



## **GovCon M&A: How to Tank A Deal in 8 Ways**

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- M&A Overview and Trends
- Areas of Conventional Financial and Risk Due Diligence
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- Transaction Implications
- Questions?



# M&A Overview and Trends

## ACTIVITY TRENDS



**2019 ACTIVITY  
EXPECTED TO BE  
SIMILAR TO 2018**



**M&A INVOLVING  
PRIVATE EQUITY  
BUYERS/SELLERS**



**2019 EXPECTED  
TO EXCEED 2018**



**REVENUE OF  
\$100M OR LESS  
LEADING THE WAY**

## VALUE TRENDS

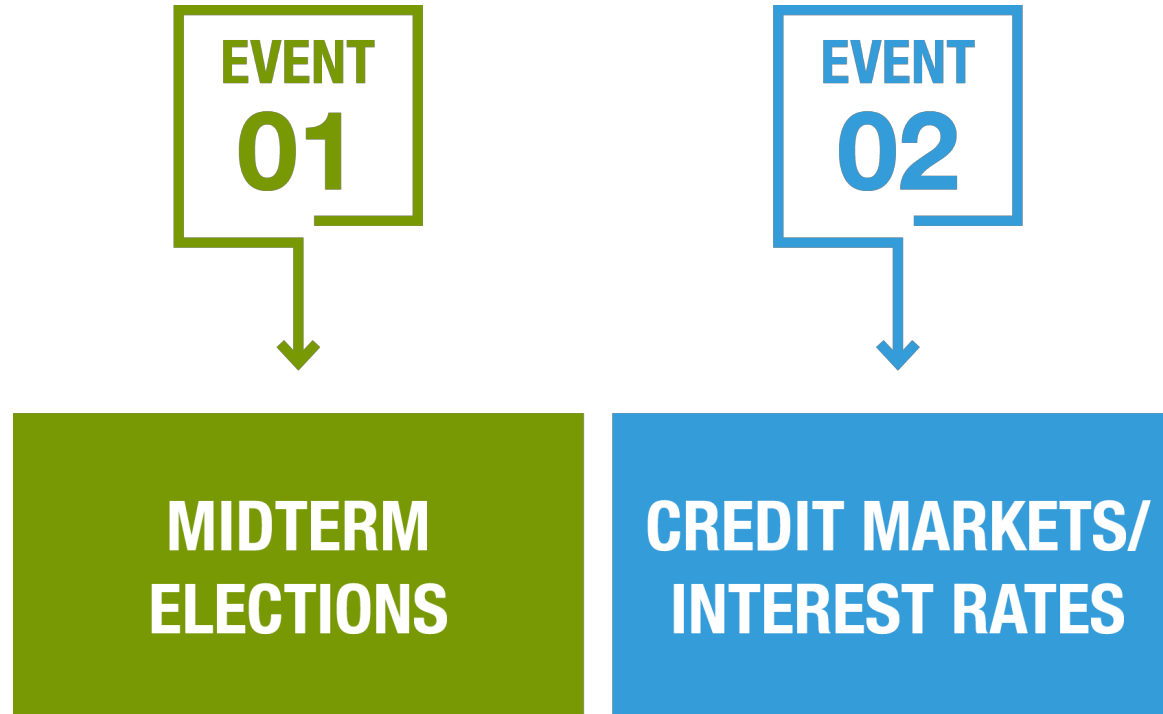


**HIGH MULTIPLES  
WILL CONTINUE  
(VARY DEPENDING  
ON ATTRIBUTES)**



**HOTTEST  
SECTORS: CYBER  
INTEL, HEALTH IT,  
IT MODERNIZATION**

## IMPACT EVENTS

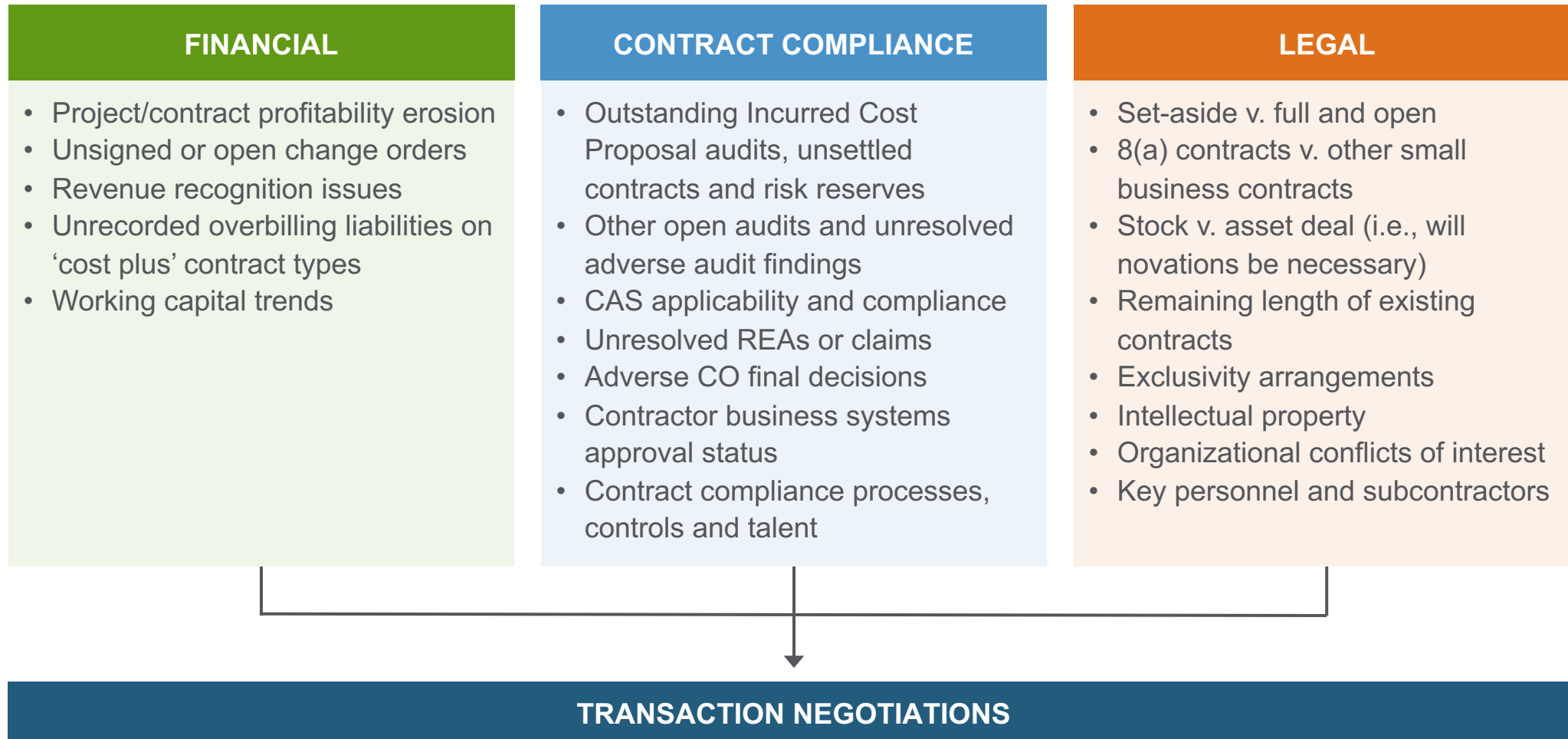




# **Areas of Conventional Financial and Risk Due Diligence**



Conventional due diligence items that impact transaction price and terms generally include:





# **8 Examples of Surprise Diligence Findings and Risks**

## FINANCIAL

1. Unrealistic value expectations
2. Overbillings on cost-plus contracts
3. Change orders were assumed

## GOVERNMENT CONTRACTS

4. The task order that wasn't quite
5. The contract pricing dispute that didn't look good

## LEGAL

6. Existing contracts awarded based on faulty small status representation(s)
7. Existing contracts' pricing noncompliant (e.g., GSA Schedule PRC issues)
8. Existing federal audits/investigations



# Transaction Implications

## BUYERS

- Take wide-aperture approach to target due diligence; don't miss the unexpected due to too narrow an inquiry approach
- Don't assume anything – trust but verify (e.g. diligence the backlog schedules)
- Follow your intuition if something doesn't seem or feel right
- Ensure that you have the right resources with sufficient bandwidth to conduct sufficient diligence; you don't get “do-overs”

## SELLERS

- Prepare for the conventional information requests in advance
- Identify and be prepared to provide information and address any know risk areas during the diligence process (e.g., adverse audit findings, penalties, CPARS, unresolved claims, disputes)

