivable, net	806,871	757,341
Prepaid expenses and other current assets	58,126	57,022
Total current assets	931,191	879,902
Goodwill	2,620,835	2,577,435
Intangible assets, net	241,755	235,371
Property and equipment, net	101,140	91,749
Supplemental retirement savings plan assets	91,490	91,367
Accounts receivable, long-term	8,620	7,886
Other long-term assets	39,175	27,372
Total assets	$4,034,206	$3,911,082
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$46,920	$53,965
Accounts payable	82,017	62,874
Accrued compensation and benefits	259,442	239,741
Other accrued expenses and current liabilities	150,602	170,164
Total current liabilities	538,981	526,744
Long-term debt, net of current portion	1,015,420	1,177,598
Supplemental retirement savings plan obligations, net of current portion	86,851	81,823
Deferred income taxes	200,880	273,320
Other long-term liabilities	85,187	57,876
Total liabilities	1,927,319	2,117,361
Commitments and contingencies		
Shareholders' equity:		
Preferred stock $0.10 par value, 10,000 shares authorized, no shares issued or outstanding	—	—
Common stock $0.10 par value, 80,000 shares authorized; 42,139 issued and 24,704 outstanding at June 30, 2018 and 41,896 issued and 24,462 outstanding at June 30, 2017	4,214	4,190
Additional paid-in capital	570,964	569,080
Retained earnings	2,126,790	1,825,619
Accumulated other comprehensive loss	(19,030)	(29,116)
Treasury stock, at cost (17,434 and 17,435 shares, respectively)	(576,186)	(576,187)

Total CACI shareholders' equity	2,106,752	1,793,586
Noncontrolling interest	135	135
Total shareholders' equity	2,106,887	1,793,721
Total liabilities and shareholders' equity	$4,034,206	$3,911,082

See Notes to Consolidated Financial Statements.

CACI INTERNATIONAL INC

CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)

	Fiscal year ended June 30,		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$301,171	$163,671	$142,799
Reconciliation of net income to net cash provided by operating activities:			
Depreciation and amortization	72,196	71,760	64,752
Amortization of deferred financing costs	4,061	4,484	3,234
Loss on extinguishment of debt	104	—	—
Loss on disposal of assets	989	1,025	—
Stock-based compensation expense	23,628	21,945	17,919
Deferred income taxes	(77,324)	15,148	13,568
Equity in earnings of unconsolidated ventures	—	(167)	(204)
Gain on sale of assets	—	(1,545)	—
Changes in operating assets and liabilities, net of effect of business acquisitions:			
Accounts receivable, net	(42,575)	46,158	(105)
Prepaid expenses and other assets	(5,479)	(5,221)	(8,408)
Accounts payable and other accrued expenses	1,097	(46,825)	2,427
Accrued compensation and benefits	13,544	12,048	4,320
Income taxes payable and receivable	6,090	(9,954)	14,868
Deferred rent	(183)	(952)	(9,631)
Long-term liabilities	27,808	9,675	(2,962)
Net cash provided by operating activities	325,127	281,250	242,577
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(41,594)	(43,268)	(20,835)
Cash paid for business acquisitions, net of cash acquired	(76,910)	(7,276)	(587,821)
Proceeds from net working capital and other refunds of acquired business	—	19,287	—
Proceeds from equity method investments	—	4,681	—
Other	231	1,772	1,069
Net cash used in investing activities	(118,273)	(24,804)	(607,587)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings under bank credit facilities, net of financing costs	477,000	485,500	1,058,500
Principal payments made under bank credit facilities	(647,474)	(714,465)	(659,965)
Payment of financing costs under bank credit facilities	(2,915)	—	(9,290)
Payment of contingent consideration	(11,553)	—	—
Proceeds from employee stock purchase plans	4,929	4,316	3,086
Repurchases of common stock	(5,138)	(4,386)	(3,230)
Payment of taxes for equity transactions	(21,365)	(10,951)	(8,045)
Other	—	—	451
Net cash (used in) provided by financing activities	(206,516)	(239,986)	381,507
Effect of exchange rate changes on cash and cash equivalents	317	(3)	(2,779)
Net increase in cash and cash equivalents	655	16,457	13,718

Cash and cash equivalents, beginning of year	65,539	49,082	35,364
Cash and cash equivalents, end of year	$66,194	$65,539	$49,082
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the period for income taxes, net of refunds	$57,941	$79,268	$54,970
Cash paid during the period for interest	$40,100	$45,015	$37,429
Non-cash financing and investing activities:			
Accrued capital expenditures	609	667	2,170

See Notes to Consolidated Financial Statements.

CACI INTERNATIONAL INC

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(amounts in thousands)

	Common Stock					Treasury Stock				
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Shares	Amount	Total CACI Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
BALANCE, June 30, 2015	41,622	$4,162	$547,979	$1,519,149	$(14,960)	17,438	$(576,193)	$1,480,137	$135	$1,480,272
Net income	—	—	—	142,799	—	—	—	142,799	—	142,799
Stock-based compensation expense	—	—	17,919	—	—	—	—	17,919	—	17,919
Exercise of stock options and vesting of restricted stock units	136	14	(7,465)	—	—	—	—	(7,451)	—	(7,451)
Change in fair value of interest rate swap agreements, net	—	—	—	—	(5,992)	—	—	(5,992)	—	(5,992)
Currency translation adjustment	—	—	—	—	(19,961)	—	—	(19,961)	—	(19,961)
Repurchases of common stock	—	—	(192)	—	—	37	(3,038)	(3,230)	—	(3,230)
Treasury stock issued under stock purchase plans	—	—	83	—	—	(40)	3,044	3,127	—	3,127
Post-retirement benefit costs	—	—	—	—	(170)	—	—	(170)	—	(170)
BALANCE, June 30, 2016	41,758	4,176	558,324	1,661,948	(41,083)	17,435	(576,187)	1,607,178	135	1,607,313

Net income	—	—	—	163,671	—	—	—	163,671	—	163,671
Stock-based compensation expense	—	—	21,945	—	—	—	—	21,945	—	21,945
Tax withholdings on restricted share vesting	138	14	(10,957)	—	—	—	—	(10,943)	—	(10,943)
Change in fair value of interest rate swap agreements, net	—	—	—	—	14,587	—	—	14,587	—	14,587
Currency translation adjustment	—	—	—	—	(2,804)	—	—	(2,804)	—	(2,804)
Repurchases of common stock	—	—	(236)	—	—	41	(4,150)	(4,386)	—	(4,386)
Treasury stock issued under stock purchase plans	—	—	4	—	—	(41)	4,150	4,154	—	4,154
Post-retirement benefit costs	—	—	—	—	184	—	—	184	—	184
BALANCE, June 30, 2017	41,896	4,190	569,080	1,825,619	(29,116)	17,435	(576,187)	1,793,586	135	1,793,721
Net income	—	—	—	301,171	—	—	—	301,171	—	301,171
Stock-based compensation expense	—	—	23,628	—	—	—	—	23,628	—	23,628
Tax withholdings on restricted share vesting	243	24	(21,368)	—	—	—	—	(21,344)	—	(21,344)
Change in fair value of interest rate swap agreements, net	—	—	—	—	7,473	—	—	7,473	—	7,473
Currency translation adjustment	—	—	—	—	1,986	—	—	1,986	—	1,986
Repurchases of common stock	—	—	(383)	—	—	36	(4,755)	(5,138)	—	(5,138)
Treasury stock issued under stock purchase plans	—	—	7	—	—	(37)	4,756	4,763	—	4,763
	—	—	—	—	627	—	—	627	—	627

Post-retirement benefit costs										
BALANCE, June 30, 2018	42,139	$4,214	$570,964	$2,126,790	$(19,030)	17,434	$(576,186)	$2,106,752	$135	$2,106,887

See Notes to Consolidated Financial Statements.

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION

Business Activities

CACI International Inc, along with its wholly-owned subsidiaries and joint ventures that are majority owned or otherwise controlled by it (collectively, the Company), is an international information solutions and services provider to its customers, primarily the U.S. government. Other customers include state and local governments, commercial enterprises and agencies of foreign governments.

The Company's operations are subject to certain risks and uncertainties including, among others, the dependence on contracts with federal government agencies, dependence on revenue derived from contracts awarded through competitive bidding, existence of contracts with fixed pricing, dependence on subcontractors to fulfill contractual obligations, dependence on key management personnel, ability to attract and retain qualified employees, ability to successfully integrate acquired companies, and current and potential competitors with greater resources.

Basis of Presentation

The accompanying consolidated financial statements of 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 ventures that are majority-owned or otherwise controlled by the Company. All intercompany balances and transactions have been eliminated in consolidation.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the fee is fixed or determinable, and collectability is reasonably assured.

The Company generates almost all of its revenue from three different types of contractual arrangements: cost-plus-fee, time-and-materials, and fixed price contracts.

Revenue on cost-plus-fixed fee contracts is recognized in an amount equal to allowable costs incurred plus the proportionate amount of the applicable fee earned. For cost-plus-fee contracts with either award or incentive fee amounts, which are accounted for within the scope of ASC 605-10-S99, the Company recognizes revenue in an amount equal to the allowable costs incurred plus the variable portion of the fee upon customer notification of the fee amount earned.

Revenue on time-and-materials contracts is recognized in an amount equal to direct labor hours expended multiplied by the contractual billable rate per hour plus the costs of material and other direct costs incurred on behalf of the customer.

Revenue on fixed price contracts within the scope of ASC 605-35 is recognized using the percentage-of-completion (POC) method. For these arrangements, substantially all revenue is recognized using a cost-to-cost input method based on the ratio of contractual costs incurred to date in proportion to total estimated costs at completion. When estimates of total costs to be incurred on a contract exceed estimates of total revenue to be earned, a provision for the entire loss on the contract is recorded in the period in which the loss is determined.

For fixed price service and maintenance type contracts within the scope of ASC 605-10-S99, revenue is generally recognized over the period in which services are performed. The Company uses straight-line revenue recognition when value is being transferred evenly throughout the performance period or when there is not a clearly defined pattern of service. An efforts-expended method, primarily using labor hours, may be used in a proportional performance calculation when it more closely approximates the transfer of value to the customer. Revenue on fixed unit price contracts is recognized in an amount equal to units delivered multiplied by the specified price per unit. Revenue on manufactured products is recognized upon passage of title to the customer. Revenue on fixed price/level of effort contracts is similar to time-and-materials arrangements and is recognized based upon the direct labor hours expended multiplied by the contractual billable rate per hour plus the costs of material and other direct costs incurred on behalf of the customer.

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Contract accounting requires judgment relative to assessing risks, estimating contract revenue and costs, and making assumptions for schedule and technical issues. Due to the size and nature of many of the Company's contracts, the estimation of total revenue and cost at completion is complicated and subject to many variables. Contract costs include material, labor, subcontracting costs, and other direct costs, as well as an allocation of allowable indirect costs. Assumptions have to be made regarding the length of time to complete the contract because costs also include expected increases in wages and prices for materials. For contract change orders, claims or similar items, the Company applies judgment in estimating the amounts and assessing the potential for realization. These amounts are only included in contract value when they can be reliably estimated and realization is considered probable. Incentives or penalties related to performance on contracts are considered in estimating sales and profit rates, and are recorded when there is sufficient information for the Company to assess anticipated performance. Estimates of award fees for certain contracts are also a factor in estimating revenue and profit rates based on actual and anticipated awards.

From time to time, the Company may proceed with work based on customer direction prior to the completion and signing of formal contract documents. The Company has a formal review process for approving any such work. Revenue associated with such work is recognized only when it can be reliably estimated and realization is probable. The Company bases its estimates on previous experiences with the customer, communications with the customer regarding funding status, and its knowledge of available funding for the contract or program.

The Company's U.S. government contracts comprise 93.5 and 93.9 percent of total revenue in the year ended June 30, 2018 and 2017, respectively and are subject to subsequent government audit of direct and indirect costs. Incurred cost audits have been completed through June 30, 2009. Management does not anticipate any material adjustment to the consolidated financial statements in subsequent periods for audits not yet started or completed.

Costs of Revenue

Costs of revenue include all direct contract costs including subcontractor costs, as well as indirect overhead costs and selling, general and administrative expenses that are allowable and allocable to contracts under federal procurement standards. Costs of revenue also include costs and expenses that are unallowable under applicable procurement standards, and are not allocable to contracts for billing purposes. Such costs and expenses do not directly generate revenue, but are necessary for business operations.

Cash and Cash Equivalents

The Company considers all investments with an original maturity of three months or fewer on their trade date to be cash equivalents. The Company classifies investments with an original maturity of more than three months but fewer than twelve months on their trade date as short-term marketable securities.

Receivables and Allowance for Doubtful Accounts

Receivables are recorded at amounts earned less an allowance for doubtful accounts. The company periodically reassesses the adequacy of its allowance for doubtful accounts by analyzing reasonably available information as of the balance sheet date, including the length of time that the receivable has been outstanding, historical bad debts and aging trends, and other general and contract specific factors. Upon determination that a specific receivable is

uncollectible, the receivable is written off against the allowance for doubtful accounts reserve.

Inventories

Inventories are stated at the lower of cost or net realizable value. A provision for damaged, deteriorated, or obsolete inventory is recorded based on historical usage patterns and forecasted sale. Inventories are included within prepaid expenses and other current assets on the accompanying consolidated balance sheets.

Accounting for Business Combinations and Goodwill

The purchase price of an acquired business is allocated to the tangible assets and separately identifiable intangible assets acquired less liabilities assumed based upon their respective fair values, with the excess recorded as goodwill.

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company evaluates goodwill at least annually for impairment, or whenever events or circumstances indicate that the carrying value may not be recoverable. The evaluation includes comparing the fair value of the relevant reporting unit to the carrying value, including goodwill, of such unit. The level at which the Company tests goodwill for impairment requires management to determine whether the operations below the operating segments constitute a self-sustaining business for which discrete financial information is available and segment management regularly reviews the operating results. If the fair value exceeds the carrying value, no impairment loss is recognized. However, if the carrying value of the reporting unit exceeds its fair value, the goodwill of the reporting unit may be impaired. Impairment is measured by comparing the implied fair value of the goodwill to its carrying value. Separately identifiable intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment if impairment indicators are present.

As part of the annual assessment, the Company estimates the fair value of its reporting units using both an income approach and a market approach. The valuation process considers management's estimates of the future operating performance of each reporting unit. Companies in similar industries are researched and analyzed and management considers the domestic and international economic and financial market conditions, both in general and specific to the industry in which the Company operates, prevailing as of the valuation date. The income approach utilizes discounted cash flows. The Company calculates a weighted average cost of capital for each reporting unit in order to estimate the discounted cash flows.

The Company evaluates goodwill as of the first day of the fourth quarter. In addition, the Company will perform interim impairment testing should circumstances requiring it arise. The Company completed its annual goodwill assessment as of April 1, 2018 and no impairment charge was necessary as a result of this assessment.

Long-Lived Assets (Excluding Goodwill)

Long-lived assets such as property and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized if the sum of the long-term undiscounted cash flows is less than the carrying amount of the long-lived asset being evaluated. Any write-downs are treated as permanent reductions in the carrying amount of the assets. Property and equipment is recorded at cost. Depreciation of equipment and furniture has been provided over the estimated useful life of the respective assets (ranging from three to eight years) using the straight-line method. Leasehold improvements are generally amortized using the straight-line method over the remaining lease term or the useful life of the improvements, whichever is shorter. Repairs and maintenance costs are expensed as incurred. Separately identifiable definite-lived intangible assets are amortized over their respective estimated useful lives.

External Software Development Costs

Costs incurred in creating a software product to be sold or licensed for external use are charged to expense when incurred as indirect costs and selling expenses until technological feasibility has been established for the software. Technological feasibility is established upon completion of a detailed program design or, in its absence, completion of a working software version. Thereafter, all such software development costs are capitalized and subsequently reported at the lower of unamortized cost or estimated net realizable value. Capitalized costs are amortized on a straight-line

basis over the remaining estimated economic life of the product.

Supplemental Retirement Savings Plan

The Company maintains the CACI International Inc Group Executive Retirement Plan (the Supplemental Savings Plan) and maintains the underlying assets in a Rabbi Trust. The Supplemental Savings Plan is a non-qualified defined contribution supplemental retirement savings plan for certain key employees whereby participants may elect to defer and contribute a portion of their compensation, as permitted by the plan. Each participant directs his or her investments in the Supplemental Savings Plan (see Note 20).

A Rabbi Trust is a grantor trust established to fund compensation for a select group of management. The assets of this trust are available to satisfy the claims of general creditors in the event of bankruptcy of the Company. The assets held by the Rabbi Trust are invested in corporate owned life insurance (COLI) products. The COLI products are recorded at cash surrender value in the consolidated financial statements as supplemental retirement savings plan assets. The amounts due to participants are based on contributions, participant investment elections, and other participant activity and are recorded as supplemental retirement savings plan obligations.

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Income Taxes

Income taxes are accounted for using the asset and liability method whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of assets and liabilities, and their respective tax bases, and operating loss and tax credit carry forwards. The Company accounts for tax contingencies in accordance with ASC 740-10-25, Income Taxes – Recognition. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in income in the period that includes the enactment date. Estimates of the realizability of deferred tax assets are based on the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies. Any interest or penalties incurred in connection with income taxes are recorded as part of income tax expense for financial reporting purposes.

Costs of Acquisitions

Costs associated with legal, financial and other professional advisors related to acquisitions, whether successful or unsuccessful, are expensed as incurred.

Foreign Currency Translation

The assets and liabilities of the Company’s foreign subsidiaries whose functional currency is other than the U.S. dollar are translated at the exchange rate in effect on the reporting date, and income and expenses are translated at the weighted-average exchange rate during the period. The Company’s primary practice is to negotiate contracts in the same currency in which the predominant expenses are incurred, thereby mitigating the exposure to foreign currency fluctuations. The net translation gains and losses are not included in determining net income, but are accumulated as a separate component of shareholders’ equity. Foreign currency transaction gains and losses are included in determining net income, but are insignificant. These costs are included as indirect costs and selling expenses in the accompanying consolidated statements of operations.

Earnings Per Share

Basic earnings per share excludes dilution and is computed by dividing income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock but not securities that are anti-dilutive, including stock options and stock settled stock appreciation rights (SSARs) with an exercise price greater than the average market price of the Company’s common stock. Using the treasury stock method, diluted earnings per share includes the incremental effect of SSARs, stock options, restricted shares, and those restricted stock unit (RSUs) that are no longer subject to a market or performance condition. Information about the weighted-average number of basic and diluted shares is presented in Note 23.

Fair Value of Financial Instruments

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 under its bank credit facility approximates its carrying value at June 30, 2018. The fair value of the Company's debt under its bank credit facility was estimated using Level 2 inputs based on market data on companies with a corporate rating similar to CACI's that have recently priced credit facilities.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to credit risk include accounts receivable and cash equivalents. Management believes that credit risk related to the Company's accounts receivable is limited due to a large number of customers in differing segments and agencies of the U.S. government. Accounts receivable credit risk is also limited due to the credit worthiness of the U.S. government. Management believes the credit risk associated with the Company's cash equivalents is limited due to the credit worthiness of the obligors of the investments underlying the cash equivalents. In addition, although the Company maintains cash balances at financial institutions that exceed federally insured limits, these balances are placed with high quality financial institutions.

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other Comprehensive Income (Loss)

Comprehensive income is the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Other comprehensive income (loss) refers to revenue, expenses, and gains and losses that under U.S. GAAP are included in comprehensive income, but excluded from the determination of net income. The elements within other comprehensive income consist of foreign currency translation adjustments; the changes in the fair value of interest rate swap agreements, net of tax of $4.2 million, $9.5 million and $3.9 million for the years ended June 30, 2018, 2017 and 2016, respectively; and differences between actual amounts and estimates based on actuarial assumptions and the effect of changes in actuarial assumptions made under the Company's post-retirement benefit plans, net of tax (see Note 15).

As of June 30, 2018 and 2017, accumulated other comprehensive loss included a loss of $27.5 million and $29.5 million, respectively, related to foreign currency translation adjustments, a gain of $9.0 million and $1.5 million, respectively, related to the fair value of its interest rate swap agreements, and a loss of $0.5 million and $1.1 million, respectively, related to unrecognized post-retirement costs.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reported periods. Management estimates include estimated costs to complete and estimated award fees for contracts accounted for under ASC 605-35, amortization periods for long-lived intangible assets, recoverability of long-lived assets, reserves for accounts receivable, and reserves for contract related matters. Actual results could differ from these estimates.

Commitments and Contingencies

The Company is involved in various lawsuits, claims, and administrative proceedings arising in the normal course of business. Management is of the opinion that any liability or loss associated with such matters, either individually or in the aggregate, will not have a material adverse effect on the Company's operations and liquidity. Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated.

NOTE 3. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In January 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-01, Clarifying the Definition of a Business, which revises the definition of a business and provides guidance to

assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The guidance is effective for the fiscal year, and interim periods within that fiscal year, beginning after December 15, 2017. The Company believes that the evaluation of whether transactions should be accounted for as acquisitions (or dispositions) of assets or businesses will be simplified under the new standard.

In February 2016, the FASB issued ASU No. 2016-02, Leases, which amends the existing guidance on accounting for leases. The new standard requires lessees to put virtually all leases on the balance sheet by recognizing lease assets and lease liabilities. Lessor accounting is largely unchanged from that applied under previous guidance. The amended guidance is effective for the fiscal year, and interim periods within that fiscal year, beginning after December 15, 2018, and requires a modified retrospective approach. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, as amended (ASC 606), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. In addition, ASU 2014-09 added ASC 340-40 to codify guidance on other assets and deferred costs for contracts with customers. On July 9, 2015, the FASB approved a one-year deferral of the effective date of ASU 2014-09 to annual reporting periods, including interim reporting periods within those periods, beginning after December 15, 2017, using either a full retrospective approach or a modified approach.

The Company adopted the standard on July 1, 2018 on a modified retrospective basis, whereby the cumulative effect of applying the standard was recognized through shareholders' equity on the date of adoption. In addition, for our fiscal year ending June 30, 2019 and the interim reporting periods therein, the Company is required to disclose the amount by which each financial statement line item was affected by the new standard.

As part of our implementation process, the Company performed the following: designed and implemented transition controls; reviewed representative contracts within each of our revenue streams; updated our current accounting policies and procedures, information systems, and internal controls over financial reporting; calculated the cumulative equity adjustment; and updated certain financial reports and footnote disclosures to comply with the new standard. We have substantially completed our implementation process in 2018.

We expect ASC 606 will impact the pattern of revenue recognition for some of our contracts with customers. For our award and incentive fee contracts, we will recognize a constrained amount of variable consideration throughout the performance period rather than defer recognition of the relevant portion of fee until customer notification of the amount earned. Some of our fixed price services-type contracts in which revenue is currently recognized on a straight-line basis over the performance period will be converted to recognition of revenue over time using a cost-to-cost input method to measure our progress towards the complete satisfaction of the performance obligation. We do not anticipate a material impact to our cost-plus-fixed fee, fixed price/level-of-effort, time-and-materials, fixed price product sales, or fixed price contracts that currently use percentage-of-completion accounting.

ASC 340-40 will require the Company to capitalize certain costs to fulfill and obtain a contract. These capitalized costs will be amortized over the period of contract performance as revenue is recognized from the transfer of goods or services and the underlying performance obligations are satisfied.

On July 1, 2018, upon adoption, the Company expects to record a net increase to shareholders' equity ranging from $15.0 million to $25.0 million. This amount primarily relates to: revenue on award and incentive fee contracts that is currently required to be deferred under ASC 605; the costs to obtain a contract that are required to be capitalized upon adoption; and revenue for software license renewals that must be deferred under ASC 606 until the beginning of the renewal period.

NOTE 4. ACQUISITIONS

Year Ended June 30, 2018

Domestic Acquisitions

On November 22, 2017, CACI acquired 100 percent of the outstanding membership interests of a business in the United States which provides cyber solutions. The acquisition was financed with cash on hand. The purchase consideration was $53.0 million, which includes a $40.1 million initial cash payment, $4.5 million of deferred consideration, $8.7 million estimated fair value of contingent consideration to be paid upon achieving certain metrics and a $0.3 million refund from the seller for a net working capital adjustment. The Company recognized fair values of the assets acquired and liabilities assumed and allocated $26.7 million to goodwill and $24.9 million to intangible assets. The intangible assets primarily consist of customer relationships and acquired technology. The purchase price and purchase price allocation was finalized as of March 31, 2018, with no significant changes to preliminary amounts.

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On May 31, 2018, CACI acquired certain assets of an entity in the United States which constituted a business, providing Enterprise IT solutions. The purchase consideration was $24.0 million, consisting of cash paid at closing. The Company recognized fair values of the assets acquired and liabilities assumed and allocated $8.4 million to goodwill and $14.9 million to intangible assets. The intangible assets consist of customer relationships. The final purchase price allocation, which is provisional and is expected to be completed during FY2019, will be based on final appraisals and other analysis of fair values of acquired assets and liabilities. The Company does not expect that differences between the preliminary and final purchase price allocation will have a material impact on its results of operations or financial position.

International Acquisitions

On October 1, 2017, CACI Limited acquired 100 percent of the outstanding shares of a United Kingdom (U.K.) IT consulting services and software engineering company. The purchase consideration is approximately $9.1 million, which includes initial cash payments, deferred consideration and an estimated net working capital payment.

On November 1, 2017, CACI Limited acquired 100 percent of the outstanding shares of a London-based software and mapping data company. The acquired company provides geographical information systems, logistics and route optimization software and related map data. The purchase consideration is approximately $7.5 million, which includes initial cash payments, deferred consideration and an estimated net working capital payment.

Year Ended June 30, 2017

On October 1, 2016, CACI Limited acquired a business in the United Kingdom that provides outsourced database managed services and associated database segmentation and analytics for large corporate customers. The purchase consideration for this business was approximately $2.8 million, which includes initial cash payments, deferred consideration and contingent consideration to be paid upon achieving certain metrics.

Year Ended June 30, 2016

On February 1, 2016, the Company acquired 100 percent of the outstanding shares of L-3 National Security Solutions, Inc. and L-3 Data Tactics Corporation (together, “NSS”). NSS is a prime mission partner to the U.S. Department of Defense (DoD), U.S. government intelligence agencies, and U.S. federal civilian agencies. The acquisition was integrated into the domestic operating segment and will expand CACI’s opportunities in many of our key market areas and expand our current customer base. CACI financed the acquisition by borrowing $250.0 million under its existing revolving facility and by entering into an eighth amendment and first incremental facility amendment to its credit facility to allow for the incurrence of $300.0 million in additional term loans.

The initial purchase consideration paid at closing to acquire NSS was $550.0 million plus $11.2 million representing a preliminary net working capital adjustment. Subsequent to closing, CACI received a refund of $13.6 million for the final net working capital adjustment and an additional $5.7 million refund for tax-related adjustments.

The total consideration of $541.9 million was allocated among assets acquired and liabilities assumed at fair value, with the excess purchase consideration recorded as goodwill as follows (in thousands):

Cash and cash equivalents	$2,596
Accounts receivable	210,459
Prepaid expenses and other current assets	14,461
Property and equipment	21,320
Intangible assets, other than goodwill	110,500
Goodwill	360,230
Other long-term assets	437
Accounts payable	(57,616)
Accrued compensation and benefits	(38,953)
Accrued expenses and other current liabilities	(38,432)
Deferred income taxes	(37,796)
Other long-term liabilities	(5,343)
Total consideration	$541,863

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The goodwill of $360.2 million is largely attributable to the assembled workforce of NSS and expected synergies between the Company and NSS. The estimated fair value attributed to intangible assets, which consists of customer contracts and related customer relationships, is being amortized on an accelerated basis over approximately 15 years. The fair value attributed to the intangible assets acquired was based on estimates, assumptions, and other information compiled by management, including independent valuations that utilized established valuation techniques. Of the value attributed to goodwill and intangible assets, $47.7 million is deductible for income tax purposes.

From the February 1, 2016 acquisition date through June 30, 2016, NSS generated $427.2 million of revenue and $18.8 million of net income. NSS' net income includes the impact of $4.2 million of amortization of customer contracts and customer relationships. NSS' net income does not include the impact of acquisition-related expenses incurred by CACI.

CACI incurred $7.3 million of acquisition-related expenses during the year ended June 30, 2016, which are included in indirect costs and selling expenses. Additionally, CACI incurred $3.9 million of integration and restructuring costs from the acquisition date through June 30, 2016.

The following pro forma results are prepared for comparative purposes only and do not necessarily reflect the results that would have occurred had the acquisition occurred at the beginning of the years presented or the results which may occur in the future. The following unaudited pro forma results of operations assume the NSS acquisition had occurred on July 1, 2014 (in thousands except per share amounts):

	(Unaudited) Year ended June 30,	
	2016	2015
Revenue	$4,418,997	$4,401,345
Net loss	(300,363)	(15,480)
Basic loss per share	(12.38)	(0.65)
Diluted loss per share	(12.38)	(0.65)

Pro forma net losses shown above include NSS' historical goodwill impairment expense of $476.2 million and $158.7 million for the year ended June 30, 2016 and 2015, respectively. Significant pro forma adjustments incorporated into the pro forma results above include the recognition of additional amortization expense related to acquired intangible assets and additional interest expense related to debt incurred to finance the acquisition. In addition, significant nonrecurring adjustments include the elimination of non-recurring acquisition-related expenses incurred during the year ended June 30, 2016.

Other Acquisitions

The Company also completed the following acquisitions during the year ended June 30, 2016:

On July 1, 2015, CACI Limited acquired 100 percent of the outstanding shares of Rockshore Group Ltd (Rockshore) which was integrated into the international operating segment. Rockshore uses its expertise in data aggregation, event processing, and business logic integration to provide real-time event processing and situational awareness to the telecom, aviation, and rail sectors.

On December 4, 2015, the Company acquired 100 percent of the outstanding shares of a business in the United States which provides security technology services and was integrated into the domestic operating segment.

On March 1, 2016, CACI Limited acquired 100 percent of the outstanding shares of Purple Secure Systems Limited which was integrated into the international operating segment. Purple Secure Systems Limited is a provider of agile systems and software for national security, defense and government organizations.

On March 1, 2016, CACI Limited acquired 100 percent of the outstanding shares of Stream:20 Limited which was integrated into the international operating segment. Stream:20 Limited provides digital marketing and digital transformation consultancy services to commercial companies working in a variety of sectors.

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The combined purchase consideration for these acquisitions was $55.6 million, which includes $31.8 million of initial cash payments, $8.4 million of deferred consideration and $15.4 million estimated fair value of contingent consideration to be paid upon achieving certain metrics. The Company recognized fair values of the assets acquired and liabilities assumed and allocated $40.6 million to goodwill and $8.2 million to intangible assets. The intangible assets primarily consist of customer relationships and acquired technology.

NOTE 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following (cost approximates fair value) (in thousands):

	June 30, 2018	2017
Cash	$66,108	$65,091
Money market funds	86	448
Total cash and cash equivalents	$66,194	$65,539

NOTE 6. ACCOUNTS RECEIVABLE

Total accounts receivable, net of allowance for doubtful accounts of $3.7 million and $3.6 million at June 30, 2018 and 2017, respectively, consisted of the following (in thousands):

	June 30, 2018	2017
Billed receivables	$625,336	$546,041
Billable receivables at end of period	129,183	179,350
Unbilled receivables pending receipt of contractual documents authorizing billing	52,352	31,950
Total accounts receivable, current	806,871	757,341
Unbilled receivables, retainages and fee withholdings expected to be billed beyond the next 12 months	8,620	7,886

Total accounts receivable	$815,491	$765,227

NOTE 7. GOODWILL

The changes in the carrying amount of goodwill for the years ended June 30, 2018 and 2017 are as follows (in thousands):

	Domestic	International	Total
Balance at June 30, 2016	$2,487,148	$ 98,195	$2,585,343
Goodwill acquired (1)	(7,652)	2,220	(5,432)
Foreign currency translation	—	(2,476)	(2,476)
Balance at June 30, 2017	$2,479,496	$ 97,939	$2,577,435
Goodwill acquired (1)	35,024	6,867	41,891
Foreign currency translation	—	1,509	1,509
Balance at June 30, 2018	$2,514,520	$ 106,315	$2,620,835

(1) Includes goodwill initially allocated to new business combinations as well as measurement period adjustments.

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 8. INTANGIBLE ASSETS

Intangible assets consisted of the following (in thousands):

	June 30, 2018 (1)	2017
Intangible assets		
Customer contracts and related customer relationships	$435,933	$635,895
Acquired technologies	13,237	28,503
Covenants not to compete	—	3,305
Other	804	1,545
Intangible assets	449,974	669,248
Less accumulated amortization		
Customer contracts and related customer relationships	(199,018)	(402,934)
Acquired technologies	(8,761)	(26,542)
Covenants not to compete	—	(3,288)
Other	(440)	(1,113)
Accumulated amortization	(208,219)	(433,877)
Total intangible assets, net	$241,755	$235,371

(1) During FY2018, the Company removed $264.1 million in fully amortized intangible assets.

Intangible assets are primarily amortized on an accelerated basis over periods ranging from one to twenty years. The weighted-average period of amortization for customer contracts and related customer relationships as of June 30, 2018 is 14.7 years, and the weighted-average remaining period of amortization is 11.5 years. The weighted-average period of amortization for acquired technologies as of June 30, 2018 is 7.0 years, and the weighted-average remaining period of amortization is 5.7 years.

Amortization expense for the years ended June 30, 2018, 2017 and 2016 was $38.2 million, $40.7 million and $38.0 million, respectively. Expected amortization expense for each of the fiscal years through June 30, 2022 and for years thereafter is as follows (in thousands):

	Amount
Year ending June 30, 2019	$36,225
Year ending June 30, 2020	31,566
Year ending June 30, 2021	27,970
Year ending June 30, 2022	24,281
Year ending June 30, 2023	21,686
Thereafter	100,027

Total intangible assets, net	$241,755

NOTE 9. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following (in thousands):

	June 30, 2018	2017
Equipment and furniture	$152,682	$138,742
Leasehold improvements	109,849	94,643
Property and equipment, at cost	262,531	233,385
Less accumulated depreciation and amortization	(161,391)	(141,636)
Total property and equipment, net	$101,140	$91,749

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Depreciation expense, including amortization of leasehold improvements, was $30.7 million, $27.5 million and $23.6 million for the years ended June 30, 2018, 2017 and 2016, respectively.

NOTE 10. CAPITALIZED EXTERNAL SOFTWARE DEVELOPMENT COSTS

A summary of changes in capitalized external software development costs, including costs capitalized and amortized during each of the years in the three-year period ended June 30, 2018, is as follows (in thousands):

	Year ended June 30,		
	2018	2017	2016
Capitalized software development costs, beginning of year	$14,238	$15,432	$15,255
Costs capitalized	2,927	3,003	3,407
Amortization	(4,891)	(4,197)	(3,230)
Capitalized software development costs, end of year	$12,274	$14,238	$15,432

Capitalized software development costs are presented within other current assets and other long-term assets in the accompanying consolidated balance sheets.

NOTE 11. ACCRUED COMPENSATION AND BENEFITS

Accrued compensation and benefits consisted of the following (in thousands):

	June 30,	
	2018	2017
Accrued salaries and withholdings	$144,213	$123,914
Accrued leave	88,547	86,612
Accrued fringe benefits	26,682	29,215
Total accrued compensation and benefits	$259,442	$239,741

NOTE 12. OTHER ACCRUED EXPENSES AND CURRENT LIABILITIES

Other accrued expenses and current liabilities consisted of the following (in thousands):

	June 30, 2018	2017
Vendor obligations	$91,048	$110,541
Deferred revenue	41,744	30,277
Other	17,810	29,346
Total other accrued expenses and current liabilities	$150,602	$170,164

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 13. LONG TERM DEBT

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

	June 30, 2018	2017
Bank credit facility – term loans	$938,394	$978,867
Bank credit facility – revolver loans	135,000	265,000
Principal amount of long-term debt	1,073,394	1,243,867
Less unamortized discounts and debt issuance costs	(11,054)	(12,304)
Total long-term debt	1,062,340	1,231,563
Less current portion	(46,920)	(53,965)
Long-term debt, net of current portion	$1,015,420	$1,177,598

Bank Credit Facility

The Company has a $2,038.4 million credit facility (the Credit Facility), which consists of a $1,100.0 million revolving credit facility (the Revolving Facility) and a $938.4 million term loan (the Term Loan). The Revolving Facility has sub-facilities of $100.0 million for same-day swing line loan borrowings and $25.0 million for stand-by letters of credit. At any time and so long as no default has occurred, the Company has the right to increase the Revolving Facility or the Term Loan in an aggregate principal amount of up to the greater of $400.0 million or an amount subject to 2.75 times senior secured leverage, calculated assuming the Revolving Facility is fully drawn, 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 Revolving Facility is a secured facility that permits continuously renewable borrowings of up to $1,100.0 million. As of June 30, 2018, the Company had $135.0 million outstanding under the Revolving Facility and no borrowings on the swing line. The Company pays a quarterly facility fee for the unused portion of the Revolving Facility.

The Term Loan is a five-year secured facility under which principal payments are due in quarterly installments of $11.7 million through June 30, 2021 and $23.5 million thereafter until the balance is due in full on June 30, 2023. As of June 30, 2018, the Company had $938.4 million outstanding under the Term Loan.

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 rate based upon the Company's consolidated total leverage ratio. As of June 30, 2018, the effective interest rate, including the impact of the Company's floating-to-fixed interest rate swap agreements and excluding the effect of amortization of debt financing costs, for the outstanding borrowings under the Credit Facility was 3.31 percent.

The Credit Facility requires the Company to comply with certain financial covenants, including 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. As of June 30, 2018, the Company was in compliance with all of the financial covenants. A majority of the Company's assets serve as collateral under the Credit Facility.

All debt issuance costs are being amortized from the date incurred to the expiration date of the Credit Facility.

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. The Company has entered into several floating-to-fixed interest rate swap agreements for an aggregate notional amount of $800.0 million which hedge a portion of the Company's floating rate indebtedness. The swaps mature at various dates through 2022. The Company has designated the swaps as cash flow hedges. Unrealized gains are recognized as assets while unrealized losses are recognized as liabilities. The interest rate swap agreements are highly correlated to the changes in interest rates to which the Company is exposed. Unrealized gains and losses on these swaps are designated as effective or ineffective. Realized gains and losses in connection with each required interest payment are reclassified from accumulated other comprehensive income or loss to interest expense. The Company does not hold or issue derivative financial instruments for trading purposes.

The effect of derivative instruments in the consolidated statements of operations and accumulated other comprehensive loss for the years ended June 30, 2018, 2017 and 2016 is as follows (in thousands):

	Interest Rate Swaps		
	2018	2017	2016
Gain (loss) recognized in other comprehensive income	$6,344	$6,872	$(14,859)
Amounts reclassified to earnings from accumulated other comprehensive loss	1,129	7,715	8,867
Net current period other comprehensive income (loss)	$7,473	$14,587	$(5,992)

The aggregate maturities of long-term debt at June 30, 2018 are as follows (in thousands):

Year ending June 30,	
2019	$46,920
2020	46,920
2021	46,920
2022	93,839
2023	838,795
Principal amount of long-term debt	1,073,394
Less unamortized discounts and debt issuance costs	(11,054)
Total long-term debt	$1,062,340

NOTE 14. LEASES

The Company conducts its operations from leased office facilities, all of which are classified as operating leases and expire over the next 12 years. Future minimum lease payments due under non-cancelable leases as of June 30, 2018, are as follows (in thousands):

Year ending June 30:	
2019	$62,931
2020	48,959
2021	42,488
2022	33,227
2023	22,509
Thereafter	58,726
Total minimum lease payments	$268,840

The minimum lease payments above are shown net of sublease rental income of $6.7 million scheduled to be received over the next five years under non-cancelable sublease agreements.

Rent expense incurred under operating leases for the years ended June 30, 2018, 2017, and 2016 totaled $68.0 million, $76.2 million, and $62.8 million, respectively.

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 15. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consisted of the following (in thousands):

	June 30, 2018	2017
Deferred rent, net of current portion	$32,768	$33,284
Interest rate swap agreements	—	3,110
Deferred and contingent acquisition consideration (see Note 4)	11,000	658
Deferred revenue	4,642	6,514
Accrued post-retirement obligations	5,651	6,423
Long-term incentive compensation	11,935	5,605
Reserve for unrecognized tax benefits (see Note 19)	4,195	1,639
Transition tax (see Note 19)	8,128	—
Other	6,868	643
Total other long-term liabilities	$85,187	$57,876

Deferred rent liabilities result from recording rent expense and incentives for tenant improvements on a straight-line basis over the life of the respective lease.

Accrued post-retirement obligations include projected liabilities for benefits the Company is obligated to provide under long-term care, group health, and executive life insurance plans, each of which is unfunded. Plan benefits are provided to certain current and former executives, their dependents and other eligible employees, as defined. Post-retirement obligations also include accrued benefits under supplemental retirement benefit plans covering certain executives. The expense recorded under these plans was $0.4 million during the years ended June 30, 2018 and $0.4 million during the year ended June 30, 2017, respectively.

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16. BUSINESS SEGMENT, CUSTOMER AND GEOGRAPHIC INFORMATION

Segment Information

The Company reports operating results and financial data in two segments: domestic operations and international operations. Domestic operations provide information solutions and services to its customers. Its customers are primarily U.S. federal government agencies. Other customers of the Company's domestic operations include commercial enterprises. The Company places employees in locations around the world in support of its customers. International operations offer services to both commercial and non-U.S. government customers primarily within the Company's business systems and enterprise IT markets. The Company evaluates the performance of its operating segments based on net income. Summarized financial information concerning the Company's reportable segments is shown in the following tables.

	Domestic Operations	International Operations	Total
	(in thousands)		
Year Ended June 30, 2018			
Revenue from external customers	$4,304,602	$ 163,258	$4,467,860
Net income	286,024	15,147	301,171
Net assets	1,948,768	158,119	2,106,887
Goodwill	2,514,520	106,315	2,620,835
Total long-term assets	2,975,620	127,395	3,103,015
Total assets	3,829,417	204,789	4,034,206
Capital expenditures	40,639	955	41,594
Depreciation and amortization	67,891	4,305	72,196
Year Ended June 30, 2017			
Revenue from external customers	$4,217,488	$ 137,129	$4,354,617
Net income	150,271	13,400	163,671
Net assets	1,652,736	140,985	1,793,721
Goodwill	2,479,496	97,939	2,577,435
Total long-term assets	2,912,488	118,692	3,031,180
Total assets	3,716,893	194,189	3,911,082
Capital expenditures	41,832	1,436	43,268
Depreciation and amortization	67,042	4,718	71,760
Year Ended June 30, 2016			
Revenue from external customers	$3,593,924	$ 150,129	$3,744,053
Net income	129,568	13,231	142,799
Net assets	1,476,924	130,389	1,607,313

Goodwill	2,487,148	98,195	2,585,343
Total long-term assets	2,943,896	121,607	3,065,503
Total assets	3,798,013	189,328	3,987,341
Capital expenditures	18,339	2,496	20,835
Depreciation and amortization	60,637	4,115	64,752

Interest income and interest expense are not presented above as the amounts attributable to the Company's international operations are insignificant.

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Customer Information

The Company earned 93.5 percent, 93.9 percent and 93.5 percent of its revenue from various agencies and departments of the U.S. government for the years ended June 30, 2018, 2017 and 2016, respectively. Revenue by customer sector was as follows (dollars in thousands):

	Year ended June 30,					
	2018	%	2017	%	2016	%
Department of Defense	$2,974,578	66.6 %	$2,829,305	65.0 %	$2,439,329	65.1 %
Federal civilian agencies	1,201,874	26.9	1,259,212	28.9	1,062,508	28.4
Commercial and other	291,408	6.5	266,100	6.1	242,216	6.5
Total revenue	$4,467,860	100.0%	$4,354,617	100.0%	$3,744,053	100.0%

NOTE 17. INVESTMENTS IN JOINT VENTURES

AC FIRST LLC

In July 2009, the Company entered into a joint venture with AECOM Government Services, Inc. (AGS), a division of AECOM Technology Corporation, called AC FIRST LLC (AC FIRST). The companies partnered in the venture to jointly pursue work under a U.S. Army contract. The Company owned 49 percent of AC FIRST and AGS owned 51 percent. The Company accounted for its interest in AC FIRST using the equity method of accounting as the Company determined it was not the primary beneficiary of AC First. In June 2016, the Company redeemed its 49 percent interest in the joint venture. In accordance with the terms of the redemption agreement the Company received 90 percent of its investment in the joint venture in July 2016. The remaining 10 percent withheld will be distributed when the contract years for which the Company was a member of the joint venture have been audited, settled, or are otherwise no longer subject to audit claims.

NOTE 18. OTHER COMMITMENTS AND CONTINGENCIES

General Legal Matters

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

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) and other government agencies that do not utilize DCAA's services. The DCAA is nearing completion of audits of the Company's incurred cost submissions for its fiscal years 2012 and 2013, and is in the process of auditing pre-acquisition incurred cost submissions for fiscal years 2013 through 2015 associated with CACI's acquisition of NSS. In its efforts to bring its audits more current, DCAA has commenced audits of our incurred cost submission through our fiscal year 2016. We are still negotiating the results of prior years' audits with the respective cognizant contracting officers and believe our reserves for such are adequate. In the opinion of management, adjustments that may result from these audits and the audits not yet 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.

On March 26, 2012, the Company received a subpoena from the Defense Criminal Investigative Service seeking documents related to one of the Company's contracts for the period of January 1, 2007 through March 26, 2012. The Company has provided documents responsive to the subpoena and is cooperating fully with the government's investigation. The Company entered into a settlement agreement with the United States to resolve this matter, pursuant to which the Company paid the United States approximately $1.5 million.

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 19. INCOME TAXES

Tax Cuts and Jobs Act

The Tax Cuts and Jobs Act (the "TCJA") was enacted on December 22, 2017. Among other things, the TCJA reduces the U.S. federal corporate tax rate from 35.0 percent to 21.0 percent effective on January 1, 2018. The rate change is administratively effective at the beginning of our fiscal year, using a blended rate for the annual period. As a result, the blended federal statutory tax rate for the year is 28.06 percent. Additionally, the TCJA requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred, creates new taxes on certain foreign-sourced earnings and changes or limits certain tax deductions and credits. At June 30, 2018, we have not completed our accounting for the tax effects of enactment of the TCJA; however, as described below, we have made a reasonable estimate of the effects on our existing deferred tax balances and the one-time transition tax. For these items we recognized provisional amounts in income tax expense benefit as discussed below.

We remeasured deferred tax asset and liability balances at December 22, 2017 based on the rates at which they are expected to reverse in the future, which is generally 21.0 percent for reversals after FY2018 and a blended rate of 28.06 percent for reversals within FY2018. However, we are still analyzing certain aspects of the Act and refining our calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts. The provisional amount recorded related to the remeasurement of our net deferred tax liabilities was a reduction to income tax expense of $96.3 million for the year ended June 30, 2018. This amount reflects an increased benefit of $1.5 million from the $94.8 million benefit recorded at December 31, 2017. This increased benefit is due to the Company's ability to more precisely analyze the original assumptions made in its computation of deferred tax revaluation on December 22, 2017, as well as new activity since enactment of the TJCA that required revaluation.

The one-time transition tax is based on our total post-1986 earnings and profits ("E&P") for which we have previously deferred from U.S. income taxes. We recorded a provisional amount for our one-time transition tax liability for our foreign subsidiaries, resulting in an increase in income tax expense of $9.7 million for the year ended June 30, 2018. This amount is unchanged from prior periods. The Company expects to pay this amount over eight years. We have not yet completed our calculation of the total post-1986 foreign E&P for these foreign subsidiaries. Further, the transition tax is based in part on the amount of those earnings held in cash and other specified assets. This amount may change when we finalize the calculation of post-1986 foreign E&P previously deferred from U.S. federal taxation and finalize the amounts held in cash or other specified assets. No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax and any additional outside basis difference inherent in these entities as these amounts continue to be indefinitely reinvested in foreign operations.

The overall impact of the TCJA on our results of operations was a $103.3 million reduction to tax expense for the year ended June 30, 2018. The corresponding increase in diluted earnings per share was $4.09 for the year ended June 30, 2018.

The Company will continue to analyze the TCJA to determine the full effects of the new law, including the new lower corporate tax rate, international provisions, and the impact of the TCJA on the executive compensation limitations on its financial condition and results of operations. Additionally, the Company will continue to monitor various state law changes in reaction to the TCJA as changes are enacted. We expect to finalize the tax benefit from the TCJA with the

filing of our tax return and record the difference between the final benefit and the provisional benefit recorded before the measurement period ends on December 22, 2018.

The domestic and foreign components of income before provision for income taxes are as follows (in thousands):

	Year ended June 30,		
	2018	2017	2016
Domestic	$279,360	$231,982	$207,641
Foreign	19,304	16,637	15,971
Income before income taxes	$298,664	$248,619	$223,612

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The components of income tax expense (benefit) are as follows (in thousands):

	Year ended June 30,		
	2018	2017	2016
Current:			
Federal	$56,467	$54,425	$54,507
State and local	13,006	11,334	9,401
Foreign	5,344	4,041	3,337
Total current	74,817	69,800	67,245
Deferred:			
Federal	(80,395)	13,076	11,978
State and local	3,481	2,917	2,028
Foreign	(410)	(845)	(438)
Total deferred	(77,324)	15,148	13,568
Total income tax (benefit) expense	$(2,507)	$84,948	$80,813

Income tax expense differs from the amounts computed by applying the U.S. federal statutory income tax rate as a result of the following (in thousands):

	Year ended June 30,		
	2018	2017	2016
Expected tax expense computed at federal statutory rate (1)	$83,805	$87,017	$78,264
State and local taxes, net of federal benefit	11,860	9,263	7,429
Nonincludible and nondeductible items, net	1,832	1,087	2,936
Remeasurement of deferred taxes and transition tax	(86,593)	—	—
Effect of foreign tax rates	(1,261)	(2,320)	(2,308)
R&D tax credit	(3,630)	(4,894)	(135)
Other tax credits	(2,102)	(1,321)	(1,744)
ASU 2016-09 share-based compensation	(5,388)	(1,390)	(1,061)
Other	(1,030)	(2,494)	(2,568)
Total income tax (benefit) expense	$(2,507)	$84,948	$80,813

(1) The U.S. federal statutory income tax rate for FY2018 is a blended rate of 28.06 percent due to the TCJA. The federal statutory rate for FY2017 and FY2016 was 35.0 percent.

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The tax effects of temporary differences that give rise to deferred taxes are presented below (in thousands):

	June 30, 2018	2017
Deferred tax assets:		
Deferred compensation and post-retirement obligations	$27,842	$37,257
Reserves and accruals	30,180	40,058
Stock-based compensation	7,793	13,599
Deferred rent	3,750	6,091
Other	—	2,000
Total deferred tax assets	69,565	99,005
Deferred tax liabilities:		
Goodwill and other intangible assets	(238,020)	(337,849)
Unbilled revenue	(17,363)	(20,913)
Prepaid expenses	(3,991)	(4,554)
Interest rate swap	(3,701)	(963)
Other	(7,370)	(8,046)
Total deferred tax liabilities	(270,445)	(372,325)
Net deferred tax liability	$(200,880)	$(273,320)

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. The Company's consolidated federal income tax returns through June 30, 2014 are no longer subject to audit. The Company is currently under examination by one state jurisdiction for years 2011 through 2017 and one foreign jurisdiction for years 2011 through 2015. 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 effective income tax rate for FY2018 is lower than FY2017 primarily due to estimated benefits related to the TCJA. The effective tax rate was also favorably affected by excess tax benefits from employee share-based payment awards under ASU 2016-09, a benefit from the research and development tax credit, and gains from the change in value of assets invested in corporate-owned life insurance (COLI) policies.

U.S. income taxes have not been provided for undistributed earnings of foreign subsidiaries that have been permanently reinvested outside the United States. As of June 30, 2018, the estimated deferred tax liability associated with these undistributed earnings is approximately $0.6 million.

The Company’s total liability for unrecognized tax benefits as of June 30, 2018, 2017 and 2016 was approximately $4.1 million, $1.6 million and $0.4 million, respectively. Of the unrecognized tax benefits at June 30, 2018, 2017 and 2016, $4.1 million, $1.6 million and $0.4 million, respectively, if recognized, would impact the Company’s effective tax rate. A reconciliation of the beginning and ending amount of unrecognized benefits is shown in the table below (in

thousands):

	Year ended June 30,		
	2018	2017	2016
Beginning of year	$1,639	$398	$6,220
Additions based on current year tax positions	2,483	1,475	89
Lapse of statute of limitations	—	(234)	(128)
Settlement with taxing authorities	—	—	(5,783)
End of year	$4,122	$1,639	$398

The Company recognizes net interest and penalties as a component of income tax expense. Over the next 12 months, the Company does not expect a significant increase or decrease in the unrecognized tax benefits recorded at June 30, 2018. As of June 30, 2018, the entire balance of unrecognized tax benefits is included in other long-term liabilities.

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 20. RETIREMENT SAVINGS PLANS

401(k) Plan

The Company maintains a defined contribution plan under Section 401(k) of the Internal Revenue Code, the CACI $MART Plan (the 401(k) Plan). Employees can contribute up to 75 percent (subject to certain statutory limitations) of their total cash compensation. The Company provides matching contributions equal to 50 percent of the amount of salary deferral employees elect, up to 6 percent of each employee's total calendar year cash compensation, as defined. The Company may also make discretionary profit sharing contributions to the 401(k) Plan. Employee contributions vest immediately. Employer contributions vest in full after three- years of employment. Total 401(k) Plan Company contribution expense for the years ended June 30, 2018, 2017, and 2016 were $27.1 million, $24.0 million, and $25.5 million, respectively.

The Company maintains several qualified 401(k) profit-sharing plans (PSP) that cover eligible employees. Employees are eligible to participate in the PSP beginning on the first of the month following the start of employment and attainment of age 18. Under the PSP, the Company may make discretionary contributions based on a percentage of the total compensation of all eligible participants. Company contribution expense for the year ended June 30, 2018, 2017 and 2016 was $26.3 million, $22.8 million and $20.6 million, respectively.

International Operations Defined Contribution Plans

The Company maintains defined contribution pension plans in the U.K. and in the Netherlands. In the U.K., employees can elect the amount of pension contributions that they wish to make subject to certain U.K. tax limits. Under the Dutch plan, the amounts the Company contributes are based on the employee's age. In both countries, the contributions are deemed to be company contributions and vest immediately. Contributions to these plans and their predecessor plans for the years ended June 30, 2018, 2017, and 2016 were $2.0 million, $1.5 million, and $1.4 million, respectively.

Supplemental Savings Plan

The Company maintains the Supplemental Savings Plan through which, on a calendar year basis, officers at the director level and above can elect to defer for contribution to the Supplemental Savings Plan up to 50 percent of their base compensation and up to 100 percent of their bonuses. The Company provides a contribution of 5 percent of compensation for each participant's compensation that exceeds the limit as set forth in IRC 401(a)(17) (currently $275,000 per year). The Company also has the option to make annual discretionary contributions. Company contributions vest after five-years of contributions, and vesting is accelerated in the event of a change of control of the Company. Participant deferrals and Company contributions will be credited with the rate of return based on the investment options and asset allocations selected by the Participant. Participants may change their asset allocation as often as daily, if they so choose. A Rabbi Trust has been established to hold and provide a measure of security for the investments that finance benefit payments. Distributions from the Supplemental Savings Plan are made upon retirement, termination, death, or total disability. The Supplemental Savings Plan also allows for in-service distributions.

Supplemental Savings Plan obligations due to participants totaled $93.8 million at June 30, 2018, of which $7.0 million is included in accrued compensation and benefits in the accompanying consolidated balance sheet. Supplemental Savings Plan obligations increased by $5.9 million during the year ended June 30, 2018, consisting of $3.7 million of investment gains, $9.9 million of participant compensation deferrals, and $0.8 million of Company contributions, offset by $8.5 million of distributions.

The Company maintains COLI assets in a Rabbi Trust to offset the obligations under the Supplemental Savings Plan. The value of the COLI in the Rabbi Trust was $91.5 million at June 30, 2018 and COLI gains were $3.5 million for the year ended June 30, 2018. The value of the COLI in the Rabbi Trust was $91.4 million at June 30, 2017 and COLI gains were $4.6 million for the year ended June 30, 2017.

Contribution expense for the Supplemental Savings Plan during the years ended June 30, 2018, 2017, and 2016, was $1.2 million, $0.7 million, and $0.5 million, respectively.

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 21. STOCK PLANS AND STOCK-BASED COMPENSATION

Historically, the Company grants stock options, SSARs, non-performance-based RSUs and performance-based RSUs to key employees. Stock-based compensation expense is recognized on a straight-line basis ratably over the respective vesting periods. Performance-based RSUs are subject to achievement of a performance metric in addition to grantee service. Stock-based compensation expense for performance-based RSUs is recognized on an accelerated basis by treating each vesting tranche as if it was a separate grant. A summary of the components of stock-based compensation expense recognized during the years ended June 30, 2018, 2017, and 2016, together with the income tax benefits realized, is as follows (in thousands):

	Year ended June 30,		
	2018	2017	2016
Stock-based compensation included in indirect costs and selling expense:			
Restricted stock and RSU expense	$23,628	$21,945	$17,919
Income tax benefit recognized for stock-based compensation	$7,769	$7,498	$6,476

The Company recognizes the effect of expected forfeitures of equity grants by estimating an expected forfeiture rate for grants of equity instruments. Amounts recognized for expected forfeitures are subsequently adjusted periodically and at major vesting dates to reflect actual forfeitures.

The incremental income tax benefits realized upon the exercise or vesting of equity instruments are reported as operating cash flows. During the years ended June 30, 2018, 2017, and 2016, the Company recognized $6.3 million, $1.6 million, and $1.2 million of excess tax benefits, respectively, which have been reported as operating cash inflows in the accompanying consolidated statements of cash flows.

Equity Grants and Valuation

Under the terms of its 2016 Amended and Restated Incentive Compensation Plan (the 2016 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 2016 Plan was approved by the Company’s stockholders in November 2016 and amended and restated the 2006 Stock Incentive Plan (the 2006 Plan) which was due to expire at the end of the ten-year period. Grants that were made under the 2006 Plan, and equity instruments granted prior to approval of the 2016 Plan continue to be governed by the terms of the 2006 Plan. During the periods presented all equity instrument grants were made in the form of RSUs.

Annual grants under the 2016 Plan, and the 2006 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.

Upon the vesting of restricted shares and RSUs, the Company fulfills its obligations under the equity instrument agreements by either issuing new shares of authorized common stock or by issuing shares from treasury. As of June 30, 2018, the total number of shares authorized by shareholders for grants under the 2016 Plan and its predecessor plan was 1,200,000 plus any forfeitures from the 2006 Plan. The aggregate number of grants that may be made may exceed this approved amount as forfeited restricted stock and RSUs become available for future grants. As of June 30, 2018, cumulative grants of 318,627 equity instruments underlying the shares authorized have been awarded, and 105,367 of these instruments have been forfeited.

The Company granted performance-based stock awards to key employees in September of 2017, 2016, and 2015. The final number of RSUs that are earned by participants and vest is based on the achievement of a specified EPS for the fiscal year and on the average share price for the 90-day period ended for the following three years. If the 90-day average share price of the Company’s stock in years one, two and three exceeds the 90-day average share price at the grant date by 100 percent or more the number of shares ultimately awarded could range up to 200 percent of the specified target award. In addition to the performance and market conditions, there is a service vesting condition that stipulates 50 percent of the award will vest 3 years from the grant date and 50 percent will vest approximately 4 years from the grant date, depending on the award date.

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The annual performance-based awards granted for each of the fiscal years presented were as follows:

	Performance-based stock awards granted	Number of additional shares earned under performance-based stock awards
Fiscal year 2018	185,056	—
Fiscal year 2017	193,420	21,824
Fiscal year 2016	208,160	48,068

We account for share-based payments to employees, including grants of employee stock awards and purchases under employee stock purchase plans, in accordance with ASC 718, Compensation-Stock Compensation, which requires that share-based payments (to the extent they are compensatory) be recognized in our consolidated statements of operations based on their fair values. The fair value of RSU grants are determined based on the Company's common stock closing price on the date of grant. The fair value of RSUs with market-based vesting features is also measured on the grant date but uses a binomial lattice model.

We determine the fair value of our market-based and performance-based RSUs at the date of grant using generally accepted valuation techniques and the closing market price of our stock. The fair value for the annual grant made in September 2017 was determined using a Monte Carlo simulation model incorporating the following factors: 90-day average stock price at the grant date of $127.02 a share, risk free rate of return of 1.53 percent and expected volatility of 26.94 percent. Stock-based compensation cost is recognized as expense on an accelerated basis over the requisite service period for performance-based awards. The weighted-average fair value of RSUs granted during the years ended June 30, 2018, 2017, and 2016, was $146.27, $104.45, and $80.72, respectively.

The Company also issues equity instruments in the form of RSUs under its Management Stock Purchase Plan (MSPP) and Director Stock Purchase Plan (DSPP). In addition, annual grants are made to members of the Company's Board of Directors in the form of a set dollar value of RSUs. Grants to members of the Board of Directors vest based on the passage of time and continued service as a Director of the Company.

Restricted shares and most non-performance-based RSUs vest in full three years from the date of grant. RSUs granted to the Company's Chief Operating Officer in February 2012 have longer vesting periods.

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Changes in the number of unvested restricted stock and RSUs during each of the years in the three-year period ended June 30, 2018, 2017, and 2016, together with the corresponding weighted-average fair values, are as follows:

	Restricted Stock and Restricted Stock Units	
	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at June 30, 2015	864,566	$ 64.79
Granted	275,117	80.72
Vested	(209,448)	49.48
Forfeited	(56,381)	75.79
Unvested at June 30, 2016	873,854	$ 64.79
Granted	256,853	104.45
Vested	(233,296)	65.07
Forfeited	(62,804)	93.12
Unvested at June 30, 2017	834,607	$ 71.20
Granted	276,871	146.27
Vested	(394,293)	66.29
Forfeited	(53,198)	95.03
Unvested at June 30, 2018	663,987	$ 107.96

The total intrinsic value of RSUs that vested during the years ended June 30, 2018, 2017, and 2016 was $55.2 million, $26.6 million and $18.4 million, respectively, and the income tax benefit realized was $13.3 million, $4.8 million and $3.3 million, respectively.

As of June 30, 2018, there was no unrecognized compensation cost related to SSARs and stock options and $37.3 million of unrecognized compensation cost related to restricted stock and RSUs scheduled to be recognized over a weighted-average period of 2.7 years.

As of June 30, 2016, all stock options and SSARs are fully vested and exercised. No stock options or SSARs were granted during the years ended June 30, 2018, 2017 or 2016. Activity for all outstanding SSARs and stock options, and the corresponding exercise price and fair value information, for the year ended June 30, 2016, is as follows:

	Number of Shares	Exercise Price	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Outstanding, June 30, 2015	42,660	37.67 – 49.36	48.29	17.45
Exercisable, June 30, 2015	42,660	37.67 – 49.36	48.29	$ 17.45
Exercised	(35,860)	37.67 – 49.36	48.18	17.25
Forfeited	—	—	—	—
Expired	(6,800)	48.83	48.83	18.50
Outstanding, June 30, 2016	—	—	—	—
Exercisable, June 30, 2016	—	—	$ —	$ —

Note: 2017 and 2018 have no outstanding SSARs or stock options.

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Information regarding the cash proceeds received, and the intrinsic value and total tax benefits realized resulting from SSARs and stock option exercises is as follows (in thousands):

	Year ended June 30,		
	2018	2017	2016
Cash proceeds received	$—	$—	$0
Intrinsic value realized	$—	$—	$1,286
Income tax benefit realized	$—	$—	$465

Stock Purchase Plans

The Company adopted the 2002 Employee Stock Purchase Plan (ESPP), MSPP and DSPP in November 2002, and implemented these plans beginning July 1, 2003. There are 1,250,000, 500,000, and 75,000 shares authorized for grants under the ESPP, MSPP and DSPP, respectively.

The ESPP allows eligible full-time employees to purchase shares of common stock at 95 percent of the fair market value of a share of common stock on the last day of the quarter. The maximum number of shares that an eligible employee can purchase during any quarter is equal to two times an amount determined as follows: 20 percent of such employee's compensation over the quarter, divided by 95 percent of the fair market value of a share of common stock on the last day of the quarter. The ESPP is a qualified plan under Section 423 of the Internal Revenue Code and, for financial reporting purposes, was amended effective July 1, 2005 so as to be considered non-compensatory. Accordingly, there is no stock-based compensation expense associated with shares acquired under the ESPP. As of June 30, 2018, participants have purchased 1,149,324 shares under the ESPP, at a weighted-average price per share of $54.14. Of these shares, 36,629 were purchased by employees at a weighted-average price per share of $129.83 during the year ended June 30, 2018. During the year ended June 30, 2013, the Company established a 10b5-1 plan to facilitate the open market purchase of shares of Company stock to satisfy its obligations under the ESPP.

The MSPP provides those senior executives with stock holding requirements a mechanism to receive RSUs in lieu of up to 100 percent of their annual bonus. For the fiscal years ended June 30, 2018, 2017, and 2016, RSUs awarded in lieu of bonuses earned were granted at 85 percent of the closing price of a share of the Company's common stock on the date of the award, as reported by the New York Stock Exchange. RSUs granted under the MSPP vest at the earlier of 1) three-years from the grant date, 2) upon a change of control of the Company, 3) upon a participant's retirement at or after age 65, or 4) upon a participant's death or permanent disability. Vested RSUs are settled in shares of common stock. The Company recognizes the value of the discount applied to RSUs granted under the MSPP as stock compensation expense ratably over the three-year vesting period.

Activity related to the MSPP during the year ended June 30, 2018 is as follows:

	MSPP
RSUs outstanding, June 30, 2017	3,167
Granted	1,622
Issued	(463)
Forfeited	(388)
RSUs outstanding, June 30, 2018	3,938
Weighted average grant date fair value as adjusted for the applicable discount	$117.13

The DSPP allows directors to elect to receive RSUs at the market price of the Company's common stock on the date of the award in lieu of up to 100 percent of their annual retainer fees. Vested RSUs are settled in shares of common stock. There were no DSPP awards outstanding during the year ended June 30, 2018.

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 22. 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.

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.

The Company's financial instruments measured at fair value included interest rate swap agreements and contingent consideration in connection with business combinations. The following table summarizes the financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2018 and June 30, 2017, and the level they fall within the fair value hierarchy (in thousands):

			As of June 30,	
Description of Financial Instrument	Financial Statement Classification	Fair Value Hierarchy	2018 Fair Value	2017
Contingent consideration	Other accrued expenses and current liabilities	Level 3	$693	$14,889
Contingent consideration	Other long-term liabilities	Level 3	$11,000	$658
Interest rate swap agreements	Prepaid expenses and other current assets	Level 2	$672	$—
Interest rate swap agreements	Other long-term assets	Level 2	$13,405	$5,559
Interest rate swap agreements	Other accrued expenses and	Level 2	$—	$3

	current liabilities			
Interest rate swap agreements	Other long-term liabilities	Level 2	$—	$3,110

The Company entered into interest rate swap agreements to manage its interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. To comply with the provisions of ASC 820, the Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. Changes in the fair value of the interest rate swap agreements are recorded as a component of accumulated other comprehensive income or loss.

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Various acquisitions completed during the current and previous fiscal years (see Note 4) contained provisions requiring that the Company pay contingent consideration in the event the acquired businesses achieved certain specified earnings results during the two and three 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 the most likely outcome and the application of an appropriate discount rate. At the end of each reporting period, the fair value of the contingent consideration was remeasured and any changes were recorded in indirect costs and selling expenses. During the years ended June 30, 2018 and 2017, this remeasurement resulted in a $9 thousand and $0.7 million net increase to the liability recorded, respectively.

NOTE 23. EARNINGS PER SHARE

Earnings per share and the weighted-average number of diluted shares are computed as follows (in thousands, except per share data):

	Year ended June 30,		
	2018	2017	2016
Net income	$301,171	$163,671	$142,799
Weighted-average number of basic shares outstanding during the period	24,616	24,401	24,262
Dilutive effect of SSARs/stock options and RSUs/restricted shares after application of treasury stock method	639	668	540
Weighted-average number of diluted shares outstanding during the period	25,255	25,069	24,802
Basic earnings per share	$12.23	$6.71	$5.89
Diluted earnings per share	$11.93	$6.53	$5.76

There were no anti-dilutive common stock equivalents for the years ended June 30, 2018, 2017, and 2016 because the Company’s average stock price exceeded the exercise price of all shares outstanding. The calculation of diluted earnings per share for the year ended June 30, 2018 includes the shares underlying the performance-based RSUs granted in September 2017, September 2016 and September 2015.

NOTE 24. QUARTERLY FINANCIAL DATA (UNAUDITED)

This data is unaudited, but in the opinion of management, includes and reflects all adjustments that are normal and recurring in nature, and necessary, for a fair presentation of the selected data for these interim periods. Quarterly condensed financial operating results of the Company for the years ended June 30, 2018 and 2017, are presented below (in thousands except per share data).

	Year ended June 30, 2018			
	First	Second (1)	Third	Fourth
Revenue	$1,085,814	$1,087,860	$1,124,100	$1,170,086
Income from operations	$67,304	$88,262	$104,794	$80,340
Net income	$42,046	$142,795	$64,499	$51,831
Basic earnings per share	$1.72	$5.80	$2.62	$2.10
Diluted earnings per share	$1.67	$5.66	$2.56	$2.05
Weighted-average shares outstanding:				
Basic	24,487	24,622	24,656	24,700
Diluted	25,243	25,211	25,234	25,331

(1) Net income for the second quarter of FY2018 includes a net benefit related to the TCJA. See Note 19.

CACI INTERNATIONAL INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year ended June 30, 2017			
	First	Second	Third	Fourth
Revenue	$1,073,280	$1,057,530	$1,086,418	$1,137,389
Income from operations	$69,658	$80,255	$67,254	$80,094
Net income attributable to CACI	$36,663	$42,420	$40,357	$44,231
Basic earnings per share	$1.51	$1.74	$1.65	$1.81
Diluted earnings per share	$1.47	$1.69	$1.61	$1.76
Weighted-average shares outstanding:				
Basic	24,340	24,387	24,419	24,459
Diluted	24,928	25,069	25,106	25,172

NOTE 25. SUBSEQUENT EVENTS

On August 15, 2018, CACI acquired certain assets of the systems engineering and acquisition support services business unit (“SE&A BU”) of CSRA LLC, a managed affiliate of General Dynamics Information Technology, Inc., for purchase consideration of $84.0 million. The transaction is expected to add approximately $190.0 million to CACI’s annual revenue.

SCHEDULE II

CACI INTERNATIONAL INC

VALUATION AND QUALIFYING ACCOUNTS

FOR YEARS ENDED JUNE 30, 2018, 2017 AND 2016

(in thousands)

	Balance at Beginning of Period	Additions at Cost	Deductions	Other Changes	Balance at End of Period
2018					
Reserves deducted from assets to which they apply:					
Allowances for doubtful accounts	$ 3,551	$ 221	$ (98)	$ 34	$ 3,708
2017					
Reserves deducted from assets to which they apply:					
Allowances for doubtful accounts	$ 2,997	$ 1,293	$ (690)	$ (49)	$ 3,551
2016					
Reserves deducted from assets to which they apply:					
Allowances for doubtful accounts	$ 3,282	$ 536	$ (497)	$ (324)	$ 2,997

Items included as “Other Changes” primarily includes foreign currency exchange differences.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on the 20th day of August 2018.

CACI International Inc
Registrant

Date: August 20, 2018 By:
/s/ Kenneth Asbury
Kenneth Asbury

President

Chief Executive Officer and Director

(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in capacities and on the dates indicated.

Signatures	Title	Date
/s/ KENNETH ASBURY Kenneth Asbury	President, Chief Executive Officer and Director (Principal Executive Officer)	August 20, 2018
/s/ THOMAS A. MUTRYN Thomas A. Mutryn	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	August 20, 2018
/s/ GREGORY W. BUCKIS, SR. Gregory W. Buckis, Sr.	Senior Vice President, Corporate Controller (Principal Accounting Officer)	August 20, 2018
/s/ DR. J. P. LONDON Dr. J. P. London	Chairman of the Board, Executive Chairman	August 20, 2018
/s/ MICHAEL A. DANIELS Michael A. Daniels	Director	August 20, 2018

/s/ JAMES S. GILMORE, III	Director	August 20, 2018
James S. Gilmore, III		
/s/ WILLIAM L. JEWS	Director	August 20, 2018
William L. Jews		
/s/ GREGORY G. JOHNSON	Director	August 20, 2018
Adm Gregory G. Johnson, USN (Ret.)		
/s/ JAMES L. PAVITT	Director	August 20, 2018
James L. Pavitt		
/s/ DEBORA A. PLUNKET	Director	August 20, 2018
Debora A. Plunket		
/s/ DR. WARREN R. PHILLIPS	Director	August 20, 2018
Dr. Warren R. Phillips		
/s/ CHARLES P. REVOILE	Director	August 20, 2018
Charles P. Revoile		
/s/ WILLIAM S. WALLACE	Director	August 20, 2018
Gen William S. Wallace, USA (Ret.)		