

ManTech International Corporation MANT (NAS)

Last Close	Industry	Sector
41.53 USD	Software - Application	Software

Profile

Pricing data through 10 Nov 2010

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ManTech International Corporation was founded in 1968. It is a provider of innovative technologies and solutions for mission-critical national security programs for the Intelligence Community, the departments of Defense, State, Homeland Security and Justice, the Space Community and other U.S. federal government customers. The company's expertise includes systems engineering and integration, software services, enterprise architecture, information operations and computer forensics, information assurance and security architecture, intelligence operations and analysis support, cyber security, network and critical infrastructure protection, information technology, communications integration and engineering support; and global logistics and supply chain management. The company operates in the United States and approximately 40 countries worldwide. It delivers information technology, technical and other services and solutions for mission-critical, enterprise information technology and communication systems, mainly in support of national security programs for the Intelligence Community and Department of Defense. Its offerings fall into three basic categories: Mission Support; Systems Engineering; and Technical Services. The Company owns nine patents in the United States and two patents in Canada. Its key competitors currently include divisions of large defense contractors such as Computer Sciences Corporation, General Dynamics, Lockheed Martin Corporation, Northrop Grumman Corporation and Science Applications International Corporation, as well as a number of mid-size U.S. government contractors with specialized capabilities, such as CACI, Booz Allen & Hamilton, Stanley, Inc., DynCorp International and SRA International.

ManTech International Corporation MANT

Sales USD Mil
2,448Mkt Cap USD Mil
1,511Industry
Software
- ApplicationSector
Software

ManTech International delivers a wide array of information technology and technical services solutions to the federal governments of the United States and 28 foreign countries.

The company's principle business focuses primarily on critical national defense programs for the intelligence community and the U.S. Department of Defense, NASA, and the U.S. Navy.

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Employees: 9100

Growth Rates Compound Annual					
	1 Yr	3 Yr	5 Yr	10 Yr	
Revenue %	8.0	21.1	19.1	19.0	
Operating Income %	16.8	25.5	34.3	28.0	
Earnings/Share %	22.0	23.8	32.5	24.1	
Dividends %	—	—	—	—	
Book Value/Share %	18.3	18.6	18.1	—	
Stock Total Return %	-8.0	2.4	9.4	—	
+/- Industry	-29.3	0.0	4.4	—	
+/- Market	-19.5	8.1	9.6	—	

Profitability Analysis				
	Current	5 Yr Avg	Ind	Mkt
Return on Equity %	14.1	13.5	-15.0	22.4
Return on Assets %	9.5	9.2	-8.3	8.6
Fixed Asset Turns	160.3	107.4	9.7	7.1
Inventory Turns	—	—	48.7	14.0
Revenue/Employee USD K	269.0	229.2*	—	872.4
Gross Margin %	15.5	16.9	65.4	39.7
Operating Margin %	8.3	8.3	6.4	14.4
Net Margin %	4.9	4.8	-13.1	9.8
Free Cash Flow/Rev %	5.3	5.9	18.4	0.1
R&D/Rev %	—	—	—	10.0

Financial Position		
	12-09 USD Mil	09-10 USD Mil
Cash	86	152
Inventories	—	—
Receivables	399	503
Current Assets	497	670
Fixed Assets	15	16
Intangibles	562	784
Total Assets	1101	1504
Payables	157	232
Short-Term Debt	0	—
Current Liabilities	221	312
Long-Term Debt	—	200
Total Liabilities	283	578
Total Equity	817	926

Valuation Analysis				
	Current	5 Yr Avg	Ind	Mkt
Price/Earnings	12.5	19.8	—	15.4
Forward P/E	11.3	—	—	14.4
Price/Cash Flow	11.1	16.4	17.5	8.1
Price/Free Cash Flow	11.6	17.6	20.2	16.0
Dividend Yield %	—	—	0.3	1.8
Price/Book	1.6	2.6	3.9	2.1
Price/Sales	0.6	1.0	3.7	1.3
PEG Ratio	1.0	—	—	1.6

Morningstar Rating	Last Price	Fair Value	Uncertainty	Economic Moat™	Stewardship Grade
—	41.53	—	—	—	—

per share prices in USD



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	YTD	Stock Performance
—	—	—	31.0	-4.8	17.4	32.2	19.0	23.7	-10.8	-14.1	Total Return %
—	—	—	4.6	-13.8	14.4	18.6	15.5	62.2	-34.2	-23.4	+/- Market
—	—	—	-41.4	-22.1	18.5	15.5	18.0	62.1	-58.6	-32.0	+/- Industry
—	—	—	—	—	—	—	—	—	—	0.0	Dividend Yield %
—	—	505	800	769	921	1242	1505	1919	1739	1511	Market Cap USD Mil
2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	TTM	Financials
379	431	500	702	842	980	1137	1448	1871	2020	2448	Revenue USD Mil
16.7	18.1	18.6	18.8	15.3	17.8	17.0	16.2	16.3	17.4	15.5	Gross Margin %
19	30	39	61	41	84	91	114	153	179	204	Oper Income USD Mil
4.9	7.0	7.7	8.7	4.9	8.6	8.0	7.9	8.2	8.9	8.3	Operating Margin %
2	1	19	35	25	44	51	67	90	112	121	Net Income USD Mil
1.52	0.69	0.74	1.09	0.76	1.33	1.49	1.95	2.55	3.11	3.32	Earnings Per Share USD
—	—	—	—	—	—	—	—	—	—	—	Dividends USD
1	1	26	32	32	33	34	35	35	36	36	Shares Mil
—	—	9.28	8.98	9.89	11.45	13.61	16.06	19.22	22.73	25.44	Book Value Per Share USD
20	8	7	1	27	61	84	63	127	132	136	Oper Cash Flow USD Mil
-1	-2	-3	-3	-5	-6	-7	-5	-5	-4	-6	Cap Spending USD Mil
19	6	5	-2	22	56	77	58	122	128	130	Free Cash Flow USD Mil
2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	TTM	Profitability
0.9	0.4	7.0	8.8	5.5	8.6	8.7	8.7	9.2	10.5	9.5	Return on Assets %
8.4	3.6	14.3	13.2	8.1	12.6	12.1	13.3	14.7	14.9	14.1	Return on Equity %
0.5	0.2	3.8	5.0	2.9	4.5	4.5	4.6	4.8	5.5	4.9	Net Margin %
2.03	2.31	1.82	1.75	1.86	1.92	1.95	1.87	1.91	1.90	1.93	Asset Turnover
8.6	8.3	1.5	1.5	1.5	1.5	1.3	1.7	1.5	1.4	1.6	Financial Leverage
2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	09-10	Financial Health
72	68	153	132	122	103	168	68	141	276	358	Working Capital USD Mil
73	70	25	25	0	0	—	39	0	—	200	Long-Term Debt USD Mil
22	23	246	288	321	379	459	551	681	817	926	Total Equity USD Mil
3.35	3.12	0.10	0.09	0.00	0.00	—	0.07	—	—	0.22	Debt/Equity
2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	TTM	Valuation
—	—	21.6	22.9	31.3	17.4	22.5	22.5	21.2	15.6	12.5	Price/Earnings
—	—	—	—	—	—	—	—	—	0.9	0.8	P/E vs. Market
—	—	1.0	1.1	0.9	0.9	1.1	1.0	1.0	0.9	0.6	Price/Sales
—	—	2.0	2.8	2.4	2.4	2.7	2.7	2.8	2.1	1.6	Price/Book
—	—	67.6	—	28.6	15.0	14.7	23.9	15.1	13.2	11.1	Price/Cash Flow

Quarterly Results					
Revenue USD Mil	Dec 09	Mar 10	Jun 10	Sep 10	
Most Recent Period	542.1	587.6	661.6	657.0	
Prior Year Period	494.7	449.6	514.1	514.6	
Rev Growth %	Dec 09	Mar 10	Jun 10	Sep 10	
Most Recent Period	9.6	30.7	28.7	27.6	
Prior Year Period	17.3	5.8	10.6	5.9	
Earnings Per Share USD	Dec 09	Mar 10	Jun 10	Sep 10	
Most Recent Period	0.82	0.76	0.88	1.72	
Prior Year Period	0.69	0.68	0.80	0.81	

Industry Peers by Market Cap				
	Mkt Cap USD Mil	Rev USD Mil	P/E	ROE%
ManTech Internationa	1511	2448	12.5	14.1
Sap AG	60725	15509	21.6	24.2
Sap AG	60725	15509	21.6	24.2

Major Fund Holders		% of shares
Neuberger Berman Genesis Inv		6.74
Royce Value Svc		2.54
Royce Pennsylvania Mutual Invmt		2.08

*3Yr Avg data is displayed in place of 5Yr Avg

TTM data based on rolling quarterly data if available; otherwise most recent annual data shown.

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Management & Ownership

Management Activity

Name	Position	Shares Held	Report Date*	InsiderActivity
KEVIN M. PHILLIPS	CFO/Executive VP	10,000	15 Mar 2010	-
LT. GENERAL KENNETH A. MINIHAN	Director	2,000	12 May 2010	-
STEPHEN W. PORTER	Director	2,000	12 May 2010	-
WALTER R. FATZINGER, JR	Director	2,000	12 May 2010	-
BARRY G. CAMPBELL	Director	2,000	12 May 2010	-
THE HONORABLE MARY K. BUSH	Director	2,000	12 May 2010	-
RICHARD J. KERR	Director	2,000	12 May 2010	-
RICHARD L. ARMITAGE	Director	2,000	12 May 2010	-

*Report date represents the date on which the owner's common shares held was audited.

Fund Ownership

Top Owners	Morningstar Rating	% of Shares Held	% of Fund Assets	Change (k)	Portfolio Date
Neuberger Berman Genesis Inv	QQQQQ	6.71	1.15	0	30 Jun 2010
Royce Value Svc	QQQQ	2.53	2.71	138	30 Jun 2010
Royce Pennsylvania Mutual Invmt	QQQQ	2.07	0.63	71	30 Jun 2010
Royce Total Return Invmt	QQQQ	1.72	0.68	158	30 Jun 2010
Artisan Small Cap Value Investor	QQQQ	1.76	0.94	638	30 Sep 2010

Concentrated Holders

Trans BNY Mellon Mkt Netrl Strat I2	QQ	0.02	4.20	0	30 Jun 2010
Kinetics Internet No Load	QQQQ	0.23	3.59	0	30 Jun 2010
Intrepid Small Cap	QQQQQ	1.11	2.81	250	30 Sep 2010
Royce Value Svc	QQQQ	2.53	2.71	138	30 Jun 2010

Institutional Transactions

Top 5 Buyers	Morningstar Rating	% of Shares Held	% of Fund Assets	Shares Bought/Sold (k)	Portfolio Date
Artisan Small Cap Value Investor	QQQQQ	1.76	0.94	638	30 Sep 2010
Intrepid Small Cap	QQQQQ	1.11	2.81	250	30 Sep 2010
Royce Total Return Invmt	QQQQ	1.72	0.68	158	30 Jun 2010
Royce Value Svc	QQQQ	2.53	2.71	138	30 Jun 2010
Royce Pennsylvania Mutual Invmt	QQQQ	2.07	0.63	71	30 Jun 2010

Top 5 Sellers

Vanguard Explorer Inv	QQQQ	0.75	0.14	-54	30 Jun 2010
Parvest Equity USA Small Cap H	QQ	0.22	1.03	-21	30 Jun 2010
Russell US Quantitative Equity I	QQ	0.06	0.02	-14	30 Jun 2010
TFS Market Neutral	QQQQQ	0.01	0.06	-14	31 Jul 2010

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Industry Focus: Application Software

Sunit Gogia
Senior Stock Analyst

Three companies are poised to be acquired as private clouds soar.

From Data Centers to Private Clouds

29 October 2010

The mergers and acquisitions wave sweeping through technology-land could get larger before it subsides. The tangible economic benefits of cloud computing are driving IT investments as traditional enterprise data centers are transformed into private clouds. With server and storage virtualization as the core building blocks, private clouds offer large enterprises a step change in the efficiency of their data centers without the perceived risks associated with evolving lower-cost public cloud services.

The IT industry had long expected these investments in private clouds, but Oracle's ORCL aggressive efforts to capture a larger portion of the IT spending has left most of its competitors on the defensive. Oracle's strategy of selling integrated hardware plus software solutions has exposed the software gaps in competitors' portfolios, as can be seen in the graphic below, and is forcing them to revisit their own strategies. Already IBM has made an acquisition offer for Netezza NZ to combat the tremendous market success of Oracle's Exadata appliance, and Hewlett-Packard HPO has installed a new CEO and a new chairman,

both long on software industry experience. We expect a continuing wave of hardware and software acquisitions as rivals including IBM, HP, Dell, Cisco, and EMC design competitive responses to Oracle's integrated solutions approach.

All acquisition candidates are not created equal--the ownership imperative is weak in some areas (such as operating systems), and sheer size and ownership considerations render some targets impractical to acquire (such as SAP and SAS Institute). Additionally, stocks of some companies such as Isilon have already run up on acquisition rumors and are unlikely to offer significant acquisition premiums over their current market prices. Among potential takeouts, we think Teradata, BMC, and Compellent are likely candidates that offer investors the prospect of reasonable acquisition premiums to their current market valuations.

Teradata

An acquisition of Teradata could help HP or Dell compete head to head with Oracle's Exadata or IBM/Netezza's business analytics appliances. The business analytics market is heating up as enterprises try to extract information from mountains of data. For example, Oracle has stated that the pipeline for its Exadata product has grown to \$1.5 billion from \$1 billion sequentially over the past two quarters. Teradata also has proprietary database technologies that could be useful beyond its data warehousing specialty.

Any vendor attempting to compete with Oracle across the entire computing stack needs a credible database to offer its clients. This can be a tough nut to crack--independent proven database technologies that can reliably support high-end enterprise computing workloads are scarce. A lack of compelling database technology could well become the Achilles' heel of less capable rivals.

IBM's DB2, combined with its pending acquisition of

Private Cloud Portfolios, excluding non-Equity Partnerships							
	Oracle	IBM	HP	Dell	Microsoft	Cisco, EMC, VMware*	Acquisition Candidates
Business Analytics	●	●	○	○	○	○	SAS Institute, TIBX, MSTB
Application Software	●	○	○	○	○	○	SAP, JDAS, LWSN, TDC, EPIC, PEGA, OTEX, AU
Middleware	●	●	○	○	○	○	RHT, TIBX
Database Software	●	●	○	○	○	○	PostgreSQL, Ingres
Operating System	●	●	○	○	○	○	RHT, NOVL
Virtualization (x86)	●	○	○	○	○	○	CTXS, RHT
Systems Management Software	○	●	○	○	○	○	BMC, CA, SWI, QSFT, CPWR
Application Delivery Systems	○	○	○	○	○	○	FFIV, CTXS, RDWR
Storage Solutions	○	●	○	○	○	○	ISLN, CVLT, CML, NTAP
Server Hardware	●	●	○	○	○	○	—
Networking	○	○	○	○	○	○	BRCD, JNPR
Security	○	○	○	○	○	○	CHKP, FIRE, FTNT, WBSN

*Cisco, EMC and VMware are combined for this analysis due to their ACADIA joint venture and Cisco's equity stake in VMware.

Source: Morningstar

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Netezza, will hold that vendor in good stead, and SAP's recent acquisition of Sybase should reduce its dependence on Oracle in the long run. HP could continue to rely on its long-standing partnership with Microsoft to provide solutions based on SQL Server. However, a partnership approach might prove insufficient for Microsoft, HP, Dell, and other data center vendors if Oracle is able to gain Apple-esque innovation advantages from its ownership of database appliance hardware and software. Hardware vendors could look at piggybacking on some open-source database initiatives including PostgreSQL, but expensive acquisitions to gain access to talent could be hard to justify to shareholders.

Teradata would offer an acquirer proven, purpose-built analytics appliances as well as database expertise that could provide the foundation for new software solutions. Comparable transactions in the business analytics space include Hyperion's acquisition by Oracle for an enterprise value (EV) of 3.4 times trailing 12-month (TTM) sales, SAP's acquisition of Business Objects for 4.5 times EV/TTM sales and IBM's acquisition of Cognos for 4.1 times EV/TTM sales. We estimate that an acquirer of Teradata would have to pay an EV of at least 4 times TTM sales, or \$51 per share.

BMC

BMC would catapult a potential acquirer into a leadership position in IT infrastructure management tools. We see Dell, Cisco, and EMC as the most likely potential acquirers for BMC.

Comprehensive enterprise data center solutions require management tools to provision and manage IT assets. HP and IBM already have the most comprehensive management toolsets and are unlikely to venture beyond small acquisitions of niche technologies. Oracle needs to beef up its management tools portfolio, but BMC's mainframe management business (40% of revenues) would be a complete misfit in Oracle's stated strategy.

Dell, Cisco, and EMC need stronger management toolsets

to position themselves as one-stop shops for data center infrastructure. Dell has assembled an impressive portfolio of server and storage infrastructure organically and through acquisitions, but a lack of comprehensive infrastructure management tools leaves it competitively disadvantaged relative to HP and IBM. The Cisco/EMC partnership similarly lacks proprietary management tools that extend beyond network and storage systems, and an acquisition of BMC by a competitor would put their ambitions of a larger role in data centers at risk.

An acquisition of BMC would have negative implications for competitor CA. CA has one of the largest management tools businesses, but we think the firm's desirability to potential acquirers is compromised by its significant exposure to mainframe management revenues (60% of total revenues). CA has been attempting to diversify its revenue sources, and distributed systems management tools now account for 40% of the firm's revenues. Undoubtedly, CA would face a tougher competitive environment in the distributed systems segment, and we would reassess our current valuation assumptions for the company.

BMC shares are currently trading near our fair value estimate, but an acquisition of the company would likely fetch a higher multiple to current valuation levels. Past acquisitions in the systems management software space have commanded a wide range of multiples: HP acquired Opsware and Mercury Interactive for 13.8 times and 5.3 times EV/TTM sales, respectively, and BMC bought BladeLogic for 10.1 times EV/TTM sales. BMC is much larger compared with these takeouts, and we expect the company to command a lower premium. Applying an EV/TTM sales multiple of about 4.5, we expect BMC to command an acquisition price of about \$10.9 billion, or \$61 per share.

Compellent

An acquisition of Compellent's midrange storage arrays would enable Dell to capture a larger portion of customer's IT spend while creating value for shareholders by adding much-needed distribution prowess to Compellent's

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technology.

After the bidding war that Hewlett-Packard and Dell fought over storage firm 3PAR PAR , the entire market is evaluating the few remaining storage entities. Compellent and Isilon are the most likely takeout candidates, and Isilon's stock has already run up on rumors that the company is in acquisition talks with storage giant EMC.

Compellent's midrange storage technology would make it an attractive target for Dell, which is committed to building its data center portfolio and lost the bidding war for 3Par. We think Compellent's storage solutions would be an easy sell into Dell's existing customer base, allowing the firm ample opportunity to create shareholder value even if it has to pay premiums in line with recent acquisitions.

Having said that, we expect the acquisition premium for Compellent to be lower than levels seen in recent transactions because we don't foresee a bidding war breaking out for the company. Large storage specialists EMC and NetApp already possess or are in the process of developing competing products, and server vendors IBM and HP are likely content with their current storage products and internal development efforts. Oracle has expressed an interest in building out its midrange storage portfolio, but we expect the firm to prefer an acquisition of Pillar Data Systems, which is slightly higher-end and happens to be owned by Oracle CEO Larry Ellison.

Recent acquisitions in the storage space have included the acquisition of EqualLogic by Dell for 12.3 times EV/TTM sales, HP's proposed acquisition of 3Par for 11.2 times EV/TTM sales, and EMC's acquisition of Data Domain for 7.1 times EV/TTM sales. We estimate Compellent could command an EV/TTM sales multiple of about 8, translating to about \$43 per share.