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Acquisitions are a key way to compete for a piece of big contracts

By Marjorie Censer, Sunday, April 10, 4:03 PM

Acquisitions are typically a way for contractors to win access to agencies or to show revenue growth. But in a more competitive budget environment in which expansive contracts are the norm, companies are also looking to acquisitions to win work.

The government frequently uses a kind of procurement known as contract vehicles, which select a pool of vendors to receive future orders. The vehicles come in several forms, but are often worth billions over a long period of time. As a result, failing to make the cut can mean being shut out of significant dollars for years.

But by acquiring companies already selected to go on to the next round, companies can regain a spot and open the door to new business.

Take Salient Federal Solutions in Fairfax, a new contractor growing through acquisitions. In March, the company announced it had purchased Alexandria-based Command Information, an IT business with a coveted spot on the Defense Information System Agency's ENCORE II contract vehicle.

"We didn't buy Command just for ENCORE," said Brad Antle, Salient's founder and chief executive. But he acknowledged the appeal of the contract vehicle, calling it "the icing on the cake."

Antle warned that simply acquiring companies already on contract vehicles is not in itself a solid

strategy, but a spot on a good contract vehicle can complement an existing business.

This strategy isn't new, but it has taken on more significance in a tough acquisition environment, said Bob Kipps, managing director of the defense and technology-focused investment bank KippsDeSanto in McLean.

Government procurements tend to take longer these days as budget concerns grow, the acquisition workforce shrinks and losing firms file more protests, Kipps said. The delays make an already-approved and operational contract vehicle all the more appealing, he added.

Earlier this year, ManTech of Fairfax bought Alexandria-based TranTech and noted the company's position on ENCORE II, which doesn't expire until 2018. Falls Church-based contractor CSC acquired Centauri Solutions of Alexandria late last year and in its announcement said it will now be able to win work on the Defense Intelligence Agency's \$6.6 billion Solutions for Information Technology Enterprises, or SITE, program.

CSC said it bought Centauri for its capabilities, not its role on the contract.

"Incumbency matters, but I dare say that cannot be a driver unto itself," said Yvonne Chaplin, director of strategy and development for CSC's North American public sector.

And simply being a contractor on an appealing vehicle isn't enough to get a small company purchased, said Steven Diamond, a partner in Arnold & Porter's government contracts practice.

Strategic buyers will also look at what the business does, how technical it is and what portion of its workforce has coveted security clearances, among other areas.

Still, "being on these vehicles is perhaps more . . . on people's radar screens than it was before," Diamond said.

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