

**Building Value in the Federal Marketplace:
Buyer Value Assessments**

Aronson Capital Partners

September 28, 2004

Introduction to HKSBS

- **We provide strategic, financial and operational advisory services built around *Six Key Drivers* to business success:**
 - **Analyze and Know Market and Competition**
 - **Build Business Development Process to Drive Revenues**
 - **Upgrade Infrastructure to Support Growth**
 - **Improve Operational Efficiency to Drive Profits**
 - **Consider Beneficial Mergers, Acquisitions and Alliances**
 - **Accommodate Change in Culture, Image and Organization**
- **The HKSBS team has deep experience in the government services, telecommunications and IT markets.**

How is HKSBS Different?

- **Experienced Senior Executives**
- **Wide range of industry and professional backgrounds**
- **Includes CEO's, COO's, CFO's and heads of major business units**
- **Works with client's top management as peers.**

“There are no rookies on this team.”

Buyer Valuation Issues

- **Vertical (“Strategic”)**
 - Core Competencies
 - Agencies
 - Federal Market
- **Horizontal (“Bolt-on”)**
 - Earnings
 - Contracts
 - People

Buyer Valuation Test

- Which are these : Competency, Agency, Platform
 - DigitalNet/BAE Systems _____
 - Impact Innovations/DRC _____
 - AC Technologies/PEC _____
 - Orkand/Harris _____
 - McNeil Tech./Veritas _____
 - STI/Anteon _____
 - ACT/SAIC _____

Maximize Strategic Values

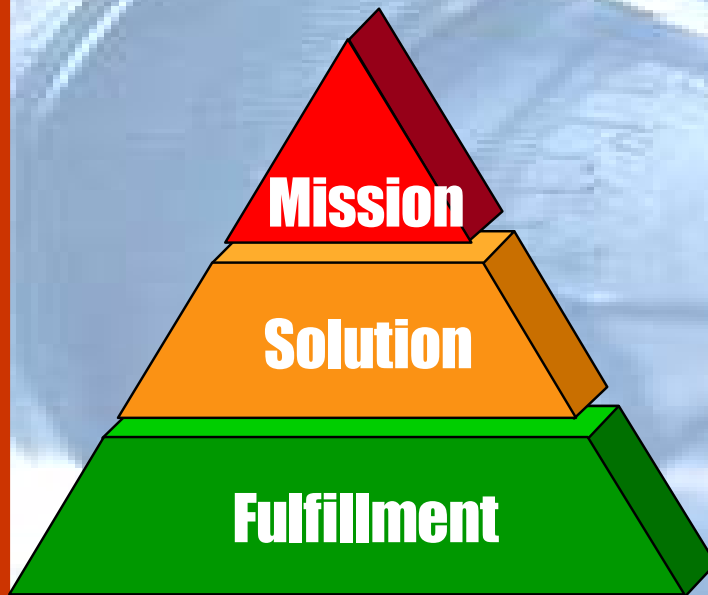
1. Strong Core Competencies

- Systems Solutions**
- Network Security**
- Employees With Demand ---**
 - Security Clearances**
 - Professional Contacts**

2. Good Agency Customers

- DoD, Intell, DHS**

Examine Real Value--Ignore Your Website!



- **Mission Critical**
 - Small Order Volume
 - Large \$ Value
 - Higher Margin
- **Solution**
 - Medium Volume
 - Medium \$ Value
 - Better Margin
- **Fulfillment**
 - Thousands of Orders
 - Small \$ Value
 - Low Margin

Maximize Strategic Values (Cont.)

3. Platform: Capacity for Market Entry

- Overall Management Remains
- Agencies and Services Match Strategy
- Contract Control and Bus. Dev.
- Internal Financial and Mgt. Systems
- Reputation and Prior Performance

Maximize Horizontal Values

- **Grow Earnings**
- **Buy Earnings and Contracts**
- **Improve Earnings Quality**
- **Strengthen Management and Systems**

Grow Earnings

- **Forget Revenues-Grow Margin!**
 - CPFF Out--T&M, FFP In
- **Cutting Costs Can Help, But Not Fully**
 - \$1 Annual Earnings Worth \$5-8 Price
- **Focus on Services in Demand**

Buy Earnings and Contracts

1. Are we a Qualified Platform?
2. Do we have the Financial Strength?
3. Where can we get Capital to help?
4. How do we find Good Targets?
5. What is the Actual Process?

Improve Earnings Quality

- **Does our pipeline and backlog meet market requirements?**
 - **Forget GWACS, IDIQ ceilings unless a long history with agency or a BD ability**
- **How can we build the value of our preference and set-aside contracts?**
 - **Move Work to Open Contracts**
 - **Sell 51% to a Cooperative or Protégé Business**
 - **Build Ability to Compete openly BEFORE needed**

Watch Small Business Acquisition Problems

- **SBA is Pushing Size Compliance**
 - **After December 10, 2004, recertification is necessary on any novation or name change**
 - **The SBA is looking to apply recertification requirements on contract extensions and options**
- **Sarbanes Oxley Post-Acquisition Issues**
 - **Public companies will need assurances, if material, on consolidated statements**

Stop Coming to Breakfast--Make it Happen!

- **Strengthen Management & Systems**
- **Commit Company to Improve Earnings**
 - **Productive Business Development System**
 - **Refocus Employees on Value Results**
- **Systematically Identify Primes, Agencies With Need for Mission Critical Solutions from Your Company**
- **Move to Fixed Price and T&M Contracts**
- **Systematically Identify Positive Acquisition Targets**
- **Implement “10 Ways to Turbocharge Your Business”**



H&K Strategic Business Solutions
1600 Tysons Boulevard
McLean, Virginia 22102
(703)720-8605
www.hksbs.com

H&K Strategic Business Solutions