



## CRAFTING A COMPANY

At CSRA, we have the chance to create a truly unique company that can make an impact on our market and lead our customers to their digital futures. I see CSRA as the premiere pure-play provider of next-generation IT services to the U.S. Government. We will deliver innovations, efficiencies, and tailored offerings to meet the mission priorities of our customers; create distinct long-term investment opportunities and added value creation for our investors; offer scale to our strategic partners; and enable targeted skills development and expanded career opportunities for our employees.

Our government is in the process of transforming its IT infrastructure and software systems to increase efficiency, reduce expenses, and better serve our citizens. The capabilities we provide address the priority areas of IT investment for the Federal Government, including cloud, cybersecurity, data analytics, agile-based software development methodologies, and the inevitable modernization of the government's applications with a bias for Software-as-a-Service and mobility. For the Federal Government as a whole, next-generation IT offerings, such as big data and cloud, could show double-digit annual growth over the next three years.

I am proud of the accomplishments of our entire team in our first six months as a publicly traded firm, as we came together rapidly and worked aggressively to realize the synergies of our integration—both creating new business opportunities and increasing earnings—all while keeping our focus on serving our Federal Government customers as they implement critical IT and mission solutions for our nation.

As Mike Lawrie transitions from the board, I want to thank him for his leadership and vision in creating CSRA and setting us on our current path. He has been an important mentor to me and instrumental to making CSRA the leading IT service provider to government. I look forward to working with Nancy Killefer as Chair. Her combination of senior level management experience, public company governance experience, and government and public policy experience will be a huge asset for CSRA. Our entire board is committed to strong corporate governance and sustaining the momentum that we have built in our first six months as a public company.

One of our most important accomplishments has been to align around a set of clear priorities. We are all working towards the same goals, while developing a common



*“CSRA is the future of government IT services, driven by a passion for mission, dedication to enterprise technology, and a firm commitment to cost discipline. We are excited to lead our government customers to their digital futures, enabled by the cloud and leveraging big data analytics and mobility for mission success.”*



culture and lexicon that sets us up well for future success. We have focused the entire company around three strategic imperatives—build brilliant teams, deliver flawlessly, and drive growth.

By building brilliant teams, we leverage the full strength of the CSRA community (including our customers and business partners), sharing great ideas, tackling challenges head-on, and collaborating for success. We practice straight talk, respect and support each other, and recognize the exceptional performance of our people and teams. When we build teams that work effectively together and generate the best ideas, we can meet and exceed the needs of our customers.

To CSRA, delivering flawlessly means that we engage well with our customers; getting to know their missions in detail; and delivering innovative solutions that influence mission performance, policy, and strategy. We know we can't be complacent, so we have fostered a mindset of problem-solving and service excellence from the front lines to our back office.

Finally, as a publicly traded company, it is imperative that we drive growth in our business for our shareholders, customers and employees alike. We've implemented a range of programs this year designed to expand existing projects, capture new business, leverage our contract vehicles, while maintaining a competitive cost structure. Investing in growth is an essential element of our strategy, and we'll continue with this as a major focus.

Our approach is beginning to show tangible results. Accounting for the impact of the SRA merger and excluding costs directly associated with the spin and merger transactions and ongoing integration, profitability and earnings were up significantly on an annual basis. Fiscal year 2016 Adjusted EBITDA was \$895 million, up three percent from fiscal year 2015, as adjusted EBITDA margin increased from 15.9 percent to 17.2 percent.<sup>1</sup> Adjusted diluted earnings per share for the fiscal year were \$1.96, up 14 percent from fiscal year 2015.

Our EBITDA margin leads the industry and was significantly bolstered by our aggressive execution on merger cost synergies. The compatibility of our two legacy companies has allowed us to move quickly on integration and identify ways to operate more efficiently. Our expanding base of fixed-price contracts incentivizes us to drive down costs continually and responsibly.

With our end markets improving, we are in the process of returning to organic revenue growth. Controlling for the SRA merger, revenue for fiscal year 2016 was \$5.2 billion, down four percent from fiscal year 2015. However, we are investing heavily in business development and our forward indicators are very positive. In fiscal year 2016, we

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<sup>1</sup> This letter contains certain non-GAAP financial measures. For each of these measures, the comparable financial measures calculated and presented in accordance with GAAP and a reconciliation of the differences between these non-GAAP financial measures and the most directly comparable GAAP measures is presented on page 7 of our [earnings release](#) dated May 25, 2016



received \$6.9 billion in contract awards, for a book-to-bill ratio of 1.3 times. Our backlog was up 5 percent for the year. Some of our key wins for the year include:

- The Department of Homeland Security awarded us a \$967 million extension to our support of the agency's Data Center 1. We developed creative solutions and contracting approaches to create an efficient and flexible contract focused on the as-a-service, consumption-based model with access to a private cloud.
- The Federal Aviation Administration awarded us and our alliance partners, including Amazon Web Services and Microsoft Azure, a contract to deliver cost-effective cloud services, data center consolidation and cloud migration capabilities. This single-award contract is valued at \$108 million with the potential to reach \$1 billion over 10 years. On our first major task, we stood up a drone registry in six weeks with support from Amazon Web Services and several other innovative digital partners.
- The Department of Veterans Affairs awarded us a five-year, \$233 million task order to help the department move to a paperless claims process to enable quicker processing of disability benefits for our veterans.
- The Securities and Exchange Commission awarded us a 10-year, \$252 million contract to reshape and operate its IT infrastructure. We developed a compelling organizational change management plan and approach to migrate the contract from staff augmentation to fixed price, managed services.

In summary, since launching as a public company, we have made substantial progress towards crafting a company that can thrive in a large and growing market. We are excited for the future and grateful for the support of our people, customers, technology partners, and shareholders as we begin our journey.

A handwritten signature in blue ink that reads "Lawrence B. Prior" followed by a stylized flourish.

Larry Prior  
Director, President and Chief Executive Officer