

MANTECH INTERNATIONAL CORP

Form 8-K

October 29, 2003

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

**PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

October 29, 2003

Date of Report (Date of earliest event reported)

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of
incorporation or
organization)

000-49604
(Commission File Number)

22-1852179
(I.R.S. Employer
Identification No.)

12015 Lee Jackson Highway, Fairfax, VA 22033
(Address of principal executive offices)

(703) 218-6000
(Registrant's telephone number, including area code)

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits. The following exhibit is furnished with this report.

99.1 Press Release dated October 29, 2003, announcing ManTech International Corporation's third quarter financial results for fiscal year 2003 as well as its earnings guidance for the fourth quarter of fiscal year 2003 and full fiscal year 2003.

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On October 29, 2003, ManTech International Corporation issued an earnings release announcing its financial results for the third quarter ended September 30, 2003 as well as its earnings guidance for the fourth quarter of fiscal year 2003 and full fiscal year 2003. A copy of the earnings release is furnished as Exhibit 99.1 to this Current Report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

**MANTECH INTERNATIONAL
CORPORATION**

Date: October 29, 2003

/s/ Ronald R. Spoehel
Name: Ronald R. Spoehel
Title: Executive Vice President and
Chief Financial Officer

ManTech International Corporation
12015 Lee Jackson Highway
Fairfax, VA 22033-3300
www.mantech.com

Maureen Crystal
Executive Director, Investor Relations
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FOR IMMEDIATE RELEASE

ManTech Reports Record Third Quarter 2003 Results

FAIRFAX, Virginia, October 29, 2003 ManTech International Corporation (NASDAQ: MANT), a leading provider of information technology and technical services solutions to the Department of Defense and the intelligence community, today announced record operating results for the third quarter of 2003. ManTech's revenue for the third quarter 2003 increased year-over-year 39% to \$181.6 million, operating income increased 48% to \$16.2 million and fully diluted Earnings Per Share (EPS) rose 21% to \$0.29.

ManTech's third quarter results reflect our success at positioning the company to play a meaningful role in the market for national security. We have gained traction across the entire spectrum of our defense, intelligence and homeland security markets as evidenced by the fact that now approximately 93% of our revenue for the quarter was derived from our contracts with the Department of Defense and intelligence community, stated George J. Pedersen, Chairman of the Board, CEO and President of ManTech International Corporation. Strong budget trends for our markets, our solid balance sheet, and improving operating results will allow us to capitalize on the momentum created from our fully integrated, uniform business platform.

ManTech International Corporation reported revenue for the quarter ending September 30, 2003 of \$181.6 million, up from \$130.4 million for the same period in 2002, an increase of 39%. The results reflect an organic growth rate of over 12% from the \$161.5 million in pro forma revenue for the comparable period in 2002, which includes the revenue for each period of the companies acquired by ManTech since that time. This revenue growth was primarily attributable to new business supporting national security programs for the Department of Defense and intelligence community.

Operating income for the quarter was \$16.2 million, an increase of 48% over 2002. Operating margin for the quarter expanded to 8.9% compared with 8.4% for the same period in 2002. The margin expansion in the quarter is attributable both to higher margin contributions from acquired companies and to operating efficiencies. Net income for the quarter rose 47% to \$9.2 million from \$6.3 million in 2002, while fully diluted EPS were \$0.29, up from \$0.24 in 2002.

ManTech recently received contract awards and contract expansions with an estimated value in excess of \$260 million, including previously unannounced contract awards and existing contract expansions totaling approximately \$160 million. Of particular note, ManTech won several significant blanket purchase agreements (BPAs) during the quarter. ManTech was selected as one of three prime contractors by the Department of Justice, under a BPA that is estimated to be approximately \$100 million per fiscal year, according to the solicitation, to support the Justice Consolidated Office Network (JCON) Program. ManTech also won a GSA-based BPA contract with the Marine Corps Systems Command to provide a wide variety of technical support services, including specialized IT services and engineering support, software development, test and evaluation support and C4I systems integration. Further, the company won a multi-year contract with the National Security Agency to provide full life cycle engineering, operations, and maintenance support for several NSA mission-related systems.

ManTech reported backlog of \$1.5 billion as of September 30, 2003, compared with \$1.2 billion on the same date in 2002. Funded backlog as of September 30, 2003 was \$410.8 million, an increase of 81% over the same date in 2002. At the end of the third quarter, ManTech had approximately \$1.3 billion in proposals under evaluation and a pipeline of qualified opportunities over \$4.5 billion.

ManTech derived about 90% of its revenue during the quarter ended September 30, 2003 from prime contracts, and approximately 44% of its revenue for the period came from work under GSA schedule contracts. Revenue from the Department of Defense and the intelligence community accounted for approximately 93% of revenue for the third quarter ending September 30, 2003. Revenue from work in secure systems and information technology solutions increased to 85% of revenue in the third quarter 2003 from 78% in 2002.

Date: October 29, 2003

ManTech Reports Third Quarter Results

October 29, 2003

Page 2

Company Guidance:

Based on recent business trends and the expectation of continuing strength in our national security markets, ManTech reaffirms the following guidance for 2003:

| | <u>4th Quarter 2003</u> | <u>Full Year 2003</u> |
|--|-------------------------------|-------------------------------|
| Revenue | \$188 million - \$198 million | \$695 million - \$705 million |
| Diluted Earnings Per Share | \$0.29 - \$0.31 | \$1.07 - \$1.09 |
| Weighted Average Common Shares Outstanding | 32,385,918 | 32,163,476 |

Regarding 2004 guidance, all current indications suggest top-line growth to be in the range of 13% to 15%, with consistent, or slightly better, growth in earnings for next year.

Conference Call:

ManTech has scheduled a conference call for 5:00 p.m., EST October 29, 2003, during which executive management will discuss third quarter results and respond to questions. Interested parties may access the call by dialing (800) 915-4836 (domestic) or (973) 317-5319 (international). The conference call will be Webcast (listen only) simultaneously via the Internet at www.mantech.com. Interested parties should dial in or log on approximately ten minutes prior to the start time of the call.

A replay of the call will also be available beginning at 9:00 p.m. on October 29, 2003, and will remain available through midnight on November 11, 2003. To access the replay, call (800) 428-6051 (domestic) or (973) 709-2089 (international). The confirmation code for the replay is 307876. A replay will also be available on ManTech's Website approximately two hours after the conclusion of the call.

About ManTech International Corporation:

Headquartered in Fairfax, Virginia, ManTech International Corporation delivers a broad array of information technology and technical services solutions to U.S. federal government customers, focusing primarily on critical national defense programs for the intelligence community and Department of Defense. ManTech designs, develops, procures, implements, operates, tests and maintains mission-critical, enterprise information technology and communication systems and infrastructures for federal government customers in the United States and over 30 countries worldwide. Additional information can be found at www.mantech.com.

Cautionary Statement About Forward-Looking Statements:

This press release contains forward-looking statements that involve substantial risks and uncertainties. You can identify these statements by forward-looking words such as may, will, expect, intend, anticipate, believe, estimate, continue and other similar words. You should read these statements carefully because they discuss the Company's future expectations, make projections of the company's future results of operations or financial condition or state other forward-looking information. Examples of such forward-looking statements include the company's expected future earnings as suggested by backlog estimates, updated guidance projections, and the company's belief that there will be increased defense and intelligence spending in the future. Such statements are subject to factors that could cause actual results to differ materially from anticipated results. The factors that could cause actual results to differ materially from those anticipated include, but are not limited to the following: failure of government customers to exercise options under contracts; funding decisions of U.S. Government projects; government contract procurement (such as bid protest) and termination risks; competitive factors such as pricing pressures and/or competition to hire and retain employees; the company's ability to identify, execute or effectively integrate future acquisitions; the company's ability to successfully raise additional capital; changes to the tax laws relating to the treatment and deductibility of goodwill or any change in tax rates; additional costs related to compliance with the Sarbanes-Oxley Act of 2002, any revised NASDAQ listing standards, SEC rule changes or other corporate governance issues; failure to experience continued positive defense and intelligence budget and spending trends; material changes in laws or regulations applicable to the company's businesses and other risk factors discussed in the company's filings with the Securities and Exchange Commission. The statements in this press release are made as of October 29, 2003, and the company undertakes no obligation to update any of the forward-looking statements made herein, whether as a result of new information, future events, changes in expectations or otherwise.

Financials Follow

ManTech Reports Third Quarter Results

October 29, 2003

Page 3

MANTECH INTERNATIONAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Dollars in Thousands Except Per Share Amounts)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------------------------------------|-------------|------------------------------------|-------------|
| | 2003 | 2002 | 2003 | 2002 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| REVENUES | \$ 181,590 | \$ 130,425 | \$ 506,789 | \$ 357,727 |
| COST OF SERVICES | 147,461 | 105,995 | 411,593 | 291,885 |
| GROSS PROFIT | 34,129 | 24,430 | 95,196 | 65,842 |
| COSTS AND EXPENSES: | | | | |
| General and administrative | 16,723 | 12,856 | 47,657 | 36,346 |
| Depreciation and amortization | 1,181 | 603 | 3,358 | 1,608 |
| Total costs and expenses | 17,904 | 13,459 | 51,015 | 37,954 |
| INCOME FROM OPERATIONS | 16,225 | 10,971 | 44,181 | 27,888 |
| Interest expense | 618 | 119 | 1,639 | 322 |
| Other expense (income) | 58 | 186 | 328 | (337) |
| INCOME BEFORE PROVISION FOR INCOME TAXES AND MINORITY INTEREST | 15,549 | 10,666 | 42,214 | 27,903 |
| Provision for income taxes | (6,321) | (4,382) | (17,144) | (11,387) |
| Minority interest | (1) | 3 | (4) | -- |
| INCOME FROM CONTINUING OPERATIONS | 9,227 | 6,287 | 25,066 | 16,516 |
| Loss on disposal of discontinued operations net | -- | -- | -- | (795) |
| NET INCOME | \$ 9,227 | \$ 6,287 | \$ 25,066 | \$ 15,721 |
| BASIC EARNINGS (LOSS) PER SHARE: | | | | |
| Income from continuing operations | \$ 0.29 | \$ 0.24 | \$ 0.78 | \$ 0.66 |
| Loss from discontinued operations | -- | -- | -- | (0.03) |
| | \$ 0.29 | \$ 0.24 | \$ 0.78 | \$ 0.63 |
| Weighted average common shares outstanding | 32,007,957 | 26,471,122 | 31,955,522 | 25,199,125 |
| DILUTED EARNINGS (LOSS) PER SHARE: | | | | |
| Income from continuing operations | \$ 0.29 | \$ 0.24 | \$ 0.78 | \$ 0.65 |
| Loss from discontinued operations | -- | -- | -- | (0.03) |
| | \$ 0.29 | \$ 0.24 | \$ 0.78 | \$ 0.62 |

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| | <u>Three months ended</u> | | <u>Nine months ended</u> | |
|--|---------------------------|-------------------|--------------------------|-------------------|
| Weighted average common shares outstanding | <u>32,335,226</u> | <u>26,741,466</u> | <u>32,094,136</u> | <u>25,483,548</u> |

ManTech Reports Third Quarter Results

October 29, 2003

Page 4

MANTECH INTERNATIONAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

| | <u>September 30,</u> <u>2003</u> | <u>December 31,</u> <u>2002</u> |
|---|-------------------------------------|------------------------------------|
| | <u>(unaudited)</u> | |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 19,810 | \$ 81,096 |
| Cash in escrow | 828 | -- |
| Receivables--net | 174,120 | 133,122 |
| Prepaid expenses and other | 14,481 | 8,955 |
| Assets held for sale | 1,270 | 6,738 |
| | <u>210,509</u> | <u>229,911</u> |
| Total current assets | 210,509 | 229,911 |
| Property and equipment--net | 11,426 | 9,131 |
| Goodwill | 147,988 | 94,003 |
| Other intangibles | 17,314 | 10,231 |
| Investments | 9,913 | 7,631 |
| Employee supplemental savings plan assets | 9,411 | 8,068 |
| Other assets | 6,448 | 5,413 |
| | <u>413,009</u> | <u>364,388</u> |
| TOTAL ASSETS | \$ 413,009 | \$ 364,388 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Current portion of debt | \$ 76 | \$ 1,000 |
| Accounts payable and accrued expenses | 42,766 | 32,905 |
| Accrued salaries and related expenses | 26,254 | 23,619 |
| Deferred income taxes | 18,272 | 11,888 |
| Billings in excess of revenue earned | 5,699 | 2,700 |
| Liabilities held for sale | 1,462 | 5,099 |
| | <u>94,529</u> | <u>77,211</u> |
| Total current liabilities | 94,529 | 77,211 |
| Debt--net of current portion | 25,203 | 25,000 |
| Accrued retirement | 10,904 | 9,555 |
| Other long-term liabilities | 5,431 | 1,838 |
| Deferred income taxes | 4,064 | 4,744 |
| Minority interest | 46 | 42 |
| | <u>140,177</u> | <u>118,390</u> |
| TOTAL LIABILITIES | 140,177 | 118,390 |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' EQUITY: | | |
| Common stock, Class A | 164 | 163 |
| Common stock, Class B | 156 | 156 |
| Additional paid-in capital | 208,943 | 206,861 |
| Retained earnings | 65,909 | 40,843 |
| Accumulated other comprehensive loss | (1,566) | (2,025) |

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| | September 30, 2003 | December 31, 2002 |
|---|-----------------------|----------------------|
| Unearned ESOP shares | (774) | -- |
| Deferred compensation | 640 | 640 |
| Shares held in grantor trust | (640) | (640) |
| TOTAL STOCKHOLDERS' EQUITY | 272,832 | 245,998 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 413,009 | \$ 364,388 |

ManTech Reports Third Quarter Results

October 29, 2003

Page 5

MANTECH INTERNATIONAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

| | Nine months ended September 30, | |
|--|------------------------------------|-----------------|
| | 2003 | 2002 |
| | (unaudited) | (unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 25,066 | \$ 15,721 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Equity in losses (earnings) of affiliates | 844 | (237) |
| Loss from discontinued operations | -- | 795 |
| Deferred income taxes | 4,872 | 89 |
| Minority interest in income of consolidated subsidiaries | 4 | -- |
| Loss on disposals of property and equipment | 13 | 17 |
| Depreciation and amortization | 4,962 | 2,763 |
| Change in assets and liabilities--net of effects from acquired and discontinued businesses | | |
| Increase in receivables | (28,132) | (14,829) |
| (Increase) decrease in prepaid expenses and other | (5,963) | 792 |
| Increase (decrease) in accounts payable and accrued expenses | 4,682 | (1,296) |
| (Decrease) increase in accrued salaries and related expenses | (1,656) | 320 |
| Increase in billings in excess of revenue earned | 2,549 | 232 |
| Increase in other long-term liabilities | 69 | 107 |
| Increase in accrued retirement | 1,348 | 185 |
| | <u>8,658</u> | <u>4,659</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sales of property and equipment | 1 | 2 |
| Investment in Integrated Data Systems Corporation, net of cash acquired of \$2,820 | (63,145) | -- |
| Investment in MSM Security Services, Inc., net of cash acquired of \$20 | (5,107) | -- |
| Investment in property and equipment | (2,826) | (2,119) |
| Investment in capitalized software products | (1,488) | (768) |
| Investment in Advanced Development Group, Inc. | (230) | -- |
| Investment in CTX Corporation | (47) | -- |
| Investment in Aegis Research Corporation | (10) | (69,269) |
| Dividends from MASI U.K | 315 | 592 |
| Proceeds from notes receivable | -- | 350 |
| Dividends from GSE Preferred Stock | -- | 75 |
| | <u>(72,537)</u> | <u>(71,137)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payment of not-to-compete financings | (1,000) | -- |
| Proceeds from exercise of stock options | 916 | 268 |
| Proceeds from common stock issuance--net of offering expenses | -- | 110,157 |
| Net decrease in borrowings under lines of credit | -- | (32,300) |

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| | Nine months ended September 30, | |
|--|--|-------------------|
| | <u> </u> | <u> </u> |
| Repayment of subordinated debt | -- | (8,000) |
| Repayment of term loan | -- | (5,908) |
| Repayment of notes payable | -- | (104) |
| | <u> </u> | <u> </u> |
| Net cash (used in) provided by financing activities of continuing operations | (84) | 64,113 |
| | <u> </u> | <u> </u> |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | (5) | 95 |
| | <u> </u> | <u> </u> |
| NET CASH PROVIDED BY (USED IN) DISCONTINUED OPERATIONS | 2,682 | (2,233) |
| | <u> </u> | <u> </u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (61,286) | (4,503) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 81,096 | 26,902 |
| | <u> </u> | <u> </u> |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | <u>\$ 19,810</u> | <u>\$ 22,399</u> |

ManTech Reports Third Quarter Results

October 29, 2003

Page 6

MANTECH INTERNATIONAL CORPORATION
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION
AND AMORTIZATION (EBITDA)
(Dollars in Thousands)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------------|------------------------------------|------------------|
| | 2003 | 2002 | 2003 | 2002 |
| Net Income | \$ 9,227 | \$ 6,287 | \$ 25,066 | \$ 15,721 |
| Plus: Loss from Discontinued Operations | | | | 795 |
| Income from Continuing Operations | 9,227 | 6,287 | 25,066 | 16,516 |
| Plus: Interest Expense | 618 | 119 | 1,639 | 322 |
| Income Taxes | 6,321 | 4,382 | 17,144 | 11,387 |
| Depreciation and Amortization | 1,855 | 1,013 | 4,961 | 2,763 |
| Other Expense (Income) | 58 | 186 | 328 | (337) |
| Minority Interest | 1 | (3) | 4 | |
| EBITDA | \$ 18,080 | \$ 11,984 | \$ 49,142 | \$ 30,651 |
| EBITDA ROS% | 10.0% | 9.2% | 9.7% | 8.6% |

NOTE: EBITDA is defined as net income plus the loss from discontinued operations, interest expense, income taxes, depreciation and amortization, other expense, minority interest, and minus other income.

EBITDA as calculated by us may be calculated differently than EBITDA for other companies. We have provided EBITDA because we believe it is a commonly used measure of financial performance in comparable companies and is provided to help investors evaluate companies on a consistent basis, as well as to enhance an understanding of our operating results. EBITDA should not be construed as either an alternative to net income as an indicator of our operating performance or as an alternative to cash flows as a measure of liquidity.