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Tom Campbell's Winning Vision

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ExecutiveBiz, LLC

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When Tom Campbell first started his firm, DC Capital Partners, he and his partners laid out a five-year vision of where they wanted to invest. Today, that strategy is paying off, with six transactions closed last year and two pending. "We follow our own strategy, our own plan, and our own tactics and focus on execution," says Campbell. In the following Q&A, Campbell tells us about his winning strategy, and the rewards that come when you let go and trust your team to see your vision through.



Tell us about DC Capital Partners.

Tom Campbell: DC Capital Partners is a private equity firm focused on making controlling investments in middle market companies operating primarily in the United States defense, aerospace, and government services sectors. There are three partners: myself, Gail Dady and Doug Lake. We all have worked together in the past. We are a very complementary, cohesive team. We founded the firm in 2007 and spent last year organizing the firm and making six acquisitions under the umbrella of a company we christened National Interest Security Company (NISC). Right now we are using our own capital to acquire companies, but we are in the process of raising a small fund (\$150 to \$200 million) where we will commit a meaningful amount of our own capital side by side with the fund and continue to make investments in the government sector. Within those sectors there are a number of key areas that we are focused on. They are areas where we believe there will be higher budget growth, such as information management, technology consulting, and training within the intelligence community, DoD, and Homeland Security. We also see some attractive opportunities with the defense electronics sector particularly in components. Underlying those general areas of focus, we have identified more specific areas of interest such as cyber security, open source intelligence and biometrics.

How would you describe the private equity market as it relates to the federal contracting space now in 2008?

Tom Campbell: I think you have seen a paradigm shift since 9-11 from hardware to services. Prior to 2001, it was more about the future combat system and the digitization of the battlefield. While that is still important, the emphasis is now more about the war on terror, the increase in intelligence requirements, and the tremendous operating and maintenance requirement. I think you see not only us but others focusing on the services in the key areas that I mentioned. All one has to do is look at the growth of the services business for the large prime contractors such as Northrop Grumman, General Dynamics, or Lockheed Martin.

Are you actively looking for more deals?

Tom Campbell: Yes, we have a very active pipeline of opportunities. We have signed agreements on two new acquisitions which we will close in the next six to eight weeks and have a number of other attractive prospects we are reviewing as well.

What is the most important thing that you look for that makes you potentially walk away from a deal?

Tom Campbell: We are very big on making sure we have the right relationship with the management and the

employees and that they, in turn, have the proper relationship with customers. We have a simple expression around the firm: If you take care of your customers and employees, the results will follow. We place a lot of importance on employees and customers. If there are issues with either of those two constituents, we are not going to pursue an investment.

What will DC Capital Partners look like in 3 years?

Tom Campbell: For the most part we are going to stay relatively small and focused. We see a tremendous amount of opportunity within the middle market and believe that will continue for some time. As I said, many of the areas we are focused on have a significant amount of growth potential. So, in a three year timeframe, outside of hiring a small number of additional investment professionals, I don't see much change. I don't see a significant shift in terms of our focus either. When Gail, Doug, and I first started the firm, we basically laid out a five-year vision of where we wanted to invest. The strategy is bearing fruit with the six transactions closed last year and two pending. I think it was best summarized when a naval aviator I know made the statement, "Fly the plane." That is basically how we approach our market. We don't worry about what is going on around us; we follow our own strategy, our own plan, and our own tactics and focus on execution.

What would you say your biggest challenge is today?

Tom Campbell: Right now if you were to ask Gail, Doug, or myself, we feel very good about the prospects. Basically I think we have a good problem. We are managing our way through a number of opportunities that present themselves and selecting the best opportunities. Having been in this market for over 20 years, I have seen markets go up and down, requirements change, and capital markets go through their cycles and crises. I think you just have to step back, go to the high level and remember that there are certain missions and requirements that have to be fulfilled in the next 5 to 10 years.

Have you seen any fallout from the SBA rule change last year relating to recertification?

Tom Campbell: Quite candidly when it comes to small business set aside, it is an issue for us and anyone who is playing in this space. I believe the new statute hurt small business in many respects and it certainly affects the terminal value of these companies. Owners of small businesses which have a concentration of set aside contracts who are looking for liquidity have had a majority of options closed to them. As a practical matter, there are different ways to adapt to or address the issue, whether it is forming a mentor-protégé relationship or through creative teaming arrangements. That said, it adds a level of complexity. Each situation is unique and has to be judged on its own merits. Often it depends upon who the customer is, their flexibility, and their relationship with the company. For the most part, it is a red herring. Companies in our target market usually have some element of small business; it is just not the predominant element.

You recently hired Andy Maner as the CEO of one of your holding companies; can you talk about that and what your future plans are?

Tom Campbell: We actively recruited Andy to lead National Interest Security Company (NISC). As you probably know, Andy has a background that includes government service, and most recently he served as CFO of the Department of Homeland Security. Andy is exceptionally talented and has a deep understanding of the markets in which we invest. He has the right attributes to lead a company. He is a great listener and is especially well-suited to the NISC situation, where we are trying to encourage and foster an entrepreneurial spirit. It takes the right leader to actively listen and encourage and manage that entrepreneurial spirit. Our objective is to focus on top line growth within two verticals: technology consulting and information management. Andy, as well as Jim Van Dusen, who came from L-3 Services to be the CFO of NISC, are both well-suited to lead the company to the next level. In financial terms that equates to doubling the revenue of the company over the next three years, or, as we characterize it internally, Plan 300.

How would you describe your leadership or management style?

Tom Campbell: Active in strategy, passive in execution. I think it is very important to be extremely involved in the development of strategy, to set goals and objectives, and effectively communicate those goals to an organization. My approach is to set the vision, shape the strategy, agree on the tactics and then step back. It is up to the management teams to not only be part of the development of the strategy, but to execute the plan. As an investor, it is an absolute requirement to step back and let your team manage. That said, we monitor investments closely. We receive a liquidity report on a weekly basis which forecasts liquidity for 12 weeks and monitor progress on a monthly and quarterly basis using metrics we developed.

Tell us something most people don't know about you personally.

Tom Campbell: Most people don't know a lot about me including that I enjoy reading anything to do with history.

Is there a historical person that you would love to meet?

Tom Campbell: There are several. History is one of the reasons why I like investing in this space. There is always an element of history in domestic and foreign policy that shapes our defense posture. History repeats itself over and over again. I enjoy reading history, whether it took place a thousand years ago, a hundred years

ago, or as recent as 20 years ago. It is all relevant and seems to repeat itself far too often.

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