

[Ashlea Higgs. (Aug. 27, 2008). Serco buys SI International for \$423 million, re. BAE, QinetiQ, Serco buying spree. Digital Science (UK).]

Serco buys SI International for \$423 million

Posted At : August 27, 2008 12:12 PM | Posted By : Ashlea Higgs

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Serco [announced](#) today it will buy [SI international](#) for \$423 million.

Acquisition trends: British buyers ([QinetiQ](#), [BAE Systems](#), [Serco](#)) continue their buying spree. Mid-sized contractors continue to disappear.

Valuation: Relative to other acquisitions in the government contractor market, Serco appears to be getting a deal (or conversely SI earning a low valuation) paying less than 1x revenue. SI has revenue of \$555 million in the last 12 months as of June 2008. SI shareholders are not getting a bad deal, with Serco paying a 40% premium on the August 26th closing price.

SI's cancelled acquisition: SI dropped its [acquisition of Arrowpoint](#) in late July. At the time, no reason was given. The announcement today is a good candidate.

British buying spree:

Buyer:	Seller:	Consideration:	Announced:
BAE Systems PLC	Mevatec	\$82 million	March 2003
BAE Systems PLC	United Defense Industries	\$3.97 billion	March 2005
BAE Systems PLC	National Sensor Systems	\$8.7 million	October 2006
BAE Systems PLC	Armor Holdings	\$4.1 billion	July 2007
BAE Systems PLC	MTC Technologies	\$450 million	December 2007
QinetiQ Group PLC	Apogen Technologies	\$300 million	February 2006
QinetiQ Group PLC	Analex	\$170 million	January 2007
QinetiQ Group PLC	ITS Corp.	\$90 million	March 2007
QinetiQ Group PLC	Boldon James Holdings Ltd	\$37 million	October 2007
QinetiQ Group PLC	Dominion Technology Resources	\$104.5 million	August 2008
Serco Group PLC	Resource Consultants	\$215 million	December 2004
Serco Group PLC	SI International	\$423 million	August 2008

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Serco buys US government reseller

**The Register®** [Drew Cullen](#)

Wed 27 Aug 2008 // 10:20 UTC

Serco is to acquire SI International, an IT reseller specialising in the US federal market, for \$423m cash - a 40 per cent premium on SI's closing price on NASDAQ yesterday. Serco is also assuming net debt of \$87.3m, so the enterprise value of the deal is \$510m - a multiple of 12.3 on forecast EBITDA for 2008.

Serco is funding the deal through a new five-year £700m banking facility and it expects the deal to be accretive to earnings in the first full year of ownership and to meet its cost of capital - 5.5 per cent a year - in the third full year of ownership. Serco thinks it can save \$10 mil a year, largely by delisting SI International. The acquisition is expected to close by the end of the year.

So that's the financials out of the way. Why SI? In a word, scale. Serco may be headquartered in the UK, but it already has a fairly substantial US organisation, albeit heavily reliant on low-ish margin business services.

With SI International under its wing, the company will have a strong IT capability stateside, pro forma US revenues of \$1.3bn and 11,000 employees. It seems that you need to pull in annual revs of \$1bn, before the Feds will let you bid for "substantial supplier roles" on large US government contracts. So Serco now has the chance to join the top table.

Quote time from Serco Group Chief Executive Christopher Hyman:

"Our capabilities are highly complementary and together we will create a stronger organisation that will have customers across all US Armed Forces, the US Intelligence services and a number of Federal government agencies. Our enhanced presence as a top 30 supplier in the substantial US Federal services market will

provide a stronger platform for future growth. Furthermore, we will be able to offer customers access to more integrated solutions from a company with global reach and proven expertise in transforming government services."

Turn now to Serco's [press release](#) for more info about SI International's financials. ®

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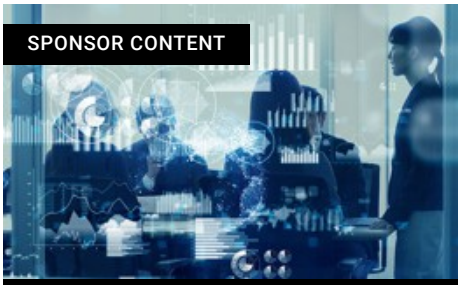
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Serco to acquire SI International

By [NICK WAKEMAN](#) // AUGUST 27, 2008

Serco Inc. and SI International Inc. have struck a deal for Serco to acquire SI in a cash transaction worth \$423 million.

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Serco Inc. and SI International Inc. have struck a deal for Serco to acquire SI in a cash transaction worth \$423 million.

Serco, the U.S. division of the British Serco Group, is also assuming about \$87.3 million in SI's debt. The purchase price is a 40 percent premium over SI's Aug. 26 closing price of \$22.89 per share.

Based on 2007 data, the combined companies have \$1.3 billion in revenue and 11,500 employees. Virtually all of the revenue comes from work with the federal government.

The deal adds to Serco's ability to serve the Defense Department, U.S. intelligence agencies and federal civilian agencies, the company said. The transaction is expected to close by the end of 2008. It is subject to regulatory and SI shareholder approvals.

"Serco and SI International share the same commitment to excellent service and complement each other exceptionally well in both capabilities and markets," said Ed Casey, chairman and chief executive officer of Serco Inc. "SI International strengthens our ability to bring business process re-engineering and technology solutions to the most demanding government missions, while our increased combined scale positions our businesses to deliver even larger and more complex integrated solutions for our customers."

The transaction would further evolve Serco's North American organization into a management services business, the company said.

"Now is the right time to go to the next level so the services we provide to our customers are enhanced by the scale and global reach that Serco can offer," said Brad Antle, SI's CEO.

The SI deal is the second major acquisition by Serco in three years. In 2005, the company acquired defense contractor Resource Consultants Inc.

Ray Oleson, SI's executive chairman, founded the company in 1998.

The transaction brings together two Washington Technology Top 100 companies. SI is ranked [No. 44](#) on Washington Technology's 2008 [Top 100 list](#) of the largest federal government prime contractors, and Serco is ranked [No. 56](#).

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Skadden Arps Slate Meagher and Flom LLP and Kaye Scholer LLP (for regulatory matters) acted as legal advisers to Serco Inc. Wachovia Capital Markets LLC acted as the financial adviser and Morrison & Foerster LLP as the legal adviser to SI.

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EV Question #302

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Serco Group's acquisition of SI International broadens integrated solutions

by AF 0113 i3 — January 16, 2009—Serco Group plc, an international facilities management services company, has completed the acquisition of SI International, Inc, a provider of information services and network solutions to the US.

SI International will be combined with Serco's existing North American business and will enhance integrated solutions to the \$290 billion US federal government services market, with:

- Scale and increased resources to bid on larger government contracts. Serco North America and have combined annual revenue of \$1.3 billion and approximately 11,500 employees.
- Depth of capabilities to enhance Serco North America's offerings, encompassing information technology services, human capital management, engineering and logistics, national security, and intelligence
- Access to higher growth areas, such as improved information sharing, cyber security, systems management, business process reengineering and homeland security.
- New customer relationships. With Serco North America and SI International having highly competitive bases, the combined company now serves every branch of the military, numerous federal civilian intelligence community.

Serco has a group that services facilities managers, which focuses on IWMS, CAFM, CMMS and technologies. This acquisition is expected to complement those technologies and facilitate Serco's access to various US government agencies.

For more information, visit the [Serco](#) Web site as well as the company's ad on [FMLink](#) ad.



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**TECHNOLOGY** | January 1, 2009

Serco completes acquisition of SI International

SI to become part of Serco's North American business

By CBR Staff Writer



Serco Group, a UK-based service company, has completed the acquisition of SI International, a provider of IT and network services to the US government, following the receipt of all regulatory approvals.

Serco acquired SI International for \$32 per share in cash, valuing its fully diluted share capital at \$422 million.

SI, which will become a part of Serco's North American business, is expected to enable Serco deliver integrated services to the \$290 billion US federal government services market. Serco expects to expand its capabilities in offering IT, professional services, human capital management, engineering and logistics, national security, and intelligence.

Serco North America and SI will have combined annual revenue of \$1.3 billion and approximately 11,500 employees. With Serco North America and SI having complementary customer bases, the combined company now serves all the branches of the military, several federal civilian agencies, and the intelligence community.

Their major customers include: US Army, US Air Force, US Navy, Department of Homeland Security, Department of State, US Federal Aviation Administration, Federal Retirement Thrift Investment Board, US Postal Service, and the intelligence community.



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Christopher Hyman, CCEO of Serco Group, said: “We are delighted to welcome the employees of SI International to Serco. In the US, Serco is a leading supplier to the substantial US federal services market. We now have a stronger platform from which we will be able to offer our customers more integrated solutions and deliver robust growth for our shareholders.”

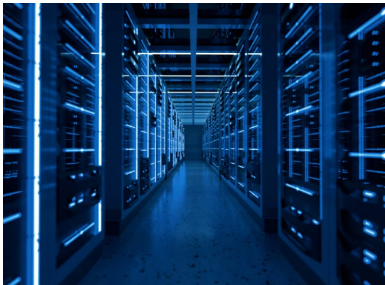
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