

INTERVIEW

# Joe Kampf

Chairman and CEO  
CoVant Management



**DM&A:** Do you expect the trend of Tier 1 Defense companies acquiring large federal services firms to continue?

JK: Not particularly. Most of the Tier 1's, such as Lockheed Martin, Northrop Grumman and General Dynamics, now have a strong footprint in IT and engineering services and no longer need to add large, broad based assets in this sector. There may be certain exceptions—including SAIC, now public, who needs to prove to the public market that it will remain an avid acquirer.

**DM&A:** What is the near-term outlook for federal M&A activity?

JK: I would not be surprised if many strategic buyers took a pause to understand the impact of the leadership change in Washington on the federal market. Private Equity (PEs) acquirers will not rest, as they are flush with cash and need to put it to work, although CoVant has no time

*Joe Kampf, dealmaker extraordinaire who made his mark at CEO of Anteon International, is back on the startup trail. He and his partners have teamed up with Caxton-Iseman Capital, Inc., the equity fund behind the original Anteon acquisition.*

*Kampf headed Anteon during its run from \$100 million in 1996 (after acquiring Ogden Professional Services) until its sale this year to General Dynamics (NYSE: GD) at a \$1.7 billion run rate. Under his leadership Anteon completed ten M&A transactions, becoming a leader in the defense, intelligence and homeland security market. In 2002 the company went public, trading under the symbol ANT while part of the New York Stock Exchange.*

*Today Kampf and six of his former Anteon colleagues are trying to engineer another entrepreneurial success, having just set up shop as CoVant Management. The private equity fund's mission is to grow in federal markets, or outside of them as the opportunity arises. The strategy which they are pursuing, however, differs in important respects from the vision which drove the building of Anteon.*

*Minuteman Ventures President Paul Serotkin, reporting for DM&A, caught up with Kampf recently.*

constraint as its capital pool is from private sources rather than publicly raised.

**DM&A:** How about the public company outlook for federal services suppliers?

JK: Mixed. The market remains volatile, with the changes in political fortunes, a perennially difficult budget process, the reliance on funding DoD budgets on a supplemental basis and the constancy of the terrorist threat.

However, I think the IPO window remains open for these firms. The caveat is that companies with less than \$250 million in revenue should not go public. The demands are too great and can cause major changes to internal operations and culture.

Regulatory changes could also

have an impact on the small business end of the M&A market. (Ed. Note: The SBA recently announced a rule that a small business must recertify that it still qualifies as 'small' when options are exercised on contracts longer than five years. The new regulations take effect June 30, 2007.)

Buyers might be hesitant to step firmly into the small business market until a few deals have been completed in this space, with no apparent adverse reaction due to this rule change. Frankly, I think small businesses should be up in arms over this one. Why would an entrepreneur start a federal contracting business with such potential limitation on the firm's liquidity?

.....Continued on page 7



*Paul Serotkin is President of Minuteman Ventures LLC, an investment bank focused on sell- and buy-side M&A for defense, federal, intelligence and homeland security companies. Reach him at: paulserotkin@minutemanventures.com; tel: (781) 750-8065.*

**Joe Kampf**..... *Continued from page 6***DM&A: Did Anteon consider options other than sale?**

JK: We explored all of the other options. Pushing \$2 billion in revenue, we analyzed what it would take to achieve our goal of becoming a Tier 1 contractor. With the market having changed so much since 2001 in that all the major Tier 1 companies now had formidable federal services arms, the hurdle to get there seemed great.

Over the past few years we had looked at transformative acquisitions, including mergers of equals that would propel us onto that stage. With no such deal pending and with the attractive offer from GD, we decided to go the exit route.

**DM&A: Are you trying to replicate the Anteon model with CoVant?**

JK: No, it is different.

We do not feel that the opportunity exists today to take a federal services firm from \$100 million to almost \$2 billion in 10 years, as we did with Anteon.

The CoVant model is built on identifying vertical markets from a customer or technology perspective. We are partial to the federal market but are willing to look at commercial targets or contractors serving foreign governments.

**DM&A: How will CoVant distinguish itself from other private equity funds in this sector?**

JK: In several ways. We do not need to fundraise as we can draw from a large pool of personal equity managed by Caxton-Iseman Capital, Inc., who helped lead the Anteon transaction. Our CoVant team brings

technology, market strategy, business development, M&A, and operational management experience to the types of companies we know well, yet we are interested in keeping good management teams in place to run the company.

We are seeking sellers in the \$50-\$150 million deal size, but are willing and able to go larger or smaller depending on the opportunity.

**DM&A: Any advice for smaller company owners thinking of selling?**

JK: One, do not feel the need to go through an auction process – the price is not always higher. If you like the buyer and the price, don't worry about validating if it's the absolute highest price. For sure, you won't like the validation process.

Two, talk to other CEOs who have been through the process.

Three, get yourself the best M&A attorney you can find and retain a qualified M&A advisor.

**DM&A: How did CoVant get its name?**

JK: The 'Co' implies coming together. 'V' equals value. 'Ant' was the stock symbol for Anteon. So - 'Coming together to create value like Anteon.' I like one-word corporate names! ❖