

Buying in

BY [Michael Hardy](#)
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For some companies, the best way to get the expertise they need is to buy it. In recent months, companies such as Perot Systems Corp., Computer Sciences Corp. (CSC) and SCB Computer Technology Inc. have purchased entire firms in order to enter, or expand their presence in, the federal market.

In late February, Perot Systems, based in Plano, Texas, completed its acquisition of Soza & Co. Ltd., an information technology firm with a long roster of federal clients. Perot paid about \$75 million in cash for the acquisition and has agreed to pay up to \$32 million more in cash and stock if certain performance goals are met.

Perot initiated its move into the federal space in the summer of 2002, when it acquired ADI Technology Corp. for \$32 million and made ADI cofounder Greg Bedner president of Perot Systems Government Services Inc.

The transactions can also be good for the employees of the companies acquired, Bedner said. When they are drawn into the larger firm, they often continue to do the work that made the company an attractive purchase in the first place. And they gain the cachet of the larger firm's name and influence.

"The folks we talked to wanted a bigger company as the prime [contractor] on jobs," he said. "The government likes to buy teams that have the flexibility as well as the responsibility. If you come in as a \$100 million outfit, you're looked at differently than if you come in at" \$1.4 billion.

SCB bought a firm called Remtech Services Inc. earlier this year. Remtech, a provider of IT support, earned \$30 million in 2002 and brought SCB an immediate federal presence. SCB is working on other acquisitions to expand that presence, said Larry Davis, president of Aronson Capital Partners in Rockville, Md., which managed the acquisition.

"They're obviously looking to quickly gain some mass in the federal market," Davis said of SCB and other companies pursuing a similar strategy. "There aren't a lot of larger companies out there that are affordable, and their price is being driven up. So instead they buy several smaller companies."

Before its recent acquisition of DynCorp, CSC drew most of its revenue from commercial business, even though it had a federal presence, said Aronson Vice President Phil McMann. "This [acquisition] gives them more presence in homeland security. This increases their federal market share."

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