

Outsider To Become Chairman Of Deltek

Co-Founder Exits; Firm Ponders IPO

By GRIFF WITTE
Washington Post Staff Writer

Deltek Systems Inc., a Herndon company that makes software for government contractors, said yesterday that president and chief executive Kevin T. Parker would succeed company co-founder Kenneth E. deLaski as chairman, continuing the company's move away from its family roots and toward a possible initial public offering.

"We're focused as a management team and as a board on bringing the company to the next level," Parker said. He noted that while the firm does not have a timetable for a public offering, such a move would represent "an opportunity."

"Historically, Deltek has been a word-of-mouth business. Being a public company would give a larger sense of awareness of what our company is and what our expertise is," he said. He also noted that more money would be available for acquisitions if the company were public. Deltek has made two significant acquisitions in the past seven months.

Parker's addition of the chairman title to his duties comes during an unprecedented boom for Washington area contractors. Companies are routinely recording record profits as they seek to meet the government's growing demand for technology, and dozens of companies have been bought and sold in a wave of industry mergers.

Deltek made its name selling software that helps those contractors account for their revenue and expenses. The firm has more than 11,000 clients, having expanded beyond contracting to engineering, construction and other fields in which companies need help tracking large projects. Its customers include construction giant Bechtel Corp., architecture firm Hellmuth, Obata & Kassabaum Inc. and Verizon Communications Inc.

Parker, 46, said there is more



Kevin T. Parker joined Deltek last year from PeopleSoft.



Kenneth E. deLaski and his father started Deltek in 1983.

room for growth in Deltek's traditional business areas and in newer fields such as consulting and information technology.

Until last year, Deltek had been run by only two men in its history: deLaski and his father, Donald deLaski, an accountant who specialized in the arcane rules of government contracting. Hoping to develop an accounting program designed around those rules, they co-founded Deltek in 1983 with \$250,000 and two programmers.

When Kenneth deLaski took over from his father in 1996, the company had more than \$30 million in revenue and about 300 employees.

In the past year, Deltek has undergone major changes, and the deLaski family's role has increasingly diminished.

In April 2005, New York-based private equity firm New Mountain Capital LLC bought 75 percent of Deltek's shares for \$205 million. Two months later, the company announced that Parker would replace deLaski as chief executive.

Parker had been chief financial officer and co-president of software company PeopleSoft Inc. before that company was acquired by Oracle Corp. His time so far at Deltek has been marked by the acquisition of two competitors: Wind2 Software Inc. in October and Welcom Corp. in March.

Deltek was public once before. The firm had a successful IPO in 1997 and was a publicly traded company for the next five years. In 2000, it ranked 23rd on Business Week's list of hot growth companies. But within a year, the technology bubble had burst and the company's fortunes plummeted, with earnings down and the stock price in decline.

Kenneth deLaski took the company private again. His family had kept 55 percent of the company's shares and bought back much of the rest for \$7.15 a share — about \$4 lower than the IPO price in

1997.

In a 2003 interview, deLaski recalled Deltek's time as a public company with little fondness, citing Wall Street's demands for making the quarterly numbers. "You really can't help yourself but be focused on scaring out every [earnings-per-share] penny," he said then. "God, please let it be 14 cents, not 13 cents."

Since the company went back to being private, it has rebounded. In February, Deltek announced revenue of \$150 million for 2005, the second straight year in which it rose more than 20 percent.

A company spokesman said deLaski, 48, was not available for comment yesterday. In a written statement, he said: "Deltek is truly positioned for even greater future success. I am confident that under Kevin's direction, Deltek will continue to gain market share."

The family will retain some involvement in Deltek's future. The company said yesterday that Kenneth deLaski's sister, Kathleen deLaski, would join the board. She is president of the charitable Sallie Mae Fund and has also been senior vice president at Sallie Mae, group director at AOL LLC and a Pentagon spokeswoman.

Also added to the board yesterday was Joseph Kampf, chief executive of government IT provider Anteon International Corp. He led that company through an IPO in 2002.

Alok Singh, managing director of New Mountain Capital, will become lead director of Deltek's board.

Mark Amtower, a partner with the marketing consulting firm Amtower & Co., said Deltek's moves indicate that it is priming itself for future growth and, possibly, an IPO. In particular, Amtower said, Deltek may be seeking larger customers to boost its bottom line.

"They want to migrate their platform to the integrator level and go after the big boys," Amtower said.