



Venture Management Executes Acquisition Strategy

Client Objectives

I.T.S. Corporation (ITS) determined that critical elements of its plans to increase shareholder value would include acceleration of the company's growth rate and entry into higher value-added segments of the federal services market than available through its existing core capabilities in information technology (IT) related services.

Overview and Process

ITS is a middle market provider of IT and engineering solutions to the U.S. military. Venture Management, Inc. (VMI) had previously worked with the management and a private equity group to structure a management buy-out from the founder. The company's new CEO, its management team and its shareholders decided to increase shareholder value through a growth strategy that included both organic development and the acquisition of related businesses. VMI was retained to provide strategic advisory services and to execute the acquisition strategy.

VMI worked with the CEO to develop ITS' acquisition criteria. Establishing a base of operations in the Washington, D.C. metro, increasing penetration of certain agencies and expanding the service portfolio into certain disciplines were components of the acquisition criteria. VMI applied the detailed criteria to its proprietary database of federal service providers, narrowing the extensive field of potential candidates. Initial meetings and assessments were conducted by VMI and a "short list" of candidates was presented to ITS. VMI recommended transaction structure and supported negotiations with selected candidates. The company completed two transactions in December of 2005.

The Result

Upon the closing of these two acquisitions, ITS achieved a one-year growth in revenue run rate of nearly 100%, the addition of several major new federal clients, a broadened base of services and the establishment of a substantial DC area base of operations with a strong management team. Subsequently, a major increase in ITS' valuation was achieved, and, in April of 2007, ITS was sold to QinetiQ for \$90 million, an implicit valuation of 14.6 times 2006 EBITDA. This multiple was more than two times both the multiples paid to purchase the company from the founder and the multiples required to complete the two acquisitions that VMI initiated.

Venture Management, Inc. provides merger & acquisition advisory services to public, private and financial acquirers of middle market, technology-based business service providers. With an emphasis on the Federal market, Venture Management serves the aerospace and defense, intelligence, civilian and homeland security sectors. Venture Management's mission is to deliver extraordinary value to its clients through our team's ability to apply:

- In-depth understanding of each client's business
- Knowledge of each client's business environment and factors driving business valuations
- Depth and experience in structuring and negotiating Mergers, Acquisitions and Divestitures
- Commitment to integrity and client success

For more information, visit www.venturemanagement.com.