
# Investor Presentation

June 2017

CSRA
Think Next. Now.

# Forward-Looking Statements

All statements in this presentation that do not directly and exclusively relate to historical facts constitute “forward-looking statements.” These statements represent CSRA’s intentions, plans, expectations, and beliefs, and are subject to risks, uncertainties, and other factors, many of which are outside the control of CSRA. These factors could cause actual results to differ materially from such forward-looking statements. For a written description of these and other risk factors, see CSRA’s most recent Annual Report on Form 10-K and any updating information in subsequent SEC filings. CSRA disclaims any intention or obligation to update these forward-looking statements whether as a result of subsequent event or otherwise.

## Use of Non-GAAP Measures

This presentation includes certain non-GAAP financial measures, including pro forma adjusted results, which assume the CSC spin-off and SRA merger occurred at the beginning of the period and exclude costs directly associated with either the spin-off or merger transactions or the ongoing integration process. Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for GAAP results. A reconciliation of non-GAAP financial measures in this presentation to the most directly comparable GAAP measures was included in the May 24, 2017 press release announcing Fourth Quarter FY2017 results, which is available on our website, www.csra.com, under “News.”

# CSRA Key Investment Highlights

1. Federal IT Market Returning to Growth Driven by Need to Invest in Next-Gen Solutions
2. Clear Leader with Differentiated Next-Gen Capabilities and Talent in the Federal IT Services Market
3. Pivoting to organic growth in FY18 through Invigorated Business Development Engine Driving Significant New Wins
4. Compelling Financial Profile with Attractive Contract Mix, Low-Cost Delivery, and Best-in-Class Margins
5. Balanced Capital Allocation Model Supported by Strong Free Cash Flow Generation

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# Key Messages from Q4 Call: Financial Results

| Metric | Q4 FY17 | | FY17 | |
|---|---|---|---|---|
| | Value | YoY Growth | Value | YoY Growth |
| Revenue (M) | $ 1,254 | (3)% | $ 4,993 | (4)% |
| Adjusted EBITDA (M) | $ 207 | 1% | $ 792 | 1% |
| Adjusted EBITDA Margin | 16.5% | 70 bps | 15.9% | 80 bps |
| Adjusted Diluted EPS | $ 0.49 | 7% | $ 1.91 | 10% |

- Solid Q4 and full FY17 financial results
- Improving revenue growth profile each quarter
  - Q4 ahead of consensus and mid-point of guidance; sequentially up 3%, down 3% year over-year
  - 2017 down 4% year-over-year
- Adjusted EBITDA and EPS well ahead of guidance
  - Strong margin performance from strong program performance and cost control in the quarter and merger cost synergies over the year
  - Q4 margin benefited from some non-recurring items
  - Adjusted measures control for non-cash and non-operating items, including pension expenses and income and separation and merger expenses
- Free Cash Flow for the year was $328M
  - Above guidance midpoint and above adjusted net income of $315

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# Key Messages from Q4 Call: Forward Outlook

| Metric | FY18 Guidance |
|---|---|
| Revenue (M) | $5,000 – $5,200 |
| Adjusted EBITDA (M) | $770 – $800 |
| Adjusted EBITDA Margin | ~15.4% |
| Adjusted Diluted EPS | $1.88 – $2.00 |
| Free Cash Flow (M) | $330 – $380 |

- At mid-point, revenue growth is 2.1%, adjusted EBITDA margin of 15.4%
- Earnings relatively flat from outperformance in fiscal year 2017
  - Compared to prior guidance for FY17, adjusted EPS growth of about 5%
- Key assumptions to guidance include:
  - Win both of our major recompetes (minimal impact to FY18)
  - Normal levels of delays and protests and 25% win rate on new business
  - NES acquisition closes in the second quarter with no top-line synergies
  - Flat organically in H1, strong growth in H2
- Long-term EPS model now weighted more towards revenue growth and capital deployment

# Key Messages from Q4 Call: Pending Acquisition

- NES Associates—leader in Defense network engineering
  - Specific expertise in defense telecom, infrastructure and applications architecture, as well as implementation services
  - Hands-on expertise with nearly every military base network infrastructure, both CONUS and OCONUS
- Rationale—competitive advantage on large network opportunities
  - Network presence eliminates barriers to adoption of next-generation IT
  - Digital transformation relies on secure, high bandwidth, highly resilient and low latency network infrastructures that can enable hyperscale functionality
- Deal Attributes—positive but small contribution to FY18
  - Purchase price of approximately $105 million in cash
  - Subject to HSR; expected to close in second quarter
  - Good value for organically growing firm, but value is as organic growth multiplier

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# 1 Market Overview

- FY17 Omnibus Provides Certainty and Opportunity
  - Increases for Defense ($15B) and Homeland Security ($1.5B)
  - Generally flat for civil agencies (vs. $18B in proposed cuts)
  - Additional funding needs to be obligated by the end of the September
- FY18 Budget Request in Line with “Skinny” Budget
  - Continued investment in Defense and Homeland Security funded by large cuts in civil agencies
  - Increased emphasis on IT modernization and cyber with full funding for DIUx
  - Expect FY17 to serve as blueprint—Congress will work compromises to fund priorities and protect civil agencies
  - Expect to begin with the year with a CR and no shut-down
- Congress Needs to Address Additional Issues—Bipartisan Support
  - Debt limit will be reached, likely by end of September
  - Sequestration cuts will begin in January without new compromise

# 2 CSRA: Think Next. Now.

*CSRA is tomorrow's thinking, today. For our customers, our partners, and ultimately, all the people our mission touches, CSRA is realizing the promise of technology to change the world through next-generation thinking and meaningful results.*

**Strategic Intent Statement**

*To drive sustainable, industry-leading organic growth across our Federal and state/local markets through customer intimacy, rapid innovation and outcome-based experience*

## THE CSRA DIFFERENCE

**THE POWER OF CSRA**
We have over 50 years of public sector experience with our commercially developed best practices.

**OUR PEOPLE**
Passionate employees blend business process, design, and technical capabilities.

**SERVICE AREAS**
We have a proven holistic approach to solving customer business challenges within service areas, drawing on best practices across commercial and government industries

**NEXT GENERATION**
We are leading innovation through next-gen technology and solutions in cloud, big data, mobility, and apps

**ALLIANCE PARTNERS**
We have enhanced our technical and domain expertise with strategic partnerships that deliver innovative end-to-end solutions.

**TECHNOLOGY INDEPENDENCE**
Flexible and informed point of view optimizes customers' technology choices.

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# 2 Overview of our new Alliance approach

## Strategic

Deep Partnerships with Leading Companies Changing the Technology Landscape

**Seven Strategic Partners**

**Strategic Partner EcoSystem**

*Jointly Working Together to Improve Our Clients Outcomes*

## Key

Commitment to Selecting the Best Technologies for Our Customers

*Certified Resources and Support for Each of Our Key Partners*

## Emerging Technology

Introducing New Technology Companies to Our Existing Programs and Clients

*Introducing 8-10 New Companies Every 4 to 6 months To Our Clients*

# 3 BD Engine Spurring Organic Revenue Growth

| | |
|---|---|
| Backlog | ▪ $15B+ contract backlog<br>▪ 10-year average length of top 25 contracts |
| Pipeline | ▪ $60B+ of qualified new business pipeline<br>▪ $11B of new pending adjudications |
| Capabilities | ▪ Commercial next-gen IT capabilities<br>▪ Full portfolio of contract vehicles across gov't |
| Market Conditions | ▪ Gov't spending returning to growth<br>▪ Administration support for IT and outcome-based models |

## Key Developments

- Growing set of mega-deals (>$500M in TCV)
- 35% new business win rate in FY17—well above target of 25%
- Targeting in excess of $16B of new business submits in FY18
- Investment in partnerships with emerging tech companies leading to near-term revenue
- Ability to succeed even in flat budgets
- Two major recompetes due in summer/fall
- Recent wins ramping, e.g., Army LMSS, OPM BI, EPA IT
- Growing markets in next-gen IT, background investigations, and downrange support

**Targeting 2% - 3% Organic in FY18 with potential for greater in FY19**

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# 4 Compelling Financial Profile

## Contract Portfolio

- Contract mix driven by focus on IT and full coverage of federal customers
  - 45% of revenues from fixed price contracts generally double that of peers
  - Move to next-gen IT should support high fixed-price content
- Higher profitability driven in part by capital investments on several long-lived fixed price programs
- PMs incentivized to deliver efficiencies throughout the life of the contact
- Sustainable level of EACs on fixed-price contracts of $15-$25M annually

## Efficient Delivery

- Cultural emphasis from PE heritage
  - Both legacy companies above all public peers at time of spin-merge
  - Realized $160M in cost synergies
  - Some additional synergies remain around facilities and systems integration
- First mover advantage around low-cost, on-shore delivery methods
  - Bossier City facility staffed at 600 people; targeting 1,800 in low cost centers by FY20
  - 30%+ cost advantage through tax incentives, facilities cost, labor arbitrage
- Gain efficiencies over contract life—margin headwind of growth

**Delivering above Target Adjusted EBITDA Margin of 14%-15%**

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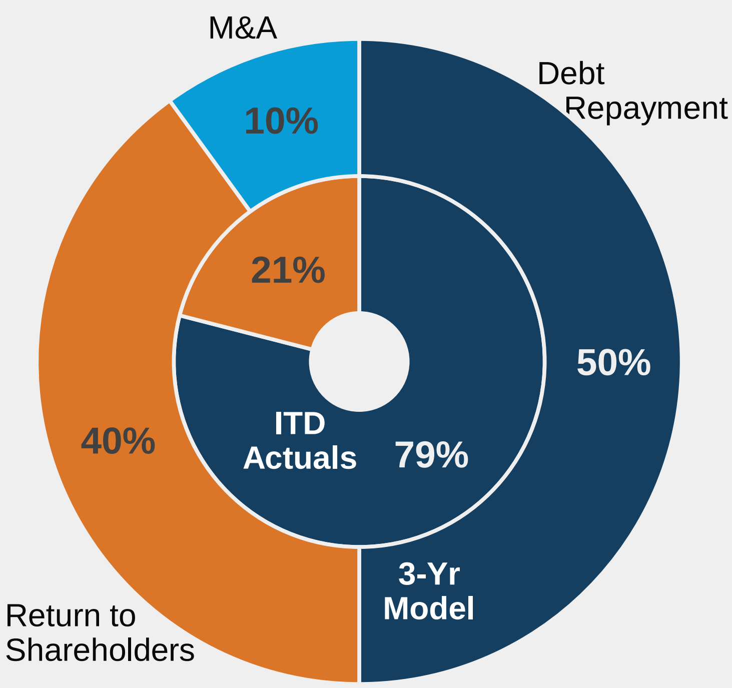
# 5 Free Cash Flow Enables Balanced Capital Allocation

## FCF Generation

- Federal services business model delivers strong cash flow
- FCF will grow with increases in revenue and adjusted EBITDA
- Build on track record of converting strong profitability to cash
  - Optimize tax structure; with long-term ETR of 37-38%, would benefit greatly from tax reform
  - Working capital should be positive through efficient collections and prudent payables management
  - Reduce non-project-related capex and next-gen programs will require les capex
- Targeting FCF 100% or More of Net Income through FY19

## Capital Allocation




- Sharp initial focus on reducing debt—target leverage of ~2.5 net debt/EBITDA
- Shifting more to M&A and return to shareholders to achieve balance

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