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URS snaps up Apptis for \$260M

BY THOMAS ZADVYDAS

Engineering, construction, and technical services company **URS Corp.** said Wednesday it will acquire information technology and communications services business **Apptis Holdings Inc.** from **New Mountain Capital LLC** for about \$260 million in cash.

Chantilly, Va.-based Apptis provides high-end IT services to the U.S. Department of Defense—including all four branches of the military—the Defense Information Systems Agency and other federal entities such as the departments of State, Transportation, Justice and Homeland Security.

It employs 1,000 people in 35 states and nine locations internationally.

The target, which had sales of \$298.2 million in 2010, will be folded into URS' federal services division.

"Apptis will certainly provide us with core capabilities in critical segments. Specifically, we're excited about their cyberdefense and cloud computing capabilities, and also the strong base of work they have in network engineering, software development and enterprise management," said URS federal services division president Randy Wotring in an interview.

According to a Wednesday research note from **Oppenheimer & Co.**, URS paid a 0.9 times multiple of Apptis' revenue. Oppenheimer estimates modest accretion to URS' earnings from the deal to the tune of 1 or 2 cents per share. The deal will increase URS' federal services' segment revenue by about 6%, according to the note.

"We're a growth company building a very strong base across all the core information and communication technology services, with a real emphasis on innovation in cyberdefense and cloud," added Apptis chief executive Bert Notini in an interview.

The transaction should close within 60 days, pending customary closing conditions and regulatory approvals. The deal doesn't include Apptis' Iron Bow Technologies subsidiary, an IT

equipment provider that New Mountain will retain.

"[The deal] provides URS with access to the federal IT market, which continues to be one of the areas of growth for federal spending despite the broader austerity measures and hawkish budget comments that we hear," said **Gleacher & Co.** analyst Will Gabrielski.

New York-based New Mountain initially acquired a controlling stake in Apptis in October 2003 with an \$84 million injection from a \$770 million fund raised in 2001. In 2004 Apptis, with backing from New Mountain, invested \$20 million for a controlling stake in Atlantic City, N.J.-based Technology Management Associates Inc. and \$40 million for a similar stake in Seta Corp., a McLean, Va.-based IT company.

"New Mountain's focus as a financial sponsor is building businesses," Notini said. "That's really what we've done at Apptis. We brought together many years ago some smaller businesses, we've developed them, attracted talent, we've won contracts, we've upgraded systems," he added.

A source familiar with New Mountain said the firm hadn't put any additional money in since 2004 and has likely taken capital out since that time. It earned good returns on Apptis, though the source wouldn't provide actual numbers.

In June, San Francisco-based URS made a £223 million (\$333 million) winning bid for London engineering services consultancy Scott Wilson Group plc, beating rival **CH2M Hill Cos. Ltd.**'s earlier £189 million bid.

"URS is a company that isn't afraid to make acquisitions. Their balance sheet is probably in the best shape it's been in over the last three to four years," Gabrielski said.

Founded in 1904 as Broadview Research Corp., URS took its current name in 1976. The firm, with 47,000 employees, has a market capitalization of \$3.5 billion. Its shares closed down 31 cents, or 0.7%, at \$43.89, on Wednesday.

New Mountain Capital declined to comment. ■



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